

# **United Bank Limited**

**CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE HALF YEAR ENDED JUNE 30, 2011  
(UNAUDITED)**





**CONSOLIDATED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION  
AS AT JUNE 30, 2011**

	Note	(Un-audited) June 30, 2011	(Audited) December 31, 2010
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Cash and balances with treasury banks		68,797,663	67,667,226
Balances with other banks		17,021,666	25,980,928
Lendings to financial institutions	6	14,219,455	12,384,778
Investments	7	273,059,487	231,717,214
Advances	8	345,612,916	341,510,412
Operating fixed assets	9	25,020,469	24,684,566
Deferred tax asset - net		1,243,672	1,298,247
Other assets		27,717,340	20,146,272
		<u>772,692,668</u>	<u>725,389,643</u>
<b>LIABILITIES</b>			
Bills payable		7,465,702	5,074,700
Borrowings	10	46,905,391	47,631,814
Deposits and other accounts	11	610,780,663	567,611,258
Sub-ordinated loans		11,983,720	11,985,748
Other liabilities		17,591,658	17,951,943
		<u>694,727,134</u>	<u>650,255,463</u>
<b>NET ASSETS</b>		<u><u>77,965,534</u></u>	<u><u>75,134,180</u></u>
<b>REPRESENTED BY</b>			
Share capital	12	12,241,798	12,241,798
Reserves		25,376,344	24,101,838
Unappropriated profit		28,556,939	27,576,333
Total equity attributable to the equity shareholders of the Bank		66,175,081	63,919,969
Non-controlling interest		2,292,762	2,207,241
		<u>68,467,843</u>	<u>66,127,210</u>
Surplus on revaluation of assets - net of deferred tax	13	9,497,691	9,006,970
		<u><u>77,965,534</u></u>	<u><u>75,134,180</u></u>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		

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

**Atif R. Bokhari**  
President &  
Chief Executive Officer

**Muhammad Sami Saeed**  
Director

**Omar Z. Al Askari**  
Director

**Sir Mohammed Anwar Pervez, OBE, HPK**  
Deputy Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

	Note	Apr - Jun 2011	Apr - Jun 2010	Jan- Jun 2011	Jan- Jun 2010
----- (Rupees in '000) -----					
Mark-up / return / interest earned	15	17,566,736	14,450,730	34,487,923	28,817,605
Mark-up / return / interest expensed	16	(7,249,492)	(5,960,403)	(14,849,425)	(11,948,367)
Net mark-up / return / interest income		10,317,244	8,490,327	19,638,498	16,869,238
Provision against loans and advances - net		(2,188,065)	(1,690,557)	(4,392,844)	(3,425,679)
Provision against lendings to financial institutions		(91,354)	-	(91,354)	-
Provision for diminuation in value of investments - net		(203,883)	(55,215)	(207,545)	(60,730)
Bad debts written off directly		(100,291)	(249,200)	(233,116)	(635,909)
		(2,583,593)	(1,994,972)	(4,924,859)	(4,122,318)
Net mark-up / return / interest income after provisions		7,733,651	6,495,355	14,713,639	12,746,920
<b>Non mark-up / return / interest income</b>					
Fee, commission and brokerage income		1,858,018	1,809,582	3,602,600	3,436,720
Dividend income		25,545	14,989	96,988	41,885
Income from dealing in foreign currencies		340,457	344,029	1,108,635	714,627
Gain on sale of securities		15,544	54,792	206,076	142,156
Unrealised loss on revaluation of investments classified as held for trading		(39,067)	(15,398)	(46,119)	(23,101)
Other income		730,008	247,344	1,155,518	592,576
Total non mark-up / return / interest income		2,930,505	2,455,338	6,123,698	4,904,863
		10,664,156	8,950,693	20,837,337	17,651,783
<b>Non mark-up / interest expenses</b>					
Administrative expenses	17	(5,444,048)	(4,734,084)	(10,505,654)	(9,167,916)
Other provisions / write offs / reversals - net		7,503	124,884	13,704	116,557
Workers' welfare fund		(116,486)	(90,296)	(219,604)	(180,032)
Other charges		(84,245)	(90,943)	(110,961)	(95,061)
Total non mark-up / interest expenses		(5,637,276)	(4,790,439)	(10,822,515)	(9,326,452)
		5,026,880	4,160,254	10,014,822	8,325,331
Share of (loss) / income of associates		(227,799)	118,863	(74,560)	184,651
<b>Profit before taxation</b>		<b>4,799,081</b>	<b>4,279,117</b>	<b>9,940,262</b>	<b>8,509,982</b>
<b>Taxation</b>					
- Current	18	(2,007,821)	(1,565,061)	(3,819,695)	(3,117,034)
- Prior		(9)	(394,488)	7,529	(394,750)
- Deferred		222,907	63,337	281,652	127,631
		(1,784,923)	(1,896,212)	(3,530,514)	(3,384,153)
<b>Profit after taxation</b>		<b>3,014,158</b>	<b>2,382,905</b>	<b>6,409,748</b>	<b>5,125,829</b>
<b>Attributable to:</b>					
Equity shareholders of the Bank		3,019,823	2,413,707	6,420,726	5,166,131
Non-controlling interest		(5,665)	(30,802)	(10,978)	(40,302)
		<b>3,014,158</b>	<b>2,382,905</b>	<b>6,409,748</b>	<b>5,125,829</b>
		----- (Rupees) -----			----- (Rupees) -----
<b>Basic and diluted earnings per share</b>		<u>2.47</u>	<u>1.97</u>	<u>5.24</u>	<u>4.22</u>

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

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

	Apr - Jun 2011	Apr - Jun 2010	Jan - Jun 2011	Jan - Jun 2010
	----- (Rupees in '000) -----			
<b>Profit after taxation for the period attributable to:</b>				
Equity shareholders of the Bank	3,019,823	2,413,707	6,420,726	5,166,131
Non-controlling interest	(5,665)	(30,802)	(10,978)	(40,302)
	3,014,158	2,382,905	6,409,748	5,125,829
<b>Other comprehensive income / (loss):</b>				
Exchange differences on translation of net investment in foreign branches and subsidiaries				
- Equity shareholders of the Bank	509,784	491,970	568,212	(885)
- Non-controlling interest	7,260	18,678	96,499	(82,434)
Gain on cash flow hedges	24,109	34,004	55,138	52,303
Related deferred tax liability on cash flow hedges	(8,438)	(11,901)	(19,298)	(18,306)
	532,715	532,751	700,551	(49,322)
<b>Comprehensive income transferred to equity - net of tax</b>	<b>3,546,873</b>	<b>2,915,656</b>	<b>7,110,299</b>	<b>5,076,507</b>

Surplus / (deficit) 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 23 form an integral part of these consolidated condensed interim financial statements.

**Atif R. Bokhari**  
President &  
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**Muhammad Sami Saeed**  
Director

**Omar Z. Al Askari**  
Director

**Sir Mohammed Anwar Pervez, OBE, HP**  
Deputy Chairman

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

	June 30, 2011 ----- (Rupees in '000) -----	June 30, 2010 -----
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	9,940,262	8,509,982
Less: Dividend income	(96,988)	(41,885)
Share of loss / (income) of associates	74,560	(184,651)
	<u>9,917,834</u>	<u>8,283,446</u>
<b>Adjustments:</b>		
Depreciation	944,815	907,938
Workers' welfare fund	219,604	180,032
Provision for retirement benefits and compensated absences	159,720	9,928
Provision against loans and advances - net	4,392,844	3,425,679
Provision against lendings to financial institutions	91,354	-
Provision for diminution in value of investments - net	207,545	60,730
Gain on sale of fixed assets	(11,304)	(3,867)
Finance charges on leased assets	-	112
Reversal of provision against other assets	(13,704)	(116,557)
Amortization of cash flow hedge reserve	55,138	52,303
Unrealized loss on revaluation of investments classified as held for trading	46,119	23,101
Bad debts written-off	233,116	635,909
	<u>6,325,247</u>	<u>5,175,308</u>
	<u>16,243,081</u>	<u>13,458,754</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(1,926,031)	11,103,597
Held for trading investments	(3,766,597)	(13,742,248)
Advances	(8,728,464)	6,319,944
Other assets - (excluding advance taxation)	(1,247,940)	537,086
	<u>(15,669,032)</u>	<u>4,218,379</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	2,391,002	(966,797)
Borrowings	(726,423)	12,318,873
Deposits and other accounts	43,169,405	11,275,960
Other liabilities	(362,183)	3,450,187
	<u>44,471,801</u>	<u>26,078,223</u>
	<u>45,045,849</u>	<u>43,755,356</u>
(Payment to) / Receipt from staff retirement benefit funds	(320,758)	5,865
Income tax paid	(10,150,050)	(5,940,509)
Net cash inflow from operating activities	<u><b>34,575,042</b></u>	<u><b>37,820,712</b></u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	(36,999,131)	(17,031,995)
Dividend income received	68,780	224,005
Investment in operating fixed assets	(1,311,160)	(1,231,123)
Sale proceeds from disposal of operating fixed assets	71,680	51,839
Net cash outflow from investing activities	<u><b>(38,169,831)</b></u>	<u><b>(17,987,274)</b></u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Repayments of principal of sub-ordinated loans	(2,028)	(2,024)
Dividend paid	(4,896,719)	(2,782,227)
Payments of lease obligations	-	(452)
Net cash (outflow) / inflow from financing activities	<u><b>(4,898,747)</b></u>	<u><b>(2,784,703)</b></u>
	<u><b>(8,493,536)</b></u>	<u><b>17,048,735</b></u>
Exchange differences on translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	568,212	(885)
- Non-controlling interest	96,499	(82,434)
(Decrease) / increase in cash and cash equivalents during the period	<u>(7,828,825)</u>	<u>16,965,416</u>
Cash and cash equivalents at beginning of the period	<u>93,648,154</u>	<u>75,302,762</u>
Cash and cash equivalents at end of the period	<u><b>85,819,329</b></u>	<u><b>92,268,178</b></u>

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Director

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Deputy Chairman

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

	Attributable to equity shareholder of the Bank							Non-controlling Interest	Total	
	Share Capital	General Reserve	Capital Reserves			Cash flow hedge Reserve	Unappropriated Profit			Sub total
			Statutory Reserve	Exchange Translation Reserve	Reserve for Issue of Bonus Share					
------(Rupees in '000)-----										
<b>Balance as at January 1, 2010 (Audited)</b>	11,128,907	3,000	12,221,570	9,149,799	-	(206,415)	23,617,875	55,914,736	2,279,691	58,194,427
Final cash dividend for the year ended December 31, 2009 declared subsequent to year end at Rs. 2.5 per share	-	-	-	-	-	-	(2,782,227)	(2,782,227)	-	(2,782,227)
Transfer to reserve for issue of bonus shares	-	-	-	-	1,112,891	-	(1,112,891)	-	-	-
Issue of bonus shares	1,112,891	-	-	-	(1,112,891)	-	-	-	-	-
<b>Changes in equity during the half year ended June 30, 2010</b>										
Profit after taxation for the half year ended June 30, 2010	-	-	-	-	-	-	5,166,131	5,166,131	(40,302)	5,125,829
Other comprehensive income - net of tax	-	-	-	(885)	-	33,997	-	33,112	(82,434)	(49,322)
Total comprehensive income	-	-	-	(885)	-	33,997	5,166,131	5,199,243	(122,736)	5,076,507
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	126,549	126,549	-	126,549
Transfer to statutory reserves	-	-	1,040,142	-	-	-	(1,040,142)	-	-	-
<b>Balance as at June 30, 2010 (Un-audited)</b>	12,241,798	3,000	13,261,712	9,148,914	-	(172,418)	23,975,295	58,458,301	2,156,955	60,615,256
Interim cash dividend for the half year ended June 30, 2010 declared at Rs. 1 per share	-	-	-	-	-	-	(1,224,180)	(1,224,180)	-	(1,224,180)
<b>Changes in equity during the half year ended December 31, 2010</b>										
Profit after taxation for the half year ended December 31, 2010	-	-	-	-	-	-	5,865,499	5,865,499	29,597	5,895,096
Other comprehensive income - net of tax	-	-	-	616,380	-	43,266	-	659,646	51,866	711,512
Total comprehensive income	-	-	-	616,380	-	43,266	5,865,499	6,525,145	81,463	6,606,608
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	129,526	129,526	-	129,526
Preferred dividend relating to non-controlling shareholders	-	-	-	-	-	-	31,177	31,177	(31,177)	-
Transfer to statutory reserve	-	-	1,200,984	-	-	-	(1,200,984)	-	-	-
<b>Balance as at December 31, 2010 (Audited)</b>	12,241,798	3,000	14,462,696	9,765,294	-	(129,152)	27,576,333	63,919,969	2,207,241	66,127,210
Final cash dividend for the year ended December 31, 2010 declared subsequent to year end at Rs. 4.0 per share	-	-	-	-	-	-	(4,896,719)	(4,896,719)	-	(4,896,719)
<b>Changes in equity during half year ended June 30, 2011</b>										
Profit after taxation for the half year ended June 30, 2011	-	-	-	-	-	-	6,420,726	6,420,726	(10,978)	6,409,748
Other comprehensive income - net of tax	-	-	-	568,212	-	35,840	-	604,052	96,499	700,551
Total comprehensive income	-	-	-	568,212	-	35,840	6,420,726	7,024,778	85,521	7,110,299
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	127,053	127,053	-	127,053
Transfer to statutory reserves	-	-	670,454	-	-	-	(670,454)	-	-	-
<b>Balance as at June 30, 2011 (Un-audited)</b>	12,241,798	3,000	15,133,150	10,333,506	-	(93,312)	28,556,939	66,175,081	2,292,762	68,467,843

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

**Atif R. Bokhari**  
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Chief Executive Officer

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Director

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Deputy Chairman

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011****1. STATUS AND NATURE OF BUSINESS**

The Group consists of:

**Holding Company**

United Bank Limited (the Bank)

**Subsidiary Companies**

United National Bank Limited (UNBL), United Kingdom

United Bank AG (Zurich), Switzerland

United Executors and Trustees Company Limited, Pakistan

UBL Fund Managers Limited, Pakistan

The Group is engaged in commercial banking, asset management, investment advisory services and investments business. 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 1,128 (December 31, 2010: 1,123) branches inside Pakistan including 7 (December 31, 2010: 6) Islamic Banking branches and 1 (December 31, 2010: 1) branch in Karachi Export Processing Zone. The Bank also operates 17 (December 31, 2010: 17) branches outside Pakistan as at June 30, 2011.

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.

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

**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 ("SBP") has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated condensed interim 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 Group 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 Group have been included in these consolidated condensed interim financial statements for reporting purposes, after eliminating intra branch transactions / balances. Key financial figures of the Islamic Banking branches are disclosed in note 21 to these consolidated condensed interim financial statements.

**3. STATEMENT OF COMPLIANCE**

3.1 These consolidated condensed interim financial statements of the Group 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 SBP. In case requirements differ, the provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

3.2 The SBP vide BSD Circular Letter 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 issued vide SRO 411 (I) / 2008 dated April 28, 2008, the 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 consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 The disclosures made in these consolidated condensed interim financial statements have, however, been limited based on a format prescribed by the SBP vide BSD Circular Letter 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 consolidated condensed interim financial statements should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2010.

3.4 On August 14, 2009, the Government of Pakistan (GoP) launched Benazir Employees' Stock Option Scheme ("the Scheme") for employees of certain State Owned Enterprises (SOEs) and non-SOEs.

The Scheme needs to be accounted for by the covered entities, including the Bank, under the provisions of amended International Financial Reporting Standard - 2 Share Based Payments (IFRS 2). However, keeping in view the difficulties that may be faced by the entities covered under the Scheme, the SECP has granted exemption to such entities from the application of IFRS 2 to the Scheme.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

Had the exemption not been granted, the staff costs of the Bank for the period would have been higher by Rs. 275 million (June 30, 2010: 275 million), profit before taxation would have been lower by Rs. 275 million (June 30, 2010: 275 million), unappropriated profit would have been lower by Rs. 1,031 million (June 30, 2010: 481 million) and reserves would have been higher by Rs. 1,031 million (June 30, 2010: 481 million), hence there would have been no impact on net equity. Further, earnings per share would have been lower by Rs. 0.22 per share (June 30, 2010: Rs. 0.22 per share).

**4. SIGNIFICANT ACCOUNTING POLICIES AND FINANCIAL RISK MANAGEMENT**

- 4.1 The accounting policies adopted in the preparation of these consolidated condensed interim financial statements are consistent with those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2010 other than as disclosed in note 4.3 below.
- 4.2 The financial risk management objectives and policies are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended December 31, 2010.
- 4.3 **New standards, interpretations and amendments thereof, adopted by the Group**

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IAS 24 Related Party Transactions (Amendment)	January 01, 2011
IAS 32 Financial Instruments: Presentation (Amendment)	January 01, 2011
IFRIC 14 Prepayments of a Minimum Funding Requirement (Amendment)	January 01, 2011

Adoption of the above standards, amendments and interpretations did not have any material affect on the financial statements.

**4.4 Improvements to IFRSs**

In addition to the above, amendments to various accounting standards have also been issued by the International Accounting Standard Board (IASB). Such improvements are generally effective for accounting periods beginning on or after January 01, 2011. The adoption of these improvements to IFRSs did not have any material impact on the Group's financial statements in the period of initial application.

**5. BASIS OF MEASUREMENT**

- 5.1 These consolidated 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.
- 5.2 The preparation of consolidated condensed interim financial statements requires management to make judgments, 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 judgments 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 consolidated financial statements for the year ended December 31, 2010.

**6. LENDINGS TO FINANCIAL INSTITUTIONS**

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
Call money lendings	30,000	450,000
Repurchase agreement lendings	50,000	4,431,877
Other lendings to financial institutions	14,230,809	7,502,901
	14,310,809	12,384,778
Provisions against lendings to financial institutions	(91,354)	-
	<u>14,219,455</u>	<u>12,384,778</u>



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**
**7. INVESTMENTS**
**7.1 Investments by types**

Note	(Un-audited) June 30, 2011			(Audited) December 31, 2010		
	Held by	Given as	Total	Held by	Given as	Total
	Group	collateral		Group	collateral	
----- (Rupees in '000) -----						
<b>7.1.1 Held-for-trading securities</b>						
Market Treasury Bills	18,843,023	593,234	19,436,257	12,984,400	1,189,144	14,173,544
Pakistan Investment Bonds	447,598	-	447,598	805,257	-	805,257
Ordinary shares of listed companies	346,062	-	346,062	8,928	-	8,928
Foreign securities	-	-	-	1,392,186	-	1,392,186
Term Finance Certificate	104,669	-	104,669	106,431	-	106,431
Units of Mutual Funds	45,600	-	45,600	46,966	-	46,966
Sukuk Bonds	28,974	-	28,974	22,852	-	22,852
Government of Pakistan - Euro bonds	-	-	-	73,494	-	73,494
	19,815,926	593,234	20,409,160	15,440,514	1,189,144	16,629,658
<b>7.1.2 Available-for-sale securities</b>						
Market Treasury Bills	73,120,940	27,595,468	100,716,408	39,519,598	20,695,498	60,215,096
Pakistan Investment Bonds	20,898,767	48,353	20,947,120	18,988,194	536,428	19,524,622
Government of Pakistan - Sukuk	4,619,500	-	4,619,500	4,122,000	-	4,122,000
Government of Pakistan Eurobonds	6,184,241	-	6,184,241	3,938,516	-	3,938,516
Ordinary shares of listed companies	3,863,033	-	3,863,033	3,629,335	-	3,629,335
Preference shares	473,144	-	473,144	472,097	-	472,097
Ordinary shares of unlisted companies	445,639	-	445,639	445,632	-	445,632
Term Finance Certificates	2,155,775	-	2,155,775	2,163,818	-	2,163,818
Units of mutual funds	229,662	-	229,662	164,662	-	164,662
Foreign securities	15,830,738	-	15,830,738	15,285,049	-	15,285,049
	127,821,439	27,643,821	155,465,260	88,728,901	21,231,926	109,960,827
<b>7.1.3 Held-to-maturity securities</b>						
Market Treasury Bills	49,710,557	-	49,710,557	58,843,648	-	58,843,648
Pakistan Investment Bonds	7,858,865	-	7,858,865	4,392,225	-	4,392,225
Government of Pakistan - Sukuk	330,000	-	330,000	30,000	-	30,000
Government of Pakistan - Guaranteed Bonds	51,310	-	51,310	51,399	-	51,399
Term Finance Certificates	27,067,865	-	27,067,865	27,106,749	-	27,106,749
Sukuk Bonds	2,379,847	-	2,379,847	2,548,739	-	2,548,739
Participation Term Certificates	16,637	-	16,637	19,202	-	19,202
Debentures	4,392	-	4,392	4,392	-	4,392
Foreign securities	6,250,075	-	6,250,075	9,772,562	-	9,772,562
Commercial Paper	27,740	-	27,740	-	-	-
CDC SAARC Fund	430	-	430	428	-	428
Government of Pakistan Eurobonds	768,487	-	768,487	696,506	-	696,506
	94,466,205	-	94,466,205	103,465,850	-	103,465,850
<b>7.1.4 Associates</b>						
United Growth and Income Fund	2,795,495	-	2,795,495	3,023,430	-	3,023,430
UBL Liquidity Plus Fund	2,099,926	-	2,099,926	2,613,475	-	2,613,475
United Composite Islamic Fund	351,282	-	351,282	338,110	-	338,110
United Islamic Income Fund	190,714	-	190,714	196,425	-	196,425
United Stock Advantage Fund	372,985	-	372,985	354,897	-	354,897
UBL Participation Protected Plan	195,668	-	195,668	184,639	-	184,639
UBL Capital Protected Fund - II	104,960	-	104,960	108,757	-	108,757
UBL Savings Income Fund	655,149	-	655,149	174,469	-	174,469
UBL Islamic Savings Fund	596,440	-	596,440	197,224	-	197,224
UBL Islamic Retirement Savings Fund	104,136	-	104,136	98,310	-	98,310
UBL Retirement Savings Fund	104,763	-	104,763	99,681	-	99,681
UBL Capital Protected Fund - I	-	-	-	61,652	-	61,652
UBL Insurers Limited	157,385	-	157,385	150,038	-	150,038
Oman United Exchange Company, Muscat	53,055	-	53,055	65,108	-	65,108
	7,781,958	-	7,781,958	7,666,215	-	7,666,215
	249,885,528	28,237,055	278,122,583	215,301,480	22,421,070	237,722,550
Provision for diminution in value of investments	(2,599,546)	-	(2,599,546)	(2,649,005)	-	(2,649,005)
<b>Investments (net of provisions)</b>	247,285,982	28,237,055	275,523,037	212,652,475	22,421,070	235,073,545
Deficit on revaluation of available-for-sale securities	(2,413,777)	(3,654)	(2,417,431)	(3,311,399)	(11,718)	(3,323,117)
Deficit on revaluation of held-for-trading securities	(45,937)	(182)	(46,119)	(33,050)	(164)	(33,214)
<b>Total Investments</b>	244,826,268	28,233,219	273,059,487	209,308,026	22,409,188	231,717,214

**7.2** This includes investments in the seed capital aggregating to Rs. 530 million (2010 : Rs. 630 million) which is required to be kept for a period of two years.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

	Note	(Un-audited) June 30, 2011 ----- (Rupees in '000) -----	(Audited) December 31, 2010
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		267,037,893	268,760,548
Outside Pakistan		87,687,723	88,132,534
		<u>354,725,616</u>	<u>356,893,082</u>
Bills discounted and purchased			
Payable in Pakistan		20,031,732	14,665,532
Payable outside Pakistan		10,016,257	4,921,410
		<u>30,047,989</u>	<u>19,586,942</u>
	8.1	<u>384,773,605</u>	<u>376,480,024</u>
Provision against advances			
- Specific	8.2	(38,231,928)	(33,544,116)
- General	8.3	(928,761)	(1,425,496)
		<u>345,612,916</u>	<u>341,510,412</u>

8.1 Advances include Rs. 51,720 million (December 31, 2010: Rs. 48,613 million) which have been placed under non-performing status.

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

Category of Classification	June 30, 2011 (Un-audited)				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned *	347,911	-	347,911	-	-
Substandard	5,025,790	40,045	5,065,835	950,596	950,596
Doubtful	5,553,624	4,411,395	9,965,019	5,001,551	5,001,551
Loss	34,898,640	1,442,115	36,340,755	32,279,781	32,279,781
	<u>45,825,965</u>	<u>5,893,555</u>	<u>51,719,520</u>	<u>38,231,928</u>	<u>38,231,928</u>
	December 31, 2010 (Audited)				
Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
	----- (Rupees in '000) -----				
Other Assets Especially Mentioned *	336,651	-	336,651	-	-
Substandard	6,320,318	1,037,361	7,357,679	1,673,379	1,673,379
Doubtful	5,716,839	3,005,088	8,721,927	3,032,943	3,032,943
Loss	30,587,904	1,608,917	32,196,821	28,837,794	28,837,794
	<u>42,961,712</u>	<u>5,651,366</u>	<u>48,613,078</u>	<u>33,544,116</u>	<u>33,544,116</u>

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

8.3 General provision represents provision amounting to Rs 327.693 million (December 31, 2010: Rs.375.327 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP and Rs. 509.488 million (December 31, 2010: Rs.415.169 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries in which the overseas branches operate. General provisions also include an amount of Rs. 91.580 million (December 31, 2010: Rs.635.000 million) which the Group carries based on management estimates.

8.4 Consistent with prior years, the Group has availed the benefit of Forced Sale Value (FSV) of pledged stocks, mortgaged residential and commercial properties (land and building only) held as collateral against non-performing advances as allowed under BSD Circular 2 of 2009. Had the benefit under the said circular not been taken by the Group, the specific provision against non-performing advances would have been higher by Rs. 3,271 million (December 31, 2010: Rs. 3,068 million). The FSV benefit recognized will not be available for the distribution of cash and stock dividend to shareholders.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
<b>9. OPERATING FIXED ASSETS</b>		
Capital work-in-progress	1,709,981	1,337,697
Property and equipment	22,450,688	22,405,859
Intangible assets	859,800	941,010
	<u>25,020,469</u>	<u>24,684,566</u>

9.1 Additions and disposals during the period amounted to Rs. 1,311.160 million (June 30, 2010:Rs. 1,231,123 million) and Rs. 312.615 million (June 30, 2010:Rs. 96.710 million) respectively.

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	

**10. BORROWINGS**
**Secured**

Borrowings from the State Bank of Pakistan

- Export refinance scheme
- Refinance facility for modernization of SME
- Long term fixed finance
- Long term finance under export oriented projects

11,260,535	14,840,163
23,329	27,500
3,244,230	2,444,872
1,907,714	2,770,789
<u>16,435,808</u>	<u>20,083,324</u>
<u>28,184,607</u>	<u>22,412,235</u>
<u>44,620,415</u>	<u>42,495,559</u>

Repurchase agreement borrowings

**Unsecured**

- Call borrowings
- Overdrawn nostro accounts
- Trading liabilities
- Other borrowings

645,024	428,195
74,727	452,682
-	806,942
1,565,225	3,448,436
<u>2,284,976</u>	<u>5,136,255</u>
<u>46,905,391</u>	<u>47,631,814</u>

**11. DEPOSITS AND OTHER ACCOUNTS**
**Customers**

- Fixed deposits
- Savings deposits
- Sundry deposits
- Margin deposits
- Current accounts - remunerative
- Current accounts - non-remunerative

173,501,920	169,041,101
203,529,432	188,600,237
8,339,885	4,767,873
3,930,483	3,696,330
4,573,484	4,235,253
<u>203,375,116</u>	<u>179,548,697</u>
<u>597,250,320</u>	<u>549,889,491</u>

**Financial Institutions**

- Remunerative deposits
- Non-remunerative deposits

7,855,527	10,133,811
5,674,816	7,587,956
<u>13,530,343</u>	<u>17,721,767</u>
<u>610,780,663</u>	<u>567,611,258</u>

**12. SHARE CAPITAL**
**Issued, subscribed and paid-up capital**

Fully paid-up ordinary shares of Rs.10 each

June 2011	Dec 2010			
(Number of shares)		Fully paid-up ordinary shares of Rs.10 each		
518,000,000	518,000,000	Issued for cash	5,180,000	5,180,000
706,179,687	706,179,687	Issued as bonus shares	7,061,798	7,061,798
<u>1,224,179,687</u>	<u>1,224,179,687</u>		<u>12,241,798</u>	<u>12,241,798</u>

12.1 As disclosed in note 20.4 of the audited consolidated financial statements for the year ended December 31, 2010, the Abu Dhabi Group (ADG) and Bestway (Holdings) Limited had entered into a Share Purchase Agreement dated December 28, 2010 for inter se transfer of 20% of the issued and outstanding ordinary shares of the Bank held by ADG to Bestway (Holdings) Limited. The inter se transfer of these shares took place on January 26, 2011.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
<b>13. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX</b>		
Surplus arising on revaluation of assets - net of tax:		
Fixed assets		
- Group's share	10,754,755	10,865,342
- Non-controlling interest	400,163	386,706
13.1	11,154,918	11,252,048
Securities		
- Group's share	(1,570,998)	(2,159,801)
- Non-controlling interest	(1,050)	(1,014)
13.2	(1,572,048)	(2,160,815)
Deficit arising on revaluation of assets of associates	(85,179)	(84,263)
	<u>9,497,691</u>	<u>9,006,970</u>
<b>13.1 Surplus on revaluation of fixed assets</b>		
Surplus on revaluation of fixed assets at January 01	16,394,246	16,331,741
Revaluation of fixed assets during the period / year	-	467,625
Exchange adjustments	29,934	(12,251)
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year	(127,053)	(256,075)
Related deferred tax charge on incremental depreciation during the period / year	(68,413)	(136,794)
	<u>(165,532)</u>	<u>62,505</u>
	16,228,714	16,394,246
Less: related deferred tax liability on:		
Revaluation as on January 01	5,142,198	5,275,900
Revaluation of fixed assets during the period / year	11	3,075
Exchange adjustments	-	17
Incremental depreciation charged on related assets	(68,413)	(136,794)
	<u>5,073,796</u>	<u>5,142,198</u>
	<u>11,154,918</u>	<u>11,252,048</u>
<b>13.2 Deficit on revaluation on available-for-sale securities</b>		
Market Treasury Bills	9,303	(55,830)
Pakistan Investment Bonds	(1,670,333)	(1,937,605)
Listed shares	(87,326)	(34,452)
Mutual fund units	(1,504)	(709)
Term Finance Certificates, Sukuk, other Bonds etc.	(2,734)	(27,242)
Overseas securities	(664,838)	(1,267,279)
	<u>(2,417,432)</u>	<u>(3,323,117)</u>
Related deferred tax asset	845,384	1,162,302
	<u>(1,572,048)</u>	<u>(2,160,815)</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
<b>14. CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Direct Credit Substitutes</b>		
Contingent liabilities in respect of guarantees given favouring:		
Government	8,418,047	8,742,208
Banking companies and other financial institutions	5,789,601	5,766,641
Others	6,334,766	6,124,874
	<u>20,542,414</u>	<u>20,633,723</u>
<b>14.2 Transaction-related Contingent Liabilities</b>		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:		
Government	76,357,161	82,423,478
Banking companies and other financial institutions	2,199,496	2,470,740
Others	14,234,504	14,018,380
	<u>92,791,161</u>	<u>98,912,598</u>
<b>14.3 Trade-related Contingent Liabilities</b>		
Contingent liabilities in respect of letters of credit opened favouring:		
Government	54,783,941	52,890,721
Banking companies and other financial institutions	2,218,031	760,593
Others	91,672,414	74,685,738
	<u>148,674,386</u>	<u>128,337,052</u>
<b>14.4 Other Contingencies</b>		
Claims against the Group not acknowledged as debts	<u>22,196,737</u>	<u>21,995,613</u>
<b>14.5 Commitments in respect of forward lending</b>		
The Group 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.		
	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
<b>14.6 Commitments in respect of forward exchange contracts</b>		
Sale	<u>100,325,800</u>	<u>85,906,329</u>
Purchase	<u>144,583,626</u>	<u>131,134,706</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

	<b>(Un-audited) June 30, 2011</b>	<b>(Audited) December 31, 2010</b>
	----- (Rupees in '000) -----	
<b>14.7 Other commitments</b>		
Interest rate swaps	9,530,627	6,985,703
Cross Currency swaps	35,154,851	35,570,843
FX options - purchased	-	2,055,442
FX options - sold	-	2,055,442
Forward sale contracts of government securities	447,115	441,981
Commitments in respect of capital expenditure	562,745	576,398
	----- <b>(Un-audited)</b> -----	
	<b>Jan-Jun 2011</b>	<b>Jan-Jun 2010</b>
	----- (Rupees in '000) -----	
<b>15. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances to customers	19,797,703	20,147,839
On lendings to financial institutions		
- Call money lending	20,275	40,878
- Securities purchased under resale agreements	254,909	553,338
- Advances to financial institutions	161,329	110,417
	436,513	704,633
On investments in		
- Held for trading securities	718,485	275,640
- Available for sale securities	6,607,078	3,742,459
- Held to maturity securities	6,776,048	3,675,575
- Associates	-	3,219
	14,101,611	7,696,893
On deposits with financial institutions	128,450	252,301
Discount income	23,646	15,939
	34,487,923	28,817,605
<b>16. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	11,641,384	9,190,947
On securities sold under repurchase agreements	1,155,946	658,869
On other short - term borrowings	1,297,609	1,333,104
On other long - term borrowings	754,486	765,447
	14,849,425	11,948,367

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**

	----- (Un-audited) -----	
	Jan-Jun 2011	Jan-Jun 2010
	----- (Rupees in '000) -----	
<b>17. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	4,440,060	4,153,312
Rent, taxes, insurance, electricity etc.	1,260,744	1,138,866
Depreciation	944,815	907,938
Outsourced service charges including sales commission	753,799	653,847
Communications	406,245	374,672
Banking service charges	408,946	297,719
Cash transportation charges	158,057	133,933
Stationery and printing	217,192	202,405
Legal and professional charges	127,125	164,043
Contribution to retirement plan - net	26,953	(60,802)
Advertisement and publicity	318,135	179,762
Repairs and maintenance	144,976	116,956
Maintenance contracts	300,814	195,235
Travelling	140,371	89,180
Office running expenses	135,478	105,237
Charge for compensated absences	132,767	70,730
Vehicle expenses	71,628	58,264
Entertainment	67,892	51,860
Cartage, freight and conveyance	40,541	31,672
Insurance expense	73,818	40,685
Auditors' remuneration	38,823	31,868
Training and seminars	24,946	19,959
Brokerage expenses	17,236	8,148
Subscriptions	26,545	22,232
Subordinated debt related costs	3,195	3,833
Donations	24,530	46,558
Miscellaneous expenses	200,023	129,804
	<u>10,505,654</u>	<u>9,167,916</u>

**18. TAXATION**

The Income Tax returns of the Bank have been filed up to the tax year 2010 (accounting year ended December 31, 2009) and were deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (Ordinance) unless amended by the Commissioner of Inland Revenue.

The tax authorities have amended assessments for the tax years 2003 to 2010 (accounting year ended December 31, 2002 to 2009) determining additional tax liability of Rs.7,308 million, which has been fully paid as required under the law. For the tax years 2004 to 2009, appeals have also been decided by the Commissioner of Inland Revenue [CIR(A)], while tax years 2003 and 2010 remain pending before CIR(A). Tax years 2004 to 2007 have been decided by the Appellate Tribunal Inland Revenue (ATIR), while tax year 2008 and 2009 remain pending decision before ATIR. For tax year 2004 to 2007, the ATIR has allowed relief on certain issues, which would result in a refund of Rs.1,262 million. The Bank has filed a reference application before the Honorable High Court of Sindh for a decision on the remaining issues in tax years 2004 to 2007. The management is confident that the appeals will be decided in favor of the Bank.

The tax returns for Azad Kashmir (AK) Branches have been filed for tax years 2005 to 2010 (financial years ended December 31, 2004 to 2009) under the provisions of section 120(1) read with section 114 of the Ordinance and in compliance with the terms of agreement between banks and the Azad Kashmir Council in May 2005. The returns filed are considered as deemed assessment orders under the law.

The Seventh Schedule to the Ordinance allows provision for advances and off balance sheet exposures @ 5% of advances to consumer and small and medium enterprises (SMEs), and 1% of other advances. A deferred tax asset of Rs. 2,728 million has been recognized relating to amounts in excess of the allowable limits which is carried forward to future years.

The Bank also carries a tax asset amounting to Rs.5,454 million (December 31, 2010: 5,454 million), representing disallowance of provisions against advances and off balance sheet obligations, for the periods prior to the applicability of the Seventh Schedule. Out of these Rs. 1,262 million have been allowed by the ATIR. The Management, in consultation with its tax advisors, is confident that the remainder would be allowed to the Bank at appellate levels.



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**
**19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**
**For the Half Year Ended June 30, 2011 (Un-audited)**

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment reconciliation
----- (Rupees in '000) -----							
Total income	222,529	3,288,462	17,136,286	4,174,267	206,283	659,806	-
Total expenses	(59,301)	(1,750,539)	(10,697,106)	(2,618,175)	(176,555)	(445,695)	-
Net income before tax	163,228	1,537,923	6,439,180	1,556,092	29,728	214,111	-
Segment return on assets (ROA) (%)	4.44%	0.58%	1.53%	0.80%	7.72%	-	-
Segment cost of funds (%)	0.38%	7.96%	4.13%	9.16%	-	-	-

**For the Half Year Ended June 30, 2010 (Un-audited)**

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment reconciliation
----- (Rupees in '000) -----							
Total income	209,416	1,011,872	15,443,961	4,553,906	188,395	551,202	-
Total expenses	(47,672)	(280,443)	(10,587,297)	(2,047,636)	(177,990)	(307,732)	-
Net income before tax	161,744	731,429	4,856,664	2,506,270	10,405	243,470	-
Segment return on assets (ROA) (%)	2.76%	0.35%	1.34%	1.26%	4.12%	-	-
Segment cost of funds (%)	0.31%	7.06%	4.07%	8.82%	-	-	-

**As at June 30, 2011 (Un-audited)**

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment reconciliation
----- (Rupees in '000) -----							
Segment assets (gross of NPL provisions)	4,909,853	289,351,320	636,579,318	290,770,797	518,570	93,330,194	(504,535,456)
Segment non performing loans (NPL)	-	1,990,916	22,440,048	27,275,403	-	13,153	-
Segment provision required against NPL	-	1,363,412	18,253,268	18,602,095	-	13,153	-
Segment liabilities	4,634,759	286,270,844	609,789,469	270,699,811	53,414	27,814,293	(504,535,456)

**As at December 31, 2010 (Audited)**

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others	Inter segment reconciliation
----- (Rupees in '000) -----							
Segment assets (gross of NPL provisions)	5,004,302	257,667,931	594,340,589	276,599,141	483,062	77,764,298	(452,925,564)
Segment non performing loans (NPL)	-	2,002,017	21,787,039	24,810,869	-	13,153	-
Segment provision required against NPL	-	10,105	16,691,950	16,828,908	-	13,153	-
Segment liabilities	4,665,722	258,459,687	564,968,921	257,101,306	37,560	17,947,831	(452,925,564)

Segment assets and liabilities include inter segment balances.

Transactions between reportable segments are based on an appropriate transfer pricing mechanism using agreed rates.



**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**
**20. RELATED PARTY TRANSACTIONS**

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

The Group 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 actuarial valuations / 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 condensed interim financial statements, are as follows:

	As at June 30, 2011 (Un-audited)				As at December 31, 2010 (Audited)			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
(Rupees in '000)								
<b>Balances with other banks</b>								
In current accounts	-	-	-	-	-	-	-	-
In saving accounts	-	-	-	236	-	-	-	2,773
				<u>236</u>				<u>2,773</u>
<b>In deposit accounts</b>								
Opening balance	-	-	-	-	-	-	-	-
Placements during the period / year	-	-	-	1,238,424	-	-	-	-
Settled during the period / year	-	-	-	(1,238,424)	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-
<b>Lendings to financial institutions</b>								
Call Money Lendings	-	-	-	-	-	-	-	350,000
<b>Investments</b>								
Opening balance	-	-	7,666,215	317,176	-	-	7,522,641	317,176
Investment made during the period / year	-	-	4,502,413	-	-	-	2,738,412	-
Investment sold / liquidated during the period / year	-	-	(4,103,410)	(47,125)	-	-	(2,434,051)	-
Equity method adjustment	-	-	(283,260)	-	-	-	(160,787)	-
Closing balance	-	-	<u>7,781,958</u>	<u>270,051</u>	-	-	<u>7,666,215</u>	<u>317,176</u>
Provision for diminution in value of investments	-	-	-	(59,803)	-	-	-	(59,803)
<b>Advances</b>								
Opening balance	969	150,557	-	-	2,142	104,850	-	-
Addition during the period / year	-	17,340	-	-	-	177,142	-	-
Repaid during the period / year	(43)	(31,496)	-	-	(1,173)	(131,435)	-	-
Closing balance	<u>926</u>	<u>136,401</u>	-	-	<u>969</u>	<u>150,557</u>	-	-
<b>Other Assets</b>								
Interest markup accrued	11	135	-	2,194	-	135	-	4,656
Receivable from staff retirement funds	-	-	-	9,927	-	-	-	66,595
Prepaid insurance	-	-	116,240	-	-	-	1,368	-
Remuneration receivable from management of fund	-	-	6,709	145	-	-	15,468	458
Sales load receivable	-	-	2,119	-	-	-	1,327	-
Formation cost receivable	-	-	1,280	-	-	-	5,560	-
Other receivable	-	-	100,605	2,177	-	-	8,413	2,100
<b>Borrowings</b>								
Opening balance	-	-	-	-	-	-	300,000	100,000
Borrowings during the period / year	-	-	-	4,812,311	-	-	2,100,000	-
Settled during the period / year	-	-	-	(4,812,311)	-	-	(2,400,000)	(100,000)
Closing balance	-	-	-	-	-	-	-	-
Overdrawn nostros	-	-	-	-	-	-	533	-
<b>Deposits and other accounts</b>								
Opening balance	2,796,798	24,857	3,824,208	957,640	28,205	19,365	220,116	888,467
Received during the period / year	11,475,299	562,667	15,466,293	47,998,819	9,791,140	444,766	37,943,495	62,734,505
Withdrawn during the period / year	(10,777,650)	(537,612)	(17,245,510)	(47,315,817)	(7,022,547)	(439,274)	(34,339,403)	(62,665,332)
Closing balance	<u>3,494,447</u>	<u>49,912</u>	<u>2,044,991</u>	<u>1,640,642</u>	<u>2,796,798</u>	<u>24,857</u>	<u>3,824,208</u>	<u>957,640</u>
Sub-ordinated loans	-	5	5,999	-	-	5	5,999	-
<b>Other Liabilities</b>								
Interest / markup payable on deposits	6,022	228	165	147	9,431	41	17,769	1,024
Interest / markup payable on sub-ordinated loans	-	-	167	-	-	-	167	-
Unrealised loss on derivative transactions	-	-	-	729,315	-	-	-	618,818
<b>Contingencies and Commitments</b>								
Letter of guarantee	1,703,614	-	72,318	-	1,697,143	-	30,031	-
Forward purchase of exchange contracts	-	-	-	2,276,840	-	-	-	2,602,090
Forward sale of exchange contracts	-	-	-	435,600	-	-	-	429,850

	For the half year ended June 30, 2011				For the half year ended June 30, 2010			
	Directors	Key management personnel	Associates	Other related parties	Directors	Key management personnel	Associates	Other related parties
(Rupees in '000)								
<b>Income</b>								
Mark-up / return / interest earned	60	4,504	-	16,844	195	3,351	-	10,511
Commission / charges recovered	4	8	505	3,257	4	5	786	4,257
Dividend received	-	-	208,406	-	-	-	185,822	2,346
Net gain on sale of investment	-	-	20,724	-	-	-	2,191	-
Realised gain on derivative transactions	-	-	-	1,153,982	-	-	-	1,057,185
Remuneration received from management of fund	-	-	170,422	340	-	-	124,930	-
Sales load received	-	-	7,209	1,662	-	-	3,300	-
Other income	-	2,398	90	-	-	-	20	-
<b>Expenses</b>								
Mark-up / return / interest paid	42,977	1,285	135,837	17,489	9,605	174	119,585	17,884
Managerial remuneration	-	367,135	-	-	-	317,296	-	-
Post employment benefits	-	7,036	-	-	-	6,397	-	-
Non-executive directors' fee and allowances	16,471	-	-	-	24,703	-	-	-
Net charge for defined contribution plans	-	-	-	79,830	-	-	-	42,209
Net reversal for defined benefit plans	-	-	-	(148,034)	-	-	-	184,009
Payment for employee motivation and retention scheme	-	-	-	230,000	-	-	-	210,000
Donation	-	-	-	20,000	-	-	-	40,000
Insurance premium paid	-	-	243,745	-	-	-	184,062	-
Insurance claims settled	-	-	79,089	-	-	-	77,795	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2011**
**21. ISLAMIC BANKING BUSINESS**

21.1 The statement of financial position of the Group's Islamic Banking branches as at June 30, 2011 is as follows:

	(Un-audited) June 30, 2011	(Audited) December 31, 2010
	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	427,247	389,582
Balances with other banks	52,564	46,654
Lendings to financial institutions	-	450,000
Investments	3,928,019	2,884,260
Financing and receivables		
- Murabaha	298,058	203,787
- Musharaka	138,889	166,667
- Diminishing Musharaka	79,530	90,888
	516,477	461,342
Operating fixed assets		
- In own use	44,884	54,546
- Given under Ijarah financing	454,251	371,506
	499,135	426,052
Due from head office	2,130,821	83,725
Other assets	357,447	297,649
<b>Total Assets</b>	<b>7,911,710</b>	<b>5,039,264</b>
<b>LIABILITIES</b>		
Bills payable	970	970
Deposits and other accounts		
- Current accounts	891,021	724,750
- Saving accounts	733,963	933,100
- Term deposits	1,922,427	1,456,596
- Deposits from financial institutions - remunerative	3,664,709	1,344,775
	7,212,120	4,459,221
Other liabilities	162,511	101,782
	7,375,601	4,561,973
<b>NET ASSETS</b>	<b>536,109</b>	<b>477,291</b>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	681,000	681,000
Accumulated loss	(143,387)	(203,000)
	537,613	478,000
Deficit on revaluation of assets	(1,504)	(709)
	<b>536,109</b>	<b>477,291</b>

21.2 The profit and loss account of the Group's Islamic Banking branches for the half year ended June 30, 2011 is as follows:

	(Un-audited) Jan-Jun 2011	(Un-audited) Jan-Jun 2010
	----- (Rupees in '000) -----	
Return earned	369,801	273,634
Return expensed	(240,307)	(113,252)
	129,494	160,382
Reversal of diminution in the value of investment	35,130	8,575
Reversal of provision against assets given on Ijara	3,937	1,932
	39,067	10,507
Net return after provision	168,561	170,889
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	3,455	2,913
Dividend income	27,357	1,250
Income from dealing in foreign currencies	790	424
Loss on sale of securities	-	(4,750)
Other Income	2,410	1,238
Total other income	34,012	1,075
	202,573	171,964
<b>OTHER EXPENSES</b>		
Administrative expenses	(142,960)	(145,306)
Other provisions / write offs	-	(1,721)
Total other expenses	(142,960)	(147,027)
Net Profit for the period	59,613	24,937
Accumulated losses brought forward	(203,000)	(174,404)
Accumulated losses carried forward	(143,387)	(149,467)
Remuneration to Sharia Advisor / Board	1,209	1,502

**22. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors in its meeting held on July 28, 2011 has declared a cash dividend in respect of half year ended June 30, 2011 of Rs. 1.5 per share (June 30, 2010: Re. 1.00 per share). The consolidated condensed interim financial statements for the half year ended June 30, 2011 do not include the effect of this appropriation which will be accounted for subsequent to the period end.

**23. DATE OF AUTHORIZATION**

These condensed interim financial statements were authorised for issue on July 28, 2011 by the Board of Directors of the Group.