

United Bank Limited

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

*FOR THE HALF YEAR ENDED JUNE 30, 2010
(UNAUDITED)*



DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the unconsolidated financial statements of the Bank for the quarter ended June 30, 2010.

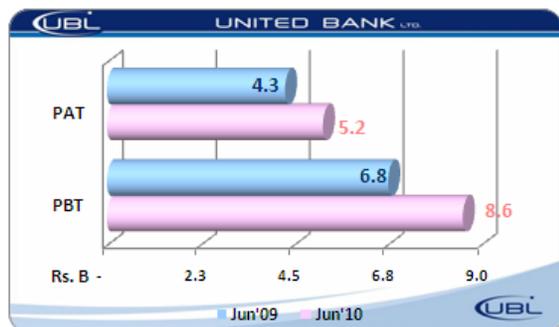
Financial Highlights

	(Rs. in millions)
Profit before taxation	8,566
Taxation	<u>(3,365)</u>
Profit after taxation	5,201
Un-appropriated profit brought forward	22,188
Transfer from surplus on revaluation of fixed assets – Incremental depreciation	<u>127</u>
Profit before appropriations	27,515
Transfer to statutory reserve	(1,040)
Final cash dividend for the year ended December 31, 2009	(2,782)
Transfer to reserve for issue of bonus shares	<u>(1,113)</u>
Un-appropriated profit carried forward	<u><u>22,580</u></u>
	(Rupees)
Earnings per share	<u>4.25</u>

Performance Highlights

- PAT for the half year registered a growth of 21% over the previous half year.
- Net Interest Margin (NIM) remained strong at 7.1% (1H 2009: 6.6%).
- Total Equity improved to Rs 64 billion from Rs 61 billion registering a rise of 4%.
- The cost/income ratio improved from 54% in 1H 2009 to 49% in 1H 2010.

Strong financial performance despite challenging conditions

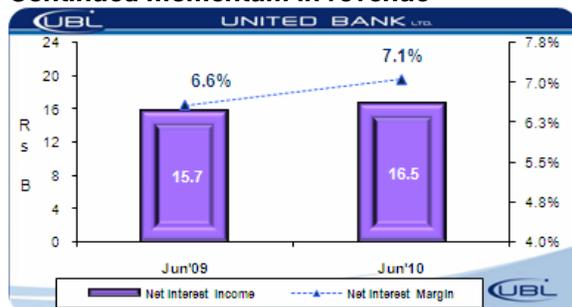


UBL achieved a profit after tax of Rs 5.2 billion which is 21% higher than the corresponding period last year and translates into earnings per share of Rs. 4.25 (1H 2009: Rs. 3.50).

The continued weakness in the economy has resulted in 2010 being a challenging year for the banking sector. Despite this prevailing uncertainty, UBL has achieved a profit before tax of Rs 8.6 billion, which is 27% higher than the same period last year. The results are a reflection of the Bank's sustained emphasis on

improving operating efficiency, while continuing to grow its balance sheet. Provisions declined substantially due to the Bank's prudent approach to risk taking in the overall external credit environment, and a strong focus on recoveries from defaulting customers

Continued momentum in revenue



Net interest income before provisions is up 5% to Rs 16.5 billion from the same period last year. Our low cost deposit efforts resulted in a 140 bps reduction in the cost of funds. However, the yield on earning assets declined by 80 bps as average 6M KIBOR was 130 bps lower than for the first six months of last year. Consequently, net interest margin increased from 6.6% to 7.1%. Credit provisions of Rs 3.9 billion for 1H 2010 were significantly lower compared to Rs 6.3 billion in the corresponding period last year while our coverage has improved to 76%. As a result, net credit loss ratio

improved from 3.1% in 1H 2009 to 2.1% in 1H 2010. Net interest income after provisions is therefore up 43% to Rs 12.5 billion.

Non-interest income decreased to Rs 4.7 billion as compared to Rs 6.2 billion for the first six months of 2009, mainly due to exceptional derivatives gains recorded last year. Fees and commissions increased by 8% to Rs 3.1 billion due to an overall growth in trade commissions, income generated on remittances and higher corporate service charges. The launch of 'Bancassurance' in 2009 has contributed nearly 20% to the overall increase in fees and commissions.

Focused cost management

Overall administrative expenses increased by only 4% over the corresponding period last year mainly due to higher premises and utilities costs, increased advertising spend and Rupee devaluation impact on the cost of international operations. This increase of 4% is commendable in the backdrop of significant inflationary pressures (Jun YoY CPI of 13%) as we managed to achieve considerable cost efficiencies during the year.

Sustained business drivers

Total assets have grown by 4% over Dec 2009 to Rs 645 billion. Advances have reduced slightly (3%) as a result of rationalization across our portfolios and more prudent lending in the current economic environment. We were able to achieve a planned reduction of Rs 21 billion in higher cost deposits, which was more than offset by a growth of 10% in low cost deposits. This enabled the bank to increase total deposits by Rs 8 billion during the year to reach Rs 500 billion. As a result, CASA improved to 68% as of 30 Jun 2010 while the domestic low cost deposit mix improved from 66% in Dec 2009 to 72%.

We were successful in improving our return on average assets (ROAA) from 1.5% (2009) to 1.6%

Key Developments

Macroeconomic performance

Moderate recovery in the domestic economy has been achieved during the outgoing fiscal year ended 30 Jun 2010. Despite the challenges, the country has shown resilience with real GDP growth estimated at 4.1%, up from 1.2% in the previous year, driven primarily by recovery in the industrial sector, which grew by 4.9%.

Exports grew by 10% over the previous year to reach a record \$ 19 billion. With a slight decrease of 0.3% in imports, the trade deficit declined by 11% over FY 09. The country was successful in attracting the highest ever level of remittances of \$ 8.9 billion in FY10. Consequently, the Current Account deficit reduced by 62% over last year and, at 2% of GDP represents a significant improvement over FY 09. Foreign exchange reserves of the country have also touched a new high, crossing \$ 15 billion.

However, the fiscal deficit remains a source of concern. The budget deficit is expected to significantly exceed the revised target of 5.1% of GDP for the outgoing fiscal year due to revenue shortfalls, compounded by increasing expenditures. In addition, lower than budgeted external assistance pledges have exacerbated the difficulties in fiscal management leading to cutbacks in the Public Sector Development Program (PSDP) and increased recourse to borrowing from the banking system leading to crowding out of the private sector.

Hike in global commodity prices, phasing out of power sector subsidies along with low base effect have refueled inflationary pressures with the Consumer Price Index (CPI) increasing to around 13%. As a result, the State Bank of Pakistan (SBP) has maintained the discount rate at 12.5% since Nov 2009. Going forward, further increase in inflation could lead to a reassessment of this stance by the SBP, with a consequent rise in interest rates.

Launch of Business Partner Plus

UBL launched 'Business Partner Plus', the best current account offering in Pakistan. It is a specialized current checking account, with a full menu of services, aimed at providing the necessary tools for individuals, traders, businessmen and commercial customers to transact their entire bank related business activities nationwide through a single platform.

Launch of UBL First Minor PLS Savings Account

UBL launched 'UBL First Minor PLS Savings Account' a savings account designed especially for children. It aims at becoming every child's first bank account and thus to help inculcate a savings habit in them. By providing an avenue to parents for financial planning for their children, it should also increase the number of parents/guardians in the banking system.

Launch of UBL Omni

A significant development during the quarter was the launch of UBL Omni, UBL's branchless banking solution. The product offering includes basic banking services through "UBL Omni Dukaans" such as account opening, cash withdrawals and deposits, as well as several value added services including remittances, bill payments and purchase of mobile airtime. So far more than 1,300 UBL Omni Dukaans have been signed up, located in more than 150 cities and towns across Pakistan.

IT infrastructure initiatives

Implementation of UBL's new core banking system is on track. The ATM controller and financial transactions switch is being upgraded to a state-of-the-art software. The enterprise banking suite, which serves as the front end for loan origination and customer service, is already live in 315 branches. The core banking application is being deployed across the Pakistan branch network and the first branch is due for go-live in Q3 2010.

Recently, UBL has been honored with '2010 Model Bank Award' from industry analyst firm Celent, a recognition of its industry leadership for banking technology initiatives.

Home Remittances

UBL continues to be a leading player on the Home Remittances front. Remittance volumes at our counters have increased by 40% compared to the first six months of 2009 resulting in UBL increasing its market share. We have continued to launch innovative products for our domestic as well as offshore clients, using our in-house state of the art cash management and net banking solutions. Our products like TezRaftar Cheque and Account to Account Transfer have been in the market for some time and last year we introduced our Cash Over Counter product which has contributed to the increase in our volumes. UBL plans to further expand its presence through actively pursuing foreign counterparty tie-ups with support from PRI (Pakistan Remittance Initiative) and has already taken several steps in this direction.

UBL Fund Managers

UBL Fund Managers Limited, a wholly owned subsidiary of UBL, continues to be the largest private asset management company in Pakistan with assets under management of over Rs. 20 billion. During the year, the company was upgraded to "AM 2" by JCR VIS which denotes high management quality with stable outlook. UBL Funds recently launched private pension fund schemes in conventional as well as shariah compliant form. The company manages the largest money market fund in Pakistan namely 'UBL Liquidity Plus Fund'. UBL Funds provides an excellent extension to UBL's expanding product line and has offered value added investment solutions to UBL's valued clients.

Consistent International Growth

The GCC economies continued to be effected by the global financial turmoil; however, with firming up of commodity prices and proactive Government support, its impact has been softened. In particular the initiatives of the Government have ensured stability of the financial system. However, the environment remains challenging given the problems associated with real estate exposures and the restructuring being considered for large institutions.

In this backdrop, our bank's performance has been quite commendable and the Corporate portfolio has performed significantly better than peers. This has been possible due to adherence to our strong risk management framework and retail asset provisioning levels have also been within expectations.

Our focused effort on maintaining liquidity has resulted in satisfactory ADRs while reducing deposit concentration and significantly lowering the cost of deposits.

The centralization process continued with more functions being moved to back office to improve efficiency and rationalize costs. The Bank continued to instill a culture of high standards within its employees. We are looking at enhancing our business in Abu Dhabi and Qatar and becoming a more substantive player in the FI Business.

Credit Rating re-affirmed

The credit rating company JCR-VIS re-affirmed the bank's long-term entity rating at AA+ and the ratings of our four subordinated debt instruments at AA. The short term ratings remain at A-1+ which is the highest rating denoting the greatest certainty of timely payments by a financial institution. All ratings for UBL have been assigned a Stable outlook.

Looking ahead

The macroeconomic recovery should continue in 2010, but the economy is still fragile and hence uncertainty remains. Although some economic indicators have shown positive signs, inflation remains a persistent concern and could lead to a rise in interest rates, putting further pressure on growth. Another major challenge is the acute energy crisis which continues to severely impact the manufacturing sector and hamper economic growth.

Looking ahead, the Bank's focus will remain on strengthening its balance sheet through the acquisition of low cost deposits and improvement in asset quality. We will continue to leverage our strong technology base to implement cost effective innovative banking solutions for our customers, while managing our expenses efficiently. Our non-fund income streams have provided an important source of support and diversification and we will continue to build these further.

Acknowledgements

We would like to express our sincere thanks and gratitude to our customers for their patronage and to the State Bank of Pakistan and the Government of Pakistan for their continued support. We also take the opportunity to thank the shareholders for their continued trust and the staff for their dedication and commitment.

For and on behalf of the Board,

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

London
July 30, 2010



Unconsolidated Condensed Interim Statement Of Financial Position
As at June 30, 2010

	Note	June 30, 2010 (Un-audited)	December 31, 2009 (Audited)
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		66,068,469	61,160,678
Balances with other banks		11,781,938	5,407,470
Lendings to financial institutions		12,498,518	23,162,130
Investments	7	169,145,960	136,145,524
Advances	8	343,339,970	354,091,713
Operating fixed assets	9	22,172,172	21,925,669
Deferred tax asset - net		722,575	608,876
Other assets		19,452,878	17,241,991
		645,182,480	619,744,051
LIABILITIES			
Bills payable		4,101,657	5,147,259
Borrowings from financial institutions	10	47,522,177	35,144,823
Deposits and other accounts	11	499,891,723	492,036,103
Sub-ordinated loans		11,987,776	11,989,800
Deferred tax liability - net		-	-
Other liabilities		18,116,593	14,489,343
		581,619,926	558,807,328
NET ASSETS			
		63,562,554	60,936,723
REPRESENTED BY			
Share capital		12,241,798	11,128,907
Reserves		20,203,750	18,959,537
Unappropriated profit		22,579,803	22,187,802
		55,025,351	52,276,246
Surplus on revaluation of assets - net of deferred tax	12	8,537,203	8,660,477
		63,562,554	60,936,723
CONTINGENCIES AND COMMITMENTS			
	13		

The annexed notes from 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Atif R. Bokhari
President &
Chief Executive Officer

Muhammad Sami Saeed
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

**Unconsolidated Condensed Interim Profit And Loss Account (Un-audited)
For the half year ended June 30, 2010**

	Note	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009
------(Rupees in '000)-----					
Mark-up / return / interest earned	14	14,285,230	15,408,889	28,480,265	31,628,383
Mark-up / return / interest expensed	15	(5,969,069)	(7,725,407)	(11,965,176)	(15,944,233)
Net mark-up / return / interest income		8,316,161	7,683,482	16,515,089	15,684,150
Provision against loans and advances - net		(1,658,279)	(3,784,936)	(3,393,401)	(5,389,381)
Provision for diminution in value of investments - net		(70,202)	(323,529)	(64,469)	(613,589)
Bad debts written off directly		(249,200)	(365,631)	(635,909)	(700,291)
Net mark-up / return / interest income after provisions		6,338,480	3,209,386	12,421,310	8,980,889
Non mark-up / return / interest income					
Fee, commission and brokerage income		1,634,739	1,608,249	3,107,754	2,872,224
Dividend income		140,002	236,227	277,627	271,032
Income from dealing in foreign currencies		330,672	371,361	692,034	842,191
Gain on sale of securities		54,258	229,178	140,331	354,139
Unrealised loss on revaluation of investments classified as held for trading		(14,487)	(22,673)	(22,388)	(681)
Other income		221,850	1,616,985	532,960	1,870,230
Total non mark-up / return / interest income		2,367,034	4,039,327	4,728,318	6,209,135
		8,705,514	7,248,713	17,149,628	15,190,024
Non mark-up / interest expenses					
Administrative expenses	16	(4,344,900)	(4,150,176)	(8,427,248)	(8,067,775)
Other provisions / write offs / reversals - net		124,884	(186,063)	116,557	(183,093)
Workers' welfare fund		(89,459)	(86,727)	(178,367)	(169,345)
Other charges		(90,943)	(348)	(95,061)	(1,168)
Total non mark-up / interest expenses		(4,400,418)	(4,423,314)	(8,584,119)	(8,421,381)
Profit before taxation		4,305,096	2,825,399	8,565,509	6,768,643
Taxation					
- Current	17	(1,556,754)	(1,339,001)	(3,098,464)	(2,946,897)
- Prior		(394,488)	(74,961)	(394,750)	(74,965)
- Deferred		63,337	340,204	128,417	540,768
		(1,887,905)	(1,073,758)	(3,364,797)	(2,481,094)
Profit after taxation		2,417,191	1,751,641	5,200,712	4,287,549
------(Rupees)-----					
Basic and diluted earnings per share		1.97	1.43	4.25	3.50

The annexed notes from 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Atif R. Bokhari
President &
Chief Executive Officer

Muhammad Sami Saeed
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chair

**Unconsolidated Condensed Interim Statement Of Comprehensive Income (Un-audited)**
For the half year ended June 30, 2010

	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009
	----- (Rupees in '000) -----			
Profit for the period	2,417,191	1,751,641	5,200,712	4,287,549
Other comprehensive income:				
Exchange gain / (loss) on translation of net investment in foreign branches	422,438	(162,276)	170,074	761,827
Gain / (loss) on cash flow hedges	34,004	(395,602)	52,303	29,988
Related deferred tax (liability) / assets on cash flow hedges	(11,901)	138,461	(18,306)	(10,496)
	444,541	(419,417)	204,071	781,319
Comprehensive income transferred to equity - net of tax	<u>2,861,732</u>	<u>1,332,224</u>	<u>5,404,783</u>	<u>5,068,868</u>

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

The annexed notes from 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Atif R. Bokhari
President and
Chief Executive Officer

Muhammad Sami Saeed
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman



Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)

For the half year ended June 30, 2010

	Half Year Ended June 30, 2010	Half Year Ended June 30, 2009
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	8,565,509	6,768,643
Less: dividend income	(277,627)	(271,032)
	<u>8,287,882</u>	<u>6,497,611</u>
Adjustments:		
Depreciation	867,509	797,695
Workers' welfare fund	178,367	169,345
Provision for retirement benefits and compensated absences	(4,126)	143,610
Provision against loans and advances	3,393,401	5,389,381
Provision for diminution in the value of investments	64,469	613,589
Gain on sale of fixed assets	(4,203)	(5,970)
Reversal of provision against other assets	(116,883)	(15,400)
Unrealized gain on revaluation of investments classified as held for trading	22,388	681
Fixed assets written off	326	15,329
Bad debts written-off	635,909	700,291
	<u>5,037,157</u>	<u>7,808,551</u>
	13,325,039	14,306,162
(Increase) / decrease in operating assets		
Lending to financial institutions	10,663,612	(5,132,850)
Held for trading investments	(13,724,164)	1,167,509
Advances - net	6,722,433	(3,330,463)
Others assets - (excluding advance taxation)	279,685	2,607,076
	<u>3,941,566</u>	<u>(4,688,728)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(1,045,602)	(129,837)
Borrowings from financial institutions	12,377,354	(3,637,656)
Deposits and other accounts	7,855,620	25,147,167
Other liabilities	3,459,731	(1,310,179)
	<u>22,647,103</u>	<u>20,069,495</u>
	39,913,708	29,686,929
Receipt from / (payment to) staff retirement benefit funds	19,919	(293,330)
Income tax paid	(5,857,912)	(6,912,138)
Net cash flow generated from operating activities	<u>34,075,715</u>	<u>22,481,461</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(19,371,666)	(8,725,770)
Dividend income received	273,862	248,976
Investment in operating fixed assets	(1,132,782)	(871,284)
Sale proceeds from disposal of operating fixed assets	51,307	48,242
Net cash outflow on investing activities	<u>(20,179,279)</u>	<u>(9,299,836)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of principal of sub-ordinated loans	(2,024)	(2,024)
Dividend paid	(2,782,227)	(1,011,719)
Net cash outflow from financing activities	<u>(2,784,251)</u>	<u>(1,013,743)</u>
	11,112,185	12,167,882
Exchange difference on translation of net investment in foreign branches	170,074	761,827
Increase in cash and cash equivalents during the period	<u>11,282,259</u>	<u>12,929,709</u>
Cash and cash equivalents at beginning of the period	<u>66,568,148</u>	<u>57,567,139</u>
Cash and cash equivalents at end of the period	<u>77,850,407</u>	<u>70,496,848</u>

The annexed notes from 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

**Unconsolidated Condensed Interim Statement Of Changes In Equity (Un-audited)
For the half year ended June 30, 2010**

	Capital Reserves				Cash flow hedge reserve	Unappro- priated Profit	Total
	Share Capital	Statutory Reserve	Exchange Translation Reserve	Reserve for Issue of Bonus Shares			
(Rupees in '000)							
Balance as at December 31, 2008	10,117,188	10,376,375	5,401,771	-	(276,633)	16,604,076	42,222,777
Final cash dividend for the year ended December 31, 2008 declared subsequent to year end at Rs. 1.00 per share	-	-	-	-	-	(1,011,719)	(1,011,719)
Transfer to reserve for issue of bonus shares	-	-	-	1,011,719	-	(1,011,719)	-
Issue of bonus shares	1,011,719	-	-	(1,011,719)	-	-	-
Changes in equity during the half year ended June 30, 2009							
Profit after taxation for the half year ended June 30, 2009	-	-	-	-	-	4,287,549	4,287,549
Other comprehensive income - net of tax	-	-	761,827	-	19,492	-	781,319
Total comprehensive income	-	-	761,827	-	19,492	4,287,549	5,068,868
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	126,614	126,614
Transfer to statutory reserves	-	857,510	-	-	-	(857,510)	-
Balance as at June 30, 2009	11,128,907	11,233,885	6,163,598	-	(257,141)	18,137,291	46,406,540
Profit after taxation for the half year ended December 31, 2009	-	-	-	-	-	4,905,138	4,905,138
Other comprehensive income - net of tax	-	-	787,442	-	50,726	-	838,168
Total comprehensive income	-	-	787,442	-	50,726	4,905,138	5,743,306
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	126,400	126,400
Transfer to statutory reserves	-	981,027	-	-	-	(981,027)	-
Balance as at December 31, 2009	11,128,907	12,214,912	6,951,040	-	(206,415)	22,187,802	52,276,246
Final cash dividend for the year ended December 31, 2009 declared subsequent to year end at Rs. 2.5 per share	-	-	-	-	-	(2,782,227)	(2,782,227)
Transfer to reserve for issue of bonus shares	-	-	-	1,112,891	-	(1,112,891)	-
Issue of bonus shares	1,112,891	-	-	(1,112,891)	-	-	-
Changes in equity during the half year ended June 30, 2010							
Profit after taxation for the half year ended June 30, 2010	-	-	-	-	-	5,200,712	5,200,712
Other comprehensive income - net of tax	-	-	170,074	-	33,997	-	204,071
Total comprehensive income	-	-	170,074	-	33,997	5,200,712	5,404,783
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	126,549	126,549
Transfer to statutory reserves	-	1,040,142	-	-	-	(1,040,142)	-
Balance as at June 30, 2010	12,241,798	13,255,054	7,121,114	-	(172,418)	22,579,803	55,025,351

The annexed notes from 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Notes to the unconsolidated condensed interim financial statements (Un-audited) For the half year ended June 30, 2010

1. STATUS AND NATURE OF BUSINESS

United Bank Limited ("the Bank") is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered office and principal office are situated at UBL building, Jinnah Avenue, Blue Area, Islamabad and at State Life Building No. 1, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,121 (December 31,2009:1,120) branches inside Pakistan including the Karachi Export Processing Zone Branch and 17 (December 31, 2009:17) branches outside Pakistan as at June 30, 2010. The domestic branch network includes 5 (December 31,2009:5) Islamic Banking branches.

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

2. BASIS OF PRESENTATION

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. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.

The financial results of the Islamic Banking branches of the Bank have been included in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating intra branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 20 to these unconsolidated condensed interim financial statements.

3. STATEMENT OF COMPLIANCE

These unconsolidated condensed interim financial statements of the Bank for the six months period ended June 30, 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, Banking Companies Ordinance,1962 and directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. In case where requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

The SBP vide 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. Further, according to the notification of SECP dated April 28, 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

The disclosures made in these unconsolidated condensed interim financial statements have, however, been limited based on a 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 the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2009.

During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

- IAS 27 - Consolidated and Separate Financial Statements (Amendments).
- IFRS 2 - Share Based Payments : Amendments relating to Group Cash-settled Share-based Payment Transaction.
- IFRS 3 - Business Combinations (Revised).
- IFRIC 17 - Distributions to Non-cash Assets to owners

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank as disclosed in the annual financial statements for the year ended December 31, 2009. The implications of the amendment to IFRS - 2 relating to the Government of Pakistan share option scheme for employees of State Owned Enterprises are under consideration of the Institute of Chartered Accountants of Pakistan.

**Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the half year ended June 30, 2010**
4. BASIS OF MEASUREMENT

These unconsolidated condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts and, certain investments, commitments in respect of certain forward foreign exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

The preparation of unconsolidated condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements for the year ended December 31, 2009.

5. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on July 30, 2010 has declared a cash dividend in respect of the half year ended June 30, 2010 of Re. 1.00 per share (June 30, 2009: Nil). The unconsolidated condensed interim financial statements for the half year ended June 30, 2010 do not include the effect of this appropriation which will be accounted for subsequent to the period end.

6. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

The accounting policies and the methods of computation adopted in the preparation of these unconsolidated condensed interim financial statements are the same as those applied in the preparation of the annual financial statements for the year ended December 31, 2009.

The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Bank for the year ended December 31, 2009.

7. INVESTMENTS

	Note	(Un-audited) June 30, 2010			(Audited) December 31, 2009		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000-----							
7.1 Investments by types							
Held-for-trading securities	7.2.1	17,475,674	49,330	17,525,004	3,706,540	97,306	3,803,846
Available-for-sale securities	7.2.2	65,472,628	15,608,593	81,081,221	78,792,487	3,978,323	82,770,810
Held-to-maturity securities	7.2.3	68,486,223	-	68,486,223	45,750,454	-	45,750,454
Investments in associates	7.2.4	5,592,192	-	5,592,192	6,921,080	-	6,921,080
Investments in subsidiaries	7.2.5	2,201,948	-	2,201,948	2,201,948	-	2,201,948
		<u>159,228,665</u>	<u>15,657,923</u>	<u>174,886,588</u>	<u>137,372,509</u>	<u>4,075,629</u>	<u>141,448,138</u>
Provision for diminution in value of investments		(2,662,748)	-	(2,662,748)	(2,252,653)	-	(2,252,653)
Investments (net of provisions)		<u>156,565,917</u>	<u>15,657,923</u>	<u>172,223,840</u>	<u>135,119,856</u>	<u>4,075,629</u>	<u>139,195,485</u>
(Deficit) / surplus on revaluation of available-for-sale securities		(3,056,805)	1,313	(3,055,492)	(3,049,359)	2,404	(3,046,955)
Deficit on revaluation of held-for-trading investments		(22,378)	(10)	(22,388)	(2,286)	(720)	(3,006)
Total Investments		<u>153,486,734</u>	<u>15,659,226</u>	<u>169,145,960</u>	<u>132,068,211</u>	<u>4,077,313</u>	<u>136,145,524</u>

**Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the half year ended June 30, 2010**

	(Un-audited) June 30, 2010			(Audited) December 31, 2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
7.2 Investments by types	----- (Rupees in '000) -----					
7.2.1 Held-for-trading securities						
Market treasury bills	16,918,001	49,330	16,967,331	3,268,035	-	3,268,035
Ordinary shares of listed companies	104,015	-	104,015	-	-	-
Pakistan Investment Bonds	453,658	-	453,658	438,505	97,306	535,811
	17,475,674	49,330	17,525,004	3,706,540	97,306	3,803,846
7.2.2 Available-for-sale securities						
Market Treasury Bills	20,449,195	15,608,593	36,057,788	35,572,747	3,978,323	39,551,070
Pakistan Investment Bonds	18,799,242	-	18,799,242	16,728,759	-	16,728,759
Foreign securities	13,359,581	-	13,359,581	12,740,879	-	12,740,879
Government of Pakistan - Sukuk	3,470,000	-	3,470,000	3,470,000	-	3,470,000
Government of Pakistan Euro Bonds	2,488,381	-	2,488,381	3,870,557	-	3,870,557
Ordinary shares of listed companies	3,908,146	-	3,908,146	3,639,088	-	3,639,088
Term Finance Certificates	1,916,646	-	1,916,646	1,948,689	-	1,948,689
Ordinary shares of unlisted companies	441,602	-	441,602	441,574	-	441,574
Units of mutual funds	176,276	-	176,276	191,299	-	191,299
Preference shares	463,559	-	463,559	188,895	-	188,895
	65,472,628	15,608,593	81,081,221	78,792,487	3,978,323	82,770,810
7.2.3 Held-to-maturity securities						
Term Finance Certificates	27,108,723	-	27,108,723	25,289,199	-	25,289,199
Market Treasury Bills	31,584,661	-	31,584,661	11,611,110	-	11,611,110
Sukuk Bonds	2,612,033	-	2,612,033	2,640,040	-	2,640,040
Pakistan Investment Bonds	2,964,021	-	2,964,021	2,497,301	-	2,497,301
Foreign securities	2,189,867	-	2,189,867	1,687,712	-	1,687,712
Government of Pakistan - Guaranteed Bonds	1,484,951	-	1,484,951	1,485,057	-	1,485,057
Government of Pakistan - Euro Bond	485,380	-	485,380	478,184	-	478,184
Government of Pakistan - Sukuk	30,000	-	30,000	30,000	-	30,000
Participation Term Certificates	21,767	-	21,767	26,838	-	26,838
Debentures	4,392	-	4,392	4,592	-	4,592
CDC SAARC Fund	428	-	428	421	-	421
	68,486,223	-	68,486,223	45,750,454	-	45,750,454
7.2.4 Associates						
United Growth and Income Fund	3,030,136	-	3,030,136	5,002,027	-	5,002,027
UBL Liquidity Plus Fund	1,100,000	-	1,100,000	600,000	-	600,000
United Composite Islamic Fund	250,000	-	250,000	386,997	-	386,997
United Islamic Income Fund	250,000	-	250,000	250,000	-	250,000
United Stock Advantage Fund	250,000	-	250,000	250,000	-	250,000
UBL Principal Protected Plan	200,000	-	200,000	200,000	-	200,000
UBL Insurers Limited	150,000	-	150,000	150,000	-	150,000
UBL Capital Protected Fund - II	100,000	-	100,000	-	-	-
UBL Capital Protected Fund - I	75,075	-	75,075	75,075	-	75,075
UBL Islamic Retirement Saving Fund	90,000	-	90,000	-	-	-
UBL Retirement Saving Fund	90,000	-	90,000	-	-	-
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
	5,592,192	-	5,592,192	6,921,080	-	6,921,080
7.2.5 Subsidiaries						
United National Bank, UK	1,482,011	-	1,482,011	1,482,011	-	1,482,011
United Bank AG Zurich, Switzerland	589,837	-	589,837	589,837	-	589,837
UBL Fund Managers Limited	100,000	-	100,000	100,000	-	100,000
United Executors and Trustees Company Ltd	30,100	-	30,100	30,100	-	30,100
	2,201,948	-	2,201,948	2,201,948	-	2,201,948
	159,228,665	15,657,923	174,886,588	137,372,509	4,075,629	141,448,138
Provision for diminution in value of investments	(2,662,748)	-	(2,662,748)	(2,252,653)	-	(2,252,653)
Investments (net of provisions)	156,565,917	15,657,923	172,223,840	135,119,856	4,075,629	139,195,485
(Deficit) / surplus on revaluation of available-for-sale securities	(3,056,805)	1,313	(3,055,492)	(3,049,359)	2,404	(3,046,955)
Deficit on revaluation of held-for-trading investments	(22,378)	(10)	(22,388)	(2,286)	(720)	(3,006)
Total Investments	153,486,734	15,659,226	169,145,960	132,068,211	4,077,313	136,145,524

7.3 During the period, Rs 280 million were invested in seed capital of mutual funds. Units amounting to Rs.50 million and Rs.180 million cannot be redeemed before May, 2012 and June, 2013 respectively.

Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the half year ended June 30, 2010

	Note	(Un-audited) June 30, 2010	(Audited) December 31, 2009
----- (Rupees in '000) -----			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		273,381,591	276,609,933
Outside Pakistan		80,518,219	86,528,137
		353,899,810	363,138,070
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		16,131,221	14,007,068
Payable outside Pakistan		5,044,582	5,333,104
		21,175,803	19,340,172
	8.1	375,075,613	382,478,242
Provision against advances			
- Specific	8.2	(30,654,795)	(27,673,022)
- General	8.3	(1,080,848)	(713,507)
		343,339,970	354,091,713

8.1 Advances include Rs.41,720 million (December 31, 2009: 39,101 million) which have been placed under non-performing status.

8.2 The category wise classification of non performing status is detailed below:

	June 30, 2010 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned*	290,777	-	290,777	-	-
Substandard	4,970,973	1,128,729	6,099,702	1,310,514	1,310,514
Doubtful	3,236,320	2,033,299	5,269,619	2,364,479	2,364,479
Loss	28,189,837	1,869,989	30,059,826	26,979,802	26,979,802
	36,687,907	5,032,017	41,719,924	30,654,795	30,654,795
	----- (Rupees in '000) -----				
Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned*	386,517	-	386,517	-	-
Substandard	3,802,275	1,473,002	5,275,277	1,259,749	1,259,749
Doubtful	6,007,332	1,696,401	7,703,733	3,499,795	3,499,795
Loss	24,424,423	1,311,446	25,735,869	22,913,478	22,913,478
	34,620,547	4,480,849	39,101,396	27,673,022	27,673,022

* The other assets especially mentioned category pertains to agricultural finance.

8.3 General provision represents provision amounting to Rs. 454.287 million (December 31, 2009: Rs.569.195 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan, Rs 145.691 million (December 31, 2009: Rs. 144.311 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulating authorities of the respective countries in which the overseas branches operate and a general provision against the Bank's loans and advances portfolio amounting to Rs. 480.870 million (December 31, 2009: Nil).

	Note	(Un-audited) June 30, 2010	(Audited) December 31, 2009
----- (Rupees in '000) -----			
9. OPERATING FIXED ASSETS			
Capital work-in-progress		1,560,097	997,617
Property and equipment	9.1	20,191,658	20,439,417
Intangible assets		420,417	488,635
	9.2	22,172,172	21,925,669

9.1 During the period, land amounting to Rs. 1,090.717 million and building amounting to Rs. 173.899 million were reclassified from leasehold land and building to freehold land and building.

9.2 Additions and disposals during the period amounted to Rs. 1,132.782 (June 2009:Rs. 871.284) million and Rs. 96.150 (June 2009:Rs. 65.555) million, respectively.

	(Un-audited) June 30, 2010	(Audited) December 31, 2009
----- (Rupees in '000) -----		
10. BORROWINGS FROM FINANCIAL INSTITUTIONS		
Secured		
Borrowings from the State Bank of Pakistan		
- Export refinance scheme	13,883,909	14,666,570
- Long term fixed finance	1,853,845	1,018,535
- Long term finance under export oriented projects	3,081,368	3,705,568
	18,819,122	19,390,673
Repurchase agreement borrowings	16,764,342	5,066,098
	35,583,464	24,456,771
Unsecured		
Call borrowings	10,303,408	8,679,283
Overdrawn nostro accounts	535,903	648,559
Trading liabilities	-	96,586
Other borrowings	1,099,402	1,263,624
	11,938,713	10,688,052
	47,522,177	35,144,823

Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the half year ended June 30, 2010

	Note	(Un-audited) June 30, 2010 ------(Rupees in '000)-----	(Audited) December 31, 2009
11. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		146,834,978	150,642,206
Savings deposits		172,718,345	178,287,618
Sundry deposits		7,201,823	4,326,844
Margin deposits		4,352,311	4,634,682
Current accounts - remunerative		2,300,018	2,114,809
Current accounts - non-remunerative		<u>164,515,133</u>	<u>150,717,551</u>
		497,922,608	490,723,710
Financial Institutions			
Remunerative deposits		<u>1,527,651</u>	<u>1,114,066</u>
Non-remunerative deposits		<u>441,464</u>	<u>198,328</u>
		1,969,115	1,312,394
		<u>499,891,723</u>	<u>492,036,104</u>
12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX			
Surplus arising on revaluation of assets - net of tax:			
Fixed assets	12.1	10,523,271	10,640,998
Securities	12.2	<u>(1,986,068)</u>	<u>(1,980,521)</u>
		<u>8,537,203</u>	<u>8,660,477</u>
12.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets at January 01			
		15,916,898	12,193,629
Revaluation of fixed assets during the period / year			
		8,822	4,139,592
Written off during the period / year			
		-	(27,071)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year			
		(126,549)	(253,014)
Related deferred tax charge on incremental depreciation during the period / year			
		(68,142)	(136,238)
		<u>(185,869)</u>	<u>3,723,269</u>
		15,731,029	15,916,898
Less: related deferred tax liability on:			
Revaluation as on January 01			
		5,275,900	3,972,755
Revaluation of fixed assets during the period / year			
		-	1,448,858
Written off during the period / year			
		-	(9,475)
Incremental depreciation charged on related assets			
		<u>(68,142)</u>	<u>(136,238)</u>
		5,207,758	5,275,900
		<u>10,523,271</u>	<u>10,640,998</u>
12.2 Deficit on revaluation on available-for-sale securities			
Market Treasury Bills			
		1,783	20,995
Pakistan Investment Bonds			
		(1,129,770)	(1,129,224)
Ordinary shares of listed companies			
		(429,983)	93,619
Term Finance Certificates, Sukuks, other bonds etc.			
		(29,731)	(43,856)
Units of mutual fund			
		506	(2,302)
Foreign securities			
		<u>(1,468,297)</u>	<u>(1,986,187)</u>
		(3,055,492)	(3,046,955)
Related deferred tax asset			
		1,069,424	1,066,434
		<u>(1,986,068)</u>	<u>(1,980,521)</u>
13. CONTINGENCIES AND COMMITMENTS			
13.1 Direct Credit Substitutes			
Contingent liabilities in respect of guarantees given favouring:			
Government		6,854,041	10,818,102
Banking companies and other financial institutions		4,412,076	2,758,243
Others		<u>7,926,493</u>	<u>7,396,201</u>
		19,192,610	20,972,546
13.2 Transaction-related Contingent Liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
Government		77,585,238	77,448,985
Banking companies and other financial institutions		3,150,176	3,311,075
Others		<u>17,952,274</u>	<u>18,521,775</u>
		<u>98,687,688</u>	<u>99,281,835</u>
13.3 Trade-related Contingent Liabilities			
Contingent liabilities in respect of letters of credit opened favouring:			
Government		54,464,210	56,186,541
Others		<u>74,569,080</u>	<u>61,762,728</u>
		129,033,290	117,949,269
13.4 Other Contingencies			
Claims against the bank not acknowledged as debts			
		<u>20,523,547</u>	<u>20,668,309</u>

**Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the half year ended June 30, 2010**
13.5 Commitments in respect of forward lending

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.

Note	(Un-audited)	(Audited)
	June 30, 2010	December 31, 2009
------(Rupees in '000)-----		
13.6 Other commitments		
Interest rate swaps	13,040,770	11,014,381
Cross currency swaps	35,433,123	36,372,837
FX options - purchased	115,303	410,535
FX options - sold	115,303	410,535
Swaptions	-	2,527,248
Commitments in respect of capital expenditure	420,060	567,882
13.7 Commitments in respect of forward exchange contracts		
Sale	60,322,058	46,364,122
Purchase	105,814,787	90,952,188

------(Un-audited)-----		
	Jan-Jun 2010	Jan-Jun 2009
------(Rupees in '000)-----		

14. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to		
- Customers	19,961,132	23,632,829
- Financial institutions	162,095	359,094
	20,123,227	23,991,923
On investments in		
- Available-for-sale securities	4,016,028	5,210,180
- Held-to-maturity securities	3,639,096	1,697,604
- Associates and subsidiaries	79	10,925
	7,655,203	6,918,709
On deposits with financial institutions	136,318	202,045
On securities purchased under resale agreements	553,338	505,958
Discount income	12,179	9,748
	28,480,265	31,628,383

15. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	9,190,902	12,655,449
On securities sold under repurchase agreements	658,869	1,052,545
On other short - term borrowings	1,333,104	1,268,739
On long - term borrowings	693,809	768,211
Discount expense	88,492	199,289
	11,965,176	15,944,233

16. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.	3,768,829	3,732,082
Rent, taxes, insurance, electricity etc.	1,095,651	925,024
Depreciation	867,509	797,695
Outsourced service charges including sales commission	671,680	643,553
Communications	353,186	355,350
Banking service charges	293,618	243,940
Cash transportation charges	131,440	202,702
Stationery and printing	192,598	148,820
Legal and professional charges	150,843	99,903
Contribution to retirement plan - net	(74,856)	72,986
Advertisement and publicity	170,006	75,805
Repairs and maintenance	166,928	147,046
Travelling	76,564	77,857
Office running expenses	85,665	69,410
Charge for compensated absences	70,730	70,624
Vehicle expenses	58,264	48,883
Entertainment	46,881	44,542
Cartage, freight and conveyance	31,437	34,937
Insurance expense	40,685	44,558
Auditors' remuneration	21,234	20,405
Training and seminars	18,560	23,563
Brokerage expenses	7,720	11,824
Subscriptions	18,491	15,779
Subordinated debt related cost	3,833	4,003
Donations	46,558	33,567
Miscellaneous expenses	113,194	122,917
	8,427,248	8,067,775

Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the half year ended June 30, 2010
17. TAXATION

The Income Tax returns of the Bank for domestic branches up to tax year 2009 (financial year ended December 31, 2008) were filed under the provisions of Section 114 of the Income Tax Ordinance, 2001 (Ordinance) and are deemed to be assessed under section 120 of the Ordinance, unless amended by the Commissioner of Income Tax.

For tax years 2008 and 2009 (financial year ended December 31, 2007 and 2008), the taxation authorities have issued amended assessment orders under section 122(5A) of the Ordinance determining further tax liability of Rs. 1,609 Million and Rs.960 million respectively. The Bank has filed appeals before the Commissioner of Income Tax (Appeals) [CIT (A)] against the said additional liability. The management is confident that the appeals will be decided in favor of the Bank.

For tax years 2004 to 2007 (financial year ended December 31, 2003 to 2006) the taxation authorities have issued amended assessment orders under section 122(5A) of the Ordinance, which were further rectified under section 221 of the Ordinance determining additional tax liability of Rs.3,564 million. Appeals filed by the Bank before the CIT (A) against these amended assessments have been decided, by allowing relief on certain issues. However, for remaining issues appeals have been filed before the Income Tax Appellate Tribunal (ITAT), and hearing is still pending. The return for the tax year 2003 was selected for audit under section 177 of the Ordinance and the amended assessment order was passed, which has been contested before the CIT(A). The management is confident that the appeals will be decided in favor of the Bank.

In respect of Azad Kashmir (AK) Branches, returns for the tax years 2005 to 2009 (financial years ended December 31, 2004 to 2008) were filed under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of agreement between the Banks and the Azad Kashmir Council in May 2005. The agreement requires the income from AK operations to be declared on the basis of actual income earned in AK and a compensation on basis of global yield on average balances utilised by head office on AK funds. The returns so filed qualify the statutory conditions to be termed as deemed assessment orders.

Seventh Schedule to the Ordinance has been amended through Finance Act, 2010. Through this amendment, provision for advances and off balance sheet exposures shall be allowed @ 5% of advances to consumer and small & medium enterprises (SMEs) sector in addition to 1% provision against other advances which would be allowed as in prior year. The said change will be applicable for tax year 2011 (accounting year December 31, 2010) and onwards. The Bank has accounted for these in the tax computation for the period. During the period, the Bank's provisions are within the above mentioned limits. A deferred tax asset of Rs. 1,589 million was recognized in the year 2009 relating to amounts allowed to be carried forward to future years. Based upon the legal opinion of its tax advisor, the Bank is confident that the disallowance relating to prior periods (in excess of 1% of advances), which approximates to Rs.5,454 million, would be allowed to the Bank in future periods against available profits and, hence, the same has been carried forward as a deferred tax asset in these financial statements.

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the Period Ended June 30, 2010 (Un-audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others
	(Rupees in '000)				
Total income	220,386	6,794,873	10,711,508	15,148,367	333,449
Total expenses	(58,641)	(6,063,444)	(5,827,628)	(12,612,992)	(80,369)
Net income	161,745	731,429	4,883,880	2,535,375	253,080
Segment return on assets (ROA) (%)	11.50%	0.50%	1.70%	1.80%	-
Segment cost of funds (%)	0.60%	8.70%	4.60%	10.90%	-
	For the Period Ended June 30, 2009 (Un-audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others
	(Rupees in '000)				
Total income	305,382	8,684,031	11,054,984	16,084,078	1,709,042
Total expenses	(394,488)	(6,774,872)	(7,973,613)	(14,659,041)	(1,266,861)
Net income / (loss)	(89,106)	1,909,159	3,081,371	1,425,037	442,181
Segment return on assets (ROA) (%)	-40.90%	2.10%	1.00%	0.80%	-
Segment cost of funds (%)	24.70%	8.80%	6.20%	11.40%	-
	As at June 30, 2010 (Un-audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others
	(Rupees in '000)				
Segment assets (gross of NPL provisions)	5,281,243	198,779,949	180,363,905	251,780,369	39,631,809
Segment non performing loans (NPL)	-	-	21,763,542	13,073,334	6,883,048
Segment provision required against NPLs	-	-	15,197,171	8,608,446	6,849,178
Segment liabilities	3,444,602	193,715,950	174,766,793	227,510,313	(17,817,733)
	As at December 31, 2009 (Audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others
	(Rupees in '000)				
Segment assets (gross of NPL provisions)	7,449,464	166,432,507	200,371,985	248,102,046	25,061,071
Segment non performing loans (NPL)	-	-	19,058,065	13,522,882	6,520,449
Segment provision required against NPLs	-	-	12,953,324	8,293,354	6,426,344
Segment liabilities	6,449,753	162,112,729	186,413,184	228,265,230	(24,433,567)

**Notes to the unconsolidated condensed interim financial statements
For the half year ended June 30, 2010**
19. RELATED PARTY TRANSACTIONS

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

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

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

	As at June 30, 2010 (Un-audited)				As at December 31, 2009 (Audited)			
	Key management personnel	Subsidiaries	Associates	Other related parties	Key management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)								
Advances								
At January 01	102,750	-	-	-	148,875	-	-	-
Given during the period / year	110,566	-	-	-	38,092	-	-	-
Repaid during the period / year	(71,133)	-	-	-	(84,217)	-	-	-
At June 30, 2010 / December 31, 2009	142,183	-	-	-	102,750	-	-	-
Deposits								
At January 01	19,365	112,364	164,877	56,453	20,149	35,835	147,701	308,347
Received during the period / year	182,997	85,387,655	18,585,901	8,437,858	258,920	77,334,856	15,508,596	1,151,870
Withdrawn during the period / year	(187,720)	(85,111,890)	(17,260,554)	(8,406,430)	(259,704)	(77,258,327)	(15,491,420)	(1,403,764)
At June 30, 2010 / December 31, 2009	14,642	388,129	1,490,224	87,881	19,365	112,364	164,877	56,453
Balances with other banks	-	140,654	-	-	-	5,119	-	-
Overdrawn nostros	-	173,729	-	-	-	160,227	-	-
FX inter bank deal purchase	-	8,598,825	-	168,900	-	-	-	-
FX inter bank deal sale	-	8,598,654	-	85,680	-	-	-	-
Outstanding placement at the end of the period / year	-	439,985	-	-	-	433,463	-	-
Outstanding borrowing at the end of the period / year	-	-	300,000	-	-	-	300,000	-
Distribution commission receivable	-	2,369	-	-	-	2,369	-	-
Other receivable	-	-	-	234	-	1,740	108,522	-
Insurance payable	-	-	668	-	-	-	26,851	-
Unearned income	-	870	-	-	-	435	-	-
Accrual for employee motivation and retention scheme	-	-	-	105,958	-	-	-	210,000
Unrealised loss on cross currency swaps	-	-	-	590,063	-	-	-	307,241
Other payable	-	100,000	-	-	-	-	-	-
(Rupees in '000)								
	For the Period Ended June 30, 2010 (Un-audited)				For the Period Ended June 30, 2009 (Un-audited)			
	Key management personnel	Subsidiaries	Associates	Other related parties	Key management personnel	Subsidiaries	Associates	Other related parties
Mark-up / return / interest earned	3,317	5	-	349	4,019	10,516	-	-
Mark-up / return / interest expensed	174	170	119,476	3,205	205	224	218,572	567
Dividend income received	-	50,000	185,822	-	-	40,898	-	-
Other income	-	877	8	-	-	870	6,701	-
Insurance premium paid	-	-	184,062	-	-	-	180,527	-
Insurance claims settled	-	-	77,795	-	-	-	138,360	-
Remuneration paid	210,021	-	-	-	194,908	-	-	-
Post employment benefits	6,397	-	-	-	6,024	-	-	-
Contribution to defined contribution plan	-	-	-	36,152	-	-	-	285,552
Contribution to defined benefit plan	-	-	-	151,805	-	-	-	172,223
Payment for employee motivation and retention scheme	-	-	-	210,000	-	-	-	50,005
Distribution commission income	-	-	-	-	-	1,608	-	-
Placements (received) / made during the period	-	132,607	-	-	-	(814,572)	-	-
Placements settled during the period	-	132,607	-	-	-	-	-	-
Maximum amount of a placement made / (received) during the period	-	132,607	-	-	-	(814,572)	-	-
Borrowing made during the period	-	-	1,800,000	-	-	-	1,650,000	-
Borrowing settled during the period	-	-	1,800,000	-	-	-	1,350,000	-
Maximum amount of a borrowing made during the period	-	-	300,000	-	-	-	500,000	-
Investment made during the period	-	-	780,000	-	-	-	2,437,264	-
Redemption made during the period	-	-	2,108,888	-	-	-	-	-
Realised gain on cross currency swaps	-	-	-	1,057,185	-	-	-	574,396
Capital gain on sale of units	-	-	7,149	-	-	-	-	-
Capital loss on sale of units	-	-	4,949	-	-	-	-	-

**Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the half year ended June 30, 2010**
20. ISLAMIC BANKING BUSINESS

20.1 The statement of financial position of the bank's Islamic Banking branches as at June 30, 2010 is as follows:

	(Un-audited) June 30, 2010	(Audited) December 31, 2009
----- (Rupees in '000) -----		
ASSETS		
Cash and balances with treasury banks	253,595	208,180
Balances with other banks	72,053	93,410
Lendings to financial institutions	350,000	100,000
Investments	1,669,890	1,563,953
Financing and receivables		
- Murabaha	188,222	154,650
- Musharaka	194,444	222,222
- Diminishing Musharaka	233,997	261,259
	616,663	638,131
Operating fixed assets including assets given on Ijara	482,312	598,452
Due from head office	279,507	-
Other assets	185,488	548,396
Total Assets	3,909,508	3,750,522
LIABILITIES		
Bills payable	178	4,522
Deposits and other accounts		
- Current accounts	474,009	429,412
- Saving accounts	572,065	209,676
- Term deposits	725,931	459,878
- Deposits from financial institutions - remunerative	1,525,404	1,109,452
	3,297,409	2,208,418
Due to head office	-	948,744
Other liabilities	79,882	84,544
	3,377,469	3,246,228
NET ASSETS	532,039	504,294
REPRESENTED BY		
Islamic Banking Fund	681,000	681,000
Unappropriated loss / Unremitted loss	(149,467)	(174,404)
	531,533	506,596
Surplus / (deficit) on revaluation of assets	506	(2,302)
	532,039	504,294

20.2 The profit and loss account of the bank's Islamic Banking branches for the half year ended June 30, 2010 is as follows:

	(Un-audited) Jan-Jun 2010	(Un-audited) Jan-Jun 2009
----- (Rupees in '000) -----		
Return earned	273,634	241,625
Return expensed	(113,252)	(58,638)
	160,382	182,987
Reversal of diminution in value of investment	8,575	54,249
Reversal / (provision) against assets given on Ijara	1,932	(2,178)
	10,507	52,071
Net return after provision	170,889	235,058
OTHER INCOME		
Fee, commission and brokerage income	2,913	1,179
Dividend income	1,250	4,670
Income from dealing in foreign currencies	424	336
Loss on sale of securities	(4,750)	(5,614)
Other income	1,238	568
Total other income	1,075	1,139
	171,964	236,197
OTHER EXPENSES		
Administrative expenses	(145,306)	(155,943)
Other provisions / write offs	(1,721)	-
Total other expenses	(147,027)	(155,943)
Net Profit for the period	24,937	80,254
Unappropriated loss brought forward	(174,404)	(346,051)
Unappropriated loss carried forward	(149,467)	(265,797)
Remuneration to Sharia Advisor / Board	1,502	1,101

21 DATE OF AUTHORIZATION

These financial statements were authorised for issue on July 30, 2010 by the Board of Directors of the Bank.