

COMMEMORATING 55 YEARS

# CONTINUOUSLY **EVOLVING**

Annual Report 2014





## **CHANGE** is the only constant

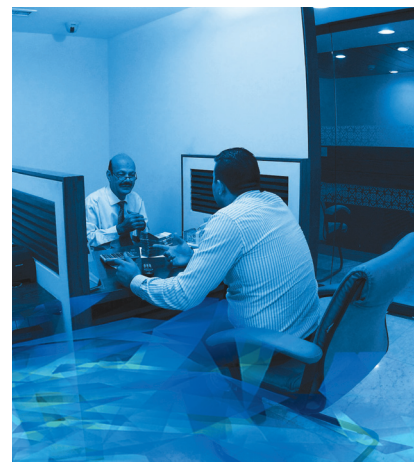
Continuously Evolving is a dictum that empowers our vision with a new spirit of progress and growth. It means identifying and embracing endless opportunities for ourselves, our partners and our stakeholders.

With our financial expertise and experience of 55 glorious years, today, we feel the time is just right for us to seek untapped markets and new grounds; pushing ourselves further to keep changing continuously.

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IT'S IN OUR  
NATURE TO  
**EVOLVE**  
**CONTINUOUSLY**

# VISION

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

# MISSION

- Set the highest industry standard for quality, across all areas of operation, on a sustained basis
- Optimize people, processes and technology to deliver the best possible financial solutions to our customers
- Become the most sought after investment, and
- Be recognized as the employer of choice

# VALUES

- Honesty and integrity
- Commitment and dedication
- Fairness and meritocracy
- Teamwork and collaborative spirit
- Humility and mutual respect
- Caring and socially responsible

# COMPANY INFORMATION

## Board of Directors

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

Mr. Zameer Mohammed Choudrey  
Non Executive Director

Mr. Haider Zameer Choudrey  
Non Executive Director

Mr. Rizwan Pervez  
Non Executive Director

Mr. Amin Uddin  
Independent Director

Mr. Arshad Ahmad Mir  
Independent Director

Mr. Zaheer Sajjad  
Independent Director

Mr. Khalid A. Sherwani  
Independent Director

Mr. Wajahat Husain  
President & CEO

## COMMITTEES OF THE BOARD

### Board Audit Committee

Mr. Arshad Ahmad Mir  
Chairman

Mr. Amin Uddin  
Member

Mr. Haider Zameer Choudrey  
Member

Mr. Aqeel Ahmed Nasir  
Secretary

### Board Human Resource & Compensation Committee

Mr. Zaheer Sajjad  
Chairman

Mr. Rizwan Pervez  
Member

Mr. Wajahat Husain  
Member

Syed Javed  
Secretary

## Board Risk & Compliance Committee

Mr. Zameer Mohammed Choudrey  
Chairman

Mr. Khalid A. Sherwani  
Member

Mr. Wajahat Husain  
Member

Mr. Zulfiqar Alavi  
Secretary

## Acting Chief Financial Officer

Mr. Aameer Karachiwalla

## Company Secretary & Chief Legal Counsel

Mr. Aqeel Ahmed Nasir

## Registered Office

13<sup>th</sup> Floor, UBL Building, Jinnah Avenue,  
Blue Area, Islamabad, Pakistan

## Head Office

State Life Building No. 1, I.I. Chundrigar Road,  
Karachi - 74000, Pakistan

## Share Registrar

M/s. THK Associates (Pvt.) Limited  
2<sup>nd</sup> Floor, State Life Building No. 3,  
Dr. Ziauddin Ahmed Road, Karachi, Pakistan  
UAN No. 021- 111-000-322

## Auditors

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

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

## Legal Advisors

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

## Contacts

UAN: 111-825-111  
Contact Centre: 111-825-888

Website: [www.ubldirect.com](http://www.ubldirect.com)  
Email: [company.secretary@ubl.com.pk](mailto:company.secretary@ubl.com.pk)





**CONTINUOUSLY**  
BUILDING ON IDEAS

# CHAIRMAN'S PROFILE

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

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

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

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

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

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

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

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

He is the Chairman of Bestway Foundation UK and Patron-in-Chief of Bestway Foundation Pakistan and a charter member of the Duke of Edinburgh Awards Scheme.

**Sir Mohammed Anwar Pervez,  
OBE HPk,  
Chairman UBL**



# BOARD OF DIRECTORS



**Zameer Mohammed Choudrey**  
Director

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

He is the Chief Executive of Bestway Group, which is the seventh largest family business in UK with an annual turnover of £2.55 billion. The Group is the 2<sup>nd</sup> largest wholesaler in the UK, the 3<sup>rd</sup> largest retail pharmacy in the UK, the largest cement producer in Pakistan and the 2<sup>nd</sup> largest private bank in Pakistan. The Group provides employment to over 33,600 globally.

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

He is a fellow of the Institute of Chartered Accounts of England & Wales and a member of the Institute of Directors. He is also the Deputy Chairman of the Pakistan Britain Trade and Investment Forum (PBTIF).

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

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



**Haider Zameer Choudrey**  
Director

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

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

Between October 2009 and October 2012 Mr. Haider undertook his accountancy training at KPMG UK LLP. At KPMG, he was an integral part of the Consumer Markets Audit, Corporate Tax & Corporate Finance Teams. He gained rich experience of audit, finance, advisory, business strategy and corporate taxation through his exposure to multinational clients in the FMCG, Financial Services & Telecommunication Sectors.

In November 2012, Mr. Haider joined the Bestway Group and is responsible for spearheading the Group's UK tax; international diversification and operational efficiency strategies.

In October 2014, Mr. Haider was an integral part of the team that worked on Bestway Group's £620 million acquisition of The Co-operative Pharmacy, UK's 3<sup>rd</sup> largest retail pharmacy.

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

Mr. Haider Zameer is a certified Director from the Pakistan Institute of Corporate Governance (PICG), as per requirement of listing regulations.



**Rizwan Pervez**  
**Director**

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

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

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

He joined Bestway as a Financial Accountant in 1995 and was elected to the Board of Directors in January 2000 as Group Business Development Director. He was responsible for developing the Group's fascia and delivered business. Mr. Rizwan was instrumental in creating the 'Best-One' symbol group and Bestway Direct; the Group's delivered wholesale operation. Best-One now boasts over 1,100 stores throughout the UK and Bestway Direct continues to exhibit double digit growth year on year.

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

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

Mr. Rizwan is a Trustee of the Bestway Foundation UK.

Mr. Rizwan is a certified Director from the Pakistan Institute of Corporate Governance (PICG), as per requirement of listing regulations.



**Zaheer Sajjad**  
**Director**

Mr. Zaheer Sajjad was elected as a Director of United Bank Limited in March 2014. Currently, he is also the Chairman of the Human Resources and Compensation Committee of the Board.

Mr. Zaheer Sajjad—after doing his Masters in Geology and Geophysics from the Punjab University, joined the Civil Service of Pakistan in November 1963. While in public service, he took up Development Studies at Bradford University UK and at Harvard University USA. Some of the key positions held by him in public service include: Chairman, State Cement Corporation, Chairman, National Fertilizer Corporation; Secretary, Ministry of Health, Secretary, Economic Affairs Division and Cabinet Secretary to the Government of Pakistan. He has also worked as an Executive Director of the Islamic Development Bank (Jeddah) and as a Director of the former Union Bank.

Mr. Zaheer Sajjad is a certified Director from the Pakistan Institute of Corporate Governance (PICG), as per requirement of listing regulations.

# BOARD OF DIRECTORS



**Amin Uddin**  
Director

Mr. Amin Uddin was appointed Member, Board of Directors of United Bank Limited with effect from March 5<sup>th</sup>, 2009. He is a member of the Board Audit Committee of UBL.

Mr. Amin studied at Government College, Lahore for his BA, Economics Degree and later completed an Executive MBA. He attended Banking Management Courses during 1986-87 at McGill University Montreal and other professional courses at INSEAD University in France and Nyenrode Business University in Holland.

He has over 40 years of banking experience in Pakistan, Lebanon, UAE, France, Togo, Ivory Coast, Nigeria and Canada. He worked for Ecobank Group, a leading Pan-African Banking Institution, as MD & CEO of Bank Subsidiaries in three countries (Togo, Ivory Coast and Nigeria) from 1991 to 2002. Prior to that, he worked for Bank of Credit and Commerce from 1977 to 1990. He began his career with Habib Bank Limited at Karachi, Pakistan.

He is a certified Director from the Pakistan Institute of Corporate Governance (PICG), as per requirement of listing regulations.



**Arshad Ahmad Mir**  
Director

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

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

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

He is also Chairman of the Board Audit Committee of the UBL.



**Khalid Ahmed Sherwani**  
**Director**

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

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

Mr. Khalid was appointed President/CEO of Allied Bank Limited, the 5<sup>th</sup> largest bank of Pakistan, in 2000 where he spearheaded the restructuring and recapitalization of the Bank and led its subsequent turnaround after takeover by the new sponsors. He retired from Allied Bank in 2007 but was reinducted by the sponsors as President/CEO in 2010 for a period of three years for a fast pace growth in business & profitability of the Bank and to further fine tune its systems & controls.

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

He is the Chairman, Board Special Committee and Member, Board Risk & Compliance Committee of the Bank and currently also serves on the Board of Directors of the Cancer Foundation.



**Wajahat Husain**  
**President & CEO**

Mr. Wajahat Husain, currently the President and CEO of UBL, has a banking career spanning three decades in Pakistan and abroad. His last assignment was as Senior Executive Vice President/Group Executive responsible for managing the Bank's International and Financial Institutions business. He is the Chairman of UBL (Switzerland) AG and UBL Bank (Tanzania) Limited. He is also a Director of United Bank UK and Karachi School of Business & Leadership. He is also representing UBL at the Pakistan Banks Association and Pakistan Business Council.

Under his stewardship, UBL expanded and restructured the business in the Middle East, established a footprint in China through its Beijing Representative office in 2007 and made its first foray into Africa with the commencement of business of its subsidiary in Tanzania in 2013.

An MBA from the Institute of Business Administration, University of Karachi, he has served in various institutions at senior management positions, including Union National Bank and Mashreq Bank in the UAE.

In addition to his professional engagements and commitments, Mr. Husain has been involved in sports. He has, for the last 27 years, been deeply involved in cricket in the UAE. He is the President of the Abu Dhabi Cricket Council and Director Abu Dhabi Cricket Club.

Mr. Husain has been appointed as the President & CEO of the Bank effective June 01, 2014.

He is a certified Director from Pakistan Institute of Corporate Governance, as per requirement of listing regulations.

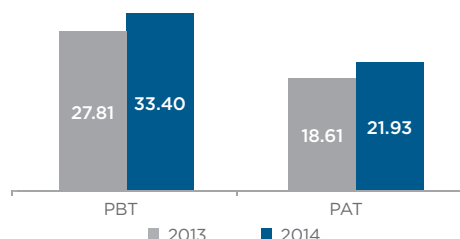
# DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the 56<sup>th</sup> Annual Report of United Bank Limited for the year ended December 31, 2014.

## Financial Highlights

UBL has achieved profit after tax of Rs. 21.93 billion which is 18% higher than last year and translates into earnings per share of Rs. 17.91 (2013: Rs. 15.21). On a consolidated basis, UBL posted a profit after tax of Rs. 24.02 billion, an increase of 22% over 2013.

Rs. in Billion

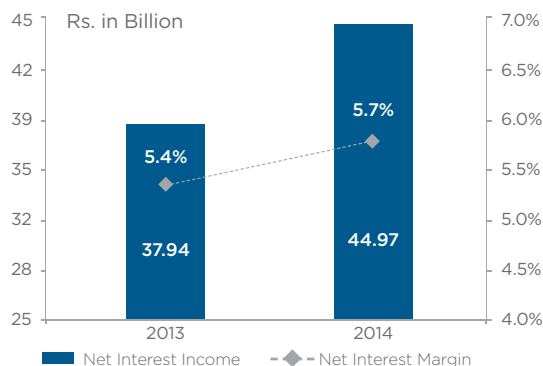


UBL has earned a pre-tax profit of Rs. 33.40 billion, a growth of 20% over 2013, despite a challenging year for the economy that still remains in transition towards an improving business environment. The growth has been achieved through balance sheet expansion with improved asset yields, despite margin compression. The international operations continue to provide the Bank with diversification benefits and growth within captive markets. Focus on non-funded income remains a key revenue driver along with marginal loan loss provisions, resulting in strong earnings in 2014.

The Board of Directors are pleased to recommend a final cash dividend of Rs. 4 per share i.e. 40% and a bonus share issue of nil for the year ended December 31, 2014, bringing the total cash dividend for the year 2014 to 115%.

## Net Interest Income

In 2014, margins have remained restricted due to the linking of the minimum rate on savings accounts to the repo rate since the last quarter of 2013. Despite the overall low interest rate environment keeping spreads tight, margins have expanded by 34 bps to 5.7% this year. Net interest income has grown by Rs. 7.03 billion to Rs. 44.97 billion driven by a 11% growth in average assets. Expansion within the corporate loan book at stable credit spreads, along with a buildup in the high yielding bond portfolio over the year has resulted in an improved earnings profile. Acquisition of core deposits has funded the larger balance sheet, mainly through growth in current accounts. Domestic cost of deposits was 4.41% (2013: 4.11%) with the increase restricted to 30 bps, despite the impact of a higher savings floor.



## Non-Interest Income

Non-interest income has grown by Rs. 1.18 billion to reach Rs. 19.30 billion, forming 30% of the Bank's revenues and maintaining its contribution through sustainable and growing avenues.

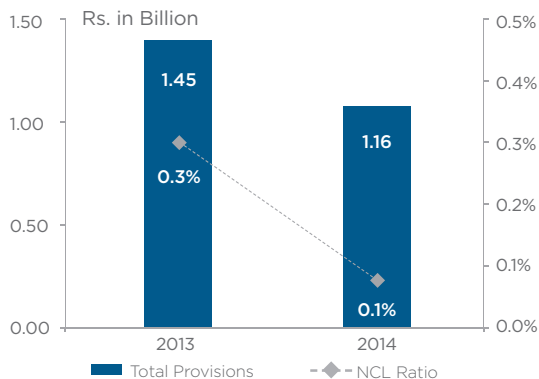
Fees and commissions have grown by 11% to reach Rs. 11.15 billion as value added services are contributing a larger component of revenues. UBL Omni's footprint, product offering and customer portfolio continues to evolve with 36% growth in revenues. The home remittance business has maintained its leadership channeling volumes ahead of the market with an increase in commission income of 22% this year. General banking fees remains a core component of the retail business segment and along with the growing cross-sell of Bancassurance is leveraging the large branch network.

The equity portfolio gradually acquired within an improving market since last year continues to yield stable dividend yields. Foreign exchange income has increased significantly by 40% to reach Rs. 3.02 billion through active trading during the year on larger flows amidst volatility in the exchange rate. Market opportunities were seized on a timely basis to generate sizeable capital gains of Rs. 1.85 billion arising from both the bond and equity portfolios.

## Provisions and Loan Losses

Provisions for the year were Rs. 1.16 billion having reduced by 20% as recovery and restructuring efforts continue, led by corporate and special asset management teams. New NPL formation remains restricted, as asset quality considerations direct credit expansion. The overall level of coverage remains strong at 81% with an improvement in the asset quality from 12.1% in Dec'13 to 11.2% in Dec'14. Overall NPLs have increased by 2% over the year due to the classification of a large customer against which currently no provision is required.





### Cost Management

Administrative expenses have increased by 11% in 2014 and reached Rs. 29.03 billion. The rise is a result of variable costs which move in line with related transaction revenues and due to higher business development expenditure this year. Staff costs remained well controlled with an 8% increase overall, mainly as a result of normal salary increases, with effective manpower planning controlling head-count levels. However utilities continue to impact the cost base mainly due to escalating power costs and higher alternate fuel consumption across the branch network. In 2014 the focus has been on managing the expense base across business and support functions in order to maintain service levels along with cost consciousness within the organization.

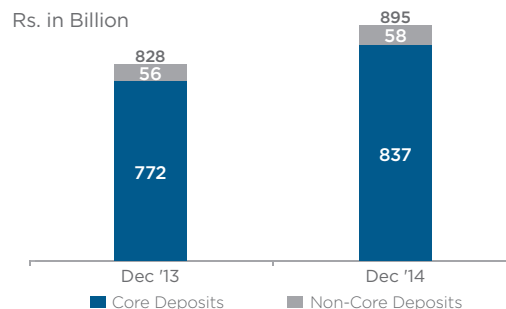
### Balance Sheet Management

Balance sheet expansion continues to drive core earnings as spreads remain under pressure. In 2014 the balance sheet has crossed Rs. 1.1 Trillion, a growth of 10%.

Retail Banking remains the cornerstone of business growth as the wide spread network across the country is leveraging its penetration across rural and urban geographies. The domestic deposit base has grown by 12.8% in 2014, ahead of market growth of 10.8%. Distribution continues to focus on

a steady increase in stable core deposits, targeting deeper access through liability sales teams and branch relationships. Average current deposits have increased by 19%, resulting in a strong CASA ratio of 85% (83% in 2013) improving the profitable portfolio mix further while funding asset growth.

Loan and advances increased by 11% to reach Rs. 434.3 billion as at December 2014 with fresh disbursements targeted at quality assets mainly within the corporate segment and higher commodity financing. The international loan portfolio has grown by 9% as we maintain our focus on trade related financing across the non-oil sectors within the GCC.



The investment portfolio has been steadily built-up during the year to reach Rs. 497.3 billion as at December 31, 2014. Liquidity was mainly deployed within Pakistan Investment Bonds providing strong yield enhancement to the earnings asset base along with stable and consistent margins. The balance sheet remains highly liquid and well positioned to capitalize on lending opportunities in the future.

### Strong Capital Ratios

UBL's capital ratios remained strong as the unconsolidated Tier-1 CAR was 10.0% with the overall capital adequacy at 13.9% as at Dec'14 compared to 10.0% and 13.3% in Dec'13, respectively. Risk weighted assets have grown by 11.8% over the year in line with credit expansion and



# DIRECTORS' REPORT TO THE MEMBERS

larger exposure towards long-term investments leading the enhancement in core earnings. The interim dividend payout during the year has been enhanced to Rs. 2.5 per share per quarter while maintaining optimal capital levels. Based on an assessment of future capital requirements in accordance with the applicable Basel III regulations the existing capital structure comfortably supports future growth.

## **Economy Review**

Most of the key macro indicators have started showing signs of improvement during 2014. The economic policies of the PML-N government remained directed towards rebuilding the climate for investment and growth. While this has renewed domestic and foreign investor confidence, it is imperative that key reforms are undertaken to sustain the recovery momentum.

Although resolution of the energy crisis has appeared to be a key priority for the government, continued leakages in the power system along with the Government's tight fiscal position has deterred them from any further cash injection to the sector. The overall outlook has improved during the latter part of the year amid significant fall in the international oil prices thereby slowing down the pace of the energy sector circular debt accumulation. Large Scale Manufacturing (LSM) has remained contained at 2.48% during the first 5M FY15 with some signs of improvement during the last couple of months.

The trade deficit during 1H FY15 has widened significantly by 34.0%, as exports have declined by 4.3% while imports increased by 11.7% on a year on year basis. As a result of the sizeable trade gap, the current account deficit for 1H FY15 has increased to US\$ 2.4 billion despite growth in home remittances of 15.2% during 1H FY15 as well as receipt of two tranches of the Coalition Support Fund (CSF) during the period. Despite a weaker current account performance, the financial account has largely supported the country's reserves position with a net inflow of US\$ 2.4 billion taking the balance of payments into a surplus of US\$ 485 million during 1H FY15. Despite the fact that another major capital market transaction on the government's privatization agenda being the divestment of its holding in OGDC did not go through amid the sharp slide in global oil prices, the successful offer of an International Sukuk raised around US\$ 1.0 billion in December 2014. Along with a balance of payment surplus position during 1H FY15, flow of funds also continued from the IMF with the release of the combined tranche worth US\$ 1.1 billion after the successful completion of the fourth and fifth review under the

Extended Fund Facility (EFF). The country's total FX reserves reached a level of US\$ 15.3 billion by end December 2014, a significant growth of 84% over the level of US\$ 8.3 billion a year ago. The exchange rate which was under pressure during 1Q 2014, recovered significantly later on amid strong external account performance and hence closed the year at PKR 100.5, with a 4.6% appreciation on a year on year basis.

The fiscal position remains concerning, as revenue generation remains challenging whilst expenditures continue to escalate. Although the country has been able to manage a fiscal deficit of around 2.3% of GDP during 1H FY15, it was mainly achieved through lower spending on its Public Sector Development Program (PSDP) and higher non-tax revenue collection, while FBR tax collection remained dismal. The country is unlikely to achieve the fiscal deficit target of 4.9% during FY15 as additional spending will be needed on the National Action Plan countering terrorism while tax revenues would be lower as a result of sharp decline in fuel prices.

For the third year in a row, the average CPI inflation remained in single digits at 7.2% during 2014 as a result of declining commodity prices and moderate aggregate demand. Although 1H 2014 CPI inflation remained at 8.4%, the sharp fall in oil prices has taken the 2H 2014 average down to 6.1%.

The stock market continued its uptrend during 2014 as well, with the KSE-100 index setting new records and appreciating by 27% during the year. As a result of a 4.6% currency appreciation for the year, the KSE-100 index offered a USD based return of 31%, making it the third best performing market after China and Venezuela. With a stable to declining interest rate environment, equity prices responded favorably to improving macro fundamentals. As a result, the average daily traded value also increased from US\$ 75 million in 2013 to US\$ 93 million in 2014. Foreign investors remained net buyers in the market with a net inflow of US\$ 386 million in FPI during 2014 (US\$ 697 million including the UBL secondary offering). More importantly, 2014 would be remembered in the capital market history of the country for the significant public offerings successfully led by GoP, which have raised over PKR 73 billion during the year.

With inflation stabilizing at around 8.1% during the first 9M 2014, the State Bank maintained a cautious stance and hence kept its policy discount rate unchanged. However, due to the improving balance of payments outlook and significant decline in CPI inflation during 4Q 2014 the SBP

lowered its policy discount rate by 50 bps to 9.5% in November 2014, followed by 100 bps in January 2015. It is envisaged that this will largely serve as an impetus to the much needed expansion in the private sector credit.

In addition to declining interest rates, the pegging of the floor rate on savings accounts to repo rates has restricted net margins within a corridor and maintained the pressure on the earnings profile in 2014, resulting in banking sector spreads falling to a decade low level this year. With these interest rate dynamics alongside limited credit demand in the market, banks participated heavily in the PIB auctions in 2014 to be able to lock in attractive yields thereby improving the overall profitability of the sector.

Deposits for the banking sector grew by 10.8% during the year. Despite the overall reduction in the discount rate, demand for private sector credit has remained largely subdued for most of the year, although it has picked up pace significantly during the last quarter of 2014. As a result, overall lending to the private sector posted a relatively stronger YoY growth of 8.3% during 2014. Non-performing loans for the industry remained relatively stable with the gross infection ratio at 13.0% as at Sep'14. However, the absolute NPL stock for the sector remains high at Rs. 608 billion.

### **International**

The International business remained a key contributor to the profitability of the overall franchise. The macroeconomic indicators of the GCC countries reflected stability, with growing business confidence particularly in UAE and Qatar, where non-oil sectors continued to record growth. In the backdrop of this overall positive environment and in line with the Bank's strategy, UBL international businesses continued to register growth across all major segments. Retaining its core focus on wholesale banking, the international loan book increased by 9% in 2014 with disbursements mainly to corporate

customers. The Financial Institutions Group continued to enhance business volumes by expanding its geographical outreach. Capitalizing on available opportunities, active trading by the money market desk generated sizeable gains on the fixed income investment portfolio. Liability management remained a key area of focus in order to provide stable liquidity to support the growing asset base of the geographies within the network. The Investment Banking segment remained active having successfully executed various mandates in the capacity of lead arranger, book runner and agent bank for international institutions.

In line with the Bank's commitment to continue investing and upgrading its systems, technology and processes, UBL UAE's core banking system was successfully upgraded to Symbols in 2014. The Bank also rolled out a modern and robust call centre solution for its international network and completed the ISO 9001 : 2008 Quality Management System certification in Bahrain and Qatar.

Increased cross-selling within the group and in particular with our subsidiaries remained a key area of focus during the year. UBL Bank Tanzania Limited which commenced commercial business in 2013 has completed its first full year of operations this year and has already established a growing customer base which bodes well for the future. Focused business development has revitalized our UK and Switzerland subsidiaries, enabling synergies within the Group.

### **KEY DEVELOPMENTS DURING 2014**

#### **Home Remittances**

UBL has been at the forefront in developing and growing Home Remittances as a core business of the Bank with a dominant market share of 24% in 2014. Our remittances volume has grown by 22.5% in 2014, well ahead of market growth of 16.6% as we leverage our strategic presence in international markets targeting a home service model. Our global coverage targets overseas



# DIRECTORS' REPORT TO THE MEMBERS

Pakistanis through the growing brand value of the unique 'Tezraftaar Pardes Card' which allows direct transfer to beneficiary accounts who can withdraw these at ATMs and POS terminals all across Pakistan.

Building on one of our leading fee generating business segments that targets product and service delivery across a diversified client base, various joint marketing campaigns were conducted this year in UAE, Saudi Arabia and Oman. We maintain strong relationships with all alliances within active markets as these remain imperative to maximize penetration of our value proposition for remitters. Technological advancement is the cornerstone of our strategy and is driving volumes with convenience through instant remittance facilities. System integration and channeling remittances via secured VPN connectivity; along with our online web portal provides access after business hours and during holidays. Internationally, the UBL Omni technology platform has been launched in the UK, enabling UBL UK to introduce merchant based remittance services to Pakistan. This service is the first of its kind being offered by a UK regulated bank and enables walk-in customers in the UK to transfer money instantaneously from an authorized retail agent to recipients in Pakistan.

## **Signature Priority Banking**

UBL Signature Priority Banking continued to establish its presence in the High Net Worth client segment. In order to expand the horizon of our priority banking services, a new lounge was opened at Shaheed-e-Millat Road, Karachi this year. Signature also introduced two new investment products, Al-Ameen Islamic Principal Participation Fund (AIPPF) III and IV. During the year, specific training programs were also implemented to further develop the Signature team. These programs encompassed important Wealth Management areas including advisory, investing and cross-selling. The overall client base of UBL Signature has increased by 12% as the network of 15 lounges across Pakistan continues to gain momentum.

## **Alternate Delivery Channels (ADC)**

Keeping in line with UBL's ADC market leadership strategy, the core objective in 2014 has been to build on our positioning in key service areas namely debit cards and prepaid cards and internet merchant acquiring. Closing the year with over 80 live internet merchant relationships, reputable organizations including PTCL, IBA, LUMS, Airblue, Zong, Edhi, SIUT, Shaukat Khanum Cancer Hospital, etc. are successfully onboard.

In 2014, UBL became the lead issuer of the

'Debit MasterCard' in Pakistan with a portfolio comprising of the Premium Debit and Signature Debit MasterCard and a spend ratio which places it amongst the major players in the market. Our ATM network is now 816 with over 40 off-site deployments at key high traffic and convenience based locations. A total of 113 new ATMs were deployed during the year.

## **Technology**

The focus towards enriching the technology platform across the operations of the Bank continues with existing and planned projects building infrastructure and delivery channels. In 2013 the Bank completed one of the largest core banking implementations in Pakistan with the deployment of SunGard's Ambit Core Banking System (CBS) within the domestic network. This was followed by the implementation of CBS across the Islamic Banking branches in the current year in order to provide our growing customer base with online access to a widespread network of 1,295 branches in Pakistan. Our global strategy is to upgrade the technology platform across all geographies; this was extended at an international level with the successful migration of the UAE branches to CBS in 2014. Going forward, in 2015 there are plans to convert the remaining international branches on to the new CBS with a vision to provide a state-of-the-art banking solution to all our customers. Within the domestic bank, in order to streamline the loan booking process, the existing Loan Origination System (LOS) has been upgraded to improve and simplify the user experience and has been launched countrywide for all consumer and corporate products.

## **Social Media**

As part of UBL's strategy to extend its digital footprint, the corporate website was redesigned in 2012 along with the deployment of our social media platforms in 2013. Ever since their inception our corporate site & social networks on Facebook & Twitter have helped establish and grow our presence on the digital front. The Bank has undertaken brand activation campaigns on social media and has launched fan-engagement campaigns to increase interaction on the digital platform. With over 60,000 Facebook fans, this platform is being effectively used to supplement various marketing campaigns and generate viable leads.

## **Credit Ratings**

The credit rating company JCR-VIS re-affirmed the Bank's long-term entity rating at AA+ and the ratings of its subordinated loan instrument at AA. The short term ratings remain at A-1+ which is the highest rating denoting the greatest certainty

of timely payments by a financial institution. All ratings for UBL have been assigned a Stable outlook.

Capital Intelligence (CI), an international credit rating agency, has re-affirmed UBL's long-term and short-term Foreign Currency ratings at B- and B respectively in line with CI's sovereign ratings. In addition, the Bank's Financial Strength rating has been reaffirmed at BB+, with the Outlook reaffirmed at Stable based on the Bank's strong performance.

### Future Outlook

While there was appreciable improvement in most of the key macro indicators, the overall framework remains fragile and it is now dependent on the economic managers to make optimal use of the available platform. The government needs to have a strong focus on improving the law and order situation alongside bringing real economic reforms and resolving inherent fiscal imbalances. The single most important factor that builds on a more positive outlook on Pakistan is the more than 50% decline in global oil prices. With around US\$ 15 billion oil imports annually, Pakistan is looking for a massive improvement on the trade balance despite expecting higher volumetric growth. This does not only bode well for the country's balance of payment outlook, it has a positive bearing on CPI inflation as well and is expected to keep it at significantly lower levels during 2015. Better prospects on the trade balance would also be supported by continued flows from the IMF and other donor agencies while the government is clearly focused on progress in its privatization agenda. Therefore, FX reserves are expected to be strengthened further during 2015 with potential appreciation in the exchange rate as well.

In view of the improved balance of payments position along with significantly lower inflation levels, the State Bank has already reduced its policy discount rate by 100 bps in its January 2015 monetary policy statement.

With significant support in the form of lower oil prices, the government is in an extremely strong position to undertake structural reforms and do away with heavy subsidies in different segments. By relying more on furnace oil for electricity generation, gas could be effectively allocated to industrial units, which could provide the impetus to both large scale manufacturing as well as exports. Potential improvement in law and order after the massive counter-terrorism operation as well as better and cheaper energy supplies would largely improve investor confidence and build a more long-term view on Pakistan. These positive developments along with a declining interest rate environment also bodes well for private credit demand going forward. Headline spreads for the banking sector though remain at a decade low, a larger contribution from the PIB portfolio has offset margin compression to a large extent. Given the expectations of higher foreign inflows for budgetary support going forward, the Government's reliance could potentially be lower from the banking system and hence redirecting the focus towards private sector credit.

UBL's strategy focuses on innovation, leadership and technology driven product development within core businesses to retain our position as one of the largest and most profitable banks in Pakistan. We serve the mass market with an agenda to transform and maximise the immense potential of banking services within an under-banked growing economy. We aim to build on our competitive advantage as Pakistan's leading bank within the Middle East with a well-structured home service model. We shall maintain the organic growth momentum within our operations through investment in infrastructure across the network, technology and developing our human resource capability across business and support functions. Within Retail Banking we shall continue to build on our profitable deposit mix targeting opportunities from existing and new relationships, focusing on service quality and business development through the more efficient and growing alternate



# DIRECTORS' REPORT TO THE MEMBERS

distribution channels. The Corporate Bank will strive to maintain the asset quality of the portfolio with new lending channeled towards sectors and clients that are well positioned to benefit from improving macros. Active recovery efforts are a core component of our strategy as the emphasis on realizing the upside on provision reversals in the future remains a huge opportunity that would contribute to the bottom line.

## Statement under Clause XVI of the Code of Corporate Governance

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

- The financial statements present fairly the state of affairs of the Bank, the results of its operations, cash flows and changes in equity.
- Proper books of account of the Bank have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to banks in Pakistan, have been followed in the preparation of the financial statements without any departure therefrom.
- The system of internal control in the Bank is sound in design, and is effectively implemented and monitored.
- There are no significant doubts regarding the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Performance highlights for the last six years are attached to these unconsolidated financial statements.
- Details of directors' training programs are given in the statement of compliance with the code of corporate governance.
- The Board has constituted the following four Committees with defined terms of reference

- Board Audit Committee (BAC)
- Board Risk & Compliance Committee (BRCC) formerly Board Risk Management Committee (BRMC)
- Board Human Resources & Compensation Committee (HRCC)
- Special Committee of the Board (SCB)

The number of Board Committee meetings held during the year and the number of meetings attended by the directors is shown below:

	BAC	BRMC/ BRCC	HRCC	SCB
<b>Number of meetings held</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>3</b>
<b>Number of meetings attended:</b>				
Mr. Zameer Mohammed Choudrey	4	-	-	-
Mr. Amin Uddin	4	-	-	2
Mr. Arshad Ahmad Mir	-	4	-	3
Mr. Seerat Asghar *	-	-	3	-
Dr. Shujat Ali *	1	-	-	-
Mr. Haider Zameer Choudrey **	-	3	-	-
Mr. Rizwan Pervez **	-	-	-	-
Mr. Zaheer Sajjad **	-	-	3	2
Mr. Khalid A. Sherwani **	-	-	-	2
Mr. Atif R. Bokhari *	-	2	1	-
Mr. Wajahat Husain **	-	2	2	2

\* Directors who resigned / withdrawn from their positions during 2014.

\*\* Directors who were elected / appointed during 2014.

On 28<sup>th</sup> October 2014, the Board of Directors reconstituted the Committees as under:

### Board Audit Committee:

1. Mr. Arshad Ahmad Mir Chairman
2. Mr. Amin Uddin Member
3. Mr. Haider Zameer Choudrey Member

### Board Risk & Compliance Committee:

1. Mr. Zameer Mohammed Choudrey Chairman
2. Mr. Khalid A. Sherwani Member
3. Mr. Wajahat Husain Member

### Human Resource & Compensation Committee:

1. Mr. Zaheer Sajjad Chairman
2. Mr. Rizwan Pervez Member
3. Mr. Wajahat Husain Member

### Special Committee of the Board:

1. Mr. Khalid A. Sherwani Chairman

2. Mr. Arshad Ahmad Mir	Member
3. Mr. Amin Uddin	Member
4. Mr. Zaheer Sajjad	Member
5. Mr. Wajahat Husain	Member

The Bank operates five funded retirement Schemes which are the Provident Fund, Gratuity Fund, Pension Fund, Benevolent Fund, and General Provident Fund. The values of the investments of these funds based on their latest audited financial statements as at December 31, 2013 are as follows:

	Amounts in '000
Employees' Provident Fund	3,250,788
Employees' Gratuity Fund	446,775
Staff Pension Fund	3,271,828
Staff General Provident Fund	1,274,569
Officers / Non-Officers' Benevolent Fund	855,050

The Bank also operates two unfunded benefit schemes for Post-Retirement Medical Benefits and Compensated Absences.

### Meetings of the Board

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

Name of the Director	Designation	Meetings Attended
Sir Mohammed Anwar Pervez, OBE, HPk	Chairman	06
Mr. Zameer Mohammed Choudrey	Director	06
Mr. Haider Zameer Choudrey **	Director	05
Mr. Rizwan Pervez **	Director	04
Mr. Amin Uddin	Director	06
Mr. Arshad Ahmad Mir	Director	06
Mr. Zaheer Sajjad **	Director	05
Mr. Khalid A. Sherwani **	Director	02
Mr. Seerat Asghar *	Director	04
Dr. Shujat Ali *	Director	02
Mr. Atif R. Bokhari *	President & CEO	03
Mr. Wajahat Husain **	President & CEO	03

\* Directors who resigned / withdrawn from their positions during 2014.

\*\* Directors who were elected / appointed during 2014.

### Change in Directors

During year 2014 the GoP withdrew its nominee directors Mr. Seerat Asghar and Dr. Shujat Ali in view of the divestment of its shareholding in UBL. The Board wishes to place on record the sincere appreciation for the valuable contribution of the outgoing directors.

During year 2014 Mr. Haider Zameer Choudrey,

Mr. Rizwan Pervez, Mr. Zaheer Sajjad, and Mr. Khalid A. Sherwani have been appointed as members of the Board of Directors.

### Change in CEO

On 18 April 2014, Mr. Atif R. Bokhari resigned from the position of President & CEO and continued as CEO until 31 May 2014. Mr. Wajahat Husain has been appointed as the new President & CEO effective 01 June, 2014. His last assignment was as Senior Executive Vice President, Group Executive, Head of International.

### Pattern of Shareholding

The pattern of shareholding as required u/s 236 of the Companies Ordinance, 1984 and Clause (XVI) of the Code of Corporate Governance is given below:

Shareholders	No. of Shares	% of Ordinary Shares
Bestway Group (BG)	752,083,207	61.44
Privatization Commission of Pakistan	1,714	0.00
General Public & Others	410,483,489	33.53
NIT	449,199	0.04
Banks, DFIs & NBFIs	29,071,580	2.37
Insurance Companies	12,293,953	1.00
Modarabas & Mutual Funds	17,855,595	1.46
International GDRs (non-voting shares)	1,940,950	0.16
<b>TOTAL OUTSTANDING SHARES</b>	<b>1,224,179,687</b>	<b>100.00</b>

The aggregate shares held by the following are:

	No. of Shares
<b>a) Associated companies, undertakings &amp; related parties</b>	
- Bestway (Holdings) Limited	631,728,895
- Bestway Cement Limited	93,649,744
<b>b) NIT</b>	
- National Bank of Pakistan - Trustee Department NI(UT) Fund	449,199
<b>c) Modarabas &amp; Mutual Funds *</b>	17,855,595
<b>d) Public sector companies and corporations</b>	94,058,437
<b>e) Banks, DFIs, NBFIs, Insurance Companies</b>	41,365,533
<b>f) Directors &amp; CEO **</b>	
- Sir Mohammed Anwar Pervez, OBE, HPk	12,442,568
- Zameer Mohammed Choudrey	2,348,870
- Amin Uddin	2,750
- Arshad Ahmad Mir	2,500
- Haider Zameer Choudrey	2,000,000
- Rizwan Pervez	44,500
- Zaheer Sajjad	2,537
- Khalid A. Sherwani ***	-
- Wajahat Husain, President & CEO	354,203
<b>g) Executives</b>	2,907,766

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

# DIRECTORS' REPORT TO THE MEMBERS

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

\*\*\* Khalid A. Sherwani acquired 2,500 shares as qualification shares on January 22<sup>nd</sup>, 2015.

Shareholders Holding 5% or More Voting Rights	No. of Shares	%
Bestway (Holdings) Limited	631,728,895	51.60
Bestway Cement Limited	93,649,744	7.65

Trades in the shares of UBL carried out by Executives as defined in Clause xvi (l) of the Code of Corporate Governance are annexed along with the Pattern of Shareholding.

## Risk Management Framework

Risk & Credit Policy Group has the following divisions, headed by senior executives, reporting to the Group Head – Risk and Credit Policy:

- Credit Policy & Research
- Credit Risk Management
- Market, Treasury and FI Risk Management
- Operational Risk & Basel II
- International Risk
- Consumer Credit Policy & Analytics

Despite political uncertainty and a concerning law & order situation, the economic environment has started showing improvements on several fronts including the external account and contained inflationary pressures. Private credit growth however has remained below average while stable to declining interest rates have kept the pressure on industry margins. The revised Prudential Regulations for Corporate and Commercial were issued in 2014 for banks which among other regulations place additional limits on large exposures and related party exposures in order to reduce risk concentrations to single obligor or related obligors.

The Bank has maintained its focus on containment of risk in its asset portfolio, with continued

emphasis on proactive remedial management. Continuous effort for the update of our "Risk Acceptance Criteria" has served as a key support tool in the credit disbursement process. In order to keep key business groups aware of market and industry developments, the Credit Policy & Research Division has provided regular updates on major macroeconomic issues and specific industry developments in a timely manner.

In line with SBP guidelines and market requirements, the Bank has developed a separate Credit Policy for SME lending. Furthermore, International Credit Policy was also reviewed during the year and amended where necessary to ensure risks remain well managed within the international division. On the consumer finance portfolio, policies are reviewed in view of changing market dynamics and portfolio behavior to maintain asset quality.

The Bank has maintained its CAR well above prescribed regulatory thresholds throughout the year based on applicable requirements. The Bank continued its efforts to enhance the scope of its Operational Risk Management Framework in order to better understand and improve the operational risk profile and overall control environment. During the year the Bank continued to test the impact of stringent and varied stress scenarios on its earnings, liquidity and capital adequacy. The results of the stress testing were also presented to senior management. Improving the monitoring mechanisms remained a key focus of The Market & Treasury Risk function during 2014. Systems and processes were upgraded to monitor treasury limits on real time/overnight basis, with greater reliance on quantitative methods, sensitivity and scenario analyses. Adequate mechanisms are in place for liquidity risk monitoring in line with Basel III and guidelines provided by SBP, with regular reporting of liquidity ratios and analysis to the Asset and Liability Committee.





### **Statement of Internal Controls**

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

### **Auditors**

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

### **Conclusion**

In conclusion, I extend my thanks and appreciation to UBL shareholders and customers as well as to my fellow members of the Board of Directors for their trust and support. We would specifically like to acknowledge and appreciate the services of Mr. Atif R. Bokhari, the outgoing President of UBL. We value the relentless efforts and dedication demonstrated by our staff and would also like to express our earnest appreciation to the Government, the State Bank of Pakistan, the Securities & Exchange Commission and other regulatory bodies for their guidance and continued support.

For and on behalf of the Board,



**Sir Mohammed Anwar Pervez, OBE, HPK**

Chairman

Dubai

February 25<sup>th</sup>, 2015

# CORPORATE SOCIAL RESPONSIBILITY

2014 has been a defining year for UBL in relation to its Corporate Social Responsibility (CSR) activities. The bank had allocated a considerable budget to CSR for projects that would deliver maximum benefits to the society, especially in the areas of education, health and community development. At the end of the year, the bank's donations exceeded PKR 111 million, a previously unattained amount, as hitherto uncharted areas were branched out into in order to reach out to more deserving recipients across Pakistan. The bank ensured that, as time progresses, its activities toward social responsibility become more comprehensive and all-inclusive.

In 2014, as in previous years, the bank's highest CSR contributions were in the area of education with over PKR 70 million (63% of total donations in 2014) donated to various educational institutes and organizations. Leading partners in the bank's CSR initiatives in education included the Forman Christian College (FCC) to which UBL donated PKR 35 million in 2014. This included funds for scholarships to deserving students and donation towards FCC's new Business & Social Sciences School wing's construction. The four-year commitment of PKR 70 million for the Institute of Business Administration (IBA) continued with the third tranche of PKR 20 million disbursed. The Karachi School of Business & Leadership (KSBL) was also contributed to in 2014. KSBL holds a special relationship with UBL as the bank helped as one of the leading contributors to the establishment of the school under the Karachi Education Initiative.

The government of the Khyber Pakhtunkhwa (KPK) province established the Elementary Education Foundation (EEF) with the objective to reconstruct and refurbish 28,000 schools under the 'Tameer-e-School Project'. In 2014, EEF signed on UBL as its internet merchant for releasing electronic payments for the project. Under this scheme UBL donated generously towards the reconstruction of the first school under this project.

In addition to the above, charitable contributions in education included UBL's continued support of the secondary school built in Ghara, Sindh with the assistance of The Citizen's Foundation (TCF). Along with providing free of cost education to underprivileged children in the town, the school also provides training to teachers in order for them to extend and progress in their careers. The bank also contributed to the Aga Khan University's (AKU) Student Financial Assistance Program as well as other educational causes in 2014.

In the health segment, the bank disbursed over PKR 18 million in contributions to various deserving hospitals, hospices and NGOs. UBL donates regularly to the Gulab Devi Chest Hospital in Lahore so that the management of the hospital can incur various operational and other expenses in order for it to operate seamlessly and continue providing selfless service to the impoverished patients who would otherwise be unable to meet their much needed medical expenses. Other healthcare facilities that UBL donated to in 2014 included Shalamar Hospital, Al Mehrab Tibbi Imdad, Marie Adelaide Leprosy Centre, The Kidney Centre, The Family Welfare Cooperative Society and The Patients' Aid Foundation.

Community Welfare was another important avenue of CSR activities as the bank contributed almost PKR 23 million in this area. Various causes which offered maximum benefits to deserving people under community welfare and development were donated to. The bank donated generously to various resettlement efforts for the internally displaced persons affected by Operation Zarb-e-Azb as well as the Awaran earthquake. Furthermore, activities undertaken to provide relief to the people affected by the Thar Famine were also contributed to. Many other similar causes were also included in UBL's 2014 CSR agenda.

2014 was a year where UBL reaffirmed its position as a strong and compassionate Corporate Citizen which takes its philanthropic efforts in a committed manner. At UBL we believe in a developed Pakistan, where all segments of society have equal opportunities to be given the best in education, health services and communal well being. This is an end that we will continue to work towards in 2015 and beyond.

# PRESIDENT & CEO REVIEW 2014

## Introduction

UBL has posted a consolidated profit after tax of Rs. 24.02 billion in 2014, with a 24% Return on Equity a growth of 22% in profit after tax as compared to 2013.

The business environment is rebuilding as the implementation of economic reforms is under way. The current low interest rate regime has clearly impacted banking sector spreads. The challenge around margins has been overcome by the Bank through alternate revenue streams such as fee based income, trading gains and dividends on our diversified investment portfolios. Repositioning within changing dynamics remains imperative while leveraging the network of the Bank.

UBL has achieved a revenue growth of 15% with improvement in interest earnings and expanding the scale of our fee based revenues. We have successfully maintained our deposit growth momentum, reduced loan loss provisions and improved performance within our international operations. While expanding our core businesses, maintaining a focus on our service quality levels has been a key priority. The expansion in both the footprint of conventional and Islamic branches over the past few years has been part of a strategy to build on our distribution channels. The Bank operates through one of the largest branch networks in Pakistan with 1,295 branches, and 18 branches in the Middle East and US. This is besides the subsidiaries in UK, Switzerland and Tanzania.

UBL's International business remains a critical contributor to the overall bottom line and a major competitive advantage. The renewed focus on leveraging UBL's international network has synergized business with the subsidiaries in Switzerland and the United Kingdom. In 2014 we have further enhanced the capital base of our subsidiary United National Bank Limited (UBL UK) in order to support future growth prospects. Expanding our global presence, a fully owned banking subsidiary in Tanzania that commenced

commercial operations in 2013 is now well established and poised to realize the potential opportunities of emerging markets in Africa.

UBL Omni continues to dominate branchless banking in Pakistan with enhanced geographical coverage and a business model now also serving corporate clients. Our customer base continues to grow and is currently being serviced through over 20,000 agents in more than 800 cities.

## Key Financials

UBL has achieved an unconsolidated profit before tax of Rs. 33.40 billion, which is 20% higher than Rs. 27.81 billion posted in 2013.

The Balance Sheet size has grown by 10% to cross Rs. 1.1 Trillion mainly funded by an 8% growth in deposits which stood at Rs. 895.1 billion as at December 31, 2014. This year the focus remained on maintaining quality assets with stable yields and improving spreads. Margins however have been restricted by the introduction of a minimum floor rate on savings deposits. Deposit mobilization across the domestic branch network targeted deepening within our core deposit accounts that are stable and long term. The domestic deposit base grew by 13% to reach Rs. 697.4 billion, while average current deposits were up by 19%.

Gross advances increased from Rs. 436.7 billion in December 2013 to reach Rs. 480.0 billion depicting a stable growth of 10% this year. Our lending remains directed to large corporates, active participation within seasonal commodity financing and a growing loan book within International. The investment portfolio has grown from Rs. 423.8 billion in Dec'13 to Rs. 497.3 billion as at Dec'14. The holdings have been structured since the last quarter of 2013 towards building a high yielding bond portfolio. In the current year we have further enhanced our equity holdings in an improving stock market. The surplus on revaluation on investments has increased significantly from Rs. 3.3 billion as at Dec'13 to Rs. 17.3 billion as at Dec'14



# PRESIDENT & CEO REVIEW 2014

with appreciation in domestic and foreign bonds as well as our equity holdings. The overall balance sheet remains highly liquid with an Advances to Deposits ratio of 51%. The Bank would be utilizing its available liquidity by lending to targeted segments given the appropriate risk profile.

Net Interest income has increased by 19% to reach Rs. 44.97 billion in 2014. The average deposit base of the Bank has grown by 14% well supported by a varied and diversified mix, resulting in the overall cost of deposits remaining flat at 3.9% this year in comparison to 2013. The expansion in the corporate loan book has maintained its revenue contribution along with building non-funded income streams despite increased competition.

Non funded income stood at Rs. 19.30 billion with a 30% contribution to the overall revenue base. Fees and commissions increased by 11% to reach Rs. 11.15 billion. UBL Omni with an increasing footprint has enabled UBL to maintain its distinct position in the branchless banking space in Pakistan. Our product menu continues to expand as we penetrate into the growing unbanked segment and maintain our strength in G2P disbursements. Overall revenues for Omni increased by 36% in 2014.

Most of the footprint of UBL international is present in countries with a significant Pakistani diaspora creating a captive channel for home remittances. Since the last few years UBL has maintained its leadership in the domestic home remittances business with a market share of 24% in 2014, commission income this year is up by 22%.

The equity portfolio which has steadily been acquired since 2013 is yielding stable dividends each year. The Bank also participates actively in the FX market with business volumes generated across its coverage of large corporates and a wide branch network. The overall foreign exchange income is up by 40% to reach Rs. 3.02 billion as a result of an active swap strategy and interbank participation. Capital gains for the year stood at Rs. 1.85 billion with contribution from both the bond and equity trading desks.

Administrative expenses in 2014 stood at Rs. 29.03 billion, with expense growth of 11% over 2013. The overall cost to income ratio of the Bank has improved from 46.5% in 2013 to 45.2% this year which is a result of a consistent build up in revenues and a well-managed cost base. The increase in expenses is mainly on account of business development expenditure and variable costs that move in line with related transaction revenues.

The loan loss charge has reduced for a fifth consecutive year as a result of diligent portfolio management across corporate and consumer. There is a focused effort to limit new NPL formation to marginal levels and maintain the aggressive drive to recover and restructure non-performing loans across both domestic and international. There were aggregate recoveries of Rs. 5.2 billion in 2014. Provisions expense is down by 20%, with strong coverage of 81% in Dec'14 (Dec'13: 84%) and asset quality improving from 12.1% in Dec'13 to 11.2% in Dec'14.

The Return on Equity has increased from 22% in 2013 to 24% this year as UBL's diversified business model continues to deliver despite market challenges. The capital position remains comfortable with an overall CAR of 13.9% as at Dec'14 up from 13.3% in Dec'13. Return on assets has increased from 2.0% in 2013 to 2.1% in 2014 as a result of growth in interest based and non-funded income. The capital and liquidity position of the Bank has resulted in a re-affirmation of our strong credit ratings.

## **Retail Bank**

UBL retail banking serves a target market that is highly diversified based on market penetration across various segments in Pakistan. Our domestic deposits market share stands at 8.4% as at Dec' 14 with a systemic importance of our position across the banking sector. Our strategic focus has always been on a core deposit base rather than price sensitive customers. Average core deposits have grown by 16% over 2013 as the deposit acquisition drive led by our branch banking channel has maintained its momentum. Branches set up as part of the expansions in 2011 and 2012 are now generating stable customer flows. Improving our service quality level remains a priority with a dedicated team managing program based initiatives across the network.

UBL offers a wide range of channels to address the needs of a diverse customer base. The channel strategy evolves to remain relevant to ever changing customer needs, in line with the Bank's "innovation" agenda. Apart from the branch network, alternate touch points available to customers include 816 ATMs, Debit and Credit Cards, IVR banking, a 24/7 Call Centre, Agent banking through 20,000+ retail outlets, Mobile Banking, Internet Banking and Social Media. UBL's Internet and Mobile banking channels provide a host of services with convenience and transaction security.

UBL's Signature, our priority banking initiative is designed to meet the requirements of high net worth individuals. We currently offer personalized wealth management services along with exclusive benefits and a range of value added facilities. Our Signature 'lounges' are designed to provide the highest level of service with dedicated relationship managers. The priority banking network currently extends to 15 lounges in 10 cities.

In 2014, the UBL Contact Centre achieved its service KPIs and also built revenue streams by selling core products and value added services. Khushhali Bank Limited, the largest microfinance bank in Pakistan outsourced its contact centre operations to UBL. Furthermore, UBL is the first Bank in Pakistan to introduce a web-chat facility for its customers allowing anyone having internet access to directly connect to UBL's customer service representatives.

For Network Planning & Management, 2014 was a year for further standardization of service levels across the board and also to grow the branch footprint. UBL opened 14 conventional Branches, 6 conventional sub-branches, 2 Ameen Islamic branches and 1 commercial centre in 2014. In order to improve the ambience of our banking environment, 135 branches were renovated to UBL standards to provide a consistent "look and feel" in branches across Pakistan.

With strong growth in our Bancassurance business in 2014 UBL continued to provide quality insurance solutions to its retail customers. During the year, in addition to the Unit-Linked offerings in Life Insurance products, UBL also introduced a Term Life product via phone-banking, providing clients the ease to be insured over a phone call with a low-cost yet high-value life insurance offering.

### Islamic Banking

UBL Ameen in 2014 has expanded its network to 24 branches and 81 Islamic Banking Windows. As part of the enhancement in the technology

platform for the business, the asset portfolio has been migrated from iMal to Symbols this year building on operational synergies within the Bank. The business strategy aims at creating further brand awareness for the UBL Ameen brand in order to position ourselves better within the growing Islamic Banking industry.

### Corporate Banking

The Corporate Banking Group (CBG) specializes in providing banking solutions for large top tier customers. CBG offers multi-dimensional solutions to clients for their working capital, trade and long term financing needs. Synergizing with other business segments it aims at capitalizing available cross sell opportunities.

Despite challenges within the market space CBG managed to grow its book by 15%, undertake structured trade finance transactions and enhance its yield through non-fund income streams. Close monitoring and managing stressed assets to maintain the recovery drive on our remedial portfolio remained a primary objective. The mid-tier customer segment which is serviced through commercial centres is now targeting a wider outreach. The objective is to provide clients with easy access through a team of fully dedicated relationship managers localized to adapt to the needs of smaller businesses.

Our Transaction Banking business enhanced client coverage this year through synergies with other major business groups. Structured trade and invoice discounting transactions were also solicited during the year creating fee and float revenue for the bank. Working capital solutions supported growth in our collections and payments along with retaining related deposits. Service delivery remained in focus as our sales teams made visits to various parts of the country to gain a detailed understanding of evolving customer needs, while building awareness for our products and services. We believe that using alternate distribution channels (phone banking, net banking,



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mobile banking, Wiz Cards and ATMs) can be effective in providing low cost solutions for our clients. 'Global Net Banking' a specific solution has recently been developed for corporates which will improve delivery along with growing throughout and profitability.

## **Investment Banking**

2014 was a successful year for the Investment Banking Group (IBG) as it maintained its prominence in the domestic investment banking space and continued to build its Middle East business. Debt Capital Markets & Syndications closed various transactions in the domestic market. The most notable of which was a PKR 24.2 billion syndication with UBL as Agent Bank. The Project & Structured Finance business successfully concluded advisory and arrangement for two 50 MW wind IPPs and a 120 MW bagasse and coal-based power project. The Equity & Advisory (E&A) segment reinforced its position by securing three privatization advisory mandates during the year. In addition to that E&A also managed to bring foreign interest to the insurance sector.

## **International**

The International group completed another strong year in the backdrop of stable economic fundamentals in 2014. UAE continued to demonstrate robust growth in the non-oil sectors, where infrastructure development, hospitality, trade and real estate sectors played a vital role. Qatar's economy continued its impressive growth driven by government led infrastructure and development projects while Bahrain gained momentum over the year.

Corporate banking delivered strong performance by significantly enhancing the asset base and capitalizing on the opportunities available in a competitive environment. On the liability side UBL International continued its strategy of building a sustainable core deposit base to fund the asset build up, while maintaining strong liquidity across all territories. The International Investment Banking team also concluded several transactions. This included arranging \$200m for the Government of Pakistan in a syndicated financing facility as Agent Bank. Acting as Joint Mandated Lead arranger and Book runner for \$150m syndicated facility for an international airline other than successfully participating in syndicate transactions for various international banks.

The core banking system in UAE was successfully upgraded to SunGard's Ambit (CBS) in 2014. This milestone achievement has provided the UAE branches with an efficient, secure and advanced technology platform. Going forward the bank plans

to convert the remaining international branches to CBS with the objective of providing a state-of-the-art banking solution to all its customers. Additionally, the call centre infrastructure for the International network was also upgraded to a robust and technologically advanced platform.

Improving service quality in order to deliver seamless solutions that are directed at enhanced customer satisfaction remains a key value across all our geographies. Following UAE, Qatar and Bahrain branches were also awarded the prestigious ISO 9001:2008 Quality Management System certification for all areas of their operations in 2014. The Bank's branches in GCC are amongst the select group of banks who offer evening and 7 days banking, thereby providing greater access and convenience to customers.

While the year ahead offers opportunities, there are challenges within the GCC economies driven by the recent fall in oil prices. However, presence of substantial reserves particularly in UAE and Qatar are likely to provide adequate support to these economies against any major impact from this downturn. UBL's portfolio remains well diversified with a specific focus to avoid concentration risk. Having achieved significant success in creating synergies within various business units, UBL International is now poised to leverage the platform created in the last few years to further build franchise value as a leading Pakistan based Bank within regional markets.

## **Branchless Banking**

UBL "Omni" branchless banking continued to deliver improved bottom line profitability in 2014. During the year, UBL Omni increased its Dukaan network to over 20,000, expanding its geographical footprint to more than 800 cities and towns. The number of transactions has increased by over 14%, while volumes have increased by 45% over the previous year. UBL Omni successfully initiated implementation of a franchisee based agent network distribution model.

UBL Omni continues to maintain its market dominance in the Government-to-Person (G2P) payments arena by working closely with the Government of Pakistan and multilateral agencies for countrywide cash transfer initiatives that support low income individuals, disaster affected families, and other global social initiatives such as polio eradication. Continuing its leadership in payments innovation, Omni is also the first to provide through fingerprint biometric authentication, cash disbursement services to 50,000 Internally Displaced Persons of North Waziristan from its Omni Dukaan locations for the

KPK Disaster Management Authority. UBL Omni was also selected to provide aid disbursement services to drought and famine affected families in Thar, Sindh and for countrywide government tax collection services.

On the Retail front, growth was witnessed in the Person-to-Person (P2P) domestic remittance business with a 31% increase in the number of transactions and a 39% growth in overall volumes compared to 2013. Additionally, an agent 'Over the Counter' service to deposit cash in any bank account in Pakistan was successfully launched. Branchless banking accounts grew by 38% with majority of new customers opting for ATM debit cards that are instantly issued at Omni Dukaans.

Internationally, the UBL Omni technology platform was launched for UBL UK (United Kingdom) to introduce merchant based remittance services to Pakistan. This UBL Omni service, the first of its kind being offered by a UK Regulated bank enables walk-in customers in the UK to transfer money from an authorized retail agent within minutes to recipients in Pakistan.

#### **Internet Banking**

Additionally, in 2014 UBL's Netbanking product was recognized as the Best Consumer Internet Bank in Pakistan by the Global Finance magazine. UBL won this award on the strength of its strategy for attracting and servicing online customers, breadth of product offerings, website design, and for its functionality rich proprietary mobile and internet platform. During the year consumer mobile applications for Android and iOS smart phone users were also launched.

#### **Treasury and Capital Markets**

Treasury & Capital markets have performed well across all trading desks, primarily due to book building strategies & proactive management of the balance sheet. The buildup of the investment portfolio is supporting accrual income with positive market to market results. A greater focus on the high yielding equity portfolio since last year is generating stable dividends. Greater emphasis on client coverage & cross-sell with corporate banking has resulted in substantial increase in foreign exchange earnings.

#### **Human Resources (HR)**

Inculcating a performance based culture continues to be a top priority. Our talent management process emphasizes identification, development, motivation and retention of high potential employees. Our training and development programme evolves as the Bank grows across

different segments with the induction of new talent.

A formal Leadership program was rolled out in 2014 as part of our succession planning. To strengthen internal controls, essential compliance related programs were imparted, including a roll-out of an AML/CFT e-Learning module. In 2015 we have scheduled the Omega Certification and a Credit Skills Development Program to enhance the skills for employees engaged in the credit approval process.

The Bank continues to maintain a cordial relationship with the two Collective Bargaining Agents in 2014.

#### **Risk and Credit Policy**

2014 was an eventful year for Pakistan's economy with some improvement on key macro indicators during the latter part of the year. Growth in private credit though remained slow while the performance of the manufacturing sector gradually improved during the latter half of the year. The balance of payments, which remained a source of concern during most part of FY'13, recovered significantly as a result of strong capital and financial flows in 2014. Going forward, the outlook appears positive in view of the sizeable decline in international oil prices. Inflationary pressures also remained contained thereby resulting in monetary easing towards the latter part of the year. In the international business, the economic sentiment in most of the markets where we operate remained largely positive.

Given the overall economic environment, the Bank's risk management framework was strengthened to better protect asset quality. The focus remained on close monitoring and a proactive approach to ensure containment of risk and improvement in asset quality, while selectively growing the loan book in targeted sectors. Risk mitigation remained in focus in 2014 with emphasis on lending in low-risk segments. Risk Acceptance Criteria was updated and continuous efforts were made to enhance industry coverage and analysis. The Bank's various groups and businesses were kept informed of economic and industrial developments by the Credit Policy & Research Division, which releases regular updates on relevant developments. A Credit Policy for SME was developed to manage the risk of the vast lending requirements in the sector. Industry concentration limits were monitored and used to ensure that risk remained diversified without undue exposure to a single sector. Credit risk management focused on closely monitoring the

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existing portfolio to curtail non-performing loans and assisting the business in resolving problem credits. Greater emphasis was made on recoveries resulting in a significantly lower risk charge in 2014. The consumer collections & recovery team also managed to contain loan classification.

The Market Risk function remained actively involved in the review of portfolio performance in view of changing dynamics within domestic and international markets. Market Risk tools in use include sensitivity/scenario analyses of portfolio positions in order to assess potential risks resulting from shifts in interest rates. The Bank further continued its efforts towards fully implementing an Operational Risk Management Framework across the organization. Loss data is currently captured and monitored against key performance indicators using an Operational Risk Monitor which is a system based tool.

UBL has maintained its Capital Adequacy Ratio well above the prescribed regulatory thresholds throughout the year including under Basel III requirements. The Bank also performed an impact analysis based on the Basel III guidelines and UBL comfortably meets the prescribed current and future capital requirements. UBL continues its efforts towards growth with a clear focus on risk management and maintaining quality assets.

## **Corporate Social Responsibility (CSR)**

UBL's commitment towards its CSR agenda continues in an effort to take up worthy causes with Rs. 112 million donated to various institutions during 2014. Our efforts are driven by a vision of a developed and thriving Pakistan. With education, health and community welfare as its core areas of focus, UBL was able to reach out and positively contribute to the betterment of various disadvantaged segments of society. With the intent of helping causes in a transparent manner, the bank made donations to a number of institutions and NGOs spread across urban and rural Pakistan.

## **Conclusion**

UBL has delivered another record performance in 2014, a result of the perseverance and dedication of a strong team with contributions from our business and support functions. Looking ahead, we shall focus on our positioning within the domestic market, leveraging core strengths and creating new opportunities given our coverage and scale. The shift towards building the loan book would gradually be seen with improving underlying macros. The retail bank remains the cornerstone of our operations where

new to bank client acquisition still has immense potential. Going forward we aim to achieve diversification through fee based products using technology as a differentiating factor. Our international business remains a key component where penetration within existing markets and synergies within overseas subsidiaries will drive trade and customer flows. Restructuring and recovery efforts towards non-performing customers are being pursued and will aggressively continue in the future.

Our prospects, plans and potential growth shall develop as we react to market challenges. But most importantly we shall continue to invest prudently in people, innovation and technology and on constantly developing new business models.



**Wajahat Husain**  
President & CEO  
February 25<sup>th</sup>, 2015



# GROWTH AT A GLANCE

SIX YEARS FINANCIAL SUMMARY						Standalone
December 31	2014	2013	2012	2011	2010	PKR 'million 2009
<b>BALANCE SHEET</b>						
<b>Assets</b>						
Cash and balances with treasury and other banks	87,573	114,388	109,396	100,602	86,104	66,878
Lending to financial institutions	21,872	28,835	21,953	11,890	11,935	23,162
Investments - Gross	499,060	425,253	351,002	297,137	227,237	138,398
Advances - Gross	479,998	436,749	409,090	366,307	368,692	382,478
Operating fixed assets	30,303	24,608	24,431	22,982	22,424	21,926
Other assets	40,067	27,317	26,800	23,976	21,044	17,851
<b>Total Assets - Gross</b>	<b>1,158,874</b>	<b>1,057,150</b>	<b>942,673</b>	<b>822,893</b>	<b>737,436</b>	<b>650,693</b>
Provisions against non-performing advances	(45,734)	(45,936)	(44,727)	(40,959)	(34,960)	(28,387)
Provisions against diminution in value of investment	(1,726)	(1,476)	(1,412)	(2,726)	(2,658)	(2,253)
<b>Total Assets - Net of Provision</b>	<b>1,111,414</b>	<b>1,009,739</b>	<b>896,535</b>	<b>779,207</b>	<b>699,818</b>	<b>620,053</b>
<b>Liabilities &amp; Equity</b>						
Deposits & other accounts	895,083	827,848	698,430	612,980	550,646	492,036
Borrowing from financial institutions	53,065	40,574	68,720	49,953	45,105	35,145
Sub-ordinated loans	-	665	9,319	11,317	11,986	11,990
Bills payable	9,554	16,591	7,601	5,879	5,046	5,147
Other liabilities	28,196	23,147	20,226	18,650	18,621	14,799
<b>Total Liabilities</b>	<b>985,898</b>	<b>908,825</b>	<b>804,296</b>	<b>698,779</b>	<b>631,403</b>	<b>559,117</b>
<b>Net Assets / Liabilities</b>	<b>125,516</b>	<b>100,914</b>	<b>92,238</b>	<b>80,428</b>	<b>68,415</b>	<b>60,937</b>
Share capital	12,242	12,242	12,242	12,242	12,242	11,129
Reserves	34,130	33,681	29,044	24,847	21,689	18,960
Unappropriated profit	48,217	42,635	37,416	34,809	26,250	22,188
<b>Equity - Tier I</b>	<b>94,589</b>	<b>88,558</b>	<b>78,702</b>	<b>71,898</b>	<b>60,181</b>	<b>52,276</b>
Surplus on revaluation of assets	30,927	12,356	13,537	8,530	8,234	8,660
<b>Equity</b>	<b>125,516</b>	<b>100,914</b>	<b>92,238</b>	<b>80,428</b>	<b>68,415</b>	<b>60,937</b>
<b>Total Liabilities &amp; Equity</b>	<b>1,111,414</b>	<b>1,009,739</b>	<b>896,535</b>	<b>779,207</b>	<b>699,818</b>	<b>620,053</b>
<b>PROFITABILITY</b>						
Mark-up / return / interest earned	82,735	72,846	73,507	70,451	59,277	61,107
Mark-up / return / interest expensed	(37,769)	(34,910)	(34,948)	(31,026)	(24,997)	(28,164)
<b>Net Mark-up / Interest Income</b>	<b>44,967</b>	<b>37,936</b>	<b>38,560</b>	<b>39,425</b>	<b>34,280</b>	<b>32,943</b>
Fee, commission, brokerage and exchange income	14,171	12,205	10,025	9,027	7,992	7,139
Capital gain & dividend income	3,806	4,845	3,131	1,261	712	1,233
Other income	1,319	1,064	3,975	2,429	1,387	3,048
<b>Non-Interest Income</b>	<b>19,296</b>	<b>18,114</b>	<b>17,131</b>	<b>12,718</b>	<b>10,090</b>	<b>11,420</b>
<b>Gross Income</b>	<b>64,263</b>	<b>56,050</b>	<b>55,691</b>	<b>52,143</b>	<b>44,370</b>	<b>44,363</b>
Administrative expenses and other charges	(29,597)	(26,718)	(24,306)	(20,349)	(18,476)	(17,015)
<b>Profit Before Provisions</b>	<b>34,666</b>	<b>29,332</b>	<b>31,385</b>	<b>31,794</b>	<b>25,894</b>	<b>27,348</b>
Donations	(112)	(77)	(35)	(54)	(84)	(56)
Provisions	(1,156)	(1,448)	(4,499)	(7,518)	(8,068)	(13,258)
<b>Profit Before Taxation</b>	<b>33,398</b>	<b>27,807</b>	<b>26,851</b>	<b>24,223</b>	<b>17,742</b>	<b>14,035</b>
Taxation	(1,469)	(9,193)	(8,960)	(8,723)	(6,582)	(4,842)
<b>Profit After Taxation</b>	<b>21,930</b>	<b>18,614</b>	<b>17,891</b>	<b>15,500</b>	<b>11,160</b>	<b>9,193</b>
<b>CASH FLOW STATEMENT - SUMMARY</b>						
Cash flow from operating activities	49,134	95,737	64,812	106,218	100,520	23,099
Cash flow from investing activities	(59,936)	(73,236)	(42,910)	(85,859)	(77,703)	(14,323)
Cash flow from financing activities	(14,266)	(20,267)	(15,464)	(7,402)	(4,010)	(1,016)
Cash and cash equivalents at the beginning of the year	114,388	109,396	100,602	86,104	66,878	57,567
Effect of exchange rate changes on cash and cash equivalents	(1,747)	2,758	2,356	1,541	420	1,549
Cash and cash equivalents at the end of the year	<b>87,573</b>	<b>114,388</b>	<b>109,396</b>	<b>100,602</b>	<b>86,104</b>	<b>66,878</b>
<b>FINANCIAL RATIOS</b>						
Return on equity (RoE)	23.9%	22.3%	23.8%	23.5%	19.8%	19.5%
Return on assets (RoA)	2.1%	2.0%	2.1%	2.1%	1.7%	1.5%
Profit before tax ratio	52.0%	49.6%	48.2%	46.5%	40.0%	31.6%
Gross spread ratio	54.4%	52.1%	52.5%	56.0%	57.8%	53.9%
Return on capital employed (ROCE)	23.9%	21.0%	20.9%	20.0%	16.4%	15.5%
Advances to deposits ratio (ADR) - Gross	51.2%	51.3%	56.2%	56.9%	63.3%	73.8%
Advances to deposits ratio (ADR) - Net	46.1%	45.8%	49.8%	50.2%	57.0%	68.0%
Income to expense ratio	2.17	2.10	2.29	2.56	2.40	2.61
Cost to revenue ratio	45.2%	46.5%	42.6%	37.9%	40.4%	37.4%
Growth in gross income	14.7%	0.6%	6.8%	17.5%	0.0%	15.1%
Growth in net profit after tax	17.8%	4.0%	15.4%	38.9%	21.4%	10.3%
Total assets to shareholders' funds	8.9	10.0	9.7	9.7	10.2	10.2
Intermediation cost ratio	3.4%	3.5%	3.7%	3.5%	3.5%	3.5%
NPL ratio	11.2%	12.1%	14.0%	14.0%	13.2%	10.2%
Net infection ratio	1.9%	1.7%	3.5%	3.1%	4.1%	3.0%
Weighted average cost of debt	5.6%	5.6%	6.1%	6.2%	5.3%	5.6%
Capital adequacy ratio (CAR)	13.9%	13.3%	15.0%	14.3%	14.5%	13.2%

# GROWTH AT A GLANCE

December 31	2014	2013	2012	2011	2010	2009
<b>SHARE INFORMATION</b>						
Cash dividend per share	11.50	10.00	8.50	7.50	5.00	2.50
Proposed bonus issue per share	-	-	-	-	-	1.00
Dividend yield (based on cash dividend)	8.7%	12.0%	16.2%	11.0%	8.6%	6.8%
Dividend payout ratio (total payout)	64.2%	65.8%	58.2%	59.2%	54.8%	42.4%
Earning per share (EPS)	17.91	15.21	14.61	12.66	9.12	8.26
Price earnings ratio (PE x)	9.86	8.72	5.72	4.14	7.48	7.08
Market value per share - At the end of the year	176.71	132.55	83.67	52.39	68.23	58.45
Market value per share - Highest during the year	198.39	154.21	91.99	70.39	70.65	66.50
Market value per share - Lowest during the year	130.36	81.24	52.00	51.01	49.00	27.92
Breakup value per share - Without surplus on revaluation of assets	77.27	72.34	64.29	58.73	49.16	46.97
Breakup value per share - With surplus on revaluation of assets	102.53	82.43	75.35	65.70	55.89	54.76
<b>OTHER INFORMATION</b>						
Non-performing advances (NPLs)	53,853	52,630	57,347	51,117	48,593	39,101
Import Business	655,881	641,866	515,638	462,929	447,743	335,764
Export Business	259,259	249,006	180,434	179,417	175,826	136,694
Number of employees	13,382	13,270	13,056	12,325	11,573	11,371
Number of branches - Domestic	1,295	1,283	1,278	1,218	1,124	1,120
Number of branches - International	18	18	18	17	17	17
Number of branches - Total	1,313	1,301	1,296	1,235	1,141	1,137

## VERTICAL AND HORIZONTAL

### BALANCE SHEET

December 31	2014	2013	2012	2011	2010	2009
<b>VERTICAL ANALYSIS</b>						
<b>Assets</b>						
Cash and balances with treasury and other banks	7.9%	11.3%	12.2%	12.9%	12.3%	10.8%
Lending to financial institutions	2.0%	2.9%	2.4%	1.5%	1.7%	3.7%
Investments- Net	44.7%	42.0%	39.0%	37.8%	32.1%	22.0%
Advances - Net	39.1%	38.7%	40.6%	41.8%	47.7%	57.1%
Operating fixed assets	2.7%	2.4%	2.7%	2.9%	3.2%	3.5%
Other assets	3.6%	2.7%	3.0%	3.1%	3.0%	2.9%
<b>Total Assets</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Liabilities &amp; Equity</b>						
Deposits & Other Accounts	80.5%	82.0%	77.9%	78.7%	78.7%	79.4%
Borrowing from financial institutions	4.8%	4.0%	7.7%	6.4%	6.4%	5.7%
Sub-ordinated loans	0.0%	0.1%	1.0%	1.5%	1.7%	1.9%
Bills payable	0.9%	1.6%	0.8%	0.8%	0.7%	0.8%
Other liabilities	2.5%	2.3%	2.3%	2.4%	2.7%	2.4%
<b>Total Liabilities</b>	<b>88.7%</b>	<b>90.0%</b>	<b>89.7%</b>	<b>89.7%</b>	<b>90.2%</b>	<b>90.2%</b>
Share capital	1.1%	1.2%	1.4%	1.6%	1.7%	1.8%
Reserves	3.1%	3.3%	3.2%	3.2%	3.1%	3.1%
Unappropriated profit	4.3%	4.2%	4.2%	4.5%	3.8%	3.6%
<b>Equity - Tier I</b>	<b>8.5%</b>	<b>8.8%</b>	<b>8.8%</b>	<b>9.2%</b>	<b>8.6%</b>	<b>8.4%</b>
Surplus on revaluation of assets	2.8%	1.2%	1.5%	1.1%	1.2%	1.4%
<b>Total Equity</b>	<b>11.3%</b>	<b>10.0%</b>	<b>10.3%</b>	<b>10.3%</b>	<b>9.8%</b>	<b>9.8%</b>

December 31	2014	2013	2012	2011	2010	2009
<b>HORIZONTAL ANALYSIS</b>						
<b>Assets</b>						
Cash and balances with treasury and other banks	130.9%	171.0%	163.6%	150.4%	128.7%	100.0%
Lending to financial institutions	94.4%	124.5%	94.8%	51.3%	51.5%	100.0%
Investments- Net	365.3%	311.3%	256.8%	216.2%	165.0%	100.0%
Advances - Net	122.6%	110.4%	102.9%	91.9%	94.3%	100.0%
Operating fixed assets	138.2%	112.2%	111.4%	104.8%	102.3%	100.0%
Other assets	224.5%	153.0%	150.1%	134.3%	117.9%	100.0%
<b>Total Assets</b>	<b>179.2%</b>	<b>162.8%</b>	<b>144.6%</b>	<b>125.7%</b>	<b>112.9%</b>	<b>100.0%</b>
<b>Liabilities &amp; Equity</b>						
Deposits & Other Accounts	181.9%	168.2%	141.9%	124.6%	111.9%	100.0%
Borrowing from financial institutions	151.0%	115.4%	195.5%	142.1%	128.3%	100.0%
Sub-ordinated loans	0.0%	5.5%	77.7%	94.4%	100.0%	100.0%
Bills payable	185.6%	322.3%	147.7%	114.2%	98.0%	100.0%
Other liabilities	190.5%	156.4%	136.7%	126.0%	125.8%	100.0%
<b>Total Liabilities</b>	<b>176.3%</b>	<b>162.5%</b>	<b>143.9%</b>	<b>125.0%</b>	<b>112.9%</b>	<b>100.0%</b>
Share capital	110.0%	110.0%	110.0%	110.0%	110.0%	100.0%
Reserves	180.0%	177.6%	153.2%	131.1%	114.4%	100.0%
Unappropriated profit	217.3%	192.2%	168.6%	156.9%	118.3%	100.0%
Equity - Tier I	180.9%	169.4%	150.5%	137.5%	115.1%	100.0%
Surplus on revaluation of assets	357.1%	142.7%	156.3%	98.5%	95.1%	100.0%
<b>Total Equity</b>	<b>206.0%</b>	<b>165.6%</b>	<b>151.4%</b>	<b>132.0%</b>	<b>112.3%</b>	<b>100.0%</b>

## PROFIT AND LOSS ACCOUNT

### VERTICAL ANALYSIS

#### Interest / Return / Non-Interest Income Earned

Markup / Return / Interest earned	81.1%	80.1%	81.1%	84.7%	85.5%	84.3%
Fee, commission, brokerage and exchange income	13.9%	13.4%	11.1%	10.9%	11.5%	9.8%
Capital gain & dividend income	3.7%	5.3%	3.5%	1.5%	1.0%	1.7%
Other income	1.3%	1.2%	4.4%	2.9%	2.0%	4.2%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

#### Interest / Return / Non-Interest Expense

Markup / Return / Interest expensed	37.0%	38.4%	38.6%	37.3%	36.0%	38.8%
Operating expenses	29.1%	29.5%	26.9%	24.5%	26.8%	23.5%
Provisions	1.1%	1.6%	5.0%	9.0%	11.6%	18.3%
Taxation	11.2%	10.1%	9.9%	10.5%	9.5%	6.7%
<b>Total Expense - Percentage of Total Income</b>	<b>78.5%</b>	<b>79.5%</b>	<b>80.3%</b>	<b>81.4%</b>	<b>83.9%</b>	<b>87.3%</b>

Profit after taxation	21.5%	20.5%	19.7%	18.6%	16.1%	12.7%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### HORIZONTAL ANALYSIS

#### Interest / Return / Non-Interest Income earned

Markup / Return / Interest earned	135.4%	119.2%	120.3%	115.3%	97.0%	100.0%
Fee, commission, brokerage and exchange income	198.5%	171.0%	140.4%	126.5%	111.9%	100.0%
Capital gain & dividend income	308.8%	393.0%	254.0%	102.3%	57.7%	100.0%
Other income	43.3%	34.9%	130.4%	79.7%	45.5%	100.0%
<b>Total</b>	<b>140.7%</b>	<b>125.4%</b>	<b>125.0%</b>	<b>114.7%</b>	<b>95.6%</b>	<b>100.0%</b>

#### Interest / Return / Non-Interest Expense

Markup / Return / Interest expensed	134.1%	124.0%	124.1%	110.2%	88.8%	100.0%
Operating expenses	174.0%	157.0%	142.6%	119.5%	108.7%	100.0%
Provisions	8.7%	10.9%	33.9%	56.7%	60.9%	100.0%
Taxation	236.9%	189.9%	185.1%	180.2%	135.9%	100.0%
<b>Total Expense</b>	<b>126.5%</b>	<b>114.2%</b>	<b>114.9%</b>	<b>106.8%</b>	<b>91.9%</b>	<b>100.0%</b>

<b>Profit After Taxation</b>	<b>238.6%</b>	<b>202.5%</b>	<b>194.6%</b>	<b>168.6%</b>	<b>121.4%</b>	<b>100.0%</b>
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# GROWTH AT A GLANCE

## STATEMENT OF VALUE ADDED

	2014		2013	
	PKR 'million	%	PKR 'million	%
Mark-up / return / interest earned - net of provisions	81,579	98.8%	71,398	97.4%
Fee, commission, brokerage and exchange income	14,171	17.2%	12,205	16.6%
Capital gain & dividend income	3,806	4.6%	4,845	6.6%
Other income	1,319	1.6%	1,064	1.5%
	<u>100,875</u>	<u>122.2%</u>	<u>89,512</u>	<u>122.1%</u>
Administrative expenses	18,332	22.2%	16,208	22.1%
Value added	<u><b>82,543</b></u>	<u><b>100.0%</b></u>	<u><b>73,304</b></u>	<u><b>100.0%</b></u>
Distributed as follows:				
To employees as remuneration	11,265	13.6%	10,510	14.3%
To government as income tax	11,469	13.9%	9,193	12.5%
To Depositors as profit on investments	32,906	39.9%	28,353	38.7%
To Institutions & Individuals as profit on borrowings	4,863	5.9%	6,557	8.9%
To Society as donations	112	0.1%	77	0.1%
To Shareholders as dividends / bonus	14,078	17.1%	11,630	15.9%
Retained in Business as reserves and retained profits	7,851	9.5%	6,984	9.5%
	<u><b>82,543</b></u>	<u><b>100.0%</b></u>	<u><b>73,304</b></u>	<u><b>100.0%</b></u>

# UBL INTERNATIONAL NETWORK

(Offices Addresses as of 30 Jan 2015)

## INTERNATIONAL BRANCHES

### UAE

#### Al-Ain Branch

Mohammad Salem Owaida Jaber Al Khaily Building, Ali Ibn Ibi Talib Street, Oud Al Toba, P.O. Box: 1141, Al Ain, UAE  
Tel: 00971-3-7083560  
Fax: 00971-3-7666175

#### Al-Barsha Branch

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

#### Bur Dubai Branch

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

#### Deira Branch

Mohamed & Obaid Almulla Building, Shop No. 1, Plot No. 115-0108, Murshid Bazar, P.O. Box: 1000, Deira, Dubai, UAE  
Tel: 00971-4-6085350 & 00971-4-6085351  
Fax: 00971-4-2269209

#### Khalifa Main Branch

Hamad Suhail Al Khaily Building, Khalifa Street, Abu Dhabi, UAE  
Tel: 00971-2-5996555  
Fax: 00971-2-6719900

#### Musaffah Branch

M-14, Street 17, Musaffah, P.O. Box: 237, Abu Dhabi, UAE  
Tel: 00971-2-5996400 & 00971-2-5548778  
Fax: 00971-2-5548779

#### Sharjah Branch

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

#### Sheikh Hamdan Road Branch

Ghamran Buti Al Qubaisi Building, Opp. Hamdan Centre, Sheikh Hamdan Bin Mohamed Road, P.O. Box: 2340, Abu Dhabi, UAE  
Tel: 00971-2-5996450/452  
Fax: 00971-2-6272134

### BAHRAIN

#### Manama Branch

Delmon Tower, Building No. 117, Block No. 304, Road No. 385, Opp. National Bank of Bahrain, next to Kuwait Finance House, Government Avenue, P.O. Box: 546, Kingdom of Bahrain  
Tel: 00973-17-224032 & 00973-17-224101  
Fax: 00973-17-224099

#### Seef Branch

BMMI Tower, Ground Floor, Road No. 2813, Block No. 428, Seef District, P.O. Box: 546, Kingdom of Bahrain  
Tel: 00973-17-560808  
Fax: 00973-17-587552

#### Muharraq Branch

Building No. 1127, Block No. 215, Road No. 10 Muharraq Town, P.O. Box: 546, Kingdom of Bahrain  
Tel: 00973-17-343488  
Fax: 00973-17-344793

### QATAR

#### Corniche Main Branch

Sh. Jasim Bin Jaber Al-Thani Building, Abdullah Bin Jassim Street, P.O. Box: 242, Doha, Qatar  
Tel: 00974-44254444 / 44254434  
Fax: 00974-44418575

#### Salwa Road Branch

Qatar General Insurance Building, P.O. Box: 242, Doha, Qatar  
Tel: 00974-44254444/44254466  
Fax: 00974-44506026

#### West Bay Branch

Al Jazeera Tower, West Bay, P.O. Box: 242, Doha, Qatar  
Tel: 00974-44254444/44254470/44254471  
Fax: 00974-44110950

### USA

#### New York Branch

80 Broad Street, 19<sup>th</sup> Floor, New York, NY 10004-2209, USA  
Tel: 001-212-943-1275  
Fax: 001-212-9680557

### YEMEN

#### Sana'a Branch

Dr. Mohammad Ahmed Othman Al Absi Building, Al Zubairi Street, P.O. Box: 1295, Sana'a, Republic of Yemen  
Tel: 00967-1-409947 (Dir.)  
00967-1-407540 (PABX)  
Fax: 00967-1-408211

Contd....

#### **Hodeidah Branch**

Essam Al-Shami Building, Shahrah-e-Meena,  
P.O. Box: 3927, Hodeidah, Republic of Yemen  
Tel: 00967-3-201494 (Dir.), 00967-3-201151 (Gen.)  
Fax: 00967-3-201153

#### **Aden Branch**

Aden Mall, Crater, P.O. Box: 104, Aden,  
Republic of Yemen  
Tel: 00967-2-269191, 00967-2-269393  
Fax: 00967-2-269065

#### **OBU - EPZ**

##### **EPZ Branch (Karachi)**

Export Processing Zone, Landhi Industrial Area,  
Mehran Highway, Landhi, Karachi, Pakistan  
Tel: 009221-35082301-3  
Fax: 009221-35082305

#### **REPRESENTATIVE OFFICES**

##### **CHINA**

###### **Beijing Rep. Office**

Office No. 2110, The Exchange Beijing, No. 118,  
Jianguo Road, Chaoyang District, Beijing, 100022,  
Peoples Republic of China  
Tel : 0086-10-65675579  
Fax: 0086-10-65675560

##### **IRAN**

###### **Tehran Rep. Office**

Unit No. 26, 5<sup>th</sup> Floor, Nahid Office Complex, No. 56,  
West Nahid Street, Valiasr Avenue,  
Tehran 1967756685, Iran  
Tel: 009821-22053977  
Fax: 009821-26219963

#### **SUBSIDIARIES**

##### **UNITED KINGDOM**

###### **United Bank UK**

2 Brook Street, London, W1S 1BQ, United Kingdom  
Tel: 0044-20-72908000  
Fax: 0044-20-76293054

##### **SWITZERLAND**

###### **UBL Switzerland AG**

P.O. Box: 1176, Feldeggstrasse 55, CH-8034,  
Zurich, Switzerland  
Tel: 0041-43-4991920  
Fax: 0041-43-4991933

##### **TANZANIA**

###### **UBL Bank (Tanzania) Ltd.**

Diplomat House, 26 Mkwepu/Kaluta Street,  
P.O. Box: 5887, Dar Es Salaam, Tanzania  
Tel: 00255-22-5510200  
Fax: 00255-22-2136292

#### **ASSOCIATED COMPANY**

##### **OMAN**

###### **Oman United Exchange Co. LLC,**

###### **i) Ruwi Branch**

P.O. Box: 889, near Ruwi Police Station, Postal  
Code 100, Ruwi, Muscat, Sultanate of Oman  
Tel: 00968-24794305, 00968-24782048  
Fax: 00968-24794344

###### **ii) Salalah Branch**

P.O. Box: 2052, Postal Code 211, Salalah,  
Sultanate of Oman  
Tel: 00968-23290323  
Fax: 00968-23290323

###### **iii) Sohar Branch**

P.O. Box: 889, Postal Code 100, Muscat,  
Sultanate of Oman  
Tel: 00968-26847021  
Fax: 00968-26847020

###### **iv) Ghoubra Branch**

P.O. Box: 889, Postal Code 100, Muscat,  
Sultanate of Oman  
Tel: 00968-24495645  
Fax: 00968-24495642

###### **v) Industrial Area Salalah Branch**

P.O. Box: 2052, Postal Code 211, Salalah,  
Sultanate of Oman  
Tel: 00968-23213264  
Fax: 00968-23211260

###### **vi) Barka Branch**

P.O. Box: 889, Postal Code 100, Muscat,  
Sultanate of Oman  
Tel: 00968-26884864  
Fax: 00968-26884891

###### **vii) Duqm Branch**

P.O. Box: 889, Postal Code 100, Duqm,  
Sultanate of Oman  
Tel: 00968-25215105 / 00968-25215103  
Fax: 00968-25215104

# SHARIAH ADVISOR'S REPORT

For The Financial Year-2014

The year under review is the eighth financial year of Islamic Banking Operations of UBL Ameen. This year has been the most prolific year for UBL Ameen from every aspect especially in terms of growth and Shariah Compliance.

Following are the brief highlights of the period under review:

## 1. Ameen Products and Policies:

- **New Products:**
  - “Ameen Bai Moajjal” an Interbank money market placement product was approved during the year and will be launched in 2015.
  - “Ameen Staff Financing” product to facilitate Islamic Banking Staff for Housing & Transport Finance, on Diminishing Musharakah basis, was accomplished during the year.
- **Revision:** 3 Assets and 3 Liabilities Products namely Ameen Murabaha, Ameen Commercial Ijarah, Ameen Commercial Diminishing Musharakah, Ameen Current Account (PKR), Ameen Current Account (FCY) and Ameen Business Account were reviewed and updated during the year in accordance with SBP & AAOIFI Shariah Standards.
- **Risk Management Policy** has been made in accordance with SBP guidelines for establishing and implementing effective risk management in Islamic Banking affairs.
- **Upcoming:** To cater customers' requirements new products like Ameen Salam, Ameen Istisna, Ameen Islamic Export Refinance (IERS) and other innovative products have been worked upon and will be launched during 2015 In Sha Allah.

All Products and policies, process flows and related agreements were executed and processed after my review and approval.

## 2. Training & Development:

Success and training are indispensable to each other. For growth of Islamic Banking, training of staff is mandatory. Hence, during the year a record number of **750** UBL staff members were given training under following categories:

- General managers (GMs)
- UBL contact center staff
- UBL corporate banking staff
- Staff in Islamic banking windows
- UBL sales staff
- UBL Ameen staff

Further, Staff and customer queries are being resolved via emails and visits to ensure that human resources are well versed with all norms of Islamic Banking.

## 3. Expansion Of Islamic Banking Operations:

During the year 2014, two new branches have been opened in Karachi to increase the number of branches to **25** including one sub branch.

After improvements in internal systems, online Islamic Banking transactional services are accessible in 1337 branches and sub branches of UBL countrywide. Further, with the aim to make UBL Ameen the Islamic Banking of first choice, Ameen Islamic Banking Window Operations have been effectively started in **81** UBL Branches with following features:

- Comprehensive Islamic Banking Training of Branch Managers and Operations Managers.
- Training of staff to explain segregation of Islamic funds from conventional and transparency of Islamic Banking operational mechanisms.
- Islamic Banking Brand “امین” is prominently displayed on each Islamic Banking Branch and window.
- Window independently serves Islamic Banking customers in opening of accounts, issuance of cheque books, Bank Statements, ATM cards and other routine Banking operations.

## 4. Growth Of Assets & Deposits:

On the assets side, the Bank primarily offered Murabaha, Ijarah & Diminishing Musharaka. Advances portfolio increased by 28% in which Diminishing Musharakah remained the main mode of financing and comprised 72% of the total advances portfolio.

On the liability side, there was also an increase in deposits with UBL Ameen offering different products and services under Qard & Mudaraba modes.

It was ensured that all Mudaraba based deposits in Saving Accounts are in line with State Bank of Pakistan's detailed instructions and guidelines for Profit and Loss Distribution and Pool Management issued via Circular 03 of 2012, dated November 19<sup>th</sup>, 2012. Special Hiba offered, during the year, was frozen further to 25% of the Special Hiba given in 2012. Going forward there would be no special

Hiba for priority customers to ensure meticulous compliance of SBP mentioned guidelines.

#### 5. Quality Of Shariah Compliance:

Shariah Compliance is the backbone of any Islamic Banking Institution. UBL Ameen has the privilege to ensure the quality and optimum Shariah Compliance. For Advances, Shariah Compliance Process is categorized into three stages:

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

During the year 2014, 190 Advances transactions were executed and each transaction was reviewed as per above mentioned process. Further, during the year 2014 to ensure adherence to Shariah principles:

- Consumer financing cases were reviewed on regular basis.
- Profit-sharing ratios, profit weightages, pool working, asset & deposit allocation for deposit products were being monitored periodically.
- Treasury deals and investments were being closely monitored from Shariah perspective and checked time to time for quality Shariah standards.

#### 6. Charity Distributions:

Charity of **PKR 4.652 Mn** was received, on delayed payments, during the year which would be fully disbursed in 2015 after detailed screening and due diligence.

Alhamdulillah! During the year, due to efficient Shariah Compliance mechanisms at UBL Ameen all transactions and earnings were reported to be Shariah compliant hence no part was credited to charity account. All funds accumulated in charity account were through charges on delayed payments made by customers.

#### Shariah Opinion:

Based on the above facts and observations during the year 2014, I hereby report that the overall Shariah Compliance of UBL Ameen is completely satisfactory and highly eminent as all activities have been effectively conducted in accordance with the rulings of Shariah.

#### Recommendations:

Last year, it was recommended that there should be a provision for the Islamic Banking staff to avail Staff Financing on Islamic modes of financing. It is my pleasure to mention that the same was approved during the year. Further, it is recommended that considering the monumental growth in the Islamic Banking industry, concrete efforts should be made to expand Islamic Banking operations through windows and branches countrywide.

I pray to Almighty, that He - The Most Gracious and Merciful may bless us steadfastness on **صراط مستقيم** (The Right Path) by means of which we can be prosperous in both worlds. آمين

Sincere regards,



**Mufti Abdul Rehman**  
Shariah Advisor

February 9<sup>th</sup>, 2015



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

For The Year Ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Listing Regulation No. 35 of the Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

United Bank Limited (the Bank) has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent Directors, non-executive Directors and Directors representing minority interests on its Board of Directors. At present the Board includes:

Category	Names
Independent Directors	Mr. Amin Uddin Mr. Arshad Ahmad Mir Mr. Zaheer Sajjad Mr. Khalid A. Sherwani
Executive Director	Mr. Wajahat Husain, President & CEO
Non-Executive Directors	Sir Mohammed Anwer Pervez, OBE, HPk Mr. Zameer Mohammed Choudrey Mr. Rizwan Pervez Mr. Haider Zameer Choudrey

The independent directors meet the criteria of independence under clause I (b) of the Code.

2. The Directors have confirmed that none of them is serving as a Director in more than seven listed companies, including the Bank.
3. All the resident Directors of the Bank are registered as taxpayers and none of them have defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurring on the board on 19 December 2013 were filled up by the directors within 53 days. Further two vacancies occurred in the Board in August 2014, on account of resignation of the Government directors. One was filled through appointment of Mr. Khalid A. Sherwani on the same day and the other remains vacant to date. Moreover, a new President & CEO was appointed during the year.

5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.

6. The Board has approved a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including the appointment and the determination of remuneration and terms and conditions of employment of the Chief Executive Officer and Non-Executive Directors have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman.

The Board met at least once in every quarter. Written notices of the Board meeting, along with the agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The appointments of the President & CEO, Chief Financial Officer, the Company Secretary and the Head of Internal Audit including their remuneration and terms of employment have been approved by the Board.

10. In compliance with Clause (xi) of the Code, four directors completed the Corporate Governance Leadership Skills program conducted by the Pakistan Institute of Corporate Governance during 2014 after which total number of directors who have completed the said course has reached to seven.

11. The Directors' Report for the year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and the Chief Financial Officer before approval of the Board.

13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Bank other than as disclosed in the pattern of shareholding.
14. The Bank has complied with all corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are Non-Executive Directors and the Chairman is an independent director.
16. The meetings of the Audit Committee are held at least once every quarter prior to the approval of interim and final results of the Bank as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.
17. The Board has also constituted a Human Resource and Compensation Committee comprising of two non-executive Directors and one executive Director. The Chairman of the committee is a non-executive Director.
18. The Board has set up an effective internal audit function. Personnel of the Internal Audit department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The "Closed Period", prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of the Bank's securities, was determined and intimated to Directors, employees and the stock exchanges.
22. Material price sensitive information has been disseminated among all market participants at once through the stock exchanges.
23. We confirm that all other material principles enshrined in the Code have been complied with.

For and on behalf of the Board of Directors



**Sir Mohammed Anwar Pervez, OBE, HPk**  
Chairman

Date: February 25<sup>th</sup>, 2015

# AUDITORS' REVIEW REPORT

## TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of United Bank Limited ('the Bank') for the year ended December 31, 2014 to comply with the requirements of Listing Regulation No. 35 of Chapter XI of the Karachi Stock Exchange, the Lahore Stock Exchange and the Islamabad Stock Exchange where the Bank is listed.

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

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



A.F. Ferguson & Co.  
Chartered Accountants

Engagement Partner:  
Salman Hussain

Dated: 27<sup>th</sup> February 2015  
Karachi

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2014.

We wish to draw your attention to the following:

As highlighted in Paragraph 4 of the annexed Statement, casual vacancy arising on resignation of one of the directors was not filled within the period of 90 days as required under the Code.



KPMG Taseer Hadi & Co.  
Chartered Accountants

Engagement Partner:  
Mazhar Saleem

# ANNUAL STATEMENT ON INTERNAL CONTROLS 2014

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

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

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

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

## Evaluation

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

Evaluation of the Bank's Internal Control System comprises of different levels of monitoring activities i.e. Line Management, Compliance & Control Group and Audit & Risk Review Group. Line Management's role has been enhanced to include on-site reviews of processes in branches to identify gaps in execution with special emphasis on the implementation of regulatory instructions in addition to day to day monitoring of control breaches for prompt corrective actions.

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

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

The Bank endeavors to follow the State Bank of Pakistan's guidelines on Internal Controls. Internal Audit carried out testing of the effectiveness of ICFR prevalent throughout the Bank for the year 2014. None of the deficiencies identified are expected to have a material impact on Financial Reporting.

The Bank is continuously making efforts to ensure that an effective and efficient Internal Control System remains active & implemented through consistent & continuous monitoring that would help in further improving the overall control environment.

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



**Aameer Karachiwalla**  
Chief Operating  
Officer & Acting Chief  
Financial Officer



**Muhammad Ejazuddin**  
Group Executive -  
Compliance &  
Control Group



**Sajid Hussain**  
Head - Audit & Risk  
Review Group



**Wajahat Husain**  
President & CEO

**FROM SUCCESS TO SUCCESS**  
THE LEGACY CONTINUES



# **Financial Statements 2014**

**A.F. Ferguson & Co.**  
Chartered Accountants  
State Life Building No. 1-C  
I.I. Chundrigar Road  
P.O.Box 4716  
Karachi 74000

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi 75530

## Auditors' Report to the Members

We have audited the annexed unconsolidated statement of financial position of United Bank Limited (the bank) as at December 31, 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the un-audited certified returns from the branches, except for forty two branches, which have been audited by us and eleven branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- (a) in our opinion, proper books of accounts have been kept by the bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
  - (i) the unconsolidated statement of financial position and unconsolidated profit and loss account together with



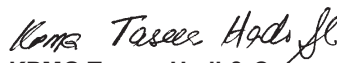
**A.F. Ferguson & Co.**  
Chartered Accountants  
Engagement Partner  
Salman Hussain

Date: 27 February 2015  
Karachi

the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;

- (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2014, and its true balance of profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
  - (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Bank for the year ended December 31, 2013 were audited by BDO Ebrahim & Co., Chartered Accountants and KPMG Taseer Hadi & Co., Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 19, 2014.



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Engagement Partner  
Mazhar Saleem

# Unconsolidated Statement of Financial Position

As at December 31, 2014

	Note	2014	2013
		----- (Rupees in '000) -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	74,687,959	88,520,725
Balances with other banks	7	12,885,121	25,867,497
Lendings to financial institutions	8	21,872,138	28,835,115
Investments	9	497,334,002	423,777,250
Advances			
Performing	10	424,125,475	382,280,142
Non-performing - net of provision	10	10,138,575	8,533,320
		434,264,050	390,813,462
Operating fixed assets	11	30,303,370	24,607,937
Deferred tax asset - net		-	-
Other assets	12	40,067,467	27,316,665
		1,111,414,107	1,009,738,651
<b>LIABILITIES</b>			
Bills payable	14	9,553,585	16,590,884
Borrowings	15	53,065,156	40,573,874
Deposits and other accounts	16	895,083,053	827,847,738
Subordinated loans	17	-	665,328
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net	18	1,899,345	1,087,240
Other liabilities	19	26,296,516	22,059,590
		985,897,655	908,824,654
<b>NET ASSETS</b>		<u>125,516,452</u>	<u>100,913,997</u>
<b>REPRESENTED BY:</b>			
Share capital	20	12,241,798	12,241,798
Reserves		34,130,131	33,681,210
Unappropriated profit		48,217,351	42,634,545
		94,589,280	88,557,553
Surplus on revaluation of assets - net of deferred tax	21	30,927,172	12,356,444
		<u>125,516,452</u>	<u>100,913,997</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	22		

The annexed notes from 1 to 48 and annexures form an integral part of these unconsolidated financial statements.



Wajahat Husain  
President &  
Chief Executive Officer



Amin Uddin  
Director



Zameer Mohammed Choudrey  
Director



Sir Mohammed Anwar Pervez, OBE, HPk  
Chairman



# Unconsolidated Profit and Loss Account

For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Mark-up / return / interest earned	24	82,735,467	72,846,281
Mark-up / return / interest expensed	25	37,768,546	34,910,356
Net mark-up / return / interest income		<u>44,966,921</u>	<u>37,935,925</u>
Provision against loans and advances - net	10.4	215,114	1,055,067
Provision against lendings to financial institutions - net	8.6	165,744	60,509
Provision for diminution in value of investments - net	9.3	326,966	5,871
Bad debts written off directly	10.5	174,150	181,724
		<u>881,974</u>	<u>1,303,171</u>
Net mark-up / return / interest income after provisions		<u>44,084,947</u>	<u>36,632,754</u>
<b>Non mark-up / return / interest income</b>			
Fee, commission and brokerage income		11,154,420	10,049,350
Dividend income		2,000,649	2,074,118
Income from dealing in foreign currencies		3,016,668	2,155,628
Gain on sale of securities - net	26	1,847,031	2,777,035
Unrealized loss on revaluation of investments classified as held for trading	9.4	(41,248)	(6,390)
Other income	27	1,318,527	1,064,054
Total non mark-up / return / interest income		<u>19,296,047</u>	<u>18,113,795</u>
		<u>63,380,994</u>	<u>54,746,549</u>
<b>Non mark-up / return / interest expenses</b>			
Administrative expenses	28	29,030,374	26,045,441
Other provisions - net	29	274,172	145,073
Workers' Welfare Fund	30	667,931	499,746
Other charges	31	10,427	249,377
Total non mark-up / return / interest expenses		<u>29,982,904</u>	<u>26,939,637</u>
<b>Profit before taxation</b>		<u>33,398,090</u>	<u>27,806,912</u>
Taxation - Current	32	10,743,796	8,242,269
- Prior	32	356,425	54,398
- Deferred	32	368,308	896,290
		<u>11,468,529</u>	<u>9,192,957</u>
<b>Profit after taxation</b>		<u>21,929,561</u>	<u>18,613,955</u>
		<u>----- (Rupees) -----</u>	
<b>Earnings per share - basic and diluted</b>	33	<u>17.91</u>	<u>15.21</u>

The annexed notes from 1 to 48 and annexures form an integral part of these unconsolidated financial statements.



Wajahat Husain  
President &  
Chief Executive Officer



Amin Uddin  
Director



Zameer Mohammed Choudrey  
Director



Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

# Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2014

	2014 ----- (Rupees in '000) -----	2013 -----
<b>Profit after taxation</b>	21,929,561	18,613,955
<b>Other comprehensive income:</b>		
<i>Items that are not to be reclassified to profit or loss in subsequent periods</i>		
Remeasurement (loss) / gain of defined benefit obligations	(219,536)	44,613
Related deferred tax reversal / (charge)	76,838	(15,615)
	(142,698)	28,998
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Exchange differences on translation of net investment in foreign branches	(1,747,260)	2,757,826
Amortization of cash flow hedges	4,963	27,337
Related deferred tax charge on cash flow hedges	(1,738)	(9,568)
	3,225	17,769
<b>Other comprehensive income transferred to equity</b>	20,042,828	21,418,548
<i>Items that may be reclassified to profit or loss in subsequent periods</i>		
Surplus / (deficit) arising on revaluation of available for sale securities	13,954,243	(1,713,423)
Related deferred tax (charge) / reversal	(4,883,986)	599,698
	9,070,257	(1,113,725)
<b>Total comprehensive income during the year - net of tax</b>	29,113,085	20,304,823

The annexed notes from 1 to 48 and annexures form an integral part of these unconsolidated financial statements.



Wajahat Husain  
President &  
Chief Executive Officer



Amin Uddin  
Director



Zameer Mohammed Choudrey  
Director



Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

# Unconsolidated Cash Flow Statement

For the year ended December 31, 2014

	Note	2014	2013
		----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		33,398,090	27,806,912
Less: Dividend income		2,000,649	2,074,118
		31,397,441	25,732,794
<b>Adjustments:</b>			
Depreciation		1,626,055	1,698,684
Amortization		420,724	420,243
Workers' Welfare Fund		667,931	499,746
Provision for retirement benefits		543,617	324,532
Provision for compensated absences		428,567	547,017
Provision against loans and advances - net		215,114	1,055,067
Provision against lendings to financial institutions - net		165,744	60,509
Provision for diminution in value of investments - net		326,966	5,871
Reversal of provision in respect of investments disposed off during the year		(41,918)	-
Provision against off balance sheet items		35,708	-
Gain on sale of operating fixed assets - net		(44,032)	(24,893)
Bad debts written-off directly		174,150	181,724
Amortization of cash flow hedges		4,963	27,337
Unrealized loss on revaluation of investments classified as held for trading		41,248	6,390
Provision against other assets		85,364	26,210
		4,650,201	4,828,437
		36,047,642	30,561,231
<b>Decrease / (increase) in operating assets</b>			
Lendings to financial institutions		6,797,233	(6,942,166)
Held for trading securities		(481,359)	(2,907,591)
Advances		(44,186,852)	(27,686,451)
Other assets (excluding advance taxation)		(11,731,997)	(1,635,680)
		(49,602,975)	(39,171,888)
<b>(Decrease) / increase in operating liabilities</b>			
Bills payable		(7,037,299)	8,990,251
Borrowings		12,491,282	(28,146,392)
Deposits and other accounts		67,235,315	129,418,041
Other liabilities (excluding current taxation)		2,986,518	1,911,529
		75,675,816	112,173,429
		62,120,483	103,562,772
(Payments) / receipts on account of staff retirement benefits		(1,011,411)	995,809
Income taxes paid		(11,974,640)	(8,821,029)
<b>Net cash inflow from operating activities</b>		49,134,432	95,737,552
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investment in securities		(59,447,446)	(73,005,161)
Dividend income received		2,037,092	2,039,340
Investment in operating fixed assets		(2,923,018)	(2,443,349)
Sale proceeds from disposal of operating fixed assets		397,072	173,359
<b>Net cash outflow from investing activities</b>		(59,936,300)	(73,235,811)
<b>NET CASH OUTFLOW FROM FINANCING ACTIVITIES</b>			
Repayments of subordinated loans		(665,328)	(8,653,936)
Dividends paid		(13,600,686)	(11,613,181)
<b>Net cash outflow from financing activities</b>		(14,266,014)	(20,267,117)
Exchange differences on translation of net investment in foreign branches		(1,747,260)	2,757,826
<b>(Decrease) / increase in cash and cash equivalents</b>		(26,815,142)	4,992,450
<b>Cash and cash equivalents at the beginning of the year</b>		114,388,222	109,395,772
<b>Cash and cash equivalents at the end of the year</b>	34	87,573,080	114,388,222

The annexed notes from 1 to 48 and annexures form an integral part of these unconsolidated financial statements.



Wahajat Husain  
President &  
Chief Executive Officer



Amin Uddin  
Director



Zameer Mohammed Choudrey  
Director



Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

# Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2014

	Share capital	Statutory reserve	Capital reserves		Unappropriated profit	Total
			Exchange translation reserve	Cash flow hedge reserve		
(Rupees in '000)						
<b>Balance as at December 31, 2012</b>	12,241,798	17,797,537	11,267,676	(20,994)	37,415,599	78,701,616
<b>Transactions with owners for the year ended December 31, 2013</b>						
Final cash dividend - December 31, 2012 declared subsequent to the year end at Rs.3.5 per share	-	-	-	-	(4,284,629)	(4,284,629)
Interim cash dividend - March 31, 2013 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
Interim cash dividend - June 30, 2013 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
Interim cash dividend - September 30, 2013 declared at Rs.2.0 per share	-	-	-	-	(2,448,360)	(2,448,360)
	-	-	-	-	(11,629,709)	(11,629,709)
<b>Total comprehensive income for the year ended December 31, 2013</b>						
Profit after taxation for the year ended December 31, 2013	-	-	-	-	18,613,955	18,613,955
Other comprehensive income - net of tax	-	-	2,757,826	17,769	28,998	2,804,593
Total comprehensive income for the year ended December 31, 2013	-	-	2,757,826	17,769	18,642,953	21,418,548
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	67,098	67,098
Transfer to statutory reserve	-	1,861,396	-	-	(1,861,396)	-
<b>Balance as at December 31, 2013</b>	12,241,798	19,658,933	14,025,502	(3,225)	42,634,545	88,557,553
<b>Transactions with owners for the year ended December 31, 2014</b>						
Final cash dividend - December 31, 2013 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	(4,896,719)	(4,896,719)
Interim cash dividend - March 31, 2014 declared at Rs.2.5 per share	-	-	-	-	(3,060,450)	(3,060,450)
Interim cash dividend - June 30, 2014 declared at Rs.2.5 per share	-	-	-	-	(3,060,450)	(3,060,450)
Interim cash dividend - September 30, 2014 declared at Rs.2.5 per share	-	-	-	-	(3,060,450)	(3,060,450)
	-	-	-	-	(14,078,069)	(14,078,069)
<b>Total comprehensive income for the year ended December 31, 2014</b>						
Profit after taxation for the year ended December 31, 2014	-	-	-	-	21,929,561	21,929,561
Other comprehensive income - net of tax	-	-	(1,747,260)	3,225	(142,698)	(1,886,733)
Total comprehensive income for the year ended December 31, 2014	-	-	(1,747,260)	3,225	21,786,863	20,042,828
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	66,968	66,968
Transfer to statutory reserve	-	2,192,956	-	-	(2,192,956)	-
<b>Balance as at December 31, 2014</b>	12,241,798	21,851,889	12,278,242	-	48,217,351	94,589,280

Appropriations recommended by the Board of Directors subsequent to the year ended December 31, 2014 are disclosed in note 46 to these unconsolidated financial statements.

The annexed notes from 1 to 48 and annexures form an integral part of these unconsolidated financial statements.



Wahajat Husain  
President &  
Chief Executive Officer



Amin Uddin  
Director



Zameer Mohammed Choudrey  
Director



Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 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 State Life Building No. 1, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,295 (2013: 1,283) branches inside Pakistan including 24 (2013: 22) Islamic Banking branches and 1 (2013: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (2013: 18) branches outside Pakistan as at December 31, 2014. The Bank is a subsidiary of Bestway (Holdings) Limited which is incorporated in the United Kingdom.

The Bank's ordinary shares are listed on all three stock exchanges in Pakistan. 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 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Ordinance, 1984.

2.2 The financial results of the Islamic Banking branches of the Bank have been included in these unconsolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 45 to these unconsolidated financial statements.

### 3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the ICAP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or 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. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, IFRS 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

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

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

<b>Standard, Interpretation or Amendment</b>	<b>Effective date (annual periods beginning on or after)</b>
IAS 19 - Employee Benefits - (Amendment)	July 01, 2014
IFRS 10 - Consolidated Financial Statements	January 01, 2015
IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interest in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015
IAS 28 - Investments in associates, joint ventures - (Amendment)	January 01, 2015
IAS 38 - Intangible Assets - (Amendment)	January 01, 2016
IAS 16 - Property, Plant and Equipment - (Amendment)	January 01, 2016
IAS 27 - Separate Financial Statement - (Amendment)	January 01, 2016

The Securities and Exchange Commission of Pakistan has through its circular 633 (I) / 2014 adopted IFRS 10 that introduced a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. The management is currently in the process of determining the impact of application of this standard on the financial statements of the Bank.

Except for the effect of adoption of IFRS 10, the effect of which is currently in the process of determination, the Bank expects that the adoption of the above standards, amendments and interpretations will not affect its financial statements in the period of initial application.

In addition to the above amendments and interpretations, improvements to the following accounting standards have also been issued by IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Bank expects the adoption of such improvements to the standards will not affect its financial statements in the period of initial application.

<b>Standard, Interpretation or Amendment</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 - Share-based Payment	July 01, 2014
IFRS 3 - Business Combinations	July 01, 2014
IFRS 8 - Operating Segments	July 01, 2014
IAS 16 - Property, plant and equipment - (Amendment)	July 01, 2014
IAS 38 - Intangible Assets - (Amendment)	July 01, 2014
IAS 24 - Related Party Disclosure	July 01, 2014
IAS 40 - Investment Property	July 01, 2014
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2016
IFRS 7 - Financial Instruments- Disclosures	January 01, 2016
IAS 19 - Employee Benefits	January 01, 2016
IAS 34 - Interim Financial Reporting	January 01, 2016

The Bank expects that such improvements to the standards will not have any material impact on the Bank's financial statements in the period of initial application.

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

The following new standards have been issued by the IASB, but have not yet been notified by the SECP for application in Pakistan.

Standard or Interpretation	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018

#### 4. BASIS OF MEASUREMENT

##### 4.1 Accounting convention

These unconsolidated financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.

##### 4.2 Critical accounting estimates and judgments

The preparation of these unconsolidated 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.

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

- i) classification of investments (notes 5.3 and 9)
- ii) provision against investments (notes 5.3 and 9.3), lendings to financial institutions (note 8.6) and advances (notes 5.4 and 10.4)
- iii) income taxes (notes 5.7 and 32)
- iv) staff retirement benefits (notes 5.9 and 36)
- v) fair value of derivatives (notes 5.14.2 and 19.3)
- vi) operating fixed assets, revaluation, depreciation and amortization (notes 5.5 and 11)
- vii) impairment (note 5.6)

#### 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous financial year.

##### 5.1 Cash and cash equivalents

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

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2014

## 5.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

### 5.2.1 Purchase under resale agreements

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

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

### 5.2.2 Sale under repurchase agreements

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

## 5.3 Investments

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

### Held for trading

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

### Held to maturity

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

### Available for sale

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

### Initial measurement

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

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

### Subsequent measurement

#### Held for trading

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



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2014

## Held to maturity

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

## Available for sale

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

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

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

## Investments in Subsidiaries and Associates

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

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

## 5.4 Advances

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

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

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

## 5.5 Operating fixed assets and depreciation

### 5.5.1 Owned

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

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

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

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

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to unappropriated profit.

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

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

### 5.5.2 Leased (Ijarah)

Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the term of the lease.

Ijarah income is recognized on an accrual basis.

### 5.5.3 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. The cost and the accumulated amortization of intangible assets of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange. Amortization is calculated so as to write off the amortizable amount of the assets over their expected useful lives at the rates specified in note 11.3 to these unconsolidated financial statements. The amortization charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortization on additions is charged from the month the asset is available for use. No amortization is charged in the month of disposal.

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

## 5.6 Impairment

### Impairment of available for sale equity investments

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

### Impairment of investments in subsidiaries and associates

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

### Impairment in non-financial assets (excluding deferred tax)

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

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2014

## 5.7 Taxation

### 5.7.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws and at the prevailing rates for taxation on income earned from local as well as foreign operations.

### 5.7.2 Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year.

### 5.7.3 Deferred

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

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

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

The Bank also recognizes a deferred tax asset / liability on the cash flow hedge reserve and on the deficit / surplus on revaluation of fixed assets and securities which is adjusted against the cash flow hedge reserve or against the related deficit / surplus in accordance with the requirements of IAS 12, Income Taxes.

## 5.8 Provisions

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

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

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

## 5.9 Staff retirement and other benefits

### 5.9.1 Staff retirement benefit schemes

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

- a) For new employees and for those who opted for the below mentioned conversion option introduced in 2001, the Bank operates:
  - an approved contributory provident fund (defined contribution scheme); and
  - an approved gratuity scheme (defined benefit scheme).

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

b) For employees who have not opted for the conversion option introduced in 2001, the Bank operates:

- an approved non-contributory provident fund in lieu of the contributory provident fund; and
- an approved funded pension scheme, introduced in 1986 (defined benefit scheme).

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

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

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

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

### 5.9.2 Other benefits

#### a) Employees' compensated absences

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

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

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

#### c) Employee motivation and retention scheme

The Bank has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates.

### 5.9.3 Remeasurement of defined benefit obligations

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

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

### 5.10 Subordinated loans

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

### 5.11 Borrowings / deposits

a) Borrowings / deposits are recorded at the amount of proceeds received.

b) The cost of borrowings / deposits is recognized on an accrual basis as an expense in the period in which it is incurred.

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 5.12 Revenue recognition

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

#### 5.12.1 Advances and investments

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

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

#### 5.12.2 Dividend income

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

#### 5.12.3 Fee, brokerage and commission income

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

#### 5.12.4 Grants

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

### 5.13 Foreign currencies

#### 5.13.1 Functional and presentation currency

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

#### 5.13.2 Foreign currency transactions

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

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

#### 5.13.3 Foreign operations

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

#### 5.13.4 Translation gains and losses

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

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 5.13.5 Contingencies and commitments

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

### 5.14 Financial instruments

#### 5.14.1 Financial assets and liabilities

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

#### 5.14.2 Derivative financial instruments

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

#### 5.14.3 Hedge accounting

The Bank makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks. In order to manage particular risks, the Bank may undertake a hedge. The Bank applies hedge accounting for transactions which meet the specified criteria.

At the inception of the hedging relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A formal assessment is also undertaken to ascertain whether the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is regarded as highly effective if, during the period for which the hedge is designated, changes in the fair value or cash flows attributable to the hedged item are expected to be offset by between 80% to 125% by corresponding changes in the fair value or cash flows attributable to the hedging instrument.

#### Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in the statement of changes in equity, and recycled through the profit and loss account in the periods when the hedged item will affect profit or loss. Any gain or loss on the ineffective portion of the hedging instrument is recognised in the profit and loss account immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the profit and loss account.

#### 5.14.4 Off setting

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

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2014

## 5.15 Segment reporting

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

### 5.15.1 Business segments

#### (a) Corporate finance

Corporate finance includes services provided in connection with mergers and acquisitions, project finance and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

#### (b) Trading and sales

Trading and sales includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

#### (c) Retail banking

Retail banking includes retail and consumer lending and deposits, banking services, cards and branchless banking.

#### (d) Commercial banking

Commercial banking includes project finance, working capital finance, trade finance, import and export, factoring, leasing, lending, deposits and guarantees.

#### (e) Others

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

### 5.15.2 Geographical segments

The Bank operates in four geographical regions being:

- Pakistan
- Middle East
- United States of America
- Karachi Export Processing Zone

## 5.16 Dividends and appropriations to reserves

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

## 5.17 Earnings per share

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

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		7,903,423	10,205,233
Foreign currency		4,580,059	4,411,775
		12,483,482	14,617,008
With State Bank of Pakistan in			
Local currency current accounts	6.1	6,669,134	22,944,148
Foreign currency current accounts	6.2	2,202,209	2,022,787
Foreign currency deposit account	6.3	6,452,579	5,938,134
		15,323,922	30,905,069
With other central banks in			
Foreign currency current accounts	6.4	18,940,111	17,590,646
Foreign currency deposit accounts	6.5	1,599,031	1,207,384
		20,539,142	18,798,030
With National Bank of Pakistan in local currency current accounts		26,232,025	24,109,512
National Prize Bonds		109,388	91,106
		<u>74,687,959</u>	<u>88,520,725</u>

**6.1** This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

**6.2** This represents a US Dollar settlement account maintained with the SBP and current accounts maintained with the SBP to comply with statutory requirements.

**6.3** This represents accounts maintained with the SBP to comply with the Special Cash Reserve requirement. The return on this account is declared by the SBP on a monthly basis and, as at December 31, 2014, carries mark-up at the rate of 0.00% (2013: 0.00%) per annum.

**6.4** Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

**6.5** This represents placement with overseas central banks and carries mark-up at the rate of 0.25% (2013: 0.00% to 0.25%) per annum.

	Note	2014 ----- (Rupees in '000) -----	2013
<b>7. BALANCES WITH OTHER BANKS</b>			
Inside Pakistan			
In current accounts		13,099	155,606
In deposit accounts	7.1	11	1,600,007
		13,110	1,755,613
Outside Pakistan			
In current accounts		6,457,732	12,430,237
In deposit accounts	7.2	6,414,279	11,681,647
		12,872,011	24,111,884
		<u>12,885,121</u>	<u>25,867,497</u>

**7.1** These carry mark-up at rates ranging from 3.05% to 7.85% (2013: 7.50% to 9.50%) per annum.

**7.2** These carry mark-up at rates ranging from 0.13% to 4.00% (2013: 0.06% to 2.85%) per annum and include balances amounting to Rs. 216.039 million (2013: Rs. 226.448 million), maintained with an overseas bank against the statutory reserves requirement of a foreign branch.



# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lending	8.2	1,105,000	100,000
Repurchase agreement lendings	8.3	3,226,563	13,791,125
Other lendings to financial institutions	8.4 & 8.5	<u>18,335,817</u>	<u>15,597,908</u>
		22,667,380	29,489,033
Provision against lendings to financial institutions	8.6	<u>(795,242)</u>	<u>(653,918)</u>
		<u>21,872,138</u>	<u>28,835,115</u>
<b>8.1 Particulars of lendings to financial institutions - gross</b>			
In local currency		7,356,787	15,061,947
In foreign currencies		<u>15,310,593</u>	<u>14,427,086</u>
		<u>22,667,380</u>	<u>29,489,033</u>

**8.2** This represents unsecured lending carrying mark-up at a rate of 10.12% per annum (2013: 9.70% per annum) and is due to mature by February 2015.

**8.3 Securities held as collateral against repurchase agreement lendings**

	2014			2013		
	Held by Bank	Further given as collateral / sold	Total	Held by Bank	Further given as collateral / sold	Total
----- (Rupees in '000) -----						
Market Treasury Bills	2,826,563	-	2,826,563	8,723,925	-	8,723,925
Pakistan Investment Bonds	300,000	100,000	400,000	5,067,200	-	5,067,200
	<u>3,126,563</u>	<u>100,000</u>	<u>3,226,563</u>	<u>13,791,125</u>	<u>-</u>	<u>13,791,125</u>

Repurchase agreement lendings carry mark-up at rates ranging from 9.40% to 9.90% (2013: 9.40% to 10.00%) per annum and are due to mature latest by January 2015. The market value of the securities held as collateral against these lendings amounted to Rs. 3,258.957million (2013: Rs. 14,004.415 million).

**8.4** Lendings pertaining to domestic operations carry mark-up at rates ranging from 0.00% to 12.17% per annum (2013: 0.00% to 11.87% per annum) and are due to mature latest by February 2022. Lendings pertaining to overseas operations carry mark-up at rates ranging from 0.00% to 4.11% per annum (2013: 0.10% to 5.00% per annum) and are due to mature latest by July 2021.

**8.5** This includes an unsecured subordinated loan amounting to Rs.314.065 million (2013: Rs.349.374 million) to United National Bank Limited (UBL UK), a subsidiary, and is due to mature by October 2018. The loan carries mark-up at a rate of six months LIBOR + 2% per annum payable semi-annually, with principal to be paid at maturity. The right of the Bank is subordinated as to the receipt of principal and mark-up to all other indebtedness of United Bank UK (including deposits).

**8.6** This represents provision made against lendings to financial institutions with movement as follows:

	2014 ----- (Rupees in '000) -----	2013
Opening balance	653,918	553,728
Exchange adjustments	(24,420)	39,681
<b>Charge / (reversals)</b>		
Charge for the year	<u>165,744</u>	<u>65,750</u>
Reversals	<u>-</u>	<u>(5,241)</u>
	<u>165,744</u>	<u>60,509</u>
Closing balance	<u>795,242</u>	<u>653,918</u>

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 9. INVESTMENTS

9.1 Investments by type	Note	2014			2013		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rupees in '000) -----							
<b>Held for trading securities</b>							
Market Treasury Bills		6,941,106	-	6,941,106	7,401,965	-	7,401,965
Pakistan Investment Bonds		822,818	-	822,818	-	-	-
Ordinary shares of listed companies		430,943	-	430,943	317,933	-	317,933
		8,194,867	-	8,194,867	7,719,898	-	7,719,898
<b>Available for sale securities</b>							
Market Treasury Bills		40,823,380	-	40,823,380	176,092,538	12,054,264	188,146,802
Pakistan Investment Bonds		168,005,906	20,563,460	188,569,366	65,136,963	-	65,136,963
Government of Pakistan Sukuk		9,280,698	-	9,280,698	6,186,752	-	6,186,752
Government of Pakistan Eurobonds		11,815,701	-	11,815,701	10,934,926	-	10,934,926
Ordinary shares of listed companies		16,686,985	-	16,686,985	14,157,209	-	14,157,209
Preference shares		421,087	-	421,087	436,645	-	436,645
Ordinary shares of unlisted companies		242,997	-	242,997	243,100	-	243,100
Term Finance Certificates		1,483,030	-	1,483,030	1,921,367	-	1,921,367
Foreign bonds - sovereign		14,667,408	-	14,667,408	13,388,237	-	13,388,237
Foreign bonds - others		10,903,768	-	10,903,768	11,557,116	-	11,557,116
		274,330,960	20,563,460	294,894,420	300,054,853	12,054,264	312,109,117
<b>Held to maturity securities</b>							
Market Treasury Bills		30,281,900	-	30,281,900	40,607,486	-	40,607,486
Pakistan Investment Bonds		122,713,145	-	122,713,145	38,333,967	-	38,333,967
Government of Pakistan Eurobonds		5,082,949	-	5,082,949	5,281,493	-	5,281,493
Government of Pakistan Sukuk		-	-	-	300,000	-	300,000
Term Finance Certificates		5,570,990	-	5,570,990	5,045,801	-	5,045,801
Sukuks		1,880,379	-	1,880,379	1,774,197	-	1,774,197
Participation Term Certificates		2,795	-	2,795	4,939	-	4,939
Debentures		2,266	-	2,266	2,266	-	2,266
Foreign bonds - others		217,942	-	217,942	228,454	-	228,454
Recovery note		309,708	-	309,708	324,639	-	324,639
CDC SAARC Fund		218	-	218	229	-	229
		166,062,292	-	166,062,292	91,903,471	-	91,903,471
<b>Associates</b>							
United Growth and Income Fund		3,030,136	-	3,030,136	3,030,136	-	3,030,136
UBL Liquidity Plus Fund		100,000	-	100,000	335,378	-	335,378
UBL Money Market Fund		100,000	-	100,000	100,000	-	100,000
UBL Retirement Savings Fund		120,000	-	120,000	90,000	-	90,000
UBL Principal Protected Fund - I		-	-	-	100,000	-	100,000
UBL Principal Protected Fund - II		100,000	-	100,000	100,000	-	100,000
UBL Principal Protected Fund - III		200,000	-	200,000	-	-	-
UBL Government Securities Fund		1,600,000	-	1,600,000	100,000	-	100,000
UBL Gold Fund		100,000	-	100,000	100,000	-	100,000
UBL Asset Allocation Fund		-	-	-	600,000	-	600,000
Al Ameen Islamic Cash Fund		100,000	-	100,000	100,000	-	100,000
Al Ameen Islamic Aggressive Income Fund		200,000	-	200,000	200,000	-	200,000
Al Ameen Islamic Sovereign Fund		350,000	-	350,000	350,000	-	350,000
Al Ameen Islamic Retirement Savings Fund		90,000	-	90,000	90,000	-	90,000
Al Ameen Islamic Principal Preservation Fund - I		100,000	-	100,000	100,000	-	100,000
Al Ameen Islamic Principal Preservation Fund - II		100,000	-	100,000	100,000	-	100,000
Al Ameen Islamic Principal Preservation Fund - III		100,000	-	100,000	-	-	-
Al Ameen Islamic Principal Preservation Fund - IV		100,000	-	100,000	-	-	-
Al Ameen Islamic Principal Preservation Fund - V		100,000	-	100,000	-	-	-
Al Ameen Islamic Asset Allocation Fund		100,000	-	100,000	100,000	-	100,000
UBL Insurers Limited		240,000	-	240,000	240,000	-	240,000
Khushhali Bank Limited		832,485	-	832,485	832,485	-	832,485
Oman United Exchange Company, Muscat		6,981	-	6,981	6,981	-	6,981
DHA Cogen Limited	9.7	-	-	-	-	-	-
		7,769,602	-	7,769,602	6,674,980	-	6,674,980
<b>Subsidiaries</b>							
United National Bank Limited (UBL UK)	9.8	2,855,223	-	2,855,223	1,482,011	-	1,482,011
UBL (Switzerland) AG		589,837	-	589,837	589,837	-	589,837
UBL Fund Managers Limited		100,000	-	100,000	100,000	-	100,000
UBL Bank (Tanzania) Limited		1,322,014	-	1,322,014	1,322,014	-	1,322,014
United Executors and Trustees Company Ltd.		30,100	-	30,100	30,100	-	30,100
		4,897,174	-	4,897,174	3,523,962	-	3,523,962
		461,254,895	20,563,460	481,818,355	409,877,164	12,054,264	421,931,428
Provision for diminution in value of investments	9.3	(1,725,669)	-	(1,725,669)	(1,476,109)	-	(1,476,109)
<b>Investments - net of provision</b>		459,529,226	20,563,460	480,092,686	408,401,055	12,054,264	420,455,319
Surplus / (deficit) on revaluation of available for sale securities	21.2	16,517,995	764,569	17,282,564	3,333,337	(5,016)	3,328,321
Deficit on revaluation of held for trading securities	9.4	(41,248)	-	(41,248)	(6,390)	-	(6,390)
<b>Total investments</b>		476,005,973	21,328,029	497,334,002	411,728,002	12,049,248	423,777,250

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>9.2 Investments by segment</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		62,612,754	209,957,884
Pakistan Investment Bonds		312,105,329	103,470,930
Government of Pakistan Sukuk		9,280,698	6,486,752
Government of Pakistan Eurobonds		16,898,650	16,216,419
		400,897,431	336,131,985
<b>Foreign Securities</b>			
Market Treasury Bills		15,433,632	26,198,369
Sovereign bonds		14,667,408	13,388,237
CDC SAARC Fund		218	229
Recovery note		309,708	324,639
Other bonds		11,121,710	11,785,570
		41,532,676	51,697,044
<b>Ordinary shares</b>			
Listed companies		17,117,928	14,475,142
Unlisted companies		242,997	243,100
		17,360,925	14,718,242
<b>Preference shares</b>			
		421,087	436,645
<b>Term Finance Certificates</b>			
Listed		1,256,834	2,389,091
Unlisted		5,797,186	4,578,077
		7,054,020	6,967,168
<b>Sukuks</b>			
		1,880,379	1,774,197
<b>Debentures</b>			
		2,266	2,266
<b>Participation Term Certificates</b>			
		2,795	4,939
<b>Investments in subsidiaries and associates</b>			
		12,666,776	10,198,942
<b>Total investments at cost</b>			
		481,818,355	421,931,428
Provision for diminution in value of investments	9.3	(1,725,669)	(1,476,109)
<b>Investments - net of provision</b>			
		480,092,686	420,455,319
Surplus on revaluation of available for sale securities	21.2	17,282,564	3,328,321
Deficit on revaluation of held for trading securities	9.4	(41,248)	(6,390)
<b>Total investments</b>			
		497,334,002	423,777,250

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	2014 ----- (Rupees in '000) -----	2013
<b>9.3 Provision for diminution in value of investments</b>		
<b>9.3.1</b> Opening balance	1,476,109	1,412,174
Exchange adjustments	(35,488)	58,064
<b>Charge / (reversals)</b>		
Charge for the year	364,234	63,589
Reversals	(37,268)	(57,718)
	326,966	5,871
Reversed on disposal	(41,918)	-
Closing balance	1,725,669	1,476,109
<b>9.3.2 Provision for diminution in value of investments by type</b>		
<b>Available for sale securities</b>		
Ordinary shares of listed companies	432,263	373,026
Ordinary shares of unlisted companies	132,702	122,437
Term Finance Certificates	97,616	97,616
Foreign bonds	41,569	43,572
Preference shares	330,109	343,871
	1,034,259	980,522
<b>Held to maturity securities</b>		
Term Finance Certificates	69,872	57,337
Sukuks	88,827	106,406
Foreign bonds	217,942	-
Recovery note	309,708	324,639
Participation Term Certificates	2,795	4,939
Debentures	2,266	2,266
	691,410	495,587
	1,725,669	1,476,109
<b>9.3.3 Provision for diminution in value of investments by segment</b>		
<b>Equity securities</b>		
Listed companies	432,263	373,026
Unlisted companies	132,702	122,437
Preference shares	330,109	343,871
	895,074	839,334
<b>Debt securities</b>		
Term Finance Certificates	167,488	154,953
Sukuks	88,827	106,406
Recovery note	309,708	324,639
Foreign bonds	259,511	43,572
Participation Term Certificates	2,795	4,939
Debentures	2,266	2,266
	830,595	636,775
	1,725,669	1,476,109
<b>9.4 Unrealized (loss) / gain on revaluation of held for trading securities</b>		
Market Treasury Bills	3,971	(1,110)
Pakistan Investment Bonds	5,836	-
Ordinary shares of listed companies	(51,055)	(5,280)
	(41,248)	(6,390)

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

- 9.5 Investments include securities which are held by the Bank to comply with the statutory liquidity requirements as set out under Section 29 of the Banking Companies Ordinance, 1962.
- 9.6 Investments include Rs. 282.000 million (2013: Rs. 282.000 million) held by the SBP and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5 million (2013 Rs. 5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.
- 9.7 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.
- 9.8 During the year, consequent to a rights issue by UBL UK, the Bank invested a further Rs. 1,373 million as tier I capital in UBL UK. This being a right issue subscribed by both shareholders, has not affected the Bank's holding in UBL UK which remains at 55%.
- 9.9 Information relating to investments required to be disclosed as part of the financial statements under the SBP's BSD Circular No. 4 dated February 17, 2006, and details in respect of the quality of available for sale securities are disclosed in Annexure 'A' which forms an integral part of these unconsolidated financial statements.

10. ADVANCES	Note	Performing		Non-performing		Total	
		2014	2013	2014	2013	2014	2013
----- (Rupees in '000) -----							
<b>Loans, cash credits, running finances, etc.</b>							
In Pakistan	10.2	271,903,265	229,406,045	41,759,622	40,121,889	313,662,887	269,527,934
Outside Pakistan		105,856,326	109,460,137	9,268,089	9,752,108	115,124,415	119,212,245
		377,759,591	338,866,182	51,027,711	49,873,997	428,787,302	388,740,179
<b>Bills discounted and purchased</b>							
Payable in Pakistan		21,763,958	27,101,200	2,825,052	2,756,062	24,589,010	29,857,262
Payable outside Pakistan		26,622,008	18,151,641	-	-	26,622,008	18,151,641
		48,385,966	45,252,841	2,825,052	2,756,062	51,211,018	48,008,903
<b>Advances - gross</b>		<b>426,145,557</b>	<b>384,119,023</b>	<b>53,852,763</b>	<b>52,630,059</b>	<b>479,998,320</b>	<b>436,749,082</b>
Provision against advances	10.4						
- Specific		-	-	(43,714,188)	(44,096,739)	(43,714,188)	(44,096,739)
- General		(2,020,082)	(1,838,881)	-	-	(2,020,082)	(1,838,881)
		(2,020,082)	(1,838,881)	(43,714,188)	(44,096,739)	(45,734,270)	(45,935,620)
<b>Advances - net of provision</b>		<b>424,125,475</b>	<b>382,280,142</b>	<b>10,138,575</b>	<b>8,533,320</b>	<b>434,264,050</b>	<b>390,813,462</b>
----- (Rupees in '000) -----							
		Performing		Non-performing		Total	
		2014	2013	2014	2013	2014	2013
----- (Rupees in '000) -----							
<b>10.1 Particulars of advances - gross</b>							
10.1.1 In local currency		286,717,916	248,907,872	44,245,411	42,516,403	330,963,327	291,424,275
In foreign currencies		139,427,641	135,211,151	9,607,352	10,113,656	149,034,993	145,324,807
		426,145,557	384,119,023	53,852,763	52,630,059	479,998,320	436,749,082
10.1.2 Short term		264,911,118	237,327,089	-	-	264,911,118	237,327,089
Long term		161,234,439	146,791,934	53,852,763	52,630,059	215,087,202	199,421,993
		426,145,557	384,119,023	53,852,763	52,630,059	479,998,320	436,749,082

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

**10.2** Non-performing advances include gross advances of Rs.11,089.290 million (2013: Rs.12,541.082 million) and advances net of provision of Rs.3,669.171 million (2013: Rs.1,697.164 million) which, though restructured and performing, have been placed under non-performing status as required by the Prudential Regulations issued by the SBP.

**10.3** Advances include Rs. 53,853 million (2013: Rs. 52,630 million) which have been placed under non-performing status as detailed below:

Category of classification	2014								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially									
Mentioned *	114,459	-	114,459	650	-	650	650	-	650
Substandard	4,419,940	623,812	5,043,752	284,598	34,891	319,489	284,598	34,891	319,489
Doubtful	1,018,729	1,956,548	2,975,277	499,788	851,273	1,351,061	499,788	851,273	1,351,061
Loss	39,031,546	6,687,729	45,719,275	36,961,605	5,081,383	42,042,988	36,961,605	5,081,383	42,042,988
	<u>44,584,674</u>	<u>9,268,089</u>	<u>53,852,763</u>	<u>37,746,641</u>	<u>5,967,547</u>	<u>43,714,188</u>	<u>37,746,641</u>	<u>5,967,547</u>	<u>43,714,188</u>

Category of classification	2013								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially									
Mentioned *	100,063	-	100,063	640	-	640	640	-	640
Substandard	1,876,334	1,622,940	3,499,274	310,902	406,299	717,201	310,902	406,299	717,201
Doubtful	1,526,948	1,860,661	3,387,609	206,431	1,345,232	1,551,663	206,431	1,345,232	1,551,663
Loss	39,374,606	6,268,507	45,643,113	37,250,604	4,576,631	41,827,235	37,250,604	4,576,631	41,827,235
	<u>42,877,951</u>	<u>9,752,108</u>	<u>52,630,059</u>	<u>37,768,577</u>	<u>6,328,162</u>	<u>44,096,739</u>	<u>37,768,577</u>	<u>6,328,162</u>	<u>44,096,739</u>

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

### 10.4 Particulars of provision against advances

Note	2014						2013		
	Specific	General	Total	Specific	General	Total			
	(Rupees in '000)								
Opening balance	44,096,739	1,838,881	45,935,620	43,463,810	1,262,832	44,726,642			
Exchange adjustments	(291,491)	(70,688)	(362,179)	430,425	94,114	524,539			
<b>Charge / (reversals)</b>									
Charge for the year	3,422,828	257,369	3,680,197	4,934,316	526,281	5,460,597			
Reversals	(3,459,603)	(5,480)	(3,465,083)	(4,393,152)	(12,378)	(4,405,530)			
	(36,775)	251,889	215,114	541,164	513,903	1,055,067			
Transfers in - net	225,125	-	225,125	754,617	(31,968)	722,649			
Amounts written off	(279,410)	-	(279,410)	(1,093,277)	-	(1,093,277)			
Closing balance	<u>43,714,188</u>	<u>2,020,082</u>	<u>45,734,270</u>	<u>44,096,739</u>	<u>1,838,881</u>	<u>45,935,620</u>			

**10.4.1** General provision represents provision amounting to Rs. 252.740 million (2013: Rs. 252.592 million) against consumer finance portfolio and Rs. 32.942 million (2013: Rs. 32.942 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 1,686.400 million (2013: Rs.1,505.347 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches operate. General provisions also include an amount of Rs. 48.000 million (2013: Rs. 48.000 million) which the Bank carries as a matter of prudence given the current economic environment, and is based on management estimates.

**10.4.2** The Bank has availed the benefit of Forced Sale Value (FSV) of 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. 922.746 million (2013: Rs. 1,354.730 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

### 10.4.3 Particulars of provision against advances

	2014						2013		
	Specific	General	Total	Specific	General	Total			
	(Rupees in '000)								
In local currency	37,407,379	333,682	37,741,061	37,408,028	333,534	37,741,562			
In foreign currencies	6,306,809	1,686,400	7,993,209	6,688,711	1,505,347	8,194,058			
	<u>43,714,188</u>	<u>2,020,082</u>	<u>45,734,270</u>	<u>44,096,739</u>	<u>1,838,881</u>	<u>45,935,620</u>			

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>10.5 Particulars of write-offs</b>			
<b>10.5.1</b> Against provisions	10.4	279,410	1,093,277
Directly charged to profit and loss account		174,150	181,724
		<u>453,560</u>	<u>1,275,001</u>
<b>10.5.2</b> Write-offs of Rs.500,000 and above	10.6	309,943	1,124,571
Write-offs below Rs.500,000		143,617	150,430
		<u>453,560</u>	<u>1,275,001</u>

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2014 is given in Annexure 'B' to the unconsolidated financial statements. This includes amounts charged off without prejudice to the Bank's right to recovery.

	Note	2014 ----- (Rupees in '000) -----	2013
<b>10.7 Particulars of loans and advances to executives, Directors, associated companies etc.</b>			
Balance at the beginning of the year		5,096,297	14,082,528
Loans granted during the year		15,453,486	10,687,642
Repayments made during the year		(6,351,480)	(21,829,022)
		9,102,006	(11,141,380)
Transfer in		-	2,155,149
Balance at the end of the year		<u>14,198,303</u>	<u>5,096,297</u>

### 11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	2,974,574	1,916,346
Property and equipment	11.2	26,093,356	21,370,720
Intangible assets	11.3	1,235,440	1,320,871
		<u>30,303,370</u>	<u>24,607,937</u>

#### 11.1 Capital work-in-progress

Civil works	11.1.1	2,456,442	1,298,110
Equipment		454,957	354,703
Software		51,003	236,528
Advances to suppliers and contractors		12,172	27,005
		<u>2,974,574</u>	<u>1,916,346</u>

**11.1.1** This includes Rs.1,757.236 million (2013: Rs.1,223.088 million) in respect of construction of the Head Office building.

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 11.2 Property and equipment

Note	2014											Annual rate of depreciation %
	Cost / Revaluation					Accumulated Depreciation					Net book value at December 31, 2014	
	At January 1, 2014	Additions / (deletions)	Surplus on revaluation / (reversal of accumulated depreciation)	Exchange / Other adjustments	At December 31, 2014	At January 1, 2014	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	Exchange / Other adjustments	At December 31, 2014		
(Rupees in '000)												
<b>Owned</b>												
Freehold land	3,041,776	-	2,020,466	-	5,062,242	-	-	-	-	-	5,062,242	-
Leasehold land	11,808,133	-	3,022,262 (291,672)	(72)	14,538,651	293,019	-	(291,672)	(62)	1,285	14,537,366	-
Buildings on freehold land	447,991	-	498,828 (97,454)	-	849,365	75,054	22,400	(97,454)	-	-	849,365	5
Buildings on leasehold land	2,122,480	80,100	(394,736) (540,188)	(559)	1,267,097	432,649	110,254	(540,188)	(103)	2,612	1,264,485	5
Leasehold Improvements	2,593,983	159,807 (8,270)	-	(33,635) (26,510)	2,685,375	1,236,236	254,468 (6,557)	-	(27,284)	1,456,863	1,228,512	10 - 20
Furniture and fixtures	1,210,323	74,314 (22,792)	-	(11,131)	1,250,714	766,976	96,057 (21,722)	-	(10,788)	830,523	420,191	10 - 25
Electrical, office and computer equipment	7,210,208	841,676 (236,031)	-	(67,932)	7,747,921	5,311,079	883,341 (233,683)	-	(62,658)	5,898,079	1,849,842	20 - 33.33
Vehicles	412,134	65,099 (35,079)	-	(2,894)	439,260	228,552	65,323 (27,346)	-	(2,281)	264,248	175,012	20 - 25
<b>Assets under operating lease</b>												
Ijarah assets	11.8 1,368,900	385,836 (642,261)	-	(12,364)	1,100,111	501,643	194,212 (302,085)	-	-	393,770	706,341	20 - 33.33
<b>2014</b>	<b>30,215,928</b>	<b>1,606,832 (944,433)</b>	<b>5,146,820 (929,314)</b>	<b>(128,587) (26,510)</b>	<b>34,940,736</b>	<b>8,845,208</b>	<b>1,626,055 (591,393)</b>	<b>(929,314)</b>	<b>(103,176)</b>	<b>8,847,380</b>	<b>26,093,356</b>	
2013												
Note	Cost / Revaluation					Accumulated Depreciation					Net book value at December 31, 2013	Annual rate of depreciation %
	At January 1, 2013	Additions / (deletions)	Surplus on revaluation / (reversal of accumulated depreciation)	Exchange / Other adjustments	At December 31, 2013	At January 1, 2013	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	Exchange / Other adjustments	At December 31, 2013		
(Rupees in '000)												
<b>Owned</b>												
Freehold land	3,041,776	-	-	-	3,041,776	-	-	-	-	-	3,041,776	-
Leasehold land	11,808,012	-	-	121	11,808,133	292,914	-	-	105	293,019	11,515,114	-
Buildings on freehold land	435,089	12,902	-	-	447,991	52,923	22,131	-	-	75,054	372,937	5
Buildings on leasehold land	2,121,536	-	-	944	2,122,480	327,484	104,966	-	199	432,649	1,689,831	5
Leasehold Improvements	2,244,484	309,790	-	39,709	2,593,983	977,897	231,610	-	26,729	1,236,236	1,357,747	10 - 20
Furniture and fixtures	1,096,450	100,031 (3,011)	-	16,853	1,210,323	668,001	87,463 (2,766)	-	14,278	766,976	443,347	10 - 25
Electrical, office and computer equipment	6,124,831	1,041,446 (43,971)	-	87,902	7,210,208	4,416,537	856,599 (42,933)	-	80,876	5,311,079	1,899,129	20 - 33.33
Vehicles	393,961	47,044 (33,481)	-	4,610	412,134	195,201	60,971 (31,018)	-	3,398	228,552	183,582	20 - 25
<b>Assets under operating lease</b>												
Ijarah assets	11.8 1,399,397	360,857 (394,956)	-	3,602	1,368,900	416,934	334,944 (250,235)	-	-	501,643	867,257	20 - 33.33
<b>2013</b>	<b>28,665,536</b>	<b>1,872,070 (475,419)</b>	<b>-</b>	<b>153,741</b>	<b>30,215,928</b>	<b>7,347,891</b>	<b>1,698,684 (326,952)</b>	<b>-</b>	<b>125,585</b>	<b>8,845,208</b>	<b>21,370,720</b>	



# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 11.3 Intangible assets

	2014				2013				Net book value at December 31, 2014	Annual rate of amortisation %
	At January 1, 2014	Additions / (deletions)	Exchange / other adjustments	At December 31, 2014	At January 1, 2013	Additions / (deletions)	Exchange / other adjustments	At December 31, 2013		
	(Rupees in '000)				(Rupees in '000)					
Software	3,248,829	338,058 (1,376)	(13,605) -	3,571,906	1,927,958	420,724 (1,376)	(10,840) -	2,336,466	1,235,440	10 - 33.33
	(Rupees in '000)				(Rupees in '000)					
Software	2,942,210	306,679 (8)	(52) -	3,248,829	1,510,016	420,243 (8)	(2,293) -	1,927,958	1,320,871	10 - 33.33

### 11.4 Revaluation of properties

During the year, the properties of the Bank were revalued by independent professional valuers. The revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited, M/s. Sadruddin Associates, M/s. Engineering Pakistan International (Private) Limited and M/s. Indus Surveyors (Private) Limited on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs. 5,146.820 million. The total surplus arising against the revaluation of fixed assets as at December 31, 2014 amounts to Rs. 20,271.107 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31 would have been as follows:

	2014	2013
	(Rupees in '000)	
Freehold land	782,581	782,581
Leasehold land	196,208	196,217
Buildings on freehold land	196,296	208,414
Buildings on leasehold land	267,266	204,724
<b>11.5</b> Carrying amount of temporarily idle property of the Bank	<u>81,790</u>	<u>73,331</u>
<b>11.6</b> The cost of fully depreciated assets still in use		
Furniture and fixtures	241,733	233,351
Electrical, office and computer equipment	3,327,498	2,938,165
Vehicles	84,030	72,448
	<u>3,653,261</u>	<u>3,243,964</u>

### 11.7 Details of disposal of operating fixed assets

The information relating to operating fixed assets disposed off during the year is given in Annexure 'C' and is an integral part of these unconsolidated financial statements.

### 11.8 The Islamic Banking branches of the Bank enter into Ijarah transactions with customers, mainly in respect of property, plant and equipment and vehicles.

The Ijarah payments receivable from customers for each of the following periods under the terms of the respective arrangements are given below:

	2014	2013
	(Rupees in '000)	
Not later than one year	439,460	440,815
Later than one year but not later than five years	371,303	617,905
Later than five years	-	-
	<u>810,763</u>	<u>1,058,720</u>

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>12. OTHER ASSETS</b>			
Income / mark-up accrued in local currency		23,279,424	11,305,250
Income / mark-up accrued in foreign currency		3,934,801	3,414,127
		27,214,225	14,719,377
Advance taxation - net of provision for taxation	12.1	7,175,204	6,331,390
Receivable from staff retirement fund		88,862	58,964
Receivable on account of encashment of savings certificates		1,740	6,862
Receivable in respect of derivative transactions		18,033	18,033
Receivable from other banks against telegraphic transfers and demand drafts		1,073,198	2,300,968
Unrealized gain on forward foreign exchange contracts		1,351,693	1,940,981
Rebate receivable - net		1,968,361	1,070,602
Unrealized gain on derivative financial instruments	19.3.1 & 23.2	298,443	344,712
Advance against Murabaha		834,246	17,498
Advance against Ijarah assets		96,285	27,110
Suspense accounts		136,867	280,614
Stationery and stamps on hand		199,269	177,636
Non banking assets acquired in satisfaction of claims	12.2	1,527,057	1,236,996
Advances, deposits, advance rent and other prepayments		824,893	902,585
Others		1,746,224	1,911,469
		44,554,600	31,345,797
Provision held against other assets	12.3	(4,487,133)	(4,029,132)
Other assets (net of provisions)		40,067,467	27,316,665

- 12.1** The Income Tax returns of the Bank have been filed up to the tax year 2014 (accounting year ended December 31, 2013) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2014, and created additional tax demands of Rs.11,559 million (including disallowances of provisions made prior to Seventh Schedule), 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.

Under the Seventh Schedule to the Ordinance, banks are allowed to claim provisions against advances up to 5% of total advances for consumer and small and medium enterprises and up to 1% of total advances for remaining advances. Amounts above these limits are allowed to be claimed in future years. The Bank has booked a deferred tax asset of Rs.1,350 million (December 31, 2013: Rs.2,365 million) in respect of provisions in excess of the above mentioned limits.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2013 (financial year 2012) 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 Exercise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2013. Consequently various addbacks and demands were raised creating a total demand of Rs. 994 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 overseas branches have been filed upto the year ended December 31, 2013 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

12.2 The market value of non banking assets acquired in satisfaction of claims is Rs.1,563.573 million (2013: Rs.1,238.049 million).

Note	2014	2013
	----- (Rupees in '000) -----	
12.3 <b>Provision against other assets</b>		
Opening balance	4,029,132	3,645,930
Exchange adjustments	(107,308)	157,437
<b>Charge / (reversals)</b>		
Charge for the year	85,364	49,947
Reversals	-	(23,737)
29	85,364	26,210
Transfers in - net	727,291	975,001
Amounts written off	(247,346)	(775,446)
Closing balance	<u>4,487,133</u>	<u>4,029,132</u>

### 13. CONTINGENT ASSETS

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

Note	2014	2013
	----- (Rupees in '000) -----	

### 14. BILLS PAYABLE

In Pakistan	9,143,228	16,167,273
Outside Pakistan	410,357	423,611
	<u>9,553,585</u>	<u>16,590,884</u>

### 15. BORROWINGS

In Pakistan	46,973,252	33,589,496
Outside Pakistan	6,091,904	6,984,378
	<u>53,065,156</u>	<u>40,573,874</u>

#### 15.1 Particulars of borrowings

In local currency	42,308,571	29,903,135
In foreign currencies	10,756,585	10,670,739
	<u>53,065,156</u>	<u>40,573,874</u>

#### 15.2 Details of borrowings

##### Secured

Borrowings from the State Bank of Pakistan under:

Export refinance scheme	15.3	14,267,463	10,835,330
Refinance facility for modernization of SME	15.4	33,591	40,795
Long term financing facility	15.5	6,461,411	5,950,207
Long term financing under export oriented projects	15.6	173,925	423,958
		20,936,390	17,250,290
Repurchase agreement borrowings	15.7	21,269,642	12,042,846
		42,206,032	29,293,136

##### Unsecured

Call borrowings	15.8	4,217,499	5,033,830
Overdrawn nostro accounts		297,173	456,008
Trading liabilities		102,539	-
Other borrowings	15.9	6,241,913	5,790,900
		10,859,124	11,280,738
		<u>53,065,156</u>	<u>40,573,874</u>

15.3 The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within six months, latest by June 2015. These carry mark-up at a rate of 6.50% per annum (2013: 8.40% per annum).

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

- 15.4** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable within a period ranging from 3 years to 10 years, latest by October 2019 and carry mark-up at a rate of 6.25% per annum (2013: 6.25% per annum).
- 15.5** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years, latest by December 2024. These carry mark-up at rates ranging from 6.00% to 10.10% per annum (2013: 6.50% to 10.10% per annum).
- 15.6** These borrowings have been obtained from the SBP for providing financing facilities for import of machinery, plant, equipment and accessories thereof by export oriented units. These carry mark-up at a rate ranging from 5.00% to 6.00% per annum (2013: 5.00% per annum) and are repayable latest by July 2016.
- 15.7** These repurchase agreement borrowings are secured against Pakistan Investment Bonds and carry mark-up at rates ranging from 9.50% to 9.60% per annum (2013: Market Treasury Bills carrying markup rates ranging from 9.95% to 10.00% per annum). These borrowings are repayable latest by January 2015. The carrying value of securities given as collateral against these borrowings is given in note 9.1.
- 15.8** These are unsecured borrowings carrying mark-up at rates ranging from 0.25% to 0.70% per annum (2013: 0.19% to 10.00% per annum), and are repayable latest by March 2015.
- 15.9** These borrowings carry mark-up at rates ranging from 2.23% to 4.25% per annum (2013: 2.28% to 4.58% per annum), and are repayable latest by March 2016.

<b>16. DEPOSITS AND OTHER ACCOUNTS</b>	<b>2014</b>	<b>2013</b>
	----- (Rupees in '000) -----	
<b>Customers</b>		
Fixed deposits	224,072,873	231,663,187
Savings deposits	313,007,411	278,705,006
Sundry deposits	7,323,725	7,083,484
Margin deposits	6,683,291	5,448,770
Current accounts - remunerative	10,267,464	10,493,768
Current accounts - non-remunerative	316,074,790	278,364,577
	<u>877,429,554</u>	<u>811,758,792</u>
<b>Financial Institutions</b>		
Remunerative deposits	13,920,093	11,692,591
Non-remunerative deposits	3,733,406	4,396,355
	<u>17,653,499</u>	<u>16,088,946</u>
	<u>895,083,053</u>	<u>827,847,738</u>
<b>16.1 Particulars of deposits and other accounts</b>		
In local currency	653,890,830	578,773,906
In foreign currencies	241,192,223	249,073,832
	<u>895,083,053</u>	<u>827,847,738</u>

### 17. SUBORDINATED LOANS - UNSECURED

	Issue date	Tenor	Rate % per annum	Maturity	Frequency of principal redemption	2014	2013
	----- (Rupees in '000) -----						
Term Finance Certificates - III	September 2006	8 years	6 months KIBOR+1.70%	September 2014	Semi Annual	-	665,328

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>18. DEFERRED TAX LIABILITY - NET</b>			
Deferred tax liability - net	18.1	<u>1,899,345</u>	<u>1,087,240</u>

### 18.1 Movement in temporary differences during the year

	2014			
	At January 1, 2014	Recognised in profit and loss account	Others	At December 31, 2014
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Workers' Welfare Fund	174,912	58,865	-	233,777
- Cash flow hedge reserve	1,738	-	(1,738)	-
- Provision against off balance sheet items, post retirement employee benefits and advances	5,534,893	(624,147)	20,902	4,931,648
	<u>5,711,543</u>	<u>(565,282)</u>	<u>19,164</u>	<u>5,165,425</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,034,686)	36,060	4,421,025	(577,601)
- Surplus on revaluation of investments	(1,164,912)	-	(4,883,986)	(6,048,898)
- Ijarah financing	(14,371)	14,371	-	-
- Accelerated tax depreciation	(584,814)	146,543	-	(438,271)
	<u>(6,798,783)</u>	<u>196,974</u>	<u>(462,961)</u>	<u>(7,064,770)</u>
	<u>(1,087,240)</u>	<u>(368,308)</u>	<u>(443,797)</u>	<u>(1,899,345)</u>

	2013			
	At January 1, 2013	Recognised in profit and loss account	Others	At December 31, 2013
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Workers' Welfare Fund	185,888	(10,976)	-	174,912
- Cash flow hedge reserve	11,306	-	(9,568)	1,738
- Provision against off balance sheet items, post retirement employee benefits and advances	6,345,895	(886,769)	75,767	5,534,893
	<u>6,543,089</u>	<u>(897,745)</u>	<u>66,199</u>	<u>5,711,543</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,070,497)	36,130	(319)	(5,034,686)
- Surplus on revaluation of investments	(1,764,610)	-	599,698	(1,164,912)
- Ijarah financing	(14,371)	-	-	(14,371)
- Accelerated tax depreciation	(550,139)	(34,675)	-	(584,814)
	<u>(7,399,617)</u>	<u>1,455</u>	<u>599,379</u>	<u>(6,798,783)</u>
	<u>(856,528)</u>	<u>(896,290)</u>	<u>665,578</u>	<u>(1,087,240)</u>

**18.2** The Bank had recognised deferred tax liability on surplus arising on revaluation of land based on the view that gain arising on ultimate sale of land will be taxable event. During the current year, based on the professional legal advice, management has concluded that sale of land by the Bank will not attract tax consequence under the local laws. Accordingly, the related deferred tax liability has been reversed.

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>19. OTHER LIABILITIES</b>			
Mark-up / return / interest payable in local currency		11,348,105	10,377,575
Mark-up / return / interest payable in foreign currency		728,337	903,738
		12,076,442	11,281,313
Accrued expenses		4,453,341	2,921,156
Branch adjustment account		839,091	629,933
Payable against purchase of securities		-	119,827
Payable under severance scheme		32,563	32,563
Deferred income		578,900	625,532
Unearned commission and income on bills discounted		448,114	153,886
Provision against off - balance sheet obligations	19.1	649,102	619,397
Unrealized loss on forward foreign exchange contracts		2,017,996	1,869,735
Payable to staff retirement fund	36.4	78,172	152,441
Deferred liabilities	19.2	3,001,863	2,717,387
Unrealized loss on derivative financial instruments	19.3.1 & 23.2	104,259	150,602
Workers' Welfare Fund payable		667,931	499,746
Insurance payable against consumer assets		160,274	103,700
Dividend payable		566,787	89,404
Others		621,681	92,968
		26,296,516	22,059,590
<b>19.1 Provision against off - balance sheet obligations</b>			
Opening balance		619,397	621,134
Exchange adjustments		(503)	342
Charge during the year	29	35,708	-
Transfer out - net		(5,500)	(2,079)
		649,102	619,397
<b>19.2 Deferred liabilities</b>			
Provision for post retirement medical benefits	36.4	1,084,100	930,955
Provision for compensated absences		1,362,050	1,275,654
Deferred liability for outsourced services		154,754	110,690
Deferred liability - overseas		400,959	400,088
		3,001,863	2,717,387

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 19.3 Unrealized gain / (loss) on derivative financial instruments - net

	Note	Contract / notional amount		Unrealized gain / (loss)	
		2014	2013	2014	2013
----- (Rupees in '000) -----					
- Interest rate swaps		4,511,816	5,723,576	82,668	88,555
- Cross currency swaps		5,934,000	10,550,240	104,566	105,555
- FX options		380,086	-	-	-
- Forward purchase contracts of government securities		1,329,394	-	15,680	-
- Forward sale contracts of government securities		906,201	-	(8,730)	-
19.3.1		<u>13,061,497</u>	<u>16,273,816</u>	<u>194,184</u>	<u>194,110</u>

### 19.3.1 Unrealized gain / (loss) on derivative financial instruments - net

	Note	2014	2013
----- (Rupees in '000) -----			
Unrealized gain on derivative financial instruments	12	298,443	344,712
Unrealized loss on derivative financial instruments	19	(104,259)	(150,602)
	23.2	<u>194,184</u>	<u>194,110</u>

## 20. SHARE CAPITAL

### 20.1 Authorized Capital

2014	2013		2014	2013
(Number of shares)			(Rupees in '000)	
<u>2,000,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs.10 each	<u>20,000,000</u>	<u>20,000,000</u>

### 20.2 Issued, subscribed and paid-up capital

2014	2013		2014	2013
(Number of shares)		Fully paid-up ordinary shares of Rs.10 each	(Rupees in '000)	
518,000,000	518,000,000	Issued for cash	5,180,000	5,180,000
<u>706,179,687</u>	<u>706,179,687</u>	Issued as bonus shares	<u>7,061,798</u>	<u>7,061,798</u>
<u>1,224,179,687</u>	<u>1,224,179,687</u>		<u>12,241,798</u>	<u>12,241,798</u>

**20.3** In 2007, the Bank was admitted to the official list of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depository Receipts (GDRs), each representing four ordinary shares issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.

Holders of GDRs are entitled, subject to the provisions of the depository agreement, to receive dividends, if any, and rank pari passu with other equity shareholders in respect of such entitlement. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the ordinary shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited ordinary shares in respect of which the GDRs were issued may be withdrawn by the GDR holders from the depository facility. Upon withdrawal, the holders will rank pari passu with other ordinary shareholders in respect of voting powers. As at December 31, 2014, 485,237 (2013: 32,060,348) GDRs, representing 1,940,950 (2013: 128,241,394) shares were in issue.

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

Name of shareholder	2014		2013	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Bestway (Holdings) Limited	631,728,895	51.60%	467,611,120	38.20%
State Bank of Pakistan	-	-	238,567,381	19.49%
Bestway Cement Limited	93,649,744	7.65%	93,649,744	7.65%
Sir Mohammed Anwar Pervez, OBE, HPK	12,442,568	1.02%	62,433,163	5.10%

As at December 31, 2014, Bestway Group (Bestway) held 61.44 % (2013: 61.38%) shareholding (including GDRs) of the Bank.

### 20.5 Shares of the Bank held by its associates

	2014	2013
----- (Number of shares) -----		
UBL Asset Allocation Fund	102,500	-
UBL Stock Advantage Fund	<u>1,984,100</u>	<u>616,000</u>
	<u>2,086,600</u>	<u>616,000</u>

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>21. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>			
Surplus arising on revaluation of assets - net of tax			
Fixed assets	21.1	19,693,506	10,193,035
Securities	21.2	11,233,666	2,163,409
		<u>30,927,172</u>	<u>12,356,444</u>
<b>21.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 1			
		15,227,721	15,330,037
Revaluation of fixed assets during the year			
Exchange adjustments		5,146,820	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(406)	912
Related deferred tax liability on incremental depreciation charged during the year	18.1	(66,968)	(67,098)
		<u>(36,060)</u>	<u>(36,130)</u>
		<u>5,043,386</u>	<u>(102,316)</u>
		20,271,107	15,227,721
Less: Related deferred tax liability on			
Revaluation as at January 1		5,034,686	5,070,497
Revaluation of fixed assets during the year		36,432	-
Reversal of deferred tax on revaluation of land	18.2	(4,457,315)	-
Exchange adjustments		(142)	319
Incremental depreciation charged on related assets	18.1	(36,060)	(36,130)
		577,601	5,034,686
		<u>19,693,506</u>	<u>10,193,035</u>
<b>21.2 Surplus / (deficit) on revaluation of available for sale securities</b>			
Market Treasury Bills			
		22,796	(147,850)
Pakistan Investment Bonds		10,550,575	(402,073)
Listed shares		5,160,199	2,767,273
Term Finance Certificates, Sukuks, other bonds etc.		(74,792)	75,680
Foreign bonds		1,623,786	1,035,291
		17,282,564	3,328,321
Related deferred tax liability	18.1	(6,048,898)	(1,164,912)
		<u>11,233,666</u>	<u>2,163,409</u>
<b>22. CONTINGENCIES AND COMMITMENTS</b>			
<b>22.1 Direct credit substitutes</b>			
Contingent liabilities in respect of guarantees given favouring			
Government		4,113,804	3,796,673
Banking companies and other financial institutions		2,479,948	2,540,111
Others		3,605,207	3,872,302
		<u>10,198,959</u>	<u>10,209,086</u>
<b>22.2 Transaction-related contingent liabilities</b>			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
Government		83,496,420	81,454,308
Banking companies and other financial institutions		4,306,447	5,364,806
Others		40,579,368	32,724,186
		<u>128,382,235</u>	<u>119,543,300</u>



# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
<b>22.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring		
Government	50,620,631	38,251,175
Others	<u>88,189,565</u>	<u>129,710,865</u>
	<u><u>138,810,196</u></u>	<u><u>167,962,040</u></u>

### 22.4 Other contingencies

Claims against the Bank not acknowledged as debts	<u>10,927,017</u>	<u>12,464,289</u>
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These mainly represent counter claims filed by the borrowers for restricting the Bank from disposal of assets (such as mortgaged / pledged assets kept as security).

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

### 22.5 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.

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
<b>22.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	<u>176,779,148</u>	<u>207,539,873</u>
Sale	<u>140,729,954</u>	<u>172,499,461</u>

### 22.7 Commitments in respect of derivatives

Interest rate swaps	<u>4,511,816</u>	<u>5,723,576</u>
Cross currency swaps	<u>5,934,000</u>	<u>10,550,240</u>
FX options - purchased	<u>190,043</u>	<u>-</u>
FX options - sold	<u>190,043</u>	<u>-</u>
Forward purchase of government securities	<u>1,329,394</u>	<u>-</u>
Forward sale of government securities	<u>906,201</u>	<u>-</u>

### 22.8 Commitments in respect of capital expenditure

	<u>1,874,447</u>	<u>1,699,696</u>
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### 22.9 For contingencies relating to taxation refer note 12.1

## 23. DERIVATIVE INSTRUMENTS

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

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

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

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

With regard to derivatives, the MRC is authorized to:

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

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

### **Derivatives risk management**

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

#### **Credit risk**

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

#### **Market risk**

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

#### **Liquidity risk**

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

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

#### **Operational risk**

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

The Bank uses a derivatives system which provides an end-to-end valuation solution, supports the routine transactional process and provides analytical tools to measure various risk exposures, carry out stress tests and sensitivity analysis.

TMO produces various reports on a periodic basis which are reviewed by senior management. These reports provide details of the derivatives business profile such as outstanding positions, profitability, risk exposures and the status of compliance with limits.

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 23.1 Product analysis

	2014															
	Interest rate swaps			Cross currency swaps			FX options			Forward purchase contracts of government securities			Forward sale contracts of government securities			Total
	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)		
<b>With banks for</b>																
Hedging	3	1,841,533	1	5,934,000	36	190,043	-	-	-	-	-	-	-	-	-	7,965,576
Market making	1	167,472	-	-	-	-	8	1,329,394	-	-	-	-	4	906,201	-	2,403,067
	4	2,009,005	1	5,934,000	36	190,043	8	1,329,394	-	-	-	4	906,201	-	-	10,368,643
<b>With other entities</b>																
Market making	4	2,502,811	-	-	36	190,043	-	-	-	-	-	-	-	-	-	2,692,854
<b>Total</b>																
Hedging	3	1,841,533	1	5,934,000	36	190,043	-	-	-	-	-	-	-	-	-	7,965,576
Market making	5	2,670,283	-	-	36	190,043	8	1,329,394	-	-	-	4	906,201	-	-	5,095,921
	8	4,511,816	1	5,934,000	72	380,086	8	1,329,394	-	-	-	4	906,201	-	-	13,061,497
	2013															
	Interest rate swaps			Cross currency swaps			FX options			Forward purchase contracts of government securities			Forward sale contracts of government securities			Total
	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)		
<b>With banks for</b>																
Hedging	3	2,331,163	-	-	-	-	-	-	-	-	-	-	-	-	-	2,331,163
Market making	1	245,757	3	10,447,400	-	-	-	-	-	-	-	-	-	-	-	10,693,157
	4	2,576,920	3	10,447,400	-	-	-	-	-	-	-	-	-	-	-	13,024,320
<b>With other entities</b>																
Market making	4	3,146,655	1	102,840	-	-	-	-	-	-	-	-	-	-	-	3,249,495
<b>Total</b>																
Hedging	3	2,331,163	-	-	-	-	-	-	-	-	-	-	-	-	-	2,331,163
Market making	5	3,392,413	4	10,550,240	-	-	-	-	-	-	-	-	-	-	-	13,942,653
	8	5,723,576	4	10,550,240	-	-	-	-	-	-	-	-	-	-	-	16,273,816

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 23.2 Maturity analysis of derivatives

Remaining maturity	2014				
	No. of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
(Rupees in '000)					
Upto 1 month	20	2,247,366	(8,730)	15,680	6,950
1 to 3 months	29	6,104,703	-	104,566	104,566
3 to 6 months	36	197,612	-	-	-
6 months to 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
2 to 3 Years	2	334,944	(4,741)	4,918	177
3 to 5 years	6	4,176,872	(90,788)	173,279	82,491
5 to 10 years	-	-	-	-	-
Above 10 years	-	-	-	-	-
	<u>93</u>	<u>13,061,497</u>	<u>(104,259)</u>	<u>298,443</u>	<u>194,184</u>

Remaining maturity	2013				
	No. of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
(Rupees in '000)					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	2	4,333,400	-	143,304	143,304
1 to 2 years	2	6,216,840	(37,749)	-	(37,749)
2 to 3 years	-	-	-	-	-
3 to 5 years	6	3,250,765	(64,419)	145,743	81,324
5 to 10 years	2	2,472,811	(48,434)	55,665	7,231
Above 10 years	-	-	-	-	-
	<u>12</u>	<u>16,273,816</u>	<u>(150,602)</u>	<u>344,712</u>	<u>194,110</u>

24. MARK-UP / RETURN / INTEREST EARNED	2014	2013
	(Rupees in '000)	
On loans and advances to customers	35,774,639	33,411,614
On lendings to financial institutions		
Call money lending	51,690	8,087
Securities purchased under resale agreements	1,095,472	416,220
Other lendings to financial institutions	552,014	474,329
	1,699,176	898,636
On investments in		
Held for trading securities	1,584,168	536,164
Available for sale securities	26,854,658	25,657,917
Held to maturity securities	16,701,528	12,246,485
	45,140,354	38,440,566
On deposits with financial institutions	121,298	95,465
	<u>82,735,467</u>	<u>72,846,281</u>
25. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	32,905,905	28,352,987
On securities sold under repurchase agreements	2,166,383	3,357,395
On other short term borrowings	2,147,080	2,208,147
On long term borrowings	549,178	991,827
	<u>37,768,546</u>	<u>34,910,356</u>

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

26. GAIN ON SALE OF SECURITIES - NET	Note	2014 ----- (Rupees in '000) -----	2013
<b>Federal government securities</b>			
Market Treasury Bills		22,396	151,918
Pakistan Investment Bonds		213,484	561,549
		<u>235,880</u>	<u>713,467</u>
<b>Ordinary shares of listed companies</b>		979,888	976,700
<b>Other securities</b>		631,263	1,086,868
		<u>1,847,031</u>	<u>2,777,035</u>
<b>27. OTHER INCOME</b>			
Charges recovered		602,284	528,259
Grant income		-	123,109
Rent on properties		147,348	135,299
Income from dealing in derivatives		531,470	211,123
Gain on sale of operating fixed assets - net		44,032	24,893
(Loss) / gain on trading liabilities - net		(6,607)	41,371
		<u>1,318,527</u>	<u>1,064,054</u>
<b>28. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances etc.	28.1	9,789,068	9,158,448
Charge for compensated absences		428,567	547,017
Medical expenses		503,661	479,832
Contribution to defined contribution plan		190,075	175,794
Charge in respect of defined benefit obligations		353,542	148,738
Rent, taxes, insurance, electricity etc.		3,925,265	3,581,455
Depreciation	11.2	1,626,055	1,698,684
Amortization	11.3	420,724	420,243
Outsourced service charges including sales commission		3,805,657	3,048,689
Communications		1,126,462	1,049,490
Banking service charges		951,853	855,650
Cash transportation charges		516,521	441,437
Stationery and printing		581,947	546,431
Legal and professional charges		239,463	292,366
Advertisement and publicity		981,855	645,169
Repairs and maintenance		1,561,590	1,179,166
Travelling		256,504	212,835
Office running expense		553,704	495,455
Vehicle expense		225,476	189,389
Entertainment		185,192	172,808
Cartage, freight and conveyance		88,467	85,699
Insurance expense		84,842	142,846
Auditors' remuneration	28.2	44,652	51,902
Training and seminars		85,266	80,447
Brokerage expenses		40,107	44,557
Subscriptions		73,104	69,726
Donations	28.3	111,705	76,990
Non-executive Directors' fees		39,926	33,915
Zakat paid by overseas branch		89,508	98,257
Miscellaneous expenses		149,616	22,006
		<u>29,030,374</u>	<u>26,045,441</u>

**28.1** This includes accrual of employee benefits in the form of awards / bonus to all permanent staff including the Chief Executive Officer and is determined on the basis of employees' evaluation and the Bank's performance during the year. The aggregate benefit determined in respect of all permanent staff amounted to Rs.1,239.721 million (2013: Rs.929.238 million).

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 28.2 Auditors' remuneration

	2014			Total
	KPMG Taseer Hadi & Co.	A. F. Ferguson & Co.	Overseas Auditors	
	----- (Rupees in '000) -----			
Audit fee	6,778	6,778	24,829	38,385
Fee for audit of EPZ branch	250	-	-	250
Fee for other certifications	3,675	-	-	3,675
Out of pocket expenses	2,099	167	76	2,342
	<u>12,802</u>	<u>6,945</u>	<u>24,905</u>	<u>44,652</u>
	----- (Rupees in '000) -----			
	2013			Total
	KPMG Taseer Hadi & Co.	BDO Ebrahim & Co.	Overseas Auditors	
	----- (Rupees in '000) -----			
Audit fee	6,455	6,455	34,011	46,921
Fee for audit of EPZ branch	250	-	-	250
Fee for other certifications	-	2,783	-	2,783
Out of pocket expenses	408	1,518	22	1,948
	<u>7,113</u>	<u>10,756</u>	<u>34,033</u>	<u>51,902</u>

### 28.3 Details of donations

	2014	2013
	----- (Rupees in '000) -----	
<b>Donations individually exceeding Rs.0.1 million</b>		
Forman Christian College	35,000	10,000
Institute of Business Administration	20,000	100
Gulab Devi Chest Hospital	10,000	10,000
Karachi Education Initiative	10,000	-
Chief Minister's Relief Fund For IDP's of North Waziristan	10,000	-
Indus Earth Trust	5,036	-
Shalamar Hospital	5,000	5,000
Army Relief Fund for IDPS	5,000	-
Hisar Foundation	2,500	2,290
Tameer School Project	2,500	-
The Citizens Foundation	2,150	12,545
Marie Adelaide Leprosy Centre	1,050	850
Aga Khan Hospital and Medical College	1,000	-
Al-Mehrab Tibbi Imdad	1,000	1,000
Family Welfare Maternity & General Hospital	500	-
Naqsh School of Arts	300	-
The Kidney Center Post Graduate Training Institute	200	200
Lahore University of Management Sciences	-	20,000
The Sir Syed Memorial Society	-	5,000
Friends of Burns Centre	-	2,600
Sukkur Institute of Business Administration	-	1,560
Developments in Literacy	-	1,000
Government College University, Lahore	-	1,000
Abdul Sattar Edhi Foundation	-	700
Bazm-e-Kiran	-	600
Buksh Foundation	-	540
Burhani Medical Welfare Association	-	540
SOS Children's Villages of Pakistan	-	450
Shaukat Khanum Memorial Trust	-	200
Karwan-e-Hayat	-	150
Rotary Club of Karachi Continental, Pakistan	-	120
<b>Donations individually not exceeding Rs.0.1 million</b>	<u>469</u>	<u>545</u>
	<u>111,705</u>	<u>76,990</u>

28.3.1 The President is a Director on the Board of the Karachi Education Initiative.

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>29. OTHER PROVISIONS - NET</b>			
Provision against other assets - net	12.3	85,364	26,210
Provision against off - balance sheet obligations	19.1	35,708	-
Other provisions		140,736	122,465
Provision / (reversal) against Ijarah Assets - Specific		12,229	(4,184)
Provision against Ijarah Assets - General		135	582
		<u>274,172</u>	<u>145,073</u>

### 30. WORKERS' WELFARE FUND

Under the Workers' Welfare Ordinance, 1971, the Bank is liable to pay Workers' Welfare Fund @ 2% of profit before tax as per the financial statements or declared income as per the income tax return, whichever is higher.

	2014 ----- (Rupees in '000) -----	2013
<b>31. OTHER CHARGES</b>		
Penalties imposed by the SBP	10,286	247,411
Other penalties	141	1,966
	<u>10,427</u>	<u>249,377</u>

	2014			Total
	Domestic	Azad Kashmir	Overseas	
	----- (Rupees in '000) -----			
<b>32. TAXATION</b>				
Current	8,839,047	121,976	1,782,773	10,743,796
Prior years	-	-	356,425	356,425
Deferred	<u>733,373</u>	<u>(3,175)</u>	<u>(361,890)</u>	<u>368,308</u>
	<u>9,572,420</u>	<u>118,801</u>	<u>1,777,308</u>	<u>11,468,529</u>

	2013			Total
	Domestic	Azad Kashmir	Overseas	
	----- (Rupees in '000) -----			
Current	6,436,083	91,301	1,714,885	8,242,269
Prior years	-	-	54,398	54,398
Deferred	<u>921,664</u>	<u>672</u>	<u>(26,046)</u>	<u>896,290</u>
	<u>7,357,747</u>	<u>91,973</u>	<u>1,743,237</u>	<u>9,192,957</u>

	2014 ----- (Rupees in '000) -----	2013
<b>32.1 Relationship between tax expense and accounting profit</b>		
Accounting profit for the year	<u>33,398,090</u>	<u>27,806,912</u>
Tax on income @ 35% (2013: 35%)	11,689,332	9,732,419
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)	(175,432)	(622,324)
Tax - prior years (net of deferred tax)	52,319	54,398
Others	<u>(97,690)</u>	<u>28,464</u>
Tax charge	<u>11,468,529</u>	<u>9,192,957</u>

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

<b>33. EARNINGS PER SHARE</b>	<b>2014</b>	<b>2013</b>
	----- (Rupees in '000) -----	
Profit after taxation for the year	<u>21,929,561</u>	<u>18,613,955</u>
	----- (Number of shares) -----	
Weighted average number of ordinary shares	<u>1,224,179,687</u>	<u>1,224,179,687</u>
	----- (Rupees) -----	
<b>Earnings per share - basic and diluted</b>	<u>17.91</u>	<u>15.21</u>

**33.1** Diluted earnings per share has not been presented separately as the Bank does not have any convertible instruments in issue at December 31, 2014 or 2013.

<b>34. CASH AND CASH EQUIVALENTS</b>	<b>Note</b>	<b>2014</b>	<b>2013</b>
		----- (Rupees in '000) -----	
Cash and balances with treasury banks	6	74,687,959	88,520,725
Balances with other banks	7	<u>12,885,121</u>	<u>25,867,497</u>
		<u>87,573,080</u>	<u>114,388,222</u>
<b>35. STAFF STRENGTH</b>		----- (Number) -----	
Permanent		9,080	8,986
On contract		20	23
Bank's own staff strength		<u>9,100</u>	<u>9,009</u>
Outsourced		<u>4,282</u>	<u>4,261</u>
Total		<u>13,382</u>	<u>13,270</u>

### **36. DEFINED BENEFIT PLANS**

#### **36.1 General description**

The Bank operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for new employees and for those employees who have not opted for the pension scheme. The Bank also operates a contributory benevolent fund scheme and provides post retirement medical benefits to eligible retired employees. The benevolent fund scheme and the post-retirement medical scheme cover all regular employees of the Bank who joined the Bank pre-privatization. The liabilities of the Bank in respect of these schemes are determined based on actuarial valuations carried out using the Projected Unit Credit Method. Actuarial valuations of the defined benefit schemes are carried out every year and the latest valuation was carried out as at December 31, 2014.

#### **36.2 Number of Employees under the scheme**

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

	<b>2014</b>	<b>2013</b>
	----- (Number) -----	
- Pension fund	6,957	6,326
- Gratuity fund	7,020	6,733
- Benevolent fund	5,347	5,709
- Post retirement medical benefit scheme	7,526	7,729

The pension fund, benevolent fund and post retirement medical benefit schemes include 5,316 (2013: 4,484), 2,508 (2013: 2,446) and 4,957 (2013: 4,766 ) members respectively who have retired or whose widows are receiving the benefits.

#### **36.3 Principal actuarial assumptions**

The actuarial valuations were carried out as at December 31, 2014 using the following significant assumptions:

	<b>2014</b>	<b>2013</b>
	----- Per annum -----	
Discount rate / expected rate of return on plan assets	10.50%	12.75%
Expected rate of salary increase	8.50%	10.75%
Expected rate of increase in pension	2.75%	5.00%
Expected rate of increase in medical benefit	5.50%	5.00%



# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

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

Note	2014				2013			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)							
Present value of obligations	3,049,641	605,383	454,377	1,084,100	3,245,250	588,580	375,149	930,955
Fair value of plan assets	(2,971,469)	(630,905)	(876,741)	-	(3,304,214)	(436,139)	(856,535)	-
(Receivable) / payable	78,172	(25,522)	(422,364)	1,084,100	(58,964)	152,441	(481,386)	930,955

### 36.5 Movement in defined benefit obligations

Obligations at the beginning of the year	3,245,250	588,580	375,149	930,955	3,537,429	523,053	409,721	943,927
Current service cost	9,913	80,586	4,998	4,777	10,223	67,263	5,903	5,155
Interest cost	142,037	74,505	42,307	118,992	145,402	62,159	43,743	113,581
Benefits paid by the Bank	(703,654)	(120,942)	(92,712)	(129,102)	(604,437)	(118,176)	(82,787)	(102,704)
Return allocated to other funds	239,168	-	-	-	231,326	-	-	-
Re-measurement loss / (gain)	116,927	(17,346)	124,635	158,478	(74,693)	54,281	(1,431)	(29,004)
Obligations at the end of the year	3,049,641	605,383	454,377	1,084,100	3,245,250	588,580	375,149	930,955

### 36.6 Movement in fair value of plan assets

Fair value at the beginning of the year	3,304,214	436,139	856,535	-	5,137,979	409,974	836,962	-
Interest income on plan assets	388,285	52,156	103,374	-	557,344	52,901	91,856	-
Contribution by the Bank	2,884	250,992	3,649	-	-	82,400	4,149	-
Contribution by the employees	-	-	3,649	-	-	-	4,149	-
Amount paid by the fund to the Bank	(759,585)	(116,040)	(84,678)	-	(2,416,372)	(123,041)	(82,958)	-
Re-measurements: Net return on plan assets over interest income gain / (loss)	35,671	7,658	(5,788)	-	25,263	13,905	2,377	-
Fair value at the end of the year	2,971,469	630,905	876,741	-	3,304,214	436,139	856,535	-

### 36.7 Movement in (receivable) / payable under defined benefit schemes

Opening balance	(58,964)	152,441	(481,386)	930,955	(1,600,550)	113,079	(427,241)	943,927
Mark-up receivable on Bank's balance with the fund	(4,784)	(22)	(427)	-	(43,851)	(120)	(171)	-
(Reversal) / charge for the year	2,833	102,935	(59,718)	123,769	(170,393)	76,521	(46,359)	118,736
Contribution by the Bank	(2,884)	(250,992)	(3,649)	-	-	(82,400)	(4,149)	-
Amount paid by the Fund to the Bank	759,585	116,040	84,678	-	2,416,372	123,041	82,958	-
Remeasurement loss / (gain) recognised in OCI during the year	86,040	(24,982)	130,850	158,478	(56,105)	40,496	(3,637)	(29,004)
Benefits paid by the Bank	(703,654)	(120,942)	(92,712)	(129,102)	(604,437)	(118,176)	(82,787)	(102,704)
Closing balance	78,172	(25,522)	(422,364)	1,084,100	(58,964)	152,441	(481,386)	930,955

### 36.8 Charge for defined benefit plans

#### 36.8.1 Cost recognised in profit and loss

Current service cost	9,913	80,586	4,998	4,777	10,223	67,263	5,903	5,155
Net interest on defined benefit asset / liability	(246,248)	22,349	(61,067)	118,992	(411,942)	9,258	(48,113)	113,581
Return allocated to other funds	239,168	-	-	-	231,326	-	-	-
Employees' contribution	-	-	(3,649)	-	-	-	(4,149)	-
	2,833	102,935	(59,718)	123,769	(170,393)	76,521	(46,359)	118,736

36.8.1.1 This represents return allocated to those employees who exercised the conversion option offered in the year 2001, as referred to in note 5.9.1.

	2014				2013			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)							

#### 36.8.2 Re-measurements recognised in OCI during the year

(Gain) / loss on obligation								
- Demographic assumptions	20,876	(7,753)	46,981	3,400	(6,368)	2,544	(17,073)	(713)
- Financial assumptions	33,824	19,850	(8,409)	(10,286)	29,619	32,512	17,697	9,102
- Experience adjustment	62,227	(29,443)	86,063	165,364	(97,944)	19,225	(2,055)	(37,393)
Return on plan assets over interest income	(35,671)	(7,658)	5,788	-	(25,263)	(13,905)	(2,377)	-
Adjustment for markup	4,784	22	427	-	43,851	120	171	-
Total re-measurements recognised in OCI	86,040	(24,982)	130,850	158,478	(56,105)	40,496	(3,637)	(29,004)

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 36.9 Components of plan assets

	2014			2013		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
	(Rupees in '000)					
Cash and cash equivalents - net of current liabilities	7,659	72	90	14,909	307	340
Quoted securities						
Ordinary shares	125,084	7,697	17,533	93,436	5,750	13,097
Term finance certificates	398,647	11,288	15,576	472,327	11,407	15,768
Unquoted securities						
Certificates of Investment	-	-	-	77,477	-	23,328
Pakistan Investment Bonds	961,707	317,858	574,703	1,964,777	123,422	344,283
Treasury Bills	-	-	-	-	228,253	412,713
Special Savings Certificates	1,478,372	291,943	268,361	666,686	81,294	47,006
Reverse Repo	-	-	-	-	308	-
Other	-	2,047	478	14,602	(14,602)	-
	<u>2,971,469</u>	<u>630,905</u>	<u>876,741</u>	<u>3,304,214</u>	<u>436,139</u>	<u>856,535</u>

36.9.1 The funds primarily invests in government securities and accordingly do not carry any significant credit risk. These are subject to interest rate risk based on market movements. Investment in term finance certificates are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

### 36.10 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarized below:

	2014			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)			
Increase in Discount Rate by 1 %	(74,592)	(34,461)	(22,218)	(24,301)
Decrease in Discount Rate by 1 %	84,536	39,069	24,739	27,220
Increase in expected future increment in salary by 1%	-	42,415	-	-
Decrease in expected future increment in salary by 1%	-	(37,996)	-	-
Increase in expected future increment in pension by 1%	73,088	-	-	-
Decrease in expected future increment in pension by 1%	(54,770)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	25,821
Decrease in expected future increment in medical benefit by 1%	-	-	-	(22,723)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

### 36.11 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent fund scheme. Based on actuarial advice, management estimates that the expected contribution and charge / (reversal) for the year ended December 31, 2015, would be as follows:

	2015			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
	(Rupees in '000)			
Expected contribution	<u>98,418</u>	<u>67,278</u>	<u>3,320</u>	<u>-</u>
Expected charge / (reversal) for the year	<u>20,246</u>	<u>92,800</u>	<u>(39,637)</u>	<u>117,987</u>

### 36.12 Maturity profile

	2014			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit
The weighted average duration of the obligation (in years)	<u>6.26</u>	<u>6.05</u>	<u>4.83</u>	<u>5.64</u>

### 36.13 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

## 37. OTHER EMPLOYEE BENEFITS

### 37.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 7,020 (2013: 6,733) employees who are not in the pension scheme. The employer and employee each contribute 8.33% of the basic salary to the funded scheme every month.

### 37.2 Employee Motivation and Retention Scheme

The Bank has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates. The scheme is managed by separate Trusts formed in respect of each year. During the year, Rs.278.781 million (2013: Rs. 280.668 million) and Rs. 51.138 million (2013: Rs.41.716 million) were received by the Executives and the Chief Executive respectively from the scheme. No new Trust was set up during the current year.

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
----- (Rupees in '000) -----						
Fees	-	-	39,926	33,915	-	-
Managerial remuneration	222,669	120,707	-	-	4,096,866	4,028,135
Charge for defined benefit plans	1,421	1,442	-	-	303,506	363,550
Charge for defined contribution plan	2,877	2,476	-	-	90,140	79,098
Rent and house maintenance	7,602	4,346	-	-	576,369	533,190
Utilities	2,969	704	-	-	272,299	249,286
Medical	44	61	-	-	123,621	113,030
Conveyance	-	-	-	-	364,036	347,619
Others	8,938	8,632	-	-	236,874	221,063
	<u>246,520</u>	<u>138,368</u>	<u>39,926</u>	<u>33,915</u>	<u>6,063,711</u>	<u>5,934,971</u>
Number of persons	<u>2</u>	<u>1</u>	<u>10</u>	<u>8</u>	<u>1,616</u>	<u>1,565</u>

The amount paid to the President / Chief Executive Officer of the Bank includes an amount of Rs.100.712 million paid during the year as severance cost on cessation of employment to the outgoing President / Chief Executive Officer.

The Bank's President / Chief Executive Officer and certain Executives are provided with use of Bank maintained cars and household equipment.

In addition to the above, all Executives including the Chief Executive Officer of the Bank, are also entitled to certain short and long term employee benefits which are disclosed in note 37.2 to these unconsolidated financial statements.

### 39. 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. 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.

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the year ended December 31, 2014					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	----- (Rupees in '000) -----					
Total income	320,435	15,726,077	36,006,971	9,756,164	2,453,321	-
Total expenses	111,728	924,143	23,142,536	4,815,774	1,870,697	-
Profit before tax	208,707	14,801,934	12,864,435	4,940,390	582,624	-
Segment return on assets (ROA)	83.7%	1.8%	1.2%	0.7%	-	-
Segment cost of funds	1.6%	6.5%	4.1%	6.3%	-	-

	For the year ended December 31, 2013					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	----- (Rupees in '000) -----					
Total income	282,494	14,302,081	29,364,631	9,529,777	2,570,737	-
Total expenses	84,686	1,069,914	22,436,295	3,764,018	887,895	-
Profit before tax	197,808	13,232,167	6,928,336	5,765,759	1,682,842	-
Segment return on assets (ROA)	35.2%	1.8%	0.7%	1.0%	-	-
Segment cost of funds	1.4%	6.1%	3.7%	6.4%	-	-

	As at December 31, 2014					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	----- (Rupees in '000) -----					
Segment assets (gross of NPLs provisions)	775,136	553,839,601	843,640,420	434,446,003	97,622,294	(775,195,159)
Segment non performing loans (NPLs)	648,147	1,988,086	21,059,066	29,930,610	226,854	-
Segment provision held against NPLs	487,423	1,694,502	18,169,702	23,286,695	75,866	-
Segment liabilities	152,477	530,682,212	817,313,036	407,975,315	4,969,774	(775,195,159)

	As at December 31, 2013					
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Others	Inter segment elimination
	----- (Rupees in '000) -----					
Segment assets (gross of NPLs provisions)	871,272	505,618,254	778,685,814	386,731,272	91,235,528	(709,306,750)
Segment non performing loans (NPLs)	686,875	2,065,568	22,850,715	26,826,791	200,110	-
Segment provision held against NPLs	489,059	1,708,033	19,996,509	21,842,638	60,500	-
Segment liabilities	254,047	492,654,175	754,299,612	361,144,397	9,779,173	(709,306,750)

Segment assets and liabilities include inter segment balances.

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

### 41. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as custodian for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

### 42. RELATED PARTY TRANSACTIONS

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

The Bank enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 42.1 RELATED PARTY TRANSACTIONS

	2014					2013				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)										
<b>Balances with other banks</b>										
In current accounts	-	-	990,076	-	-	-	-	1,130,454	-	-
In deposit accounts	-	-	1,284,622	-	-	-	-	979,576	-	-
	-	-	2,274,698	-	-	-	-	2,110,030	-	-
<b>Lendings to financial institutions</b>										
Other lendings to financial institutions	-	-	314,065	500,000	-	-	-	349,374	-	-
<b>Investments</b>										
Opening balance	-	-	3,523,962	6,674,980	4,075,691	-	-	3,523,962	12,047,596	487,775
Investment made during the year	-	-	1,373,212	3,305,579	-	-	-	-	1,100,000	971,319
Investment redeemed / disposed off during the year	-	-	-	(2,210,957)	(180,363)	-	-	-	(6,472,616)	(491,881)
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	3,108,478
Closing balance	-	-	4,897,174	7,769,602	3,895,328	-	-	3,523,962	6,674,980	4,075,691
Provision for diminution in value of investments	-	-	-	-	118,356	-	-	-	-	116,548
<b>Advances</b>										
Opening balance	-	105,328	-	2,155,149	412,954	-	124,163	-	-	11,913,710
Addition during the year	3,668	82,263	-	-	14,328,295	-	72,108	-	-	9,707,517
Repaid during the year	(3,300)	(90,422)	-	-	(5,347,244)	-	(90,943)	-	-	(21,208,273)
Transfer in / (out) - net	-	8,979	-	-	-	-	-	-	2,155,149	-
Closing balance	368	106,148	-	2,155,149	9,394,005	-	105,328	-	2,155,149	412,954
Provision held against advances	-	-	-	2,155,149	-	-	-	-	2,155,149	-
<b>Other Assets</b>										
Interest mark-up accrued	-	155	7,816	14,893	282,516	-	30	4,695	-	145,551
Receivable from staff retirement fund	-	-	-	-	88,862	-	-	-	-	58,964
Dividend receivable	-	-	-	-	-	-	-	-	1,201	-
Other receivable	-	-	7,458	-	30,164	-	-	4,998	-	30,164
Provision against other assets	-	-	-	-	30,164	-	-	-	-	30,164
<b>Borrowings</b>										
Opening balance	-	-	1,008,108	-	-	-	-	-	-	306,215
Borrowings during the year	-	-	2,945,057	-	-	-	-	1,737,858	2,155,493	16,356,760
Settled during the year	-	-	(2,722,265)	-	-	-	-	(729,750)	(2,155,493)	(16,662,975)
Closing balance	-	-	1,230,900	-	-	-	-	1,008,108	-	-
Overdrawn nostros	-	-	-	-	-	-	-	56,424	-	-
<b>Deposits and other accounts</b>										
Opening balance	7,506,473	124,455	277,343	665,956	81,859	6,173,963	98,008	142,656	819,332	1,913,538
Received during the year	26,067,173	1,431,994	126,102,516	112,527,304	127,557,270	22,861,734	980,912	171,477,272	67,507,686	201,691,134
Withdrawn during the year	(26,710,567)	(1,409,059)	(126,107,726)	(110,694,314)	(127,526,534)	(21,522,949)	(954,465)	(171,342,585)	(67,661,062)	(202,918,770)
Transfer in / (out) - net	1,056,940	(20,537)	-	-	92,312	(6,275)	-	-	-	(604,043)
Closing balance	7,920,019	126,853	272,133	2,498,946	204,907	7,506,473	124,455	277,343	665,956	81,859
<b>Other Liabilities</b>										
Interest / mark-up payable on deposits	47,181	1,206	21	9,793	266	32,260	1,097	78	-	709
Interest / mark-up payable on borrowings	-	-	2,408	-	-	-	-	4,574	-	-
Payable to staff retirement fund	-	-	-	-	78,172	-	-	-	-	152,441
Unearned income	-	-	187	-	-	-	-	187	-	-
<b>Contingencies and Commitments</b>										
Letter of guarantee	-	-	-	41,600	-	-	-	-	78,051	-
Forward foreign exchange contracts purchase	-	-	2,914,010	-	149,615	-	-	3,633,699	-	-
Forward foreign exchange contracts sale	-	-	2,837,357	-	31,313	-	-	3,710,543	-	-
	2014					2013				
	Directors	Key management personnel	Subsidiaries	Associates	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)										
Mark-up / return / interest earned	-	5,842	28,115	15,053	827,789	-	6,402	30,278	-	930,005
Commission / charges recovered	76	481	840	1,292	496	14	84	535	18,178	27,459
Dividend income	-	-	137,350	44,162	605,051	-	-	425,523	36,680	459,451
Net gain on sale of securities	-	-	-	231,234	50,572	-	-	-	859,300	8,719
Other income	-	1,107	1,120	5,243	-	-	153	1,103	4,266	-
Mark-up / return / interest paid	194,835	3,443	30,193	106,086	8,486	260,037	3,127	41,477	56,922	88,148
Remuneration paid	-	708,845	-	-	-	-	605,626	-	-	-
Post employment benefits	-	17,602	-	-	-	-	15,476	-	-	-
Non-executive directors' fee	39,926	-	-	-	-	33,915	-	-	-	-
Net charge for defined contribution plans	-	-	-	-	190,075	-	-	-	-	175,794
Net charge / (reversal) for defined benefit plans	-	-	-	-	109,417	-	-	-	-	(89,722)
Donation	-	-	-	-	10,000	-	-	-	-	-
Insurance premium paid	-	-	-	272,625	-	-	-	-	268,499	-
Insurance claims settled	-	-	-	135,037	-	-	-	-	174,944	-
Other expenses	-	-	-	75,727	109,466	-	-	-	20,605	87,192

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 43. CAPITAL ADEQUACY

- 43.1 The State Bank of Pakistan (SBP) through its BPRD Circular No. 6 dated August 15, 2013 has issued Basel III Capital instructions for Banks / DFIs. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from December 31, 2013; however, there is a transitional phase during which the complete requirements would become applicable with full implementation by December 31, 2019.

The Bank's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Bank's capital expressed as a percentage of its risk weighted assets (RWAs). Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirements of SBP that measure the varying levels of risk attached to on balance sheet and off-balance sheet exposures. 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.

The Bank performs its Internal Capital Adequacy Assessment Process (ICAAP) as per the guidelines provided by the SBP. The ICAAP has been approved by the Bank's Board of Directors and submitted to the SBP. The Bank additionally covers risks not yet included under Pillar I, so as to carry adequate capital to cater for any future business requirements.

The Bank plans to move towards the Advanced Approaches as prescribed under Basel Framework, including the Foundation Internal Ratings Based Approach for credit risk, Internal Models Approach for market risk and the Alternate Standardized Approach for operational risk.

### 43.2 Capital Management

The objective of managing capital is to safeguard the Bank's ability to continue as a going concern. It is the policy of the Bank to maintain a strong capital base so as to maintain investor, depositor and market confidence and to sustain future development of the business. The Bank aims to maintain an optimum level of capital along with maximizing shareholders' return as we consider a sound capital position as more appropriate as opposed to leverage supporting business growth.

#### Statutory minimum capital and capital adequacy requirements

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, 2014. The paid-up capital of the Bank for the year ended December 31, 2014 stood at Rs.12,241.798 million (2013: 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% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 5.5% and 7.0%, respectively, as at December 31, 2014. As at December 31, 2014 the Bank is fully compliant with prescribed ratios as the Bank's CAR is 13.9% whereas CET 1 and Tier 1 ratios both stood at 10.0%. The Bank and its individually regulated operations have complied with all capital requirements throughout the year.

Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET 1 capital includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements and net unappropriated profits.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.

The deductions from Tier 1 capital include mainly:

- i) Book value of goodwill / intangibles;
- ii) Deficit on revaluation of available for sale investments,;
- iii) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- iv) Investment in mutual funds above a prescribed ceiling;
- v) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
- vi) 40% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of fixed assets and equity investments, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria). The deductions from Tier 2 include mainly:

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- ii) 40% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 43.3 Capital Adequacy Ratio (CAR) disclosure template:

	2014 ----- (Rupees in '000) ----- Amount	2013 ----- (Rupees in '000) ----- Amount
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,241,798	12,241,798
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	21,851,889	19,658,933
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	48,217,351	42,634,545
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 <b>CET 1 before Regulatory Adjustments</b>	<b>82,311,038</b>	<b>74,535,276</b>
10 Total regulatory adjustments applied to CET1 (Note 43.3.1)	7,468,766	7,721,144
11 <b>Common Equity Tier 1</b>	<b>74,842,272</b>	<b>66,814,132</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 <b>AT1 before regulatory adjustments</b>	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 43.3.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 <b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-
21 <b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	<b>74,842,272</b>	<b>66,814,132</b>
<b>Tier 2 Capital</b>		
24 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
25 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
26 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
27 of which: instruments issued by subsidiaries subject to phase out	-	-
28 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,020,082	1,838,881
29 Revaluation Reserves (net of taxes)	17,319,216	8,350,219
30 of which: Revaluation reserves on fixed assets	11,028,363	6,852,475
31 of which: Unrealized gains/losses on AFS	6,290,853	1,497,744
32 Foreign Exchange Translation Reserves	12,278,242	14,025,502
33 Undisclosed/Other Reserves (if any)	-	-
34 <b>T2 before regulatory adjustments</b>	<b>31,617,540</b>	<b>24,214,602</b>
35 Total regulatory adjustment applied to T2 capital (Note 43.3.3)	2,390,656	2,301,714
36 <b>Tier 2 capital (T2) after regulatory adjustments</b>	<b>29,226,884</b>	<b>21,912,888</b>
37 Tier 2 capital recognized for capital adequacy	29,226,884	21,912,888
38 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
39 <b>Total Tier 2 capital admissible for capital adequacy</b>	<b>29,226,884</b>	<b>21,912,888</b>
40 <b>TOTAL CAPITAL (T1 + admissible T2) (21+39)</b>	<b>104,069,156</b>	<b>88,727,021</b>
41 <b>Total Risk Weighted Assets (RWA) {for details refer Note 43.6}</b>	<b>747,743,900</b>	<b>668,610,740</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
42 <b>CET1 to total RWA</b>	<b>10.0%</b>	<b>10.0%</b>
43 <b>Tier-1 capital to total RWA</b>	<b>10.0%</b>	<b>10.0%</b>
44 <b>Total capital to total RWA</b>	<b>13.9%</b>	<b>13.3%</b>
45 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
46 of which: capital conservation buffer requirement	-	-
47 of which: countercyclical buffer requirement	-	-
48 of which: D-SIB or G-SIB buffer requirement	-	-
49 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
<b>National minimum capital requirements prescribed by SBP</b>		
50 <b>CET1 minimum ratio</b>	<b>5.5%</b>	<b>5.0%</b>
51 <b>Tier 1 minimum ratio</b>	<b>7.0%</b>	<b>6.5%</b>
52 <b>Total capital minimum ratio</b>	<b>10.0%</b>	<b>10.0%</b>

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

Regulatory Adjustments and Additional Information	2014		2013
	Amount	Amounts subject to Pre- Basel III treatment*	Amount
	----- (Rupees in '000) -----		
<b>43.3.1 Common Equity Tier 1 capital: Regulatory adjustments</b>			
1 Goodwill (net of related deferred tax liability)	-	-	-
2 All other intangibles (net of any associated deferred tax liability)	1,056,648	-	1,557,399
3 Shortfall in provisions against classified assets*	774,826	-	718,500
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-
5 Defined-benefit pension fund net assets	-	-	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	1,175,378	-	734,938
7 Cash flow hedge reserve	-	-	4,962
8 Investment in own shares/ CET1 instruments	-	-	-
9 Securitization gain on sale	-	-	-
10 Capital shortfall of regulated subsidiaries	-	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
15 Amount exceeding 15% threshold	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	4,461,914	-	4,705,345
22 <b>Total regulatory adjustments applied to CET1 (sum of 1 to 21)</b>	<b>7,468,766</b>		<b>7,721,144</b>
<b>43.3.2 Additional Tier-1 : regulatory adjustments</b>			
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	2,071,258	-	2,403,631
24 Investment in own AT1 capital instruments	-	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
29 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	2,390,656	2,390,656	2,301,714
30 <b>Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)</b>	<b>4,461,914</b>		<b>4,705,345</b>
<b>Note 43.3.3 Tier 2 Capital: regulatory adjustments</b>			
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,390,656	2,390,656	2,301,714
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-
33 Investment in own Tier 2 capital instrument	-	-	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
36 <b>Total regulatory adjustment applied to T2 capital (sum of 31 to 35)</b>	<b>2,390,656</b>		<b>2,301,714</b>
<b>Note 43.3.4 Additional Information</b>			
<b>Risk Weighted Assets subject to pre-Basel III treatment</b>			
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-	-
(i) of which: deferred tax assets	-	-	-
(ii) of which: Defined-benefit pension fund net assets	-	-	58,964
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-	-
(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
38 Non-significant investments in the capital of other financial entities	-	-	-
39 Significant investments in the common stock of financial entities	-	-	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-	-
42 Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

\* This represents benefit of relaxation in provisioning requirement allowed by SBP for a classified customer of the Bank.



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2014

## 43.4 Capital Structure Reconciliation

Step 1	Balance Sheet as per published financial statements As at Dec 31, 2014	Under regulatory scope of consolidation As at Dec 31, 2014
	----- (Rupees in '000) -----	
<b>Assets</b>		
Cash and balances with treasury banks	74,687,959	74,687,959
Balances with other banks	12,885,121	12,885,121
Lending to financial institutions	21,872,138	21,872,138
Investments	497,334,002	497,334,002
Advances	434,264,050	434,264,050
Operating fixed assets	30,303,370	30,303,370
Deferred tax assets - net	-	-
Other assets	40,067,467	40,067,467
<b>Total assets</b>	<b>1,111,414,107</b>	<b>1,111,414,107</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	9,553,585	9,553,585
Borrowings	53,065,156	53,065,156
Deposits and other accounts	895,083,053	895,083,053
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liability - net	1,899,345	1,899,345
Other liabilities	26,296,516	26,296,516
<b>Total liabilities</b>	<b>985,897,655</b>	<b>985,897,655</b>
Share capital	12,241,798	12,241,798
Reserves	34,130,131	34,130,131
Unappropriated profit	48,217,351	48,217,351
<b>Total equity</b>	<b>94,589,280</b>	<b>94,589,280</b>
Surplus on revaluation of assets - net of deferred tax	30,927,172	30,927,172
<b>Total liabilities and equity</b>	<b>1,111,414,107</b>	<b>1,111,414,107</b>

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 43.4 Capital Structure (Contd.)

Step 2	Balance Sheet as per published financial statements As at Dec 31, 2014	Under regulatory scope of consolidation As at Dec 31, 2014	Reference
	----- (Rupees in '000) -----		
<b>Assets</b>			
Cash and balances with treasury banks	74,687,959	74,687,959	
Balances with other banks	12,885,121	12,885,121	
Lendings to financial institutions	21,872,138	21,872,138	
Investments	497,334,002	497,334,002	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-	-	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	2,071,258	2,071,258	c
<i>of which: reciprocal crossholding of capital instrument</i>	1,175,378	1,175,378	d
<i>of which: others (mention details)</i>	-	-	e
Advances	434,264,050	434,264,050	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	774,826	774,826	f
<i>general provisions reflected in Tier 2 capital</i>	2,020,082	2,020,082	g
Fixed Assets	30,303,370	30,303,370	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	1,286,443	1,286,443	k
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	40,067,467	40,067,467	
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
<b>Total assets</b>	<b>1,111,414,107</b>	<b>1,111,414,107</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	9,553,585	9,553,585	
Borrowings	53,065,156	53,065,156	
Deposits and other accounts	895,083,053	895,083,053	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	1,899,345	1,899,345	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	229,795	229,795	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	1,669,550	1,669,550	r
Other liabilities	26,296,516	26,296,516	
<b>Total liabilities</b>	<b>985,897,655</b>	<b>985,897,655</b>	
Share capital	12,241,798	12,241,798	
<i>of which: amount eligible for CET1</i>	12,241,798	12,241,798	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	34,130,131	34,130,131	
<i>of which: portion eligible for inclusion in CET1 (provide breakup)</i>	21,851,889	21,851,889	u
<i>of which: portion eligible for inclusion in Tier 2</i>	12,278,242	12,278,242	v
Unappropriated profit/ (losses)	48,217,351	48,217,351	w
Minority Interest	-	-	
<i>of which: portion eligible for inclusion in CET1</i>	-	-	x
<i>of which: portion eligible for inclusion in AT1</i>	-	-	y
<i>of which: portion eligible for inclusion in Tier 2</i>	-	-	z
Surplus on revaluation of assets	30,927,172	30,927,172	
<i>of which: Revaluation reserves on Property</i>	19,693,506	19,693,506	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	11,233,666	11,233,666	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
<b>Total liabilities and equity</b>	<b>1,111,414,107</b>	<b>1,111,414,107</b>	

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 43.4 Capital Structure (Contd.)

Step 3	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,241,798	(s)
2 Balance in Share Premium Account	-	
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	21,851,889	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/(losses)	48,217,351	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
<b>8 CET 1 before Regulatory Adjustments</b>	<b>82,311,038</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	1,056,648	(k) - (p)
11 Shortfall of provisions against classified assets	774,826	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	1,175,378	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments		
17 Securitization gain on sale		
18 Capital shortfall of regulated subsidiaries		
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	4,461,914	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	<b>7,468,766</b>	
<b>Common Equity Tier 1</b>	<b>74,842,272</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35 of which: instrument issued by subsidiaries subject to phase out	-	
<b>36 AT1 before regulatory adjustments</b>	<b>-</b>	

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	2,071,258	
38 Investment in own AT1 capital instruments	-	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	2,390,656	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44 Total of Regulatory Adjustment applied to AT1 capital	4,461,914	
45 Additional Tier 1 capital	-	
46 <b>Additional Tier 1 capital recognized for capital adequacy</b>	-	
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>74,842,272</b>	
<b>Tier 2 Capital</b>		
47 Qualifying Tier 2 capital instruments under Basel III	-	(n)
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(z)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,020,082	(g)
52 Revaluation Reserves eligible for Tier 2		
53 of which: portion pertaining to Property	11,028,363	portion of (aa)
54 of which: portion pertaining to AFS securities	6,290,853	
55 Foreign Exchange Translation Reserves	12,278,242	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 <b>T2 before regulatory adjustments</b>	<b>31,617,540</b>	
<b>Tier 2 Capital: regulatory adjustments</b>		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	2,390,656	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	2,390,656	
64 Tier 2 capital (T2)	29,226,884	
65 Tier 2 capital recognized for capital adequacy	29,226,884	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	29,226,884	
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>104,069,156</b>	

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 43.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	United Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	On KSE "UBL" and on Bloomberg "UBLS".
3	Governing law(s) of the instrument	Relevant Capital Market Laws
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Group & Standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,241,798
9	Par value of instrument	Rs 10 each
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1959
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Non Convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common equity (ranks after all creditors including depositors)
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 43.6 Capital Adequacy Ratio

Risk weighted exposures	Capital requirements		Risk weighted assets	
	2014	2013	2014	2013
----- (Rupees in '000) -----				
<b>Credit risk</b>				
Claims on:				
Federal and Provincial Governments, SBP and other sovereigns – in foreign currency	4,442,949	6,542,141	44,429,488	65,421,406
Public Sector Enterprises	911,266	960,626	9,112,661	9,606,261
Banks	5,094,962	5,004,235	50,949,619	50,042,345
Corporates	29,094,898	25,960,713	290,948,980	259,607,130
Retail portfolio	2,081,800	1,989,795	20,817,996	19,897,945
Secured by residential property	137,871	143,327	1,378,708	1,433,267
Past due loans	1,901,038	1,821,508	19,010,377	18,215,078
Listed equity investments	274,448	196,915	2,744,477	1,969,145
Unlisted equity investments	22,249	22,972	222,494	229,724
Commercial entity	52,846	67,623	528,460	676,228
Investments in fixed assets	2,924,672	2,305,054	29,246,721	23,050,538
Significant investment & DTA	298,832	-	2,988,320	
Other assets	1,214,033	1,116,144	12,140,329	11,161,443
	48,451,864	46,131,051	484,518,630	461,310,511
<b>Market risk</b>				
Interest rate risk	8,876,547	5,713,576	110,956,838	71,419,698
Equity exposure risk	3,371,378	2,675,060	42,142,225	33,438,255
Foreign exchange risk	232,767	160,204	2,909,588	2,002,545
	12,480,692	8,548,840	156,008,651	106,860,498
<b>Operational risk</b>	8,577,330	8,035,179	107,216,619	100,439,731
	69,509,886	62,715,069	747,743,900	668,610,740
<b>Capital adequacy ratio</b>				
<b>Total eligible regulatory capital held</b>	104,069,156	88,727,021		
<b>Total risk weighted assets</b>	747,743,900	668,610,740		
<b>CET1 to total RWA</b>	10.0%	10.0%		
<b>Tier-1 capital to total RWA</b>	10.0%	10.0%		
<b>Total capital to total RWA</b>	13.9%	13.3%		

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 43.7 Credit risk - General disclosures

The Bank follows the Standardized Approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit ratings or type of exposure, whichever is applicable.

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by the SBP. The Bank selects particular ECAIs for each type of exposure. The Bank utilizes the credit ratings assigned by Pakistan Credit Rating Agency (PACRA), Japan Credit Rating Company Limited – Vital Information Systems (JCR-VIS), Fitch, Moody's and Standard & Poors (S & P). The Bank also utilizes rating scores of Export Credit Agencies (ECAs) participating in the "Arrangement on Officially Supported Export Credits".

#### Types of exposure and ECAIs used

	FITCH	Moody's	S & P	PACRA	JCR-VIS	ECA scores
Corporates	-	✓	-	✓	✓	-
Banks	✓	✓	✓	✓	✓	-
Sovereigns	-	-	-	-	-	✓
Public sector enterprises	-	-	-	✓	✓	-

#### Mapping to SBP Rating Grades

For all exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

#### Long Term Rating Grades mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

#### Short Term Rating Grades mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
S1	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 43.8 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2014			2013		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
		(Rupees in '000)			(Rupees in '000)		
Cash and cash equivalents	-	12,592,870	-	12,592,870	14,708,114	-	14,708,114
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	212,099,704	51,146,982	160,952,722	123,596,908	24,042,563	99,554,345
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	8,621,400	-	8,621,400	7,941,106	-	7,941,106
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1 2 3 4,5 6 Unrated	672,426 13,048,768 2,603,011 3,791,260 24,484,645 -	- - - - - -	672,426 13,048,768 2,603,011 3,791,260 24,484,645 -	406,079 12,405,042 2,041,352 5,881,085 37,359,091 -	- - - - - -	406,079 12,405,042 2,041,352 5,881,085 37,359,091 -
		44,600,110	-	44,600,110	58,092,649	-	58,092,649
Corporates	0 1 2 3,4 5,6 Unrated-1 Unrated-2	- 45,483,255 34,001,545 1,680,730 - 212,204,256 61,871,917	- 9,438,882 1,816 28,924 - 17,359,079 790,824	- 36,044,373 33,999,729 1,651,806 - 194,845,177 61,081,093	- 23,164,799 33,394,224 725,852 61,144 258,479,118 315,825,137	- - 29,279 27,404 - 20,977,585 21,034,268	- 23,164,799 33,364,945 698,449 61,144 237,501,533 294,790,869
		355,241,703	27,619,525	327,622,178	315,825,137	21,034,268	294,790,869
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3 4,5 6 Unrated	615,160 569,714 - 4,163,123	- - - -	615,160 569,714 - 4,163,123	603,360 - - 2,686,759	- - - -	603,360 - - 2,686,759
		5,347,997	-	5,347,997	3,290,119	-	3,290,119
Banks - others	0 1 2,3 4,5 6 Unrated	- 40,382,013 40,583,233 8,461,010 2,019,710 21,018,068	- 3,292,633 - - - -	- 37,089,380 40,583,233 8,461,010 2,019,710 21,018,068	- 75,492,754 38,576,693 3,352,721 6,508,366 14,132,765	- 25,822,976 - - - 39,264	- 49,669,777 38,576,693 3,352,721 6,508,366 14,093,501
		112,464,034	3,292,633	109,171,401	138,063,298	25,862,241	112,201,058
Public sector enterprises	0 1 2,3 4,5 6 Unrated	- 12,744,261 - - - 70,973,819	- 1,950,562 - - - 57,065,977	- 10,793,699 - - - 13,907,842	- 12,176,901 - - - 54,497,938	- 1,501,690 - - - 39,555,501	- 10,675,211 - - - 14,942,437
		83,718,080	59,016,539	24,701,541	66,674,839	41,057,191	25,617,648
Retail portfolio	75% 35%	29,430,563 3,939,166	1,673,234 -	27,757,329 3,939,166	29,300,295 4,095,047	2,769,701 -	26,530,594 4,095,047
		33,369,729	1,673,234	31,696,495	33,395,342	2,769,701	30,625,641
Equity investments	- Listed - Unlisted - Commercial Entity (Holding greater than 10%)	2,744,477 148,329 52,846	- - -	2,744,477 148,329 52,846	1,969,145 153,150 67,623	- - -	1,969,145 153,150 67,623
		2,945,652	-	2,945,652	2,189,918	-	2,189,918
Past due loans secured against mortgage of residential property:							
- less than 20% provided	100%	37,216	-	37,216	68,351	-	68,351
- greater than 20% provided	50%	152,320	-	152,320	241,163	-	241,163
		189,536	-	189,536	309,514	-	309,514
Past due loans - others							
- Less than 20% provided	150%	9,330,796	-	9,330,796	6,504,425	20	6,504,405
- Between 20% to 50% provided	100%	4,259,661	-	4,259,661	6,783,712	-	6,783,712
- More than 50% provided	50%	1,282,292	-	1,282,292	2,971,651	-	2,971,651
		14,872,749	-	14,872,749	16,259,787	20	16,259,768
Significant investment & DTA (greater than 15 % threshold)	250%	1,195,328	-	1,195,328	-	-	-
Fixed assets	100%	29,246,721	-	29,246,721	23,050,538	-	23,050,538
Others		12,140,329	-	12,140,329	11,161,443	-	11,161,443
		928,645,942	142,748,913	785,897,029	814,558,715	114,765,984	699,792,731

#### Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Bank has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. Under this approach, cash, lien on deposits, government securities and eligible guarantees etc. are considered as eligible collateral. The Bank has in place detailed guidelines with respect to the valuation and management of each of these types of collateral. Where the Bank's exposure to an obligor is secured by eligible collateral, the Bank reduces its exposure for the calculation of capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

No credit risk mitigation benefit is taken in the Trading Book.

For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of Risk Weighted Assets.



# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 44. RISK MANAGEMENT

This section presents information about the Bank's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity, and operational risks.

The Bank has an integrated risk management structure in place. The Board Risk and Compliance Committee (BRCC) oversees the entire risk management process of the Bank. The Risk and Credit Policy Group is responsible for the development and implementation of all risk policies as approved by the BRCC / BoD. The group is organized into the functions of Market & Treasury Risk, Financial Institution Risk Management Unit (FIRMU), Credit Policy & Research, Consumer Credit Policy, Credit Risk Management and Operational Risk & Basel II. Each risk function is headed by a senior manager who reports directly to the Group Head, Risk and Credit Policy. The role of the Risk and Credit Policy Group includes:

- Determining guidelines relating to the Bank's risk appetite.
- Recommending risk management policies in accordance with the Prudential Regulations, Basel II / III framework and international best practices.
- Reviewing policies/ manuals and ensuring that these are in accordance with BRCC / BoD approved risk management policies.
- Developing systems and resources to review the key risk exposures of the Bank.
- Approving credits and granting approval authority to qualified and experienced individuals.
- Reviewing the adequacy of credit training across the Bank.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations, etc.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

#### 44.1 Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Bank.

The credit risk management process is driven by the Bank's Credit Policy and Credit Manual, which provides policies and procedures in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management.

Individual credit authorities are delegated to credit officers by the Group Head - Risk & Credit Policy, according to their seasoning / maturity. Approvals for Corporate and Consumer loans are centralized, while approval authorities for Commercial and SME exposures are delegated to a Regional level. All credit policy functions are centrally organized.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographical region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Bank manages, limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where appropriate. Limits are also applied to portfolios or sectors where the Bank considers it appropriate to restrict credit risk concentrations, or to areas of higher risk, or to control the rate of portfolio growth.

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 44.2 Segmental information

#### 44.2.1 Segments by class of business

	2014					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	6,580,613	1.37%	17,494,565	1.95%	6,023,366	0.97%
Agri business	56,121,545	11.69%	47,433,920	5.30%	3,051,752	0.49%
Textile spinning	21,293,765	4.44%	1,682,451	0.19%	1,545,559	0.25%
Textile weaving	2,810,593	0.59%	9,446,002	1.06%	666,421	0.11%
Textile composite	23,745,030	4.95%	2,904,513	0.32%	542,549	0.09%
Textile others	16,218,468	3.38%	1,919,099	0.21%	4,384,158	0.71%
Cement	3,318,490	0.69%	7,998,506	0.89%	1,170,584	0.19%
Sugar	4,740,778	0.99%	5,293,496	0.59%	531,370	0.09%
Shoes and leather garments	1,944,881	0.41%	1,761,525	0.20%	250,882	0.04%
Automobile and transportation equipment	12,258,692	2.55%	5,370,699	0.60%	4,644,480	0.75%
Financial	26,106,874	5.44%	20,940,141	2.34%	396,226,458	63.83%
Insurance	-	0.00%	25,448,898	2.84%	33,723	0.01%
Electronics and electrical appliances	8,097,322	1.69%	3,104,281	0.35%	1,819,627	0.29%
Production and transmission of energy	96,949,995	20.20%	63,455,185	7.09%	56,213,255	9.06%
Paper and allied	3,532,041	0.74%	1,247,305	0.14%	2,770,809	0.45%
Surgical and metal	986,166	0.21%	1,905,729	0.21%	244,655	0.04%
Contractors	6,198,325	1.29%	24,661,070	2.76%	28,991,154	4.67%
Wholesale traders	23,067,071	4.81%	47,723,632	5.33%	2,679,627	0.43%
Fertilizer dealers	7,407,635	1.54%	7,539,396	0.84%	3,829,768	0.62%
Sports goods	52,815	0.01%	3,610,739	0.40%	146,024	0.02%
Food industries	21,044,384	4.38%	6,892,268	0.77%	4,373,172	0.70%
Airlines	7,646,882	1.59%	4,706,470	0.53%	174,471	0.03%
Cables	1,551,866	0.32%	84,598	0.01%	292,292	0.05%
Construction	23,639,046	4.92%	19,692,297	2.20%	11,200,839	1.80%
Containers and ports	-	0.00%	8,073,652	0.90%	4,186,920	0.67%
Engineering	4,299,757	0.90%	1,739,067	0.19%	4,127,252	0.66%
Glass and allied	89,038	0.02%	806,575	0.09%	254,858	0.04%
Hotels	3,976,526	0.83%	5,718,856	0.64%	46,252	0.01%
Infrastructure	-	0.00%	20,111,123	2.25%	84,721	0.01%
Media	380,961	0.08%	794,028	0.09%	50	0.00%
Polyester and fiber	6,341,789	1.32%	90,370	0.01%	745,682	0.12%
Telecommunication	11,278,132	2.35%	7,307,598	0.82%	8,887,250	1.43%
Individuals	48,551,351	10.11%	419,059,375	46.82%	4,634,721	0.75%
Others	29,767,489	6.19%	99,065,624	11.07%	65,988,752	10.62%
	<u>479,998,320</u>	<u>100.00%</u>	<u>895,083,053</u>	<u>100.00%</u>	<u>620,763,453</u>	<u>100.00%</u>

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	2013					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	5,979,475	1.37%	5,919,523	0.72%	5,804,329	0.82%
Agri business	58,684,521	13.44%	27,176,727	3.28%	9,415	0.00%
Textile spinning	21,677,722	4.96%	1,498,771	0.18%	839,676	0.12%
Textile weaving	4,207,145	0.96%	2,201,841	0.27%	3,573,715	0.50%
Textile composite	23,561,718	5.39%	2,587,416	0.31%	-	0.00%
Textile others	13,587,327	3.11%	2,970,919	0.36%	3,537,268	0.50%
Cement	3,790,075	0.87%	13,510,737	1.63%	1,577,246	0.22%
Sugar	4,380,318	1.00%	3,518,261	0.42%	456,776	0.06%
Shoes and leather garments	2,084,008	0.48%	3,590,046	0.43%	323,007	0.05%
Automobile and transportation equipment	4,796,131	1.10%	5,642,678	0.68%	3,399,734	0.48%
Financial	15,038,641	3.44%	16,088,946	1.94%	454,858,475	64.23%
Insurance	-	0.00%	10,420,804	1.26%	539	0.00%
Electronics and electrical appliances	3,944,310	0.90%	4,065,121	0.49%	1,070,613	0.15%
Production and transmission of energy	57,169,281	13.09%	35,923,933	4.34%	80,787,473	11.41%
Paper and allied	1,699,829	0.39%	571,718	0.07%	673,752	0.10%
Surgical and metal	140,838	0.03%	2,719,365	0.33%	241,257	0.03%
Contractors	9,793,869	2.24%	23,435,295	2.83%	32,455,017	4.58%
Wholesale traders	21,376,513	4.89%	36,698,924	4.43%	4,600,213	0.65%
Fertilizer dealers	5,253,653	1.20%	6,534,660	0.79%	3,134,964	0.44%
Sports goods	272,606	0.06%	1,416,193	0.17%	-	0.00%
Food industries	21,588,603	4.94%	4,903,996	0.59%	5,271,293	0.74%
Airlines	9,105,607	2.08%	1,154,084	0.14%	49,250	0.01%
Cables	234,513	0.05%	495,859	0.06%	518,822	0.07%
Construction	20,415,953	4.67%	11,254,221	1.36%	7,336,285	1.04%
Containers and ports	-	0.00%	323,000	0.04%	3,146,971	0.44%
Engineering	3,144,086	0.72%	2,153,155	0.26%	3,374,569	0.48%
Glass and allied	249,106	0.06%	397,203	0.05%	217,179	0.03%
Hotels	2,458,432	0.56%	3,626,013	0.44%	66,428	0.01%
Infrastructure	-	0.00%	21,610,136	2.61%	73,181	0.01%
Media	687,729	0.16%	669,688	0.08%	100	0.00%
Polyester and fiber	4,128,139	0.95%	272,942	0.03%	45,712	0.01%
Telecommunication	6,275,345	1.44%	13,678,172	1.65%	251,885	0.04%
Individuals	46,632,289	10.68%	441,887,220	53.38%	5,104,595	0.72%
Others	64,391,300	14.74%	118,930,171	14.37%	85,391,822	12.06%
	<u>436,749,082</u>	<u>100.00%</u>	<u>827,847,738</u>	<u>100.00%</u>	<u>708,191,561</u>	<u>100.00%</u>

### 44.2.2 Segment by Sector

	2014					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	124,670,565	25.97%	61,894,666	6.91%	76,880,419	12.38%
Private	355,327,755	74.03%	833,188,387	93.09%	543,883,034	87.62%
	<u>479,998,320</u>	<u>100.00%</u>	<u>895,083,053</u>	<u>100.00%</u>	<u>620,763,453</u>	<u>100.00%</u>

	2013					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	99,360,765	22.75%	54,085,422	6.53%	86,682,221	12.24%
Private	337,388,317	77.25%	773,762,316	93.47%	621,509,340	87.76%
	<u>436,749,082</u>	<u>100.00%</u>	<u>827,847,738</u>	<u>100.00%</u>	<u>708,191,561</u>	<u>100.00%</u>

# Notes to and forming part of the Unconsolidated Financial Statements

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### 44.2.3 Details of non performing advances and specific provisions by class of business segment

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
----- (Rupees in '000) -----				
Chemical and pharmaceuticals	375,805	355,821	259,484	259,484
Agri business	1,104,812	879,015	1,098,563	879,874
Textile spinning	5,081,205	4,898,555	4,139,842	4,079,091
Textile weaving	722,250	675,355	854,368	788,253
Textile composite	4,927,250	4,789,418	5,891,133	4,692,948
Textile others	3,631,113	3,204,902	3,047,785	2,926,837
Sugar	31,832	31,832	157,837	52,067
Shoes and leather garments	405,013	318,982	228,623	221,434
Automobile and transportation equipment	267,723	213,699	226,896	180,736
Financial	2,005,982	1,712,796	2,083,465	1,725,930
Electronics and electrical appliances	175,088	175,088	183,833	183,833
Production and transmission of energy	6,984,140	3,884,756	3,955,581	3,570,269
Paper and allied	169,396	152,996	418,260	395,321
Wholesale traders	1,624,445	1,471,673	1,834,356	1,660,644
Fertilizer dealers	69,814	69,814	75,324	68,567
Sports goods	24,820	24,327	63,960	63,960
Food industries	841,627	758,986	862,616	805,516
Construction	3,798,502	3,387,713	3,964,091	3,623,960
Engineering	2,884,198	1,073,071	3,124,714	974,242
Glass and allied	-	-	367	367
Hotels	485,993	485,993	485,993	485,993
Polyester and fiber	2,258,718	2,252,519	2,355,095	2,284,036
Individuals	12,585,216	10,220,774	13,668,112	11,373,889
Others	3,397,821	2,676,103	3,649,761	2,799,488
	<u>53,852,763</u>	<u>43,714,188</u>	<u>52,630,059</u>	<u>44,096,739</u>

### 44.2.4 Details of non performing advances and specific provision by sector

	2014		2013	
	Classified advances	Specific provision held	Classified advances	Specific provision held
----- (Rupees in '000) -----				
Public / Government	1,089,630	22,313	1,422,966	22,313
Private	<u>52,763,133</u>	<u>43,691,875</u>	<u>51,207,093</u>	<u>44,074,426</u>
	<u>53,852,763</u>	<u>43,714,188</u>	<u>52,630,059</u>	<u>44,096,739</u>

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## For the year ended December 31, 2014

### 44.2.5 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and
	(Rupees in '000)			
Pakistan operations	28,200,541	890,224,992	88,336,038	358,460,263
Middle East	5,032,816	248,206,439	34,514,136	262,148,111
United States of America	119,840	4,228,299	2,260,843	1,616
Karachi Export Processing Zone	44,893	1,725,662	405,435	153,463
	5,197,549	254,160,400	37,180,414	262,303,190
	<u>33,398,090</u>	<u>1,144,385,392</u>	<u>125,516,452</u>	<u>620,763,453</u>
	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and
	(Rupees in '000)			
Pakistan operations	22,907,240	776,332,633	66,646,369	475,839,112
Middle East	4,682,467	262,036,474	31,735,784	232,101,989
United States of America	195,215	3,283,908	2,137,392	1,694
Karachi Export Processing Zone	21,990	1,500,847	394,452	248,766
	4,899,672	266,821,229	34,267,628	232,352,449
	<u>27,806,912</u>	<u>1,043,153,862</u>	<u>100,913,997</u>	<u>708,191,561</u>

Total assets employed include intra group items of Rs. 32,971.285 million (2013: Rs. 33,415.211 million).

### 44.3 Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

Measuring and controlling market risk is usually carried out at a portfolio level. However, certain controls are applied, where necessary, to individual risk types, to particular books and to specific exposures. Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price, volatility, market depth and liquidity. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers.

Trading activities are centered in the Treasury and Capital Markets Group which facilitates clients and also runs proprietary positions. The Bank is active in the cash and derivative markets for equity, interest rate and foreign exchange.

The Market and Treasury Risk division performs market risk management activities. Within this division, the Market Risk Management unit is responsible for the development and review of market risk policies and processes, and is involved in research, financial modeling and testing / implementation of risk management systems, while Treasury Middle Office is responsible for implementation and monitoring of market risk and other policies, escalation of deviations to senior management, and MIS reporting.

The functions of the Market Risk Management unit are as follows:

- To keep the market risk exposure within the Bank's risk appetite as assigned by the BoD and the BRCC.
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the BoD and BRCC.

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## For the year ended December 31, 2014

- To review new product proposals and propose / recommend / approve procedures for the management of their market risk. Various limits are assigned to different businesses on a product/portfolio basis. The products are approved through product programs, where risks are identified and limits and parameters are set. Any transactions / products falling outside these product programs are approved through separate transaction / product memos.
- To maintain a comprehensive database for performing risk analysis, stress testing and scenario analysis. Stress testing activities are performed on a quarterly basis on both the Banking and Trading books.

### 44.3.1 Foreign Exchange Risk

	2014			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	845,129,825	692,915,240	(29,545,023)	122,669,562
US Dollar	136,119,275	79,084,634	(55,028,626)	2,006,015
Pound Sterling	1,986,030	17,229,225	15,576,439	333,244
Japanese Yen	29,081	6,131	(20,544)	2,406
Euro	1,272,926	7,580,755	6,260,976	(46,853)
UAE Dirham	80,648,988	127,069,465	46,556,261	135,784
Bahraini Dinar	11,389,051	22,135,650	10,730,757	(15,842)
Qatari Riyal	18,314,010	22,671,952	4,419,780	61,838
Other Currencies	16,524,921	17,204,603	1,049,980	370,298
	<u>1,111,414,107</u>	<u>985,897,655</u>	<u>-</u>	<u>125,516,452</u>

	2013			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	731,786,850	607,709,956	(24,350,954)	99,725,940
US Dollar	132,156,718	83,416,585	(49,219,121)	(478,988)
Pound Sterling	1,331,587	12,610,648	11,653,201	374,140
Japanese Yen	92,420	7,681	(73,527)	11,212
Euro	1,985,245	7,716,610	5,757,308	25,943
UAE Dirham	82,894,185	125,322,133	42,858,583	430,635
Bahraini Dinar	13,173,637	19,452,215	6,004,329	(274,249)
Qatari Riyal	17,887,202	24,690,385	6,741,932	(61,251)
Other Currencies	28,430,807	27,898,441	628,249	1,160,615
	<u>1,009,738,651</u>	<u>908,824,654</u>	<u>-</u>	<u>100,913,997</u>

Foreign Exchange Risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Exposures are monitored by currency to ensure that they remain within the established limits for each currency. Exposures are also monitored on an overall basis to ensure compliance with the Bank's SBP approved Foreign Exchange Exposure Limit.

The Bank is an active participant in the cash and derivatives markets for currencies and carries currency risk from these trading activities, conducted primarily by the Treasury and Capital Markets Group (TCM). These trading exposures are monitored through prescribed stress tests and sensitivity analyses.

The Bank's reporting currency is the Pakistan Rupee, but its assets, liabilities, income and expenses are denominated in multiple currencies. From time to time, TCM proactively hedges foreign currency exposures resulting from its market making activities, subject to pre-defined limits.

### 44.3.2 Equity position risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the prices of individual stocks or the levels of equity indices. The Bank's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Product program manuals have been developed to provide guidelines on the objectives and policies, risks and mitigants, limits and controls for the equity portfolios of the Bank.

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## For the year ended December 31, 2014

### 44.3.3 Yield / interest rate risk

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Bank's businesses and arises from mismatches between the contractual maturities of the re-pricing of on and off balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

### 44.3.4 Mismatch of interest rate sensitive assets and liabilities

	Effective yield / interest rate	%	2014										Non-interest bearing financial instruments	
			Exposed to yield / interest rate risk											
			Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years			
<b>On-balance sheet financial instruments</b>	<b>Total</b>													
<b>Assets</b>														
Cash and balances with treasury banks	74,687,959	0.08%	8,051,610	1,195,748	-	-	-	-	-	-	-	-	-	66,636,349
Balances with other banks	12,885,121	0.27%	5,218,542	3,037,345	-	-	-	-	-	-	-	-	-	6,470,831
Lendings to financial institutions	21,872,138	5.79%	5,945,594	3,037,345	5,484,398	3,229,319	2,009,607	1,507,171	169,518	169,518	169,518	489,186	-	-
Investments	497,334,002	10.22%	25,460,996	40,665,385	17,279,886	26,777,246	118,078,122	48,980,090	77,990,596	101,771,655	2,743,104	37,586,922	-	-
Advances		8.87%												
Performing	424,125,475		81,103,572	256,394,749	49,519,128	14,575,610	5,705,668	4,070,518	6,875,626	3,063,688	2,816,916	-	-	-
Non-performing	10,138,575		-	-	-	-	-	-	-	-	-	-	-	10,138,575
Other assets	28,796,953	0.00%	-	-	72,283,412	44,582,175	125,793,397	54,557,779	85,035,740	105,324,529	5,560,020	-	-	28,796,953
	1,069,840,223		125,780,314	301,293,227										149,629,630
<b>Liabilities</b>														
Bills payable	9,553,585	0.00%	-	-	-	-	-	-	-	-	-	-	-	9,553,585
Borrowings	53,065,156	7.69%	26,044,836	15,655,991	4,001,628	610,058	181,945	449,330	2,963,588	2,860,607	-	-	-	287,173
Deposits and other accounts	895,083,053	3.93%	404,480,224	58,615,742	45,053,232	28,739,653	4,196,164	4,580,715	9,650,274	5,951,837	-	-	-	333,815,212
Subordinated loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	21,924,910	0.00%	430,525,060	74,271,733	49,054,860	29,349,711	4,378,109	5,030,045	12,613,862	8,812,444	-	-	-	21,924,910
	979,626,704		902,050,716	227,021,494	23,228,552	15,232,464	121,415,288	49,827,734	72,421,878	96,512,085	5,560,020	-	-	365,590,880
<b>On-balance sheet gap</b>	<b>90,213,519</b>		<b>(304,744,746)</b>	<b>227,021,494</b>	<b>23,228,552</b>	<b>15,232,464</b>	<b>121,415,288</b>	<b>49,827,734</b>	<b>72,421,878</b>	<b>96,512,085</b>	<b>5,560,020</b>	<b>-</b>	<b>-</b>	<b>(215,981,250)</b>
<b>Net non financial assets</b>	<b>35,302,933</b>													
<b>Total net assets</b>	<b>125,516,452</b>													
<b>Off-balance sheet financial instruments</b>														
Interest Rate Derivatives - Long position	4,511,816		-	1,674,061	167,472	-	-	-	167,472	2,502,811	-	-	-	-
Interest Rate Derivatives - Short position	(4,511,816)		-	(2,502,811)	(167,472)	-	-	-	(167,472)	(1,674,061)	-	-	-	-
Cross Currency Swap - Long position	5,934,000		-	5,934,000	-	-	-	-	-	-	-	-	-	-
Cross Currency Swap - Short position	(5,934,000)		-	(5,934,000)	-	-	-	-	-	-	-	-	-	-
FX Options - Long position	190,043		-	-	-	-	-	-	-	-	-	-	-	190,043
FX Options - Short position	(190,043)		-	-	-	-	-	-	-	-	-	-	-	(190,043)
Forward Purchase of Government Securities	1,329,394		-	-	-	-	-	101,878	-	-	-	-	-	-
Forward Sale of Government Securities	(906,201)		-	-	-	-	-	(51,873)	(106,102)	1,227,516	-	-	-	-
Foreign currency forward purchases	176,779,148		77,322,167	59,279,751	34,585,908	5,591,322	-	-	(106,102)	(748,226)	-	-	-	-
Foreign currency forward sales	(140,729,954)		(68,822,657)	(39,377,875)	(39,329,597)	(3,199,825)	-	-	-	-	-	-	-	-
	36,472,337		18,499,510	19,073,126	(4,743,689)	2,391,497	101,878	(51,873)	722,648	479,290	-	-	-	-
<b>Off-balance sheet gap</b>	<b>126,685,906</b>		<b>(286,245,236)</b>	<b>246,094,620</b>	<b>18,484,863</b>	<b>17,623,961</b>	<b>121,517,166</b>	<b>49,475,861</b>	<b>73,144,526</b>	<b>96,991,375</b>	<b>5,560,020</b>	<b>-</b>	<b>-</b>	<b>(215,981,250)</b>
<b>Total Yield / Interest Rate Risk Sensitivity Gap</b>														
<b>Cumulative Yield / Interest Rate Risk Sensitivity Gap</b>														

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	Effective yield / Interest rate	Total	Exposed to yield / interest rate risk							Non-interest bearing financial instruments			
			Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years		Over 5 years to 10 years	Over 10 years	
(Rupees in '000)													
<b>On-balance sheet financial instruments</b>	%												
<b>Assets</b>													
Cash and balances with treasury banks	0.01%	88,520,725	7,145,518	-	-	-	-	-	-	-	-	-	81,375,207
Balances with other banks	0.58%	25,867,497	13,281,654	-	-	-	-	-	-	-	-	-	12,585,843
Lendings to financial institutions	4.28%	28,835,115	14,940,512	5,444,549	4,443,007	1,585,137	-	-	-	-	-	-	10,947
Investments	9.67%	423,777,250	44,624,629	51,884,247	8,460,894	23,546,022	41,575,389	32,699,400	39,282,527	2,767,164	-	-	27,758,118
Advances	9.27%	382,280,142	25,707,305	70,452,004	23,535,290	6,369,885	17,923,445	11,758,231	6,590,875	10,147,168	-	-	8,533,320
Performing		8,533,320	-	-	-	-	-	-	-	-	-	-	8,533,320
Non-performing		17,700,898	-	-	-	-	-	-	-	-	-	-	17,700,898
Other assets	0%	975,514,947	105,699,618	363,385,962	127,760,800	31,501,044	59,498,834	44,457,631	45,873,402	12,914,332	-	-	147,964,333
<b>Liabilities</b>													
Bills payable	0%	16,590,884	-	-	-	-	-	-	-	-	-	-	16,590,884
Borrowings	7.85%	40,573,874	15,676,692	4,809,219	1,642,946	720,836	986,492	1,012,085	855,497	-	-	-	456,008
Deposits and other accounts	3.86%	827,847,738	358,919,249	60,931,476	27,477,483	8,490,581	7,067,316	11,969,162	24,284,870	2,959,605	-	-	295,293,186
Subordinated loans	10.85%	665,328	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	0%	19,348,724	374,595,941	35,264,029	29,120,429	9,211,417	8,053,808	12,981,247	25,140,367	2,959,605	-	-	19,348,724
<b>On-balance sheet gap</b>		<b>70,488,399</b>	<b>(268,896,323)</b>	<b>287,375,059</b>	<b>92,516,771</b>	<b>22,289,627</b>	<b>51,445,026</b>	<b>31,476,384</b>	<b>20,733,035</b>	<b>9,954,727</b>	<b>(183,724,469)</b>		
<b>Net non financial assets</b>		<b>30,425,598</b>											
<b>Total net assets</b>		<b>100,913,997</b>											
<b>Off-balance sheet financial instruments</b>													
Interest Rate Derivatives - Long position		5,723,576	-	245,757	-	-	-	-	-	-	-	-	-
Interest Rate Derivatives - Short position		(5,723,576)	-	(245,757)	-	-	-	-	-	-	-	-	-
Cross Currency Swap - Long position		10,560,240	-	4,436,240	-	-	-	-	-	-	-	-	-
Cross Currency Swap - Short position		(10,560,240)	-	(4,436,240)	-	-	-	-	-	-	-	-	-
FX Options - Long position		-	-	-	-	-	-	-	-	-	-	-	-
FX Options - Short position		-	-	-	-	-	-	-	-	-	-	-	-
Forward Sale of Government Securities		-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency forward purchases		207,539,873	87,718,457	41,051,698	373,759	-	-	-	-	-	-	-	-
Foreign currency forward sales		(172,499,461)	(83,948,463)	(39,567,185)	(46,348)	-	-	-	-	-	-	-	-
<b>Off-balance sheet Gap</b>		<b>35,040,412</b>	<b>3,769,994</b>	<b>28,397,244</b>	<b>1,484,513</b>	<b>327,411</b>	<b>1,061,250</b>	<b>20,733,035</b>	<b>9,954,727</b>	<b>(183,724,469)</b>			
<b>Total Yield / Interest Rate Risk Sensitivity Gap</b>		<b>105,528,811</b>	<b>(265,126,329)</b>	<b>315,772,303</b>	<b>94,001,284</b>	<b>22,289,627</b>	<b>51,445,026</b>	<b>32,537,634</b>	<b>20,733,035</b>	<b>9,954,727</b>	<b>(183,724,469)</b>		
<b>Cumulative Yield / Interest Rate Risk Sensitivity Gap</b>			<b>(265,126,329)</b>	<b>50,645,974</b>	<b>144,647,258</b>	<b>152,293,231</b>	<b>226,027,884</b>	<b>258,565,518</b>	<b>279,298,553</b>	<b>289,253,280</b>	<b>105,528,811</b>		



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### 44.4 Liquidity risk

Liquidity risk is the risk that the Bank may be unable to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The Assets and Liability Management Committee (ALCO) of the Bank is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required.

The Bank's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Bank's business.

### 44.4.1 Maturities of assets and liabilities - based on working prepared by the Assets and Liabilities Management Committee (ALCO) of the Bank

Assets and Liabilities having contractual maturity dates are bucketed as per their respective maturities. The maturity profile of non-contractual deposits and bills payable is estimated using an Exponentially Weighted Moving Average model based on data for the last seven years. The maturity profile of certain non-contractual assets and liabilities which are related to specific assets and liabilities follows the maturity profile of the underlying asset or liability. The maturity profile of other non-contractual assets and liabilities is expected to follow historical patterns of behavior. The methodology and the assumptions used to derive the maturity profile of non-contractual assets and liabilities have been approved by ALCO.

	2014									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
<b>Assets</b>										
Cash and balances with treasury banks	74,687,959	48,830,231	1,047,436	1,026,530	1,486,033	2,081,334	1,586,270	2,515,460	5,211,407	10,903,258
Balances with other banks	12,885,121	11,473,334	1,195,748	-	-	216,039	-	-	-	-
Lendings to financial institutions	21,872,138	5,945,705	2,969,159	4,483,743	2,259,095	2,642,940	2,298,838	613,952	658,706	-
Investments	497,334,002	28,074,151	35,891,497	9,946,798	47,961,316	121,686,630	51,799,219	79,656,690	105,011,776	17,305,935
Advances - Performing	424,125,475	80,612,990	102,226,271	56,964,233	25,107,624	13,811,631	18,687,930	67,378,479	46,177,887	13,158,430
- Non-performing	10,138,575	-	-	623,892	281,665	622,503	-	3,305,476	-	10,138,575
Operating fixed assets	30,303,370	318,830	557,877	-	-	-	1,074,104	-	1,814,284	21,694,739
Deferred tax assets	40,067,467	15,639,992	10,549,647	2,300,913	7,515,281	130,968	292,292	1,453,511	907,554	1,277,309
Other assets	1,111,414,107	190,895,233	154,437,635	75,346,109	84,621,014	141,192,045	75,738,653	154,923,558	159,781,614	74,478,246
<b>Liabilities</b>										
Bills payable	9,553,585	2,895,475	2,119,635	2,077,326	2,461,149	-	-	-	-	-
Borrowings	53,065,156	25,914,088	14,209,771	5,935,516	949,594	849,715	736,174	1,983,026	2,487,272	-
Deposits and other accounts	895,083,053	135,283,208	97,216,464	62,132,577	68,675,310	65,806,420	45,684,727	71,990,918	128,339,461	219,953,968
Subordinated loan	-	-	-	-	-	-	474,836	474,836	-	-
Deferred tax liability	1,899,345	-	4,010,768	873,468	1,295,430	474,836	192,057	661,605	2,173,374	3,327,306
Other liabilities	26,296,516	13,486,965	4,010,768	-	-	275,543	-	-	-	-
<b>Net assets</b>	<b>125,516,452</b>	<b>13,315,497</b>	<b>36,890,997</b>	<b>4,327,222</b>	<b>10,764,695</b>	<b>73,785,531</b>	<b>28,650,859</b>	<b>79,813,172</b>	<b>26,781,507</b>	<b>(148,803,028)</b>
<b>Represented by:</b>										
Share capital	12,241,798									
Reserves	34,130,131									
Unappropriated profit	48,217,351									
Surplus on revaluation of assets	30,927,172									
	<b>125,516,452</b>									

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

2013

	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
(Rupees in '000)										
<b>Assets</b>										
Cash and balances with treasury banks	88,520,725	46,353,443	1,399,168	1,371,240	1,985,046	2,761,480	2,118,942	3,360,158	6,757,328	22,413,940
Balances with other banks	25,867,497	25,378,233	326,176	163,088	-	-	-	-	-	-
Lendings to financial institutions	28,835,115	14,227,283	1,657,212	5,717,625	3,480,636	1,872,311	168,021	863,329	848,698	-
Investments	423,777,250	45,126,610	144,476,768	46,202,904	27,426,149	23,140,643	52,850,962	36,086,777	37,502,650	10,963,787
Advances - Performing	382,280,142	76,862,334	95,308,481	36,905,981	28,250,293	10,768,516	21,496,633	64,298,793	40,959,821	7,429,290
- Non-performing	8,533,320	-	133,314	221,602	-	892,479	893,848	3,434,741	1,991,340	8,533,320
Operating fixed assets	24,607,937	53,240	-	-	377,918	-	-	-	-	16,609,455
Deferred tax assets	-	6,249,812	8,479,221	1,545,310	7,530,113	484,084	262,682	1,207,952	775,618	781,873
Other assets	27,316,665	214,250,955	251,780,340	92,127,750	69,050,155	39,919,493	77,791,088	109,251,750	88,835,455	66,731,665
<b>Liabilities</b>										
Bills payable	16,590,884	6,186,350	4,218,618	4,134,414	2,051,502	-	-	-	-	-
Borrowings	40,573,874	20,615,958	11,985,298	3,446,897	1,326,972	720,836	610,332	1,012,085	855,496	-
Deposits and other accounts	827,847,738	132,205,363	84,293,599	68,189,612	67,409,041	46,955,545	38,031,506	49,430,334	95,529,668	245,803,070
Subordinated loan	665,328	-	332,664	-	332,664	-	-	-	-	-
Deferred tax liability	1,087,240	-	-	-	271,810	271,810	271,810	271,810	-	6,451,037
Other liabilities	22,059,590	5,014,564	3,086,620	1,279,769	1,443,721	1,110,321	501,008	683,308	2,489,242	252,254,107
<b>Net assets</b>	908,824,654	164,022,235	103,916,799	77,050,692	72,835,710	49,058,512	39,414,656	51,397,537	98,874,406	252,254,107
	100,913,997	50,228,720	147,863,541	15,077,058	(3,785,555)	(9,139,019)	38,376,432	57,854,213	(10,038,951)	(185,522,442)

**Represented by:**

Share capital	12,241,798
Reserves	33,681,210
Unappropriated profit	42,634,545
Surplus on revaluation of assets	12,356,444
	<u>100,913,997</u>

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 44.4.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

The maturity profile presented below has been prepared as required by IAS on the basis of contractual maturities, except for products that do not have a contractual maturity which are shown in the first bucket.

	2014								
	Total	Upto 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
<b>Assets</b>									
Cash and balances with treasury banks	74,687,959	74,687,959	-	-	-	-	-	-	-
Balances with other banks	12,885,121	11,689,373	1,195,748	-	-	-	-	-	-
Lendings to financial institutions	21,872,138	5,945,705	2,969,159	2,259,095	2,642,940	2,298,838	-	658,706	-
Investments	497,334,002	62,716,809	9,946,798	28,264,819	121,686,630	51,799,219	79,656,680	105,011,776	2,739,662
Advances	434,264,050	80,437,987	102,226,271	25,107,624	13,811,631	18,687,930	67,378,479	46,177,887	23,472,008
Operating fixed assets	30,303,370	318,830	557,877	623,892	622,503	1,074,104	3,305,476	1,814,284	21,694,739
Other assets	40,067,467	39,774,351	119,578	291,665	-	-	77,253	-	-
	1,111,414,107	275,571,014	72,138,244	55,923,203	138,763,704	73,860,091	151,031,840	153,662,653	47,906,409
<b>Liabilities</b>									
Bills payable	9,553,585	9,553,585	-	-	-	-	-	-	-
Borrowings	53,065,156	25,914,088	-	949,594	849,715	736,174	1,983,026	2,487,272	-
Deposits and other accounts	895,083,053	762,561,308	5,935,516	23,144,420	6,381,445	2,078,671	8,527,767	4,898,458	9,201
Subordinated loans	-	-	28,738,543	-	-	-	-	-	-
Deferred tax liability - net	1,899,345	1,899,345	-	-	-	-	-	-	-
Other liabilities	26,296,516	22,261,988	337,419	-	-	-	-	578,900	3,080,034
	985,897,655	822,190,314	35,011,478	24,094,014	7,231,160	2,814,845	10,510,793	7,964,630	3,089,235
<b>Net assets</b>	125,516,452	(546,619,300)	37,126,766	31,829,189	131,532,544	71,045,246	140,521,047	145,698,023	44,817,174
<b>Represented by:</b>									
Share capital	12,241,798								
Reserves	34,130,131								
Unappropriated profit	48,217,351								
Surplus on revaluation of assets	30,927,172								
	125,516,452								

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

	2013									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
----- (Rupees in '000) -----										
<b>Assets</b>										
Cash and balances with treasury banks	88,520,725	88,520,725	-	-	163,086	-	-	-	-	-
Balances with other banks	25,867,497	25,378,235	326,176	5,717,625	5,717,625	3,480,636	-	-	-	-
Lending to financial institutions	28,835,115	14,227,283	1,657,212	46,202,903	11,445,324	23,140,643	168,021	863,329	848,698	-
Investments	423,777,250	61,425,367	144,158,635	36,905,981	28,250,293	10,768,516	52,850,962	36,086,777	37,502,650	10,963,789
Advances	390,813,462	76,862,334	95,308,481	221,602	377,918	892,479	21,496,633	64,298,793	40,959,821	15,962,610
Operating fixed assets	24,607,937	53,240	133,314	886,779	170,794	324,508	893,848	3,434,741	1,954,698	16,646,097
Other assets	27,316,665	19,845,324	5,946,902	90,097,976	43,724,965	36,998,457	65,105	77,253	-	-
	1,009,738,651	286,312,508	247,530,920	90,097,976	43,724,965	36,998,457	75,474,569	104,760,893	81,265,867	43,572,496
<b>Liabilities</b>										
Bills payable	16,590,884	16,590,884	-	-	-	-	-	-	-	-
Borrowings	40,573,874	20,615,958	11,985,298	3,446,897	1,326,972	720,836	610,332	1,012,085	855,496	-
Deposits and other accounts	827,847,738	622,114,850	64,953,590	49,235,633	39,970,718	8,785,242	8,541,742	10,343,110	23,902,753	100
Subordinated loans	665,328	-	332,664	-	332,664	-	-	-	-	-
Deferred tax liability - net	1,087,240	1,087,240	-	-	-	-	-	-	-	-
Other liabilities	22,059,590	17,030,741	341,878	334,739	814,516	442,444	-	-	625,532	2,469,740
	908,824,654	677,439,673	77,613,430	53,017,269	42,444,870	9,948,522	9,152,074	11,355,195	25,383,781	2,469,840
<b>Net assets</b>	100,913,997	(391,127,165)	169,917,490	37,080,707	1,280,095	27,049,935	66,322,495	93,405,698	55,882,086	41,102,656
<b>Represented by:</b>										
Share capital	12,241,798									
Reserves	33,681,210									
Unappropriated profit	42,634,545									
Surplus on revaluation of assets	12,356,444									
	100,913,997									

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 44.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational Risk & Basel II Division is primarily responsible for the oversight of operational risk management across the Bank. The operational risk management framework of the Bank is governed by the Operational Risk Management Policy and Procedures, while the implementation is supported by an operational risk management system and designated operational risk coordinators within different units across the bank. The framework is in line with international best practices, flexible enough to implement in stages and permits the overall approach to evolve in response to organizational learning and future requirements.

Loss data, collected through a well defined program, is evaluated and processes are reviewed for improvements in mitigation techniques. Periodic workshops are conducted for Risk & Control Self Assessment and key risk exposures are identified and assessed against existing controls to evaluate improvement opportunities. Key Risk Indicators are also defined for monitoring of risk exposures. New products, systems, activities and processes, are subject to comprehensive operational risk assessments, before implementation.

Business Continuity Plans have been implemented across the bank, clearly defining the roles and responsibilities of respective stakeholders, and covering recovery strategy, IT and structural backups, scenario and impact analyses and testing directives. The outsourcing policy has also been augmented to address risks associated with such arrangements.

### 45. ISLAMIC BANKING BUSINESS

The Bank operates 24 (2013: 22) Islamic Banking Branches and 81 (2013: 15) Islamic Banking windows.

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

	Note	2014	2013
		----- (Rupees in '000) -----	
<b>ASSETS</b>			
Cash and balances with treasury banks		1,105,791	951,157
Balances with other banks		388,594	1,701,743
Investments		8,078,202	7,363,524
Islamic financing and related assets	45.1	6,656,812	5,183,080
Operating fixed assets		99,954	117,974
Due from Head Office		2,503,182	2,144,911
Other assets		154,874	153,963
<b>Total Assets</b>		<b>18,987,409</b>	<b>17,616,352</b>
<b>LIABILITIES</b>			
Bills payable		112,626	54,532
Deposits and other accounts			
Current accounts		2,345,427	2,328,416
Saving accounts		2,331,634	2,490,262
Term deposits		1,061,485	1,994,823
Deposits from financial institutions - remunerative		12,120,720	9,980,829
Deposits from financial institutions - non remunerative		32	-
	45.2	17,859,298	16,794,330
Due to Head Office		-	-
Other liabilities		179,808	191,564
		<u>18,151,732</u>	<u>17,040,426</u>
<b>NET ASSETS</b>		<b><u>835,677</u></b>	<b><u>575,926</u></b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		1,181,000	681,000
Accumulated losses		<u>(276,733)</u>	<u>(156,679)</u>
		904,267	524,321
(Deficit) / surplus on revaluation of assets		<u>(68,590)</u>	<u>51,605</u>
		<b><u>835,677</u></b>	<b><u>575,926</u></b>

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

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

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Return earned	1,240,924	1,511,101
Return expensed	899,786	895,282
	<u>341,138</u>	<u>615,819</u>
Provision against loans and advances - net	4,663	1,525
Charge / (reversal) for diminution in value of investments - net	10,192	(1,438)
Charge / (reversal) against assets given on Ijarah	12,364	(3,602)
	<u>27,219</u>	<u>(3,515)</u>
Net return after provisions	313,919	619,334
<b>Other Income</b>		
Fee, commission and brokerage income	26,076	14,913
Dividend income	9,062	20,187
(Loss) / income from dealing in foreign currencies	(5,012)	7,291
Gain on sale of securities - net	3,882	9,021
Other income	32,305	8,584
Total other income	<u>66,313</u>	<u>59,996</u>
	380,232	679,330
<b>Other Expenses</b>		
Administrative expenses	499,795	638,933
Other provisions - net	491	2,497
Total other expenses	<u>500,286</u>	<u>641,430</u>
(Loss) / profit for the year	(120,054)	37,900
Accumulated losses brought forward	(156,679)	(194,579)
Accumulated losses carried forward	<u>(276,733)</u>	<u>(156,679)</u>
<b>Remuneration to Shariah Advisor</b>	<u>1,231</u>	<u>1,045</u>
<b>45.1 Islamic financing and related assets</b>		
<b>Financings</b>		
Murabaha	230,260	3,232,150
Ijarah	706,341	867,257
Musharaka	-	-
Diminishing Musharaka	4,801,540	687,448
Salam	-	281,040
Provision against financings	(36,052)	(31,389)
	<u>5,702,089</u>	<u>5,036,506</u>
<b>Advances</b>		
Advances and receivables against Ijarah	124,731	143,753
Advances for Diminishing Musharaka	4,500	-
Advances for Murabaha	834,246	17,498
Provision against advances for Murabaha	(17,498)	(17,498)
	<u>945,979</u>	<u>143,753</u>
Profit receivable against financings	8,744	2,821
	<u>6,656,812</u>	<u>5,183,080</u>
<b>45.2</b> Deposit and other accounts include redeemable capital of Rs. 15,513.839 million (2013: Rs. 14,465.914 million) and deposit on Qard basis of Rs. 2,345.459 million (2013: Rs 2,328.416 million). Remunerative deposits which are on Modaraba basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis. All the Redeemable capital held by the bank is in Pakistan Rupee.		
<b>45.3 Charity Fund</b>	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Opening balance	338	6,476
Addition during the year	4,764	262
Payments during the year	-	(6,400)
Closing balance	<u>5,102</u>	<u>338</u>

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 45.4 Disclosures for profit and loss distribution and pool management

During 2014, UBL Ameen (the Mudarib) maintained two pools which accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). Pool funds are invested in Islamic modes of financing and investments. The profit earned on the pool is therefore susceptible to the same market and credit risks as discussed in note 44 to the unconsolidated financial statements.

#### Ameen Daily Munafa Account (ADMA) Pool

The ADMA pool consists of deposits for the ADMA product. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

#### General Pool

The General pool consists of all other remunerative deposits. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. Currently, the entire net return is considered as distributable profit without paying any profit to the Mudarib on its equity.

For both pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The Mudarib's share for the year ended December 31, 2014 is Rs. 571.019 million (50% of distributable profit). Of this, an amount of Rs. 328.767 million (57.6% of Mudarib share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 8.7% per annum and the rate of profit paid on average deposits was 6.1% per annum.

The minimum and maximum weightage applied for profit allocation, as applied during the year were 0.018 and 1.156 respectively.

**45.4.1** All assets are jointly financed by the Bank and PLS deposit holders. The income and expenses attributable to the bank mainly comprise fee, commission and brokerage income, administrative expenses (other than those noted in 45.4.1.1), and provision / impairment against non- performing assets. Below is the detail of income and expenses jointly attributable to PLS deposit holders and the Bank.

	Note	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Income derived from investment of deposits and others			
PLS funds			
Income from Financing activities		203,651	290,208
Income from Investment in Shares and Securities		833,177	805,708
Income from Ijarah Assets		311,699	438,789
Income from financial Institutions		46,030	19,574
Total Income		1,394,557	1,554,279
Administrative expenses directly attributable to depositors and other funds	45.4.1.1	250,886	349,418
Net Income on Pool		1,143,671	1,204,861
Deductions in respect of IBI's profit on comingled funds / equity and charity funds		1,633	332
Distributable profit		1,142,038	1,204,529

**45.4.1.1** Administrative expenses directly attributable to depositors and other funds

Depreciation on Ijarah Assets	209,044	333,545
Takaful	7,574	6,536
Brokerage Fee	1,364	1,977
Others	32,904	7,360
	250,886	349,418

# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

### 45.5 Rights and obligations of Depositors of Unrestricted Investment Accounts / PLS Deposit Accounts

45.5.1 The rights of Depositors of Unrestricted Investment Accounts / PLS Deposit Accounts are as follows ;

- To know the weightages assigned to each category of deposit before the start of investment period.
- To know that the pool to which their deposit is to be allocated shall be identified at the time of accepting the deposit.
- That their deposits will be Invested in Shariah Compliant Financing and Investment products.
- To ask for the Fatwa of Shariah Advisor on Shariah Compliance of Deposit products.
- To enter or exit from the pool at any point in time, without prior notice.
- To know the percentage of Mudarib share in the concerned period.

45.5.2 The obligations of Depositors of Unrestricted Investment Accounts / PLS Deposit Accounts is as follows ;

- The Depositors are responsible to bear the risk of return on pool assets in which their deposits are invested.

45.6 Deployment of Mudaraba based deposits by class of business	2014	2013
	----- (Rupees in '000) -----	
Chemical and pharmaceuticals	130,011	83,936
Agri business	-	3,018,759
Textile	4,003,800	450,612
Sugar	72,738	96,110
Automobile	-	9,390
Financial	425,000	311,632
Food industries	291,784	192,306
Engineering	84,998	434,348
Glass and allied	482,261	522,134
Hotel	14,327	21,714
Plastic	138,008	84,665
Individuals	218,247	198,651
Production and Transmission of energy	1,608,469	493,537
Government of Pakistan Sukuks	7,202,661	6,538,358
Others	62,710	90,452
	<u>14,735,014</u>	<u>12,546,604</u>

### 45.7 Maturity profile of deposits

45.7.1 The maturity profile of the deposits including redeemable capital, based on contractual maturity is as follows:

	2014		2013	
	Deposits under Qard basis	Redeemable Capital	Deposits under Qard basis	Redeemable Capital
----- (Rupees in '000) -----				
Upto 1 month	2,345,459	8,858,965	2,328,416	12,101,974
1 to 3 months	-	6,423,083	-	1,792,862
3 to 6 months	-	147,840	-	366,528
6 months to 1 year	-	71,205	-	200,440
1 to 2 years	-	1,621	-	1,364
2 to 3 Years	-	8,625	-	1,271
3 to 5 years	-	2,500	-	475
5 to 10 years	-	-	-	1,000
Above 10 years	-	-	-	-
	<u>2,345,459</u>	<u>15,513,839</u>	<u>2,328,416</u>	<u>14,465,914</u>



# Notes to and forming part of the Unconsolidated Financial Statements

## For the year ended December 31, 2014

45.7.2 The maturity profile of the deposits including redeemable capital, based on ALCO assumptions is as follows:

	2014		2013	
	Deposits under Qard basis	Redeemable Capital	Deposits under Qard basis	Redeemable Capital
----- (Rupees in '000) -----				
Upto 1 month	105,748	2,301,365	100,983	5,048,090
1 to 3 months	76,048	6,810,157	73,925	2,131,439
3 to 6 months	77,206	527,188	72,449	698,347
6 months to 1 year	140,128	620,360	104,879	680,791
1 to 2 years	182,954	765,568	145,901	669,595
2 to 3 Years	152,039	594,822	111,954	514,022
3 to 5 years	223,477	932,074	177,533	813,581
5 to 10 years	402,744	1,708,237	445,352	1,495,209
Above 10 years	985,115	1,254,068	1,095,440	2,414,840
	<u>2,345,459</u>	<u>15,513,839</u>	<u>2,328,416</u>	<u>14,465,914</u>

#### 46. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 25, 2015 has proposed a cash dividend in respect of 2014 of Rs. 4.00 per share (2013: Rs.4.00 per share). In addition, the Directors have also announced a bonus issue of nil (2013: nil). These appropriations will be approved in the forthcoming Annual General Meeting. The unconsolidated financial statements for the year ended December 31, 2014 do not include the effect of these appropriations which will be accounted for in the unconsolidated financial statements for the year ending December 31, 2014.

#### 47. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 25, 2015 by the Board of Directors of the Bank.

#### 48. GENERAL

##### 48.1 Comparatives

Comparative information has been reclassified, rearranged or additionally incorporated in these unconsolidated financial statements for the purposes of better presentation. No major reclassifications were made during the year.

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



Wajahat Husain  
President &  
Chief Executive Officer



Amin Uddin  
Director



Zameer Mohammed Choudrey  
Director



Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

# Annexure 'A' as referred to in note 9.9 of the Bank's Unconsolidated Financial Statements

## 1) Particulars of investments held in listed companies and Modarabas

Investee	Number of shares / certificates held	Paid up value per share / certificate (Rupees)	Total paid up value (Rupees in '000)	Cost
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### Held for trading securities

#### Investments in ordinary shares

Attock Refinery Limited	490,000	10.00	4,900	96,947
Faysal Bank Limited	3,900,000	10.00	39,000	72,567
Hascol Petroleum Limited	65,000	10.00	650	5,258
Pak Elektron Limited	200,000	10.00	2,000	7,798
Pakistan Oilfields Limited	456,050	10.00	4,561	213,840
Pakistan Petroleum Limited	175,000	10.00	1,750	34,533
				<b>430,943</b>

### Available for sale securities

#### Investments in ordinary shares

Agritech Limited	14,087,108	10.00	140,871	493,049
Aisha Steel Mills Limited	5,104,000	10.00	51,040	55,362
Askari Bank Limited	10,000,000	10.00	100,000	189,485
Bank AL Habib Limited	6,939,000	10.00	69,390	331,207
Bank Alfalah Limited	1,000,000	10.00	10,000	25,548
Cherat Cement Company Limited	5,000,000	10.00	50,000	319,542
DP World	6,926	2,009.66	13,919	18,094
Engro Corporation Limited	2,400,000	10.00	24,000	417,828
Engro Fertilizers Limited	2,000,000	10.00	20,000	114,055
Fatima Fertilizer Company Limited	22,400,000	10.00	224,000	569,358
Fauji Cement Limited	15,000,000	10.00	150,000	291,320
Fauji Fertilizer Company Limited	20,900,000	10.00	209,000	2,351,029
Fauji Fertilizer Bin Qasim Limited	45,499,000	10.00	454,990	1,820,209
Hub Power Company Limited	38,189,500	10.00	381,895	1,819,518
K-Electric Limited	8,500,000	10.00	85,000	55,575
Kot Addu Power Company Limited	79,422,000	10.00	794,220	3,688,420
MCB Bank Limited	142,500	10.00	1,425	40,453
National Bank of Pakistan Limited	7,250,500	10.00	72,505	433,740
Nishat Chunian Power Limited	26,798,500	10.00	267,985	460,629
Oil & Gas Development Company Limited	1,980,000	10.00	19,800	555,988
Pakistan Petroleum Limited	2,500,000	10.00	25,000	529,619
Pakistan State Oil Limited	1,355,000	10.00	13,550	532,140
Pakistan Telecommunication Company Limited	36,800,000	10.00	368,000	990,045
Saif Power Limited	3,600,000	10.00	36,000	108,000
Soneri Bank Limited	31,500,000	10.00	315,000	476,772
				<b>16,686,985</b>

#### Investments in preference shares

Masood Textile Mills Limited	7,333,334	10.00	73,333	73,333
Silk Bank Limited	10,000,000	10.00	100,000	25,000
JSC Alliance Bank	95,720	4,566.41	322,754	322,754
				<b>421,087</b>

# Annexure 'A' as referred to in note 9.9 of the Bank's Unconsolidated Financial Statements

## 2) Particulars of investments held in unlisted companies

Investee	Percentage of holding (%)	Number of shares / certificates held	Breakup-up value per share	Paid up value per share	Cost		Based on audited accounts as at	Name of Chief Executive
					Rupees	(Rupees '000)		
<b>Shareholding more than 10%</b>								
Pakistan Agricultural Storage & Services Corporation Limited	18.3%	5,500	83,015	1,000	5,500	31-Mar-13	Capt (R) Tariq Masud	
World Bridge Connect Inc.	18.1%	1,979,295	-	-	77,606	-	Not available	
Cinepax Limited	14.6%	5,037,200	11	10	50,372	30-Jun-14	Hashim Raza	
<b>Shareholding upto 10%</b>								
First Women Bank Limited	5.2%	7,698,441	11	10	21,100	31-Dec-13	Ms. Tahira Raza	
National Institutional Facilitation Technologies (Pvt.) Limited	9.1%	1,406,835	63	10	1,527	30-Jun-14	M. M. Khan	
National Investment Trust Limited	8.3%	79,200	11,021	100	100	30-Jun-14	Manzoor Ahmed	
News-VIS Credit Information Services (Pvt.) Limited	4.7%	32,500	-	10	325	30-Jun-14	Faheem Ahmad	
Techlogix International Limited	4.4%	4,455,829	3	0	50,702	31-Dec-13	Mr.Salman Akhtar & Kewan Khawaja (Co Chief Executive)	
Kay Textile Mills Limited	Not available	377,800	-	-	3,778	Not available	Not available	
SME Bank Limited	1.7%	3,975,003	4	10	26,950	31-Dec-13	Ihsan ul Haq Khan	
SWIFT	0.0%	25	8,811	18,134	2,905	31-Dec-13	Gottfried Leibbrandt	
MasterCard Incorporated	0.0%	461	630	0	0	31-Dec-13	Ajay Banga	
The Benefit Company B.S.C ©	0.4%	216	-	27,938	2,132	31-Dec-13	Abdul Wahid Janahi	
					<b>242,997</b>			

# Annexure 'A' as referred to in note 9.9 of the Bank's Unconsolidated Financial Statements

## 3) Particulars of bonds

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		
<b>(Rupees in '000)</b>				
<b>Available for sale securities</b>				
<b>Government of Pakistan Sukuk</b>				
Government of Pakistan Ijarah Sukuk - IX	Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	985,000
Government of Pakistan Ijarah Sukuk - XII	Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	505,000
Government of Pakistan Ijarah Sukuk - XIV	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 30 bps	3,431,250
Government of Pakistan Ijarah Sukuk - XV	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 200 bps	2,350,000
Islamic Republic of Pakistan - 2019 Sukuk	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 0 bps	2,009,448
				<b>9,280,698</b>
<b>Government of Pakistan - Eurobonds</b>				
Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	1,465,675
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	6,650,633
Islamic Republic of Pakistan - 2019 - Eurobond	At Maturity	Bi-annually	7.250%	1,448,803
Islamic Republic of Pakistan - 2024 - Eurobond	At Maturity	Bi-annually	8.250%	2,250,590
				<b>11,815,701</b>
<b>Foreign bonds - sovereign</b>				
Angola 2019	At Maturity	Quarterly	7.000%	692,486
Government of Dubai Bond 2015	At Maturity	Bi-annually	6.700%	224,335
Government of Dubai Bond 2020	At Maturity	Bi-annually	7.750%	2,364,850
Government of Dubai Bond 2022	At Maturity	Bi-annually	6.450%	1,485,560
Indonesia 2020	At Maturity	Bi-annually	3.750%	398,957
Kingdom of Bahrain Bond 2020	At Maturity	Bi-annually	5.500%	1,074,327
Kingdom of Jordan	At Maturity	Bi-annually	3.875%	706,957
Republic of Ghana 2017	At Maturity	Bi-annually	8.500%	288,908
Republic of Kenya	At Maturity	Bi-annually	5.875%	298,373
Republic of Nigeria 2023	At Maturity	Bi-annually	6.375%	600,664
Republic of Sri Lanka Bond 2020	At Maturity	Bi-annually	6.250%	750,267
Republic of Sri Lanka Bond 2021	At Maturity	Bi-annually	6.250%	663,442
Republic of Sri Lanka 2022	At Maturity	Bi-annually	5.875%	595,298
Republic of Turkey	At Maturity	Bi-annually	6.250%	501,783
State of Qatar Bond 2030	At Maturity	Bi-annually	9.750%	2,629,804
United Republic of Tanzania	At Maturity	Bi-annually	6.450%	1,088,318
Venezuela 2016	At Maturity	Bi-annually	5.750%	303,079
				<b>14,667,408</b>
<b>Foreign bonds - others</b>				
Bank of Bahrain and Kuwait Bonds 2015	At Maturity	Bi-annually	4.500%	32,573
Bank of Ceylon 2017	At Maturity	Bi-annually	6.785%	491,062
CBQ Finance Limited 2019	At Maturity	Bi-annually	7.500%	484,254
Dar Al-Arkan International	At Maturity	Bi-annually	10.750%	376,125
Dubai Electricity and Water Authority 2016	At Maturity	Bi-annually	6.375%	10,181
Dubai Electricity and Water Authority 2018	At Maturity	Bi-annually	3.000%	3,212,919
Dubai Electricity and Water Authority 2020	At Maturity	Quarterly	7.375%	2,637,215
EMAAR 2019	At Maturity	Bi-annually	6.400%	894,165
EMIRAT 2023	At Maturity	Bi-annually	3.875%	536,049
IPIC GMTN Limited 2022	At Maturity	Bi-annually	5.500%	205,868
Jebel Ali Free Zone Authority 2019	At Maturity	Bi-annually	7.000%	980,805
MAF Global Securities 2019	At Maturity	Quarterly	5.250%	495,066
PTA Bank 2018	At Maturity	Bi-annually	6.375%	295,453
Qatari Diar Finance QSC - 2020	At Maturity	Bi-annually	5.000%	252,033
				<b>10,903,768</b>

# Annexure 'A' as referred to in note 9.9 of the Bank's Unconsolidated Financial Statements

## 3) Particulars of bonds (Contd.)

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		

(Rupees in '000)

### Held to maturity securities

#### Government of Pakistan - Eurobonds

Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	793,992
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	4,288,957
				<b>5,082,949</b>

#### Sukuks

Al Baraka Bank (Pakistan) Limited	Bi-annually	Bi-annually	6M KIBOR plus 125bps	250,000
Security Leasing Corporation Limited	Monthly	Nil	6M KIBOR plus 125bps	21,822
B.R.R Guardian Modaraba	Monthly	Monthly	Deferred interest instalment @ 1 month KIBOR	69,272
Sitara Peroxide Limited	Monthly	Monthly	1 Months KIBOR plus 100 bps	198,743
Pakistan International Airlines Corporation	Bi-annually	Bi-annually	6 month KIBOR plus 175 bps	890,000
WAPDA Bonds - Sukuk II	At Maturity	Bi-annually	6M KIBOR minus 25bps	25,542
WAPDA Bonds - Sukuk III	At Maturity	Bi-annually	6M KIBOR plus 100bps	425,000
				<b>1,880,379</b>

#### Foreign securities

JSC Alliance Bank - US \$ Discount Bonds	At Maturity	Quarterly	10.500%	217,942
JSC Alliance Bank - US \$ Recovery Notes	At Maturity	N/A	N/A	309,708
				<b>527,650</b>

## 4) Particulars of Debentures

Investee	Terms of Redemption		Rate of Interest	Outstanding Amount
	Principal	Interest		

(Rupees in '000)

#### Private Sector

Effef Industries Limited	Overdue	Overdue	11.00%	1,017
Effef Industries Limited	Overdue	Overdue	14.00%	379
Khyber Textile Mills Limited	Overdue	Overdue	14.00%	394
Morgah Valley Limited	Overdue	Overdue	11.00%	316
Morgah Valley Limited	Overdue	Overdue	14.00%	160
				<b>2,266</b>

# Annexure 'A' as referred to in note 9.9 of the Bank's Unconsolidated Financial Statements

## 5) Particulars of investments in term finance certificates

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
		(Rupees)	----- (Rupees in '000) -----		
<b>Unlisted - available for sale</b>					
Azgard Nine Limited	12,944	5,000	64,720	64,720	Ahmed H. Shaikh
NIB Bank Limited	30,000	5,000	150,000	149,970	Atif R. Bokhari
Engro Fertilizers Limited	140,000	5,000	700,000	700,000	Muhammad Rohail
Pakistan International Airlines Corporation TFC	1,700	5,000	8,500	8,498	Nasser N. S. Jaffer
				<b>923,188</b>	
<b>Listed - available for sale</b>					
Azgard Nine Limited	60,000	5,000	300,000	97,615	Ahmed H. Shaikh
Bank Alfalah Limited TFC III	24,200	5,000	121,000	120,927	Atif Bajwa
Faysal Bank Limited	46,000	5,000	230,000	229,632	Nauman Ansari
Bank AL Habib Limited TFC II	44,766	5,000	223,830	111,668	Abbas D. Habib
				<b>559,842</b>	
<b>Unlisted - held to maturity</b>					
Pakistan International Airlines Corporation TFC	408,867	5,000	2,044,335	2,042,700	Nasser N. S. Jaffer
Security Leasing Corporation Limited	40,000	5,000	200,000	30,808	Mohammed Khalid Ali
Al-Azhar Textile Mills Limited	14	774,670	10,845	5,418	Mirza Aurangzeb Baig
Bachani Sugar Mills Limited	-	-	-	18,516	Noorul Amin Bachani
Bentonite (Pakistan) Limited	14	268,894	3,765	3,417	Khalid Shakeel
Blue Star Spinning Mills Limited	17	497,020	8,449	3,392	Ch. Ijaz Safdar
Cast-N-Link Products Limited	16	1,064,039	17,025	2,549	Nisar Ahmed
Regency Textile Limited	40	287,715	11,509	6,113	M. Iqtidar Pervaiz
Independent Media Corporation	20,000	5,000	100,000	75,000	Mir Ibrahim Rahman
Standard Chartered Bank	75,000	5,000	375,000	375,000	Shazad Dada
Azgard Nine Limited	12,297	5,000	61,485	61,115	Ahmed H. Shaikh
NIB Bank Limited	30,000	5,000	150,000	149,970	Atif R. Bokhari
Askari Commercial Bank Limited	120,000	5,000	600,000	600,000	Syed Majeedullah Husaini
WAPDA	300,000	5,000	1,500,000	1,500,000	Syed Raghob Abbas
				<b>4,873,998</b>	
<b>Listed - held to maturity</b>					
Allied Bank Limited TFC II	67,000	5,000	335,000	334,330	Tariq Mahmood
Faysal Bank Limited	24,000	5,000	120,000	119,808	Nauman Ansari
Bank Alfalah Limited	48,600	5,000	243,000	242,854	Atif Bajwa
				<b>696,992</b>	

## 6) Particulars of participation term certificates

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
		(Rupees)	----- (Rupees in '000) -----		
Morgah Valley Limited	16	29,250	468,000	436	Air Marshal (Retd.) A. Rahim Khan
Zamrock Fibers Glass Limited	12	32,833	394,000	2,359	S. Zamir Syed
				<b>2,795</b>	

## Annexure 'A' as referred to in note 9.9 of the Bank's Unconsolidated Financial Statements

### 7) Quality of investments classified as available for sale (AFS)

Investee	Market Value (Rupees in '000)	Credit Rating
<b>Investment in ordinary shares</b>		
Agritech Limited	109,175	unrated
Askari Bank Limited	230,700	AA
Bank AL Habib Limited	336,888	AA+
Cherat Cement Company Limited	343,400	unrated
Engro Fertilizers Limited	156,200	A
Fauji Cement Limited	387,600	unrated
K-Electric Limited	78,370	A+
National Bank of Pakistan	503,620	AAA
Oil & Gas Development Company Limited	407,623	AAA
Pakistan Petroleum Limited	441,300	unrated
Pakistan State Oil Limited	484,968	AA+
Saif Power Limited	132,912	A+
Soneri Bank Limited	388,395	AA-
Aisha Steel Mills Limited	42,312	unrated
Bank Alfalah Limited	34,880	AA
Engro Corporation Limited	531,624	AA-
Fatima Fertilizer Company Limited	801,248	AA-
Fauji Fertilizer Bin Qasim Limited	2,057,010	unrated
Fauji Fertilizer Company Limited	2,447,599	unrated
Hub Power Company Limited	2,992,529	AA+
Kot Addu Power Company Limited	6,269,573	AA+
MCB Bank Limited	43,555	AAA
Nishat Chunian Power Limited	1,327,866	A+
Pakistan Telecommunication Company Limited	850,960	unrated
DP World	14,613	Baa3
	<b>21,414,920</b>	

Investee	Cost (Rupees in '000)	Credit Rating
<b>Investments in preference shares</b>		
Masood Textile Mills Limited	73,333	unrated
Silk Bank Limited	25,000	A-
JSC Alliance Bank	322,754	Caa2
	<b>421,087</b>	

### Investment in unlisted shares

#### Shareholding more than 10%

Pakistan Agricultural Storage & Services Corporation Limited	5,500	unrated
Cinepax Limited	50,372	unrated
World Bridge Connect Inc.	77,606	unrated

#### Shareholding upto 10%

First Women Bank Limited	21,100	BBB+
National Institutional Facilitation Technologies (Pvt.) Limited	1,527	unrated
SME Bank Limited	26,950	BBB-
Kay Textile Mills Limited	3,778	unrated
Techlogix International Limited	50,702	unrated
SWIFT	2,905	unrated
National Investment Trust Limited	100	AM2-
News-VIS Credit Information Services (Pvt.) Limited	325	unrated
MasterCard Incorporated	0	A
The Benefit Company B.S.C ©	2,132	unrated
	<b>242,997</b>	

# Annexure 'A' as referred to in note 9.9 of the Bank's Unconsolidated Financial Statements

## 7) Quality of investments classified as available for sale (AFS)

Particulars	Market Value (Rupees in '000)	Credit Rating
<b>Federal Government Securities</b>		
Market Treasury Bills	40,846,176	Unrated - Govt Securities
Pakistan Investment Bonds	199,119,941	Unrated - Govt Securities
	<b>239,966,117</b>	
<b>Government of Pakistan Islamic Bonds</b>		
Government of Pakistan Ijarah Sukuk	<b>9,188,860</b>	Score7
<b>Government of Pakistan - Euro bond</b>		
Islamic Republic of Pakistan - 2016 - Euro Bond	1,539,131	Score7
Islamic Republic of Pakistan - 2017 - Euro Bond	7,429,453	Score7
Islamic Republic of Pakistan - 2019 - Euro Bond	1,440,418	Score7
Islamic Republic of Pakistan - 2024 - Euro Bond	2,250,360	Score7
	<b>12,659,362</b>	
<b>Foreign bonds - sovereign</b>		
Angola 2019	651,349	Score5
Government of Dubai 2015	235,469	Score2
Government of Dubai 2020	2,594,029	Score2
Government of Dubai 2022	1,595,593	Score2
Indonesia 2020	417,730	Score3
Kingdom of Bahrain Bond 2020	1,100,481	Score4
Kingdom of Jordan	719,269	Score5
Republic of Ghana 2017	264,275	Score5
Republic of Kenya	300,273	Score6
Republic of Nigeria 2023	574,006	Score5
Republic of Sri Lanka 2020	760,867	Score6
Republic of Sri Lanka 2021	662,170	Score6
Republic of Sri Lanka 2022	599,158	Score6
Republic of Turkey	500,048	Score4
State of Qatar 2030	2,739,662	Score3
United Republic of Tanzania	1,089,733	Score6
Venezuela 2016	203,378	Score7
	<b>15,007,490</b>	
<b>Foreign bonds - others</b>		
Bank of Bahrain and Kuwait 2015	33,370	BBB
Bank of Ceylon 2017	494,087	B2
CBQ Finance Limited 2019	504,762	A1
Dar Al-Arkan 2015	364,877	Unrated
Dubai Electricity and Water Authority 2016	10,891	Baa2
Dubai Electricity and Water Authority 2018	3,294,186	Baa2
Dubai Electricity and Water Authority 2020	2,844,993	Baa2
EMAAR 2019	952,030	B1
EMIRAT	568,782	Unrated
IPIC GMTN Limited 2022	201,760	Aa2
Jebel Ali Free Zone Authority 2019	1,018,446	B1
MAF Global Securities 2019	516,043	Unrated
PTA Bank 2018	284,356	BB
Qatari Diar Finance QSC - 2020	278,513	AA
	<b>11,367,096</b>	
<b>Term finance certificates</b>		
<b>Listed</b>		
Azgard Nine Limited	88,304	Defaulted
Bank Alfalah Limited TFC II	120,070	AA-
Faysal Bank Limited	240,259	AA-
Bank AL Habib Limited TFC II	111,700	AA
	<b>560,333</b>	
<b>Unlisted</b>		
Azgard Nine Limited	51,776	Defaulted
Engro Fertilizers Limited	686,120	A-
NIB Bank Limited	147,845	A+
Pakistan International Airlines Corporation TFC II	8,498	Defaulted
	<b>894,239</b>	



## Annexure 'B' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

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

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Total
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	
1	Mian Riaz Ahmed House no 199/O Block 2 PECHS Near Ghosia Masjid Karachi	Mian Riaz Ahmed	42201-8677137-5	Mian Nazir Ahmed	19,667	17,622	-	-	17,823	-	17,823
2	Shumaila Raza Jinnat Apparel (Pvt) Limited Chak No 202 Chona Road Bhaiwala Faisalabad	Shumaila Raza	33100-3960075-0	Raza Habib	7,563	7,465	-	-	7,959	-	7,959
3	Falimah Plot no 86-K Block 2 Bank AL Habib PECHS Karachi	Falimah	42201-9150960-8	Naushad Ali	17,001	3,708	-	-	5,321	-	5,321
4	Muhammad Hafeez House, No 303, Canal Garden West Canal Road Canal Garden Faisalabad	Muhammad Hafeez	33100-2808801-1		7,363	2,997	-	1,363	3,067	-	4,429
5	Safiq Ud Din Soft Plastics 82-A Block J, Gulshan Ravi Near Bund Road Lahore	Safiq Ud Din	42101-1648164-3	Salah Udin Ghazi	3,673	3,684	-	-	3,780	-	3,780
6	Anwar Khan House No A-502 Norani Garden Shoe market Garden Karachi	Anwar Khan	42301-2252849-3	Sardar Khan	4,665	4,072	-	-	3,585	-	3,585
7	Syed Iqbal Zafar House No 155, Block J-1 Johar Town Lahore	Syed Iqbal Zafar	35201-3608156-3	Syed Zafar Ali	3,151	2,856	-	-	3,113	-	3,113
8	Kazim Ali Ravjani Laser Tech 1st Floor Plot M-1-65/C 12Th Comm St Phase II DHIA Karachi	Kazim Ali Ravjani	42101-3945973-1	Raza Hussain Ravjani	3,089	2,572	-	-	2,883	-	2,883
9	Dawood Mohsin Shop 52, Silara Market, Maqbool Road Faisalabad	Dawood Mohsin	33102-1748997-7	Ashraf	1,687	2,489	-	-	2,577	-	2,577
10	Muqst Mehmoodas Engineering Co Suit No 11 3rd Floor Shouraz Plaza Chowk Safanwala Lahore		38403-2063717-3	Muhammad Anwar	2,940	2,589	-	-	2,391	-	2,391
11	Nadeem Walthidh No 1158 Saagar Road Sadar Bazar Lahore	Nadeem Walthidh	35201-0767899-1	Abdul Wahid	3,754	2,121	-	-	2,190	-	2,190
12	Mian Ifkhar Ahmed Rehman Factories office no 1 Rehman Building 61-C Meleod Road Lahore	Mian Ifkhar Ahmed	35202-9778335-5	Ch. Sher Muhammed	2,658	1,955	-	-	2,093	-	2,093

# Annexure 'B' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

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

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off					
					Principal	Interest / Markup	Others	Total	Principal	Interest / Markup	Others	Total	
13	Saleem Akhtar Salem Textile Services 271 Main Bazar Dar Ul Ehsan Shabnum Town Centina Faisalabad	Saleem Akhtar	33100-2126389-5	Ghulam Nabi	2,948	2,060	-	4,908	-	2,079	-	2,079	
14	Mohammad Ashraf Ashraf Steal Merchant, Shop No 317-318 Al Hadid Bazar Nazid Saray Sultan Road Lahore	Mohammad Ashraf	35202-9835450-7	Anaat Ullah	3,183	1,808	-	4,991	-	1,705	-	1,705	
15	Mohammad Nasir Ali Latif Casting House E-2555 Suha Bazar Rang Mahal Lahore	Mohammad Nasir Ali	35201-6410692-7	Abdul Latif	4,920	1,369	0	6,289	-	1,703	-	1,703	
16	Muhammad Anshad Chak No 186 R-B-Dehnum Tehsil Chak Jhumra Faisalabad	Muhammad Anshad	33102-3066270-3	Muhammad Rafique	2,135	1,593	-	3,728	-	1,676	-	1,676	
17	Kamran Ahmed Khan 3-B-10/3 Nazimabad No 3 Behind Baqal Hospital Karachi	Kamran Ahmed Khan	42101-3631820-9	Ansar Ahmed Khan (Late)	1,911	1,247	-	3,158	-	1,458	-	1,458	
18	Mahwish Haseeb House No 137 Jinnah Block Awan Town Lahore	Mahwish Haseeb	35202-8701178-6	Haseeb Ahmad	1,619	1,189	-	2,808	-	1,165	-	1,165	
19	Wasim Akhtar Wasim Enterprises 481 Shadman Colony Lahore	Wasim Akhtar	35202-4221804-3	Abdul Latif	1,256	968	-	2,224	-	1,078	-	1,078	
20	Tharparkar Sugar Mills Limited Deh 33, Taluka Kot Ghulam Muhammad, District Mirpurkhas	Imtiaz Ali Shah Adil Ali Shah Irfan Ali Shah Ishad Ali Shah Roshan Ali Shah Sanjar Khan Ali Qutub Shah	44103-2975179-7 44103-0930020-9 44103-4745570-5 42501-5421949-9 44101-7840053-5 44103-0303149-3 2201-8154350-3	Ghulam Haider Shah Abid Ali Shah Ghulam Haider Shah Ghulam Haider Shah Abbas Ali Shah Haider Khan Syed Wajahat Hussain	26,238	15,365	-	41,603	-	92,502	-	92,502	
21	Simeranjeet Singh Kanwar P.O. Box # 19816, Dubai	Simeranjeet Singh Kanwar			218,880	109,203	-	328,083	14,869	68,241	-	83,110	
22	Zain Packaging Industries (Pvt) Limited Plot # D-17, Site, Manghopir Road, Karachi	Shamoon Yakoob Ali Karimi Shabir Yakoob Ali Karimi Shaheida Shamoon Kulsoom Bai	42101-3801991-3 42101-9208815-7 42101-1002590-8	Yakoob Ali Karimi Yakoob Ali Karimi Shamoon Yakoob Ali Karimi	166,351	-	-	166,351	46,351	-	31,197	-	77,548
23	Asad & Company Sanjha Rice Mills Hospital Road, Usa Muhammad.	Muhammad Ismail Rind Khalid Hussain Rind	53202-4032928-3 53202-4031978-3	Wali Muhammad Wali Muhammad	33,442	-	-	33,442	18,942	-	-	27,676	45,618
24	Hamid Murad UAE	Hamid Murad			234,940	105,035	-	339,975	54,802	90,999	-	145,801	
25	Flexton Trading And Contracting P.O.Box No 565674 Doha Qatar	Fazal Rahim Fazal Mannan			11,320	15,574	-	26,894	11,320	17,014	-	28,334	

Rs. in '000

# Annexure 'B' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

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

Rs. in '000

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off				
					Principal	Interest / Markup	Others	Total	Principal	Interest / Markup	Others	Total
26	Mushaq Packages Plot # L-393, Rahim Mill Compound, Block-22, F.B. Industrial Area, Karachi	Syed Shakeel Ahmed Mushaq Hussain	42101-5452464-7 42101-5443014-7	Mushaq Hussain Maqbool Hussain	65,000	-	-	65,000	13,000	-	10,659	23,659
27	Faisal Ashraf Malik P.O. Box # 63303, Dubai	Faisal Ashraf Malik			7,308	15,702	-	23,010	7,308	15,702	-	23,010
28	Actress For Transportation P.O.Box No 20951 Doha Qatar	Anas Tays Al Jumali			9,703	6,314	-	16,017	9,686	7,171	-	16,857
29	Bahrain Recycling Project Plot 2 Sector C-11, KEPZ Karachi, Pakistan	Hassan Ali Ansarulah Muhammad Saleem			9,401	6,476	364	16,240	8,335	7,926	-	16,260
30	Ahmed Mahmood Azzam P.O. Box # 111123, Dubai	Ahmed Mahmood Azzam			21,458	9,884	-	31,352	6,990	8,702	-	15,692
31	Asad Containers (Pvt) Limited F-606 Site, Karachi	Asad Mahmood Tahir Masood	42301-1596088-3 42301-0357463-5	Khalifa Salahuddin Khalifa Salahuddin	8,036	-	-	8,036	8,036	-	4,253	12,289
32	Welgreen Chemicals (Pvt) Limited 40-Tariq Block New Garden Town Lahore	Ifkhar Rasool Majid Ifkhar Sharjehan Ifkhar Zaid Ifkhar Saleema Begum	35202-2897107-9 35202-2897110-5 35202-2897111-5 35202-2897109-5 35202-2716410-6	Ch Guliam Rasool Ifkhar Rasool Ifkhar Rasool Ifkhar Rasool Ifkhar Rasool	26,111	-	-	26,111	6,111	-	5,869	11,980
33	Super Thermoseal Rubber Industries Limited Unit # 31, Hub River Road, Site Karachi	Mahmood Hussain Shahmawaz Dakhan		Muhammad Hassan	56	1,886	-	1,942	56	1,061	10,131	11,248
34	Sublime Sport (Pvt) Limited Daska Road, Sialkot	Mian Aleem Javid Mian Usman Javid Mian Nauman Javid Sofia Javid	34603-1796914-3 34603-2245623-3 34603-2110103-9 34603-2140949-6	Mian Amin Javid Mian Amin Javid Mian Amin Javid Mian Nauman Javid	126,960	-	-	126,960	-	-	8,936	8,936
35	Wali Cotton Ginning & Oil Mills Permit Road Jatoi, District Muzaffar Gath	Haji Muhammad Younus Muhammad Khalid Muhammad Afrif	32302-6278115-9 32302-1374093-7 32302-9962045-1	Wali Muhammad Wali Muhammad Wali Muhammad	12,901	-	-	12,901	-	-	7,928	7,928
36	Osama F.H.Khader P.O.Box No 29 Doha Qatar	Osama F.H.Khader			4,099	2,833	-	6,932	4,083	3,126	-	7,210
37	Nadeem Sarwer P.O. Box 1367 Dubai	Nadeem Sarwer			3,021	3,815	-	6,835	3,021	3,815	-	6,835
38	Legende Tricot (Pvt) Limited 405-Dossui Arcade Blue Area Islamabad	Brigadier Ibad Ullah Babar Zafar Hayat Babar Fauzia Babar Malik Altar Ali Khan Adeel Ahmed Qureshi Fauad Ullah Babar Shafique Khan	37405-8101567-1 17301-1529465-1 37405-6251919-2 37405-0647793-9 211-76-460517 155-92-460153	Zafarullah Khan Hayatullah Babar Ibad Ullah Babar Malik Khan Nawaz Ali Sher Qureshi Abdullah Babar	13,917	-	-	13,917	-	-	6,418	6,418
39	Mohamed Ould Brahim P.O.Box 106621, UAE	Mohamed Ould Brahim		Brahim	4,194	1,977	-	6,171	4,194	1,977	-	6,171

# Annexure 'B' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

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

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Total
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	
40	Eirafie P.O.Box 17163, UAE	Eirafie		Khalid Monir Eirafie	2,371	3,643	-	2,371	3,643	-	6,015
41	Salmic Chemical Industries (Pvt) Limited 22-B Industrial Estate, Jammu Road Peshawar	Ahmad Ikram Ahmad Qaiser Chaman Guizar Begum			164	601	-	164	204	5,597	5,965
42	Touqir Sarwar Awan P.O.Box 2943	Touqir Sarwar Awan		Sarwar Awan	3,386	2,016	-	3,386	2,016	-	5,401
43	Golden Carpets Industries 8-Manohar Street Nicholson Road Lahore	Qamar Zia			5,393	-	-	5,393	-	-	5,393
44	Yahya Hussain Ghuloom Ali Villa 1045 Bahrain	Yahya Hussain Ghuloom Ali			5,380			5,380			5,380
45	Younus Weaving Factory room # 24, 3rd floor, Al-Hayat Building, M.A. Jinnah Road, Karachi	Mushtaq Ahmed		Haji Muhammad Iqbal	1,508	1,247	-	-	254	5,102	5,356
46	Alpur Cotton Industries Permit Road Jabo, District Muzaffar Garh	Haji Muhammad Younus Muhammad Khalid Muhammad Arif	32302-6278115-9 32302-1374093-7 32302-9962045-1	Wali Muhammad Wali Muhammad Wali Muhammad	6,000	697	-	-	697	3,652	4,349
47	Zein Elabidine Ould Cheikh P.O.Box 72457, UAE	Zein Elabidine Ould Cheikh		Cheikh	2,478	1,822	-	2,478	1,822	-	4,300
48	Mohamad Mahmood Ould Sidi El M P.O.Box 51402, UAE	Mohamad Mahmood Ould Sidi El M		Sidi El M	2,922	1,295	-	2,922	1,295	-	4,217
49	Bourena Ould El Hadrami P.O.Box 253, UAE	Bourena Ould El Hadrami		EL Hadrami	2,349	1,852	-	2,349	1,852	-	4,201
50	Faraz Textile Mills Plot # 22/2 Sector-6-A, North Karachi Township Karachi	Yasmeen Masood Ahmed	42301-0926472-8	Masood Ahmed	1,041	-	-	1,041	-	3,142	4,183
51	Mohamed Habibullah P.O.Box 51402, UAE	Mohamed Habibullah		Habibullah	2,595	1,505	-	2,595	1,505	-	4,100
52	Mohamed Mehal P.O.Box 253, UAE	Mohamed Mehal		Mohamed Mehal	2,396	1,672	-	2,396	1,672	-	4,068
53	Mohammed Salim Said P.O.Box 253, UAE	Mohammed Salim Said		SAID	2,480	1,680	-	2,480	1,419	-	3,899
54	Mohamed Bade Tibary P.O.Box 253, UAE	Mohamed Bade Tibary		Mohamed Bade Tibary	2,144	1,620	-	2,144	1,620	-	3,764
55	Valy Baba Sabaima P.O.Box 253, UAE	Valy Baba Sabaima		Sabaima	1,982	1,722	-	1,982	1,722	-	3,704

Rs. in '000

# Annexure 'B' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

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

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	Total
56	Civil Trade Corporation Shop # 163, Sethi Plaza, G. T. Road Gujranwala	Zafar Iqbal Ijaz Ahmed	34101-6606530-3 34101-4558782-9	Sheikh Muhammad Tufail Sheikh Muhammad Tufail	10,000	-	-	-	-	3,550	3,550
57	Yemehlou Ould Mohamed Lemine O P.O.Box 253, UAE	Yemehlou Ould Mohamed Lemine O		Ould Mohamed Lemine O	2,015	1,503	-	2,015	1,503	-	3,518
58	Madina Oil & Ice Factory 15 Mile, Jhangi Wali Road, Dera Bakha Bahawalpur	Saleem Sheikh Khadim Hussain Muhammad Siddique Bhatti		Qarrar Hussain Qader Baksh	348	699	-	348	699	2,414	3,461
59	Khalid Mehmood P.O.Box 270, UAE	Khalid Mehmood		Mehmood	-	3,455	-	-	3,455	-	3,455
60	Ali-Jan Trading Company Mir Wah Road, Ustia Muhammad, UAE	Ali-Jan Gul-Jan	53404-5306093-5 53202-8827982-5	Gul-Jan Qaim Khan	4,500	-	-	1,000	-	2,426	3,426
61	Hamid Suhail Al UAE	Hamid Suhail Al			-	-	3	-	-	3,307	3,307
62	Zaid Oil Mills Chak # 4, Deh Khadwari, Head Jamro Taluka & District, Sanghar	Azhar Hussain	484-66-149819	Nazar Hussain	3,030	-	-	980	-	2,218	3,198
63	Malik Ahmed Nawaz Qadirpur Chinnna The Kehror Pacca District Lodhran	Malik Ahmed Nawaz	36202-3005409-1	Rab Nawaz	3,151	4,875	-	-	3,170	-	3,170
64	Malik Sohail P.O.Box 41230, UAE	Malik Sohail			1,023	1,883	-	1,023	2,032	-	3,055
65	Bashir Ahmed & Brothers Ghalla Mandi Pakpattan	Ch. Bashir Ahmed	36402-7167155-9	Haji Abdul Hameed	12,000	-	-	-	-	2,852	2,852
66	Atzal Textile Industries (Pvt) Limited C-242 Block-6, F. B. Area, Karachi	Syed Afzal Mehdi Yasmeen Kaiser Syed Akhtar Ali Rizvi Nasreen Bano	42101-1687462-7 42101-1570931-6 42101-3330245-3 42101-5579549-4	Syed Mir Ali Syed Afzal Mehdi Syed Akhtar Ali Rizvi Syed Afsar Ali Rizvi	6,332	-	-	-	-	2,791	2,791
67	Sidi Ould Babatha Sidi P.O.Box 19875, UAE	Sidi Ould Babatha Sidi		BABAHA SIDI	1,291	3,066	-	1,291	1,452	-	2,743
68	Aftab Enterprises International 5-Mileod Road, Lahore	Aftab Ahmed Malik	35202-9373554-9	Muhammad Ashiq Malik	7,000	-	-	-	-	2,723	2,723
69	Hussain Abduljalil Abdurraouf P.O.Box 3744, Bahrain	Hussain Abdul Jalil Abdul rasool		Abdul Jalil Abdul rasool	2,656	-	-	2,657	-	-	2,657
70	Elmollar Ould Mohamed Mahmoud P.O.Box 253, UAE	Elmollar Ould Mohamed Mahmoud		Mohmed Mahmoud	877	1,767	-	877	1,767	-	2,644
71	Mohamed Ya Ould El Arby P.O.Box: 253, UAE	Mohamed Ya Ould El Arby		EL Arby	971	1,645	-	971	1,645	-	2,616

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S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	Total
72	Makkaah Foods Industries (Pvt) Limited 42, Mali Avenue, 54, The Mall Lahore	Zahid Dewan Umair Zahid Dewan Lieutenant Colonel Tariq Javed Shamim Javed	35201-9525717-7 35201-9669118-9 35201-1425516-7 35201-145313-2	Muhammad Tufail Dewan Zahid Jamal Dewan Muhammad Ramzan Tariq Javed	4,800	-	-	500	-	2,062	2,562
73	Anwar Ahmed Abdullah Alraifrah Estate Agency, Bahrain	Anwar Ahmed Abdullah			2,377	-	-	2,377	-	-	2,377
74	Consumer Foods 86/A Commercial Area Federal B Area Karachi	Yousuf Akhtar Ansari	501-38-509244	A.H. Ansari	617	448	-	-	-	2,322	2,322
75	Abdel Ouahad Aliche P.O.Box 253, UAE	Abdel Ouahad Aliche		Abdel Ouahad Aliche	91	2,286	-	91	2,176	-	2,267
76	New Sitara Roller Flour Millskatcha Eimanabad(Faisal) Road, Peoples Colony, Gujranwala	Sh. Abdul Ghafoor	34101-6565302-1	Fazal Din	7,000	-	-	-	-	2,207	2,207
77	Khan Muzaffar Sattar P.O.Box No 30576 Doha Qatar	Khan Muzaffar Sattar			1,948	186	-	1,948	240	-	2,188
78	Rasheed Steel Industry (Mushlaq Group) House 14, St. # 67, Elahi Park, Misri Shah Lahore	Muhammad Rasheed	35202-6074534-1	Muhammad Mushlaq	20,000	-	-	-	-	2,063	2,063
79	Ould El Hadji Sid Ahmed Ould S P.O.Box 33075, UAE	Ould El Hadji Sid Ahmed Ould S		Hadji Sid Ahmed Ould S	286	1,747	-	286	1,747	-	2,033
80	Muhammad Iqbal	Muhammad Iqbal	33202-6119079-3	Anwar Balq	1,863	1,629	-	358	1,629	-	1,966
81	Madina Cng & Filling Station Ghalla Mandi Pakpattan	Ch. Bashir Ahmed Ghulam Hussain Talib Hussain	36402-7167155-9 36402-2059571-7 36402-3757630-7	Haji Abdul Hameed Haji Abdul Hameed Haji Abdul Hameed	7,899	-	-	-	-	1,923	1,923
82	Khaled Abdelsamie A.Gharseldin P.O.Box No. 24572 Doha Qatar	Khaled Abdelsamie A.Gharseldin			1,724	126	-	1,723	173	-	1,896
83	U. T Industries (Pvt) Limited 112-Jb, Sejjad Industrial Estate, Milliat Road Sargodha	Muhammad Hafiz Perveen Akhtar Sibghat Ullah Hafiz	33100-7438704-9 33100-2177152-4 33100-7658586-1	Muhammad Ali Muhammad Hafiz Muhammad Hafiz	21,000	-	-	-	-	1,846	1,846
84	Muzammil International Main Bahawalpur Road, Multan	Khawaja Muhammad Fazil	36302-0666885-5	Khawaja Mohd Shafi	2,009	488	-	-	-	1,840	1,840
85	Ahmed Redha Ghuloom Khesrawi Media Links, Bahrain	Ahmed Redha Ghuloom Khesrawi			1,821	-	-	1,821	-	-	1,821
86	Al Sadaf Rent A Car P.O.Box No. 11913 Doha Qatar	Salem Abdullah M.A. Al Ma'ri			3,554	2,251	-	-	1,739	-	1,739
87	Suhama Y Abbas P.O.Box: 28013, UAE	Suhama Y Abbas		Abbas	-	1,684	-	-	1,684	-	1,684

Rs. in '000

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

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off				
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	Total	
88	Mian Riaz Ahmed Noshetra, Malisli	Mian Riaz Ahmed	36602-4812007-1	Mian Rab Nawaz	2,000	1,716	-	-	1,657	-	-	1,657
89	Rafiuddin Mohamed Yusur Mandiek P.O.Box 3658, UAE	Rafiuddin Mohamed		Yusur Mandiek	1,407	247	-	1,407	247	-	-	1,654
90	Naseer-UJ-Haq & Co. Chak # 35/12-L, Tehsil Chichawatni District Sahiwal	Naseer UJ Haq	36501-0849325-5	Chaudhary Abdul Latif	2,500	-	-	-	-	1,633	-	1,633
91	Green Land School Alipur Road, Near Govt. Girls Degree, Halfzabad, Gujranwala	Asmat Ullah	34301-3359444-7	Khan Muhammad	4,000	-	-	-	-	1,585	-	1,585
92	Muhammad Naseem Khan Mouza Deen Wah Malisli Tehsil Malisli District Vehan	Muhammad Naseem Khan	36602-1778209-7	Saifullah Khan	-	2,180	-	-	1,580	-	-	1,580
93	Zeba Textile Mills Plot # LF/37-B, Landhi Industrial Area Karachi	Asif Maruf Shahbaz Hussain Asma Khatoon Shahnaz Abid Shahab Manuf Faisal Moosa Asim Moosa Khuram Moosa	42301-7049053-1 42201-0115497-7 42201-1752662-4 42201-0483973-6 42301-9457896-3 42201-5040352-7 42201-0660722-9 42201-0683368-5	Maruf Hussain Maruf Hussain Zainul Abedin Maruf Hussain Muhammad Moosa Muhammad Moosa	6,160	-	-	-	-	1,555	-	1,555
94	Ould Babah P.O.Box 253, UAE	Ould Babah		Mohamed Ould Babah	-	2,343	-	-	1,522	-	-	1,522
95	Ali Muhammad P.O.Box 771, UAE	Ali Muhammad		Abdul Aziz Ali Muhammad	106	1,316	-	106	1,316	-	-	1,422
96	Koshy Thomas P.O.Box 874, UAE	Koshy Thomas		Poikayil Koshy Thomas	-	1,355	-	-	1,355	-	-	1,355
97	Suliman Jumah P.O.Box 2943, UAE	Suliman Jumah		Enad Khalid Suliman Jumah	-	1,397	-	-	1,342	-	-	1,342
98	Hanif Sors 403-W Block, Phase-III, DHA, Karachi	Muhammad Hanif	35201-1363560-9	Haji Mian Karam Din	7,000	-	-	-	-	1,337	-	1,337
99	Ahmed Mohd Issa P.O.Box 28248, UAE	Ahmed Mohd Issa		Ansaf Mohammed Ahmed Mohd Issa	196	1,101	-	196	1,101	-	-	1,297
100	Alamgir Khokhar Khokhar Travel Room No 1 Fareed Chamber 1st Floor City Court Road Karachi	Alamgir Khokhar	42301-9549956-1		471	1,072	89	118	1,072	95	-	1,285
101	EI Karim Abd P.O.Box : 35851, Dubai, UAE	EI Karim Abd		Mohamed Abd El Karim Abd	944	339	44	944	295	44	-	1,283
102	Muhammad Javed Khanmouza Latha Bohar Duniyapur	Muhammad Javed	36201-0683856-9	Saifullah Khan	800	1,260	-	-	1,260	-	-	1,260

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

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Total
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	
103	Kawkab Al Fiddi Trading P.O. Box 61262, Dubai	Avis Najimi				6,191	-	-	1,221	-	1,221
104	Khurshid Alam Butt P.O.Box: 108987 Abu Dhabi,UAE	Khurshid Alam Butt		Alam Butt	1,148	49	48	1,148	1	48	1,198
105	Salman Iqbal Malkani Meht Enterprises Shop 2-A Walkani Apartment Shah Latif Bhatti Road Moosa Lane, Karachi	Salman Iqbal Malkani	42301-6266232-1		506	927	81	1,514	927	84	1,162
106	Nurman Ahmad House # 1287 Street no 4, Muhalla Qadeerabad, Near Babar Chowk, Bahrain	Nurman Ahmad	36302-9214770-9		984	143	3	1,130	984	3	1,130
107	Syed Haider Adnan Jaafer Albah Secure Service Limited, Bahrain	Syed Haider Adnan Jaafer Albah			1,121	-	-	1,121	1,121	-	1,121
108	Agha Athar Hussain Pakistan National Textile Mill, D-68 Deh Khanto Tappo Main National Highway Landhi Karachi	Agha Athar Hussain	42301-7560355-7		503	883	70	1,456	151	71	1,105
109	Zainab Ahmed P.O. Box 1367 Dubai	Zainab Ahmed			23,758	-	-	23,758	-	1,095	1,095
110	Ceriales P.O.Box 30439, UAE	Ceriales		Therese Rendon Ceriales	240	872	-	1,112	240	-	1,084
111	Nadeem Ahmed Shah Chah Rehman Shah, Mouza Hayat Pur Tehsil & District Khanewal	Nadeem Ahmed Shah	36103-1656225-7	Muhammad Iqbal Shah	1,000	1,208	-	2,208	1,043	-	1,043
112	Safia Asif Butt House no 55/2 Khayaban-E-Mujahid Street 15 Phase 5 DHA	Safia Asif Butt	42301-0993038-6	Asif Butt	4,588	1,036	-	5,633	-	-	1,036
113	Jalil Ahmed House no 179-B Qazafi Park Gulistan Ravi Lahore	Jalil Ahmed	35202-3632520-9		447	833	68	1,348	127	76	1,036
114	Anwar Khan House No A-502 Norani Garden Shoe Market Garden Karachi	Anwar Khan	42301-2252849-3		494	832	64	1,390	133	64	1,029
115	Sabir Ayaz Century 21 Traders App No 504 5th Floor Poonch House Adamjee Road Saddar Rawalpindi	Sabir Ayaz	61101-5885068-3		328	855	72	1,256	94	74	1,023
116	New Pak Ittehad Bus Body Maker 1-Km, Jaranwala Sharqur Road, Near Al Saeed Chowk, Ferozewala District Shekhupura	Rafaqat Ali	35202-9761256-5	Siraj Din	6,000	-	-	6,000	-	1,013	1,013
117	Al-Subhani Filling Station Mouza Qaziabad, G. T. Road Near Bridge Harro, Toll Plaza, District Attock	Late Qasim Zia	61101-4471484-5	Zia-ul-Haq	1,700	-	-	1,700	-	1,004	1,004

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# Annexure 'B' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

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

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off				
					Principal	Interest / Markup	Others	Total	Principal	Interest / Markup	Others	Total
118	Wajid Ul Zoha House No 101-C Block 2 KAECHS Karachi	Wajid Ul Zoha	42301-5875663-3		482	799	51	1,332	143	799	62	1,004
119	Muhammad Jehangir Khan	Muhammad Jehangir Khan	36602-1000658-7	Aman Ullah Khan	900	1,234	-	2,134	-	1,002	-	1,002
120	Waleed Khan Flat 401, Building 3284, Bahrain	Waleed Khan			989	-	-	989	989	-	-	989
121	Rene Echevirra Ilar P.O.Box No 6799 Doha Qatar	Rene Echevirra Ilar			913	57	-	970	913	82	-	995
122	Ghulam Haider House No A-18, Row Q, Block 1, Gulshan Kameez, Fatima, Gulzar-E-Hijri Karachi	Ghulam Haider	42201-0271885-7		301	821	64	1,185	90	821	65	976
123	Muhammad Naseem Khan Mullan Road, House No.62A Mohallah Rasool Pura, Malisai	Muhammad Naseem Khan	36602-1778209-7	Saitullah Khan	1,300	1,716	-	3,016	-	971	-	971
124	Kanwar Toliq Ahmed Khan House No A-420 Block No 1 Gulshan-E-Iqbal Masjid Noor, Kamran Market Karachi	Kanwar Toliq Ahmed Khan	42501-5965905-7	Rafiq Ahmed Khan	772	464	1	1,237	335	464	171	970
125	Muhammad Tahir Saleem Rajput House no A-1018 Deewan Das Street Qureshi Road, Sukkar	Muhammad Tahir Saleem Rajput	45504-5094178-5		504	781	62	1,347	104	781	68	953
126	Muhammad Iqbal Al Medina Chinkhen Centre 1 Qamar Market Unit No 7 Lattirabad, Karachi	Muhammad Iqbal	41304-6562204-1		482	780	65	1,327	98	780	73	950
127	Imtiaz Baig Flat No A-22 Faisal Apartment Sec 11-H North Karachi Karachi	Imtiaz Baig	42101-2506616-3	Wahid Baig	1,767	948	-	2,715	-	948	-	948
128	Imran Sabir Sabir Sign Services Suit No 214 2nd Floor 12-A Block 6 Pechs Karachi	Imran Sabir	42201-4154606-7		483	742	52	1,277	142	742	57	941
129	Tanveer Ul Hassan 11 Garden Block Garden Town Lahore	Tanveer Ul Hassan	35202-4360983-1		234	718	67	1,019	132	718	67	918
130	Muhammad Abbas Shaker Abbas Citi Bank, Bahrain	Mohammed Abbas Shaker Abbas			899	-	-	899	899	-	-	899
131	Rana Mobeen Dairy Farm village Nathay Khalsa Post Office Khass Pattoki District Kasur	Salah-Ud-Din	35103-5018887-5	Habib Khan	300	1,024	-	1,324	-	888	-	888
132	Rana Faiz Muhammad Basti Shukat Haji Pur, Rajanpur	Rana Faiz Muhammad	32402-1417364-5	Rana Sobha Sadiq	1,000	968	-	1,968	-	890	-	890
133	Qatar Meta Coats W.L.L.P.O.Box No 12006 Doha Qatar	Fedillex Felix Lobo			-	890	-	890	-	890	-	890

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					Principal	Interest / Markup	Others	Total	Principal	Interest / Markup	Others	Total
134	Anees Ul Jawad Bhutta Union Commercial Services, Office 29, Ground floor, Atabari Chiter, F-6/1kz Near Ogdc Hospital/Islamabad	Anees Ul Jawad Bhutta	34603-4623911-1		356	742	57	1,154	84	742	65	890
135	Jamil Hamid Qurashi House no 149 Block Sector 4 Dha Lahore	Jamil Hamid Qurashi	35201-9922445-3		230	731	71	1,032	82	731	71	865
136	Muhammad Arshad Naveed Al Raazi Printers Basement Malik Road Fazal Centre Faisalabad	Muhammad Arshad Naveed	33100-3393109-7		456	699	59	1,214	111	699	61	871
137	Irfan Khan House no 15 Sector B-3 Sheet No 1 Saeedabad Badlia Town, Karachi	Irfan Khan	42401-2057532-5		799	62	6	867	799	62	6	867
138	Shaheen Corporation Grain Market Hasilpur District Bahawalpur	Muhammad Qamar uz Zaman	36302-0744176-9		600	958	-	1,558	-	860	-	860
139	Mehmood Flat No A-21 Eastern Appt Block 6 Gulshan-E-Iqbal, Karachi	Mehmood	42201-0573188-3		484	707	52	1,242	97	707	56	859
140	Aftab Arshad House no 277/D-3 St No 1 Lane No 4 Peshawar Road, Rawalpindi	Aftab Arshad	37405-6161664-3		457	678	64	1,198	114	678	66	857
141	Shaikh Mohammed Imran Amir House no B-34 1st Floor Block A, North Nazimabad Opp HBL Sharah-E-Noor Jahan	Shaikh Mohammed Imran Amir	42201-6195944-7	Shaikh Mohammed Amir	3,835	851	-	4,686	-	851	-	851
142	Hafiz Muhammad Kashif Anjum Hafiz Silk Centre Shop No 59 Medina Market, Street 3, Nandar Gali Rail Bazar Faisalabad	Hafiz Muhammad Kashif Anjum	33100-2374112-3		455	670	53	1,178	123	670	59	851
143	Amir Hussain Chaudhry House no C-5 Shadab Colony Temple Road Lahore	Amir Hussain Chaudhry	35202-0883188-5		493	645	47	1,185	143	645	56	844
144	Jesus Nolasco P.O.Box 300, UAE	Jesus Nolasco		Nolasco	-	3,443	-	3,443	-	841	-	841
145	Muhammad Siddique Babar Kashif Steel Traders 6 Medina Steel Sheet Market Behind City Cotwall Landa Bazar Lahore	Muhammad Siddique Babar	35202-2521079-1		502	639	53	1,194	145	639	57	841
146	Mohammad Kamran New Orbit Computers, Shop No.2, Riaz Shopping Centre, Reshiam Gali, Larkana	Mohammad Kamran	43203-9541823-1		435	656	51	1,141	120	656	53	828
147	Sikander Jawaid Hotel Mehran Station Road, Sukkur	Sikander Jawaid	45504-2649905-5		448	670	50	1,168	98	670	58	826
148	Farid Aftab House no 409 Block Y DHA Defence, Lahore	Farid Aftab	35201-1651186-9		306	660	60	1,025	91	660	63	814
149	Zakriya Public School bypass Bossan Road Multan	Syed Naseem Abbas Zaidi Syeda Najma Naseem Syed Qaseem Abbas Zaidi	36302-0433622-1 36302-0384380-6 36302-0433011-5	Syed Manzoor Hussain Syed Naseem Abbas Zaidi Syed Naseem Abbas Zaidi	965	908	-	1,873	-	812	-	812

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

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the Beginning			Written off			
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	Total
150	Abdulreha Ali Husain Hasan Jadhvi Bahrain	Abdulreha Ali Husain Hasan Jadhvi			809	-	-	809	-	-	809
151	Kishore Sharma P.O.Box 2194, UAE	Kishore Sharma		Kamal Kishore Sharma	-	2,711	-	2,711	-	801	801
152	Tausif Ur-Rahman House no 120/JI 8Th Street Phase VI, Khayaban-E-Rahat Dha Karachi	Tausif Ur-Rahman	42301-7084145-9		496	603	45	1,143	149	603	801
153	Atif Abdulamad Villa 543,Lane 2106, Bahrain	Atif Abdulamad			951	-	-	951	800	-	800
154	Muhammad Nasir Malik Awan R-41 Block H, North Nazimabad, Karachi	Muhammad Nasir Malik Awan	42101-4089945-5		464	613	44	1,121	139	613	800
155	Muhammad Siddiq Babar Kashif Steel Traders 6 Medina Steel, Sheet Market Behind City Cotwall Landa Bazar Lahore	Muhammad Siddiq Babar	35202-2521079-1	Mian Qamar Uddin	1,597	797	-	2,394	-	797	797
156	Sohail Bari House no P-33 Abuliah SI No 8, Near Mehar Abdul Rasheed Haseeb Shaheed Faisalabad	Sohail Bari	33100-7046225-1	Abdul Bari	1,028	795	-	1,823	-	795	795
157	Asim Shafique Regal Communication 163 M Model Town Lahore	Asim Shafique	35202-5812894-5		437	622	49	1,108	109	622	785
158	Zeeshan Ahsan Khan House no 338,Kasimir Block, Allama Iqbal Town Lahore	Zeeshan Ahsan Khan	35202-2543766-9	Muhammad Ahsan Khan	1,497	778	-	2,275	-	778	778
159	Nadeem Qadir 22 A Munawar Fareed Villa Green City, Burky Road Lahore Cantt Lahore	Nadeem Qadir	35201-1500126-3		231	620	55	907	99	620	775
160	Rashid Mehmood House No 1236/5 Street No 2 Ashraf Colony Behind Nasir Floor Mill, Bhawalpur	Rashid Mehmood	36203-9510226-7		682	77	13	772	682	77	772
161	Mohammad Shafi House no Hib-15 Shah Faisal Colony Kacha Qila Hyderabad	Mohammad Shafi	41302-0849646-3		448	615	56	1,119	98	615	769
162	Mohammad Nadeemajh Gold Collection Shop 7 Muhammadi Shopping Cntr Hydr North Nazimabad Karachi	Mohammad Nadeemajh	42101-7147727-1		351	613	43	1,007	104	613	768
163	Bakhat E Zaiba B177 House No.1904, Sector-4 Sherkhanabad U.C.6, Frontier Colony, Karachi.	Bakhat E Zaiba	42401-4311469-0		260	576	48	883	120	576	743
164	Shabil Farooq House No C-107 Pak Avenue 1St Floor Block 19 Gulistan-E-Johar Karachi	Shabil Farooq	42201-0616776-1		389	579	41	1,008	116	579	742
165	Sheikh Khalid Naeem Balis And Balls Pasur Road Sialkot Sialkot	Sheikh Khalid Naeem	34603-3566902-3		438	675	52	1,166	-	675	737

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S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off				
					Principal	Interest / Markup	Others	Total	Principal	Interest / Markup	Others	Total
166	Syed Ali Reza Satvi House no 1 Aga Bagh Malir Kohi Goth Karachi	Syed Ali Reza Satvi	42501-1613737-9		466	618	47	1,130	66	618	50	734
167	Johannes Jacobus Bruwer P.O.Box:50628, Bahrain	Johannes Jacobus Bruwer			734	-	-	734	733	-	-	733
168	Abdul Majeed / Shafiq ur rehman 7th floor, Karachi	Abdul Majeed Shafiq-ur-Rehman	449-58-065250	Abdul Ghaffar Yamini	409	322	-	731	409	322	-	731
169	Sudhamo Ahuja h No 27-28 Happy Homes Qasimabad Hyderabad	Sudhamo Ahuja	41306-2653616-7		485	536	46	1,067	145	536	47	728
170	Zulfiqar Ali Memon House no A-1177 Phase I Gulshan-E-Hadeed, Karachi	Zulfiqar Ali Memon	42501-7281445-9	Abdul Sattar	740	480	1	1,221	158	480	86	724
171	Syed Majid Ali Gulshan-E-Shamim Flat No: B-103 F. B. Area Yaseenabad Commercial No. 01 Karachi	Syed Majid Ali	42101-1639778-5		335	593	41	969	85	593	44	721
172	Hayat Khan Jewellery Factory I indrad Market Sarafa Bazar Peshawar	Hayat Khan	17301-9350865-9	Zareen Khan	829	842	-	1,671	-	720	-	720
173	Nadeem P.O. Box: 1250 Dubai	Nadeem		Ishtaq Mohamed Khan Nadeem	477	242	88	807	477	154	88	719
174	Syed Ali Hur House No 176 Mohallah Salelaq Block Allama Iqbal Townm Lahore	Syed Ali Hur	35202-2359285-9		389	588	50	1,028	69	588	53	711
175	Syed Adnan Shafiqat Supernet World Trade Center Tower B, Dept Finaace 10th Floor Block 5 Clifton Above Pizza Hut, Karachi	Syed Adnan Shafiqat	42101-6500411-3		403	546	39	988	121	546	42	709
176	Syed Ibrne Ali Bukhari House 3,street.11, Farooq Gunj Lahore	Syed Ibrne Ali Bukhari	35202-6460915-9	Ali Bukhari	485	520	43	1,048	141	520	47	708
177	Waseem ud Din Naseem Jewellers Shop # 89 Main Bazar Mozang Lahore	Waseem ud Din	35202-3921481-5		380	554	42	976	100	554	49	703
178	Shaheen Layer Farm Line Park, Tariq Street, Chakwal	Fayyaz-ul-Haq	37201-7576509-9	Ghulam Qadir	390	701	-	1,091	-	701	-	701
179	Mir P.O.Box 99100 Dubai	Mir		Mustahsan Mir	433	265	51	749	433	215	51	699
180	Zahid Hussain House No A-19 Al Abbas Housing Society Phase I Qasimabad Near New Wahdat Colony Hyderabad	Zahid Hussain	41306-8547404-1		417	542	43	1,002	97	542	49	688

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					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	Total
181	Ch Barkat Ali & Company Ghalla Mandi Sahiwal	Muhammad Ashraf	36502-9524501-3	Barkat Ali	-	797	-	797	679	-	679
182	Muhammad Tariq Ayaz House no D-92 93 Mominabad Sector 4-F, Orangi Town, Karachi	Muhammad Tariq Ayaz	42401-0531581-1	Muhammad Qayyum	541	349	1	891	349	126	679
183	Umar Fayyaz Ali Siddiqui Pakistan Petroleum Limited, 4th floor PIDC House, Dr Ziauddin Road, Karachi	Umar Fayyaz Ali Siddiqui	42201-4052556-7		217	517	40	774	517	40	679
184	Muhammad Boola House # 508 Street # 5 Jhang Rd Ayub Colony Faisalabad	Muhammad Boola	33100-0612443-3		333	543	47	923	543	48	677
185	Abdul Samad P.O.Box 433, UAE	Abdul Samad			65	609	-	673	609	-	673
186	Malik Nadeem Saadiq House no 171, Abu Baker Block New Garden Town, Lahore	Malik Nadeem Saadiq	35202-2833698-7		586	76	9	671	586	9	671
187	Walheed Traders Ghalla Mandi, Kamoki, Gujranwala	Abdul Walheed	34102-376858-7	Habib Ullah	1,200	-	-	1,200	-	670	670
188	Abdul Nasir Baroo Suit No 30 Show White Commercial, Shahrah-E-Faisal KCHS Karachi	Abdul Nasir Baroo	42201-7137905-1		322	533	34	889	533	40	668
189	Mohammed P.O. Box:5350 Abu Dhabi,UAE	Mohammed		Abdul Aziz Mohammed	385	135	27	547	385	27	665
190	Majid Ali Bell And Tell Communications Shop no 1m Ali Plaza Main Berna Chowkm Islamabad	Majid Ali	61101-0262101-3		305	534	38	877	85	44	663
191	Mohammad Hasan P.O. Box:181863 Dubai	Mohammad Hasan		Saiful Alam Mohammad Hasan	596	61	30	687	41	585	657
192	Malik Sohail Hussain Sogo 2000, 64-West Masco Plaza, Blue Area, Islamabad	Malik Sohail Hussain	61101-9385752-3		502	494	39	1,035	494	41	657
193	Zia Haider chak No 202-Wb Tibba Sultan Pur	Zia Haider	36602-1755798-9		556	55	44	656	556	44	656
194	Javed Ahmed House no B-2043 1st Floor Bunder Road Sukkur	Javed Ahmed	45504-4446371-9		374	505	43	922	104	43	652
195	Saeed Ahmed Khan Al Saeed Manzil H # 1 Block Y New Multan	Saeed Ahmed Khan	36302-8770467-5	Abdul Rehman Khan	500	650	-	1,150	-	-	650
196	Attab Alam Suite No.6 Faak Naaz Corner, Near Shaikh Zaid Islamic University Road, Scheme-33 Main University Road, Karachi	Attab Alam	42501-8441711-1		379	510	32	922	94	39	643

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					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	
197	Kaleem Aziz House no 2 Lytton Road, Lahore	Kaleem Aziz	35202-2697169-3		345	502	38	96	502	45	643
198	Kunwar Afif Khan Bank Al Fakh World Trade Centre, 1st Floor 10 Khayaban-E-Roomi Clifton, Karachi	Kunwar Afif Khan	42201-0378942-3		418	475	40	125	475	40	641
199	Al Asas Contracting And Trading Company P.O.Box No 11228 Doha Qatar	Omer Abdel Rehman M.A Mattar Hala Ibrahim Mohammed Al Shaikh			585	174	-	467	174	-	641
200	Ali Mohammad Ahmed Ali Batsco, Bahrain	Ali Mohammad Ahmed Ali			639	-	-	639	-	-	639
201	Muhammad Amin House no 7 Street no 1 Taj Park Shad Bagh	Muhammad Amin	35202-2383026-9		559	438	28	155	438	40	633
202	Ali Imran House no 280 Street no 11 Sector 1, Airport Employee Cooperative Housing Society Rawalpindi	Ali Imran	37405-7822710-9		281	513	44	67	513	49	630
203	Amjad Ali House # 8 Civil Line Near District Court Jhang	Amjad ali.	33202-8621471-9	Ahmed Hayat	475	628	-	-	628	-	628
204	Syed Azfar Rizvi House no D-136 Darbar-E-Sultani Block 5, F B Area, Gulberg	Syed Azfar Rizvi	42101-8336631-5		529	70	24	529	70	24	623
205	Sajid Hussain House no X-642 Phase III DHA, Lahore	Sajid Hussain	35201-1448857-9		583	34	6	583	34	6	623
206	Enriquez Lapira P.O.Box 3256, UAE	Enriquez Lapira		Romulo Enriquez Lapira	-	1,003	-	-	622	-	622
207	Hasan Raza Village Hardo Seol Hindu PO Same, Tehsil Mureedkee District Sheikhupura	Hasan Raza	61101-1948188-7	Khawar Raza	470	622	60	-	622	-	622
208	Mohammad Kamran House no E26-30 Pishori Mohalla, Hashmani Para Near Khata Chowk	Mohammad Kamran	41303-2219323-9	Touqeer Khan	687	261	1	315	261	41	618
209	Farhan Ahmed House no 193 K Block 2 P.E.C.H.S Karachi	Farhan Ahmed	42201-0180140-3		436	490	41	86	490	41	618
210	Fakhar Raza Khan House no 3 Noor Park Islam Pura, Lahore	Fakhar Raza Khan	35202-2203765-1		246	496	47	73	496	48	616
211	Muhammad Shaahir Hussain United Publicity 16-C Puri Mahal, 21-C Queens Road Lahore	Muhammad Shaahir Hussain	35202-9406682-9		196	524	49	37	524	49	611

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S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off				
					Principal	Interest / Markup	Others	Total	Principal	Interest / Markup	Others	Total
212	Kamran Younas Rehmat Industry Urooj Impex, Jinnah Road, Muslim Town Masjid Mustafai Gujranwala	Kamran Younas	34101-3136151-7		68	493	48	608	68	493	48	608
213	Muhammad Tariq Mirza Mehar International 3 Medina Building Dr Ziauddin Ahmed Road South Karachi	Muhammad Tariq Mirza	42301-1112198-7		392	471	34	897	98	471	35	604
214	Muhammad Nawaz Tasawor House No L-182 Sector 34/2, Korangi No 3 Near Sabir Bakery Karachi	Muhammad Nawaz Tasawor	42201-7891326-3		291	472	38	801	87	472	39	598
215	Darakhshan Asad House No A-5 Prem Villas Phase 1, Main University Road, Mairi Cantt Karachi	Darakhshan Asad	42201-0671965-8	Asad Ahmed Khan	1,212	435	1	1,648	-	435	163	598
216	Neil Peter Christy Flat No. 28, Bliss Apartment, Mcneil Road Fair Town Cantt Karachi	Neil Peter Christy	42301-1002671-9		513	68	14	595	513	68	14	595
217	Zahid Mehmood Iffraq Drying, Main Road Chowk Naksh Bandi, Madina Oil Mills Road, Kousar Abad Faisalabad.	Zahid Mehmood	33100-3633336-3	Muhammad Shafi	576	594	-	1,170	-	594	-	594
218	Muhammad Waqar Khanumer, Sweets And Dairy - Unier Sweet And Dairy , Plot no. 53, Block B, Commercial Area Unit 6 Hyderabad	Muhammad Waqar Khanumer	41304-9063676-7		314	468	40	822	84	468	42	594
219	Abdul Rasool D P.O.Box 8910, UAE	Abdul Rasool D		Amin Abdul Rezak Abdul Rasool D	-	593	-	593	-	593	-	593
220	Amir Nisar Flat No A-505, 6th Floor, Al Habib Prite Civil Line, Clifton Karachi	Amir Nisar	42301-5455551-1		7	65	519	591	7	65	519	591
221	Liaqat Ali House No.25, Street No. 5, Niaz Colony Rahim Yar Khan	Liaqat Ali	31303-6804801-7	Amanat Ali	488	259	1	747	231	259	93	583
222	Allah Ditta, Falzan E Madina, Knitwear Plot-146 149 Street No 1, Salfabad No. 2, Near Dairy Faisalabad	Allah Ditta	33100-5471198-9	Maqsood Ahmed	1,491	581	-	2,072	-	581	-	581

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					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others		
223	Wakil Khanking, Brother Traders, Cvi 86, Gizri Road, Karachi.	Wakil Khan	42301-4482661-3		263	461	35	760	78	461	38	578
224	Belinda Samskhasra House No.135/2, Lalazar Estate, Near Albarka Colony Rawalpindi	Belinda Samskhasra	37405-3028289-8		319	443	38	801	92	443	42	577
225	Ashfaq Ahmed Jarwarb House No. 108-III, Al Mustafa Town, Phase 1, Qasimabad Hyderabad	Ashfaq Ahmed Jarwarb	41307-0477012-9	Khan Mohammad Jarwar	569	232	1	802	259	232	85	576
226	Shahzad Ahmed House No A-1/27, Block 4, Gulshan-E-Iqbal Near Al Hina Marriage Hall Karachi	Shahzad Ahmed	42201-4602908-7	Aftab Ahmed	1,849	575	-	2,424	-	575	-	575
227	Maqsood Sarwar Sarwar And Sons Sanitary, Sidhu Sarwar Building, Chowk Kanchi Anar Sidhu Lahore	Maqsood Sarwar	35201-8366008-7		302	445	36	783	88	445	38	572
228	Rubina Badath 1st floor, Latif Akber Arcade Flat 1A, Plot 19 C, Lane 1 Nisbat Commercial Area DHA Phase 6 Karachi	Rubina Badath	42301-3484362-6		475	404	29	908	130	404	35	569
229	Muqsit Mehmood Engineering Co. Suit No 11 3rd Floor, Shouraz Plaza Chowk, Safanwala Lahore	Muqsit Mehmood	38403-206377-3		256	471	37	764	56	471	41	568
230	Mansoor Shahanshah House No 3-C, Block 7, 8 Justic Inamullah Road, Hill Park Karachi	Mansoor Shahanshah	42201-0371629-3		495	47	22	564	495	47	22	564
231	Mohammad Umair Ur Rehman House no B 11/387 Indus Mehman Society, Malir Soudabad Karachi	Mohammad Umair Ur Rehman	42501-9287234-1		500	425	32	957	100	425	37	562
232	Shahzad Khurram S.S Brothers, Cabin No.2, Hill View Arcade, 5-Davis Road Lahore	Shahzad Khurram	35202-2521279-7		336	516	44	895	-	516	45	561
233	Babar Hussain House No. M 47/2, Main Khayaban-e-Hitehad Phase 7 DHA Karachi	Babar Hussain	42301-7783207-7		500	56	5	561	500	56	5	561
234	Al Nazar Zari Servicefateh Pur Road, Jalliah Jeem	Sajid Tabassam	36602-8261302-1	Haji Allah Wasaya Tabassum	-	557	-	557	-	557	-	557

Rs. in '000



# Annexure 'B' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

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

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off				
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	Total	
235	Muhammad Naeem Khan Kanupp Paradise Point Post Office Box. 3183, Karachi	Muhammad Naeem Khan	42201-0715976-1		317	422	32	770	95	422	32	549
236	Syed Mustajeeb Ahmed Zaidi Flat No A-106, Hina Garden Block 19 Gulistan E Johar Karachi	Syed Mustajeeb Ahmed Zaidi	42201-9778169-9		414	406	26	847	109	406	33	549
237	Abdul Majeed Chak# 85/6 R, Kot Fariq, Sahwal	Abdul Majeed	36502-5362030-3	Barkat Ali	1,000	549	-	1,549	-	549	-	549
238	Syed Kazim Raza Banglow No A-2 Ground Floor Block 7, Near Masjid Huda Gulshan-E-Iqbal Karachi	Syed Kazim Raza	42301-2916720-5		503	37	7	547	503	37	7	547
239	Abdullah Khan P.O.Box: 51900, UAE	Abdullah Khan		Abdul Majeed	-	546	-	546	-	546	-	546
240	Muhammad Naveed Iqbal House no E-298 D-1 St No 5, Ghousia Colony Walton Road Lahore	Muhammad Naveed Iqbal	35201-1386153-9		88	419	37	544	88	419	37	544
241	Zaheer Yousaf Alshad Moh Sikkandar Pura Near Jamil Kanyana Store	Zaheer Yousaf	34104-6093348-1		57	47	440	544	57	47	440	544
242	Hasan Mahmood B-106 Street -2 Block-P, Hussain Desilva Town North Nazimabad	Hasan Mahmood	42101-6409677-7		490	41	12	542	490	41	12	542
243	Muhammad Ali Shop no 194 1st floor Textile Plaza M.A. Jinnah Road Karachi	Muhammad Ali	42301-2351565-7		312	504	37	852	-	504	38	542
244	Naeem Akhter House no 395 DHA Phase 4, Lahore	Naeem Akhter	42301-0526349-7		483	52	6	541	483	52	6	541
245	Kaleem Ullah 95-A Saleem Block Ittefaq Town Mansoor Near Multan Road	Kaleem Ullah	35202-9264700-3		484	45	8	536	484	45	8	536
246	Muhammad Amjad Abdullah G-48 Ground Floor 3rd Gallery, Rex City Salliana Road Faisalabad	Muhammad Amjad Abdullah	33100-1999227-3		350	354	31	736	150	354	32	536
247	Hasan Hameed Hasan Albanna First Advertising & Marketing Bahrain	Hasan Hameed Hasan Albanna			535	-	-	535	535	-	-	535

Rs. in '000

# Annexure 'B' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

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

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	Total
248	Kashif Mazhar, Popa Lighting 8-Nargas Block Allama Iqbal Town Lahore	Kashif Mazhar	35202-2812410-1		299	413	34	84	413	36	533
249	Gamar Abbas Zafar Garments P-1217 St No 4 Usmana Abad Sanat Singh Faisalabad	Gamar Abbas	33100-8077143-9		305	426	36	69	426	36	531
250	Daas Gharbi UAE	Daas Gharbi		Gharbi	-	531	-	-	531	-	531
251	Abbass Ali Fakhri Book Depot office no U-421 Urdu Bazar Rawalpindi	Abbass Ali	37405-0567835-1		241	428	35	61	428	40	529
252	Emcon Engineers & Contractors Roras Road, Muzaffar Pur Chowk Sialkot	Muhamamd Ishaq Muhammad Naseem Mirza Muhammad Nadeem Mirza	34601-0736916-9 34601-0738202-5 34601-0722486-1	Maheer Din Muhammad Ishaq Mirza Muhammad Ishaq	1,000	724	32	-	529	-	529
253	Ayaz Ahmed House no 129 street no 7 Muhalla Sabri Kot Fareed	Ayaz Ahmed	38403-2122187-9		477	44	8	477	44	8	529
254	Muhammad Younus Malik House no A-596 Block 1 North Nazimabad, Near Farooq-e-Azam Masjid Karachi	Muhammad Younus Malik	42101-1311793-5	Zinda Hassan	1,791	528	-	-	528	-	528
255	Syed Ateeel Hussain P.O.Box 3163, Bahraïn	Syed Ateeel Hussain			528	-	-	528	-	-	528
256	Mohammad Raashid Siddiqui Traders B-16 Eastern Film Studio Shade No 3 Site Karachi	Mohammad Raashid	42101-4851394-7		243	433	31	60	433	33	525
257	Jamshedd Sohrab Patel Citibank N.A Ground Floor AWT Plaza I.I.Chundrigar Road Karachi	Jamshedd Sohrab Patel	42201-5492907-7		190	431	31	57	431	35	523
258	Rahim Aziz Ud Din House no Biv-17-S26 Farooq Azam Road Hattizabad	Rahim Aziz Ud Din	34301-1701937-9		474	44	6	474	44	6	523
259	Zaheer Abbas Computer Services 49-G Sethi Plaza Allama Iqbal Chowk Sialkot	Zaheer Abbas	34603-8820168-5		306	478	37	-	478	42	520
260	Khalid Mehmood Flat no A1-208 Madina Blessing Block 10-A Guilistan-E-Johar Karachi	Khalid Mehmood	42201-2594323-9		399	406	29	79	406	33	519
261	Sheik Ghaus P.O.Box 6891, UAE	Sheik Ghaus		Ghaus	-	518	-	-	518	-	518

# Annexure 'B' as referred to in note 10.6 of the Bank's Unconsolidated and Consolidated Financial Statements

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

S.No	Name and Address	Name of individuals / partners / proprietors / directors	CNIC Number	Father / Husband Name	At the beginning			Written off			Total
					Principal	Interest / Markup	Others	Principal	Interest / Markup	Others	
262	Sanwar Awan P.O.Box-2943 Abu Dhabi	Sanwar Awan		Touqir Sanwar Awan	479	39	34	479	5	34	518
263	Abdelatif P.O.Box 25503, UAE	Abdelatif		Moez Ben Abdelatif	-	517	-	-	517	-	517
264	Mohammad Javed Gold Collection Suite 7 Mohammadi Shopping Center Block G Hydri Market Karachi	Mohammad Javed	42101-6861866-1		217	416	28	65	416	33	514
265	Yasmeen Ghayyas Combine Pharma B-123 Ground Floor, Block I North Nazimabad Near Khadija Mkt Karachi	Yasmeen Ghayyas	42101-5734497-6		118	462	34	16	462	35	513
266	Malik Zulfiqar Ali Mughal Zulfiqar And Sons 151 and 152 General Bussin Badami Bagh Lahore	Malik Zulfiqar Ali Mughal	35201-1644407-5		135	425	37	50	425	38	512
267	Shiraz Shahanshah House no. 3-C Plot 7/8, Justice Inamullah Road Bahadurabad, near Fathe Puri Masjid	Shiraz Shahanshah	42201-0371611-5		463	35	21	453	35	21	509
268	Syed Imtiaz Mehdi Habib Bank Limited Marketing Dept M. A. Jinnah Road Karachi	Syed Imtiaz Mehdi	42101-6246294-3		204	419	29	54	419	33	507
269	Jasim Majeed Sky Phone 20 Main Hall Road Lahore	Jasim Majeed	35202-4683694-1		263	466	35	-	466	41	507
270	Malik Rab Nawaz House no. 241, Block H Shah Rukne Alam Colony Near Nishat Girl High School	Malik Rab Nawaz	36201-0577486-3		485	6	12	485	6	12	502
271	Munawar Ali Chak No. 582 Gb Jaranwala Faisalabad	Munawar Ali	33106-4133022-1	Rai Ghulam Muhammad	470	600	-	-	500	-	500
272	Saw Agro Asia Chemical Aab Parra Market Sahiwal	Ghulam Rasool Naeem Waseem Sanwar Sabir Shabbir	36502-1393454-3 33100-1525532-9 36502-5847611-1	Muhammad Iqbal Muhammad Sanwar Nazir Ahmed	900	563	-	-	500	-	500

1,422,440 515,708 5,706 1,943,854 309,943 430,839 276,332 1,017,114

# Annexure 'C' as referred to in note 11.7 of the Bank's Unconsolidated Financial Statements

Disposals of operating fixed assets during the year 2014

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
<b>Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000</b>						
<b>Leasehold Improvements</b>	879	432	447	879	Insurance Claim	UBL Insurers Ltd
<b>Vehicles</b>						
Toyota Camry	7,164	4,298	2,866	2,973	Buy back	M. Asghar
Toyota Camry	6,513	5,862	651	1,303	Buy back	Muhammad Hanif Akhai
Toyota Hilux Double Cabin	2,949	1,858	1,091	2,000	Insurance Claim	UBL Insurers Limited
Toyota Hilux Double Cabin	2,948	1,813	1,135	2,000	Insurance Claim	UBL Insurers Limited
Toyota Camry	2,899	2,609	290	580	Buy back	Atif R. Bokhari
Honda Civic VTEC	1,935	1,335	600	658	Buy back	Nusratullah
Mitsubishi Lancer GLX	1,329	1,196	133	667	Auction	Danish Alvi
	25,737	18,971	6,766	10,180		
<b>Ijara Assets</b>						
Commercial Ijara - Dadex Eternit Limited	390,000	105,000	285,000	312,936	Buy back	Dadex Eternit Limited
Commercial Ijara - Pakistan Beverages Limited	99,234	94,272	4,962	4,962	Buy back	Pakistan Beverages Limited
Commercial Ijara - Premiere Dairies	41,391	37,252	4,139	4,139	Buy back	Premiere Dairies
Commercial Ijara - Ihsan Sons (Pvt) Limited	3,665	3,299	367	367	Buy back	Ihsan Sons (Pvt) Limited
Commercial Ijara - Royal Tech	3,567	2,497	1,070	905	Buy back	Royal Tech
Corolla ALTIS	2,218	30	2,188	2,193	Buy back	Qamar Iqbal
Commercial Ijara - Ihsan Sons (Pvt) Limited	2,138	1,924	214	214	Buy back	Ihsan Sons (Pvt) Limited
Commercial Ijara - National Foods Limited	2,088	870	1,218	1,325	Buy back	National Foods Limited
Civic IVTEC MT	2,063	733	1,330	1,371	Buy back	Muhammad Faisal
Corolla GLI	1,863	753	1,109	1,109	Buy back	Kashif Ali
Corolla GLI	1,832	602	1,229	1,229	Buy back	Muhammad Shahzad Akhter
Commercial Ijara - National Foods Limited	1,773	591	1,182	1,261	Buy back	National Foods Limited
Corolla GLI	1,764	691	1,072	1,127	Buy back	Muhammad Ashraf
Corolla GLI	1,759	1,426	334	334	Buy back	Naeem Ur Rehman
Corolla GLI	1,748	568	1,180	1,204	Buy back	Rukhsana Almas
Corolla GLI	1,748	1,155	593	593	Buy back	Muhammad Khalid
Corolla GLI	1,746	231	1,515	1,585	Buy back	Abdul Wahid
Corolla GLI	1,708	896	812	812	Buy back	Muhammad Javed Iqbal
Corolla GLI	1,707	641	1,066	1,066	Buy back	Mohammad Salman Paracha
Commercial Ijara - ICI Pakistan Limited	1,683	53	1,630	1,640	Buy back	ICI Pakistan Limited
Commercial Ijara - ICI Pakistan Limited	1,663	104	1,559	1,578	Buy back	ICI Pakistan Limited
Corolla GLI	1,662	984	679	763	Buy back	Shafiqat Hussain
Corolla XLI	1,640	1,283	358	358	Buy back	Saqib Arshad
Commercial Ijara - National Foods Limited	1,638	717	921	1,008	Buy back	National Foods Limited
Corolla XLI	1,571	592	979	979	Buy back	Mehboob Hussain Shaikh
Commercial Ijara - Pak-Arab Refinery Limited	1,562	195	1,367	1,392	Buy back	Pak-Arab Refinery Limited
Commercial Ijara - National Foods Limited	1,538	384	1,153	1,208	Buy back	National Foods Limited
Corolla XLI	1,530	963	567	652	Buy back	Rafaqat Hussain
Commercial Ijara - National Foods Limited	1,530	1,243	287	347	Buy back	National Foods Limited
Corolla XLI	1,488	497	991	991	Buy back	Muhammad Usman
Commercial Ijara - National Foods Limited	1,462	1,340	122	218	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	1,462	1,371	91	182	Buy back	National Foods Limited
Commercial Ijara - Associated Textile Consultant (Pvt) Limited	1,379	1,241	138	138	Buy back	Associated Textile Consultant (Pvt) Limited
Commercial Ijara - National Foods Limited	1,366	484	882	944	Buy back	National Foods Limited
Commercial Ijara - Associated Textile Consultant (Pvt) Limited	1,330	1,197	133	133	Buy back	Associated Textile Consultant (Pvt) Limited
Corolla XLI	1,322	1,026	296	296	Buy back	Munawar Hussain
Vitz	1,321	258	1,063	1,136	Buy back	Shahid Najmi
Corolla XLI	1,320	303	1,017	1,131	Buy back	Muhammad Shamim Ansari
Commercial Ijara - National Foods Limited	1,251	313	938	984	Buy back	National Foods Limited
Civic IVTEC MT	1,219	613	606	691	Buy back	Raja Tariq Minhas
Cultus VXR EURO II	1,069	91	978	999	Buy back	Muharramuddin Mermon
Cultus VXRNG	1,054	414	639	639	Buy back	Kashif Nazir
Cultus VXR	1,040	790	250	250	Buy back	Naeem ur Rehman Shaikh
Commercial Ijara - Pak-Arab Refinery Limited	1,034	259	776	805	Buy back	Pak-Arab Refinery Limited
Commercial Ijara - National Foods Limited	1,020	638	383	459	Buy back	National Foods Limited
Cultus VXR	1,020	247	773	862	Buy back	Musharraf Hussain
Commercial Ijara - National Foods Limited	980	245	735	771	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	970	667	303	373	Buy back	National Foods Limited
Liana 1.3 RXING	889	586	303	346	Buy back	Abdul Ghaffar
Commercial Ijara - National Foods Limited	801	551	250	298	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	732	397	336	394	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	725	393	332	372	Buy back	National Foods Limited
Suzuki Mehran	706	121	585	596	Buy back	Syed Kausar Ali Hamza
Suzuki Ravi	663	234	429	529	Buy back	Nasir Mehmood
Mehran VXNG	613	197	416	482	Buy back	Muhammad Nasir Ali Muhammad Anwar
Mehran VXNG	606	318	288	288	Buy back	Muhammad Usman
Bolan STD	592	312	280	280	Buy back	Muhammad Shafique Bajwa
Alto VXR NG	528	260	268	287	Buy back	Akhtar Ali
	609,990	275,308	334,682	364,532		
<b>Sub - Total</b>	<b>636,607</b>	<b>294,712</b>	<b>341,895</b>	<b>375,592</b>		
<b>Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000</b>						
Honda CD 70	71	14	57	54	Insurance	UBL Insurers Limited
Others	309,132	298,043	11,088	21,426		
<b>Total</b>	<b>945,809</b>	<b>592,769</b>	<b>353,040</b>	<b>397,072</b>		

**A.F. Ferguson & Co.**  
Chartered Accountants  
State Life Building No. 1-C,  
I.I. Chundrigar Road,  
P.O.Box 4716,  
Karachi 74000

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi 75330

## Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated statement of financial position of United Bank Limited (the Bank) and its subsidiary companies (the Group) as at December 31, 2014 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of United Bank Limited. The financial statements of the subsidiaries United Executors and Trustees Company Limited and UBL Fund Managers Limited were audited by KPMG Taseer Hadi & Co., Chartered Accountants and A.F Ferguson & Co., Chartered Accountants respectively. The financial statements of the subsidiaries United National Bank Limited and UBL (Switzerland) AG were audited by other firms of auditors whose reports have been furnished to us and our opinion, in so far as it relates to the amounts included for such Banks, is based solely on the report of such auditors while the financial statements of UBL Bank (Tanzania) Limited have been consolidated based on unaudited return of the subsidiary.

These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of the Bank and its subsidiary companies as at December 31, 2014 and the results of their operations for the year then ended.

The consolidated financial statements of the Bank for the year ended December 31, 2013 were audited by BDO Ebrahim & Co., Chartered Accountants and KPMG Taseer Hadi & Co., Chartered Accountants who had expressed an unqualified opinion thereon vide their report dated February 19, 2014.



**A.F. Ferguson & Co.**  
Chartered Accountants  
Engagement Partner  
Salman Hussain

Date: 27 February 2015  
Karachi



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Engagement Partner  
Mazhar Saleem

# Consolidated Statement of Financial Position

As at December 31, 2014

	Note	2014	2013
		----- (Rupees in '000) -----	
<b>ASSETS</b>			
Cash and balances with treasury banks	6	75,660,306	89,591,601
Balances with other banks	7	21,948,274	32,658,606
Lendings to financial institutions	8	23,435,222	29,858,038
Investments	9	519,602,007	458,846,198
Advances			
Performing	10	455,078,880	404,946,323
Non-performing - net of provision	10	12,286,412	10,336,987
		467,365,292	415,283,310
Operating fixed assets	11	33,335,646	28,037,980
Deferred tax asset - net		-	-
Other assets	12	41,106,366	29,356,983
		1,182,453,113	1,083,632,716
<b>LIABILITIES</b>			
Bills payable	14	9,559,255	16,600,691
Borrowings	15	53,248,526	41,077,730
Deposits and other accounts	16	951,902,296	889,525,603
Subordinated loans	17	-	665,328
Liabilities against assets subject to finance lease	18	429	1,325
Deferred tax liability - net	19	2,139,586	1,395,138
Other liabilities	20	28,098,410	23,093,754
		1,044,948,502	972,359,569
<b>NET ASSETS</b>		<u>137,504,611</u>	<u>111,273,147</u>
<b>REPRESENTED BY:</b>			
Share capital	21	12,241,798	12,241,798
Reserves		37,286,088	38,049,345
Unappropriated profit		52,507,655	45,208,302
Total equity attributable to the equity holders of the Bank		102,035,541	95,499,445
Non-controlling interest		4,553,250	3,487,918
		106,588,791	98,987,363
Surplus on revaluation of assets - net of deferred tax	22	30,915,820	12,285,784
		<u>137,504,611</u>	<u>111,273,147</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	23		

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.



Wajahat Husain  
President &  
Chief Executive Officer



Amin Uddin  
Director



Zameer Mohammed Choudrey  
Director



Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

# Consolidated Profit and Loss Account

For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
Mark-up / return / interest earned	25	85,760,646	75,709,170
Mark-up / return / interest expensed	26	38,846,868	36,199,807
Net mark-up / return / interest income		<u>46,913,778</u>	<u>39,509,363</u>
Provision against loans and advances - net	10.4	<u>533,523</u>	<u>1,346,141</u>
Provision against lendings to financial institutions - net	8.5	165,744	60,509
Provision for diminution in value of investments - net	9.3	459,812	5,871
Bad debts written off directly	10.5	<u>177,222</u>	<u>181,724</u>
		<u>1,336,301</u>	<u>1,594,245</u>
Net mark-up / return / interest income after provisions		<u>45,577,477</u>	<u>37,915,118</u>
<b>Non mark-up / return / interest income</b>			
Fee, commission and brokerage income		<u>13,044,855</u>	<u>11,443,576</u>
Dividend income		1,819,136	1,611,917
Income from dealing in foreign currencies		3,091,592	2,211,756
Gain on sale of securities - net	27	2,063,436	3,026,130
Unrealized loss on revaluation of investments classified as held for trading	9.4	(28,723)	(4,416)
Other income	28	<u>1,365,821</u>	<u>1,127,398</u>
Total non mark-up / return / interest income		<u>21,356,117</u>	<u>19,416,361</u>
		<u>66,933,594</u>	<u>57,331,479</u>
<b>Non mark-up / return / interest expenses</b>			
Administrative expenses	29	<u>31,752,088</u>	<u>28,570,569</u>
Other provisions - net	30	276,446	325,562
Workers' Welfare Fund	31	673,005	503,175
Other charges	32	<u>10,427</u>	<u>249,377</u>
Total non mark-up / return / interest expenses		<u>32,711,966</u>	<u>29,648,683</u>
Share of profit of associates		1,394,686	1,282,382
<b>Profit before taxation</b>		<u>35,616,314</u>	<u>28,965,178</u>
Taxation - Current	33	<u>10,859,677</u>	<u>8,302,311</u>
- Prior	33	361,962	61,892
- Deferred	33	<u>369,872</u>	<u>870,204</u>
		11,591,511	9,234,407
<b>Profit after taxation</b>		<u>24,024,803</u>	<u>19,730,771</u>
<b>Attributable to:</b>			
Equity shareholders of the Bank		23,647,704	19,285,513
Non-controlling interest		<u>377,099</u>	<u>445,258</u>
		<u>24,024,803</u>	<u>19,730,771</u>
----- (Rupees) -----			
<b>Earnings per share - basic and diluted</b>	34	<u>19.32</u>	<u>15.75</u>

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.



Wajahat Husain  
President &  
Chief Executive Officer



Amin Uddin  
Director



Zameer Mohammed Choudrey  
Director



Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

2014                      2013  
----- (Rupees in '000) -----

**Profit after tax for the year attributable to:**

Equity shareholders of the Bank	23,647,704	19,285,513
Non-controlling interest	377,099	445,258
	<u>24,024,803</u>	<u>19,730,771</u>

**Other comprehensive income:**

*Items that are not to be reclassified to profit or loss in subsequent periods*

Remeasurement (loss) / gain of defined benefit obligations

Equity shareholders of the Bank	(212,770)	63,021
Non-controlling interest	7,738	15,103
Related deferred tax reversal / (charge)	75,036	(16,901)
	<u>(129,996)</u>	<u>61,223</u>

*Items that may be reclassified to profit or loss in subsequent periods*

Exchange differences on translation of net investment  
in foreign branches and subsidiaries

Equity shareholders of the Bank	(2,964,855)	3,859,960
Non-controlling interest	(443,907)	199,296
	<u>(3,408,762)</u>	<u>4,059,256</u>

Amortization of cash flow hedges

Related deferred tax charge on cash flow hedges

	4,963	27,337
	(1,738)	(9,568)
	<u>3,225</u>	<u>17,769</u>

**Other comprehensive income transferred to equity**

	<u>20,489,270</u>	<u>23,869,019</u>
--	-------------------	-------------------

*Items that may be reclassified to profit or loss in subsequent periods*

Surplus / (deficit) arising on revaluation of available for sale securities

Related deferred tax (charge) / reversal

	14,043,463	(3,368,332)
	(4,883,986)	599,698
	<u>9,159,477</u>	<u>(2,768,634)</u>

**Total comprehensive income during the year - net of tax**

	<u><u>29,648,747</u></u>	<u><u>21,100,385</u></u>
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The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.



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Chairman



# Consolidated Cash Flow Statement

## For the year ended December 31, 2014

Note	2014	2013
	----- (Rupees in '000) -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	35,616,314	28,965,178
Less: Dividend income	(1,819,136)	(1,611,917)
Share of profit of associates	(1,394,686)	(1,282,382)
	<u>32,402,492</u>	<u>26,070,879</u>
Adjustments:		
Depreciation	1,743,182	1,799,054
Amortization	499,164	485,822
Workers' Welfare Fund	673,005	503,175
Provision for retirement benefits	660,468	435,864
Charge for compensated absences	428,567	547,017
Provision against loans and advances - net	533,523	1,346,141
Provision against lendings to financial institutions - net	165,744	60,509
Provision for diminution in value of investments - net	459,812	5,871
Reversal of provision in respect of investments disposed off during the year	(50,038)	-
Provision against off balance sheet items	35,708	-
Gain on sale of operating fixed assets - net	(43,719)	(25,171)
Bad debts written off directly	177,222	181,724
Amortization of cash flow hedges	4,963	27,337
Unrealized loss on revaluation of investments classified as held for trading	28,723	4,416
Finance charges on leased assets	86	219
Provision against other assets	85,364	26,210
	<u>5,401,774</u>	<u>5,398,188</u>
	37,804,266	31,469,067
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	6,257,072	(7,089,713)
Held for trading securities	(470,460)	(2,802,061)
Advances	(53,139,727)	(30,976,914)
Other assets (excluding advance taxation)	(10,742,139)	(2,253,056)
	<u>(58,095,254)</u>	<u>(43,121,744)</u>
<b>(Decrease) / increase in operating liabilities</b>		
Bills payable	(7,041,436)	8,985,309
Borrowings	12,170,796	(28,615,849)
Deposits and other accounts	62,376,693	136,739,708
Other liabilities (excluding current taxation)	3,982,814	2,375,164
	<u>71,488,867</u>	<u>119,484,332</u>
	51,197,879	107,831,655
(Payments) / receipts on account of staff retirement benefits	(1,140,102)	898,737
Income taxes paid	(12,086,510)	(8,946,750)
<b>Net cash flow from operating activities</b>	<u>37,971,267</u>	<u>99,783,642</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(45,240,786)	(76,894,471)
Dividend income received	1,855,579	1,577,139
Investment in operating fixed assets	(3,072,954)	(3,010,790)
Sale proceeds from disposal of operating fixed assets	397,487	173,943
<b>Net cash outflow from investing activities</b>	<u>(46,060,674)</u>	<u>(78,154,179)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of subordinated loans	(665,328)	(8,653,936)
Payments in respect of lease obligations	(982)	(1,003)
Increase in non-controlling interest on account of right issue by a subsidiary	1,123,538	-
Dividends paid	(13,600,686)	(11,613,181)
<b>Net cash outflow from financing activities</b>	<u>(13,143,458)</u>	<u>(20,268,120)</u>
Exchange differences on translation of net investment in foreign branches and subsidiaries	(2,964,855)	3,859,960
Exchange differences on translation of net assets attributable to non-controlling interest	(443,907)	214,399
<b>(Decrease) / increase in cash and cash equivalents</b>	<u>(24,641,627)</u>	<u>5,435,702</u>
<b>Cash and cash equivalents at the beginning of the year</b>	122,250,207	116,814,505
<b>Cash and cash equivalents at the end of the year</b>	<u>97,608,580</u>	<u>122,250,207</u>

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.



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Chief Executive Officer



Amin Uddin  
Director



Zameer Mohammed Choudrey  
Director



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Chairman

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

	Attributable to equity shareholders of the Bank							Non-controlling interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserves	Cash flow hedge reserve	Employee stock option reserve	Unappropriated profit			Sub total
				Exchange translation reserve						
(Rupees in '000)										
<b>Balance as at December 31, 2012</b>	12,241,798	3,000	17,828,197	14,487,405	(20,994)	1,082	39,305,127	83,845,615	2,827,060	86,672,675
<b>Transactions with owners for the year ended December 31, 2013</b>										
Final cash dividend - December 31, 2012 declared subsequent to the year end at Rs.3.5 per share	-	-	-	-	-	-	(4,284,629)	(4,284,629)	-	(4,284,629)
Interim cash dividend - March 31, 2013 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Interim cash dividend - June 30, 2013 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Interim cash dividend - September 30, 2013 declared at Rs.2.0 per share	-	-	-	-	-	-	(2,448,360)	(2,448,360)	-	(2,448,360)
Employee stock option reserve	-	-	-	-	-	5,611	-	5,611	-	5,611
<b>Total comprehensive income for the year ended December 31, 2013</b>	-	-	-	-	-	5,611	(11,629,709)	(11,624,098)	-	(11,624,098)
Profit after taxation for the year ended December 31, 2013	-	-	-	-	-	-	19,285,513	19,285,513	445,258	19,730,771
Other comprehensive income - net of tax	-	-	-	3,859,960	17,769	-	46,120	3,923,849	214,399	4,138,248
Total comprehensive income for the year ended December 31, 2013	-	-	-	3,859,960	17,769	-	19,331,633	23,209,362	659,657	23,869,019
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	68,566	68,566	1,201	69,767
Transfer to statutory reserve	-	-	1,867,315	-	-	-	(1,867,315)	-	-	-
<b>Balance as at December 31, 2013</b>	12,241,798	3,000	19,695,512	18,347,365	(3,225)	6,693	45,208,302	95,499,445	3,487,918	98,987,363
<b>Transactions with owners for the year ended December 31, 2014</b>										
Final cash dividend - December 31, 2013 declared subsequent to the year end at Rs.4.0 per share	-	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Interim cash dividend - March 31, 2014 declared at Rs.2.5 per share	-	-	-	-	-	-	(3,060,450)	(3,060,450)	-	(3,060,450)
Interim cash dividend - June 30, 2014 declared at Rs.2.5 per share	-	-	-	-	-	-	(3,060,450)	(3,060,450)	-	(3,060,450)
Interim cash dividend - September 30, 2014 declared at Rs.2.5 per share	-	-	-	-	-	-	(3,060,450)	(3,060,450)	-	(3,060,450)
Employee stock option reserve	-	-	-	-	-	(2,199)	-	(2,199)	-	(2,199)
<b>Total comprehensive income for the year ended December 31, 2014</b>	-	-	-	-	-	(2,199)	(14,078,069)	(14,080,268)	-	(14,080,268)
Profit after taxation for the year ended December 31, 2014	-	-	-	-	-	-	23,647,704	23,647,704	377,099	24,024,803
Other comprehensive income - net of tax	-	-	-	(2,964,855)	3,225	-	(137,734)	(3,099,364)	(436,169)	(3,535,533)
Total comprehensive income for the year ended December 31, 2014	-	-	-	(2,964,855)	3,225	-	23,509,970	20,548,340	(59,070)	20,489,270
Right issue of shares by a subsidiary	-	-	-	-	-	-	-	-	1,123,538	1,123,538
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	68,024	68,024	864	68,888
Transfer to statutory reserve	-	-	2,200,572	-	-	-	(2,200,572)	-	-	-
<b>Balance as at December 31, 2014</b>	12,241,798	3,000	21,896,084	15,382,510	-	4,494	52,507,655	102,035,541	4,553,250	106,588,791

Appropriations recommended by the Board of Directors subsequent to the year ended December 31, 2014 are disclosed in note 47 to these consolidated financial statements.

The annexed notes from 1 to 49 and annexures form an integral part of these consolidated financial statements.



Wahajat Husain  
President &  
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Amin Uddin  
Director



Zameer Mohammed Choudrey  
Director



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Chairman

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

#### - Holding Company

United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at State Life Building No. 1, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,295 (2013: 1,283) branches inside Pakistan including 24 (2013: 22) Islamic Banking branches and 1 (2013: 1) branch in Karachi Export Processing Zone. The Bank also operates 18 (2013: 18) branches outside Pakistan as at December 31, 2014. The Bank is a subsidiary of Bestway (Holdings) Limited which is incorporated in the United Kingdom.

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

#### - Subsidiary companies

##### - United National Bank Limited (UNBL) - 55% holding

UNBL is an authorized banking institution incorporated in the United Kingdom. The Bank was formed in 2001 from the merger of the UK branches of United Bank Limited and National Bank Limited. The principal activities of UNBL are to provide retail banking products through its branch network in major cities of the UK, wholesale banking and treasury services to financial institutions and trade finance facilities to businesses of all sizes. United National Bank Limited operates under the trade name United Bank UK. During the year, consequent to a rights issue by UBL UK, the Bank invested a further Rs. 1,373 million as tier I capital in UBL UK. This being a right issue subscribed by both shareholders, has not affected the Bank's holding in UBL UK which remains at 55%.

##### - UBL (Switzerland) AG -100% holding

UBL (Switzerland) AG is a commercial bank owned by the Bank. Founded in 1967, its main activities are in credit operations and related trade financing. UBL (Switzerland) AG previously operated under the name, United Bank AG Zurich.

##### - United Executors and Trustees Company Limited, Pakistan - 100% holding

United Executors and Trustees Company Limited ("the Company") was incorporated in Pakistan in 1965 as an unlisted public limited company. The registered office of the Company is situated at State Life Building No. 1, I.I. Chundrigar Road, Karachi. Currently, the Company is engaged in the business of investments.

##### - UBL Fund Managers Limited, Pakistan - 98.92% holding

UBL Fund Managers Limited was incorporated as a unlisted public limited company in Pakistan on April 3, 2001. The Company is licensed to carry out Asset Management and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal activities of the Company are floating and managing mutual funds and providing investment advisory services. The registered office of the Company is situated at State Life Building No. 1, I. I. Chundrigar Road, Karachi.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

- Al Ameen Financial Services (Pvt.) Limited - effective holding 98.92%

During the year, UBL Fund Managers has incorporated a wholly owned subsidiary Al Ameen Islamic Financial Services (Pvt.) Limited on February 27, 2014. The principal activity of the subsidiary is provision of shariah compliant financial services including distribution of shariah compliant mutual funds.

- UBL Bank (Tanzania) Limited - 100% holding

UBL Bank (Tanzania) Limited was incorporated on March 13, 2012 and has commenced operations in May 2013. It is engaged in providing commercial and retail banking services.

### 2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. The Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan (ICAP) and notified under the provisions of the Companies Ordinance, 1984.
- 2.2 The financial results of the Islamic Banking branches of the Bank have been included in these consolidated financial statements for reporting purposes, after eliminating material inter-branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 46 to these consolidated financial statements.

### 3. STATEMENT OF COMPLIANCE

- 3.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. Approved accounting standards comprise of International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the ICAP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the directives issued by the SECP and the SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or 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. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, IFRS 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 3.3 **Standards, interpretations and amendments to approved accounting standards that are not yet effective**

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

<b>Standard, Interpretation or Amendment</b>	<b>Effective date (annual periods beginning on or after)</b>
IAS 19 - Employee Benefits - (Amendment)	July 01, 2014
IFRS 10 - Consolidated Financial Statements	January 01, 2015
IFRS 11 - Joint Arrangements	January 01, 2015
IFRS 12 - Disclosure of Interest in Other Entities	January 01, 2015
IFRS 13 - Fair Value Measurement	January 01, 2015
IAS 28 - Investments in associates, joint ventures - (Amendment)	January 01, 2015
IAS 38 - Intangible Assets - (Amendment)	January 01, 2016
IAS 16 - Property, Plant and Equipment - (Amendment)	January 01, 2016
IAS 27 - Separate Financial Statement - (Amendment)	January 01, 2016

The Securities and Exchange Commission of Pakistan has through its circular 633 (I) / 2014 adopted IFRS 10 that introduced a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. The management is currently in the process of determining the impact of application of this standard on the financial statements of the Group.

Except for the effect of adoption of IFRS 10, the effect of which is currently in the process of determination, the Group expects that the adoption of the above standards, amendments and interpretations will not affect its financial statements in the period of initial application.

In addition to the above amendments and interpretations, improvements to the following accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after July 01, 2014. The Group expects that the adoption of such improvements to the standards will not affect its financial statements in the period of initial application.

<b>Standard, Interpretation or Amendment</b>	<b>Effective date (annual periods beginning on or after)</b>
IFRS 2 - Share-based Payment	July 01, 2014
IFRS 3 - Business Combinations	July 01, 2014
IFRS 8 - Operating Segments	July 01, 2014
IAS 16 - Property, plant and equipment - (Amendment)	July 01, 2014
IAS 38 - Intangible Assets - (Amendment)	July 01, 2014
IAS 24 - Related Party Disclosure	July 01, 2014
IAS 40 - Investment Property	July 01, 2014
IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations	January 01, 2016
IFRS 7 - Financial Instruments- Disclosures	January 01, 2016
IAS 19 - Employee Benefits	January 01, 2016
IAS 34 - Interim Financial Reporting	January 01, 2016

The Group expects that the adoption of such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

The following new standard has been issued by the IASB, but has not yet been notified by the SECP for application in Pakistan.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

IASB Effective date (annual periods beginning on or after)

### Standard or Interpretation

IFRS 9 – Financial Instruments: Classification and Measurement

January 01, 2018

## 4. BASIS OF MEASUREMENT

### 4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.

### 4.2 Critical accounting estimates and judgments

The preparation of these consolidated 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.

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

- i) classification of investments (notes 5.4 and 9)
- ii) provision against investments (notes 5.4 and 9.3), lendings to financial institutions (note 8.5) and advances (notes 5.5 and 10.4)
- iii) income taxes (notes 5.8 and 33)
- iv) staff retirement benefits (notes 5.10 and 37)
- v) fair value of derivatives (notes 5.15.2 and 20.3)
- vi) operating fixed assets, revaluation, depreciation and amortization (notes 5.6 and 11)
- vii) impairment (note 5.7)

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year.

### 5.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiary companies.

Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or the power to control the company is established and are excluded from consolidation from the date of disposal or when the control is lost.

The financial statements of subsidiaries are prepared for the same reporting period as the Holding Company, using accounting policies that are consistent with those of the Holding Company, except for non-banking subsidiaries in Pakistan which follow the requirements of IAS 39 and IAS 40, and overseas subsidiaries which are required to comply with local regulations enforced within the respective jurisdictions.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

The assets and liabilities of the subsidiaries have been consolidated with those of the Holding Company on a line by line basis and the carrying value of the Bank's investment in the subsidiaries is eliminated against the subsidiaries' share capital and pre-acquisition reserves in these consolidated financial statements.

Non-controlling interest represents that part of the net results of operations and of the net assets of the subsidiaries that is not owned by the Group.

All material intra-group balances and transactions have been eliminated.

### **5.2 Cash and cash equivalents**

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

### **5.3 Lendings to / borrowings from financial institutions**

The Group enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

#### **5.3.1 Purchase under resale agreements**

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

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

#### **5.3.2 Sale under repurchase agreements**

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

### **5.4 Investments**

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

#### **Held for trading**

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

#### **Held to maturity**

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

#### **Available for sale**

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

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### Initial measurement

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

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

### Subsequent measurement

#### Held for trading

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

#### Held to maturity

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

#### Available for sale

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

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

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

### Associates

Associates are entities over which the Group has a significant influence, but control does not exist.

Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in the associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee subsequent to the date of acquisition. The increase / decrease in the share of profit or loss of associates is accounted for in the consolidated profit and loss account. The Group applies equity accounting for UBL Insurers Limited, Oman United Exchange Company Limited, Khushhali Bank Limited, DHA Cogen Limited and its investments in mutual funds managed by UBL Fund Managers Limited.



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## 5.5 Advances

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

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

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

## 5.6 Operating fixed assets and depreciation

### 5.6.1 Owned

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

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

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

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Any deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets, to the extent of incremental depreciation, is transferred to unappropriated profit.

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

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

### 5.6.2 Leased (Ijarah)

Assets leased out under Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the term of the lease.

Ijarah income is recognized on an accrual basis.

### 5.6.3 Finance lease

Assets held under finance leases are initially recorded at the lower of the present value of minimum lease payments under the lease agreements and the fair value of the leased assets. The related obligations under the lease, net of financial charges allocated to future periods, are shown as a liability.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

The financial charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance leases is charged in a manner consistent with that for depreciable assets which are owned by the Group.

### 5.6.4 Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any. The cost and the accumulated amortization of intangible assets of foreign branches include exchange differences arising on currency translation at the year-end rates of exchange. Amortization is calculated so as to write off the amortizable amount of the assets over their expected useful lives at the rates specified in note 11.3 to these consolidated financial statements. The amortization charge for the year is calculated on a straight line basis after taking into account the residual value, if any. The residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date. Amortization on additions is charged from the month the asset is available for use. No amortization is charged in the month of disposal.

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

### 5.7 Impairment

#### Impairment of available for sale equity investments

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

#### Impairment in investments in associates

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

#### Impairment in non-financial assets (excluding deferred tax)

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

### 5.8 Taxation

#### 5.8.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws and at the prevailing rates for taxation on income earned from local as well as foreign operations.

#### 5.8.2 Prior years

The taxation charge for prior years represents adjustments to the tax charge relating to prior years, arising from assessments and changes in estimates made during the current year.

#### 5.8.3 Deferred

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

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

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

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

The Group also recognizes a deferred tax asset / liability on the cash flow hedge reserve and on the deficit / surplus on revaluation of fixed assets and securities which is adjusted against the cash flow hedge reserve or against the related deficit / surplus in accordance with the requirements of IAS 12, Income Taxes.

### 5.9 Provisions

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

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

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

### 5.10 Staff retirement and other benefits

#### 5.10.1 The Bank

The Bank operates the following staff retirement schemes for its employees

- a) For new employees and for those who opted for the below mentioned conversion option introduced in 2001, the Bank operates
  - an approved contributory provident fund (defined contribution scheme); and
  - an approved gratuity scheme (defined benefit scheme).
- b) For employees who have not opted for the conversion option introduced in 2001, the Bank operates
  - an approved non-contributory provident fund in lieu of the contributory provident fund; and
  - an approved funded pension scheme, introduced in 1986 (defined benefit scheme).

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

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

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

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## Other benefits

### a) Employees' compensated absences

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

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

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

### c) Employee motivation and retention scheme

The Bank has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates.

## Remeasurement of defined benefit obligations

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

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

## 5.10.2 United National Bank Limited (UNBL)

### Defined benefit scheme

UNBL operates a pension scheme (defined benefit scheme) for certain staff. This scheme is closed for new members and the accrual of benefits has ceased from January 1, 2010. Gains and losses on settlements and curtailments are charged to the profit and loss account. The interest cost and the expected return on assets are included in other liabilities and other assets. Remeasurement gains and losses are recognised immediately in other comprehensive income.

The defined benefit scheme is funded, with the assets of the scheme held separately from those of UNBL, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured based on actuarial valuations using the Projected Unit Credit Method. The actuarial valuations are obtained at least triennially and are updated at each statement of financial position date.

### Defined contribution scheme

UNBL operates a defined contributory pension scheme. The contribution payable in the year in respect of pension costs and other post retirement benefits is charged to the profit and loss account. Differences between the contribution payable in the year and contribution actually paid are shown as either accruals or prepayments in the statement of financial position.

## 5.10.3 UBL Fund Managers Limited (UFML)

### Defined benefit plan

UFML operates an approved funded gratuity scheme for all employees. Annual contributions to the fund are made on the

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

basis of actuarial advice using the Projected Unit Credit Method. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income when they occur with no subsequent recycling through the profit and loss account.

### **Defined contribution plan**

UFML operates an approved contributory provident fund (defined contribution scheme) for all eligible employees.

### **Employee Stock Option Scheme**

UBL Fund Managers provides an incentive scheme for its top performing employees in the form of share options under the Employee Stock Option Scheme (ESOS). The scheme has been approved by the SECP.

#### **5.10.4 UBL (Switzerland) AG**

UBL (Switzerland) AG maintains a contribution-oriented pension scheme for employees who have reached the age of 25. It bears a large share of the costs of the occupational pension plan for all employees as well as their surviving dependants pursuant to legal requirements. The employee benefit obligations and the assets serving as coverage are outsourced to a collective insurance firm. The organization, management and financing of the pension plan comply with legal regulations, the deed of foundation and the applicable regulations of the benefit plan.

#### **5.10.5 UBL Bank (Tanzania) Limited**

All eligible employees are members of the Public Pension Fund (PPF) or National Social Security Fund (NSSF). The fund is a defined contribution scheme with the bank having no legal or constructive obligation to pay further top-up contributions.

#### **5.11 Subordinated loans**

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

#### **5.12 Borrowings / deposits**

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

#### **5.13 Revenue recognition**

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

##### **5.13.1 Advances and investments**

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

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

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

### 5.13.2 Dividend income

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

### 5.13.3 Fee, brokerage and commission

Fee (including management fee on funds under management), brokerage and commission income is recognized on an accrual basis.

### 5.13.4 Grants

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

## 5.14 Foreign currencies

### 5.14.1 Functional and presentation currency

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

### 5.14.2 Foreign currency transactions

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

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

### 5.14.3 Foreign operations and subsidiaries

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

### 5.14.4 Translation gains and losses

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

### 5.14.5 Contingencies and commitments

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## 5.15 Financial instruments

### 5.15.1 Financial assets and liabilities

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

### 5.15.2 Derivative financial instruments

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

### 5.15.3 Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks. In order to manage particular risks, the Group may undertake a hedge. The Group applies hedge accounting for transactions which meet the specified criteria.

At the inception of the hedging relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. A formal assessment is also undertaken to ascertain whether the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is regarded as highly effective if, during the period for which the hedge is designated, changes in the fair value or cash flows attributable to the hedged item are expected to be offset by between 80% to 125% by corresponding changes in the fair value or cash flows attributable to the hedging instrument.

#### Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in the statement of changes in equity, and recycled through the profit and loss account in the periods when the hedged item will affect profit or loss. Any gain or loss on the ineffective portion of the hedging instrument is recognised in the profit and loss account immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the profit and loss account.

### 5.15.4 Off setting

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

## 5.16 Segment reporting

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

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 5.16.1 Business segments

#### (a) Corporate finance

Corporate finance includes services provided in connection with mergers and acquisitions, project finance and the underwriting / arrangement of debt and equity instruments through syndications, Initial Public Offerings and private placements.

#### (b) Trading and sales

Trading and sales includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

#### (c) Retail banking

Retail banking includes retail and consumer lending and deposits, banking services, cards and branchless banking.

#### (d) Commercial banking

Commercial banking includes project finance, working capital finance, trade finance, import and export, factoring, leasing, lending, deposits and guarantees.

#### (e) Asset management

Asset management includes discretionary and non-discretionary fund management activities in the form of pooled, segregated, retail, institutional, private equity, open, close ended funds etc.

#### (f) Others

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

### 5.16.2 Geographical segments

The Group operates in six geographical regions being:

- Pakistan
- Middle East
- United States of America
- Karachi Export Processing Zone
- Europe
- Africa

### 5.17 Dividends and appropriations to reserves

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

### 5.18 Earnings per share

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



# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>6. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand			
Local currency		7,903,425	10,205,235
Foreign currency		4,687,801	4,557,487
		12,591,226	14,762,722
With State Bank of Pakistan in			
Local currency current accounts	6.1	6,669,134	22,944,148
Foreign currency current accounts	6.2	2,202,209	2,022,787
Foreign currency deposit account	6.3	6,452,579	5,938,134
		15,323,922	30,905,069
With other central banks in			
Foreign currency current accounts	6.4	19,804,714	18,515,808
Foreign currency deposit accounts	6.5	1,599,031	1,207,384
		21,403,745	19,723,192
With National Bank of Pakistan in local currency current accounts			
National Prize Bonds		26,232,025	24,109,512
		109,388	91,106
		<u>75,660,306</u>	<u>89,591,601</u>

**6.1** This represents current accounts maintained with the SBP under the Cash Reserve Requirement of section 22 of the Banking Companies Ordinance, 1962.

**6.2** This represents a US Dollar settlement account maintained with the SBP and current accounts maintained with the SBP to comply with statutory requirements.

**6.3** This represents an account maintained with the SBP to comply with the Special Cash Reserve requirement. The return on this account is declared by the SBP on a monthly basis and, as at December 31, 2014, carries mark-up at the rate of 0.00% (2013: 0.00%) per annum.

**6.4** Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches and subsidiaries of the Group.

**6.5** This represents placement with overseas central banks and carries mark-up at the rate of 0.25% (2013: 0.00% to 0.25%) per annum.

	Note	2014 ----- (Rupees in '000) -----	2013
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### 7. BALANCES WITH OTHER BANKS

#### Inside Pakistan

In current accounts		14,181	158,978
In deposit accounts	7.1	9,399	1,597,722
		23,580	1,756,700

#### Outside Pakistan

In current accounts		13,137,371	14,785,856
In deposit accounts	7.2	8,787,323	16,116,050
		21,924,694	30,901,906
		<u>21,948,274</u>	<u>32,658,606</u>

**7.1** These carry mark-up at rates ranging from 3.05% to 9.25% (2013: 7.50% to 9.50%) per annum.

**7.2** These carry mark-up at rates ranging from 0.13% to 4.00% (2013: 0.06% to 7.00%) per annum and include balances amounting to Rs.216.039 million (2013: Rs.226.448 million), maintained with an overseas bank against the statutory reserves requirement of a foreign branch.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>8. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lending	8.2	1,105,000	100,000
Repurchase agreement lendings	8.3	3,226,563	13,791,125
Other lendings to financial institutions	8.4	19,898,901	16,620,831
		<u>24,230,464</u>	<u>30,511,956</u>
Provision against lendings to financial institutions	8.5	(795,242)	(653,918)
		<u>23,435,222</u>	<u>29,858,038</u>

### 8.1 Particulars of lendings to financial institutions - gross

In local currency	7,356,787	15,061,947
In foreign currencies	16,873,677	15,450,009
	<u>24,230,464</u>	<u>30,511,956</u>

8.2 This represents unsecured lending carrying mark-up at a rate of 10.12% per annum (2013: 9.70% per annum) and is due to mature by February 2015.

### 8.3 Securities held as collateral against repurchase agreement lendings

	2014			2013		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	----- (Rupees in '000) -----					
Market Treasury Bills	2,826,563	-	2,826,563	8,723,925	-	8,723,925
Pakistan Investment Bonds	300,000	100,000	400,000	5,067,200	-	5,067,200
	<u>3,126,563</u>	<u>100,000</u>	<u>3,226,563</u>	<u>13,791,125</u>	<u>-</u>	<u>13,791,125</u>

Repurchase agreement lendings carry mark-up at rates ranging from 9.40% to 9.90% (2013: 9.40% to 10.00%) per annum and are due to mature latest by January 2015. The market value of the securities held as collateral against these lendings amounted to Rs. 3,258.957million (2013: Rs. 14,004.415 million).

8.4 Lendings pertaining to domestic operations carry mark-up at rates ranging from 0.00% to 12.17% per annum (2013: 0.00% to 11.87% per annum) and are due to mature latest by February 2022. Lendings pertaining to overseas operations carry mark-up at rates ranging from 0.00% to 12% per annum (2013: 0.10% to 5.00% per annum) and are due to mature latest by July 2021.

8.5 This represents provision made against lendings to financial institutions with movement as follows:

	2014 ----- (Rupees in '000) -----	2013
Opening balance	653,918	553,728
Exchange adjustments	(24,420)	39,681
<b>Charge / (reversal)</b>		
Charge for the year	165,744	65,750
Reversals	-	(5,241)
	<u>165,744</u>	<u>60,509</u>
Closing balance	<u>795,242</u>	<u>653,918</u>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## 9. INVESTMENTS

### 9.1 Investments by type

Note	2014			2013			
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total	
----- (Rupees in '000) -----							
<b>Held for trading securities</b>							
Market Treasury Bills	6,941,106	-	6,941,106	7,401,965	-	7,401,965	
Pakistan Investment Bonds	822,818	-	822,818	-	-	-	
Ordinary shares of listed companies	430,943	-	430,943	317,933	-	317,933	
Term Finance Certificates	51,527	-	51,527	49,782	-	49,782	
Sukuks	10,767	-	10,767	21,437	-	21,437	
	8,257,161	-	8,257,161	7,791,117	-	7,791,117	
<b>Available for sale securities</b>							
Market Treasury Bills	46,284,703	-	46,284,703	186,286,611	12,054,264	198,340,875	
Pakistan Investment Bonds	168,005,906	20,563,460	188,569,366	65,136,963	-	65,136,963	
Government of Pakistan Sukuk	9,280,698	-	9,280,698	6,186,752	-	6,186,752	
Government of Pakistan Eurobonds	14,175,920	-	14,175,920	12,624,436	-	12,624,436	
Ordinary shares of listed companies	16,687,021	-	16,687,021	14,157,245	-	14,157,245	
Preference shares	421,087	-	421,087	444,765	-	444,765	
Ordinary shares of unlisted companies	243,247	-	243,247	243,350	-	243,350	
Term Finance Certificates	1,483,030	-	1,483,030	1,921,370	-	1,921,370	
Foreign bonds - sovereign	16,285,513	-	16,285,513	16,621,607	-	16,621,607	
Foreign bonds - others	24,067,930	-	24,067,930	32,479,255	-	32,479,255	
	296,935,055	20,563,460	317,498,515	336,102,354	12,054,264	348,156,618	
<b>Held to maturity securities</b>							
Market Treasury Bills	31,446,074	-	31,446,074	41,539,276	-	41,539,276	
Pakistan Investment Bonds	122,713,145	-	122,713,145	38,333,967	-	38,333,967	
Government of Pakistan Eurobonds	6,089,160	-	6,089,160	6,103,979	-	6,103,979	
Government of Pakistan Sukuk	202,244	-	202,244	300,000	-	300,000	
Term Finance Certificates	5,570,990	-	5,570,990	5,045,801	-	5,045,801	
Sukuks	1,880,379	-	1,880,379	1,774,197	-	1,774,197	
Participation Term Certificates	2,795	-	2,795	4,939	-	4,939	
Debentures	2,266	-	2,266	2,266	-	2,266	
Foreign bonds - sovereign	655,610	-	655,610	155,121	-	155,121	
Foreign bonds - others	622,304	-	622,304	915,371	-	915,371	
Recovery note	309,708	-	309,708	324,639	-	324,639	
CDC SAARC Fund	218	-	218	229	-	229	
	169,494,893	-	169,494,893	94,499,785	-	94,499,785	
<b>Associates</b>							
United Growth and Income Fund	9.8.1	3,379,214	-	3,379,214	2,906,051	-	2,906,051
UBL Liquidity Plus Fund	9.8.2	241,968	-	241,968	543,443	-	543,443
UBL Money Market Fund	9.8.3	118,428	-	118,428	194,253	-	194,253
UBL Retirement Savings Fund	9.8.4	261,357	-	261,357	167,037	-	167,037
UBL Principal Protected Fund - I	9.8.5	-	-	-	212,808	-	212,808
UBL Principal Protected Fund - II	9.8.6	125,700	-	125,700	103,640	-	103,640
UBL Principal Protected Fund - III	9.8.7	232,795	-	232,795	-	-	-
UBL Government Securities Fund	9.8.8	2,107,669	-	2,107,669	109,348	-	109,348
UBL Gold Fund	9.8.9	89,310	-	89,310	83,283	-	83,283
UBL Asset Allocation Fund	9.8.10	171,220	-	171,220	842,528	-	842,528
UBL Stock Advantage Fund	9.8.11	136,774	-	136,774	51,940	-	51,940
UBL Financial Sector Bond Fund	9.8.12	79,582	-	79,582	105,246	-	105,246
Al-Ameen Islamic Cash Fund	9.8.13	115,998	-	115,998	108,693	-	108,693
Al-Ameen Islamic Aggressive Income Fund	9.8.14	239,211	-	239,211	212,573	-	212,573
Al-Ameen Islamic Sovereign Fund	9.8.15	356,179	-	356,179	343,122	-	343,122
Al-Ameen Islamic Retirement Savings Fund	9.8.16	209,640	-	209,640	162,120	-	162,120
Al-Ameen Shariah Stock Fund	9.8.17	61,398	-	61,398	27,356	-	27,356
Al-Ameen Islamic Principal Preservation Fund - I	9.8.18	142,214	-	142,214	121,674	-	121,674
Al-Ameen Islamic Principal Preservation Fund - II	9.8.19	123,213	-	123,213	105,807	-	105,807
Al-Ameen Islamic Principal Preservation Fund - III	9.8.20	111,029	-	111,029	-	-	-
Al-Ameen Islamic Principal Preservation Fund - IV	9.8.21	107,135	-	107,135	-	-	-
Al-Ameen Islamic Principal Preservation Fund - V	9.8.22	100,375	-	100,375	-	-	-
Al-Ameen Islamic Asset Allocation Fund	9.8.23	113,107	-	113,107	100,071	-	100,071
UBL Insurers Limited	9.8.24	225,909	-	225,909	211,058	-	211,058
Khushhali Bank Limited	9.8.25	1,111,127	-	1,111,127	952,451	-	952,451
Oman United Exchange Company, Muscat	9.8.26	72,287	-	72,287	68,396	-	68,396
DHA Cogen Limited	9.8.27	-	-	-	-	-	-
	9.8	10,032,839	-	10,032,839	7,732,898	-	7,732,898
		484,719,948	20,563,460	505,283,408	446,126,154	12,054,264	458,180,418
Provision for diminution in value of investments	9.3	(1,850,842)	-	(1,850,842)	(1,484,505)	-	(1,484,505)
<b>Investments - net of provision</b>		482,869,106	20,563,460	503,432,566	444,641,649	12,054,264	456,695,913
Surplus / (deficit) on revaluation of available for sale securities	22.2	15,433,595	764,569	16,198,164	2,159,717	(5,016)	2,154,701
Deficit on revaluation of held for trading securities	9.4	(28,723)	-	(28,723)	(4,416)	-	(4,416)
<b>Total investments</b>		498,273,978	21,328,029	519,602,007	446,796,950	12,049,248	458,846,198

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>9.2 Investments by segment</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		62,612,753	209,957,884
Pakistan Investment Bonds		312,105,329	103,470,930
Government of Pakistan Sukuk		9,482,942	6,486,752
Government of Pakistan Eurobonds		20,265,080	18,728,415
		404,466,104	338,643,981
<b>Foreign securities</b>			
Market Treasury Bills		22,059,130	37,324,233
Sovereign bonds		16,941,123	16,776,727
CDC SAARC Fund		218	229
Recovery note		309,708	324,639
Other bonds		24,690,234	33,394,626
		64,000,413	87,820,454
<b>Ordinary shares</b>			
Listed companies		17,117,964	14,475,178
Unlisted companies		243,247	243,350
		17,361,211	14,718,528
<b>Preference shares</b>		421,087	444,765
<b>Term Finance Certificates</b>			
Listed		1,274,035	2,399,317
Unlisted		5,831,512	4,617,636
		7,105,547	7,016,953
<b>Sukuks</b>		1,891,146	1,795,634
<b>Debentures</b>		2,266	2,266
<b>Participation Term Certificates</b>		2,795	4,939
<b>Investment in associates</b>	9.8	10,032,839	7,732,898
<b>Total investments at cost</b>		505,283,408	458,180,418
Provision for diminution in value of investments	9.3	(1,850,842)	(1,484,505)
<b>Investments - net of provision</b>		503,432,566	456,695,913
Surplus on revaluation of available for sale securities	22.2	16,198,164	2,154,701
Deficit on revaluation of held for trading securities	9.4	(28,723)	(4,416)
<b>Total investments</b>		519,602,007	458,846,198

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	2014	2013
	----- (Rupees in '000) -----	
<b>9.3 Provision for diminution in value of investments</b>		
<b>9.3.1</b> Opening balance	1,484,505	1,420,570
Exchange adjustments	(43,437)	58,064
<b>Charge / (reversals)</b>		
Charge for the year	497,080	63,589
Reversals	(37,268)	(57,718)
	459,812	5,871
Reversed on disposal	(50,038)	-
Closing balance	<u>1,850,842</u>	<u>1,484,505</u>
<b>9.3.2 Provision for diminution in value of investments by type</b>		
<b>Available for sale securities</b>		
Ordinary shares of listed companies	432,288	373,052
Ordinary shares of unlisted companies	132,952	122,687
Term Finance Certificates	97,616	97,616
Foreign bonds	166,467	43,572
Preference shares	330,109	351,991
	1,159,432	988,918
<b>Held to maturity securities</b>		
Term Finance Certificates	69,872	57,337
Sukuks	88,827	106,406
Foreign bonds	217,942	-
Recovery note	309,708	324,639
Participation Term Certificates	2,795	4,939
Debentures	2,266	2,266
	691,410	495,587
	<u>1,850,842</u>	<u>1,484,505</u>
<b>9.3.3 Provision for diminution in value of investments by segment</b>		
<b>Equity securities</b>		
Listed companies	432,288	373,052
Unlisted companies	132,952	122,687
Preference shares	330,109	351,991
	895,349	847,730
<b>Debt securities</b>		
Term Finance Certificates	167,488	154,953
Sukuks	88,827	106,406
Recovery note	309,708	324,639
Foreign bonds	384,409	43,572
Participation Term Certificates	2,795	4,939
Debentures	2,266	2,266
	955,493	636,775
	<u>1,850,842</u>	<u>1,484,505</u>
<b>9.4 Unrealized (loss) / gain on revaluation of held for trading securities</b>		
Market Treasury Bills	3,971	(1,110)
Pakistan Investment Bonds	5,836	-
Ordinary shares of listed companies	(51,055)	(5,280)
Sukuks	11,969	-
Term Finance Certificates	556	1,974
	<u>(28,723)</u>	<u>(4,416)</u>
<b>9.5</b> Investments include securities which are held by the Bank to comply with the statutory liquidity requirements as set out under Section 29 of the Banking Companies Ordinance, 1962.		

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

9.6 Investments include Rs. 282.000 million (2013: Rs. 282.000 million) held by the SBP and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5 million (2013: Rs. 5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

9.7 Information relating to investments required to be disclosed as part of the consolidated financial statements under the SBP's BSD Circular No. 4 dated February 17, 2006, and details in respect of the quality of available for sale securities are disclosed in Annexure 'A' which form an integral part of these consolidated financial statements.

9.8 Investment in associates	2014	2013
	----- (Rupees in '000) -----	
9.8.1 United Growth and Income Fund		
Investment at the beginning of the year	2,906,051	2,557,423
Share of profit	426,184	359,724
Share of unrealized surplus / (deficit) on assets	46,979	(11,096)
Investment at the end of the year	<u>3,379,214</u>	<u>2,906,051</u>
Percentage holding as at December 31	<u>89.67%</u>	<u>89.34%</u>

9.8.1.1 United Growth and Income Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis. However, the fund has temporarily suspended subscriptions for new investors.

9.8.1.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
United Growth and Income Fund				
2014	<u>3,807,830</u>	<u>39,532</u>	<u>551,176</u>	<u>484,479</u>
2013	<u>3,272,178</u>	<u>19,360</u>	<u>351,614</u>	<u>401,678</u>

9.8.2 UBL Liquidity Plus Fund	2014	2013
	----- (Rupees in '000) -----	
Investment at the beginning of the year	543,443	6,373,263
Share of profit	66,403	285,527
Redemption during the year	(367,878)	(6,114,375)
Share of unrealized deficit on assets	-	(972)
Investment at the end of the year	<u>241,968</u>	<u>543,443</u>
Percentage holding as at December 31	<u>2.99%</u>	<u>3.97%</u>

9.8.2.1 United Liquidity Plus Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.2.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
UBL Liquidity Plus Fund				
2014	<u>8,168,235</u>	<u>84,203</u>	<u>1,225,898</u>	<u>924,640</u>
2013	<u>13,725,429</u>	<u>46,144</u>	<u>1,439,212</u>	<u>1,168,642</u>

9.8.3 UBL Money Market Fund	2014	2013
	----- (Rupees in '000) -----	
Investment at the beginning of the year	194,253	190,189
Share of profit	4,698	5,376
Redemption during the year	(80,523)	(1,322)
Share of unrealized surplus on assets	-	10
Investment at the end of the year	<u>118,428</u>	<u>194,253</u>
Percentage holding as at December 31	<u>8.33%</u>	<u>7.36%</u>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

9.8.3.1 UBL Money Market Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.8.3.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
<b>UBL Money Market Fund</b>	<b>2014</b>	1,436,460	14,841	179,748	131,281
	<b>2013</b>	2,653,339	12,476	263,074	208,085

### 9.8.4 UBL Retirement Savings Fund

	2014	2013
----- (Rupees in '000) -----		
Investment at the beginning of the year	167,037	132,088
Investment made the year	30,000	-
Share of profit	64,156	35,396
Share of unrealized surplus / (deficit) on assets	164	(447)
Investment at the end of the year	<u>261,357</u>	<u>167,037</u>
<b>Percentage holding as at December 31</b>	<u>17.91%</u>	<u>20.86%</u>

9.8.4.1 UBL Retirement Savings Fund is an open ended pension fund and offers units for public subscription on a continuous basis.

9.8.4.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
<b>UBL Retirement Savings Fund</b>	<b>2014</b>	1,475,193	36,975	337,189	342,645
	<b>2013</b>	739,010	6,106	113,260	136,477

### 9.8.5 UBL Principal Protected Fund - I

	2014	2013
----- (Rupees in '000) -----		
Investment at the beginning of the year	212,808	166,951
(Redemption) / Investment during the year	(205,592)	7,955
Share of (loss) / profit	(7,216)	37,902
Investment at the end of the year	<u>-</u>	<u>212,808</u>
<b>Percentage holding as at December 31</b>	<u>-</u>	<u>35.45%</u>

9.8.5.1 This fund has matured on February 2, 2014.

### 9.8.6 UBL Principal Protected Fund - II

	2014	2013
Investment at the beginning of the year	103,640	-
Investment during the year	-	100,000
Share of profit	22,060	3,640
Investment at the end of the year	<u>125,700</u>	<u>103,640</u>
<b>Percentage holding as at December 31</b>	<u>12.92%</u>	<u>12.32%</u>

9.8.6.1 UBL Principal Protected Fund - II is an open ended mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering. The duration of the fund is 24 months from July 23, 2013.

9.8.6.2 The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
----- (Rupees in '000) -----					
<b>UBL Principal Protected Fund - II</b>	<b>2014</b>	981,802	8,672	181,701	174,874
	<b>2013</b>	849,980	8,547	32,099	29,580

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.7 UBL Principal Protected Fund - III</b>		
Investment during the year	200,000	-
Share of profit	32,795	-
Investment at the end of the year	<u>232,795</u>	<u>-</u>
<b>Percentage holding as at December 31</b>	<u>15.05%</u>	<u>-</u>

**9.8.7.1** UBL Principal Protected Fund - III is an open ended mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering. The duration of the fund is 24 months from March 6, 2014.

**9.8.7.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
<b>UBL Principal Protected Fund - III</b>	<b>2014</b>	<u>1,558,450</u>	<u>11,477</u>	<u>224,850</u>	<u>213,988</u>

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.8 UBL Government Securities Fund</b>		
Investment at the beginning of the year	109,348	266,799
Investment / (redemption) during the year	1,761,608	(158,626)
Share of profit	236,713	1,977
Share of unrealized deficit on assets	-	(802)
Investment at the end of the year	<u>2,107,669</u>	<u>109,348</u>
<b>Percentage holding as at December 31</b>	<u>23.98%</u>	<u>9.48%</u>

**9.8.8.1** UBL Government Securities Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.8.8.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
<b>UBL Government Securities Fund</b>	<b>2014</b>	<u>8,998,701</u>	<u>208,922</u>	<u>837,961</u>	<u>920,374</u>
	<b>2013</b>	<u>1,183,589</u>	<u>29,990</u>	<u>142,067</u>	<u>116,242</u>

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.9 UBL Gold Fund</b>		
Investment at the beginning of the year	83,283	-
Investment during the year	-	100,000
Share of profit / (loss)	6,027	(16,717)
Investment at the end of the year	<u>89,310</u>	<u>83,283</u>
<b>Percentage holding as at December 31</b>	<u>66.41%</u>	<u>53.09%</u>

**9.8.9.1** UBL Gold Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.8.9.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit / (loss)
		----- (Rupees in '000) -----			
<b>UBL Gold Fund</b>	<b>2014</b>	<u>136,372</u>	<u>1,896</u>	<u>15,557</u>	<u>9,197</u>
	<b>2013</b>	<u>158,085</u>	<u>1,219</u>	<u>(26,363)</u>	<u>(29,716)</u>



# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.10 UBL Asset Allocation Fund</b>		
Investment at the beginning of the year	842,528	-
(Redemption) / Investment during the year	(770,670)	814,856
Share of profit	131,813	27,672
Dividend Received	(32,451)	-
Investment at the end of the year	<u>171,220</u>	<u>842,528</u>
<b>Percentage holding as at December 31</b>	<u>28.61%</u>	<u>77.45%</u>

**9.8.10.1** UBL Asset Allocation Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.8.10.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
<b>UBL Asset Allocation Fund</b>	<b>2014</b>	<u>614,880</u>	<u>16,507</u>	<u>230,188</u>	<u>177,164</u>
	<b>2013</b>	<u>1,099,208</u>	<u>11,335</u>	<u>40,091</u>	<u>40,288</u>

		2014	2013
		----- (Rupees in '000) -----	
<b>9.8.11 UBLStock Advantage Fund</b>			
Investment at the beginning of the year		51,940	523,026
Share of profit		33,142	164,152
Investment / (redemption) during the year		51,692	(635,238)
Investment at the end of the year		<u>136,774</u>	<u>51,940</u>
<b>Percentage holding as at December 31</b>		<u>2.45%</u>	<u>2.35%</u>

**9.8.11.1** UBL Stock Advantage Fund is an open ended mutual fund, listed on the Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.8.11.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
<b>United Stock Advantage Fund</b>	<b>2014</b>	<u>5,735,239</u>	<u>142,999</u>	<u>1,195,360</u>	<u>1,565,499</u>
	<b>2013</b>	<u>2,237,038</u>	<u>28,288</u>	<u>815,126</u>	<u>622,790</u>

		2014	2013
		----- (Rupees in '000) -----	
<b>9.8.12 UBL Financial Sector Bond Fund</b>			
Investment at the beginning of the year		105,246	-
(Redemption) / Investment during the year		(31,379)	100,000
Share of profit		5,715	5,246
Investment at the end of the year		<u>79,582</u>	<u>105,246</u>
<b>Percentage holding as at December 31</b>		<u>50.28%</u>	<u>39.97%</u>

**9.8.12.1** UBL Financial Sector Bond Fund is an open ended mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.8.12.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
<b>UBL Financial Sector Bond Fund</b>	<b>2014</b>	<u>161,050</u>	<u>2,762</u>	<u>22,124</u>	<u>14,527</u>
	<b>2013</b>	<u>265,330</u>	<u>2,042</u>	<u>33,897</u>	<u>25,246</u>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.13 Al-Ameen Islamic Cash Fund</b>		
Investment at the beginning of the year	108,693	102,074
Redemption during the year	(143)	-
Share of profit	7,448	6,619
Investment at the end of the year	<u>115,998</u>	<u>108,693</u>
<b>Percentage holding as at December 31</b>	<u>8.64%</u>	<u>15.31%</u>

**9.8.13.1** AL-Ameen Islamic Cash Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.8.13.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
<b>Al-Ameen Islamic Cash Fund</b>	<b>2014</b>	<u>1,348,737</u>	<u>6,321</u>	<u>92,371</u>	<u>78,666</u>
	<b>2013</b>	<u>712,517</u>	<u>2,468</u>	<u>25,736</u>	<u>28,520</u>

		2014	2013
		----- (Rupees in '000) -----	
<b>9.8.14 Al-Ameen Islamic Aggressive Income Fund</b>			
Investment at the beginning of the year		212,573	192,062
Share of profit		27,926	9,533
Redemption during the year		(100)	-
Share of unrealized (deficit) / surplus on assets		(1,188)	10,978
Investment at the end of the year		<u>239,211</u>	<u>212,573</u>
<b>Percentage holding as at December 31</b>		<u>13.30%</u>	<u>28.00%</u>

**9.8.14.1** Al-Ameen Islamic Aggressive Income Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.8.14.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
<b>Al-Ameen Islamic Aggressive Income Fund</b>	<b>2014</b>	<u>1,811,987</u>	<u>13,901</u>	<u>193,527</u>	<u>181,003</u>
	<b>2013</b>	<u>762,601</u>	<u>3,380</u>	<u>64,695</u>	<u>54,310</u>

		2014	2013
		----- (Rupees in '000) -----	
<b>9.8.15 Al-Ameen Islamic Sovereign Fund</b>			
Investment at the beginning of the year		343,122	337,613
Share of profit		22,165	25,239
Redemption during the year		(50)	-
Dividend received		(9,062)	(20,185)
Share of unrealized surplus on assets		4	455
Investment at the end of the year		<u>356,179</u>	<u>343,122</u>
<b>Percentage holding as at December 31</b>		<u>18.51%</u>	<u>9.40%</u>

**9.8.15.1** Al-Ameen Islamic Sovereign Fund is an open ended Shariah compliant mutual fund listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.8.15.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
<b>Al-Ameen Islamic Sovereign Fund</b>	<b>2014</b>	<u>1,947,502</u>	<u>23,152</u>	<u>279,696</u>	<u>199,985</u>
	<b>2013</b>	<u>3,670,250</u>	<u>18,925</u>	<u>379,702</u>	<u>307,355</u>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.16 Al-Ameen Islamic Retirement Savings Fund</b>		
Investment at the beginning of the year	162,120	128,771
Share of profit	47,638	33,203
Share of unrealized (deficit) / surplus on assets	(118)	146
Investment at the end of the year	<u>209,640</u>	<u>162,120</u>
<b>Percentage holding as at December 31</b>	<u>26.82%</u>	<u>42.53%</u>

**9.8.16.1** Al-Ameen Islamic Retirement Savings Fund is an open ended Shariah compliant pension fund and offers units for public subscription on a continuous basis.

**9.8.16.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
<b>Al-Ameen Islamic Retirement Savings Fund</b>				
<b>2014</b>	<u>763,317</u>	<u>14,800</u>	<u>156,185</u>	<u>180,290</u>
<b>2013</b>	<u>360,133</u>	<u>2,589</u>	<u>65,572</u>	<u>64,029</u>

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.17 Al-Ameen Shariah Stock Fund</b>		
Investment at the beginning of the year	27,356	524,191
Share of profit	8,554	159,877
Investment / (redemption) during the year	25,488	(656,712)
Investment at the end of the year	<u>61,398</u>	<u>27,356</u>
<b>Percentage holding as at December 31</b>	<u>0.79%</u>	<u>1.33%</u>

**9.8.17.1** AL-Ameen Shariah Stock Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.8.17.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
<b>Al-Ameen Shariah Stock Fund</b>				
<b>2014</b>	<u>7,969,167</u>	<u>234,345</u>	<u>1,086,952</u>	<u>1,638,317</u>
<b>2013</b>	<u>2,130,387</u>	<u>70,080</u>	<u>578,500</u>	<u>645,313</u>

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.18 Al-Ameen Islamic Principal Preservation Fund – I</b>		
Investment at the beginning of the year	121,674	-
Investment during the year	-	100,000
Share of profit	20,540	21,674
Investment at the end of the year	<u>142,214</u>	<u>121,674</u>
<b>Percentage holding as at December 31</b>	<u>14.11%</u>	<u>13.75%</u>

**9.8.18.1** AL-Ameen Islamic Principal Preservation Fund - I is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

**9.8.18.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
<b>Al-Ameen Islamic Principal Preservation Fund – I</b>				
<b>2014</b>	<u>1,014,568</u>	<u>6,593</u>	<u>153,169</u>	<u>152,004</u>
<b>2013</b>	<u>887,967</u>	<u>2,966</u>	<u>164,219</u>	<u>158,768</u>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.19 Al-Ameen Islamic Principal Preservation Fund – II</b>		
Investment at the beginning of the year	105,807	-
Investment during the year	-	100,000
Share of profit	17,406	5,807
Investment at the end of the year	<u>123,213</u>	<u>105,807</u>
<b>Percentage holding as at December 31</b>	<u>10.55%</u>	<u>10.20%</u>

**9.8.19.1** AL-Ameen Islamic Principal Preservation Fund - II is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

**9.8.19.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
<b>Al-Ameen Islamic Principal Preservation Fund – II</b>	<b>2014</b>	<u>1,177,278</u>	<u>9,899</u>	<u>175,293</u>	<u>167,744</u>
	<b>2013</b>	<u>1,047,734</u>	<u>10,773</u>	<u>58,588</u>	<u>56,500</u>

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.20 Al-Ameen Islamic Principal Preservation Fund – III</b>		
Investment during the year	100,000	-
Share of profit	11,029	-
Investment at the end of the year	<u>111,029</u>	<u>-</u>
<b>9.8.20.1 Percentage holding as at December 31</b>	<u>4.65%</u>	<u>-</u>

AL-Ameen Islamic Principal Preservation Fund - III is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

**9.8.20.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
<b>Al-Ameen Islamic Principal Preservation Fund – III</b>	<b>2014</b>	<u>2,404,945</u>	<u>17,176</u>	<u>237,703</u>	<u>226,110</u>

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.21 Al-Ameen Islamic Principal Preservation Fund – IV</b>		
Investment during the year	100,000	-
Share of profit	7,135	-
Investment at the end of the year	<u>107,135</u>	<u>-</u>
<b>9.8.21.1 Percentage holding as at December 31</b>	<u>6.36%</u>	<u>-</u>

AL-Ameen Islamic Principal Preservation Fund - IV is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

**9.8.21.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
<b>Al-Ameen Islamic Principal Preservation Fund – IV</b>	<b>2014</b>	<u>1,699,871</u>	<u>15,084</u>	<u>106,134</u>	<u>102,520</u>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.22 Al-Ameen Islamic Principal Preservation Fund – V</b>		
Investment during the year	100,000	-
Share of profit	375	-
Investment at the end of the year	<u>100,375</u>	<u>-</u>
<b>9.8.22.1 Percentage holding as at December 31</b>	<u>10.39%</u>	<u>-</u>

AL-Ameen Islamic Principal Preservation Fund - V is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. The fund offers units for public subscription only upto the closure of the initial public offering.

**9.8.22.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
<b>Al-Ameen Islamic Principal Preservation Fund – V</b>				
<b>2014</b>	<u>996,447</u>	<u>30,127</u>	<u>3,838</u>	<u>3,609</u>

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.23 Al-Ameen Islamic Asset Allocation Fund</b>		
Investment at the beginning of the year	100,071	-
Investment during the year	-	100,000
Share of profit	15,686	71
Dividend Received	(2,650)	-
Investment at the end of the year	<u>113,107</u>	<u>100,071</u>
<b>Percentage holding as at December 31</b>	<u>43.82%</u>	<u>79.97%</u>

**9.8.23.1** AL-Ameen Islamic Asset Allocation Fund is an open ended Shariah compliant mutual fund, listed on the Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

**9.8.23.2** The details of assets, liabilities, revenues and results of the fund as of December 31, based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
<b>Al-Ameen Islamic Asset Allocation Fund</b>				
<b>2014</b>	<u>264,766</u>	<u>6,678</u>	<u>35,482</u>	<u>32,157</u>
<b>2013</b>	<u>129,655</u>	<u>4,520</u>	<u>326</u>	<u>88</u>

	2014	2013
	----- (Rupees in '000) -----	
<b>9.8.24 UBL Insurers Limited</b>		
Investment at the beginning of the year	211,058	196,855
Share of profit	15,001	14,110
Remeasurement (loss) / gain on defined benefit obligations	(150)	93
Investment at the end of the year	<u>225,909</u>	<u>211,058</u>
<b>Percentage holding as at December 31</b>	<u>30.00%</u>	<u>30.00%</u>

**9.8.24.1** UBL Insurers Limited is an unquoted public company, whose principal objective is to conduct general insurance business.

**9.8.24.2** The details of assets, liabilities, revenues and results of UBL Insurers Limited as at December 31, based on audited financial statements are as follows:

	Assets	Liabilities	Revenue	Profit
	----- (Rupees in '000) -----			
<b>UBL Insurers Limited</b>				
<b>2014</b>	<u>2,013,330</u>	<u>1,260,302</u>	<u>409,588</u>	<u>59,801</u>
<b>2013</b>	<u>1,663,010</u>	<u>962,938</u>	<u>444,012</u>	<u>42,505</u>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

9.8.25 Khushhali Bank Limited	2014	2013
	----- (Rupees in '000) -----	
Investment at the beginning of the year	952,451	876,358
Share of profit	167,404	79,590
Remeasurement loss on defined benefit obligations	(7,796)	(3,926)
Share of unrealized (deficit) / surplus on assets	(932)	429
Investment at the end of the year	<u>1,111,127</u>	<u>952,451</u>
<b>Percentage holding as at December 31</b>	<u>29.69%</u>	<u>29.69%</u>

9.8.25.1 Khushhali Bank Limited is a microfinance bank. The principal objective of the bank is to provide microfinance services and promote social welfare through community building and social mobilization.

9.8.25.2 The details of assets, liabilities, revenues and results of Khushhali Bank Limited as of December 31, based on audited financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Khushhali Bank Limited	2014	<u>16,692,434</u>	<u>13,404,913</u>	<u>3,014,629</u>	<u>704,702</u>
	2013	<u>13,289,657</u>	<u>10,530,779</u>	<u>2,246,819</u>	<u>363,198</u>

9.8.26 Oman United Exchange Company	2014	2013
	----- (Rupees in '000) -----	
Investment at the beginning of the year	68,396	68,126
Share of profit	3,891	16,765
Dividend received	-	(16,495)
Investment at the end of the year	<u>72,287</u>	<u>68,396</u>
<b>Percentage holding as at December 31</b>	<u>25.00%</u>	<u>25.00%</u>

9.8.26.1 Oman United Exchange Company LLC (the Company) is incorporated in the Sultanate of Oman as a limited liability company and is primarily engaged in money changing, issuing of drafts and the purchase and sale of travellers cheques.

9.8.26.2 The details of assets, liabilities, revenues and results of the Company as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Profit
		----- (Rupees in '000) -----			
Oman United Exchange Company	2014	<u>454,744</u>	<u>165,597</u>	<u>190,515</u>	<u>31,091</u>
	2013	<u>385,725</u>	<u>112,142</u>	<u>200,283</u>	<u>51,762</u>

9.8.27 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.

The details of assets, liabilities, revenues and results of the company as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenue	Loss
		----- (Rupees in '000) -----			
DHA Cogen Limited	2014	<u>4,935,166</u>	<u>16,097,382</u>	-	<u>(1,457,965)</u>
	2013	<u>4,668,118</u>	<u>14,371,096</u>	-	<u>(1,371,855)</u>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

10. ADVANCES	Note	Performing		Non-performing		Total	
		2014	2013	2014	2013	2014	2013
(Rupees in '000)							
<b>Loans, cash credits, running finances, etc.</b>							
In Pakistan	10.2	271,903,265	229,406,045	41,759,622	40,121,889	313,662,887	269,527,934
Outside Pakistan		129,459,615	123,512,396	12,520,803	11,956,981	141,980,418	135,469,377
		401,362,880	352,918,441	54,280,425	52,078,870	455,643,305	404,997,311
<b>Bills discounted and purchased</b>							
Payable in Pakistan		21,763,958	27,101,200	2,825,052	2,756,062	24,589,010	29,857,262
Payable outside Pakistan		34,050,405	26,820,425	-	-	34,050,405	26,820,425
		55,814,363	53,921,625	2,825,052	2,756,062	58,639,415	56,677,687
<b>Advances - gross</b>		457,177,243	406,840,066	57,105,477	54,834,932	514,282,720	461,674,998
Provision against advances	10.4	-	-	(44,819,065)	(44,497,945)	(44,819,065)	(44,497,945)
- Specific		(2,098,363)	(1,893,743)	-	-	(2,098,363)	(1,893,743)
- General		(2,098,363)	(1,893,743)	(44,819,065)	(44,497,945)	(46,917,428)	(46,391,688)
<b>Advances - net of provision</b>		455,078,880	404,946,323	12,286,412	10,336,987	467,365,292	415,283,310
<b>10.1 Particulars of advances - gross</b>							
		Performing		Non-performing		Total	
		2014	2013	2014	2013	2014	2013
(Rupees in '000)							
10.1.1 In local currency		286,717,916	248,907,872	44,245,411	42,516,403	330,963,327	291,424,275
In foreign currencies		170,459,327	157,932,194	12,860,066	12,318,529	183,319,393	170,250,723
		457,177,243	406,840,066	57,105,477	54,834,932	514,282,720	461,674,998
10.1.2 Short term		274,253,007	246,780,262	-	-	274,253,007	246,780,262
Long term		182,924,236	160,059,804	57,105,477	54,834,932	240,029,713	214,894,736
		457,177,243	406,840,066	57,105,477	54,834,932	514,282,720	461,674,998
10.2	Non-performing advances include gross advances of Rs.11,089.290 million (2013: Rs.12,541.082 million) and advances net of provision of Rs. 3,669.171 million (2013: Rs.1,697.164 million) which, though restructured and performing, have been placed under non-performing status as required by the Prudential Regulations issued by the SBP.						
10.3	Advances include Rs. 57,105 million (2013: Rs. 54,835 million) which have been placed under non-performing status as detailed below:						

Category of Classification	2014								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Other assets especially mentioned *	114,459	-	114,459	650	-	650	650	-	650
Substandard	4,419,940	1,672,489	6,092,429	284,598	227,776	512,374	284,598	227,776	512,374
Doubtful	1,018,729	3,089,056	4,107,785	499,788	1,036,021	1,535,809	499,788	1,036,021	1,535,809
Loss	39,031,546	7,759,258	46,790,804	36,961,605	5,808,627	42,770,232	36,961,605	5,808,627	42,770,232
	44,584,674	12,520,803	57,105,477	37,746,641	7,072,424	44,819,065	37,746,641	7,072,424	44,819,065
Category of Classification	2013								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Other assets especially mentioned *	100,063	-	100,063	640	-	640	640	-	640
Substandard	1,876,334	2,027,722	3,904,056	310,902	501,219	812,121	310,902	501,219	812,121
Doubtful	1,526,948	3,006,480	4,533,428	206,431	1,515,728	1,722,159	206,431	1,515,728	1,722,159
Loss	39,374,606	6,922,779	46,297,385	37,250,604	4,712,421	41,963,025	37,250,604	4,712,421	41,963,025
	42,877,951	11,956,981	54,834,932	37,768,577	6,729,368	44,497,945	37,768,577	6,729,368	44,497,945

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

10.4 Particulars of provision against advances	Note	2014			2013		
		Specific	General	Total	Specific	General	Total
(Rupees in '000)							
Opening balance		44,497,945	1,893,743	46,391,688	43,597,349	1,262,832	44,860,181
Exchange adjustments		(379,396)	(78,076)	(457,472)	467,881	98,871	566,752
<b>Charge / (reversals)</b>							
Charge for the year		3,735,699	288,176	4,023,875	5,175,285	576,386	5,751,671
Reversals		(3,484,872)	(5,480)	(3,490,352)	(4,393,152)	(12,378)	(4,405,530)
		250,827	282,696	533,523	782,133	564,008	1,346,141
Transfers in - net		729,099	-	729,099	754,617	(31,968)	722,649
Amounts written off	10.5	(279,410)	-	(279,410)	(1,104,035)	-	(1,104,035)
Closing balance		44,819,065	2,098,363	46,917,428	44,497,945	1,893,743	46,391,688

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

**10.4.1** General provision represents provision amounting to Rs. 252.740 million (2013: Rs. 252.592 million) against consumer finance portfolio and Rs. 32.942 million (2013: Rs. 32.942 million) against advances to small enterprises as required by the Prudential Regulations issued by the SBP and Rs. 1,764.681 million (2013: Rs.1,560.209 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. General provisions also include an amount of Rs. 48.000 million (2013: Rs.48.000 million) which the Group carries as a matter of prudence given the current economic environment, and is based on management estimates.

**10.4.2** The Bank has availed the benefit of Forced Sale Value (FSV) of 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. 922.746 million (2013: Rs.1,354.730 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

### 10.4.3 Particulars of provision against advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	37,407,379	333,682	37,741,061	37,408,028	333,534	37,741,562
In foreign currencies	7,411,686	1,764,681	9,176,367	7,089,917	1,560,209	8,650,126
	<u>44,819,065</u>	<u>2,098,363</u>	<u>46,917,428</u>	<u>44,497,945</u>	<u>1,893,743</u>	<u>46,391,688</u>

	Note	2014	2013
		----- (Rupees in '000) -----	
<b>10.5 Particulars of write-offs</b>			
<b>10.5.1</b> Against provisions	10.4	279,410	1,104,035
Directly charged to profit and loss account		<u>177,222</u>	<u>181,724</u>
		<u>456,632</u>	<u>1,285,759</u>
<b>10.5.2</b> Write-offs of Rs.500,000 and above - Bank	10.6	309,943	1,124,571
Write-offs below Rs.500,000 - Bank		143,617	150,430
Write-offs in subsidiaries	10.6	<u>3,072</u>	<u>10,758</u>
		<u>456,632</u>	<u>1,285,759</u>

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written off loans or any other financial relief of five hundred thousand rupees or above allowed by the Bank during the year ended December 31, 2014 is given in Annexure 'B' to the unconsolidated financial statements. This includes amounts charged off without prejudice to the Bank's right to recovery.

Due to disclosure restrictions in the local regulations of foreign subsidiaries, the names of parties written off cannot be disclosed.

	Note	2014	2013
		----- (Rupees in '000) -----	
<b>10.7 Particulars of loans and advances to executives, Directors, associated companies etc.</b>			
Balance at the beginning of the year		5,290,187	14,243,364
Loans granted during the year		<u>15,471,710</u>	<u>10,787,395</u>
Repayments made during the year		<u>(6,419,746)</u>	<u>(21,895,721)</u>
		9,051,964	(11,108,326)
Transfer in		-	2,155,149
Balance at the end of the year		<u>14,342,151</u>	<u>5,290,187</u>

### 11. OPERATING FIXED ASSETS

Capital work-in-progress	11.1	3,013,899	1,950,378
Property and equipment	11.2	28,958,691	246,192,424
Intangible assets	11.3	<u>1,363,056</u>	<u>1,468,360</u>
		<u>33,335,646</u>	<u>28,037,980</u>
<b>11.1 Capital work-in-progress</b>			
Civil works	11.1.1	2,456,442	1,298,110
Equipment		454,957	354,703
Software		90,328	270,560
Advances to suppliers and contractors		<u>12,172</u>	<u>27,005</u>
		<u>3,013,899</u>	<u>1,950,378</u>

**11.1.1** This includes Rs.1,757.236 million (2013: Rs.1,223.088 million) in respect of construction of the Head Office building.



# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 11.2 Property and equipment

		2014											
Note	Cost / Revaluation					Accumulated Depreciation					Net book value at December 31, 2014	Annual rate of depreciation %	
	At January 1, 2014	Additions / (deletions)	Surplus on revaluation / (reversal of accumulated depreciation)	Exchange / Other adjustments	At December 31, 2014	At January 1, 2014	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	Exchange / Other adjustments	At December 31, 2014			
(Rupees in '000)													
<b>Owned</b>													
	Freehold land	3,041,776	-	2,020,466	-	5,062,242	-	-	-	-	5,062,242	-	
	Leasehold land	11,808,133	-	3,022,262 (291,672)	(72)	14,538,651	293,019	-	(291,672)	(62)	1,285	14,537,366	-
	Buildings on freehold land	3,752,791	-	498,828 (97,454)	(334,001)	3,820,164	437,507	64,580	(97,454)	(39,136)	365,497	3,454,667	2 - 5
	Buildings on leasehold land	2,211,598	80,100	(394,736) (540,188)	(89,678)	1,267,096	472,050	110,254	(540,188)	(39,504)	2,612	1,264,484	5 - 10
	Leasehold improvements	2,683,122	159,807 (8,270)	-	35,531 (43,292)	2,826,898	1,238,816	269,545 (6,557)	-	6,970	1,508,774	1,318,124	10 - 20
	Furniture and fixtures	1,411,505	115,508 (23,416)	-	(31,473)	1,472,124	884,517	118,276 (22,299)	-	(21,714)	958,780	513,344	10 - 25
	Electrical, office and computer equipment	7,492,405	862,924 (237,871)	-	(94,755)	8,022,703	5,516,318	915,059 (234,842)	-	(83,514)	6,113,021	1,909,682	10 - 67
	Vehicles	425,747	80,605 (35,079)	-	(5,517)	465,756	234,589	70,707 (27,346)	-	(3,460)	274,490	191,266	20 - 25
<b>Assets held under operating lease</b>													
11.8	Ijarah assets	1,368,900	385,836 (642,261)	-	(12,364)	1,100,111	501,643	194,212 (302,085)	-	-	393,770	706,341	20 - 33.33
<b>Assets held under finance lease</b>													
	Vehicles	2,727	-	-	-	2,727	1,003	549	-	-	1,552	1,175	20
	<b>Total</b>	<b>34,198,704</b>	<b>1,684,780 (946,897)</b>	<b>5,146,820 (929,314)</b>	<b>(532,329) (43,292)</b>	<b>38,578,472</b>	<b>9,579,462</b>	<b>1,743,182 (593,129)</b>	<b>(929,314)</b>	<b>(180,420)</b>	<b>9,619,781</b>	<b>28,958,691</b>	

		2013											
	Cost / Revaluation					Accumulated Depreciation					Net book value at December 31, 2013	Annual rate of depreciation %	
	At January 1, 2013	Additions / (deletions)	Surplus on revaluation / (reversal of accumulated depreciation)	Exchange / Other adjustments	At December 31, 2013	At January 1, 2013	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	Exchange / Other adjustments	At December 31, 2013			
(Rupees in '000)													
<b>Owned</b>													
	Freehold land	3,041,776	-	-	-	3,041,776	-	-	-	-	-	3,041,776	-
	Leasehold land	11,808,012	-	-	121	11,808,133	292,914	-	-	105	293,019	11,515,114	-
	Buildings on freehold land	3,345,019	87,246	-	320,526	3,752,791	357,592	69,381	-	10,534	437,507	3,315,284	2 - 5
	Buildings on leasehold land	2,201,905	-	-	9,693	2,211,598	354,980	113,105	-	3,965	472,050	1,739,548	5 - 10
	Leasehold improvements	2,244,484	398,929	-	39,709	2,683,122	977,897	234,190	-	26,729	1,238,816	1,444,306	10 - 20
	Furniture and fixtures	1,253,607	131,254 (3,011)	-	29,655	1,411,505	759,400	104,651 (2,766)	-	23,232	884,517	526,988	10 - 25
	Electrical, office and computer equipment	6,356,837	1,102,551 (45,841)	-	78,858	7,492,405	4,583,007	879,059 (44,497)	-	98,749	5,516,318	1,976,087	10 - 67
	Vehicles	403,837	49,647 (33,481)	-	5,744	425,747	198,492	63,178 (31,018)	-	3,937	234,589	191,158	20 - 25
<b>Assets held under operating lease</b>													
11.8	Ijarah assets	1,399,397	360,857 (394,956)	-	3,602	1,368,900	416,934	334,944 (250,235)	-	-	501,643	867,257	20 - 33.33
<b>Assets held under finance lease</b>													
	Vehicles	2,727	-	-	-	2,727	457	546	-	-	1,003	1,724	20
	<b>Total</b>	<b>32,057,601</b>	<b>2,130,484 (477,289)</b>	<b>-</b>	<b>487,908</b>	<b>34,198,704</b>	<b>7,941,673</b>	<b>1,799,054 (328,516)</b>	<b>-</b>	<b>167,251</b>	<b>9,579,462</b>	<b>24,619,242</b>	

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 11.3 Intangible assets

	2014				2013				Net book value at December 31, 2014	Annual rate of amortisation %
	Cost				Accumulated Amortization					
	At January 1, 2014	Additions / (deletions)	Exchange / other adjustments	At December 31, 2014	At January 1, 2014	Charge for the year / (reversal on deletion)	Exchange / other adjustments	At December 31, 2014	Net book value at December 31, 2014	Annual rate of amortisation %
	----- (Rupees in '000) -----									
Software	3,689,516	404,753 (1,376)	(53,385)	4,039,508	2,221,156	499,164 (1,376)	(42,492)	2,676,452	1,363,056	10 - 33.33
	----- (Rupees in '000) -----									
	2013				2013					
	At January 1, 2013	Additions / (deletions)	Exchange / other adjustments	At December 31, 2013	At January 1, 2013	Charge for the year / (reversal on deletion)	Exchange / other adjustments	At December 31, 2013	Net book value at December 31, 2013	Annual rate of amortisation %
	----- (Rupees in '000) -----									
Software	3,215,880	447,193 (8)	26,451 -	3,689,516	1,711,871	485,822 (8)	23,471 -	2,221,156	1,468,360	10 - 33.33

### 11.4 Revaluation of properties

During the year, the properties of the Bank were revalued by independent professional valuers. The revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited, M/s. Sadruddin Associates, M/s. Engineering Pakistan International (Private) Limited and M/s. Indus Surveyors (Private) Limited on the basis of professional assessment of present market values and resulted in an increase in surplus by Rs.5,146.820 million. The total surplus arising against the revaluation of fixed assets as at December 31, 2014 amounts to Rs. 20,271.107 million.

The properties of UNBL were revalued by independent professional valuers, RONA and Advance Surveyors Limited, as at December 31, 2012. The total surplus arising against the revaluation of fixed assets as at December 31, 2014 amounts to Rs. 1,398.454 million.

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

	2014	2013
	----- (Rupees in '000) -----	
Freehold land	782,581	782,581
Leasehold land	196,208	196,217
Buildings on freehold land	1,498,295	1,747,980
Buildings on leasehold land	267,266	204,724
<b>11.5 Carrying amount of temporarily idle properties of the Group</b>	<b>81,790</b>	<b>73,331</b>
<b>11.6 The cost of fully depreciated assets still in use</b>		
Furniture and fixtures	312,218	297,831
Electrical, office and computer equipment	3,444,539	3,054,574
Vehicles	84,030	72,448
	<b>3,840,787</b>	<b>3,424,853</b>

### 11.7 Details of disposals of operating fixed assets

The information relating to operating fixed assets disposed off during the year is given in Annexure 'C' and is an integral part of these consolidated financial statements.

### 11.8 The Islamic Banking branches of the Bank enter into Ijarah transactions with customers, mainly in respect of property, plant and equipment and vehicles.

The Ijarah payments receivable from customers for each of the following periods under the terms of the respective arrangements are given below:

	2014	2013
	----- (Rupees in '000) -----	
Not later than one year	439,460	440,815
Later than one year but not later than five years	371,303	617,905
Later than five years	-	-
	<b>810,763</b>	<b>1,058,720</b>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>12. OTHER ASSETS</b>			
Income / mark-up accrued in local currency		23,281,388	11,308,074
Income / mark-up accrued in foreign currency		4,063,444	3,492,924
		27,344,832	14,800,998
Advance taxation - net of provision for taxation	12.1	7,131,769	6,297,503
Receivable from staff retirement fund		88,862	60,977
Receivable on account of encashment of savings certificates		1,740	6,862
Receivable in respect of derivative transactions		18,033	18,033
Receivable from other banks against telegraphic transfers and demand drafts		1,073,198	2,300,968
Unrealized gain on forward foreign exchange contracts		1,391,923	2,795,731
Rebate receivable - net		1,968,361	1,070,602
Unrealized gain on derivative financial instruments	20.3.1 & 24.2	298,443	344,712
Advance against Murabaha		834,246	17,498
Advance against Ijarah assets		96,285	27,110
Suspense accounts		214,548	361,081
Stationery and stamps on hand		199,269	177,636
Non banking assets acquired in satisfaction of claims	12.2	2,006,279	2,063,329
Advances, deposits, advance rent and other prepayments		1,067,956	1,042,205
Others		1,857,755	2,000,870
		45,593,499	33,386,115
Provision held against other assets	12.3	(4,487,133)	(4,029,132)
Other assets - net of provision		41,106,366	29,356,983

**12.1** The Income Tax returns of the Bank have been filed up to the tax year 2014 (accounting year ended December 31, 2013) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2014, and created additional tax demands of Rs.11,559 million (including disallowances of provisions made prior to Seventh Schedule), 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.

Under the Seventh Schedule to the Ordinance, banks are allowed to claim provisions against advances up to 5% of total advances for consumer and small and medium enterprises and up to 1% of total advances for remaining advances. Amounts above these limits are allowed to be claimed in future years. The Bank has booked a deferred tax asset of Rs.1,350 million (December 31, 2013: Rs.2,365 million) in respect of provisions in excess of the above mentioned limits.

The tax returns for Azad Kashmir (AK) Branches have been filed upto the tax year 2013 (financial year 2012) 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 Exercise Duty, Sales tax and withholding taxes covering period from year ended 2007 to 2013. Consequently various addbacks and demands were raised creating a total demand of Rs. 994 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 overseas branches have been filed upto the year ended December 31, 2013 under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

For all the subsidiaries income tax returns have been filed up to the accounting year ended December 31, 2013 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 UBL UK till the accounting year 2012 and for UBL (Switzerland) AG and UBL (Tanzania) Bank Limited till the accounting year 2013. There are no material tax contingencies in any of the subsidiaries.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

12.2 The market value of non banking assets acquired in satisfaction of claims is Rs.1,921.625 million (2013: Rs.1,992.818 million).

	Note	2014 ----- (Rupees in '000) -----	2013
<b>12.3 Provision against other assets</b>			
Opening balance		4,029,132	3,645,930
Exchange adjustments		(107,308)	157,437
<b>Charge / (reversals)</b>			
Charge for the year		85,364	49,947
Reversals		-	(23,737)
	30	85,364	26,210
Transfers in - net		727,291	975,001
Amounts written off		(247,346)	(775,446)
Closing balance		<u>4,487,133</u>	<u>4,029,132</u>

### 13. CONTINGENT ASSETS

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

	Note	2014 ----- (Rupees in '000) -----	2013
<b>14. BILLS PAYABLE</b>			
In Pakistan		9,143,228	16,167,273
Outside Pakistan		416,027	433,418
		<u>9,559,255</u>	<u>16,600,691</u>

### 15. BORROWINGS

In Pakistan	46,988,661	33,550,063
Outside Pakistan	6,259,865	7,527,667
	<u>53,248,526</u>	<u>41,077,730</u>

#### 15.1 Particulars of borrowings

In local currency	42,323,980	29,920,125
In foreign currencies	10,924,546	11,157,605
	<u>53,248,526</u>	<u>41,077,730</u>

#### 15.2 Details of borrowings

##### Secured

Borrowings from the State Bank of Pakistan under:

Export refinance scheme	15.3	14,267,463	10,835,330
Refinance facility for modernization of SMEs	15.4	33,591	40,795
Long term financing facility	15.5	6,461,411	5,950,207
Long term financing under export oriented projects	15.6	173,925	423,958
		20,936,390	17,250,290
Repurchase agreement borrowings	15.7	21,269,642	12,042,846
		<u>42,206,032</u>	<u>29,293,136</u>

##### Unsecured

Call borrowings	15.8	4,217,499	5,033,830
Overdrawn nostro accounts		303,142	399,584
Trading liabilities		102,539	-
Other borrowings	15.9	6,419,314	6,351,180
		<u>11,042,494</u>	<u>11,784,594</u>
		<u>53,248,526</u>	<u>41,077,730</u>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

- 15.3** The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within six months, latest by June 2015. These carry mark-up at a rate of 6.50% per annum (2013: 8.40% per annum).
- 15.4** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings are repayable within a period ranging from 3 years to 10 years, latest by October 2019 and carry mark-up at a rate of 6.25% per annum (2013: 6.25% per annum).
- 15.5** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years, latest by December 2024. These carry mark-up at rates ranging from 6.00% to 10.10% per annum (2013: 6.50% to 10.10% per annum).
- 15.6** These borrowings have been obtained from the SBP for providing financing facilities for import of machinery, plant, equipment and accessories thereof by export oriented units. These carry mark-up at a rate ranging from 5.00% to 6.00% per annum (2013: 5.00% per annum) and are repayable latest by July 2016.
- 15.7** These repurchase agreement borrowings are secured against Market Treasury Bills and carry mark-up at rates ranging from 9.50% to 9.60% per annum (2013: 9.95% to 10.00% per annum). These borrowings are repayable latest by January 2015. The carrying value of securities given as collateral against these borrowings is given in note 9.1.
- 15.8** These are unsecured borrowings carrying mark-up at rates ranging from 0.25% to 0.70% per annum (2013: 0.19% to 10.00% per annum), and are repayable latest by March 2015.
- 15.9** These borrowings carry mark-up at rates ranging from 1.00% to 14.00% per annum (2013: 0.5% to 10.44% per annum), and are repayable latest by March 2016.

**2014**                      **2013**  
----- (Rupees in '000) -----

## 16. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	263,464,259	280,279,656
Savings deposits	316,531,583	280,813,671
Sundry deposits	7,427,172	7,083,484
Margin deposits	6,748,723	5,601,107
Current accounts - remunerative	10,326,552	10,709,116
Current accounts - non-remunerative	325,630,714	287,401,892
	930,129,003	871,888,926

### Financial Institutions

Remunerative deposits	15,949,527	11,636,629
Non-remunerative deposits	5,823,766	6,000,048
	21,773,293	17,636,677
	951,902,296	889,525,603

### 16.1 Particulars of deposits and other accounts

In local currency	653,884,988	578,764,705
In foreign currencies	298,017,308	310,760,898
	951,902,296	889,525,603

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 17. SUBORDINATED LOANS - UNSECURED

	Issue date	Tenor	Rate % per annum	Maturity	Frequency of principal redemption	2014	2013
						----- (Rupees in '000) -----	
Term Finance Certificates - III	September 2006	8 years	6 months KIBOR+1.70%	September 2014	Semi Annual	-	665,328

### 18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into for the lease of vehicles. At the end of the lease period, the ownership of the leased assets shall be transferred to the Group on payment of the residual values of the leased assets. The cost of operating and maintaining the leased assets is borne by the Group. The liabilities are secured by demand promissory notes, security deposits, and the vehicles which have been obtained under these leasing arrangements. The rate used for discounting future lease payments is 13.47% per annum (2013: 12.69% per annum). The amount of future minimum lease payments, and the periods during which they become due are as follows:

	2014		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	430	(1)	429
Later than one year and not later than five years	-	-	-
	<u>430</u>	<u>(1)</u>	<u>429</u>
	2013		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----		
Not later than one year	977	(82)	895
Later than one year and not later than five years	433	(3)	430
	<u>1,410</u>	<u>(85)</u>	<u>1,325</u>

As at December 31, 2014 the present value of minimum lease payments is Rs. 0.429 million (2013: Rs. 1.325 million).

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>19. DEFERRED TAX LIABILITY - NET</b>			
Deferred tax liability - net	19.1	<u>2,139,586</u>	<u>1,395,138</u>

### 19.1 Movement in temporary differences during the year

	2014			
	At January 1, 2014	Recognised in profit and loss account	Others	At December 31, 2014
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Tax losses recognized by subsidiary	25,613	(389)	(3,351)	21,873
- Workers' Welfare Fund	174,912	60,640	-	235,552
- Cash flow hedge reserve	1,738	-	(1,738)	-
- Provision against off-balance sheet items, post retirement employee benefits and advances	5,539,396	(626,292)	19,580	4,932,684
	<u>5,741,659</u>	<u>(566,041)</u>	<u>14,491</u>	<u>5,190,109</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,368,761)	36,540	4,494,919	(837,302)
- Surplus on revaluation of investments	(1,164,912)	-	(4,883,986)	(6,048,898)
- Ijarah financing	(14,371)	14,371	-	-
- Accelerated tax depreciation	(588,753)	145,258	-	(443,495)
	<u>(7,136,797)</u>	<u>196,169</u>	<u>(389,067)</u>	<u>(7,329,695)</u>
	<u>(1,395,138)</u>	<u>(369,872)</u>	<u>(374,576)</u>	<u>(2,139,586)</u>
	2013			
	At January 1, 2013	Recognised in profit and loss account	Others	At December 31, 2013
	----- (Rupees in '000) -----			
Deductible temporary differences on				
- Tax losses recognized by subsidiary	-	24,279	1,334	25,613
- Workers' Welfare Fund	185,888	(10,976)	-	174,912
- Cash flow hedge reserve	11,306	-	(9,568)	1,738
- Provision against off-balance sheet items, post retirement employee benefits and advances	6,348,992	(884,077)	74,481	5,539,396
	<u>6,546,186</u>	<u>(870,774)</u>	<u>66,247</u>	<u>5,741,659</u>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(5,070,497)	36,130	(334,394)	(5,368,761)
- Surplus on revaluation of investments	(1,764,610)	-	599,698	(1,164,912)
- Ijarah financing	(14,371)	-	-	(14,371)
- Accelerated tax depreciation	(553,193)	(35,560)	-	(588,753)
	<u>(7,402,671)</u>	<u>570</u>	<u>265,304</u>	<u>(7,136,797)</u>
	<u>(856,485)</u>	<u>(870,204)</u>	<u>331,551</u>	<u>(1,395,138)</u>

**19.2** The Bank had recognised deferred tax liability on surplus arising on revaluation of land based on the view that gain arising on ultimate sale of land will be taxable event. During the current year, based on the professional legal advice, management has concluded that sale of land by the Bank will not attract tax consequence under the local laws. Accordingly, the related deferred tax liability has been reversed.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

Note  
2014  
2013  
----- (Rupees in '000) -----

## 20. OTHER LIABILITIES

Mark-up / return / interest payable in local currency		11,348,084	10,377,497
Mark-up / return / interest payable in foreign currency		739,216	907,778
		12,087,300	11,285,275
Accrued expenses		4,891,927	3,375,807
Branch adjustment account		839,091	629,933
Payable against purchase of securities		-	119,827
Payable under severance scheme		32,563	32,563
Deferred income		578,900	625,532
Unearned commission and income on bills discounted		538,136	260,258
Provision against off - balance sheet obligations	20.1	658,655	630,024
Unrealized loss on forward foreign exchange contracts		2,788,606	1,875,902
Payable to staff retirement funds		155,908	258,534
Deferred liabilities	20.2	3,001,863	2,717,387
Unrealized loss on derivative financial instruments	20.3.1 & 24.2	104,259	150,602
Workers' Welfare Fund payable		673,005	503,176
Insurance payable against consumer assets		160,274	103,700
Dividend payable		566,787	89,404
Others		1,021,136	435,830
		<u>28,098,410</u>	<u>23,093,754</u>

### 20.1 Provision against off - balance sheet obligations

Opening balance		630,024	630,717
Exchange adjustments		(1,577)	1,386
Charge during the year	30	35,708	-
Transfer out - net		(5,500)	(2,079)
		<u>658,655</u>	<u>630,024</u>

### 20.2 Deferred liabilities

Provision for post retirement medical benefits	37.1.4	1,084,100	930,955
Provision for compensated absences		1,362,050	1,275,654
Deferred liability for outsourced services		154,754	110,690
Deferred liability - overseas		400,959	400,088
		<u>3,001,863</u>	<u>2,717,387</u>

### 20.3 Unrealized gain/ (loss) on derivative financial instruments - net

	Note	Contract / Notional amount		Unrealized gain - net	
		2014	2013	2014	2013
----- (Rupees in '000) -----					
- Interest rate swaps		4,511,816	5,723,576	82,668	88,555
- Cross currency swaps		5,934,000	10,550,240	104,566	105,555
- FX options		380,086	-	-	-
- Forward purchase contracts of government securities		1,329,394	-	15,680	-
- Forward sale contracts of government securities		906,201	-	(8,730)	-
	20.3.1	<u>13,061,497</u>	<u>16,273,816</u>	<u>194,184</u>	<u>194,110</u>



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>20.3.1 Unrealized gain / (loss) on derivative financial instruments - net</b>			
Unrealized gain on derivative financial instruments	12	298,443	344,712
Unrealized loss on derivative financial instruments	20	(104,259)	(150,602)
Unrealized gain - net	24.2	<u>194,184</u>	<u>194,110</u>

## 21. SHARE CAPITAL

### 21.1 Authorized Capital

2014	2013		2014	2013
----- Number of shares -----			----- (Rupees in '000) -----	
<u>2,000,000,000</u>	<u>2,000,000,000</u>	Ordinary shares of Rs.10 each	<u>20,000,000</u>	<u>20,000,000</u>

### 21.2 Issued, subscribed and paid-up capital

2014	2013		2014	2013
----- Number of shares -----			----- (Rupees in '000) -----	
		<b>Fully paid-up ordinary shares of Rs.10 each</b>		
518,000,000	518,000,000	Issued for cash	5,180,000	5,180,000
706,179,687	706,179,687	Issued as bonus shares	7,061,798	7,061,798
<u>1,224,179,687</u>	<u>1,224,179,687</u>		<u>12,241,798</u>	<u>12,241,798</u>

**21.3** In 2007, the Bank was admitted to the official list of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depository Receipts (GDRs), each representing four ordinary shares issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.

Holders of GDRs are entitled, subject to the provisions of the depository agreement, to receive dividends, if any, and rank pari passu with other equity shareholders in respect of such entitlement. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the ordinary shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited ordinary shares in respect of which the GDRs were issued may be withdrawn by the GDR holders from the depository facility. Upon withdrawal, the holders will rank pari passu with other ordinary shareholders in respect of voting powers. As at December 31, 2014, 485,237 (2013: 32,060,348) GDRs, representing 1,940,950 (2013: 128,241,394) shares were in issue.

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

Name of shareholders	2014		2013	
	Number of shares held	Percentage of shareholding	Number of shares held	Percentage of shareholding
Bestway (Holdings) Limited	631,728,895	51.60%	467,611,120	38.20%
State Bank of Pakistan	-	-	238,567,381	19.49%
Bestway Cement Limited	93,649,744	7.65%	93,649,744	7.65%
Sir Mohammed Anwar Pervez, OBE, HPk	12,442,568	1.02%	62,433,163	5.10%

As at December 31, 2014, Bestway Group (Bestway) held 61.44 % (2013: 61.38%) shareholding (including GDRs) of the Bank.

### 21.5 Shares of the Bank held by its associates

	2014	2013
	----- (Number of shares) -----	
UBL Asset Allocation Fund	102,500	-
UBL Stock Advantage Fund	<u>1,984,100</u>	<u>616,000</u>
	<u>2,086,600</u>	<u>616,000</u>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>22. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>			
Surplus / (deficit) arising on revaluation of assets - net of tax			
Fixed assets			
- Group's share		20,267,486	10,808,168
- Non-controlling interest		469,621	503,291
	22.1	20,737,107	11,311,459
Securities			
- Group's share		10,637,250	1,517,922
- Non-controlling interest		(487,984)	(528,133)
	22.2	10,149,266	989,789
Surplus / (deficit) arising on revaluation of assets of associates		29,447	(15,464)
		<u>30,915,820</u>	<u>12,285,784</u>
<b>22.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 1		16,680,220	16,581,261
Revaluation of fixed assets during the year		5,146,820	-
Exchange adjustments		(147,203)	204,856
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(68,888)	(69,767)
Related deferred tax liability on incremental depreciation charged during the year	19.1	(36,540)	(36,130)
		4,894,189	98,959
		<u>21,574,409</u>	<u>16,680,220</u>
Less: Related deferred tax liability on			
Revaluation as on January 1		5,368,761	5,070,497
Revaluation of fixed assets during the year		36,432	-
Reversal of deferred tax on revaluation of land	19.2	(4,457,315)	-
(Reversal) / recognition of deferred tax		(40,131)	334,075
Exchange adjustments		(33,905)	319
Incremental depreciation charged on related assets	19.1	(36,540)	(36,130)
		837,302	5,368,761
		<u>20,737,107</u>	<u>11,311,459</u>
<b>22.2 Surplus / (deficit) on revaluation of available for sale securities</b>			
Market Treasury Bills		21,906	(147,850)
Pakistan Investment Bonds		10,550,575	(402,073)
Listed shares		5,160,208	2,767,281
Term Finance Certificates, Sukuks, other bonds etc.		(74,792)	75,680
Foreign bonds		540,267	(138,337)
		16,198,164	2,154,701
Related deferred tax liability	19.1	(6,048,898)	(1,164,912)
		<u>10,149,266</u>	<u>989,789</u>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>23. CONTINGENCIES AND COMMITMENTS</b>			
<b>23.1 Direct credit substitutes</b>			
Contingent liabilities in respect of guarantees given favouring			
Government		4,113,804	3,796,673
Banking companies and other financial institutions		3,315,085	3,078,030
Others		3,675,754	3,912,366
		<u>11,104,643</u>	<u>10,787,069</u>
<b>23.2 Transaction-related contingent liabilities</b>			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
Government		83,496,420	81,454,308
Banking companies and other financial institutions		4,306,447	5,364,806
Others		40,579,368	32,724,186
		<u>128,382,235</u>	<u>119,543,300</u>
<b>23.3 Trade-related contingent liabilities</b>			
Contingent liabilities in respect of letters of credit opened favouring			
Government		51,053,073	38,995,105
Banking companies and other financial institutions		5,433,924	10,120,833
Others		88,340,199	129,878,651
		<u>144,827,196</u>	<u>178,994,589</u>
<b>23.4 Other contingencies</b>			
Claims against the Group not acknowledged as debts	23.4.1	<u>10,935,953</u>	<u>12,471,155</u>
Contingency in respect of Workers' Welfare Fund (WWF)	23.4.2	<u>305,997</u>	<u>305,997</u>
<b>23.4.1</b> 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).			
<b>23.4.2</b> WWF provision of Rs. 305.997 million relating to funds from the date of application till 29 May 2013 is to be borne by UBL Fund Manager (Subsidiary Company) if such amount is required to be paid to the Government authorities. Management based on opinion of its lawyers is expecting a favorable outcome of the petition filed against chargeability of WWF over its funds.			
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 financial statements.			
<b>23.4.3</b> 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, 2014 in the High Court of Sind. A favorable outcome of this petition is expected.			
<b>23.4.4</b> UBL Fund Manager being the management company of UBL Principal Protected Fund II and UBL Principal Protected Fund III has guaranteed the GAP risk through Government guarantee agreement signed with trustee of the funds whereby It would be liable to provide Gap risk coverage of the initial fund size up to a maximum of 5% of the total subscription amount. Further they have also guaranteed the Gap risk on the investment advisory agreement signed with clients whereby they are liable to provide Gap risk coverage up to a maximum of 5% of the initial portfolio invested. The GAP risk will be revoked upon maturity of current terms of these mandates.			

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## 23.5 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.

	2014	2013
	----- (Rupees in '000) -----	
<b>23.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	<u>204,579,868</u>	<u>238,732,897</u>
Sale	<u>169,150,871</u>	<u>202,902,937</u>
<b>23.7 Commitments in respect of derivatives</b>		
Interest rate swaps	<u>4,511,816</u>	<u>5,723,576</u>
Cross currency swaps	<u>5,934,000</u>	<u>10,550,240</u>
FX options - purchased	<u>190,043</u>	<u>-</u>
FX options - sold	<u>190,043</u>	<u>-</u>
Forward Purchase of Government Securities	<u>1,329,394</u>	<u>-</u>
Forward sale of government securities	<u>906,201</u>	<u>-</u>
<b>23.8 Commitments in respect of capital expenditure</b>	<u>1,874,447</u>	<u>1,699,696</u>
<b>23.9</b> For contingencies relating to taxation refer note 12.1		

## 24. DERIVATIVE INSTRUMENTS

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

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

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

With regard to derivatives, the MRC is authorized to:

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

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

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## Derivatives risk management

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

### Credit risk

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

### Market risk

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

### Liquidity risk

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

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

### Operational risk

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

The Group uses a derivatives system which provides an end-to-end valuation solution, supports the routine transactional process and provides analytical tools to measure various risk exposures, carry out stress tests and sensitivity analysis.

TMO produces various reports on a periodic basis which are reviewed by senior management. These reports provide details of the derivatives business profile such as outstanding positions, profitability, risk exposures and the status of compliance with limits.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 24.1 Product analysis

		2014															
		Interest rate swaps			Cross currency swaps			FX options			Forward purchase contracts of government securities			Forward sale contracts of government securities			Total
Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Notional principal (Rupees in '000)	
<b>With Banks for Hedging</b>	3	1,841,533	1	5,934,000	36	190,043	-	-	-	-	-	-	-	-	-	7,965,576	
<b>Market making</b>	1	167,472	-	-	-	-	8	1,329,394	4	906,201	4	906,201	4	906,201	4	2,403,067	
	4	2,009,005	1	5,934,000	36	190,043	8	1,329,394	4	906,201	4	906,201	4	906,201	4	10,368,643	
<b>With other entities</b>	4	2,502,811	-	-	36	190,043	-	-	-	-	-	-	-	-	-	2,692,854	
<b>Total</b>	3	1,841,533	1	5,934,000	36	190,043	-	-	-	-	-	-	-	-	-	7,965,576	
	5	2,670,283	-	-	36	190,043	8	1,329,394	4	906,201	4	906,201	4	906,201	4	5,095,921	
	8	4,511,816	1	5,934,000	72	380,086	8	1,329,394	4	906,201	4	906,201	4	906,201	4	13,061,497	
		2013															
		Interest rate swaps			Cross currency swaps			FX options			Forward purchase contracts of government securities			Forward sale contracts of government securities			Total
Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Notional principal (Rupees in '000)	
<b>With Banks for Hedging</b>	3	2,331,163	-	-	-	-	-	-	-	-	-	-	-	-	-	2,331,163	
<b>Market making</b>	1	245,757	3	10,447,400	-	-	-	-	-	-	-	-	-	-	-	10,693,157	
	4	2,576,920	3	10,447,400	-	-	-	-	-	-	-	-	-	-	-	13,024,320	
<b>With other entities</b>	4	3,146,656	1	102,840	-	-	-	-	-	-	-	-	-	-	-	3,249,496	
<b>Total</b>	3	2,331,163	-	-	-	-	-	-	-	-	-	-	-	-	-	2,331,163	
	5	3,392,413	4	10,550,240	-	-	-	-	-	-	-	-	-	-	-	13,942,653	
	8	5,723,576	4	10,550,240	-	-	-	-	-	-	-	-	-	-	-	16,273,816	

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## 24.2 Maturity analysis of derivatives

Remaining maturity	2014				
	Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
----- (Rupees in '000) -----					
Upto 1 month	20	2,247,366	(8,730)	15,680	6,950
1 to 3 months	29	6,104,703	-	104,566	104,566
3 to 6 months	36	197,612	-	-	-
6 months to 1 year	-	-	-	-	-
1 to 2 years	-	-	-	-	-
2 to 3 years	2	334,944	(4,741)	4,918	177
3 to 5 years	6	4,176,872	(90,788)	173,279	82,491
5 to 10 years	-	-	-	-	-
Above 10 years	-	-	-	-	-
	<u>93</u>	<u>13,061,497</u>	<u>(104,259)</u>	<u>298,443</u>	<u>194,184</u>

Remaining maturity	2013				
	Number of contracts	Notional principal	Unrealized		
			(Loss)	Gain	Net
----- (Rupees in '000) -----					
Upto 1 month	-	-	-	-	-
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 year	2	4,333,400	-	143,304	143,304
1 to 2 years	2	6,216,840	(37,749)	-	(37,749)
2 to 3 years	-	-	-	-	-
3 to 5 years	6	3,250,765	(64,419)	145,743	81,324
5 to 10 years	2	2,472,811	(48,434)	55,665	7,231
Above 10 years	-	-	-	-	-
	<u>12</u>	<u>16,273,816</u>	<u>(150,602)</u>	<u>344,712</u>	<u>194,110</u>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	2014	2013
	----- (Rupees in '000) -----	
<b>25. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	37,157,993	34,426,814
On lendings to financial institutions		
Call money lending	51,690	8,087
Securities purchased under resale agreements	1,095,472	416,220
Other lendings to financial institutions	647,920	593,503
	1,795,082	1,017,810
On investments in		
Held for trading securities	1,598,121	554,103
Available for sale securities	28,102,249	27,203,541
Held to maturity securities	16,990,543	12,420,776
	46,690,913	40,178,420
On deposits with financial institutions	116,658	86,126
	85,760,646	75,709,170
<b>26. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	33,952,976	29,623,050
On securities sold under repurchase agreements	2,166,383	3,357,395
On other short term borrowings	2,178,245	2,227,315
On long term borrowings	549,264	992,047
	38,846,868	36,199,807
<b>27. GAIN ON SALE OF SECURITIES - NET</b>		
<b>Federal Government Securities</b>		
Market Treasury Bills	22,396	151,918
Pakistan Investment Bonds	213,484	561,549
	235,880	713,467
<b>Ordinary shares of listed companies</b>	979,888	976,700
<b>Other securities</b>	847,668	1,335,963
	2,063,436	3,026,130



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>28. OTHER INCOME</b>			
Charges recovered		603,765	549,571
Grant income		-	123,109
Rent on properties		193,474	177,061
Income from dealing in derivatives		531,470	211,115
Gain on sale of operating fixed assets - net		43,719	25,171
(Loss) / gain on trading liabilities - net		(6,607)	41,371
		<u>1,365,821</u>	<u>1,127,398</u>
<b>29. ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances etc.	29.1	11,194,109	10,533,310
Charge for compensated absences		428,567	547,017
Medical expenses		505,852	481,071
Contribution to defined contribution plan		296,349	271,324
Charge in respect of defined benefit obligations		364,119	164,540
Rent, taxes, insurance, electricity etc.		4,090,503	3,733,828
Depreciation	11.2	1,743,182	1,799,054
Amortization	11.3	499,164	485,822
Outsourced service charges including sales commission		3,951,697	3,119,644
Communications		1,196,512	1,100,014
Banking service charges		1,044,251	926,545
Cash transportation charges		523,530	447,522
Stationery and printing		604,289	566,078
Legal and professional charges		282,072	383,906
Advertisement and publicity		1,043,360	703,528
Repairs and maintenance		1,726,557	1,314,280
Travelling		297,071	257,667
Office running expense		554,409	496,359
Vehicle expense		226,690	190,044
Entertainment		189,618	181,370
Cartage, freight and conveyance		94,325	96,626
Insurance expense		108,329	161,497
Auditors' remuneration	29.2	73,622	81,554
Training and seminars		103,282	96,655
Brokerage expenses		40,157	44,557
Subscriptions		134,409	107,996
Donations	29.3	111,705	77,237
Non-executive Directors' fees		39,926	33,915
Zakat paid by overseas branch		89,508	98,257
Miscellaneous expenses		194,924	69,352
		<u>31,752,088</u>	<u>28,570,569</u>

**29.1** This includes accrual of employee benefits in the form of awards / bonus to all permanent staff including the Chief Executive Officer and is determined on the basis of employees' evaluation and the Group's performance during the year. The aggregate benefit determined in respect of all permanent staff amounted to Rs. 1,404.311 million (2013: Rs.1,174.609 million).

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 29.2 Auditors' remuneration

	2014			Total
	KPMG Taseer Hadi & Co.	A.F. Ferguson & Co.	Overseas Auditors	
	----- (Rupees in '000) -----			
Audit fee - Bank	6,778	6,778	24,829	38,385
Audit fee - subsidiaries	-	525	23,044	23,569
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	3,675	-	5,348	9,023
Out of pocket expenses	2,099	220	76	2,395
	<u>12,802</u>	<u>7,523</u>	<u>53,297</u>	<u>73,622</u>
	----- (Rupees in '000) -----			
	2013			
	KPMG Taseer Hadi & Co.	BDO Ebrahim & Co.	Overseas Auditors	Total
	----- (Rupees in '000) -----			
Audit fee - Bank	6,455	6,455	34,011	46,921
Audit fee - subsidiaries	-	425	23,425	23,850
Audit fee - EPZ branch	250	-	-	250
Fee for other certifications	-	2,848	5,278	8,126
Out of pocket expenses	408	1,602	397	2,407
	<u>7,113</u>	<u>11,330</u>	<u>63,111</u>	<u>81,554</u>

### 29.3 Details of donations

	2014	2013
	----- (Rupees in '000) -----	
<b>Donations individually exceeding Rs.0.1 million</b>		
Forman Christian College	35,000	10,000
Institute of Business Administration	20,000	100
Gulab Devi Chest Hospital	10,000	10,000
Karachi Education Initiative	10,000	-
Chief Minister's Relief Fund for IDPs of North Waziristan	10,000	-
Indus Earth Trust	5,036	-
Shalamar Hospital	5,000	5,000
Army Relief Fund for IDPs	5,000	-
Hisaar Foundation	2,500	2,290
Tameer School Project	2,500	-
The Citizens Foundation	2,150	12,545
Marie Adelaide Leprosy Centre	1,050	850
Aga Khan Hospital and Medical College	1,000	-
Al-Mehrab Tibbi Imdad	1,000	1,000
Family Welfare Maternity & General Hospital	500	-
Naqsh School of Arts	300	-
The Kidney Center Post Graduate Training Institute	200	200
Lahore University of Management Sciences	-	20,000
The Sir Syed Memorial Society	-	5,000
Friends of Burns Centre	-	2,600
Sukkur Institute of Business Administration	-	1,560
Developments in Literacy	-	1,000
Government College University, Lahore	-	1,000
Abdul Sattar Edhi Foundation	-	700
Bazm-e-Kiran	-	600
Buksh Foundation	-	540
Burhani Medical Welfare Association	-	540
SOS Children's Villages of Pakistan	-	450
Shaukat Khanum Memorial Trust	-	200
Karwan-e-Hayat	-	150
Rotary Club of Karachi Continental, Pakistan	-	120
<b>Donations individually not exceeding Rs.0.1 million</b>	<u>469</u>	<u>792</u>
	<u>111,705</u>	<u>77,237</u>

29.3.1 The President is a Director on the Board of the Karachi Education Initiative.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	Note	2014 ----- (Rupees in '000) -----	2013
<b>30. OTHER PROVISIONS - Net</b>			
Provision against other assets - net	12.3	85,364	26,210
Provision against off - balance sheet obligations	20.1	35,708	-
Impairment loss on non-banking assets acquired in satisfaction of claims		-	180,489
Other provisions		143,010	122,465
Provision / (reversal) against Ijarah Assets - Specific		12,229	(4,184)
Provision against Ijarah Assets - General		135	582
		<u>276,446</u>	<u>325,562</u>
<b>31. WORKERS' WELFARE FUND</b>			
Under the Workers' Welfare Ordinance, 1971, certain entities of the Group are liable to pay Workers' Welfare Fund @ 2% of profit before tax as per the financial statements or declared income as per the income tax return, whichever is higher.			
		<b>2014</b>	<b>2013</b>
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
<b>32. OTHER CHARGES</b>			
Penalties imposed by the SBP		10,286	247,411
Other penalties		141	1,966
		<u>10,427</u>	<u>249,377</u>
<b>33. TAXATION</b>			
		<b>2014</b>	
		----- (Rupees in '000) -----	
		<b>Domestic</b>	<b>Azad Kashmir</b>
		<b>Overseas</b>	<b>Total</b>
Current		8,889,708	121,976
Prior years		5,537	-
Deferred		734,548	(3,175)
		<u>9,629,793</u>	<u>118,801</u>
		<u>1,842,917</u>	<u>369,872</u>
		<u>10,859,677</u>	<u>361,962</u>
		<u>11,591,511</u>	<u>11,591,511</u>
		<b>2013</b>	
		----- (Rupees in '000) -----	
		<b>Domestic</b>	<b>Azad Kashmir</b>
		<b>Overseas</b>	<b>Total</b>
Current		6,448,627	91,301
Prior years		285	-
Deferred		919,857	672
		<u>7,368,769</u>	<u>91,973</u>
		<u>1,773,665</u>	<u>61,892</u>
		<u>8,302,311</u>	<u>870,204</u>
		<u>9,234,407</u>	<u>9,234,407</u>
<b>33.1 Relationship between tax expense and accounting profit</b>			
Accounting profit for the year		<u>35,616,314</u>	<u>28,965,178</u>
Tax on income @ 35% (2013: 35%)		12,465,710	10,137,812
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates (permanent differences)		(860,496)	(971,208)
Tax - prior years (net of deferred tax)		57,856	61,892
Others		(71,559)	5,911
Tax charge		<u>11,591,511</u>	<u>9,234,407</u>
<b>34. EARNINGS PER SHARE</b>			
Profit after tax attributable to equity shareholders of the Bank		<u>23,647,704</u>	<u>19,285,513</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>19.32</u>	<u>15.75</u>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

**34.1** Diluted earnings per share has not been presented separately as the Group does not have any convertible instruments in issue at December 31, 2014 or 2013.

	Note	2014 ----- (Rupees in '000) -----	2013
<b>35. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	6	75,660,306	89,591,601
Balances with other banks	7	21,948,274	32,658,606
		<u>97,608,580</u>	<u>122,250,207</u>

		----- (Number) -----	
<b>36. STAFF STRENGTH</b>			
Permanent		9,411	9,262
On contract		55	55
Group's own staff strength		<u>9,466</u>	<u>9,317</u>
Outsourced		4,305	4,291
Total		<u>13,771</u>	<u>13,608</u>

## 37. DEFINED BENEFIT PLANS

### 37.1 The Bank

#### 37.1.1 General description

The Bank operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for new employees and for those employees who have not opted for the pension scheme. The Bank also operates a contributory benevolent fund scheme and provides post retirement medical benefits to eligible retired employees. The benevolent fund scheme and the post-retirement medical scheme cover all regular employees of the Bank who joined the Bank pre-privatization. The liabilities of the Bank in respect of these schemes are determined based on actuarial valuations carried out using the Projected Unit Credit Method. Actuarial valuations of the defined benefit schemes are carried out every year and the latest valuation was carried out as at December 31, 2014.

#### 37.1.2 Number of Employees under the scheme

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

	2014 ----- (Number) -----	2013
- Pension fund	6,957	6,326
- Gratuity fund	7,020	6,733
- Benevolent fund	5,347	5,709
- Post retirement medical benefit scheme	7,526	7,729

The pension fund, benevolent fund and post retirement medical benefit schemes include 5,316 (2013: 4,484), 2,508 (2013: 2,446) and 4,957 (2013: 4,766) members respectively who have retired or whose widows are receiving the benefits.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 37.1.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2014 using the following significant assumptions:

	2014	2013
	----- Per annum -----	
Discount rate / expected rate of return on plan assets	10.50%	12.75%
Expected rate of salary increase	8.50%	10.75%
Expected rate of increase in pension	2.75%	5.00%
Expected rate of increase in medical benefit	5.50%	5.00%

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

Note	2014				2013			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
	----- (Rupees in '000) -----							
Present value of obligations	3,049,641	605,383	454,377	1,084,100	3,245,250	588,580	375,149	930,955
Fair value of plan assets	(2,971,469)	(630,905)	(876,741)	-	(3,304,214)	(436,139)	(856,535)	-
Payable / (receivable)	<u>78,172</u>	<u>(25,522)</u>	<u>(422,364)</u>	<u>1,084,100</u>	<u>(58,964)</u>	<u>152,441</u>	<u>(481,386)</u>	<u>930,955</u>

### 37.1.5 Movement in defined benefit obligations

Obligations at the beginning of the year		3,245,250	588,580	375,149	930,955	3,537,429	523,053	409,721	943,927
Current service cost		9,913	80,586	4,998	4,777	10,223	67,263	5,903	5,155
Interest cost		142,037	74,505	42,307	118,992	145,402	62,159	43,743	113,581
Benefits paid by the Bank		(703,654)	(120,942)	(92,712)	(129,102)	(604,437)	(118,176)	(82,787)	(102,704)
Return allocated to other funds	37.1.8.2	239,168	-	-	-	231,326	-	-	-
Re-measurement loss / (gain)		116,927	(17,346)	124,635	158,478	(74,693)	54,281	(1,431)	(29,004)
Obligations at the end of the year		<u>3,049,641</u>	<u>605,383</u>	<u>454,377</u>	<u>1,084,100</u>	<u>3,245,250</u>	<u>588,580</u>	<u>375,149</u>	<u>930,955</u>

### 37.1.6 Movement in fair value of plan assets

Fair value at the beginning of the year		3,304,214	436,139	856,535	-	5,137,979	409,974	836,962	-
Interest income on plan assets		388,285	52,156	103,374	-	557,344	52,901	91,856	-
Contribution by the Bank		2,884	250,992	3,649	-	-	82,400	4,149	-
Contribution by the employees		-	-	3,649	-	-	-	4,149	-
Amount paid by the fund to the Bank		(759,585)	(116,040)	(84,678)	-	(2,416,372)	(123,041)	(82,958)	-
Re-measurements: Net return on plan assets over interest income gain / (loss)		35,671	7,658	(5,788)	-	25,263	13,905	2,377	-
Fair value at the end of the year		<u>2,971,469</u>	<u>630,905</u>	<u>876,741</u>	<u>-</u>	<u>3,304,214</u>	<u>436,139</u>	<u>856,535</u>	<u>-</u>

### 37.1.7 Movement in (receivable) / payable under defined benefit schemes

Note	2014				2013			
	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit	Pension fund	Gratuity fund	Benevolent fund	Post-retirement medical benefit
	----- (Rupees in '000) -----							
Opening balance	(58,964)	152,441	(481,386)	930,955	(1,600,550)	113,079	(427,241)	943,927
Mark-up receivable on Bank's balance with the fund	(4,784)	(22)	(427)	-	(43,851)	(120)	(171)	-
Charge / (reversal) for the year	2,833	102,935	(59,718)	123,769	(170,393)	76,521	(46,359)	118,736
Contribution by the Bank	(2,884)	(250,992)	(3,649)	-	-	(82,400)	(4,149)	-
Amount paid by the Fund to the Bank	759,585	116,040	84,678	-	2,416,372	123,041	82,958	-
Remeasurement loss / (gain) recognised in OCI during the year	86,040	(24,982)	130,850	158,478	(56,105)	40,496	(3,637)	(29,004)
Benefits paid by the Bank	(703,654)	(120,942)	(92,712)	(129,102)	(604,437)	(118,176)	(82,787)	(102,704)
Closing balance	<u>78,172</u>	<u>(25,522)</u>	<u>(422,364)</u>	<u>1,084,100</u>	<u>(58,964)</u>	<u>152,441</u>	<u>(481,386)</u>	<u>930,955</u>

### 37.1.8 Charge for defined benefit plans

#### 37.1.8.1 Cost recognised in profit and loss

Current service cost		9,913	80,586	4,998	4,777	10,223	67,263	5,903	5,155
Net interest on defined benefit asset / liability		(246,248)	22,349	(61,067)	118,992	(411,942)	9,258	(48,113)	113,581
Return allocated to other funds	37.1.8.2	239,168	-	-	-	231,326	-	-	-
Employees' contribution		-	-	(3,649)	-	-	-	(4,149)	-
		<u>2,833</u>	<u>102,935</u>	<u>(59,718)</u>	<u>123,769</u>	<u>(170,393)</u>	<u>76,521</u>	<u>(46,359)</u>	<u>118,736</u>

37.1.8.2 This represents return allocated to those employees who exercised the conversion option offered in the year 2001, as referred to in note 5.11.1.

#### 37.1.9 Re-measurements recognised in OCI during the year

(Gain) / loss on obligation									
- Demographic assumptions		20,876	(7,753)	46,981	3,400	(6,368)	2,544	(17,073)	(713)
- Financial assumptions		33,824	19,850	(8,409)	(10,286)	29,619	32,512	17,697	9,102
- Experience adjustments		62,227	(29,443)	86,063	165,364	(97,944)	19,225	(2,055)	(37,393)
Return on plan assets over interest income		(35,671)	(7,658)	5,788	-	(25,263)	(13,905)	(2,377)	-
Adjustment for markup		4,784	22	427	-	43,851	120	171	-
Total re-measurements recognised in OCI		<u>86,040</u>	<u>(24,982)</u>	<u>130,850</u>	<u>158,478</u>	<u>(56,105)</u>	<u>40,496</u>	<u>(3,637)</u>	<u>(29,004)</u>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 37.1.10 Components of plan assets

	2014			2013		
	Pension fund	Gratuity fund	Benevolent fund	Pension fund	Gratuity fund	Benevolent fund
	----- (Rupees in '000) -----					
Cash and cash equivalents - net of current liabilities	7,659	72	90	14,909	307	340
Quoted securities						
Ordinary shares	125,084	7,697	17,533	93,436	5,750	13,097
Term finance certificates	398,647	11,288	15,576	472,327	11,407	15,768
Unquoted securities						
Certificates of Investment	-	-	-	77,477	-	23,328
Pakistan Investment Bonds	961,707	317,858	574,703	1,964,777	123,422	344,283
Treasury Bills	-	-	-	-	228,253	412,713
Special Savings Certificates	1,478,372	291,943	268,361	666,686	81,294	47,006
Reverse Repo	-	-	-	-	308	-
Other	-	2,047	478	14,602	(14,602)	-
	<u>2,971,469</u>	<u>630,905</u>	<u>876,741</u>	<u>3,304,214</u>	<u>436,139</u>	<u>856,535</u>

37.1.10.1 The funds primarily invests in government securities and accordingly do not carry any significant credit risk. These are subject to interest rate risk based on market movements. Investment in term finance certificates are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the employee funds.

### 37.1.11 Sensitivity analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligations under the various employee benefit schemes. The increase / (decrease) in the present value of defined benefit obligations as a result of a change in each assumption is summarized below:

	2014			
	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical benefit
	----- (Rupees in '000) -----			
Increase in discount rate by 1 %	(74,592)	(34,461)	(22,218)	(24,301)
Decrease in discount rate by 1 %	84,536	39,069	24,739	27,220
Increase in expected future increment in salary by 1%	-	42,415	-	-
Decrease in expected future increment in salary by 1%	-	(37,996)	-	-
Increase in expected future increment in pension by 1%	73,088	-	-	-
Decrease in expected future increment in pension by 1%	(54,770)	-	-	-
Increase in expected future increment in medical benefit by 1%	-	-	-	25,821
Decrease in expected future increment in medical benefit by 1%	-	-	-	(22,723)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

### 37.1.12 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent fund scheme. Based on actuarial advice, management estimates that the expected contribution and charge / (reversal) for the year ended December 31, 2015, would be as follows:

	2015			
	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical benefit
	----- (Rupees in '000) -----			
Expected contribution	98,418	67,278	3,320	-
Expected charge / (reversal) for the year	20,246	92,800	(39,637)	117,987

### 37.1.13 Maturity profile

	2014			
	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical benefit
The weighted average duration of the obligation (in years)	6.26	6.05	4.83	5.64

### 37.1.14 Funding Policy

The Bank endeavours to ensure that liabilities under the various employee benefit schemes are covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the fund, projected increase in liability associated with future service and the projected investment income of the Fund.

### 37.2 United National Bank Limited Pension and Life Assurance Scheme for U.K Employees.

As part of the Shareholders' Agreement ("the Agreement") signed on November 9, 2001 between UNBL and its shareholders, United Bank Limited and National Bank of Pakistan (NBP), it was agreed that UNBL may participate as an associated employer in the United Bank Limited Pension and Life Assurance Scheme ("the Scheme") with effect from November 19, 2001, the date of completion of transfer of the businesses from the Bank and NBP into UNBL (the Completion Date). The Scheme is classified as a defined benefit scheme providing benefits based on final pensionable salary.

Under the terms of the Agreement, UNBL is responsible for the funding requirements of the active members whose employment was transferred to UNBL on the Completion Date and for any new members admitted to the scheme after the Completion Date. United Bank Limited remains responsible for the funding of the deferred members upto the Completion Date. The scheme is closed for new members and the accrual of benefits has ceased from January 1, 2010.

Full actuarial valuations using the Projected Unit Credit Method are obtained triennially and updated at each statement of financial position date.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

The last full actuarial valuation of the scheme was carried out at January 1, 2014 by a qualified actuary. The major assumptions used by the actuary in the latest update as of December 31, 2014 are as follows:

	2014	2013
	----- Per annum -----	
Discount rate	3.40%	4.40%
Rate of revaluation of pension in deferment	2.50%	3.00%
Expected rate of pension increase	3.50%	3.50%
Price inflation	3.50%	3.50%

**37.2.1** The assets and liabilities of the scheme noted below relate to those employees for whom UNBL has a funding liability.

	2014		2013	
	Return	(Rupees in '000)	Return	(Rupees in '000)
Insurance policy	4.95%	764,809	4.95%	718,604
Market value of assets		764,809		718,604
Present value of defined benefit obligation		(857,024)		(843,131)
Gross pension liability		(92,215)		(124,527)
Related deferred tax relief		18,474		26,125
Net pension liability		<u>(73,741)</u>		<u>(98,402)</u>

	2014	2013
	----- (Rupees in '000) -----	
<b>37.2.2 Movement in surplus / (deficit) during the year</b>		
Obligation at the beginning of the year	(98,402)	(149,842)
Interest expense	(1,499)	(8,113)
Remeasurement gain	22,481	50,159
Exchange adjustment	(14,795)	(16,731)
Deficit in scheme at the end of the year	(92,215)	(124,527)
Related deferred tax relief	18,474	26,125
Obligation at the end of the year	<u>(73,741)</u>	<u>(98,402)</u>

No Directors were members of the defined benefit scheme during the year or as at December 31, 2014.

	2014	2013
	----- (Rupees in '000) -----	
<b>37.2.3 Analysis of the amount credited / (debited) to net interest income</b>		
Expected return on pension scheme assets	33,471	23,223
Interest on pension scheme liabilities	(34,970)	(31,336)
Net return	<u>(1,499)</u>	<u>(8,113)</u>

### 37.2.4 Sensitivity Analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligation under the benefit scheme. The increase / (decrease) in the present value of defined benefit obligation as a result of a change in each assumption is summarized below:

	2014
	Rupees in '000
Increase in discount rate by 1 %	(142,785)
Decrease in discount rate by 1 %	187,406
Increase in expected inflation rate by 1%	68,105
Decrease in expected inflation rate by 1%	(28,651)
Increase in life expectancy by 1 year	22,702
Decrease in life expectancy by 1 year	(23,015)

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

### 37.3 UBL Fund Managers Limited

#### 37.3.1 Principal actuarial assumptions

UFML operates a funded gratuity scheme. The liability of UFML in respect of this scheme is determined based on an annual actuarial valuation carried out using the Projected Unit Credit Method. The latest valuation was carried out as at December 31, 2014. The main assumptions used in the actuarial valuation are as follows:

	2014	2013
	----- Per annum -----	
Discount rate	12.25%	12.75%
Expected rate of return on plan assets	12.25%	12.75%
Expected rate of salary increase	12.25%	12.75%

#### 37.3.2 Reconciliation of payable to defined benefit plan

	2014	2013
	----- (Rupees in '000) -----	
Present value of defined benefit obligations	48,707	38,122
Fair value of plan assets	(46,943)	(32,445)
Payable	<u>1,764</u>	<u>5,677</u>

#### 37.3.3 Movement in defined benefit obligation

Obligation at the beginning of the year	38,122	33,565
Current service cost	8,119	6,736
Interest cost	5,249	4,327
Benefits paid	(1,369)	(5,830)
Remeasurement gain	(1,414)	(676)
Obligation at the end of the year	<u>48,707</u>	<u>38,122</u>

#### 37.3.4 Movement in the fair value of plan assets

Fair value of plan assets at the beginning of the year	32,445	25,225
Expected return on plan assets	4,290	3,373
Contributions to the plan	7,690	6,573
Benefits paid	(1,369)	(5,830)
Remeasurement gain	3,887	3,104
	<u>46,943</u>	<u>32,445</u>

#### 37.3.5 Composition of plan assets

Debt securities	19,434	18,431
Cash	2,892	4,405
Mutual Funds	4,493	3,007
Equity securities	20,124	6,602
	<u>46,943</u>	<u>32,445</u>

#### 37.3.6 Charge for defined benefit plan

Current service cost	8,119	6,736
Interest cost	5,249	4,327
Expected return on plan assets	(4,290)	(3,373)
	<u>9,078</u>	<u>7,690</u>
Actual return on plan assets	<u>8,176</u>	<u>6,478</u>



# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	2014	2013
	----- (Rupees in '000) -----	
<b>37.3.7 Movement in net liability recognised</b>		
Opening net asset	5,677	8,340
Expense recognised	9,078	7,690
Contribution to the fund made during the year	(7,690)	(6,573)
Remeasurement gain- net	(5,301)	(3,780)
Closing net assets	<u>1,764</u>	<u>5,677</u>

### 37.3.8 Maturity profile and expected future contribution

Based on actuarial advice, management estimates that the expected contribution and charge for the year ended December 31, 2015, would be Rs. 9.078 million and Rs. 9.964 million, respectively. The weighted average duration of the obligation as of December 31, 2014 is 13.02 years.

### 37.3.9 Sensitivity Analysis

Sensitivity analysis has been performed by varying one assumption keeping all other assumptions constant and calculating the impact on the present value of the defined benefit obligation under the defined benefit scheme. The increase / (decrease) in the present value of defined benefit obligation as a result of a change in each assumption is summarized below:

	2014 Rupees in '000
Increase in discount rate by 1 %	(5,313)
Decrease in discount rate by 1 %	6,326
Increase in salary increment rate by 1%	6,509
Decrease in salary increment rate by 1%	(5,551)

Although the analysis does not take account of the full distribution of expected cash flows, it does provide an approximation of the sensitivity of the assumptions shown.

## 38 OTHER EMPLOYEE BENEFITS

### 38.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 7,020 (2013: 6,733) employees who are not in the pension scheme. The employer and employee each contribute 8.33% of the basic salary to the funded scheme every month.

UFML operates a contributory provident fund scheme. The employer and employee each contribute 10% of the basic salary to the funded scheme every month.

UBL Bank (Tanzania) Limited operates a contributory provident fund scheme. The employer and employee each contribute 10% of the basic salary to the funded scheme every month.

### 38.2 Employee Motivation and Retention Scheme

The Bank has a long term motivation and retention scheme for its employees. The liability of the Bank in respect of the scheme for each year, if any, is fixed, and is accounted for in the year to which the scheme relates. The scheme is managed by separate Trusts formed in respect of each year. During the year, Rs. 278.781 million (2013: Rs. 280.668 million) and Rs. 51.138 million (2013: Rs. 41.716 million) were received by the Executives and the Chief Executive respectively from the scheme. No new Trust was set up during the current year.

### Employee Stock Option Scheme

UBL Fund Managers has an inventive scheme for its top performing employees in the form of share options under the policy of Employee Stock Option Scheme (ESOS). The options give a right to subscribe ordinary shares of the Company to the extent of the lower of two million shares or Five percent of the share Capital of the company as of the grant date. The scheme is divided into three phases and options are exercisable at their respective Exercise price determined from time to time according to methodology provided in approved scheme. Each phase give a right to eligible employees to acquire options after a vesting period of two years, in two tranches i.e. 50% of the vested options are exercisable upon completion of vesting period, while remaining 50% can be exercised after one year. During the year, 176,400 (2013: 182,300 ) shares were issued pursuant to exercise of the share options.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 39. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000) -----					
Fees	-	-	39,926	33,915	17,741	17,206
Managerial remuneration	222,669	120,707	-	-	5,018,429	5,031,512
Charge for defined benefit plan	1,421	1,442	-	-	305,005	371,662
Charge for defined contribution plan	2,877	2,476	-	-	166,180	152,562
Rent and house maintenance	7,602	4,346	-	-	606,354	557,003
Utilities	2,969	704	-	-	280,214	256,231
Medical	44	61	-	-	131,536	120,404
Conveyance	-	-	-	-	364,036	347,619
Others	8,938	8,632	-	-	390,633	348,657
	<u>246,520</u>	<u>138,368</u>	<u>39,926</u>	<u>33,915</u>	<u>7,280,128</u>	<u>7,202,856</u>
Number of persons	<u>2</u>	<u>1</u>	<u>10</u>	<u>8</u>	<u>1,784</u>	<u>1,722</u>

The amount paid to the President / Chief Executive Officer of the Bank includes an amount of Rs.100.712 million paid during the year as severance cost on cessation of employment to the outgoing President / Chief Executive Officer.

The Bank's President / Chief Executive Officer and certain Executives are provided with use of Bank maintained cars and household equipment.

In addition to the above, all Executives including the Chief Executive Officer of the Bank, are also entitled to certain short and long term employee benefits which are disclosed in note 38.2 to these consolidated financial statements.

### 40. 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. 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 associates is based on the net assets of the associates as per their latest 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.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 41. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the year ended December 31, 2014						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	----- (Rupees in '000) -----						
Total income	320,435	17,757,356	37,097,931	11,090,410	862,100	2,536,349	-
Total expenses	111,728	1,280,578	24,555,617	5,608,551	620,889	1,870,904	-
Profit before tax	208,707	16,476,778	12,542,314	5,481,859	241,211	665,445	-
Segment return on assets (ROA)	83.7%	2.0%	1.1%	0.8%	30.3%	-	-
Segment cost of funds	1.6%	6.5%	4.1%	6.3%	-	-	-

	For the year ended December 31, 2013						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	----- (Rupees in '000) -----						
Total income	282,494	16,596,160	30,172,578	10,452,450	630,038	2,074,386	-
Total expenses	84,686	1,373,873	23,933,857	4,504,940	457,595	887,977	-
Profit before tax	197,808	15,222,287	6,238,721	5,947,510	172,443	1,186,409	-
Segment return on assets (ROA)	35.2%	2.1%	0.6%	1.0%	19.9%	-	-
Segment cost of funds	1.4%	6.1%	3.7%	6.4%	-	-	-

	As at December 31, 2014						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	----- (Rupees in '000) -----						
Segment assets (gross of NPLs provisions)	775,136	578,630,275	872,818,868	456,491,912	1,082,670	92,668,476	(775,195,159)
Segment non performing loans (NPLs)	648,147	1,988,086	24,311,780	29,930,610	-	226,854	-
Segment provision held against NPLs	487,423	1,694,502	19,274,579	23,286,695	-	75,866	-
Segment liabilities	152,477	532,277,295	863,632,502	418,936,969	174,359	4,970,059	(775,195,159)

	As at December 31, 2013						
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Asset management	Others	Inter segment elimination
	----- (Rupees in '000) -----						
Segment assets (gross of NPLs provisions)	871,272	542,686,795	796,947,484	408,036,105	883,739	88,012,016	(709,306,750)
Segment non performing loans (NPLs)	686,875	2,065,568	25,055,587	26,826,792	-	200,110	-
Segment provision held against NPLs	489,059	1,708,033	20,397,714	21,842,639	-	60,500	-
Segment liabilities	254,047	497,318,046	804,325,091	369,875,057	114,926	9,779,152	(709,306,750)

Segment assets and liabilities include inter segment balances.

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

### 42. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, it acts as custodian for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

### 43. RELATED PARTY TRANSACTIONS

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

The Group enters into transactions with related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 43.1. RELATED PARTY TRANSACTIONS

	2014				2013			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----								
<b>Lendings to financial institutions</b>								
Other lendings to financial institutions	-	-	500,000	-	-	-	-	-
<b>Investments</b>								
Opening balance	-	-	7,732,898	4,098,108	-	-	12,635,789	510,192
Investment made during the year	-	-	3,897,489	-	-	-	2,027,196	971,319
Investment redeemed / disposed off during the year	-	-	(2,985,033)	(180,363)	-	-	(8,170,659)	(491,881)
Transfer in / (out) - net	-	-	-	-	-	-	-	3,108,478
Equity method adjustments	-	-	1,387,485	-	-	-	1,240,572	-
Closing balance	-	-	10,032,839	3,917,745	-	-	7,732,898	4,098,108
Provision for diminution in value of investments	-	-	-	118,356	-	-	-	116,548
<b>Advances</b>								
Opening balance	-	268,862	2,155,149	412,954	-	254,497	-	11,913,710
Addition during the year	3,668	101,656	-	14,328,295	-	123,214	-	9,707,517
Repaid during the year	(3,300)	(129,501)	-	(5,347,244)	-	(108,849)	-	(21,208,273)
Transfer in / (out) - net	-	8,979	-	-	-	-	2,155,149	-
Closing balance	368	249,996	2,155,149	9,394,005	-	268,862	2,155,149	412,954
Provision held against advances	-	-	2,155,149	-	-	-	2,155,149	-
<b>Other Assets</b>								
Interest mark-up accrued	-	155	14,893	283,323	-	78	-	146,360
Receivable from staff retirement funds	-	-	-	88,862	-	-	-	60,977
Prepaid insurance	-	-	27	-	-	-	19	-
Remuneration receivable from management of funds	-	-	59,493	5,051	-	-	37,991	1,338
Sales load receivable	-	-	2,415	-	-	-	1,191	-
Formation cost receivable	-	-	11,100	-	-	-	12,270	-
Dividend receivable	-	-	-	-	-	-	1,201	-
Other receivable	-	-	888	30,164	-	-	3,156	30,164
Provision against other assets	-	-	-	30,164	-	-	-	30,164
<b>Borrowings</b>								
Opening balance	-	-	-	-	-	-	-	306,215
Borrowings during the year	-	-	-	-	-	-	2,155,493	16,356,760
Settled during the year	-	-	-	-	-	-	(2,155,493)	(16,662,975)
Closing balance	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>								
Opening balance	7,506,473	161,288	667,512	734,999	6,173,963	128,400	824,546	2,583,608
Received during the year	26,067,173	1,649,178	112,528,554	127,557,270	22,861,734	1,062,030	67,508,254	206,417,373
Withdrawn during the year	(26,710,567)	(1,609,409)	(110,694,471)	(128,179,674)	(21,522,949)	(1,029,142)	(67,665,288)	(207,536,396)
Transfer in / (out) - net	1,056,940	(20,537)	-	92,312	(6,275)	-	-	(729,586)
Closing balance	7,920,019	180,520	2,501,595	204,907	7,506,473	161,288	667,512	734,999
<b>Other Liabilities</b>								
Interest / mark-up payable on deposits	47,181	1,344	9,793	266	32,260	1,265	-	3,511
Payable to staff retirement fund	-	-	-	155,908	-	-	-	258,534
<b>Contingencies and Commitments</b>								
Letter of guarantee	-	-	41,600	-	-	-	78,051	-
Forward foreign exchange contracts purchase	-	-	-	149,615	-	-	-	-
Forward foreign exchange contracts sale	-	-	-	31,313	-	-	-	-

	2014				2013			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----								
Mark-up / return / interest earned	-	11,421	15,053	830,678	-	11,582	-	932,765
Commission / charges recovered	76	481	1,292	496	14	84	18,178	27,459
Dividend received	-	-	44,162	605,051	-	-	36,680	459,451
Net gain on sale of securities	-	-	247,957	50,572	-	-	927,907	8,719
Remuneration from management of fund	-	-	514,521	19,216	-	-	412,928	10,540
Sales Load	-	-	174,858	-	-	-	91,540	-
Other income	-	1,107	5,243	-	-	153	4,266	-
Mark-up / return / interest paid	194,835	3,765	106,086	17,311	260,037	3,604	56,922	114,301
Remuneration paid	-	1,141,536	-	-	-	1,032,942	-	-
Post employment benefits	-	44,332	-	-	-	29,650	-	-
Non-executive directors' fee	39,926	-	-	-	33,915	-	-	-
Net charge for defined contribution plans	-	-	-	296,349	-	-	-	271,324
Net charge / (reversal) for defined benefit plans	-	-	-	119,994	-	-	-	(73,920)
Donation	-	-	-	10,000	-	-	-	-
Insurance premium paid	-	-	273,000	-	-	-	269,165	-
Insurance claims settled	-	-	135,649	-	-	-	175,176	-
Other expenses	-	-	75,727	109,466	-	-	20,605	87,192

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 44. CAPITAL ADEQUACY

44.1 The State Bank of Pakistan (SBP) through its BPRD Circular No. 6 dated August 15, 2013 has issued Basel III Capital instructions for Banks / DFIs. The revision to the previously applicable Capital Adequacy regulations pertain to components of eligible capital and related deductions. The amendments have been introduced with an aim to further strengthen the existing capital related rules. Basel III instructions have become effective from December 31, 2013; however, there is a transitional phase during which the complete requirements would become applicable with full implementation by December 31, 2019.

The Group's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan. The capital adequacy ratio is a measure of the amount of a Group's capital expressed as a percentage of its risk weighted assets (RWAs). Banking operations are categorized as either Trading Book or Banking Book and RWAs are determined according to specific treatments as per the requirements of SBP that measure the varying levels of risk attached to on balance sheet and off-balance sheet exposures. 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 Group's exposures based on eligible collateral.

The Group performs its Internal Capital Adequacy Assessment Process (ICAAP) as per the guidelines provided by the SBP. The ICAAP has been approved by the Group's Board of Directors and submitted to the SBP. The Group additionally covers risks not yet included under Pillar I, so as to carry adequate capital to cater for any future business requirements.

The Group plans to move towards the Advanced Approaches as prescribed under Basel Framework, including the Foundation Internal Ratings Based Approach for credit risk, Internal Models Approach for market risk and the Alternate Standardized Approach for operational risk.

### 44.2 Capital Management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern. It is the policy of the Group to maintain a strong capital base so as to maintain investor, depositor and market confidence and to sustain future development of the business. The Group aims to maintain an optimum level of capital along with maximizing shareholders' return as we consider a sound capital position as more appropriate as opposed to leverage supporting business growth.

#### Statutory minimum capital and capital adequacy requirements

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, 2014. The paid-up capital of the Bank for the year ended December 31, 2014 stood at Rs.12,241.798 million (2013: 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% of the risk weighted exposures of the Bank. Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 5.5% and 7.0%, respectively, as at December 31, 2014. As at December 31, 2014 the Group is fully compliant with prescribed ratios as the Group's CAR is 14.3% whereas CET 1 and Tier 1 ratios both stood at 10.1%. The Group and its individually regulated operations have complied with all capital requirements throughout the year.

Tier 1 capital comprises of Common Equity Tier 1 (CET 1) and Additional Tier 1 (AT 1) capital.

CET 1 capital includes fully paid-up capital, balance in share premium account, general reserves as per the financial statements, net unappropriated profits and minority interests meeting the eligibility criteria.

AT 1 capital includes instruments meeting the prescribed SBP criteria e.g. perpetual non-cumulative preference shares.

The deductions from Tier 1 capital include mainly:

- i) Book value of goodwill / intangibles;
- ii) Deficit on revaluation of available for sale investments,;
- iii) Reciprocal cross holdings in equity capital instruments of other banks, financial institutions and insurance companies;
- iv) Investment in mutual funds above a prescribed ceiling;
- v) Threshold deductions applicable from 2014 on deferred tax assets and certain investments;
- vi) 40% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

Tier 2 capital includes general provisions for loan losses, surplus on the revaluation of fixed assets and equity investments, foreign exchange translation reserves and subordinated debts (meeting the revised eligibility criteria). The deductions from Tier 2 include mainly:

- i) Reciprocal cross holdings in other capital instruments of other banks, financial institution and insurance companies;
- ii) 40% of investments in majority owned securities or other financial subsidiaries not consolidated in the statement of financial position, during transition phase.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 44.3 Capital Adequacy Ratio (CAR) disclosure template:

	2014 ----- (Rupees in '000) ----- Amount	2013 ----- (Rupees in '000) ----- Amount
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,241,798	12,241,798
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	21,903,578	19,705,205
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	52,507,655	45,208,302
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	4,252,698	3,487,918
9 <b>CET 1 before Regulatory Adjustments</b>	<b>90,905,729</b>	<b>80,643,223</b>
10 Total regulatory adjustments applied to CET1 (Note 44.3.1)	6,142,962	6,410,338
11 <b>Common Equity Tier 1</b>	<b>84,762,767</b>	<b>74,232,885</b>
<b>Additional Tier 1 (AT 1) Capital</b>		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	107,665	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 <b>AT1 before regulatory adjustments</b>	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 44.3.2)	(107,665)	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 <b>Additional Tier 1 capital recognized for capital adequacy</b>	-	-
21 <b>Tier 1 Capital (CET1 + admissible AT1) (11+20)</b>	<b>84,762,767</b>	<b>74,232,885</b>
<b>Tier 2 Capital</b>		
24 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
25 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
26 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	179,441	-
27 of which: instruments issued by subsidiaries subject to phase out	-	-
28 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,098,363	1,893,743
29 Revaluation Reserves (net of taxes)	17,312,859	8,468,756
30 of which: Revaluation reserves on fixed assets	11,612,780	7,506,099
31 of which: Unrealized gains/losses on AFS	5,700,079	962,657
32 Foreign Exchange Translation Reserves	15,382,510	18,347,365
33 Undisclosed/Other Reserves (if any)	-	-
34 <b>T2 before regulatory adjustments</b>	<b>34,973,173</b>	<b>28,709,864</b>
35 Total regulatory adjustment applied to T2 capital (Note 44.3.3)	563,729	615,953
36 <b>Tier 2 capital (T2) after regulatory adjustments</b>	<b>34,409,444</b>	<b>28,093,911</b>
37 Tier 2 capital recognized for capital adequacy	34,409,444	28,093,911
38 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
39 <b>Total Tier 2 capital admissible for capital adequacy</b>	<b>34,409,444</b>	<b>28,093,911</b>
40 <b>TOTAL CAPITAL (T1 + admissible T2) (21+39)</b>	<b>119,172,211</b>	<b>102,326,796</b>
41 <b>Total Risk Weighted Assets (RWA) {for details refer Note 44.6}</b>	<b>836,227,685</b>	<b>772,130,488</b>
<b>Capital Ratios and buffers (in percentage of risk weighted assets)</b>		
42 <b>CET1 to total RWA</b>	<b>10.1%</b>	<b>9.6%</b>
43 <b>Tier-1 capital to total RWA</b>	<b>10.1%</b>	<b>9.6%</b>
44 <b>Total capital to total RWA</b>	<b>14.3%</b>	<b>13.3%</b>
45 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
46 of which: capital conservation buffer requirement	-	-
47 of which: countercyclical buffer requirement	-	-
48 of which: D-SIB or G-SIB buffer requirement	-	-
49 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
<b>National minimum capital requirements prescribed by SBP</b>		
50 <b>CET1 minimum ratio</b>	<b>5.5%</b>	<b>5.0%</b>
51 <b>Tier 1 minimum ratio</b>	<b>7.0%</b>	<b>6.5%</b>
52 <b>Total capital minimum ratio</b>	<b>10.0%</b>	<b>10.0%</b>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### Regulatory Adjustments and Additional Information

	2014		2013
	Amount	Amounts subject to Pre-Base I treatment*	Amount
----- Rupees in '000 -----			
<b>44.3.1 Common Equity Tier 1 capital: Regulatory adjustments</b>			
1 Goodwill (net of related deferred tax liability)	-	-	-
2 All other intangibles (net of any associated deferred tax liability)	1,223,589	-	1,738,920
3 Shortfall in provisions against classified assets*	774,826	-	718,500
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-	-
5 Defined-benefit pension fund net assets	-	-	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	1,358,694	-	786,878
7 Cash flow hedge reserve	-	-	4,962
8 Investment in own shares/ CET1 instruments	-	-	-
9 Securitization gain on sale	-	-	-
10 Capital shortfall of regulated subsidiaries	-	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-	-
15 Amount exceeding 15% threshold	-	-	-
16 of which: significant investments in the common stocks of financial entities	-	-	-
17 of which: deferred tax assets arising from temporary differences	-	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-	-
20 Any other deduction specified by SBP (mention details)	-	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	2,785,853	-	3,161,078
22 <b>Total regulatory adjustments applied to CET1 (sum of 1 to 21)</b>	<b>6,142,962</b>		<b>6,410,338</b>
<b>44.3.2 Additional Tier-1 : regulatory adjustments</b>			
23 Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	2,329,789	-	2,545,125
24 Investment in own AT1 capital instruments	-	-	-
25 Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-	-
26 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
27 Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
28 Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-	-
29 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Base I treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	563,729	563,729	615,953
30 <b>Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)</b>	<b>2,893,518</b>		<b>3,161,078</b>
<b>44.3.3 Tier 2 Capital: regulatory adjustments</b>			
31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Base I treatment which, during transitional period, remain subject to deduction from tier-2 capital	563,729	563,729	615,953
32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-	-
33 Investment in own Tier 2 capital instrument	-	-	-
34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-	-
35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-	-
36 <b>Total regulatory adjustment applied to T2 capital (sum of 31 to 35)</b>	<b>563,729</b>		<b>615,953</b>
<b>44.3.4 Additional Information</b>			
<b>Risk Weighted Assets subject to pre-Base I treatment</b>			
37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Base I Treatment)	-	-	-
(i) of which: deferred tax assets	-	-	-
(ii) of which: Defined-benefit pension fund net assets	-	-	58,964
(iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-	-
(iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-	-
<b>Amounts below the thresholds for deduction (before risk weighting)</b>			
38 Non-significant investments in the capital of other financial entities	-	-	-
39 Significant investments in the common stock of financial entities	-	-	-
40 Deferred tax assets arising from temporary differences (net of related tax liability)	-	-	-
<b>Applicable caps on the inclusion of provisions in Tier 2</b>			
41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	-	-	-
42 Cap on inclusion of provisions in Tier 2 under standardized approach	-	-	-
43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-	-
44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-	-

\* This represents benefit of relaxation in provisioning requirement allowed by SBP for a classified customer of the Group.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## 44.4 Capital Structure Reconciliation

Step 1	Balance Sheet as per published financial statements As at Dec 31, 2014 ----- (Rupees in '000) -----	Under regulatory scope of consolidation As at Dec 31, 2014 ----- (Rupees in '000) -----
<b>Assets</b>		
Cash and balances with treasury banks	75,660,306	75,660,306
Balances with other banks	21,948,274	21,948,274
Lending to financial institutions	23,435,222	23,435,222
Investments	519,602,007	519,602,007
Advances	467,365,292	467,365,292
Operating fixed assets	33,335,646	33,335,646
Deferred tax assets - net	-	-
Other assets	41,106,366	41,106,366
<b>Total assets</b>	<b>1,182,453,113</b>	<b>1,182,453,113</b>
<b>Liabilities &amp; Equity</b>		
Bills payable	9,559,255	9,559,255
Borrowings	53,248,526	53,248,526
Deposits and other accounts	951,902,296	951,902,296
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	429	429
Deferred tax liability - net	2,139,586	2,139,586
Other liabilities	28,098,410	28,098,410
<b>Total liabilities</b>	<b>1,044,948,502</b>	<b>1,044,948,502</b>
Share capital	12,241,798	12,241,798
Reserves	37,286,088	37,286,088
Unappropriated profit	52,507,655	52,507,655
<b>Total equity attributable to equity holders of the Bank</b>	<b>102,035,541</b>	<b>102,035,541</b>
Non-controlling interest	4,553,250	4,553,250
	106,588,791	106,588,791
Surplus on revaluation of assets - net of deferred tax	30,915,820	30,915,820
<b>Total liabilities and equity</b>	<b>1,182,453,113</b>	<b>1,182,453,113</b>



# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 44.4 Capital Structure (Contd.)

Step 2	Balance Sheet as per published financial statements As at Dec 31, 2014	Under regulatory scope of consolidation As at Dec 31, 2014	Reference
----- (Rupees in '000) -----			
<b>Assets</b>			
Cash and balances with treasury banks	75,660,306	75,660,306	
Balances with other banks	21,948,274	21,948,274	
Lendings to financial institutions	23,435,222	23,435,222	
Investments	519,602,007	519,602,007	
<i>of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold</i>	-	-	a
<i>of which: significant capital investments in financial sector entities exceeding regulatory threshold</i>	-	-	b
<i>of which: Mutual Funds exceeding regulatory threshold</i>	2,329,789	2,329,789	c
<i>of which: reciprocal crossholding of capital instrument</i>	1,358,694	1,358,694	d
<i>of which: others (mention details)</i>	-	-	e
Advances	467,365,292	467,365,292	
<i>shortfall in provisions/ excess of total EL amount over eligible provisions under IRB</i>	774,826	774,826	f
<i>general provisions reflected in Tier 2 capital</i>	2,098,363	2,098,363	g
Fixed Assets	33,335,646	33,335,646	
<i>of which: Goodwill</i>	-	-	j
<i>of which: Intangibles</i>	1,453,384	1,453,384	k
Deferred Tax Assets	-	-	
<i>of which: DTAs excluding those arising from temporary differences</i>	-	-	h
<i>of which: DTAs arising from temporary differences exceeding regulatory threshold</i>	-	-	i
Other assets	41,106,366	41,106,366	
<i>of which: Defined-benefit pension fund net assets</i>	-	-	l
<b>Total assets</b>	<b>1,182,453,113</b>	<b>1,182,453,113</b>	
<b>Liabilities &amp; Equity</b>			
Bills payable	9,559,255	9,559,255	
Borrowings	53,248,526	53,248,526	
Deposits and other accounts	951,902,296	951,902,296	
Sub-ordinated loans	-	-	
<i>of which: eligible for inclusion in AT1</i>	-	-	m
<i>of which: eligible for inclusion in Tier 2</i>	-	-	n
Liabilities against assets subject to finance lease	429	429	
Deferred tax liabilities	2,139,586	2,139,586	
<i>of which: DTLs related to goodwill</i>	-	-	o
<i>of which: DTLs related to intangible assets</i>	229,795	229,795	p
<i>of which: DTLs related to defined pension fund net assets</i>	-	-	q
<i>of which: other deferred tax liabilities</i>	1,909,791	1,909,791	r
Other liabilities	28,098,410	28,098,410	
<b>Total liabilities</b>	<b>1,044,948,502</b>	<b>1,044,948,502</b>	
Share capital	12,241,798	12,241,798	
<i>of which: amount eligible for CET1</i>	12,241,798	12,241,798	s
<i>of which: amount eligible for AT1</i>	-	-	t
Reserves	37,286,088	37,286,088	
<i>of which: portion eligible for inclusion in CET1</i>	21,903,578	21,903,578	u
<i>of which: portion eligible for inclusion in Tier 2</i>	15,382,510	15,382,510	v
Unappropriated profit/ (losses)	52,507,655	52,507,655	w
Minority Interest	4,553,250	4,553,250	
<i>of which: portion eligible for inclusion in CET1</i>	4,252,698	4,252,698	x
<i>of which: portion eligible for inclusion in AT1</i>	107,665	107,665	y
<i>of which: portion eligible for inclusion in Tier 2</i>	179,441	179,441	z
Surplus on revaluation of assets	30,915,820	30,915,820	
<i>of which: Revaluation reserves on Property</i>	20,737,107	20,737,107	aa
<i>of which: Unrealized Gains/Losses on AFS</i>	10,178,713	10,178,713	
<i>In case of Deficit on revaluation (deduction from CET1)</i>	-	-	ab
<b>Total liabilities and equity</b>	<b>1,182,453,113</b>	<b>1,182,453,113</b>	

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 44.4 Capital Structure (Contd.)

Step 3	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
<b>Common Equity Tier 1 capital (CET1): Instruments and reserves</b>		
1 Fully Paid-up Capital/ Capital deposited with SBP	12,241,798	(s)
2 Balance in Share Premium Account	-	
3 Reserve for issue of Bonus Shares	-	
4 General/ Statutory Reserves	21,903,578	(u)
5 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6 Unappropriated/unremitted profits/(losses)	52,507,655	(w)
7 Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	4,252,698	(x)
<b>8 CET 1 before Regulatory Adjustments</b>	<b>90,905,729</b>	
<b>Common Equity Tier 1 capital: Regulatory adjustments</b>		
9 Goodwill (net of related deferred tax liability)	-	(j) - (o)
10 All other intangibles (net of any associated deferred tax liability)	1,223,589	(k) - (p)
11 Shortfall of provisions against classified assets	774,826	(f)
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{(h) - (r)} * x%
13 Defined-benefit pension fund net assets	-	{(l) - (q)} * x%
14 Reciprocal cross holdings in CET1 capital instruments	1,358,694	(d)
15 Cash flow hedge reserve	-	
16 Investment in own shares/ CET1 instruments	-	
17 Securitization gain on sale	-	
18 Capital shortfall of regulated subsidiaries	-	
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	(ab)
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23 Amount exceeding 15% threshold	-	
24 of which: significant investments in the common stocks of financial entities	-	
25 of which: deferred tax assets arising from temporary differences	-	
26 National specific regulatory adjustments applied to CET1 capital	-	
27 Investment in TFCs of other banks exceeding the prescribed limit	-	
28 Any other deduction specified by SBP (mention details)	-	
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	2,785,853	
30 Total regulatory adjustments applied to CET1 (sum of 9 to 25)	<b>6,142,962</b>	
<b>Common Equity Tier 1</b>	<b>84,762,767</b>	
<b>Additional Tier 1 (AT 1) Capital</b>		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	
32 of which: Classified as equity	-	(t)
33 of which: Classified as liabilities	-	(m)
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
35 of which: instrument issued by subsidiaries subject to phase out	-	
<b>36 AT1 before regulatory adjustments</b>	<b>-</b>	

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 44.4 Capital Structure (Contd.)

	Component of regulatory capital reported by bank (Rupees in '000)	Source based on reference number from step 2
<b>Additional Tier 1 Capital: regulatory adjustments</b>		
37 Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	2,329,789	
38 Investment in own AT1 capital instruments		
39 Reciprocal cross holdings in Additional Tier 1 capital instruments		
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		(ac)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation		(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	563,729	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
44 Total of Regulatory Adjustment applied to AT1 capital	2,893,518	
45 Additional Tier 1 capital		
46 <b>Additional Tier 1 capital recognized for capital adequacy</b>	-	
<b>Tier 1 Capital (CET1 + admissible AT1)</b>	<b>84,762,767</b>	
<b>Tier 2 Capital</b>		
47 Qualifying Tier 2 capital instruments under Basel III	-	(n)
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	179,441	(z)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	2,098,363	(g)
52 Revaluation Reserves eligible for Tier 2		
53 of which: portion pertaining to Property	11,612,780	portion of (aa)
54 of which: portion pertaining to AFS securities	5,700,079	
55 Foreign Exchange Translation Reserves	15,382,510	(v)
56 Undisclosed/Other Reserves (if any)		
57 <b>T2 before regulatory adjustments</b>	<b>34,973,173</b>	
<b>Tier 2 Capital: regulatory adjustments</b>		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	563,729	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ae)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
63 Amount of Regulatory Adjustment applied to T2 capital	563,729	
64 Tier 2 capital (T2)	34,409,444	
65 Tier 2 capital recognized for capital adequacy	34,409,444	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	34,409,444	
<b>TOTAL CAPITAL (T1 + admissible T2)</b>	<b>119,172,211</b>	

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 44.5 Main Features Template of Regulatory Capital Instruments

Disclosure template for main features of regulatory capital instruments

	Main Features	Common Shares
1	Issuer	United Bank Limited
2	Unique identifier (eg KSE Symbol or Bloomberg identifier etc.)	On KSE "UBL" and on Bloomberg "UBLS".
3	Governing law(s) of the instrument	Relevant Capital Market Laws
	Regulatory treatment	
4	Transitional Basel III rules	Common Equity Tier 1
5	Post-transitional Basel III rules	Common Equity Tier 1
6	Eligible at solo/ group/ group&solo	Group & Standalone
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	12,241,798
9	Par value of instrument	Rs 10 each
10	Accounting classification	Shareholders' equity
11	Original date of issuance	1959
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	Not applicable
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	Coupons / dividends	
17	Fixed or floating dividend/ coupon	Not applicable
18	coupon rate and any related index/ benchmark	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Not applicable
23	Convertible or non-convertible	Non Convertible
24	If convertible, conversion trigger (s)	Not applicable
25	If convertible, fully or partially	Not applicable
26	If convertible, conversion rate	Not applicable
27	If convertible, mandatory or optional conversion	Not applicable
28	If convertible, specify instrument type convertible into	Not applicable
29	If convertible, specify issuer of instrument it converts into	Not applicable
30	Write-down feature	Not applicable
31	If write-down, write-down trigger(s)	Not applicable
32	If write-down, full or partial	Not applicable
33	If write-down, permanent or temporary	Not applicable
34	If temporary write-down, description of write-up mechanism	Not applicable
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Common equity (ranks after all creditors including depositors)
36	Non-compliant transitioned features	Not applicable
37	If yes, specify non-compliant features	Not applicable

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## 44.6 Capital Adequacy Ratio

Risk weighted exposures	Capital requirements		Risk weighted assets	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
<b>Credit risk</b>				
Claims on:				
Federal and Provincial Governments, SBP and other sovereigns – in foreign currency	4,785,856	6,758,693	47,858,558	67,586,925
Public Sector Enterprises	911,266	960,626	9,112,661	9,606,261
Banks	6,109,873	6,650,620	61,098,727	66,506,196
Corporates	32,235,518	28,307,908	322,355,177	283,079,078
Retail portfolio	2,081,800	1,989,795	20,817,996	19,897,945
Secured by residential property	137,871	143,327	1,378,708	1,433,267
Past due loans	2,223,213	2,092,058	22,232,133	20,920,579
Listed equity investments	271,521	196,915	2,715,213	1,969,145
Unlisted equity investments	22,249	22,972	222,494	229,724
Commercial entity	52,846	67,623	528,460	676,228
Investments in fixed assets	3,211,206	2,648,058	32,112,055	26,480,580
Significant investment and deferred tax asset	70,466	-	704,661	-
Other assets	1,313,900	1,323,991	13,139,000	13,239,908
	53,427,585	51,162,586	534,275,843	511,625,836
<b>Market risk</b>				
Interest rate risk	10,849,112	8,988,077	135,613,900	112,350,956
Equity exposure risk	3,393,676	2,691,497	42,420,950	33,643,712
Foreign exchange risk	998,684	922,858	12,483,550	11,535,736
	15,241,472	12,602,432	190,518,400	157,530,404
<b>Operational risk</b>	8,914,675	8,237,940	111,433,442	102,974,248
	77,583,732	72,002,958	836,227,685	772,130,488
<b>Capital adequacy ratio</b>				
Total eligible regulatory capital held	119,172,211	102,326,796		
Total risk weighted assets	836,227,685	772,130,488		
CET1 to total RWA	10.1%	9.6%		
Tier-1 capital to total RWA	10.1%	9.6%		
Total capital to total RWA	14.3%	13.3%		

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## 44.7 Credit risk - General disclosures

The Group follows the Standardized Approach for its credit risk exposures, which sets out fixed risk weights corresponding to external credit ratings or type of exposure, whichever is applicable.

Under the Standardized Approach, the capital requirement is based on the credit rating assigned to counterparties by External Credit Assessment Institutions (ECAIs) duly recognized by the SBP. The Group selects particular ECAIs for each type of exposure. The Group utilizes the credit ratings assigned by Pakistan Credit Rating Agency (PACRA), Japan Credit Rating Company Limited – Vital Information Systems (JCR-VIS), Fitch, Moody's and Standard & Pools (S & P). The Group also utilizes rating scores of Export Credit Agencies (ECAs) participating in the "Arrangement on Officially Supported Export Credits".

### Types of exposure and ECAIs used

	FITCH	Moody's	S & P	PACRA	JCR-VIS	ECA scores
Corporates	-	✓	-	✓	✓	-
Banks	✓	✓	✓	✓	✓	-
Sovereigns	-	-	-	-	-	✓
Public sector enterprises	-	-	-	✓	✓	-

### Mapping to SBP Rating Grades

For all exposures, the selected ratings are translated to the standard rating grades given by the SBP. The mapping tables used for converting ECAI ratings to SBP rating grades are given below:

#### Long Term Rating Grades mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
2	AA-	Aa3	AA-	AA-	AA-	
	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
3	A-	A3	A-	A-	A-	
	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
4	BBB-	Baa3	BBB-	BBB-	BBB-	
	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
5	BB-	Ba3	BB-	BB-	BB-	
	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
6	B-	B3	B-	B-	B-	
	CCC+ and below	Caa1 and below	CCC+ and below	CCC+ and below	CCC+ and below	7

#### Short Term Rating Grades mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+	A-1+	A-1+
9	F1	P-1	A-1	A-1	A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 44.8 Credit exposures subject to Standardized Approach

Exposures	Rating category / risk weights	2014 (Rupees in '000)			2013 (Rupees in '000)		
		Amount outstanding	Deduction CRM	Net amount	Amount outstanding	Deduction CRM	Net amount
Cash and cash equivalents	-	12,996,271	-	12,996,271	15,091,261	-	15,091,261
Claims on Federal and Provincial Governments and SBP, denominated in PKR	-	212,099,704	51,146,981	160,952,723	123,596,908	24,042,563	99,554,345
Foreign currency claims on SBP arising out of statutory obligations in Pakistan	-	8,621,400	-	8,621,400	7,941,106	-	7,941,106
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1 2 3 4,5 6 Unrated	1,241,372 13,048,768 2,603,011 5,407,648 25,693,100 -	- - - - - -	1,241,372 13,048,768 2,603,011 5,407,648 25,693,100 -	1,093,807 12,405,042 2,041,352 6,812,875 38,181,577 -	- - - - - -	1,093,807 12,405,042 2,041,352 6,812,875 38,181,577 -
		47,993,899	-	47,993,899	60,534,653	-	60,534,653
Corporates	0 1 2 3,4 5,6 Unrated-1 Unrated-2	- 45,585,451 34,001,545 1,680,730 104,643 243,433,051 61,871,917	- 9,438,882 1,816 28,924 - 17,359,080 790,824	- 36,146,569 33,999,729 1,651,806 104,643 226,073,971 61,081,093	- 23,284,438 33,394,224 21,944,456 61,144 260,708,536 17,962,298	- - 29,279 27,404 - 20,977,585 -	- 23,284,438 33,364,945 21,917,052 61,144 239,730,951 17,923,033
		386,677,337	27,619,526	359,057,811	339,392,798	21,034,268	318,358,530
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3 4,5 6 Unrated	615,160 569,714 - 4,163,123	- - - -	615,160 569,714 - 4,163,123	603,360 - - 2,687,685	- - - 1,851	603,360 - - 2,685,834
		5,347,997	-	5,347,997	3,291,045	1,851	3,289,194
Banks - others	0 1 2,3 4,5 6 Unrated	- 41,642,903 47,771,697 9,886,190 3,227,208 27,150,610	- 3,292,633 - - -	- 38,350,270 47,771,697 9,886,190 3,227,208 27,150,610	78,079,437 41,342,565 3,868,452 14,597,086 17,962,298	- 25,822,976 - - 39,265	- 52,256,461 41,342,565 3,868,452 14,597,086 17,923,033
		129,678,608	3,292,633	126,385,975	155,849,838	25,862,241	129,987,597
Public sector enterprises	0 1 2,3 4,5 6 Unrated	- 12,744,261 - - - 70,973,819	- 1,950,562 - - -	- 10,793,699 - - - 13,907,842	- 12,176,901 - - - 54,497,938	- 1,501,690 - - - 39,555,501	- 10,675,211 - - - 14,942,437
		83,718,080	59,016,539	24,701,541	66,674,839	41,057,191	25,617,648
Retail portfolio	75% 35%	29,430,563 3,939,166	1,673,234 -	27,757,329 3,939,166	29,300,295 4,095,047	2,769,701 -	26,530,594 4,095,047
		33,369,729	1,673,234	31,696,495	33,395,342	2,769,701	30,625,641
Equity investments	- Listed - Unlisted - Commercial Entity (Holding greater than 10%)	2,715,213 148,329 52,846	- - -	2,715,213 148,329 52,846	1,969,145 153,150 67,623	- - -	1,969,145 153,150 67,623
		2,916,388	-	2,916,388	2,189,918	-	2,189,918
Past due loans secured against mortgage of residential property:							
- less than 20% provided	100%	37,216	-	37,216	68,351	-	68,351
- greater than 20% provided	50%	152,320	-	152,320	241,163	-	241,163
		189,536	-	189,536	309,514	-	309,514
Past due loans - others							
- Less than 20% provided	150%	11,478,633	-	11,478,633	8,308,092	20	8,308,072
- Between 20% to 50% provided	100%	4,259,661	-	4,259,661	6,783,712	-	6,783,712
- More than 50% provided	50%	1,282,292	-	1,282,292	2,971,651	-	2,971,651
		17,020,586	-	17,020,586	18,063,455	20	18,063,435
Significant investment and deferred tax asset (greater than 15 % threshold)	250%	281,864	-	281,864	-	-	-
Fixed assets	100%	32,112,055	-	32,112,055	26,480,580	-	26,480,580
Others		13,139,000	-	13,139,000	13,239,908	-	13,239,908
		986,162,454	142,748,913	843,413,541	866,051,165	114,767,835	751,283,330

#### Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Group has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. Under this approach, cash, lien on deposits, government securities and eligible guarantees etc. are considered as eligible collateral. The Group has in place detailed guidelines with respect to the valuation and management of each of these types of collateral. Where the Group's exposure to an obligor is secured by eligible collateral, the Group reduces its exposure for the calculation of capital requirement by the realizable amount of the collateral, adjusted for any applicable haircuts.

No credit risk mitigation benefit is taken in the Trading Book.

For each asset class, the risk weights as specified by the SBP or corresponding to the SBP rating grades are applied to the net amount for the calculation of Risk Weighted Assets.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## 45. RISK MANAGEMENT

This section presents information about the Group's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments such as credit, market, liquidity, and operational risks.

The Bank has an integrated risk management structure in place. The Board Risk and Compliance Committee (BRCC) oversees the entire risk management process of the Bank. The Risk and Credit Policy Group is responsible for the development and implementation of all risk policies as approved by the BRCC / BoD. The group is organized into the functions of Market & Financial Institutions Risk, Credit Policy & Research, Credit Risk Management and Operational Risk & Basel II. Each risk function is headed by a senior manager who reports directly to the Group Head, Risk and Credit Policy. The role of the Risk and Credit Policy Group includes:

- Determining guidelines relating to the Bank's risk appetite.
- Recommending risk management policies in accordance with the Prudential Regulations, Basel II framework and international best practices.
- Reviewing policies/ manuals and ensuring that these are in accordance with BRCC / BoD approved risk management policies.
- Developing systems and resources to review the key risk exposures of the Bank.
- Approving credits and granting approval authority to qualified and experienced individuals.
- Reviewing the adequacy of credit training across the Bank.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations, etc.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

### 45.1 Credit risk

Credit risk is the risk that a customer or counterparty may not settle an obligation for full value, either when due or at any time thereafter. This risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Group.

The credit risk management process is driven by the Bank's Credit Policy, which provides policies and procedures in relation to credit initiation, approval, documentation and disbursement, credit maintenance and remedial management.

Individual credit authorities are delegated to credit officers by the Board according to their seasoning/maturity. Approvals for Corporate and Consumer loans are centralized, while approval authorities for Commercial and SME exposures are delegated to a Regional level. All credit policy functions are centrally organized.

Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographical region, or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Group manages, limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where appropriate. Limits are also applied to portfolios or sectors where the Group considers it appropriate to restrict credit risk concentrations, or to areas of higher risk, or to control the rate of portfolio growth.



# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 45.2 Segmental information

#### 45.2.1 Segments by class of business

	2014					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	6,580,613	1.28%	17,495,393	1.84%	6,023,366	0.88%
Agri business	56,121,545	10.91%	47,434,593	4.98%	3,051,752	0.45%
Textile spinning	21,293,765	4.14%	1,682,451	0.18%	1,545,559	0.23%
Textile weaving	2,810,593	0.55%	9,446,002	0.99%	666,421	0.10%
Textile composite	23,745,030	4.62%	2,904,513	0.31%	542,549	0.08%
Textile others	16,384,155	3.19%	1,923,925	0.20%	4,384,158	0.64%
Cement	3,318,490	0.65%	7,998,506	0.84%	1,170,584	0.17%
Sugar	4,740,778	0.92%	5,293,496	0.56%	531,370	0.08%
Shoes and leather garments	1,944,881	0.38%	1,761,525	0.19%	250,882	0.04%
Automobile and transportation equipment	12,735,439	2.48%	5,393,607	0.57%	4,644,480	0.68%
Financial	26,971,158	5.24%	22,570,721	2.37%	448,927,642	65.61%
Insurance	-	0.00%	25,466,768	2.68%	33,723	0.00%
Electronics and electrical appliances	8,103,835	1.58%	3,268,066	0.34%	1,819,627	0.27%
Production and transmission of energy	97,419,651	18.94%	63,579,867	6.68%	56,213,255	8.22%
Paper and allied	3,532,041	0.69%	1,247,831	0.13%	2,770,809	0.40%
Surgical and metal	986,166	0.19%	1,905,729	0.20%	244,655	0.04%
Contractors	6,198,325	1.21%	24,661,070	2.59%	28,991,154	4.24%
Wholesale traders	23,737,158	4.62%	48,104,768	5.05%	2,679,627	0.39%
Fertilizer dealers	7,407,635	1.44%	7,539,396	0.79%	3,829,768	0.56%
Sports goods	52,815	0.01%	3,610,739	0.38%	146,024	0.02%
Food industries	21,121,920	4.11%	7,020,027	0.74%	4,373,172	0.64%
Airlines	7,646,882	1.49%	4,706,470	0.49%	174,471	0.03%
Cables	1,551,866	0.30%	84,598	0.01%	292,292	0.04%
Construction	24,991,463	4.86%	19,839,687	2.08%	11,200,839	1.64%
Containers and ports	-	0.00%	8,073,652	0.85%	4,186,920	0.61%
Engineering	4,335,100	0.84%	1,801,998	0.19%	4,127,252	0.60%
Glass and allied	89,038	0.02%	806,575	0.08%	254,858	0.04%
Hotels	4,043,568	0.79%	5,718,856	0.60%	46,252	0.01%
Infrastructure	-	0.00%	20,111,123	2.11%	84,721	0.01%
Media	380,961	0.07%	794,028	0.08%	50	0.00%
Polyester and fiber	6,341,789	1.23%	90,370	0.01%	745,682	0.11%
Telecommunication	11,278,132	2.19%	7,307,598	0.77%	8,887,250	1.30%
Individuals	72,512,120	14.09%	468,434,928	49.21%	14,654,351	2.13%
Others	35,905,808	6.97%	103,823,420	10.91%	66,727,192	9.74%
	514,282,720	100.00%	951,902,296	100.00%	684,222,707	100.00%

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	2013					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	5,979,475	1.30%	5,919,822	0.67%	5,804,329	0.74%
Agri business	58,684,521	12.71%	27,177,181	3.06%	9,415	0.00%
Textile spinning	21,677,722	4.70%	1,498,771	0.17%	839,676	0.11%
Textile weaving	4,207,145	0.91%	2,201,841	0.25%	3,573,715	0.46%
Textile composite	23,561,718	5.10%	2,587,416	0.29%	-	0.00%
Textile others	13,773,358	2.98%	2,986,751	0.34%	3,537,268	0.45%
Cement	3,790,075	0.82%	13,510,737	1.52%	1,577,246	0.20%
Sugar	4,380,318	0.95%	3,518,261	0.40%	456,776	0.06%
Shoes and leather garments	2,084,008	0.45%	3,590,046	0.40%	323,007	0.04%
Automobile and transportation equipment	4,851,574	1.05%	5,721,718	0.64%	3,399,734	0.43%
Financial	15,465,476	3.35%	17,636,677	1.98%	518,726,917	66.36%
Insurance	-	0.00%	10,420,811	1.17%	539	0.00%
Electronics and electrical appliances	3,953,956	0.86%	4,247,719	0.48%	1,070,613	0.14%
Production and transmission of energy	57,710,061	12.50%	36,028,311	4.05%	80,787,473	10.33%
Paper and allied	1,699,829	0.37%	581,571	0.07%	673,752	0.09%
Surgical and metal	140,838	0.03%	2,719,365	0.31%	241,257	0.03%
Contractors	9,793,869	2.12%	23,435,295	2.63%	32,455,017	4.15%
Wholesale traders	21,376,992	4.63%	36,831,511	4.14%	4,600,213	0.59%
Fertilizer dealers	5,253,653	1.14%	6,534,660	0.73%	3,134,964	0.40%
Sports goods	272,606	0.06%	1,416,193	0.16%	-	0.00%
Food industries	21,811,888	4.72%	5,042,693	0.57%	5,271,293	0.67%
Airlines	9,105,607	1.97%	1,154,084	0.13%	49,250	0.01%
Cables	234,513	0.05%	495,859	0.06%	518,822	0.07%
Construction	20,756,557	4.50%	11,266,135	1.27%	7,336,285	0.94%
Containers and ports	-	0.00%	323,000	0.04%	3,146,971	0.40%
Engineering	3,144,086	0.68%	2,153,155	0.24%	3,374,569	0.43%
Glass and allied	249,106	0.05%	397,203	0.04%	217,179	0.03%
Hotels	2,458,432	0.53%	3,626,013	0.41%	66,428	0.01%
Infrastructure	-	0.00%	21,610,136	2.43%	73,181	0.01%
Media	687,729	0.15%	669,688	0.08%	100	0.00%
Polyester and fiber	4,128,139	0.89%	272,942	0.03%	45,712	0.01%
Telecommunication	6,275,345	1.36%	13,678,172	1.53%	251,885	0.03%
Individuals	63,518,871	13.76%	495,829,670	55.73%	13,498,271	1.73%
Others	70,647,531	15.31%	124,442,196	13.98%	86,649,599	11.08%
	461,674,998	100.00%	889,525,603	100.00%	781,711,456	100.00%

### 45.2.2 Segment by sector

	2014					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	125,392,226	24.38%	62,828,908	6.60%	77,186,416	11.28%
Private	388,890,494	75.62%	889,073,388	93.40%	607,036,291	88.72%
	514,282,720	100.00%	951,902,296	100.00%	684,222,707	100.00%

	2013					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	100,103,489	21.68%	61,402,925	6.90%	87,352,121	11.17%
Private	361,571,509	78.32%	828,122,678	93.10%	694,359,335	88.83%
	461,674,998	100.00%	889,525,603	100.00%	781,711,456	100.00%

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## 45.2.3 Details of non performing advances and specific provisions by class of business segment

	2014		2013	
	Classified advances	Specific provision	Classified advances	Specific provision
----- (Rupees in '000) -----				
Chemical and pharmaceuticals	375,805	355,821	259,484	259,484
Agri business	1,104,812	879,015	1,098,563	879,874
Textile spinning	5,081,205	4,898,555	4,139,842	4,079,091
Textile weaving	722,250	675,355	854,368	788,253
Textile composite	4,927,250	4,789,418	5,891,133	4,692,948
Textile others	3,631,113	3,204,902	3,047,785	2,926,837
Sugar	31,832	31,832	157,837	52,067
Shoes and leather garments	405,013	318,982	228,623	221,434
Automobile and transportation equipment	720,139	663,765	226,896	180,736
Financial	2,682,547	1,734,089	2,083,465	1,725,930
Electronics and electrical appliances	175,088	175,088	183,833	183,833
Production and transmission of energy	6,984,140	3,884,756	3,955,581	3,570,269
Paper and allied	169,396	152,996	418,260	395,321
Wholesale traders	1,624,445	1,471,673	1,834,356	1,660,644
Fertilizer dealers	69,814	69,814	75,324	68,567
Sports goods	24,820	24,327	63,960	63,960
Food industries	841,627	758,986	862,616	805,516
Construction	3,798,502	3,387,713	3,964,091	3,623,960
Engineering	2,884,198	1,073,071	3,124,714	974,242
Glass and allied	-	-	367	367
Hotels	485,993	485,993	485,993	485,993
Polyester and fiber	2,258,718	2,252,519	2,355,095	2,284,036
Individuals	13,297,188	10,503,589	14,338,751	11,509,679
Others	4,809,582	3,026,806	5,183,995	3,064,904
	<u>57,105,477</u>	<u>44,819,065</u>	<u>54,834,932</u>	<u>44,497,945</u>

## 45.2.4 Details of non performing advances and specific provision by sector

	2014		2013	
	Classified advances	Specific provision	Classified advances	Specific provision
----- (Rupees in '000) -----				
Public / Government	1,089,630	22,313	1,422,966	22,313
Private	56,015,847	44,796,752	53,411,966	44,475,632
	<u>57,105,477</u>	<u>44,819,065</u>	<u>54,834,932</u>	<u>44,497,945</u>

# Notes to and forming part of the Consolidated Financial Statements

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## 45.2.5 Geographical segment analysis

	2014			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
----- (Rupees in '000) -----				
Pakistan operations	29,296,442	887,896,331	85,831,329	358,766,260
Middle East	5,032,816	248,206,439	34,514,136	262,148,111
United States of America	119,840	4,228,299	2,260,843	1,616
Karachi Export Processing Zone	44,893	1,725,662	405,435	153,463
Europe	1,121,026	74,105,677	13,205,389	74,529,621
Africa	1,297	4,299,254	1,287,479	126,369
	<u>6,319,872</u>	<u>332,565,331</u>	<u>51,673,282</u>	<u>336,959,180</u>
	<u>35,616,314</u>	<u>1,220,461,662</u>	<u>137,504,611</u>	<u>695,725,440</u>
-----				
	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
----- (Rupees in '000) -----				
Pakistan operations	22,946,610	774,128,719	64,326,829	476,145,109
Middle East	4,682,467	262,036,474	31,735,784	232,101,989
United States of America	195,215	3,283,908	2,137,392	1,694
Karachi Export Processing Zone	21,990	1,500,847	394,452	248,766
Europe	1,195,139	78,214,319	11,197,232	87,750,991
Africa	(76,243)	2,040,519	1,481,458	151,391
	<u>6,018,568</u>	<u>347,076,067</u>	<u>46,946,318</u>	<u>320,254,831</u>
	<u>28,965,178</u>	<u>1,121,204,786</u>	<u>111,273,147</u>	<u>796,399,940</u>

Total assets employed include intra group items of Rs. 38,008.549 million (2013: Rs. 37,572.070 million).

Contingencies and commitments include intra group items of Rs. 11,502.733 million (2013: Rs. 14,688.484 million).

## 45.3 Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate due to movements in market prices. It results from changes in interest rates, exchange rates and equity prices as well as from changes in the correlations between them. Each of these components of market risk consists of a general market risk and a specific market risk that is driven by the nature and composition of the portfolio.

Measuring and controlling market risk is usually carried out at a portfolio level. However, certain controls are applied, where necessary, to individual risk types, to particular books and to specific exposures. Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price, volatility, market depth and liquidity. These controls include limits on exposure to individual market risk variables as well as limits on concentrations of tenors and issuers.

Trading activities are centered in the Treasury and Capital Markets Group which facilitates clients and also runs proprietary positions. The Group is active in the cash and derivative markets for equity, interest rate and foreign exchange.

The Market and Treasury Risk division performs market risk management activities. Within this division, the Market Risk Management unit is responsible for the development and review of market risk policies and processes, and is involved in research, financial modeling and testing / implementation of risk management systems, while Treasury Middle Office is responsible for implementation and monitoring of market risk and other policies, escalation of deviations to senior management, and MIS reporting.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

The functions of the Market Risk Management unit are as follows:

- To keep the market risk exposure within the Group's risk appetite as assigned by the BoD and the BRCC.
- To develop, review and upgrade procedures for the effective implementation of market risk management policies approved by the BoD and BRCC.
- To review new product proposals and propose / recommend / approve procedures for the management of their market risk. Various limits are assigned to different businesses on a product/portfolio basis. The products are approved through product programs, where risks are identified and limits and parameters are set. Any transactions / products falling outside these product programs are approved through separate transaction / product memos.
- To maintain a comprehensive database for performing risk analysis, stress testing and scenario analysis. Stress testing activities are performed on a quarterly basis on both the Banking and Trading books.

### 45.3.1 Foreign Exchange Risk

	2014			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
----- (Rupees in '000) -----				
Pakistan Rupee	847,564,520	692,982,597	(29,545,023)	125,036,900
US Dollar	176,010,909	116,172,171	(58,549,194)	1,289,544
Pound Sterling	24,022,774	32,054,011	15,629,405	7,598,168
Japanese Yen	32,647	6,800	(20,544)	5,303
Euro	4,025,339	10,325,245	6,817,515	517,609
UAE Dirham	80,651,796	127,066,336	46,556,261	141,721
Bahraini Dinar	11,389,051	22,135,650	10,730,757	(15,842)
Qatari Riyal	18,314,010	22,671,952	4,419,780	61,838
Other Currencies	20,442,067	21,533,740	3,961,043	2,869,370
	<u>1,182,453,113</u>	<u>1,044,948,502</u>	<u>-</u>	<u>137,504,611</u>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

	2013			
	Assets	Liabilities	Off - balance sheet items	Net currency exposure
	----- (Rupees in '000) -----			
Pakistan Rupee	732,590,401	607,729,972	(24,350,955)	100,509,474
US Dollar	173,834,847	113,810,034	(53,848,794)	6,176,019
Pound Sterling	29,872,303	42,266,411	11,957,543	(436,565)
Japanese Yen	94,902	9,362	(73,527)	12,013
Euro	3,241,557	9,181,515	6,651,595	711,637
UAE Dirham	82,894,888	125,321,539	42,858,583	431,932
Bahrain Dinar	13,173,637	19,452,215	6,004,329	(274,249)
Qatari Riyal	17,887,202	24,690,385	6,741,932	(61,251)
Other Currencies	30,042,979	29,898,136	4,059,294	4,204,137
	<u>1,083,632,716</u>	<u>972,359,569</u>	<u>-</u>	<u>111,273,147</u>

Foreign Exchange Risk is the risk that the fair value of a financial instrument will fluctuate due to changes in foreign exchange rates. Exposures are monitored by currency to ensure that they remain within the established limits for each currency. Exposures are also monitored on an overall basis to ensure compliance with the Bank's SBP approved Foreign Exchange Exposure Limit.

The Group is an active participant in the cash and derivatives markets for currencies and carries currency risk from these trading activities, conducted primarily by the Treasury and Capital Markets Group (TCM). These trading exposures are monitored through prescribed stress tests and sensitivity analyses.

The Group's reporting currency is the Pakistan Rupee, but its assets, liabilities, income and expenses are denominated in multiple currencies. From time to time, TCM proactively hedges foreign currency exposures resulting from its market making activities, subject to pre-defined limits.

## 45.3.2 Equity position risk

Equity position risk is the risk that the fair value of a financial instrument will fluctuate due to changes in the prices of individual stocks or the levels of equity indices. The Group's equity book comprises of held for trading (HFT) and available for sale (AFS) portfolios. The objective of the HFT portfolio is to make short-term capital gains, whilst the AFS portfolio is maintained with a medium term view of earning both capital gains and dividend income. Product program manuals have been developed to provide guidelines on the objectives and policies, risks and mitigants, limits and controls for the equity portfolios of the Group.

## 45.3.3 Yield / interest rate risk

Interest rate risk is the risk that fair value of a financial instrument will fluctuate as a result of changes in interest rates, including changes in the shape of yield curves. Interest rate risk is inherent in many of the Group's businesses and arises from mismatches between the contractual maturities or the re-pricing of on and off balance sheet assets and liabilities. The interest rate sensitivity profile is prepared on a quarterly basis based on the re-pricing or contractual maturities of assets and liabilities.

Interest rate risk is monitored and managed by performing periodic gap analysis, sensitivity analysis and stress testing and taking appropriate actions where required.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 45.3.4 Mismatch of interest rate sensitive assets and liabilities

Effective yield / interest rate	Total	2014										Non-interest bearing financial instruments		
		Exposed to yield / interest rate risk												
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years				
		(Rupees in '000)												
		%												
		On-balance sheet financial instruments												
		Assets												
0.08%	75,660,306	8,051,610	-	-	-	2,583,216	226,913	-	-	-	-	-	-	67,608,696
0.27%	21,948,274	3,897,212	2,089,381	-	-	5,302,855	4,332,258	-	-	-	-	-	-	13,151,552
5.79%	23,435,222	6,286,138	3,037,345	-	-	18,050,288	27,275,602	2,009,607	1,808,315	169,518	489,186	-	-	-
10.22%	519,602,007	27,596,922	44,705,693	-	-	56,956,767	15,085,837	119,606,372	53,593,367	86,231,587	104,764,255	2,743,104	-	35,027,817
8.87%	455,078,880	93,525,541	265,854,106	-	-	-	-	6,032,492	4,290,413	7,181,027	3,314,771	2,837,928	-	12,286,412
0%	28,987,790	-	-	-	-	-	-	-	-	-	-	-	-	28,987,790
	1,136,978,891	1,39,357,423	315,686,525	82,902,126	46,916,610	127,648,471	59,692,095	93,582,132	108,566,212	5,561,030	157,042,267			
		Liabilities												
0%	9,559,255	-	-	-	-	-	-	-	-	-	-	-	-	9,559,255
7.69%	53,248,526	26,574,435	15,896,450	4,001,628	57,401	181,945	449,330	2,963,588	2,860,607	303,142	-	-	-	303,142
3.93%	951,902,296	412,966,950	64,069,415	51,059,140	41,682,016	10,307,510	7,938,564	11,878,217	6,019,238	350,871	-	-	-	345,630,375
0.00%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13.47%	429	429	-	-	-	-	-	-	-	-	-	-	-	-
0%	23,222,700	-	-	-	-	-	-	-	-	-	-	-	-	23,222,700
	1,037,933,206	439,541,814	79,925,865	55,060,768	41,739,417	10,489,455	8,387,894	14,841,805	8,879,845	350,871	378,715,472			
	99,045,685	(300,184,391)	235,760,660	27,841,358	5,179,193	117,159,016	51,304,201	78,740,327	99,686,367	5,230,159	(221,673,205)			
	38,458,926													
	137,504,611													
		Off-balance sheet financial instruments												
	4,511,816	-	1,674,061	167,472	-	167,472	-	167,472	2,502,811	-	-	-	-	-
	(4,511,816)	-	(2,502,811)	(167,472)	-	(167,472)	-	(167,472)	(1,674,061)	-	-	-	-	-
	5,934,000	-	5,934,000	-	-	-	-	-	-	-	-	-	-	-
	(5,934,000)	-	(5,934,000)	-	-	-	-	-	-	-	-	-	-	-
	190,043	-	-	-	-	-	-	-	-	-	-	-	-	190,043
	(190,043)	-	-	-	-	-	-	-	-	-	-	-	-	(190,043)
	1,329,394	-	-	-	-	-	-	101,878	-	-	1,227,516	-	-	-
	(906,201)	-	-	-	-	-	-	(51,873)	(106,102)	-	(748,226)	-	-	-
	204,579,868	81,958,495	78,846,835	38,183,216	5,591,322	-	-	-	-	-	-	-	-	-
	(169,160,871)	(63,722,746)	(59,277,790)	(42,950,510)	(3,199,825)	-	-	-	-	-	-	-	-	-
	35,852,190	18,235,749	18,740,295	(4,767,294)	2,391,497	101,878	(51,873)	722,648	479,230	-	-	-	-	-
	134,897,875	(281,948,642)	254,500,955	23,074,064	7,570,690	117,280,894	51,252,328	79,462,975	100,167,657	5,230,159	(221,673,205)			
		(281,948,642)	(27,447,687)	(4,373,623)	3,197,067	120,457,961	171,710,289	251,173,264	351,340,921	366,571,080	134,897,875			

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	Effective yield / interest rate	2013										Non-interest bearing financial instruments	
		Exposed to yield / interest rate risk											
		Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years			
(Rupees in '000)													
<b>On-balance sheet financial instruments</b>													
<b>Assets</b>													
Cash and balances with treasury banks	0.01%	89,591,601	7,145,518	-	-	-	-	-	-	-	-	-	82,446,083
Bills payable	1.15%	32,659,606	12,819,410	3,388,963	211,119	139,745	-	-	-	-	-	-	14,944,834
Balances with other banks	4.47%	29,859,038	15,151,655	3,255,439	4,799,685	1,585,137	-	-	-	-	-	-	10,947
Lending to financial institutions	10.64%	458,846,198	44,737,872	151,179,060	52,775,980	24,590,137	45,817,997	-	-	-	-	-	25,282,048
Advances	11.28%	404,946,323	36,559,602	211,377,482	77,112,829	25,686,218	18,304,605	-	-	-	-	-	-
Performing		10,336,987	-	-	-	-	-	-	-	-	-	-	10,336,987
Non-performing		22,834,390	-	-	-	-	-	-	-	-	-	-	22,834,390
Other assets	0%	1,049,072,143	116,414,057	366,966,516	138,372,947	39,117,716	64,122,602	59,093,111	12,914,332	-	-	-	155,855,289
<b>Liabilities</b>													
Borrowings	0%	16,600,691	-	-	-	-	-	-	-	-	-	-	16,600,691
Deposits and other accounts	10.46%	41,077,730	16,219,982	14,431,089	4,809,219	1,642,946	986,492	-	-	-	-	-	399,594
Subordinated loans	4.33%	889,525,603	365,434,223	66,794,553	37,469,032	47,408,647	9,428,013	12,288,794	24,254,024	2,565,846	-	-	306,086,531
Liabilities against assets subject to finance lease	11.91%	665,328	-	665,328	-	-	-	-	-	-	-	-	-
Other liabilities	15.28%	20,454,948	71	144	220	460	430	-	-	-	-	-	-
	0%	968,325,625	381,654,276	81,891,114	42,278,471	49,052,053	18,127,216	13,300,869	25,109,521	2,565,846	-	-	343,541,754
<b>On-balance sheet gap</b>		80,746,518	(285,240,219)	285,075,402	96,094,476	(9,934,337)	14,801,875	45,792,242	38,176,961	9,958,486	-	-	(187,686,465)
<b>Net non financial assets</b>		30,526,629	-	-	-	-	-	-	-	-	-	-	-
<b>Total net assets</b>		111,273,147	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet financial instruments</b>													
Interest Rate Derivatives - Long position		5,723,576	-	2,085,405	245,757	-	-	-	-	-	-	-	-
Interest Rate Derivatives - Short position		(5,723,576)	-	(3,146,655)	(245,757)	-	-	-	-	-	-	-	-
Cross Currency Swap - Long position		10,550,240	-	6,114,000	4,436,240	-	-	-	-	-	-	-	-
Cross Currency Swap - Short Position		(10,550,240)	-	(6,114,000)	(4,436,240)	-	-	-	-	-	-	-	-
FX Options - Long position		-	-	-	-	-	-	-	-	-	-	-	-
FX Options - Short position		-	-	-	-	-	-	-	-	-	-	-	-
Forward Sale of Government Securities		238,732,897	100,447,698	76,447,618	61,463,822	373,759	-	-	-	-	-	-	-
Foreign currency forward purchases		(202,902,937)	(96,312,258)	(46,989,124)	(59,555,207)	(46,348)	-	-	-	-	-	-	-
Foreign currency forward sales		-	-	-	-	-	-	-	-	-	-	-	-
Commodity futures		-	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet Gap</b>		35,829,960	4,135,440	28,387,244	1,908,615	327,411	-	1,061,250	-	-	-	-	-
<b>Total Yield / Interest Rate Risk Sensitivity Gap</b>		116,576,478	(261,104,779)	313,472,646	98,003,091	(9,606,926)	14,801,875	46,853,492	38,176,961	9,958,486	-	-	(187,686,465)
<b>Cumulative Yield / Interest Rate Risk Sensitivity Gap</b>			(261,104,779)	52,367,867	150,370,958	140,764,032	155,565,907	209,274,004	286,127,496	294,304,457	304,262,943	116,576,478	



# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 45.4 Liquidity Risk

Liquidity risk is the risk that the Group may be unable to meet its obligations or to fund increases in assets as they fall due without incurring unacceptable cost or losses.

The Assets and Liability Management Committee (ALCO) of the Group is responsible for the oversight of liquidity management and meets on a monthly basis or more frequently, if required.

The Group's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. These encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Group's business.

### 45.4.1 Maturities of assets and liabilities - based on working prepared by the Assets and Liabilities Management Committee (ALCO) of the Group

Assets and Liabilities having contractual maturity dates are bucketed as per their respective maturities. The maturity profile of non-contractual deposits and bills payable is estimated using an Exponentially Weighted Moving Average model based on data for the last seven years. The maturity profile of certain non-contractual assets and liabilities which are related to specific assets and liabilities follows the maturity profile of the underlying asset or liability. The maturity profile of other non-contractual assets and liabilities is expected to follow historical patterns of behavior. The methodology and the assumptions used to derive the maturity profile of non-contractual assets and liabilities have been approved by ALCO.

	2014									
	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
<b>Assets</b>										
Cash and balances with treasury banks	75,660,306	1,057,174	1,036,074	1,499,849	2,100,553	1,601,018	2,538,846	5,255,066	11,077,729	
Balances with other banks	21,948,274	2,089,381	2,583,216	2,226,913	2,16,037	-	-	-	-	
Lendings to financial institutions	23,435,222	2,989,159	4,302,200	3,362,033	2,642,941	2,599,982	613,952	658,706	17,305,939	
Investments	519,602,007	45,810,830	10,227,063	49,661,816	121,928,985	52,834,162	80,360,074	105,158,154	13,158,430	
Advances - Performing	455,078,880	107,891,355	61,168,671	29,039,356	20,607,063	23,667,983	70,078,044	46,898,625	12,286,412	
- Non-performing	12,286,412	-	-	-	622,503	1,074,104	3,372,236	1,814,284	21,805,253	
Operating fixed assets	33,335,646	3,173,832	623,892	291,665	-	-	-	-	-	
Deferred tax assets	-	-	-	-	-	-	-	-	-	
Other assets	41,106,366	16,521,174	2,305,285	7,569,556	175,308	319,659	1,480,878	907,554	1,277,305	
	1,182,453,113	220,888,132	82,246,401	91,651,188	148,293,390	82,196,908	158,444,030	160,692,419	76,911,068	
<b>Liabilities</b>										
Bills payable	9,559,255	2,901,145	2,077,326	2,461,149	-	-	-	-	-	
Borrowings	53,248,526	24,942,690	5,935,516	949,594	849,715	736,174	1,983,025	2,487,272	-	
Deposits and other accounts	951,902,296	153,495,234	68,376,112	81,977,837	71,921,755	49,042,576	74,218,864	128,406,862	220,304,839	
Subordinated loan	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease	429	429	-	-	-	-	-	-	-	
Deferred tax liability	2,139,586	-	-	534,896	534,897	534,896	534,897	-	-	
Other liabilities	28,098,410	15,288,858	873,468	1,295,430	275,543	192,057	661,606	2,173,374	3,327,306	
	1,044,948,502	196,528,356	77,262,422	87,218,906	73,561,910	50,505,703	77,398,392	133,067,508	223,632,145	
<b>Net assets</b>	137,504,611	24,159,776	4,983,979	4,432,282	74,711,480	31,691,205	81,045,638	27,624,911	(146,721,077)	
<b>Represented by:</b>										
Share capital	12,241,798									
Reserves	37,286,086									
Unappropriated profit	52,507,655									
Non-controlling interest	4,553,260									
Surplus on revaluation of assets	30,915,820									
	137,504,611									

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

2013

	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
<b>Total</b>	47,380,662	1,399,168	1,371,240	1,985,046	2,761,460	2,118,942	3,403,814	6,757,328	22,413,941
<b>Assets</b>									
Cash and balances with treasury banks	27,274,893	1,480,731	3,552,111	211,122	139,749	-	-	-	-
Balances with other banks	14,438,406	2,501,703	5,717,625	3,797,320	1,872,311	168,021	863,329	499,323	-
Lendings to financial institutions	80,798,666	144,476,768	46,202,904	28,317,899	23,140,643	53,438,409	36,912,607	37,749,586	7,808,716
Investments	77,563,079	98,154,034	42,703,826	33,905,550	14,551,355	22,168,995	64,747,070	42,804,825	8,347,589
Advances - Performing	-	-	-	-	-	-	-	-	-
- Non-performing	3,293,183	133,314	221,602	389,969	904,530	917,950	3,490,141	2,077,836	10,336,987
Operating fixed assets	7,414,132	8,579,614	1,545,310	7,570,977	1,218,824	282,682	1,207,952	775,618	16,609,455
Deferred tax assets	-	-	-	-	-	-	-	-	-
Other assets	256,163,021	256,725,332	101,314,618	76,177,883	44,568,872	79,074,999	110,624,913	90,864,516	66,298,562
<b>1,083,632,716</b>									
<b>Liabilities</b>									
Bills payable	6,186,157	4,218,618	4,134,414	2,051,502	-	-	-	-	-
Borrowings	20,575,017	12,530,095	3,446,887	1,326,972	720,836	610,332	1,012,085	855,496	-
Deposits and other accounts	142,584,790	92,551,339	75,414,032	91,579,875	55,893,050	40,404,193	49,765,585	95,529,668	245,803,071
Subordinated loan	-	332,864	-	332,864	-	-	-	-	-
Liabilities against assets subject to finance lease	71	144	220	460	430	-	-	-	-
Deferred tax liability	5,914,687	3,174,083	1,316,647	1,453,421	1,110,321	501,008	683,308	2,469,242	6,451,037
Other liabilities	175,270,722	112,806,943	84,312,210	97,093,678	58,073,421	41,864,317	51,809,764	98,574,406	252,254,108
<b>Net assets</b>	82,892,299	143,918,389	17,002,408	(20,915,795)	(13,484,549)	37,210,682	58,815,149	(8,209,890)	(185,955,546)
<b>Represented by:</b>									
Share capital	12,241,798								
Reserves	38,049,345								
Unappropriated profit	45,208,302								
Non-controlling interest	3,487,918								
Surplus on revaluation of assets	12,285,764								
<b>111,273,147</b>									

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 45.4.2 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Group

The maturity profile presented below has been prepared as required by IFRS on the basis of contractual maturities, except for products that do not have a contractual maturity which are shown in the first bucket.

	2014									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
<b>Assets</b>										
Cash and balances with treasury banks	75,660,306	-	-	-	-	-	-	-	-	-
Balances with other banks	21,948,274	2,089,381	2,583,216	226,913	-	-	-	-	-	-
Lendings to financial institutions	23,435,222	2,969,159	4,302,200	3,362,033	2,642,940	2,599,982	613,952	658,706	-	-
Investments	519,602,007	62,188,200	10,529,470	29,098,700	123,129,447	56,475,817	87,919,785	108,004,376	2,739,662	-
Advances	467,365,292	85,241,495	61,168,671	28,261,767	18,537,507	23,667,983	70,078,044	46,898,949	25,619,845	-
Operating fixed assets	33,335,646	3,351,105	623,892	291,665	622,503	1,074,104	3,305,476	1,814,284	21,694,739	-
Deferred tax asset	-	-	-	-	-	-	-	-	-	-
Other assets	41,106,366	40,813,249	119,578	-	-	-	77,254	-	-	-
	1,182,453,113	290,589,369	153,120,284	79,327,027	61,241,078	144,932,397	83,817,886	161,994,511	157,376,315	50,054,246
<b>Liabilities</b>										
Bills payable	9,559,255	-	-	-	-	-	-	-	-	-
Borrowings	53,248,526	15,464,540	5,935,516	949,594	849,715	736,174	1,983,025	2,487,272	-	-
Deposits and other accounts	951,902,296	781,135,044	34,705,475	36,625,127	11,927,081	5,413,391	10,719,034	4,898,458	9,201	-
Subordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	429	-	-	-	-	-	-	-	-	-
Deferred tax liability - net	2,139,586	-	-	-	-	-	-	-	-	-
Other liabilities	28,098,410	24,063,882	337,419	-	-	-	-	578,900	-	-
	1,044,948,502	841,740,886	40,978,410	37,574,721	12,776,796	6,149,565	12,702,059	7,964,630	3,089,235	-
<b>Net assets</b>	137,504,611	(551,151,517)	71,148,084	38,348,617	23,666,357	132,155,601	77,668,321	149,292,452	149,411,685	46,965,011
<b>Represented by:</b>										
Share capital	12,241,798	-	-	-	-	-	-	-	-	-
Reserves	37,286,088	-	-	-	-	-	-	-	-	-
Unappropriated profit	52,507,655	-	-	-	-	-	-	-	-	-
Non-controlling interest	4,553,250	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	30,915,820	-	-	-	-	-	-	-	-	-
	137,504,611	-	-	-	-	-	-	-	-	-

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

	2013									
	Total	Upto 1 month	Over 1 month	Over 3 months	Over 6 months	Over 1 year to 2	Over 2 years to	Over 3 years to	Over 5 years to	Over 10 years
		to 1 month	to 3 months	to 6 months	to 1 year	years	3 years	5 years	10 years	
										(Rupees in '000)
Cash and balances with treasury banks	89,591,601	89,547,944	-	-	-	-	-	43,657	-	-
Balances with other banks	32,658,606	27,274,895	1,480,731	3,552,109	211,123	139,748	-	-	-	-
Lendings to financial institutions	29,858,038	14,438,405	2,501,703	5,717,625	3,797,320	1,872,311	168,021	863,329	499,324	-
Investments	458,846,198	62,125,768	144,158,835	46,202,903	12,337,056	24,184,758	57,093,581	50,477,755	54,456,823	7,808,719
Advances	415,283,310	80,052,469	98,154,034	42,705,172	33,163,619	14,606,218	22,168,995	64,747,070	42,804,825	16,880,908
Operating fixed assets	28,037,980	3,293,183	133,314	221,602	389,969	904,530	917,950	3,490,141	2,041,194	16,646,097
Deferred tax asset	-	-	-	-	-	367,708	-	-	-	-
Other assets	29,356,983	21,675,754	6,047,295	909,413	214,454	367,708	65,105	77,254	-	-
	1,083,632,716	298,408,418	252,475,912	99,308,824	50,113,541	42,075,273	80,413,652	119,699,206	99,802,166	41,335,724
<b>Liabilities</b>										
Bills payable	16,600,691	16,600,691	-	-	-	-	-	-	-	-
Borrowings	41,077,730	20,575,017	12,530,095	3,446,897	1,326,972	720,836	610,332	1,012,085	855,496	-
Deposits and other accounts	889,525,603	636,816,221	73,211,307	56,460,053	59,819,631	17,722,747	10,914,429	10,678,361	23,902,754	100
Subordinated loans	665,328	-	332,664	-	332,664	-	-	-	-	-
Liabilities against assets subject to finance lease	1,325	71	144	220	460	430	-	-	-	-
Deferred tax liability - net	1,395,138	1,395,138	-	-	-	-	-	-	-	-
Other liabilities	23,093,754	17,929,610	429,485	371,837	824,676	442,874	-	-	625,532	2,469,740
	972,359,569	693,316,748	86,503,695	60,279,007	62,304,403	18,886,887	11,524,761	11,690,446	25,383,782	2,469,840
<b>Net assets</b>	111,273,147	(394,908,330)	165,972,217	39,029,817	(12,190,862)	23,188,386	66,888,891	108,008,760	74,418,384	38,865,884
<b>Represented by:</b>										
Share capital	12,241,798									
Reserves	38,049,345									
Unappropriated profit	45,208,302									
Non-controlling interest	3,487,918									
Surplus on revaluation of assets	12,285,784									
	111,273,147									

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 45.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Operational Risk & Basel II Division is primarily responsible for the oversight of operational risk management across the Group. The operational risk management framework of the Group is governed by the Operational Risk Management Policy and Procedures, while the implementation is supported by an operational risk management system and designated operational risk coordinators within different units across the Group. The framework is in line with international best practices, flexible enough to implement in stages and permits the overall approach to evolve in response to organizational learning and future requirements.

Loss data, collected through a well defined program, is evaluated and processes are reviewed for improvements in mitigation techniques. Periodic workshops are conducted for Risk & Control Self Assessment and key risk exposures are identified and assessed against existing controls to evaluate improvement opportunities. Key Risk Indicators are also defined for monitoring of risk exposures. New products, systems, activities and processes, are subject to comprehensive operational risk assessments, before implementation.

Business Continuity Plans have been implemented across the bank, clearly defining the roles and responsibilities of respective stakeholders, and covering recovery strategy, IT and structural backups, scenario and impact analyses and testing directives. The outsourcing policy has also been augmented to address risks associated with such arrangements.

### 46. ISLAMIC BANKING BUSINESS

The Bank operates 24 (2013: 22) Islamic Banking Branches and 81 (2013: 15) Islamic Banking windows.

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

	Note	2014 ----- (Rupees in '000) -----	2013
<b>ASSETS</b>			
Cash and balances with treasury banks		1,105,791	951,157
Balances with other banks		388,594	1,701,743
Investments		8,078,202	7,363,524
Islamic financing and related assets	46.1	6,656,812	5,183,080
Operating fixed assets		99,954	117,974
Due from Head Office		2,503,182	2,144,911
Other assets		154,874	153,963
<b>Total Assets</b>		<b>18,987,409</b>	<b>17,616,352</b>
<b>LIABILITIES</b>			
Bills payable		112,626	54,532
Deposits and other accounts			
Current accounts		2,345,427	2,328,416
Saving accounts		2,331,634	2,490,262
Term deposits		1,061,485	1,994,823
Deposits from financial institutions - remunerative		12,120,720	9,980,829
Deposits from financial institutions - non remunerative		32	-
	46.2	17,859,298	16,794,330
Due to Head Office		-	-
Other liabilities		179,808	191,564
		<b>18,151,732</b>	<b>17,040,426</b>
<b>NET ASSETS</b>		<b>835,677</b>	<b>575,926</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		1,181,000	681,000
Accumulated losses		(276,733)	(156,679)
		904,267	524,321
(Deficit) / surplus on revaluation of assets		(68,590)	51,605
		<b>835,677</b>	<b>575,926</b>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31 is as follows:

	2014 ----- (Rupees in '000) -----	2013 ----- (Rupees in '000) -----
Return earned	1,240,924	1,511,101
Return expensed	899,786	895,282
	<u>341,138</u>	<u>615,819</u>
Provision against loans and advances - net	4,663	1,525
Charge / (reversal) for diminution in value of investments - net	10,192	(1,438)
Charge / (reversal) against assets given on Ijarah	12,364	(3,602)
	<u>27,219</u>	<u>(3,515)</u>
Net return after provisions	313,919	619,334
<b>Other Income</b>		
Fee, commission and brokerage income	26,076	14,913
Dividend income	9,062	20,187
(Loss) / income from dealing in foreign currencies	(5,012)	7,291
Gain on sale of securities - net	3,882	9,021
Other income	32,305	8,584
Total other income	<u>66,313</u>	<u>59,996</u>
	380,232	679,330
<b>Other Expenses</b>		
Administrative expenses	499,795	638,933
Other provisions - net	491	2,497
Total other expenses	<u>500,286</u>	<u>641,430</u>
(Loss) / profit for the year	(120,054)	37,900
Accumulated losses brought forward	(156,679)	(194,579)
Accumulated losses carried forward	<u>(276,733)</u>	<u>(156,679)</u>
<b>Remuneration to Shariah Advisor</b>	<u>1,231</u>	<u>1,045</u>
<b>46.1 Islamic financing and related assets</b>		
Financings		
Murabaha	230,260	3,232,150
Ijarah	706,341	867,257
Musharaka	-	-
Diminishing Musharaka	4,801,540	687,448
Salam	-	281,040
Provision against financings	<u>(36,052)</u>	<u>(31,389)</u>
	5,702,089	5,036,506
Advances		
Advances and receivables against Ijarah	124,731	143,753
Advances for Diminishing Musharaka	4,500	-
Advances for Murabaha	834,246	17,498
Provision against advances for Murabaha	<u>(17,498)</u>	<u>(17,498)</u>
	945,979	143,753
Profit receivable against financings	<u>8,744</u>	<u>2,821</u>
	<u>6,656,812</u>	<u>5,183,080</u>
<b>46.2</b>		
Deposit and other accounts include redeemable capital of Rs. 15,513.839 million (2013: Rs. 14,465.914 million) and deposit on Qard basis of Rs. 2,345.459 million (2013: Rs 2,328.416 million). Remunerative deposits which are on Modaraba basis are considered as Redeemable Capital and non-remunerative deposits are classified as being on Qard basis. All the Redeemable capital held by the bank is in Pakistan Rupee.		
<b>46.3 Charity Fund</b>		
Opening balance	338	6,476
Addition during the year	4,764	262
Payments during the year	-	(6,400)
Closing balance	<u>5,102</u>	<u>338</u>

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

### 46.4 Disclosures for profit and loss distribution and pool management

During 2014, UBL Ameen (the Mudarib) maintained two pools which accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). Pool funds are invested in Islamic modes of financing and investments. The profit earned on the pool is therefore susceptible to the same market and credit risks as discussed in note 45 to the consolidated financial statements.

#### Ameen Daily Munafa Account (ADMA) Pool

The ADMA pool consists of deposits for the ADMA product. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

#### General Pool

The General pool consists of all other remunerative deposits. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. Currently, the entire net return is considered as distributable profit without paying any profit to the Mudarib on its equity.

For both pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The Mudarib's share for the year ended December 31, 2014 is Rs. 571.019 million (50% of distributable profit). Of this, an amount of Rs. 328.767 million (57.6% of Mudarib share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 8.7% per annum and the rate of profit paid on average deposits was 6.1% per annum.

The minimum and maximum weightage applied for profit allocation, as applied during the year were 0.018 and 1.156 respectively.

- 46.4.1** All assets are jointly financed by the Bank and PLS deposit holders. The income and expenses attributable to the bank mainly comprise fee, commission and brokerage income, administrative expenses (other than those noted in 46.4.1.1), and provision / impairment against non-performing assets. Below is the detail of income and expenses jointly attributable to PLS deposit holders and the Bank.

Note	2014 ----- (Rupees in '000) -----	2013 -----
Income derived from investment of deposits and other PLS funds		
Income from Financing activities	203,651	290,208
Income from Investment in Shares and Securities	833,177	805,708
Income from Ijarah Assets	311,699	438,789
Income from financial Institutions	46,030	19,574
Total Income	<u>1,394,557</u>	<u>1,554,279</u>
Administrative expenses directly attributable to depositors and other funds	46.4.1.1	
Net Income on Pool	<u>1,143,671</u>	<u>1,204,861</u>
Deductions in respect of IBI's profit on comingled funds / equity and charity funds	<u>1,633</u>	<u>332</u>
Distributable profit	<u><u>1,142,038</u></u>	<u><u>1,204,529</u></u>
<b>46.4.1.1</b> Administrative expenses directly attributable to depositors and other funds		
Depreciation on Ijarah Assets	209,044	333,545
Takaful	7,574	6,536
Brokerage Fee	1,364	1,977
Others	32,904	7,360
	<u>250,886</u>	<u>349,418</u>

### 46.5 Rights and obligations of Depositors of Unrestricted Investment Accounts / PLS Deposit Accounts

- 46.5.1** The rights of Depositors of Unrestricted Investment Accounts / PLS Deposit Accounts are as follows;

- To know the weightages assigned to each category of deposit before the start of investment period.
- To know that the pool to which their deposit is to be allocated shall be identified at the time of accepting the deposit.
- That their deposits will be Invested in Shariah Compliant Financing and Investment products.
- To ask for the Fatwa of Shariah Advisor on Shariah Compliance of Deposit products.
- To enter or exit from the pool at any point in time, without prior notice.
- To know the percentage of Mudarib share in the concerned period.

- 46.5.2** The obligations of Depositors of Unrestricted Investment Accounts / PLS Deposit Accounts is as follows ;

- The Depositors are responsible to bear the risk of return on pool assets in which their deposits are invested.

# Notes to and forming part of the Consolidated Financial Statements

## For the year ended December 31, 2014

46.6 Deployment of Mudaraba based deposits by class of business	2014	2013
	----- (Rupees in '000) -----	
Chemical and pharmaceuticals	130,011	83,936
Agri business	-	3,018,759
Textile	4,003,800	450,612
Sugar	72,738	96,110
Automobile	-	9,390
Financial	425,000	311,632
Food industries	291,784	192,306
Engineering	84,998	434,348
Glass and allied	482,261	522,134
Hotel	14,327	21,714
Plastic	138,008	84,665
Individuals	218,247	198,651
Production and Transmission of energy	1,608,469	493,537
Government of Pakistan Sukuks	7,202,661	6,538,358
Others	62,710	90,452
	<u>14,735,014</u>	<u>12,546,604</u>

### 46.7 Maturity profile of deposits

46.7.1 The maturity profile of the deposits including redeemable capital, based on contractual maturity is as follows:

	2014		2013	
	Deposits under Qard basis	Redeemable Capital	Deposits under Qard basis	Redeemable Capital
----- (Rupees in '000) -----				
Upto 1 month	2,345,459	8,858,965	2,328,416	12,101,974
1 to 3 months	-	6,423,083	-	1,792,862
3 to 6 months	-	147,840	-	366,528
6 months to 1 year	-	71,205	-	200,440
1 to 2 years	-	1,621	-	1,364
2 to 3 Years	-	8,625	-	1,271
3 to 5 years	-	2,500	-	475
5 to 10 years	-	-	-	1,000
Above 10 years	-	-	-	-
	<u>2,345,459</u>	<u>15,513,839</u>	<u>2,328,416</u>	<u>14,465,914</u>

46.7.2 The maturity profile of the deposits including redeemable capital, based on ALCO assumptions is as follows:

	2014		2013	
	Deposits under Qard basis	Redeemable Capital	Deposits under Qard basis	Redeemable Capital
----- (Rupees in '000) -----				
Upto 1 month	105,748	2,301,365	100,983	5,048,090
1 to 3 months	76,048	6,810,157	73,925	2,131,439
3 to 6 months	77,206	527,188	72,449	698,347
6 months to 1 year	140,128	620,360	104,879	680,791
1 to 2 years	182,954	765,568	145,901	669,595
2 to 3 Years	152,039	594,822	111,954	514,022
3 to 5 years	223,477	932,074	177,533	813,581
5 to 10 years	402,744	1,708,237	445,352	1,495,209
Above 10 years	985,115	1,254,068	1,095,440	2,414,840
	<u>2,345,459</u>	<u>15,513,839</u>	<u>2,328,416</u>	<u>14,465,914</u>



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2014

## 47. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 25, 2015 has proposed a cash dividend in respect of 2014 of Rs. 4.00 per share (2013: Rs. 4.00 per share). In addition, the Directors have also announced a bonus issue of nil (2013: nil). These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2014 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2015.

## 48. DATE OF AUTHORIZATION

These financial statements were authorized for issue on February 25, 2015 by the Board of Directors of the Group.

## 49. GENERAL

### 49.1 Comparatives

Comparative information has been reclassified, rearranged or additionally incorporated in these consolidated financial statements for the purposes of better presentation. No major reclassifications were made during the year.

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



Wajahat Husain  
President &  
Chief Executive Officer



Amin Uddin  
Director



Zameer Mohammed Choudrey  
Director



Sir Mohammed Anwar Pervez, OBE, HPK  
Chairman

# Annexure 'A' as referred to in note 9.7 of the Group's Consolidated Financial Statements

## 1) Particulars of investments held in listed companies and Modarabas

Investee	Number of shares / certificates held	Paid up value per share / certificate (Rupees)	Total paid up value (Rupees in '000)	Cost
<b><u>Held for trading securities</u></b>				
<b>Investments in ordinary shares</b>				
Attock Refinery Limited	490,000	10.00	4,900	96,947
Faysal Bank Limited	3,900,000	10.00	39,000	72,567
Hascol Petroleum Limited	65,000	10.00	650	5,258
Pak Elektron Limited	200,000	10.00	2,000	7,798
Pakistan Oilfields Limited	456,050	10.00	4,561	213,840
Pakistan Petroleum Limited	175,000	10.00	1,750	34,533
				<b>430,943</b>
<b><u>Available for sale securities</u></b>				
<b>Investments in ordinary shares</b>				
Agritech Limited	14,087,108	10.00	140,871	493,049
Aisha Steel Mills Limited	5,104,000	10.00	51,040	55,362
Askari Bank Limited	10,000,000	10.00	100,000	189,485
Bank AL Habib Limited	6,939,000	10.00	69,390	331,207
Bank Alfalah Limited	1,000,000	10.00	10,000	25,548
Cherat Cement Company Limited	5,000,000	10.00	50,000	319,542
DP World	6,926	2,009.66	13,919	18,094
Engro Corporation Limited	2,400,000	10.00	24,000	417,828
Engro Fertilizers Limited	2,000,000	10.00	20,000	114,055
Fatima Fertilizer Company Limited	22,400,000	10.00	224,000	569,358
Fauji Cement Limited	15,000,000	10.00	150,000	291,320
Fauji Fertilizer Company Limited	20,900,000	10.00	209,000	2,351,029
Fauji Fertilizers Bin Qasim Limited	45,499,000	10.00	454,990	1,820,209
Hub Power Company Limited	38,189,500	10.00	381,895	1,819,518
K-Electric Limited	8,500,000	10.00	85,000	55,575
Kot Addu Power Company Limited	79,422,000	10.00	794,220	3,688,420
MCB Bank Limited	142,500	10.00	1,425	40,453
National Bank of Pakistan Limited	7,250,500	10.00	72,505	433,740
Nishat Chunian Power Limited	26,798,500	10.00	267,985	460,629
Oil & Gas Development Company Limited	1,980,000	10.00	19,800	555,988
Pakistan Petroleum Limited	2,500,000	10.00	25,000	529,619
Pakistan State Oil Limited	1,355,000	10.00	13,550	532,140
Pakistan Telecommunication Company Limited	36,800,000	10.00	368,000	990,045
Saif Power Limited	3,600,000	10.00	36,000	108,000
Soneri Bank Limited	31,500,000	10.00	315,000	476,772
PICIC Growth Fund	600	10.00	6	10
1st Fidelity Leasing Modaraba	997	10.00	10	26
				<b>16,687,021</b>
<b>Investments in preference shares</b>				
Masood Textile Mills Limited	7,333,334	10.00	73,333	73,333
Silk Bank Limited	10,000,000	10.00	100,000	25,000
JSC Alliance Bank	95,720	4,566.41	322,754	322,754
				<b>421,087</b>

# Annexure 'A' as referred to in note 9.7 of the Group's Consolidated Financial Statements

## 2) Particulars of investments held in unlisted companies

Investee	Percentage of holding (%)	Number of shares / certificates held	Breakup-up value per share	Paid up value per share	Cost	Based on audited accounts as at	Name of Chief Executive
			Rupees	Rupees	(Rupees '000)		
<b>Shareholding more than 10%</b>							
Pakistan Agricultural Storage & Services Corporation Limited	18.3%	5,500	83,015	1,000	5,500	31-Mar-13	Capt (R) Tariq Masud
World Bridge Connect Inc.	18.1%	1,979,295	-	-	77,606	-	Not available
Cinepax Limited	14.6%	5,037,200	11	10	50,372	30-Jun-14	Hashim Raza
<b>Shareholding upto 10%</b>							
First Women Bank Limited	5.2%	7,698,441	11	10	21,100	31-Dec-13	Ms. Tahira Raza
National Institutional Facilitation Technologies (Pvt.) Limited	9.1%	1,406,835	63	10	1,527	30-Jun-14	M. M. Khan
National Investment Trust Limited	8.3%	79,200	11,021	100	100	30-Jun-14	Manzoor Ahmed
News-VIS Credit Information Services (Pvt.) Limited	4.7%	32,500	-	10	325	30-Jun-14	Faheem Ahmad
Techlogix International Limited	4.4%	4,455,829	3	0	50,702	31-Dec-13	Mr. Salman Akhtar & Kewan Khawaja (Co Chief Executive)
Kay Textile Mills Limited	Not available	377,800	-	-	3,778	Not available	Not available
SME Bank Limited	1.7%	3,975,003	4	10	26,950	31-Dec-13	Ihsan ul Haq Khan
SWIFT	0.0%	25	8,811	18,134	2,905	31-Dec-13	Gottfried Leibbrandt
MasterCard Incorporated	0.0%	461	630	0	0	31-Dec-13	Ajay Banga
The Benefit Company B.S.C ©	0.4%	216	-	27,938	2,132	31-Dec-13	Abdul Wahid Janahi
Tri Star Shipping Company	0.0%	15,000	-	-	250	Not available	Not available
					<u>243,247</u>		

# Annexure 'A' as referred to in note 9.7 of the Group's Consolidated Financial Statements

## 3) Particulars of bonds

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		
<b>(Rupees in '000)</b>				
<b><u>Held for trading</u></b>				
<b>Sukuks</b>				
Maple Leaf Cement Limited	Bi-annually	Bi-annually	3M KIBOR + 100bps.	<b>10,767</b>
<b><u>Available for sale securities</u></b>				
<b>Government of Pakistan Sukuk</b>				
Government of Pakistan Ijarah Sukuk - IX	Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	985,000
Government of Pakistan Ijarah Sukuk - XII	Maturity	Bi-annually	Cut off yield of 6M T-Bills plus 0 bps	505,000
Government of Pakistan Ijarah Sukuk - XIV	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 30 bps	3,431,250
Government of Pakistan Ijarah Sukuk - XV	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 200 bps	2,350,000
Islamic Republic of Pakistan - 2019 Sukuk	Maturity	Bi-annually	Cut off yield of 6M T-Bills minus 0 bps	2,009,448
				<b>9,280,698</b>
<b>Government of Pakistan - Eurobonds</b>				
Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	1,465,675
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	6,650,633
Islamic Republic of Pakistan - 2019 - Eurobond	At Maturity	Bi-annually	7.250%	2,239,911
Islamic Republic of Pakistan - 2019 - Eurobond	At Maturity	Bi-annually	6.750%	910,141
Islamic Republic of Pakistan - 2024 - Eurobond	At Maturity	Bi-annually	8.250%	2,909,560
				<b>14,175,920</b>
<b>Foreign bonds - sovereign</b>				
Angola 2019	At Maturity	Quarterly	7.000%	692,486
Government of Dubai Bond 2015	At Maturity	Bi-annually	6.700%	224,335
Government of Dubai Bond 2020	At Maturity	Bi-annually	7.750%	2,364,850
Government of Dubai Bond 2022	At Maturity	Bi-annually	6.450%	1,485,560
Indonesia 2020	At Maturity	Bi-annually	3.750%	398,957
Kingdom of Bahrain Bond 2020	At Maturity	Bi-annually	5.500%	1,074,327
Kingdom of Jordan	At Maturity	Bi-annually	3.875%	706,957
Republic of Ghana 2017	At Maturity	Bi-annually	8.500%	735,300
Republic of Kenya	At Maturity	Bi-annually	5.875%	493,317
Republic of Nigeria 2023	At Maturity	Bi-annually	6.375%	600,664
Republic of Sri Lanka Bond 2020	At Maturity	Bi-annually	6.250%	750,267
Republic of Sri Lanka Bond 2021	At Maturity	Bi-annually	6.250%	663,442
Republic of Sri Lanka 2022	At Maturity	Bi-annually	5.875%	595,298
Republic of Turkey	At Maturity	Bi-annually	6.250%	501,783
State of Qatar Bond 2030	At Maturity	Bi-annually	9.750%	2,629,804
United Republic of Tanzania	At Maturity	Bi-annually	6.450%	1,088,318
Venezuela 2016	At Maturity	Bi-annually	5.750%	303,079
Republic of Zambia 2022	At Maturity	Bi-annually	5.375%	681,537
Mongolia International Bond 2022	At Maturity	Bi-annually	5.125%	295,232
				<b>16,285,513</b>

## Annexure 'A' as referred to in note 9.7 of the Group's Consolidated Financial Statements

### 3) Particulars of bonds

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		
<b>(Rupees in '000)</b>				
<b>Foreign bonds - others</b>				
Bank of Bahrain and Kuwait Bonds 2015	At Maturity	Bi-annually	4.500%	32,573
Bank of Ceylon 2017	At Maturity	Bi-annually	6.785%	491,062
CBQ Finance Limited 2019	At Maturity	Bi-annually	7.500%	484,254
Dar Al-Arkan International	At Maturity	Bi-annually	10.750%	376,125
Dubai Electricity and Water Authority 2016	At Maturity	Bi-annually	6.375%	10,181
Dubai Electricity and Water Authority 2018	At Maturity	Bi-annually	3.000%	3,212,919
Dubai Electricity and Water Authority 2020	At Maturity	Quarterly	7.375%	2,637,215
EMAAR 2019	At Maturity	Bi-annually	6.400%	894,165
EMIRAT 2023	At Maturity	Bi-annually	3.875%	536,049
IPIC GMTN Limited 2022	At Maturity	Bi-annually	5.500%	205,868
Jebel Ali Free Zone Authority 2019	At Maturity	Bi-annually	7.000%	980,805
MAF Global Securities 2019	At Maturity	Quarterly	5.250%	495,066
PTA Bank 2018	At Maturity	Bi-annually	6.375%	295,453
Qatari Diar Finance QSC - 2020	At Maturity	Bi-annually	5.000%	252,033
Access Finance 2017	At Maturity	Bi-annually	7.250%	867,503
African Bank Limited 2016	At Maturity	Bi-annually	6.000%	240,028
African Bank Limited 2017	At Maturity	Bi-annually	8.125%	1,158,704
Alfa Bank (Alfa Bond) 2021	At Maturity	Bi-annually	7.750%	112,879
Alpha Star Holding Ltd 2019	At Maturity	Bi-annually	4.970%	892,588
Azerbaijan Railways 2016	At Maturity	Bi-annually	8.250%	126,324
Banco Daycoval 2019	At Maturity	Bi-annually	5.750%	210,096
Bereket Varlik Kiralama 2019	At Maturity	Bi-annually	6.250%	674,119
BTG Investments LP 2020	At Maturity	Bi-annually	4.000%	233,097
BTG Investments LP 2018	At Maturity	Bi-annually	4.500%	397,820
Credit Bank of Moscow 2018	At Maturity	Bi-annually	7.700%	647,191
Diamond Bank Plc 2019	At Maturity	Bi-annually	8.750%	803,775
Eastern & Southern African Trade and Development Bank 2018	At Maturity	Bi-annually	6.375%	103,894
Finansbank 2016	At Maturity	Bi-annually	1.500%	784,712
Global Bank Corporation 2019	At Maturity	Bi-annually	5.125%	356,009
GTB Finance BV 2018	At Maturity	Bi-annually	6.000%	335,587
Halyk Savings Bank-Kazak 2021	At Maturity	Bi-annually	7.250%	220,067
Millicom International Cellular 2020	At Maturity	Bi-annually	4.750%	187,740
Mongolian Mining Corporation 2017	At Maturity	Bi-annually	8.750%	374,744
Oschad Bank 2016	At Maturity	Bi-annually	8.250%	355,776
Ottawa Holdings Pte Ltd 2018	At Maturity	Bi-annually	5.875%	583,293
Rio Oil Finance Trust 2024	At Maturity	Bi-annually	6.250%	313,333
Russian Standard Bank 2017	At Maturity	Bi-annually	9.250%	715,757
Theta Capital Pte Ltd 2020	At Maturity	Bi-annually	6.125%	100,906
Turkiye Halk Bankasi 2020	At Maturity	Bi-annually	3.875%	48,598
Turkiye Is Bankasi A.S 2015	At Maturity	Bi-annually	1.720%	786,023
Turkiye Sinai Kalkinma Bank 2019	At Maturity	Bi-annually	5.375%	177,660
Vimpelcom (VIP FIN) 2018	At Maturity	Bi-annually	9.125%	220,114
Vimpelcom (VIP FIN) 2019	At Maturity	Bi-annually	5.200%	97,827
Vimpelcom (VIP FIN) 2021	At Maturity	Bi-annually	7.748%	167,986
JSC Bank for Industries & Trade 2017	At Maturity	Bi-annually	8.000%	263,708
Zenith Bank Plc 2019	At Maturity	Bi-annually	6.250%	606,305
				<b>24,067,931</b>

# Annexure 'A' as referred to in note 9.7 of the Group's Consolidated Financial Statements

## 3) Particulars of bonds (Contd.)

Investee	Terms of Redemption		Rate of Interest/Profit	Outstanding Amount
	Principal	Interest/Profit		
(Rupees in '000)				
<b>Held to maturity securities</b>				
<b>Government of Pakistan - Eurobonds</b>				
Islamic Republic of Pakistan - 2016 - Eurobond	At Maturity	Bi-annually	7.125%	1,016,086
Islamic Republic of Pakistan - 2017 - Eurobond	At Maturity	Bi-annually	6.875%	4,769,452
Islamic Republic of Pakistan - 2019 - Eurobond	At Maturity	Bi-annually	7.250%	303,622
				<b>6,089,160</b>
<b>Government of Pakistan Sukuk</b>				
Islamic Republic of Pakistan - 2019 Sukuk	Maturity	Bi-annually	6.750%	<b>202,244</b>
<b>Sukuks</b>				
Al Baraka Bank (Pakistan) Limited	Bi-annually	Bi-annually	6M KIBOR plus 125bps	250,000
Security Leasing Corporation Limited	Monthly	Nil	6M KIBOR plus 125bps Deferred interest	21,822
B.R.R Guardian Modaraba	Monthly	Monthly	instalment @ 1 month KIBOR	69,272
Sitara Peroxide Limited	Monthly	Monthly	1 Months KIBOR plus 100 bps	198,743
Pakistan International Airlines Corporation	Bi-annually	Bi-annually	6 month KIBOR plus 175 bps	890,000
WAPDA Bonds - Sukuk II	At Maturity	Bi-annually	6M KIBOR minus 25bps	25,542
WAPDA Bonds - Sukuk III	At Maturity	Bi-annually	6M KIBOR plus 100bps	425,000
				<b>1,880,379</b>
<b>Foreign bonds - others</b>				
JSC Alliance Bank - US \$ Discount Bonds	At Maturity	Bi-annually	10.500%	217,942
Zurich Insurance Company 2016	At Maturity	Bi-annually	4.250%	102,196
Notes Sunrise 2017	At Maturity	Bi-annually	7.000%	104,643
Bank of Ceylon 2018	At Maturity	Bi-annually	5.325%	197,523
				<b>622,304</b>
<b>Recovery Note</b>				
JSC Alliance Bank - US \$ Recovery Notes	At Maturity	Not Applicable	Not Applicable	<b>309,708</b>
<b>Foreign bonds - sovereign</b>				
Tanzania - 2020	At maturity	Bi-annually	6.329%	146,378
State Bank of India	At maturity	Bi-annually	3.375%	203,402
Government of Tanzania Bonds	At maturity	Bi-annually	7.82 % - 9.18%	305,830
				<b>655,610</b>

## 4) Particulars of Debentures

Investee	Terms of Redemption		Rate of Interest	Outstanding Amount
	Principal	Interest		
(Rupees in '000)				
<b>Private Sector</b>				
Effef Industries Limited	Overdue	Overdue	11.000%	1,017
Effef Industries Limited	Overdue	Overdue	14.000%	379
Khyber Textile Mills Limited	Overdue	Overdue	14.000%	394
Morgah Valley Limited	Overdue	Overdue	11.000%	316
Morgah Valley Limited	Overdue	Overdue	14.000%	160
				<b>2,266</b>

# Annexure 'A' as referred to in note 9.7 of the Group's Consolidated Financial Statements

## 5) Particulars of investments in term finance certificates

Investee	No. of Certificates	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
		(Rupees)	(Rupees in '000)		
<b>Unlisted - held for trading</b>					
Engro Fertilizer Limited	5,000	5,000	25,000	24,000	Rohail Mohammad
Standard Chartered Bank Pakistan	2,000	5,000	10,000	10,326	Mr. Shazad Dada
				<b>34,326</b>	
<b>Listed - held for trading</b>					
Worldcall Telecom Limited	4,855	2,142	10,399	7,278	Babar Ali Syed
Bank Alfalah Limited	2,000	4,997	9,994	9,923	Atif Bajwa
				<b>17,201</b>	
<b>Unlisted - available for sale</b>					
Azgard Nine Limited	12,944	5,000	64,720	64,720	Ahmed H. Shaikh
NIB Bank Limited	30,000	5,000	150,000	149,970	Atif R. Bokhari
Engro Fertilizers Limited	140,000	5,000	700,000	700,000	Muhammad Rohail
Pakistan International Airlines Corporation TFC II	1,700	5,000	8,500	8,498	Nasser N S Jaffer
				<b>923,188</b>	
<b>Listed - available for sale</b>					
Azgard Nine Limited	60,000	5,000	300,000	97,615	Ahmed H. Shaikh
Bank Alfalah Limited TFC III	24,200	5,000	121,000	120,927	Atif Bajwa
Faysal Bank Limited	46,000	5,000	230,000	229,632	Nauman Ansari
Bank AL Habib Limited TFC II	44,766	5,000	223,830	111,668	Abbas D. Habib
				<b>559,842</b>	
<b>Unlisted - held to maturity</b>					
Pakistan International Airlines Corporation TFC II	408,867	5,000	2,044,335	2,042,700	Nasser N S Jaffer
Security Leasing Corporation Limited	40,000	5,000	200,000	30,808	Mohammed Khalid Ali
Al-Azhar Textile Mills Limited	14	774,670	10,845	5,418	Mirza Aurangzeb Baig
Bachani Sugar Mills Limited	-	-	-	18,516	Noorul Amin Bachani
Bentonite (Pakistan) Limited	14	268,894	3,765	3,417	Khalid Shakeel
Blue Star Spinning Mills Limited	17	497,020	8,449	3,392	Ch. Ijaz Safdar
Cast-N-Link Products Limited	16	1,064,039	17,025	2,549	Nisar Ahmed
Regency Textile Limited	40	287,715	11,509	6,113	M. Iqtidar Pervaiz
Independent Media Corporation	20,000	5,000	100,000	75,000	Mir Ibrahim Rahman
Standard Chartered Bank Pakistan	75,000	5,000	375,000	375,000	Shazad Dada
Azgard Nine Limited	12,297	5,000	61,485	61,115	Ahmed H. Shaikh
NIB Bank Limited	30,000	5,000	150,000	149,970	Atif R. Bokhari
Askari Commercial Bank Limited	120,000	5,000	600,000	600,000	Syed Majeedullah Husaini
WAPDA	300,000	5,000	1,500,000	1,500,000	Syed Raghob Abbas
				<b>4,873,998</b>	
<b>Listed - held to maturity</b>					
Allied Bank Limited TFC II	67,000	5,000	335,000	334,330	Tariq Mahmood
Faysal Bank Limited	24,000	5,000	120,000	119,808	Nauman Ansari
Bank Alfalah Limited	48,600	5,000	243,000	242,854	Atif Bajwa
				<b>696,992</b>	

## 6) Particulars of participation term certificates

Investee	No. of Certificates held	Paid up value per certificate	Total Paid up value	Outstanding Amount	Name of Chief Executive
		(Rupees)	(Rupees in '000)		
Morgah Valley Limited	16	29,250	468,000	436	Air Marshal (Retd.) A. Rahim Khan
Zamrock Fibers Glass Limited	12	32,833	394,000	2,359	Mr. S. Zamir Syed
				<b>2,795</b>	

# Annexure 'A' as referred to in note 9.7 of the Group's Consolidated Financial Statements

## 7) Quality of investments classified as available for sale (AFS)

Investee	Market Value (Rupees in '000)	Credit Rating
<b>Investment in ordinary shares</b>		
Agritech Limited	109,175	unrated
Askari Bank Limited	230,700	AA
Bank AL Habib Limited	336,888	AA+
Cherat Cement Company Limited	343,400	unrated
Engro Fertilizers Limited	156,200	A
Fauji Cement Limited	387,600	unrated
K-Electric Limited	78,370	A+
National Bank of Pakistan	503,620	AAA
Oil & Gas Development Company Limited	407,623	AAA
Pakistan Petroleum Limited	441,300	unrated
Pakistan State Oil Limited	484,968	AA+
Saif Power Limited	132,912	A+
Soneri Bank Limited	388,395	AA-
Aisha Steel Mills Limited	42,312	unrated
Bank Alfalah Limited	34,880	AA
Engro Corporation Limited	531,624	AA-
Fatima Fertilizer Company Limited	801,248	AA-
Fauji Fertilizer Bin Qasim Limited	2,057,010	unrated
Fauji Fertilizer Company Limited	2,447,599	unrated
Hub Power Company Limited	2,992,529	AA+
Kot Addu Power Company Limited	6,269,573	AA+
MCB Bank Limited	43,555	AAA
Nishat Chunian Power Limited	1,327,866	A+
Pakistan Telecommunication Company Limited	850,960	unrated
DP World	14,613	Baa3
PICIC Growth Fund	16	unrated
1st Fidelity Leasing Modaraba	5	unrated
	<b>21,414,941</b>	

Investee	Cost (Rupees in '000)	Credit Rating
<b>Investments in preference shares</b>		
Masood Textile Mills Limited	73,333	unrated
Silk Bank Limited	25,000	A-
JSC Alliance Bank	322,754	Caa2
	<b>421,087</b>	

### Investment in unlisted shares

#### Shareholding more than 10%

Pakistan Agricultural Storage & Services Corporation Limited	5,500	unrated
Cinepax Limited	50,372	unrated
World Bridge Connect Inc.	77,606	unrated

#### Shareholding upto 10%

First Women Bank Limited	21,100	BBB+
National Institutional Facilitation Technologies (Pvt.) Limited	1,527	unrated
SME Bank Limited	26,950	BBB-
Kay Textile Mills Limited	3,778	unrated
Techlogix International Limited	50,702	unrated
SWIFT	2,905	unrated
National Investment Trust Limited	100	AM2-
News-VIS Credit Information Services (Pvt.) Limited	325	unrated
MasterCard Incorporated	0	A
The Benefit Company B.S.C ©	2,132	unrated
Tri Star Shipping Company	250	unrated
	<b>243,247</b>	



## Annexure 'A' as referred to in note 9.7 of the Group's Consolidated Financial Statements

### 7) Quality of investments classified as available for sale (AFS)

Particulars	Market Value (Rupees in '000)	Credit Rating
<b>Federal Government Securities</b>		
Market Treasury Bills	46,306,610	Unrated - Govt Securities
Pakistan Investment Bonds	199,119,941	Unrated - Govt Securities
	<b>245,426,551</b>	
<b>Government of Pakistan Islamic Bonds</b>		
Government of Pakistan Ijarah Sukuk	<b>9,188,860</b>	Score7
<b>Government of Pakistan - Euro bond</b>		
Islamic Republic of Pakistan - 2016 - Euro Bond	1,539,131	Score7
Islamic Republic of Pakistan - 2017 - Euro Bond	7,429,453	Score7
Islamic Republic of Pakistan - 2019 - Euro Bond	3,147,500	Score7
Islamic Republic of Pakistan - 2024 - Euro Bond	2,914,350	Score7
	<b>15,030,434</b>	
<b>Foreign bonds - sovereign</b>		
Angola 2019	651,349	Score5
Government of Dubai 2015	235,469	Score2
Government of Dubai 2020	2,594,029	Score2
Government of Dubai 2022	1,595,593	Score2
Indonesia 2020	417,730	Score3
Kingdom of Bahrain Bond 2020	1,100,481	Score4
Kingdom of Jordan	719,269	Score5
Republic of Ghana 2017	678,882	Score5
Republic of Kenya	300,273	Score6
Republic of Nigeria 2023	574,006	Score5
Republic of Sri Lanka 2020	760,867	Score6
Republic of Sri Lanka 2021	662,170	Score6
Republic of Sri Lanka 2022	599,158	Score6
Republic of Turkey	500,048	Score4
State of Qatar 2030	2,739,662	Score3
United Republic of Tanzania	1,089,733	Score6
Venezuela 2016	203,378	Score7
Republic of Zambia 2022	617,864	Score5
Mongolia International Bond 2022	268,199	Score6
Republic of Kenya 2019	205,949	Score6
	<b>16,514,109</b>	
<b>Foreign bonds - others</b>		
Bank of Bahrain and Kuwait 2015	33,370	BBB
Bank of Ceylon 2017	494,087	B2
CBQ Finance Limited 2019	504,762	A1
Dar Al Arkan 2015	364,877	Unrated
Dubai Electricity and Water Authority 2016	10,891	Baa2
Dubai Electricity and Water Authority 2018	3,294,186	Baa2
Dubai Electricity and Water Authority 2020	2,844,993	Baa2
EMAAR 2019	952,030	B1
EMIRAT	568,782	Unrated
IPIC GMTN Limited 2022	201,760	Aa2
Jebel Ali Free Zone Authority 2019	1,018,446	B1
MAF Global Securities 2019	516,043	Unrated
PTA Bank 2018	284,356	BB

## Annexure 'A' as referred to in note 9.7 of the Group's Consolidated Financial Statements

### 7) Quality of investments classified as available for sale (AFS) (Contd.)

Particulars	Market Value	Credit Rating
	(Rupees in '000)	
Qatari Diar Finance QSC - 2020	278,513	AA
Access Finance 2017	798,381	B
African Bank Limited 2016	100,652	BB+
African Bank Limited 2017	1,201,120	BB+
Alfa Bank (Alfa Bond) 2021	89,541	BBB-
Alpha Star Holding Ltd 2019	852,352	BB
Azerbaijan Railways 2016	127,475	BB+
Banco Daycoval 2019	203,998	BBB-
Bereket Varlik Kiralama 2019	683,554	BB-
BTG Investments LP 2020	232,284	BBB-
BTG Investments LP 2018	380,997	BBB-
Credit Bank of Moscow 2018	496,498	BB
Diamond Bank Plc 2019	724,147	B
Eastern & Southern African Trade and Development Bank 2018	103,019	BB
Finansbank 2016	784,712	BBB-
Global Bank Corporation 2019	358,693	BBB-
GTB Finance BV 2018	316,384	B+
Halyk Savings Bank-Kazak 2021	206,092	BB
Millicom International Cellular 2020	190,755	BB+
Mongolian Mining Corp 2017	245,778	CCC+
Os Chad Bank 2016	230,895	CCC+
Ottawa Holdings Pte Ltd 2018	470,975	BB-
Rio Oil Finance Trust 2024	291,965	BBB
Russian Stand Bank 2017	593,922	B+
Theta Capital Pte Ltd 2020	101,401	BB-
Turkiye Halk Bankasi 2020	49,362	BBB-
Turkiye IS Bankasi A.S 2015	786,023	BBB
Turkiye Sinai Kalkinma Bank 2019	182,414	BBB
Vimpelcom (VIP FIN) 2018	138,912	BB
Vimpelcom (VIP FIN) 2019	86,536	BB
Vimpelcom (VIP FIN) 2021	192,182	BB
JSC Bank for Industries and Trade 2017	266,687	B
Zenith Bank Plc 2019	568,675	B+
	<b>23,423,477</b>	

Investee	Market Value	Credit Rating
	(Rupees in '000)	

#### Term finance certificates

##### Listed

Azgard Nine Limited	88,304	Defaulted
Bank Alfalah Limited TFC II	120,070	AA-
Faysal Bank Limited	240,259	AA-
Bank AL Habib Limited TFC II	111,700	AA
	<b>560,333</b>	

##### Unlisted

Azgard Nine Limited	51,776	Defaulted
Engro Fertilizers Limited	686,120	A-
NIB Bank Limited	147,845	A+
Pakistan International Airlines Corporation TFC II	8,498	Defaulted
	<b>894,239</b>	

# Annexure 'C' as referred to in note 11.7 of the Group's Consolidated Financial Statements

Disposals of operating fixed assets during the year 2014

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	------(Rupees in '000)-----					
<b>Items having book value of more than Rs. 250,000 or cost of more than Rs. 1,000,000</b>						
<b>Leasehold Improvements</b>	879	432	447	879	Insurance Claim	UBL Insurers Ltd
<b>Vehicles</b>						
Toyota Camry	7,164	4,298	2,866	2,973	Buy back	M. Asghar
Toyota Camry	6,513	5,862	651	1,303	Buy back	Muhammad Hanif Akhai
Toyota Hilux Double Cabin	2,949	1,858	1,091	2,000	Insurance Claim	UBL Insurers Limited
Toyota Hilux Double Cabin	2,948	1,813	1,135	2,000	Insurance Claim	UBL Insurers Limited
Toyota Camry	2,899	2,609	290	580	Buy back	Atif R. Bokhari
Honda Civic VTEC	1,935	1,335	600	658	Buy back	Nusratullah
Mitsubishi Lancer GLX	1,329	1,196	133	667	Auction	Danish Alvi
	25,737	18,971	6,766	10,180		
<b>Ijara Assets</b>						
Commercial Ijara - Dadex Eternit Limited	390,000	105,000	285,000	312,936	Buy back	Dadex Eternit Limited
Commercial Ijara - Pakistan Beverages Limited	99,234	94,272	4,962	4,962	Buy back	Pakistan Beverages Limited
Commercial Ijara - Premiere Dairies	41,391	37,252	4,139	4,139	Buy back	Premiere Dairies
Commercial Ijara - Ihsan Sons (Pvt) Limited	3,665	3,299	367	367	Buy back	Ihsan Sons (Pvt) Limited
Commercial Ijara - Royal Tech	3,567	2,497	1,070	905	Buy back	Royal Tech
Corolla ALTIS	2,218	30	2,188	2,193	Buy back	Qamar Iqbal
Commercial Ijara - Ihsan Sons (Pvt) Limited	2,138	1,924	214	214	Buy back	Ihsan Sons (Pvt) Limited
Commercial Ijara - National Foods Limited	2,088	870	1,218	1,325	Buy back	National Foods Limited
Civic iVTEC MT	2,063	733	1,330	1,371	Buy back	Muhammad Faisal
Corolla GLi	1,863	753	1,109	1,109	Buy back	Kashif Ali
Corolla GLi	1,832	602	1,229	1,229	Buy back	Muhammad Shahzad Akhter
Commercial Ijara - National Foods Limited	1,773	591	1,182	1,261	Buy back	National Foods Limited
Corolla GLi	1,764	691	1,072	1,127	Buy back	Muhammad Ashraf
Corolla GLi	1,759	1,426	334	334	Buy back	Naeem Ur Rehman
Corolla GLi	1,748	568	1,180	1,204	Buy back	Rukhsana Almas
Corolla GLi	1,748	1,155	593	593	Buy back	Muhammad Khalid
Corolla GLi	1,746	231	1,515	1,585	Buy back	Abdul Wahid
Corolla GLi	1,708	896	812	812	Buy back	Muhammad Javed Iqbal
Corolla GLi	1,707	641	1,066	1,066	Buy back	Mohammad Salman Paracha
Commercial Ijara - ICI Pakistan Limited	1,683	53	1,630	1,640	Buy back	ICI Pakistan Limited
Commercial Ijara - ICI Pakistan Limited	1,663	104	1,559	1,578	Buy back	ICI Pakistan Limited
Corolla GLi	1,662	984	679	763	Buy back	Shafqat Hussain
Corolla XLi	1,640	1,283	358	358	Buy back	Saqib Arshad
Commercial Ijara - National Foods Limited	1,638	717	921	1,008	Buy back	National Foods Limited
Corolla XLi	1,571	592	979	979	Buy back	Mehboob Hussain Shaikh
Commercial Ijara - Pak-Arab Refinery Limited	1,562	195	1,367	1,392	Buy back	Pak-Arab Refinery Limited
Commercial Ijara - National Foods Limited	1,538	384	1,153	1,208	Buy back	National Foods Limited
Corolla XLi	1,530	963	567	652	Buy back	Rafaqat Hussain
Commercial Ijara - National Foods Limited	1,530	1,243	287	347	Buy back	National Foods Limited
Corolla XLi	1,488	497	991	991	Buy back	Muhammad Usman
Commercial Ijara - National Foods Limited	1,462	1,340	122	218	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	1,462	1,371	91	182	Buy back	National Foods Limited
Commercial Ijara - Associated Textile Consultant (Pvt) Limited	1,379	1,241	138	138	Buy back	Associated Textile Consultant (Pvt) Limited
Commercial Ijara - National Foods Limited	1,366	484	882	944	Buy back	National Foods Limited
Commercial Ijara - Associated Textile Consultant (Pvt) Limited	1,330	1,197	133	133	Buy back	Associated Textile Consultant (Pvt) Limited
Corolla XLi	1,322	1,026	296	296	Buy back	Munawar Hussain
Vitz	1,321	258	1,063	1,136	Buy back	Shahid Najmi
Corolla XLi	1,320	303	1,017	1,131	Buy back	Muhammad Shamim Ansari
Commercial Ijara - National Foods Limited	1,251	313	938	984	Buy back	National Foods Limited
Civic iVTEC MT	1,219	613	606	691	Buy back	Raja Tariq Minhas
Cultus VXR EURO II	1,069	91	978	999	Buy back	Muharramuddin Memon
Cultus VXRNG	1,054	414	639	639	Buy back	Kashif Nazir
Cultus VXR	1,040	790	250	250	Buy back	Naeem ur Rehman Shaikh
Commercial Ijara - Pak-Arab Refinery Limited	1,034	259	776	805	Buy back	Pak-Arab Refinery Limited
Commercial Ijara - National Foods Limited	1,020	638	383	459	Buy back	National Foods Limited
Cultus VXR	1,020	247	773	862	Buy back	Musharraf Hussain
Commercial Ijara - National Foods Limited	980	245	735	771	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	970	667	303	373	Buy back	National Foods Limited
Liana 1.3 RXING	889	586	303	346	Buy back	Abdul Ghaffar
Commercial Ijara - National Foods Limited	801	551	250	298	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	732	397	336	394	Buy back	National Foods Limited
Commercial Ijara - National Foods Limited	725	393	332	372	Buy back	National Foods Limited
Suzuki Mehran	706	121	585	596	Buy back	Syed Kausar Ali Hamza
Suzuki Ravi	663	234	429	529	Buy back	Nasir Mehmood
Mehran VXNG	613	197	416	482	Buy back	Muhammad Nasir Ali Muhammad Anwar
Mehran VXNG	606	318	288	288	Buy back	Muhammad Usman
Bolan STD	592	312	280	280	Buy back	Muhammad Shafique Bajwa
Alto VXR NG	528	260	268	287	Buy back	Akhtar Ali
	609,990	275,308	334,682	364,532		
<b>Sub - Total</b>	<b>636,607</b>	<b>294,712</b>	<b>341,895</b>	<b>375,592</b>		
<b>Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000</b>						
Honda CD 70	71	14	57	54	Insurance	UBL Insurers Limited
Others	311,596	299,779	11,816	21,426		
<b>Total</b>	<b>948,273</b>	<b>594,505</b>	<b>353,788</b>	<b>397,072</b>		

# Consolidated Statement of Financial Position

As at December 31, 2014

	2014	2013
	----- (US Dollars in '000) -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	752,965	891,609
Balances with other banks	218,428	325,016
Lendings to financial institutions	233,226	297,145
Investments	5,171,039	4,566,402
Advances		
Performing	4,528,910	4,029,994
Non-performing - net of provision	122,273	102,873
	4,651,183	4,132,867
Operating fixed assets	331,754	279,032
Deferred tax asset - net	-	-
Other assets	409,087	292,158
	11,767,682	10,784,229
<b>LIABILITIES</b>		
Bills payable	95,133	165,209
Borrowings	529,925	408,802
Deposits and other accounts	9,473,258	8,852,490
Subordinated loans	-	6,621
Liabilities against assets subject to finance lease	4	13
Deferred tax liability - net	21,293	13,884
Other liabilities	279,634	229,829
	10,399,247	9,676,848
<b>NET ASSETS</b>	<u>1,368,435</u>	<u>1,107,381</u>
<b>REPRESENTED BY:</b>		
Share capital	121,829	121,829
Reserves	371,068	378,664
Unappropriated profit	522,552	449,910
Total equity attributable to the equity holders of the Bank	<u>1,015,449</u>	<u>950,403</u>
Non-controlling interest	45,314	34,711
	<u>1,060,763</u>	<u>985,114</u>
Surplus on revaluation of assets - net of deferred tax	307,672	122,267
	<u>1,368,435</u>	<u>1,107,381</u>

These figures have been converted at Rs. 100.4831 per US dollar from the audited financial statements.

# Consolidated Profit and Loss Account

For the year ended December 31, 2014

	2014	2013
	----- (US Dollars in '000) -----	
Mark-up / return / interest earned	853,483	753,452
Mark-up / return / interest expensed	386,601	360,258
Net mark-up / return / interest income	<u>466,882</u>	<u>393,194</u>
Provision against loans and advances - net	5,310	13,397
Provision against lendings to financial institutions - net	1,649	602
Provision for diminution in value of investments - net	4,576	58
Bad debts written off directly	1,764	1,809
	<u>13,299</u>	<u>15,866</u>
Net mark-up / return / interest income after provisions	<u>453,583</u>	<u>377,328</u>
<b>Non mark-up / return / interest income</b>		
Fee, commission and brokerage income	129,821	113,886
Dividend income	18,104	16,042
Income from dealing in foreign currencies	30,767	22,011
Gain on sale of securities - net	20,535	30,116
Unrealized loss on revaluation of investments classified as held for trading	(286)	(44)
Other income	13,593	11,220
Total non mark-up / return / interest income	<u>212,534</u>	<u>193,231</u>
	666,117	570,559
<b>Non mark-up / return / interest expenses</b>		
Administrative expenses	315,994	284,332
Other provisions - net	2,751	3,240
Workers' Welfare Fund	6,698	5,008
Other charges	104	2,482
Total non mark-up / return / interest expenses	<u>325,547</u>	<u>295,062</u>
Share of profit of associates	13,880	12,762
<b>Profit before taxation</b>	<u>354,450</u>	<u>288,259</u>
Taxation - Current	108,075	82,624
- Prior	3,602	616
- Deferred	3,681	8,660
	<u>115,358</u>	<u>91,900</u>
<b>Profit after taxation</b>	<u>239,092</u>	<u>196,359</u>
<b>Attributable to:</b>		
Equity shareholders of the Bank	235,339	191,928
Non-controlling interest	3,753	4,431
	<u>239,092</u>	<u>196,359</u>
	----- (US \$) -----	
<b>Earnings per share - basic and diluted</b>	<u>0.19</u>	<u>0.16</u>

These figures have been converted at Rs. 100.4831 per US dollar from the audited financial statements.

## Category of Shareholders

As on December 31, 2014

Particulars	No of Folio	Balance Share	Percentage
DIRECTORS, CEO & CHILDREN	14	27,066,558	2.2110
NIT & ICP	1	449,199	0.0367
BANKS, DFI & NBFII	23	29,071,580	2.3748
INSURANCE COMPANIES	22	12,293,953	1.0043
MODARABAS & MUTUAL FUNDS	49	17,855,595	1.4586
GENERAL PUBLIC (LOCAL)	21960	32,460,462	2.6516
GENERAL PUBLIC (FOREIGN)	1109	2,843,704	0.2323
OTHERS	72	36,819,993	3.0077
FOREIGN COMPANIES	137	962,762,329	78.6455
GOVT. OWNED ENTITIES / BANKS	1	1,714	0.0001
JOINT STOCK COMPANIES	110	7,900,175	0.6453
PUBLIC SECTOR COMPANIES	6	94,058,437	7.6834
CHARITABLE TRUSTS	10	595,988	0.0487
<b>Company Total</b>	<b>23514</b>	<b>1,224,179,687</b>	<b>100.0000</b>

## Details of Modarabas & Mutual Funds

Folio No.	Name	Code	Balance Held	Percentage
000000015653	B.R.R. GUARDIAN MODARABA	006	471	0.0000
003277000385	NATIONWIDE MODARBA (PVT) LTD	006	471	0.0000
005371000028	CDC - TRUSTEE PAKISTAN STOCK MARKET FUND	006	484,059	0.0395
005454000028	MCBFSL - TRUSTEE JS VALUE FUND	006	316,000	0.0258
005488000025	CDC - TRUSTEE PAKISTAN CAPITAL MARKET FUND	006	42,154	0.0034
005645000024	CDC - TRUSTEE PICIC INVESTMENT FUND	006	1,710,233	0.1397
005652000023	CDC - TRUSTEE JS LARGE CAP. FUND	006	250,000	0.0204
005777000029	CDC - TRUSTEE PICIC GROWTH FUND	006	3,344,200	0.2732
005819000023	CDC - TRUSTEE PAK STRATEGIC ALLOC. FUND	006	138,768	0.0113
005959000027	CDC - TRUSTEE ATLAS STOCK MARKET FUND	006	540,000	0.0441
006197000029	CDC - TRUSTEE ALFALAH GHP VALUE FUND	006	119,237	0.0097
006213000025	CDC - TRUSTEE UNIT TRUST OF PAKISTAN	006	450,000	0.0368
006411000021	CDC - TRUSTEE AKD INDEX TRACKER FUND	006	112,389	0.0092
006825000021	MC FSL - TRUSTEE JS KSE-30 INDEX FUND	006	19,913	0.0016
007377000026	CDC - TRUSTEE UBL STOCK ADVANTAGE FUND	006	1,984,100	0.1621
009480000021	CDC - TRUSTEE NAFA STOCK FUND	006	655,240	0.0535
009506000026	CDC - TRUSTEE NAFA MULTI ASSET FUND	006	274,891	0.0225
010108000022	CDC - TRUSTEE ASKARI ASSET ALLOCATION FUND	006	112,218	0.0092
010603000021	CDC - TRUSTEE APF-EQUITY SUB FUND	006	70,000	0.0057
010728000027	CDC - TRUSTEE HBL - STOCK FUND	006	1,525,000	0.1246
011049000029	MC FSL - TRUSTEE JS GROWTH FUND	006	500,300	0.0409
011106000021	CDC - TRUSTEE KASB ASSET ALLOCATION FUND	006	30,180	0.0025
011809000026	CDC - TRUSTEE IGI STOCK FUND	006	258,912	0.0211
011924000022	CDC - TRUSTEE ALFALAH GHP ALPHA FUND	006	142,933	0.0117
012120000028	CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	006	2,014,802	0.1646
012195000021	CDC - TRUSTEE ABL STOCK FUND	006	516,400	0.0422
012310000025	CDC - TRUSTEE FIRST HABIB STOCK FUND	006	20,171	0.0016
012336000023	CDC - TRUSTEE LAKSON EQUITY FUND	006	778,650	0.0636
012419000023	CDC - TRUSTEE CROSBY DRAGON FUND	006	27,509	0.0022
012625000027	CDC-TRUSTEE NAFA ASSET ALLOCATION FUND	006	330,403	0.0270
012880000027	CDC-TRUSTEE NAFA SAVINGS PLUS FUND - MT	006	91,700	0.0075
013052000026	CDC - TRUSTEE AKD AGGRESSIVE INCOME FUND - MT	006	11,700	0.0010
013367000029	CDC - TRUSTEE PICIC INCOME FUND - MT	006	52,500	0.0043
013607000028	CDC - TRUSTEE PICIC STOCK FUND	006	94,900	0.0078
013714000025	CDC - TRUSTEE HBL PF EQUITY SUB FUND	006	34,587	0.0028
013813000023	CDC - TRUSTEE ASKARI EQUITY FUND	006	35,406	0.0029
013862000028	CDC - TRUSTEE IGI INCOME FUND - MT	006	33,200	0.0027
014092000021	CDC - TRUSTEE LAKSON INCOME FUND - MT	006	43,000	0.0035
014134000025	CDC - TRUSTEE ATLAS INCOME FUND - MT	006	182,000	0.0149
014209000026	CDC - TRUSTEE KASB INCOME OPPORTUNITY FUND - MT	006	4,400	0.0004
014415000021	CDC - TRUSTEE NAFA PENSION FUND EQUITY SUB-FUND ACCOUNT	006	37,960	0.0031
014472000025	CDC - TRUSTEE UBL ASSET ALLOCATION FUND	006	102,500	0.0084
014480000024	CDC - TRUSTEE PIML STRATEGIC MULTI ASSET FUND	006	27,338	0.0022
014514000028	CDC - TRUSTEE FIRST CAPITAL MUTUAL FUND	006	48,900	0.0040
014803000023	CDC - TRUSTEE FAYSAL SAVINGS GROWTH FUND - MT	006	11,400	0.0009
015115000026	CDC - TRUSTEE ASKARI HIGH YIELD SCHEME - MT	006	122,400	0.0100
015388000025	CDC - TRUSTEE ABL PENSION FUND - EQUITY SUB FUND	006	13,600	0.0011
015727000022	CDC - TRUSTEE PAKISTAN PENSION FUND - EQUITY SUB FUND	006	47,900	0.0039
016022000026	CDC - TRUSTEE NAFA INCOME OPPORTUNITY FUND - MT	006	90,600	0.0074

# Pattern of Shareholding

As on December 31, 2014

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
4141	1	100	263618	0.0215
15464	101	500	6772172	0.5532
1293	501	1000	1077791	0.0880
1595	1001	5000	3693131	0.3017
329	5001	10000	2445548	0.1998
128	10001	15000	1609297	0.1315
67	15001	20000	1193580	0.0975
49	20001	25000	1124247	0.0918
42	25001	30000	1171105	0.0957
25	30001	35000	814456	0.0665
24	35001	40000	919929	0.0751
13	40001	45000	558441	0.0456
16	45001	50000	778486	0.0636
13	50001	55000	685349	0.0560
8	55001	60000	456581	0.0373
9	60001	65000	555018	0.0453
10	65001	70000	681367	0.0557
7	70001	75000	508072	0.0415
12	75001	80000	933374	0.0762
6	80001	85000	502770	0.0411
8	85001	90000	708786	0.0579
6	90001	95000	557088	0.0455
7	95001	100000	690120	0.0564
4	100001	105000	411580	0.0336
4	105001	110000	425531	0.0348
2	110001	115000	224607	0.0183
7	115001	120000	823003	0.0672
3	120001	125000	368588	0.0301
2	125001	130000	260000	0.0212
2	130001	135000	269000	0.0220
4	135001	140000	553289	0.0452
1	140001	145000	142933	0.0117
5	145001	150000	739817	0.0604
1	150001	155000	152192	0.0124
3	155001	160000	467947	0.0382
2	170001	175000	345430	0.0282
2	175001	180000	356962	0.0292
2	180001	185000	364163	0.0297
5	185001	190000	942608	0.0770
2	190001	195000	388188	0.0317
3	195001	200000	593014	0.0484
2	200001	205000	401106	0.0328
2	210001	215000	424499	0.0347
1	215001	220000	219110	0.0179
2	220001	225000	447147	0.0365
2	225001	230000	455677	0.0372
2	230001	235000	463346	0.0378
1	240001	245000	244748	0.0200



# Pattern of Shareholding

As on December 31, 2014

NO. OF SHAREHOLDERS	<--- HAVING SHARES --->		SHARES HELD	PERCENTAGE
	From	To		
2	245001	250000	499647	0.0408
2	250001	255000	506658	0.0414
2	255001	260000	517630	0.0423
1	260001	265000	265000	0.0216
1	270001	275000	274891	0.0225
3	295001	300000	896500	0.0732
3	305001	310000	916162	0.0748
2	315001	320000	636000	0.0520
3	330001	335000	993543	0.0812
1	335001	340000	337343	0.0276
1	345001	350000	345743	0.0282
2	350001	355000	707971	0.0578
2	365001	370000	735418	0.0601
2	370001	375000	744825	0.0608
1	380001	385000	383458	0.0313
1	395001	400000	400000	0.0327
2	410001	415000	824452	0.0673
1	425001	430000	427058	0.0349
1	430001	435000	434000	0.0355
1	435001	440000	437700	0.0358
4	445001	450000	1793279	0.1465
1	450001	455000	450400	0.0368
1	455001	460000	456200	0.0373
2	465001	470000	934218	0.0763
2	470001	475000	947303	0.0774
2	480001	485000	966459	0.0789
1	495001	500000	497318	0.0406
1	500001	505000	500300	0.0409
1	515001	520000	516400	0.0422
1	520001	525000	523400	0.0428
1	535001	540000	540000	0.0441
1	540001	545000	540098	0.0441
1	550001	555000	551448	0.0450
1	560001	565000	564045	0.0461
1	565001	570000	565559	0.0462
2	570001	575000	1146900	0.0937
2	590001	595000	1183400	0.0967
1	625001	630000	628800	0.0514
2	630001	635000	1268700	0.1036
2	635001	640000	1279464	0.1045
2	645001	650000	1296199	0.1059
1	650001	655000	654000	0.0534
1	655001	660000	655240	0.0535
1	680001	685000	681000	0.0556
2	685001	690000	1375200	0.1123
1	695001	700000	698835	0.0571
1	705001	710000	707850	0.0578
1	710001	715000	712180	0.0582

# Pattern of Shareholding

As on December 31, 2014

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
2	760001	765000	1526142	0.1247
1	775001	780000	778650	0.0636
2	810001	815000	1624930	0.1327
1	825001	830000	825300	0.0674
1	865001	870000	866558	0.0708
1	880001	885000	880900	0.072
1	910001	915000	914260	0.0747
2	945001	950000	1896140	0.1549
1	955001	960000	957500	0.0782
3	970001	975000	2917420	0.2383
1	980001	985000	983000	0.0803
2	995001	1000000	2000000	0.1634
1	1035001	1040000	1038900	0.0849
1	1055001	1060000	1059336	0.0865
1	1070001	1075000	1070828	0.0875
1	1090001	1095000	1095000	0.0894
1	1130001	1135000	1133300	0.0926
1	1165001	1170000	1169400	0.0955
1	1170001	1175000	1174900	0.0960
1	1260001	1265000	1264052	0.1033
1	1265001	1270000	1267000	0.1035
1	1305001	1310000	1308300	0.1069
1	1315001	1320000	1315671	0.1075
1	1355001	1360000	1357900	0.1109
1	1360001	1365000	1361763	0.1112
1	1375001	1380000	1379000	0.1126
1	1385001	1390000	1385600	0.1132
1	1420001	1425000	1420700	0.1161
1	1465001	1470000	1465400	0.1197
1	1470001	1475000	1471300	0.1202
1	1495001	1500000	1495953	0.1222
1	1520001	1525000	1525000	0.1246
1	1555001	1560000	1558418	0.1273
1	1580001	1585000	1580534	0.1291
1	1585001	1590000	1587400	0.1297
1	1650001	1655000	1653500	0.1351
1	1710001	1715000	1710233	0.1397
1	1740001	1745000	1740500	0.1422
1	1935001	1940000	1938967	0.1584
1	1980001	1985000	1984100	0.1621
1	1985001	1990000	1987100	0.1623
2	1995001	2000000	4000000	0.3267
1	2010001	2015000	2014802	0.1646
1	2055001	2060000	2059700	0.1683
1	2065001	2070000	2069530	0.1691
2	2070001	2075000	4149040	0.3389
1	2135001	2140000	2136900	0.1746
1	2215001	2220000	2219130	0.1813

# Pattern of Shareholding

As on December 31, 2014

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
1	2255001	2260000	2259133	0.1845
1	2265001	2270000	2267300	0.1852
1	2330001	2335000	2330700	0.1904
1	2345001	2350000	2348870	0.1919
2	2390001	2395000	4787737	0.3911
1	2445001	2450000	2448940	0.2000
1	2745001	2750000	2746544	0.2244
1	2810001	2815000	2813454	0.2298
1	2830001	2835000	2831218	0.2313
1	2920001	2925000	2922700	0.2387
1	3340001	3345000	3344200	0.2732
1	3360001	3365000	3364600	0.2748
1	3435001	3440000	3435200	0.2806
1	3720001	3725000	3724672	0.3043
1	3795001	3800000	3796067	0.3101
1	3875001	3880000	3875207	0.3166
1	4265001	4270000	4266800	0.3485
1	4270001	4275000	4271600	0.3489
1	4330001	4335000	4334004	0.3540
1	4420001	4425000	4424148	0.3614
1	4565001	4570000	4568900	0.3732
1	5230001	5235000	5230940	0.4273
1	5300001	5305000	5302700	0.4332
1	5385001	5390000	5387300	0.4401
1	5995001	6000000	6000000	0.4901
1	6060001	6065000	6064800	0.4954
1	6425001	6430000	6429900	0.5252
1	6645001	6650000	6647700	0.5430
1	6885001	6890000	6885400	0.5624
1	7130001	7135000	7130681	0.5825
1	8725001	8730000	8727740	0.7129
1	8900001	8905000	8903034	0.7273
1	8930001	8935000	8934300	0.7298
1	9495001	9500000	9499131	0.7760
1	10240001	10245000	10244100	0.8368
1	10915001	10920000	10915973	0.8917
1	11475001	11480000	11476578	0.9375
1	12440001	12445000	12442568	1.0164
1	14925001	14930000	14926100	1.2193
1	16435001	16440000	16438200	1.3428
1	31160001	31165000	31163426	2.5457
1	32390001	32395000	32390001	2.6459
1	47075001	47080000	47075520	3.8455
1	93645001	93650000	93649744	7.6500
1	631725001	631730000	631728895	51.6043
<b>23514</b>	<b>Company Total</b>		<b>1224179687</b>	<b>100.0000</b>

## Shares Trading (Sale / Purchase) during the year 2014

### UBL Executives

NAME	No. of Shares	Sale / Purchase
AADIL SALEH	5614	SALE
DILSHAD SALMAN	5000	SALE
ABDUL JABBAR MEMON	10937	SALE
ABDUL JABBAR MEMON	5000	PURCHASE
ABDUL SATTAR VAID	11	PURCHASE
AHMAD NAUMAN KHAN	5139	SALE
ALI ABBAS HALAI	4100	SALE
ASAD H. BURNEY	10000	SALE
ASHRAF ALI SADRUDDIN	11000	SALE
ASIF HASAN SIDDIQUI	1315	SALE
ASIF SHARIF	5931	SALE
ASIF SHARIF	1000	PURCHASE
ATIF HAMMAD	5515	SALE
FAISAL QAZI	10500	SALE
FAZAL MUHAMMAD	1500	SALE
GHULAM MURTAZA GALANI	4000	PURCHASE
GHULAM MURTAZA GALANI	2000	SALE
HAROON ZAIB	5800	SALE
M.NADEEM SIDDIQUI	20000	SALE
M.UMER KHAN	1644	SALE
MASOOD AHMAD MUNAWAR	19	PURCHASE
MASOOD AHMAD MUNAWAR	700	SALE
MASOOD IQBAL	3600	SALE
MEHMOOD A KHAN	3000	SALE
MINHAS WIRASAT ALI	5635	SALE
MOHAMMAD KHURRAM SARDAR	381	SALE
MUHAMMAD ARSHAD	9200	SALE
MUHAMMAD HANIF AKHAI	28100	SALE
MUHAMMAD NASEEM	15000	SALE
MUHAMMAD NASEEM	12200	PURCHASE
MUHAMMAD NASIM AHMAD	1500	SALE
MUHAMMAD ZARAR ALAM	1500	SALE
MUSTAFA RAMZAN	14700	PURCHASE
NADIA ISHTIAQ	600	SALE
NAUMAN AFZAL TARIQ	5296	SALE
NIAZ AHMED SIDDIQUI	10000	SALE
RIZWAN HAMEED CHAPRA	8000	SALE
RIZWAN PERVEZ	44500	PURCHASE
SABRINA GHANI	5000	SALE
SHABBIR AHMAD	20000	SALE
SHAHBAZ ALAM	3700	SALE
SHAHNAWAZ HADI	7900	SALE
SHAR BANO	5600	PURCHASE
SYED FARRUKH ZAEEM	6000	SALE
SYED JAVED	28400	SALE
SYED MUHAMMAD FRAZ	2500	SALE
SYED MUHAMMAD FRAZ ZAIDI	7300	SALE
ZAKARIA NASEEM MIR	1052	SALE
ZAKARIA NASEEM MIR	1000	PURCHASE
ZEEBA ANSAR	54900	SALE
ZULFIQAR ALAVI	25000	SALE

\* No Sale / Purchase transaction was made by CEO,COO/CFO, Head Internal Audit and Company Secretary

# Notice of 56<sup>th</sup> Annual General Meeting

Notice is hereby given that the 56<sup>th</sup> Annual General Meeting (“AGM”) of the Shareholders of United Bank Limited (the “Bank”) will be held on Friday, 27 March 2015 at 09:30 a.m. at Islamabad Marriott Hotel, Islamabad to transact the following business:

## Ordinary Business:

1. To confirm the minutes of the 55<sup>th</sup> Annual General Meeting held on 28 March 2014.
2. To receive, consider and, if thought fit, adopt the Annual Audited Accounts (consolidated and unconsolidated), Statement of Compliance with the Code of Corporate Governance 2012 of the Bank for the year ended 31 December 2014 together with the Directors’ Report and Auditors’ Report thereon.
3. To consider and, if thought fit, approve as recommended by the Board of Directors, final cash dividend at the rate of Rs. 4.00 per share i.e. 40%, in addition to 75% interim dividend already declared/paid for the year ended 31 December 2014.
4. To consider and, if thought fit, appoint two External Auditors to hold office from this AGM till the conclusion of the next AGM of the Bank and to fix their remuneration. The retiring External Auditors namely, M/s. A. F. Ferguson & Company, Chartered Accountants and M/s. KPMG Taseer Hadi & Company, Chartered Accountants being eligible, have offered themselves for reappointment.

## Special Business:

5. To consider and, if thought fit, approve the amount of remuneration paid to the Non-executive Directors of the Bank for attending the Board and/or Committees meetings held during the year and in that connection to pass the following resolution, as an ordinary resolution, with or without modification, addition or deletion:

“RESOLVED that the remuneration paid to the non-executive directors of UBL including the Chairman during the year 2014 for attending the Board meetings and / or Committees meetings as disclosed in the Note 38 of the Audited Financial Statements of the Bank for the year ended 31 December 2014, be and is hereby confirmed and approved on post facto basis.”

6. To transact any other business with the permission of the Chairman.

## By order of the Board



**Aqeel Ahmed Nasir**  
Company Secretary &  
Chief Legal Counsel

Karachi, 6 March 2015

# Notice of 56<sup>th</sup> Annual General Meeting

## Notes:

1. The Share Transfer Books of the Bank shall remain closed from 19 March 2015 to 27 March 2015 (both days inclusive). Transfers received at M/s. THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi, the Registrar and Share Transfer Agent of the Bank, by the close of the business on 18 March 2015 will be treated in time for the purpose of the above entitlement.
2. A member entitled to attend and vote at the above Annual General Meeting is entitled to appoint another member as a proxy to attend and vote for and on his/her behalf, save that a corporation being a member may appoint as its proxy an officer of such corporation whether a member of the company or not. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarized certified copy of the power or authority shall be deposited at the office of M/s. THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi, the Registrar and Share Transfer Agent of the Bank not later than 48 hours before the time of holding the meeting, and must be duly stamped, signed and witnessed.
3. The CDC Account Holders and Sub-account Holders, whose registration details are available in the Share Book Details Report, shall be required to produce their respective original Computerized National Identity Card (CNIC) or original Passport at the time of attending the Annual General Meeting to facilitate identification. Such Account Holders and Sub-Account Holders should also bring / know their respective participation I.D. No. and the CDC Account No. in case of proxy, he/she must enclose an attested copy of his/her CNIC or Passport. Representative(s) of corporate member(s) should bring usual documents required for such purpose.
4. Members are requested to timely notify any change in their addresses and provide copies of their CNIC /NTN (if not provided earlier) to Bank's Registrar / Share Transfer Agent M/s. THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No. 3, Dr. Ziauddin Ahmed Road, Karachi.
5. In terms of SECP Circular No.10 of 2014 dated 21 May 2014, the Members can also attend and participate in the Annual General Meeting through video conference facility in Karachi and /or Lahore, if members residing in the vicinity, collectively hold 10% or more shareholding, provide their consent, in writing, to participate in the meeting through video conference as per the following format at least 10 days prior to date of meeting.

After receiving the consent of the members in aggregate 10% or more shareholding, the Bank will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

### Consent for Video Conference Facility

I/We, \_\_\_\_\_ of \_\_\_\_\_, being a member of United Bank Limited, holder of \_\_\_\_\_ Ordinary Share(s) as per Register Folio No. \_\_\_\_\_ hereby opt for video conference facility at \_\_\_\_\_.

\_\_\_\_\_  
Signature of the Member

## **Statement of Material Facts**

Under Section 160(1)(b) of the Companies Ordinance, 1984

### **Item No.5: Remuneration of the Non-Executive Directors of the Bank**

As required under SBP Prudential Regulation G-1, total amount of remuneration paid/payable to the non-executive directors including the Chairman for attending the Board meetings and/or Committees meetings during the year 2014 as disclosed in Note 38 of the Audited Financial Statements is submitted to the shareholders for approval on a Post facto basis.





# Form of Proxy

## 56<sup>th</sup> Annual General Meeting of United Bank Limited

I/We, \_\_\_\_\_ of \_\_\_\_\_ being a member of United Bank Limited ("UBL") and holder of \_\_\_\_\_ ordinary shares as per Share Register Folio No. \_\_\_\_\_ and / or CDC Participation I.D. No. \_\_\_\_\_ and Account No. \_\_\_\_\_ hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him \_\_\_\_\_ of \_\_\_\_\_ as my/our proxy to vote for me/us and on my/our behalf at the 56<sup>th</sup> Annual General Meeting of UBL scheduled to be held on Friday, 27 March 2015 at 9:30 a.m. at Islamabad Marriott Hotel, Islamabad and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015.

### Witness 1:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

CNIC No. or Passport No: \_\_\_\_\_

Address: \_\_\_\_\_

Revenue Stamps  
of Rs.5/-

### Witness 2:

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

CNIC No. or Passport No: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
(Signature should agree  
with the specimen signature  
registered with the Registrar)

### NOTE:

#### A. General:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead of him/her. No person shall act as a proxy, who is not a member of UBL except that Government of Pakistan / State Bank of Pakistan / Corporation may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with Power of Attorney, if any, under which it is signed or a notarized certified copy thereof, should be deposited, with our Registrar/Transfer Agents, M/s. THK Associates (Pvt.) Limited, 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi, not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Registrar, all such instruments of proxy shall be rendered invalid.

#### B. For CDC Account Holders:

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC / Passport No. shall be mentioned on the form.
2. Attested copies of CNIC or the Passport of the beneficial owners of the proxy shall be furnished with the proxy form.
3. The proxy shall produce his/her original CNIC or original Passport at the time of the meeting.

Affix  
Correct  
Postage

**Registrar**

M/s. THK Associates (Pvt.) Limited,  
2nd Floor, State Life Building No. 3,  
Dr. Ziauddin Ahmed Road,  
Karachi, Pakistan



**UNITED BANK LIMITED**  
State Life Building No. 1,  
I.I. Chundrigar Road,  
Karachi - 74000, Pakistan.  
UAN: 111-825-888  
Website: [www.ubldirect.com](http://www.ubldirect.com)