

United Bank Limited

*CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2010
(UNAUDITED)*



DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the consolidated financial statements of the Bank for the quarter ended March 31, 2010.

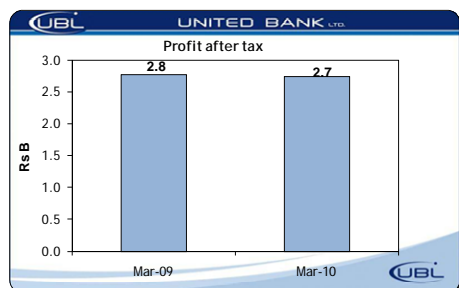
Financial Highlights

	(Rs. in millions)
Profit before taxation	4,231
Taxation	<u>(1,488)</u>
Profit after taxation	<u>2,743</u>
Minority interest	10
Un-appropriated profit brought forward	23,618
Transfer from surplus on revaluation of fixed assets – Incremental depreciation	<u>71</u>
Profit before appropriations	26,441
Transfer to statutory reserve	(566)
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>21,979</u></u>
	(Rupees)
Earnings per share	<u>2.47</u>

Performance Highlights

- PAT registered a decline of 1% over previous year and came in at Rs 2.7 billion.
- Net Interest Margin (NIM) at bank level remained strong at 7.1% (Mar'09: 6.8%)
- CASA maintained at 67%.
- Headcount at bank level decreased by 110 to 13,872 in Mar'10 from Dec'09.

Financial Overview



UBL achieved a profit after tax of Rs 2.7 billion which is 1% lower than the corresponding period last year and this translates into earnings per share of Rs. 2.47 (March 2009: 2.48).

Against the backdrop of the global financial crisis and a challenging regional environment, the Bank adopted a strategy in line with its long-term objective of delivering consistent returns. The strategy was to focus on increasing low cost deposits base resulting in increased earnings from core banking businesses.

The results reflect improvement in earnings while efficiently managing operating expenses. In line with the Bank's prudent approach to risk taking and the overall external credit environment, the Bank increased the level of general loan loss provisions with an emphasis on building a strong balance sheet. Accordingly, the results reflect a PAT of Rs 2.7 billion in 1Q'10 compared to Rs 2.8 billion in 1Q'09, a decrease of 1 percent.

Net interest income grew by 3% whereas non-interest income decreased by 4% mainly on account of lower share of income of associates. Fee income increased by 18% due to higher commissions on cash management and trade income. As a result, operating revenue is up by 2% to Rs 10.9B as compared to last year.

Net interest income before provisions is up 3% to Rs 8.3B from the same period last year reflecting an increase in net interest margin of 30 basis points to 7.1% from March 2009. However, net interest income after provisions is up 6% to Rs 6.1 billion. Net provisions for the quarter came in at Rs 2.1 billion compared to Rs. 2.2 billion for the corresponding period last year. However, it is important to note that the provision expense this quarter is lower than the quarterly provision expense taken in each of the last three quarters.

Advances are down by 6% which has been the result of rationalization across our corporate and consumer portfolios due to tighter credit policies. Deposits are also lower by 8% over Dec'09, however 75% of this reduction is due to the shedding of high cost deposits.

Non-interest income decreased to Rs 2.58 billion as compared to Rs 2.68 billion (lower by 4%). Fee and commissions increased by 18% owing to higher commission on cash management and trade income. However, exchange income and share of income of associates declined by 26% and 63% respectively over the corresponding period last year.

Administrative expenses increased by 5% over the corresponding period last year mainly due to personnel and premises cost. Personnel cost at bank level are only up by 1% which was a result of headcount reduction by 875 (6%) to 13,872 from Mar'09. This headcount reduction was mainly due to efficiency improvements, process restructuring initiatives and reduction in consumer lending. Premises cost attributes to half of the increase as a result of higher gas, electricity and insurance charges. In spite of significant inflationary pressure (Feb'10 yoy CPI at 13%), we have managed to achieve considerable cost efficiencies during the year.

Total assets have decreased by Rs. 35 billion to Rs. 606 billion during the first three months of the year with investments increasing by 2% to Rs. 141 billion.

Key Developments

After its launch on the occasion of the bank's Golden Jubilee, Signature – UBL Priority Banking has performed strongly in the first quarter of the year. Offering a range of premium services including a number of firsts for the banking sector in Pakistan, the initiative crossed several important milestones this quarter, ending with Rs. 660 million in low cost deposits from over 350 customer accounts.

Another significant achievement was the seamless implementation of the Internally Displaced Persons (IDPs) program. Under this program assigned exclusively to UBL by the Government of Pakistan, the challenge was to develop a transparent mechanism for distributing financial aid to the IDPs of Swat and Malakand division. In the third quarter of last year, UBL issued wallet Visa debit cards to 335,000 identified families. This has been followed by a collaboration between UBL and VISA Inc. to deploy electronic point of sale (POS) machines at designated places in the northern areas of the country including D.I.Khan, Mardan, Mingora, Batkhela and Peshawar. More than 200 POS machines provided by

Visa will be deployed across UBL's extensive merchant network, enabling IDPs to use them in order to buy food supplies and items of daily use.

UBL fund managers has launched its second capital protected scheme, UBL Capital Protected Fund-II (UCPF-II). The fund will be sold from over 1100 branches which offers investors an affordable and easy way of gaining exposure to the stock market while ensuring the safety of their initial investment

UBL Wiz cards reached over 100,000 card milestone with a float of Rs 130 million in a period of just under 18 months.

Looking ahead

The economic landscape continued to show positive signs as most of the economic indicators recorded significant improvement in the first eight months of FY10 with current account deficit down by 68%, remittances up 18%, trade deficit down 21% and large scale manufacturing up by 2.4%. CPI for Mar'10 was recorded at 12.9% y-o-y down from 14.4% in Mar'09. However the recent rise in international oil prices and ongoing energy crises pose significant risks to the local economic recovery. Albeit y-o-y inflation is significantly down, monthly inflation is on the rise which has prompted SBP to keep discount rate unchanged.

March'10 was an eventful quarter for Pakistan. The constitutional reforms package for shifting powers from President to the parliament was a major step towards achieving political stability. Successful US-PAK strategic dialogue was also held where US affirmed its commitment to Pakistan's efforts in fighting terrorism and resolution of the energy crises.

For UBL this year, the focus will be on strengthening CASA and achieving provision write-backs through negotiations and restructuring efforts. Emphasis on cost efficiencies will continue this year with the help of our process re-engineering and core banking implementation. We will also continue to develop our non-fund income streams which provided a significant cushion for us against the deteriorating asset quality environment of 2009. Given the improving macro-economic backdrop, we expect to see an improvement in asset quality as well the private sector credit off-take and this should help us in delivering a strong growth in profitability in 2010.

Acknowledgements

We would like to express our sincere thanks and gratitude to our customers for their patronage and 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,

Nahayan Mabarak Al Nahayan
Chairman

Abu Dhabi
April 26, 2010



**Consolidated Condensed Interim Balance Sheet
As at March 31, 2010**

	Note	March 31, 2010 (Un audited) ----- (Rupees in '000) -----	December 31, 2009 (Audited)
ASSETS			
Cash and balances with treasury banks		48,802,253	61,252,772
Balances with other banks		19,416,931	14,049,990
Lendings to financial institutions		13,746,113	23,162,130
Investments	7	140,617,373	137,734,578
Advances	8	339,613,101	362,079,596
Operating fixed assets		24,065,737	23,734,082
Deferred tax asset - net		528,677	649,814
Other assets		18,727,744	17,786,567
		605,517,929	640,449,529
LIABILITIES			
Bills payable		4,344,116	5,166,361
Borrowings from financial institutions	9	41,789,948	37,168,277
Deposits and other accounts	10	462,435,390	503,831,672
Sub-ordinated loans		11,987,776	11,989,800
Liabilities against assets subject to finance lease		349	611
Deferred tax liability - net		-	-
Other liabilities		18,115,444	14,974,445
		538,673,023	573,131,166
NET ASSETS		<u>66,844,906</u>	<u>67,318,363</u>
REPRESENTED BY			
Share capital		11,128,907	11,128,907
Reserves		22,366,088	21,167,954
Unappropriated profit		21,979,487	23,617,875
		55,474,482	55,914,736
Minority interest		2,169,079	2,279,691
		57,643,561	58,194,427
Surplus on revaluation of assets - net of deferred tax	11	9,201,345	9,123,936
		<u>66,844,906</u>	<u>67,318,363</u>
CONTINGENCIES AND COMMITMENTS	12		

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Atif R. Bokhari
President &
Chief Executive Officer

Muhammad Sami Saeed
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

**Consolidated Condensed Interim Profit and Loss Account (Un-audited)
For the quarter ended March 31, 2010**

	Note	March 31, 2010	March 31, 2009
----- (Rupees in '000) -----			
Mark-up / return / interest earned	13	14,301,263	16,293,857
Mark-up / return / interest expensed	14	<u>(6,028,856)</u>	<u>(8,282,966)</u>
Net mark-up / return / interest income		8,272,407	8,010,891
Provision against loans and advances - net		<u>(1,735,122)</u>	<u>(1,599,263)</u>
Provision for diminuation in value of investment - net		(5,515)	(290,060)
Bad debts written off directly		<u>(386,709)</u>	<u>(334,660)</u>
		<u>(2,127,346)</u>	<u>(2,223,983)</u>
Net mark-up / interest income after provisions		6,145,061	5,786,908
Non mark-up / return / interest income			
Fee, commission and brokerage income		<u>1,627,138</u>	<u>1,376,493</u>
Dividend income		26,896	35,116
Income from dealing in foreign currencies		370,598	502,316
Gain on sale of securities		87,364	94,113
Unrealised loss on revaluation of investments classified as held for trading		(7,703)	20,506
Other income		<u>410,844</u>	<u>467,844</u>
Total non-markup / return / interest income		<u>2,515,137</u>	<u>2,496,388</u>
		8,660,198	8,283,295
Non mark-up / interest expenses			
Administrative expenses	15	<u>(4,392,940)</u>	<u>(4,199,466)</u>
Other provisions / write offs / reversals - net		(8,327)	2,970
Workers' welfare fund		(89,736)	(82,618)
Other charges		<u>(4,118)</u>	<u>(820)</u>
Total non-markup / interest expenses		<u>(4,495,121)</u>	<u>(4,279,934)</u>
		4,165,077	4,003,361
Share of income of associates		65,788	179,915
Profit before taxation		4,230,865	4,183,276
Taxation – Current		<u>(1,551,973)</u>	<u>(1,621,660)</u>
– Prior		(262)	(4)
– Deferred		<u>64,294</u>	<u>202,930</u>
		<u>(1,487,941)</u>	<u>(1,418,734)</u>
Profit after taxation		<u>2,742,924</u>	<u>2,764,542</u>
Attributable to:			
Equity shareholders of the Bank		2,752,424	2,756,558
Minority Interest		<u>(9,500)</u>	<u>7,984</u>
		<u>2,742,924</u>	<u>2,764,542</u>
----- (Rupees) -----			
Basic and diluted earnings per share		<u>2.47</u>	<u>2.48</u>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Atif R. Bokhari
President &
Chief Executive Officer

Muhammad Sami Saeed
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman



Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited)
For the quarter ended March 31, 2010

	March 31, 2010	March 31, 2009
	----- (Rupees in '000) -----	
Profit for the period attributable to:		
Equity shareholders of the Bank	2,752,424	2,756,558
Minority interest	(9,500)	7,984
	<u>2,742,924</u>	<u>2,764,542</u>
Other comprehensive income:		
Exchange (loss) / gain on translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	(492,855)	794,920
- Minority Interest	(101,112)	6,010
Gain on cash flow hedges	18,299	425,589
Related deferred tax liability on cash flow hedges	(6,405)	(148,956)
	<u>(582,073)</u>	<u>1,077,563</u>
Comprehensive income transferred to equity - net of tax	<u><u>2,160,851</u></u>	<u><u>3,842,105</u></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 1 to 20 form an integral part of these consolidated condensed interim financial statements.

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 Director

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 Deputy Chairman

Nahayan Mabarak Al Nahayan
 Chairman

Consolidated Condensed Interim Cash Flow Statement (Un-audited)

For the quarter ended March 31, 2010

	March 31, 2010	March 31, 2009
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	4,230,865	4,183,276
Dividend income	(26,896)	(35,116)
Share of profit of associates	<u>(65,788)</u>	<u>(179,915)</u>
	4,138,181	3,968,245
Adjustments:		
Depreciation	462,860	410,984
Workers' welfare fund	89,736	82,618
Provision for retirement benefits and compensated absences	22,720	74,600
Provision against loans and advances	1,735,122	1,599,263
Provision for diminution in the value of investments	5,515	290,060
Gain on sale of fixed assets	(2,035)	(2,437)
Finance charges on leased assets	89	53,813
Provision / (reversal) against other assets	8,327	(2,970)
Unrealized gain on revaluation of investment classified as held for trading	7,703	(20,506)
Bad debts written off	<u>386,709</u>	<u>334,660</u>
	<u>2,716,746</u>	<u>2,820,085</u>
	6,854,927	6,788,330
(Increase) / decrease in operating assets		
Lendings to financial institutions	9,416,017	9,126,092
Held for trading investments	(950,811)	(7,222,834)
Advances - net	20,344,664	7,697,875
Others assets	<u>(118,862)</u>	<u>1,487,486</u>
	28,691,008	11,088,619
Increase / (decrease) in operating liabilities		
Bills payable	(822,245)	278,861
Borrowings from financial institutions	4,621,671	24,872,441
Deposits	(41,396,282)	(10,468,850)
Other liabilities	<u>257,182</u>	<u>(1,106,632)</u>
	<u>(37,339,674)</u>	<u>13,575,820</u>
	(1,793,739)	31,452,769
Receipt / (payment) from staff retirement benefits	229,317	(205,291)
Income tax paid	<u>(2,758,555)</u>	<u>(524,076)</u>
Net cash (used) / generated from operating activities	(4,322,977)	30,723,402
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(4,180,864)	(17,902,166)
Dividend income received	113,629	40,273
Investments in operating fixed assets	(887,843)	(289,233)
Sale proceeds from disposal of operating fixed assets	27,991	10,886
Net cash used in investing activities	(4,927,087)	(18,140,240)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of principal of sub-ordinated loans	(2,024)	(2,024)
Payments of lease obligations	<u>(262)</u>	<u>(443)</u>
Net cash flow from financing activities	(2,286)	(2,467)
Net cash flow	(9,252,350)	12,580,695
Exchange differences on transaction of net investment in foreign branches, subsidiaries & minority	(593,967)	800,930
Increase / (decrease) in cash and cash equivalents	<u>(9,846,317)</u>	<u>13,381,625</u>
Cash and cash equivalents at beginning of the period	78,065,501	64,683,876
Cash and cash equivalents at end of the period	<u>68,219,184</u>	<u>78,065,501</u>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited)
For the quarter ended March 31, 2010

	Share capital	General Reserve	Statutory Reserve	Exchange Reserve	Reserve for issue of Bonus share	Cash flow hedge reserve	Unappropriated Profit	Minority Interest	Total
	Rupees in '000								
Opening Balance as at 1 January 2009	10,117,188	3,000	10,383,033	7,146,661	-	(276,633)	17,703,327	2,044,589	47,121,165
Profit after taxation for the quarter ended March 31, 2009	-	-	-	-	-	-	2,756,558	7,984	2,764,542
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	-	97,315	-	97,315
Comprehensive income net of tax	-	-	-	794,920	-	276,633	-	6,010	1,077,563
Transfer to statutory reserves	-	-	507,182	-	-	-	(507,182)	-	-
Closing balance as at March 31, 2009	10,117,188	3,000	10,890,215	7,941,581	-	-	20,050,018	2,058,583	51,060,585
Final cash dividend for the year ended December 31, 2008 declared subsequent to year end	-	-	-	-	-	-	(1,011,719)	-	(1,011,719)
Transfer to reserves for issue of bonus shares	-	-	-	-	1,011,719	-	(1,011,719)	-	-
Issue of bonus shares	1,011,719	-	-	-	(1,011,719)	-	-	-	-
Profit after taxation for the nine months ended December 31, 2009	-	-	-	-	-	-	6,764,988	(41,578)	6,723,410
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	-	157,662	-	157,662
Net loss on cash flow hedges - net of deferred tax	-	-	-	-	-	(206,415)	-	-	(206,415)
Comprehensive income net of tax	-	-	-	1,208,218	-	-	-	345,715	1,553,933
Ordinary dividend relating to minority shareholders	-	-	-	-	-	-	-	(27,510)	(27,510)
Preferred dividend relating to minority shareholders	-	-	-	-	-	-	-	(55,519)	(55,519)
Transfer to statutory reserve	-	-	1,331,355	-	-	-	(1,331,355)	-	-
Closing balance as at December 31, 2009	11,128,907	3,000	12,221,570	9,149,799	-	(206,415)	23,617,875	2,279,691	58,194,427
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 reserves for issue of bonus shares	-	-	-	-	1,112,891	-	(1,112,891)	-	-
Profit after taxation for the quarter ended March 31, 2010	-	-	-	-	-	-	2,752,424	(9,500)	2,742,924
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	-	70,510	-	70,510
Comprehensive income net of tax	-	-	-	(492,855)	-	11,894	-	(101,112)	(582,073)
Transfer to statutory reserves	-	-	566,204	-	-	-	(566,204)	-	-
Closing balance as at March 31, 2010	11,128,907	3,000	12,787,774	8,656,944	1,112,891	(194,521)	21,979,487	2,169,079	57,643,561

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Atif R. Bokhari
 President &
 Chief Executive Officer

Muhammad Sami Saeed
 Director

Sir Mohammed Anwar Pervez, OBE, HPk
 Deputy Chairman

Nahayan Mabarak Al Nahayan
 Chairman

**Notes to the consolidated condensed interim financial statements (Un-audited)
For the quarter ended March 31, 2010**

1. STATUS AND NATURE OF BUSINESS

The Group consists of:

Holding Company

United Bank Limited (the Bank)

Subsidiary Companies

United National Bank Limited (UNBL), United Kingdom

United Bank AG (Zurich), Switzerland

United Executors and Trustees Company Limited

UBL Fund Managers Limited

The Group is engaged in commercial banking, asset management, investment advisory services and trustee services. The Bank is listed on all three Stock Exchanges in Pakistan and on the London Stock Exchange. The Bank's registered office and principal office is situated in State Life Building No. 1, I. I. Chundirgar Road Karachi. The Bank operates 1,120 (2009: 1,120) branches inside including the Karachi Export Processing Zone Branch (KEPZ) and 17 (2009: 17) branches outside Pakistan. The domestic branch network also includes 5 (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.

The minority interest represents National Bank of Pakistan's 45% share in the net asset value of UNBL.

2. BASIS OF PRESENTATION

The disclosures made in these consolidated condensed interim financial statements have 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 consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2009.

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 consolidated 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 consolidated in these consolidated 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 19 to these consolidated condensed interim financial statements.

**Notes to the consolidated condensed interim financial statements (Un-audited)
For the quarter ended March 31, 2010**
3. STATEMENT OF COMPLIANCE

These consolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, 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. 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 IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

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, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by SBP.

4. ESTIMATES

The preparation of consolidated 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 consolidated financial statements for the year ended December 31, 2009.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of annual consolidated financial statements of the Group for the year ended December 31, 2009.

6. FINANCIAL RISK MANAGEMENT

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

7 INVESTMENTS

	Note	----- (Un-audited) ----- March 31, 2010			----- (Audited) ----- December 31, 2009			
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
----- Rupees in '000 -----								
7.1	Held-for-trading securities	7.1.1	5,058,865	-	5,058,865	4,013,330	97,306	4,110,636
	Available-for-sale securities	7.1.2	75,459,095	10,431,385	85,890,480	78,806,180	3,978,323	82,784,503
	Held-to-maturity securities	7.1.3	49,475,967	-	49,475,967	48,508,781	-	48,508,781
	Investments in associates	7.1.4	4,879,792	-	4,879,792	7,522,641	-	7,522,641
			<u>134,873,719</u>	<u>10,431,385</u>	<u>145,305,104</u>	<u>138,850,932</u>	<u>4,075,629</u>	<u>142,926,561</u>
	Provision for diminution in value of investments		(2,044,608)	-	(2,044,608)	(2,146,794)	-	(2,146,794)
	Investments (net of provisions)		<u>132,829,111</u>	<u>10,431,385</u>	<u>143,260,496</u>	<u>136,704,138</u>	<u>4,075,629</u>	<u>140,779,767</u>
	(Deficit) / surplus on revaluation of available for sale investments		(2,639,106)	3,686	(2,635,420)	(3,045,011)	2,404	(3,042,607)
	Deficit on revaluation of held for trading investments		(7,703)	-	(7,703)	(1,862)	(720)	(2,582)
	Total Investments		<u>130,182,302</u>	<u>10,435,071</u>	<u>140,617,373</u>	<u>133,657,265</u>	<u>4,077,313</u>	<u>137,734,578</u>

Notes to the consolidated condensed interim financial statements (Un-audited)
For the quarter ended March 31, 2010

7 INVESTMENTS	----- (Un-audited) -----			----- (Audited) -----			
	March 31, 2010			December 31, 2009			
	Note	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
7.1.1	----- Rupees in '000 -----						
	Held-for-trading securities						
	Market treasury bills	3,235,220	-	3,235,220	3,268,035	-	3,268,035
	Pakistan investment bonds	1,115,778	-	1,115,778	438,505	97,306	535,811
	Ordinary shares of listed companies	385,595	-	385,595	-	-	-
	Units of mutual funds	209,341	-	209,341	214,865	-	214,865
	Government of Pakistan - Euro bonds	77,266	-	77,266	76,206	-	76,206
	Term Finance Certificates	22,885	-	22,885	-	-	-
	Sukuk bonds	12,780	-	12,780	15,719	-	15,719
		5,058,865	-	5,058,865	4,013,330	97,306	4,110,636
7.1.2	Available for sale securities						
	Market treasury bills	30,843,109	10,431,385	41,274,494	35,572,747	3,978,323	39,551,070
	Pakistan investment bonds	18,773,093	-	18,773,093	16,728,759	-	16,728,759
	Foreign securities	13,138,056	-	13,138,056	12,740,879	-	12,740,879
	Ordinary shares of listed companies	4,039,370	-	4,039,370	3,644,398	-	3,644,398
	Government of Pakistan - Sukuks	3,470,000	-	3,470,000	3,470,000	-	3,470,000
	Government of Pakistan - Euro bonds	2,447,105	-	2,447,105	3,870,557	-	3,870,557
	Term Finance Certificates	1,918,227	-	1,918,227	1,948,702	-	1,948,702
	Ordinary shares of unlisted companies	441,821	-	441,821	441,824	-	441,824
	Cumulative Preference Shares	197,015	-	197,015	197,015	-	197,015
	Units of mutual funds	191,299	-	191,299	191,299	-	191,299
		75,459,095	10,431,385	85,890,480	78,806,180	3,978,323	82,784,503
7.1.3	Held to maturity securities						
	Term Finance Certificates	25,176,142	-	25,176,142	25,289,199	-	25,289,199
	Market treasury bills	14,606,889	-	14,606,889	11,611,110	-	11,611,110
	Pakistan investment bonds	2,972,577	-	2,972,577	2,497,301	-	2,497,301
	Sukuk Bonds	2,620,731	-	2,620,731	2,640,040	-	2,640,040
	Foreign securities	1,716,069	-	1,716,069	4,001,718	-	4,001,718
	Government of Pakistan - Guranteed bonds	1,485,004	-	1,485,004	1,485,057	-	1,485,057
	Government of Pakistan - Euro bonds	836,705	-	836,705	922,505	-	922,505
	Government of Pakistan - Sukuks	30,000	-	30,000	30,000	-	30,000
	Participation of Term Certificates	26,838	-	26,838	26,838	-	26,838
	Debentures	4,592	-	4,592	4,592	-	4,592
	Certificate of deposits	420	-	420	421	-	421
		49,475,967	-	49,475,967	48,508,781	-	48,508,781
7.1.4	Investments in Associates						
	United Growth and Income Fund	3,167,235	-	3,167,235	5,279,234	-	5,279,234
	United Composite Islamic Fund	415,186	-	415,186	539,012	-	539,012
	United Stock Advantage Fund	407,350	-	407,350	305,297	-	305,297
	United Islamic Income Fund	248,750	-	248,750	249,850	-	249,850
	UBL Principal Protected Plan	171,014	-	171,014	170,136	-	170,136
	UBL Liquidity Plus Fund	134,768	-	134,768	749,831	-	749,831
	UBL Capital Protected Fund - II	100,000	-	100,000	-	-	-
	UBL Capital Protected Fund - I	92,972	-	92,972	90,299	-	90,299
	Oman United Exchange Company, Muscat	74,147	-	74,147	71,399	-	71,399
	UBL Insurers Limited	68,370	-	68,370	67,583	-	67,583
		4,879,792	-	4,879,792	7,522,641	-	7,522,641
		134,873,719	10,431,385	145,305,104	138,850,932	4,075,629	142,926,561
	Provision for diminution in value of investments	(2,044,608)	-	(2,044,608)	(2,146,794)	-	(2,146,794)
	Investments (net of provisions)	132,829,111	10,431,385	143,260,496	136,704,138	4,075,629	140,779,767
	(Deficit) / surplus on revaluation of available for sale investments	(2,639,106)	3,686	(2,635,420)	(3,045,011)	2,404	(3,042,607)
	Deficit on revaluation of held for trading investments	(7,703)	-	(7,703)	(1,862)	(720)	(2,582)
	Total Investments	130,182,302	10,435,071	140,617,373	133,657,265	4,077,313	137,734,578

**Notes to the consolidated condensed interim financial statements (Un-audited)
For the quarter ended March 31, 2010**

	(Un-audited) March 31, 2010	(Audited) December 31, 2009
	----- (Rupees in '000) -----	
8 ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	262,967,848	276,609,984
Outside Pakistan	87,388,418	94,398,422
	<u>350,356,266</u>	<u>371,008,406</u>
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	14,585,560	14,007,068
Payable outside Pakistan	4,713,417	5,478,479
	<u>19,298,977</u>	<u>19,485,547</u>
	369,655,243	390,493,953
Provision for non-performing advances - Specific	8.1 (28,660,077)	(27,700,850)
- General	8.2 (1,382,065)	(713,507)
	<u>339,613,101</u>	<u>362,079,596</u>

8.1 Advances include Rs. 41,919 million (December 31, 2009: Rs. 40,065 million) which have been placed under non-performing status as detailed below:-

	March 31, 2010 (Un-audited)				
Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
----- Rupees in '000 -----					
Other Assets Especially Mentioned	498,721	866,148	1,364,869	-	-
Substandard	5,120,799	1,518,913	6,639,712	1,411,086	1,411,086
Doubtful	5,308,906	1,760,747	7,069,653	3,228,284	3,228,284
Loss	25,279,375	1,565,150	26,844,525	24,020,707	24,020,707
	<u>36,207,801</u>	<u>5,710,958</u>	<u>41,918,759</u>	<u>28,660,077</u>	<u>28,660,077</u>

	December 31, 2009 (Audited)				
Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
----- Rupees in '000 -----					
Other Assets Especially Mentioned	386,517	923,161	1,309,678	-	-
Substandard	3,802,275	1,474,283	5,276,558	1,260,069	1,260,069
Doubtful	6,007,332	1,696,401	7,703,733	3,499,795	3,499,795
Loss	24,424,423	1,350,845	25,775,268	22,940,986	22,940,986
	<u>34,620,547</u>	<u>5,444,690</u>	<u>40,065,237</u>	<u>27,700,850</u>	<u>27,700,850</u>

8.2 General provision represents provision amounting to Rs. 502.583 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 218.982 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 country in which the overseas branches operate and a general provision against its loans and advances portfolio for Rs. 660.5 million (December 31, 2009: Nil).

**Notes to the consolidated condensed interim financial statements (Un-audited)
For the quarter ended March 31, 2010**

	(Un-audited) March 31, 2010	(Audited) December 31, 2009
	----- (Rupees in '000) -----	
9 BORROWINGS FROM FINANCIAL INSTITUTIONS		
Secured		
Borrowings from State Bank of Pakistan		
- Under export refinance scheme	13,661,123	14,666,570
- Long term fixed finance	1,542,207	1,018,535
- Long term finance under export oriented projects	3,391,434	3,705,568
- Locally manufactured machinery refinance scheme	-	-
	18,594,764	19,390,673
Repurchase agreement borrowings	13,970,828	5,066,098
Unsecured		
Call borrowings	5,948,953	8,679,283
Overdrawn nostro accounts	139,535	688,082
Trading account liability	-	96,586
Other borrowings	3,135,868	3,247,555
	9,224,356	12,711,506
	<u>41,789,948</u>	<u>37,168,277</u>
10 DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	139,665,309	155,634,121
Savings deposits	165,784,054	179,752,604
Sundry deposits	5,221,414	4,643,923
Margin deposits	3,805,109	4,319,476
Current accounts - remunerative	1,885,612	2,820,934
Current accounts - non-remunerative	143,427,271	154,283,090
	459,788,769	501,454,148
Financial Institutions		
Remunerative deposits	1,579,310	1,529,551
Non-remunerative deposits	1,067,311	847,973
	2,646,621	2,377,524
	<u>462,435,390</u>	<u>503,831,672</u>
11 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
Surplus / (deficit) arising on revaluation of assets - net of tax :		
Fixed assets		
- Groups' share	10,798,463	10,870,484
- Minority Interest	186,525	185,357
	11.1	10,984,988
Securities	11.2	(1,711,062)
Associates		(72,581)
		44,268
		<u>9,201,345</u>
		<u>9,123,936</u>

Notes to the consolidated condensed interim financial statements (Un-audited)
For the quarter ended March 31, 2010

11 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

	(Un-audited)	(Audited)
	March 31,	December 31,
	----- (Rupees in '000) -----	
11.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets at January 01	16,331,741	12,957,920
Revaluation of fixed assets during the period	-	3,646,052
Exchange adjustment	(343)	146,055
Written off during the period	-	(27,071)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period	(70,510)	(254,977)
Related deferred tax liability on incremental depreciation charged during the period	(37,967)	(136,238)
	<u>(108,820)</u>	<u>3,373,821</u>
	<u>16,222,921</u>	<u>16,331,741</u>
Less: related deferred tax liability on:		
Revaluation as on January 01	5,275,900	3,972,755
Revaluation of fixed assets during the period	-	1,448,858
Written off during the period	-	(9,475)
Incremental depreciation charged on related assets	(37,967)	(136,238)
	<u>5,237,933</u>	<u>5,275,900</u>
	<u>10,984,988</u>	<u>11,055,841</u>
11.2 Deficit on revaluation of available-for-sale securities		
Market treasury bills	6,573	20,995
Pakistan investment bonds	(1,106,191)	(1,129,224)
Quoted securities	106,011	95,326
Mutual fund units	(2,277)	(2,302)
Term finance certificates, sukuk, other bonds etc	(35,375)	(41,213)
Preference shares	(1,882)	-
Overseas securities	(1,602,279)	(1,986,189)
	<u>(2,635,420)</u>	<u>(3,042,607)</u>
Related deferred tax asset	924,358	1,066,434
	<u>(1,711,062)</u>	<u>(1,976,173)</u>
12 CONTINGENCIES AND COMMITMENTS		
12.1 Direct Credit Substitutes		
Contingent liability in respect of guarantees given favouring:		
Government	9,972,899	10,831,974
Banking companies and other financial institutions	2,869,635	2,910,518
Others	6,869,905	7,396,201
	<u>19,712,439</u>	<u>21,138,693</u>
12.2 Transaction-related Contingent Liabilities		
Contingent liability in respect of performance bonds, bid bonds, warranties, etc.		
Government	78,410,890	77,448,985
Banking companies and other financial institutions	2,978,593	3,311,075
Others	15,270,675	18,521,775
	<u>96,660,158</u>	<u>99,281,835</u>

Notes to the consolidated condensed interim financial statements (Un-audited)
For the quarter ended March 31, 2010

12 CONTINGENCIES AND COMMITMENTS	(Un-audited)	(Audited)
	March 31,	December 31,
	2010	2009
	----- (Rupees in '000) -----	
12.3 Trade-related Contingent Liabilities		
Contingent liability in respect of letters of credit favouring:		
Government	50,856,828	56,186,541
Others	<u>85,148,742</u>	<u>62,787,741</u>
	<u>136,005,570</u>	<u>118,974,282</u>
12.4 Other Contingencies		
Claims against the bank not acknowledge as debts	<u>20,511,376</u>	<u>20,670,923</u>
12.5 Commitments to Extend Credit		
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.		
12.6 Other commitments		
Forward sale contracts of government securities	<u>500,000</u>	<u>-</u>
Interest rate swaps	<u>13,153,051</u>	<u>11,014,381</u>
Cross Currency Swaps	<u>36,051,405</u>	<u>36,372,837</u>
FX options - Purchased	<u>189,979</u>	<u>410,535</u>
FX options - Sold	<u>189,979</u>	<u>410,535</u>
Swaption	<u>-</u>	<u>2,527,248</u>
Commitments in respect of capital expenditure	<u>339,343</u>	<u>575,176</u>
12.7 Commitments in respect of forward exchange contracts		
Sale	<u>59,071,060</u>	<u>47,499,455</u>
Purchase	<u>105,909,024</u>	<u>92,086,590</u>
13. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances		
- Customers	<u>10,071,172</u>	<u>12,246,467</u>
- Financial institutions	<u>89,008</u>	<u>273,812</u>
	10,160,180	12,520,278
On investments in		
- Held for trading securities	<u>620</u>	<u>-</u>
- Available for sale securities	<u>2,141,971</u>	<u>2,307,195</u>
- Held to maturity securities	<u>1,567,974</u>	<u>1,012,261</u>
- Associates	<u>1,733</u>	<u>647</u>
	3,712,298	3,320,103
On deposits with financial institutions	115,060	141,413
On securities purchased under resale agreements	305,169	289,425
Discount income	<u>8,556</u>	<u>22,637</u>
	<u>14,301,263</u>	<u>16,293,857</u>
14. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	4,617,984	6,826,964
On securities sold under repurchase agreements	320,112	417,055
On other short - term borrowings	650,636	524,895
On other long - term borrowings	399,232	381,068
Discount expense	<u>40,892</u>	<u>132,984</u>
	<u>6,028,856</u>	<u>8,282,966</u>

**Notes to the consolidated condensed interim financial statements (Un-audited)
For the quarter ended March 31, 2010**

	(Un-audited) March 31, 2010	(Audited) March 31, 2009
	----- (Rupees in '000) -----	
15. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	2,132,000	2,001,776
Rent, taxes, insurance, electricity etc.	521,536	473,094
Depreciation	462,860	410,984
Outsourced service charges including sales commission	326,414	343,284
Communications	181,963	178,429
Banking service charges	138,666	114,341
Stationery and printing	94,437	69,105
Repairs and maintenance	76,253	51,410
Cash transportation charges	64,491	95,246
Legal and professional charges	59,598	52,835
Office running expenses	41,428	32,845
Charge for compensated absences	35,472	30,360
Contribution to retirement plan	(12,752)	44,240
Advertisement and publicity	35,279	46,531
Travelling	33,818	40,187
Vehicle expenses	30,714	23,456
Entertainment	25,721	22,218
Donations	22,400	483
Auditors' remuneration	16,051	14,809
Cartage, freight and conveyance	14,280	16,833
Insurance	12,112	11,931
Subscriptions	9,693	7,862
Training and seminar	6,217	7,861
Brokerage expenses	3,482	6,387
Sub-debt expenses	2,094	2,002
Miscellaneous expenses	58,713	100,957
	<u>4,392,940</u>	<u>4,199,466</u>

16. TAXATION

The Income Tax assessments 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 favour 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 favour of the Bank.

In respect of Azad Kashmir Branches for the tax years 2005 to 2009 (financial years 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 returns so filed qualify the statutory conditions to be termed as deemed assessment orders.

In the year 2009, amendments were brought in through Finance Act 2009 regarding allowance of provision against non performing loans and off balance sheet exposures applicable from tax year 2010 (accounting year December 31, 2009) and onwards. The Bank has accounted for these in the tax computation for the period, therefore, in accordance with the law, provision under the category of doubtful and loss category have been treated as allowed subject to a maximum limit of 1% of gross advances. Consequently a deferred tax asset of Rs. 1,589 million is recognized relating to amounts allowed to be carried forward to future years. Based upon the legal opinion of the Bank's tax advisor, the Bank is confident that these disallowances and any relating to prior periods, 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 consolidated condensed interim financial statements.

**Notes to the consolidated condensed interim financial statements (Un-audited)
For the quarter ended March 31, 2010**
17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

----- For the Period Ended March 31, 2010 (Un-audited) -----

Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
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----- (Rupees in '000) -----

Total income	136,289	2,670,053	5,412,246	7,616,765	99,594	881,453
Total expenses	(118,872)	(2,181,511)	(3,224,792)	(6,327,927)	(84,588)	(713,633)
Net income	17,418	488,542	2,187,454	1,288,838	15,006	167,820
Segment return on assets (ROA) (%)	0.1%	0.1%	1.8%	0.1%	21.1%	-
Segment cost of funds (%)	12.2%	9.1%	4.6%	10.9%	9.3%	-

----- For the Period Ended March 31, 2009 (Un-audited) -----

Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
-------------------	-----------------	----------------	--------------------	------------------	--------

----- (Rupees in '000) -----

Total income	139,198	3,883,528	4,523,050	8,748,440	92,990	1,403,038
Total expenses	(267,631)	(3,438,346)	(2,680,838)	(7,239,579)	(69,294)	(1,091,196)
Net income / (loss)	(128,433)	445,182	1,842,212	1,508,861	23,696	311,842
Segment return on assets (ROA) (%)	-1.1%	0.1%	1.3%	1.1%	41.0%	-
Segment cost of funds (%)	12.6%	8.7%	6.4%	11.5%	8.5%	-

----- As at March 31, 2010 (Un-audited) -----

Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
-------------------	-----------------	----------------	--------------------	------------------	--------

----- (Rupees in '000) -----

Segment assets (gross of NPL provisions)	7,310,103	164,912,721	177,605,461	250,089,469	568,899	33,691,353
Segment non performing loans (NPLs)	-	-	21,395,378	14,020,941	-	6,502,440
Segment provision required against NPLs	-	-	14,125,648	8,125,992	-	6,408,437
Segment liabilities	5,610,003	159,908,132	166,868,607	226,563,808	147,971	(20,425,498)

----- As at December 31, 2009 (Audited) -----

Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
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----- (Rupees in '000) -----

Segment assets (gross of NPL provisions)	7,449,464	166,432,507	222,607,209	246,060,761	495,052	25,105,386
Segment non performing loans (NPLs)	-	-	20,021,906	13,522,882	-	6,520,449
Segment provision required against NPLs	-	-	12,981,152	8,293,354	-	6,426,344
Segment liabilities	6,449,753	162,108,934	200,753,892	228,201,047	51,050	(24,433,510)

**Notes to the consolidated condensed interim financial statements (Un-audited)
For the quarter ended March 31, 2010**
18. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its associates, subsidiary companies, employee benefit plans and its directors and key management personnel (including their associates).

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

	For the Period Ended March 31, 2010 (Un-audited)			For the Year Ended December 31, 2009 (Audited)		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----						
Advances						
At January 01	102,750	-	-	148,875	-	-
Given during the period	30,722	-	-	38,092	-	-
Repaid during the period	(12,873)	-	-	(84,217)	-	-
At March 31, 2010 / December 31, 2009	<u>120,599</u>	<u>-</u>	<u>-</u>	<u>102,750</u>	<u>-</u>	<u>-</u>
Deposits						
At January 01	19,365	164,877	56,453	20,149	147,701	308,347
Received during the period	65,199	3,118,850	304,514	258,920	15,508,596	1,151,870
Withdrawn during the period	(73,898)	(3,089,438)	(326,180)	(259,704)	(15,491,420)	(1,403,764)
At March 31, 2010 / December 31, 2009	<u>10,666</u>	<u>194,289</u>	<u>34,787</u>	<u>19,365</u>	<u>164,877</u>	<u>56,453</u>
Outstanding borrowing at the end of the period	-	300,000	-	-	300,000	-
Insurance payable	-	11,803	-	-	26,851	-
Employee Motivation and Retention Scheme	-	-	262,979	-	-	210,000

	For the Period Ended March 31, 2010 (Un-audited)			For the Year Ended December 31, 2009 (Audited)		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----						
Mark-up / return / interest earned	790	-	-	1,885	-	-
Mark-up / return / interest expensed	170	9,272	-	197	13,305	-
Dividend income received	-	110,732	-	-	-	-
Other expenses paid	-	-	-	-	-	-
Other income	-	-	-	-	35,798	-
Insurance premium paid	-	288,162	-	-	170,626	-
Remuneration paid	76,069	-	-	44,817	-	-
Post employment benefits	3,356	-	-	2,748	-	-
Contribution to defined contribution plan	-	-	34,647	-	-	30,971
Contribution to defined benefit plan	-	-	78,380	-	-	85,896
Employee Motivation and Retention Scheme	-	-	-	-	-	33,176
Borrowing made during the period	-	900,000	-	-	850,000	-
Borrowing settled during the period	-	600,000	-	-	-	-
Maximum amount of a placement made during the period	-	300,000	-	-	-	-
Investment made during the period	-	1,967,867	-	-	1,651,853	-
Redemption made during the period	-	4,514,702	-	-	-	-
Realised gain on cross currency swaps	-	221,400	-	-	-	-
Unrealised loss on cross currency swaps	-	9,809	-	-	-	-
Insurance claims	-	45,323	-	-	108,522	-
Bank charges received	-	167,688	-	-	143,592	-

**Notes to the consolidated condensed interim financial statements (Un-audited)
For the quarter ended March 31, 2010**
19. ISLAMIC BANKING BUSINESS

The balance sheet of the bank's Islamic Banking Branches as at March 31, 2010 is as follows:

	(Un-audited) March 31, 2010	(Audited) December 31, 2009
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	227,999	208,180
Balances with other banks	23,433	93,410
Lendings to financial institutions	-	100,000
Investments	1,501,683	1,563,953
Financing and receivables		
- Murabaha	205,919	154,650
- Musharaka	194,445	222,222
- Diminishing Musharaka	259,506	261,259
	659,870	638,131
Operating fixed assets including assets given on Ijara	527,630	598,452
Due from head office	21,685	-
Other assets	355,213	548,396
Total Assets	3,317,513	3,750,522
LIABILITIES		
Bills payable	233	4,522
Deposits and other accounts		
- Current accounts	401,642	429,412
- Saving accounts	256,577	209,676
- Term deposits	560,170	459,878
- Deposits from financial institutions - remunerative	1,491,958	1,109,452
	2,710,347	2,208,418
Due to head office	-	948,744
Other liabilities	77,070	84,544
	2,787,650	3,246,228
NET ASSETS	529,863	504,294
REPRESENTED BY		
Islamic Banking Fund	681,000	681,000
Unremitted deficit	(148,860)	(174,404)
	532,140	506,596
Deficit on revaluation of assets	(2,277)	(2,302)
	529,863	504,294

The profit and loss account of the bank's Islamic Banking branches for the quarter year ended March 31, 2010 is as follows:

	(Un-audited) March 31, 2010	(Un-audited) March 31, 2009
	----- (Rupees in '000) -----	
Return earned	137,227	125,918
Return expensed	48,479	33,819
	88,748	92,099
Reversal for diminution in value of investment	5,733	34,619
Reversal against assets given on Ijara	3,804	234
	9,537	34,853
Net return after provision	98,285	126,952
Fee, commission and brokerage income	1,534	626
Dividend income	1,250	2,170
Income from dealing in foreign currencies	108	767
Loss on sale of securities	(2,732)	-
Other Income	319	549
	479	4,112
	98,764	131,064
Administrative expenses	(71,499)	(77,199)
Other provisions / write offs	(1,721)	-
	(73,220)	(77,199)
Net surplus for the period	25,544	53,865
Unappropriated deficit brought forward	(174,404)	(346,051)
Unappropriated deficit carried forward	(148,860)	(292,186)
	735	559

20 DATE OF AUTHORIZATION

These consolidated financial statements were authorised for issue on _____ by the Board of Directors of the Bank.