



where **you** come *first*

FUTURE FIRST

Annual Report 2019





Future First

If technology maps out the future, UBL is your GPS!

As leaders in digital online banking, we deliver customer satisfaction and convenience through our comprehensive value-added services, innovative ideas and a constant drive to ensure that our standards serve as an inspiration. At UBL, no matter how drastically or rapidly things change, when it comes to banking performance - you always come first!



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**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



Pioneers of Modern Banking

Since inception, UBL's embrace of innovation and technology, has been its hallmark of success. Keeping ahead of the curve in all that is contemporary in the banking and financial sectors, enables us to find new opportunities to equip our customers with the best.

It is in our nature to evolve continuously. We strive forward to discover the undiscovered and constantly chart for all our stakeholders, endless convenience and accessibility.



Company Information

Board of Directors

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

Lord Zameer M. Choudrey, CBE, SI Pk
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)

Lord Zameer M. Choudrey, CBE, SI Pk
Chairman
Mr. Arshad Ahmad Mir
Member
Ms. Sima Kamil
Member
Mr. Imran Sarwar
Secretary

Board Nomination Committee (BNC)

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman
Lord Zameer M. Choudrey, CBE, SI Pk
Member
Mr. Arshad Ahmad Mir
Member
Mr. Aqeel Ahmed Nasir
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

Board Human Resource & Compensation Committee (HRCC)

Mr. Khalid A. Sherwani
Chairman
Mr. Arshad Ahmad Mir
Member
Mr. Amar Zafar Khan
Member
Ms. Sadia Saeed
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. 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.ubldigital.com
Email: customer.services@ubl.com.pk

Share Registrar

THK Associates (Pvt.) Limited
1st Floor, 40-C, Block-6, P.E.C.H.S Karachi.
Phone No.: 021-34168270
UAN: 021-111-000-322
Fax No.: 021-34168271
Email: sfc@thk.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 and Chairman of Board Nomination Committee (BNC). He is also the Chairman of Bestway Group & its subsidiaries, which include Batleys Limited, Well Pharmacy and Bestway Cement Limited.

Sir Anwar began his career in the 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

Lord Zameer M. Choudrey, CBE, SI Pk Director

Lord Zameer M. Choudrey CBE, SI Pk has been a Member of the Board of Directors of United Bank Limited since October 2002. He is Chairman of the Board Risk and Compliance Committee (BRCC) and member of the Board Nomination Committee (BNC). He is also Director of UBL Insurers Limited.

He is the Chief Executive of Bestway Group, which is the 7th largest family business in UK with an annual turnover of £3.2 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.

Lord Choudrey 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 Accounts in England & Wales. He is the Chairman of Conservative Friends of Pakistan.

Lord Choudrey is a trustee of Bestway Foundation UK and Chairman of Bestway Foundation Pakistan. He is also a trustee of Crimestoppers. He also chairs The British Asian Trust's UK Advisory Council and is a member of HRH Prince of Wales Pakistan Recovery Fund International Leadership Team.

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

In December 2015, he 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 him in recognition of his contributions to advancing Pakistan through his services and the wide array of philanthropic work.

In 2019, he was appointed to the House of Lords, UK. This appointment is in recognition of his considerable contributions to Britain's domestic and foreign trade as a leading businessman and entrepreneur, his wide array of philanthropic work both in the UK and abroad, and his role as Chairman of the Conservative Friends of Pakistan.

Haider Zameer Choudrey, ACA

Director

Mr. Haider Zameer Choudrey has been a Director of United Bank Limited since March 2014. He is a Member of the Board Audit Committee (BAC) and Board IT Committee (BITC) and has the distinction of becoming the youngest Director of any listed commercial 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 £3.2 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 Director of UBL Insurers Limited.

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

He was 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 & 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 Member of the Board Risk & Compliance Committee (BRCC), Member of Board Human Resources & Compensation Committee (HRCC) and Member of Board Nomination Committee (BNC).



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 also Chairman of Board Human Resources & Compensation Committee (HRCC) and member of 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 a 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 the 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 (HBL) where she worked for 16 years. At HBL, she worked in diversified fields at senior levels, including Head of Corporate & Investment Banking and Head of Branch Banking.

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

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

She has been conferred with the prestigious honorary degree of 'Doctor of the University Honoris Causa' by the Kingston University in London for her outstanding contribution to diversity in business leadership.

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.





Masters of Innovation

Innovation begins with understanding the needs of the hour and delivering on them. With a world that has been digitised and transported to your nearest screen or hand-held device, UBL promises you nothing less. At UBL, innovation is not another added feature. It is in our DNA!

Our 60 years history is testament to our innate traits of being progressive and innovative. UBL has taken lead in financial inclusion and economic development of Pakistan through introduction of user-friendly financial products and services based on modern technology. UBL is at the forefront of digitisation of banking in the country.

Chairman's Review Report to the Members

I am pleased to announce that United Bank Limited (UBL) delivered strong financial results and shareholder returns for 2019. I feel honoured by the fact that UBL is one of the premier banking institutions of the country, with a large rural and urban presence, serving our ever growing and diverse customer base.

It is with great pleasure that I inform to you all that UBL has become the only bank to win the Pakistan Stock Exchange (PSX) "Top Companies of the Year" Award for three consecutive years from 2016 to 2018. The award acknowledges our performance in key financial metrics, transparency and compliance with various regulations.

Pakistan's economy went through a transient phase in 2019 as stringent measures were taken to address the spiraling current and fiscal imbalances. The country entered the IMF program to support foreign reserves and move towards a more market determined exchange rate. Rising inflation levels and exchange rate depreciation resulted in an increase in the policy rate from 10.00% to 13.25% in 2019. Furthermore, the government also took reform measures to increase revenues and arrest the worsening current account balance position, largely through a drastic contraction in the import bill. These recovery efforts will provide the economy with much needed stability in the medium term.

Our domestic franchise was the key driver for earnings in 2019. The Branch Banking Group continued the momentum built up in recent years, as we added 534,000 new current account relationships and grew the average deposit base by 10% over last year, thus maintaining a market share of 8.3% throughout the year. Credit off-take remained largely subdued in 2019 with the loan book prudently maintained at last year's level. The growth in core earnings is in line with the upward repricing of assets. UBL remains the market leader in the home remittance space with a share of 28%, a testament to the faith of the Pakistani diaspora on the UBL brand.

We live in an era where technological disruption has affected many established business models. The banking sector's role has rapidly transformed from the traditional way financial services were provided and the pace of change has been extremely rapid. Keeping ahead of the times, UBL commenced its digital transformation journey three years ago to bring state of the art technological solutions and lead the transformation to greater financial inclusion. One of our flagship digital offerings, the UBL digital app., has generated immense interest across banking customers in Pakistan. We achieved a major milestone towards the end of the year as the bank surpassed 1 million app subscribers.

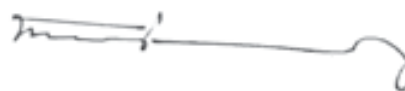
The GCC region is currently undergoing its own economic reforms journey. Although there have been some positive signs, market conditions have remained challenging. Our International business has been impacted by the underlying

economic and regional business environment. We maintain our medium term strategy to de-risk our international balance sheet and have evolved our business models in line with our risk appetite. We have further strengthened our risk and compliance functions to promote greater vigilance and have increased our efforts for the recovery of non-performing accounts.

UBL's Board carried out its responsibilities with the utmost competence and professionalism. The Board's performance is comprehensively evaluated in line with regulatory guidelines and international best practices. The Board has constituted its sub-committees for oversight of all key areas of the bank covering risk management, audit related matters, information technology and other key functions necessary for achieving the bank's strategic objectives. The Board has carried out their mandated functions efficiently and in accordance with their scope of work.

UBL is deeply rooted within the social and economic fabric of Pakistan. Our network covers even the remotest regions of the country and we remain a market leader in providing access to banking services. As the country embarks on its journey to realise its true economic potential, you can rest assured that UBL, with our vast presence, innovative banking services and strong capital foundation, will be at forefront of the country's economic growth.

In the end, I would like to extend my sincere thanks to our shareholders for their trust in UBL over the last many years. The support and guidance from all regulators in each jurisdiction of our business remains invaluable, as we strive to improve our services across different geographies. Our management team remains the driving force for the Bank, their leadership and commitment is the building block for our future success. Lastly, I wish to acknowledge each and every one of our devoted employees, who work tirelessly to successfully deliver on our commitments to customers and shareholders all year round.



Sir Mohammed Anwer Pervez, OBE, HPk
February 19, 2020

Directors' Report to the Members 2019

On behalf of the Board of Directors, I am pleased to present the 61st Annual Report of United Bank Limited (UBL) for the year ended December 31, 2019.

Performance Overview

UBL recorded a profit before tax (PBT) of Rs. 34.2 billion for the year 2019 against a PBT of Rs. 25.0 billion in 2018 on a standalone basis, with strong growth of 37% year on year.

The bank earned gross revenues of Rs. 83.5 billion in 2019, a growth of 3% over last year. Net interest income (NII) was recorded at Rs. 61.8 billion, up 10% over 2018. The State Bank of Pakistan (SBP) increased the policy rate by 325 bps in 2019, taking the benchmark from 10.00% at Dec'18 to 13.25% as at Jul'19, with a status quo for the remaining part of the year. The growth in interest earnings is in line with the repricing across the assets base. This has been well supported through steady build up in low cost deposits.

Non-Fund Income (NFI) stood at Rs. 21.7 billion for 2019, 13% lower year on year. Excluding capital gains, NFI recorded a growth of 6% over 2018. The bank's administrative expenses remain well-controlled, and despite inflationary pressures, the increase was contained at below 4%, to close at Rs. 40.2 billion for 2019. The cost to income ratio remained lean at 48.2% for the current year (2018: 47.8%).

A net provision expense of Rs. 8.2 billion was recorded for the year 2019, lower by Rs. 4.6 billion year on year (2018: Rs. 12.9 billion). The expense included a net impairment charge on the bank's investments of Rs. 3.2 billion, and a net charge for loan losses of Rs. 4.4 billion (2018: Rs. 10.7 billion), primarily on the bank's international advances portfolio.

Financial Results

UBL posted an unconsolidated profit after tax (PAT) of Rs. 19.1 billion for 2019, a growth of 26% over last year's PAT of Rs. 15.2 billion. The unconsolidated earnings per share (EPS) were recorded at Rs. 15.63 against Rs. 12.44 for 2018. On a consolidated basis, PAT stood at Rs. 19.0 billion (2018: Rs. 15.0 billion). The consolidated EPS was recorded at Rs. 15.60 for 2019 (2018: Rs. 12.65).

Net Markup Income

UBL earned net markup income of Rs. 61.8 billion for the year 2019, a growth of 10% over last year. The average domestic balance sheet was measured at Rs. 1.5 trillion, maintained at last year's levels. The domestic net interest margins (NIMs) improved significantly to achieve the strongest spreads in the last three years, with an expansion of 59 bps from 3.9% in 2018 to 4.5% in 2019. This is a result of improving markup on earning assets across the advances portfolio and active build up in treasury bills at higher interest rates during the year.

The earning assets base was primarily funded by a 10%

growth in the average domestic deposits, which were recorded at Rs. 1.1 trillion for 2019, an average incremental increase of Rs. 97 billion. The bank maintained its core strategy of expanding its customer base as it acquired over 534,000 new to bank current account relationships during the year. Resultantly, domestic current deposits recorded an 8% growth in average volumes year on year, which were measured at Rs. 475 billion for 2019. This enabled the bank to absorb the effects of rising interest rates on the funding side as the domestic cost of deposits was recorded at 5.5% for 2019, against 3.1% for the corresponding period last year. Furthermore, the domestic franchise continued to build its portfolio of savings deposits which stood at an average level of Rs. 474 billion, a 10% growth year on year. This enabled the bank to maintain its average domestic CASA ratio at 86.2% in 2019 (2018: 86.8%). Strong CASA ratios enabled the bank to contain its cost of deposits during the year despite the increase in the average 6 months treasury bills yield by 489 bps in 2019 over 2018.

The bank's performing advances averaged Rs. 623 billion for 2019, down 5% from last year's average. The average domestic advances were measured at Rs. 476 billion for 2019, largely at the same levels as last year. Domestic bank's portfolio of agri loans grew by 25% in averages year on year while lending to small enterprises increased by 12% in averages over 2018. Consumer loans recorded a 23% growth in the average portfolio this year, while maintaining a book size of Rs. 17 billion, with lending mainly within the secured autos segment. The bank continued to de-risk the International business as the average loan book was reduced by 30%, and was measured at USD 980 million in 2019.

On the investments side, the bank's holdings of fixed rate Pakistan Investment Bonds (PIBs) stood at Rs. 315 billion as at Dec'19 (Dec'18: Rs. 402 billion), earning the bank an average yield of 8.5% in 2019 (2018: 8.3%). There were maturities of Rs. 125 billion of fixed rated PIBs during the year. The investment in floating rate PIBs stood at Rs. 97 billion at the end of the year (Dec'18: Rs. 9 billion) with a portfolio yield of 14.6%. Excess liquidity has been re-deployed in treasury bills, to take advantage of the high rates available on shorter tenor government debt. The bank's portfolio of treasury bills averaged Rs. 243 billion in 2019, with yields improving from 6.9% in 2018 to 12.4% in 2019.

Non-Markup Income

UBL recorded Non-Fund Income (NFI) of Rs. 21.7 billion in 2019 (2018: Rs. 25.0 billion), contributing 26% to the bank's overall gross revenues (2018: 31%).

Fees and commission income was recorded at Rs. 13.7 billion in 2019, largely in line with last year and constituted 63% of the total NFI revenues (2018: 56%). UBL remains the market leader in the home remittances space with a market share of 28%,

Directors' Report to the Members 2019

and revenues of Rs. 1.4 billion in 2019, a strong growth of 21% year on year. Fee income from branch banking services was recorded at Rs. 2.0 billion in 2019, a growth of 10% over 2018, in line with a buildup in the active domestic branch banking customer base to 3.26 million customers (2018: 3.16 million). Domestic commissions from ATM / debit cards were recorded at Rs. 1.6 billion, in line with 2018. During the year, the bank added 524,000 new debit cards, as the active card portfolio size stood at an aggregate of 2 million customers. The bank further strengthened its market share in the bancassurance space, with premium volumes of Rs. 3.8 billion in 2019, reflecting a growth of 11% year on year. This enabled the bank to earn commission income of Rs. 1.6 billion in 2019, slightly above the earnings in 2018. Net commission income from UBL's branchless banking service, UBL Omni, was recorded at Rs. 1.0 billion, with strong growth of 20% over 2018. The momentum across credit cards and autos was maintained in 2019 as consumer finance fees yielded revenues of Rs. 983 million, a growth of 18% year on year. The bank's revenues from cash management operations were recorded at Rs. 784 million, a growth of 6% over 2018.

The bank recorded dividend income of Rs. 1.5 billion in 2019 (2018: Rs. 2.1 billion). Earnings were impacted by lower payouts from the bank's equity investments in the energy sector. Foreign exchange income was recorded at Rs. 4.5 billion, up 31% over last year as the bank actively managed FX exposures amidst volatility in the currency markets. Other income was recorded at Rs. 1.9 billion (2018: Rs. 1.1 billion), and included Rs. 1.3 billion from the realization of exchange translation reserve upon winding up of the New York branch during the year.

Provisions, Loan Losses and Non-Performing Loans

UBL's provisioning expense reduced by 36% year on year, from Rs. 12.9 billion in 2018 to Rs. 8.2 billion in 2019. Furthermore, net provision charge against loans and advances reduced by Rs. 6.3 billion, from Rs. 10.7 billion in 2018 to Rs. 4.4 billion in 2019. Bank level non-performing loans (NPLs) increased by Rs. 8.0 billion to Rs. 76.6 billion at Dec'19 (Dec'18: Rs. 68.6 billion). This increase includes the exchange impact on revaluation of foreign currency NPLs of approximately Rs. 4.8 billion. Overall asset quality was measured at 10.9% at Dec'19 (Dec'18: 8.8%), while the coverage ratio was enhanced from 81.5% at Dec'18 to 82.5% at Dec'19.

UBL Domestic

UBL Domestic's stock of non-performing loans reduced from Rs. 27.9 billion at Dec'18 to Rs. 27.2 billion at Dec'19. Active recoveries of non-performing accounts by the Special Assets Management Division (SAM) resulted in provision reversals against loans and advances of Rs. 1.3 billion in 2019. The domestic asset quality was measured at 5.2% at Dec'19

(Dec'18: 4.9%), a slight increase mainly due to a reduction in the overall loan book. Specific coverage for domestic bank was recorded at 92.1% at Dec'19 (Dec'18: 92.5%).

The net provision for diminution in value of investments stood at Rs. 3.2 billion for the year 2019 (2018: Rs. 1.5 billion). This included a net impairment charge against listed equity investments amounting to Rs. 2.3 billion in 2019 (2018: Rs. 1.2 billion), a result of volatility in the markets during the year. Furthermore, there was an additional impairment on subsidiary investments in UBL Tanzania amounting to Rs. 806 million in 2019 (2018: Rs. 263 million). This was taken upon the completion of the asset and liability sale transaction as part of the exit of banking operations of the bank in Tanzania.

UBL International

The GCC governments continued their reform initiatives in 2019 to bolster the region's economy. However, the overall environment remained challenging throughout the year and cash flow constraints affected credit repayments. In the backdrop of this business environment, UBL International's NPLs increased from USD 293 million at Dec'18 to USD 319 million at Dec'19. In order to further strengthen coverage against delinquent accounts, a net provision charge of USD 40.1 million was taken in 2019 versus a charge of USD 95.0 million taken in 2018. Specific coverage was enhanced from 74.0% at Dec'18 to 77.3% at Dec'19.

Coverage with Forced Sale Value (FSV) of mortgaged properties and cash collateral stood at 90.9% at Dec'19. (Dec'18: 92.1%, refer to note 10.4.2 to the financial statements).

Cost Management

UBL continues to build efficiencies across the cost base through synergies between the bank's businesses and support functions and through promoting cost discipline across the network. The bank's administrative expenses were recorded at Rs. 40.2 billion for 2019, with cost growth contained at 4% over 2018. Relocating staff to more productive roles and disciplined hiring as per manpower requirements resulted in personnel costs being reduced by 5% year on year. The bank's IT expenses were recorded at Rs. 3.6 billion for 2019, an increase of 29% over last year. This is due to investment in technology solutions as part of the overall digital strategy and the devaluation impact on foreign currency denominated software licensing arrangements. Other operating expenses increased by 11% over the previous year, mainly on account of the bank's compliance transformation program and an increase in banking service charges in line with buildup in business volumes.

Balance Sheet Management

UBL continued to maintain its vast outreach within the banking space in 2019. With a footprint of 1,362 branches in Pakistan (2018: 1,364 branches), we remain strongly penetrated in all

core market segments. The network also includes 100 Islamic branches (2018: 94 branches) and 162 Islamic banking windows (2018: 158 Islamic banking windows). The bank's deposits mobilization strategy is aimed at ensuring an optimal funding mix with a strong focus on growing current and savings accounts. The branch banking business, the cornerstone of the domestic franchise, delivered another strong performance this year as our domestic deposits closed at Rs. 1.2 trillion at Dec'19 (Dec'18: Rs. 1.1 trillion), a growth of 10%. The bank maintained its domestic share of system deposits at 8.3% in 2019.

The bank's net advances closed at Rs. 636 billion at Dec'19 (Dec'18: Rs. 716 billion), a decline of 11% while domestic performing advances declined by 9% over Dec'18. Excluding the impact of loan repayment by a major public sector enterprise in 2019, domestic advances remained in line with last year's level. In the prevalent high rate regime, our lending strategy is focused on maintaining optimal asset quality and improving relationship yields while maximizing RWA efficiency.

The investment portfolio closed at Rs. 840 billion at Dec'19 (Dec'18: Rs. 786 billion). Funding is primarily deployed in treasury securities, with Rs. 315 billion invested in fixed rate PIBs, Rs. 97 billion invested in floating rate PIBs and Rs. 254 billion in treasury bills. Keeping in view the secondary market yields being inverted at the longer end of the curve, excess liquidity has been deployed in shorter tenor securities, yielding the bank higher returns. The bank's equity holdings stood at Rs. 14.0 billion at Dec'19 (Dec'18: Rs. 17.4 billion), a reduction year on year as some positions were liquidated during 2019.

Capital Ratios

The bank seeks to maintain a strong capital base in order to build adequate buffers and support future business expansion. During the current year, the bank completed the issuance of its Additional Tier-1 TFCs, with a total issue size of Rs. 10 billion. This remains one of the largest publicly traded instrument in issuance.

UBL has been designated a Domestic Systemically Important Bank (D-SIB) by the SBP. This designation requires the bank to hold an additional 1.5% Higher Loss Absorbency (HLA) Surcharge, over and above its minimum capital adequacy ratio (CAR) limit in 2019, on both a standalone and consolidated basis. However, the SBP has reduced the HLA surcharge by 50 bps to 1.0% effective March 2020 as per their latest D-SIB designation.

The bank's capital ratios remained strong with the Common Equity Tier 1 (CET-1) ratio improving by 135 bps to 13.7% at Dec'19 (Dec'18: 12.4%). Total Tier 1 Capital ratio was measured at 14.9% at Dec'19 (Dec'18: 13.4%). The overall CAR stood at 18.9% at Dec'19 (Dec'18: 17.7%), with a buffer of 4.9% over the minimum regulatory requirements.

The Board of Directors of UBL declared a final dividend of 40% (Rs. 4.0 per share) in their meeting in Islamabad held on 19 February 2020, along with the results for the year ended 31 December 2019.

UBL Digital

UBL continued to build on its Digital Strategy in 2019, focused on designing innovative solutions for our customers, and also promoting financial inclusion through the provision of basic banking facilities to the mass population. The core objective behind our strategy is to offer enhanced banking services on the 'UBL Digital' mobile app in order to migrate customers from branches to digital channels. The UBL digital app has been well-received by our ever growing customer base, and in 2019, the bank achieved a major milestone as the number of registered users on the digital app surpassed the 1 million mark.

The bank continued its momentum to on board customers through digital channels in 2019. Digital on-boarding works together with the mobile app and enables customers to open their accounts in a convenient, paperless environment. Our digital onboarding drive has been very successful in 2019, as we on boarded over 200,000 customers through digital channels.

Economy Review

The economy is going through a phase of stabilization, before growth reforms can be fully implemented. Although structural imbalances will require more time to correct, certain positives were visible towards the end of year. The macroeconomic stabilization process picked up momentum with the initiation of the IMF's Extended Fund Facility (EFF) program. The SBP also increased the interest rates by 325 basis points during the year, increasing the policy rate to 13.25% at Dec'19, in the backdrop of rising inflation levels and exchange rate depreciation. The government has actively put in place reforms to increase the tax base with improved documentation of the large informal economy. Import contraction measures and currency adjustments post implementation of the market driven exchange rate regime have resulted in a reduced trade deficit of USD 11.7 billion for H1 FY'20, which is an improvement of 30% over the deficit of USD 16.8 billion in H1 FY'19.

In continuation of the trend, the Current Account Deficit (CAD) reduced substantially by 75% to USD 2.2 billion during H1 FY'20 (H1 FY'19: USD 8.6 billion). This improvement is a result of a 17% reduction in the import bill and a marginal 3% increase in exports in H1 FY'20 versus H1 FY'19. Furthermore, home remittances continued to support the current account as they were recorded at USD 11.4 billion in H1 FY'20, registering a growth of 3% over the corresponding period last year. Substantial improvement in CAD, disbursements from IMF and bilateral flows helped strengthen the foreign exchange reserves position and eased pressure on the exchange rate. In addition, the country attracted significant foreign inflows into its domestic sovereign debt market. The country's reserves stood at USD 18.1 billion at the end of Dec'19 compared to USD 13.8 billion at the end of Dec'18, improving by 31%. The overall exchange rate ended the year at Rs. 154.85 to the USD, depreciating by 12% during the year.

Fiscal imbalances continued to exert pressure on inflation levels as CPI witnessed an increase towards the end of the year, being recorded at 12.6% at Dec'19. This inflation level further increased to 14.6% in Jan'20, primarily driven largely by pass-through effect of sharp currency devaluation since June

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2018, increase in energy prices, tax revenue measures taken by the government and supply side effect on certain key food items. The average CPI for the year 2019 was recorded at 9.4%.

A bearish trend dominated the equity market during most of 2019. During the year, the benchmark KSE-100 index plunged to a low of 28.8 k points, in view of economic headwinds, regional security issues and lower foreign exchange reserves. However, attractive valuations, steep discounts and positive news post the stability of the rupee enabled the market to rally over 40% from its lowest point, ending Dec'19 at 40.7 k points.

Banking sector deposits stood at Rs. 14.6 trillion as at Dec'19, a growth of 9.6% over Dec'18. System advances grew by 10% to Rs. 8.2 trillion at Dec'19 over Dec'18. Industry NPLs stood at Rs. 758 billion at the end of Sep'19, increasing by 12% over Dec'18. Resultantly, the infection ratio deteriorated by 82 bps to 8.8% (Dec'18: 8.0%).

UBL International

The economic climate remained challenging within the GCC in 2019. Increased public sector spending, higher investment expenditure ahead of Expo 2020 and stable oil prices has provided some impetus to regional economies. However, the pace of recovery has remained slow across the region.

UBL continued with its de-risking strategy in its overseas operations, with the business model focused on selective lending mainly to established corporates with a longer term business relationship with the bank. During the current year, the bank voluntarily closed its New York branch, liquidated its stake in Oman United Exchange Company, Muscat and has completed the asset and liabilities purchase agreement with EXIM Bank Tanzania Limited for its subsidiary UBL Bank (Tanzania) Limited (UBTL), with UBTL currently in preparation for wind up and voluntary liquidation.

Within the overseas branches, liquidity is deployed mainly in sovereign debt investments, trade based financing and FI lending. Credit quality considerations and capital efficiencies remain the foundation of all asset deployment decisions. We further strengthened our risk management and compliance frameworks to enhance vigilance. Furthermore, the Special Asset Management Unit has stepped up its efforts for the recovery of non-performing accounts. On the funding side, we are strengthening our liabilities franchise to build a sustainable low cost deposits base and reduce concentration, particularly within expensive term deposits.

UBL International's deposits averaged USD 1.7 billion in 2019, down 17% over the previous year. Cost of deposits was maintained at last year's level of 2.2%. The average loan portfolio was reduced from USD 1.4 billion in 2018 to USD 980

million in 2019, yielding 5.4% (2018: 5.1%). In terms of loan loss provisioning, a net provision charge of USD 40.1 million was taken for the year 2019 (2018: net provision charge of USD 95.0 million) in order to strengthen coverage levels. NPLs increased to USD 319 million at Dec'19 from USD 293 million at Dec'18. Net investments, consisting of mainly fixed income securities, averaged USD 659 million in 2019, largely in line with last year's levels, generating a healthy yield of 6.1% in 2019 (2018: 6.5%).

Subsidiaries Performance Overview

Highlights of the financial performance of our subsidiaries in 2019 is as follows:

United National Bank Limited (UBL UK) is a 55% owned subsidiary of UBL. In 2019, UBL UK posted a net loss before tax of GBP 825 k (2018: Net Loss of GBP 4.2 million). The bank's NII was down 19% over the last year. NFI improved by 39% year on year, primarily due to capital gains booked in 2019, while fees and commissions was down 13% year on year. The investment portfolio reduced by 43% while the advances book expanded by 36%. The deposits base reduced 7% over Dec'18 levels.

UBL Switzerland AG is a wholly owned subsidiary of UBL. Its revenues are derived principally from trade and FI related business. UBL Switzerland's profit before tax stood at CHF 2.8 million in 2019, and declined by 12% over the 2018. NII was lower by 29% over the previous year mainly due to higher swap cost and increased cost of borrowings. Income from commissions grew by 4% year on year as a result of solicitation of trade business through better liaison with opening banks in target countries. The balance sheet size has remained largely in line with 2018.

UBL Fund Managers Limited, Pakistan (UBLFM) is a 98.9% owned subsidiary of UBL. During 2019, UBLFM witnessed a 27% reduction in PBT which was recorded at Rs. 371 million. The funds under management of UBLFM stood at Rs. 63 billion at the close of 2019 (2018: Rs. 62 billion).

UBL Bank (Tanzania) Limited (UBTL) was established in 2012 and is a wholly owned subsidiary of UBL. UBTL entered into an asset and liabilities purchase agreement with EXIM Bank Tanzania Limited (Exim) on 22 May 2019. Exim took over control of UBTL's assets and liabilities on 1st November 2019. UBTL has ceased its banking operations and is in the process of voluntary wind up and liquidation (refer to note 9.11 to the financial statements).

Credit Rating

VIS Credit Rating Company Limited (VIS) re-affirmed the entity ratings of UBL at "AAA / A-1+" (Triple A / A-One Plus) on June 28, 2019. Outlook on the assigned ratings is 'Stable'. Capital Intelligence (CI), an international credit rating agency, has

affirmed the long term foreign currency and short term foreign currency ratings of UBL at B- and B respectively. The outlook for the long term foreign currency has been revised to 'Stable' from 'Negative'.

Awards and Recognition

In 2019, UBL became the only bank to win the Pakistan Stock Exchange (PSX) "Top Companies of the Year" Award for three consecutive years (2016-18). The award acknowledges the performance of top companies in all industries, on the basis of a comprehensive criteria which includes capital efficiencies, profitability, free-float of shares, transparency and investor relations and compliance with corporate governance as per companies and securities regulations.

Future Outlook

UBL is committed to playing a central role in the economic turnaround of the country through increased intermediation, enhancing our coverage in the banking space and promoting greater financial inclusion by providing basic banking services to the large under-banked population. Branch Banking shall continue to remain the cornerstone of our franchise. Our network strategy aims at gaining more visibility and improving our outreach across Pakistan. Improving service levels remains a key focus across all channels, touch points and business segments. Increasing our customer base manifold to optimize our business scale remains a strategic goal.

One of the key drivers of this multifold expansion is the digital revolution, led by our innovation center. With the success achieved through UBL Omni in early years, the strong customer penetration of a complete banking solution under the 'UBL Digital' banking application along-with our future ambitions in the world of payments, we are on a journey to create a new age of banking products in Pakistan.

We shall continue to invest in the acquisition and development of human capital to raise service quality standards and enhance operational efficiencies in businesses and support functions. Given subdued credit demand, lending decisions shall be directed by considerations of enhancing asset quality, maximizing relationship yields and efficient allocation of capital. Strengthening the compliance culture to global best practices remains an unwavering commitment and a top most priority. We remain highly committed to serve the nation through broadening the scope of banking services in Pakistan and play an active role as the country slowly but surely transitions towards realizing its true economic 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. 1.9 billion has been transferred to Statutory Reserve for the year 2019.
- The Board of Directors consists of eight (8) male and one (1) female member. The detailed composition of the Board is given in paragraphs 1 and 2 of the Statement of Compliance with the Code of Corporate Governance.
- A renowned external consultant has been appointed to evaluate the performance of the board and its sub-committees in accordance with applicable regulatory framework and best practices.
- Details of Directors' training programs 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 five 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. Lord Zameer M. Choudrey, CBE, SI Pk | 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. Khalid A. Sherwani | Chairman |
| 2. Mr. Arshad Ahmad Mir | Member |
| 3. Mr. Amar Zafar Khan | Member |
| 4. Ms. Sadia Saeed | 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 |

Directors' Report to the Members 2019

Board Nomination Committee (BNC):

1. Sir Mohammed Anwar Pervez, OBE, HPk	Chairman
2. Lord Zameer M. Choudrey, CBE, SI Pk	Member
3. Mr. Arshad Ahmad Mir	Member
4. Mr. Aqeel Ahmed Nasir	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	*BNC
Number of meetings held	5	4	4	5	-
Number of meetings attended:					
Lord Zameer M. Choudrey, CBE, SI Pk	-	4	-	-	-
Mr. Haider Zameer Choudrey	5	-	-	5	-
Mr. Rizwan Pervez	5	-	-	-	-
Mr. Arshad Ahmad Mir	-	3	3	-	-
Mr. Khalid A. Sherwani	5	-	4	-	-
Mr. Amar Zafar Khan	5	-	4	-	-
Mr. Tariq Rashid	-	-	-	5	-
Ms. Sima Kamil	-	4	-	5	-

* The BNC was constituted in the Board Meeting of October 2019.

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, 2018 are as follows:

	Rupees in '000
Employees' Provident Fund	3,624,697
Employees' Gratuity Fund	729,931
Staff Pension Fund	7,008,570
Staff General Provident Fund	912,705
Officers / Non-Officers' Benevolent Fund	406,255

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
Lord Zameer M. Choudrey, CBE, SI Pk	Director	6
Mr. Rizwan Pervez	Director	6
Mr. Haider Zameer Choudrey	Director	6
Mr. Arshad Ahmad Mir	Director	5
Mr. Khalid A. Sherwani	Director	6
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, 2019 is given below:

Shareholders	No. of Shares	% of Ordinary Shares
Bestway Group (BG)	752,721,502	61.48%
General Public & Others	373,502,467	30.51%
Banks, DFIs & NBFIs	22,026,540	1.80%
Insurance Companies	47,417,441	3.87%
Modarabas & Mutual Funds	27,540,912	2.25%
International GDRs (non-voting shares)	969,111	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 **	27,540,912
c) Directors & CEO ***	
- Sir Mohammed Anwar Pervez, OBE, HPk	12,765,368
- Lord Zameer M. Choudrey, CBE, SI PK	2,497,370
- 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	2,500
- Mr. Tariq Rashid	2,500
- Ms. Sima Kamil	471
d) Executives	1,073,121
e) Public sector companies and corporations	118,628
f) Banks, DFIs, NBFIs, Insurance Companies	69,443,981

*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

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

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

The bank's risk governance is exercised by four committees:

1. Risk Management Committee
2. Portfolio Review Committee
3. Operational Risk Management Committee
4. Information Security Steering Committee

The Risk Management Committee and the Operational Risk Management Committee are both chaired by the President and CEO and comprise of Heads of Risk, Businesses, Finance and Operations. The Risk Management Committee is responsible for reviewing and undertaking strategic business decisions with a collective view on credit risk, market risk and capital efficiencies.

The Operational Risk Management Committee is designed to oversee and ensure the efficient and effective management of the bank's significant operational risks and to ensure the required controls and appropriate mitigants are in place to minimize residual risks.

The Portfolio Review Committee includes Heads of Credit Risk, Business, Credit Administration and 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.

The Information Security Steering Committee is chaired by the President and CEO and comprises Heads of all Groups. The Committee is responsible for reviewing and undertaking strategic information and cyber security related reviews.

The year 2019 was mainly driven by the entry into the IMF program, which led the country to overcome economic challenges, including stability in the foreign exchange reserves position, containing the twin deficits and maintaining stable inflation levels. The tightening of fiscal and monetary policy during the year and shifting of the exchange rate to market driven regime helped in curtailing aggregate demand, thus resulting in lower credit expansion, subdued credit off-take and lower industrial output. International lending also remained in a consolidation phase owing to lower economic growth in the GCC affecting businesses and ultimately the banking sector.

The bank modified its policies in accordance with the changing market and regulatory environment for efficient management of risk and internal controls. Correspondingly, concentration limits were reviewed and adjusted, and controls were enhanced.

The bank's Credit Risk Management Division focused on risk mitigation measures such as rationalizing exposures to manage concentration risks in vulnerable industries, conducting various and frequent exposure reviews (including stress testing), and focusing on a forward-looking framework to proactively identify potential asset deterioration across all businesses, including the classified exposures. There was also an increased focus on overall credit maintenance and discipline of managing exposures to rectify any deficiencies.

The consumer credit portfolio has continued to sustain its steady growth under a well-managed risk environment. The controlled level of portfolio delinquencies is owed to robust portfolio management for NPLs including but not limited to stress tests. Periodic review of policies along with automation in risk management procedures ensured a well aligned risk and reward profile of the portfolio. To develop a more concurrent local and international risk profile, all international consumer credit policies are oriented towards domestic risk framework.

In line with the SBP Risk Governance Framework for Overseas Operations, the division is being managed from head office, with on ground 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 undertaken.

The role of Market Risk includes defining and implementing a market risk management framework to systematically identify, assess, monitor and report market related risks. The key objective is to facilitate business growth within a controlled and transparent overall risk management framework.

The objective of the bank's liquidity risk management framework is to ensure that the bank can fulfill its payment obligations at all times and can manage liquidity and funding risks within its risk appetite. There is a control framework in place for managing liquidity risk and is designed to maintain high quality liquid assets that are sufficient in amount, quality and funding tenor profile. The bank has a comprehensive liquidity policy and stress testing framework, limit-setting process and a regular monitoring mechanism in place.

The bank at all times has maintained its Capital Adequacy Ratio (CAR) well above the regulatory thresholds under the prescribed Basel-III regulations, inclusive of all applicable buffers. The Internal Capital Adequacy Assessment Process (ICAAP) Framework is well defined and is reviewed on an annual basis.

The Operational Risk Management Framework is designed to ensure that an adequate control environment exists across its businesses and functions to maintain an acceptable level of residual risk. The framework is governed by comprehensive policies and procedures in line with the applicable regulatory guidelines. The bank has implemented a robust operational risk management system to further strengthen the framework.

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 includes data entrusted to the bank by its customers, partners and staff, which is among the organization's most valuable assets. Given the competitive nature of the banking 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 program that includes following key defensive measures:

Directors' Report to the Members 2019

- 24 x 7 threat monitoring and incident response.
- Intrusion prevention at multiple layers.
- Regular employee education and awareness campaigns.

Corporate Social Responsibility (CSR)

At the core of UBL's Sustainability philosophy is to support causes that make a meaningful impact and empower communities. In 2019, UBL donated to projects that further strengthened and diversified its sustainability efforts. Supporting education through provision of scholarships to deserving students, healthcare projects through infrastructural development of medical institutions, provision of life-saving equipment and ambulances were the core areas where the bank focused its sustainability efforts. The bank also held an internal blood donation drive whereby employees voluntarily contributed to become 'Symbols of Hope' for the hundreds of people across Pakistan, in dire need of life saving blood.

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 auditor, 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

Islamabad,
February 19th, 2020



Board of Directors

ارکان کوڈائریکٹرز کی رپورٹ

آڈیٹرز (Auditors)

موجودہ آڈیٹرز میسرز A.F.Ferguson & Co. چارٹرڈ اکاؤنٹنٹس اٹلیٹ بینک آف پاکستان سے خصوصی منظوری کے مطابق دوبارہ تفری کے ذیل ہیں اور خود کو آئندہ سالانہ اجلاس عام میں دوبارہ تفری کیلئے پیش کرتے ہیں۔ پورٹ آف ڈائریکٹرز، پورٹ آؤٹ کیلئے کی سفارشات کے مطابق میسرز A.F.Ferguson & Co. چارٹرڈ اکاؤنٹنٹس کی بینک کے آڈیٹرز کے طور پر دوبارہ تفری کی سفارش کرتے ہیں۔

اختتامیہ (Conclusion)

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

برائے وارنٹ طرف پورٹ


سیما کمال

پریذیڈنٹ اور سی ای او


انوار کرم

ڈائریکٹر

اسلام آباد

19 فروری 2020

بینک اپنا کچھل ایف کیو ایف (CAR) - بروقت برقرار رکھے ہوئے ہے جو مقررہ Basel-III ضوابط کے تحت مقررہ انضباطی حدود سے بہت بلند ہے جس میں تمام لاگو حفاظتی اقدامات شامل ہیں۔ انٹرنل کنٹرول ایف کیو ایف (ICAAP) فریم ورک بھی بڑا واضح ہے اور اس کا سالانہ بنیادوں پر جائزہ لیا جاتا ہے۔

آپریٹنگ ریسک مینجمنٹ فریم ورک اس انداز سے بنایا گیا ہے کہ تمام کاروباری امور اور افعال ایک موزوں کنٹرول کے ماحول میں انجام پائیں اور بڑے پیمانے پر ریسک کی قابل قبول سطح بھی برقرار رہے۔ فریم ورک کو قابل اطلاق ریگولیٹری گائیڈ لائنز کے مطابق جامع پالیسیوں اور طریق کار کے ذریعے چلایا جاتا ہے۔ فریم ورک کو مزید مستحکم بنانے کے لئے بینک ایک موثر آپریٹنگ ریسک مینجمنٹ سسٹم پر عمل پیرا ہے۔

یو بی ایل نے اپنے انفارمیشن سسٹمز کی سکیورٹی کے لئے ایک جامع انفارمیشن اور سائبر سیکورٹی پروگرام (IS) 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 کردہ معلومات اور اعداد و شمار ہیں جو ادارے کے سب سے قیمتی اور اہم سسٹمز میں شامل ہیں۔

بینک کے کاروباری مسابقتی نوعیت اور اس کے زیر انتظام ڈیٹا کی زبردست قدر قیمت کے پیش نظر، ریسک مینجمنٹ گروپ نے ایک تفصیلی انفارمیشن سیکورٹی اسٹیمٹ / مینجمنٹ پروگرام متعارف کرانے کے ذریعے بزنس اور ٹیکنالوجی کے مشترک میں انفارمیشن سیکورٹی ریسکس اور ایک مناسب سطح تک ممکن کاروباری اثرات کم کرنے کے لئے کی اقدامات کئے ہیں جن میں ورک ڈیل دفاعی اقدامات شامل ہیں۔

- خطرات کی 24/7 مانیٹرنگ اور کسی بھی واقعے کی صورت میں رد عمل
- مدافعت سے متعدد سطح پر پچاؤ
- ملازمین کی باقاعدہ تعلیم اور آگہی کی مہمات

کاروباری سماجی ذمہ داری (Corporate Social Responsibility)

یو بی ایل کے پائیدار سماجی فلسفے کی بنیاد پر سماجی و طبقات کو خود مختار بنانے اور ان پر باطنی اثرات کرنے والے دفاعی اقدامات کی معاونت پر مبنی گئی ہے۔ 2019 میں یو بی ایل نے دفاعی منصوبوں پر ہماری رقم صرف کی جس نے اس کی معاشی استحکام کی کوششوں کو مزید تقویت دی اور تنوع پیشہ تعلیمی اداروں میں مستحق طلبہ کو سکا لرشپ کی فراہمی سے معاونت فراہم کی گئی، طبی اداروں میں بنیادی سہولیات کی بہتری کے ذریعے صحت عامہ کے منصوبوں کی مالی معاونت اور زندگی بچانے والے ساز و سامان اور ایپلیکیشنز کی فراہمی وہ قابل ذکر کام ہیں جہاں بینک نے توجہ مرکوز رکھی۔ اس کے علاوہ بینک نے اپنے ملازمین میں عطیہ خون کی ایک مہم چلائی جہاں ملازمین نے پاکستان بھر میں زندگی بچانے کے لئے درکار خون کے شدہ ضرورت مند سیکڑوں افراد کے لئے "امید کی علامت" بننے کے لئے رضا کارانہ طور پر خون کا عطیہ دیا۔

انٹرنل کنٹرولز (Statement of Internal Controls)

پورٹ مینجمنٹ کی طرف سے اندرونی انضباطی ریسک مینجمنٹ (ICFR) اور مجموعی اندرونی انضباطی سے متعلق انٹرنل کنٹرولز کی بروقت توثیق کرتا ہے۔ انٹرنل کنٹرولز برائے اندرونی انضباطی سالانہ رپورٹ میں شامل ہے۔

”بینک ہیٹ ویس (بولڈنگز) لیونڈ کا ذیلی ادارہ ہے جو برطانیہ میں قائم شدہ ہے۔

”مطار برادریو چل فنڈ زیا لاط نام تصبیات شیئر بولڈرڈ کی مکملگر ج کے ساتھ شملک ہیں۔

”بینک کے ڈائریکٹرز اور CEO کی اسے شریک حیات اور نو عمر بچوں کی تحویل میں کوئی شیئر نہیں ہیں۔

5 لیصد پانڈ وٹک کے متوق رکھنے والے شیئر بولڈرڈ	شیئر کی تعداد	لیصد
ہیٹ ویس (بولڈنگز) لیونڈ	631,728,895	51.60
ہیٹ ویس سیٹ لیونڈ	93,649,744	7.65

یو پی ایل کی شیئر ڈی تھارت جس کے ڈائریکٹرز مائیکرو انڈیا اور ان کے اکی شریک حیات اور نو عمر بچوں کی طرف سے کیا گیلین دین دینن آف شیئر بولڈنگ کے ممبر شملک ہے۔

رسلک منجمنٹ فریم ورک (Risk Management Framework)

رسلک اینڈ کر یٹ ڈیلیمی روت ڈیل شعیوں پر مشتمل ہے:

- کار پریٹ، کرشل، مالس ایم ای اور مالیاتی اداروں کا رسلک
- انٹرنیشنل رسلک
- کنزیرمر کر یٹ
- انٹر پرائز رسلک
- مارکیٹ اینڈ ٹریڈی رسلک
- Basel اینڈ آپریشنل رسلک
- انڈاریشن سکیورٹی
- کر یٹ ڈیلیمی اور ریسرچ

بینک کے رسلک کی گورننس چارکیلیاں کرتی ہیں

1. رسلک منجمنٹ کمیٹی
2. پورٹ فولیو ریسرچ کمیٹی
3. آپریشنل رسلک منجمنٹ کمیٹی
4. انڈاریشن سکیورٹی اسٹریٹجک کمیٹی

رسلک منجمنٹ کمیٹی اور آپریشنل رسلک منجمنٹ کمیٹی کے سربراہی بینک کی صدر اور سی ای او کرتی ہیں اور جب کہ ممبران میں رسلک، کاروباری اور فننس اور آپریشن کے تمام شعیوں کے سربراہ شامل ہیں۔ رسلک منجمنٹ کمیٹی کر یٹ رسلک، مارکیٹ رسلک، آپریشنل رسلک اور کنٹرول پر ایک اجتماعی تکتہ نظر کے ساتھ چارزہ لینے اور اسٹریٹجک کاروباری فیصلے کرنے کی ذمہ دار ہے۔

آپریشنل رسلک منجمنٹ کمیٹی کا مقصد بینک کے آپریشنل رسلک کے موثر اور جامع انتظام کو یقینی بنانا اور ریزیلوئل رسلک کو کم سے کم کرنے کیلئے مطلقہ کنٹرول کا چارزہ لینا ہے۔

پورٹ فولیو ریسرچ کمیٹی میں کر یٹ رسلک، کاروباری، کر یٹ ڈیلیمیٹریشن اور اسٹریٹجک ریسٹ منجمنٹ کے سربراہ شامل ہوتے ہیں اور کمیٹی کی سربراہی صدر اور سی ای او کرتی ہیں۔ ریسرچ کمیٹی کر یٹس کے مسائل بشمول واجنسٹ اکاؤنٹس اور مختلف شعیوں میں غیر فعال قرضوں کے مجموعی پورٹ فولیو کا چارزہ لیتی ہے۔ یہ کمیٹی پورٹ فولیو کی حالت کو مد نظر رکھتے ہوئے مسائل حل کرنے کی تکتہ عملی وضع کرنے اور لائحہ عمل مرتب کرنے کی ذمہ دار ہے۔

انڈاریشن سکیورٹی اسٹریٹجک کمیٹی کی سربراہی صدر اور سی ای او کرتی ہیں اور اس میں تمام گروپس کے سربراہ شامل ہوتے ہیں۔ کمیٹی اسٹریٹجک معلومات اور سائبر سکیورٹی سے متعلق تکتہ عملی وضع کرنے اور لائحہ عمل مرتب کرنے کی ذمہ دار ہے۔

پاکستان کی آئی ایم ایف پروگرام میں شمولیت سال 2019 کا اہم قدم تھا۔ جس کی بدولت ملک کو ریٹس معاشی مشکلات پر قابو پانے میں مدد ملی جن میں زرمبادلہ کے ذخائر میں استحکام، تجارتی اور کرنٹ اکاؤنٹ خسارے میں کمی اور افراط زر کو مناسب سطح پر رکھنا شامل ہے۔ ان عوامل میں روپیے کی قدر میں کمی، شرح سود میں اضافہ اور موجودہ شکار برآمدات کی بنیاد پر بروپی زرمبادلہ کے ذخائر اور تجارتی اور کرنٹ اکاؤنٹ خسارے میں بڑھتا ہوا فرق شامل ہے۔ ان معینی 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 انٹر بینکس قرضہ جات دینے کے لئے خصوصی توجہ درکار ہے۔

بینک نے بدلی مارکیٹس اور ریگولیٹری ماحول کے مطابق اپنی پالیسیوں میں تبدیلیاں کیں تاکہ رسلک منجمنٹ اور انٹرنیشنل کنٹرولز کو موثر اور بہترین بنایا جاسکے۔ حالات کے مطابق ارتکازی حدود کا چارزہ لے کر رد بدل کیا گیا اور کنٹرولز کو بڑھا دیا گیا۔

بینک کے رسلک منجمنٹ ڈویژن نے رسلک سے نمٹنے کے اقدامات کو موثر بنانے پر توجہ دی جن میں خطرے سے دوچار صنعتوں میں ارتکازی رسلک کو قابو میں رکھنے کے اقدامات، خطرات کا مختلف طریقوں اور باقاعدگی سے چارزہ لینا شامل ہے۔ اس کے علاوہ دباؤ کی آزمائش، اور تمام پریسز میں سٹیکس کے متوقع بگاڑ کو فروغ دینے کی فعال انداز سے تکتہ بندی کرنے کے لئے آئندہ کے لائحہ عمل پر توجہ دی گئی۔

مجموعی کر یٹس پر توجہ میں بھی اضافہ کیا گیا اور ریٹس کی وجہ بندی کر کے مکملگی کی گئی اور ان ممکنہ خطرات پر قابو پایا اور کسی بھی موجودہ خانی کو ٹھیک کیا گیا۔

ایسی طرح قابو میں رکھے گئے رسلک انڈر مینٹ کے تحت کنزیرمر کر یٹ پورٹ فولیو میں بتدریج موجودہ قرار رکھی ہوئی ہے۔ غیر فعال قرضوں کی موثر پورٹ فولیو منجمنٹ کے لئے پورٹ فولیو کی حدود کی کنٹرول کی سطح کو پیش نظر رکھا گیا جو محض دباؤ کی آزمائش تک محدود نہیں۔ پورٹ فولیو کے اچھے انداز میں منظم اور مقرر اور پورٹ فولیو کو یقینی بنانے کے لئے پالیسیوں کے مقررہ مدت کے اندر چارزہ لے کے علاوہ رسلک منجمنٹ کے طریقہ کاری کی آئندہ منجمنٹ بھی کی گئی ہے۔ کنزیرمر کر یٹ کی تمام بین الاقوامی پالیسیوں کو اب ڈومیسٹک کر یٹ رسلک فریم ورک کا حصہ بنایا گیا ہے۔

یروان ملک پر پانچھ کے لئے اسٹیٹ بینک آف پاکستان کے رسلک گورننس فریم ورک کے مطابق ڈویژن کو ہیڈ آفس سے چارہا ہے اور جہاں ضروری ہو وہ موقع پر موجودگی بھی یقینی بنائی گئی ہے۔ سال کے دوران کئی اقدامات کے لئے جیسے رسلک RWA سٹیکس کی ڈی رسلک، لاگوئٹس کی لانا، متحرک انداز سے پورٹ فولیو منجمنٹ، ڈومیسٹک سٹریٹجی پالیسیوں کی خاکہ سازی کے ساتھ ساتھ مقامی ریگولیٹری گائیڈ لائنز میں موجود خامیوں کا تجزیہ جیسے اقدامات شامل ہیں۔

مارکیٹ رسلک کے کردار میں مارکیٹ رسلک منجمنٹ فریم ورک کی تکتہ عمل درآہ شامل ہے تاکہ مارکیٹ سے متعلق رسلک کی مربوط انداز میں تکتہ بندی، تجزیہ، نگرانی اور اطلاع یقینی بنائی جاسکے۔ ہمارا بنیادی مقصد یہ ہے کہ مجموعی رسلک منجمنٹ کے شابلے میں رہتے ہوئے منظم اور شفاف انداز سے کاروباری نمونہ سہولت فراہم کریں۔

بینک کے لیکویڈٹی رسلک منجمنٹ فریم ورک کا مقصد اس امر کو یقینی بنانا ہے کہ بینک بروقت ادائیگیوں کی ذمہ داری ادا کرنے کے قابل ہو اور اپنی حد کے اندر رہتے ہوئے خطرات سے نمٹنے کے لئے اپنی لیکویڈٹی اور فنڈنگ کے ریسکس سے عہدہ برآ ہو سکے۔ لیکویڈٹی رسلک سے عہدہ برآ ہونے کے لئے ایک کنٹرول فریم ورک موجود ہے اور اس کو اپنی کو اپنی لیکویڈٹی سٹیکس کو برقرار رکھنے کے لئے بنایا گیا ہے جو مالیت، معاہدہ اور فنڈنگ ٹیور پر وفاق کے اعتبار سے بہت متعلق ہیں۔ بینک کے پاس ایک جامع لیکویڈٹی پالیسی اور اسٹریٹجک فریم ورک سٹیک پریسیس اور ایک ہاشابلہ نگرانی کامیکازم موجود ہے۔

ارکان کوڈائریکٹرز کی رپورٹ

بورڈ کو منتخب کئی (BNC)

ارکان میں حاضری	مہد	ڈائریکٹر کا نام
6	ڈائریکٹر	جناب حیدر حمید چوہدری
5	ڈائریکٹر	جناب ارشد احمد میر
6	ڈائریکٹر	جناب خالد اسے شیر وانی
6	ڈائریکٹر	جناب عامر قنبر خان
6	ڈائریکٹر	جناب طارق رشید
6	پرنسپل اور چیف ایگزیکٹو آفیسر	محترمہ سیماکال

- 1- سر محمد انور پرویز، OBE، ہلال پاکستان
- 2- لارڈ حمید رام چوہدری، CBE، ستارہ امتیاز (پاکستان)
- 3- جناب ارشد احمد میر
- 4- جناب عقیل احمد ناصر

سال کے دوران منعقد ہونے والے بورڈ کی میٹنگ کی تعداد اور اجلاس میں شرکت کرنے والے ڈائریکٹرز کی تعداد درج ذیل ہے۔

حمید ہولڈنگ پٹرن (Pattern of Shareholding)
31 دسمبر 2019 کے مطابق شیئر ہولڈنگ پٹرن ذیل میں دیا گیا ہے:

شیئر ہولڈرز	شیئر کی تعداد	آرڈر فی شیئر کا فیصد
ہیٹ وے گروپ (BG)	752,721,502	61.48%
عوام آف ان اس اور دیگر	373,502,467	30.51%
نیکس، DFIs اور NBFIs	22,026,540	1.80%
انسٹورس کمپنیاں	47,417,441	3.87%
مضاربہ اور میٹل فلڈز	27,540,912	2.25%
ایگزیکٹو (GDRs) (ٹان ڈولف شیئرز)	969,111	0.08%
پرائیویٹ ٹرانزیکشن کمپنی آف پاکستان	1,714	0.00%
مجموعی آؤٹ اسٹینڈنگ شیئرز	1,224,179,687	100.00%

درج ذیل کی تفصیل میں موجود مجموعی شیئرز:

شیئر کی تعداد	(a) شریک کمپنیاں، مضاربہ جات اور متعلقہ پارٹیاں
631,728,895	ہیٹ وے (ہولڈنگز) لمیٹڈ *
93,649,744	ہیٹ وے سسٹم لمیٹڈ
27,540,912	(b) مضاربہ اور میٹل فلڈز **
	(c) ڈائریکٹرز اور چیف ایگزیکٹو آفیسر ***
12,765,368	سر محمد انور پرویز، OBE، ہلال پاکستان
2,497,370	لارڈ حمید رام چوہدری، CBE، ستارہ امتیاز (پاکستان)
2,000,000	جناب حیدر حمید چوہدری
129,500	جناب رضوان پرویز
2,500	جناب ارشد احمد میر
2,500	جناب خالد اسے شیر وانی
2,500	جناب عامر قنبر خان
2,500	جناب طارق رشید
471	محترمہ سیماکال
1,073,121	(d) ایگزیکٹوز
118,628	(e) پبلک ٹیکنیکل کمپنیاں اور کارپوریٹس
69,443,981	(f) نیکس، DFIs اور انسٹورس کمپنیاں

*BNC	BITC	HRCC	BRCC	BAC
-	5	4	4	5
-	-	-	4	-
-	5	-	-	5
-	-	-	-	5
-	-	3	3	-
-	-	4	-	5
-	-	4	-	5
-	5	-	-	-
-	5	-	4	-

* اکتوبر 2019 کی بورڈ میٹنگ میں بی این سی سرگرمی کی گئی۔

بیک فلڈ شدہ پانچ ریجنل منٹ کی اسکیمیں چلا رہے ہیں جو کہ پروڈیٹ فلڈ، گریجویٹ فلڈ، جنرل فلڈ، جنرل فلڈ اور جنرل پروڈیٹ فلڈ کے نام سے ہیں۔

31 دسمبر 2018 کے مطابق تازہ ترین آؤٹ شدہ مالی اسٹینڈنٹ کی بنیاد پر ان فلڈز میں سرمایہ کاری کی بائیس درج ذیل ہیں:

Rupees in '000	فلڈز میں سرمایہ کاری کی گئی رقم
3,624,697	فلڈز میں سرمایہ کاری کی گئی رقم
729,931	فلڈز میں سرمایہ کاری کی گئی رقم
7,008,570	انسٹانٹ فلڈز
912,705	انسٹانٹ جزلی پروڈیٹ فلڈز
406,255	آفیسر ڈائریکٹرز اور جنرل فلڈز

بورڈ کے اجلاس (Meetings of the Board)

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

ڈائریکٹر کا نام	مہد	اجلاس میں حاضری
سر محمد انور پرویز، OBE، ہلال پاکستان	جنرل	6
لارڈ حمید رام چوہدری، CBE، ستارہ امتیاز (پاکستان)	ڈائریکٹر	6
جناب رضوان پرویز	ڈائریکٹر	6

کریڈٹ ریٹنگ (Credit Rating)

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (VIS) نے 28 جون 2019 کو یو اینیٹڈ بینک لمیٹڈ (UBL) کی بینکنی ریٹنگز AAA/A-1 (خریدنے والے) اسے ون پلس (+) کی توثیق کی ہے۔ توثیق دینے والے بینکنی ریٹنگز کے ساتھ ساتھ بینکنی ریٹنگز (CI) ایک بینکنی ریٹنگ کمپنی نے فارن کرنسی میں طویل مدتی قرضوں اور مختصر مدت کے قرضوں میں یو این ایل کو بی ماٹرس (B-) اور بی (B) یا تریپ ریٹنگ دی ہے۔ طویل مدتی فارن کرنسی آؤٹ لک کو بھی اب منفی (Negative) سے مستحکم (Stable) کر دیا گیا ہے۔

ایوارڈز اور اعترافات (Awards and Recognition)

2019 میں یو این ایل واحد بینک تھا جسے مسلسل تیسرے سال (2016-18) پاکستان انشورنگ ایسوسی ایشن (PSX) کی "سال کی بہترین بینکنی" ہونے کا اعزاز حاصل ہوا۔ یہ ایوارڈ تمام صنعتوں میں جامع معیارات کا اعتراف ہے جس میں سرمایے کی اہلیت، منافع پذیری، حصص کی آزادانہ تجارت، شفافیت اور سرمایہ کار کے ساتھ تعلقات اور سیکورٹیز کے ضوابط کے مطابق کارپوریٹ گورننس کی تعمیل شامل ہیں۔

مستقبل کی توقعات (Future Outlook)

یو این ایل بڑھتی ہوئی سہولت کاری، بینکاری کے شعبے میں اپنی کورتا کو بڑھانے اور بینکاری کی خدمات سے محرم بڑی آبادی کو بینکاری کی بنیادی سہولیات فراہم کرتے ہوئے وسیع تر مالیاتی شمولیت کو فروغ دینے کے ذریعے ملک میں معاشی بہتری کے لیے ایک مرکزی کردار ادا کرنے کے عزم سے سرشار ہے۔ ہمارا عزم ہے کہ برائے بینکاری کا شعبہ ہماری فرہنگ میں ایک اہم کردار جاری رکھے گا۔ ہماری نیٹ ورک کی سخت محنت ملی کا مقصد مرکز کا بڑھنا اور پاکستان بھر میں اپنی رسائی کو بہتر سے بہتر کرنا ہے۔ خدمات کے معیارات میں بہتری لانا تمام شعبوں، بچے پائمنس اور برکاروں کی شہرے کے علاقے سے ہماری توجہ کا مرکز ہے۔ اپنے کاروباری حجم کو توجہ دینے کے لیے اپنے گھرنے کی تعداد کو کافی گنا بڑھانا ہمارا مقصد ہے۔

اس کثیر الجہتی توسیع کا ایک بنیادی محرک ڈیجیٹل انقلاب بھی ہے جس کی قیادت ہمارا نوویشن سینٹر کر رہا ہے۔ یو این ایل اومنی کے ذریعے ابتدائی برسوں میں حاصل ہونے والی کامیابی، یو این ایل ڈیجیٹل بینکاری کی اپیلی کیشنز کے ساتھ ہم بینکاری کی دنیا میں مستقبل میں نئی مصنوعات کی تخلیق کے لیے پرعزم ہیں۔

خدمت کے معیار کو بڑھانے اور بزنس میں آپریشنل اہلیتوں میں اضافے اور افعال کو سپورٹ کرنے کے لیے ہم مہارتوں اور انسانی وسائل کی ترقی میں سرمایہ کاری کا عمل جاری رکھیں گے۔ قرضوں کی طلب میں کمی کے پیش نظر، اگلوں کے بہتر معیار، شرح آمدن میں اضافہ اور سرمایے کا موثر استعمال قرضہ دینے کے فیصلوں پر اثر انداز ہوں گے۔ بہترین بین الاقوامی طریق کاری کی پاسداری کے نچر کو مضبوط کرنا ہمارا عزم اور اولین ترجیح رہے گا۔ پاکستان میں بینکاری کی خدمات کو توسیع دینے اور ملک کی حقیقی معاشی صلاحیت کو نمایاں کرنے کی جانب ہمارا ترجیحی نقطہ نظر میں فعال کردار ادا کرنے کے ذریعے ہم ملک کی خدمت کے عزم پر شدت کے ساتھ کاربند ہیں گے۔

کارپوریٹ گورننس (Corporate Governance)

ڈائریکٹرز کا بیانیہ (Directors' Statement)

بورڈ آف ڈائریکٹرز یہ یقینی بنانے کا عہدہ کرتے ہیں کہ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی طرف سے ملے کردہ کارپوریٹ گورننس کے تقاضوں کی پوری طرح تعمیل کی گئی، بینک نے کارپوریٹ گورننس پریکٹس کو کمپنی سے اختیار کیا ہے اور ڈائریکٹرز بخوشی یہ اعلان دیتے ہیں کہ:

- بینک کی انتظامیہ کی طرف سے جاری کردہ مالیاتی گوشوارے منصفانہ طور پر بینک کے معاملات کی صورت حال، سرگرمیوں کے نتائج، ریکارڈ اور دیگر مالیاتی حقائق کی وضاحت کرتے ہیں۔
- بینک کی طرف سے اکاؤنٹس کے درست کھاتے قائم رکھے گئے ہیں۔
- مالیاتی گوشواروں کی تیاری میں مستقل مناسب اکاؤنٹنگ پالیسیز کا اطلاق کیا گیا ہے۔

اکاؤنٹنگ کی پالیسیوں کے جوہر فیصلہ بخش کے نوٹ 5.1 میں بیان کردہ ہیں۔ اکاؤنٹس کے نتیجے موزوں اور متوازن انداز سے چھپتی ہیں۔

مالیاتی گوشواروں کی تیاری میں انٹرنیشنل فیصلہ بخش پریکٹس اینڈ رپورٹنگ اسٹینڈرڈز (IFRS)، جیسا کہ پاکستان میں قابل اطلاق ہیں، کی کبھی بھی پیروی کیے بغیر قبیل کی گئی ہے۔

بینک میں اندرونی انڈیا کا نظام درست طرز پر بیان 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 متجانس مالیاتی گوشواروں کے ساتھ منسلک ہے۔

سال 2019 کے لیے 1.9 ارب روپے کا منافع Statutory ریزرو میں منتقل کیا جاتا ہے۔

بورڈ آف ڈائریکٹرز آف (8) حضرات اور ایک (1) خاتون ممبر پر مشتمل ہے۔ بورڈ کی تشکیل کو آف کارپوریٹ گورننس کے ساتھ قبیل کی انشورنس کے پیراگراف نمبر 1 اور 2 میں دی گئی ہیں۔

قابل اطلاق ریگولیٹری فریم ورک اور بہترین معمولات کے مطابق بورڈ اور اس کی سب کمیٹی کی کارکردگی کے تجزیے کے لیے ایک معروف بیرونی کسٹڈین کی خدمات حاصل کی گئی ہیں۔

ڈائریکٹرز کے فریڈم پر دیگر اہم کی شخصیات کو آف کارپوریٹ گورننس کے ساتھ کمپلائنس کی انشورنس میں دی گئی ہیں۔

جان ایگزیکٹو ڈائریکٹرز، بشمول خود علی ڈائریکٹرز بھی بورڈ اور کمیٹی کے اجلاس میں شرکت کرنے پر فیس اور سفری اخراجات حاصل کرنے کے قابل ہیں جیسا کہ بورڈ آف ڈائریکٹرز کے دستور شدہ ہے۔ مزید یہ کہ ان ڈائریکٹرز کو ادا شدہ فیس سالانہ اجلاس عام کے بجائے کا حصہ بنائی جائے گی تاکہ شیئر ہولڈرز سے بعد ان کے منظور کی لی جاسکے۔

بورڈ نے درج ذیل پانچ کمیٹیاں تشکیل دی ہیں جن کے فرمز آف ریفرنس کی وضاحت کی گئی ہے۔

بورڈ آف ڈائریکٹرز (BAC)

- 1- جناب عامر ظفر خان چیئر مین
- 2- جناب حیدر حمید چوہدری ممبر
- 3- جناب خالد اسد شیرانی ممبر
- 4- جناب رضوان پرویز ممبر
- 5- جناب عقیل احمد ناصر سیکرٹری

بورڈ ریسک اینڈ کمپلائنس کمیٹی (BRCC)

- 1- لارڈ حمید احمد چوہدری (CBE، ستارہ امتیاز (پاکستان) چیئر مین
- 2- جناب ارشد احمد میر ممبر
- 3- محترمہ سہما کامل ممبر
- 4- جناب عمران سرور سیکرٹری

بورڈ ہیومن ریسورس اینڈ کمپلائنس کمیٹی (HRCC)

- 1- جناب خالد اسد شیرانی چیئر مین
- 2- جناب ارشد احمد میر ممبر
- 3- جناب عامر ظفر خان ممبر
- 4- محترمہ سعدیہ سعید سیکرٹری

بورڈ آئی ٹی کمیٹی (BITC)

- 1- جناب طارق رشید چیئر مین
- 2- جناب حیدر حمید چوہدری ممبر
- 3- محترمہ سہما کامل ممبر
- 4- جناب محمد فیصل انور سیکرٹری

ارکان کوڈائریکٹرز کی رپورٹ

یو بی ایل انٹرنیشنل کے فائزٹ کی اوسط سال 2019 میں 1.7 ارب ڈالر ری جو گزشتہ سال کے مقابلے میں 17 فی صد کم ہے۔ فائزٹ کی لاگت گزشتہ سال کی سطح 2.2 فیصد بڑھ کر آرکائیو گئی۔ قرضے کا اوسط پورٹ فولیو جو 2018 میں 1.4 ارب ڈالر تھا اسے 2019 میں 980 ملین ڈالر کی سطح پر لایا گیا ہے کی شرح آمدن 5.4 فیصد رہی (2018 میں 5.1 فی صد)۔ غیر فعال قرضوں کی مد میں کوریج لیول کو مضبوط کرنے کے لیے سال 2019 کے لیے 40.1 ملین امریکی ڈالر کا سیٹ پروویژن چارج رکھا گیا گیا (2018: سیٹ پروویژن چارج 95.0 ملین امریکی ڈالر)۔ غیر فعال قرضے دسمبر 2018 میں 293 ملین امریکی ڈالر کے مقابلے میں دسمبر 2019 میں 319 ملین امریکی ڈالر ہو گئے۔ کل سرمایہ کاری جو زیادہ تر گلسڈ انکم سیکوریٹیز پر مشتمل ہے، کی اوسط 2019 میں 659 ملین امریکی ڈالر ری جو گزشتہ سال کی سطح کے مساوی ہے اس پر 2019 میں شرح آمدن 6.1 فیصد رہی (2018 میں 6.5 فی صد)۔

ذیلی اداروں کی کارکردگی کا جائزہ (Subsidiaries Performance Overview)

ہمارے ذیلی اداروں یعنی سبڈ ریز کی سال 2019 میں مالیاتی کارکردگی کے نمایاں نکات درج ذیل ہیں۔

یو بی ایل یو کے (UBL UK) یو بی ایل کا 55 فیصد ملکیتی ادارہ ہے۔ سال 2019 کے دوران یو بی ایل یو کے نے 825 ہزار پاؤنڈ زچل از گیس ملٹریٹس اور پکارا کیا (دسمبر 2018 میں 4.2 ملین پاؤنڈ شمار)۔ گزشتہ سال کے مقابلے میں بینک کی نیٹ انٹرسٹ آمدنی (NII) میں 19 فیصد کمی ہوئی۔ اسی طرح بینک کی سال پر سال کی بنیاد پر نان فنڈ آمدنی (NFI) میں 39 فی صد بہتری آئی جس کی بنیاد یہ 2019 میں حاصل کردہ کپٹل گینز تھے جب کہ فیس اور کمیشن کی مد میں آمدنی سال پر سال کی بنیاد پر 13 فی صد کم ہوئی، انویسٹمنٹ پورٹ فولیو میں 43 فی صد کمی آئی جب کہ ٹائیڈ انٹرسٹ کی یکم میں 26 فی صد توسیع دیکھنے میں آئی۔ فائزٹس کے حجم میں دسمبر 2018 کی نسبت 7 فیصد کمی واقع ہوئی۔

یو بی ایل سوئٹزر لینڈ (AG) عمل طور پر یو بی ایل کا ملکیتی ذیلی ادارہ ہے۔ اس کے ریونیوز بنیادی طور پر تجارت اور مالیاتی اداروں کے کاروبار سے حاصل ہوتے ہیں۔ یو بی ایل سوئٹزر لینڈ کا منافع قبل ٹیکس سال 2019 میں 2.8 ملین سوئس فرانک رہا جو گزشتہ سال کی نسبت 12 فیصد کم ہے۔ گزشتہ سال کی نسبت نیٹ انٹرسٹ آمدنی (NII) میں 29 فی صد کمی ہوئی جس کی بڑی وجہ swap اور قرضوں (Borrowings) کی زیادہ لاگت تھی۔ کمیشن کی مد میں آمدنی میں سال پر سال کی بنیاد پر 4 فی صد اضافہ ہوا۔ جس کی بنیاد یہ چھٹوں میں بینکوں کے ساتھ بھرتی رابطہ کاری کے ذریعے کاروباری فروغ کی کوششیں تھیں۔ بینکس شیٹ کا حجم زیادہ تر 2018 کے مطابق ہی رہا۔

یو بی ایل فنڈ منیجر لینڈ، پاکستان (UBLFM) میں یو بی ایل کی ملکیت 98.9 فی صد ہے۔ سال 2019 کے دوران UBLFM کا قبل از ٹیکس منافع گزشتہ سال کی نسبت 27 فی صد کمی کے ساتھ 371 ملین روپے رکھا رکھا گیا۔ 2019 کے اختتام تک UBLFM کے زیر انتظام 63 ارب روپے کے فنڈز تھے (2018 میں 62 ارب روپے)

یو بی ایل بینک (سٹراویہ) (UBL) یو بی ایل (یو بی ایل) کا قیام 2012 میں ہوا اور اس کی مکمل ملکیت یو بی ایل کے پاس تھی۔ یو بی ایل کا ایگزیم بینک سٹراویہ لینڈ (EXIM) سے اثاثوں اور لائسنس کی فروخت کا سمجھوتہ 22 مئی 2019 کو ہوا اور ایگزیم بینک نے یو بی ایل کے اثاثوں اور لائسنس کا کنٹرول یکم نومبر 2019 کو لے لیا۔ یو بی ایل نے اپنے بینکنگ آپریشن کو بند کر دیا اور رضا کارانہ طور پر ٹیکس لینڈ کو سرانجام دیا (معاوضہ 9.11 ایل بی کو شمار)

مالیاتی عدم توازن نے افراط زر پر دباؤ قرار رکھا جس کے نتیجے میں افراط زر کی شرح میں اضافہ ہوا اور یہ دسمبر 2019 میں 12.6 فیصد رکھا رکھا گیا۔ جنوری 2020 میں افراط زر کی شرح مزید اضافے کے ساتھ 14.6 فی صد رکھا رکھا گیا جو زیادہ تر جون 2018 سے روپے کی قدر میں تیزی سے کمی اتارائی کی قیمتوں میں اضافے حکومت کی جانب سے ٹیکس ریونیوز کے اقدامات اور چند مخصوص اشیائے خورد و پی کی سپلائی کے اثرات کا نتیجہ تھا۔ سال 2019 کے دوران افراط زر کی اوسط شرح 9.4 فی صد رکھا رکھا گیا۔

سال 2019 کے زیادہ تر حصے کے دوران اسٹاک مارکیٹ میں مندی کا رجحان رہا۔ اس سال کے دوران KSE-100 انڈیکس 28.8 ہزار پونٹس کی سطح تک گر گیا تھا۔ اس کی بنیادی وجہ معاشی مشکلات، ملاقاتی بیکرونی کے معاملات اور زرمبادلہ کے کم ذخائر تھے۔ تاہم پرنٹیشن ترجیحات، رعایتی شرحوں اور روپے کے استحکام کی مثبت خبر نے مارکیٹ کو اس قابل کر دیا کہ وہ اپنے کم ترین سطح کے مقابلے میں 40 فی صد اضافہ کے ساتھ دسمبر 2019 میں 40.7 ہزار پونٹس تک پہنچا۔

بینکاری کے شعبے میں فائزٹ دسمبر 2019 میں 14.6 ملین روپے کی سطح پر تھے جو دسمبر 2018 کے مقابلے میں 9.6 فیصد زیادہ ہیں۔ دسمبر 2018 کے مقابلے میں دسمبر 2019 میں سسٹم ایڈوانسز 10 فیصد اضافے کے ساتھ 8.2 ملین روپے کی سطح پر تھے۔ تجربہ 2019 کے اختتام انٹرسٹری کے غیر فعال قرضہ جات 758 ارب روپے کی سطح پر تھے جو دسمبر 2018 کے مقابلے میں 12 فیصد زیادہ ہیں۔ نتیجے کے طور پر انٹیکشن کی شرح 82bps سے خراب ہو کر 8.8 فیصد ہو گئی (دسمبر 2018 میں یہ شرح 8.0 فیصد تھی)۔

یو بی ایل انٹرنیشنل (UBL International)

2019 کے دوران ملٹی نیشنل تعاون گروپ (GCC) کے اندر معاشی ماحول مشکلات کا شکار رہا۔ باقی ہوئی سرکاری ادائیگیاں، ایکسچو 2020 کے حوالے سے سرمایہ کاری کے اخراجات اور تیل کی قیمتوں میں اضافے نے علاقائی معیشتوں کو ہمارا دیا ہے۔ تاہم اس کے باوجود پورے خطے میں بحالی کی رفتار تیز رہی۔

یو بی ایل اپنے غیر ملکی آپریشنز میں زیادہ تر بینک کے ساتھ دیرینہ تعلقات رکھنے والے منظم کارپوریٹ اداروں کو منتخب قرضوں کی ادائیگی کے کاروباری ماڈل کے ذریعے خطرات سے پاک ٹھکانے کو جاری رکھے ہوئے ہے۔ دروازوں سال کے دوران بینک نے رضا کارانہ طور پر اپنی نیو یارک برانچ کو بند کر دیا، اومان یو بی ایل نیو یارک کینی منسٹل میں اپنے حصص کو ختم کر دیا اور ایگزیم بینک سٹراویہ لینڈ کے ساتھ اپنی ذیلی کمپنی یو بی ایل بینک (سٹراویہ) (UBL) کے لیے اثاثوں اور واجبات کی خریداری کے معاہدے کو مکمل کر لیا ہے اور اس وقت اپنا بزنس سینٹر اور رضا کارانہ ادائیگیاں کی تیاری کر رہا ہے۔

بیرون ملک برانچوں کے اندر ٹیکوئیٹی زیادہ تر سامان قرضوں کی سرمایہ کاری، تجارت پر مبنی فنانسنگ اور FI لینڈنگ کی صورت میں رکھی جاتی ہے۔ کریڈٹ کوٹائی کے تحفظات اور سرمایہ کاروں کا اعتماد اثاثوں کی فنانسمنٹ کے تمام فیصلوں کی بنیاد قرار پاتی ہیں۔ ہم نے نگرانی میں اضافے کے لیے اپنی رسک مینجمنٹ اور کمپلائنس کے فریم ورک کو مزید مضبوط کر دیا ہے۔ مزید برآں آئینش لیسٹ مینجمنٹ ہیڈ کے غیر فعال اکاؤنٹس کی ریکوری کے لیے اپنی کوششیں تیز کر دی ہیں۔ فنڈنگ سائیز پر ہم کم لاگت کے منظم فائزٹس کی بنیاد کے قیام اور خاص طور پر زیادہ لاگت والے لیم فائزٹس کے اندر اپنے ارتکاز کو کم کرتے ہوئے اپنی لائسنس فرمائش کو مضبوط کر رہے ہیں۔

بیلنس شیٹ کا نظم و نسق (Balance Sheet Management)

سال 2019 کے دوران بینکاری کے معاملے میں جو بی ایل نے اپنی وسیع پہنچ کو برقرار رکھا۔ ملک بھر میں 1,362 برانچز کے ساتھ (2018: 1,364) جو بی ایل تمام اہم مارکیٹس میں نمایاں طور پر موجود رہا۔ نیٹ ورک میں 100 اسلامی بینکاری کی برانچز شامل ہیں (2018 میں 94 برانچز)۔ جب کہ اسلامی بینکاری کی 162 وڈ وزیٹی فعال رہیں (2018: 158 اسلامی بینکاری کی وڈ وز)۔ بینک کی جانب سے فنانس کے حصول کی حکمت عملی کا مقصد بہترین فنڈنگ کا حصول ہے جس میں کرنٹ اور سیولنگ کاؤنٹس میں اضافے پر بھرپور توجہ دی جارہی ہے۔ برانچ بینکنگ بزنس جو کہ ڈومیسٹک بینکنگ کا بنیادی ستون ہے، اس سال بھی بہترین کارکردگی کا حامل رہا جیسا کہ ہمارے ڈومیسٹک فنانس 1.2 ٹریلین روپے رہے (دسمبر 2018 میں 1.1 ٹریلین روپے) جو کہ 10 فی صد اضافہ ہے۔ سال 2019 میں بینک نے اپنا ڈومیسٹک فنانس مارکیٹ شیئر 8.3 فی صد پر برقرار رکھا۔

دسمبر 2019 میں بینک کے نیٹ ایڈوائسز 636 ارب روپے رہے (دسمبر 2018 میں 716 ارب روپے) جو کہ 11 فی صد کی کوٹا پر گرتا ہے۔ اسی طرح ڈومیسٹک فعال ایڈوائسز میں گزشتہ سال دسمبر کے مقابلے میں 9 فی صد کی آئی۔ 2019 میں ایک بڑے پبلک سیکٹر ادارے کی جانب سے قرضوں کی واپسی کے اثرات کمال کر ڈومیسٹک ایڈوائسز زیادہ تر گزشتہ سال کی سطح پر برقرار رہے۔ موجودہ بلند شرح سود کے ماحول میں ہماری قرض دینے کی حکمت عملی میں ریسک کو کافی کے معیار کو برقرار رکھنے اور کسٹمرز کی نقل و پڑی پر توجہ مرکوز ہے تاکہ RWA کی کارکردگی کو زیادہ سے زیادہ بہتر کیا جاسکے۔

بینک کا انویسٹمنٹ پورٹ فولیو دسمبر 2019 میں 840 ارب روپے تھا (دسمبر 2018 میں 786 ارب روپے)۔ فنڈنگ بنیادی طور پر رچرچری سیکورٹیز میں رکھی گئیں اور 315 ارب روپے فیکس ریٹ پر پاکستان انویسٹمنٹ بانڈ میں انویسٹ کئے گئے جب کہ حکومت ریٹ والے پاکستان انویسٹمنٹ بانڈ میں 97 ارب روپے کی سرمایہ کاری کی گئی اور رچرچری سیکورٹیز میں 254 ارب روپے کی سرمایہ کاری کی گئی۔ مؤرخہ ہدفی شرح آمدن میں کمی کے پیش نظر انسانی لیکویڈٹی کو مختصر مدت کی سرمایہ کاری میں بلند شرح منافع پر لگایا گیا۔ بینک کی ایکٹیو ہولڈنگ دسمبر 2019 میں 14 ارب روپے تھی (دسمبر 2018 میں 17.4 ارب روپے) جو کہ سال بھر سال کی بنیاد پر کمی کوٹا پر گرتی ہے جس کی بنیاد پر چھوٹا لیکویڈٹی سیکورٹیز کی فروخت ہے۔

کپٹل ریشیو (Capital Ratios)

بینک مضبوط سرمایہ جاتی بنیاد پر برقرار رکھنے کا خواہش مند ہے تاکہ مستقبل کی کاروباری توسیع کے لیے مناسب Buffers اور معاونت میسر آسکے۔ رواں سال کے دوران بینک نے اپنے اضافی Tier-1 TFCs کا اجراء مکمل کر لیا ہے جس سے اجراء کا کل حجم 10 ارب روپے ہو گیا ہے۔ یہ اب تک عوامی سطح پر فروخت کیے گئے سب سے بڑے جاری شدہ قسٹکات میں سے ایک ہے۔

اسٹیٹ بینک آف پاکستان کی جانب سے یو بی ایل کو ڈومیسٹک نظام کا ایک اہم بینک (D-SIB) نامزد کیا گیا ہے۔ اس کے نتیجے میں 2019 کے دوران CAR Limit کی کم سے کم حد کے علاوہ بینک کو 1.5 فی صد اضافی Higher Loss Absorbency Surcharge (HLA) بطور ٹیکر جمع اور جتنے بنیادوں پر برقرار رکھنا پڑے گا۔ تاہم اسٹیٹ بینک کی جانب سے اپنے تازہ ترین D-SIB کے مطابق مندرجہ HLA سہارا میں مارچ 2020 سے 50 bps کی کمی کر کے اسے 1.0 فیصد کر دیا گیا ہے۔

بینک کے سرمائے کی شرح بہت اچھی رہی جیسا کہ برطانیہ دسمبر 2019 کا سن انکویئریم (CET-1) کی شرح 135bps بہتری کے ساتھ 13.7 فیصد ہو گئی (دسمبر 2018 میں 12.4 فیصد)۔ مجموعی Tier 1 Ratio برطانیہ دسمبر 2019، 14.9 فیصد رہی (دسمبر 2018 میں 13.4 فیصد)۔ مجموعی کچھل ایڈیٹسی کی شرح (CAR) دسمبر 2019 میں 18.9 فیصد رہا یا رہی گئی (دسمبر 2018 میں 17.7 فیصد) جو کہ ریگولیٹری تھ سے 4.9 فی صد زیادہ ہے۔

یو بی ایل کے بورڈ آف ڈائریکٹرز نے 19 فروری 2020 کو اسلام آباد میں منعقدہ اپنے اجلاس میں 40 فیصد (4.0 روپے فی شیئر) حتمی ڈیویڈنڈ کے ساتھ 31 دسمبر 2019 کو ختم ہونے والے سال کے نتائج کا اعلان کیا ہے۔

یو بی ایل ڈیجیٹل (UBL Digital)

یو بی ایل نے 2019 میں ڈیجیٹل اسٹریٹجی کو بہتر بنانے کا سلسلہ جاری رکھا اور اپنے کسٹمرز کے لئے جدت آمیز سولہویں اور مالیاتی شمولیت کو فروغ دینے پر توجہ دی گئی۔ اس مقصد کے لئے عوام الناس کو بینکاری کی بنیادی سہولیات فراہم کی گئیں۔ اس حکمت عملی کے پیچھے ہماری بینکاری کی خدمات کو یو بی ایل ڈیجیٹل موبائل ایپ پر وسعت دینا ہے تاکہ کسٹمرز کو برانچز سے ڈیجیٹل چھوڑی طرف منتقل کیا جائے۔ یو بی ایل ڈیجیٹل ایپ کو ہمارے کسٹمرز کی بڑھتی ہوئی تعداد سے بھرپور پڑ پڑائی ملی اور 2019 میں بینک نے ایک اہم سنگ میل عبور کیا اور یو بی ایل ڈیجیٹل کے رجسٹرڈ صارفین کی تعداد اس لاکھ سے زیادہ ہو گئی۔

بینک نے سال 2019 میں بھی ڈیجیٹل چھوڑ کے ذریعے صارفین کی وسعت کے لئے پیش قدمی جاری رکھی۔ ڈیجیٹل آن بورڈنگ اور سہولت ایپ کی بدولت صارفین کو سہولت اور کارآمدی کے ساتھ ساتھ ممبرانہ کاؤنٹس کھولنے کی سہولت ملی۔ 2019 میں ہماری ڈیجیٹل آن بورڈنگ کی ہم بہت کامیاب رہی اور ہم نے ڈیجیٹل چھوڑ کے ذریعے دو لاکھ سے زائد کسٹمرز کو اپنے نیٹ ورک کا حصہ بنایا۔

معاشی جائزہ (Economy Review)

ترقیاتی اصلاحات کے مکمل بخار سے قبل موجودہ دور میں معیشت استحکام کی جانب گامزن ہے۔ اگرچہ ساختی عدم توازن کی وجہ سے مزید وقت درکار ہو گا تاہم سال کے اختتام تک مثبت اثرات ظاہر ہونا شروع ہو گئے تھے۔ آئی ایم ایف کے ایکٹیو ڈیٹ ویسٹن (EFF) پروگرام کے نتیجے میں مجموعی اقتصادی استحکام کے عمل نے رفتار پکڑنا شروع کر دی ہے۔ سال کے دوران اسٹیٹ بینک آف پاکستان نے منہائی کی بڑھتی ہوئی شرح اور شرح مبادلہ کے گرتے کے پس منظر میں 2019 میں پالیسی ریٹ میں 325bps کا اضافہ کیا اور پالیسی ریٹ برطانیہ دسمبر 2019، 13.25 فی صد کر دیا۔ حکومت نے غیر دستاویزی معیشت کے بہتر اندراج کے ساتھ ٹیکس کی بنیاد میں اضافہ کرنے کے لئے فعال طور پر اصلاحات کا بخار کر دیا ہے۔ درآمدات کے حجم کو کم کرنے کے اقدامات اور مارکیٹ کے زیر کنٹرول شرح مبادلہ کے ماحول کے بخار کے نتیجے میں تجارتی خسارہ مالی سال 2020 کی پہلی ششماہی میں کم ہو کر 11.7 ارب امریکی ڈالر یا جو کہ مالی سال 2019 کی پہلی ششماہی کے 16.8 ارب امریکی ڈالر کے تجارتی خسارہ کی مقابلے میں 30 فی صد بہتر ہے۔

اس رجحان کے تسلسل میں مالی سال 2020 کی پہلی ششماہی میں کرنٹ اکاؤنٹ کا خسارہ (CAD) 75 فی صد تک کم ہو کر 2.2 ارب امریکی ڈالر تک رہ گیا (مالی سال 2019 کی پہلی ششماہی میں یہ خسارہ 8.6 ارب ڈالر تھا)۔ یہ بہتری درآمدی مل میں 17 فی صد تک کمی اور مالی سال 2019 کی پہلی ششماہی کے مقابلے میں مالی سال 2020 کی پہلی ششماہی میں برآمدات میں 3 فیصد تک معمولی اضافے کا نتیجہ ہے۔ مزید برآں ملک میں آنے والی ترسیلات زر نے کرنٹ اکاؤنٹ کو سہارا دے رکھا جو مالی سال 2020 کی پہلی ششماہی میں 11.4 ارب امریکی ڈالر یا کارڈ کی گئیں اور اس میں گزشتہ سال اسی عرصے کے مقابلے میں 3 فی صد اضافہ رہا یا رہا گیا۔ کرنٹ اکاؤنٹ خسارے میں نمایاں حد تک بہتری، آئی ایم ایف کی جانب سے تقویم کی فراہمی اور دوست ممالک سے امداد کے نتیجے میں زرمبادلہ کے ذخائر میں بہتری آئی اور اس سے شرح مبادلہ پر دباؤ میں کمی آئی۔ مزید یہ کہ ملک نے مناسب حد تک اپنی ڈومیسٹک سائبر قرض میں غیر ملکی سرمائے کے حصول میں کامیابی حاصل کی ہے۔ ملک کے زرمبادلہ کے ذخائر دسمبر 2018 میں 13.8 ارب امریکی ڈالر کے مقابلے میں دسمبر 2019 کے آخر میں 18.1 ارب امریکی ڈالر ہو گئے، جو 31 فیصد زیادہ ہیں۔ سال کے اختتام پر ڈالر کے مقابلے میں روپے کی قدر 12 فیصد کی کمی کے ساتھ 154.85 روپے رہی۔

ارکان کوڈائریکٹرز کی رپورٹ

یو بی ایل ڈومیسٹک (UBL Domestic)

یو بی ایل کے ڈومیسٹک غیر فعال قرضہ جات کا حجم دسمبر 2018 میں 27.9 ارب روپے سے کم ہو کر دسمبر 2019 میں 27.2 ارب روپے ہو گیا۔ انٹرنیشنل سٹیٹ بینک آف امریکا (SAM) کی جانب سے غیر فعال اکاؤنٹس کی فعال ریکوری کی بدولت 2019 کے دوران غیر فعال قرضہ جات کی حد میں 1.3 ارب روپے کے پروجیکشن ریم سٹور کیا رکھے گئے۔ ڈومیسٹک ایسیٹ کوآئی دسمبر 2019 میں 5.2 فی صدی کی سطح پر ریکارڈ کی گئی۔ (2018: 4.9 فی صد) جو کہ لون بک میں مجموعی طور پر کچھ کمی کے باعث معمولی طور پر زیادہ ہے۔ دسمبر 2019 میں ڈومیسٹک بینک کی مخصوص گورننگ 92.1 فی صد ریکارڈ کی گئی (دسمبر 2018: 92.5 فی صد)۔ سال 2019 میں انٹرنیشنل کی قدر کی کمی کی وجہ سے 3.2 ارب روپے کا نیٹ پروجیکشن ریکارڈ کیا گیا جو گزشتہ سال 1.5 ارب روپے تھا۔ اس میں لٹرا کی کوآئی انویسٹمنٹ کے لئے نیٹ ایمرٹ منٹ چارج کی حد میں 2.3 ارب روپے بھی شامل ہیں جس کی وجہ سے سال 2019 کے دوران مارکیٹ میں عدم استحکام ہے۔ اس کے علاوہ یو بی ایل حجازیہ کی سپر دی انویسٹمنٹ میں اضافی ایمرٹ منٹ کی حد میں سال 2019 کے دوران 806 ملین روپے بھی شامل ہیں (سال 2018 میں 263 ملین روپے)۔ جس کی بنیادی وجہ حجازیہ میں بینک کے آپریشن کا خاتمہ اور ایسٹ اور انٹرنیشنل کی تیل لرائزیشن کی تکمیل ہے۔

یو بی ایل انٹرنیشنل (UBL International)

خلیج تعاون کونسل کی حکومتوں نے علاقائی معیشت کو فروغ دینے کے لئے سال 2019 میں بھی معاشی اصلاحات کے اقدامات جاری رکھے۔ جامع مجموعی طور پر معاشی ماحول پر سے سال کے دوران مینجنگ رپورٹیشن خلوی مشکلات کے باعث کریڈٹ کی ادائیگیاں متاثر ہو گئیں۔ اس کا رد باری ماحول کے تناظر میں یو بی ایل انٹرنیشنل کے غیر فعال قرضہ جات دسمبر 2018 میں 293 ملین امریکی ڈالر سے بڑھ کر دسمبر 2019 میں 319 ملین امریکی ڈالر ہو گئے۔ غیر فعال قرضہ جات کی گورننگ مزید مستحکم بنانے کے لئے 2019 میں نیٹ پروجیکشن چارج 40.1 ملین امریکی ڈالر ریکارڈ کیا گیا جو کہ 2018 میں 95 ملین امریکی ڈالر تھا۔ مخصوص گورننگ دسمبر 2018 میں 74 فی صد تھی، بڑھا کر دسمبر 2019 میں 77.3 فی صد کر دی گئی۔

دسمبر 2019 میں (FSV) اور کیش کولیرل کے ساتھ مخصوص گورننگ 90.9 فی صد رہی (دسمبر 2018 میں 92.1 فی صد) جس کا خوالہ مالیاتی گوشوارے کے نوٹ 10.4.2 میں موجود ہے۔

اخراجات کا نظم نسق (Cost Management)

یو بی ایل نے بینک کے کاروباری معاملات اور دیگر معاون امور میں بہترین ہم آہنگی اور پورے نیٹ ورک کے اخراجات میں کمی کے فروغ سے اپنے اخراجات پر مؤثر کنٹرول کا سلسلہ جاری رکھا۔ بینک کے انتظامی اخراجات سال 2019 کے دوران 40.2 ارب روپے ریکارڈ کئے گئے اور 2018 کے مقابلے میں ان اخراجات میں اضافے کو 4 فی صد تک محدود رکھا گیا۔ ملنے کو مزید مؤثر اور مفید کردار کے لئے ایک جگہ سے دوسری جگہ بھیجا گیا اور افرادی قوت کی ضروریات کے مطابق ملنے کی تقرری میں نظم و ضبط سے سال پر سال کی بنیاد پر افرادی اخراجات میں 5 فی صد کمی کوآئی گئی۔ سال 2019 میں بینک کے آئی ٹی کے اخراجات 3.6 ارب روپے ہوئے جو کہ گزشتہ سال کی اسی مدت کے مقابلے میں 29 فی صد زیادہ ہیں۔ اس کی وجہ مجموعی طور پر ڈیجیٹل سروسز کے طور پر لیجانہ کوآئی سولوشنز میں سرمایہ کاری اور قارئین کی قدر میں کمی کے سبب سافٹ ویئر لائسنسنگ پر اٹھنے والے زیادہ اخراجات ہیں۔ بینک کے دیگر انتظامی اخراجات گزشتہ سال کی نسبت 11 فی صد بڑھے جس کا بنیادی سبب بینک کے کمپلائنس ٹرانسپارینٹیشن پروگرام اور بینکنگ سروس کے چارجز میں اضافہ ہے جو کہ کاروباری حجم میں اضافے کے مطابق ہوا ہے۔

بینک نے 2019 کے دوران فیس اور کمیشن کی حد میں 13.7 ارب روپے ریکارڈ کئے جو کہ گزشتہ سال کے مساوی ہیں اور یہ کل چار فنڈ آمدنی کا 63 فی صد حصہ بنتے ہیں (2018 میں 56 فی صد)۔ یو بی ایل ہوم ریسٹنس کی حد میں 28 فی صد مارکیٹ شیئر اور 1.4 ارب روپے کے رجسٹر کے ساتھ سال 2019 میں مارکیٹ لیڈر کی حیثیت برقرار رکھے ہوئے ہے۔ جو سال پر سال بنیاد پر 21 فی صد کی بہترین نمو ہے۔ برانچ بینکاری کی خدمات سے فیس کی آمدن سال 2019 میں 2 ارب روپے رہی جو سال 2018 کے مقابلے میں 10 فی صد زیادہ ہے۔ برانچ بینکنگ کے سٹورز میں چیزیں سے اضافے کی بدولت سٹورز کی تعداد بھی 3.26 ملین ہو گئی جو گزشتہ سال 3.16 ملین تھی۔ اسے فی ایم او ڈیٹ کارڈ سے ڈومیسٹک کمیشن 1.6 ارب روپے ریکارڈ کر گزشتہ سال کے مساوی ہے۔ سال 2019 کے دوران بینک نے 524,000 نئے ڈیٹ کارڈز کا اضافہ کیا اور بینک کے فعال کارڈ ہولڈرز کی مجموعی تعداد 20 لاکھ تک پہنچی گئی۔ بینک نے بینک سروس کی حد میں سال 2019 میں 3.8 ارب روپے کے پریئم کے حجم سے اپنا مارکیٹ شیئر مزید مستحکم کیا ہے جو سال پر سال 11 فی صد اضافہ ہے۔ اس سے بینک سال 2019 کے دوران 1.6 ارب روپے کمیشن کی حد میں آمدنی حاصل کرنے کے قابل ہوا جو کہ گزشتہ سال سے کچھ زیادہ ہے۔ یو بی ایل کی برانچ لیس بینکنگ سروس، یو بی ایل اوٹومی سے نیٹ کمیشن کی حد میں آمدنی 1 ارب روپے ریکارڈ کی گئی جو کہ گزشتہ سال کے مقابلے میں 20 فی صد زیادہ ہے۔ کریڈٹ کارڈ اور آٹو ٹرانزیکشن کی حد میں 2019 میں بھی اضافے کا رجحان جاری رہا اور کنزرویٹو فیس سے بینک کو 983 ملین کی آمدنی ہوئی جو سال پر سال 18 فی صد زیادہ ہے۔ کیش منیجمنٹ کی حد میں بینک نے 784 ملین روپے کا منافع کمایا جو کہ سال 2018 کے مقابلے میں 6 فی صد اضافہ ہے۔

بینک نے ڈیویڈنڈ سے آمدنی 1.5 ارب روپے ریکارڈ کی جو کہ گزشتہ سال 2018 میں 2.1 ارب روپے تھی۔ پاور سٹورکس کے پے آؤٹ (Pay Out) میں کمی کی وجہ سے بینک کی ڈیویڈنڈ آمدن متاثر ہوئی۔ زرمبادلہ کی آمدنی 4.5 ارب روپے ریکارڈ کی گئی جو کہ گزشتہ سال سے 31 فی صد زیادہ ہے۔ بینک نے کرنسی مارکیٹ میں زبردست اتار چڑھاؤ کے ماحول میں قارئین کو فعال انداز سے منظم کئے رکھا۔ آمدن کے دیگر ذرائع (Other Income) سے بینک 1.9 ارب روپے کی آمدنی ہوئی جو سال 2018 میں 1.1 ارب روپے تھی اور اس میں سال 2019 کے دوران نیو پارک برانچ کو بند کرنے سے حاصل ہونے والے انجینئرنگ ٹرانسلیشن ریزرو (Exchange Translation Reserve) 1.3 ارب روپے شامل ہیں۔

قرضہ پر ممکنہ تاہدگی کے لئے مختص رقوم اور غیر فعال قرضہ جات

(Provisions, Loan Losses and Non-Performing Loans)

یو بی ایل کا پروجیکشن چارج 2018 میں 12.9 ارب روپے سے کم ہو کر 2019 میں 8.2 ارب روپے ہو گیا جو سال پر سال کی بنیاد پر 36 فی صد کم ہے مزید برآں لون اور ایڈوانسز کی حد میں نیٹ پروجیکشن چارج 6.3 ارب روپے کی کمی کے ساتھ 2018 میں 10.7 ارب روپے کے مقابلے میں 2019 میں 4.4 ارب روپے رہا۔ بینک کی سطح پر غیر فعال قرضہ جات (NPLs) میں 8.0 ارب روپے کا اضافہ ہوا اور دسمبر 2019 میں 76.6 ارب روپے تک پہنچی گئے (دسمبر 2018 میں 68.6 ارب روپے)۔ اس اضافے میں غیر ملکی زرمبادلہ کی قیمت میں اضافہ سے تقریباً 4.8 ارب روپے کا اضافہ شامل ہے۔ مجموعی طور پر لائسنس کوآئی 2019 میں 10.9 فی صد ریکارڈ کی گئی جو کہ گزشتہ سال دسمبر 2018 میں 8.8 فی صد تھی جب کہ گورننگ کی شرح دسمبر 2018 میں 81.5 فی صد سے بڑھ کر دسمبر 2019 میں 82.5 فی صد ہو گئی۔

ارکان کوڈائریکٹرز کی رپورٹ

یورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2019 کو ختم ہونے والے سال کے لئے پانچونچہ ایک ٹیبلڈ کی 61 ویں سالانہ رپورٹ پیش کرنا میرے لئے باعث مسرت ہے۔

کارکردگی کا جائزہ (Performance Overview)

یو بی ایل نے سال 2019 میں 34.2 ارب روپے کا غیر ملکی عمل درآمد کیا جو سال 2018 میں 25 ارب روپے تھا۔ یہ سال پہلے کی بنیاد پر 37 فیصد کی بہتری میں ہے۔

ایک سال 2019 میں کل 83.5 ارب روپے کاروبار کیا گیا جو سال پہلے کی بنیاد پر 13 فیصد کی اضافی آمدنی (NII) سال 2018 کی نسبت 10 فیصد اضافے کے ساتھ 61.8 ارب روپے ریکارڈ کی گئی۔ اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ میں 2019 کے دوران 325 bps کا اضافہ کیا جو دسمبر 2018 میں 10 فیصد تھا۔ سالانہ 2019 تک بڑھ کر 13.25 فیصد ہو گیا اور سال کے آخر تک یہ شرح برقرار رہی۔ اٹھارویں فیصد آمدن کے دوبارہ نقصان کی بدولت مارک اپ آمدنی میں اضافہ ہوا اور اس میں کم لاگت ڈپازٹس میں بتدریج اضافے کے ذریعے بڑی معاونت ملی۔

ٹان فنانس آمدنی (NFI) سال 2019 کے دوران 21.7 ارب روپے رہی جو سال پہلے کی بنیاد پر 13 فیصد کم ہے۔ سال 2018 کی نسبت کمیشن گینز (Capital Gains) کے علاوہ ٹان فنانس آمدنی میں 6 فیصد نمو ریکارڈ کی گئی۔ بینک کے انتظامی اخراجات مناسب رہے اور افراط زر کے دباؤ کے باوجود انتظامی اخراجات 4 فیصد سے کم اضافے کے ساتھ سال 2019 میں 40.2 ارب روپے کے قریب ریکارڈ کئے گئے۔ آمدنی اور لاگت کا تناسب موجودہ سال کے دوران 48.2 فیصد رہا (2018: 47.8 فیصد)۔

سال 2019 کے دوران نیٹ پروویژن (Net Provision) اخراجات مجموعی طور پر 8.2 ارب روپے رہے جو سال پہلے سال بنیاد پر 4.6 ارب روپے کی کمی کو ظاہر کرتے ہیں (2018 میں 12.9 ارب روپے)۔ اس پروویژن میں بینک کی غیر فعال اثاثوں میں 3.2 ارب روپے اور غیر فعال قرضوں پر 4.4 ارب روپے کا نیٹ چارج شامل ہے (2018 میں 10.7 ارب روپے) جو بنیادی طور پر بینک کے اعتراف شدہ ایلے وائسز کے پورٹ فولیو میں ہے۔

مالیاتی نتائج (Financial Results)

سال 2019 میں یو بی ایل نے 19.1 ارب روپے غیر ملکی بعد از ٹیکس منافع (PAT) ریکارڈ کیا جو گزشتہ سال کے 15.2 ارب روپے کے بعد از ٹیکس منافع میں 26 فیصد نمو کو ظاہر کرتا ہے۔ سال 2018 میں 12.44 ارب روپے کے غیر ملکی منافع کی نسبت سال 2019 میں فی شیئر غیر ملکی منافع 15.63 روپے (EPS) ریکارڈ کیا گیا۔ منافع بنیاد پر بعد از ٹیکس منافع 19 ارب روپے رہا ہے جو کہ گزشتہ سال 2018 میں 15 ارب روپے تھا۔ منافع فی شیئر 15.60 روپے ریکارڈ کیا گیا (2018 میں 12.63 روپے)۔

نیٹ مارک اپ آمدنی (Net Markup Income)

ایک سال 2019 میں نیٹ مارک اپ آمدنی 61.8 ارب روپے رہی جو سال پہلے کی بنیاد پر 10 فیصد زیادہ ہے۔ اوسط ڈومیسٹک بینکس شیٹ کا حجم گزشتہ سال 2018 کی سطح پر قرار دیتے ہوئے 2019 میں 1.5 ٹریلین روپے رہا۔ ڈومیسٹک نیٹ انٹرسٹ مارجینز (NIMs) نمایاں بہتری کے ساتھ گزشتہ تین سال کی مضبوط ترین سطح پر رہے اور 2018 میں 3.9 فیصد سے 59 bps کے اضافے کے ساتھ 2019 میں 4.5

فی صد ہو گئے۔ یہ سال کے دوران ایلے وائسز کے پورٹ فولیو میں مارک اپ کی مدد سے آمدنی میں بہتری اور بہتر شرح آمدن کے حامل ٹریڈری بلز میں سرمایہ کاری کی بدولت ہوا۔

ڈومیسٹک ڈپازٹس میں اوسط 10 فیصد اضافے سے منافع بخش اثاثوں کی سطح میں اضافہ ہوا۔ یہ سال 2019 کے دوران اوسط ڈومیسٹک ڈپازٹس 1.1 ٹریلین روپے ریکارڈ کئے گئے جس میں 97 ارب روپے کا اوسط اضافہ ہوا۔ بینک نے اپنی کلیدی ٹکنٹ عملی کے تحت گسٹرز کی تعداد میں توسیع کا سلسلہ جاری رکھا اور سال کے دوران 534,000 نئے کرنٹ اکاؤنٹس حاصل کئے جس کے نتیجے میں سال پہلے کی بنیاد پر بینک کے ڈومیسٹک کرنٹ اکاؤنٹ ڈپازٹس میں 8 فیصد اضافہ ہوا اور یہ سال 2019 کے دوران 475 ارب روپے رہے۔ اس سے بینک بلند شرح سود کے منفی اثرات کو برداشت کرنے کے قابل ہوا جسے سال 2019 میں ڈومیسٹک ڈپازٹس کی لاگت 5.5 فیصد ریکارڈ کی گئی جو کہ گزشتہ سال کی اسی مدت کے دوران 3.1 فیصد تھی۔ علاوہ ازیں سٹیٹ بینک ڈپازٹس میں ڈومیسٹک فریڈم نے اپنے پورٹ فولیو کے حجم میں اضافے کا رجحان برقرار رکھا جو سال پہلے سال بنیاد پر 10 فیصد نمو کے ساتھ اوسط 474 ارب روپے کی سطح پر رہے۔ اس کی بدولت سال 2019 میں بینک نے اپنے اوسط ڈومیسٹک (CASA) کی شرح 86.2 فیصد پر قرار رکھی (2018: 86.8 فیصد)۔ 6 ماہ کی مدت والے ٹریڈری بلز کی شرح آمدن میں سال پہلے سال کی بنیاد پر 489 bps اضافے کے باوجود بینک نے بہتر (CASA) کی سطح کی بدولت اپنے ڈپازٹس کی لاگت کو کم کر دیا۔

ایک سال کے فعال ایلے وائسز کی اوسط سال 2019 کے دوران 623 ارب روپے رہی جو کہ گزشتہ سال کی اوسط سے 5 فیصد کم ہیں۔ اوسط ڈومیسٹک ایلے وائسز سال 2019 کے لئے 476 ارب روپے رہے جو کہ گزشتہ سال کی سطح کے مساوی ہے۔ ڈومیسٹک بینک کے اوسط زرعی پورٹ فولیو میں سال پہلے سال کی بنیاد پر 25 فیصد اضافہ ہوا جب کہ چھوٹے اداروں کے اوسط قرضہ جات میں سال 2018 کی نسبت 12 فیصد اضافہ ہوا۔ گزشتہ سال میں اس سال کے دوران اوسط پورٹ فولیو میں 23 فیصد اضافہ ریکارڈ کیا گیا۔ جب کہ بینک نے 17 ارب روپے کے قرضوں کے حجم کے ساتھ بنیادی طور پر آؤٹسٹر میں قرضہ جات فراہم کئے۔ بینک نے انٹر بینک برنس میں خطرات سے نکلنے کا عمل جاری رکھا اور اوسط لون پک 30 فیصد کے ساتھ سال 2019 کے دوران 980 ملین امریکی ڈالر کی سطح پر آئی۔

سرمایہ کاری کے تناظر میں بینک کے پاس موجود فنانس ریٹ کے حامل پاکستان انویسٹمنٹ بانڈز (PIBs) کی مالیت دسمبر 2019 میں 315 ارب روپے رہی جو دسمبر 2018 میں 402 ارب روپے تھی۔ اس سرمایہ کاری سے بینک کو سال 2019 میں اوسط 8.5 فیصد آمدنی ہوئی (2018 میں 8.3 فیصد)۔ اس سال کے دوران 125 ارب روپے کے پاکستان انویسٹمنٹ بانڈز بیچے ہوئے۔ حکومت ریٹ کے حامل پاکستان انویسٹمنٹ بانڈز کی مالیت سال کے اختتام پر 97 ارب روپے رہی (دسمبر 2018 میں 9 ارب روپے)۔ جس کی شرح آمدن 14.6 فیصد ہے۔ اضافی لیکویڈٹی کو ٹریڈری بلز میں لگایا گیا تاکہ مدتی حکومتی قرضوں پر بلند شرح سود کا فائدہ اٹھایا جاسکے۔ سال 2019 کے دوران بینک کا اوسط ٹریڈری بلز کا پورٹ فولیو 243 ارب روپے رہا اور اس کی شرح آمدن 2018 میں 6.9 فیصد سے بہتر ہو کر 2019 میں 12.4 فیصد ہو گئی۔

ٹان مارک اپ آمدنی (Non-Markup Income)

2019 کے دوران یو بی ایل نے 21.7 ارب روپے کی ٹان مارک اپ آمدنی (NFI) ریکارڈ کی (جو دسمبر 2018 میں 25 ارب روپے تھی)۔ اس طرح بینک کے مجموعی منافع میں ٹان مارک اپ آمدنی کا حصہ 28 فیصد رہا (2018 میں 31 فیصد)۔

Sustainability at UBL in 2019

UBL has always strived to establish itself as a responsible corporate citizen. The Bank recognises its commitment to constantly improve its processes, systems, products and services to create value for the communities it operates in. By means of a transparent and judicious Sustainability Agenda, UBL strives to encourage a positive impact through projects aimed towards the improvement 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 individually as well as in partnership with professional organisations, to enable disadvantaged sections of the society through economic regeneration and employment creation.

In 2019, UBL donated to projects that further strengthened and diversified its sustainability efforts. Supporting education through infrastructural development of educational institutions and provision of scholarships to deserving students and healthcare projects through provision of life-saving equipment were the core areas where the Bank focused its sustainability efforts in 2019.

Provision of opportunities for higher education through scholarships remained UBL's top priority in the education sector. UBL was able to provide education opportunities to students at primary, secondary and higher levels of studies. The Bank reached out to remote areas of Pakistan to help a diversified base of students secure a better future for themselves. Educational institutions like IBA, LUMS, FCC, Bahauddin Zakariya University, Nasra Schools and Kashmir Education Foundation were some of the educational institutions who were recipients of UBL's donations for scholarships during the year.

Furthermore, in 2019, UBL also assisted educational foundations like Zindagi Trust in their students' health program while at the same time donating to SOS Children's Village Pakistan for the building of one of their schools in Khairpur.

Apart from education, UBL's Sustainability Agenda also focuses on providing access to quality healthcare to those who are not able to afford it. The Bank believes that everyone should be able to obtain access to appropriate medical facilities. In order to make healthcare affordable for the underprivileged, UBL donated in 2019 to institutions like Edhi Foundation, Shaukat Khanum Cancer Hospital, Marie Adelaide Leprosy Center and Shalamar Hospital. The Bank assisted other institutions like Sahara for Life Trust towards the building of a Cancer Hospital in Narowal and Chal Foundation by donating to provide disabled patients with assistive devices.

In 2019 UBL also 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 water shortage will be a strong focus area in the years to come.

2019 saw much diversification in UBL's Sustainability activities, with donations to worthy causes reaching out to many deserving institutions and communities. Carrying forward the impetus, the Bank commences 2020 with an even greater affirmation towards building a brighter future for an extensive recipient base.

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Financial Highlights 2019

Build-up in core earnings while strengthening the capital base

UBL's balance sheet size was recorded at Rs. 1.9 trillion in 2019, largely in line with the previous year's level. Bank level deposits stood at Rs. 1.5 trillion at Dec'19, growing by 7% over Dec'18. Domestic deposits grew by 10% over Dec'18, closing at Rs. 1.2 trillion, an increase of Rs. 110 billion. This enabled the bank to record a domestic deposits market share of 8.3% at Dec'19 (Dec'18: 8.3%). UBL's net advances were recorded at Rs. 636 billion at Dec'19 (Dec'18: Rs. 716 billion). Apart from repayment by a large public sector enterprise, the loan book was prudently maintained at last year's levels. The bank continued with its de-risking strategy within International as the performing loan book was reduced by 31% over Dec'18.

UBL recorded a standalone profit before tax (PBT) of Rs. 34.2 billion in 2019 compared to Rs. 25.0 billion in 2018, a year on year growth of 37%. Profit after tax closed at Rs. 19.1 billion, a growth of 26% over the previous year. Return on equity was measured at 13.8% in 2019, as against 11.6% in 2018. The bank's capital foundation remains strong, as the Capital Adequacy Ratio (CAR) improved from 17.7% at Dec'18 to 18.9% at the end of Dec'19, well above the minimum regulatory requirements. During 2019, the bank successfully closed its Rs. 10 billion Additional Tier-1 Term Finance Certificate, one of the largest issues of this instrument in the market. This will further support our capital position and create room for future business growth.

Net interest income (NII) increase in line with repricing across asset base

The bank's NII was recorded at Rs. 61.8 billion up 10% year on year. The bank's strategy to grow low cost deposits mitigated the effects of rising interest rates on the funding side as the domestic cost of deposits was contained at 5.5% for 2019 (2018: 3.1%). Deployment within treasury bills, floating rate PIBs, along-with repricing across the loan portfolio enabled the bank to enhance its domestic net interest margins from 3.9% in 2018 to 4.5% in 2019.

Non fund income (NFI) streams maintain strong contribution to revenues

The bank recorded NFI of Rs. 21.7 billion in 2019 (2018: Rs. 25.0 billion). Excluding capital gains, NFI recorded a 6% growth year on year. Income from fees and commissions were recorded at Rs. 13.7 billion for 2019, largely in line with last year's levels. UBL is the market leader within the home remittances business with a market share of 28% in 2019. The bank earned Rs. 1.4 billion from this segment with a strong growth of 21% over last year.

The bank's branchless banking proposition, UBL Omni, recorded

a 20% growth over last year, with net revenues of Rs. 1.0 billion earned in 2019. The bank earned foreign exchange income of Rs. 4.5 billion in 2019, a strong growth of 31% over last year. This was a result of proactive management of the foreign currency flows amidst a year of volatility in the exchange rate. Dividend income was recorded at Rs. 1.5 billion for 2019 (2018: Rs. 2.1 billion), lower mainly due to reduced payouts in the energy sector. The bank also realized reversal of exchange translation reserves of Rs. 1.3 billion, as a result of the voluntary closure of its New York branch during the year.

Maintaining leaner structure while building cost efficiencies

Administrative expenses were recorded at Rs. 40.2 billion, with the overall expense growth was well contained at 4%. This was a result of instituting a culture of cost discipline as well as building synergies across the branches and support offices. The bank continued to invest in technology platforms as part of its



Ms. Sima Kamil receiving the Pakistan Stock Exchange 'Top Companies of the Year' Award from the Prime Minister of Pakistan, Mr. Imran Khan.

overall digital strategy, resulting in an increase of 29% in IT related expenses. Other operating expenses witnessed a growth of 11% over last year, with the investment in compliance and control functions to step our standards to international best practices. The bank's cost to income ratio remained efficient and was measured at 48.2% in 2019 against 47.8% in 2018.

Provisioning expenses – coverage enhanced in 2019

The bank's provisioning expense was recorded at Rs. 8.2 billion for 2019, a reduction of 36% year on year. Provisioning charge on loans net of recoveries was recorded at Rs. 4.4 billion (Rs. 6.3 billion for Dec'18). Net impairment losses on investments stood at Rs. 3.2 billion for 2019, primarily on holdings in listed equities, as the market remained largely volatile. Non-performing loans (NPLs) stood at Rs. 76.6 billion at Dec'19, up by Rs. 8.0 billion from Dec'18. This included an exchange devaluation impact of approximately Rs. 4.8 billion on the foreign currency denominated loans of UBL International. Asset quality stood at 10.9% at Dec'19 compared with 8.8% at Dec'18, while specific coverage was enhanced to 82.5% at Dec'19 from 81.5% at Dec'18.

Branch Banking Group (BBG)

UBL with its vast outreach, technology driven solutions and deep penetration is well positioned to serve banking customers across the country. Our branch network spans 1,376 branches globally (1,362 branches in Pakistan and 14 branches overseas). Branch banking remains the cornerstone of the UBL franchise, with a network that extends to small towns, villages and even the remotest regions of the country. The bank offers a complete range of liability products, from basic banking accounts, offerings for the high net worth segment, bancassurance, cash management and home remittance services. Our strategy in recent years has been focused on growing the active customer base, particularly within current accounts. This has helped maintain an efficient funding profile and expand the bank's net interest margins.

NTB acquisitions drive underlines strong deposits performance

We continued our momentum of recent years of acquiring new customer relationships, in 2019 we on-boarded 534,000 new to bank (NTB) current deposit customers (2018: 586,000 no. of customers). During the year, a major initiative to on-board accounts through digital channels was introduced. The initiative has been very successful as 35% of all new to bank relationships were on-boarded through digital tablets. These initiatives enabled the domestic franchise to grow the average current deposits by 8% year on year.

The bank's Islamic Banking proposition, UBL Ameen, reached a milestone of 100 branches at Dec'19. The bank also added to its Islamic Banking Windows (IBW) taking the count of windows to 162. The Islamic banking's balance sheet expanded by 14% over Dec'18 to reach Rs. 89 billion at Dec'19 and the segment posted a robust year on year growth of 83% in profit before tax. The bank remains keen to enhance the UBL Ameen brand and work with the regulators to introduce innovative Islamic products to meet the needs of this growing business segment.

Building a strong compliance culture to be the best in class

In view of evolving requirements issued by local and international regulatory bodies, a Financial Crime Transformation program was initiated to develop policies and procedures in line with international standards. Within BBG, a Governance & Business Controls unit was also established, mandated to build compliance standards against applicable regulatory requirements. During the year, the bank also launched and completed a mandatory exercise for biometric verification of its customer base.

Supporting bottom line with fee based revenues

The bank continued its momentum within the bancassurance space as our business relationships with the leading insurance providers in the industry strengthened further. During the year, BBG introduced new products to cater to the ever changing needs of our high net-worth customers. These initiatives further improved our value proposition and resulted in premium volumes growing by 11% over 2018 to reach Rs. 3.8 billion. This enabled

the bank to earn commission revenues of Rs. 1.6 billion in 2019, slightly above last year's earnings. Commission income from ATM / Debit cards were recorded at Rs. 1.6 billion in 2019, largely in line with last year's levels. The bank added 524,000 debit cards in 2019, taking the overall active debit cards portfolio close to 2 million. The bank also deployed 28 ATMs during the year, as our network expanded to 1,479 ATMs as at Dec'19.

Maintaining our presence within Agri Lending, Small Enterprises and Consumer Financing

UBL maintains its penetration across the mid markets through its vast presence in the agricultural space across the country, with dedicated teams. During the year, the bank's portfolio of agri loans recorded a 25% growth in averages.

The bank is continuously striving to improve its offering for SMEs by providing a comprehensive product suite to fulfill the specific needs of different sub sectors, well supported by our employee banking proposition. During 2019, we further expanded our financing options for this segment with particular focus on business mortgage financing, light commercial vehicle financing and fleet financing. Resultantly, the business unit was able to on-board over 550 new customers, with the advances portfolio recording a 12% growth in averages over 2018.

Consumer Banking held the momentum built up in recent years as the overall portfolio recorded a 23% growth in averages, and stood at Rs. 17 billion in 2019. The secured autos portfolio maintained its growth trajectory during the year as the segment's loan book recorded a 29% growth in averages.

Corporate and Investment Banking Group (CIBG)

CIBG remains the preferred choice of top tier names of the country. The business unit offers multi-layered solutions to large corporates as well as to the public sector. This includes long term financing facilities, as well as trade and working capital requirements. The business works harmoniously with the bank's other units in order to capitalize on cross sell opportunities. Credit off-take remained largely subdued in 2019 given the high interest rate regime. We pursued a strategy of cautious lending with emphasis on protecting the quality of the loan book. Overall advances closed at Rs. 439 billion, a contraction of 7% over Dec'18. This was primarily due to the repayment by a large public sector entity. Excluding this impact, the loan book remained in line with last year's level. The business managed to increase yields on the portfolio through timely repricing in line with the benchmark rate and posted a healthy increase in NII over last year. To mitigate risks emanating from a more challenging economic environment, CIBG conducted frequent portfolio stress tests and exposure reviews with a view to identifying potential problem accounts and reduce concentration risk. Resultantly, we managed to exit from a number of marginal or deteriorating relationships, and in some cases, reduced aggregate exposures.

The Transaction Banking business offers a comprehensive suite of cash management solutions to meet the financial needs of our large corporates, medium enterprises as well as public sector organizations. 2019 was a successful year as we acquired various

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new mandates as well as deepened our wallet share from existing relationships. Employee Banking remains a key strategic initiative where we aim to increase UBL's penetration. Throughput volumes were recorded at an all-time high of Rs. 2.8 trillion, a growth of 12% over 2018, maintaining a strong contribution to the domestic franchise's fee revenues.



Ms. Sima Kamil giving the keynote address at the UBL sponsored International Mobile Commerce Conference 2019.

UBL has one of the largest Investment Banking businesses in the country. The Debt Capital Markets and Syndications business closed 5 major deals during the year, with UBL's participation being around Rs. 38 billion. The Group also successfully completed a USD 155 million GoP funding transaction, where UBL participated to the extent of USD 20 million. Project Finance and Advisory business also remained at the forefront of infrastructure financing. The bank was mandated for the 330 MW Thar-coal fired Siddiqsons Energy and the 1200 MW LNG-fired Punjab Thermal projects, both of which are expected to close in 2020. IBG was also at the forefront in steering the bank's China business initiative. The landmark achievement this year was the bank entering into a short-term USD 100 million financing agreement with the China Development Bank (CDB), which is in addition to the USD 200 million long-term financing facility (also from CDB) for supporting infrastructure financing in Pakistan.

Treasury and Capital Markets

Our Treasury and Capital Markets (TCM) Division is one of the leading players in the country's financial markets and maintains a strong bottom line contribution through proactive positioning in the foreign exchange, equities and the domestic sovereign debt markets. TCM's Corporate and Institutional Sales desk has been at the forefront of providing coverage across a diverse clientele of corporates, middle market as well as SMEs. The sales teams continued to expand business volumes, by actively tapping new customers and market segments, as well as pursuing aggressive cross sell strategies. Proactive positioning within a volatile exchange rate environment resulted in a contribution of Rs. 3.3 billion in FX earnings in 2019, a growth of 16% year on year. In line

with the rising interest rates, the investment strategy focused primarily on shorter tenor treasury securities. TCM has built up its investment book with a mix of longer-dated treasury bills as well as floating rate PIBs.

On the capital markets front, TCM holds a well-diversified portfolio comprising exposures in top tier names within the oil and gas, fertilizer, power, textile and cement sectors. The market weathered severe stress during 2019, as the KSE-100 index touched a low of 28.8 k points in August 2019. However, the market improved significantly as macro indicators showed signs of some improvement, as well as significant build-up in FX reserves. The market recovered significantly during the last quarter of the year, closing at 40.7 k points, an increase of over 40% from the year's lowest levels. With a forward looking outlook, TCM continued to diversify revenue streams, earning the bank Rs. 1.1 billion in dividend income in 2019.

Digital Banking Group

UBL remains at the forefront of providing innovative and unique solutions to make banking easier and accessible for everyone. This is aimed at promoting greater financial inclusion throughout the country and expanding the scope of banking services. For the banked population, our strategy is to provide unique customer experiences without having the need to visit a branch. To that end we continue to build on the service proposition of our UBL Digital App services comprising debit card activation, cheque book management and payment to non-account holders through "Pay to CNIC" have been added to the app. As a result, we scaled a major milestone towards the end of the year, as we reached over 1 million digital app subscribers, driven by our value proposition and popularity amongst our customers.

Our initiative to onboard customers to a full-fledged bank account through digital channels is helping the bank in its active drive to acquire new account holders. The initiative works in sync with the digital app and enables customers to apply for an account to be opened at their most convenient touchpoint / branch location. This unique approach of 'The Bank that comes to You' has been transformational in providing financial services through its innate ability to reach a much wider market segment. Although we are still in the beginning of this journey, our digital onboarding drive has been highly successful, as we added around 200,000 branch banking customers through digital channels.

UBL International

The GCC region has been experiencing an economic slowdown for the past few years with governments in the process of instituting reform measures to stimulate business activity. The medium sized enterprises as well as the real estate sector remained under stress resulting in an increase in non-performing loans in these segments. The continued slow business environment has impacted UBL International's performance in

recent years. Being cognizant of the underlying market dynamics, we have redefined our business model for the region. The bank embarked on a de-risking strategy to realign our exposures in line with our revised risk assessments. We have instituted more stringent risk management and compliance frameworks, to further enhance our underwriting functions. Excess liquidity is placed in sovereign government debt, placements with financial institutions and for facilitating trade based financing. The liabilities franchise is focused on maintaining a sustainable base of low cost CASA deposits.

As part of a defined strategy to exit non-core markets and reallocate capital, the bank voluntarily closed its New York branch, liquidated its stake in Oman United Exchange Company, Muscat and has completed the asset and liabilities purchase agreement with EXIM Bank Tanzania Limited for its subsidiary UBL Bank (Tanzania) Limited (UBTL).

Human Resource (HR)

The bank remains committed to investing in human capital, capturing the best talent available in the banking space as well as providing a long-term career path to our staff. In 2019, an “Employee Engagement Survey” was conducted across the country, and based on the results, three key areas of focus have emerged – Need for Better Communication, Recognition and Development. Thus to encourage more open and transparent communication, the ‘Straight to the Top’ initiative was launched during the year. Under this initiative, all employees now have direct access to the President and CEO to share their views and opinions on any topic of relevance to them. Furthermore, employees are also being recognized at town-halls, both at businesses and support function levels, with the senior management keenly committed to continue to appreciating our employees’ contributions and tireless hard work.

With regard to training and development activities, over 40% increase in employee participation was witnessed during the year, a reflection of the staff’s commitment to improve performance within their respective roles and enhance their own career prospects. Furthermore, a well-equipped training center was inaugurated in Karachi this year. The bank puts great emphasis on developing multi-skilled employees through internal placements in middle and senior management roles, both within business and support functions. Furthermore, batch hiring for entry-level roles, along-with a well-defined orientation through training sessions, has developed a steady pipeline of new hires with the right skill set.

Conclusion

In 2019, the country embarked on various reform measures to stabilize the domestic economy, primarily to contain the widening current account deficit and reduce fiscal imbalances. Rising inflation and a weaker rupee, resulted in monetary tightening with the policy rate increasing by 325 bps during the year, taking the benchmark rate to 13.25% by July 2019. Some of these measures helped improve the balance of payments position as the current account deficit declined substantially, largely through curtailment in the import bill. However, the high interest rate regime has restricted credit expansion. The government has also stepped up

its efforts to widen the scope of the tax base through more onerous documentation across all sectors of the economy. All of these policy changes are expected to provide much needed stability before stepping into more long term growth reforms. The country has immense potential due to its large young population. Although banking services are evolving to more agile models, a significant portion of the country still remains unbanked.

UBL aims to continually serve the nation through our nationwide coverage, our comprehensive product suite and superior technological offerings. We remain committed to serve the country which is now moving heading down the path leading to realizing its true economic potential. Branch Banking shall remain at the heart of the UBL franchise. Our ambitions are a larger market share through greater financial inclusion, offering the mass market a unique value proposition, maximizing network performance and improving our service levels that are the best amongst the rest. We aim to maintain an efficient funding profile that will enable us to increase our core earnings. On the asset side, we seek a larger intermediation role, while maintaining strong asset quality levels, enhancing yields on relationships and augmenting returns on RWA allocations.



Ms. Sima Kamil along with winners, judges and presenters of the 8th UBL Literary Awards event.

Our Digital Banking Group will continue to carry out its mandated responsibility of transforming the way banking services are provided. We will build on our technological leadership in the branchless banking space and come up with innovative ways to better serve the mass unbanked segment. Strengthening and adhering to compliance standards that are at par with the best internationally remains a key priority. For UBL, continuous investment in our most valuable asset i.e. our staff remains the key to achieving our ambitions and creating the leaders for tomorrow.

In the end, I would like to express my sincere gratitude to our valued customers for their continued trust in the UBL franchise. I would like to offer my gratitude and sincere appreciation for the hard work and dedication of our staff. 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 continued guidance and support.

Sima Kamil
President and CEO
19 February 2020

Management Team



1. Tauqeer Mazhar

Group Head - Branch Banking

2. Aslam Sadruddin

Group Executive - Operations

3. Sima Kamil

President & CEO

4. Sharjeel Shahid

Group Executive - Digital Banking

5. Sajid Hussain

Group Executive - Compliance

6. Irfan Farooq Memon

Group Head - Audit &
Risk Review

7. Aameer M. Karachiwalla

Chief Financial Officer

8. Muhammad Faisal Anwar

Chief Information Officer



9. Furrukh Zaeem
Global Head - Treasury
& Capital Markets

10. Zia Ijaz
Group Executive - Head
of International

11. Farooq Ahmed Khan
Group Head – Corporate
& Investment Banking

12. Tanveer Farhan Mahmood
Head - Islamic Banking

13. Sadia Saeed
Group Executive -
Human Resources

14. Shahid Mahmood Khan
Group Head - Special
Assets Management

15. Imran Sarwar
Group Executive - Risk
& Credit Policy

16. Aqeel Ahmed Nasir
Company Secretary &
Chief Legal Counsel



Preceptors in Finance

UBL is deeply embedded across core segments, serving over 5.3 million customers through its network of over 1400 countrywide branches, more than 1400 ATMs and over 36,000 branchless banking agents. UBL has presence in three continents. Customers across the world have 24/7 access to the Bank via UBL's world class Digital Banking Channels.

The UBL Digital App, with over a million subscribers is one of the leading banking apps in Pakistan. Its unique Digital Onboarding feature gives customers seamless accessibility to opening and managing accounts whenever, wherever. With other exceptional features like Face ID, QR Pay and Augmented Reality technology, the App is one of UBL's many state of the art offerings in its product portfolio.

Our revolutionary branchless banking amenities allow for transactions and account management, without the queues or hassle. Through this, coupled with exceptional product performance and service standards, we are honoured to be the one-stop banking solution to all our customers.

Growth at a Glance

Six Years Financial Summary

Standalone

Rs. in million

December 31

2019

2018

2017

2016

2015

2014

Balance Sheet

Assets

Cash and balances with treasury and other banks	256,591	206,813	177,099	146,428	128,870	87,573
Lendings to financial institutions	20,247	33,942	10,868	25,711	24,095	21,872
Investments - gross	849,441	792,857	1,095,555	808,959	721,651	499,060
Advances - gross	702,951	776,272	670,056	559,093	497,032	479,998
Operating fixed assets	54,348	47,556	46,205	35,582	31,630	30,303
Other assets	85,841	98,976	79,617	67,812	41,124	40,067
Total assets - gross	1,969,419	1,956,417	2,079,400	1,643,585	1,444,402	1,158,874
Provisions against non-performing advances	(66,732)	(60,336)	(42,697)	(40,525)	(41,618)	(45,734)
Provisions against diminution in value of investments	(8,992)	(6,482)	(3,769)	(2,428)	(2,133)	(1,726)
Total assets - net of provisions	1,893,695	1,889,599	2,032,934	1,600,632	1,400,651	1,111,414

Liabilities & Equity

Deposits & other accounts	1,467,063	1,366,060	1,272,788	1,167,124	1,051,235	895,083
Borrowings from financial institutions	154,484	268,124	512,650	201,550	163,132	53,065
Subordinated loans	10,000	9,000	-	-	-	-
Bills payable	22,927	27,249	29,848	24,520	13,392	9,554
Other liabilities	70,152	67,896	58,341	55,651	30,757	28,196
Total liabilities	1,724,626	1,738,329	1,873,627	1,448,845	1,258,516	985,898
Net assets	169,070	151,270	159,307	151,787	142,135	125,516
Share capital	12,242	12,242	12,242	12,242	12,242	12,242
Reserves	59,320	54,439	43,847	40,455	38,402	34,130
Unappropriated profit	71,670	68,002	70,912	64,246	55,223	48,217
Equity - Tier I	143,232	134,683	127,001	116,943	105,867	94,589
Surplus on revaluation of assets - net of deferred tax	25,837	16,587	32,306	34,844	36,268	30,927
Total equity	169,069	151,270	159,307	151,787	142,135	125,516
Total liabilities & equity	1,893,695	1,889,599	2,032,934	1,600,632	1,400,651	1,111,414

Profitability

Markup / return / interest earned	153,676	113,198	107,206	98,219	94,353	82,735
Markup / return / interest expensed	(91,902)	(56,964)	(50,781)	(41,177)	(38,511)	(37,769)
Net markup / return / interest income	61,774	56,234	56,425	57,042	55,842	44,967
Fee, commission, brokerage and exchange income	18,219	17,396	14,496	14,020	14,474	14,418
Capital gains & dividend income	1,541	6,648	6,762	8,629	6,442	3,806
Other income	1,916	967	904	960	1,070	1,071
Total non interest income	21,676	25,011	22,162	23,609	21,986	19,296
Gross income	83,451	81,246	78,587	80,651	77,828	64,263
Administrative expenses and other charges	(40,860)	(43,222)	(36,109)	(32,809)	(31,776)	(29,597)
Profit before donations and provisions	42,590	38,024	42,478	47,842	46,052	34,666
Donations	(129)	(203)	(110)	(87)	(167)	(112)
Provisions	(8,220)	(12,854)	(2,450)	(1,740)	(3,710)	(1,156)
Profit before taxation	34,242	24,967	39,918	46,015	42,175	33,398
Taxation	(15,108)	(9,741)	(14,739)	(18,285)	(16,448)	(11,469)
Profit after taxation	19,134	15,226	25,179	27,730	25,727	21,930

Cash Flow Statement - Summary

Cash flow from operating activities	134,204	(244,642)	253,459	130,777	266,960	49,134
Cash flow from investing activities	(74,098)	271,086	(208,158)	(96,241)	(211,420)	(59,936)
Cash flow from financing activities	(14,629)	(5,800)	(15,480)	(16,257)	(15,942)	(14,266)
Cash and cash equivalents at the beginning of the year	206,813	177,099	146,428	128,870	87,573	114,388
Effect of exchange rate changes on cash and cash equivalents	4,300	9,070	850	(721)	1,699	(1,747)
Cash and cash equivalents at the end of the year	256,591	206,813	177,099	146,428	128,870	87,573

December 31	2019	2018	2017	2016	2015	2014
Financial Ratios						
Return on equity (RoE)	13.8%	11.6%	20.6%	24.9%	25.7%	23.9%
Return on assets (RoA)	1.0%	0.8%	1.4%	1.8%	2.0%	2.1%
Profit before tax ratio	41.0%	30.7%	50.8%	57.1%	54.2%	52.0%
Gross spread ratio	40.2%	49.7%	52.6%	58.1%	59.2%	54.4%
Return on capital employed (RoCE)	12.9%	11.3%	20.6%	24.9%	25.7%	23.9%
Advances to deposits ratio (ADR) - gross	44.3%	53.2%	49.8%	45.6%	45.2%	51.3%
Advances to deposits ratio (ADR) - net	39.7%	48.7%	46.4%	42.1%	41.3%	46.2%
Income to expense ratio	2.04	1.88	2.18	2.46	2.45	2.17
Cost to revenue ratio	48.2%	47.8%	45.0%	39.6%	39.7%	45.2%
Growth in gross income	2.7%	3.4%	-2.6%	3.6%	21.1%	14.7%
Growth in net profit after tax	25.7%	-39.5%	-9.2%	7.8%	17.3%	17.8%
Total assets to shareholders' funds	11.2	12.5	12.8	10.5	9.9	8.9
Intermediation cost ratio	2.9%	3.3%	3.0%	3.0%	3.3%	3.4%
Asset quality (NPL ratio)	10.9%	8.8%	7.8%	8.0%	9.4%	11.2%
Net infection ratio	1.6%	1.1%	1.5%	0.8%	1.1%	1.9%
Weighted average cost of debt	6.5%	4.1%	4.2%	4.4%	5.0%	5.6%
Capital adequacy ratio (CAR)	18.9%	17.7%	15.4%	15.1%	14.6%	13.9%

Share Information

Cash dividend per share - Rs.	12.00	11.00	13.00	13.00	13.00	11.50
Dividend yield (based on cash dividend)	9.8%	5.9%	5.4%	8.4%	7.4%	8.7%
Dividend payout ratio (total payout)	76.8%	88.4%	63.2%	57.4%	61.9%	64.2%
Earning per share (EPS) - Rs.	15.63	12.44	20.57	22.65	21.02	17.91
Price earnings ratio	10.52	9.86	9.14	10.55	7.37	9.86
Market value per share at the end of the year - Rs.	164.50	122.64	187.97	238.90	154.95	176.71
Market value per share highest during the year - Rs.	173.53	219.70	283.00	243.72	186.75	198.39
Market value per share lowest during the year - Rs.	119.67	121.85	162.01	137.31	141.25	130.36
Breakup value per share without surplus on revaluation of assets - Rs.	117.00	110.02	103.74	95.53	86.48	77.27
Breakup value per share with surplus on revaluation of assets - Rs.	138.11	123.57	130.13	123.99	116.10	102.53

Other Information

Non-performing advances (NPLs) - Rs in million	76,600	68,562	52,247	44,567	46,833	53,853
Import business - Rs in million	824,858	936,749	720,496	575,991	607,496	655,881
Export business - Rs in million	177,279	202,748	294,428	255,287	220,701	259,259
Number of employees	13,248	13,931	14,771	14,153	14,623	13,382
Number of branches - Domestic	1,362	1,364	1,361	1,341	1,312	1,295
Number of branches - International	14	15	18	18	18	18
Number of branches - Total	1,376	1,379	1,379	1,359	1,330	1,313

Growth at a Glance

Balance Sheet

December 31	2019	2018	2017	2016	2015	2014
Vertical Analysis						
Assets						
Cash and balances with treasury and other banks	13.5%	10.9%	8.7%	9.1%	9.2%	7.9%
Lendings to financial institutions	1.1%	1.8%	0.5%	1.6%	1.7%	2.0%
Investments - net	44.4%	41.6%	53.7%	50.4%	51.4%	44.7%
Advances - net	33.6%	37.9%	30.9%	32.4%	32.5%	39.1%
Operating fixed assets	2.9%	2.5%	2.3%	2.2%	2.3%	2.7%
Other assets	4.5%	5.2%	3.9%	4.2%	2.9%	3.6%
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Liabilities & Equity						
Deposits & other accounts	77.5%	72.3%	62.6%	72.9%	75.1%	80.5%
Borrowings from financial institutions	8.2%	14.2%	25.2%	12.6%	11.6%	4.8%
Subordinated loans	0.5%	0.5%	0.0%	0.0%	0.0%	0.0%
Bills payable	1.2%	1.4%	1.5%	1.5%	1.0%	0.9%
Other liabilities	3.7%	3.6%	2.9%	3.5%	2.2%	2.5%
Total liabilities	91.1%	92.0%	92.2%	90.5%	89.9%	88.7%
Share capital	0.6%	0.6%	0.6%	0.8%	0.9%	1.1%
Reserves	3.1%	2.9%	2.2%	2.5%	2.7%	3.1%
Unappropriated profit	3.8%	3.6%	3.5%	4.0%	3.9%	4.3%
Equity - Tier I	7.6%	7.1%	6.2%	7.3%	7.6%	8.5%
Surplus on revaluation of assets - net of deferred tax	1.4%	0.9%	1.6%	2.2%	2.6%	2.8%
Total equity	8.9%	8.0%	7.8%	9.5%	10.1%	11.3%

Horizontal Analysis

Assets						
Cash and balances with treasury and other banks	293.0%	236.2%	202.2%	167.2%	147.2%	100.0%
Lendings to financial institutions	92.6%	155.2%	49.7%	117.6%	110.2%	100.0%
Investments - net	169.0%	158.1%	219.5%	162.2%	144.7%	100.0%
Advances - net	146.5%	164.9%	144.5%	119.4%	104.9%	100.0%
Operating fixed assets	179.3%	156.9%	152.5%	117.4%	104.4%	100.0%
Other assets	214.2%	247.0%	198.7%	169.2%	102.6%	100.0%
Total assets	170.4%	170.0%	182.9%	144.0%	126.0%	100.0%
Liabilities & Equity						
Deposits & other accounts	163.9%	152.6%	142.2%	130.4%	117.4%	100.0%
Borrowings from financial institutions	291.1%	505.3%	966.1%	379.8%	307.4%	100.0%
Subordinated loans	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
Bills payable	240.0%	285.2%	312.4%	256.7%	140.2%	100.0%
Other liabilities	248.8%	240.8%	206.9%	197.4%	109.1%	100.0%
Total liabilities	174.9%	176.3%	190.0%	147.0%	127.7%	100.0%
Share capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Reserves	173.8%	159.5%	128.5%	118.5%	112.5%	100.0%
Unappropriated profit	148.6%	141.0%	147.1%	133.2%	114.5%	100.0%
Equity - Tier I	151.4%	142.4%	134.3%	123.6%	111.9%	100.0%
Surplus on revaluation of assets - net of deferred tax	83.5%	53.6%	104.5%	112.7%	117.3%	100.0%
Total equity	134.7%	120.5%	126.9%	120.9%	113.2%	100.0%

Profit and Loss Account

December 31	2019	2018	2017	2016	2015	2014
Vertical Analysis						
Interest / Return / Non Interest Income Earned						
Markup / return / interest earned	87.6%	81.9%	82.9%	80.6%	81.1%	81.1%
Fee, commission, brokerage and exchange income	10.4%	12.6%	11.2%	11.5%	12.4%	14.1%
Capital gains & dividend income	0.9%	4.8%	5.2%	7.1%	5.5%	3.7%
Other income	1.1%	0.7%	0.7%	0.8%	0.9%	1.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Interest / Return / Non Interest Expense						
Markup / return / interest expensed	52.4%	41.2%	39.3%	33.8%	33.1%	37.0%
Operating expenses	23.4%	31.4%	28.0%	27.0%	27.5%	29.1%
Provisions	4.7%	9.3%	1.9%	1.4%	3.2%	1.1%
Taxation	8.6%	7.0%	11.4%	15.0%	14.1%	11.2%
Total expense - percentage of total income	89.1%	89.0%	80.5%	77.2%	77.9%	78.5%
Profit after taxation	10.9%	11.0%	19.5%	22.8%	22.1%	21.5%
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	185.7%	136.8%	129.6%	118.7%	114.0%	100.0%
Fee, commission, brokerage and exchange income	126.4%	120.7%	100.5%	97.2%	100.4%	100.0%
Capital gains & dividend income	40.5%	174.7%	177.6%	226.7%	169.2%	100.0%
Other income	178.9%	90.2%	84.4%	89.6%	99.9%	100.0%
Total	171.9%	135.5%	126.8%	119.4%	114.0%	100.0%
Interest / Return / Non Interest Expense						
Markup / return / interest expensed	243.3%	150.8%	134.5%	109.0%	102.0%	100.0%
Operating expenses	138.0%	146.2%	121.9%	110.7%	107.5%	100.0%
Provisions	711.0%	1111.8%	211.9%	150.5%	320.9%	100.0%
Taxation	131.7%	84.9%	128.5%	159.4%	143.4%	100.0%
Total	195.0%	153.5%	130.1%	117.5%	113.1%	100.0%
Profit after taxation	87.3%	69.4%	114.8%	126.5%	117.3%	100.0%

Statement of Value Added

	2019		2018	
	Rs in million	%	Rs in million	%
Mark-up / return / interest earned - net of provisions	145,457	103.3%	100,345	102.9%
Fee, commission, brokerage and exchange income	18,219	12.9%	17,396	17.8%
Capital gains & dividend income	1,541	1.1%	6,648	6.8%
Other income	1,916	1.4%	967	1.0%
	167,133	118.6%	125,356	128.5%
Administrative expenses	26,259	18.6%	27,819	28.5%
Value added	140,874	100.0%	97,537	100.0%
Distributed as follows:				
To employees as remuneration	14,602	10.4%	15,403	15.8%
To government as income tax	15,108	10.7%	9,741	10.0%
To depositors as profit on investments	66,495	47.2%	36,394	37.3%
To institutions & individuals as profit on borrowings	25,406	18.0%	20,570	21.1%
To society as donations	129	0.1%	203	0.2%
To shareholders as dividends / bonus	13,466	9.6%	14,690	15.1%
Retained in business as reserves and retained profits	5,668	4.0%	536	0.5%
	140,874	100%	97,537	100%

UBL International Network

INTERNATIONAL BRANCHES

UAE

Deira Branch

Mohd & Obaid Al Mullah Building,
Murshid Bazar, Shiktaul Khail Road,
P.O. Box: 1000, Dubai – UAE
Tel: 00971-4-6085350 & 00971-4-6085351
Swift Code: UNILAEAD
Branch Code: 0906

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
Swift Code: UNILAEAD
Branch Code: 0907

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
Swift Code: UNILAEAD
Branch Code: 0919

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
Swift Code: UNILAEAD
Branch Code: 0910

Muroor Branch

Aylan Abdullah al Muhairi Building,
Muroor Road
P.O. Box: 3052, Abu Dhabi – UAE
Tel: + 971-2-5996525
Swift Code: UNILAEAD
Branch Code: 1207

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
Swift Code: UNILAEAD
Branch Code: 0901

Sheikh Hamdan Road Branch

Building No. 16,
Opposite Hamdan Center,
Sheikh Hamdan Bin Mohamed Street,
P.O. Box: 2340, Abu Dhabi – UAE
Tel: 00971-2-5996450 & 00971-2-5996451
Swift Code: UNILAEAD
Branch Code: 0918

QATAR

Corniche Branch

Sh. Jassim Bin Jaber Al-Thani Building
Abdullah Bin Jassim Street
P.O. Box: 242, Doha - Qatar
Tel: 00974-44254425
Email Address: najeeb_ullah@ublint.com
Swift Code: UNILQAQxxx
Branch Code: 0908

Salwa Branch

Qatar General Insurance Building,
Salwa Road
P.O. Box: 242, Doha - Qatar
Tel: 00974-44254466
Email Address: mohammad_ali@ublint.com
Swift Code: UNILQAQxxx
Branch Code: 1929

BAHRAIN

Manama Branch

Building 117, Road 385,
Block 304, Government Avenue, Manama
P.O. Box: 546, Kingdom of Bahrain
Tel: 00973-17503549
Email Address: Manama_branch@ublint.com
Swift Code: UNILBHBM
Branch Code: 0905

Muharraq Branch

Shop 1127, Road 10, Area 215
Muharraq,
P.O. Box: 546, Kingdom of Bahrain
Tel: 00973-17503582
Email Address: Muharraq_Branch@ublint.com
Swift Code: UNILBHBM
Branch Code: 0922

YEMEN

Sana'a Branch

Dr. Mohammad Ahmed Othman Al-Absi Building,
Al-Zubairi Street,
P.O. Box: 1295, Sana'a – Republic of Yemen
Tel: +967 1 407540 (General) / +967 771556955 (Mobile)
Fax: +967 1 408211
Email Address: ibrahim_miyad@ublint.com
Swift Code: UNILYESA
Branch Code: 917

Hodeidah Branch

Essam Al-Shami Building,
Shahrah-e-Meena,
P.O. Box: 3927, Hodeidah - Republic of Yemen
Tel: + 967 3 225560 (General) / +967 712900017 (Mobile)
Fax: +967 3 201153
Email Address: hussein_mahmood@ublint.com
Swift Code: UNILYESA
Branch Code: 1781

Aden Branch

Aden Mall, Crater,
P.O. Box: 104, Aden - Republic of Yemen
Tel: +967 2 269191 (General) / +967 777312566 (Mobile)
Email Address: nahyan_alsakkaf@ublint.com
Email Address: nahyan.alsakkaf@gmail.com
Fax: +967 2 269065
Fax: +968-25215105
Swift Code: UNILYESA
Branch Code: 1700

OBU-EPZ

EPZ Branch Karachi

Export Processing 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,
Export Processing Zone,
Wazirabad Road, Sambrial,
District Sialkot
Tel: 0092-52-6523388

REPRESENTATIVE OFFICES

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No. 118, Jianguo Road,
Chaoyang District, Beijing,
100022, Peoples Republic of China.
Tel: +86-10-65675560, +86-10-65675579
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SUBSIDIARIES

UNITED KINGDOM

United National Bank Limited 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

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

District Kinondoni, Ward Msasani,
Postal Code 14111, Street Haile Selassie,
Road Cnr Haile, Selassie and Chloe Roads,
Plot No.: 574, 2nd Floor, The Luminary
P.O. Box: 5887

Report of Shariah Board for the Financial Year-2019

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

Alhamdulillah, by the grace of Almighty Allah, UBL Ameen has successfully completed 13 years of Islamic Banking operations. During the year, UBL Ameen witnessed an exponential growth in terms of business profitability and market penetration. UBL Ameen business recorded a Profit Before Tax (PBT) of PKR 1, 552 Million in comparison with Profit Before Tax (PBT) of PKR 846 Million last year, thereby registering a growth of 83%.

The Board of Directors and Executive Management are solely responsible to ensure that the operations of the Bank are conducted in a manner that comply with Shariah principles at all times. The scope of this report is to cover affairs of the Islamic Banking operations from Shariah perspective as described under Shariah Governance Framework of State Bank of Pakistan.

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, nineteen (19) Shariah Board meetings were held till date out of which four (4) meetings were conducted in 2019. Minutes of meetings were subsequently submitted to Islamic Banking Department of State Bank of Pakistan. In addition, various meetings were held to discuss the matters related to Product Development, Islamic Banking Training, Shariah Compliance and Shariah Audit.

Shariah Compliance Department:

Shariah Compliance remained the key player in all activities in order to achieve the optimum level of satisfaction. Shariah Compliance Department worked under the supervision of Shariah Board and contributed as an effective conduit between Management and the Shariah Board. The Shariah Compliance Department (SCD) of UBL Ameen constitutes of Head of Shariah Compliance & two supporting staff including Shariah Scholar.

During the year, internal Shariah control review was conducted for Islamic branches and other Head Office functions. Total 62 visits were made by Shariah Compliance Department to Islamic Banking branches and Islamic Banking Windows for Shariah compliance review. Shariah compliance review reports for Islamic branches and Islamic Banking Windows were shared with the District Management and Head Islamic Banking for rectification and compliance. Shariah Compliance Department submitted its consolidated quarterly reports to Shariah Board for ratification and compliance. Reports consisted details of all Shariah reviews and opinions given by RSBM, in accordance with Shariah guidelines already provided by the Shariah Board. Later on, RSBM rulings were ratified by Shariah Board in the subsequent Shariah Board meetings.

UBL Ameen Branch Network:

Alhamdulillah, the number of dedicated Islamic Banking branches has now reached to 100 branches with the conversion of six Conventional branches into Islamic Banking branches during the year. While Islamic Banking Windows (IBWs) are being operated through 162 UBL branches.

Products & Services:

On Liabilities Side, during the year the Mudarabah based liability product "Ameen Zindagi Account" was launched. The product has been designed with the aim to facilitate senior citizens with Shariah compliant investments.

In term of Bank's strategy, the Account Opening Form (AOF) was reviewed and modified in respect of KYC & AML regulations. The AOF for respective segments of Islamic banking customers (Individual and Non-Individual) was reviewed and endorsed by Shariah Board accordingly.

On Consumer Side, during the year existing consumer banking product (Ameen Drive based on Ijarah and Diminishing Musharakah) was renewed and approved by the Shariah Board. The legal documents of consumer financing were revised and approved by Shariah Board accordingly.

On Asset Side, Islamic Zarai Khushali Financing product for Agriculture Financing was developed and subsequently approved by the Shariah Board. Standard Process Flows for Asset Financing products were reviewed and approved by Shariah Board accordingly.

Corporate Banking:

During the year, total 904 corporate transactions were executed. For review of Corporate/SME transactions, Shariah compliance process is categorized in three major stages:

- 1) **Pre Disbursement Stage** in which process flows and structures of the transactions are finalized in accordance with Shariah guidelines already provided by the Shariah Board. These process flows are duly reviewed and approved by RSBM and subsequently ratified in the Shariah Board meetings.
- 2) **Disbursement Stage** in which required documents for the first transaction are reviewed and verified by Shariah Compliance Department and approved by Resident Shariah Board Member, in accordance with Shariah guidelines already provided by the Shariah Board. These transactions are duly ratified in Shariah Board meetings.
- 3) **Post Disbursement Stage** in which transactional documents are reviewed on sample basis by Shariah Compliance Department, in accordance with Shariah guidelines already provided by the Shariah Board.

UBL Ameen Treasury:

UBL Ameen has a separate and independent Treasury Department. During the year, 79 deals were executed under Ameen treasury products namely, Musharakah, Wakalah, Mudarabah and GOP Ijarah Sukuk. Furthermore, total 29 deals were executed under SBP's approved product Bai Muajjal, out of which two deals were executed with Government of Pakistan.

Further, to manage excess liquidity or in case of short of funds, arrangement on the basis of Qard was approved with a strategy that on best effort basis, funds would be deployed in Corporate, SME and Islamic Financial Institutions.

Profit & Loss Distribution and Pool Management:

Profit & Loss Distribution and Pool Management Policy was renewed during the year and was duly approved by the Shariah Board.

During the year, Profit and loss distribution mechanism, i.e. Pool calculations and Weightages were discussed with the Shariah Compliance Department on monthly basis and were verified accordingly. Internal Shariah Audit Unit (ISAU) conducted its post disbursement audit on quarterly basis and presented its reports to Shariah Board for opinion where required.

Training and Development:

During the year 2019, 96 training sessions were conducted for UBL and UBL Ameen staff on basic concepts of Islamic Banking, Islamic Banking Products & Services and Islamic Banking 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 National Institute of Banking & Finance (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. Islamic Banking training through e-learning is now integral part of performance appraisals for all the Islamic Banking staff.

Internal Shariah Audit Unit (ISAU):

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

Charity Collections & Disbursements:

The policy for charity fund was renewed during the year and duly approved by the Shariah Board.

During the year, charity of PKR 3.49 Million was received and charity of PKR 2.60 Million was distributed to the charitable organizations after detailed screening and due diligence. Hence, amount credited in charity account was 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 the 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 realized from sources or by means prohibited by Shariah have been credited to charity account and are being properly utilized.
- v. UBL Ameen has complied with the SBP instructions on Profit and Loss distribution and Pool Management.
- vi. The level of awareness, capacity & sensitization of the staff and the management in appreciating the importance of Shariah compliance in the products and processes of the bank is satisfactory.
- vii. Shariah Board has been provided adequate resources enabling it to discharge its duties effectively.

Recommendations:

For further enhancement, Shariah Board recommends the following:

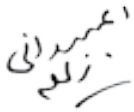
- i. Bank should make all the efforts to increase deployment of funds in Shariah compliant avenues, to avoid utilization of excess liquidity by Conventional Treasury. This will not only increase the revenue generating assets but also improve the Finance to Deposit ratio.
- ii. Although bank has automated Liability side of the Pool Management System which is appreciated. We recommend to automate Asset side of the Pool Management System, to avoid any chances of error at the time of calculation and distribution of Profit and Loss.
- iii. In order to effectively respond to customer queries in branches, bank should ensure transfer and posting of Islamic Banking trained staff from Conventional to Islamic Banking branches. In case where rotation, induction and internal transfer is inescapable, it is then prudent to train and fill the knowledge gap of such staff prior to posting in Islamic Banking branches.
- iv. Hiring of Shariah Scholars in Product Development Department, in accordance with the Shariah Governance Framework of State Bank of Pakistan.
- v. Hiring of additional resources in Shariah Compliance Department, to further improve efficiency of the unit.
- vi. Hiring of dedicated resources in Risk Management Department, to ensure Shariah compliance in transactions at various stages.
- vii. It was observed that in some instances conventional account opening forms were used for opening of accounts in Islamic branches. 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.
- viii. Bank is further advised to ensure that all the Product Manuals and related agreements are duly approved by the Shariah Board, to comply with Shariah Governance Framework of State Bank of Pakistan.
- ix. 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 the Shariah Board.
- x. Products and Services offered by other Islamic Banking Institutions should be compared with existing offerings and made available keeping in view the business potential.

Conclusion:

The Shariah Board of UBL Ameen is satisfied with the 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 a pivotal role in sound and manifold growth of Islamic Banking countrywide.



Mufti Imtiaz Alam
Resident Shariah Board Member



Dr. Mufti Ejaz Ahmed Samadani
Member Shariah Board



Dr. Mufti Muhammad Zubair Usmani
Chairman Shariah Board

Date of Report: February 12, 2020

اختتامیہ:

یونیا ایل امین کا شریعہ بورڈ یونیا ایل کے اسلامک بینکنگ ڈویژن "یونیا ایل امین" کی مجموعی کارکردگی اور آپریشنز سے مطمئن ہے اور امید کرتا ہے کہ انتظامیہ اسی طرح شریعہ کمپلائنس، مارکیٹ میں رسائی اور نتائج کی رفتار کو برقرار رکھے گی اور ملک بھر میں اسلامک بینکنگ کے استحکام اور مزید فروغ میں مرکزی کردار ادا کرے گی۔

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

ملقی امتیاز عالم
ریجنٹل شریعہ بورڈ ممبر

اعلیٰ سید دینی
زکریا

ڈاکٹر ملقی اعجاز احمد صدیقی
ممبر شریعہ بورڈ

سید

ڈاکٹر ملقی محمد زہرہ عثمانی
قائمہ ممبر شریعہ بورڈ

رجسٹر کی تاریخ: ۱۴۴۱ھ ۱۲ اگست ۲۰۲۰ء

میں "قرض" کی بنیاد پر انتظامات کی منظوری دی گئی جو کہ اس بات کے ساتھ مشروط تھی کہ حتمی اوقع ٹکڑو کارپوریت، ایس ایچ ایم اور اسلامی مالیاتی اداروں میں انوسٹ کیا جانا چاہیے۔

نفع و نقصان کی تقسیم اور پول منجھت:

اس سال نفع و نقصان کی تقسیم اور پول منجھت پالیسی کی تجدید کی گئی اور شریعہ بورڈ نے باقاعدہ اس کی منظوری بھی دی۔ اس سال کے دوران نفع و نقصان کی تقسیم کا طریقہ کار یعنی پول کا حساب کتاب اور Weightages کو مابین بنیادوں پر شریعہ کمیٹی کے پاس ڈپارٹمنٹ کے ساتھ زیر بحث لایا گیا اور شریعہ کمیٹی نے ڈپارٹمنٹ سے ایک فیصد کو پیش بھی کر دیا تھا۔ انٹرنل شریعہ ڈاؤنٹ ہنٹ (ISAU) نے منافع کی تقسیم کے بعد سدائی بنیادوں پر اس کا آڈٹ کیا اور جہاں ضرورت پیش آئی، شریعہ بورڈ کو پورس چیس کر کے امدادی حاصل کی گئیں۔

ٹریڈنگ اور ڈولپمنٹ:

سال 2019 کے دوران یو بی ایل این کے اہلکاروں نے 96 ٹریڈنگ سیشنز کا انعقاد کیا گیا، جن میں اسلامک بینکنگ، اسلامک بینکنگ کی پروڈکٹس، خدمات اور اسلامک بینکنگ کے برانچ آپریشنز کے بنیادی معاملات کی ٹریڈنگ دی گئی۔ ان ٹریڈنگ سیشنز کا انعقاد، شریعہ بورڈ ممبران، شریعہ کمیٹی ممبران، ڈپارٹمنٹ اور پروڈکٹس اینڈ آپریشنز ڈپارٹمنٹ کے تجزیاتی کی جانب سے کیا گیا۔ اس کے علاوہ قابلیت اور تجربہ بات میں اضافے کے لئے منتخب "ایف آف" ایف ایس فار اسلامک فنانس (CEIF) ممبرانٹ بینک آف پاکستان کے ذیلی شعبے "نیشنل ٹوٹ آف بینکنگ اینڈ فنانس (NIBAF)" کے ذریعے ٹریڈنگ دلائی گئی۔

بینک میں ٹریڈنگ ٹھیکہ کو فروغ دینے کے لیے، اسلامی بینکاری کے حوالے سے معلوماتی مواد کو لرننگ منجھت مسلم برائی لرننگ مواد کے ذریعے دستیاب کیا گیا۔ اسی لرننگ (e-learning) کے ذریعے اسلامک بینکنگ کی ٹریڈنگ کو اب اسلامک بینکنگ کے تمام عملے کی صلاحات کارکردگی کے جائزے (Performance appraisals) کا لازمی جزو بنایا گیا ہے۔

انٹرنل شریعہ ڈاؤنٹ ہنٹ (ISAU):

انٹرنل شریعہ ڈاؤنٹ ہنٹ اپنے توشیح شدہ تمام امور، شریعہ گورننس فریم ورک کے مطابق انجام دیتا رہا اور شریعہ بورڈ سے مشورے اور رہنمائی حاصل کرتا رہا۔ آڈٹ میں تمام کاروباری امور جیسے "برائچوں، مصارفین اور کارپوریت ریسرچ اور نفع و نقصان کی تقسیم کے معاملات کا احاطہ کیا گیا۔ آڈٹ پر پورس شریعہ بورڈ سے رائے لینے کے بعد ضروری اصلاحات کے لئے یو بی ایل این کی منجھت کے پاس جمع کروائی جاتی رہیں۔

چیریٹی کی وصولی اور تقسیم:

اس سال چیریٹی فنڈ کی پالیسی کا دوبارہ جائزہ لیا گیا اور شریعہ بورڈ نے اس کی باقاعدہ منظوری دی۔ دوران سال 3.49 ملین روپے کی چیریٹی وصولی کی گئی۔ اور ملحد چمن بین اور موثر گمرانی کے بعد خیراتی اداروں میں 2.60 ملین روپے کی چیریٹی تقسیم کی گئی۔ اس سال چیریٹی اکاؤنٹ میں جمع ہونے والی تمام رقم، 11 ارب روپے میں خیراتی مقاصد کے لئے جمع ہوئی۔

شریعیہ بورڈ کی رائے:

اپنی رائے قائم کرنے کے لئے بینک کے شریعہ بورڈ نے شریعہ کمیٹی، منس ڈپارٹمنٹ کے علاوہ انٹرنل شریعہ ڈاؤنٹ اور اسٹیٹ بینک آف پاکستان کی معاون کمیٹیوں کی رپورٹس کا بھی جائزہ لیا، جبکہ ان حقائق کی روشنی میں بتاری رائے یہ ہے کہ:

1. یو بی ایل این نے مجموعی طور پر شریعہ بورڈ کی طرف سے جاری کردہ فتاویٰ قوانین اور گائیڈ لائنز کی روشنی میں شریعت کے اصولوں اور قواعد کی پاسداری کی ہے۔
2. یو بی ایل این نے مجموعی طور پر اسٹیٹ بینک آف پاکستان کی طرف سے شریعہ کمیٹی منس کے تسلط میں جاری کردہ اصولی ہدایات، قواعد و ضوابط اور دستور العمل کی پاسداری کی ہے۔

3. یو بی ایل این کے پاس مجموعی طور پر اپنی کاروباری سرگرمیوں میں شریعہ کمیٹی منس کو چینی بنانے کے لئے قابل اطمینان نظام موجود ہے۔
4. یو بی ایل این میں ایک ایسا مناسب نظام موجود ہے جو اس بات کو یقینی بناتا ہے کہ شریعت کی رو سے ممنوعہ ذرائع یا طریقوں سے حاصل شدہ آمدنی چیریٹی اکاؤنٹ میں جائے اور اسے مناسب انداز میں استعمال کیا جاسکے۔
5. یو بی ایل این نے نفع و نقصان کی تقسیم اور پول کے انتظام (Pool Management) میں اسٹیٹ بینک آف پاکستان کی ہدایات کی پاسداری کی ہے۔
6. پروڈکٹس اور بینک کی کاروباری سرگرمیوں میں شریعہ کمیٹی منس کے بارے میں محفے اور انتظامیہ کی آگاہی، رابطیت اور حساسیت کی سطح قابل اطمینان ہے۔
7. شریعہ بورڈ کو مناسب وسائل فراہم کیے گئے جس کی بدولت وہ اپنی ذمہ داریاں احسن طریقے سے انجام دے پایا۔

سطر شات:

مزید بہتری کے لیے شریعہ بورڈ درج ذیل سطر شات پیش کرتا ہے:

1. بینک کو چاہیے کہ شریعہ کمیٹی تحت شعبوں میں فنڈ کے استعمال کو نہ جاننے کی بھرپور کوششیں کرے تاکہ زائد لگو وائی کو کوئی پیش لریڈری کے استعمال سے بچایا جاسکے۔ جس سے نہ صرف آمدنی پیدا کرنے والے اثاثوں میں اضافہ ہوگا بلکہ فائز اس کے مقابلے میں فائزنگ کے تناسب میں بھی بہتری آئے گی۔
2. اگرچہ بینک کی پول منجھت میں Liability سائیز کے لیے آؤمیڈ سسٹم موجود ہے جو کہ قابل تعریف ہے، تاہم ہم سطر شات کرتے ہیں کہ پول منجھت میں Asset سائیز بھی آؤمیڈ ہونا کہ حساسی مل اور نفع و نقصان کی تقسیم میں ہر ممکنہ غلطی سے بچا جاسکے۔
3. کوئی پیش لریڈری سے اسلامک بینکنگ برانچوں میں عملیاتی قیادت اور ڈالے میں اس بات کو یقینی بنایا جائے کہ صرف اسلامک بینکنگ کا تربیت یافتہ عملیاتی محکمہ کیا جائے اور اگر کہیں عملیاتی چالو، ناگزیر ہو تو ایسی صورت میں بھی پہلے عمل کو اسلامک بینکنگ کی ٹریڈنگ دی جائے اور پھر برانچوں میں محکمہ کیا جائے تاکہ برانچوں میں کسٹمرز کے سوالات کا مؤثر انداز میں جواب دیا جاسکے۔
4. اسٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک کے مطابق پروڈکٹ ڈولپمنٹ ڈپارٹمنٹ میں شریعہ اسکاڈر کی تقرری مل میں لائی جائے۔
4. شریعہ کمیٹی منس ڈپارٹمنٹ کی افرادی قوت میں اضافہ کیا جائے تاکہ اس شعبہ کی کارکردگی کو مزید بہتر بنایا جاسکے۔
6. رملک منجھت ڈپارٹمنٹ میں ایسے افراد کو تعین کیا جائے جو شریعہ رملک منجھت کی معلومات رکھتے ہوں تاکہ ڈائریکشن کے ہر مرحلے میں شریعہ کمیٹی منس کو چینی بنایا جاسکے۔
7. یہ بات مشاہدے میں آئی ہے کہ بعض موقعوں پر اکاؤنٹ کھولنے کے لیے اسلامک بینکنگ کی برانچوں میں کوئی پیش لریڈری کے فارم استعمال ہوتے ہیں، معاملہ کی حساسیت کو پیش نظر رکھتے ہوئے بینک کو مشورہ دیا جاتا ہے کہ اس معاملہ میں بہت محتاط رہے اور مناسب اقدامات اٹھائے تاکہ کوئی غلطیوں کا خاتمہ ہو سکے۔
8. بینک کو مزید مشورہ دیا جاتا ہے کہ اسٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک کی پاسداری کرتے ہوئے بینک اس بات کو یقینی بنائے کہ بینک کے تمام پروڈکٹس کے میوزر (Manuals) اور متعلقہ معاہدے شریعہ بورڈ سے منظور شدہ ہوں۔
9. محفے کو شریعت کے مطابق فراہم کردہ ہدایات کی تعریف کرتے ہوئے، ہم اس بات کی بھی سطر شات کرتے ہیں کہ اسلامک بینکنگ کے محفے کے لیے پروڈکٹ فنڈ کو بھی شرعی اصولوں کے مطابق بنایا جائے جس کی شریعہ بورڈ نے پہلے بھی سطر شات کی تھی۔
10. دوسرے اسلامی فنڈوں اور مالیاتی اداروں کی جانب سے پیش کردہ پروڈکٹس اور سروسز (Products and Services) کا بینک کی موجودہ پروڈکٹس اور سروسز سے موازنہ کیا جائے اور کاروباری امکانات کو سامنے رکھتے ہوئے ان کی فراہمی کو یقینی بنایا جائے۔

شریعی بورڈ کی رپورٹ برائے مالی سال 2019

بسم اللہ الرحمن الرحیم

پروٹیکشن اور خدمات:

Liability سائیڈ کے حوالے سے دوران سال بینک نے مضاربہ کی بنیاد پر Liability پروڈکٹ "اسٹین زنگی اکاؤنٹ" کا آغاز کیا۔ اس پروڈکٹ کا مقصد بزرگ شریعہ کو شرعی اصولوں کے مطابق سرمایہ کاری کی سہولت فراہم کرنا ہے۔

بینک کی حکمت عملی کے تحت اکاؤنٹ کھولنے کے فارم (AOF) کا جائزہ لیا گیا اور اس میں KYC اور AML کی ریکلیفیشن کے حوالے سے مزید بہتر بنایا گیا۔ چنانچہ اسی سلسلے میں اسلامک بینکنگ کے سسٹمز (انٹرویو اور غیر انٹرویو) کے اکاؤنٹ کھولنے کے فارم (AOF) کا بھی جائزہ لیا گیا اور شریعہ بورڈ نے ان کی منظوری بھی دی۔

کنزرویٹو سائیڈ کے حوالے سے دوران سال، کنزرویٹو بینکنگ کی موجودہ پروڈکٹ "اسٹینڈرڈ پروڈکٹ" کا جائزہ لیا گیا اور شریعہ بورڈ نے اس کی منظوری بھی دی جو "ہمارا" اور "شریکہ شہادت" کی بنیاد پر تیار کی گئی تھی۔ اسی طرح کنزرویٹو بینکنگ کی قانونی دستاویزات کا بھی جائزہ لیا گیا اور شریعہ بورڈ نے ان کی بھی منظوری دی۔

ASSET سائیڈ کے حوالے سے دوران سال ذریعہ ٹرانزیکشن کے لئے اسلامی ذریعہ فوہجانی ٹرانزیکشن پروڈکٹ تشکیل دی گئی۔ شریعہ بورڈ نے اس کا جائزہ لینے کے بعد منظوری دی۔ اسی طرح ASSET ٹرانزیکشن پروڈکٹس کے لئے اسٹینڈرڈ پراسس فلو (Standard Process Flows) کا بھی جائزہ لیا گیا اور شریعہ بورڈ نے ان کی بھی منظوری دی۔

کارپوریٹ بینکنگ:

دوران سال کل 904 کارپوریٹ ٹرانزیکشنز مکمل ہوئی تھیں۔ کارپوریٹ اور ایم ای ٹرانزیکشنز کا جائزہ دہندہ جدول میں تین بنیادی مراحل پر مشتمل ہوتا ہے:

حتمی سے پہلے کارپوریٹ ٹرانزیکشن کے آغاز کا مرحلہ ہے۔ اس مرحلے میں شریعہ بورڈ کی پہلے سے فراہم کردہ گائیڈ لائنز کے مطابق ٹرانزیکشن کا محتاجی حتمی قرار دیا جاتا ہے۔ اس مرحلے میں تمام محتلف حوالہ کا باقاعدگی سے جائزہ لیا گیا اور ریٹینٹ شریعہ بورڈ ممبر سے منظوری لی گئی اور اس کی بعد میں شریعہ بورڈ کے اجلاس میں توثیق بھی کروائی گئی۔

حتمی کارپوریٹ مرحلہ پر پوسٹ فلو (Process Flows) کے مطابق پہلی ٹرانزیکشن مکمل ہونے کے وقت کارپوریٹ مرحلے میں شریعہ کمیٹی انٹرنل پارٹنر کی طرف سے ٹرانزیکشن کی تمام مطلوبہ دستاویزات کا جائزہ بھی لیا جاتا ہے اور اسی کے مطابق ریٹینٹ شریعہ بورڈ ممبر سے پہلی ٹرانزیکشن کی منظوری بھی لی جاتی رہی۔ اس مرحلے میں شریعہ بورڈ کی پہلے سے موجود گائیڈ لائنز کو مد نظر رکھا گیا اور ریٹینٹ شریعہ بورڈ ممبر کی تمام منظوریوں کی شریعہ بورڈ کے برائے والے اجلاس میں توثیق بھی کروائی گئی۔

حتمی کے بعد کارپوریٹ مرحلے میں شریعہ کمیٹی انٹرنل پارٹنر کی طرف سے سال 2019 کی ٹرانزیکشنز کا نمونہ بنیاد پر شریعہ بورڈ کی پہلے سے منظور شدہ گائیڈ لائنز کے مطابق جائزہ لیا جاتا ہے۔

یونی ایل ایل مین فریڈری:

یونی ایل ایل مین کا الگ اور خود مختار فریڈری پارٹنر ہے۔ دوران سال ایل ایل مین فریڈری پروڈکٹس کے تحت کل 79 ٹرانزیکشنز ہوئیں، جن میں مضاربہ، وکال اور حکومت پاکستان کا اہلکار وکیل شامل ہے۔ اس کے علاوہ اسٹیٹ بینک آف پاکستان کی منظور شدہ پروڈکٹ "فلج" کے تحت 29 ٹرانزیکشنز ہوئیں جن میں سے 2 ٹرانزیکشنز حکومت پاکستان کے ساتھ کی گئیں۔ علاوہ ازیں باضانی ٹیکوینٹی یافٹ ڈی کی کی صورت

الحمد للہ، اللہ تعالیٰ کے فضل و کرم سے یونی ایل ایل مین نے اسلامی بینکنگ کے 13 سال کامیابی کے ساتھ مکمل کر لیے ہیں۔ اس سال یونی ایل ایل مین کے کاروباری منافع اور مارکیٹ کی وسعت میں غیر معمولی اضافہ ہوا ہے۔ یونی ایل ایل مین نے منافع قبل از ٹیکس (PBT) 1,552 ملین روپے ریکارڈ کیا جو گزشتہ سال کے 848 ملین روپے کے منافع قبل از ٹیکس کے مقابلے میں 83% اضافے کو ظاہر کرتا ہے۔

بورڈ آف ڈائریکٹرز اور انتظامیہ مکمل طور پر اس بات کو یقینی بنانے کی ذمہ دار ہے کہ ہر وقت بینک کے تمام امور شرعی اصولوں کے مطابق سرانجام پائیں۔ اس رپورٹ کا مقصد اسٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک میں بیان کردہ تصدیقات کے مطابق اسلامک بینکنگ کے معاملات کا شرعی جائزہ پیش کرنا ہے۔

شریعی بورڈ اس رپورٹ میں یونی ایل ایل مین کے مجموعی شریعہ کمیٹیاں کے ماحول اور دوران سال ہونے والی اہم سرگرمیوں کے بارے میں اپنی رپورٹ پیش کرتا ہے۔

شریعی بورڈ کے اجلاس:

اسٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک کے مطابق شریعہ بورڈ کا سہ ماہی اجلاس ہر دو ماہ ایک اجلاس منعقد ہونا لازمی ہے۔ چنانچہ شریعہ بورڈ کے اب تک کل 19 اجلاس منعقد ہو چکے ہیں، جن میں سے 14 اجلاس 2019 میں ہوئے، ہر اجلاس کے بعد اجلاس کی کارروائی، اسٹیٹ بینک آف پاکستان کے اسلامک بینکنگ ڈپارٹمنٹ میں منعقد ہوتی تھی۔ اس کے علاوہ پروڈکٹ ڈیولپمنٹ، اسلامک بینکنگ کی ٹریننگ، شریعہ کمیٹی انٹرنل پارٹنر آفٹ کے مختلف پیلووٹس پر جائزہ خیال کے لئے کئی اجلاس منعقد ہوئے۔

شریعی کمیٹی انٹرنل پارٹنر:

شرعی اعتبار سے قابل اطمینان وجہ حاصل کرنے کے لئے بینک کی تمام سرگرمیوں میں شریعت کی پاسداری توجہ کا کلییدی مرکز رہی۔ شریعہ کمیٹی انٹرنل پارٹنر شریعہ بورڈ کی زیر نگرانی کام کرتے ہوئے انتظامیہ اور شریعہ بورڈ کے درمیان ایک مؤثر رابطہ کا کردار ادا کرتا رہا۔ یونی ایل ایل مین کا شریعہ کمیٹی انٹرنل پارٹنر ایک ڈیپارٹمنٹ کے سربراہ اور دو معاون ارکان پر مشتمل ہے جن میں ایک شریعہ لٹیکار ہیں۔

دوران سال اسلامک بینکنگ برانچوں اور بینے آفس کے دیگر امور میں شرعی امور کی پاسداری کا جائزہ لیا گیا۔ شریعہ کمیٹی انٹرنل پارٹنر نے اسلامک بینکنگ برانچوں اور دفاتر شریعہ کمیٹی انٹرنل پارٹنر سے پہلے 62 دورے کیے۔ اصطلاح اور فیکل کی غرض سے اسلامک بینکنگ برانچوں اور دفاتر کے ہر دورے کی رپورٹ ڈسٹرکٹ منیجر اور اسلامک بینکنگ کے سربراہ کو جمع کروائی گئی۔ شریعہ کمیٹی انٹرنل پارٹنر نے اپنی جامع رپورٹیں ہر سہ ماہی کے بعد آنے والے اجلاس میں شریعہ بورڈ کو توثیق کے لئے پیش کیں۔ مذکورہ رپورٹیں تمام شرعی جائزوں کی تصدیقات اور شریعہ بورڈ کی پہلے سے جاری کردہ ہدایات کی روشنی میں ریٹینٹ شریعہ بورڈ ممبر کی آراء پر مشتمل تھیں جنہیں شریعہ بورڈ کی توثیق کے لئے پیش کیا گیا اور شریعہ بورڈ نے اس وقت کے بعد ان کی توثیق کر دی۔

یونی ایل ایل مین برانچ نیٹ ورک:

الحمد للہ، یونی ایل ایل مین کی اسلامک بینکنگ برانچوں کی تعداد اب 100 ہو گئی ہے جن میں سے 8 برانچیں اسی سال 2019 میں کوئٹہ شریعہ کمیٹی انٹرنل پارٹنر کے لئے مختص برانچوں میں تبدیل کی گئی ہیں۔ جبکہ اسلامک بینکنگ دفاتر کی خدمات یونی ایل ایل کی 162 کنویئنٹل برانچوں میں فراہم کی جارہی ہیں۔

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

For the year ended December 31, 2019

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of Directors are 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 Lord Zameer M. Choudrey, CBE, SI Pk Mr. Rizwan Pervez Mr. Haider Zameer Choudrey Mr. Arshad Ahmad Mir
Executive Director & Female Director	Ms. Sima Kamil, President & CEO

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank;
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. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board 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 the following:
(Name of Director) – Nil.
(Name of Executive & Designation (if applicable));

Name of Executive	Designation
Irfan Farooq Memon	EVP (GH) - Audit & Risk Review
Imran Sarwar	SEVP - Risk & Credit Policy
Sharjeel Shahid	SEVP - Digital Banking Group
Farooq Ahmed Khan	EVP - Corporate & Investment Banking Group
Rizwan Hameed Chapra	EVP - UBL International
Faraz Mehmood Azam	EVP - UBL International

Name of Executive	Designation
Junaid Amin	EVP - UBL International
Sadia Saeed	GE - Human Resource Group
Tauqeer Mazhar	EVP (GH) - Branch Banking Group

10. The Board has approved appointment of Chief Financial Officer, 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. Chief Financial Officer and Chief Executive Officer 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. Khalid A. Sherwani	Independent Director	Chairman
ii. Mr. Arshad Ahmad Mir	Non-Executive Director	Member
iii. Mr. Amar Zafar Khan	Independent Director	Member

c. BOARD RISK & COMPLIANCE COMMITTEE (BRCC):

i. Lord. Zameer M. Choudrey, CBE, SI Pk	Non-Executive Director	Chairman
ii. Mr. Arshad Ahmad Mir	Non-Executive Director	Member
iii. Ms. Sima Kamil	President & CEO/Executive Director	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/Executive Director	Member

e. BOARD NOMINATION COMMITTEE (BNC):

i. Sir Mohammed Anwar Pervez, OBE, HPk	Non-Executive Director	Chairman
ii. Lord Zameer M. Choudrey, CBE, SI Pk	Non-Executive Director	Member
iii. Mr. Arshad Ahmad Mir	Non-Executive Director	Member

13. The Terms of Reference (TORs) of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee 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):	Five meetings including four quarterly meetings.
e. Board Nomination Committee (BNC):	Recently formed

15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are 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 Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Bank;
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 requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:
- The regulation 28(2) of the Code requires that the chairman of the Human Resource & Remuneration Committee is to be an independent director. The composition of the Board Human Resource and Compensation Committee (HRCC) is in line with the Revised Guidelines on Remuneration Practices 2017 issued by the State Bank of Pakistan (guidelines) which allows a non-executive director to be the Chairman in case the majority members of the committee are independent directors. During the year, majority members of HRCC were independent directors in compliance with the guidelines, however, the Chairman of the HRCC was not an Independent Director till October 16, 2019. The Board appointed an independent director as chairman of the HRCC in the 223rd Board meeting dated October 16, 2019.
 - The regulation 10(3)(v) of the Code requires that the Board shall ensure that a formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board and of its committees. The aforementioned mechanism exists in the Bank, whereby, the Bank hires an external evaluator periodically for the aforementioned evaluations. The management is in the process of hiring the external evaluator for annual evaluation of the Board's own

performance, members of the Board and of its committees for the years 2018 and 2019.



Sir Mohammed Anwar Pervez, OBE, Hpk
Chairman
Islamabad
Date: February 19, 2020

Independent Auditor's 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, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of United Bank Limited (the Bank) for the year ended December 31, 2019 in accordance with the requirements of regulation 36 of the Regulations.

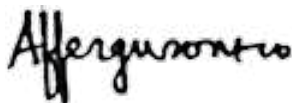
The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any 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 requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2019.



A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 03, 2020

Annual Statement on Internal Controls 2019

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 and 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. In order to improve the oversight on compliance with Regulatory requirements and KYC CDD/EDD quality, Regional Compliance Business Managers

have been placed in each Branch Banking region. Further, 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, who ensured that management has taken appropriate corrective actions and has put in place a system to minimize repetition to ensure strengthening of the control environment.

The Bank endeavors 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 & implemented through consistent & 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.



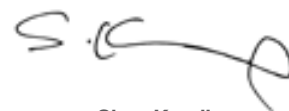
Irfan Memon
Group Head – Audit &
Risk Review



Sajid Hussain
Group Executive – Compliance



Aameer Karachiwalla
Chief Financial Officer



Sima Kamil
President & CEO

Disclosure in Annual Accounts

Complaint Management Unit under umbrella of Service Quality is responsible for managing and resolving customer grievances efficiently at UBL, while resolving customer complaints we ensure following;

- 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.

Year 2019 played an instrumental role with the change in reporting line of Service Quality to Compliance Group, which over all enhanced responsibility and visibility with respect to regulatory framework and managing customer experience.

UBL has a robust mechanism in place for handling customer's complaints where 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.

We had observed rise in number of complaints attributed due to changes in processes and products, Complaint trends and closure analysis reports are also shared with the Board Members, Senior Management & Business owners, based on these findings, remedial measures are taken.

UBL regards complaints as an important feedback for improvement, with management view on catering to the needs of customers a special Customer Service Committee (CSC) has been formed to foresee customer issues and advising fixes that could result into WOW experience for our customers. This committee comprises of senior most executives and chaired by CEO.

Complaint lodgment procedures and awareness about complaints is being emphasised bank wide via training sessions and circulars. Bank is continuously striving for improvement in processes to avoid recurrence of instances, also escalation mechanism helps to rectify issues on fast pace. Key highlights of year 2019 were as under.

- Complaint volume of 196,002 managed successfully.
- 84% complaints were resolved within the timelines provided to our customers.
- 98% resolutions were provided in 15 days' time (excluding Visa/Master & fraud related issues)
- Average complaint resolution time stood at 5.6 days. Furthermore, this resolution time remained 4.8 days excluding off-us transactions



*where **you** come **first***

Financial Statements 2019



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, 2019, 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 100 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, 2019 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	<p>Provision against advances (Refer note 10.4 to the unconsolidated financial statements)</p> <p>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).</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 certain categories of advances.</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. 4,944.661 million in the unconsolidated profit and loss account in the current year. As at December 31, 2019, the Bank holds a provision of Rs. 66,731.720 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>Our audit procedures to verify provision against advances included, amongst others, the following:</p> <p>We obtained an understanding of 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.</p> <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> 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. <p>We selected a sample of loan accounts and performed the following substantive procedures:</p> <ul style="list-style-type: none"> checked repayments of loan / mark-up installments and tested classification of non-performing loans based on the number of days overdue. evaluated the management's assessment for classification of customers' loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and through discussions with the management. <p>We checked the accuracy of specific provision made against non-performing advances and of general provision by recomputing the provision amount in accordance with the criteria prescribed under the PRs.</p> <p>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. We evaluated the work performed by the component auditors and the results thereof.</p>
2	<p>IFRS 16 - Leases (Refer note 5.1.1 to the unconsolidated financial statements)</p> <p>The Bank has adopted IFRS 16 "Leases" with effect from January 1, 2019. IFRS 16 introduces a single on balance sheet lease accounting model for leases entered into by the lessees. A lessee recognises a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. On adoption of IFRS 16, the Bank has changed its accounting policy for operating leases which are now recognised on the statement of financial position. The Bank has accordingly recorded right-of-use assets and lease liability amounting to Rs. 8,281.058 million and Rs. 7,971.170 million respectively as at January 1, 2019. The comparative figures for 2018 reporting period have not been restated, as permitted under the specific transitional provisions of the standard.</p> <p>The adoption of IFRS 16 involves estimation and judgement. Because of the significance of the impact of these judgements / estimates, we considered this area as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Obtained an understanding of the management's process for identification of agreements which contain leasing arrangements. Evaluated the selection of accounting policies and methodology followed by the management for determination and measurement of right-of-use assets, corresponding lease liabilities and other related impacts. On a sample basis, tested the underlying data used by the management from the lease contracts for determination of the right-of-use assets and corresponding lease liabilities. Further, performed re-computations on a test basis to assess accuracy of computations performed by the management. Assessed whether the presentation and disclosures relating to the adoption of IFRS 16 in the unconsolidated financial statements are in compliance with the applicable financial reporting framework.

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.

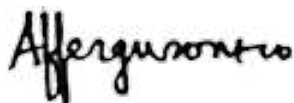
Report on Other Legal and Regulatory Requirements

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 partner on the audit resulting in this independent auditor's report is Shahbaz Akbar.



A.F. Ferguson & Co.

Chartered Accountants

Karachi

Dated: March 03, 2020

Unconsolidated Statement of Financial Position

As at December 31, 2019

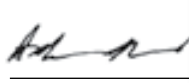
	Note	2019 ----- (Rupees in '000) -----	2018
ASSETS			
Cash and balances with treasury banks	6	235,861,767	183,467,358
Balances with other banks	7	20,729,005	23,345,698
Lendings to financial institutions	8	20,246,576	33,941,546
Investments	9	840,448,487	786,375,326
Advances	10	636,219,771	715,936,731
Fixed assets	11	52,396,877	45,799,099
Intangible assets	12	1,951,002	1,757,033
Deferred tax assets	13	3,300,164	7,807,084
Other assets	14	82,541,058	91,169,271
		1,893,694,707	1,889,599,146
LIABILITIES			
Bills payable	16	22,926,596	27,249,136
Borrowings	17	154,484,000	268,124,033
Deposits and other accounts	18	1,467,063,461	1,366,060,048
Liabilities against assets subject to finance lease		-	-
Subordinated debt	19	10,000,000	9,000,000
Deferred tax liabilities	13	-	-
Other liabilities	20	70,151,767	67,895,981
		1,724,625,824	1,738,329,198
NET ASSETS			
		169,068,883	151,269,948
REPRESENTED BY:			
Share capital	21	12,241,798	12,241,798
Reserves		59,319,611	54,439,238
Surplus on revaluation of assets	22	25,837,143	16,587,066
Unappropriated profit		71,670,331	68,001,846
		169,068,883	151,269,948
CONTINGENCIES AND COMMITMENTS			
	23		

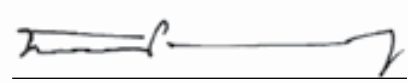
The annexed notes 1 to 49 and annexures I, II and III form an integral part of these unconsolidated financial statements.


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, 2019

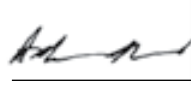
	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Mark-up / return / interest earned	25	153,676,364	113,198,299
Mark-up / return / interest expensed	26	91,901,868	56,964,028
Net mark-up / interest income		61,774,496	56,234,271
Non mark-up / interest income			
Fee and commission income	27	13,693,343	13,930,970
Dividend income		1,538,378	2,086,932
Foreign exchange income		4,526,109	3,465,387
Income / (loss) from derivatives		64,627	(87,716)
Gain on securities - net	28	2,199	4,561,511
Other income	29	1,851,675	1,054,287
Total non mark-up / interest income		21,676,331	25,011,371
Total income		83,450,827	81,245,642
Non mark-up / interest expenses			
Operating expenses	30	40,208,862	38,826,761
Workers' Welfare Fund	31	740,249	(2,173,437)
Other charges	32	40,055	114,798
Total non mark-up / interest expenses		40,989,166	36,768,122
Profit before provisions		42,461,661	44,477,520
Provisions and write-offs - net	33	8,219,792	12,853,640
Extra ordinary / unusual item - charge in respect of pension liability		-	6,657,216
Profit before taxation		34,241,869	24,966,664
Taxation	34	15,108,095	9,740,569
Profit after taxation		19,133,774	15,226,095
		----- (Rupees) -----	
Earnings per share - basic and diluted	35	15.63	12.44

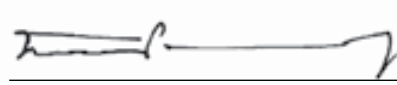
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Chief Financial Officer


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President &
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Amar Zafar Khan
Director


Arshad Ahmad Mir
Director


Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

Unconsolidated Statement of Comprehensive Income

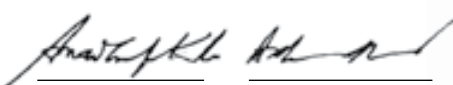
For the year ended December 31, 2019

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Profit after taxation for the year	19,133,774	15,226,095
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	4,299,622	9,069,751
Movement in surplus / (deficit) on revaluation of investments - net of tax	9,724,215	(15,299,497)
	14,023,837	(6,229,746)
<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	(516,524)	(389,657)
Movement in surplus on revaluation of fixed assets - net of tax	(83,149)	(356,275)
Movement in surplus on revaluation of non-banking assets - net of tax	39,599	(6,672)
	(560,074)	(752,604)
Total comprehensive income for the year	<u>32,597,537</u>	<u>8,243,745</u>

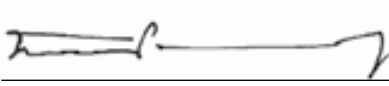
The annexed notes 1 to 49 and annexures I, II and III form an integral part of these unconsolidated financial statements.


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

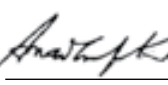
For the year ended December 31, 2019

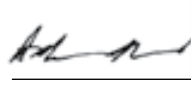
	Share capital	Capital reserve - exchange translation	Statutory reserve	Surplus / (Deficit) on revaluation			Unappropriated profit	Total
				Investments	Fixed assets	Non-banking assets		
	(Rupees in '000)							
Balance as at December 31, 2017	12,241,798	14,107,139	29,739,738	6,228,784	25,964,654	112,528	70,912,406	159,307,047
Effect of adoption of IFRS 9 by overseas branches	-	-	-	-	-	-	(1,590,688)	(1,590,688)
Balance as at January 01, 2018	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
Total comprehensive income for the year ended December 31, 2019								
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	19,133,774	19,133,774
Other comprehensive income - net of tax	-	4,299,622	-	9,724,215	(83,149)	39,599	(516,524)	13,463,763
Total comprehensive income for the year ended December 31, 2019	-	4,299,622	-	9,724,215	(83,149)	39,599	18,617,250	32,597,537
Transfer from surplus on revaluation on disposal to unappropriated profit - net of tax	-	-	-	-	(262,309)	(114,384)	376,693	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(53,895)	-	53,895	-
Transfer to statutory reserve	-	-	1,913,377	-	-	-	(1,913,377)	-
Transactions with owners for the year ended December 31, 2019								
Final cash dividend - December 31, 2018 declared subsequent to the year end at Rs. 3.0 per share	-	-	-	-	-	-	(3,672,539)	(3,672,539)
Interim cash dividend - March 31, 2019 declared at Rs. 2.5 per share	-	-	-	-	-	-	(3,060,449)	(3,060,449)
Interim cash dividend - June 30, 2019 declared at Rs. 2.5 per share	-	-	-	-	-	-	(3,060,449)	(3,060,449)
Interim cash dividend - September 30, 2019 declared at Rs. 3.0 per share	-	-	-	-	-	-	(3,672,539)	(3,672,539)
	-	-	-	-	-	-	(13,465,976)	(13,465,976)
Realization of exchange translation reserve - note 29.2	-	(1,332,626)	-	-	-	-	-	(1,332,626)
Balance as at December 31, 2019	12,241,798	26,143,886	33,175,725	653,502	25,152,570	31,071	71,670,331	169,068,883

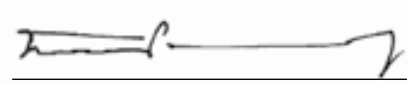
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Sima Kamil
President &
Chief Executive Officer


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, 2019

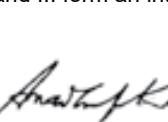
Note	2019	2018
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	34,241,869	24,966,664
Less: Dividend income	1,538,378	2,086,932
	32,703,491	22,879,732
Adjustments:		
Depreciation on fixed assets	2,709,952	2,361,430
Depreciation on Islamic financing against leased assets (Ijarah)	227,783	186,623
Depreciation on right-of-use assets	2,097,081	-
Amortizations	645,869	486,876
Workers' Welfare Fund	740,249	(2,173,437)
Provision for retirement benefits	877,238	7,265,202
Provision for compensated absences	33,383	141,698
Provision against loans and advances - net	4,418,602	10,737,575
Provision against off balance sheet items	47,438	463,300
Provision for diminution in value of investments - net	3,199,011	1,495,113
Interest expense on lease liability against right of use assets	1,064,085	-
Gain on sale of operating fixed assets - net	(80,073)	(43,565)
Gain on sale of ijarah assets - net	(861)	(1,754)
Gain on sale of associate	(75,294)	-
Gain on sale of non-banking asset	54,649	-
Bad debts written-off directly	149,591	76,056
Unrealized loss / (gain) on revaluation of investments classified as held for trading	7,386	(8,524)
Realization of exchange translation reserve - UBL New York branch	(1,332,626)	-
Other provisions / write-offs- net	405,150	6,523
	15,188,613	20,993,116
	47,892,104	43,872,848
Decrease / (increase) in operating assets		
Lendings to financial institutions	13,694,970	(23,016,415)
Held for trading securities	30,437,764	3,512,807
Advances	74,889,116	(98,353,633)
Other assets (excluding advance taxation)	2,545,056	(5,224,737)
	121,566,906	(123,081,978)
(Decrease) / increase in operating liabilities		
Bills payable	(4,322,540)	(2,598,607)
Borrowings	(113,640,033)	(244,526,432)
Deposits and other accounts	101,003,413	93,272,224
Other liabilities (excluding current taxation)	(6,072,397)	12,483,874
	(23,031,557)	(141,368,941)
Payments on account of staff retirement benefits	146,427,453	(220,578,071)
Income taxes paid - net	(1,823,996)	(6,444,103)
	(10,399,114)	(17,619,538)
Net cash flows generated from / (used in) operating activities	134,204,343	(244,641,712)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(117,052,504)	249,422,991
Net investments in held to maturity securities	44,498,684	23,612,252
Net investments in subsidiaries and associates	(58,708)	290,067
Dividend income received	1,521,055	2,114,435
Investment in fixed assets and intangible assets	(3,404,239)	(4,550,495)
Sale proceeds from disposal of fixed assets	365,409	128,490
Sale proceeds from disposal of ijarah assets	32,729	67,966
Effect of translation of net investment in foreign branches	4,299,622	9,069,751
Net cash flows (used in) / generated from investing activities	(69,797,952)	280,155,457
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts of subordinated debts	1,000,000	9,000,000
Payment of lease liability against right-of-use assets	(2,179,971)	-
Dividends paid	(13,448,704)	(14,799,574)
Net cash flows used in financing activities	(14,628,675)	(5,799,574)
Increase in cash and cash equivalents	49,777,716	29,714,171
Cash and cash equivalents at the beginning of the year	206,813,056	177,098,885
Cash and cash equivalents at the end of the year	256,590,772	206,813,056

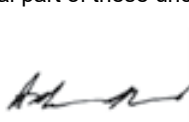
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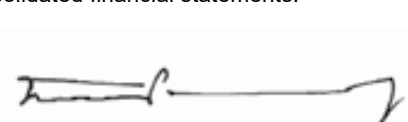
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Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

1. STATUS AND NATURE OF BUSINESS

United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at UBL Head Office, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,362 (December 31, 2018: 1,364) branches inside Pakistan including 100 (December 31, 2018: 94) Islamic Banking branches and 2 (December 31, 2018: 2) branches in Export Processing Zones. The Bank also operates 14 (December 31, 2018: 15) 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 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 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, 2019

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 effective in the current year

During the current year, IFRS 16, Leases, became effective from annual periods beginning on or after January 01, 2019. The impact of the adoption of IFRS 16 on the Bank's unconsolidated financial statements is disclosed in note 5.1.1.

IFRS 15 introduces a single five step revenue recognition model for all contracts with customers, unless those contracts are in the scope of other standards and, accordingly, has superseded IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The adoption of IFRS 15 does not have any material impact on the financial statements of the Bank.

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 01, 2019. These are considered either to be not relevant or to not have any significant impact on the Bank's unconsolidated financial statements.

3.6 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 3 - Business Combinations (Amendments)	January 01, 2020
- IAS 1 - Presentation of Financial Statements (Amendments)	January 01, 2020
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
- IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2021

IFRS 9 has been applicable in several overseas jurisdictions from January 01, 2018 and is progressively being adopted in others. The requirements of this standard are incorporated in the Bank's financial statements for the jurisdictions where IFRS 9 has been adopted. As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 01, 2021.

Except for the implementation of IFRS 9 in Pakistan, the Bank expects that adoption of the amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

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) and advances (notes 5.5 and 10.4)
- iii) income taxes (notes 5.9 and 34)
- iv) staff retirement benefits (notes 5.11 and 38)
- 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 the following:

5.1 Change in accounting policy

5.1.1 Impact of IFRS 16 - Leases

During the year, IFRS 16 - Leases became applicable for the Bank. 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 an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Bank has adopted IFRS 16 from January 01, 2019 using the modified retrospective restatement approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 13.35% per annum at January 01, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	December 31, 2019	January 01, 2019
	------(Rupees in '000)-----	
Total lease liability recognised	<u>7,761,350</u>	<u>7,971,170</u>

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments recognised in the unconsolidated statement of financial position immediately before the date of initial application.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The recognised right-of-use assets relate to the following type of asset:

	December 31, 2019	January 01, 2019
	------(Rupees in '000)-----	
Land and building	<u>7,089,976</u>	<u>8,281,058</u>

The effect of this change in accounting policy is as follows:

Impact on Unconsolidated Statement of Financial Position

Increase in fixed assets - right-of-use assets	7,089,976	8,281,058
Decrease in other assets - advances, deposits, advance rent and other prepayments	(251,142)	(309,888)
Increase in other assets - advance taxation	359,755	-
Increase in total assets	7,198,589	7,971,170
Exchange translation	67	-
Increase in other liabilities - lease liability against right-of-use assets	(7,761,350)	(7,971,170)
Decrease in net assets	<u>(562,694)</u>	<u>-</u>

2019
(Rupees in '000)

Impact on Unconsolidated Profit and Loss account

Increase in mark-up expense - lease liability against right-of-use assets	(1,064,085)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(2,097,081)
- Rent expense	2,238,717
Decrease in profit before tax	(922,449)
Decrease in tax	359,755
Decrease in profit after tax	<u>(562,694)</u>

Earnings per share for the year ended December 31, 2019 are Re 0.46 per share lower as a result of the adoption of IFRS 16.

2019
(Rupees in '000)

The effect of this change in accounting policy is as follows:

Operating lease commitments disclosed as at December 31, 2018	<u>12,632,917</u>
Discounted using the lessee's incremental borrowing rate at the date of initial application	7,980,353
(Less): short-term leases recognised on a straight-line basis as expense	(8,916)
(Less): low value leases recognised on a straight-line basis as expense	(267)
Lease liability recognised as at January 01, 2019	<u>7,971,170</u>
Of which are:	
- Current lease liabilities	1,115,775
- Non current lease liabilities	6,855,395
	<u>7,971,170</u>

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

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 institutions at contracted rates for a specified period of time. Further, other long term lendings to financial institutions 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

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

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.

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

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 accumulated impairment losses, 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.

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 installments.

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 Unconsolidated Financial Statements

For the year ended December 31, 2019

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.

5.6.3 Lease liability and Right-of-use asset

The Bank enters into leasing arrangements for its branches, ATMs and warehouses. Rental contracts are typically for a fixed period of 1 year to 50 years and may have extension options as described below. At inception of a contract, the Bank assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not be terminated).

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

The lease liability is initially measured at the present value of the lease payments over the period of lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Bank under residual value guarantees, the exercise price of a purchase option if the Bank is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Bank is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortized cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Bank reassesses the reasonable certainty of exercise of extension or termination option upon occurrence of either a significant event or a significant change in circumstance, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increase the scope of lease by adding the right to use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

The right-of-use asset is initially measured based at the initial amount of initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Bank has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

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 of 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.

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, it is 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.

Notes to and forming part of the Unconsolidated Financial Statements

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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.

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

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.

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.

Notes to and forming part of the Unconsolidated Financial Statements

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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.

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 includes 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

(d) Islamic Banking

This represents Islamic Banking branches and Islamic Banking window in the conventional branches of the Bank.

(e) International Branch Operations

Represents Bank's operations in 4 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
- 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.

	Note	2019 ----- (Rupees in '000) -----	2018
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		12,394,957	11,659,464
Foreign currency		5,095,923	4,042,891
		17,490,880	15,702,355
With State Bank of Pakistan in			
Local currency current accounts	6.1	77,855,915	46,699,046
Foreign currency current accounts	6.2	3,431,095	3,209,866
Foreign currency deposit account	6.3	10,081,214	8,304,054
		91,368,224	58,212,966
With other central banks in			
Foreign currency current accounts	6.4	28,806,149	30,452,713
Foreign currency deposit accounts	6.5	8,694,038	12,103,156
		37,500,187	42,555,869
With National Bank of Pakistan in local currency current accounts		89,136,038	66,936,342
Prize Bonds		366,438	59,826
		<u>235,861,767</u>	<u>183,467,358</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.

Notes to and forming part of the Unconsolidated Financial Statements

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- 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, 2019, it carries mark-up at the rate of 0.70% (2018: 1.35%) 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 1.50% to 2.00% (2018: 2.24% to 2.50%) per annum.

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
7. BALANCES WITH OTHER BANKS			
In Pakistan			
In deposit accounts		-	4,600,007
		-	4,600,007
Outside Pakistan			
In current accounts		9,401,214	5,866,022
In deposit accounts	7.1	11,327,791	12,879,669
		20,729,005	18,745,691
		<u>20,729,005</u>	<u>23,345,698</u>

- 7.1** These carry mark-up at rates ranging from 1.30% to 3.50% (2018: 0.13% to 5.86%) per annum. These included balances amounting to Rs. 277.724 million maintained with UBL New York branch against the statutory reserves requirement of UBL New York branch as at December 31, 2018.

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lending		-	7,000,000
Repurchase agreement lendings (reverse repo)	8.2	9,450,000	23,500,000
Bai Muajjal receivable			
- with other financial institutions	8.3	10,796,576	3,066,732
Other lendings to financial institutions		-	443,067
		20,246,576	34,009,799
Less: provision against lendings to financial institutions		-	(68,253)
Lendings to Financial Institutions - net of provision		<u>20,246,576</u>	<u>33,941,546</u>

8.1 Particulars of lendings to financial institutions - gross

In local currency	20,246,576	33,634,872
In foreign currencies	-	374,927
	<u>20,246,576</u>	<u>34,009,799</u>

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

	2019			2018		
	Held by Bank	Further given as collateral / sold	Total	Held by Bank	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Pakistan Investment Bonds	-	9,450,000	9,450,000	5,000,000	18,500,000	23,500,000

- 8.2.1** The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 9,459.071 million (2018: Rs. 23,496.797 million).

- 8.3** These represents Bai Muajjal agreements entered into with various financial institutions whereby the Bank has sold Sukuks having carrying value of Rs. 10,682.138 million (2018: Rs. 2,992.934 million) on deferred payment basis. The average return on these transactions is 12.45% (2018: 10.0%) per annum.

Notes to and forming part of the Unconsolidated Financial Statements

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9. INVESTMENTS

9.1 Investments by type

		2019				2018			
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	71,095,652	-	(7,121)	71,088,531	99,942,759	-	954	99,943,713
	Pakistan Investment Bonds	47,107	-	(265)	46,842	1,621,854	-	7,570	1,629,424
		71,142,759	-	(7,386)	71,135,373	101,564,613	-	8,524	101,573,137
Available for sale securities									
	Market Treasury Bills	182,898,327	-	149,496	183,047,823	139,865,800	-	(22,440)	139,843,360
	Pakistan Investment Bonds	204,713,653	-	(6,674,197)	198,039,456	133,585,814	-	(14,268,873)	119,316,941
	Government of Pakistan Eurobonds	19,657,993	(271,160)	1,291,623	20,678,456	17,736,778	(203,676)	(701,525)	16,831,577
	Government of Pakistan Sukus	9,056,189	(32,577)	23,973	9,047,585	15,145,060	(49,844)	(176,154)	14,919,062
	Corporate Sukus	1,220,000	-	-	1,220,000	105,000	-	-	105,000
	Ordinary shares of listed companies	15,583,291	(5,372,540)	3,199,996	13,410,747	18,018,211	(3,047,963)	1,747,978	16,718,226
	Preference shares	101,365	(64,698)	-	36,667	482,687	(446,023)	-	36,664
	Ordinary shares of unlisted companies	753,900	(129,779)	-	624,121	753,562	(121,751)	-	631,811
	Investment in REIT	458,590	-	62,118	520,708	458,590	-	41,273	499,863
	Investment in Mutual Fund	250,000	-	2,931	252,931	-	-	-	-
	Term Finance Certificates	791,519	(97,278)	-	694,241	941,297	(97,278)	(891)	843,128
	Foreign bonds - sovereign	43,173,559	(582,836)	2,767,552	45,358,275	35,080,096	(378,288)	(459,301)	34,242,507
	Foreign bonds - others	6,875,693	(39,741)	247,823	7,083,775	6,997,292	(46,622)	(110,867)	6,839,803
		485,534,079	(6,590,609)	1,071,315	480,014,785	369,170,187	(4,391,445)	(13,950,800)	350,827,942
Held to maturity securities									
	Market Treasury Bills	3,458,029	-	-	3,458,029	2,885,435	-	-	2,885,435
	Pakistan Investment Bonds	206,994,945	-	-	206,994,945	275,079,334	-	-	275,079,334
	Government of Pakistan Eurobonds	9,147,510	(147,920)	-	8,999,590	8,251,048	(127,994)	-	8,123,054
	Government of Pakistan Sukus	800,728	(12,536)	-	788,192	719,499	(11,264)	-	708,235
9.4	Bai Muajjal with Government of Pakistan	26,443,679	-	-	26,443,679	8,300,566	-	-	8,300,566
	Term Finance Certificates	5,355,210	(8,835)	-	5,346,375	6,023,053	(11,384)	-	6,011,669
	Sukus	13,725,143	(87,870)	-	13,637,273	11,921,801	(107,743)	-	11,814,058
	Participation Term Certificates	437	(437)	-	-	437	(437)	-	-
	Debentures	2,266	(2,266)	-	-	2,266	(2,266)	-	-
	Foreign bonds - sovereign	17,762,050	(332,446)	-	17,429,604	14,460,187	(171,247)	-	14,288,940
	Foreign bonds - others	1,321,635	(61,085)	-	1,260,550	1,497,873	(347,246)	-	1,150,627
	Recovery note	59,157	(59,141)	-	16	428,008	(427,992)	-	16
	CDC SAARC Fund	336	-	-	336	302	-	-	302
		285,071,125	(712,536)	-	284,358,589	329,569,809	(1,207,573)	-	328,362,236
Associates									
	UBL Financial Sector Fund	150,000	-	-	150,000	-	-	-	-
	UBL Insurers Limited	240,000	-	-	240,000	240,000	-	-	240,000
9.9	Khushhali Bank Limited	832,485	-	-	832,485	832,485	-	-	832,485
9.14	Oman United Exchange Company, Muscat	-	-	-	-	15,998	(51)	-	15,947
9.10	DHA Cogen Limited	-	-	-	-	-	-	-	-
		1,222,485	-	-	1,222,485	1,088,483	(51)	-	1,088,432
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
	United Executors and Trustees Company Limited	30,100	-	-	30,100	30,100	-	-	30,100
		3,575,160	-	-	3,575,160	5,406,166	(882,587)	-	4,523,579
Discontinued operations									
9.11	UBL Bank (Tanzania) Limited	1,831,006	(1,688,911)	-	142,095	-	-	-	-
Total Investments		848,376,614	(8,992,056)	1,063,929	840,448,487	806,799,258	(6,481,656)	(13,942,276)	786,375,326

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

9.2 Investments by segment

Federal Government Securities

	2019				2018			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Market Treasury Bills	253,993,979	-	142,375	254,136,354	239,808,559	-	(21,486)	239,787,073
Pakistan Investment Bonds	411,755,705	-	(6,674,462)	405,081,243	410,287,002	-	(14,261,303)	396,025,699
Government of Pakistan Sukus	9,856,917	(45,113)	23,973	9,835,777	15,864,559	(61,108)	(176,154)	15,627,297
Government of Pakistan Eurobonds	28,805,503	(419,080)	1,291,623	29,678,046	25,987,826	(331,670)	(701,525)	24,954,631
Bai Muajjal Government of Pakistan	26,443,679	-	-	26,443,679	8,300,566	-	-	8,300,566
	730,855,783	(464,193)	(5,216,491)	725,175,099	700,248,512	(392,778)	(15,160,468)	684,695,266

Ordinary shares

Listed companies	15,583,291	(5,372,540)	3,199,996	13,410,747	18,018,211	(3,047,963)	1,747,978	16,718,226
Unlisted companies	753,900	(129,779)	-	624,121	753,562	(121,751)	-	631,811
	16,337,191	(5,502,319)	3,199,996	14,034,868	18,771,773	(3,169,714)	1,747,978	17,350,037

Preference shares	101,365	(64,698)	-	36,667	482,687	(446,023)	-	36,664
Investment in Mutual Fund	250,000	-	2,931	252,931	-	-	-	-
Investment in REIT	458,590	-	62,118	520,708	458,590	-	41,273	499,863

Non-Government Debt Securities

Listed companies	2,702,381	(97,279)	-	2,605,102	3,493,655	(97,278)	(891)	3,395,486
Unlisted companies	18,392,194	(99,407)	-	18,292,787	15,500,199	(121,830)	-	15,378,369
	21,094,575	(196,686)	-	20,897,889	18,993,854	(219,108)	(891)	18,773,855

Foreign Securities

Market Treasury Bills	3,458,029	-	-	3,458,029	2,885,435	-	-	2,885,435
Sovereign bonds	60,935,609	(915,282)	2,767,552	62,787,879	49,540,283	(549,535)	(459,301)	48,531,447
CDC SAARC Fund	336	-	-	336	302	-	-	302
Recovery notes	59,157	(59,141)	-	16	428,008	(427,992)	-	16
Other bonds	8,197,328	(100,826)	247,823	8,344,325	8,495,165	(393,868)	(110,867)	7,990,430
	72,650,459	(1,075,249)	3,015,375	74,590,585	61,349,193	(1,371,395)	(570,168)	59,407,630

Associates

UBL Financial Sector Fund	150,000	-	-	150,000	-	-	-	-
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
DHA Cogen Limited	-	-	-	-	-	-	-	-
	1,222,485	-	-	1,222,485	1,088,483	(51)	-	1,088,432

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
United Executors and Trustees Company Limited	30,100	-	-	30,100	30,100	-	-	30,100
	3,575,160	-	-	3,575,160	5,406,166	(882,587)	-	4,523,579

Discontinued operations

UBL Bank (Tanzania) Limited	1,831,006	(1,688,911)	-	142,095	-	-	-	-
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Total Investments

	848,376,614	(8,992,056)	1,063,929	840,448,487	806,799,258	(6,481,656)	(13,942,276)	786,375,326
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Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- (Rupees in '000) -----	2018
9.2.1 Investments given as collateral - at market value			
Market Treasury Bills		67,189,682	104,483,301
Pakistan Investment Bonds		13,499,874	55,064,705
Government of Pakistan Eurobonds		-	1,457,053
Foreign bonds - sovereign		-	2,938,477
Foreign bonds - others		-	1,167,508
		<u>80,689,556</u>	<u>165,111,044</u>

9.3 Provision for diminution in value of investments

9.3.1	Opening balance		6,481,656	3,768,660
	Impact on adoption of IFRS 9 at overseas branches		-	871,640
	Exchange adjustments		241,816	373,968
	Charge / (reversals)			
	Charge for the year		4,820,819	1,567,939
	Reversals for the year		(1,621,808)	(72,826)
		33	3,199,011	1,495,113
	Amounts written off		(930,427)	(27,725)
	Closing balance	9.12	<u>8,992,056</u>	<u>6,481,656</u>

9.3.2 Particulars of provision against debt securities

Category of classification	2019		2018	
	Non performing investments (NPI)	Provision	Non performing investments (NPI)	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	714,023	196,685	2,136,944	219,107
Overseas				
Overdue by:				
> 365 days	78,784	78,784	729,205	729,179
Total	<u>792,807</u>	<u>275,469</u>	<u>2,866,149</u>	<u>948,286</u>

9.4 Bai Muajjal with Government of Pakistan	2019 ----- (Rupees in '000) -----	2018
Bai Muajjal Investment	33,031,000	11,420,000
Less: Deferred Income	(6,587,321)	(3,119,434)
Bai Muajjal Investment - net	<u>26,443,679</u>	<u>8,300,566</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, 2019

2019	2018
Cost	
----- (Rupees in '000) -----	

9.5.1 Domestic Securities

9.5.1.1 Federal Government Securities - Government guaranteed

Market Treasury Bills	182,898,327	139,865,800
Pakistan Investment Bonds	204,713,653	133,585,814
Sukuks	9,056,189	15,145,060
Eurobonds	19,657,993	17,736,778
	<u>416,326,162</u>	<u>306,333,452</u>

9.5.1.2 Shares

Listed Companies

Cement	1,083,609	2,180,204
Chemical	954,589	861,004
Commercial Banks	337,311	337,311
Fertilizer	5,282,498	5,661,660
Oil and Gas Exploration Companies	594,497	593,890
Oil and Gas Marketing Companies	666,558	579,373
Power Generation and Distribution	5,697,831	5,975,088
Technology & Communication	41,654	665,808
Textile Composite	543,544	543,543
Textile Others	353,314	595,323
	<u>15,555,405</u>	<u>17,993,204</u>

Unlisted Companies

2019		2018	
Cost	Breakup value	Cost	Breakup value
----- (Rupees in '000) -----			
SME Bank Limited	26,950	-	26,950
First Women Bank	21,100	69,511	21,100
N.I.F.T	1,526	51,641	1,526
NIT (Equity)	100	832,941	100
Passco	5,500	1,622,928	5,500
Swift (Belgium)	2,905	15,722	2,905
Vis Credit Information Services	325	45	325
Mastercard International	0.003	374	0.003
Kay Textile Mills Limited	3,778	-	3,778
World Bridge Connect Incorporation	77,606	-	77,606
Techlogix International Limited	50,703	29,537	50,703
Cinepax Limited	60,122	197,405	60,122
Pakistan Mortgage Refinance Co. Limited	500,000	507,460	500,000
	<u>750,615</u>	<u>3,327,564</u>	<u>750,615</u>

2019	2018
Cost	
----- (Rupees in '000) -----	

9.5.1.3 Others

Investment in REIT	458,590	458,590
Preference shares	36,667	36,667
Mutual Funds	250,000	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

2019	2018
Cost	
----- (Rupees in '000) -----	

9.5.1.4 Non-Government Debt Securities

Listed

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

370,685	520,464
250,000	250,000
162,336	97,615
<u>783,021</u>	<u>868,079</u>

Unlisted

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

420,000	105,000
800,000	-
8,498	73,218
<u>1,228,498</u>	<u>178,218</u>

9.5.2 Foreign Securities

9.5.2.1 Government Securities

2019		2018	
Cost	Rating	Cost	Rating
----- (Rupees in '000) -----			

- Qatar
- Sri Lanka
- Jordan
- Bahrain
- Egypt
- Kenya
- Nigeria
- Oman
- Tanzania
- Turkey
- United Arab Emirates

4,115,224	AA-	3,762,165	AA-
5,816,989	B	5,266,294	B
3,562,863	BB-	2,855,218	B+
6,263,102	BB-	4,459,441	B
4,320,033	B	2,834,954	B-
1,160,041	B	1,990,068	B
1,520,018	B+	1,369,568	B
5,140,974	BB+	2,504,189	BBB-
289,052	B+	777,980	B+
4,133,659	BB-	3,044,348	BB-
6,851,604	AA	6,215,871	AA
<u>43,173,559</u>		<u>35,080,096</u>	

2019	2018
Cost	
----- (Rupees in '000) -----	

9.5.2.2 Non-Government Debt Securities

Listed

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

674,429	611,172
2,826,520	3,177,868
460,440	411,955
616,934	553,894
2,297,370	2,242,403
<u>6,875,693</u>	<u>6,997,292</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	Cost	
	----- (Rupees in '000) -----	
9.5.2.3 Equity Securities		
Listed		
DP world - Bahrain	27,886	25,007
Unlisted		
The Benefit Company B.S.C	3,285	2,947
9.5.2.4 Preference Shares	64,698	446,020

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	206,994,945	275,079,334
Sukuks	800,728	719,499
Bai Muajjal	26,443,679	8,300,566
Eurobonds	9,147,510	8,251,048
	<u>243,386,862</u>	<u>292,350,447</u>

9.6.1.2 Non Government Debt Securities

Listed		
- AA+, AA, AA-	1,910,863	2,560,858
Unlisted		
- AAA	8,740,830	10,018,430
- AA+, AA, AA-	1,706,407	2,345,018
- A+, A, A-	821,427	907,142
- Unrated	5,903,527	2,116,109
	<u>17,172,191</u>	<u>15,386,699</u>

9.6.1.3 Others

CDC SAARC Fund	336	302
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9.6.2 Foreign Securities

9.6.2.1 Government Securities

	2019		2018	
	Cost	Rating	Cost	Rating
	----- (Rupees in '000) -----			
- Qatar	1,821,876	AA-	1,660,619	AA-
- Jordan	2,685,927	BB-	2,064,107	B+
- Bahrain	1,843,236	BB-	1,656,666	B
- Egypt	2,386,064	B	2,141,390	B-
- Kenya	1,159,578	B	1,179,216	B
- Oman	2,326,553	BB+	1,390,286	BBB-
- Portugal	691,396	BBB	621,824	BBB-
- Sri Lanka	2,683,484	B	2,413,143	B
- Tanzania	45,034	B+	119,838	B+
- Yemen	3,458,029	unrated	2,885,435	unrated
- Turkey	2,118,902	BB-	1,213,098	BB-
	<u>21,220,079</u>		<u>17,345,622</u>	

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

9.6.2.2 Non Government Debt Securities

Listed

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

Unlisted

- Unrated

	2019	2018
	Cost	
	----- (Rupees in '000) -----	
	61,939	55,545
	460,440	414,174
	616,934	553,362
	162,681	173,595
	<u>1,301,994</u>	<u>1,196,676</u>
	19,643	301,197

9.6.2.3 Others

Recovery Note

	<u>59,157</u>	<u>428,008</u>
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9.6.3 The market value of securities classified as held to maturity as at December 31, 2019 amounted to Rs. 281,380.415 million (December 31, 2018: Rs. 304,643.471 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 million (2018: Rs. 118 million) held by the State Bank of Pakistan as pledged against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5 million (2018: Rs. 5 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 UBL Bank (Tanzania) Limited ('UBTL') is a wholly owned subsidiary of United Bank Limited. UBTL sold materially all of its assets and liabilities at October 31, 2019, including the loans and advances and deposit book to EXIM Bank Tanzania Limited ('Exim'), in line with the Asset and Liabilities Purchase Agreement signed on May 22, 2019. The control of these assets and liabilities was transferred to Exim effective from November 1, 2019. The purchase consideration for the sale of assets and liabilities to Exim was Tanzanian Shillings (TZs) 3.3 billion (equivalent to PKR 222.206 million) compared to the book value (fair value adjustments arising as a result of the transaction) of TZs 2.1 billion (equivalent to PKR 142.095 million). The Banking operations of the subsidiary ceased on November 1, 2019. UBTL is in preparation for the winding up and voluntary liquidation.

9.12 Provision against investments includes expected credit loss (ECL) under IFRS 9 amounting to Rs.1,460.657 million (2018: Rs.1,035.064 million).

9.13 Investments include amounts aggregating to Rs. 391.503 million (2018: Rs. 1,792.177 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.

9.14 United Bank Limited has divested its 25% shareholding in Oman United Exchange Company Limited to a local Omani business group. The transaction was completed on March 31, 2019.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

9.15 Summary of financial position and performance of associates and subsidiaries

		2019				
	Country of Incorporation	% Holding	Assets	Liabilities	Revenue	Profit / (loss)
(Rupees in '000)						
Associates						
UBL Financial Sector Fund	Pakistan	16%	994,621	11,275	142,311	51,990
UBL Insurers Limited	Pakistan	30%	5,754,807	4,088,854	1,769,967	307,875
Khushhali Bank Limited	Pakistan	30%	81,714,191	72,286,516	1,027,104	202,318
Oman United Exchange Company, Muscat	Oman	0%	-	-	-	-
Subsidiaries						
United National Bank Limited (UBL UK)	United Kingdom	55%	103,628,212	87,642,018	2,084,129	(141,894)
UBL (Switzerland) AG	Switzerland	100%	32,637,653	26,790,726	990,362	325,748
UBL Fund Managers Limited	Pakistan	99%	2,486,133	587,181	986,405	188,378
UBL Bank (Tanzania) Limited	Tanzania	100%	224,818	5,824	305,250	(1,224,735)
United Executors and Trustees Company Limited	Pakistan	100%	128,245	222	12,949	9,042

		2018				
	Country of Incorporation	% Holding	Assets	Liabilities	Revenue	Profit / (loss)
(Rupees in '000)						
Associates						
UBL Insurers Limited	Pakistan	30%	4,795,524	3,412,698	1,412,471	241,327
Khushhali Bank Limited	Pakistan	30%	70,461,754	62,251,562	8,846,637	2,431,676
Oman United Exchange Company, Muscat	Oman	25%	309,105	35,481	181,955	(64,481)
Subsidiaries						
United National Bank Limited (UBL UK)	United Kingdom	55%	87,359,241	75,046,256	1,864,531	(1,011,476)
UBL (Switzerland) AG	Switzerland	100%	29,245,692	24,223,245	857,523	305,419
UBL Fund Managers Limited	Pakistan	99%	2,355,016	565,459	1,164,191	407,587
UBL Bank (Tanzania) Limited	Tanzania	100%	6,299,342	4,952,565	337,509	(117,808)
United Executors and Trustees Company Limited	Pakistan	100%	119,263	282	6,545	4,350

10. ADVANCES	Note	Performing		Non-performing		Total	
		2019	2018	2019	2018	2019	2018
		(Rupees in '000)					
Loans, cash credits, running finances, etc.	10.2	573,118,818	628,182,187	73,288,099	65,480,873	646,406,917	693,663,060
Islamic financings and related assets	10.7	9,027,259	22,595,094	94,043	97,156	9,121,302	22,692,250
Bills discounted and purchased		44,205,242	56,933,339	3,218,030	2,983,692	47,423,272	59,917,031
Advances - gross		626,351,319	707,710,620	76,600,172	68,561,721	702,951,491	776,272,341
Provision against advances	10.4						
- Specific		-	-	(63,230,361)	(55,893,025)	(63,230,361)	(55,893,025)
- General		(3,501,359)	(4,442,585)	-	-	(3,501,359)	(4,442,585)
		(3,501,359)	(4,442,585)	(63,230,361)	(55,893,025)	(66,731,720)	(60,335,610)
Advances - net of provision		622,849,960	703,268,035	13,369,811	12,668,696	636,219,771	715,936,731

10.1 Particulars of advances - gross		2019	2018
		(Rupees in '000)	
10.1.1 In local currency		516,928,931	579,185,614
In foreign currencies		186,022,560	197,086,727
		702,951,491	776,272,341

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

10.2 Includes net investment in finance lease as disclosed below:

	2019				2018			
	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	-	166,967	-	166,967	-	108,634	-	108,634
Financial charges for future periods	-	(58,339)	-	(58,339)	-	(31,273)	-	(31,273)
Present value of minimum lease payments	-	108,628	-	108,628	-	77,361	-	77,361

10.3 Advances include Rs. 76,600.172 million (2018: Rs. 68,561.721 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned *	322,139	8,561	89,546	1,113
Substandard	764,745	188,848	969,495	240,790
Doubtful	325,325	169,274	428,909	202,116
Loss	25,767,409	24,656,008	26,432,231	25,394,410
	27,179,618	25,022,691	27,920,181	25,838,429
Overseas				
Not past due but impaired **	6,763,366	3,086,501	3,623,373	3,073,362
Overdue by:				
Upto 90 days	2,804,905	647,984	7,986,841	2,722,248
91 to 180 days	1,643,198	987,640	2,057,618	2,027,258
181 to 365 days	5,518,289	4,967,136	2,090,931	1,904,536
> 365 days	32,690,796	28,518,409	24,882,777	20,327,192
	49,420,554	38,207,670	40,641,540	30,054,596
Total	76,600,172	63,230,361	68,561,721	55,893,025

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

** Not past due but impaired category mainly represents restructured exposure which has not been declassified.

10.4 Particulars of provision against advances

Note	2019			2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	55,893,025	4,442,585	60,335,610	39,441,610	3,255,254	42,696,864
Impact on adoption of IFRS 9	-	-	-	-	1,272,272	1,272,272
Exchange adjustments	3,536,985	261,133	3,798,118	5,208,603	753,690	5,962,293
Charge / (reversals)						
Charge for the year	9,660,850	25,209	9,686,059	14,490,257	6,721	14,496,978
Reversals for the year	(3,521,386)	(1,220,012)	(4,741,398)	(2,371,990)	(845,352)	(3,217,342)
33	6,139,464	(1,194,803)	4,944,661	12,118,267	(838,631)	11,279,636
Transfers in / (out) - net	415,504	(7,556)	407,948	57,600	-	57,600
Amounts written off	(2,754,617)	-	(2,754,617)	(933,055)	-	(933,055)
10.5						
Closing balance	63,230,361	3,501,359	66,731,720	55,893,025	4,442,585	60,335,610

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

10.4.1 General provision represents provision amounting to Rs. 328.342 million (2018: Rs. 303.132 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 3,173.017 million (2018: Rs. 4,139.453 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches operate.

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. 35.131 million (2018: Rs.20.009 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

The Bank has also availed FSV benefit of certain mortgaged properties held as collateral against non-performing advances of overseas branches in accordance with the applicable regulation in the respective countries where the branches operate. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 5,180.474 million (2018: Rs. 5,769.930 million) for the overseas branches.

10.4.3 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	24,504,932	328,342	24,833,274	25,749,531	303,132	26,052,663
In foreign currencies	38,725,429	3,173,017	41,898,446	30,143,494	4,139,453	34,282,947
	<u>63,230,361</u>	<u>3,501,359</u>	<u>66,731,720</u>	<u>55,893,025</u>	<u>4,442,585</u>	<u>60,335,610</u>

	Note	2019	2018
		(Rupees in '000)	
10.5 Particulars of write-offs			
10.5.1 Against provisions	10.4	2,754,617	933,055
Directly charged to profit and loss account		149,591	76,056
		<u>2,904,208</u>	<u>1,009,111</u>
10.5.2 Write-offs of Rs. 500,000 and above			
Domestic	10.6	107,336	14,851
Overseas		2,742,502	865,392
		<u>2,849,838</u>	<u>880,243</u>
Write-offs of below Rs. 500,000		54,370	128,868
		<u>2,904,208</u>	<u>1,009,111</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, 2019 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	2019	2018
		(Rupees in '000)	
11. FIXED ASSETS			
Capital work-in-progress	11.1	541,722	944,233
Property and equipment	11.2	51,855,155	44,854,866
		<u>52,396,877</u>	<u>45,799,099</u>
11.1 Capital work-in-progress			
Civil works		370,308	585,087
Equipment		171,414	359,146
		<u>541,722</u>	<u>944,233</u>

Notes to and forming part of the Unconsolidated Financial Statements

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11.2 Property and Equipment

	2019									
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Leasehold Improve-ments	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right-of-use Asset - Property	Total
	(Rupees in '000)									
At January 1, 2019										
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
Year ended December 31, 2019										
Opening net book value	6,433,625	21,765,584	2,714,494	6,707,226	1,996,766	900,748	4,144,797	191,628	-	44,854,868
Impact of adoption of IFRS 16 at January 1, 2019	-	-	-	-	-	-	-	-	8,281,058	8,281,058
Additions	-	-	-	4,091	901,648	149,999	1,797,869	19,104	881,802	3,754,513
Movement in surplus during the year	-	-	-	-	-	-	-	-	-	-
Net disposals (book value)	-	(252,050)	-	(18,454)	(2,845)	(106)	(4,691)	(11,974)	-	(290,120)
Depreciation charge	-	-	(88,453)	(264,096)	(422,296)	(158,906)	(1,718,190)	(58,011)	(2,097,081)	(4,807,033)
Net exchange rate adjustments	-	34	-	1,124	7,731	3,311	24,481	991	24,197	61,869
Closing net book value	6,433,625	21,513,568	2,626,041	6,429,891	2,481,004	895,046	4,244,266	141,738	7,089,976	51,855,155
At December 31, 2019										
Cost / Revalued amount	6,433,625	21,515,547	2,790,183	6,930,058	5,771,075	2,254,526	14,979,480	356,804	9,107,226	70,138,524
Accumulated depreciation	-	(1,979)	(164,142)	(500,167)	(3,290,072)	(1,359,480)	(10,735,213)	(215,066)	(2,017,250)	(18,283,369)
Net book value	6,433,625	21,513,568	2,626,041	6,429,891	2,481,003	895,046	4,244,267	141,738	7,089,976	51,855,155
Rate of depreciation (percentage)	-	-	2.5 - 5	2.5 - 5	10	10 - 25	5 - 33.33	20	4 - 100	-
	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	Right-of-use Asset - Property	Total
	(Rupees in '000)									
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 31, 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)
Net disposals (book value)	-	(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)
Net 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)	-	-	2.5 - 5	2.5 - 5	10	10 - 25	5 - 33.33	20	-	-

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, 2019 amounts to Rs. 25,872.298 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, 2019

			2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
			782,581	782,581
			3,331,039	3,318,680
			2,054,703	2,118,567
			4,962,504	5,182,155
11.4	Carrying amount of temporarily idle property of the Bank		<u>82,420</u>	<u>82,420</u>
11.5	The cost of fully depreciated assets still in use			
	Furniture and fixtures		540,038	474,846
	Electrical, office and computer equipment		5,745,023	5,035,350
	Vehicles		52,446	84,903
	Leasehold improvements		1,164,000	950,409
			<u>7,501,507</u>	<u>6,545,508</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	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
	Capital work-in-progress		262,404	211,160
	Intangible assets	12.1	<u>1,688,598</u>	<u>1,545,873</u>
			<u>1,951,002</u>	<u>1,757,033</u>
12.1	At January 1			
	Cost		5,015,073	3,889,095
	Accumulated amortisation and impairment		(3,469,200)	(2,902,978)
	Net book value		<u>1,545,873</u>	<u>986,117</u>
	Year ended December			
	Opening net book value		1,545,873	986,117
	Additions		761,437	1,029,876
	Disposals		(335)	(38,370)
	Amortisation charge		(645,869)	(486,876)
	Exchange rate adjustments		27,492	55,126
	Closing net book value		<u>1,688,598</u>	<u>1,545,873</u>
	At December 31			
	Cost		5,875,765	5,015,073
	Accumulated amortisation and impairment		(4,187,167)	(3,469,200)
	Net book value		<u>1,688,598</u>	<u>1,545,873</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>
12.2	The cost of fully amortised assets still in use			
	Software		<u>1,807,345</u>	<u>1,669,964</u>
13.	DEFERRED TAX ASSETS			
	Deferred tax assets	13.1	<u>3,300,164</u>	<u>7,807,084</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

13.1 Movement in temporary differences during the year

		2019			
		At January 1, 2019	Recognized in profit and loss account	Recognized in OCI	At December 31, 2019
		(Rupees in '000)			
Deductible temporary differences on:					
- Post retirement employee benefits		403,897	103,173	330,237	837,307
- Provision against advances, off balance sheet etc.		2,292,249	999,627	-	3,291,876
- Surplus on revaluation of investments		4,880,087	-	(5,297,900)	(417,813)
- Workers' Welfare Fund		1,083,350	412,508	-	1,495,858
- Others		788,897	(856,524)	47,812	(19,815)
		9,448,480	658,784	(4,919,851)	5,187,413
Taxable temporary differences on:					
- Surplus on revaluation of fixed assets / non-banking assets		(734,307)	32,786	(38,072)	(739,593)
- Accelerated tax depreciation		(907,089)	(240,567)	-	(1,147,656)
		(1,641,396)	(207,781)	(38,072)	(1,887,249)
		7,807,084	451,003	(4,957,923)	3,300,164
		2018			
		At January 1, 2019	Recognized in profit and loss account	Recognized in OCI	At December 31, 2019
		(Rupees in '000)			
Deductible temporary differences on:					
- Tax losses carried forward		115,854	(115,854)	-	-
- Post retirement employee benefits		68,709	125,373	209,815	403,897
- Provision against advances, off balance sheet etc.		1,107,929	1,184,320	-	2,292,249
- Workers' Welfare Fund		901,831	181,519	-	1,083,350
- Others		9,586	-	779,311	788,897
		2,203,909	1,375,358	989,126	4,568,393
Taxable Temporary Differences on:					
- Surplus on revaluation of fixed assets / non-banking assets		(772,183)	-	37,876	(734,307)
- Surplus on revaluation of investments		(3,353,961)	-	8,234,048	4,880,087
- Accelerated tax depreciation		(689,706)	(217,383)	-	(907,089)
		(4,815,850)	(217,383)	8,271,924	3,238,691
		(2,611,941)	1,157,975	9,261,050	7,807,084

		Note	2019	2018
			(Rupees in '000)	
Income / mark-up accrued in local currency - net of provision			28,748,779	22,186,193
Income / mark-up accrued in foreign currency - net of provision			2,515,758	4,292,424
			31,264,537	26,478,617
Advance taxation - net of provision for taxation	14.1		19,595,118	24,824,271
Receivable from staff retirement fund			219,006	321,349
Receivable from other banks against telegraphic transfers and demand drafts			201,592	88,354
Unrealized gain on forward foreign exchange contracts			6,652,236	5,114,010
Rebate receivable - net			2,142,484	1,055,900
Unrealized gain on derivative financial instruments	24.2		15,216	5,868
Suspense accounts			682,903	607,698
Stationery and stamps on hand			287,313	98,828
Non-banking assets acquired in satisfaction of claims			1,040,517	1,369,282
Advances, deposits, advance rent and other prepayments			1,100,041	1,320,756
Acceptances	20		17,366,169	28,157,111
Others			3,234,462	2,640,158
			83,801,594	92,082,202
Provision held against other assets	14.2.3		(1,271,877)	(1,086,072)
Other assets - net of provisions			82,529,717	90,996,130
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		22.3 & 14.2.2	11,341	173,141
Other assets - total			82,541,058	91,169,271

14.1 The Income Tax returns of the Bank have been filed up to the Tax Year 2019 (accounting year ended December 31, 2018) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance).

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The income tax authorities have issued amended assessment orders for the Tax Years 2003 to 2019, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.11,610 million (2018: Rs.13,119 million), which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2019 (financial year 2018) and the tax returns of Gilgit Baltistan (GB) branches have been filed upto tax year 2019 (financial year 2018) 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. 889 million (2018: Rs. 995 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 Yemen, Qatar and UAE branches have been filed upto the year ended December 31, 2018 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 Qatari Riyal (QAR) 1 million (Rs. 42.553 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.

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
14.2 Market value of Non-banking assets acquired in satisfaction of claims	<u>1,051,858</u>	<u>1,542,423</u>
14.2.1 During the current year, the valuation of non-banking assets acquired in satisfaction of the claims were carried out by M/s. M.J. Surveyors (Private) Limited and M/s. MYK Associates from among the approved list of valuers of Pakistan Banks' Association.		
14.2.2 Non-banking assets acquired in satisfaction of claims	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Opening balance	1,542,423	1,630,956
Additions	82,500	316,320
Revaluation	(7,821)	49,604
Disposals	(525,649)	(454,457)
Impairment	(39,595)	-
Closing balance	<u>1,051,858</u>	<u>1,542,423</u>
14.2.3 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	547,536	571,597
Non-banking assets acquired in satisfaction of claims	85,200	104,512
Fraud and forgery	639,141	409,963
	<u>1,271,877</u>	<u>1,086,072</u>
14.2.3.1 Movement in provision held against other assets		
Opening balance	1,086,072	1,252,193
Exchange adjustments	3,093	2,112
Charge / (reversals)		
Charge for the year	326,647	169,957
Reversals for the year	(72,670)	(163,434)
	<u>253,977</u>	<u>6,523</u>
Transfers (out) / in - net	(17,000)	15,892
Amounts written-off	(54,265)	(190,648)
Closing balance	<u>1,271,877</u>	<u>1,086,072</u>

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15. CONTINGENT ASSETS

There were no contingent assets as at the statement of financial position date.

	Note	2019 ----- (Rupees in '000) -----	2018
16. BILLS PAYABLE			
In Pakistan		22,500,509	26,724,282
Outside Pakistan		426,087	524,854
		<u>22,926,596</u>	<u>27,249,136</u>

17. BORROWINGS

17.1 Particulars of borrowings

In local currency	138,128,878	237,784,864
In foreign currencies	16,355,122	30,339,169
	<u>154,484,000</u>	<u>268,124,033</u>

17.2 Details of borrowings

Secured

Borrowings from the State Bank of Pakistan under:

Export refinance scheme	17.3	30,354,891	28,120,012
Refinance facility for modernization of SME	17.4	10,022	11,204
Long term financing facility	17.5	22,959,023	21,871,486
		53,323,936	50,002,702
Repurchase agreement borrowings	17.6	67,233,660	131,492,844
Bai Muajjal payable to other financial institutions		13,812,921	49,878,076
		<u>134,370,517</u>	<u>231,373,622</u>

Unsecured

Call borrowings	17.7	4,680,579	18,850,439
Overdrawn nostro accounts		588,275	1,836,701
Money market deals	17.8	14,844,629	16,063,271
		20,113,483	36,750,411
		<u>154,484,000</u>	<u>268,124,033</u>

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 2020. These carry mark-up at rates ranging from 1% to 2% (2018: 1% to 2%) 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 October 2024 and carry mark-up at rates of 5.00% (2018: 2.00% to 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 September 2030. These carry mark-up at rates ranging from 2.00% to 9.70% (2018: 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 13.20% to 13.29% (2018: 3.27% to 10.35%) per annum. These borrowings are repayable latest by January 2020. 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 1.75% to 12.52% (2018: 2.0% to 10.25%) per annum, and are repayable latest by April 2020.

17.8 These borrowings carry mark-up at rates ranging from 3.21% to 4.20% (2018: 3.25% to 4.64%) per annum, and are repayable latest by June 2020.

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18. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
(Rupees in '000)						
Customers						
Fixed deposits	141,228,719	172,661,074	313,889,793	126,191,096	172,243,714	298,434,810
Savings deposits	450,464,549	33,040,464	483,505,013	393,093,910	42,398,195	435,492,105
Sundry deposits	12,592,638	848,530	13,441,168	11,768,321	990,212	12,758,533
Margin deposits	2,825,918	2,931,103	5,757,021	2,962,920	3,378,441	6,341,361
Current accounts - remunerative	1,799,190	6,026,771	7,825,961	965,509	6,200,072	7,165,581
Current accounts - non-remunerative	449,956,720	100,687,793	550,644,513	449,939,963	88,903,450	538,843,413
	1,058,867,734	316,195,735	1,375,063,469	984,921,719	314,114,084	1,299,035,803
Financial Institutions						
Current deposits	26,897,943	1,873,591	28,771,534	21,804,360	936,185	22,740,545
Savings deposits	36,132,073	25,334	36,157,407	30,509,483	-	30,509,483
Term deposits	25,783,802	1,287,249	27,071,051	12,065,814	1,708,403	13,774,217
	88,813,818	3,186,174	91,999,992	64,379,657	2,644,588	67,024,245
	1,147,681,552	319,381,909	1,467,063,461	1,049,301,376	316,758,672	1,366,060,048

18.1 Composition of deposits

	2019	2018
	(Rupees in '000)	
- Individuals	811,943,941	778,733,724
- Government (Federal and Provincial)	68,423,153	54,177,500
- Public Sector Entities	93,001,261	74,367,728
- Banking Companies	33,125,891	13,552,439
- Non-Banking Financial Institutions	58,874,101	53,471,806
- Private Sector	401,695,114	391,756,851
	1,467,063,461	1,366,060,048

This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs 854,722.801 million (2018: Rs 813,924.260 million).

19. SUBORDINATED DEBT

The Bank has issued 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.

Salient features of the ADT 1 issue are as follows:

Issue Size	Rs. 10,000 million
Issue Date	January 29, 2019
Tenor	Perpetual (i.e. no fixed or final redemption date)
Rating	"AA+" (Double A Plus) by JCR-VIS Credit Rating Company Limited
Security	Unsecured
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, 2019

	Note	2019 ----- (Rupees in '000) -----	2018
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		8,964,301	12,345,658
Mark-up / return / interest payable in foreign currencies		2,142,257	2,368,783
		11,106,558	14,714,441
Accrued expenses		3,969,499	4,105,975
Branch adjustment account		227,950	848,267
Deferred income		942,005	617,099
Unearned commission and income on bills discounted		847,295	1,168,936
Provision against off-balance sheet obligations	20.1	622,264	833,397
Unrealized loss on forward foreign exchange contracts		6,962,186	3,485,261
Trading liability		6,120,767	3,750,654
Payable to staff retirement fund		736,313	962,984
Deferred liabilities	20.2	3,743,711	3,685,997
Unrealized loss on derivative financial instruments	24.2	18,155	82,047
Workers' Welfare Fund payable		3,835,534	3,095,285
Liabilities against ATM settlement		1,308,571	585,662
Insurance payable against consumer assets		449,263	410,466
Dividend payable		538,884	521,612
Acceptances	14	17,366,169	28,157,111
Charity fund balance		3,494	2,597
Lease liability	20.3	7,761,350	-
Others		3,591,799	868,190
		<u>70,151,767</u>	<u>67,895,981</u>
20.1 Provision against off-balance sheet obligations			
Opening balance		833,397	65,982
Impact on adoption of IFRS 9		-	211,244
Exchange adjustments		81,237	92,871
Charge / (reversal)			
Charge for the year		288,288	463,300
Reversals for the year		(240,850)	-
	33	47,438	463,300
Transfer		(339,808)	-
Closing balance		<u>622,264</u>	<u>833,397</u>
20.2 Deferred liabilities			
Provision for post retirement medical benefits	38.5	1,950,906	1,821,847
Provision for compensated absences		1,037,908	1,166,399
Deferred liability for outsourced services		272,635	207,963
Deferred liability - overseas		482,262	489,788
		<u>3,743,711</u>	<u>3,685,997</u>
20.3	The total cash outflow for leases during the year was Rs. 2,179.971 million.		

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

21. SHARE CAPITAL

21.1 Authorized Capital

2019 (Number of shares)	2018		2019 ----- (Rupees in '000) -----	2018
<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

2019 (Number of shares)	2018		2019 ----- (Rupees in '000) -----	2018
		Fully paid-up ordinary shares of Rs. 10 each		
518,000,000	518,000,000	Issued for cash	5,180,000	5,180,000
<u>706,179,687</u>	<u>706,179,687</u>	Issued as bonus shares	<u>7,061,798</u>	<u>7,061,798</u>
<u>1,224,179,687</u>	<u>1,224,179,687</u>		<u>12,241,798</u>	<u>12,241,798</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.

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, 2019, 248,067 (2018: 248,067) GDRs, representing 992,266 (2018: 992,266) shares were in issue.

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

Name of shareholder	2019		2018	
	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, 2019, Bestway Group (Bestway) held 61.48% (2018: 61.46%) shareholding (including GDRs) of the Bank.

2019 ----- (Number of shares) -----	2018
<u>479,400</u>	<u>-</u>

21.5 Shares of the Bank held by its associates

UBL Financial Sector Fund

Note	2019 ----- (Rupees in '000) -----	2018
------	--------------------------------------	------

22. SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) arising on revaluation of assets

Available for sale securities	22.1	1,071,315	(13,950,800)
Fixed assets	22.2	25,872,298	26,218,945
Non-banking assets acquired in satisfaction of claims	22.3	50,936	173,141
		<u>26,994,549</u>	<u>12,441,286</u>

Less: Deferred tax liability / (asset) on revaluation of:

Available for sale securities	22.1	417,813	(4,880,087)
Fixed assets	22.2	719,728	667,022
Non-banking assets acquired in satisfaction of claims	22.3	19,865	67,285
		<u>1,157,406</u>	<u>(4,145,780)</u>
		<u>25,837,143</u>	<u>16,587,066</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- (Rupees in '000) -----	2018
22.1 Surplus / (deficit) on revaluation of available for sale securities			
Market Treasury Bills		149,496	(22,440)
Pakistan Investment Bonds		(6,674,197)	(14,268,873)
Listed shares		3,202,927	1,747,979
REIT Investment		62,118	41,273
Term Finance Certificates, Sukuks, other bonds etc.		23,973	(136,173)
Foreign bonds		4,306,998	(1,312,566)
	9.1	1,071,315	(13,950,800)
Related deferred tax liability / (asset)		417,813	(4,880,087)
		<u>653,502</u>	<u>(9,070,713)</u>
22.2 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		26,218,945	26,665,960
Reversal of revaluation against fixed assets during the year		-	(364,149)
Realised on disposal during the year		(263,135)	-
Exchange adjustments		4,840	3,989
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(53,895)	(56,456)
Related deferred tax liability on incremental depreciation charged during the year		(34,457)	(30,399)
		<u>(346,647)</u>	<u>(447,015)</u>
		25,872,298	26,218,945
Less: Related deferred tax liability on			
Revaluation as at January 1		667,022	701,306
Surplus realised on disposal of fixed assets during the year		(826)	-
Impact of change of deferred tax rate		77,907	-
Reversal of revaluation against fixed assets during the year		-	(5,548)
Exchange adjustments		10,082	1,663
Incremental depreciation charged on related assets		(34,457)	(30,399)
		<u>719,728</u>	<u>667,022</u>
		<u>25,152,570</u>	<u>25,551,923</u>
22.3 Surplus on revaluation of non-banking assets			
Surplus on revaluation of non-banking assets as at January 1		173,141	183,405
Revaluation of non-banking assets during the year		(7,821)	28,611
Realised on disposal during the year		(114,384)	(38,875)
		<u>(122,205)</u>	<u>(10,264)</u>
		50,936	173,141
Less: Related deferred tax liability on			
Revaluation as at January 1		67,285	70,877
Revaluation of non-banking assets during the year		(3,050)	10,014
Surplus realised on disposal of non-banking assets during the year		(44,370)	(13,606)
		<u>19,865</u>	<u>67,285</u>
		<u>31,071</u>	<u>105,856</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019	2018
23. CONTINGENCIES AND COMMITMENTS		----- (Rupees in '000) -----	
Guarantees	23.1	170,495,301	200,297,992
Commitments	23.2	1,206,093,067	915,657,829
Other contingent liabilities	23.3	15,075,981	15,608,305
		<u>1,391,664,349</u>	<u>1,131,564,126</u>
23.1 Guarantees			
Financial guarantees		41,184,047	22,776,228
Performance guarantees		129,311,254	177,521,764
		<u>170,495,301</u>	<u>200,297,992</u>
23.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		148,263,814	169,538,695
Commitments in respect of:			
- forward foreign exchange contracts	23.2.2	910,616,840	583,708,769
- forward government securities transactions	23.2.3	14,307,720	15,946,089
- derivatives	23.2.4		
Interest rate swaps		316,500	1,674,764
FX options		122,594	1,159,752
- forward lending	23.2.5	130,389,022	129,068,240
- operating leases	23.2.6	38,278	12,632,917
Commitments for acquisition of:			
- Operating fixed assets	23.2.7	2,031,196	1,925,086
- Intangible	23.2.7	7,103	3,517
		<u>1,206,093,067</u>	<u>915,657,829</u>
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		2019	2018
		----- (Rupees in '000) -----	
Purchase		482,798,387	313,860,505
Sale		427,818,453	269,848,264
23.2.3 Commitments in respect of forward government securities transactions			
Purchase		3,043,541	13,619,209
Sale		11,264,179	2,326,880
23.2.4 Commitments in respect of derivatives			
Interest rate swaps		316,500	1,674,764
FX options - purchased		61,297	579,876
FX options - sold		61,297	579,876

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
23.2.5 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	23.2.5.1	71,503,628	65,695,154
Others		<u>58,885,394</u>	<u>63,373,086</u>
		<u>130,389,022</u>	<u>129,068,240</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.			
23.2.6 Commitments in respect of operating leases			
Not later than one year		31,887	1,981,692
Later than one year and not later than five years		3,136	6,667,011
Later than five years		<u>3,255</u>	<u>3,984,214</u>
		<u>38,278</u>	<u>12,632,917</u>
23.2.7 Commitments in respect of capital expenditure		<u>2,038,299</u>	<u>1,928,603</u>
23.3 Other contingencies			
23.3.1 Claims against the Bank not acknowledged as debts		<u>10,986,678</u>	<u>11,519,002</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 During 2016, penalties amounting to Rs. 4.089 billion were 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.

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, 2019

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 analyses.

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, 2019

24.1 Product analysis

2019									
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	-	-	61,297	-	-	-	-	-	61,297
Market making	316,500	(17,107)	-	-	-	-	9,223,670	14,850	9,540,170
	316,500	(17,107)	61,297	-	-	-	9,223,670	14,850	9,601,467
With FIs other than Banks									
Hedging	-	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	1,763,180	(488)	1,763,180
	-	-	-	-	-	-	1,763,180	(488)	1,763,180
With other entities									
Hedging	-	-	-	-	-	-	-	-	-
Market making	-	-	61,297	-	3,042,465	(94)	273,596	(100)	3,377,358
	-	-	61,297	-	3,042,465	(94)	273,596	(100)	3,377,358
Total									
Hedging	-	-	61,297	-	-	-	-	-	61,297
Market making	316,500	(17,107)	61,297	-	3,042,465	(94)	11,260,446	14,262	14,680,708
	316,500	(17,107)	122,594	-	3,042,465	(94)	11,260,446	14,262	14,742,005
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
Market making	316,500	(16,000)	-	-	3,809,653	(58,123)	-	-	4,126,153
	495,632	(14,830)	579,876	-	3,809,653	(58,123)	-	-	4,885,161
With FIs other than Banks									
Hedging	-	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	2,326,880	(672)	2,326,880
	-	-	-	-	-	-	2,326,880	(672)	2,326,880
With other entities									
Hedging	-	-	-	-	-	-	-	-	-
Market making	1,179,132	(7,252)	579,876	-	9,809,556	4,698	-	-	11,568,564
	1,179,132	(7,252)	579,876	-	9,809,556	4,698	-	-	11,568,564
Total									
Hedging	179,132	1,170	579,876	-	-	-	-	-	759,008
Market making	1,495,632	(23,252)	579,876	-	13,619,209	(53,425)	2,326,880	(672)	18,021,597
	1,674,764	(22,082)	1,159,752	-	13,619,209	(53,425)	2,326,880	(672)	18,780,605

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

24.2 Maturity analysis of derivatives

Remaining maturity	No. of contracts	Notional principal	2019		
			Mark to Market		
			Negative	Positive	Net
			----- (Rupees in '000) -----		
Upto 1 month	13	14,425,505	(1,048)	15,216	14,168
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	1	316,500	(17,107)	-	(17,107)
1 to 2 years	-	-	-	-	-
2 to 3 years	-	-	-	-	-
	<u>14</u>	<u>14,742,005</u>	<u>(18,155)</u>	<u>15,216</u>	<u>(2,939)</u>
Remaining maturity	No. of contracts	Notional principal	2018		
			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	-	-	-	-	-
	<u>67</u>	<u>18,780,605</u>	<u>(82,047)</u>	<u>5,868</u>	<u>(76,179)</u>

25. MARK-UP / RETURN / INTEREST EARNED	2019	2018
	(Rupees in '000)	
Loans and advances	66,213,054	45,899,206
Investments	80,448,836	63,890,253
Lendings to financial institutions	5,648,897	2,549,956
Balances with banks	1,365,577	858,884
	<u>153,676,364</u>	<u>113,198,299</u>

26. MARK-UP / RETURN / INTEREST EXPENSED	2019	2018
	(Rupees in '000)	
On deposits	66,495,475	36,394,085
On borrowings	18,240,740	18,936,873
On subordinated debts	1,339,041	265,010
Cost of foreign currency swaps against foreign currency deposits / borrowings	4,762,527	1,368,060
On lease liability against right-of-use assets	1,064,085	-
	<u>91,901,868</u>	<u>56,964,028</u>

27. FEE AND COMMISSION INCOME	2019	2018
	(Rupees in '000)	
Branch banking customer fees	1,978,120	1,797,289
Consumer finance related fees	983,099	830,332
Card related fees (debit and credit cards)	1,617,440	1,621,106
Investment banking fees	390,261	776,778
Financial Institution rebate / commission	298,616	394,299
Corporate service charges / facility fee	644,616	588,696
Commission on trade	935,736	1,031,019
Commission on guarantees	555,131	742,833
Commission on cash management	783,970	739,476
Commission on remittances including home remittances - net	2,949,489	2,736,404
Commission on bancassurance	1,612,583	1,592,076
Commission on Benazir Income Support Program	609,932	569,417
Others	334,350	511,245
	<u>13,693,343</u>	<u>13,930,970</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- (Rupees in '000) -----	2018
28. GAIN ON SECURITIES - NET			
Realised	28.1	9,585	4,552,987
Unrealised - held for trading		(7,386)	8,524
		<u>2,199</u>	<u>4,561,511</u>
28.1 Realised gain on:			
Federal Government securities		858,203	4,072,041
Shares		(1,014,879)	344,958
Foreign securities		173,256	104,024
Other securities		(6,995)	31,964
		<u>9,585</u>	<u>4,552,987</u>
29. OTHER INCOME			
Charges recovered		288,806	491,372
Rent on properties / lockers		142,303	209,950
Gain on sale of operating fixed assets - net		80,073	43,565
Gain on sale of associate	9.14	75,294	-
Gain on sale of Ijarah assets - net		861	1,754
(Loss) / gain on disposal of non-banking assets - net	29.1	(54,649)	37,401
(Loss) / gain on trading liabilities - net		(13,639)	270,245
Realization of exchange translation reserve - UBL New York branch	29.2	1,332,626	-
		<u>1,851,675</u>	<u>1,054,287</u>
29.1 (Loss) / gain on disposal of Non-banking assets acquired in satisfaction of claims			
Disposal proceeds		471,000	461,885
Less:			
- Cost		411,265	512,993
- Surplus / (impairment)		114,384	(88,509)
		<u>525,649</u>	<u>424,484</u>
Net (loss) / gain		<u>(54,649)</u>	<u>37,401</u>
29.2	The Bank 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). Further, the Federal Reserve Bank of New York (FRBNY) has informed the Bank that Written Agreement dated July 2, 2018 signed by and among FRBNY, UBL and NY Branch has been terminated. The termination of Written Agreement marks the completion of UBL NY Branch winding down process. As a result, the assets of New York Branch were liquidated during the current year and exchange translation reserve previously recognised as "Capital Reserve" in respect of UBL NY Branch has been reclassified to unconsolidated profit and loss account in accordance with paragraph 48 of IAS 21 "Effect of changes in foreign exchange rates".		

The Bank has been making the proper disclosures through Pakistan Stock Exchange (PSX) regarding significant and material developments at each stage during the process of voluntary liquidation of NY Branch.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- (Rupees in '000) -----	2018 -----
30. OPERATING EXPENSES			
Total compensation expense	30.1	14,601,683	15,402,940
Property expense			
Rent and taxes	30.8	1,157,370	3,185,854
Insurance		189,536	206,649
Utilities cost		1,734,152	1,599,415
Security		987,716	1,138,716
Repair and maintenance		237,080	439,216
Depreciation		774,844	665,908
Depreciation - Right-of-Use assets	11.2	2,097,081	-
Others		30,490	30,868
		7,208,269	7,266,626
Information technology expenses			
Software maintenance		1,319,860	821,051
Hardware maintenance		215,741	192,034
Depreciation		743,096	623,908
Amortisation	12.1	645,869	486,876
Network charges		696,415	690,779
		3,620,981	2,814,648
Other operating expenses			
Directors' fees and allowances		96,075	64,348
Fees and allowances to Shariah Board		6,855	6,911
Legal and professional charges		1,130,746	907,500
Outsourced service costs including sales commission		3,815,964	3,757,466
Travelling and conveyance		263,022	304,323
Clearing charges		216,365	186,221
Depreciation - others		1,192,012	1,071,614
Depreciation on Islamic financing against leased assets		227,783	186,623
Training and development		162,773	137,704
Postage and courier charges		396,138	322,752
Communication		477,423	438,028
Stationery and printing		708,224	720,004
Marketing, advertisement and publicity		760,285	688,251
Donations	30.6	128,723	203,417
Auditors' remuneration	30.7	70,218	102,458
Insurance		134,031	115,018
Deposit Protection Premium		1,302,279	574,685
Cash transportation and sorting charges		811,290	1,037,377
Entertainment		164,713	182,719
Vehicle expenses		108,291	159,615
Subscription		101,953	42,092
Office running expenses		179,485	187,210
Banking service charges		1,748,962	1,299,550
Repairs and maintenance		510,094	471,704
Cartage, freight and conveyance		60,882	80,710
Miscellaneous expenses		3,343	94,247
		14,777,929	13,342,547
		40,208,862	38,826,761

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- (Rupees in '000) -----	2018
30.1 Total compensation expense			
Fees and Allowances etc		2,599,093	2,909,903
Managerial Remuneration			
i) Fixed		5,768,656	5,928,749
ii) Variable			
of which;			
a) Cash Bonus / Awards etc.	30.2	930,115	987,841
b) Bonus & Awards in Shares etc.		-	-
Charge for defined benefit plan		550,201	301,149
Contribution to defined contribution plan		327,037	306,837
Charge for compensated absences		33,383	141,698
Rent & house maintenance		2,086,193	2,065,525
Utilities		1,119,158	1,111,625
Medical		774,883	793,799
Conveyance		310,700	204,194
Group assurance premium		71,223	75,491
Others		-	35
Sub-total		14,570,642	14,826,846
Sign-on Bonus	30.3	-	36,705
Severance Allowance	30.4	31,041	539,389
Grand Total		14,601,683	15,402,940

- 30.2** 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. 1,242.046 million (2018: Rs.1,251.365 million).
- 30.3** Sign-on bonus is paid to Nil (2018: 15) employees. For 2018, bonus amounting to Rs. 30.675 million was paid to 8 employees identified as Material Risk Controllers (MRCs) and Material Risk Takers (MRTs).
- 30.4** Severance allowance is paid to 10 (2018: 103) employees. Allowance amounting to Re. Nil (2018: Rs. 19.849 million) was paid to employees identified as MRTs and MRCs.
- 30.5** Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs 3,973 million (2018: Rs 3,909 million). This cost includes outsourced service costs, which are disclosed specifically in note 30. Of the total cost of Rs 3,973 million (2018: 3,909 million), Rs 3,582 million (2018: Rs 3,424 million) pertains to the payment to companies incorporated in Pakistan and Rs 391 million (2018: Rs 485 million) pertains to payment to companies incorporated outside Pakistan. The material outsourcing arrangements along with their nature of services are as follows:

Name of service provider	Type of service	2019 ----- (Rupees in '000) -----	2018
Paradise Press (Private) Limited	Cheque printing	40,652	43,108
Apex Printry (Private) Limited	Cheque printing	43,254	43,156
Printlink	Cheque printing	37,140	37,943
E-Access (Private) Limited	POS service management and card hosting	36,894	27,382

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

30.6 Details of donations

	2019 ----- (Rupees in '000) -----	2018
Donations individually exceeding Rs. 0.5 million		
Abdul Sattar Edhi Foundation	33,000	30,000
Shaukat Khanum Memorial Trust	33,000	32,000
Sahara for Life Trust	10,000	-
Lahore University of Management Sciences	10,000	10,000
SOS Children's Village Pakistan	9,980	980
Shalamar Hospital	5,000	5,000
Forman Christian College	5,000	5,000
IBA - National Talent Hunt Program	3,880	-
Bahauddin Zakariya University	3,840	3,840
The Citizens Foundation	2,800	-
Zindagi Trust	2,500	-
Center of Excellence in Journalism (IBA)	2,000	-
Kashmir Education Foundation	1,710	-
Nasra Schools	1,482	-
People's Primary Healthcare Initiative	1,300	-
Chal Foundation	1,000	-
Hisaar Foundation	1,000	1,000
Marie Adelaide Leprosy Center	850	850
Diamer Bhasha Dam Fund Contribution	-	67,757
Namal Educational Foundation	-	30,000
National University of Science	-	12,500
Education Trust	-	2,696
Pak Suzuki Motor Company (Ambulance donated to Hospital)	-	1,418
Donations individually not exceeding Rs. 0.5 million	381	376
	<u>128,723</u>	<u>203,417</u>

30.6.1 Donations were not made to any donee in which a Director or his spouse had any interest.

30.7 Auditors' remuneration

	2019		
	A. F. Ferguson & Co.	Overseas Auditors	Total
	----- (Rupees in '000) -----		
Audit fee	10,500	48,050	58,550
Fee for audit of EPZ branch	-	-	-
Fee for tax and other certifications	7,326	888	8,214
Out of pocket expenses	3,200	254	3,454
	<u>21,026</u>	<u>49,192</u>	<u>70,218</u>

	2018		
	KPMG Taseer Hadi & Co.	A. F. Ferguson & Co.	Overseas Auditors
	----- (Rupees in '000) -----		
Audit fee	8,051	8,051	47,647
Fee for audit of EPZ branch	348	-	-
Fee for tax and other certifications	9,103	21,180	1,470
Out of pocket expenses	3,444	3,164	-
	<u>20,946</u>	<u>32,395</u>	<u>49,117</u>
			<u>102,458</u>

30.8 This includes expense in respect of short term leases, low value assets and expenses relating to variable lease payments not included in lease liabilities amounting to Rs. 29.312 million, Rs. 0.007 million and Nil respectively.

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

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. 4,503 million pertaining to years 2014 onwards has been maintained in respect of Sindh WWF.

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
32. OTHER CHARGES			
Penalties imposed by the SBP		39,233	94,754
Other penalties		822	20,044
		<u>40,055</u>	<u>114,798</u>
33. PROVISIONS AND WRITE-OFFS - NET			
Provision against loans and advances - net	10.4	4,944,661	11,279,636
Provision for diminution in value of investments - net	9.3	3,199,011	1,495,113
Bad debts written-off directly	10.5	149,591	76,056
Provision against other assets - net	14.2.3	253,977	6,523
Provision against off-balance sheet obligations	20.1	47,438	463,300
Recovery of written-off / charged-off bad debts		(526,059)	(542,061)
Other provisions / write-offs		151,173	75,073
		<u>8,219,792</u>	<u>12,853,640</u>
34. TAXATION			
Current		14,765,867	10,244,376
Prior years		793,231	654,168
Deferred		(451,003)	(1,157,975)
		<u>15,108,095</u>	<u>9,740,569</u>
34.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		<u>34,241,869</u>	<u>24,966,664</u>
Tax on income @ 35% (2018: 35%)		11,984,654	8,738,332
Super tax @ 4% (2018 : 4%)		1,369,675	998,667
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)		65,664	12,595
Tax - prior years (net of deferred tax)		1,699,259	-
Others		(11,157)	(9,025)
Tax charge		<u>15,108,095</u>	<u>9,740,569</u>
35. EARNINGS PER SHARE			
Profit after taxation for the year		<u>19,133,774</u>	<u>15,226,095</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>15.63</u>	<u>12.44</u>
There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2019 and 2018.			
36. CASH AND CASH EQUIVALENTS	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Cash and balances with treasury banks	6	235,861,767	183,467,358
Balances with other banks	7	20,729,005	23,345,698
		<u>256,590,772</u>	<u>206,813,056</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

36.1 RECONCILIATION OF MOVEMENT OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	Liabilities					Equity			
	Bills payable	Borrowings	Deposits and other accounts	Subordinated debt	Other liabilities	Share capital	Reserves	Surplus on revaluation of assets - net of deferred tax	Unappropriated profit
	(Rupees in '000)								
Balance as at January 1, 2019	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
Changes from financing cash flows									
Dividend paid	-	-	-	-	-	-	-	-	(13,448,704)
Other changes	-	-	-	-	8,737,136	-	(1,332,626)	(376,693)	342,149
Liability-related									
Changes in bills payable	(4,322,540)	-	-	-	-	-	-	-	-
Changes in borrowings	-	(113,640,033)	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	-	101,003,413	-	-	-	-	-	-
Changes in subordinated debt	-	-	-	1,000,000	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-	-
- Cash based	-	-	-	-	(6,072,397)	-	-	-	-
- Dividend payable	-	-	-	-	17,272	-	-	-	17,272
- Non-cash based	-	-	-	-	(426,225)	-	-	-	-
Transfer of profit to reserve	-	-	-	-	-	-	1,913,377	-	(1,913,377)
Total liability related other changes	(4,322,540)	(113,640,033)	101,003,413	1,000,000	(6,481,350)	-	1,913,377	-	(1,896,105)
Total equity related other changes	-	-	-	-	-	-	4,299,622	9,626,770	18,671,145
Balance as at December 31, 2019	22,926,596	154,484,000	1,467,063,461	10,000,000	70,151,767	12,241,798	59,319,611	25,837,143	71,670,331

37. STAFF STRENGTH

	2019	2018
	(Number)	(Number)
Permanent	11,057	11,403
On contract	18	18
Bank's own staff strength	11,075	11,421
Outsourced	2,173	2,510
Total	13,248	13,931

37.1 Number of employees working domestically are 12,905 (2018: 13,549) and abroad are 343 (2018: 382).

38. DEFINED BENEFIT PLANS

38.1 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, 2019.

38.2 Number of employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2019	2018
	(Number)	(Number)
Pension fund	7,064	9,512
Gratuity fund	9,856	10,066
Benevolent fund	1,966	2,055
Employee compensated absences	1,428	1,716
Post-retirement medical benefit scheme	7,240	8,133

The pension fund, benevolent fund and post-retirement medical benefit schemes include 2,162 (2018: 3,108), 942 (2018: 900) and 2,501 (2018: 3,109) members respectively who have retired or whose widows are receiving the benefits.

Notes to and forming part of the Unconsolidated Financial Statements

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38.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2019 using the following significant assumptions:

	2019 ----- Per annum -----	2018
Discount rate / expected rate of return on plan assets	11.25%	13.25%
Expected rate of salary increase	9.25%	11.25%
Expected rate of increase in pension	5.00%	5.00%
Expected rate of increase in medical benefit	5.25%	7.25%

38.4 Reconciliation of payable to / (receivable from) defined benefit plans

Note	2019				2018			
	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	10,098,497	911,763	329,300	1,950,906	8,986,977	831,363	321,682	1,821,847
Fair value of plan assets	(9,318,843)	(968,544)	(424,706)	-	(8,168,441)	(805,576)	(461,597)	-
Payable / (receivable)	779,654	(56,781)	(95,406)	1,950,906	818,536	25,787	(139,915)	1,821,847

38.5 Movement in defined benefit obligations

Obligations at the beginning of the year	8,986,977	831,363	321,682	1,821,847	2,698,870	728,822	429,243	1,463,703
Service cost	19,957	145,775	4,463	687	6,664,292	128,450	6,340	1,639
Interest cost	989,305	112,796	39,045	235,459	123,457	61,861	33,128	117,080
Benefits paid by the Bank	(730,840)	(139,740)	(62,976)	(129,591)	(791,299)	(119,044)	(47,622)	(125,095)
Return allocated to other funds	38.8.1 73,834	-	-	-	56,192	-	-	-
Re-measurement loss / (gain)	759,264	(38,431)	27,086	22,504	235,465	31,274	(99,407)	364,520
Obligations at the end of the year	10,098,497	911,763	329,300	1,950,906	8,986,977	831,363	321,682	1,821,847

38.6 Movement in fair value of plan assets

Fair value at the beginning of the year	8,168,441	805,576	461,597	-	3,176,096	711,571	494,386	-
Interest income on plan assets	1,034,319	109,585	56,465	-	260,509	60,493	38,294	-
Contribution by the Bank	849,453	180,780	1,840	-	5,900,000	145,585	2,165	-
Contribution by the employees	-	-	1,840	-	-	-	2,165	-
Amount paid by the fund to the Bank	(645,000)	(129,306)	(97,748)	-	(1,121,594)	(139,095)	(65,489)	-
Re-measurements gain / (loss)	(88,370)	1,909	712	-	(46,570)	27,022	(9,924)	-
Fair value at the end of the year	9,318,843	968,544	424,706	-	8,168,441	805,576	461,597	-

38.7 Movement in payable / (receivable) under defined benefit schemes

Opening balance	818,536	25,787	(139,915)	1,821,847	(477,226)	17,251	(65,143)	1,463,703
Mark-up receivable on Bank's balance with the fund	(8,944)	(189)	(5,368)	-	(22,804)	(297)	(3,396)	-
Charge / (reversal) for the year	48,777	148,986	(14,797)	236,146	6,583,432	129,818	(991)	118,719
Contribution by the Bank	(849,453)	(180,780)	(1,840)	-	(5,900,000)	(145,585)	(2,165)	-
Amount paid by the Fund to the Bank	645,000	129,306	97,748	-	1,121,594	139,095	65,489	-
Benefits paid by the Bank	(730,840)	(139,740)	(62,976)	(129,591)	(791,299)	(119,044)	(47,622)	(125,095)
Re-measurement loss / (gain) recognized in OCI during the year	856,578	(40,151)	31,742	22,504	304,839	4,549	(86,087)	364,520
Closing balance	779,654	(56,781)	(95,406)	1,950,906	818,536	25,787	(139,915)	1,821,847

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38.8 Charge for defined benefit plans

38.8.1 Cost recognized in profit and loss

Note	2019				2018			
	Pension fund	Gratuity fund	Benevolent fund	Post - retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post - retirement medical benefit
	(Rupees in '000)							
Current service cost	19,957	145,775	4,463	687	7,076	128,450	6,340	1,639
Past service cost	-	-	-	-	6,657,216	-	-	-
Net interest on defined benefit asset / (liability)	(45,014)	3,211	(17,420)	235,459	(137,052)	1,368	(5,166)	117,080
Return allocated to other funds 38.8.1.1	73,834	-	-	-	56,192	-	-	-
Employees' contribution	-	-	(1,840)	-	-	-	(2,165)	-
	48,777	148,986	(14,797)	236,146	6,583,432	129,818	(991)	118,719

38.8.1.1 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.

38.8.2 Re-measurements recognized in OCI during the year

	2019				2018			
	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	1,401,522	(10,623)	28,103	399,959	19,563	24,101	(89,035)	364,520
- Experience adjustment	(642,258)	(27,808)	(1,017)	(377,455)	215,902	7,173	(10,372)	-
Return on plan assets over interest income	88,370	(1,909)	(712)	-	46,570	(27,022)	9,924	-
Adjustment for markup	8,944	189	5,368	-	22,804	297	3,396	-
Total re-measurements recognized in OCI	856,578	(40,151)	31,742	22,504	304,839	4,549	(86,087)	364,520

38.9 Components of plan assets

	2019			2018		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
	(Rupees in '000)					
Cash and cash equivalents - net of current liabilities	801,016	151,344	106,984	15,550	7,129	3,181
Quoted securities						
Ordinary shares	116,441	7,137	16,321	86,811	5,342	13,267
Term finance certificates	53,203	26,873	20,232	2,768,708	238,193	58,940
Mutual Funds units	-	35,077	-	-	18,279	-
Pakistan Investment Bonds	4,512,007	314,689	134,818	2,900,447	526,873	144,615
Market Treasury Bills	3,446,115	433,424	-	1,934,034	-	-
Special Savings Certificates	-	-	140,151	412,131	9,760	241,594
Term deposit	390,061	-	6,200	50,760	-	-
	9,318,843	968,544	424,706	8,168,441	805,576	461,597

38.9.1 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.

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38.10 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:

	2019			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
	(Rupees in '000)			
Increase in Discount Rate by 1 %	(752,658)	(59,797)	(13,876)	(205,555)
Decrease in Discount Rate by 1 %	879,718	67,999	15,339	249,124
Increase in expected future increment in salary by 1%	-	73,135	1,169	-
Decrease in expected future increment in salary by 1%	-	(65,251)	1,169	-
Increase in expected future increment in pension by 1%	881,339	-	-	-
Decrease in expected future increment in pension by 1%	(765,644)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	225,732
Decrease in expected future increment in medical benefit by 1%	-	-	-	(192,458)

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.

38.11 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, 2020, would be as follows:

	2020			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
	(Rupees in '000)			
Expected contribution	-	146,783	-	-
Expected charge / (reversal) for the year	112,565	146,783	(7,767)	214,494

38.12 Maturity profile

	2019			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
The weighted average duration of the obligation (in years)	8.02	6.98	4.27	7.95

38.13 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. 10.7 billion. Almost 84% 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 and investment in corporate bonds of around 1% respectively.

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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 increase has been determined by the Supreme Court and does not carry this risk as the benefit is practically no longer exposed 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.

Other Risks

Though, not imminent and generally observable, over long term there are some risks that may crystallize. These 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.

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39. OTHER EMPLOYEE BENEFITS

39.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 9,856 (2018: 10,039) 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.

40. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

40.1 Total Compensation Expense

Items	2019						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
----- (Rupees in '000) -----							
Fees and Allowances etc.	11,710	-	84,365	6,855	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	-	60,000	147,880	496,698
ii) Total Variable	-	-	-	-	1,600	34,964	252,375
of which							
a) Cash Bonus / Awards	-	-	-	-	20,250	53,825	120,868
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	5,000	10,133	25,280
Charge for defined benefit plan	-	-	-	-	2,315	5,359	14,096
Rent & house maintenance	-	-	-	-	3,055	66,546	150,603
Utilities	-	-	-	-	1,140	29,576	106,458
Medical	-	-	-	-	-	14,788	32,250
Conveyance	-	-	-	-	453	9,359	10,008
Others	-	-	-	-	1,113	616	-
Total	11,710	-	84,365	6,855	94,926	373,046	1,208,636
Number of Persons	1	-	7	3	1	15	107

Items	2018						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers/ Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
----- (Rupees in '000) -----							
Fees and Allowances etc.	6,224	-	58,124	6,911	-	-	-
Managerial Remuneration							
i) Fixed	-	-	-	-	55,000	168,853	387,860
ii) Total Variable	-	-	-	-	1,600	14,428	183,057
of which							
a) Cash Bonus / Awards	-	-	-	-	67,500	157,825	185,610
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	4,583	5,608	21,640
Charge for defined benefit plan	-	-	-	-	2,020	8,896	11,642
Rent & house maintenance	-	-	-	-	2,987	62,230	131,761
Utilities	-	-	-	-	1,423	27,658	75,245
Medical	-	-	-	-	-	13,829	27,827
Conveyance	-	-	-	-	367	22,601	6,623
Others	-	-	-	-	2,421	54,419	-
Total	6,224	-	58,124	6,911	137,901	536,347	1,031,265
Number of Persons	1	-	7	3	1	24	101

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For the year ended December 31, 2019

40.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2019									
Sr. No.	Name of Meetings	Name of Directors							
		Sir Mohammed Anwar Pervez, OBE, HPk	Lord Zameer M. Choudrey, CBE, SI Pk	Mr. Haider Zameer Choudrey	Mr. Arshad Ahmad Mir	Mr. Rizwan Pervez	Mr. Khalid Ahmed Sherwani	Mr. Amar Zafar Khan	Mr. Tariq Rashid
(Number of meetings attended)									
1	Board Meetings	6	6	6	5	6	6	6	6
2	Board Audit Committee (BAC)	-	-	5	-	5	5	5	-
3	Board Human Resource & Compensation Committee (HRCC)	-	-	-	3	-	4	4	-
4	Board Risk & Compliance Committee (BRCC)	-	4	-	3	-	-	-	-
5	Board IT Committee (BITC)	-	-	5	-	-	-	-	5
6	Board Nomination Committee (BNC) *	-	-	-	-	-	-	-	-
Total meetings attended		6	10	16	13	11	15	15	11
Meeting fees and allowances									
paid (Rs in 000's)		11,710	11,753	11,753	9,651	11,710	13,622	12,945	12,931
Total meeting fees and allowances									
paid (Rs in 000's)		96,075							

*The BNC was constituted in the Board Meeting in October 2019.

2018										
Sr. No.	Name of Director	Meeting Fees and Allowances Paid								
		For Board Committees								
		For Board Meetings	Board Audit Committee (BAC)	Board Human Resource & Compensation Committee (HRCC)	Board Risk & Compliance Committee (BRCC)	Board IT Committee (BITC)	GCC **	UBL NY **	Allowance	Total Amount Paid
----- (Rupees in '000) -----										
1	Sir Mohammed Anwar									
	Pervez, OBE, HPk	5,813	-	-	-	-	-	-	411	6,224
2	Lord Zameer M. Choudrey,									
	CBE, SI Pk	5,720	-	-	1,188	-	-	-	237	7,145
3	Mr. Haider Zameer									
	Choudrey	5,720	1,188	-	-	1,188	-	-	237	8,333
4	Mr. Arshad Ahmad Mir	5,660	-	1,187	1,187	-	1,156	2,319	422	11,931
5	Mr. Rizwan Pervez	5,813	609	579	-	-	-	-	410	7,411
6	Mr. Khalid Ahmed									
	Sherwani	3,842	553	553	-	-	-	-	98	5,046
7	Mr. Amar Zafar Khan	4,998	1,130	578	-	-	1,157	1,132	388	9,383
8	Mr. Tariq Rashid	5,716	-	-	-	1,213	-	1,820	126	8,875
Total Amount Paid		43,282	3,480	2,897	2,375	2,401	2,313	5,271	2,329	64,348

** These are special committees of the Board and were not functional during the year ended December 31, 2019.

40.2.1 The directors' fee for the year ended December 31, 2019 is based on their attendance per set of meetings which includes Board meetings and / or committee(s) meeting(s) before or after the regular Board meeting. The amount disclosed for each director in current year in note 40.2 can therefore not be distributed for each type of meeting.

Notes to and forming part of the Unconsolidated Financial Statements

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40.3 Remuneration paid to Shariah Board Members

Items	2019			2018		
	Chairman	Resident Member	Non-Resident Member(s)	Chairman	Resident Member	Non-Resident Member(s)
	(Rupees in '000)					
Meeting Fees and Allowances	2,540	1,775	2,540	2,377	2,157	2,377
Total Number of Persons	1	1	1	1	1	1

41. 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.

- 41.1 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:

On balance sheet financial instruments	2019				
	Carrying / Notional value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	481,948,693	-	481,948,693	-	481,948,693
Foreign Bonds - Sovereign	45,358,275	-	45,358,275	-	45,358,275
Foreign Bonds - others	7,083,775	-	7,083,775	-	7,083,775
Ordinary shares of listed companies	13,410,747	13,410,747	-	-	13,410,747
Mutual Fund	252,931	-	252,931	-	252,931
Debt securities (TFCs, Sukuks)	1,914,241	-	1,914,241	-	1,914,241
Investment in REIT	520,708	520,708	-	-	520,708
	550,489,370	13,931,455	536,557,915	-	550,489,370
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares, subsidiaries and associates)	289,959,117				
	840,448,487	13,931,455	536,557,915	-	550,489,370
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	910,616,840	-	(309,950)	-	(309,950)
Interest rate swaps	316,500	-	(17,107)	-	(17,107)
FX options - purchased and sold	122,594	-	-	-	-
Forward purchase of government securities	3,043,541	-	(94)	-	(94)
Forward sale of government securities	11,264,179	-	14,262	-	14,262

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	2018				
	Carrying /	Fair value			
On balance sheet financial instruments	Notional value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
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)	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)

41.2 Fair Value of non-financial assets

	2019				
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
Fixed Assets	37,003,125	-	-	37,003,125	37,003,125
Non-banking assets acquired in satisfaction of claims	1,051,858	-	-	1,051,858	1,051,858
	38,054,983	-	-	38,054,983	38,054,983

Carrying / Notional value	2018			
	Fair value			Total
	Level 1	Level 2	Level 3	
	----- (Rupees in '000) -----			
Fixed Assets	37,620,928	-	-	37,620,928
Non-banking assets acquired in satisfaction of claims	1,542,423	-	-	1,542,423
	39,163,351	-	-	39,163,351

41.3 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.

41.4 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

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42 SEGMENT INFORMATION

42.1 Segment details with respect to business activities

	2019						Total
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International Branch Operations	Others	
Profit & Loss	(Rupees in '000)						
Net mark-up / return / profit	45,777,713	44,777,720	(39,525,612)	3,051,974	8,769,288	(1,076,587)	61,774,496
Inter segment (expense) / revenue - net	(39,563,831)	(58,653,192)	92,498,666	-	-	5,718,357	-
Non mark-up / return / interest income	2,409,533	4,267,688	9,660,297	277,344	3,102,710	1,958,759	21,676,331
Total Income	8,623,415	(9,607,784)	62,633,351	3,329,318	11,871,998	6,600,529	83,450,827
Segment direct expenses	1,448,076	80,141	22,768,523	1,768,187	5,733,975	9,190,264	40,989,166
Inter segment expense allocation	612,577	74,362	5,177,871	-	740,244	(6,605,054)	-
Total expenses	2,060,653	154,503	27,946,394	1,768,187	6,474,219	2,585,210	40,989,166
Reversals / (Provisions)	386,833	(2,249,649)	419,250	(9,567)	(6,010,178)	(756,481)	(8,219,792)
Profit / (loss) before tax	6,949,595	(12,011,936)	35,106,207	1,551,564	(612,399)	3,258,838	34,241,869
Balance Sheet							
Cash & Bank balances	81,167	81,316,915	103,752,613	13,897,123	56,768,716	774,238	256,590,772
Investments	5,709,986	674,283,210	-	46,726,238	108,281,811	5,447,242	840,448,487
Net inter segment lending	6,033,205	-	974,558,425	-	-	54,818,509	1,035,410,139
Lendings to financial institutions	-	9,450,000	-	10,796,576	-	-	20,246,576
Advances - performing	447,169,097	18,964	35,585,623	9,013,624	125,319,182	5,743,470	622,849,960
Advances - non-performing net of provision	1,385,064	44,946	698,151	3,751	11,212,859	25,040	13,369,811
Others	25,309,420	23,500,715	14,110,975	8,344,406	14,826,735	54,096,850	140,189,101
Total Assets	485,687,939	788,614,750	1,128,705,787	88,781,718	316,409,303	120,905,349	2,929,104,846
Borrowings	52,023,960	95,592,358	-	1,299,975	5,567,707	-	154,484,000
Subordinated debt	-	-	-	-	-	10,000,000	10,000,000
Deposits & other accounts	60,853,339	131,140	1,073,587,125	81,432,150	250,442,809	616,898	1,467,063,461
Net inter segment borrowing	340,389,787	694,764,203	50,718	-	205,431	-	1,035,410,139
Others	28,237,436	7,443,210	37,156,146	2,520,717	7,619,847	10,101,007	93,078,363
Total Liabilities	481,504,522	797,930,911	1,110,793,989	85,252,842	263,835,794	20,717,905	2,760,035,963
Equity	4,183,417	(9,316,161)	17,911,798	3,528,876	52,573,509	100,187,444	169,068,883
Total Equity & Liabilities	485,687,939	788,614,750	1,128,705,787	88,781,718	316,409,303	120,905,349	2,929,104,846
Contingencies and Commitments	385,615,006	586,312,922	11,794,242	170,513	405,700,848	2,070,818	1,391,664,349

Segment details with respect to business activities

	2018						Total
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International Branch Operations	Others	
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	9,111,721	9,989,431	206,059	2,045,808	713,185	25,011,371
Total Income	6,995,287	14,872,693	43,538,791	2,463,033	10,577,284	2,798,554	81,245,642
Segment direct expenses	1,171,679	565,182	24,150,372	1,514,278	6,962,460	9,061,367	43,425,338
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	3,608,413	43,425,338
(Provisions) / Reversals	(408,496)	(1,168,772)	468,714	(7,276)	(11,568,920)	(168,890)	(12,853,640)
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	12,355,498	748,047	19,888,592	64,264,177	146,532,487
Total Assets	488,246,442	750,243,471	1,038,884,534	77,640,756	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	34,202,023	1,045,210	14,528,536	10,644,221	95,145,117
Total Liabilities	485,550,136	750,345,684	1,031,732,275	75,111,849	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	1,038,884,534	77,640,756	341,100,226	114,640,571	2,810,756,000
Contingencies and Commitments	415,626,902	252,604,420	21,489,804	340,262	426,945,992	14,556,746	1,131,564,126

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

42.2 Geographical segment analysis

Profit & Loss

Net mark-up / return / profit
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

2019				
Pakistan	Middle East	Export Processing Zones	United States of America	Total
(Rupees in '000)				
53,005,208	8,536,463	232,825	-	61,774,496
18,573,621	3,051,760	50,950	-	21,676,331
71,578,829	11,588,223	283,775	-	83,450,827
35,255,191	5,707,496	26,479	-	40,989,166
(740,244)	737,515	2,729	-	-
34,514,947	6,445,011	29,208	-	40,989,166
(2,209,614)	(6,010,178)	-	-	(8,219,792)
34,854,268	(866,966)	254,567	-	34,241,869
199,822,057	56,710,868	57,847	-	256,590,772
732,166,676	103,608,000	4,673,811	-	840,448,487
1,035,410,139	-	-	-	1,035,410,139
20,246,576	-	-	-	20,246,576
497,530,778	125,280,859	38,323	-	622,849,960
2,156,952	11,212,859	-	-	13,369,811
125,362,366	12,430,339	2,396,396	-	140,189,101
2,612,695,544	309,242,925	7,166,377	-	2,929,104,846
148,916,293	5,567,707	-	-	154,484,000
10,000,000	-	-	-	10,000,000
1,216,620,652	244,850,452	5,592,357	-	1,467,063,461
1,035,204,708	92,708	112,723	-	1,035,410,139
85,458,516	7,461,053	158,794	-	93,078,363
2,496,200,169	257,971,920	5,863,874	-	2,760,035,963
116,495,375	51,271,005	1,302,503	-	169,068,883
2,612,695,544	309,242,925	7,166,377	-	2,929,104,846
985,963,501	405,584,968	115,880	-	1,391,664,349

Profit & Loss

Net mark-up / return / profit
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				
Pakistan	Middle East	Export Processing Zones	United States of America	Total
(Rupees in '000)				
47,702,795	8,325,959	152,391	53,126	56,234,271
22,965,563	1,994,908	40,131	10,769	25,011,371
70,668,358	10,320,867	192,522	63,895	81,245,642
36,462,878	5,877,260	17,600	1,067,600	43,425,338
(660,416)	659,008	1,408	-	-
35,802,462	6,536,268	19,008	1,067,600	43,425,338
(1,284,720)	(11,500,905)	-	(68,015)	(12,853,640)
33,581,176	(7,716,306)	173,514	(1,071,720)	24,966,664
146,449,746	57,908,735	122,122	2,332,453	206,813,056
698,131,481	85,342,388	2,901,457	-	786,375,326
919,954,073	759,624	-	443,157	921,156,854
33,566,619	374,927	-	-	33,941,546
542,828,208	158,988,963	1,450,864	-	703,268,035
2,081,752	10,586,944	-	-	12,668,696
126,643,895	19,721,702	166,890	-	146,532,487
2,469,655,774	333,683,283	4,641,333	2,775,610	2,810,756,000
246,543,123	21,580,910	-	-	268,124,033
9,000,000	-	-	-	9,000,000
1,106,487,907	255,682,598	3,889,543	-	1,366,060,048
921,156,854	-	-	-	921,156,854
80,616,581	14,069,420	21,865	437,251	95,145,117
2,363,804,465	291,332,928	3,911,408	437,251	2,659,486,052
105,851,309	42,350,355	729,925	2,338,359	151,269,948
2,469,655,774	333,683,283	4,641,333	2,775,610	2,810,756,000
704,618,134	424,736,644	2,209,348	-	1,131,564,126

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

43. 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, 2019

44. 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:

	2019					2018				
	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	-	-	1,614,178	-	-	-	-	1,145,818	-	-
In deposit accounts	-	-	3,871,626	-	-	-	-	4,393,498	-	-
	-	-	5,485,804	-	-	-	-	5,539,316	-	-
Investments										
Opening balance	-	-	5,406,166	1,238,483	4,183,880	-	-	4,897,174	1,624,317	3,895,328
Investment made during the year	-	-	-	360,000	-	-	-	508,992	151,846	510,075
Investment redeemed / disposed off during the year	-	-	-	(15,998)	(240,353)	-	-	-	(537,680)	(221,523)
Closing balance	-	-	5,406,166	1,582,485	3,943,527	-	-	5,406,166	1,238,483	4,183,880
Provision for diminution in value of investments	-	-	1,688,911	-	1,126,954	-	-	882,587	-	91,007
Advances										
Opening balance	2,221	160,405	-	2,155,149	6,747,749	5,303	133,559	-	2,155,149	2,626,106
Addition during the year	15,958	145,417	-	-	6,591,282	13,479	190,046	-	-	4,123,007
Repaid during the year	(13,555)	(85,689)	-	-	(623,033)	(16,561)	(115,139)	-	-	(1,341)
Transfer out - net	-	-	-	-	-	-	(48,061)	-	-	(23)
Closing balance	4,624	220,133	-	2,155,149	12,715,998	2,221	160,405	-	2,155,149	6,747,749
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, 2019

	2019					2018				
	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	-	-	-	7,289	325,704	-	-	-	3,646	146,300
Receivable from staff retirement fund	-	-	-	-	219,006	-	-	-	-	321,349
Prepaid insurance	-	-	-	2,167	-	-	-	-	107,151	-
Dividend receivable	-	-	-	-	-	-	-	45,855	-	-
Other receivable	-	-	21,989	1,505	30,164	-	-	17,141	7,992	30,164
Provision against other assets	-	-	-	-	30,164	-	-	-	-	30,164
Borrowings										
Opening balance	-	-	1,364,695	-	12,400	-	-	1,328,813	474,532	-
Borrowings during the year	-	-	613,492	-	579,400	-	-	814,511	2,364,689	244,000
Settled during the year	-	-	(1,978,187)	-	(591,800)	-	-	(778,629)	(2,839,221)	(231,600)
Closing balance	-	-	-	-	-	-	-	1,364,695	-	12,400
Deposits and other accounts										
Opening balance	6,245,367	66,302	312,882	11,638,644	8,488,923	5,700,562	39,106	470,751	7,423,431	3,069,783
Received during the year	38,666,071	913,271	14,227,866	160,641,938	267,658,066	60,624,991	1,320,796	16,972,541	160,790,083	163,877,912
Withdrawn during the year	(36,231,988)	(930,205)	(14,328,878)	(165,777,647)	(264,800,237)	(60,080,186)	(1,357,397)	(17,130,410)	(156,544,689)	(158,455,231)
Transfer (out) / in - net	-	-	-	(4)	-	-	63,797	-	(30,181)	(3,541)
Closing balance	8,679,450	49,368	211,870	6,502,931	11,346,752	6,245,367	66,302	312,882	11,638,644	8,488,923
Other Liabilities										
Interest / mark-up payable on deposits and borrowings	35,257	-	-	72,233	94,554	40,343	59	48,388	53,416	49,821
Payable to staff retirement fund	-	-	-	-	736,313	-	-	-	-	962,984
Unearned income	-	-	-	-	13,869	-	-	248	-	12,608

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019					2018				
	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	-	-	220,092	-	-	-	-	165,220	-	-
Forward foreign exchange contracts purchase	-	-	2,035,238	-	-	-	-	3,206,246	-	-
Forward foreign exchange contracts sale	-	-	2,028,078	-	-	-	-	3,193,824	-	-
Income										
Mark-up / return / interest earned	-	13,145	132,218	57,978	820,943	-	9,123	92,971	10,096	143,767
Commission / charges recovered	425	3,995	597	12,617	22,937	92	694	5,626	88,347	17,391
Dividend income	-	-	323,599	91,518	373,764	-	-	375,070	28,184	779,246
Net gain on sale of securities	-	-	-	-	28,515	-	-	-	31,964	44,297
Other income	-	989	1,490	4,214	22,827	-	942	1,400	100	234,406
Switch revenue	-	-	-	-	249,124	-	-	-	-	-
Subscription fee	-	-	-	-	-	-	-	-	16,187	-
Management fee	-	-	4,857	-	-	-	-	87,214	-	-
Expense										
Mark-up / return / interest paid	155,289	1,373	41,683	767,200	386,351	161,640	2,060	61,449	609,869	158,220
Remuneration paid	-	445,165	-	-	-	-	653,141	-	-	-
Post employment benefits	-	22,807	-	-	-	-	21,107	-	-	-
Non-executive directors' fee	96,075	-	-	-	-	64,348	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	327,037	-	-	-	-	306,837
Net (reversal) / charge for defined benefit plans	-	-	-	-	228,742	-	-	-	-	6,722,843
Other expenses	-	-	2,195	63,634	49,363	-	-	1,961	-	4,960
Clearing charges	-	-	-	-	129,727	-	-	-	-	114,171
Seminar and membership fees	-	-	-	-	13,845	-	-	-	-	9,405
Membership, subscription, sponsorship and maintenance charges	-	-	-	-	14,534	-	-	-	-	7,309
Custody charges	-	-	-	-	6,401	-	-	-	-	5,775
Insurance premium paid	-	-	-	348,690	-	-	-	-	556,291	-
Insurance claims settled	-	-	-	330,415	-	-	-	-	395,987	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

45. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2019	2018
	----- (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	114,847,818	109,026,135
Eligible Additional Tier 1 (ADT 1) Capital	9,834,770	8,875,000
Total Eligible Tier 1 Capital	124,682,588	117,901,135
Eligible Tier 2 Capital	33,900,041	38,449,649
Total Eligible Capital (Tier 1 + Tier 2)	158,582,629	156,350,784
Risk Weighted Assets (RWAs):		
Credit Risk	641,690,286	729,807,059
Market Risk	48,583,248	9,991,738
Operational Risk	146,919,473	141,621,143
Total	837,193,007	881,419,940
Common Equity Tier 1 Capital Adequacy Ratio	13.72%	12.37%
Tier 1 Capital Adequacy Ratio	14.89%	13.38%
Total Capital Adequacy Ratio	18.94%	17.74%

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 as at December 31, 2019 stood at Rs.12,241.798 million (2018: 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 2.5% 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 6.5% and 7.5%, respectively, as at December 31, 2019. As at December 31, 2019 the Bank is fully compliant with prescribed ratios as the Bank's CAR is 18.94% whereas CET 1 and Tier 1 ratios stood at 13.72% and 14.89% 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 Systemically Important Banks (D-SIBs) introduced vide BPRD Circular No. 04 of 2018 dated April 13, 2018, UBL has been designated as a D-SIB. In line with this framework, the Bank is required to meet the Higher Loss Absorbency (HLA) capital charge of 1.5%, in the form of Additional CET 1 capital, on a standalone as well as consolidated level during 2019. As per SBP's designation of D-SIBs for the year 2019, the HLA capital charge required to be maintained by UBL has been reduced from 1.5% to 1.0%. The revised HLA capital charge will be applicable from March 31, 2020 and will remain effective till next D-SIB designation is announced by the State Bank of Pakistan.

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.

	2019	2018
	----- (Rupees in '000) -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	124,682,588	117,901,135
Total Exposures	2,377,100,067	2,423,130,058
Leverage Ratio	5.25%	4.87%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	530,454,588	404,144,218
Total Net Cash Outflow	206,998,861	212,338,866
Liquidity Coverage Ratio	256.26%	190.33%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,598,050,689	1,489,318,075
Total Required Stable Funding	1,170,120,900	1,181,920,887
Net Stable Funding Ratio	136.57%	126.01%

45.1 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 <https://www.ubldigital.com/Investor-Relations/CAR-Statements.aspx>

Notes to and forming part of the Unconsolidated Financial Statements

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46. 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.

46.1 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.

46.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Public / Government	4,738,865	4,800,000	-	-	-	-
Private	15,507,711	29,209,799	-	68,253	-	68,253
	<u>20,246,576</u>	<u>34,009,799</u>	<u>-</u>	<u>68,253</u>	<u>-</u>	<u>68,253</u>

Notes to and forming part of the Unconsolidated Financial Statements

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46.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Airlines	391,504	1,792,177	391,504	1,792,177	-	-
Automobile and transportation equipment	6,180,479	-	-	-	-	-
Chemical and pharmaceuticals	194,104	110,645	91,288	110,645	91,288	110,645
Construction	955,929	-	-	-	-	-
Electronics and electrical appliances	-	2,549	-	2,549	-	2,549
Exports / Imports	773,421	693,516	-	-	-	-
Fertilizers	1,384,516	-	-	-	-	-
Financial	770,901,869	761,993,686	78,784	301,197	78,784	301,172
Food	437	-	437	-	437	-
Insurance	1,607,579	-	-	-	-	-
Others	16,382,166	941,517	1,872	430,317	1,870	430,830
Power (electricity), Gas, Water, Sanitary	24,462,115	14,827,903	-	-	-	-
Telecommunication	837,100	-	-	-	-	-
Textile	529,262	229,264	228,922	229,264	103,090	103,090
	<u>824,600,481</u>	<u>780,591,257</u>	<u>792,807</u>	<u>2,866,149</u>	<u>275,469</u>	<u>948,286</u>
Credit risk by public / private sector						
Public / Government	813,397,809	768,972,689	391,504	1,792,177	-	-
Private	11,202,672	11,618,568	401,303	1,073,972	275,469	948,286
	<u>824,600,481</u>	<u>780,591,257</u>	<u>792,807</u>	<u>2,866,149</u>	<u>275,469</u>	<u>948,286</u>

46.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Chemical and pharmaceuticals	12,846,614	15,625,380	127,834	112,284	120,009	112,284
Agri business	9,637,263	10,434,276	716,680	461,798	316,451	347,506
Textile spinning	19,088,233	18,505,029	3,810,771	3,945,619	3,810,771	3,945,619
Textile weaving	7,819,768	8,518,471	421,724	418,026	356,813	417,764
Textile composite	32,023,671	33,893,395	3,910,358	3,963,152	3,910,358	3,961,202
Textile others	17,820,753	19,115,642	2,402,729	2,565,120	2,395,346	2,461,777
Cement	7,919,680	6,608,055	278,426	-	136,211	-
Sugar	5,626,661	10,106,270	180,729	426,992	180,729	426,992
Shoes and leather garments	2,045,615	2,351,335	2,320,414	2,214,605	2,281,613	2,214,700
Automobile and transportation equipment	13,824,442	15,891,527	122,851	130,307	122,105	128,250
Financial	46,793,024	68,351,156	3,459,784	3,400,989	3,459,718	3,461,379
Electronics and electrical appliances	13,708,661	14,230,576	8,243,692	7,348,585	6,230,582	5,356,833
Production and transmission of energy	193,356,305	226,812,720	4,890,901	5,185,374	4,925,046	4,710,194
Paper and allied	2,000,326	3,440,410	625,182	707,669	614,656	706,138
Surgical and metal	42,987	207,652	-	-	-	-
Contractors	9,971,659	5,107,914	842,215	-	679,587	-
Wholesale traders	35,673,686	37,710,707	8,069,156	6,255,138	7,977,518	6,239,271
Fertilizer dealers	14,811,984	14,480,378	53,298	47,698	46,548	46,675
Sports goods	272,124	691,643	5,100	-	5,100	-
Food industries	81,649,269	87,424,582	7,479,545	8,090,259	5,158,605	6,139,973
Airlines	7,495,899	8,076,546	1,429,361	-	1,429,288	-
Cables	1,175,344	994,870	646,792	-	646,792	-
Construction	26,783,185	31,200,714	6,796,071	2,728,125	3,679,515	2,702,656
Engineering	20,368,902	22,793,296	1,109,848	1,117,263	39,379	49,720
Glass and allied	386,633	598,019	-	-	-	-
Hotels	2,111,627	1,420,315	616,777	596,050	616,777	596,050
Polyester and fiber	4,498,424	4,541,352	1,577,051	1,577,051	1,577,051	1,577,051
Telecommunication	20,027,491	17,805,208	2,815,881	-	2,827,769	-
Individuals	51,755,223	33,650,070	8,240,618	9,025,617	5,179,753	3,534,972
Others	41,416,038	55,684,833	5,406,384	8,244,000	4,506,271	6,756,019
	<u>702,951,491</u>	<u>776,272,341</u>	<u>76,600,172</u>	<u>68,561,721</u>	<u>63,230,361</u>	<u>55,893,025</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	(Rupees in '000)					
Public / Government	237,692,845	331,031,291	1,089,630	1,089,630	22,313	22,313
Private	465,258,646	445,241,050	75,510,542	67,472,091	63,208,048	55,870,712
	<u>702,951,491</u>	<u>776,272,341</u>	<u>76,600,172</u>	<u>68,561,721</u>	<u>63,230,361</u>	<u>55,893,025</u>

2019 2018
----- (Rupees in '000) -----

46.1.4 Contingencies and Commitments

Credit risk by industry sector

Agri business	5,468,525	84,806
Airlines	1,799,768	444,064
Automobile and transportation equipment	1,969,736	5,442,636
Cables	359,209	416,415
Cement	5,557,937	9,657,312
Chemical and pharmaceuticals	3,534,842	3,832,528
Construction	12,048,828	20,745,074
Containers and ports	1,154,416	1,092,000
Contractors	2,649,175	19,364,259
Electronics and electrical appliances	398,469	3,089,509
Engineering	8,274,367	19,369,801
Fertilizer dealers	3,179,706	5,133,758
Financial	1,003,277,075	714,168,003
Food industries	7,336,979	10,004,607
Glass and allied	287,000	380,484
Hotels	69,740	153,631
Individuals	15,431,641	3,721,732
Paper and allied	2,638,436	3,304,861
Polyester and fiber	3,819,949	6,498,849
Production and transmission of energy	142,488,054	132,743,634
Shoes and leather garments	56,330	95,932
Sugar	99,262	1,700,230
Surgical and metal	155,994	-
Telecommunication	14,700,186	11,070,166
Textile composite	673,835	5,075,008
Textile others	6,143,341	4,538,228
Textile spinning	2,261,400	5,472,684
Textile weaving	1,614,426	4,428,557
Wholesale traders	1,270,211	2,192,183
Others	142,945,512	137,343,175
	<u>1,391,664,349</u>	<u>1,131,564,126</u>

Credit risk by public / private sector

Public / Government	426,665,080	503,906,705
Private	964,999,269	627,657,421
	<u>1,391,664,349</u>	<u>1,131,564,126</u>

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46.1.5 Concentration of Advances

The Bank's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 307,757 million (2018: 329,887 million) are as following:

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Funded	175,759,229	202,225,292
Non-funded	131,997,318	127,661,689
Total exposure	<u>307,756,547</u>	<u>329,886,981</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 322,710 million (2018: Rs 377,954 million).

46.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2019						
	Disburse- ments	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		(Rupees in '000)					
Punjab	163,251,257	163,251,257	-	-	-	-	-
Sindh	221,221,535	-	221,221,535	-	-	-	-
KPK including FATA	1,409,927	-	-	1,409,927	-	-	-
Balochistan	869,842	-	-	-	869,842	-	-
Islamabad	120,402,344	-	-	-	-	120,402,344	-
AJK including Gilgit-Baltistan	151,138	-	-	-	-	-	151,138
Total	<u>507,306,043</u>	<u>163,251,257</u>	<u>221,221,535</u>	<u>1,409,927</u>	<u>869,842</u>	<u>120,402,344</u>	<u>151,138</u>

Province / Region	2018						
	Disburse- ments	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		(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	<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>

46.2 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.

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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.

46.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Cash and balances with treasury banks	235,861,767	-	235,861,767	183,467,358	-	183,467,358
Balances with other banks	20,729,005	-	20,729,005	23,345,698	-	23,345,698
Lendings to financial institutions	20,246,576	-	20,246,576	33,941,546	-	33,941,546
Investments	447,808,898	392,639,589	840,448,487	684,802,189	101,573,137	786,375,326
Advances	636,219,771	-	636,219,771	715,936,731	-	715,936,731
Fixed assets	52,396,877	-	52,396,877	45,799,099	-	45,799,099
Intangible assets	1,951,002	-	1,951,002	1,757,033	-	1,757,033
Deferred tax assets	3,300,164	-	3,300,164	7,807,084	-	7,807,084
Other assets	82,541,058	-	82,541,058	91,169,271	-	91,169,271
	<u>1,501,055,118</u>	<u>392,639,589</u>	<u>1,893,694,707</u>	<u>1,788,026,009</u>	<u>101,573,137</u>	<u>1,889,599,146</u>

46.2.2 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.

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	2019				2018			
	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	1,543,933,952	1,323,084,724	(53,586,672)	167,262,556	1,528,881,285	1,332,249,233	(45,447,911)	151,184,141
US Dollar	207,760,592	129,030,118	(79,134,955)	(404,481)	188,482,131	105,377,856	(83,674,639)	(570,364)
Pound Sterling	1,461,050	18,625,631	17,589,517	424,936	908,675	25,083,810	24,503,084	327,949
Japanese Yen	139,508	116,852	(18,246)	4,410	26,277	8,804	(12,606)	4,867
Euro	2,209,520	7,446,947	5,327,214	89,787	1,172,096	7,178,589	6,049,138	42,645
UAE Dirham	99,199,810	187,237,582	89,194,894	1,157,122	128,464,510	211,071,317	80,270,598	(2,336,209)
Bahraini Dinar	15,531,293	25,372,795	10,065,814	224,312	13,581,751	25,327,298	12,252,900	507,353
Qatari Riyal	19,460,863	27,995,180	9,359,104	824,787	24,428,228	28,332,023	4,809,866	906,071
Other Currencies	3,998,119	5,715,995	1,203,330	(514,546)	3,654,193	3,700,268	1,249,570	1,203,495
	1,893,694,707	1,724,625,824	-	169,068,883	1,889,599,146	1,738,329,198	-	151,269,948

	2019		2018	
	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	23,209	-	(11,177)	-
-1% change	(23,209)	-	11,177	-

46.2.3 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.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on,				
Other comprehensive income				
+5% change	-	709,219	860,904	-
-5% change	-	(709,219)	(860,904)	-

46.2.4 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.

	2019		2018	
	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	-	(141,853)	-	(127,412)
-1% change	-	141,853	-	127,412
- Other comprehensive income				
+1% change	(4,639,066)	(1,630,607)	(6,346,952)	-
-1% change	4,639,066	1,630,607	6,346,952	-

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46.2.4.1 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate %	Total	2019 Exposed to yield / interest rate risk										Non-interest bearing financial instruments
			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	0.26%	235,861,767	18,775,252	-	-	-	-	-	-	-	-	-	217,086,515
Balances with other banks	3.92%	20,729,005	7,830,772	3,096,952	400,067	-	-	-	-	-	-	-	9,401,214
Lendings to financial institutions	11.10%	20,246,576	20,246,576	-	-	-	-	-	-	-	-	-	-
Investments	9.65%	840,448,487	133,871,877	174,287,939	72,131,087	80,353,972	128,473,486	94,506,781	45,483,895	86,952,547	5,719,743	18,667,160	
Advances													
- Performing	10.39%	622,849,960	202,510,090	209,713,843	175,792,305	25,996,807	32,763	163,300	3,462,040	1,267,038	3,911,774	-	
- Non-performing		13,369,811	-	-	-	-	-	-	-	-	-	-	13,369,811
Other assets		57,969,541	-	-	-	-	-	-	-	-	-	-	57,969,541
		1,811,475,147	383,234,567	387,098,734	248,323,459	106,350,779	128,506,249	94,670,081	48,945,935	88,219,585	9,631,517	316,494,241	
Liabilities													
Bills payable		22,926,596	-	-	-	-	-	-	-	-	-	-	22,926,596
Borrowings	8.79%	154,484,000	79,970,182	30,354,891	6,631,431	13,980,198	22,959,023	-	-	-	-	-	588,275
Deposits and other accounts	4.89%	1,467,063,461	99,414,211	624,736,150	57,788,946	20,302,866	42,047,459	5,853,492	-	33,269,989	4,234,301	579,416,047	
Subordinated debt	13.51%	10,000,000	-	10,000,000	-	-	-	-	-	-	-	-	
Other liabilities		42,167,207	-	-	-	-	-	-	-	-	-	-	42,167,207
		1,696,641,264	179,384,393	665,091,041	64,420,377	34,283,064	65,006,482	5,853,492	-	33,269,989	4,234,301	645,098,125	
On-balance sheet Gap			114,833,883	203,850,174	(277,992,307)	183,903,082	72,067,715	63,499,767	88,816,589	48,945,935	54,949,596	5,397,216	(328,603,884)
Net non financial assets			54,235,000										
Total net assets			169,068,883										
Off-balance sheet financial instruments													
Interest Rate Derivatives - Long position		316,500	-	-	-	316,500	-	-	-	-	-	-	-
Interest Rate Derivatives - Short position		(316,500)	-	(316,500)	-	-	-	-	-	-	-	-	-
Cross Currency Swap - Long position		-	-	-	-	-	-	-	-	-	-	-	-
Cross Currency Swap - Short position		-	-	-	-	-	-	-	-	-	-	-	-
FX Options - Long position		61,297	61,297	-	-	-	-	-	-	-	-	-	-
FX Options - Short position		(61,297)	(61,297)	-	-	-	-	-	-	-	-	-	-
Forward purchase of Government Securities		3,043,541	-	3,043,541	-	-	-	-	-	-	-	-	-
Forward sale of Government Securities		(11,264,179)	(2,008,835)	-	-	-	-	-	(46,834)	-	-	-	-
Foreign currency forward purchases		482,798,387	198,626,902	149,166,343	107,694,181	27,310,961	-	-	-	-	-	-	-
Foreign currency forward sales		(427,818,453)	(188,870,359)	(121,636,949)	(98,569,424)	(18,741,721)	-	-	-	-	-	-	-
		46,759,296	7,747,708	30,256,435	9,124,757	(322,770)	-	(46,834)	-	-	-	-	-
Off-balance sheet Gap													
Total Yield / Interest Rate Risk Sensitivity Gap			161,593,179	211,597,882	(247,735,872)	193,027,839	71,744,945	63,499,767	88,769,755	48,945,935	54,949,596	5,397,216	(328,603,884)
Cumulative Yield / Interest Rate Risk Sensitivity Gap				211,597,882	(36,137,990)	156,889,849	228,634,794	292,134,561	380,904,316	429,850,251	484,799,847	490,197,063	161,593,179

Notes to and forming part of the Unconsolidated Financial Statements

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Notes to and forming part of the Unconsolidated Financial Statements

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46.3 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.

46.4 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.

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46.4.1 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.

2019														
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	235,861,767	-	-	235,861,767	-	-	-	-	-	-	-	-	-	
Balances with other banks	20,729,005	9,395,791	1,021,994	929,085	3,511,630	-	1,188,479	-	-	-	-	-	-	
Lendings to financial institutions	20,246,576	1,000,000	7,738,865	11,507,711	-	-	-	-	-	-	-	-	-	
Investments	840,448,487	46,710,311	2,052,765	116,395,490	18,078,476	86,080,733	40,225,822	79,079,625	6,203,585	114,188,685	77,530,220	45,566,427	208,336,348	
Advances	636,219,771	-	-	142,742,064	-	89,203,132	74,585,099	-	63,752,959	47,835,880	45,259,486	80,025,198	92,815,953	
Fixed assets	52,396,877	-	-	593,636	-	362,763	596,288	-	936,068	2,007,987	2,412,223	3,209,275	42,278,637	
Intangible assets	1,951,002	-	-	6	-	1,008	367,921	-	188,794	305,682	469,543	261,291	356,757	
Deferred tax asset - net	3,300,164	-	-	3,300,164	-	-	-	-	-	-	-	-	-	
Other assets	82,541,058	-	-	14,709,603	-	19,291,079	6,293,590	-	24,883,309	3,981,608	3,898,977	2,691,055	6,791,837	
	1,893,694,707	7,734,791	8,760,859	526,039,526	21,590,106	194,938,715	123,257,199	79,079,625	95,964,715	168,319,842	129,570,449	131,753,246	350,579,532	
Liabilities														
Bills payable	22,926,596	-	-	22,926,596	-	-	-	-	-	-	-	-	-	
Borrowings	154,484,000	749,520	2,091,876	1,243,615	10,201,407	14,537,304	21,185,177	13,840,077	46,895	530,363	242,987	2,293,306	19,582,476	
Deposits and other accounts	1,467,063,461	1,127,161,318	47,752,068	27,048,394	18,068,555	65,976,506	47,486,360	17,666,479	43,078,232	11,663,533	6,475,994	17,485,663	14,430,311	
Subordinated debt	10,000,000	-	-	-	-	-	-	-	-	-	-	-	10,000,000	
Other liabilities	70,151,767	-	-	30,013,258	-	10,896,698	7,570,412	-	5,436,958	2,370,122	3,088,462	3,336,709	7,439,148	
	1,724,625,824	1,127,910,838	49,843,944	81,231,863	28,269,962	91,410,508	76,241,949	31,506,556	48,562,085	14,564,018	9,807,443	23,115,678	51,451,935	
Net assets	169,068,883	(1,071,804,736)	(82,974,254)	444,807,663	(6,679,856)	103,528,207	47,015,250	47,573,069	47,402,630	153,755,824	119,763,006	108,637,568	299,127,597	
Represented by:														
Share capital	12,241,798													
Reserves	59,319,611													
Unappropriated profit	71,670,331													
Surplus on revaluation of assets	25,837,143													
	169,068,883													

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

2018

(Rupees in '000)														
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	
Assets														
Cash and balances with treasury banks	183,467,358	-	-	183,467,358	-	-	-	-	-	-	-	-	-	
Balances with other banks	23,345,698	3,435,374	282,148	3,224,060	6,447,798	1,338,694	2,838,691	-	-	-	-	-	-	
Lendings to financial institutions	33,941,546	-	18,000,000	374,814	2,500,000	3,066,732	-	-	-	-	-	-	-	
Investments	786,375,326	32,823,605	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 assets	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	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	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	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 debt	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	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	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													

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

46.4.2 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.

	2019									
	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	235,861,767	134,742,682	5,666,087	5,552,991	8,038,669	11,182,841	8,580,896	13,607,338	36,689,021	11,801,242
Balances with other banks	20,729,005	16,028,896	3,511,630	1,188,479	-	-	-	-	-	-
Lendings to financial institutions	20,246,576	20,246,576	-	-	-	-	-	-	-	-
Investments	840,448,487	165,158,566	104,159,209	40,225,822	85,283,210	114,188,685	77,530,220	45,566,427	198,486,928	9,849,420
Advances - Performing	622,849,960	142,742,064	89,203,132	74,585,099	63,752,959	47,835,880	45,259,486	80,025,198	60,394,829	19,051,313
- Non-performing	13,369,811	-	-	-	-	-	-	-	-	13,369,811
Fixed assets	52,396,877	593,636	362,763	596,288	936,068	2,007,987	2,412,223	3,209,275	5,209,865	37,068,772
Intangible assets	1,951,002	6	1,008	367,921	188,794	305,682	469,543	261,291	356,757	-
Deferred tax asset - net	3,300,164	-	-	-	825,041	825,041	825,041	825,041	-	-
Other assets	82,541,058	14,709,603	19,291,079	6,293,590	24,883,309	3,981,608	3,898,977	2,691,055	5,493,455	1,298,382
	1,893,694,707	494,222,029	222,194,908	128,810,190	183,908,050	180,327,724	138,976,386	146,185,625	306,630,855	92,438,940
Liabilities										
Bills payable	22,926,596	7,812,659	5,719,262	5,605,105	3,789,570	-	-	-	-	-
Borrowings	154,484,000	72,024,008	24,738,711	21,185,177	13,886,972	530,363	242,987	2,293,306	19,564,718	17,758
Deposits and other accounts	1,467,063,461	184,339,868	146,789,617	108,978,522	149,762,529	135,498,970	111,041,740	147,094,742	365,255,299	118,302,174
Subordinated debt	10,000,000	-	-	-	-	-	-	-	10,000,000	-
Other liabilities	70,151,767	30,013,258	10,896,698	7,570,412	5,436,958	2,370,122	3,088,462	3,336,709	3,422,863	4,016,285
	1,724,625,824	294,189,793	188,144,288	143,339,216	172,876,029	138,399,455	114,373,189	152,724,757	398,242,880	122,336,217
Net assets	169,068,883	200,032,236	34,050,620	(14,529,026)	11,032,021	41,928,269	24,603,197	(6,539,132)	(91,612,025)	(29,897,277)
Represented by:										
Share capital	12,241,798									
Reserves	59,319,611									
Unappropriated profit	71,670,331									
Surplus on revaluation of assets	25,837,143									
	169,068,883									

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2019

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 debt	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, 2019

47. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

- 47.1 The Board of Directors in its meeting held on February 19, 2020 has proposed a cash dividend in respect of 2019 of Rs. 4 per share (2018: Rs. 3 per share). In addition, the Directors have also announced a bonus issue of nil (2018: nil). These appropriations will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2019 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2020.

48. GENERAL

- 48.1 Comparative Information has been reclassified, rearranged or additionally incorporated in these unconsolidated financial statements for the purposes of better presentation.
- 48.2 Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

49. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 19, 2020 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	Abdullah Filling Station Rojhan Jamali, Tehsil Jhat Pat, Nasirabad, Dera Allahyar.	Javed Khan	53403-1449470-5	Pathan Khan	1,000	-	1,037	2,037	-	-	737	737
2	Ahmad Naeem Qasim Office Number 801-805 8Th Floor Al Qadir Height 1 Babar Block New Garden Town Lahore	Ahmad Naeem Qasim	35202-7154990-9		376	464	-	840	31	545	56	632
3	Ahmed Pur Cotton Factory Uch Road, Ahmedpur East, Distt. Bahawalpur	Zafar Iqbal Khan Muhammad Hanif	31201-4146949-3	Khuda Bux Bashir Ahmed	11,463	2,019	5,068	18,550	-	2,019	5,068	7,087
4	Ahmed Yar Chaddar Chak No.35/Wb Ludden Vehari	Ahmed Yar Chaddar	36603-5057436-1		5,000	582	1,176	6,758	-	182	1,176	1,358
5	Akhtar Abbas H No 90 Block-E2 Johar Town Lahore	Akhtar Abbas	35202-4807018-1	Muhammad Sadiq	721	4,000	-	4,721	-	4,000	158	4,158
6	Al Rehmat Traders (Pvt) Limited P-238, Montgomery Bazar, Faisal Abad,	M. Tahir Nadeem M. Sajjad M. Azhar Ghazanfer Rasool	33100-6775567-7 33100-3281534-7 33100-0806578-1 33100-6167586-1	Ghulamm Rasool Ghulamm Rasool Ghulamm Rasool Ghulamm Rasool	77,249	-	24,809	102,058	-	-	24,339	24,339
7	Al Rehmat Traders Noor Grain Market Buchekeee.	Muhammad Imran Muhammad Anwar Khan	35402-1742506-5 35402-7326355-5	Khairuddin Muhammad Ali	2,500	-	2,339	4,839	-	-	1,939	1,939
8	Al Yousaf Traders Kotli Bawa Faqir Chand Gujranwala	Muhammad Arshad	34602-2206878-5	Muhammad Yousuf	3,770	-	2,235	6,005	-	-	1,705	1,705
9	All Traders Suite No.12, 2nd Floor, Shan Arcad, New Garden Town, Lahore.	Ghulam Mustafa	35202-2877681-7	Muhammad Ashiq	14,987	2,049	-	17,036	-	2,049	-	2,049
10	Alpha Leather Traders Hadi Market, Din Ghar, Kasur	Noor Ellahi Salim Masih	35102-1057603-1 35102-3762535-5	Khushi Mash Noor Ellahi	4,000	-	2,435	6,435	-	-	2,064	2,064
11	Amin Ittefaq Rice Mills 53, Grain Market Nankana Sahib	Muhammad Din Maqbool Ahmed Tariq Muhammad Hussain Shan Ahmed	35402-1988101-1 35402-4736462-1 35402-1939245-9 35402-8021511-9	Muhammad Ibrahim Muhammad Din Muhammad Din Muhammad Din	11,248	1,149	-	12,397	5,248	1,149	-	6,397
12	Anwar Ul Haq Shalimar Poltary Plastic Indus P- 209/1 Professor Chowk Shalimar Park Faisalabad	Anwar Ul Haq	33100-2045483-7	Abdul Haq								
13	Arif Saeed Butt House No 480-G Johar Town Lahore	Arif Saeed Butt	35202-8885136-9		2,691	900	-	3,591	-	900	90	990
14	Asad Rice Dealer Talwandi Mousa Khan, Gujranwal	Muhammad Amin	34101-7586406-9	Khushi Muhammad	464	394	-	858	149	459	52	660
15	Data Trading Co. Baraghar Road, Bucheke	Khair Din Shahbaz Hayat Shahzad Javed	35402-9164886-3 35402-8061479-5 35202-4053326-9	Rehmat Ali Muhammad Ali Abdulk Hameed	3,994	-	2,234	6,228	-	-	2,129	2,129
					6,300	769	4,298	11,367	-	169	4,298	4,467

Rs '000

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

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
16	Dildar Ahmed Neher Bazar Satiyana Road Tandlian Wala	Dildar Ahmed	33106-0333307-5		277	338	-	615	79	377	44	500
17	Elahi Knits Pvt Ltd House No.30, Block-L, Gulberg-III, Lahore	Umer Ellahi Niffer Alamgir	35202-5072781-5 35202-9636634-4	Alamgir Ellahi Alamgir Ellahi	40,000	-	22,614	62,614	-	-	17,614	17,614
18	Farhan Aziz Kardar H No 141-A Canal View Housing Society Multan Road Lahore	Farhan Aziz Kardar	35202-2594482-9	Abdul Aziz Kardar	499	598	-	1,097	143	690	77	915
19	Fashion Embroidery Plot No.20-21, Holiday Park, Ali Raza Abad, Riwind Road, Lahore	Ashfaq Ahmed Tariq Ali Mushtaq Ahmed Naseem Akhter	35201-4814569-5 35202-7641672-1 35202-9086124-1 35202-1898881-6	Muhammad Waris Sadiq Ali Haji Habib Ullah Shaikat Ali	3,855	-	1,181	5,036	-	-	1,181	1,181
20	Goshi & Co. Galla Mandi, More Khunda, Distt. Nankana Sahib	Muhammad Aslam	35402-0744428-1	Mansha	9,500	-	1,961	11,461	-	-	1,961	1,961
21	Hamid Raza Afridi 2Nd Floor, State Life Building No.07, China Chowk, Blue Area, Islamabad	Hamid Raza Afridi	17301-1591001-7		402	474	-	876	-	528	60	588
22	Ilyas Shakir Flat No 104 Al Zohra Pride Super Wala Street Garden East	Ilyas Shakir	42201-6159710-7	Aba Umar	-	-	-	-	456	62	466	984
23	Industrial Packages Pvt Ltd	Asif Ishtiaque Kashif Ishtiaque Mehvish Furqan	42301-1472920-9 42101-2612015-5 42101-6511126-2	S. M Ishtiaque S. M Ishtiaque S. M Ishtiaque	163,535	45,693	-	209,228	58,535	45,693	-	104,228
24	Iqbal Hussain Rizvi Flat No 104 Rabia Patel Block A-5 Main Abul Hassan Isphani Road	Iqbal Hussain Rizvi	42201-5445291-7	Bashrat Hussain	-	-	-	-	498	44	24	566
25	Jam Nizam Ud Din H # 35, Street No. 19,Khy-E- Mujahid, Phase 5, Dha,	Jam Nizam Ud Din	44201-8148580-5	Din	4,813	-	-	4,813	-	2,143	700	2,843
26	Javed Mansoor H # 1 Main Bazar Awan Town Multan Road Near Western Union Tehsil And District	Javed Mansoor	35202-4634276-9	Muhammad Siddique	-	-	1,000	1,000	445	52	44	541
27	Kamal Steel Plot No. B-136, B-137, B-138, Sector B, Hub Balochistan	Nasir Khan	42201-4188406-7	Abdul Aziz Khan	59,880	-	6,082	65,962	28,880	-	6,082	34,962
28	Karachi Rice Mills 44-Km, Lahore Gujranwal Road, Mandi Faizabad, Nankana Sahib	Abida Jamil Muhammad Aqeel Rafiqat Ali	35402-3236639-0 35401-1742766-1 35401-1825866-3	Muhammad Jamil Muhammad Hanif Nazir Ahmed	19,015	-	10,146	29,161	-	-	9,479	9,479
29	Kashif Ali H No.19 Block I Civil Lines	Kashif Ali	36601-2377027-3	Sheikh Muhammad Aslam	-	-	-	-	500	66	8	574
30	Khalid Mehmood Dogran Wali P O Khas Teh Pasrur Dist Skt	Khalid Mehmood	34602-0723990-3	Mehmood	298	507	-	805	30	564	47	641

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

Sr. No.	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written-off			Total
					Principal	Interest / Mark-up	Others	Principal	Interest / Mark-up	Others	
31	Khurshid Ahmed Siddiqui H No Sd-109, Falcon Complex Gulberg III Lahore	Khurshid Ahmed Siddiqui	35202-0376017-7	Bilal Ahmad Sidiqi	6,771	14,822	-	-	14,859	173	15,032
32	Mahmood Ahmad Qasim H No 2 Muhammadiya Colony Ward No 26 Haji Nazir Street Farooqabad Near Lady Health Center	Mahmood Ahmad Qasim	35404-9059795-1	Malik Nazir Ahmad	-	-	-	753	57	14	824
33	Mehmood Ahmed Azhar Rubber Works Salamat Pura Stop Darogawala Lahore	Mehmood Ahmed	35202-1196217-9		499	309	-	139	364	43	546
34	Mian Muhammad Ali Raza H # P-10-C, Peoples Colony # 1, Faisalabad, Pak 38000	Mian Muhammad Ali Raza	33100-0646786-1	Ch Muhammad Ishaq	4,487	598	-	-	598	34	632
35	Mirza & Sons Shop No.190-191, Razi Market, Dawood Chowrang Landhi, Karachi	Mirza Farooq Baig	42201-0790199-9	Mirza Ilyas Baig	2,499	-	2,802	-	-	2,301	2,301
36	Muhammad A Ghanchi H No 167 Jambo Street Garden West	Muhammad A Ghanchi	42301-3690776-9	Haji Juma Ghanchi	-	-	-	690	25	15	730
37	Muhammad Aslam Shaikh F-67 Block-B North Nazimabad Karachi	Muhammad Aslam Shaikh	42101-6794803-7		500	447	-	140	525	60	725
38	Muhammad Khalid Chaudry Hair Life Clinic A-50 Bliss Shopping Center Raja Ghazani Ali Road Saddar Karachi	Muhammad Khalid Chaudry	42301-1049295-7	Ahmed Hussain	1,118	608	-	-	676	159	835
39	Muhammad Raza H No 2 Mohallah Mohammadi Street Hanif Park Chowk Allah Wala Clinic	Muhammad Raza	35202-2379344-3	Raza	407	357	-	68	434	53	555
40	Muhammad Shahzad Sunaag Jewellers Shop No 2 Al Cherag Market Pakki Thati Samanabad Lahore	Muhammad Shahzad	35202-2838153-9	Muhammad Ismail	2,758	2,990	-	-	3,045	155	3,200
41	Mujahid Abbas Koreja House No.223, Block-47, D.G.Khan	Muhammad Abbas Koreja	32102-2647521-5	Irshad Hussain	1,649	-	717	-	-	667	667
42	Nazir Sohail Al-Fahad Cds Shop No 22 1st Floor Dar Ul Rahmat Plaza Hall Road Lahore	Nazir Sohail	35202-2801539-1	Muhammad Rashid	546	3,077	-	-	3,121	186	3,307
43	New Karim Cotton Ginners & Pressing Mills Mauza Mohanpur, 12 Km Jalapurwala Road Tehsil Shujaabad Dist. Multan	Mian Abdul Karim	36025-806818-5	Haji Bashir Ahmed							
44	Noon Agri Center Al Habib, Main Bazar, Matotli, Shujaabad	Riaz Hussain Noon Manzoor Ahmed Malik	366304-0392154-3 327-67-417015	Muhammad Anwar Noon Haji Ameer Bux	7,074	605	4,650	-	-	4,762	4,762
					800	-	206	400	-	206	606

Rs '000

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

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
45	Nooruddin And Brothers Piran Dakhana, Sector-1, Tehsil Pishin, Pishin	Nooruddin	54303-1464870-9	Tawam	415	-	559	974	-	-	549	549
46	Parvaiz Ul Haq Siddique 34-B/1, Khayaban-E-Badar, D.H.A., Phase 5, Karachi.	Parvaiz Ul Haq Siddique	42301-9884097-7		920	854	-	1,774	-	919	110	1,029
47	Rao Basit H-1532/5 W6-M Mohajilah Iqbal Nagar Outside Dehli Gate Science School.	Rao Basit	36302-2611835-9	Qasim Ali Khan	-	-	-	-	416	82	9	507
48	S.S.B. Rice Mills Plot No.112/1, Industrial Estate Phase-1, Multan	Shafqat Rasool Muhammad Saqlain Zohaib Shafqat	33201-4069281-7 33201-2000216-1 36302-1148347-1	Muhammad Hasan Muhammad Hasam Shafqat Rasool	58,900	737	257	59,894	8,900	737	257	9,894
49	Sadiq Sons Textiles Pvt Ltd Kothi Choudhry Sadiq Hussain, Behind Javed Cinema, Samandai Road, Faisalabad	Javaid Sadiq Jawad Ikram Muhammad Raza Khatoon	33100-0747826-1 33100-0747825-5 33100-0749332-3	Sadiq Hussain Muhammad Ikram Sadiq Hussain	15,022	14,132	-	29,154	-	-	13,954	13,954
50	Saqib Sohail H No 8 St No 3 Block Z Madina Town	Saqib Sohail	33100-0574371-5	Muhammad Irshad	-	-	-	-	475	77	483	1,035
51	Shah Industries Pvt Ltd Aza Khail, Payan, G.T. Road, Naushera	S. Shakeel Ahmed S. Sibte Hassan Farzana Durani Syeda Begum	-	Nazir Ahmed Tahir Muhammad Aslam Tahir	800	533	2,350	3,683	-	523	2,350	2,873
52	Sky Links Travels 10 Cooperative Bank Building, Kachery Road, Multan	Kahlid Iqbal Khan	36302-7747127-1	-	6,365	-	2,139	8,504	-	-	1,754	1,754
53	Spanish Shoes Shop No.38, Gulberg Plaza, Liberty Market, Lahore	Muhammad Sarwar	35201-8132153-3	Ali Bahadur	2,915	625	-	3,540	-	575	-	575
54	Suzuki Lylpur Motors East Canal Road, Faisalabad	Mian Iftikhar Ahmed Rana Muzamil Hussain	33100-3839986-3 33100-6060809-1	Bashir Ahmed Sultan Ahmed	49,847	-	15,289	65,136	-	-	15,136	15,136
55	Syed Bhais Pvt Ltd 200, Ferozepur Road, Lahore	Masroor Ahmed Khan Zameer Ahmed Khan [Late] Mansoor Ahmed Khan [Late] Rashida Zameer	35201-1355027-9 35201-1330550-3 35201-1355003-5 35201-1271240-8	Zameer Ahmed Khan Bahadur Bashir Ahmed Khan Zameer Ahmed Khan Zameer Ahmed Khan	25,050	3,412	-	28,462	-	3,112	-	3,112
56	Syed Iftikhar Hussain Shah Gillani H # 510, Block E/2, Johar Town, Lahore Pak 54000	Syed Iftikhar Hussain Shah Gillani	36302-5564967-1	Maqbool Hussain	587	1,189	-	1,776	-	1,216	147	1,363
57	Tahir Carpets 2-B, Manohar Street, Nicolson Road, Lahore	Muhammad Aslam Tahir Iftikhar Tahir	35202-5639410-1 35202-4290442-9	Nazir Ahmed Tahir Muhammad Aslam Tahir	27,791	-	13,153	40,944	-	-	11,944	11,944
58	Tariq Mahmood House No 286 Block C-2 Wapda Town	Tariq Mahmood	34101-1112851-7	Allah Ditta	-	-	-	-	356	36	362	754
59	Umair Taimoor Cotton Gimmers & Oil Mills G.T. Road, Kot Addu, Shah Sadduddin, D.G. Khan	Muhammad Ramzan/Abid Hussain	309-48-390999 309-70-183257	Allah Ditta Mureed Hussain Shah	2,567	1,233	5,468	9,268	-	1,100	5,468	6,568
60	Wazir Bacha Mohallah Shaheed Abad Hassan Abdal Attock	Wazir Bacha	16102-7159219-9	Bacha	1,177	-	-	1,177	-	456	112	568
					669,301	106,464	136,205	911,970	107,336	94,228	143,061	344,625

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 100 (2018: 94) Islamic Banking branches and 162 (2018: 158) Islamic Banking windows.

The statement of financial position of the Bank's Islamic Banking branches as at December 31 is as follows:

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
ASSETS			
Cash and balances with treasury banks		13,092,570	8,000,891
Balances with other banks		804,553	5,482,264
Due from financial institutions	1.1	10,796,576	10,066,732
Investments	1.2	46,726,238	30,746,758
Islamic financing and related assets - net	1.3	9,017,375	22,596,064
Fixed assets		1,038,809	337,390
Intangible assets		7,263	2,468
Due from Head Office		6,824,821	-
Other assets		473,513	408,189
Total Assets		88,781,718	77,640,756
LIABILITIES			
Bills payable		924,527	430,122
Due to financial institutions		1,299,975	143,000
Deposits and other accounts	1.6	81,432,150	73,434,945
Due to Head Office		-	488,694
Other liabilities		1,596,190	615,088
		85,252,842	75,111,849
NET ASSETS		3,528,876	2,528,907
REPRESENTED BY			
Islamic Banking Fund		2,181,000	2,181,000
Reserves		-	-
Deficit on revaluation of assets		(59,860)	(135,282)
Accumulated profit		1,407,736	483,189
		3,528,876	2,528,907
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:

		2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Profit / return earned	1.10	7,655,956	4,450,933
Profit / return expensed	1.11	(4,603,982)	(2,193,959)
Net profit / return		3,051,974	2,256,974
Other income			
Fee and commission income		240,015	167,229
Dividend income		-	-
Foreign exchange income		22,270	842
Income / (loss) from derivatives		-	-
(Loss) / gain on securities		(6,994)	499
Other income		22,053	37,489
Total other income		277,344	206,059
Total income		3,329,318	2,463,033
Other expenses			
Operating expenses		1,734,456	1,610,066
Workers' welfare fund		33,731	-
Other charges		-	-
Total other expenses		1,768,187	1,610,066
Profit before provisions		1,561,131	852,967
Provisions and write-offs - net		9,567	7,276
Profit before taxation		1,551,564	845,691
Taxation		627,017	-
Profit after taxation		924,547	845,691

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

	2019			2018		
	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
Bai Muajjal receivable from other Financial Institutions	10,796,576	-	10,796,576	3,066,732	-	3,066,732
	<u>10,796,576</u>	<u>-</u>	<u>10,796,576</u>	<u>10,066,732</u>	<u>-</u>	<u>10,066,732</u>

1.2 Investments by segments

	2019				2018			
	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	5,900,860	-	(59,860)	5,841,000	11,910,472	-	(135,282)	11,775,190
-Bai Muajjal with Govt. of Pakistan	26,443,679	-	-	26,443,679	8,300,566	-	-	8,300,566
	<u>32,344,539</u>	<u>-</u>	<u>(59,860)</u>	<u>32,284,679</u>	<u>20,211,038</u>	<u>-</u>	<u>(135,282)</u>	<u>20,075,756</u>
Non-Government Debt Securities								
-Listed	450,000	-	-	450,000	150,000	-	-	150,000
-Unlisted	13,991,559	-	-	13,991,559	10,521,002	-	-	10,521,002
	<u>14,441,559</u>	<u>-</u>	<u>-</u>	<u>14,441,559</u>	<u>10,671,002</u>	<u>-</u>	<u>-</u>	<u>10,671,002</u>
Total Investments	<u>46,786,098</u>	<u>-</u>	<u>(59,860)</u>	<u>46,726,238</u>	<u>30,882,040</u>	<u>-</u>	<u>(135,282)</u>	<u>30,746,758</u>

Note 2019 2018
----- (Rupees in '000) -----

1.2.1 Bai Muajjal with Government of Pakistan

Bai Muajjal Investment	33,031,000	11,420,000
Less: Deferred income	(6,587,321)	(3,119,434)
Bai Muajjal Investment - net	<u>26,443,679</u>	<u>8,300,566</u>

1.3 Islamic financing and related assets - net

Ijarah	1.4	654,998	446,792
Murabahah	1.5	421,509	742,302
Musharakah		64,199	-
Diminishing Musharakah		5,554,909	19,902,278
Istisna		139,105	-
Islamic Export Refinance scheme - Musharakah		999,544	-
Islamic Export Refinance scheme - Murabahah		303,449	126,849
Advances against Islamic assets			
Advances against Ijarah		18,939	215,091
Advances for Diminishing Musharakah		114,776	520,448
Advances for Murabahah		153,105	101,115
Advances for Murabahah - IERS		-	18,000
Advances for Istisna		416,601	48,321
Inventory related to Islamic financing			
Istisna		166,760	13,411
Profit and other receivables against financings		113,408	557,643
Gross Islamic financing and related assets		<u>9,121,302</u>	<u>22,692,250</u>
Less: Provision against Islamic financing			
- Specific		(85,346)	(82,088)
- General		(18,581)	(14,098)
		<u>(103,927)</u>	<u>(96,186)</u>
Islamic financing and related assets - net of provision		<u>9,017,375</u>	<u>22,596,064</u>

Annexure 'II' as referred to in notes 2.3 and 10.7 of the Bank's Unconsolidated and Consolidated Financial Statements

1.4 Ijarah

	2019					
	Cost			Accumulated Depreciation		
	At January 1, 2019	Additions / (deletions)	At December 31, 2019	At January 1, 2019	Charge for the year	At December 31, 2019
	(Rupees in '000)					
Plant & Machinery	510,676	191,251 (28,279)	673,648	215,764	118,733 (25,451)	309,046
Vehicles	262,411	276,604 (130,525)	408,490	110,531	109,048 (101,485)	118,094
Total	773,087	309,051	1,082,138	326,295	100,845	427,140

	2018					
	Cost			Accumulated Depreciation		
	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

Future Ijarah payments receivable

	2019				2018			
	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	333,252	425,273	-	758,525	225,343	233,144	-	458,487

1.5 Murabahah	Note	2019	2018
		(Rupees in '000)	
Murabahah financing	1.5.1	421,509	742,302
Inventory for Murabahah		-	-
Advances for Murabahah		153,105	101,115
		<u>574,614</u>	<u>843,417</u>
1.5.1 Murabahah receivable - gross	1.5.2	421,509	742,302
Less: Deferred murabahah income	1.5.4	(6,133)	(13,943)
Less: Profit receivable shown in other assets		(11,510)	(10,949)
Murabahah financing		<u>403,866</u>	<u>717,410</u>
1.5.2 The movement in Murabahah financing during the year is as follows:			
Opening balance		742,302	720,017
Sales during the year		2,260,825	2,155,327
Adjusted during the year		(2,581,618)	(2,133,042)
Closing balance		<u>421,509</u>	<u>742,302</u>
1.5.3 Murabahah sale price		421,509	742,302
Murabahah purchase price		<u>(403,866)</u>	<u>(717,411)</u>
		<u>17,643</u>	<u>24,891</u>

Annexure 'II' as referred to in notes 2.3 and 10.7 of the Bank's Unconsolidated and Consolidated Financial Statements

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
1.5.4 Deferred Murabahah income		
Opening balance	13,943	10,297
Arising during the year	76,899	57,671
Less: Recognized during the year	(84,709)	(54,025)
Closing balance	<u>6,133</u>	<u>13,943</u>

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	(Rupees in '000)					
1.6 Deposits						
Customers						
Current deposits	32,478,116	779,264	33,257,380	30,443,547	991,080	31,434,627
Savings deposits	13,018,167	-	13,018,167	14,925,879	-	14,925,879
Term deposits	8,414,762	-	8,414,762	6,776,543	-	6,776,543
	<u>53,911,045</u>	<u>779,264</u>	<u>54,690,309</u>	<u>52,145,969</u>	<u>991,080</u>	<u>53,137,049</u>
Financial Institutions						
Current deposits	2,488,822	-	2,488,822	1,768,824	-	1,768,824
Savings deposits	8,772,019	-	8,772,019	11,144,072	-	11,144,072
Term deposits	15,481,000	-	15,481,000	7,385,000	-	7,385,000
	<u>26,741,841</u>	<u>-</u>	<u>26,741,841</u>	<u>20,297,896</u>	<u>-</u>	<u>20,297,896</u>
	<u>80,652,886</u>	<u>779,264</u>	<u>81,432,150</u>	<u>72,443,865</u>	<u>991,080</u>	<u>73,434,945</u>

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
1.6.1 Composition of deposits		
- Individuals	28,043,545	35,863,410
- Government / Public Sector Entities	91,025	71,773
- Banking Companies	17,937,861	7,365,647
- Non-Banking Financial Institutions	8,803,979	12,932,249
- Private Sector	26,555,740	17,201,866
	<u>81,432,150</u>	<u>73,434,945</u>

1.6.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs 39,534.355 million (2018: Rs. 41,320.191 million).

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
1.7 Charity Fund		
Opening balance	2,597	121
Additions during the year		
Received from customers on account of delayed payment	3,494	2,976
	<u>3,494</u>	<u>2,976</u>
Payments / utilization during the year		
Health	(2,600)	(500)
	<u>(2,600)</u>	<u>(500)</u>
Closing balance	<u>3,491</u>	<u>2,597</u>

1.8 Islamic Banking Business Unappropriated Profit		
Opening balance	483,189	(362,502)
Add: Islamic Banking profit for the year	1,551,564	845,691
Less: Taxation	(627,017)	-
Closing balance	<u>1,407,736</u>	<u>483,189</u>

1.9 Contingencies and commitments		
- Guarantees	10,602	56,416
- Commitments	159,911	283,846
	<u>170,513</u>	<u>340,262</u>

Annexure 'II' as referred to in notes 2.3 and 10.7 of the Bank's Unconsolidated and Consolidated Financial Statements

	2019	2018
	----- (Rupees in '000) -----	
1.10 Profit / Return Earned on Financing, Investments and Placement		
Profit earned on:		
Financing	1,074,949	1,449,673
Investments	4,948,004	1,819,915
Placements	1,350,349	961,726
Rental Income from Ijarah	282,654	219,619
	<u>7,655,956</u>	<u>4,450,933</u>
1.11 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	4,471,693	2,182,712
Due to Financial Institutions	25,016	11,247
Return expense on leases	107,273	-
	<u>4,603,982</u>	<u>2,193,959</u>

1.12 Disclosures for profit and loss distribution and pool management

The Bank operates general and special pools for deposits and inter-bank funds accepted / acquired under Mudarabah, Wakalah and Musharakah modes.

Under the General deposits pools, the Bank accepts funds on Mudarabah basis from depositors (Rab-ul-Maal) where the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financing, investments and placements. When utilising investing funds, the Bank prioritizes the funds received from depositors over the funds generated from own sources after meeting the regulatory requirement relating to such deposits.

Specific pools are operated for funds acquired / accepted from the Corporate Customers, other banks and State Bank of Pakistan for liquidity management and Islamic Export Refinance to the Bank's customers respectively under the Musharakah / Mudarabah / Wakalah modes.

General Pools

For General Pools, the Bank allocates PKR financing to Corporate, SME and Consumer Finance customers in diversified sectors and avenues of the economy / business and Investments in Sovereign Guarantee Sukuk, Corporate Sukuk, Bai Muajjal with Government of Pakistan, are also done through General Pools. All remunerative deposits are tagged to these general pools and their funds generated from the depositors are invested on priority basis.

IERS Pools

The IERS pools assets comprise of Sovereign Guarantee Sukuk, and financing to Corporate Customers and exporters as allowed under the applicable laws and regulations, and as such are exposed to lower credit risk. The Musharakah with SBP under IERS is tagged to the IERS pools.

Treasury Pools

The Treasury pools assets generally comprise of Sovereign Guarantee Sukuk and financing under Diminishing Musharakah, Ijarah facility and the related liability of the Treasury pool comprise of Musharakah / Wakalah / Mudarabah from financial institutions. These pools are created to meet the liquidity requirements of the Bank.

Special Pools

Separate pools are created where the customers desire to invest in high yield assets. These pools 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.

Annexure 'II' as referred to in notes 2.3 and 10.7 of the Bank's Unconsolidated and Consolidated Financial Statements

Equity Pools

All other assets including Fixed Assets, advance against Financing, Bai-Salam financing and subsidized financing to Bank's employees are tagged to equity pools. To safeguard the interest of customers, all high risk investments are done through equity pools. The Bank as Mudarib in the general pools is responsible for financing costs / assets such as land, building, furniture, fixtures, computers and IT system from its own sources / equity.

During the year, the Bank has given General Hiba to the depositors in general and specific pool, keeping in view the prescribed guidelines of Pool Management provided by the SBP. However, Hiba are given at the sole discretion of the Bank without any contractual commitment with the depositors.

The Mudarib's share on Deposits for the year ended December 31, 2019 is Rs.1,659.33 million (29.64% of distributable profit of Mudarabah Pools). Of this, an amount of Rs. 546.88 million (32.96% of Mudarib share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 11.83% per annum and the rate of profit paid on average deposits was 9.48% per annum.

The risk characteristic of pools

The risk characteristic of each pools mainly depends on the assets and liabilities profile of the pool. As per the Bank 's policy, relatively low risk / secured financing transactions and assets are allocated to the pool. The Bank maintains General Pools, Special Pools, FI Pool, IERS Pools and Equity Pools. All Pools are exposed to general credit risk, asset ownership risk and profit rate risk of underlying assets involved.

The Parameters used for allocation of profit, expenses and provisions to the Pools

- The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool.
- Profit of pool is calculated after deduction of expenses directly incurred in earning the income of such pool, the directly related costs comprise of depreciation on Ijarah assets, takaful premium, amortization of premium on investment etc.
- No expense of general or administrative nature is charged to the pools.
- No provisions against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset.
- The profit of the pool is shared between equity and Rab-ul-Maal of the pool on the basis of Musharakah at gross level (before charging of mudarib fee) as per the investment ratio of the equity.
- The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period after charging of mudarib fee.

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.

2019								
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	5.08%	50.00%	7,829	2.81%	10.47%	820
Special Pools	133	Mudarbaha Monthly	11.39%	9.20%	197,508	10.56%	19.47%	38,459
IERS Pools	33	Musharkah Monthly	4.11%	74.84%	63,596	2.00%	0.00%	-
Treasury Pools	2	Musharkah As required	12.93%	25.77%	1,278	9.60%	0.00%	-
General Pools	12	Mudarbaha Monthly	8.71%	50.00%	1,453,994	7.92%	34.91%	507,609

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

2019 2018
----- (Rupees in '000) -----

1.13 Deployment of Mudarabah based deposits by class of business

Chemical and pharmaceuticals	881,578	650,754
Agri business	341,340	1,226,202
Textile	1,795,124	365,599
Financial	12,480,670	15,486,630
Food industries	508,003	516,697
Plastic	290,050	169,124
Individuals	1,460,332	1,134,008
Production and transmission of energy	15,341,872	26,712,710
Government of Pakistan Securities	32,284,679	20,023,620
Others	2,065,022	1,768,268
	<u>67,448,670</u>	<u>68,053,612</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 2019

	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	272,000	1,496	270,504	272,000	Sale	Mr. Muhammad Hanif
Leasehold Improvements						
HO Departments	13,253	11,462	1,791	-	Write Off	
Branch	3,388	2,484	904	-	Write Off	
	288,641	15,442	273,199	272,000		
Vehicles						
Toyota Prado	9,894	8,905	989	1,979	Buy Back	UBL President (Sima Kamil)
Toyota Prado	6,943	6,249	694	5,053	Auction	Mr. Syed Riaz Ahmed
Toyota Hiace Van	1,940	1,746	194	1,660	Auction	Mr. Muhammad Javed
Toyota Corolla	1,792	1,075	717	1,550	Insurance	UBL Insurers
Toyota Corolla	1,786	1,608	179	1,451	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,277	Auction	Yasir Motors
Toyota Corolla	1,761	1,585	176	1,338	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,371	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,384	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,381	Auction	Augmentech Business Solutions
Toyota Corolla	1,736	1,562	174	1,461	Auction	Augmentech Business Solutions
Toyota Corolla	1,736	1,562	174	1,461	Auction	Augmentech Business Solutions
Toyota Corolla	1,715	1,544	172	1,264	Auction	Mr. Syed Riaz Ahmed
Toyota Corolla	1,715	1,544	172	1,260	Auction	Mr. Fawad Ahmed
Toyota Corolla	1,715	1,544	172	1,300	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,694	1,271	424	1,300	Insurance	UBL Insurers
Toyota Corolla	1,663	1,496	166	1,325	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,663	1,496	166	1,350	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,649	-	1,371	Auction	Augmentech Business Solutions
Toyota Corolla	1,649	1,484	165	1,375	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,300	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,375	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,300	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,325	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,340	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,280	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,301	Auction	Augmentech Business Solutions
Toyota Corolla	1,649	1,484	165	1,334	Auction	Mr. Zahid Qadri
Toyota Corolla	1,649	1,484	165	1,128	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,608	1,607	-	1,000	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,607	1,446	161	1,335	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,595	1,435	159	1,210	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,594	1,435	159	1,331	Auction	Augmentech Business Solutions
Toyota Corolla	1,594	1,435	159	1,414	Auction	Mr. Anwar ul Hassan Khan
Toyota Corolla	1,594	1,435	159	1,401	Auction	Augmentech Business Solutions
Toyota Corolla	1,594	1,435	159	1,425	Auction	Augmentech Business Solutions
Toyota Corolla	1,579	1,421	158	1,210	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,569	1,412	157	1,235	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,569	1,412	157	1,240	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,524	1,372	152	1,350	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,515	1,364	152	1,089	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,511	1,359	151	1,225	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,509	1,358	151	1,175	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,453	1,308	145	1,050	Auction	Augmentech Business Solutions Pvt Ltd
Suzuki Cultus VXRI	1,084	976	108	309	Auction	Asadullah Odho
Suzuki Cultus VXRI	1,084	976	108	820	Auction	Mr. Muhammad Azim Afridi
Suzuki Cultus VXRI	1,083	975	108	660	Auction	Mr. Muhammad Aslam
Suzuki Cultus VXRI	1,079	938	140	356	Auction	Mr. Shahzad Sarwar
Suzuki Cultus VXRI	1,074	966	107	762	Auction	Mr. Jawed
Suzuki Cultus VXRI	1,045	940	104	313	Auction	Muhammad Ashfaq
Suzuki Cultus VXRI	1,043	829	214	963	Auction	Mr. Muhammad Azim Afridi

Annexure 'III' as referred to in Note 11.6 of the Bank's Unconsolidated Financial Statements

Disposals of operating fixed assets during the year 2019

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	(Rupees in '000)					
Suzuki Cultus VXRi	1,043	829	214	1,010	Auction	Mr. Muhammad Azim Afridi
Suzuki Cultus VXRi	1,025	923	103	825	Auction	Mr. Muhammad Azim Afridi
Suzuki Cultus VXRi	1,014	913	101	735	Auction	Mr. Muhammad Umer
Mercedes E300	7,617	7,617	-	2,800	Auction	Swapan Chakravorty
Honda CRV	5,065	5,065	-	-	Write Off	
	109,607	99,197	10,409	71,837		
Electrical, office and computer equipment						
Generator	1,291	797	496	647	Insurance	UBL Insurers
Generator	1,396	675	721	954	Insurance	UBL Insurers
Generator	1,645	1,590	55	510	Insurance	UBL Insurers
ATM	3,272	3,272	-	55	Negotiation	NCR Corporation
ATM	3,208	3,208	-	55	Negotiation	NCR Corporation
ATM	1,064	1,064	-	70	Negotiation	NCR Corporation
ATM	1,064	1,064	-	70	Negotiation	NCR Corporation
ATM	1,064	1,064	-	70	Negotiation	NCR Corporation
ATM	1,064	1,064	-	70	Negotiation	NCR Corporation
ATM	1,064	1,064	-	70	Negotiation	NCR Corporation
ATM	1,014	1,014	-	65	Negotiation	NCR Corporations
ATM	1,014	1,014	-	70	Negotiation	NCR Corporation
ATM	1,014	1,014	-	70	Negotiation	NCR Corporation
ATM	1,014	1,014	-	70	Negotiation	NCR Corporation
ATM	1,013	506	506	76	Negotiation	NCR Corporation
ATM	1,004	606	397	70	Negotiation	NCR Corporation
ATM	975	630	345	630	Insurance	UBL Insurers
ATM	975	630	345	595	Insurance	UBL Insurers
ATM	953	556	397	76	Negotiation	NCR Corporation
ATM	953	536	417	76	Negotiation	NCR Corporation
	26,061	22,382	3,679	4,369		
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000						
Others	126,111	122,945	2,807	17,203		
VDI Project	13,699	-	13,699	-		
Total	564,119	259,966	303,793	365,409		



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, 2019, 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, 2019, 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	<p>Provision against advances (Refer note 10 to the consolidated financial statements)</p> <p>The Group makes provision against advances extended in Pakistan 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 certain categories of advances.</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. 4,844.765 million in the consolidated profit and loss account in the current year. As at December 31, 2019, the Group holds a provision of Rs. 67,120.881 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>	<p>Our audit procedures to verify provision against advances included, amongst others, the following:</p> <p>We obtained an understanding of 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> <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> 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. <p>We selected a sample of loan accounts and performed the following substantive procedures:</p> <ul style="list-style-type: none"> checked repayments of loan / mark-up installments and tested classification of non-performing loans based on the number of days overdue. evaluated the management's assessment for classification of customers' loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and through discussions with the management. <p>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.</p> <p>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. We as group auditors evaluated the work performed by the component auditors and results thereof.</p>

S.No.	Key audit matters	How the matter was addressed in our audit
2	<p>IFRS 16 - Leases (Refer note 5.1.1 to the consolidated financial statements)</p> <p>The Group has adopted IFRS 16 “Leases” with effect from January 1, 2019. IFRS 16 introduces a single on balance sheet lease accounting model for leases entered into by the lessees. A lessee recognises a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. On adoption of IFRS 16, the Group has changed its accounting policy for operating leases which are now recognised on the statement of financial position. The Group has accordingly recorded right-of-use assets and lease liability amounting to Rs. 8,396.393 million and Rs. 8,101.079 million respectively as at January 1, 2019. The comparative figures for 2018 reporting period have not been restated, as permitted under the specific transitional provisions of the standard.</p> <p>The adoption of IFRS 16 involves estimation and judgement. Because of the significance of the impact of these judgements / estimates, we considered this area as a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ Obtained an understanding of the management's process for identification of agreements which contain leasing arrangements. ▪ Evaluated the selection of accounting policies and methodology followed by the management for determination and measurement of right-of-use assets, corresponding lease liabilities and other related impacts. ▪ On a sample basis, tested the underlying data used by the management from the lease contracts for determination of the right-of-use assets and corresponding lease liabilities. Further, performed re-computations on test basis to assess accuracy of computations performed by the management. ▪ Assessed whether the presentation and disclosures relating to the adoption of IFRS 16 in the consolidated financial statements are in compliance with the applicable financial reporting framework.

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.

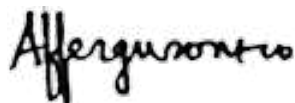
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate 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 partner on the audit resulting in this independent auditor's report is Shahbaz Akbar.



A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 03, 2020

Consolidated Statement of Financial Position

As at December 31, 2019

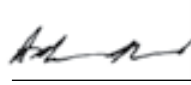
	Note	2019	2018
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	6	243,370,701	187,915,671
Balances with other banks	7	42,722,227	41,747,060
Lendings to financial institutions	8	21,756,404	35,346,551
Investments	9	874,561,737	831,159,100
Advances	10	694,934,463	754,551,722
Fixed assets	11	58,276,411	50,898,280
Intangible assets	12	2,070,938	1,876,094
Deferred tax assets	13	1,723,553	6,685,952
Assets classified as held for sale	14	236,450	-
Other assets	15	84,085,440	92,312,444
		2,023,738,324	2,002,492,874
LIABILITIES			
Bills payable	17	22,929,220	27,272,967
Borrowings	18	170,405,060	279,918,125
Deposits and other accounts	19	1,557,995,306	1,448,324,041
Liabilities against assets subject to finance lease	20	19,095	10,000
Subordinated debt	21	10,000,000	9,000,000
Deferred tax liabilities	13	-	-
Liabilities directly associated with assets classified as held for sale	14	17,936	-
Other liabilities	22	71,499,836	69,343,882
		1,832,866,453	1,833,869,015
NET ASSETS		<u>190,871,871</u>	<u>168,623,859</u>
REPRESENTED BY:			
Share capital	23	12,241,798	12,241,798
Reserves		66,676,411	60,078,870
Surplus on revaluation of assets	24	27,404,558	16,992,906
Unappropriated profit		77,335,249	73,749,955
Total equity attributable to the equity holders of the Bank		<u>183,658,016</u>	<u>163,063,529</u>
Non-controlling interest	25	<u>7,213,855</u>	<u>5,560,330</u>
		<u>190,871,871</u>	<u>168,623,859</u>
CONTINGENCIES AND COMMITMENTS		26	

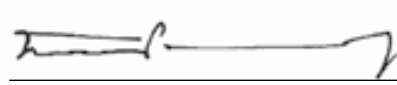
The annexed notes 1 to 52 and annexures I, II and III form an integral part of these consolidated financial statements.


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

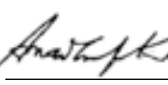
For the year ended December 31, 2019

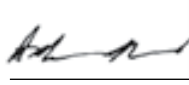
	Note	2019	2018
		----- (Rupees in '000) -----	
Mark-up / return / interest earned	28	157,277,853	116,833,977
Mark-up / return / interest expensed	29	93,936,935	58,890,757
Net mark-up / interest income		63,340,918	57,943,220
Non mark-up / interest income			
Fee and commission income	30	15,631,895	15,859,283
Dividend income		1,123,261	1,683,678
Foreign exchange income		4,669,102	3,656,352
Income / (loss) from derivatives		64,627	(87,716)
Gain on securities - net	31	216,670	3,885,834
Other income	32	1,852,427	1,014,156
Total non mark-up / interest income		23,557,982	26,011,587
Total income		86,898,900	83,954,807
Non mark-up / interest expenses			
Operating expenses	33	43,843,588	42,047,048
Workers' Welfare Fund	34	747,859	(2,163,314)
Other charges	35	40,109	114,798
Total non mark-up / interest expenses		44,631,556	39,998,532
Share of profit of associates	9.9.1	776,853	699,294
Profit before provisions		43,044,197	44,655,569
Provisions and write offs - net	36	7,313,543	12,446,609
Extra ordinary / unusual item - charge in respect of pension liability		-	6,657,216
Profit before taxation from continuing operations		35,730,654	25,551,744
Taxation	37	15,457,158	10,384,383
Profit after taxation from continuing operations		20,273,496	15,167,361
Discontinued operation			
Loss from discontinued operation - net of tax	14	(1,225,198)	(117,807)
		19,048,298	15,049,554
Attributable to:			
Equity holders of the Bank			
from continuing operations		20,320,339	15,600,858
from discontinued operation		(1,225,198)	(117,807)
		19,095,141	15,483,051
Non-controlling interest		(46,843)	(433,497)
		19,048,298	15,049,554
		----- (Rupees) -----	
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Bank			
Basic and diluted		16.60	12.74
Earnings per share for profit attributable to the ordinary equity holders of the Bank			
Basic and diluted	38	15.60	12.65

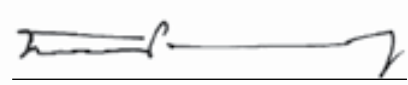
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Aameer Karachiwalla
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Sima Kamil
President &
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Director


Arshad Ahmad Mir
Director


Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

Consolidated Statement of Comprehensive Income

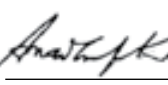
For the year ended December 31, 2019

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Profit after taxation for the year attributable to:		
Equity holders of the Bank	19,095,141	15,483,051
Non-controlling interest	(46,843)	(433,497)
	<u>19,048,298</u>	<u>15,049,554</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	5,994,906	11,379,285
Non-controlling interest	777,237	831,443
	<u>6,772,143</u>	<u>12,210,728</u>
Movement in surplus / (deficit) on revaluation of investments - net of tax		
Equity holders of the Bank	10,419,759	(16,127,636)
Non-controlling interest	562,734	(664,719)
	<u>10,982,493</u>	<u>(16,792,355)</u>
	<u>17,754,636</u>	<u>(4,581,627)</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	(540,185)	(373,837)
Non-controlling interest	(19,359)	14,137
	<u>(559,544)</u>	<u>(359,700)</u>
Movement in surplus on revaluation of fixed assets - net of tax		
Equity holders of the Bank	383,870	38,913
Non-controlling interest	382,104	321,929
	<u>765,974</u>	<u>360,842</u>
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	<u>39,598</u>	<u>(6,672)</u>
	<u>246,028</u>	<u>(5,530)</u>
Total comprehensive income for the year	<u><u>37,048,962</u></u>	<u><u>10,462,397</u></u>
Attributable to:		
Equity holders of the Bank	35,393,089	10,393,104
Non-controlling interest	1,655,873	69,293
	<u><u>37,048,962</u></u>	<u><u>10,462,397</u></u>

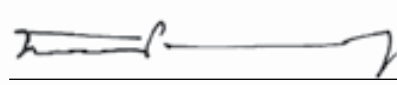
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Consolidated Statement of Changes in Equity

For the year ended December 31, 2019

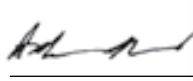
	Attributable to equity shareholders of the Bank								Non-controlling Interest	Total
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Surplus / (deficit) on revaluation of			Unappropriated profit		
					Investments	Fixed Assets	Non Banking Assets		Sub total	
(Rupees in '000)										
Balance as at December 31, 2017	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
Effect of adoption of IFRS 9 by overseas branches	-	-	-	-	-	-	-	(1,640,563)	(1,640,563)	-
Balance as at January 01, 2018	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
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)
Other comprehensive income - net of tax	-	-	-	11,379,285	(16,127,636)	38,913	(6,672)	(373,837)	(5,089,947)	502,790
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
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(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)	-
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 at Rs. 2.0 per share	-	-	-	-	-	-	-	(2,448,359)	(2,448,359)	-
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
Total comprehensive income for the year ended December 31, 2019										
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	19,095,141	19,095,141	(46,843)
Other comprehensive income - net of tax	-	-	-	5,994,906	10,419,759	383,870	39,598	(540,185)	16,297,948	1,702,716
Total comprehensive income for the year ended December 31, 2019	-	-	-	5,994,906	10,419,759	383,870	39,598	18,554,956	35,393,089	1,655,873
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1,540)
Transfer from surplus on revaluation on disposal to unappropriated profit - net of tax	-	-	-	-	-	(262,309)	(114,383)	376,692	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(54,883)	-	54,883	-	(808)
Transfer to statutory reserve	-	-	1,935,261	-	-	-	-	(1,935,261)	-	-
Transactions with owners for the year ended December 31, 2019										
Final cash dividend - December 31, 2018 declared subsequent to the year end at Rs. 3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-
Interim cash dividend - March 31, 2019 declared at Rs. 2.5 per share	-	-	-	-	-	-	-	(3,060,449)	(3,060,449)	-
Interim cash dividend - June 30, 2019 declared at Rs. 2.5 per share	-	-	-	-	-	-	-	(3,060,449)	(3,060,449)	-
Interim cash dividend - September 30, 2019 declared at Rs. 3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-
Realization of exchange translation reserve - Note 32.2	-	-	-	(1,332,626)	-	-	-	-	(1,332,626)	-
Balance as at December 31, 2019	12,241,798	3,000	33,288,783	33,384,628	189,482	27,184,005	31,071	77,335,249	183,658,016	7,213,855

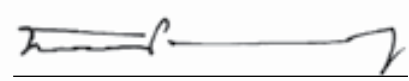
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Consolidated Cash Flow Statement

For the year ended December 31, 2019


Note	2019	2018
----- (Rupees in '000) -----		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation including discontinued operations	34,771,052	25,387,483
Less: Dividend income	(1,123,261)	(1,683,678)
Share of profit of associates	(776,853)	(699,294)
	<u>32,870,938</u>	<u>23,004,511</u>
Adjustments:		
Depreciation on fixed assets	2,806,191	2,466,344
Depreciation on Islamic financing against leased assets (Ijarah)	227,783	186,623
Depreciation on right-of-use assets	2,112,273	-
Amortization	701,155	562,568
Workers' Welfare Fund	747,859	(2,163,314)
Provision for retirement benefits	1,062,007	7,461,772
Charge for compensated absences	33,383	141,698
Provision against loans and advances - net	4,318,706	10,594,770
Provision for diminution in value of investments - net	2,392,687	1,231,938
Interest expense on lease liability against right-of-use assets	1,068,434	-
Provision against off-balance sheet items	47,438	463,300
Gain on sale of operating fixed assets - net	(120,056)	(42,662)
Gain on sale of Ijarah assets - net	(861)	(1,754)
Bad debts written-off directly	149,591	130,830
Unrealized gain on revaluation of investments classified as held for trading	7,386	(8,524)
Realization of exchange translation reserve - UBL New York branch	(1,332,626)	-
Other provisions / write-offs	150,981	75,072
Provision against other assets - net	254,140	6,523
	<u>14,626,471</u>	<u>21,105,184</u>
	<u>47,497,409</u>	<u>44,109,695</u>
Decrease / (increase) in operating assets		
Lendings to financial institutions	13,590,147	(22,191,674)
Held for trading securities	30,445,150	3,514,443
Advances	54,889,311	(100,284,394)
Other assets (excluding advance taxation)	2,459,232	(4,855,536)
	<u>101,383,840</u>	<u>(123,817,161)</u>
(Decrease) / increase in operating liabilities		
Bills payable	(4,343,747)	(2,579,438)
Borrowings	(109,513,065)	(237,164,034)
Deposits and other accounts	109,671,265	98,625,554
Other liabilities (excluding current taxation)	(5,300,708)	12,335,395
	<u>(9,486,255)</u>	<u>(128,782,523)</u>
	<u>139,394,994</u>	<u>(208,489,989)</u>
Payments on account of staff retirement benefits	(1,915,878)	(6,418,588)
Income taxes paid	(10,396,331)	(18,947,962)
Net cash flows generated from / (used in) operating activities	<u>127,082,785</u>	<u>(233,856,539)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(101,929,186)	233,876,065
Net investments in held to maturity securities	41,789,700	29,749,485
Net investments in associates	103,820	(26,806)
Dividend income received	1,128,326	1,711,181
Investment in fixed assets	(3,358,993)	(3,817,074)
Investment in intangible assets	(857,585)	(1,253,605)
Sale proceeds from disposal of fixed assets	539,516	128,578
Sale proceeds from disposal of Ijarah assets	32,729	67,966
Effect of translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity holders of the Bank	5,994,906	11,379,285
- Non-controlling interest	777,237	831,443
Net cash flows (used in) / generated from investing activities	<u>(55,779,530)</u>	<u>272,646,518</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Leased obligation	9,095	5,625
Receipts of subordinated debts	1,000,000	9,000,000
Payment of lease liability against right-of-use assets	(2,195,458)	-
Dividends paid to:		
- Equity holders of the Bank	(13,448,704)	(14,799,574)
- Non-controlling interest	(1,540)	(1,581)
Net cash flows used in financing activities	<u>(14,636,607)</u>	<u>(5,795,530)</u>
Increase in cash and cash equivalents	<u>56,666,648</u>	<u>32,994,449</u>
Cash and cash equivalents at the beginning of the year	229,662,731	196,668,282
Cash and cash equivalents at the end of the year	<u>286,329,378</u>	<u>229,662,731</u>

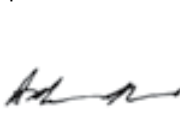
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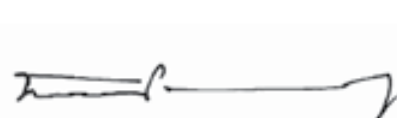
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Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

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 1,362 (December 31, 2018: 1,364) branches inside Pakistan including 100 (December 31, 2018: 94) Islamic Banking branches and 2 (December 31, 2018: 2) branches in Export Processing Zones. The Bank also operates 14 (December 31, 2018: 15) 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 (2018: 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 (2018: 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 (2018: 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 (2018: 98.87% 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% (2018: 98.87% 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 (2018: 100% holding)

UBL Bank (Tanzania) Limited (UBTL) was incorporated on March 13, 2012 and had commenced operations in May 2013. The Banking operations of the subsidiary ceased on November 1, 2019. Details of sale agreement and financial information are disclosed in note 14.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

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 accounting and reporting standards that are effective in the current year**

During the current year, IFRS 16, Leases, became effective from annual periods beginning on or after January 01, 2019. The impact of the adoption of IFRS 16 on the Bank's consolidated financial statements is disclosed in note 5.1.1.

IFRS 15 introduces a single five step revenue recognition model for all contracts with customers, unless those contracts are in the scope of other standards and, accordingly, has superseded IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The adoption of IFRS 15 does not have any material impact on the consolidated financial statements of the Group.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

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, 2019. These are considered either to be not relevant or to not have any significant impact on the Bank's consolidated financial statements.

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

The following new standards and interpretations of and amendments to existing accounting and reporting 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 3 - Definition of a Business (Amendments)	January 01, 2020
- IAS 1 - Presentation of Financial Statements (Amendments)	January 01, 2020
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020
- IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2021

IFRS 9 has been applicable in several overseas jurisdictions from January 1, 2018 and is progressively being adopted in others. The requirements of this standard are incorporated in the Group's financial statements for the jurisdictions where IFRS 9 has been adopted. As per the SBP's BPRD Circular Letter no. 4 dated October 23, 2019, the applicability of IFRS 9 to banks in Pakistan has been deferred to accounting periods beginning on or after January 1, 2021.

Except for the implementation of IFRS 9 in Pakistan, the Group expects that adoption of the amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated 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 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 (note 8) and advances (notes 5.6 and 10.4)
- 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)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

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 the following:

5.1 Change in accounting policies

5.1.1 Impact of IFRS 16 - Leases

During the period, IFRS 16 - Leases became applicable for the Group. 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 an on-balance sheet lease accounting model for leases entered by the lessee. A lessee recognizes a right-of-use asset representing its right of using the underlying asset and a corresponding lease liability representing its obligations to make lease payments. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as either finance or operating leases.

The Group has adopted IFRS 16 from January 1, 2019 using the modified retrospective restatement approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Group has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities were initially measured at the present value of the remaining lease payments, discounted using the Bank's incremental weighted average borrowing rate of 13.18% per annum at January 1, 2019. The lease liability is subsequently measured at amortised cost using the effective interest rate method.

	December 31, 2019	January 01, 2019
	------(Rupees in '000)-----	
Total lease liability recognised	<u>7,826,864</u>	<u>8,101,079</u>

On adoption of IFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability adjusted by the amount of prepaid lease payments recognised in the consolidated statement of financial position immediately before the date of initial application.

The right-of-use assets recognised subsequent to the adoption are measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use assets are depreciated on a straight line basis over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements of lease liability.

The recognised right-of-use assets relate to the following type of asset:

	December 31, 2019	January 01, 2019
	------(Rupees in '000)-----	
Land and building	<u>7,145,558</u>	<u>8,396,393</u>

The effect of this change in accounting policy is as follows:

Impact on Consolidated Statement of Financial Position

Increase in fixed assets - right-of-use assets	7,145,558	8,396,393
Decrease in other assets - advances, deposits, advance rent and other prepayments	(234,381)	(295,314)
Increase in other assets - advance taxation	360,974	-
Increase in total assets	7,272,151	8,101,079
Exchange Translation	(343)	-
Increase in other liabilities - lease liability against right-of-use assets	(7,826,864)	(8,101,079)
Decrease in net assets	<u>(555,056)</u>	<u>-</u>

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	2019 (Rupees in '000)
Impact on Consolidated Profit and Loss account	
Increase in mark-up expense - lease liability against right-of-use assets	(1,068,434)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(2,112,273)
- Rent expense	2,254,204
- Other income due to derecognition of lease contract	10,473
Decrease in profit before tax	(916,030)
Decrease in tax	360,974
Decrease in profit after tax	<u>(555,056)</u>

The effect of this change in accounting policy is as follows:

Operating lease commitments disclosed as at December 31, 2018	<u>12,790,558</u>
Discounted using the lessee's incremental borrowing rate of at the date of initial application	8,110,262
(Less): short-term leases recognised on a straight-line basis as expense	(8,916)
(Less): low value leases recognised on a straight line basis as expense	(267)
Lease liability recognised as at January 1, 2019	<u>8,101,079</u>
Of which are:	
- Current lease liabilities	1,126,414
- Non Current lease liabilities	6,974,665
	<u>8,101,079</u>

Earnings per share for the year ended December 31, 2019 are Re 0.45 per share lower as a result of the adoption of IFRS 16.

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.

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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

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments. The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

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.

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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.

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).

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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 installments.

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 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.

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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.

5.7.3 Lease liability and Right-of-use asset

The Bank enters into leasing arrangement for its branches, ATMs and warehouses. Rental contracts are typically for a fixed period of 1 year to 50 years and may have extension options as described below. At inception of a contract, the Bank assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to extended (or not be terminated).

The lease liability is initially measured at the present value of the lease payments over the period lease term and that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

Lease payments include fixed payments less any lease incentive receivable, variable lease payment that are based on an index or a rate which are initially measured using the index or rate as at the commencement date, amounts expected to be payable by the Bank under residual value guarantees, the exercise price of a purchase option if the Banks is reasonably certain to exercise that option and payments of penalties for terminating the lease if the lease term reflects the lessee exercising that option. The extension and termination options are incorporated in determination of lease term only when the Bank is reasonably certain to exercise these options.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or lease modification, or to reflect revised in-substance fixed lease payment.

The lease liability is remeasured when the Bank reassesses the reasonable certainty of exercise of extension or termination option upon occurrence of either a significant event or a significant change in circumstance, or when there is a change in assessment of an option to purchase underlying asset, or when there is a change in amount expected to be payable under a residual value guarantee, or when there is a change in future lease payments resulting from a change in an index or rate used to determine those payment. The corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in profit and loss if the carrying amount of right-to-use asset has been reduced to zero.

When there is a change in scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease is accounted for as a lease modification. The lease modification is accounted for as a separate lease if modification increase the scope of lease by adding the right-to-use one or more underlying assets and the consideration for lease increases by an amount that is commensurate with the stand-alone price for the increase in scope adjusted to reflect the circumstances of the particular contracts, if any. When the lease modification is not accounted for as a separate lease, the lease liability is remeasured and corresponding adjustment is made to right-of-use asset.

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The right-of-use asset is initially measured based at the initial amount of initial measurement of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently measured at cost model. The right of use asset is depreciated on a straight line method over the lease term as this method most closely reflects the expected pattern of consumption of future economic benefits. The right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The Bank has elected to apply the practical expedient not to recognise right-of-use assets and lease liabilities for short term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognised as an expense on a straight line basis over the lease term.

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.

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.

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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.

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

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).

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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.

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.

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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.

5.13 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.

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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.

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.

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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.

(b) Treasury

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

This represents Islamic Banking branches and Islamic Banking window in the conventional branches 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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

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 holding company by the weighted average number of ordinary shares outstanding during the year.

5.21 Acceptances

Acceptances comprise undertakings by the Group 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.

	Note	2019 ----- (Rupees in '000) -----	2018
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		12,394,957	11,659,464
Foreign currency		5,155,165	4,182,154
		17,550,122	15,841,618
With State Bank of Pakistan in			
Local currency current accounts	6.1	77,855,915	46,699,046
Foreign currency current accounts	6.2	3,431,095	3,209,866
Foreign currency deposit account	6.3	10,081,214	8,304,054
		91,368,224	58,212,966
With other central banks in			
Foreign currency current accounts	6.4	36,255,841	34,761,763
Foreign currency deposit accounts	6.5	8,694,038	12,103,156
		44,949,879	46,864,919
With National Bank of Pakistan in local currency current accounts		89,136,038	66,936,342
Prize Bonds		366,438	59,826
		<u>243,370,701</u>	<u>187,915,671</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, 2019, it carries mark-up at the rate of 0.70% (2018: 1.35%) 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 1.50% to 2.00% (2018: 2.24% to 2.50%) per annum.		

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

7.	BALANCES WITH OTHER BANKS	Note	2019 ----- (Rupees in '000) -----	2018
	Inside Pakistan			
	In current accounts		17	3,216
	In deposit accounts	7.1	3,458	4,492,852
			3,475	4,496,068
	Outside Pakistan			
	In current accounts		19,811,273	11,914,322
	In deposit accounts	7.2	22,907,479	25,336,670
			42,718,752	37,250,992
			42,722,227	41,747,060

7.1 These carry mark-up at rates ranging from 5.0% to 6.5% (2018: 9.8% to 10.5%) per annum.

7.2 These carry mark-up at rates ranging from 1.30% to 3.50% (2018: 0.13% to 5.86%) per annum. These included balances amounting to Rs. 277.724 million maintained with UBL New York branch against the statutory reserves requirement of UBL New York branch as at December 31, 2018.

8.	LENDINGS TO FINANCIAL INSTITUTIONS	Note	2019 ----- (Rupees in '000) -----	2018
	Call / clean money lending		-	7,000,000
	Repurchase agreement lendings (reverse repo)	8.2	9,450,000	23,500,000
	Bai Muajjal receivable from other financial institutions	8.3	10,796,576	3,066,732
	Other lendings to financial institutions	8.4	1,509,828	1,848,072
			21,756,404	35,414,804
	Less: provision against lendings to financial institutions		-	(68,253)
	Lendings to financial institutions - net of provision		21,756,404	35,346,551

8.1 Particulars of lendings to financial institutions - gross

In local currency	20,246,576	33,634,872
In foreign currencies	1,509,828	1,779,932
	21,756,404	35,414,804

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

	2019			2018		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Pakistan Investment Bonds	-	9,450,000	9,450,000	5,000,000	18,500,000	23,500,000

8.2.1 The market value of securities held as collateral against repurchase agreement lendings amounted to Rs. 9,459.071 million (2018: Rs. 23,496.797 million).

8.3 This represents Bai Muajjal agreements entered into with various financial institutions whereby the Bank has sold Sukuks having carrying value of Rs. 10,682.138 million (2018: Rs. 2,992.934 million) on deferred payment basis. The average return on these transactions is 12.45% (2018: 10.00%) per annum.

8.4 Lendings pertaining to overseas operations carry mark-up at rates ranging from 0.60% to 7.04% (2018: 4.25%) per annum and are due to mature latest by December 2021.

Notes to and forming part of the Consolidated Financial Statements

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9. INVESTMENTS

9.1 Investments by type

INVESTMENTS		2019				2018			
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		71,095,652	-	(7,121)	71,088,531	99,942,759	-	954	99,943,713
Pakistan Investment Bonds		47,107	-	(265)	46,842	1,621,854	-	7,570	1,629,424
		71,142,759	-	(7,386)	71,135,373	101,564,613	-	8,524	101,573,137
Available for sale securities									
Market Treasury Bills		182,898,327	-	149,496	183,047,823	139,865,800	-	(22,440)	139,843,360
Pakistan Investment Bonds		204,713,653	-	(6,674,197)	198,039,456	133,585,814	-	(14,268,873)	119,316,941
Government of Pakistan Eurobonds		19,657,993	(271,160)	1,291,623	20,678,456	19,793,232	(203,676)	(867,162)	18,722,394
Government of Pakistan Sukuks		9,056,189	(32,577)	23,973	9,047,585	15,145,060	(49,844)	(176,154)	14,919,062
Sukuks		1,220,000	-	-	1,220,000	105,000	-	-	105,000
Ordinary shares of listed companies		15,583,327	(5,372,566)	3,199,996	13,410,757	18,018,247	(3,047,999)	1,747,978	16,718,226
Preference shares		101,365	(64,698)	-	36,667	482,687	(446,023)	-	36,664
Ordinary shares of unlisted companies		754,150	(130,029)	-	624,121	753,812	(121,989)	-	631,823
Investment in REIT		458,590	-	62,118	520,708	458,590	-	41,273	499,863
Investment in Mutual Fund		250,000	-	2,931	252,931	-	-	-	-
Term Finance Certificates		791,519	(97,278)	-	694,241	941,297	(97,278)	(891)	843,128
Foreign bonds - sovereign		62,394,975	(582,836)	2,370,837	64,182,976	67,706,652	(378,288)	(1,266,323)	66,062,041
Foreign bonds - others		16,580,570	(39,741)	(241,305)	16,299,524	15,675,281	(46,622)	(1,320,309)	14,308,350
		514,460,658	(6,590,885)	185,472	508,055,245	412,531,472	(4,391,719)	(16,132,901)	392,006,852
Held to maturity securities									
Market Treasury Bills		3,458,029	-	-	3,458,029	3,124,601	-	-	3,124,601
Pakistan Investment Bonds		206,994,945	-	-	206,994,945	275,079,334	-	-	275,079,334
Government of Pakistan Eurobonds		10,448,042	(147,920)	-	10,300,122	8,788,340	(127,994)	-	8,660,346
Government of Pakistan Sukuks		1,252,731	(12,536)	-	1,240,195	1,399,305	(11,264)	-	1,388,041
Bai Muajjal with Government of Pakistan	9.4	26,443,679	-	-	26,443,679	8,300,566	-	-	8,300,566
Term Finance Certificates		5,355,210	(8,835)	-	5,346,375	6,023,053	(11,384)	-	6,011,669
Sukuks		13,725,143	(87,870)	-	13,637,273	11,921,801	(107,743)	-	11,814,058
Participation Term Certificates		437	(437)	-	-	437	(437)	-	-
Debentures		2,266	(2,266)	-	-	2,266	(2,266)	-	-
Foreign bonds - sovereign		21,379,268	(332,446)	-	21,046,822	17,251,054	(171,247)	-	17,079,807
Foreign bonds - others		1,321,635	(61,085)	-	1,260,550	1,497,873	(347,246)	-	1,150,627
Recovery note		59,157	(59,141)	-	16	428,009	(427,993)	-	16
CDC SAARC Fund		336	-	-	336	302	-	-	302
		290,440,878	(712,536)	-	289,728,342	333,816,941	(1,207,574)	-	332,609,367
Associates									
UBL Liquidity Plus Fund	9.9	1,460,128	-	-	1,460,128	11,700	-	-	11,700
UBL Money Market Fund	9.9	-	-	-	-	32,069	-	-	32,069
UBL Stock Advantage Fund	9.9	180,936	-	-	180,936	207,469	-	-	207,469
UBL Financial Sector Fund	9.9	359,485	-	-	359,485	119,529	-	-	119,529
UBL Income Opportunity Fund	9.9	-	-	-	-	1,542,968	-	-	1,542,968
UBL Cash Fund	9.9	106,456	-	-	106,456	-	-	-	-
Al Ameen Islamic Energy Fund	9.9	101,395	-	-	101,395	-	-	-	-
UBL Insurers Limited	9.9	499,786	-	-	499,786	414,884	-	-	414,884
Khushhali Bank Limited	9.9	2,934,591	-	-	2,934,591	2,572,719	-	-	2,572,719
Oman United Exchange Company, Muscat	9.9.1.5	-	-	-	-	68,406	-	-	68,406
DHA Cogen Limited	9.9.1.6	-	-	-	-	-	-	-	-
		5,642,777	-	-	5,642,777	4,969,744	-	-	4,969,744
Total Investments		881,687,072	(7,303,421)	178,086	874,561,737	852,882,770	(5,599,293)	(16,124,377)	831,159,100

Notes to and forming part of the Consolidated Financial Statements

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9.2 Investments by segment

	2019				2018			
	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	257,452,008	-	142,375	257,594,383	239,808,559	-	(21,486)	239,787,073
Pakistan Investment Bonds	411,755,705	-	(6,674,462)	405,081,243	410,287,002	-	(14,261,303)	396,025,699
Government of Pakistan Eurobonds	30,106,035	(419,080)	1,291,623	30,978,578	28,581,572	(331,670)	(867,162)	27,382,740
Government of Pakistan Sukuk	10,308,920	(45,113)	23,973	10,287,780	16,544,365	(61,108)	(176,154)	16,307,103
Bai Muajjal Government of Pakistan	26,443,679	-	-	26,443,679	8,300,566	-	-	8,300,566
	736,066,347	(464,193)	(5,216,491)	730,385,663	703,522,064	(392,778)	(15,326,105)	687,803,181
Ordinary shares								
Listed companies	15,583,327	(5,372,566)	3,199,996	13,410,757	18,018,247	(3,047,999)	1,747,978	16,718,226
Unlisted companies	754,150	(130,029)	-	624,121	753,812	(121,989)	-	631,823
	16,337,477	(5,502,595)	3,199,996	14,034,878	18,772,059	(3,169,988)	1,747,978	17,350,049
Preference shares	101,365	(64,698)	-	36,667	482,687	(446,023)	-	36,664
Investment in REIT	458,590	-	62,118	520,708	458,590	-	41,273	499,863
Investment in Mutual Fund	250,000	-	2,931	252,931	-	-	-	-
Non-Government Debt Securities								
Listed companies	2,702,381	(97,279)	-	2,605,102	3,493,655	(97,278)	(891)	3,395,486
Unlisted companies	18,392,194	(99,407)	-	18,292,787	15,500,199	(121,830)	-	15,378,369
	21,094,575	(196,686)	-	20,897,889	18,993,854	(219,108)	(891)	18,773,855
Foreign Securities								
Market Treasury Bills	-	-	-	-	3,124,601	-	-	3,124,601
Foreign bonds - sovereign	83,774,243	(915,282)	2,370,837	85,229,798	84,957,706	(549,535)	(1,266,323)	83,141,848
Foreign bonds - others	17,902,205	(100,826)	(241,305)	17,560,074	17,173,154	(393,868)	(1,320,309)	15,458,977
CDC SAARC Fund	336	-	-	336	302	-	-	302
Recovery note	59,157	(59,141)	-	16	428,009	(427,993)	-	16
	101,735,941	(1,075,249)	2,129,532	102,790,224	105,683,772	(1,371,396)	(2,586,632)	101,725,744
Associates								
UBL Liquidity Plus Fund	1,460,128	-	-	1,460,128	11,700	-	-	11,700
UBL Money Market Fund	-	-	-	-	32,069	-	-	32,069
UBL Stock Advantage Fund	180,936	-	-	180,936	207,469	-	-	207,469
UBL Financial Sector Fund	359,485	-	-	359,485	119,529	-	-	119,529
UBL Income Opportunity Fund	-	-	-	-	1,542,968	-	-	1,542,968
UBL Cash Fund	106,456	-	-	106,456	-	-	-	-
Al Ameen Islamic Energy Fund	101,395	-	-	101,395	-	-	-	-
UBL Insurers Limited	499,786	-	-	499,786	414,884	-	-	414,884
Khushhali Bank Limited	2,934,591	-	-	2,934,591	2,572,719	-	-	2,572,719
Oman United Exchange Company, Muscat	-	-	-	-	68,406	-	-	68,406
	5,642,777	-	-	5,642,777	4,969,744	-	-	4,969,744
Total Investments	881,687,072	(7,303,421)	178,086	874,561,737	852,882,770	(5,599,293)	(16,124,377)	831,159,100

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
9.2.1 Investments given as collateral - at market value			
Market Treasury Bills		67,189,682	104,483,301
Pakistan Investment Bonds		13,499,874	55,064,705
Government of Pakistan Eurobonds		-	1,457,053
Foreign bonds - sovereign		-	2,938,477
Foreign bonds - others		-	1,167,508
		<u>80,689,556</u>	<u>165,111,044</u>
9.3 Provision for diminution in value of investments			
9.3.1 Opening balance		5,599,293	3,149,523
Impact on adoption of IFRS 9		-	871,640
Exchange adjustments		241,868	373,917
Charge / (reversals)			
Charge for the year		4,014,497	1,851,005
Reversals for the year		(1,621,810)	(619,067)
	36	<u>2,392,687</u>	<u>1,231,938</u>
Amounts written off		(930,427)	(27,725)
Closing balance	9.8	<u>7,303,421</u>	<u>5,599,293</u>

9.3.2 Particulars of provision against debt securities

Category of classification	2019		2018	
	Non Performing Investment (NPI)	Provision	Non Performing Investment (NPI)	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	714,023	196,685	2,136,944	219,107
Overseas				
Overdue by:				
> 365 days	78,784	78,784	729,205	729,179
Total	<u>792,807</u>	<u>275,469</u>	<u>2,866,149</u>	<u>948,286</u>

	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
9.4 Bai Muajjal Government of Pakistan		
Bai Muajjal Investment	33,031,000	11,420,000
Less: Deferred Income	(6,587,321)	(3,119,434)
Bai Muajjal Investment - net	<u>26,443,679</u>	<u>8,300,566</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 million (2018: Rs. 118 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 million (2018: Rs. 5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.
- 9.7** Investments include amounts aggregating to Rs. 391.503 million (2018: Rs 1,792.177 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 expected credit loss (ECL) under IFRS 9 amounting to Rs: 1,460.657 million (2018: Rs: 1,035.064 million).

Notes to and forming part of the Consolidated Financial Statements

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9.9 Investment in associates

9.9.1 Movement of Investment in associates *

		2019							
	Note	Country of incorporation	Percentage holding	Investment at the beginning of the year	Investment / (Redemption) during the year	Share of profit	Dividend received	Share of unrealized loss on assets	Investment at the end of the year
(Rupees in '000)									
United Growth and Income Fund	9.9.1.1	Pakistan	0.00%	-	(36,516)	69,841	(33,325)	-	-
UBL Liquidity Plus Fund	9.9.1.1	Pakistan	14.85%	11,700	1,429,963	23,154	(4,689)	-	1,460,128
UBL Money Market Fund	9.9.1.1	Pakistan	0.00%	32,069	(39,848)	7,779	-	-	-
UBL Retirement Savings Fund	9.9.1.1	Pakistan	0.00%	-	-	-	-	-	-
UBL Stock Advantage Fund	9.9.1.1	Pakistan	2.87%	207,469	(87,910)	61,377	-	-	180,936
UBL Financial Planning Fund	9.9.1.1	Pakistan	0.00%	-	-	-	-	-	-
UBL Financial Sector Fund	9.9.1.1	Pakistan	36.56%	119,529	195,858	44,098	-	-	359,485
UBL Income Opportunity Fund	9.9.1.1	Pakistan	0.00%	1,542,968	(1,517,949)	1,408	(26,427)	-	-
UBL Special Savings Fund	9.9.1.1	Pakistan	0.00%	-	-	-	-	-	-
UBL Cash Fund	9.9.1.1	Pakistan	33.43%	-	100,360	6,519	(423)	-	106,456
Al Ameen Islamic Cash Fund	9.9.1.2	Pakistan	0.00%	-	-	-	-	-	-
Al Ameen Islamic Sovereign Fund	9.9.1.2	Pakistan	0.00%	-	(32)	32	-	-	-
Al Ameen Shariah Stock Fund	9.9.1.2	Pakistan	0.00%	-	-	-	-	-	-
Al Ameen Islamic Asset Allocation Fund	9.9.1.2	Pakistan	0.00%	-	-	-	-	-	-
Al Ameen Islamic Financial Planning Fund	9.9.1.2	Pakistan	0.00%	-	-	-	-	-	-
Al Ameen Islamic Financial Planning Fund II	9.9.1.2	Pakistan	0.00%	-	-	-	-	-	-
Al Ameen Islamic Energy Fund	9.9.1.2	Pakistan	49.84%	-	100,000	1,395	-	-	101,395
UBL Insurers Limited	9.9.1.3	Pakistan	30.00%	414,884	-	100,477	(15,575)	-	499,786
Khushhali Bank Limited	9.9.1.4	Pakistan	29.69%	2,572,719	-	437,887	(75,944)	(71)	2,934,591
Oman United Exchange Company, Muscat	9.9.1.5	Oman	0.00%	68,406	(91,292)	22,886	-	-	-
				4,969,744	52,634	776,853	(156,383)	(71)	5,642,777

2018									
		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 surplus / (loss) 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)	-	11,700
UBL Money Market Fund	9.9.1.1	Pakistan	1.92%	11,455	8,818	12,003	(207)	-	32,069
UBL Retirement Savings Fund	9.9.1.1	Pakistan	0.00%	-	-	-	-	-	-
UBL Government Securities Fund	9.9.1.1	Pakistan	0.00%	265,325	(258,939)	(6,386)	-	-	-
UBL Stock Advantage Fund	9.9.1.1	Pakistan	3.31%	210,149	6,581	(8,573)	-	(688)	207,469
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)	-	119,529
UBL Income Opportunity Fund	9.9.1.1	Pakistan	69.23%	-	1,501,942	41,026	-	-	1,542,968
UBL Special Savings Fund	9.9.1.1	Pakistan	0.00%	-	(49)	1,752	(1,703)	-	-
Al Ameen Islamic Cash Fund	9.9.1.2	Pakistan	0.00%	367	(361)	(6)	-	-	-
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	-	-	414,884
Khushhali Bank Limited	9.9.1.4	Pakistan	29.69%	2,046,922	-	552,689	(26,833)	(59)	2,572,719
Oman United Exchange Company, Muscat	9.9.1.5	Oman	25.00%	69,702	1,846	(3,142)	-	-	68,406
				4,243,644	72,748	699,294	(45,185)	(757)	4,969,744

*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, 2019

- 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.

	2019	2018
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Net Assets	<u>9,427,675</u>	<u>8,210,192</u>
Percentage holding	29.69%	29.69%
Group share of Net Assets	2,799,468	2,437,947
Government Grant	-	(351)
Goodwill	<u>135,123</u>	<u>135,123</u>
Carrying amount of interest in associates	<u>2,934,591</u>	<u>2,572,719</u>

- 9.9.1.5** United Bank Limited has divested its 25% shareholding in Oman United Exchange Company Limited to a local Omani business group. The transaction was completed on March 31, 2019.
- 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

	2019				2018			
	Assets	Liabilities	Revenue	Profit	Assets	Liabilities	Revenue	Profit / (loss)
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
UBL Liquidity Plus Fund	10,700,149	864,510	1,162,483	1,029,282	10,480,588	113,902	978,359	839,619
UBL Money Market Fund	4,653,720	372,498	400,015	351,207	1,688,067	22,064	118,939	100,138
UBL Stock Advantage Fund	6,457,825	163,765	1,136,731	610,693	6,478,894	203,139	(273,310)	(498,435)
UBL Financial Sector Fund	994,621	11,275	142,311	51,990	377,545	10,546	(47,336)	(57,293)
UBL Income opportunity Fund	667,517	15,860	101,192	83,002	2,236,876	7,964	95,065	90,711
UBL Cash Fund	319,423	990	12,118	11,768	-	-	-	-
Al Ameen Islamic Energy Fund	224,866	21,426	1,044	327	-	-	-	-
UBL Insurers Limited	5,754,807	4,088,854	1,769,967	307,875	4,795,524	3,412,698	1,412,471	241,327
Khushhali Bank Limited	81,714,191	72,286,516	1,027,104	202,318	70,461,754	62,251,562	8,846,637	2,431,676
Oman United Exchange Company, Muscat	-	-	-	-	309,105	35,481	181,955	(64,481)
DHA Cogen Limited	4,503,235	18,010,428	-	-	4,503,235	18,010,428	-	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

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
Sukuks
Eurobonds

2019	2018
Cost	
---- (Rupees in '000) ----	
182,898,327	139,865,800
204,713,653	133,585,814
9,056,189	15,145,060
19,657,993	19,793,232
<u>416,326,162</u>	<u>308,389,906</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 Others

1,083,609	2,180,204
954,589	861,004
337,311	337,311
5,282,498	5,661,660
594,497	593,890
666,558	579,373
5,697,831	5,975,088
41,654	665,808
543,544	543,543
36	36
353,314	595,323
<u>15,555,441</u>	<u>17,993,240</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 Incorporation
Techlogix International Limited
Cinepax Limited
Tri Star Shipping Company
Pakistan Mortgage Refinance Co. Limited

2019		2018	
Cost	Breakup value	Cost	Breakup value
----- (Rupees in '000) -----			
26,950	-	26,950	-
21,100	69,511	21,100	69,511
1,526	51,641	1,526	59,076
100	832,941	100	728,462
5,500	1,622,928	5,500	1,331,012
2,905	15,722	2,905	16,564
325	45	325	31
0.003	374	0.003	332
3,778	-	3,778	-
77,606	-	77,606	-
50,703	29,537	50,703	37,595
60,122	197,405	60,122	197,405
250	-	250	-
500,000	507,460	500,000	500,047
<u>750,865</u>	<u>3,327,564</u>	<u>750,865</u>	<u>2,940,035</u>

9.10.1.3 Others

Investment in REIT
Preference shares
Mutual Funds

2019	2018
Cost	
----- (Rupees in '000) -----	
458,590	458,590
36,667	36,667
250,000	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

9.10.1.4 Non-Government Debt Securities

Listed

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

Unlisted

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

2019	2018
Cost	
----- (Rupees in '000) -----	
370,685	520,464
250,000	250,000
162,336	97,615
783,021	868,079
420,000	105,000
800,000	-
8,498	73,218
1,228,498	178,218

9.10.2 Foreign Securities

9.10.2.1 Government Securities

- Qatar
- Srilanka
- Jordan
- Bahrain
- Egypt
- Kenya
- Nigeria
- Oman
- Tanzania
- Turkey
- United Arab Emirates
- Ivory Coast (African Development Bank)
- Counsel of Europe Development Bank 2022
- Republic of Zambia
- United Kingdom
- United States of America
- Supranational entities (Banks)

2019		2018	
Cost	Rating	Cost	Rating
----- (Rupees in '000) -----			
4,115,224	AA-	3,762,165	AA-
7,558,608	B	6,838,089	B+
3,562,863	BB-	3,415,357	B+
6,263,102	BB-	4,957,369	B
4,320,033	B+	2,834,954	B-
1,160,041	B+	2,236,569	B
1,520,018	B+	1,819,221	B
6,254,963	BB+	3,515,060	BBB-
289,052	B+	1,287,857	B+
4,133,659	BB-	3,044,348	BB-
6,851,601	AA	6,908,648	AA
-	-	2,659,053	AAA
-	-	1,061,703	AA+
1,024,056	CCC	924,364	B-
2,272,997	AA	20,241,612	AA
3,825,355	AAA	2,200,283	AAA
9,243,403	AAA	-	-
62,394,975		67,706,652	

9.10.2.2 Non-Government Debt Securities

Listed

- AA+, AA, AA-
- BBB+, BBB, BBB-
- BB+, BB, BB-
- B+, B, B-
- CCC+, CCC, CCC-
- Unrated

2019	2018
Cost	
---- (Rupees in '000) ----	
674,429	611,172
4,272,729	3,177,868
1,320,410	3,085,094
6,725,303	5,317,795
825,277	823,059
2,762,422	2,660,293
16,580,570	15,675,281

9.10.2.3 Equity securities

Listed

DP world - Bahrain

Unlisted

The Benefit Company B.S.C

2019	2018
27,886	25,007
3,285	2,947
64,698	446,020

9.10.2.4 Preference shares

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

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

2019	2018
Cost	
---- (Rupees in '000) ----	

9.11.1 Domestic Securities

9.11.1.1 Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	206,994,945	275,079,334
Government of Pakistan Eurobonds	10,448,042	8,788,340
Government of Pakistan Sukuk	1,252,731	1,399,305
Bai Muajjal with Government of Pakistan	26,443,679	8,300,566
	<u>245,139,397</u>	<u>293,567,545</u>

9.11.1.2 Non-Government Debt Securities

Listed

- AA+, AA, AA-

1,910,863	2,560,858
-----------	-----------

Unlisted

- AAA

8,740,830	10,018,430
-----------	------------

- AA+, AA, AA-

1,706,407	2,345,018
-----------	-----------

- A+, A, A-

821,427	907,142
---------	---------

- Unrated

5,903,529	2,116,109
-----------	-----------

<u>17,172,193</u>	<u>15,386,699</u>
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9.11.1.3 Others

CDC SAARC Fund

336	302
-----	-----

9.11.2 Foreign Securities

2019		2018	
Cost	Rating	Cost	Rating
----- (Rupees in '000) -----			

9.11.2.1 Government Securities

- Qatar	1,821,876	AA-	1,660,619	AA-
- Jordan	2,685,927	B+	2,064,107	B+
- Bahrain	2,354,816	BB-	1,656,666	B
- Egypt	3,469,278	B+	2,702,499	B-
- Kenya	1,802,397	B+	1,527,657	B
- Oman	2,755,189	BB+	1,390,286	BBB-
- Portugal	691,396	BB+	621,824	BBB-
- Sri Lanka	3,610,330	B	3,173,601	B+
- Tanzania	69,157	B+	1,479,863	B+
- Yemen	3,458,029	Unrated	2,885,435	Unrated
- Turkey	2,118,902	BB-	1,213,098	BB-
	<u>24,837,297</u>		<u>20,375,655</u>	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

9.11.2.2 Non Government Debt Securities

Listed

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

Unlisted

- Unrated

	2019	2018
	Cost	
	---- (Rupees in '000) ----	
	61,939	55,545
	460,440	414,174
	616,934	553,362
	162,679	173,595
	<u>1,301,992</u>	<u>1,196,676</u>
	19,643	301,197
	<u>59,157</u>	<u>428,009</u>

9.11.2.3 Other

Recovery Note

9.11.3 The market value of securities classified as held to maturity as at December 31, 2019 amounted to Rs. 286,750.415 million (December 31, 2018: Rs. 308,890.603 million).

10. ADVANCES

	Note	Performing		Non-performing		Total	
		2019	2018	2019	2018	2019	2018
		----- (Rupees in '000) -----					
Loans, cash credits, running finances, etc.	10.2	629,557,092	662,571,066	74,134,966	66,422,459	703,692,058	728,993,525
Islamic financings and related assets	10.7	9,027,259	22,595,094	94,043	97,156	9,121,302	22,692,250
Bills discounted and Purchased		46,023,954	60,902,866	3,218,030	2,983,692	49,241,984	63,886,558
Advances - gross		<u>684,608,305</u>	<u>746,069,026</u>	<u>77,447,039</u>	<u>69,503,307</u>	<u>762,055,344</u>	<u>815,572,333</u>
Provision against advances	10.4						
- Specific		-	-	(63,502,361)	(56,377,680)	(63,502,361)	(56,377,680)
- General		(3,618,520)	(4,642,931)	-	-	(3,618,520)	(4,642,931)
		<u>(3,618,520)</u>	<u>(4,642,931)</u>	<u>(63,502,361)</u>	<u>(56,377,680)</u>	<u>(67,120,881)</u>	<u>(61,020,611)</u>
Advances - net of provision		<u>680,989,785</u>	<u>741,426,095</u>	<u>13,944,678</u>	<u>13,125,627</u>	<u>694,934,463</u>	<u>754,551,722</u>

		2019	2018
		---- (Rupees in '000) ----	
10.1 Particulars of advances - gross			
10.1.1 In local currency		516,928,932	579,185,614
In foreign currencies		245,126,412	236,386,719
		<u>762,055,344</u>	<u>815,572,333</u>

10.2 Includes net investment in finance lease as disclosed below:

	2019				2018			
	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	-	166,967	-	166,967	-	108,634	-	108,634
Financial charges for future periods	-	(58,339)	-	(58,339)	-	(31,273)	-	(31,273)
Present value of minimum lease payments	<u>-</u>	<u>108,628</u>	<u>-</u>	<u>108,628</u>	<u>-</u>	<u>77,361</u>	<u>-</u>	<u>77,361</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

- 10.3** Advances include Rs. 77,447.039 million (2018: Rs. 69,503.307 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned*	322,139	8,561	89,546	1,113
Substandard	764,745	188,848	969,495	240,790
Doubtful	325,325	169,274	428,909	202,116
Loss	25,767,409	24,656,008	26,432,231	25,394,410
	27,179,618	25,022,691	27,920,181	25,838,429
Overseas				
Not past due but impaired**	6,763,366	3,086,501	3,623,373	3,064,280
Overdue by:				
Upto 90 days	2,804,905	647,984	7,986,841	2,731,329
91 to 180 days	1,643,198	987,640	2,152,622	2,090,614
181 to 365 days	5,518,289	4,967,136	2,327,966	2,000,233
> 365 days	33,537,663	28,790,409	25,492,324	20,652,795
	50,267,421	38,479,670	41,583,126	30,539,251
Total	77,447,039	63,502,361	69,503,307	56,377,680

* The Other Assets Especially Mentioned category pertains to agricultural finance and advances to small enterprises.

** Not past due but impaired category mainly represents restructured exposure which has not been declassified.

10.4 Particulars of provision against advances

Note	2019			2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	56,377,680	4,642,931	61,020,611	40,932,306	3,506,469	44,438,775
Impact on adoption of IFRS 9	-	-	-	-	1,322,147	1,322,147
Exchange adjustments	3,575,975	280,401	3,856,376	5,385,349	797,076	6,182,425
Charge / (reversals)						
Charge for the year	9,660,851	25,209	9,686,060	14,490,257	6,721	14,496,978
Reversals for the year	(3,568,092)	(1,273,203)	(4,841,295)	(2,369,014)	(989,482)	(3,358,496)
	6,092,759	(1,247,994)	4,844,765	12,121,243	(982,761)	11,138,482
Transfers in / (out) - net	210,565	(56,818)	153,747	58,650	-	58,650
Amounts written off	10.5 (2,754,618)	-	(2,754,618)	(2,119,868)	-	(2,119,868)
Closing balance	63,502,361	3,618,520	67,120,881	56,377,680	4,642,931	61,020,611

- 10.4.1** General provision represents provision amounting to Rs. 328.342 million (2018: Rs. 303.132 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 3,290.178 million (2018: Rs. 4,339.799 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.

- 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. 35.131 million (2018: Rs. 20.009 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

The Bank has also availed FSV benefit of certain mortgaged properties held as collateral against non-performing advances of overseas branches in accordance with the applicable regulation in the respective countries where the branches operate. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 5,180.474 million (2018: Rs. 5,769.930 million) for the overseas branches.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

10.4.3 Particulars of provision against advances

	2019			2018		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	23,712,429	382,342	24,094,771	25,749,531	303,132	26,052,663
In foreign currencies	39,789,932	3,236,178	43,026,110	30,628,149	4,339,799	34,967,948
	<u>63,502,361</u>	<u>3,618,520</u>	<u>67,120,881</u>	<u>56,377,680</u>	<u>4,642,931</u>	<u>61,020,611</u>

	Note	2019	2018
		(Rupees in '000)	
10.5 Particulars of write-offs			
10.5.1 Against provisions	10.4	2,754,618	2,119,868
Directly charged to profit and loss account		<u>149,591</u>	<u>130,830</u>
		<u>2,904,209</u>	<u>2,250,698</u>
10.5.2 Write-offs of Rs. 500,000 and above			
- Domestic	10.6	107,336	14,851
- Overseas		<u>2,742,502</u>	<u>865,392</u>
		<u>2,849,838</u>	<u>880,243</u>
Write-offs of below Rs. 500,000		54,371	128,868
Write-offs in subsidiaries		-	1,241,587
		<u>2,904,209</u>	<u>2,250,698</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, 2019 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 and is an integral part of these consolidated financial statements.

	Note	2019	2018
		(Rupees in '000)	
11. FIXED ASSETS			
Capital work-in-progress	11.1	541,722	944,233
Property and equipment	11.2	<u>57,734,689</u>	<u>49,954,047</u>
		<u>58,276,411</u>	<u>50,898,280</u>
11.1 Capital work-in-progress			
Civil works		370,308	585,087
Equipment		<u>171,414</u>	<u>359,146</u>
		<u>541,722</u>	<u>944,233</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

11.2 Property and equipment

2019										
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Leasehold Improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right-of-use Asset - Property	Total
Rupees '000										
At January 1, 2019										
Cost / Revalued amount	6,433,625	21,767,359	8,160,119	6,944,070	4,959,090	2,442,434	13,585,230	482,725	-	64,774,652
Accumulated depreciation	-	(1,775)	(636,115)	(245,857)	(2,922,506)	(1,438,623)	(9,362,221)	(290,842)	-	(14,897,939)
Net book value	6,433,625	21,765,584	7,524,004	6,698,213	2,036,584	1,003,811	4,223,009	191,883	-	49,876,713
Year ended December 31, 2019										
Opening net book value	6,433,625	21,765,584	7,524,004	6,698,213	2,036,584	1,003,811	4,223,009	191,883	-	49,876,713
Impact of adoption of IFRS 16 at January 1, 2019	-	-	-	-	-	-	-	-	8,396,393	8,396,393
Additions	-	-	1,061	13,832	901,648	170,985	1,830,305	19,104	824,569	3,761,504
Movement in surplus during the year	-	-	300,597	-	-	-	-	-	-	300,597
Net disposals (book value)	-	(252,050)	(134,168)	(18,454)	(29,668)	(111)	(27,015)	(11,977)	-	(473,443)
Depreciation charge	-	-	(120,709)	(264,096)	(427,938)	(186,321)	(1,749,116)	(58,011)	(2,112,273)	(4,918,464)
Exchange rate adjustments	-	34	717,117	395	1,157	5,502	29,577	738	36,869	791,389
Closing net book value	6,433,625	21,513,568	8,287,902	6,429,890	2,481,783	993,866	4,306,760	141,737	7,145,558	57,734,689
At December 31, 2019										
Cost / Revalued amount	6,433,625	21,515,547	9,131,960	6,924,511	5,865,596	2,650,850	15,432,002	369,444	9,169,956	77,493,491
Accumulated depreciation	-	(1,979)	(844,058)	(494,621)	(3,383,813)	(1,656,984)	(11,125,242)	(227,707)	(2,024,398)	(19,758,802)
Net book value	6,433,625	21,513,568	8,287,902	6,429,890	2,481,783	993,866	4,306,760	141,737	7,145,558	57,734,689
Rate of depreciation (percentage)	-	-	2 - 5	2.5 - 10	10 - 20	10 - 25	10 - 67	20 - 25	4 - 100	-
2018										
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Leasehold Improvements	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Right-of-use Asset - Property	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	510,385	-	57,373,700
Accumulated depreciation	-	(1,410)	(442,372)	(4,734)	(2,461,886)	(1,290,633)	(8,057,378)	(294,812)	-	(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	215,573	-	44,820,475
Year ended December 31, 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	215,573	-	44,820,475
Additions	-	244,774	2,481,259	1,246,377	743,166	406,895	2,092,312	68,484	-	7,283,267
Movement in surplus during the year	-	(348,300)	-	(15,849)	-	-	-	-	-	(364,149)
Net disposals (book value)	-	(12,800)	-	(439)	(20,781)	(11,343)	(11,514)	(28,281)	-	(85,158)
Depreciation charge	-	-	(108,320)	(239,164)	(359,331)	(177,017)	(1,517,840)	(64,672)	-	(2,466,344)
Net Exchange rate adjustments	-	58	735,195	1,308	(11,742)	12	40,346	779	-	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	191,883	-	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	482,725	-	64,851,986
Accumulated depreciation	-	(1,775)	(636,115)	(245,857)	(2,922,506)	(1,438,623)	(9,362,221)	(290,842)	-	(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	191,883	-	49,954,047
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, 2019 amounts to Rs. 25,872.298 million.

The properties of UBL UK were last revalued by independent professional valuer, M/s. Quantum Valuation LLP, as at December 31, 2019. The total surplus arising against the revaluation of fixed assets as at December 31, 2019 amounts to Rs. 4,293.226 million.

Notes to and forming part of the Consolidated Financial Statements

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Had there been no revaluation, the carrying amount of revalued assets of the Group at December 31 would have been as follows:

		2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
		782,581	782,581
		3,331,039	3,318,680
		3,423,335	3,472,062
		4,962,504	5,182,155
11.4	Carrying amount of temporarily idle properties of the Group	<u>82,420</u>	<u>82,420</u>
11.5	The cost of fully depreciated assets still in use		
	Furniture and fixtures	679,284	604,267
	Electrical, office and computer equipment	6,026,942	5,738,511
	Vehicles	52,446	84,903
	Building on freehold land	-	15,305
	Building on leasehold land	-	42,114
	Leasehold improvements	<u>1,271,817</u>	<u>1,070,576</u>
		<u>8,030,489</u>	<u>7,555,676</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	2019 ----- (Rupees in '000) -----
	Capital work-in-progress		262,404
	Intangible assets	12.1	<u>1,808,534</u>
			<u>2,070,938</u>
12.1	At January 1		
	Cost		5,831,215
	Accumulated amortisation and impairment		<u>(4,179,944)</u>
	Net book value		<u>1,651,271</u>
	Year ended December		
	Opening net book value		1,651,271
	Additions		820,004
	Disposals		(1,759)
	Amortisation charge		(701,155)
	Exchange rate adjustments		40,173
	Closing net book value		<u>1,808,534</u>
	At December 31		
	Cost		6,845,905
	Accumulated amortisation and impairment		<u>(5,037,371)</u>
	Net book value		<u>1,808,534</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>2,506,780</u>

Notes to and forming part of the Consolidated Financial Statements

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13. DEFERRED TAX ASSETS			2019	2018
			----- (Rupees in '000) -----	
Deferred tax assets	13.1		<u>1,723,553</u>	<u>6,685,952</u>

13.1 Movement in temporary differences during the year

2019				
	At January 1, 2019	Recognized in profit and loss account	Recognized in OCI	At December 31, 2019
----- (Rupees in '000) -----				
Deductible temporary differences on				
- Tax losses carried forward	233,360	-	(233,360)	-
- Post-retirement employee benefits	404,016	103,173	330,237	837,426
- Provision against advances, off-balance sheet etc.	2,292,249	999,627	-	3,291,876
- Surplus on revaluation of investments	4,960,471	43,339	(5,379,148)	(375,338)
- Workers' Welfare Fund	1,083,350	412,508	-	1,495,858
- Others	309,048	(864,398)	34,733	(520,617)
	<u>9,282,494</u>	<u>694,249</u>	<u>(5,247,538)</u>	<u>4,729,205</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets / non-banking assets	(1,412,044)	32,786	39,953	(1,339,305)
- Share of profit from Associates	(680,832)	(241,282)	-	(922,114)
- Accelerated tax depreciation and others	(503,666)	(240,567)	-	(744,233)
	<u>(2,596,542)</u>	<u>(449,063)</u>	<u>39,953</u>	<u>(3,005,652)</u>
	<u>6,685,952</u>	<u>245,186</u>	<u>(5,207,585)</u>	<u>1,723,553</u>
2018				
	At January 1, 2018	Recognized in profit and loss account	Recognized in OCI	At December 31, 2018
----- (Rupees in '000) -----				
Deductible temporary differences on				
- Tax losses carried forward	559,243	(409,576)	83,693	233,360
- Post-retirement employee benefits	72,783	125,241	205,992	404,016
- Provision against advances, off-balance sheet etc.	1,107,929	1,184,320	-	2,292,249
- Workers' Welfare Fund	901,831	181,519	-	1,083,350
- Others	7,177	132	301,739	309,048
	<u>2,648,963</u>	<u>1,081,636</u>	<u>591,424</u>	<u>4,322,023</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets / non-banking assets	(1,209,979)	-	(202,065)	(1,412,044)
- Share of profit from Associates	(462,443)	(218,389)	-	(680,832)
- Surplus on revaluation of investments	(2,983,824)	(217,383)	8,161,678	4,960,471
- Accelerated tax depreciation and others	(973,183)	-	469,517	(503,666)
	<u>(5,629,429)</u>	<u>(435,772)</u>	<u>8,429,130</u>	<u>2,363,929</u>
	<u>(2,980,466)</u>	<u>645,864</u>	<u>9,020,554</u>	<u>6,685,952</u>

14. DISCONTINUED OPERATION

UBL Bank (Tanzania) Limited ('UBTL') is a wholly owned subsidiary of United Bank Limited. UBTL sold materially all of its assets and liabilities at October 31, 2019, including the loans and advances and deposit book to EXIM Bank Tanzania Limited ('Exim'), in line with the Asset and Liabilities Purchase Agreement signed on May 22, 2019. The control of these assets and liabilities was transferred to Exim effective from November 1, 2019. The purchase consideration for the sale of assets and liabilities to Exim was Tanzanian Shillings (TZs) 3.3 billion (equivalent to Rs. 222.206 million) compared to the book value (fair value adjustments arising as a result of the transaction) of TZs 2.1 billion (equivalent to Rs. 142.095 million). The Banking operations of the subsidiary ceased on November 1, 2019. UBTL is in preparation for the winding up and voluntary liquidation.

14.1 Assets and liabilities under discontinued operation

	December 31, 2019
	Rupees in '000
Assets	
Balances with other banks	<u>236,450</u>
Liabilities	
Other liabilities	<u>17,936</u>

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14.2	Loss from discontinued operation	Rupees in '000	
		2019	2018
	Mark-up / return / interest earned	396,413	529,147
	Mark-up / return / interest expensed	148,114	224,732
	Net mark-up / interest income	248,299	304,415
	Non mark-up / interest income		
	Fee and commission income	44,227	27,470
	Foreign exchange (loss) / income	(9,811)	6,502
	Loss on securities - net	(10,539)	(878)
	Other income	33,074	-
	Total non mark-up / interest income	56,951	33,094
	Total income	305,250	337,509
	Non mark-up / interest expenses		
	Operating expenses	635,337	445,946
	Loss on fair value measurement	536,145	-
	Total non mark-up / interest expenses	1,171,482	445,946
	Loss before provisions	(866,232)	(108,437)
	Provisions and write-offs - net	93,370	55,824
	Loss before taxation	(959,602)	(164,261)
	Taxation	265,596	(46,454)
	Loss after taxation for the year	(1,225,198)	(117,807)

15.	OTHER ASSETS	Note	Rupees in '000	
			2019	2018
	Income / mark-up accrued in local currency - net of provision		28,748,779	22,185,596
	Income / mark-up accrued in foreign currency - net of provision		2,599,478	4,407,074
			31,348,257	26,592,670
	Advance taxation - net of provision for taxation	15.1	19,684,137	24,938,007
	Receivable from staff retirement fund		217,633	321,349
	Receivable from other banks against telegraphic transfers and demand drafts		201,592	88,354
	Unrealized gain on forward foreign exchange contracts		7,376,206	5,205,860
	Rebate receivable - net		2,142,484	1,055,900
	Unrealized gain on derivative financial instruments		15,216	5,868
	Suspense accounts		871,766	781,887
	Stationery and stamps on hand		287,314	99,757
	Non-banking assets acquired in satisfaction of claims		1,071,034	1,597,124
	Advances, deposits, advance rent and other prepayments		1,345,735	1,539,158
	Acceptances		17,366,169	28,157,111
	Others		3,418,433	2,842,330
			85,345,976	93,225,375
	Provision held against other assets	15.3	(1,271,877)	(1,086,072)
	Other assets - net of provision		84,074,099	92,139,303
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	24.3 & 15.2.2	11,341	173,141
	Other assets - total		84,085,440	92,312,444

15.1 The Income Tax returns of the Bank have been filed up to the tax year 2019 (accounting year ended December 31, 2018) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance).

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The income tax authorities have issued amended assessment orders for the tax years 2003 to 2019, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.11,610 million (2018: Rs.13,119 million), which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2019 (financial year 2018) and the tax returns of Gilgit Baltistan (GB) branches have been filed upto tax year 2019 (financial year 2018) 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. 889 million (2018: Rs. 995 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 Yemen, Qatar and UAE branches have been filed upto the year ended December 31, 2018 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 million (Rs. 42.553 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, USAG, UBL FM and UET income tax returns have been filed up to the accounting year ended December 31, 2018 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 2018, 2017 and 2016. There are no material tax contingencies in any of the subsidiaries.

	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
15.2 Market value of Non-banking assets acquired in satisfaction of claims	15.2.2	<u>1,082,375</u>	<u>1,770,265</u>
15.2.1 During the current year, the valuation of non-banking assets acquired in satisfaction of the claims were carried out by M.J. Surveyors (Private) Limited and MYK Associates from among the approved list of valuers of Pakistan Banks' Association.			
15.2.2 Non-banking assets acquired in satisfaction of claims		2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
Opening Balance		1,770,265	1,786,011
Additions		111,180	465,266
Revaluation		(10,689)	49,604
Disposals		(769,046)	(563,165)
Impairment		(39,595)	-
Exchange Impact		20,260	32,549
		<u>1,082,375</u>	<u>1,770,265</u>
15.3 Provision held against other assets			
Advances, deposits, advance rent and other prepayments		547,536	571,597
Non banking assets acquired in satisfaction of claims		85,200	104,512
Fraud and forgery		639,141	409,963
		<u>1,271,877</u>	<u>1,086,072</u>

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	Note	2019 ----- (Rupees in '000) -----	2018
15.3.1 Movement of provision held against other assets			
Opening balance		1,086,072	1,252,193
Exchange adjustments		2,930	2,112
Charge / (reversals)			
Charge for the year		326,810	169,957
Reversal for the year		(72,670)	(163,434)
	36	254,140	6,523
Transfers (out) / in - net		(17,000)	15,892
Amounts written-off		(54,265)	(190,648)
Closing balance		<u>1,271,877</u>	<u>1,086,072</u>
16. CONTINGENT ASSETS			
There were no contingent assets as at the statement of financial position date.			
17. BILLS PAYABLE			
In Pakistan		22,500,509	26,724,282
Outside Pakistan		428,711	548,685
		<u>22,929,220</u>	<u>27,272,967</u>
18. BORROWINGS			
18.1 Particulars of borrowings			
In local currency		138,528,835	238,184,708
In foreign currencies		31,876,225	41,733,417
		<u>170,405,060</u>	<u>279,918,125</u>
18.2 Details of borrowings			
Secured			
Borrowings from the State Bank of Pakistan under:			
Export refinance scheme	18.3	30,354,891	28,120,012
Refinance facility for modernization of SMEs	18.4	10,022	11,204
Long term financing facility	18.5	22,959,023	21,871,486
		53,323,936	50,002,702
Repurchase agreement borrowings	18.6	74,748,710	133,315,545
Bai Muajjal payable to other financial institutions		13,812,921	49,878,076
		<u>141,885,567</u>	<u>233,196,323</u>
Unsecured			
Call borrowings	18.7	4,680,579	18,936,178
Overdrawn nostro accounts		591,123	1,936,041
Money market deals	18.8	23,247,791	25,849,583
		28,519,493	46,721,802
		<u>170,405,060</u>	<u>279,918,125</u>
18.3	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 2020. These carry mark-up at rates ranging from 1.00% to 2.00% (2018: 1% to 2%) per annum.		

Notes to and forming part of the Consolidated Financial Statements

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- 18.4** 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 October 2024 and carry mark-up at rates of 5.00% (2018: 2.00% to 6.25%) per annum.
- 18.5** 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 September 2030. These carry mark-up at rates ranging from 2.00% to 9.70% (2018: 2.00% to 9.70%) per annum.
- 18.6** 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 0.82% to 13.29% (2018: 3.27% to 10.35%) per annum. These borrowings are repayable latest by January 2020. The market value of securities given as collateral against these borrowings is given in note 9.2.1.
- 18.7** These are unsecured borrowings carrying mark-up at rates ranging from 1.75% to 12.52% (2018: 2.0% to 10.25%) per annum, and are repayable latest by April 2020.
- 18.8** These borrowings carry mark-up at rates ranging from 3.21% to 4.20% (2018: 3.25% to 4.64%) per annum, and are repayable latest by June 2020.

19. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
----- (Rupees in '000) -----						
Customers						
Fixed deposits	141,228,719	235,996,785	377,225,504	126,191,096	231,511,195	357,702,291
Savings deposits	450,326,401	35,690,677	486,017,078	392,861,499	45,176,640	438,038,139
Sundry deposits	12,592,638	1,289,671	13,882,309	11,768,321	1,055,683	12,824,004
Margin deposits	2,825,918	2,960,268	5,786,186	2,962,920	3,404,673	6,367,593
Current accounts - remunerative	1,799,190	8,392,401	10,191,591	965,509	7,089,695	8,055,204
Current accounts - non-remunerative	449,952,467	119,035,082	568,987,549	449,938,039	106,392,768	556,330,807
	1,058,725,333	403,364,884	1,462,090,217	984,687,384	394,630,654	1,379,318,038
Financial Institutions						
Current deposits	26,897,943	4,743,731	31,641,674	21,804,360	3,840,911	25,645,271
Savings deposits	36,132,073	25,334	36,157,407	30,509,483	-	30,509,483
Term deposits	25,783,802	2,322,206	28,106,008	11,301,901	1,549,348	12,851,249
	88,813,818	7,091,271	95,905,089	63,615,744	5,390,259	69,006,003
	1,147,539,151	410,456,155	1,557,995,306	1,048,303,128	400,020,913	1,448,324,041

19.1 Composition of deposits

	2019	2018
	----- (Rupees in '000) -----	
- Individuals	893,983,544	838,746,377
- Government (Federal and Provincial)	68,423,163	57,839,039
- Public Sector Entities	93,003,677	74,543,165
- Banking Companies	37,048,530	14,897,848
- Non-Banking Financial Institutions	58,856,559	53,483,504
- Private Sector	406,679,833	408,814,108
	1,557,995,306	1,448,324,041

This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 854,722.801 million (2018: Rs. 813,924.260 million).

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20. 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% (2018: 12.39%) per annum. The amount of future minimum lease payments, and the periods during which they become due are as follows:

	2019			2018		
	Minimum lease payments	Finance charges for future periods	Principal outstanding	Minimum lease payments	Finance charges for future periods	Principal outstanding
	----- (Rupees in '000) -----					
Not later than one year	5,180	832	4,348	4,955	733	4,222
Later than one year and not later than five years	15,549	802	14,747	6,748	970	5,778
	<u>20,729</u>	<u>1,634</u>	<u>19,095</u>	<u>11,703</u>	<u>1,703</u>	<u>10,000</u>

21. SUBORDINATED DEBT

The Bank has issued 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.

Salient features of the ADT 1 issue are as follows:

Issue Size	Rs. 10,000 million
Issue Date	January 29, 2019
Tenor	Perpetual (i.e. no fixed or final redemption date)
Rating	"AA+" (Double A Plus) by JCR-VIS Credit Rating Company Limited
Security	Unsecured
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

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22. OTHER LIABILITIES	Note	2019	2018
		----- (Rupees in '000) -----	
Mark-up / return / interest payable in local currency		8,964,544	12,352,461
Mark-up / return / interest payable in foreign currency		2,195,349	2,403,423
		11,159,893	14,755,884
Accrued expenses		4,197,747	4,443,787
Branch adjustment account		227,951	848,267
Deferred income		942,005	617,099
Unearned commission and income on bills discounted		921,121	1,297,833
Provision against off-balance sheet obligations	22.1	632,785	842,545
Unrealized loss on forward foreign exchange contracts		6,979,761	3,743,347
Trading liability		6,120,767	3,750,654
Payable to staff retirement fund		736,313	972,584
Deferred liabilities	22.2	3,887,845	3,685,997
Unrealized loss on derivative financial instruments		18,155	82,047
Workers' Welfare Fund payable		3,878,370	3,130,511
Liabilities against ATM settlement		1,308,571	585,662
Insurance payable against consumer assets		449,263	410,466
Dividend payable		538,884	521,612
Acceptances		17,366,169	28,157,111
Charity fund balance		3,494	2,597
Lease liability		7,826,864	-
Others		4,303,878	1,495,879
		<u>71,499,836</u>	<u>69,343,882</u>
22.1 Provision against off-balance sheet obligations			
Opening balance		842,545	73,692
Impact on adoption of IFRS 9		-	211,244
Exchange adjustments		82,610	94,309
Charge for the year	36	288,288	463,300
Reversal for the year		(240,850)	-
		47,438	463,300
Transfer out - net		(339,808)	-
		<u>632,785</u>	<u>842,545</u>
22.2 Deferred liabilities			
Provision for post retirement medical benefits	41.1.4	1,950,906	1,821,847
Provision for compensated absences		1,037,908	1,166,399
Deferred liability for outsourced services		272,635	207,963
Deferred liability - overseas		626,396	489,788
		<u>3,887,845</u>	<u>3,685,997</u>
22.3	The total cash outflow for leases during the year was Rs. 2,195.458 million.		
23. SHARE CAPITAL			
23.1 Authorized Capital			
		2019	2018
		----- Number of shares -----	----- (Rupees in '000) -----
		<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>
23.2 Issued, subscribed and paid-up capital			
		2019	2018
		----- Number of shares -----	----- (Rupees in '000) -----
	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>
		<u>12,241,798</u>	<u>12,241,798</u>

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- 23.3** 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.

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, 2019, 248,067 (2018: 248,067) GDRs, representing 992,266 (2018: 992,266) shares were in issue.

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

Name of shareholders	2019		2018	
	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, 2019, Bestway Group (Bestway) held 61.48% (2018: 61.46%) shareholding (including GDRs) of the Bank.

23.5 Shares of the Bank held by its associates	Note	2019	2018
		----- (Number of shares) -----	
UBL Financial Sector Fund		479,400	-
24. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		2019	2018
			Restated
		----- (Rupees in '000) -----	
Surplus / (deficit) arising on revaluation of assets - net of tax			
Fixed assets	24.1	27,184,005	27,117,327
Available for sale securities	24.2	189,650	(10,230,180)
Non-banking assets acquired in satisfaction of claims	24.3	31,071	105,856
Deficit arising on revaluation of assets of associates		(168)	(97)
		<u>27,404,558</u>	<u>16,992,906</u>
24.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		29,742,871	29,234,547
Revaluation against fixed assets during the year		227,612	74,294
Realised on disposal during the year		(263,135)	-
Exchange adjustments		548,326	522,604
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(55,691)	(58,175)
Related deferred tax liability on incremental depreciation charged during the year		(34,457)	(30,399)
		<u>422,655</u>	<u>508,324</u>
		30,165,526	29,742,871
Less: Related deferred tax liability on			
Revaluation as on January 1		1,344,759	1,139,102
Surplus realised on disposal of fixed assets during the year		(826)	-
Impact of change of deferred tax rate		77,907	-
Reversal of revaluation against fixed assets during the year		(179,746)	152,745
Exchange adjustments		111,803	83,311
Incremental depreciation charged on related assets		(34,457)	(30,399)
	13.1	<u>1,319,440</u>	<u>1,344,759</u>
		28,846,086	28,398,112
Share of Non-controlling interest		(1,662,081)	(1,280,785)
Group's share		<u>27,184,005</u>	<u>27,117,327</u>

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For the year ended December 31, 2019

		2019	2018	
		----- (Rupees in '000) -----		
24.2	Surplus / (deficit) on revaluation of available for sale securities			
	Market Treasury Bills	149,496	(22,440)	
	Pakistan Investment Bonds	(6,674,197)	(14,268,873)	
	Listed shares	3,202,927	1,747,980	
	REIT Scheme	62,118	41,273	
	Term Finance Certificates, Sukuks, other bonds etc.	23,973	(136,173)	
	Foreign bonds	3,421,155	(3,494,668)	
		185,472	(16,132,901)	
	Related deferred tax	(375,338)	4,960,471	
		(189,866)	(11,172,430)	
	Share of Non controlling interest	379,516	942,250	
	Group's share	189,650	(10,230,180)	
24.3	Surplus on revaluation of non-banking assets			
	Surplus on revaluation of non-banking assets as at January 1	173,141	183,405	
	Revaluation of non-banking assets during the year	(7,822)	28,611	
	Realised on disposal during the year	(114,383)	(38,875)	
		(122,205)	(10,264)	
		50,936	173,141	
	Less: Related deferred tax liability on			
	Revaluation as at January 1	67,285	70,877	
	Revaluation of non-banking assets during the year	(3,051)	10,014	
	Surplus realised on disposal of non-banking assets during the year	(44,369)	(13,606)	
		19,865	67,285	
		31,071	105,856	
		2019		
		UNBL	UBLFM	
		45%	1.13%	
		----- (Rupees in '000) -----		
25.	NON-CONTROLLING INTEREST			
	Assets	104,270,398	2,363,489	106,633,887
	Liabilities	88,284,204	587,563	88,871,767
	Net assets	15,986,194	1,775,926	17,762,120
	Net assets attributable to NCI	7,193,787	20,068	7,213,855
25.1	Key financial information			
	Income (Mark-up & Non-Markup)	3,810,124	996,682	4,806,806
	Expenses (including provisions)	(3,918,951)	(808,304)	(4,727,255)
	Profit for the year	(108,827)	188,378	79,551
	Other comprehensive income for the year	3,783,813	-	3,783,813
	Total Comprehensive Income	3,674,986	188,378	3,863,364
	(Loss) / profit allocated to NCI	(48,972)	2,129	(46,843)
	OCI allocated to NCI	1,702,716	-	1,702,716
	Cashflows from operating activities	(7,983,629)	203,143	(7,780,486)
	Cashflows from investing activities	8,657,618	3,156	8,660,774
	Cashflows from financing activities	637,409	(200,866)	436,543
		1,311,398	5,433	1,316,831

Notes to and forming part of the Consolidated Financial Statements

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		Note	2019 ----- (Rupees in '000) -----	2018
26. CONTINGENCIES AND COMMITMENTS				
- Guarantees	26.1		170,755,664	200,504,069
- Commitments	26.2		1,278,107,824	995,326,122
- Other contingent liabilities	26.3		15,089,090	15,624,099
			<u>1,463,952,578</u>	<u>1,211,454,290</u>
26.1 Guarantees:				
Financial guarantees			41,444,410	22,982,305
Performance guarantees			129,311,254	177,521,764
			<u>170,755,664</u>	<u>200,504,069</u>
26.2 Commitments:				
Documentary credits and short-term trade-related transactions				
- letters of credit			168,383,418	182,425,343
Commitments in respect of:				
- forward foreign exchange contracts	26.2.2		962,345,777	650,576,446
- forward government securities transactions	26.2.3		14,307,720	15,946,089
- derivatives				
Interest rate swaps	26.2.4		316,500	1,674,764
FX options	26.2.4		122,594	1,159,752
- forward lending	26.2.5		130,389,022	129,068,240
- operating leases	26.2.6		190,863	12,546,885
Commitments for acquisition of:				
- operating fixed assets	26.2.7		2,031,196	1,928,603
- intangible	26.2.7		7,103	-
Others			13,631	-
			<u>1,278,107,824</u>	<u>995,326,122</u>
26.2.1 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.				
26.2.2 Commitments in respect of forward foreign exchange contracts				
Purchase			508,996,241	347,426,249
Sale			453,349,536	303,150,197
26.2.3 Commitments in respect of forward government securities transactions				
Purchase			3,043,541	13,619,209
Sale			11,264,179	2,326,880
26.2.4 Commitments in respect of derivatives				
Interest rate swaps			316,500	1,674,764
FX options - purchased			61,297	579,876
FX options - sold			61,297	579,876

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	Note	2019 ----- (Rupees in '000) -----	2018
26.2.5 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	26.2.5.1	71,503,628	65,695,154
Others		58,885,394	63,373,086
		<u>130,389,022</u>	<u>129,068,240</u>

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

	Note	2019 ----- (Rupees in '000) -----	2018
26.2.6 Commitments in respect of operating leases			
Not later than one year		48,366	1,960,629
Later than one year and not later than five years		69,053	6,564,894
Later than five years		73,444	4,021,362
		<u>190,863</u>	<u>12,546,885</u>
26.2.7 Commitments in respect of capital expenditure		<u>2,038,299</u>	<u>1,928,603</u>

26.3 Other contingencies

Claims against the Group not acknowledged as debts	26.3.1	<u>10,999,787</u>	<u>11,534,796</u>
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26.3.1 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.

26.3.2 During 2016, penalties amounting to Rs. 4.089 billion were 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.

26.3.3 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.

26.4 For contingencies relating to taxation, refer note 15.1.

27. 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.

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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 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.

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27.1 Product analysis

Counterparties	2019									
	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	-	-	61,297	-	-	-	-	-	61,297	-
Market making	316,500	(17,107)	-	-	-	-	9,223,670	14,850	9,540,170	(2,257)
	316,500	(17,107)	61,297	-	-	-	9,223,670	14,850	9,601,467	(2,257)
With FIs other than Banks										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	-	-	-	-	-	-	1,763,180	(488)	1,763,180	(488)
	-	-	-	-	-	-	1,763,180	(488)	1,763,180	(488)
With other entities										
Hedging	-	-	-	-	-	-	-	-	-	-
Market making	-	-	61,297	-	3,042,465	(94)	273,596	(100)	3,377,358	(194)
	-	-	61,297	-	3,042,465	(94)	273,596	(100)	3,377,358	(194)
Total										
Hedging	-	-	61,297	-	-	-	-	-	61,297	-
Market making	316,500	(17,107)	61,297	-	3,042,465	(94)	11,260,446	14,262	14,680,708	(2,939)
	316,500	(17,107)	122,594	-	3,042,465	(94)	11,260,446	14,262	14,742,005	(2,939)
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)

27.2 Maturity analysis of derivatives

Remaining maturity	2019					2018				
	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	13	14,425,505	(1,048)	15,216	14,168	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	316,500	(17,107)	-	(17,107)	-	-	-	-	-
1 to 2 years	-	-	-	-	-	1	316,500	(16,000)	-	(16,000)
2 to 3 years	-	-	-	-	-	-	-	-	-	-
	14	14,742,005	(18,155)	15,216	(2,939)	67	18,780,605	(82,047)	5,868	(76,179)

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	Note	2019 ----- (Rupees in '000) -----	2018
28. MARK-UP / RETURN / INTEREST EARNED			
Loans and advances		68,189,538	45,354,862
Investments		81,855,592	65,616,751
Lendings to financial institutions		5,990,798	4,962,970
Balances with banks		1,241,925	899,394
		<u>157,277,853</u>	<u>116,833,977</u>
29. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits		67,611,116	38,067,233
On borrowings		18,674,154	19,190,454
On subordinated debt		1,339,041	265,010
Cost of foreign currency swaps against foreign currency deposits / borrowings		5,244,190	1,368,060
On lease liability against right of use assets		1,068,434	-
		<u>93,936,935</u>	<u>58,890,757</u>
30. FEE AND COMMISSION INCOME			
Branch banking customer fees		2,094,255	1,896,993
Consumer finance related fees		1,072,440	879,076
Card related fees (debit and credit cards)		2,385,761	1,667,045
Investment banking fees		390,261	776,778
Financial Institution rebate / commission		298,616	394,299
Corporate service charges / facility fee		644,616	588,696
Commission on trade		939,656	1,648,734
Commission on guarantees		556,635	743,482
Commission on cash management		783,970	739,476
Commission on remittances including home remittances - net		3,036,593	2,780,850
Commission on bancassurance		1,612,583	1,592,076
Commission on Benazir Income Support Program		609,932	569,417
Management Fee		800,997	954,640
Others		405,580	627,721
		<u>15,631,895</u>	<u>15,859,283</u>
31. GAIN ON SECURITIES - NET			
Realised	31.1	224,056	3,877,310
Unrealised - held for trading		(7,386)	8,524
		<u>216,670</u>	<u>3,885,834</u>
31.1 Realised gain / (loss) on:			
Federal Government securities		864,370	4,074,332
Shares		(1,014,879)	405,396
Foreign securities		381,560	(602,290)
Other securities		(6,995)	(128)
		<u>224,056</u>	<u>3,877,310</u>
32. OTHER INCOME			
Charges recovered		288,777	407,138
Rent on properties		178,395	254,956
Gain on sale of operating fixed assets - net		120,056	42,662
Gain on sale of Ijarah assets		861	1,754
(Loss) / gain on sale of non-banking assets	32.1	(54,649)	37,401
(Loss) / gain on trading liabilities - net		(13,639)	270,245
Realization of exchange translation reserve - UBL New York branch	32.2	1,332,626	-
		<u>1,852,427</u>	<u>1,014,156</u>
32.1 (Loss) / gain on Disposal of Non-banking assets acquired in satisfaction of claims			
Disposal Proceeds		714,397	568,592
Less:			
- Cost		654,662	619,701
- Surplus / (impairment)		114,384	(88,510)
		<u>769,046</u>	<u>531,191</u>
Net (loss) / gain		<u>(54,649)</u>	<u>37,401</u>

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For the year ended December 31, 2019

- 32.2** The Bank 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). Further, the Federal Reserve Bank of New York (FRBNY) has informed the Bank that Written Agreement dated July 2, 2018 signed by and among FRBNY, UBL and NY Branch has been terminated. The termination of Written Agreement marks the completion of UBL NY Branch winding down process. As a result, the assets of New York Branch were liquidated during the current period and exchange translation reserve previously recognised as "Capital Reserve" in respect of UBL NY Branch has been reclassified to consolidated profit and loss account in accordance with paragraph 48 of IAS 21 "Effect of changes in foreign exchange rates".

33. OPERATING EXPENSES	Note	2019	2018
		----- (Rupees in '000) -----	
Total compensation expense	33.1	16,681,503	17,450,160
Property expense			
Rent and taxes	33.8	1,416,403	3,324,687
Insurance		203,051	220,100
Utilities cost		1,734,851	1,600,239
Security (including guards)		987,716	1,138,716
Repair and maintenance (including janitorial charges)		253,487	495,007
Depreciation		818,668	711,265
Depreciation - Right of Use Assets		2,112,273	-
Others		52,579	53,294
		7,579,028	7,543,308
Information technology expenses			
Software maintenance		1,320,897	825,128
Hardware maintenance		438,060	384,662
Depreciation		770,821	652,663
Amortisation	12.1	701,155	561,139
Network charges		743,049	725,337
		3,973,982	3,148,929
Other operating expenses			
Directors' fees and allowances		96,075	64,348
Fees and allowances to Shariah Board		6,855	4,753
Legal and professional charges		1,293,810	1,068,556
Outsourced service costs including sales commission		3,900,348	3,773,344
Travelling and conveyance		283,983	339,330
Clearing charges		216,365	186,221
Depreciation - others		1,216,702	1,076,609
Depreciation on Islamic financing against leased assets		227,783	186,623
Training and development		174,897	145,959
Postage and courier charges		396,138	322,752
Communication		534,188	492,476
Stationery and printing		722,049	735,131
Marketing, advertisement and publicity		795,293	758,265
Auditors' remuneration	33.6	103,509	124,143
Donations	33.7	129,497	203,790
Insurance (including deposit protection)		1,445,485	698,421
Cash transportation and sorting charges		820,254	1,037,377
Entertainment		180,327	197,209
Vehicle expenses		108,291	159,615
Subscription		214,376	123,026
Office running expenses		179,485	187,210
Banking service charges		1,886,427	1,351,302
Repairs and maintenance		578,158	527,410
Cartage, freight and conveyance		62,726	83,482
Miscellaneous expenses		36,054	57,299
		15,609,075	13,904,651
		43,843,588	42,047,048

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	Note	2019 ----- (Rupees in '000) -----	2018
33.1 Total compensation expense			
Fees and Allowances etc		2,599,093	3,255,271
Managerial remuneration			
i) Fixed		7,375,044	7,467,262
ii) Variable		18,373	-
of which;			
a) Cash Bonus / Awards etc.	33.2	984,809	1,122,893
b) Bonus & Awards in Shares etc.		-	-
Charge for defined benefit plan		563,113	325,153
Contribution to defined contribution plan		498,894	462,523
Charge for compensated absences		33,383	141,698
Rent & house maintenance		2,145,347	2,123,595
Utilities		1,138,876	1,130,981
Medical		822,453	833,344
Conveyance		382,713	269,276
Group assurance premium		71,223	79,048
Others		17,141	6,232
Sub-total		16,650,462	17,217,276
Sign-on Bonus	33.3	-	36,705
Severance Allowance	33.4	31,041	196,179
Grand Total		16,681,503	17,450,160

33.2 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. 1,293.486 million (2018: Rs. 1,361.129 million).

33.3 Sign-on bonus is paid to Nil (2018: 15) employees. For 2018, bonus amounting to Rs. 30.675 million was paid to 8 employees identified as Material Risk Controllers (MRCs) and Material Risk Takers (MRTs).

33.4 Severance allowance is paid to 10 (2018: 103) employees. Allowance amounting to Nil (2018: Rs. 19.849 million) was paid to employees identified as MRTs and MRCs.

33.5 Total cost for the year included in Other Operating Expenses relating to outsourced activities is Rs. 3,973 million (2018: Rs. 3,909 million). This cost includes outsourced service costs, which are disclosed specifically in note 33. Of the total cost of Rs. 3,973 million (2018: Rs. 3,909 million), Rs. 3,582 million (2018: Rs. 3,424 million) pertains to the payment to companies incorporated in Pakistan and Rs. 391 million (2018: Rs. 485 million) pertains to payment to companies incorporated outside Pakistan. The material outsourcing arrangements along with their nature of services are as follows:

Name of service provider	Type of service	2019 ----- (Rupees in '000) -----	2018
Paradise Press (Private) Limited	Cheque printing	40,652	43,108
Apex Printry (Private) Limited	Cheque printing	43,254	43,156
Printlink	Cheque printing	37,140	37,943
E-Access (Private) Limited	POS service management and card hosting	36,894	27,382

33.6 Auditors' remuneration

	2019		
	A.F. Ferguson & Co.	Overseas Auditors	Total
	----- (Rupees in '000) -----		
Audit fee - Bank	10,500	48,050	58,550
Audit fee - Subsidiaries	1,574	31,717	33,291
Fee for tax and other certifications	7,326	888	8,214
Out of pocket expenses	3,200	254	3,454
	22,600	80,909	103,509

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	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	21,143	22,152
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>69,793</u>	<u>124,143</u>

33.7 Details of donations

	2019	2018
	(Rupees in '000)	
Donations individually exceeding Rs. 0.5 million		
Abdul Sattar Edhi Foundation	33,000	30,000
Shaukat Khanum Memorial Trust	33,000	32,000
Sahara for Life Trust	10,000	-
Lahore University of Management Sciences	10,000	10,000
SOS Children's Village Pakistan	9,980	980
Forman Christian College	5,000	5,000
Shalamar Hospital	5,000	5,000
IBA - National Talent Hunt Program	3,880	-
Bahauddin Zakariya University	3,840	3,840
The Citizens Foundation	2,800	-
Zindagi Trust	2,500	-
Center of Excellence in Journalism (IBA)	2,000	-
Kashmir Education Foundation	1,710	-
Nasra Schools	1,482	-
People's Primary Healthcare Initiative	1,300	-
Chal Foundation	1,000	-
Hisaar Foundation	1,000	1,000
Marie Adelaide Leprosy Center	850	850
Diamer Bhasha Dam Fund Contribution	-	67,757
Namal Educational Foundation	-	30,000
National University of Science	-	12,500
Education Trust	-	2,696
Pak Suzuki Motor Company (Ambulance donated to Hospital)	-	1,418
Donations individually not exceeding Rs. 0.5 million	<u>1,155</u>	<u>749</u>
	<u>129,497</u>	<u>203,790</u>

33.7.1 Donations were not made to any donee in which a Director or his spouse had any interest.

33.8 This includes expense in respect of short term leases, low value assets and expenses relating to variable lease payments not included in lease liabilities amounting to Rs. 29.312 million, Rs. 0.007 million and Nil respectively.

34. 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. 4,503 million pertaining to years 2014 onwards has been maintained in respect of Sindh WWF.

Notes to and forming part of the Consolidated Financial Statements

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	Note	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
35. OTHER CHARGES			
Penalties imposed by the SBP		39,233	94,754
Other penalties		876	20,044
		<u>40,109</u>	<u>114,798</u>
36. PROVISIONS AND WRITE-OFFS - NET			
Provision against loans and advances - net	10.4	4,844,765	11,138,482
Provision for diminution in value of investments - net	9.3.1	2,392,687	1,231,938
Bad debts written off directly		149,591	76,056
Provision against other assets - net	15.3.1	254,140	6,523
Provision against off-balance sheet obligations - net	22.1	47,438	463,300
Recovery of written off / charged off bad debts		(526,059)	(544,762)
Other provisions / write-offs		150,981	75,072
		<u>7,313,543</u>	<u>12,446,609</u>
37. TAXATION			
Current		14,969,071	10,358,400
Prior years		733,273	625,393
Deferred		(245,186)	(599,410)
		<u>15,457,158</u>	<u>10,384,383</u>
37.1 Relationship between tax expense and accounting profit			
Accounting profit for the year		<u>35,730,654</u>	<u>25,551,744</u>
Tax on income @ 35% (2018: 35%)		12,505,729	8,943,110
Super tax @ 4% (2018: 4%)		1,369,675	998,667
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)		(201,686)	140,230
Tax - prior years (net of deferred tax)		1,614,326	(28,775)
Others		169,114	331,151
Tax charge		<u>15,457,158</u>	<u>10,384,383</u>
38. EARNINGS PER SHARE			
Profit after tax attributable to equity shareholders of the Bank		<u>19,095,141</u>	<u>15,483,051</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>15.60</u>	<u>12.65</u>
38.1	There were no convertible dilutive potential ordinary shares outstanding as at December 31, 2019 and 2018.		

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

	Note	2019 ----- (Rupees in '000) -----	2018
39. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	243,370,701	187,915,671
Balances with other banks	7	42,722,227	41,747,060
Balances with other banks - discontinued operations	14	236,450	-
		<u>286,329,378</u>	<u>229,662,731</u>

39.1 Reconciliation of movement of liabilities to cash flows arising from financing activities

	Liabilities					Equity			
	Bills payable	Borrowings	Deposits and other accounts	Subordinated debt	Other liabilities	Share capital	Reserves	Surplus on revaluation of assets	Unappropriated profit
	----- (Rupees in '000) -----								
Balance as at January 1, 2019	27,272,967	279,918,125	1,448,324,041	9,000,000	69,353,882	12,241,798	60,078,870	27,404,558	77,335,249
Changes from financing cash flows									
Dividend Paid	-	-	-	-	-	-	-	-	(13,448,704)
Other Changes	-	-	-	-	7,483,030	-	(1,332,626)	(10,788,344)	(3,208,602)
Liability-related									
Changes in bills payable	(4,343,747)	-	-	-	-	-	-	-	-
Changes in borrowings	-	(109,513,065)	-	-	-	-	-	-	-
Changes in deposits and other accounts	-	-	109,671,265	-	-	-	-	-	-
Changes in subordinated debt	-	-	-	1,000,000	-	-	-	-	-
Changes in other liabilities	-	-	-	-	-	-	-	-	-
- Cash based	-	-	-	-	(5,300,708)	-	-	-	-
- Dividend payable	-	-	-	-	(17,272)	-	-	-	(17,272)
- Non-cash based	-	-	-	-	-	-	-	-	-
Transfer of profit to reserve	-	-	-	-	-	-	1,935,261	-	(1,935,261)
Total Liability related other changes	(4,343,747)	(109,513,065)	109,671,265	1,000,000	(5,317,980)	-	1,935,261	-	(1,952,533)
Total Equity related other changes	-	-	-	-	-	-	5,994,906	10,788,344	18,609,839
Balance as at December 31, 2019	<u>22,929,220</u>	<u>170,405,060</u>	<u>1,557,995,306</u>	<u>10,000,000</u>	<u>71,518,931</u>	<u>12,241,798</u>	<u>66,676,411</u>	<u>27,404,558</u>	<u>77,335,249</u>

	2019 ----- (Number) -----	2018
40. STAFF STRENGTH		
Permanent	11,498	11,956
On contract	51	72
Group's own staff strength	<u>11,549</u>	<u>12,028</u>
Outsourced	2,221	2,569
Total	<u>13,770</u>	<u>14,597</u>

40.1 Number of employees working domestically 13,657 (2018: 14,073) and abroad 113 (2018: 524).

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, 2019.

Notes to and forming part of the Consolidated Financial Statements

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41.1.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2019 ----- (Number) -----	2018 ----- (Number) -----
Pension fund	7,064	10,582
Gratuity fund	9,856	10,066
Benevolent fund	3,383	3,760
Employee compensated absences	1,417	1,716
Post-retirement medical benefit scheme	8,503	9,652

The pension fund, benevolent fund and post-retirement medical benefit schemes include 2,162 (2018: 3,108), 942 (2018: 900) and 2,501 (2018: 3,109) 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, 2019 using the following significant assumptions:

	2019 ----- Per annum -----	2018 ----- Per annum -----
Discount rate / expected rate of return on plan assets	11.25%	13.25%
Expected rate of salary increase	9.25%	11.25%
Expected rate of increase in pension	5.00%	5.00%
Expected rate of increase in medical benefit	5.25%	7.25%

41.1.4 Reconciliation of payable to / (receivable from) defined benefit plans

Note	2019				2018			
	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	10,098,497	911,763	329,300	1,950,906	8,986,977	831,363	321,682	1,821,847
Fair value of plan assets	(9,318,843)	(968,544)	(424,706)	-	(8,168,441)	(805,576)	(461,597)	-
Payable / (receivable)	779,654	(56,781)	(95,406)	1,950,906	818,536	25,787	(139,915)	1,821,847

41.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year	8,986,977	831,363	321,682	1,821,847	2,698,870	728,822	429,243	1,463,703
Service cost	19,957	145,775	4,463	687	6,664,292	128,450	6,340	1,639
Interest cost	989,305	112,796	39,045	235,459	123,457	61,861	33,128	117,080
Benefits paid by the Bank	(730,840)	(139,740)	(62,976)	(129,591)	(791,299)	(119,044)	(47,622)	(125,095)
Return allocated to other funds	41.1.8.2 73,834	-	-	-	56,192	-	-	-
Re-measurement loss / (gain)	759,264	(38,431)	27,086	22,504	235,465	31,274	(99,407)	364,520
Obligations at the end of the year	10,098,497	911,763	329,300	1,950,906	8,986,977	831,363	321,682	1,821,847

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	Note	2019				2018			
		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		8,168,441	805,576	461,597	-	3,176,096	711,571	494,386	-
Interest income on plan assets		1,034,319	109,585	56,465	-	260,509	60,493	38,294	-
Contribution by the Bank		849,453	180,780	1,840	-	5,900,000	145,585	2,165	-
Contribution by the employees		-	-	1,840	-	-	-	2,165	-
Amount paid by the fund to the Bank		(645,000)	(129,306)	(97,748)	-	(1,121,594)	(139,095)	(65,489)	-
Re-measurements (loss) / gain		(88,370)	1,909	712	-	(46,570)	27,022	(9,924)	-
Fair value at the end of the year		9,318,843	968,544	424,706	-	8,168,441	805,576	461,597	-
41.1.7 Movement in payable / (receivable) under defined benefit schemes									
Opening balance		818,536	25,787	(139,915)	1,821,847	(477,226)	17,251	(65,143)	1,463,703
Mark-up receivable on Bank's balance with the fund		(8,944)	(189)	(5,368)	-	(22,804)	(297)	(3,396)	-
Charge / (reversal) for the year		48,777	148,986	(14,797)	236,146	6,583,432	129,818	(991)	118,719
Contribution by the Bank		(849,453)	(180,780)	(1,840)	-	(5,900,000)	(145,585)	(2,165)	-
Amount paid by the Fund to the Bank		645,000	129,306	97,748	-	1,121,594	139,095	65,489	-
Benefits paid by the Bank		(730,840)	(139,740)	(62,976)	(129,591)	(791,299)	(119,044)	(47,622)	(125,095)
Remeasurement loss / (gain) recognised in OCI during the year		856,578	(40,151)	31,742	22,504	304,839	4,549	(86,087)	364,520
Closing balance		779,654	(56,781)	(95,406)	1,950,906	818,536	25,787	(139,915)	1,821,847
41.1.8 Charge for defined benefit plans									
41.1.8.1 Cost recognised in profit and loss									
Current service cost		19,957	145,775	4,463	687	7,076	128,450	6,340	1,639
Past service cost		-	-	-	-	6,657,216	-	-	-
Net interest on defined benefit (liability) / asset		(45,014)	3,211	(17,420)	235,459	(137,052)	1,368	(5,166)	117,080
Return allocated to other funds	41.1.8.2	73,834	-	-	-	56,192	-	-	-
Employees' contribution		-	-	(1,840)	-	-	-	(2,165)	-
		48,777	148,986	(14,797)	236,146	6,583,432	129,818	(991)	118,719
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.									

Notes to and forming part of the Consolidated Financial Statements

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41.1.10 Components of plan assets

	2019			2018		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
	(Rupees in '000)					
Cash and cash equivalents - net of current liabilities	801,016	151,344	106,984	15,550	7,129	3,181
Quoted securities						
Ordinary shares	116,441	7,137	16,321	86,811	5,342	13,267
Term finance certificates	53,203	26,873	20,232	2,768,708	238,193	58,940
Mutual Funds units	-	35,077	-	-	18,279	-
Pakistan Investment Bonds	4,512,007	314,689	134,818	2,900,447	526,873	144,615
Market Treasury Bills	3,446,115	433,424	-	1,934,034	-	-
Special Savings Certificates	-	-	140,151	412,131	9,760	241,594
Term deposit	390,061	-	6,200	50,760	-	-
	<u>9,318,843</u>	<u>968,544</u>	<u>424,706</u>	<u>8,168,441</u>	<u>805,576</u>	<u>461,597</u>

- 41.1.10.1** 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 employees' 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 change in each assumption is summarized below:

	2019			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
	(Rupees in '000)			
Increase in discount rate by 1 %	(752,658)	(59,797)	(13,876)	(205,555)
Decrease in discount rate by 1 %	879,718	67,999	15,339	249,124
Increase in expected future increment in salary by 1%	-	73,135	1,169	-
Decrease in expected future increment in salary by 1%	-	(65,251)	1,169	-
Increase in expected future increment in pension by 1%	881,339	-	-	-
Decrease in expected future increment in pension by 1%	(765,644)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	225,732
Decrease in expected future increment in medical benefit by 1%	-	-	-	(192,458)

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, 2020 would be as follows:

	2020			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
	(Rupees in '000)			
Expected contribution	-	146,783	-	-
Expected charge / (reversal) for the year	112,565	146,783	(7,767)	214,494

41.1.13 Maturity profile

	2019			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
The weighted average duration of the obligation (in years)	8.02	6.98	4.27	7.95

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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 10.7 billion. Almost 84% 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 and investment in corporate bonds of around 1% respectively.

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 increase have 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 benefits given by the Bank like monthly pension, and 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.

Other Risks

Though, not imminent and generally observable, over long term there are some risks that may crystallize. These 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 Funds are also marked to market. This two-tier valuation gives rise to the model risk.

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- 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, 2019 are as follows:

	2019	2018
	----- Per annum -----	
Discount rate	2.00%	2.75%
Rate of revaluation of pension in deferment	2.00%	2.75%
Expected rate of pension increase	3.00%	3.00%
Retail price inflation	3.10%	3.40%
Consumer price inflation	2.30%	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.

	2019		2018	
	Return	Rupees in '000	Return	Rupees in '000
Insurance policy	2.30%	1,276,423	2.60%	1,052,355
Market value of assets		1,276,423		1,052,355
Present value of defined benefit obligation		(1,312,433)		(1,025,821)
Gross pension liability		<u>(36,010)</u>		<u>26,534</u>

41.2.2 Movement in (deficit) / surplus during the year	2019	2018
	----- (Rupees in '000) -----	
Obligation at the beginning of the year	26,534	(24,003)
Interest expense	956	(9,735)
Employer's contribution	8,222	6,490
Remeasurement gain	(71,700)	53,705
Exchange adjustment	(22)	77
Obligation at the end of the year	<u>(36,010)</u>	<u>26,534</u>

No Directors were members of the defined benefit scheme during the year or as at December 31, 2019.

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		2019	2018
		----- (Rupees in '000) -----	
41.2.3	Analysis of the amount credited / (debited) to net interest income		
	Expected return on pension scheme assets	30,974	23,040
	Interest on pension scheme liabilities	(30,018)	(23,526)
	Net expense	<u>956</u>	<u>(486)</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:		
		2019	
		Rupees in '000	
	Increase in discount rate by 1 %	135,088	
	Decrease in discount rate by 1 %	(179,033)	
	Increase in expected inflation rate by 1%	(22,583)	
	Decrease in expected inflation rate by 1%	2,848	
	Increase in life expectancy by 1 year	(29,907)	
	Decrease in life expectancy by 1 year	29,296	
	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, 2019. The main assumptions used in the actuarial valuation are as follows:		
		2019	2018
		----- Per annum -----	
	Discount rate	11.25%	12.75%
	Expected rate of return on plan assets	9.00%	9.00%
	Expected rate of salary increase	11.25%	12.75%
41.3.2	Reconciliation of payable to defined benefit plan	2019	2018
		----- (Rupees in '000) -----	
	Present value of defined benefit obligations	69,982	55,624
	Fair value of plan assets	(54,276)	(54,726)
	Payable	<u>15,706</u>	<u>898</u>
41.3.3	Movement in defined benefit obligation		
	Obligation at the beginning of the year	55,624	48,483
	Current service cost	13,615	14,109
	Interest cost	7,645	4,150
	Benefits paid	(7,702)	(9,193)
	Remeasurement gain / (loss)	800	(1,925)
	Obligation at the end of the year	<u>69,982</u>	<u>55,624</u>
41.3.4	Movement in the fair value of plan assets		
	Fair value of plan assets at the beginning of the year	54,726	48,987
	Return on plan assets	7,537	4,187
	Contributions to the plan	-	14,725
	Benefits paid	(7,702)	(9,193)
	Remeasurement gain	(285)	(3,980)
		<u>54,276</u>	<u>54,726</u>

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	2019 ----- (Rupees in '000) -----	2018 ----- (Rupees in '000) -----
41.3.5 Composition of plan assets		
Debt securities	2,868	29,730
PIBs / T-Bills	32,877	-
Cash	2,058	14,944
Mutual funds	2,719	2,086
Equity securities	13,754	7,966
	<u>54,276</u>	<u>54,726</u>
41.3.6 Charge for defined benefit plan		
Current service cost	13,615	14,109
Interest cost	7,645	4,150
Return on plan assets	(7,537)	(4,187)
	<u>13,723</u>	<u>14,072</u>
Actual return on plan assets	<u>6,354</u>	<u>210</u>
41.3.7 Movement in net liability recognised		
Opening net payable	898	(504)
Expense recognised	13,723	14,072
Contribution to the fund made during the year	-	(14,725)
Remeasurement gain - net	1,085	2,055
Closing net payable	<u>15,706</u>	<u>898</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, 2019, would be Rs. 13.723 million and Rs. 14.072 million respectively. The weighted average duration of the obligation as of December 31, 2019 is 9 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:

	2019 Rupees in '000
Increase in discount rate by 1 %	64,101
Decrease in discount rate by 1 %	51,025
Increase in salary increment rate by 1%	76,421
Decrease in salary increment rate by 1%	60,657

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 9,856 (2018: 10,039) 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.

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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 gives 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

43.1

Items	2019						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
	(Rupees in '000)						
Fees and Allowances etc.	11,710	-	84,365	6,855	-	24,232	-
Managerial Remuneration							
i) Fixed	-	-	-	-	60,000	592,741	647,202
ii) Total Variable	-	-	-	-	1,600	34,964	252,375
of which							
a) Cash Bonus / Awards	-	-	-	-	20,250	77,378	120,868
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	5,000	10,133	25,280
Contribution to defined contribution plan	-	-	-	-	2,315	31,397	25,184
Rent & house maintenance	-	-	-	-	3,055	84,035	150,603
Utilities	-	-	-	-	1,140	35,406	106,458
Medical	-	-	-	-	-	23,353	33,994
Conveyance	-	-	-	-	453	9,359	10,008
Others	-	-	-	-	1,113	51,208	20,770
Total	11,710	-	84,365	6,855	94,926	974,206	1,392,742
Number of Persons	1	-	7	3	1	45	118
Items	2018						
	Directors			Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Executives (other than CEO)	Non- Executives				
	(Rupees in '000)						
Fees and Allowances etc.	6,224	-	58,124	6,911	-	18,496	-
Managerial Remuneration							
i) Fixed	-	-	-	-	55,000	689,684	518,286
ii) Total Variable	-	-	-	-	1,600	14,428	183,057
of which							
a) Cash Bonus / Awards	-	-	-	-	67,500	234,869	206,260
b) Bonus & Awards in Shares	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	4,583	5,608	21,640
Contribution to defined contribution plan	-	-	-	-	2,020	38,894	23,360
Rent & house maintenance	-	-	-	-	2,987	77,721	131,761
Utilities	-	-	-	-	1,423	32,822	75,245
Medical	-	-	-	-	-	18,993	27,827
Conveyance	-	-	-	-	363	22,601	6,623
Others	-	-	-	-	2,421	76,387	-
Total	6,224	-	58,124	6,911	137,897	1,230,503	1,194,059
Number of Persons	1	-	7	3	1	61	114

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43.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2019									
Sr. No.	Name of Meetings	Name of Directors							
		Sir Mohammed Anwar Pervez, OBE, HPk	Lord Zameer M. Choudrey, CBE, SI Pk	Mr. Haider Zameer Choudrey	Mr. Arshad Ahmad Mir	Mr. Rizwan Pervez	Mr. Khalid Ahmed Sherwani	Mr. Amar Zafar Khan	Mr. Tariq Rashid
(Number of meetings attended)									
1	Board Meetings	6	6	6	5	6	6	6	6
2	Board Audit Committee (BAC)	-	-	5	-	5	5	5	-
3	Board Human Resource & Compensation Committee (HRCC)	-	-	-	3	-	4	4	-
4	Board Risk & Compliance Committee (BRCC)	-	4	-	3	-	-	-	-
5	Board IT Committee (BITC)	-	-	5	-	-	-	-	5
6	Board Nomination Committee (BNC) *	-	-	-	-	-	-	-	-
Total meetings attended		6	10	16	13	11	15	15	11
Meeting fees and allowances paid (Rs in '000)		11,710	11,753	11,753	9,651	11,710	13,622	12,945	12,931
Total meeting fees and allowances paid (Rs in '000)		96,075							

*The BNC was constituted in the Board Meeting in October 2019.

2018											
Sr. No.	Name of Director	Meeting Fees and Allowances Paid								Total Amount Paid	
		For Board Committees						GCC **	UBL NY **		Allowance
		For Board Meetings	Board Audit Committee (BAC)	Board Human Resource & Compensation Committee (HRCC)	Board Risk & Compliance Committee (BRCC)	Board IT Committee (BITC)					
(Rupees in '000)											
1	Sir Mohammed Anwar Pervez, OBE, HPk	5,813	-	-	-	-	-	-	411	6,224	
2	Lord Zameer M. Choudrey, CBE, SI Pk	5,720	-	-	1,188	-	-	-	237	7,145	
3	Mr. Haider Zameer Choudrey	5,720	1,188	-	-	1,188	-	-	237	8,333	
4	Mr. Arshad Ahmad Mir	5,660	-	1,187	1,187	-	1,156	2,319	422	11,931	
5	Mr. Rizwan Pervez	5,813	609	579	-	-	-	-	410	7,411	
6	Mr. Khalid Ahmed Sherwani	3,842	553	553	-	-	-	-	98	5,046	
7	Mr. Amar Zafar Khan	4,998	1,130	578	-	-	1,157	1,132	388	9,383	
8	Mr. Tariq Rashid	5,716	-	-	-	1,213	-	1,820	126	8,875	
Total amount paid		43,282	3,480	2,897	2,375	2,401	2,313	5,271	2,329	64,348	

** These are special committees of the Board and were not functional during the year ended December 31, 2019.

The directors' fee for the year ended December 31, 2019 is based on their attendance per set of meetings which includes Board Meetings and / or Committee(s) Meeting(s) before or after the regular Board Meeting. The amount disclosed for each director in note 43.2 can therefore not be distributed for each type of meeting.

43.3 Remuneration paid to Shariah Board Members

Items	2019			2018		
	Chairman	Resident Member	Non-Resident Member	Chairman	Resident Member	Non-Resident Member
(Rupees in '000)						
Meeting Fees and Allowances	2,540	1,775	2,540	2,377	2,157	2,377
Total Number of Persons	1	1	1	1	1	1

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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 liabilities, 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:

	2019				
	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)	481,948,693	-	481,948,693	-	481,948,693
Foreign Bonds - sovereign	64,182,976	-	64,182,976	-	64,182,976
Foreign Bonds - others	16,299,524	-	16,299,524	-	16,299,524
Ordinary shares of listed companies	13,410,757	13,410,757	-	-	13,410,757
Debt securities (TFCs)	694,241	-	694,241	-	694,241
Investment in REIT	520,708	520,708	-	-	520,708
- Investments (HTM, unlisted ordinary shares, preference shares and associates)	297,504,838	-	-	-	-
	874,561,737	13,931,465	563,125,434	-	577,056,899
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	962,345,777	-	396,445	-	396,445
Interest rate swaps	316,500	-	-	-	-
FX options - purchased and sold (net)	122,594	-	-	-	-
Forward purchase of government securities	3,043,541	-	-	-	-
Forward sale of government securities	11,264,179	-	-	-	-

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	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

Financial assets not measured at fair value

- 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)

44.2 Fair Value of non-financial assets

Fair Value of non-financial assets	2019				
	Carrying / Notional value	Fair value			
		Level 1	Level 2	Level 3	Total
		------(Rupees in '000)-----			
Fixed Assets	42,664,985	-	-	42,664,985	42,664,985
Non-banking assets acquired in satisfaction of claims	1,082,375	-	-	1,082,375	1,082,375
	43,747,360	-	-	43,747,360	43,747,360

	2018				
Carrying / Notional value	Fair value				Total
	Level 1	Level 2	Level 3		
	------(Rupees in '000)-----				
Fixed Assets	42,498,760	-	-	42,498,760	42,498,760
Non-banking assets acquired in satisfaction of claims	1,770,265	-	-	1,770,265	1,770,265
	44,269,025	-	-	44,269,025	44,269,025

44.3 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.

44.4 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.

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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.

45. SEGMENT INFORMATION

45.1 Segment details with respect to business activities

	2019							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International Branch Operations	Subsidiaries	Others	Total
	(Rupees in '000)							
Profit & Loss								
Net mark-up / return / profit	45,777,713	44,777,720	(39,525,612)	3,051,974	8,769,288	1,566,422	(1,076,587)	63,340,918
Inter segment (expense) / revenue - net	(39,563,831)	(58,653,192)	92,498,666	-	-	-	5,718,357	-
Non mark-up / return / interest income	2,409,533	4,293,079	9,651,040	277,344	3,102,710	2,571,531	2,029,598	24,334,835
Total Income	8,623,415	(9,582,393)	62,624,094	3,329,318	11,871,998	4,137,953	6,671,368	87,675,753
Segment direct expenses	1,448,076	80,141	22,768,523	1,768,187	5,733,975	3,642,390	9,190,264	44,631,556
Inter segment expense allocation	612,577	74,362	5,177,871	-	740,244	-	(6,605,054)	-
Total expenses	2,060,653	154,503	27,946,394	1,768,187	6,474,219	3,642,390	2,585,210	44,631,556
Reversals / (provisions)	386,833	(2,249,649)	419,250	(9,567)	(6,010,178)	99,925	49,843	(7,313,543)
Profit / (loss) before tax	6,949,595	(11,986,545)	35,096,950	1,551,564	(612,399)	595,488	4,136,001	35,730,654
Balance Sheet								
Cash & Bank balances	81,168	81,316,916	102,634,796	13,897,123	52,400,729	34,987,958	774,238	286,092,928
Investments	5,709,986	674,283,210	-	46,726,238	108,281,811	35,466,122	4,094,370	874,561,737
Net inter segment lending	6,033,205	-	974,558,425	-	-	-	54,818,509	1,035,410,139
Lendings to financial institutions	-	9,450,000	-	10,796,576	-	1,509,828	-	21,756,404
Advances - performing	447,169,096	18,964	35,585,623	9,013,624	125,319,182	58,139,824	5,743,472	680,989,785
Advances - non-performing net of provision	1,385,177	44,946	698,152	3,751	11,212,859	574,868	24,925	13,944,678
Others	25,309,421	23,500,715	14,126,968	8,306,009	14,826,734	6,911,760	53,174,735	146,156,342
Total Assets	485,688,053	788,614,751	1,127,603,964	88,743,321	312,041,315	137,590,360	118,630,249	3,058,912,013
Borrowings	52,023,960	95,592,358	-	1,299,975	5,567,707	15,921,060	-	170,405,060
Subordinated debt	-	-	-	-	-	-	10,000,000	10,000,000
Deposits & other accounts	60,853,339	131,140	1,073,376,469	81,432,150	250,441,596	91,143,714	616,898	1,557,995,306
Net inter segment borrowing	340,389,787	694,764,203	50,718	-	205,431	-	-	1,035,410,139
Others	28,237,437	7,443,210	29,480,520	2,482,320	7,619,847	1,369,787	17,815,030	94,448,151
Total Liabilities	481,504,523	797,930,911	1,102,907,707	85,214,445	263,834,581	108,434,561	28,431,928	2,868,258,656
Equity	4,183,416	(9,316,160)	18,670,613	3,528,876	52,573,508	21,802,989	99,428,629	190,871,871
Total Equity & liabilities	485,687,939	788,614,751	1,121,578,320	88,743,321	316,408,089	130,237,550	127,860,557	3,059,130,527
Contingencies and Commitments	385,615,006	582,249,607	11,794,242	170,513	405,700,848	76,351,544	2,070,818	1,463,952,578

Segment details with respect to business activities

	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	1,708,949	-	57,943,220
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	9,078,404	9,983,805	206,059	2,045,808	1,521,021	930,617	26,710,881
Total Income	6,995,287	14,839,376	43,533,165	2,463,033	10,577,284	3,229,970	3,015,986	84,654,101
Segment direct expenses	1,171,679	565,182	24,150,372	1,514,278	6,962,460	3,230,408	9,061,369	46,655,748
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	3,230,408	3,608,415	46,655,748
(Provisions) / reversals	(408,496)	(1,168,771)	468,714	(7,276)	(11,568,920)	143,855	94,285	(12,446,609)
Profit / (loss) before tax	4,981,272	13,043,270	15,650,750	845,691	(8,614,512)	143,417	(498,144)	25,551,744

Notes to and forming part of the Consolidated Financial Statements

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	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	1,694,309	229,662,731
Investments	7,213,391	653,902,739	-	30,746,758	88,243,845	47,339,783	3,712,584	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	5,108,124	741,426,095
Advances - non-performing net of provision	1,777,079	-	262,540	15,068	10,587,435	456,931	26,574	13,125,627
Others	27,761,067	21,514,992	12,412,517	625,250	19,888,705	5,986,891	63,583,348	151,772,770
Total Assets	488,246,442	750,243,470	1,037,563,625	77,517,959	335,503,947	121,967,771	111,403,733	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	82,263,993	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	1,547,511	10,644,222	96,626,849
Total Liabilities	485,550,136	748,980,988	1,031,789,293	74,989,052	294,478,806	96,970,291	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	168,623,859
Total Equity & Liabilities	488,246,442	748,878,775	1,038,941,552	77,517,959	339,897,445	114,324,202	114,640,572	2,922,446,947
Contingencies and Commitments	415,595,186	246,204,352	21,489,804	340,262	426,945,992	86,457,682	14,421,012	1,211,454,290

45.2 Geographical segment analysis

	2019						
	Pakistan Operations	United States of America	Export Processing Zones	Middle East	Europe	Africa	Total
	(Rupees in '000)						
Profit & Loss							
Net mark-up / return / profit	53,011,184	-	232,825	8,536,463	1,560,446	-	63,340,918
Inter segment (expense) / revenue - net	-	-	-	-	-	-	-
Non mark-up / return / interest income	19,718,083	-	50,950	3,051,760	1,514,042	-	24,334,835
Total Income	72,729,267	-	283,775	11,588,223	3,074,488	-	87,675,753
Segment direct expenses	35,927,041	-	26,479	5,707,496	2,970,540	-	44,631,556
Inter segment expense allocation	(740,244)	-	2,729	737,515	-	-	-
Total expenses	35,186,797	-	29,208	6,445,011	2,970,540	-	44,631,556
(Provisions) / Reversals	(1,403,453)	-	-	(6,010,178)	100,088	-	(7,313,543)
Profit / (loss) before tax	36,139,017	-	254,567	(866,966)	204,036	-	35,730,654
Balance Sheet							
Cash & Bank balances	198,707,716	-	57,847	52,342,883	34,984,482	-	286,092,928
Investments	732,869,714	-	4,673,811	103,608,000	33,410,212	-	874,561,737
Net inter segment lending	1,035,410,139	-	-	-	-	-	1,035,410,139
Lendings to financial institutions	20,246,576	-	-	-	1,509,828	-	21,756,404
Advances - performing	497,530,779	-	38,323	125,280,859	58,139,824	-	680,989,785
Advances - non-performing net of provision	2,156,951	-	-	11,212,859	574,868	-	13,944,678
Others	124,829,995	-	2,396,396	12,430,338	6,499,613	-	146,156,342
Total Assets	2,611,751,870	-	7,166,377	304,874,939	135,118,827	-	3,058,912,013
Borrowings	149,316,250	-	-	5,567,707	15,521,103	-	170,405,060
Subordinated debt	10,000,000	-	-	-	-	-	10,000,000
Deposits & other accounts	1,216,408,782	-	5,592,357	244,850,452	91,143,715	-	1,557,995,306
Net inter segment borrowing	1,035,204,708	-	112,723	92,708	-	-	1,035,410,139
Others	85,624,195	-	158,794	7,461,053	1,204,109	-	94,448,151
Total Liabilities	2,496,553,935	-	5,863,874	257,971,920	107,868,927	-	2,868,258,656
Equity	118,278,817	-	1,302,503	51,271,005	20,019,546	-	190,871,871
Total Equity & Liabilities	2,614,832,752	-	7,166,377	309,242,925	127,888,473	-	3,059,130,527
Contingencies and Commitments	981,900,186	-	115,880	405,584,968	76,351,544	-	1,463,952,578

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

Geographical segment analysis

				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	-	57,943,220
Inter segment (expense) / revenue - net	-	-	-	-	-	-	-
Non mark-up / return / interest income	24,197,582	10,769	40,131	1,994,908	467,491	-	26,710,881
Total Income	71,893,434	63,895	192,522	10,320,867	2,183,383	-	84,654,101
Segment direct expenses	(37,024,290)	(1,067,600)	(17,600)	(5,877,260)	(2,668,998)	-	(46,655,748)
Inter segment expense allocation	660,416	-	(1,408)	(659,008)	-	-	-
Total expenses	(36,363,874)	(1,067,600)	(19,008)	(6,536,268)	(2,668,998)	-	(46,655,748)
(Provisions) / reversals	(1,021,544)	(68,015)	-	(11,500,905)	143,855	-	(12,446,609)
Profit / (loss) before tax	34,508,016	(1,071,720)	173,514	(7,716,306)	(341,760)	-	25,551,744
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 provisions	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	704,450,684	-	2,209,348	418,336,575	86,434,599	23,084	1,211,454,290

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

46. TRUST ACTIVITIES

The Group 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

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47.1 Related Party Transactions

	2019				2018			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Investments								
Opening balance	-	-	5,119,744	4,183,880	-	-	4,243,644	3,895,328
Investment made during the year	-	-	13,864,341	-	-	-	6,148,157	510,075
Investment redeemed / disposed off during the year	-	-	(13,491,052)	(240,353)	-	-	(5,699,007)	(221,523)
Equity method adjustments	-	-	620,401	-	-	-	426,950	-
Closing balance	-	-	6,113,434	3,943,527	-	-	5,119,744	4,183,880
Provision for diminution in value of investments	-	-	-	1,126,954	-	-	-	91,007
Advances								
Opening balance	2,221	280,911	2,155,149	6,747,749	5,303	205,368	2,155,149	2,626,106
Addition during the year	15,958	148,343	-	6,591,282	13,479	245,272	-	4,123,007
Repaid during the year	(13,555)	(88,857)	-	(623,033)	(16,561)	(121,668)	-	(1,341)
Transfer out	-	(52,779)	-	-	-	(48,061)	-	(23)
Closing balance	4,624	287,618	2,155,149	12,715,998	2,221	280,911	2,155,149	6,747,749
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
Other Assets								
Interest mark-up accrued	-	-	7,289	325,704	-	-	3,646	143,767
Receivable from staff retirement funds	-	-	-	217,633	-	-	-	321,349
Prepaid insurance	-	-	2,167	-	-	-	107,566	-
Remuneration receivable from management of funds	-	-	79,080	-	-	-	87,358	-
Sales load receivable	-	-	27,408	-	-	-	19,154	-
Formation cost receivable	-	-	-	-	-	-	7,039	-
Other receivable	-	-	1,505	30,164	-	-	59,146	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
Borrowings								
Opening balance	-	-	-	12,400	-	-	474,532	-
Borrowings during the year	-	-	-	579,400	-	-	2,364,689	244,000
Settled during the year	-	-	-	(591,800)	-	-	(2,839,221)	(231,600)
Closing balance	-	-	-	-	-	-	-	12,400
Deposits and other accounts								
Opening balance	6,245,368	165,303	11,638,646	8,491,509	5,700,563	66,247	7,426,100	3,072,390
Received during the year	38,666,070	915,992	160,641,938	267,658,066	60,624,991	1,629,709	160,790,083	163,877,912
Withdrawn during the year	(36,231,988)	(996,873)	(165,777,647)	(264,802,479)	(60,080,186)	(1,594,450)	(156,547,356)	(158,455,252)
Transfer in / (out) - net	-	(13,313)	(4)	-	-	63,797	(30,181)	(3,541)
Closing balance	8,679,450	71,109	6,502,933	11,347,096	6,245,368	165,303	11,638,646	8,491,509
Other Liabilities								
Interest / mark-up payable on deposits and borrowings	35,257	-	72,233	94,554	40,343	67	53,416	49,821
Payable to staff retirement fund	-	-	-	736,313	-	-	-	972,584
Unearned income	-	-	-	13,869	-	-	-	12,608
	2019				2018			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
	(Rupees in '000)							
Income								
Mark-up / return / interest earned	-	15,660	57,978	822,220	-	12,528	10,096	146,301
Commission / charges recovered	425	3,995	12,617	22,937	92	694	88,347	17,393
Dividend received	-	-	91,518	373,764	-	-	45,186	779,246
Net gain on sale of securities	-	-	64,370	28,515	-	-	94,616	-
Remuneration from management of fund	-	-	800,997	-	-	-	922,809	-
Sales load	-	-	57,898	-	-	-	96,871	-
Subscription fee	-	-	-	-	-	-	16,187	-
Other income	-	989	6,157	22,827	-	942	100	234,406
Switch revenue	-	-	-	249,124	-	-	-	-
Expenses								
Mark-up / return / interest paid	155,289	1,682	767,200	387,628	161,640	2,151	609,869	158,220
Remuneration paid	-	852,955	-	-	-	1,451,096	-	-
Post employment benefits	-	22,807	-	-	-	68,435	-	-
Non-executive directors' fee	96,075	-	-	-	64,348	-	-	-
Net charge for defined contribution plans	-	-	-	498,894	-	-	-	479,403
Net charge for defined benefit plans	-	-	-	241,654	-	-	-	6,736,263
Clearing charges	-	-	-	129,727	-	-	-	114,171
Seminar and membership fees	-	-	-	13,845	-	-	-	9,405
Membership, subscription, sponsorship and maintenance charges	-	-	-	14,534	-	-	-	7,309
Custody charges	-	-	-	6,401	-	-	-	5,775
Other expenses	-	-	63,634	49,363	-	-	-	4,960
Insurance premium paid	-	2,735	348,690	-	-	-	557,449	-
Insurance claims settled	-	-	330,415	-	-	-	395,987	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

48. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

	2019	2018
	-----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	124,263,319	116,182,214
Eligible Additional Tier 1 (ADT 1) Capital	10,530,346	8,305,439
Total Eligible Tier 1 Capital	134,793,665	124,487,653
Eligible Tier 2 Capital	35,945,443	40,708,238
Total Eligible Capital (Tier 1 + Tier 2)	170,739,108	165,195,891
Risk Weighted Assets (RWAs):		
Credit Risk	729,515,624	795,066,075
Market Risk	67,581,408	30,089,441
Operational Risk	153,434,017	147,604,598
Total	950,531,049	972,760,114
Common Equity Tier 1 Capital Adequacy Ratio	13.07%	11.94%
Tier 1 Capital Adequacy Ratio	14.18%	12.80%
Total Capital Adequacy Ratio	17.96%	16.98%

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 as at December 31, 2019 stood at Rs.12,241.798 million (2018: 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 2.5% and High Loss Absorbency Requirement of 1.5% 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, 2019. As at December 31, 2019 the Bank is fully compliant with prescribed ratios as the Bank's CAR is 17.96% whereas CET 1 and Tier 1 ratios stood at 13.07% and 14.18% 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 Systemically Important Banks (D-SIBs) introduced vide BPRD Circular No. 04 of 2018 dated April 13, 2018, UBL has been designated as a D-SIB. In line with this framework, the Bank is required to meet the Higher Loss Absorbency (HLA) capital charge of 1.5%, in the form of Additional CET 1 capital, on a standalone as well as consolidated level during 2019. As per SBP's designation of D-SIBs for the year 2019, the HLA capital charge required to be maintained by UBL has been reduced from 1.5% to 1.0%. The revised HLA capital charge will be applicable from March 31, 2020 and will remain effective till next D-SIB designation is announced by the State Bank of Pakistan.

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.

	2019	2018
	-----Rupees in '000-----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	134,793,665	124,487,653
Total Exposures	2,534,146,003	2,550,548,720
Leverage Ratio	5.32%	4.88%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	530,454,588	404,144,218
Total Net Cash Outflow	206,998,861	212,338,866
Liquidity Coverage Ratio	256.26%	190.33%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,598,050,689	1,489,318,075
Total Required Stable Funding	1,170,120,900	1,181,920,887
Net Stable Funding Ratio	136.57%	126.01%

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>

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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 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.

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

	2019	2018	2019	2018	2019	2018
Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	(Rupees in '000)					
Public / Government	4,800,000	4,800,000	-	-	-	-
Private	16,956,404	30,614,804	-	68,253	-	68,253
	21,756,404	35,414,804	-	68,253	-	68,253

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49.1.2 Investment in debt securities

Credit risk by industry sector	2019	2018	2019	2018	2019	2018
	Gross investments		Non-performing investments		Provision held	
	(Rupees in '000)					
Airlines	391,504	1,792,177	391,504	1,792,177	-	-
Textile	529,262	229,264	228,922	229,264	103,088	103,090
Chemical and pharmaceuticals	194,104	110,645	91,288	110,645	91,288	110,645
Automobile and transportation equipment	6,180,479	-	-	-	-	-
Electronics and electrical appliances	-	2,549	-	2,549	-	2,549
Exports / Imports	773,421	-	-	-	-	-
Fertilizers	17,362,227	-	-	-	-	-
Construction	1,815,899	424,739	-	-	-	-
Insurance	1,607,579	-	-	-	-	-
Power (electricity), Gas, Water, Sanitary	24,462,115	14,827,903	-	-	-	-
Telecommunication	837,100	-	-	-	-	-
Financial	770,901,869	770,631,700	78,784	301,197	78,784	301,172
Others	34,090,968	40,180,411	2,309	430,317	2,309	430,830
	859,146,527	828,199,388	792,807	2,866,149	275,469	948,286

Credit risk by public / private sector	2019	2018	2019	2018	2019	2018
	Gross investments		Non-performing investments		Provision held	
	(Rupees in '000)					
Public / Government	823,375,824	768,972,688	391,504	2,175,183	-	-
Private	35,770,703	59,226,700	401,303	690,966	275,469	948,286
	859,146,527	828,199,388	792,807	2,866,149	275,469	948,286

49.1.3 Advances

Credit risk by industry sector	2019	2018	2019	2018	2019	2018
	Gross advances		Non-performing advances		Provision held	
	(Rupees in '000)					
Chemical and pharmaceuticals	12,846,614	15,625,380	127,834	112,284	120,009	112,284
Agri business	9,637,263	10,435,056	716,680	461,798	316,451	347,506
Textile spinning	19,088,233	18,505,029	3,810,771	3,945,619	3,810,771	3,945,619
Textile weaving	7,819,768	8,518,471	421,724	418,026	356,813	417,764
Textile composite	32,023,671	33,893,395	3,910,358	3,963,152	3,910,358	3,961,202
Textile others	18,525,815	19,153,131	2,402,729	2,565,120	2,395,346	2,461,777
Cement	7,919,680	6,608,055	278,426	-	136,211	-
Sugar	5,626,661	10,106,270	180,729	426,992	180,729	426,992
Shoes and leather garments	2,045,615	2,351,335	2,320,414	2,214,605	2,281,613	2,214,700
Automobile and transportation equipment	16,857,339	18,199,891	122,851	130,307	122,105	128,250
Financial	49,738,983	72,320,683	3,459,784	3,400,989	3,459,718	3,461,379
Electronics and electrical appliances	13,708,661	14,230,576	8,243,692	7,348,585	6,230,582	5,356,833
Production and transmission of energy	193,356,305	226,994,888	4,890,901	5,185,374	4,925,046	4,710,194
Paper and allied	2,000,326	3,440,410	625,182	707,669	614,656	706,138
Surgical and metal	42,987	207,652	-	-	-	-
Contractors	9,971,659	5,107,914	842,215	-	679,587	-
Wholesale traders	35,673,686	38,943,401	8,069,156	6,255,138	7,977,518	6,239,271
Fertilizer dealers	14,811,984	14,480,378	53,298	47,698	46,548	46,675
Sports goods	272,124	691,643	5,100	-	5,100	-
Food industries	81,992,107	87,493,084	7,479,545	8,090,259	5,475,103	6,139,973
Airlines	7,495,899	8,076,546	1,429,361	-	1,429,288	-
Cables	1,175,344	994,870	646,792	-	646,792	-
Construction	27,603,129	32,446,269	6,796,071	3,191,872	3,363,017	2,889,321
Engineering	20,368,902	22,793,296	1,109,848	1,117,263	39,379	49,720
Glass and allied	386,633	598,019	-	-	-	-
Hotels	2,111,627	1,420,315	616,777	596,050	616,777	596,050
Polyester and fiber	4,498,424	4,541,352	1,577,051	1,577,051	1,577,051	1,577,051
Telecommunication	20,027,491	17,805,208	2,815,881	-	2,827,769	-
Individuals	69,625,877	42,705,370	8,564,083	9,503,456	5,282,435	3,814,688
Others	74,802,537	76,884,446	5,929,786	8,244,000	4,675,589	6,774,293
	762,055,344	815,572,333	77,447,039	69,503,307	63,502,361	56,377,680

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Credit risk by public / private sector	2019	2018	2019	2018	2019	2018
	Gross advances		Non-performing advances		Provision held	
	(Rupees in '000)					
Public / Government	331,031,291	331,031,291	1,089,630	1,089,630	22,313	22,313
Private	431,024,053	484,541,042	76,357,409	68,413,677	63,480,048	56,355,367
	762,055,344	815,572,333	77,447,039	69,503,307	63,502,361	56,377,680

49.1.4 Contingencies and Commitments

Credit risk by industry sector

	2019	2018
	Rupees in '000	
Agri business	5,468,525	84,806
Airlines	1,799,768	444,064
Automobile and transportation equipment	1,969,736	5,442,636
Cables	359,209	416,415
Cement	5,557,937	9,657,312
Chemical and pharmaceuticals	3,534,842	3,832,528
Construction	12,048,828	20,745,074
Containers and ports	1,154,416	1,092,000
Contractors	2,649,175	19,364,259
Electronics and electrical appliances	398,469	3,089,509
Engineering	8,274,367	19,369,801
Financial	3,179,706	798,006,934
Textile spinning	1,075,399,609	5,472,684
Textile weaving	7,336,979	4,428,557
Textile composite	287,000	5,075,008
Textile others	69,740	4,538,228
Sugar	15,431,641	1,700,230
Shoes and leather garments	2,638,436	95,932
Production and transmission of energy	3,819,949	132,743,634
Paper and allied	142,488,054	3,304,861
Surgical and metal	56,330	-
Wholesale traders	99,262	6,017,812
Fertilizer dealers	155,994	5,133,758
Food industries	14,700,186	10,004,607
Glass and allied	673,835	380,484
Hotels	6,143,341	153,631
Polyester and fiber	2,261,400	6,498,849
Telecommunication	1,614,426	11,070,166
Individuals	1,270,211	3,725,963
Others	143,111,207	129,564,548
	<u>1,463,952,578</u>	<u>1,211,454,290</u>
Credit risk by public / private sector		
Public / Government	426,665,080	503,906,705
Private	<u>1,037,287,498</u>	<u>707,547,585</u>
	<u>1,463,952,578</u>	<u>1,211,454,290</u>

49.1.5 Concentration of Advances

The Group's top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 307,757 million (2018: Rs. 329,887 million) are as following:

	2019	2018
	Rupees in '000	
Funded	175,759,229	202,225,292
Non-Funded	131,997,318	127,661,689
Total Exposure	<u>307,756,547</u>	<u>329,886,981</u>

The sanctioned limits against these top 10 exposures aggregated to Rs. 322,710 million (2018: Rs. 377,954 million).

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49.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2019					
	Utilization					
	Disburse-ments	Punjab	Sindh	KPK including FATA	Balochistan	AJK including Gilgit-Baltistan
	(Rupees in '000)					
Punjab	163,251,257	163,251,257	-	-	-	-
Sindh	221,221,535	-	221,221,535	-	-	-
KPK including FATA	1,409,927	-	-	1,409,927	-	-
Balochistan	869,842	-	-	-	869,842	-
Islamabad	120,402,344	-	-	-	-	120,402,344
AJK including Gilgit-Baltistan	151,138	-	-	-	-	151,138
Total	507,306,043	163,251,257	221,221,535	1,409,927	869,842	120,402,344
						151,138

Province / Region	2018					
	Utilization					
	Disburse-ments	Punjab	Sindh	KPK including FATA	Balochistan	AJK including Gilgit-Baltistan
	(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

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.

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- 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

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- (Rupees in '000) -----						
Cash and balances with treasury banks	243,370,701	-	243,370,701	187,915,671	-	187,915,671
Balances with other banks	42,722,227	-	42,722,227	41,747,060	-	41,747,060
Lendings to financial institutions	21,756,404	-	21,756,404	35,346,551	-	35,346,551
Investments	481,922,148	392,639,589	874,561,737	729,585,963	101,573,137	831,159,100
Advances	694,934,463	-	694,934,463	754,551,722	-	754,551,722
Fixed assets	58,276,411	-	58,276,411	50,898,280	-	50,898,280
Intangible assets	2,070,938	-	2,070,938	1,876,094	-	1,876,094
Deferred tax assets - net	1,723,553	-	1,723,553	6,685,952	-	6,685,952
Assets classified as held for sale	236,450	-	236,450	-	-	-
Other assets	84,085,440	-	84,085,440	92,312,444	-	92,312,444
	<u>1,631,098,735</u>	<u>392,639,589</u>	<u>2,023,738,324</u>	<u>1,900,919,737</u>	<u>101,573,137</u>	<u>2,002,492,874</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 Group'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.

	2019				2018			
	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	1,549,598,145	1,324,042,745	(53,586,673)	171,968,727	1,532,411,442	1,332,445,342	(45,447,911)	154,518,189
US Dollar	258,417,224	178,391,299	(81,396,583)	(1,370,658)	210,730,070	117,600,788	(87,762,976)	5,366,306
Pound Sterling	71,297,070	77,190,868	20,344,001	14,450,203	51,697,946	70,657,807	26,749,191	7,789,330
Japanese Yen	140,649	116,872	(18,246)	5,531	27,226	8,821	(12,606)	5,799
Euro	4,002,248	9,188,690	5,327,214	140,772	3,070,085	10,644,026	6,396,344	(1,177,597)
UAE Dirham	95,773,140	183,810,055	89,194,894	1,157,979	123,875,311	211,071,317	80,270,598	(6,925,408)
Bahraini Dinar	15,484,445	25,325,947	10,065,814	224,312	13,536,697	25,327,298	12,252,900	462,299
Qatari Riyal	18,613,184	27,147,501	9,359,104	824,787	24,369,574	28,332,023	4,809,866	847,417
Other Currencies	10,412,219	7,652,476	710,475	3,470,218	42,774,523	37,781,593	2,744,594	7,737,524
	<u>2,023,738,324</u>	<u>1,832,866,453</u>	<u>-</u>	<u>190,871,871</u>	<u>2,002,492,874</u>	<u>1,833,869,015</u>	<u>-</u>	<u>168,623,859</u>

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	2019		2018	
	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	154,329	-	63,681	-
-1% change	(154,329)	-	(63,681)	-

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 Group'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 Group.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices on:				
Other comprehensive income				
+5% change	-	709,219	860,904	-
-5% change	-	(709,219)	(860,904)	-

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 Group'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.

	2019		2018	
	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	(817,943)	(141,853)	(462,310)	(127,412)
-1% change	875,384	141,853	519,594	127,412
- Other comprehensive income				
+1% change	(4,639,066)	(1,630,607)	(6,346,952)	-
-1% change	4,639,066	1,630,607	6,346,952	-

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49.2.5 Mismatch of interest rate sensitive assets and liabilities

Effective yield/ interest rate	Total	2019								Non-interest bearing financial instruments
		Exposed to yield / Interest rate risk								
		Upto 1 month to 3 months	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	
%		(Rupees in '000)								
On-balance sheet financial instruments										
Assets										
0.26%	243,370,701	18,775,252	-	-	-	-	-	-	-	224,595,449
3.92%	42,722,227	14,235,010	414,242	-	-	-	-	-	-	23,958,342
11.10%	21,756,404	21,524,157	-	-	232,247	-	-	-	-	-
9.65%	874,561,737	132,620,728	176,258,597	75,364,095	82,406,608	130,994,342	97,829,747	59,685,713	92,959,094	20,723,070
	Advances									
10.39%	680,989,785	215,006,227	214,441,134	187,624,344	27,097,774	4,584,859	1,936,494	24,338,798	2,158,272	3,801,883
	- Performing									
	13,944,678	-	-	-	-	-	-	-	-	13,944,678
	- Non performing									
	60,391,067	-	-	-	-	-	-	-	-	60,391,067
	Other assets									
	1,937,736,599	402,161,374	394,814,364	263,402,681	109,504,382	135,811,448	99,766,241	84,024,511	95,117,366	343,612,606
Liabilities										
	22,929,220									22,929,220
8.79%	170,405,060	80,516,873	41,240,233	7,405,589	16,077,188	24,576,902	-	-	-	588,275
4.89%	1,557,995,306	106,138,117	631,620,349	65,878,882	30,552,709	56,857,711	12,737,653	16,067,264	33,300,703	600,607,617
12.39%	19,095	19,095	-	-	-	-	-	-	-	-
13.51%	10,000,000	-	10,000,000	-	-	-	-	-	-	-
	Subordinated debt									
	26,581,656	-	-	-	-	-	-	-	-	26,581,656
	Other liabilities									
	1,787,930,337	186,674,085	682,860,582	73,284,471	46,629,897	81,434,613	12,737,653	16,067,264	33,300,703	650,706,768
On-balance sheet gap										
	149,806,262	215,487,289	(288,046,218)	190,118,210	62,874,485	54,376,835	87,028,588	67,957,247	61,816,663	5,287,325
Net non-financial assets										
	41,065,609									
Total net assets										
	190,871,871									
Off-balance sheet financial instruments										
	316,500	-	316,500	-	-	-	-	-	-	-
	(316,500)	-	(316,500)	-	-	-	-	-	-	-
	Interest Rate Derivatives - Long position									
	Interest Rate Derivatives - Short position									
	FX Options - Long position	61,297	61,297	-	-	-	-	-	-	-
	FX Options - Short position	(61,297)	(61,297)	-	-	-	-	-	-	-
	Forward purchase of Government Securities	3,043,541	3,043,541	-	-	-	-	-	-	-
	Forward sale of Government Securities	(11,264,179)	(2,008,835)	-	(9,208,510)	-	(46,834)	-	-	-
	Foreign currency forward purchases	508,996,241	224,824,756	149,166,343	107,694,181	27,310,961	-	-	-	-
	Foreign currency forward sales	(453,349,536)	(214,401,442)	(121,636,949)	(98,569,424)	(18,741,721)	-	-	-	-
Off-balance sheet Gap										
	47,426,067	8,414,479	30,572,935	9,124,757	(639,270)	-	(46,834)	-	-	-
Total Yield / Interest Rate Risk Sensitivity Gap										
	197,232,329	223,901,768	(257,473,283)	199,242,967	62,235,215	54,376,835	86,981,754	67,957,247	61,816,663	5,287,325
Cumulative Yield / Interest Rate Risk Sensitivity Gap										
	223,901,768	(33,571,515)	165,671,452	227,906,667	282,283,502	369,265,256	437,222,503	499,039,166	504,326,491	197,232,329

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Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

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 Group, 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.

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Represented by:

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

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
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	187,915,671	119,691,762	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	41,747,060	16,912,808	13,156,539	9,989,748	1,687,965	-	-	-	-	-
Lendings to financial institutions	35,346,551	29,295,008	5,634,872	-	-	-	416,671	-	-	-
Investments	831,159,100	187,262,079	81,520,920	63,348,203	89,184,370	91,388,187	85,651,006	96,582,584	129,680,451	6,541,300
Advances - Performing	741,426,095	192,264,209	99,930,284	67,654,482	62,015,087	76,752,758	56,843,264	97,112,865	68,900,298	19,952,848
- Non-performing	13,125,627	-	-	-	-	-	-	-	-	13,125,627
Operating fixed assets	50,898,280	5,288,155	390,871	401,220	280,692	747,605	1,126,794	1,905,420	3,146,169	37,611,354
Intangible assets	1,876,094	119,063	581	208,674	31,019	234,556	444,686	485,149	352,366	-
Deferred tax asset - net	6,685,952	237,434	-	-	636,666	1,937,284	1,937,284	1,937,284	-	-
Other assets	92,312,444	19,670,544	12,877,135	6,026,623	33,545,272	5,573,294	4,754,905	5,424,198	3,350,402	1,090,071
	2,002,492,874	570,741,062	217,725,711	151,732,118	193,320,935	184,896,813	157,515,132	213,502,117	228,565,379	84,493,607
Liabilities										
Bills payable	27,272,967	6,821,414	4,976,391	4,877,061	10,596,818	-	-	-	-	1,283
Borrowings	279,918,125	168,945,281	71,932,335	16,455,511	212,449	2,240,493	739,740	1,999,111	17,382,256	10,949
Deposits and other accounts	1,448,324,041	203,143,465	144,574,334	131,710,179	147,503,485	154,866,365	118,474,806	160,191,865	309,948,926	77,910,616
Liabilities against assets subject to finance lease	10,000	10,000	-	-	-	-	-	-	-	-
Subordinated debt	9,000,000	-	-	-	-	-	-	-	9,000,000	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	69,343,882	30,084,785	8,703,291	6,720,531	7,309,836	2,630,469	2,266,686	5,211,000	1,599,077	4,818,207
	1,833,869,015	409,004,945	230,186,351	159,763,282	165,622,588	159,737,327	121,481,232	167,401,976	337,930,259	82,741,055
Net assets	168,623,859	161,736,117	(12,460,640)	(8,031,164)	27,698,347	25,159,486	36,033,900	46,100,141	(109,364,880)	1,752,552
Represented by:										
Share capital	12,241,798									
Reserves	60,078,870									
Surplus on revaluation of assets	16,992,906									
Unappropriated profit	73,749,955									
Non-controlling interest	5,560,330									
	168,623,859									

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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.

[illegible]

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

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
Assets														
Cash and balances with treasury banks	187,915,671	-	-	-	187,915,671	-	-	-	-	1,687,965	-	-	-	-
Balances with other banks	41,747,060	14,338,821	4,772,937	1,651,505	(3,303,215)	6,862,658	5,624,169	10,092,220	-	-	-	-	-	-
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	52,624,987	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	19,040,963	58,184,883	71,323,107	13,842,461	36,414,256	27,598,420	16,300,100	18,876,597	5,879,991
Liabilities against assets subject to finance lease	10,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated debt	9,000,000	-	-	-	-	-	-	-	-	-	-	-	10,000	-
Other liabilities	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	9,000,000
	1,833,569,015	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	32,163,083	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	170,846,868	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	(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	170,846,868	249,253,493

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2019

50. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

- 50.1** The Board of Directors in its meeting held on February 19, 2020 has proposed a cash dividend in respect of 2019 of Rs. 4 per share (2018: Rs. 3 per share). In addition, the Directors have also announced a bonus issue of Nil (2018: Nil). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2019 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2020.

51. GENERAL

- 51.1** Comparative Information has been reclassified, rearranged or additionally incorporated in these consolidated financial statements for the purposes of better presentation.
- 51.2** Figures have been rounded off to the nearest thousand rupees unless otherwise stated.

52. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on February 19, 2020 by the Board of Directors of the Bank.



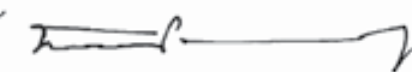
Aameer Karachiwalla
Chief Financial Officer



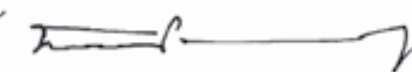
Sima Kamil
President &
Chief Executive Officer



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	272,000	1,496	270,504	272,000	Sale	Mr. Muhammad Hanif
Land & Building	212,450	78,282	134,168	174,107	Sale	Agecroft Investment Company
Leasehold Improvements						
HO Departments	13,253	11,462	1,791	-	Write Off	
Branch	3,388	2,484	904	-	Write Off	
	501,091	93,724	407,367	446,107		

Vehicles

Toyota Prado	9,894	8,905	989	1,979	Buy Back	UBL President (Sima Kamil)
Toyota Prado	6,943	6,249	694	5,053	Auction	Mr. Syed Riaz Ahmed
Toyota Hiace Van	1,940	1,746	194	1,660	Auction	Mr. Muhammad Javed
Toyota Corolla	1,792	1,075	717	1,550	Insurance	UBL Insurers
Toyota Corolla	1,786	1,608	179	1,451	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,277	Auction	Yasir Motors
Toyota Corolla	1,761	1,585	176	1,338	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,371	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,384	Auction	Augmentech Business Solutions
Toyota Corolla	1,761	1,585	176	1,381	Auction	Augmentech Business Solutions
Toyota Corolla	1,736	1,562	174	1,461	Auction	Augmentech Business Solutions
Toyota Corolla	1,736	1,562	174	1,461	Auction	Augmentech Business Solutions
Toyota Corolla	1,715	1,544	172	1,264	Auction	Mr. Syed Riaz Ahmed
Toyota Corolla	1,715	1,544	172	1,260	Auction	Mr. Fawad Ahmed
Toyota Corolla	1,715	1,544	172	1,300	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,694	1,271	424	1,300	Insurance	UBL Insurers
Toyota Corolla	1,663	1,496	166	1,325	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,663	1,496	166	1,350	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,649	-	1,371	Auction	Augmentech Business Solutions
Toyota Corolla	1,649	1,484	165	1,375	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,300	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,375	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,300	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,325	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,340	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,280	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,649	1,484	165	1,301	Auction	Augmentech Business Solutions
Toyota Corolla	1,649	1,484	165	1,334	Auction	Mr. Zahid Qadri
Toyota Corolla	1,649	1,484	165	1,128	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,608	1,607	-	1,000	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,607	1,446	161	1,335	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,595	1,435	159	1,210	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,594	1,435	159	1,331	Auction	Augmentech Business Solutions
Toyota Corolla	1,594	1,435	159	1,414	Auction	Mr. Anwar ul Hassan Khan
Toyota Corolla	1,594	1,435	159	1,401	Auction	Augmentech Business Solutions
Toyota Corolla	1,594	1,435	159	1,425	Auction	Augmentech Business Solutions
Toyota Corolla	1,579	1,421	158	1,210	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,569	1,412	157	1,235	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,569	1,412	157	1,240	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,524	1,372	152	1,350	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,515	1,364	152	1,089	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,511	1,359	151	1,225	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,509	1,358	151	1,175	Auction	Augmentech Business Solutions Pvt Ltd
Toyota Corolla	1,453	1,308	145	1,050	Auction	Augmentech Business Solutions Pvt Ltd
Suzuki Cultus VXRI	1,084	976	108	309	Auction	Asadullah Odho
Suzuki Cultus VXRI	1,084	976	108	820	Auction	Mr. Muhammad Azim Afridi
Suzuki Cultus VXRI	1,083	975	108	660	Auction	Mr. Muhammad Aslam
Suzuki Cultus VXRI	1,079	938	140	356	Auction	Mr. Shahzad Sarwar

Annexure 'III' as referred to in Note 11.6 of the Group's Consolidated Financial Statements

Disposals of operating fixed assets during the year 2019

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	(Rupees in '000)					
Suzuki Cultus VXRi	1,074	966	107	762	Auction	Mr. Jawed
Suzuki Cultus VXRi	1,045	940	104	313	Auction	Muhammad Ashfaq
Suzuki Cultus VXRi	1,043	829	214	963	Auction	Mr. Muhammad Azim Afridi
Suzuki Cultus VXRi	1,043	829	214	1,010	Auction	Mr. Muhammad Azim Afridi
Suzuki Cultus VXRi	1,025	923	103	825	Auction	Mr. Muhammad Azim Afridi
Suzuki Cultus VXRi	1,014	913	101	735	Auction	Mr. Muhammad Umer
Mercedes E300	7,617	7,617	-	2,800	Auction	Swapan Chakravorty
Honda CRV	5,065	5,065	-	-	Write Off	
	109,607	99,197	10,409	71,837		

Electrical, office and computer equipment

Generator	1,291	797	496	647	Insurance	UBL Insurers
Generator	1,396	675	721	954	Insurance	UBL Insurers
Generator	1,645	1,590	55	510	Insurance	UBL Insurers
ATM	3,272	3,272	-	55	Negotiation	NCR Corporation
ATM	3,208	3,208	-	55	Negotiation	NCR Corporation
ATM	1,064	1,064	-	70	Negotiation	NCR Corporation
ATM	1,064	1,064	-	70	Negotiation	NCR Corporation
ATM	1,064	1,064	-	70	Negotiation	NCR Corporation
ATM	1,064	1,064	-	70	Negotiation	NCR Corporation
ATM	1,064	1,064	-	70	Negotiation	NCR Corporation
ATM	1,014	1,014	-	65	Negotiation	NCR Corporations
ATM	1,014	1,014	-	70	Negotiation	NCR Corporation
ATM	1,014	1,014	-	70	Negotiation	NCR Corporation
ATM	1,014	1,014	-	70	Negotiation	NCR Corporation
ATM	1,013	506	506	76	Negotiation	NCR Corporation
ATM	1,004	606	397	70	Negotiation	NCR Corporation
ATM	975	630	345	630	Insurance	UBL Insurers
ATM	975	630	345	595	Insurance	UBL Insurers
ATM	953	556	397	76	Negotiation	NCR Corporation
ATM	953	536	417	76	Negotiation	NCR Corporation
	26,061	22,382	3,679	4,369		

Items having book value of less

than Rs. 250,000 and cost of less than Rs. 1,000,000

Others	126,111	122,945	2,807	17,203
VDI Project	13,699	-	13,699	-

Total

776,569	338,248	437,961	539,516
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Consolidated Statement of Financial Position

As at December 31, 2019

	2019	2018
	----- (US Dollars in '000) -----	
ASSETS		
Cash and balances with treasury banks	1,571,679	1,213,552
Balances with other banks	275,899	269,601
Lendings to financial institutions	140,502	228,267
Investments	5,647,887	5,367,594
Advances	4,487,861	4,872,867
Fixed assets	376,347	328,699
Intangible assets	13,374	12,116
Deferred tax assets	11,131	43,178
Assets classified as held for sale	1,527	-
Other assets	543,021	596,150
	13,069,228	12,932,024
LIABILITIES		
Bills payable	148,076	176,128
Borrowings	1,100,469	1,807,701
Deposits and other accounts	10,061,475	9,353,222
Liabilities against assets subject to finance lease	123	65
Subordinated debts	64,580	58,122
Deferred tax liabilities	-	-
Liabilities directly associated with assets classified as held for sale	116	-
Other liabilities	461,743	447,820
	11,836,582	11,843,058
NET ASSETS	<u>1,232,646</u>	<u>1,088,966</u>
REPRESENTED BY:		
Share capital	79,057	79,057
Reserves	430,596	387,987
Surplus on revaluation of assets	176,978	109,740
Unappropriated profit	499,428	476,274
Total equity attributable to the equity holders of the Bank	<u>1,186,059</u>	<u>1,053,058</u>
Non-controlling interest	46,587	35,908
	<u>1,232,646</u>	<u>1,088,966</u>
CONTINGENCIES AND COMMITMENTS		

These figures have been converted at Rs. 154.8476 per US Dollar from the audited financial statements.

Consolidated Profit and Loss Account

For the year ended December 31, 2019

	2019 ----- (US Dollars in '000) -----	2018 ----- (US Dollars in '000) -----
Mark-up / return / interest earned	1,015,694	754,509
Mark-up / return / interest expensed	606,641	380,314
Net mark-up / interest income	<u>409,053</u>	<u>374,195</u>
Non mark-up / interest income		
Fee and commission income	100,950	102,419
Dividend income	7,254	10,873
Foreign exchange income	30,153	23,613
Income / (loss) from derivatives	417	(566)
Gain on securities - net	1,399	25,095
Other income	11,963	6,549
Total non mark-up / interest income	<u>152,136</u>	<u>167,983</u>
Total income	<u>561,189</u>	<u>542,178</u>
Non mark-up / interest expenses		
Operating expenses	283,140	271,538
Workers' Welfare Fund	4,830	(13,971)
Other charges	259	741
Total non mark-up / interest expenses	<u>288,229</u>	<u>258,308</u>
Share of profit of associates	5,017	4,516
Profit before provisions	<u>277,977</u>	<u>288,386</u>
Provisions and write offs - net	47,231	80,380
Extra ordinary / unusual item - charge in respect of pension liability	-	42,992
Profit before taxation	<u>230,746</u>	<u>165,014</u>
Taxation	99,822	67,062
Profit after taxation from continuing operations	<u>130,924</u>	<u>97,952</u>
Discontinued operation		
Loss from discontinued operation - net of tax	<u>(7,912)</u>	<u>(761)</u>
	<u>123,012</u>	<u>97,191</u>
Attributable to:		
Equity holders of the Bank		
from continuing operations	131,227	100,752
from discontinued operation	(7,912)	(761)
	<u>123,315</u>	<u>99,991</u>
Non-controlling interest	(303)	(2,800)
	<u>123,012</u>	<u>97,191</u>
	----- (US \$) -----	
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Bank		
Basic and diluted	<u>0.11</u>	<u>0.08</u>
Earnings per share for profit attributable to the ordinary equity holders of the Bank		
Basic and diluted	<u>0.10</u>	<u>0.08</u>

These figures have been converted at Rs. 154.8476 per US Dollar from the audited financial statements.

Category of Shareholders

As on December 31, 2019

Particulrs	No of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	14	22382856	1.8284
BANKS, DFI & NBFi	21	22026540	1.7993
INSURANCE COMPANIES	21	47417441	3.8734
MUTUAL FUNDS	48	27539970	2.2497
GENERAL PUBLIC (LOCAL)	19897	45919680	3.7511
GENERAL PUBLIC (FOREIGN)	1184	9993549	0.8163
OTHERS	102	40717573	3.3261
FOREIGN COMPANIES	202	888565967	72.5846
GOVT. OWNED ENTITIES / BANKS	2	2201714	0.1799
JOINT STOCK COMPANIES	141	116378159	9.5066
PUBLIC SECTOR COMPANIES	1	118628	0.0097
CHARITABLE TRUSTS	16	917139	0.0749
MODARABAS	1	471	0.0000
Company Total	21650	1224179687	100.0000

Details of Mutual Funds & Modarabas

As on December 31, 2019

MUTUAL FUNDS				
Folio No	Name	Code	Balance Held	Percentage
003277003785	TRUSTEE CHERAT CEMENT CO.LTD.EMP.PRO.FND	006	11648	0.0010
005371000028	CDC - TRUSTEE MCB PAKISTAN STOCK MARKET FUND	006	4250900	0.3472
005454000028	MCBFSL - TRUSTEE JS VALUE FUND	006	215800	0.0176
005488000025	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	006	149500	0.0122
005645000024	CDC - TRUSTEE PICIC INVESTMENT FUND	006	549700	0.0449
005652000023	CDC - TRUSTEE JS LARGE CAP. FUND	006	157100	0.0128
005777000029	CDC - TRUSTEE PICIC GROWTH FUND	006	772200	0.0631
005959000027	CDC - TRUSTEE ATLAS STOCK MARKET FUND	006	2164500	0.1768
006171000021	CDC - TRUSTEE FAYSAL STOCK FUND	006	40000	0.0033
006197000029	CDC - TRUSTEE ALFALAH GHP VALUE FUND	006	201500	0.0165
006213000025	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	006	314500	0.0257
006411000021	CDC - TRUSTEE AKD INDEX TRACKER FUND	006	119129	0.0097
007252000020	CDC - TRUSTEE FAYSAL ASSET ALLOCATION FUND	006	16000	0.0013
007377000026	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	006	2288991	0.1870
009480000021	CDC - TRUSTEE NBP STOCK FUND	006	4019640	0.3284
009506000026	CDC - TRUSTEE NBP BALANCED FUND	006	318791	0.0260
010108000022	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	006	8700	0.0007
010603000021	CDC - TRUSTEE APF-EQUITY SUB FUND	006	122360	0.0100
010660000025	CDC - TRUSTEE JS PENSION SAVINGS FUND - EQUITY ACCOUNT	006	63300	0.0052
010728000027	CDC - TRUSTEE HBL - STOCK FUND	006	805900	0.0658
011049000029	MC FSL - TRUSTEE JS GROWTH FUND	006	600600	0.0491
011056000028	CDC - TRUSTEE HBL MULTI - ASSET FUND	006	46300	0.0038
011262000023	CDC - TRUSTEE MCB PAKISTAN ASSET ALLOCATION FUND	006	367900	0.0301
011809000026	CDC - TRUSTEE ALFALAH GHP STOCK FUND	006	518700	0.0424
011924000022	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	006	367600	0.0300
012120000028	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	006	2311702	0.1888
012195000021	CDC - TRUSTEE ABL STOCK FUND	006	1515600	0.1238
012310000025	CDC - TRUSTEE FIRST HABIB STOCK FUND	006	47000	0.0038
012336000023	CDC - TRUSTEE LAKSON EQUITY FUND	006	1566200	0.1279
012625000027	CDC - TRUSTEE NBP SARMAZA IZAFI FUND	006	331103	0.0270
013607000028	CDC - TRUSTEE HBL EQUITY FUND	006	110700	0.0090
013714000025	CDC - TRUSTEE HBL PF EQUITY SUB FUND	006	78800	0.0064
013953000027	MCBFSL - TRUSTEE PAK OMAN ADVANTAGE ASSET ALLOCATION FUND	006	10800	0.0009
014472000025	CDC - TRUSTEE UBL ASSET ALLOCATION FUND	006	180800	0.0148
014514000028	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	006	40000	0.0033
014803000023	CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	006	200	0.0000
014902000021	CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	006	844199	0.0690
015388000025	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	006	25800	0.0021
016188000028	CDC-TRUSTEE NITPF EQUITY SUB-FUND	006	42000	0.0034
016246000020	CDC - TRUSTEE NBP SAVINGS FUND - MT	006	92500	0.0076
016485000022	CDC - TRUSTEE FAYSAL MTS FUND - MT	006	218800	0.0179
016535000024	CDC - TRUSTEE LAKSON TACTICAL FUND	006	193798	0.0158
017277000026	CDC - TRUSTEE FIRST HABIB ASSET ALLOCATION FUND	006	12200	0.0010
017442000025	CDC - TRUSTEE NBP FINANCIAL SECTOR FUND	006	677500	0.0553
017475000022	CDC - TRUSTEE ALFALAH CAPITAL PRESERVATION FUND II	006	31200	0.0025
017483000021	CDC - TRUSTEE UBL FINANCIAL SECTOR FUND	006	479400	0.0392
017541000022	CDC - TRUSTEE UBL DEDICATED EQUITY FUND	006	74209	0.0061
017640000020	CDC - TRUSTEE ALLIED FINERGY FUND	006	164200	0.0134
MODARABA				
Folio No	Name	Code	Balance Held	Percentage
000000015653	B.R.R. GUARDIAN MODARABA	017	471	0.0000

Pattern of Shareholding

As on December 31, 2019

NO. OF SHAREHOLDERS	<---HAVING SHARES--->		SHARES HELD	PERCENTAGE
	From	To		
4197	1	100	263867	0.0216
13682	101	500	5978857	0.4884
1079	501	1000	911186	0.0744
1407	1001	5000	3417182	0.2791
378	5001	10000	2870933	0.2345
142	10001	15000	1801092	0.1471
75	15001	20000	1341807	0.1096
68	20001	25000	1559418	0.1274
39	25001	30000	1094646	0.0894
31	30001	35000	1017483	0.0831
34	35001	40000	1297456	0.1060
20	40001	45000	860003	0.0703
32	45001	50000	1549062	0.1265
16	50001	55000	835625	0.0683
15	55001	60000	868599	0.0710
15	60001	65000	942245	0.0770
13	65001	70000	892297	0.0729
11	70001	75000	803265	0.0656
7	75001	80000	542805	0.0443
4	80001	85000	336100	0.0275
4	85001	90000	353924	0.0289
8	90001	95000	744132	0.0608
17	95001	100000	1674301	0.1368
10	100001	105000	1033058	0.0844
6	105001	110000	643149	0.0525
6	110001	115000	671976	0.0549
10	115001	120000	1181157	0.0965
6	120001	125000	732775	0.0599
5	125001	130000	639269	0.0522
1	130001	135000	132900	0.0109
4	135001	140000	547913	0.0448
6	140001	145000	859183	0.0702
8	145001	150000	1186999	0.0970
6	150001	155000	912242	0.0745
5	155001	160000	792057	0.0647
7	160001	165000	1145271	0.0936
1	165001	170000	169600	0.0139
3	170001	175000	521937	0.0426
5	175001	180000	887704	0.0725
2	180001	185000	365000	0.0298
3	185001	190000	566800	0.0463

Pattern of Shareholding

As on December 31, 2019

NO. OF SHAREHOLDERS	<---HAVING SHARES--->		SHARES HELD	PERCENTAGE
	From	To		
4	190001	195000	774333	0.0633
7	195001	200000	1387804	0.1134
5	200001	205000	1012203	0.0827
3	205001	210000	624000	0.0510
4	210001	215000	854154	0.0698
3	215001	220000	653710	0.0534
5	220001	225000	1105139	0.0903
3	225001	230000	689800	0.0563
1	230001	235000	235000	0.0192
1	235001	240000	237100	0.0194
2	240001	245000	489745	0.0400
5	245001	250000	1246500	0.1018
4	250001	255000	1006640	0.0822
1	255001	260000	255300	0.0209
3	265001	270000	808898	0.0661
1	270001	275000	271089	0.0221
1	275001	280000	277700	0.0227
1	280001	285000	283660	0.0232
2	290001	295000	585244	0.0478
2	295001	300000	598900	0.0489
1	300001	305000	300036	0.0245
1	305001	310000	308500	0.0252
5	310001	315000	1564862	0.1278
2	315001	320000	636691	0.0520
4	320001	325000	1295358	0.1058
2	325001	330000	656000	0.0536
1	330001	335000	331103	0.0270
1	335001	340000	335920	0.0274
2	350001	355000	707200	0.0578
2	355001	360000	718500	0.0587
2	360001	365000	729090	0.0596
2	365001	370000	735500	0.0601
2	370001	375000	748437	0.0611
2	375001	380000	755990	0.0618
2	395001	400000	797634	0.0652
2	405001	410000	815545	0.0666
1	410001	415000	410687	0.0335
1	415001	420000	418962	0.0342
1	430001	435000	431300	0.0352
1	440001	445000	442600	0.0362
1	450001	455000	454027	0.0371
1	455001	460000	456000	0.0372
1	460001	465000	463243	0.0378
1	465001	470000	469500	0.0384
3	475001	480000	1436300	0.1173
1	480001	485000	485000	0.0396
1	485001	490000	485548	0.0397

Pattern of Shareholding

As on December 31, 2019

NO. OF SHAREHOLDERS	<---HAVING SHARES--->		SHARES HELD	PERCENTAGE
	From	To		
1	490001	495000	494200	0.0404
1	495001	500000	497068	0.0406
1	510001	515000	512343	0.0419
2	515001	520000	1036800	0.0847
2	520001	525000	1048588	0.0857
1	530001	535000	530900	0.0434
3	535001	540000	1614664	0.1319
1	545001	550000	549700	0.0449
1	575001	580000	577058	0.0471
1	580001	585000	581400	0.0475
3	595001	600000	1800000	0.1470
2	600001	605000	1202015	0.0982
1	605001	610000	607000	0.0496
1	610001	615000	610100	0.0498
1	635001	640000	635300	0.0519
2	640001	645000	1286000	0.1050
1	675001	680000	677500	0.0553
1	680001	685000	681530	0.0557
1	690001	695000	693805	0.0567
2	695001	700000	1400000	0.1144
1	705001	710000	707850	0.0578
2	730001	735000	1464600	0.1196
2	745001	750000	1499900	0.1225
2	755001	760000	1517899	0.1240
1	760001	765000	762540	0.0623
1	770001	775000	772200	0.0631
1	805001	810000	805900	0.0658
1	830001	835000	830600	0.0678
2	840001	845000	1685799	0.1377
1	845001	850000	845200	0.0690
1	855001	860000	858800	0.0702
1	875001	880000	875900	0.0716
3	885001	890000	2664363	0.2176
2	895001	900000	1800000	0.1470
1	905001	910000	905276	0.0740
1	915001	920000	916500	0.0749
1	920001	925000	924500	0.0755
1	925001	930000	928700	0.0759
1	945001	950000	950000	0.0776
1	965001	970000	969111	0.0792
1	980001	985000	981800	0.0802
1	995001	1000000	1000000	0.0817
1	1000001	1005000	1000800	0.0818
1	1025001	1030000	1027900	0.0840
1	1030001	1035000	1034100	0.0845
1	1040001	1045000	1040800	0.0850
1	1045001	1050000	1047499	0.0856

Pattern of Shareholding

As on December 31, 2019

NO. OF SHAREHOLDERS	<---HAVING SHARES--->		SHARES HELD	PERCENTAGE
	From	To		
2	1050001	1055000	2101936	0.1717
1	1065001	1070000	1068600	0.0873
1	1075001	1080000	1075600	0.0879
2	1100001	1105000	2210000	0.1805
1	1140001	1145000	1145000	0.0935
1	1185001	1190000	1189600	0.0972
2	1195001	1200000	2394492	0.1956
2	1225001	1230000	2453640	0.2004
1	1240001	1245000	1241750	0.1014
1	1245001	1250000	1250000	0.1021
1	1300001	1305000	1303900	0.1065
1	1320001	1325000	1320428	0.1079
1	1365001	1370000	1369440	0.1119
1	1440001	1445000	1443700	0.1179
1	1495001	1500000	1500000	0.1225
1	1515001	1520000	1515600	0.1238
1	1535001	1540000	1537352	0.1256
1	1565001	1570000	1566200	0.1279
1	1575001	1580000	1579912	0.1291
1	1595001	1600000	1596199	0.1304
1	1605001	1610000	1605100	0.1311
1	1645001	1650000	1649700	0.1348
1	1650001	1655000	1655000	0.1352
1	1680001	1685000	1684113	0.1376
1	1705001	1710000	1708900	0.1396
1	1775001	1780000	1775800	0.1451
1	1805001	1810000	1808600	0.1477
1	1920001	1925000	1923700	0.1571
1	1935001	1940000	1936000	0.1581
2	1995001	2000000	4000000	0.3267
1	2040001	2045000	2040279	0.1667
1	2055001	2060000	2059695	0.1683
1	2160001	2165000	2164500	0.1768
1	2195001	2200000	2200000	0.1797
1	2255001	2260000	2255426	0.1842
1	2275001	2280000	2276200	0.1859
1	2285001	2290000	2288991	0.1870
1	2310001	2315000	2311702	0.1888
1	2345001	2350000	2348870	0.1919
1	2380001	2385000	2383300	0.1947
1	2390001	2395000	2394492	0.1956
1	2425001	2430000	2425264	0.1981
1	2445001	2450000	2448940	0.2000
1	2455001	2460000	2460000	0.2010
1	2485001	2490000	2488790	0.2033
1	2495001	2500000	2499515	0.2042
1	2510001	2515000	2512900	0.2053

Pattern of Shareholding

As on December 31, 2019

NO. OF SHAREHOLDERS	<---HAVING SHARES--->		SHARES HELD	PERCENTAGE
	From	To		
1	2645001	2650000	2650000	0.2165
1	2660001	2665000	2663336	0.2176
1	2665001	2670000	2668800	0.2180
1	2775001	2780000	2780000	0.2271
1	2785001	2790000	2790000	0.2279
1	2815001	2820000	2815100	0.2300
2	2895001	2900000	5794095	0.4733
1	3030001	3035000	3030100	0.2475
1	3075001	3080000	3078107	0.2514
1	3315001	3320000	3316763	0.2709
1	3465001	3470000	3468800	0.2834
1	3580001	3585000	3583400	0.2927
1	3655001	3660000	3657600	0.2988
1	3870001	3875000	3872600	0.3163
1	4015001	4020000	4019640	0.3284
1	4080001	4085000	4080440	0.3333
1	4250001	4255000	4250900	0.3472
1	4490001	4495000	4494700	0.3672
1	4530001	4535000	4534000	0.3704
1	4770001	4775000	4771708	0.3898
1	5110001	5115000	5113135	0.4177
1	5180001	5185000	5181400	0.4233
1	5295001	5300000	5298600	0.4328
1	5405001	5410000	5405700	0.4416
1	5550001	5555000	5550532	0.4534
1	5680001	5685000	5681106	0.4641
1	6035001	6040000	6038638	0.4933
1	6060001	6065000	6064800	0.4954
1	6485001	6490000	6488400	0.5300
1	6770001	6775000	6770554	0.5531
1	6915001	6920000	6916900	0.5650
1	7040001	7045000	7044900	0.5755
1	7635001	7640000	7639477	0.6240
1	9735001	9740000	9737232	0.7954
1	10705001	10710000	10706651	0.8746
1	12440001	12445000	12442568	1.0164
1	16665001	16670000	16668400	1.3616
1	18350001	18355000	18354300	1.4993
1	31160001	31165000	31163426	2.5457
1	35455001	35460000	35458879	2.8965
1	93645001	93650000	93649744	7.6500
1	631725001	631730000	631728895	51.6043
21650	Company Total		1224179687	100.0000

Shares Trading (Sale / Purchase) by Directors, Executives of UBL and their Spouses and Minor Children

NAME	No. of Shares	Sale / Purchase
MUHAMMAD NAEEM JAVAID	400	SALE
MUHAMMAD NAEEM JAVAID	100	PURCHASE
TARIQ RASHID	2,500	PURCHASE
AMAR ZAFAR KHAN	2,500	PURCHASE
NADIA LAKHANI	8,502	SALE
JAWAD UR REHMAN	10,200	SALE
MIAN ALI AFZAL	1,700	SALE
LORD ZAMEER M. CHOUDREY, CBE SI Pk	148,500	PURCHASE
MUHAMMAD ABDUL SAMAD NAEEM	500	PURCHASE
KHWAJA RAFID MASOOD	8,000	SALE

Notice of 61st Annual General Meeting of United Bank Limited

Notice is hereby given that the 61st Annual General Meeting (“AGM”) of the Shareholders of United Bank Limited (the “Bank” or “UBL”) will be held on Wednesday, 25th March 2020 at 09:30 a.m. at Islamabad Marriott Hotel, Islamabad to transact the following business:

Ordinary Business:

1. To confirm the minutes of the 60th Annual General Meeting held on 28th March, 2019.
2. To receive, consider and, if thought fit, adopt the Annual Audited Financial Statements (consolidated and unconsolidated), Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 of the Bank for the year ended 31st December, 2019 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.4/- per share i.e.40%, in addition to 80% interim cash dividend already declared/paid for the year ended 31st December 2019.
4. To consider and, if thought fit, appoint 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 Auditor namely, M/s. A.F. Ferguson & Company, Chartered Accountants have consented to be so appointed and the Board of Directors has recommended its appointment.
5. To elect eight (08) Directors as fixed by the Board of Directors of the Bank under Section 159(1) of the Companies Act, 2017 (“Act”) in accordance with the provisions of the said Act for a period of three years to commence from 25th March 2020. The total strength of the Board of Directors of the Bank shall be eight (08) elected directors and the President & CEO of the Bank, will be a deemed Director under section 188(3) of the Companies Act, 2017.

The retiring Directors, Sir Mohammed Anwar Pervez, OBE, HPk, Lord Zameer M. Choudrey, CBE, SI Pk, Mr. Arshad Ahmad Mir, Mr. Haider Zameer Choudrey, Mr. Rizwan Pervez, Mr. Khalid Ahmed Sherwani, Mr. Amar Zafar Khan and Mr. Tariq Rashid are eligible for re-election.

Special Business:

6. To consider and, if thought fit, approve “Directors Remuneration Policy”, as approved by the Board of Directors of the Bank for the Chairman and other Non-Executive Directors, including independent directors and in this connection to pass Ordinary Resolutions as proposed in the Statement of Material facts annexed to Notice.
7. To consider and, if thought fit, approve/ratify the amount of remuneration paid to the Non-Executive Directors including independent Directors of the Bank for attending the Board and/or Committees meetings and in that connection to pass the Ordinary Resolution as proposed in the Statement of Material facts annexed to Notice.
8. To consider and, if thought fit, approve winding-up of United Executors and Trustees Company Limited (UET), a wholly owned subsidiary of UBL, as approved and recommended by the Board of Directors

Notice of 61st Annual General Meeting of United Bank Limited

of the Bank, and pass the Ordinary Resolution as proposed in the Statement of Material facts annexed to Notice.

9. To transact any other business with the permission of the Chairman

By order of the Board

Sd/-

Aqeel Ahmed Nasir
Company Secretary &
Chief Legal Counsel

Karachi, 04 March 2020

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 winding up of United Executors and Trustees Company Limited (UET) as required under S.R.O. 423 (I)/2018 dated 3 April 2018.

Notice of 61st Annual General Meeting of United Bank Limited

NOTES:

1. The Share Transfer Books of the Bank shall remain closed from 17th March 2020 to 25th March 2020 (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 16th March 2020 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. Procedure including the guidelines as laid down in Circular No. I- Reference No. 3(5-A) Misc/ARO/LES/96 dated 26th January 2000 issued by Securities & Exchange Commission of Pakistan for appointment of proxies is as follows:
 - i. Members, proxies or nominees shall authenticate their identity by showing their original national identity card or original passport and bring their folio numbers at the time of attending the meeting.
 - ii. In the case of corporate entity, Board of Directors' resolution/power of attorney and attested copy of the CNIC or passport of the nominee shall also be produced (unless provided earlier) at the time of meeting.
 - iii. In order to be effective, the proxy forms must be received at the office of the Share Registrar (address given below) not later than 48 hours before the meeting, duly signed and stamped and witnessed by two persons with their names, address, CNIC numbers and signatures.
 - iv. In the case of individuals, attested copies of CNIC or passport of the beneficial owners and the proxy shall be furnished with the proxy form.
 - v. In the case of proxy by a corporate entity, Board of Directors resolution/power of attorney and attested copy of the CNIC or passport of the proxy shall be submitted along with proxy form.

Address of Share Registrar:

M/s. THK Associates (Pvt.) Limited, 1st Floor, 40-C, Block-6, P.E.C.H.S, Karachi-75400.

3. Pursuant to the Companies (Postal Ballot) Regulations, 2018, for the purpose of election of Directors and for any other agenda item subject to the requirements of Section 143 and 144 of the Companies Act, 2017, members will be allowed to exercise their right to vote through postal ballot, that is voting by post or through any electronic mode, in accordance with the requirements and procedure contained in the aforesaid Regulations.
4. Any person who seeks to contest the election to the office of a Director, whether he/she is a retiring Director or otherwise, shall file the following with the Company Secretary of the Bank at Secretary's Department, United Bank Limited, 2nd Floor, UBL Tower, I. I. Chundrigar Road, Karachi not later than fourteen (14) days before the date of the meeting:
 - i. His/her intention to offer him/herself for the election of Directors in terms of Section 178(3) of the Companies Act, 2017 along with duly signed consent in Form 28 under Section 167 of the Companies Act 2017 and certify that he/she is not ineligible to become director of the Bank under any applicable laws, rules and regulations and circulars / directives.
 - ii. Declaration in respect of being compliant with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the eligibility criteria as set out in the Companies

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Act, 2017 to act as the director of a listed company.

- iii. Declaration by independent director(s) in terms of Regulation 6(3) of the Listed Companies (Code of Corporate Governance) Regulations, 2019, wherever applicable.
 - iv. Undertaking on non-judicial stamp paper that he/she meets the requirements of sub-regulation (1) of Regulation 4 of the Companies (Manner and Selection of Independent Directors) Regulations, 2018, wherever applicable.
 - v. A questionnaire duly completed, recent photograph, copy of CNIC / Passport and an Affidavit to, inter alia, meet the requirement of State Bank of Pakistan's Prudential Regulations G-1 and the Fit and Proper Test for Appointment of Directors, as contained in Corporate Governance Annexures A, I and II of the Prudential Regulations.
5. In terms of the criteria prescribed by the State Bank of Pakistan, association of the following person as director is undesirable and against public interest:
- i. A person who is / has been associated with any illegal activity, especially relating to banking business;
 - ii. A person who is in his individual capacity or a proprietary concern of any partnership firm or any private limited company or any unlisted public company or any listed public company (of which he has been a proprietor, partner, director or shareholder), has been in default of payment of dues owed to any financial institution and / or in default of payment of any taxes;
 - iii. Has not been associated as director and/or chief executive with the corporate bodies who have defaulted in payment of Government duties/taxes etc.; and
 - iv. Has not sufficient means to discharge his/her financial obligations, if any.
6. Deposit of Physical shares into Electronic / Book Entry form (Mandatory Requirement):
- As per section 72 of the Companies Act, 2017 (the "Act"), every listed company is required to replace its physical shares with book-entry form. Therefore, the shareholders having physical shares are requested to convert their shares into book entry.
7. 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").
8. 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.
9. Deduction of 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 tax on the amount of dividend paid by the companies. The current tax rates are as under:

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- (a) Rate of tax deduction for persons appearing in active taxpayers' list (ATL) for income tax returns: 15%
- (b) Rate of tax deduction for persons not appearing in ATL for income tax returns: 30%

To enable the Bank to make tax deduction on the amount of cash dividend @15% instead of 30%, all the shareholders not appearing in ATL provided on the website of the Federal Board of Revenue ("FBR"), despite the fact that they are filers of income tax returns, 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 @30%.

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 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.

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.

For shareholders holding their shares jointly as per the clarification issued by the FBR, withholding tax will be determined separately on "Persons appearing in ATL/Persons not appearing in ATL" 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)

For any query/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
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: sfc@thk.com.pk
Web: www.thk.com.pk

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10. Provision of Valid CNIC Copy (Mandatory)

In terms of Regulation No.06 of the Companies (Distribution of Dividends) Regulations, 2017 read with Section 242 (3) of the Companies Act, 2017, the shareholders who have not been provided copies of their valid Computerized National Identity Cards ("CNIC")/Passport Number as well as complete and valid details of designated bank accounts (IBAN) for direct credit of cash dividend will be constrained to withhold the payment of dividend of such shareholders. The shareholder while sending CNIC must quote their respective folio numbers and names.

The shareholders are therefore requested to submit a copy their your valid CNIC/NTN/Passport Number within ten (10) days from the date of this Notice to the Bank's Registrar and Share Transfer Agent. In case the same have already been provided, then these instructions may be ignored.

11. 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 Dividend) Regulations, 2017, all listed companies including UBL are required to pay cash dividends only through electronic mode directly into the designated bank accounts of the entitled shareholders.

In view of foregoing, all the shareholders are requested to provide the information mentioned on the E-Dividend Mandate form, available at the website of the Bank and can be accessed on the following link:

<https://ubldigital.com/Portals/0/InvestorRelation/Bank%20Mandate%20Form.pdf>

In case of non- provision of Dividend Mandate, cash dividend(s) could be withheld according to SECP directives.

The shareholders who hold shares in CDC are requested to submit the above mentioned Dividend Mandate Form, duly filled-in, to the relevant Broker/Participants/Investor Account Services of the CDC where member's CDC account is being dealt.

The shareholders who hold shares in physical form are requested to submit the above-mentioned Dividend Mandate Form, duly filled-in, to Company's Registrar and Share Transfer Agent, as mentioned below:

M/s THK Associates (Pvt.) Limited

1st Floor, 40-C,
Block-6, P.E.C.H.S.,
Karachi-75400.

For any query, you may please contact on Tel # 021-111-000-322 or email us at sfc@thk.com.pk

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Dividend Mandate Form

I, _____ S/o, D/o, W/o, _____
hereby authorize United Bank Limited to directly credit cash dividends, declared by it, in my bank account as detailed below:

i) Shareholder's Detail	
Name of Company	
Name of Shareholder	
Folio No. / CDC Participants ID A/c No.	
CNIC No.	
Passport No. (in case of foreign shareholder)	
Land Line Phone Number	
Cell Number	

ii) Shareholder's Bank Detail	
Title of Bank Account	
International Bank Account Number (IBAN) – Mandatory	
	P K
Bank's Name	
Branch Name and Address	

It is stated that the above-mentioned information is correct and I will intimate any changes in the above-mentioned information to the Registrar and Share Transfer Agent of the Bank and / or Central Depository Company ("CDC") as soon as any change occurs.

(Signature of shareholder)

KINDLY NOTE: COMPANY CAN WITHHOLD THE PAYMENT OF DIVIDEND OF A MEMBER WHERE THE MEMBER HAS NOT PROVIDED THE COMPLETE INFORMATION OR DOCUMENTS AS SPECIFIED.

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12. 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.

Video-Link Form
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 _____
_____ Signature of the Member

13. Placement of Financial Statements on Website:

The financial statements of the Bank for the year ended 31st December, 2019 along with reports have been placed on the website of the Bank:

<https://ubldigital.com/Investor-Relations/Financial-Statements>

Further, if a shareholder, in addition to the above, also requests for the hard copy of Annual Financial Statements, then the same shall be provided free of cost within seven (7) days of receipt of such request.

Statement of Material Facts Under Section 134(3) of the Companies Act, 2019, 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 (“the Bank”) to be held on 25th March, 2020.

Item No. 6: REMUNERATION POLICY FOR THE NON-EXECUTIVE DIRECTORS INCLUDING THE CHAIRMAN OF THE BANK

In compliance with the requirements of the SBP BPRD Circular No. 03 of 2019 dated 17 August 2020 (“Circular”) the Board of Directors of the Bank, on recommendation of the “Human Resource & Compensation Committee” have approved a comprehensive and transparent remuneration policy titled “Directors Remuneration Policy” and determined the scale of remuneration to be paid to the Non-Executive Directors including the Chairman for attending the Board meetings and/or Committees meetings.

1. Policy has been formulated taking into consideration the governance structure, the level of responsibility & expertise of the concerned directors, the assets size and the profitability of the Bank while remaining within the limits and parameters given in the Circular.
2. Remuneration has been fixed in Pak Rupees (PKR) invariably; however, the payment of the same can be made to non-resident Directors in equivalent foreign currency(ies), where necessary.
3. No remuneration shall be paid to the Executive Directors except usual TA/DA as per the Bank’s standard rules and regulations.
4. Policy will be reviewed by the Board of Directors of the Bank on need basis and any major changes shall be approved by the shareholders of the Bank on post facto basis, in the next General Meeting.
5. Complete document of the policy is available at the website of the Bank under “Investors Relations” for the review of the shareholders. This Policy is effective from 17th February, 2020.

If deemed fit, following Resolutions may please be passed:

“RESOLVED that the “Directors Remuneration Policy” as recommended by the Board of Directors of the Bank, effective from 17th February, 2020 in compliance with the SBP BPRD Circular No. 03 of 2019 dated 17 August 2020, be and is hereby approved.

FURTHER RESOLVED that the payment of Rs.750,000/- to all non-executive directors, including the chairman and independent directors, for attending each meeting of Board of directors, as per the Directors’ Remuneration Policy, approved by the Board of directors, be and is hereby approved.

AND FURTHER RESOLVED that the payment of Rs.750,000/- to all non-executive directors, including the chairman and independent directors, for attending one meeting of any Board Committee, as per the Directors’ Remuneration Policy, approved by the Board of directors, be and is hereby approved.

AND FURTHER RESOLVED that the non-executive directors will be eligible for boarding/lodging, travelling and ancillary expenses as per actuals for attending the Board and Board Committees’ meetings, as per the Remuneration Policy approved by the Board.

AND FURTHER RESOLVED that the Chairman of the Board of Directors is entitled to receive 20% of the Board meeting fee, for holding the office of the Chairman, as per the Remuneration Policy approved by the Board.

AND FURTHER RESOLVED that the Board of Directors is authorized to make amendments and changes in the fee

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structure for attending the Board and Board Committees' meetings and Directors' Remuneration Policy within the parameters fixed or to be fixed by the regulators from time to time."

Item No. 7: REMUNERATION OF THE NON-EXECUTIVE DIRECTORS OF THE BANK

Further as required under the Prudential Regulations and SBP guidelines total amount of remuneration paid to the non-executive directors including the Chairman for attending the Board meetings and/or Committees meetings during the year 2019 is submitted for the approval of the shareholders.

If deemed fit, the following Resolution may be passed:

"RESOLVED that the remuneration paid to the Non-Executive Directors of UBL including the Chairman during the year 2019, for attending the Board and / or Board Committees meetings as disclosed in the Note 43 of the Audited Financial Statements of the Bank for the year ended 31st December 2019, be and is hereby confirmed and approved on post facto basis."

Item No. 8: WINDING UP OF UNITED EXECUTORS AND TRUSTEES COMPANY LIMITED

United Executors and Trustees Company Limited ("the Company") is a wholly owned subsidiary of United Bank Limited that was incorporated in Pakistan in 1965 as an unlisted public limited company. The Company was incorporated to undertake the business of trusteeship. The company is dormant and is not performing any function.

If deemed fit, the following Resolutions may be passed:

"RESOLVED that the winding up of United Executors and Trustees Company Limited (UET), a wholly owned subsidiary of UBL, be and is hereby approved.

FURTHER RESOLVED that the Board of Directors of UET and management of UBL be and are hereby authorized to initiate and complete the process for the winding up of UET and all the related regulatory, legal and other formalities including the authorization of person(s) to deal and negotiate, execute and implement the winding up with the party(ies) involved."

Information to be disclosed under SRO 423 (I)/2018 dated 3rd April 2018 (“SRO”)

The information required to be disclosed under the SRO is set out below:









i) Name of the subsidiary;	United Executors and Trustees Company Limited
ii) Cost and book value of investment in subsidiary; Un audited 31 st December, 2019 (Audited 31 st December, 2018)	Investment in PKR 30.1 million (PKR 30.1 million).
iii) Total market value of subsidiary based on value of the shares of the subsidiary company:	31st December, 2019 (Un-Audited) Breakup value PKR.39.66/- per share. 31st December, 2018 (Audited) Breakup value PKR.37.16/- per share. (Valuation is not required as the whole assets base of the company consists of liquid cash and bank balance)
iv) Net worth of subsidiary as per latest audited financial statements and subsequent interim financial statements, if available;	31st December, 2019 (Un-Audited) PKR. 128.02 million. 31st December, 2018 (Audited) PKR. 119.02 million
v) Total consideration for disposal of investment in subsidiary, basis of determination of the consideration and its utilization;	The asset base of the company has cash and bank balance that on disposal will realize circa PKR 127 million.
i) Quantitative and qualitative benefits expected to accrue to the members.	<p><u>Qualitative factors:</u></p> <ol style="list-style-type: none"> 1. The Company is dormant and no economic activity currently being performed; 2. The Company being unlisted public company is required to comply with all regulatory guidelines and instructions. 3. Upon winding up, the proceeds from subsidiary can be utilized by the parent company in a better manner; <p><u>Quantitative factors:</u></p> <ol style="list-style-type: none"> 1. The Company hold reserve of PKR 95 million as of 31st December, 2019 which is available for declaration of dividend to the parent company; 2. After winding up, UBL will save the essential costs required to keep the company compliant with various regulatory and taxation laws/regulations. 3. The annual audit fee and tax advisor fee will also be saved at liquidation which is mandatory requirement despite of dormant status.






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notifications, corporate and
regulatory actions)
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mobile device



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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

61st 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 61st Annual General Meeting of UBL scheduled to be held on Wednesday, 25th March 2020 at 9:30 a.m. at Islamabad Marriott Hotel, Islamabad and at any adjournment thereof.

Signed this _____ day of _____ 2020.

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.

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
Correct
Postage

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 61 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 سلیپشن آئی ڈی نمبر..... اور اکاؤنٹ نمبر..... میں درج ہے، یہاں پر..... سکنہ..... کو اور ان کی عدم موجودگی میں اس 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 25 مارچ 2020 بروز بدھ صبح 9:30 بجے اسلام آباد میریٹ ہوٹل، اسلام آباد میں منعقد ہونے والے یو بی ایل کے 61 ویں سالانہ اجلاس عام یا اس کے ماتوی شدہ اجلاس میں شرکت کے مجاز ہوں گے۔

دستخط..... ویں روز..... 2020 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:.....

نوٹ:

الف عمومی:

- ۱- اجلاس عام میں شرکت اور ووٹ کا حق دار ممبر کسی بھی شخص کو اپنی جگہ اجلاس میں شرکت اور ووٹ دینے کیلئے پراکسی مقرر کر سکتا ہے۔
- ۲- پراکسی کو مقرر کرنے کے دستاویز پر لازمی طور پر ممبر یا اس کے اتارنی کے دستخط ہوں اور وہ تحریری طور پر تصدیق شدہ ہوں۔ 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 اتارنی کے ساتھ، اگر کوئی ہو، جس کے تحت وہ دستخط شدہ ہو یا تصدیق شدہ مستند کا پی ہمارے رجسٹرار / شیئرز انسفر ایجنٹس، میسرز ٹی ایچ کے ایسوسی ایٹس (پرائیویٹ) لمیٹڈ، پہلی منزل، C-40، بلاک-6، پی ای سی ایچ اے، کراچی کو اجلاس سے ۴۸ گھنٹے قبل وصول ہونی چاہئے۔
- 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 ایس تمام پراکسی کی دستاویزات منسوخ قرار دیا جائیگا۔
- ۵- پراکسی فارم کے جاری کیے جانے والی جگہ کے مطابق اسٹمپ ڈیوٹی ادا کی جائے گی۔

ب۔ سی ڈی سی اکاؤنٹ ہولڈرز کیلئے:

- ۱- پراکسی فارم پر وہ افراد کی گواہی ہونی چاہئے جن کے نام، پتہ 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 فتول منسلک کرنا لازمی ہیں۔
- ۳- پراکسی کو اجلاس کے وقت اپنا اصل شناختی کارڈ یا اصل پاسپورٹ پیش کرنا ہوگا۔

درست ڈاکٹ
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۔



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