

United Bank Limited

**UNCONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2020
(UN-AUDITED)**



UNITED BANK LIMITED

DIRECTORS' REPORT TO THE MEMBERS



On behalf of the Board of Directors, I am pleased to present the financial statements of United Bank Limited (UBL) for the quarter ended March 31, 2020.

Introduction

The outbreak of COVID-19, a novel coronavirus which started in East Asia in December of 2019, has now spread to the rest of the world. The loss of countless lives has led to countries imposing strict social protocols including enforced lockdowns to limit the spread of the disease. The World Health Organization, concerned with its severity, officially labelled COVID-19 as a pandemic in the middle of March 2020. Global supply chains and international trade have also been severely affected by the outbreak. Countries across the globe are setting up relief programs, including enhanced public sector spending, in a bid to contain the social and economic fallout of the pandemic. Amid countrywide restrictions and lockdowns, the Government of Pakistan announced a substantial stimulus package to provide relief to its citizens, particularly the low-income groups, whose livelihood has been severely affected by the current situation.

UBL is taking all necessary measures to ensure continuity of business in view of the evolving developments emerging from the COVID-19 outbreak. It is our priority to ensure that all staff members are safe and healthy while maintaining our ability to serve our customers. The on-ground situation is being monitored by a high level Crisis Management Committee, which is also working closely with all regulators to ensure seamless business continuity. We remain focused on maintaining our stable liquidity profile and sound capital position across all jurisdictions.

Performance Overview

On a standalone basis, UBL recorded profit before tax (PBT) of Rs. 8.4 billion for the quarter ended March 31, 2020, down 8% from the PBT of Rs. 9.2 billion earned in the corresponding period of last year.

Gross revenues for the bank was recorded at Rs. 22.0 billion for Q1'20, a growth of 12% over Q1'19. Net interest income witnessed strong growth of 18% over last year, and was recorded at Rs. 17.3 billion. Non-Fund income was recorded at Rs. 4.7 billion for Q1'20, a decline of 6% over the previous period, mainly due to lower fees and commissions and foreign exchange income. Administrative expenses were recorded at Rs. 9.5 billion for the current quarter, an increase of 6% over Q1'19. The cost to income ratio was measured at 43.0% for Q1'20, improving from 45.6% in Q1'19. The bank recorded a net provision charge of Rs. 3.7 billion for Q1'20 versus a net provision charge of Rs. 1.3 billion for the corresponding period of last year, mainly against the international advances portfolio.

Financial Highlights

UBL recorded a Profit After Tax (PAT) of Rs. 5.1 billion for Q1'20 against Rs. 4.2 billion for Q1'19, an increase of 22% year on year. Earnings per share (EPS) stood at Rs. 4.13 (Q1'19: Rs. 3.40). On a consolidated basis, UBL posted a PAT of Rs. 4.9 billion (Q1'19: Rs. 4.1 billion). The consolidated EPS was recorded at Rs. 3.98 for Q1'20 (Q1'19: Rs. 3.30)

Net Markup Income

The Bank recorded net markup income of Rs. 17.3 billion for Q1'20, a strong growth of 18% over the corresponding period of last year. The interest earning asset base of the bank was recorded at Rs. 1.6 trillion for Q1'20, a growth of 10% year on year. Net interest margins (NIMs) improved from 4.3% in Q1'19 to 4.6% in Q1'20, with strong asset yields due to repricing in line with the high interest rate regime, as well as a steady buildup in low cost deposits.

Average domestic deposits were measured at Rs. 1.17 trillion for Q1'20, growing by 8% year on year. i.e. an increase of Rs. 85 billion. This was a result of a 5% growth in the domestic CASA deposits, which averaged at Rs. 994 billion for Q1'20. The bank continued its focus on growing low cost deposits as it acquired 127,000 new to bank (NTB) current account relationships in Q1'20 (Q1'19: 128,000 NTB current accounts). The domestic savings portfolio averaged at Rs. 506 billion for Q1'20, an increase of Rs. 28.5 billion over the averages for Q1'19. Resultantly, the average CASA ratio was measured at 84.7% for Q1'20 (Q1'19: 86.8%). The domestic portfolio of term deposits averaged at Rs. 180 billion, a growth of 25% over Q1'19. The domestic cost of deposits was measured at 6.4% for Q1'20 as against 4.7% in Q1'19, which remained contained despite the impact of the prevailing high interest rates.

Bank level performing advances averaged at Rs. 600 billion in Q1'20 (Q1'19: Rs. 638 billion). The domestic corporate loan book averaged at Rs. 420 billion, largely in line with the averages maintained in Q1'19. The bank maintained its stable and prudent asset acquisition in the consumer segment, particularly within autos, as the overall portfolio averaged Rs. 17.5 billion, a year on year growth of 9%. In line with the Bank's de-risking strategy, UBL International's average loan book was reduced by 27% over Q1'19, with the averages recorded at USD 799 million in Q1'20.

The bank's investment portfolio averaged Rs. 940 billion during Q1'20 (Q1'19: Rs. 679 billion). Funding is primarily deployed in government debt with average investments of Rs. 311 billion in short term treasury bills, earning the bank a healthy yield of over 13%. The bank's holdings in floating rate Pakistan Investment Bonds averaged at Rs. 139 billion, yielding 14% in Q1'20.

Non-Markup Income

UBL earned non-markup income of Rs. 4.7 billion in Q1'20, down 6% against Q1'19. Non-markup income constituted 21% of the total gross revenues in the quarter under review (Q1'19: 25%).

Fees and commissions income were recorded at Rs. 3.0 billion in Q1'20, down 17% year on year. Branch banking fees grew by 3% year on year, to be recorded at Rs. 488 million. The bank maintained its momentum within the bancassurance business as it earned revenues of Rs. 314 million in Q1'20 (Q1'19: Rs. 333 million). UBL maintained its leadership position within the home remittance space with a market share of 26%. Resultantly, commissions of Rs. 322 million were earned during the current quarter, in line with the commissions earned in Q1'19. Commission income on cash management services were recorded at Rs. 202 million, an increase of 7% year on year.

Foreign exchange income was recorded at Rs. 732 million for Q1'20 (Q1'19: Rs. 908 million). Dividend income was recorded at Rs. 394 million in Q1'20 against Rs. 226 million in Q1'19, primarily due to strong returns from the Bank's subsidiaries. The bank earned capital gains of Rs. 342 million in Q1'20 (Q1'19: Rs. 5 million), primarily on the timely sale of UBL International's foreign bonds.

Provisions and loan losses

The Bank recorded provisioning expense of Rs. 3.7 billion in Q1'20, versus a provision expense of Rs. 1.3 billion in the corresponding quarter of last year. Overall NPLs increased from Rs. 76.6 billion at Dec'19 to Rs. 86.3 billion at Mar'20. This increase includes an amount of approximately Rs. 4.0 billion due to further devaluation in the PKR during the quarter. Asset quality was recorded at 12.4% at Mar'20 (Dec'19: 10.9%).

UBL Domestic

Domestic Bank's gross advances stood at Rs. 508 billion (Dec'19: Rs. 525 billion), and constituted 73% of the total gross advances of the bank. Domestic non-performing loans (NPLs) were recorded at Rs. 30.9 billion at Mar'20 (Dec'19: Rs. 27.2 billion). Asset quality was measured at 6.1% as at Mar'20 (Dec'19: 5.2%) while specific coverage stood at 81.5% at Mar'20 (Dec'19: 92.1%).

UBL International

Business activity remains impacted by the decline in oil prices and the COVID-19 pandemic will further stress the underlying business fundamentals. The challenging economic climate necessitated prudent loan loss classifications within UBL International. NPLs increased from USD 319.2 million at Dec'19 to USD 332.3 million at Mar'20. A provision charge of USD 24.1 million was taken during Q1'20 (Q1'19: USD 8.9 million) to further improve reserve levels. Specific coverage stood at 75.3% at Mar'20 (Dec'19: 77.3%).

Specific coverage with Forced Sale Value (FSV) of mortgaged properties and cash collateral stood at 86.2% at Mar'20 (Dec'19: 90.9%, refer to note 10.3.2 to the financial statements).

Cost management

The Bank continues to work towards optimizing the cost base, while improving service benchmarks and ensuring adequate reinvestment across businesses and support functions. Administrative expenses remained well under control and were recorded at Rs. 9.5 billion for Q1'20, a growth of 6% over the corresponding period of last year. Property related expenses were recorded at Rs. 1.6 billion for the current quarter, in line with Q1'19. IT expenses witnessed an increase of 13% year on year, as the bank continues to invest in technology platforms to transform banking services in line with its digital strategy, while other costs were recorded at Rs. 3.0 billion for the period under review (Q1'19: Rs. 3.2 billion).

Balance Sheet management

UBL's balance sheet stood at Rs. 1.94 trillion at Mar'20, growing by 3% over Dec'19. Bank level deposits stood at Rs. 1.49 trillion at Mar'19, growing by 2% over Dec'19. Maintaining strong liquidity and a well-diversified deposit base with low concentration remains one of the bank's key strengths. Given the current situation, we remain highly focused towards ensuring that we maintain optimum deposit levels across each jurisdiction.

Branch Banking Group remains the key pillar of the UBL franchise as domestic deposits were recorded at Rs. 1.25 trillion at Mar'20, growing by 3% over Dec'19 i.e. an incremental increase of Rs. 31 billion. This performance resulted in a market share of 8.2% (Dec'19: 8.3%) of the total domestic industry deposits at Mar'20. Our strategy is centered around increasing the low cost deposit base through the acquisition of new current account relationships. The domestic portfolio of savings deposits stood at Rs. 553 billion at Mar'20, growing by 9% over Dec'19 while fixed term deposits were reduced by 9% over Dec'19, standing at Rs. 174 billion at Mar'20. Consequently, the CASA ratio improved from 84.3% at Dec'19 to 86.1% at Mar'20.

Bank level net advances stood at Rs. 623 billion at Mar'20 (Dec'19: Rs. 636 billion). In light of the pandemic and the ensuing economic slowdown, lending will remain selective across both the domestic and International franchises, with renewed focus on asset quality and efficient capital allocation. Advances to Deposits level was measured at 43.0% at Mar'20 (Dec'19: 44.3%).

Investments closed at Rs. 970 billion at Mar'20, an increase of 15% over Dec'19. The portfolio is well diversified across Treasury Bills as well as fixed and floating rate Pakistan Investment Bonds. As intermediation is expected to slow down in the coming months, our strategy will be to deploy

excess liquidity in capital efficient, risk free government paper, which will maintain the bank's healthy markup returns and interest margins.

Capital Ratios

The bank seeks to maintain a sound capital position that supports the franchise, while ensuring liquidity and credit risks are fully mitigated through appropriate remedying measures.

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

SBP has also provided regulatory relief to dampen the effects of COVID-19 and support the banking sector in extending credit facilities to its customers. To that end, SBP has reduced the Capital Conservation Buffer (CCB) from its existing level of 2.5% to 1.5%, for the time being till further instructions are issued. The above has resulted in a minimum CAR requirement for UBL of 12.5% (including the HLA Surcharge of 1.0%) as at 31st March 2020. This stands reduced by 150 bps from the minimum regulatory CAR requirement applicable for the bank (including the HLA Surcharge of 1.5%) of 14.0% at Dec'19.

The Common Equity Tier 1 (CET-1) ratio stood at 13.7% at Mar'20 (Dec'19: 13.7%). Total Tier 1 Capital ratio was measured at 14.9% at Mar'20 (Dec'19: 14.9%). The overall CAR stood at 19.5% at Mar'20 (Dec'19: 18.9%), with a buffer of 7.0% over the minimum regulatory requirement of 12.5%.

The Board of Directors of UBL declared an interim cash dividend of 25% (Rs. 2.50 per share) in their meeting in Karachi held on April 22th, 2020, along with the results for the three months ended March 31, 2020.

Economy Review

The COVID-19 pandemic has emerged as a major event in global history. For Pakistan, this has come at a time when the country was heading towards some economic stability. To combat the effects of the outbreak, the government has introduced a stimulus package of over Rs. 1.0 trillion to provide relief to its citizens, particularly the low-income groups who have been the most affected by the virus. The stimulus package was announced following a country wide lockdown that forced a significant portion of the population to stay indoors, causing significant disruption to overall economic activity.

In the wake of the increase in the number of COVID-19 cases, major disruptions to global economic activity and the expected slowdown in domestic demand, the State Bank of Pakistan (SBP) in its emergency Monetary Policy Statement (MPS) on 24th March 2020 decided to cut the policy rate further by 150 basis points, bringing it down to 11.00%. This was in addition to the 75 basis points rate cut in the MPS of 17th March 2020. This brought the cumulative monetary easing during the month of March 2020 to 225 basis points. The CPI, which was measured at 14.6% for the month of January 2020, declined to 10.2% for March 2020. Furthermore, SBP also took relief measures to facilitate the banking sector to continue to extend credit to the real economy. These included relaxing capital requirements by reducing the capital conservation buffer from 2.5% to 1.5%, certain deferrals of principal and interest payments on credit facilities, relaxations with respect to restructuring of non-performing loans and waiver of charges on digital transactions to encourage greater use of alternate banking channels.

The slowdown has already impacted the export sector as international demand has scaled down significantly. Looking ahead, contraction in the large scale industrial production and the agricultural sector is also expected. However, the international oil prices have declined recently, from being over USD 60 per barrel at the start of the year to around USD 20 per barrel at the end of March 2020. This will significantly reduce the country's import bill and provide much needed support to the balance of trade position.

The current account deficit (CAD) continues to improve as it closed at USD 2.8 billion for 8M FY'20, reducing by 71% over the same period last year. The country's exports improved marginally by 2.2% 9M FY'20 versus 9M FY'19, however, the import bill contracted by 14.4% over the same period. The country's trade deficit was recorded at USD 17.4 billion during 9M FY'20, improving by 26.5% over 9M FY'19. Home remittances were recorded at USD 17.0 billion for 9M FY'20, an increase of 6% over the corresponding period of last year.

The country's FX reserves stood at USD 17.4 billion at Mar'20, declining by 4% over Dec'19 when the reserves stood at USD 18.1 billion. The coronavirus pandemic also disrupted the FX markets as the exchange rate, which remained stable in the Rs. 154 - 155 range since Q3'19, devalued sharply to Rs. 166.7 at 31st March 2020, depreciating by 7.7% since Dec'19. The KSE-100 index also experienced volatility throughout Q1'20, as the index ended the first quarter of 2020 at 29.2 k points, declining by 28% since Dec'19.

Banking sector deposits stood at Rs. 15.1 trillion at Mar'20, growing by 3% over Dec'19. Sector's net advances ended the current quarter at Rs. 8.3 trillion, marginally over the Dec'19 level. Non-performing loans for the banking industry stood at Rs. 761 billion at Dec'19, slightly above the Sep'19 level.

UBL International

The business environment continues to be difficult in the GCC region. Oil prices have witnessed significant decline in recent months while the COVID-19 pandemic has also added a new challenge. The governments have embarked on major stimulus reforms, primarily through greater public spending, to provide much needed impetus to regional economies.

Within the International franchise, we continue to de-risk the balance sheet. Credit quality considerations and capital efficiencies remain the foundation of all asset deployment decisions. Furthermore, the Special Assets Management Division is aggressively pursuing recovering efforts against non-performing accounts. Liquidity is primarily deployed in sovereign debt instruments, trade based financings and more lending to financial institutions.

UBL International's deposits averaged at USD 1.5 billion during Q1'20 (Q1'19: USD 1.8 billion). The FED recently reduced interest rates by a 100 bps to ease liquidity pressures in light of the coronavirus pandemic. Within International, the deposits mobilization strategy is aimed at reducing concentration levels and increasing the share of CASA deposits in the overall portfolio mix. Performing advances averaged at USD 799 million for Q1'20 (Q1'19: USD 1.1 billion) down 27%. Investments comprising mainly of sovereign bonds averaged at USD 703 million for Q1'20 (Q1'19: USD 651 million), earning a healthy yield of 6.0%.

Election of Directors

In accordance with Section 159(5) of the Companies Act, 2017, the elections of the Board of Directors were held in the 61st Annual General Meeting held on March 25th, 2020. The following directors were elected unopposed:

1. Sir Mohammed Anwar Pervez, OBE, HPk
2. Lord Zameer M. Choudrey, CBE, SI Pk
3. Mr. Haider Zameer Choudrey
4. Mr. Rizwan Pervez
5. Mr. Arshad Ahmad Mir
6. Mr. Khalid A. Sherwani
7. Mr. Amar Zafar Khan
8. Mr. Tariq Rashid

Currently, the bank is awaiting to receive SBP's approval of the Fit and Proper Test (FPT) for the above mentioned directors.

UNITED BANK LIMITED

DIRECTORS' REPORT TO THE MEMBERS



Credit Rating

VIS Credit Rating Company Limited (VIS) re-affirmed the entity ratings of UBL at “AAA / A-1+” (Triple A / A-One Plus) on June 28, 2019. Outlook on the assigned ratings is ‘Stable’.

Future Outlook

The spread of COVID-19 has largely been contained in the country amid strict movement restrictions and complete lockdowns. We expect credit off-take to remain restricted in the coming months as supply chains adjust to the economic impacts. As one of the largest institutions in the financial sector in Pakistan, we will work closely with the government and regulators and play our due role in ensuring availability of banking services across all channels in these difficult times. Being the leaders in the digital space, we shall remain focused on the use of alternate service channels while taking the country a step forward towards greater financial inclusion. We shall continue to invest in developing payment ecosystems and technologically superior solutions that make banking faster, easier and more accessible to our customers. Branch Banking will remain the core of our franchise as we will actively try to expand our customer base by acquiring new relationships as we evolve new business models for sales and customer retention.

Acknowledgements

In the end, we would like to express sincere appreciation to our shareholders and customers for their continued patronage. We value the efforts of our dedicated employees who in these very difficult times have ensured uninterrupted services all across the country. We would also like to extend our gratitude to the Government of Pakistan, the State Bank of Pakistan, the Securities & Exchange Commission and other regulatory bodies for their direction and consistent support.

For and on behalf of the Board,

Sima Kamil
President & CEO
Karachi,
April 22nd, 2020

Amar Zafar Khan
Director

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020**

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	6	173,582,939	235,861,767
Balances with other banks	7	20,387,528	20,729,005
Lendings to financial institutions	8	18,900,245	20,246,576
Investments	9	970,442,350	840,448,487
Advances	10	622,621,845	636,219,771
Fixed assets	11	52,246,368	52,396,877
Intangible assets	12	2,000,227	1,951,002
Deferred tax assets	13	8,460,343	3,300,164
Other assets	14	75,815,659	82,541,058
		1,944,457,504	1,893,694,707
LIABILITIES			
Bills payable	16	20,097,806	22,926,596
Borrowings	17	185,781,278	154,484,000
Deposits and other accounts	18	1,492,539,424	1,467,063,461
Liabilities against assets subject to finance lease		-	-
Subordinated debt	19	10,000,000	10,000,000
Deferred tax liabilities		-	-
Other liabilities	20	70,637,191	70,151,767
		1,779,055,699	1,724,625,824
NET ASSETS		<u>165,401,805</u>	<u>169,068,883</u>
REPRESENTED BY:			
Share capital		12,241,798	12,241,798
Reserves		62,416,583	59,319,611
Surplus on revaluation of assets	21	19,811,129	25,837,143
Unappropriated profit		70,932,295	71,670,331
		<u>165,401,805</u>	<u>169,068,883</u>
CONTINGENCIES AND COMMITMENTS	22		






The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

 Aameer Karachiwalla Chief Financial Officer	 Sima Kamil President & Chief Executive Officer	 Amar Zafar Khan Director	 Arshad Ahmad Mir Director	 Sir Mohammed Anwar Pervez, OBE, HPK Chairman
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**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	Note	January - March 2020	January - March 2019
----- (Rupees in '000) -----			
Mark-up / return / interest earned	24	43,380,353	31,400,113
Mark-up / return / interest expensed	25	26,037,828	16,741,531
Net mark-up / interest income		<u>17,342,525</u>	<u>14,658,582</u>
Non mark-up / interest income			
Fee and commission income	26	2,986,449	3,612,868
Dividend income		393,897	226,422
Foreign exchange income		732,424	907,911
(Loss) / Income from derivatives		(11,274)	51,482
Gain on securities - net	27	342,219	5,098
Other income	28	222,154	170,643
Total non mark-up / interest income		<u>4,665,869</u>	<u>4,974,424</u>
Total income		<u>22,008,394</u>	<u>19,633,006</u>
Non mark-up / interest expenses			
Operating expenses	29	9,473,593	8,950,871
Workers' Welfare Fund		218,300	181,489
Other charges	30	181,039	1,985
Total non mark-up / interest expenses		<u>9,872,932</u>	<u>9,134,345</u>
Profit before provisions		<u>12,135,462</u>	<u>10,498,661</u>
Provisions and write-offs - net	31	3,700,454	1,323,158
Extra ordinary / unusual item		-	-
Profit before taxation		<u>8,435,008</u>	<u>9,175,503</u>
Taxation	32	3,375,027	5,011,702
Profit after taxation		<u>5,059,981</u>	<u>4,163,801</u>
----- (Rupees) -----			
Earnings per share - basic and diluted	33	<u>4.13</u>	<u>3.40</u>

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

				
Aameer Karachiwalla Chief Financial Officer	Sima Kamil President & Chief Executive Officer	Amar Zafar Khan Director	Arshad Ahmad Mir Director	Sir Mohammed Anwar Pervez, OBE, HPK Chairman

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	January - March 2020	January - March 2019
	----- (Rupees in '000) -----	
Profit after taxation for the period	5,059,981	4,163,801
Other comprehensive income		
<i>Items that may be reclassified to profit and loss account in subsequent periods</i>		
Effect of translation of net investment in foreign branches	2,590,974	1,189,083
Movement in (deficit) / surplus on revaluation of investments - net of tax	(5,902,679)	2,197,177
	(3,311,705)	3,386,260
<i>Items that will not be reclassified to profit and loss account in subsequent periods</i>		
Remeasurement loss on defined benefit obligations - net of tax	(519,857)	-
Movement in surplus on revaluation of fixed assets - net of tax	1,222	(83,617)
Movement in surplus on revaluation of non-banking assets - net of tax	-	(240)
	(518,635)	(83,857)
Total comprehensive income for the period	<u>1,229,641</u>	<u>7,466,204</u>

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.



Aameer Karachiwalla
Chief Financial Officer



Sima Kamil
President &
Chief Executive Officer



Amar Zafar Khan
Director



Arshad Ahmad Mir
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	Share capital	Capital reserve - exchange translation	Statutory reserve	Surplus / (Deficit) on revaluation			Unappropriated profit	Total
				Investments	Fixed assets	Non-banking assets		
(Rupees in '000)								
Balance as at December 31, 2018 (Audited)	12,241,798	23,176,890	31,262,348	(9,070,713)	25,551,923	105,856	68,001,846	151,269,948
Total comprehensive income for the quarter ended March 31, 2019								
Profit after taxation for the quarter ended March 31, 2019	-	-	-	-	-	-	4,163,801	4,163,801
Other comprehensive income - net of tax	-	1,189,083	-	2,197,177	(83,617)	(240)	-	3,302,403
Total comprehensive income for the quarter ended March 31, 2019	-	1,189,083	-	2,197,177	(83,617)	(240)	4,163,801	7,466,204
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(13,865)	-	13,865	-
Transfer to statutory reserve	-	-	416,380	-	-	-	(416,380)	-
Transactions with owners for the quarter ended March 31, 2019								
Final cash dividend - December 31, 2018 declared subsequent to the year end at Rs. 3.0 per share	-	-	-	-	-	-	(3,672,539)	(3,672,539)
Balance as at March 31, 2019 (Un-audited)	12,241,798	24,365,973	31,678,728	(6,873,536)	25,454,441	105,616	68,090,593	155,063,613
Total comprehensive income for the nine months ended December 31, 2019								
Profit after taxation for the nine months ended December 31, 2019	-	-	-	-	-	-	14,969,973	14,969,973
Other comprehensive income - net of tax	-	3,110,539	-	7,527,038	468	39,839	(516,524)	10,161,360
Total comprehensive income for the nine months ended December 31, 2019	-	3,110,539	-	7,527,038	468	39,839	14,453,449	25,131,333
Transfer from surplus on revaluation of fixed assets on disposal to unappropriated profit - net of tax	-	-	-	-	(262,309)	(114,384)	376,693	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(40,030)	-	40,030	-
Transfer to statutory reserve	-	-	1,496,997	-	-	-	(1,496,997)	-
Transactions with owners for the nine months ended December 31, 2019								
Interim cash dividend - March 31, 2019 declared at Rs 2.5 per share	-	-	-	-	-	-	(3,060,449)	(3,060,449)
Interim cash dividend - June 30, 2019 declared at Rs.2.5 per share	-	-	-	-	-	-	(3,060,449)	(3,060,449)
Interim cash dividend - September 30, 2019 declared at Rs.3.0 per share	-	-	-	-	-	-	(3,672,539)	(3,672,539)
Realization of exchange translation reserve	-	(1,332,626)	-	-	-	-	(9,793,437)	(9,793,437)
Balance as at December 31, 2019 (Audited)	12,241,798	26,143,886	33,175,725	653,502	25,152,570	31,071	71,670,331	169,068,883
Total comprehensive income for the quarter ended March 31, 2020								
Profit after taxation for the quarter ended March 31, 2020	-	-	-	-	-	-	5,059,981	5,059,981
Other comprehensive income - net of tax	-	2,590,974	-	(5,902,679)	1,222	-	(519,857)	(3,830,340)
Total comprehensive income for the quarter ended March 31, 2020	-	2,590,974	-	(5,902,679)	1,222	-	4,540,124	1,229,641
Transfer from surplus on revaluation of fixed assets on disposal to unappropriated profit - net of tax	-	-	-	-	(110,838)	-	110,838	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	(13,719)	-	13,719	-
Transfer to statutory reserve	-	-	505,998	-	-	-	(505,998)	-
Transactions with owners for the quarter ended March 31, 2020								
Final cash dividend - December 31, 2019 declared subsequent to the year end at Rs. 4.0 per share	-	-	-	-	-	-	(4,896,719)	(4,896,719)
Balance as at March 31, 2020 (Un-audited)	<u>12,241,798</u>	<u>28,734,860</u>	<u>33,681,723</u>	<u>(5,249,177)</u>	<u>25,029,235</u>	<u>31,071</u>	<u>70,932,295</u>	<u>165,401,805</u>

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	January - March 2020	January - March 2019
----- (Rupees in '000) -----		
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	8,435,008	9,175,503
Less: Dividend income	393,897	226,422
	<u>8,041,111</u>	<u>8,949,081</u>
Adjustments:		
Depreciation on fixed assets	685,397	626,685
Depreciation on Islamic financing against leased assets (Ijarah)	62,862	50,445
Depreciation on right-of-use assets	479,342	499,308
Amortization	176,913	145,612
Workers' Welfare Fund	218,300	181,489
Provision for retirement benefits	238,427	193,773
Provision for compensated absences	46,892	39,493
Provision against loans and advances - net	3,780,593	492,428
(Reversal) / provision for diminution in value of investments - net	(184,572)	648,917
Interest expense on lease liability against right-of-use assets	274,002	230,193
Gain on sale of operating fixed assets - net	(44,434)	(2,926)
Gain on sale of ijarah assets - net	(383)	(312)
Gain on sale of associate	-	(75,294)
Bad debts written-off directly	13,823	12,824
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(78,303)	37,535
Other provisions / write-offs - net	31,924	31,251
	<u>5,700,783</u>	<u>3,111,421</u>
	13,741,894	12,060,502
Decrease / (increase) in operating assets		
Lendings to financial institutions	1,346,331	(10,390,768)
Held for trading securities	8,979,296	(80,870,056)
Advances	11,564,789	79,746,585
Other assets (excluding advance taxation)	2,671,015	6,400,616
	<u>24,561,431</u>	<u>(5,113,623)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(2,828,790)	(4,399,076)
Borrowings	31,297,278	(128,281,680)
Deposits and other accounts	25,475,963	(21,705,655)
Other liabilities (excluding current taxation)	(3,970,836)	2,817,116
	<u>49,973,615</u>	<u>(151,569,295)</u>
	88,276,940	(144,622,416)
Payments on account of staff retirement benefits	(236,428)	(1,188,457)
Income taxes paid	(337,720)	(1,530,694)
Net cash flow generated from / (used in) operating activities	<u>87,702,792</u>	<u>(147,341,567)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(181,123,320)	130,562,260
Net investments in held to maturity securities	30,117,161	(19,990,056)
Net investments in subsidiaries and associates	-	(267,718)
Dividend income received	127,242	80,451
Investment in fixed assets and intangible assets	(599,712)	(768,730)
Sale proceeds from disposal of fixed assets	156,650	4,305
Sale proceeds from disposal of ijarah assets	952	12,382
Effect of translation of net investment in foreign branches	2,590,974	1,189,083
Net cash flows (used in) / generated from investing activities	<u>(148,730,053)</u>	<u>110,821,977</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts of subordinated debt	-	1,000,000
Payment of lease liability against right-of-use assets	(387,865)	(371,855)
Dividend paid	(1,205,179)	(14,238)
Net cash (used in) / flows from financing activities	<u>(1,593,044)</u>	<u>613,907</u>
Decrease in cash and cash equivalents	<u>(62,620,305)</u>	<u>(35,905,683)</u>
Cash and cash equivalents at the beginning of the period	256,590,772	206,813,056
Cash and cash equivalents at the end of the period	<u><u>193,970,467</u></u>	<u><u>170,907,373</u></u>

The annexed notes 1 to 41 form an integral part of these unconsolidated condensed interim financial statements.

Aameer Karachiwalla Chief Financial Officer	Sima Kamil President & Chief Executive Officer	Amar Zafar Khan Director	Arshad Ahmad Mir Director	Sir Mohammed Anwar Pervez, OBE, HPK Chairman

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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 1363 (December 31, 2019: 1,362) branches inside Pakistan including 100 (December 31, 2019: 100) Islamic Banking branches and 2 (December 31, 2019: 2) branches in Export Processing Zones. The Bank also operates 14 (December 31, 2019: 14) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited and Bestway (Holdings) Limited is a wholly owned subsidiary of Bestway Group Limited which is incorporated in the United Kingdom.

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

2. BASIS OF PRESENTATION

- 2.1** These unconsolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 5 dated March 22, 2019.
- 2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing includes purchase of goods by banks from customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchase and resale arising under these arrangements are not reflected in these unconsolidated condensed interim financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark - up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.
- 2.3** Key financial figures of the Islamic Banking branches are disclosed in note 38 to these unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1** These unconsolidated condensed interim financial statements of the Bank have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Banking Companies Ordinance, 1962;
 - Provisions of and directives issued under the Companies Act, 2017; and
 - Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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 prevail.

- 3.2** The SBP vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3** The SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from June 30, 2014. However, vide its notification SRO 56 (I)/2016 dated January 28, 2016, it has been notified that the requirements of IFRS 10 and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.
- 3.4** 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. 5 dated March 22, 2019 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2019.
- 3.5** These unconsolidated condensed interim financial statements represent the separate condensed interim financial statements of the Bank. The consolidated condensed interim financial statements of the Bank and its subsidiary companies are presented separately.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 3 - Business Combinations (Amendments)	January 01, 2020
- IAS 1 - Presentation of Financial Statements (Amendments)	January 01, 2020
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020

In addition, there are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated condensed interim financial statements.

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

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2021

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

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

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 The accounting policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied in the preparation of the unconsolidated financial statements of the Bank for the year ended December 31, 2019.

4.2 Regulatory reliefs due to COVID-19

The Bank's risk management policies are the same as disclosed in the financial statements for the year ended December 31, 2019 except for the following additional considerations due to the COVID-19.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 225 basis points to 11 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on loan obligations by one year; and (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

The Bank is fully aware of the risks associated with COVID-19 and regularly conducting assessments of its portfolio and its operations to ensure the risks are minimized.

4.3 Operations

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

5. BASIS OF MEASUREMENT

5.1 These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets / non-banking assets acquired in satisfaction of claims have been stated at revalued amounts, certain investments and derivative financial instruments have been stated at fair value and net obligations in respect of defined benefit schemes and lease liability under IFRS 16 are carried at their present values.

5.2 Critical accounting estimates and judgments

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

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the unconsolidated financial statements of the Bank for the year ended December 31, 2019.

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	24,821,488	12,394,957
Foreign currency	6,206,818	5,095,923
	31,028,306	17,490,880
With State Bank of Pakistan in		
Local currency current accounts	62,566,382	77,855,915
Foreign currency current accounts	3,683,442	3,431,095
Foreign currency deposit account	10,580,326	10,081,214
	76,830,150	91,368,224
With other central banks in		
Foreign currency current accounts	30,341,159	28,806,149
Foreign currency deposit accounts	5,397,172	8,694,038
	35,738,331	37,500,187
With National Bank of Pakistan in local currency current accounts	29,854,406	89,136,038
Prize bonds	131,746	366,438
	<u>173,582,939</u>	<u>235,861,767</u>
7. BALANCES WITH OTHER BANKS		
Outside Pakistan		
In current accounts	9,575,363	9,401,214
In deposit accounts	10,812,165	11,327,791
	<u>20,387,528</u>	<u>20,729,005</u>
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)	1,000,000	9,450,000
Bai Muajjal receivable		
- with State Bank of Pakistan	6,475,282	-
- with other financial institutions	11,424,963	10,796,576
Lendings to Financial Institutions	<u>18,900,245</u>	<u>20,246,576</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
9. INVESTMENTS
9.1 Investments by type

		March 31, 2020 (Un-audited)				December 31, 2019 (Audited)			
Note	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortized cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	
(Rupees in '000)									
Held for trading securities									
	62,163,463	-	78,303	62,241,766	71,095,652	-	(7,121)	71,088,531	
	-	-	-	-	47,107	-	(265)	46,842	
	62,163,463	-	78,303	62,241,766	71,142,759	-	(7,386)	71,135,373	
Available for sale securities									
	296,346,642	-	1,137,964	297,484,606	182,898,327	-	149,496	183,047,823	
	272,499,032	-	(670,166)	271,828,866	204,713,653	-	(6,674,197)	198,039,456	
	22,842,199	(268,261)	(3,514,314)	19,059,624	19,657,993	(271,160)	1,291,623	20,678,456	
	3,392,453	(35,728)	(139,931)	3,216,794	9,056,189	(32,577)	23,973	9,047,585	
	1,220,000	-	-	1,220,000	1,220,000	-	-	1,220,000	
	15,698,750	(5,353,888)	(263,210)	10,081,652	15,583,291	(5,372,540)	3,199,996	13,410,747	
	106,279	(69,612)	-	36,667	101,365	(64,698)	-	36,667	
	754,152	(129,815)	36	624,373	753,900	(129,779)	-	624,121	
	458,590	-	(32,518)	426,072	458,590	-	62,118	520,708	
	250,000	-	(68,542)	181,458	250,000	-	2,931	252,931	
	791,495	(97,278)	-	694,217	791,519	(97,278)	-	694,241	
	42,404,001	(500,543)	(4,755,722)	37,147,736	43,173,559	(582,836)	2,767,552	45,358,275	
	7,383,559	(35,454)	(298,806)	7,049,299	6,875,693	(39,741)	247,823	7,083,775	
	664,147,152	(6,490,579)	(8,605,209)	649,051,364	485,534,079	(6,590,609)	1,071,315	480,014,785	
Held to maturity securities									
	3,000,227	-	-	3,000,227	3,458,029	-	-	3,458,029	
	173,865,526	-	-	173,865,526	206,994,945	-	-	206,994,945	
	9,833,725	(164,756)	-	9,668,969	9,147,510	(147,920)	-	8,999,590	
	861,558	(14,545)	-	847,013	800,728	(12,536)	-	788,192	
	27,220,901	-	-	27,220,901	26,443,679	-	-	26,443,679	
	6,054,958	(8,835)	-	6,046,123	5,355,210	(8,835)	-	5,346,375	
	13,572,566	(78,150)	-	13,494,416	13,725,143	(87,870)	-	13,637,273	
	437	(437)	-	-	437	(437)	-	-	
	2,266	(2,266)	-	-	2,266	(2,266)	-	-	
	19,055,584	(350,127)	-	18,705,457	17,762,050	(332,446)	-	17,429,604	
	1,422,221	(61,735)	-	1,360,486	1,321,635	(61,085)	-	1,260,550	
	63,633	(63,633)	-	-	59,157	(59,141)	-	16	
	362	-	-	362	336	-	-	336	
	254,953,964	(744,484)	-	254,209,480	285,071,125	(712,536)	-	284,358,589	
Associates									
	150,000	-	-	150,000	150,000	-	-	150,000	
	240,000	-	-	240,000	240,000	-	-	240,000	
	832,485	-	-	832,485	832,485	-	-	832,485	
	-	-	-	-	-	-	-	-	
	1,222,485	-	-	1,222,485	1,222,485	-	-	1,222,485	
Subsidiaries									
	2,855,223	-	-	2,855,223	2,855,223	-	-	2,855,223	
	589,837	-	-	589,837	589,837	-	-	589,837	
	100,000	-	-	100,000	100,000	-	-	100,000	
	30,100	-	-	30,100	30,100	-	-	30,100	
	3,575,160	-	-	3,575,160	3,575,160	-	-	3,575,160	
Discontinued operation									
	1,831,006	(1,688,911)	-	142,095	1,831,006	(1,688,911)	-	142,095	
	987,893,230	(8,923,974)	(8,526,906)	970,442,350	848,376,614	(8,992,056)	1,063,929	840,448,487	

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
9.1.1 Investments given as collateral - at market value			
Market Treasury Bills		20,927,693	67,189,682
Pakistan Investment Bonds		64,022,462	13,499,874
		<u>84,950,155</u>	<u>80,689,556</u>
9.2 Provision for diminution in value of investments			
9.2.1 Opening balance		8,992,056	6,481,656
Exchange adjustments		116,490	241,816
(Reversals) / charge			
Charge for the period / year		189,822	4,820,819
Reversals for the period / year		(374,394)	(1,621,808)
		(184,572)	3,199,011
Amounts written off		-	(930,427)
Closing balance	9.7	<u>8,923,974</u>	<u>8,992,056</u>

9.2.2 Particulars of provision against debt securities

Category of classification	(Un-audited) March 31, 2020		(Audited) December 31, 2019	
	Non performing investment (NPI)	Provision	Non performing investment (NPI)	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	714,023	196,685	714,023	196,685
Overseas				
Overdue by:				
> 365 days	84,768	84,768	78,784	78,784
Total	<u>798,791</u>	<u>281,453</u>	<u>792,807</u>	<u>275,469</u>

- 9.3** SBP via BPRD Circular Letter No. 13 of 2020 Para 4 (c) has provided regulatory relief to Banks / DFIs to recognize impairment losses resulting from the valuation of listed equity securities held as "Available for Sale" (AFS) in a phased manner equally on quarterly basis during calendar year ending on December 31, 2020. Pursuant to the circular, a portion of the impairment loss, amounting to Rs. 1,025.582 million, resulting from the valuation of listed equity securities held under the AFS category as of March 31, 2020 has not been recognized in the unconsolidated condensed interim profit and loss account and has been taken to 'Deficit arising on revaluation of available for sale securities' as disclosed in note 21 of these unconsolidated condensed interim financial statements.

The recognition of remaining impairment loss based on the market values as at March 31, 2020 would have had the following effect on these unconsolidated condensed interim financial statements:

	March 31, 2020 (Rupees in '000)
Impact on Unconsolidated Condensed Interim Statement of Financial Position	
- Increase in provision for diminution in value of investments	1,025,582
- Decrease in deficit arising on revaluation of Available for sale securities - net of tax	625,605
- Decrease in Unappropriated Profit	563,045
Impact on Unconsolidated Condensed Interim Profit and Loss account	
- Decrease in Profit after tax	625,605
- Decrease in taxation charge	399,977

Earnings per share for the period ended March 31, 2020 would have been lower by Re. 0.51 per share.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

- 9.4** The market value of securities classified as held-to-maturity as at March 31, 2020 amounted to Rs. 251,991.087 million (December 31, 2019: Rs. 281,380.415 million).
- 9.5** This represents the Bank's subscription towards the paid-up capital of Khushhali Bank Limited. Pursuant to section 10 of the Khushhali Bank Ordinance, 2000 strategic investors including the Bank cannot sell or transfer their investment before a period of five years that has expired on October 10, 2005. Thereafter, such sale / transfer would be subject to the prior approval of the SBP. However, these shares are still appearing as frozen as no approval has been obtained by the Bank to unfreeze these shares.
- 9.6** As a result of exercise of a pledge in 2013, the Bank holds 20.99% of the issued and paid up capital of DHA Cogen Limited without any consideration having been paid. Consequently, DHA Cogen Limited is classified as an associated company.
- 9.7** Provision against investments includes collective impairment under IFRS 9 amounting to Rs: 1,410.052 million (December 31, 2019 Rs. 1,460.657 million).
- 9.8** Investments include amounts aggregating to Rs. 391.503 million (December 31, 2019: Rs 391.503 million) which have been classified as loss in accordance with the requirements of Prudential Regulations prescribed by the SBP. Provision has however, not been made against them as these investments are secured by way of guarantee from the Government of Pakistan.
- 9.9** The Board of Directors in their meeting held on February 19, 2020 have resolved to wind up "United Executors and Trustees Company Limited", a wholly owned subsidiary of the Bank. The Company is inactive, and will have no impact on the overall profitability of the Bank.
- 9.10** UBL Bank (Tanzania) Limited ('UBTL') is a wholly owned subsidiary of United Bank Limited. UBTL sold materially all of its assets and liabilities at October 31, 2019, including the loans and advances and deposit book to EXIM Bank Tanzania Limited ('Exim'), in line with the Asset and Liabilities Purchase Agreement signed on May 22, 2019. The control of these assets and liabilities was transferred to Exim effective from November 1, 2019. The purchase consideration for the sale of assets and liabilities to Exim was Tanzanian Shillings (TZs) 3.3 billion (equivalent to PKR 237.039 million) compared to the book value. The Banking operations of the subsidiary ceased on November 1, 2019. UBTL is in preparation for the winding up and voluntary liquidation.

10. ADVANCES	Note	Performing		Non-performing		Total	
		(Un-audited) March 31, 2020	(Audited) December 31, 2019	(Un-audited) March 31, 2020	(Audited) December 31, 2019	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.		556,717,345	573,118,818	83,283,120	73,288,099	640,000,465	646,406,917
Islamic financing and related assets	38.3	16,667,833	9,027,259	95,502	94,043	16,763,335	9,121,302
Bills discounted and purchased		35,279,715	44,205,242	2,915,353	3,218,030	38,195,068	47,423,272
Advances - gross		608,664,893	626,351,319	86,293,975	76,600,172	694,958,868	702,951,491
Provision against advances	10.3	-	-	(66,901,968)	(63,230,361)	(66,901,968)	(63,230,361)
- Specific		(5,435,055)	(3,501,359)	-	-	(5,435,055)	(3,501,359)
- General		(5,435,055)	(3,501,359)	(66,901,968)	(63,230,361)	(72,337,023)	(66,731,720)
Advances - net of provision		603,229,838	622,849,960	19,392,007	13,369,811	622,621,845	636,219,771
						(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----							
10.1 Particulars of advances - gross						496,105,630	516,928,931
In local currency						198,853,238	186,022,560
In foreign currencies						<u>694,958,868</u>	<u>702,951,491</u>

- 10.2** Advances include Rs. 86,293.975 million (December 31, 2019: Rs. 76,600.172 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Un-audited) March 31, 2020		(Audited) December 31, 2019	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
----- (Rupees in '000) -----				
Domestic				
Other Assets Especially Mentioned*	2,826,731	16,121	322,139	8,561
Substandard	2,015,021	216,527	764,745	188,848
Doubtful	453,191	426,085	325,325	169,274
Loss	25,582,662	24,500,066	25,767,409	24,656,008
	<u>30,877,605</u>	<u>25,158,799</u>	<u>27,179,618</u>	<u>25,022,691</u>
Overseas				
Not past due but impaired**	4,592,989	2,199,563	6,763,366	3,086,501
Overdue by:				
Upto 90 days	8,263,189	2,410,139	2,804,905	647,984
91 to 180 days	2,187,250	1,028,220	1,643,198	987,640
181 to 365 days	5,248,156	4,787,732	5,518,289	4,967,136
> 365 days	35,124,786	31,317,515	32,690,796	28,518,409
	<u>55,416,370</u>	<u>41,743,169</u>	<u>49,420,554</u>	<u>38,207,670</u>
Total	<u>86,293,975</u>	<u>66,901,968</u>	<u>76,600,172</u>	<u>63,230,361</u>

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

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

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
10.3 Particulars of provision against advances

Note	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	63,230,361	3,501,359	66,731,720	55,893,025	4,442,585	60,335,610
Exchange adjustments	1,159,566	466,173	1,625,739	3,536,985	261,133	3,798,118
Charge / (reversals)						
Charge for the period / year	2,778,048	1,467,523	4,245,571	9,660,850	25,209	9,686,059
Reversals for the period / year	(253,507)	-	(253,507)	(3,521,386)	(1,220,012)	(4,741,398)
31	2,524,541	1,467,523	3,992,064	6,139,464	(1,194,803)	4,944,661
Transfers in - net	-	-	-	415,504	(7,556)	407,948
Amounts written off	(12,500)	-	(12,500)	(2,754,617)	-	(2,754,617)
Closing balance	<u>66,901,968</u>	<u>5,435,055</u>	<u>72,337,023</u>	<u>63,230,361</u>	<u>3,501,359</u>	<u>66,731,720</u>

10.3.1 General provision represents provision amounting to Rs. 315.805 million (December 31, 2019: Rs. 328.342 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 5,119.250 million (December 31, 2019: Rs. 3,173.017 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches operate and on account of IFRS 9.

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 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 24.185 million (December 31, 2019: Rs. 35.131 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

The Bank has also availed FSV benefit of certain mortgaged properties held as collateral against non-performing advances of overseas branches in accordance with the applicable regulation in the respective countries where the branches operate. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 5,250.551 million (December 31, 2019: Rs. 5,180.474 million) for the overseas branches.

10.3.3 Certain customers having an exposure amounting to Rs. 7,650.772 million have formally approached SBP under COVID 19 Relief scheme for restructuring, resultantly these have not been classified as non-performing, pursuant to a relaxation given by the SBP in this respect. Had the exposure been classified by the Bank, the specific provision against non-performing advances would have been higher by Rs. 162.693 million and profit after tax would have been lower by Rs. 99.243 million.

Note	(Un-audited)	(Audited)
	March 31, 2020	December 31, 2019
	----- (Rupees in '000) -----	
11. FIXED ASSETS		
Capital work-in-progress	653,575	541,722
Property and equipment	44,341,503	44,765,179
Right-of-use assets	7,251,290	7,089,976
	<u>52,246,368</u>	<u>52,396,877</u>
11.1 Capital work-in-progress		
Civil works	391,413	370,308
Equipment	262,162	171,414
	<u>653,575</u>	<u>541,722</u>

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FOR THE THREE MONTHS ENDED MARCH 31, 2020**

		(Un-audited)	
		January - March 2020	January - March 2019
		----- (Rupees in '000) -----	
11.2	Additions to fixed assets		
	The following additions have been made to fixed assets during the period:		
	Capital work-in-progress - net additions	180,711	261,156
	Leasehold Improvement	106,300	98,535
	Furniture and fixture	17,438	19,473
	Electrical office and computer equipment	228,959	277,746
	Vehicles	-	130
		<u>352,697</u>	<u>395,884</u>
	Total	<u><u>533,408</u></u>	<u><u>657,040</u></u>
11.3	Disposal of fixed assets		
	The net book value of fixed assets disposed off during the period is as follows:		
	Building on leasehold land	124,304	-
	Leasehold Improvement	4,047	-
	Furniture and fixture	12,951	1,203
	Electrical office and computer equipment	46,924	11,823
	Vehicles	2,130	7,059
		<u>190,356</u>	<u>20,085</u>
11.4	Additions to right-of-use assets	<u>626,603</u>	<u>-</u>
12.	INTANGIBLE ASSETS	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	Capital work-in-progress	333,103	262,404
	Intangible assets	1,667,124	1,688,598
		<u>2,000,227</u>	<u>1,951,002</u>
12.1	Additions to intangible assets		
	The following additions have been made to directly purchased intangible assets during the period:		
		<u>139,618</u>	<u>100,311</u>
12.2	Disposals of intangible assets		
	The net book value of directly purchased intangible assets disposed off during the period is as follows:		
		<u>-</u>	<u>(401)</u>
13.	DEFERRED TAX ASSETS	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	Deferred tax assets	8,460,343	3,300,164
		<u>8,460,343</u>	<u>3,300,164</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
13.1 Movement in temporary differences during the period

	March 31, 2020 (Un-audited)			
	At January 1, 2020	Recognized in profit and loss account	Recognized in OCI	At March 31, 2020
----- (Rupees in '000) -----				
Deductible temporary differences on				
- Post retirement employee benefits	837,307	14,791	332,479	1,184,577
- Provision against advances, off balance sheet etc.	3,291,876	691,033	-	3,982,909
- Surplus on revaluation of investment	(417,813)	-	3,773,844	3,356,031
- Workers' Welfare Fund	1,495,858	85,137	-	1,580,995
- Others	(19,815)	-	86,513	66,698
	5,187,413	790,961	4,192,836	10,171,210
Taxable temporary differences on				
- Surplus on revaluation of fixed assets / non-banking assets	(739,593)	6,977	378	(732,238)
- Accelerated tax depreciation	(1,147,656)	169,027	-	(978,629)
	(1,887,249)	176,004	378	(1,710,867)
	<u>3,300,164</u>	<u>966,965</u>	<u>4,193,214</u>	<u>8,460,343</u>

	December 31, 2019 (Audited)			
	At January 1, 2019	Recognized in profit and loss account	Recognized in OCI	At December 31, 2019
----- (Rupees in '000) -----				
Deductible temporary differences on				
- Post retirement employee benefits	403,897	103,173	330,237	837,307
- Provision against advances, off balance sheet etc.	2,292,249	999,627	-	3,291,876
- Surplus on revaluation of investment	4,880,087	-	(5,297,900)	(417,813)
- Workers' Welfare Fund	1,083,350	412,508	-	1,495,858
- Others	788,897	(856,524)	47,812	(19,815)
	9,448,480	658,784	(4,919,851)	5,187,413
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets / non-banking assets	(734,307)	32,786	(38,072)	(739,593)
- Accelerated tax depreciation	(907,089)	(240,567)	-	(1,147,656)
	(1,641,396)	(207,781)	(38,072)	(1,887,249)
	<u>7,807,084</u>	<u>451,003</u>	<u>(4,957,923)</u>	<u>3,300,164</u>

	Note	(Un-audited)	(Audited)
		March 31, 2020	December 31, 2019
----- (Rupees in '000) -----			
14. OTHER ASSETS			
Income / mark-up accrued in local currencies - net of provision		23,801,655	28,748,779
Income / mark-up accrued in foreign currencies - net of provision		3,229,249	2,515,758
Advance taxation - net of provision for taxation	14.1	15,590,846	19,595,118
Receivable from staff retirement fund		313,566	219,006
Receivable from other banks against telegraphic transfers and demand drafts		-	201,592
Unrealized gain on forward foreign exchange contracts		8,961,514	6,652,236
Rebate receivable - net		2,092,844	2,142,484
Unrealized gain on derivative financial instruments		7,689	15,216
Suspense accounts		648,375	682,903
Stationery and stamps on hand		426,380	287,313
Non-banking assets acquired in satisfaction of claims		1,040,517	1,040,517
Advances, deposits, advance rent and other prepayments		1,364,133	1,100,041
Acceptances		13,871,467	17,366,169
Assets against IBFT, ATM and other settlements - net		3,600,311	-
Others		2,150,731	3,234,462
		<u>77,099,277</u>	<u>83,801,594</u>
Provision held against other assets	14.2	(1,294,959)	(1,271,877)
Other assets - net of provisions		75,804,318	82,529,717
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	21	11,341	11,341
Other assets - total		<u>75,815,659</u>	<u>82,541,058</u>

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

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

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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The tax returns for Azad Kashmir (AK) and Gilgit Baltistan (GB) Branches have been filed upto the tax year 2019 (financial year 2018) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2017. Consequently various addbacks and demands were raised creating a total demand of Rs. 889 million (2019: Rs. 889 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favour of the Bank.

The tax returns for Yemen and Qatar branches have been filed upto the year ended December 31, 2018 and for UAE branches 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 Bank has received corrective tax assessment of QAR 1 M (Rs: 45.785 million) from the General tax Authority (GTA) in respect of tax year 2004 with no supporting calculations from GTA. Management has requested details for 2004 assessment from GTA, however to date no response has been received. Management is confident that the matters will be decided in favour of the Bank and the possibility of any outcome against it is remote.

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
14.2 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	546,884	547,536
Non-banking assets acquired in satisfaction of claims	85,200	85,200
Receivable from insurance companies against fraud and forgery	662,875	639,141
	<u>1,294,959</u>	<u>1,271,877</u>
14.2.1 Movement of provision held against other assets		
Opening balance	1,271,877	1,086,072
Exchange adjustments	2,081	3,093
Charge / (reversals)		
Charge for the period / year	21,676	326,647
Reversals	-	(72,670)
	21,676	253,977
Transfers in - net	-	(17,000)
Amounts written off	(675)	(54,265)
Closing balance	<u>1,294,959</u>	<u>1,271,877</u>
15. CONTINGENT ASSETS		
There were no contingent assets as at the statement of financial position date.		
16. BILLS PAYABLE		
In Pakistan	19,517,003	22,500,509
Outside Pakistan	580,803	426,087
	<u>20,097,806</u>	<u>22,926,596</u>
17. BORROWINGS		
Details of borrowings		
Secured		
Borrowings from the State Bank of Pakistan under:		
Export refinance scheme	31,115,615	30,354,891
Refinance facility for modernization of SME	8,879	10,022
Long term financing facility	22,580,037	22,959,023
	53,704,531	53,323,936
Repurchase agreement borrowings	34,324,720	67,233,660
Bai Muajjal payable to other financial institutions	48,496,153	13,812,921
	<u>136,525,404</u>	<u>134,370,517</u>
Unsecured		
Call borrowings	26,058,225	4,680,579
Overdrawn nostro accounts	1,161,732	588,275
Money market deals	22,035,917	14,844,629
	49,255,874	20,113,483
	<u>185,781,278</u>	<u>154,484,000</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
18. DEPOSITS AND OTHER ACCOUNTS

	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
----- (Rupees in '000) -----						
Customers						
Fixed deposits	129,523,085	159,820,714	289,343,799	141,228,719	172,661,074	313,889,793
Savings deposits	459,653,047	34,949,550	494,602,597	450,464,549	33,040,464	483,505,013
Sundry deposits	9,724,342	1,128,095	10,852,437	12,592,638	848,530	13,441,168
Margin deposits	2,873,136	2,709,583	5,582,719	2,825,918	2,931,103	5,757,021
Current accounts - remunerative	5,956,607	6,984,318	12,940,925	1,799,190	6,026,771	7,825,961
Current accounts - non-remunerative	462,889,463	106,599,715	569,489,178	449,956,720	100,687,793	550,644,513
	1,070,619,680	312,191,975	1,382,811,655	1,058,867,734	316,195,735	1,375,063,469
Financial Institutions						
Current deposits	12,620,764	2,601,142	15,221,906	26,897,943	1,873,591	28,771,534
Savings deposits	73,897,948	30,393	73,928,341	36,132,073	25,334	36,157,407
Term deposits	19,030,109	1,547,413	20,577,522	25,783,802	1,287,249	27,071,051
	105,548,821	4,178,948	109,727,769	88,813,818	3,186,174	91,999,992
	<u>1,176,168,501</u>	<u>316,370,923</u>	<u>1,492,539,424</u>	<u>1,147,681,552</u>	<u>319,381,909</u>	<u>1,467,063,461</u>

18.1 Deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018 amounting to Rs. 878,477.797 million (December 31, 2019: Rs 854,722.801 million).

19. SUBORDINATED DEBT

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

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

Issue Size	Rs. 10,000 million
Issue Date	January 29, 2019
Tenor	Perpetual (i.e. no fixed or final redemption date)
Rating	"AA+" (Double A Plus) by VIS Credit Rating Company Limited
Security	Unsecured
Mark-up rate	The TFCs shall carry mark-up at the rate of 3 Month KIBOR + 1.55%.
Mark-up payment frequency	Profit / Mark-up shall be payable quarterly in arrears, on a non-cumulative basis
Call option	The Bank may, at its sole discretion, call the TFCs, at any time after five years from the Issue Date subject to the prior approval of the SBP.
Lock-in clause	Mark-up on the TFCs shall only be paid from the current year's earnings and if the Bank is fully compliant with SBP's Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) requirements.
Loss absorbency clause	The TFCs shall, at the discretion of the SBP, be either permanently converted into ordinary shares or permanently written off (partially or in full) pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel III Implementation in Pakistan" issued vide BPRD Circular No. 6 dated August 15, 2013.

	Note	(Un-audited)	(Audited)
		March 31, 2020	December 31, 2019
----- (Rupees in '000) -----			
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		17,132,875	8,964,301
Mark-up / return / interest payable in foreign currencies		1,858,547	2,142,257
Accrued expenses		3,565,925	3,969,499
Branch adjustment account		47,970	227,950
Deferred income		1,476,633	942,005
Unearned commission and income on bills discounted		673,339	847,295
Provision against off - balance sheet obligations	20.1	625,405	622,264
Payable to other banks against telegraphic transfers and demand drafts		80,814	-
Unrealized loss on forward foreign exchange contracts		6,740,306	6,962,186
Trading liabilities		-	6,120,767
Payable to staff retirement fund		808,858	736,313
Deferred liabilities		3,814,617	3,743,711
Unrealized loss on derivative financial instruments		12,121	18,155
Workers' Welfare Fund payable		4,053,834	3,835,534
Liabilities against IBFT, ATM and other settlements - net		-	1,308,571
Insurance payable against consumer assets		439,401	449,263
Dividend payable		4,230,424	538,884
Acceptances		13,871,466	17,366,169
Charity fund balance		4,070	3,494
Lease liability under IFRS 16		8,105,633	7,761,350
Others		3,094,953	3,591,799
		<u>70,637,191</u>	<u>70,151,767</u>

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	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
20.1 Provision against off-balance sheet obligations			
Opening balance		622,264	833,397
Exchange adjustments		39,101	81,237
Charge for the period / year		67,488	288,288
Reversals for the period / year		(8,802)	(240,850)
	31	58,686	47,438
Transfer out		(94,646)	(339,808)
Closing balance		625,405	622,264
21. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) arising on revaluation of assets			
Available for sale securities	9.1	(8,605,208)	1,071,315
Fixed assets		25,741,608	25,872,298
Non-banking assets acquired in satisfaction of claims	14	50,936	50,936
		17,187,336	26,994,549
Less: Deferred tax liability / (asset) on revaluation of:			
Available for sale securities		(3,356,031)	417,813
Fixed assets		712,373	719,728
Non-banking assets acquired in satisfaction of claims		19,865	19,865
		(2,623,793)	1,157,406
		19,811,129	25,837,143
22. CONTINGENCIES AND COMMITMENTS			
Guarantees	22.1	170,936,972	170,495,301
Commitments	22.2	1,027,769,219	1,206,093,067
Other contingent liabilities	22.3	15,789,094	15,075,981
		1,214,495,285	1,391,664,349
22.1 Guarantees:			
Financial guarantees		43,105,577	41,184,047
Performance guarantees		127,831,395	129,311,254
		170,936,972	170,495,301
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		132,329,548	148,263,814
Commitments in respect of:			
- forward foreign exchange contracts	22.2.2	787,341,789	910,616,840
- forward government securities transactions	22.2.3	2,033,240	14,307,720
- derivatives			
Interest rate swaps		316,500	316,500
FX options		282,698	122,594
- forward lending	22.2.5	104,892,832	130,389,022
- operating leases		30,114	38,278
Commitments for acquisition of operating fixed assets			
- Fixed assets		538,785	2,031,196
- Intangible		3,713	7,103
		1,027,769,219	1,206,093,067
22.2.1 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.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	Note	(Un-audited) March 31, 2020 ----- (Rupees in '000) -----	(Audited) December 31, 2019 ----- (Rupees in '000) -----
22.2.2 Commitments in respect of forward foreign exchange contracts			
Purchase		421,904,218	482,798,387
Sale		365,437,571	427,818,453
22.2.3 Commitments in respect of forward government securities transactions			
Purchase		1,015,253	3,043,541
Sale		1,017,987	11,264,179
22.2.4 Commitments in respect of derivatives			
Interest rate swaps		316,500	316,500
FX options - purchased		141,349	61,297
FX options - sold		141,349	61,297
22.2.5 Commitments in respect of forward lending			
Undrawn formal standby facilities, credit lines and other commitments to lend	22.2.5.1	64,378,033	71,503,628
Others		40,514,799	58,885,394
		104,892,832	130,389,022
22.2.6 Commitments in respect of operating leases			
Not later than one year		29,855	31,887
Later than one year and not later than five years		22	3,136
Later than five years		237	3,255
		30,114	38,278
22.2.5.1 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) March 31, 2020 ----- (Rupees in '000) -----	(Audited) December 31, 2019 ----- (Rupees in '000) -----
22.2.6 Commitments in respect of capital expenditure		542,498	2,038,299
22.3 Other contingent liabilities			
22.3.1 Claims against the Bank not acknowledged as debts		11,699,791	10,986,678
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.			
22.3.2 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.			
22.3.3 For contingencies relating to taxation, refer note 14.1.			

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
23. Derivative Instruments
Product analysis

March 31, 2020 (Un-audited)										
Counterparties	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total	
	Notional principal	Mark to Market (Loss)	Notional principal	Mark to Market Gain	Notional principal	Mark to Market Loss	Notional principal	Mark to Market Gain	Notional principal	Mark to Market Loss
----- (Rupees in '000) -----										
Total										
Hedging	-	-	141,349	-	-	-	-	-	141,349	-
Market making	316,500	(7,184)	141,349	-	1,015,253	(4,957)	(1,017,987)	7,709	455,115	(4,432)
	<u>316,500</u>	<u>(7,184)</u>	<u>282,698</u>	<u>-</u>	<u>1,015,253</u>	<u>(4,957)</u>	<u>(1,017,987)</u>	<u>7,709</u>	<u>596,464</u>	<u>(4,432)</u>

December 31, 2019 (Audited)										
Counterparties	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total	
	Notional principal	Mark to Market (Loss)	Notional principal	Mark to Market Gain	Notional principal	Mark to Market Loss	Notional principal	Mark to Market Gain	Notional principal	Mark to Market Loss
----- (Rupees in '000) -----										
Total										
Hedging	-	-	61,297	-	-	-	-	-	61,297	-
Market making	316,500	(17,107)	61,297	-	3,043,541	(94)	11,264,179	14,262	14,680,708	(2,939)
	<u>316,500</u>	<u>(17,107)</u>	<u>122,594</u>	<u>-</u>	<u>3,043,541</u>	<u>(94)</u>	<u>11,264,179</u>	<u>14,262</u>	<u>14,742,005</u>	<u>(2,939)</u>

		----- (Un-audited) -----	
		January -	January -
		March	March
		2020	2019
		----- (Rupees in '000) -----	
24. MARK-UP / RETURN / INTEREST EARNED			
On:			
Loans and advances		17,013,066	14,943,737
Investments		25,269,571	13,746,087
Lendings to financial institutions		950,417	2,377,074
Balances with banks		147,299	333,215
		<u>43,380,353</u>	<u>31,400,113</u>
25. MARK-UP / RETURN / INTEREST EXPENSED			
On:			
Deposits		19,905,417	13,876,800
Borrowings		4,186,089	1,735,118
Subordinated debt		373,110	281,058
Cost of foreign currency swaps against foreign currency deposits / borrowings		1,298,766	632,818
Interest cost on lease liability under IFRS 16		274,446	215,737
		<u>26,037,828</u>	<u>16,741,531</u>
26. FEE AND COMMISSION INCOME			
Branch banking customer fee		488,047	475,336
Consumer finance related fee		224,416	242,496
Card related fees (debit and credit cards)		418,078	396,593
Investment banking fee		24,555	68,019
Financial Institution rebate / commission		80,030	74,276
Corporate service charges / facility fee		160,481	309,601
Commission on trade		202,637	238,137
Commission on guarantees		210,165	280,857
Commission on cash management		202,373	188,284
Commission on remittances including home remittances - net		598,590	724,477
Commission on bancassurance		313,875	333,182
Commission on Benazir Income Support Program		-	178,787
Others		63,202	102,823
		<u>2,986,449</u>	<u>3,612,868</u>
27. GAIN ON SECURITIES - NET			
Realised	27.1	263,916	42,633
Unrealised - held for trading		78,303	(37,535)
		<u>342,219</u>	<u>5,098</u>
27.1 Realised gain on:			
Federal Government securities		92,031	16,215
Shares		(232,459)	34,967
Foreign securities		404,344	(8,549)
		<u>263,916</u>	<u>42,633</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	----- (Un-audited) -----	
	January - March 2020	January - March 2019
	----- (Rupees in '000) -----	
28. OTHER INCOME		
Charges recovered	37,940	73,790
Rent on properties	61,496	56,103
Gain on sale of operating fixed assets - net	44,434	2,926
Gain on sale of associate	-	75,294
Gain on sale of Ijarah assets - net	383	312
Gain / (loss) on trading liabilities - net	77,901	(37,782)
	<u>222,154</u>	<u>170,643</u>
29. OPERATING EXPENSES		
Total compensation expense	3,984,673	3,392,644
Property expense		
Rent and taxes	207,247	178,616
Insurance	40,144	41,769
Utilities cost	317,132	289,647
Security	254,950	234,720
Repair and maintenance	35,315	97,683
Depreciation	194,909	177,838
Depreciation - right-of-use assets	479,342	499,308
Others	26,851	27,370
	1,555,890	1,546,951
Information technology expenses		
Software maintenance	304,698	271,595
Hardware maintenance	52,624	46,387
Depreciation	195,526	164,497
Amortization	176,913	145,612
Network charges	173,586	172,438
	903,347	800,529
Other operating expenses		
Directors' fees and allowances	15,699	19,522
Fees and allowances to Shariah Board	2,280	1,200
Legal and professional charges	164,339	141,640
Outsourced service costs	350,540	238,224
Commission paid to branchless banking agents	122,845	320,652
Commission paid to sales force	246,122	395,457
Travelling and conveyance	33,337	36,309
Clearing charges	60,405	48,821
Depreciation - others	294,962	284,350
Depreciation on Islamic financing against leased assets	62,862	50,445
Training and development	13,946	12,960
Postage and courier charges	62,740	67,041
Communication	116,569	93,262
Stationery and printing	149,984	157,946
Marketing, advertisement and publicity	101,621	121,443
Donations	35,000	-
Auditors' remuneration	20,291	35,634
Insurance	49,809	26,873
Deposit Protection Premium	325,570	287,343
Cash transportation and sorting charges	202,403	254,162
Entertainment	40,235	41,308
Banking service charges	391,957	342,474
Repairs and maintenance	98,510	88,440
Miscellaneous expenses	67,657	145,241
	<u>3,029,683</u>	<u>3,210,747</u>
	<u>9,473,593</u>	<u>8,950,871</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

		----- (Un-audited) -----	
		January -	January -
		March	March
		2020	2019
		----- (Rupees in '000) -----	
30.	OTHER CHARGES		
	Penalties imposed by the SBP	180,959	1,577
	Other penalties	80	408
		<u>181,039</u>	<u>1,985</u>
31.	PROVISIONS AND WRITE-OFFS - NET		
	Provision against loans and advances - net	3,992,064	606,494
	(Reversal) / provision for diminution in value of investments - net	(184,572)	648,917
	Bad debts written off directly	13,823	12,824
	Provision against other assets - net	21,676	16,585
	Provision against off - balance sheet obligations - net	58,686	137,738
	Recovery of written-off / charged off bad debts	(211,471)	(114,066)
	Other provisions / write-offs	10,248	14,666
		<u>3,700,454</u>	<u>1,323,158</u>
32.	TAXATION		
	Current	4,341,992	3,609,813
	Prior years	-	1,649,756
	Deferred	(966,965)	(247,867)
		<u>3,375,027</u>	<u>5,011,702</u>
33.	EARNINGS PER SHARE		
	Profit after taxation for the period	<u>5,059,981</u>	<u>4,163,801</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>4.13</u>	<u>3.40</u>

There were no convertible dilutive potential ordinary shares outstanding as at March 31, 2020 and March 31, 2019.

34. 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.

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

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

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

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

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

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	March 31, 2020 (Un-audited)				
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	653,831,656	-	653,831,656	-	653,831,656
Foreign Bonds - Sovereign	37,147,736	-	37,147,736	-	37,147,736
Foreign Bonds - others	7,049,299	-	7,049,299	-	7,049,299
Ordinary shares of listed companies	10,081,652	10,081,652	-	-	10,081,652
Investment in Mutual funds	181,458	-	181,458	-	181,458
Debt securities (TFCs, Sukuks)	1,914,217	-	1,914,217	-	1,914,217
Investment in REIT	426,072	426,072	-	-	426,072
Investment held for sale	142,095	-	142,095	-	142,095
	710,774,185	10,507,724	700,266,461	-	710,774,185
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares, subsidiaries and associates)					
	259,668,165	-	-	-	-
	970,442,350	10,507,724	700,266,461	-	710,774,185
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	787,341,789	-	2,221,208	-	2,221,208
Interest rate swaps	316,500	-	(7,184)	-	(7,184)
FX options - purchased and sold	282,698	-	-	-	-
Forward purchase of government securities	1,015,253	-	(4,957)	-	(4,957)
Forward sale of government securities	1,017,987	-	7,709	-	7,709
Fair Value of non-financial assets					
Fixed Assets	39,147,053	-	-	39,147,053	39,147,053
Non-banking assets acquired in satisfaction of claims	1,051,858	-	-	1,051,858	1,051,858
	40,198,911	-	-	40,198,911	40,198,911

	December 31, 2019 (Audited)				
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	481,948,693	-	481,948,693	-	481,948,693
Foreign Bonds - Sovereign	45,358,275	-	45,358,275	-	45,358,275
Foreign Bonds - others	7,083,775	-	7,083,775	-	7,083,775
Ordinary shares of listed companies	13,410,747	13,410,747	-	-	13,410,747
Mutual Fund	252,931	-	252,931	-	252,931
Debt securities (TFCs, Sukuks)	1,914,241	-	1,914,241	-	1,914,241
Investment in REIT	520,708	520,708	-	-	520,708
	550,489,370	13,931,455	536,557,915	-	550,489,370
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares, subsidiaries and associates)					
	289,959,117	-	-	-	-
	840,448,487	13,931,455	536,557,915	-	550,489,370
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	910,616,840	-	(309,950)	-	(309,950)
Interest rate swaps	316,500	-	(17,107)	-	(17,107)
FX options - purchased and sold	122,594	-	-	-	-
Forward purchase of government securities	3,043,541	-	(94)	-	(94)
Forward sale of government securities	11,264,179	-	14,262	-	14,262
Fair Value of non-financial assets					
Fixed Assets	37,003,125	-	-	37,003,125	37,003,125
Non-banking assets acquired in satisfaction of claims	1,051,858	-	-	1,051,858	1,051,858
	38,054,983	-	-	38,054,983	38,054,983

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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34.2 Certain categories of fixed assets (land and buildings) and non-banking assets acquired in satisfactions of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values.

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

Debt Securities

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

Derivatives

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

Fixed assets and non-banking assets acquired in satisfaction of claims

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

35. SEGMENT INFORMATION
35.1 Segment details with respect to business activities

	January - March 2020 (Un-audited)						Total
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Others	
	(Rupees in '000)						
Profit & Loss							
Net mark-up / return / profit	11,667,071	15,525,652	(12,669,968)	841,211	2,103,908	(125,349)	17,342,525
Inter segment (expense) / revenue - net	(10,579,272)	(18,154,507)	26,474,160	-	-	2,259,619	-
Non mark-up / return / interest income	555,290	469,436	2,028,940	63,978	818,328	729,897	4,665,869
Total Income	1,643,089	(2,159,419)	15,833,132	905,189	2,922,236	2,864,167	22,008,394
Segment direct expenses	353,404	39,781	6,075,687	423,827	1,370,754	1,609,479	9,872,932
Inter segment expense allocation	134,929	16,495	1,103,430	-	112,767	(1,367,621)	-
Total expenses	488,333	56,276	7,179,117	423,827	1,483,521	241,858	9,872,932
Provision reversals / (charge)	56,769	27,491	(17,488)	30	(3,762,077)	(5,179)	(3,700,454)
Profit / (loss) before tax	1,211,525	(2,188,204)	8,636,527	481,392	(2,323,362)	2,617,130	8,435,008

	January - March 2019 (Un-audited)						Total
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Others	
	(Rupees in '000)						
Profit & Loss							
Net mark-up / return / profit	10,513,857	11,483,798	(9,672,498)	548,111	2,244,403	(459,089)	14,658,582
Inter segment (expense) / revenue - net	(9,166,705)	(14,397,728)	22,264,933	-	-	1,299,500	-
Non mark-up / return / interest income	570,516	922,962	2,397,717	56,415	891,544	135,270	4,974,424
Total Income	1,917,668	(1,990,968)	14,990,152	604,526	3,135,947	975,681	19,633,006
Segment direct expenses	343,396	59,709	5,554,436	385,888	1,423,084	1,367,832	9,134,345
Inter segment expense allocation	144,071	17,709	1,038,039	-	138,729	(1,338,548)	-
Total expenses	487,467	77,418	6,592,475	385,888	1,561,813	29,284	9,134,345
Provision reversals / (charge)	324,274	(206,949)	195,816	683	(1,245,084)	(391,898)	(1,323,158)
Profit / (loss) before tax	1,754,475	(2,275,335)	8,593,493	219,321	329,050	554,499	9,175,503

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
Segment details with respect to business activities

	March 31, 2020 (Un-audited)						Total
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Others	
	(Rupees in '000)						
Balance Sheet							
Cash & Bank balances	108,500	71,314,628	57,658,953	8,540,026	55,344,483	1,003,877	193,970,467
Investments	6,378,363	817,010,579	-	41,528,532	100,077,633	5,447,243	970,442,350
Net inter segment lending	-	-	1,047,074,544	-	1,324,985	72,378,730	1,120,778,259
Lendings to financial institutions	-	1,000,000	-	17,900,245	-	-	18,900,245
Advances - performing	421,832,393	18,635	33,000,170	16,644,214	125,982,227	5,752,199	603,229,838
Advances - non-performing net of provision	4,605,362	48,857	1,021,954	13,752	13,672,948	29,134	19,392,007
Others	23,069,447	19,088,791	2,836,910	22,835,706	16,471,953	54,219,790	138,522,597
Total Assets	455,994,065	908,481,490	1,141,592,531	107,462,475	312,874,229	138,830,973	3,065,235,763
Borrowings	52,294,361	114,412,728	117,151	1,293,019	17,664,019	-	185,781,278
Subordinated debt	-	-	-	-	-	10,000,000	10,000,000
Deposits and other accounts	53,216,940	162,023	1,095,123,859	98,425,621	245,003,921	607,060	1,492,539,424
Net inter segment borrowing	333,732,398	787,045,861	-	-	-	-	1,120,778,259
Others	16,015,098	8,138,119	42,596,524	3,861,449	7,650,791	12,473,016	90,734,997
Total Liabilities	455,258,797	909,758,731	1,137,837,534	103,580,089	270,318,731	23,080,076	2,899,833,958
Equity	735,268	(1,277,241)	3,754,997	3,882,386	42,555,498	115,750,897	165,401,805
Total Equity & liabilities	455,994,065	908,481,490	1,141,592,531	107,462,475	312,874,229	138,830,973	3,065,235,763
Contingencies and Commitments	349,602,246	411,787,283	11,589,240	157,830	440,818,555	540,131	1,214,495,285

	December 31, 2019 (Audited)						Total
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Others	
	(Rupees in '000)						
Balance Sheet							
Cash & Bank balances	81,167	81,316,915	103,752,613	13,897,123	56,768,716	774,238	256,590,772
Investments	5,709,986	674,283,210	-	46,726,238	108,281,811	5,447,242	840,448,487
Net inter segment lending	-	-	974,507,707	-	-	54,818,509	1,029,326,216
Lendings to financial institutions	-	9,450,000	-	10,796,576	-	-	20,246,576
Advances - performing	447,169,097	18,964	35,585,623	9,013,624	125,319,182	5,743,470	622,849,960
Advances - non-performing net of provision	1,385,064	44,946	698,151	3,751	11,212,859	25,040	13,369,811
Others	25,309,420	23,500,715	14,110,975	8,344,406	14,826,735	54,096,850	140,189,101
Total Assets	479,654,734	788,614,750	1,128,655,069	88,781,718	316,409,303	120,905,349	2,923,020,923
Borrowings	52,023,960	95,592,358	-	1,299,975	5,567,707	-	154,484,000
Subordinated debt	-	-	-	-	-	10,000,000	10,000,000
Deposits and other accounts	60,853,339	131,140	1,073,587,125	81,432,150	250,442,809	616,898	1,467,063,461
Net inter segment borrowing	334,356,582	694,764,203	-	-	205,431	-	1,029,326,216
Others	28,237,436	7,443,210	37,156,146	2,520,717	7,619,847	10,101,007	93,078,363
Total Liabilities	475,471,317	797,930,911	1,110,743,271	85,252,842	263,835,794	20,717,905	2,753,952,040
Equity	4,183,417	(9,316,161)	17,911,798	3,528,876	52,573,509	100,187,444	169,068,883
Total Equity & liabilities	479,654,734	788,614,750	1,128,655,069	88,781,718	316,409,303	120,905,349	2,923,020,923
Contingencies and Commitments	385,615,006	586,312,922	11,794,242	170,513	405,700,848	2,070,818	1,391,664,349

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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36. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its associates, subsidiary companies, employee benefit plans and its Directors and Key Management Personnel.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period / year, other than those which have been disclosed elsewhere in these unconsolidated financial statements, are as follows:

	March 31, 2020 (Un-audited)					December 31, 2019 (Audited)						
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)												
Balances with other banks												
In current accounts	-	-	-	1,137,866	-	-	-	-	-	1,614,178	-	-
In deposit accounts	-	-	-	3,334,075	-	-	-	-	-	3,871,626	-	-
	-	-	-	4,471,941	-	-	-	-	-	5,485,804	-	-
Investments												
Opening balance	-	-	-	5,406,166	1,582,485	3,943,527	-	-	-	5,406,166	1,238,483	4,183,880
Investment made during the period / year	-	-	-	-	-	-	-	-	-	-	360,000	-
Investment redeemed / disposed off during the period / year	-	-	-	-	-	-	-	-	-	-	(15,998)	(240,353)
Closing balance	-	-	-	5,406,166	1,582,485	3,943,527	-	-	-	5,406,166	1,582,485	3,943,527
Provision for diminution in value of investments	-	-	-	1,688,911	-	1,347,598	-	-	-	1,688,911	-	1,126,954
Advances												
Opening balance	-	4,624	220,133	-	2,155,149	12,715,998	-	2,221	160,405	-	2,155,149	6,747,749
Addition during the period / year	-	1,134	13,642	-	-	5,250,558	-	15,958	145,417	-	-	6,591,282
Repaid during the period / year	-	(5,252)	(18,537)	-	-	(9,082,993)	-	(13,555)	(85,689)	-	-	(623,033)
Transfer out - net	-	-	(65)	-	-	-	-	-	-	-	-	-
Closing balance	-	506	215,173	-	2,155,149	8,883,563	-	4,624	220,133	-	2,155,149	12,715,998
Provision held against advances	-	-	-	-	2,155,149	-	-	-	-	-	2,155,149	-
Other Assets												
Interest mark-up accrued	-	-	-	3,117	1,320	339,656	-	-	-	-	7,289	325,704
Receivable from staff retirement fund	-	-	-	-	-	313,566	-	-	-	-	-	219,006
Prepaid insurance	-	-	-	-	3,618	-	-	-	-	-	2,167	-
Dividend Receivable	-	-	-	197,732	18,458	-	-	-	-	-	-	-
Other receivable	34,156	-	-	12,197	1,505	30,164	-	-	-	21,989	1,505	30,164
Provision against other assets	-	-	-	-	-	30,164	-	-	-	-	-	30,164
Borrowings												
Opening balance	-	-	-	-	-	-	-	-	-	1,364,695	-	12,400
Borrowings during the period / year	-	-	-	138,252	-	1,380,600	-	-	-	613,492	-	579,400
Settled during the period / year	-	-	-	-	-	-	-	-	-	(1,978,187)	-	(591,800)
Closing balance	-	-	-	138,252	-	1,380,600	-	-	-	-	-	-

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	March 31, 2020 (Un-audited)						December 31, 2019 (Audited)					
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
----- (Rupees in '000) -----												
Deposits and other accounts												
Opening balance	-	8,679,450	49,368	211,870	6,502,931	11,346,752	-	6,245,367	66,302	312,882	11,638,644	8,488,923
Received during the period / year	-	6,066,257	467,240	3,363,924	35,249,612	61,535,104	-	38,666,071	913,271	14,227,866	160,641,938	267,658,066
Withdrawn during the period / year	-	(7,567,700)	(379,882)	(3,405,289)	(36,963,392)	(59,249,185)	-	(36,231,988)	(930,205)	(14,328,878)	(165,777,647)	(264,800,237)
Transfer out - net	-	-	(2,865)	-	-	-	-	-	-	-	(4)	-
Closing balance	-	7,178,007	133,861	170,505	4,789,151	13,632,671	-	8,679,450	49,368	211,870	6,502,931	11,346,752
Other Liabilities												
Interest / mark-up payable on deposits and borrowings	-	26,398	380	329	45,122	83,581	-	35,257	-	-	72,233	94,554
Payable to staff retirement fund	-	-	-	-	-	808,858	-	-	-	-	-	736,313
Deferred performance bonus – MRTs / MRCs	-	-	95,095	-	-	-	-	-	-	-	-	-
Dividend Payable	2,526,916	94,539	2	-	-	-	-	-	-	-	-	-
Unearned income	-	-	-	-	-	9,709	-	-	-	-	-	13,869
Contingencies and Commitments												
Letter of guarantee	-	-	-	236,882	-	-	-	-	-	220,092	-	-
Forward foreign exchange contracts purchase	-	-	-	3,701,126	-	-	-	-	-	2,035,238	-	-
Forward foreign exchange contracts sale	-	-	-	3,667,481	-	-	-	-	-	2,028,078	-	-
For the three months ended March 31, 2020 (Un-audited)						For the three months ended March 31, 2019 (Un-audited)						
	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Parent	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
----- (Rupees in '000) -----												
Income												
Mark-up / return / interest earned	-	-	23	32,760	14,455	333,484	-	-	8,610	33,842	15,985	3,940
Commission / charges recovered	-	15	396	272	6,590	5,524	-	27	337	141	2,448	3,728
Dividend income	-	-	-	197,732	18,458	35,653	-	-	-	-	-	23,760
Net gain on sale of securities	-	-	-	-	-	-	-	-	-	-	-	28,515
Other income	-	-	-	-	-	4,607	-	-	-	373	3,996	-
Switch revenue	-	-	-	-	-	58,384	-	-	-	-	-	61,983
Management fee	-	-	-	11	-	-	-	-	-	3,663	-	-
Expense												
Mark-up / return / interest paid	-	61,451	79	3,838	158,968	113,080	-	51,927	164	8,708	203,331	62,977
Remuneration paid	-	-	235,985	-	-	-	-	-	161,410	-	-	-
Post employment benefits	-	-	5,942	-	-	-	-	-	5,047	-	-	-
Non-executive directors' fee	-	15,700	-	-	-	-	-	19,522	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	-	89,229	-	-	-	-	-	85,372
Net (reversal) / charge for defined benefit plans	-	-	-	-	-	63,211	-	-	-	-	-	42,098
Other expenses	-	-	-	-	-	8,412	-	-	-	2,195	-	966
Clearing Charges	-	-	-	-	-	34,826	-	-	-	-	-	39,203
Seminar and Membership fees	-	-	-	-	-	518	-	-	-	-	-	2,315
Membership, Subscription, Sponsorship and maintenance charges	-	-	-	-	-	400	-	-	-	-	-	5,485
Custody Charges	-	-	-	-	-	784	-	-	-	-	-	1,866
Insurance premium paid	-	-	-	-	15,933	-	-	-	-	-	200,692	-
Insurance claims settled	-	-	-	-	117,088	-	-	-	-	-	71,305	-

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----		
37. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,241,798	12,241,798
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	114,516,580	114,847,818
Eligible Additional Tier 1 (ADT 1) Capital	9,834,770	9,834,770
Total Eligible Tier 1 Capital	124,351,350	124,682,588
Eligible Tier 2 Capital	38,994,154	33,900,041
Total Eligible Capital (Tier 1 + Tier 2)	163,345,504	158,582,629
Risk Weighted Assets (RWAs):		
Credit Risk	637,094,971	641,690,286
Market Risk	53,209,958	48,583,248
Operational Risk	146,919,473	146,919,473
Total	837,224,402	837,193,007
Common Equity Tier 1 Capital Adequacy Ratio	13.68%	13.72%
Tier 1 Capital Adequacy Ratio	14.85%	14.89%
Total Capital Adequacy Ratio	19.51%	18.94%

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs.10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank for the year ended December 31, 2019 stood at Rs.12,241.798 million (2018: Rs.12,241.798 million) and is in compliance with SBP requirements. Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0% plus capital conservation buffer of 2.5% and High Loss Absorbency Requirement of 1.0% of the risk weighted exposures of the Bank.

In order to dampen the effects of COVID - 19, SBP via BPRD Circular Letter No. 12 of 2020 has given 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 2.50% to 1.50%, 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 6.00% and 7.50%, respectively, as at March 31, 2020. The Bank is fully compliant with prescribed ratios as the Bank's CAR is 19.51% whereas the CET 1 and Tier 1 ratios stand at 13.68% and 14.85% 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. In line with this framework, the Bank is required to meet the Higher Loss Absorbency (HLA) capital charge of 1.5%, in the form of Additional CET 1 capital, on a standalone as well as consolidated level during 2019. As per SBP's designation of D-SIBs for the year 2019, the HLA capital charge required to be maintained by UBL has been reduced from 1.5% to 1.0%. The revised HLA capital charge will be applicable from March 31, 2020 and will remain effective till next D-SIB designation is announced by the State Bank of Pakistan.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral under comprehensive approach.

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----		
Leverage Ratio (LR):		
Eligible Tier-1 Capital	124,351,350	124,682,588
Total Exposures	2,395,637,662	2,377,100,067
Leverage Ratio	5.19%	5.25%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	688,364,599	530,454,588
Total Net Cash Outflow	261,454,166	206,998,861
Liquidity Coverage Ratio	263.28%	256.26%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,359,982,412	1,598,050,689
Total Required Stable Funding	976,207,105	1,170,120,900
Net Stable Funding Ratio	139.31%	136.57%

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
38. ISLAMIC BANKING BUSINESS

The Bank operates 100 (2019: 100) Islamic Banking branches and 162 (2019: 162) Islamic Banking windows.

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

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
Note	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	7,752,167	13,092,570
Balances with other banks	787,859	804,553
Due from financial institutions	38.1 17,900,245	10,796,576
Investments	38.2 41,528,532	46,726,238
Islamic financing and related assets	38.3 16,657,966	9,017,375
Fixed assets	1,014,153	1,038,809
Intangible assets	6,606	7,263
Due from Head Office	21,204,403	6,824,821
Other assets	610,544	473,513
Total Assets	107,462,475	88,781,718
LIABILITIES		
Bills payable	1,069,580	924,527
Due to financial institutions	1,293,019	1,299,975
Deposits and other accounts	38.4 98,425,621	81,432,150
Due to Head Office	-	-
Other liabilities	2,791,870	1,596,190
	<u>103,580,090</u>	<u>85,252,842</u>
NET ASSETS	<u>3,882,385</u>	<u>3,528,876</u>
REPRESENTED BY		
Islamic Banking Fund	2,181,000	2,181,000
Deficit on revaluation of assets	-	(59,860)
Accumulated profit	<u>1,701,385</u>	<u>1,407,736</u>
	<u>3,882,385</u>	<u>3,528,876</u>
CONTINGENCIES AND COMMITMENTS	38.5	

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

	----- (Un-audited) -----	
	January - March 2020	January - March 2019
	----- (Rupees in '000) -----	
Profit / return earned	38.6 2,242,726	1,552,345
Profit / return expensed	38.7 (1,401,515)	(1,004,234)
Net profit / return	841,211	548,111
Other income		
Fee and Commission Income	63,595	57,144
Foreign Exchange Income	674	229
Loss on securities - net	(4,477)	(4,888)
Other Income	4,186	3,930
Total Other Income	63,978	56,415
Total Income	<u>905,189</u>	<u>604,526</u>
Other expenses		
Operating expenses	(423,827)	(385,888)
Workers Welfare Fund	-	-
	<u>(423,827)</u>	<u>(385,888)</u>
Profit before provisions	481,362	218,638
Provisions and write-offs - net	30	683
Profit before taxation	481,392	219,321
Taxation	(187,743)	-
Profit after taxation	<u>293,649</u>	<u>219,321</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
38.1 Due from Financial Institutions

	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	----- (Rupees in '000) -----					
Call money lending	11,424,963	-	11,424,963	-	-	-
Bai Muajjal Receivable from other Financial Institutions	6,475,282	-	6,475,282	10,796,576	-	10,796,576
	<u>17,900,245</u>	<u>-</u>	<u>17,900,245</u>	<u>10,796,576</u>	<u>-</u>	<u>10,796,576</u>

38.2 Investments by segments

	March 31, 2020 (Un-audited)				December 31, 2019 (Audited)			
	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value
	----- (Rupees in '000) -----							
Federal Government Securities								
-Ijarah Sukuks	-	-	-	-	5,900,860	-	(59,860)	5,841,000
-Bai muajjal with Govt. of Pakistan	27,220,901	-	-	27,220,901	26,443,679	-	-	26,443,679
	<u>27,220,901</u>	<u>-</u>	<u>-</u>	<u>27,220,901</u>	<u>32,344,539</u>	<u>-</u>	<u>(59,860)</u>	<u>32,284,679</u>
Non Government Debt Securities								
-Listed	450,000	-	-	450,000	450,000	-	-	450,000
-Unlisted	13,857,631	-	-	13,857,631	13,991,559	-	-	13,991,559
	<u>14,307,631</u>	<u>-</u>	<u>-</u>	<u>14,307,631</u>	<u>14,441,559</u>	<u>-</u>	<u>-</u>	<u>14,441,559</u>
Total Investments	<u>41,528,532</u>	<u>-</u>	<u>-</u>	<u>41,528,532</u>	<u>46,786,098</u>	<u>-</u>	<u>(59,860)</u>	<u>46,726,238</u>

(Un-audited) (Audited)
March December
31, 2020 31, 2019
----- (Rupees in '000) -----

38.2.1 Bai Muajjal with Government of Pakistan

Bai Muajjal Investment	33,031,000	33,031,000
Less: Deferred Income	(5,810,099)	(6,587,321)
Bai Muajjal Investment - net	<u>27,220,901</u>	<u>26,443,679</u>

38.3 Islamic financing and related assets

Ijarah	618,145	654,998
Murabaha	374,830	421,509
Musharaka	5,069,452	64,199
Diminishing Musharaka	7,022,855	5,554,909
Istisna	84,117	139,105
Islamic Export Refinance scheme - Musharakah	2,139,534	999,544
Islamic Export Refinance scheme - Murabaha	155,266	303,449
Advances against Islamic assets		
Advances against Ijara	59	18,939
Advances for Diminishing Musharaka	91,297	114,776
Advances for Murabaha	141,020	153,105
Advances for Murabaha - IERS	146,946	-
Advances for Istisna	227,077	416,601
Inventory related to Islamic financing		
Istisna	375,927	166,760
Profit and other receivables against financings	316,810	113,408
Gross Islamic financing and related assets	16,763,335	9,121,302
Less: Provision against Islamic financings		
- Specific	(86,125)	(85,346)
- General	(19,244)	(18,581)
	<u>(105,369)</u>	<u>(103,927)</u>
Islamic financing and related assets - net of provision	<u>16,657,966</u>	<u>9,017,375</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

38.4 Deposits and other accounts	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
Customers		
Current deposits	37,566,832	33,257,380
Savings deposits	14,623,105	13,018,167
Term deposits	3,563,038	8,414,762
	55,752,975	54,690,309
Financial Institutions		
Current deposits	764,807	2,488,822
Savings deposits	24,961,839	8,772,019
Term deposits	16,946,000	15,481,000
	42,672,646	26,741,841
	<u>98,425,621</u>	<u>81,432,150</u>
38.4.1 Deposits eligible to be covered under insurance arrangements amounting to Rs. 39,322.290 million (December 31, 2019: Rs. 39,534.355 million).		
38.5 Contingencies and commitments		
- Guarantees	59,267	10,602
- Commitments	98,563	159,911
	<u>157,830</u>	<u>170,513</u>
	----- (Un-audited) -----	
	January - March 2020	January - March 2019
38.6 Profit / Return Earned on Financing, Investments and Placements	----- (Rupees in '000) -----	
Profit earned on:		
Financing	401,725	267,452
Investments	1,330,575	863,212
Placements	429,411	359,935
Rental Income from Ijarah	81,015	61,746
	<u>2,242,726</u>	<u>1,552,345</u>
38.7 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	1,366,789	976,567
Due to Financial Institutions	8,190	4,509
Others	26,536	23,158
	<u>1,401,515</u>	<u>1,004,234</u>
38.8 Islamic Banking Business Unappropriated Profit	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
Opening Balance	1,407,736	483,189
Add: Islamic Banking profit for the period / year	481,392	1,551,564
Less: Taxation	(187,743)	(627,017)
Closing Balance	<u>1,701,385</u>	<u>1,407,736</u>

38.9 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 THREE MONTHS ENDED MARCH 31, 2020****General Pools:**

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

IERS 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)

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.

Equity Pools:

All other assets including fixed assets, advance against financing, bai-salam financing and subsidized financing to Bank's employees are tagged to equity 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 year, the Bank has given General Hiba to the depositors in General and specific pool, keeping in view the prescribed guidelines of Pool Management provided by the SBP. However, Hiba are given at the sole discretion of the Bank without any contractual commitment with the depositors.

The Mudarib's share on Deposits for the period ended March 31, 2020 is Rs.562.53 million (34.76% of distributable profit of Mudarabah Pool). of this, an amount of Rs.199.44 million (35.45% of Mudarib share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 12.49% per annum and the rate of profit paid on average deposits was 11.47% per annum.

The risk characteristic of pool

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.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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.

The Bank managed following pools during the period.

March 31, 2020 (Un-audited)

No of Pools	Nature of Pool	Profit rate and weightages announcement period	Average profit rate earned	Profit Sharing ratio	Mudarib fee / Musharkah share / Wakala Fee	Average profit rate / return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba	
			%	%	Rupees in '000	%	%	Rupees in '000	
ADMA Pools	3	Mudarbaha	Monthly	5.97%	50.00%	2,159	3.06%	2.61%	56
Special Pools	27	Mudarbaha	Monthly	12.49%	9.82%	63,807	11.47%	15.67%	10,000
IERS Pools	6	Musharkah	Monthly	4.94%	82.18%	37,077	2.00%	0.00%	-
General Pools	3	Mudarbaha	Monthly	11.81%	50.00%	459,490	8.34%	41.22%	189,387

March 31, 2019 (Un-audited)

No of Pools	Nature of Pool	Profit rate and weightages announcement period	Average profit rate earned	Profit Sharing ratio	Mudarib fee / Musharkah share / Wakala Fee	Average profit rate / return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba	
			%	%	Rupees in '000	%	%	Rupees in '000	
ADMA Pools	3	Mudarbaha	Monthly	5.21%	50.00%	2,015	3%	7.50%	151
Special Pools	34	Mudarbaha	Monthly	10.45%	6.30%	42,288	9.96%	23.30%	9,854
IERS Pools	10	Musharkah	Monthly	4.00%	72.88%	13,055	2.00%	0.00%	-
General Pools	3	Mudarbaha	Monthly	9.99%	50.00%	271,769	6.53%	30.46%	82,777

(Un-audited) (Audited)
March December
31, 2020 31, 2019
-----Rupees in '000-----

38.10 Deployment of Mudaraba based deposits by class of business

Chemical and pharmaceuticals	2,431,179	881,578
Agri business	5,320,111	341,340
Textile	1,700,475	1,795,124
Financial	13,053,053	12,480,670
Food industries	489,236	508,003
Plastic	299,693	290,050
Individuals	1,493,434	1,460,332
Production and transmission of energy	15,194,284	15,341,872
Government of Pakistan Securities	33,696,182	32,284,679
Others	3,302,325	2,065,022
	<u>76,979,972</u>	<u>67,448,670</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

39. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on April 22, 2020 has declared an interim cash dividend in respect of the quarter ended March 31, 2020 of Rs. 2.5 per share (March 31, 2019: Rs. 2.5 per share). These unconsolidated condensed interim financial statements for the quarter ended March 31, 2020 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

40. GENERAL

40.1 Comparatives

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

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

41. DATE OF AUTHORIZATION

These unconsolidated condensed interim financial statements were authorised for issue on April 22, 2020 by the Board of Directors of the Bank.



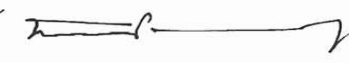
Aameer Karachiwalla
Chief Financial Officer



Sima Kamil
President &
Chief Executive Officer



Amar Zafar Khan
Director



Arshad Ahmad Mir
Director



Sir Mohammed Anwar Pervez, OE
Chairman

United Bank Limited

**CONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2020
(UNAUDITED)**



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020**

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
ASSETS			
Cash and balances with treasury banks	6	179,090,202	243,370,701
Balances with other banks	7	40,345,577	42,722,227
Lendings to financial institutions	8	21,007,327	21,756,404
Investments	9	1,009,522,958	874,561,737
Advances	10	682,747,876	694,934,463
Fixed assets	11	58,184,855	58,276,411
Intangible assets	12	2,165,753	2,070,938
Deferred tax assets	13	6,931,973	1,723,553
Assets classified as held for sale	14	243,284	236,450
Other assets	15	77,581,235	84,085,440
		2,077,821,040	2,023,738,324
LIABILITIES			
Bills payable	17	20,100,013	22,929,220
Borrowings	18	196,841,853	170,405,060
Deposits and other accounts	19	1,591,932,941	1,557,995,306
Liabilities against assets subject to finance lease	20	18,856	19,095
Subordinated debt	21	10,000,000	10,000,000
Deferred tax liabilities	13	-	-
Liabilities directly associated with assets classified as held for sale	14	3,360	17,936
Other liabilities	22	72,896,673	71,499,836
		1,891,793,696	1,832,866,453
NET ASSETS		<u>186,027,344</u>	<u>190,871,871</u>
REPRESENTED BY:			
Share capital		12,241,798	12,241,798
Reserves		70,422,426	66,676,411
Surplus on revaluation of assets	23	20,436,909	27,404,558
Unappropriated profit		76,395,741	77,335,249
Total equity attributable to the equity holders of the Bank		179,496,874	183,658,016
Non-controlling interest		6,530,470	7,213,855
		<u>186,027,344</u>	<u>190,871,871</u>
CONTINGENCIES AND COMMITMENTS	24		

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.



Aameer Karachiwalla
Chief Financial Officer



Sima Kamil
President &
Chief Executive Officer



Amar Zafar Khan
Director



Arshad Ahmad Mir
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	Note	January - March 2020	January - March 2019
		----- (Rupees in '000) -----	
Mark-up / return / interest earned	26	44,374,183	32,137,781
Mark-up / return / interest expensed	27	26,584,742	17,170,616
Net mark-up / interest income		<u>17,789,441</u>	<u>14,967,165</u>
Non mark-up / interest income			
Fee and commission income	28	3,461,309	4,131,123
Dividend income		177,699	226,422
Foreign exchange income		770,976	952,802
(Loss) / income from derivatives		(11,274)	51,482
Gain on securities - net	29	458,052	41,348
Other income	30	223,403	108,218
Total non mark-up / interest income		<u>5,080,165</u>	<u>5,511,395</u>
Total income		<u>22,869,606</u>	<u>20,478,560</u>
Non mark-up / interest expenses			
Operating expenses	31	10,314,814	9,762,408
Workers' Welfare Fund		219,422	184,081
Other charges	32	181,039	1,985
Total non mark-up / interest expenses		<u>10,715,275</u>	<u>9,948,474</u>
Share of (loss) / profit of associates		(147,536)	243,571
Profit before provisions		<u>12,006,795</u>	<u>10,773,657</u>
Provisions and write-offs - net	33	3,701,317	883,020
Extra ordinary / unusual item		-	-
Profit before taxation from continuing operations		<u>8,305,478</u>	<u>9,890,637</u>
Taxation	34	3,400,320	5,052,344
Profit after taxation from continuing operations		<u>4,905,158</u>	<u>4,838,293</u>
Discontinued operation			
Profit / (loss) from discontinued operation - net of tax	14	6,505	(785,740)
Profit after taxation		<u>4,911,663</u>	<u>4,052,553</u>
Attributable to:			
Equity holders of the Bank			
from continuing operations		4,871,117	4,828,562
from discontinued operation		6,505	(785,740)
		<u>4,877,622</u>	<u>4,042,822</u>
Non-controlling interest		34,041	9,731
		<u>4,911,663</u>	<u>4,052,553</u>
		----- (Rupees) -----	
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Bank			
Basic and diluted		<u>3.98</u>	<u>3.94</u>
Earnings per share for profit attributable to the ordinary equity holders of the Bank			
Basic and diluted	35	<u>3.98</u>	<u>3.30</u>

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.



Aameer Karachiwalla
Chief Financial Officer



Sima Kamil
President &
Chief Executive Officer



Amar Zafar Khan
Director



Arshad Ahmad Mir
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	January - March 2020	January - March 2019
	----- (Rupees in '000) -----	
Profit after tax for the period attributable to:		
Equity holders of the Bank		
from continuing operations	4,871,117	4,828,562
from discontinued operation	6,505	(785,740)
	<u>4,877,622</u>	<u>4,042,822</u>
Non-controlling interest	34,041	9,731
	<u>4,911,663</u>	<u>4,052,553</u>
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods		
Effect of translation of net investment in foreign branches and subsidiaries		
Equity holders of the Bank	3,220,655	1,408,174
Non-controlling interest	58,046	191,464
	<u>3,278,701</u>	<u>1,599,638</u>
Movement in (deficit) / surplus on revaluation of investments - net of tax		
Equity holders of the Bank	(6,833,393)	2,493,698
Non-controlling interest	(764,482)	254,427
	<u>(7,597,875)</u>	<u>2,748,125</u>
	<u>(4,319,174)</u>	<u>4,347,763</u>
Items that will not be reclassified to profit and loss account in subsequent periods		
Remeasurement loss of defined benefit obligations - net of tax		
Equity holders of the Bank	(519,857)	-
Movement in surplus on revaluation of fixed assets - net of tax		
Equity holders of the Bank	(9,246)	44,122
Non-controlling interest	(8,934)	103,955
	<u>(18,180)</u>	<u>148,077</u>
Movement in surplus on revaluation of non-banking assets - net of tax	-	(240)
	<u>(538,037)</u>	<u>147,837</u>
Total comprehensive income for the period	<u><u>54,452</u></u>	<u><u>8,548,153</u></u>
Attributable to:		
Equity holders of the Bank		
from continuing operations	729,276	8,774,316
from discontinued operation	6,505	(785,740)
	<u>735,781</u>	<u>7,988,576</u>
Non-controlling interest	(681,329)	559,577
	<u>54,452</u>	<u>8,548,153</u>

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	Attributable to equity shareholders of the Bank								Non-controlling Interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Surplus/(Deficit) on revaluation of			Unappropriated profit			Sub total
					Investments	Fixed Assets	Non Banking Assets				
(Rupees in '000)											
Balance as at January 01, 2019 (Audited)	12,241,798	3,000	31,353,522	28,722,348	(10,230,277)	27,117,327	105,856	73,749,955	163,063,529	5,560,330	168,623,859
Total comprehensive income for the three months ended March 31, 2019											
Profit after taxation for the three months ended March 31, 2019	-	-	-	-	-	-	-	4,042,822	4,042,822	9,731	4,052,553
Other comprehensive income - net of tax	-	-	-	1,408,174	2,493,698	44,122	(240)	-	3,945,754	549,846	4,495,600
Total comprehensive income for the three months ended March 31, 2019	-	-	-	1,408,174	2,493,698	44,122	(240)	4,042,822	7,988,576	559,577	8,548,153
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(1,540)	(1,540)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(14,548)	-	13,896	(652)	652	-
Transfer to statutory reserve	-	-	287,413	-	-	-	-	(287,413)	-	-	-
Transactions with owners for the three months ended March 31, 2019											
Final cash dividend - December 31, 2018 declared subsequent to the year end at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Balance as at March 31, 2019 (Un-audited)	12,241,798	3,000	31,640,935	30,130,522	(7,736,579)	27,146,901	105,616	73,846,721	167,378,914	6,119,019	173,497,933
Total comprehensive income for the nine months ended December 31, 2019											
Profit after taxation for the nine months ended December 31, 2019	-	-	-	-	-	-	-	15,052,319	15,052,319	(56,574)	14,995,745
Other comprehensive income - net of tax	-	-	-	4,586,732	7,926,061	339,748	39,838	(540,185)	12,352,194	1,152,870	13,505,064
Total comprehensive income for the nine months ended December 31, 2019	-	-	-	4,586,732	7,926,061	339,748	39,838	14,512,134	27,404,513	1,096,296	28,500,809
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(302,644)	(114,383)	417,679	652	(1,460)	(808)
Transfer to statutory reserve	-	-	1,647,848	-	-	-	-	(1,647,848)	-	-	-
Transactions with owners for the nine months ended December 31, 2019											
Interim cash dividend - March 31, 2019 declared at Rs.2.5 per share	-	-	-	-	-	-	-	(3,060,449)	(3,060,449)	-	(3,060,449)
Interim cash dividend - June 30, 2019 declared at Rs.2.5 per share	-	-	-	-	-	-	-	(3,060,449)	(3,060,449)	-	(3,060,449)
Interim cash dividend - September 30, 2019 declared at Rs.3.0 per share	-	-	-	-	-	-	-	(3,672,539)	(3,672,539)	-	(3,672,539)
Realization of exchange translation reserve	-	-	-	(1,332,626)	-	-	-	-	(1,332,626)	-	(1,332,626)
Balance as at December 31, 2019	12,241,798	3,000	33,288,783	33,384,628	189,482	27,184,005	31,071	77,335,249	183,658,016	7,213,855	190,871,871
Total comprehensive income for the three months ended March 31, 2020											
Profit after taxation for the three months ended March 31, 2020	-	-	-	-	-	-	-	4,877,622	4,877,622	34,041	4,911,663
Other comprehensive income - net of tax	-	-	-	3,220,655	(6,833,393)	(9,246)	-	(519,857)	(4,141,841)	(715,370)	(4,857,211)
Total comprehensive income for the three months ended March 31, 2020	-	-	-	3,220,655	(6,833,393)	(9,246)	-	4,357,765	735,781	(681,329)	54,452
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(2,260)	(2,260)
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(125,010)	-	124,806	(204)	204	-
Transfer to statutory reserve	-	-	525,360	-	-	-	-	(525,360)	-	-	-
Transactions with owners for the three months ended March 31, 2020											
Final cash dividend - December 31, 2019 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Balance as at March 31, 2020 (Un-audited)	12,241,798	3,000	33,814,143	36,605,283	(6,643,911)	27,049,749	31,071	76,395,741	179,496,874	6,530,470	186,027,344

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla Chief Financial Officer	Sima Kamil President & Chief Executive Officer	Amar Zafar Khan Director	Arshad Ahmad Mir Director	Sir Mohammed Anwar Pervez, OBE, HPK Chairman

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	January - March 2020	January - March 2019
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation including discontinued operation	7,748,174	9,333,333
Less: Dividend income	(177,699)	(226,422)
Share of loss / (profit) of associates	147,536	(243,571)
	<u>7,718,011</u>	<u>8,863,340</u>
Adjustments:		
Depreciation on fixed assets	705,851	656,247
Depreciation on Islamic financing against leased assets (Ijarah)	62,862	50,445
Depreciation on right-of-use assets	479,342	499,308
Amortization	194,080	159,268
Workers' Welfare Fund	219,422	184,081
Provision for retirement benefits	287,709	239,259
Charge for compensated absences	46,892	39,493
Provision against loans and advances - net	3,780,593	774,909
(Reversal of provision) / provision for diminution in value of investments - net	(184,572)	323,888
Interest expense on lease liability against right-of-use assets	274,002	230,193
Gain on sale of fixed assets - net	(44,434)	(2,926)
Gain on sale of ijarah assets - net	(383)	(312)
Bad debts written off directly	14,686	12,647
Unrealized (gain) / loss on revaluation of investments classified as held for trading	(78,303)	37,535
Other provisions / write-offs	31,924	154,204
	<u>5,789,671</u>	<u>3,358,239</u>
	13,507,682	12,221,579
(Increase) / decrease in operating assets		
Lendings to financial institutions	749,077	(12,032,134)
Held for trading securities	8,815,304	(80,794,986)
Advances	8,327,878	80,812,554
Other assets (excluding advance taxation)	2,607,396	5,998,914
	<u>20,499,655</u>	<u>(6,015,652)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(2,829,207)	(4,401,710)
Borrowings	26,436,793	(130,587,937)
Deposits and other accounts	33,937,636	(17,966,042)
Other liabilities (excluding current taxation)	(2,597,310)	4,316,845
	<u>54,947,912</u>	<u>(148,638,844)</u>
	88,955,249	(142,432,917)
Payments on account of staff retirement benefits	(300,780)	(1,240,245)
Income taxes paid	(371,521)	(3,009,656)
Net cash flows generated from / (used in) operating activities	<u>88,282,948</u>	<u>(146,682,818)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(184,468,287)	128,608,772
Net investments in held to maturity securities	29,309,919	(19,905,408)
Net investments in associates	268,938	293,085
Dividend income received	127,242	80,451
Investment in fixed assets and intangible assets	(1,539,182)	(768,730)
Sale proceeds from disposal of fixed assets	156,650	4,305
Sale proceeds from disposal of ijarah assets	952	12,382
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity holders of the Bank	3,220,655	1,408,174
- Non-controlling interest	58,046	191,464
Net cash flows (used in) / generated from investing activities	<u>(152,865,067)</u>	<u>109,924,495</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts of subordinated debt	-	1,000,000
Payment of lease liability against right-of-use assets	(387,865)	(371,855)
Dividends paid to:		
- Equity holders of the Bank	(1,205,171)	(14,238)
- Non-controlling interest	(2,260)	(1,540)
Net cash flows (used in) / generated from financing activities	<u>(1,595,296)</u>	<u>612,367</u>
Decrease in cash and cash equivalents during the period	<u>(66,177,415)</u>	<u>(36,145,956)</u>
Cash and cash equivalents at the beginning of the period	286,092,928	229,662,731
Cash and cash equivalents at the end of the period	<u>219,915,513</u>	<u>193,516,775</u>

The annexed notes 1 to 43 form an integral part of these consolidated condensed interim financial statements.

Aameer Karachiwalla Chief Financial Officer	Sima Kamil President & Chief Executive Officer	Amar Zafar Khan Director	Arshad Ahmad Mir Director	Sir Mohammed Anwar Pervez, OBE, HPK Chairman

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

1. STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company

- United Bank Limited (the Bank)

Subsidiary Companies

- United National Bank Limited, United Kingdom (UBL UK) - 55% holding
- UBL (Switzerland) AG, Switzerland (USAG) - 100% holding
- UBL Bank (Tanzania) Limited, Tanzania (UBTL) - 100% holding
- United Executors and Trustees Company Limited, Pakistan (UET) - 100% holding
- UBL Fund Managers Limited, Pakistan (UBLFM) - 98.87% holding
- Al Ameen Financial Services (Pvt.) Limited (AFSL) - effective holding 98.87%

The Group is engaged in commercial banking, asset management, investment advisory and investments business. United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at UBL Head Office, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,363 (December 31, 2019: 1,362) branches inside Pakistan including 100 (December 31, 2019: 100) Islamic Banking branches and 2 (December 31, 2019: 2) branches in Export Processing Zones. The Bank also operates 14 (December 31, 2019: 14) branches outside Pakistan. The Bank is a subsidiary of Bestway (Holdings) Limited and Bestway (Holdings) Limited is a wholly owned subsidiary of Bestway Group Limited which is incorporated in the United Kingdom.

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

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

The Board of Directors in their meeting held on February 19, 2020 have resolved to wind up "United Executors and Trustees Company Limited", a wholly owned subsidiary of the Bank. The Company is inactive, and will have no impact on the overall profitability of the Group.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 5 dated March 22, 2019.

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

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

3. STATEMENT OF COMPLIANCE

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

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

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

3.2 The SBP vide BSD Circular letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015 has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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3.3 SECP vide its notification SRO 633 (I)/2014 dated 10 July 2014, adopted IFRS 10 effective from the periods starting from 30 June 2014. However, vide its notification SRO 56 (I)/2016 dated 28 January 2016, it has been notified that the requirements of IFRS 10 and section 237 of the repealed Companies Ordinance 1984 will not be applicable with respect to the investment in mutual funds established under Trust structure.

3.4 The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2019.

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

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 3 - Definition of a Business (Amendments)	January 01, 2020
- IAS 1 - Presentation of Financial Statements (Amendments)	January 01, 2020
- IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors (Amendments)	January 01, 2020

In addition, there are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these consolidated condensed interim financial statements.

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

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2021

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

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

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2019.

4.2 Regulatory reliefs due to COVID 19

The Bank's risk management policies are the same as disclosed in the financial statements for the year ended December 31, 2019 except for the following additional considerations due to the COVID 19.

The State Bank of Pakistan (SBP) has responded to the crisis by cutting the policy rate by 225 basis points to 11 percent and by introducing regulatory measures to maintain banking system soundness and to sustain economic activity. These include (i) reducing the capital conservation buffer by 100 basis points to 1.5 percent; (ii) increasing the regulatory limit on extension of credit to SMEs by 44 percent to Rs 180 million; (iii) relaxing the debt burden ratio for consumer loans from 50 percent to 60 percent; (iv) allowing banks to defer clients' payment of principal on loan obligations by one year; and (v) relaxing regulatory criteria for restructured/rescheduled loans for borrowers who require relief beyond the extension of principal repayment for one year.

The Bank is fully aware of the risks associated with COVID 19 and regularly conducting assessments of its portfolio and its operations to ensure the risks are minimized.

4.3 Operations

The Bank is closely monitoring the situation and has invoked required actions to ensure safety and security of Bank staff and an uninterrupted service to our customers. The senior management of the Bank is continuously monitoring the situation and is taking timely decisions to resolve any concerns. Business Continuity Plans (BCP) for respective areas are in place and tested. The Bank has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Bank has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber attacks.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
5. BASIS OF MEASUREMENT

5.1 These consolidated condensed interim financial statements have been prepared under the historical cost convention except that certain operating fixed assets / non-banking assets acquired in satisfaction of claims have been stated at revalued amounts, certain investments and derivative financial instruments have been stated at fair value and net obligations in respect of defined benefit schemes and lease liability under IFRS 16 are carried at their present values.

5.2 Judgements and estimates

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

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended December 31, 2019.

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	24,821,488	12,394,957
Foreign currency	6,276,633	5,155,165
	31,098,121	17,550,122
With State Bank of Pakistan in		
Local currency current accounts	62,566,382	77,855,915
Foreign currency current accounts	3,683,442	3,431,095
Foreign currency deposit account	10,580,326	10,081,214
	76,830,150	91,368,224
With other central banks in		
Foreign currency current accounts	35,778,607	36,255,841
Foreign currency deposit accounts	5,397,172	8,694,038
	41,175,779	44,949,879
With National Bank of Pakistan in local currency current accounts	29,854,406	89,136,038
Prize Bonds	131,746	366,438
	<u>179,090,202</u>	<u>243,370,701</u>
7. BALANCES WITH OTHER BANKS		
Inside Pakistan		
In current accounts	626	17
In deposit accounts	540,251	3,458
	540,877	3,475
Outside Pakistan		
In current accounts	15,756,773	19,811,273
In deposit accounts	24,047,927	22,907,479
	39,804,700	42,718,752
	<u>40,345,577</u>	<u>42,722,227</u>
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (reverse repo)	1,000,000	9,450,000
Bai Muajjal receivable		
- with State Bank of Pakistan	6,475,282	-
- with other financial institution	11,424,963	10,796,576
Other lendings to financial institutions	2,107,082	1,509,828
	<u>21,007,327</u>	<u>21,756,404</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
9. INVESTMENTS

		(Un-audited) March 31, 2020				(Audited) December 31, 2019				
9.1	Investments by type	Note	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)										
Held for trading securities										
	Market Treasury Bills		62,163,463	-	78,303	62,241,766	71,095,652	-	(7,121)	71,088,531
	Pakistan Investment Bonds		-	-	-	-	47,107	-	(265)	46,842
			62,163,463	-	78,303	62,241,766	71,142,759	-	(7,386)	71,135,373
Available for sale securities										
	Market Treasury Bills		296,346,642	-	1,137,964	297,484,606	182,898,327	-	149,496	183,047,823
	Pakistan Investment Bonds		272,499,032	-	(670,166)	271,828,866	204,713,653	-	(6,674,197)	198,039,456
	Government of Pakistan Eurobonds		26,094,109	(268,261)	(3,831,852)	21,993,996	19,657,993	(271,160)	1,291,623	20,678,456
	Government of Pakistan Sukuk		3,392,453	(35,728)	(139,931)	3,216,794	9,056,189	(32,577)	23,973	9,047,585
	Corporate Sukuks		1,220,000	-	-	1,220,000	1,220,000	-	-	1,220,000
	Ordinary shares of listed companies		15,698,786	(5,353,912)	(263,210)	10,081,664	15,583,327	(5,372,566)	3,199,996	13,410,757
	Preference shares		106,279	(69,612)	-	36,667	101,365	(64,698)	-	36,667
	Ordinary shares of unlisted companies		754,402	(130,065)	36	624,373	754,150	(130,029)	-	624,121
	Investment in REIT		458,590	-	(32,518)	426,072	458,590	-	62,118	520,708
	Investment in Mutual Fund		250,000	-	(68,542)	181,458	250,000	-	2,931	252,931
	Term Finance Certificates		791,495	(97,278)	-	694,217	791,519	(97,278)	-	694,241
	Foreign bonds - sovereign		69,360,298	(500,543)	(6,245,144)	62,614,611	62,394,975	(582,836)	2,370,837	64,182,976
	Foreign bonds - others		12,160,975	(35,454)	(1,076,951)	11,048,570	16,580,570	(39,741)	(241,305)	16,299,524
			699,133,061	(6,490,853)	(11,190,314)	681,451,894	514,460,658	(6,590,885)	185,472	508,055,245
Held to maturity securities										
	Market Treasury Bills		3,000,227	-	-	3,000,227	3,458,029	-	-	3,458,029
	Pakistan Investment Bonds		173,865,526	-	-	173,865,526	206,994,945	-	-	206,994,945
	Government of Pakistan Eurobonds		11,226,938	(164,756)	-	11,062,182	10,448,042	(147,920)	-	10,300,122
	Government of Pakistan Sukuk		1,348,453	(14,545)	-	1,333,908	1,252,731	(12,536)	-	1,240,195
	Bai Muajjal with Government of Pakistan	40.2.1	27,220,901	-	-	27,220,901	26,443,679	-	-	26,443,679
	Term Finance Certificates		6,054,958	(8,835)	-	6,046,123	5,355,210	(8,835)	-	5,346,375
	Sukuks		13,572,566	(78,150)	-	13,494,416	13,725,143	(87,870)	-	13,637,273
	Participation Term Certificates		437	(437)	-	-	437	(437)	-	-
	Debentures		2,266	(2,266)	-	-	2,266	(2,266)	-	-
	Foreign bonds - sovereign		23,568,991	(350,127)	-	23,218,864	21,379,268	(332,446)	-	21,046,822
	Foreign bonds - others		1,422,221	(61,735)	-	1,360,486	1,321,635	(61,085)	-	1,260,550
	Recovery note		63,633	(63,633)	-	-	59,157	(59,141)	-	16
	CDC SAARC Fund		362	-	-	362	336	-	-	336
			261,347,479	(744,484)	-	260,602,995	290,440,878	(712,536)	-	289,728,342
Associates										
	UBL Liquidity Plus Fund		462,975	-	-	462,975	1,460,128	-	-	1,460,128
	UBL Stock Advantage Fund		208,905	-	-	208,905	180,936	-	-	180,936
	UBL Growth and Income Fund		581,740	-	-	581,740	-	-	-	-
	UBL Financial Sector Fund		220,265	-	-	220,265	359,485	-	-	359,485
	UBL Cash Fund		-	-	-	-	106,456	-	-	106,456
	UBL Exchange Traded Fund		10,605	-	-	10,605	-	-	-	-
	UBL Special Savings Fund VIII		101,645	-	-	101,645	-	-	-	-
	Al Ameen Islamic Energy Fund		84,660	-	-	84,660	101,395	-	-	101,395
	Al Ameen Shariah Stock Fund		33,419	-	-	33,419	-	-	-	-
	Al Ameen Special Savings Plan II		70,349	-	-	70,349	-	-	-	-
	UBL Insurers Limited		500,022	-	-	500,022	499,786	-	-	499,786
	Khushhali Bank Limited	9.2	2,951,718	-	-	2,951,718	2,934,591	-	-	2,934,591
	DHA Cogen Limited	9.3	-	-	-	-	-	-	-	-
			5,226,303	-	-	5,226,303	5,642,777	-	-	5,642,777
	Total Investments		1,027,870,306	(7,235,337)	(11,112,011)	1,009,522,958	881,687,072	(7,303,421)	178,086	874,561,737

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

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

9.4 Investments include amounts aggregating to Rs. 391.503 million (December 31, 2019: Rs 391.503 million) which have been classified as loss in accordance with the requirements of Prudential Regulations prescribed by the SBP. Provision has however, not been made against them as these investments are secured by way of guarantee from the Government of Pakistan.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
9.5 Investments given as collateral - at market value			
Market Treasury Bills		20,927,693	67,189,682
Pakistan Investment Bonds		64,022,462	13,499,874
		<u>84,950,155</u>	<u>80,689,556</u>
9.6 Provision for diminution in value of investments			
9.6.1 Opening balance		7,303,421	5,599,293
Exchange adjustments		116,488	241,868
Charge / (reversals)			
Charge for the period / year		189,822	4,014,497
Reversals for the period / year		(374,394)	(1,621,810)
		(184,572)	2,392,687
Amounts written off		-	(930,427)
Closing balance	9.9	<u>7,235,337</u>	<u>7,303,421</u>

9.6.2 Particulars of provision against debt securities

Category of classification	(Un-audited) March 31, 2020		(Audited) December 31, 2019	
	Non-Performing Investment (NPI)	Provision	Non-Performing Investment (NPI)	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	714,023	196,685	714,023	196,685
Overseas				
Overdue by: > 365 days	84,768	84,768	78,784	78,784
Total	<u>798,791</u>	<u>281,453</u>	<u>792,807</u>	<u>275,469</u>

- 9.7** SBP via BPRD Circular Letter No. 13 of 2020 Para 4 (c) has provided regulatory relief to Banks / DFIs to recognize impairment losses resulting from the valuation of listed equity securities held as "Available for Sale" (AFS) in a phased manner equally on quarterly basis during calendar year ending on December 31, 2020. Pursuant to the circular, a portion of the impairment loss, amounting to Rs. 1,025.582 million, resulting from the valuation of listed equity securities held under the AFS category as of March 31, 2020 has not been recognized in the consolidated condensed interim profit and loss account and has been taken to 'Deficit arising on revaluation of available for sale securities' as disclosed in note 23 of these consolidated condensed interim financial statements.

The recognition of remaining impairment loss based on the market values as at March 31, 2020 would have had the following effect on these consolidated condensed interim financial statements:

	March 31, 2020 (Rupees in '000)
Impact on consolidated Condensed Interim Statement of Financial Position	
- Increase in provision for diminution in value of investments	1,025,581
- Decrease in deficit arising on revaluation of Available for sale securities - net of tax	625,605
- Decrease in Unappropriated Profit	563,045
Impact on consolidated Condensed Interim Profit and Loss account	
- Decrease in Profit after tax	625,605
- Decrease in taxation charge	399,977

Earnings per share for the period ended March 31, 2020 would have been lower by Re. 0.51 per share.

- 9.8** The market value of securities classified as held-to-maturity as at March 31, 2020 amounted to Rs. 258,384.601 million (December 31, 2019: Rs. 286,750.415 million).
- 9.9** Provision against investments includes expected credit loss (ECL) under IFRS 9 amounting to Rs. 1,410.052 million (December 31, 2019: Rs. 1,460.657 million).

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
10. ADVANCES

	Note	Performing		Non-performing		Total	
		(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
		March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
----- (Rupees in '000) -----							
Loans, cash credits, running finances, etc.		614,214,492	629,557,092	84,036,034	74,134,966	698,250,526	703,692,058
Islamic financings and related assets		16,667,833	9,027,259	95,502	94,043	16,763,335	9,121,302
Bills discounted and purchased		37,548,606	46,023,954	2,915,353	3,218,030	40,463,959	49,241,984
Advances - gross		668,430,931	684,608,305	87,046,889	77,447,039	755,477,820	762,055,344
Provision against advances	10.3						
- Specific		-	-	(67,176,596)	(63,502,361)	(67,176,596)	(63,502,361)
- General		(5,553,348)	(3,618,520)	-	-	(5,553,348)	(3,618,520)
		(5,553,348)	(3,618,520)	(67,176,596)	(63,502,361)	(72,729,944)	(67,120,881)
Advances - net of provision		662,877,583	680,989,785	19,870,293	13,944,678	682,747,876	694,934,463

10.1 Particulars of advances - gross	(Un-audited)	(Audited)
	March 31, 2020	December 31, 2019
----- (Rupees in '000) -----		
10.1.1 In local currency	496,238,318	516,928,932
In foreign currencies	259,239,502	245,126,412
	<u>755,477,820</u>	<u>762,055,344</u>

10.2 Advances include Rs. 87,046.889 million (December 31, 2019: Rs. 77,447.039 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Un-audited) March 31, 2020		(Audited) December 31, 2019	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
----- (Rupees in '000) -----				
Domestic				
Other Assets Especially Mentioned*	2,826,731	16,121	322,139	8,561
Substandard	2,015,021	216,527	764,745	188,848
Doubtful	453,191	426,085	325,325	169,274
Loss	25,582,662	24,500,066	25,767,409	24,656,008
	<u>30,877,605</u>	<u>25,158,799</u>	<u>27,179,618</u>	<u>25,022,691</u>
Overseas				
Not past due but impaired**	4,592,989	2,199,563	6,763,366	3,086,501
Overdue by:				
Upto 90 days	8,263,189	2,410,139	2,804,905	647,984
91 to 180 days	2,187,250	1,028,220	1,643,198	987,640
181 to 365 days	5,248,156	4,787,732	5,518,289	4,967,136
> 365 days	35,877,700	31,592,143	33,537,663	28,790,409
	<u>56,169,284</u>	<u>42,017,797</u>	<u>50,267,421</u>	<u>38,479,670</u>
Total	<u>87,046,889</u>	<u>67,176,596</u>	<u>77,447,039</u>	<u>63,502,361</u>

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

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
10.3 Particulars of provision against advances

	(Un-audited)			(Audited)		
	March 31, 2020			December 31, 2019		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	63,502,361	3,618,520	67,120,881	56,377,680	4,642,931	61,020,611
Exchange adjustments	1,162,194	467,305	1,629,499	3,575,975	280,401	3,856,376
Charge / (reversals)						
Charge for the period / year	2,778,048	1,467,523	4,245,571	9,660,851	25,209	9,686,060
Reversals for the period / year	(253,507)	-	(253,507)	(3,568,092)	(1,273,203)	(4,841,295)
	2,524,541	1,467,523	3,992,064	6,092,759	(1,247,994)	4,844,765
Transfers in - net	-	-	-	210,565	(56,818)	153,747
Amounts written off	(12,500)	-	(12,500)	(2,754,618)	-	(2,754,618)
Closing balance	<u>67,176,596</u>	<u>5,553,348</u>	<u>72,729,944</u>	<u>63,502,361</u>	<u>3,618,520</u>	<u>67,120,881</u>

10.3.1 General provision represents provision amounting to Rs. 315.805 million (December 31, 2019: Rs. 328.342 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 5,237.543 million (December 31, 2019: Rs. 3,290.178 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate and on account of adoption of IFRS 9.

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 no. 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 24.185 million (December 31, 2019: Rs. 35.131 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

The Bank has also availed FSV benefit of certain mortgaged properties held as collateral against non-performing advances of overseas branches in accordance with the applicable regulation in the respective countries where the branches operate. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 5,250.551 million (December 31, 2019: Rs. 5,180.474 million) for the overseas branches.

10.3.3 Certain customers having an exposure amounting to Rs. 7,650.772 million have formally approached SBP under Covid 19 Relief scheme for restructuring, resultantly these have not been classified as non-performing, pursuant to a relaxation given by SBP in this respect. Had the exposure been classified by the Bank, the specific provision against non-performing advances would have been higher by Rs. 162.693 million and profit after tax would have been lower by Rs. 99.243 million.

11. FIXED ASSETS	Note	(Un-audited)	(Audited)
		March 31, 2020	December 31, 2019
		----- (Rupees in '000) -----	
Capital work-in-progress	11.1	653,575	541,722
Property and equipment		50,279,990	50,589,131
Right-of-use assets		7,251,290	7,145,558
		<u>58,184,855</u>	<u>58,276,411</u>
11.1 Capital work-in-progress			
Civil works		391,413	370,308
Equipment		262,162	171,414
		<u>653,575</u>	<u>541,722</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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		(Un-audited)	
		January - March 2020	January - March 2019
		----- (Rupees in '000) -----	
11.2	Additions to fixed assets		
	The following additions have been made to fixed assets during the period:		
	Capital work-in-progress	180,711	261,156
	Building on freehold land	4,356	-
	Leasehold Improvement	106,300	98,535
	Furniture and fixture	17,438	32,708
	Electrical office and computer equipment	228,959	278,669
	Vehicles	15,868	130
		<u>372,921</u>	<u>410,042</u>
	Total	<u>553,632</u>	<u>671,198</u>
11.3	Disposals of fixed assets		
	The net book value of fixed assets disposed off during the period is as follows:		
	Building on leasehold land	(124,304)	-
	Leasehold Improvement	(4,047)	-
	Furniture and fixture	(12,951)	(1,203)
	Electrical office and computer equipment	(46,924)	(11,823)
	Vehicles	(2,130)	(7,059)
		<u>(190,356)</u>	<u>(20,085)</u>
11.4	Additions to Right-of-use assets	<u>626,603</u>	<u>-</u>
12.	INTANGIBLE ASSETS		
		(Un-audited)	(Audited)
		March 31, 2020	December 31, 2019
		----- (Rupees in '000) -----	
	Capital work-in-progress	344,537	262,404
	Intangible assets	1,821,216	1,808,534
		<u>2,165,753</u>	<u>2,070,938</u>
12.1	Additions to intangible assets		
	The following additions have been made to directly purchased intangible assets during the period:		
		<u>188,618</u>	<u>100,311</u>
12.2	Disposals of intangible assets		
	The net book value of directly purchased intangible assets disposed off during the period is as follows:		
		<u>-</u>	<u>(401)</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
13. DEFERRED TAX ASSETS			
Deferred tax assets	13.1	6,931,973	1,723,553

13.1 Movement in temporary differences during the year

March 31, 2020 (Un-audited)			
At January 1, 2020	Recognised in profit and loss account	Recognised in OCI	At March 31, 2020
----- (Rupees in '000) -----			
Deductible temporary differences on			
- Tax losses carried forward	-	-	-
- Post-retirement employee benefits	837,426	14,791	332,479
- Provision against advances, off-balance sheet etc.	3,291,876	691,033	-
- Surplus on revaluation of investments	(375,338)	-	3,774,255
- Workers' Welfare Fund	1,495,858	85,137	-
- Others	(520,617)	18,312	85,692
	4,729,205	809,273	4,192,426
			9,730,904
Taxable temporary differences on			
- Surplus on revaluation of fixed assets / non-banking assets	(1,339,305)	6,977	20,024
- Share of profit from Associates	(922,114)	10,693	-
- Accelerated tax depreciation and others	(744,233)	169,027	-
	(3,005,652)	186,697	20,024
			(2,798,931)
	1,723,553	995,970	4,212,450
			6,931,973
December 31, 2019 (Audited)			
At January 1, 2019	Recognised in profit and loss account	Recognised in OCI	At December 31, 2019
----- (Rupees in '000) -----			
Deductible temporary differences on			
- Tax losses carried forward	233,360	-	(233,360)
- Post-retirement employee benefits	404,016	103,173	330,237
- Provision against advances, off-balance sheet etc.	2,292,249	999,627	-
- Surplus on revaluation of investments	4,960,471	43,339	(5,379,148)
- Workers' Welfare Fund	1,083,350	412,508	-
- Others	309,048	(864,398)	34,733
	9,282,494	694,249	(5,247,538)
			4,729,205
Taxable temporary differences on			
- Surplus on revaluation of fixed assets / non-banking assets	(1,412,044)	32,786	39,953
- Share of profit from Associates	(680,832)	(241,282)	-
- Accelerated tax depreciation and others	(503,666)	(240,567)	-
	(2,596,542)	(449,063)	39,953
			(3,005,652)
	6,685,952	245,186	(5,207,585)
			1,723,553

14. DISCONTINUED OPERATION

UBL Bank (Tanzania) Limited ('UBTL') is a wholly owned subsidiary of United Bank Limited. UBTL sold materially all of its assets and liabilities at October 31, 2019, including the loans and advances and deposit book to EXIM Bank Tanzania Limited ('Exim'), in line with the Asset and Liabilities Purchase Agreement signed on May 22, 2019. The control of these assets and liabilities was transferred to Exim effective from November 1, 2019. The purchase consideration for the sale of assets and liabilities to Exim was Tanzanian Shillings (TZs) 3.3 billion (equivalent to Rs. 237.039 million) compared to the book value (fair value adjustments arising as a result of the transaction) of TZs 1.737 billion (equivalent to Rs. 125.253 million). The Banking operations of the subsidiary ceased on November 1, 2019. UBTL is in preparation for the winding up and voluntary liquidation.

14.1 Assets and liabilities under discontinued operation

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----		
Assets		
Balances with other banks	243,284	236,450
Liabilities		
Other liabilities	3,360	17,936

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
14.2 Discontinued operation

	(Un-audited) January - March 2020	(Un-audited) January - March 2019
	----- (Rupees in '000) -----	
Mark-up / return / interest earned	7,125	120,862
Mark-up / return / interest expensed	-	48,408
Net mark-up / interest income	<u>7,125</u>	<u>72,454</u>
Non mark-up / interest income		
Fee and commission income	-	5,931
Foreign exchange income / (loss)	287	(2,793)
Loss on securities - net	-	(1,610)
Other income	-	1,267
Total non mark-up / interest income	<u>287</u>	<u>2,795</u>
Total income	<u>7,412</u>	<u>75,249</u>
Non mark-up / interest expenses		
Operating expenses	907	112,187
Total non mark-up / interest expenses	<u>907</u>	<u>112,187</u>
Profit / (loss) before provisions	<u>6,505</u>	<u>(36,938)</u>
Provisions and write-offs - net	-	520,366
Profit / (loss) before taxation	<u>6,505</u>	<u>(557,304)</u>
Taxation	-	228,436
Profit / (loss) after taxation	<u>6,505</u>	<u>(785,740)</u>

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
		----- (Rupees in '000) -----	
15. OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		23,800,874	28,748,779
Income / mark-up accrued in foreign currency - net of provision		3,699,720	2,599,478
		<u>27,500,594</u>	<u>31,348,257</u>
Advance taxation - net of provision for taxation	15.1	15,659,368	19,684,137
Receivable from staff retirement fund		327,869	217,633
Receivable from other banks against telegraphic transfers and demand drafts		-	201,592
Unrealized gain on forward foreign exchange contracts		9,360,545	7,376,206
Rebate receivable - net		2,092,844	2,142,484
Unrealized gain on derivative financial instruments		7,689	15,216
Suspense accounts		968,282	871,766
Stationery and stamps on hand		426,380	287,314
Non-banking assets acquired in satisfaction of claims		1,071,329	1,071,034
Advances, deposits, advance rent and other prepayments		1,763,650	1,345,735
Acceptances		13,871,467	17,366,169
Assets against IBFT, ATM and other settlements - net		3,600,311	-
Others		<u>2,214,525</u>	<u>3,418,433</u>
		78,864,853	85,345,976
Provision held against other assets	15.2	<u>(1,294,959)</u>	<u>(1,271,877)</u>
Other assets - net of provision		77,569,894	84,074,099
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		11,341	11,341
Other assets - total		<u>77,581,235</u>	<u>84,085,440</u>

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

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

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2019 (financial year 2019) and the tax returns of Gilgit Baltistan (GB) branches have been filed upto tax year 2019 (financial year 2019) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2017. Consequently various addbacks and demands were raised creating a total demand of Rs. 889 million (2019: Rs. 889 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

The tax returns for Yemen and Qatar branches have been filed upto the year ended December 31, 2019 and for UAE branches 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 Bank has received corrective tax assessment of QAR 1 million (Rs: 45.785 million) from the General tax Authority (GTA) in respect of tax year 2004 with no supporting calculations from GTA. Management has requested details for 2004 assessment from GTA, however to date no response has been received. Management is confident that the matters will be decided in favour of the Bank and the possibility of any outcome against it is remote.

For UBL UK, USAG, UBL FM and UET income tax returns have been filed up to the accounting year ended December 31, 2018 under the provisions of the laws prevailing in the respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for USAG, UBL UK, and UBTL till the accounting year 2018, 2017 and 2016. There are no material tax contingencies in any of the subsidiaries.

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
15.2 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	546,884	547,536
Non-banking assets acquired in satisfaction of claims	85,200	85,200
Receivable from insurance companies against fraud and forgery	662,875	639,141
	<u>1,294,959</u>	<u>1,271,877</u>
16. CONTINGENT ASSETS		
There were no contingent assets as at the statement of financial position date.		
17. BILLS PAYABLE		
In Pakistan	19,517,003	22,500,509
Outside Pakistan	583,010	428,711
	<u>20,100,013</u>	<u>22,929,220</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

18. BORROWINGS	(Un-audited) March 31, 2020	(Audited) December 31, 2019
Details of borrowings		
----- (Rupees in '000) -----		
Secured		
Borrowings from the State Bank of Pakistan under:		
Export refinance scheme	31,115,615	30,354,891
Refinance facility for modernization of SMEs	8,879	10,022
Long term financing facility	22,580,037	22,959,023
	53,704,531	53,323,936
Repurchase agreement borrowings	39,409,419	74,748,710
Bai Muajjal payable to other financial institutions	48,496,153	13,812,921
	<u>141,610,103</u>	<u>141,885,567</u>
Unsecured		
Call borrowings	26,058,225	4,680,579
Overdrawn nostro accounts	1,037,904	591,123
Money market deals	28,135,621	23,247,791
	55,231,750	28,519,493
	<u>196,841,853</u>	<u>170,405,060</u>

19. DEPOSITS AND OTHER ACCOUNTS

	March 31, 2020 (Un-audited)			December 31, 2019 (Audited)		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Fixed deposits	129,523,085	231,750,349	361,273,434	141,228,719	235,996,785	377,225,504
Savings deposits	459,509,834	37,742,464	497,252,298	450,326,401	35,690,677	486,017,078
Sundry deposits	9,724,342	2,116,904	11,841,246	12,592,638	1,289,671	13,882,309
Margin deposits	2,873,136	2,741,090	5,614,226	2,825,918	2,960,268	5,786,186
Current accounts - remunerative	5,956,607	9,135,190	15,091,797	1,799,190	8,392,401	10,191,591
Current accounts - non-remunerative	462,862,172	126,099,549	588,961,721	449,952,467	119,035,082	568,987,549
	<u>1,070,449,176</u>	<u>409,585,546</u>	<u>1,480,034,722</u>	<u>1,058,725,333</u>	<u>403,364,884</u>	<u>1,462,090,217</u>
Financial Institutions						
Current deposits	12,620,764	5,701,533	18,322,297	26,897,943	4,743,731	31,641,674
Savings deposits	73,897,948	30,393	73,928,341	36,132,073	25,334	36,157,407
Term deposits	19,030,109	617,472	19,647,581	25,783,802	2,322,206	28,106,008
	105,548,821	6,349,398	111,898,219	88,813,818	7,091,271	95,905,089
	<u>1,175,997,997</u>	<u>415,934,944</u>	<u>1,591,932,941</u>	<u>1,147,539,151</u>	<u>410,456,155</u>	<u>1,557,995,306</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. 878,477.797 million (December 31, 2019: Rs 854,722.801 million).

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	March 31, 2020 (Un-audited)		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	5,230	729	4,501
Later than one year and not later than five years	15,045	690	14,355
	<u>20,275</u>	<u>1,419</u>	<u>18,856</u>
	----- (Rupees in '000) -----		
	December 31, 2019 (Audited)		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	5,180	832	4,348
Later than one year and not later than five years	15,549	802	14,747
	<u>20,729</u>	<u>1,634</u>	<u>19,095</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
21. SUBORDINATED DEBT

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

Salient features of the ADT 1 issue are as follows:

Issue Size	Rs. 10,000 million
Issue Date	January 29, 2019
Tenor	Perpetual (i.e. no fixed or final redemption date)
Rating	"AA+" (Double A Plus) by JCR-VIS Credit Rating Company Limited
Security	Unsecured
Mark-up rate	The TFCs shall carry mark-up at the rate of 3 Month KIBOR + 1.55%.
Mark-up payment frequency	Profit / Mark-up shall be payable quarterly in arrears, on a non-cumulative basis
Call option	The Bank may, at its sole discretion, call the TFCs, at any time after five years from the Issue Date subject to the prior approval of the SBP.
Lock-in clause	Mark-up on the TFCs shall only be paid from the current year's earnings and if the Bank is fully compliant with SBP's Minimum Capital Requirement (MCR), Capital Adequacy Ratio (CAR) and Liquidity Ratio (LR) requirements.
Loss absorbency clause	The TFCs shall, at the discretion of the SBP, be either permanently converted into ordinary shares or permanently written off (partially or in full) pursuant to the loss absorbency clause as stipulated in the "Instructions for Basel III Implementation in Pakistan" issued vide BPRD Circular No. 6 dated August 15, 2013.

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
22. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		17,134,333	8,964,544
Mark-up / return / interest payable in foreign currency		1,893,930	2,195,349
		19,028,263	11,159,893
Accrued expenses		3,800,612	4,197,747
Branch adjustment account		47,970	227,951
Deferred income		1,476,633	942,005
Unearned commission and income on bills discounted		757,224	921,121
Provision against off-balance sheet obligations	22.1	636,028	632,785
Payable to other banks against telegraphic transfers and demand drafts		80,814	-
Unrealized loss on forward foreign exchange contracts		7,621,699	6,979,761
Trading liability		-	6,120,767
Payable to staff retirement fund		808,858	736,313
Deferred liabilities		3,959,357	3,887,845
Unrealized loss on derivative financial instruments		12,121	18,155
Workers' Welfare Fund payable		4,097,792	3,878,370
Liabilities against IBFT, ATM and other settlements - net		-	1,308,571
Insurance payable against consumer assets		439,401	449,263
Dividend payable		4,232,692	538,884
Acceptances		13,871,466	17,366,169
Charity fund balance		4,070	3,494
Lease liability under IFRS 16		8,105,633	7,826,864
Others		3,916,040	4,303,878
		<u>72,896,673</u>	<u>71,499,836</u>

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	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
22.1 Provision against off-balance sheet obligations			
Opening balance		632,785	842,545
Exchange adjustments		39,203	82,610
Charge for the period / year - net		58,686	47,438
Transfer out - net		(94,646)	(339,808)
		<u>636,028</u>	<u>632,785</u>
23. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus / (deficit) arising on revaluation of assets - net of tax			
Fixed assets	23.1	27,049,749	27,184,005
Available for sale securities	23.2	(6,647,395)	189,650
Non-banking assets acquired in satisfaction of claims		31,071	31,071
Deficit arising on revaluation of assets of associates		3,484	(168)
		<u>20,436,909</u>	<u>27,404,558</u>
23.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		30,165,526	29,742,871
Revaluation against fixed assets during the year		(78,409)	227,612
Realised on disposal during the year		(110,838)	(263,135)
Exchange adjustments		42,001	548,326
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(14,173)	(55,691)
Related deferred tax liability on incremental depreciation charged during the year		(8,772)	(34,457)
		<u>(170,191)</u>	<u>422,655</u>
		29,995,335	30,165,526
Less: Related deferred tax liability			
Revaluation as on January 1		1,319,440	1,344,759
Deficit / (surplus) realised on disposal of fixed assets during the year		1,417	(826)
Impact of change of deferred tax rate		-	77,907
Reversal of revaluation against fixed assets during the year		(25,441)	(179,746)
Exchange adjustments		5,795	111,803
Incremental depreciation charged on related assets		(8,772)	(34,457)
		<u>1,292,439</u>	<u>1,319,440</u>
		28,702,896	28,846,086
Share of Non-controlling interest		(1,653,147)	(1,662,081)
Group's share		<u>27,049,749</u>	<u>27,184,005</u>
23.2 (Deficit) / surplus on revaluation of available for sale securities			
Market Treasury Bills		1,137,964	149,496
Pakistan Investment Bonds		(670,166)	(6,674,197)
Listed shares		(289,939)	3,202,927
REIT Scheme		(32,518)	62,118
Term Finance Certificates, Sukuks, other bonds etc.		(41,810)	23,973
Foreign bonds		(11,293,841)	3,421,155
		<u>(11,190,310)</u>	<u>185,472</u>
Related deferred tax		3,398,917	(375,338)
		<u>(7,791,393)</u>	<u>(189,866)</u>
Share of Non-controlling interest		1,143,998	379,516
Group's share		<u>(6,647,395)</u>	<u>189,650</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
----- (Rupees in '000) -----			
24. CONTINGENCIES AND COMMITMENTS			
- Guarantees	24.1	171,216,341	170,755,664
- Commitments	24.2	1,114,119,808	1,278,107,824
- Other contingent liabilities	24.3	15,803,271	15,089,090
		<u>1,301,139,420</u>	<u>1,463,952,578</u>
24.1 Guarantees			
Financial guarantees		43,384,946	41,444,410
Performance guarantees		127,831,395	129,311,254
		<u>171,216,341</u>	<u>170,755,664</u>
24.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		146,084,715	168,383,418
Commitments in respect of:			
- forward foreign exchange contracts	24.2.2	854,128,514	962,345,777
- forward government securities transactions	24.2.3	2,033,240	14,307,720
- derivatives			
Interest rate swaps	24.2.4	316,500	316,500
FX options	24.2.4	282,698	122,594
- forward lending	24.2.5	110,548,856	130,389,022
- operating leases	24.2.6	182,787	190,863
Commitments for acquisition of:			
- operating fixed assets	24.2.7	538,785	2,038,299
- intangibles	24.2.7	3,713	-
Others		-	13,631
		<u>1,114,119,808</u>	<u>1,278,107,824</u>
24.2.1 Commitments to extend credit			
The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			
		(Un-audited)	(Audited)
		March 31,	December 31,
		2020	2019
----- (Rupees in '000) -----			
24.2.2 Commitments in respect of forward foreign exchange contracts			
Purchase		454,992,088	508,996,241
Sale		399,136,426	453,349,536
		<u>454,992,088</u>	<u>508,996,241</u>
		<u>399,136,426</u>	<u>453,349,536</u>
24.2.3 Commitments in respect of forward government securities transactions			
Forward purchase of government securities		1,015,253	3,043,541
Forward sale of government securities		1,017,987	11,264,179
		<u>1,015,253</u>	<u>3,043,541</u>
		<u>1,017,987</u>	<u>11,264,179</u>
24.2.4 Commitments in respect of derivatives			
Interest rate swaps		316,500	316,500
FX options - purchased		141,349	61,297
		<u>316,500</u>	<u>316,500</u>
		<u>141,349</u>	<u>61,297</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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		141,349	61,297
	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
		----- (Rupees in '000) -----	
FX options - sold		<u>141,349</u>	<u>61,297</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	69,998,469	71,503,628
Others		<u>40,550,387</u>	<u>58,885,394</u>
		<u>110,548,856</u>	<u>130,389,022</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.			
	Note	(Un-audited) March 31, 2020	(Audited) December 31, 2019
		----- (Rupees in '000) -----	
24.2.6 Commitments in respect of operating leases			
Not later than one year		46,493	48,366
Later than one year and not later than five years		66,576	69,053
Later than five years		69,718	73,444
		<u>182,787</u>	<u>190,863</u>
24.2.7 Commitments in respect of capital expenditure		<u>542,498</u>	<u>2,038,299</u>
24.3 Other contingent liabilities			
Claims against the Group not acknowledged as debts	24.3.1	<u>11,713,968</u>	<u>10,999,787</u>
24.3.1			
These mainly represent counter claims filed by the borrowers for restricting the Group from disposal of assets (such as mortgaged / pledged assets kept as security).			
Based on legal advice and / or internal assessments, management is confident that the matters will be decided in favour of the Group and the possibility of any outcome against the Group is remote and accordingly no provision has been made in these consolidated 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			
Punjab Revenue Authority issued show cause notice to UBL Fund Managers Limited requiring them to pay sales tax under Punjab sales tax on service act 2012 on management fee earned in Punjab from May 22, 2013. The Company has filed a petition on July 8, 2015 in the High Court of Sindh. A favorable outcome of this petition is expected.			
24.4			
For contingencies relating to taxation, refer note 15.1.			

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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25. DERIVATIVE INSTRUMENTS
25.1 Product analysis

March 31, 2020 (Un-Audited)										
Counterparties	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total	
	Notional principal	Mark to Market loss	Notional principal	Mark to Market gain	Notional principal	Mark to Market loss	Notional principal	Mark to Market gain	Notional principal	Mark to Market loss
----- (Rupees in 000) -----										
Total										
Hedging	-	-	141,349	-	-	-	-	-	141,349	-
Market making	316,500	(7,184)	141,349	-	1,015,253	(4,957)	(1,017,987)	7,709	455,115	(4,432)
	<u>316,500</u>	<u>(7,184)</u>	<u>282,698</u>	<u>-</u>	<u>1,015,253</u>	<u>(4,957)</u>	<u>(1,017,987)</u>	<u>7,709</u>	<u>596,464</u>	<u>(4,432)</u>

December 31, 2019 (Audited)										
Counterparties	Interest rate swaps		FX options		Forward purchase contracts of government securities		Forward sale contracts of government securities		Total	
	Notional principal	Mark to Market loss	Notional principal	Mark to Market gain	Notional principal	Mark to Market loss	Notional principal	Mark to Market gain	Notional principal	Mark to Market loss
----- (Rupees in 000) -----										
Total										
Hedging	-	-	61,297	-	-	-	-	-	61,297	-
Market making	316,500	(17,107)	61,297	-	3,042,465	(94)	11,260,446	14,262	14,680,708	(2,939)
	<u>316,500</u>	<u>(17,107)</u>	<u>122,594</u>	<u>-</u>	<u>3,042,465</u>	<u>(94)</u>	<u>11,260,446</u>	<u>14,262</u>	<u>14,742,005</u>	<u>(2,939)</u>

Note **(Un-audited)** **(Un-audited)**
January - **January -**
March **March**
2020 **2019**
 ----- (Rupees in '000) -----

26. MARK-UP / RETURN / INTEREST EARNED

Loans and advances	17,656,586	15,345,807
Investments	25,572,265	14,113,045
Lendings to financial institutions	1,025,006	2,465,169
Balances with banks	120,326	213,760
	<u>44,374,183</u>	<u>32,137,781</u>

27. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	20,262,755	14,044,067
Borrowings	4,300,478	2,471,438
Subordinated Debt	373,110	281,058
Cost of foreign currency swaps against foreign currency deposits / borrowings	1,373,953	143,860
Interest cost on lease liability under IFRS 16	274,446	230,193
	<u>26,584,742</u>	<u>17,170,616</u>

28. FEE AND COMMISSION INCOME

Branch banking customer fee	521,142	504,987
Consumer finance related fee	245,219	277,753
Card related fees (debit and credit cards)	616,540	579,413
Investment banking fee	24,555	68,019
Financial Institution rebate / commission	80,030	74,276
Corporate service charges / facility fee	160,481	309,601
Commission on trade	203,243	240,389
Commission on guarantees	210,373	280,938
Commission on cash management	202,373	188,284
Commission on remittances including home remittances - net	616,762	742,669
Commission on bancassurance	313,875	333,182
Commission on Benazir Income Support Program	-	178,787
Management fee	185,915	230,004
Others	80,801	122,821
	<u>3,461,309</u>	<u>4,131,123</u>

29. GAIN ON SECURITIES - NET

Realised	29.1	379,749	78,883
Unrealised - held for trading		78,303	(37,535)
		<u>458,052</u>	<u>41,348</u>

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	(Un-audited) January - March 2020	(Un-audited) January - March 2019
29.1 Realised gain on:		
	----- (Rupees in '000) -----	
Federal Government securities	92,031	18,951
Shares	(232,459)	34,967
Foreign securities	520,177	24,965
	<u>379,749</u>	<u>78,883</u>
30. OTHER INCOME		
Charges recovered	38,090	69,875
Rent on properties	62,595	72,887
Gain on sale of operating fixed assets - net	44,434	2,926
Gain on sale of Ijarah assets	383	312
Gain / (loss) on trading liabilities - net	77,901	(37,782)
	<u>223,403</u>	<u>108,218</u>
31. OPERATING EXPENSES		
Total compensation expense	4,510,162	3,885,021
Property expense		
Rent and taxes	242,833	209,423
Insurance	43,453	45,148
Utilities cost	317,233	289,730
Security	254,950	234,720
Repair and maintenance	48,215	107,587
Depreciation	203,138	189,336
Depreciation - Right-of-use assets	479,342	499,308
Others	29,498	30,280
	1,618,662	1,605,532
Information technology expenses		
Software maintenance	306,626	272,078
Hardware maintenance	111,214	93,934
Depreciation	202,013	172,626
Amortisation	194,080	159,014
Network charges	184,330	182,070
	998,263	879,722
Other operating expenses		
Directors' fees and allowances	15,699	28,086
Fees and allowances to Shariah Board	2,280	1,200
Legal and professional charges	194,710	165,583
Outsourced service costs	368,914	257,200
Commission paid to branchless banking agents	122,845	320,652
Commission paid to Sales force	246,122	395,457
Travelling and conveyance	41,407	40,571
Clearing charges	60,405	48,077
Depreciation others	300,700	289,463
Depreciation on Islamic financing against leased assets	62,862	50,445
Training and development	15,285	15,936
Postage and courier charges	62,740	67,041
Communication	130,912	104,619
Stationery and printing	154,768	160,656
Marketing, advertisement and publicity	108,443	129,544
Donations	35,000	-
Auditors' remuneration	28,341	42,748
Insurance	53,332	27,380
Deposit Protection Premium	325,570	287,343
Cash transportation and sorting charges	204,364	256,343
Entertainment	43,471	44,393
Banking service charges	426,252	378,803
Repairs and maintenance	112,918	103,942
Miscellaneous expenses	70,387	176,651
	3,187,727	3,392,133
	<u>10,314,814</u>	<u>9,762,408</u>

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	Note	(Un-audited) January - March 2020	(Un-audited) January - March 2019
----- (Rupees in '000) -----			
32. OTHER CHARGES			
Penalties imposed by the SBP		180,959	1,577
Other penalties		80	408
		<u>181,039</u>	<u>1,985</u>
33. PROVISIONS AND WRITE-OFFS - NET			
Provision against loans and advances - net	10.3	3,992,064	568,304
(Reversal) / provision for diminution in value of investments - net	9.6	(184,572)	247,146
Bad debts written-off directly		14,686	12,647
Provision against other assets - net		21,676	16,585
Provision against off-balance sheet obligations	22.1	58,686	137,738
Recovery of written-off / charged-off bad debts		(211,471)	(114,066)
Other provisions / write-offs		10,248	14,666
		<u>3,701,317</u>	<u>883,020</u>
34. TAXATION			
Current		4,396,290	3,661,852
Prior years		-	1,593,701
Deferred		(995,970)	(203,209)
		<u>3,400,320</u>	<u>5,052,344</u>
		(Un-audited) January - March 2020	(Un-audited) January - March 2019
----- (Rupees in '000) -----			
35. EARNINGS PER SHARE			
Profit after tax attributable to equity shareholders of the Bank		<u>4,877,622</u>	<u>4,042,822</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>3.98</u>	<u>3.30</u>

35.1 There were no convertible dilutive potential ordinary shares outstanding as at March 31, 2020 and March 31, 2019.

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, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

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

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

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

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

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

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

	March 31, 2020 (Un-audited)				
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
	----- (Rupees in '000) -----				
On-balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	656,766,028	-	656,766,028	-	656,766,028
Foreign Bonds - Sovereign	62,614,611	-	62,614,611	-	62,614,611
Foreign Bonds - others	11,048,570	-	11,048,570	-	11,048,570
Ordinary shares of listed companies	10,081,664	10,081,664	-	-	10,081,664
Investment in Mutual Fund	181,458	-	181,458	-	181,458
Debt securities (TFCs and Sukuks)	1,914,217	-	1,914,217	-	1,914,217
Investment in REIT	426,072	426,072	-	-	426,072
	<u>743,032,620</u>	<u>10,507,736</u>	<u>732,524,884</u>	<u>-</u>	<u>743,032,620</u>
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares and associates)					
	266,490,338	-	-	-	-
	<u>1,009,522,958</u>	<u>10,507,736</u>	<u>732,524,884</u>	<u>-</u>	<u>743,032,620</u>
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	854,128,514	-	1,738,846	-	1,738,846
Interest rate swaps	316,500	-	(7,184)	-	(7,184)
FX options - purchased and sold (net)	282,698	-	-	-	-
Forward purchase of government securities	1,015,253	-	(4,957)	-	(4,957)
Forward sale of government securities	1,017,987	-	7,709	-	7,709
Fair value of non-financial assets					
Fixed Assets	60,350,608	-	-	60,350,608	60,350,608
Non-banking assets acquired in satisfaction of claims	1,082,670	-	-	1,082,670	1,082,670
	<u>61,433,278</u>	<u>-</u>	<u>-</u>	<u>61,433,278</u>	<u>61,433,278</u>
December 31, 2019 (Audited)					
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
	----- (Rupees in '000) -----				
On-balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks and Eurobonds)	481,948,693	-	481,948,693	-	481,948,693
Foreign Bonds - Sovereign	64,182,976	-	64,182,976	-	64,182,976
Foreign Bonds - others	16,299,524	-	16,299,524	-	16,299,524
Ordinary shares of listed companies	13,410,757	13,410,757	-	-	13,410,757
Debt securities (TFCs)	694,241	-	694,241	-	694,241
Investment in REIT	520,708	520,708	-	-	520,708
	<u>874,561,737</u>	<u>13,931,465</u>	<u>563,125,434</u>	<u>-</u>	<u>577,056,899</u>
Financial assets not measured at fair value					
- Investments (HTM, unlisted ordinary shares, preference shares and associates)					
	297,504,838	-	-	-	-
	<u>874,561,737</u>	<u>13,931,465</u>	<u>563,125,434</u>	<u>-</u>	<u>577,056,899</u>
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	962,345,777	-	396,445	-	396,445
Interest rate swaps	316,500	-	-	-	-
FX options - purchased and sold (net)	122,594	-	-	-	-
Forward purchase of government securities	3,043,541	-	-	-	-
Forward sale of government securities	11,264,179	-	-	-	-
Fair value of non-financial assets					
Fixed Assets	60,347,349	-	-	60,347,349	60,347,349
Non-banking assets acquired in satisfaction of claims	1,082,375	-	-	1,082,375	1,082,375
	<u>61,429,724</u>	<u>-</u>	<u>-</u>	<u>61,429,724</u>	<u>61,429,724</u>

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36.2 Certain categories of fixed assets (land and buildings) and non-banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in note 11 and note 15.

36.3 Valuation techniques used in determination of fair values within level 2 and level 3 are as follows.

Debt Securities

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

Derivatives

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

Fixed assets and non-banking assets acquired in satisfaction of claims

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

37. SEGMENT INFORMATION
37.1 Segment details with respect to business activities

	For the three months ended March 31, 2020 (Un-audited)							Total
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	
Profit and Loss	(Rupees in '000)							
Net mark-up / return / profit	11,667,071	15,525,652	(12,669,968)	841,211	2,103,908	446,916	(125,349)	17,789,441
Inter segment (expense) / revenue - net	(10,579,272)	(18,154,507)	26,474,160	-	-	-	2,259,619	-
Non mark-up / return / interest income	555,290	469,436	2,028,657	63,978	818,328	499,833	497,107	4,932,629
Total Income	1,643,089	(2,159,419)	15,832,849	905,189	2,922,236	946,749	2,631,377	22,722,070
Segment direct expenses	353,404	39,781	6,075,687	423,827	1,370,754	842,343	1,609,479	10,715,275
Inter segment expense allocation	134,929	16,495	1,103,430	-	112,767	-	(1,367,621)	-
Total expenses	488,333	56,276	7,179,117	423,827	1,483,521	842,343	241,858	10,715,275
Provision reversals / (charge)	56,769	27,491	(17,488)	30	(3,762,077)	(863)	(5,179)	(3,701,317)
Profit before taxation from continuing operations	1,211,525	(2,188,204)	8,636,244	481,392	(2,323,362)	103,543	2,384,340	8,305,478
	For the three months ended March 31, 2019 (Un-audited)							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
Profit and Loss	(Rupees in '000)							
Net mark-up / return / profit	10,513,857	11,483,798	(9,672,498)	548,111	2,244,403	308,583	(459,089)	14,967,165
Inter segment (expense) / revenue - net	(9,166,705)	(14,397,728)	22,264,933	-	-	-	1,299,500	-
Non mark-up / return / interest income	570,516	947,757	2,391,345	56,415	891,544	665,140	232,249	5,754,966
Total Income	1,917,668	(1,966,173)	14,983,780	604,526	3,135,947	973,723	1,072,660	20,722,131
Segment direct expenses	343,396	59,709	5,576,213	364,111	1,423,084	814,129	1,367,832	9,948,474
Inter segment expense allocation	144,071	17,709	1,016,262	21,777	138,729	-	(1,338,548)	-
Total expenses	487,467	77,418	6,592,475	385,888	1,561,813	814,129	29,284	9,948,474
Provision reversals / (charge)	324,274	(206,949)	195,816	683	(1,245,084)	38,367	9,873	(883,020)
Profit before taxation from continuing operations	1,754,475	(2,250,540)	8,587,121	219,321	329,050	197,961	1,053,249	9,890,637

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	As at March 31, 2020 (Un-audited)							Total
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	
	(Rupees in '000)							
Balance Sheet								
Cash and Bank balances	108,500	71,314,628	53,187,011	8,540,026	55,344,483	29,937,254	1,003,877	219,435,779
Investments	6,378,363	816,968,325	-	41,528,532	100,077,633	40,460,872	4,109,233	1,009,522,958
Net inter segment lending	-	-	#####	-	1,324,985	-	72,378,730	1,120,778,259
Lendings to financial institutions	-	1,000,000	-	17,900,245	-	2,107,082	-	21,007,327
Advances - performing	421,832,393	18,635	33,000,170	16,644,214	125,982,227	59,647,745	5,752,199	662,877,583
Advances - non-performing (net of provision)	4,605,362	48,857	1,021,954	13,752	13,672,948	478,286	29,134	19,870,293
Assets classified as held for sale	-	-	-	-	-	243,284	-	243,284
Others	23,069,447	19,088,791	2,821,269	22,835,706	16,471,953	7,466,012	53,110,638	144,863,816
Total Assets	455,994,065	908,439,236	#####	#####	312,874,229	140,340,535	136,383,811	3,198,599,299
Borrowings	52,294,361	114,274,476	117,151	1,293,019	17,664,019	11,198,827	-	196,841,853
Subordinated debts	-	-	-	-	-	-	10,000,000	10,000,000
Deposits and other accounts	53,216,940	162,023	#####	98,425,621	245,003,921	99,564,021	607,060	1,591,932,941
Net inter segment borrowing	333,732,398	787,045,861	-	-	-	-	-	1,120,778,259
Liabilities directly associated with assets classified as held for sale	-	-	-	-	-	3,360	-	3,360
Others	16,015,098	8,138,119	42,596,524	3,861,449	7,650,791	2,280,545	12,473,016	93,015,542
Total Liabilities	455,258,797	909,620,479	#####	#####	270,318,731	113,046,753	23,080,076	3,012,571,955
Equity	735,268	(1,277,241)	3,754,997	3,882,386	42,555,498	20,625,539	115,750,897	186,027,344
Total Equity and liabilities	455,994,065	908,343,238	#####	#####	312,874,229	133,672,292	138,830,973	3,198,599,299
Contingencies and Commitments	349,602,246	404,418,676	11,589,240	157,830	440,818,555	94,012,743	540,130	1,301,139,420
	As at December 31, 2019 (Audited)							
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
	(Rupees in '000)							
Balance Sheet								
Cash and Bank balances	81,168	81,316,916	102,634,796	13,897,123	52,400,729	34,987,958	774,238	286,092,928
Investments	5,709,986	674,283,210	-	46,726,238	108,281,811	35,466,122	4,094,370	874,561,737
Net inter segment lending	-	-	974,507,707	-	-	-	54,818,509	1,029,326,216
Lendings to financial institutions	-	9,450,000	-	10,796,576	-	1,509,828	-	21,756,404
Advances - performing	447,169,096	18,964	35,585,623	9,013,624	125,319,182	58,139,824	5,743,472	680,989,785
Advances - non-performing (net of provision)	1,385,177	44,946	698,152	3,751	11,212,859	574,868	24,925	13,944,678
Assets classified as held for sale	-	-	-	-	-	236,450	-	236,450
Others	25,309,421	23,500,715	14,126,968	8,306,009	14,826,734	6,911,760	53,174,735	146,156,342
Total Assets	479,654,848	788,614,751	#####	88,743,321	312,041,315	137,826,810	118,630,249	3,053,064,540
Borrowings	52,023,960	95,592,358	-	1,299,975	5,567,707	15,921,060	-	170,405,060
Subordinated debts	-	-	-	-	-	-	10,000,000	10,000,000
Deposits and other accounts	60,853,339	131,140	#####	81,432,150	250,441,596	91,143,714	616,898	1,557,995,306
Net inter segment borrowing	334,356,582	694,764,203	-	-	205,431	-	-	1,029,326,216
Liabilities directly associated with assets classified as held for sale	-	-	-	-	-	17,936	-	17,936
Others	28,237,437	7,443,210	29,480,520	2,482,320	7,619,847	1,369,787	17,815,030	94,448,151
Total Liabilities	475,471,318	797,930,911	#####	85,214,445	263,834,581	108,452,497	28,431,928	2,862,192,669
Equity	4,183,416	(9,316,160)	18,670,613	3,528,876	52,573,508	21,802,989	99,428,629	190,871,871
Total Equity and liabilities	479,654,734	788,614,751	#####	88,743,321	316,408,089	130,255,486	127,860,557	3,053,064,540
Contingencies and Commitments	385,615,006	582,249,607	11,794,242	170,513	405,700,848	76,351,544	2,070,818	1,463,952,578

38. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its associates, employee benefit plans and its Directors and Key Management Personnel (including their associates).

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the period / year, other than those which have been disclosed elsewhere in these consolidated condensed interim financial statements, are as follows:

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
39. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,241,798	12,241,798
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	123,556,769	124,263,319
Eligible Additional Tier 1 (ADT 1) Capital	10,344,231	10,530,346
Total Eligible Tier 1 Capital	133,901,000	134,793,665
Eligible Tier 2 Capital	41,529,652	35,945,443
Total Eligible Capital (Tier 1 + Tier 2)	175,430,652	170,739,108
Risk Weighted Assets (RWAs):		
Credit Risk	722,896,302	729,515,624
Market Risk	79,093,827	67,581,408
Operational Risk	153,434,017	153,434,017
Total	955,424,146	950,531,049
Common Equity Tier 1 Capital Adequacy Ratio	12.93%	13.07%
Tier 1 Capital Adequacy Ratio	14.01%	14.18%
Total Capital Adequacy Ratio	18.36%	17.96%

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 March 31, 2020 stood at Rs.12,241.798 million (December 31, 2019: Rs.12,241.798 million) and is in compliance with SBP requirements. Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.00% plus Capital Conservation Buffer (CCB) of 2.50%. Furthermore, under the SBP's framework for Domestic Systematically Important Banks (D-SIBs) introduced vide BPRD Circular No. 04 of 2018 dated April 13, 2018, the Bank is also required to maintain a High Loss Absorbency Requirement of 1.00% (December 31, 2019: 1.50%) in the form of additional CET 1 capital on a standalone as well as consolidated basis with effect from March 2020 till the next announcement by the SBP.

In order to dampen the effects of COVID 19, SBP via BPRD Circular Letter No. 12 of 2020 has given 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 2.50% to 1.50%, 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 6.00% and 7.50%, respectively, as at March 31, 2020. The Bank is fully compliant with prescribed ratios as the Bank's CAR is 18.36% whereas the CET 1 and Tier 1 ratios stand at 12.93% and 14.01% respectively.

Under the current capital adequacy regulations, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach. Credit risk mitigants are also applied against the Bank's exposures based on eligible collateral under comprehensive approach.

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
Leverage Ratio (LR):		
Eligible Tier-1 Capital	133,901,000	134,793,665
Total Exposures	2,551,429,551	2,534,146,003
Leverage Ratio	5.25%	5.32%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	688,364,598	530,454,588
Total Net Cash Outflow	261,454,166	206,998,861
Liquidity Coverage Ratio	263.28%	256.26%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,359,982,412	1,598,050,689
Total Required Stable Funding	976,932,845	1,170,120,900
Net Stable Funding Ratio	139.21%	136.57%

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
40. ISLAMIC BANKING BUSINESS

The Bank operates 100 (December 31, 2019: 100) Islamic Banking branches and 162 (December 31, 2019: 162) Islamic Banking windows.

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

	(Un-audited) March 31, 2020	(Audited) December 31, 2019
Note	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	7,752,167	13,092,570
Balances with other banks	787,859	804,553
Due from financial institutions	40.1 17,900,245	10,796,576
Investments	40.2 41,528,532	46,726,238
Islamic financing and related assets	40.3 16,657,966	9,017,375
Fixed assets	1,014,153	1,038,809
Intangible assets	6,606	7,263
Due from Head Office	21,204,403	6,824,821
Other assets	610,544	435,116
Total Assets	107,462,475	88,743,321
LIABILITIES		
Bills payable	1,069,580	924,527
Due to financial institutions	1,293,019	1,299,975
Deposits and other accounts	40.4 98,425,621	81,432,150
Due to Head Office	-	-
Other liabilities	2,791,870	1,557,793
	<u>103,580,090</u>	<u>85,214,445</u>
NET ASSETS	<u>3,882,385</u>	<u>3,528,876</u>
REPRESENTED BY		
Islamic Banking Fund	2,181,000	2,181,000
Deficit on revaluation of assets	-	(59,860)
Accumulated profit	<u>1,701,385</u>	<u>1,407,736</u>
	<u>3,882,385</u>	<u>3,528,876</u>
CONTINGENCIES AND COMMITMENTS	40.5	

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

	----- (Un-audited) ----- January - March 2020	January - March 2019
	----- (Rupees in '000) -----	
Profit / return earned	40.6 2,242,726	1,552,345
Profit / return expensed	40.7 (1,401,515)	(1,004,234)
Net profit / return	841,211	548,111
Other income		
Fee and Commission Income	63,595	57,144
Foreign Exchange Income	674	229
Loss on securities - net	(4,477)	(4,888)
Other Income	4,186	3,930
Total other income	63,978	56,415
Total income	905,189	604,526
Operating expenses	423,827	385,888
Workers' Welfare Fund	-	-
	<u>423,827</u>	<u>385,888</u>
Profit before provisions	481,362	218,638
Reversal of provisions - net	30	683
Profit before taxation	481,392	219,321
Taxation	(187,743)	-
Profit after taxation	<u>293,649</u>	<u>219,321</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
40.1 Due from Financial Institutions

	March 31, 2020 (Un-Audited)			December 31, 2019 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	----- (Rupees in '000) -----					
Call money lending	11,424,963	-	11,424,963	-	-	-
Bai Muajjal Receivable from other Financial Institutions	6,475,282	-	6,475,282	10,796,576	-	10,796,576
	<u>17,900,245</u>	<u>-</u>	<u>17,900,245</u>	<u>10,796,576</u>	<u>-</u>	<u>10,796,576</u>

40.2 Investments by segments

	March 31, 2020 (Un-Audited)				December 31, 2019 (Audited)			
	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value
	----- (Rupees in '000) -----							
Federal Government Securities								
- Ijarah Sukuks	-	-	-	-	5,900,860	-	(59,860)	5,841,000
- Bai Muajjal with Govt. of Pakistan	27,220,901	-	-	27,220,901	26,443,679	-	-	26,443,679
	<u>27,220,901</u>	<u>-</u>	<u>-</u>	<u>27,220,901</u>	<u>32,344,539</u>	<u>-</u>	<u>(59,860)</u>	<u>32,284,679</u>
Non Government Debt Securities								
- Listed	450,000	-	-	450,000	450,000	-	-	450,000
- Unlisted	13,857,631	-	-	13,857,631	13,991,559	-	-	13,991,559
	<u>14,307,631</u>	<u>-</u>	<u>-</u>	<u>14,307,631</u>	<u>14,441,559</u>	<u>-</u>	<u>-</u>	<u>14,441,559</u>
Total Investments	<u>41,528,532</u>	<u>-</u>	<u>-</u>	<u>41,528,532</u>	<u>46,786,098</u>	<u>-</u>	<u>(59,860)</u>	<u>46,726,238</u>

(Un-audited) (Audited)
March 31, December
2020 31, 2019
----- (Rupees in '000) -----

40.2.1 Bai Muajjal with Government of Pakistan

Bai Muajjal Investment	33,031,000	33,031,000
Less: Deferred Income	(5,810,099)	(6,587,321)
Bai Muajjal Investment - net	<u>27,220,901</u>	<u>26,443,679</u>

40.3 Islamic financing and related assets

Ijarah	618,145	654,998
Murabaha	374,830	421,509
Musharaka	5,069,452	64,199
Diminishing Musharaka	7,022,855	5,554,909
Istisna	84,117	139,105
Islamic Export Refinance scheme - Musharakah	2,139,534	999,544
Islamic Export Refinance scheme - Murabaha	155,266	303,449
Advances against Islamic assets		
Advances against Ijara	59	18,939
Advances for Diminishing Musharaka	91,297	114,776
Advances for Murabaha	141,020	153,105
Advances for Murabaha - IERS	146,946	-
Advances for Istisna	227,077	416,601
Inventory related to Islamic financing		
Istisna	375,927	166,760
Profit and other receivables against financing	316,810	113,409
Gross Islamic financing and related assets	16,763,335	9,121,303
Less: Provision against Islamic financing		
- Specific	(86,125)	(85,346)
- General	(19,244)	(18,582)
	<u>(105,369)</u>	<u>(103,928)</u>
Islamic financing and related assets - net of provision	<u>16,657,966</u>	<u>9,017,375</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

40.4 Deposits and other accounts	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
Customers		
Current deposits	37,566,832	33,257,380
Savings deposits	14,623,105	13,018,167
Term deposits	3,563,038	8,414,762
	<u>55,752,975</u>	<u>54,690,309</u>
Financial Institutions		
Current deposits	764,807	2,488,822
Savings deposits	24,961,839	8,772,019
Term deposits	16,946,000	15,481,000
	<u>42,672,646</u>	<u>26,741,841</u>
	<u>98,425,621</u>	<u>81,432,150</u>
 40.5 Contingencies and commitments		
- Guarantees	59,267	10,602
- Commitments	98,563	198,308
	<u>157,830</u>	<u>208,910</u>
	----- (Un-audited) -----	
	January - March 2020	January - March 2019
40.6 Profit / Return earned on Financing, Investments and Placements	----- (Rupees in '000) -----	
Profit earned on:		
Financing	401,725	267,452
Investments	1,330,575	863,212
Placements	429,411	359,935
Rental Income from Ijarah	81,015	61,746
	<u>2,242,726</u>	<u>1,552,345</u>
40.7 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	1,366,789	976,567
Due to Financial Institutions	8,190	4,509
Others	26,536	23,158
	<u>1,401,515</u>	<u>1,004,234</u>
40.8 Islamic Banking Business Unappropriated Profit	(Un-audited) March 31, 2020	(Audited) December 31, 2019
	----- (Rupees in '000) -----	
Opening balance	1,407,736	483,189
Add: Islamic Banking profit for the period / year	481,392	1,551,564
Less: Taxation	(187,743)	(627,017)
Closing balance	<u>1,701,385</u>	<u>1,407,736</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.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**

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

General Pools:

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

IERS 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)

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.

Equity Pools:

All other assets including fixed assets, advance against financing, bai-salam financing and subsidized financing to Bank's employees are tagged to equity 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 year, the Bank has given General Hiba to the depositors in General and specific pool, keeping in view the prescribed guidelines of Pool Management provided by the SBP. However, Hiba are given at the sole discretion of the Bank without any contractual commitment with the depositors.

The Mudarib's share on Deposits for the period ended March 31, 2020 is Rs.562.53 million (34.76% of distributable profit of Mudarabah Pool). Of this, an amount of Rs.199.44 million (35.45% of Mudarib share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 12.49% per annum and the rate of profit paid on average deposits was 11.47% per annum.

The risk characteristic of pool

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.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020**
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.

The Bank managed following pools during the period.

March 31, 2020 (Un-audited)									
No of Pools	Nature of Pool	Profit rate and weightages announcement period	Average profit rate earned	Profit Sharing ratio	Mudarib fee / Musharkah share / Wakala Fee	Average profit rate / return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba	
			%	%	Rupees in '000	%	%	Rupees in '000	
ADMA Pools	3	Mudarbaha	Monthly	5.97%	50.00%	2,159	3.06%	2.61%	56
Special Pools	27	Mudarbaha	Monthly	12.49%	9.82%	63,807	11.47%	15.67%	10,000
IERS Pools	6	Musharkah	Monthly	4.94%	82.18%	37,077	2.00%	0.00%	-
General Pools	3	Mudarbaha	Monthly	11.81%	50.00%	459,490	8.34%	41.22%	189,387

March 31, 2019 (Un-audited)									
No of Pools	Nature of Pool	Profit rate and weightages announcement period	Average profit rate earned	Profit Sharing ratio	Mudarib fee / Musharkah share / Wakala Fee	Average profit rate / return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba	
			%	%	Rupees in '000	%	%	Rupees in '000	
ADMA Pools	3	Mudarbaha	Monthly	5.21%	50.00%	2,015	2.80%	7.50%	151
Special Pools	34	Mudarbaha	Monthly	10.45%	6.30%	42,288	9.96%	23.30%	9,854
IERS Pools	10	Musharkah	Monthly	4.00%	72.88%	13,055	2.00%	0.00%	-
General Pools	3	Mudarbaha	Monthly	9.99%	50.00%	271,769	6.53%	30.46%	82,777

(Un-audited) (Audited)
March December
31, 2020 31, 2019
-----Rupees in '000-----

40.10 Deployment of Mudaraba based deposits by class of business

Chemical and pharmaceuticals	2,431,179	881,578
Agri business	5,320,111	341,340
Textile	1,700,475	1,795,124
Financial	13,053,053	12,480,670
Food industries	489,236	508,003
Plastic	299,693	290,050
Individuals	1,493,434	1,460,332
Production and transmission of energy	15,194,284	15,341,872
Government of Pakistan securities	33,696,182	32,284,679
Others	3,302,325	2,065,022
	<u>76,979,972</u>	<u>67,448,670</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2020****41. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on April 22, 2020 has declared an interim cash dividend in respect of the quarter ended March 31, 2020 of Rs. 2.5 per share (March 31, 2019: Rs. 2.5 per share). The consolidated condensed interim financial statements for the quarter ended March 31, 2020 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

42. GENERAL**42.1 Comparatives**

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

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

43. DATE OF AUTHORIZATION

These consolidated condensed interim financial statements were authorised for issue on April 22, 2020 by the Board of Directors of the Bank.

Aameer Karachiwalla
Chief Financial Officer

Sima Kamil
President &
Chief Executive Officer

Amar Zafar Khan
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman