

ANNEXURE 'A' AS REFERRED TO IN NOTE 9.5 OF THE FINANCIAL STATEMENTS
1. PARTICULARS OF INVESTMENT HELD IN COMPANIES AND MODARABAS

Investee	Number of shares / certificate held	Paid up value per share / certificate (Rupees)	Total paid up value Rupees in 000's	Cost
Available- for- sale securities				
Investment in ordinary shares				
Hub Power Company Limited	4,650,000	10	46,500	156,191
Oil and Gas Development Company Limited	2,225,000	10	22,250	258,997
Pakistan Oil Fields	650,000	10	6,500	271,499
Pakistan State Oil Company Limited	405,000	10	4,050	143,288
Sui Northern Gas Pipelines Limited	1,500,000	10	15,000	99,397
Pakistan Petroleum Limited	25,000	10	250	5,245
Pakistan Telecommunication Company Limited	2,214,800	10	22,148	142,605
Telecard Limited	550,000	10	5,500	9,368
Engro Chemicals Limited	50,000	10	500	8,237
Pakistan PTA Limited	1,000,000	10	10,000	7,924
The Resource Group	13,871,500	10	138,715	149,410
Mehran Modaraba	124,796	10	1,248	750
Chenab Limited Common Shares	3,445,500	10	34,455	64,093
National Refinery Limited	680,000	10	6,800	30,325
First Dawood Mutual Fund	1,010,000	10	10,100	10,000
Pakistan Strategic Allocation Fund	1,000,000	10	10,000	10,000
Atlas Fund Of Funds	1,050,000	10	10,500	10,000
Abamco Stock Market Fund	131,062	10	1,311	2,250
PICIC Investment Fund	275,337	10	2,753	4,988
Shell Pakistan Limited	68,750	10	688	18,129
Unilever Pakistan Limited	29,000	50	1,450	29,660
Tariq Glass Industries Limited	231,163	10	2,312	2,101
Netsol Technologies	100,000	10	1,000	2,500
Azam Textile Mills Limited	292,851	10	2,929	2,929
Baig Spinning Mills Limited	662,050	10	6,621	6,621
Kay Textile Mills Limited	377,800	10	3,778	3,778
Kohat Textile Mills Limited	100,000	10	1,000	1,000
Kohinoor Oil Mills Limited	500	10	5	2
Sakrand Sugar Mills Limited	1,547,040	10	15,470	11,720
Saleem Sugar Mills Limited (Charsadda)	892	10	9	8
Sarhad Cigarette Industries Limited	72,080	10	721	360
Saritow Spinning Mills Limited	617,110	10	6,171	6,171
Investment in preference shares				
Masood Textile Mills Preference Shares	11,000,000	10	110,000	110,000
Chenab Limited Preference Shares	7,990,882	10	79,909	79,909
Investment in units of mutual funds				
United Money Market Fund - Category A	2,968,928	100	250,000	250,000
United Money Market Fund - Category C	2,826,304	100	280,000	280,000
Faysal Balanced Growth Funds	168,675	10	1,687	15,000
Atlas Stock Market Fund	11,249	10	112	5,000
Held for trading				
Investment in ordinary shares				
National Bank of Pakistan	200,000	10	2,000	39,556
Faysal Bank Limited	1,000,000	10	10,000	73,537
Maple Leaf Cement	400,000	10	4,000	16,974
Pakistan Oil Fields	249,800	10	2,498	104,216
Pakistan State Oil Company Limited	300,000	10	3,000	127,194
Sui Northern Gas Pipelines Limited	300,000	10	3,000	20,426
Pakistan Petroleum Limited	279,800	10	2,798	58,152
Pakistan Telecommunication Company Limited	200,000	10	2,000	12,979

ANNEXURE 'A' AS REFERRED TO IN NOTE 9.5 OF THE FINANCIAL STATEMENTS
2. PARTICULARS OF INVESTMENTS HELD IN UNLISTED COMPANIES

Investee	Number of shares	Cost	Break up value of Investment	Based on Audited accounts	Name of Chief Executive
Rupees in thousand					
Shareholding more than 10 %					
Investment Corporation of Pakistan	460,000	41,998	303,181	June 30, 2005	A.Latif Uqaili
Pakistan Agricultural Storage and Services Corporation	5,500	5,500	29,650	March 31, 2005	Maj. General Fahim Akhtar Khan
Khushali Bank	200	200,000	204,025	December 31, 2004	Mr M Ghalib Nishtar
World Bridge Connect Inc.	1,979,295	77,606	49,304	June 30, 2005	Gurojot Singh Khalsa
Shareholding upto 10 %					
National Institute for Facilitation of Technology (Pvt.) Ltd.	401,352	1,527	14,152	June 30, 2005	Mr M M Khan
SME Bank Limited	2,981,327	26,950	44,094	December 31, 2004	Mr Mansoor Khan
First Women Bank Limited	2,532,000	21,100	50,741	December 31, 2004	Ms Zarine Aziz
Equity Participation Fund	27,000	2,700	12,585	June 30, 2004	Mr Shahid Ather
News - Vis Credit Information Services (Pvt.) Limited	32,500	325	-	June 30, 2005	Tariq Iqbal Khan
Techlogix International	4,455,829	50,703	8,422	December 31, 2005	Salman Akhtar & Kewan Khawaja (Co Chief Executive)
Others*		3,005			

* Others represents investment in companies having nil breakup value in respect of which full provision has been made in these financial statements.

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ANNEXURE 'A' AS REFERRED TO IN NOTE 9.5 OF THE FINANCIAL STATEMENTS
3. PARTICULARS OF BONDS

Investee	Terms of Redemption		Rate of Interest	Outstanding amount
	Principal	Interest		
Ghee Corporation of Pakistan	Annually	Half Yearly	15.00%	315,869
Heavy Mechanical Complex	At Maturity	Half Yearly	*	28,480
Pakistan Agricultural Storage & Services Corporation	At Maturity	Half Yearly	*	658,769
Pakistan Automobile Corporation	At Maturity	Half Yearly	*	651,011
Punjab Engineering Company Limited	At Maturity	Half Yearly	*	95,184
Rice Export Corporation of Pakistan	Annually	Half Yearly	15.00%	768,285
Saindak Metals Limited I	Annually	Half Yearly	15.00%	508,403
Saindak Metals Limited II	Half Yearly	Half Yearly	**	725,972
Water and Power Development Authority	Annually	Half Yearly	***	287,998
				4,039,971

* Annual weighted average of last year's rate of return on Treasury Bills.

** Six Monthly simple average of weighted average yields of 3 years tenor Pakistan Investment Bonds (PIBs) plus 30 basis points prevailed during accrual period.

*** SBP discount rate plus 2 %

ANNEXURE 'A' AS REFERRED TO IN NOTE 9.5 OF THE FINANCIAL STATEMENTS
4. PARTICULARS OF DEBENTURES

Investee	Terms of Redemption		Rate of Interest	Outstanding amount
	Principal	Interest		
Public Sector				
Karachi Development Authority	Overdue	Overdue	12.50%	156,034
SDA Leather Tannery	Overdue	Overdue	12.00%	1,621
Cold Storage Mardan-I	Overdue	Overdue	12.50%	1,300
Cold Storage Mardan-II	Overdue	Overdue	12.00%	856
Cold Storage Haripur-I	Overdue	Overdue	12.50%	1,300
Cold Storage Haripur-II	Overdue	Overdue	12.00%	825
Private Sector				
Ajax Industries Limited	Overdue	Overdue	14.00%	1,660
Alley Hosiery Mills Limited	Overdue	Overdue	14.00%	200
Attock Textile Mills Limited	Overdue	Overdue	14.00%	39
Central Associates Limited	Overdue	Overdue	11.00%	1,015
Consolidated Spinning Mills Limited	Overdue	Overdue	14.00%	56
Effee Industries Limited	Overdue	Overdue	11.00%	1,018
Effee Industries Limited	Overdue	Overdue	14.00%	378
Electric Lamp Manufacturing Limited	Overdue	Overdue	14.00%	55
Electric Lamp Manufacturing Limited	Overdue	Overdue	12.50%	40
Junaid Cotton Mills Limited	Overdue	Overdue	14.00%	289
Khyber Textile Mills Limited	Overdue	Overdue	14.00%	394
Milly Leather Mills Limited	Overdue	Overdue	14.00%	619
Morgah Valley Industries Limited	Overdue	Overdue	11.00%	316
Morgah Valley Industries Limited	Overdue	Overdue	14.00%	160
National Woolen Mills Limited	Overdue	Overdue	14.00%	150
Printing Corporation of Pakistan	Overdue	Overdue	14.00%	79
Progressive Tobacco Industries Limited	Overdue	Overdue	14.00%	142
Ruby Rice & General Mills Limited	Overdue	Overdue	14.00%	250
Tanveer Woolen Mills Limited	Overdue	Overdue	14.00%	96
Tariq Cotton Mills Limited	Overdue	Overdue	14.00%	338
Zulshan Engineering Company Limited	Overdue	Overdue	14.00%	121

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ANNEXURE 'A" AS REFERRED TO IN NOTE 9.5 OF THE FINANCIAL STATEMENTS
5. PARTICULARS OF PARTICIPATION TERM CERTIFICATES

Investee	No. of certificates held	Paid up value per certificate	Total paid up value	Outstanding amount	Name of Chief Executive
		(Rupees)		Rupees in 000's	
Ali Paper Board Industries Limited	13	261,000	3,393	3,393	Mr. Farooq Alam Butt
Alipur Jute Mills Limited	30	304,033	9,121	6,469	Mr. Ghulam Subhani Khan
American Marble Products Limited	12	149,833	1,798	1,250	Mr. Muhammad Hanif Sattar
Baluchistan Clay Products Limited	17	227,235	3,863	2,503	Mr. Jaffar Ali Sagarwalla
Bhawalpur Board Mills Limited	15	127,867	1,918	1,824	Ch. Ali Muhammad
Brother Steel Mills	17	362,000	6,154	2,144	Mian Yousuf Aziz
Cotex Mills Limited	14	45,643	639	430	Gulzar Ahmed
Crystal Chemicals Limited	15	269,133	4,037	3,897	Mr. Maqsoos A. Shaikh
Delta Tyre & Rubber Company Limited	7	268,571	1,880	1,686	Mr. Iqtedar Ahmed Chaudhry
Frontier Ceramics Limited (NWFP)	20	341,100	6,822	330	Mr. Ansarullah Khan
Gem Industries Limited	13	116,769	1,518	1,517	Mr. Muhammad Wali Imam
Ittehad Industries Limited	1	2,000,000	2,000	446	Hazrat Dayan
Jubilee Paper Boards Mills Limited	28	225,000	6,300	6,761	Shafqat Rasool
Kamal Enterprises Limited	32	33,781	1,081	1,093	Mr. Khuda Buksh Marri
Khalil Jute Mills Limited	16	170,813	2,733	816	Mian Aziz-ul-Haq Qureshi
Leathertie Limited	15	65,067	976	889	Mr. Nazar Farid Maneka
Mass Dairies Limited	11	229,364	2,523	2,523	Mian Muhammad Akhtar Paganwala
Morgah Valley Limited	16	29,250	468	436	Air Marshal A. Rahim Khan
National Fructose Company Limited	11	550,909	6,060	5,854	Mr. Shakirullah Durrani
Pakistan Laminates	1	844,000	844	11	Haji Abdul Hamid Khan
Pangrio Sugar Mills Limited	44	472,091	20,772	12,908	Aftab Ahmed
Punjab Cables Limited	15	310,933	4,664	3,833	Mr. M. Raza Hussain
Rainbow Package Limited	17	140,000	2,380	1,769	Syed Bashir Ahmed
Sampark Paper & Board	11	149,545	1,645	165	Muhammad Maghfoor
Sethi Industries Limited	27	198,630	5,363	3,610	Mr. Muhammad Saeed Sethi
Waziristan Oil Industries Limited	13	88,385	1,149	904	Mr. Irfan Manoo
Zafar Oil Industries Limited	1	281,000	281	268	Shaukat A. Khan
Zamrock fibres Glass Limited	12	196,500	2,358	2,358	Mr. S. Zamir Syed

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ANNEXURE 'A' AS REFERRED TO IN NOTE 9.5 OF THE FINANCIAL STATEMENTS
6. PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Investee	No. of certificates held	Paid up value per certificate (Rupees)	Total paid up value Rupees in 000's	Outstanding amount	Name of Chief Executive
Listed					
Askari Commercial Bank Limited	40,000	5,000	200,000	200,000	Mr. Kalim-ur-Rehman
Azgard Nine Limited	60,000	5,000	300,000	300,000	Mr. Ahmed Shaikh
Bank Al Habib Limited	5,000	5,000	25,000	24,990	Abbas D. Habib
Crescent Leasing Corp. Limited	32,000	5,000	160,000	80,000	Javed A. Callea
Crescent Leasing Corp. Limited	6,271	5,000	31,355	31,355	Javed A. Callea
Dawood Leasing Corp. Limited	5,000	5,000	25,000	25,000	Rafique Dawood
Nishat Mills Limited	20,000	5,000	100,000	99,920	Mrs. Naz Mansha
Orix Leasing Pakistan Limited	24,000	5,000	120,000	120,000	Humayun Murad
Paramount Spinning Mills Limited	42,000	5,000	210,000	157,497	Mr. Tanveer Ahmad
Securetel SPV Limited	27,000	5,000	135,000	11,250	Xabier Rocoplan
Soneri Bank Limited	999	5,000	4,995	4,994	Mr. Safar Ali
Union Bank Limited II	4,000	5,000	20,000	19,988	Mr. Shaukat Tarin
Unlisted					
Al-Azhar Textiles Mills Limited	14	774,643	10,845	5,418	Mirza Muhammad Azhar Baig
Al-Asif Sugar Mills Limited	14	4,915,143	68,812	10,273	Mr. Qazi Afzal Abid Abbasi
Apex Fabrics Limited	16	323,438	5,175	2,640	Mr. Iftexhar Ahmed
Aqma Textile Mills Limited	28	349,500	9,786	3,398	Mr. Zeshan Ghaffar Khan
Aruj Textile Mills Limited	5	1,637,200	8,186	1	Mr. Javed Ahmed Kayani
Azeem Tapes (Pvt) Limited	36	161,583	5,817	2,590	Haji Muhammad Ishaq Jan
Askari Commercial Bank Limited	43,525	5,000	217,625	217,581	Mr. Kalim-ur-Rehman
Bank Al Falah Limited	10,000	5,000	50,000	49,940	Mr. Salim Akhtar
Baluchistan Coaters Limited	22	241,727	5,318	2,746	Mr. Rafiq A Qamar
Bankers Equity Limited	10	10,435,300	104,353	104,353	Mr. Amjad Aziz Khan
Blue Star Spinning Mills Limited	17	497,000	8,449	3,392	Chaudry Ghulam Farid
Bentonite (Pakistan) Limited	30	152,333	4,570	3,417	Mr. Khalid Shakil
Cast & Link Products Limited	16	369,063	5,905	2,549	Mr. Nisar Ahmed
Chaudry Wire Rope Limited	14	544,357	7,621	1,878	Ch. Muhammad Akram
Chiniot Textile Mills Limited	6	1,499,833	8,999	109	Muhammad Usman
Chiragh Sun Engineering Limited	6	716,333	4,298	2,487	Rana Mushtaq Ahmed
Crescent Leasing Corp. Limited	73,891	5,000	369,455	279,455	Javed A Calea
Crescent Textile Mills Limited	110,000	5,000	550,000	549,918	Muhammad Anwar
Dress Leather Limited	17	375,412	6,382	3,529	Mr. Masood Ahmed
Dewan Farooque Spinning Mills Limited	30,000	5,000	150,000	150,000	Dewan M. Yousuf Farooqui
Faruki Pulp Mills Limited	14	2,627,429	36,784	17,550	Mr. Salim A. Faruqi
Frontier Ceramics Limited	46	370,109	17,025	3,113	Mr. Shakirullah Durrani
General Dairies & Foods Limited	6	530,500	3,183	1,350	Brig. (R) M.A. Baig
Glorex Textiles Mills Limited	6	1,664,000	9,984	1,139	Mr. M. Akram
Hira Textile Mills Limited	10,000	5,000	50,000	50,000	Nadeem Aslam Butt
Hospitex Limited	16	64,375	1,030	511	Dr. Amanullah Khan
Pakistan Mobile Communication (Pvt.) Limited	230,000	5,000	1,150,000	1,145,537	Mr. Zouhair A. Khaliq
Kashmir Polytex Limited	16	357,938	5,727	938	Sheikh Anees
Kohinoor Weaving Mills	37,400	5,000	187,000	140,237	Mr. Amir Fayaz Shaikh
Khairpur Sugar Mills Limited	28	1,642,964	46,003	16,695	M. M. Muneeb Jumani
Larr Sugar Mills Limited	28	1,012,536	28,351	14,984	Mr. Abdul Rauf Farouk
Malik Food Industries Limited	11	337,455	3,712	2,472	Mr. Khalid Aziz Malik
Malik Textile Industries Limited	15	617,067	9,256	2,299	Mr. Ghulam Rasool Malik
Minaco Fabrics Limited	28	468,321	13,113	7,350	Assets Sold

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6. PARTICULARS OF INVESTMENT IN TERM FINANCE CERTIFICATES

Investee	No. of certificates held	Paid up value per certificate (Rupees)	Total paid up value Rupees in 000's	Outstanding amount	Name of Chief Executive
Munawar Engineering Limited	14	86,571	1,212	2,187	Mr. M. Azeem Khan
Munro & Miller (Pak) Limited	16	63,125	1,010	368	Mr. Yousuf Shaheen
New Allied Electronic Industries (Pvt.) Limited	1	225,000,000	225,000	180,000	Mian Pervez Akhtar
Novelty Fabrics Processing Mills	38	858,263	32,614	14,226	Mr. Zubair Mohsin
Pak Kuwait Investment Company	190,000	5,000	950,000	950,000	Mr. Istaqbal Mehdi
Pak Libya Holding Company (Pvt.) Limited	200,000	5,000	1,000,000	999,996	Mr. Khalid Sherwani
Pak Pattan Dairies Limited	14	452,000	6,328	3,050	Mr. Farooq Ahmed Khan Mankek
Pangrio Sugar Mills Limited.	16	321,438	5,143	887	Mr. Aftab Ahmad
Pakistan International Airlines Corporation	483,040	5,000	2,415,200	2,355,220	Mr. Tariq Kirmani
Prime Commercial Bank Limited	22,000	5,000	110,000	109,978	Saeed I. Chaudhri
Pirjee Weaving Mills Limited	16	124,938	1,999	857	Mr. Zia-ur-Rehman
Promotals Limited	22	359,227	7,903	591	Mr. Yasin Choudry
Raja Weaving Mills Limited	14	516,857	7,236	3,831	Mr. Munaf Riaz
Regency Textile Limited	40	287,700	11,508	6,165	Mr. M. Iqtidar Pervaiz
Rehman Sharif Textiles (Pvt.) Limited	14	124,000	1,736	973	Mr. Rana Mohd. Sharif
Reliance Exports Limited	72	10,000,000	720,000	620,000	Mr. Fawad Ahmad mukhtar
Scan Recycling (Pak) Limited	17	75,882	1,290	774	Mr. Mazharul Haq
Sialkot Dairies Limited	13	249,077	3,238	2,319	Ch. Javed Mehdi
Security Leasing Corp. Limited	25,000	5,000	125,000	125,000	M.R. Khan
Silver Land Mills Limited	6	487,167	2,923	1,650	Mr. Tanveer Iftikhar
Sunflo Juices Limited	28	389,964	10,919	5,230	Sardar Fida Hussain
Tandlianwala Sugar Mills	5,800	5,000	29,000	75,000	Mr. Haroon Akhtar
Taj Syringes Private Limited	36	220,250	7,929	4,661	Mr. A. Hameed Khan Burki
Tanocrafts Limited	22	156,227	3,437	948	Dr. Muzzafar Essani
Tharparkar Sugar Mills	5	8,770,200	43,851	26,238	Mr. Irfan Ali Shah
Turbo Tubes Limited	1	248,000	248	9	Liquidated
Ultra Engineering Private Limited	16	186,313	2,981	161	Mr. Sultan Ahmed
Zamir Textile Mills Limited	52	566,404	29,453	11,922	Mr. Allauddin Sheikh

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ANNEXURE 'B' AS REFERRED TO IN NOTE 10.5 OF THE FINANCIAL STATEMENTS
(Rupees in thousand)

S. No.	Name & address of the borrower	Name of individuals / partners / directors	NIC Number	Father's / Husband's name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest / mark-up written-off	Other financial relief provided	Total
					Principal	Interest / mark-up	Others	Total				
1.	M/s.Adam Holding (Pvt.) Limited Haji Adam Chamber, Altaf Hussain Road, New Challi, Karachi	1.Mr.Ghulam Ahmed Adam 2.Mst.Rafiqa Adam 3.Mr.Jawed Ahmed Adam 4.Mr.Saleh Ghaysuddin	42000-0468736-9 42201-0362604-8	W/o. Mr.Ghulam Ahmed Adam	15,700	7,453	-	23,153	8,700	4,200	25,783	38,683
2.	M/s.Al-Fahm Textile Mills Limited H.I.E., Hub Lasbella, Baluchistan	1.Mr.Riaz - ur - Rehman 2.Mr.Abdul Aziz Khan 3.Mr.B. A. Khan 4.Mr.Muhammad Saleem 5.Mr.Mehar Riaz 6.Mrs.Shehla Aziz 7.Mrs.Fazila Kundi		Mr.Barkatullah(Late) Mr.Abdul Hameed Khan Sheikh Habibullah Mr.Riaz - ur - Rehman D/o.Mr.Abdul Aziz Khan W/o.Mr.Fatehullah Kundi	2,880	1,441	-	4,321	-	-	5,546	5,546
3.	M/s.Fifteenth Hijri Industries A - 95, S. I. T. E., Hyderabad	1. Mr.Mubashir Memon 2. Mrs.Nasreen Niaz 3. Mrs.Nighat Mehtab 4. Mrs.Safia Shams			1,318	1,042	-	2,360	-	-	5,031	5,031
4.	M/s.Jeeway Lal Oil Mills A-36, S. I. T. E., Sukkur	Mr.Paras Ram			602	662	-	1,264	352	252	1,691	2,295
5.	M/s.Pak Duck Textile Industries 110, Tipu Block, New Garden Town, Lahore	Mrs.Mumtaz Begum	35202-4185146-8	Wd/o.Ch. Nazir Ahmed	6,016	13,150	-	19,166	-	-	15,317	15,317
6.	M/s.Feroz & Company Awan-e-Sanat, ST-4/2, Sector 23, Korangi Industrial Area, Karachi	Mr.Gulzar Feroz			11,449	-	-	11,449	10,303	-	14,939	25,242
7.	M/s.Bela Ghee Mills Limited Hub Industrial Estate, Lasbella, Baluchistan	1.Prince Jam Muhammad Yousuf 2.Mr.Muhammad Sharif 3.Mr.Gul Hassan 4.Mr.Jam Akber Ali 5.Mrs.Shereen 6.Mir Abdul Waheed			2,197	-	-	2,197	-	-	8,385	8,385
8.	M/s.N.U. Look Furniture Company Limited D-5, S. I. T. E., Manghopir Road, Karachi	1.Mr.Mirza Ali Azhar 2.Mr.Mirza Athar Barlas 3.Mst.Ejaz Begum		Mr.A. H. Muhammad Shah W/o.Mr.Mirza Ali Azhar	703	470	-	1,173	-	-	2,065	2,065
9.	Mr.Muhammad Tariq Khan 134, "J" Block, Model Town, Lahore	Mr.Muhammad Tariq Khan	270-63-311754	Mr.Muhammad Ishaq Khan	926	854	-	1,780	226	785	69	1,080
10.	M/s.Laitinwala Enterprises, Suite No.712, Trade Tower, Abdullah Haroon Road, Karachi.	1.Mr.Abdul Basir Zahid 2.Mst.Jamila Akhtar 3.Mrs.Nasima Shahnaz			2,505	1,197	-	3,702	-	771	2,248	3,019
11.	M/s.Fine Exports Room # 5/17, Rimpa Plaza, M. A. Jinnah Road, Karachi	1.Mr.Khalid Saleem 2.Mr.Muhammad Saleem 3.Mr.Qaiser Saleem(Late) 4.Mst.Asmat 5.Mst.Nighat			3,157	2,064	-	5,221	-	316	2,286	2,602
12.	M/s.Karachi Road Transport Corporation	1.Mian Manzoor Hussain 2.Mian Muzaffar Hussain 3.Mian Muhammad Akhtar 4.Mian Muhammad Asghar		Mian Karam Ellahi Mian Karam Ellahi Mian Muhammad Shafi Mian Karam Ellahi	-	85,427	-	85,427	-	15,378	96,869	112,247

ANNEXURE 'B' AS REFERRED TO IN NOTE 10.5 OF THE FINANCIAL STATEMENTS
(Rupees in thousand)

S. No.	Name & address of the borrower	Name of individuals / partners / directors	NIC Number	Father's / Husband's name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest / mark-up written-off	Other financial relief provided	Total
					Principal	Interest / mark-up	Others	Total				
13.	M/s.Khalid Riffat Transport Corporation	1.Mian Manzoor Hussain 2.Mian Muzaffar Hussain 3.Mian Muhammad Akhtar 4.Mian Muhammad Asghar		Mian Karam Ellahi Mian Karam Ellahi Mian Muhammad Shafi Mian Karam Ellahi	-	4,031	-	4,031	-	3,832	23,010	26,843
14.	M/s.Manzoor Glass & Ceramics	1.Mian Manzoor Hussain 2.Mian Muzaffar Hussain 3.Mian Muhammad Akhtar 4.Mian Muhammad Asghar		Mian Karam Ellahi Mian Karam Ellahi Mian Muhammad Shafi Mian Karam Ellahi	-	1,035	-	1,035	-	1,035	4,891	5,926
15.	M/s.Mian Manzoor Mian M. Akhtar	1.Mian Manzoor Hussain 2.Mian Muzaffar Hussain 3.Mian Muhammad Akhtar 4.Mian Muhammad Asghar		Mian Karam Ellahi Mian Karam Ellahi Mian Muhammad Shafi Mian Karam Ellahi	-	11,483	-	11,483	-	11,483	95,661	107,144
16.	M/s.Flexipack Limited Room # 5/17, Rimpa Plaza, M. A. Jinnah Road, Karachi	1.Dr. Barkat Ali Charania 2.Mr.Gul Muhammad Bawa 3.Mr.Aslam Awan 4.Mr.Nooruddin N. Jiwani 5.Mr.Anis Charnia 6.Mr.Amir Ali Bawa 7.Mr.Farooq Lakhani	502-40-398559 42201-0476447-7 510-35-173789 516-33-041758 520-59-290566 516-53-078219 516-51-223923	Mr.Bhimji Bhai Charnia Mr.Muhammad Ali Bawa Mr.Muhammad Akbar Mr.Kanji Bhai Jiwani Mr.Habib Charnia Mr.Ali Muhammad Bawa Mr.Ali Bhai Lakhani	3,749	127	-	3,876	2,249	127	5,883	8,259
17.	M/s.Samaa Tour Operators 16, Jail Road, Lahore	1.Mr.Imdadullah 2.Syed Junaid Ghazanvi	273-89-191505 273-91-201073	Syed Abu Bakar Ghazanvi	1,268	696	-	1,964	218	382	314	914
18.	M/s.Mian Noor Enterprises C - 305, Sector 16 - B, North Karachi Industrial Estate, Karachi	Mr.Muhammad Arif Mian Noor			78	789	-	867	-	63	1,412	1,475
19.	M/s.Roomi Spinning / Weaving Mills Limited Chak # 130/15-L, G. T. Road, Khanewal	1.Mian M. Rehmatullah M. Yousuf 2.Mian Fazal Haq 3.Mian Irfanul Haq 4.Mrs.Surriya Jabeen 5.Mrs.Saida Samee	36104-9299643-1 329-87-441285 329-46-441281 329-88-790333	Mian Rehmatullah Mian Fazal Haq W/o.Mian Fazal Haq W/o.Mr.Samee ul Haq	35,118	22,391	-	57,509	19,628	22,391	-	42,019
20.	M/s.M. Rehmatullah M. Yousuf Chak # 130/15-L, G. T. Road, Khanewal	1.Mian M. Rehmatullah M. Yousuf 2.Mian Fazal Haq 3.Mian Irfanul Haq 4.Mrs.Surriya Jabeen 5.Mrs.Saida Samee	36104-9299643-1 329-87-441285 329-46-441281 329-88-790333	Mian Rehmatullah Mian Fazal Haq W/o.Mian Fazal Haq W/o.Mr.Samee ul Haq	1,500	-	-	1,500	1,500	-	-	1,500
21.	M/s.Barex Limited 42, Jail Road, Lahore	1.Mr.Mujib-ur-Rehman Shami 2.Mrs.Khurshid Tahira 3.Mr.Ali Shami 4.Ms.Savera Shami 5.Mr.Hamid Raza Shami	35202-9809346-1 35202-8561870-2 35202-5239793-1 35202-0548250-0 61101-9097800-5	Sheikh Faiz-ur-Rehman Mr.Mujib-ur-Rehman Shahmi Mr.Mujib-ur-Rehman Shahmi Mr.Mujib-ur-Rehman Shahmi Mr.Raza-ur-Rehman Shahmi	37,753	16,584	-	54,337	13,412	-	21,982	35,394
22.	M/s.Achi Memon Kasbati 8 - Karim Centre, Club Road, Karachi	Mr.Achi Memon Kasbati (Expired)	(Expired)	Mr.Wali Muhammad Kasbati	705	593	-	1,298	79	525	68	672
23.	M/s.Khan Dairy Farm (Mr.Attaulah Khan Niazi) Opp. Thatta Cement Factory, Thatta	Mr.Attaulah Khan Niazi		Mr.Muhammad Khan	2,800	772	4	3,576	-	576	3,542	4,118
24.	M/s.Pakistan Engg. Corporation D-5, Erum Villas, FI - 14, Gulshan-e-Iqbal, Karachi	Sheikh Sultan Mahmood	517-22-128462	Just. Sheikh Mehar Ali	603	765	-	1,368	-	280	319	599

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(Rupees in thousand)

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					Principal	Interest / mark-up	Others	Total				
25.	M/s.Rashid Ahmed Mussarat 21-22, Gulberg V, Zafar Ali Khan Road, Lahore	1.Mr.Rashid Ahmed Mussarat 2.Mr. F. Haroon Rashid 3.Mr.Noor - ul - Amin Rashid	35202-8014210-3	Sheikh Mian Muhammad	2,974	1,752	-	4,726	-	295	1,431	1,726
26.	M/s.Dulara Trade Linkers M-2 & 3, Kohinoor Electronic Centre, Abdullah Haroon Road, Saddar, Karachi	Mr.Abdul Quddos	42000-0559783-1	Mr.Abdul Mujeeb	354	831	-	1,185	104	123	986	1,213
27.	M/s.Kaghan Ghee Mills (Pvt.) Limited Industrial Estate, Gadoon Amazai, NWFP	1.Syed Abbas Shah 2.Syed Nooruddin Shah	121-38-325472 123-47-128909	1.Syed Ghulam Ahmed Shah 2.Syed Ghulam Ahmed Shah	9,469	2,732	-	12,201	1,113	634	2,923	4,670
28.	M/s.Sairani Cotton Ginning Factory 51 - A, Model Town, Bahawalpur	1.Capt.(Rtd)Shahraiz Latif (deceased) 2.Mrs.Shahnaz 3.Mr.M. Y. Khan 4.Mr.Muhammad Afzal 5.Mr.Anjum Khan 6.Mr.Muhammad Ashraf(deceased)	155-47-033123 31202-5229865-6 -- 344-35-164548 -- 344-20-164556	Mr.Abdul Latif W/o.Mr.Shahraiz Latif(deceased) Mr.Bahawal Bux Mr.Ahmed Din	1,003	640	-	1,643	272	641	1,298	2,211
29.	M/s.Sairani Oil Mills 51-A, Model Town, Bahawalpur	1.Capt.(Rtd)Shahraiz Latif (deceased) 2.Mrs.Shahnaz 3.Mr.M. Y. Khan 4.Mr.Muhammad Afzal 5.Mr.Anjum Khan 6.Mr.Muhammad Ashraf(deceased)	155-47-033123 31202-5229865-6 -- 344-35-164548 -- 344-20-164556	Mr.Abdul Latif W/o.Mr.Shahraiz Latif(deceased) Mr.Bahawal Bux Mr.Ahmed Din	919	627	-	1,546	250	627	1,002	1,879
30.	M/s.Indus Metallic Industries A-60, S. I. T. E., Sukkur	1.Mr.Qutubuddin (Expired) 2.Mr.Inayat Ali (Expired) 3.Mr.S. M. Israr (Absconded)			862	1,143	-	2,005	444	953	3,406	4,803
31.	M/s. Indus Oil Mills A-60, S. I. T. E., Sukkur	1.Mr.Qutubuddin (Expired) 2.Mr.Inayat Ali (Expired) 3.Mr.S. M. Israr (Absconded)			152	207	-	359	92	207	250	549
32.	M/s. Hafiz Textile Industries Corporation (Pvt.) Limited P-442, Street # 12, Main Bazar, Mansoorabad	1.Hafiz Farzand Ali 2.Mr.Shaukat Ali 3.Mr.Ghulam Muhammad 4.Mr.Muhammad Akram Shakeel 5.Mst.Anwari 6.Hafiz Ghulam Mustafa(deceased)	244-89-282412 244-94-282413 244-41-282408 244-49-282415 255-35-132046 244-31-282418		8,828	197	-	9,025	3,328	197	1,244	4,769
33.	M/s. Aslam Cotton & Ginning Factory Adam Wahan, Distt.Lodhran	1.Mian Abdul Rahim 2.Mr.Muhammad Akram Rahim 3.Mr.Muhammad Aslam Rahim 4.Mr.Muhammad Asghar Rahim 5.Mst.Safia Begum 6.Mst.Sabiha Begum	326-91-376299 36203-1815266-7 326-57-513668 326-62-510875		3,486	2,269	-	5,755	1,786	1,163	1,106	4,055
34.	M/s Shaval Cotton Weavers 23 KM Off Ferozepur Road, Lahore	1.Mr.Rashid Kamal Pasha 2.Mst.Rubina Rashid 3.Mr.Javed Mahmood 4.Mrs.Razia Zafar	35201-7731328-7	Mr.Muhammad Abdur Rahim Mr.Rashid Kamal Pasha	7,768	4,470	811	13,049	5,368	3,899	4,642	13,909
35.	M/s.Haji Abdul Latif & Company	1.Mr.Taj Uddin 2.Mr.Abdus Salam 3.Mr.Mohammad Ameen Taj 4.Mr.M. Naeem	502-92-027488 42301-9086170-5 42301-8727014-1 42301-9936489-3	Haji Abdul Latif Haji Abdul Latif Mr.Taj Uddin Mr.Taj Uddin	124,819	23,473	-	148,292	8,249	7,515	15,958	31,722
36.	M/s.Decent General Store	Mr.Muhammad Ilyas			150	122	24	296	114	122	321	557

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(Rupees in thousand)

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					Principal	Interest / mark-up	Others	Total				
37.	M/s.Modern Auto Engg. Works Plot # B-48, SSIC Sukkur SITE Area, Sukkur	Mr.Muhammad Israr			600	148	52	800	412	134	1,510	2,056
38.	M/s.Shakeel & Company	Mr.Fida Muhammad			135	120	28	283	103	120	567	790
39.	M/s.Zeshan Traders	Mr.Muhammad Israr			135	348	28	511	103	185	894	1,182
40.	M/s.Topaz Leather Products 94-G, Block-6, P.E.C.H.S., Karachi	1.Mr.Wazir A. Daredia 2.Mr.Pervez Shamsuddin Daredia 3.Mr.Bahadur Ali Hemani 4.Mr.Haider Ali			10,018	2,855	-	12,873	-	-	14,603	14,603
41.	M/s.S. M. Sabir & Company Market Road, Hyderabad	1.Mr.S.M.Sabir (Deceased) 2.Mr.Abdul Rauf			1,850	1,963	131	3,944	100	393	5,699	6,192
42.	M/s.Haripur Cold Storage - (SDA - Project) PIA Building, Arbab Road, Peshawar	Nominees of Provincial Government of NWFP			299	545	-	844	-	2	1,272	1,274
43.	M/s.Mardan Cold Storage - (SDA - Project) PIA Building, Arbab Road, Peshawar	Nominees of Provincial Government of NWFP			282	516	-	798	-	3	1,202	1,205
44.	M/s.Peshawar Cold Storage - (SDA - Project) PIA Building, Arbab Road, Peshawar	Nominees of Provincial Government of NWFP			500	1,647	-	2,147	-	256	3,252	3,508
45.	M/s.Crescent Jute Mills/Products Limited, 10, Abbot Road, Lahore.	1.Mr.Mazhar Karim 2.Mr.Anjum M. Saleem 3.Mr.Khalid Bashir 4.Mr.Riaz Masood 5.Mr.Shoukat Shafi 6.Mr.A. H. Zaidi 7.Mr.A. Rashid M. Hanif 8.Mr.Khurram Mazhar 9.Mr.Humayun Mazhar	33100-7443925-5 --- 35202-2631654-5 33100-0719532-7 --- 33100-3953467-1 --- 35201-1471781-3 35201-2124933-9		60,202	153	-	60,355	18,060	153	47,879	66,092
46.	M/s.Shahnoor Tanneries (Pvt.) Limited 148-P, Gulberg-III, Lahore	1.Mr.Ilyas Ahmed 2.Mr.Iftikhar Ahmed	35202-2812721-7 35202-5970908-3	1.Mr. Muhammad Ahmed Khan 2.Mr. Muhammad Ahmed Khan	2,264	1,385	-	3,649	-	-	6,143	6,143
47.	Mr.S.H.A. Abbas Jaffari	Mr.S.H.A. Abbas Jaffari	501-64-116224	Mr.S.Hassan Abbas	890	439	-	1,329	19	439	1,042	1,500
48.	M/s.Mehr Dastagir Spinning Mills Limited Mehr Dastagir Shaheed Younus Road, Multan	1.Khawaja Muhammad Yousuf 2.Khawaja Muhammad Abdullah 3. Khawaja Muhammad Abdul Rehman 4.Mst.Bilquies Akhtar 5.Mst.Noor Jehan 6.Mst.Aisha Farzana 7.Mst.Mehr Fatima	36302-0458568-3 36302-9279957-9 36202-3799893-7 --- 36302-0405177-2 36302-7702014-0 ---		456,620	201,052	-	657,672	245,473	123,569	791,518	1,160,560
49.	M/s.Dost Enterprises C - 4, S.I.T.E., Hyderabad	1.Mr.Arif Gulzar 2.Mr.Gulzar Muhammad (deceased) 3.Mr.Shahid Gulzar(deceased) 4.Mr.Hamid Gulzar 5.Mst.Saeeda Begum			1,593	1,249	-	2,842	-	20	2,200	2,220

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(Rupees in thousand)

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					Principal	Interest / mark-up	Others	Total				
50.	M/s. Frontier Dextrose Ltd. Hattar Industrial Estate, Haripur, N.W.F.P	1.Dr. Shahzad Munawar 2.Mr. Attiazaz Munawar-ud-din 3.Mr.S. M. Obaid 4.Mr.Ejaz Durrani 5.Mr.Waseem Munawar 6.Dr.Parveen Shahzad 7.Mr.Taimur Shah	101-91-459370 274-52-254035 501-92-256153 601-48-190535 274-66-048784	1.Mr.M.Munawaruddin 2.Mr.M.Munawaruddin 3.Mr.S. M. Hameed 4.Mr.Abbas Duirrani 5.Mr.M. Munawaruddin 6.Dr.Shahzad Munawar 7.Col.(R) Pir Abdullah	1,130	279	-	1,409	-	-	2,526	2,526
51.	M/s. Pakistan Rug Weavers (Pvt.) Limited 182-Abu Bakar Block, New Garden Town, Lahore	1.Mr.Ijaz-ul-Haq Chaudhry (deceased) 2.Mr.Farooq Ijaz Chaudhry 3.Mr.Muhammad Iqbal Zahuri 4.Mrs.Nuzhat Ijaz Chaudhry	35202-8557685-5 --- 35202-2409631-2	Ch. Sher Muhammad Mr.Ijaz-ul-Haq Chaudhry Mr.Allah Rakha W/o.Mr. Ijaz-ul-Haq Chaudhry	10,365	4,758	-	15,123	-	4,184	7,622	11,806
52.	M/s. Mehr Textile Mills Ltd. Mandra Road, Chakwal	1.Lt.Col.(R) Mr.M. Ayub Khan 2.Ch.Muhammali Ali Khan 3.Ch. Ghulam Ali Khan 4.Ch. M. Jahan Khan			2,548	2,991	-	5,539	-	1,968	17,959	19,927
53.	M/s. Hira Filter & Agri.Industries 30-Ferozepur Road, Lahore & 17 KM, Multan Road, Lahore	1. Mr.Malik Muhammad Imtiaz 2. Mrs.Nasreen Imtiaz 3. Mr.Mohib Imtiaz	35202-7119644-5 35202-7096020-8	Malik Muhammad Shafi W/o.Malik Muhammad Imtiaz Malik Muhammad Imtiaz	6,303	3,457	-	9,760	503	1,753	10,078	12,334
54.	M/s. Ghazali Badar Essa Khan	Mr. Ghazali Badar			705	1,351	-	2,056	-	-	5,265	5,265
55.	M/s. Peshawar Cold Storage, (SDA Project) PIA Building, Arbab Road, Peshawar	Nominee of NWFP Government			2,443	2,740	-	5,183	-	-	13,433	13,433
56.	M/s. Fazal Karim Muhammad Naeem & Company Ghalla Mandi, Hafizabad Distt.Gujranwala	1.Mr. Muhammad Naeem Bhatti 2.Mr.Muhammad Naseem-ul-Haq Bhatti	289-32-030786	1.Mr.Fazal Karim 2.Haji Muhammad Naeem	5,841	-	-	5,841	927	-	1,401	2,328
57.	M/s. Junaid Commission Shop Ghalla Mandi, Hafizabad, Distt.Gujranwala	1.Mr. Muhammad Naeem Bhatti 2.Mr.Muhammad Naseem-ul-Haq Bhatti	289-32-030786	1.Mr.Fazal Karim 2.Haji Muhammad Naeem	3,457	-	-	3,457	571	-	827	1,398
58.	M/s. Dadabhoy Cement Industries Limited Nooriabad - Deh Kalu Kohar, Distt.Dadu	1. Mr. Muhammad Hussain Dadabhoy 2. Mr. Muhammad Amin Dadabhoy.		Mr.Abdul Ghani Dadabhoy Mr.Muhammad Hussain Dadabhoy	20,673	1,936	-	22,609	1,579	1,936	53,764	57,279
59.	Mr. Zafar Moti Room # 6, Karachi Stock Exchange Building, Karachi	Mr. Zafar Moti			1,571	709	-	2,280	71	709	373	1,153
60.	M/s. Tex Fabrics (Pvt.) Ltd. 302, 3rd Floor, Panorama Centre, Building # 02, Raja Ghazanfar Ali Khan Road, Karachi	Syed Pervez Zafar	502-82-345572	Syed Nisar Ahmed	5,600	610	-	6,210	-	110	2,660	2,770
61.	M/s. Electronic Information & Energy System Limited Industrial Triangle, Kahuta Road, Islamabad	1. Air Marshal (Rtd.) Wiqar Azim 2. Mr. Nusrat Azim 3. Mr. Sajjad Azim 4. Mr. Shaukat Azim 5.Mr.Saulat Azim 6.Mrs.Suriyya Azim		Khawaja Muhammad Azim Khawaja Muhammad Azim Khawaja Muhammad Azim Khawaja Muhammad Azim Mr.Nusrat Azim Mr.Waqar Azim	3,919	4,559	-	8,478	-	-	10,227	10,227
62.	M/s. Cototex Room # 205, Al Burhan Centre, Rizvi Shaheed Road, Saddar, Karachi.	1. Mr. Shamimuddin Askari 2. Mr. Zainuddin 3. Mr. Muhammad Hanif.	591-89-456743 572-50-106501 512-48-223325	Syed Bashir Ahmed Ansari Sheikh M. Ashique Mr.Muhammad Jaffar	500	1,092	-	1,592	500 *	311 *	781 *	1,592

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					Principal	Interest / mark-up	Others	Total				
63.	M/s. Tordher Vegetable Ghee & Cooking Oil Industries(Pvt.) Ltd.	1. Mr. Abdul Malik Khan 2. Mr. Abdul Khaliq Khan 3. Mr. Abdul Sadiq Khan 4. Mr. Abdul Karim Khan.	135-90-154492 130-86-400262 130-44-038714 136-88-099255	Mr. Shamroze Khan Mr. Shamroze Khan Mr. Shamroze Khan Mr. Abdul Razzak Khan	30,710	649	-	31,359	9,721	649		10,370
64.	M/s. Hyderabad Builders & Developers 5-6, Distt. Council Shopping Centre, Hyderabad	1. Mr. Shahnawaz (Deceased) 2. Mr. Islam Baig 3. Mrs. Doulat Begum 4. Mrs. Rafiq Begum.			1,783	655	-	2,438	88	-	6,630	6,718
65.	M/s. Modern Paint Mills Out Fall Road, Santnagar, Lahore	Mian Abdul Qaddus	35202-9699521-1	Mian Ghulam Muhammad	500	126	-	626	-	2	719	721
66.	M/s. Mohib Ali Tannery (Pvt.) Ltd.	1. Mr. Ashiq Ali 2. Mr. M. Zainul Abidin Ansari 3. Mrs. Abera Mehrunnisa 4. Mr. Ashraf Mohiuddin Nadeem 5. Mr. M. A. Shakoor 6. Mr. Abdul Waheed 7. Mr. M. Ilyas 8. Mr. M. Almas		Mr. M. Ishaque Baig(Late) Mr. M. Ishaque Baig(Late)	1,415	12	-	1,427	-	-	4,017	4,017
67.	M/s. Sinsas Enterprises Limited Plot # 45, Phase III, Hattar Industrial Estate, Hariapur, NWFP	1. Mr. Ikramullah Khan 2. Mr. Saeed Ikramullah 3. Mrs. Shehnaz Ikramullah 4. Mr. Imran Azizuddin 5. Begum Razia Azizuddin		Mr. Rehmatullah Khan Mr. Ikramullah Khan W/o. Mr. Ikramullah Khan W/o. Col. Azizuddin(Late)	6,046	1,611	-	7,657	-	-	19,713	19,713
68.	M/s. Kahut Trading Co.	Ch. Muhammad Nazir	915062-880986-9	Mr. Fateh Muhammad Chaudhry	3,406	152	-	3,558	270	152	268	690
69.	Mr. Jan Muhammad, Quetta.	Mr. Jan Muhammad			805	1,203	-	2,008	805 *	-	1,203 *	2,008
70.	Mr. Shakirullah, Quetta.	Mr. Shakirullah			759	1,238	-	1,997	759 *	-	1,238 *	1,997
71.	Haji Zar Gul	Haji Zar Gul			-	734	-	734			734 *	734
72.	M/s. Mack Associates ILACO Mansion, 14-16 Link Mcleod Road, Lahore.	Mr. Maqbool Malik			792	720	-	1,512	792 *	174 *	979 *	1,945
73.	M/s. Aebco Traders 3rd Floor, Jamna Vilaas, Bombay Bazar, Karachi.	Mr. Ahmed Muhammad			411	683	-	1,094	411 *	352 *	331 *	1,094
74.	M/s. United Wood (Veneer) Ltd. A - 8, S. I. T. E., Kotri (Sindh)	1. Mr. Kaleemullah Khan 2. Mst. Marium Khan 3. Mst. Sakina Bibi		Ch. Zafarullah Khan W/o. Mr. Kaleemullah Khan W/o. Ch. Zafarullah Khan	728	-	-	728	-	-	1,320	1,320
75.	M/s. Azmat Textile Mills Ltd.	1. Mr. Hafeez Azmat Sheikh 2. Mr. Khalid Azmat Sheikh 3. Mr. Hamid Azmat Sheikh 4. Mr. Tariq Azmat Sheikh(Expired) 5. Mrs. Rehana Hafeez 6. Mrs. Arifa Azmat 7. Mrs. Yasmin Azmat 8. Mrs. Nany Khalid 9. Mrs. Amina Hamid	42201-4876389-7 517-52-273492 42201-0956359-5 517-48-137666	Muhammad Azmatullah Sheikh Muhammad Azmatullah Sheikh Muhammad Azmatullah Sheikh Muhammad Azmatullah Sheikh	193,811	99,596	-	293,407	159,231	62,302	160,744	382,277

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					Principal	Interest / mark-up	Others	Total				
76.	M/s. Azmat Trading Company (Pvt.) Limited	1.Mr. Hafeez Azmat Sheikh 2.Mr. Khalid Azmat Sheikh 3.Mr. Hamid Azmat Sheikh 4.Mr. Tariq Azmat Sheikh(Expired) 5.Mrs.Rehana Hafeez 6.Mrs.Arifa Azmat 7.Mrs.Yasmin Azmat 8 Mrs.Nary Khalid 9.Mrs.Amina Hamid	42201-4876389-7 517-52-273492 42201-0956359-5 517-48-137666	Muhammad Azmatullah Sheikh Muhammad Azmatullah Sheikh Muhammad Azmatullah Sheikh Muhammad Azmatullah Sheikh	52,934	90,519	-	143,453	36,034	43,439	128,541	208,014
77.	M/s. Azmat Ghee Mills (Pvt.) Limited	1.Mr. Hafeez Azmat Sheikh 2.Mr. Khalid Azmat Sheikh 3.Mr. Hamid Azmat Sheikh 4.Mr. Tariq Azmat Sheikh(Expired) 5.Mrs.Rehana Hafeez 6.Mrs.Arifa Azmat 7.Mrs.Yasmin Azmat 8 Mrs.Nary Khalid 9.Mrs.Amina Hamid	42201-4876389-7 517-52-273492 42201-0956359-5 517-48-137666	Muhammad Azmatullah Sheikh Muhammad Azmatullah Sheikh Muhammad Azmatullah Sheikh Muhammad Azmatullah Sheikh	17,769	3,167	-	20,936	4,249	3,167	22,032	29,448
78.	M/s. Khalid Packages Ind. Ltd.	1.Haji Rahimullah 2.Mr.Siyar Muhammad 3.Haji Farmanullah 4.Mrs.Zakiya Begum 5.Mrs.Pukraj Begum			300	960	-	1,260	300 *	181 *	779 *	1,260
79.	Mr. Sher Muhammad	Mr. Sher Muhammad			559	1,068	-	1,627	559 *	4 *	1,064 *	1,627
80.	M/s. Asif Brothers Rice Factory Lahore-Sargodha Road, Farooqabad Distt. Sheikhupura	1. Malik Mushtaq Ahmed 2. Haji M. Yousuf (deceased)	294-38-060648 294-19-045878	Mr.Muhammad Yousuf Mr.Imam Din	1,202	1,143	-	2,345	278	1,143	1,320	2,741
81.	M/s. Asif Brothers Ice Factory Lahore-Sargodha Road, Farooqabad Distt. Sheikhupura	1. Malik Mushtaq Ahmed 2. Haji M. Yousuf (deceased)	294-38-060648 294-19-045878	Mr.Muhammad Yousuf Mr.Imam Din	749	279	-	1,028	173	279	825	1,277
82.	M/s. Mumtaz Shahbaz Textile Mills Limited Mumtaz Centre, 15-A, Shahrah-e-Fatima Jinnah, Lahore	1.Mirza Iftikhar Baig 2.Mirza Mumtaz Baig 3.Mirza Israr Baig 4.Anwar Fatima (Deceased) 5.Mr.Qamar-uz-Zaman Khan Rath 6.Khan Allah Yar Khan Rath 7.Mirza Mukhtar Baig 8.Mr.Salahuddin Gondal	35202-2379853-6 35202-4330287-5 35202-2780030-7 36401-1529439-3 35202-2317316-1 35202-7730120-5	Mirza Mumtaz Baig Mirza Niaz Baig Mirza Mumtaz Baig Mr.Shahbaz Khan Rath Mr.Shahbaz Khan Rath Mirza Mumtaz Baig Mr.Muhammad Ishaq Gondal	84,089	17,156	-	101,245	68,513	-	85,246	153,759
83.	M/s. Al-Hijaz (Pvt.) Limited 14-Davis Road, Lahore	1.Mr. Muhammad Yasin 2.Mr. Mushtaq A Javaid 3.Mr. Muhammad Khalid 4.Mr. Muhammad Tariq.		Mr.Muhammad Hussain	10,215	1,389	-	11,604	10,215 *	-	26,132 *	36,347
84.	M/s. Ghausia Overseas Trading Company	Mr. Abdul Majid Dawood	512-45-065088	Haji Dawood	19,344	3,925	-	23,269	19,344 *	224 *	60,150 *	79,718
85.	Mr. Muhammad Azhar Khan, Quetta	Mr. Muhammad Azhar Khan			750	1,727	-	2,477	750 *	124 *	1,603 *	2,477
86.	M/s. Crystal Printers, 77 - B, S. I. E., Sukkur.	Mr. Muhammad Siddiqu Payami			495	610	-	1,105	-	505 *	786 *	1,291

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(Rupees in thousand)

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					Principal	Interest / mark-up	Others	Total				
87.	M/s. Masud Sons Industries Ltd.	1.Mr. Masood A. Shaikh 2.Mr. Shaikh Idress Masood 3.Mr. Mehmood A. Sheikh 4.Mr. Sarshar A. Shaikh 5.Mrs.Ismat Ara Masood 6.Mrs.Shagufta Mehmood 7.Mrs.Samina Sarshar			3,609	8,914	-	12,523	3,609 *	5,146 *	14,904 *	23,659
88.	Mr. Dost Muhammad, Qluetta.	Mr.Dost Muhammad			805	1,163	-	1,968	805 *	-	1,163 *	1,968
89.	M/s. Trade & Publication (Pvt.) Limited	1.Mr. Mluhammad Ehtisham Ghazi 2.Mrs.Mehrunnisa Ghazi 3.Mrs.Seema Ghazi 4.Mr.Muhammad Nasir Ghazi 5.Mr.Muhammad Farooq Ghazi 6.Mrs.Shamim Ghazi 7.Mr.Sabir Sheikh		Mr.Ghazi Naseeruddin W/o.Mr.Muhammad Ehtisham Ghazi	1,911	7,422	-	9,333	1,911 *	6,599 *	108,359 *	116,869
90.	M/s.Akbari Fabrics (Pvt.) Limited	Mst.Akbari Begum			398	665	-	1,063	398 *	-	665 *	1,063
91.	M/s.Taha International Export Corporation	Mr.Hameed Ghagani			23,670	-	-	23,670	23,670 *	-	31,075 *	54,745
92.	M/s.Canadian Jeans Company (Pvt.)Limited E-19, S. I. T. E., Karachi.	1.Mr. Hakam Valliani 2.Mr. Mansoor Valliani 3.Mr. Salman Valliani 4.Mr. Turhan Valliani		Mr.Mansoor Valliani Mr.Mansoor Valliani Mr.Mansoor Valliani	6,000	6,571	-	12,571	6,000 *	5,931 *	640 *	12,571
93.	M/s. Hamid Ali Khan	Mr. Hamid Ali Khan		Mr.Manzoor Ali Khan	3,403	-	-	3,403	3,403 *	-	-	3,403
94.	M/s.Bhatti Export (Pvt.) Limited 69-B, Jail Road, Lahore.	1.Mr. Ashfaq Mahmood Bhatti 2.Mr. Sohail Mahmood Bhatti 3.Mr. Raheel Mahmood Bhatti 4.Mr. Nadeem Tariq Bhatti	276-32-010230 279-59-059393 276-60-059394 276-63-059395	Haji Allah Din Mr.Ashiq Muhammad Bhatti Mr.Ashiq Muhammad Bhatt Mr.Ashiq Muhammad Bhatt	1,690	397	-	2,087	1,690 *	-	1,779 *	3,469
95.	M/s. Rub Traders Room # 5/26, Arkay Square, Shahrah-e-Liaquat, New Challi, Karachi.	Mr. Ehsanur Rub			1,351	2,429	-	3,780	1,351 *	2,123 *	306 *	3,780
96.	M/s.Pakistan PVC (Pvt.) Limited, 4th Floor, Al - Haroon Chamber, Abdullah Haroon Road, Karachi.	1.Mr.Riaz Shafi 2.Mr.Asif Shafi 3.Mr.Arif Shafi 4.Mrs.Naila Shafi		Mr.M. Shafi Mr.Riaz Shafi Mr.Riaz Shafi W/o.Mr.Riaz Shafi	20,425	1,555	-	21,980	20,425 *	1,555 *	32,308 *	54,288
97.	M/s.Hamid Sons (Pvt.) Limited 405-406, Commerce Centre, Hasrat Mohani Road, Karachi.	1.Mian Aftab Iqbal 2.Mian Abdul Hameed 3.Mian Javed Iqbal 4.Mrs.Tasneem Iqbal 5.Mrs.Zahida Javed 6.Mr.Faizul Rehman	212-41-195754	Mian Abdul Hamid Mian Abdul Hamid W/o.Mian Javed Iqbal Mr.Abdul Rehman	3,900	11,845	-	15,745	3,900 *	3,461 *	55,962 *	63,323
98.	Mr.Sarfraz Ahmed Khan, Quetta.	Mr.Sarfraz Ahmed Khan			632	1,032	-	1,664	632 *	-	1,032 *	1,664
99.	M/s.Punjab Flour Mills, 32 - N, Gulberg Industrial Area, Lahore.	1.Khawaja Muhammad Ather 2.Mrs.Khawaja Muhammad Ather 3.Khawaja Muhammad Ishaq		Khawaja Muhammad Azam W/o.Khawaja Muhammad Ather Khawaja Muhammad Azam	687	565	-	1,252	687 *	565 *	-	1,252
100.	Mr.Sarfraz Khan, Quetta.	Mr.Sarfraz Khan			154	1,017	-	1,171	154 *	-	1,017 *	1,171
101.	M/s. Imdad Hussain Jamali & Co., Quetta.	Mr.Imdad Hussain Jamali			330	979	-	1,309	330 *	861 *	118 *	1,309

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					Principal	Interest / mark-up	Others	Total				
102.	Mr. Abdul Lateef, Quetta.	Mr.Abdul Lateef			377	605	-	982	377 *	-	605 *	982
103.	M/s.Fountain Dairy Farm 1st Floor,Galaxy Shopping Centre, Ferozepur Road, Lahore	Mian Muhammad Ali	270-29-117399	Mr.Imam Din	233	628	-	861	233	67	561	861
104.	M/s. Beeco Pak (Pvt.) Limited Zia Chamber (near Imperial Cinema) 63/25, McLeod Road, Lahore.	1.Mr.Ahmed Karim Zia 2.Mrs.Salma Zia 3.Mr.M. Ameen Zia 4.Mr.M. Muneer	275-85-344365 272-52-251178 517-25-132502 272-43-258929	Mr.Muhammad Ameen Zia W/o.Mr.Ahmed Karim Zia Ch.Muhammad Ashiq Mr.Muhammad Ishaq	7,324	3,452	-	10,776	7,324 *	2,183 *	1,269 *	10,776
105.	M/s.Sana Enterprises	1.Mr.Zafeer Ahmed 2.Mr.Zakeer Ahmed 3.Mr.Musheer Ahmed 4.Mrs.Nargis Zakeer 5.Mrs.Nasreen Zafeer	42000-0493417-7 42101-3020937-5 42101-1634161-2 42000-0424654-8	Haji Abdul Subhan Haji Abdul Subhan W/o.Mr.Zakeer Ahmed(Late) W/o.Mr.Zafeer Ahmed	11,951	753	-	12,704	44	457	4,758	5,259
106.	M/s.R'Nisa Textile Industries	1.Mr.Zafeer Ahmed 2.Mr.Zakeer Ahmed 3.Mr.Musheer Ahmed 4.Mrs.Nargis Zakeer 5.Mrs.Nasreen Zafeer	42000-0493417-7 42101-3020937-5 42101-1634161-2 42000-0424654-8	Haji Abdul Subhan Haji Abdul Subhan W/o.Mr.Zakeer Ahmed(Late) W/o.Mr.Zafeer Ahmed	3,096	1,097	-	4,193	-	641	1,458	2,099
107.	M/s.Masood Traders Hyderabad.	Mr.Masood Aqil			-	386	-	386	-	255	860	1,115
108.	M/s.Exim International 21-23,Pakistan Handicraft Market, Abdullah Haroon Road, Karachi	1.Mr.Abdul Khaliq Rehmani 2.Mr.Moeen Khaliq Rehamni	358-91-674503 358-89-637281	Mr.Abdul Samad Rehmani Mr.Abdul Khaliq Rehmani	10,355	3,704	-	14,059	10,355 *	3,704 *	12,198 *	26,257
109.	M/s.M. A. Industries Limited 7-Kashmir Road, Lahore.	1.Mr.Khalid Mahmood 2.Mian Muhammad Ali 3.Mrs.Huma Fatima Mahmood 4.Mr.Habib Ahmed Khan		Mr.Ali Muhammad W/o.Mr.Khalid Mahmood	2,640	1,210	-	3,850	2,640 *	909 *	3,632 *	7,181
110.	M/s.Sky Metal Export Corporation	1.Malik Amer Waqas 2.Mr.Muhammad Aslam 3.Malik Azam 4.Mr.Babar Humayun 5.Mrs.Naghmi Malik 6.Mr.Amir Malik 7.Mr.Malik Waqas	285-62-538727 285-52-167634 285-54-479797 285-61-077977 285-86-574198 285-87-479498	Malik Muhammad Ashiq Mr.Abdul Majeed Malik Muhammad Ashiq Mr.Muzaffar Hussain Malik Muhammad Ashiq Malik Muhammad Ashiq Malik Muhammad Ashiq	7,808	10,832	-	18,640	7,808 *	-	34,867 *	42,675
111.	Mr.Niaz Muhammad, Quetta.	Mr.Niaz Muhammad			807	1,225	-	2,032	807 *	-	1,225 *	2,032
112.	M/s.Spencer Distribution Limited Associated Chambers, 24, Link McLeod Road, Patiala Ground, Lahore.	1.Sheikh Asif Saleem 2.Sheikh Arif Saleem 3.Dr.Masood Rashid 4.Dr.Asghar Rashid 5.Mr.Amir Ali Khan(Guarantor)			46,660	-	-	46,660	46,660 *	-	10,602 *	57,262
113.	M/s.Atlantic Motor Traders	Mr.Naeemullah Sheikh			21,876	5,119	-	26,995	21,876 *	3,895 *	35,902 *	61,673
114.	M/s.Islam Commercial Corp. H-I, Al-Naseer Square, Federal "B" Area, Karachi	Mr.S. M. Islam (Deceased)			1,250	1,556	-	2,806	1,250 *	225 *	10,428 *	11,903

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					Principal	Interest / mark-up	Others	Total				
115.	M/s.Pakistan Poultry Feed & Hatchery (Pvt.) Limited 321-G. T. Road, Shalimar Town, Baghbanpura, Lahore.	1.Mian Rashid Amir-ud-Din 2.Mrs.Attiya Rashad 3.Mrs.Sharifan Begum 4.Mrs.Nargis Shahid		Mian Mir Alam W/o.Mr.Rashid Amiruddin W/o.Mian Mir Alam	4,768	3,033	-	7,801	4,768 *	-	3,033 *	7,801
116.	M/s.Lal Shahbaz Cotton Ginners	1.Mr.Chandan Das 2.Mr.Kourol Mal		Mr.Persumal Mr.Persumal	134	582	-	716	134 *	582 *	788 *	1,504
117.	M/s.Mehran Plastic Ind.	Mr.Masood Aqil			86	416	-	502	86 *	416 *	689 *	1,191
118.	M/s.M. K. Traders C-343, Nisar Mansion, Block - 2, P.E.C.H.S., Karachi.	1.Sardar Munir Azam 2.Mst.Kiran Sheikh			151	1,099	-	1,250	151 *	400 *	2,002 *	2,553
119.	M/s.Silver Cotton Ginning & Pressing Factory	1.Mr.Premchand 2.Mr.Dayaldas 3.Mrs.Shrimati Kalan Bai 4.Mr.Abdul Fateh Sheikh 5.Mst.Parveen Akhtar		Mr.Ghanshamdas Mr.Lal Chand W/o.Mr.Premchand Mr.Khuda Bux D/o.Mr.Abdul Fateh Sheikh	3,500	2,489	18	6,007	-	988	-	988
120.	M/s.Calcium Limited Plot # 145, Industrial Estate, Jamrud (Peshawar).	1 Mr.Sardar Ali Khan 2.Mr.Shaukat Ali Khan 3.Mr.Mushtaq Ali Khan 4.Mr.Asghar Ali Khan 5.Syed Hashim Jawad 6.Syed Abdul Jawad 7.Mrs.Shaheen Abid		Haji Zar Ali Khan Haji Zar Ali Khan Haji Zar Ali Khan Haji Zar Ali Khan	404	325	-	729	-	-	729	729
121.	M/s.Qazi Automobile Corporation 146, Al-Noor Chamber, Preedy Street, Karachi.	Mrs.Rehmat		Wd./o Late Sirajuddin Sheikh	1,100	665	-	1,765	1,100 *	665 *	15,891 *	17,656
122.	M/s.Mehran Cotton Ginning Factory	1.Mr.Tariq Aziz 2.Mrs.Farhana Aziz 3.Mr.Shamsuddin Yousufani 4.Mrs.Shamsun Nisa			605	4,172	-	4,777	605 *	2,817 *	7,508 *	10,930
123.	M/s.Fair Fax Textiles Limited 412-413, Stook Exchange Building, Off I. I. Chundrigar Road, Karachi.	1.Mr.Shaheen Iqbal 2.Mr.Shahzad Iqbal 3.Mst.Taj Begum 4.Mrs.Sabiha Iqbal		1.Mr.Zahoor Ahmed 2.Mr.Zahoor Ahmed 3.W/o.Mr.Zahoor Ahmed 4.W/o.Mr.Shaheen Iqbal	6,000	835	-	6,835	5,996 *	835 *	131,293 *	138,124
124.	M/s.Javaid Garments Industries, 61, Timber Pond Road, Kemari, Karachi.	1.Mr.Rafique Rajwani 2.Mr.Anwar Rajwani 3.Mrs.Darakhshinda 4.Mr.Ibrahim Meghani		Mr.Ahmed Usman Mr.Ahmed Usman W/o.Mr.Rafique Rajwani	4,590	2,202	-	6,792	4,590 *	2,202 *	23,000 *	29,792
125.	M/s.Nilom Shoes Limited,	1.Ch. M. Ibrahim 2.Mr.Ashraf Ali 3.Ch. Mazher Bashir 4.Mr.Abdul Qadir Khan		Mr.Barkat Ali	7,958	5,106	-	13,064	7,958 *	1,089 *	20,385 *	29,432
126.	M/s.Alintco (Pvt.) Limited	1.Mr.Siraj Rayani 2.Mr.A. S. Merchant 3.Mr.Afzal K. Ali Merchant 4.Mr.Badaruddin B. Rehmani(Late)	510-53-089043	Mr.Ghulam Hussain	4,125	-	-	4,125	4,125 *	-	-	4,125
127.	M/s.Silver Rice Mills	Mir Muhammad Hameedullah Khan Buled			475	2,732	-	3,207	475 *	2,126 *	2,593 *	5,194

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					Principal	Interest / mark-up	Others	Total				
128.	M/s.Butt Brothers(Pvt) Limited	1.Mr.Mazhar Butt 2.Mst.Shamim Mazhar 3.Mr.Aziz Butt		Mr.Mazhar Bin Butt W/o.Mr.Mazhar Butt Mr.Muzaffar Bin Butt	10,000	1,997	-	11,997	10,000 *	1,997 *	351 *	12,348
129.	M/s.D. M. Brothers 58/1, Khayaban-e-Shujaat, Phase V, DHA, Karachi	Mr.Dharam Das	42301-3681581-7	Mr.Moulji	2,497	-	-	2,497	1,398	-	437	1,835
130.	M/s.R. K. Festival N/1, Hasan Apartments, Gulshane-e-Iqbal, Karachi	Mr.Dharam Das	42301-3681581-7	Mr.Moulji	1,901	-	-	1,901	-	-	1,710	1,710
131.	M/s.Continental Exports Limited	1.Mr.H.Saeed Ahmed Paracha 2.Mr.Akbar M. Paracha 3.Mr.Asghar M. Paracha			8,000	3,049	-	11,049	8,000 *	2,810 *	29,320 *	40,130
132.	M/s.Afsar Textile Mills Limited 20-Empress Road, Lahore.	1.Mr.Sabir Saleem 2.Mr.M. D. Sheikh 3.Mr.M.Asiam Amin			17,387	7,400	-	24,787	15,637 *	3,577 *	5,573 *	24,787
133.	M/s.Standard Book Depot. A.O.T. 8/80, Tara Naro Lane, Kagzi Bazar, Karachi.	Mr.Ismail Muhammad			411	683	-	1,094	411 *	352 *	331 *	1,094
134.	Malik Muhammad Ashraf H. # 120, Street # 4, Shujja Road, Lahore	Malik Muhammad Ashraf	295-85-059589	Mr.Fazal Ellahi	422	237	-	659	327	228	4	559
135.	M/s.Mughal & Company 52-A, 'L' Block, Ex Model Town, Lahore	Mr.Ali Haider Mirza			600	143	-	743	-	-	726	726
136.	M/s.Bolan Hotel C-260/7, Mission Road, Clock Tower, Sukkur	Mr.Khudadad Khan Pathan				1,140	-	1,140	-	-	890	890
137.	M/s.Fateh Sports Wears Limited P. O. Box # 427, Mirpurkhas Road, Hyderabad	1.Mr.Saeed Alam 2.Mr.Rauf Alam 3.Mr.Aftab Alam 4.Mr.Muhammad Mohsin	41304-2303234-3 41304-2303231-9 41304-9857401-9 41304-2303244-7	Mr.Jan Alam Mr.Jan Alam Mr.Jan Alam Mr.Roshan Alam	397	544	-	941	-	-	758	758
138.	M/s.Kohinoor Fabrics Limited Hub Industrial Trading Estate, Distt.Lasbella, Balochistan	1.Mr.Abdul Qayyum 2.Mr.Muhammad Saadullah 3.Mr.Haroon A. Habib 4.Mr.Ishrat Hussain Siddiqui 5.Mst Iffat Sultana Malik 6.Miss Tanaya Saiaqol		Moulana Jamil Ahmed(Late) Mr.A. Habib Mr.Muhammad Raza Hussain	-	11	-	11	-	-	887	887
139.	Mr.V. Abdul Latif	Mr.V.Abdul Latif	NA	Mr.C. K. Mohammad	-	519	-	519	-	252	793	1,045
140.	Mr.Ai Asfoori Trading P. O. Box # 15928, Dubai.	1.Mr.Abdul Lateef Mohd. Saeed Al Hakim 2.Mr.Dhanvantrai Shantilal Gulabchand	NA	N/A	8,091	545	-	8,636	8,091	545	13,405	22,041
141.	Mr.M. H. Merchant C/o BCCI P.O. Box 44338, Abu Dhabi & Pak Block, Allama Iqbal Town, Lahore	Mr.M. H. Merchant	NA	Mr.Muhammad Hassan	1,626	385	-	2,011	1,626	385	3,921	5,932
142.	M/s.Ai Tadamon Readymade Garments P. O. Box # 22051, Sharjah, UAE	1.Mr.Mubarak Bilaswad Mubarak Humaid 2.Mr.Hassan Murad Ali Bada Reyhan 3.Mr.Sikander Hayat Shah	NA	N/A	22,519	18,159	-	40,678	22,519	6,550	40,897	69,966

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					Principal	Interest / mark-up	Others	Total				
143.	M/s.AI Bukhari Trading P. O. Box # 19381, Dubai (UAE)	1.Mr.Essa Mohd. Saleh Abdullah 2.Mr.Abdul Razzak Jangda Mohammad 4.Mr.Mohammad Faisal Abdul Razzak	NA	N/A Haji Jan Mohammad Mr.Abdul Razzak	-	3,029	-	3,029	-	-	3,175	3,175
144.	M/s.AI Amira Textile P. O. Box # 1786, Ajman, UAE	1.Mr.Khalifa Ibrahim Mohammad 2.Mr.Hussain Mulla Fida 3.Mr.Mohammad Qasim Haji	NA	N/A N/A Mr.Mr.Mohammad Ali Qadir	1,600	3,280	-	4,880	-	-	2,051	2,051
145.	Mr.Abdul Majeed Kaisy P. O. Box # 2537, Abu Dhabi (UAE)	Mr.Abdul Majeed Kaisy	NA	N/A	-	10,541	-	10,541	-	10,541	11,891	22,432
146.	M/s.Broadway Garments Factory P. O. Box # 4550, Sharjah (UAE)	1.Mr.Abdul Hameed Maved 2.Mr.Maved Mohammad Ashraf 3.Mr.Sandeep Behl	NA	Mr.Mohammad Meeran Umar Mr.Mohammad Meeran Umar Mr.Surinder Lal Behl	-	190,640	-	190,640	-	5,976	184,664	190,640
147.	M/s.Broadway Garments Factory P. O. Box # 4550, Sharjah (UAE)	1.Mr.Abdul Hameed Maved 2.Mr.Maved Mohammad Ashraf 3.Mr.Sandeep Behl	NA	Mr.Mohammad Meeran Umar Mr.Mohammad Meeran Umar Mr.Surinder Lal Behl	21,133	-	-	21,133	21,133	-	-	21,133
148.	M/s.Pakistan Association Dubai DSF Pakistan Village P. O. Box # 340, Dubai (UAE)	1. Mr.Mohd. Siddique Ch. 2. Mr.Ghulam Nabi 3. Mr. Mohd. Riaz	NA	N/A	1,166	159	-	1,325	353	59	745	1,157
149.	Mr.Mehmood Jadallah Ahmed P. O. Box # 30494, Abu Dhabi	Mr.Mehmood Jadallah Ahmed	NA	N/A	157	361	-	518	157	193	168	518
150.	M/s.AI Yasat Trading Establishment P. O. Box # 6398, Dubai (UAE)	Mr.Mohammad Abdullah Ismail Abdullah Al Yasi	NA	Mr.Abdullah Liyas	4,496	-	-	4,496	4,496	-	5,143	9,639
151.	M/s.Gulf Stationery P. O. Box # 4240, Dubai (UAE)	Mr.Maunce Fadel Kobti	NA	N/A	6,368	-	-	6,368	6,368	-	10,666	17,034
152.	M/s.Murad Enterprises P. O. Box # 5187, Dubai (UAE)	Mr.Ebrahim Abdullah Murad	NA	N/A	-	616	-	616	-	-	616	616
153.	M/s.D. Kishan & Brothers P. O. Box # 797, Dubai (UAE)	Mr.Dev Kishan Moolchand	NA	N/A	5,949	-	-	5,949	5,949	-	4,633	10,582
154.	M/s.Sakkaka Trading P. O. Box # 14478, Dubai (UAE)	1.Mr.Issa Usman Abdullah Issa 2.Mr.Abdul Rehman Khan	NA	N/A	7,485	355	-	7,840	7,485	-	8,431	15,916
155.	M/s.Suhail Hana Musa Saba P. O. Box # 827, Ajman (UAE)	Mr.Suhail Hana Musa	NA	N/A	332	432	-	764	332	432	630	1,394
156.	M/s.Decent Carpentry & Furniture P. O. Box # 285, Ras Al Khaima (UAE)	Mr.Mustafa Nasser Abdullah Abu Sheba	NA	N/A	200	628	-	828	200	628	2,151	2,979
157.	Mr.Khamis Bin Salim Bin Hail Sharjah, (UAE).	Mr.Khamis Bin Salim Bin Hail	NA	N/A	813	583	-	1,396	813	455	4,484	5,752
158.	M/s.Ahmed Abdul Aziz & Sons P. O. Box # 5221, Sharjah (UAE)	Mr.Ahmed Abdul Aziz Zarwani	NA	N/A	1,396	1,069	-	2,465	1,396	1,069	7,592	10,057
159.	M/s.AI Mudhareeb Trading P. O. Box # 22323,Sharjah(UAE)	1.Mr.Abdul Rehman Al Mudhareeb 2.Mr.Abdul Khalik Golendaz	NA	N/A Mr.A. Samad Golendaz	12,735	7,207	-	19,942	2,981	-	18,276	21,257
160.	M/s.Yemen Gulf Traders P. O. Box # 4121, Abu Dhabi (UAE)	1.Mr.Narain Das Bhatia 2.Mr. Toufeeq Swaid Al Marar	NA	N/A	4,291	2,982	-	7,273	4,291	2,982	11,831	19,104
161.	M/s.Lucky Dew Trading Co. P. O. Box # 25864, Dubai (UAE)	1.Mr.Ali Abdullah Ali Ahmed 2.Mr.Radhakishan Chularam Phulwani 3.Mr.Teak Chand Phulwani	NA	N/A	12,719	8,928	-	21,647	12,719	8,927	16,167	37,813

ANNEXURE 'B' AS REFERRED TO IN NOTE 10.5 OF THE FINANCIAL STATEMENTS
(Rupees in thousand)

S. No.	Name & address of the borrower	Name of individuals / partners / directors	NIC Number	Father's / Husband's name	Outstanding liabilities at the beginning of the year				Principal written-off	Interest / mark-up written-off	Other financial relief provided	Total
					Principal	Interest / mark-up	Others	Total				
162.	Mrs.Gloria D. Bendanillo	Mrs.Gloria D. Bendanillo	NA	N/A	474	86	-	560	474	86	667	1,227
163.	Mr.Hossein Karimi Kamal Zadeh	Mr.Hossein Karimi Kamal Zadeh	NA	N/A	1,002	132	-	1,134	1,002	132	-	1,134
164.	Mr.Ishtiaq Ali Sheikh	Mr.Ishtiaq Ali Sheikh	NA	Sheikh Niaz Ali	1,841	1,774	-	3,615	1,841	537	6,078	8,456
165.	Mr.Khalid Mahmood	Mr.Khalid Mahmood	NA	Mr.Abdul Ghafoor	724	97	-	821	724	97	218	1,039
166.	Mr.Rajesh Anant Shetty	Mr.Rajesh Anant Shetty	NA	Mr.Anant Kantapa Shetty	1,472	24	-	1,496	1,472	24	271	1,767
167.	Mr.Ali Hussain Baajour	Mr.Ali Hussain Baajour	NA	N/A	846	177	-	1,023	846	12	165	1,023
168.	M/s.Ibn Batouta Spare Parts, P. O. Box # 1260, Sharjah (UAE)	Mr.Mohammad Rashid Saleh Ismail Zada	NA	N/A	1,625	7,613	-	9,238	1,625	6,496	7,175	15,296
169.	M/s.Jebel Ali Marketing & General Trading Establishment P. O. Box # 8811, Dubai (UAE)	Mr.Abdullah Abdul Karim	NA	N/A	8,400	1,632	-	10,032	8,400	-	8,989	17,389
170.	Mr.Sandanaraj Soosal	Mr.Sandanaraj Soosal	NA	N/A	784	150	-	934	784	150	48	982
171.	Mr.Sanjeev Pradhan	Mr.Sanjeev Pradhan	NA	N/A	512	42	-	554	512	42	40	594
172.	Mr.Darwesh Salim Rashid	Mr.Darwesh Salim Rashid	NA	N/A	695	2,669	-	3,364	695	2,059	5,993	8,747
173.	Mr.Markaz Yousif	Mr.Markaz Yousif	NA	N/A	792	1,582	-	2,374	792	1,287	3,618	5,697
174.	Mr. K. L. S. Fernando	Mr. K. L. S. Fernando	NA	N/A	273	900	-	1,173	273	373	1,841	2,487
175.	M/s.Enrobe Textile Factory P. O. Box # 40476, Sharjah (UAE)	1.Mr.Rashid Sultan Ahmed Mohd. Khadim 2.Mr.Aun Mohd. Saboowala	NA	N/A Mr.Tayeb A. Saboowala	-	6,001	-	6,001	-	6,001	1,940	7,941
176.	M/s.Nazzal Al Saadi Trading	Mr.Nazzal Al Saadi	NA	N/A	3,252	-	-	3,252	3,252	-	-	3,252
177.	M/s.Ideal General Trading P. O. Box # 7279, Sharjah	1.Mr.Mohd. Fakhruzzaman Lodhi 2.Sh. Abdullah Bin Mohd.AI Qassemi	NA	N/A	76,192	13,542	-	89,734	76,192	1,664	68,123	145,979
178.	M/s.Selective General Trading P. O. Box # 100, Umm Al Qiwain	Mr.Muhammad Swaleh	NA	N/A	67,910	12,465	-	80,375	67,910	5,363	51,361	124,634
179.	M/s.AI Nasr General Trading P. O. Box # 7279, Sharjah	1.Mr. Mohd. Fakhruzzaman Lodhi 2.Mr.Ahmed Abdul Rehman Abdullah	NA	Mr.Afzal Ahmed Lodhi N/A	60,710	6,727	-	67,437	60,710	711	33,923	95,344
180.	M/s.Phoenix General Trading P. O. Box # 6290, Sharjah (UAE)	Mr.Muhammad Sher Zaman Khan Lodhi	NA	Mr.Afzal Ahmed Lodhi	12,518	3,600	-	16,118	12,518	1,060	20,001	33,579
Total					1,933,777	1,101,320	1,096	3,036,193	1,233,732	452,460	3,082,322	4,768,514

*These loans are written off as a book entry without prejudice to the bank's right of recovery against the customers and default will continue to be reported in CIB reports as usual.

A.F. FERGUSON & CO
CHARTERED ACCOUNTANTS
State Life Building No.1-C,
I.I. Chundrigar Road,
Karachi

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Sheikh Sultan Trust
Building No. 2, Beaumont Road,
Karachi

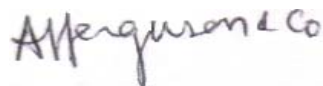
REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of United Bank Limited to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2005.



A. F. FERGUSON & Co.
Chartered Accountants



KPMG TASEER HADI & CO.
Chartered Accountants

Karachi
Dated: February 21, 2006

A. F. FERGUSON & CO.
Chartered Accountants
State Life Building 1-C
I. I. Chundrigar Road
Karachi

KPMG TASEER HADI & CO.
Chartered Accountants
Sheikh Sultan Trust
Building No. 2
Beaumont Road
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of United Bank Limited and its subsidiary companies (the Group) as at December 31, 2005 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. These financial statements include unaudited certified returns from the branches, except for 61 branches, which have been audited by us and 15 branches audited by auditors abroad. We have also expressed a separate opinion on the financial statements of United Bank Limited while the financial statements of subsidiary companies United National Bank Limited, United Bank AG (Zurich), United Executors and Trustees Company Limited, UBL Fund Managers Limited (formerly United Asset Management Company Limited) and United Bank Financial Services (Private) Limited were audited by other firms of Chartered Accountants and our opinion in so far as it relates to the amounts included for such companies, is based solely on the report of such auditors. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements examined by us, based on 61 branches audited by us and the returns referred to above received from the branches which have been found adequate for the purposes of our audit, present fairly the financial position of United Bank Limited and its subsidiary companies as at December 31, 2005 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

A.F. Ferguson & Co

A. F. FERGUSON & CO.
Chartered Accountants
Karachi *AFC*

KPMG Taseer Hadi & Co

KPMG TASEER HADI & CO.
Chartered Accountants
Karachi *KPMGTH*

Dated: February 21, 2006

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2005**

	Note	2005	2004
(Rupees in '000)			
ASSETS			
Cash and balances with treasury banks	7	34,143,128	23,945,146
Balances with other banks	8	18,688,683	24,174,064
Lendings to financial institutions	9	17,867,552	18,360,633
Investments	10	61,558,826	52,707,729
Advances			
Performing	11	206,296,460	143,531,140
Non-performing	11	3,856,169	4,693,940
		210,152,629	148,225,080
Other assets	12	7,932,696	4,537,140
Fixed assets	13	5,439,818	5,103,654
Deferred tax asset - net	14	2,272,814	5,194,892
		358,056,146	282,248,338
LIABILITIES			
Bills payable	16	4,181,026	3,835,555
Borrowings from financial institutions	17	22,751,015	12,637,036
Deposits and other accounts	18	296,499,113	237,054,440
Sub-ordinated loans	19	3,999,192	3,500,000
Liabilities against assets subject to finance lease	20	4,345	3,306
Other liabilities	21	6,347,853	5,838,940
		333,782,544	262,869,277
NET ASSETS			
		24,273,602	19,379,061
REPRESENTED BY:			
Share capital	22	5,180,000	5,180,000
Reserves		6,820,234	5,980,448
Unappropriated profit		7,790,148	3,585,102
		19,790,382	14,745,550
Minority interest		1,561,005	1,633,352
		21,351,387	16,378,902
Surplus on revaluation of assets	23	2,922,215	3,000,159
		24,273,602	19,379,061
CONTINGENCIES AND COMMITMENTS			
	24		

The annexed notes 1 to 50 and annexures form an integral part of these consolidated financial statements.

KPMG THAMCO

Atif R. Bokhari
President and
Chief Executive Officer

Ahmad Waqar
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2005**

	Note	2005	2004
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		9,708,666	5,009,803
Less: Dividend income		(172,375)	(155,215)
Share of income of associate		(13,120)	-
		9,523,171	4,854,588
Adjustments for non-cash charges			
Depreciation		456,068	441,768
Amortization		23,381	5,152
Provision for retirement benefits		134,830	671,665
Provision against loans and advances		1,283,646	453,709
Provision / (reversals) for diminution in value of investments		112,666	(100,381)
Provision against off balance sheet items		239,171	-
Gain on sale of fixed assets		(13,246)	(25,930)
Finance charges on leased assets		233	2,966
Bad debts written-off directly		38,140	3,841
Unrealized (gain) / deficit on revaluation of held for trading investment portfolio		2,081	-
Provision / (reversals) against other assets		87,998	(47,504)
		2,364,968	1,405,286
		11,888,139	6,259,874
(Increase) / decrease in operating assets			
Lendings to financial institutions		493,081	4,735,395
Held for trading securities		987,572	5,989,905
Advances - net		(63,249,335)	(49,451,089)
Others assets (excluding advance tax)		(3,519,792)	(856,733)
		(65,288,474)	(39,582,522)
Increase / (decrease) in operating liabilities			
Bills payable		345,471	844,286
Borrowings from financial institutions		10,113,979	3,113,842
Deposits and other accounts		59,444,673	47,221,996
Other liabilities		(41,522)	(1,080,488)
		69,862,601	50,099,636
		16,462,266	16,776,988
Staff retirement benefits paid		(122,849)	(279,899)
Income tax paid		(337,000)	(339,522)
Net cash flows from operating activities		16,002,417	16,157,567
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in securities		(9,957,459)	(5,055,249)
Dividend received		259,937	66,308
Investments in fixed assets		(823,803)	(1,700,059)
Proceeds from sale of fixed assets		23,317	60,405
Net cash flows from investing activities		(10,498,008)	(6,628,595)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of sub-ordinated loan		500,000	3,500,000
Repayment of principal of sub-ordinated loan		(808)	-
Dividend paid		(777,000)	(1,165,500)
Payment of lease obligations		(1,075)	(39,655)
Net cash flows from financing activities		(278,883)	2,294,845
Exchange adjustment on translation of net assets attributable to minority shareholders		(162,905)	176,543
Exchange differences on translation of net investment in foreign branches and subsidiaries		(350,020)	527,570
Increase in cash and cash equivalents during the year		4,712,601	12,527,930
Cash and cash equivalents at beginning of the year		48,119,210	35,591,280
Cash and cash equivalents at end of the year	34	52,831,811	48,119,210

The annexed notes 1 to 50 and annexures form an integral part of these consolidated financial statements.

KPMG TH AN & Co

Atif R. Bokhari
President and
Chief Executive Officer

Atif R. Bokhari
Director

Sir Mohammed Anwar Pervez, UBE, FIC
Deputy Chairman

Nayanji Mubarak Ali
Chairman

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005

	Attributable to the shareholders of the Bank						Minority interest	Total
	Share Capital	General Reserve	Statutory Reserve	Exchange Translation Reserve	Unappropriated Profit	Sub total		
	(Rupees in '000)							
Balance as at December 31, 2003	5,180,000	3,000	3,212,130	1,497,439	1,619,903	11,512,472	1,412,932	12,925,404
Final dividend for the year ended December 31, 2003	-	-	-	-	(1,165,500)	(1,165,500)	-	(1,165,500)
Profit after taxation for the year ended December 31, 2004	-	-	-	-	3,776,794	3,776,794	43,877	3,820,671
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	94,214	94,214	-	94,214
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	527,570	-	527,570	176,543	704,113
Transfer to statutory reserve	-	-	740,309	-	(740,309)	-	-	-
Balance as at December 31, 2004	<u>5,180,000</u>	<u>3,000</u>	<u>3,952,439</u>	<u>2,025,009</u>	<u>3,585,102</u>	<u>14,745,550</u>	<u>1,633,352</u>	<u>16,378,902</u>
Final dividend for the year ended December 31, 2004	-	-	-	-	(777,000)	(777,000)	-	(777,000)
Profit after taxation for the year ended December 31, 2005	-	-	-	-	6,077,704	6,077,704	90,558	6,168,262
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	94,148	94,148	-	94,148
Exchange differences on translation of net investment in foreign branches and subsidiaries	-	-	-	(350,020)	-	(350,020)	(162,905)	(512,925)
Transfer to statutory reserve	-	-	1,189,806	-	(1,189,806)	-	-	-
Balance as at December 31, 2005	<u>5,180,000</u>	<u>3,000</u>	<u>5,142,245</u>	<u>1,674,989</u>	<u>7,790,148</u>	<u>19,790,382</u>	<u>1,561,005</u>	<u>21,351,387</u>

Appropriations made by the directors subsequent to the year ended December 31, 2005 are disclosed in note 48 of these financial statements.

The annexed notes 1 to 50 and annexures form an integral part of these consolidated financial statements.

KPMG THAKK & Co

Atif R. Bokhari
President and
Chief Executive Officer

Ahmad Waqar
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

Nahayan Mabarak Al Nahay
Chairman



**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

United Bank Limited, Pakistan (the Bank)

Subsidiary Companies

- United National Bank Limited (UNBL), United Kingdom
- United Bank AG Zurich, Switzerland
- United Executors and Trustees Company Limited, Pakistan
- United Bank Financial Services (Private) Limited, Pakistan
- UBL Fund Managers Limited (formerly United Asset Management Company Limited), Pakistan

The Group is engaged in commercial banking, modaraba management, asset management, mutual funds and trustee services.

United Bank Limited (UBL) - is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all three Stock Exchanges in Pakistan. The Bank's registered office and principal office is situated at State Life Building No. 1, I. I. Chundrigar Road, Karachi. The Bank operates 1,043 (2004: 1,057) branches inside Pakistan including the Karachi Export Processing Zone Branch (KEPZ) and 15 (2004: 15) branches outside Pakistan.

1.2 The minority interest represents National Bank of Pakistan's 45% share in the net asset value of UNBL.

2. BASIS OF CONSOLIDATION

- The consolidated financial statements include the financial statements of UBL - Holding Company and its subsidiary companies and associates - "the Group".
- Subsidiary companies are consolidated from the date on which more than 50% of voting rights are transferred to the Group and are excluded from consolidation from the date of disposal.
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the Bank is eliminated against the subsidiaries' shareholders' equity in the consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Bank.
- Material intra-group balances and transactions have been eliminated.

3. 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 Bank 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 financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

4. STATEMENT OF COMPLIANCE

4.1 These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

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

5. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under historical cost convention except that certain assets have been stated at revalued amounts, certain investments have been stated at market value, derivative financial instruments have been marked to market, assets and liabilities of foreign branches and subsidiaries are translated at year-end rates of exchange and certain staff retirement benefits have been carried at present value.

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Significant accounting estimates and areas where judgments were made by the management in the application of accounting policies are disclosed in note 6.14 to these consolidated financial statements.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

6.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of consolidated cash flow statement represents cash and balances with treasury banks, balances with other banks in current and deposit accounts.

6.2 Lendings to / borrowings from financial institutions

The Group enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

(a) Sale under repurchase agreements

Securities sold subject to a re-purchase agreement (repo) are retained in the consolidated financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued over the period of the agreement and recorded as an expense.

(b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the agreement and recorded as income.

Securities borrowed are not recognized in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with gain or loss included in trading income. The obligations to return them is recorded at fair values as a trading liability under Borrowings from financial institutions.

6.3 Investments

The Group classifies its investments as follows:

(a) Held for trading

These are securities, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold to maturity.

(c) Available for sale

These are investments that do not fall under the held for trading or held to maturity categories.

(d) Associates

Associates are all entities over which the Group has a significant influence but not control. Investment in associates are accounted for by the equity method of accounting and are initially recognized at cost, thereafter for the post acquisition change in the investor's share of net assets of the investee. Share of profit and loss of associates is accounted for in the consolidated profit and loss account.

Investments in associates where the group has significant influence are accounted for using the equity method of accounting.

Investments are initially recognized at cost which includes transaction costs associated with the investment.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognized at the trade date. Trade date is the date on which the bank commits to purchase or sell the investment.

KPMG THAI Co



UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005

In accordance with the requirements of the State Bank of Pakistan quoted securities, other than those classified as 'held to maturity', are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is taken to a separate account shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Provision for diminution in the values of securities (except debentures, participation term certificates and term finance certificates) is made after considering permanent impairment, if any, in their value. Provisions for diminution in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Profit and loss on sale of investments is included in income currently.

6.4 Advances

Advances are stated net of specific and general provisions. Specific provision against domestic advances is determined on the basis of Prudential Regulations and other directives issued by the State Bank of Pakistan and charged to the profit and loss account. General provision against consumer loans is made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. General and specific provisions pertaining to overseas advances are made to meet the requirements of monetary agencies and regulatory authorities of respective countries. Advances are written off when there is no realistic prospect of recovery.

6.5 Fixed assets and depreciation

Owned

Property and equipment, other than free hold land which is not depreciated and capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount. Capital work-in-progress is stated at cost. Cost of property and equipment of foreign branches and subsidiaries includes exchange difference arising on currency translation at year-end rates of exchange.

Depreciation is calculated so as to write off the assets over their expected economic lives at rates specified in note 13 to these consolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any, and methods depending on the nature of the asset and the country of its location. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date. No depreciation is charged on freehold land.

Depreciation on additions is charged from the month the asset is available for use and on disposals upto the month of disposal.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

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Gains and losses on sale of fixed assets are included in income currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

Leased

Assets held under finance lease are stated at lower of fair value or present value of minimum lease payments at inception less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Group.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the Group. The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

The intangible assets having an indefinite useful life are stated at acquisition cost. Provisions are made for permanent diminution in the value of assets, if any. Gains and losses on disposals, if any are taken to the consolidated profit and loss account.

6.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the consolidated profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.7 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned from local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax is calculated using prevailing tax rates or tax rates expected to apply to the profits for the year at enacted rates. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year.

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Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Group also records deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of fixed assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of the revised International Accounting Standard (IAS) 12 dealing with Income Taxes.

6.8 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

6.9 Staff retirement and other benefits

6.9.1 Staff retirement benefit schemes

United Bank Limited (UBL)

- a) The Bank operates the following staff retirement schemes for its employees
 - approved funded pension scheme, introduced in 1986 (defined benefit scheme); and
 - approved non-contributory provident fund in lieu of the contributory provident fund.
- b) For new employees and for those who opted for new scheme introduced in 1991, the bank operates
 - approved contributory provident fund (defined contribution scheme); and
 - approved gratuity scheme (defined benefit scheme).

In the year 2001, the Bank modified the pension scheme and introduced a conversion option for employees covered under scheme (a) above to scheme (b). This option ceased on December 31, 2003.

The Bank also operates a contributory benevolent fund for all its employees (defined benefit scheme).

Annual contributions towards the defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

United National Bank Limited (UNBL)

UNBL operates a pension scheme (defined benefit scheme) for certain staff. This scheme is closed for new members. The assets of the scheme are held separately from those of UNBL in independently administered funds. Pension costs are assessed in accordance with the advice of the independent qualified actuary to recognize the cost of pensions on a systematic basis over employees' service lives.

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For defined contribution schemes, the amount charged to the profit and loss account is the contribution payable in the year. Difference between the contribution payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

UBL Fund Managers Limited (UFML)

Defined benefit plan

UFML operates a gratuity fund covering eligible employees whose period of employment with UFML is three years or more. A provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits, irrespective of the qualifying period. Gratuity, however, is payable only on completion of the prescribed qualifying period of service. Actuarial gains and losses are recognised in accordance with the recommendation of the actuary.

Defined contribution plan

UFML operates a provident fund covering all permanent employees. Equal contributions are made to the Fund by the UFML and the employees in accordance with the rules of the scheme. However, UFML's contribution starts after completion of one year of service.

6.9.2 Other benefits

- a) Employees' compensated absences

The Bank provides for compensated vested and non-vested absences accumulated by its employees on the basis of actuarial advice under the Projected Unit Credit Method.

- b) Post retirement medical benefits (defined benefit scheme)

The Bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefit on the basis of actuarial advice under the Projected Unit Credit Method.

6.10 Revenue Recognition

Mark-up / return / interest income on performing advances and investments is recognized on accrual basis over the term of loans and advances. Where debt securities are purchased at premium or discount, those premiums / discounts are amortized through the profit and loss account over the remaining period of maturity.

Interest or mark-up recoverable on non performing advances and classified investments is recognized on receipt basis. Interest / return / mark-up on rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the State Bank of Pakistan or overseas regulatory authorities of countries where the branches and subsidiaries operate, except where in the opinion of the management, it would not be prudent to do so.

Dividend income is recognized when the right to receive the dividend is established.

Fees, brokerage and commission on letters of credit / guarantee and others are recognized on accrual basis.

6.11 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to profit and loss account.

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6.12 Foreign Currencies

a) Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date except that certain deposits, which are covered by forward foreign exchange contracts, are translated at contracted rates. Forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

b) Foreign operations

The assets and liabilities of foreign operations are translated to rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated at the average rate of exchange for the year.

c) Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign branches and subsidiaries which are taken to capital reserve (Exchange Translation Reserve).

d) Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the date of transaction.

6.13 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

6.14 Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Group's consolidated financial statements or where judgement was exercised in application of accounting policies are as follows:

- i) classification of investments (notes 6.3 and 10)
- ii) provision against investments (notes 6.3 and 10) and advances (notes 6.4 and 11.3)
- iii) income taxes (notes 6.7, 32 and 21.1)
- iv) staff retirement benefits (note 36)
- v) fair value of derivatives (note 21.3)

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	Note	2005	2004
		(Rupees in '000)	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		4,606,028	3,785,931
Foreign currency		1,174,970	1,042,880
		5,780,998	4,828,811
With State Bank of Pakistan in			
Local currency current account		13,032,322	12,153,975
Local currency deposit account	7.1	3,864	3,864
Foreign currency deposit account	7.1	2,556,535	1,625,303
		15,592,721	13,783,142
With other central banks in foreign currency current account	7.2	9,155,206	3,605,018
With National Bank of Pakistan in local currency current account		3,571,650	1,681,685
National Prize Bonds		42,553	46,490
		<u>34,143,128</u>	<u>23,945,146</u>

7.1 Deposits with State Bank of Pakistan are maintained to comply with the statutory requirements issued from time to time.

7.2 Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches and subsidiaries of the Group.

	Note	2005	2004
		(Rupees in '000)	
8. BALANCES WITH OTHER BANKS			
Outside Pakistan			
In current accounts		5,426,508	1,372,184
In deposit accounts		13,262,175	22,801,880
		<u>18,688,683</u>	<u>24,174,064</u>

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	9.1	1,199,534	1,876,465
Repurchase agreement lendings	9.2	11,769,693	8,011,490
Lendings to banks / financial institutions		4,898,325	8,472,678
		<u>17,867,552</u>	<u>18,360,633</u>

9.1 These carry mark-up at rates ranging from 1% to 12.75% per annum (2004: 2.5% to 6.1% per annum).

9.2 Securities held as collateral against lendings to financial institutions

	2005			2004		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	(Rupees in '000)			(Rupees in '000)		
Market Treasury Bills	8,019,693	-	8,019,693	2,936,904	491,586	3,428,490
Pakistan Investment Bonds	2,180,000	1,570,000	3,750,000	4,583,000	-	4,583,000
	<u>10,199,693</u>	<u>1,570,000</u>	<u>11,769,693</u>	<u>7,519,904</u>	<u>491,586</u>	<u>8,011,490</u>

These carry mark-up at rates ranging from 3.5% to 8.75% per annum (2004: 1.25% to 6.5% per annum).

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	Note	2005			2004		
		Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total
(Rupees in '000)							
10. INVESTMENTS							
10.1 Investments by types							
Held for trading							
Market Treasury Bills		600,734	460,807	1,061,541	1,340,956	1,045,006	2,385,962
Ordinary shares of listed companies		460,770	-	460,770	-	-	-
Term Finance Certificates		-	-	-	122,950	-	122,950
Pakistan Investment Bonds		-	-	-	971	-	971
		1,061,504	460,807	1,522,311	1,464,877	1,045,006	2,509,883
Available for sale							
Market Treasury Bills		16,004,567	3,898,511	19,903,078	13,893,796	1,097,647	14,991,443
Ordinary shares of listed companies		1,680,335	-	1,680,335	758,198	-	758,198
Pakistan Investment Bonds		1,317,980	205,469	1,523,449	4,072,246	-	4,072,246
Government of Pakistan Islamic Bonds		833,386	-	833,386	-	-	-
Term Finance Certificates		749,171	-	749,171	341,960	-	341,960
Foreign securities		620,301	-	620,301	35,343	-	35,343
Ordinary shares of unlisted companies		432,680	-	432,680	303,392	-	303,392
Euro Bonds		279,575	-	279,575	1,403,469	-	1,403,469
Units of mutual funds		582,779	-	582,779	350,000	-	350,000
		22,500,774	4,103,980	26,604,754	21,158,404	1,097,647	22,256,051
Held to maturity							
Term Finance Certificates		8,666,380	-	8,666,380	8,305,766	-	8,305,766
Market Treasury Bills		4,830,400	3,595,482	8,425,882	-	-	-
Pakistan Investment Bonds		5,331,699	335,502	5,667,201	3,837,791	2,091,533	5,929,324
CIRC bonds		4,054,883	-	4,054,883	4,054,883	-	4,054,883
Government of Pakistan - Guaranteed bonds		4,039,971	-	4,039,971	5,699,540	-	5,699,540
Foreign currency bonds		1,694,788	-	1,694,788	2,024,073	-	2,024,073
Foreign securities		577,277	-	577,277	1,679,600	-	1,679,600
Debentures		169,351	-	169,351	176,277	-	176,277
Participation Term Certificates		70,087	-	70,087	77,267	-	77,267
CDC SAARC Fund		65,501	-	65,501	124,144	-	124,144
Federal Investment Bonds		32,725	-	32,725	45,026	-	45,026
Cumulative preference shares		8,120	-	8,120	8,120	-	8,120
Provincial Government Securities		1,207	-	1,207	1,207	-	1,207
		29,542,389	3,930,984	33,473,373	26,033,694	2,091,533	28,125,227
Associates							
United Growth and Income Fund	10.6	263,120	-	263,120	-	-	-
Oman United Exchange Company, Muscat		6,981	-	6,981	15,436	-	15,436
		270,101	-	270,101	15,436	-	15,436
		53,374,768	8,495,771	61,870,539	48,672,411	4,234,186	52,906,597
Provision for diminution in value of investments	10.3	(634,002)	-	(634,002)	(540,402)	-	(540,402)
Surplus / (deficit) on revaluation of available for sale investments	23.2	322,591	736	323,327	341,121	(631)	340,490
(Deficit) / surplus on revaluation of held for trading investments		(1,328)	290	(1,038)	1,069	(25)	1,044
Investments (net of provisions)		53,062,029	8,496,797	61,558,826	48,474,199	4,233,530	52,707,729

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	Note	2005	2004
		(Rupees in '000)	
10.2 Investments by segments			
Federal Government Securities			
Market Treasury Bills		29,193,297	17,377,405
Pakistan Investment Bonds		7,190,650	10,002,541
Foreign currency bonds		1,694,788	2,024,073
Government of Pakistan Islamic Bonds		833,386	-
Government of Pakistan - US Dollar / Euro bonds		279,575	1,403,469
Federal Investment Bonds		32,725	45,026
		39,224,421	30,852,514
Provincial Government Securities		1,207	1,207
Overseas Governments' Securities			
Foreign securities		933,346	1,456,817
Market Treasury Bills		197,204	96,317
		1,130,550	1,553,134
Other Overseas Securities			
Foreign securities		264,233	161,809
CDC SAARC fund		65,501	124,144
		329,734	285,953
Fully Paid-up Ordinary Shares			
Listed companies		2,141,105	758,198
Cumulative preference shares		8,120	8,120
Unlisted companies		432,680	303,392
		2,581,905	1,069,710
Units of mutual funds		582,779	350,000
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
Term Finance Certificates			
Unlisted		8,332,720	8,128,472
Listed		1,082,830	642,204
		9,415,550	8,770,676
Bonds		8,094,854	9,754,423
Debentures		169,351	176,277
Participation Term Certificates		70,087	77,267
		17,749,842	18,778,643
Investments in associates		270,101	15,436
		61,870,539	52,906,597
Provision for diminution in the value of investments	10.3	(634,002)	(540,402)
Surplus on revaluation of available for sale investments	23.2	323,327	340,490
(Deficit) / Surplus on revaluation of held for trading investments		(1,038)	1,044
Investments (net of provisions)		61,558,826	52,707,729

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	2005 (Rupees in '000)	2004 (Rupees in '000)
10.3 Particulars of provision for diminution in value of investments		
Opening balance	540,402	640,229
Exchange adjustment	-	3,970
Charged during the year	112,666	-
Reversed during the year	-	(100,381)
Transfers	4,355	17,011
Written off during the year	(23,421)	(20,427)
Closing balance	<u>634,002</u>	<u>540,402</u>

10.4 Investments include Rs. 282 million (2004: Rs. 282 million) held by the State Bank of Pakistan and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5 million (2004: 5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

10.5 Information relating to investments in shares of listed and unlisted companies, redeemable capital, debentures and bonds, required to be disclosed as part of the consolidated financial statements under State Bank of Pakistan's BSD Circular No. 36 dated October 10, 2001, is given in Annexure 'A'.

	2005 (Rupees in '000)	2004 (Rupees in '000)
10.6 Investment in associates - United Growth and Income Fund		
Acquisitions during the year	250,000	-
Share of profit	13,120	-
Dividend distribution	-	-
Balance as at December 31	<u>263,120</u>	<u>-</u>

10.6.1 United Growth and Income Fund (the Fund) is an open ended mutual fund and presently it is unlisted, all the units are held by the Group (representing seed capital). Arrangements are being made for its listing under which the Funds will offer units for public subscription on a continuous basis. Accordingly, the Group's investment in the Fund is treated as investment in associates.

10.6.2 The details of assets, liabilities, revenue and profit of the fund are as follows:

	Assets	Liabilities	Revenue	Profits
	(Rupees in '000)			
United Growth and Income Fund	<u>264,270</u>	<u>1,150</u>	<u>15,583</u>	<u>13,120</u>

Note	Performing		Non-performing	
	2005	2004	2005	2004
	(Rupees in '000)			

11. ADVANCES
Loans, cash credits, running finances, etc.

In Pakistan	169,599,106	113,521,983	9,831,330	11,827,862
Outside Pakistan	26,302,862	16,715,680	5,942,046	6,590,823
	<u>195,901,968</u>	<u>130,237,663</u>	<u>15,773,376</u>	<u>18,418,685</u>

**Bills discounted and purchased
(excluding government treasury bills)**

Payable in Pakistan	2,686,883	3,871,559	417,400	286,514
Payable outside Pakistan	7,837,933	8,412,767	1,171,427	1,836,086
	<u>10,524,816</u>	<u>12,284,326</u>	<u>1,588,827</u>	<u>2,122,600</u>
	<u>206,426,784</u>	<u>142,521,989</u>	<u>17,362,203</u>	<u>20,541,285</u>

**Financing in respect of Continuous
Funding System (CFS)**

	1,094,002	1,327,542	-	-
	<u>207,520,786</u>	<u>143,849,531</u>	<u>17,362,203</u>	<u>20,541,285</u>

Provision against advances

- Specific	11.3	-	-	(13,506,034)	(15,847,345)
- General	11.3	(1,224,326)	(318,391)	-	-
		<u>206,296,460</u>	<u>143,531,140</u>	<u>3,856,169</u>	<u>4,693,940</u>

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11.1 Particulars of advances

	Performing		Non-performing	
	2005	2004	2005	2004
----- (Rupees in '000) -----				
11.1.1 In local currency	172,680,571	118,616,693	3,502,704	4,236,710
In foreign currency	33,615,889	24,914,447	353,465	457,230
	<u>206,296,460</u>	<u>143,531,140</u>	<u>3,856,169</u>	<u>4,693,940</u>
11.1.2 Short term	132,847,233	91,198,907	-	-
Long term	73,449,227	52,332,233	3,856,169	4,693,940
	<u>206,296,460</u>	<u>143,531,140</u>	<u>3,856,169</u>	<u>4,693,940</u>

11.1.3 During the year, the State Bank of Pakistan has revised the basis of classification of non-performing Corporate, Consumer and SME loans and advances vide BSD Circular No. 7 dated November 1, 2005. Under the revised guidelines the category of Other Assets Especially Mentioned (OAEM) has been dispensed with while the categories of substandard, doubtful and loss have been retained. In addition, the basis of classification of loans and advances under these three categories has been redefined whereby all advances overdue by 90, 180 and 365 days are now required to be classified as substandard, doubtful and loss respectively. Previously, short-term and long-term advances were required to be separately assessed and were classified as OAEM, substandard, doubtful or loss based on different prescribed ageing criteria. The revised guidelines specify that provision should be made in the financial statements equal to 25 percent, 50 percent and 100 percent, in respect of overdue advances classified as substandard, doubtful and loss respectively, of the outstanding balance of principal less the amount of liquid assets realisable and adjusted forced sale value of mortgaged / pledged assets.

The revised guidelines further specify that the benefit of forced sales valuations will not be available for non-performing financing facilities of less than Rs. 5 million.

In accordance with BSD Circular No. 2 dated January 14, 2006 the SBP has subsequently allowed banks to meet the provisioning requirement of 25 percent against substandard category in a phased manner, i.e. 10 percent from December 31, 2005 and 25 percent from December 31, 2006. However, as a matter of prudence the bank has opted to meet the provisioning requirement of 25 percent against substandard category with effect from December 31, 2005 resulting in an additional provision of Rs. 56.177 million.

Had the provision against non-performing loans and advances been determined in accordance with the previous requirement of the State Bank of Pakistan, the specific provision against non-performing loans and advances would have been lower and consequently profit before taxation and advances (net of provision) as at December 31, 2005 would have been higher by approximately Rs. 395.937 million.

11.1.4 The State Bank of Pakistan has issued Prudential Regulations for Agriculture Finance during the current year vide BPD Circular No. 27 dated October 22, 2005. These regulations require agricultural advances overdue by 90 days, one year, one and a half years and two years to be classified as OAEM, substandard, doubtful and loss respectively. In addition, these regulations specify that provision should be made in the financial statements equal to 20 percent, 50 percent and 100 percent, in respect of overdue agricultural advances classified as substandard, doubtful and loss respectively, of the outstanding balance of principal less the amount of liquid assets realisable and adjusted forced sale value of mortgaged / pledged assets. No provision is required to be made against the outstanding balance of principal relating to overdue agriculture advances classified as OAEM. Previously, provision was determined in respect of non-performing agriculture advances in accordance with the guidelines given in the Prudential Regulations for Corporate / Commercial banking.

Had the provision against agriculture advances been determined in accordance with the Prudential Regulations for Corporate / Commercial banking, the specific provision against non performing agriculture advances would have been higher, and consequently the profit before taxation and advances (net of provision) would have been lower by approximately Rs. 68.961 million.

11.1.5 Non-performing advances include:

- Advances having Gross Book Value of Rs. 298.568 million (2004:Rs. 509.533 million) and Net Book Value of Rs. 284.115 million (2004: Rs. 458.225 million) though restructured and performing have been placed in the non-performing status as required by the revised Prudential Regulations issued by the State Bank of Pakistan, which requires monitoring for at least one year before any upgradation is considered.

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11.2 Advances include Rs. 17,362 million (2004: Rs. 20,541 million) which have been placed under non-performing status as detailed below:-

Category of Classification

	2005			Specific provision required	Specific provision held
	Domestic	Overseas	Total		
	(Rupees in '000)				
Other Assets Especially Mentioned *	257,811	-	257,811	-	-
Substandard	997,226	50,087	1,047,313	123,552	123,552
Doubtful	687,047	143,913	830,960	167,720	167,720
Loss	8,306,645	6,517,635	14,824,280	13,010,718	13,010,718
	<u>10,248,729</u>	<u>6,711,635</u>	<u>16,960,364</u>	<u>13,301,990</u>	<u>13,301,990</u>
Subsidiary companies	-	401,839	401,839	204,044	204,044
	<u>10,248,729</u>	<u>7,113,474</u>	<u>17,362,203</u>	<u>13,506,034</u>	<u>13,506,034</u>

* The Other Assets Especially Mentioned category pertains to agricultural finance only.

Category of Classification

	2004			Specific provision required	Specific provision held
	Domestic	Overseas	Total		
	(Rupees in '000)				
Other Assets Especially Mentioned	1,365,330	120,072	1,485,402	-	-
Substandard	303,643	29,417	333,060	23,803	23,803
Doubtful	386,312	10,422	396,734	19,871	19,871
Loss	10,533,320	7,354,817	17,888,137	15,578,043	15,578,043
	<u>12,588,605</u>	<u>7,514,728</u>	<u>20,103,333</u>	<u>15,621,717</u>	<u>15,621,717</u>
Subsidiary companies	-	437,952	437,952	225,628	225,628
	<u>12,588,605</u>	<u>7,952,680</u>	<u>20,541,285</u>	<u>15,847,345</u>	<u>15,847,345</u>

11.3 Particulars of provision against advances

Note	2005			2004		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
Opening balance	15,847,345	318,391	16,165,736	15,506,038	159,417	15,665,455
Exchange adjustments	(3,070)	(6,094)	(9,164)	310,516	9,274	319,790
Charge for the year	904,947	662,857	1,567,804	544,222	149,700	693,922
Reversal	(284,158)	-	(284,158)	(240,214)	-	(240,214)
	620,789	662,857	1,283,646	304,008	149,700	453,708
Transfers	(295,036)	272,958	(22,078)	259,695	-	259,695
Written off during the year	(2,663,994)	(23,786)	(2,687,780)	(532,912)	-	(532,912)
Closing balance	<u>13,506,034</u>	<u>1,224,326</u>	<u>14,730,360</u>	<u>15,847,345</u>	<u>318,391</u>	<u>16,165,736</u>

11.3.1 General provision represents provision amounting to Rs. 699.420 million (2004: Rs. 104.390 million) against consumer finance portfolio as required by the Prudential Regulations for Consumer Finance issued by State Bank of Pakistan and Rs. 524.906 million (2004: Rs. 214.001 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries.

	Note	2005 (Rupees in '000)	2004 (Rupees in '000)
11.4 Particulars of write-offs			
Against provisions	11.3	2,687,780	532,912
Directly charged to profit and loss account		38,140	3,841
		<u>2,725,920</u>	<u>536,753</u>
Write-offs of Rs. 500,000 and above	11.5	1,233,732	311,706
Write-offs of below Rs. 500,000		1,492,188	225,047
		<u>2,725,920</u>	<u>536,753</u>

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11.5 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2005 is given in Annexure-B to these consolidated financial statements.

These loans are written off as a book entry without prejudice to the Bank's right of recovery against the customers.

11.6 Particulars of loans and advances to executives, directors, associated companies etc.	Balance as at December 31, 2005	Maximum amount of advances granted during the year
	(Rupees in '000)	
Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons	471,621	595,772
Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private, companies as members	1,818,141	4,406,861

12. OTHER ASSETS	Note	2005	2004
		(Rupees in '000)	
Income / return / mark-up accrued in local currency		7,622,512	6,995,502
Income / return / mark-up accrued in foreign currency		2,838,916	3,107,693
		10,461,428	10,103,195
Suspense accounts		457,946	440,390
Hajj Refund		826,068	132,901
Stationery and stamps on hand		79,524	62,240
Advances, deposits, advance rent and other prepayments		711,664	491,298
Receivable from staff retirement funds		847,042	763,111
Due from other banks against telegraphic and demand drafts		95,468	81,288
Unrealized gain on forward foreign exchange contracts		120,544	62,998
Unrealized gain on sale of securities not yet purchased		41,726	-
Taxes recoverable		-	32,607
Others		813,586	374,517
		14,454,996	12,544,545
Provision held against other assets	12.1	(2,280,212)	(3,052,803)
Unrealized mark-up held in suspense account		(4,242,088)	(4,954,602)
		7,932,696	4,537,140
12.1 Provision against other assets			
Opening balance		3,052,803	3,299,708
Exchange adjustments		230	4,415
Charge for the year		87,998	14,196
Reversals		-	(61,700)
		87,998	(47,504)
Transfer		49,028	19,881
Amounts written off		(909,847)	(223,697)
Closing balance		2,280,212	3,052,803
13. FIXED ASSETS			
Property and equipment	13.1	4,939,180	4,820,973
Intangible assets	13.2	113,786	38,278
Capital work-in-progress		386,852	244,403
		5,439,818	5,103,654

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13.1 Property and equipment

----- 2005 -----											
COST					ACCUMULATED DEPRECIATION					Net book value at December 31, 2005	Annual rate of depreciation
At January 1, 2005	Additions/ (deletions)	Revaluation adjustment/ revaluation surplus/ (deficit)	Other adjustments*	At December 31, 2005	At January 1, 2005	Charge for the year/ (depreciation on deletion)	Reversal due to revaluation / other adjustments*	At December 31, 2005			
(Rupees in '000)											
Owned											
Freehold land	408,194	-	-	-	408,194	-	-	-	-	408,194	-
Leasehold land	2,285,608	-	-	(11,602)	2,274,006	151,209	90,082	(48,903)	192,388	2,081,618	1 - 3.33
Buildings on freehold land	1,142,068	6,233	-	(64,999)	973,175	22,158	15,106	(5,428)	29,880	943,295	5
Buildings on leasehold land	460,737	104,420	-	223	565,380	72,042	33,709	(9,595)	96,156	469,224	5
Furniture and fixtures	523,777	63,325 (6,694)	-	36,609 (302)	616,715	459,934	35,618 (5,645)	(70,544) (245)	419,118	197,597	10
Electrical, office and computer equipment	1,414,136	328,945 (13,715)	-	(53,709) (12,457)	1,663,200	837,922	250,385 (13,510)	(51,184) (8,565)	1,015,048	648,152	20-25
Vehicles	329,850	121,796 (34,569)	-	(33,572) (364)	383,141	204,179	30,266 (25,752)	(11,958) (227)	196,508	186,633	20
Assets held under finance lease											
Vehicles	5,367	1,881	-	(2,215)	5,033	1,320	552	(1,326) 20	566	4,467	20
	6,569,737	626,600 (54,978)	-	(252,515)	6,888,844	1,748,764	455,718 (44,907)	(209,931) 20	1,949,664	4,939,180	
----- 2004 -----											
COST					ACCUMULATED DEPRECIATION					Net book value at December 31, 2004	Annual rate of depreciation
At January 1, 2004	Additions/ (deletions)	Revaluation adjustment/ revaluation surplus/ (deficit)	Other adjustments*	At December 31, 2004	At January 1, 2004	Charge for the year/ (depreciation on deletion)	Reversal due to revaluation / other adjustments*	At December 31, 2004			
(Rupees in '000)											
Owned											
Freehold land	404,384	-	-	3,810	408,194	-	-	-	-	408,194	-
Leasehold land	2,266,357	10,456	-	8,795	2,285,608	-	90,495	60,714	151,209	2,134,399	1 - 3.33
Buildings on freehold land	119,109	1,035,012 (19,316)	-	7,263	1,142,068	2,446	19,413 (1,168)	1,467	22,158	1,119,910	5
Buildings on leasehold land	386,771	9,466	-	64,500	460,737	4,536	31,964	35,542	72,042	388,695	5
Furniture and fixtures	589,283	31,370 (2,240)	-	(94,636)	523,777	516,808	34,900 (1,484)	(90,290)	459,934	63,843	10
Electrical, office and computer equipment	1,106,381	369,356 (55,101)	-	(6,500)	1,414,136	728,219	211,879 (41,226)	(60,950)	837,922	576,214	20-30
Vehicles	227,807	37,218 (8,253)	-	73,078	329,850	129,501	47,490 (6,557)	33,745	204,179	125,671	20
Assets held under finance lease											
Vehicles	118,026	3,152	-	(115,811)	5,367	65,468	5,627	(69,775)	1,320	4,047	20
	5,218,118	1,496,030 (84,910)	-	(59,501)	6,569,737	1,446,978	441,768 (50,435)	(89,547)	1,748,764	4,820,973	

* This represents write - off / reclassification of fixed assets based on an exercise being carried out by the management of the Bank to reconcile their subsidiary records of fixed assets with the ledger balances. This exercise is expected to be completed shortly.

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13.2 Intangible assets

----- 2005 -----										
COST				ACCUMULATED AMORTIZATION				Net book value at December 31, 2005	Annual rate of amortization	
At January 1, 2005	Additions/ (deletions)	Other adjustments	At December 31, 2005	At January 1, 2005	Charge for the year/ (amortization on deletion)	Other adjustments	At December 31, 2005			
(Rupees in '000)										
Software	48,271	99,239	-	147,510	9,993	23,731	-	33,724	113,786	25

----- 2004 -----										
COST				ACCUMULATED AMORTIZATION				Net book value at December 31, 2004	Annual rate of amortization	
At January 1, 2004	Additions/ (deletions)	Other adjustments	At December 31, 2004	At January 1, 2004	Charge for the year/ (amortization on deletion)	Other adjustments	At December 31, 2004			
(Rupees in '000)										
Software	8,698	39,573	-	48,271	4,841	5,152	-	9,993	38,278	25

13.3 Revaluation of domestic properties

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2003. The last revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited and M/s. Consultancy Support Services on the basis of professional assessment of present market values and resulted in a surplus of Rs. 991 million. Had there been no revaluation, the carrying amount of revalued assets of the Bank would have been as follows:

		(Rupees in '000)
	Freehold land	4,454
	Leasehold land	25,510
	Buildings on leasehold land	330,114
	Buildings on freehold land	13,569
13.4	Carrying amount of temporarily idle property.	19,931
13.5	The gross carrying amount of fully depreciated assets that are still in use	
	Furniture & fixture	7,135
	Electrical office and computer equipments	116,060
	Vehicles	38,118

13.6 International Accounting Standard (IAS) 16, "Property, Plant and Equipment (revised 2003)" is applicable to financial statements covering annual periods beginning on or after January 1, 2005 and requires a review of residual value of assets, useful lives and depreciation method at each financial year end. Accordingly, based on a review of the above, the management has revised their estimate in respect of residual value of vehicles to 20% of cost. Previously, residual value was considered as nil for vehicles.

The above revision has been accounted for as a change in accounting estimates in accordance with the requirements of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of this change in accounting estimate has been recognized prospectively in the consolidated profit and loss account of the current year. Had there been no change in accounting estimate, the profit before taxation for the year and net book value of operating fixed assets as at year end would have been lower by Rs 23.094 million.

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13.7 Disposal of fixed assets during the year

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
------(Rupees in '000)-----						
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	6,694	5,645	1,049	1,072	Auction	Various
Electrical, office and computer equipment						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	13,245	13,120	125	454	Auction	Various
	60	6	54	27	Negotiation	Dynamic Business Machines
	148	148	-	5	Negotiation	Deputy Chief Executive Officer - UNBL
	261	235	26	-	Written off	
	13,714	13,509	205	486		
Vehicles						
Toyota Corolla	689	688	1	68	Retirement benefit	Miss Nighat Saeed (SVP)
Suzuki Khyber	279	278	1	-	Retirement benefit	M.Hamidullah (SVP)
Toyota Corolla	594	593	1	59	Retirement benefit	Masood Pervaiz (SVP)
Toyota Corolla	680	679	1	67	Retirement benefit	Qazi Nuzair ul Haq (SVP)
Toyota Corolla	610	609	1	-	Retirement benefit	Nasrullah Khokhar (SEVP)
Nissan Sunny	579	578	1	-	Retirement benefit	Rafiq Khatak (EVP)
Toyota Corolla	594	593	1	-	Retirement benefit	Azizullah Memon (SEVP)
Toyota Corolla	600	599	1	59	Retirement benefit	Fawzi Khawaja (EVP)
Toyota Corolla	629	628	1	66	Retirement benefit	Abdul Ghafar (SVP)
Items having book value of more than Rs. 250,000 and cost of more than Rs. 1,000,000	1,042	72	970	1,042	Negotiation	Zeeshan Sanwar
Honda Civic	1,245	625	620	950	Insurance claim	Adamjee Insurance Company
Honda Civic	1,399	118	1,281	1,282	Insurance claim	Adamjee Insurance Company
Honda Civic	1,245	416	829	850	Employee benefit	Mansoor Khan (SEVP)
Honda Civic	1,120	338	782	783	Retirement benefit	Miss Rukhsana (SEVP)
Mercedes Benz	3,208	2,152	1,056	1,579	Negotiation	Mercedez Garage
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000	20,057	16,787	3,269	14,954		
	34,570	25,753	8,817	21,759		
Total	54,978	44,907	10,071	23,317		

	Note	2005 (Rupees in '000)	2004
14. DEFERRED TAX ASSET - NET			
Deferred tax - net	14.1	<u>2,272,814</u>	<u>5,194,892</u>

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	2005	2004
	(Rupees in '000)	
14.1 The balances of deferred taxation comprises:		
Deductible temporary differences:		
on recognized tax losses	1,511,888	4,599,000
on other deductible differences	<u>805,508</u>	<u>677,717</u>
	2,317,396	5,276,717
Taxable temporary differences on:		
surplus on revaluation of fixed assets	<u>(64,267)</u>	<u>(68,143)</u>
surplus on revaluation of investments	<u>19,685</u>	<u>(13,682)</u>
	<u>(44,582)</u>	<u>(81,825)</u>
	<u><u>2,272,814</u></u>	<u><u>5,194,892</u></u>

The Bank is allowed to carry forward its tax losses incurred during the financial years ended December 31, 1994 to December 31, 1999 for ten years in terms of Section 57 (2A) the Income Tax Ordinance, 2001. The bank has assessed brought forward losses to the extent of Rs 14,625 million available upto tax year 2005.

15. CONTINGENT ASSETS

There were no contingent assets as at the balance sheet date.

16. BILLS PAYABLE

In Pakistan	4,080,008	3,682,779
Outside Pakistan	<u>101,018</u>	<u>152,776</u>
	<u><u>4,181,026</u></u>	<u><u>3,835,555</u></u>

17. BORROWINGS FROM FINANCIAL INSTITUTIONS

In Pakistan	21,676,489	12,539,208
Outside Pakistan	<u>1,074,526</u>	<u>97,828</u>
	<u><u>22,751,015</u></u>	<u><u>12,637,036</u></u>

17.1 Particulars of borrowings from financial institutions

In local currency	21,676,489	12,539,208
In foreign currency	<u>1,074,526</u>	<u>97,828</u>
	<u><u>22,751,015</u></u>	<u><u>12,637,036</u></u>

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	Note	2005 (Rupees in '000)	2004
17.2 Details of borrowings from financial institutions			
Secured			
Borrowings from the State Bank of Pakistan			
Export Refinance	17.3	7,453,261	5,988,377
Long term financing under export oriented project		303,410	-
Locally Manufactured Machinery refinance scheme		5,195	9,872
		<u>7,761,866</u>	<u>5,998,249</u>
Borrowings from financial institutions		-	17,830
Repurchase agreement borrowings	17.4	8,434,771	4,629,607
		<u>16,196,637</u>	<u>10,645,686</u>
Unsecured			
Call Borrowing	17.5	4,027,253	526,260
Overdrawn nostro accounts		118,689	269,303
Trading liabilities		1,479,852	750,000
Others		928,584	445,787
		<u>6,554,378</u>	<u>1,991,350</u>
		<u>22,751,015</u>	<u>12,637,036</u>

17.3 United Bank Limited has entered into agreements with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP.

17.4 These carry mark-up at rates ranging from 6.50% to 8.45% (2004: 2.25% to 5.35%)per annum.

17.5 These carry mark-up at rates ranging from 1% to 9.25% (2004: 2.25% to 5.2%) per annum.

18. DEPOSITS AND OTHER ACCOUNTS
Customers

Fixed deposits	82,230,051	45,581,700
Savings deposits	124,033,403	119,884,807
Sundry deposits	4,148,275	3,161,327
Margin deposits	2,226,835	1,218,963
Current accounts - remunerative	1,891,832	744,493
Current accounts - non-remunerative	81,659,966	66,333,989
	<u>296,190,362</u>	<u>236,925,279</u>
Financial Institutions		
Remunerative deposits	26,157	-
Non-remunerative deposits	282,594	129,161
	<u>308,751</u>	<u>129,161</u>
	<u>296,499,113</u>	<u>237,054,440</u>

18.1 Particulars of deposits and other accounts

In local currency	235,690,501	190,334,868
In foreign currency	60,808,612	46,719,572
	<u>296,499,113</u>	<u>237,054,440</u>

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19. SUB-ORDINATED LOAN -UNSECURED

	Issue Date	Tenor	Rate	Maturity	Frequency	2005	2004
						(Rupees in '000)	
Term Finance Certificates - I	Aug-04	8 years	8.45%	2012 Aug	Semi Annual	1,999,232	2,000,000
Term Finance Certificates - II	Feb-05	8 years	9.49%	2013 Feb	Semi Annual	1,999,960	1,500,000
						<u>3,999,192</u>	<u>3,500,000</u>

These represents listed Term Finance Certificates (TFCs) issued by United Bank Limited in the year 2004 and 2005 having tenor of eight years. The liability of the bank is subordinated as to the payment of principal and profit to all other indebtedness of the bank (including deposits) and is not redeemable before maturity without approval of the State Bank of Pakistan.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into with leasing companies for lease of vehicles. The rates of interest used as discounting factor ranges from 11.5% to 14% (2004: 8% to 8.5%) per annum. There is no financial restriction in the lease agreements. The amount of future minimum lease payments, present value of minimum lease payments and periods during which they become due are as follows:

	2005		
	Minimum lease payments	Finance charges for future period	Principal outstanding
	(Rupees in '000)		
Not later than one year	1,201	441	760
Later than one year and not later than five years	4,283	698	3,585
	<u>5,484</u>	<u>1,139</u>	<u>4,345</u>
	2004		
	Minimum lease payments	Finance charges for future period	Principal outstanding
	(Rupees in '000)		
Not later than one year	997	203	794
Later than one year and not later than five years	2,868	356	2,512
	<u>3,865</u>	<u>559</u>	<u>3,306</u>

At the end of lease period, the ownership of assets shall be transferred to the Group on payment of residual value. The cost of operating and maintaining the leased assets is borne by the Group. These are secured by demand promissory notes and security deposits and the vehicles which have been obtained under leasing arrangements.

21. OTHER LIABILITIES

	Note	2005	2004
		(Rupees in '000)	
Mark-up / return / interest payable in local currency		1,775,186	818,789
Mark-up / return / interest payable in foreign currency		144,499	78,112
Accrued expenses		798,740	662,047
Branch adjustment account		38,015	1,459,558
Payable under severance scheme		37,060	47,222
Unearned commission		55,513	75,671
Provision for taxation	21.1	215,352	-
Provision for off-balance sheet obligations	21.2	612,939	370,544
Unrealized loss on derivative financial instruments - net	21.3	160,574	13,077
Deferred liabilities	21.4	2,287,551	2,191,180
Others		222,424	122,740
		<u>6,347,853</u>	<u>5,838,940</u>

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 DECEMBER 31, 2005**
21.1 Provision for taxation

The income tax assessment of Untied Bank Limited for domestic branches have been finalized under normal law upto the assessment year 2002-2003 and tax year 2003 to 2005 under the provisions of section 120(1) of the Income Tax Ordinance, 2001. The case of the tax year 2003 was selected for audit under section 177 of the Income Tax Ordinance, 2001; the proceedings are pending before the taxation officer. In respect of Azad Kashmir Branches, assessment for the tax year 2003 and 2004 have been finalized in the light of agreement reached between the banks and Azad Kashmir Council in May 2005. The return for the tax year 2005 has also been filed as per the terms of the said agreement. Refunds determined as the result of the deemed assessment for the tax year 2004 amounting to Rs 301.139 million were received during the year.

		2005	2004
		(Rupees in '000)	
Opening balance		370,544	749,825
Charge / (reversal) during the year	30	239,171	-
Transfer during the year		3,224	(379,281)
		<u>612,939</u>	<u>370,544</u>

21.3 Derivative financial instruments - net

	2005		2004	
	Contract/ Notional amount	Fair values	Contract/ Notional amount	Fair values
	(Rupees in '000)			
Unrealized loss on:				
Interest rate swaps	7,826,415	156,272	2,840,000	6,546
Forward rate agreements	-	-	115,000	51
Equity futures	43,765	(2,125)	122,864	6,480
Forward purchase contracts of government securities	598,194	6,427	-	-
	<u>8,468,374</u>	<u>160,574</u>	<u>3,077,864</u>	<u>13,077</u>

21.4 Deferred liabilities

	2005	2004
	(Rupees in '000)	
Provision for post retirement medical benefit	1,154,400	1,076,874
Provision for gratuity	95,651	78,306
Provision for compensated absences	1,037,500	1,036,000
	<u>2,287,551</u>	<u>2,191,180</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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 DECEMBER 31, 2005**

22. SHARE CAPITAL		2005	2004
		(Rupees in '000)	
22.1 Authorized capital			
	2005	2004	
	<u>1,030,000,000</u>	<u>1,030,000,000</u>	Ordinary shares of Rs 10 each
		<u>10,300,000</u>	<u>10,300,000</u>
22.2 Issued, subscribed and paid-up capital			
	Fully paid-up ordinary shares of Rs 10 each		
	2005	2004	
	<u>518,000,000</u>	<u>518,000,000</u>	Issued for cash
		<u>5,180,000</u>	<u>5,180,000</u>
22.3 Major shareholders (holding more than 5% of total paid-up capital)		2005	
		Number of shares held	Percentage of shareholding
Name of shareholder			
State Bank of Pakistan		230,326,923	44.46%
Abu Dhabi Group		132,090,000	25.50%
Best Way Group		<u>132,090,000</u>	<u>25.50%</u>
		<u>494,506,923</u>	<u>95.46%</u>
	Note	2005	2004
		(Rupees in '000)	
23. SURPLUS ON REVALUATION OF ASSETS			
Surplus arising on revaluation of assets - net of tax:			
Fixed assets	23.1	2,579,203	2,673,351
Securities	23.2	<u>343,012</u>	<u>326,808</u>
		<u>2,922,215</u>	<u>3,000,159</u>
23.1 Surplus on revaluation of fixed assets - net of tax			
Surplus on revaluation of fixed assets at January 1,		2,741,494	2,839,890
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(94,148)	(94,214)
Related deferred tax liability of incremental depreciation charged during the year		<u>(3,876)</u>	<u>(4,182)</u>
		2,643,470	2,741,494
Less: Related deferred tax liability on:			
Revaluation as on January 1,		68,143	72,325
Incremental depreciation charged on related assets		<u>(3,876)</u>	<u>(4,182)</u>
		64,267	68,143
		<u>2,579,203</u>	<u>2,673,351</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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	2005	2004
	(Rupees in '000)	
23.2 Surplus / (deficit) on revaluation of securities		
Market Treasury Bills	(11,405)	(10,837)
Pakistan Investment bonds	(60,063)	60,512
Quoted securities	394,795	290,815
	323,327	340,490
Related deferred tax liability	19,685	(13,682)
	<u>343,012</u>	<u>326,808</u>
24. CONTINGENCIES AND COMMITMENTS		
24.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favoring		
Government	1,723,733	896,165
Banking companies and other financial institutions	775,064	1,428,103
Others	2,427,256	1,896,441
	4,926,053	4,220,709
24.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring		
Government	14,640,161	7,477,242
Banking companies and other financial institutions	785,981	201,946
Others	5,287,560	4,051,297
	20,713,702	11,730,485
24.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favoring		
Government	1,628,389	271,468
Banking companies and other financial institutions	693,229	216,960
Others	71,300,730	57,029,007
	73,622,348	57,517,435
24.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>6,054,243</u>	<u>6,115,838</u>
24.5 Commitments in respect of forward lending		
Commitments to extend credit	<u>17,102,265</u>	<u>1,759,776</u>
24.6 Commitments in respect of forward foreign exchange contracts		
Sale	<u>42,020,795</u>	<u>24,663,126</u>
Purchase	<u>38,156,440</u>	<u>21,497,190</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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	2005	2004
	(Rupees in '000)	
24.7 Other commitments		
Interest rate swaps	<u>7,826,415</u>	<u>2,840,000</u>
Forward purchase of Government securities	<u>598,194</u>	<u>-</u>
Forward rate agreements	<u>-</u>	<u>115,000</u>
Equity futures	<u>43,765</u>	<u>122,864</u>
Sale of securities not yet purchased	<u>1,479,279</u>	<u>750,000</u>
Commitments in respect of capital expenditures	<u>217,112</u>	<u>229,050</u>
	2005	2004
	(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances		
- Customers	<u>14,641,173</u>	<u>6,335,650</u>
- Financial institutions	<u>874,498</u>	<u>120,549</u>
	<u>15,515,671</u>	<u>6,456,199</u>
On investments in		
- Available for sale securities	<u>2,554,113</u>	<u>1,407,778</u>
- Held for trading securities	<u>763</u>	<u>-</u>
- Held to maturity securities	<u>1,271,105</u>	<u>1,426,193</u>
- Associates	<u>25,694</u>	<u>18,344</u>
	<u>3,851,675</u>	<u>2,852,315</u>
On deposits with financial institutions	<u>205,887</u>	<u>18,457</u>
On securities purchased under resale agreements	<u>1,103,566</u>	<u>311,627</u>
Discount income	<u>10,574</u>	<u>21,965</u>
	<u>20,687,373</u>	<u>9,660,563</u>
26. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	<u>5,105,843</u>	<u>1,510,998</u>
On securities sold under repurchase agreements	<u>295,952</u>	<u>107,041</u>
On other short - term borrowings	<u>699,743</u>	<u>142,388</u>
On long - term borrowings	<u>24,088</u>	<u>52</u>
Discount expense	<u>30,440</u>	<u>39,998</u>
	<u>6,156,066</u>	<u>1,800,477</u>
27. DIVIDEND INCOME / GAIN ON SALE OF INVESTMENTS		
Dividend income	<u>172,375</u>	<u>155,215</u>
Gain on sale of investments	<u>381,136</u>	<u>947,945</u>
	<u>553,511</u>	<u>1,103,160</u>
28. OTHER INCOME		
Charges recovered from customers	<u>1,088,465</u>	<u>996,063</u>
Rent on properties	<u>115,681</u>	<u>81,181</u>
Liabilities no longer required written back	<u>25,000</u>	<u>-</u>
Net gain on sale of fixed assets	<u>13,246</u>	<u>25,930</u>
Others	<u>23,836</u>	<u>-</u>
	<u>1,266,228</u>	<u>1,103,174</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
 DECEMBER 31, 2005**

	Note	2005 (Rupees in '000)	2004
29. ADMINISTRATIVE EXPENSES			
Personnel Cost			
Salaries, allowances etc.		4,073,218	3,609,436
Charge for compensated absences		140,589	546,216
Medical expenses		233,424	220,025
Contribution to defined contribution plan		95,520	74,463
(Reversal) / Charge for defined benefit obligations		(101,279)	50,986
		4,441,472	4,501,126
Premises Cost			
Rent, taxes, insurance, electricity etc.		722,331	634,282
Depreciation	13.1	139,536	141,872
Repairs and maintenance		32,246	50,038
		894,113	826,192
Other Operating Cost			
Outsourced service charges including sales commission		627,551	145,470
Communications		406,081	322,674
Advertisement and publicity		364,975	227,234
Depreciation	13.1	316,182	299,896
Stationery and printing		204,714	130,743
Banking service charge		154,697	84,911
Legal and professional charges		147,188	107,368
Cash transportation charges		120,493	75,878
Travelling		91,334	84,566
Repairs and maintenance		96,272	67,983
Donations	29.1	63,361	-
Vehicle expenses		56,305	31,716
Office running expenses		49,064	37,104
Entertainment		49,253	35,407
Cartage, freight and conveyance		37,105	29,507
Training and seminar		36,802	19,293
Auditors' remuneration	29.2	36,591	36,060
Amortization of intangible assets	13.2	23,731	5,152
Subscriptions		19,938	15,366
Brokerage expenses		15,366	14,760
Computer expenses		32,550	37,051
Sub-ordinated debt issuance costs		1,909	62,509
Non-executive directors' fee and allowances		5,284	5
Finance charges on leased assets		233	2,966
New product cost		2,165	2,615
Miscellaneous expenses		122,743	142,119
		3,081,887	2,018,353
		8,417,472	7,345,671

29.1 During the year, United Bank Limited has contributed Rs 63.361 million towards the President's Relief Fund for earthquake victims. Donations were not made to any donee in which the Bank or a director or his spouse had any interest.

29.2 Auditors' remuneration

	2005			2004		
	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.	Total	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.	Total
	(Rupees in '000)					
Audit fee	4,730	4,730	9,460	3,670	3,670	7,340
Fee for audit of KEPZ branch	56		56	56	-	56
Special certifications and sundry advisory services	725	725	1,450	574	630	1,204
Out of pocket expenses	1,677	1,676	3,353	1,635	1,635	3,270
Fee for the audit of overseas branches and subsidiaries of United Bank Limited	-	-	22,272	-	-	24,190
	7,188	7,131	36,591	5,935	5,935	36,060

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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	Note	2005 (Rupees in '000)	2004
30. OTHER PROVISIONS / WRITE OFFS / REVERSALS			
Provision / (reversal) against other assets - net	12.1	87,998	(47,504)
Provision / (reversal) against off balance sheet obligations	21.2	239,171	-
Other provisions / write offs		8,699	3,135
		<u>335,868</u>	<u>(44,369)</u>

31. OTHER CHARGES

Penalties		<u>7,066</u>	<u>10,456</u>
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32. TAXATION

	2005			
	Overseas	Azad Kashmir	Domestic	Total
	------(Rupees in '000)-----			
Current tax	261,940	223,366	19,849	505,155
Prior year tax	8,043	71,025	736	79,804
Deferred tax	617,100	188,634	2,149,711	2,955,445
	<u>887,083</u>	<u>483,025</u>	<u>2,170,296</u>	<u>3,540,404</u>

	2004			
	Overseas	Azad Kashmir	Domestic	Total
	------(Rupees in '000)-----			
Current tax	190,300	46,547	51,025	287,872
Prior year tax	25,009	256,351	-	281,360
Deferred tax	152,197	16,051	451,652	619,900
	<u>367,506</u>	<u>318,949</u>	<u>502,677</u>	<u>1,189,132</u>

	2005 (Rupees in '000)	2004
32.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	<u>9,708,666</u>	<u>5,009,803</u>
Tax on income @ 38 % (2004: 41%)	3,689,293	2,054,019
Tax effect of items that are not included in determining taxable profit	(20,079)	(78,205)
Tax effect of income exempt from tax	(4,986)	-
Deferred tax asset recognized on assessed losses / temporary differences (net of reversal)	(679,067)	(1,237,134)
Reversal of deferred tax liability on incremental depreciation	(3,876)	(4,182)
Tax charge of overseas branches	479,315	169,433
Prior year tax charge	79,804	285,201
Tax charge	<u>3,540,404</u>	<u>1,189,132</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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	2005	2004
	(Rupees in '000)	
33. BASIC AND DILUTED EARNINGS PER SHARE		
Profit after taxation for the year attributable to the shareholders of the holding company	<u>6,077,704</u>	<u>3,776,794</u>
	(Number of shares)	
Weighted average number of ordinary shares	<u>518,000,000</u>	<u>518,000,000</u>
	(Rupees)	
Basic and diluted earnings per share	<u>11.73</u>	<u>7.29</u>
	2005	2004
	(Rupees in '000)	
34. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	34,143,128	23,945,146
Balances with other banks	<u>18,688,683</u>	<u>24,174,064</u>
	<u>52,831,811</u>	<u>48,119,210</u>
35. STAFF STRENGTH	(Number)	
Total number of employees at the end of the year	<u>9,425</u>	<u>9,271</u>

36. EMPLOYEE BENEFITS
36.1 United Bank Limited
36.1.1 Defined Benefit Plans - General description

United Bank Limited operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for new employees and those employees who have not opted for the pension scheme. Further, the Bank also operates a contributory benevolent fund scheme and provides post retirement medical to eligible retired employees. The benevolent fund plan and post retirement medical plan cover all the regular employees of the Bank.

A portion of actuarial gains and losses is recognized over the expected average remaining working lives of employees if the net cumulative unrecognized actuarial gains and losses at the end of previous reporting period exceed the "corridor" defined as greater of:

- (a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets), and
- (b) 10% of the fair values of any plan assets at that date.

These limits are calculated and applied separately for each defined benefit scheme.

36.1.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2005. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the defined benefit plans:

Discount rate	9%
Expected rate of return on plan assets	9%
Expected rate of salary increase	9%
Expected rate of pension increase	4%

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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DECEMBER 31, 2005**
36.1.3 Reconciliation of (receivable from) / payable to defined benefit plans

	2005				2004			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)				(Rupees in '000)			
Present value of defined benefit obligations	4,184,487	381,983	665,686	1,263,750	4,027,184	292,738	719,317	1,256,633
Fair value of any plan assets	(6,349,249)	(345,484)	(773,365)	-	(6,496,932)	(278,261)	(698,839)	-
Net actuarial gains or (losses) not recognized	1,818,703	(39,872)	98,124	(109,350)	2,084,894	(15,786)	(21,090)	(179,759)
(Receivable) / payable	<u>(346,059)</u>	<u>(3,373)</u>	<u>(9,555)</u>	<u>1,154,400</u>	<u>(384,854)</u>	<u>(1,309)</u>	<u>(612)</u>	<u>1,076,874</u>

36.1.4 Movement in (receivable) / payable to defined benefit plans

	2005				2004			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)				(Rupees in '000)			
Opening balance	(384,854)	(1,309)	(612)	1,076,874	(150,413)	(47,267)	(1,700)	872,331
Charge/ (reversal) for the year	(309,773)	38,376	9,442	125,269	(278,527)	20,958	30,081	247,663
Contribution to / (refund from) fund made during the year	360,000	(40,440)	(9,929)	-	44,086	25,000	(28,993)	-
Benefits paid	(11,432)	-	(8,456)	(47,743)	-	-	-	(43,120)
Closing balance	<u>(346,059)</u>	<u>(3,373)</u>	<u>(9,555)</u>	<u>1,154,400</u>	<u>(384,854)</u>	<u>(1,309)</u>	<u>(612)</u>	<u>1,076,874</u>

36.1.5 Charge for defined benefit plans

	2005				2004			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)				(Rupees in '000)			
Current service cost	21,416	40,895	18,345	19,922	39,206	28,173	15,877	17,860
Interest cost	322,175	23,419	57,545	100,531	201,819	16,771	34,962	63,890
Expected return on plan asset	(523,293)	(25,938)	(55,907)	-	(349,266)	(23,145)	(36,440)	-
Actuarial (gains) and losses	(130,071)	-	-	4,816	(170,286)	(841)	-	-
Amortization of transitional obligations	-	-	-	-	-	-	24,882	165,913
Employees' contribution	-	-	(10,541)	-	-	-	(9,200)	-
	<u>(309,773)</u>	<u>38,376</u>	<u>9,442</u>	<u>125,269</u>	<u>(278,527)</u>	<u>20,958</u>	<u>30,081</u>	<u>247,663</u>

36.1.6 Actual return on plan assets

Among the defined benefit plans, currently the pension, gratuity and benevolent fund plans are funded. The actual return earned on the assets during the year 2005 are:

Pension fund	Rs. 329 million
Benevolent fund	Rs. 53 million
Gratuity fund	Rs. 110 million

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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36.2 United National Bank Limited Pension and Life assurance scheme for U.K Employees.

As part of the share holder agreement (" The agreement") signed on November 9, 2001 between UNBL and the share holders of United Bank Limited and National Bank of Pakistan, it was agreed that the UNBL may participate as an associated employer in the United Bank Limited Pension and Life Assurance Scheme ("The Scheme") with effect from the completion of transfer of the businesses (November 19, 2001) ("The Completion Date"). The scheme provides benefits based on final pensionable salary.

Under the terms of the Agreement, the company is responsible for the funding requirements of the active members whose employment were transferred to the UNBL on the completion date and for any new members admitted to the scheme after this date. United Bank Limited remains responsible for the funding of pensioners and deferred members as at the completion date.

No new members have been admitted to the scheme in the year ended December 31, 2005.

The last full actuarial valuation of the scheme was carried at January 1, 2005 and has been updated to December 31, 2005 by a qualified actuary on the basis of triennial valuations using Projected Unit Credit Method. The major assumptions used by the actuary were as follows:

	2005	2004
	Percentage	
- Rate of increase in salaries	4.25	4.25
- Rate of increase of pension	2.75 - 3.00	2.75 - 3.00
- Rate of revaluation of pension in deferment	5.00	5.00
- Discount rate	4.75	5.50
- Price inflation	2.75	2.75

The assets and liabilities of the scheme noted below relate to those employees for whom the UNBL has a funding liability. The combined assets in the scheme and the expected rate of return were:

	2005		2004	
	Percentage	(Rupees '000)	Percentage	(Rupees '000)
Other - insurance policy	4.75	<u>296,992</u>	5.50	<u>252,481</u>
Total market value of assets		296,992		252,481
Actuarial value of liability		(294,523)		(245,267)
Net pension asset		<u><u>2,469</u></u>		<u><u>7,214</u></u>

The asset value supplied by the insurance company for 2005 is on an ongoing basis. If the policy had been surrendered at December 31, 2005 the surrender value would have been Rs. 270.657 million. It is not the UNBL's intention to surrender the policy.

36.3 UBL Fund Managers Limited

The scheme provides for terminal benefits for all its eligible employees who attend the minimum qualifying period of three years. Annual charge is based on actuarial valuation carried out as at December 31, 2005 using the Projected Unit Credit Method.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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	2005	2004
36.3.1 Principal actuarial assumptions		
The key assumptions used for actuarial valuations were as follows:		
Discount rate	9%	-
Expected rate of return on plan assets	9%	-
Expected rate of salary increase	9%	-
Average expected remaining working lives	32.53 years	-
36.3.2 Reconciliation of payable to defined benefit plan	(Rupees in 000)	
Present value of defined benefit obligations	459	-
Fair value of plan assets	-	-
Unrecognised actuarial gains / (losses)	-	-
Unrecognised past service cost	-	-
	<u>459</u>	<u>-</u>
36.3.3 Movement in payable to defined benefit plan		
Charge for the year	459	-
Contribution to the fund during the year	-	-
	<u>459</u>	<u>-</u>
36.3.4 Charge for the year		
Current service cost	371	-
Interest cost	23	-
Expected return on plan assets	-	-
Recognition of transitional liability	65	-
	<u>459</u>	<u>-</u>

Since the scheme was formalised during the year, accordingly comparative figures are not given.

37. OTHER EMPLOYEE BENEFITS
37.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 5,294 (2004: 5,294) employees who are not in the pension scheme. The employer and employee both contribute 8.33% of the basic salaries to the funded scheme every month.

37.2 Employee compensated absences

The liability of the Bank in respect of long-term employee compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit Method. The liability of the bank as per the latest actuarial valuation carried out as at December 31, 2005 amounted to Rs. 1,037.50 million which has been fully provided by the bank. The charge for the year in respect of these absences amounted to Rs.129.638 million which is shown in note 29 to these financial statements.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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38. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
	----- (Rupees in '000) -----					
Fees	-	-	40	5	-	-
Managerial remuneration	19,604	12,667	-	-	276,608	143,699
Charge for defined benefit plan	524	528	-	-	9,247	5,431
Contribution to defined contribution plan	903	1,056	-	-	15,782	11,025
Rent and house maintenance	1,970	1,266	-	-	85,224	58,655
Utilities	346	664	-	-	18,939	17,157
Medical	33	656	-	-	18,939	13,012
Reimbursement of children's education fees	43	128	-	-	-	-
Vehicle running, maintenance and others	639	471	-	-	12,634	17,569
	<u>24,062</u>	<u>17,436</u>	<u>40</u>	<u>5</u>	<u>437,373</u>	<u>266,548</u>
Number of persons	<u>1</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>207</u>	<u>158</u>

The Chief Executive and certain executives are provided with free use of the bank's maintained cars and household equipments.

The particulars in this note do not include, particulars of Chief Executive and Executives employed by subsidiaries.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER
31, 2005**
39 MATURITIES OF ASSETS AND LIABILITIES
39.1 Based on contractual maturity of the assets and liabilities of the Group

	2005				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five Years
(Rupees in '000)					
Assets					
Cash and balances with treasury banks	34,143,128	34,143,128	-	-	-
Balances with other banks	18,688,683	18,173,406	146,634	51,932	316,711
Lending to financial institutions	17,867,552	11,936,288	1,330,456	4,600,808	-
Investments	61,558,826	5,733,823	29,356,994	19,578,329	6,889,680
Advances - Performing	206,296,460	90,535,065	42,279,796	49,871,190	23,610,409
- Non Performing	3,856,169	-	-	-	3,856,169
Other assets	7,932,696	7,241,961	1,835	1,163	687,737
Fixed assets	5,439,818	1,123,762	326,942	1,593,355	2,395,759
Deferred tax assets	2,272,814	394,065	1,182,002	193,610	503,137
	<u>358,056,146</u>	<u>169,281,498</u>	<u>74,624,659</u>	<u>75,890,387</u>	<u>38,259,602</u>
Liabilities					
Bills payable	4,181,026	4,181,026	-	-	-
Borrowings from financial institutions	22,751,015	20,310,549	2,440,466	-	-
Deposits and other accounts	296,499,113	259,411,038	16,350,391	10,962,615	9,775,069
Subordinated loan	3,999,192	414	414	3,312	3,995,052
Liabilities against assets subject to finance lease	4,345	-	760	3,585	-
Other liabilities	6,347,853	3,229,883	317,064	460,721	2,340,185
	<u>333,782,544</u>	<u>287,132,910</u>	<u>19,109,095</u>	<u>11,430,233</u>	<u>16,110,306</u>
Net assets	<u>24,273,602</u>	<u>(117,851,412)</u>	<u>55,515,564</u>	<u>64,460,154</u>	<u>22,149,296</u>
Represented by:					
Share capital	5,180,000				
Reserves	6,820,234				
Unappropriated profit	7,790,148				
Minority interest	1,561,005				
Surplus on revaluation of assets	2,922,215				
	<u>24,273,602</u>				

The above mentioned maturity profile has been prepared in accordance with IAS 30: Disclosures in the financial statements of banks and similar financial institutions based on contractual maturities. The management believes that such a maturity analysis does not reveal the expected maturity of current and savings deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The maturity profile disclosed in note 39.2 that includes maturities of current and saving deposits determined by the Asset and Liability Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis of the liquidity risk of the Group.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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39.2 Based on working prepared by the Asset and Liability Management Committee (ALCO) of United Bank Limited.

	----- 2005 -----				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five Years
----- (Rupees in '000) -----					
Assets					
Cash and balances with treasury banks	34,143,128	18,947,495	4,489,362	3,539,660	7,166,611
Balances with other banks	18,688,683	18,173,406	146,634	51,932	316,711
Lending to financial institutions	17,867,552	11,936,288	1,330,456	4,600,808	-
Investments	61,558,826	6,570,677	27,713,404	17,616,007	9,658,738
Advances - Performing	206,296,460	90,535,065	42,279,796	49,871,190	23,610,409
- Non Performing	3,856,169	-	-	-	3,856,169
Other assets	7,932,696	2,332,706	4,569,272	1,163	1,029,555
Fixed assets	5,439,818	976,847	-	-	4,462,971
Deferred tax assets - net	2,272,814	-	1,022,661	1,250,153	-
	<u>358,056,146</u>	<u>149,472,484</u>	<u>81,551,585</u>	<u>76,930,913</u>	<u>50,101,164</u>
Liabilities					
Bills payable	4,181,026	4,181,026	-	-	-
Borrowings from financial institutions	22,751,015	20,310,549	2,440,466	-	-
Deposits and other accounts	296,499,113	98,856,562	60,825,081	45,488,566	91,328,904
Subordinated loan	3,999,192	414	414	3,312	3,995,052
Liabilities against assets subject to finance lease	4,345	-	760	3,585	-
Other liabilities	6,347,853	2,476,529	202,884	-	3,668,440
	<u>333,782,544</u>	<u>125,825,080</u>	<u>63,469,605</u>	<u>45,495,463</u>	<u>98,992,396</u>
Net assets	<u>24,273,602</u>	<u>23,647,404</u>	<u>18,081,980</u>	<u>31,435,450</u>	<u>(48,891,232)</u>
Represented by:					
Share capital	5,180,000				
Reserves	6,820,234				
Unappropriated profit	7,790,148				
Minority interest	1,561,005				
Surplus on revaluation of assets	2,922,215				
	<u>24,273,602</u>				

Current and savings deposits do not have any contractual maturity therefore, current deposits and savings accounts have been classified between all four maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

	----- 2004 -----				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five Years
----- (Rupees in '000) -----					
Assets					
Cash and balances with treasury banks	23,945,146	23,945,146	-	-	-
Balances with other banks	24,174,064	23,455,792	686,959	31,313	-
Lending to financial institutions	18,360,633	9,887,955	8,472,678	-	-
Investments	52,707,729	19,190,995	4,893,193	19,162,066	9,461,475
Advances - Performing	143,531,140	33,152,471	58,046,436	24,413,023	27,919,210
- Non Performing net of provision	4,693,940	-	-	4,481,615	212,325
Other assets	4,537,140	3,578,552	957,820	338	430
Fixed assets	5,103,654	101,669	305,071	1,211,583	3,485,331
Deferred tax assets	5,194,892	512,749	1,579,295	3,163,545	(60,697)
	<u>282,248,338</u>	<u>113,825,329</u>	<u>74,941,452</u>	<u>52,463,483</u>	<u>41,018,074</u>
Liabilities					
Bills payable	3,835,555	3,073,298	762,257	-	-
Borrowings from financial institutions	12,637,036	6,638,787	5,998,249	-	-
Deposits and other accounts	237,054,440	39,628,747	28,504,265	20,767,543	148,153,885
Subordinated loan	3,500,000	-	798	3,312	3,495,890
Liabilities against assets subject to finance lease	3,306	448	369	2,489	-
Other liabilities	5,838,940	3,282,811	106,440	897,076	1,552,613
	<u>262,869,277</u>	<u>52,624,091</u>	<u>35,372,378</u>	<u>21,670,420</u>	<u>153,202,388</u>
Net assets	<u>19,379,061</u>	<u>61,201,238</u>	<u>39,569,074</u>	<u>30,793,063</u>	<u>(112,184,314)</u>
Represented by:					
Share capital	5,180,000				
Reserves	5,980,448				
Unappropriated profit	3,585,102				
Minority interest	1,633,352				
Surplus on revaluation of assets	3,000,159				
	<u>19,379,061</u>				

Current and savings deposits do not have any contractual maturity therefore, current deposits and savings deposits have been classified between all four maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**
40. YIELD / INTEREST RATE RISK

Yield / Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date.

----- 2005 -----							
Effective yield/ Interest rate	Total	Exposed to Yield / Interest risk				Not exposed to yield/ interest risk	
		Upto three months	3 months to one year	Over one year to five years	Over five years		
%	----- (Rupees in '000) -----						
On-balance sheet financial instruments							
Assets							
Cash and balances with treasury banks	2.9	34,143,128	8,655,180	-	-	-	25,487,948
Balances with other banks	8.0 to 4.14	18,688,683	13,009,745	146,634	51,932	-	5,480,372
Lending to financial institutions	6.5	17,867,552	11,936,288	1,330,456	4,600,808	-	-
Investments	5.8	61,558,825	3,456,876	28,271,047	19,755,501	7,537,732	2,537,669
Advances - Performing	15.0 to 8.5	206,296,460	130,892,664	61,314,713	14,089,083	-	-
- Non Performing	-	3,856,169	-	-	-	-	3,856,169
Other assets	-	7,547,598	15,741	-	-	-	7,531,857
		<u>349,958,415</u>	<u>167,966,494</u>	<u>91,062,850</u>	<u>38,497,324</u>	<u>7,537,732</u>	<u>44,894,015</u>
Liabilities							
Bills payable	-	4,181,026	-	-	-	-	4,181,026
Borrowings from financial institutions	3.54 to 8.3	22,751,015	20,310,548	2,440,467	-	-	-
Deposits	1.0 to 2.0	296,499,113	112,962,777	59,288,220	26,093,546	7,984,169	90,170,401
Subordinated loans	9.1	3,999,192	414	414	3,312	3,995,052	-
Liabilities against assets subject to finance lease	11.5 to 14.0	4,345	-	760	3,585	-	-
Other liabilities	-	2,845,273	-	-	-	-	2,845,273
		<u>330,279,964</u>	<u>133,273,739</u>	<u>61,729,861</u>	<u>26,100,443</u>	<u>11,979,221</u>	<u>97,196,700</u>
On-balance sheet gap		<u>19,678,451</u>	<u>34,692,755</u>	<u>29,332,989</u>	<u>12,396,881</u>	<u>(4,441,489)</u>	<u>(52,302,685)</u>
Off-balance sheet financial instruments							
Foreign currency forward purchases		38,156,440	35,429,858	2,726,582	-	-	-
Foreign currency forward sales		(42,020,795)	(33,766,017)	(8,254,778)	-	-	-
Interest rate swaps		7,826,415	-	-	7,476,415	350,000	-
Equity futures		43,765	-	-	-	-	43,765
Off-balance sheet gap		<u>4,005,825</u>	<u>1,663,841</u>	<u>(5,528,196)</u>	<u>7,476,415</u>	<u>350,000</u>	<u>43,765</u>
Total Yield/Interest Risk Sensitivity Gap			<u>36,356,596</u>	<u>23,804,793</u>	<u>19,873,296</u>	<u>(4,091,489)</u>	<u>(52,258,920)</u>
Cumulative Yield/Interest Risk Sensitivity Gap			<u>36,356,596</u>	<u>60,161,389</u>	<u>80,034,685</u>	<u>75,943,196</u>	<u>23,684,276</u>

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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----- 2004 -----							
Effective yield/ Interest rate	Total	Exposed to Yield / Interest risk				Not exposed to yield/ interest risk	
		Upto three months	3 months to one year	Over one year to five years	Over five years		
%	----- (Rupees in '000) -----						
On-balance sheet financial instruments							
Assets							
Cash and balances with treasury banks	0.01	23,945,146	1,216,129	1,776	-	-	22,727,241
Balances with other banks	1.84-3.99	24,174,069	21,420,702	686,910	31,306	-	2,035,151
Lending to financial institutions	2.12	18,360,633	9,887,955	8,472,678	-	-	-
Investments	6.69	52,707,729	19,191,014	4,893,181	18,277,948	9,461,770	883,816
Advances - Performing	4.63-4.97	143,531,140	35,268,241	57,416,754	23,406,128	27,439,225	792
- Non Performing	-	4,693,940	-	-	-	-	4,693,940
Other assets	-	3,053,997	9,826	-	-	-	3,044,171
		<u>270,466,654</u>	<u>86,993,867</u>	<u>71,471,299</u>	<u>41,715,382</u>	<u>36,900,995</u>	<u>33,385,111</u>
Liabilities							
Bills payable	-	3,835,555	3,049,027	762,257	-	-	24,271
Borrowings from financial institutions	1.89 - 1.93	12,637,036	6,383,002	5,998,249	-	-	255,785
Deposits	0.76 - 1.24	237,054,440	35,467,090	27,160,268	18,976,427	86,272,267	69,178,388
Subordinated loans	8.93	3,500,000	-	798	3,312	3,495,890	-
Liabilities against assets subject to finance lease	12-13.5	3,306	447	369	2,490	-	-
Other liabilities	-	1,817,709	18,900	-	-	-	1,798,809
		<u>258,848,046</u>	<u>44,918,466</u>	<u>33,921,941</u>	<u>18,982,229</u>	<u>89,768,157</u>	<u>71,257,253</u>
On-balance sheet gap		<u>11,618,608</u>	<u>42,075,401</u>	<u>37,549,358</u>	<u>22,733,153</u>	<u>(52,867,162)</u>	<u>(37,872,142)</u>
Off-balance sheet financial instruments							
Foreign currency forward purchases		21,497,190	18,770,608	2,726,582	-	-	-
Foreign currency forward sales		(24,663,126)	(16,408,348)	(8,254,778)	-	-	-
Interest rate swaps		2,840,000	-	-	2,840,000	-	-
Equity futures		122,864	-	-	-	-	122,864
Off-balance sheet gap		<u>(203,072)</u>	<u>2,362,260</u>	<u>(5,528,196)</u>	<u>2,840,000</u>	<u>-</u>	<u>122,864</u>
Total Yield/Interest Risk Sensitivity Gap			<u>44,437,661</u>	<u>32,021,162</u>	<u>25,573,153</u>	<u>(52,867,162)</u>	<u>(37,749,278)</u>
Cumulative Yield/Interest Risk Sensitivity Gap			<u>44,437,661</u>	<u>76,458,823</u>	<u>102,031,976</u>	<u>49,164,814</u>	<u>11,415,536</u>

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
 DECEMBER 31, 2005**
41. CURRENCY RISK

	2005			
	Assets	Liabilities	Off balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	286,445,709	261,172,230	(4,078,046)	21,195,433
US Dollar	22,223,856	27,449,654	3,495,891	(1,729,907)
Pound Sterling	13,894,228	10,347,411	(1,059,992)	2,486,825
Euro	2,283,430	1,703,452	732,524	1,312,502
Japanese Yen	465,145	1,952	488,031	951,224
Other Currencies	32,743,778	33,107,845	421,592	57,525
	<u>358,056,146</u>	<u>333,782,544</u>	<u>-</u>	<u>24,273,602</u>
	2004			
	Assets	Liabilities	Off balance sheet items	Net foreign currency exposure
(Rupees in '000)				
Pakistan Rupee	219,272,399	203,364,342	3,049,541	18,957,598
US Dollar	33,348,305	26,546,911	(2,110,022)	4,691,372
Pound Sterling	9,020,426	5,188,754	24,773	3,856,445
Euro	1,245,377	1,295,850	339,345	288,872
Japanese Yen	322,594	13	(320,224)	2,357
Other Currencies	19,039,237	26,473,407	(983,413)	(8,417,583)
	<u>282,248,338</u>	<u>262,869,277</u>	<u>-</u>	<u>19,379,061</u>

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in the foreign exchange rates. In order to avoid losses arising from adverse movements in the rate of exchange, the Group monitors compliance with all external and internal limits (including currency, dealer and counter party limits), review of foreign exchange exposure and regular revaluation of the entire portfolio.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loan, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 6.4 of these consolidated financial statements.

The maturity and repricing profile and effective rates are stated in notes 39 and 40 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

43. CONCENTRATION OF CREDIT AND DEPOSITS

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
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Concentration of credit risk

Out of the total financial assets of Rs. 349,958 million (2004: Rs. 270,467 million), the financial assets which were subject to credit risk amounted to Rs. 279.073 million (2004: Rs. 199,581 million). The Group's major credit risk is concentrated in textile sector. To manage credit risk, the Group applies credit limits to its customers and obtains adequate collaterals.

Risk management

The Group is primarily subject to interest rate, credit and currency risks. The policies and procedures for managing these risks are outlined in the notes below. The Group has designed and implemented a framework of controls to identify, monitor and manage these risks which are as follows:

Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The risks are inherent on deposits, liabilities, loans/advances and investments of the Group.

The Assets and Liabilities Committee of the United Bank Limited regularly reviews the total portfolio of the Group that risks are minimized and remain within acceptable limits.

Most of the loans and advances comprise of working capital which are repriced on a periodical basis, whereas the majority of deposits are repriced retrospectively on a six monthly basis due to the profit and loss sharing system for determining deposit rates.

Credit risk management

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk in the Group's portfolio is monitored, reviewed and analyzed by the Credit Risk Management (CRM).

CRM determines the quality of the credit portfolio and assists in minimizing potential losses. To achieve this objective, CRM formulates appropriate credit policies and procedures for the Group to ensure building and maintaining quality credits and an efficient credit process.

United Bank Limited has established Financial Institution Risk Management Unit (FIRMU) is established to screen out the Banks / Financial Institutions and determine the maximum risk exposure on each of them. FIRMU also assesses, recommends and controls cross border/ country risk.

To manage the non performing loans (NPLs), the Group has in place comprehensive remedial management policy which includes a framework of controls to identify weak credits and monitoring of these accounts.

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
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44. SEGMENT BY CLASS OF BUSINESS

	2005					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in	Percent	(Rupees in	Percent	(Rupees in	Percent
Chemical and pharmaceuticals	4,519,197	2.01%	2,068,372	0.70%	1,858,752	0.87%
Agri business	7,267,123	3.23%	16,148,663	5.45%	1,987,455	0.93%
Textile spinning	20,800,926	9.25%	932,308	0.31%	1,541,572	0.72%
Textile weaving	10,129,530	4.50%	431,727	0.15%	240,840	0.11%
Textile composite	15,323,544	6.81%	793,144	0.27%	1,018,389	0.48%
Textile others	9,084,995	4.04%	1,199,851	0.40%	1,706,837	0.80%
Cement	5,605,446	2.49%	1,388,644	0.47%	727,334	0.34%
Sugar	4,926,779	2.19%	1,003,565	0.34%	19,228	0.01%
Shoes and leather garments	2,959,030	1.32%	1,419,547	0.48%	263,218	0.12%
Automobile and transportation equipment	17,238,727	7.67%	2,387,889	0.81%	2,359,732	1.11%
Financial	5,969,969	2.65%	5,917,150	2.00%	92,098,322	43.29%
Insurance	54,447	0.02%	7,949,837	2.68%	32,989	0.02%
Electronics and electrical appliances	2,712,010	1.21%	1,937,391	0.65%	494,506	0.23%
Production and transmission of energy	2,975,521	1.32%	15,389,571	5.19%	4,786,428	2.25%
Contractors	1,679,640	0.75%	6,400,646	2.16%	3,175,151	1.49%
Wholesale traders	15,493,758	6.89%	15,744,320	5.31%	3,885,616	1.83%
Paper and allied	1,232,621	0.55%	880,748	0.30%	316,211	0.15%
Surgical and metal	1,976,967	0.88%	342,919	0.12%	342,823	0.16%
Sports goods	632,811	0.28%	206,891	0.07%	-	0.00%
Cables	450,100	0.20%	43,088	0.01%	343,944	0.16%
Fertilizer dealers	906,756	0.40%	4,121,160	1.39%	69,540	0.03%
Food industries	3,955,460	1.76%	1,657,190	0.56%	392,343	0.18%
Airlines	1,373,927	0.61%	1,072,230	0.36%	385	0.00%
Constructions	13,760,142	6.12%	5,124,897	1.73%	416,141	0.20%
Containers and ports	300,000	0.13%	22,603	0.01%	500	0.00%
Engineering	288,433	0.13%	3,384,066	1.14%	4,954,642	2.33%
Glass and allied	35,712	0.02%	96,059	0.03%	19,009	0.01%
Hotels	571,470	0.25%	1,071,395	0.36%	2,631,880	1.24%
Infrastructure	2,053,845	0.91%	2,175,662	0.73%	38,406	0.02%
Media	458,746	0.20%	658,451	0.22%	90,208	0.04%
Polyester and fibre	-	0.00%	62,952	0.02%	306,152	0.14%
Telecom	5,818,502	2.59%	879,751	0.30%	3,642,497	1.71%
Individuals	23,737,311	10.56%	162,069,603	54.66%	8,740,841	4.11%
Others	40,589,544	18.05%	31,516,823	10.63%	74,258,720	34.90%
	224,882,989	100%	296,499,113	100%	212,760,611	100%

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UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

	2004					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in	Percent	(Rupees in	Percent	(Rupees in	Percent
Chemical and pharmaceuticals	4,655,294	2.83%	1,998,122	0.84%	1,802,232	1.36%
Agri business	8,790,381	5.35%	16,306,589	6.88%	2,533,997	1.91%
Textile spinning	16,108,993	9.80%	579,139	0.24%	3,652,603	2.76%
Textile weaving	9,419,083	5.73%	504,250	0.21%	384,352	0.29%
Textile composite	13,054,127	7.94%	890,148	0.38%	1,150,750	0.87%
Textile others	1,328,611	0.81%	470,700	0.20%	895,279	0.68%
Cement	3,278,768	1.99%	763,921	0.32%	1,445,514	1.09%
Sugar	2,951,155	1.80%	778,133	0.33%	11,607	0.01%
Shoes and leather garments	2,226,295	1.35%	1,750,725	0.74%	141,148	0.11%
Automobile and transportation equipment	2,107,423	1.28%	2,651,282	1.12%	2,197,816	1.66%
Financial	10,341,944	6.29%	4,920,543	2.08%	55,741,261	42.11%
Insurance	24,562	0.01%	4,295,716	1.81%	1,131,253	0.85%
Electronics and electrical appliances	2,184,419	1.33%	1,955,846	0.83%	2,894,898	2.19%
Production and transmission of energy	2,158,099	1.31%	7,739,413	3.26%	529,541	0.40%
Contractors	1,297,102	0.79%	2,637,896	1.11%	135,051	0.10%
Wholesale traders	16,577,276	10.08%	15,617,092	6.59%	6,209,347	4.69%
Fertilizer dealers	973,047	0.59%	3,041,862	1.28%	997,977	0.75%
Food industries	3,020,213	1.84%	354,566	0.15%	935,111	0.71%
Airlines	1,127,819	0.69%	2,083,266	0.88%	127,128	0.10%
Constructions	1,249,406	0.76%	1,787,598	0.75%	1,227,788	0.93%
Hotels	34,185	0.02%	-	0.00%	-	0.00%
Infrastructure	3,968,024	2.41%	1,031,024	0.43%	2,764	0.00%
Telecom	3,151,371	1.92%	1,229,979	0.52%	3,215,900	2.43%
Individuals	9,093,181	5.53%	134,935,450	56.92%	4,733,989	3.58%
Engineering	57,665	0.04%	-	0.00%	-	0.00%
Others	45,212,373	27.50%	28,731,180	12.12%	40,280,176	30.43%
	<u>164,390,816</u>	<u>100.00%</u>	<u>237,054,440</u>	<u>100.00%</u>	<u>132,377,482</u>	<u>100.00%</u>

44.1 Segment by sector

	2005					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/Government	24,473,422	10.88%	45,116,891	15.22%	52,676,704	24.76%
Private	200,409,567	89.12%	251,382,222	84.78%	160,083,907	75.24%
	<u>224,882,989</u>	<u>100%</u>	<u>296,499,113</u>	<u>100%</u>	<u>212,760,611</u>	<u>100%</u>

	2004					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/Government	26,105,942	15.88%	26,393,796	11.13%	8,519,673	6.44%
Private	138,284,874	84.12%	210,660,644	88.87%	123,857,809	93.56%
	<u>164,390,816</u>	<u>100%</u>	<u>237,054,440</u>	<u>100%</u>	<u>132,377,482</u>	<u>100%</u>

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
 DECEMBER 31, 2005**
45. GEOGRAPHICAL SEGMENT ANALYSIS

	2005			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan				
Domestic Operations	7,447,509	285,767,737	8,152,395	189,967,363
Asia Pacific (including South Asia)	35,099	2,475,089	57,067	125,993
	<u>7,482,608</u>	<u>288,242,826</u>	<u>8,209,462</u>	<u>190,093,356</u>
Overseas				
United States of America	167,893	1,669,054	406,213	91,734
Middle East	1,721,330	52,098,117	8,114,452	13,475,022
Europe	336,835	16,046,148	7,543,474	9,100,499
	<u>2,226,058</u>	<u>69,813,319</u>	<u>16,064,139</u>	<u>22,667,255</u>
	<u><u>9,708,666</u></u>	<u><u>358,056,145</u></u>	<u><u>24,273,601</u></u>	<u><u>212,760,611</u></u>
	2004			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan				
Domestic Operations	3,668,505	218,378,115	10,798,030	121,292,554
Asia Pacific (including South Asia)	27,659	2,267,291	17,889	43,133
	<u>3,696,164</u>	<u>220,645,406</u>	<u>10,815,919</u>	<u>121,335,687</u>
Overseas				
United States of America	65,428	3,723,753	256,706	31,363
Middle East	1,097,353	41,558,114	6,336,516	9,203,207
Europe	150,858	16,321,065	1,969,920	1,807,225
	<u>1,313,639</u>	<u>61,602,932</u>	<u>8,563,142</u>	<u>11,041,795</u>
	<u><u>5,009,803</u></u>	<u><u>282,248,338</u></u>	<u><u>19,379,061</u></u>	<u><u>132,377,482</u></u>

Total assets employed include intra group items of Rs Nil

46. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, United Bank Limited acts as security agent for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

47. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associated undertakings, (refer note 10.1), employee benefit plans (refer note 36 and 37) and its directors and executive officers (including their associates).

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk. Details of loans and advances to the key management personnel, the companies or firms in which the directors of the Group are interested as directors, partners or in case of private companies as members are given in note 11.6 to these financial statements.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations/ terms of the contribution plan (refer note 36 to these financial statements for the details of plans). Remuneration to the executives, disclosed in note 38 to these financial statements are determined in accordance with the terms of their appointment.

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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
 DECEMBER 31, 2005**

Details of transactions with related parties are given below:

	2005			2004		
	Key management personnel	Associates	Others	Key management personnel	Associates	Others
Advances						
At January 01	46,903	-	2,542,969	1,547	-	3,447,195
Given during the year	31,112	-	1,863,892	50,146	-	8,753,020
Repaid during the year	(12,127)	-	(2,588,720)	(4,790)	-	(9,657,246)
At December 31	<u>65,888</u>	-	<u>1,818,141</u>	<u>46,903</u>	-	<u>2,542,969</u>
Deposits						
At January 01	9,594	-	3,594,143	5,056	-	2,268,428
Received during the year	121,382	-	30,792,517	131,956	-	30,997,599
Withdrawn during the year	(119,255)	-	(30,064,640)	(127,418)	-	(29,671,884)
At December 31	<u>11,721</u>	-	<u>4,322,020</u>	<u>9,594</u>	-	<u>3,594,143</u>
Mark-up / return / interest earned	-	-	70,002	-	-	49,775
Mark-up / return / interest expensed	-	-	28,975	-	-	108,703
Reimbursement of liaison office expenses paid to Dubai and Abu Dhabi Group	-	-	29,789	-	-	31,535
Investment made during year	-	250,000	180,000	-	-	4,600
Dividend income received	-	-	-	-	-	-
Remuneration paid	66,750	-	-	32,652	-	-
Post Employment benefits	3,829	-	-	2,144	-	-

48. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of United Bank Limited in its meeting held on February 21, 2006 has proposed a cash dividend in respect of 2005 of Rs 2.50 per share (2004: cash dividend Rs 1.50 per share). In addition, the directors have also announced a bonus issue of 25 percent. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2005 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2006.

49. DATE OF AUTHORIZATION

These financial statements were authorised for issue on February 21, 2006 by the Board of Directors of United Bank Limited.

50. GENERAL

50.1 The following International Accounting Standards, which have been published, had been revised and the amendments are applicable to the consolidated financial statements of the Group covering accounting periods beginning on or after January 1, 2006 or later periods:

- i. International Accounting Standard - 1, Presentation of Financial Statements - Capital Disclosures (effective from January 1, 2007)
- ii. International Accounting Standard - 19, Employee Benefits (effective from January 1, 2006)

Adoption of the above amendments would impact the extent of disclosures presented in the consolidated financial statements of the Group.

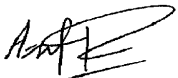
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**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
DECEMBER 31, 2005**

50.2 Comparative figures have been reclassified and rearranged as follows:

- 'Short-term lendings to financial institutions' amounting to Rs. 2,098.129 million have been reclassified from 'advances' to 'lending to financial institutions'.
- Charges recovered from customers for faxes and mails amounting to Rs 91.602 million have been reclassified from 'communication' to 'charges recovered from customers'.
- Softwares having net book value of Rs. 37.649 million classified as 'electric, office and computer equipment' has now been reclassified to 'intangible assets'.
- 'Due from other banks against telegraphic and demand drafts', amounting to Rs. 81.288 million has been classified separately in 'other assets'.
- 'Trading liabilities' amounting to Rs. 750 million have been classified separately under the 'borrowing from financial institutions'.
- 'Mark-up / return / interest earned' amounting to Rs 120.549 million has been reclassified from 'mark-up / return / interest earned on deposits with financial institutions' to 'mark-up / return / interest earned on loans and advances'.
- 'Deferred liabilities' amounting to Rs. 2,191.180 million have been re-classified under the caption of 'other liabilities'.
- 'Taxes recoverable' amounting to Rs. 32.607 million have been re-classified under the caption of 'other assets'

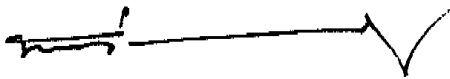
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Atif R. Bokhari
President and
Chief Executive Officer



Ahmad waqar
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

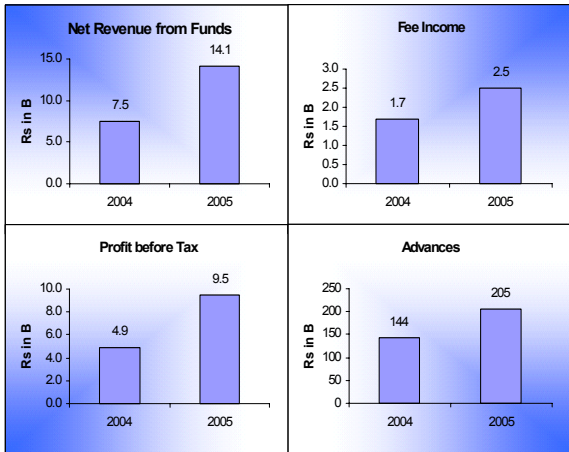


Nanayan Mabarak Al Nanayan
Chairman

DIRECTORS' REPORT TO THE MEMBERS

It gives me great pleasure to present to you the 47th Annual Report and Financial Statements of United Bank Limited for the year ended December 31, 2005.

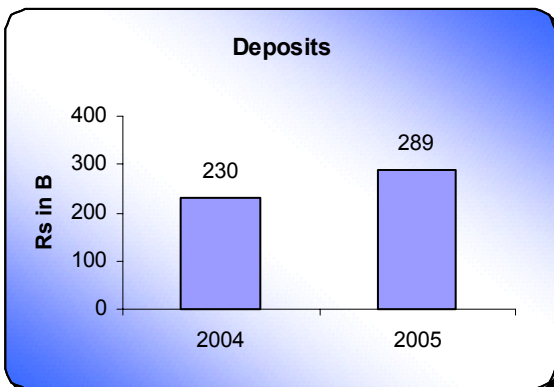
FINANCIAL HIGHLIGHTS



The bank delivered solid results in 2005, with a net profit before tax of Rs 9.5 billion which is almost double that of last year. Net revenue from funds (NRFF) increased by 88% to Rs 14.1 billion on the back of strong yields on general advances and consumer financing. Fee income grew by 54% to Rs 2.5 billion owing to commissions on the consumer loan portfolio, significant increases in trade volumes and commissions on third party bill collections. By contrast, administrative expenses grew by 16% to Rs 7.9 billion, due to continued investment in the consumer business, technology and premises.

As a result the profit after tax registered an impressive increase of 59% at Rs 5.9 billion with a 34% return on equity at an EPS of Rs 11.5. The Board of Directors is pleased to recommend cash dividend of Rs 2.50 per share and a bonus issue of 25 % for the year ended December 31, 2005.

Our advance portfolio grew sharply by 42% to Rs 205 billion which resulted in the Bank's domestic share of advances increasing to 9.3% by the end of 2005 (2004: 8.6%). UBL completed the launch of its full consumer banking portfolio with advances crossing Rs 28 billion this year. UBL Drive auto loan and the credit card business grew solidly and contributed significantly towards revenues. The Corporate Banking Group continued to strengthen and diversify its customer base by concluding several financing transactions with blue-chip companies. Our asset quality also improved further this year with our net NPL to gross loans ratio coming down to 1.7% from 2.8% last December with a provisioning coverage of 78%.



Our deposit base increased by Rs. 59 billion to Rs 289 billion, the growth being one of the highest in the banking industry pushing up UBL's domestic market share of deposits to 9.4% (2004: 9%). Our impressive performance is attributed mainly to the talent and resolve of our staff who have put in tremendous effort to ensure that the Bank not only delivers strong results but also better serves the needs of our customers.

In 2005, Pakistan faced one of the worst natural disasters in recent history with the earthquake that devastated Azad Kashmir and the northern areas of Pakistan. UBL responded quickly by setting up relief camps to provide aid and supplies to those affected by this tragedy. In order to assist the government in providing longer term assistance and rehabilitation, UBL contributed Rs 63 million towards the President's Relief Fund which included a donation equivalent to one-day basic salary of all employees. Together with the focus on our business, the bank and its employees continued to support people in need.

While we delivered strong operating results in 2005, we turn our attention to 2006 realizing that the operating environment will become increasingly competitive and spreads will come under pressure. UBL will continue to remain focused on our strategy of sustaining profitable growth and anticipating the needs of our customers while maintaining high standards of corporate governance and business ethics.

STATEMENT UNDER SECTION XIX OF THE CODE OF CORPORATE GOVERNANCE

The Board is committed to ensure that requirements of corporate governance set by Securities and Exchange Commission of Pakistan are fully met. The Group has adopted good Corporate Governance practices and the directors are pleased to report that:

- The financial statements present fairly the state of affairs of the Group, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Group have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Banks in Pakistan have been followed in the preparation of the Accounts of financial statements without any departure there-from.
- The system of internal control in the Group is sound in design, and effectively implemented and monitored.
- There is no reason whatsoever to doubt your Group's ability to continue as a going concern.
- There has been no material departure from the best practice of Corporate Governance, in accordance with the relevant regulations.
- Your Board has appointed the following four Committees with defined terms of references.
 - Board Executive Committee
 - Board Credit Committee
 - Board Human Resources & Compensation Committee
 - Board Audit Committee
- A summary of key operating and financial data of the last ten years is annexed to the audited accounts.
- The Group operates five post retirement schemes, Pension, Gratuity, Benevolent, Provident Fund and Post Retirement Medical. The details and asset values are given in notes 35 and 36 of the audited financial statements of 2005. However only Gratuity and Provident Fund Schemes are available to staff who joined the bank post privatization.

BUSINESS EXPANSION & PROSPECTS

The increasing profitability of our international operations and the growing opportunities in the markets where UBL is currently operating has prompted us to strengthen our overseas network further. Our Bank will be increasing the number of branches in countries where we already have a presence and expanding into new markets through representative offices with a view of commencing banking operations in those countries in the second phase.

In order to diversify our revenue sources we are in the process of establishing Islamic Banking and Insurance operations which represent a natural extension of our business. These businesses will not only create longer-term shareholder value but also enable UBL to offer an additional array of services to our customers. We expect Islamic banking operations to commence in 2006 with the insurance business to follow in 2007.

VALUE OF INVESTMENTS IN EMPLOYEE RETIREMENT BENEFIT FUNDS

The following is the value of investments of Provident, Gratuity, Pension and Benevolent funds maintained by the Bank based on the latest audited financials statements as at December 31, 2004:

	Amounts in '000
Employees' Provident Fund	2,462,285
Employees' Gratuity Fund	298,600
Staff Pension Fund	5,665,501
Officers / Non-Officers Benevolent Fund	669,537

MEETINGS OF THE BOARD

During the year under report, the Board of Directors met six times. The number of meetings attended by each director during the year is shown below:

Name	Attendance
His Highness Shaikh Nahayan Mabarak Al Nahayan, Chairman	01
Sir Mohammed Anwar Pervez, OBE, Hpk, Deputy Chairman	04
Mr. Omar Z. Al Askari, Director	06
Mr. Zameer Mohammed Choudrey, Director	06
Mr. Muhammad Tahsin Khan Iqbal, Director	06
Mr. Ahmed Waqar, Director	04
Dr. Ashfaque Hasan Khan, Director (appointed October 2005)	01
Mr. Javed Sadiq Malik, Director (till October 2005)	00
Mr. Atif R. Bokhari, President and Chief Executive Officer	06

PATTERN OF SHAREHOLDING

The pattern of shareholding as required u/s 236 of the Companies Ordinance, 1984 and Article (xix) of the Code of Corporate Governance is attached with this report.

CHANGE IN DIRECTORS

Due to increased responsibilities and engagement with the Government of Pakistan, Mr. Javed Sadiq Malik stepped down from the Board of Directors in October 2005. On behalf of the Board, I would like to thank him for his valuable contribution and services and wish him the very best in his future endeavours.

I am pleased to announce that Dr. Ashfaque Hasan Khan, Director General, Debt Office, Government of Pakistan was nominated by the Federal Government and assumed responsibilities on the Board of Directors in October 2005.

CHANGE IN AUDITORS

The present auditors M/s A F Ferguson & Co Chartered Accountants and M/s KPMG Taseer Hadi & Co Chartered Accountants will retire this term and being eligible offered themselves for re-election. The Board of Directors, on the recommendation of the Audit Committee recommended M/s A F Ferguson & Co Chartered Accountants and M/s KPMG Taseer Hadi & Co Chartered Accountants for the next term.

CONCLUSION

In conclusion, I would like to take this opportunity to express my gratitude to our valued customers for their sustained support to the Bank, to the employees for their continued contribution and commitment, and to the State Bank of Pakistan for their guidance and co-operation. I would also like to extend my appreciation to my fellow members of the Board of Directors and to the Government of Pakistan for their trust and support.

For and on Behalf of Board



Nahayan Mabarak Al Nahayan
Chairman

Abu Dhabi
Date February 21, 2006

A.F. FERGUSON & CO
CHARTERED ACCOUNTANTS
State Life Building No.1-C,
I.I. Chundrigar Road,
Karachi

KPMG TASEER HADI & CO.
CHARTERED ACCOUNTANTS
Sheikh Sultan Trust
Building No. 2, Beaumont Road,
Karachi

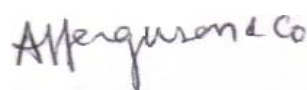
AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of United Bank Limited as at December 31, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for sixty-one branches which have been audited by us and fifteen branches audited by auditors abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.


It is the responsibility of the bank's Board of Directors to establish and maintain a system of internal control and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than sixty percent of the total domestic loans and advances of the bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the bank and the transactions of the bank which have come to our notice have been within the powers of the bank;
- c) in our opinion and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the bank's affairs as at December 31, 2005 and its true balance of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.


A. F. FERGUSON & Co.
Chartered Accountants
A.F. Ferguson & Co.

Karachi
Dated: February 21, 2006


KPMG TASEER HADI & CO.
Chartered Accountants
KPMGTH

BALANCE SHEET AS AT DECEMBER 31, 2005

	Note	2005 (Rupees in '000)	2004
ASSETS			
Cash and balances with treasury banks	6	34,062,679	23,844,435
Balances with other banks	7	12,729,207	17,699,334
Lendings to financial institutions	8	17,867,552	18,360,633
Investments	9	63,026,944	54,953,728
Advances			
Performing	10	201,152,095	139,669,440
Non-performing	10	3,658,375	4,481,615
		204,810,470	144,151,055
Other assets	11	7,829,770	4,439,580
Fixed assets	12	4,449,324	3,969,006
Deferred tax asset - net	13	2,273,005	5,194,892
		347,048,951	272,612,663
LIABILITIES			
Bills payable	15	4,159,964	3,811,284
Borrowings from financial institutions	16	21,790,480	11,975,684
Deposits and other accounts	17	289,226,299	230,256,627
Sub-ordinated loans	18	3,999,192	3,500,000
Liabilities against assets subject to finance lease		-	288
Other liabilities	19	6,204,746	5,704,749
		325,380,681	255,248,632
NET ASSETS		21,668,270	17,364,031
REPRESENTED BY:			
Share capital	20	5,180,000	5,180,000
Reserves		6,225,461	5,915,928
Unappropriated profit		7,350,813	3,274,439
		18,756,274	14,370,367
Surplus on revaluation of assets	21	2,911,996	2,993,664
		21,668,270	17,364,031
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 48 and annexures form an integral part of these financial statements.

Atif R. Bokhari

Atif R. Bokhari
President and
Chief Executive Officer

Ahmad Waqar
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	2005 (Rupees in '000)	2004
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		9,481,648	4,889,728
Less: Dividend income		(202,343)	(154,565)
		9,279,305	4,735,163
Adjustments for non-cash charges			
Depreciation		412,541	103,484
Amortisation		23,381	304,140
Provision for retirement benefits		117,772	660,275
Provision against loans and advances		1,277,002	435,414
Provision / (reversals) for diminution in the value of investments		112,666	(100,381)
Provision against off balance sheet items		238,712	-
Gain on sale of fixed assets		(12,771)	(11,797)
Finance charges on leased assets		3	2,903
Bad debts written-off directly		38,140	3,841
Unrealised (gain) / deficit on revaluation of held for trading investment portfolio		1,824	-
Provision / (reversals) against other assets		87,998	(34,422)
		2,297,268	1,363,457
		11,576,573	6,098,620
(Increase) / decrease in operating assets			
Lendings to financial institutions		493,081	6,833,524
Held for trading securities		995,309	5,988,861
Advances - net		(61,974,557)	(50,563,261)
Others assets (excluding advance tax)		(3,523,015)	(1,004,375)
		(64,009,182)	(38,745,251)
Increase / (decrease) in operating liabilities			
Bills payable		348,680	835,374
Borrowings from financial institutions		9,814,796	4,265,309
Deposits and other accounts		58,969,672	45,185,125
Other liabilities		(37,510)	(1,028,135)
		69,095,638	49,257,673
		16,663,029	16,611,042
Staff retirement benefits paid		(110,323)	(268,509)
Income tax paid		(328,751)	(330,841)
Net cash flows from operating activities		16,223,955	16,011,692
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in securities		(9,203,902)	(5,373,071)
Dividend received		289,905	65,658
Investments in operating fixed assets		(925,175)	(625,818)
Proceeds from sale of fixed assets		21,706	15,221
Net cash flows from investing activities		(9,817,466)	(5,918,010)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt of sub-ordinated loan		500,000	3,500,000
Repayment of principal of sub-ordinated loan		(808)	-
Dividend paid		(777,000)	(1,165,500)
Payment of lease obligations		(291)	(42,610)
Net cash flows from financing activities		(278,099)	2,291,890
Exchange differences on translation of net investment in foreign branches		(880,273)	497,302
Increase in cash and cash equivalents during the year		5,248,117	12,882,874
Cash and cash equivalents at beginning of the year		41,753,119	28,099,656
Effects of exchange rate changes on cash and cash equivalents		(209,350)	561,239
		41,543,769	28,660,895
Cash and cash equivalents at end of the year	32	46,791,886	41,543,769

The annexed notes 1 to 48 and annexures form an integral part of these financial statements.

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Atif R. Bokhari
President and
Chief Executive Officer

Ahmad Waqar
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2005

	Share Capital	Statutory Reserve	Exchange Translation Reserve	Unappro- priated Profit	Total
	(Rupees in '000)				
Balance as at December 31, 2003	5,180,000	3,205,472	1,472,845	1,384,490	11,242,807
Final dividend for the year ended December 31, 2003	-	-	-	(1,165,500)	(1,165,500)
Profit after taxation for the year ended December 31, 2004	-	-	-	3,701,544	3,701,544
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	94,214	94,214
Exchange differences on translation of net investment in foreign branches	-	-	497,302	-	497,302
Transfer to statutory reserve	-	740,309	-	(740,309)	-
Balance as at December 31, 2004	<u>5,180,000</u>	<u>3,945,781</u>	<u>1,970,147</u>	<u>3,274,439</u>	<u>14,370,367</u>
Final dividend for the year ended December 31, 2004	-	-	-	(777,000)	(777,000)
Profit after taxation for the year ended December 31, 2005	-	-	-	5,949,032	5,949,032
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	94,148	94,148
Exchange differences on translation of net investment in foreign branches	-	-	(880,273)	-	(880,273)
Transfer to statutory reserve	-	1,189,806	-	(1,189,806)	-
Balance as at December 31, 2005	<u><u>5,180,000</u></u>	<u><u>5,135,587</u></u>	<u><u>1,089,874</u></u>	<u><u>7,350,813</u></u>	<u><u>18,756,274</u></u>

Appropriations made by the directors subsequent to the year ended December 31, 2005 are disclosed in note 46 of these financial statements.

The annexed notes 1 to 48 and annexures form an integral part of these financial statements.

Atif R Bokhari

Atif R. Bokhari
President and
Chief Executive Officer

Ahmad Waqar
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
1. STATUS AND NATURE OF BUSINESS

United Bank Limited is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all three Stock Exchanges in Pakistan. The bank's registered office and principal office is situated at State Life Building No. 1, I. I. Chundrigar Road, Karachi. The bank operates 1,043 (2004: 1,057) branches inside Pakistan including the Karachi Export Processing Zone Branch (KEPZ) and 15 (2004: 15) branches outside Pakistan.

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.

3. STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprises of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

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

4. BASIS OF MEASUREMENT

These financial statements have been prepared under historical cost convention except that certain assets have been stated at revalued amounts, certain investments have been stated at market value, derivative financial instruments have been marked to market, assets and liabilities of foreign branches have been translated at year-end rates of exchange and certain staff retirement benefits have been carried at present value.

The preparation of financial statements in conformity with approved accounting standards requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities, income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are disclosed in note 5.14 to these financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
5.1 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.2 Lendings to / borrowings from financial institutions

The bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

(a) Sale under repurchase agreements

Securities sold subject to a re-purchase agreement (repo) are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued over the period of the agreement and recorded as an expense.

(b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the agreement and recorded as income.

Securities borrowed are not recognized in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability under Borrowings from financial institutions.

5.3 Investments

The bank classifies its investments as follows:

(a) Held for trading

These are securities, which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the bank has the positive intent and ability to hold to maturity.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
(c) Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the held for trading or held to maturity categories.

Investments are initially recognised at cost which includes transaction costs associated with the investment.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the bank commits to purchase or sell the investment.

In accordance with the requirements of State Bank of Pakistan quoted securities, other than those classified as 'held to maturity', investments in subsidiaries and investments in associates (which qualify for accounting under International Accounting Standard 28), are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available for sale', is taken to a separate account shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account.

Unquoted equity securities excluding investments in subsidiaries and associates are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost. Investments in subsidiaries and associates (which qualify for accounting under International Accounting Standard - 28) are carried at cost.

Provision for diminution in the values of securities (except debentures, participation term certificates and term finance certificates) is made after considering permanent impairment, if any, in their value. Provisions for diminution in value of debentures, participation term certificates and term finance certificates are made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Profit and loss on sale of investments is included in income currently.

5.4 Advances

Advances are stated net of specific and general provisions. Specific provision against domestic advances is determined on the basis of Prudential Regulations and other directives issued by the State Bank of Pakistan and charged to the profit and loss account. General provision against consumer loans is made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. General and specific provisions pertaining to overseas advances are made to meet the requirements of monetary agencies and regulatory authorities of respective countries. Advances are written off when there is no realistic prospect of recovery.

5.5 Fixed assets and depreciation
Owned

Property and equipment, other than free hold land which is not depreciated and Capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Land is carried at revalued amount. Capital work-in-progress is stated at cost. Cost of property and equipment of foreign branches includes exchange difference arising on currency translation at the year-end rates of exchange.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

Depreciation is calculated so as to write off the assets over their expected economic lives at rates specified in note 12 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any, and methods depending on the nature of the asset and the country of its location. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date. No depreciation is charged on freehold land.

Depreciation on additions is charged from the month the asset is available for use and on disposals upto the month of disposal.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Gains and losses on sale of fixed assets are included in income currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

Leased

Assets held under finance lease are stated at lower of fair value or present value of minimum lease payments at inception less accumulated depreciation. The outstanding obligations under the lease agreements are shown as a liability net of finance charges allocable to future periods.

The finance charges are allocated to accounting periods in a manner so as to provide a constant periodic rate of return on the outstanding liability.

Depreciation on assets held under finance lease is charged in a manner consistent with that for depreciable assets which are owned by the Bank.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized over its estimated useful life over which economic benefits are expected to flow to the bank. The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are stated at acquisition cost. Provisions are made for permanent diminution in the value of assets, if any. Gains and losses on disposals, if any are taken to the profit and loss account.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
5.6 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.7 Taxation
Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned from local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax is calculated using prevailing tax rates or tax rates expected to apply to the profits for the year at enacted rates or minimum tax at the rate of 0.5% of turnover which ever is higher. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year.

Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the bank also records deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

The bank also recognizes deferred tax asset / liability on deficit / surplus on revaluation of fixed assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of the revised International Accounting Standard (IAS) 12 dealing with Income Taxes.

5.8 Provisions

Provisions are recognized when the bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and reliable estimate of the amount can be made. Provision are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
5.9 Staff retirement and other benefits
5.9.1 Staff retirement benefit schemes

- a) The bank operates the following staff retirement schemes for its employees
 - approved funded pension scheme, introduced in 1986 (defined benefit scheme); and
 - approved non-contributory provident fund in lieu of the contributory provident fund.

- b) For new employees and for those who opted for new scheme introduced in 1991, the bank operates
 - approved contributory provident fund (defined contribution scheme); and
 - approved gratuity scheme (defined benefit scheme).

In the year 2001, the bank modified the pension scheme and introduced a conversion option for employees covered under scheme (a) above to scheme (b). This option ceased on December 31, 2003.

The bank also operates a contributory benevolent fund for all its employees (defined benefit scheme).

Annual contributions towards the defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

5.9.2 Other benefits

- a) Employees' compensated absences

The bank makes provisions for compensated vested and non-vested absences accumulated by its employees on the basis of actuarial advice under the Projected Unit Credit Method.

- b) Post retirement medical benefits (defined benefit scheme)

The bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefit on the basis of actuarial advice under the Projected Unit Credit Method.

5.10 Revenue Recognition

Mark-up / return on performing advances and investments is recognized on accrual basis. Where debt securities are purchased at premium or discount, those premiums / discounts are amortized through the profit and loss account over the remaining period of maturity.

Interest or mark-up recoverable on non-performing advances and classified investments is recognized on receipt basis. Interest / return / mark-up on rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the State Bank of Pakistan or overseas regulatory authorities of countries where the branches operate, except where in the opinion of the management, it would not be prudent to do so.

Dividend income is recognized when the right to receive the dividend is established.

Fees, brokerage and commission on letters of credit / guarantee and others are recognized on accrual basis.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005**5.11 Derivative financial instruments**

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

5.12 Foreign Currencies*a) Foreign currency transactions*

Transactions in foreign currencies are translated to rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date except that certain deposits, which are covered by forward foreign exchange contracts, are translated at contracted rates. Forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

b) Foreign operations

The assets and liabilities of foreign operations are translated to rupees at exchange rates prevailing at the balance sheet date. The results of foreign operations are translated at the average rate of exchange for the year.

c) Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign branches which are taken to capital reserve (Exchange Translation Reserve).

d) Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in the financial statements at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the date of transaction.

5.13 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.14 Accounting estimates and judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the bank's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the bank's financial statements or where judgement was exercised in application of accounting policies are as follows:

- i) classification of investments (notes 5.3 and 9)
- ii) provision against investments (notes 5.3 and 9) and advances (notes 5.4 and 10.3)
- iii) income taxes (notes 5.7, 30 and 19.1)
- iv) staff retirement benefits (note 34)
- v) fair value of derivatives (note 19.3)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	2005	2004
		(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		4,606,016	3,785,931
Foreign currency		1,107,634	956,948
		5,713,650	4,742,879
With State Bank of Pakistan in			
Local currency current account		13,032,322	12,153,975
Local currency deposit account	6.1	3,864	3,864
Foreign currency deposit account	6.1	2,556,535	1,625,303
		15,592,721	13,783,142
With other central banks in foreign currency current account	6.2	9,142,105	3,590,239
With National Bank of Pakistan in local currency current account		3,571,650	1,681,685
National Prize Bonds		42,553	46,490
		<u>34,062,679</u>	<u>23,844,435</u>

6.1 Deposits with State Bank of Pakistan are maintained to comply with the statutory requirements issued from time to time.

6.2 Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches of the Bank.

	Note	2005	2004
		(Rupees in '000)	
7. BALANCES WITH OTHER BANKS			
Outside Pakistan			
In current accounts		4,862,208	1,815,012
In deposit accounts		7,866,999	15,884,322
		<u>12,729,207</u>	<u>17,699,334</u>

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.1	1,199,534	1,876,465
Repurchase agreement lendings	8.2	11,769,693	8,011,490
Lendings to banks / financial institutions		4,898,325	8,472,678
		<u>17,867,552</u>	<u>18,360,633</u>

8.1 These carry mark-up at rates ranging from 1% to 12.75% per annum (2004: 2.5% to 6.1% per annum).

8.2 Securities held as collateral against lendings to financial institutions

	2005			2004		
	Held by Bank	Further given as collateral / sold	Total	Held by Bank	Further given as collateral / sold	Total
	(Rupees in '000)			(Rupees in '000)		
Market Treasury Bills	8,019,693	-	8,019,693	2,936,904	491,586	3,428,490
Pakistan Investment Bonds	2,180,000	1,570,000	3,750,000	4,583,000	-	4,583,000
	<u>10,199,693</u>	<u>1,570,000</u>	<u>11,769,693</u>	<u>7,519,904</u>	<u>491,586</u>	<u>8,011,490</u>

These carry mark-up at rates ranging from 3.5% to 8.75% per annum (2004: 1.25% to 6.5% per annum).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
9. INVESTMENTS
9.1 Investments by types

	Note	2005			2004		
		Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
(Rupees in '000)							
Held for trading							
Market Treasury Bills		600,734	460,807	1,061,541	1,340,956	1,045,006	2,385,962
Ordinary shares of listed companies		453,033	-	453,033	-	-	-
Term Finance Certificates		-	-	-	122,950	-	122,950
Pakistan Investment Bonds		-	-	-	971	-	971
		1,053,767	460,807	1,514,574	1,464,877	1,045,006	2,509,883
Available for sale							
Market Treasury Bills		16,004,567	3,898,511	19,903,078	13,893,796	1,097,647	14,991,443
Ordinary shares of listed companies		1,675,518	-	1,675,518	752,602	-	752,602
Pakistan Investment Bonds		1,317,980	205,469	1,523,449	4,072,246	-	4,072,246
Government of Pakistan Islamic Bonds		833,386	-	833,386	-	-	-
Term Finance Certificates		749,170	-	749,170	341,960	-	341,960
Foreign currency bonds		593,782	-	593,782	-	-	-
Ordinary shares of unlisted companies		432,680	-	432,680	303,392	-	303,392
Euro Bonds		279,575	-	279,575	1,403,469	-	1,403,469
Units of mutual fund		550,000	-	550,000	350,000	-	350,000
		22,436,658	4,103,980	26,540,638	21,117,465	1,097,647	22,215,112
Held to maturity							
Term Finance Certificates		8,661,187	-	8,661,187	8,297,548	-	8,297,548
Market Treasury Bills		4,830,400	3,595,482	8,425,882	-	-	-
Pakistan Investment Bonds		5,331,699	335,502	5,667,201	3,837,791	2,091,533	5,929,324
CIRC Bonds		4,054,883	-	4,054,883	4,054,883	-	4,054,883
Government of Pakistan - Guaranteed Bonds		4,039,971	-	4,039,971	5,699,540	-	5,699,540
Foreign currency bonds		1,694,788	-	1,694,788	2,024,073	-	2,024,073
Foreign securities		492,795	-	492,795	1,542,249	-	1,542,249
Debentures		169,351	-	169,351	176,277	-	176,277
Participation Term Certificates		70,087	-	70,087	77,267	-	77,267
CDC SAARC Fund		65,501	-	65,501	124,144	-	124,144
Federal Investment Bonds		32,725	-	32,725	45,026	-	45,026
Provincial Government Securities		1,207	-	1,207	1,207	-	1,207
		29,444,594	3,930,984	33,375,578	25,880,005	2,091,533	27,971,538
Associates							
United Growth and Income Fund		250,000	-	250,000	-	-	-
Oman United Exchange Company, Muscat *		6,981	-	6,981	15,436	-	15,436
		256,981	-	256,981	15,436	-	15,436
Subsidiaries							
United National Bank, UK *		1,482,011	-	1,482,011	1,889,313	-	1,889,313
Domestic subsidiaries		92,600	-	92,600	32,600	-	32,600
United Bank AG Zurich, Switzerland *		86,237	-	86,237	525,209	-	525,209
		1,660,848	-	1,660,848	2,447,122	-	2,447,122
		54,852,848	8,495,771	63,348,619	50,924,905	4,234,186	55,159,091
Provision for diminution in value of investments	9.3	(634,003)	-	(634,003)	(540,402)	-	(540,402)
Surplus / (deficit) on revaluation of available for sale investments	21.2	312,372	736	313,108	334,626	(631)	333,995
(Deficit) / surplus on revaluation of held for trading investments		(1,070)	290	(780)	1,069	(25)	1,044
Investments (net of provisions)		54,530,147	8,496,797	63,026,944	50,720,198	4,233,530	54,953,728

* During the year, the bank has reversed exchange translation reserve recognised on revaluation of bank's investment in overseas subsidiaries and associate in prior years amounting to Rs. 854.729 million. This reversal is in accordance with the requirements of International Accounting Standard -21, 'The effect of changes in foreign exchange rates'. There was no impact on profit or loss for the current or prior period as the revaluation was taken directly to equity in the year in which it arose.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	2005	2004
		(Rupees in '000)	
9.2 Investments by segments			
Federal Government Securities			
Market Treasury Bills		29,193,297	17,377,405
Pakistan Investment Bonds		7,190,650	10,002,541
Foreign currency bonds		1,694,788	2,024,073
Government of Pakistan Islamic Bonds		833,386	-
Government of Pakistan - US Dollar / Euro Bonds		279,575	1,403,469
Federal Investment Bonds		32,725	45,026
		39,224,421	30,852,514
Provincial Government Securities		1,207	1,207
Overseas Governments' Securities			
Foreign securities		924,001	1,284,123
Market Treasury Bills		197,204	96,317
		1,121,205	1,380,440
Other Overseas Securities			
Foreign securities		162,576	161,809
CDC SAARC Fund		65,501	124,144
		228,077	285,953
Fully Paid-up Ordinary Shares			
Listed companies		2,128,551	752,602
Unlisted companies		432,680	303,392
		2,561,231	1,055,994
Units of Mutual Fund		550,000	350,000
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
Term Finance Certificates			
Unlisted		8,332,720	8,116,726
Listed		1,077,637	645,732
		9,410,357	8,762,458
Bonds		8,094,854	9,754,423
Debentures		169,351	176,277
Participation Term Certificates		70,087	77,267
		17,744,649	18,770,425
Investments in subsidiaries and associates *		1,917,829	2,462,558
		63,348,619	55,159,091
Provision for diminution in value of investments	9.3	(634,003)	(540,402)
Surplus on revaluation of available for sale investments	21.2	313,108	333,995
Deficit / surplus on revaluation of held for trading investments		(780)	1,044
Investments (net of provisions)		<u>63,026,944</u>	<u>54,953,728</u>

* During the year, the bank has reversed exchange translation reserve recognised on revaluation of bank's investment in overseas subsidiaries and associate in prior years amounting to Rs. 854.729 million. This reversal is in accordance with the requirements of International Accounting Standard -21, 'The effect of changes in foreign exchange rates'. There was no impact on profit or loss for the current or prior period as the revaluation was taken directly to equity in the year in which it arose.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
	(Rupees in '000)	
9.3 Particulars of provision for diminution in value of investments		
Opening balance	540,402	640,229
Exchange adjustment	-	3,970
Charged during the year	112,666	-
Reversed during the year	-	(100,381)
Transfers	4,355	17,011
Written off during the year	(23,420)	(20,427)
Closing balance	<u>634,003</u>	<u>540,402</u>

9.4 Investments include Rs. 282 million (2004: Rs. 282 million) held by the State Bank of Pakistan and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5 million (2004: Rs. 5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

9.5 Information relating to investments in shares of listed and unlisted companies, redeemable capital, debentures and bonds, required to be disclosed as part of the financial statements under State Bank of Pakistan's BSD Circular No. 36 dated October 10, 2001, is given in Annexure 'A'.

	Note	<u>Performing</u>		<u>Non-performing</u>	
		2005	2004	2005	2004
----- (Rupees in '000) -----					
10. ADVANCES					
Loans, cash credits, running finances, etc.					
In Pakistan		169,599,106	113,521,983	9,831,330	11,827,862
Outside Pakistan		21,867,208	13,441,801	5,540,208	6,152,872
		191,466,314	126,963,784	15,371,538	17,980,734
Bills discounted and purchased (excluding government treasury bills)					
Payable in Pakistan		2,686,883	3,871,559	417,400	286,514
Payable outside Pakistan		7,067,883	7,767,493	1,171,427	1,836,085
		9,754,766	11,639,052	1,588,827	2,122,599
		<u>201,221,080</u>	<u>138,602,836</u>	<u>16,960,365</u>	<u>20,103,333</u>
Financing in respect of continuous funding system (CFS)		1,094,002	1,327,541	-	-
		<u>202,315,082</u>	<u>139,930,377</u>	<u>16,960,365</u>	<u>20,103,333</u>
Provision against advances					
- Specific	10.2	-	-	(13,301,990)	(15,621,718)
- General	10.3	(1,162,987)	(260,937)	-	-
		<u>201,152,095</u>	<u>139,669,440</u>	<u>3,658,375</u>	<u>4,481,615</u>
10.1 Particulars of advances					
10.1.1 In local currency		172,680,571	118,616,693	3,502,704	4,236,710
In foreign currencies		28,471,524	21,052,747	155,671	244,905
		<u>201,152,095</u>	<u>139,669,440</u>	<u>3,658,375</u>	<u>4,481,615</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Performing</u>		<u>Non-performing</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
----- (Rupees in '000) -----				
10.1.2 Short term	130,079,120	88,849,060	-	-
Long term	<u>71,072,975</u>	<u>50,820,380</u>	<u>3,658,375</u>	<u>4,481,615</u>
	<u>201,152,095</u>	<u>139,669,440</u>	<u>3,658,375</u>	<u>4,481,615</u>

10.1.3 During the year, the State Bank of Pakistan has revised the basis of classification of non-performing Corporate, Consumer and SME loans and advances vide BSD Circular No. 7 dated November 1, 2005. Under the revised guidelines the category of Other Assets Especially Mentioned (OAEM) has been dispensed with while the categories of substandard, doubtful and loss have been retained. In addition, the basis of classification of loans and advances under these three categories has been redefined whereby all advances overdue by 90, 180 and 365 days are now required to be classified as substandard, doubtful and loss respectively. Previously, short-term and long-term advances were required to be separately assessed and were classified as OAEM, substandard, doubtful or loss based on different prescribed ageing criteria. The revised guidelines specify that provision should be made in the financial statements equal to 25 percent, 50 percent and 100 percent, in respect of overdue advances classified as substandard, doubtful and loss respectively, of the outstanding balance of principal less the amount of liquid assets realisable and adjusted forced sale value of mortgaged / pledged assets. The revised guidelines further specify that the benefit of forced sales valuations will not be available for non-performing financing facilities of less than Rs. 5 million.

In accordance with BSD Circular No. 2 dated January 14, 2006 the SBP has subsequently allowed banks to meet the provisioning requirement of 25 percent against substandard category in a phased manner, i.e. 10 percent from December 31, 2005 and 25 percent from December 31, 2006. However, as a matter of prudence the bank has opted to meet the provisioning requirement of 25 percent against substandard category with effect from December 31, 2005 resulting in an additional provision of Rs. 56.177 million.

Had the provision against non-performing loans and advances been determined in accordance with the previous requirement of the State Bank of Pakistan, the specific provision against non-performing loans and advances would have been lower and consequently profit before taxation and advances (net of provision) as at December 31, 2005 would have been higher by approximately Rs. 395.937 million.

10.1.4 The State Bank of Pakistan has issued Prudential Regulations for Agriculture Finance during the current year vide BPD Circular No. 27 dated October 22, 2005. These regulations require agricultural advances overdue by 90 days, one year, one and a half years and two years to be classified as OAEM, substandard, doubtful and loss respectively. In addition, these regulations specify that provision should be made in the financial statements equal to 20 percent, 50 percent and 100 percent, in respect of overdue agricultural advances classified as substandard, doubtful and loss respectively, of the outstanding balance of principal less the amount of liquid assets realisable and adjusted forced sale value of mortgaged / pledged assets. No provision is required to be made against the outstanding balance of principal relating to overdue agriculture advances classified as OAEM. Previously, provision was determined in respect of non-performing agriculture advances in accordance with the guidelines given in the Prudential Regulations for Corporate / Commercial banking.

Had the provision against agriculture advances been determined in accordance with the Prudential Regulations for Corporate / Commercial banking, the specific provision against non performing agriculture advances would have been higher, and consequently the profit before taxation and advances (net of provision) would have been lower by approximately Rs. 68.961 million.

10.1.5 Non-performing advances include

- a) Advances having Gross Book Value of Rs. 298.568 million (2004:Rs. 509.533 million) and Net Book Value of Rs. 284.115 million (2004: Rs. 458.225 million) though restructured and performing have been placed in the non-performing status as required by the revised Prudential Regulations issued by the State Bank of Pakistan, which requires monitoring for at least one year before any upgradation is considered.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

10.2 Advances include Rs.16,960 million (2004: Rs. 20,103 million) which have been placed under non-performing status as detailed below:-

Category of Classification

	2005				
	Domestic	Overseas	Total	Specific provision required	Specific provision held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned *	257,812	-	257,812	-	-
Substandard	997,226	50,087	1,047,313	123,552	123,552
Doubtful	687,047	143,913	830,960	167,720	167,720
Loss	8,306,645	6,517,635	14,824,280	13,010,718	13,010,718
	<u>10,248,730</u>	<u>6,711,635</u>	<u>16,960,365</u>	<u>13,301,990</u>	<u>13,301,990</u>

* The Other Assets Especially Mentioned category pertains to agricultural finance only.

Category of Classification

	2004				
	Domestic	Overseas	Total	Specific provision required	Specific provision held
----- (Rupees in '000) -----					
Other Assets Especially Mentioned	1,365,330	120,072	1,485,402	-	-
Substandard	303,643	29,417	333,060	23,804	23,804
Doubtful	386,312	10,422	396,734	19,871	19,871
Loss	10,533,320	7,354,817	17,888,137	15,578,043	15,578,043
	<u>12,588,605</u>	<u>7,514,728</u>	<u>20,103,333</u>	<u>15,621,718</u>	<u>15,621,718</u>

10.3 Particulars of provision against advances

	Note	2005			2004		
		Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----							
Opening balance		15,621,718	260,937	15,882,655	15,305,058	118,977	15,424,035
Exchange adjustments		12,331	861	13,192	291,675	3,485	295,160
Charge for the year		904,940	652,017	1,556,957	537,153	139,467	676,620
Reversal		(279,955)	-	(279,955)	(240,214)	(992)	(241,206)
		624,985	652,017	1,277,002	296,939	138,475	435,414
Transfers		(295,036)	272,958	(22,078)	259,695	-	259,695
Written off during the year	10.4	(2,662,008)	(23,786)	(2,685,794)	(531,649)	-	(531,649)
Closing balance		<u>13,301,990</u>	<u>1,162,987</u>	<u>14,464,977</u>	<u>15,621,718</u>	<u>260,937</u>	<u>15,882,655</u>

10.3.1 General provision represents provision amounting to Rs. 699.420 million (2004: Rs. 104.390 million) against consumer finance portfolio as required by the revised Prudential Regulations issued by State Bank of Pakistan and Rs. 463.567 million (2004: Rs. 156.547 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries.

	Note	2005	2004
		(Rupees in '000)	
10.4 Particulars of write-offs			
Against provisions	10.3	2,685,794	531,649
Directly charged to profit and loss account		38,140	3,841
		<u>2,723,934</u>	<u>535,490</u>
Write-offs of Rs. 500,000 and above	10.5	1,233,732	311,706
Write-offs of below Rs. 500,000		1,490,202	223,784
		<u>2,723,934</u>	<u>535,490</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
10.5 Details of loan write-offs of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2005 is given in Annexure-B to these financial statements. These loans are written off as a book entry without prejudice to the bank's right of recovery against the customers.

10.6 Particulars of loans and advances to executives, directors, associated companies etc.

Balance as at
December 31,
2005

Maximum amount
of advances
granted during the
year

(Rupees in '000)

Debts due by directors or executives of the Bank or any of them either severally or jointly with any other persons	471,621	595,772
Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members	1,818,141	4,406,861

Note

2005

2004

(Rupees in '000)

11. OTHER ASSETS

Income / mark-up accrued in local currency	7,621,653	6,995,168
Income / mark-up accrued in foreign currency	2,793,121	3,054,158
	10,414,774	10,049,326
Suspense accounts	449,455	432,319
Hajj refund	826,068	132,901
Stationery and stamps on hand	79,524	62,240
Advances, deposits, advance rent and other prepayments	687,736	471,772
Receivable from staff retirement funds	844,360	755,897
Due from other banks against telegraphic and demand drafts	95,468	81,288
Unrealized gain on forward foreign exchange contracts	120,538	62,998
Unrealized gain on sale of securities not yet purchased	41,726	-
Taxes recoverable	-	45,728
Others	792,421	352,516
	<u>14,352,070</u>	<u>12,446,985</u>
Provision held against other assets	11.1 (2,280,212)	(3,052,803)
Unrealized mark-up held in suspense account	(4,242,088)	(4,954,602)
	<u>7,829,770</u>	<u>4,439,580</u>

11.1 Provision against other assets

Opening balance	3,052,803	3,299,708
Exchange adjustments	230	4,415
Charge for the year	87,998	14,196
Reversals	-	(61,700)
	28 87,998	(47,504)
Transfers	49,028	19,881
Amounts written off	(909,847)	(223,697)
Closing balance	<u>2,280,212</u>	<u>3,052,803</u>

12. FIXED ASSETS

Property and equipment	12.1 3,949,865	3,686,954
Intangible assets	12.2 112,607	37,649
Capital work-in-progress	12.8 386,852	244,403
	<u>4,449,324</u>	<u>3,969,006</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
12.1 Property and equipment

	2005										
	COST					ACCUMULATED DEPRECIATION				Net book value at December 31, 2005	Annual rate of depreciation
	At January 1, 2005	Additions/ (deletions)	Revaluation adjustment/ revaluation surplus/ (deficit)	Other adjustments*	At December 31, 2005	At January 1, 2005	Charge for the year/ (depreciation on deletions)	Reversal due to revaluation / other adjustments*	At December 31, 2005		
	----- (Rupees in '000) -----										
Owned											
Freehold land	408,194	-	-	-	408,194	-	-	-	-	408,194	-
Leasehold land	2,285,608	-	-	(11,601)	2,274,007	151,210	90,082	(48,903)	192,389	2,081,618	1 - 3.33%
Buildings on freehold land	57,956	6,233	-	-	64,189	2,898	3,210	-	6,108	58,081	5
Buildings on leasehold land	460,737	104,420	-	223	565,380	72,042	33,709	(9,595)	96,156	469,224	5
Furniture and fixtures	517,163	62,507 (6,694)	-	(28,390)	544,586	458,307	27,849 (5,645)	(75,972)	404,539	140,047	10
Electrical, office and computer equipment	1,292,192	322,195 (13,245)	-	(53,709)	1,547,433	775,490	228,044 (13,120)	(51,184)	939,230	608,203	20-25
Vehicles	326,279	119,358 (31,362)	-	(33,572)	380,703	202,117	29,647 (23,601)	(11,958)	196,205	184,498	20
Assets held under finance lease											
Vehicles	2,215	-	-	(2,215)	-	1,326	-	(1,326)	-	-	20
2005	5,350,344	614,713 (51,301)	-	(129,264)	5,784,492	1,663,390	412,541 (42,366)	(198,938)	1,834,627	3,949,865	
	----- (Rupees in '000) -----										
Owned											
Freehold land	404,384	-	-	3,810	408,194	-	-	-	-	408,194	-
Leasehold land	2,266,357	10,456	-	8,795	2,285,608	-	90,496	60,714	151,210	2,134,398	1 - 3.33%
Buildings on freehold land	57,956	-	-	-	57,956	-	2,898	-	2,898	55,058	5
Buildings on leasehold land	386,771	9,466	-	64,500	460,737	4,536	31,964	35,542	72,042	388,695	5
Furniture and fixtures	587,118	26,958 (2,240)	-	(94,673)	517,163	516,010	34,244 (1,484)	(90,463)	458,307	58,856	10
Electrical, office and computer equipment	972,252	350,489 (7,860)	-	(22,689)	1,292,192	661,693	191,091 (6,888)	(70,406)	775,490	516,702	20-25
Vehicles	224,615	37,218 (8,253)	-	72,699	326,279	128,636	46,487 (6,557)	33,551	202,117	124,162	20
Assets held under finance lease											
Vehicles	118,026	-	-	(115,811)	2,215	65,468	5,613	(69,755)	1,326	889	20
2004	5,017,479	434,587 (18,353)	-	(83,369)	5,350,344	1,376,343	402,793 (14,929)	(100,817)	1,663,390	3,686,954	

* This represents write - off / reclassification of fixed assets based on an exercise being carried out by the management to reconcile their subsidiary records of fixed assets with the ledger balances. This exercise is expected to be completed shortly

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
12.2 Intangible assets

	2005									
	Cost				Accumulated Amortisation				Net book value at December 31, 2005	Annual rate of amortisation
	At January 1, 2005	Additions/ (deletions)	Other adjustments*	At December 31, 2005	At January 1, 2005	Charge for the year/ (amortisation on deletion)	Other adjustments	At December 31, 2005		
	(Rupees in '000)									
Software	46,871	98,339	-	145,210	9,222	23,381	-	32,603	112,607	25

	2004									
	Cost				Accumulated Amortisation				Net book value at December 31, 2004	Annual rate of amortisation
	At January 1, 2004	Additions/ (deletions)	Other adjustments*	At December 31, 2004	At January 1, 2004	Charge for the year/ (amortisation on deletion)	Other adjustments	At December 31, 2004		
	(Rupees in '000)									
Software	7,498	39,373	-	46,871	4,391	4,831	-	9,222	37,649	25

12.3 Revaluation of domestic properties

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2003. The last revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited and M/s. Consultancy Support Services on the basis of professional assessment of present market values and resulted in a surplus of Rs. 991 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	Rupees in '000
Freehold land	4,454
Leasehold land	25,510
Buildings on leasehold land	330,114
Buildings on freehold land	13,569
12.4 Carrying amount of temporarily idle property.	19,931
12.5 The gross carrying amount of fully depreciated assets that are still in use	
Furniture & fixtures	7,135
Electrical, office and computer equipment	116,060
Vehicles	38,118

12.6 International Accounting Standard (IAS) 16, "Property, Plant and Equipment (revised 2003)" is applicable to financial statements covering annual periods beginning on or after January 1, 2005 and requires a review of residual value of assets, useful lives and depreciation method at each financial year end. Accordingly, based on a review of the above, the management has revised their estimate in respect of residual value of vehicles to 20% of cost. Previously, residual value was considered as nil for vehicles.

The above revision has been accounted for as a change in accounting estimates in accordance with the requirements of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of this change in accounting estimate has been recognised prospectively in the profit and loss account of the current year. Had there been no change in accounting estimate, the profit before taxation for the year and net book value of operating fixed assets as at year end would have been lower by Rs 23.094 million.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
12.7 Disposal of fixed assets during the year

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
------(Rupees in '000)-----						
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	6,694	5,645	1,049	1,072	Auction	Various
Electrical, office and computer equipment						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	13,245	13,120	125	454	Auction	Various
Vehicles						
Toyota Corolla	689	688	1	68	Retirement benefit	Miss Nighat Saeed (SVP)
Suzuki Khyber	279	278	1	-	Retirement benefit	M.Hamidullah (SVP)
Toyota Corolla	594	593	1	59	Retirement benefit	Masood Pervaiz (SVP)
Toyota Corolla	680	679	1	67	Retirement benefit	Qazi Nuzair ul Haq (SVP)
Toyota Corolla	610	609	1	-	Retirement benefit	Nasrullah Khokhar (SEVP)
Nissan Sunny	579	578	1	-	Retirement benefit	Rafiq Khatak (EVP)
Toyota Corolla	594	593	1	-	Retirement benefit	Azizullah Memon (SEVP)
Toyota Corolla	600	599	1	59	Retirement benefit	Fawzi Khawaja (EVP)
Toyota Corolla	629	628	1	66	Retirement benefit	Abdul Ghafar (SVP)
Items having book value of more than Rs. 250,000 and cost of more than Rs. 1,000,000						
Honda Civic	1,042	72	970	1,042	Negotiation	Zeeshan Sanwar
Honda Civic	1,245	625	620	950	Insurance claim	Adamjee Insurance Company
Honda Civic	1,399	118	1,281	1,282	Insurance claim	Adamjee Insurance Company
Honda Civic	1,245	416	829	850	Employee benefit	Mansoor Khan (SEVP)
Honda Civic	1,120	338	782	783	Retirement benefit	Miss Rukhsana (SEVP)
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000	20,057	16,787	3,270	14,954		
	31,362	23,601	7,761	20,180		
Total	51,301	42,366	8,935	21,706		

12.8 Capital work-in-progress essentially comprises civil works and advances to suppliers and contractors.

	Note	2005 (Rupees in '000)	2004
13. DEFERRED TAX ASSET			
Deferred tax - net	13.1	2,273,005	5,194,892

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
	(Rupees in '000)	
13.1 The balances of deferred taxation comprises:		
Deductible temporary differences on recognized tax losses	1,511,888	4,599,000
other deductible differences	805,699	677,717
	<u>2,317,587</u>	<u>5,276,717</u>
Taxable temporary differences on surplus on revaluation of fixed assets	(64,267)	(68,143)
surplus on revaluation of investments	19,685	(13,682)
	<u>(44,582)</u>	<u>(81,825)</u>
	<u>2,273,005</u>	<u>5,194,892</u>

The Bank is allowed to carry forward its tax losses incurred during the financial years ended December 31, 1994 to December 31, 1999 for ten years in terms of Section 57 (2A) the Income Tax Ordinance, 2001. The bank has assessed brought forward losses to the extent of Rs 14,625 million available upto tax year 2005.

	Note	2005	2004
		(Rupees in '000)	
14. CONTINGENT ASSETS			
There were no contingent assets as at the balance sheet date.			
15. BILLS PAYABLE			
In Pakistan		4,080,008	3,682,779
Outside Pakistan		79,956	128,505
		<u>4,159,964</u>	<u>3,811,284</u>
16. BORROWINGS FROM FINANCIAL INSTITUTIONS			
In Pakistan		21,676,489	11,877,856
Outside Pakistan		113,991	97,828
		<u>21,790,480</u>	<u>11,975,684</u>
16.1 Particulars of borrowings from financial institutions			
In local currency		21,676,489	11,877,856
In foreign currencies		113,991	97,828
		<u>21,790,480</u>	<u>11,975,684</u>
16.2 Details of borrowings from financial institutions			
Secured			
Borrowings from the State Bank of Pakistan under Export refinance scheme	16.3	7,453,261	5,988,377
Long-term financing under export oriented projects		303,410	-
Locally manufactured machinery refinance scheme		5,195	9,872
		<u>7,761,866</u>	<u>5,998,249</u>
Borrowings from financial institutions		-	17,830
Repurchase agreement borrowings	16.4	8,434,771	4,629,607
		<u>16,196,637</u>	<u>10,645,686</u>
Unsecured			
Call Borrowings	16.5	4,000,000	500,000
Overdrawn nostro accounts		113,991	79,998
Trading liabilities		1,479,852	750,000
		<u>5,593,843</u>	<u>1,329,998</u>
		<u>21,790,480</u>	<u>11,975,684</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

- 16.3** The bank has entered into agreements with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the bank has granted SBP the right to recover the outstanding amount from the bank at the date of maturity of finances by directly debiting the current account maintained by the bank with SBP.
- 16.4** These carry mark-up at rates ranging from 6.50% to 8.45% per annum (2004: 3.5% to 5.35% per annum).
- 16.5** These carry mark-up at rates ranging from 1% to 9.25% per annum (2004: 2.25% to 5.2% per annum).

	2005	2004	
	(Rupees in '000)		
17. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits	79,841,687	42,971,478	
Savings deposits	122,662,484	118,243,902	
Sundry deposits	4,148,275	3,161,327	
Margin deposits	2,214,877	1,218,963	
Current accounts - remunerative	1,886,548	393,760	
Current accounts - non-remunerative	78,324,614	64,150,773	
	<u>289,078,485</u>	<u>230,140,203</u>	
Financial Institutions			
Remunerative deposits	-	-	
Non-remunerative deposits	147,814	116,424	
	<u>147,814</u>	<u>116,424</u>	
	<u><u>289,226,299</u></u>	<u><u>230,256,627</u></u>	
17.1 Particulars of deposits and other accounts			
In local currency	235,708,482	190,334,868	
In foreign currencies	53,517,817	39,921,759	
	<u>289,226,299</u>	<u>230,256,627</u>	
18. SUB-ORDINATED LOANS -UNSECURED			
	<u>Note</u>		
	<u>Issue Date</u>		
	<u>Tenor</u>		
	<u>Rate</u>		
	<u>Maturity</u>		
	<u>Frequency</u>		
	<u>2005</u>	<u>2004</u>	
	(Rupees in '000)		
Term Finance Certificates - I	18.1 Aug-04 8 years 8.45% 2012 Aug Semi Annual	1,999,232	2,000,000
Term Finance Certificates - II	18.1 Feb-05 8 years 9.49% 2013 Feb Semi Annual	1,999,960	1,500,000
		<u>3,999,192</u>	<u>3,500,000</u>

- 18.1** These represent listed Term Finance Certificates (TFCs) issued by the bank in the year 2004 and 2005 having tenor of eight years. The liability of the bank is subordinated as to the payment of principal and profit to all other indebtedness of the bank (including deposits) and is not redeemable before maturity without approval of the State Bank of Pakistan.

	Note	2005	2004
		(Rupees in '000)	
19. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		1,775,186	818,789
Mark-up / return / interest payable in foreign currency		132,657	49,573
Accrued expenses		752,355	595,643
Branch adjustment account		38,015	1,459,558
Payable under severance scheme		37,060	47,222
Unearned commission		21,149	40,821
Provision for taxation - net	19.1	202,883	-
Provision against off-balance sheet obligations	19.2	612,480	370,544
Unrealized loss on derivative financial instruments - net	19.3	160,574	13,077
Deferred liabilities	19.4	2,287,092	2,191,180
Others		185,295	118,342
		<u>6,204,746</u>	<u>5,704,749</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

19.1 The income tax assessments of the bank for domestic branches have been finalised under normal law upto the assessment year 2002-2003 and tax year 2003 to 2005 under the provisions of section 120(1) of the Income Tax Ordinance, 2001. The case of the tax year 2003 was selected for audit under section 177 of the Income Tax Ordinance, 2001 and the proceedings are pending before the taxation officer. In respect of Azad Kashmir Branches, assessment for the tax year 2003 and 2004 have been finalised in the light of agreement reached between the banks and Azad Kashmir Council in May 2005. The return for the tax year 2005 has also been filed as per the terms of the said agreement. Refunds determined as the result of the deemed assessment for the tax year 2004 amounting to Rs. 301.139 million were received during the year.

	Note	2005 (Rupees in '000)	2004 (Rupees in '000)
19.2 Provision against off balance sheet obligations			
Opening balance		370,544	749,825
Charge / (reversal) during the year	28	238,712	-
Transfers during the year		3,224	(379,281)
		<u>612,480</u>	<u>370,544</u>

	2005		2004	
	Contract/ Notional amount	Fair values	Contract/ Notional amount	Fair values
----- (Rupees in '000) -----				
Unrealised loss on:				
Interest rate swaps	7,826,415	156,272	2,840,000	6,546
Forward rate agreements	-	-	115,000	51
Equity futures	43,765	(2,125)	122,864	6,480
Forward purchase contracts of government securities	598,194	6,427	-	-
	<u>8,468,374</u>	<u>160,574</u>	<u>3,077,864</u>	<u>13,077</u>

	2005 (Rupees in '000)	2004 (Rupees in '000)
19.4 Deferred liabilities		
Provision for post retirement medical benefit	1,154,400	1,076,874
Provision for gratuity - overseas	95,192	78,306
Provision for compensated absences	1,037,500	1,036,000
	<u>2,287,092</u>	<u>2,191,180</u>

20. SHARE CAPITAL
20.1 Authorised Capital

2005	2004		2005	2004
Number of shares				
<u>1,030,000,000</u>	<u>1,030,000,000</u>	Ordinary shares of Rs 10 each	<u>10,300,000</u>	<u>10,300,000</u>

20.2 Issued, subscribed and paid-up capital

2005	2004		2005	2004
Number of shares				
<u>518,000,000</u>	<u>518,000,000</u>	Issued for cash	<u>5,180,000</u>	<u>5,180,000</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
20.3 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholder	2005	
	Number of shares held	Percentage of shareholding
State Bank of Pakistan	230,326,923	44.46%
Abu Dhabi Group	132,090,000	25.50%
Best Way Group	132,090,000	25.50%
	<u>494,506,923</u>	<u>95.46%</u>

	Note	2005		2004	
		(Rupees in '000)			
21. SURPLUS ON REVALUATION OF ASSETS					
Surplus arising on revaluation of assets - net of tax :					
Fixed assets	21.1	2,579,203		2,673,351	
Securities	21.2	332,793		320,313	
		<u>2,911,996</u>		<u>2,993,664</u>	
21.1 Surplus on revaluation of fixed assets					
Surplus on revaluation of fixed assets at January 1,		2,741,494		2,839,890	
Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(94,148)		(94,214)	
Related deferred tax liability of incremental depreciation charged during the year		(3,876)		(4,182)	
		<u>2,643,470</u>		<u>2,741,494</u>	
Less: Related deferred tax liability on:					
Revaluation as on January 1		68,143		72,325	
Incremental depreciation charged on related assets		(3,876)		(4,182)	
		<u>64,267</u>		<u>68,143</u>	
		<u>2,579,203</u>		<u>2,673,351</u>	
21.2 Surplus on revaluation of securities					
Market Treasury Bills		(11,405)		(10,837)	
Pakistan Investment Bonds		(60,063)		60,512	
Quoted securities		384,576		284,320	
		313,108		333,995	
Related deferred tax liability		19,685		(13,682)	
		<u>332,793</u>		<u>320,313</u>	
22. CONTINGENCIES AND COMMITMENTS					
22.1 Direct credit substitutes					
Contingent liabilities in respect of guarantees given favoring					
Government		1,683,912		856,437	
Banking companies and other financial institutions		769,256		1,428,103	
Others		2,325,041		1,726,278	
		<u>4,778,209</u>		<u>4,010,818</u>	
22.2 Transaction-related contingent liabilities					
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favoring					
Government		14,640,161		7,477,242	
Banking companies and other financial institutions		785,981		201,946	
Others		5,287,560		4,051,297	
		<u>20,713,702</u>		<u>11,730,485</u>	

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
	(Rupees in '000)	
22.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favoring		
Government	1,485,183	185,994
Banking companies and other financial institutions	291,841	216,960
Others	70,827,123	55,713,984
	<u>72,604,147</u>	<u>56,116,938</u>
22.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>6,054,243</u>	<u>6,115,838</u>
22.5 Commitments in respect of forward lending		
Commitments to extend credit	<u>16,803,900</u>	<u>1,651,359</u>
22.6 Commitments in respect of forward foreign exchange contracts		
Sale	<u>38,202,754</u>	<u>24,618,916</u>
Purchase	<u>34,338,394</u>	<u>21,452,980</u>
22.7 Other commitments		
Forward purchase contracts of government securities	<u>598,194</u>	<u>-</u>
Interest rate swaps	<u>7,826,415</u>	<u>2,840,000</u>
Equity futures	<u>43,765</u>	<u>122,864</u>
Forward rate agreements	<u>-</u>	<u>115,000</u>
Sale of securities not yet purchased	<u>1,479,279</u>	<u>750,000</u>
Commitments in respect of capital expenditure	<u>217,112</u>	<u>229,050</u>
23. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances		
- Customers	14,434,808	5,901,811
- Financial institutions	604,879	180,439
	15,039,687	6,082,250
On investments in		
- Available for sale securities	2,554,113	1,349,958
- Held to maturity securities	1,262,153	1,426,193
- Associates	28,790	18,345
	3,845,056	2,794,496
On deposits with financial institutions	159,977	40,350
On securities purchased under resale agreements	1,103,566	311,628
Discount income	10,574	5,157
	<u>20,158,860</u>	<u>9,233,881</u>
24. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	4,995,752	1,443,821
On securities sold under repurchase agreements	295,952	107,041
On other short - term borrowings	699,716	141,848
On long - term borrowings	24,088	52
Discount expense	30,440	39,998
	<u>6,045,948</u>	<u>1,732,760</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

	Note	2005	2004
		(Rupees in '000)	
25. DIVIDEND INCOME / GAIN ON SALE OF INVESTMENTS			
Dividend income		202,343	154,565
Gain on sale of investments		381,639	947,945
		<u>583,982</u>	<u>1,102,510</u>
26. OTHER INCOME			
Charges recovered from customers		1,083,091	983,908
Rent on properties		89,340	77,051
Liabilities no longer required written back		25,000	-
Net gain on sale of fixed assets		12,771	11,797
		<u>1,210,202</u>	<u>1,072,756</u>
27. ADMINISTRATIVE EXPENSES			
Personnel Cost			
Salaries, allowances etc.		3,798,545	3,314,264
Charge for compensated absences		129,628	546,216
Medical expenses		233,003	218,566
Contribution to defined contribution plan		89,423	74,463
(Reversal) / charge for defined benefit obligations		(101,279)	39,596
		4,149,320	4,193,105
Premises Cost			
Rent, taxes, insurance, electricity etc.		684,835	586,983
Depreciation	12.1	127,000	123,724
Repairs and maintenance		29,899	29,899
		841,734	740,606
Other Operating Cost			
Outsourced service charges including sales commission		621,217	141,408
Communications		387,739	304,140
Advertisement and publicity		343,331	223,212
Depreciation	12.1	285,541	279,069
Stationery and printing		194,599	120,233
Banking service charge		150,399	80,821
Legal and professional charges		134,522	100,597
Cash transportation charges		116,980	74,323
Travelling		85,520	80,188
Repairs and maintenance		75,958	51,398
Donations	27.1	63,361	-
Vehicle expenses		56,305	31,665
Office running expenses		49,036	37,082
Entertainment		46,234	33,445
Cartage, freight and conveyance		36,174	28,476
Training and seminar		35,509	18,945
Auditors' remuneration	27.2	25,708	23,135
Amortization	12.2	23,381	4,831
Subscriptions		16,568	12,737
Brokerage expenses		14,865	14,579
Computer expenses		13,872	14,557
Sub-ordinated debt issuance costs		1,909	62,509
Non-executive directors' fee and allowances		40	5
Finance charges on leased assets		3	2,903
Miscellaneous expenses		104,188	120,342
		<u>2,882,959</u>	<u>1,860,600</u>
		<u>7,874,013</u>	<u>6,794,311</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

27.1 During the year, the bank has contributed Rs 63.361 million towards the President's Relief Fund for earthquake victims. Donations were not made to any donee in which the bank or a director or his spouse had any interest.

27.2 Auditors' remuneration

	2005		
	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.	Total
----- (Rupees in '000) -----			
Audit fee	4,730	4,730	9,460
Fee for audit of EPZ branch	56	-	56
Special certifications and sundry advisory services	725	725	1,450
Fee for audit of overseas branches	-	-	11,389
Out of pocket expenses	1,677	1,676	3,353
	<u>7,188</u>	<u>7,131</u>	<u>25,708</u>

	2004		
	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.	Total
----- (Rupees in '000) -----			
Audit fee	4,300	4,300	8,600
Fee for audit of EPZ branch	56	-	56
Special certifications and sundry advisory services	574	630	1,204
Fee for audit of overseas branches	-	-	11,265
Out of pocket expenses	1,005	1,005	2,010
	<u>5,935</u>	<u>5,935</u>	<u>23,135</u>

	Note	2005	2004
		(Rupees in '000)	
28. OTHER PROVISIONS / WRITE OFFS			
Provision / (Reversal) against other assets - net	11.1	87,998	(47,504)
Provision against off balance sheet obligations	19.2	238,712	-
Other provisions/write offs		8,699	13,082
		<u>335,409</u>	<u>(34,422)</u>

29. OTHER CHARGES

Penalties		<u>7,066</u>	<u>10,456</u>
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30. TAXATION

	2005			
	Overseas	Azad Kashmir	Domestic	Total
----- (Rupees in '000) -----				
Current tax	255,948	223,366	19,434	498,748
Prior year tax	7,589	71,025	-	78,614
Deferred taxation	617,100	188,634	2,149,520	2,955,254
	<u>880,637</u>	<u>483,025</u>	<u>2,168,954</u>	<u>3,532,616</u>

	2004			
	Overseas	Azad Kashmir	Domestic	Total
----- (Rupees in '000) -----				
Current tax	185,511	46,547	51,025	283,083
Prior year tax	28,850	256,351	-	285,201
Deferred taxation	152,197	16,051	451,652	619,900
	<u>366,558</u>	<u>318,949</u>	<u>502,677</u>	<u>1,188,184</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

	2005	2004
	(Rupees in '000)	
30.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	<u>9,481,648</u>	<u>4,889,728</u>
Tax on income @ 38% (2004: 41%)	3,603,023	2,004,788
Tax effect of items that are not included in determining taxable profit	54,798	(78,205)
Deferred tax asset recognized on assessed losses / temporary differences net of reversal	(679,258)	(1,237,134)
Reversal of deferred tax liability on incremental depreciation	(3,876)	(4,182)
Tax charge of overseas branches	479,315	217,716
Prior year tax charge	<u>78,614</u>	<u>285,201</u>
Tax charge	<u><u>3,532,616</u></u>	<u><u>1,188,184</u></u>

31. BASIC / DILUTED EARNINGS PER SHARE

Profit after taxation for the year	<u>5,949,032</u>	<u>3,701,544</u>
	(Number of shares)	
Weighted average number of ordinary shares	<u>518,000,000</u>	<u>518,000,000</u>
	(Rupees)	
Basic / diluted earnings per share	<u>11.48</u>	<u>7.15</u>

32. CASH AND CASH EQUIVALENTS

	2005	2004
	(Rupees in '000)	
Cash and balances with treasury banks	34,062,679	23,844,435
Balances with other banks	<u>12,729,207</u>	<u>17,699,334</u>
	<u><u>46,791,886</u></u>	<u><u>41,543,769</u></u>

33. STAFF STRENGTH

	(Number)	
Total number of employees at the end of the year	<u>9,354</u>	<u>9,206</u>

34. EMPLOYEE BENEFITS
34.1 Defined Benefit Plans - General description

The Bank operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for new employees and those employees who have not opted for the pension scheme. Further, the Bank also operates a contributory benevolent fund scheme and provides post retirement medical to eligible retired employees. The benevolent fund plan and post retirement medical plan cover all the regular employees of the Bank.

A portion of actuarial gains and losses is recognized over the expected average remaining working lives of employees if the net cumulative unrecognized actuarial gains and losses at the end of previous reporting period exceed the "corridor" defined as greater of:

- (a) 10% of the present value of the defined benefit obligation at that date (before deducting plan assets), and
- (b) 10% of the fair values of any plan assets at that date.

These limits are calculated and applied separately for each defined benefit scheme.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
34.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2005. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the defined benefit plans:

Discount rate	9%
Expected rate of return on plan assets	9%
Expected rate of salary increase	9%
Expected rate of pension increase	4%

34.3 Reconciliation of (receivable from) / payable to defined benefit plans

	2005				2004			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)				(Rupees in '000)			
Present value of defined benefit obligations	4,184,487	381,983	665,686	1,263,750	4,027,184	292,738	719,317	1,256,633
Fair value of any plan assets	(6,349,249)	(345,484)	(773,365)	-	(6,496,932)	(278,261)	(698,839)	-
Net actuarial gains or (losses) not recognized	1,818,703	(39,872)	98,124	(109,350)	2,084,894	(15,786)	(21,090)	(179,759)
(Receivable) / payable	<u>(346,059)</u>	<u>(3,373)</u>	<u>(9,555)</u>	<u>1,154,400</u>	<u>(384,854)</u>	<u>(1,309)</u>	<u>(612)</u>	<u>1,076,874</u>

34.4 Movement in (receivable) / payable to defined benefit plans

	2005				2004			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)				(Rupees in '000)			
Opening balance	(384,854)	(1,309)	(612)	1,076,874	(150,413)	(47,267)	(1,700)	872,331
Charge/ (reversal) for the year	(309,773)	38,376	9,442	125,269	(278,527)	20,958	30,081	247,663
Contribution to / (refund from) fund made during the year	360,000	(40,440)	(9,929)	-	44,086	25,000	(28,993)	-
Benefits paid	(11,432)	-	(8,456)	(47,743)	-	-	-	(43,120)
Closing balance	<u>(346,059)</u>	<u>(3,373)</u>	<u>(9,555)</u>	<u>1,154,400</u>	<u>(384,854)</u>	<u>(1,309)</u>	<u>(612)</u>	<u>1,076,874</u>

34.5 Charge for defined benefit plans

	2005				2004			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)				(Rupees in '000)			
Current service cost	21,416	40,895	18,345	19,922	39,206	28,173	15,877	17,860
Interest cost	322,175	23,419	57,545	100,531	201,819	16,771	34,962	63,890
Expected return on plan assets	(523,293)	(25,938)	(55,907)	-	(349,266)	(23,145)	(36,440)	-
Actuarial (gains) and losses	(130,071)	-	-	4,816	(170,286)	(841)	-	-
Amortization of transitional obligations	-	-	-	-	-	-	24,882	165,913
Employees' contribution	-	-	(10,541)	-	-	-	(9,200)	-
	<u>(309,773)</u>	<u>38,376</u>	<u>9,442</u>	<u>125,269</u>	<u>(278,527)</u>	<u>20,958</u>	<u>30,081</u>	<u>247,663</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
34.6 Actual return on plan assets

Among the defined benefit plans, currently the pension, gratuity and benevolent fund plans are funded. The actual return earned on the assets during the year 2005 are:

Pension fund	Rs. 329 million
Benevolent fund	Rs. 53 million
Gratuity fund	Rs. 110 million

35. OTHER EMPLOYEE BENEFITS
35.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 5,294 (2004: 5,294) employees who are not in the pension scheme. The employer and employee both contribute 8.33% of the basic salaries to the funded scheme every month.

35.2 Employee compensated absences

The liability of the bank in respect of long-term employee compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit Method. The liability of the bank as per the latest actuarial valuation carried out as at December 31, 2005 amounted to Rs. 1,037.50 million which has been fully provided by the bank. The charge for the year in respect of these absences amounted to Rs.129.628 million which is shown in note 27 to these financial statements.

36. REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
	----- (Rupees in '000) -----					
Fees	-	-	40	5	-	-
Managerial remuneration	19,604	12,667	-	-	276,608	143,699
Charge for defined benefit plan	524	528	-	-	9,247	5,431
Contribution to defined contribution plan	903	1,056	-	-	15,782	11,025
Rent and house maintenance	1,970	1,266	-	-	85,224	58,655
Utilities	346	664	-	-	18,939	17,157
Medical	33	656	-	-	18,939	13,012
Reimbursement of children's education fees	43	128	-	-	-	-
Vehicle running, maintenance and others	639	471	-	-	12,634	17,569
	<u>24,062</u>	<u>17,436</u>	<u>40</u>	<u>5</u>	<u>437,373</u>	<u>266,548</u>
Number of persons	<u>1</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>207</u>	<u>158</u>

The Chief Executive and certain executives are provided with free use of the bank's maintained cars and household equipments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
37. MATURITIES OF ASSETS AND LIABILITIES - Based on contractual maturity of the assets and liabilities of the bank

	----- 2005 -----				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five Years
----- (Rupees in '000) -----					
Assets					
Cash and balances with treasury banks	34,062,679	34,062,679	-	-	-
Balances with other banks	12,729,207	12,412,496	-	-	316,711
Lending to financial institutions	17,867,552	11,936,288	1,330,456	4,600,808	-
Investments	63,026,944	5,707,305	29,334,830	19,438,805	8,546,004
Advances - Performing	201,152,095	89,159,329	40,912,726	48,677,366	22,402,674
- Non Performing	3,658,375	-	-	-	3,658,375
Other assets	7,829,770	7,142,034	-	-	687,736
Fixed assets	4,449,324	146,915	326,942	1,593,355	2,382,112
Deferred tax assets	2,273,005	394,064	1,182,193	193,610	503,138
	<u>347,048,951</u>	<u>160,961,110</u>	<u>73,087,147</u>	<u>74,503,944</u>	<u>38,496,750</u>
Liabilities					
Bills payable	4,159,964	4,159,964	-	-	-
Borrowings from financial institutions	21,790,480	19,350,014	2,440,466	-	-
Deposits and other accounts	289,226,299	252,526,237	15,962,378	10,962,615	9,775,069
Subordinated loan	3,999,192	414	414	3,312	3,995,052
Other liabilities	6,204,746	3,086,775	317,064	460,721	2,340,186
	<u>325,380,681</u>	<u>279,123,404</u>	<u>18,720,322</u>	<u>11,426,648</u>	<u>16,110,307</u>
Net assets	<u>21,668,270</u>	<u>(118,162,294)</u>	<u>54,366,825</u>	<u>63,077,296</u>	<u>22,386,443</u>
Represented by:					
Share capital	5,180,000				
Reserves	6,225,461				
Unappropriated profit	7,350,813				
Surplus on revaluation of assets	2,911,996				
	<u>21,668,270</u>				

The above mentioned maturity profile has been prepared in accordance with IAS 30: Disclosures in the financial statements of banks and similar financial institutions based on contractual maturities. The management believes that such a maturity analysis does not reveal the expected maturity of current and savings deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The maturity profile disclosed in note 37.1 that includes maturities of current and savings deposits determined by the Asset and Liability Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis of the liquidity risk of the bank.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
37.1 MATURITIES OF ASSETS AND LIABILITIES - Based on working prepared by the Asset and Liability Management Committee (ALCO) of the bank

	----- 2005 -----				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five Years
----- (Rupees in '000) -----					
Assets					
Cash and balances with treasury banks	34,062,679	18,881,471	4,474,938	3,539,660	7,166,610
Balances with other banks	12,729,207	12,412,496	-	-	316,711
Lendings to financial institutions	17,867,552	11,936,288	1,330,456	4,600,808	-
Investments	63,026,944	6,544,158	27,691,240	17,489,604	11,301,942
Advances - Performing	201,152,095	89,159,329	40,912,726	48,677,366	22,402,674
- Non Performing	3,658,375	-	-	-	3,658,375
Other assets	7,829,770	2,232,779	4,567,437	-	1,029,554
Fixed assets	4,449,324	-	-	-	4,449,324
Deferred tax assets	2,273,005	-	1,022,852	1,250,153	-
	<u>347,048,951</u>	<u>141,166,521</u>	<u>79,999,649</u>	<u>75,557,591</u>	<u>50,325,190</u>
Liabilities					
Bills payable	4,159,964	4,159,964	-	-	-
Borrowings from financial institutions	21,790,480	19,350,014	2,440,466	-	-
Deposits and other accounts	289,226,299	91,971,760	60,437,068	45,488,566	91,328,905
Subordinated loan	3,999,192	414	414	3,312	3,995,052
Other liabilities	6,204,746	2,333,421	202,884	-	3,668,441
	<u>325,380,681</u>	<u>117,815,573</u>	<u>63,080,832</u>	<u>45,491,878</u>	<u>98,992,398</u>
Net assets	<u><u>21,668,270</u></u>	<u><u>23,350,948</u></u>	<u><u>16,918,817</u></u>	<u><u>30,065,713</u></u>	<u><u>(48,667,208)</u></u>
Represented by:					
Share capital	5,180,000				
Reserves	6,225,461				
Unappropriated profit	7,350,813				
Surplus on revaluation of assets	2,911,996				
	<u>21,668,270</u>				

Current and savings deposits do not have any contractual maturity therefore, current deposits and savings accounts have been classified between all four maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level. *AKG KPMSTH*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

	----- 2004 -----				
	Total	Upto three months	Over 3 months to one year	Over one year to five years	Over five Years
----- (Rupees in '000) -----					
Assets					
Cash and balances with treasury banks	23,844,435	23,844,435	-	-	-
Balances with other banks	17,699,334	17,699,334	-	-	-
Lending to financial institutions	18,360,633	9,887,955	8,472,678	-	-
Investments	54,953,728	19,143,306	4,781,152	19,134,025	11,895,245
Advances - Performing	139,669,440	31,872,254	56,976,806	23,381,155	27,439,225
- Non Performing	4,481,615	-	-	4,481,615	-
Other assets	4,439,580	3,473,100	966,480	-	-
Fixed assets	3,969,006	101,391	301,508	1,206,546	2,359,561
Deferred tax assets	5,194,892	512,749	1,579,295	2,810,593	292,255
	<u>272,612,663</u>	<u>106,534,524</u>	<u>73,077,919</u>	<u>51,013,934</u>	<u>41,986,286</u>
Liabilities					
Bills payable	3,811,284	3,049,027	762,257	-	-
Borrowings from financial institutions	11,975,684	5,977,435	5,998,249	-	-
Deposits and other accounts	230,256,627	33,284,050	28,051,150	20,767,543	148,153,884
Subordinated loan	3,500,000	-	798	3,312	3,495,890
Liabilities against assets subject to finance lease	288	288	-	-	-
Other liabilities	5,704,749	3,135,537	119,202	897,397	1,552,613
	<u>255,248,632</u>	<u>45,446,337</u>	<u>34,931,656</u>	<u>21,668,252</u>	<u>153,202,387</u>
Net assets	<u>17,364,031</u>	<u>61,088,187</u>	<u>38,146,263</u>	<u>29,345,682</u>	<u>(111,216,101)</u>

Represented by:

Share capital	5,180,000
Reserves	5,915,928
Unappropriated profit	3,274,439
Surplus on revaluation of assets	2,993,664
	<u>17,364,031</u>

Current and savings deposits do not have any contractual maturity therefore, current deposits and savings accounts have been classified between all four maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
38. YIELD / INTEREST RATE RISK

Yield / Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on settlement date.

----- 2005 -----							
Effective yield/ Interest rate	Total	Exposed to Yield / Interest risk				Not exposed to yield/ interest risk	
		Upto three months	Over 3 months to one year	Over one year to five years	Over five years		
%	----- (Rupees in '000) -----						
On-balance sheet financial instruments							
Assets							
Cash and balances with treasury banks	2.9%	34,062,679	8,658,736	-	-	-	25,403,943
Balances with other banks	3.8%	12,729,207	7,866,999	-	-	-	4,862,208
Lending to financial institutions	6.5%	17,867,552	11,936,288	1,330,456	4,600,808	-	-
Investments	5.8%	63,026,944	3,430,358	28,248,883	19,666,913	7,533,208	4,147,582
Advances - Performing	8.5%	201,152,095	126,725,819	60,345,628	14,080,648	-	-
- Non Performing	-	3,658,375	-	-	-	-	3,658,375
Other assets	-	6,502,315	-	-	-	-	6,502,315
		338,999,167	158,618,200	89,924,967	38,348,369	7,533,208	44,574,423
Liabilities							
Bills payable	-	4,159,964	-	-	-	-	4,159,964
Borrowings from financial institutions	8.30%	21,790,480	19,350,014	2,440,466	-	-	-
Deposits	2.00%	289,226,299	109,526,249	58,900,207	26,093,546	7,984,169	86,722,128
Subordinated loans	9.10%	3,999,192	414	414	3,312	3,995,052	-
Other liabilities	-	2,713,786	-	-	-	-	2,713,786
		321,889,721	128,876,677	61,341,087	26,096,858	11,979,221	93,595,878
On-balance sheet gap		<u>17,109,446</u>	<u>29,741,523</u>	<u>28,583,880</u>	<u>12,251,511</u>	<u>(4,446,013)</u>	<u>(49,021,455)</u>
Off-balance sheet financial instruments							
Foreign currency forward purchases		34,338,394	29,504,753	4,833,641	-	-	-
Foreign currency forward sales		(38,202,754)	(29,125,523)	(9,077,231)	-	-	-
Interest rate swaps		7,826,415	-	-	7,476,415	350,000	-
Equity futures		(43,765)	-	-	-	-	(43,765)
Off-balance sheet gap		<u>3,918,290</u>	<u>379,230</u>	<u>(4,243,590)</u>	<u>7,476,415</u>	<u>350,000</u>	<u>(43,765)</u>
Total Yield/Interest Risk Sensitivity Gap			<u>30,120,753</u>	<u>24,340,290</u>	<u>19,727,926</u>	<u>(4,096,013)</u>	<u>(49,065,220)</u>
Cumulative Yield/Interest Risk Sensitivity Gap			<u>30,120,753</u>	<u>54,461,043</u>	<u>74,188,969</u>	<u>70,092,956</u>	<u>21,027,736</u>

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

----- 2004 -----							
Effective yield/ Interest rate	Total	Exposed to Yield / Interest risk				Not exposed to yield/ interest risk	
		Upto three months	Over 3 months to one year	Over one year to five years	Over five years		
%	----- (Rupees in '000) -----						
On-balance sheet financial instruments							
Assets							
Cash and balances with treasury banks	0.01%	23,844,435	1,216,129	-	-	-	22,628,306
Balances with other banks	1.84%	17,699,334	15,884,322	-	-	-	1,815,012
Lending to financial institutions	2.12%	18,360,633	9,887,955	8,472,678	-	-	-
Investments	6.69%	54,953,728	19,143,306	4,781,152	18,249,912	11,872,333	907,025
Advances - Performing	4.63%	139,669,440	31,872,254	56,976,806	23,381,155	27,439,225	-
- Non Performing	-	4,481,615	-	-	-	-	4,481,615
Other assets	-	2,943,023	-	-	-	-	2,943,023
		261,952,208	78,003,966	70,230,636	41,631,067	39,311,558	32,774,981
Liabilities							
Bills payable	-	3,811,284	3,049,027	762,257	-	-	-
Borrowings from financial institutions	1.93%	11,975,684	5,977,435	5,998,249	-	-	-
Deposits	0.76%	230,256,627	32,931,044	26,707,153	18,976,427	86,272,267	65,369,736
Subordinated loans	8.93%	3,500,000	-	798	3,312	3,495,890	-
Liabilities against assets subject to finance lease	12%-13.5%	288	288	-	-	-	-
Other liabilities	-	1,662,812	-	-	-	-	1,662,812
		251,206,695	41,957,794	33,468,457	18,979,739	89,768,157	67,032,548
On-balance sheet gap		<u>10,745,513</u>	<u>36,046,172</u>	<u>36,762,179</u>	<u>22,651,328</u>	<u>(50,456,599)</u>	<u>(34,257,567)</u>
Off-balance sheet financial instruments							
Foreign currency forward purchases		21,452,980	18,726,398	2,726,582	-	-	-
Foreign currency forward sales		(24,618,916)	(16,364,138)	(8,254,778)	-	-	-
Interest rate swaps		2,840,000	-	-	2,840,000	-	-
Equity futures		122,864	-	-	-	-	122,864
Off-balance sheet gap		<u>(203,072)</u>	<u>2,362,260</u>	<u>(5,528,196)</u>	<u>2,840,000</u>	<u>-</u>	<u>122,864</u>
Total Yield/Interest Risk Sensitivity Gap			<u>38,408,432</u>	<u>31,233,983</u>	<u>25,491,328</u>	<u>(50,456,599)</u>	<u>(34,134,703)</u>
Cumulative Yield/Interest Risk Sensitivity Gap			<u>38,408,432</u>	<u>69,642,415</u>	<u>95,133,743</u>	<u>44,677,144</u>	<u>10,542,441</u>

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates. *AMe Co KPMSTH*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
39. CURRENCY RISK

	2005			
	Assets	Liabilities	Off balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	288,001,610	261,217,900	(4,078,046)	22,705,664
US Dollar	20,374,084	25,637,948	3,299,203	(1,964,661)
Pound Sterling	4,491,815	3,421,554	(645,619)	424,642
Euro	1,901,391	1,390,159	514,839	1,026,071
Japanese Yen	465,140	1,952	488,031	951,219
Other Currencies	31,814,911	33,711,168	421,592	(1,474,665)
	<u>347,048,951</u>	<u>325,380,681</u>	<u>-</u>	<u>21,668,270</u>

	2004			
	Assets	Liabilities	Off balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	219,254,067	203,401,587	3,049,541	18,902,021
US Dollar	29,123,044	22,250,409	(2,299,954)	4,572,681
Pound Sterling	3,686,653	1,775,764	(156,808)	1,754,081
Euro	964,347	1,030,029	(13,241)	(78,923)
Japanese Yen	317,841	13	(320,224)	(2,396)
Other Currencies	19,266,711	26,790,830	(259,314)	(7,783,433)
	<u>272,612,663</u>	<u>255,248,632</u>	<u>-</u>	<u>17,364,031</u>

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in the foreign exchange rates. In order to avoid losses arising from adverse movements in the rate of exchange, the management monitors compliance with all external and internal limits (including currency, dealer and counter party limits), review of foreign exchange exposure and regular revaluation of the entire portfolio.

40. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements.

Fair value of fixed term loan, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the bank's accounting policy as stated in note 5.4 of these financial statements.

The maturity and repricing profile and effective rates are stated in notes 37 and 38 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
41. CONCENTRATION OF CREDIT AND DEPOSITS

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentration of credit risk

Out of the total financial assets of Rs. 338,999 million (2004:Rs. 261,952 million), the financial assets which were subject to credit risk amounted to Rs. 260,066 million (2004:Rs.197,801 million) . The Bank's major credit risk is concentrated in textile sector. To manage credit risk, the Bank applies credit limits to its customers and obtains adequate collaterals. Investments amounting to Rs. 47,320 million (2004: Rs. 40,608 million) are guaranteed by the Government of Pakistan.

Risk management

The Bank is primarily subject to interest rate, credit and currency risks. The policies and procedures for managing these risks are outlined in the notes below. The Bank has designed and implemented a framework of controls to identify, monitor and manage these risks which are as follows:

Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rates. The risks are inherent on deposits, liabilities, loans / advances and investments of the Bank.

The Assets and Liabilities Committee of the Bank regularly reviews the total portfolio of the Bank to ensure that risks are minimized and remain within acceptable limits.

Most of the loans and advances comprise of working capital which are repriced on a periodical basis, whereas the majority of deposits are repriced retrospectively on a six monthly basis due to the profit and loss sharing system for determining deposit rates.

Credit risk management

Credit risk management is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk in the Bank's portfolio is monitored, reviewed and analyzed by the Credit Risk Management (CRM).

CRM determines the quality of the credit portfolio and assists in minimizing potential losses. To achieve this objective, CRM formulates appropriate credit policies and procedures for the Bank to ensure building and maintaining quality credits and an efficient credit process.

The Bank's Financial Institution Risk Management Unit (FIRMU) is established to screen out the Banks / Financial Institutions and determine the maximum risk exposure on each of them. FIRMU also assesses, recommends and controls cross border/ country risk.

To manage the non performing loans (NPLs), the bank has in place comprehensive remedial management policy which includes a framework of controls to identify weak credits and monitoring of these accounts.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
42. SEGMENT BY CLASS OF BUSINESS

	2005					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	4,519,197	2.06%	2,068,372	0.72%	1,858,752	0.91%
Agri business	7,267,123	3.31%	16,148,663	5.58%	1,987,455	0.98%
Textile spinning	20,800,926	9.49%	932,308	0.32%	1,541,572	0.76%
Textile weaving	10,129,530	4.62%	431,727	0.15%	240,840	0.12%
Textile composite	15,323,544	6.99%	793,144	0.27%	1,018,389	0.50%
Textile others	9,058,847	4.13%	1,199,851	0.41%	1,706,837	0.84%
Cement	5,605,446	2.56%	1,388,644	0.48%	727,334	0.36%
Sugar	4,926,779	2.25%	1,003,565	0.35%	19,228	0.01%
Shoes and leather garments	2,959,030	1.35%	1,419,547	0.49%	263,216	0.13%
Automobile and transportation equipment	17,190,233	7.84%	2,387,889	0.83%	2,359,732	1.16%
Financial	5,420,870	2.47%	5,756,213	1.99%	91,674,255	45.01%
Insurance	54,447	0.02%	7,949,837	2.75%	32,989	0.02%
Electronics and electrical appliances	2,712,010	1.24%	1,937,391	0.67%	494,506	0.24%
Production and transmission of energy	2,975,521	1.36%	15,389,571	5.32%	4,786,428	2.35%
Paper and allied	1,232,621	0.56%	880,748	0.30%	316,211	0.16%
Surgical and metal	1,976,967	0.90%	342,919	0.12%	342,823	0.17%
Contractors	1,679,640	0.77%	6,400,646	2.21%	3,175,151	1.56%
Wholesale traders	15,375,249	7.01%	15,744,320	5.44%	3,885,616	1.91%
Fertilizer dealers	906,756	0.41%	4,121,160	1.42%	69,540	0.03%
Sports goods	632,811	0.29%	206,891	0.07%	-	0.00%
Food industries	3,723,894	1.70%	1,657,190	0.57%	392,343	0.19%
Airlines	1,373,927	0.63%	1,072,230	0.37%	385	0.00%
Cables	450,100	0.21%	43,088	0.01%	343,944	0.17%
Constructions	13,760,142	6.28%	5,124,897	1.77%	416,141	0.20%
Containers and ports	300,000	0.14%	22,603	0.01%	500	0.00%
Engineering	288,433	0.13%	3,384,066	1.17%	4,954,642	2.43%
Glass and Allied	35,712	0.02%	96,059	0.03%	19,009	0.01%
Hotels	571,470	0.26%	1,071,395	0.37%	2,631,880	1.29%
Infrastructure	-	0.00%	2,175,662	0.75%	38,406	0.02%
Media	458,746	0.21%	658,451	0.23%	90,208	0.04%
Polyester and fibre	-	0.00%	62,952	0.02%	306,152	0.15%
Telecom	5,818,502	2.65%	879,751	0.30%	3,642,497	1.79%
Individuals	22,349,780	10.19%	154,957,725	53.58%	8,378,670	4.11%
Others	39,397,194	17.97%	31,516,824	10.90%	65,944,463	32.38%
	<u>219,275,447</u>	<u>100%</u>	<u>289,226,299</u>	<u>100%</u>	<u>203,660,114</u>	<u>100%</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

	2004					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	4,655,294	2.91%	1,998,122	0.87%	1,802,232	1.39%
Agri business	8,790,381	5.49%	16,306,589	7.08%	2,533,997	1.95%
Textile spinning	16,108,993	10.07%	579,139	0.25%	3,652,603	2.82%
Textile weaving	9,419,083	5.89%	504,250	0.22%	384,352	0.30%
Textile composite	13,054,127	8.16%	890,148	0.39%	1,150,750	0.89%
Textile others	1,305,006	0.82%	470,700	0.20%	895,279	0.69%
Cement	3,278,768	2.05%	763,921	0.33%	1,445,514	1.11%
Sugar	2,951,155	1.84%	778,133	0.34%	11,607	0.01%
Shoes and leather garments	2,226,295	1.39%	1,750,725	0.76%	141,148	0.11%
Automobile and transportation equipment	2,057,949	1.29%	2,651,282	1.15%	2,197,816	1.69%
Financial	8,866,287	5.54%	4,920,543	2.14%	55,017,162	42.40%
Insurance	24,562	0.02%	4,295,716	1.87%	1,131,253	0.87%
Electronics and electrical appliances	2,184,419	1.36%	1,955,847	0.85%	2,894,898	2.23%
Production and transmission of energy	2,158,099	1.35%	7,739,413	3.36%	529,541	0.41%
Contractors	1,297,102	0.81%	2,637,896	1.15%	135,051	0.10%
Wholesale traders	16,577,276	10.36%	15,617,092	6.78%	6,209,347	4.79%
Fertilizer dealers	973,047	0.61%	3,041,862	1.32%	997,977	0.77%
Food industries	2,199,046	1.37%	354,566	0.15%	935,111	0.72%
Airlines	1,127,819	0.70%	2,083,266	0.90%	127,128	0.10%
Constructions	1,230,370	0.77%	1,787,598	0.78%	1,227,788	0.95%
Infrastructure	3,000,000	1.87%	1,031,024	0.45%	2,764	0.00%
Telecom	3,151,371	1.97%	1,229,979	0.53%	3,215,900	2.48%
Individuals	8,676,431	5.42%	127,999,660	55.59%	4,733,989	3.65%
Others	44,720,830	27.94%	28,869,156	12.54%	38,381,041	29.58%
	<u>160,033,710</u>	<u>100.00%</u>	<u>230,256,627</u>	<u>100.00%</u>	<u>129,754,248</u>	<u>100.00%</u>

42.1 Segment by sector

	2005					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/Government	24,344,709	11.10%	43,707,375	15.11%	52,493,676	25.78%
Private	194,930,738	88.90%	245,518,924	84.89%	151,166,438	74.22%
	<u>219,275,447</u>	<u>100%</u>	<u>289,226,299</u>	<u>100%</u>	<u>203,660,114</u>	<u>100%</u>

	2004					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/Government	26,105,942	16.31%	26,393,796	11.46%	8,519,673	6.57%
Private	133,927,768	83.69%	203,862,831	88.54%	121,234,575	93.43%
	<u>160,033,710</u>	<u>100%</u>	<u>230,256,627</u>	<u>100%</u>	<u>129,754,248</u>	<u>100%</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005
43. GEOGRAPHICAL SEGMENT ANALYSIS

	2005			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan				
Domestic Operations	7,557,326	290,806,691	13,090,538	189,967,365
Asia Pacific (including South Asia)	35,099	2,475,089	57,067	125,993
	<u>7,592,425</u>	<u>293,281,780</u>	<u>13,147,605</u>	<u>190,093,358</u>
Overseas				
United States of America	167,893	1,669,054	406,213	91,734
Middle East	1,721,330	52,098,117	8,114,452	13,475,022
	<u>1,889,223</u>	<u>53,767,171</u>	<u>8,520,665</u>	<u>13,566,756</u>
	<u>9,481,648</u>	<u>347,048,951</u>	<u>21,668,270</u>	<u>203,660,114</u>

	2004			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan				
Domestic Operations	3,699,288	225,063,505	10,752,919	120,476,545
Asia Pacific (including South Asia)	27,659	2,267,291	17,890	43,133
	<u>3,726,947</u>	<u>227,330,796</u>	<u>10,770,809</u>	<u>120,519,678</u>
Overseas				
United States of America	65,428	3,723,753	256,706	31,363
Middle East	1,097,353	41,558,114	6,336,516	9,203,207
	<u>1,162,781</u>	<u>45,281,867</u>	<u>6,593,222</u>	<u>9,234,570</u>
	<u>4,889,728</u>	<u>272,612,663</u>	<u>17,364,031</u>	<u>129,754,248</u>

Total assets employed include intra group items of Rs Nil

44. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities. However, it acts as security agent for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

45. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its associated undertakings, subsidiary companies (refer note 9.1), employee benefit plans (refer note 34) and its directors and executive officers (including their associates).

Banking transactions with the related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk. Details of loans and advances to the key management personnel, the companies or firms in which the directors of the group are interested as directors, partners or in case of private companies as members are given in note 10.6 to these financial statements.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan (refer note 34 to these financial statements for the details of plans). Remuneration to the executives, disclosed in note 36 to these financial statements are determined in accordance with the terms of their appointment *AMe Co KPMSTH*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

Details of transactions with related parties are given below:

	2005				2004			
	Key management personnel	Subsidiaries	Associates	Others	Key management personnel	Subsidiaries	Associates	Others
Advances								
At January 01	46,903	-	-	2,542,969	1,547	-	-	3,447,195
Given during the year	31,112	-	-	1,863,892	50,146	-	-	8,753,020
Repaid during the year	(12,127)	-	-	(2,588,720)	(4,790)	-	-	(9,657,246)
At December 31	65,888	-	-	1,818,141	46,903	-	-	2,542,969
Deposits								
At January 01	9,594	39,320	-	3,594,143	5,056	18,972	-	2,268,428
Received during the year	121,382	66,747	-	30,792,517	131,956	135,124	-	30,997,599
Withdrawn during the year	(119,255)	(101,921)	-	(30,064,640)	(127,418)	(114,776)	-	(29,671,884)
At December 31	11,721	4,146	-	4,322,020	9,594	39,320	-	3,594,143
Placements made during the year	-	41,752,807	-	-	-	99,474,467	-	-
Placements settled during the year	-	41,752,807	-	-	-	85,857,768	-	-
Maximum amount of a placement made during the year	-	2,981,500	-	-	-	2,687,400	-	-
Mark-up / return / interest earned	-	13,806	-	70,002	-	15,350	-	49,775
Mark-up / return / interest expensed	-	27	-	28,975	-	182	-	108,703
Reimbursement of liaison office expenses paid to Dubai and Abu Dhabi Group	-	-	-	29,789	-	-	-	31,535
Investment made during year	-	60,000	250,000	180,000	-	-	-	4,600
Payable in respect of acquisition of share:	-	30,000	-	-	-	-	-	-
Distribution commission income	-	2,607	-	-	-	5,162	-	-
Distribution commission receivable	-	1,866	-	-	-	12,325	-	-
Dividend income received	-	55,420	-	-	-	-	-	-
Remuneration paid	66,750	-	-	-	32,652	-	-	-
Post Employment benefits	3,829	-	-	-	2,144	-	-	-

46. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 21, 2006 has proposed a cash dividend in respect of 2005 of Rs. 2.50 per share (2004: cash dividend Rs 1.50 per share). In addition, the directors have also announced a bonus issue of 25% percent. These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended December 31, 2005 do not include the effect of these appropriations which will be accounted for in the financial statements for the year ending December 31, 2006.

47. DATE OF AUTHORIZATION

These financial statements were authorised for issue on February 21, 2006 by the Board of Directors of the Bank.

48. GENERAL

48.1 The following International Accounting Standards, which have been published, had been revised and the amendments are applicable to the financial statements of the bank covering accounting periods beginning on or after January 1, 2006 or later periods:

- i. International Accounting Standard - 1 Presentation of Financial Statements - Capital Disclosures effective from January 1, 2007
- ii. International Accounting Standard - 19 (Amendments) - Employee Benefits effective from January 1, 2006

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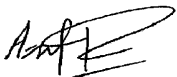
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2005

Adoption of the above amendments would result in an impact on the extent of disclosures presented in the financial statements of the bank.

48.2 Comparative figures have been reclassified and rearranged as follows:

- 'Short-term lendings to financial institutions' amounting to Rs. 2,089.129 million have been reclassified from 'advances' to 'lending to financial institutions'.
- Charges recovered from customers for faxes and mails amounting to Rs 91.602 million have been reclassified from 'communication' to 'charges recovered from customers'.
- Softwares having net book value of Rs. 37.649 million have been reclassified from 'electric, office and computer equipment' to 'intangible assets'.
- 'Due from other banks against telegraphic and demand drafts', amounting to Rs. 81.288 million has been classified separately in 'other assets'.
- 'Trading liabilities' amounting to Rs. 750 million have been classified separately under the 'borrowing from financial institutions'.
- 'Mark-up / return / interest earned' amounting to Rs 180.439 million has been reclassified from 'mark-up / return / interest earned on deposits with financial institutions' to 'mark-up / return / interest earned on loans and advances'.
- 'Deferred liabilities' amounting to Rs. 2,191.180 million have been re-classified under the caption of 'other liabilities'.
- 'Taxes recoverable' amounting to Rs. 45.728 million have been re-classified under the caption of 'other assets'

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Atif R. Bokhari
President and
Chief Executive Officer



Ahmad Waqar
Director



Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman



Nahayan Mabarak Al Nahayan
Chairman

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
YEAR ENDED DECEMBER 31, 2005**

This statement is being presented to comply with the Code of Corporate Governance (The Code) contained in the Regulation No. 37, XIII & 36 of Listing Regulations of Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Board of Directors has adopted the Code of Corporate Governance and applied the principals contained in the Code in the following manner:

1. Except for the Chief Executive Officer, all other directors, including Chairman and Deputy Chairman are non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Mr. Javed Sadiq Malik stepped down as director and Dr. Ashfaq Hasan Khan was nominated by the Government, other than that no casual vacancy occurred in the Board during the year.
5. The Bank in year 2004 prepared "Statement of Ethics and Business Practices" for directors and employees, it has been signed by the directors and employees. During the year the same has been circulated as required by the code.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A set of significant policies are maintained by the Bank.
7. All the powers of the Board have been duly exercised and decision on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by the Deputy Chairman. The Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated. The Company Secretary and Chief Financial Officer attend the meetings of the Board of Directors.
9. The appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms of employment have been approved by the Board.
10. The Board arranged orientation course for its director's to appraise them of their duties and responsibilities.
11. The directors report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Bank other than disclosed in pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements.
15. The Board has formed an audit committee. It comprises of three members, all of whom are non-executive directors including the Chairman of the Committee.
16. The meetings of the audit committee are held at least once every quarter prior to approval of interim and final results of the Bank, as required by the Code. The terms of reference of the committee have been formulated and advised to the committee for compliance.
17. The Board has set up an effective internal audit function. Personnel of the Internal Audit Department are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank and they are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of The Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide services other than approved services and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with

For and on behalf of the Board of Directors



Nahayan Mabarak Al Nahayan
Chairman

Abu Dhabi
Date: February 21, 2006

Statement on Internal Controls

It is the responsibility of bank's management to establish and maintain an adequate and effective system of internal control that could help in bank's endeavor to attain a professional and efficient working environment through out the bank. The Internal Control systems comprises of various inter-related components including Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring.

Internal Control System in the bank is designed to manage, rather than eliminate the risk of failure to achieve the business objectives, and can only provide reasonable and not absolute assurance against material mis-statement or loss.

Management ensures the efficient and effective Internal Control System by risk assessment, identifying control objectives, reviewing pertinent policies/procedures, establishing relevant control procedures and monitoring. All policies and procedures are monitored, reviewed and compared with existing requirements and necessary amendments made where necessary on timely basis.

Alongside this appropriate test of transactions, observation of control environment, sharing of findings on Internal Control Systems and ensuring relevant appropriate follow ups/corrective actions are also been done by the management on regular basis.

EVALUATION OF EXISTING INTERNAL CONTROL SYSTEMS

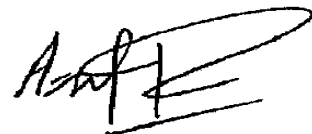
The bank has made its efforts to ensure during the year 2005 that an effective and efficient internal control system is implemented and no compromise is made in implementing the desired control procedures and maintaining a suitable control environment in general. However it is an ongoing process that includes identification, evaluation and management of significant risks faced by the bank.

The observations and weaknesses found and identified by the auditors, both internal and external, have been taken care of and steps have been taken to further improve/strengthen the existing controls. Necessary steps have also been taken by the management to minimize repetition of exceptions and elimination of such weaknesses to the maximum possible level. Requisite training for the staff across the Bank has commenced to ensure implementation and emphasize accountability, segregation of duties, rotation plans and a follow up process.

The management also endeavors to make efforts during year 2006 to ensure further improvement and existence of an Internal Control System by revisiting/re-engineering various processes that could minimize risks faced by the Bank alongside safeguarding interests of the Stakeholders.



M. Ejazuddin
**Global Head
 Audit & Inspection**



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