

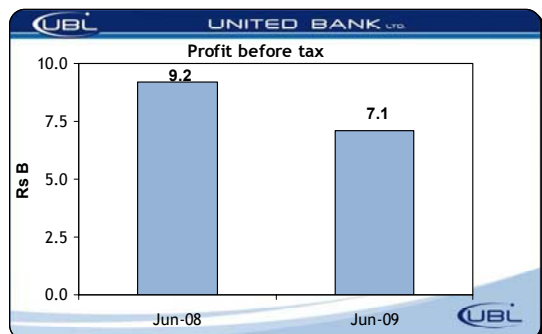
DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the consolidated financial statements of the Bank for the half-year ended June 30, 2009.

Financial Highlights

	(Rs. In millions)
Profit before taxation	7,107
Taxation	<u>(2,509)</u>
Profit after taxation	4,598
Share of minority interest	(7)
Un-appropriated profit brought forward – January 01, 2009	17,703
Transfer from surplus on revaluation of fixed assets – Incremental depreciation	<u>127</u>
Profit before appropriations	22,421
Transfer to statutory reserve	(858)
Cash dividend paid to shareholders – 2008	(1,012)
Bonus shares issued – 2008	<u>(1,012)</u>
Un-appropriated profit carried forward – June 30, 2009	<u><u>19,540</u></u>
	(Rupees)
Earnings per share (post bonus)	<u>4.13</u>

Results impacted by economic challenges



UBL posted a profit before tax of Rs. 7.1 billion for the six month period ending June 30th 2009 which is 23% lower from the same period last year due to higher provision on advances and provision required on impairment for investments. Deposits increased by 6% over December 2008 with a 17% growth in current deposits. Current and saving accounts (CASA) ratio increased to 62% at June 30, 2009 from 59% at December 31, 2008.

Profit after tax at Rs. 4.6 billion translates into diluted earnings per share of Rs. 4.13 (June 2008: 5.21). Higher provisioning has significantly impacted results as is evident from a pre-provision operating profit increase of 13% over the same period last year.

Net interest income before provisions grew by 19% on account of higher Kibor rates and a 13% increase in average advances. However, non-interest income came in 2% down at Rs 6.5 billion. Consequently, operating revenue came in higher by 12% at Rs 22.5B compared to the same period last year.

Net interest margins (NIMs) remained strong at 6.3% owing to higher interest rates and attractive returns on the investment portfolio. However, NIMs on a year on year basis were impacted by an increase in the cost of deposits as a result of SBP regulation of 5% minimum rate of return on saving deposits which came into effect in June 2008.

Net interest income after provisions came in 12% down from the same period last year at Rs 9.5 billion. Provisions are up by Rs. 3.9 billion to Rs 6.6 billion this year mainly due to higher corporate and on-going consumer portfolio provisions. It is to be noted, however, that the management has taken a prudent stance to improve coverage on our loan portfolio so as to mitigate further weakening in asset quality. The provisioning charge also includes Rs. 484M charged on account of impairment loss taken on the equities portfolio.

Non-interest income at Rs. 6.5 billion was 2% down over the same period last year. Fee income was down due to reduced investment and acquisition financing activity in the corporate sector and lower level of fees from distribution of retail financial products. Commissions on consumer loans declined by 30% owing to net attrition in the lending portfolio. Exchange income is down by 26% as volatility in the Pak rupee had contributed to significant exchange income last year.

Administrative expenses increased by only 11% over the same period last year with personnel cost contributing to nearly half of the increase. In spite of high inflationary pressures (average 1H09 CPI at 17.6%), we have managed to improve cost efficiency across the bank and to limit operating costs from increasing sharply.

Total assets have grown by Rs. 34 billion to Rs. 654 billion during the first six months of the year with investments increasing by 11% to Rs. 128 billion and deposits by 6% to Rs. 521 billion.

Macro-economic indicators remain fragile

The effects of the global financial crisis continued to be felt on Pakistan's economy which grew by only 2% during 2008-09. Political instability and increased militancy in the northern areas of the country have taken its toll on the economy both in terms of direct costs of the fight against extremism as well as affecting investment inflows and investor confidence.

GDP growth came in at 2% mainly due to large scale manufacturing sector which declined by 7.7% this year as compared to a growth of 4% last year. Services sector grew by 3.6% this year compared to 6.6% last year and could not achieve the targeted growth owing to a decline of 1.2% in the finance and insurance sector as compared to the growth of 12.9% last year. Agriculture sector remained the one bright performer registering a growth of 4.7% this year as compared to 1.1% achieved last year.

Deteriorating law and order situation led to foreign direct investment declining from \$3.9 billion to \$2.2 billion this year and a net outflow of \$451 million of portfolio investment as against a net inflow of \$99 million last year. This has had a direct impact on the economic growth which has consequently affected the banking sector profitability adversely.

However, the IMF program has helped to bring some stability in key economic indicators. Foreign exchange reserves which had dropped to below \$7 billion in November 2008 increased to \$11.4 billion in June 2009. Current account deficit was 23% lower this year at \$8.5 billion with trade deficit down to \$14 billion against \$16.8 billion last year. Remittances were up by 21% to \$6.4 billion this year which also helped to stabilize the external account.

The tight monetary policy followed by the government has also yielded results by easing demand pressures on the economy which is evident from M2 growth which came in at 4.6% as compared to 9.3% last year. With CPI also falling to 14% in June 2009, the SBP reduced discount rate by 100 bps

to 14% with further cuts expected later in the year. The lowering of interest rates should provide impetus for future growth which bodes well for the banking sector advances. Asset quality which has been adversely impacted by high borrowing rates would also be strengthened following further cuts in discount rates.

The key challenges, however, which need to be resolved in order to revive the economy and restore investor confidence in the Pakistan market remain the acute energy crisis and the increased threat of militancy and extremism. Given the government's current focus on these issues, we remain cautiously optimistic that the economic indicators will continue to improve this year.

Deposits growth further strengthen the balance sheet

Deposits have continued to grow and increased by 6% to Rs 521 billion despite liquidity constraints and increased competition from high yielding National Saving Schemes. The increase in deposits has come mainly from current deposits which grew by 17% to Rs 157 billion while we have shed high cost fixed deposits by 2% to Rs 187 billion. This reduction in expensive deposits has resulted in cost of deposits declining from 5.7% in March 2009 to 5.4% in June 2009. Consequently CASA for the bank has also improved from 59% to 62% in June 2009.

Disbursement to IDPs (Internally displaced persons)

UBL had the honour of being selected to assist the government in providing aid to approximately 268,000 families which have been displaced in the war against militants in the northern area of Pakistan. An efficient and transparent financial assistance disbursement mechanism has been devised in conjunction with NADRA to serve this purpose. Around 250 UBL branches started the process of distributing cards for disbursement of Rs 25,000 per family. To date UBL has opened approximately 285,000 accounts against which 177,000 cards have been activated and funds amounting to almost Rs, 4 billion disbursed.

UBL Wiz Prepaid

Moving on from the success of UBL Wallet, we have launched Pakistan's first Prepaid Debit card – UBL Wiz. The concept revolves around 'Pay now, buy later.' The prepaid debit card works on the lines of the concept of prepaid mobile phone and internet cards with the customer acquiring a specific denomination card from readily accessible locations and using it till its expiry or depletion. The funds in the VISA prepaid card are used through purchase transactions or cash withdrawals by the customer.

70k cards have been issued with a float of Rs 95 million in a short period and additional features are being introduced including ATM/Internet, card sales through all online branches and retail outlets, and specific usage cards (Hajj-Umra-Internet-Corporate-Remittance-FCY).

Credit rating re-affirmed

The credit rating company JCR-VIS has re-affirmed the bank's long-term entity rating at AA+ and the ratings of our four subordinated debt instruments at AA. The short-term ratings remain at A-1+ which is the highest rating denoting the greatest certainty of timely payments by a financial institution.

The re-affirmation of our ratings is based on our diversified deposit base, strong international operations and leading corporate and commercial segments in the domestic market. All ratings for UBL have been assigned a Stable outlook.

Implementation of core banking application on schedule

The implementation of our core banking software project Genesis is well on track against targeted milestones. The core banking application has been procured from a reputable international vendor and the transition to the new software is planned over multiple phases which is being overlooked by a dedicated project management and business teams headed by a Project Director. A Genesis Steering Committee, comprising senior management of the bank, also keeps track of progress made in achieving established milestones, as well as making sure that there is complete synergy between the project team and the rest of the business divisions.

The first phase of the front end application Customer Service Manager (CSM) which comprises complaints management, customer dashboard, alerts engine and campaign management has been successfully deployed at the City Branch and the roll out in 300 branches in Karachi and Lahore is now underway. The software offers the capability to present a consolidated position of every retail UBL customer and allows us to target products to specific customers. It will also assist in more efficient logging of customer complaints at the branches and their speedy resolution through a customizable workflow engine that keeps track of turnaround times and escalates whenever those times are exceeded. This will result in providing much better customer service at the branches and will enable Head Office to monitor the service delivery at the branches from a centralized reporting dashboard.

A sub-phase of the project is also under way, to be completed in 3 months, which will allow CSM to be used by Relationship Managers for servicing corporate / SME / Agri clients in a similar manner. Phase two of the CSM comprising consumer and corporate/SME loan origination is scheduled to be automated in end-to-end Straight Through Processing (STP) mode by the end of this year.

The back end engine of the core banking application SYMBOLS will cater to the bank's requirements with respect to consumer, agriculture, SMEs, corporate, treasury and trade finance portfolios, along with its deposit products. SYMBOLS includes complete end-to-end product lifecycle mapping, including post disbursement monitoring and control. Currently treasury operations are on the fast track with implementation expected by the end of the year. The Standard track implementation comprising migration of all other products and services other than treasury is expected by second quarter 2010. After the first 5 pilot branches, SYMBOLS will be deployed across the Pakistan branch network at a steady pace, while the implementation of SYMBOLS / CSM at UBL's overseas branches will also commence in parallel at this time.

Launch of UBL liquidity plus fund (ULPF)

The launch of UBL Fund Managers' most recent fund by the name of UBL Liquidity Plus Fund-ULPF added a seventh fund (sixth open ended) to our existing diverse range of funds products which is in line with our aim of offering a complete and comprehensive range of funds for our customers. UBL authorized branches across the country will provide services to customers for all product offerings. With this latest fund, UBL Fund Managers now have Rs. 21 billion assets under management.

Looking ahead

The earnings and growth of the banking sector has been negatively impacted by the current economic and political turmoil in the country. While there are signs of improvement in key macro economic indicators, major challenges remain. The IMF program has brought some stability but there needs to be a concerted effort by the policy makers to tackle the energy crisis which is the main impediment to industrial growth. Additionally success in the war on extremism will be key to restoring investor confidence and reviving foreign direct investment.

Despite these challenges, however, our diverse revenue and funding sources have provided us support. Our efforts to reduce funding costs by shedding expensive deposits and exercising tight operating cost controls have resulted in pre-provision operating profit growing by 13% to Rs. 13.9 billion in the first six months of the year over the same period last year. Operating revenue (net interest and non interest income) has also shown an increase of 12% in the first six months of the year.

The main challenge remains improving asset quality which has negatively impacted our bottom line. Our focus has been on securing coverage on our portfolio this quarter which is evident from the improvement in our coverage ratio. With the high provision charge taken in this quarter, we believe that provision expenses have peaked and should show a reduction in the next quarters. The declining interest rates should also ease pressure on corporate and retail borrowers which should lead to an improvement in asset quality. Going forward, we remain cautiously optimistic of improvements in this area.

Acknowledgements

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

For and on behalf of the Board,

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman
London

July 28, 2009



United Bank Limited
UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2009
(UNAUDITED)



**UNCONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2009**

		(Un audited) June 30, 2009	(Audited) Dec 31, 2008
	Note	----- (Rupees in '000) -----	
ASSETS			
Cash and balances with treasury banks		56,046,684	50,069,965
Balances with other banks		14,450,164	7,497,174
Lendings to financial institutions		27,938,191	22,805,341
Investments	7	129,116,769	116,328,288
Advances	8	368,380,466	371,139,675
Operating fixed assets		18,010,382	18,021,445
Deferred tax asset - net		860,466	2,055,609
Other assets		17,894,935	17,154,985
		<u>632,698,057</u>	<u>605,072,482</u>
LIABILITIES			
Bills payable		5,064,612	5,194,449
Borrowings from financial institutions	9	40,558,230	44,195,886
Deposits and other accounts	10	508,707,229	483,560,062
Sub-ordinated loans		11,991,824	11,993,848
Other liabilities		14,646,431	16,265,478
		<u>580,968,326</u>	<u>561,209,723</u>
NET ASSETS		<u><u>51,729,731</u></u>	<u><u>43,862,759</u></u>
REPRESENTED BY			
Share capital		11,128,907	10,117,188
Reserves		17,140,342	15,501,513
Unappropriated profit		<u>18,137,291</u>	<u>16,604,076</u>
		46,406,540	42,222,777
Surplus on revaluation of assets - net of deferred tax	11	<u>5,323,191</u>	<u>1,639,982</u>
		<u><u>51,729,731</u></u>	<u><u>43,862,759</u></u>
CONTINGENCIES AND COMMITMENTS	12		

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

The valuation of listed equity securities / mutual funds held under 'available-for-sale' category of investments has been arrived at using the market prices quoted on the stock exchange / net assets value as of June 30, 2009 and a portion of impairment loss arising therefrom has been included in deficit on revaluation of assets – net of deferred tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the bank, the same would have resulted in a charge to profit and loss account of Rs.383.160 million (net of tax) and, consequently, the unappropriated profit as at June 30, 2009 would have been Rs17,830.762 million and surplus on revaluation of assets - net of deferred tax would have been lower by Rs.383.160 million.

Atif R. Bokhari
President &
Chief Executive Officer

Dr. Ashfaq Hasan Khan
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

**UNCONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Note	Apr-Jun 2009	Apr-Jun 2008	Jan-Jun 2009	Jan-Jun 2008
----- (Rupees in '000) -----					
Mark-up / return / interest earned	13	15,511,604	12,013,167	31,819,734	23,169,825
Mark-up / return / interest expensed	14	(7,742,896)	(5,192,551)	(15,986,868)	(9,954,021)
Net mark-up / return / interest income		7,768,708	6,820,616	15,832,866	13,215,804
Provision against non-performing loans and advances - net		(3,646,268)	(1,065,776)	(5,317,930)	(1,954,373)
General provision against consumer loans		(138,668)	63,908	(71,451)	87,729
Provision for diminution in value of investments		(44,140)	-	(334,200)	-
Bad debts written off directly		(365,631)	(346,459)	(700,291)	(677,366)
		(4,194,707)	(1,348,327)	(6,423,872)	(2,544,010)
Net mark-up / return / interest income after provisions		3,574,001	5,472,289	9,408,994	10,671,794
Non mark-up / return / interest income					
Fee, commission and brokerage income		1,625,738	1,601,105	2,914,859	3,051,470
Dividend income		236,227	218,727	271,032	246,210
Income from dealing in foreign currencies		205,896	477,813	524,545	727,554
Gain on sale of securities		(50,211)	58,157	74,750	308,776
Unrealised gain / (loss) on revaluation of trading securities		(22,673)	3,909	(681)	(1,202)
Other income	15	1,679,735	701,797	1,996,525	1,701,604
Total non mark-up / return / interest income		3,674,712	3,061,508	5,781,030	6,034,412
		7,248,713	8,533,797	15,190,024	16,706,206
Non mark-up / interest expenses					
Administrative expenses	16	(4,150,176)	(3,733,382)	(8,067,775)	(7,229,200)
Other provisions / write offs / reversals		(186,063)	(137,823)	(183,093)	(194,526)
Worker welfare fund		(86,727)	(202,673)	(169,345)	(202,673)
Other charges		(348)	(3,121)	(1,168)	(182,272)
Total non mark-up / interest expenses		(4,423,314)	(4,076,999)	(8,421,381)	(7,808,671)
Profit before taxation		2,825,399	4,456,798	6,768,643	8,897,535
Taxation	17				
- Current		(1,339,001)	(1,805,755)	(2,946,897)	(3,641,566)
- Prior		(74,961)	(44,986)	(74,965)	(44,986)
- Deferred		340,204	86,915	540,768	382,529
		(1,073,758)	(1,763,826)	(2,481,094)	(3,304,023)
Profit after taxation		1,751,641	2,692,972	4,287,549	5,593,512
Unappropriated profit brought forward		18,730,117	13,602,992	16,604,076	15,653,703
		20,481,758	16,295,964	20,891,625	21,247,215
Transfer from surplus on revaluation of fixed assets - net of tax		29,299	80,420	126,614	160,840
Profit before appropriations		20,511,057	16,376,384	21,018,239	21,408,055
Appropriations					
Transfer to statutory reserve		(350,328)	(538,595)	(857,510)	(1,118,703)
Final cash dividend for the year ended December 31, 2008 and December 31, 2007 declared subsequent to the year end		(1,011,719)	-	(1,011,719)	(2,428,125)
Transfer to reserve for issue of bonus shares		(1,011,719)	-	(1,011,719)	(2,023,438)
		(2,373,766)	(538,595)	(2,880,948)	(5,570,266)
Unappropriated profit carried forward		18,137,291	15,837,789	18,137,291	15,837,789
----- (Rupees) -----					
Basic and diluted earnings per share		1.57	2.42	3.85	5.03

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

The valuation of listed equity securities / mutual funds held under 'available-for-sale' category of investments has been arrived at using the market prices quoted on the stock exchange / net assets value as of June 30, 2009 and a portion of impairment loss arising therefrom has been included in surplus on revaluation of assets - net of deferred tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the bank, the same would have resulted in a charge to profit and loss account of Rs.589.477 million and, consequently, the profit after tax for the half year would have been Rs.3,904.388 million and earnings per share would have been Rs.3.51.

**UNCONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Half Year Ended June 30, 2009	Half Year Ended June 30, 2008
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	6,768,643	8,897,535
Less: Dividend income	(271,032)	(246,210)
	<u>6,497,611</u>	<u>8,651,325</u>
Adjustments for non-cash charges		
Depreciation	797,695	712,386
Worker welfare fund	169,345	202,673
Provision for retirement benefits	143,610	(48,367)
Provision against loans and advances	5,389,381	1,866,644
Provision for diminution in the value of investments	334,200	-
Gain on sale of fixed assets	(5,970)	(1,267)
Reversal of provision against other assets	(15,400)	194,526
Unrealized gain on revaluation of investment classified as held for trading	681	1,202
Impairment on fixed assets	15,329	-
Bad debts written-off	700,291	677,366
	<u>7,529,162</u>	<u>3,605,163</u>
	<u>14,026,773</u>	<u>12,256,488</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(5,132,850)	8,257,414
Held for trading investments	1,167,509	(822,372)
Advances - net	(3,330,463)	(31,740,621)
Others assets	2,607,076	(819,223)
	<u>(4,688,728)</u>	<u>(25,124,802)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(129,837)	(978,230)
Borrowings from financial institutions	(3,637,656)	(25,422,005)
Deposits and other accounts	25,147,167	63,897,148
Other liabilities	(1,030,790)	(211,280)
	<u>20,348,884</u>	<u>37,285,633</u>
	<u>29,686,929</u>	<u>24,417,319</u>
Staff retirement benefit funds paid	(293,330)	166,071
Income tax paid	(6,912,138)	(2,136,071)
Net cash flow generated from operating activities	<u>22,481,461</u>	<u>22,447,319</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in securities	(8,725,770)	416,441
Dividend income received	248,976	244,907
Investments in operating fixed assets	(871,284)	(1,480,382)
Sale proceeds from disposal operating fixed assets	48,242	30,218
Net cash outflow from investing activities	<u>(9,299,836)</u>	<u>(788,816)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
(Repayment) / Receipt of sub-ordinated loan	(2,024)	5,999,176
Dividend paid	(1,011,719)	(2,428,125)
Net cash (outflow) / inflow from financing activities	<u>(1,013,743)</u>	<u>3,571,051</u>
	<u>12,167,882</u>	<u>25,229,554</u>
Exchange difference on translation of net investment in foreign branches	761,827	1,439,337
Increase in cash and cash equivalents during the period	<u>12,929,709</u>	<u>26,668,891</u>
Cash and cash equivalents at beginning of the period	<u>57,567,139</u>	<u>61,717,579</u>
Cash and cash equivalents at end of the period	<u><u>70,496,848</u></u>	<u><u>88,386,470</u></u>

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

**UNCONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Share Capital	Capital Reserves			Cash flow hedge reserve	Unappropriated Profit	Total
		Statutory Reserve	Exchange Translation Reserve	Reserve for Issue of Bonus Shares			
(Rupees in '000)							
Balance as at January 1, 2008	8,093,750	8,709,751	1,552,207	-	-	15,653,703	34,009,411
Final cash dividend for the year ended December 31, 2007 declared subsequent to year end at Rs. 3.0 per share	-	-	-	-	-	(2,428,125)	(2,428,125)
Transfer to reserve for issue of bonus shares	-	-	-	2,023,438	-	(2,023,438)	-
Issue of bonus shares	2,023,438	-	-	(2,023,438)	-	-	-
Changes in equity during the half year ended June 30, 2008							
Profit after taxation for the half year ended June 30, 2008	-	-	-	-	-	5,593,512	5,593,512
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	160,840	160,840
Exchange difference on translation of net investment in foreign branches	-	-	1,439,337	-	-	-	1,439,337
Net expense recognised directly in equity	-	-	1,439,337	-	-	160,840	1,600,177
Total recognised income and expense for the period	-	-	1,439,337	-	-	5,754,352	7,193,689
Transfer to statutory reserves	-	1,118,703	-	-	-	(1,118,703)	-
Balance as at June 30, 2008	10,117,188	9,828,454	2,991,544	-	-	15,837,789	38,774,975
Interim cash dividend for the half year ended June 30, 2008 declared subsequent to period end at Rs. 1.5 per share	-	-	-	-	-	(1,517,578)	(1,517,578)
Changes in equity during the half year ended December 31, 2008							
Profit after taxation for the half year ended December 31, 2008	-	-	-	-	-	2,739,608	2,739,608
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	92,178	92,178
Net loss on cash flow hedge - net of deferred tax	-	-	-	-	(276,633)	-	(276,633)
Exchange difference on translation of net investment in foreign branches	-	-	2,410,227	-	-	-	2,410,227
Net expense recognised directly in equity	-	-	2,410,227	-	(276,633)	92,178	2,225,772
Transfer to statutory reserves	-	547,921	-	-	-	(547,921)	-
Balance as at December 31, 2008	10,117,188	10,376,375	5,401,771	-	(276,633)	16,604,076	42,222,777
Final cash dividend for the year ended December 31, 2008 declared subsequent to year end at Re. 1.0 per share	-	-	-	-	-	(1,011,719)	(1,011,719)
Transfer to reserve for issue of bonus shares	-	-	-	1,011,719	-	(1,011,719)	-
Issue of bonus shares	1,011,719	-	-	(1,011,719)	-	-	-
Changes in equity during the half year ended June 30, 2009							
Profit after taxation for the half year ended June 30, 2009	-	-	-	-	-	4,287,549	4,287,549
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	126,614	126,614
Cash flow hedge - Reclassification to profit & loss account	-	-	-	-	19,492	-	19,492
Exchange difference on translation of net investment in foreign branches	-	-	761,827	-	-	-	761,827
Net expense recognised directly in equity	-	-	761,827	-	19,492	126,614	907,933
Transfer to statutory reserves	-	857,510	-	-	-	(857,510)	-
Balance as at June 30, 2009	11,128,907	11,233,885	6,163,598	-	(257,141)	18,137,291	46,406,540

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

Atif R. Bokhari
President &
Chief Executive Officer

Dr. Ashfaqe Hasan Khan
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009****1. STATUS AND NATURE OF BUSINESS**

United Bank Limited is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all the three stock exchanges in Pakistan. The bank's registered office and principal office are situated at UBL building, Jinnah Avenue, Blue Area, Islamabad and at State Life Building No. 1, I. I. Chundrigar Road, Karachi respectively. The Bank operates 1,118 (December 31,2008:1,119) branches inside Pakistan including the Karachi Export Processing Zone Branch and 17 (December 31, 2008:17) branches outside Pakistan as at June 30, 2009. The domestic branch network include 5 (December 31,2008:5) Islamic Banking branches.

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

2. BASIS OF PRESENTATION

The disclosures made in these unconsolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2008.

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

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

3. STATEMENT OF COMPLIANCE

These unconsolidated condensed interim financial statements for six months have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

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

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

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

- IAS 1 – Presentation of Financial Statements (Revised)
- IAS 23 – Borrowing Costs (Revised)
- IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments
- IFRS 2 – Share-Based Payment – Vesting Conditions and Cancellations
- IFRS 4 – Insurance Contracts
- IFRS 8 – Operating Segments
- IFRIC 13 – Customer Loyalty Programs
- IFRIC 15 – Agreements for the Construction of Real Estate

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank as disclosed in the annual financial statements for the year ended 31 December 2008. However, the revised IAS 1 was issued in September 2007 with subsequent amendments in November 2008 and was effective for financial years beginning on or after 1 January 2009. As the standard separates owner and non-owner changes in equity, the statement of changes in equity will include only details of transactions attributable to or with owners, with non-owner changes in equity presented as a single line as "other component of equity". In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. Since the bank has strictly followed the format of half-yearly financial statements prescribed by the SBP through the BSD Circular Letter No. 2 of 2004, therefore the above referred changes introduced through IAS 1 (revised) have not been taken into consideration in the preparation of these half-yearly financial statements.

4. ESTIMATES

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

The significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to financial statements for the year ended December 31, 2008.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2008.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Bank for the year ended December 31, 2008.

7. INVESTMENTS

7.1	Note	June 30, 2009			Dec 31, 2008		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000-----							
Held-for-trading securities	7.2.1	3,399,294	-	3,399,294	4,566,803	-	4,566,803
Available-for-sale securities	7.2.2	85,960,801	7,703,741	93,664,542	81,784,473	14,269,456	96,053,929
Held-to-maturity securities	7.2.3	32,484,861	-	32,484,861	22,944,229	-	22,944,229
Investments in Associates	7.2.4	4,474,188	-	4,474,188	2,899,663	-	2,899,663
Investments in Subsidiaries	7.2.5	2,201,948	-	2,201,948	2,201,948	-	2,201,948
		128,521,092	7,703,741	136,224,833	114,397,116	14,269,456	128,666,572
Provision for diminution in value of investments		(2,888,326)	-	(2,888,326)	(2,536,770)	-	(2,536,770)
Investments (net of provisions)		125,632,766	7,703,741	133,336,507	111,860,346	14,269,456	126,129,802
Deficit on revaluation of available for sale investments		(4,186,586)	(32,471)	(4,219,057)	(9,672,239)	(109,728)	(9,781,967)
Surplus / (Deficit) on revaluation of held for trading investments		(681)	-	(681)	(19,547)	-	(19,547)
Total investments		121,445,499	7,671,270	129,116,769	102,168,560	14,159,728	116,328,288

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

7.2 Investments by types	June 30, 2009			Dec 31, 2008		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
------(Rupees in '000)-----						
7.2.1 Held for trading securities						
Market treasury bills	3,262,144	-	3,262,144	4,202,368	-	4,202,368
Ordinary shares of listed companies	137,150	-	137,150	348,506	-	348,506
Pakistan Investment Bonds	-	-	-	15,929	-	15,929
	3,399,294	-	3,399,294	4,566,803	-	4,566,803
7.2.2 Available for sale securities						
Market Treasury Bills	40,018,442	7,271,412	47,289,854	33,775,219	13,841,226	47,616,445
Pakistan Investment Bonds	16,340,508	432,329	16,772,837	16,777,690	428,230	17,205,920
Foreign currency bonds	14,096,877	-	14,096,877	15,235,129	-	15,235,129
Ordinary shares of listed companies	5,680,129	-	5,680,129	5,880,749	-	5,880,749
Government of Pakistan Islamic Bonds	4,842,310	-	4,842,310	2,493,607	-	2,493,607
Euro Bonds	2,370,531	-	2,370,531	4,341,320	-	4,341,320
Term Finance Certificates	1,979,189	-	1,979,189	2,172,435	-	2,172,435
Ordinary shares of unlisted companies	441,516	-	441,516	441,465	-	441,465
Units of mutual funds	191,299	-	191,299	211,583	-	211,583
Sukuk Bonds	-	-	-	455,276	-	455,276
	85,960,801	7,703,741	93,664,542	81,784,473	14,269,456	96,053,929
7.2.3 Held to maturity securities						
Term Finance Certificates	16,117,232	-	16,117,232	4,915,803	-	4,915,803
Market Treasury Bills	5,439,639	-	5,439,639	1,263,178	-	1,263,178
Pakistan Investment Bonds	2,515,509	-	2,515,509	4,339,104	-	4,339,104
Provincial Government Securities	-	-	-	-	-	-
CIRC Bonds	2,900,000	-	2,900,000	2,900,000	-	2,900,000
Foreign securities	1,968,062	-	1,968,062	1,911,320	-	1,911,320
Government of Pakistan - Guaranteed Bonds	1,485,444	-	1,485,444	1,485,444	-	1,485,444
Sukuk Bonds	1,097,747	-	1,097,747	1,094,372	-	1,094,372
Foreign currency bonds	924,758	-	924,758	897,982	-	897,982
Participation Term Certificates	29,811	-	29,811	38,205	-	38,205
Debentures	6,252	-	6,252	6,676	-	6,676
CDC SAARC Fund	407	-	407	395	-	395
Certificate of Deposit	-	-	-	4,091,750	-	4,091,750
	32,484,861	-	32,484,861	22,944,229	-	22,944,229
7.2.4 Associates						
United Growth and Income Fund	3,004,559	-	3,004,559	1,504,559	-	1,504,559
United Composite Islamic Fund	497,573	-	497,573	523,048	-	523,048
United Islamic Income Fund	250,000	-	250,000	250,000	-	250,000
United Stock Advantage Fund	250,000	-	250,000	250,000	-	250,000
UBL Participation Protected Plan	200,000	-	200,000	200,000	-	200,000
UBL Liquidity Plus Fund	100,000	-	100,000	-	-	-
UBL Insurers Limited	90,000	-	90,000	90,000	-	90,000
United Capital Protected Fund - 1	75,075	-	75,075	75,075	-	75,075
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
	4,474,188	-	4,474,188	2,899,663	-	2,899,663
7.2.5 Subsidiaries						
United National Bank, UK	1,482,011	-	1,482,011	1,482,011	-	1,482,011
United Bank AG Zurich, Switzerland	589,837	-	589,837	589,837	-	589,837
Domestic subsidiaries						
UBL Fund Managers Limited	100,000	-	100,000	100,000	-	100,000
United Executors and Trustees Company Limited	30,100	-	30,100	30,100	-	30,100
	2,201,948	-	2,201,948	2,201,948	-	2,201,948
	128,521,092	7,703,741	136,224,833	114,397,116	14,269,456	128,666,572
Provision for diminution in value of investments	(2,888,326)	-	(2,888,326)	(2,536,770)	-	(2,536,770)
Investments (net of provisions)	125,632,766	7,703,741	133,336,507	111,860,346	14,269,456	126,129,802
Deficit on revaluation of available for sale securities	(4,186,586)	(32,471)	(4,219,057)	(9,672,239)	(109,728)	(9,781,967)
Surplus / (Deficit) on revaluation of held for trading securities	(681)	-	(681)	(19,547)	-	(19,547)
Total Investments	121,445,499	7,671,270	129,116,769	102,168,560	14,159,728	116,328,288

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**
8. ADVANCES

 Note June 30, 2009 Dec 31, 2008
 -----(Rupees in '000)-----

Loans, cash credits, running finances, etc.		
In Pakistan	286,914,382	278,513,709
Outside Pakistan	88,495,288	95,002,084
	375,409,670	373,515,793
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	14,331,761	12,401,963
Payable outside Pakistan	3,781,945	4,662,842
	18,113,706	17,064,805
	393,523,376	390,580,598
Finance in respect of continuous funding system (CFS)	-	322,180
	393,523,376	390,902,778
Provision for non-performing advances - Specific	8.1 (23,798,143)	(18,563,334)
- General	8.2 (1,344,767)	(1,199,769)
	368,380,466	371,139,675

8.1 Advances include Rs.35,681 million (December 31, 2008: 27,839 million) which have been placed under non-performing status as detailed below:-

Category of Classification	June 30, 2009			Provision Required	Provision Held
	Domestic	Overseas	Total		
	-----Rupees in '000-----				
Other Assets Especially Mentioned	511,678	-	511,678	-	-
Substandard	5,517,629	95,873	5,613,502	1,303,951	1,303,951
Doubtful	6,862,009	774,678	7,636,687	2,805,294	2,805,294
Loss	19,654,520	2,264,879	21,919,399	19,688,898	19,688,898
	32,545,836	3,135,430	35,681,266	23,798,143	23,798,143
	-----Rupees in '000-----				
Category of Classification	Dec 31, 2008			Provision Required	Provision Held
	Domestic	Overseas	Total		
	-----Rupees in '000-----				
Other Assets Especially Mentioned	562,548	-	562,548	-	-
Substandard	4,857,390	83,689	4,941,079	926,042	926,042
Doubtful	6,308,575	308,796	6,617,371	2,369,509	2,369,509
Loss	13,557,179	2,161,143	15,718,322	15,267,783	15,267,783
	25,285,692	2,553,628	27,839,320	18,563,334	18,563,334

8.2 General provision represents provision amounting to Rs 1,043.390 million (December 31, 2008: Rs.1,082.499 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs 301.377 million (December 31, 2008: Rs. 117.270 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulating authorities of the respective country in which the overseas branches operate.

9. BORROWINGS FROM FINANCIAL INSTITUTIONS

 June 30, 2009 Dec 31, 2008
 -----(Rupees in '000)-----

Secured

Borrowings from financial institutions	-	-
Borrowings from State Bank of Pakistan		
- Under export refinance scheme	13,800,351	12,804,867
- Long term finance under export oriented projects	4,503,303	4,280,169
- Locally manufactured machinery	6	544
	18,303,660	17,085,580
Repurchase agreement borrowings	7,836,376	14,284,138
	26,140,036	31,369,718
Unsecured		
Call borrowings	11,260,326	10,200,693
Overdrawn nostro accounts	2,377,286	2,027,468
Trading account liability	780,582	598,007
	14,418,194	12,826,168
	40,558,230	44,195,886

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Note	June 30, 2009	Dec 31, 2008
		----- (Rupees in '000) -----	
10. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		180,425,583	186,961,343
Savings deposits		166,260,990	156,021,485
Sundry Deposits		5,617,339	4,957,358
Margin Deposits		3,616,714	3,977,821
Current Accounts - Remunerative		2,633,640	2,064,207
Current Accounts - Non-remunerative		<u>150,108,814</u>	<u>128,380,418</u>
		508,663,080	482,362,632
Financial Institutions			
Remunerative deposits		<u>26,451</u>	<u>1,104,863</u>
Non-remunerative deposits		<u>17,698</u>	<u>92,567</u>
		44,149	1,197,430
		<u>508,707,229</u>	<u>483,560,062</u>
11. SURPLUS ON REVALUATION OF ASSETS			
Surplus arising on revaluation of assets - net of tax:			
Fixed assets		8,067,190	8,220,874
Securities	11.1	<u>(2,743,999)</u>	<u>(6,580,892)</u>
		<u>5,323,191</u>	<u>1,639,982</u>
11.1 (Deficit) / surplus on revaluation on available-for-sale securities			
Market Treasury Bills		55,346	(16,685)
Pakistan Investment Bonds		(853,034)	(3,293,999)
Quoted shares		(579,732)	(1,892,828)
Mutual fund units		548	(9,837)
Term Finance Certificates, Sukuks, Other Bonds etc.		(83,252)	(53,850)
Overseas securities		<u>(2,758,932)</u>	<u>(4,514,768)</u>
		(4,219,056)	(9,781,967)
Related deferred tax asset		1,475,057	3,201,075
		<u>(2,743,999)</u>	<u>(6,580,892)</u>
12. CONTINGENCIES AND COMMITMENTS			
12.1 Direct Credit Substitutes			
Contingent liabilities in respect of guarantees given favouring:			
Government		13,926,828	12,725,414
Banking companies and other financial institutions		4,516,776	4,865,333
Others		<u>7,112,817</u>	<u>8,642,081</u>
		25,556,421	26,232,828
12.2 Transaction-related Contingent Liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring			
Government		65,188,860	60,706,466
Banking companies and other financial institutions		1,968,841	4,115,594
Others		<u>19,931,868</u>	<u>17,061,793</u>
		87,089,569	81,883,853
12.3 Trade-related Contingent Liabilities			
Contingent liabilities in respect of letters of credit opened favouring:			
Government		68,834,711	68,756,444
Others		<u>73,955,420</u>	<u>71,862,882</u>
		142,790,131	140,619,326
12.4 Other Contingencies			
Claims against the bank not acknowledged as debts		<u>18,548,339</u>	<u>17,230,124</u>
12.5 Commitments in respect of forward lending			
The bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.			
		June 30, 2009	Dec 31, 2008
		----- (Rupees in '000) -----	
12.6 Other commitments			
Forward purchase contracts of government securities		<u>3,302,916</u>	<u>10,065,070</u>
Forward sale contracts of government securities		-	<u>8,611,020</u>
Interest rate swaps		<u>17,690,386</u>	<u>20,758,372</u>
Equity options		<u>243,659</u>	<u>355,943</u>
Cross currency swaps		<u>36,539,802</u>	<u>15,948,869</u>
Forward rate agreements		-	<u>850,000</u>
FX options		<u>1,282,961</u>	<u>25,460,283</u>
Commodity options		-	<u>39,545</u>
Commitments in respect of capital expenditure		<u>441,519</u>	<u>1,182,316</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Note	June 30, 2009	Dec 31, 2008
		----- (Rupees in '000) -----	
12.7 Commitments in respect of forward exchange contracts			
Sale		<u>54,536,669</u>	<u>55,225,610</u>
Purchase		<u>89,014,919</u>	<u>79,548,383</u>
		Jan-Jun 2009	Jan-Jun 2008
		----- (Rupees in '000) -----	
13. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances			
- Customers		23,824,180	17,527,040
- Financial institutions		359,094	317,449
		<u>24,183,274</u>	<u>17,844,489</u>
On investments in			
- Securities		6,907,784	4,372,665
- Associates		10,925	637
		<u>6,918,709</u>	<u>4,373,302</u>
On deposits with financial institutions		202,045	231,506
On securities purchased under resale agreements		505,958	711,522
Discount income		9,748	9,006
		<u>31,819,734</u>	<u>23,169,825</u>
14. MARK-UP / RETURN / INTEREST EXPENSED			
On deposits		12,655,449	7,286,198
On securities sold under repurchase agreements		1,052,545	1,239,423
On other short - term borrowings		1,268,739	715,039
On other long - term borrowings		768,211	612,177
Discount expense		241,924	101,184
		<u>15,986,868</u>	<u>9,954,021</u>
15. During the current period, the management of the Bank revoked the designation of the interest rate swap as a hedging instrument in respect of a cash flow hedge recorded in the previous period. As a result, the net loss on the cash flow hedge previously recognized in equity will separately remain in equity until the forecast transaction occurs or is no longer expected to occur. Accordingly, during the current period, a sum of Rs.19.492 million has been reclassified from equity to profit and loss account as a reclassification adjustment against income from dealing in derivatives under 'other income'.			
16. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.		3,732,082	3,407,251
Rent, taxes, insurance, electricity etc.		925,024	757,658
Depreciation		797,695	712,386
Outsourced service charges including sales commission		643,553	783,073
Communications		355,350	297,843
Banking service charge		243,940	190,807
Cash transportation charges		202,702	99,162
Stationery and printing		148,820	128,683
Legal and professional charges		99,903	102,656
Contribution to retirement plan	16.1	72,986	(49,681)
Advertisement and publicity		75,805	128,147
Repairs and maintenance		147,046	105,483
Travelling		77,857	67,310
Office running expenses		69,410	50,535
Charge for compensated absences		70,624	63,743
Vehicle expenses		48,883	52,654
Entertainment		44,542	41,714
Cartage, freight and conveyance		34,937	31,526
Insurance		44,558	46,180
Auditors' remuneration		20,405	15,226
Training and seminar		23,563	23,326
Brokerage expenses		11,824	12,187
Subscriptions		15,779	16,083
Donations		33,567	2,327
Miscellaneous expenses		126,920	142,921
		<u>8,067,775</u>	<u>7,229,200</u>

16.1. This includes amount of Ex Gratia amounting to Rs.148 million given to Employee Provident Fund.

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**
17. TAXATION

The Income Tax assessments of the Bank for domestic branches up to tax year 2008 (financial year ended December 31, 2007) were filed under the provisions of Section 114 of the Income Tax Ordinance, 2001 (Ordinance) and are deemed to be assessed under section 120 of the Ordinance. unless amended by the Commissioner of Income Tax.

For tax year 2008 (financial year ended December 31, 2007) the taxation authorities have issued an amended assessment order under section 122(5A) of the Ordinance determining additional tax liability of Rs. 1,609 million. The Bank has filed an appeal before the Commissioner of Income Tax (Appeals) [CIT (A)] against the said additional liability, for which hearing is still pending. The management is confident that the appeals will be decided in the favour of the Bank.

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

Tax liabilities for tax years 2004 to 2008 have been paid except to the extent of relief allowed by the CIT(A) for tax years 2004 to 2007.

In respect of Azad Kashmir Branches for the tax years 2005 to 2008 (financial years ended December 31, 2004 to 2007) were filed under the provisions of Section 120(1) read with section 114 of the Ordinance and in compliance with the terms of agreement between the banks and the Azad Kashmir Council in May 2005. The returns so filed qualify the statutory conditions to be termed as deemed assessment orders.

During the period, amendments were brought in through Finance Act 2009 regarding allowance of provision against non performing loans and off balance sheet exposures applicable from Tax year 2010 (accounting year Dec 31, 2009) and onwards. The Bank has accounted for these in the tax computation for the period, therefore, in accordance with the law, provision under the category of doubtful and loss category have been treated as allowed subject to a maximum limit of 1% of advances, consequently a deferred tax asset of Rs. 483 million is recognized relating to amounts allowed to be carried forward to future years. Based upon the legal opinion of the tax advisor, the Bank is confident that these disallowances and any relating to prior periods, which approximates to Rs.4,745 million, would be allowed to the bank in future periods against available profits and hence, the same has been carried forward as an tax asset in these interim condensed financial statements.

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the Period Ended June 30, 2009			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	(Rupees in '000)			
Total income - gross	306,850	8,841,983	12,508,350	15,943,581
Total expenses	(392,874)	(6,595,413)	(9,189,805)	(14,654,029)
Net income / (loss)	(86,024)	2,246,570	3,318,545	1,289,552
Segment return on assets (ROA) (%)	7.58%	9.25%	11.75%	14.55%
Segment cost of funds (%)	12.36%	8.80%	9.67%	10.75%
	For the Period Ended June 30, 2008			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	(Rupees in '000)			
Total income	602,597	6,671,587	13,848,280	8,081,773
Total expenses	(82,184)	(5,491,785)	(9,273,279)	(5,459,454)
Net income / (loss)	520,413	1,179,802	4,575,001	2,622,319
Segment return on assets (ROA) (%)	10.00%	7.30%	11.10%	10.70%
Segment cost of funds (%)	9.70%	7.20%	8.40%	8.50%
	As at June 30, 2009			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	(Rupees in '000)			
Segment assets (gross of NPL provisions)	6,520,433	175,637,592	226,216,124	248,122,051
Segment non performing loans (NPL)	-	-	19,379,005	16,302,261
Segment provision required against NPL	-	-	14,080,888	9,717,255
Segment liabilities	6,088,461	160,313,665	212,873,581	201,692,619
	As at December 31, 2008			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	(Rupees in '000)			
Segment assets (gross of NPL provisions)	9,294,445	174,810,322	190,730,419	248,800,630
Segment non performing loans (NPL)	-	-	15,765,831	12,073,489
Segment provision required against NPL	-	-	11,529,038	7,034,296
Segment liabilities	9,602,972	166,115,798	180,440,130	205,050,822

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

19. RELATED PARTY TRANSACTIONS

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

The Bank enters into transactions with the related parties in the normal course of business. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their employment.

	For the Period Ended June 30 , 2009				For the year ended December 31, 2008			
	Key management personnel	Subsidiaries	Associates	Other related parties	Key management personnel	Subsidiaries	Associates	Other related parties
	----- (Rupees in '000) -----							
Advances								
At January 01	148,875	-	-	-	80,592	-	-	-
Given during the period / year	22,032	-	-	-	135,743	-	-	-
Repaid during the period / year	(28,774)	-	-	-	(67,460)	-	-	-
At June 30, 2009	142,133	-	-	-	148,875	-	-	-
Deposits								
At January 01	20,149	35,835	147,701	308,347	14,252	4,049	231,886	5,865,116
Received during the period / year	364,975	34,036,684	8,324,834	678,261	543,947	230,977,388	44,273,279	2,034,774
Withdrawn during the period / year	(129,840)	(33,281,832)	(8,298,253)	(672,035)	(538,050)	(230,945,602)	(44,357,464)	(7,591,543)
At June 30, 2009	255,284	790,687	174,282	314,573	20,149	35,835	147,701	308,347
Balances with other banks	-	878,902	-	-	-	2,555,801	-	-
Outstanding placement at the end of the period / year	-	419,135	-	-	-	406,999	-	-
Outstanding borrowing at the end of the period / year	-	-	300,000	-	-	-	850,000	-
Payable in respect of acquisition of investment in equity shares	-	30,000	-	-	-	30,000	-	-
Distribution commission receivable	-	4,978	-	-	-	6,586	-	-
Other receivable	-	-	96,874	-	-	-	37,954	4,458
Other payable	-	-	6,209	-	-	-	164,932	-
Unearned income	-	-	-	-	-	435	-	-
Employee Motivation and Retention Scheme	-	-	-	413,546	-	-	-	338,552
Term Finance Certificate (sale) / purchased	-	-	-	-	-	-	1,898,783	-

	For the Period Ended June 30 , 2009				For the Period Ended June 30 , 2008			
	Key management personnel	Subsidiaries	Associates	Other related parties	Key management personnel	Subsidiaries	Associates	Other related parties
	----- (Rupees in '000) -----							
Mark-up / return / interest earned	4,019	10,516	-	-	1,704	363	-	-
Mark-up / return / interest expensed	205	224	218,572	567	39	1,059	47,275	52,281
Reimbursement of liaison office expenses paid to Bestway Group and Abu Dhabi Group	-	-	-	12,042	-	-	-	19,325
Dividend income received	-	40,898	-	-	-	49,578	-	-
Other expenses paid	-	-	-	-	-	-	112,778	-
Other income	-	870	6,701	-	-	-	962	-
Insurance premium paid	-	-	180,527	-	-	-	94,389	-
Remuneration paid	194,908	-	-	-	181,134	-	-	-
Post employment benefits	6,024	-	-	-	5,558	-	-	-
Contribution to defined contribution plan	-	-	-	287,672	-	-	-	126,172
Contribution to defined benefit plan	-	-	-	73,842	-	-	-	176,439
Employee Motivation and Retention Scheme	-	-	-	50,005	-	-	-	230,000
Distribution commission income	-	1,608	-	-	-	1,138	-	-
Distribution commission expense	-	-	-	-	-	3,511	-	-
Reimbursable expense incurred	-	-	-	-	-	2,767	-	-
Placements (received) / made during the period	-	(814,572)	-	-	-	363,099	-	-
Placements settled during the period	-	-	-	-	-	330,182	-	-
Maximum amount of a placement (received) / made during the period	-	(814,572)	-	-	-	157,916	-	-
Borrowing made during the period	-	-	1,650,000	-	-	1,220,746	-	-
Borrowing settled during the period	-	-	1,350,000	-	-	953,817	-	-
Maximum amount of a borrowing made during the period	-	-	500,000	-	-	346,800	-	-
Investment made during the period	-	-	2,437,264	-	-	-	2,159,500	-
Redemption made during the period	-	-	-	-	-	-	5,273,039	-
Realised gain on cross currency swaps	-	-	574,396	-	-	-	-	-
Unrealised gain on cross currency swaps	-	-	181,239	-	-	-	-	-
Bonus units received (number)	-	-	-	-	-	-	49,578	-

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

20. ISLAMIC BANKING BUSINESS

The balance sheet of the bank's Islamic Banking Branches as at June 30, 2009 is as follows:

	June 30, 2009	Dec 31, 2008
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	143,397	259,264
Balances with and due from financial institutions	542,705	421,325
Investments	772,737	1,295,236
Financing and receivables		
- Murabaha	234,108	92,060
- Musharaka	250,000	250,000
- Diminishing Musharaka	275,158	127,850
Operating fixed assets including assets given on Ijara	695,602	848,086
Other assets	195,395	148,826
Total Assets	3,109,102	3,442,647
LIABILITIES		
Bills payable	3,492	24,838
Deposits and other accounts		
- Current accounts	406,925	464,204
- Saving accounts	224,527	270,276
- Term deposits	360,097	413,322
- Deposits from financial institutions - remunerative	363,048	844,455
Due to head office	1,253,414	1,145,380
Other liabilities	81,848	61,192
	<u>2,693,351</u>	<u>3,223,667</u>
NET ASSETS	<u>415,751</u>	<u>218,980</u>
REPRESENTED BY		
Islamic Banking Fund	681,000	470,000
Unappropriated / Unremitted loss	<u>(265,797)</u>	<u>(237,572)</u>
	415,203	232,428
Surplus / (deficit) on revaluation of assets	<u>548</u>	<u>(13,448)</u>
	<u>415,751</u>	<u>218,980</u>

**NOTES TO THE UNCONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

The profit and loss account of the bank's Islamic Banking Branches for the half year ended June 30, 2009 is as follows:

	Jan-Jun 2009	Jan-Jun 2008
	----- (Rupees in '000) -----	
Profit earned	241,625	134,150
Profit paid	<u>58,638</u>	<u>40,559</u>
	182,987	93,591
Reversal for diminution in value of investment	<u>54,249</u>	-
Provision against assets given on Ijara	<u>(2,178)</u>	-
	52,071	-
Net Profit	<u>235,058</u>	<u>93,591</u>
OTHER INCOME		
Fee, commission and brokerage income	<u>1,179</u>	<u>914</u>
Dividend income	4,670	16,491
Income from dealing in foreign currencies	336	-
(Loss) / Gain on sale of securities	<u>(5,614)</u>	<u>6,931</u>
Other Income	568	32
Total other income	<u>1,139</u>	<u>24,368</u>
	236,197	117,959
OTHER EXPENSES		
Administrative expenses	<u>155,943</u>	<u>142,307</u>
Other charges	-	-
Total other expenses	<u>155,943</u>	<u>142,307</u>
Net gain / (loss)	<u>80,254</u>	<u>(24,348)</u>
Unappropriated loss brought forward	<u>(346,051)</u>	<u>(156,130)</u>
Unremitted loss	<u>(265,797)</u>	<u>(180,478)</u>
Remuneration to sharia advisor / board	<u>1,101</u>	<u>2,467</u>

21. DATE OF AUTHORIZATION

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

Atif R. Bokhari
President &
Chief Executive Officer

Dr. Ashfaqe Hasan Khan
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman



United Bank Limited
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2009
(UNAUDITED)

**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2009**

	(Un audited)	(Audited)
Note	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	56,159,987	50,143,570
Balances with other banks	24,202,615	14,540,306
Lendings to financial institutions	27,938,191	22,805,341
Investments	7 127,615,191	115,057,090
Advances	8 378,810,010	378,293,973
Operating fixed assets	20,228,775	19,926,915
Deferred tax asset - net	857,782	2,164,148
Other assets	18,322,407	17,309,187
	654,134,958	620,240,530
LIABILITIES		
Bills payable	5,074,451	5,210,870
Borrowings from financial institutions	9 42,032,010	44,749,690
Deposits and other accounts	10 521,163,393	492,267,898
Sub-ordinated loans	11,991,824	11,993,848
Liabilities against assets subject to finance lease	1,150	1,978
Other liabilities	15,615,579	16,620,583
	595,878,407	570,844,867
NET ASSETS	58,256,551	49,395,663
REPRESENTED BY		
Share capital	11,128,907	10,117,188
Reserves	18,925,266	17,256,061
Unappropriated profit	19,540,004	17,703,327
	49,594,177	45,076,576
Minority interest	2,419,475	2,044,589
	52,013,652	47,121,165
Surplus on revaluation of assets - net of deferred tax	6,242,899	2,274,498
	58,256,551	49,395,663

CONTINGENCIES AND COMMITMENTS

11

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

The valuation of listed equity securities / mutual funds held under 'available-for-sale' category of investments has been arrived at using the market prices quoted on the stock exchange / net assets value as of June 30, 2009 and a portion of impairment loss arising therefrom has been included in deficit on revaluation of assets – net of deferred tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the bank, the same would have resulted in a charge to profit and loss account of Rs 383.160 million (net of tax) and, consequently, the unappropriated profit for the year would have been Rs19,233.476 million and surplus on revaluation of assets - net of deferred tax would have been lower by Rs 383.160 million.

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Note	Apr-Jun 2009	Apr-Jun 2008	Jan-Jun 2009	Jan-Jun 2008
----- (Rupees in '000) -----					
Mark-up / return / interest earned	12	15,663,338	12,225,374	32,122,658	23,598,947
Mark-up / return / interest expensed	13	(7,779,870)	(5,239,302)	(16,062,836)	(10,053,241)
Net mark-up / interest income		7,883,468	6,986,072	16,059,822	13,545,706
Provision for non-performing loans and advances		(3,640,080)	(1,063,444)	(5,306,560)	(1,950,038)
General provision against consumer loans		(138,668)	63,907	(71,451)	87,729
Provision for diminution in value of investment		(44,140)	-	(334,200)	-
Bad debts written off directly		(365,631)	(346,459)	(700,291)	(677,366)
		(4,188,519)	(1,345,996)	(6,412,502)	(2,539,675)
Net mark-up / interest income after provisions		3,694,949	5,640,076	9,647,320	11,006,031
Non mark-up / return / interest income					
Fee, commission and brokerage income		1,703,175	1,869,704	3,079,668	3,562,427
Dividend income		236,426	223,411	271,542	251,289
Gain on sale of securities		(16,194)	58,157	115,645	308,776
Unrealised gain / (loss) on revaluation of trading securities		(22,673)	3,909	(681)	(1,202)
Income from dealing in foreign currencies		223,264	494,105	560,116	754,975
Other income	14	1,804,869	715,807	2,233,501	1,729,508
Total non-markup/interest Income		3,928,867	3,365,093	6,259,791	6,605,773
		7,623,816	9,005,169	15,907,111	17,611,804
Non mark-up / interest expenses					
Administrative expenses	15	(4,459,400)	(4,030,066)	(8,658,866)	(7,795,501)
Other provisions / write offs		(186,276)	(137,827)	(183,306)	(194,526)
Worker welfare fund		(86,727)	(202,673)	(169,345)	(202,673)
Other charges		(348)	(3,121)	(1,168)	(182,272)
Total non-markup / interest expenses		(4,732,751)	(4,373,687)	(9,012,685)	(8,374,972)
		2,891,065	4,631,482	6,894,426	9,236,832
Share of income from associates		32,403	(148,709)	212,318	(26,859)
Profit before taxation		2,923,468	4,482,773	7,106,744	9,209,973
Taxation					
Current / prior		(1,430,836)	(1,873,561)	(3,052,500)	(3,736,453)
Deferred		340,598	88,500	543,528	382,328
		(1,090,238)	(1,785,061)	(2,508,972)	(3,354,125)
Profit after taxation	16	1,833,230	2,697,712	4,597,772	5,855,848
Share of minority interest		1,223	(29,830)	(6,761)	(57,832)
Profit attributable to Shareholders of the Bank		1,834,453	2,667,882	4,591,011	5,798,016
Unappropriated profit brought forward		20,050,017	14,907,201	17,703,327	16,728,318
		21,884,470	17,575,083	22,294,338	22,526,334
Transferred from surplus on revaluation of fixed assets-net of tax		29,300	80,420	126,614	160,840
Profit before appropriations		21,913,770	17,655,503	22,420,952	22,687,174
Appropriations					
Transfer to statutory reserve		(350,328)	(538,594)	(857,510)	(1,118,702)
Final cash dividend for the year ended December 31, 2008 and December 31, 2007 declared subsequent to the year end		(1,011,719)	-	(1,011,719)	(2,428,125)
Transfer to reserve for issue of bonus shares		(1,011,719)	-	(1,011,719)	(2,023,438)
		(2,373,766)	(538,594)	(2,880,948)	(5,570,265)
Unappropriated profit carried forward		19,540,004	17,116,909	19,540,004	17,116,909
----- (Rupees) -----					
Basic and diluted earnings per share		1.65	2.40	4.13	5.21

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

The valuation of listed equity securities / mutual funds held under 'available-for-sale' category of investments has been arrived at using the market prices quoted on the stock exchange / net assets value as of June 30, 2009 and a portion of impairment loss arising there from has been included in surplus on revaluation of assets – net of deferred tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the bank, the same would have resulted in a charge to profit and loss account of Rs.589.477 million and, consequently, the profit after tax for the half year would have been Rs4,214.612 million and earnings per share would have been Rs.3.79

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Half Year Ended June 30, 2009	Half Year Ended June 30, 2008
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	7,106,744	9,209,971
Income from associates	(212,318)	26,859
Dividend income	(271,542)	(251,289)
	<u>6,622,884</u>	<u>8,985,541</u>
Adjustments for non-cash charges		
Depreciation	828,857	739,204
Worker welfare fund	169,345	202,673
Provision for retirement benefits	159,851	(37,524)
Provision against non-performing advances	5,378,011	1,862,309
Provision for diminution in the value of investments	334,200	-
(Gain) / loss on sale of fixed assets	(5,970)	(1,267)
Finance charges on leased assets	83	143
Provision / (reversal of provision) against other assets	(15,400)	194,526
Unrealized deficit on revaluation of investment classified as held for trading	681	1,202
Bad debts written off	700,291	677,366
	<u>7,549,949</u>	<u>3,638,632</u>
	14,172,833	12,624,173
(Increase)/ decrease in operating assets		
Lendings to financial institutions	(5,132,850)	8,257,414
Held-for-trading securities	1,248,959	(836,925)
Advances	(6,594,339)	(32,942,606)
Others assets	2,209,738	(1,158,884)
	<u>(8,268,492)</u>	<u>(26,681,001)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	(136,419)	(975,833)
Borrowings from financial institutions	(2,717,680)	(25,297,271)
Deposits	28,895,495	62,249,836
Other liabilities	275,697	(108,750)
	<u>26,317,093</u>	<u>35,867,982</u>
	32,221,434	21,811,154
Received from retirement benefits	(311,094)	155,488
Income tax paid	(6,875,262)	(2,200,854)
Net cash flow from operating activities	<u>25,035,078</u>	<u>19,765,788</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(8,928,554)	315,622
Dividend income	249,486	327,662
Investments in operating fixed assets	(871,284)	(1,490,082)
Sale proceeds of property and equipment disposed off	48,242	30,218
Net cash flow from investing activities	<u>(9,502,110)</u>	<u>(816,580)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
(Payments) / receipts of sub-ordinated loan	(2,024)	5,999,176
Payments of lease obligations	(828)	(687)
Dividend paid	(1,011,719)	(2,428,125)
Net cash flow from financing activities	<u>(1,014,571)</u>	<u>3,570,364</u>
Net cash flow	<u>14,518,398</u>	<u>22,519,572</u>
Exchange difference on transaction of net investment in foreign branches and subsidiaries & minority	792,203	1,929,261
Exchange difference on transaction of net assets attributable to minority interest	368,125	316,757
Increase/(decrease) in cash and cash equivalents	15,678,726	24,765,590
Cash and cash equivalents at beginning of the period	64,683,876	68,604,536
Cash and cash equivalents at end of the period	<u>80,362,602</u>	<u>93,370,126</u>

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

	Share capital	Capital Reserves				Cash flow hedge reserve	Unappropriated Profit	Minority Interest	Total
		General Reserve	Statutory Reserve	Exchange Reserve	Reserve for issue of Bonus share				
	(Rupees in '000)								
Balance on January 1, 2008	8,093,750	3,000	8,716,409	2,857,933	-	16,728,318	2,115,644	38,515,054	
Final cash dividend for the year ended December 31, 2007 declared subsequent to year end at Rs 3 per share	-	-	-	-	-	(2,428,125)	-	(2,428,125)	
Transfer to reserve for issue of bonus shares	-	-	-	-	2,023,438	(2,023,438)	-	-	
Issue of bonus shares	2,023,438	-	-	-	(2,023,438)	-	-	-	
Profit after taxation for the half year ended June 30, 2008	-	-	-	-	-	5,798,016	(57,832)	5,740,184	
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	160,840	-	160,840	
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	1,929,261	-	-	403,905	2,333,166	
Transfer to statutory reserves	-	-	1,118,702	-	-	(1,118,702)	-	-	
Balance as at June 30, 2008	10,117,188	3,000	9,835,111	4,787,194	-	17,116,909	2,461,717	44,321,119	
Interim cash dividend for the half year ended June 30, 2008 declared subsequent to period end at Rs. 1.5 per share	-	-	-	-	-	(1,517,578)	-	(1,517,578)	
Profit after taxation for the half year ended December 31, 2008	-	-	-	-	-	2,557,741	147,326	2,705,067	
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	94,177	-	94,177	
Net loss on cash flow hedges - net of deferred tax	-	-	-	-	-	(276,633)	-	(276,633)	
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	2,359,467	-	-	(509,230)	1,850,237	
Preferred dividend relating to minority shareholders	-	-	-	-	-	-	(55,224)	(55,224)	
Transfer to statutory reserve	-	-	547,922	-	-	(547,922)	-	-	
Balance as at December 31, 2008	10,117,188	3,000	10,383,033	7,146,661	-	(276,633)	2,044,589	47,121,165	
Final cash dividend for the year ended December 31, 2008 declared subsequent to year end at Re. 1.0 per share	-	-	-	-	-	(1,011,719)	-	(1,011,719)	
Transfer to reserve for issue of bonus shares	-	-	-	-	1,011,719	(1,011,719)	-	-	
Issue of bonus shares	1,011,719	-	-	-	(1,011,719)	-	-	-	
Profit after taxation for the half year ended June 30, 2009	-	-	-	-	-	4,591,011	6,761	4,597,772	
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	126,614	-	126,614	
Reversal of loss on cash flow hedges - net of deferred tax	-	-	-	-	-	19,492	-	19,492	
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	792,203	-	-	368,125	1,160,328	
Transfer to statutory reserves	-	-	857,510	-	-	(857,510)	-	-	
Balance as at June 30, 2009	11,128,907	3,000	11,240,543	7,938,864	-	(257,141)	2,419,475	52,013,652	

The annexed notes 1 to 20 form an integral part of these consolidated condensed interim financial statements.

Atif R. Bokhari
President &
Chief Executive Officer

Dr. Ashfaqe Hasan Khan
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009****1. STATUS AND NATURE OF BUSINESS**

The Group consists of:

Holding Company

United Bank Limited (The Bank)

Subsidiary Companies

United National Bank Limited

United Bank AG (Zurich),

United Executors and Trustees

UBL Fund Managers Limited

The Group is engaged in commercial banking, modaraba management, asset management, mutual funds and trustee services. The Bank is listed on all three Stock Exchanges in Pakistan and in London Stock Exchange. The Bank's registered office and principal office is situated in State Life Building No. 1, I. I. Chundirgar Road Karachi. The Bank operates 1,118 (2008: 1,119) branches inside including the Karachi Export Processing Zone Branch (KEPZ) and 17 (December 31, 2008:17) branches outside Pakistan as at June 30, 2009. The domestic branch network also includes 5(2008: 5) Islamic banking branches.

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

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan 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

These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards 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. The disclosures in these accounts have, however, been limited based on the requirements of International Accounting Standard 34, Interim Financial Reporting.

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

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

- IAS 1 – Presentation of Financial Statements (Revised)
- IAS 23 – Borrowing Costs (Revised)
- IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments
- IFRS 2 – Share-Based Payment – Vesting Conditions and Cancellations
- IFRS 4 – Insurance Contracts
- IFRS 8 – Operating Segments
- IFRIC 13 – Customer Loyalty Programs
- IFRIC 15 – Agreements for the Construction of Real Estate

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Company as disclosed in the annual financial statement for the year ended 31 December 2008. However, the revised IAS 1 was issued in September 2007 with subsequent amendments in November 2008 and was effective for financial years beginning on or after 1 January 2009. Since the bank is required to follow the format of half-yearly financial statements as prescribed by the SBP through the BSD Circular Letter No. 2 of 2004, therefore the newly introduced statements of comprehensive income presenting all items recognized in income and expense introduced through IAS 1 (revised) have not been taken into consideration in the preparation of these half-yearly financial statements.

4. ESTIMATES

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

The significant judgements made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to financial statements for the year ended December 31, 2008.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of annual financial statements of the Bank for the year ended December 31, 2008.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the bank for the year ended December 31, 2008.

7. INVESTMENTS

7.1	Note	June 30, 2009			December 31, 2008		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000-----							
Held-for-trading securities	7.2.1	3,399,294	-	3,399,294	4,648,253	-	4,648,253
Available-for-sale securities	7.2.2	86,007,994	7,703,741	93,711,735	81,835,468	14,269,456	96,104,924
Held-to-maturity securities	7.2.3	32,647,686	-	32,647,686	23,379,195	-	23,379,195
Investments in Associates	7.2.4	4,959,083	-	4,959,083	2,905,831	-	2,905,831
		<u>127,014,057</u>	<u>7,703,741</u>	<u>134,717,798</u>	<u>112,768,747</u>	<u>14,269,456</u>	<u>127,038,203</u>
Provision for diminution in value of investments		(2,894,575)	-	(2,894,575)	(2,188,792)	-	(2,188,792)
Investments (net of provisions)		<u>124,119,482</u>	<u>7,703,741</u>	<u>131,823,223</u>	<u>110,579,955</u>	<u>14,269,456</u>	<u>124,849,411</u>
Surplus / (deficit) on revaluation of available for sale investments		(4,174,880)	(32,471)	(4,207,351)	(9,671,911)	(109,728)	(9,781,639)
Surplus / (Deficit) on revaluation of held for trading investments		(681)	-	(681)	(10,682)	-	(10,682)
Total investments		<u>119,943,921</u>	<u>7,671,270</u>	<u>127,615,191</u>	<u>100,897,362</u>	<u>14,159,728</u>	<u>115,057,090</u>

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

FOR THE HALF YEAR ENDED JUNE 30, 2009

7.2 Investments by types	Note	June 30, 2009			December 31, 2008		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
------(Rupees in '000)-----							
7.2.1 Held-for-trading securities							
Market treasury bills		3,262,144	-	3,262,144	4,202,368	-	4,202,368
Ordinary shares of listed companies		137,150	-	137,150	348,506	-	348,506
Sukuk bonds		-	-	-	81,450	-	81,450
Pakistan Investment Bonds		-	-	-	15,929	-	15,929
		3,399,294	-	3,399,294	4,648,253	-	4,648,253
7.2.2 Available for sale securities							
Market treasury bills		40,018,442	7,271,412	47,289,854	33,775,219	13,841,226	47,616,445
Pakistan Investment Bonds		16,340,508	432,329	16,772,837	16,777,690	428,230	17,205,920
Foreign currency bonds		14,096,877	-	14,096,877	15,272,429	-	15,272,429
Ordinary shares of listed companies		5,685,439	-	5,685,439	5,886,059	-	5,886,059
Euro Bonds		2,378,651	-	2,378,651	4,341,320	-	4,341,320
Government of Pakistan Islamic Bonds		4,842,560	-	4,842,560	2,493,607	-	2,493,607
Term Finance Certificates		2,012,702	-	2,012,702	2,172,450	-	2,172,450
Ordinary shares of unlisted companies		441,516	-	441,516	441,715	-	441,715
Sukuk bonds		-	-	-	455,276	-	455,276
Units of mutual funds		191,299	-	191,299	211,583	-	211,583
Cumulative preference shares		-	-	-	8,120	-	8,120
		86,007,994	7,703,741	93,711,735	81,835,468	14,269,456	96,104,924
7.2.3 Held to maturity securities							
Term finance certificates		16,117,232	-	16,117,232	4,915,803	-	4,915,803
Pakistan Investment Bonds		2,515,509	-	2,515,509	4,339,104	-	4,339,104
Certificate of deposits		-	-	-	4,091,750	-	4,091,750
CIRC bonds		2,900,000	-	2,900,000	2,900,000	-	2,900,000
Foreign securities		1,968,062	-	1,968,062	2,105,582	-	2,105,582
Government of Pakistan - Guaranteed bonds		1,648,269	-	1,648,269	1,485,444	-	1,485,444
Market treasury bills		5,439,639	-	5,439,639	1,263,178	-	1,263,178
Sukuk bonds		1,097,747	-	1,097,747	1,094,372	-	1,094,372
Foreign currency bonds		924,758	-	924,758	1,138,686	-	1,138,686
Participation Term Certificates		29,811	-	29,811	38,205	-	38,205
Debentures		6,252	-	6,252	6,676	-	6,676
CDC SAARC Fund		407	-	407	395	-	395
		32,647,686	-	32,647,686	23,379,195	-	23,379,195
7.2.4 Investments in Associates							
United Money Market Fund		-	-	-	1,450,300	-	1,450,300
United Growth and Income Fund		3,089,629	-	3,089,629	327,193	-	327,193
United Composite Islamic Fund		588,997	-	588,997	338,024	-	338,024
United Liquidity Preference Fund		201,192	-	201,192	-	-	-
United Islamic Income Fund		328,633	-	328,633	308,700	-	308,700
United Stock Advantage Fund		368,516	-	368,516	142,766	-	142,766
UBL Participation Protected Plan		212,966	-	212,966	75,500	-	75,500
UBL Insurers Limited		81,543	-	81,543	138,887	-	138,887
United Capital Protected Fund - 1		80,626	-	80,626	52,154	-	52,154
Oman United Exchange Company, Muscat		6,981	-	6,981	72,307	-	72,307
		4,959,083	-	4,959,083	2,905,831	-	2,905,831
		127,014,057	7,703,741	134,717,798	112,768,747	14,269,456	127,038,203
Provision for diminution in value of investments		(2,894,575)	-	(2,894,575)	(2,188,792)	-	(2,188,792)
		124,119,482	7,703,741	131,823,223	110,579,955	14,269,456	124,849,411
Surplus / (deficit) on revaluation of available for sale investments		(4,174,880)	(32,471)	(4,207,351)	(9,671,911)	(109,728)	(9,781,639)
Surplus / (Deficit) on revaluation of held for trading investments		(681)	-	(681)	(10,682)	-	(10,682)
Investments (net of provisions)		119,943,921	7,671,270	127,615,191	100,897,362	14,159,728	115,057,090

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

8. ADVANCES	Note	June 30, 2009 ------(Rupees in '000)-----	December 31, 2008
Loans, cash credits, running finances, etc.			
In Pakistan		286,914,611	278,513,709
Outside Pakistan		96,566,370	101,625,637
		<u>383,480,981</u>	<u>380,139,346</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		14,331,761	12,401,963
Payable outside Pakistan		6,144,957	5,221,564
		<u>20,476,718</u>	<u>17,623,527</u>
		403,957,699	397,762,873
Finance in respect of continuous funding system (CFS)		-	322,180
		<u>403,957,699</u>	<u>398,085,053</u>
Provision for non-performing advances			
- Specific	8.1	(23,802,922)	(18,567,383)
- General	8.2	(1,344,767)	(1,223,697)
		<u>378,810,010</u>	<u>378,293,973</u>

8.1 Advances include Rs 35,681 million (December 31, 2008: Rs 28,901 million) which have been placed under non-performing status as detailed below:-

Category of classification	June 30, 2009				
	Domestic	Overseas	Total	Provision Required	Provision Held
	-----Rupees in '000-----				
Other Assets Especially Mentioned	511,678	-	511,678	-	-
Substandard	5,517,629	95,873	5,613,502	1,303,951	1,303,951
Doubtful	6,862,009	1,451,643	8,313,652	2,805,294	2,805,294
Loss	19,654,520	2,680,756	22,335,276	19,693,677	19,693,677
	<u>32,545,836</u>	<u>4,228,272</u>	<u>36,774,108</u>	<u>23,802,922</u>	<u>23,802,922</u>

Category of classification	December 31, 2008				
	Domestic	Overseas	Total	Provision Required	Provision Held
	-----Rupees in '000-----				
Other Assets Especially Mentioned	562,548	348,605	911,153	-	-
Substandard	4,857,390	616,407	5,473,797	926,042	926,042
Doubtful	6,308,575	308,796	6,617,371	2,369,509	2,369,509
Loss	13,557,179	2,341,829	15,899,008	15,271,832	15,271,832
	<u>25,285,692</u>	<u>3,615,637</u>	<u>28,901,329</u>	<u>18,567,383</u>	<u>18,567,383</u>

8.2 General provision represents provision amounting to Rs 1,043.390 million (December 31, 2008: Rs 1,082.499 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs 301.377 million (December 31, 2008: Rs 141.207 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulating authorities of the respective country in which the overseas branches operate.

9. BORROWINGS FROM FINANCIAL INSTITUTIONS	June 30, 2009 ------(Rupees in '000)-----	December 31, 2008
Secured		
Borrowings from financial institutions	-	-
Borrowings from State Bank of Pakistan		
- Under export refinance scheme	13,800,351	12,804,867
- Long term finance under export oriented projects	4,503,303	4,280,169
- Locally manufactured machinery	6	544
	<u>18,303,660</u>	<u>17,085,580</u>
Repurchase agreement borrowings	7,836,376	14,284,138
Unsecured		
Borrowings from other central banks	-	-
Call borrowings	12,734,106	10,200,693
Overdrawn nostro accounts	2,377,286	2,116,282
Trading account liability	780,582	1,062,997
	<u>15,891,974</u>	<u>13,379,972</u>
	<u>42,032,010</u>	<u>44,749,690</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

Jan-Jun 2009 Jan-Jun 2008
------(Rupees in '000)-----

12. MARK-UP / RETURN / INTEREST EARNED

On loans and advances		
- Customers	23,995,857	17,776,501
- Financial institutions	362,408	440,625
	<u>24,358,265</u>	<u>18,217,126</u>
On investments in		
- Securities	6,920,191	4,376,344
- Associates	10,925	-
	<u>6,931,116</u>	<u>4,376,344</u>
On deposits with financial institutions	260,518	231,941
On securities purchased under resale agreements	505,958	711,522
Discount income	66,802	62,015
	<u>32,122,659</u>	<u>23,598,948</u>

13. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	12,731,417	7,385,139
On securities sold under repurchase agreements	1,052,545	1,239,423
On other short - term borrowings	1,268,739	715,318
On other long - term borrowings	768,211	612,177
Discount expense	241,924	101,184
	<u>16,062,836</u>	<u>10,053,241</u>

14. During the current period, the management of the bank revoked the designation of the interest rate swap as a hedging instrument in respect of a cash flow hedge recorded in the previous period. As a result, the net loss on the cash flow hedge previously recognized in equity will separately remain in equity until the forecast transaction occurs or is no longer expected to occur. Accordingly, during the current period, a sum of Rs 19.492 million has been reclassified from equity to profit and loss account as a reclassification adjustment against income from dealing in derivatives under 'other income.'

15. ADMINISTRATIVE EXPENSES

Salaries, allowances etc.	4,069,941	3,752,225
Outsourced service charges including sales commission	663,465	815,571
Contribution to retirement plan	89,227	(101,267)
Charge for compensated absences	70,624	63,743
Rent, taxes, insurance, electricity etc.	963,783	786,796
Communications	373,669	322,095
Advertisement and publicity	83,328	137,386
Depreciation	828,857	739,204
Stationery and printing	155,238	138,106
Banking service charge	248,081	206,784
Legal and professional charges	108,645	116,417
Cash transportation charges	205,168	101,197
Travelling	87,298	74,245
Repairs and maintenance	177,841	129,950
Donations	33,567	2,327
Insurance expenses	44,558	46,180
Vehicle expenses	48,883	52,723
Office running expenses	69,410	50,535
Entertainment	46,137	44,139
Cartage, freight and conveyance	34,937	31,526
Training and seminar	24,550	28,472
Auditors' remuneration	30,005	24,452
Subscriptions	19,533	18,656
Brokerage expenses	11,824	12,350
Finance charges on lease	4,003	143
Miscellaneous expenses	166,293	201,546
	<u>8,658,866</u>	<u>7,795,501</u>

16. TAXATION

- 16.1 The Income Tax assessments of the Bank for domestic branches up to tax year 2008 (financial year ended December 31, 2007) were filed under the provisions of Section 114 of the Income Tax Ordinance, 2001 (Ordinance) and are deemed to be assessed under section 120 of the Ordinance, unless amended by the Commissioner of Income Tax.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**

- 16.2** For tax year 2008 (financial year ended December 31, 2007) the taxation authorities have issued an amended assessment order under section 122(5A) of the Ordinance determining additional tax liability of Rs. 1,609 million. The Bank has filed an appeal before the Commissioner of Income Tax (Appeals) [CIT (A)] against the said additional liability, for which hearing is still pending. The management is confident that the appeals will be decided in the favour of the Bank.
- 16.3** For tax years 2004 to 2007 (financial year ended December 31, 2003 to 2006) the taxation authorities have issued amended assessment orders under section 122(5A) of the Ordinance, which were further rectified under section 221 of the Ordinance determining additional tax liability of Rs.3,564 million. Appeals filed by the Bank before the CIT (A) against these amended assessments have been decided, by allowing relief on certain issues. However, for remaining issues appeals have been filed before the Income Tax Appellate Tribunal (ITAT). The return for the tax year 2003 was selected for audit under section 177 of the Ordinance and the amended assessment order was passed, which has been contested before the CIT(A). The management is confident that the appeals will be decided in the favour of the Bank.
- 16.4** Tax liabilities for tax years 2004 to 2008 have been paid except to the extent of relief allowed by the CIT(A) for tax years 2004 to 2007.
- 16.5** In respect of Azad Kashmir Branches for the tax years 2005 to 2008 (financial years ended December 31, 2004 to 2007) were filed under the provisions of Section 120(1) read with section 114 of the Ordinance and in compliance with the terms of agreement between the banks and the Azad Kashmir Council in May 2005. The returns so filed qualify the statutory conditions to be termed as deemed assessment orders.
- 16.6** During the period, amendments were brought in through Finance Act 2009 regarding allowance of provision against non performing loans and off balance sheet exposures applicable from Tax year 2010 (accounting year Dec 31, 2009) and onwards. The Bank has accounted for these in the tax computation for the period, therefore, in accordance with the law, provision under the category of doubtful and loss category have been treated as allowed subject to a maximum limit of 1% of advances, consequently a deferred tax asset of Rs. 483 million is recognized relating to amounts allowed to be carried forward to future years. Based upon the legal opinion of the tax advisor, the Bank is confident that these disallowances and any relating to prior periods, which approximates to Rs.4,745 million, would be allowed to the bank in future periods against available profits and hence, the same has been carried forward as a tax asset in these interim condensed financial statements.

17. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the Period Ended June 30, 2009					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
	----- (Rupees in '000) -----					
Total income	306,850	8,841,983	12,508,350	15,943,581	231,232	550,454
Total expenses	(392,874)	(6,595,413)	(9,189,805)	(14,654,029)	(150,176)	(505,726)
Net income / (loss)	(86,024)	2,246,570	3,318,545	1,289,552	81,056	44,728
Segment return on assets (ROA) (%)	7.58%	9.25%	11.75%	14.55%	19.14%	0.75%
Segment cost of funds (%)	12.36%	8.80%	9.67%	10.75%	9.00%	7.00%

	For the Period Ended June 30, 2008					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
	----- (Rupees in '000) -----					
Total income	602,597	6,671,587	14,471,009	8,072,949	287,662	98,916
Total expenses	(82,184)	(5,491,785)	(9,722,749)	(5,481,991)	(154,070)	(61,925)
Net income / (loss)	520,413	1,179,802	4,748,215	2,590,958	133,592	36,991
Segment return on assets (ROA) (%)	10.00%	7.30%	11.40%	10.70%	39.20%	3.50%
Segment cost of funds (%)	9.70%	7.20%	8.40%	8.50%	0.00%	8.00%

	As at June 30, 2009					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
	----- (Rupees in '000) -----					
Segment assets (gross of NPL provisions)	6,520,433	194,366,953	226,220,903	244,443,093	423,594	5,962,904
Segment non performing loans (NPL)	-	-	19,379,005	16,302,261	-	-
Segment provision required against NPL	-	-	14,085,667	9,717,255	-	-
Segment liabilities	6,088,461	173,184,247	212,873,581	199,723,678	39,920	3,968,520

	As at December 31, 2008					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
	----- (Rupees in '000) -----					
Segment assets (gross of NPL provisions)	9,294,445	180,443,382	200,402,439	243,854,770	455,567	4,357,311
Segment non performing loans (NPL)	-	-	16,827,840	12,073,489	-	-
Segment provision required against NPL	-	-	11,533,087	7,034,296	-	-
Segment liabilities	9,602,972	169,962,504	185,364,108	204,917,867	100,325	897,091

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**
18. RELATED PARTY TRANSACTIONS

- 18.1** The Bank has related party relationship with its associated undertakings, subsidiary companies, employee benefit plans and its directors and executive officers (including their associates).
- 18.2** The Bank enters into transactions with the related parties in the normal course of business. 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. Remuneration to the executives are determined in accordance with the terms of their appointment.

18.3 RELATED PARTY TRANSACTIONS

	For the half year ended June 30 , 2009			For the year ended December 31, 2008		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----						
Advances						
At January 01	148,875	-	-	80,592	-	-
Given during the period	22,032	-	-	135,743	-	-
Repaid during the period	(28,774)	-	-	(67,460)	-	-
At June 30, 2009	<u>142,133</u>	<u>-</u>	<u>-</u>	<u>148,875</u>	<u>-</u>	<u>-</u>
Deposits						
At January 01	20,149	147,701	308,347	14,252	231,886	5,865,116
Received during the period	364,975	8,324,834	678,261	543,947	44,273,279	2,034,774
Withdrawn during the period	(129,840)	(8,298,253)	(672,035)	(538,050)	(44,357,464)	(7,591,543)
At June 30, 2009	<u>255,284</u>	<u>174,282</u>	<u>314,573</u>	<u>20,149</u>	<u>147,701</u>	<u>308,347</u>
Outstanding borrowing at the end of end of the period	-	300,000	-	-	850,000	-
Other receivable	-	96,874	-	-	37,954	4,458
Other payable	-	6,209	-	-	164,932	-
Employee Motivation and Retention Scheme	-	-	413,546	-	-	338,552
Term Finance Certificate (sale) / purchased	-	-	-	-	1,898,783	-
----- (Rupees in '000) -----						
	For the half year ended June 30 , 2009			For the half year ended June 30 , 2008		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
Mark-up / return / interest earned	4,019	-	-	1,704	-	-
Mark-up / return / interest expensed	205	218,572	567	39	47,275	52,281
Reimbursement of liaison office expenses paid to Bestway Group and Abu Dhabi Group	-	-	12,042	-	-	19,325
Other expenses paid	-	-	-	-	112,778	-
Other income	-	6,701	-	-	962	-
Insurance premium paid	-	180,527	-	-	94,389	-
Remuneration paid	194,908	-	-	181,134	-	-
Post employment benefits	6,024	-	-	5,558	-	-
Contribution to defined contribution plan	-	-	287,672	-	-	126,172
Contribution to defined benefit plan	-	-	172,223	-	-	176,439
Employee Motivation and Retention Scheme	-	-	50,005	-	-	230,000
Borrowing made during the period	-	1,650,000	-	-	-	-
Borrowing settled during the period	-	1,350,000	-	-	-	-
Maximum amount of a borrowing made during the period	-	500,000	-	-	-	-
Investment made during the period	-	2,437,264	-	-	2,159,500	-
Redemption made during the period	-	-	-	-	5,273,039	-
Bonus units received	-	-	-	-	49,578	-
Realised gain on cross currency swaps	-	574,396	-	-	-	-
Unrealised gain on cross currency swaps	-	181,239	-	-	-	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009**
19. ISLAMIC BANKING BUSINESS

The balance sheet of the Bank's Islamic Banking Branches as at June 30, 2009 is as follows:

	June 30, 2009	December 31, 2008
----- (Rupees in '000) -----		
ASSETS		
Cash and balances with treasury banks	143,397	259,264
Balances with and due from financial institutions	542,705	421,325
Investments	772,737	1,295,236
Financing and receivables		
- Murabaha	234,108	92,060
- Musharaka	250,000	250,000
- Diminishing Musharaka	275,158	127,850
Operating fixed assets including assets given on Ijara	695,602	848,086
Other assets	195,395	148,826
Total Assets	3,109,102	3,442,647
LIABILITIES		
Bills payable	3,492	24,838
Deposits and other accounts		
- Current accounts	406,925	464,204
- Saving accounts	224,527	270,276
- Term deposits	360,097	413,322
- Deposits from financial institutions: remunerative	363,048	844,455
Due to head office	1,253,414	1,145,380
Other liabilities	81,848	61,192
	<u>2,693,351</u>	<u>3,223,667</u>
NET ASSETS	415,751	218,980
REPRESENTED BY		
Islamic Banking Fund	681,000	470,000
Unappropriated / unremitted loss	<u>(265,797)</u>	<u>(237,572)</u>
	415,203	232,428
Surplus / (deficit) on revaluation of assets	548	(13,448)
	<u>415,751</u>	<u>218,980</u>

The profit and loss account of the bank's Islamic Banking Branches for the half year ended June 30, 2009 is as follows:

	Jan-Jun 2009	Jan-Jun 2008
----- (Rupees in '000) -----		
Profit earned	241,625	134,150
Profit paid	<u>(58,638)</u>	<u>(40,559)</u>
	182,987	93,591
Reversal for diminution in value of investment	54,249	-
Provision against assets given on Ijara	<u>(2,178)</u>	<u>-</u>
	52,071	-
Net profit	<u>235,058</u>	<u>93,591</u>
OTHER INCOME		
Fee, commission and brokerage income	1,179	914
Dividend Income	4,670	16,491
Income from dealing in foreign currencies	336	-
(Loss) / gain on sale of securities	(5,614)	6,931
Other income	568	32
Total other income	<u>1,139</u>	<u>24,368</u>
	236,197	117,959
OTHER EXPENSES		
Administrative expenses	155,943	142,307
Other charges	-	-
Total other expenses	<u>155,943</u>	<u>142,307</u>
Net gain / (loss)	80,254	(24,348)
Unappropriated profit brought forward	(346,051)	(156,130)
Unremitted loss	<u>(265,797)</u>	<u>(180,478)</u>
Remuneration to Sharia Advisor / Board	<u>1,101</u>	<u>2,467</u>

20. DATE OF AUTHORIZATION

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

 Atif R. Bokhari
President &
Chief Executive Officer

 Dr. Ashfaqe Hasan Khan
Director

 Omar Z. Al Askari
Director

 Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman