

United Bank Limited

UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

*FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2010
(UNAUDITED)*



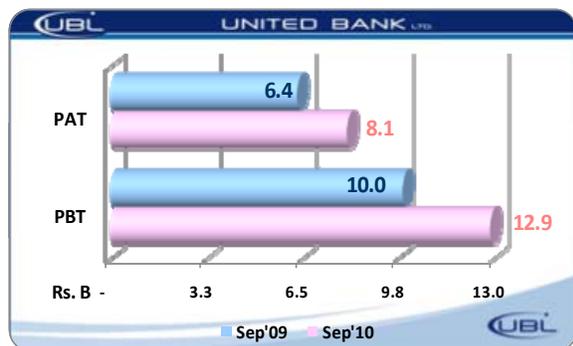
DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the financial statements of UBL for the nine months ended Sept 30, 2010.

Performance Highlights

- Unconsolidated PAT for the nine months ended 30 Sept 2010 was Rs 8.1 billion, reflecting a growth of 27% over the same period last year.
- Net Interest Margin (NIM) remained strong at 7.1% (Sept 2009: 6.7%).
- Total Equity improved to Rs 65 billion from Rs 61 billion (in Dec 2009) registering a rise of 7%.
- The cost/income ratio improved by 1% quarter on quarter

Strong financial performance despite challenging conditions

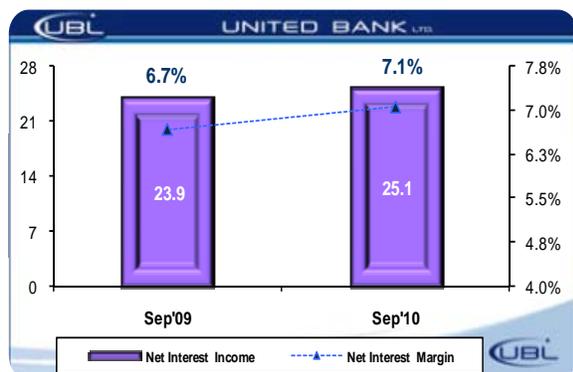


UBL achieved a profit after tax of Rs 8.1 billion which is 27% higher than the corresponding period last year and translates into earnings per share of Rs. 6.58 (Sept 2009: Rs. 5.20).

Despite the challenging economic environment, UBL has achieved a profit before tax of Rs 12.9 billion. This is 30% higher than the same period last year as a result of continued improvement in operating efficiency and margins. Provisions for the period declined substantially due to the Bank's prudent approach given the difficult credit environment. On a consolidated

basis, UBL achieved a profit after tax of Rs 7.9 billion, an increase of 14% over the corresponding nine months of 2009.

Continued momentum in revenue



Net interest income before provisions increased to Rs 25.1 billion, 5% higher than the same nine month period of last year. Our low cost deposit efforts resulted in a 110 bps reduction in the cost of deposits. However, the yield on earning assets declined by 60 bps as average 6M KIBOR was 73 bps lower in 2010 compared to 2009. Consequently, net interest margin increased from 6.7% in Sept 2009 to 7.1% in Sept 2010. Credit provisions of Rs 6.1 billion for the nine months ended Sept 2010 were significantly lower compared to Rs 8.7 billion in the corresponding period last year while our coverage has improved to 72% over the same period. As a result, net credit loss ratio

improved from 3.2% in Sept 2009 to 2.4% in Sept 2010. Net interest income after provisions is therefore up 30% to Rs 18.8 billion.

Non-interest income decreased to Rs 7.3 billion as compared to Rs 8.3 billion for the corresponding nine months of 2009, mainly due to exceptional derivatives gains recorded last year. Fees and commissions increased by 9% to Rs 4.7 billion due to an overall growth in trade commissions, income generated on remittances and higher corporate service charges.

Focused cost management

Despite significant inflationary pressures (Sept YoY CPI of 15.7%), overall administrative expenses increased by only 4.7% over the corresponding period last year. The Bank managed to achieve considerable cost efficiencies during the period, which helped to partially offset increases in premises and utilities costs, and business building activities such as advertising spend and investments in IT.

Rationalized Balance Sheet

Gross advances have reduced by 3.8% as a result of rationalization across our portfolios and more prudent lending in the current economic environment. The bank maintained total deposits at 2009 levels but at a reduced cost as a planned reduction in expensive deposits was offset by growth in low cost deposits.

We were successful in improving our return on average assets from 1.5% for the year 2009 to 1.7% upto Sept 2010.

Improved Capital Ratios

The capital adequacy ratio (CAR) of the bank improved to 14.4% in Sept 2010 (Sept 2009: 12.8%). The Tier-1 CAR of the bank has also improved from 8.8% in Sept 2009 to 10.0% in Sept 2010 reflecting the growing strength of the bank and its franchise.

The Board of Directors of UBL declared a dividend of 10% in their meeting in London dated 30 July 2010 along with the results for the half year ended 30 June 2010. This dividend was subsequently paid in Q3 2010.

Key Developments

Macroeconomic performance

The recent floods in Pakistan are a calamity of massive proportions and have altered the macroeconomic landscape of the country. About one-fifth of the country has been flooded, with 10% of the population directly affected. Beyond the immediate humanitarian impact, this will have a significant impact on economic growth, balance of payments and public finances. According to preliminary estimates, real GDP growth is unlikely to exceed 2.0%, falling short of the targeted growth rate of 4.0%.

Headline inflation for Sept 2010 was 15.7% YoY, driven by spiraling food prices resulting from flood related shortages, along with rising fuel and utilities costs. Continued food supply shortages, coupled with the imminent introduction of a Reformed General Sales Tax is expected to drive inflation further, with the IMF projecting annual inflation of around 13.5% for the fiscal year 2010/2011.

On the fiscal front, tax revenues for the quarter July-Sept 2010 are estimated to fall short of target with the adverse effect on revenue collection likely to continue throughout the current fiscal year, compounded by slowdown in GDP growth. Expenditures are projected to increase sharply due to higher outlays required for rehabilitation and reconstruction efforts. Consequently, the fiscal deficit is expected to breach the target of 4.0% of GDP.

With a short-term increase in import of food and basic goods along with a deceleration of exports growth due to the floods' impact on the agriculture sector, the trade deficit is expected to widen. Although this should partly be offset by rising remittances, which are targeted to cross USD 10 billion during the fiscal year, the Current Account deficit is expected to increase to 3.1% of GDP for 2010/11.

To counter rising inflation, and limit the government's reliance on borrowed funds for deficit financing, the SBP has already increased the discount rate by 100bps since July to 13.5%. Market expectations are that continued inflationary pressures are likely to trigger further upward revisions in the interest rate

environment as the year progresses. Banking Sector NPLs are expected to rise due to the devastation caused by the floods, coupled with the rising interest rate environment which will further strain borrowers. In addition, lack of fiscal austerity is expected to strain domestic liquidity as government borrowings for deficit financing from the banking sector increase.

The stock market remained volatile during the quarter. After a good recovery in July, the KSE-100 index declined till September, reflecting investor concerns about the corporate sector as a result of the floods. Overall the index increased by a modest 3% during the quarter.

Watan Cards

The Government is providing financial assistance worth Rs 40.0 billion to over 2 million flood victims via the 'Watan Cards'. UBL has been the pioneer in developing the Government to People (G2P) aid distribution channel in Pakistan through its groundbreaking work on the IDP aid distribution project. Based on our proven expertise, UBL has been chosen to spearhead this effort.

The Government has set an ambitious schedule of reaching out to the flood victims in a 60-day window starting September 2010. In order to meet this target, UBL has established a supply chain to produce, personalize, distribute and service 50,000 new cards per day. To date, UBL has distributed over 500,000 cards from camp sites and dispensed over Rs 10 billion through our ATM network and remote POS terminals.

Consistent International Growth

A slow but steady growth pattern is emerging within the gulf economies bringing with it some restoration of investor confidence. This has been evidenced by the ratings upgrade of DEWA, the nearing completion of an amicable Dubai World restructuring and the recent over-subscription of both the Dubai Government and EMAAR bonds. The UAE has also seen significant new M&A activity and improving growth forecasts should pave the way for a turnaround.

UBL's international business continued its solid performance during the quarter, with retail asset provisions having leveled off. Top priority given to liquidity management has resulted in ADR being at a healthy level of around 80% in most markets in which the Bank operates, compared with overall banking sector level of more than 100% in UAE. The Oman-United Exchange Company became the first exchange house in Oman to be awarded the ISO-9001 certification.

A landmark achievement for the Bank was the successful closing of a large syndication for a 75MW power plant in Yemen. In addition to being UBL's first international mandate, this was also the first ever syndication of its type in Yemen. As the syndicate leader, UBL's image and profile has been significantly enhanced and we expect this to lead to further lucrative opportunities.

A major initiative going forward is to increase the scale and scope of our FI business so that it becomes a significant contributor to the Bank's profitability with relatively lower risk levels. Given UBL's broad international presence, this line of business dovetails ideally into the Bank's strategy. The Bank is now also beginning to look at selected asset acquisitions as the Gulf economies improve.

Credit Rating upgrade

Capital Intelligence (CI), the international credit rating agency, has affirmed UBL's Foreign Currency long-term rating at B-, while its Foreign Currency short-term rating has been upgraded from C to B in line with CI's recent sovereign ratings action on Pakistan. In addition, the Bank's Financial Strength rating has been affirmed at BB+, with the Outlook upgraded from Negative to Stable based on the Bank's strong performance in 2009 and the first half of 2010.

Corporate Social Responsibility

As a responsible corporate citizen, UBL has been very active in fund raising efforts for the flood victims. UBL employees have also generously donated a portion of their salary which was fully matched by the Bank. UBL also ran a media campaign encouraging contributions from customers and the general public and pledged to match all individual donations. In total, UBL will be distributing Rs 45 million worth of LifeStraw water purifiers for the flood victims which, in addition to their immediate use of providing clean drinking water to flood affectees, will also have an important secondary impact of preventing water borne diseases.

Looking ahead

The macroeconomic outlook will remain challenging in the wake of the floods with expectations of reduced growth and increasing deficits. Inflation remains a persistent concern which, along with rising interest rates and continued power shortages, will dampen growth prospects and place pressure on existing borrowers and new private sector credit.

The Bank's focus will remain on strengthening its balance sheet through the acquisition of low cost deposits and improvement in asset quality. Given the continuing stressed credit environment, we will explore diversified income streams. In particular, we will seek to further leverage our proven technology strength, especially in the area of non-traditional banking channels to implement cost effective innovative banking solutions for our customers, while managing our expenses efficiently. We also plan to selectively grow our international business where attractive opportunities exist.

Acknowledgements

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

For and on behalf of the Board,

Nahayan Mabarak Al Nahayan
Chairman

Abu Dhabi
October 28, 2010

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

	Note	(Un-audited) September 30, 2010	(Audited) December 31, 2009
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		54,016,356	61,160,678
Balances with other banks		12,517,503	5,407,470
Lendings to financial institutions		16,348,102	23,162,130
Investments	7	159,831,959	136,145,524
Advances	8	334,832,651	354,091,713
Operating fixed assets	9	22,275,551	21,925,669
Deferred tax asset - net		1,500,041	608,876
Other assets		20,417,588	17,241,991
		621,739,751	619,744,051
LIABILITIES			
Bills payable		4,604,555	5,147,259
Borrowings from financial institutions	10	33,286,222	35,144,823
Deposits and other accounts	11	491,249,451	492,036,103
Sub-ordinated loans		11,985,748	11,989,800
Deferred tax liability - net		-	-
Other liabilities		15,233,700	14,489,343
		556,359,676	558,807,328
NET ASSETS			
		65,380,075	60,936,723
REPRESENTED BY			
Share capital		12,241,798	11,128,907
Reserves		21,245,133	18,959,537
Unappropriated profit		23,706,528	22,187,802
		57,193,459	52,276,246
Surplus on revaluation of assets - net of deferred tax	12	8,186,616	8,660,477
		65,380,075	60,936,723
CONTINGENCIES AND COMMITMENTS			
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The annexed notes from 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Unconsolidated Condensed Interim Profit And Loss Account (Un-audited)
For the quarter and nine months ended September 30, 2010

	Note	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
------(Rupees in '000)-----					
Mark-up / return / interest earned	14	14,770,768	14,534,687	43,251,033	46,163,070
Mark-up / return / interest expensed	15	<u>(6,204,464)</u>	<u>(6,315,266)</u>	<u>(18,169,640)</u>	<u>(22,259,499)</u>
Net mark-up / return / interest income		8,566,304	8,219,421	25,081,393	23,903,571
Provision against loans and advances - net		<u>(1,861,529)</u>	<u>(2,321,431)</u>	<u>(5,254,930)</u>	<u>(7,710,812)</u>
Provision for diminution in value of investments - net		<u>(77,667)</u>	<u>(45,567)</u>	<u>(142,136)</u>	<u>(659,156)</u>
Bad debts written off directly		<u>(217,134)</u>	<u>(324,272)</u>	<u>(853,043)</u>	<u>(1,024,563)</u>
		<u>(2,156,330)</u>	<u>(2,691,270)</u>	<u>(6,250,109)</u>	<u>(9,394,531)</u>
Net mark-up / return / interest income after provisions		6,409,974	5,528,151	18,831,284	14,509,040
Non mark-up / return / interest income					
Fee, commission and brokerage income		<u>1,602,632</u>	<u>1,448,714</u>	<u>4,710,386</u>	<u>4,320,938</u>
Dividend income		<u>169,715</u>	<u>71,303</u>	<u>447,342</u>	<u>342,335</u>
Income from dealing in foreign currencies		<u>505,440</u>	<u>78,211</u>	<u>1,197,474</u>	<u>920,402</u>
Gain on sale of securities		<u>8,701</u>	<u>293,683</u>	<u>149,032</u>	<u>647,822</u>
Unrealised loss on revaluation of investments classified as held for trading		<u>(2,179)</u>	<u>(18,091)</u>	<u>(24,567)</u>	<u>(18,772)</u>
Other income		<u>280,917</u>	<u>167,995</u>	<u>813,877</u>	<u>2,038,225</u>
Total non mark-up / return / interest income		<u>2,565,226</u>	<u>2,041,815</u>	<u>7,293,544</u>	<u>8,250,950</u>
		8,975,200	7,569,967	26,124,828	22,759,991
Non mark-up / interest expenses					
Administrative expenses	16	<u>(4,432,572)</u>	<u>(4,212,401)</u>	<u>(12,859,820)</u>	<u>(12,280,176)</u>
Other provisions / write offs / reversals - net		<u>14,084</u>	<u>(59,202)</u>	<u>130,641</u>	<u>(242,295)</u>
Workers' welfare fund		<u>(122,246)</u>	<u>(113,026)</u>	<u>(300,613)</u>	<u>(282,371)</u>
Other charges		<u>(74,991)</u>	<u>(2,383)</u>	<u>(170,052)</u>	<u>(3,551)</u>
Total non mark-up / interest expenses		<u>(4,615,725)</u>	<u>(4,387,012)</u>	<u>(13,199,844)</u>	<u>(12,808,393)</u>
Profit before taxation		<u>4,359,475</u>	<u>3,182,955</u>	<u>12,924,984</u>	<u>9,951,598</u>
Taxation					
- Current	17	<u>(2,132,147)</u>	<u>(2,003,513)</u>	<u>(5,230,611)</u>	<u>(4,950,410)</u>
- Prior		<u>(1,693)</u>	<u>(757)</u>	<u>(396,443)</u>	<u>(75,722)</u>
- Deferred		<u>633,926</u>	<u>901,007</u>	<u>762,343</u>	<u>1,441,775</u>
		<u>(1,499,914)</u>	<u>(1,103,263)</u>	<u>(4,864,711)</u>	<u>(3,584,357)</u>
Profit after taxation		<u><u>2,859,561</u></u>	<u><u>2,079,692</u></u>	<u><u>8,060,273</u></u>	<u><u>6,367,241</u></u>
------(Rupees)-----					
Basic and diluted earnings per share		<u>2.34</u>	<u>1.70</u>	<u>6.58</u>	<u>5.20</u>

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

Atif R. Bokhari
President &
Chief Executive Officer

Muhammad Sami Saeed
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

**Unconsolidated Condensed Interim Statement Of Comprehensive Income (Un-audited)
For the quarter and nine months ended September 30, 2010**

	Jul-Sep 2010	Jul-Sep 2009	Jan-Sep 2010	Jan-Sep 2009
	----- (Rupees in '000) -----			
Profit for the period	2,859,561	2,079,692	8,060,273	6,367,241
Other comprehensive income:				
Exchange gain / (loss) on translation of net investment in foreign branches	448,630	454,711	618,704	1,216,538
Gain / (loss) on cash flow hedges	32,061	84,394	84,364	114,382
Related deferred tax (liability) / assets on cash flow hedges	(11,221)	(29,538)	(29,527)	(40,034)
	469,470	509,567	673,541	1,290,886
Comprehensive income transferred to equity - net of tax	<u>3,329,031</u>	<u>2,589,259</u>	<u>8,733,814</u>	<u>7,658,127</u>

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

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

Atif R. Bokhari
President &
Chief Executive Officer

Muhammad Sami Saeed
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

Unconsolidated Condensed Interim Cash Flow Statement (Un-audited)
For the nine months ended September 30, 2010

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	12,924,984	9,951,598
Less: dividend income	(447,342)	(342,335)
	<u>12,477,642</u>	<u>9,609,263</u>
Adjustments:		
Depreciation	1,263,547	1,209,235
Workers' welfare fund	300,613	282,371
Provision for retirement benefits and compensated absences	5,562	198,421
Provision against loans and advances	5,254,930	7,710,812
Provision for diminution in the value of investments	142,136	659,156
Gain on sale of fixed assets	(2,912)	(7,317)
Reversal of provision against other assets	(135,337)	(10,255)
Unrealized gain on revaluation of investments classified as held for trading	24,567	18,772
Fixed assets written off	4,370	15,329
Bad debts written-off	853,043	1,024,563
	<u>7,710,519</u>	<u>11,101,087</u>
	<u>20,188,161</u>	<u>20,710,350</u>
(Increase) / decrease in operating assets		
Lending to financial institutions	6,814,028	11,728,356
Held for trading investments	(2,602,348)	(3,511,589)
Advances - net	13,151,089	10,439,467
Others assets - (excluding advance taxation)	(2,124,766)	2,640,831
	<u>15,238,003</u>	<u>21,297,065</u>
Increase / (decrease) in operating liabilities		
Bills payable	(542,704)	1,221,864
Borrowings from financial institutions	(1,858,601)	8,287,631
Deposits and other accounts	(786,652)	(31,180,589)
Other liabilities	420,686	(927,142)
	<u>(2,767,271)</u>	<u>(22,598,236)</u>
	<u>32,658,893</u>	<u>19,409,179</u>
Receipt from / (payment to) staff retirement benefit funds	341,213	(301,939)
Income tax paid	(6,807,980)	(7,565,451)
Net cash flow generated from operating activities	<u>26,192,126</u>	<u>11,541,789</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(21,701,501)	(7,911,338)
Dividend income received	434,636	276,323
Investment in operating fixed assets	(1,633,757)	(1,148,561)
Sale proceeds from disposal of operating fixed assets	65,962	73,097
Net cash outflow on investing activities	<u>(22,834,660)</u>	<u>(8,710,479)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayments of principal of sub-ordinated loans	(4,052)	(4,048)
Dividend paid	(4,006,407)	(1,011,719)
Net cash outflow from financing activities	<u>(4,010,459)</u>	<u>(1,015,767)</u>
	<u>(652,993)</u>	<u>1,815,543</u>
Exchange difference on translation of net investment in foreign branches	618,704	1,216,538
Increase in cash and cash equivalents during the period	<u>(34,289)</u>	<u>3,032,081</u>
Cash and cash equivalents at beginning of the period	<u>66,568,148</u>	<u>57,567,139</u>
Cash and cash equivalents at end of the period	<u>66,533,859</u>	<u>60,599,220</u>

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

**Unconsolidated Condensed Interim Statement Of Changes In Equity (Un-audited)
For the nine months ended September 30, 2010**

	Capital Reserves				Cash flow hedge reserve	Unappro- priated Profit	Total
	Share Capital	Statutory Reserve	Exchange Translation Reserve	Reserve for Issue of Bonus Shares			
	(Rupees in '000)						
Balance as at January 1, 2009	10,117,188	10,376,375	5,401,771	-	(276,633)	16,604,076	42,222,777
Final cash dividend for the year ended December 31, 2008 declared subsequent to year end at Re. 1.00 per share	-	-	-	-	-	(1,011,719)	(1,011,719)
Transfer to reserve for issue of bonus shares	-	-	-	1,011,719	-	(1,011,719)	-
Issue of bonus shares	1,011,719	-	-	(1,011,719)	-	-	-
Changes in equity during the nine months ended September 30, 2009							
Profit after taxation for the nine months ended September 30, 2009	-	-	-	-	-	6,367,241	6,367,241
Other comprehensive income - net of tax	-	-	1,216,538	-	74,348	-	1,290,886
Total comprehensive income	-	-	1,216,538	-	74,348	6,367,241	7,658,127
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	190,788	190,788
Transfer to statutory reserves	-	1,273,448	-	-	-	(1,273,448)	-
Balance as at September 30, 2009	11,128,907	11,649,823	6,618,309	-	(202,285)	19,865,219	49,059,973
Profit after taxation for the three months ended December 31, 2009	-	-	-	-	-	2,825,446	2,825,446
Other comprehensive income - net of tax	-	-	332,731	-	(4,130)	-	328,601
Total comprehensive income	-	-	332,731	-	(4,130)	2,825,446	3,154,047
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	62,226	62,226
Transfer to statutory reserves	-	565,089	-	-	-	(565,089)	-
Balance as at December 31, 2009	11,128,907	12,214,912	6,951,040	-	(206,415)	22,187,802	52,276,246
Final cash dividend for the year ended December 31, 2009 declared subsequent to year end at Rs. 2.5 per share	-	-	-	-	-	(2,782,227)	(2,782,227)
Interim cash dividend for the half year ended June 30, 2010 declared subsequent to period end at Re 1 per share	-	-	-	-	-	(1,224,180)	(1,224,180)
Transfer to reserve for issue of bonus shares	-	-	-	1,112,891	-	(1,112,891)	-
Issue of bonus shares	1,112,891	-	-	(1,112,891)	-	-	-
Changes in equity during the nine months ended September 30, 2010							
Profit after taxation for the nine months ended September 30, 2010	-	-	-	-	-	8,060,273	8,060,273
Other comprehensive income - net of tax	-	-	618,704	-	54,837	-	673,541
Total comprehensive income	-	-	618,704	-	54,837	8,060,273	8,733,814
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	189,806	189,806
Transfer to statutory reserves	-	1,612,055	-	-	-	(1,612,055)	-
Balance as at September 30, 2010	12,241,798	13,826,967	7,569,744	-	(151,578)	23,706,528	57,193,459

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

Notes to the unconsolidated condensed interim financial statements (Un-audited) For the nine months ended September 30, 2010

1. STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Bank have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.

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

3. STATEMENT OF COMPLIANCE

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

The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to the notification of the SECP dated April 28, 2008, IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable to banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

The disclosures made in these unconsolidated condensed interim financial statements have, however, been limited based on a format prescribed by the State Bank of Pakistan vide BSD Circular No.2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all the disclosures required for annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2009.

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

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

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

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

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

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

5. ESTIMATES

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

6. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT

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

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

7. INVESTMENTS

	Note	(Un-audited) September 30, 2010			(Audited) December 31, 2009		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000-----							
Held-for-trading securities	7.2.1	5,897,541	505,647	6,403,188	3,706,540	97,306	3,803,846
Available-for-sale securities	7.2.2	76,984,123	6,046,579	83,030,702	78,792,487	3,978,323	82,770,810
Held-to-maturity securities	7.2.3	68,818,265	-	68,818,265	45,750,454	-	45,750,454
Investments in associates	7.2.4	5,592,192	-	5,592,192	6,921,080	-	6,921,080
Investments in subsidiaries	7.2.5	2,201,948	-	2,201,948	2,201,948	-	2,201,948
		<u>159,494,069</u>	<u>6,552,226</u>	<u>166,046,295</u>	<u>137,372,509</u>	<u>4,075,629</u>	<u>141,448,138</u>
Provision for diminution in value of investments		(2,692,103)	-	(2,692,103)	(2,252,653)	-	(2,252,653)
Investments (net of provisions)		<u>156,801,966</u>	<u>6,552,226</u>	<u>163,354,192</u>	<u>135,119,856</u>	<u>4,075,629</u>	<u>139,195,485</u>
(Deficit) / surplus on revaluation of available-for-sale securities		(3,492,606)	(5,060)	(3,497,666)	(3,049,359)	2,404	(3,046,955)
Deficit on revaluation of held-for-trading investments		(24,522)	(45)	(24,567)	(2,286)	(720)	(3,006)
Total Investments		<u>153,284,838</u>	<u>6,547,121</u>	<u>159,831,959</u>	<u>132,068,211</u>	<u>4,077,313</u>	<u>136,145,524</u>

Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the nine months ended September 30, 2010

	(Un-audited) September 30, 2010			(Audited) December 31, 2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
7.2 Investments by types	----- (Rupees in '000) -----					
7.2.1 Held-for-trading securities						
Market treasury bills	5,182,488	505,647	5,688,135	3,268,035	-	3,268,035
Ordinary shares of listed companies	18,477	-	18,477	-	-	-
Pakistan Investment Bonds	696,576	-	696,576	438,505	97,306	535,811
	5,897,541	505,647	6,403,188	3,706,540	97,306	3,803,846
7.2.2 Available-for-sale securities						
Market Treasury Bills	32,142,611	6,046,579	38,189,190	35,572,747	3,978,323	39,551,070
Pakistan Investment Bonds	18,839,543	-	18,839,543	16,728,759	-	16,728,759
Foreign securities	13,514,399	-	13,514,399	12,740,879	-	12,740,879
Government of Pakistan - Sukuk	3,470,000	-	3,470,000	3,470,000	-	3,470,000
Government of Pakistan Euro Bonds	2,512,045	-	2,512,045	3,870,557	-	3,870,557
Ordinary shares of listed companies	3,497,948	-	3,497,948	3,639,088	-	3,639,088
Term Finance Certificates	1,935,118	-	1,935,118	1,948,689	-	1,948,689
Ordinary shares of unlisted companies	441,619	-	441,619	441,574	-	441,574
Units of mutual funds	164,661	-	164,661	191,299	-	191,299
Preference shares	466,179	-	466,179	188,895	-	188,895
	76,984,123	6,046,579	83,030,702	78,792,487	3,978,323	82,770,810
7.2.3 Held-to-maturity securities						
Term Finance Certificates	27,008,871	-	27,008,871	25,289,199	-	25,289,199
Market Treasury Bills	33,963,185	-	33,963,185	11,611,110	-	11,611,110
Sukuk Bonds	2,573,600	-	2,573,600	2,640,040	-	2,640,040
Pakistan Investment Bonds	2,955,417	-	2,955,417	2,497,301	-	2,497,301
Foreign securities	2,210,432	-	2,210,432	1,687,712	-	1,687,712
Government of Pakistan - Guaranteed Bonds	51,453	-	51,453	1,485,057	-	1,485,057
Government of Pakistan - Euro Bond	-	-	-	478,184	-	478,184
Government of Pakistan - Sukuk	30,000	-	30,000	30,000	-	30,000
Participation Term Certificates	20,484	-	20,484	26,838	-	26,838
Debentures	4,392	-	4,392	4,592	-	4,592
CDC SAARC Fund	431	-	431	421	-	421
	68,818,265	-	68,818,265	45,750,454	-	45,750,454
7.2.4 Associates						
United Growth and Income Fund	3,030,136	-	3,030,136	5,002,027	-	5,002,027
UBL Liquidity Plus Fund	1,100,000	-	1,100,000	600,000	-	600,000
United Composite Islamic Fund	250,000	-	250,000	386,997	-	386,997
United Islamic Income Fund	250,000	-	250,000	250,000	-	250,000
United Stock Advantage Fund	250,000	-	250,000	250,000	-	250,000
UBL Principal Protected Plan	200,000	-	200,000	200,000	-	200,000
UBL Insurers Limited	150,000	-	150,000	150,000	-	150,000
UBL Capital Protected Fund - II	100,000	-	100,000	-	-	-
UBL Capital Protected Fund - I	75,075	-	75,075	75,075	-	75,075
UBL Islamic Retirement Saving Fund	90,000	-	90,000	-	-	-
UBL Retirement Saving Fund	90,000	-	90,000	-	-	-
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
	5,592,192	-	5,592,192	6,921,080	-	6,921,080
7.2.5 Subsidiaries						
United National Bank, UK	1,482,011	-	1,482,011	1,482,011	-	1,482,011
United Bank AG Zurich, Switzerland	589,837	-	589,837	589,837	-	589,837
UBL Fund Managers Limited	100,000	-	100,000	100,000	-	100,000
United Executors and Trustees Company Ltd	30,100	-	30,100	30,100	-	30,100
	2,201,948	-	2,201,948	2,201,948	-	2,201,948
	159,494,069	6,552,226	166,046,295	137,372,509	4,075,629	141,448,138
Provision for diminution in value of investments	(2,692,103)	-	(2,692,103)	(2,252,653)	-	(2,252,653)
Investments (net of provisions)	156,801,966	6,552,226	163,354,192	135,119,856	4,075,629	139,195,485
(Deficit) / surplus on revaluation of available-for-sale securities	(3,492,606)	(5,060)	(3,497,666)	(3,049,359)	2,404	(3,046,955)
Deficit on revaluation of held-for-trading investments	(24,522)	(45)	(24,567)	(2,286)	(720)	(3,006)
Total Investments	153,284,838	6,547,121	159,831,959	132,068,211	4,077,313	136,145,524

Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the nine months ended September 30, 2010

	Note	(Un-audited) September 30, 2010	(Audited) December 31, 2009
------(Rupees in '000)-----			
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		264,927,880	276,609,933
Outside Pakistan		79,529,769	86,528,137
		344,457,649	363,138,070
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		17,814,347	14,007,068
Payable outside Pakistan		5,880,544	5,333,104
		23,694,891	19,340,172
	8.1	368,152,540	382,478,242
Provision against advances			
- Specific	8.2	(32,401,806)	(27,673,022)
- General	8.3	(918,083)	(713,507)
		334,832,651	354,091,713

8.1 Advances include Rs. 46,374 million (December 31, 2009: 39,101 million) which have been placed under non-performing status.

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

	September 30, 2010 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	------(Rupees in '000)-----				
Other Assets Especially Mentioned*	634,181	-	634,181	-	-
Substandard	6,828,381	1,372,439	8,200,820	1,777,574	1,777,574
Doubtful	4,664,176	1,612,668	6,276,844	2,672,724	2,672,724
Loss	29,318,195	1,943,850	31,262,045	27,951,508	27,951,508
	41,444,932	4,928,957	46,373,889	32,401,806	32,401,806
	------(Rupees in '000)-----				
	Domestic	Overseas	Total	Provision Required	Provision Held
	December 31, 2009 (Audited)				
	------(Rupees in '000)-----				
Other Assets Especially Mentioned*	386,517	-	386,517	-	-
Substandard	3,802,275	1,473,002	5,275,277	1,259,749	1,259,749
Doubtful	6,007,332	1,696,401	7,703,733	3,499,795	3,499,795
Loss	24,424,423	1,311,446	25,735,869	22,913,478	22,913,478
	34,620,547	4,480,849	39,101,396	27,673,022	27,673,022

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

8.3 General provision represents provision amounting to Rs. 410.450 million (December 31, 2009: Rs.569.195 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan, Rs 326.714 million (December 31, 2009: Rs. 144.311 million) pertaining to overseas advances both as a general provision and to meet the requirements of monetary agencies and regulatory authorities of the respective countries in which the overseas branches operate and a general provision against the Bank's loans and advances portfolio amounting to Rs. 180.919 million (December 31, 2009: Nil).

	Note	(Un-audited) September 30, 2010	(Audited) December 31, 2009
------(Rupees in '000)-----			
9. OPERATING FIXED ASSETS			
Capital work-in-progress		1,764,306	997,617
Property and equipment	9.1	20,099,785	20,439,417
Intangible assets		411,460	488,635
	9.2	22,275,551	21,925,689

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

9.2 Additions and disposals during the period amounted to Rs.1,633.757 (September 2009:Rs.944.689) million and Rs.135.591(September 2009:Rs.109.540) million, respectively.

	(Un-audited) September 30, 2010	(Audited) December 31, 2009
------(Rupees in '000)-----		
10. BORROWINGS FROM FINANCIAL INSTITUTIONS		

Secured

Borrowings from the State Bank of Pakistan			
- Export refinance scheme		12,438,028	14,666,570
- Long term fixed finance		2,276,037	1,018,535
- Long term finance under export oriented projects		2,779,924	3,705,568
		17,493,989	19,390,673
Repurchase agreement borrowings		6,528,359	5,066,098
		24,022,348	24,456,771

Unsecured

Call borrowings		6,000,000	8,679,283
Overdrawn nostro accounts		1,473,080	648,559
Trading liabilities		680,954	96,586
Other borrowings		1,109,840	1,263,624
		9,263,874	10,688,052
		33,286,222	35,144,823

Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the nine months ended September 30, 2010

	(Un-audited) Note September 30, 2010	(Audited) December 31, 2009
	----- (Rupees in '000) -----	
11. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	145,794,925	150,642,206
Savings deposits	169,245,917	178,287,618
Sundry deposits	5,886,436	4,326,844
Margin deposits	3,574,132	4,634,682
Current accounts - remunerative	1,874,805	2,114,809
Current accounts - non-remunerative	<u>162,500,743</u>	<u>150,717,551</u>
	488,876,958	490,723,710
Financial Institutions		
Remunerative deposits	<u>2,175,203</u>	<u>1,114,066</u>
Non-remunerative deposits	<u>197,290</u>	<u>198,328</u>
	<u>2,372,493</u>	<u>1,312,394</u>
	<u>491,249,451</u>	<u>492,036,104</u>
12. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX		
Surplus arising on revaluation of assets - net of tax:		
Fixed assets	12.1 10,460,098	10,640,998
Securities	12.2 (2,273,482)	(1,980,521)
	<u>8,186,616</u>	<u>8,660,477</u>
12.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets at January 01	15,916,898	12,193,629
Revaluation of fixed assets during the period / year	8,822	4,139,592
Exchange Adjustment	84	-
Written off during the period / year	-	(27,071)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year	(189,806)	(253,014)
Related deferred tax charge on incremental depreciation during the period / year	(102,203)	(136,238)
	<u>(283,103)</u>	<u>3,723,269</u>
	15,633,795	15,916,898
Less: related deferred tax liability on:		
Revaluation as on January 01	5,275,900	3,972,755
Revaluation of fixed assets during the period / year	-	1,448,858
Written off during the period / year	-	(9,475)
Incremental depreciation charged on related assets	<u>(102,203)</u>	<u>(136,238)</u>
	<u>5,173,697</u>	<u>5,275,900</u>
	<u>10,460,098</u>	<u>10,640,998</u>
12.2 Deficit on revaluation on available-for-sale securities		
Market Treasury Bills	(58,733)	20,995
Pakistan Investment Bonds	(1,809,298)	(1,129,224)
Ordinary shares of listed companies	(436,772)	84,318
Term Finance Certificates, Sukuks, other bonds etc.	(17,964)	(43,856)
Units of mutual fund	5,108	6,999
Foreign securities	(1,180,007)	(1,986,187)
	(3,497,666)	(3,046,955)
Related deferred tax asset	1,224,184	1,066,434
	<u>(2,273,482)</u>	<u>(1,980,521)</u>
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct Credit Substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Government	7,622,064	10,818,102
Banking companies and other financial institutions	5,505,464	2,758,243
Others	6,403,375	7,396,201
	<u>19,530,903</u>	<u>20,972,546</u>
13.2 Transaction-related Contingent Liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
Government	86,396,906	77,448,985
Banking companies and other financial institutions	2,993,397	3,311,075
Others	13,808,223	18,521,775
	<u>103,198,526</u>	<u>99,281,835</u>
13.3 Trade-related Contingent Liabilities		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	53,129,772	56,186,541
Others	69,950,136	61,762,728
	<u>123,079,908</u>	<u>117,949,269</u>
13.4 Other Contingencies		
Claims against the bank not acknowledged as debts	<u>21,088,015</u>	<u>20,668,309</u>

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

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

Note	(Un-audited)	(Audited)
	September 30, 2010	December 31, 2009
----- (Rupees in '000) -----		
13.6 Other commitments		
Interest rate swaps	5,461,344	11,014,381
Cross currency swaps	35,803,523	36,372,837
FX options - purchased	129,321	410,535
FX options - sold	129,321	410,535
Swaptions	-	2,527,248
Commitments in respect of capital expenditure	412,200	567,882
13.7 Commitments in respect of forward exchange contracts		
Sale	52,337,583	46,364,122
Purchase	95,996,651	90,952,188

	(Un-audited)	(Audited)
	Jan-Sep 2010	Jan-Sep 2009
----- (Rupees in '000) -----		
14. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to		
- Customers	29,933,324	34,365,924
- Financial institutions	236,500	478,792
	30,169,824	34,844,716
On investments in		
- Available-for-sale securities	6,234,106	7,609,245
- Held-to-maturity securities	5,907,960	2,694,663
- Associates and subsidiaries	199	18,287
	12,142,265	10,322,194
On deposits with financial institutions	191,915	90,727
On securities purchased under resale agreements	729,855	888,752
Discount income	17,174	16,681
	43,251,033	46,163,070

15. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	13,615,582	17,687,194
On securities sold under repurchase agreements	1,227,289	1,402,449
On other short - term borrowings	2,137,600	1,971,492
On long - term borrowings	1,058,255	1,003,406
Discount expense	130,914	194,958
	18,169,640	22,259,499

16. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	5,607,449	5,611,816
Rent, taxes, insurance, electricity etc.	1,683,979	1,487,742
Depreciation	1,263,547	1,209,235
Outsourced service charges including sales commission	1,108,312	975,930
Communications	529,976	533,281
Banking service charges	497,451	381,719
Cash transportation charges	202,307	261,687
Stationery and printing	300,693	235,039
Legal and professional charges	209,342	154,957
Contribution to retirement plan - net	(98,826)	92,728
Advertisement and publicity	314,340	125,424
Repairs and maintenance	281,967	228,674
Travelling	120,140	112,000
Office running expenses	127,545	112,388
Charge for compensated absences	104,388	105,693
Vehicle expenses	85,537	74,396
Entertainment	66,060	64,571
Cartage, freight and conveyance	48,691	51,898
Insurance expense	60,062	125,743
Auditors' remuneration	33,026	33,950
Training and seminars	28,216	33,003
Brokerage expenses	12,478	14,867
Subscriptions	24,731	21,132
Subordinated debt related cost	5,448	5,993
Donations	76,285	54,117
Miscellaneous expenses	166,676	172,193
	12,859,820	12,280,176

Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the nine months ended September 30, 2010
17. TAXATION

The Income Tax returns of the Bank for domestic branches up to tax year 2010 (financial year ended December 31, 2009) were filed under the provisions of Section 114 of the Income Tax Ordinance, 2001 (Ordinance) and are deemed to be assessed under section 120 of the Ordinance, unless amended by the Commissioner of Income Tax.

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

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

In respect of Azad Kashmir (AK) Branches, returns for the tax years 2005 to 2010 (financial years ended December 31, 2004 to 2009) were filed under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of agreement between the Banks and the Azad Kashmir Council in May 2005. The agreement requires the income from AK operations to be declared on the basis of actual income earned in AK and a compensation on basis of global yield on average balances utilised by head office on AK funds. The returns so filed qualify the statutory conditions to be termed as deemed assessment orders.

The Seventh Schedule to the Ordinance has been amended through Finance Act, 2010. Through this amendment, provision for advances and off balance sheet exposures shall be allowed @ 5% of advances to consumer and small & medium enterprises (SME) sector in addition to 1% provision against other advances which would be allowed as in prior year. The said change will be applicable for tax year 2011 (accounting year December 31, 2010) and onwards. The Bank has accounted for these in the tax computation for the period. A deferred tax asset of Rs. 2,141 million has been recognized relating to amounts allowed to be carried forward to future years. Based upon the legal opinion of its tax advisor, the Bank is confident that the disallowance relating to prior periods, which approximates to Rs.5,454 million, would be allowed to the Bank in future periods against available profits and, hence, the same has been carried forward as a tax asset in these financial statements.

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES
For the Period Ended September 30, 2010 (Un-audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others
----- (Rupees in '000) -----					
Total income	359,512	10,792,837	16,190,019	22,764,612	437,597
Total expenses	(129,769)	(9,356,050)	(8,491,259)	(19,340,127)	(302,388)
Net income	229,742	1,436,787	7,698,760	3,424,486	135,209
Segment return on assets (ROA) (%)	3.82%	0.61%	1.61%	1.26%	-
Segment cost of funds (%)	0.34%	7.03%	4.56%	9.04%	-

For the Period Ended September 30, 2009 (Un-audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others
----- (Rupees in '000) -----					
Total income	436,228	12,257,030	18,225,089	23,232,187	263,486
Total expenses	(389,424)	(9,763,718)	(13,346,056)	(21,203,470)	240,245
Net income / (loss)	46,804	2,493,312	4,879,032	2,028,717	503,732
Segment return on assets (ROA) (%)	0.67%	1.07%	0.95%	0.80%	-
Segment cost of funds (%)	6.18%	6.90%	5.81%	9.78%	-

As at September 30, 2010 (Un-audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others
----- (Rupees in '000) -----					
Segment assets (gross of NPL provisions)	5,495,315	188,756,726	166,343,953	262,109,568	31,435,994
Segment non performing loans (NPL)	-	-	24,892,412	21,481,477	-
Segment provision	-	-	18,378,824	14,022,982	-
Segment liabilities	5,261,982	190,142,201	145,462,664	240,418,059	(24,925,230)

As at December 31, 2009 (Audited)

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Others
----- (Rupees in '000) -----					
Segment assets (gross of NPL provisions)	7,449,464	166,432,507	200,371,985	248,102,046	25,061,071
Segment non performing loans (NPL)	-	-	21,820,291	17,281,105	-
Segment provision	-	-	15,642,707	12,030,315	-
Segment liabilities	6,449,753	162,112,729	186,413,184	228,265,230	(24,433,567)

Notes to the unconsolidated condensed interim financial statements (Un-audited)
For the Nine Months ended September 30, 2010
19. RELATED PARTY TRANSACTIONS

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

The Bank enters into transactions with 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 terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

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

	As at September 30, 2010 (Un-audited)				As at December 31, 2009 (Audited)			
	Key management personnel	Subsidiaries	Associates	Other related parties	Key management personnel	Subsidiaries	Associates	Other related parties
----- (Rupees in '000) -----								
Advances								
Opening balance	102,750	-	-	-	148,875	-	-	-
Addition during the period / year	118,032	-	-	-	38,092	-	-	-
Repaid during the period / year	(85,996)	-	-	-	(84,217)	-	-	-
Closing balance	134,786	-	-	-	102,750	-	-	-
Deposits								
Opening balance	19,365	112,364	164,877	56,453	20,149	35,835	147,701	308,347
Received during the period / year	285,494	113,946,972	27,325,234	23,534,709	258,920	77,334,856	15,508,596	1,151,870
Withdrawn during the period / year	(271,648)	(113,989,874)	(25,971,407)	(23,481,788)	(259,704)	(77,258,327)	(15,491,420)	(1,403,764)
Closing balance	33,211	69,462	1,518,704	109,374	19,365	112,364	164,877	56,453
Investments in shares / mutual funds - cost								
Opening balance	-	2,201,948	6,921,080	50,372	-	2,201,948	2,899,663	50,372
Investment made during the period	-	-	1,280,000	-	-	-	4,157,468	-
Investment sold / liquidated during the period	-	-	(2,608,888)	-	-	-	(136,051)	-
Closing balance	-	2,201,948	5,592,192	50,372	-	2,201,948	6,921,080	50,372
Borrowings								
Opening balance	-	-	300,000	-	-	-	-	-
Borrowings during the period	-	-	2,100,000	-	-	-	1,650,000	-
Settled during the period	-	-	(2,400,000)	-	-	-	(1,350,000)	-
Closing balance	-	-	-	-	-	-	300,000	-
Placement								
Opening balance	-	-	-	-	-	-	-	-
Placement during the period	-	1,468,824	-	-	-	1,251,860	-	-
Settled during the period	-	(1,468,824)	-	-	-	(1,251,860)	-	-
Closing balance	-	-	-	-	-	-	-	-
Balances with other banks	-	1,931,076	-	-	-	564,453	-	-
FX interbank deal purchase	-	1,211,061	-	-	-	63	-	-
FX interbank deal sale	-	1,195,279	-	-	-	63	-	-
Receivable from staff retirement funds	-	-	-	772,457	-	-	-	1,045,899
Prepaid insurance	-	-	54,957	-	-	-	18,759	-
Other receivable	-	2,369	-	234	-	4,109	108,522	-
Sub-ordinated loans	5	-	111,393	-	5	-	761,987	-
Interest/markup payable on deposits	31	32	186	808	174	170	449	1,095
Interest/markup payable on borrowings	-	-	-	-	-	-	814	-
Interest/markup payable on sub-ordinated loans	-	-	1,877	-	-	-	36,497	-
Unearned income	-	435	-	-	-	435	-	-
Provision for employee benefit scheme	-	-	-	158,936	-	-	-	210,000
Unrealised loss on derivative transactions	-	-	-	763,422	-	-	-	307,241
Overdrawn nostros	-	39,435	-	-	-	160,227	-	-
Other payable	-	-	-	-	-	-	26,851	-
For the Period Ended September 30, 2010 (Un-audited)				For the Period Ended September 30, 2009 (Un-audited)				
	Key management personnel	Subsidiaries	Associates	Other related parties	Key management personnel	Subsidiaries	Associates	Other related parties
----- (Rupees in '000) -----								
Mark-up / return / interest earned	5,478	902	-	7,135	5,674	17,718	-	-
Mark-up / return / interest paid	491	626	161,154	116,013	381	338	56,724	91,704
Dividend income	-	50,000	328,704	-	-	18,287	76,155	-
Net gain on sale of investment	-	-	2,191	-	-	-	-	-
Realised gain on derivative transactions	-	-	-	1,674,938	-	-	-	597,878
Other income	-	1,313	614	23	-	5,288	558	-
Other expenses	-	13,407	-	-	-	-	-	-
Remuneration paid	268,134	-	-	-	247,186	-	-	-
Post employment benefits	9,450	-	-	-	8,311	-	-	-
Maximum amount of placement made during the period / year	-	532,137	-	-	-	831,472	-	-
Maximum amount of borrowings made during the period / year	-	-	300,000	-	-	-	1,279,043	-
Contribution to defined contribution plan	-	-	-	70,662	-	-	-	351,782
Contribution to defined benefit plan	-	-	-	286,989	-	-	-	319,190
Payment for employee motivation and retention scheme	-	-	-	210,000	-	-	-	50,005
Insurance premium paid	-	-	204,453	-	-	-	180,527	-
Insurance claims settled	-	-	111,112	-	-	-	217,907	-
Non-executive directors' fee and allowances	-	-	-	30,057	-	-	-	37,012

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

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

	(Un-audited) September 30, 2010	(Audited) December 31, 2009
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	450,464	208,180
Balances with other banks	85,586	93,410
Lendings to financial institutions	600,000	100,000
Investments	2,789,865	1,563,953
Financing and receivables		
- Murabaha	208,690	154,650
- Musharaka	166,667	222,222
- Diminishing Musharaka	224,178	261,259
	599,535	638,131
Operating fixed assets including assets given on Ijara	454,220	598,452
Due from head office	105,922	-
Other assets	291,450	548,396
Total Assets	5,377,042	3,750,522
LIABILITIES		
Bills payable	178	4,522
Deposits and other accounts		
- Current accounts	441,212	429,412
- Saving accounts	1,401,566	209,676
- Term deposits	806,913	459,878
- Deposits from financial institutions - remunerative	2,173,874	1,109,452
	4,823,565	2,208,418
Due to head office	-	948,744
Other liabilities	76,133	84,544
	4,899,876	3,246,228
NET ASSETS	477,166	504,294
REPRESENTED BY		
Islamic Banking Fund	681,000	681,000
Unappropriated loss / Unremitted loss	(205,356)	(174,404)
	475,644	506,596
Surplus / (deficit) on revaluation of assets	1,522	(2,302)
	477,166	504,294

20.2 The profit and loss account of the bank's Islamic Banking branches for the nine months ended September 30, 2010 is as follows:

	(Un-audited) Jan-Sep 2010	(Un-audited) Jan-Sep 2009
	----- (Rupees in '000) -----	
Return earned	439,114	355,472
Return expensed	(205,982)	(79,925)
	233,132	275,547
(Charge) / Reversal of diminution in value of investment	(69,092)	96,132
Reversal / (provision) against assets given on Ijara	4,612	484
	(64,480)	96,616
Net return after provision	168,652	372,163
OTHER INCOME		
Fee, commission and brokerage income	4,168	2,229
Dividend income	7,325	9,044
Income from dealing in foreign currencies	736	560
Loss on sale of securities	(4,750)	(11,355)
Other income	104	2,322
Total other income	7,583	2,800
	176,235	374,963
OTHER EXPENSES		
Administrative expenses	(205,466)	(225,275)
Other provisions / write offs	(1,721)	-
Total other expenses	(207,187)	(225,275)
Net Profit for the period	(30,952)	149,688
Unappropriated loss brought forward	(174,404)	(346,051)
Unappropriated loss carried forward	(205,356)	(196,363)
Remuneration to Sharia Advisor / Board	2,039	1,354

21. DATE OF AUTHORIZATION

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