

# ***United Bank Limited***

***Financial Statements (Un-Audited)***

***For The Period Ended March 31, 2008***



## COMPANY INFORMATION

### Board of Directors

#### Chairman

His Highness Shaikh Nahayan Mabarak Al Nahayan

#### Deputy Chairman

Sir Mohammed Anwar Pervez, OBE, HPK

#### Director

Mr. Omar Z. Al Askari  
 Mr. Zameer Mohammed Choudrey  
 Dr. Ashfaque Hasan Khan  
 Mr. Muhammad Sami Saeed  
 Mr. Atif R. Bokhari

#### President & CEO

Mr. Atif R. Bokhari

### Audit Committee

#### Chairman

Mr. Zameer Mohammed Choudrey

#### Member

Mr. Omar Z. Al Askari  
 Mr. Muhammad Sami Saeed

#### Secretary

Mr. Aqeel Ahmed Nasir

### Chief Financial Officer &

### Group Executive Global Shared Services

Mr. Aameer Karachiwalla

### Company Secretary

Mr. Aqeel Ahmed Nasir

### Registered Office

United bank Limited  
 State Life building No. 1,  
 I.I. Chundrigar Road,  
 Karachi – 74000, Pakistan

### Share Registrar

M/s THK Associates (Pvt.) Limited  
 Ground Floor, State Life building No. 3,  
 Dr. Ziauddin Ahmed Road,  
 Karachi, Pakistan.

### Auditors

KPMG Taseer Hadi & Company,  
 Chartered Accountants  
 Ford Rhodes Sidat Hyder & Company  
 Chartered Accountants

### Legal Advisors

#### Advocates

M/s Mehmood Abdul Ghani & Co.

### Credit Rating: (By JCR – VIS)

Entity	Latest	Previous
Long Term	AA+	AA
Short Term	A-1+	A-1+
Outlook	Stable	Stable

### Term Finance Certificates

TFC-I	AA	AA-
TFC-II	AA	AA-
TFC-III	AA	AA-
TFC-IV	AA	-

### Contacts

Contact Centre: 0800-11-825  
 Website: [www.ubl.com.pk](http://www.ubl.com.pk)

## Directors' Report

On behalf of the Board of Directors, it gives me great pleasure to present the financial statements of the Bank for the quarter ended March 31, 2008.

### Financial Highlights

	<b>(Rs. in million)</b>
Profit before taxation	4,441
Taxation	<u>(1,540)</u>
Profit after taxation	2,901
Un-appropriated profit brought forward – January 01, 2008	15,654
Transfer from surplus on revaluation of fixed assets – Incremental depreciation	<u>80</u>
Profit available for appropriation	18,635
Transfer to statutory reserve	(580)
Cash dividend paid to shareholders – 2007	(2,428)
Bonus shares declared – 2007	<u>(2,023)</u>
Un-appropriated profit carried forward – March 31, 2008	<u><u>13,604</u></u>
	<b>(Rupees)</b>
Basic Earnings per share (pre-bonus)	<u>3.58</u>
Diluted Earnings per share	<u><u>2.87</u></u>

### Financial Overview

The Bank achieved a profit before tax of Rs. 4.4 billion for the quarter ended March 31, 2008 which is 3% lower than the same period last year. Profit after tax at Rs. 2.9 billion translates into Basic Earnings per Share of Rs. 3.58 (March 2007: Rs. 3.81).

Net interest income before provisions was up 10% at Rs 6.4 billion compared to Rs. 5.9 billion for the same period last year. However, net interest income after provision at Rs. 5.2 billion is 5% lower than the same period last year. The higher provision charge this quarter is due in part to the removal of FSV which accounted for Rs. 260 million of the total charge. The quarterly charge also includes provisions and write-offs with respect to our consumer portfolio which is on-going due to the significant buildup of the last three years. We have also taken an additional charge on the corporate and commercial portfolios given the adverse macro-economic environment prevailing in the country. However, more stringent risk management policies and tighter controls should reduce this charge going forward.

Non interest income increased significantly by 44% to Rs. 3.0 billion. Fee and commission income grew solidly by 26% backed by strong corporate finance fees, higher commissions on trade and gains on our derivatives portfolio.

Administration expenses showed a 20% increase over the same period last year. 41% of this increase is owing to investments in upgrading and renovating our local and international branch network and the addition of 36 new branches. Higher focus on retention and incentive programs for the staff attributed to a further 33% of the increase. However, administration expenses have remained flat compared to the previous quarter.

Total assets grew by Rs. 9 billion to Rs. 539 billion in the last three months with gross advances increasing by 7% to Rs. 320 billion and deposits by 2% to Rs. 408 billion.

## **Economic Outlook**

Domestic instability and external shocks are expected to impact all key indicators negatively including GDP growth, trade deficit and inflation. The State Bank of Pakistan has lowered the real GDP growth projection from 6.6-7% to 6-6.5% for the fiscal year ending June 2008. The primary reasons have been poor agricultural performance and slowing LSM growth of 4.2% for 1HFY08 compared to 8.4% for the same period last year. While the services sector continued to perform strongly, it has been unable to compensate for the depressed performance of the other main sectors.

Rising international commodity prices have severely impacted the trade deficit which crossed USD 7.8bn for 1HFY08 compared to USD 6.2bn for the same period last year. This has resulted in SBP raising the projected current account deficit from 5.2% to 6%.

The government has continued to finance Pakistan's growing fiscal deficit by borrowing from the SBP which has caused bank borrowings to reach Rs. 229bn in 1HFY08 against Rs. 31bn in the same period last year. As a result, monetary growth and inflation targets have both been revised upwards to approximately 17% and 9% respectively.

Consequently SBP has kept tightening the monetary policy with an increase of 50 bps in the discount rate to 10.5% and in the Cash Reserve Requirements from 7% to 8%. While the policy has been necessitated in order to control M2 growth and inflation, it is expected to impact the growth targets for all key economic sectors.

## **Key Developments**

### *Retail Bank*

We launched the UBL Capital Protected Fund (UCPF) in February 2008 which is the first joint investment product by UBL and UBL Fund Managers aiming to create cross functional synergies within the bank. UCPF has been exclusively designed for UBL and is a closed end mutual fund offering 100% capital protection with returns linked to the stock market. It features a fixed income segment with 80% of the funds invested in UBL CODs in order to protect the capital and the remaining invested in the equity market to give high returns. The product has been marketed aggressively and is expected to help widen our customer base.

We have continued with our business process re-engineering strategy with over 170 branches having completed phase one of implementation by March 2008. Under phase one, a comprehensive capacity planning exercise was carried out which resulted in realigning the teller and customer service functions. This is helping us deliver a superior standard of service which is key in enabling us to compete effectively. We expect our 400 top branches to have completed phase one of implementation by July 2008.

Under phase two of the implementation we have begun to centralize back end processes including inward and outward clearing and issuance of cheque books and ATM cards into our central processing facility. Approximately 170 branches would have completed phase two of implementation by July 2008.

### *Consumer Business*

The consumer industry has been directly impacted by the prevailing tight monetary policy both in terms of credit offtake and asset quality. Rising inflation and high interest rates have increased consumer debt burdens which have led to a rise in delinquencies industry wide. Credit approval rates have also come down with the full implementation of the positive credit bureau which now provides more accurate information regarding consumer debt exposures.

Our focus has remained on re-aligning our policy parameters which include revisions in minimum income requirements, debt burden assessments and more stringent credit verifications. In response to initiatives taken last quarter, collection and recoveries have also shown a marked improvement.

We remain confident that the strengthening of risk management systems and internal controls will ensure the consolidation of our consumer portfolio this year and equip us to show strong quality growth in 2009.

**Looking ahead**

In the backdrop of a trying macroeconomic environment, increasing competition, high inflation and tight monetary policy, we expect 2008 to be a challenging year for the banking sector. Consumer financing will show slow growth this year which will, however, be offset by high corporate sector demand on the back of committed off take in power, fertilizer and telecom sectors. Continuing international growth will also help in achieving fairly strong overall loan growth this year.

Improving asset quality will remain a key focus with greater resource deployment in the recovery and collection functions. Our Credit Risk Environmental and Monitoring system which is in its final stages of implementation is expected to assist us in more effective post disbursement monitoring. We expect our efforts in this area to show positive results in the coming months.

We believe that our business process reengineering initiative supported by our customized core banking technology platform will also help us to compete more effectively in the changing landscape of the Pakistani banking sector.

**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,

**Nahayan Mabarak Al Nahayan**

Chairman

Abu Dhabi

April 26, 2008

**BALANCE SHEET AS AT MARCH 31, 2008**

	Note	(Un audited ) Mar. 31, 2008	(Audited ) Dec. 31, 2007
('Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		50,684,836	57,526,451
Balances with other banks		5,367,358	4,191,128
Lendings to financial institutions		27,423,173	24,781,723
Investments	5	107,695,402	115,585,646
Advances	6	319,868,216	299,354,736
Other assets		9,910,349	11,925,428
Operating fixed assets		17,116,734	16,918,844
Deferred tax assets - net		-	-
		538,066,068	530,283,956
<b>LIABILITIES</b>			
Bills payable		5,906,574	6,079,341
Borrowings from financial institutions	7	54,628,515	59,103,350
Deposits and other accounts	8	407,509,340	401,637,816
Sub-ordinated loans		11,995,872	5,996,696
Deferred tax liability - net		1,815,397	2,232,344
Other liabilities		13,741,653	12,813,005
		495,597,351	487,862,552
<b>NET ASSETS</b>		42,468,717	42,421,404
<b>REPRESENTED BY</b>			
Share capital		8,093,750	8,093,750
Reserves		12,982,991	10,261,958
Unappropriated profit		13,602,995	15,653,703
		34,679,736	34,009,411
Surplus on revaluation of assets		7,788,981	8,411,993
		42,468,717	42,421,404
<b>CONTINGENCIES AND COMMITMENTS</b>			
	9		

The annexed notes 1 to 18 form an integral part of these financial statements.

Atif R. Bokhari  
President &  
Chief Executive Officer

Dr. Ashfaque Hasan Khan  
Director

Sir Mohammed Anwar Pervez, OBE, HPk  
Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman

**PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED MARCH 31, 2008**

	Note	Mar. 31, 2008	Mar. 31, 2007
		(Rupees '000)	
Mark-up / Return / Interest Earned	10	11,156,658	9,646,981
Mark-up / Return / Interest Expensed	11	(4,761,470)	(3,807,668)
Net Mark-up / Interest Income		6,395,188	5,839,313
Provision for non-performing loans and advances		(888,598)	(145,176)
Provision for diminution in value of investment		-	(6,750)
General provision against consumer loans		23,822	(49,425)
Bad debts written off directly		(330,907)	(154,226)
		(1,195,683)	(355,577)
Net Mark-up / Interest Income after provisions		5,199,505	5,483,736
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, Commission and Brokerage Income		1,450,365	1,152,263
Dividend Income		27,483	129,762
Gain on sale of securities		250,619	320,208
Income from dealing in foreign currencies		249,741	227,265
Other Income		994,696	229,134
Total non-markup/interest Income		2,972,904	2,058,632
		8,172,409	7,542,368
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses	12	(3,495,819)	(2,915,468)
Other provisions / write offs		(56,699)	(52,222)
Other charges		(179,151)	(509)
Total non-markup / interest expenses		(3,731,669)	(2,968,199)
		4,440,740	4,574,169
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		<b>4,440,740</b>	<b>4,574,169</b>
Taxation – Current/ prior		(1,835,811)	(1,628,317)
- Deferred		295,615	134,346
		(1,540,196)	(1,493,971)
<b>PROFIT AFTER TAXATION</b>		<b>2,900,544</b>	<b>3,080,198</b>
Unappropriated profit brought forward		15,653,703	12,429,853
		18,554,247	15,510,051
Transferred from surplus on revaluation of fixed assets-net of tax		80,420	23,614
Profit before appropriations		18,634,667	15,533,664
<b>APPROPRIATIONS</b>			
Transfer to statutory reserve		(580,109)	(615,974)
Cash Dividend 2007:Rs 3.00 (2006:Rs 3.00) per share		(2,428,125)	(1,942,500)
Transfer to reserve for issue of bonus shares @25% (2006 @ 25%)		(2,023,438)	(1,618,750)
<b>Unappropriated profit/ (accumulated loss) carried forward</b>		<b>13,602,995</b>	<b>11,356,441</b>
		<b>Rupees</b>	
<b>Basic earnings per share</b>		<b>3.58</b>	<b>3.81</b>
<b>Diluted earnings per share</b>		<b>2.87</b>	<b>3.04</b>

The annexed notes 1 to 18 form an integral part of these financial statements.

**CASH FLOW STATEMENT FOR THE QUARTER ENDED MARCH 31, 2008**

	Mar. 31, 2008	Mar. 31, 2007
	('Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	4,440,740	4,574,169
Less: Dividend income	(27,483)	(129,762)
	<u>4,413,257</u>	<u>4,444,407</u>
<b>Adjustments for non-cash charges</b>		
Depreciation	361,953	170,772
(Reversal) / provision for retirement benefits	(1,817)	35,322
Provision against non-performing advances	864,776	194,601
Provision for diminution in the value of investments	-	6,750
Gain on sale of fixed assets	(213)	(17,241)
Provision against other assets	56,699	52,222
Bad debts written off	330,907	154,226
	<u>1,612,306</u>	<u>596,652</u>
	<u>6,025,563</u>	<u>5,041,059</u>
<b>(Increase)/ Decrease in operating assets</b>		
Lendings to financial institutions	(2,641,450)	12,297,306
Held-for-trading securities	(66,970)	(1,534,638)
Advances	(21,709,163)	(4,582,204)
Others assets	2,600,640	(1,287,316)
	<u>(21,816,943)</u>	<u>4,893,148</u>
<b>Increase/ (Decrease) in operating liabilities</b>		
Bills Payable	(172,767)	(251,914)
Borrowings from financial institutions	(4,474,835)	(9,095,457)
Deposits	5,871,524	17,354,437
Other liabilities	(2,289,185)	(79,724)
	<u>(1,065,263)</u>	<u>7,927,342</u>
	<u>(16,856,643)</u>	<u>17,861,549</u>
Received / (payments) for retirement benefits	(620,616)	1,193,103
Income tax paid	(1,177,690)	(357,786)
	<u>(18,654,949)</u>	<u>18,696,866</u>
<b>Net cash flow from operating activities</b>		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in securities	7,356,358	(21,842,846)
Dividend received	25,042	129,966
Investments in operating fixed assets	(559,843)	(111,376)
Sale proceeds of property and equipment disposed-off	51,345	37,364
	<u>6,872,902</u>	<u>(21,786,892)</u>
<b>Net cash flow from investing activities</b>		
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Receipts of Sub-ordinated loan	5,999,176	(440)
	<u>5,999,176</u>	<u>(440)</u>
<b>Net cash flow from financing activities</b>		
<b>Net cash flow</b>		
	<u>(5,782,871)</u>	<u>(3,090,466)</u>
Exchange difference on transaction of net investment in foreign branches	117,486	20,968
	<u>(5,665,385)</u>	<u>(3,069,498)</u>
<b>Increase/(Decrease) in cash and cash equivalents</b>		
Cash and cash equivalents at beginning of the period	61,717,579	62,974,316
<b>Cash and cash equivalents at end of the period</b>	<u><b>56,052,194</b></u>	<u><b>59,904,818</b></u>

The annexed notes 1 to 18 form an integral part of these financial statements.



**STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED MARCH 31, 2008**

	Share capital	Statutory reserve	Exchange reserve	Reserve for Issue of Bonous Shares	Unappropriated profit	Total
------(Rupees in '000)-----						
<b>Opening Balance on 1 January 2007</b>	6,475,000	7,029,233	1,269,640	-	12,429,853	27,203,726
Final cash dividend for the year ended December 31, 2006 declared subsequent to year end	-	-	-	-	(1,942,500)	(1,942,500)
Bonus shares for December 2006 declared subsequent to year end	-	-	-	1,618,750	(1,618,750)	-
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	23,614	23,614
Profit after taxation for the quarter ended March 31, 2007	-	-	-	-	3,080,198	3,080,198
Transfer to Statutory reserve	-	615,974	-	-	(615,974)	-
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	20,968	-	-	20,968
<b>Closing balance as at March 31, 2007</b>	<b>6,475,000</b>	<b>7,645,207</b>	<b>1,290,608</b>	<b>1,618,750</b>	<b>11,356,441</b>	<b>28,386,006</b>
Profit after taxation for nine months ended Dec. 31, 2007	-	-	-	-	5,322,392	5,322,392
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	39,414	39,414
Issue of Bonous Shares	1,618,750	-	-	-	-	-
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	261,599	-	-	261,599
Transfer to Statutory reserve	-	1,064,544	-	-	(1,064,544)	-
<b>Closing balance as at December 31, 2007</b>	<b>8,093,750</b>	<b>8,709,751</b>	<b>1,552,207</b>	<b>-</b>	<b>15,653,703</b>	<b>34,009,411</b>
Final cash dividend for the year ended December 31, 2007 declared subsequent to year end	-	-	-	-	(2,428,125)	(2,428,125)
Transfer to reserve for issue of bonus shares for December 2007 declared subsequent to year end	-	-	-	2,023,438	(2,023,438)	-
Profit after taxation for the quarter ended March 31, 2008	-	-	-	-	2,900,544	2,900,544
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	80,420	80,420
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	117,486	-	-	117,486
Transfer to Statutory reserves	-	580,109	-	-	(580,109)	-
<b>Closing balance as at March 31, 2008</b>	<b>8,093,750</b>	<b>9,289,860</b>	<b>1,669,693</b>	<b>2,023,438</b>	<b>13,602,995</b>	<b>34,679,736</b>

The annexed notes 1 to 18 form an integral part of these financial statements.

Atif R. Bokhari  
President &  
Chief Executive Officer

Dr. Ashfaqe Hasan Khan  
Director

Sir Mohammed Anwar Pervez, OBE, HPk  
Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman

**NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008**
**1. STATUS AND NATURE OF BUSINESS**

United Bank Limited is incorporated in Pakistan and is engaged in commercial banking and related services. The bank's registered and principal office is situated in State Life Building No.1, I.I. Chundrigar Road, Karachi. The Bank operates 1,079 branches in Pakistan including the Karachi Export Processing Zone Branch and 17 branches outside Pakistan as at March 31, 2008. The domestic branch network include 5 Islamic Banking branches.

**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 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. Whenever 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.

**4. 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, 2007.

**5. INVESTMENTS**

	Note	Mar. 31, 2008			Dec. 31, 2007		
		Held by	Given as	Total	Held by	Given as	Total
		bank	collateral		bank	collateral	
		-----'Rupees in '000'-----			-----'Rupees in '000'-----		
5.1 Held-for-trading securities	5.2.1	243,839	93,063	336,902	269,932	-	269,932
Available-for-sale securities	5.2.2	35,106,766	40,421,364	75,528,130	46,144,808	29,426,386	75,571,194
Held-to-maturity securities	5.2.3	27,375,284	-	27,375,284	32,227,632	-	32,227,632
Investments in Associates		3,602,010	-	3,602,010	6,047,627	-	6,047,627
Investments in Subsidiaries		2,201,948	-	2,201,948	2,201,948	-	2,201,948
Provision for Diminution in value of investments		(366,520)	-	(366,520)	(351,191)	-	(351,191)
Surplus / (deficit) on revaluation of available for sale investments		(565,690)	(411,551)	(977,241)	(324,632)	(41,109)	(365,741)
Surplus / (deficit) on revaluation of held for trading investments		(2,180)	(2,931)	(5,111)	(15,755)	-	(15,755)
Investments (net of provisions)		67,595,457	40,099,945	107,695,402	86,200,369	29,385,277	115,585,646

**NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008**

Note	March 31, 2008			December 31, 2007		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
<b>5.2 Investments by types</b>	------(Rupees in '000)-----					
<b>5.2.1 Held for trading securities</b>						
Pakistan Investment Bonds	180,211	93,063	273,274	-	-	-
Ordinary shares of listed companies	63,628	-	63,628	269,932	-	269,932
	243,839	93,063	336,902	269,932	-	269,932
<b>5.2.2 Available for sale securities</b>						
Market Treasury Bills	12,768,911	33,971,985	46,740,896	19,510,171	27,889,798	47,399,969
Pakistan Investment Bonds	10,397,635	6,449,379	16,847,014	15,337,793	1,536,588	16,874,381
Ordinary shares of listed companies	3,117,605	-	3,117,605	3,180,028	-	3,180,028
Government of Pakistan Islamic Bonds	948,404	-	948,404	1,123,894	-	1,123,894
Term Finance Certificates	605,357	-	605,357	644,122	-	644,122
Foreign currency bonds	4,370,002	-	4,370,002	3,475,078	-	3,475,078
Ordinary shares of unlisted companies	441,118	-	441,118	441,106	-	441,106
Euro Bonds	2,195,533	-	2,195,533	2,170,415	-	2,170,415
Units of mutual funds	262,201	-	262,201	262,201	-	262,201
	35,106,766	40,421,364	75,528,130	46,144,808	29,426,386	75,571,194
<b>5.2.3 Held to maturity securities</b>						
Term Finance Certificates	5,964,732	-	5,964,732	6,341,257	-	6,341,257
Market Treasury Bills	8,147,151	-	8,147,151	12,883,608	-	12,883,608
Pakistan Investment Bonds	4,530,938	-	4,530,938	4,521,049	-	4,521,049
CIRC Bonds	2,900,000	-	2,900,000	2,900,000	-	2,900,000
Government of Pakistan - Guaranteed Bonds	1,483,444	-	1,483,444	1,433,444	-	1,433,444
Foreign currency bonds	1,068,164	-	1,068,164	1,055,801	-	1,055,801
Sukuk Bonds	685,000	-	685,000	685,000	-	685,000
Foreign securities	1,516,312	-	1,516,312	1,498,797	-	1,498,797
Certificate of Deposit	1,027,438	-	1,027,438	853,146	-	853,146
Debentures	7,285	-	7,285	8,300	-	8,300
Participation Term Certificates	44,510	-	44,510	46,920	-	46,920
CDC SAARC Fund	310	-	310	310	-	310
	27,375,284	-	27,375,284	32,227,632	-	32,227,632
<b>Associates</b>						
United Islamic Income Fund	250,000	-	250,000	250,000	-	250,000
United Stock Advantage Fund	250,000	-	250,000	250,000	-	250,000
United Composite Islamic Fund	523,345	-	523,345	550,000	-	550,000
United Money Market Fund	2,022,103	-	2,022,103	3,150,646	-	3,150,646
United Growth and Income Fund	459,581	-	459,581	1,750,000	-	1,750,000
UBL Insurers Limited	90,000	-	90,000	90,000	-	90,000
Oman United Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
	3,602,010	-	3,602,010	6,047,627	-	6,047,627
<b>Subsidiaries</b>						
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						
United Executors and Trustees Company Limited	30,100	-	30,100	30,100	-	30,100
UBL Fund Managers Limited	100,000	-	100,000	100,000	-	100,000
	2,201,948	-	2,201,948	2,201,948	-	2,201,948
	68,529,847	40,514,427	109,044,274	86,891,947	29,426,386	116,318,333
Provision for diminution in value of investments	(366,520)	-	(366,520)	(351,191)	-	(351,191)
<b>Investments (net of provisions)</b>	68,163,327	40,514,427	108,677,754	86,540,756	29,426,386	115,967,142
(Deficit) / surplus on revaluation of available for sale securities	(565,690)	(411,551)	(977,241)	(324,632)	(41,109)	(365,741)
Deficit on revaluation of held for trading securities	(2,180)	(2,931)	(5,111)	(15,755)	-	(15,755)
<b>Total investments</b>	67,595,457	40,099,945	107,695,402	86,200,369	29,385,277	115,585,646

**NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008**

<b>6. ADVANCES</b>	<i>Note</i>	<b>Mar.31,2008</b>	<b>Dec.31,2007</b>
		-----'Rupees in '000'-----	
Loans, cash credits, running finances, etc.			
In Pakistan		258,199,694	240,420,608
Outside Pakistan		67,938,733	63,322,400
		<u>326,138,427</u>	<u>303,743,008</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		5,466,926	6,046,767
Payable outside Pakistan		4,369,750	4,316,532
		<u>9,836,676</u>	<u>10,363,299</u>
		335,975,103	314,106,307
Finance in respect of continuous funding system (CFS)		1,927,011	2,631,139
		<u>337,902,114</u>	<u>316,737,446</u>
Provision for non-performing advances- specific	6.1	(16,712,271)	(16,030,682)
Provision for non-performing advances- General	6.2	(1,321,627)	(1,352,028)
		<u>319,868,216</u>	<u>299,354,736</u>

**6.1** Advances include Rs.23,159 million (December 31, 2007: Rs22,012 million) which have been placed under non-performing status as detailed below:-

<b>Category of Classification</b>	<b>Domestic</b>	<b>Overseas</b>	<b>Total</b>	<b>Provision Required</b>	<b>Provision Held</b>
	-----'Rupees in '000'-----				
Other Assets Especially Mentioned	1,406,414	-	1,406,414	-	-
Substandard	4,970,456	256,985	5,227,441	1,319,542	1,319,542
Doubtful	2,172,329	32,058	2,204,387	1,195,746	1,195,746
Loss	11,496,195	2,825,169	14,321,364	14,196,983	14,196,983
	<u>20,045,394</u>	<u>3,114,212</u>	<u>23,159,606</u>	<u>16,712,271</u>	<u>16,712,271</u>

**6.2** General provision represents provision amounting to Rs 1,254.672 million (December 31, 2007: Rs.1,296.496 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs. 66.955 million (December 31, 2007: Rs. 55.532 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulating authorities of the respective country. The forced sale value of the collateral held against these non-performing loans amounted to Rs3,497.159 million ( December 31, 2007: Rs3,810.794 million).

**7. BORROWINGS FROM FINANCIAL INSTITUTIONS**

**Mar.31,2008**      **Dec.31,2007**  
-----'Rupees in '000'-----

**Secured**

Borrowings from financial institutions	-	-
Borrowings from State Bank of Pakistan		
- Under export refinance scheme	7,007,686	6,708,853
- Long term finance under export oriented projects	4,782,752	4,945,514
- Locally Manufactured Machinery	1,614	1,620
	<u>11,792,052</u>	<u>11,655,987</u>
Repurchase agreement borrowings	36,000,356	32,269,543

**Unsecured**

Borrowings from other Central Banks	2,509,378	-
Call borrowings	3,391,428	13,607,326
Overdrawn nostro accounts	128,515	912,190
Trading account liability	806,786	658,304
	<u>54,628,515</u>	<u>59,103,350</u>

**8. DEPOSITS AND OTHER ACCOUNTS**
**Customers**

Fixed deposits	136,651,277	127,317,589
Savings deposits	150,834,157	153,001,867
Sundry Deposits	6,262,810	4,645,873
Margin Deposits	3,254,803	2,746,824
Current Accounts - Remunerative	1,777,139	5,641,419
Current Accounts - Non-remunerative	108,611,217	108,116,175
	<u>407,391,403</u>	<u>401,469,747</u>

**Financial Institutions**

Remunerative deposits	88,532	143,603
Non-remunerative deposits	29,405	24,466
	<u>117,937</u>	<u>168,069</u>
	<u>407,509,340</u>	<u>401,637,816</u>

**NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008**

<b>9. CONTINGENCIES AND COMMITMENTS</b>	<b>Mar.31,2008</b>	<b>Dec.31,2007</b>
	-----'Rupees in '000'-----	
<b>9.1 Direct Credit Substitutes</b>		
Contingent liability in respect of guarantees given favouring:		
- Government	5,218,513	5,509,109
- Banking companies and other financial institutions	4,056,425	3,939,226
- Others	6,075,663	5,687,068
	<u>15,350,601</u>	<u>15,135,403</u>
<b>9.2 Transaction-related Contingent Liabilities</b>		
Contingent liability in respect of performance bonds, bid bonds, warranties, etc.		
- Government	44,209,202	43,946,035
- Banking companies and other financial institutions	3,265,965	3,031,393
- Others	13,884,572	13,992,900
	<u>61,359,739</u>	<u>60,970,328</u>
<b>9.3 Trade-related Contingent Liabilities</b>		
Contingent liability in respect of letters of credit favouring:		
- Government	56,106,398	60,431,464
- Banking companies and other financial institutions	11,780,530	-
- Others	79,333,563	88,054,726
	<u>147,220,491</u>	<u>148,486,190</u>
<b>9.4 Other Contingencies</b>		
Claims against the bank not acknowledge as debts	<u>17,778,476</u>	<u>17,733,578</u>
<b>9.5 Commitments in respect of forward lending</b>		
The bank makes commitments to extend credit in the normal course of its business but these being recoverable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
<b>9.6 Other commitments</b>	<b>Mar.31,2008</b>	<b>Dec.31,2007</b>
	-----'Rupees in '000'-----	
- Forward sale contracts of government securities	676,941	-
- Forward purchase contracts of government securities	587,276	-
- Interest rate swaps	7,883,758	3,960,485
- Cross currency swaps	13,996,373	9,948,001
- Equity futures	6,209	-
- Sales of securities not yet purchased	-	657,226
- Commitments in respect of capital expenditure	141,296	128,328
<b>9.7 Commitments in respect of forward exchange contracts</b>		
- Sale	77,314,552	85,401,033
- Purchase	73,124,356	80,877,278

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2008**

	Jan - Mar 2008	Jan - Mar 2007
	----- (Rupees in '000) -----	
<b>10. MARK-UP / RETURN / INTEREST EARNED</b>		
On loans and advances		
- Customers	8,178,963	7,104,925
- Financial institutions	252,642	185,531
	8,431,605	7,290,456
On investments in		
- Securities	2,215,828	1,538,369
- Associates	388	8,338
	2,216,216	1,546,707
On deposits with financial institutions	104,721	354,216
On securities purchased under resale agreements	399,827	451,758
Discount income	4,289	3,844
	<u>11,156,658</u>	<u>9,646,981</u>
<b>11. MARK-UP / RETURN / INTEREST EXPENSED</b>		
On deposits	3,468,354	3,111,110
On securities sold under repurchase agreements	674,730	204,661
On other short - term borrowings	280,220	326,806
On other long - term borrowings	296,842	147,512
Discount expense	41,324	17,579
	<u>4,761,470</u>	<u>3,807,668</u>
<b>12. ADMINISTRATIVE EXPENSES</b>		
Salaries, allowances etc.	1,637,227	1,503,811
Outsourced service charges including sales commission	367,159	311,032
Contribution to retirement plan	28,404	(28,473)
Charge for compensated absences	29,578	34,477
Rent, taxes, insurance, electricity etc.	355,593	241,747
Communications	125,343	107,861
Advertisement and publicity	65,975	100,876
Depreciation	361,953	170,772
Stationery and printing	53,645	48,951
Banking service charge	85,677	68,251
Legal and professional charges	42,850	87,658
Cash transportation charges	49,199	37,056
Travelling	27,163	42,178
Repairs and maintenance	41,670	43,085
Donations	314	362
Insurance expense	37,587	1,306
Vehicle expenses	23,806	20,307
Office running expenses	22,696	17,183
Entertainment	16,629	13,499
Cartage, freight and conveyance	14,052	11,599
Training and seminar	15,992	26,556
Auditors' remuneration	7,225	7,546
Subscriptions	8,456	6,950
Brokerage expenses	5,503	4,301
Sub debt expense	21,336	727
Miscellaneous expenses	50,787	35,850
	<u>3,495,819</u>	<u>2,915,468</u>
<b>13. TAXATION</b>		

The income tax assessments of the bank for domestic branches till the assessment year 2002-2003 (financial year ended December 31, 2001) have been finalized under normal law and as per the provisions of Repealed Income Tax Ordinance, 1979. The returns for the Tax Year 2003 to 2007 (financial years ended December 31, 2002 to 2006) were filed under the provisions of section 114 of the Income Tax Ordinance, 2001 (Ordinance) and are deemed to be assessed under section 120(1) of the Ordinance, unless amended by the Commissioner of Income Tax.

The return for the tax year 2003 was selected for audit under section 177 of the Ordinance and the amended assessment order has been passed on the basis of audit observations by adding / disallowing certain expenses / deductions resulting in an additional tax liability of Rs 406 million. Notwithstanding the challenging of the assessment in appeal before the Appellate Commissioner, on the grounds that the additions are arbitrary and uncalled for, the management has, on account of prudence, decided to create the provision against the above amount in these financial statements. The appeal against the said order has been heard by the Appellate Commissioner and the order is awaited.

For the tax years 2005, 2006 and 2007 taxation authorities has initiated proceedings u/s. 122 (5A) read with the section 122(9) of the Ordinance. In respect of tax year 2005 & 2006 information have been provided, revised assessment orders are awaited. For tax year 2007 issuance of notice was challenged on point of jurisdiction and no further correspondence has been received. However, the management is of the view that there may not arise any material tax liability once these cases attain finality.

**NOTES TO THE CONDENSED FINANCIAL INTERIM STATEMENTS (UN-AUDITED)  
FOR THE QUARTER ENDED MARCH 31, 2008**
**14. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

	-----For the Period Ended March 31, 2008-----			
	<b>Corporate Finance</b>	<b>Trading &amp; Sales</b>	<b>Retail Banking</b>	<b>Commercial Banking</b>
	----- (Rupees in '000) -----			
Total income	289,352	3,414,284	5,249,319	5,208,404
Total expenses	(76,277)	(2,758,180)	(2,947,497)	(3,938,664)
Net income / (loss)	213,075	656,104	2,301,821	1,269,740
Segment return on assets (ROA) (%)	9.5%	9.0%	10.3%	9.2%
Segment cost of funds (%)	8.2%	7.3%	7.6%	8.0%

	-----For the Period Ended March 31, 2007-----			
	<b>Corporate Finance</b>	<b>Trading &amp; Sales</b>	<b>Retail Banking</b>	<b>Commercial Banking</b>
	----- (Rupees in '000) -----			
Total income	222,479	2,535,903	4,711,011	4,236,221
Total expenses	(28,506)	(1,845,039)	(2,741,998)	(2,515,901)
Net income / (loss)	193,973	690,864	1,969,013	1,720,320
Segment return on assets (ROA) (%)	10.0%	11.1%	12.0%	11.0%
Segment cost of funds (%)	9.0%	7.7%	10.0%	9.0%

	-----As at March 31, 2008-----			
	<b>Corporate Finance</b>	<b>Trading &amp; Sales</b>	<b>Retail Banking</b>	<b>Commercial Banking</b>
	----- (Rupees in '000) -----			
Segment assets (gross of NPL provisions)	7,960,864	161,369,620	164,275,257	221,172,598
Segment non performing loans (NPL)	-	-	16,923,927	6,235,679
Segment provision required against NPL	-	-	12,625,181	4,087,090
Segment liabilities	6,499,890	149,266,823	156,630,423	183,200,215

	-----As at December 31, 2007-----			
	<b>Corporate Finance</b>	<b>Trading &amp; Sales</b>	<b>Retail Banking</b>	<b>Commercial Banking</b>
	----- (Rupees in '000) -----			
Segment assets (gross of NPL provisions)	5,720,519	172,758,380	163,827,587	204,008,152
Segment non performing loans (NPL)	-	-	18,483,044	3,529,367
Segment provision required against NPL	-	-	14,368,974	1,661,708
Segment liabilities	4,097,169	169,590,306	141,564,544	172,610,533

**15. RELATED PARTY TRANSACTIONS**

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

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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008**
**15.1 RELATED PARTY TRANSACTIONS**

	<b>March 31, 2008</b>				<b>December 31, 2007</b>			
	<b>Key management personnel</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>	<b>Key management personnel</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>
	(Rupees in '000)							
<b>Advances</b>								
At January 01	77,627	6,181	-	-	90,683	-	565	1,000,000
Given during the year	-	(506,782)	-	-	46,002	978,224	-	-
Repaid during the year	(2,647)	495,866	-	-	(59,058)	(978,224)	(565)	(1,000,000)
At March 31 2008	<u>74,980</u>	<u>(4,735)</u>	<u>-</u>	<u>-</u>	<u>77,627</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Deposits</b>								
At January 01	14,252	13,109	316,898	2,293,841	13,249	14,719	96,238	2,589,708
Received during the year	75,397	47,387,655	7,326,810	872,708	294,791	301,007,108	48,419,004	2,432,626
Withdrawn during the year	(65,415)	(47,396,308)	(7,123,739)	(700,434)	(293,788)	(301,008,718)	(48,198,344)	(2,728,493)
At March 31 2008	<u>24,234</u>	<u>4,456</u>	<u>519,969</u>	<u>2,466,115</u>	<u>14,252</u>	<u>13,109</u>	<u>316,898</u>	<u>2,293,841</u>
Outstanding placement at the end of the year	-	322,755	-	-	-	319,019	-	-
Payable in respect of acquisition of investment in equity shares	-	30,000	-	-	-	30,000	-	-
Distribution commission receivable	-	-	-	-	-	7,136	-	-
Other receivable	-	5,182	1,621	-	-	122	37,954	-
Employee Motivation & Retention Scheme	-	-	-	352,182	-	-	-	263,181
	<b>March 31, 2008</b>				<b>March 31, 2007</b>			
	<b>Key management personnel</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>	<b>Key management personnel</b>	<b>Subsidiaries</b>	<b>Associates</b>	<b>Other related parties</b>
	(Rupees in '000)							
Mark-up / return / interest earned	800	276	-	-	955	9,602	681	56,964
Mark-up / return / interest expensed	28	200	2,145	52,092	-	628	-	123,951
Reimbursement of liaison office expenses paid to Dubai and Abu Dhabi Group	-	-	-	9,392	-	-	-	9,116
Dividend income received	-	-	-	-	-	-	-	-
Other expenses paid	-	238	-	-	-	-	-	-
Insurance Premium	-	-	93,713	-	-	-	-	-
Remuneration paid	56,014	-	-	-	112,878	-	-	-
Post employment benefits	2,443	-	-	-	2,514	-	-	-
Contribution to defined contribution plan	-	-	-	57,982	-	-	-	63,735
Contribution to defined benefit plan	-	-	-	81,255	-	-	-	94,207
Employee Motivation & Retention scheme	-	-	-	89,000	-	-	-	65,000
Distribution Commission Income	-	-	-	-	-	-	-	-
Placements made during the period / year	-	-	-	-	-	3,504,776	-	-
Placements settled during the period / year	-	19,559	-	-	-	3,433,637	-	-
Maximum amount of a placement made during the year	-	-	-	-	-	848,483	-	-
Investment made during period / year	-	-	4,159,143	-	-	-	300,000	-
Redemption made during the period	-	-	6,469,307	-	-	-	-	-
Bonus Units received	-	-	109,712	-	-	-	-	-



**NOTES TO THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008**
**16. ISLAMIC BANKING BUSINESS**

The balance sheet of the bank's Islamic Banking Branches at March 31, 2008 is as follows:

	<b>Mar 2008</b>	<b>Dec 2007</b>
	<b>Rupees in '000</b>	
<b>ASSETS</b>		
Cash and balances with treasury banks	440,859	307,448
Lendings to financial institutions	200,000	300,000
Investments	616,927	587,206
Advances	371,409	339,477
Operating fixed assets	677,949	401,909
Other assets	98,375	118,323
<b>Total Assets</b>	<b>2,405,519</b>	<b>2,054,363</b>
<b>LIABILITIES</b>		
Bills payable	12,972	17,565
Deposits and other accounts	1,502,326	1,198,688
Other liabilities	593,771	522,034
	<u>2,109,069</u>	<u>1,738,287</u>
<b>NET ASSETS</b>	<u><b>296,450</b></u>	<u><b>316,076</b></u>
<b>REPRESENTED BY</b>		
Islamic Banking Fund	470,000	470,000
Unappropriated/ Unremitted profit	<u>(180,132)</u>	<u>(156,130)</u>
	289,868	313,870
Surplus / (deficit) on revaluation of assets	<u>6,582</u>	<u>2,206</u>
	<u><b>296,450</b></u>	<u><b>316,076</b></u>

**17. DATE OF AUTHORIZATION**

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

**18. GENERAL**

Comparative figures have been reclassified and rearranged, wherever necessary for comparison purposes.

Atif R. Bokhari  
President &  
Chief Executive Officer

Dr. Ashfaq Hasan Khan  
Director

Sir Mohammed Anwar Pervez, OBE, HPk  
Deputy Chairman

Nahayan Mabarak Al Nahayan  
Chairman