

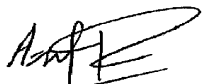
**BALANCE SHEET AS AT SEPTEMBER 30, 2005**

	Note	(UNAUDITED) September 30, 2005	(AUDITED) December 31, 2004
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		23,135,523	23,844,435
Balances with other banks		15,185,681	17,699,334
Lendings to financial institutions		35,804,384	18,360,633
Investments	4	62,059,917	54,953,728
Advances	5	173,091,335	144,151,055
Other assets		6,868,040	4,393,852
Operating Fixed assets		4,279,150	3,969,006
Taxation recoverable	6	31,203	45,728
Deferred tax asset - net		3,170,779	5,194,892
		<u>323,626,012</u>	<u>272,612,663</u>
<b>LIABILITIES</b>			
Bills payable		6,079,778	3,811,284
Borrowings from financial institutions	7	8,709,204	11,975,684
Deposits and other accounts	8	278,660,405	230,256,627
Sub-ordinated loans		3,999,192	3,500,000
Liabilities against assets subject to finance lease		-	288
Other liabilities		3,874,615	3,513,569
Deferred liabilities		2,275,085	2,191,180
		<u>303,598,279</u>	<u>255,248,632</u>
<b>NET ASSETS</b>		<u><u>20,027,733</u></u>	<u><u>17,364,031</u></u>
<b>REPRESENTED BY:</b>			
Issued, Paid up and Subscribed Capital		5,180,000	5,180,000
Reserves		6,432,911	5,915,928
Unappropriated profit		5,606,493	3,274,439
		<u>17,219,404</u>	<u>14,370,367</u>
Surplus on revaluation of assets - net of tax		2,808,329	2,993,664
		<u><u>20,027,733</u></u>	<u><u>17,364,031</u></u>

**CONTINGENCIES AND COMMITMENTS**

9

The annexed notes 1 to 12 form an integral part of these financial statements.



 Atif R. Bokhari  
 President and  
 Chief Executive Officer



 Ahmad Waqar  
 Director



 Omar Z Al Askari  
 Director



 Sir Mohammed Anwar Pervez, OBE, HPk  
 Deputy Chairman


**PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (UNAUDITED)**


	Jul - Sep 2005	Jul - Sep 2004	Jan - Sep 2005	Jan - Sep 2004
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Mark-up / return / interest earned	5,907,220	2,322,253	13,848,717	6,070,538
Mark-up / return / interest expensed	(2,138,969)	(440,430)	(3,988,874)	(1,199,125)
Net mark-up / interest income	<u>3,768,251</u>	<u>1,881,823</u>	<u>9,859,843</u>	<u>4,871,413</u>
Provision against non-performing loans and advances - net	(172,618)	(144,973)	(435,506)	(387,462)
Provision against consumer loans	(202,555)	-	(508,699)	-
Provision for diminution in value of investments	-	-	(25,000)	-
Bad debts written off directly	(348)	(1,215)	(349)	(1,258)
	<u>(375,521)</u>	<u>(146,188)</u>	<u>(969,554)</u>	<u>(388,720)</u>
Net mark-up / return / interest income after provisions	<u>3,392,730</u>	<u>1,735,635</u>	<u>8,890,289</u>	<u>4,482,693</u>
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	761,651	380,101	1,747,770	1,157,252
Dividend income / Gain on sale of securities	104,326	96,741	407,701	902,574
Income from dealing in foreign currencies	284,221	177,290	465,617	421,921
Other income	336,110	281,903	783,457	899,432
Total non mark-up / return / interest income	<u>1,486,308</u>	<u>936,035</u>	<u>3,404,545</u>	<u>3,381,179</u>
	<u>4,879,038</u>	<u>2,671,670</u>	<u>12,294,834</u>	<u>7,863,872</u>
<b>NON MARK-UP / INTEREST EXPENSE</b>				
Administrative expenses	(1,990,299)	(1,634,009)	(5,600,590)	(4,792,245)
Other provisions / write offs	(33,836)	887	(225,241)	(4,674)
Other charges	(2,557)	(2,112)	(5,261)	(7,532)
Total non mark-up / interest expenses	<u>(2,026,692)</u>	<u>(1,635,234)</u>	<u>(5,831,092)</u>	<u>(4,804,451)</u>
<b>PROFIT BEFORE TAXATION</b>	<b><u>2,852,346</u></b>	<b><u>1,036,436</u></b>	<b><u>6,463,742</u></b>	<b><u>3,059,421</u></b>
Taxation - Current - for the period	(206,512)	(228,505)	(519,371)	(353,767)
- Prior	28,790	8,474	(77,098)	-
- Deferred	(961,465)	(275,679)	(2,069,330)	(1,098,795)
	<u>(1,139,187)</u>	<u>(495,710)</u>	<u>(2,665,799)</u>	<u>(1,452,562)</u>
<b>PROFIT AFTER TAXATION</b>	<b><u>1,713,159</u></b>	<b><u>540,726</u></b>	<b><u>3,797,943</u></b>	<b><u>1,606,859</u></b>
Unappropriated profit brought forward	4,212,340	1,130,807	3,274,439	1,383,990
	<u>5,925,499</u>	<u>1,671,533</u>	<u>7,072,382</u>	<u>2,990,849</u>
Transfer from surplus on revaluation of fixed assets - net of tax	23,537	4,517	70,611	63,428
Profit before appropriations	<u>5,949,036</u>	<u>1,676,050</u>	<u>7,142,993</u>	<u>3,054,277</u>
<b>APPROPRIATIONS</b>				
Transfer to statutory reserve	(342,543)	(108,145)	(759,500)	(321,372)
Final cash dividend for the years ended December 31, 2004 and 2003 declared subsequent to the year end	-	-	(777,000)	(1,165,000)
<b>Unappropriated profit carried forward</b>	<b><u>5,606,493</u></b>	<b><u>1,567,905</u></b>	<b><u>5,606,493</u></b>	<b><u>1,567,905</u></b>
	<b>(Rupees)</b>		<b>(Rupees)</b>	
<b>Basic and diluted earnings per share</b>	<u>3.31</u>	<u>1.04</u>	<u>7.33</u>	<u>3.10</u>

The annexed notes 1 to 12 form an integral part of these financial statements.

  
 Atif R. Bokhari  
 President and  
 Chief Executive Officer

  
 Ahmad Waqar  
 Director

  
 Omar Z Al Askari  
 Director

  
 Sir Mohammed Anwar Pervez, OBE, HPK  
 Deputy Chairman

**CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (UN-AUDITED)**

	Period ended September 30, 2005	Period ended September 30, 2004
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	6,463,742	3,059,421
Less: Dividend income	(89,119)	(146,594)
	6,374,623	2,912,827
<b>Adjustments for non-cash charges</b>		
Depreciation	330,144	393,481
Provision for retirement benefits	38,200	51,873
Provision against non-performing advances	944,205	756,546
Provision / (Reversals) for diminution in the value of investments	25,000	-
Gain on sale of fixed assets	(2,938)	(3,170)
Finance charges on assets subject to finance lease	-	2,731
Provision against off balance sheet items	-	(358,858)
Provision against other assets	-	4,674
Unrealised (gain) / deficit on revaluation of held for trading investment portfolio	5,554	-
Bad debts written-off	(349)	58,871
	1,339,816	906,148
	7,714,439	3,818,975
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(17,443,751)	(3,581,351)
Held for trading investments	(15,718,711)	7,890,470
Advances - net	(29,884,834)	(25,615,843)
Others assets	(2,339,546)	(902,099)
	(65,386,842)	(22,208,823)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	2,268,494	667,762
Borrowings from financial institutions	(3,266,480)	6,005,957
Deposits	48,403,778	14,074,525
Other liabilities	373,161	881,431
	47,778,953	21,629,675
	(9,893,450)	3,239,827
Payments of staff retirement benefits	(195,275)	(494,586)
Income tax paid	(581,944)	(268,186)
Net cash flow from operating activities	(10,670,669)	2,477,055
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Available for sale investments	5,684,401	7,413,017
Held to maturity investments	2,790,629	(6,195,319)
Investment in subsidiaries and associated companies	-	(75,425)
Dividend received	183,342	140,222
Investments in operating fixed assets	(701,472)	(558,469)
Sale proceeds of property and equipment disposed-off	11,817	25,024
Net cash flow from investing activities	7,968,717	749,050
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipt of sub-ordinated loan	499,192	2,000,000
Dividend paid	(777,000)	(1,165,500)
Payment of lease obligations	(288)	(30,634)
Net cash flow from financing activities	(278,096)	803,866
Net cash flow	(2,980,048)	4,029,971
Exchange differences on translation of net investment in foreign branches	(242,517)	297,577
Increase / (decrease) in cash and cash equivalents during the period	(3,222,565)	4,327,548
Cash and cash equivalents at beginning of the period	41,543,769	28,660,895
Effects of exchange rate changes on cash and cash equivalents	-	-
	41,543,769	28,660,895
Cash and cash equivalents at end of the period	38,321,204	32,988,443

The annexed notes 1 to 12 form an integral part of these financial statements

Atif R. Bokhari  
President and  
Chief Executive Officer

Ahmad Waqar  
Director

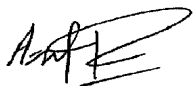
Omar Z Al Askari  
Director

Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (UN-AUDITED)**

	Share Capital	Statutory Reserve	Exchange Translation Reserve	(Accumulated Loss) / Unappropriated Profit	Total
	(Rupees in '000)				
Balance as at January 1, 2004	5,180,000	3,205,472	1,472,845	1,384,490	11,242,807
Profit after taxation for the period ended September 30, 2004	-	-	-	1,606,859	1,606,859
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	63,428	63,428
Exchange difference on translation of net investment in foreign branches, subsidiaries and associates	-	-	297,577	-	297,577
Transfer to Statutory reserve	-	321,372	-	(321,372)	-
Final cash dividend	-	-	-	(1,165,500)	(1,165,500)
Balance as at September 30, 2004	<u>5,180,000</u>	<u>3,526,844</u>	<u>1,770,422</u>	<u>1,567,905</u>	<u>12,045,171</u>
Profit after taxation for the period ended December 31, 2004	-	-	-	2,094,685	2,094,685
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	30,786	30,786
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	199,725	-	199,725
Transfer to statutory reserve	-	418,937	-	(418,937)	-
Balance as at December 31, 2004	<u>5,180,000</u>	<u>3,945,781</u>	<u>1,970,147</u>	<u>3,274,439</u>	<u>14,370,367</u>
Profit after taxation for the period ended September 30, 2005	-	-	-	3,797,943	3,797,943
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	70,611	70,611
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	(242,517)	-	(242,517)
Transfer to statutory reserve	-	759,500	-	(759,500)	-
Final cash dividend	-	-	-	(777,000)	(777,000)
Balance as at September 30, 2005	<u>5,180,000</u>	<u>4,705,281</u>	<u>1,727,630</u>	<u>5,606,493</u>	<u>17,219,404</u>


The annexed notes 1 to 12 form an integral part of these financial statements.



Atif R. Bokhari  
President and  
Chief Executive Officer



Ahmad Waqar  
Director



Omar Z Al Askari  
Director



Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (UN-AUDITED)**
**1. STATUS AND NATURE OF BUSINESS**

United Bank Limited is incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered and principal office is situated in State Life Building No. 1, I. I. Chundrigar Road, Karachi. The Bank operates 1043 branches (2004: 1061) in Pakistan and 15 branches (2004: 15) outside Pakistan.

**2. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

The State Bank of Pakistan as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking Companies till further instructions. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been classified in accordance with the categories prescribed by the State Bank of Pakistan vide BSD Circular No. 10 dated July 13, 2004.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are being presented in a condensed format in accordance with the requirements of IAS 34 "Interim Financial Reporting" and the requirements of BSD Circular No. 2 dated May 12, 2004.

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2004.

Note	September 30, 2005			December 31, 2004		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total

(Rupees in '000)

**4. INVESTMENTS**

Held for trading investments	4.1	17,629,983	593,057	18,223,040	1,464,877	1,045,006	2,509,883
Available for sale investments	4.2	14,469,240	658,002	15,127,242	19,713,996	1,097,647	20,811,643
Held to maturity investments	4.3	26,738,554	-	26,738,554	27,283,474	2,091,533	29,375,007
Investment in associates	4.4	15,506	-	15,506	15,436	-	15,436
Investment in subsidiaries	4.5	2,287,582	-	2,287,582	2,447,122	-	2,447,122
		<u>61,140,865</u>	<u>1,251,059</u>	<u>62,391,924</u>	<u>50,924,905</u>	<u>4,234,186</u>	<u>55,159,091</u>
Provision for diminution in the value of investments		(535,108)	-	(535,108)	(540,402)	-	(540,402)
Surplus / (deficit) on revaluation of available for sale investments		(5,442)	(112)	(5,554)	334,626	(631)	333,995
Surplus / (deficit) on revaluation of held for trading investments		210,057	(1,402)	208,655	1,069	(25)	1,044
Investments (net of provisions)		<u>60,810,372</u>	<u>1,249,545</u>	<u>62,059,917</u>	<u>50,720,198</u>	<u>4,233,530</u>	<u>54,953,728</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (UN-AUDITED)**

Note	September 30, 2005			December 31, 2004		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees in '000)						
<b>4.1 Held for trading investments</b>						
Market Treasury Bills	17,361,903	593,057	17,954,960	1,340,956	1,045,006	2,385,962
Term Finance Certificates	-	-	-	122,950	-	122,950
Pakistan Investment Bonds	268,080	-	268,080	971	-	971
	<u>17,629,983</u>	<u>593,057</u>	<u>18,223,040</u>	<u>1,464,877</u>	<u>1,045,006</u>	<u>2,509,883</u>
<b>4.2 Available for sale investments</b>						
Market Treasury Bills	8,605,247	658,002	9,263,249	13,893,796	1,097,647	14,991,443
Pakistan Investment Bonds	2,169,755	-	2,169,755	4,072,246	-	4,072,246
Ordinary shares of listed companies	1,021,015	-	1,021,015	752,602	-	752,602
Units of mutual fund	600,000	-	600,000	350,000	-	350,000
GOP Islamic Bonds - Sukuk	825,823	-	825,823	-	-	-
US\$ Bond	495,826	-	495,826	-	-	-
Term Finance Certificates	446,963	-	446,963	341,960	-	341,960
Ordinary shares of unlisted companies	304,611	-	304,611	303,392	-	303,392
	<u>14,469,240</u>	<u>658,002</u>	<u>15,127,242</u>	<u>19,713,996</u>	<u>1,097,647</u>	<u>20,811,643</u>
<b>4.3 Held to maturity investments</b>						
Term Finance Certificates	8,925,811	-	8,925,811	8,297,548	-	8,297,548
Government of Pakistan - Guaranteed bonds	4,039,972	-	4,039,972	5,699,540	-	5,699,540
CIRC bonds	4,054,883	-	4,054,883	4,054,883	-	4,054,883
Pakistan Investment Bonds	5,864,158	-	5,864,158	3,837,791	2,091,533	5,929,324
Foreign currency bonds	1,694,144	-	1,694,144	2,024,073	-	2,024,073
Foreign securities	1,217,970	-	1,217,970	1,542,249	-	1,542,249
Government of Pakistan - US \$ / Euro bonds	599,102	-	599,102	1,403,469	-	1,403,469
Debentures	172,153	-	172,153	176,277	-	176,277
CDC SAARC Fund	65,476	-	65,476	124,144	-	124,144
Participation Term Certificates	71,023	-	71,023	77,267	-	77,267
Market Treasury Bills	-	-	-	-	-	-
Federal Investment Bonds	32,655	-	32,655	45,026	-	45,026
Provincial Government Securities	1,207	-	1,207	1,207	-	1,207
	<u>26,738,554</u>	<u>-</u>	<u>26,738,554</u>	<u>27,283,474</u>	<u>2,091,533</u>	<u>29,375,007</u>
<b>4.4 Investments in associates</b>						
Oman United Exchange Company, Muscat	15,506	-	15,506	15,436	-	15,436
<b>4.5 Investments in subsidiaries</b>						
United National Bank, UK	1,733,386	-	1,733,386	1,889,313	-	1,889,313
United Bank AG Zurich, Switzerland	461,596	-	461,596	525,209	-	525,209
Domestic Subsidiaries	92,600	-	92,600	32,600	-	32,600
	<u>2,287,582</u>	<u>-</u>	<u>2,287,582</u>	<u>2,447,122</u>	<u>-</u>	<u>2,447,122</u>
	<u>61,140,865</u>	<u>1,251,059</u>	<u>62,391,924</u>	<u>50,924,905</u>	<u>4,234,186</u>	<u>55,159,091</u>
Provision for diminution in the value of investments	(535,108)	-	(535,108)	(540,402)	-	(540,402)
Surplus / (deficit) on revaluation of held for trading investments	(5,442)	(112)	(5,554)	334,626	(631)	333,995
Surplus / (deficit) on revaluation of available for sale investments	210,057	(1,402)	208,655	1,069	(25)	1,044
<b>Investments - net of provisions</b>	<u>60,810,372</u>	<u>1,249,545</u>	<u>62,059,917</u>	<u>50,720,198</u>	<u>4,233,530</u>	<u>54,953,728</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (UN-AUDITED)**

	September 30 2005	December 31, 2004
	----- (Rupees in '000) -----	
<b>5. ADVANCES</b>		
<b>Loans, cash credits, running finances, etc.</b>		
In Pakistan	149,281,842	125,349,845
Outside Pakistan	<u>25,101,703</u>	<u>19,594,673</u>
	174,383,545	144,944,518
<b>Bills discounted and purchased (excluding government treasury bills)</b>		
Payable in Pakistan	<u>4,370,128</u>	<u>4,158,073</u>
Payable outside Pakistan	<u>8,812,240</u>	<u>9,603,578</u>
	13,182,368	13,761,651
	187,565,913	158,706,169
<b>Financing in respect of carry over transactions</b>	1,231,671	1,327,541
Provision against non-performing advances - specific	<u>(14,937,242)</u>	<u>(15,621,718)</u>
- general	<u>(769,007)</u>	<u>(260,937)</u>
	(15,706,249)	(15,882,655)
	<u>173,091,335</u>	<u>144,151,055</u>

5.1 Advances include Rs 18,486 (2004:Rs 20,103) million which have been placed under non-performing status as detailed below: -

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	1,850,033	43,882	1,893,915	-	-
Substandard	466,795	17,073	483,868	42,413	42,413
Doubtful	201,038	4,977	206,015	34,881	34,881
Loss	<u>8,794,162</u>	<u>7,107,891</u>	<u>15,902,053</u>	<u>14,859,948</u>	<u>14,859,948</u>
	<u>11,312,028</u>	<u>7,173,823</u>	<u>18,485,851</u>	<u>14,937,242</u>	<u>14,937,242</u>

5.2 General provision represents provision amounting to Rs 570.393 million (December 31, 2004: Rs. 104.390 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs. 198.614 million (December 31, 2004: Rs. 156.547 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulating authorities of the respective country.

5.3 The collaterals held by the bank against classified loans and advances have been further discounted during the period in accordance with Prudential Regulations issued by the State Bank of Pakistan. The discounting of collaterals has resulted in additional provisioning requirement of Rs. 178.323 million which have been included in these financial statements.

**6. TAXATION**

Income tax assessments of the bank in respect of its operations in Azad Jammu and Kashmir (AJK) Region have been finalised upto tax year 2004. While finalising these assessments, the income tax authorities had arbitrarily increased the taxable income of the bank mainly on account of partial disallowance of head office expenditure and excessive additions to AJK's shadow cost of funds. The bank had filed a reference application with the High Court of AJK regarding excessive additions made to the taxable income by the AJK taxation authorities. However, as a matter of prudence until the last year the bank had fully provided the tax liability determined by the AJK taxation authorities upto the tax year 2003 and had made a provision on estimated basis for tax years 2004 and 2005.

A committee was constituted under the chairmanship of Secretary KA&NA Division / AJK Council with the representatives from Finance Division, Central Board of Revenue, State Bank of Pakistan and the Commercial Banks to determine a basis / formula for assessment of income tax on the earnings of Commercial Banks operating in Azad Kashmir.

The recommendations / basis established by the Committee were duly approved by the Prime Minister of Pakistan and Chairman AJ&K Council. The additional liability arising as a result of above agreement in respect of tax years 2003 and 2004 amounted to Rs. 405.707 million which has been fully provided in these financial statements. Further, in respect of tax year 2005 we have filed the income tax return which is deemed assessment U/S 120 of I T Ordinance, 2001 and Rs 93.873 million charge has also been booked. Consequent to the agreement, the bank has withdrawn the appeals filed with the C.I.T (A) Mirpur, AJK.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (UN-AUDITED)**

	September 30 2005	December 31, 2004
	----- (Rupees in '000) -----	
<b>7. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>		
<b>Secured</b>		
Borrowings from financial institutions	276,349	767,830
Borrowings from the State Bank of Pakistan		
- Export Refinance	6,925,960	5,988,377
- Locally Manufactured Machinery	5,727	9,872
	6,931,687	5,998,249
Repurchase agreement borrowings	1,124,466	4,629,607
	<u>8,332,502</u>	<u>11,395,686</u>
<b>Unsecured</b>		
Call Borrowing	100,000	500,000
Overdrawn nostro accounts	276,702	79,998
	376,702	579,998
	<u>8,709,204</u>	<u>11,975,684</u>
<b>8. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	90,215,567	42,971,478
Savings deposits	112,516,353	118,243,902
Sundry deposits	5,135,232	3,161,327
Margin deposits	1,795,147	1,218,963
Current accounts - remunerative	648,410	393,760
Current accounts - non-remunerative	68,162,610	64,150,773
	<u>278,473,319</u>	<u>230,140,203</u>
<b>Financial Institutions</b>		
Remunerative deposits	-	-
Non-remunerative deposits	187,086	116,424
	<u>187,086</u>	<u>116,424</u>
	<u>278,660,405</u>	<u>230,256,627</u>
<b>9. CONTINGENCIES AND COMMITMENTS</b>		
<b>9.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring		
Government	62,857	856,437
Banking companies and other financial institutions	769,715	1,428,103
Others	3,903,916	1,726,278
	<u>4,736,488</u>	<u>4,010,818</u>
<b>9.2 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
Government	10,107,522	7,477,242
Banking companies and other financial institutions	1,408,937	201,946
Others	5,470,943	4,051,297
	<u>16,987,402</u>	<u>11,730,485</u>
<b>9.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring		
Government	1,729,449	185,994
Banking companies and other financial institutions	-	216,960
Others	69,788,037	55,713,984
	<u>71,517,486</u>	<u>56,116,938</u>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (UN-AUDITED)**

	<b>September 30, 2005</b>	<b>December 31, 2004</b>
	----- (Rupees in '000) -----	
<b>9.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	4,360,847	6,115,838
	<u>4,360,847</u>	<u>6,115,838</u>
<b>9.5 Commitments in respect of forward lending</b>		
Commitments to extend credit	8,019,500	1,651,359
	<u>8,019,500</u>	<u>1,651,359</u>
<b>9.6 Commitments in respect of forward foreign exchange contracts</b>		
Sale	44,510,002	24,618,916
	<u>44,510,002</u>	<u>24,618,916</u>
Purchase	44,225,553	21,452,980
	<u>44,225,553</u>	<u>21,452,980</u>
<b>9.7 Other commitments</b>		
Repo transactions	1,126,788	4,643,873
	<u>1,126,788</u>	<u>4,643,873</u>
Capital Commitments	20,098	229,050
	<u>20,098</u>	<u>229,050</u>
<b>10. RELATED PARTY TRANSACTIONS</b>		

The Bank has related party relationship with its associated undertakings, subsidiary companies and its directors and executive officers (including their associates) and retirement benefit funds.

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk. (i.e. under the comparable uncontrolled price method).

Contributions to and accruals in respect of staff retirement and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

Details of transactions with related parties, except the remuneration to executive staff under their terms of employment, and balances with them as at the period-end were as follows:

	<b>September 30, 2005</b>	<b>December 31, 2004</b>
	(Rupees in '000)	
<b>Advances</b>		
At January 01	2,542,969	1,542,969
Given during the year	500,000	1,000,000
Repaid during the year	(1,241,991)	-
At September 30 / December 31	<u>1,800,978</u>	<u>2,542,969</u>
<b>Deposits</b>		
At January 01	3,388,523	2,062,808
Received during the year	35,279,926	30,997,599
Withdrawn during the year	(32,323,134)	(29,671,884)
At September 30 / December 31	<u>6,345,315</u>	<u>3,388,523</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (UN-AUDITED)**

	September 30, 2005	December 31, 2004
	(Rupees in '000)	
Placements made during the period / year	41,752,807	99,474,467
Placements settled during the period / year	41,752,807	85,857,768
Maximum amount of a placement made during the period / year	3,189,715	2,687,400
Payable to defined benefit plan	2	1,155,180
Receivable from defined benefit plan	521,442	755,897
Investment made during the period / year	-	4,600
Other	850,000	1,210,000
	<b>Nine months ended Sept. 30, 2005</b>	<b>Nine months ended Sept. 30, 2004</b>
Reimbursement of liaison office expenses paid to Abu Dhabi Group and Bestway Group	22,323	31,535
Mark-up / return / interest earned	92,107	65,125
Mark-up / return / interest expensed	8,979	108,703

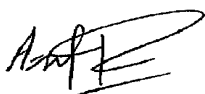
Transactions entered into with directors / executive officers as per their terms of employment are excluded from related party transactions.

**DATE OF AUTHORISATION**
**11.**

These financial statements were authorised for issue on November 12, 2005 by the Board of Directors of the Bank.

**GENERAL**
**12.**

Loanings to financial institutions amounting to Rs 2,098.129 million that had been appearing under advances at 31 December, 2004 have been reclassified from advances to loanings to financial institutions.



Atif R. Bokhari  
President and  
Chief Executive Officer



Ahmad Waqar  
Director



Omar Z Al Askari  
Director



Sir Mohammed Anwar Pervez, OBE, HPk  
Deputy Chairman