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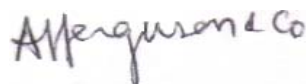
**KPMG TASEER HADI & CO**  
**Chartered Accountants**  
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## **REVIEW REPORT TO THE MEMBERS**

We have reviewed the annexed condensed interim balance sheet of United Bank Limited as at June 30, 2006, and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (herein-after referred to as the 'condensed interim financial statements'), for the half year then ended. These condensed interim financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these condensed interim financial statements based on our review. The figures of the profit and loss account for the quarters ended June 30, 2005 and 2006 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2006. These condensed interim financial statements incorporate the returns received from overseas branches which have not been reviewed.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the condensed interim financial statements are free of material misstatement. A review is limited primarily to inquiries of the Bank's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the annexed condensed interim financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.



**A. F. Ferguson & Co.**  
**Chartered Accountants**  
**Karachi**



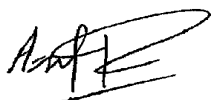
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Karachi**

Dated: August 07, 2006

**CONDENSED INTERIM BALANCE SHEET  
AS AT JUNE 30, 2006**

	Note	(UNAUDITED) June 30, 2006	(AUDITED) December 31, 2005
<b>(Rupees in '000)</b>			
<b>ASSETS</b>			
Cash and balances with treasury banks		42,385,170	34,062,679
Balances with other banks		8,107,329	12,729,207
Lendings to financial institutions		22,893,539	17,867,552
Investments	4	67,010,607	63,026,944
Advances	5	236,055,150	204,810,470
Other assets		10,165,700	7,829,770
Fixed assets		4,838,847	4,449,324
Deferred tax asset - net		832,075	2,273,005
		<u>392,288,417</u>	<u>347,048,951</u>
<b>LIABILITIES</b>			
Bills payable		4,389,140	4,159,964
Borrowings from financial institutions	6	24,479,165	21,790,480
Deposits and other accounts	7	325,513,357	289,226,299
Sub-ordinated loans		3,998,768	3,999,192
Other liabilities		9,217,051	6,204,746
		<u>367,597,481</u>	<u>325,380,681</u>
<b>NET ASSETS</b>		<u><u>24,690,936</u></u>	<u><u>21,668,270</u></u>
<b>REPRESENTED BY:</b>			
Issued, subscribed and paid up capital		6,475,000	5,180,000
Reserves		7,236,712	6,225,461
Unappropriated profit		8,563,722	7,350,813
		<u>22,275,434</u>	<u>18,756,274</u>
Surplus on revaluation of assets - net of tax		2,415,502	2,911,996
		<u><u>24,690,936</u></u>	<u><u>21,668,270</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		

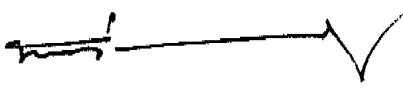
The annexed notes 1 to 12 form an integral part of these financial statements.



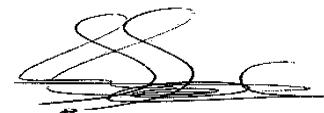
Atif R. Bokhari  
President and  
Chief Executive Officer



Ahmad Waqar  
Director



Sir Mohammad Anwar Pervez, OBE, HPK  
Deputy Chairman



Nahayan Mabarak Al Nahayan  
Chairman

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE QUARTER & HALF YEAR ENDED JUNE 30, 2006**

	Note	Apr - Jun 2006	Apr - Jun 2005	Jan - Jun 2006	Jan - Jun 2005
----- (Rupees in '000) -----					
Mark-up / return / interest earned	9	7,995,864	4,442,094	15,064,220	7,941,497
Mark-up / return / interest expensed	10	(2,815,239)	(1,089,583)	(5,406,322)	(1,849,907)
Net mark-up / return / interest income		5,180,625	3,352,511	9,657,898	6,091,590
Provision against non-performing loans and advances - net		(262,305)	(208,878)	(499,223)	(262,889)
Provision against consumer loans		(105,693)	(191,301)	(242,640)	(306,147)
Provision for diminution in value of investments		(79,271)	-	(96,968)	(25,000)
Bad debts written off directly		(53,998)	-	(74,309)	-
		(501,267)	(400,179)	(913,140)	(594,036)
Net mark-up / return / interest income after provisions		4,679,358	2,952,332	8,744,758	5,497,554
<b>Non mark-up / return / interest income</b>					
Fee, commission and brokerage income		1,008,630	455,947	1,826,510	986,124
Dividend income / gain on sale of securities		147,186	80,197	573,665	303,376
Income from dealing in foreign currencies		114,796	110,065	280,600	181,396
Unrealised surplus on revaluation of trading securities				-	
Other income		306,474	263,110	566,787	447,348
Total non mark-up / return / interest income		1,577,086	909,319	3,247,562	1,918,244
		6,256,444	3,861,651	11,992,320	7,415,798
<b>Non mark-up / interest expenses</b>					
Administrative expenses		(2,655,378)	(1,925,509)	(4,890,007)	(3,610,291)
Other provisions / write offs / reversals		(39,767)	(17,612)	(32,267)	(191,405)
Other charges		(471)	(2,996)	(508)	(2,704)
Total non mark-up / interest expenses		(2,695,616)	(1,946,117)	(4,922,782)	(3,804,400)
<b>Profit before taxation</b>		3,560,828	1,915,534	7,069,538	3,611,398
Taxation - Current - for the period		(745,702)	(298,446)	(897,029)	(312,859)
- Prior		(9,801)	-	(9,801)	(105,888)
- Deferred		(370,824)	(544,446)	(1,468,105)	(1,107,865)
		(1,126,327)	(842,892)	(2,374,935)	(1,526,612)
<b>Profit after taxation</b>		2,434,501	1,072,642	4,694,603	2,084,786
Unappropriated profit brought forward		6,592,509	3,332,964	7,350,813	3,274,439
		9,027,010	4,405,606	12,045,416	5,359,225
Transfer from surplus on revaluation of fixed assets - net of tax		23,613	21,264	47,227	47,074
Profit before appropriations		9,050,623	4,426,870	12,092,643	5,406,299
<b>Appropriations</b>					
Transfer to statutory reserve		(486,901)	(214,528)	(938,921)	(416,957)
Final cash dividend for the year ended December 31, 2004 and 2005 declared subsequent to the year end		-	-	(1,295,000)	(777,000)
Transfer to reserve for issue of bonus shares		-	-	(1,295,000)	-
		(486,901)	(214,528)	(3,528,921)	(1,193,957)
<b>Unappropriated profit carried forward</b>		8,563,722	4,212,342	8,563,722	4,212,342
				(Rupees)	(Rupees)
<b>Basic and diluted earnings per share</b>		3.76	1.66	7.25	3.22

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

Sir Mohammad Anwar Pervez, OBE, HPK  
Deputy Chairman

Nahayan Mabararak Al Nahayan  
Chairman

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2006**

	Half year ended June 30, 2006	Half year ended June 30, 2005
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	7,069,538	3,611,398
Less: Dividend income	(213,730)	(66,753)
	<u>6,855,808</u>	<u>3,544,645</u>
<b>Adjustments for non-cash charges</b>		
Depreciation	272,138	217,032
Provision for retirement benefits	82,558	24,175
Provision against advances	741,863	569,036
Provision for diminution in the value of investments	96,968	25,000
Gain on sale of fixed assets	(15,106)	(2,373)
Finance charges on assets subject to finance lease	-	3
Provision against other assets	36,389	191,405
Unrealised (gain) / deficit on revaluation of held for trading investment portfolio	(6,407)	(5,775)
Bad debts written-off	74,309	-
Exchange loss on cash and cash equivalents	535,167	144,921
	<u>1,817,879</u>	<u>1,163,424</u>
	<u>8,673,687</u>	<u>4,708,069</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(5,025,987)	534,524
Held for trading investments	775,725	(6,069,545)
Advances - net	(32,060,852)	(25,978,863)
Others assets	(2,179,826)	(1,734,439)
	<u>(38,490,940)</u>	<u>(33,248,323)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	229,176	1,635,705
Borrowings from financial institutions	2,688,685	2,148,536
Deposits and other accounts	36,287,058	38,873,729
Other liabilities	2,436,993	2,409,558
	<u>41,641,912</u>	<u>45,067,528</u>
	<u>11,824,659</u>	<u>16,527,274</u>
Payments of staff retirement benefits	(213,959)	(157,270)
Income tax paid	(365,261)	(447,278)
Net cash flow from operating activities	<u>11,245,439</u>	<u>15,922,726</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in securities	(5,326,331)	(13,608,266)
Dividend received	186,321	160,976
Investments in fixed assets	(672,436)	(427,490)
Proceeds from sale of Fixed assets	25,881	11,252
Net cash outflow on investing activities	<u>(5,786,565)</u>	<u>(13,863,528)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipt of sub-ordinated loan	(424)	499,616
Dividend paid	(1,295,000)	(777,000)
Payment of lease obligations	-	(291)
Net cash outflow on financing activities	<u>(1,295,424)</u>	<u>(277,675)</u>
Net cash flow	<u>4,163,450</u>	<u>1,781,523</u>
Exchange difference on translation of net investment in foreign branches	72,330	(147,671)
Increase in cash and cash equivalents during the period	<u>4,235,780</u>	<u>1,633,852</u>
Cash and cash equivalents at beginning of the period as previously reported	<u>46,791,886</u>	<u>41,543,769</u>
Effects of exchange rate changes on cash and cash equivalents	(535,167)	(144,921)
Cash and cash equivalents at beginning of the period as restated	<u>46,256,719</u>	<u>41,398,848</u>
Cash and cash equivalents at end of the period	<u>50,492,499</u>	<u>43,032,700</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

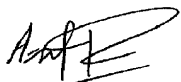
Sir Mohammad Anwar Pervez, OBE, HPK  
Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman


**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2006**

	Share Capital	Statutory Reserve	Exchange Translation reserve	Reserve for issue of bonus shares	Unappropri- ated profit	Total
----- (Rupees in '000) -----						
Balance as at January 1, 2005	5,180,000	3,945,781	1,970,147	-	3,274,439	14,370,367
Final cash dividend for year ended December 31, 2004 declared subsequent to year end	-	-	-	-	(777,000)	(777,000)
Profit after taxation for the half year ended June 30, 2005	-	-	-	-	2,084,786	2,084,786
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	47,074	47,074
Exchange difference on translation of net investment in foreign branches	-	-	(147,671)	-	-	(147,671)
Transfer to statutory reserve	-	416,957	-	-	(416,957)	-
Balance as at June 30, 2005	<u>5,180,000</u>	<u>4,362,738</u>	<u>1,822,476</u>	<u>-</u>	<u>4,212,342</u>	<u>15,577,556</u>
Profit after taxation for the half year ended December 31, 2005	-	-	-	-	3,864,246	3,864,246
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	47,074	47,074
Exchange differences on translation of net investment in foreign branches	-	-	(732,602)	-	-	(732,602)
Transfer to statutory reserve	-	772,849	-	-	(772,849)	-
Balance as at December 31, 2005	<u>5,180,000</u>	<u>5,135,587</u>	<u>1,089,874</u>	<u>-</u>	<u>7,350,813</u>	<u>18,756,274</u>
Final cash dividend for year ended December 31, 2005 declared subsequent to year end	-	-	-	-	(1,295,000)	(1,295,000)
Transfer to reserve for issue of bonus shares	-	-	-	1,295,000	(1,295,000)	-
Issue of bonus shares	1,295,000	-	-	(1,295,000)	-	-
Profit after taxation for the half year ended June 30, 2006	-	-	-	-	4,694,603	4,694,603
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	47,227	47,227
Exchange differences on translation of net investment in foreign branches.	-	-	72,330	-	-	72,330
Transfer to statutory reserve	-	938,921	-	-	(938,921)	-
Balance as at June 30, 2006	<u>6,475,000</u>	<u>6,074,508</u>	<u>1,162,204</u>	<u>-</u>	<u>8,563,722</u>	<u>22,275,434</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



Sir Mohammad Anwar Pervez, OBE, HPK  
Deputy Chairman



Nahayan Mabararak Al Nahayan  
Chairman

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2006**
**1. STATUS AND NATURE OF BUSINESS**

United Bank Limited is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all three Stock Exchanges in Pakistan. The bank's registered office and principal office is situated at State Life Building No. 1, I.I. Chundrigar Road, Karachi. The bank operates 1,043 (2005: 1,043) branches inside Pakistan including the Karachi Export Processing Zone Branch (KEPZ) and 15 (2005: 15) branches outside Pakistan.

**2. STATEMENT OF COMPLIANCE**

These condensed interim 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. 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). Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified in accordance with the categories prescribed by the State Bank of Pakistan.

The disclosures made in these condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2005.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these condensed interim 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, 2005.

	Note	June 30, 2006			December 31, 2005		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rupees in '000)-----							
<b>4. INVESTMENTS</b>							
Held for trading investments	4.1	738,069	-	738,069	1,053,767	460,807	1,514,574
Available for sale investments	4.2	28,764,750	11,220,562	39,985,312	22,436,658	4,103,980	26,540,638
Held to maturity investments	4.3	24,323,383	479,121	24,802,504	29,444,594	3,930,984	33,375,578
Investments in associates	4.4	506,981	-	506,981	256,981	-	256,981
Investments in subsidiaries	4.5	1,660,848	-	1,660,848	1,660,848	-	1,660,848
		<u>55,994,031</u>	<u>11,699,683</u>	<u>67,693,714</u>	<u>54,852,848</u>	<u>8,495,771</u>	<u>63,348,619</u>
Provision for diminution in the value of investments		(526,240)	-	(526,240)	(634,003)	-	(634,003)
Surplus / (deficit) on revaluation of available for sale investments		(152,173)	(11,101)	(163,274)	312,372	736	313,108
Surplus / (deficit) on revaluation of held for trading investments		6,407	-	6,407	(1,070)	290	(780)
Investments (net of provisions)		<u>55,322,025</u>	<u>11,688,582</u>	<u>67,010,607</u>	<u>54,530,147</u>	<u>8,496,797</u>	<u>63,026,944</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2006**

	June 30, 2006			December 31, 2005		
	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	199,763	-	199,763	600,734	460,807	1,061,541
Ordinary shares of listed companies	538,306	-	538,306	453,033	-	453,033
	738,069	-	738,069	1,053,767	460,807	1,514,574
<b>4.2 Available for sale investments</b>						
Market Treasury Bills	19,666,695	11,220,562	30,887,257	16,004,567	3,898,511	19,903,078
Ordinary shares of listed companies	1,546,648	-	1,546,648	1,675,518	-	1,675,518
Pakistan Investment Bonds	2,661,166	-	2,661,166	1,317,980	205,469	1,523,449
GOP Islamic Bonds	809,957	-	809,957	833,386	-	833,386
Term Finance Certificates	740,874	-	740,874	749,170	-	749,170
Foreign currency Bonds	963,713	-	963,713	593,782	-	593,782
Ordinary shares of unlisted companies	432,690	-	432,690	432,680	-	432,680
Units of mutual funds	820,000	-	820,000	550,000	-	550,000
Government of Pakistan - US \$ / Euro Bonds	1,123,007	-	1,123,007	279,575	-	279,575
	28,764,750	11,220,562	39,985,312	22,436,658	4,103,980	26,540,638
<b>4.3 Held to maturity investments</b>						
Term Finance Certificates	8,390,959	-	8,390,959	8,661,187	-	8,661,187
Government of Pakistan - Guaranteed bonds	3,509,982	-	3,509,982	4,039,971	-	4,039,971
CIRC bonds	4,054,883	-	4,054,883	4,054,883	-	4,054,883
Pakistan Investment Bonds	4,728,287	-	4,728,287	5,331,699	335,502	5,667,201
Foreign currency bonds	1,709,007	-	1,709,007	1,694,788	-	1,694,788
Foreign securities	495,924	-	495,924	492,795	-	492,795
Debentures	12,028	-	12,028	169,351	-	169,351
CDC SAARC Fund	27,611	-	27,611	65,501	-	65,501
Participation Term Certificates	61,360	-	61,360	70,087	-	70,087
Market Treasury Bills	1,309,305	479,121	1,788,426	4,830,400	3,595,482	8,425,882
Federal Investment Bonds	22,830	-	22,830	32,725	-	32,725
Provincial Government Securities	1,207	-	1,207	1,207	-	1,207
	24,323,383	479,121	24,802,504	29,444,594	3,930,984	33,375,578
<b>4.4 Investments in associates</b>						
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
United Stock Advantage Fund	250,000	-	250,000	-	-	-
United Growth and Income Fund	250,000	-	250,000	250,000	-	250,000
	506,981	-	506,981	256,981	-	256,981
<b>4.5 Investments in subsidiaries</b>						
United National Bank, UK	1,482,011	-	1,482,011	1,482,011	-	1,482,011
United Bank AG Zurich, Switzerland	86,237	-	86,237	86,237	-	86,237
Domestic Subsidiaries	92,600	-	92,600	92,600	-	92,600
	1,660,848	-	1,660,848	1,660,848	-	1,660,848
Provision for diminution in the value of investments	55,994,031	11,699,683	67,693,714	54,852,848	8,495,771	63,348,619
Surplus / (deficit) on revaluation of available for sale investments	(526,240)	-	(526,240)	(634,003)	-	(634,003)
Surplus / (deficit) on revaluation of held for trading investments	(152,173)	(11,101)	(163,274)	312,372	736	313,108
	6,407	-	6,407	(1,070)	290	(780)
Investments - net of provisions	55,322,025	11,688,582	67,010,607	54,530,147	8,496,797	63,026,944

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2006**

	Note	June 30 2006	December 31 2005
----- (Rupees in '000) -----			
<b>5. ADVANCES</b>			
<b>Loans, cash credits, running finances, etc.</b>			
In Pakistan		197,684,512	179,430,436
Outside Pakistan		<u>34,965,166</u>	<u>27,407,416</u>
		232,649,678	206,837,852
<b>Bills discounted and purchased (excluding government treasury bills)</b>			
Payable in Pakistan		<u>3,063,156</u>	<u>3,104,283</u>
Payable outside Pakistan		<u>12,718,713</u>	<u>8,239,310</u>
		15,781,869	11,343,593
		248,431,547	218,181,445
<b>Financing in respect of carry over transactions</b>		1,201,671	1,094,002
Provision against advances - specific	5.1	<u>(12,378,633)</u>	<u>(13,301,990)</u>
- general	5.2	<u>(1,199,435)</u>	<u>(1,162,987)</u>
		(13,578,068)	(14,464,977)
		<u>236,055,150</u>	<u>204,810,470</u>

**5.1** Advances include Rs. 16,478 million (2005: Rs. 16,960 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	439,148	-	439,148	-	-
Substandard	1,829,904	23,188	1,853,092	242,435	242,435
Doubtful	911,661	101,189	1,012,850	243,380	243,380
Loss	<u>7,485,442</u>	<u>5,687,014</u>	<u>13,172,456</u>	<u>11,892,818</u>	<u>11,892,818</u>
	<u>10,666,155</u>	<u>5,811,391</u>	<u>16,477,546</u>	<u>12,378,633</u>	<u>12,378,633</u>

**5.2** General provision represents provision amounting to Rs 987.106 million (December 31, 2005: Rs. 699.420 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs. 212.329 million (December 31, 2005: Rs. 463.567 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulating authorities of the respective country.

	June 30 2006	December 31 2005
----- (Rupees in '000) -----		
<b>6. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>		
<b>Secured</b>		
Borrowings from the State Bank of Pakistan		
- Export Refinance	<u>7,737,163</u>	<u>7,453,261</u>
- LTF for Export Oriented Projects	<u>645,723</u>	<u>303,410</u>
- Locally Manufactured Machinery	<u>4,276</u>	<u>5,195</u>
	8,387,162	7,761,866
Borrowings from financial institutions	-	-
Repurchase agreement borrowings	<u>13,945,068</u>	<u>8,434,771</u>
	22,332,230	16,196,637
<b>Unsecured</b>		
Call Borrowing	<u>500,000</u>	<u>4,000,000</u>
Overdrawn nostro accounts	<u>47,706</u>	<u>113,991</u>
Trading Liabilities	<u>1,599,229</u>	<u>1,479,852</u>
	2,146,935	5,593,843
	<u>24,479,165</u>	<u>21,790,480</u>



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2006**

	<b>June 30 2006</b>	<b>December 31, 2005</b>
	----- (Rupees in '000) -----	
<b>7. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	85,926,374	79,841,687
Savings deposits	135,516,047	122,662,484
Sundry deposits	6,210,789	4,148,275
Margin deposits	3,106,399	2,214,877
Current accounts - remunerative	3,628,783	1,886,548
Current accounts - non-remunerative	90,296,438	78,324,614
	<u>324,684,830</u>	<u>289,078,485</u>
<b>Financial Institutions</b>		
Remunerative deposits	36,160	-
Non-remunerative deposits	792,367	147,814
	<u>828,527</u>	<u>147,814</u>
	<u>325,513,357</u>	<u>289,226,299</u>
<b>8. CONTINGENCIES AND COMMITMENTS</b>		
<b>8.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring		
Government	7,391,257	1,683,912
Banking companies and other financial institutions	1,588,742	769,256
Others	2,930,976	2,325,041
	<u>11,910,975</u>	<u>4,778,209</u>
<b>8.2 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
Government	19,209,434	14,640,161
Banking companies and other financial institutions	902,693	785,981
Others	5,142,348	5,287,560
	<u>25,254,475</u>	<u>20,713,702</u>
<b>8.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring		
Government	14,461,994	1,485,183
Banking companies and other financial institutions	23,357	291,841
Others	75,565,325	70,827,123
	<u>90,050,676</u>	<u>72,604,147</u>
<b>8.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>7,080,459</u>	<u>6,054,243</u>
<b>8.5 Commitments in respect of forward lending</b>		
The bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	<b>June 30 2006</b>	<b>December 31, 2005</b>
	----- (Rupees in '000) -----	
<b>8.6 Commitments in respect of forward foreign exchange contracts</b>		
Sale	<u>44,534,523</u>	<u>38,202,754</u>
Purchase	<u>46,582,239</u>	<u>34,338,394</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2006**

	June 30 2006	December 31, 2005
	----- (Rupees in '000) -----	
<b>8.7 Other commitments</b>		
Forward purchase contracts of government securities	-	598,194
Interest rate swaps	7,545,389	7,826,415
Equity futures	543,813	43,765
Sales of securities not yet purchased	1,349,882	1,479,279
Commitments in respect of capital expenditure	387,451	217,112
	<b>Jan - Jun 2006</b>	<b>Jan - Jun 2005</b>
	----- (Rupees in '000) -----	
<b>9. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances		
- Customers	11,318,826	5,514,405
- Financial institutions	526,066	225,445
	11,844,892	5,739,850
On investments in		
- Securities	2,591,577	1,669,664
- Associates	16,926	71,171
	2,608,503	1,740,835
On deposits with financial institutions	50,822	156,802
On securities purchased under resale agreements	551,638	299,162
Discount income	8,365	4,848
	15,064,220	7,941,497
<b>10. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	4,330,910	1,405,021
On securities sold under repurchase agreements	488,997	163,043
On other short - term borrowings	543,283	259,767
Forward cover fee	10,776	5,461
Discount expense	32,356	16,615
	5,406,322	1,849,907
<b>11. RELATED PARTIES TRANSACTIONS</b>		

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

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.

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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2006**

Details of transactions with related parties are given below:

	2006				2005			
	Key management personnel	Subsidiaries	Associates	Others	Key management personnel	Subsidiaries	Associates	Others
<b>Advances</b>								
At January 01	80,694	-	-	1,818,141	61,709	-	-	2,542,969
Given during the period / year	32,440	-	-	7,791	31,112	-	-	1,863,892
Repaid during the period / year	(27,323)	-	-	(333,595)	(12,127)	-	-	(2,588,720)
At June 30 / December 31	<u>85,811</u>	<u>-</u>	<u>-</u>	<u>1,492,337</u>	<u>80,694</u>	<u>-</u>	<u>-</u>	<u>1,818,141</u>
<b>Deposits</b>								
At January 01	15,542	4,146	-	4,322,020	13,415	39,320	-	3,594,143
Received during the period / year	81,485	697,108	-	124,068,391	121,382	66,747	-	30,792,517
Withdrawn during the period / year	(88,693)	(691,616)	-	(119,069,426)	(119,255)	(101,921)	-	(30,064,640)
At June 30 / December 31	<u>8,334</u>	<u>9,638</u>	<u>-</u>	<u>9,320,985</u>	<u>15,542</u>	<u>4,146</u>	<u>-</u>	<u>4,322,020</u>
Placements made during the period / year	-	32,335,732	-	-	-	41,752,807	-	-
Placements settled during the period / year	-	32,604,213	-	-	-	41,752,807	-	-
Maximum amount of a placement made during the period / year	-	964,569	-	-	-	2,981,500	-	-
Mark-up / return / interest earned	-	358	-	65,799	-	13,806	-	70,002
Mark-up / return / interest expensed	-	-	-	42,406	-	27	-	28,975
Reimbursement of liaison office expenses paid to Dubai and Abu Dhabi Group	-	-	-	17,996	-	-	-	29,789
Investment made during the period / year	-	-	250,000	-	-	60,000	250,000	180,000
Payable in respect of acquisition of shares	-	30,000	-	-	-	30,000	-	-
Distribution commission income	-	702	-	-	-	2,607	-	-
Distribution commission receivable	-	2,684	-	-	-	1,866	-	-
Dividend income received	-	145,572	-	-	-	55,420	-	-
Remuneration paid	49,759	-	-	-	66,750	-	-	-
Post Employment benefits	7,490	-	-	-	3,829	-	-	-

**12. DATE OF AUTHORIZATION**

These financial statements were authorised for issue on August 06, 2006 by the Board of Directors of the Bank.

 Atif R. Bokhari  
President and  
Chief Executive Officer



 Ahmad Waqar  
Director



 Sir Mohammad Anwar Pervez, OBE, HPK  
Deputy Chairman



 Nahayan Mabarak Al Nahayan  
Chairman