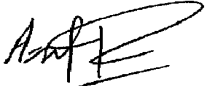


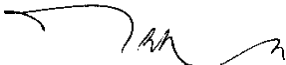
**CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2005**

	Note	(UNAUDITED) June 30, 2005	(AUDITED) December 31, 2004
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		25,895,810	23,945,146
Balances with other banks		23,200,188	24,174,064
Lendings to financial institutions		17,826,109	18,360,633
Investments	4	72,342,649	52,707,729
Advances	5	173,242,205	148,225,080
Other assets		6,345,543	4,504,533
Operating fixed assets		5,216,919	5,103,654
Taxation recoverable	6	74,948	32,607
Deferred tax asset - net		4,129,977	5,194,892
		<u>328,274,348</u>	<u>282,248,338</u>
<b>LIABILITIES</b>			
Bills payable		5,450,149	3,835,555
Borrowings from financial institutions	7	14,652,094	12,637,036
Deposits and other accounts	8	275,564,113	237,054,440
Sub-ordinated loans		3,999,616	3,500,000
Liabilities against assets subject to finance lease		2,772	3,306
Other liabilities		6,038,119	3,647,760
Deferred liabilities		2,257,099	2,191,180
		<u>307,963,962</u>	<u>262,869,277</u>
<b>NET ASSETS</b>		<u>20,310,386</u>	<u>19,379,061</u>
<b>REPRESENTED BY:</b>			
Issued, subscribed and paid up capital		5,180,000	5,180,000
Reserves		6,166,951	5,980,448
Unappropriated profit		4,591,930	3,585,102
		<u>15,938,881</u>	<u>14,745,550</u>
Minority interest		1,561,459	1,633,352
Surplus on revaluation of assets - net of tax		2,810,046	3,000,159
		<u>20,310,386</u>	<u>19,379,061</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	9		


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




Atif R. Bokhari  
President and  
Chief Executive Officer



Muhammad Tahsin Khan Iqbal  
Director



Omar Z. Al Askari  
Director

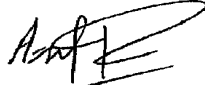


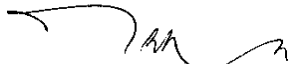
Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman


**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER & HALF YEAR ENDED JUNE 30, 2005 (UNAUDITED)**

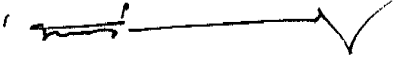
	Apr - Jun 2005	Apr - Jun 2004	Jan - Jun 2005	Jan - Jun 2004
	----- (Rupees in '000) -----			
Mark-up / return / interest earned	4,589,217	2,010,067	8,243,594	3,951,523
Mark-up / return / interest expensed	(1,132,286)	(430,595)	(1,943,924)	(800,697)
Net mark-up / return / interest income	<u>3,456,931</u>	<u>1,579,472</u>	<u>6,299,670</u>	<u>3,150,826</u>
Provision against non-performing loans and advances - net	(211,188)	(93,073)	(258,556)	(248,473)
Provision against consumer loans	(191,304)	-	(306,147)	-
Provision for diminution in value of investments	(25,000)	-	(25,000)	-
Bad debts written off directly	-	(334)	-	(44)
	<u>(427,492)</u>	<u>(93,407)</u>	<u>(589,703)</u>	<u>(248,517)</u>
Net mark-up / return / interest income after provisions	<u>3,029,439</u>	<u>1,486,065</u>	<u>5,709,967</u>	<u>2,902,309</u>
<b>NON MARK-UP / RETURN / INTEREST INCOME</b>				
Fee, commission and brokerage income	523,699	478,962	1,110,714	885,605
Dividend income / gain on sale of securities	105,335	97,416	303,676	805,913
Income from dealing in foreign currencies	121,696	140,828	202,834	267,740
Other income	291,678	365,524	487,425	630,132
Total non mark-up / return / interest income	<u>1,042,408</u>	<u>1,082,730</u>	<u>2,104,649</u>	<u>2,589,390</u>
	<u>4,071,847</u>	<u>2,568,795</u>	<u>7,814,616</u>	<u>5,491,699</u>
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	(2,058,859)	(1,851,295)	(3,888,332)	(3,468,861)
Other provisions / write offs / reversals	(17,612)	(1,794)	(191,405)	(5,560)
Other charges	(2,996)	(5,404)	(2,704)	(5,420)
Total non mark-up / interest expenses	<u>(2,079,467)</u>	<u>(1,858,493)</u>	<u>(4,082,441)</u>	<u>(3,479,841)</u>
<b>PROFIT BEFORE TAXATION</b>	<b><u>1,992,380</u></b>	<b><u>710,302</u></b>	<b><u>3,732,175</u></b>	<b><u>2,011,858</u></b>
Taxation - Current - for the period	(298,446)	(71,435)	(312,859)	(125,262)
- Prior	-	(8,474)	(105,888)	(8,474)
- Deferred	(544,446)	(290,259)	(1,107,865)	(823,116)
	<u>(842,892)</u>	<u>(370,168)</u>	<u>(1,526,612)</u>	<u>(956,852)</u>
<b>PROFIT AFTER TAXATION</b>	<b><u>1,149,488</u></b>	<b><u>340,134</u></b>	<b><u>2,205,563</u></b>	<b><u>1,055,006</u></b>
Share of minority interest	(29,135)	(3,441)	(51,854)	8,340
	<u>1,120,353</u>	<u>336,693</u>	<u>2,153,709</u>	<u>1,063,346</u>
Unappropriated profit brought forward	3,664,839	1,038,897	3,585,102	1,619,903
	<u>4,785,192</u>	<u>1,375,590</u>	<u>5,738,811</u>	<u>2,683,249</u>
Transfer from surplus on revaluation of fixed assets - net of tax	21,266	54,090	47,076	58,908
Profit before appropriations	<u>4,806,458</u>	<u>1,429,680</u>	<u>5,785,887</u>	<u>2,742,157</u>
<b>APPROPRIATIONS</b>				
Transfer to statutory reserve	(214,528)	(66,250)	(416,957)	(213,227)
Final cash dividend for the years ended December 31, 2003 and 2004 declared subsequent to the year end	-	-	(777,000)	(1,165,500)
<b>Unappropriated profit carried forward</b>	<b><u>4,591,930</u></b>	<b><u>1,363,430</u></b>	<b><u>4,591,930</u></b>	<b><u>1,363,430</u></b>
	<b>(Rupees)</b>	<b>(Rupees)</b>		
<b>Basic and diluted earnings per share</b>	<u>2.22</u>	<u>0.66</u>	<u>4.26</u>	<u>2.04</u>

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

  
Atif R. Bokhari  
President and  
Chief Executive Officer

  
Muhammad Tahsin Khan Iqbal  
Director

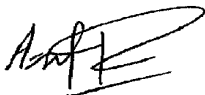
  
Omar Z. Al Askari  
Director


  
Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman


**CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED JUNE 30, 2005 (UN-AUDITED)**


	Half year ended June 30, 2005	Half year ended June 30, 2004
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	3,732,175	2,011,858
Less: Dividend income	(67,053)	(73,607)
	<u>3,665,122</u>	<u>1,938,251</u>
<b>Adjustments for non-cash charges</b>		
Depreciation	239,798	282,674
Amortisation	-	35
Provision for retirement benefits	24,175	160,678
Provision against non-performing advances	564,703	248,473
Provision for diminution in the value of investments	25,000	-
Gain on sale of fixed assets	(2,373)	(1,062)
Finance charges on assets subject to finance lease	107	2,223
Provision against other assets	191,405	5,854
Unrealised (gain) / deficit on revaluation of held for trading investment portfolio	(5,775)	293
Bad debts written-off	-	44
	<u>1,037,040</u>	<u>699,212</u>
	4,702,162	2,637,463
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	534,524	(5,491,814)
Held for trading investments	(6,075,320)	7,890,470
Advances - net	(25,606,828)	(24,025,625)
Others assets	(2,011,111)	170,290
	<u>(33,158,735)</u>	<u>(21,456,679)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	1,614,594	(84,822)
Borrowings from financial institutions	2,015,057	7,784,888
Deposits and other accounts	38,509,673	15,848,921
Other liabilities	2,390,359	(825,460)
	<u>44,529,683</u>	<u>22,723,527</u>
	16,073,110	3,904,311
Payments of staff retirement benefits	(157,270)	(12,974)
Income tax paid	(461,088)	(136,500)
Net cash flow from operating activities	<u>15,454,752</u>	<u>3,754,837</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in securities	(13,760,031)	(2,590,708)
Dividend received	161,275	78,608
Investments in operating fixed assets	(361,942)	(1,271,350)
Sale proceeds of property and equipment disposed-off	11,252	2,355
Net cash flow used in investing activities	<u>(13,949,446)</u>	<u>(3,781,095)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipt of sub-ordinated loan	499,616	1,500,000
Dividend paid	(777,000)	(1,165,500)
Contribution from minority shares	(20,039)	40,408
Payment of lease obligations	(641)	(23,944)
Net cash flow (used in) / from financing activities	<u>(298,064)</u>	<u>350,964</u>
Net cash flow	1,207,242	324,706
Exchange difference on translation of net investment in foreign branches, subsidiaries and associates	(230,454)	129,851
Increase / (decrease) in cash and cash equivalents during the period	<u>976,788</u>	<u>454,557</u>
Cash and cash equivalents at beginning of the period	48,119,210	35,591,280
Cash and cash equivalents at end of the period	<u>49,095,998</u>	<u>36,045,837</u>

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

  
Atif R. Bokhari  
President and  
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Muhammad Tahsin Khan Iqbal  
Director

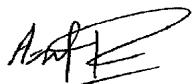
  
Omar Z. Al Askari  
Director

  
Sir Mohammed Anwar Pervez, OBE, HPK  
Deputy Chairman

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED JUNE 30, 2005 (UN-AUDITED)**

	Share Capital	General Reserve	Statutory Reserve	Exchange Translation Reserve	Unappropriated Profit	Total
----- (Rupees in '000) -----						
Balance as at January 1, 2004	5,180,000	3,000	3,212,130	1,497,439	1,619,903	11,512,472
Final cash dividend for year ended December 31, 2003 declared subsequent to year end	-	-	-	-	(1,165,500)	(1,165,500)
Profit after taxation for the half year ended June 30, 2004	-	-	-	-	1,063,346	1,063,346
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	58,908	58,908
Exchange difference on translation of net investment in foreign branches, subsidiaries and associates	-	-	-	129,851	-	129,851
Transfer to statutory reserve	-	-	213,227	-	(213,227)	-
Balance as at June 30, 2004	<u>5,180,000</u>	<u>3,000</u>	<u>3,425,357</u>	<u>1,627,290</u>	<u>1,363,430</u>	<u>11,599,077</u>
Profit after taxation for the half year ended December 31, 2004	-	-	-	-	2,713,449	2,713,449
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	35,305	35,305
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	-	397,719	-	397,719
Transfer to statutory reserve	-	-	527,082	-	(527,082)	-
Balance as at December 31, 2004	<u>5,180,000</u>	<u>3,000</u>	<u>3,952,439</u>	<u>2,025,009</u>	<u>3,585,102</u>	<u>14,745,550</u>
Final cash dividend for year ended December 31, 2004 declared subsequent to year end	-	-	-	-	(777,000)	(777,000)
Profit after taxation for the half year ended June 30, 2005	-	-	-	-	2,153,709	2,153,709
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	47,076	47,076
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	-	(230,454)	-	(230,454)
Transfer to statutory reserve	-	-	416,957	-	(416,957)	-
Balance as at June 30, 2005	<u>5,180,000</u>	<u>3,000</u>	<u>4,369,396</u>	<u>1,794,555</u>	<u>4,591,930</u>	<u>15,938,881</u>

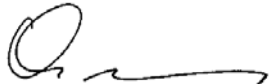
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President and  
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Muhammad Tahsin Khan Iqbal  
Director



Omar Z. Al Askari  
Director



Sir Mohammed Anwar Pervez, OBE, HPk  
Deputy Chairman

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2005 (UN-AUDITED)

**1. THE GROUP AND ITS OPERATIONS**

United Bank Limited is incorporated in Pakistan and engaged in commercial banking and related services in Pakistan and overseas. The Bank as a group comprises of:

**Holding company**

United Bank Limited

**Subsidiary companies**

United National Bank Limited (UNB), United Kingdom

United Bank AG (Zurich), Switzerland

United Executors and Trustees Company Limited

United Bank Financial Services (Private) Limited

United Asset Management Company Limited

The minority interest represents National Bank of Pakistan's 45% share in the net asset value of United National Bank Limited (UNB).

**2. BASIS OF PRESENTATION**

The consolidated financial statements include the financial statements of United Bank Limited and its subsidiaries and associate companies. The financial statements of such subsidiary companies have been consolidated on a line-by-line basis.

Material intra-group balances and transactions have been eliminated.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2005 (UN-AUDITED)**

	June 30, 2005			December 31, 2004			
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total	
----- (Rupees in '000) -----							
<b>4. INVESTMENTS</b>							
Held for trading investments	4.1	7,007,457	1,571,971	8,579,428	1,464,877	1,045,006	2,509,883
Available for sale investments	4.2	33,927,440	1,768,393	35,695,833	19,754,935	1,097,647	20,852,582
Held to maturity investments	4.3	27,483,521	974,420	28,457,941	27,437,163	2,091,533	29,528,696
Investments in associates	4.4	15,491	-	15,491	15,436	-	15,436
		<u>68,433,909</u>	<u>4,314,784</u>	<u>72,748,693</u>	<u>48,672,411</u>	<u>4,234,186</u>	<u>52,906,597</u>
Provision for diminution in the value of investments		(566,667)	-	(566,667)	(540,402)	-	(540,402)
Surplus / (deficit) on revaluation of available for sale investments		144,451	9,353	153,804	341,121	(631)	340,490
Surplus / (deficit) on revaluation of held for trading investments		9,833	(3,014)	6,819	1,069	(25)	1,044
Investments (net of provisions)		<u>68,021,526</u>	<u>4,321,123</u>	<u>72,342,649</u>	<u>48,474,199</u>	<u>4,233,530</u>	<u>52,707,729</u>
<b>4.1 Held for trading investments</b>							
Market Treasury Bills		6,526,575	1,480,269	8,006,844	1,340,956	1,045,006	2,385,962
Term Finance Certificates		-	-	-	122,950	-	122,950
Pakistan Investment Bonds		480,882	91,702	572,584	971	-	971
		<u>7,007,457</u>	<u>1,571,971</u>	<u>8,579,428</u>	<u>1,464,877</u>	<u>1,045,006</u>	<u>2,509,883</u>
<b>4.2 Available for sale investments</b>							
Market Treasury Bills		28,418,111	1,585,797	30,003,908	13,893,796	1,097,647	14,991,443
Pakistan Investment Bonds		2,008,907	182,596	2,191,503	4,072,246	-	4,072,246
Ordinary shares of listed companies		1,382,700	-	1,382,700	758,198	-	758,198
Units of mutual fund		600,000	-	600,000	350,000	-	350,000
Term Finance Certificates		457,176	-	457,176	341,960	-	341,960
Ordinary shares of unlisted companies		303,396	-	303,396	303,392	-	303,392
GOP Islamic Bonds - Sakuk		757,150	-	757,150	-	-	-
Foreign Securities		-	-	-	35,343	-	35,343
		<u>33,927,440</u>	<u>1,768,393</u>	<u>35,695,833</u>	<u>19,754,935</u>	<u>1,097,647</u>	<u>20,852,582</u>
<b>4.3 Held to maturity investments</b>							
Term Finance Certificates		8,117,821	-	8,117,821	8,305,766	-	8,305,766
Government of Pakistan -							
Guaranteed bonds		4,897,549	-	4,897,549	5,699,540	-	5,699,540
CIRC bonds		4,054,883	-	4,054,883	4,054,883	-	4,054,883
Pakistan Investment Bonds		4,911,699	974,420	5,886,119	3,837,791	2,091,533	5,929,324
Foreign currency bonds		2,031,055	-	2,031,055	2,024,073	-	2,024,073
Foreign securities		1,277,771	-	1,277,771	1,679,600	-	1,679,600
Government of Pakistan -							
US \$ / Euro bonds		779,209	-	779,209	1,403,469	-	1,403,469
Debentures		175,150	-	175,150	176,277	-	176,277
CDC SAARC Fund		113,610	-	113,610	124,144	-	124,144
Participation Term Certificates		75,527	-	75,527	77,267	-	77,267
Market Treasury Bills		999,341	-	999,341	-	-	-
Federal Investment Bonds		40,579	-	40,579	45,026	-	45,026
Cumulative preference shares		8,120	-	8,120	8,120	-	8,120
Provincial Government Securities		1,207	-	1,207	1,207	-	1,207
		<u>27,483,521</u>	<u>974,420</u>	<u>28,457,941</u>	<u>27,437,163</u>	<u>2,091,533</u>	<u>29,528,696</u>
<b>4.4 Investments in associates</b>							
Oman United Exchange Company, Muscat		15,491	-	15,491	15,436	-	15,436
		<u>68,433,909</u>	<u>4,314,784</u>	<u>72,748,693</u>	<u>48,672,411</u>	<u>4,234,186</u>	<u>52,906,597</u>
Provision for diminution in the value of investments		(566,667)	-	(566,667)	(540,402)	-	(540,402)
Surplus / (deficit) on revaluation of available for sale investments		144,451	9,353	153,804	341,121	(631)	340,490
Surplus / (deficit) on revaluation of held for trading investments		9,833	(3,014)	6,819	1,069	(25)	1,044
Investments - net of provisions		<u>68,021,526</u>	<u>4,321,123</u>	<u>72,342,649</u>	<u>48,474,199</u>	<u>4,233,530</u>	<u>52,707,729</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2005 (UN-AUDITED)**

	Note	June 30 2005	December 31, 2004
----- (Rupees in '000) -----			
<b>5. ADVANCES</b>			
<b>Loans, cash credits, running finances, etc.</b>			
In Pakistan		146,874,124	125,349,845
Outside Pakistan		26,520,861	23,306,503
		173,394,985	148,656,348
<b>Bills discounted and purchased (excluding government treasury bills)</b>			
Payable in Pakistan		4,837,741	4,158,073
Payable outside Pakistan		10,902,041	10,248,853
		15,739,782	14,406,926
		189,134,767	163,063,274
<b>Financing in respect of carry over transactions</b>		38,708	1,327,542
Provision against non-performing advances - specific	5.1	(15,311,075)	(15,847,345)
- general	5.2	(620,195)	(318,391)
		(15,931,270)	(16,165,736)
		173,242,205	148,225,080

5.1 Advances include Rs. 18,811 million (2004: Rs. 20,541 million) which have been placed under non-performing status as detailed below:-

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
----- (Rupees in '000) -----					
<b>Holding Company</b>					
Other Assets Especially Mentioned	1,333,654	50,951	1,384,605	-	-
Substandard	295,683	35,189	330,872	43,383	43,383
Doubtful	303,495	5,520	309,015	33,600	33,600
Loss	9,139,481	7,231,802	16,371,283	15,022,338	15,022,338
	11,072,313	7,323,462	18,395,775	15,099,321	15,099,321
<b>Subsidiary Companies</b>	-	414,997	414,997	211,754	211,754
	11,072,313	7,738,459	18,810,772	15,311,075	15,311,075

5.2 General provision represents provision amounting to Rs 385.524 million (December 31, 2004: Rs. 104.390 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs. 181.760 million (December 31, 2004: Rs. 156.547 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulating authorities of the respective country.

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

## 6. TAXATION

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

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

The recommendations / basis established by the Committee were duly approved by the Prime Minister of Pakistan and Chairman AJ&K Council. The additional liability arising as a result of above agreement in respect of tax years 2003 and 2004 amounted to Rs. 98.315 million which has been fully provided in these financial statements. Consequent to the agreement, the bank has withdrawn the reference application filed with the High Court of AJK.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2005 (UN-AUDITED)**

	June 30 2005	December 31, 2004
	----- (Rupees in '000) -----	
<b>7. BORROWINGS FROM FINANCIAL INSTITUTIONS</b>		
<b>Secured</b>		
Borrowings from financial institutions	2,704,658	767,830
Borrowings from the State Bank of Pakistan		
- Export Refinance	6,682,907	5,988,377
- Locally Manufactured Machinery	6,396	9,872
	6,689,303	5,998,249
Repurchase agreement borrowings	4,727,473	4,629,607
	14,121,434	11,395,686
<b>Unsecured</b>		
Call Borrowing	200,000	526,260
Overdrawn nostro accounts	330,660	269,303
Others	-	445,787
	530,660	1,241,350
	14,652,094	12,637,036
<b>8. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	70,753,471	45,581,700
Savings deposits	122,803,654	119,884,807
Sundry deposits	4,170,599	3,161,327
Margin deposits	1,752,827	1,218,963
Current accounts - remunerative	331,210	744,493
Current accounts - non-remunerative	75,605,423	66,333,989
	275,417,184	236,925,279
<b>Financial Institutions</b>		
Remunerative deposits	26,822	-
Non-remunerative deposits	120,107	129,161
	146,929	129,161
	275,564,113	237,054,440
<b>9. CONTINGENCIES AND COMMITMENTS</b>		
<b>9.1 Direct credit substitutes</b>		
Contingent liabilities in respect of guarantees given favouring		
Government	1,394,577	896,165
Banking companies and other financial institutions	1,134,568	1,428,103
Others	1,942,400	1,896,441
	4,471,545	4,220,709
<b>9.2 Transaction-related contingent liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
Government	10,334,639	7,477,242
Banking companies and other financial institutions	1,061,723	201,946
Others	2,997,890	4,051,297
	14,394,252	11,730,485
<b>9.3 Trade-related contingent liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring		
Government	226,723	271,468
Banking companies and other financial institutions	1,131,003	216,960
Others	64,180,205	57,029,007
	65,537,931	57,517,435



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2005 (UN-AUDITED)**

	June 30, 2005	December 31, 2004
	----- (Rupees in '000) -----	
<b>9.4 Other contingencies</b>		
Claims against the Bank not acknowledged as debts	<u>6,095,777</u>	<u>6,115,838</u>
<b>9.5 Commitments in respect of forward lending</b>		
Commitments to extend credit	<u>4,098,400</u>	<u>1,651,359</u>
<b>9.6 Commitments in respect of forward foreign exchange contracts</b>		
Sale	<u>43,442,771</u>	<u>24,663,126</u>
Purchase	<u>43,110,668</u>	<u>21,497,190</u>
<b>9.7 Other commitments</b>		
Repo transactions	<u>4,781,738</u>	<u>4,643,873</u>
Capital Commitments	<u>9,707</u>	<u>229,050</u>
Forward sale - Treasury bills	<u>488,504</u>	<u>-</u>
Shares Futures	<u>45,541</u>	<u>122,864</u>

**10. RELATED PARTIES TRANSACTIONS**

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

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

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

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

	June 30, 2005	December 31, 2004
	----- (Rupees in '000) -----	
<b>Advances</b>		
At January 01	2,542,969	1,542,969
Given during the period / year	-	1,000,000
Repaid during the period / year	(500,000)	-
At June 30 / December 31	<u>2,042,969</u>	<u>2,542,969</u>
<b>Deposits</b>		
At January 01	3,388,523	2,062,808
Received during the period / year	17,518,588	30,997,599
Withdrawn during the period / year	(14,568,754)	(29,671,884)
At June 30 / December 31	<u>6,338,357</u>	<u>3,388,523</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2005 (UN-AUDITED)**

	June 30, 2005	December 31, 2004
	----- (Rupees in '000) -----	
Payable to defined benefit plan	<u>1,205,747</u>	<u>1,155,180</u>
Receivable from defined benefit plan	<u>954,911</u>	<u>755,897</u>
Investment made during the period / year	<u>1,500</u>	<u>4,600</u>
Reimbursement of liaison office expenses paid to Abu Dhabi Group and Bestway Group	<u>14,864</u>	<u>31,535</u>
Other	<u>850,000</u>	<u>1,210,000</u>
	<b>Half year ended June 30, 2005</b>	<b>Half year ended June 30, 2004</b>
	(Rupees in '000)	
<b>Income / expenses for the period</b>		
Mark-up / return / interest earned	<u>513,824</u>	<u>14,252</u>
Mark-up / return / interest expensed	<u>180,099</u>	<u>8,355</u>

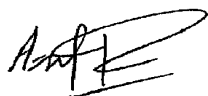
Transactions entered into with directors / executive officers as per their terms of employment are excluded from related party transactions.

**11. DATE OF AUTHORISATION**

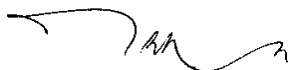
These financial statements were authorised for issue on August 01, 2005 by the Board of Directors of the Bank.

**12. GENERAL**

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



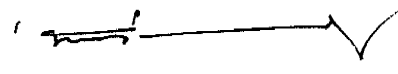
Atif R. Bokhari  
President and  
Chief Executive Officer



Muhammad Tahsin Khan Iqbal  
Director



Omar Z. Al Askari  
Director



Sir Mohammed Anwar Pervez, OBE, HPk  
Deputy Chairman