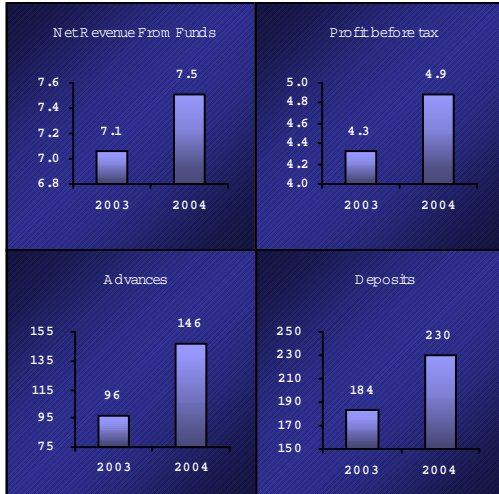


**DIRECTORS' REPORT TO THE MEMBERS**

It gives me great pleasure to present to you the 46th Annual Report and Financial Statements of United Bank Limited for the year ended December 31, 2004.

**FINANCIAL HIGHLIGHTS**


In 2004, the bank generated a net profit before tax of Rs 4.9 billion which represents a 14% growth from last year. Net revenue from funds (NRFF) and fee income were the two major contributors. NRFF increased by 6% to Rs 7.5 billion, largely due to reduction in deposit rates and fee income increased by 15% to Rs 1.7 billion, mainly due to increased focus on trade business during the year. Administrative expenses increased only by 8% to Rs 6.7 billion primarily due to investment in the consumer business. Income from dealing in foreign currencies also increased sharply by 53%, mainly due to the weakening of the rupee, creating opportunities for effective arbitrage.

As a result the profit after tax registered a healthy rise of 40% and stood at Rs 3.7 billion, providing a healthy return on equity of 26% (EPS: Rs 7.15). The Board of Directors is pleased to recommend cash dividend of Rs 1.50 per share for the year ended December 31, 2004.

The balance sheet strengthened further during the year, with a sharp growth of 52% in Advances (Rs 50 billion over last year) to Rs 146 billion, one of the highest amongst the large network banks. Consequently the Bank's domestic market share of advances jumped to 8.6% at the end of the year (2003: 8.1%)

On the liabilities side, deposits jumped by 25% to Rs 230 billion. Our dedicated field staff once again demonstrated their ability to exceed expectations. The Bank's domestic market share of deposits increased to 9.1% at the end of the year (2003: 8.8%)

While these are solid results, taking into account tough economic conditions and reducing interest rate spread, we are highly focused on increasing revenue in 2005, and are confident of achieving steady annual growth.

**STATEMENT UNDER SECTION XIX OF THE CODE OF CORPORATE GOVERNANCE**

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

- The financial statements present fairly the state of affairs of the Group, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Group have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Banks in Pakistan have been followed in the preparation of the Accounts of financial statements without any departure there-from.
- The system of internal control in the Group is sound in design, and effectively implemented and monitored.
- There is no reason whatsoever to doubt your Group's ability to continue as a going concern.
- There has been no material departure from the best practice of Corporate Governance, in accordance with the relevant regulations.
- Your Board has appointed the following four Committees with defined terms of references.

Board Executive Committee  
 Board Credit Committee  
 Board Human Resources & Compensation Committee  
 Board Audit Committee

- A summary of key operating and financial data of the last ten years is annexed to the audited accounts.

- The Group operates five post retirement schemes, Pension, Gratuity, Benevolent, Provident fund and Post retirement medical. The details and asset values are given in notes 37 and 38 of the audited financial statements of 2004.

### Risk Management Framework

In order to comply with SBP guidelines on risk management, our bank has with the approval of its board, chalked out a broad plan, which entails review, realignment and fine-tuning of policies & procedures. A significant part of the plan has already been developed and implemented to meet SBP guidelines. A few of such initiatives include:

- Introduction of a standard credit application package that covers both general and industry-specific risk acceptance criteria. We have managed to develop and implement risk acceptance criteria for two industry segments, while others are in process and once developed these would replace the general risk acceptance criteria.
- Development of a risk rating structure that ensures provides a higher degree of sophistication to measure credit risk.
- Finalisation of the evaluation process for acquisition of a risk management system and we are now in the process of acquiring the required software to implement the same.
- Development of bank's policies and procedures on Country Risk Management and its approval by the Board of Directors.
- Setting up of the Business Risk Review Department to ensure quality of the overall credit approval and risk management processes.

Other initiatives in process include restructuring and realigning delegation of credit approval authority in conjunction with the new sophisticated risk management initiatives, development of a Risk Based Pricing Model to track the capital requirements of the businesses, designing of appropriate risk concentration models and defining the peak exposure levels per industry/borrower/risk grade.

The progress on the various initiatives undertaken by the Bank to comply with the SBP risk management guidelines are communicated on a quarterly basis to the State Bank of Pakistan. We expect to fully implement these initiatives by June 2005.

### VALUE OF INVESTMENTS IN EMPLOYEE RETIREMENT BENEFIT FUNDS

The following is the value of investments of provident, gratuity, pension and benevolent funds maintained by the Bank based on latest audited financial statements as at December 31, 2003:

	<b>Amount in '000</b>
United Bank Limited - Employees' Provident Fund	2,000,753
United Bank Limited - Employees' Gratuity Fund	345,346
United Bank Limited - Staff Pension Fund	5,218,249
United Bank Limited - Officers / Non-Officers Benevolent Fund	563,540

### MEETINGS OF THE BOARD

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

Name	Attendance
His Highness Shaikh Nahayan Mabarak Al Nahayan, Chairman	4
Sir Mohammed Anwar Pervez, OBE, Hpk, Deputy Chairman	5
Mr. Omar Z. Al Askari, Director	4
Mr. Zameer Mohammed Choudrey, Director	5
Mr. Javed Sadiq Malik, Director	2
Mr. Muhammad Tahsin Khan Iqbal, Director	4
Mr. Ahmed Waqar, Director	4
Mr. Amar Zafar Khan, President and Chief Executive Officer (upto May 2004)	2
Mr. Atif R. Bokhari, President and Chief Executive Officer	3

**PATTERN OF SHAREHOLDING**

The pattern of shareholding as required u/s 236 of the Companies Ordinance, 1984 and Article (xix) of the Code of Corporate Governance is given below:

Shareholders	Number of shares	Percentage holding
State Bank of Pakistan	252,194,323	48.69
Bestway Group	132,090,000	25.5
Abu Dhabi Group	132,090,000	25.5
Government of Pakistan	1,419,447	0.27
National Bank of Pakistan, Trustee Department	70,702	0.01
State Life Insurance Corporation of Pakistan	53,262	0.01
Sui Southern Gas Company Limited	50,197	0.01
Investment Corporation of Pakistan	29,260	0.01
Metropolitan Steel Corporation	1,646	-
Privatization Commission	727	-
Pakistan Reinsurance Company Limited	435	-
Securities and Exchange Commission of Pakistan	1	-
	518,000,000	100

**CHANGE IN MANAGEMENT**

During the year, Mr. Amar Zafar Khan requested to step down as the President & CEO and Mr. Atif R. Bokhari was appointed President & CEO of the Bank. On behalf of the board, I would like to place on record our deepest gratitude to Amar for the efforts put in by him both pre and post privatization and wish him the very best in his future endeavours.

I take this opportunity to express my gratitude to our valued customers for the sustained support to the Bank, to the employees for their contribution and commitment towards the Bank and to the State Bank of Pakistan for their guidance and co-operation.

**AUDITORS**

The present auditors M/s A F Ferguson & Co Chartered Accountants and M/s Taseer Hadi Khalid & Co Chartered Accountants retire and being eligible offer themselves for re-appointment in the forthcoming Annual General Meeting. The Board of Directors on the suggestion of the Audit Committee recommended M/s A F Ferguson & Co., Chartered Accountants and M/s Taseer Hadi Khalid & Co., Chartered Accountants for the next term.

**CONCLUSION**

In conclusion, I extend my thanks and appreciation to UBL shareholders and customers as well as to my fellow members of the Board of Directors for their trust and support, and acknowledge the effort and dedication demonstrated by our staff members. We also express our earnest appreciation to the Government and the State Bank of Pakistan for their unfaltering support.

For and on behalf of the Board of Directors



Nahayan Mabarak Al Nahayan  
Chairman

Abu Dhabi

Date: January 31, 2005