

A. F. FERGUSON & CO
CHARTERED ACCOUNTANTS
State Life Building No. 1-C
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P. O. Box 4716
Karachi-74000

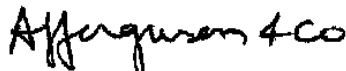
TASEER HADI KHALID & CO
CHARTERED ACCOUNTANTS
Sheikh Sultan Trust Building No. 2
Beaumont Road
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Karachi-75530

REVIEW REPORT TO THE MEMBERS

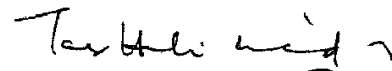
We have reviewed the annexed balance sheet of United Bank Limited as at June 30, 2005, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements'), for the half year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended June 30, 2004 and 2005 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2005. These financial statements incorporate the returns received from overseas branches which have not been reviewed.

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

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



A. F. Ferguson & Co.
Chartered Accountants
Karachi



Taseer Hadi Khalid & Co.
Chartered Accountants
Karachi

Dated: August 01, 2005


BALANCE SHEET AS AT JUNE 30, 2005

	Note	(UNAUDITED) June 30, 2005	(AUDITED) December 31, 2004
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		25,845,450	23,844,435
Balances with other banks		17,187,250	17,699,334
Lendings to financial institutions		17,826,109	18,360,633
Investments	3	74,425,667	54,953,728
Advances	4	169,560,882	144,151,055
Other assets		6,041,677	4,393,852
Operating fixed assets		4,170,585	3,969,006
Taxation recoverable	5	74,956	45,728
Deferred tax asset - net		4,129,977	5,194,892
		319,262,553	272,612,663
LIABILITIES			
Bills payable		5,446,989	3,811,284
Borrowings from financial institutions	6	14,124,220	11,975,684
Deposits and other accounts	7	269,130,356	230,256,627
Sub-ordinated loans		3,999,616	3,500,000
Liabilities against assets subject to finance lease		-	288
Other liabilities		5,923,127	3,513,569
Deferred liabilities		2,257,099	2,191,180
		300,881,407	255,248,632
NET ASSETS			
		18,381,146	17,364,031
REPRESENTED BY:			
Issued, subscribed and paid up capital		5,180,000	5,180,000
Reserves		6,185,214	5,915,928
Unappropriated profit		4,212,342	3,274,439
		15,577,556	14,370,367
Surplus on revaluation of assets - net of tax		2,803,590	2,993,664
		18,381,146	17,364,031
CONTINGENCIES AND COMMITMENTS			
	8		


The annexed notes 1 to 11 form an integral part of these financial statements.



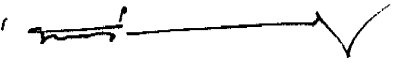
Atif R. Bokhari
President and
Chief Executive Officer



Muhammad Tahsin Khan Iqbal
Director



Omar Z. Al Askari
Director




Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman


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	4,442,094	1,902,089	7,941,497	3,748,284
Mark-up / return / interest expensed	<u>(1,089,583)</u>	<u>(407,068)</u>	<u>(1,849,907)</u>	<u>(758,695)</u>
Net mark-up / return / interest income	3,352,511	1,495,021	6,091,590	2,989,589
Provision against non-performing loans and advances - net	<u>(208,878)</u>	<u>(89,527)</u>	<u>(262,889)</u>	<u>(242,489)</u>
Provision against consumer loans	<u>(191,301)</u>	<u>-</u>	<u>(306,147)</u>	<u>-</u>
Provision for diminution in value of investments	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>-</u>
Bad debts written off directly	<u>-</u>	<u>(334)</u>	<u>-</u>	<u>(44)</u>
	<u>(400,179)</u>	<u>(89,861)</u>	<u>(594,036)</u>	<u>(242,533)</u>
Net mark-up / return / interest income after provisions	2,952,332	1,405,160	5,497,554	2,747,056
NON MARK-UP / RETURN / INTEREST INCOME				
Fee, commission and brokerage income	<u>455,947</u>	<u>426,539</u>	<u>986,124</u>	<u>777,152</u>
Dividend income / gain / (loss) on sale of securities	<u>80,197</u>	<u>97,347</u>	<u>303,376</u>	<u>805,833</u>
Income from dealing in foreign currencies	<u>110,065</u>	<u>129,596</u>	<u>181,396</u>	<u>244,630</u>
Other income	<u>263,110</u>	<u>360,958</u>	<u>447,348</u>	<u>617,533</u>
Total non mark-up / return / interest income	<u>909,319</u>	<u>1,014,440</u>	<u>1,918,244</u>	<u>2,445,148</u>
	3,861,651	2,419,600	7,415,798	5,192,204
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	<u>(1,925,509)</u>	<u>(1,710,983)</u>	<u>(3,610,291)</u>	<u>(3,158,237)</u>
Other provisions / write offs / reversals	<u>(17,612)</u>	<u>(1,794)</u>	<u>(191,405)</u>	<u>(5,560)</u>
Other charges	<u>(2,996)</u>	<u>(5,406)</u>	<u>(2,704)</u>	<u>(5,421)</u>
Total non mark-up / interest expenses	<u>(1,946,117)</u>	<u>(1,718,183)</u>	<u>(3,804,400)</u>	<u>(3,169,218)</u>
PROFIT BEFORE TAXATION	1,915,534	701,417	3,611,398	2,022,986
Taxation - Current - for the period	<u>(298,446)</u>	<u>(71,435)</u>	<u>(312,859)</u>	<u>(125,262)</u>
- Prior	<u>-</u>	<u>(8,474)</u>	<u>(105,888)</u>	<u>(8,474)</u>
- Deferred	<u>(544,446)</u>	<u>(290,259)</u>	<u>(1,107,865)</u>	<u>(823,116)</u>
	<u>(842,892)</u>	<u>(370,168)</u>	<u>(1,526,612)</u>	<u>(956,852)</u>
PROFIT AFTER TAXATION	1,072,642	331,249	2,084,786	1,066,134
Unappropriated profit brought forward	<u>3,332,964</u>	<u>811,716</u>	<u>3,274,439</u>	<u>1,384,490</u>
	4,405,606	1,142,965	5,359,225	2,450,624
Transfer from surplus on revaluation of fixed assets - net of tax	<u>21,264</u>	<u>54,090</u>	<u>47,074</u>	<u>58,908</u>
Profit before appropriations	4,426,870	1,197,055	5,406,299	2,509,532
APPROPRIATIONS				
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)
Unappropriated profit carried forward	<u>4,212,342</u>	<u>1,130,805</u>	<u>4,212,342</u>	<u>1,130,805</u>
	(Rupees)	(Rupees)		
Basic and diluted earnings per share	<u>2.07</u>	<u>0.64</u>	<u>4.02</u>	<u>2.06</u>

The annexed notes 1 to 11 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

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)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	3,611,398	2,022,986
Less: Dividend income	(66,753)	(73,527)
	<u>3,544,645</u>	<u>1,949,459</u>
Adjustments for non-cash charges		
Depreciation	217,032	264,906
Amortisation	-	35
Provision for retirement benefits	24,175	169,237
Provision against non-performing advances	569,036	611,573
Reversal against off balance sheet items	-	(369,084)
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	3	2,223
Provision against other assets	191,405	5,560
Unrealised (gain) / deficit on revaluation of held for trading investment portfolio	(5,775)	293
Bad debts written-off	-	44
	<u>1,018,503</u>	<u>683,725</u>
	4,563,148	2,633,184
(Increase) / decrease in operating assets		
Lendings to financial institutions	534,524	(5,491,814)
Held for trading investments	(6,069,545)	7,890,470
Advances - net	(25,978,863)	(22,810,435)
Others assets	(1,734,439)	47,568
	<u>(33,248,323)</u>	<u>(20,364,211)</u>
Increase / (decrease) in operating liabilities		
Bills payable	1,635,705	(79,519)
Borrowings from financial institutions	2,148,536	7,822,914
Deposits and other accounts	38,873,729	15,252,554
Other liabilities	2,409,558	(752,394)
	<u>45,067,528</u>	<u>22,243,555</u>
	16,382,353	4,512,528
Payments of staff retirement benefits	(157,270)	(32,211)
Income tax paid	(447,278)	(119,189)
Net cash flow from operating activities	<u>15,777,805</u>	<u>4,361,128</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	(13,608,266)	(4,943,684)
Dividend received	160,976	78,528
Investments in operating fixed assets	(427,490)	(464,914)
Sale proceeds of property and equipment disposed-off	11,252	135,855
Net cash flow used in investing activities	<u>(13,863,528)</u>	<u>(5,194,215)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Receipt of sub-ordinated loan	499,616	1,500,000
Dividend paid	(777,000)	(1,165,500)
Payment of lease obligations	(291)	(23,944)
Net cash flow (used in) / from financing activities	<u>(277,675)</u>	<u>310,556</u>
Net cash flow	1,636,602	(522,531)
Exchange difference on translation of net investment in foreign branches, subsidiaries and associates	(147,671)	130,181
Increase / (decrease) in cash and cash equivalents during the period	<u>1,488,931</u>	<u>(392,350)</u>
Cash and cash equivalents at beginning of the period	41,398,848	28,858,206
Effects of exchange rate changes on cash and cash equivalents	144,921	(197,311)
	<u>41,543,769</u>	<u>28,660,895</u>
Cash and cash equivalents at end of the period	<u>43,032,700</u>	<u>28,268,545</u>

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 Atif R. Bokhari
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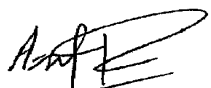

 Omar Z. Al Askari
 Director


 Sir Mohammed Anwar Pervez, OBE, HPK
 Deputy Chairman

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

	Share Capital	Statutory Reserve	Exchange Translation Reserve	Unappropriated Profit	Total
----- (Rupees in '000) -----					
Balance as at January 1, 2004	5,180,000	3,205,472	1,472,845	1,384,490	11,242,807
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	-	-	-	1,066,134	1,066,134
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	-	-	130,181	-	130,181
Transfer to statutory reserve	-	213,227	-	(213,227)	-
Balance as at June 30, 2004	<u>5,180,000</u>	<u>3,418,699</u>	<u>1,603,026</u>	<u>1,130,805</u>	<u>11,332,530</u>
Profit after taxation for the half year ended December 31, 2004	-	-	-	2,635,410	2,635,410
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	35,306	35,306
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	367,121	-	367,121
Transfer to statutory reserve	-	527,082	-	(527,082)	-
Balance as at December 31, 2004	<u>5,180,000</u>	<u>3,945,781</u>	<u>1,970,147</u>	<u>3,274,439</u>	<u>14,370,367</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	-	-	-	2,084,786	2,084,786
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	47,074	47,074
Exchange differences on translation of net investment in foreign branches, subsidiaries and associates	-	-	(147,671)	-	(147,671)
Transfer to statutory reserve	-	416,957	-	(416,957)	-
Balance as at June 30, 2005	<u>5,180,000</u>	<u>4,362,738</u>	<u>1,822,476</u>	<u>4,212,342</u>	<u>15,577,556</u>

The annexed notes 1 to 11 form an integral part of these financial statements.



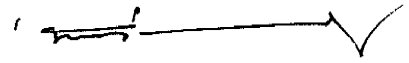
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Director



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Director



Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2005 (UN-AUDITED)
1. STATUS AND NATURE OF BUSINESS

United Bank Limited is incorporated in Pakistan and is engaged in commercial banking and related services. The Bank's registered and principal office is situated in State Life Building No. 1, I. I. Chundrigar Road, Karachi. The Bank operates 1044 branches (December 31, 2004: 1057) in Pakistan and 15 branches (December 31, 2004: 15) outside Pakistan. The Karachi Stock Exchange (Guarantee) Limited had approved the provisional listing and quotation of shares of the bank on May 25, 2005. The bank is proposed to be finally listed by the end of July 2005.

2. 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.

Note	June 30, 2005			December 31, 2004		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total

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

3. INVESTMENTS

Held for trading investments	3.1	7,007,457	1,571,971	8,579,428	1,464,877	1,045,006	2,509,883
Available for sale investments	3.2	33,871,784	1,768,393	35,640,177	19,713,996	1,097,647	20,811,643
Held to maturity investments	3.3	27,363,102	974,420	28,337,522	27,283,474	2,091,533	29,375,007
Investments in associates	3.4	15,491	-	15,491	15,436	-	15,436
Investments in subsidiaries	3.5	2,265,519	-	2,265,519	2,447,122	-	2,447,122
		<u>70,523,353</u>	<u>4,314,784</u>	<u>74,838,137</u>	<u>50,924,905</u>	<u>4,234,186</u>	<u>55,159,091</u>
Provision for diminution in the value of investments		(566,637)	-	(566,637)	(540,402)	-	(540,402)
Surplus / (deficit) on revaluation of available for sale investments		137,995	9,353	147,348	334,626	(631)	333,995
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>70,104,544</u>	<u>4,321,123</u>	<u>74,425,667</u>	<u>50,720,198</u>	<u>4,233,530</u>	<u>54,953,728</u>

3.1 Held for trading investments

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>

3.2 Available for sale investments

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	1,377,073	-	1,377,073	752,602	-	752,602
Units of mutual fund	600,000	-	600,000	350,000	-	350,000
GOP Islamic Bonds	707,121	-	707,121	-	-	-
Term Finance Certificates	457,176	-	457,176	341,960	-	341,960
Ordinary shares of unlisted companies	303,396	-	303,396	303,392	-	303,392
	<u>33,871,784</u>	<u>1,768,393</u>	<u>35,640,177</u>	<u>19,713,996</u>	<u>1,097,647</u>	<u>20,811,643</u>

NOTES TO THE 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) -----

3.3 Held to maturity investments

Term Finance Certificates	8,111,600	-	8,111,600	8,297,548	-	8,297,548
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	1,171,693	-	1,171,693	1,542,249	-	1,542,249
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
Provincial Government Securities	1,207	-	1,207	1,207	-	1,207
	<u>27,363,102</u>	<u>974,420</u>	<u>28,337,522</u>	<u>27,283,474</u>	<u>2,091,533</u>	<u>29,375,007</u>

3.4 Investments in associates

Oman United Exchange Company, Muscat	15,491	-	15,491	15,436	-	15,436
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3.5 Investments in subsidiaries

United National Bank, UK	1,768,454	-	1,768,454	1,889,313	-	1,889,313
United Bank AG Zurich, Switzerland	464,465	-	464,465	525,209	-	525,209
Domestic Subsidiaries	32,600	-	32,600	32,600	-	32,600
	<u>2,265,519</u>	<u>-</u>	<u>2,265,519</u>	<u>2,447,122</u>	<u>-</u>	<u>2,447,122</u>
	<u>70,523,353</u>	<u>4,314,784</u>	<u>74,838,137</u>	<u>50,924,905</u>	<u>4,234,186</u>	<u>55,159,091</u>
Provision for diminution in the value of investments	(566,637)	-	(566,637)	(540,402)	-	(540,402)
Surplus / (deficit) on revaluation of available for sale investments	137,995	9,353	147,348	334,626	(631)	333,995
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>70,104,544</u>	<u>4,321,123</u>	<u>74,425,667</u>	<u>50,720,198</u>	<u>4,233,530</u>	<u>54,953,728</u>

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

	Note	June 30 2005	December 31, 2004
----- (Rupees in '000) -----			
4. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		146,874,124	125,349,845
Outside Pakistan		23,417,382	19,594,673
		<u>170,291,506</u>	<u>144,944,518</u>
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		<u>4,837,741</u>	<u>4,158,073</u>
Payable outside Pakistan		<u>10,059,532</u>	<u>9,603,578</u>
		<u>14,897,273</u>	<u>13,761,651</u>
		185,188,779	158,706,169
Financing in respect of carry over transactions		38,708	1,327,541
Provision against non-performing advances - specific	4.1	<u>(15,099,321)</u>	<u>(15,621,718)</u>
- general	4.2	<u>(567,284)</u>	<u>(260,937)</u>
		<u>(15,666,605)</u>	<u>(15,882,655)</u>
		<u>169,560,882</u>	<u>144,151,055</u>

4.1 Advances include Rs. 18,396 million (2004: Rs. 20,103 million) which have been placed under non-performing status as detailed below:-

Category of classification	Domestic	Overseas	Total	Provision required	Provision held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	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	<u>9,139,481</u>	<u>7,231,802</u>	<u>16,371,283</u>	<u>15,022,338</u>	<u>15,022,338</u>
	<u>11,072,313</u>	<u>7,323,462</u>	<u>18,395,775</u>	<u>15,099,321</u>	<u>15,099,321</u>

4.2 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.

4.3 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.

5. 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 FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2005 (UN-AUDITED)

	June 30 2005	December 31, 2004
	----- (Rupees in '000) -----	
6. BORROWINGS FROM FINANCIAL INSTITUTIONS		
Secured		
Borrowings from financial institutions	2,176,784	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
	13,593,560	11,395,686
Unsecured		
Call Borrowing	200,000	500,000
Overdrawn nostro accounts	330,660	79,998
	530,660	579,998
	14,124,220	11,975,684
7. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	68,281,352	42,971,478
Savings deposits	121,440,531	118,243,902
Sundry deposits	4,079,127	3,161,327
Margin deposits	1,752,827	1,218,963
Current accounts - remunerative	153,680	393,760
Current accounts - non-remunerative	73,275,910	64,150,773
	268,983,427	230,140,203
Financial Institutions		
Remunerative deposits	-	-
Non-remunerative deposits	146,929	116,424
	146,929	116,424
	269,130,356	230,256,627
8. CONTINGENCIES AND COMMITMENTS		
8.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring		
Government	1,303,826	856,437
Banking companies and other financial institutions	1,109,139	1,428,103
Others	1,826,659	1,726,278
	4,239,624	4,010,818
8.2 Transaction-related contingent liabilities		
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
8.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring		
Government	177,162	185,994
Banking companies and other financial institutions	270,192	216,960
Others	63,515,235	55,713,984
	63,962,589	56,116,938

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

	June 30, 2005	December 31, 2004
	----- (Rupees in '000) -----	
8.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>6,095,777</u>	<u>6,115,838</u>
8.5 Commitments in respect of forward lending		
Commitments to extend credit	<u>4,098,400</u>	<u>1,651,359</u>
8.6 Commitments in respect of forward foreign exchange contracts		
Sale	<u>43,442,771</u>	<u>24,618,916</u>
Purchase	<u>43,110,668</u>	<u>21,452,980</u>
8.7 Other commitments		
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>

9. 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) -----	
Advances		
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>
Deposits		
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 FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED JUNE 30, 2005 (UN-AUDITED)

	June 30, 2005	December 31, 2004
	----- (Rupees in '000) -----	
Placements made during the period / year	<u>24,474,079</u>	<u>99,474,467</u>
Placements settled during the period / year	<u>24,474,079</u>	<u>85,857,768</u>
Maximum amount of a placement made during the period / year	<u>1,923,127</u>	<u>2,687,400</u>
Reimbursement of liason office expenses paid to Abu Dhabi Group and Bestway Group	<u>14,864</u>	<u>31,535</u>
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>
Other	<u>850,000</u>	<u>1,210,000</u>
	Half year ended June 30, 2005	Half year ended June 30, 2004
	(Rupees in '000)	
Income / expenses for the period		
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>

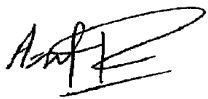
Transactions entered into with directors / executive officers as per their terms of employment are excluded from related party transactions.

10. DATE OF AUTHORISATION

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

11. GENERAL

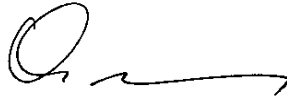
Lendings to financial Institutions amounting to Rs. 2,098.129 million that had been appearing under advances at December 31, 2004 have been reclassified from advances to lendings to financial institutions.



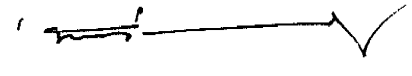
Atif R. Bokhari
President and
Chief Executive Officer



Muhammad Tahsin Khan Iqbal
Director



Omar Z. Al Askari
Director



Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman