



FOSTERING CONNECTIONS, EMBRACING EMPATHY:
OUR COMMITMENT TO CARING RELATIONSHIPS

HALF YEARLY REPORT (UN-AUDITED)
JUNE 30, 2024

CONTENTS

| | |
|--|-----------|
| Company Information | 02 |
| Directors' Report to the Members..... | 04 |
| Unconsolidated Condensed Interim Financial Statements | 06 |
| Independent Auditors' Review Report | 07 |
| Unconsolidated Condensed Interim Statement of Financial Position..... | 08 |
| Unconsolidated Condensed Interim Profit and Loss Account | 09 |
| Unconsolidated Condensed Interim Statement of Comprehensive Income..... | 10 |
| Unconsolidated Condensed Interim Statement of Changes in Equity..... | 11 |
| Unconsolidated Condensed Interim Cash Flow Statement..... | 12 |
| Notes to the Unconsolidated Condensed Interim Financial Statements | 13 |
| Consolidated Condensed Interim Financial Statements | 50 |
| Consolidated Condensed Interim Statement of Financial Position | 51 |
| Consolidated Condensed Interim Profit and Loss Account | 52 |
| Consolidated Condensed Interim Statement of Comprehensive Income..... | 53 |
| Consolidated Condensed Interim Statement of Changes in Equity | 54 |
| Consolidated Condensed Interim Cash Flow Statement..... | 55 |
| Notes to the Consolidated Condensed Interim Financial Statements | 56 |
| Directors' Report to the Members (Urdu) | 93 |

COMPANY INFORMATION

Board of Directors

| | |
|---------------------------------------|---------------------------------|
| Sir Mohammed Anwar Pervez, OBE, H Pk | Chairman/Non-Executive Director |
| Lord Zameer M. Choudrey, CBE, SI Pk | Non-Executive Director |
| The Honourable Haider Zameer Choudrey | Non-Executive Director |
| Mr. Rizwan Pervez | Non-Executive Director |
| Mr. Tariq Rashid | Independent Director |
| Ms. Shazia Syed | Independent Director |
| Mr. Daniel Michael Howlett | Independent Director |
| Mr. Muhammad Irfan A. Sheikh | Non-Executive Director |
| Mr. Muhammad Jawaid Iqbal | President & CEO |

COMMITTEES OF THE BOARD BOARD AUDIT COMMITTEE (BAC):

| | |
|---------------------------------------|-------------|
| Ms. Shazia Syed | Chairperson |
| The Honourable Haider Zameer Choudrey | Member |
| Mr. Rizwan Pervez | Member |
| Mr. Tariq Rashid | Member |
| Mr. Aqeel Ahmed Nasir | Secretary |

BOARD HUMAN RESOURCE & COMPENSATION COMMITTEE (HRCC):

| | |
|-------------------------------------|-----------|
| Mr. Tariq Rashid | Chairman |
| Sir Mohammed Anwar Pervez, OBE, HPk | Member |
| Lord Zameer M. Choudrey, CBE, SI Pk | Member |
| Ms. Shazia Syed | Member |
| Ms. Hafsa Abbasy | Secretary |

BOARD RISK & COMPLIANCE COMMITTEE (BRCC):

| | |
|-------------------------------------|-----------|
| Mr. Daniel Michael Howlett | Chairman |
| Lord Zameer M. Choudrey, CBE, SI Pk | Member |
| Mr. Muhammad Irfan A. Sheikh | Member |
| Mr. Muhammad Jawaid Iqbal | Member |
| Mr. Imran Sarwar | Secretary |

BOARD IT COMMITTEE (BITC):

| | |
|---------------------------------------|-----------|
| The Honourable Haider Zameer Choudrey | Chairman |
| Mr. Rizwan Pervez | Member |
| Mr. Daniel Michael Howlett | Member |
| Mr. Muhammad Irfan A. Sheikh | Member |
| Mr. Muhammad Jawaid Iqbal | Member |
| Mr. Sohail Aziz | Secretary |

BOARD NOMINATION COMMITTEE (BNC):

Sir Mohammed Anwar Pervez, OBE, HPk
Lord Zameer M. Choudrey, CBE, SI Pk
The Honourable Haider Zameer Choudrey
Mr. Aqeel Ahmed Nasir

Chairman
Member
Member
Secretary

BOARD INTERNATIONAL COMMITTEE (BIC):

Lord Zameer M. Choudrey, CBE, SI Pk
Sir Mohammed Anwar Pervez, OBE, HPk
The Honourable Haider Zameer Choudrey
Mr. Rizwan Pervez
Mr. Tariq Rashid
Ms. Shazia Syed
Mr. Daniel Michael Howlett
Mr. Muhammad Irfan A. Sheikh
Mr. Muhammad Jawaid Iqbal
Mr. Mahboob Avais Saeed

Chairman
Member
Member
Member
Member
Member
Member
Secretary

Chief Financial Officer

Mr. Arif Akmal Saifie

Company Secretary & Chief Legal Counsel

Mr. Aqeel Ahmed Nasir

Registered Office:

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

UBL Head Office

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

Share Registrar

THK Associates (Pvt.) Limited
Plot No. 32-C, Jami Commercial Street - 2
D.H.A. Phase VII,
Karachi - 75500.
Phone No.: 021-35310187
UAN: 021-111-000-322
Fax No.: 021-35310190
Email: sfc@thk.com.pk

Auditors

M/s. EY Ford Rhodes
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

DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, we are pleased to present the financial statements of United Bank Limited (UBL) for the half year ended June 30, 2024.

Performance Overview

UBL recorded an unconsolidated Profit Before Tax (PBT) of Rs. 57.7 billion for the half year ended June 30, 2024, representing a 14% year on year growth. Profit After Tax (PAT) stood at Rs. 29.4 billion for H1'24, compared to Rs. 26.3 billion in H1'23 with Earnings per share (EPS) of Rs. 24.05 compared to Rs. 21.50 for the corresponding period last year.

UBL reported consolidated PAT of Rs. 31.4 billion (H1'23: Rs. 27.5 billion) with consolidated EPS of Rs. 25.15 (H1'23: Rs. 22.01).

The Board of Directors of UBL declared an interim cash dividend of Rs. 11.0 per share in their meeting in Islamabad held on July 31, 2024, along with the results for the half year ended June 30, 2024.

Net mark-up income stood at Rs. 53.6 billion, while non-mark-up income was recorded at Rs. 38.7 billion in H1'24, with overall gross revenues at Rs. 92.3 billion for H1'24, an increase of 9% over H1'23. Fee-based revenues maintained the overall business momentum with a 15% increase over the same period last year. Domestic current deposits averaged close to Rs. 1 Trillion, increasing by 24% year on year, with enhanced focus on network sales and service levels.

The Bank's operating expenses recorded a 20% increase over H1'23 to Rs. 35.8 billion, in line with high inflation levels. Staff costs stood at Rs. 14.5 billion, increasing by 23%, resulting from growth across branches and hiring mainly within front office functions. Property related expenses were recorded at Rs. 4.9 billion, up 9%.

The Bank recorded a net provision reversal of Rs. 2.4 billion for H1'24 versus a net provision charge of Rs. 3.0 billion in the same period last year.

Capital Ratios - Consolidated

UBL remains well capitalized with adequate buffers over regulatory requirements. The consolidated CAR stood at 15.0% at Jun'24 (Dec'23: 14.6%), 3.0% over the minimum regulatory requirement of 12.0%. The Common Equity Tier 1 (CET-1) ratio stood at 10.8% at Jun'24 (Dec'23: 10.5%). Tier 1 Capital ratio was measured at 11.4% at Jun'24 (Dec'23: 11.1%).

The transaction for the sale of the Bank's shareholding in United National Bank Limited (UNBL UK) was concluded subsequent to the reporting period date. The disposal of this investment would increase the Consolidated Capital Adequacy Ratio (CAR) of the Bank by around 200 basis points.

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 26, 2024. Moreover, UBL's Additional Tier-1 (ADT-1) TFC has also been re-affirmed at 'AA+' (Double A plus). Outlook on the assigned ratings are 'Stable'.

Future Outlook

UBL continues to expand its market positioning with a growing momentum in 2024. Branch Banking across both conventional and Islamic segments, remains the core of the franchise where the aim is to expand our customer base, build deposit market share, improve service levels with increased focus on trade. We continue to improve the look and feel of the network, with better trained staff that can deliver a more valuable proposition. With the implementation of our front-end digital platform, we aim to offer much more efficient customer experience. We continue to invest in our transformation agenda with re-alignment of structures and processes to better synergize the organization. We believe the Bank's most valuable asset is its people and it is our priority to retain and acquire the best available talent to achieve our future growth aspirations.

Acknowledgements

On behalf of the Board of Directors, we would like to express our appreciation to UBL's shareholders and customers for their continued trust in the UBL brand and to the UBL staff for their commitment and dedication. We would also like to extend our gratitude to the Government of Pakistan, the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory bodies for their continuous guidance and support.



Muhammad Jawaid Iqbal

President & CEO

Islamabad,

July 31, 2024



Daniel Michael Howlett

Director



where you come first

UNITED BANK LIMITED

**UNCONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2024
(Un-audited)**



EY Ford Rhodes
Chartered Accountants
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INDEPENDENT AUDITORS' REVIEW REPORT

To the members of United Bank Limited

Report on Review of Unconsolidated Condensed Interim Financial Information

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of **United Bank Limited** (the Bank) as at **30 June 2024**, the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement, unconsolidated condensed interim statement of changes in equity, and notes to the financial information for the six-months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on the financial information based on our review. The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended 30 June 2024 and 30 June 2023 have not been subject to limited scope review by us as we are only required to review the cumulative figures for the six-months period ended 30 June 2024.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the review resulting in this independent auditor's review report is Arslan Khalid.

Chartered Accountants

Date: 08 August 2024

Karachi.

UDIN: RR202410191fsrZzvNlm

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2024

| | Note | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---------------------------------------|------|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | 6 | 363,147,407 | 277,330,217 |
| Balances with other banks | 7 | 59,311,823 | 30,700,751 |
| Lendings to financial institutions | 8 | 15,000,000 | 34,447,852 |
| Investments | 9 | 6,109,820,385 | 4,385,216,671 |
| Advances | 10 | 625,969,347 | 613,565,526 |
| Property and equipment | 11 | 71,517,470 | 65,087,643 |
| Right-of-use assets | 12 | 9,064,847 | 8,497,029 |
| Intangible assets | 13 | 2,217,641 | 2,458,834 |
| Deferred tax assets | 14 | 1,972,031 | - |
| Other assets | 15 | 179,202,044 | 157,692,979 |
| | | <u>7,437,222,995</u> | <u>5,574,997,502</u> |
| LIABILITIES | | | |
| Bills payable | 17 | 22,452,540 | 21,651,784 |
| Borrowings | 18 | 4,103,231,638 | 2,815,470,554 |
| Deposits and other accounts | 19 | 2,911,934,752 | 2,350,540,823 |
| Lease liabilities | 20 | 11,046,415 | 10,339,867 |
| Subordinated debt | 21 | 10,000,000 | 10,000,000 |
| Deferred tax liabilities | 14 | - | 1,921,889 |
| Other liabilities | 22 | 127,975,084 | 112,572,054 |
| | | <u>7,186,640,429</u> | <u>5,322,496,971</u> |
| NET ASSETS | | <u>250,582,566</u> | <u>252,500,531</u> |
| REPRESENTED BY: | | | |
| Share capital | | 12,241,797 | 12,241,797 |
| Reserves | | 109,553,030 | 107,800,978 |
| Surplus on revaluation of assets | 23 | 40,130,232 | 41,965,460 |
| Unappropriated profit | | 88,657,507 | 90,492,296 |
| | | <u>250,582,566</u> | <u>252,500,531</u> |
| CONTINGENCIES AND COMMITMENTS | | 24 | |

The annexed notes 1 to 44 form an integral part of these unconsolidated condensed interim financial statements.



Arif Akmal Saif
Chief Financial Officer



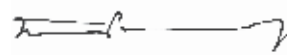
Muhammad Jawaid Iqbal
President &
Chief Executive Officer



Shazia Syed
Director



Daniel Michael Howlett
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | April - June 2024 | April - June 2023 | January - June 2024 | January - June 2023 |
|--|------------------------------|----------------------|------------------------|------------------------|
| Note | ----- (Rupees in '000) ----- | | | |
| Mark-up / return / interest earned | 26 | 276,527,423 | 100,025,963 | 515,153,946 |
| Mark-up / return / interest expensed | 27 | 249,503,608 | 64,419,944 | 461,516,001 |
| Net mark-up / interest income | | <u>27,023,815</u> | <u>35,606,019</u> | <u>53,637,945</u> |
| Non mark-up / interest income | | | | |
| Fee and commission income | 28 | 4,780,029 | 4,434,039 | 10,049,383 |
| Dividend income | | 449,971 | 515,963 | 923,136 |
| Foreign exchange income | | 3,691,824 | 2,560,949 | 6,367,669 |
| (Loss) / income from derivatives | | 40,001 | (161,010) | (24,845) |
| Gain / (loss) on securities - net | 29 | 5,334,587 | (863,157) | 18,143,333 |
| Capital gain on derecognition of financial assets measured at amortised cost | | 3,841,988 | - | 2,894,427 |
| Other income | 30 | 175,672 | 353,730 | 357,509 |
| Total non mark-up / interest income | | <u>18,314,072</u> | <u>6,840,514</u> | <u>38,710,612</u> |
| Total income | | <u>45,337,887</u> | <u>42,446,533</u> | <u>92,348,557</u> |
| Non mark-up / interest expenses | | | | |
| Operating expenses | 31 | 18,150,131 | 15,380,268 | 35,759,860 |
| Workers' Welfare Fund | | 564,494 | 538,601 | 1,232,972 |
| Other charges | 32 | 31,945 | 2,544 | 32,811 |
| Total non mark-up / interest expenses | | <u>18,746,570</u> | <u>15,921,413</u> | <u>37,025,643</u> |
| Profit before credit loss allowance | | <u>26,591,317</u> | <u>26,525,120</u> | <u>55,322,914</u> |
| Credit loss allowance and write-offs - net | 33 | (647,053) | 346,047 | (2,366,765) |
| Profit before taxation | | <u>27,238,370</u> | <u>26,179,073</u> | <u>57,689,679</u> |
| Taxation | 34 | 13,381,254 | 13,762,654 | 28,244,106 |
| Profit after taxation | | <u>13,857,116</u> | <u>12,416,419</u> | <u>29,445,573</u> |
| Earnings per share - basic and diluted | 35 | <u>11.32</u> | <u>10.14</u> | <u>24.05</u> |

The annexed notes 1 to 44 form an integral part of these unconsolidated condensed interim financial statements.



Arif Akmal Saifie
Chief Financial Officer



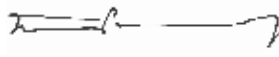
Muhammad Jawaid Iqbal
President &
Chief Executive Officer



Shazia Syed
Director



Daniel Michael Howlett
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | April - June 2024 | April - June 2023 | January - June 2024 | January - June 2023 |
|---|----------------------|----------------------|------------------------|------------------------|
| ----- (Rupees in '000) ----- | | | | |
| Profit after taxation for the period | 13,857,116 | 12,416,419 | 29,445,573 | 26,319,159 |
| 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 overseas branches | 121,508 | 713,431 | (1,192,506) | 17,541,455 |
| Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax | 8,087,364 | 5,275,877 | 515,882 | (8,672,175) |
| | 8,208,872 | 5,989,308 | (676,624) | 8,869,280 |
| <i>Items that will not be reclassified to profit and loss account in subsequent periods</i> | | | | |
| Movement in surplus on revaluation of equity investments through FVOCI - net of tax | 826,465 | 133,766 | 837,820 | 103,032 |
| Movement in surplus on revaluation of property and equipment - net of tax | 41 | (5,741) | 5,522 | 7,050 |
| Movement in surplus on revaluation of non-banking assets - net of tax | - | - | - | - |
| | 826,506 | 128,025 | 843,342 | 110,082 |
| Total comprehensive income for the period | 22,892,494 | 18,533,752 | 29,612,291 | 35,298,521 |

The annexed notes 1 to 44 form an integral part of these unconsolidated condensed interim financial statements.



Arif Akmal Saifia
Chief Financial Officer



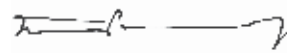
Muhammad Jawaid Iqbal
President &
Chief Executive Officer



Shazia Syed
Director



Daniel Michael Howlett
Director




Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | Share capital | Capital reserve - exchange translation | Statutory reserve | Surplus / (Deficit) on revaluation | | | Unappropriated profit | Total |
|--|---------------|--|-------------------|------------------------------------|------------------------|--------------------|-----------------------|--------------|
| | | | | Investments | Property and Equipment | Non-banking assets | | |
| Balance as at January 01, 2023 (Audited) | 12,241,797 | 44,694,292 | 41,560,081 | (20,679,865) | 39,765,799 | - | 91,438,152 | 209,020,256 |
| Total comprehensive income for the six months ended June 30, 2023 | | | | | | | | |
| Profit after taxation for the six months ended June 30, 2023 | - | - | - | - | - | - | 26,319,159 | 26,319,159 |
| Other comprehensive income - net of tax | - | 17,541,455 | - | (8,569,143) | 7,050 | - | - | 8,979,362 |
| Total comprehensive income for the six months ended June 30, 2023 | - | 17,541,455 | - | (8,569,143) | 7,050 | - | 26,319,159 | 35,298,521 |
| Transfer from surplus on revaluation upon disposal to unappropriated profit - net of tax | - | - | - | - | (1,474,233) | - | 1,474,233 | - |
| Transfer of incremental depreciation from surplus on revaluation of property and equipment to unappropriated profit - net of tax | - | - | - | - | (44,691) | - | 44,691 | - |
| Transfer to statutory reserve | - | - | 2,631,916 | - | - | - | (2,631,916) | - |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| Final cash dividend - December 31, 2022 declared subsequent to the year end at Rs. 9.0 per share | - | - | - | - | - | - | (11,017,617) | (11,017,617) |
| Interim cash dividend - March 31, 2023 declared at Rs. 11.0 per share | - | - | - | - | - | - | (13,465,977) | (13,465,977) |
| Balance as at June 30, 2023 (Un-audited) | 12,241,797 | 62,235,747 | 44,191,997 | (29,249,008) | 38,253,925 | - | 92,160,725 | 219,835,183 |
| Total comprehensive income for the six months ended December 31, 2023 | | | | | | | | |
| Profit after taxation for the six months ended December 31, 2023 | - | - | - | - | - | - | 26,861,254 | 26,861,254 |
| Other comprehensive income - net of tax | - | (1,312,892) | - | 33,002,675 | (340) | - | 1,046,605 | 32,736,048 |
| Total comprehensive income for the six months ended December 31, 2023 | - | (1,312,892) | - | 33,002,675 | (340) | - | 27,907,859 | 59,597,302 |
| Transfer from surplus on revaluation upon disposal to unappropriated profit - net of tax | - | - | - | - | - | - | - | - |
| Transfer of incremental depreciation from revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | (41,792) | - | 41,792 | - |
| Transfer to statutory reserve | - | - | 2,686,126 | - | - | - | (2,686,126) | - |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| Interim cash dividend - June 30, 2023 declared at Rs. 11.0 per share | - | - | - | - | - | - | (13,465,977) | (13,465,977) |
| Interim cash dividend - September 30, 2023 declared at Rs. 11.0 per share | - | - | - | - | - | - | (13,465,977) | (13,465,977) |
| | - | - | - | - | - | - | (26,931,954) | (26,931,954) |
| Balance as at December 31, 2023 (Audited) | 12,241,797 | 60,922,855 | 46,878,123 | 3,753,667 | 38,211,793 | - | 90,492,296 | 252,500,531 |
| Effect of reclassification on adoption of IFRS 9 (net of tax) | - | - | - | (3,214,765) | - | - | 3,214,765 | - |
| Effect of adoption of IFRS 9 - ECL (net of tax) | - | - | - | - | - | - | (4,598,302) | (4,598,302) |
| | - | - | - | (3,214,765) | - | - | (1,383,537) | (4,598,302) |
| Balance as at January 01, 2024 - as restated | 12,241,797 | 60,922,855 | 46,878,123 | 538,902 | 38,211,793 | - | 89,108,759 | 247,902,229 |
| Total comprehensive income for the six months ended June 30, 2024 | | | | | | | | |
| Profit after taxation for the six months ended June 30, 2024 | - | - | - | - | - | - | 29,445,573 | 29,445,573 |
| Other comprehensive income - net of tax | - | (1,192,506) | - | 1,353,702 | 5,522 | - | - | 166,718 |
| Total comprehensive income for the six months ended June 30, 2024 | - | (1,192,506) | - | 1,353,702 | 5,522 | - | 29,445,573 | 29,612,291 |
| Transfer from surplus on revaluation upon disposal to unappropriated profit - net of tax | - | - | - | - | - | - | - | - |
| Transfer of incremental depreciation from revaluation of fixed assets to unappropriated profit - net of tax | - | - | - | - | (43,869) | - | 43,869 | - |
| Transfer of net loss on disposal of FVOCI equity investments from surplus to unappropriated profit - net of tax | - | - | - | 64,182 | - | - | (64,182) | - |
| Transfer to statutory reserve | - | - | 2,944,558 | - | - | - | (2,944,558) | - |
| Transactions with owners, recorded directly in equity | | | | | | | | |
| Final cash dividend - December 31, 2023 declared subsequent to the year end at Rs. 11.0 per share | - | - | - | - | - | - | (13,465,977) | (13,465,977) |
| Interim cash dividend - March 31, 2024 declared at Rs. 11.0 per share | - | - | - | - | - | - | (13,465,977) | (13,465,977) |
| Balance as at June 30, 2024 (Un-audited) | 12,241,797 | 59,730,349 | 49,822,681 | 1,956,786 | 38,173,446 | - | 88,657,507 | 250,582,566 |

The annexed notes 1 to 44 form an integral part of these unconsolidated condensed interim financial statements.


Arif Akmal Saif
Chief Financial Officer


Muhammad Jawaid Iqbal
President &
Chief Executive Officer


Shazia Syed
Director


Daniel Michael Howlett
Director


Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | January - June 2024 | January - June 2023 |
|--|------------------------|------------------------|
| ----- (Rupees in '000) ----- | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 57,689,679 | 50,578,178 |
| Less: Dividend income | 923,136 | 991,412 |
| | <u>56,766,543</u> | <u>49,586,766</u> |
| Adjustments: | | |
| Depreciation on fixed assets | 2,582,005 | 1,996,470 |
| Depreciation on Islamic financing against leased assets (Ijarah) | 40,189 | 70,047 |
| Depreciation on right-of-use assets | 1,159,305 | 1,109,997 |
| Depreciation on non-banking assets acquired in satisfaction of claims | 1,613 | 1,506 |
| Amortisation | 475,163 | 467,339 |
| Workers' Welfare Fund - charge | 1,232,972 | 1,034,686 |
| Provision for retirement benefits | 677,218 | 613,498 |
| Provision for compensated absences | 81,764 | 32,259 |
| Credit loss allowance against loans and advances - net | (2,049,803) | (2,114,018) |
| Credit loss allowance against off - balance sheet obligations - net | 48,083 | 36,401 |
| Credit loss allowance for diminution in value of investments - net | (236,595) | 5,165,373 |
| Interest expense on lease liability against right-of-use assets | 697,814 | 582,003 |
| (Gain) / loss on sale of Ijarah assets - net | (868) | 671 |
| Gain on sale of fixed assets - net | (70,367) | (307,223) |
| Bad debts written-off directly | 23,626 | 21,279 |
| Unrealised (gain) / loss on revaluation of investments classified as FVTPL | (115,408) | 7,008 |
| Credit loss allowance against other assets | (7,675) | (16,064) |
| Other credit loss allowance / write-offs | 64,431 | 56,193 |
| | <u>4,603,467</u> | <u>8,757,425</u> |
| | 61,370,010 | 58,344,191 |
| (Increase) / Decrease in operating assets | | |
| Lendings to financial institutions | 19,447,852 | (28,141,300) |
| Securities classified as FVTPL | (9,547,386) | 18,949,028 |
| Advances | (10,416,965) | 248,187,526 |
| Other assets (excluding advance taxation) | (25,177,643) | (22,984,225) |
| | <u>(25,694,142)</u> | <u>216,011,029</u> |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | 800,756 | (11,533,548) |
| Borrowings | 1,287,761,084 | 60,733,953 |
| Deposits and other accounts | 561,393,929 | 325,561,031 |
| Other liabilities | 11,293,109 | 317,921 |
| | <u>1,861,248,878</u> | <u>375,079,357</u> |
| | 1,896,924,746 | 649,434,577 |
| Receipts on account of staff retirement benefits | 3,040,913 | 561,526 |
| Income taxes paid | (26,089,701) | (22,416,339) |
| Net cash flow generated from operating activities | <u>1,873,875,958</u> | <u>627,579,764</u> |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Net investments in securities classified as FVOCI | (1,728,868,510) | (436,052,884) |
| Net investments in amortized cost securities | 8,576,867 | (10,591,537) |
| Net investments in subsidiaries | (1,000,000) | - |
| Dividend income received | 923,136 | 849,179 |
| Investment in property and equipments and intangible assets | (9,319,612) | (3,492,309) |
| Sale proceeds from disposal of property and equipments | 82,490 | 1,826,030 |
| Sale proceeds from disposal of Ijarah assets | - | 5,302 |
| Effect of translation of net investment in overseas branches | (1,192,506) | 17,541,455 |
| Net cash flow used in investing activities | <u>(1,730,798,135)</u> | <u>(429,914,764)</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payment of lease liability against right-of-use assets | (1,685,441) | (1,607,582) |
| Dividend paid | (26,964,120) | (32,411,617) |
| Net cash flow used in financing activities | <u>(28,649,561)</u> | <u>(34,019,199)</u> |
| Increase / (decrease) in cash and cash equivalents | <u>114,428,262</u> | <u>163,645,801</u> |
| Cash and cash equivalents at the beginning of the period | 309,611,724 | 138,652,864 |
| Effect of exchange rate changes on cash and cash equivalents | (1,580,756) | 20,043,797 |
| | <u>308,030,968</u> | <u>158,696,661</u> |
| Cash and cash equivalents at the end of the period | <u>422,459,230</u> | <u>322,342,462</u> |

The annexed notes 1 to 44 form an integral part of these unconsolidated condensed interim financial statements.

| | | | | |
|---|---|---|---|--|
|  |  |  |  |  |
| Arif Akmal Saiffe Chief Financial Officer | Muhammad Jawaid Iqbal President & Chief Executive Officer | Shazia Syed Director | Daniel Michael Howlett Director | Sir Mohammed Anwar Pervez, OBE, HPK Chairman |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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 1,381 (December 31, 2023: 1,356) branches inside Pakistan including 223 (December 31, 2023: 209) Islamic Banking branches and 2 (December 31, 2023: 2) branches in Export Processing Zones. The Bank also operates 8 (December 31, 2023: 8) branches outside Pakistan. The Bank is a subsidiary of Bestway International Holdings Limited (BIHL) and BIHL is a wholly owned subsidiary of Bestway Group Limited (BGL) which is incorporated in the Guernsey.

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

These unconsolidated condensed interim financial statements have been prepared in conformity with the format of interim financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2 dated February 09, 2023.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic mode. The 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 profit 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 profit thereon.

Key financial figures of the Islamic Banking branches are disclosed in note 40 to these unconsolidated condensed interim financial statements.

2.1 STATEMENT OF COMPLIANCE

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

- International 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.

The SBP vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD Circular No. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements.

The SECP vide its notification SRO 633 (I)/2014 dated July 10, 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.

The disclosures made in these unconsolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 2 dated February 09, 2023 and IAS 34, Interim Financial Reporting. They do not include all the information and disclosures required in preparation of audited annual financial statements, and should be read in conjunction with the audited unconsolidated financial statements of the Bank for the year ended December 31, 2023.

These unconsolidated condensed interim financial statements represent the separate condensed interim financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiary companies are presented separately.

2.2 Standards, interpretations and amendments to accounting standards that are effective in the current period

During the year, the Bank has adopted IFRS 9 as applicable in Pakistan with effect from 01 January 2024 (refer note 3.1 for details). There are certain other amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2024. Except for IFRS 9, these are either considered not to be relevant or do not have any significant impact and accordingly have not been detailed in these unconsolidated condensed interim financial statements.

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

There are various amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective. These are not likely to have a material effect on the Bank's financial statements.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2023, except as disclosed in Notes 3.1 and 3.2.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3.1 Changes in reporting format

The SBP vide BPRD Circular No. 2 dated February 09, 2023 specified the new format for interim financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the half year ended June 30, 2024 which has resulted in additional disclosures relating to IFRS 9 and reclassification of Lease liabilities and Right of use assets on the face of Statement of Financial Position out of Property and equipment and Other Liabilities, respectively in these financial statements.

3.2 IFRS 9 - Financial Instruments

The Bank has adopted IFRS 9 (read with IFRS 9 application instructions issued by SBP) retrospectively with date of initial application as January 01, 2024, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. In terms of the transitional provisions of IFRS 9, adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening unappropriated profit and other reserves at the beginning of the current period without restating the comparative figures. The impact on carrying amounts of the financial assets and liabilities is disclosed in Note 3.2.4.

3.2.1 Scope of IFRS 9 application

IFRS 9 has been applicable in several overseas jurisdictions at various effective dates starting from January 01, 2018. The requirements of this standard were already incorporated in the Bank's financial statements for the jurisdictions where IFRS 9 has been adopted. The results of those overseas operations where IFRS 9 is not applicable will be directly incorporated in the Bank's financial statements as per the respective country's regulations, for the year ending December 31, 2024. As per the SBP IFRS 9 application instructions, all overseas Jurisdictions will be subject to the IFRS 9 requirements from next financial year.

Upon implementation of IFRS 9, the Banking Industry sought certain technical clarifications from SBP and also identified practical difficulties in certain areas of implementation of IFRS 9, such as valuation of unquoted equity securities, fair valuation of concessional loans, recognition of interest income/expense on financial instruments, modification accounting of financial assets and expected credit loss on foreign currency balances with SBP. The SBP vide its Circular No.16 dated July 29, 2024 has allowed temporary extension in timeline for most of the above referred matters with directions to implement IFRS 9 requirements before the end of the financial year other than valuation of unquoted equity securities which is required to be implemented from next financial year. However, the Banking Industry will continue to engage SBP on remaining matters in the coming months to have more clarity on such areas. Accordingly, the Bank has continued to apply previous accounting practices in such areas for the purposes of preparation of these interim financial statements.

3.2.2 Significant differences from accounting policies applicable till 31 December 2023 before adoption of IFRS 9

3.2.2.1 Classification of financial assets

IFRS 9 introduced a new classification model for financial assets that is more principle-based than the previous requirements. Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. Instruments will be classified either at amortised cost, the newly established measurement category fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). For equity investment that are not held for trading, an election is available to the Bank to classify these either through FVTPL or FVOCI. The previous accounting policies were based on instrument by instrument classification into Held for trading, Held to maturity and Available for Sale categories as disclosed in Note 4.3 to the annual financial statements of the Bank.

3.2.2.2 Impairment of debt investments and loans and advances

The new IFRS 9 impairment requirements eliminate the previous threshold for the recognition of credit losses, i.e., it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for ECLs, and updates the loss allowance for changes in these ECLs at each reporting date to reflect changes in credit risk since initial recognition. Consequently, the holder of the financial asset needs to take into account more timely and forward-looking information in order to provide users of financial statements with useful information about the ECLs on financial instruments that are in the scope of these impairment requirements. The previous impairment requirements were based solely on Prudential regulations of SBP as disclosed in Note 4.9 to the annual financial statements of the Bank.

3.2.2.3 Impairment of equity investments

Previously, investments classified as available for sale were required to be tested for impairment and if there is an objective evidence of impairment, impairment was required to be booked. Under IFRS 9 regime, no impairment is required against such investments which are carried at FVOCI as the gain or loss on remeasurement will permanently remain in OCI/Surplus on revaluation of investments. The previous accounting policies are disclosed in Note 4.9 to the annual financial statements of the Bank.

3.2.3 Material accounting policies applicable from 01 January 2024 as a result of adoption of IFRS 9

3.2.3.1 Financial assets – initial recognition

Financial assets are initially recognized at fair value. When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in profit and loss account. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit and loss account when the inputs become observable, or when the instrument is derecognised.

3.2.3.2 Classification and subsequent measurement of financial assets

Financial assets are classified into following categories for measurement subsequent to initial recognition:

- Financial assets at amortized cost
- Debt instruments at 'fair value through other comprehensive income' FVOCI
- Equity instruments at 'fair value through other comprehensive income' FVOCI
- Financial assets at 'fair value through profit or loss' FVTPL

3.2.3.3 Financial assets at amortised cost

The Bank classifies its financial assets at amortized cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2024

The details of these conditions are outlined below:

a) Business model

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's Board/ Board Committees
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test. The assessment of SPPI aims to identify whether the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding'.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of 'interest' within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

After initial measurement, these financial assets are subsequently measured at amortized cost.

3.2.3.4 Debt instruments at FVOCI

The Bank applies this new category under IFRS 9 when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income at EIR and foreign exchange gains and losses are recognised in the profit and loss account.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit and loss account. The accumulated loss recognised in OCI is recycled to the profit and loss account upon derecognition of the assets.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit and loss account.

3.2.3.5 Equity instruments at FVOCI

Upon initial recognition, the Bank elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of 'Equity' under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis and is irrevocable

Gains and losses on these equity instruments are never recycled to profit and loss account. Dividends are recognised in profit and loss account when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

3.2.3.6 Financial assets and financial liabilities at FVPL

Financial assets and financial liabilities in this category are those that are:

- held for trading, that is, they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking, or
- not held for trading and have been either designated by management upon initial recognition, or mandatorily required to be measured at fair value

Financial assets are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss account. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

3.2.3.7 Financial liabilities at amortised cost

Financial liabilities with a fixed maturity are measured at amortised cost using the EIR method. These include Bills payable, Borrowings, Deposits and certain items within Other Liabilities.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3.2.3.8 Derecognition of financial assets

3.2.3.8.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loan is classified as Stage 1 for ECL measurement purposes, unless it is deemed to be purchased originated credit impaired. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers qualitative factors such as change in currency of the loan, introduction of an equity feature, change in counterparty, or if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The gain/(loss) on derecognition of financial asset has been calculated as the difference between the book value (including impairment) and the proceeds received.

3.2.3.8.2 Derecognition other than due to substantial modification of terms and conditions

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

3.2.3.9 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

3.2.3.10 Impairment of financial assets

3.2.3.10.1 Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing the incurred loss approach of the local regulations with a forward-looking ECL approach. The Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets held at amortised cost or FVOCI, together with loan commitments, letters of credit and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9. Under the SBP's instructions, local currency credit exposures guaranteed by the Government and Government Securities are exempted from the application of ECL.

3.2.3.10.2 The calculation of ECLs

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL)), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Based on the above process, the Bank groups its financial assets into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination (SICR), the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECLs with PD set at 100%. Under SBP's instructions, until implementation of IFRS 9 has stabilized, Stage 3 allowance would be taken as as higher of IFRS 9 ECL or provision computed under Prudential Regulations.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Bank considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject borrower. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. However, for certain portfolios, the Bank has rebutted 30 DPD presumption based on behavioural analysis of its borrowers.

The key elements of ECL calculations are as follows:

- The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. PD is estimated based on transitioning among credit states. Credit states are defined by rating classes and are based on the Bank's internal risk ratings (i.e. from 1 to 12). Through the yearly review of the non-consumer portfolio, the Bank has drawn a yearly transition matrix of ratings to compute a count based PD over the one year horizon for the last 7 years. PDs for Non rated portfolios are calculated based on Days Past Due (DPD) bucket level for each segment separately. Where practical, they also build on information from External Rating Agencies. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information.
- The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. For IFRS 9, the Bank only considers the liquid collaterals.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

The interest rate used to discount the ECLs would be based on the effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

When estimating the ECLs, the Bank considers three probability-weighted scenarios (a base case, a best case, and a worse case). Each of these is associated with different PDs, EADs and LGDs. These expected probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and reversals are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

3.2.3.10.3 Forward looking information

The Bank formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information. This process involves developing three different economic scenarios, which represent macro economic inputs.

3.2.4 Transition disclosures

This note sets out the impact of adopting IFRS 9 on the statement of financial position, unappropriated profit and surplus on revaluation of investments.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with Prudential Regulations to their new measurement categories upon transition to IFRS 9 on January 01, 2024:

| | Classification under IFRS 9 | | | | | | IFRS 9 carrying amount as at Jan 01, 2024 |
|---|---|-------------------|---------------------------|------------------------------|------------------------|----------------------------|---|
| | Carrying amount as per current accounting policy as at Dec 31, 2023 | At FVTPL | At FVOCI - with recycling | At FVOCI - without recycling | At Amortized Cost | Remeasurement under IFRS 9 | |
| | (Rupees in '000) | | | | | | |
| Cash and cash equivalents | 308,030,968 | - | - | - | 308,030,968 | (1,182) | 308,029,786 |
| Lendings to financial institutions | 34,447,852 | - | - | - | 34,447,852 | - | 34,447,852 |
| Advances | 613,565,526 | - | - | - | 613,565,526 | (7,969,693) | 605,595,833 |
| Investments in financial assets | | | | | | | |
| Held for trading | 78,956,749 | 78,956,749 | - | - | - | - | 78,956,749 |
| Held to maturity | 362,838,478 | - | - | - | 362,838,478 | (344) | 362,838,134 |
| Available for sale | 3,939,226,221 | 3,635,231 | 3,925,259,062 | 10,331,928 | - | (7,157) | 3,939,219,064 |
| Other assets | 150,395,306 | 4,266,717 | - | - | 146,128,589 | - | 150,395,306 |
| Total Financial assets | 5,487,461,100 | 86,858,697 | 3,925,259,062 | 10,331,928 | 1,465,011,413 | (7,978,376) | 5,479,482,724 |
| Borrowings | 2,815,470,554 | - | - | - | 2,815,470,554 | - | 2,815,470,554 |
| Bills payable | 21,651,784 | - | - | - | 21,651,784 | - | 21,651,784 |
| Deposits | 2,350,540,823 | - | - | - | 2,350,540,823 | - | 2,350,540,823 |
| Subordinated debt | 10,000,000 | - | - | - | 10,000,000 | - | 10,000,000 |
| Other liabilities | 88,722,556 | 2,741,100 | - | - | 85,981,456 | 1,037,902 | 89,760,458 |
| Total Financial liabilities | 5,286,385,717 | 2,741,100 | - | - | 5,283,644,617 | 1,037,902 | 5,287,423,619 |
| Net Financial Assets | 201,075,383 | 84,117,597 | 3,925,259,062 | 10,331,928 | (3,818,633,204) | (9,016,278) | 192,059,105 |
| Deferred tax assets | (1,921,889) | - | - | - | - | 4,417,976 | 2,496,087 |
| Effect on net assets on adoption of IFRS 9 | | | | | | (4,598,302) | |

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Bank as shown in the table above:

(A) Debt instruments previously classified as available for sale (AFS) but which fail the SPPI test

The Bank held a portfolio of debt instruments amounting to Rs. 1,864.973 million that failed to meet the SPPI requirement for amortised cost classification under IFRS 9. These instruments contain provisions that, in certain circumstances, can allow the issuer to defer interest payments, but which do not accrue additional interest. This clause breaches the criterion that interest payments should only be consideration for credit risk and the time value of money on the principal. As a result these are required to be classified as FVTPL under IFRS 9.

(B) Designation of equity instruments at FVOCI

The Bank has elected to irrevocably designate investments in listed securities and strategic investments in unquoted securities as FVOCI amounting to Rs. 9,611.924 million and Rs. 720.004 million, respectively. These securities were previously classified as available for sale. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

(C) Reclassification from retired categories with no change in measurement

In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under existing local regulations were 'retired', with no changes to their measurement basis:

- Those previously classified as available for sale and now classified as measured at FVOCI; and
- Those previously classified as held to maturity and now classified as measured at amortised cost.
- Those previously classified as held for trading and now classified as measured at FVTPL.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2024

The impact of transition to IFRS 9 on unappropriated profit and surplus on revaluation of investments is as follows:

| | Unappropriated profit | Surplus / (Deficit) on revaluation Investments | Total |
|---|-----------------------------|--|-------------------|
| | ----- Rupees in '000' ----- | | |
| Balance as at December 31, 2023 | 90,492,296 | 3,753,667 | 94,245,963 |
| Recognition of IFRS 9 ECL - net of tax | (4,598,302) | - | (4,598,302) |
| Available for sale equity instruments reclassified as FVOCI under IFRS 9 - net of tax | 3,214,765 | (3,214,765) | - |
| Balance under IFRS 9 as at January 01, 2024 - as restated | 89,108,759 | 538,902 | 89,647,661 |

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these unconsolidated condensed interim financial statements in conformity with the accounting and reporting standards as applicable in Pakistan 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the unconsolidated financial statements of the Bank for the year ended December 31, 2023, except for the adoption of IFRS 9 w.e.f January 01, 2024. These are disclosed in Note 4.1

4.1 Impairment losses on financial assets

Determination of expected credit losses is a significant estimate and involves the following judgments:

- Development of ECL models, including the various formulas and the choice of inputs
- The segmentation of financial assets when their ECL is assessed on a collective basis
- The Bank's internal credit grading model based on which PDs are assigned to the individual grades
- Qualitative and quantitative indicators used as SICR triggers
- The definition of default against which parameters of ECL model such as PD, LGD and EAD are evaluated
- Selection of forward-looking macroeconomic scenarios and their probability weightings
- Determination of economic inputs, such as GDP growth and CPI

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the unconsolidated financial statements for the year ended December 31, 2023.

6. CASH AND BALANCES WITH TREASURY BANKS

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| In hand | | |
| Local currency | 41,641,275 | 27,876,931 |
| Foreign currencies | 13,262,292 | 13,042,939 |
| | 54,903,567 | 40,919,870 |
| With State Bank of Pakistan in | | |
| Local currency current accounts | 116,885,843 | 88,035,634 |
| Foreign currency current accounts | 5,214,261 | 5,306,080 |
| Foreign currency deposit accounts | 9,287,396 | 9,473,621 |
| | 131,387,500 | 102,815,335 |
| With other central banks in | | |
| Foreign currency current accounts | 98,690,655 | 50,093,433 |
| Foreign currency deposit accounts | 7,901,318 | 10,684,831 |
| | 106,591,973 | 60,778,264 |
| With National Bank of Pakistan in | | |
| Local currency current accounts | 64,272,721 | 72,368,067 |
| Foreign currency deposit accounts | 5,566,788 | - |
| | 69,839,509 | 72,368,067 |
| National prize bonds | 424,858 | 448,681 |
| Less: Credit loss allowance held against cash and balances with treasury banks | - | - |
| Cash and balances with treasury banks - net of credit loss allowance | 363,147,407 | 277,330,217 |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|----------------------------------|---------------------------------------|
| ----- (Rupees in '000) ----- | | |
| 7. BALANCES WITH OTHER BANKS | | |
| In Pakistan | | |
| In deposit accounts | 7 | 7 |
| Outside Pakistan | | |
| In current accounts | 23,416,711 | 23,665,786 |
| In deposit accounts | 35,895,858 | 7,034,958 |
| | 59,312,569 | 30,700,744 |
| Less: Credit loss allowance held against balances with other banks | (753) | - |
| Balances with other banks - net of credit loss allowance | <u>59,311,823</u> | <u>30,700,751</u> |
| 8. LENDINGS TO FINANCIAL INSTITUTIONS | | |
| Musharakah lending | - | 12,500,000 |
| Repurchase agreement lendings (Reverse Repo) | 15,000,000 | 21,947,852 |
| | <u>15,000,000</u> | <u>34,447,852</u> |
| Less: Credit loss allowance held against lending to financial institutions | - | - |
| Lending to financial institutions - net of credit loss allowance | <u>15,000,000</u> | <u>34,447,852</u> |
| | (Un-audited) June 30, 2024 | |
| | Lending | Credit loss allowance held |
| | ----- (Rupees in '000) ----- | |
| Domestic | | |
| Performing | Stage 1 15,000,000 | - |
| Under performing | Stage 2 - | - |
| Non-performing | Stage 3 - | - |
| Substandard | - | - |
| Doubtful | - | - |
| Loss | - | - |
| | <u>15,000,000</u> | <u>-</u> |
| Overseas | | |
| Performing | Stage 1 - | - |
| Under performing | Stage 2 - | - |
| Non-performing | Stage 3 - | - |
| Substandard | - | - |
| Doubtful | - | - |
| Loss | - | - |
| | <u>-</u> | <u>-</u> |
| Total | <u>15,000,000</u> | <u>-</u> |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

9. INVESTMENTS

9.1 Investments by type

Note

| | June 30, 2024 (Un-audited) | | | Carrying Value |
|--------------------------------|----------------------------|--------------------------------|---------------------|----------------------|
| | Cost / Amortised cost | Expected credit loss allowance | Surplus / (Deficit) | |
| ----- (Rupees in '000) ----- | | | | |
| FVTPL | | | | |
| Federal Government Securities | 86,022,929 | - | (6,134) | 86,016,795 |
| Shares and units | 616,232 | - | 121,542 | 737,774 |
| Non-Government debt securities | 1,864,974 | - | - | 1,864,974 |
| | 88,504,135 | - | 115,408 | 88,619,543 |
| FVOCI | | | | |
| Federal Government securities | 5,473,745,811 | (1,559,264) | 8,101,271 | 5,480,287,818 |
| Shares | 12,664,324 | - | (856,361) | 11,807,963 |
| Non-Government debt securities | 505,192 | (169,491) | - | 335,701 |
| Foreign securities | 172,744,138 | (23,535) | (3,408,077) | 169,312,526 |
| | 5,659,659,465 | (1,752,290) | 3,836,833 | 5,661,744,008 |
| Amortised cost | | | | |
| Federal Government securities | 291,705,200 | - | - | 291,705,200 |
| Non-Government debt securities | 24,374,770 | (1,273,774) | - | 23,100,996 |
| Foreign securities | 39,479,464 | (24,049) | - | 39,455,415 |
| | 355,559,434 | (1,297,823) | - | 354,261,611 |
| Associates | 1,297,485 | (1,057,485) | - | 240,000 |
| Subsidiaries | 4,955,223 | - | - | 4,955,223 |
| Total Investments | <u>6,109,975,742</u> | <u>(4,107,598)</u> | <u>3,952,241</u> | <u>6,109,820,385</u> |

| | December 31, 2023 (Audited) | | | Carrying Value |
|--------------------------------------|-----------------------------|--------------------------|---------------------|----------------------|
| | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | |
| ----- (Rupees in '000) ----- | | | | |
| Held for trading securities | | | | |
| Federal Government Securities | 79,035,823 | - | (79,074) | 78,956,749 |
| Available for sale securities | | | | |
| Federal Government securities | 3,805,610,848 | (12,421,632) | 6,419,943 | 3,799,609,159 |
| Shares and units | 14,530,823 | (6,107,121) | 3,678,469 | 12,102,171 |
| Non-Government debt securities | 2,413,036 | (162,334) | - | 2,250,702 |
| Foreign securities | 128,026,463 | (23,993) | (2,738,281) | 125,264,189 |
| | 3,950,581,170 | (18,715,080) | 7,360,131 | 3,939,226,221 |
| Held to maturity securities | | | | |
| Federal Government securities | 308,215,895 | (4,406,225) | - | 303,809,670 |
| Non-Government debt securities | 22,764,643 | (1,293,633) | - | 21,471,010 |
| Foreign securities | 38,098,926 | (541,128) | - | 37,557,798 |
| | 369,079,464 | (6,240,986) | - | 362,838,478 |
| Associates | 1,297,485 | (1,057,485) | - | 240,000 |
| Subsidiaries | 3,955,223 | - | - | 3,955,223 |
| Total Investments | <u>4,403,949,165</u> | <u>(26,013,551)</u> | <u>7,281,057</u> | <u>4,385,216,671</u> |

9.1.1 Investments given as collateral

| Note | (Un-audited) | (Audited) |
|--------------------------------------|------------------------------|----------------------|
| | June 30, 2024 | December 31, 2023 |
| | ----- (Rupees in '000) ----- | |
| Federal Government securities | | |
| Market Treasury Bills | 2,587,646,293 | 1,739,647,706 |
| Pakistan Investment Bonds | 1,418,375,772 | 962,704,865 |
| | <u>4,006,022,065</u> | <u>2,702,352,571</u> |

The market value of securities given as collateral is Rs. 4,003,945 million (December 31, 2023: Rs. 2,716,080 million).

9.2 Expected credit loss allowance for diminution in value of investments

| | | | |
|--|-------|------------------|-------------------|
| Opening balance | | 26,013,551 | 26,823,071 |
| Exchange adjustments | | (86,562) | 3,003,752 |
| Impact of reclassification on adoption of IFRS 9 | | (6,107,121) | - |
| Impact of ECL recognised on adoption of IFRS 9 | | 7,501 | - |
| Charge / (reversals) | | | |
| Charge for the period / year | | 108,264 | 7,793,597 |
| Reversals for the period / year | | (344,859) | (1,266,052) |
| | | (236,595) | 6,527,545 |
| Derecognition of ECL on disposals | 9.2.1 | (15,483,176) | (10,340,817) |
| Amounts written off | | - | - |
| Closing balance | 9.2.2 | <u>4,107,598</u> | <u>26,013,551</u> |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

9.2.1 ECL provision under IFRS 9 amounting to Rs.15,483.176 million was held as part of the amortised cost of securities. This amount has been derecognised as a consequence of the disposal of such securities.

9.2.2 Particulars of expected credit loss allowance for diminution in value of investments

| Category of classification | | (Un-audited) June 30, 2024 | |
|----------------------------|---------|-------------------------------|-------------------------------------|
| | | Outstanding amount | Expected credit loss allowance held |
| | | ----- (Rupees in '000) ----- | |
| Domestic | | | |
| Performing | Stage 1 | 5,869,647,262 | 7,501 |
| Under performing | Stage 2 | - | - |
| Non-performing | Stage 3 | - | - |
| Substandard | | - | - |
| Doubtful | | - | - |
| Loss | | 626,981 | 626,981 |
| Overseas | | | |
| Performing | Stage 1 | 212,102,395 | 46,912 |
| Under performing | Stage 2 | 8,065,840 | 2,368,719 |
| Non-performing | Stage 3 | - | - |
| Substandard | | - | - |
| Doubtful | | - | - |
| Loss | | - | - |
| Total | | 6,090,442,478 | 3,050,113 |

Particulars of provision against debt securities

| Category of classification | (Audited) December 31, 2023 | |
|----------------------------|--------------------------------|----------------|
| | Non-Performing Investments | Provision |
| | ----- (Rupees in '000) ----- | |
| Domestic | | |
| Loss | 641,383 | 641,383 |
| Overseas | | |
| Defaulted exposure | - | - |
| Total | 641,383 | 641,383 |

9.3 Summary of financial position and performance of associates and subsidiaries

| | Country of Incorporation | Holding | June 30, 2024 (Un-audited) | | | | Total comprehensive income for the period |
|---|--------------------------|---------|------------------------------|-------------|-----------|------------------|---|
| | | | Assets | Liabilities | Revenue | Profit after tax | |
| | | | ----- (Rupees in '000) ----- | | | | |
| Associates | | % | | | | | |
| UBL Insurers Limited | Pakistan | 30.00% | 11,597,253 | 9,119,625 | 1,076,801 | 357,082 | 371,347 |
| Subsidiaries | | | | | | | |
| United National Bank Limited (UBL UK) | United Kingdom | 55.00% | 367,098,919 | 332,454,217 | 4,066,314 | 1,347,763 | 2,219,051 |
| UBL Fund Managers Limited | Pakistan | 98.87% | 6,353,013 | 2,704,681 | 1,643,661 | 582,271 | 582,271 |
| UBL Currency Exchange (Private) Limited | Pakistan | 100.00% | 2,906,209 | 886,026 | 173,007 | 33,325 | 33,325 |

9.4 The market value of securities classified as amortised cost as at June 30, 2024 amounted to Rs. 335,386.038 million (December 31, 2023: Rs. 337,640.922 million).

9.5 The transaction for the sale of the Bank's shareholding in United National Bank Limited (UNBL UK) was concluded subsequent to the reporting period date after obtaining all the regulatory approvals.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| 10. ADVANCES | Note | June 30, 2024 (Un-audited) | | |
|---|------|------------------------------|--------------------|--------------------|
| | | Performing | Non-performing | Total |
| | | ----- (Rupees in '000) ----- | | |
| Loans, cash credits, running finances, etc. | | 541,546,009 | 102,612,199 | 644,158,208 |
| Islamic financing and related assets | 40.3 | 54,681,826 | 193,610 | 54,875,436 |
| Bills discounted and purchased | | 32,318,930 | 3,018,938 | 35,337,868 |
| Advances - gross | | 628,546,765 | 105,824,747 | 734,371,512 |
| Expected credit loss allowance against advances | 10.3 | (5,100,348) | - | (5,100,348) |
| -Stage 1 | | (10,146,839) | - | (10,146,839) |
| -Stage 2 | | - | (93,154,978) | (93,154,978) |
| -Stage 3 | | (15,247,187) | (93,154,978) | (108,402,165) |
| Advances - net of expected credit loss allowance | | 613,299,578 | 12,669,769 | 625,969,347 |

| 10.1 Particulars of advances - gross | Note | December 31, 2023 (audited) | | |
|---|------|------------------------------|--------------------|--------------------|
| | | Performing | Non-performing | Total |
| | | ----- (Rupees in '000) ----- | | |
| Loans, cash credits, running finances, etc. | | 553,317,263 | 102,335,545 | 655,652,808 |
| Islamic financing and related assets | 40.3 | 47,191,822 | 222,205 | 47,414,027 |
| Bills discounted and purchased | | 11,018,066 | 2,982,770 | 14,000,836 |
| Advances - gross | | 611,527,151 | 105,540,520 | 717,067,671 |
| Provision against advances | 10.3 | - | (92,332,287) | (92,332,287) |
| -Specific | | (11,169,858) | - | (11,169,858) |
| -General | | (11,169,858) | (92,332,287) | (103,502,145) |
| Advances - net of provision | | 600,357,293 | 13,208,233 | 613,565,526 |

| 10.2 Advances include Rs.105,824.747 million (December 31, 2023: Rs. 105,540.520 million) which have been placed under non-performing / Stage 3 status as detailed below: | (Un-audited) | | (Audited) | |
|---|------------------------------|--------------------|--------------------|-------------------|
| | June 30, 2024 | December 31, 2023 | June 30, 2024 | December 31, 2023 |
| | ----- (Rupees in '000) ----- | | | |
| In local currency | | 508,600,501 | 465,031,632 | |
| In foreign currencies | | 225,771,011 | 252,036,039 | |
| | | 734,371,512 | 717,067,671 | |

10.2 Advances include Rs.105,824.747 million (December 31, 2023: Rs. 105,540.520 million) which have been placed under non-performing / Stage 3 status as detailed below:

| Category of Classification (Stag | (Un-audited) | |
|------------------------------------|------------------------------|-----------------------|
| | Non-Performing Loans | Credit loss allowance |
| | ----- (Rupees in '000) ----- | |
| Domestic | | |
| Other Assets Especially Mentioned* | 140,972 | 5,894 |
| Substandard | 2,326,012 | 1,704,224 |
| Doubtful | 867,498 | 423,252 |
| Loss | 20,229,419 | 19,247,505 |
| | 23,563,901 | 21,380,875 |
| Overseas | | |
| Other Assets Especially Mentioned* | - | - |
| Substandard | 1,026,571 | 239,440 |
| Doubtful | 17,437,934 | 11,492,929 |
| Loss | 63,796,341 | 60,041,734 |
| | 82,260,846 | 71,774,103 |
| Total | 105,824,747 | 93,154,978 |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SIX MONTHS ENDED JUNE 30, 2024

| Category of Classification | (Audited) | |
|------------------------------------|----------------------|------------|
| | December 31, 2023 | |
| | Non-Performing Loans | Provision |
| ----- (Rupees in '000) ----- | | |
| Domestic | | |
| Other Assets Especially Mentioned* | 105,024 | 3,660 |
| Substandard | 2,963,970 | 729,208 |
| Doubtful | 197,690 | 91,464 |
| Loss | 21,198,758 | 20,225,801 |
| | 24,465,442 | 21,050,133 |
| Overseas | | |
| Not past due but impaired ** | 1,439,842 | 331,800 |
| Overdue by: | | |
| Upto 90 days | 83,720 | - |
| 91 to 180 days | 237,549 | - |
| 181 to 365 days | 4,449,553 | 1,685,624 |
| > 365 days | 74,864,414 | 69,264,730 |
| | 81,075,078 | 71,282,154 |
| Total | 105,540,520 | 92,332,287 |

* The Other Assets Especially Mentioned category pertains to agriculture, housing and small enterprises financing.

** Not past due but impaired category mainly represents restructured exposures.

10.3 Particulars of expected credit loss allowance against advances

| Note | June 30, 2024 (Un-audited) | | | | December 31, 2023 (Audited) | | |
|---------------------------------|----------------------------|-------------|-------------|-------------|-----------------------------|-------------|-------------|
| | Stage 1 | Stage 2 | Stage 3 | Total | Specific | General | Total |
| | (Rupees in '000) | | | | | | |
| Opening balance | 759,622 | 10,410,236 | 92,332,287 | 103,502,145 | 81,783,522 | 10,146,800 | 91,930,322 |
| Exchange adjustments | (3,971) | (125,296) | (912,558) | (1,041,825) | 14,650,438 | 2,289,735 | 16,940,173 |
| Impact of Adoption of IFRS 9 | 4,046,484 | 2,689,194 | 1,234,015 | 7,969,693 | - | - | - |
| Charge / (reversals) | | | | | | | |
| Charge for the period / year | 433,543 | - | 426,321 | 859,864 | 894,440 | 100,364 | 994,804 |
| Reversals for the period / year | (135,330) | (1,065,538) | (1,708,799) | (2,909,667) | (4,526,473) | (1,367,041) | (5,893,514) |
| | 298,213 | (1,065,538) | (1,282,478) | (2,049,803) | (3,632,033) | (1,266,677) | (4,898,710) |
| Amounts charged off | | | | | | | |
| - agriculture financing | 10.5 | - | - | - | (153,498) | - | (153,498) |
| Amounts written off | - | - | (32,156) | (32,156) | (316,142) | - | (316,142) |
| Transfers (out) / in - net | - | (1,761,757) | 1,815,868 | 54,111 | - | - | - |
| Closing balance | 5,100,348 | 10,146,839 | 93,154,978 | 108,402,165 | 92,332,287 | 11,169,858 | 103,502,145 |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

10.4 Advances - Particulars of expected credit loss allowance

10.4.1 Advances - Category of classification

| | | June 30, 2024 (Un-audited) | |
|------------------------------|---------|----------------------------|-------------------------------------|
| | | Outstanding amount | Expected credit loss allowance held |
| ----- (Rupees in '000) ----- | | | |
| Domestic | | | |
| Performing | Stage 1 | 474,033,245 | 4,929,507 |
| Under performing | Stage 2 | 50,475,236 | 2,654,616 |
| Non-performing | Stage 3 | | |
| Substandard | | 2,466,984 | 1,710,118 |
| Doubtful | | 867,498 | 423,252 |
| Loss | | 20,229,419 | 19,247,505 |
| | | <u>23,563,901</u> | <u>21,380,875</u> |
| Sub Total | | <u>548,072,382</u> | <u>28,964,998</u> |
| Overseas | | | |
| Performing | Stage 1 | 69,098,892 | 170,841 |
| Under performing | Stage 2 | 34,939,392 | 7,492,223 |
| Non-performing | Stage 3 | | |
| Substandard | | 1,026,571 | 239,440 |
| Doubtful | | 17,437,934 | 11,492,929 |
| Loss | | 63,796,341 | 60,041,734 |
| | | <u>82,260,846</u> | <u>71,774,103</u> |
| Sub Total | | <u>186,299,130</u> | <u>79,437,167</u> |
| Total | | <u>734,371,512</u> | <u>108,402,165</u> |

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 01 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. 66.826 million (December 31, 2023: Rs. 44.193 million).

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 regulations 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. 5,668.984 million (December 31, 2023: Rs. 6,114.438 million) for the overseas branches.

The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

10.5 These represent non-performing advances for agriculture finance which have been classified as loss, are fully provided and are in default for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

| | Note | (Un-audited) | (Audited) |
|-----------------------------------|------|-------------------|-------------------|
| | | June 30, 2024 | December 31, 2023 |
| ----- (Rupees in '000) ----- | | | |
| 11. PROPERTY AND EQUIPMENT | | | |
| Capital work-in-progress | 11.1 | 6,448,304 | 1,322,980 |
| Property and equipment | | 65,069,166 | 63,764,663 |
| | | <u>71,517,470</u> | <u>65,087,643</u> |

11.1 Capital work-in-progress

| | | |
|-------------|------------------|------------------|
| Civil works | 5,699,526 | 734,319 |
| Equipment | 748,778 | 588,661 |
| | <u>6,448,304</u> | <u>1,322,980</u> |

(Un-audited)

11.2 Additions to Property and equipment - net

| | January - June 2024 | January - June 2023 |
|------------------------------|---------------------|---------------------|
| ----- (Rupees in '000) ----- | | |

The following additions have been made to property and equipment during the period:

| | | |
|---|------------------|------------------|
| Capital work-in-progress - net additions | 5,125,324 | 749,922 |
| Property and equipment | | |
| Leasehold improvements | 677,839 | 787,367 |
| Furniture and fixtures | 398,541 | 132,424 |
| Electrical, office and computer equipment | 2,307,685 | 1,147,475 |
| Vehicles | 537,649 | 168,910 |
| | <u>3,921,714</u> | <u>2,236,176</u> |
| Total | <u>9,047,038</u> | <u>2,986,098</u> |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

(Un-audited)

January - January -
June 2024 June 2023

----- (Rupees in '000) -----

11.3 Disposal of Property and equipment

The net book value of Property and equipment disposed off during the period is as follows:

| | | |
|---|--------|-----------|
| Building on leasehold land | - | 54,824 |
| Leasehold land | - | 1,444,780 |
| Leasehold Improvement | 9,934 | 1,455 |
| Furniture and fixtures | 517 | 719 |
| Electrical, office and computer equipment | 1,672 | 1,664 |
| Vehicles | - | 15,365 |
| | 12,123 | 1,518,807 |
| Total | 12,123 | 1,518,807 |

12. RIGHT-OF-USE ASSETS

| | June 30, 2024 (Un-audited) | | | December 31, 2023 (Audited) | | |
|-----------------------------------|----------------------------|----------|-------------|-----------------------------|----------|-------------|
| | Buidlings | Others | Total | Buidlings | Others | Total |
| At January 1, | | | | | | |
| Cost | 13,834,046 | 182,562 | 14,016,608 | 12,400,452 | 69,255 | 12,469,707 |
| Accumulated Depreciation | (5,452,800) | (66,779) | (5,519,579) | (4,640,808) | (21,348) | (4,662,156) |
| Net Carrying amount at January 1, | 8,381,246 | 115,783 | 8,497,029 | 7,759,644 | 47,907 | 7,807,551 |
| Additions during the year | 2,111,237 | 10,997 | 2,122,234 | 3,172,770 | 124,327 | 3,297,097 |
| Deletions during the year | (389,628) | (4,789) | (394,417) | (350,965) | (1,448) | (352,413) |
| Depreciation charge for the year | (1,093,139) | (66,166) | (1,159,305) | (2,231,324) | (55,003) | (2,286,327) |
| Exchange rate adjustments | (694) | - | (694) | 31,121 | - | 31,121 |
| Net Carrying Amount | 9,009,022 | 55,825 | 9,064,847 | 8,381,246 | 115,783 | 8,497,029 |

(Un-audited) (Audited)
June 30, December 31,
2024 2023

----- (Rupees in '000) -----

13. INTANGIBLE ASSETS

| | | |
|--|-----------|-----------|
| Capital work-in-progress - Computer software | 376,266 | 173,916 |
| Intangible assets - Computer software | 1,841,375 | 2,284,918 |
| | 2,217,641 | 2,458,834 |

(Un-audited)

January - January -
June 2024 June 2023

----- (Rupees in '000) -----

13.1 Additions to intangible assets - net

The following additions have been made to intangible assets during the period:

| | | |
|--|---------|---------|
| Capital work-in-progress - net | 202,350 | 69,468 |
| Directly purchased - Intangible assets | 48,704 | 410,052 |
| | 251,054 | 479,520 |

(Un-audited) (Audited)
June 30, December 31,
2024 2023

----- (Rupees in '000) -----

14. DEFERRED TAX ASSETS / (LIABILITIES)

Deductible temporary differences on

| | | |
|--|-----------|-----------|
| Credit loss allowance against advances and off balance sheet obligations | 4,960,116 | 679,351 |
| Workers' Welfare Fund | 5,010,679 | 4,406,522 |
| | 9,970,795 | 5,085,873 |

Taxable temporary differences on

| | | |
|---|-------------|-------------|
| Surplus on revaluation of fixed assets / non-banking assets | (1,573,514) | (1,610,164) |
| Surplus on revaluation of investments | (4,907,079) | (3,606,464) |
| Post retirement employee benefits | (841,433) | (841,433) |
| Accelerated tax depreciation | (626,879) | (884,730) |
| Others | (49,859) | (64,971) |
| | (7,998,764) | (7,007,762) |
| | 1,972,031 | (1,921,889) |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|------|----------------------------------|-----------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| 15. OTHER ASSETS | | | |
| Income / mark-up accrued in local currency | | 136,406,579 | 121,606,612 |
| Income / mark-up accrued in foreign currencies | 15.1 | 2,839,945 | 3,056,696 |
| Receivable from staff retirement fund | | 966,264 | 4,593,952 |
| Receivable from other banks against telegraphic transfers and demand drafts | | 468,864 | 38,339 |
| Unrealised gain on forward foreign exchange contracts | | 817,690 | 4,234,338 |
| Rebate receivable - net | | 6,293,771 | 1,868,330 |
| Unrealised gain on derivative financial instruments | 25 | 17,154 | 32,379 |
| Suspense accounts | | 12,004 | 22,467 |
| Stationery and stamps on hand | | 481,850 | 593,636 |
| Non-banking assets acquired in satisfaction of claims | | 40,462 | 42,075 |
| Advances, deposits, advance rent and other prepayments | | 2,640,802 | 2,045,543 |
| Commission receivable - Bancassurance & Branchless Banking | | 677,804 | 688,884 |
| Receivable against fraud & forgery and looted notes | | 492,918 | 475,390 |
| Acceptances | 22 | 25,955,533 | 17,584,022 |
| Others | | 2,163,322 | 1,961,201 |
| | | <u>180,274,962</u> | <u>158,843,864</u> |
| Expected credit loss allowance / provision held against other assets | 15.2 | <u>(1,072,918)</u> | <u>(1,150,885)</u> |
| Other assets - net of expected credit loss allowance | | <u>179,202,044</u> | <u>157,692,979</u> |
| Surplus / (Deficit) on revaluation of non-banking assets acquired in satisfaction of claims | 23 | - | - |
| | | <u><u>179,202,044</u></u> | <u><u>157,692,979</u></u> |

15.1 Unrealised mark-up held in suspense amounting to Rs. 42,883.862 million (December 31, 2023: Rs. 39,977.644 million) against non-performing overseas advances has been netted off.

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| 15.2 Expected credit loss allowance held against other assets | | |
| Advances and other receivables | 54,108 | 54,108 |
| Receivable against fraud & forgery and looted notes | 492,918 | 475,390 |
| Others | 525,892 | 621,387 |
| | <u>1,072,918</u> | <u>1,150,885</u> |

15.2: Movement in expected credit loss allowance held against other assets

| | | |
|---------------------------------|------------------|------------------|
| Opening balance | 1,150,885 | 1,244,972 |
| Exchange adjustments | (15,866) | 83,333 |
| Charge / (reversals) | | |
| Charge for the period / year | 33,353 | 97,737 |
| Reversals for the period / year | (41,028) | (126,753) |
| | (7,675) | (29,016) |
| Transfers out - net | (51,701) | - |
| Amounts written off | (2,725) | (148,404) |
| Closing balance | <u>1,072,918</u> | <u>1,150,885</u> |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

16. CONTINGENT ASSETS

There were no contingent assets as at June 30, 2024 (December 31, 2023: Nil).

17. BILLS PAYABLE

In Pakistan
Outside Pakistan

(Un-audited) (Audited)
June 30, December 31,
2024 2023
----- (Rupees in '000) -----

| | |
|-------------------|-------------------|
| 21,109,890 | 19,850,218 |
| <u>1,342,650</u> | <u>1,801,566</u> |
| <u>22,452,540</u> | <u>21,651,784</u> |

18. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan under:

Export refinance scheme
Refinance facility for modernization of SME
Long term financing facility
Renewable energy scheme
Temporary economic refinance facility
Refinance facility for combating COVID-19
Repurchase agreement borrowings
Financing facility for storage of agriculture products
Refinance for women entrepreneurs

| | |
|----------------------|----------------------|
| 32,827,469 | 37,076,201 |
| 1,416,965 | 1,353,958 |
| 12,227,918 | 13,991,026 |
| 834,745 | 873,756 |
| 16,054,406 | 16,886,679 |
| 248,350 | 332,674 |
| 3,973,599,748 | 2,717,697,641 |
| 27,500 | 34,375 |
| 53,402 | 61,200 |
| 4,037,290,503 | 2,788,307,509 |
| 65,710,286 | 15,966,300 |
| <u>4,103,000,789</u> | <u>2,804,273,809</u> |

Repurchase agreement borrowings

| | |
|----------------------|----------------------|
| 100,000 | 10,603,000 |
| 130,849 | 593,745 |
| - | - |
| 230,849 | 11,196,745 |
| <u>4,103,231,638</u> | <u>2,815,470,554</u> |

Unsecured

Call borrowings
Overdrawn nostro accounts
Other borrowings

19. DEPOSITS AND OTHER ACCOUNTS

| | June 30, 2024 (Un-audited) | | | December 31, 2023 (Audited) | | |
|-------------------------------|----------------------------|-----------------------|----------------------|-----------------------------|-----------------------|----------------------|
| | In Local Currency | In Foreign Currencies | Total | In Local Currency | In Foreign Currencies | Total |
| ----- (Rupees in '000) ----- | | | | | | |
| Customers | | | | | | |
| Current deposits | 1,033,818,511 | 341,752,622 | 1,375,571,133 | 838,679,284 | 248,746,308 | 1,087,425,592 |
| Savings deposits | 810,113,763 | 56,807,350 | 866,921,113 | 698,079,461 | 55,703,568 | 753,783,029 |
| Term deposits | 170,388,324 | 105,853,976 | 276,242,300 | 158,820,636 | 108,618,487 | 267,439,123 |
| Others | 72,708,206 | 9,365,353 | 82,073,559 | 22,587,057 | 6,969,636 | 29,556,693 |
| | <u>2,087,028,804</u> | <u>513,779,301</u> | <u>2,600,808,105</u> | <u>1,718,166,438</u> | <u>420,037,999</u> | <u>2,138,204,437</u> |
| Financial Institutions | | | | | | |
| Current deposits | 20,324,286 | 7,540,897 | 27,865,183 | 24,795,264 | 6,771,975 | 31,567,239 |
| Saving deposits | 239,394,039 | 42,028 | 239,436,067 | 174,456,017 | 94,660 | 174,550,677 |
| Term deposits | 40,931,790 | 2,893,607 | 43,825,397 | 1,925,450 | 4,293,020 | 6,218,470 |
| | <u>300,650,115</u> | <u>10,476,532</u> | <u>311,126,647</u> | <u>201,176,731</u> | <u>11,159,655</u> | <u>212,336,386</u> |
| | <u>2,387,678,919</u> | <u>524,255,833</u> | <u>2,911,934,752</u> | <u>1,919,343,169</u> | <u>431,197,654</u> | <u>2,350,540,823</u> |

19.1 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 1,526,601.810 million (December 31, 2023: Rs 1,376,823.088 million).

20. LEASE LIABILITIES

Opening balance
Addition during the year
Lease payments including interest
Interest expense
Termination/modification
Exchange adjustments
Closing balance

(Un-audited) (Audited)
June 30, December 31,
2024 2023
----- (Rupees in '000) -----

| | |
|-------------------|-------------------|
| 10,339,867 | 9,418,000 |
| 2,122,234 | 3,297,097 |
| (1,685,441) | (3,202,250) |
| 697,814 | 1,217,778 |
| (428,059) | (390,758) |
| - | - |
| <u>11,046,415</u> | <u>10,339,867</u> |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| 20.1 Liabilities Outstanding | | |
| Not later than one year | 252,906 | 302,536 |
| Later than one year and upto five years | 5,115,624 | 4,819,731 |
| Over five years | 5,677,885 | 5,217,600 |
| Total | <u>11,046,415</u> | <u>10,339,867</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 Additional Tier 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 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 | 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. |

| | Note | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|------|----------------------------------|-----------------------------------|
| | | ----- (Rupees in '000) ----- | |
| 22. OTHER LIABILITIES | | | |
| Mark-up / return / interest payable in local currency | | 55,119,064 | 47,156,831 |
| Mark-up / return / interest payable in foreign currencies | | 1,326,851 | 1,501,633 |
| Accrued expenses | | 5,850,765 | 7,192,275 |
| Branch adjustment account | | 134,670 | 749,289 |
| Deferred income | | 1,713,541 | 1,332,699 |
| Current taxation (provisions less payments) | 22.1 | 9,916,580 | 7,015,440 |
| Unearned commission and income on bills discounted | | 704,471 | 86,168 |
| Credit loss allowance against off-balance sheet obligations | 22.2 | 2,129,774 | 1,056,385 |
| Unrealised loss on forward foreign exchange contracts | | 815,896 | 2,735,338 |
| Unrealised loss on derivative financial instruments | | 13,564 | 5,762 |
| Payable to staff retirement fund | | 22,204 | - |
| Deferred liabilities | 22.3 | 4,515,170 | 4,365,167 |
| Workers' Welfare Fund payable | | 10,225,874 | 8,992,902 |
| Liabilities against card settlement | | 22,242 | 148,039 |
| Dividends payable | | 327,581 | 370,889 |
| Unclaimed dividends | | 367,568 | 356,426 |
| Acceptances | 15 | 25,955,533 | 17,584,022 |
| Charity fund balance | | 27,342 | 21,399 |
| Levies and taxes payable | | 5,868,436 | 9,169,996 |
| Others | | 2,917,958 | 2,731,394 |
| | | <u>127,975,084</u> | <u>112,572,054</u> |

22.1 The Income Tax returns of the Bank have been filed up to the tax year 2023 (accounting year ended December 31, 2022) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance).

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2023, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs. 15,099 million (2023: Rs. 14,124 million). 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) and Gilgit Baltistan (GB) branches have been filed up to the tax year 2023 (accounting year ended December 31, 2022) 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 2005 to 2019. Consequently various addbacks and demands were raised creating a total demand of Rs. 2,632 million (2023: Rs. 2,632 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

The tax returns for UAE and Qatar branches have been filed up to the year ended December 31, 2023 and Yemen branches have been filed up to the year ended December 31, 2019 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|------|----------------------------------|---|
| | Note | ----- (Rupees in '000) ----- | |
| 22.2 Credit loss allowance against off-balance sheet obligations | | | |
| Opening balance | | 1,056,385 | 882,445 |
| Exchange adjustments | | (12,596) | 203,244 |
| Impact of adoption of IFRS 9 | | 1,037,902 | - |
| Charge / (reversal) | | | |
| Charge for the period / year | | 48,083 | 4,367 |
| Reversals for the period / year | | - | (33,671) |
| | | <u>48,083</u> | <u>(29,304)</u> |
| Closing balance | | <u>2,129,774</u> | <u>1,056,385</u> |
| 22.3 Deferred liabilities | | | |
| Provision for post-retirement medical benefits | | 2,768,101 | 2,590,351 |
| Provision for compensated absences | | 779,793 | 779,284 |
| End of service benefits | | | |
| -Overseas branches | | 680,156 | 648,827 |
| -Outsourced services | | 287,120 | 346,705 |
| | | <u>4,515,170</u> | <u>4,365,167</u> |
| 23. SURPLUS ON REVALUATION OF ASSETS | | | (Un-audited) June 30, 2024 Rupees in '000 |
| (Deficit) / surplus arising on revaluation of: | | | |
| - Securities measured at FVOCI - Debt | 9.1 | | 4,693,194 |
| - Securities measured at FVOCI - Equity | | | 2,170,670 |
| - Property and Equipment | | | 39,746,961 |
| - Non-banking assets acquired in satisfaction of claims | 15 | | - |
| | | | <u>46,610,825</u> |
| Deferred tax on (deficit) / surplus on revaluation of: | | | |
| - Securities measured at FVOCI - Debt | | | 2,299,665 |
| - Securities measured at FVOCI - Equity | | | 2,607,414 |
| - Property and Equipment | | | 1,573,514 |
| - Non-banking assets acquired in satisfaction of claims | | | - |
| | | | <u>6,480,593</u> |
| | | | <u>40,130,232</u> |
| | | | (Audited) December 31, 2023 Rupees in '000 |
| (Deficit) / surplus arising on revaluation of: | | | |
| - Available for sale securities-Debt | 9.1 | | 3,681,662 |
| - Available for sale securities-Equity | 9.1 | | 3,678,469 |
| - Fixed assets | | | 39,821,957 |
| - Non-banking assets acquired in satisfaction of claims | 15 | | - |
| | | | <u>47,182,088</u> |
| Deferred tax on (deficit) / surplus on revaluation of: | | | |
| - Available for sale securities-Debt | | | 1,804,014 |
| - Available for sale securities-Equity | | | 1,802,450 |
| - Fixed assets | | | 1,610,164 |
| - Non-banking assets acquired in satisfaction of claims | | | - |
| | | | <u>5,216,628</u> |
| | | | <u>41,965,460</u> |
| | | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
| | Note | ----- (Rupees in '000) ----- | |
| 24. CONTINGENCIES AND COMMITMENTS | | | |
| Guarantees | 24.1 | 319,971,391 | 286,344,622 |
| Commitments | 24.2 | 881,856,869 | 1,012,745,024 |
| Other contingent liabilities | 24.3 | 16,222,810 | 16,116,861 |
| | | <u>1,218,051,070</u> | <u>1,315,206,507</u> |
| 24.1 Guarantees: | | | |
| Financial guarantees | | 123,070,443 | 124,944,607 |
| Performance guarantees | | 189,331,532 | 154,072,480 |
| Other guarantees | | 7,569,416 | 7,327,535 |
| | | <u>319,971,391</u> | <u>286,344,622</u> |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|--------|----------------------------------|-----------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| 24.2 Commitments: | | | |
| Documentary credits and short-term trade-related transactions | | | |
| - letters of credit | | 265,728,648 | 303,953,368 |
| Commitments in respect of: | | | |
| - forward foreign exchange contracts | 24.2.2 | 415,313,993 | 540,001,109 |
| - forward Government securities transactions | 24.2.3 | 54,468,235 | 19,956,300 |
| - derivatives | 24.2.4 | - | 366,068 |
| - forward lending | 24.2.5 | 138,130,164 | 144,577,866 |
| - operating leases | 24.2.6 | 152,465 | 66,511 |
| | | 608,064,857 | 704,967,854 |
| Commitments for acquisition of: | | | |
| - fixed assets | | 6,383,126 | 2,998,928 |
| - intangible assets | | 1,680,238 | 824,874 |
| | | 8,063,364 | 3,823,802 |
| | | <u>881,856,869</u> | <u>1,012,745,024</u> |

24.2.1 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.

| | | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|------|----------------------------------|-----------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| 24.2.2 Commitments in respect of forward foreign exchange contracts | | | |
| Purchase | | 236,921,798 | 278,930,255 |
| Sale | | 178,392,195 | 261,070,854 |
| | | <u>415,313,993</u> | <u>540,001,109</u> |

24.2.3 Commitments in respect of forward Government securities transactions

| | | | |
|----------|--|-------------------|-------------------|
| Purchase | | 43,468,235 | 16,956,300 |
| Sale | | 11,000,000 | 3,000,000 |
| | | <u>54,468,235</u> | <u>19,956,300</u> |

24.2.4 Commitments in respect of derivatives

Cross Currency Swaps

- -

FX options

| | | | |
|----------|--|----------|----------------|
| Purchase | | - | 183,034 |
| Sale | | - | 183,034 |
| | | <u>-</u> | <u>366,068</u> |

24.2.5 Commitments in respect of forward lending

| | | | |
|---|----------|--------------------|--------------------|
| Undrawn formal standby facilities, credit lines and other commitments to lend | 24.2.5.1 | 101,214,443 | 84,953,615 |
| Others | | 36,915,721 | 59,624,251 |
| | | <u>138,130,164</u> | <u>144,577,866</u> |

24.2.5.1 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.

| | | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|------|----------------------------------|-----------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| 24.2.6 Commitments in respect of operating leases | | | |
| Not later than one year | | 152,465 | 66,511 |
| Later than one year and not later than five years | | - | - |
| Later than five years | | - | - |
| | | <u>152,465</u> | <u>66,511</u> |

24.3 Other contingent liabilities

| | | | |
|--|--------|-------------------|-------------------|
| 24.3.1 Claims against the Bank not acknowledged as debts | 24.3.2 | <u>16,222,810</u> | <u>16,116,861</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 unconsolidated condensed interim financial statements.

24.3.2 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.

24.3.3 For contingencies relating to taxation, refer note 22.1.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

25. Derivative Instruments

Product analysis

| June 30, 2024 (Un-audited) | | | | | | | | | |
|-----------------------------|----------------|----------------------|----------------|---|---------------------|---|---------------------|--------------------|---------------------|
| FX options | | Cross Currency Swaps | | Forward purchase contracts of Government securities | | Forward sale contracts of Government securities | | Total | |
| Notional principal | Mark to Market | Notional principal | Mark to Market | Notional principal | Mark to Market Gain | Notional principal | Mark to Market Loss | Notional principal | Mark to Market Gain |
| (Rupees in '000) | | | | | | | | | |
| Hedging | - | - | - | - | - | - | - | - | - |
| Market making | - | - | - | - | 43,468,235 | 9,941 | 11,000,000 | (6,351) | 54,468,235 |
| | - | - | - | - | 43,468,235 | 9,941 | 11,000,000 | (6,351) | 54,468,235 |
| | | | | | | | | | 3,590 |
| December 31, 2023 (Audited) | | | | | | | | | |
| FX options | | Cross Currency Swaps | | Forward purchase contracts of Government securities | | Forward sale contracts of Government securities | | Total | |
| Notional principal | Mark to Market | Notional principal | Mark to Market | Notional principal | Mark to Market Gain | Notional principal | Mark to Market Gain | Notional principal | Mark to Market Gain |
| (Rupees in '000) | | | | | | | | | |
| Hedging | 183,034 | - | - | - | - | - | - | 183,034 | - |
| Market making | 183,034 | - | - | - | 16,956,300 | 26,320 | 3,000,000 | 20,139,334 | 26,617 |
| | 366,068 | - | - | - | 16,956,300 | 26,320 | 3,000,000 | 20,322,368 | 26,617 |

(Un-audited)

January - June 2024 January - June 2023

26. MARK-UP / RETURN / INTEREST EARNED

----- (Rupees in '000) -----

On:

| | | |
|------------------------------------|--------------------|--------------------|
| Loans and advances | 51,289,951 | 58,227,349 |
| Investments | 458,006,320 | 123,232,469 |
| Lendings to financial institutions | 2,029,376 | 5,926,147 |
| Balances with banks | 3,828,299 | 2,477,037 |
| | <u>515,153,946</u> | <u>189,863,002</u> |

27. MARK-UP / RETURN / INTEREST EXPENSED

On:

| | | |
|---|--------------------|--------------------|
| Deposits | 107,683,112 | 70,682,682 |
| Borrowings | 349,969,819 | 47,511,971 |
| Subordinated debt | 1,135,323 | 1,019,227 |
| Cost of foreign currency swaps against foreign currency deposits / borrowings | 2,029,933 | 1,206,039 |
| Lease liability against right-of-use assets | 697,814 | 582,003 |
| | <u>461,516,001</u> | <u>121,001,922</u> |

28. FEE AND COMMISSION INCOME

| | | |
|--|-------------------|------------------|
| Branch banking customer fee | 988,557 | 1,242,647 |
| Consumer finance related fee | 630,797 | 621,559 |
| Card related fee (debit and credit cards) | 1,767,489 | 1,551,963 |
| Investment banking fee | 162,578 | 200,726 |
| Financial Institution rebate / commission | 356,914 | 293,507 |
| Corporate service charges / facility fee | 866,057 | 574,145 |
| Commission on trade | 1,611,856 | 1,062,340 |
| Commission on guarantees | 720,628 | 376,923 |
| Commission on cash management | 558,310 | 618,697 |
| Commission on remittances including home remittances - net | 1,627,743 | 1,481,437 |
| Commission on bancassurance | 548,752 | 520,310 |
| Rent on lockers | 114,994 | 113,026 |
| Others | 94,708 | 114,325 |
| | <u>10,049,383</u> | <u>8,771,605</u> |

29. GAIN / (LOSS) ON SECURITIES - NET

| | | |
|--------------------------------|-------------------|--------------------|
| Realised | 18,027,925 | (1,496,043) |
| Unrealised - Measured at FVTPL | 115,408 | (7,008) |
| | <u>18,143,333</u> | <u>(1,503,051)</u> |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | (Un-audited) | |
|---|------------------------------|------------------------|
| | January - June 2024 | January - June 2023 |
| | ----- (Rupees in '000) ----- | |
| 30. OTHER INCOME | | |
| Charges recovered | 216,199 | 244,094 |
| Rent on properties | 42,560 | 40,561 |
| Gain on sale of fixed assets - net | 70,367 | 307,223 |
| Gain/(Loss) on sale of Ijarah assets - net | 868 | (671) |
| Gain on trading liabilities - net | 27,515 | 2,712 |
| | <u>357,509</u> | <u>593,919</u> |
| 31. OPERATING EXPENSES | | |
| Total compensation expense | 14,503,044 | 11,821,134 |
| Property expense | | |
| Rent and taxes | 672,347 | 615,799 |
| Insurance | 153,169 | 133,257 |
| Utilities cost | 1,235,741 | 1,093,330 |
| Security (including guards) | 798,831 | 735,060 |
| Repair and maintenance (including janitorial charges) | 226,651 | 203,951 |
| Depreciation on owned fixed assets | 650,054 | 599,946 |
| Depreciation on right-of-use assets | 1,159,305 | 1,109,997 |
| Depreciation on non-banking assets acquired in satisfaction of claims | 1,613 | 1,506 |
| Others | 30,663 | 43,552 |
| | 4,928,374 | 4,536,398 |
| Information technology expenses | | |
| Software maintenance | 1,662,440 | 1,386,361 |
| Hardware maintenance | 386,226 | 295,731 |
| Depreciation | 846,613 | 629,463 |
| Amortisation | 475,163 | 467,339 |
| Network charges | 534,346 | 520,346 |
| Consultancy charges | 127,805 | 112,924 |
| | 4,032,593 | 3,412,164 |
| Other operating expenses | | |
| Legal and professional charges | 208,521 | 804,601 |
| Outsourced service costs | 1,049,765 | 851,761 |
| Commission paid to branchless banking agents | 148,060 | 181,513 |
| Commission paid to sales force | 842,210 | 847,508 |
| Travelling and conveyance | 107,908 | 120,628 |
| Clearing charges | 160,029 | 142,651 |
| Depreciation - others | 1,085,338 | 767,061 |
| Depreciation on Islamic financing against leased assets | 40,189 | 70,047 |
| Training and development | 97,432 | 49,198 |
| Postage and courier charges | 202,956 | 161,357 |
| Communication | 140,068 | 126,823 |
| Stationery and printing | 969,418 | 641,315 |
| Marketing, advertisement and publicity | 812,103 | 392,829 |
| Donations | 187,391 | 42,505 |
| Auditors' remuneration | 72,443 | 66,146 |
| Insurance | 59,645 | 64,965 |
| Deposit protection premium expense | 1,101,458 | 939,609 |
| Cash transportation and sorting charges | 561,892 | 524,554 |
| Entertainment | 173,447 | 117,648 |
| Banking service charges | 2,975,214 | 2,003,095 |
| Repairs and maintenance | 778,341 | 612,285 |
| Miscellaneous expenses | 522,021 | 607,633 |
| | <u>12,295,849</u> | <u>10,135,732</u> |
| | <u>35,759,860</u> | <u>29,905,428</u> |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | | (Un-audited) | |
|--|-------------|------------------------------|------------------------|
| | | January - June 2024 | January - June 2023 |
| 32. OTHER CHARGES | Note | ----- (Rupees in '000) ----- | |
| Penalties imposed by the SBP | | 2,186 | 3,855 |
| Penalties imposed by other regulatory bodies of overseas branches | | 30,625 | 210 |
| | | <u>32,811</u> | <u>4,065</u> |
| 33. CREDIT LOSS ALLOWANCE & WRITE OFFS - NET | | | |
| Credit loss allowance/ Provision for diminution in value of investments | 9.2 | (236,595) | 5,165,373 |
| Credit loss allowance/ Reversal of provision against loans and advances | 10.3 | (2,049,803) | (2,114,018) |
| Bad debts written off directly | | 23,626 | 21,279 |
| Credit loss allowance/ Provision against other assets - net | 15.2.1 | (7,675) | (16,064) |
| Credit loss allowance/ Provision against off-balance sheet obligations - net | 22.2 | 48,083 | 36,401 |
| Recovery of written-off / charged off bad debts | | (208,832) | (188,526) |
| Other provisions and write-offs | | 64,431 | 56,193 |
| | | <u>(2,366,765)</u> | <u>2,960,638</u> |
| 34. TAXATION | | | |
| Current | | 29,273,373 | 25,835,973 |
| Prior years | | (267,820) | - |
| Deferred | | (761,447) | (1,576,954) |
| | | <u>28,244,106</u> | <u>24,259,019</u> |

| | | (Un-audited) | |
|---|--|--------------------------------|------------------------|
| | | January - June 2024 | January - June 2023 |
| 35. EARNINGS PER SHARE | | ----- (Rupees in '000) ----- | |
| Profit after taxation for the period | | <u>29,445,573</u> | <u>26,319,159</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>24.05</u> | <u>21.50</u> |

There were no convertible dilutive potential ordinary shares outstanding as at June 30, 2024 and June 30, 2023.

36. 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.

36.1 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).

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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

| Item | Valuation approach and input used |
|--|---|
| Federal Government securities | The fair value of Federal Government securities is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Bloomberg. |
| Non-Government debt securities | The fair value of non-government debt securities is determined using the prices / rates from MUFAP. |
| Foreign debt securities | The fair value of foreign corporate and foreign government securities is determined using the rates from Bloomberg. |
| Mutual Fund units | The fair values of investments in mutual fund units are determined based on their net asset values as published at the close of each business day. |
| Forward foreign exchange contracts and Forward Government securities transactions | The fair values of forward foreign exchange contracts and forward Government securities transactions are determined using forward pricing calculations. |
| 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 condensed interim financial statements. |

36.2 Fair value of financial assets

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:

| Carrying value | June 30, 2024 (Un-audited) | | | |
|---|----------------------------|-------------------|----------------------|----------|
| | Fair value | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| ----- (Rupees in '000) ----- | | | | |
| On balance sheet financial instruments | | | | |
| Financial assets measured at fair value | | | | |
| Investments | | | | |
| - Federal Government securities | 5,566,304,613 | - | 5,566,304,613 | - |
| - Shares and units | 11,825,806 | 11,825,806 | - | - |
| - Foreign securities | 169,312,526 | - | 169,312,526 | - |
| - Non-Government debt securities | 2,200,675 | - | 2,200,675 | - |
| | <u>5,749,643,620</u> | <u>11,825,806</u> | <u>5,737,817,814</u> | <u>-</u> |
| Financial assets - disclosed but not measured at fair value | | | | |
| Investments | | | | |
| - Federal Government Securities | 291,705,200 | - | 273,726,151 | - |
| - Foreign securities | 39,454,810 | - | 38,402,621 | - |
| - Non-Government debt securities | 23,100,996 | - | 23,257,266 | - |
| | <u>354,261,006</u> | <u>-</u> | <u>335,386,038</u> | <u>-</u> |
| | <u>6,103,904,626</u> | <u>11,825,806</u> | <u>6,073,203,852</u> | <u>-</u> |
| Off-balance sheet financial instruments measured at fair value | | | | |
| Foreign exchange contracts - purchased and sold | 415,313,993 | - | 1,794 | - |
| Cross currency swaps | - | - | - | - |
| FX options - purchased and sold | - | - | - | - |
| Forward Government Securities - purchased and sold | <u>54,468,235</u> | <u>-</u> | <u>3,590</u> | <u>-</u> |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | December 31, 2023 (Audited) | | | | |
|---|-----------------------------|------------|---------------|---------|---------------|
| | Carrying value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| (Rupees in '000) | | | | | |
| On balance sheet financial instruments | | | | | |
| Financial assets measured at fair value | | | | | |
| Investments | | | | | |
| - Federal Government securities | 3,878,565,908 | - | 3,878,565,908 | - | 3,878,565,908 |
| - Shares and units | 11,382,167 | 11,382,167 | - | - | 11,382,167 |
| - Foreign securities | 125,264,189 | - | 125,264,189 | - | 125,264,189 |
| - Non-Government debt securities | 2,250,702 | - | 2,250,702 | - | 2,250,702 |
| | 4,017,462,966 | 11,382,167 | 4,006,080,799 | - | 4,017,462,966 |
| Financial assets - disclosed but not measured at fair value | | | | | |
| Investments | | | | | |
| - Federal Government Securities | 303,809,670 | - | 280,259,649 | - | 280,259,649 |
| - Foreign securities | 37,557,186 | - | 36,367,170 | - | 36,367,170 |
| - Non-Government debt securities | 21,471,010 | - | 21,014,103 | - | 21,014,103 |
| | 362,837,866 | - | 337,640,922 | - | 337,640,922 |
| | 4,380,300,832 | 11,382,167 | 4,343,721,721 | - | 4,355,103,888 |
| Off-balance sheet financial instruments - measured at fair value | | | | | |
| Foreign exchange contracts - purchased and sold | 540,001,109 | - | 1,499,000 | - | 1,499,000 |
| FX options - purchased and sold | 366,068 | - | - | - | - |
| Forward Government Securities - purchased and sold | 19,956,300 | - | 26,617 | - | 26,617 |

36.3 Fair Value of non-financial assets

| | June 30, 2024 (Un-audited) | | | | |
|---|-----------------------------|------------|---------|------------|------------|
| | Carrying value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| (Rupees in '000) | | | | | |
| Fixed Assets | 50,495,305 | - | - | 50,495,305 | 50,495,305 |
| Non-banking assets acquired in satisfaction of claims | 40,462 | - | - | 40,462 | 40,462 |
| | 50,535,767 | - | - | 50,535,767 | 50,535,767 |
| (Rupees in '000) | | | | | |
| | December 31, 2023 (Audited) | | | | |
| | Carrying value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| (Rupees in '000) | | | | | |
| Fixed Assets | 50,716,919 | - | - | 50,716,919 | 50,716,919 |
| Non-banking assets acquired in satisfaction of claims | 42,075 | - | - | 42,075 | 42,075 |
| | 50,758,994 | - | - | 50,758,994 | 50,758,994 |

36.4 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.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

37. SEGMENT INFORMATION

37.1 Segment details with respect to business activities

| | For the six months ended June 30, 2024 (Un-audited) | | | | | | Total |
|---|---|----------------------|----------------------|--------------------|---------------------------------|--------------------|----------------------|
| | Corporate / Commercial Banking | Treasury | Branch Banking | Islamic Banking | International branch operations | Others | |
| | (Rupees in '000) | | | | | | |
| Profit and Loss | | | | | | | |
| Net mark-up / return / profit | 26,803,493 | 78,282,082 | (77,949,171) | 17,902,654 | 9,778,096 | (1,179,209) | 53,637,945 |
| Inter segment (expense) / revenue - net | (22,235,015) | (137,758,488) | 153,211,812 | - | - | 6,781,691 | - |
| Non mark-up / return / interest income | 4,469,728 | 18,702,629 | 5,743,556 | 535,909 | 8,837,451 | 421,339 | 38,710,612 |
| Total Income | 9,038,206 | (40,773,777) | 81,006,197 | 18,438,563 | 18,615,547 | 6,023,821 | 92,348,557 |
| Segment direct expenses | 910,506 | 347,801 | 24,828,168 | 2,691,060 | 3,373,745 | 4,874,363 | 37,025,643 |
| Inter segment expense allocation | 158,202 | 438,177 | 4,959,416 | - | 243,338 | (5,799,133) | - |
| Total expenses | 1,068,708 | 785,978 | 29,787,584 | 2,691,060 | 3,617,083 | (924,770) | 37,025,643 |
| Credit loss allowance - net | 571,706 | (23) | 202,144 | (161,031) | 1,759,070 | (5,101) | 2,366,765 |
| Profit / (loss) before taxation | 8,541,204 | (41,559,778) | 51,420,757 | 15,586,472 | 16,757,534 | 6,943,490 | 57,689,679 |
| | For the six months ended June 30, 2023 (Un-audited) | | | | | | |
| | Corporate / Commercial Banking | Treasury | Branch Banking | Islamic Banking | International branch operations | Others | Total |
| | (Rupees in '000) | | | | | | |
| Profit and Loss | | | | | | | |
| Net mark-up / return / profit | 34,263,536 | 69,914,971 | (51,824,094) | 8,260,309 | 9,130,643 | (884,285) | 68,861,080 |
| Inter segment (expense) / revenue - net | (32,261,163) | (97,133,518) | 121,462,277 | - | - | 7,932,404 | - |
| Non mark-up / return / interest income | 3,540,219 | 5,205,305 | 5,232,412 | 307,828 | 155,249 | 1,180,902 | 15,621,915 |
| Total Income | 5,542,592 | (22,013,242) | 74,870,595 | 8,568,137 | 9,285,892 | 8,229,021 | 84,482,995 |
| Segment direct expenses | 983,092 | 282,825 | 19,347,715 | 1,587,636 | 4,044,604 | 4,698,307 | 30,944,179 |
| Inter segment expense allocation | 188,387 | 51,231 | 4,311,186 | - | 296,385 | (4,847,189) | - |
| Total expenses | 1,171,479 | 334,056 | 23,658,901 | 1,587,636 | 4,340,989 | (148,882) | 30,944,179 |
| Provision reversal / (charge) - net | 948,311 | (814,548) | 278,163 | (10,014) | (3,399,754) | 37,204 | (2,960,638) |
| Profit / (loss) before taxation | 5,319,424 | (23,161,846) | 51,489,857 | 6,970,487 | 1,545,149 | 8,415,107 | 50,578,178 |
| | As at June 30, 2024 (Un-audited) | | | | | | |
| | Corporate / Commercial Banking | Treasury | Branch Banking | Islamic Banking | International branch operations | Others | Total |
| | (Rupees in '000) | | | | | | |
| Balance Sheet | | | | | | | |
| Cash & Bank balances | 34,027 | 117,225,452 | 104,804,437 | 34,631,609 | 165,763,705 | - | 422,459,230 |
| Investments | 13,147,759 | 5,599,000,079 | - | 276,673,487 | 214,206,950 | 6,792,110 | 6,109,820,385 |
| Net inter segment lending | - | - | 1,803,680,332 | 96,350,824 | 23,323,916 | 58,113,367 | 1,981,468,439 |
| Lendings to financial institutions | - | 15,000,000 | - | - | - | - | 15,000,000 |
| Advances - performing | 409,296,458 | 3,268 | 51,609,900 | 52,788,763 | 96,375,219 | 3,225,970 | 613,299,578 |
| Advances - non-performing net | 1,463,219 | - | 639,482 | 71,733 | 10,486,752 | 8,583 | 12,669,769 |
| Others | 14,248,552 | 107,076,884 | 67,779,712 | 10,555,725 | 16,780,227 | 47,532,933 | 263,974,033 |
| Total Assets | 438,190,015 | 5,838,305,683 | 2,028,513,863 | 471,072,141 | 526,936,769 | 115,672,963 | 9,418,691,434 |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

As at June 30, 2024 (Un-audited)

| | Corporate / Commercial Banking | Treasury | Branch Banking | Islamic Banking | International branch operations | Others | Total |
|---------------------------------------|--------------------------------|----------------------|----------------------|--------------------|---------------------------------|--------------------|----------------------|
| (Rupees in '000) | | | | | | | |
| Borrowings | 50,334,591 | 4,039,540,883 | 6,042,601 | 7,313,563 | - | - | 4,103,231,638 |
| Subordinated debt | - | - | - | - | - | 10,000,000 | 10,000,000 |
| Deposits and other accounts | 182,984,883 | 193,877 | 1,910,545,092 | 404,315,027 | 413,895,873 | - | 2,911,934,752 |
| Net inter segment borrowing | 196,383,177 | 1,785,085,262 | - | - | - | - | 1,981,468,439 |
| Others | 4,964,277 | 30,472,190 | 92,959,980 | 9,333,816 | 5,314,294 | 18,429,482 | 161,474,039 |
| Total Liabilities | 434,666,928 | 5,855,292,212 | 2,009,547,673 | 420,962,406 | 419,210,167 | 28,429,482 | 9,168,108,868 |
| Equity | 3,523,087 | (16,986,529) | 18,966,190 | 50,109,735 | 107,726,602 | 87,243,481 | 250,582,566 |
| Total Equity & liabilities | 438,190,015 | 5,838,305,683 | 2,028,513,863 | 471,072,141 | 526,936,769 | 115,672,963 | 9,418,691,434 |
| Contingencies and Commitments | 620,827,710 | 220,698,161 | 69,679,347 | 12,038,402 | 293,186,751 | 1,620,699 | 1,218,051,070 |

As at December 31, 2023 (Audited)

| | Corporate / Commercial Banking | Treasury | Branch Banking | Islamic Banking | International branch operations | Others | Total |
|---------------------------------------|--------------------------------|----------------------|----------------------|--------------------|---------------------------------|--------------------|----------------------|
| (Rupees in '000) | | | | | | | |
| Balance Sheet | | | | | | | |
| Cash & Bank balances | 11,358 | 91,246,445 | 101,463,285 | 27,886,564 | 87,423,316 | - | 308,030,968 |
| Investments | 12,055,059 | 3,829,326,862 | - | 331,496,374 | 199,730,588 | 12,607,788 | 4,385,216,671 |
| Net inter segment lending | - | - | 1,291,495,324 | 8,009,487 | 104,559,473 | 146,476,492 | 1,550,540,776 |
| Lendings to financial institutions | - | 21,947,852 | - | 12,500,000 | - | - | 34,447,852 |
| Advances - performing | 391,683,285 | 9,872 | 50,956,184 | 47,108,009 | 107,411,872 | 3,188,071 | 600,357,293 |
| Advances - non-performing net | 2,710,229 | - | 614,905 | 79,176 | 9,792,924 | 10,999 | 13,208,233 |
| Others | 18,344,061 | 92,057,395 | 38,605,116 | 21,064,320 | 15,071,413 | 48,594,180 | 233,736,485 |
| Total Assets | 424,803,992 | 4,034,588,426 | 1,483,134,814 | 448,143,930 | 523,989,586 | 210,877,530 | 7,125,538,278 |
| Borrowings | 57,979,951 | 2,739,257,686 | 4,506,465 | 13,726,452 | - | - | 2,815,470,554 |
| Subordinated debt | - | - | - | - | - | 10,000,000 | 10,000,000 |
| Deposits and other accounts | 105,887,403 | 199,712 | 1,542,125,514 | 378,100,209 | 324,227,985 | - | 2,350,540,823 |
| Net inter segment borrowing | 245,388,446 | 1,305,152,330 | - | - | - | - | 1,550,540,776 |
| Others | 2,062,665 | 8,066,357 | 32,754,618 | 1,578,750 | 94,288,601 | 7,734,603 | 146,485,594 |
| Total Liabilities | 411,318,465 | 4,052,676,085 | 1,579,386,597 | 393,405,411 | 418,516,586 | 17,734,603 | 6,873,037,747 |
| Equity | 13,485,527 | (18,087,659) | (96,251,783) | 54,738,519 | 105,473,000 | 193,142,927 | 252,500,531 |
| Total Equity & liabilities | 424,803,992 | 4,034,588,426 | 1,483,134,814 | 448,143,930 | 523,989,586 | 210,877,530 | 7,125,538,278 |
| Contingencies and Commitments | 666,470,041 | 317,073,549 | 36,229,803 | 6,642,138 | 288,041,327 | 749,649 | 1,315,206,507 |

38. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, directors, key management personnel, subsidiaries, associates and other related parties including employee benefit schemes of the Bank.

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 and balances with related parties, other than those which have been disclosed elsewhere in these unconsolidated condensed interim financial statements, are as follows:

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | As at June 30, 2024 (Un-audited) | | | | | |
|--|----------------------------------|--------------|--------------------------|--------------|---------------|-----------------------|
| | Parent | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
| | (Rupees in '000) | | | | | |
| Statement of financial position | | | | | | |
| Balances with other banks | | | | | | |
| In current accounts | - | - | - | 483,958 | - | - |
| In deposit accounts | - | - | - | - | - | - |
| | - | - | - | 483,958 | - | - |
| Lendings to financial institutions | | | | | | |
| Opening balance | - | - | - | - | - | 804,102 |
| Addition during the period | - | - | - | - | - | 2,128,469 |
| Repaid during the period | - | - | - | - | - | (2,932,571) |
| Transfers in / (out) - net | - | - | - | - | - | - |
| Closing balance | - | - | - | - | - | - |
| Investments | | | | | | |
| Opening balance | - | - | - | 3,955,223 | 1,657,486 | 5,287,396 |
| Investment made during the period | - | - | - | 1,000,000 | - | - |
| Investment disposed during the period | - | - | - | - | - | - |
| Transfers in / (out) - net | - | - | - | - | - | - |
| Closing balance | - | - | - | 4,955,223 | 1,657,486 | 5,287,396 |
| Credit loss allowance for diminution in value of investments | - | - | - | - | 1,417,485 | 30 |
| Provision written off | - | - | - | - | - | - |
| Advances | | | | | | |
| Opening balance | - | 1,286 | 529,196 | - | - | 392 |
| Addition during the period | - | 4,096 | 185,471 | - | - | 2,461 |
| Repaid during the period | - | (4,583) | (283,832) | - | - | (2,782) |
| Transfers in / (out) - net | - | - | 28,335 | - | - | - |
| Closing balance | - | 799 | 459,170 | - | - | 71 |
| Credit loss allowance held against advances | - | - | - | - | - | - |
| Fixed Asset / Capital work in progress | - | - | - | - | - | 95,953 |
| Other Assets | | | | | | |
| Income / mark-up accrued | - | - | - | - | - | - |
| Receivable from staff retirement fund | - | - | - | - | - | 966,264 |
| Prepaid insurance | - | - | - | - | 469,468 | - |
| Dividend Receivable | - | - | - | - | - | - |
| Other receivable | - | - | - | 179,964 | - | - |
| Credit loss allowance against other assets | - | - | - | - | - | - |
| Borrowings | | | | | | |
| Opening balance | - | - | - | 3,320 | - | 402,800 |
| Borrowings during the period | - | - | - | - | - | 8,906,668 |
| Settled during the period | - | - | - | (3,320) | - | (9,309,468) |
| Closing balance | - | - | - | - | - | - |
| Deposits and other accounts | | | | | | |
| Opening balance | 14,362 | 5,149,234 | 114,762 | 1,055,328 | 12,844,233 | 2,639,970 |
| Received during the period | 60,016,886 | 21,225,262 | 790,674 | 23,006,729 | 341,099,507 | 266,979,826 |
| Withdrawn during the period | (60,017,651) | (19,534,452) | (771,999) | (23,427,109) | (308,860,758) | (264,045,987) |
| Transfers in - net | - | - | 1,696 | - | - | 2,033,559 |
| Closing balance | 13,597 | 6,840,044 | 135,133 | 634,948 | 45,082,982 | 7,607,368 |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | As at June 30, 2024 (Un-audited) | | | | | |
|---|-----------------------------------|-----------|--------------------------|--------------|------------|-----------------------|
| | Parent | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
| | ----- (Rupees in '000) ----- | | | | | |
| Other Liabilities | | | | | | |
| Interest / mark-up payable on deposits and borrowings | - | 27,052 | 275 | - | 12,141 | 36,191 |
| Dividend payable | - | 55 | 2 | - | - | - |
| Payable to staff retirement fund | - | - | - | - | - | 22,204 |
| Unearned income | - | - | - | 587 | - | 18,244 |
| Other payable | - | - | - | - | - | 17,858 |
| Contingencies and Commitments | | | | | | |
| Letters of credit | - | - | - | - | - | - |
| | As at December 31, 2023 (Audited) | | | | | |
| | Parent | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
| | ----- (Rupees in '000) ----- | | | | | |
| Statement of financial position | | | | | | |
| Balances with other banks | | | | | | |
| In current accounts | - | - | - | 647,251 | - | - |
| In deposit accounts | - | - | - | - | - | - |
| | - | - | - | 647,251 | - | - |
| Lendings to financial institutions | | | | | | |
| Opening balance | - | - | - | - | - | - |
| Addition during the year | - | - | - | - | - | 12,674,229 |
| Repaid during the year | - | - | - | - | - | (11,870,127) |
| Transfers in / (out) - net | - | - | - | - | - | - |
| Closing balance | - | - | - | - | - | 804,102 |
| Investments | | | | | | |
| Opening balance | - | - | - | 2,955,223 | 2,024,126 | 5,300,368 |
| Investment made during the year | - | - | - | 1,000,000 | 225,000 | - |
| Investment disposed / written off during the year | - | - | - | - | (366,640) | (58,518) |
| Transfers in / (out) - net | - | - | - | - | (225,000) | 45,546 |
| Closing balance | - | - | - | 3,955,223 | 1,657,486 | 5,287,396 |
| Provision for diminution in value of investments | - | - | - | - | 1,417,485 | 1,160,263 |
| Provision written off | - | - | - | - | - | - |
| Advances | | | | | | |
| Opening balance | - | 480 | 318,625 | - | - | 17,808,043 |
| Addition during the year | - | 5,664 | 544,583 | - | - | 14,944,269 |
| Repaid during the year | - | (4,992) | (497,605) | - | - | (33,077,402) |
| Transfers in / (out) - net | - | 134 | 163,593 | - | - | 325,482 |
| Closing balance | - | 1,286 | 529,196 | - | - | 392 |
| Provision held against advances | - | - | - | - | - | - |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

As at December 31, 2023 (Audited)

| | Parent | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
|---|---------------|--------------|--------------------------|--------------|---------------|-----------------------|
| (Rupees in '000) | | | | | | |
| Other Assets | | | | | | |
| Interest mark-up accrued | - | - | 8,612 | - | - | 120,906 |
| Receivable from staff retirement fund | - | - | - | - | - | 4,593,951 |
| Prepaid insurance | - | - | - | - | 100,000 | - |
| Capital work in progress | - | - | - | - | - | 29,000 |
| Other receivable | - | - | - | 60,217 | - | - |
| Provision written off | - | - | - | - | - | - |
| Borrowings | | | | | | |
| Opening balance | - | - | - | - | - | - |
| Borrowings during the year | - | - | - | 3,320 | - | 27,041,450 |
| Settled during the year | - | - | - | - | - | (26,638,650) |
| Closing balance | - | - | - | 3,320 | - | 402,800 |
| Deposits and other accounts | | | | | | |
| Opening balance | 14,327 | 13,924,363 | 68,837 | 70,757 | 1,665,575 | 16,000,091 |
| Received during the year | 123,898,655 | 64,480,148 | 1,619,139 | 20,241,079 | 385,924,668 | 488,015,048 |
| Withdrawn during the year | (123,898,620) | (73,338,287) | (1,609,785) | (20,140,705) | (374,746,010) | (499,662,860) |
| Transfer in | - | 83,010 | 36,571 | 884,197 | - | (1,712,309) |
| Closing balance | 14,362 | 5,149,234 | 114,762 | 1,055,328 | 12,844,233 | 2,639,970 |
| Other Liabilities | | | | | | |
| Interest / mark-up payable on deposits and borrowings | - | 17,676 | 188 | - | 39,581 | 10,418 |
| Dividend payable | - | - | - | - | - | - |
| Payable to staff retirement fund | - | - | - | - | - | - |
| Unearned income | - | - | - | 536 | - | 47,262 |
| Other payable | - | 4,310 | - | - | 5,000 | 14,583 |
| Contingencies and Commitments | | | | | | |
| Letter of guarantee | - | - | - | - | - | - |
| Forward Government securities - sale | - | - | - | - | - | - |

For the six months ended June 30, 2024 (Un-audited)

| | Parent | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
|------------------------------------|--------|-----------|--------------------------|--------------|------------|-----------------------|
| (Rupees in '000) | | | | | | |
| Profit and loss account | | | | | | |
| Income | | | | | | |
| Mark-up / return / interest earned | - | - | 25,161 | - | - | 21,909 |
| Commission / charges recovered | - | 168 | 1,266 | 928 | 9,718 | 7,226 |
| Dividend income | - | - | - | - | 54,613 | 445,292 |
| Net gain on sale of securities | - | - | - | - | - | - |
| Other income | - | - | - | 1,761 | - | 36,589 |
| Gain on sale of fixed assets | - | - | 36 | - | 596 | - |
| Reversal of provision | - | - | - | - | - | - |
| Switch revenue | - | - | - | - | - | 219,911 |
| Management fee | - | - | - | 12,247 | - | - |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

For the six months ended June 30, 2024 (Un-audited)

| | Parent | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
|---|------------|-----------|--------------------------|--------------|------------|-----------------------|
| ----- (Rupees in '000) ----- | | | | | | |
| Expense | | | | | | |
| Mark-up / return / interest paid | 64,334 | 118,818 | 12,910 | 99,807 | 758,943 | 395,940 |
| Remuneration paid | - | - | 740,258 | - | - | - |
| Post employment benefits | - | - | - | - | - | - |
| Directors' fees and allowances | - | 52,330 | - | - | - | - |
| Charge for defined contribution plans | - | - | 16,498 | - | - | 321,912 |
| Charge for defined benefit plans | - | - | 6,165 | - | - | 441,340 |
| Provision | - | - | - | - | - | 30 |
| Other expenses | - | - | - | - | - | 336,166 |
| Clearing charges | - | - | - | - | - | 87,937 |
| Membership, subscription, sponsorship and maintenance charges | - | - | 1,790 | - | - | 14,308 |
| Other Information | | | | | | |
| Dividend paid | 13,898,036 | 451,703 | 13,103 | - | 15,522 | 3,250,231 |
| Insurance premium paid | - | - | - | - | 703,741 | - |
| Insurance claims settled | - | - | - | - | 282,086 | - |

For the six months ended June 30, 2023 (Un-audited)

| | Parent | Directors | Key management personnel | Subsidiaries | Associates | Other related parties |
|---|------------|-----------|--------------------------|--------------|------------|-----------------------|
| ----- (Rupees in '000) ----- | | | | | | |
| Profit and loss account | | | | | | |
| Income | | | | | | |
| Mark-up / return / interest earned | - | - | 8,423 | - | 61,178 | 1,672,722 |
| Commission / charges recovered | - | 36 | 576 | 541 | 9,343 | 9,522 |
| Dividend income | - | - | - | 85,571 | 5,002 | 388,827 |
| Net gain on sale of securities | - | - | - | - | - | - |
| Other income | - | - | - | 1,996 | - | 27,478 |
| Gain on sale of fixed assets | - | - | 5,759 | - | 354 | - |
| Reversal of provision | - | - | - | - | - | 24,421 |
| Switch revenue | - | - | - | - | - | 165,707 |
| Management fee | - | - | - | 39,309 | - | - |
| Expense | | | | | | |
| Mark-up / return / interest paid | 2,287 | 232,130 | 4,626 | 6,645 | 128,531 | 254,275 |
| Remuneration paid | - | - | 669,812 | - | - | - |
| Post employment benefits | - | - | - | - | - | - |
| Directors' fees and allowances | - | 43,670 | - | - | - | - |
| Charge for defined contribution plans | - | - | 14,890 | - | - | 109,831 |
| Charge for defined benefit plans | - | - | - | - | - | 238,642 |
| Provision | - | - | - | - | - | 215,453 |
| Other expenses | - | - | 14,581 | - | - | 45,743 |
| Clearing charges | - | - | - | - | - | 87,317 |
| Membership, subscription, sponsorship and maintenance charges | - | - | - | - | - | 23,896 |
| Custody charges | - | - | - | - | - | - |
| Other Information | | | | | | |
| Dividend paid | 27,796,071 | 767,964 | 8,914 | - | 50,575 | 1,312,245 |
| Insurance premium paid | - | - | - | - | 638,959 | - |
| Insurance claims settled | - | - | - | - | 300,643 | - |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| 39. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS | | |
| Minimum Capital Requirement (MCR): | | |
| Paid-up capital (net of losses) | 12,241,797 | 12,241,797 |
| Capital Adequacy Ratio (CAR): | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | 151,631,975 | 143,456,256 |
| Eligible Additional Tier 1 (ADT 1) Capital | 9,934,770 | 9,934,770 |
| Total Eligible Tier 1 Capital | 161,566,745 | 153,391,026 |
| Eligible Tier 2 Capital | 53,012,867 | 49,594,306 |
| Total Eligible Capital (Tier 1 + Tier 2) | 214,579,612 | 202,985,332 |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | 686,154,725 | 709,252,566 |
| Market Risk | 280,947,698 | 259,291,125 |
| Operational Risk | 252,952,334 | 252,952,334 |
| Total | 1,220,054,757 | 1,221,496,025 |
| Common Equity Tier 1 Capital Adequacy Ratio | 12.43% | 11.74% |
| Tier 1 Capital Adequacy Ratio | 13.24% | 12.56% |
| Total Capital Adequacy Ratio | 17.59% | 16.62% |

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank for the period ended June 30, 2024 stood at Rs.12,241.797 million (December 31, 2023: Rs.12,241.797 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.

In order to dampen the effects of COVID-19, the State Bank of Pakistan under BPRD Circular Letter No. 12 of 2020 has given a regulatory relief and reduced the Capital Conservation Buffer (CCB) as prescribed vide BPRD Circular No. 6 of August 15, 2013, for the time being, from its existing level of 2.5% to 1.5%, till further instructions.

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 June 30, 2024. The Bank is fully compliant with prescribed ratios as the Bank's CAR is 17.59% whereas CET 1 and Tier 1 ratios stood at 12.43% and 13.24% respectively.

Furthermore, under the SBP's Framework for Domestic Systemically Important Banks (D-SIBs) introduced vide BPRD Circular No. 04 of 2019 dated April 13, 2019, UBL has been designated as a D-SIB under letter BSD-3/Bank/UBL/394468/2022 dated December 20, 2022. In line with this framework, the Bank is required to meet the Higher Loss Absorbency (HLA) capital charge of 0.5%, in the form of Additional CET 1 capital, on a standalone as well as consolidated level. The prescribed HLA under D-SIB shall remain effective till the next D-SIB designation announcement is made by State Bank of Pakistan.

The Capital Adequacy Ratio excluding the transition benefit of ECL (net off tax) on adoption of IFRS 9 would be lower by 42bps as at June 30, 2024.

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| Leverage Ratio (LR): | | |
| Eligible Tier-1 Capital | 161,566,745 | 153,391,026 |
| Total Exposures | 7,627,138,335 | 6,245,545,091 |
| Leverage Ratio | 2.12% | 2.46% |
| Liquidity Coverage Ratio (LCR): | | |
| Total High Quality Liquid Assets | 1,845,473,944 | 1,194,192,309 |
| Total Net Cash Outflow | 694,500,488 | 436,543,979 |
| Liquidity Coverage Ratio | 265.73% | 273.56% |
| Net Stable Funding Ratio (NSFR): | | |
| Total Available Stable Funding | 2,159,355,779 | 1,912,608,898 |
| Total Required Stable Funding | 1,399,926,777 | 1,310,982,494 |
| Net Stable Funding Ratio | 154.25% | 145.89% |

39.1 The SBP has allowed relaxation in Leverage Ratio requirement from 3% to 2% up to December 31, 2024 through its letter SBPHOK-BPRD-BACPD-UBL-601894 dated December 21, 2023.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

40. ISLAMIC BANKING BUSINESS

The Bank operates 223 (December 31, 2023: 209) Islamic Banking branches and 501 (December 31, 2023: 501) Islamic Banking windows.

STATEMENT OF FINANCIAL POSITION

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|----------------------------------|-----------------------------------|
| Note | ----- (Rupees in '000) ----- | |
| ASSETS | | |
| Cash and balances with treasury banks | 30,068,202 | 26,348,889 |
| Balances with other banks | 4,563,407 | 1,537,675 |
| Due from financial institutions | - | 12,500,000 |
| Investments | 276,673,487 | 331,496,374 |
| Islamic financing and related assets - net | 52,860,496 | 47,187,185 |
| Property and equipment | 1,756,370 | 1,235,419 |
| Right-of-use assets | 1,707,788 | 1,524,770 |
| Intangible assets | - | - |
| Due from Head Office | 96,350,825 | 8,009,487 |
| Other assets | 7,091,566 | 8,629,655 |
| | <u>471,072,141</u> | <u>438,469,454</u> |
| LIABILITIES | | |
| Bills payable | 2,286,267 | 2,573,006 |
| Due to financial institutions | 7,313,563 | 13,726,453 |
| Deposits and other accounts | 404,315,027 | 378,100,209 |
| Due to Head Office | - | - |
| Lease Liability | 1,951,860 | 1,754,938 |
| Other liabilities | 5,095,689 | 5,647,031 |
| | <u>420,962,406</u> | <u>401,801,637</u> |
| NET ASSETS | <u>50,109,735</u> | <u>36,667,817</u> |
| REPRESENTED BY | | |
| Islamic Banking Fund | 2,181,000 | 2,181,000 |
| Reserves | - | - |
| Surplus on revaluation of assets | 2,513,545 | 3,087,953 |
| Unappropriated profit | 45,415,190 | 31,398,864 |
| | <u>50,109,735</u> | <u>36,667,817</u> |
| CONTINGENCIES AND COMMITMENTS | | |
| | | |
| (Un-audited) | | |
| PROFIT AND LOSS ACCOUNT | | |
| | January - June 2024 | January - June 2023 |
| | ----- (Rupees in '000) ----- | |
| Profit / return earned | 35,058,477 | 16,993,630 |
| Profit / return expensed | 17,155,823 | 8,733,321 |
| Net profit / return | <u>17,902,654</u> | <u>8,260,309</u> |
| Other income | | |
| Fee and commission income | 239,071 | 155,601 |
| Foreign exchange income | 46,669 | 117,162 |
| Gain on securities - net | 209,819 | - |
| Other income | 40,350 | 35,065 |
| Total other income | <u>535,909</u> | <u>307,828</u> |
| Total Income | <u>18,438,563</u> | <u>8,568,137</u> |
| Other expenses | | |
| Other operating expenses | 2,691,060 | 1,587,636 |
| Profit before credit loss allowance | <u>15,747,503</u> | <u>6,980,501</u> |
| Credit loss allowance and write offs - net | 161,031 | 10,014 |
| Profit before taxation | <u>15,586,472</u> | <u>6,970,487</u> |
| Taxation | 7,637,371 | 3,415,539 |
| Profit after taxation | <u>7,949,101</u> | <u>3,554,948</u> |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| As at June 30, 2024 (Un-audited) | | | As at December 31, 2023 (Audited) | | |
|-----------------------------------|-----------------------|-------|-----------------------------------|-----------------------|------------|
| In Local Currency | In Foreign Currencies | Total | In Local Currency | In Foreign Currencies | Total |
| (Rupees in '000) | | | | | |
| Musharakah / Mudarabah | - | - | 12,500,000 | - | 12,500,000 |
| Bai Muajjal | - | - | - | - | - |
| with other Financial Institutions | - | - | - | - | - |
| with State Bank of Pakistan | - | - | - | - | - |
| | - | - | 12,500,000 | - | 12,500,000 |

40.2 Investments by segments

| | As at June 30, 2024 (Un-audited) | | | |
|--|----------------------------------|-----------------------|---------------------|--------------------|
| | Cost / Amortised cost | Credit loss allowance | Surplus / (Deficit) | Carrying Value |
| (Rupees in '000) | | | | |
| Debt Instruments | | | | |
| Measured at amortised cost | | | | |
| Federal Government Securities | | | | |
| - Ijarah Sukuks | 10,001,416 | - | - | 10,001,416 |
| Non Government debt securities | 9,672,664 | (118) | - | 9,672,546 |
| | 19,674,080 | (118) | - | 19,673,962 |
| Measured at FVOCI | | | | |
| Federal Government securities | | | | |
| - Ijarah Sukuks | 251,319,794 | - | 2,513,545 | 253,833,339 |
| - Islamic Naya Pakistan Certificate | 2,830,376 | - | - | 2,830,376 |
| Non Government debt securities | 42,857 | (7,047) | - | 35,810 |
| | 254,193,027 | (7,047) | 2,513,545 | 256,699,525 |
| Instruments mandatorily classified / measured at FVPL | | | | |
| Non Government debt securities | 300,000 | - | - | 300,000 |
| | 300,000 | - | - | 300,000 |
| Total investments | 274,167,107 | (7,165) | 2,513,545 | 276,673,487 |

| | As at December 31, 2023 (Audited) | | | |
|---------------------------------------|-----------------------------------|-----------|---------------------|----------------|
| | Cost / Amortised cost | Provision | Surplus / (Deficit) | Carrying Value |
| (Rupees in '000) | | | | |
| Federal Government Securities | | | | |
| - Ijarah Sukuks | 313,038,816 | - | 3,087,953 | 316,126,769 |
| - Islamic Naya Pakistan Certificate | 5,709,016 | - | - | 5,709,016 |
| | 318,747,832 | - | 3,087,953 | 321,835,785 |
| Non Government Debt Securities | | | | |
| - Listed | 376,339 | - | - | 376,339 |
| - Unlisted | 9,284,250 | - | - | 9,284,250 |
| | 9,660,589 | - | - | 9,660,589 |
| | 328,408,421 | - | 3,087,953 | 331,496,374 |

Particulars of credit loss allowance

| | As at June 30, 2024 (Un-audited) | | | |
|--------------------------------|----------------------------------|---------|---------|-------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| (Rupees in '000) | | | | |
| Federal Government securities | - | - | - | - |
| Non Government debt securities | 7,165 | - | - | 7,165 |
| | 7,165 | - | - | 7,165 |

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

(Un-audited)
June 30, 2024
(Rupees in '000)

40.3 Islamic financing and related assets

| | |
|--|------------|
| Ijarah | 154,805 |
| Murabaha | 428,946 |
| Musharakah | 2,022,137 |
| Diminishing Musharakah | 32,544,816 |
| Mera Pakistan Mera Ghar (MPMG) | 5,000,072 |
| Istisna | 327,281 |
| Diminishing Musharakah - Under SBP's Islamic Temporary Economic Refinance Facility | 290,625 |
| Ameen Musharakah Running Finance Under SBP's - Islamic Export Refinance scheme | 2,900,000 |
| Islamic Export Refinance scheme - Istisna | 600,625 |
| Advances against Islamic assets | |
| Advances against Ijarah | 32,245 |
| Advances for Diminishing Musharakah | 5,117,386 |
| Advances for Murabaha | 20,950 |
| Advances against Mera Pakistan Mera Ghar | 4,336 |
| Advances for Istisna | 449,451 |
| Advances against Istisna - Under SBP' Islamic Export Refinance scheme | 31,300 |
| Advances against Diminishing Musharakah ITERF | 3,705,624 |
| Inventory related to Islamic financing | |
| Istisna | 50,000 |
| Profit and other receivables against financings | 1,194,837 |
| Gross Islamic financing and related assets | 54,875,436 |

Less: Credit Loss Allowance against Islamic financings

| | |
|-----------|-------------------|
| - Stage 1 | (1,570,674) |
| - Stage 2 | (322,389) |
| - Stage 3 | (121,877) |
| | (2,014,940) |
| | <u>52,860,496</u> |

Islamic financing and related assets - net of provision

(Audited)
December 31, 2023
(Rupees in '000)

Islamic financing and related assets

| | |
|--|------------|
| Ijarah | 210,375 |
| Murabaha | 326,733 |
| Musharakah | 3,672,838 |
| Diminishing Musharakah | 26,340,035 |
| Mera Pakistan Mera Ghar (MPMG) | 5,159,709 |
| Istisna | 349,612 |
| Diminishing Musharakah - Under SBP's Islamic Temporary Economic Refinance Facility | 300,000 |
| Ameen Musharakah Running Finance Under SBP's - Islamic Export Refinance scheme | 3,649,999 |
| Islamic Export Refinance scheme - Istisna | 603,250 |
| Advances against Islamic assets | |
| Advances against Ijarah | 8,612 |
| Advances for Diminishing Musharakah | 1,646,484 |
| Advances for Murabaha | 56,537 |
| Advances against Mera Pakistan Mera Ghar | 14,236 |
| Advances for Istisna | 414,006 |
| Advances against Istisna - Under SBP' Islamic Export Refinance scheme | 50,000 |
| Advances against Diminishing Musharakah ITERF | 3,705,624 |
| Inventory related to Islamic financing | |
| Istisna | 156,060 |
| Profit and other receivables against financings | 749,917 |
| Gross Islamic financing and related assets | 47,414,027 |

Less: Provision against Islamic financings

| | |
|------------|-------------------|
| - Specific | (143,029) |
| - General | (83,813) |
| | (226,842) |
| | <u>47,187,185</u> |

Islamic financing and related assets - net of provision

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| 40.4 Deposits and other accounts | (Un-audited) | (Audited) |
|----------------------------------|---------------|-------------------|
| | June 30, 2024 | December 31, 2023 |
| Customers | | |
| Current deposits | 191,135,664 | 147,393,373 |
| Saving deposits | 60,345,892 | 67,293,259 |
| Term deposits | 23,686,745 | 24,888,049 |
| | 275,168,301 | 239,574,681 |
| Financial Institutions | | |
| Current deposits | 195,817 | 603,101 |
| Saving deposits | 88,067,909 | 137,892,427 |
| Term deposits | 40,883,000 | 30,000 |
| | 129,146,726 | 138,525,528 |
| | 404,315,027 | 378,100,209 |

40.4.1 Deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 213,401.921 million (December 31, 2023: Rs. 182,080.598 million).

| 40.5 Islamic Banking Business Unappropriated Profit | (Un-audited) | (Audited) |
|---|---------------|-------------------|
| | June 30, 2024 | December 31, 2023 |
| Opening Balance | 31,398,864 | 15,024,771 |
| Impact of adoption of IFRS 9 | (1,570,146) | - |
| Profit for the period / year | 15,586,472 | 16,374,093 |
| | 45,415,190 | 31,398,864 |
| Taxation | (7,637,371) | (8,023,306) |
| Closing Balance | 37,777,819 | 23,375,558 |

| 40.6 Contingencies and commitments | (Un-audited) | (Audited) |
|------------------------------------|---------------------|---------------------|
| | January - June 2024 | January - June 2023 |
| - Guarantees | 413,128 | 228,481 |
| - Commitments | 11,625,274 | 6,413,657 |
| | 12,038,402 | 6,642,138 |

| 40.7 Profit / Return earned | (Un-audited) | (Audited) |
|-----------------------------|------------------------------|---------------------|
| | January - June 2024 | January - June 2023 |
| | ----- (Rupees in '000) ----- | |
| On: | | |
| Financing | 4,035,789 | 6,407,993 |
| Investments | 30,816,968 | 10,289,249 |
| Placements | 138,199 | 185,396 |
| Rental Income from Ijarah | 67,521 | 110,992 |
| | 35,058,477 | 16,993,630 |

| 40.8 Profit / Return expensed | (Un-audited) | (Audited) |
|-------------------------------|---------------------|---------------------|
| | January - June 2024 | January - June 2023 |
| On: | | |
| Deposits and other accounts | 13,763,121 | 6,601,511 |
| Due to Financial Institutions | 3,265,391 | 2,069,478 |
| Others | 127,311 | 62,332 |
| | 17,155,823 | 8,733,321 |

40.9 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.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

General Pool(s)

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 Pool(s)

The IERS pool 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 pool.

Treasury Pool(s)

The Treasury pool 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 Holding company.

Special Pool(s) - LCY

Separate pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

Special Pool(s) - FCY

UBL also manage Foreign Currency (FCY) special pools. The objective of Pool is to meet the FCY Liquidity requirement. The funds in this pool are generally deployed in FCY Placement of funds with State Bank under the mode of Islamic Naya Pakistan Certificate, Loss (if any) is borne by the Rabulmaal as per ratio of investment of the pool.

Equity Pool(s)

All other assets including fixed assets, advance against financing, bai-salam financing and subsidized financing to Bank's employees are tagged to equity pool. To safeguard the interest of customers, all high risk investments are done through equity pool. The Holding company 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 period, 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 period ended June 30, 2024 is Rs.4,808.55 million (28.27% of distributable profit of Mudarabah Pool) of this, an amount of Rs.1,611million (33.50% of Mudarib share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 21.03% per annum and the rate of profit paid on average deposits was 17.08% per annum.

The risk characteristics of pools

The risk characteristic of each pool mainly depends on the assets and liability 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 Pools, IERS pool and Equity pool. 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 Pool

- 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.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Bank managed following pools during the period.

For the six months ended June 30, 2024 (Un-audited)

| No of Pools | Nature of Pool | Profit rate and weightages announcement period | Average profit rate earned | Profit Sharing ratio | Mudarib fee / Musharakah share / Wakalah 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 | 6 | Mudarbaha | Monthly | 12.24% | 35.00% | 92,549 | 8.30% | 7.95% | 7,360 |
| Special Pools | 69 | Mudarbaha | Monthly | 21.48% | 13.91% | 1,409,212 | 20.07% | 51.15% | 720,842 |
| IERS Pools | 12 | Musharkah | Monthly | 18.57% | 59.62% | 512,427 | 18.00% | 0.00% | - |
| FCY Pools | 12 | Mudarbaha | Monthly | 2.13% | 50.00% | 4,594 | 1.06% | 0.00% | - |
| General Pools | 6 | Mudarbaha | Monthly | 20.97% | 49.99% | 3,306,791 | 18.50% | 26.71% | 883,107 |
| Treasury Pools | 172 | Musharkah | Monthly | 21.78% | 30.52% | 1,512,836 | 21.12% | 0.00% | - |

For the six months ended June 30, 2023 (Un-audited)

| No of Pools | Nature of Pool | Profit rate and weightages announcement period | Average profit rate earned | Profit Sharing ratio | Mudarib fee / Musharakah share / Wakalah 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 | 6 | Mudarbaha | Monthly | 12.25% | 35.00% | 222,187 | 8.68% | 16.79% | 37,305 |
| Special Pools | 71 | Mudarbaha | Monthly | 18.59% | 25.07% | 289,029 | 15.39% | 40.08% | 115,849 |
| IERS Pools | 12 | Musharkah | Monthly | 17.15% | 74.69% | 1,010,052 | 12.36% | 0.00% | - |
| FCY Pools | 12 | Mudarbaha | Monthly | 2.13% | 50.00% | 5,095 | 1.06% | 0.00% | - |
| General Pools | 6 | Mudarbaha | Monthly | 18.78% | 49.99% | 3,444,233 | 14.08% | 49.92% | 1,719,282 |
| Treasury Pools | 4 | Mudarbaha | Monthly | 14.68% | 6.29% | 21,135 | 16.25% | 5.07% | 1,071 |
| Treasury Pools | 100 | Musharkah | Monthly | 18.04% | 14.56% | 222,805 | 17.67% | 0.00% | - |

(Un-audited) (Audited)
June 30, December 31,
2024 2023

-----Rupees in '000-----

40.10 Deployment of Mudarabah based deposits by class of business

| | | |
|---------------------------------------|--------------------|--------------------|
| Chemical and pharmaceuticals | 5,569,073 | 5,934,303 |
| Agriculture | - | 12,974 |
| Textile | 3,543,654 | 5,931,200 |
| Financial | 3,799,972 | 13,291,379 |
| Food industries | 35,559 | 52,926 |
| Plastic | 162,626 | 291,051 |
| Individuals | 15,426,339 | 15,287,661 |
| Production and transmission of energy | 20,830,684 | 19,682,190 |
| Government of Pakistan Securities | 266,657,965 | 321,835,785 |
| Others | 18,523,022 | 9,090,933 |
| | <u>334,548,894</u> | <u>391,410,402</u> |

41. YEMEN OPERATIONS

Despite risky situation and continued operational losses the Bank has been striving to honor liabilities. However, on account of several factors, including but not limited to fragile political and economic situation in Yemen, bankruptcy of CBY Sana'a, existence of two Central Banks (i.e. CBY Sana'a and CBY Aden), has resulted in illiquid market, which does not appear to be reversed in near future.

It is no longer possible for the Bank to continue its operations in Yemen due to reasons not attributable to the Bank and caused by circumstances entirely beyond the Bank's control. Therefore, Bank has completely exited from Yemen. The Bank is cognizant of the associated risks arising out of its exit from Yemen.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

42. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on July 31, 2024 has declared an interim cash dividend in respect of quarter ended June 30, 2024 of Rs. 11.0 per share (June 30, 2023: Rs. 11.0 per share). This is in addition to Rs. 11.0 already paid during the period bringing the total dividend for the six months to Rs.22.0 per share (June 30, 2023: Rs. 22.0). These unconsolidated condensed interim financial statements for the six months ended June 30, 2024 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

43. GENERAL

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

43.2 The Bank has not restated comparative information for 2023 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2023 is reported under previous local regulatory requirements and is not comparable with the information presented for 2024.

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

44. DATE OF AUTHORISATION

These unconsolidated condensed interim financial statements were authorised for issue on July 31, 2024, by the Board of Directors of the Bank.



Arif Akmal Saifie
Chief Financial Officer



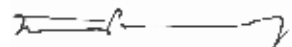
Muhammad Jawaid Iqbal
President &
Chief Executive Officer



Shazia Syed
Director



Daniel Michael Howlett
Director



Sir Mohammed Anwar Pervez, OBE, HPk
Chairman



where you come first

UNITED BANK LIMITED

**CONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED
JUNE 30, 2024
(Un-audited)**

CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024

| | Note | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|------|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | 6 | 364,274,524 | 277,355,760 |
| Balances with other banks | 7 | 60,473,456 | 33,430,371 |
| Lendings to financial institutions | 8 | 15,883,266 | 39,316,270 |
| Investments | 9 | 6,154,911,439 | 4,435,750,870 |
| Advances | 10 | 935,293,747 | 872,040,932 |
| Property and equipment | 11 | 82,645,737 | 76,460,159 |
| Right-of-use assets | 12 | 9,662,890 | 8,611,473 |
| Intangible assets | 13 | 2,339,112 | 2,552,398 |
| Deferred tax assets | 14 | 1,495,404 | - |
| Other assets | 15 | 180,910,451 | 159,156,653 |
| | | <u>7,807,890,026</u> | <u>5,904,674,886</u> |
| LIABILITIES | | | |
| Bills payable | 17 | 22,464,128 | 21,734,531 |
| Borrowings | 18 | 4,105,226,162 | 2,823,887,914 |
| Deposits and other accounts | 19 | 3,240,612,794 | 2,634,716,102 |
| Lease liabilities | 20 | 11,663,011 | 10,474,561 |
| Subordinated debt | 21 | 10,000,000 | 10,000,000 |
| Deferred tax liabilities | 14 | - | 2,079,220 |
| Other liabilities | 22 | 131,726,696 | 115,909,963 |
| | | <u>7,521,692,791</u> | <u>5,618,802,291</u> |
| NET ASSETS | | <u><u>286,197,235</u></u> | <u><u>285,872,595</u></u> |
| REPRESENTED BY: | | | |
| Share capital | | 12,241,797 | 12,241,797 |
| Reserves | | 118,259,742 | 116,771,416 |
| Surplus on revaluation of assets | 23 | 43,149,430 | 44,575,947 |
| Unappropriated profit | | <u>96,916,323</u> | <u>97,379,056</u> |
| Total equity attributable to the equity holders of the Bank | | <u>270,567,292</u> | <u>270,968,216</u> |
| Non-controlling interest | | <u>15,629,943</u> | <u>14,904,379</u> |
| | | <u><u>286,197,235</u></u> | <u><u>285,872,595</u></u> |

CONTINGENCIES AND COMMITMENTS

24

The annexed notes 1 to 44 form an integral part of these consolidated condensed interim financial statements.



Arif Akmal Saifia
Chief Financial Officer



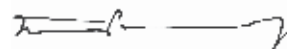
Muhammad Jawaid Iqbal
President &
Chief Executive Officer



Shazia Syed
Director



Daniel Michael Howlett
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | April - June 2024 | April - June 2023 | January - June 2024 | January - June 2023 | |
|--|----------------------|----------------------|------------------------|------------------------|-------------------|
| Note | (Rupees in '000) | | | | |
| Mark-up / return / interest earned | 26 | 281,551,199 | 103,252,140 | 524,574,784 | 195,820,296 |
| Mark-up / return / interest expensed | 27 | 252,376,577 | 65,864,810 | 467,298,958 | 123,485,537 |
| Net mark-up / interest income | | <u>29,174,622</u> | <u>37,387,330</u> | <u>57,275,826</u> | <u>72,334,759</u> |
| Non mark-up / interest income | | | | | |
| Fee and commission income | 28 | 5,589,143 | 4,938,526 | 11,526,371 | 9,720,097 |
| Dividend income | | 395,358 | 428,851 | 868,523 | 904,300 |
| Foreign exchange income | | 3,762,947 | 2,617,020 | 6,481,928 | 7,055,660 |
| Income / (loss) from derivatives | | 40,001 | (171,577) | (24,845) | (209,183) |
| Gain / (loss) on securities - net | 29 | 5,360,182 | (857,777) | 18,188,990 | (1,494,909) |
| Capital gain on derecognition of financial assets measured at amortised cost | | 3,841,988 | - | 2,894,427 | - |
| Other income | 30 | 310,735 | 565,564 | 641,209 | 799,760 |
| Total non mark-up / interest income | | <u>19,300,354</u> | <u>7,520,607</u> | <u>40,576,603</u> | <u>16,775,725</u> |
| Total income | | <u>48,474,976</u> | <u>44,907,937</u> | <u>97,852,429</u> | <u>89,110,484</u> |
| Non mark-up / interest expenses | | | | | |
| Operating expenses | 31 | 19,751,052 | 16,934,506 | 38,941,129 | 32,654,481 |
| Workers' Welfare Fund | | 576,073 | 543,462 | 1,252,496 | 1,043,620 |
| Other charges | 32 | 31,945 | 2,544 | 32,811 | 4,065 |
| Total non mark-up / interest expenses | | <u>20,359,070</u> | <u>17,480,512</u> | <u>40,226,436</u> | <u>33,702,166</u> |
| Share of profit / (loss) of associates | | 294,246 | (216,156) | 245,947 | (374,401) |
| Profit before credit loss allowance | | <u>28,410,152</u> | <u>27,211,269</u> | <u>57,871,940</u> | <u>55,033,917</u> |
| Credit loss allowance and write-offs - net | 33 | (644,022) | 298,373 | (2,361,911) | 3,012,978 |
| Profit before taxation | | <u>29,054,174</u> | <u>26,912,896</u> | <u>60,233,851</u> | <u>52,020,939</u> |
| Taxation | 34 | 13,786,238 | 13,861,523 | 28,827,006 | 24,498,838 |
| Profit after taxation | | <u>15,267,936</u> | <u>13,051,373</u> | <u>31,406,845</u> | <u>27,522,101</u> |
| Attributable to: | | | | | |
| Equity holders of the Bank | | 14,816,363 | 12,716,401 | 30,793,772 | 26,943,297 |
| Non-controlling interest | | 451,573 | 334,972 | 613,073 | 578,804 |
| | | <u>15,267,936</u> | <u>13,051,373</u> | <u>31,406,845</u> | <u>27,522,101</u> |
| Earnings per share - basic and diluted | 35 | <u>12.10</u> | <u>10.39</u> | <u>25.15</u> | <u>22.01</u> |

The annexed notes 1 to 44 form an integral part of these consolidated condensed interim financial statements.



Arif Akmal Saifie
Chief Financial Officer



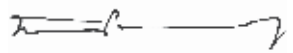
Muhammad Jawaid Iqbal
President &
Chief Executive Officer



Shazia Syed
Director



Daniel Michael Howlett
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | April - June 2024 | April - June 2023 | January - June 2024 | January - June 2023 |
|---|----------------------|----------------------|------------------------|------------------------|
| ----- (Rupees in '000) ----- | | | | |
| Profit after taxation for the year attributable to: | | | | |
| Equity holders of the Bank | 14,816,363 | 12,716,401 | 30,793,772 | 26,943,297 |
| Non-controlling interest | 451,573 | 334,972 | 613,073 | 578,804 |
| | <u>15,267,936</u> | <u>13,051,373</u> | <u>31,406,845</u> | <u>27,522,101</u> |
| 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 overseas branches and subsidiaries - net of tax | | | | |
| Equity holders of the Bank | 136,824 | 1,213,421 | (1,456,232) | 21,086,113 |
| Non-controlling interest | 36,252 | 424,892 | (219,135) | 2,931,497 |
| | <u>173,076</u> | <u>1,638,313</u> | <u>(1,675,367)</u> | <u>24,017,610</u> |
| Movement in surplus / (deficit) on revaluation of debt investments through FVOCI - net of tax | | | | |
| Equity holders of the Bank | 8,087,425 | 5,842,216 | 1,015,146 | (8,770,099) |
| Non-controlling interest | (1,332) | 448,544 | 405,717 | (78,295) |
| | <u>8,086,093</u> | <u>6,290,760</u> | <u>1,420,863</u> | <u>(8,848,394)</u> |
| | <u>8,259,169</u> | <u>7,929,073</u> | <u>(254,504)</u> | <u>15,169,216</u> |
| <i>Items that will not be reclassified to profit and loss account in subsequent periods</i> | | | | |
| Remeasurement gain on defined benefit obligations - net of tax | | | | |
| Equity holders of the Bank | - | 165,317 | - | 140,987 |
| Non-controlling interest | - | 135,259 | - | 115,353 |
| | <u>-</u> | <u>300,576</u> | <u>-</u> | <u>256,340</u> |
| Movement in surplus on revaluation of equity investments - net of tax | | | | |
| Equity holders of the Bank | 826,485 | 133,766 | 837,820 | 103,032 |
| Non-controlling interest | - | - | - | - |
| | <u>826,485</u> | <u>133,766</u> | <u>837,820</u> | <u>103,032</u> |
| Movement in (deficit) / surplus on revaluation of property and equipment - net of tax | | | | |
| Equity holders of the Bank | 10,579 | 116,566 | (61,174) | 899,718 |
| Non-controlling interest | 9,717 | 99,662 | (74,091) | 729,579 |
| | <u>20,296</u> | <u>216,228</u> | <u>(135,265)</u> | <u>1,629,297</u> |
| | <u>846,781</u> | <u>650,570</u> | <u>702,555</u> | <u>1,988,669</u> |
| Total comprehensive income for the period | <u>24,373,886</u> | <u>21,631,016</u> | <u>31,854,896</u> | <u>44,679,986</u> |
| Attributable to: | | | | |
| Equity holders of the Bank | 23,877,676 | 20,187,687 | 31,129,332 | 40,403,048 |
| Non-controlling interest | 496,210 | 1,443,329 | 725,564 | 4,276,938 |
| | <u>24,373,886</u> | <u>21,631,016</u> | <u>31,854,896</u> | <u>44,679,986</u> |

The annexed notes 1 to 44 form an integral part of these consolidated condensed interim financial statements.



Arif Akmal Saifia
Chief Financial Officer



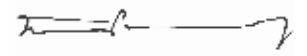
Muhammad Jawaid Iqbal
President &
Chief Executive Officer



Shazia Syed
Director



Daniel Michael Howlett
Director




Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | Share capital | Capital reserve - exchange translation | Statutory reserve | Surplus / (Deficit) on revaluation | | | Unappropriated profit | Sub total | Non-controlling interest | Total |
|---|---------------|--|-------------------|------------------------------------|------------------------|--------------------|-----------------------|--------------|--------------------------|--------------|
| | | | | Investments | Property and Equipment | Non-banking assets | | | | |
| (Rupees in '000) | | | | | | | | | | |
| Balance as at January 01, 2023 (Audited) | 12,241,797 | 50,328,629 | 41,560,081 | (22,788,440) | 42,442,737 | - | 96,282,169 | 220,066,973 | 9,125,301 | 229,192,274 |
| Total comprehensive income for the six months ended June 30, 2023 | - | - | - | - | - | - | 26,943,297 | 26,943,297 | 578,804 | 27,522,101 |
| Profit after taxation for the six months ended June 30, 2023 | - | - | - | - | - | - | 26,943,297 | 26,943,297 | 578,804 | 27,522,101 |
| Other comprehensive income - net of tax | - | 21,086,113 | - | (8,667,067) | 899,718 | - | 140,987 | 13,459,751 | 3,698,134 | 17,157,885 |
| Total comprehensive income for the six months ended June 30, 2023 | - | 21,086,113 | - | (8,667,067) | 899,718 | - | 27,084,284 | 40,403,048 | 4,276,938 | 44,679,986 |
| Transfer from surplus on revaluation upon disposal to unappropriated profit - net of tax | - | - | - | - | (1,474,232) | - | 1,474,232 | - | - | - |
| Transfer of incremental depreciation from revaluation of property and equipment to unappropriated profit - net of tax | - | - | - | - | (45,652) | - | 45,652 | - | - | - |
| Transfer to statutory reserve | - | - | 2,631,916 | - | - | - | (2,631,916) | - | - | - |
| Transactions with owners for the six months ended June 30, 2023 | - | - | - | - | - | - | - | - | - | - |
| Final cash dividend - December 31, 2022 declared subsequent to the year end at Rs. 9.0 per share | - | - | - | - | - | - | (11,017,617) | (11,017,617) | - | (11,017,617) |
| Interim cash dividend - March 31, 2023 declared at Rs. 11.0 per share | - | - | - | - | - | - | (13,465,977) | (13,465,977) | - | (13,465,977) |
| Balance as at June 30, 2023 (Un-audited) | 12,241,797 | 71,414,742 | 44,191,997 | (31,455,507) | 41,822,571 | - | 97,770,827 | 235,986,427 | 13,402,239 | 249,368,666 |
| Total comprehensive income for the six months ended December 31, 2023 | - | - | - | - | - | - | 28,201,778 | 28,201,778 | 747,042 | 28,948,820 |
| Profit after taxation for the six months ended December 31, 2023 | - | - | - | - | - | - | 28,201,778 | 28,201,778 | 747,042 | 28,948,820 |
| Other comprehensive income - net of tax | - | (1,521,449) | - | 34,236,144 | 15,465 | - | 981,805 | 33,711,965 | 755,098 | 34,467,063 |
| Total comprehensive income for the six months ended December 31, 2023 | - | (1,521,449) | - | 34,236,144 | 15,465 | - | 29,183,583 | 61,913,743 | 1,502,140 | 63,415,883 |
| Transfer from surplus on revaluation upon disposal to unappropriated profit - net of tax | - | - | - | - | - | - | - | - | - | - |
| Transfer of incremental depreciation from revaluation of property and equipment to unappropriated profit - net of tax | - | - | - | - | (42,726) | - | 42,726 | - | - | - |
| Transfer to statutory reserve | - | - | 2,686,126 | - | - | - | (2,686,126) | - | - | - |
| Transactions with owners, recorded directly in equity | - | - | - | - | - | - | - | - | - | - |
| Interim cash dividend - June 30, 2023 declared at Rs. 11.0 per share | - | - | - | - | - | - | (13,465,977) | (13,465,977) | - | (13,465,977) |
| Interim cash dividend - September 30, 2023 declared at Rs. 11.0 per share | - | - | - | - | - | - | (13,465,977) | (13,465,977) | - | (13,465,977) |
| Balance as at December 31, 2023 (Audited) | 12,241,797 | 69,893,293 | 46,878,123 | 2,780,637 | 41,795,310 | - | 97,379,056 | 270,968,216 | 14,904,379 | 285,872,595 |
| Effect of reclassification on adoption of IFRS 9 - ECL (net of tax) | - | - | - | (3,214,765) | - | - | 3,214,765 | - | - | - |
| Effect of adoption of IFRS 9 - ECL (net of tax) | - | - | - | - | - | - | (4,598,302) | (4,598,302) | - | (4,598,302) |
| Balance as at January 01, 2024 - Restated | 12,241,797 | 69,893,293 | 46,878,123 | (434,128) | 41,795,310 | - | 95,995,519 | 266,369,914 | 14,904,379 | 281,274,293 |
| Total comprehensive income for the six months ended June 30, 2024 | - | - | - | - | - | - | 30,793,772 | 30,793,772 | 613,073 | 31,406,845 |
| Profit after taxation for the six months ended June 30, 2024 | - | - | - | - | - | - | 30,793,772 | 30,793,772 | 613,073 | 31,406,845 |
| Other comprehensive income - net of tax | - | (1,456,232) | - | 1,852,966 | (61,174) | - | - | 335,560 | 112,491 | 448,051 |
| Total comprehensive income for the six months ended June 30, 2024 | - | (1,456,232) | - | 1,852,966 | (61,174) | - | 30,793,772 | 31,129,332 | 725,564 | 31,854,896 |
| Transfer from surplus on revaluation upon disposal to unappropriated profit - net of tax | - | - | - | - | (22,930) | - | 22,930 | - | - | - |
| Transfer of incremental depreciation from revaluation of property and equipment to unappropriated profit - net of tax | - | - | - | - | (44,796) | - | 44,796 | - | - | - |
| Transfer net loss on disposal of FVOCI equity investments from surplus to unappropriated profit - net of tax | - | - | - | 64,182 | - | - | (64,182) | - | - | - |
| Transfer to statutory reserve | - | - | 2,944,558 | - | - | - | (2,944,558) | - | - | - |
| Transactions with owners, recorded directly in equity | - | - | - | - | - | - | - | - | - | - |
| Final cash dividend - December 31, 2023 declared subsequent to the year end at Rs. 11.0 per share | - | - | - | - | - | - | (13,465,977) | (13,465,977) | - | (13,465,977) |
| Interim cash dividend - March 31, 2024 declared at Rs. 11.0 per share | - | - | - | - | - | - | (13,465,977) | (13,465,977) | - | (13,465,977) |
| Balance as at June 30, 2024 (Un-audited) | 12,241,797 | 68,437,061 | 49,822,681 | 1,483,020 | 41,666,410 | - | 96,916,323 | 270,567,292 | 15,629,943 | 286,197,235 |

The annexed notes 1 to 44 form an integral part of these consolidated condensed interim financial statements.


Arif Akmal Saif
Chief Financial Officer


Muhammad Jawaid Iqbal
President &
Chief Executive Officer


Shazia Syed
Director


Daniel Michael Howlett
Director


Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | January - June 2024 | January - June 2023 |
|---|------------------------|------------------------|
| ----- (Rupees in '000) ----- | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 60,233,851 | 52,020,939 |
| Less: Dividend income | 868,523 | 904,300 |
| Less: Share of profit / (loss) of associates | 245,947 | (374,401) |
| | 59,119,381 | 51,491,040 |
| Adjustments: | | |
| Depreciation on property and equipment | 2,652,832 | 2,080,447 |
| Depreciation on Islamic financing against leased assets (Ijarah) | 40,189 | 70,047 |
| Depreciation on right-of-use assets | 1,180,477 | 1,109,997 |
| Depreciation on non-banking assets acquired in satisfaction of claims | 1,613 | 1,506 |
| Amortisation | 501,685 | 509,307 |
| Workers' Welfare Fund - charge | 1,252,496 | 1,043,620 |
| Provision for retirement benefits | 837,618 | 709,292 |
| Provision for compensated absences | 128,055 | 118,284 |
| Credit loss allowance against loans and advances - net | (2,049,803) | (2,134,734) |
| Credit loss allowance against off - balance sheet obligations - net | 48,083 | 36,401 |
| Credit loss allowance for diminution in value of investments - net | (236,595) | 5,165,373 |
| Financial charges on leased assets | 704,967 | 583,838 |
| (Gain) / loss on sale of Ijarah assets - net | (868) | 671 |
| Gain on sale of property and equipments - net | (70,367) | (307,228) |
| Bad debts written-off directly | 28,480 | 94,335 |
| Unrealised (gain) / loss on revaluation of investments classified as FVTPL | (115,408) | 7,008 |
| Credit loss allowance against other assets | (7,675) | (16,064) |
| Other credit loss allowance / write-offs | 64,431 | 56,193 |
| | 4,960,210 | 9,128,293 |
| | 64,079,591 | 60,619,333 |
| (Increase) / decrease in operating assets | | |
| Lendings to financial institutions | 23,433,004 | (30,508,517) |
| Securities classified as FVPL | (9,547,386) | 18,949,028 |
| Advances | (61,270,813) | 182,478,493 |
| Other assets (excluding advance taxation) | (25,431,026) | (25,267,070) |
| | (72,816,221) | 145,651,934 |
| Increase / (decrease) in operating liabilities | | |
| Bills payable | 729,597 | (11,500,568) |
| Borrowings | 1,281,338,248 | 67,722,376 |
| Deposits and other accounts | 605,896,692 | 390,633,609 |
| Other liabilities | 11,689,156 | 648,726 |
| | 1,899,653,693 | 447,504,143 |
| | 1,890,917,063 | 653,775,410 |
| Receipts on account of staff retirement benefits | 2,840,892 | 749,215 |
| Income taxes paid | (26,591,344) | (22,778,096) |
| Net cash flow generated from operating activities | 1,867,166,611 | 631,746,529 |
| CASH FLOW FROM INVESTING ACTIVITIES | | |
| Net investments in securities classified as FVOCI | (1,722,058,623) | (441,198,750) |
| Net investments in amortized cost securities | 8,576,866 | (10,591,537) |
| Net investments in associates | (1,161,228) | (94,468) |
| Dividend income received | 868,523 | 904,300 |
| Investment in property and equipments and intangible assets | (9,138,932) | (3,560,487) |
| Sale proceeds from disposal of property and equipments | 82,490 | 1,826,040 |
| Sale proceeds from disposal of Ijarah assets | - | 5,302 |
| Effect of translation of net investment in overseas branches and subsidiaries | (1,675,367) | 24,017,610 |
| Net cash flow used in investing activities | (1,724,506,271) | (428,691,990) |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Payment of lease liability against right-of-use assets | (1,734,371) | (1,623,866) |
| Dividend paid | (26,964,120) | (32,411,617) |
| Net cash flow used in financing activities | (28,698,491) | (34,035,483) |
| Decrease in cash and cash equivalents | | |
| Cash and cash equivalents at the beginning of the period | 113,961,849 | 169,019,056 |
| Effect of exchange rate changes on cash and cash equivalents | 312,428,031 | 139,067,061 |
| | (1,641,900) | 20,654,230 |
| | 310,786,131 | 159,721,291 |
| Cash and cash equivalents at the end of the period | 424,747,980 | 328,740,347 |

The annexed notes 1 to 44 form an integral part of these consolidated condensed interim financial statements.



Arif Akmal Saiffe
Chief Financial Officer



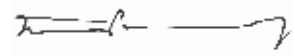
Muhammad Jawaid Iqbal
President &
Chief Executive Officer



Shazia Syed
Director



Daniel Michael Howlett
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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 1,381 (December 31, 2023: 1,356) branches inside Pakistan including 223 (December 31, 2023: 209) Islamic Banking branches and 2 (December 31, 2023: 2) branches in Export Processing Zones. The Bank also operates 8 (December 31, 2023: 8) branches outside Pakistan. The Bank is a subsidiary of Bestway International Holdings Limited (BIHL) and BIHL is a wholly owned subsidiary of Bestway Group Limited (BGL) which is incorporated in the Guernsey.

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

These consolidated condensed interim financial statements have been prepared in conformity with the format of interim financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 2 dated February 09, 2023.

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic mode. The 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 profit 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 utilized and the appropriate portion of profit thereon.

Key financial figures of the Islamic Banking branches are disclosed in note 40 to these consolidated condensed interim financial statements.

2.1 STATEMENT OF COMPLIANCE

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

- International 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;
- Provisions of and directives issued under the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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.

The SBP vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD Circular No. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements.

The SECP vide its notification SRO 633 (I)/2014 dated July 10, 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.

The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular No. 2 dated February 09, 2023 and IAS 34, Interim Financial Reporting. They do not include all the information and disclosures required in preparation of audited annual financial statements, and should be read in conjunction with the audited consolidated financial statements of the Bank for the year ended December 31, 2023.

2.2 Standards, interpretations and amendments to accounting standards that are effective in the current period

During the year, the Bank has adopted IFRS 9 as applicable in Pakistan with effect from 01 January 2024 (refer note 3.1 for details). There are certain other amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2024. Except for IFRS 9, these are either considered not to be relevant or do not have any significant impact and accordingly have not been detailed in these consolidated condensed interim financial statements.

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

There are various amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective. These are not likely to have a material effect on the Bank's financial statements.

3 MATERIAL ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Bank for the year ended December 31, 2023, except as disclosed in Notes 3.1 and 3.2.

3.1 Changes in reporting format

The SBP vide BPRD Circular No. 2 dated February 09, 2023 specified the new format for interim financial statements of banking companies. The new format has revised the disclosure requirements of the Bank for the half year ended June 30, 2024 which has resulted in additional disclosures relating to IFRS 9 and reclassification of Lease liabilities and Right of use assets on the face of Statement of Financial Position out of Property and equipment and Other Liabilities, respectively in these financial statements.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2024

3.2 IFRS 9 - Financial Instruments

The Bank has adopted IFRS 9 (read with IFRS 9 application instructions issued by SBP) retrospectively with date of initial application as January 01, 2024, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. In terms of the transitional provisions of IFRS 9, adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening unappropriated profit and other reserves at the beginning of the current period without restating the comparative figures. The impact on carrying amounts of the financial assets and liabilities is disclosed in Note 3.2.4.

3.2.1 Scope of IFRS 9 application

IFRS 9 has been applicable in several overseas jurisdictions at various effective dates starting from January 01, 2018. The requirements of this standard were already incorporated in the Bank's financial statements for the jurisdictions where IFRS 9 has been adopted. The results of those overseas operations where IFRS 9 is not applicable will be directly incorporated in the Bank's financial statements as per the respective country's regulations, for the year ending December 31, 2024. As per the SBP IFRS 9 application instructions, all overseas Jurisdictions will be subject to the IFRS 9 requirements from next financial year.

Upon implementation of IFRS 9, the Banking Industry sought certain technical clarifications from SBP and also identified practical difficulties in certain areas of implementation of IFRS 9, such as valuation of unquoted equity securities, fair valuation of concessional loans, recognition of interest income/expense on financial instruments, modification accounting of financial assets and expected credit loss on foreign currency balances with SBP. The SBP vide its Circular No.16 dated July 29, 2024 has allowed temporary extension in timeline for most of the above referred matters with directions to implement IFRS 9 requirements before the end of the financial year other than valuation of unquoted equity securities which is required to be implemented from next financial year. However, the Banking Industry will continue to engage SBP on remaining matters in the coming months to have more clarity on such areas. Accordingly, the Bank has continued to apply previous accounting practices in such areas for the purposes of preparation of these interim financial statements.

3.2.2 Significant differences from accounting policies applicable till 31 December 2023 before adoption of IFRS 9

3.2.2.1 Classification of financial assets

IFRS 9 introduced a new classification model for financial assets that is more principles-based than the previous requirements. Financial assets are classified according to their contractual cash flow characteristics and the business models under which they are held. Instruments will be classified either at amortised cost, the newly established measurement category fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). For equity investment that are not held for trading, an election is available to the Bank to classify these either through FVTPL or FVOCI. The previous accounting policies were based on instrument by instrument classification into Held for trading, Held to maturity and Available for Sale categories as disclosed in Note 4.4 to the annual financial statements of the Bank.

3.2.2.2 Impairment of debt investments and loans and advances

The new IFRS 9 impairment requirements eliminate the previous threshold for the recognition of credit losses, i.e., it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for ECLs, and updates the loss allowance for changes in these ECLs at each reporting date to reflect changes in credit risk since initial recognition. Consequently, the holder of the financial asset needs to take into account more timely and forward-looking information in order to provide users of financial statements with useful information about the ECLs on financial instruments that are in the scope of these impairment requirements. The previous impairment requirements were based solely on Prudential regulations of SBP as disclosed in Note 4.10 to the annual financial statements of the Bank.

3.2.2.3 Impairment of equity investments

Previously, investments classified as available for sale were required to be tested for impairment and if there is an objective evidence of impairment, impairment was required to be booked. Under IFRS 9 regime, no impairment is required against such investments which are carried at FVOCI as the gain or loss on remeasurement will remain in OCI/Surplus on revaluation of Investments. The previous accounting policies are disclosed in Note 4.10 to the annual financial statements of the Bank.

3.2.3 Material accounting policies applicable from 01 January 2024 as a result of adoption of IFRS 9

3.2.3.1 Financial assets – initial recognition

Financial assets are initially recognized at fair value. When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Bank recognises the difference between the transaction price and fair value in profit and loss account. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit and loss account when the inputs become observable, or when the instrument is derecognised.

3.2.3.2 Classification and subsequent measurement of financial assets

Financial assets are classified into following categories for measurement subsequent to initial recognition:

- Financial assets at amortized cost
- Debt instruments at 'fair value through other comprehensive income' FVOCI
- Equity instruments at 'fair value through other comprehensive income' FVOCI
- Financial assets at 'fair value through profit or loss' FVTPL

3.2.3.3 Financial assets at amortised cost

The Bank classifies its financial assets at amortized cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding

The details of these conditions are outlined below:

a) Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Bank's Board/ Board Committees
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2024

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

b) The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of financial asset to identify whether they meet the SPPI test. The assessment of SPPI aims to identify whether the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding'.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of 'interest' within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

After initial measurement, these financial assets are subsequently measured at amortized cost.

3.2.3.4 Debt instruments at FVOCI

The Bank applies this new category under IFRS 9 when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income at EIR and foreign exchange gains and losses are recognised in the profit and loss account.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit and loss account. The accumulated loss recognised in OCI is recycled to the profit and loss account upon derecognition of the assets.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit and loss account.

3.2.3.5 Equity instruments at FVOCI

Upon initial recognition, the Bank elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of 'Equity' under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis and is irrevocable.

Gains and losses on these equity instruments are never recycled to profit and loss account. Dividends are recognised in profit and loss account when the right of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

3.2.3.6 Financial assets and financial liabilities at FVPL

Financial assets and financial liabilities in this category are those that are:

- held for trading, that is, they have been purchased or issued primarily for short-term profit-making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking, or
- not held for trading and have been either designated by management upon initial recognition, or mandatorily required to be measured at fair value under IFRS 9

Financial assets are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss account. Interest and dividend income or expense is recorded in net trading income according to the terms of the contract, or when the right to payment has been established.

3.2.3.7 Financial liabilities at amortised cost

Financial liabilities with a fixed maturity are measured at amortised cost using the EIR method. These include Bills payable, Borrowings, Deposits and certain items within Other Liabilities.

3.2.3.8 Derecognition of financial assets

3.2.3.8.1 Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loan is classified as Stage 1 for ECL measurement purposes, unless it is deemed to be purchased originated credit impaired. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers qualitative factors such as change in currency of the loan, introduction of an equity feature, change in counterparty, or if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

The gain/(loss) on derecognition of financial asset has been calculated as the difference between the book value (including impairment) and the proceeds received.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3.2.3.8.2 Derecognition other than due to substantial modification of terms and conditions

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

3.2.3.9 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

3.2.3.10 Impairment of financial assets

3.2.3.10.1 Overview of the ECL principles

The adoption of IFRS 9 has fundamentally changed the Bank's loan loss impairment method by replacing the incurred loss approach of the local regulations with a forward-looking ECL approach. The Bank has been recording the allowance for expected credit losses for all loans and other debt financial assets held at amortised cost or FVOCI, together with loan commitments, letters of credit and financial guarantee contracts. Equity instruments are not subject to impairment under IFRS 9. Under the SBP's instructions, local currency credit exposures guaranteed by the Government and Government Securities are exempted from the application of ECL.

3.2.3.10.2 The calculation of ECLs

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss (LTECL)), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Based on the above process, the Bank groups its financial assets into Stage 1, Stage 2 and Stage 3 as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination (SICR), the Bank records an allowance for the LTECLs. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Bank records an allowance for the LTECLs with PD set at 100%. Under SBP's instructions, until implementation of IFRS 9 has stabilized, Stage 3 allowance would be taken as as higher of IFRS 9 ECL or provision computed under Prudential Regulations.

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Bank considers an exposure to have significantly increased in credit risk when there is considerable deterioration in the internal rating grade for subject borrower. The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. Regardless of the change in credit grades, generally, the Bank considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. However, for certain portfolios, the Bank has rebutted 30 DPD presumption based on behavioural analysis of its borrowers.

The key elements of ECL calculations are as follows:

- The Probability of Default (PD) is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. PD is estimated based on transitioning among credit states. Credit states are defined by rating classes and are based on the Bank's internal risk ratings (i.e. from 1 to 12). Through the yearly review of the non-consumer portfolio, the Bank has drawn a yearly transition matrix of ratings to compute a count based PD over the one year horizon for the last 7 years. PDs for Non rated portfolios are calculated based on Days Past Due (DPD) bucket level for each segment separately. Where practical, they also build on information from External Rating Agencies. PDs are then adjusted for IFRS 9 ECL calculations to incorporate forward looking information.
- The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. To mitigate its credit risks on financial assets, the Bank seeks to use collateral, where possible. The collateral comes in various forms, such as cash, securities, letters of credit/guarantees, real estate, receivables, inventories and other non-financial assets. For IFRS 9, the Bank only considers the liquid collaterals.

The interest rate used to discount the ECLs would be based on the effective interest rate that is expected to be charged over the expected period of exposure to the facilities.

When estimating the ECLs, the Bank considers three probability-weighted scenarios (a base case, a best case, and a worse case). Each of these is associated with different PDs, EADs and LGDs. These expected probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR. This calculation is made for each of the three scenarios. When relevant, the assessment of multiple scenarios also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset.

The maximum period for which the credit losses are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier.

Impairment losses and reversals are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

3.2.3.10.3 Forward looking information

The Bank formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information. This process involves developing three different economic scenarios, which represent macro economic inputs.

3.2.4 Transition disclosures

This note sets out the impact of adopting IFRS 9 on the statement of financial position, unappropriated profit and surplus on revaluation of investments of the bank.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with local regulations to their new measurement categories upon transition to IFRS 9 on January 01, 2024:

| Classification under IFRS 9 | | | | | | | |
|---|----------------------|---------------------------|------------------------------|----------------------|----------------------------|---|----------------------|
| Carrying amount as per current accounting policy as at Dec 31, 2023 | At FVTPL | At FVOCI - with recycling | At FVOCI - without recycling | At Amortized Cost | Remeasurement under IFRS 9 | IFRS 9 carrying amount as at Jan 01, 2024 | |
| (Rupees in '000) | | | | | | | |
| Cash and cash equivalents | 308,030,968 | - | - | 308,030,968 | (1,182) | 308,029,786 | |
| Lendings to financial institutions | 34,447,852 | - | - | 34,447,852 | - | 34,447,852 | |
| Advances | 613,565,526 | - | - | 613,565,526 | (7,969,693) | 605,595,833 | |
| Investments in financial assets | | | | | | | |
| Held for trading | 78,956,749 | 78,956,749 | - | - | - | 78,956,749 | |
| Held to maturity | 362,838,478 | - | - | 362,838,478 | (344) | 362,838,134 | |
| Available for sale | 3,939,226,221 | 3,635,231 | 3,925,259,062 | 10,331,928 | (7,157) | 3,939,219,064 | |
| Other assets | 150,395,306 | 4,266,717 | - | - | - | 150,395,306 | |
| Total Financial Assets | 5,487,461,100 | 86,858,697 | 3,925,259,062 | 10,331,928 | 1,465,011,413 | (7,978,376) | 5,479,482,724 |
| Borrowings | 2,815,470,554 | - | - | 2,815,470,554 | - | 2,815,470,554 | |
| Bills payable | 21,651,784 | - | - | 21,651,784 | - | 21,651,784 | |
| Deposits | 2,350,540,823 | - | - | 2,350,540,823 | - | 2,350,540,823 | |
| Subordinated debt | 10,000,000 | - | - | 10,000,000 | - | 10,000,000 | |
| Other liabilities | 88,722,556 | 2,741,100 | - | 85,981,456 | 1,037,902 | 89,760,458 | |
| Total financial liabilities | 5,286,385,717 | 2,741,100 | - | 5,283,644,617 | 1,037,902 | 5,287,423,619 | |
| Net Financial Assets | 201,075,383 | 84,117,597 | 3,925,259,062 | 10,331,928 | (3,818,633,204) | (9,016,278) | 192,059,105 |
| Deferred tax assets | (1,921,889) | - | - | - | 4,417,976 | 2,496,087 | |
| Effect on net assets on adoption of IFRS 9 | | | | | | (4,598,302) | |

The following explains how applying the new classification requirements of IFRS 9 led to changes in classification of certain financial assets held by the Bank as shown in the table above:

(A) Debt instruments previously classified as available for sale (AFS) but which fail the SPPI test

The Bank held a portfolio of debt instruments amounting to Rs. 1,864.973 million that failed to meet the SPPI requirement for amortised cost classification under IFRS 9. These instruments contain provisions that, in certain circumstances, can allow the issuer to defer interest payments, but which do not accrue additional interest. This clause breaches the criterion that interest payments should only be consideration for credit risk and the time value of money on the principal. As a result these are required to be classified as FVTPL under IFRS 9.

(B) Designation of equity instruments at FVOCI

The Bank has elected to irrevocably designate investments in listed securities and strategic investments in unquoted securities as FVOCI amounting to Rs. 9,611.924 million and Rs. 720.004 million, respectively. These securities were previously classified as available for sale. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposed of.

(C) Reclassification from retired categories with no change in measurement

In addition to the above, the following debt instruments have been reclassified to new categories under IFRS 9, as their previous categories under existing local regulations were 'retired', with no changes to their measurement basis:

- Those previously classified as available for sale and now classified as measured at FVOCI; and
- Those previously classified as held to maturity and now classified as measured at amortised cost.
- Those previously classified as held for trading and now classified as measured at FVTPL.

The impact of transition to IFRS 9 on unappropriated profit and surplus on revaluation of investments is as follows:

| | Unappropriated profit | Surplus / (Deficit) on revaluation Investments | Total |
|---|-----------------------|--|-------------------|
| ----- Rupees in '000' ----- | | | |
| Balance as at December 31, 2023 | 90,492,296 | 3,753,667 | 94,245,963 |
| Recognition of IFRS 9 ECL - net of tax | (4,598,302) | - | (4,598,302) |
| Available for sale equity instruments reclassified as FVOCI under IFRS 9 - net of tax | 3,214,765 | (3,214,765) | - |
| Balance under IFRS 9 as at January 01, 2024 - as restated | 89,108,759 | 538,902 | 89,647,661 |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these consolidated condensed interim financial statements in conformity with the accounting and reporting standards as applicable in Pakistan 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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Bank for the year ended December 31, 2023, except for the adoption of IFRS 9 w.e.f January 01, 2024. These are disclosed in Note 4.1

4.1 Impairment losses on financial assets

Determination of expected credit losses is a significant estimate and involves the following judgments:

- Development of ECL models, including the various formulas and the choice of inputs
- The segmentation of financial assets when their ECL is assessed on a collective basis
- The Bank's internal credit grading model based on which PDs are assigned to the individual grades
- Qualitative and quantitative indicators used as SICR triggers
- The definition of default against which parameters of ECL model such as PD, LGD and EAD are evaluated
- Selection of forward-looking macroeconomic scenarios and their probability weightings
- Determination of economic inputs, such as GDP growth and CPI

5. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2023.

6. CASH AND BALANCES WITH TREASURY BANKS

In hand

Local currency
Foreign currencies

| (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | |

| | |
|------------|------------|
| 41,900,963 | 27,876,981 |
| 14,129,721 | 13,068,432 |
| 56,030,684 | 40,945,413 |

With State Bank of Pakistan in

Local currency current accounts
Foreign currency current accounts
Foreign currency deposit accounts

| | |
|-------------|-------------|
| 116,885,843 | 88,035,634 |
| 5,214,261 | 5,306,080 |
| 9,287,396 | 9,473,621 |
| 131,387,500 | 102,815,335 |

With other central banks in

Foreign currency current accounts
Foreign currency deposit accounts

| | |
|-------------|------------|
| 98,690,655 | 50,093,433 |
| 7,901,318 | 10,684,831 |
| 106,591,973 | 60,778,264 |

With National Bank of Pakistan in

Local currency current accounts
Foreign currency deposit account

| | |
|------------|------------|
| 64,272,721 | 72,368,067 |
| 5,566,788 | - |
| 69,839,509 | 72,368,067 |

National prize bonds

| | |
|---------|---------|
| 424,858 | 448,681 |
|---------|---------|

Less: Credit loss allowance held against cash and balances with treasury banks

| | |
|---|---|
| - | - |
|---|---|

Cash and balances with treasury banks - net of credit loss allowance

| | |
|-------------|-------------|
| 364,274,524 | 277,355,760 |
|-------------|-------------|

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| 7. BALANCES WITH OTHER BANKS | | |
| In Pakistan | | |
| In current accounts | - | 1,659 |
| In deposit accounts | 7 | 7 |
| Outside Pakistan | | |
| In current accounts | 24,578,344 | 26,393,747 |
| In deposit accounts | 35,895,858 | 7,034,958 |
| | 60,474,202 | 33,428,705 |
| Less: Credit loss allowance held against balances with other banks | (753) | - |
| Balances with other banks - net of credit loss allowance | <u>60,473,456</u> | <u>33,430,371</u> |

| | | |
|--|-------------------|-------------------|
| 8. LENDINGS TO FINANCIAL INSTITUTIONS | | |
| Call / clean money lendings | 883,266 | 4,868,418 |
| Musharakah lending | - | 12,500,000 |
| Repurchase agreement lendings (Reverse Repo) | 15,000,000 | 21,947,852 |
| | 15,883,266 | 39,316,270 |
| Less: Credit loss allowance held against lending to financial institutions | - | - |
| Lending to financial institutions - net of credit loss allowance | <u>15,883,266</u> | <u>39,316,270</u> |

| | | (Un-audited) June 30, 2024 | |
|--|---------|-------------------------------|-------------------------------|
| | | Lending | Credit loss allowance held |
| | | ----- (Rupees in '000) ----- | |
| 8.1 Lending to FIs - Particulars of credit loss allowance | | | |
| Domestic | | | |
| Performing | Stage 1 | 15,000,000 | - |
| Under performing | Stage 2 | - | - |
| Non-performing | Stage 3 | - | - |
| Substandard | | - | - |
| Doubtful | | - | - |
| Loss | | - | - |
| Sub total | | 15,000,000 | - |
| Overseas | | | |
| Performing | Stage 1 | 883,266 | - |
| Under performing | Stage 2 | - | - |
| Non-performing | Stage 3 | - | - |
| Substandard | | - | - |
| Doubtful | | - | - |
| Loss | | - | - |
| Sub total | | 883,266 | - |
| Total | | <u>15,883,266</u> | <u>-</u> |

| | | (Un-audited) June 30, 2024 | | | |
|--------------------------------|-----|-------------------------------|--------------------------|------------------------|----------------------|
| | | Cost / Amortised cost | Credit loss allowance | Surplus / (Deficit) | Carrying Value |
| | | ----- (Rupees in '000) ----- | | | |
| 9. INVESTMENTS | | | | | |
| 9.1 Investments by type | | | | | |
| FVTPL | | | | | |
| Federal Government Securities | | 86,022,929 | - | (6,134) | 86,016,795 |
| Shares and units | | 616,232 | - | 121,542 | 737,774 |
| Non-Government debt securities | | 1,864,974 | - | - | 1,864,974 |
| | | 88,504,135 | - | 115,408 | 88,619,543 |
| FVOCI | | | | | |
| Federal Government securities | | 5,478,545,658 | (1,559,264) | 7,552,256 | 5,484,538,650 |
| Shares and units | | 12,664,589 | - | (856,361) | 11,808,228 |
| Non-Government debt securities | | 2,049,141 | (169,491) | (287,199) | 1,592,451 |
| Foreign securities | | 211,667,272 | (23,535) | (3,709,840) | 207,933,897 |
| | | 5,704,926,660 | (1,752,290) | 2,698,856 | 5,705,873,226 |
| Amortised cost | | | | | |
| Federal Government securities | | 291,705,200 | - | - | 291,705,200 |
| Non-Government debt securities | | 24,374,770 | (1,273,774) | - | 23,100,996 |
| Foreign securities | | 39,479,464 | (24,049) | - | 39,455,415 |
| | | 355,559,434 | (1,297,823) | - | 354,261,611 |
| Associates | 9.2 | 7,190,845 | (1,033,786) | - | 6,157,059 |
| Total Investments | | <u>6,156,181,074</u> | <u>(4,083,899)</u> | <u>2,814,264</u> | <u>6,154,911,439</u> |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | Note | (Audited) December 31, 2023 | | | |
|--------------------------------------|------|--------------------------------|--------------------------------|------------------------|-------------------|
| | | Cost / Amortised cost | Provision for diminution | Surplus / (Deficit) | Carrying Value |
| ----- (Rupees in '000) ----- | | | | | |
| Held for trading securities | | | | | |
| Federal Government Securities | | 79,035,823 | - | (79,074) | 78,956,749 |
| Available for sale securities | | | | | |
| Federal Government securities | | 3,811,624,681 | (12,421,631) | 5,026,047 | 3,804,229,097 |
| Shares and units | | 14,531,088 | (6,107,121) | 3,678,469 | 12,102,436 |
| Non-Government debt securities | | 3,964,758 | (162,334) | (674,087) | 3,128,337 |
| Foreign securities | | 172,534,321 | (23,993) | (3,010,385) | 169,499,943 |
| | | 4,002,654,848 | (18,715,079) | 5,020,044 | 3,988,959,813 |
| Held to maturity securities | | | | | |
| Federal Government securities | | 308,215,895 | (4,406,225) | - | 303,809,670 |
| Non-Government debt securities | | 22,764,643 | (1,293,634) | - | 21,471,009 |
| Foreign securities | | 38,088,926 | (541,128) | - | 37,557,798 |
| | | 369,079,464 | (6,240,987) | - | 362,838,477 |
| Associates | 9.2 | 6,029,617 | (1,033,786) | - | 4,995,831 |
| Total Investments | | 4,456,799,752 | (25,989,852) | 4,940,970 | 4,435,750,870 |

9.2 Summary of financial position and performance of associates

| June 30, 2024 (Un-audited) | | | | | | | |
|--|-----------------------------|-----------------------|------------|-------------|-----------|-----------------|----------------------------------|
| | Country of incorporation | Percentage Holding | Assets | Liabilities | Revenue | Profit / (loss) | Total comprehensive income |
| ----- (Rupees in '000) ----- | | | | | | | |
| UBL Stock Advantage Fund | Pakistan | 1.51% | 7,111,809 | 142,458 | 1,446,996 | 1,310,821 | 1,310,821 |
| Al-Ameen Islamic Energy Fund | Pakistan | 7.48% | 955,135 | 71,147 | 163,849 | 141,257 | 141,257 |
| UBL Pakistan Enterprise Exchange Traded Fund | Pakistan | 74.36% | 50,947 | 5,306 | 2,976 | 2,452 | 12,492 |
| UBL Liquidity Plus Fund | Pakistan | 10.52% | 37,350,284 | 285,659 | 3,183,165 | 2,955,444 | 2,955,444 |
| Al-Ameen Islamic Cash Plan-I | Pakistan | 4.11% | 27,268,224 | 47,231 | 2,513,807 | 2,376,829 | 2,376,829 |
| UBL Fixed Return Plan - III-N | Pakistan | 6.99% | 731,941 | 8,774 | 27,873 | 24,501 | 24,501 |
| UBL Fixed Return Plan-III-O | Pakistan | 76.93% | 39,453 | 192 | 1,469 | 1,289 | 1,289 |
| UBL Fixed Return Plan-IV-B | Pakistan | 15.28% | 271,231 | 1,192 | 19,989 | 18,520 | 18,520 |
| UBLKPK - Money Market Sub Fund | Pakistan | 87.57% | 38,386 | 313 | 3,619 | 3,417 | 3,417 |
| AIKPK - Money Market Sub Fund | Pakistan | 82.08% | 42,370 | 1,812 | 3,808 | 3,598 | 3,598 |
| UBL Insurers Limited | Pakistan | 30.00% | 11,597,253 | 9,119,625 | 1,076,801 | 357,082 | 371,347 |

9.3 Investments given as collateral

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--------------------------------------|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | |
| Federal Government securities | | |
| Market Treasury Bills | 2,587,646,293 | 1,739,647,706 |
| Pakistan Investment Bonds | 1,418,375,772 | 962,704,865 |
| Associates | | |
| Units of UBL Liquidity Plus Fund | 2,231,079 | 589,320 |
| Units of UBL Cash Fund | - | 1,299,847 |
| | <u>4,008,253,144</u> | <u>2,704,241,738</u> |

The market value of securities given as collateral is Rs. 4,006,176 million (December 31, 2023: Rs. 2,717,969 million).

| | Note | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|-------|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| 9.4 Credit loss allowance for diminution in value of investments | | | |
| Opening balance | | 25,989,852 | 28,604,522 |
| Exchange adjustments | | (86,562) | 3,388,726 |
| Impact of reclassification on adoption of IFRS 9 | | (6,107,121) | - |
| Impact of ECL recognised on adoption of IFRS 9 | | 7,501 | - |
| Charge / (reversals) | | | |
| Charge for the period / year | | 108,264 | 7,376,097 |
| Reversals for the period / year | | (344,859) | (1,266,052) |
| | | (236,595) | 6,110,045 |
| Transfer | | - | - |
| Derecognition of ECL on disposals | 9.4.1 | (15,483,176) | (12,113,441) |
| Amounts written off | | | |
| Closing balance | 9.5 | <u>4,083,899</u> | <u>25,989,852</u> |

9.4.1 ECL provision under IFRS 9 amounting to Rs.15,483,176 million was held as part of the amortised cost of securities. This amount has been derecognised as a consequence of the disposal of such securities.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | | (Un-audited) June 30, 2024 | |
|------------------------------|---|-------------------------------|----------------------------------|
| | | Outstanding amount | Credit loss allowance held |
| ----- (Rupees in '000) ----- | | | |
| 9.5 | Particulars of credit loss allowance against debt securities | | |
| | Domestic | | |
| | Performing | Stage 1 | 5,869,647,262 |
| | Under performing | Stage 2 | - |
| | Non-performing | Stage 3 | - |
| | Substandard | | - |
| | Doubtful | | - |
| | Loss | | 626,981 |
| | | | 626,981 |
| | Overseas | | |
| | Performing | Stage 1 | 257,369,323 |
| | Under performing | Stage 2 | 8,065,840 |
| | Non-performing | Stage 3 | - |
| | Substandard | | - |
| | Doubtful | | - |
| | Loss | | - |
| | Total | | 6,135,709,406 |
| | | | 3,050,113 |

Particulars of provision against debt securities

| Category of classification | | December 31, 2023 (Audited) | |
|------------------------------|--|-----------------------------------|----------------|
| | | Non- Performing Investments | Provision |
| ----- (Rupees in '000) ----- | | | |
| Domestic | | | |
| Loss | | 641,383 | 641,383 |
| Overseas | | | |
| Defaulted exposure | | - | - |
| Total | | 641,383 | 641,383 |

9.6 The market value of securities classified as amortised cost as at June 30, 2024 amounted to Rs. 335,386.038 million (December 31, 2023: Rs. 337,640.922 million).

9.7 The transaction for the sale of the Bank's shareholding in United National Bank Limited (UNBL UK) was concluded subsequent to the reporting period date after obtaining all the regulatory approvals.

| 10. ADVANCES | Note | June 30, 2024 (Un-audited) | | |
|--|------|----------------------------|---------------------|------------------------------|
| | | Performing | Non-performing | Total |
| | | | | ----- (Rupees in '000) ----- |
| Loans, cash credits, running finances, etc. | | 840,961,440 | 107,455,707 | 948,417,147 |
| Islamic financing and related assets | 40.3 | 54,681,826 | 193,610 | 54,875,436 |
| Bills discounted and purchased | | 37,540,951 | 3,018,938 | 40,559,889 |
| Advances - gross | | 933,184,217 | 110,668,255 | 1,043,852,472 |
| Credit loss allowance against advances | 10.3 | | | |
| -Stage 1 | | (5,256,908) | - | (5,256,908) |
| -Stage 2 | | (10,146,839) | - | (10,146,839) |
| -Stage 3 | | - | (93,154,978) | (93,154,978) |
| Advances - net of credit loss allowance | | (15,403,747) | (93,154,978) | (108,558,725) |
| | | 917,780,470 | 17,513,277 | 935,293,747 |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| Note | December 31, 2023 (Audited) | | |
|---|------------------------------|------------------------------------|------------------------------|
| | Performing | Non-performing | Total |
| | ----- (Rupees in '000) ----- | | |
| Loans, cash credits, running finances, etc. | 800,959,576 | 107,369,561 | 908,329,137 |
| Islamic financing and related assets | 47,191,822 | 222,205 | 47,414,027 |
| Bills discounted and purchased | 16,976,674 | 2,982,770 | 19,959,444 |
| Advances - gross | 865,128,072 | 110,574,536 | 975,702,608 |
| Provision against advances | | | |
| -Specific | - | (92,332,287) | (92,332,287) |
| -General | (11,329,389) | - | (11,329,389) |
| Advances - net of provision | (11,329,389) | (92,332,287) | (103,661,676) |
| | 853,798,683 | 18,242,249 | 872,040,932 |
| | (Un-audited) | (Audited) | |
| | June 30, | December 31, | |
| | 2024 | 2023 | |
| | ----- (Rupees in '000) ----- | | |
| 10.1 Particulars of advances - gross | | | |
| In local currency | | 508,600,501 | 465,031,634 |
| In foreign currencies | | 535,251,971 | 510,670,974 |
| | | 1,043,852,472 | 975,702,608 |
| 10.2 Advances include Rs. 110,668.255 million (December 31, 2023: Rs. 110,574.536 million) which have been placed under non-performing / Stage 3 status as detailed below: | | | |
| | | June 30, 2024 (Un-audited) | |
| Category of Classification (Stage 3) | | Non-Performing Loans | Credit loss allowance |
| | | ----- (Rupees in '000) ----- | |
| Domestic | | | |
| Other Assets Especially Mentioned (OAEM)* | | 140,972 | 5,894 |
| Substandard | | 2,326,012 | 1,704,224 |
| Doubtful | | 867,498 | 423,252 |
| Loss | | 20,229,419 | 19,247,505 |
| | | 23,563,901 | 21,380,875 |
| Overseas | | | |
| Other Assets Especially Mentioned (OAEM)* | | - | - |
| Substandard | | 1,026,571 | 239,440 |
| Doubtful | | 22,281,442 | 11,492,929 |
| Loss | | 63,796,341 | 60,041,734 |
| | | 87,104,354 | 71,774,103 |
| Total | | 110,668,255 | 93,154,978 |
| | | December 31, 2023 (Audited) | |
| | | Non-Performing Loans | Provision |
| | | ----- (Rupees in '000) ----- | |
| Domestic | | | |
| Other Assets Especially Mentioned (OAEM)* | | 105,024 | 3,660 |
| Substandard | | 2,963,970 | 729,208 |
| Doubtful | | 197,690 | 91,464 |
| Loss | | 21,198,758 | 20,225,801 |
| | | 24,465,442 | 21,050,133 |
| Overseas | | | |
| Not past due but impaired ** | | 2,607,829 | 331,800 |
| Overdue by: | | | |
| Upto 90 days | | 91,393 | - |
| 91 to 180 days | | 3,632,088 | - |
| 181 to 365 days | | 4,913,369 | 1,685,624 |
| > 365 days | | 74,864,415 | 69,264,730 |
| | | 86,109,094 | 71,282,154 |
| Total | | 110,574,536 | 92,332,287 |

* The Other Assets Especially Mentioned category pertains to agriculture, housing and small enterprises financing.

** Not past due but impaired category mainly represents restructured exposures.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

10.3 Particulars of credit loss allowance against advances

| | June 30, 2024 (Un-audited) | | | |
|---------------------------------|----------------------------|-------------|-------------|-------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | (Rupees in '000) | | | |
| Opening balance | 919,153 | 10,410,236 | 92,332,287 | 103,661,676 |
| Exchange adjustments | (6,942) | (125,296) | (912,557) | (1,044,795) |
| Impact of Adoption of IFRS 9 | 4,046,484 | 2,689,194 | 1,234,015 | 7,969,693 |
| Charge / (reversals) | | | | |
| Charge for the period / year | 433,543 | - | 426,321 | 859,864 |
| Reversals for the period / year | (135,330) | (1,065,538) | (1,708,800) | (2,909,668) |
| | 298,213 | (1,065,538) | (1,282,479) | (2,049,804) |
| Amounts written off | - | - | (32,156) | (32,156) |
| Transfers (out) / in - net | - | (1,761,757) | 1,815,868 | 54,111 |
| Closing balance | 5,256,908 | 10,146,839 | 93,154,978 | 108,558,725 |

Particulars of provision against advances

| | December 31, 2023 (Audited) | | |
|---|-----------------------------|-------------|-------------|
| | Specific | General | Total |
| | (Rupees in '000) | | |
| Opening balance | 82,038,458 | 10,236,536 | 92,274,994 |
| Exchange adjustments | 14,721,165 | 2,318,974 | 17,040,139 |
| Charge / (reversals) | | | |
| Charge for the period / year | 894,440 | 140,921 | 1,035,361 |
| Reversals for the period / year | (4,561,819) | (1,367,042) | (5,928,861) |
| | (3,667,379) | (1,226,121) | (4,893,500) |
| Amounts charged off - agriculture financing | (153,498) | - | (153,498) |
| Amounts written off | (606,459) | - | (606,459) |
| Transfers (out) / in - net | - | - | - |
| Closing balance | 92,332,287 | 11,329,389 | 103,661,676 |

10.3.1 Advances - Category of classification

| | | June 30, 2024 (Un-audited) | |
|------------------|---------|----------------------------|----------------------------|
| | | Outstanding amount | Credit loss allowance held |
| | | (Rupees in '000) | |
| Domestic | | | |
| Performing | Stage 1 | 474,033,245 | 4,929,507 |
| Under performing | Stage 2 | 50,475,236 | 2,654,616 |
| Non-performing | Stage 3 | | |
| Substandard | | 2,466,984 | 1,710,118 |
| Doubtful | | 867,498 | 423,252 |
| Loss | | 20,229,419 | 19,247,505 |
| | | 23,563,901 | 21,380,875 |
| Sub total | | 548,072,382 | 28,964,998 |
| Overseas | | | |
| Performing | Stage 1 | 373,736,344 | 327,401 |
| Under performing | Stage 2 | 34,939,392 | 7,492,223 |
| Non-performing | Stage 3 | | |
| Substandard | | 1,026,571 | 239,440 |
| Doubtful | | 22,281,442 | 11,492,929 |
| Loss | | 63,796,341 | 60,041,734 |
| | | 87,104,354 | 71,774,103 |
| Sub total | | 495,780,090 | 79,593,727 |
| Total | | 1,043,852,472 | 108,558,725 |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

10.3.2 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 01 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. 66.826 million (December 31, 2023: Rs. 44.193 million).

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 regulations 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. 5,668.984 million (December 31, 2023: Rs. 6,114.438 million) for the overseas branches.

10.3.3 UBL UK has availed benefit of certain mortgaged properties held as collateral against non-performing advances in accordance with the applicable regulations in UK. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 4,843.507 million (December 31, 2023: 5,034.015 million).

The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

10.4 These represent non-performing advances for agriculture finance which have been classified as loss, are fully provided and are in default for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with the SBP's Prudential Regulations for Agriculture Financing. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

| | Note | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|------|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| 11. PROPERTY AND EQUIPMENT | | | |
| Capital work-in-progress | 11.1 | 6,497,077 | 1,353,200 |
| Property and equipment | | 76,148,660 | 75,106,959 |
| | | <u>82,645,737</u> | <u>76,460,159</u> |
| 11.1 Capital work-in-progress | | | |
| Civil works | | 5,746,798 | 764,539 |
| Equipment | | 750,279 | 588,661 |
| | | <u>6,497,077</u> | <u>1,353,200</u> |
| | | (Un-audited) | (Un-audited) |
| | | June 30, | June 30, |
| | | 2024 | 2023 |
| 11.2 Additions to Property and equipment | | ----- (Rupees in '000) ----- | |

The following additions have been made to Property and equipment during the period:

| | | |
|---|------------------|------------------|
| Capital work-in-progress - net | 5,143,877 | 771,156 |
| Property and equipment | | |
| Leasehold improvements | 694,292 | 802,636 |
| Furniture and fixtures | 422,422 | 133,138 |
| Electrical, office and computer equipment | 2,338,633 | 1,164,143 |
| Vehicles | 560,648 | 168,910 |
| | 4,015,995 | 2,268,827 |
| Total | <u>9,159,872</u> | <u>3,039,983</u> |

11.3 Disposal of Property and equipment

The net book value of Property and equipment disposed off during the period is as follows:

| | | |
|---|---------------|------------------|
| Building on leasehold land | - | 54,824 |
| Leasehold land | - | 1,444,780 |
| Leasehold Improvement | 9,934 | 1,455 |
| Furniture and fixtures | 517 | 719 |
| Electrical, office and computer equipment | 1,672 | 1,669 |
| Vehicles | - | 15,365 |
| | 12,123 | 1,518,812 |
| Total | <u>12,123</u> | <u>1,518,812</u> |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

12 RIGHT-OF-USE ASSETS

| | June 30, 2024 (Un-audited) | | | December 31, 2023 (Audited) | | |
|-----------------------------------|------------------------------|----------|-------------|-----------------------------|----------|-------------|
| | Buidlings | Others | Total | Buidlings | Others | Total |
| | ----- (Rupees in '000) ----- | | | | | |
| At January 1, | | | | | | |
| Cost | 14,136,595 | 209,786 | 14,346,381 | 12,714,260 | 89,986 | 12,804,246 |
| Accumulated Depreciation | (5,656,792) | (78,116) | (5,734,908) | (4,803,576) | (23,071) | (4,826,647) |
| Net Carrying amount at January 1, | 8,479,803 | 131,670 | 8,611,473 | 7,910,684 | 66,915 | 7,977,599 |
| Additions during the year | 2,616,219 | 10,997 | 2,627,216 | 3,183,903 | 124,328 | 3,308,231 |
| Deletions during the year | (389,628) | (4,789) | (394,417) | (373,111) | (1,448) | (374,559) |
| Depreciation charge for the year | (1,109,786) | (70,691) | (1,180,477) | (2,272,547) | (63,832) | (2,336,379) |
| Exchange rate adjustments | (694) | (211) | (905) | 30,874 | 5,707 | 36,581 |
| Net Carrying amount | 9,595,914 | 66,976 | 9,662,890 | 8,479,803 | 131,670 | 8,611,473 |

(Un-audited) (Audited)
June 30, December 31,
2024 2023
----- (Rupees in '000) -----

13. INTANGIBLE ASSETS

| | | |
|--|------------------|------------------|
| Capital work-in-progress - Computer software | 425,498 | 174,853 |
| Intangible assets - Computer software | 1,913,614 | 2,377,545 |
| | <u>2,339,112</u> | <u>2,552,398</u> |

(Un-audited) (Un-audited)
June 30, June 30,
2024 2023
----- (Rupees in '000) -----

13.1 Additions to intangible assets

The following additions have been made to intangible assets during the period

| | | |
|--|----------------|----------------|
| Capital work-in-progress - net | 250,645 | 110,452 |
| Directly purchased - Intangible assets | 53,679 | 410,052 |
| | <u>304,324</u> | <u>520,504</u> |

(Un-audited) (Audited)
June 30, December 31,
2024 2023
----- (Rupees in '000) -----

14. DEFERRED TAX ASSETS / (LIABILITIES)

Deductible temporary differences on

Credit loss allowance against advances and off balance sheet obligations
Tax losses carried forward
Workers Welfare Fund

| | |
|------------|-----------|
| 4,960,116 | 679,351 |
| 1,090,603 | 1,111,293 |
| 5,010,679 | 4,406,522 |
| 11,061,398 | 6,197,166 |

Taxable temporary differences on

Surplus on revaluation of property and equipment / non-banking assets
Surplus on revaluation on investments
Share of loss from associates
Accelerated tax depreciation
Post retirement employee benefits
Others

| | |
|-------------|-------------|
| (3,271,866) | (3,340,734) |
| (4,622,585) | (3,021,438) |
| (246,611) | (218,473) |
| (561,941) | (817,819) |
| (848,006) | (847,823) |
| (14,985) | (30,099) |
| (9,565,994) | (8,276,386) |
| 1,495,404 | (2,079,220) |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | Note | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|------|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| 15. OTHER ASSETS | | | |
| Income / mark-up accrued in local currency | | 136,409,946 | 121,606,613 |
| Income / mark-up accrued in foreign currencies | 15.1 | 2,839,945 | 3,056,696 |
| Receivable from staff retirement fund | | 1,094,271 | 4,730,609 |
| Receivable from other banks against telegraphic transfers and demand drafts | | 468,864 | 38,339 |
| Unrealised gain on forward foreign exchange contracts | | 921,445 | 4,461,256 |
| Rebate receivable - net | | 6,293,771 | 1,868,330 |
| Unrealised gain on derivative financial instruments | 25 | 17,154 | 32,379 |
| Stationery and stamps on hand | | 481,850 | 593,636 |
| Non-banking assets acquired in satisfaction of claims | | 40,462 | 42,075 |
| Advances, deposits, advance rent and other prepayments | | 3,836,610 | 3,143,717 |
| Commission receivable - Bancassurance & Branchless Banking | | 677,804 | 688,884 |
| Receivable against fraud & forgery and looted notes | | 492,918 | 475,390 |
| Acceptances | 22 | 25,955,533 | 17,584,022 |
| Others | | 2,452,796 | 1,985,592 |
| | | <u>181,983,369</u> | <u>160,307,538</u> |
| Less: Credit loss allowance / provision held against other assets | 15.2 | <u>(1,072,918)</u> | <u>(1,150,885)</u> |
| Other assets - net of credit loss allowance | | 180,910,451 | 159,156,653 |
| Surplus / (Deficit) on revaluation of non-banking assets acquired in satisfaction of claims | 23 | - | - |
| | | <u>180,910,451</u> | <u>159,156,653</u> |

15.1 Unrealised mark-up held in suspense amounting to Rs. 42,883.862 million (December 31, 2023: Rs. 39,977.644 million) against non-performing overseas advances has been netted off.

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | |
| 15.2 Expected credit loss allowance held against other assets | | |
| Advances, deposits, advance rent and other prepayments | 54,108 | 54,108 |
| Fraud & forgery and looted notes | 492,918 | 475,390 |
| Others | 525,892 | 621,387 |
| | <u>1,072,918</u> | <u>1,150,885</u> |

15.2.1 Movement in credit loss allowance held against other assets

| | | |
|---------------------------------|------------------|------------------|
| Opening balance | 1,150,885 | 1,244,972 |
| Exchange adjustments | (15,866) | 83,333 |
| Charge / (reversals) | | |
| Charge for the period / year | 33,353 | 97,737 |
| Reversals for the period / year | (41,028) | (126,753) |
| | (7,675) | (29,016) |
| Transfers out - net | (51,701) | - |
| Amounts written off | (2,725) | (148,404) |
| Closing balance | <u>1,072,918</u> | <u>1,150,885</u> |

16. CONTINGENT ASSETS

There were no contingent assets as at June 30, 2024 (December 31, 2023: Nil).

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|------------------------------|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | |
| 17. BILLS PAYABLE | | |
| In Pakistan | 21,109,890 | 19,850,218 |
| Outside Pakistan | 1,354,238 | 1,884,313 |
| | <u>22,464,128</u> | <u>21,734,531</u> |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

(Un-audited) (Audited)
June 30, December 31,
2024 2023
----- (Rupees in '000) -----

18. BORROWINGS

Secured

Borrowings from the State Bank of Pakistan under:

| | | |
|--|----------------------|----------------------|
| Export refinance scheme | 32,827,469 | 37,076,201 |
| Refinance facility for modernization of SME | 1,416,965 | 1,353,958 |
| Long term financing facility | 12,227,918 | 13,991,026 |
| Renewable energy scheme | 834,745 | 873,755 |
| Temporary economic refinance facility | 16,054,406 | 16,886,679 |
| Refinance facility for combating COVID-19 | 248,350 | 332,674 |
| Repurchase agreement borrowings | 3,973,599,748 | 2,717,697,641 |
| Financing facility for storage of agriculture products | 27,500 | 34,375 |
| Refinance for women entrepreneurs | 53,402 | 61,200 |
| | 4,037,290,503 | 2,788,307,509 |
| Repurchase agreement borrowings from other banks | 65,710,286 | 22,881,729 |
| Borrowing from commercial bank by subsidiary | 1,994,524 | 1,498,925 |
| | <u>4,104,995,313</u> | <u>2,812,688,163</u> |

Unsecured

Call borrowings
Overdrawn nostro accounts
Other borrowings

| | | |
|---------------------------|----------------------|----------------------|
| Call borrowings | 100,000 | 10,603,000 |
| Overdrawn nostro accounts | 130,849 | 596,751 |
| Other borrowings | - | - |
| | <u>230,849</u> | <u>11,199,751</u> |
| | <u>4,105,226,162</u> | <u>2,823,887,914</u> |

19. DEPOSITS AND OTHER ACCOUNTS

| | June 30, 2024 (Un-audited) | | | December 31, 2023 (Audited) | | |
|-------------------------------|------------------------------|--------------------------|----------------------|-----------------------------|--------------------------|----------------------|
| | In Local Currency | In Foreign Currencies | Total | In Local Currency | In Foreign Currencies | Total |
| | ----- (Rupees in '000) ----- | | | | | |
| Customers | | | | | | |
| Current deposits | 1,033,818,511 | 358,924,281 | 1,392,742,792 | 838,679,284 | 264,416,961 | 1,103,096,245 |
| Savings deposits | 810,113,763 | 104,777,313 | 914,891,076 | 698,079,461 | 89,414,155 | 787,493,616 |
| Term deposits | 170,388,324 | 363,470,951 | 533,859,275 | 158,820,636 | 337,702,171 | 496,522,807 |
| Others | 72,708,206 | 9,564,219 | 82,272,425 | 22,587,057 | 7,246,442 | 29,833,499 |
| | <u>2,087,028,804</u> | <u>836,736,764</u> | <u>2,923,765,568</u> | <u>1,718,166,438</u> | <u>698,779,729</u> | <u>2,416,946,167</u> |
| Financial Institutions | | | | | | |
| Current deposits | 19,877,499 | 7,640,596 | 27,518,095 | 24,773,540 | 6,928,345 | 31,701,885 |
| Saving deposits | 239,310,929 | 6,192,805 | 245,503,734 | 173,505,890 | 6,343,690 | 179,849,580 |
| Term deposits | 40,931,790 | 2,893,607 | 43,825,397 | 1,925,450 | 4,293,020 | 6,218,470 |
| | <u>300,120,218</u> | <u>16,727,008</u> | <u>316,847,226</u> | <u>200,204,880</u> | <u>17,565,055</u> | <u>217,769,935</u> |
| | <u>2,387,149,022</u> | <u>853,463,772</u> | <u>3,240,612,794</u> | <u>1,918,371,318</u> | <u>716,344,784</u> | <u>2,634,716,102</u> |

- 19.1 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018, applicable to domestic operations amounting to Rs. 1,526,601.810 million (2023: Rs. 1,376,823.088 million).

(Un-audited) (Audited)
June 30, December 31,
2024 2023
----- (Rupees in '000) -----

20. LEASE LIABILITIES

| | | |
|-----------------------------------|-------------------|-------------------|
| Opening balance | 10,474,561 | 9,614,922 |
| Addition during the year | 2,650,564 | 3,307,070 |
| Lease payments including interest | (1,734,371) | (3,282,249) |
| Interest expense | 704,967 | 1,236,242 |
| Termination/modification | (430,406) | (409,209) |
| Exchange adjustments | (2,304) | 7,785 |
| Closing balance | <u>11,663,011</u> | <u>10,474,561</u> |

20.1 Liabilities Outstanding

| | | |
|---|-------------------|-------------------|
| Not later than one year | 311,242 | 383,156 |
| Later than one year and upto five years | 5,335,829 | 4,873,805 |
| Over five years | 6,015,940 | 5,217,600 |
| Total | <u>11,663,011</u> | <u>10,474,561</u> |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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 Additional Tier 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 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 | 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. |

| | Note | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|------|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| 22. OTHER LIABILITIES | | | |
| Mark-up / return / interest payable in local currency | | 55,122,493 | 47,159,535 |
| Mark-up / return / interest payable in foreign currencies | | 1,330,198 | 1,501,909 |
| Accrued expenses | | 6,542,094 | 7,999,572 |
| Branch adjustment account | | 134,670 | 749,289 |
| Deferred income | | 1,713,541 | 1,332,699 |
| Current taxation (provisions less payments) | 22.1 | 10,388,536 | 7,275,286 |
| Unearned commission and income on bills discounted | | 1,691,540 | 897,460 |
| Credit loss allowance against off-balance sheet obligations | 22.2 | 2,129,774 | 1,056,385 |
| Unrealised loss on forward foreign exchange contracts | | 836,391 | 2,789,527 |
| Unrealised loss on derivative financial instruments | | 13,564 | 5,762 |
| Payable to staff retirement fund | | 22,204 | - |
| Deferred liabilities | 22.3 | 4,543,931 | 4,395,908 |
| Workers' Welfare Fund payable | | 10,349,675 | 9,097,179 |
| Liabilities against Card settlement | | 22,242 | 148,039 |
| Dividend payable | | 327,581 | 370,889 |
| Unclaimed dividend | | 367,568 | 356,426 |
| Acceptances | 15 | 25,955,533 | 17,584,022 |
| Charity fund balance | | 27,342 | 21,399 |
| Levies and taxes payable | | 5,932,430 | 9,209,613 |
| Suspense accounts | | 306,898 | 247,181 |
| Others | | 3,968,491 | 3,711,883 |
| | | <u>131,726,696</u> | <u>115,909,963</u> |

22.1 The Income Tax returns of the Bank have been filed up to the tax year 2023 (accounting year ended December 31, 2022) and are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance).

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2023, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs.15,099 million (2023: Rs.14,124 million) . 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) and Gilgit Baltistan (GB) branches have been filed upto the tax year 2023 (accounting year ended December 31, 2022) 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 2005 to 2019. Consequently various addbacks and demands were raised creating a total demand of Rs. 2,632 million (2023: Rs. 2,632 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

The tax returns for UAE and Qatar branches have been filed upto the year ended December 31, 2023 and Yemen branches have been filed upto the year ended December 31, 2019 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

The tax returns of UBL FM have been filed upto the accounting year ended December 31, 2022, under the provisions of the prevailing tax laws and are deemed as assessed unless opened for reassessment by the tax authorities.

The tax returns of UBL UK have been filed upto the accounting year ended December 31, 2023, under the provisions of the laws prevailing in UK and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for UBL UK till the accounting year 2022.

There are no material tax contingencies in any of the subsidiaries.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| 22.2 Credit loss allowance against off-balance sheet obligations | | |
| Opening balance | 1,056,385 | 896,567 |
| Exchange adjustments | (12,596) | 207,162 |
| Impact of adoption of IFRS 9 | 1,037,902 | - |
| Charge / (reversal) | | |
| Charge for the period / year | 48,083 | 4,367 |
| Reversals for the period / year | - | (33,671) |
| | 48,083 | (29,304) |
| Transfers out - net | - | (18,040) |
| Closing balance | <u>2,129,774</u> | <u>1,056,385</u> |

| | | |
|--|------------------|------------------|
| 22.3 Deferred liabilities | | |
| Provision for post-retirement medical benefits | 2,768,101 | 2,590,351 |
| Provision for compensated absences | 779,793 | 810,025 |
| End of service benefits | | |
| -Overseas branches | 708,917 | 648,827 |
| -Outsourced services | 287,120 | 346,705 |
| | <u>4,543,931</u> | <u>4,395,908</u> |

| | Note | June 30, 2024 (Un-audited) | | |
|---|------|----------------------------|--------------------------|-------------------|
| | | -- (Rupees in '000) -- | | |
| | | Equity Holders | Non-Controlling interest | Total |
| 23. SURPLUS ON REVALUATION OF ASSETS | | | | |
| (Deficit) / surplus arising on revaluation of: | | | | |
| - Securities measured at FVOCI - Debt | 9.1 | 4,067,306 | (512,089) | 3,555,217 |
| - Securities measured at FVOCI - Equity | | 2,170,670 | - | 2,170,670 |
| - Property and Equipment | | 44,174,018 | 3,622,137 | 47,796,155 |
| - Non-banking assets acquired in satisfaction of claims | | - | - | - |
| - Assets of associates | | (4,349) | - | (4,349) |
| | | 50,407,645 | 3,110,048 | 53,517,693 |
| Deferred tax on (deficit) / surplus on revaluation of: | | | | |
| - Securities measured at FVOCI - Debt | | 2,143,193 | (128,022) | 2,015,171 |
| - Securities measured at FVOCI - Equity | | 2,607,414 | - | 2,607,414 |
| - Property and Equipment | | 2,507,608 | 764,258 | 3,271,866 |
| - Non-banking assets acquired in satisfaction of claims | | - | - | - |
| | | 7,258,215 | 636,236 | 7,894,451 |
| | | <u>43,149,430</u> | <u>2,473,812</u> | <u>45,623,242</u> |

| | Note | December 31, 2023 (Audited) | | |
|---|------|-----------------------------|--------------------------|-------------------|
| | | -- (Rupees in '000) -- | | |
| | | Equity Holders | Non-Controlling interest | Total |
| (Deficit) / surplus arising on revaluation of: | | | | |
| - Available for sale securities - Debt | 9.1 | 2,394,621 | (1,053,046) | 1,341,575 |
| - Available for sale securities - Equity | | 3,678,469 | - | 3,678,469 |
| - Property and Equipment | | 44,357,289 | 3,710,727 | 48,068,016 |
| - Non-banking assets acquired in satisfaction of claims | | - | - | - |
| - Assets of associates | | (7,753) | - | (7,753) |
| | | 50,422,626 | 2,657,681 | 53,080,307 |
| Deferred tax on (deficit) / surplus on revaluation of: | | | | |
| - Available for sale securities - Debt | | 1,482,250 | (263,262) | 1,218,988 |
| - Available for sale securities - Equity | | 1,802,450 | - | 1,802,450 |
| - Property and Equipment | | 2,561,979 | 778,757 | 3,340,736 |
| - Non-banking assets acquired in satisfaction of claims | | - | - | - |
| | | 5,846,679 | 515,495 | 6,362,174 |
| | | <u>44,575,947</u> | <u>2,142,186</u> | <u>46,718,133</u> |

| | | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|------|----------------------------------|-----------------------------------|
| | | ----- (Rupees in '000) ----- | |
| 24. CONTINGENCIES AND COMMITMENTS | | | |
| Guarantees | 24.1 | 320,059,371 | 286,724,968 |
| Commitments | 24.2 | 924,758,030 | 1,054,616,393 |
| Other contingent liabilities | 24.3 | 16,222,810 | 16,116,861 |
| | | <u>1,261,040,211</u> | <u>1,357,458,222</u> |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | Note | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|------------------------------|------|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| 24.1 Guarantees: | | | |
| Financial guarantees | | 123,070,443 | 124,944,607 |
| Performance guarantees | | 189,331,532 | 154,072,480 |
| Other guarantees | | 7,657,396 | 7,707,881 |
| | | <u>320,059,371</u> | <u>286,724,968</u> |

| | | | |
|---|--------|--------------------|----------------------|
| 24.2 Commitments: | | | |
| Documentary credits and short-term trade-related transactions | | | |
| - letters of credit | | 265,728,648 | 303,953,368 |
| Commitments in respect of: | | | |
| - forward foreign exchange contracts | 24.2.2 | 447,296,555 | 572,110,279 |
| - forward Government securities transactions | 24.2.3 | 54,468,235 | 19,956,300 |
| - derivatives | 24.2.4 | - | 366,068 |
| - forward lending | 24.2.5 | 149,021,057 | 154,319,495 |
| - operating leases | 24.2.6 | 180,171 | 87,081 |
| | | 650,966,018 | 746,839,223 |
| Commitments for acquisition of: | | | |
| - Property and Equipment | | 6,383,126 | 2,998,928 |
| - intangible assets | | 1,680,238 | 824,874 |
| | | 8,063,364 | 3,823,802 |
| | | <u>924,758,030</u> | <u>1,054,616,393</u> |

24.2.1 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.

| | Note | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|------|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| 24.2.2 Commitments in respect of forward foreign exchange contracts | | | |
| Purchase | | 252,966,219 | 295,080,548 |
| Sale | | 194,330,336 | 277,029,731 |
| | | <u>447,296,555</u> | <u>572,110,279</u> |

24.2.3 Commitments in respect of forward Government securities transactions

| | | | |
|----------|--|-------------------|-------------------|
| Purchase | | 43,468,235 | 16,956,300 |
| Sale | | 11,000,000 | 3,000,000 |
| | | <u>54,468,235</u> | <u>19,956,300</u> |

24.2.4 Commitments in respect of derivatives

FX options

| | | | |
|----------|--|----------|----------------|
| Purchase | | - | 183,034 |
| Sale | | - | 183,034 |
| | | <u>-</u> | <u>366,068</u> |

24.2.5 Commitments in respect of forward lending

| | | | |
|---|----------|--------------------|--------------------|
| Undrawn formal standby facilities, credit lines and other commitments to lend | 24.2.5.1 | 112,105,336 | 94,695,244 |
| Others | | 36,915,721 | 59,624,251 |
| | | <u>149,021,057</u> | <u>154,319,495</u> |

24.2.5. 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.

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | |
| 24.2.6 Commitments in respect of operating leases | | |
| Not later than one year | 174,540 | 75,986 |
| Later than one year and not later than five years | 5,631 | 11,095 |
| Later than five years | - | - |
| | <u>180,171</u> | <u>87,081</u> |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | Note | (Un-audited) June 30, 2024 | (Audited) December 31, ----- (Rupees in '000) ----- |
|---|--------|----------------------------------|--|
| 24.3 Other contingent liabilities | | | |
| 24.3.1 Claims against the Bank not acknowledged as debts | 24.3.2 | <u>16,222,810</u> | <u>16,116,861</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 consolidated condensed interim financial statements.

24.3.2 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.

24.3.3 For contingencies relating to taxation, refer note 22.1.

25. Derivative Instruments

Product analysis

| | June 30, 2024 (Un-audited) | | | | | | | | | |
|---------------|------------------------------|----------------|----------------------|----------------|---|---------------------|---|---------------------|--------------------|---------------------|
| | FX options | | Cross Currency Swaps | | Forward purchase contracts of Government securities | | Forward sale contracts of Government securities | | Total | |
| | Notional principal | Mark to Market | Notional principal | Mark to Market | Notional principal | Mark to Market Gain | Notional principal | Mark to Market Loss | Notional principal | Mark to Market Gain |
| | ----- (Rupees in '000) ----- | | | | | | | | | |
| Hedging | - | - | - | - | - | - | - | - | - | - |
| Market making | - | - | - | - | 43,468,235 | 9,941 | 11,000,000 | (6,351) | 54,468,235 | 3,590 |
| | - | - | - | - | <u>43,468,235</u> | <u>9,941</u> | <u>11,000,000</u> | <u>(6,351)</u> | <u>54,468,235</u> | <u>3,590</u> |
| | ----- (Rupees in '000) ----- | | | | | | | | | |
| | December 31, 2023 (Audited) | | | | | | | | | |
| | FX options | | Cross Currency Swaps | | Forward purchase contracts of Government securities | | Forward sale contracts of Government securities | | Total | |
| | Notional principal | Mark to Market | Notional principal | Mark to Market | Notional principal | Mark to Market Gain | Notional principal | Mark to Market Gain | Notional principal | Mark to Market Gain |
| | ----- (Rupees in '000) ----- | | | | | | | | | |
| Hedging | 183,034 | - | - | - | - | - | - | - | 183,034 | - |
| Market making | 183,034 | - | - | - | 16,956,300 | 26,320 | 3,000,000 | 297 | 20,139,334 | 26,617 |
| | <u>366,068</u> | - | - | - | <u>16,956,300</u> | <u>26,320</u> | <u>3,000,000</u> | <u>297</u> | <u>20,322,368</u> | <u>26,617</u> |

| 26. MARK-UP / RETURN / INTEREST EARNED | (Un-audited) | |
|--|------------------------------|------------------------|
| | January - June 2024 | January - June 2023 |
| | ----- (Rupees in '000) ----- | |
| On: | | |
| Loans and advances | 59,072,133 | 62,965,975 |
| Investments | 459,534,716 | 124,429,694 |
| Lendings to financial institutions | 2,136,951 | 5,926,147 |
| Balances with banks | <u>3,830,984</u> | <u>2,498,480</u> |
| | <u>524,574,784</u> | <u>195,820,296</u> |

| 27. MARK-UP / RETURN / INTEREST EXPENSED | (Un-audited) | |
|---|------------------------------|------------------------|
| | January - June 2024 | January - June 2023 |
| | ----- (Rupees in '000) ----- | |
| On: | | |
| Deposits | 113,394,243 | 73,144,202 |
| Borrowings | 350,064,432 | 47,541,104 |
| Subordinated debt | 1,135,323 | 1,019,227 |
| Cost of foreign currency swaps against foreign currency deposits / borrowings | 1,999,993 | 1,197,166 |
| Lease liability against right-of-use assets | <u>704,967</u> | <u>583,838</u> |
| | <u>467,298,958</u> | <u>123,485,537</u> |

| 28. FEE AND COMMISSION INCOME | (Un-audited) | |
|--|------------------------------|------------------------|
| | January - June 2024 | January - June 2023 |
| | ----- (Rupees in '000) ----- | |
| Branch banking customer fee | 1,046,159 | 1,296,415 |
| Consumer finance related fee | 929,480 | 769,168 |
| Card related fees (debit and credit cards) | 1,768,174 | 1,552,928 |
| Investment banking fees | 162,578 | 200,726 |
| Financial Institution rebate / commission | 356,914 | 293,507 |
| Corporate service charges / facility fee | 866,057 | 574,145 |
| Commission on trade | 1,614,147 | 1,066,046 |
| Commission on guarantees | 720,628 | 376,923 |
| Commission on cash management | 558,310 | 618,697 |
| Commission on remittances including home remittances - net | 1,677,720 | 1,508,092 |
| Commission on bancassurance | 548,752 | 520,310 |
| Rent on lockers | 114,994 | 113,026 |
| Management fee | 1,035,957 | 700,044 |
| Others | <u>126,501</u> | <u>130,070</u> |
| | <u>11,526,371</u> | <u>9,720,097</u> |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | (Un-audited) | |
|---|------------------------------|------------------------|
| | January - June 2024 | January - June 2023 |
| | ----- (Rupees in '000) ----- | |
| 29. GAIN / (LOSS) ON SECURITIES - NET | | |
| Realised | 18,073,582 | (1,487,901) |
| Unrealised - Measured at FVPL | 115,408 | (7,008) |
| | <u>18,188,990</u> | <u>(1,494,909)</u> |
| 30. OTHER INCOME | | |
| Charges recovered | 473,258 | 417,174 |
| Rent on properties | 69,201 | 73,317 |
| Gain on sale of property and equipment - net | 70,367 | 307,228 |
| Gain / (loss) on sale of Ijarah assets - net | 868 | (671) |
| Gain / (loss) on trading liabilities - net | 27,515 | 2,712 |
| | <u>641,209</u> | <u>799,760</u> |
| 31. OPERATING EXPENSES | | |
| Total compensation expense | 16,349,916 | 13,262,023 |
| Property expense | | |
| Rent and taxes | 746,164 | 838,559 |
| Insurance | 156,706 | 141,046 |
| Utilities cost | 1,252,488 | 1,103,437 |
| Security (including guards) | 803,870 | 735,060 |
| Repair and maintenance (Including janitorial charges) | 235,565 | 215,538 |
| Depreciation on owned fixed assets | 678,628 | 618,555 |
| Depreciation on right-of-use assets | 1,180,477 | 1,109,997 |
| Depreciation on non-banking assets acquired in satisfaction of claims | 1,613 | 1,506 |
| Others | 30,663 | 43,552 |
| | 5,086,174 | 4,807,250 |
| Information technology expenses | | |
| Software maintenance | 1,674,369 | 1,402,861 |
| Hardware maintenance | 713,584 | 594,029 |
| Depreciation | 875,463 | 685,799 |
| Amortisation | 501,685 | 509,307 |
| Network charges | 542,201 | 534,135 |
| Consultancy Charges | 127,805 | 112,924 |
| | 4,435,107 | 3,839,055 |
| Other operating expenses | | |
| Legal and professional charges | 299,087 | 853,612 |
| Outsourced service costs | 1,070,938 | 948,588 |
| Commission paid to branchless banking agents | 234,035 | 181,513 |
| Commission paid to sales force | 842,210 | 847,508 |
| Travelling and conveyance | 123,465 | 130,567 |
| Clearing charges | 160,029 | 142,651 |
| Depreciation others | 1,098,741 | 776,093 |
| Depreciation on Islamic financing against leased assets | 40,189 | 70,047 |
| Training and development | 109,455 | 64,059 |
| Postage and courier charges | 202,993 | 161,357 |
| Communication | 171,697 | 163,531 |
| Stationery and printing | 976,491 | 645,501 |
| Marketing, advertisement and publicity | 898,191 | 453,723 |
| Donations | 187,692 | 42,505 |
| Auditors' remuneration | 129,637 | 119,325 |
| Insurance | 78,252 | 76,511 |
| Deposit protection premium expense | 1,101,458 | 939,609 |
| Cash transportation and sorting charges | 568,308 | 526,837 |
| Entertainment | 182,095 | 124,894 |
| Banking service charges | 3,011,333 | 2,040,056 |
| Repairs and maintenance | 822,796 | 644,459 |
| Miscellaneous expenses | 760,840 | 793,207 |
| | 13,069,932 | 10,746,153 |
| | <u>38,941,129</u> | <u>32,654,481</u> |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | Note | (Un-audited) | |
|---|--|--------------------------------|------------------------|
| | | January - June 2024 | January - June 2023 |
| 32. OTHER CHARGES | | ----- (Rupees in '000) ----- | |
| Penalties imposed by the SBP | | 2,186 | 3,855 |
| Penalties imposed by other regulatory bodies of overseas branches | | 30,625 | 210 |
| | | <u>32,811</u> | <u>4,065</u> |
| 33. CREDIT LOSS ALLOWANCE & WRITE OFFS - NET | | | |
| Credit loss allowance/ Provision for diminution in value of investments | 9.4 | (236,595) | 5,165,373 |
| Credit loss allowance/ Against loans and advances | 10.3 | (2,049,803) | (2,134,734) |
| Bad debts written off directly | | 28,480 | 94,335 |
| Credit loss allowance/ Provision against other assets - net | 15.2.1 | (7,675) | (16,064) |
| Credit loss allowance/ Provision against off-balance sheet obligations - net | 22.2 | 48,083 | 36,401 |
| Recovery of written-off / charged off bad debts | | (208,832) | (188,526) |
| Other credit loss allowance / write-offs | | 64,431 | 56,193 |
| | | <u>(2,361,911)</u> | <u>3,012,978</u> |
| 34. TAXATION | | | |
| Current | | 29,972,414 | 26,237,449 |
| Prior years | | (267,820) | - |
| Deferred | | (877,588) | (1,738,611) |
| | | <u>28,827,006</u> | <u>24,498,838</u> |
| 35. EARNINGS PER SHARE | | | |
| Profit after tax attributable to equity shareholders of the Bank | | <u>30,793,772</u> | <u>26,943,297</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>25.15</u> | <u>22.01</u> |
| There were no convertible dilutive potential ordinary shares outstanding as at June 30, 2024 and June 30, 2023. | | | |
| 36. FAIR VALUE OF FINANCIAL INSTRUMENTS | | | |
| The fair value of quoted securities other than those classified under held to collect, is based on quoted market price. Quoted securities classified under held to collect model are carried at amortized 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. | | | |
| 36.1 | 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). | | |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

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

| Item | Valuation approach and input used |
|--|---|
| Federal Government securities | The fair value of Federal Government securities is determined using the prices / rates available on Mutual Funds Association of Pakistan (MUFAP) / Bloomberg. |
| Non-Government debt securities | The fair value of non-government debt securities is determined using the prices / rates from MUFAP. |
| Foreign debt securities | The fair value of foreign corporate and foreign government securities is determined using the rates from Bloomberg. |
| Mutual Fund units | The fair values of investments in mutual fund units are determined based on their net asset values as published at the close of each business day. |
| Forward foreign exchange contracts and Forward Government securities transactions | The fair values of forward foreign exchange contracts and forward Government securities transactions are determined using forward pricing calculations. |
| Derivatives | The fair valuation techniques include forward pricing and swap models using present value calculations. |
| Fixed assets and non-banking assets acquired in satisfaction of claims | Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these consolidated condensed interim financial statements. |

36.2 Fair value of financial assets

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:

| Carrying value | June 30, 2024 (Un-audited) | | | | |
|---|------------------------------|------------|---------------|-------|---------------|
| | Fair value | | | | |
| | Level 1 | Level 2 | Level 3 | Total | |
| | ----- (Rupees in '000) ----- | | | | |
| On balance sheet financial instruments | | | | | |
| Financial assets measured at fair value | | | | | |
| Investments | | | | | |
| - Federal Government securities | 5,570,555,445 | - | 5,570,555,445 | - | 5,570,555,445 |
| - Ordinary shares of listed companies | 11,825,806 | 11,825,806 | - | - | 11,825,806 |
| - Foreign Securities | 207,933,897 | - | 207,933,897 | - | 207,933,897 |
| - Non-Government debt securities | 3,457,425 | - | 3,457,425 | - | 3,457,425 |
| | 5,793,772,573 | 11,825,806 | 5,781,946,767 | - | 5,793,772,573 |
| Financial assets - disclosed but not measured at fair value | | | | | |
| Investments | | | | | |
| - Federal Government Securities | 291,705,200 | - | 273,726,151 | - | 273,726,151 |
| - Foreign Securities | 39,454,810 | - | 38,402,621 | - | 38,402,621 |
| - Non-Government debt securities | 23,100,996 | - | 23,257,266 | - | 23,257,266 |
| | 354,261,006 | - | 335,386,038 | - | 335,386,038 |
| | 6,148,033,579 | 11,825,806 | 6,117,332,805 | - | 6,129,158,611 |
| Off-balance sheet financial instruments measured at fair value | | | | | |
| Foreign exchange contracts - purchased and sold | 447,296,555 | - | 85,054 | - | 85,054 |
| Cross currency swaps | - | - | - | - | - |
| FX options - purchased and sold | - | - | - | - | - |
| Forward Government Securities - purchased and sold | 54,468,235 | - | 3,590 | - | 3,590 |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | December 31, 2023 (Audited) | | | | |
|--|-----------------------------|------------|---------------|---------|---------------|
| | Carrying value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| | (Rupees in '000) | | | | |
| On balance sheet financial instruments | | | | | |
| Financial assets measured at fair value | | | | | |
| Investments | | | | | |
| - Federal Government securities | 3,883,185,846 | - | 3,883,185,846 | - | 3,883,185,846 |
| - Foreign Securities | 169,499,943 | - | 169,499,943 | - | 169,499,943 |
| - Ordinary shares of listed companies | 11,382,167 | 11,382,167 | - | - | 11,382,167 |
| - Non-Government debt securities | 3,128,337 | - | 3,128,337 | - | 3,128,337 |
| | 4,067,196,293 | 11,382,167 | 4,055,814,126 | - | 4,067,196,293 |
| Financial assets - disclosed but not measured at fair value | | | | | |
| Investments | | | | | |
| - Federal Government Securities | 303,809,670 | - | 280,259,649 | - | 280,259,649 |
| - Foreign Bonds | 37,557,186 | - | 36,367,170 | - | 36,367,170 |
| - Non-Government debt securities | 21,471,009 | - | 21,014,103 | - | 21,014,103 |
| | 362,837,865 | - | 337,640,922 | - | 337,640,922 |
| | 4,430,034,158 | 11,382,167 | 4,393,455,048 | - | 4,404,837,215 |

Off-balance sheet financial instruments - measured at fair value

| | | | | | |
|--|-------------|---|-----------|---|-----------|
| Foreign exchange contracts - purchased and sold | 572,110,279 | - | 1,671,729 | - | 1,671,729 |
| Interest Rate Swap - purchased and sold (net) | - | - | - | - | - |
| FX options - purchased and sold | 366,068 | - | - | - | - |
| Forward Government Securities - purchased and sold | 19,956,300 | - | 26,617 | - | 26,617 |

36.3 Fair Value of non-financial assets

| | June 30, 2024 (Un-audited) | | | | |
|---|-----------------------------|------------|---------|------------|------------|
| | Carrying value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| | (Rupees in '000) | | | | |
| Property and Equipment | 61,211,637 | - | - | 61,211,637 | 61,211,637 |
| Non-banking assets acquired in satisfaction of claims | 40,462 | - | - | 40,462 | 40,462 |
| | 61,252,099 | - | - | 61,252,099 | 61,252,099 |
| | (Rupees in '000) | | | | |
| | December 31, 2023 (Audited) | | | | |
| | Carrying value | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| | (Rupees in '000) | | | | |
| Property and Equipment | 61,722,714 | - | - | 61,722,714 | 61,722,714 |
| Non-banking assets acquired in satisfaction of claims | 42,075 | - | - | 42,075 | 42,075 |
| | 61,764,789 | - | - | 61,764,789 | 61,764,789 |

36.4 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.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

37. SEGMENT INFORMATION

37.1 Segment details with respect to business activities

| For the six months ended June 30, 2024 (Un-audited) | | | | | | | | |
|---|------------------|---------------------|-------------------|---------------------------------|-------------------|------------------|------------------|-------------------|
| Corporate / Commercial Banking | Treasury | Branch Banking | Islamic Banking | International branch operations | Subsidiaries | Others | Total | |
| (Rupees in '000) | | | | | | | | |
| Profit and Loss | | | | | | | | |
| Net mark-up / return / profit | 26,803,493 | 78,282,082 | (77,949,171) | 17,902,654 | 9,778,096 | 3,637,881 | (1,179,209) | 57,275,826 |
| Inter segment (expense) / revenue - net | (22,235,015) | (137,758,488) | 153,211,812 | - | - | 6,781,691 | - | 6,781,691 |
| Non mark-up / return / interest income | 4,469,728 | 18,702,629 | 5,742,628 | 535,909 | 8,837,451 | 2,181,488 | 352,717 | 40,822,550 |
| Total Income | 9,038,206 | (40,773,777) | 81,005,269 | 18,438,563 | 18,615,547 | 5,819,369 | 5,955,199 | 98,098,376 |
| Segment direct expenses | 910,506 | 347,801 | 24,828,168 | 2,691,060 | 3,373,745 | 3,200,793 | 4,874,363 | 40,226,436 |
| Inter segment expense allocation | 158,202 | 438,177 | 4,959,416 | - | 243,338 | - | (5,799,133) | - |
| Total expenses | 1,068,708 | 785,978 | 29,787,584 | 2,691,060 | 3,617,083 | 3,200,793 | (924,770) | 40,226,436 |
| Credit loss allowance - net | 571,706 | (23) | 202,144 | (161,031) | 1,759,070 | (4,854) | (5,101) | 2,361,911 |
| Profit / (loss) before taxation | 8,541,204 | (41,559,778) | 51,419,829 | 15,586,472 | 16,757,534 | 2,613,722 | 6,874,868 | 60,233,851 |

| For the six months ended June 30, 2023 (Un-audited) | | | | | | | | |
|---|------------------|---------------------|-------------------|---------------------------------|------------------|------------------|------------------|-------------------|
| Corporate / Commercial Banking | Treasury | Branch Banking | Islamic Banking | International branch operations | Subsidiaries | Others | Total | |
| (Rupees in '000) | | | | | | | | |
| Profit and Loss | | | | | | | | |
| Net mark-up / return / profit | 34,263,536 | 69,914,971 | (51,824,094) | 8,260,309 | 9,130,643 | 3,473,679 | (884,285) | 72,334,759 |
| Inter segment (expense) / revenue - net | (32,281,163) | (97,133,518) | 121,462,277 | - | - | 7,932,404 | - | 7,932,404 |
| Non mark-up / return / interest income | 3,540,219 | 5,212,199 | 5,192,562 | 307,828 | 155,249 | 1,468,987 | 524,280 | 16,401,324 |
| Total Income | 5,542,592 | (22,006,348) | 74,830,745 | 8,568,137 | 9,285,892 | 4,942,666 | 7,572,399 | 88,736,083 |
| Segment direct expenses | 983,092 | 282,825 | 19,347,715 | 1,587,636 | 4,044,604 | 2,757,987 | 4,698,307 | 33,702,166 |
| Inter segment expense allocation | 188,387 | 51,231 | 4,311,186 | - | 296,385 | - | (4,847,189) | - |
| Total expenses | 1,171,479 | 334,056 | 23,658,901 | 1,587,636 | 4,340,989 | 2,757,987 | (148,882) | 33,702,166 |
| Provision charge / (reversal) - net | 948,311 | (814,548) | 278,163 | (10,014) | (3,399,754) | (52,340) | 37,204 | (3,012,978) |
| Profit / (loss) before taxation | 5,319,424 | (23,154,952) | 51,450,007 | 6,970,487 | 1,545,149 | 2,132,339 | 7,758,485 | 52,020,939 |

| As at June 30, 2024 (Un-audited) | | | | | | | | |
|---------------------------------------|--------------------|----------------------|----------------------|---------------------------------|--------------------|--------------------|--------------------|----------------------|
| Corporate / Commercial Banking | Treasury | Branch Banking | Islamic Banking | International branch operations | Subsidiaries | Others | Total | |
| (Rupees in '000) | | | | | | | | |
| Balance Sheet | | | | | | | | |
| Cash & Bank balances | 34,027 | 117,077,736 | 104,804,437 | 34,631,609 | 165,427,463 | 2,772,708 | - | 424,747,980 |
| Investments | 13,147,759 | 5,599,000,079 | - | 276,673,487 | 214,206,950 | 49,542,990 | 2,340,174 | 6,154,911,439 |
| Net inter segment lending | - | - | 1,803,680,332 | 96,350,824 | 23,323,916 | - | 58,113,367 | 1,981,468,439 |
| Lendings to financial institutions | - | 15,000,000 | - | - | - | 883,266 | - | 15,883,266 |
| Advances - performing | 409,296,458 | 3,268 | 51,609,900 | 52,788,763 | 96,375,219 | 304,480,892 | 3,225,970 | 917,780,470 |
| Advances - non-performing net | 1,463,219 | - | 639,482 | 71,733 | 10,486,752 | 4,843,508 | 8,583 | 17,513,277 |
| Others | 14,248,552 | 107,076,884 | 67,779,712 | 10,555,725 | 16,769,030 | 13,518,727 | 47,104,964 | 277,053,594 |
| Total Assets | 438,190,015 | 5,838,157,967 | 2,028,513,863 | 471,072,141 | 526,589,330 | 376,042,091 | 110,793,058 | 9,789,358,465 |
| Borrowings | 50,334,591 | 4,039,540,883 | 6,042,601 | 7,313,563 | - | 1,994,524 | - | 4,105,226,162 |
| Subordinated debt | - | - | - | - | - | - | 10,000,000 | 10,000,000 |
| Deposits and other accounts | 182,984,883 | 193,877 | 1,909,918,429 | 404,315,027 | 413,887,588 | 329,312,990 | - | 3,240,612,794 |
| Net inter segment borrowing | 196,383,177 | 1,785,085,262 | - | - | - | - | - | 1,981,468,439 |
| Others | 4,964,277 | 30,472,190 | 92,959,975 | 9,333,816 | 5,314,294 | 4,391,803 | 18,417,480 | 165,853,835 |
| Total Liabilities | 434,666,928 | 5,855,292,212 | 2,008,921,005 | 420,962,406 | 419,201,882 | 335,699,317 | 28,417,480 | 9,503,161,230 |
| Equity | 3,523,087 | (17,134,245) | 19,592,858 | 50,109,735 | 107,387,448 | 40,342,774 | 82,375,578 | 286,197,235 |
| Total Equity & liabilities | 438,190,015 | 5,838,157,967 | 2,028,513,863 | 471,072,141 | 526,589,330 | 376,042,091 | 110,793,058 | 9,789,358,465 |

| | | | | | | | | |
|--------------------------------------|--------------------|--------------------|-------------------|-------------------|--------------------|-------------------|------------------|----------------------|
| Contingencies and Commitments | 620,827,710 | 220,698,161 | 69,679,347 | 12,038,402 | 293,186,751 | 42,989,141 | 1,620,699 | 1,261,040,211 |
|--------------------------------------|--------------------|--------------------|-------------------|-------------------|--------------------|-------------------|------------------|----------------------|

| As at December 31, 2023 (Audited) | | | | | | | | |
|---------------------------------------|--------------------|----------------------|----------------------|---------------------------------|--------------------|--------------------|--------------------|----------------------|
| Corporate / Commercial Banking | Treasury | Branch Banking | Islamic Banking | International branch operations | Subsidiaries | Others | Total | |
| (Rupees in '000) | | | | | | | | |
| Balance Sheet | | | | | | | | |
| Cash & Bank balances | 11,358 | 91,058,816 | 101,463,285 | 27,886,564 | 86,963,694 | 3,402,414 | - | 310,786,131 |
| Investments | 12,055,059 | 3,829,744,363 | - | 331,496,374 | 199,730,588 | 54,043,558 | 8,680,928 | 4,435,750,870 |
| Net inter segment lending | - | - | 1,291,495,324 | 8,009,487 | 104,559,473 | - | 146,476,492 | 1,550,540,776 |
| Lendings to financial institutions | - | 21,947,852 | - | 12,500,000 | - | 4,868,418 | - | 39,316,270 |
| Advances - performing | 391,683,285 | 9,872 | 50,956,184 | 47,108,009 | 107,411,872 | 253,441,391 | 3,188,070 | 853,798,683 |
| Advances - non-performing net | 2,710,229 | - | 614,905 | 79,176 | 9,792,924 | 5,034,016 | 10,999 | 18,242,249 |
| Others | 18,344,061 | 92,057,395 | 38,605,116 | 21,064,320 | 15,071,413 | 13,126,882 | 48,511,496 | 246,780,683 |
| Total Assets | 424,803,992 | 4,034,818,298 | 1,483,134,814 | 448,143,930 | 523,529,964 | 333,916,679 | 206,867,985 | 7,455,215,662 |
| Borrowings | 57,979,951 | 2,739,257,686 | 4,506,465 | 13,726,452 | - | 8,417,360 | - | 2,823,887,914 |
| Subordinated debt | - | - | - | - | - | - | 10,000,000 | 10,000,000 |
| Deposits and other accounts | 105,003,206 | 37,064 | 1,542,125,514 | 378,100,209 | 324,219,498 | 285,230,611 | - | 2,634,716,102 |
| Net inter segment borrowing | 245,388,446 | 1,305,152,330 | - | - | - | - | - | 1,550,540,776 |
| Others | 2,062,665 | 8,066,357 | 32,754,618 | 1,578,214 | 94,288,601 | 3,517,211 | 7,930,609 | 150,198,275 |
| Total Liabilities | 410,434,268 | 4,052,513,437 | 1,579,386,597 | 393,404,875 | 418,508,099 | 297,165,182 | 17,930,609 | 7,169,343,067 |
| Equity | 14,369,724 | (17,695,139) | (96,251,783) | 54,739,055 | 105,021,865 | 36,751,497 | 188,937,376 | 285,872,595 |
| Total Equity & liabilities | 424,803,992 | 4,034,818,298 | 1,483,134,814 | 448,143,930 | 523,529,964 | 333,916,679 | 206,867,985 | 7,455,215,662 |

| | | | | | | | | |
|--------------------------------------|--------------------|--------------------|-------------------|------------------|--------------------|-------------------|----------------|----------------------|
| Contingencies and Commitments | 666,470,042 | 317,073,549 | 36,229,803 | 6,642,138 | 288,041,327 | 42,251,714 | 749,649 | 1,357,458,222 |
|--------------------------------------|--------------------|--------------------|-------------------|------------------|--------------------|-------------------|----------------|----------------------|

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

38. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, directors, key management personnel, subsidiaries, associates and other related parties including employee benefit schemes of the Bank.

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 and balances with related parties, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements, are as follows:

| | As at June 30, 2024 (Un-audited) | | | | |
|--|----------------------------------|-----------|--------------------------|-------------|-----------------------|
| | Parent | Directors | Key management personnel | Associates | Other related parties |
| | (Rupees in '000) | | | | |
| Statement of financial position | | | | | |
| Balances with other banks | | | | | |
| In current accounts | - | - | - | - | - |
| In deposit accounts | - | - | - | - | - |
| | - | - | - | - | - |
| Loanings to financial institutions | | | | | |
| Opening balance | - | - | - | - | 804,102 |
| Addition during the period | - | - | - | - | 2,128,469 |
| Repaid during the period | - | - | - | - | (2,932,571) |
| Transfers in / (out) - net | - | - | - | - | - |
| Closing balance | - | - | - | - | - |
| Investments | | | | | |
| Opening balance | - | - | - | 6,389,617 | 5,287,396 |
| Adoption Impact of IFRS 9 | - | - | - | - | - |
| Investment made during the period | - | - | - | 3,502,045 | - |
| Investment disposed during the period | - | - | - | (2,245,810) | - |
| Transfers in / (out) - net | - | - | - | - | - |
| Equity accounting adjustments | - | - | - | (95,007) | - |
| Closing balance | - | - | - | 7,550,845 | 5,287,396 |
| Credit loss allowance for diminution in value of investments | - | - | - | 1,393,786 | 30 |
| Advances | | | | | |
| Opening balance | - | 1,286 | 609,959 | - | 392 |
| Addition during the period | - | 4,096 | 189,033 | - | 2,461 |
| Repaid during the period | - | (4,583) | (286,628) | - | (2,782) |
| Transfers in / (out) - net | - | - | 28,335 | - | - |
| Closing balance | - | 799 | 540,699 | - | 71 |
| Credit loss allowance held against advances | - | - | - | - | - |
| Other Assets | | | | | |
| Income / mark-up accrued | - | - | - | - | - |
| Receivable from staff retirement fund | - | - | - | - | 1,094,271 |
| Prepaid insurance | - | - | - | 469,468 | - |
| Remuneration and other receivable from management of funds | - | - | - | 509,748 | - |
| Sales load receivable | - | - | - | 56,974 | - |
| Dividend Receivable | - | - | - | - | - |
| Provision written off | - | - | - | - | - |
| Other receivable | - | - | - | 9,380 | - |
| Credit loss allowance against other assets | - | - | - | - | - |
| Fixed Asset / Capital work in progress | - | - | - | - | 95,953 |
| Borrowings | | | | | |
| Opening balance | - | - | - | - | 402,800 |
| Borrowings during the period | - | - | - | - | 8,906,668 |
| Settled during the period | - | - | - | - | (9,309,468) |
| Closing balance | - | - | - | - | - |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | As at June 30, 2024 (Un-audited) | | | | |
|---|----------------------------------|--------------|----------------------|---------------|-----------------------|
| | Parent | Directors | Key | | Other related parties |
| | | | management personnel | Associates | |
| ----- (Rupees in '000) ----- | | | | | |
| Deposits and other accounts | | | | | |
| Opening balance | 14,362 | 5,149,234 | 115,491 | 12,844,233 | 2,639,970 |
| Received during the period | 60,016,886 | 21,225,262 | 792,336 | 341,099,507 | 266,979,826 |
| Withdrawn during the period | (60,017,651) | (19,534,452) | (772,187) | (308,860,758) | (264,045,987) |
| Transfers in - net | - | - | 1,696 | - | 2,033,559 |
| Closing balance | 13,597 | 6,840,044 | 137,336 | 45,082,982 | 7,607,368 |
| Other Liabilities | | | | | |
| Interest / mark-up payable on deposits and borrowings | - | 27,052 | 275 | 12,141 | 36,191 |
| Dividend payable | - | 55 | 2 | - | - |
| Payable to staff retirement fund | - | - | - | - | 22,204 |
| Unearned income | - | - | - | - | 18,244 |
| Other payable | - | - | - | - | 17,858 |
| Contingencies and Commitments | | | | | |
| Letter of guarantee | - | - | - | - | - |

| | As at December 31, 2023 (Audited) | | | | |
|---|-----------------------------------|-----------|----------------------|--------------|-----------------------|
| | Parent | Directors | Key | | Other related parties |
| | | | management personnel | Associates | |
| ----- (Rupees in '000) ----- | | | | | |
| Statement of financial position | | | | | |
| Balances with other banks | | | | | |
| In current accounts | - | - | - | - | - |
| In deposit accounts | - | - | - | - | - |
| Lendings to financial institutions | | | | | |
| Opening balance | - | - | - | - | - |
| Addition during the year | - | - | - | - | 12,674,229 |
| Repaid during the year | - | - | - | - | (11,870,127) |
| Transfers in / (out) - net | - | - | - | - | - |
| Closing balance | - | - | - | - | 804,102 |
| Investments | | | | | |
| Opening balance | - | - | - | 7,657,008 | 5,300,368 |
| Investment made during the year | - | - | - | 15,023,586 | - |
| Investment disposed / written off during the year | - | - | - | (14,680,742) | (58,518) |
| Transfers in / (out) - net | - | - | - | (225,000) | 45,546 |
| Equity method adjustments | - | - | - | (1,385,235) | - |
| Closing balance | - | - | - | 6,389,617 | 5,287,396 |
| Provision for diminution in value of investments | - | - | - | 1,393,786 | 1,160,263 |
| Provision written off | - | - | - | - | - |
| Advances | | | | | |
| Opening balance | - | 480 | 372,952 | - | 17,808,043 |
| Addition during the year | - | 5,664 | 577,328 | - | 14,944,269 |
| Repaid during the year | - | (4,992) | (503,914) | - | (33,077,402) |
| Transfers in / (out) - net | - | 134 | 163,593 | - | 325,482 |
| Closing balance | - | 1,286 | 609,959 | - | 392 |
| Provision held against advances | - | - | - | - | - |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | As at December 31, 2023 (Audited) | | | | |
|--|-----------------------------------|--------------|--------------------------------|---------------|--------------------------|
| | Parent | Directors | Key management personnel | Associates | Other related parties |
| | | | | | |
| Other Assets | | | | | |
| Interest / mark-up accrued | - | - | 8,612 | - | 120,906 |
| Receivable from staff retirement funds | - | - | - | - | 4,730,609 |
| Prepaid insurance | - | - | - | 100,000 | - |
| Remuneration and other receivable from management of funds | - | - | - | 180,417 | - |
| Sales load receivable | - | - | - | 25,069 | - |
| Other receivable | - | - | - | 213,326 | - |
| Capital Work in Progress | - | - | - | - | 29,000 |
| Dividend receivable | - | - | - | - | - |
| Provision written off | - | - | - | - | - |
| Borrowings | | | | | |
| Opening balance | - | - | - | - | - |
| Borrowings during the year | - | - | - | - | 27,041,450 |
| Settled during the year | - | - | - | - | (26,638,650) |
| Closing balance | - | - | - | - | 402,800 |
| Deposits and other accounts | | | | | |
| Opening balance | 14,327 | 13,924,363 | 142,761 | 1,665,575 | 16,000,091 |
| Received during the year | 123,898,655 | 64,480,148 | 1,647,717 | 385,924,668 | 488,015,048 |
| Withdrawn during the year | (123,898,620) | (73,338,287) | (1,711,558) | (374,746,010) | (499,662,860) |
| Transfer in | - | 83,010 | 36,571 | - | (1,712,309) |
| Closing balance | 14,362 | 5,149,234 | 115,491 | 12,844,233 | 2,639,970 |
| Other Liabilities | | | | | |
| Interest / mark-up payable on deposits and borrowings | - | 17,676 | 188 | 39,581 | 10,418 |
| Dividend payable | - | - | - | - | - |
| Payable to staff retirement fund | - | - | - | - | - |
| Unearned income | - | - | - | - | 47,262 |
| Other payable | - | 4,310 | - | 5,000 | 14,583 |
| Contingencies and Commitments | | | | | |
| Forward Government securities - sale | - | - | - | - | - |

| | For the six months ended June 30, 2024 (Un-audited) | | | | |
|--|---|-----------|--------------------------------|------------|--------------------------|
| | Parent | Directors | Key management personnel | Associates | Other related parties |
| | | | | | |
| Profit and loss account | | | | | |
| Income | | | | | |
| Mark-up / return / interest earned | - | - | 27,236 | - | 21,909 |
| Commission / charges recovered | - | 168 | 1,266 | 9,718 | 7,226 |
| Dividend income | - | - | - | 402,526 | 445,292 |
| Net loss on sale of securities | - | - | - | (58,171) | - |
| Other income | - | - | - | - | 36,589 |
| Gain on sale of property and equipment | - | - | 36 | 596 | - |
| Remuneration from management of funds | - | - | - | 1,035,957 | - |
| Sales load | - | - | - | 31,453 | - |
| Reimbursement of expenses by funds | - | - | - | 269,247 | - |
| Reversal of provision | - | - | - | - | - |
| Switch revenue | - | - | - | - | 219,911 |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | For the six months ended June 30, 2024 (Un-audited) | | | | |
|---|---|-----------|--------------------------|------------|-----------------------|
| | Parent | Directors | Key management personnel | Associates | Other related parties |
| | (Rupees in '000) | | | | |
| Expense | | | | | |
| Mark-up / return / interest paid | 64,334 | 118,818 | 12,940 | 758,943 | 395,940 |
| Remuneration paid | - | - | 992,047 | - | - |
| Post employment benefits | - | - | - | - | - |
| Directors' fees and allowances | - | 52,330 | 18,232 | - | - |
| Charge for defined contribution plans | - | - | 32,518 | - | 321,912 |
| Charge for defined benefit plans | - | - | 6,165 | - | 441,340 |
| Provision | - | - | - | - | 30 |
| Other expenses | - | - | - | - | 336,166 |
| Clearing charges | - | - | - | - | 87,937 |
| Donations | - | - | - | - | - |
| Seminar and Membership fees | - | - | - | - | - |
| Membership, subscription, sponsorship and maintenance charges | - | - | 1,790 | - | 14,308 |
| Other Information | | | | | |
| Dividend paid | 13,898,036 | 451,703 | 13,103 | 15,522 | 3,250,231 |
| Insurance premium paid | - | - | 2,392 | 703,741 | - |
| Insurance claims settled | - | - | - | 282,086 | - |

| | For the six months ended June 30, 2023 (Un-audited) | | | | |
|---|---|-----------|--------------------------|------------|-----------------------|
| | Parent | Directors | Key management personnel | Associates | Other related parties |
| | (Rupees in '000) | | | | |
| Profit and loss account | | | | | |
| Income | | | | | |
| Mark-up / return / interest earned | - | - | 10,461 | 61,178 | 1,672,722 |
| Commission / charges recovered | - | 36 | 576 | 9,343 | 9,522 |
| Dividend income | - | - | - | 145,978 | 388,827 |
| Net gain on sale of securities | - | - | - | 3,407 | - |
| Other income | - | - | - | - | 27,478 |
| Gain on sale of property and equipment | - | - | 5,759 | 354 | - |
| Remuneration from management of fund | - | - | - | 692,442 | - |
| Sales load | - | - | - | 15,745 | - |
| Reversal of provision | - | - | - | - | 24,421 |
| Switch revenue | - | - | - | - | 165,707 |
| Expense | | | | | |
| Mark-up / return / interest paid | 2,287 | 232,130 | 4,626 | 128,531 | 254,275 |
| Remuneration paid | - | - | 1,049,094 | - | - |
| Post employment benefits | - | - | - | - | - |
| Directors' fees and allowances | - | 43,670 | - | - | - |
| Net Charge for defined contribution plans | - | - | 33,470 | - | 109,831 |
| Net Charge for defined benefit plans | - | - | - | - | 238,642 |
| Provision - net | - | - | - | - | 215,453 |
| Other expenses | - | - | 44,461 | - | 45,743 |
| Clearing charges | - | - | - | - | 87,317 |
| Membership, subscription, sponsorship and maintenance charges | - | - | - | - | - |
| Other Information | | | | | |
| Dividend paid | 27,796,071 | 767,964 | 8,914 | 50,575 | 1,312,245 |
| Insurance premium paid | - | - | 1,749 | 638,959 | - |
| Insurance claims settled | - | - | - | 300,643 | - |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| 39. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS | | |
| Minimum Capital Requirement (MCR): | | |
| Paid-up capital (net of losses) | 12,241,797 | 12,241,797 |
| Capital Adequacy Ratio (CAR): | | |
| Eligible Common Equity Tier 1 (CET 1) Capital | 174,721,538 | 164,342,620 |
| Eligible Additional Tier 1 (ADT 1) Capital | 9,854,156 | 9,422,078 |
| Total Eligible Tier 1 Capital | 184,575,694 | 173,764,698 |
| Eligible Tier 2 Capital | 59,284,290 | 55,404,738 |
| Total Eligible Capital (Tier 1 + Tier 2) | 243,859,984 | 229,169,436 |
| Risk Weighted Assets (RWAs): | | |
| Credit Risk | 1,034,056,460 | 1,001,013,090 |
| Market Risk | 322,183,096 | 301,826,815 |
| Operational Risk | 265,722,534 | 265,722,534 |
| Total | 1,621,962,090 | 1,568,562,439 |
| Common Equity Tier 1 Capital Adequacy Ratio | 10.77% | 10.48% |
| Tier 1 Capital Adequacy Ratio | 11.38% | 11.08% |
| Total Capital Adequacy Ratio | 15.03% | 14.61% |

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank for the six months ended June 30, 2024 stood at Rs.12,241.797 million (December 31, 2023: Rs.12,241.797 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.

In order to dampen the effects of COVID-19, the State Bank of Pakistan under BPRD Circular Letter No. 12 of 2020 has given a regulatory relief and reduced the Capital Conservation Buffer (CCB) as prescribed vide BPRD Circular No. 6 of August 15, 2013, for the time being, from its existing level of 2.5% to 1.5%, till further instructions.

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 June 30, 2024. The Bank is fully compliant with prescribed ratios as the Bank's CAR is 15.03% whereas CET 1 and Tier 1 ratios stood at 10.77% and 11.38% respectively.

Furthermore, under the SBP's Framework for Domestic Systemically Important Banks (D-SIBs) introduced vide BPRD Circular No. 04 of 2019 dated April 13, 2019, UBL has been designated as a D-SIB under letter BSD-3/Bank/UBL/394468/2022 dated December 20, 2022. In line with this framework, the Bank is required to meet the Higher Loss Absorbency (HLA) capital charge of 0.5%, in the form of Additional CET 1 capital, on a standalone as well as consolidated level. The prescribed HLA under D-SIB shall remain effective till the next D-SIB designation announcement is made by State Bank of Pakistan.

The Consolidated Capital Adequacy Ratio excluding the transition benefit of ECL (net of tax) on adoption of IFRS 9 would be lower by 31bps as at June 30, 2024.

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|---|----------------------------------|-----------------------------------|
| | ----- (Rupees in '000) ----- | |
| Leverage Ratio (LR): | | |
| Eligible Tier-1 Capital | 184,575,694 | 173,764,698 |
| Total Exposures | 7,766,543,875 | 6,589,218,905 |
| Leverage Ratio | 2.38% | 2.64% |
| Liquidity Coverage Ratio (LCR): | | |
| Total High Quality Liquid Assets | 1,845,473,944 | 1,194,192,309 |
| Total Net Cash Outflow | 694,500,488 | 436,543,979 |
| Liquidity Coverage Ratio | 265.73% | 273.56% |
| Net Stable Funding Ratio (NSFR): | | |
| Total Available Stable Funding | 2,159,355,779 | 1,912,608,898 |
| Total Required Stable Funding | 1,399,926,777 | 1,310,982,494 |
| Net Stable Funding Ratio | 154.25% | 145.89% |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

40. ISLAMIC BANKING BUSINESS

The Bank operates 223 (December 31, 2023: 209) Islamic Banking branches and 501 (December 31, 2023: 501) Islamic Banking windows.

STATEMENT OF FINANCIAL POSITION

| | Note | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|------|----------------------------------|-----------------------------------|
| ----- (Rupees in '000) ----- | | | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 30,068,202 | 26,348,889 |
| Balances with other banks | | 4,563,407 | 1,537,675 |
| Due from financial institutions | 40.1 | - | 12,500,000 |
| Investments | 40.2 | 276,673,487 | 331,496,374 |
| Islamic financing and related assets - net | 40.3 | 52,860,496 | 47,187,185 |
| Property and equipment | | 1,756,370 | 1,235,419 |
| Right-of-use assets | | 1,707,788 | 1,524,770 |
| Intangible assets | | - | - |
| Due from Head Office | | 96,350,825 | 8,009,487 |
| Other assets | | 7,091,566 | 8,629,655 |
| | | 471,072,141 | 438,469,454 |
| LIABILITIES | | | |
| Bills payable | | 2,286,267 | 2,573,006 |
| Due to financial institutions | | 7,313,563 | 13,726,453 |
| Deposits and other accounts | 40.4 | 404,315,027 | 378,100,209 |
| Due to Head Office | | - | - |
| Lease Liability | | 1,951,860 | 1,754,938 |
| Other liabilities | | 5,095,689 | 5,647,031 |
| | | 420,962,406 | 401,801,637 |
| NET ASSETS | | | |
| | | 50,109,735 | 36,667,817 |
| REPRESENTED BY | | | |
| Islamic Banking Fund | | 2,181,000 | 2,181,000 |
| Reserves | | - | - |
| Surplus on revaluation of assets | | 2,513,545 | 3,087,953 |
| Unappropriated profit | 40.5 | 45,415,190 | 31,398,864 |
| | | 50,109,735 | 36,667,817 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 40.6 | | |

PROFIT AND LOSS ACCOUNT

| | | (Un-audited) January - June 2024 | January - June 2023 |
|--|------|--|------------------------|
| ----- (Rupees in '000) ----- | | | |
| Profit / return earned | 40.7 | 35,058,477 | 16,993,630 |
| Profit / return expensed | 40.8 | 17,155,823 | 8,733,321 |
| Net profit / return | | 17,902,654 | 8,260,309 |
| Other income | | | |
| Fee and commission income | | 239,071 | 155,601 |
| Foreign exchange income | | 46,669 | 117,162 |
| Gain on securities - net | | 209,819 | - |
| Other income | | 40,350 | 35,065 |
| Total other income | | 535,909 | 307,828 |
| Total Income | | 18,438,563 | 8,568,137 |
| Other expenses | | | |
| Other operating expenses | | 2,691,060 | 1,587,636 |
| Profit before credit loss allowance | | 15,747,503 | 6,980,501 |
| Credit loss allowance and write offs - net | | 161,031 | 10,014 |
| Profit before taxation | | 15,586,472 | 6,970,487 |
| Taxation | | 7,637,371 | 3,415,539 |
| Profit after taxation | | 7,949,101 | 3,554,948 |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

40.1 Due from Financial Institutions

| | As at June 30, 2024 (Un-audited) | | | As at December 31, 2023 (Audited) | | |
|-----------------------------------|----------------------------------|-----------------------|-------|-----------------------------------|-----------------------|------------|
| | In Local Currency | In Foreign Currencies | Total | In Local Currency | In Foreign Currencies | Total |
| | (Rupees in '000) | | | | | |
| Musharakah / Mudarabah | - | - | - | 12,500,000 | - | 12,500,000 |
| Bai Muajjal | - | - | - | - | - | - |
| with other Financial Institutions | - | - | - | - | - | - |
| with State Bank of Pakistan | - | - | - | - | - | - |
| | - | - | - | 12,500,000 | - | 12,500,000 |

40.2 Investments by segments

| | As at June 30, 2024 (Un-audited) | | | |
|--|----------------------------------|-----------------------|---------------------|--------------------|
| | Cost / Amortised cost | Credit loss allowance | Surplus / (Deficit) | Carrying Value |
| | (Rupees in '000) | | | |
| Debt Instruments | | | | |
| Measured at amortised cost | | | | |
| Federal Government Securities | 10,001,416 | - | - | 10,001,416 |
| - Ijarah Sukuks | 9,672,664 | (118) | - | 9,672,546 |
| Non Government debt securities | 19,674,080 | (118) | - | 19,673,962 |
| Measured at FVOCI | | | | |
| Federal Government securities | 251,319,794 | - | 2,513,545 | 253,833,339 |
| - Ijarah Sukuks | 2,830,376 | - | - | 2,830,376 |
| - Islamic Naya Pakistan Certificate | 42,857 | (7,047) | - | 35,810 |
| Non Government debt securities | 254,193,027 | (7,047) | 2,513,545 | 256,699,525 |
| Instruments mandatorily classified / measured at FVPL | | | | |
| Non Government debt securities | 300,000 | - | - | 300,000 |
| | 300,000 | - | - | 300,000 |
| Total investments | 274,167,107 | (7,165) | 2,513,545 | 276,673,487 |

| | As at December 31, 2023 (Audited) | | | |
|---------------------------------------|-----------------------------------|-----------|---------------------|----------------|
| | Cost / Amortised cost | Provision | Surplus / (Deficit) | Carrying Value |
| | (Rupees in '000) | | | |
| Federal Government Securities | | | | |
| - Ijarah Sukuks | 313,038,816 | - | 3,087,953 | 316,126,769 |
| - Islamic Naya Pakistan Certificate | 5,709,016 | - | - | 5,709,016 |
| | 318,747,832 | - | 3,087,953 | 321,835,785 |
| Non Government Debt Securities | | | | |
| - Listed | 376,339 | - | - | 376,339 |
| - Unlisted | 9,284,250 | - | - | 9,284,250 |
| | 9,660,589 | - | - | 9,660,589 |
| | 328,408,421 | - | 3,087,953 | 331,496,374 |

Particulars of credit loss allowance

| | As at June 30, 2024 (Un-audited) | | | |
|--------------------------------|----------------------------------|---------|---------|-------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| | (Rupees in '000) | | | |
| Federal Government securities | - | - | - | - |
| Non Government debt securities | 7,165 | - | - | 7,165 |
| | 7,165 | - | - | 7,165 |

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

(Un-audited)
June 30, 2024
(Rupees in '000)

40.3 Islamic financing and related assets

| | |
|--|------------|
| Ijarah | 154,805 |
| Murabaha | 428,946 |
| Musharakah | 2,022,137 |
| Diminishing Musharakah | 32,544,816 |
| Mera Pakistan Mera Ghar (MPMG) | 5,000,072 |
| Istisna | 327,281 |
| Diminishing Musharakah - Under SBP's Islamic Temporary Economic Refinance Facility | 290,625 |
| Ameen Musharakah Running Finance Under SBP's - Islamic Export Refinance scheme | 2,900,000 |
| Islamic Export Refinance scheme - Istisna | 600,625 |
| Advances against Islamic assets | |
| Advances against Ijarah | 32,245 |
| Advances for Diminishing Musharakah | 5,117,386 |
| Advances for Murabaha | 20,950 |
| Advances against Mera Pakistan Mera Ghar | 4,336 |
| Advances for Istisna | 449,451 |
| Advances against Istisna - Under SBP' Islamic Export Refinance scheme | 31,300 |
| Advances against Diminishing Musharakah ITERF | 3,705,624 |
| Inventory related to Islamic financing | |
| Istisna | 50,000 |
| Profit and other receivables against financings | 1,194,837 |
| Gross Islamic financing and related assets | 54,875,436 |

Less: Credit Loss Allowance against Islamic financings

| | |
|-----------|-------------|
| - Stage 1 | (1,570,674) |
| - Stage 2 | (322,389) |
| - Stage 3 | (121,877) |
| | (2,014,940) |

Islamic financing and related assets - net of provision

52,860,496

(Audited)
December 31, 2023
(Rupees in '000)

Islamic financing and related assets

| | |
|--|------------|
| Ijarah | 210,375 |
| Murabaha | 326,733 |
| Musharakah | 3,672,838 |
| Diminishing Musharakah | 26,340,035 |
| Mera Pakistan Mera Ghar (MPMG) | 5,159,709 |
| Istisna | 349,612 |
| Diminishing Musharakah - Under SBP's Islamic Temporary Economic Refinance Facility | 300,000 |
| Ameen Musharakah Running Finance Under SBP's - Islamic Export Refinance scheme | 3,649,999 |
| Islamic Export Refinance scheme - Istisna | 603,250 |
| Advances against Islamic assets | |
| Advances against Ijarah | 8,612 |
| Advances for Diminishing Musharakah | 1,646,484 |
| Advances for Murabaha | 56,537 |
| Advances against Mera Pakistan Mera Ghar | 14,236 |
| Advances for Istisna | 414,006 |
| Advances against Istisna - Under SBP' Islamic Export Refinance scheme | 50,000 |
| Advances against Diminishing Musharakah ITERF | 3,705,624 |
| Inventory related to Islamic financing | |
| Istisna | 156,060 |
| Profit and other receivables against financings | 749,917 |
| Gross Islamic financing and related assets | 47,414,027 |

Less: Provision against Islamic financings

| | |
|------------|-----------|
| - Specific | (143,029) |
| - General | (83,813) |
| | (226,842) |

Islamic financing and related assets - net of provision

47,187,185

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

40.4 Deposits and other accounts

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|-------------------------------|----------------------------------|-----------------------------------|
| Customers | | |
| Current deposits | 191,135,664 | 147,393,373 |
| Saving deposits | 60,345,892 | 67,293,259 |
| Term deposits | 23,686,745 | 24,888,049 |
| | <u>275,168,301</u> | <u>239,574,681</u> |
| Financial Institutions | | |
| Current deposits | 195,817 | 603,101 |
| Saving deposits | 88,067,909 | 137,892,427 |
| Term deposits | 40,883,000 | 30,000 |
| | <u>129,146,726</u> | <u>138,525,528</u> |
| | <u>404,315,027</u> | <u>378,100,209</u> |

40.4.1 Deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 213,401.921 million (December 31, 2023: Rs. 182,080.598 million).

| | (Un-audited) June 30, 2024 | (Audited) December 31, 2023 |
|--|----------------------------------|-----------------------------------|
| 40.5 Islamic Banking Business Unappropriated Profit | | |
| Opening Balance | 31,398,864 | 15,024,771 |
| Impact of adoption of IFRS 9 | (1,570,146) | - |
| Profit for the period / year | 15,586,472 | 16,374,093 |
| | <u>45,415,190</u> | <u>31,398,864</u> |
| Taxation | (7,637,371) | (8,023,306) |
| Closing Balance | <u>37,777,819</u> | <u>23,375,558</u> |
| 40.6 Contingencies and commitments | | |
| - Guarantees | 413,128 | 228,481 |
| - Commitments | 11,625,274 | 6,413,657 |
| | <u>12,038,402</u> | <u>6,642,138</u> |

| | (Un-audited) January - June 2024 | January - June 2023 |
|------------------------------------|--|------------------------|
| ----- (Rupees in '000) ----- | | |
| 40.7 Profit / Return earned | | |
| On: | | |
| Financing | 4,035,789 | 6,407,993 |
| Investments | 30,816,968 | 10,289,249 |
| Placements | 138,199 | 185,396 |
| Rental Income from Ijarah | 67,521 | 110,992 |
| | <u>35,058,477</u> | <u>16,993,630</u> |

| | | |
|--------------------------------------|-------------------|------------------|
| 40.8 Profit / Return expensed | | |
| On: | | |
| Deposits and other accounts | 13,763,121 | 6,601,511 |
| Due to Financial Institutions | 3,265,391 | 2,069,478 |
| Others | 127,311 | 62,332 |
| | <u>17,155,823</u> | <u>8,733,321</u> |

40.9 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.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

General Pool(s)

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 Pool(s)

The IERS pool 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 pool.

Treasury Pool(s)

The Treasury pool 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 Holding company.

Special Pool(s) - LCY

Separate pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

Special Pool(s) - FCY

UBL also manage Foreign Currency (FCY) special pools. The objective of Pool is to meet the FCY Liquidity requirement. The funds in this pool are generally deployed in FCY Placement of funds with State Bank under the mode of Islamic Naya Pakistan Certificate, Loss (if any) is borne by the Rabulmaal as per ratio of investment of the pool.

Equity Pool(s)

All other assets including fixed assets, advance against financing, bai-salam financing and subsidized financing to Bank's employees are tagged to equity pool. To safeguard the interest of customers, all high risk investments are done through equity pool. The Holding company 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 period, 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 period ended June 30, 2024 is Rs.4,808.55 million (28.27% of distributable profit of Mudarabah Pool) of this, an amount of Rs.1,611million (33.50% of Mudarib share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 21.03% per annum and the rate of profit paid on average deposits was 17.08% per annum.

The risk characteristics of pools

The risk characteristic of each pool mainly depends on the assets and liability 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 Pools, IERS pool and Equity pool. 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 Pool

- 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.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

The Bank managed following pools during the period.

| For the six months ended June 30, 2024 (Un-audited) | | | | | | | | | |
|---|----------------|--|----------------------------|----------------------|--|--|--|--|---------|
| No of Pools | Nature of Pool | Profit rate and weightages announcement period | Average profit rate earned | Profit Sharing ratio | Mudarib fee / Musharakah share / Wakalah 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 | 6 | Mudarbaha | Monthly | 12.24% | 35.00% | 92,549 | 8.30% | 7.95% | 7,360 |
| Special Pools | 69 | Mudarbaha | Monthly | 21.48% | 13.91% | 1,409,212 | 20.07% | 51.15% | 720,842 |
| IERS Pools | 12 | Musharkah | Monthly | 18.57% | 59.62% | 512,427 | 18.00% | 0.00% | - |
| FCY Pools | 12 | Mudarbaha | Monthly | 2.13% | 50.00% | 4,594 | 1.06% | 0.00% | - |
| General Pools | 6 | Mudarbaha | Monthly | 20.97% | 49.99% | 3,306,791 | 18.50% | 26.71% | 883,107 |
| Treasury Pools | 172 | Musharkah | Monthly | 21.78% | 30.52% | 1,512,836 | 21.12% | 0.00% | - |

| For the six months ended June 30, 2023 (Un-audited) | | | | | | | | | |
|---|----------------|--|----------------------------|----------------------|--|--|--|--|-----------|
| No of Pools | Nature of Pool | Profit rate and weightages announcement period | Average profit rate earned | Profit Sharing ratio | Mudarib fee / Musharakah share / Wakalah 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 | 6 | Mudarbaha | Monthly | 12.25% | 35.00% | 222,187 | 8.68% | 16.79% | 37,305 |
| Special Pools | 71 | Mudarbaha | Monthly | 18.59% | 25.07% | 289,029 | 15.39% | 40.08% | 115,849 |
| IERS Pools | 12 | Musharkah | Monthly | 17.15% | 74.69% | 1,010,052 | 12.36% | 0.00% | - |
| FCY Pools | 12 | Mudarbaha | Monthly | 2.13% | 50.00% | 5,095 | 1.06% | 0.00% | - |
| General Pools | 6 | Mudarbaha | Monthly | 18.78% | 49.99% | 3,444,233 | 14.08% | 49.92% | 1,719,282 |
| Treasury Pools | 4 | Mudarbaha | Monthly | 14.68% | 6.29% | 21,135 | 16.25% | 5.07% | 1,071 |
| Treasury Pools | 100 | Musharkah | Monthly | 18.04% | 14.56% | 222,805 | 17.67% | 0.00% | - |

(Un-audited) June 30, 2024
(Audited) December 31, 2023

-----Rupees in '000-----

40.10 Deployment of Mudarabah based deposits by class of business

| | | |
|---------------------------------------|--------------------|--------------------|
| Chemical and pharmaceuticals | 5,569,073 | 5,934,303 |
| Agriculture | - | 12,974 |
| Textile | 3,543,654 | 5,931,200 |
| Financial | 3,799,972 | 13,291,379 |
| Food industries | 35,559 | 52,926 |
| Plastic | 162,626 | 291,051 |
| Individuals | 15,426,339 | 15,287,661 |
| Production and transmission of energy | 20,830,684 | 19,682,190 |
| Government of Pakistan Securities | 266,657,965 | 321,835,785 |
| Others | 18,523,022 | 9,090,933 |
| | <u>334,548,894</u> | <u>391,410,402</u> |

41. YEMEN OPERATIONS

Despite risky situation and continued operational losses the Bank has been striving to honor liabilities. However, on account of several factors, including but not limited to fragile political and economic situation in Yemen, bankruptcy of CBY Sana'a, existence of two Central Banks (i.e. CBY Sana'a and CBY Aden), has resulted in illiquid market, which does not appears to be reversed in near future.

It is no longer possible for the Bank to continue its operations in Yemen due to reasons not attributable to the Bank and caused by circumstances entirely beyond the Bank's control. Therefore, Bank has completely exited from Yemen. The Bank is cognizant of the associated risks arising out of its exit from Yemen.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 2024

42. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on July 31, 2024 has declared an interim cash dividend in respect of quarter ended June 30, 2024 of Rs. 11.0 per share (June 30, 2023: Rs. 11.0 per share). This is in addition to Rs. 11.0 already paid during the period bringing the total dividend for the six months to Rs.22.0 per share (June 30, 2023: Rs. 22.0). These consolidated condensed interim financial statements for the six months ended June 30, 2024 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

43. GENERAL

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

43.2 The Bank has not restated comparative information for 2023 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2023 is reported under previous local regulatory requirements and is not comparable with the information presented for 2024.

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

44. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on July 31, 2024, by the Board of Directors of the Bank.



Arif Akmal Saifie
Chief Financial Officer



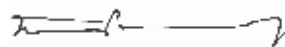
Muhammad Jawaid Iqbal
President &
Chief Executive Officer



Shazia Syed
Director



Daniel Michael Howlett
Director



Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

یونائیٹڈ بینک لمیٹڈ ارکان کوڈائریکٹرز کی رپورٹ

بورڈ آف ڈائریکٹرز کی طرف سے 30 جون 2024 کو ختم ہونے والے نصف سال کے لیے یونائیٹڈ بینک لمیٹڈ (یو بی ایل) کی رپورٹ پیش کرنا ہمارے لیے باعث مسرت ہے۔

کارکردگی کا جائزہ

یو بی ایل نے غیر منجمع بنیادوں پر 30 جون 2024 کو ختم ہونے والے نصف سال کے لیے 57.7 ارب روپے کا قبل از منافع (PBT) ریکارڈ کیا جو کہ سال بہ سال کے مقابلے میں 14 فیصد کی بہترین نمو کی نمائندگی کرتا ہے۔ H1'24 کے لیے منافع بعد از ٹیکس (PAT) 29.4 ارب روپے رہا جو کہ H1'23 میں 26.3 ارب روپے تھا جس کی آمدنی فی حصص 24.05 روپے رہی جو گزشتہ سال کے اسی عرصے میں 21.50 ارب روپے تھی۔ یو بی ایل نے 25.15 روپے کی مجموعی آمدنی فی حصص (H1'23: 22.01 روپے) کے ساتھ 31.4 ارب روپے (H1'23: 27.5 ارب روپے) مجموعی بنیاد پر منافع بعد از ٹیکس کا اندراج کیا۔

یو بی ایل کے بورڈ آف ڈائریکٹرز نے 31 جولائی 2024 کو اسلام آباد میں منعقد ہونے والے اپنے اجلاس میں 30 جون 2024 کو ختم ہونے والے نصف سال کے نتائج کے ساتھ ساتھ 11.0 روپے فی حصص کے عبوری نقد منافع کا اعلان کیا۔

نیٹ مارک آپ آمدنی 53.6 ارب روپے رہی جبکہ نان مارک آپ آمدنی H1'24 میں 38.7 ارب روپے ریکارڈ کی گئی، H1'23 کے مقابلے میں 9 فیصد کے اضافے کے ساتھ H1'24 کے لیے مجموعی طور پر تمام آمدنی 92.3 ارب روپے رہی۔ گزشتہ سال کی اسی مدت کے مقابلے میں فیس پر مبنی آمدنیوں نے پورے سال مجموعی کاروباری رفتار کو 15 فیصد کے اضافے کے ساتھ برقرار رکھا۔ ڈومیسٹک کرنٹ ڈپازٹس ایورٹج 1 کھرب روپے رہا جو نیٹ ورک کی کارکردگی پر توجہ دینے کے ساتھ ساتھ سال بہ سال 24 فیصد بڑھ رہا ہے۔

افراط زر کی بلند سطح کے باعث بینک کے آپریٹنگ اخراجات میں H1'23 کے 35.8 ارب روپے کے مقابلے میں 20 فیصد اضافہ ریکارڈ کیا گیا ہے۔ عملے کی لاگت 14.5 ارب روپے رہی جو کہ تمام ہرانجز میں مجموعی اضافے اور فرنٹ آفس فنکشنز میں بنیادی تقریروں کے حساب سے 23 فیصد اضافی تھی۔ 9 فیصد اضافے کے ساتھ پراپرٹی سے متعلق اخراجات 4.9 ارب روپے ریکارڈ کیے گئے۔

بینک نے گزشتہ سال کی اسی مدت میں 3.0 ارب روپے کے نیٹ پرویشن چارجز کے مقابلے میں H1'24 کے لیے 2.4 ارب روپے کا نیٹ پرویشن ریورسل ریکارڈ کیا۔

سرمائے کا تناسب۔ مجمع

یو بی ایل ریگولیٹری تقاضوں پر سرمایہ کاری کے ساتھ مناسب بفرز کو برقرار رکھتا ہے۔ مجمع CAR جون 2024 میں 15.0% (دسمبر 2023: 14.6%) رہا، جس میں 12.0% ریگولیٹری شرط پر 3.0% کا بفر بھی برقرار رکھا گیا ہے۔ کامن ایکویٹی ٹیکر (CET-1) کا تناسب جون 2024 میں 10.8% (دسمبر 2023: 10.5%) رہا۔ جون 2024 کو میٹر 1 کپیٹل کا تناسب 11.4% (دسمبر 2023: 11.1%) ریکارڈ کیا گیا۔

یونائیٹڈ بینک لمیٹڈ (UNBL UK) میں بینک کے شیئرز ہولڈنگ کی فروخت کی ٹرانزیکشن کا عمل مقررہ تاریخ کی مدت کے بعد مکمل کر لیا گیا۔ اس سرمایہ کاری پر حق تصرف حاصل ہونے کے بعد بینک کے مجمع CAR میں 200 میسر پوائنٹس کا اضافہ ہوگا۔







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