

UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET AS AT JUNE 30, 2008

	<i>Note</i>	(Un audited) June 30 2008	(Audited) December 31 2007
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		75,251,824	57,526,451
Balances with other banks		13,134,646	4,191,128
Lendings to financial institutions		16,524,309	24,781,723
Investments	7	112,591,991	115,585,646
Advances	8	328,551,347	299,354,736
Fixed assets		17,655,274	16,918,844
Other assets		12,305,786	11,925,428
		576,015,177	530,283,956
LIABILITIES			
Bills payable		5,101,111	6,079,341
Borrowings	9	33,681,345	59,103,350
Deposits and other accounts	10	465,534,964	401,637,816
Sub-ordinated loans	11	11,995,872	5,996,696
Liabilities against assets subject to finance lease		-	-
Deferred tax liability - net		847,499	2,232,344
Other liabilities		14,234,366	12,813,005
		531,395,157	487,862,552
NET ASSETS		44,620,020	42,421,404
REPRESENTED BY			
Share capital	12	10,117,188	8,093,750
Reserves		12,819,998	10,261,958
Unappropriated profit		15,837,789	15,653,703
		38,774,975	34,009,411
Surplus on revaluation of assets - net	13	5,845,045	8,411,993
		44,620,020	42,421,404
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

Atif R. Bokhari
President &
Chief Executive Officer

Dr. Ashfaqe Hasan Khan
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPI
Deputy Chairman

UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER & HALF YEAR ENDED JUNE 30, 2008

	Note	Apr - Jun 2008	Apr - Jun 2007	Jan - Jun 2008	Jan - Jun 2007
(Rupees in '000)					
Mark-up / return / interest earned	15	12,013,167	10,084,442	23,169,825	19,731,423
Mark-up / return / interest expensed	16	(5,192,551)	(4,022,828)	(9,954,021)	(7,830,496)
Net mark-up / return / interest income		6,820,616	6,061,614	13,215,804	11,900,927
Provision against non-performing loans and advances - net		(1,065,776)	(167,100)	(1,954,373)	(312,276)
General provision against consumer loans		63,908	(47,539)	87,729	(96,964)
Provision for diminution in value of investments		-	(6,750)	-	(13,500)
Bad debts written off directly		(346,459)	(164,819)	(677,366)	(319,045)
		(1,348,327)	(386,208)	(2,544,010)	(741,785)
Net mark-up / return / interest income after provisions		5,472,289	5,675,406	10,671,794	11,159,142
Non mark-up / return / interest income					
Fee, commission and brokerage income		1,601,105	1,345,913	3,051,470	2,498,177
Dividend income		218,727	209,695	246,210	339,456
Income from dealing in foreign currencies		477,813	196,129	727,554	423,394
Unrealised gain / (loss) on revaluation of trading securities		3,909	(13,001)	(1,202)	(3,435)
Other income	17	759,954	416,894	2,010,380	956,670
Total non mark-up / return / interest income		3,061,508	2,155,630	6,034,412	4,214,262
		8,533,797	7,831,036	16,706,206	15,373,404
Non mark-up / interest expenses					
Administrative expenses	18	(3,936,055)	(3,355,426)	(7,431,873)	(6,270,894)
Other provisions / write offs / reversals		(137,823)	(76,395)	(194,526)	(128,617)
Other charges		(3,121)	(610)	(182,272)	(1,119)
Total non mark-up / interest expenses		(4,076,999)	(3,432,431)	(7,808,671)	(6,400,630)
Profit before taxation		4,456,798	4,398,605	8,897,535	8,972,774
Taxation					
- Current - for the period	19	(1,805,755)	(1,526,591)	(3,641,566)	(3,154,908)
- Prior		(44,986)	(438,569)	(44,986)	(438,569)
- Deferred		86,915	117,324	382,529	251,670
		(1,763,826)	(1,847,836)	(3,304,023)	(3,341,807)
Profit after taxation		2,692,972	2,550,769	5,593,512	5,630,967
Unappropriated profit brought forward		13,602,992	11,356,441	15,653,703	12,429,853
		16,295,964	13,907,210	21,247,215	18,060,820
Transfer from surplus on revaluation of fixed assets - net of tax		80,420	23,613	160,840	47,227
Profit before appropriations		16,376,384	13,930,823	21,408,055	18,108,047
Appropriations					
Transfer to statutory reserve		(538,595)	(510,220)	(1,118,703)	(1,126,194)
Final cash dividend for the year ended December 31, 2007 and December 31, 2006 declared in 2008 and 2007 respectively		-	-	(2,428,125)	(1,942,500)
Transfer to reserve for issue of bonus shares		-	-	(2,023,438)	(1,618,750)
		(538,595)	(510,220)	(5,570,266)	(4,687,444)
Unappropriated profit carried forward		15,837,789	13,420,603	15,837,789	13,420,603
(Rupees)					
Basic / diluted earnings per share		2.66	2.52	5.53	5.57

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2008

	Half year ended June 30, 2008	Half year ended June 30, 2007
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	8,897,535	8,972,774
Less: Dividend income	(246,210)	(339,457)
	<u>8,651,325</u>	<u>8,633,317</u>
Adjustments:		
Depreciation	712,386	349,737
Provision for retirement benefits	(48,367)	74,625
Provision against loans and advances	1,866,644	409,240
Provision for diminution in value of investments	-	13,500
Gain on sale of fixed assets	(1,267)	(32,720)
Bad debts written-off directly	677,366	319,045
Unrealized loss on revaluation of investments classified as held for trading	1,202	3,435
Provision against other assets	194,526	6,064
	<u>3,402,490</u>	<u>1,142,926</u>
	12,053,815	9,776,243
(Increase)/ Decrease in operating assets		
Lendings to financial institutions	8,257,414	(5,206,275)
Held-for-trading securities	(822,372)	(2,331,213)
Advances	(31,740,621)	(33,199,132)
Other assets (excluding advance taxation and dividend receivable)	(819,223)	(468,898)
	<u>(25,124,802)</u>	<u>(41,205,518)</u>
Increase/ (Decrease) in operating liabilities		
Bills payable	(978,230)	(351,584)
Borrowings	(25,422,005)	996,957
Deposits and other accounts	63,897,148	67,905,168
Other liabilities (excluding current taxation)	(8,607)	946,637
	<u>37,488,306</u>	<u>69,497,178</u>
	24,417,319	38,067,903
Staff retirement benefits received from the funds	166,071	1,021,735
Income tax paid	(2,136,071)	(527,744)
Net cash flows from operating activities	<u>22,447,319</u>	<u>38,561,894</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in securities	416,441	(37,278,039)
Dividend income received	244,907	338,352
Investment in fixed assets	(1,480,382)	(1,143,815)
Proceeds from disposal of property and equipment	30,218	168,535
Net cash flows on investing activities	<u>(788,816)</u>	<u>(37,914,967)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipt of sub-ordinated loan	5,999,176	(440)
Dividends paid	(2,428,125)	(1,942,500)
Net cash flows from financing activities	<u>3,571,051</u>	<u>(1,942,940)</u>
Net cash flows	25,229,554	(1,296,013)
Exchange difference on translation of net investment in foreign branches	1,439,337	(52,827)
Increase / (decrease) in cash and cash equivalents	<u>26,668,891</u>	<u>(1,348,840)</u>
Cash and cash equivalents at beginning of the period	61,717,579	62,974,316
Cash and cash equivalents at end of the period	<u>88,386,470</u>	<u>61,625,476</u>

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2008

	Capital Reserves				Unappropriated Profit	Total
	Share Capital	Statutory Reserve	Exchange Translation Reserve	Reserve for Issue of Bonus Shares		
	------(Rupees in '000)-----					
Balance as at December 31, 2006	6,475,000	7,029,233	1,269,640	-	12,429,853	27,203,726
Final cash dividend for the year ended December 31, 2006 declared subsequent to year end @ Rs. 3 per share	-	-	-	-	(1,942,500)	(1,942,500)
Transfer to reserve for issue of bonus shares	-	-	-	1,618,750	(1,618,750)	-
Issue of bonus shares	1,618,750	-	-	(1,618,750)	-	-
Changes in equity during the half year ended June 30, 2007						
Profit after taxation for the half year ended June 30, 2007	-	-	-	-	5,630,967	5,630,967
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	47,227	47,227
Exchange difference on translation of net investment in foreign branches	-	-	(52,827)	-	-	(52,827)
Net expense and income recognised directly in equity	-	-	(52,827)	-	47,227	(5,600)
Total recognised income and expense for the period	-	-	(52,827)	-	5,678,194	5,625,367
Transfer to statutory reserve	-	1,126,194	-	-	(1,126,194)	-
Balance as at June 30, 2007	8,093,750	8,155,427	1,216,813	-	13,420,603	30,886,593
Changes in equity for the half year ended December 31, 2007						
Profit after taxation for half year ended December 31, 2007	-	-	-	-	2,771,623	2,771,623
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	15,801	15,801
Exchange difference on translation of net investment in foreign branches	-	-	335,394	-	-	335,394
Net income recognised directly in equity	-	-	335,394	-	15,801	351,195
Total recognised income and expense for the period	-	-	335,394	-	2,787,424	3,122,818
Transfer to statutory reserve	-	554,324	-	-	(554,324)	-
Balance as at December 31, 2007	8,093,750	8,709,751	1,552,207	-	15,653,703	34,009,411
Final cash dividend for the year ended December 31, 2007 declared subsequent to year end @ Rs. 3 per share	-	-	-	-	(2,428,125)	(2,428,125)
Transfer to reserve for issue of bonus shares	-	-	-	2,023,438	(2,023,438)	-
Issue of bonus shares	2,023,438	-	-	(2,023,438)	-	-
Changes in equity during the half year ended June 30, 2008						
Profit after taxation for the half year ended June 30, 2008	-	-	-	-	5,593,512	5,593,512
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	160,840	160,840
Exchange difference on translation of net investment in foreign branches	-	-	1,439,337	-	-	1,439,337
Net income recognised directly in equity	-	-	1,439,337	-	160,840	1,600,177
Total recognised income and expense for the period	-	-	1,439,337	-	5,754,352	7,193,689
Transfer to statutory reserve	-	1,118,703	-	-	(1,118,703)	-
Balance as at June 30, 2008	10,117,188	9,828,454	2,991,544	-	15,837,789	38,774,975

The annexed notes 1 to 23 form an integral part of these unconsolidated condensed interim financial statements.

Atif R. Bokhari
President &
Chief Executive Officer

Dr. Ashfaq Hasan Khan
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

1. STATUS AND NATURE OF BUSINESS

United Bank Limited is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all the three stock exchanges in Pakistan. The bank's registered and principal office is situated in State Life Building No.1, I.I. Chundrigar Road, Karachi. The Bank operates 1,083 (December 31,2007:1078) branches inside Pakistan including the Karachi Export Processing Zone Branch and 17 (December 31, 2007:17) branches outside Pakistan as at June 30, 2008. The domestic branch network include 5 (December 31,2007:5) Islamic Banking branches.

During 2007, the Bank was admitted to the official list of the UK Listing Authority and London Stock Exchange Professional Securities Market for trading of GDRs issued by the bank. These GDRs are also eligible for trading on the International Order Book System of the London Stock Exchange. Further, the GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S. Trading in the GDRs on the London Stock Exchange commenced on June 29, 2007.

2. BASIS OF PRESENTATION

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

The financial results of the Islamic banking branches of the Bank have been consolidated in these unconsolidated condensed interim financial statements for reporting purposes, after eliminating intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 22 to these unconsolidated condensed interim financial statements.

The disclosures made in these unconsolidated 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 unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2007.

3. STATEMENT OF COMPLIANCE

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

3A. NON-ADJUSTING EVENT

The Board of Directors in its meeting held on July 25, 2008 has announced cash dividend in respect of the half year ended June 30, 2008 of Rs.1.5 per share (June 30, 2007: Nil).These unconsolidated condensed interim financial information for the period ended June 30, 2008 do not include the effect of this appropriation which will be accounted for subsequent to the period end.

4. ESTIMATES

The preparation of interim financial statements requires management to make judgement, 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 financial statements for the year ended December 31, 2007.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2007.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the bank for the year ended December 31, 2007.

7. INVESTMENTS

	June 30, 2008			December 31, 2007			
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total	
Rupees in '000							
7.1 Held-for-trading securities	7.2.1	1,092,304	-	1,092,304	269,932	-	269,932
Available-for-sale securities	7.2.2	69,702,159	12,410,440	82,112,599	46,144,808	29,426,386	75,571,194
Held-to-maturity securities	7.2.3	27,010,639	1,367,940	28,378,579	32,227,632	-	32,227,632
Investment in Associates	7.2.4	2,915,398	-	2,915,398	6,047,627	-	6,047,627
Investment in Subsidiaries	7.2.5	2,201,948	-	2,201,948	2,201,948	-	2,201,948
Provision for Diminution in value of investments		(327,755)	-	(327,755)	(351,191)	-	(351,191)
Deficit on revaluation of available for sale investments		(3,591,213)	(188,667)	(3,779,880)	(324,632)	(41,109)	(365,741)
Deficit on revaluation of held for trading investments		(1,202)	-	(1,202)	(15,755)	-	(15,755)
Investments (net of provisions)		99,002,278	13,589,713	112,591,991	86,200,369	29,385,277	115,585,646

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2008

7.2 Investments by types	June 30, 2008			December 31, 2007		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	(Rupees in '000)					
7.2.1 Held for trading securities						
Market treasury bills	992,266	-	992,266	-	-	-
Ordinary shares of listed companies	100,038	-	100,038	269,932	-	269,932
	1,092,304	-	1,092,304	269,932	-	269,932
7.2.2 Available for sale securities						
Market Treasury Bills	33,070,532	11,500,189	44,570,721	19,510,171	27,889,798	47,399,969
Pakistan Investment Bonds	16,110,939	910,251	17,021,190	15,337,793	1,536,588	16,874,381
Ordinary shares of listed companies	5,588,297	-	5,588,297	3,180,028	-	3,180,028
Government of Pakistan Islamic Bonds	1,033,966	-	1,033,966	1,123,894	-	1,123,894
Term Finance Certificates	471,559	-	471,559	644,122	-	644,122
Foreign currency bonds	10,380,466	-	10,380,466	3,475,078	-	3,475,078
Ordinary shares of unlisted companies	441,238	-	441,238	441,106	-	441,106
Euro Bonds	2,393,579	-	2,393,579	2,170,415	-	2,170,415
Units of mutual funds	211,583	-	211,583	262,201	-	262,201
	69,702,159	12,410,440	82,112,599	46,144,808	29,426,386	75,571,194
7.2.3 Held to maturity securities						
Term Finance Certificates	5,467,003	-	5,467,003	6,341,257	-	6,341,257
Market Treasury Bills	8,497,631	-	8,497,631	12,883,608	-	12,883,608
Pakistan Investment Bonds	4,517,132	-	4,517,132	4,521,049	-	4,521,049
CIRC Bonds	2,900,000	-	2,900,000	2,900,000	-	2,900,000
Government of Pakistan - Guaranteed Bonds	1,485,444	-	1,485,444	1,433,444	-	1,433,444
Foreign currency bonds	1,164,736	-	1,164,736	1,055,801	-	1,055,801
Sukuk Bonds	1,104,997	-	1,104,997	685,000	-	685,000
Foreign securities	285,204	1,367,940	1,653,144	1,498,797	-	1,498,797
Certificates of Deposit	1,537,034	-	1,537,034	853,146	-	853,146
Debentures	7,285	-	7,285	8,300	-	8,300
Participation Term Certificates	43,831	-	43,831	46,920	-	46,920
CDC SAARC Fund	342	-	342	310	-	310
	27,010,639	1,367,940	28,378,579	32,227,632	-	32,227,632
7.2.4 Associates						
United Islamic Income Fund	250,000	-	250,000	250,000	-	250,000
United Stock Advantage Fund	250,000	-	250,000	250,000	-	250,000
United Composite Islamic Fund	523,048	-	523,048	550,000	-	550,000
United Money Market Fund	1,470,294	-	1,470,294	3,150,646	-	3,150,646
United Growth and Income Fund	250,000	-	250,000	1,750,000	-	1,750,000
UBL Insurers Limited	90,000	-	90,000	90,000	-	90,000
United Capital Protected Fund	75,075	-	75,075	-	-	-
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
	2,915,398	-	2,915,398	6,047,627	-	6,047,627
7.2.5 Subsidiaries						
United National Bank, UK	1,482,011	-	1,482,011	1,482,011	-	1,482,011
United Bank AG Zurich, Switzerland	589,837	-	589,837	589,837	-	589,837
Domestic subsidiaries						
United Executors and Trustees Company Limited	30,100	-	30,100	30,100	-	30,100
UBL Fund Managers Limited	100,000	-	100,000	100,000	-	100,000
	2,201,948	-	2,201,948	2,201,948	-	2,201,948
	102,922,448	13,778,380	116,700,828	86,891,947	29,426,386	116,318,333
Provision for diminution in value of investments	(327,755)	-	(327,755)	(351,191)	-	(351,191)
Investments (net of provisions)	102,594,693	13,778,380	116,373,073	86,540,756	29,426,386	115,967,142
Deficit on revaluation of available for sale securities	(3,591,213)	(188,667)	(3,779,880)	(324,632)	(41,109)	(365,741)
Deficit on revaluation of held for trading securities	(1,202)	-	(1,202)	(15,755)	-	(15,755)
Total investments	99,002,278	13,589,713	112,591,991	86,200,369	29,385,277	115,585,646

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2008

		June 30 2008	December 31 2007
		(Rupees in '000)	
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		256,355,537	240,420,608
Outside Pakistan		70,097,853	63,322,400
		<u>326,453,390</u>	<u>303,743,008</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		7,497,747	6,046,767
Payable outside Pakistan		5,353,286	4,316,532
		<u>12,851,033</u>	<u>10,363,299</u>
		<u>339,304,423</u>	<u>314,106,307</u>
Finance in respect of continuous funding system (CFS)		7,271,251	2,631,139
		<u>346,575,674</u>	<u>316,737,446</u>
Provision for non-performing advances	- specific	8.1	(16,727,001)
	- general	8.2	(1,352,028)
		<u>328,551,347</u>	<u>299,354,736</u>

8.1 Advances include Rs. 22,793 million (December 31, 2007 : 22,012 million) which have been placed under non-performing status as detailed below:-

Category of Classification	June 30, 2008		Provision Required	Provision Held
	Domestic	Overseas		
(Rupees in '000)				
Other Assets Especially Mentioned	900,933	-	-	-
Substandard	5,029,036	14,852	1,214,610	1,214,610
Doubtful	2,340,900	104,532	1,184,531	1,184,531
Loss	11,375,839	3,026,664	14,327,860	14,327,860
	<u>19,646,708</u>	<u>3,146,048</u>	<u>16,727,001</u>	<u>16,727,001</u>

Category of Classification	December 31, 2007		Provision Required	Provision Held
	Domestic	Overseas		
(Rupees in '000)				
Other Assets Especially Mentioned	631,953	-	-	-
Substandard	4,670,464	301,045	1,136,845	1,136,845
Doubtful	2,756,266	3,866	1,337,843	1,337,843
Loss	10,446,102	3,202,715	13,555,994	13,555,994
	<u>18,504,785</u>	<u>3,507,626</u>	<u>16,030,682</u>	<u>16,030,682</u>

8.2 General provision represents provision amounting to Rs 1,209.445 million (December 31, 2007: Rs.1,296.496 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs.87.881 million (December 31, 2007: Rs. 55.532 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulating authorities of the respective countries in which the overseas branches operate.

		June 30 2008	December 31 2007
		(Rupees in '000)	
9. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan under			
- Export refinance scheme		7,646,985	6,708,853
- Long term finance under export oriented projects		4,510,329	4,945,514
- Locally manufactured machinery refinance scheme		1,082	1,620
		<u>12,158,396</u>	<u>11,655,987</u>
Repurchase agreement borrowings		13,242,283	32,269,543
		<u>25,400,679</u>	<u>43,925,530</u>
Unsecured			
Borrowings from other Central Banks	9.1	4,103,651	-
Call borrowings		2,692,536	13,607,326
Overdrawn nostro accounts		1,118,932	912,190
Trading liabilities		365,547	658,304
		<u>33,681,345</u>	<u>59,103,350</u>

9.1 This represents borrowings from Central Bank of the UAE carrying interest at the rate of 2.7% maturing by July 7, 2008.

10. DEPOSITS AND OTHER ACCOUNTS
Customers

Fixed deposits		163,369,266	127,317,589
Savings deposits		160,676,230	153,001,867
Sundry Deposits		6,000,581	4,645,873
Margin Deposits		3,633,933	2,746,824
Current Accounts - Remunerative		1,810,825	5,641,419
Current Accounts - Non-remunerative		128,387,737	108,116,175
		<u>463,878,572</u>	<u>401,469,747</u>

Financial Institutions

Remunerative deposits		1,617,724	143,603
Non-remunerative deposits		38,668	24,466
		<u>1,656,392</u>	<u>168,069</u>
		<u>465,534,964</u>	<u>401,637,816</u>

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2008
11. SUBORDINATED DEBT

In February 2008, the Bank issued listed, rated and unsecured 4th Term Finance Certificates of Rs. 6,000 million having a tenor of 10 years. The principal is redeemable semi-annually and interest is payable at KIBOR+0.85% per annum for the first 5 years and KIBOR+1.35% for the remaining term. The liability of the Bank is sub-ordinated as to the repayment of principal and profit to all other indebtedness of the Bank (including deposits). The Bank has the right to exercise the call option after a period of 5 years.

12. SHARE CAPITAL

The Bank in its 49th Annual General Meeting resolved to increase its authorized capital from Rs. 10.2 billion to Rs. 20 billion.

13. SURPLUS ON REVALUATION OF ASSETS

Surplus arising on revaluation of assets - net of tax:
Fixed assets
Securities

	June 30, 2008	December 31, 2007
	(Rupees in '000)	
	8,480,505	8,641,370
13.1	<u>(2,635,460)</u>	<u>(229,377)</u>
	<u>5,845,045</u>	<u>8,411,993</u>

13.1 (Deficit) / surplus on revaluation on available-for-sale securities

Market Treasury Bills
Pakistan Investment Bonds
Quoted Securities (Shares, Listed TFCs, Mutual funds)
Overseas securities

(184,094)	(70,202)
(1,927,936)	(105,316)
(1,082,585)	22,209
(585,265)	(212,432)
(3,779,880)	(365,741)
1,144,420	136,364
<u>(2,635,460)</u>	<u>(229,377)</u>

Related deferred tax asset

14. CONTINGENCIES AND COMMITMENTS
14.1 Direct Credit Substitutes

Contingent liabilities in respect of guarantees given favouring:

Government
Banking companies and other financial institutions
Others

9,991,697	5,509,109
4,204,659	3,939,226
6,644,613	5,687,068
<u>20,840,969</u>	<u>15,135,403</u>

14.2 Transaction-related Contingent Liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring

Government
Banking companies and other financial institutions
Others

54,725,448	43,946,035
3,226,549	3,031,393
15,137,449	13,992,900
<u>73,089,446</u>	<u>60,970,328</u>

14.3 Trade-related Contingent Liabilities

Contingent liabilities in respect of letters of credit opened favouring:

Government
Banking companies and other financial institutions
Others

59,746,302	60,431,464
12,958,583	-
88,510,460	88,054,726
<u>161,215,345</u>	<u>148,486,190</u>

14.4 Other Contingencies

Claims against the bank not acknowledged as debts

<u>17,827,377</u>	<u>17,733,578</u>
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14.5 Commitments in respect of forward lending

The bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

14.6 Other commitments

Forward sale contracts of government securities

40,500	-
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Interest rate swaps

14,633,589	3,960,485
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Cross currency swaps

14,437,528	9,948,001
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Equity futures

13,377	-
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Forward rate agreements

2,550,000	-
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Sales of securities not yet purchased

364,484	657,226
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Commitments in respect of capital expenditure

<u>775,461</u>	<u>128,328</u>
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14.7 Commitments in respect of forward exchange contracts

Sale

81,902,804	85,401,033
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Purchase

<u>81,482,067</u>	<u>80,877,278</u>
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NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2008

	Jan - Jun 2008	Jan - Jun 2007
	(Rupees in '000)	
15. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances		
- Customers	17,527,040	14,722,128
- Financial institutions	317,449	381,020
	17,844,489	15,103,148
On investments in		
- Securities	4,372,665	3,540,590
- Associates	637	13,666
	4,373,302	3,554,256
On deposits with financial institutions	231,506	409,477
On securities purchased under resale agreements	711,522	656,484
Discount income	9,006	8,058
	<u>23,169,825</u>	<u>19,731,423</u>
16. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	7,286,198	6,133,181
On securities sold under repurchase agreements	1,239,423	674,026
On other short - term borrowings	715,039	681,090
On other long - term borrowings	612,177	297,402
Discount expense	101,184	44,797
	<u>9,954,021</u>	<u>7,830,496</u>
17. OTHER INCOME		
Other income includes a sum of Rs. 963.1 million (June 30, 2007:Rs.21.8 million) in respect of income from derivatives.		
18. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	3,469,680	3,007,439
Outsourced service charges including sales commission	783,073	683,211
Contribution to retirement benefit plan	(112,110)	59,627
Charge for compensated absences	63,743	70,126
Rent, taxes, insurance, electricity etc.	757,658	549,671
Communications	297,843	250,858
Advertisement and publicity	128,147	236,017
Depreciation	712,386	349,736
Stationery and printing	128,683	128,441
Banking service charge	190,807	184,615
Legal and professional charges	102,656	193,126
Cash transportation charges	99,162	78,712
Travelling	67,310	83,541
Repairs and maintenance	105,483	89,409
Donations	2,327	7,956
Insurance expense	46,180	35,095
Vehicle expenses	52,654	42,799
Office running expenses	50,535	37,669
Entertainment	41,714	31,517
Cartage, freight and conveyance	31,526	25,905
Training and seminar	23,326	50,503
Auditors' remuneration	15,226	13,185
Subscriptions	16,083	12,984
Workers welfare fund	202,673	-
Brokerage expenses	12,187	9,178
Miscellaneous expenses	142,921	39,574
	<u>7,431,873</u>	<u>6,270,894</u>
19. TAXATION		

The income tax assessments of the bank for domestic branches till the assessment year 2002-2003 (financial year ended December 31, 2001) have been finalized under normal law and as per the provisions of Repealed Income Tax Ordinance, 1979. The returns for the Tax Years 2003 to 2007 (financial years ended December 31, 2002 to 2006) were filed under the provisions of section 114 of the Income Tax Ordinance, 2001 (Ordinance) and are deemed to be assessed under section 120(1) of the said Ordinance, unless amended by the Commissioner of Income Tax.

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2008

The return for the tax year 2003 was selected for audit under section 177 of the Ordinance and the amended assessment order has been passed on the basis of audit observations by adding / disallowing certain expenses / deductions resulting in an additional tax liability of Rs 406 million. Notwithstanding the challenging of the assessment in appeal before the Appellate Commissioner, on the grounds that the additions are arbitrary and uncalled for, the management has, on account of prudence, decided to create the provision against the above amount in the financial statements for the year ended December 31, 2007. The appeal against the said order has been heard by the Appellate Commissioner and the order is awaited.

For the tax years 2005, 2006 and 2007 taxation authorities have initiated proceedings u/s. 122 (5A) read with the section 122(9) of the Ordinance. The proceedings have been joined and the required information is being provided. No order has been passed yet. The management is of the view that there may not arise any material tax liability once these cases attain finality.

In respect of Azad Kashmir Branches for the tax years 2005, 2006 and 2007 (financial years ended December 31, 2004, 2005 and 2006) returns 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 which were agreed in May 2005. The returns so filed qualify as deemed assessment orders.

20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the Period Ended June 30, 2008			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	(Rupees in '000)			
Total income - gross	602,597	6,671,587	13,848,280	8,081,773
Total expenses	(82,184)	(5,491,785)	(9,273,279)	(5,459,454)
Net income / (loss)	520,413	1,179,802	4,575,001	2,622,319
Segment return on assets (ROA) (%)	10.00%	7.30%	11.10%	10.70%
Segment cost of funds (%)	9.70%	7.20%	8.40%	8.50%

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

	As at June 30, 2008			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	(Rupees in '000)			
Segment assets (gross of NPL provisions)	6,802,062	189,055,806	180,962,004	215,922,306
Segment non performing loans (NPL)	-	-	15,845,173	6,947,583
Segment provision required against NPL	-	-	11,709,398	5,017,603
Segment liabilities	5,973,494	177,979,226	163,101,537	184,340,900

	As at December 31, 2007			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	(Rupees in '000)			
Segment assets (gross of NPL provisions)	5,720,519	172,758,380	163,827,587	204,008,152
Segment non performing loans (NPL)	-	-	18,483,044	3,529,367
Segment provision required against NPL	-	-	14,368,974	1,661,708
Segment liabilities	4,097,169	169,590,306	141,564,544	172,610,533

21. RELATED PARTY TRANSACTIONS

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

The Bank enters into transactions with the related parties in the normal course of business.

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

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2008
21.1 RELATED PARTY TRANSACTIONS

	For the half year ended June 30, 2008				For the year ended December 31, 2007			
	Key management personnel	Subsidiaries	Associates	Other related parties	Key management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)								
Advances								
At January 01	92,581	-	-	-	105,637	-	565	1,000,000
Given during the year	60,681	785,489	-	-	46,002	978,224	-	-
Repaid during the year	(21,995)	(785,489)	-	-	(59,058)	(978,224)	(565)	(1,000,000)
At June 30 2008	131,267	-	-	-	92,581	-	-	-
Deposits								
At January 01	15,340	4,049	231,886	5,865,116	14,337	5,659	11,226	6,160,983
Received during the year	338,173	121,776,678	20,236,252	290,464	294,791	301,007,108	48,419,004	2,432,626
Withdrawn during the year	(332,640)	(121,776,842)	(20,359,940)	(2,707,222)	(293,788)	(301,008,718)	(48,198,344)	(2,728,493)
At June 30 2008	20,873	3,885	108,198	3,448,358	15,340	4,049	231,886	5,865,116
Outstanding placement at the end of the year	-	351,935	-	-	-	319,019	-	-
Outstanding borrowing at the end of the period / year	-	266,929	-	-	-	-	-	-
Payable in respect of acquisition of investment in equity shares	-	30,000	-	-	-	30,000	-	-
Distribution commission receivable	-	4,978	-	-	-	7,136	-	-
Other receivable	-	630	-	-	-	122	37,954	-
Employee Motivation & Retention Scheme payable	-	-	-	185,862	-	-	-	263,181
(Rupees in '000)								
	For the half year ended June 30, 2008				For the half year ended June 30, 2007			
	Key management personnel	Subsidiaries	Associates	Other related parties	Key management personnel	Subsidiaries	Associates	Other related parties
(Rupees in '000)								
Mark-up / return / interest earned	1,704	363	-	-	1,918	23,050	542	18,908
Mark-up / return / interest expensed	39	1,059	47,275	52,281	18	1,602	-	107,191
Reimbursement of liaison office expenses paid to Bestway and Abu Dhabi Group	-	-	-	19,325	-	-	-	18,218
Dividend income received	-	49,578	-	-	-	196,888	-	-
Other expenses paid	-	-	112,778	-	-	2,586	13,250	-
Other Income	-	-	962	-	-	-	-	-
Insurance Premium	-	-	94,389	-	-	-	-	-
Remuneration paid	181,134	-	-	-	150,669	-	-	-
Post employment benefits	5,558	-	-	-	4,986	-	-	-
Contribution to defined contribution plan	-	-	-	126,172	-	-	-	59,298
Contribution to defined benefit plan	-	-	-	176,439	-	-	-	649,172
Employee Motivation & Retention scheme paid	-	-	-	230,000	-	-	-	131,592
Distribution Commission Income	-	1,138	-	-	-	2,278	-	-
Distribution Commission Expense	-	3,511	-	-	-	2,229	-	-
Reimbursable Expense Incurred	-	2,767	-	-	-	20	-	-
Placements made during the period	-	363,099	-	-	-	6,296,031	-	-
Placements settled during the period	-	330,182	-	-	-	6,050,383	-	-
Maximum amount of a placement made during the year	-	157,916	-	-	-	970,644	-	-
Borrowing made during the period	-	1,220,746	-	-	-	-	-	-
Borrowing settled during the period	-	953,817	-	-	-	-	-	-
Maximum amount of borrowing made during the period	-	346,800	-	-	-	-	-	-
Investment made during the period	-	-	2,159,500	-	-	543,600	5,600,000	-
Redemption made during the period	-	-	5,273,039	-	-	-	2,069,391	-
Bonus Units received	-	-	49,578	-	-	-	-	-

NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED JUNE 30, 2008
22. ISLAMIC BANKING BUSINESS

The balance sheet of the bank's Islamic Banking Branches at June 30, 2008 is as follows:

	June 30 2008	December 31 2007
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	328,922	307,448
Lendings to financial institutions	-	300,000
Investments	874,711	587,206
Advances	500,075	339,477
Operating fixed assets	804,662	401,909
Other assets	156,352	118,323
Total Assets	2,664,722	2,054,363
LIABILITIES		
Bills payable	15,895	17,565
Deposits and other accounts	1,401,351	1,198,688
Other liabilities	962,671	522,034
	<u>2,379,917</u>	<u>1,738,287</u>
NET ASSETS	<u>284,805</u>	<u>316,076</u>
REPRESENTED BY		
Islamic Banking Fund	470,000	470,000
Unappropriated / Unremitted loss	(180,478)	(156,130)
	<u>289,522</u>	<u>313,870</u>
Surplus / (deficit) on revaluation of assets	(4,717)	2,206
	<u>284,805</u>	<u>316,076</u>

23. DATE OF AUTHORIZATION

These financial statements were authorised for issue on July 25, 2008 by the Board of Directors of the Bank.

Atif R. Bokhari
President &
Chief Executive Officer

Dr. Ashfaque Hasan Khan
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman