

United Bank Limited

**CONSOLIDATED CONDENSED
INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED
MARCH 31, 2021
(UN-AUDITED)**



**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2021**

Note	(Un-audited) March 31, 2021	(Audited) December 31, 2020
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----- (Rupees in '000) -----

ASSETS

Cash and balances with treasury banks	6	196,047,017	258,139,459
Balances with other banks	7	26,365,767	29,583,028
Lendings to financial institutions	8	11,891,316	22,212,442
Investments	9	1,357,064,725	1,167,803,512
Advances	10	626,716,866	611,851,676
Fixed assets	11	56,799,482	57,467,580
Intangible assets	12	1,929,164	2,034,551
Deferred tax assets	13	5,681,185	4,682,494
Other assets	15	43,524,752	48,101,456
		2,326,020,274	2,201,876,198

LIABILITIES

Bills payable	17	25,622,655	29,741,206
Borrowings	18	260,132,386	131,827,185
Deposits and other accounts	19	1,756,061,467	1,764,392,286
Liabilities against assets subject to finance lease	20	13,134	15,957
Subordinated debt	21	10,000,000	10,000,000
Deferred tax liabilities	13	-	-
Other liabilities	22	75,178,083	58,267,678
		2,127,007,725	1,994,244,312

NET ASSETS

	199,012,549	207,631,886
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REPRESENTED BY:

Share capital		12,241,797	12,241,797
Reserves		69,014,226	71,020,586
Surplus on revaluation of assets	23	27,709,619	29,334,212
Unappropriated profit		82,767,848	87,527,909
Total equity attributable to the equity holders of the Bank		191,733,490	200,124,504

Non-controlling interest		7,279,059	7,507,382
		199,012,549	207,631,886

CONTINGENCIES AND COMMITMENTS

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

Aameer Karachiwalla
Chief Financial Officer

Shazad G. Dada
President &
Chief Executive Officer

Shazia Syed
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	Note	January - March 2021	January - March 2020
----- (Rupees in '000) -----			
Mark-up / return / interest earned	26	32,930,550	44,374,183
Mark-up / return / interest expensed	27	15,425,644	26,584,742
Net mark-up / interest income		<u>17,504,906</u>	<u>17,789,441</u>
Non mark-up / interest income			
Fee and commission income	28	3,469,334	3,510,113
Dividend income		252,206	177,699
Foreign exchange income		524,508	770,976
Income / (loss) from derivatives		7,254	(11,274)
Gain on securities - net	29	1,874,072	458,052
Other income	30	127,885	174,599
Total non mark-up / interest income		<u>6,255,259</u>	<u>5,080,165</u>
Total income		<u>23,760,165</u>	<u>22,869,606</u>
Non mark-up / interest expenses			
Operating expenses	31	10,784,633	10,314,814
Workers' Welfare Fund		248,494	219,422
Other charges	32	24,547	181,039
Total non mark-up / interest expenses		<u>11,057,674</u>	<u>10,715,275</u>
Share of profit / (loss) of associates		<u>152,002</u>	<u>(147,536)</u>
Profit before provisions		<u>12,854,493</u>	<u>12,006,795</u>
Provisions and write-offs - net	33	376,332	3,701,317
Profit before taxation from continuing operations		<u>12,478,161</u>	<u>8,305,478</u>
Taxation	34	4,892,227	3,400,320
Profit after taxation from continuing operations		<u>7,585,934</u>	<u>4,905,158</u>
Discontinued operation			
(Loss) / profit from discontinued operation - net of tax	14	(33)	6,505
Profit after taxation		<u>7,585,901</u>	<u>4,911,663</u>
Attributable to:			
Equity holders of the Bank			
from continuing operations		7,598,730	4,871,117
from discontinued operation		(33)	6,505
		<u>7,598,697</u>	<u>4,877,622</u>
Non-controlling interest		<u>(12,796)</u>	<u>34,041</u>
		<u>7,585,901</u>	<u>4,911,663</u>
----- (Rupees) -----			
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Bank			
Basic and diluted		<u>6.21</u>	<u>3.98</u>
Earnings per share for profit attributable to the ordinary equity holders of the Bank			
Basic and diluted	35	<u>6.21</u>	<u>3.98</u>

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

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	January - March 2021	January - March 2020
	----- (Rupees in '000) -----	
Profit after tax for the period attributable to:		
Equity holders of the Bank		
from continuing operations	7,598,730	4,871,117
from discontinued operation	(33)	6,505
	<u>7,598,697</u>	<u>4,877,622</u>
Non-controlling interest	(12,796)	34,041
	<u>7,585,901</u>	<u>4,911,663</u>
Other comprehensive income		
Items that may be reclassified to profit and loss account in subsequent periods		
Effect of translation of net investment in foreign branches and subsidiaries		
Equity holders of the Bank	(2,746,828)	3,220,655
Non-controlling interest	(101,833)	58,046
	<u>(2,848,661)</u>	<u>3,278,701</u>
Movement in deficit on revaluation of investments - net of tax		
Equity holders of the Bank	(1,549,035)	(6,833,393)
Non-controlling interest	(61,584)	(764,482)
	<u>(1,610,619)</u>	<u>(7,597,875)</u>
	<u>(4,459,280)</u>	<u>(4,319,174)</u>
Items that will not be reclassified to profit and loss account in subsequent periods		
Remeasurement loss of defined benefit obligations - net of tax		
Equity holders of the Bank	-	(519,857)
Movement in surplus on revaluation of fixed assets - net of tax		
Equity holders of the Bank	(64,141)	(9,246)
Non-controlling interest	(52,110)	(8,934)
	<u>(116,251)</u>	<u>(18,180)</u>
	<u>(116,251)</u>	<u>(538,037)</u>
Total comprehensive income for the period	<u><u>3,010,370</u></u>	<u><u>54,452</u></u>
Attributable to:		
Equity holders of the Bank		
from continuing operations	3,238,726	729,276
from discontinued operation	(33)	6,505
	<u>3,238,693</u>	<u>735,781</u>
Non-controlling interest	(228,323)	(681,329)
	<u>3,010,370</u>	<u>54,452</u>

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

Aameer Karachiwalla
Chief Financial Officer

Shazad G. Dada
President &
Chief Executive Officer

Shazia Syed
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	Attributable to equity shareholders of the Bank								Non-controlling Interest	Total	
	Share Capital	General reserve	Statutory reserve	Capital reserve - Exchange translation	Surplus / (Deficit) on revaluation of			Unappropriated profit			Sub total
					Investments	Fixed Assets	Non Banking Assets				
(Rupees in '000)											
Balance as at December 31, 2019 (Audited)	12,241,797	3,000	33,288,783	33,384,629	189,482	27,184,005	31,071	77,335,249	183,658,016	7,213,855	190,871,871
Total comprehensive income for the three months ended March 31, 2020											
Profit after taxation for the three months ended March 31, 2020	-	-	-	-	-	-	-	4,877,622	4,877,622	34,041	4,911,663
Other comprehensive income - net of tax	-	-	-	3,220,655	(6,833,393)	(9,246)	-	(519,857)	(4,141,841)	(715,370)	(4,857,211)
Total comprehensive income for the three months ended March 31, 2020	-	-	-	3,220,655	(6,833,393)	(9,246)	-	4,357,765	735,781	(681,329)	54,452
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	(2,260)	(2,260)
Transfer from surplus on revaluation on disposal to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(125,010)	-	125,010	-	-	-
Transfer to statutory reserve	-	-	525,360	-	-	-	-	(525,360)	-	-	-
Transactions with owners for the three months ended March 31, 2020											
Final cash dividend - December 31, 2019 declared subsequent to the year end at Rs. 4.0 per share	-	-	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
Balance as at March 31, 2020 (Un-audited)	12,241,797	3,000	33,814,143	36,605,284	(6,643,911)	27,049,749	31,071	76,395,945	179,497,078	6,530,266	186,027,344
Total comprehensive income for the nine months ended December 31, 2020											
Profit after taxation for the nine months ended December 31, 2020	-	-	-	-	-	-	-	16,060,296	16,060,296	(183,425)	15,876,871
Other comprehensive income - net of tax	-	-	-	(987,076)	8,954,587	17,163	(921)	(356,174)	7,627,579	1,160,541	8,788,120
Total comprehensive income for the nine months ended December 31, 2020	-	-	-	(987,076)	8,954,587	17,163	(921)	15,704,122	23,687,875	977,116	24,664,991
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation on disposal to unappropriated profit - net of tax	-	-	-	-	-	(116,346)	(29,237)	145,583	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	72,057	-	(72,057)	-	-	-
Transfer to statutory reserve	-	-	1,585,235	-	-	-	-	(1,585,235)	-	-	-
Transactions with owners for the nine months ended December 31, 2020											
Interim cash dividend - March 31, 2020 declared at Rs. 2.5 per share	-	-	-	-	-	-	-	(3,060,449)	(3,060,449)	-	(3,060,449)
Balance as at December 31, 2020 (Audited)	12,241,797	3,000	35,399,378	35,618,208	2,310,676	27,022,623	913	87,527,909	200,124,504	7,507,382	207,631,886
Total comprehensive income for the three months ended March 31, 2021											
Profit after taxation for the three months ended March 31, 2021	-	-	-	-	-	-	-	7,598,697	7,598,697	(12,796)	7,585,901
Other comprehensive income - net of tax	-	-	-	(2,746,828)	(1,549,035)	(64,141)	-	-	(4,360,004)	(215,527)	(4,575,531)
Total comprehensive income for the three months ended March 31, 2021	-	-	-	(2,746,828)	(1,549,035)	(64,141)	-	7,598,697	3,238,693	(228,323)	3,010,370
Ordinary dividend relating to Non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	(11,417)	-	11,417	-	-	-
Transfer to statutory reserve	-	-	740,468	-	-	-	-	(740,468)	-	-	-
Transactions with owners for the three months ended March 31, 2021											
Final cash dividend - December 31, 2020 declared subsequent to the year end at Rs. 9.5 per share	-	-	-	-	-	-	-	(11,629,707)	(11,629,707)	-	(11,629,707)
Balance as at March 31, 2021 (Un-audited)	12,241,797	3,000	36,139,846	32,871,380	761,641	26,947,065	913	82,767,848	191,733,490	7,279,059	199,012,549

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

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	January - March 2021	January - March 2020
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation including discontinued operation	12,478,128	8,311,983
Less: Dividend income	252,206	177,699
Share of profit / (loss) of associates	152,002	(147,536)
	<u>12,073,920</u>	<u>8,281,820</u>
Adjustments:		
Depreciation on fixed assets	712,982	705,851
Depreciation on Islamic financing against leased assets (Ijarah)	41,710	62,862
Depreciation on right-of-use assets	455,114	479,342
Amortisation	205,992	194,080
Workers' Welfare Fund	248,494	219,422
Provision for retirement benefits	323,342	287,709
Charge for compensated absences	43,997	46,892
Provision against loans and advances - net	303,465	3,780,593
Reversal of provision for diminution in value of investments - net	(222,113)	(184,572)
Bad debts written off directly	33,847	14,686
(Reversal) / provision against off balance sheet items	(53,059)	58,686
Interest expense on lease liability against right-of-use assets	237,746	274,446
Gain on sale of fixed assets - net	(3,269)	(44,434)
Gain on sale of ijarah assets - net	(1,711)	(383)
Unrealised gain on revaluation of investments classified as held for trading	(2,778)	(78,303)
Other provisions / write-offs	314,192	31,924
	<u>2,637,951</u>	<u>5,848,801</u>
	<u>14,711,871</u>	<u>14,130,621</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	10,321,126	749,077
Held for trading securities	(63,863,879)	8,971,910
Advances	(15,243,453)	8,327,878
Other assets (excluding advance taxation)	748,933	2,585,123
	<u>(68,037,273)</u>	<u>20,633,988</u>
Increase in operating liabilities		
Bills payable	(4,118,551)	(2,829,207)
Borrowings	128,305,201	26,436,793
Deposits and other accounts	(8,330,819)	33,937,636
Other liabilities (excluding current taxation)	6,133,382	(3,631,988)
	<u>121,989,213</u>	<u>53,913,234</u>
	<u>68,663,811</u>	<u>88,677,843</u>
Payments on account of staff retirement benefits	(1,198,758)	(300,780)
Income taxes paid	(1,454,281)	(371,521)
Net cash flows generated from operating activities	<u>66,010,772</u>	<u>88,005,542</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(81,655,938)	(184,587,863)
Net investments in held to maturity securities	(45,248,018)	29,125,347
Net investments in associates	(600,172)	268,938
Dividend income received	272,931	127,242
Investment in fixed assets and intangible assets	(635,189)	(1,508,429)
Sale proceeds from disposal of fixed assets	34,586	234,790
Sale proceeds from disposal of ijarah assets	952	952
Exchange differences on translation of net investment in foreign branches and subsidiaries attributable to:		
- Equity holders of the Bank	(2,746,828)	3,220,655
- Non-controlling interest	(101,833)	58,046
Net cash flows used in investing activities	<u>(130,679,509)</u>	<u>(153,060,322)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Lease obligations	2,823	(239)
Payment of lease liability against right-of-use assets	(639,820)	(387,865)
Dividends paid to:		
- Equity holders of the Bank	(3,969)	(1,205,171)
- Non-controlling interest	-	(2,260)
Net cash flows used in financing activities	<u>(640,966)</u>	<u>(1,595,535)</u>
Decrease in cash and cash equivalents during the period	<u>(65,309,703)</u>	<u>(66,650,315)</u>
Cash and cash equivalents at the beginning of the period	287,722,487	286,329,378
Cash and cash equivalents at the end of the period	<u>222,412,784</u>	<u>219,679,063</u>

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

Aameer Karachiwalla
Chief Financial Officer

Shazad G. Dada
President &
Chief Executive Officer

Shazia Syed
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Chairman

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

1. STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company

- United Bank Limited ("the Bank")

Subsidiary Companies

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

The Group is engaged in commercial banking, asset management, investment advisory and investments business. United Bank Limited ("the Bank") is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL Building, Jinnah Avenue, Blue Area, Islamabad and at UBL Head Office, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,348 (December 31, 2020: 1,356) branches inside Pakistan including 100 (December 31, 2020: 100) Islamic Banking branches and 2 (December 31, 2020: 2) branches in Export Processing Zones. The Bank also operates 13 (December 31, 2020: 14) branches outside Pakistan.

The Bank was a subsidiary of Bestway (Holdings) Limited which is a wholly owned subsidiary of Bestway Group Limited incorporated in United Kingdom.

During the period, an internal reorganization exercise was undertaken by the Bestway Group by virtue of which Bestway (Holdings) Limited has transferred its entire shareholding of 51.6 percent in the Bank to a new Company "Bestway International Holdings Limited" (BIHL) on March 19, 2021. BIHL is a wholly owned subsidiary of the newly incorporated Bestway Group Limited (BGL). Both BIHL and BGL have been incorporated in Guernsey.

The aforementioned transfer of shareholding did not have any effect on the ultimate beneficial ownership of the Bank.

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

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

The shareholders of the Bank in their annual general meeting held on March 27, 2020, have resolved to wind up "United Executors and Trustees Company Limited", a wholly owned subsidiary of the Bank. UET is inactive, and will have no impact on the overall profitability of the Group.

2. BASIS OF PRESENTATION

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

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

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

3. STATEMENT OF COMPLIANCE

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

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

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

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

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

3.4 The disclosures made in these consolidated condensed interim financial statements have been limited based on a format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019, and IAS 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2020.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

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

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 16 - Leases (Amendments)	January 01, 2021
- IAS 1 - Presentation of financial statements (Amendments)	January 01, 2021
- IFRS 9 - Financial Instruments: Classification and Measurement	January 01, 2021

IFRS 9 has been applicable in several overseas jurisdictions from January 1, 2018. Accordingly, the requirements of this standard are incorporated in the Group's consolidated financial statements for the jurisdictions where IFRS 9 has been adopted. The impact of the application of IFRS 9 in Pakistan on the Group's financial statements has been assessed and implementation guidelines are awaited from the State Bank of Pakistan.

In addition, there are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated condensed interim financial statements.

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

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 3 - Business Combinations (Amendments)	January 01, 2022
- IAS 16 - Property plant and equipment (Amendments)	January 01, 2022
- IAS 37 - Provisions, contingent liabilities and contingent assets (Amendments)	January 01, 2022
- IFRS 9 - Financial Instruments: Classification and Measurement (Annual Improvements process)	January 01, 2022
- IFRS 17 - Insurance Contracts	January 01, 2023

The Group expects that adoption of the amendments to accounting and reporting standards will not affect its financial statements in the period of initial application.

4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

4.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the consolidated financial statements of the Group for the year ended December 31, 2020.

4.2 The financial risk management objectives and policies adopted by the Group are consistent with those disclosed in the consolidated financial statements for the year ended December 31, 2020.

5. BASIS OF MEASUREMENT

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

5.2 Judgements and estimates

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

The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements of the Group for the year ended December 31, 2020.

	(Un-audited) March 31, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
6. CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	17,342,701	20,776,101
Foreign currencies	10,687,699	12,160,057
	28,030,400	32,936,158
With State Bank of Pakistan in		
Local currency current accounts	49,362,714	75,604,954
Foreign currency current accounts	4,328,639	4,420,727
Foreign currency deposit account	7,459,902	7,767,517
	61,151,255	87,793,198
With other central banks in		
Foreign currency current accounts	27,974,923	36,040,406
Foreign currency deposit accounts	7,570,947	6,869,307
	35,545,870	42,909,713
With National Bank of Pakistan in local currency current accounts	70,442,410	92,628,531
Prize Bonds	877,082	1,871,859
	<u>196,047,017</u>	<u>258,139,459</u>
7. BALANCES WITH OTHER BANKS		
Inside Pakistan		
In current accounts	16	-
In deposit accounts	21,723	2,015,383
	21,739	2,015,383
Outside Pakistan		
In current accounts	15,187,909	19,102,946
In deposit accounts	11,156,119	8,464,699
	26,344,028	27,567,645
	<u>26,365,767</u>	<u>29,583,028</u>
8. LENDINGS TO FINANCIAL INSTITUTIONS		
Call / clean money lending	2,132,142	10,624,519
Repurchase agreement lendings (Reverse Repo)	4,500,000	-
Bai Muajjal receivable		
- with State Bank of Pakistan	-	6,433,114
- with other financial institutions	2,833,143	3,026,018
Other lendings to financial institutions	2,426,031	2,128,791
	<u>11,891,316</u>	<u>22,212,442</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**
9. INVESTMENTS

9.1	Investments by type	Note	(Un-audited) March 31, 2021				(Audited) December 31, 2020			
			Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
----- (Rupees in '000) -----										
Held for trading securities										
	Market Treasury Bills		66,868,582	-	2,752	66,871,334	3,009,238	-	228	3,009,466
	Pakistan Investment Bonds - fixed		4,763	-	26	4,789	-	-	-	-
			66,873,345	-	2,778	66,876,123	3,009,238	-	228	3,009,466
Available for sale securities										
	Market Treasury Bills		443,095,429	-	(47,663)	443,047,766	341,885,979	-	238,363	342,124,342
	Pakistan Investment Bonds - fixed		70,850,145	-	(124,089)	70,726,056	76,334,054	-	333,950	76,668,004
	Pakistan Investment Bonds - floaters		340,612,331	-	(2,567,828)	338,044,503	340,678,646	-	(2,569,332)	338,109,314
	Government of Pakistan Eurobonds		23,328,424	(245,959)	1,199,869	24,282,334	25,519,619	(105,010)	1,226,132	26,640,741
	Government of Pakistan Sukuk		27,137,569	(3,934)	(14,399)	27,119,236	24,873,538	(8,713)	(48,193)	24,816,632
	Government of Pakistan Modaraba Pool		931,343	-	-	931,343	466,435	-	-	466,435
	Corporate Sukuks		1,220,000	-	-	1,220,000	1,220,000	-	-	1,220,000
	Ordinary shares of listed companies		12,560,296	(5,057,496)	3,172,397	10,675,197	13,345,156	(5,479,476)	2,517,580	10,383,260
	Preference shares		36,667	-	-	36,667	36,667	-	-	36,667
	Ordinary shares of unlisted companies		871,777	(134,376)	20	737,421	808,294	(134,392)	36	673,938
	Investment in REIT		458,590	-	(40,022)	418,568	458,590	-	(16,676)	441,914
	Investment in Mutual Fund		250,000	-	(31,954)	218,046	250,000	-	(21,482)	228,518
	Term Finance Certificates		662,335	(161,996)	-	500,339	662,335	(162,033)	-	500,302
	Foreign bonds - sovereign		70,494,196	(1,351,285)	(350,699)	68,792,212	81,369,066	(1,401,942)	1,742,758	81,709,882
	Foreign bonds - others		4,194,961	(21,855)	(4,831)	4,168,275	7,256,300	(24,002)	271,352	7,503,650
			996,704,063	(6,976,901)	1,190,801	990,917,963	915,164,679	(7,315,568)	3,674,488	911,523,599
Held to maturity securities										
	Market Treasury Bills		2,318,242	-	-	2,318,242	2,696,727	-	-	2,696,727
	Pakistan Investment Bonds - fixed		202,031,276	-	-	202,031,276	160,738,122	-	-	160,738,122
	Government of Pakistan Eurobonds		10,211,950	(83,058)	-	10,128,892	10,706,182	(45,483)	-	10,660,699
	Government of Pakistan Sukuk		1,239,193	(6,424)	-	1,232,769	1,296,245	(3,374)	-	1,292,871
	Bai Muajjal with Government of Pakistan	40.2.1	30,338,329	-	-	30,338,329	29,569,648	-	-	29,569,648
	Term Finance Certificates		4,584,257	(69,951)	-	4,514,306	4,516,483	(69,951)	-	4,446,532
	Corporate Sukuks		12,123,051	(50,934)	-	12,072,117	12,022,820	(57,846)	-	11,964,974
	Participation Term Certificates		436	(436)	-	-	437	(437)	-	-
	Debentures		2,266	(2,266)	-	-	2,266	(2,266)	-	-
	Foreign bonds - sovereign		28,578,862	(624,291)	-	27,954,571	25,058,739	(646,731)	-	24,412,008
	Foreign bonds - others		1,699,563	(21,886)	-	1,677,677	1,261,784	(23,219)	-	1,238,565
	CDC SAARC Fund		332	-	-	332	347	-	-	347
			293,127,757	(859,246)	-	292,268,511	247,869,800	(849,307)	-	247,020,493
Associates										
	UBL Liquidity Plus Fund		1,559,047	-	-	1,559,047	1,837,605	-	-	1,837,605
	UBL Stock Advantage Fund		278,293	-	-	278,293	107,282	-	-	107,282
	UBL Financial Sector Fund		263,933	-	-	263,933	225,640	-	-	225,640
	UBL Exchange Traded Fund		21,384	-	-	21,384	21,374	-	-	21,374
	UBL Special Savings Fund II		102,984	-	-	102,984	101,850	-	-	101,850
	Al Ameen Islamic Cash Plan I		600,000	-	-	600,000	-	-	-	-
	Al Ameen Islamic Energy Fund		147,028	-	-	147,028	92,471	-	-	92,471
	Al Ameen Shariah Stock Fund		29,339	-	-	29,339	-	-	-	-
	UBL Insurers Limited		514,481	-	-	514,481	499,948	-	-	499,948
	Khushhali Bank Limited	9.2	3,485,639	-	-	3,485,639	3,363,784	-	-	3,363,784
			7,002,128	-	-	7,002,128	6,249,954	-	-	6,249,954
	Total Investments		1,363,707,293	(7,836,147)	1,193,579	1,357,064,725	1,172,293,671	(8,164,875)	3,674,716	1,167,803,512

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	Note	(Un-audited) March 31, 2021	(Audited) December 31, 2020
9.3 Investments given as collateral - at market value		----- (Rupees in '000) -----	
Market Treasury Bills		99,805,204	59,846,168
Pakistan Investment Bonds		81,923,020	-
		<u>181,728,224</u>	<u>59,846,168</u>
9.4 Provision for diminution in value of investments			
9.4.1 Opening balance		8,164,875	7,429,256
Exchange adjustments		(106,615)	58,788
Charge / (reversals)			
Charge for the period / year		228,903	1,389,189
Reversals for the period / year		(451,016)	(562,394)
		(222,113)	826,795
Amount written off		-	(149,964)
Closing balance	9.6	<u>7,836,147</u>	<u>8,164,875</u>

9.4.2 Particulars of provision against debt securities

Category of classification	(Un-audited) March 31, 2021		(Audited) December 31, 2020	
	Non-Performing Investments	Provision	Non-Performing Investments	Provision
	----- (Rupees in '000) -----			
Domestic				
Loss	285,583	285,583	292,496	292,496
Overseas				
Not past due but impaired	1,942,492	490,139	2,004,405	510,210
Total	<u>2,228,075</u>	<u>775,722</u>	<u>2,296,901</u>	<u>802,706</u>

9.5 The market value of securities classified as held-to-maturity as at March 31, 2021 amounted to Rs. 293,343.893 million (December 31, 2020: Rs. 252,280.321 million).

9.6 Provision against investments includes expected credit loss (ECL) under IFRS 9 amounting to Rs. 1,868.574 million (December 31, 2020: Rs. 1,748.301 million).

10. ADVANCES

	Note	Performing		Non-performing		Total	
		(Un-audited) March 31, 2021	(Audited) December 31, 2020	(Un-audited) March 31, 2021	(Audited) December 31, 2020	(Un-audited) March 31, 2021	(Audited) December 31, 2020
		----- (Rupees in '000) -----					
Loans, cash credits, running finances, etc.		545,962,177	549,179,452	78,741,057	82,324,861	624,703,234	631,504,313
Islamic financings and related assets		34,064,153	20,542,257	75,132	107,478	34,139,285	20,649,735
Bills discounted and purchased		41,802,076	36,223,975	2,771,580	2,824,527	44,573,656	39,048,502
Advances - gross		<u>621,828,406</u>	<u>605,945,684</u>	<u>81,587,769</u>	<u>85,256,866</u>	<u>703,416,175</u>	<u>691,202,550</u>
Provision against advances	10.3						
- Specific		-	-	(69,765,516)	(72,036,997)	(69,765,516)	(72,036,997)
- General		(6,933,793)	(7,313,877)	-	-	(6,933,793)	(7,313,877)
		<u>(6,933,793)</u>	<u>(7,313,877)</u>	<u>(69,765,516)</u>	<u>(72,036,997)</u>	<u>(76,699,309)</u>	<u>(79,350,874)</u>
Advances - net of provision		<u>614,894,613</u>	<u>598,631,807</u>	<u>11,822,253</u>	<u>13,219,869</u>	<u>626,716,866</u>	<u>611,851,676</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

10.1 Particulars of advances - gross	(Un-audited)	(Audited)
	March 31, 2021	December 31, 2020
	----- (Rupees in '000) -----	
10.1.1 In local currency	458,930,180	453,024,198
In foreign currencies	244,485,995	238,178,352
	<u>703,416,175</u>	<u>691,202,550</u>

10.2 Advances include Rs. 81,587.769 million (December 31, 2020: Rs. 85,256.866 million) which have been placed under non-performing status as detailed below:

Category of Classification	(Un-audited) March 31, 2021		(Audited) December 31, 2020	
	Non-Performing Loans	Provision	Non-Performing Loans	Provision
	----- (Rupees in '000) -----			
Domestic				
Other Assets Especially Mentioned*	229,204	311	189,538	497
Substandard	2,610,140	644,423	2,690,171	662,589
Doubtful	635,384	316,218	1,599,695	798,209
Loss	24,885,830	23,786,233	24,259,582	23,164,558
	<u>28,360,558</u>	<u>24,747,185</u>	<u>28,738,986</u>	<u>24,625,853</u>
Overseas				
Not past due but impaired**	3,802,181	1,920,218	5,820,717	2,681,378
Overdue by:				
Upto 90 days	2,806,711	931,980	1,064,806	135,443
91 to 180 days	670,874	499,950	784,383	718,039
181 to 365 days	2,461,393	754,673	10,824,869	8,539,542
> 365 days	43,486,052	40,911,510	38,023,105	35,336,742
	<u>53,227,211</u>	<u>45,018,331</u>	<u>56,517,880</u>	<u>47,411,144</u>
Total	<u>81,587,769</u>	<u>69,765,516</u>	<u>85,256,866</u>	<u>72,036,997</u>

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

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

10.3 Particulars of provision against advances

Note	(Un-audited) March 31, 2021			(Audited) December 31, 2020		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
Opening balance	72,036,997	7,313,877	79,350,874	63,887,915	3,618,520	67,506,435
Exchange adjustments	(1,662,394)	(309,308)	(1,971,702)	937,162	160,201	1,097,363
Charge / (reversals)						
Charge for the period / year	1,286,191	11,836	1,298,027	14,338,496	3,623,212	17,961,708
Reversals for the period / year	(790,724)	(82,612)	(873,336)	(1,734,374)	(88,056)	(1,822,430)
33	495,467	(70,776)	424,691	12,604,122	3,535,156	16,139,278
Amounts written off	(1,104,554)	-	(1,104,554)	(5,282,212)	-	(5,282,212)
Amounts charged off - agriculture financing	-	-	-	(80,974)	-	(80,974)
Transfers out - net	-	-	-	(29,016)	-	(29,016)
Closing balance	<u>69,765,516</u>	<u>6,933,793</u>	<u>76,699,309</u>	<u>72,036,997</u>	<u>7,313,877</u>	<u>79,350,874</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

10.3.1 General provision represents provision amounting to Rs. 331.791 million (December 31, 2020: Rs. 319.955 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 6,602.002 million (December 31, 2020: Rs. 6,993.922 million) pertaining to overseas advances to meet the requirements of the regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate.

10.3.2 The Bank has availed the benefit of Forced Sale Value (FSV) of certain mortgaged properties held as collateral against non-performing advances as allowed under BSD Circular No. 1 of 2011. Had the benefit under the said circular not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 16.791 million (December 31, 2020: Rs. 18.337 million). The FSV benefit availed is not available for the distribution of cash or stock dividend to shareholders.

The Bank has also availed FSV benefit of certain mortgaged properties held as collateral against non-performing advances of overseas branches in accordance with the applicable regulation in the respective countries where the branches operate. Had the benefit not been taken by the Bank, the specific provision against non-performing advances would have been higher by Rs. 3,401.728 million (December 31, 2020: Rs. 3,951.861 million) for the overseas branches.

10.3.3 During the period, as a result of COVID-19, the SBP has allowed certain relaxations including deferment of principal payment, rescheduling / restructuring of principal and mark-up, extension and timeline of provisioning against trade bills while maintaining the customer status as "regular". These have been considered while determining the provisioning requirements on a time based criteria.

	Note	(Un-audited) March 31, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----			
11. FIXED ASSETS			
Capital work-in-progress	11.1	552,075	447,893
Property and equipments		49,704,196	50,155,993
Right-of-use assets		6,543,211	6,863,694
		<u>56,799,482</u>	<u>57,467,580</u>
11.1 Capital work-in-progress			
Civil works		312,465	270,445
Equipment		239,610	177,448
		<u>552,075</u>	<u>447,893</u>
11.2 Additions to fixed assets			
The following additions have been made to fixed assets during the period:			
Capital work-in-progress - net additions		104,182	180,711
Property and equipments			
Building on freehold land		-	4,356
Leasehold Improvement		86,623	106,300
Furniture and fixture		21,296	17,438
Electrical, office and computer equipments		239,149	228,959
Vehicles		92,492	15,868
		<u>439,560</u>	<u>372,921</u>
Total		<u>543,742</u>	<u>553,632</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

		(Un-audited)			
		January - March 2021	January - March 2020		
		----- (Rupees in '000) -----			
11.3	Disposals of fixed assets				
	The net book value of fixed assets disposed off during the period is as follows:				
	Building on leasehold land	-	124,304		
	Leasehold Improvement	-	4,047		
	Furniture and fixture	3,147	12,951		
	Electrical, office and computer equipments	4,426	46,924		
	Vehicles	23,744	2,130		
		<u>31,317</u>	<u>190,356</u>		
11.4	Additions to right-of-use assets	<u>415,220</u>	<u>626,603</u>		
11.5	Derecognition of right-of-use assets	<u>236,945</u>	<u>-</u>		
		(Un-audited)	(Audited)		
		March 31, 2021	December 31, 2020		
		----- (Rupees in '000) -----			
12.	INTANGIBLE ASSETS				
	Capital work-in-progress	298,237	232,545		
	Intangible assets	1,630,927	1,802,006		
		<u>1,929,164</u>	<u>2,034,551</u>		
		(Un-audited)			
		January - March 2021	January - March 2020		
		----- (Rupees in '000) -----			
12.1	Additions to intangible assets				
	The following additions have been made to intangible assets during the period:				
	Capital work-in-progress - net additions	<u>63,283</u>	<u>50,634</u>		
	Directly purchased intangibles	<u>43,182</u>	<u>146,726</u>		
		Note			
		(Un-audited)	(Audited)		
		March 31, 2021	December 31, 2020		
		----- (Rupees in '000) -----			
13.	DEFERRED TAX ASSETS				
	Deferred tax assets	13.1 <u>5,681,185</u>	<u>4,682,494</u>		
13.1	Movement in temporary differences during the period				
		March 31, 2021 (Un-audited)			
		At January 1, 2021	Recognised in profit and loss account	Recognised in OCI	At March 31, 2021
		----- (Rupees in '000) -----			
	Deductible temporary differences on				
	- Post-retirement employee benefits	1,386,150	(29)	-	1,386,121
	- Provision against advances, off-balance sheet etc.	6,390,263	-	-	6,390,263
	- Workers' Welfare Fund	1,833,191	95,509	-	1,928,700
		9,609,604	95,480	-	9,705,084
	Taxable temporary differences on				
	- Surplus on revaluation of fixed assets / non-banking assets	(1,286,111)	7,916	23,568	(1,254,627)
	- Surplus on revaluation of investments	(1,697,416)	-	1,022,010	(675,406)
	- Share of profit from Associates	(1,083,460)	(51,179)	-	(1,134,639)
	- Accelerated tax depreciation	(286,178)	281	(98,135)	(384,032)
	- Others	(573,945)	9,116	(10,366)	(575,195)
		(4,927,110)	(33,866)	937,077	(4,023,899)
		<u>4,682,494</u>	<u>61,614</u>	<u>937,077</u>	<u>5,681,185</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	December 31, 2020 (Audited)			
	At January 1, 2020	Recognised in profit and loss account	Recognised in OCI	At December 31, 2020
----- (Rupees in '000) -----				
Deductible temporary differences on				
- Post-retirement employee benefits	837,426	30,335	518,389	1,386,150
- Provision against advances, off-balance sheet etc.	3,291,876	3,098,387	-	6,390,263
- Workers' Welfare Fund	1,495,858	337,333	-	1,833,191
	5,625,160	3,466,055	518,389	9,609,604
Taxable temporary differences on				
- Surplus on revaluation of fixed assets / non-banking assets	(1,339,305)	32,790	20,404	(1,286,111)
- Surplus on revaluation of investments	(375,338)	-	(1,322,078)	(1,697,416)
- Share of profit from Associates	(922,114)	(161,346)	-	(1,083,460)
- Accelerated tax depreciation	(744,233)	458,055	-	(286,178)
- Others	(520,617)	289	(53,617)	(573,945)
	(3,901,607)	329,788	(1,355,291)	(4,927,110)
	<u>1,723,553</u>	<u>3,795,843</u>	<u>(836,902)</u>	<u>4,682,494</u>

14. DISCONTINUED OPERATION

UBL Bank (Tanzania) Limited ("UBTL") is a wholly owned subsidiary of United Bank Limited. UBTL sold materially all of its assets and liabilities held as at October 31, 2019, including the loans and advances and deposit book to EXIM Bank Tanzania Limited ("Exim"), in line with the Asset and Liabilities Purchase Agreement signed on May 22, 2019. The control of these assets and liabilities was transferred to Exim effective from November 1, 2019. The Banking operations of the subsidiary ceased on November 1, 2019. UBTL is in process of winding up and voluntary liquidation.

14.1 Assets and liabilities under discontinued operation

	(Un-audited) March 31, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----		
Assets		
Balances with other banks	<u>206,397</u>	<u>219,488</u>
Liabilities		
Other liabilities	<u>8,292</u>	<u>11,575</u>

14.2 Discontinued operation

	(Un-audited)	
	January - March 2021	January - March 2020
----- (Rupees in '000) -----		
Mark-up / return / interest earned	-	7,125
Mark-up / return / interest expensed	-	-
Net mark-up / interest income	-	7,125
Non mark-up / interest income		
Foreign exchange income	-	287
Other income	-	-
Total non mark-up / interest income	-	287
Total income	-	7,412
Non mark-up / interest expenses		
Operating expenses	33	907
Total non mark-up / interest expenses	33	907
(Loss) / profit before taxation	(33)	6,505
Taxation	-	-
(Loss) / profit after taxation	<u>(33)</u>	<u>6,505</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	Note	(Un-audited) March 31, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----			
15. OTHER ASSETS			
Income / mark-up accrued in local currency - net of provision		17,377,609	21,075,329
Income / mark-up accrued in foreign currencies - net of provision	15.1	2,616,544	2,211,759
Advance taxation - net of provision for taxation	15.2	2,493,017	5,992,577
Receivable from staff retirement fund		4,362	24,160
Receivable from other banks against telegraphic transfers and demand drafts		-	110,689
Unrealised gain on forward foreign exchange contracts		2,874,601	3,347,603
Rebate receivable - net		820,957	631,410
Suspense accounts		-	240,002
Stationery and stamps on hand		202,898	169,311
Non-banking assets acquired in satisfaction of claims		273,243	274,451
Advances, deposits, advance rent and other prepayments		1,833,454	1,475,598
Acceptances		12,916,453	10,505,651
Dividend receivable		197,249	217,974
Commission receivable - Branchless Banking		646,493	658,524
Receivable against fraud & forgery and looted notes		610,096	586,929
Others		2,062,615	2,010,832
		<u>44,929,591</u>	<u>49,532,799</u>
Provision held against other assets	15.3	<u>(1,366,472)</u>	<u>(1,392,976)</u>
Other assets - net of provision		43,563,119	48,139,823
Deficit on revaluation of non-banking assets acquired in satisfaction of claims		<u>(38,367)</u>	<u>(38,367)</u>
Other assets - total		<u><u>43,524,752</u></u>	<u><u>48,101,456</u></u>

15.1 This includes unrealised mark-up held in suspense amounting to Rs. 13,584.173 million (December 31, 2020: Rs. 13,639.898 million) kept against non-performing overseas advances / investment as per the requirements of the regulatory authorities of the respective countries in which the overseas branches operate.

15.2 The Income Tax returns of the Bank have been filed up to the tax year 2020 (accounting year ended December 31, 2019) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance).

The income tax authorities have issued amended assessment orders for the tax years 2003 to 2019, and created additional tax demands (including disallowances of provisions made prior to Seventh Schedule) of Rs. 11,610 million (December 31, 2020: Rs.11,610 million), which have been fully paid as required under the law. The Bank has filed appeals before the various appellate forums against these amendments. Where the appellate authorities have allowed relief on certain issues, the assessing authorities have filed appeals before higher appellate forums. Where the appellate authorities have not allowed relief the Bank has filed appeals before higher appellate forums. The management of the Bank is confident that the appeals will be decided in favor of the Bank.

The tax returns for Azad Kashmir (AK) and Gilgit Baltistan (GB) Branches have been filed upto the tax year 2020 (accounting year 2019) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of the agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The tax authorities have also carried out monitoring for Federal Excise Duty, Sales tax and withholding taxes covering period from year ended 2005 to 2019. Consequently, various addbacks and demands were raised creating a total demand of Rs. 1,274 million (December 31, 2020: Rs. 1,274 million). The Bank has filed appeals against all such demands and is confident that these would be decided in the favor of the Bank.

The tax returns for Yemen and Qatar branches have been filed upto the year ended December 31, 2019 and for the UAE branch upto the year ended December 31, 2020, under the provisions of the laws prevailing in the respective countries, and are deemed as assessed unless opened for reassessment.

The Bank has received corrective tax assessment of Qatari Riyal (QAR) 1.0 million (Rs: 41.955 million) from the General Tax Authority (GTA) in respect of tax year 2004 with no supporting calculations from GTA. Management has requested details for 2004 assessment from GTA, however, to date no response has been received. Management is confident that the matters will be decided in favour of the Bank and the possibility of any outcome against it is remote.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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For USAG income tax returns have been filed upto the accounting year ended December 31, 2020 and for UBL UK, UBL FM and UET upto the accounting year ended December 31, 2019, under the provisions of the laws prevailing in the respective countries and are deemed as assessed unless opened for reassessment by the tax authorities. Additionally, tax clearance has been issued for USAG till accounting year ended December 31, 2020, for UBL UK till the accounting year ended December 31, 2019 and for UBTL till October 31, 2019. There are no material tax contingencies in any of the subsidiaries.

Tax Contingencies - Khushali Bank Limited (KBL) - Associate

For the period from January 2015 to December 2016, KBL received two orders from Additional Commissioner Inland Revenue dated November 22, 2017, and December 6, 2017, for chargeability of super tax on total income instead of business income of KBL as defined under section 18 (2) of the Income Tax Ordinance, 2001. KBL preferred an appeal against the alleged demand of Rs. 200.58 million which is pending adjudication before the Appellate Tribunal Inland Revenue.

Moreover, there are certain other contingencies in respect of non-payment / short payment of Federal Excise Duty (FED), sales tax and withholding tax which are being contested by KBL at various appellate forums. The management believes that the outcome of the cases will be ultimately decided in the favour of KBL and hence, no provision has been recognised in respect of these contingencies in the consolidated financial statements.

	(Un-audited) March 31, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
15.3 Provision held against other assets		
Advances, deposits, advance rent and other prepayments	84,272	84,272
Fraud & forgery and looted notes	627,347	626,435
Others	654,853	682,269
	<u>1,366,472</u>	<u>1,392,976</u>
15.3.1 Movement of provision held against other assets		
Opening balance	1,392,976	1,271,877
Exchange adjustments	(12,946)	655
Charge / (reversals)		
Charge for the period / year	3,382	249,664
Reversals for the period / year	(16,940)	(94,809)
	33	154,855
Transfer in - net	-	3,245
Amounts written off	-	(37,656)
Closing balance	<u>1,366,472</u>	<u>1,392,976</u>

16. CONTINGENT ASSETS

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

	(Un-audited) March 31, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
17. BILLS PAYABLE		
In Pakistan	25,165,028	28,820,012
Outside Pakistan	457,627	921,194
	<u>25,622,655</u>	<u>29,741,206</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	(Un-audited) March 31, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
18. BORROWINGS		
Details of borrowings		
Secured		
Borrowings from the State Bank of Pakistan under:		
Export refinance scheme	30,482,850	30,724,174
Refinance facility for modernisation of SMEs	1,382	3,955
Long term financing facility	22,020,295	22,243,644
Refinance scheme for payment of wages and salaries	5,304,527	5,587,037
Renewable energy scheme	187,634	146,985
Other borrowings	2,078,194	1,166,820
	60,074,882	59,872,615
Repurchase agreement borrowings	182,238,299	59,835,819
	<u>242,313,181</u>	<u>119,708,434</u>
Unsecured		
Call borrowings	7,177,321	2,397,485
Overdrawn nostro accounts	1,245,192	379,564
Money market deals	9,396,692	9,341,702
	<u>17,819,205</u>	<u>12,118,751</u>
	<u>260,132,386</u>	<u>131,827,185</u>

19. DEPOSITS AND OTHER ACCOUNTS

	March 31, 2021 (Un-audited)			December 31, 2020 (Audited)		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Fixed deposits	177,966,205	199,791,318	377,757,523	171,340,589	214,773,170	386,113,759
Saving deposits	511,741,119	50,511,443	562,252,562	509,563,742	53,146,711	562,710,453
Sundry deposits	15,419,462	1,809,265	17,228,727	5,022,037	2,173,583	7,195,620
Margin deposits	4,129,126	2,895,737	7,024,863	3,833,926	3,194,969	7,028,895
Current accounts - remunerative	1,628,223	6,709,218	8,337,441	1,387,144	6,911,630	8,298,774
Current accounts - non-remunerative	568,366,791	134,006,473	702,373,264	549,038,483	134,295,247	683,333,730
	<u>1,279,250,926</u>	<u>395,723,454</u>	<u>1,674,974,380</u>	<u>1,240,185,921</u>	<u>414,495,310</u>	<u>1,654,681,231</u>
Financial Institutions						
Current deposits	16,682,638	4,030,300	20,712,938	20,978,533	4,646,484	25,625,017
Saving deposits	36,659,828	447,041	37,106,869	56,409,524	2,373,413	58,782,937
Term deposits	22,806,400	460,880	23,267,280	25,207,956	95,145	25,303,101
	<u>76,148,866</u>	<u>4,938,221</u>	<u>81,087,087</u>	<u>102,596,013</u>	<u>7,115,042</u>	<u>109,711,055</u>
	<u>1,355,399,792</u>	<u>400,661,675</u>	<u>1,756,061,467</u>	<u>1,342,781,934</u>	<u>421,610,352</u>	<u>1,764,392,286</u>

19.1 This includes deposits eligible to be covered under insurance arrangements in accordance with DPC Circular No. 04 dated June 22, 2018, amounting to Rs. 994,198.602 million (December 31, 2020: Rs. 991,687.959 million).

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	March 31, 2021 (Un-audited)			December 31, 2020 (Audited)		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	----- (Rupees in '000) -----					
Not later than one year	6,026	558	5,468	5,562	452	5,110
Later than one year and not later than five years	7,778	112	7,666	11,132	285	10,847
	<u>13,804</u>	<u>670</u>	<u>13,134</u>	<u>16,694</u>	<u>737</u>	<u>15,957</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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21. SUBORDINATED DEBT

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

Salient features of the ADT 1 issue are as follows:

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

	Note	(Un-audited) March 31, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----			
22. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		15,709,462	11,630,286
Mark-up / return / interest payable in foreign currencies		636,948	1,327,591
Accrued expenses		3,903,012	4,332,657
Branch adjustment account		190,775	105,228
Deferred income		873,591	882,954
Unearned commission and income on bills discounted		369,185	453,296
Provision against off-balance sheet obligations	22.1	979,486	1,076,530
Payable to other banks against telegraphic transfers and demand drafts		13,827	-
Unrealised loss on forward foreign exchange contracts		5,146,051	3,376,994
Suspense accounts		208,978	-
Trading liabilities		659,762	-
Payable to staff retirement fund		218,796	1,142,926
Deferred liabilities		4,042,310	3,969,397
Workers' Welfare Fund payable		4,800,787	4,752,294
Liabilities against IBFT, ATM and other settlements - net		528,608	1,199,242
Insurance payable against consumer assets		653,515	615,405
Dividend payable		11,983,316	357,578
Acceptances		12,916,453	10,505,651
Charity fund balance		2,342	2,828
Lease Liability under IFRS 16		7,712,327	7,950,494
Levies and taxes payable		1,677,561	2,671,007
Others		1,950,991	1,915,320
		<u>75,178,083</u>	<u>58,267,678</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	Note	(Un-audited) March 31, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----			
22.1 Provision against off-balance sheet obligations			
Opening balance		1,076,530	632,785
Exchange adjustments		(43,985)	11,996
Charge for the period / year		-	431,749
Reversals for the period / year		(53,059)	-
		<u>(53,059)</u>	<u>431,749</u>
		<u>979,486</u>	<u>1,076,530</u>
23. SURPLUS ON REVALUATION OF ASSETS			
Surplus arising on revaluation of assets - net of tax			
Fixed assets	23.1	26,947,065	27,022,623
Available for sale securities	23.2	758,849	2,282,110
Non-banking assets acquired in satisfaction of claims		913	913
Surplus arising on revaluation of assets of associates		2,792	28,566
		<u>27,709,619</u>	<u>29,334,212</u>
23.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		29,975,515	30,165,526
Revaluation against fixed assets during the period		22,090	(250,405)
Realised on disposal during the period / year		-	(162,824)
Exchange adjustments		(162,477)	310,216
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(11,644)	(53,821)
Related deferred tax liability on incremental depreciation charged during the period / year		(7,122)	(33,177)
		<u>(159,153)</u>	<u>(190,011)</u>
		29,816,362	29,975,515
Less: Related deferred tax liability			
Revaluation as on January 1		1,285,528	1,319,440
Surplus realised on disposal of fixed assets during the period / year		(795)	(46,478)
Impact of change of deferred tax rate		-	-
Reversal of revaluation against fixed assets during the period / year		-	(4,506)
Exchange adjustments		(23,568)	50,249
Incremental depreciation charged on related assets		(7,122)	(33,177)
		<u>1,254,043</u>	<u>1,285,528</u>
		28,562,319	28,689,987
Share of non-controlling interest		(1,615,254)	(1,667,364)
Group's share		<u>26,947,065</u>	<u>27,022,623</u>
23.2 Surplus on revaluation of available for sale securities			
Market Treasury Bills		(47,663)	238,363
Pakistan Investment Bonds - fixed		(124,089)	333,950
Pakistan Investment Bonds - floaters		(2,567,828)	(2,569,332)
Ordinary shares and mutual fund		3,140,463	2,496,134
REIT Investment		(40,022)	(16,676)
Term Finance Certificates, Sukuks, other bonds etc.		(14,399)	(48,193)
Foreign bonds		844,339	3,240,242
		1,190,801	3,674,488
Related deferred tax liability		(675,406)	(1,697,416)
		515,395	1,977,072
Share of non-controlling interest		243,454	305,038
Group's share		<u>758,849</u>	<u>2,282,110</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	Note	(Un-audited) March 31, 2021 ----- (Rupees in '000) -----	(Audited) December 31, 2020
24. CONTINGENCIES AND COMMITMENTS			
- Guarantees	24.1	140,679,230	147,961,658
- Commitments	24.2	993,227,455	970,991,372
- Other contingent liabilities	24.3	15,327,227	15,554,510
		<u>1,149,233,912</u>	<u>1,134,507,540</u>
24.1 Guarantees			
Financial guarantees		42,490,015	43,053,322
Performance guarantees		98,168,175	104,908,336
Other guarantees		21,040	-
		<u>140,679,230</u>	<u>147,961,658</u>
24.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		188,011,964	160,344,833
Commitments in respect of:			
- forward foreign exchange contracts	24.2.2	681,031,249	683,065,647
- forward Government securities transactions	24.2.3	5,181,000	-
- derivatives - FX options	24.2.4	1,348,442	-
- forward lending	24.2.5	114,400,016	124,510,935
- operating leases	24.2.6	137,439	126,093
Commitments for acquisition of:			
- operating fixed assets	24.2.7	2,176,576	2,876,499
- intangible assets	24.2.7	804,762	-
Others		136,007	67,365
		<u>993,227,455</u>	<u>970,991,372</u>
24.2.1 Commitments to extend credit			
The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			
		(Un-audited) March 31, 2021 ----- (Rupees in '000) -----	(Audited) December 31, 2020
24.2.2 Commitments in respect of forward foreign exchange contracts			
Purchase		<u>366,636,451</u>	<u>366,797,666</u>
Sale		<u>314,394,798</u>	<u>316,267,981</u>
24.2.3 Commitments in respect of forward Government securities transactions			
Forward purchase of Government securities		<u>5,176,000</u>	-
Forward sale of Government securities		<u>5,000</u>	-
24.2.4 Commitments in respect of derivatives			
FX options - purchased		<u>674,221</u>	-
FX options - sold		<u>674,221</u>	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	Note	(Un-audited) March 31, 2021	(Audited) December 31, 2020
		----- (Rupees in '000) -----	
24.2.5	Commitments in respect of forward lending		
	Undrawn formal standby facilities, credit lines and other commitments to lend	24.2.5.1 53,880,465	66,651,116
	Others	60,519,551	57,859,819
		<u>114,400,016</u>	<u>124,510,935</u>

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

	Note	(Un-audited) March 31, 2021	(Audited) December 31, 2020
		----- (Rupees in '000) -----	
24.2.6	Commitments in respect of operating leases		
	Not later than one year	77,303	58,443
	Later than one year and not later than five years	33,099	37,620
	Later than five years	27,037	30,030
		<u>137,439</u>	<u>126,093</u>
24.2.7	Commitments in respect of capital expenditure	<u>2,981,338</u>	<u>2,876,499</u>

24.3 Other contingent liabilities

Claims against the Group not acknowledged as debts	24.3.1	<u>11,237,924</u>	<u>11,465,207</u>
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24.3.1 These mainly represent counter claims filed by the borrowers for restricting the Group from disposal of assets (such as mortgaged / pledged assets kept as security).

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

24.3.2 During 2016, penalties amounting to Rs. 4.089 billion were levied by the FE Adjudication Court of the State Bank of Pakistan relating to alleged contraventions of the requirements of foreign exchange regulations with respect to issuance and certification of E-Forms by the Bank to certain customers (exporters) who failed to submit the export documents there against. Consequently, foreign exchange on account of export proceeds have not been repatriated. The Bank maintains that it fully discharged its liability, in accordance with the law and has filed a civil suit in the High Court of Sindh challenging the levy of the penalty. The High Court has granted a stay on action being taken against the Bank. The management, based on the advice from legal counsel, is confident that the view of the Bank will prevail and the Bank will not be exposed to any loss on this account.

24.3.3 Punjab Revenue Authority issued show cause notice to UBL Fund Managers Limited requiring them to pay sales tax under Punjab sales tax on Service Act 2012 on management fee earned in Punjab from May 22, 2013. The Company has filed a petition on July 8, 2015 in the High Court of Sindh. A favorable outcome of this petition is expected.

24.4 For contingencies relating to taxation, refer note 15.2.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**
25. DERIVATIVE INSTRUMENTS
25.1 Product analysis

		March 31, 2021 (Un-audited)							
Counterparties	FX options		Forward purchase contracts of Government securities		Forward sale contracts of Government securities		Total		
	Notional principal	Mark to Market gain / (loss)	Notional principal	Mark to Market gain / (loss)	Notional principal	Mark to Market gain / (loss)	Notional principal	Mark to Market gain / (loss)	
----- (Rupees in 000) -----									
Total									
Hedging	674,221	-	5,487,112	820	4,840	(2)	6,166,173	818	
Market making	(674,221)	-	-	-	-	-	(674,221)	-	
	-	-	5,487,112	820	4,840	(2)	5,491,952	818	

		December 31, 2020 (Audited)							
Counterparties	FX options		Forward purchase contracts of Government securities		Forward sale contracts of Government securities		Total		
	Notional principal	Mark to Market gain / (loss)	Notional principal	Mark to Market gain / (loss)	Notional principal	Mark to Market gain / (loss)	Notional principal	Mark to Market gain / (loss)	
----- (Rupees in 000) -----									
Total									
Hedging	-	-	-	-	-	-	-	-	
Market making	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	

		(Un-audited)	
		January - March 2021	January - March 2020
----- (Rupees in '000) -----			
26. MARK-UP / RETURN / INTEREST EARNED			
On:			
Loans and advances		9,950,589	17,656,586
Investments		22,464,917	25,572,265
Lendings to financial institutions		390,200	1,025,006
Balances with banks		124,844	120,326
		<u>32,930,550</u>	<u>44,374,183</u>

27. MARK-UP / RETURN / INTEREST EXPENSED			
On:			
Deposits		12,757,838	20,262,755
Borrowings		1,400,381	4,300,478
Subordinated debt		218,729	373,110
Cost of foreign currency swaps against foreign currency deposits / borrowings		810,950	1,373,953
Interest cost on lease liability under IFRS 16		237,746	274,446
		<u>15,425,644</u>	<u>26,584,742</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	Note	(Un-audited)	
		January - March 2021	January - March 2020
		----- (Rupees in '000) -----	
28. FEE AND COMMISSION INCOME			
Branch banking customer fee		449,190	521,142
Consumer finance related fee		278,031	245,219
Card related fees (debit and credit cards)		709,627	616,540
Investment banking fee		10,891	24,555
Financial Institution rebate / commission		71,393	80,030
Corporate service charges / facility fee		125,979	160,481
Commission on trade		176,560	203,243
Commission on guarantees		137,361	210,373
Commission on cash management		220,539	202,373
Commission on remittances including home remittances - net		598,580	616,762
Commission on bancassurance		381,473	313,875
Management fee		196,729	185,915
Rent on lockers		47,594	48,804
Others		65,387	80,801
		<u>3,469,334</u>	<u>3,510,113</u>
29. GAIN ON SECURITIES - NET			
Realised	29.1	1,871,294	379,749
Unrealised - held for trading		2,778	78,303
		<u>1,874,072</u>	<u>458,052</u>
29.1 Realised gain on:			
Federal Government securities		448,413	92,031
Shares		245,419	(232,459)
Foreign securities		1,177,027	520,177
Other securities		435	-
		<u>1,871,294</u>	<u>379,749</u>
30. OTHER INCOME			
Charges recovered		55,284	38,090
Rent on properties		26,670	13,791
Gain on sale of operating fixed assets - net		3,269	44,434
Gain on sale of Ijarah assets		1,711	383
Gain on trading liabilities - net		40,951	77,901
		<u>127,885</u>	<u>174,599</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	(Un-audited)	
	January - March 2021	January - March 2020
	----- (Rupees in '000) -----	
31. OPERATING EXPENSES		
Total compensation expense	4,677,619	4,510,162
Property expense		
Rent and taxes	309,678	242,833
Insurance	63,452	43,453
Utilities cost	286,666	317,233
Security	250,720	254,950
Repair and maintenance	37,178	48,215
Depreciation	209,827	203,138
Depreciation - Right-of-use assets	455,114	479,342
Others	31,834	29,498
	1,644,469	1,618,662
Information technology expenses		
Software maintenance	364,268	306,626
Hardware maintenance	143,361	111,214
Depreciation	203,126	202,013
Amortisation	205,992	194,080
Network charges	197,110	184,330
	1,113,857	998,263
Other operating expenses		
Directors' fees and allowances	27,942	15,699
Fees and allowances to Shariah Board	2,508	2,280
Legal and professional charges	127,571	194,710
Outsourced service costs	339,499	368,914
Commission paid to branchless banking agents	106,146	122,845
Commission paid to Sales force	322,224	246,122
Travelling and conveyance	25,922	41,407
Clearing charges	47,172	60,405
Depreciation others	300,029	300,700
Depreciation on Islamic financing against leased assets	41,710	62,862
Training and development	7,185	15,285
Postage and courier charges	84,025	62,740
Communication	134,608	130,912
Stationery and printing	190,373	154,768
Marketing, advertisement and publicity	77,038	108,443
Donations	40,000	35,000
Auditors' remuneration	31,187	28,341
Insurance	14,426	53,332
Deposit Protection Premium	396,675	325,570
Cash transportation and sorting charges	197,294	204,364
Entertainment	40,388	43,471
Banking service charges	465,771	426,252
Repairs and maintenance	189,787	112,918
Miscellaneous expenses	139,208	70,387
	3,348,688	3,187,727
	<u>10,784,633</u>	<u>10,314,814</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

	Note	(Un-audited)	
		January - March 2021	January - March 2020
32. OTHER CHARGES		----- (Rupees in '000) -----	
Penalties imposed by the SBP		13,898	180,959
Other penalties		10,649	80
		<u>24,547</u>	<u>181,039</u>
33. PROVISIONS AND WRITE-OFFS - NET			
Provision against loans and advances - net	10.3	424,691	3,992,064
Reversal of provision for diminution in value of investments - net	9.4	(222,113)	(184,572)
Bad debts written-off directly		33,847	14,686
(Reversals) / provision against other assets - net		(13,558)	21,676
(Reversals) / provision against off-balance sheet obligations	22.1	(53,059)	58,686
Recovery of written-off / charged-off bad debts		(121,226)	(211,471)
Other provisions / write-offs		327,750	10,248
		<u>376,332</u>	<u>3,701,317</u>
34. TAXATION			
Current		4,953,841	4,396,290
Deferred		(61,614)	(995,970)
		<u>4,892,227</u>	<u>3,400,320</u>
35. EARNINGS PER SHARE			
Profit after tax attributable to equity shareholders of the Bank		<u>7,598,697</u>	<u>4,877,622</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>6.21</u>	<u>3.98</u>

35.1 There were no convertible dilutive potential ordinary shares outstanding as at March 31, 2021 and 2020.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	March 31, 2021 (Un-audited)				
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
------(Rupees in '000)-----					
On-balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks)					-
Eurobonds, Modaraba Pool)	971,027,361	-	971,027,361	-	971,027,361
Foreign Bonds - sovereign	68,792,212	-	68,792,212	-	68,792,212
Foreign Bonds - others	4,168,275	-	4,168,275	-	4,168,275
Ordinary shares of listed companies	10,675,197	10,675,197	-	-	10,675,197
Mutual Fund	218,046	-	218,046	-	218,046
Debt securities (TFCs, Corporate Sukuks)	1,720,339	-	1,720,339	-	1,720,339
Investment in REIT	418,568	-	418,568	-	418,568
	<u>1,057,019,998</u>	<u>10,675,197</u>	<u>1,046,344,801</u>	<u>-</u>	<u>1,057,019,998</u>
Financial assets not measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks)					-
Eurobonds, Bai Muajjal)	246,049,508	-	246,049,508	-	246,049,508
Foreign Bonds - sovereign	27,954,571	-	27,954,571	-	27,954,571
Foreign Bonds - others	1,677,677	-	1,677,677	-	1,677,677
Debt securities (TFCs, Corporate Sukuks and others)	16,586,755	-	16,586,755	-	16,586,755
	<u>292,268,511</u>	<u>-</u>	<u>292,268,511</u>	<u>-</u>	<u>292,268,511</u>
	<u>1,349,288,509</u>	<u>10,675,197</u>	<u>1,339,688,693</u>	<u>-</u>	<u>1,350,363,890</u>
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	681,031,249	-	(2,271,450)	-	(2,271,450)
FX options - purchased and sold (net)	1,348,442	-	-	-	-
Forward purchase of Government Securities	5,176,000	-	820	-	820
Forward sale of Government Securities	5,000	-	(2)	-	(2)
Fair value of non-financial assets					
Fixed Assets	58,728,646	-	-	58,728,646	58,728,646
Non-banking assets acquired in satisfaction of claims	234,876	-	-	234,876	234,876
	<u>58,963,522</u>	<u>-</u>	<u>-</u>	<u>58,963,522</u>	<u>58,963,522</u>
December 31, 2020 (Audited)					
	Carrying / Notional value	Fair value			Total
		Level 1	Level 2	Level 3	
------(Rupees in '000)-----					
On-balance sheet financial instruments					
Financial assets measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks)					-
Eurobonds, Modaraba Pool)	811,834,934	-	811,834,934	-	811,834,934
Foreign Bonds - sovereign	81,709,882	-	81,709,882	-	81,709,882
Foreign Bonds - others	7,503,650	-	7,503,650	-	7,503,650
Ordinary shares of listed companies	10,383,260	10,383,260	-	-	10,383,260
Mutual Fund	228,518	-	228,518	-	228,518
Debt securities (TFCs, Corporate Sukuks)	1,720,302	-	1,720,302	-	1,720,302
Investment in REIT	441,914	441,914	-	-	441,914
	<u>913,822,460</u>	<u>10,825,174</u>	<u>902,997,286</u>	<u>-</u>	<u>913,822,460</u>
Financial assets not measured at fair value					
- Investments					
Government Securities (T-bills, PIBs, GoP Sukuks)					-
Eurobonds, Bai Muajjal)	204,958,067	-	204,958,067	-	204,958,067
Foreign Bonds - sovereign	24,412,008	-	24,412,008	-	24,412,008
Foreign Bonds - others	1,238,565	-	1,238,565	-	1,238,565
Debt securities (TFCs, Corporate Sukuks and others)	16,411,853	-	16,411,853	-	16,411,853
	<u>247,020,493</u>	<u>-</u>	<u>247,020,493</u>	<u>-</u>	<u>247,020,493</u>
	<u>1,160,842,953</u>	<u>10,825,174</u>	<u>1,155,277,607</u>	<u>-</u>	<u>1,166,102,781</u>
Off-balance sheet financial instruments					
Forward purchase and sale of foreign exchange contracts	683,065,647	-	(29,391)	-	(29,391)
FX options - purchased and sold (net)	-	-	-	-	-
Forward purchase of Government Securities	-	-	-	-	-
Forward sale of Government Securities	-	-	-	-	-
Fair value of non-financial assets					
Fixed Assets	42,299,453	-	-	42,299,453	42,299,453
Non-banking assets acquired in satisfaction of claims	236,084	-	-	236,084	236,084
	<u>42,535,537</u>	<u>-</u>	<u>-</u>	<u>42,535,537</u>	<u>42,535,537</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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36.2 Certain categories of fixed assets (land and buildings) and non-banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurement) determined by professional valuers based on their assessment of the market values as disclosed in note 11 and note 15.

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

Debt Securities

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

Derivatives

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

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

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

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

For the three months ended March 31, 2021 (Un-audited)								
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)								
Profit and Loss								
Net mark-up / return / profit	5,725,585	17,355,793	(9,006,654)	1,025,690	1,898,520	647,041	(141,069)	17,504,906
Inter segment (expense) / revenue - net	(4,869,849)	(15,770,454)	18,744,893	267,604	-	-	1,627,806	-
Non mark-up / return / interest income	550,996	929,347	2,245,779	77,060	1,833,886	464,812	305,381	6,407,261
Total income	1,406,732	2,514,686	11,984,018	1,370,354	3,732,406	1,111,853	1,792,118	23,912,167
Segment direct expenses	274,952	156,931	6,379,366	431,909	1,198,625	935,406	1,680,485	11,057,674
Inter segment expense allocation	114,818	16,896	1,211,727	10,930	126,971	-	(1,481,342)	-
Total expenses	389,770	173,827	7,591,093	442,839	1,325,596	935,406	199,143	11,057,674
Provision (charge) / reversals - net	(139,749)	421,404	99,620	(2,535)	(726,992)	(22,261)	(5,819)	(376,332)
Profit before tax from continuing operations	877,213	2,762,263	4,492,545	924,980	1,679,818	154,186	1,587,156	12,478,161
For the three months ended March 31, 2020 (Un-audited)								
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)								
Profit and Loss								
Net mark-up / return / profit	11,942,618	17,365,778	(14,793,767)	838,809	2,103,908	446,916	(114,821)	17,789,441
Inter segment (expense) / revenue - net	(11,139,804)	(19,994,633)	28,535,868	349,477	-	-	2,249,092	-
Non mark-up / return / interest income	518,573	469,436	2,063,635	65,717	818,328	499,833	497,107	4,932,629
Total income / (loss)	1,321,387	(2,159,419)	15,805,736	1,254,003	2,922,236	946,749	2,631,378	22,722,070
Segment direct expenses	279,354	39,781	6,158,530	415,033	1,370,754	842,343	1,609,480	10,715,275
Inter segment expense allocation	117,717	16,495	1,092,310	28,331	112,767	-	(1,367,620)	-
Total expenses	397,071	56,276	7,250,840	443,364	1,483,521	842,343	241,860	10,715,275
Provision reversals / (charge) - net	313,680	27,491	(274,334)	(35)	(3,762,077)	(863)	(5,179)	(3,701,317)
Profit / (loss) before tax from continuing operations	1,237,996	(2,188,204)	8,280,562	810,604	(2,323,362)	103,543	2,384,339	8,305,478

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As at March 31, 2021 (Un-audited)								
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)								
Balance Sheet								
Cash and bank balances	10,174	57,419,370	94,884,835	6,766,768	39,412,911	23,154,934	763,792	222,412,784
Investments	4,855,571	1,132,734,472	-	68,137,662	111,353,445	35,230,921	4,752,654	1,357,064,725
Net inter segment lending	-	-	1,155,307,523	27,476,389	-	-	97,377,845	1,280,161,757
Lendings to financial institutions	-	4,500,000	-	4,833,143	-	2,558,173	-	11,891,316
Advances - performing	352,838,420	17,286	42,730,960	34,022,945	94,561,750	84,299,740	6,423,512	614,894,613
Advances - non-performing	2,912,473	-	678,312	6,326	6,501,999	1,706,882	16,261	11,822,253
Others	16,157,619	12,648,924	15,465,758	1,910,547	13,033,503	7,023,543	41,694,689	107,934,583
Total assets	376,774,257	1,207,320,052	1,309,067,388	143,153,780	264,863,608	153,974,193	151,028,753	3,606,182,031
Borrowings								
Subordinated debt	-	-	-	-	-	-	10,000,000	10,000,000
Deposits and other accounts	43,358,381	110,998	1,257,652,179	128,656,392	206,458,431	119,545,027	280,059	1,756,061,467
Net inter segment borrowing	267,066,295	1,012,468,908	-	-	626,554	-	-	1,280,161,757
Others	16,168,880	6,960,254	43,483,719	5,726,271	4,889,170	1,909,545	21,676,033	100,813,872
Total liabilities	376,210,947	1,205,424,403	1,306,999,525	137,994,307	219,799,715	128,784,493	31,956,092	3,407,169,482
Equity	563,310	1,895,649	2,067,863	5,159,473	45,063,893	25,189,700	119,072,661	199,012,549
Total equity and liabilities	376,774,257	1,207,320,052	1,309,067,388	143,153,780	264,863,608	153,974,193	151,028,753	3,606,182,031
Contingencies and Commitments	340,930,925	230,500,457	31,106,888	6,682,913	467,691,275	70,151,034	2,170,420	1,149,233,912
As at December 31, 2020 (Audited)								
	Corporate / Commercial Banking	Treasury	Branch Banking	Islamic Banking	International branch operations	Subsidiaries	Others	Total
(Rupees in '000)								
Balance Sheet								
Cash and bank balances	5,833	81,844,130	121,062,990	12,153,493	47,378,919	24,477,950	799,172	287,722,487
Investments	4,803,162	932,393,450	-	62,729,601	123,251,328	40,068,180	4,557,791	1,167,803,512
Net inter segment lending	-	-	1,140,956,965	6,980,805	-	-	77,017,055	1,224,954,825
Lendings to financial institutions	-	-	-	19,959,132	-	2,253,310	-	22,212,442
Advances - performing	360,426,353	-	41,664,184	20,390,074	89,119,069	80,220,386	6,811,741	598,631,807
Advances - non-performing	3,287,884	-	808,598	10,126	7,754,943	1,351,794	6,524	13,219,869
Others	14,416,544	16,648,272	14,973,662	1,700,920	13,301,659	7,426,167	43,818,857	112,286,081
Total assets	382,939,776	1,030,885,852	1,319,466,399	123,924,151	280,805,918	155,797,787	133,011,140	3,426,831,023
Borrowings								
Subordinated debt	-	-	-	-	-	-	10,000,000	10,000,000
Deposits and other accounts	50,351,838	132,797	1,258,688,658	110,347,698	220,015,338	124,607,281	248,676	1,764,392,286
Net inter segment borrowing	263,282,545	960,917,205	-	-	755,075	-	-	1,224,954,825
Others	13,412,717	3,328,909	46,552,896	5,772,050	6,305,922	1,728,707	10,923,640	88,024,841
Total liabilities	378,287,862	1,022,972,436	1,309,842,041	119,752,500	236,397,901	130,774,081	21,172,316	3,219,199,137
Equity	4,651,914	7,913,416	9,624,358	4,171,651	44,408,017	25,023,706	111,838,824	207,631,886
Total equity and liabilities	382,939,776	1,030,885,852	1,319,466,399	123,924,151	280,805,918	155,797,787	133,011,140	3,426,831,023
Contingencies and Commitments	354,762,782	278,633,736	13,182,354	377,425	398,498,687	86,347,176	2,705,380	1,134,507,540

38. RELATED PARTY TRANSACTIONS

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

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

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

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38.1 RELATED PARTY TRANSACTIONS

	As at March 31, 2021 (Un-audited)					As at December 31, 2020 (Audited)				
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----										
Investments										
Opening balance	-	-	-	6,609,954	3,997,489	-	-	-	6,113,434	3,943,202
Investment made during the period / year	-	-	-	14,433,978	63,634	-	-	-	15,928,370	54,287
Investment redeemed / disposed off during the period / year	-	-	-	(13,790,916)	-	-	-	-	(15,868,601)	-
Equity method adjustments	-	-	-	109,112	-	-	-	-	436,751	-
Closing balance	-	-	-	7,362,128	4,061,123	-	-	-	6,609,954	3,997,489
Provision for diminution in value of investments	-	-	-	-	1,544,596	-	-	-	-	1,544,596
Advances										
Opening balance	-	10	299,395	-	9,365,687	-	4,624	287,618	2,155,149	12,715,998
Addition during the period / year	-	121	9,217	-	19,400,477	-	838	73,339	-	16,398,899
Repaid during the period / year	-	(9)	(11,985)	-	(7,455,361)	-	(5,452)	(75,431)	(152,755)	(19,749,210)
Transfers in / (out) - net	-	-	-	-	-	-	-	13,869	(2,002,394)	-
Closing balance	-	122	296,627	-	21,310,803	-	10	299,395	-	9,365,687
Other Assets										
Interest mark-up accrued	-	-	-	787	345,479	-	-	-	4,282	232,471
Receivable from staff retirement funds	-	-	-	-	4,362	-	-	-	-	24,160
Advances, deposits & prepayments	-	-	-	-	-	-	-	-	-	63,634
Prepaid insurance	-	-	-	167,020	-	-	-	-	1,002	-
Remuneration receivable from management of funds	-	-	-	71,525	-	-	-	-	77,194	-
Sales load receivable	-	-	-	24,378	-	-	-	-	37,396	-
Formation cost receivable	-	-	-	6,000	-	-	-	-	6,000	-
Other receivable	-	-	-	-	30,164	-	-	-	1,750	30,164
Provision against other assets	-	-	-	-	(30,164)	-	-	-	-	(30,164)
Borrowings										
Opening balance	-	-	-	-	-	-	-	-	-	-
Borrowings during the period / year	-	-	443,124	-	288,300	-	-	-	-	1,538,000
Settled during the period / year	-	-	-	-	-	-	-	-	-	(1,538,000)
Closing balance	-	-	443,124	-	288,300	-	-	-	-	-
Deposits and other accounts										
Opening balance	-	6,431,790	157,712	2,478,432	16,659,269	-	8,679,450	71,109	6,502,931	11,347,096
Received during the period / year	-	10,939,181	256,953	37,175,766	67,914,050	-	29,415,769	1,338,885	144,141,551	177,775,235
Withdrawn during the period / year	-	(11,367,873)	(223,822)	(37,769,513)	(68,447,935)	-	(31,659,519)	(1,192,342)	(148,166,050)	(172,469,603)
Transfers (out) / in - net	-	-	-	-	-	-	(3,910)	(59,940)	-	6,541
Closing balance	-	6,003,098	190,843	1,884,685	16,125,384	-	6,431,790	157,712	2,478,432	16,659,269
Other Liabilities										
Interest / mark-up payable on deposits and borrowings and borrowings	-	15,079	705	6,643	40,753	-	39,335	210	7,651	115,024
Payable to staff retirement fund	-	-	-	-	218,796	-	-	-	-	1,142,926
Deferred performance bonus – MRTs / MRCs	-	-	119,471	-	-	-	-	-	-	-
Dividend payable	6,001,425	164,409	2,048	58,369	952,487	-	-	-	-	-
Unearned income	-	-	-	-	-	-	-	-	-	-
Other payable	-	-	175,000	38,351	-	-	3,900	-	22,353	-
Contingencies and Commitments										
Forward foreign exchange contracts purchase	-	-	-	-	4,360	-	-	-	-	4,360
----- (Rupees in '000) -----										
	For the three months ended March 31, 2021 (Un-audited)					For the three months ended March 31, 2020 (Un-audited)				
	Parent	Directors	Key management personnel	Associates	Other related parties	Parent	Directors	Key management personnel	Associates	Other related parties
Income										
Mark-up / return / interest earned	-	-	4,106	8,593	345,479	-	-	73	14,455	333,834
Commission / charges recovered	-	10	520	7,935	6,394	-	15	396	6,590	5,524
Dividend income	-	-	-	17,116	31,680	-	-	-	41,237	35,653
Net gain on sale of securities	-	-	-	9,359	-	-	-	-	18,724	-
Other income	-	-	2,374	-	5,359	-	-	-	150	4,607
Switch revenue	-	-	-	-	60,766	-	-	-	-	58,384
Remuneration from management of fund	-	-	-	192,135	-	-	-	-	177,844	-
Sales load	-	-	-	10,676	-	-	-	-	11,518	-
Expenses										
Mark-up / return / interest paid	-	98,029	276	24,284	278,853	-	61,451	282	158,968	113,430
Remuneration paid	-	-	393,604	-	-	-	-	326,789	-	-
Post employment benefits	-	-	6,578	-	-	-	-	5,942	-	-
Non-executive directors' fee	-	18,150	8,194	-	-	-	15,700	-	-	-
Net charge for defined contribution plans	-	-	6,701	-	98,011	-	-	-	-	133,744
Net charge for defined benefit plans	-	-	-	-	80,846	-	-	-	-	67,978
Other expenses	-	-	10,768	-	12,044	-	-	-	-	8,412
Clearing charges	-	-	-	-	34,582	-	-	-	-	34,826
Seminar and membership fees	-	-	-	-	1,016	-	-	-	-	518
Membership, subscription, sponsorship and maintenance charges	-	-	-	-	-	-	-	-	-	400
Custody charges	-	-	-	-	494	-	-	-	-	784
Insurance premium paid	-	-	503	174,653	-	-	-	-	15,933	-
Insurance claims settled	-	-	-	130,396	-	-	-	-	117,088	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**
39. CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS

	(Un-audited) March 31, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	12,241,797	12,241,797
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	133,091,083	137,040,359
Eligible Additional Tier 1 (ADT 1) Capital	10,769,694	10,735,774
Total Eligible Tier 1 Capital	143,860,777	147,776,133
Eligible Tier 2 Capital	46,231,655	47,926,723
Total Eligible Capital (Tier 1 + Tier 2)	190,092,432	195,702,856
Risk Weighted Assets (RWAs):		
Credit Risk	644,567,900	642,342,717
Market Risk	76,180,453	73,650,146
Operational Risk	164,656,143	164,656,143
Total	885,404,496	880,649,006
Common Equity Tier 1 Capital Adequacy Ratio	15.03%	15.56%
Tier 1 Capital Adequacy Ratio	16.25%	16.78%
Total Capital Adequacy Ratio	21.47%	22.22%

The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of accumulated losses) for Banks to be raised to Rs. 10,000 million by the year ending December 31, 2015. The paid-up capital of the Bank for the period ended March 31, 2021, stood at Rs.12,241.797 million (December 31, 2020: Rs.12,241.797 million) and is in compliance with SBP requirements. Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10.0% plus Capital Conservation Buffer (CCB) of 2.5%. and High Loss Absorbency Requirement of 1.0% of the risk weighted exposures of the Bank.

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

Further, under Basel III instructions, Banks are also required to maintain a Common Equity Tier 1 (CET 1) ratio and Tier 1 ratio of 6.0% and 7.5%, respectively, as at March 31, 2021. The Bank is fully compliant with prescribed ratios as the Bank's CAR is 21.5% whereas the CET 1 and Tier 1 ratios stand at 15.0% and 16.3% respectively.

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

	(Un-audited) March 31, 2021	(Audited) December 31, 2020
----- (Rupees in '000) -----		
Leverage Ratio (LR):		
Eligible Tier-1 Capital	143,860,777	147,776,133
Total Exposures	2,899,469,490	2,639,232,164
Leverage Ratio	4.96%	5.60%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	1,000,606,713	1,035,616,032
Total Net Cash Outflow	277,081,383	324,975,005
Liquidity Coverage Ratio	361.12%	318.68%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	1,730,726,501	1,714,566,321
Total Required Stable Funding	733,058,848	770,865,635
Net Stable Funding Ratio	236.10%	222.42%

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**
40. ISLAMIC BANKING BUSINESS

The Bank operates 100 (December 31, 2020: 100) Islamic Banking branches and 187 (December 31, 2020: 187) Islamic Banking windows.

	(Un-audited) March 31, 2021	(Audited) December 31, 2020
Note	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	6,249,100	9,784,450
Balances with other banks	459,939	2,277,264
Due from financial institutions	40.1 4,833,143	19,959,132
Investments	40.2 68,137,661	62,729,601
Islamic financing and related assets - net	40.3 34,025,312	20,538,157
Fixed assets	931,980	984,416
Intangible assets	3,981	4,638
Due from Head Office	28,123,678	7,997,409
Other assets	1,012,446	716,619
Total Assets	143,777,240	124,991,686
LIABILITIES		
Bills payable	2,484,502	2,487,519
Due to financial institutions	3,611,644	3,632,752
Deposits and other accounts	40.4 128,657,058	111,478,161
Due to Head Office	-	-
Other liabilities	3,499,809	2,324,027
	<u>138,253,013</u>	<u>119,922,459</u>
	<u>5,524,227</u>	<u>5,069,227</u>
NET ASSETS		
REPRESENTED BY		
Islamic Banking Fund	2,181,000	2,181,000
Deficit on revaluation of assets	(30,363)	(86,052)
Accumulated profit	40.8 3,373,590	2,974,279
	<u>5,524,227</u>	<u>5,069,227</u>
CONTINGENCIES AND COMMITMENTS		
The profit and loss account of the Bank's Islamic Banking branches for the three months ended March 31, is as follows:		
	(Un-audited)	
	January -	January -
	March	March
	2021	2020
	----- (Rupees in '000) -----	
Profit / return earned	40.6 2,125,352	2,242,726
Profit / return expensed	40.7 (1,098,670)	(1,401,515)
Net profit / return	<u>1,026,682</u>	<u>841,211</u>
Other income		
Fee and commission income	61,304	63,595
Dividend Income	-	-
Foreign exchange income	336	674
Income / (loss) from derivatives	-	-
Loss on securities - net	(285)	(4,477)
Other Income	6,600	4,186
Total other income	<u>67,955</u>	<u>63,978</u>
Total income	<u>1,094,637</u>	<u>905,189</u>
Other operating expenses	(437,519)	(423,827)
Profit before provisions	<u>657,118</u>	<u>481,362</u>
Provisions and write-offs - net	(2,510)	30
Profit before taxation	<u>654,608</u>	<u>481,392</u>
Taxation	(255,297)	(187,743)
Profit after taxation	<u>399,311</u>	<u>293,649</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**
40.1 Due from Financial Institutions

	March 31, 2021 (Un-audited)			December 31, 2020 (Audited)		
	In Local Currency	In Foreign Currencies	Total	In Local Currency	In Foreign Currencies	Total
	----- (Rupees in '000) -----					
Call money lending	2,000,000	-	2,000,000	10,500,000	-	10,500,000
Bai Muajjal Receivable from other Financial Institutions	2,833,143	-	2,833,143	3,026,018	-	3,026,018
Bai Muajjal Receivable from State Bank of Pakistan	-	-	-	6,433,114	-	6,433,114
	<u>4,833,143</u>	<u>-</u>	<u>4,833,143</u>	<u>19,959,132</u>	<u>-</u>	<u>19,959,132</u>

40.2 Investments by segments

Note	March 31, 2021 (Un-audited)				December 31, 2020 (Audited)			
	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value	Cost / Amortised cost	Provision for diminution	Deficit	Carrying Value
	----- (Rupees in '000) -----							
Federal Government Securities								
- Ijarah Sukuks	23,995,163	-	(30,363)	23,964,800	19,992,452	-	(86,052)	19,906,400
- Government of Pakistan Modaraba Pool	931,343	-	-	931,343	466,435	-	-	466,435
- Bai Muajjal with Govt. of Pakistan	30,338,329	-	-	30,338,329	29,569,648	-	-	29,569,648
	<u>55,264,835</u>	<u>-</u>	<u>(30,363)</u>	<u>55,234,472</u>	<u>50,028,535</u>	<u>-</u>	<u>(86,052)</u>	<u>49,942,483</u>
Non Government Debt Securities								
- Listed	700,000	-	-	700,000	450,000	-	-	450,000
- Unlisted	12,203,189	-	-	12,203,189	12,337,118	-	-	12,337,118
	<u>12,903,189</u>	<u>-</u>	<u>-</u>	<u>12,903,189</u>	<u>12,787,118</u>	<u>-</u>	<u>-</u>	<u>12,787,118</u>
Total Investments	<u>68,168,024</u>	<u>-</u>	<u>(30,363)</u>	<u>68,137,661</u>	<u>62,815,653</u>	<u>-</u>	<u>(86,052)</u>	<u>62,729,601</u>

(Un-audited) (Audited)
March 31, December
2021 31,
----- (Rupees in '000) -----

40.2.1 Bai Muajjal with Government of Pakistan

Bai Muajjal Investment	33,031,000	33,031,000
Less: Deferred Income	(2,692,671)	(3,461,352)
Bai Muajjal Investment - net	<u>30,338,329</u>	<u>29,569,648</u>

40.3 Islamic financing and related assets

Ijarah	463,481	440,754
Murabahah	232,369	272,766
Musharakah	20,008,299	8,392,690
Diminishing Musharakah	6,962,269	6,754,380
Istisna	75,211	39,584
Islamic Export Refinance scheme - Musharakah	2,839,544	2,989,544
Islamic Export Refinance scheme - Murabahah	-	-
Advances against Islamic assets		
Advances against Ijarah	28,668	77,190
Advances for Diminishing Musharakah	1,826,280	410,595
Advances for Murabahah	58,827	33,427
Advances for Murabahah - IERS	456,623	456,623
Advances against Mera Pakistan Mera Ghar	196,368	459
Advances for Istisna	219,375	148,586
Inventory related to Islamic financing		
Istisna	307,966	296,918
Profit and other receivables against financings	464,005	336,219
Gross Islamic financing and related assets	<u>34,139,285</u>	<u>20,649,735</u>
Less: Provision against Islamic financing		
- Specific	(87,057)	(90,927)
- General	(26,916)	(20,651)
	<u>(113,973)</u>	<u>(111,578)</u>
Islamic financing and related assets - net of provision	<u>34,025,312</u>	<u>20,538,157</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**
40.4 Deposits and other accounts

	(Un-audited) March 31, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
Customers		
Current deposits	43,932,596	40,360,080
Saving deposits	21,152,633	18,710,264
Term deposits	18,467,165	5,662,065
	<u>83,552,394</u>	<u>64,732,409</u>
Financial Institutions		
Current deposits	6,103,858	2,046,933
Saving deposits	19,400,806	22,697,263
Term deposits	19,600,000	22,001,556
	<u>45,104,664</u>	<u>46,745,752</u>
	<u>128,657,058</u>	<u>111,478,161</u>

40.4.1 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 26,639.148 million (December 31, 2020: Rs. 31,125.997 million).

40.5 Contingencies and commitments

	(Un-audited) March 31, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
- Guarantees	102,598	111,454
- Commitments	6,531,692	5,880,112
	<u>6,634,290</u>	<u>5,991,566</u>

40.6 Profit / Return earned on Financing, Investments and Placements

	(Un-audited) January - March 2021	(Un-audited) January - March 2020
	----- (Rupees in '000) -----	
Profit earned on:		
Financing	508,803	401,725
Investments	1,439,412	1,330,575
Placements	124,892	429,411
Rental Income from Ijarah	52,245	81,015
	<u>2,125,352</u>	<u>2,242,726</u>

40.7 Profit on Deposits and other Dues Expensed

Deposits and other accounts	1,059,072	1,366,789
Due to Financial Institutions	15,688	8,190
Others	23,910	26,536
	<u>1,098,670</u>	<u>1,401,515</u>

40.8 Islamic Banking Business Unappropriated Profit

	(Un-audited) March 31, 2021	(Audited) December 31, 2020
	----- (Rupees in '000) -----	
Opening balance	2,974,279	1,407,736
Profit for the period / year	654,608	2,514,739
Taxation	(255,297)	(948,196)
Closing balance	<u>3,373,590</u>	<u>2,974,279</u>

40.9 Disclosures for profit and loss distribution and pool management

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

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

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

General Pool(s)

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

IERS Pool(s)

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

Treasury Pool(s)

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

Special Pool(s)

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

Equity Pool(s)

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

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

The Mudarib's share on Deposits for the period ended March 31, 2021 is Rs.752.65 million (45.09% of distributable profit of Mudarabah Pool). of this, an amount of Rs.170.54 million (22.66% of Mudarib share) was distributed back to depositors as Hiba. The rate of profit earned on average earning assets was 8.80% per annum and the rate of profit paid on average deposits was 6.73% per annum.

The risk characteristics of pools

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

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

- The profit of each deposit pool is calculated on all the remunerative assets booked by utilising the funds from the pool.
- Profit of pool is calculated after deduction of expenses directly incurred in earning the income of such pool, the directly related costs comprise of depreciation on Ijarah assets, takaful premium, amortisation of premium on investment etc.
- No expense of general or administrative nature is charged to the pools.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

- No provisions against any non-performing asset of the pool is passed on to the pool except on the actual loss / write-off of such non-performing asset.
- The profit of the pool is shared between equity and Rab-ul-Maal of the pool on the basis of Musharakah at gross level (before charging of mudarib fee) as per the investment ratio of the equity.
- The profit of the pool is shared among the members of the pool on pre-defined mechanism based on the weightages announced before the profit calculation period after charging of mudarib fee.

The Bank managed following pools during the period.

For the three months ended March 31, 2021 (Un-audited)

No of Pools	Nature of Pool	Profit rate and weightages announcement period	Average profit rate earned	Profit Sharing ratio	Mudarib fee / Musharakah share / Wakalah Fee	Average profit rate / return distributed	Percentage of Mudarib share transferred through Hiba	Amount of Mudarib share transferred through Hiba	
			%	%	Rupees in '000	%	%	Rupees in '000	
ADMA Pools	3	Mudarabah	Monthly	6.56%	50.00%	7,416	4.96%	51.23%	3,799
Special Pools	30	Mudarabah	Monthly	8.80%	37.98%	258,891	6.73%	38.72%	100,237
IERS Pools	6	Musharakah	Monthly	6.55%	84.78%	86,991	2.00%	0.00%	-
General Pools	3	Mudarabah	Monthly	9.38%	50.00%	486,341	5.33%	13.67%	66,504

For the three months ended March 31, 2020 (Un-audited)

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

(Un-audited) (Audited)
March 31, December 31,
2021 2020
-----Rupees in '000-----

40.10 Deployment of Mudarabah based deposits by class of business

Chemical and pharmaceuticals	1,993,122	2,230,052
Agri business	20,577,207	8,745,482
Textile	2,465,254	1,991,142
Financial	3,008,866	13,335,120
Food industries	155,448	318,037
Plastic	281,946	299,263
Individuals	3,866,791	1,981,422
Production and transmission of energy	13,296,509	13,496,129
Government of Pakistan securities	58,067,616	59,401,615
Others	3,857,272	3,817,471
	<u>107,570,031</u>	<u>105,615,733</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2021****41. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on April 21, 2021, has declared an interim cash dividend in respect of the three months period ended March 31, 2021 of Rs. 4.0 per share (March 31, 2020: Rs. 2.5 per share). These consolidated condensed interim financial statements for the three months ended March 31, 2021 do not include the effect of these appropriations which will be accounted for subsequent to the period end.

42. GENERAL**42.1 Comparatives**

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

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

43. DATE OF AUTHORISATION

These consolidated condensed interim financial statements were authorised for issue on April 21, 2021, by the Board of Directors of the Bank.

Aameer Karachiwalla
Chief Financial Officer

Shazad G. Dada
President &
Chief Executive Officer

Shazia Syed
Director

Arshad Ahmad Mir
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Chairman