

A. F. FERGUSON & CO
Chartered accountants
State Life Building No. 1-C
I. I. Chundrigar Road
Karachi.

KPMG TASEER HADI & CO
Chartered accountants
Sheikh Sultan Trust Building No. 2,
Beaumont Road
Karachi

INDEPENDENT AUDITORS REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of United Bank Limited as at June 30, 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended June 30, 2007 and 2006 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2007. The interim financial information incorporate the returns received from overseas branches which have not been reviewed.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended June 30, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.



A. F. Ferguson & Co.
Chartered Accountants 



KPMG Taseer Hadi & Co.
Chartered Accountants 

Date July 27, 2007

Karachi

**CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2007**

	Note	(Un-audited) June 30, 2007	(Audited) December 31, 2006 <i>(Rupees in '000)</i>
ASSETS			
			Restated
Cash and balances with treasury banks		47,476,267	48,939,840
Balances with other banks		14,149,209	14,034,476
Lendings to financial institutions		34,778,345	29,572,070
Investments	6	106,953,007	67,400,876
Advances	7	279,780,740	247,309,893
Fixed assets		5,892,726	5,234,463
Deferred tax assets - net		1,123,641	869,770
Other assets		9,432,740	10,062,466
		<u>499,586,675</u>	<u>423,423,854</u>
LIABILITIES			
Bills payable		4,209,065	4,560,649
Borrowings	8	39,541,877	38,544,920
Deposits and other accounts	9	402,983,041	335,077,873
Sub-ordinated loans		5,997,904	5,998,344
Liabilities against assets subject to finance lease		-	-
Other liabilities		13,295,313	9,275,034
		<u>466,027,200</u>	<u>393,456,820</u>
NET ASSETS		<u><u>33,559,475</u></u>	<u><u>29,967,034</u></u>
REPRESENTED BY:			
Share capital	10	8,093,750	6,475,000
Reserves		9,372,240	8,298,873
Unappropriated profit		13,420,603	12,429,853
		<u>30,886,593</u>	<u>27,203,726</u>
Surplus on revaluation of assets - net		2,672,882	2,763,308
		<u><u>33,559,475</u></u>	<u><u>29,967,034</u></u>

CONTINGENCIES AND COMMITMENTS

11

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Atif R. Bokhari
President and
Chief Executive Officer

Zameer Mohammed Choudrey
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER & HALF YEAR ENDED JUNE 30, 2007**

	Note	Apr - Jun 2007	Apr - Jun 2006	Jan - Jun 2007	Jan - Jun 2006
----- (Rupees in '000) -----					
Mark-up / return / interest earned	12	10,084,442	7,995,864	19,731,423	15,064,220
Mark-up / return / interest expensed	13	(4,022,828)	(2,815,239)	(7,830,496)	(5,395,546)
Net mark-up / return / interest income		6,061,614	5,180,625	11,900,927	9,668,674
Provision against non-performing loans and advances - net		(167,100)	(262,305)	(312,276)	(499,223)
Provision against consumer loans		(47,539)	(105,693)	(96,964)	(242,640)
Provision for diminution in value of investments		(6,750)	(79,271)	(13,500)	(96,968)
Bad debts written off directly		(164,819)	(53,998)	(319,045)	(74,309)
		<u>(386,208)</u>	<u>(501,267)</u>	<u>(741,785)</u>	<u>(913,140)</u>
Net mark-up / return / interest income after provisions		5,675,406	4,679,358	11,159,142	8,755,534
Non mark-up / return / interest income					
Fee, commission and brokerage income		1,199,206	1,008,630	2,239,290	1,826,510
Dividend income / gain on sale of securities		416,410	140,779	856,814	567,258
Income from dealing in foreign currencies		196,129	114,796	423,394	269,824
Unrealised surplus on revaluation of trading securities		(13,001)	6,407	(3,435)	6,407
Other income		356,886	306,474	698,199	566,787
Total non mark-up / return / interest income		<u>2,155,630</u>	<u>1,577,086</u>	<u>4,214,262</u>	<u>3,236,786</u>
		7,831,036	6,256,444	15,373,404	11,992,320
Non mark-up / interest expenses					
Administrative expenses		(3,355,426)	(2,655,378)	(6,270,894)	(4,890,007)
Other provisions / write offs / reversals		(76,395)	(39,767)	(128,617)	(32,267)
Other charges		(610)	(471)	(1,119)	(508)
Total non mark-up / interest expenses		<u>(3,432,431)</u>	<u>(2,695,616)</u>	<u>(6,400,630)</u>	<u>(4,922,782)</u>
Profit before taxation		4,398,605	3,560,828	8,972,774	7,069,538
Taxation					
- Current - for the period	14	(1,526,591)	(745,702)	(3,154,908)	(897,029)
- Prior		(438,569)	(9,801)	(438,569)	(9,801)
- Deferred		117,324	(370,824)	251,670	(1,468,105)
		<u>(1,847,836)</u>	<u>(1,126,327)</u>	<u>(3,341,807)</u>	<u>(2,374,935)</u>
Profit after taxation		2,550,769	2,434,501	5,630,967	4,694,603
Unappropriated profit brought forward		11,356,441	6,592,509	12,429,853	7,350,813
		13,907,210	9,027,010	18,060,820	12,045,416
Transfer from surplus on revaluation of fixed assets - net of tax		23,613	23,613	47,227	47,227
Profit before appropriations		13,930,823	9,050,623	18,108,047	12,092,643
Appropriations					
Transfer to statutory reserve		(510,220)	(486,901)	(1,126,194)	(938,921)
Final cash dividend for the year ended December 31, 2005 and 2006 declared subsequent to the year end		-	-	(1,942,500)	(1,295,000)
Transfer to reserve for issue of bonus shares		-	-	(1,618,750)	(1,295,000)
		<u>(510,220)</u>	<u>(486,901)</u>	<u>(4,687,444)</u>	<u>(3,528,921)</u>
Unappropriated profit carried forward		<u>13,420,603</u>	<u>8,563,722</u>	<u>13,420,603</u>	<u>8,563,722</u>
		(Rupees)		(Rupees)	
Basic and diluted earnings per share		3.15	3.01	6.96	5.80

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Atif R. Bokhari

Atif R. Bokhari
President and
Chief Executive Officer

Zameer Mohammed Choudrey
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**

	Half year ended June 30, 2007	Half year ended June 30, 2006
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	8,972,774	7,069,538
Less: Dividend income	<u>(339,457)</u>	<u>(213,730)</u>
	8,633,317	6,855,808
Adjustments for non-cash charges		
Depreciation	349,737	272,138
Provision for retirement benefits	74,625	82,558
Provision against advances	409,240	741,863
Provision for diminution in the value of investments	13,500	96,968
Gain on sale of fixed assets	(32,720)	(15,106)
Finance charges on assets subject to finance lease	-	-
Provision against other assets	6,064	36,389
Unrealised (gain) / deficit on revaluation of held for trading investment portfolio	3,435	(6,407)
Bad debts written-off	319,045	74,309
Exchange loss on cash and cash equivalents	<u>(259,039)</u>	<u>535,167</u>
	883,887	1,817,879
	9,517,204	8,673,687
(Increase) / decrease in operating assets		
Lendings to financial institutions	(5,206,275)	(5,025,987)
Held for trading investments	(2,331,213)	775,725
Advances - net	(33,199,132)	(32,060,852)
Others assets	<u>(468,898)</u>	<u>(2,179,826)</u>
	(41,205,518)	(38,490,940)
Increase / (decrease) in operating liabilities		
Bills payable	(351,584)	229,176
Borrowings from financial institutions	996,957	2,688,685
Deposits and other accounts	67,905,168	36,287,058
Other liabilities	<u>946,637</u>	<u>2,436,993</u>
	69,497,178	41,641,912
	37,808,864	11,824,659
(Receipts from) / Payments to staff retirement benefit funds	1,021,735	(213,959)
Income tax paid	<u>(527,744)</u>	<u>(365,261)</u>
Net cash flow from operating activities	38,302,855	11,245,439
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	(37,278,039)	(5,326,331)
Dividend received	338,352	186,321
Investments in fixed assets	(1,143,815)	(672,436)
Proceeds from sale of fixed assets	<u>168,535</u>	<u>25,881</u>
Net cash outflow on investing activities	(37,914,967)	(5,786,565)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of sub-ordinated loan	(440)	(424)
Dividend paid	(1,942,500)	(1,295,000)
Payment of lease obligations	-	-
Net cash outflow on financing activities	<u>(1,942,940)</u>	<u>(1,295,424)</u>
Net cash flow	(1,555,052)	4,163,450
Exchange difference on translation of net investment in foreign branches	<u>(52,827)</u>	<u>72,330</u>
(Decrease) / increase in cash and cash equivalents during the period	(1,607,879)	4,235,780
Cash and cash equivalents at beginning of the period as previously reported	62,974,316	46,791,886
Effects of exchange rate changes on cash and cash equivalents	<u>259,039</u>	<u>(535,167)</u>
Cash and cash equivalents at beginning of the period as restated	63,233,355	46,256,719
Cash and cash equivalents at end of the period	<u>61,625,476</u>	<u>50,492,499</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Atif R. Bokhari
President and
Chief Executive Officer

Zameer Mohammed Choudrey
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**

	Capital Reserves				Unappropriated Profit	Total
	Share Capital	Statutory Reserve	Exchange Translation Reserve	Reserve for Issue of Bonus Shares		
------(Rupees in '000)-----						
Balance as at January 1, 2006	5,180,000	5,135,587	1,089,874	-	7,350,813	18,756,274
Final cash dividend for the year ended December 31, 2005 declared subsequent to year end at Rs. 2.5 per share	-	-	-	-	(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 difference on translation of net investment in foreign branches	-	-	72,330	-	-	72,330
Net expense recognised directly in equity	-	-	72,330	-	47,227	119,557
Total recognised income and expense for the period	-	-	72,330	-	4,741,830	4,814,160
Transfer to statutory reserve	-	938,921	-	-	(938,921)	-
Balance as at June 30, 2006	6,475,000	6,074,508	1,162,204	-	8,563,722	22,275,434
Profit after taxation for half year ended December 31, 2006	-	-	-	-	4,773,629	4,773,629
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	47,227	47,227
Exchange difference on translation of net investment in foreign branches	-	-	107,436	-	-	107,436
Net expense recognised directly in equity	-	-	107,436	-	47,227	154,663
Total recognised income and expense for the period	-	-	107,436	-	4,820,856	4,928,292
Transfer to statutory reserve	-	954,725	-	-	(954,725)	-
Balance as at December 31, 2006	6,475,000	7,029,233	1,269,640	-	12,429,853	27,203,726
Final cash dividend for the year ended December 31, 2006 declared subsequent to year end at Rs. 2.5 per share	-	-	-	-	(1,942,500)	(1,942,500)
Transfer to reserve for issue of bonus shares	-	-	-	1,618,750	(1,618,750)	-
Issue of bonus shares	1,618,750	-	-	(1,618,750)	-	-
Profit after taxation for the half year ended June 30, 2007	-	-	-	-	5,630,967	5,630,967
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	47,227	47,227
Exchange difference on translation of net investment in foreign branches	-	-	(52,827)	-	-	(52,827)
Net expense recognised directly in equity	-	-	(52,827)	-	47,227	(5,600)
Total recognised income and expense for the period	-	-	(52,827)	-	5,678,194	5,625,367
Transfer to statutory reserves	-	1,126,194	-	-	(1,126,194)	-
Balance as at June 30, 2007	8,093,750	8,155,427	1,216,813	-	13,420,603	30,886,593

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

Atif R. Bokhari

Atif R. Bokhari
President and
Chief Executive Officer

Zameer Mohammed Choudrey

Zameer Mohammed Choudrey
Director

Omar Z. Al Askari

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**

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 1,045 (December 31, 2006: 1,044) branches inside Pakistan including one Islamic Banking Branch and one Karachi Export Processing Zone Branch (KEPZ) and 16 (December 31, 2006: 15) branches outside Pakistan.

During the period the Government of Pakistan (GoP) which was holding 44.46% shares of the bank through the State Bank of Pakistan (SBP) disinvested 21.74% of total shareholding of the Bank in the form of Global Depositary Receipts (GDRs). As a pre-requisite to such offering by the GoP, the bank was admitted to the official list of the UK Listing Authority and London Stock Exchange Professional Securities Market for trading of GDRs issued by the bank. 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 U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S. Trading in the GDRs on the London Stock Exchange commenced on June 29, 2007. For more details refer note 10 to these condensed interim financial statements.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

The financial results of the Islamic banking branch of the bank have been consolidated in these condensed interim financial statements for reporting purposes, after eliminating intra branch transactions / balances. Key financial figures of the Islamic banking branch are disclosed in note 17 to these condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the 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 Financial Reporting 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 has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

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 these financial statements should be read in conjunction with the financial statements of the bank for the year ended December 31, 2006.

Affekomen

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**
4. 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, 2006, except for the change as stated in note 5 to these condensed interim financial statements.

5. CHANGE IN ACCOUNTING POLICY

During the period the bank has changed its accounting policy pertaining to subsequent measurement of investments in unquoted equity securities (excluding investments in subsidiaries and associates) in order to comply with the requirements set out in BPRD Circular Letter No. 16 issued during the current period by the State Bank of Pakistan. As per the new accounting policy the investments in unquoted equity securities are valued at their breakup value subsequent to their initial recognition. Breakup value of unquoted equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. The entire portfolio of unquoted equity securities held by the bank is classified as available for sale. Accordingly, surplus / (deficit) arising on remeasurement of unquoted equity securities at their breakup value is taken to a separate account shown in the balance sheet below equity (except in case of impairment losses, in which case it is charged to the profit and loss account). Previously, investment in unquoted equity securities were valued at the lower of cost or breakup value and any deficit arising on account of breakup value being lower than cost was charged to the profit and loss account. In accordance with the requirements of International Accounting Standard 8 - 'Accounting Policies, Changes in Accounting Estimates and Errors' the change in accounting policy has been applied retrospectively and the comparative information has been restated. The effect of this change in accounting policy on the condensed interim financial statements of the bank is given below:

	June 30, 2007	December 31, 2006
	------(Rupees in '000)-----	
Investments are higher by	143,612	140,538
Deferred tax asset is lower by	37,698	36,891
Surplus on revaluation of assets (net of tax) is higher by	105,914	103,647

6. INVESTMENTS

	Note	-----June 30, 2007-----			-----December 31, 2006-----		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
------(Rupees in '000)-----							
Held-for-trading investments	6.1	2,465,323	-	2,465,323	137,445	-	137,445
Available-for-sale investments	6.2	57,122,518	17,673,143	74,795,661	26,924,852	16,743,707	43,668,559
Held-to-maturity investments	6.3	26,738,253	-	26,738,253	21,444,416	-	21,444,416
Investments in associates	6.4	896,981	-	896,981	596,981	-	596,981
Investments in subsidiaries	6.5	2,204,448	-	2,204,448	1,660,848	-	1,660,848
		<u>89,427,523</u>	<u>17,673,143</u>	<u>107,100,666</u>	<u>50,764,542</u>	<u>16,743,707</u>	<u>67,508,249</u>
Provision for diminution in value of investments		(389,018)	-	(389,018)	(400,639)	-	(400,639)
Surplus / (deficit) on revaluation of available for sale investments		269,480	(24,686)	244,794	303,541	(6,940)	296,601
Surplus / (deficit) on revaluation of held for trading investments		(3,435)	-	(3,435)	(3,335)	-	(3,335)
Total investments (net of provision)		<u>89,304,550</u>	<u>17,648,457</u>	<u>106,953,007</u>	<u>50,664,109</u>	<u>16,736,767</u>	<u>67,400,876</u>

6.1 Held for trading investments

Market Treasury Bills	1,485,135	-	1,485,135	46,438	-	46,438
Ordinary shares of listed companies	314,274	-	314,274	91,007	-	91,007
Pakistan Investment Bonds	484,676	-	484,676	-	-	-
Other Bonds	181,238	-	181,238	-	-	-
	<u>2,465,323</u>	<u>-</u>	<u>2,465,323</u>	<u>137,445</u>	<u>-</u>	<u>137,445</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**

	-----June 30, 2007-----			-----December 31, 2006-----		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
------(Rupees in '000)-----						
6.2 Available for sale investments						
Market Treasury Bills	32,872,474	17,648,248	50,520,722	15,304,284	16,743,707	32,047,991
Ordinary shares of listed companies	1,162,982	-	1,162,982	2,403,691	-	2,403,691
Pakistan Investment Bonds	12,669,247	24,895	12,694,142	3,157,602	-	3,157,602
Government of Pakistan Islamic Bonds	1,356,417	-	1,356,417	694,271	-	694,271
Term Finance Certificates	724,610	-	724,610	693,116	-	693,116
Foreign currency bonds	2,880,885	-	2,880,885	1,705,045	-	1,705,045
Ordinary shares of unlisted companies	390,696	-	390,696	497,288	-	497,288
Euro Bonds	1,494,024	-	1,494,024	1,247,217	-	1,247,217
Units of mutual funds	3,571,183	-	3,571,183	1,222,338	-	1,222,338
	57,122,518	17,673,143	74,795,661	26,924,852	16,743,707	43,668,559
6.3 Held to maturity investments						
Term Finance Certificates	7,372,045	-	7,372,045	8,134,206	-	8,134,206
Market Treasury Bills	5,987,398	-	5,987,398	1,205,603	-	1,205,603
Pakistan Investment Bonds	4,548,406	-	4,548,406	4,691,273	-	4,691,273
CIRC Bonds	2,900,000	-	2,900,000	2,900,000	-	2,900,000
Government of Pakistan - Guaranteed Bonds	2,410,415	-	2,410,415	2,410,415	-	2,410,415
Foreign currency bonds	1,370,725	-	1,370,725	1,382,986	-	1,382,986
Foreign securities	2,069,963	-	2,069,963	639,064	-	639,064
Debentures	10,540	-	10,540	11,289	-	11,289
Participation Term Certificates	54,488	-	54,488	55,169	-	55,169
CDC SAARC Fund	302	-	302	505	-	505
Federal Investment Bonds	13,971	-	13,971	13,906	-	13,906
	26,738,253	-	26,738,253	21,444,416	-	21,444,416
6.4 Investments in associates						
United Stock Advantage Fund	250,000	-	250,000	250,000	-	250,000
United Composite Islamic Fund	550,000	-	550,000	250,000	-	250,000
UBL Insurers Limited	90,000	-	90,000	90,000	-	90,000
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
	896,981	-	896,981	596,981	-	596,981
6.5 Investments in subsidiaries						
United National Bank Limited, UK	1,482,011	-	1,482,011	1,482,011	-	1,482,011
United Bank AG Zurich, Switzerland	589,837	-	589,837	86,237	-	86,237
Domestic Subsidiaries						
United Executors and Trustees Company Limited	30,100	-	30,100	30,100	-	30,100
United Bank Financial Services (Pvt) Limited	2,500	-	2,500	2,500	-	2,500
UBL Fund Managers Limited	100,000	-	100,000	60,000	-	60,000
	2,204,448	-	2,204,448	1,660,848	-	1,660,848
	89,427,523	17,673,143	107,100,666	50,764,542	16,743,707	67,508,249
Provision for diminution in value of investments	(389,018)	-	(389,018)	(400,639)	-	(400,639)
Investments (net of provisions)	89,038,505	17,673,143	106,711,648	50,363,903	16,743,707	67,107,610
Surplus / (deficit) on revaluation of available for sale investments	269,480	(24,686)	244,794	303,541	(6,940)	296,601
Surplus / (deficit) on revaluation of held for trading investments	(3,435)	-	(3,435)	(3,335)	-	(3,335)
Total investments (net of provision)	89,304,550	17,648,457	106,953,007	50,664,109	16,736,767	67,400,876

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**

	Note	June 30, 2007	December 31, 2006
------(Rupees in '000)-----			
7. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		215,152,764	209,353,477
Outside Pakistan		61,814,114	38,140,412
		<u>276,966,878</u>	<u>247,493,889</u>
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		8,428,810	6,537,721
Payable outside Pakistan		4,942,066	5,415,625
		<u>13,370,876</u>	<u>11,953,346</u>
		290,337,754	259,447,235
Financing in respect of continuous funding system (CFS)		2,985,796	1,462,242
Provision against advances - specific	7.1	(12,175,237)	(12,183,335)
- general	7.2	(1,367,573)	(1,416,249)
		<u>(13,542,810)</u>	<u>(13,599,584)</u>
		<u>279,780,740</u>	<u>247,309,893</u>

7.1 Advances include Rs. 17.900 billion (December 31, 2006: 16.255 billion) which have been placed under non-performing status as detailed below:-

Category of Classification	-----June 30, 2007-----				
	Domestic	Overseas	Total	Provision required	Provision held
	------(Rupees in '000)-----				
Other Assets Especially Mentioned	561,397	-	561,397	-	-
Substandard	2,456,018	129,604	2,585,622	410,438	410,438
Doubtful	2,012,368	83,808	2,096,176	864,340	864,340
Loss	8,385,975	4,270,996	12,656,971	10,900,459	10,900,459
	<u>13,415,758</u>	<u>4,484,408</u>	<u>17,900,166</u>	<u>12,175,237</u>	<u>12,175,237</u>
Category of Classification	-----December 31, 2006-----				
	Domestic	Overseas	Total	Provision required	Provision held
	------(Rupees in '000)-----				
Other Assets Especially Mentioned	363,819	-	363,819	-	-
Substandard	1,583,124	175,597	1,758,721	381,179	381,179
Doubtful	1,612,613	68,730	1,681,343	500,383	500,383
Loss	7,907,722	4,543,804	12,451,526	11,301,773	11,301,773
	<u>11,467,278</u>	<u>4,788,131</u>	<u>16,255,409</u>	<u>12,183,335</u>	<u>12,183,335</u>

7.2 General provision represents provision amounting to Rs. 1,259.983 million (December 31, 2006: Rs.1,163.019 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs. 107.590 million (December 31, 2006: Rs. 253.230 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries in which the overseas branches operate.

Affected

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**

	June 30, 2007	December 31, 2006
	------(Rupees in '000)-----	
8. BORROWINGS		
Secured		
Borrowings from State Bank of Pakistan under		
- Export refinance scheme	9,063,215	9,414,812
- Long - term financing under export oriented projects	5,193,855	5,333,691
- Locally manufactured machinery refinance scheme	2,514	3,382
	14,259,584	14,751,885
Repurchase agreement borrowings	20,913,833	17,527,738
	<u>35,173,417</u>	<u>32,279,623</u>
Unsecured		
Call borrowings	3,493,700	4,600,000
Overdrawn nostro accounts	176,161	542,162
Trading Liabilities	698,599	1,123,135
	4,368,460	6,265,297
	<u>39,541,877</u>	<u>38,544,920</u>
9. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	137,203,391	114,927,897
Savings deposits	153,722,539	121,878,162
Sundry deposits	5,838,883	4,942,064
Margin deposits	2,558,436	2,698,999
Current accounts - remunerative	1,452,966	1,908,055
Current accounts - non-remunerative	102,130,847	88,662,089
	402,907,062	335,017,266
Financial Institutions		
Remunerative deposits	59,088	35,539
Non-remunerative deposits	16,891	25,068
	75,979	60,607
	<u>402,983,041</u>	<u>335,077,873</u>
10. SHARE CAPITAL		

During the period the Government of Pakistan (GoP) which was holding 44.46% shares of the bank through the State Bank of Pakistan (SBP) disinvested 21.74% of total shareholding of the bank comprising 175,951,092 equity shares in the form of Global Depositary Receipts (GDRs). The GoP also granted an option to the Lead Manager to the issue i.e. Merrill Lynch International to purchase an additional 3.26% of the bank's equity shares within a period of 30 days from the announcement of offer price i.e. June 29, 2007 in case of over allotment. Merrill Lynch International has subsequently exercised this over-allotment option on July 11, 2007. In pursuance of the above mentioned disinvestment by the GoP, the bank has issued 43,987,773 GDRs each representing four ordinary equity shares at an offer price of US\$ 12.8543 per GDR before June 30, 2007 and an additional 6,598,165 GDRs at the same offer price on July 11, 2007 (total disinvestment being 25% of the total share capital of the bank). Due to the above cumulative disinvestment, the shareholding of SBP in the bank has reduced to 19.48%.

The bank has not received any proceeds from the offering of GDRs. Holders of GDRs are entitled, subject to the provision of the depositary agreement, to receive dividends, if any and rank parri passu with other equity shareholders in respect of such entitlement to receive dividends. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the equity shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited equity shares in respect of which the GDRs were issued may be withdrawn from the depositary facility. Upon withdrawal, the holders will rank parri passu with other equity shareholders in respect of voting powers. At June 30, 2007 none of the deposited equity shares had been withdrawn from the depositary facility.

Affected

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**

	June 30, 2007	December 31, 2006
	----- (Rupees in '000) -----	
11. CONTINGENCIES AND COMMITMENTS		
11.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring		
Government	7,733,462	9,636,483
Banking companies and other financial institutions	2,139,886	2,443,965
Others	3,762,235	4,079,842
	<u>13,635,583</u>	<u>16,160,290</u>
11.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
Government	29,223,513	27,269,975
Banking companies and other financial institutions	2,539,649	1,387,386
Others	9,573,493	4,585,391
	<u>41,336,655</u>	<u>33,242,752</u>
11.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring		
Government	44,601,402	50,372,611
Banking companies and other financial institutions	95,476	36,266
Others	61,105,612	42,628,833
	<u>105,802,490</u>	<u>93,037,710</u>
11.4 Other contingencies		
Claims against the bank not acknowledged as debts	<u>17,879,427</u>	<u>13,732,499</u>
11.5 Commitments in respect of forward lending		
The bank makes commitments to extend credit in the normal course of its business but these being recoverable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	June 30, 2007	December 31, 2006
	----- (Rupees in '000) -----	
11.6 Commitments in respect of forward foreign exchange contracts		
Sale	<u>64,891,234</u>	<u>57,465,478</u>
Purchase	<u>59,276,015</u>	<u>55,369,664</u>

Affected amount

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**

	June 30, 2007	December 31, 2006
	----- (Rupees in '000) -----	
11.7 Other commitments		
Forward purchase contracts of government securities	-	5,634,902
Forward sale contracts of government securities	236,901	2,833,400
Interest rate swaps	5,123,414	6,884,347
Equity futures	317,132	382,026
Sale of securities not yet purchased	698,598	1,067,735
Commitments in respect of capital expenditure	76,574	89,037
Cross currency swaps	450,000	-
Forward rate agreements	300,000	-
	Jan - Jun 2007	Jan - Jun 2006
	----- (Rupees in '000) -----	
12. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances		
- Customers	14,722,271	11,318,826
- Financial institutions	664,605	526,066
	15,386,876	11,844,892
On investments in		
- Securities	3,540,590	2,591,577
- Associates	13,666	16,926
	3,554,256	2,608,503
On deposits with financial institutions	125,749	50,822
On securities purchased under resale agreements	656,484	551,638
Discount income	8,058	8,365
	19,731,423	15,064,220
13. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	6,133,181	4,330,910
On securities sold under repurchase agreements	674,026	488,997
On other short - term borrowings	681,090	365,405
On other long - term borrowings	297,402	177,878
Discount expense	44,797	32,356
	7,830,496	5,395,546
14. TAXATION		

The income tax assessment of United Bank Limited for domestic branches for the assessment year 2002-2003 (financial year ended December 31, 2001) has been finalised under normal tax regime. The returns for the Tax Years 2003, 2004, 2005 and 2006 (financial years ended December 31, 2002, 2003, 2004 and December 31, 2005) were filed under the provisions of section 120(1) of the Income Tax Ordinance, 2001 which are deemed to be assessed. The return for the tax year 2003 was selected for audit under section 177 of the Income Tax Ordinance, 2001 and the assessment has been finalised/amended on the bases of audit observations by adding / disallowing certain expenses / deductions resulting in an additional tax liability of Rs 406 million. Notwithstanding its contention that the above additions are arbitrary in nature, the management has, on account of prudence, decided to create the provision against the above amount in these condensed interim financial statements. An appeal against the said order has also been filed with the Appellate Commissioner. The management is confident that the above additions would ultimately be deleted and the matter would be decided in favour of the bank.

Ahmed Kamran

**NOTES TO THE CONDENSED FINANCIAL INTERIM STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**
15. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	-----For the Period Ended June 30, 2007-----			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	----- (Rupees in '000) -----			
Total income	448,817	5,054,513	9,676,857	8,765,498
Total expenses	(62,897)	(3,798,016)	(5,444,597)	(5,667,401)
Net income / (loss)	385,920	1,256,497	4,232,260	3,098,097
Segment return on assets (ROA) (%)	7.63%	7.35%	11.35%	10.31%
Segment cost of funds (%)	6.10%	7.47%	4.89%	8.14%

	-----For the Period Ended June 30, 2006-----			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	----- (Rupees in '000) -----			
Total income	237,371	3,538,034	7,604,229	6,921,372
Total expenses	(150,503)	(2,868,170)	(3,395,385)	(4,817,410)
Net income / (loss)	86,868	669,864	4,208,844	2,103,962
Segment return on assets (ROA) (%)	10%	7%	15%	8%
Segment cost of funds (%)	8%	7%	9%	3%

	-----As at June 30, 2007-----			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	----- (Rupees in '000) -----			
Segment assets (gross of NPL provisions)	5,322,507	178,687,970	148,181,734	179,569,701
Segment non performing loans (NPL)	-	-	10,391,519	7,508,647
Segment provision required against NPL	-	-	6,355,467	5,819,770
Segment liabilities	3,702,643	166,886,426	130,540,937	164,897,194

	-----As at December 31, 2006-----			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	----- (Rupees in '000) -----			
Segment assets (gross of NPL provisions)	1,065,980	118,913,989	178,656,643	136,970,577
Segment non performing loans (NPL)	-	-	9,369,117	6,886,292
Segment provision required against NPL	-	-	7,062,417	5,120,918
Segment liabilities	289,895	112,533,607	157,622,609	123,010,709

16. RELATED PARTY TRANSACTIONS

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

Contributions to and accruals in respect of staff retirements 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.

Affco kumar

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**
16.1 Related party transactions

Details of transactions with related parties are given below:

	For the Period Ended June 30 , 2007				For the Year Ended December 31, 2006			
	Key management personnel	Subsidiaries	Associates	Others	Key management personnel	Subsidiaries	Associates	Others
----- (Rupees in '000) -----								
Advances								
At January 01	93,648	-	565	1,000,000	80,694	-	565	1,817,576
Given during the period / year	12,878	635,876	-	-	45,557	-	-	-
Repaid during the period / year	(16,764)	(635,876)	(565)	-	(32,603)	-	-	(817,576)
At June 30	89,762	-	-	1,000,000	93,648	-	565	1,000,000
Deposits								
At January 01	13,249	5,659	11,226	6,160,983	15,542	4,146	4,261	4,317,759
Received during the period / year	111,047	23,446,250	7,575,899	15,767,669	189,638	4,907,637	11,190,278	138,271,114
Withdrawn during the period / year	(107,775)	(23,415,539)	(7,519,307)	(14,140,914)	(191,931)	(4,906,124)	(11,183,313)	(136,427,890)
At June 30	16,521	36,370	67,818	7,787,738	13,249	5,659	11,226	6,160,983
Outstanding placement at the end of period / year	-	603,700	-	-	-	1,271,700	-	-
Payable in respect of acquisition of investment securities	-	30,000	-	-	-	30,000	-	-
Distribution commission receivable	-	5,141	-	-	-	5,979	-	-
Other receivable	-	2,586	34,513	-	-	2,815	-	-
----- (Rupees in '000) -----								
	For the Period Ended June 30 , 2007				For the Period Ended June 30, 2006			
	Key management personnel	Subsidiaries	Associates	Others	Key management personnel	Subsidiaries	Associates	Others
Mark-up / return / interest earned	1,918	23,050	542	18,908	-	358	-	65,779
Mark-up / return / interest expensed	18	1,602	-	107,191	-	-	-	42,406
Reimbursement of liaison office expenses paid to Dubai and Abu Dhabi Group	-	-	-	18,218	-	-	-	17,996
Dividend income received	-	196,888	-	-	-	145,572	-	-
Other expenses paid	-	2,586	13,250	-	-	-	-	-
Remuneration paid	150,669	-	-	-	119,165	-	-	-
Post employment benefit	4,986	-	-	-	7,490	-	-	-
Contribution to defined contribution plan	-	-	-	59,298	-	-	-	52,260
Contribution to defined benefit plan	-	-	-	649,172	-	-	-	367,682
Distribution commission income	-	2,278	-	-	-	702	-	-
Placements made during the period	-	6,296,031	-	-	-	32,335,732	-	-
Placements settled during the period	-	6,050,383	-	-	-	32,604,213	-	-
Maximum amount of a placement made during the period	-	970,644	-	-	-	964,569	-	-
Investment made during the period	-	543,600	300,000	-	-	-	250,000	-

Affected marks

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2007**
17. ISLAMIC BANKING BUSINESS

The bank opened its first Islamic banking branch in Karachi in 2006. The balance sheet of this branch as at June 30, 2007 is as follows:

	June 30, 2007	December 31, 2006
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	316,971	1,087
Balances with and due from financial institutions	-	48,000
Investments	396,778	-
Financing - net of provision	300,000	-
Operating fixed assets	80,571	-
Other assets	544,082	1,951
Total Assets	1,638,402	51,038
LIABILITIES		
Bills payable	3,323	-
Deposits and other accounts	1,400,852	1,006
Other liabilities	19,024	-
	<u>1,423,199</u>	<u>1,006</u>
NET ASSETS	<u>215,203</u>	<u>50,032</u>
REPRESENTED BY		
Islamic banking fund	250,000	50,000
Unappropriated / unremitted profit	(46,574)	32
	<u>203,426</u>	<u>50,032</u>
Surplus on revaluation of assets	11,777	-
	<u>215,203</u>	<u>50,032</u>

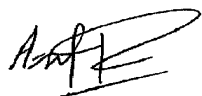
18. DATE OF AUTHORIZATION

These condensed interim financial statements were authorised for issue by the Board of Directors of the Bank on July 24, 2007.

19. GENERAL

Corresponding information has been re-classified, re-arranged or additionally incorporated in these condensed interim financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period.

Atif Bokhari



Atif R. Bokhari
President and
Chief Executive Officer



Zameer Mohammed Choudrey
Director



Omar Z. Al Askari
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman