

## Directors' Report

On behalf of the Board of Directors, it gives me great pleasure to present the financial statements of the Bank for the six months ended June 30, 2005.

### Financial Highlights

	<b>(Rs. in million)</b>
Profit before taxation	3,611
Taxation	<u>(1,526)</u>
Profit after taxation	2,085
Un-appropriated profit brought forward – January 01, 2005	3,274
Transfer from surplus on revaluation of fixed assets – incremental depreciation	<u>47</u>
Profit available for appropriation	5,406
Transfer to statutory reserve	(417)
Final cash dividend – 2004 (Rs 1.5 per share)	<u>(777)</u>
Un-appropriated profit carried forward – June 30, 2005	<u><u>4,212</u></u>
	<b>(Rupees)</b>
Basic / Diluted Earnings per share	<u>4.02</u>

### Financial overview

The Bank achieved 78% growth in profit before tax at Rs 3.6 billion. The Net mark-up / interest income improved by over 100% reaching Rs 6.1 billion, compared with the same period last year, mainly due to the significant increase in advances and improved yields. Fee, commission and brokerage income registered a growth of 27% and stood at Rs 1.0 billion. Administrative expenses as a percentage of total revenue reduced from 51% to 37%, however, the 14% rise in administrative expenses is attributable to the consumer business launched in June 2004.

Gross advances registered a growth of 16% and stood at Rs 185 billion, whereas deposits grew by 17% to Rs 269 billion.

### Economic outlook

FY05 was a good year for the Pakistan economy. Real GDP grew by 8.3%. The growth was mainly due to bumper cotton and wheat crops and continuously strong industrial activity. For FY06, real GDP growth is targeted at 7%.

However, the high pace of monetary expansion and an expansionary fiscal policy are fueling inflationary trends. In FY05, high inflation prompted the SBP to raise interest rates to curtail inflationary pressures. In the current fiscal year, the SBP appears committed to tightening the monetary policy by raising interest rates further until inflation is well under reign.

## Consumer Products

With the launch of UBL Money - a personal installment loan facility, the Consumer Bank has completed its offering of a complete suite of consumer finance products. Meanwhile, products launched last year and earlier this year continue to perform well and have captured significant market shares. UBL Drive, the Bank's auto finance product, is the market leader whereas home financing, personal overdrafts and credit card products have all managed to achieve robust sales to date. This has enabled the Consumer Bank to quickly build up its advances portfolio, which crossed Rs. 17 billion at the end of June. However, pressure on spreads arising from the SBP driven increase in interest rates has had a negative impact on profits. Consequently, pricing for all the products has been increased in line with the rest of the market, and the Consumer Bank is poised to generate substantial revenues in the second half of year as volumes continue to grow.

## Credit Rating

The JCR-VIS Credit Rating Company Limited has upgraded the Banks Medium to Long-Term Credit Rating by two notches to "AA", indicating good credit quality, moderate risk and strong protection factors. The Short-Term Credit Rating assigned to the Bank is "A-1+". This is the maximum rating in the short-term and denotes outstanding short-term liquidity with highest certainty of timely payments.

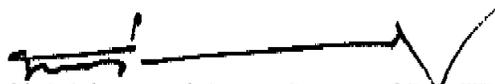
## Listing of UBL shares

In June 2005, the Privatization Commission offered a portion of the government held shares to the general public. The general public subscribed to 4.3% of the share capital and these shares were listed on the Karachi, Lahore and Islamabad Stock Exchanges on July 25, 2005.

## Acknowledgements

We would like to express our sincere thanks and gratitude to the State Bank of Pakistan, and the Government of Pakistan generally, for the tremendous support they have given to the bank. We also take the opportunity to thank our valued customers for their patronage, the shareholders for their continuous support and the staff for their dedication and commitment to make UBL a success.

On behalf of the Board,



Sir Mohammed Anwar Pervez, OBL, HPk  
Deputy Chairman  
London – August 1, 2005