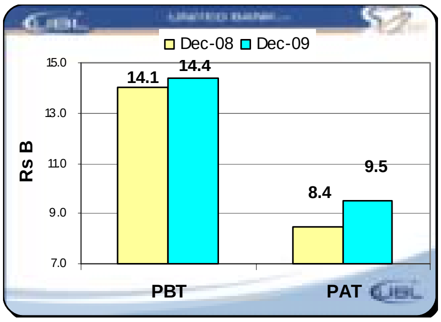
DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the 51st Consolidated Annual Report of United Bank Limited for the year ended December 31, 2009.

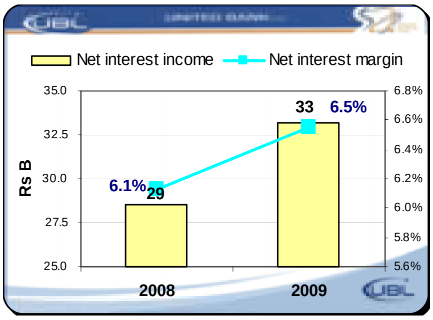
Financial Highlights



Macro economic vulnerabilities continued in 2009, with the first half of the year witnessing high inflation and interest rates, liquidity pressures and loss of business confidence. However, gradual signs of stability have emerged with most key indicators reflecting positive trends including reduction in inflation, contained government borrowings, contraction in external imbalances and easing of the monetary policy stance.

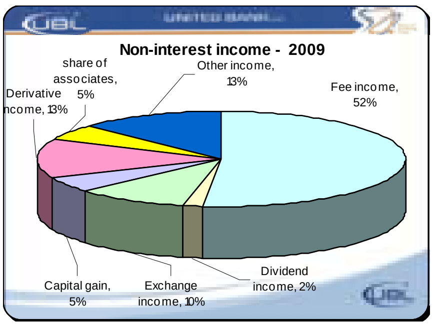
Despite this fragile operating enviorment, UBL has achieved a profit after tax of Rs 9.5 billion, which is 12% higher than the corresponding period last year translating into earnings per share of Rs. 8.56 (December 2008: 7.51). The Board of Directors is pleased to recommend a final cash dividend of Rs 2.50/- per share i.e. 25% and bonus issue of 10% for the year ended December 31, 2009.

Strong top line performance



Net interest income before provisions grew by 16% to Rs 33.2 billion from the same period last year reflecting an increase in Net Interest Margins of 40 basis points to 6.5% in 2009 and 8% increase in average interest-earning assets. The increase in benchmark rates and asset yields was partially offset by the full year impact of 5% minimum rate of return on savings deposits.

Net provisions at Rs. 13.5 billion are up by 64% from the corresponding period last year primarily due to higher provisioning on the corporate and international portfolios. Net provisions also include Rs. 1.1 billion impairment loss booked on equities. However, the key point to note is the declining trend in NPL formation and an increase in coverage ratio from 68% to 71% in the subseqent quarters from June 09.



Non-interest income continued its steady growth by 18% to Rs 13.0 billion which is a testatment to UBL's diverse income streams. Even though fee and exchange income declined year on year, this was offset by strong growth in capital gains and derivatives income.

Fee and commission income decreased by 7% to Rs 6.7 billion due to reduction in consumer and corporate lending, however, this was partially compensated by higher commodity commission and income from increased trade activity. Exchange income declined from Rs. 1.7 billion to Rs. 1.3 billion as we were able to capitalize on the significant exchange rate volatility in 2008. This year our emphasis has been more on servicing existing clientele where spreads have reduced due to aggressive competition.

Capital gain increased to Rs 697 million reflecting the strong performance of the stock market in 2009 which was up 63% on a yoy basis. In addition, derivative income contributed a healthy Rs. 1.7 billion to the non interest income.

Strong grip on costs and efficiency

With a strong focus on cost efficiencies, we have restricted the increase in administrative expenses to only 7% over the corresponding period last year. This is in spite of significant inflationary pressures with average 2009 inflation coming in at 13.9%. Nearly half of this increase is attributed to increases in premises expenses due to higher utilities and insurance expenses across our branch network.

Personnel costs are only up 12% which was a result of headcount reduction by 979 (6%) to 14,254 due to efficiency improvements, process restructuring initiatives and reduction in consumer lending. International operating expenses are flat yoy in dollar terms. However, the impact of rupee devaluation accounts for nearly half of the increase in our overall administration expenses. Given this backdrop, we have managed to achieve considerable cost efficiency during the year.

Sustained business drivers

Total assets have grown this year by Rs. 20 billion (up 3%) to Rs. 640 billion over the corresponding period last year, with investments increasing by 20% to Rs 138 billion. Deposits grew by 2% to Rs 504 billion. Whereas low cost deposits increased by 14%, this was offset by a 12% reduction in expensive deposits. Advances have been rationalized by 4% to Rs 362 billion.

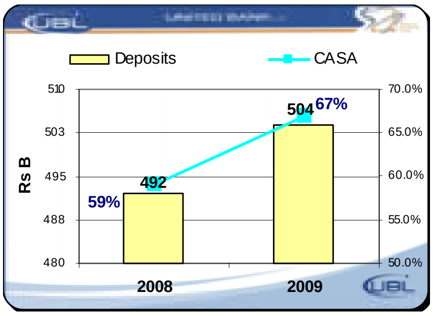
We were successful in maintaining a return on average assets (ROAA) of 1.5%.

Spread analysis & Key Ratios

Spreads and key operating ratios for the bank are shown below:

	2009	2008	Change
Avg.interest earning assets	509	471	8%
Avg.interest bearing liabilities	522	491	6%
Net interest margin	6.5%	6.1%	0.4%
Avg.yield on assets	10.3%	9.5%	0.9%
Avg.cost of funds	4.8%	4.4%	0.4%
Return on avg. equity	17%	19%	-1.9%
Return on avg. assets	1.5%	1.5%	0.0%
Earning per share (Rs)	8.3	7.5	10%
Book value per share (Rs)	54.8	39.4	39%
Cost to income	53%	52%	2%

Focus on liability management



Total deposits increased marginally by 2% to Rs 504 billion primarily due to the Bank's conscious strategy of shedding expensive deposits. Expensive deposits decreased by Rs. 27 billion to Rs. 197 billion at year-end 2009. As a result, the proportion of current and savings account deposits in total deposits (CASA) increased to 67% (Domestic CASA at 75%) at year-end 2009 from 59% at 2008. Deposits this year saw a change in mix relying more on low cost deposits to form the deposit base. Domestic low cost deposit mix improved from 60% in 2008 to 66% in 2009. As a result of shedding domestic high cost fixed deposits by 12%, our market share decreased from 9.6% in December 2008 to 8.8% in December 2009.

Advances were rationalized during the year leading to a reduction in fresh lending to stand at Rs 362 billion, lower by 4% as compared to the corresponding period last year. Lending in the consumer and corporate portfolio was controlled as a result of liquidity constraints, attributing to this decrease. The market share concurrently dropped from 9.2% in December 2008 to 8.8% in December 2009.

The advances to deposits ratio decreased from 77% in December 2008 to 72% in December 2009.

International Operations

The scale and magnitude of the global economic uncertainty and the ensuing credit crunch of 2009 has been unprecedented which resulted in all UBL presence countries being impacted to varying degrees. During these adverse conditions, UBL International placed special emphasis on liquidity and asset quality.

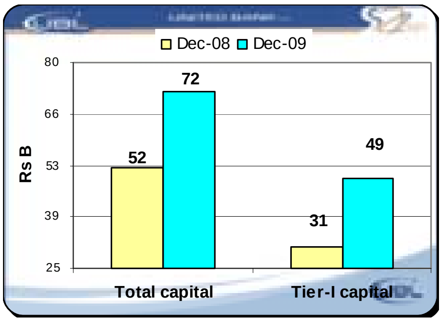
The foremost priority during the early months of 2009 was to maintain sufficient liquidity. Even though most regulators had offered windows of liquidity assistance through different measures, UBL branches sustained their operations by generating deposits organically. In the latter half of the year, branches were also able to rationalise their cost of funds by re-profiling their deposit base.

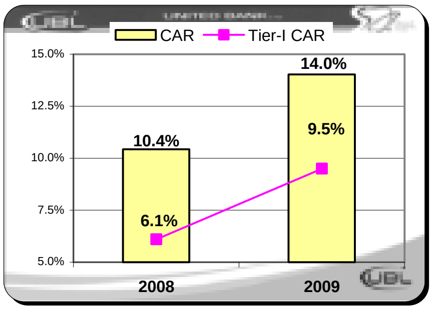
Asset quality remained a key strategic focus in 2009. UBL's international corporate policy has been to deal selectively with leading corporate names, hence, it was redeeming that compared to the industry, our corporate books remained nearly clean. Loan losses were recorded in mortgages and retail unsecured assets. However, the level of the stress on the retail portfolio was not as pronounced as feared. All countries prudently took provisions which was well within each country's profit for the year.

The bank's loan books in 2009 shrank by intent, however NRFF was maintained due to smarter costs and better yield management. Our strategy for 2010 includes greater focus on non-funded fee income, while asset build-up will be selective in corporate and retail banking.

Despite the uncertainty, our international operation network remains a key competitive strength due to the geographical risk diversification it brings to our portfolio. International operations contributed 18% to the bank's profitability and 22% of the total assets. Profit before tax for the year declined by 41% to Rs 2.5 billion. Deposits at Rs. 100 billion decreased by 4% while advances at Rs. 89 billion declined by 9%.

Strengthening Capital Adequacy





Capital Adequacy strengthening remained a key business objective in 2009 which resulted in our CAR increasing from 10.4% in Dec 2008 to 14.0% as at Dec 2009.

- Capital increased by 39% primarily due to an increase of Rs. 18 billion in Tier-1 capital due to income retention and improvement in revaluation of investments
- Credit risk weighted assets decreased by Rs. 18 billion (down 4%) primarily due to lower credit risk exposures and increased government lending

New impetus to Consumer business

The focus remained on the re-structuring of the consumer loan initiation and collection and recovery functions. We invested in technology solutions enabling us to

- Centralize operations thus reducing staff strength by 660
- Introduce statistical models for calculating the probability of repayment from delinquent accounts which led to improved collections
- Set the stage for ring fencing high risk portfolio and segregating the low risk portfolio which will help restore profitability to the consumer lending portfolio
- Initiate work on developing application scoring model to ensure profitable growth of the consumer business

Core banking implementation on track

During the year 2009 our core banking software project Genesis has accomplished number of targeted milestones. The Customer Services platform (CSP) module of Enterprise Banking Suite has been implemented in 39 branches and 8 back office units across Pakistan. The Loan Origination (LO) module has been successfully rolled out for UBL Drive, UBL Address, UBL Cashline and UBL Businessline products. The rollout for UBL Ameen and Credit card products will be completed by 1st quarter of 2010. The loan origination module for Corporate /SME / Agri clients is being developed internally and is expected to be completed by 2nd quarter of 2010 after which the implementation of Enterprise Banking Suite in overseas branches will commence.

The targeted milestones for implementation of Core Banking Suite (SYMBOLS) have been so far on track. Some of the major milestones achieved during 2009 include completion of Gap specifications, Functional Specifications and Factory Acceptance Testing. The critical portion of Integration with the existing systems and the migration of data to the new CBS is underway.

The challenge ahead for Genesis project team is to do a comprehensive end to end User Acceptance Testing exercise and successfully rollout CBS in branches with minimum disturbance to the customer service and Bank's existing working. The first branch is expected to Go Live in 2nd quarter of 2010. The implementation of Treasury modules will be done by 3rd quarter 2010. The remaining branches will be rolled out in a staggered manner.

Key Developments during 2009

Branchless Banking

Although ATMs, debit cards, net banking, call centre agents & IVR banking are all forms of Branchless Banking, SBP latest regulations specifically defines it as "banking using retail agents". The services that can be offered at retail agent locations include account opening, cash deposit, cash withdrawal, utility bill payment, domestic and international remittances and air time purchase.

The technologies that can be deployed to offer these services include mobile phones, cards and kiosks. This offers a huge opportunity to enroll a very large majority of the currently unbanked segment who are unbanked either because they cannot afford the current bank service charges or more significantly they do not have any bank branch within easy reach. This also gives an opportunity to offer Government to Consumer Cash disbursement (subsidies) services in a transparent and cost effective manner.

UBL was granted permission to do a Pilot launch of "Branchless banking" proposition in August 2009. The Pilot was launched with 8 agents in early September and was very successful. The number of agents included as a part of the pilot has continued to grow and as of Dec 2009 the number stood at over 100. Based on the results of the Pilot, UBL was able to redefine operating processes and system structures. As required under the Branchless Banking regulations, UBL applied for a license for "commercial launch" in Oct 2009 and expects to do commercial launch within Q1, 2010.

Launch of UBL Wiz Card

Following the success of UBL Wallet, we launched Pakistan's first Prepaid Debit card – UBL Wiz in early 2009. 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 all over Pakistan and using it till its expiry or deletion. The funds in the VISA prepaid card are used through purchase transactions or cash withdrawals by the customer.

98,000 cards have been issued with a float of Rs 124 million during the year and additional features were introduced including ATM/Internet, card sales through all online branches and retail outlets and specific usage cards (Hajj-Umra-Internet-Corporate-Remittance-FCY).

Home Remittances - Tezraftaar

With remittances on the rise, especially in the month of March when they saw record levels, we improved services to our customers by offering 'Tezraftaar cash payment over the counter.' Before this, home remittances are being processed through Tezraftaar cell by either crediting beneficiary account directly or issuance of Tezraftaar cheque (En-cashable at any UBL counter up to Rs 100,000). However there was a huge demand from originators to provide cash over the counter facility to the beneficiaries who do not have any bank account. This service will be available at all UBL branches in Pakistan and will allow beneficiaries to receive cash over the counter.

In addition, UBL and Bank Albilad Saudi Arabia have joined hands to facilitate remittance of funds from expatriate Pakistanis living and working in Saudi Arabia. This partnership between UBL and Bank Albilad is an important step in solidifying the two bank's relationship while at the same time improving the quality of service to customers. Tezraftaar cash is a fast and dependable way to send money even for those beneficiaries who do not have an account at UBL. The bank remains committed to enhancing its efforts in providing the highest standard of service to remitters and beneficiaries of remittances, to further strengthen its position as a leading institution for home remittances from Pakistani expatriates.

Disbursement to IDPs (Internally displaced persons)

UBL had the honor 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 427,000 accounts against which 335,000 cards have been activated and funds amounting to almost Rs. 7 billion disbursed.

Signature UBL Priority Banking

In 2009, UBL launched 'Signature' as a separate brand which offers focused and personalized wealth management services for selected, high net-worth individuals at a secure and convenient location.

Signature started operations with four UBL Priority Banking lounges in Karachi and Islamabad, on November 7, 2009, the day that marked UBL's Golden Jubilee. All four exclusive lounges cater to the bank's current and potential high net-worth customers. Relationship Managers have been trained to offer a range of financial products and services designed to meet individual business and personal wealth management needs which also includes products of UBL Insurers and UBL Fund Managers. 6 additional lounges are expected to be opened in the year 2010.

Cash Deposit Machine

UBL deployed its first Cash Deposit Machine (CDM) in another milestone towards improving our service quality to our customers. The self service terminal will offer cheque and cash deposit functionality along with all other standard card based transactions including cash withdrawals, funds transfers and bill payments. The machine is aimed at minimizing the need to visit branches.

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.

Looking Ahead

During the year, State Bank of Pakistan continued to gradually ease monetary policy by reducing the discount rate by 250 bps from 15 percent at the start of the year to 12.5 percent in December 2009. These measures led to a substantial decrease in inflation from as high as 24.7 percent in November 2008 to 10.5 percent in December 2009. The lowering of interest rates should provide impetus for future lending and should also improve asset quality, which were impacted by the high borrowing rates. With the stock market registering a 63% yoy growth, narrowing current account deficits and strengthening foreign exchange reserves, we expect the economy to continue to stabilize and recover in 2010.

For UBL the key focus areas in 2010 will be liability management, acquisition of quality assets, controlling costs and improving efficiencies, right sizing the consumer business, building on our non fund income streams, risk management and restructuring of affected assets.

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 Groups 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
- The Board has appointed the following three Committees with defined terms of references
    - Board Risk Management Committee
    - Board Human Resources & Compensation Committee
    - Board Audit Committee
- A summary of key operating and financial data of the last eight years is presented in the Annual Report under the section “Growth at a glance”.
- The Group operates five post retirement funds Provident Fund, Gratuity, Pension, Benevolent, and General Provident Fund and two benefit schemes Post Retirement Medical and Compensated Absences. The details and asset values are given in notes 36 of the audited financial statements of 2009. However only Gratuity and Provident Fund Schemes are available to staff who joined the bank post privatization

Risk Management Framework

The turmoil in the international financial sector provided an opportunity to learn from the financial world’s mistakes. The crises lead UBL towards increased focus on identifying and reducing risk. Risk Management has simply been a practice of systematically selecting cost effective approaches for minimizing the effect of threat realization to any organization. Prime focus was given to development of Credit Strategy & Asset Quality improvement which included corporate, commercial, consumer & international portfolio. Senior Risk Management initiated active involvement with clients focusing on efforts towards repayments, restructuring and asset sale. It has not just been a regulatory compliance issue but has also been an apparatus that has helped in dealing with the perils in the way of achieving organizational objectives.

Risk management required development of stringent policies including International Policy, overall Risk Management Policy & Agri Policy for further strengthening lending and framework for maintaining and improving the quality of the portfolio. Further, activities have been initiated to revise our Credit Policy for Corporate, Commercial & SME for better risk assessment and management. The formulation and approval of such policies involved board and senior management to ensure accurate assessment of the risks.

Research Cell has been strengthened and enhanced and is aiding business sector by issuing business sector reports like Cement, Fertilizer, Telecom. Furthermore, regular economic reviews & Forex updates are issued to keep all the decision makers informed. Further monitoring systems were strengthened to aid better risk management systems, & automated E-CIB reporting.

Consumer financing portfolios throughout the industry continued to be stressed due to over-leveraged customers, unstable political and economic conditions. However UBL was the first in the market, from a risk management tool perspective to launch TRIAD (Behavior Scores). This was yet another milestone for Credit Risk Management. UBL plans to implement Application Scoring which will enable the risk decision makers to allocate limits / pricing facilities on the basis of the risk profile, using common demographic and behavioral denominators to identify and pursue low risk prospects.

UBL has adopted standardized approach through automated calculator where credit is being monitored through standardized approach where as Market & Operational Risk are near completion. Subsequently, the bank has developed an Internal Capital Adequacy Assessment Process (ICAAP) as per the guidelines provided by SBP. This framework has been approved by Bank's Board of Directors and submitted to SBP. UBL has covered additional risks which are not covered under Pillar I and have projected satisfactory capital adequacy for the next six years. UBL will review the ICAAP framework on annual basis (financial year end i.e. December) and changes/updates will be recommended to Basel II committee for onward submission to the Board of Directors.

For effective operational risk management, the bank has developed an Operational Risk Management (ORM) Framework and policy. The Operational Risk Management (ORM) Framework provides operational risk management approach/ infrastructure at the bank, ORM policies and procedures for risk identification, assessment, monitoring and mitigation/ control and detailed roles and responsibilities of various stakeholders, etc. The ORM Framework has been approved by the Board and is implemented across the bank.

Market Risk unit has developed a framework that continuously reviews policies, procedures and Product Process Manuals for managing Market Risk of the bank and makes recommendations to respective management committees for approval. During the year Market risk policy framework and investment policy were redefined whereby Treasury and IBG investments have also been catered to. Further, the unit also evaluates/ manages derivative products, model development/evaluation and assessment of market risk by performing sensitivity analysis.

Similarly, MTM, Duration, PVBP, Convexity, limit utilization/exceptions etc. are also being actively monitored and checked on a daily basis with reporting to respective business units and to the Group Executive Risk Management in the form of a comprehensive MIS pack.

Corporate Social Responsibility

UBL's efforts were strategically aligned with its vision of excellence in all areas of enterprise and its corporate values founded on commitment, caring and meritocracy.

This year as in previous years, the bank provided support amounting to Rs.46.2 million to reputable institutions, NGOs, and not-for-profit organizations (NPOs) engaged in three principal areas of activity i.e. education, health and community development. These institutions were selected on the basis of their demonstrated expertise in, and commitment towards improving the quality of life of people in the less privileged segments of society.

Educational projects remained the primary focus of attention in 2009. A major new initiative taken this year was for UBL to sign up as a "contributing sponsor" of the Karachi Education Initiative (KEI), an NPO established to set up a world class School of Business and Leadership in Karachi. A total of Rs.100 million has been committed to KEI over 3 years (2009-2011), of which Rs.40 million has been disbursed in 2009.

Projects supported in the health sector included the Burns Centre in Karachi, a Marie Adelaide Leprosy Centre at Garhi Dupatta in Azad Kashmir as well as Shalimar Hospital in Lahore. In the community development area, apart from SOS Villages Pakistan, support was provided to two new projects - a vocational training centre for women and a 'school sanitation and clean drinking water program' in Gulshan-e-Iqbal town in Karachi.

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, 2008:

	Amounts in '000
Employees' Provident Fund	2,280,037
Employees' Gratuity Fund	285,845
Staff Pension Fund	6,057,032
Staff General Provident Fund	1,204,455
Officers / Non-Officers Benevolent Fund	727,176

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 of the Director	**No. of meetings attended**
His Highness Sheikh Nahayan Mabarak Al Nahayan, *Chairman*	02
Sir Mohammed Anwar Pervez, OBE, HPk, *Deputy Chairman*	05
Mr. Omar Z. Al Askari, *Director*	05
Mr. Zameer Mohammed Choudrey, *Director*	05
Dr. Ashfaque Hasan Khan, *Director*	05
Mr. Muhammad Sami Saeed, *Director*	05
Mr. Amin Uddin, *Director (appointed w.e.f. 05-03-2009)*	05
Mr. Arshad Ahmad Mir, *Director (appointed w.e.f. 26-10-2009)*	02
Mr. Atif R. Bokhari, *President & Chief Executive Officer*	05

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	No. of Shares	% of ordinary Shares
Bestway Group (BG)	345,777,568	31.07
Abu Dhabi Group (ADG)	283,787,098	25.50
State Bank of Pakistan	216,879,438	19.49
Government of Pakistan	3,049,591	0.27
Privatization Commission of Pakistan	1,559	0.00
General Public & others	127,020,572	11.41
NIT	1,083,332	0.10
Bank, DFI & NBFI	19,535,984	1.76
Insurance Companies	6,225,007	0.56
Modarabas & Mutual Funds	17,011,040	1.53
Securities & Exchange Commission of Pakistan	1	0.00
* International GDRs (non voting shares)	92,519,435	8.31
TOTAL OUTSTANDING SHARES	**1,112,890,625**	**100.00**

** ADG also holds 4.80% additional shares in the form of GDRs.*

- The aggregate shares held by the following are:

a) Associated Companies, undertaking & related parties

		No. of shares
1)	Bestway (Holdings) Limited	202,522,894
2)	Bestway Cement Limited	85,136,131
3)	Al Jaber Transport & General Contracting	54,539,306

b) NIT — 1,083,332

c) **Directors / CEO / Executives**

	Directors / CEO / Executives	Self	Spouse & Children	Total
1)	H.H. Sheikh Nahayan Mabarak Al Nahayan	71,765,548	-	71,765,548
2)	Sir Mohammed Anwar Pervez,OBE,HPk	56,757,421	-	56,757,421
3)	Omar Z. Al Askari	13,634,825	-	13,634,825
4)	Zameer Mohammed Choudrey	1,361,122	-	1,361,122
5)	Atif R. Bokhari	348,634	-	348,634
6)	Other Executives	1,142,167	858	1,143,025

d) Public sector companies and corporations — 339,503

e) Banks, DFIs, NBFIs, Insurance Companies, Modaraba & Mutual Funds — 42,772,031

f) Shareholders holding 10% or more voting interest

		No. of Shares	%
1)	State Bank of Pakistan	216,879,438	19.4879
2)	Bestway (Holdings) Limited	202,522,894	18.1979

All the trade in the share carried out during the year by the directors, CEO,CFO, Company Secretary, their spouses and minor children is reported as under:

Name	Purchase	Sale
Mr. Aameer Karachiwalla, Chief Financial Officer	--	6,000
Mr. Aqeel Ahmed Nasir, Company Secretary	--	14,465

Change in Directors

We are pleased to announce that Mr. Amin Uddin and Mr. Arshad Ahmad Mir have been appointed as Directors of UBL with effect from March 5, 2009 and October 26, 2009 respectively.

Auditors

The present auditors M/s. Ernst & Young Ford Rhodes Sidat Haider, Chartered Accountants and M/s. BDO Ebrahim & 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 Board Audit Committee, recommended for the appointment of M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants and M/s BDO Ebrahim & Co., Chartered Accountants as external auditors 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. We acknowledge the efforts and dedication demonstrated by our staff and would also like to express our earnest appreciation to the Government and the State Bank of Pakistan for their unfaltering support.

For and on Behalf of the Board,

Nahayan Mabarak Al Nahayan
Chairman

Abu Dhabi
March 1, 2010

United Bank Limited

CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2009

where you come first

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2009

	Note	2009	2008
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	6	61,252,772	50,143,570
Balances with other banks	7	14,049,990	14,540,306
Lendings to financial institutions	8	23,162,130	22,805,341
Investments	9	137,734,578	115,057,090
Advances			
Performing	10	349,715,209	367,960,027
Non-performing - net of provision	10	12,364,387	9,985,339
		362,079,596	377,945,366
Operating fixed assets	11	23,734,082	19,926,915
Deferred tax asset - net	12	649,814	2,164,148
Other assets	13	17,786,567	18,124,653
		640,449,529	620,707,389
LIABILITIES			
Bills payable	15	5,166,361	5,210,870
Borrowings	16	37,168,277	44,749,690
Deposits and other accounts	17	503,831,672	492,267,898
Sub-ordinated loans - unsecured	18	11,989,800	11,993,848
Liabilities against assets subject to finance lease	19	611	1,978
Deferred tax liability - net	12	-	-
Other liabilities	20	14,974,445	17,087,441
		573,131,166	571,311,725
NET ASSETS		67,318,363	49,395,664
REPRESENTED BY:			
Share capital	21	11,128,907	10,117,188
Reserves		21,167,954	17,256,061
Unappropriated profit		23,617,875	17,703,327
Total equity attributable to the equity holders of the Bank		55,914,736	45,076,576
Minority Interest		2,279,691	2,044,589
		58,194,427	47,121,165
Surplus on revaluation of assets - net of deferred tax	22	9,123,936	2,274,499
		67,318,363	49,395,664
CONTINGENCIES AND COMMITMENTS	23		

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

Atif R. Bokhari	**Dr.Ashfaque Hasan Khan**	**Sir Mohammed Anwar Pervez, OBE, HPk**	**Nahayan Mabarak Al Nahayan**
President & Chief Executive Officer	Director	Deputy Chairman	Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		(Rupees in '000)	
Mark-up / return / interest earned	25	61,495,472	52,763,249
Mark-up / return / interest expensed	26	28,323,272	24,247,281
Net mark-up / interest income		33,172,200	28,515,968
Provision against loans and advances	10.5	9,644,927	4,514,548
Provision against lendings to financial institutions	8	560,852	-
Provision for diminution in value of investments - net	9.3	1,187,460	1,871,587
Bad debts written off directly	10.6	1,485,976	1,367,553
		12,879,215	7,753,688
Net mark-up / return / interest income after provisions		20,292,985	20,762,280
Non Mark-up / Interest Income			
Fee, commission and brokerage income		6,736,356	7,242,892
Dividend income		214,727	191,376
Income from dealing in foreign currencies		1,275,914	1,656,939
Gain on sale of securities	27	699,275	201,176
Unrealized loss on revaluation of investments classified as held for trading	9.4	(2,582)	(10,682)
Other income	28	3,396,800	1,917,451
Total non mark-up / return / interest income		12,320,490	11,199,152
		32,613,475	31,961,432
Non Mark-up / Interest Expenses			
Administrative expenses	29	17,803,338	16,679,968
Other provisions / write offs - net	30	642,274	468,042
Workers' Welfare Fund	31	401,073	340,548
Other charges	32	64,552	292,377
Total non mark-up / interest expenses		18,911,237	17,780,935
Share of income / (loss) of associates		689,943	(128,446)
Profit before taxation		14,392,181	14,052,051
Taxation - Current	33	6,996,257	6,151,520
- Prior year	33	78,710	435,072
- Deferred	33	(2,170,738)	(979,792)
		4,904,229	5,606,800
Profit after taxation		9,487,952	8,445,251
Attributable to:			
Equity shareholders of the Bank		9,521,546	8,355,757
Minority Interest		(33,594)	89,494
		9,487,952	8,445,251
		(Rupees)	
Earnings per share - basic and diluted	34	8.56	7.51

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

Atif R. Bokhari	Dr.Ashfaque Hasan Khan	Sir Mohammed Anwar Pervez, OBE, HPk	Nahayan Mabarak Al Nahayan
President & Chief Executive Officer	Director	Deputy Chairman	Chairman

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		14,392,181	14,052,051
Less: Dividend income		(214,727)	(191,376)
Add / (Less): Share of (profit) / loss of associates		(689,943)	128,446
		13,487,511	13,989,121
Adjustments:			
Depreciation		1,539,028	1,291,079
Amortization		185,985	156,997
Worker's welfare fund		401,073	340,548
Provision for retirement benefits		605,672	59,009
Provision against loans and advances		9,644,927	4,514,548
Provision against lendings to financial institutions		560,852	-
Provision for diminution in value of investments		1,187,460	1,871,589
Reversal of provision in respect of investments disposed off during the year		(1,208,711)	-
Provision against off- balance sheet items		20,250	42,966
Gain on sale of fixed assets		(31,829)	(14,298)
Bad debts written-off directly		1,485,976	1,367,553
Unrealized loss on revaluation of investments classified as held for trading		2,582	10,682
Finance charges on leased assets		110	283
Provision against other assets		622,024	196,026
		15,015,399	9,836,982
		28,502,910	23,826,103
Decrease / (Increase) in operating assets			
Lendings to financial institutions		(917,641)	1,976,382
Held-for-trading securities		526,935	(4,383,394)
Advances		4,734,867	(75,904,785)
Other assets (excluding advance taxation)		2,395,082	(5,620,707)
		6,739,244	(83,932,504)
(Decrease) / Increase in operating liabilities			
Bills payable		(44,509)	(876,396)
Borrowings		(7,581,413)	(14,741,563)
Deposits and other accounts		11,563,774	80,792,770
Other liabilities (excluding current taxation)		(1,902,164)	3,439,069
		2,035,687	68,613,880
		37,277,842	8,507,479
Staff retirement benefits paid		(783,198)	(231,466)
Income taxes paid		(9,719,771)	(7,250,980)
Net cash flow from operating activities		26,774,872	1,025,033
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in securities		(16,446,722)	(8,264,808)
Dividend income received		457,237	188,251
Investments in operating fixed assets		(1,595,660)	(3,185,598)
Sale proceeds from disposal of property and equipment		174,458	138,396
Net cash flow on investing activities		(17,410,687)	(11,123,759)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of sub-ordinated loan		-	6,000,000
Repayments of principal of sub-ordinated loans		(4,048)	(2,848)
Payments in respect of lease obligations		(1,367)	(1,566)
Dividends paid		(1,094,748)	(3,945,703)
Net cash (used in) / flow from financing activities		(1,100,163)	2,049,883
Exchange adjustment on translation of net assets attributable to minority shareholders		351,725	(160,545)
Exchange differences on translation of net investment in foreign branches and subsidiaries		2,003,138	4,288,728
Increase in cash and cash equivalents		10,618,885	(3,920,660)
Cash and cash equivalents at beginning of the year		64,683,876	68,604,536
Cash and cash equivalents at end of the year	35	75,302,762	64,683,876

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

Atif R. Bokhari	**Dr.Ashfaque Hasan Khan**	**Sir Mohammed Anwar Pervez, OBE, HPk**	**Nahayan Mabarak Al Nahayan**
President & Chief Executive Officer	Director	Deputy Chairman	Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2009

	2009	2008
	------- (Rupees in '000) -------	
Profit for the year attributable to:		
Equity shareholders of the Bank	9,521,546	8,355,757
Minority Interest	(33,594)	89,494
	9,487,952	8,445,251
Other comprehensive income:		
Exchange differences on translation of net investment in foreign branches and subsidiaries		
- Equity shareholders of the Bank	2,003,138	4,288,728
- Minority Interest	351,725	(105,325)
Net gain / (loss) on cash flow hedges	108,028	(425,589)
Related deferred tax (liability) / asset on cash flow hedges	(37,810)	148,956
	2,425,081	3,906,770
Comprehensive income transferred to equity - net of tax	11,913,033	12,352,021

Surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

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

Atif R. Bokhari President and Chief Executive Officer	Dr. Ashfaque Hasan Khan Director	Sir Mohammed Anwar Pervez, OBE, HPk Deputy Chairman	Nahayan Mabarak Al Nahayan Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2009

	Attributable to ordinary shareholders of the Bank								Minority interest	Total
			----------Capital reserves----------							
	Share Capital	General reserve	Statutory reserve	Exchange translation reserve	Reserve for issue of bonus shares	Cash flow hedge reserve	Unappro-priated profit	Sub total		
	-------(Rupees in '000)-------									
Balance as at December 31, 2007	8,093,750	3,000	8,716,409	2,857,933	-	-	16,728,318	36,399,410	2,115,644	38,515,054
Final dividend for the year ended December 31, 2007 declared subsequent to the year end at Rs. 3.00 per share	-	-	-	-	-	-	(2,428,125)	(2,428,125)	-	(2,428,125)
Changes in equity for 2008										
Interim cash dividend for the half year ended June 30, 2008 declared at Rs. 1.5 per share	-	-	-	-	-	-	(1,517,578)	(1,517,578)	-	(1,517,578)
Transfer to reserves 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 year ended December 31, 2008	-	-	-	-	-	-	8,355,757	8,355,757	89,494	8,445,251
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	255,017	255,017	-	255,017
Other comprehensive income - net of tax	-	-	-	4,288,728	-	(276,633)	-	4,012,095	(105,325)	3,906,770
Preferred dividend relating to minority shareholders	-	-	-	-	-	-	-	-	(55,224)	(55,224)
Transfer to statutory reserve	-	-	1,666,624	-	-	-	(1,666,624)	-	-	-
Balance as at December 31, 2008	10,117,188	3,000	10,383,033	7,146,661	-	(276,633)	17,703,327	45,076,576	2,044,589	47,121,165
Final dividend for the year ended December 31, 2008 declared subsequent to year end at Rs.1.00 per share	-	-	-	-	-	-	(1,011,719)	(1,011,719)	-	(1,011,719)
Changes in equity for 2009										
Transfer to reserves 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 year ended December 31, 2009	-	-	-	-	-	-	9,521,546	9,521,546	(33,594)	9,487,952
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	-	254,977	254,977	-	254,977
Other comprehensive income - net of tax	-	-	-	2,003,138	-	70,218	-	2,073,356	351,725	2,425,081
Ordinary dividend relating to minority shareholders	-	-	-	-	-	-	-	-	(27,510)	(27,510)
Preferred dividend relating to minority shareholders	-	-	-	-	-	-	-	-	(55,519)	(55,519)
Transfer to statutory reserve	-	-	1,838,537	-	-	-	(1,838,537)	-	-	-
Balance as at December 31, 2009	11,128,907	3,000	12,221,570	9,149,799	-	(206,415)	23,617,875	55,914,736	2,279,691	58,194,427

Appropriations made by the Directors subsequent to the year ended December 31, 2009 are disclosed in note 46 of these consolidated financial statements.

The annexed notes from 1 to 48 and annexures form an integral part of these consolidated 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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

1. STATUS AND NATURE OF BUSINESS

The "Group" consists of:

- Holding Company

United Bank Limited, Pakistan (the Bank)

United Bank Limited (the Bank) is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. 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 1,120 (2008: 1,119) branches including 05 (2008: 05) Islamic banking branches, 01 (2008: 01) branch in Karachi Export Processing Zone (KEPZ) and 17 (2008: 17) branches outside Pakistan.

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.

Subsidiary Companies

The Group is engaged in carrying out the following business activities:

- United National Bank Limited (UNBL), United Kingdom - 55 percent holding

UNBL is an authorised banking institution incorporated in the United Kingdom (UK) and regulated by the Financial Services Authority (FSA). The Company was formed in 2001 from the merger of the UK branches of United Bank Limited and National Bank Limited. The principal activities of the Company are to provide retail banking products through its branch network in major cities of UK, wholesale banking and treasury services to financial institutions and trade finance facilities to businesses of all sizes.

- United Bank AG Zurich, Switzerland - 100 percent holding

The United Bank AG (Zurich) is a commercial bank owned by United Bank Limited, Karachi. Founded in 1967, its main activities are in credit operations and the related trade financing. In doing so, it supports its international clientele in their import and export business with Pakistan, the rest of the sub-continent and the Gulf States.

- United Executors and Trustees Company Limited, Pakistan - 100 percent holding

United Executors and Trustees Company Limited ("the Company") was incorporated in Pakistan in 1965 as an unlisted public limited Company. The Company is engaged in the business of trusteeship. The registered office of the Company is situated at State Life Insurance Building No. 1, I.I. Chundrigar Road, Karachi. The Company is a wholly owned subsidiary of United Bank Limited. Currently, the Company is engaged in the business of investments in listed securities.

- UBL Fund Managers Limited, Pakistan - 100 percent holding

UBL Fund Managers Limited was incorporated as a public limited company in Pakistan under the Companies Ordinance, 1984 on April 03, 2001. The Company is licensed to carry out Asset Management and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). The principal activities of the Company are floating and managing mutual funds and to provide investment advisory services. The registered office of the Company is situated at 8th Floor, State Life Building No. 1, I. I. Chundrigar Road, Karachi.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

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 consolidated 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 Group 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 financial statements for reporting purposes, after eliminating intra branch transactions / balances .Key financial figures of the Islamic banking branches are disclosed in note 45 to these consolidated financial statements.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements 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 (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the SECP and the SBP 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.

3.2 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.

3.3 STANDARDS, AMENDMENTS AND INTERPRETATION NOT YET EFFECTIVE

The following revised standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (Accounting periods beginning on or after)
IAS 24 - Related Party Disclosures (Revised)	January 01, 2011
IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues (Amendment)	February 01, 2010
IFRS 2 – Share-based Payments: Amendments relating to Group Cash-settled Share-based Payment Transactions	January 01, 2010
IFRS 3 – Business Combinations (Revised)	July 01, 2009
IAS - 27 Consolidated and Separate Financial Statements (Amendment)	July 01, 2009
IFRIC 14 - The Limit on Defined Benefit Assets, Minimum Funding Requirements and their Interaction (Amendments)	January 01, 2011
IFRIC 15 – Agreement for the construction of real estate	October 01, 2009
IFRIC 17 – Distributions of Non-cash Assets to owners	July 01, 2009
IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010

The Group considers that the above standards and interpretations are either not relevant or will have no material impact on its financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements to the extent that such presentation and disclosure requirements do not conflict with the format of financial statements prescribed by the SBP for banks.

In addition to the above, amendments to various accounting standards have also been issued by the IASB as a result of its improvement project in April 2009. Such improvements are generally effective for accounting periods beginning on or after January 01, 2010. The Group expects that such improvements to the standards will not have any material impact on the Group's financial statements in the period of initial application.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain assets have been stated at revalued amounts, certain investments have been stated at fair value and derivative financial instruments are measured at fair value.

4.2 Critical accounting estimates and judgements

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

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

i) classification of investments (notes 5.5 and 9)
ii) provision against investments (notes 5.5 and 9.3) and advances (notes 5.6, 10.5)
iii) income taxes (notes 5.9 and 33)
iv) staff retirement benefits (note 5.11 and 37)
v) fair value of derivatives (note 5.16 and 20.4)
vi) operating fixed assets, depreciation and amortization (note 5.7 and 11)
vii) impairment (note 5.8)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

- The consolidated financial statements include the financial statements of UBL - Holding Company and its subsidiary companies - "the Group".

- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and are excluded from consolidation from the date of disposal or when the control is lost.

- The financial statements of subsidiaries are prepared for same reporting period as the holding company using consistent accounting policies.

- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the Bank is eliminated against the subsidiaries' share capital and pre acquisition reserves in the consolidated financial statements.

- Minority interest represents that part of the net results of operations and of net assets of subsidiary companies attributable to interests which is not owned by the Group.

- All material intra-group balances and transactions have been eliminated in full.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009

5.2 Change in accounting policy and disclosure

The accounting policies adopted in the preparation of these financial statements are consistent with those followed in the preparation of previous financial year except for the following:

- **IAS-1 Presentation of Financial Statements (Revised) effective January 01, 2009**

  The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. 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. The Group has elected to present two statements, an income statement and a statement of comprehensive income, rather than a single statement of comprehensive income combining the two elements.

  Further, surplus arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984 and the directives of the State Bank of Pakistan in a separate account below equity.

5.3 Cash and cash equivalents

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

5.4 Lendings to / borrowings from financial institutions

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

5.4.1 Sale under repurchase agreements

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

5.4.2 Purchase under resale agreements

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

Securities borrowed are not recognized in the consolidated financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

5.5 Investments

The Group classifies its investments as follows:

5.5.1 Held for trading

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

5.5.2 Held to maturity

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

5.5.3 Available for sale

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

5.5.4 Associates

Associates are all entities over which the Group has a significant influence but not control.

Investments in associates where the Group has significant influence are accounted for using the equity method of accounting. Under the equity method, the investment in associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Increase / decrease in share of profit and loss of associates is accounted for in the consolidated profit and loss account. The Group applies equity accounting method for its investment in mutual funds managed by UBL Fund Managers that are categorized as associates.

5.5.5 Investments other than those categorized as held for trading are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as held for trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

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

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

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

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

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

5.6 Advances

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

5.7 Operating fixed assets and depreciation

5.7.1 Owned

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

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected economic lives at the rates specified in note 11.2 to these consolidated financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any, and using methods depending on the nature of the asset and the country of its location. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the asset is available for use. No depreciation is charged in the month of disposal.

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

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

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

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

5.7.2 Leased (Ijarah)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised on an accrual basis as and when the rental becomes due.

5.7.3 Intangible assets

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

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

5.8 Impairment

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

The 'available for sale' equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is significant or prolonged requires judgment. In making this judgment, the Group evaluates among other factors, the normal volatility in share price. In addition the impairment may be appropriate when there is an evidence of deterioration in the financial health of the invested industry and sector performance, changes in technology and operational / financial cash flows.

5.9 Taxation

5.9.1 Current

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

5.9.2 Deferred

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

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

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

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

5.10 Provisions

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

5.11 Staff retirement and other benefits

5.11.1 United Bank Limited (UBL)

The Bank operates the following staff retirement schemes for its employees

a) For employees who have not opted for the new scheme introduced in 1991

- approved funded pension scheme, introduced in 1986 (defined benefit scheme); and
- approved non-contributory provident fund in lieu of the contributory provident fund.

b) For new employees and for those who opted for the new scheme introduced in 1991

- approved contributory provident fund (defined contribution scheme); and
- approved gratuity scheme (defined benefit scheme).

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

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

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

For defined contribution plans, the Bank pays contributions to the Fund on a periodic basis. The Bank has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction on the future payments is available.

Other benefits

a) Employees' compensated absences

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

b) Post retirement medical benefits (defined benefit scheme)

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

c) Employee motivation and retention scheme

The Bank operates a long term motivation and retention scheme for its employees with the objective to reward, motivate and retain its high performing executives and officers. The liability of the Bank is fixed and determined each year based on the performance of the Bank.

Actuarial gains and losses

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligation at the end of the last reporting year are charged or credited to income over the employees' expected average remaining working lives. These limits are calculated and applied separately for each defined benefit plan.

Actuarial gains and losses pertaining to long term compensated absences are recognised immediately.

5.11.2 United National Bank Limited (UNBL)

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

For defined contribution schemes, the amount charged to the profit and loss account is the contribution payable in the year. Difference between the contribution payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The asset is recognised only if it is probable that economic benefits will be realised in future.

5.11.3 UBL Fund Managers Limited (UFML)

Defined benefit plan

UFML operates an approved gratuity fund for all employees. Annual contributions to the Fund are made on the basis of actuarial advice using the Projected Unit Credit Method. The net cumulative actuarial gains / losses, in excess of the higher of the following corridor limits are recognised over the expected remaining average working lives of employees on a straight line basis:

- 10% of the present value of the define benefit obligation (before deducting plan assets); or
- 10 percent of the fair value of plan assets.

Defined contribution plan

UFML operates an approved provident fund for all eligible employees.

5.12 Sub-ordinated debts

Sub-ordinated debt is initially recorded at the amount of proceeds received. Mark-up accrued on these debts are recognised separately as part of other liabilities and is charged to profit and loss account over the period on accrual basis.

5.13 Borrowings / deposits and their cost

a) Borrowings / deposits are recorded at the proceeds received.
b) Borrowing / deposits costs are recognised as an expense in the period in which these are incurred.

5.14 Revenue Recognition

Revenue is recognised to the extent that economic benefits will flow to the Group and the revenue can be reliably measured. The following recognition criteria must be met before revenue is recognized.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

5.14.1 Advances and investments

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

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

5.14.2 Dividend income

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

5.14.3 Fee, brokerage and commission

Fee, brokerage, commission and other income are recognized on an accrual basis.

5.15 Foreign currencies

5.15.1 Functional and presentation currency

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

5.15.2 Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the balance sheet date. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

5.15.3 Foreign operations

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

5.15.4 Translation gains and losses

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

5.15.5 Commitments

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

5.16 Financial instruments

5.16.1 Financial assets and liabilities

Financial instruments carried on the balance sheet include cash and bank balances, lendings to institutions, investments, advances, certain receivables, bills payables, borrowings from financial institutions, deposits, sub-ordinated loan and certain other payables. The particular recognition methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy notes associated with them.

5.16.2 Derivative financial instruments

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

5.16.3 Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the profit and loss account.

(a) Fair value hedges

For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the profit and loss account in other income. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the profit and loss account in other income.

(b) Cash flow hedges

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in statement of changes in equity, and recycled to the profit and loss account in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the profit and loss account immediately.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the profit and loss account. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the profit and loss account.

5.16.4 Off setting

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

5.17 Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

5.17.1 Business segments

(a) Corporate finance

Corporate banking includes services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

(b) Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

(c) Retail Banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

(d) Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

(e) Asset Management

It includes discretionary and non discretionary fund management activities in the form of pooled, segregated, retail, institutional, private equity, open, close ended funds etc

(f) Others

It includes results of support functions of the Bank and subsidiary which cannot be classified in any of the above segments.

5.17.2 Geographical segments

The Group operates in four geographical regions being:

- Pakistan (Including Karachi Export Processing Zone)
- United States of America
- Middle East
- Asia Pacific
- Europe

5.18 Dividend and appropriation to reserves

Dividend and appropriation to reserves, except appropriations which are required by the law after the balance sheet date, are recognised as liability in the consolidated financial statements in the year in which these are approved.

5.19 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at December 31, 2009.

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	2009	2008
		(Rupees in '000)	
In hand			
Local currency		10,744,174	9,859,989
Foreign currency		3,011,705	4,996,252
		13,755,879	14,856,241
With State Bank of Pakistan in			
Local currency current account	6.1	18,937,149	14,324,727
Local currency deposit account		3,864	3,864
Foreign currency current account	6.2	2,809	2,656
Foreign currency deposit account	6.3	4,487,971	4,730,090
		23,431,793	19,061,337
With other central banks in foreign currency current account	6.4	15,398,540	8,035,182
With National Bank of Pakistan in local currency current account		8,609,162	8,153,544
National Prize Bonds		57,398	37,266
		61,252,772	50,143,570

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6.1 The local currency current account is maintained with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.

6.2 This represents US Dollar Settlement Account maintained with SBP.

6.3 The foreign currency cash reserve comprises of an amount equivalent to at least 5% of the bank's foreign currency deposits which is kept in a non-remunerative account. It also includes foreign currency cash reserve maintained with SBP equivalent to at least 15% of the bank's foreign currency deposits, the return on this account is declared by SBP on a monthly basis as at December 31, 2009 and carries mark-up at the rate of 0% (2008: 0.90%).

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

	Note	2009	2008
		(Rupees in '000)	
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
In current accounts		26,715	-
In deposit accounts	7.1	124,151	380,835
		150,866	380,835
Outside Pakistan			
In current accounts		4,766,694	6,966,789
In deposit accounts	7.1	9,132,430	7,192,682
		13,899,124	14,159,471
		14,049,990	14,540,306

7.1. These carry mark-up at rates ranging from 0.12% to 11.5% (2008: 3.25% to 14.00%) per annum.

8 LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2009	2008
Call money lendings	8.2	1,110,610	2,800,780
Repurchase agreement lendings	8.3	17,941,216	15,639,163
Lendings to banks / financial institutions	8.4	4,671,156	4,365,398
		23,722,982	22,805,341
Provision against lendings to financial institutions	8.5	(560,852)	-
		23,162,130	22,805,341

8.1 Particulars of lendings to financial institutions

	2009	2008
In local currency	21,140,954	18,618,677
In foreign currencies	2,021,176	4,186,664
	23,162,130	22,805,341

8.2 These are unsecured lendings carrying mark-up at rates ranging from 11.95% to 12.65% per annum (2008: 9.50% to 15.65% per annum) and are due to mature latest by April 2010.

8.3 Securities held as collateral against repurchase agreement lendings

	2009			2008		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	(Rupees in '000)					
Market Treasury Bills	16,691,063	990,566	17,681,629	12,596,455	-	12,596,455
Pakistan Investment Bonds	159,587	100,000	259,587	2,192,708	850,000	3,042,708
	16,850,650	1,090,566	17,941,216	14,789,163	850,000	15,639,163

These carry mark-up at rates ranging from 10.75% to 12.35% per annum (2008: 6.00% to 16.00% per annum) and are due to mature latest by March 2010.

8.4 These carry mark-up at rates ranging from 3.00% to 15.87% per annum (2008: 15.53% to 17.77% per annum) and are due to mature latest by February 2014, where as lending pertaining to overseas operation carry mark-up at rates ranging from 1.03% to 3.32% per annum (2008: 1.19% to 6.02% per annum) and are due to mature latest by August 2010.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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8.5 This represents provision made against lendings to overseas financial institutions with movement as follows:

	2009	2008
	----- (Rupees in '000) -----	
Opening balance	-	-
Charged during the year	560,852	-
Closing balance	560,852	-

9. INVESTMENTS

9.1 Investments by types

	Note	2009 Held by Group	2009 Given as collateral	2009 Total	2008 Held by Group	2008 Given as collateral	2008 Total
		---------------------------	---------------(Rupees in '000)	---------------	---------------	---------------	---------------------------
Held for trading securities							
Market Treasury Bills		3,268,035	-	3,268,035	4,202,368	-	4,202,368
Pakistan Investment Bonds		438,505	97,306	535,811	15,929	-	15,929
Units of Mutual Funds		214,865	-	214,865	-	-	-
Government of Pakistan - Euro Bonds		76,206	-	76,206	-	-	-
Sukuk Bonds		15,719	-	15,719	81,450	-	81,450
Ordinary shares of listed companies		-	-	-	348,506	-	348,506
		4,013,330	97,306	4,110,636	4,648,253	-	4,648,253
Available for sale securities							
Market Treasury Bills		35,572,747	3,978,323	39,551,070	33,775,219	13,841,226	47,616,445
Pakistan Investment Bonds		16,728,759	-	16,728,759	16,777,690	428,230	17,205,920
Foreign securities		12,740,879	-	12,740,879	15,272,429	-	15,272,429
Government of Pakistan Euro Bonds		3,870,557	-	3,870,557	5,734,927	-	5,734,927
Ordinary shares of listed companies		3,644,398	-	3,644,398	5,696,150	-	5,696,150
Government of Pakistan - Sukuks		3,470,000	-	3,470,000	1,100,000	-	1,100,000
Term Finance Certificates		1,948,702	-	1,948,702	2,172,450	-	2,172,450
Ordinary shares of unlisted companies	9.7	441,824	-	441,824	441,715	-	441,715
Cumulative preference shares		197,015	-	197,015	198,029	-	198,029
Units of mutual funds		191,299	-	191,299	211,583	-	211,583
Sukuk Bonds		-	-	-	455,276	-	455,276
		78,806,180	3,978,323	82,784,503	81,835,468	14,269,456	96,104,924
Held to maturity securities							
Term Finance Certificates		25,289,199	-	25,289,199	4,915,803	-	4,915,803
Market Treasury Bills		11,611,110	-	11,611,110	1,263,178	-	1,263,178
Foreign securities		4,001,718	-	4,001,718	2,270,813	-	2,270,813
Sukuk Bonds		2,640,040	-	2,640,040	1,094,372	-	1,094,372
Pakistan Investment Bonds		2,497,301	-	2,497,301	4,339,104	-	4,339,104
Government of Pakistan - Guaranteed Bonds		1,485,057	-	1,485,057	1,485,444	-	1,485,444
Government of Pakistan - Euro Bonds		922,505	-	922,505	973,454	-	973,454
Government of Pakistan - Sukuks		30,000	-	30,000	-	-	-
Participation Term Certificates		26,838	-	26,838	38,205	-	38,205
Debentures		4,592	-	4,592	6,676	-	6,676
CDC SAARC Fund		421	-	421	395	-	395
Certificate of deposits		-	-	-	4,091,750	-	4,091,750
CIRC Bonds		-	-	-	2,900,000	-	2,900,000
		48,508,781	-	48,508,781	23,379,195	-	23,379,195
Associates							
United Growth and Income Fund	9.9.1	5,279,234	-	5,279,234	327,193	-	327,193
UBL Liquidity Plus Fund	9.9.2	749,831	-	749,831	-	-	-
United Composite Islamic Fund	9.9.3	539,012	-	539,012	338,024	-	338,024
United Stock Advantage Fund	9.9.4	305,297	-	305,297	142,766	-	142,766
United Islamic Income Fund	9.9.5	249,850	-	249,850	308,700	-	308,700
UBL Participation Protected Plan	9.9.6	170,136	-	170,136	138,887	-	138,887
Oman United Exchange Company, Muscat	9.9.7	71,399	-	71,399	72,307	-	72,307
UBL Insurers Limited	9.9.8	67,583	-	67,583	52,154	-	52,154
United Capital Protected Fund - I	9.9.9	90,299	-	90,299	75,500	-	75,500
United Money Market Fund	9.9.10	-	-	-	1,450,300	-	1,450,300
		7,522,641	-	7,522,641	2,905,831	-	2,905,831
		138,850,932	4,075,629	142,926,561	112,768,747	14,269,456	127,038,203
Provision for diminution in value of investments including associate	9.3	(2,146,794)		(2,146,794)	(2,188,792)	-	(2,188,792)
Investments (net of provisions)		136,704,138	4,075,629	140,779,767	110,579,955	14,269,456	124,849,411
Surplus / (deficit) on revaluation of available for sale securities	22.2	(3,045,011)	2,404	(3,042,607)	(9,671,910)	(109,728)	(9,781,638)
Deficit on revaluation of held for trading securities	9.4	(1,862)	(720)	(2,582)	(10,682)	-	(10,682)
Total investments		133,657,265	4,077,313	137,734,578	100,897,363	14,159,728	115,057,090

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		Note	2009	2008
			------ (Rupees in '000) -----	
9.2	**Investments by segments**			
	Federal Government Securities			
	Market Treasury Bills		48,577,758	51,818,813
	Pakistan Investment Bonds		19,761,871	21,560,953
	Government of Pakistan - Sukuks		3,500,000	1,100,000
	Government of Pakistan - Euro Bonds		4,869,268	6,708,381
	Government of Pakistan - Guaranteed Bonds		1,485,057	4,385,444
			78,193,954	85,573,591
	Foreign Securities			
	Government securities		11,381,356	5,197,561
	CDC SAARC Fund		421	395
	Other securities		11,213,698	17,604,286
			22,595,475	22,802,242
	Fully Paid-up Ordinary Shares			
	Listed companies		3,644,398	6,044,656
	Unlisted companies	9.7	441,824	441,715
			4,086,222	6,486,371
	Preference Shares		197,015	198,029
	Units of Mutual Funds		406,164	211,583
	Term Finance Certificates			
	Unlisted		24,570,114	5,778,897
	Listed		2,667,787	1,309,356
			27,237,901	7,088,253
	Sukuk Bonds		2,655,759	1,727,421
	Debentures		4,592	6,676
	Participation Term Certificates		26,838	38,205
			29,925,090	8,860,555
	Investments in associates		7,522,641	2,905,831
	Total investments at cost		142,926,561	127,038,202
	Provision for diminution in value of investments	9.3	(2,146,794)	(2,188,792)
	Investments (net of provisions)		140,779,767	124,849,411
	Deficit on revaluation of available for sale securities	22.2	(3,042,607)	(9,781,639)
	Deficit on revaluation of held for trading securities	9.4	(2,582)	(10,682)
	Total investments		137,734,578	115,057,090

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

			2009	2008
			----- (Rupees in '000) -----	
9.3	**Particulars of provision for diminution in value of investments:**			
9.3.1	Opening balance		2,188,792	351,508
	Charged during the year	**9.3.1.1**	1,162,066	1,892,360
	Impairment loss on associate		25,394	
	Reversed during the year		-	(20,773)
			1,187,460	1,871,587
	Reversal on disposal		(1,208,711)	-
	Transfer		-	-
	Written off during the year		(20,747)	(34,303)
	Closing balance		2,146,794	2,188,792

9.3.1.1 This includes impairment loss in respect of equity securities / mutual funds held under available for sale category of investment deferred as at December 31, 2008, in accordance with the BSD circular number 4 of SBP, dated February 13, 2009. The said impairment loss is charged to the profit and loss account after taking into account effects of price movements during the year.

9.3.2 Particulars of provision for diminution in value of investments by type

	2009	2008
Available for sale securities		
Ordinary shares of listed companies	1,834,711	1,883,398
Ordinary shares of unlisted companies	150,275	150,524
	1,984,986	2,033,922
Held to maturity securities		
Term Finance Certificates	104,985	109,989
Debentures	4,591	6,676
Participation Term Certificates	26,838	38,205
	136,414	154,870
Associate	25,394	-
	2,146,794	2,188,792

9.3.3 Particulars of provision for diminution in value of investments by segment

	2009	2008
Fully Paid-up Ordinary Shares		
Listed companies	1,834,711	1,883,398
Unlisted companies	150,275	150,524
	1,984,986	2,033,922
Term Finance Certificates, Debentures and Participation Term Certificates		
Term Finance Certificates	104,985	109,989
Debentures	4,591	6,676
Participation Term Certificates	26,838	38,205
	136,414	154,870
Associate	25,394	-
	2,146,794	2,188,792

9.4 Unrealized loss on revaluation of held for trading securities

	2009	2008
Market Treasury Bills	1,416	1,968
Pakistan Investment Bonds	(4,422)	(1,154)
Sukuks Bond	-	8,865
Ordinary shares of listed companies	-	(20,361)
Mutual Funds	424	-
	(2,582)	(10,682)

9.5 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under Section 29 of the Banking Companies Ordinance, 1962.

9.6 Investments include Rs.282 million (2008: Rs.282 million) held by the State Bank of Pakistan and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs.5 million (2008: Rs.5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

9.7 This includes the Group's subscription towards the paid-up capital of Khushhali Bank Limited amounting to Rs.200 million (2008: Rs.200 million). Pursuant to Section 10 of the Khushhali Bank Ordinance, 2000 strategic investors including the Group cannot sell or transfer their investment before a period of five years that has expired on October 10, 2005. Thereafter, such sale/ transfer would be subject to the prior approval of SBP. In addition, profit of Khushhali Bank Limited cannot be distributed as dividend under clause 35(i) of the Khushhali Bank Ordinance, 2000.

However, SBP prepared a conversion structure for the Khushhali Bank Limited to operate as Micro Finance Bank under Micro Finance Institution Ordinance, 2001 which was approved by the Ministry of Finance. Moreover, the scheme of conversion was also approved by the shareholders of the Khushhali Bank Limited in Extra Ordinary General Meeting held on December 17, 2007. Accordingly, an application for incorporation was submitted to the SECP on February 15, 2008. The SECP has incorporated the Khushhali Bank Limited under Micro Finance Institution Ordinance, 2001 and issued Certificate of Incorporation on February 28, 2008 under section 32 of Companies Ordinance, 1984.

In a meeting between SBP and the Board of Directors of Khushhali Bank Limited held on June 12, 2008, it was agreed that since Khushhali Bank Limited has a majority of private sector commercial banks as its shareholders and is legally a private sector bank, it is required to be managed as a private sector institution.

In order to achieve the strategic restructuring of Khushhali Bank Limited, a consortium of commercial banks including Group decided to completely divest their shareholding in Khushhali Bank Limited. Thereafter, the Consortium appointed Advisors (financial, legal and accounting) for conducting preliminary due diligence for valuation and preparing a data room for the prospective purchasers. Khushhali Bank Limited, on behalf of the Consortium of the Commercial Banks has sought prior clearance/approval of the SBP for appointment of Advisors to conduct due diligence of Khushhali Bank Limited.

SBP has conveyed it's, in principle, no objection to the consortium of selling shareholders of Khushhali Bank Limited for conducting due diligence/valuation of Khushhali Bank Limited subject to compliance with all the applicable laws/rules/regulations etc. The due diligence / valuation is in the process of being carried out.

9.8 Information relating to investments in ordinary and preference shares / certificates of listed and unlisted companies / modarabas / mutual funds, term finance certificates, debentures and bonds, required to be disclosed as part of the financial statements under State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006, is given in Annexure 'A'. Details in respect of quality of available for sale securities are also disclosed in Annexure 'A' to these consolidated financial statements.

9.9 Investment in associates

9.9.1 United Growth and Income Fund	**2009**	**2008**
	(Rupees in '000)	
Investment as at January 1	327,193	1,875,256
Investment / (redemption) during the year	2,984,094	(1,516,760)
Transfer	1,836,533	-
Share of profit	239,488	39,089
Dividend distribution	(118,083)	(51,675)
Share of unrealised surplus / (deficit) on assets	10,009	(18,717)
Balance as at December 31	5,279,234	327,193
Percentage holding as at 31 December	**35.68%**	**3.03%**

9.9.1.1 United Growth and Income Fund is an open ended mutual fund, listed on Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis. During the year United Money Market Fund was merged with United Growth Income Fund and for every 100 units of UMMF 100.3782 units of UGIF have been allocated.

9.9.1.2 The details of assets, liabilities, revenues and profits of the Fund as of December 31, based on reviewed financial statements are as follows:

		Assets	**Liabilities**	**Revenues**	**Profit**
		(Rupees in '000)			
United Growth and Income Fund	**2009**	14,844,857	48,940	1,568,234	1,137,702
	2008	10,868,720	58,697	1,388,782	1,116,975

9.9.2 United Liquidity Plus Fund	**2009**	**2008**
	(Rupees in '000)	
Investment as at January 1	-	-
Investment / (redemption) during the year	745,469	-
Share of profit	7,016	-
Dividend distribution	(2,661)	-
Share of unrealised surplus / (deficit) on assets	7	-
Balance as at December 31	749,831	-
Percentage holding as at 31 December	**17.59%**	**-**

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9.9.2.1 United Liquidity Plus Fund is an open ended mutual fund, listed on Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.2.2 The details of assets, liabilities, revenues and profits of the Fund as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenues	Profit
		-----(Rupees in '000)-----			
United Liquidity Plus Fund	**2009**	4,267,245	3,571	218,554	187,547

9.9.3 United Composite Islamic Fund

	2009	2008
	(Rupees in '000)	
Investment as at January 1	338,024	636,896
Investment / (redemption) during the year	6,547	(66,953)
Share of (loss) / profit	189,412	(210,928)
Dividend distribution	-	(14,123)
Share of unrealised surplus / (deficit) on assets	5,029	(6,868)
Balance as at December 31	539,012	338,024
Percentage holding as at 31 December	**66.83%**	**50.35%**

9.9.3.1 United Composite Islamic Fund is an open ended mutual fund, listed on Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.3.2 The details of assets, liabilities, revenues and profits of the Fund as of December 31 based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenues	Profit / (loss)
		-----(Rupees in '000)-----			
United Composite Islamic Fund	**2009**	808,306	1,704	394,105	360,516
	2008	676,552	5,215	(335,537)	(360,404)

9.9.4 United Stock Advantage Fund

	2009	2008
	(Rupees in '000)	
Investment as at January 1	142,766	398,903
Investment / (redemption) during the year	35,200	(62,591)
Share of profit / (loss)	121,231	(184,459)
Dividend distribution	-	(9,087)
Share of unrealised surplus / (deficit) on assets	6,100	-
Balance as at December 31	305,297	142,766
Percentage holding as at 31 December	**16.04%**	**13.27%**

9.9.4.1 United Stock Advantage Fund is an open ended mutual fund, listed on Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.4.2 The details of assets, liabilities, revenues and profits of the Fund as of December 31 based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenues	Profit / (loss)
		-----(Rupees in '000)-----			
United Stock Advantage Fund	**2009**	1,951,232	47,966	904,450	835,578
	2008	1,121,150	44,914	(1,188,310)	(1,321,923)

9.9.5 United Islamic Income Fund

	2009	2008
	(Rupees in '000)	
Investment as at January 1	308,700	254,100
(Redemption) / Investment during the year	(83,852)	83,853
Share of profit	12,338	14,095
Dividend distribution	(9,575)	(22,800)
Share of unrealised surplus / (deficit) on assets	22,239	(20,548)
Balance as at December 31	249,850	308,700
Percentage holding as at 31 December	**19.80%**	**24.40%**

9.9.5.1 United Islamic Income Fund is an open ended mutual fund, listed on Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.5.2 The details of assets, liabilities, revenues and profits of the Fund as of December 31 based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenues	Profit
		(Rupees in '000)			
United Islamic Income Fund	**2009**	1,265,397	3,652	172,447	71,325
	2008	1,275,015	13,523	219,686	118,011

9.9.6 **UBL Participation Protected Plan**

	2009	2008
	(Rupees in '000)	
Investment as at January 1	138,887	-
Investment during the year	-	200,000
Share of profit / (loss)	31,249	(61,113)
Balance as at December 31	170,136	138,887

9.9.6.1 UBL Participation Protected Plan is an opened ended administrative plan with the objective to earn potentially high returns through dynamic asset allocation between equity and fixed income investments. The life of plan is 3 years. UBL has invested Rs. 200 million in prior year.

9.9.7 **Oman United Exchange Company**

	2009	2008
	(Rupees in '000)	
Investment as at January 1	72,307	6,981
Share of profit - current year	22,586	22,317
Share of profit - prior year	-	45,439
Dividend distribution	(23,494)	(2,430)
Balance as at December 31	71,399	72,307
Percentage holding as at 31 December	**25.00%**	**25.00%**

9.9.7.1 Oman United Exchange Company LLC is incorporated in Sultanate of Oman as a limited company and is primarily engaged in money changing, issuing of drafts and the purchase and sale of travellers cheque.

9.9.7.2 The details of assets, liabilities, revenues and profits of the company as of December 31, based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenues	Profit
		(Rupees in '000)			
Oman United Exchange Company	**2009**	340,644	55,048	173,265	87,134
	2008	340,138	50,911	184,066	113,945

9.9.8 **UBL Insurers Limited**

	2009	2008
	(Rupees in '000)	
Investment as at January 1	52,154	46,350
Investment during the year	60,000	-
Share of (loss) / profit	(44,571)	5,804
Balance as at December 31	67,583	52,154
Percentage holding as at 31 December	**30.00%**	**30.00%**

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9.9.8.1 UBL Insurers Limited is an unquoted public company . The principal objective of the Company is to conduct general insurance business

9.9.8.2 The details of assets, liabilities, revenues and profits of the insurance company as at December 31, based on unaudited financial statements are as follows:

		Assets	Liabilities	Revenues	Loss
		----------(Rupees in '000)----------			
UBL Insurers Limited	**2009**	824,430	599,154	264,095	(129,148)
	2008	822,707	648,445	124,568	19,763

9.9.9 United Capital Protected Fund - I

	2009	2008
	(Rupees in '000)	
Investment as at January 1	75,500	-
Investment during the year	1,122	80,075
Share of profit / (loss)	13,677	(4,575)
	90,299	75,500
Impairment loss	(25,394)	-
Balance as at December 31	64,905	75,500
Percentage holding as at 31 December	**11.61%**	**11.45%**

9.9.9.1 United Capital Protected Fund (UCPF-1) is a closed ended mutual fund, listed on Islamabad Stock Exchange. The fund offered units for public subscription during the current year.

9.9.9.2 The details of assets, liabilities, revenues and profits of the Fund as of December 31 based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenues	Profit / (Loss)
		----------(Rupees in '000)----------			
United Capital Protected Fund-I	**2009**	782,298	4,605	134,019	121,250
	2008	664,503	8,093	19,060	(42,175)

9.9.10 United Money Market Fund

	2009	2008
	(Rupees in '000)	
Investment as at January 1	1,450,300	3,318,770
Investment during the year	352,526	(1,770,867)
Transfer	(1,836,533)	-
Share of profit	97,518	192,422
Dividend distribution	(74,704)	(219,518)
Share of unrealised surplus / (deficit) on assets	10,893	(70,507)
Balance as at December 31	-	1,450,300
Percentage holding as at 31 December	**-**	**30.27%**

9.9.10.1 This has been merged in UGIF as referred in note 9.9.1.1

10. ADVANCES

	Note	Performing 2009	Performing 2008	Non-performing 2009	Non-performing 2008	Total 2009	Total 2008
		(Rupees in '000)					
Loans, cash credits, running finances, etc.							
In Pakistan	10.2	244,389,450	254,525,402	32,220,534	23,639,701	276,609,984	278,165,103
Outside Pakistan		89,370,415	98,431,349	5,028,007	3,194,288	94,398,422	101,625,637
		333,759,865	352,956,751	37,248,541	26,833,989	371,008,406	379,790,740
Bills discounted and purchased (excluding government treasury bills)							
Payable in Pakistan		11,607,055	11,104,578	2,400,013	1,297,385	14,007,068	12,401,963
Payable outside Pakistan		5,061,796	4,800,215	416,683	421,348	5,478,479	5,221,563
		16,668,851	15,904,793	2,816,696	1,718,733	19,485,547	17,623,526
		350,428,716	368,861,544	40,065,237	28,552,722	390,493,953	397,414,266
Financing in respect of continuous funding system (CFS)		-	322,180	-	-	-	322,180
Advances - gross		350,428,716	369,183,724	40,065,237	28,552,722	390,493,953	397,736,446
Provision against advances	10.5						
- Specific		-	-	(27,700,850)	(18,567,383)	(27,700,850)	(18,567,383)
- General		(713,507)	(1,223,697)		-	(713,507)	(1,223,697)
		(713,507)	(1,223,697)	(27,700,850)	(18,567,383)	(28,414,357)	(19,791,080)
Advances - net of provision		349,715,209	367,960,027	12,364,387	9,985,339	362,079,596	377,945,366

10.1 Particulars of advances - gross

		Performing 2009	Performing 2008	Non-performing 2009	Non-performing 2008	Total 2009	Total 2008
		(Rupees in '000)					
10.1.1	In local currency	253,182,865	257,379,877	33,781,868	25,285,692	286,964,733	282,665,569
	In foreign currencies	97,245,851	111,803,847	6,283,369	3,267,030	103,529,220	115,070,877
		350,428,716	369,183,724	40,065,237	28,552,722	390,493,953	397,736,446
10.1.2	Short term	232,398,519	255,783,762	-	-	232,398,519	255,783,762
	Long term	118,030,197	113,399,962	40,065,237	28,901,328	158,095,434	142,301,290
		350,428,716	369,183,724	40,065,237	28,901,328	390,493,953	398,085,052

10.2 This includes performing advances given under various Islamic financing modes amounting to Rs. 638.131 million (2008: Rs.469.910 million).

10.3 Non-performing advances include advances having gross book value of Rs.1,596.136 million (2008: Rs.936.792 million) and net book value of Rs.919.006 million (2008: Rs.339.689 million) though restructured and performing have been placed under non-performing status as required by the revised Prudential Regulations issued by the State Bank of Pakistan, which requires monitoring for at least one year before any up gradation is considered.

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10.4 Advances include Rs. 40,065 million (2008: Rs. 28,553 million) which have been placed under non-performing status as detailed below:

2009

Category of Classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned *	386,517	923,161	1,309,678	-	-	-	-	-	-
Substandard	3,802,275	1,474,283	5,276,558	891,498	368,571	1,260,069	891,498	368,571	1,260,069
Doubtful	6,007,332	1,696,401	7,703,733	2,651,589	848,206	3,499,795	2,651,589	848,206	3,499,795
Loss	24,424,423	1,350,845	25,775,268	21,602,032	1,338,954	22,940,986	21,602,032	1,338,954	22,940,986
	34,620,547	5,444,690	40,065,237	25,145,119	2,555,731	27,700,850	25,145,119	2,555,731	27,700,850

2008

Category of Classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned *	562,548	348,605	911,153	-	-	-	-	-	-
Substandard	4,857,390	616,407	5,473,797	905,120	20,922	926,042	905,120	20,922	926,042
Doubtful	6,308,575	308,796	6,617,371	2,214,783	154,726	2,369,509	2,214,783	154,726	2,369,509
Loss	13,557,179	1,993,223	15,550,402	13,106,640	2,165,192	15,271,832	13,106,640	2,165,192	15,271,832
	25,285,692	3,267,030	28,552,722	16,226,543	2,340,840	18,567,383	16,226,543	2,340,840	18,567,383

* The Other Assets Especially Mentioned category includes agricultural finance inside Pakistan and finances relating to overseas subsidiaries.

10.5 Particulars of provision against advances

	Note	2009 Specific	2009 General	2009 Total	2008 Specific	2008 General	2008 Total
		(Rupees in '000)					
Opening balance		18,567,383	1,223,697	19,791,080	16,031,324	1,369,649	17,400,973
Exchange adjustments		274,342	(10,910)	263,432	724,186	19,045	743,231
Charge / (Reversals)							
Charge for the year		11,552,516	-	11,552,516	6,894,569	-	6,894,569
Reversals		(944,245)	(963,344)	(1,907,589)	(796,116)	(214,675)	(1,010,791)
		10,608,271	(963,344)	9,644,927	6,098,453	(214,675)	5,883,778
(Reversals) of provision due to change in Prudential Regulations		-	-	-	(1,369,230)	-	(1,369,230)
		10,608,271	(963,344)	9,644,927	4,729,223	(214,675)	4,514,548
Transfers		(464,064)	464,064	-	(49,678)	49,678	-
Amounts written off	10.6	(1,285,082)	-	(1,285,082)	(2,867,672)	-	(2,867,672)
Closing balance		27,700,850	713,507	28,414,357	18,567,383	1,223,697	19,791,080

10.5.1 General provision represents provision amounting to Rs. 569.195 million (2008: Rs. 1,082.499 million) against consumer finance portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs. 144.311 million (2008: Rs. 141.207 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate.

10.5.2 Particulars of provision against advances

	2009 Specific	2009 General	2009 Total	2008 Specific	2008 General	2008 Total
	(Rupees in '000)					
In local currency	24,327,702	569,195	24,896,897	16,226,542	1,082,499	17,309,041
In foreign currencies	3,373,148	144,312	3,517,460	2,340,840	141,198	2,482,038
	27,700,850	713,507	28,414,357	18,567,382	1,223,697	19,791,079

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		Note	2009	2008
			(Rupees in '000)	
10.6	**Particulars of write-offs**			
10.6.1	Against provisions	10.5	1,285,082	2,867,672
	Directly charged to profit and loss account		1,485,976	1,367,553
			2,771,058	4,235,225
10.6.2	Write-offs of Rs. 500,000 and above	10.7	1,588,946	2,982,367
	Write-offs of below Rs. 500,000		1,182,112	1,252,858
			2,771,058	4,235,225

10.7 Details of loan write-offs of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2009 is given in Annexure-"B" to these consolidated financial statements. These loans are written off as a book entry without prejudice to the Bank's right of recovery against the customers.

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

	Note	2009	2008
		(Rupees in '000)	
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,057,982	987,054
Loans granted during the year		1,020,264	461,207
Repayments		(555,826)	(390,279)
Exchange adjustment		14,103	-
Balance at end of year		1,536,523	1,057,982
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		-	-
Loans granted during the year		-	-
Repayments		-	-
Balance at end of year		-	-

		Note	2009	2008
11.	**OPERATING FIXED ASSETS**			
	Capital work-in-progress	11.1	1,006,331	1,010,404
	Property and equipment	11.2	22,236,240	18,511,264
	Intangible assets	11.3	491,511	405,247
			23,734,082	19,926,915
11.1	**Capital work-in-progress**			
	Civil works	11.1.1	484,612	490,971
	Equipment		202,119	284,421
	Software	11.1.2	306,590	218,502
	Advances to suppliers and contractors		13,010	16,510
			1,006,331	1,010,404

11.1.1 This includes Rs. 297.430 million (2008:224.967 million) paid in respect of construction of head office building.

11.1.2 This includes Rs. 221.56 million (2008:101.903 million) paid in respect of the core banking software.

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11.2 Property and equipment

	2009												
	COST/ REVALUATION						ACCUMULATED DEPRECIATION						
	At January 01, 2009	Additions/ (deletions)	Surplus on revaluation	Reversal of accumulated depreciation	Exchange Adjustment/ Other adjustments	At December 31, 2009	At January 01, 2009	Charge for the year / (depreciation on deletions)	Reversal due to revaluation	Exchange Adjustment/ Other adjustments	At December 31, 2009	Net book value at December 31, 2009	Annual rate of depreciation %
	(Rupees in '000)												
Owned													
Freehold land	1,502,746	1,724	332,426	-	-	1,825,754	-	-	-	-	-	1,825,754	-
		(11,142)		-						-			
Leasehold land	10,092,131	9,470	3,328,235	-	1,793	12,802,015	307,447	305,640	-	63	1,052	12,800,963	1 - 3.33
		(106,551)		(523,063)				(87,760)	(523,063)	(1,275)			
Buildings on freehold land	1,856,780	3,823	(363,272)	-	418,915	1,908,294	68,027	29,340	-	56,232	145,647	1,762,647	5
		(112)		(7,840)				(112)	(7,840)				
Buildings on leasehold land	1,931,510	1,661	434,008		5,529	2,182,998	128,822	97,074	-	697	39,675	2,143,323	5
		(5,240)		(184,470)				(1,965)	(184,470)	(483)			
Leasehold improvement	1,169,850	305,714			19,449	1,495,013	255,760	149,724	-	9,929	415,413	1,079,600	10
Furniture and fixtures	917,948	107,900	-	-	8,745	978,099	464,913	83,230		4,595	530,004	448,095	10
		(28,986)		(27,508)				(22,734)					
Electrical, office and computer equipment	3,377,168	808,870	-	-	33,966	4,155,052	1,987,369	643,969		15,211	2,604,119	1,550,933	20-25
		(52,476)		(12,476)				(42,430)					
Vehicles	273,266	51,958	-	-	2,697	268,342	142,353	58,744	-	2,161	159,287	109,055	20
		(59,579)						(43,971)					
Assets held under operating lease													
Ijarah assets - note 11.9	895,217	39,648	-			810,456	153,297	170,285			296,066	514,390	20 - 33.33
		(104,750)		(19,659)				(27,516)					
Finance lease Vehicles	5,280	70				4,332	2,644	1,022			2,852	1,480	20
		(1,018)						(814)					
2009	22,021,896	1,330,838	4,094,669	-	491,094	26,430,355	3,510,632	1,539,028	-	88,888	4,194,115	22,236,240	
		(369,854)	(363,272)	(775,016)				(227,302)	(715,373)	(1,758)			

	2008												
	COST/ REVALUATION						ACCUMULATED DEPRECIATION						
	At January 01, 2008	Additions/ (deletions)	Surplus on revaluation	Other adjustments	Exchange Adjustment	At December 31, 2008	At January 01, 2008	Charge for the year/ (depreciation on deletions)	Other adjustments	Exchange Adjustment	At December 31, 2008	Net book value at December 31, 2008	Annual rate of depreciation %
	(Rupees in '000)												
Owned													
Freehold land	866,013	636,733	-	-		1,502,746	-	-	-		-	1,502,746	-
Leasehold land	10,333,042	-	-	-	253	10,092,131	700	305,272	1,277	198	307,447	9,784,684	1 - 3.33
				(241,164)				-	-				
Buildings on freehold land	2,102,677	4,437	-	-	20,757	1,856,780	32,446	20,788	124	20,755	68,027	1,788,753	5
			(114,713)	(156,378)				-		(6,085)			
Buildings on leasehold land	1,889,369	57,375	-	5,487	1,959	1,931,510	27,509	98,975	787	1,558	128,822	1,802,688	5
				(22,680)					(7)				
Lease hold improvement	766,665	340,191	-	-	66,451	1,169,850	132,363	104,137	224	22,145	255,760	914,090	10
		(3,457)						(3,109)					
Furniture and fixtures	772,640	165,843	-	1,079	28,061	917,948	406,122	74,949	-	8,748	464,913	453,035	10
		(1,775)		(47,900)				(1,478)	(23,428)	-			
Electrical, office and computer equipment	2,628,682	784,651	-	5,746	96,874	3,377,168	1,540,157	494,360	-	42,112	1,987,369	1,389,799	20-25
		(70,403)		(68,382)				(70,347)	(18,913)	-			
Vehicles	300,114	89,370	-	-	8,809	273,266	148,335	49,165	-	4,332	142,353	130,913	20
		(105,826)		(19,201)				(50,546)	(8,933)	-			
Assets held under: operating lease													
Ijarah assets - note 11.9	307,473	659,038	-	-		895,217	14,944	142,380	-		153,297	741,920	20 - 33.33
		(71,294)						(4,027)					
Finance lease Vehicles	5,261	19	-	-		5,280	1,591	1,053	-		2,644	2,636	20
2008	19,971,936	2,737,657	-	12,312	223,164	22,021,896	2,304,167	1,291,079	2,412	99,848	3,510,632	18,511,264	
		(252,755)	(114,713)	(555,705)				(129,507)	(51,281)	(6,085)			

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

11.3 Intangible assets

	2009									
	Cost				Accumulated Amortization					
	At January 1, 2009	Additions/ (deletions)	Other adjust-ments	At December 31, 2009	At January 1, 2009	Charge for the year / (amorti-sation on deletion)	Other adjust-ments	At December 31, 2009	Net book value at December 31, 2009	Annual rate of amorti-sation %
	(Rupees in '000)									
Software	783,858	268,895	8,144	1,052,072	378,611	185,985	4,790	560,561	491,511	25
		(8,825)	-			(8,825)				

	2008									
	Cost				Accumulated Amortization					
	At January 1, 2008	Additions/ (deletions)	Other adjust-ments	At December 31, 2008	At January 1, 2008	Charge for the year/ (amorti-sation on deletion)	Other adjust-ments	At December 31, 2008	Net book value at December 31, 2008	Annual rate of amorti-sation %
	(Rupees in '000)									
Software	547,733	245,533	-	783,858	217,386	156,997	12,786	378,611	405,247	25
		(9,408)				(8,558)				

11.4 Revaluation of domestic properties

During the year, the properties of the Group were revalued by independent professional valuers and the results of the revaluation exercise were incorporated in the financial statements as at December 31, 2009. The revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited, M/s. Sadruddin Associates, M/s. Maricon Consultants (Private) Limited, M/s. Engineering Pakistan International (Private) Limited, JRA Macdonald Frics, Douglas Duff, O' Hearne & Pariners and Alex Smith & Co on the basis of professional assessment of present market values and resulted in a surplus of Rs.4,139.592 million. Had there been no revaluation, the carrying amount of revalued assets at December 31, 2009 would have been as follows:

	(Rupees in '000)
Freehold land	1,484,906
Leasehold land	9,472,729
Buildings on freehold land	1,179,068
Buildings on leasehold land	1,679,280

		2009	2008
		(Rupees in '000)	
11.5	Carrying amount of temporarily idle properties of the Group	158,927	113,111
11.6	The gross carrying amount of fully depreciated assets that are still in use		
	Furniture and fixtures	251,347	248,176
	Electrical, office and computer equipment	322,634	249,109
	Vehicles	33,601	48,531
	IT Hardware	1,006,455	692,804
		1,614,037	1,238,620

11.7 The balance under leasehold land includes an amount of Rs.2,174 million relating to surplus on properties for which title was completed during the year on the basis of which valuation has been incorporated in the financial statements.

11.8 Details of disposals of operating fixed assets

The information relating to operating fixed assets disposed off during the year is given in Annexure C and is an integral part of these consolidated financial statements.

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11.9 The Islamic Banking Branches of the Group have entered into Ijarah transactions with customers during the year. The significant Ijarah transactions have been entered in respect of vehicles.

The ijarah payments receivable from customers for each of the following periods under the terms of the respective arrangements are given below:

	Note	2009	2008
		------- (Rupees in '000) -------	
Not later than one year		270,864	266,347
Later than one year but not later than five years		436,129	672,047
Later than five years		3,020	20,875
		710,013	959,269

12. DEFERRED TAX ASSET - NET

	Note	2009	2008
Deferred tax asset - net	12.1	649,814	2,164,148

12.1 Movement in temporary differences during the year

	2009			
	At January 01, 2009	Recognised in profit and loss	Others	At December 31, 2009
	----------------------------- (Rupees in '000)			-----------------------------
Deductible temporary differences on				
- recognized tax losses on subsidiary	114,713	-	(73,238)	41,475
- deficit on revaluation of investments	3,201,075		(2,134,641)	1,066,434
- ijarah financing	118,653	(66,339)	-	52,314
- workers' welfare fund	117,950	21,192	-	139,142
- derivative transactions	148,956	-	(37,810)	111,146
- provision against off balance sheet items,				-
post retirement medical benefits and				-
advances	2,659,482	2,006,252	-	4,665,734
	6,360,829	1,961,105	(2,245,689)	6,076,245
Taxable temporary differences on				
- surplus on revaluation of fixed assets	(3,972,755)	136,238	(1,439,383)	(5,275,900)
- accelerated tax depreciation	(223,926)	73,395	-	(150,531)
	(4,196,681)	209,633	(1,439,383)	(5,426,431)
	2,164,148	2,170,738	(3,685,072)	649,814

	2008			
	At January 01, 2008	Recognised in profit and loss	Others	At December 31, 2008
	----------------------------- (Rupees in '000)			-----------------------------
Deductible temporary differences on				
- recognized tax losses on subsidiary	124,202	-	(9,489)	114,713
- deficit on revaluation of investments	136,364		3,064,711	3,201,075
- ijarah financing	57,605	61,048	-	118,653
- workers' welfare fund	-	117,950	-	117,950
- derivative transactions	-	-	148,956	148,956
- provision against off balance sheet items,				-
post retirement medical benefits and				
advances	1,786,416	873,066	-	2,659,482
	2,104,587	1,052,064	3,204,178	6,360,829
Taxable temporary differences on				
- surplus on revaluation of fixed assets	(4,199,162)	136,240	90,167	(3,972,755)
- accelerated tax depreciation	(15,414)	(208,512)	-	(223,926)
	(4,214,576)	(72,272)	90,167	(4,196,681)
	(2,109,989)	979,792	3,294,345	2,164,148

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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	Note	2009	2008
		(Rupees in '000)	
13. OTHER ASSETS			
Income / mark-up accrued in local currency		11,036,265	10,713,190
Income / mark-up accrued in foreign currency		361,643	1,011,123
		11,397,908	11,724,313
Advance taxation - net of provision	13.1	2,333,036	-
Receivable from staff retirement funds		1,045,899	798,514
Suspense accounts		187,143	462,603
Stationery and stamps on hand		143,825	115,265
Advances, deposits, advance rent and other prepayments		805,474	885,981
Receivable from other banks against telegraphic transfers and demand drafts		836,556	1,801,243
Unrealized gain on forward foreign exchange contracts		141,324	483,972
Unrealized gain on derivative financial instruments	24.2	499,671	466,859
Receivable on account of encashment of savings certificates		74,406	775,289
Advance against Murabaha	13.2	383,929	-
Receivable in respect of derivative transactions		124,977	416,075
Receivable against sale of securities		897,457	1,086,879
Non-banking assets acquired in satisfaction of claim	13.3	330,029	348,606
Receivable from minority shareholder		10,312	-
Others		1,208,513	1,232,829
		20,420,459	20,598,428
Provision held against other assets	13.4	(1,546,703)	(1,209,096)
Unrealized mark-up held in suspense account		(1,087,189)	(1,264,679)
Other assets (net of provisions)		17,786,567	18,124,653

13.1 The Income Tax assessments of the Bank for domestic branches up to tax year 2009 (financial year ended December 31, 2008) 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 2009 (financial year ended December 31, 2008) subsequent to the balance sheet date, the taxation authorities have issued an amended assessment order under section 122(5A) of the Ordinance determining further tax liability of Rs. 960 million. The Bank will file an appeal before the Commissioner of Income Tax (Appeals) [CIT (A)] against the said liability. The management is confident that the appeal will be decided in 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), and hearing is still pending. 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 favour of the Bank.

In respect of Azad Kashmir Branches for the tax years 2005 to 2009 (financial years ended December 31, 2004 to 2008) 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.

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During the year, 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 gross advances, consequently a deferred tax asset of Rs. 1,589 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.5,454 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 financial statements.

13.2 This represents goods purchased for Murabaha which remained unsold at the balance sheet date.

		Note	2009	2008
			(Rupees in '000)	
13.3	Market value of Non-banking assets acquired in satisfaction of claims		359,908	348,606

13.4 Provision against other assets

	Note	2009	2008
Opening balance		1,209,096	1,319,997
Exchange adjustments		-	6,809
		1,209,096	1,326,806
Charge for the year		361,391	209,325
Reversals		(22,260)	(13,299)
	30	339,131	196,026
Transfers		126,552	-
Amounts written off		(128,076)	(313,736)
Closing balance		1,546,703	1,209,096

14. CONTINGENT ASSETS

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

15. BILLS PAYABLE

	2009	2008
In Pakistan	4,944,903	4,690,304
Outside Pakistan	221,458	520,566
	5,166,361	5,210,870

16. BORROWINGS

	2009	2008
In Pakistan	32,604,252	38,967,725
Outside Pakistan	4,564,025	5,781,965
	37,168,277	44,749,690

16.1 Particulars of borrowings with respect to currencies

	2009	2008
In local currency	30,953,357	38,967,725
In foreign currencies	6,214,920	5,781,965
	37,168,277	44,749,690

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009	2008
		(Rupees in '000)	
16.2 Details of borrowings from financial institutions			
Secured			
Borrowings from the State Bank of Pakistan under			
- Export refinance scheme	16.3	14,666,570	12,804,867
- Long-term fixed finance	16.4	1,018,535	459,946
- Long-term financing under export oriented projects	16.5	3,705,568	3,820,223
- Locally manufactured machinery refinance scheme		-	544
		19,390,673	17,085,580
Repurchase agreement borrowings	16.6	5,066,098	14,284,138
		24,456,771	31,369,718
Unsecured			
Call borrowings	16.7	8,679,283	10,200,693
Overdrawn nostro accounts		688,082	2,116,282
Trading liabilities		96,586	598,007
Other borrowings	16.8	3,247,555	464,990
		12,711,506	13,379,972
		37,168,277	44,749,690

16.3 The Bank has entered into agreements with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with SBP. These borrowings are repayable within six months latest by June 2010.

16.4 These borrowings have been made from SBP for providing financing facilities to exporters for adoption of new technologies and modernizing their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years.

16.5 These borrowings have been made from SBP for providing financing facilities to customers for import of machinery, plant, equipment and accessories thereof (not manufactured locally) by export oriented units.

16.6 These repurchase agreement borrowings are secured against market treasury bills and Pakistan Investment Bonds and carry mark-up at rates ranging from 11.50% to 12.40% per annum (2008: 9.00% to 15.00% per annum). These borrowings are repayable latest by January 2010. The carrying value of securities given as collateral is given in note 9.1.

16.7 These are unsecured borrowings and carries mark-up at rates ranging from 11.0% to 12.6% per annum (2008: 10.50% to 17.00% per annum) and are repayable latest by May 2010, where as borrowing pertaining to overseas operation carries mark-up at rates ranging from 0.5% to 0.6% per annum (2008: 1.25% to 5.80% per annum) and are due to mature latest by January 2010.

16.8 This includes borrowing from an overseas bank for the development of Small and Medium Sized Enterprises (SMEs) in Pakistan, carries mark-up at the rate of six months LIBOR + 1.2% and repayable by June 2013.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

17. DEPOSITS AND OTHER ACCOUNTS

	2009	2008
	(Rupees in '000)	
Customers		
Fixed deposits	155,634,121	190,496,105
Savings deposits	179,752,604	157,389,124
Sundry deposits	4,643,923	4,957,358
Margin deposits	4,319,476	3,993,023
Current accounts - remunerative	2,820,934	2,185,756
Current accounts - non-remunerative	154,283,090	132,111,190
	501,454,148	491,132,556
Financial Institutions		
Remunerative deposits	1,529,551	903,419
Non-remunerative deposits	847,973	231,923
	2,377,524	1,135,342
	503,831,672	492,267,898

17.1 Particulars of deposits and other accounts

	2009	2008
In local currency	368,267,813	350,849,396
In foreign currencies	135,563,859	141,418,502
	503,831,672	492,267,898

18. SUB-ORDINATED LOANS - UNSECURED

	Issue Date	Tenor	Rate % per annum	Maturity	Frequency of principal redemption	2009	2008
						-------(Rupees in '000) -----	
Term Finance Certificates - I	August 2004	8 years	8.45%	August 2012	Semi Annual	1,996,160	1,996,928
Term Finance Certificates - II	March 2005	8 years	9.49%	March 2013	Semi Annual	1,999,640	1,999,720
Term Finance Certificates - III	September 2006	8 years	Kibor+1.70%	September 2014	Semi Annual	1,997,600	1,998,400
Term Finance Certificates - IV	February 2008	10 Years	For the first five years 6 months, Kibor+0.85% and for the remaining term, 6 months Kibor+1.35%	February 2018	Semi Annual	5,996,400	5,998,800
						11,989,800	11,993,848

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

18.2 In case of Term Finance Certificate IV the bank has the right to exercise the call option after the period of 5 years from the issue date.

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19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into with leasing companies for lease of vehicles. The rates of interest used as discounting factor range from 11.5% to 14.5% per annum (2008: 11.5% to 14.5%) per annum. There is no financial restriction in the lease agreements. The amount of future minimum lease payments, present value of minimum lease payments and periods during which they become due are as follows:

	2009		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	-----------------(Rupees in '000)--------------		
Not later than one year	509	(31)	478
Later than one year and not later than five years	137	(4)	133
	646	(35)	611
Amount representing future finance charges	(35)	-	-
	611	(35)	611

	2008		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	-----------------(Rupees in '000)--------------		
Not later than one year	1,606	(113)	1,493
Later than one year and not later than five years	516	(31)	485
	2,122	(144)	1,978
Amount representing future finance charges	(144)	-	-
	1,978	(144)	1,978

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

	Note	2009	2008
		(Rupees in '000)	
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		7,015,580	6,791,850
Mark-up / return / interest payable in foreign currency		349,630	358,623
Accrued expenses	20.1	1,686,129	1,900,546
Branch adjustment account		529,977	495,047
Payable against purchase of securities		197,722	-
Payable under severance scheme		33,452	34,183
Unearned commission		221,434	120,028
Provision for taxation - net		-	712,208
Provision against off - balance sheet obligations	20.2	682,141	651,697
Deferred liabilities	20.3	2,098,414	2,028,555
Unrealised loss on derivative financial instruments	24.2	557,414	1,295,867
Workers' welfare fund payable		741,609	340,536
Insurance payable against consumer assets		393,288	689,124
Payable on account of Government transaction		-	1,506,101
Others		467,655	163,076
		14,974,445	17,087,441

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

20.1 This includes an accrual of Rs.216 million for the year ended December 31, 2009 (2008: Rs.338.551 million) in respect of employee bonus scheme. The objective of the scheme is to reward, motivate and retain high performing executives and officers of the Bank by way of bonus in the form of shares of the Bank. The liability of the Bank in respect of this scheme is fixed and is approved each year by the Board of Directors of the Bank. The scheme for each year is managed by a separate Trust formed for this purpose.

		Note	2009	2008
20.2	**Provision against off - balance sheet obligations**		(Rupees in '000)	
	Opening balance		651,697	608,731
	Charge / (Reversal) during the year	30	20,250	42,966
	Transfers during the year		10,194	-
			30,444	42,966
			682,141	651,697
20.3	**Deferred liabilities**			
	Provision for post retirement medical benefits	37.1.4	1,147,095	1,219,400
	Provision for gratuity - overseas		219,411	195,553
	Provision for compensated absences	37.1.4	731,908	613,602
			2,098,414	2,028,555

20.4 **Unrealized loss on derivative financial instruments**

	Contract/ Notional amount 2009	Contract/ Notional amount 2008	Unrealised gain / (loss) 2009	Unrealised gain / (loss) 2008
	(Rupees in '000)			
Derivatives held for trading				
- Interest rate swaps	11,014,381	20,758,372	(187,593)	(320,033)
- Cross currency swaps	36,372,837	15,948,869	143,894	(82,915)
- Swaptions	2,527,248	-	(14,044)	-
- Fx options	821,070	9,814,318	-	-
- Commodity options	-	39,545	-	-
- Equity Indices	-	355,943	-	-
- Forward rate agreements	-	850,000	-	(1,457)
- Forward purchase contracts of government		-	-	-
securities	-	10,065,070	-	5,848
- Forward sale contracts of government securities	-	8,611,020	-	(4,864)
	50,735,536	66,443,137	(57,743)	(403,421)
Derivatives held for cash flow hedges				
Interest rate swaps	-	-	-	(425,587)
20.4.1	50,735,536	66,443,137	(57,743)	(829,008)

		Note	2009	2008
			(Rupees in '000)	
20.4.1	**Unrealized loss on derivative financial instruments - net**			
	Unrealized gain on derivative financial instruments	13	499,671	466,859
	Unrealized loss on derivative financial instruments	20	(557,414)	(1,295,867)
		24.2	(57,743)	(829,008)

21. **SHARE CAPITAL**

21.1 **Authorized Capital**

2009	2008		2009	2008
Number of shares			(Rupees in '000)	
2,000,000,000	2,000,000,000	Ordinary shares of Rs 10 each	20,000,000	20,000,000

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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			2009	2008
			(Rupees in '000)	

21.2 Issued, subscribed and paid-up capital

Fully paid-up ordinary shares of Rs. 10 each

2009	2008			
(Number of shares)				
		Fully paid-up ordinary shares of Rs 10 each		
518,000,000	518,000,000	Issued for cash	5,180,000	5,180,000
594,890,625	493,718,750	Issued as bonus shares	5,948,907	4,937,188
1,112,890,625	1,011,718,750		11,128,907	10,117,188

21.3 During the year 2007, the Bank was admitted to the official list of the UK Listing Authority and to the London Stock Exchange Professional Securities Market for trading of Global Depository Receipts (GDRs), each representing four ordinary equity shares issued by the Bank. The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the U.S Securities Act of 1933 and an offering outside the United States in reliance on Regulation S.

Holders of GDRs are entitled, subject to the provision of the depository agreement, to receive dividends, if any and rank pari passu with other equity shareholders in respect of such entitlement to receive dividends. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the equity shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited equity shares in respect of which the GDRs were issued may be withdrawn from the depository facility. Upon withdrawal, the holders will rank pari passu with other equity shareholders in respect of voting powers. As at December 31, 2009: 92,519,435 (2008: 143,078,641) GDR shares were in issue.

21.4 Major shareholders (holding more than 5% of total paid-up capital)

	2009		2008	
Name of shareholders	**Number of shares held**	**Percentage of shareholding**	**Number of shares held**	**Percentage of shareholding**
His Highness Shaikh Nahayan Mabarak Al Nahayan	71,765,548	6.45%	65,241,408	6.45%
H.E. Dr. Mana'a Saeed Al Otaiba	61,356,720	5.51%	55,778,837	5.51%
Bestway (Holdings) Limited	202,522,894	18.20%	128,989,257	12.75%
Sir Mohammed Anwar Pervez, OBE, HPk	56,757,421	5.10%	51,597,656	5.10%
Bestway Cement Limited	85,136,131	7.65%	77,396,483	7.65%
Government of Pakistan	216,879,438	19.49%	197,163,126	19.49%

As at December 31, 2009 Abu Dhabi Group held 30.30% (2008: 30.30%) shareholding (including GDRs) and Bestway Group held 31.07% (2008: 31.07%) shareholding of the Bank.

22. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX

	Note	2009	2008
		(Rupees in '000)	
Surplus arising on revaluation of assets - net of tax :			
Fixed assets			
- Group's share		10,870,484	8,641,234
- Minority Interest		185,357	343,931
	22.1	11,055,841	8,985,165
Securities	22.2	(1,976,173)	(6,580,563)
Surplus / (Deficit) arising on revaluation of assets of associates		44,268	(130,103)
		9,123,936	2,274,499

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	2009	2008
	(Rupees in '000)	
22.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets at January 01	12,957,920	13,794,155
Revaluation of fixed assets booked during the year / adjustments	3,646,052	(282,191)
Exchange adjustment	146,055	(72,620)
Written off during the year	(27,071)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year	(254,977)	(255,017)
Related deferred tax liability of incremental depreciation charged during the year	(136,238)	(136,240)
Related deferred tax liability of transfer of property during the year		(90,167)
	16,331,741	12,957,920
Less: Related deferred tax liability on:		
Revaluation as on January 1	3,972,755	4,199,162
Revaluation of fixed assets during the year	1,448,858	-
Written off during the year	(9,475)	-
Incremental depreciation charged on related assets	(136,238)	(136,240)
Reversal in respect of transfer of a property during the year	-	(90,167)
	5,275,900	3,972,755
	11,055,841	8,985,165
22.2 (Deficit)/ surplus on revaluation of available-for-sale securities		
Market Treasury Bills	20,995	(16,685)
Pakistan Investment Bonds	(1,129,224)	(3,293,999)
Quoted securities	95,326	(1,892,871)
Mutual fund units	(2,302)	(9,465)
Term Finance Certificates, Sukuk, other Bonds etc	(41,213)	(53,850)
Overseas securities	(1,986,189)	(4,514,768)
	(3,042,607)	(9,781,638)
Related deferred tax asset	1,066,434	3,201,075
	(1,976,173)	(6,580,563)

23. CONTINGENCIES AND COMMITMENTS

	2009	2008
23.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring		
Government	10,831,974	12,738,399
Banking companies and other financial institutions	2,910,518	4,951,481
Others	7,396,201	8,642,081
	21,138,693	26,331,961
23.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
Government	77,448,985	60,706,466
Banking companies and other financial institutions	3,311,075	4,115,594
Others	18,521,775	17,061,793
	99,281,835	81,883,853
23.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring		
Government	56,186,541	68,756,444
Banking companies and other financial institutions	-	32,013
Others	62,787,741	73,606,990
	118,974,282	142,395,447

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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		2009	2008
		(Rupees in '000)	
23.4	**Other contingencies**		
	Claims against the Group not acknowledged as debts	20,670,923	17,230,872

23.5 Commitments in respect of forward lending

The Group 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.

		2009	2008
23.6	**Commitments in respect of forward foreign exchange contracts**	(Rupees in '000)	
	Sale	47,499,455	55,616,766
	Purchase	92,086,590	79,929,121
23.7	**Other commitments**		
	Interest rate swaps	11,014,381	20,758,372
	Cross currency swaps	36,372,837	15,948,869
	Swaption	2,527,248	-
	FX Options - Purchased	410,535	9,814,318
	FX Options - Sold	410,535	15,645,965
	Commodity options	-	39,545
	Equity indices	-	355,943
	Forward rate agreements	-	850,000
	Forward purchase contracts of government securities	-	10,065,070
	Forward sale contracts of government securities	-	8,611,020
23.8	**Commitments in respect of capital expenditure**	575,176	1,206,025

23.9 For contingencies relating to taxation refer note 13.1.

24. DERIVATIVE INSTRUMENTS

"Derivative" means a type of financial contract the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivative also includes structured financial products that have one or more characteristics of forwards, futures, swaps and options.

The Bank as an Authorized Derivative Dealer (ADD) is an active participant in the derivatives' market of Pakistan. Though the ADD license covers the below mentioned transactions only (permitted under Financial Derivatives Business Regulations issued by SBP), but the Group offers a wide variety of derivative products to satisfy customers' needs (specific approval for which is sought from SBP on transaction basis):

a. Foreign Currency Options
b. Forward Rate Agreements
c. Interest Rate Swaps
d. Cross Currency Swaps
e. Equity indices
f. Commodity options

These transactions cover both the aspects of market making and hedging.

The authority for approving policies lie with the BoD, who has delegated its powers to Market Risk Committee (MRC), which runs the affairs in line with policies approved by the BoD.

With regard to derivatives, the Market Risk Committee (MRC) is authorized to:

- Review derivatives business with reference to market risk exposure and assign various limits in accordance with the risk appetite of the Bank
- Review and approve the Derivatives Business Policy
- Review and sign off derivatives' product programs
- Authorize changes in procedures and processes regarding derivatives and structured products

Overall responsibility for derivatives trading activity lies with Treasury and Capital Markets (TCM). Identifying and quantifying market risk on derivatives, coordinating approvals on temporary or permanent market risk limits, formulation of policies and procedures with respect to market risk arising from derivatives, formal monitoring of market and credit risk exposure and limits and its reporting to the senior management and BoD is done by Treasury and Market Risk (TMR). Treasury Operations (TROPS) records derivative activity in the Bank's books, and handles its reporting to SBP.

Derivative Risk Management

There are a number of risks undertaken by the Group, which need to be monitored and assessed. The "risk continuum" includes:

Credit Risk

This refers to the risk of non-performance or default by a party (a customer, guarantor, trade counterparty, third party, etc.), resulting in a negative impact on the Group's equity. There are two types of credit risk (Settlement and Pre-Settlement risk) that are associated with derivatives transactions and monitored on a regular basis. To mitigate the settlement risk, settlement is carried out by netting the amounts receivable and payable, i.e., net amount is either received or paid. Further, for Pre-Settlement Risk, the Group has constituted Treasury Product Credit Committee (TPCC) that is authorized to approve credit limits (based on internal obligor risk rating) for all derivative counterparties. Credit exposure for each counterparty is calculated and monitored by an independent risk monitoring and control department i.e. Treasury Middle Office.

Market Risk

Market risk exposure limits have been assigned in accordance with the risk appetite of the Group and are being monitored on a daily basis, which include sensitivity limits, tenor limits, and notional limits. An exercise is under way to model VaR structure, which will then help in deriving VaR limits.

Liquidity Risk

Derivative transactions, usually being non-funded in nature, do not involve funds therefore there is no specific risk of liquidity.

The other aspect of liquidity refers to the availability of certain instruments or hedge in the market, which is very much true in the local market, as interest rate derivatives have a unidirectional demand, and no perfect hedge is available. The Group mitigates its risk, on one side, by limiting the portfolio in terms of tenor, notional, and sensitivity limits, and on the other side it is running a short position in fixed income securities to partially cover the unfavourable movement in interest rates.

Operational Risk

The human resources involved in the process of trading, settlement and risk management of derivatives are carefully selected and subsequently trained to deal with the delicacies involved in the process. A state-of-the-art system has been put in place which handles the derivative transactions. As each and every product / transaction is processed in accordance with the product program or transaction memo, which contains in detail the accounting and operational aspects of the transaction, it further mitigates the operational risk. In addition, Treasury Middle Office (TMO) and Compliance and Control Department (CCD) are assigned with the responsibility of monitoring any deviation from the policies and procedures. Group's Audit and Inspection wing also reviews this function, which covers regular review of systems, transactional processes, accounting practices, end-user roles and responsibilities.

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UBL has installed a state-of-the-art derivatives system (SUPER DERIVATIVE), which provides an end-to-end solution. Other than supporting the routine transactional process it also provides analytical tools to measure various risk exposures and stress / sensitivity analysis.

Treasury Middle Office produces various reports for higher management (BoD, MRC etc.) on daily, monthly and ad-hoc basis. These reports provide a quick look on derivatives business profile and various risk exposures.

Derivatives market in Pakistan, except for currency options, has a unidirectional demand, therefore the portfolio structure, as regards interest rate derivatives, is liability dominant.

24.1 Product Analysis

2009

	Interest rate swaps		Cross currency swaps		Swaptions		FX options		Commodity options		Equity indices		Forward rate agreements		Forward purchase contracts of government securities		Forward sale contracts of government securities		
	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Total Notional (Rupees in '000)
With Banks for																			
Hedging	8	7,740,900	4	14,571,600	-	-	4	410,535	-	-	-	-	-	-	-	-	-	-	22,723,035
Market Making	4	2,206,208	5	2,335,884	1	2,527,248													7,069,340
	12	9,947,108	9	16,907,484	1	2,527,248	4	410,535	-	-	-	-	-	-	-	-	-	-	29,792,375
With other entities																			
Market Making	8	1,067,273	8	19,465,353	-	-	4	410,535	-	-	-	-	-	-	-	-	-	-	20,943,161
Total																			
Hedging	8	7,740,900	4	14,571,600	-	-	4	410,535	-	-	-	-	-	-	-	-	-	-	22,723,035
Market Making	12	3,273,481	13	21,801,237	1	2,527,248	4	410,535	-	-	-	-	-	-	-	-	-	-	28,012,501
	20	11,014,381	17	36,372,837	1	2,527,248	8	821,070	-	-	-	-	-	-	-	-	-	-	50,735,536

2008

	Interest rate swaps		Cross currency swaps		Swaption		FX options		Commodity options		Equity indices		Forward rate agreements		Forward purchase contracts of government securities		Forward sale contracts of government securities		
	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Number of contracts	Notional principal (Rupees in '000)	Total Notional (Rupees in '000)
With Banks for																			
Hedging	9	7,987,105	8	11,217,419	-	-	45	16,091,828	-	-	-	-	1	250,000	-	-	-	-	35,546,352
Market Making	10	7,678,036	1	1,958,250	-	-	2	445,862	1	39,545	6	355,943	1	250,000	6	10,065,070	7	8,611,020	29,403,726
	19	15,665,141	9	13,175,669	-	-	47	16,537,690	1	39,545	6	355,943	2	500,000	6	10,065,070	7	8,611,020	64,950,078
With other entities																			
Market Making	21	5,093,231	6	2,773,200	-	-	42	8,922,593	-	-	-	-	2	350,000	-	-	-	-	17,139,024
Total																			
Hedging	9	7,987,105	8	11,217,419	-	-	45	16,091,828	-	-	-	-	1	250,000	-	-	-	-	35,546,352
Market Making	31	12,771,267	7	4,731,450	-	-	44	9,368,455	1	39,545	6	355,943	3	600,000	6	10,065,070	7	8,611,020	46,542,750
	40	20,758,372	15	15,948,869	-	-	89	25,460,283	1	39,545	6	355,943	4	850,000	6	10,065,070	7	8,611,020	82,089,102

24.2 Maturity analysis of derivatives

Remaining Maturity	2009				
	No. of contracts	Notional principal	Mark to market		
			Negative	Positive	Net
	(Rupees in '000)				
Upto 1 Month	2	40,000	918	-	(918)
1 to 3 Month	11	979,704	-	2,150	2,150
3 to 6 Month	-	-	-	-	-
6 Month to 1 Year	7	1,225,196	8,367	21,138	12,771
1 to 2 Year	4	1,202,273	61,448	57	(61,391)
2 to 3 Year	2	6,975,000	32,171	119,516	87,345
3 to 5 Year	14	17,317,094	145,045	215,404	70,359
5 to 10 Year	6	22,996,269	309,465	141,406	(168,059)
Above 10 Year	-	-	-	-	-
	46	50,735,536	557,414	499,671	(57,743)

Remaining Maturity	2008				
	No. of contracts	Notional principal	Mark to market		
			Negative	Positive	Net
	(Rupees in '000)				
Upto 1 Month	47	18,400,759	1,935	478	(1,457)
1 to 3 Month	32	22,986,230	3,666	-	(3,666)
3 to 6 Month	26	2,854,281	900	-	(900)
6 Month to 1 Year	15	1,593,368	13,051	-	(13,051)
1 to 2 Year	17	3,811,299	45,382	13,941	(31,441)
2 to 3 Year	6	2,570,454	100,990	17,169	(83,821)
3 to 5 Year	20	21,887,726	579,607	351,021	(228,586)
5 to 10 Year	5	7,984,985	550,336	84,250	(466,086)
Above 10 Year	-	-	-	-	-
	168	82,089,102	1,295,867	466,859	(829,008)

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	2009	2008
	(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances		
- Customers	45,565,230	40,541,372
- Financial institutions	648,980	921,491
	46,214,210	41,462,863
On investments in		
- Held for trading securities	735	-
- Available for sale securities	10,361,674	8,556,859
- Held to maturity securities	3,510,314	947,052
- Associates	18,532	2,091
	13,891,255	9,506,002
On deposits with financial institutions	250,014	309,037
On securities purchased under resale agreements	1,115,663	1,413,574
Discount income	24,330	71,773
	61,495,472	52,763,249
26. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	22,335,927	18,783,653
On securities sold under repurchase agreements	1,622,552	2,214,520
On other short - term borrowings	2,615,138	1,659,990
On long - term borrowings	1,514,905	1,348,166
Discount expense	234,750	240,952
	28,323,272	24,247,281
27. GAIN / (LOSS) ON SALE OF SECURITIES		
Federal Government Securities		
Market Treasury Bills	108,683	(10,229)
Pakistan Investment Bonds	46,290	(77,680)
	154,973	(87,909)
Fully paid - up ordinary shares		
Listed companies	331,362	325,856
Other securities	212,940	(36,771)
	699,275	201,176
28. OTHER INCOME		
Charges recovered from customers	1,162,018	934,344
Rent on properties	166,361	167,576
Income from dealing in derivatives	1,721,740	574,881
Others	346,681	240,650
	3,396,800	1,917,451

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	Note	2009	2008
		(Rupees in '000)	
29. ADMINISTRATIVE EXPENSES			
Personnel cost			
Salaries, allowances etc.	29.1	7,586,763	7,280,683
Charge for compensated absences	37.1.8	418,143	155,189
Medical expenses		377,104	338,175
Contribution to defined contribution plan		517,083	135,957
Reversal in respect of defined benefit obligations		(329,554)	(232,138)
		8,569,539	7,677,866
Premises cost			
Rent, taxes, insurance, electricity etc.		2,090,735	1,704,641
Depreciation	11.2	581,780	529,111
Repairs and maintenance		98,038	95,475
		2,770,553	2,329,227
Other operating cost			
Outsourced service charges including sales commission		1,313,164	1,842,756
Depreciation	11.2	957,249	761,968
Communications		764,049	710,330
Banking service charge		535,037	444,048
Advertisement and publicity		231,939	359,809
Legal and professional charges		233,312	335,168
Stationery and printing		354,134	306,536
Cash transportation charges		343,558	233,179
Travelling		178,392	200,861
Repairs and maintenance		294,519	212,541
Amortization	11.3	185,985	156,997
Insurance expense		174,956	124,774
Vehicle expenses		107,213	115,593
Office running expenses		152,455	115,425
Entertainment		98,112	91,771
Cartage, freight and conveyance		68,553	71,742
Training and seminar		53,887	74,093
Subscriptions		37,417	36,236
Auditors' remuneration	29.3	62,662	46,789
Sub-ordinated debt related costs		7,990	26,254
Brokerage expenses		19,772	7,742
Non-executive directors' fee and allowances		62,046	14,912
Donations	29.2	58,020	11,893
Finance charges on leased assets		110	283
Miscellaneous expenses		168,715	371,175
		6,463,246	6,672,875
		17,803,338	16,679,968

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29.1 The Bank operates a short term employee benefit scheme which includes cash awards / bonus. Under the scheme, the cash awards to all executives including the Chief Executive Officer is determined on the basis of employees' evaluation and Bank's performance during the year. The aggregate amounts determined in respect of all executives amounted to Rs.318.812 million (2008: Rs.168.884 million).

29.2 Donations exceeding Rs.0.1 million

	2009	2008
	------- (Rupees in '000) -------	
Karachi Education Initiative	40,000	3,000
Karachi City Police	9,793	-
Friends of Burns Center	1,728	1,440
Family Education Services Foundation	900	480
Marie Adelade Leprocy Center	850	850
Hisaar Foundation	550	-
Shalamar Hospital	545	-
Sun Development Foundation	483	-
SOS Childrens' Villages of Sindh	451	-
Institute of Business Administration	360	-
Lahore University of Management Sciences	315	315
Citizens Foundation	-	2,200
Book Group	-	1,548
Agha Khan University and Medical Foundation	-	1,000
Jinnah Foundation Memorial Trust	-	500
Umeed-e-Noor	-	300
C.P.L.C.	-	150
	55,975	11,783

None of the directors, executives or their spouses had an interest in the donee.

29.3 Auditors' remuneration

	2009			
	Ernst & Young Ford Rhodes Sidat Hyder	BDO Ebrahim & Co.	Overseas Auditors	Total
	--------------------------- (Rupees in '000) ---------------------------			
Audit fee	5,738	5,738	47,087	58,563
Fee for audit of EPZ branch	221	-	-	221
Fee for audit of domestic subsidiaries	-	328	-	328
Out of pocket expenses	1,868	1,682	-	3,550
	7,827	7,748	47,087	62,662

	2008			
	Ernst & Young Ford Rhodes Sidat Hyder	KPMG Taseer Hadi & Co.	Overseas Auditors	Total
	--------------------------- (Rupees in '000) ---------------------------			
Audit fee	5,100	5,100	34,487	44,687
Fee for audit of EPZ branch	150	-	-	150
Fee for audit of domestic subsidiaries	-	242	-	242
Out of pocket expenses	848	862	-	1,710
	6,098	6,204	34,487	46,789

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30. OTHER PROVISIONS / WRITE OFFS - Net

	Note	2009	2008
		(Rupees in '000)	
Provision against other assets - net	13.4	339,131	196,026
Provision/(reversal) against off - balance sheet obligations	20.2	20,250	42,966
Other provisions / write offs		276,716	215,568
Provision against Ijara Assets - Specific		9,191	4,235
- General		(3,014)	9,247
		642,274	468,042

31. WORKERS WELFARE FUND

The Bank is liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, which ever is higher under the Worker's Welfare Fund Ordinance, 1971.

32. OTHER CHARGES

	2009	2008
	(Rupees in '000)	
Penalties of State Bank of Pakistan	64,552	258,321
Others	-	34,056
	64,552	292,377

33. TAXATION

	2009			
	Overseas	Azad Kashmir	Domestic	Total
	(Rupees in '000)			
Current tax	906,230	113,181	5,976,846	6,996,257
Prior year tax	78,598	-	112	78,710
Deferred taxation	(7,677)	(684)	(2,162,377)	(2,170,738)
	977,151	112,497	3,814,581	4,904,229

	2008			
	Overseas	Azad Kashmir	Domestic	Total
	(Rupees in '000)			
Current tax	921,098	200,500	5,029,922	6,151,520
Prior year tax	35,072	-	400,000	435,072
Deferred taxation	21,606	2,029	(1,003,427)	(979,792)
	977,776	202,529	4,426,495	5,606,800

33.1 Relationship between tax expense and accounting profit

	2009	2008
	(Rupees in '000)	
Accounting profit for the year	14,392,181	14,052,051
Tax on income @ 35% (2008: 35%)	5,037,263	4,918,218
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates/permanent difference	(316,009)	169,176
Prior year tax charge	78,710	435,072
Other charges	104,265	84,334
Tax charge	4,904,229	5,606,800

34. BASIC / DILUTED EARNINGS PER SHARE

	2009	2008
Profit after taxation for the year	9,521,546	8,355,757
	(Number of shares)	
Weighted average number of ordinary shares	1,112,890,625	1,112,890,625
	(Rupees)	
Basic / diluted earnings per share	8.56	7.51

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34.1 A diluted earnings per share has not been presented as the Bank does not have any convertible instruments in issue at December 31, 2009 and 2008 which would have any effect on the earnings per share if the option to convert is exercised.

34.2 Earnings per share for the year 2008 has been restated for the effect of bonus shares issued during the year.

	Note	2009	2008
		(Rupees in '000)	
35. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	61,252,772	50,143,570
Balances with other banks	7	14,049,990	14,540,306
		75,302,762	64,683,876

	2009	2008
	(Number)	
36. STAFF STRENGTH		
Permanent	8,648	9,028
Contractual basis	90	13
Group's own staff strength at the end of the year	8,738	9,041
Outsourced	5,516	6,192
Total number of employees at the end of the year	14,254	15,233

37. EMPLOYEE BENEFITS

37.1 United Bank Limited

37.1.1 Defined benefit plan

37.1.2 General description

United Bank Limited operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for new employees and those employees who have not opted for the pension scheme. Further, the Bank also operates a contributory benevolent fund scheme and provides post retirement medical to eligible retired employees. The benevolent fund plan and post retirement medical plan cover all the regular employees of the Bank who joined the Bank pre privatisation. The Bank is also maintaining employee compensated absences scheme. The liability of the Bank in respect of long-term employee compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit Method. Actuarial valuation of the defined benefit plan scheme is carried out every year and the latest valuation was carried out as at December 31, 2009.

37.1.3 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2009. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the defined benefit plans:

	2009	2008
Discount rate	12.75%	14.00%
Expected rate of return on plan assets	12.75%	14.00%
Expected rate of salary increase	10.50%	11.50%
Expected rate of pension increase	5.00%	5.00%

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

	Note	2009					2008				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employee compensated absences
		(Rupees in '000)									
Present value of funded obligations		3,585,208	365,292	459,080	-	-	3,625,280	384,786	529,647	-	-
Fair value of plan assets		(6,107,212)	(301,174)	(796,302)	-	-	(6,526,828)	(291,292)	(739,180)	-	-
		(2,522,004)	64,118	(337,222)	-	-	(2,901,548)	93,494	(209,533)	-	-
Present value of unfunded obligation		-	-	-	852,603	731,908	-	-	-	875,509	613,602
Net actuarial gains or (losses) not recognized		2,119,273	(79,620)	205,656	294,492	-	2,486,765	(133,812)	120,356	343,891	-
(Receivable) / payable		(402,731)	(15,502)	(131,566)	1,147,095	731,908	(414,783)	(40,318)	(89,177)	1,219,400	613,602

37.1.5 Movement in defined benefit obligation

	Note	2009					2008				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employee compensated absences
		(Rupees in '000)									
Obligation at the beginning of the year		3,625,280	384,786	529,647	875,509	613,602	4,343,529	399,289	564,591	1,202,462	843,193
Current service cost		10,051	46,619	7,103	5,914	34,461	16,408	46,748	10,597	11,693	25,562
Interest cost		156,655	53,312	62,995	103,084	110,245	160,501	38,557	54,239	120,831	85,597
Benefits paid by the bank		(653,986)	(86,446)	(127,518)	(125,019)	(299,837)	(848,135)	(138,852)	(141,047)	(131,882)	(369,949)
Recognition of prior service cost		-	-	-	-	62,201					
Return allocated to other funds	37.1.8.1	322,253	-	-	-	-	340,745	-	-	-	-
Early retirement liability		-	-	-	(24,242)	-	-	-	-	-	-
Actuarial (gain) / loss on obligation		124,955	(32,979)	(13,147)	17,357	211,236	(387,768)	39,044	41,267	(327,595)	29,199
Obligation at the end of the year		3,585,208	365,292	459,080	852,603	731,908	3,625,280	384,786	529,647	875,509	613,602

37.1.6 Movement in fair value of plan assets

	Note	2009					2008				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employee compensated absences
		(Rupees in '000)									
Fair value at the beginning of the year		6,526,828	291,292	739,180	-	-	7,260,256	356,676	914,356	-	-
Expected return on plan assets		843,551	41,702	90,031	-	-	852,156	34,520	84,307	-	-
Contribution by the bank		-	75,044	5,979	-	-	-	88,419	6,622	-	-
Contribution by the employees		-	-	5,979	-	-	-	-	6,622	-	-
Amount paid by the fund to the bank		(1,272,621)	(119,390)	(122,924)	-	-	(1,600,934)	(137,722)	(136,307)	-	-
Payment received on behalf of the fund		-	-	-	-	-	-	-	-	-	-
Actuarial gain / (loss) on plan assets		9,454	12,526	78,057	-	-	15,350	(50,601)	(136,420)	-	-
Fair value at the end of the year		6,107,212	301,174	796,302	-	-	6,526,828	291,292	739,180	-	-

37.1.7 Movement in (receivable from) / payable to defined benefit plans

	Note	2009					2008				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employee compensated absences
		(Rupees in '000)									
Opening balance		(414,783)	(40,318)	(89,177)	1,219,400	613,602	(669,309)	(1,886)	(25,516)	1,218,758	843,193
Mark-up receivable on bank's balance		(22,731)	(846)	(99)	-	-	5,273	(125)	(338)	-	-
Charge / (reversal) for the year		(583,852)	67,762	(31,717)	52,714	418,143	(503,546)	51,242	(51,961)	132,524	140,358
Contribution by the bank		-	(75,044)	(5,979)	-	-	-	(88,419)	(6,622)	-	-
Amount paid by the Fund to the bank		1,272,621	119,390	122,924	-	-	1,600,934	137,722	136,307	-	-
Payment received on behalf of the bank		-	-	-	-	-	-	-	-	-	-
Benefits paid by the bank		(653,986)	(86,446)	(127,518)	(125,019)	(299,837)	(848,135)	(138,852)	(141,047)	(131,882)	(369,949)
Closing balance		(402,731)	(15,502)	(131,566)	1,147,095	731,908	(414,783)	(40,318)	(89,177)	1,219,400	613,602

37.1.8 Charge for defined benefit plans

	Note	2009					2008				
		Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical benefit	Employee compensated absences
		(Rupees in '000)									
Current service cost		10,051	46,619	7,103	5,914	34,461	16,408	46,748	10,597	11,693	25,562
Interest cost		156,655	53,312	62,995	103,084	110,245	160,501	38,557	54,239	120,831	85,597
Expected return on plan assets		(843,551)	(41,702)	(90,031)	-	-	(852,156)	(34,520)	(84,307)	-	-
Recognition of prior service cost		-	-	-	-	62,201	-	-	-	-	-
Actuarial (gains) and losses		(229,260)	9,533	(5,805)	(32,042)	211,236	(169,044)	457	(25,868)	-	29,199
Return allocated to other funds	37.1.8.1	322,253	-	-	-		340,745	-	-	-	-
Employees' contribution		-	-	(5,979)	-	-	-	-	(6,622)	-	-
Settlement loss / gains		-	-	-	(24,242)	-	-	-	-	-	-
		(583,852)	67,762	(31,717)	52,714	418,143	(503,546)	51,242	(51,961)	132,524	140,358

37.1.8.1 This represents return allocated to those employees who exercised the conversion option offered in the year 2001 as referred to in note 5.11.1.

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37.1.9 Actual return on plan assets

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

	2009					2008				
	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical benefit	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical benefit	Employee compensated absences
	(Rupees in '000)									
Expected return on plan assets	843,551	41,702	90,031	-	-	852,156	34,520	84,307	-	-
Actuarial gain / (loss) on plan assets	9,454	12,526	78,057	-	-	15,350	(50,601)	(136,420)	-	-
	853,005	54,228	168,088	-	-	867,506	(16,081)	(52,113)	-	-

37.1.10 Five year data on surplus/ deficit of the plans and experience adjustments

Pension Fund	2009	2008	2007	2006	2005
	(Rupees in '000)				
Present value of defined benefit obligation	(3,585,208)	(3,625,280)	(4,343,529)	(4,433,583)	(4,184,487)
Fair value of plan assets	6,107,212	6,526,828	7,260,256	7,116,577	6,349,249
Surplus / (deficit)	2,522,004	2,901,548	2,916,727	2,682,994	2,164,762
Experience adjustments on plan liabilities [loss / (gain)]	89,216	(87,141)	126,265	238,500	251,108
Experience adjustments on plan assets [loss / (gain)]	(282,376)	(1,195)	(11,848)	(411,713)	(438,971)
Gratuity Fund					
Present value of defined benefit obligation	(365,292)	(384,786)	(399,289)	(437,373)	(381,983)
Fair value of plan assets	301,174	291,292	356,676	335,449	345,484
Surplus / (deficit)	(64,118)	(93,494)	(42,613)	(101,924)	(36,499)
Experience adjustments on plan liabilities [loss / (gain)]	137,106	43,905	27,782	33,547	50,697
Experience adjustments on plan assets [loss / (gain)]	96,896	55,290	(5,179)	10,979	757
Benevolent Fund					
Present value of defined benefit obligation	(459,080)	(529,647)	(564,591)	(670,979)	(665,686)
Fair value of plan assets	796,302	739,180	914,356	917,522	773,365
Surplus / (deficit)	337,222	209,533	349,765	246,543	107,679
Experience adjustments on plan liabilities [loss / (gain)]	(8,798)	138,712	(90,203)	(11,064)	33,543
Experience adjustments on plan assets [loss / (gain)]	(56,670)	144,550	(45,638)	(64,187)	(59,679)
Post retirement medical benefit					
Present value of defined benefit obligation	(852,603)	(875,509)	(1,202,462)	(1,298,048)	(1,263,750)
Experience adjustments on plan liabilities [loss / (gain)]	37,473	761	(67,904)	(37,633)	(12,195)
Employee compensated absences					
Present value of defined benefit obligation	731,908	613,602	843,193	1,074,258	1,037,500
Experience adjustments on plan liabilities [loss / (gain)]	-	-	-	-	-

37.1.11 Effects of a 1% movement in assumed medical cost trend rates

Annual medical expense limit is based on frozen non-monetized basic pay of employees as on June 30, 2001. Accordingly, movement in medical cost trend rates would not affect current service cost, interest cost and defined benefit obligation.

37.1.12 Components of plan assets as a percentage of total plan assets

	2009					2008				
	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical benefit	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical benefit	Employee compensated absences
Government securities	15.95%	51.14%	41.32%	-	-	35.54%	39.39%	43.39%	-	-
Units of mutual funds	24.98%	17.84%	45.40%	-	-	22.03%	29.38%	31.11%	-	-
Ordinary shares of listed companies	0.62%	0.77%	3.63%	-	-	0.30%	-	3.20%	-	-
Term finance certificates	7.23%	29.35%	-	-	-	7.89%	31.07%	-	-	-
Others (including bank balances)	51.22%	0.90%	9.65%	-	-	34.24%	0.16%	22.30%	-	-
	100.00%	100.00%	100.00%	-	-	100.00%	100.00%	100.00%	-	-

As per the actuarial recommendations the expected return on plan assets was taken as 12% per annum on Pension Fund Assets, 10% per annum on Gratuity Fund Assets and 10% per annum on Benevolent Fund Assets. The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy.

37.1.13 Expected contributions to be paid to the funds in the next financial year

The Bank contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent scheme. Based on actuarial advice, the management estimates that the charge in respect of defined benefit plans for the year ended December 31, 2010 would be as follows:

	2010				
	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical benefit	Employee compensated absences
	(Rupees in '000)				
Expected charge for the year	(468,765)	60,447	(48,534)	89,163	145,866

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37.2 **United National Bank Limited Pension and Life Assurance Scheme for U.K Employees.**

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

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

No new members have been admitted to the scheme in the year ended December 31, 2009.

The last full actuarial valuation of the scheme was carried at January 01, 2008 and has been updated as at January 01, 2009 by a qualified actuary on the basis of triennial valuations using Projected Unit Credit Method. The major assumptions used by the actuary are as follows:

	2009	2008
	Percentage	
Discount rate	5.60%	6.40%
Rate of revaluation of pension in deferment	5.00%	5.00%
Expected rate of salary increase	0.00%	4.25%
Expected rate of pension increase	3.70%	3.00%
Price inflation	3.70%	2.75%

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

	2009 Percentage	2009 (Rupees '000)	2008 Percentage	2008 (Rupees '000)
Other - insurance policy	5.60%	510,254	6.40%	398,970
Total market value of assets		510,254		398,970
Actuarial value of liability		(654,625)		(394,267)
Gross pension (liability) / asset		(144,371)		4,703
Related Deferred Tax Relief		40,473		-
Net pension asset / (liability)		(103,898)		4,703

The asset value supplied by the insurance company for 2009 is on an ongoing basis. If the policy had been surrendered at 31 December 2009 the surrender value would have been Rs. 510.250 million (2008: Rs 398.970 million). It is not UNBL's intention to surrender the policy.

37.2.1 **Movement in surplus / (deficit) during the year**

	2009	2008
	(Rupees in '000)	
Obligation at the beginning of the year	4,703	37,509
Current Service Cost	(14,089)	(17,043)
Past Service Cost	(28,178)	-
Interest Income	1,281	2,212
Employer`s contribution	21,262	12,620
Actuarial (gains) / losses	(121,679)	(31,745)
Exchange Adjustment	(5,366)	1,151
Related Deferred Tax Relief	38,169	-
Obligation at the end of the year	(103,897)	4,703

The Company's contribution increase to 25.9% from the start of 2009 and that of the employee's contribution remained at 4%. No directors were members of the defined benefit scheme during the year or as at 31 December 2009.

	2009	2008
	(Rupees in '000)	

37.2.2 Analysis of the amount charged to operating profit

	2009	2008
Current service cost	14,089	17,043
Past service cost	28,178	-
Total operating charge	42,267	17,043

The defined benefit scheme is now closed to new entrants and future accrual will cease from January 1, 2010. As a result of the curtailment in benefits the Company has recognised a past service cost of Rs. 28.178 million in this year's profit and loss account.

37.2.3 Analysis of the amount credited / (debited) to net interest income

	2009	2008
Expected return on pension scheme assets	29,331	32,135
Interest on pension scheme liabilities	(28,050)	(29,923)
Net return	**1,281**	2,212

37.3 UBL Fund Managers Limited

The latest actuarial valuation of the Company's gratuity fund has been carried out as at December 31, 2009 using the Projected Unit Credit Method. The main assumption used in the actuarial valuation are as follows:

37.3.1 Principal actuarial assumptions

The key assumptions used for actuarial valuation were as follows:

	2009	2008
Discount rate	12.75%	15.00%
Expected rate of return on plan assets	12.75%	15.00%
Expected rate of salary increase	12.75%	15.00%
Expected withdrawal rate	Moderate	Moderate

37.3.2 Reconciliation of payable to defined benefit plan

	2009	2008
Present value of defined benefit obligations	13,168	8,041
Fair value of plan assets	(7,246)	(3,061)
	5,922	4,980
Unrecognised actuarial gains / (losses)	(1,131)	(2,050)
	4,791	2,930

37.3.3 Movement in defined benefit obligation

	2009	2008
Obligation at the beginning of the year	8,041	4,427
Current service cost	4,045	2,714
Interest cost	1,491	575
Benefits paid	(250)	(537)
Actuarial (gains) / losses	(159)	862
Obligation at the end of the year	13,168	8,041

37.3.4 Movement in the fair value of plan assets

	2009	2008
Fair value of plan assets at the beginning of the year	3,061	1,897
Expected return on plan assets	828	359
Contributions to the plan	2,930	1,939
Benefits paid	(250)	(537)
Actuarial gains / (losses)	677	(597)
	7,246	3,061

37.3.5 Plan assets are comprised as follows:

	2009	2008
Balance with banks in deposit account	2,809	1,361
Cash	847	1,700
Equity	3,575	-
Others	15	-
(Surplus) / Deficit	7,246	3,061

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		2009	2008
		(Rupees in 000)	
37.3.6	**Charge for defined benefit plan**		
	Current service cost	4,045	2,714
	Interest cost	1,491	575
	Expected return on plan asset	(828)	(359)
	Amortization of (gain) / loss	83	-
		4,791	2,930
	Actual return on plan assets	1,433	11
37.3.7	**Movement in net liability recognised**		
	Opening net liability	2,930	1,939
	Expense recognised	4,791	2,930
	Contribution to the fund made during the year	(2,930)	(1,939)
	Closing net liability	4,791	2,930

37.4 OTHER EMPLOYEE BENEFITS

37.4.1 Defined contribution plan

The Bank operates a contributory provident fund scheme for 5,356 (2008: 5,383) employees who are not in the pension scheme. The employer and employee both contribute 8.33% of the basic salaries to the funded scheme every month.

37.4.2 Employee Motivation and Retention Scheme

The Bank operates a long term motivation and retention scheme for its employees. The objective of the scheme is to reward, motivate and retain high performing executives and officers of the Bank by way of bonus in the form of shares of the Bank .The liability of the Bank in respect of this scheme is fixed and approved each year by the Board of Directors of the Bank .The scheme is managed by separate Trusts formed in respect of each year.

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	(Rupees in '000)					
Fees	-	-	54,090	14,912	-	-
Managerial remuneration	67,696	76,158	-	-	2,312,762	2,007,321
Charge for defined benefit plan	1,001	991	-	-	189,601	184,281
Charge for defined contribution plan	1,880	1,880	-	-	48,875	38,528
Rent and house maintenance	2,375	2,592	-	-	333,228	257,666
Utilities	148	182	-	-	105,803	50,917
Medical	56	170	-	-	66,902	50,917
Conveyance	-	-	-	-	292,845	252,377
Reimbursement of children's education fees	5,928	2,219	-	-	-	-
Others	1,880	1,558	-	-	110,800	101,806
	80,964	85,750	54,090	14,912	3,460,818	2,943,813
Number of persons	1	1	7	7	1,135	973

The Bank's President / Chief Executive Officer and Executives are provided with free use of Bank maintained cars and household equipments.

In addition to the above, all executives including Chief Executive Officer of the bank, are also entitled to certain short and long term employee benefits which are disclosed in note 37 to these consolidated financial statements.

The particulars in this note do not include particulars of Directors, Chief Executive and Executives of subsidiary companies.

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39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements. The provision for impairment of associates and other investments has been determined in accordance with the Group's accounting policy as stated in notes 4.2 and 5.8 to these consolidated financial statements respectively.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5.6 to these consolidated financial statements.

The repricing profile, effective rates and maturity are stated in note 44 to these consolidated financial statements.

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

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the year ended December 31, 2009					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset management	Others
	(Rupees in '000)					
Total income	629,587	15,649,156	25,808,474	30,857,547	480,357	1,080,784
Total expenses	(1,065,551)	(12,462,672)	(16,660,335)	(28,475,397)	(304,110)	(1,145,659)
Net income / (loss)	(435,964)	3,186,484	9,148,139	2,382,150	176,247	(64,875)
Segment return on assets (ROA) (%)	-3.8%	1.2%	2.7%	0.6%	23.1%	
Segment cost of funds (%)	14.7%	10.5%	7.0%	10.2%	8.5%	

	For the year ended December 31, 2008					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset management	Others
	(Rupees in '000)					
Total income	1,124,926	12,475,582	23,424,209	25,546,181	512,093	750,967
Total expenses	(1,597,122)	(12,106,850)	(15,611,414)	(19,968,125)	(338,367)	(160,026)
Net income / (loss)	(472,196)	368,732	7,812,795	5,578,056	173,726	590,941
Segment return on assets (ROA) (%)	-3.4%	0.1%	2.6%	1.5%	23.2%	
Segment cost of funds (%)	13.5%	7.6%	5.0%	10.0%	9.0%	

	As at December 31, 2009					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset management	Others
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	7,449,464	166,432,507	222,607,209	246,060,761	495,052	25,105,386
Segment non performing loans (NPL)	-	-	20,021,906	13,522,882	-	6,520,449
Segment provision required against NPL	-	-	12,981,152	8,293,354	-	6,426,344
Segment liabilities	6,449,753	162,108,934	200,753,892	228,201,047	51,050	(24,433,510)

	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)	9,061,986	170,434,698	197,562,501	240,661,490	487,666	21,066,432
Segment non performing loans (NPL)	-	-	15,001,943	8,271,004	-	5,279,775
Segment provision required against NPL	-	-	9,774,847	3,619,083	-	5,173,453
Segment liabilities	10,332,523	170,610,912	182,682,516	225,672,677	135,280	(18,122,182)

41. TRUST ACTIVITIES

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

42. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associates, subsidiary companies undertakings (refer note 9), employee benefit plans (refer note 37) and its directors and executive officers (including their associates).

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Detail of loans and advances to the key management personnel, the companies or firms in which the directors of the group are interested as directors, partners or in case of private companies as members are given in note 10.8 to these consolidated financial statements.

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan (refer note 37 to these consolidated financial statements for the details of plans). Remuneration to the executives, disclosed in note 38 to these consolidated financial statements, is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements, are as follows:

	2009			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 year	38,092	-	-	135,743	-	-
Repaid during the year	(84,217)	-	-	(67,460)	-	-
At December 31	102,750	-	-	148,875	-	-
Deposits						
At January 01	20,149	147,701	308,347	14,252	231,886	5,865,116
Received during the year	258,920	15,508,596	1,151,870	543,947	44,273,279	2,034,774
Withdrawn during the year	(259,704)	(15,491,420)	(1,403,764)	(538,050)	(44,357,464)	(7,591,543)
At December 31	19,365	164,877	56,453	20,149	147,701	308,347
Outstanding borrowing at the end of the year	-	300,000	-	-	850,000	-
Other receivable	-	108,522	-	-	37,954	4,458
Other payable	-	26,851	-	-	164,932	-
Employee Motivation and Retention Scheme	-	-	210,000	-	-	338,552
Term Finance Certificates purchased	-	-	-	-	1,898,783	-

	2009			2008		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	---- (Rupees in '000) ----					
Mark-up / return / interest earned	7,398	-	-	5,855	499	-
Mark-up / return / interest expensed	389	69,402	816	122	91,185	387
Dividend income received	-	228,516	-	-	317,202	-
Other income	-	576	-	-	114,643	-
Insurance premium paid	-	215,804	-	-	42,125	-
Remuneration paid	299,564	-	-	277,185	-	-
Post employment benefits	11,740	-	-	10,487	-	-
Contribution to defined contribution plan	-	-	416,114	-	-	122,417
Contribution to defined benefit plan	-	-	81,023	-	-	95,041
Employee Motivation and Retention Schem	-	-	210,000	-	-	230,005
Borrowing made during the year	-	4,429,043	-	-	8,100,000	-
Borrowing settled during the year	-	5,279,043	-	-	7,250,000	-
Maximum amount of a placement made during the year	-	1,279,043	-	-	800,000	-
Investment made during the year	-	4,600,810	-	-	5,579,970	-
Redemption made during the period	-	1,121,117	-	-	8,702,834	-
Gains realised on derivative transactions	-	1,662,595	-	-	-	-
Unrealised loss on derivative transactions	-	307,241	-	-	-	-
Bonus units received	-	22,500	-	-	127,175	-

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43. CAPITAL ADEQUACY

43.1 The basel II Framework is applicable to UBL both at the consolidated level (comprising of wholly / partially owned subsidiaries) and also on a stand alone basis.

Risk is an inherent part of every bank's business activities, which are managed through risk management frame work and governance structures at Group.

The major risks types are:
- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Legal risk
- Reputational risk

Group's capital adequacy is being managed, maintained and reported using various measures including the rules and ratios provided by the State Bank of Pakistan

Capital adequacy ratio is a measure of the amount of the Group's capital expressed as a percentage of its risk weighted assets . Measuring capital adequacy requires risk mitigants to be applied to the amount of assets shown on a Group's balance sheet. These assets are then applied weightages according to the degree of inherent risk. The capital adequacy ratios compare the amount of eligible capital with the total of Risk-Weighted Assets (RWAs).

The Group identifies measures, monitors / controls and reports risk through various control mechanisms, including dynamically assessing the potential impact of internal and external factors on transactions and positions developing risk mitigation strategies, and establishing risk management policies. The Group will continue to maintain the capital adequacy requirement either through its stringent risk management strategies or by increasing the capital requirements in line with business and capital needs.

The Group has developed Internal Capital Adequacy Assessment Process (ICAAP) as per the guidelines provided by SBP. This framework has been approved by Bank’s Board of Directors and submitted to SBP. The Group has covered additional risks which are not covered under Pillar I and have projected satisfactory capital adequacy for the next six years leaving ample cushion for any future capital requirements. The Group will review the ICAAP framework on annual basis (financial year end i.e. December) and changes/updates will be recommended to Basel II committee for onward submission to the Board of Directors.

The Group is in the process of developing an internal economic capital model, where each business unit will be allocated capital according to the risks generated including incorporating the diversification concept of each risk type.

43.2 Capital Management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Group to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders’ return is also recognized and the bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Goals of managing capital

The goals of managing capital of the Group are as follows:

- to comply with the capital requirements set by regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to increase strategic and tactical flexibility in the deployment of capital to allow for the timely reallocation of capital;
- to improve the liquidity of the Group's assets to allow for an optimal deployment of the bank's resources
- to protect the Group against unexpected events and maintain strong rating;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;
- availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Group to expand;
- to achieve low overall cost of capital with appropriate mix of capital elements.

Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions to be raised to Rs.10 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.6 billion paid up capital (net of losses) by the end of the financial year 2009.

Minimum paid-up capital (net of losses) deadline by which to be increased is as follows:

Rs.6 billion	December 31, 2009
Rs.7 billion	December 31, 2010
Rs.8 billion	December 31, 2011
Rs.9 billion	December 31, 2012
Rs.10 billion	December 31, 2013

The paid-up capital of the Bank for the year ended December 31, 2009 stood at Rs.11,128.907 million (2008:10,117.188 million) and is in compliance with the SBP requirement for the said year. In addition the Banks are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 10% of the risk weighted exposure of the Group. The Group's CAR as at December 31, 2009 was 14.03% (2008: 10.43%) of its risk weighted exposure.

Group's regulatory capital is analyzed into two tiers.

Tier 1 capital, which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves as per the financial statements and net un-appropriated profits etc after deductions of book value of goodwill / intangibles, deficit on revaluation of available for sale investments and 50% of other deductions calculated as per the guidelines laid under the Basel II framework.

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25% risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% the balance in the related revaluation reserves), foreign exchange translation reserves and sub-ordinated debts (upto maximum of 50% of total eligible tier 1 capital) after deduction of 50% of other deductions calculated as per the guidelines laid under the Basel II framework.

Tier 3 Capital, has also been prescribed by the SBP for managing market risk; however, the Group does not have any Tier 3 capital.

The capital of the UBL is managed keeping in view the minimum "Capital Adequacy Ratio" required by SBP through BSD Circular No.6 dated October 28 2006.The adequacy of capital is tested with reference to the risk-weighted assets of the bank.

The required capital adequacy ratio (10% of the risk-weighted assets) is achieved by the Group through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk and market risk.

The calculation of Capital Adequacy enables the Group to assess the long-term soundness. As the Group carries on the business on a wide areas network basis, it is critical that it is able to continuously monitor the exposure across the entire organization and aggregate the risks so as to take an integrated approach / view.

The allocation of capital between specific operations and activities is, to a large extent driven by the optimization of the return achieved on the capital allocated. Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, etc. and the fit of the activity with the Group's long term strategic objectives. The Group has complied with all externally imposed capital requirements through out the period. Further, there has been no material change in the Group's management of capital during the year.

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43.3 Capital Adequacy Ratio

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

	2009	2008
	(Rupees in '000)	
Regulatory capital base		
Tier I Capital		
- Fully paid up capital	11,128,907	10,117,188
- Statutory and General reserves as disclosed on the balance sheet	12,354,984	10,386,033
- Unappropriated profits	23,617,874	17,703,327
- Minority interest	2,279,691	2,044,589
	49,381,456	40,251,137
Deductions:		
- Book value of Goodwill and intangibles	491,511	405,247
- Deficit on account of revaluation of investments held in AFS category	-	7,888,767
- Other deductions(50% of the amount) Investment in equity and other regulatory capital of (majority or significant minority) in an insurance entity.	33,792	1,452,916
	525,303	9,746,930
Total eligible Tier 1 Capital	48,856,153	30,504,207
Supplementary Capital		
Tier II Capital		
- General provisions or general reserves for loan losses- up to maximum of 1.25% of risk weighted assets	569,195	881,137
- Revaluation reserves up to 45%	5,980,110	4,979,272
- Foreign exchange translation reserve	9,019,387	7,146,661
- Subordinated debt-upto maximum of 50% of total eligible Tier 1 capital	8,300,938	10,254,006
- Cash flow hedge reserve	(317,562)	(425,589)
Total Tier II Capital	**23,552,068**	**22,835,487**
Deductions:		
- Other deductions(50%of the amount as calculated on CAP 2) Investment in equity and other regulatory capital of (majority or significant minority) in an insurance entity.	33,792	1,452,916
	33,792	1,452,916
Total eligible Tier 2 Capital	**23,518,276**	**21,382,571**
Tier 3 Capital	-	-
Eligible Tier 3 Capital	-	-
Total Eligible Capital (1+2+3)	**72,374,429**	**51,886,778**

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Risk weighted exposures	Note	Capital requirements		Risk weighted assets	
		2009	2008	2009	2008
Credit risk		(Rupees in '000)			
Claims on:					
Other sovereigns, GoP, PG, SBP other than PKR		1,304,341	1,320,243	13,043,410	14,669,372
PSE's		1,197,023	1,728,056	11,970,232	19,200,626
Banks		2,591,925	1,477,086	25,919,253	16,412,068
Corporate		25,181,850	25,061,638	251,818,497	278,462,640
Retail portfolio		4,683,906	4,289,403	46,839,059	47,660,035
Secured by residential property		196,697	682,428	1,966,966	7,582,529
Past due loans		1,429,507	1,028,755	14,295,066	11,430,616
Listed equity investments		908,622	105,799	9,086,220	1,175,547
Unlisted equity investments		66,274	39,821	662,736	442,452
Investments in fixed assets		2,324,257	1,756,950	23,242,572	19,521,668
Other assets		682,561	660,277	6,825,606	7,336,411
		40,566,963	38,150,456	405,669,617	423,893,964
Market risk					
Interest rate risk		1,830,566	371,176	22,882,079	4,639,697
Equity exposure risk		337,635	219,071	4,220,436	2,738,386
Foreign exchange risk		673,653	620,609	8,420,665	7,757,616
Position in options		-	595,584		7,444,796
		2,841,854	1,806,440	35,523,180	22,580,495
Operational risk		5,980,740	4,071,756	74,759,246	50,896,954
		49,389,557	44,028,652	515,952,043	497,371,413

	2009	2008
Capital adequacy ratio		
Total eligible regulatory capital held	72,374,429	51,886,778
Total risk weighted assets	515,952,043	497,371,413
Capital adequacy ratio	**14.03%**	**10.43%**

44. RISK MANAGEMENT

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

- Credit risk is the risk of loss resulting from client or counterparty default
- Market risk is exposure to market variables such as interest rates, exchange rates and equity indices
- Liquidity risk is the risk that the Group may be unable to meet its payment obligations when due
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk

Representations of risk are for a given period and UBL's risk management will constantly evolve as its business activities change in response to credit, market, product and other developments. There have been many initiatives started by the Group including IT projects for replacing the core Banking system, business process re-engineering and inventorying the risks and controls within the Group's existing business and process units. All of these initiatives, as they partially or completely roll out, will have a direct impact on the risk management function within the Group.

44.1 Credit risk

Credit risk is the risk of loss to the Group as a result of failure by a client or counterparty to meet its contractual obligations. It is inherent in loans, commitments to lend and contingent liabilities, such as letters of credit – and in traded products – derivative contracts such as forwards, swaps and options, repurchase agreements (repos and reverse repos) and securities borrowing and lending transactions.

The Risk and Credit Policy Group, has the Credit Administration, Market and Treasury Risk, Commercial and FIRMU Credit Policy, Consumer and Retail Credit, Credit Risk Management and Operational Risk and Basel II functions reporting directly to the Risk and Credit Policy Group Executive. There are senior managers heading each risk category, managing a team solely dedicated to risk management and to maintain a sound and effective risk management culture. The role of the Risk and Credit Policy Group particularly includes:

- Participation in portfolio planning and management.
- Establishment of credit policies and standards that conform to regulatory requirements and the Group's overall objectives.
- Working with Business Groups in keeping aggregate credit risk well within the Group's risk taking capacity.
- Developing and maintaining Credit Approval Authority structure.
- Approving major credits.
- Granting approval authority to qualified and experienced individuals.
- Reviewing the adequacy of credit training across the Group.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations, etc.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

44.1.1 Credit Risk - General Disclosures

The bank is following standardized approach for all its Credit Risk Exposures.

Credit Risk: Disclosures for portfolio subject to Standardized Approach and supervisory risk weights in IRB approach Basel II specific

Under standardized approach, the capital requirement is based on the credit rating assigned to the counterparties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Group utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company – Vital Information Systems), Fitch, Moody's and Standard & Poors which are also recognized by the SBP. The Group also utilizes rating scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits".

The standardised approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

Selection of ECAIs

The Group selects particular ECAI(s) for each type of claim. Amongst the ECAIs that have been recognised as eligible by SBP, the following are being used against each respective claim type.

Sovereigns Exposures: For foreign currency claims on sovereigns, the Group uses country risk scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits" available on OECD's website.

Exposures to Multilateral Development Banks (MDBs): For exposures on MDBs not eligible for a 0% risk weight, ratings of Moody's, S&P and Fitch are being used to calculate risk-weighted assets.

Exposures to Public Sector Entities (PSEs): For PSE exposures, ratings of PACRA and JCR-VIS are used to arrive at risk weights.

Bank Exposures: For foreign banks (i.e., incorporated outside Pakistan), ratings of Moody's, S&P and Fitch is being used to arrive at risk weights. However, for local banks (i.e., incorporated in Pakistan) ratings of PACRA and JCR-VIS are used.

Corporate Exposures: Ratings assigned by PACRA and JCR-VIS are used for claims on Corporate (excluding equity exposures).

Use of ECAI Ratings

The Group prefers solicited ratings over unsolicited ratings at all times, owing to the greater degree of accuracy (in general) associated with solicited ratings as compared to unsolicited ratings. Unsolicited ratings may only be used in cases where a solicited rating is not available.

Mapping to SBP Rating Grades

The selected final ratings (after application of the principles stated above) for all exposures need to be translated to the standard rating grades given by the SBP. In this regard, the mapping tables to be used for converting ECAI ratings to SBP rating grades are given below:

Long – Term Rating Grades Mapping

SBP Rating grade	Fitch	Moody's	S & P	PACRA	JCR-VIS	ECA Scores
1	AAA	Aaa	AAA	AAA	AAA	0
	AA+	Aa1	AA+	AA+	AA+	1
	AA	Aa2	AA	AA	AA	
	AA-	Aa3	AA-	AA-	AA-	
2	A+	A1	A+	A+	A+	2
	A	A2	A	A	A	
	A-	A3	A-	A-	A-	
3	BBB+	Baa1	BBB+	BBB+	BBB+	3
	BBB	Baa2	BBB	BBB	BBB	
	BBB-	Baa3	BBB-	BBB-	BBB-	
4	BB+	Ba1	BB+	BB+	BB+	4
	BB	Ba2	BB	BB	BB	
	BB-	Ba3	BB-	BB-	BB-	
5	B+	B1	B+	B+	B+	5
	B	B2	B	B	B	6
	B-	B3	B-	B-	B-	
6				CCC	CCC	7
	CCC+ and below	Caa1 and below	CCC+ and below	CC C	CC C D	

Short – Term Rating Grades Mapping

SBP Rating Grade	Fitch	Moody's	S & P	PACRA	JCR-VIS
S1	F1	P-1	A-1+ A-1	A-1+ A-1	A-1+ A-1
S2	F2	P-2	A-2	A-2	A-2
S3	F3	P-3	A-3	A-3	A-3
S4	Others	Others	Others	Others	Others

Types of exposures and ECAI's used

Exposures	JCR-VIS	PACRA	FITCH	Standard & Poors	ECA scores
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	-
Sovereigns	-	-	-	-	✓
PSE	✓	✓	-	-	-

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Credit exposures subject to Standardized Approach

Exposures	Rating category	2009 Amount outstanding	2009 Deduction CRM	2009 Net amount	2008 Amount outstanding	2008 Deduction CRM	2008 Net amount
		-------------------Rupees in '000------------------			-------------------Rupees in '000------------------		
Cash and Cash Equivalents	-	13,813,277	-	13,813,277	14,893,506	-	14,893,506
Claims on Government of Pakistan (Federal or Provincial Governments) and SBP, denominated in PKR	-	62,121,705	6,228,951	55,892,754	139,692,559	12,155,890	127,536,669
Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	-	4,487,971	-	4,487,971	4,732,746	-	4,732,746
Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	1	1,946,332	-	1,946,332	12,640,404	-	12,640,404
	2	12,669,156	-	12,669,156	8,368,632	-	8,368,632
	3	-	-	-	-	-	-
	4,5	6,668,157	(22,570)	6,690,727	6,785,270	-	6,785,270
	6	2,528,342	-	2,528,342	4,121,052	-	4,121,052
	Unrated	26,338	-	26,338	28,799	-	28,799
		23,838,325	(22,570)	23,860,895	31,944,157	-	31,944,157
Corporate	0	-		-	1,985,549	-	1,985,549
	1	15,388,248	9,092	15,379,156	8,964,923	62,769	8,902,154
	2	6,182,276	107,907	6,074,369	2,673,643	130,669	2,542,974
	3,4	1,679,117	-	1,679,117	2,916,477	-	2,916,477
	5,6	1,182,235	-	1,182,235	-	-	-
	Unrated	270,537,693	28,284,682	242,253,011	277,499,611	5,005,365	272,494,246
		294,969,569	28,401,681	266,567,888	294,040,203	5,198,803	288,841,400
Banks	0	-	-	-	-	-	-
	1	37,788,122	22,769,911	15,018,211	42,168,289	17,134,820	25,033,469
	2,3	26,124,854	47,116	26,077,738	6,133,005	2,528,842	3,604,163
	4,5	3,506,514	576	3,505,938	3,010,901	-	3,010,901
	6	-	-	-	-	-	-
	Unrated	12,899,955	158,346	12,741,609	7,698,801	16,759	7,682,042
		80,319,445	22,975,949	57,343,496	59,010,996	19,680,421	39,330,575
Claims on banks with maturity less than 3 months and denominated in foreign currency	1,2,3	-	-	-	2,996,416	-	2,996,416
	4,5	-	-	-	2,747,459	-	2,747,459
	6	-	-	-	-	-	-
	Unrated	-	-	-	3,891,789	-	3,891,789
		-	-	-	9,635,664	-	9,635,664
Public sector	0	-	-	-	4,469	-	4,469
	1	6,656,459	589,581	6,066,878	17,143,202	3,396,643	13,746,559
	2,3	-	-	-	-	-	-
	4,5	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	66,982,129	45,468,416	21,513,713	32,923,943	21,314	32,902,629
		73,638,588	46,057,997	27,580,591	50,071,614	3,417,957	46,653,657
Retail	75%	65,720,344	3,268,265	62,452,079	64,599,491	1,052,777	63,546,714
	35%	5,619,903	-	5,619,903	21,664,368	-	21,664,368
		71,340,247	3,268,265	68,071,982	86,263,859	1,052,777	85,211,082
Equity Investments							
- Listed	100%	9,086,220	-	9,086,220	2,144,587	969,040	1,175,547
- Unlisted	150%	441,824	-	441,824	441,465	146,497	294,968
		9,528,044	-	9,528,044	2,586,052	1,115,537	1,470,515
Past due loans							
- Less than 20%	150%	3,576,454	212,420	3,364,034	3,573,906	191,731	3,382,175
- Between 20% to 50%	100%	11,399,342	4,191,246	7,208,096	7,152,233	2,632,536	4,519,697
- More than 50%	50%	25,846,230	23,347,721	2,498,509	18,176,970	15,678,509	2,498,461
		40,822,026	27,751,387	13,070,639	28,903,109	18,502,776	10,400,333
Past due loans secured against mortgage of residential property:							
- past due for more than 90 days	100%	626,876	80,912	545,964	492,347	-	492,347
- past due by 90 days	50%	891,713	400,312	491,401	397,619	205,462	192,157
		1,518,589	481,224	1,037,365	889,966	205,462	684,504
All Fixed Assets	100%	23,242,572	-	23,242,572	19,521,668	-	19,521,668
Others		8,372,309	1,546,703	6,825,606	9,810,187	2,473,776	7,336,411
Total		708,012,667	136,689,587	571,323,080	751,996,286	63,803,399	688,192,887

Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

The Group has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. No credit risk mitigation benefit is taken in the trading book. In instances where the Group's exposure on an obligor is secured by collateral that conforms to the eligibility criteria under the Comprehensive Approach of CRM, then the Group reduces its exposure under that particular transaction by taking into account the risk mitigating effect of the collateral for the calculation of capital requirement i.e. risk weight of the collateral instrument securing the exposure is substituted for the risk weight of the counter party.

The Group accepts cash, lien on deposits, government securities and eligible guarantees etc. under the comprehensive approach of Credit Risk Mitigation. The Group has in place detailed guidelines with respect to valuation and management of various collateral types. In order to obtain the credit risk mitigation benefit, the Group uses realizable value of eligible collaterals to the extent of outstanding exposure.

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Counterparty ratings are obtained through the two local SBP authorized External Credit Rating Agencies; JCR VIS and PACRA and other international sources such as Standard and Poor's, Fitch and Moody's. Credit risk assessment and the continuous monitoring of counterparty and portfolio credit exposures is carried out by the Credit Risk Management function.

The wholesale portfolio, which includes corporate, commercial and agricultural loans are ideally collateralized by cash equivalents, fixed and current assets including property plant and equipment and land. Loans to individuals are typically secured by autos for car loans and private or income producing real estate is secured by a mortgage over the relevant property.

The Group manages limits and controls concentrations of credit risk as identified, in particular, to individual counterparties and groups, and to industries and countries, where appropriate. Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. Group sets limits on its credit exposure to counterparty groups, by industry, product, counterparty and geographical location, in line with SBP standards. Limits are also applied in a variety of forms to portfolios or sectors where Group considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

The Group classifies a claim as impaired if it considers it likely that it will suffer a loss on that claim as a result of the obligor's inability to meet its commitments (including interest payments, principal repayments or other payments due) after realization of any available collateral. Loans carried at amortized cost are classified as non-performing where payment of interest, principal or fees is overdue by more than 90 days. Allowances or provisions are determined such that the carrying values of impaired claims are consistent with the requirements of SBP. The authority to establish allowances, provisions and credit valuation adjustments for impaired claims, is vested in Finance Division and is according to SBP regulations. Details are given in note 10 to these financial statements.

44.1.2 Geographical segment analysis

	2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan operations	11,804,300	484,460,960	32,231,500	362,537,146
United States of America	111,414	2,138,970	1,259,785	320,870
Europe	95,224	22,661,929	8,149,517	3,702,120
Asia Pacific	58,448	708,459	321,518	166,269
Middle East	2,322,795	130,479,211	25,356,043	83,660,911
	2,587,881	155,988,569	35,086,863	87,850,170
	14,392,181	640,449,529	67,318,363	450,387,316

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan operations	9,721,480	462,033,125	21,653,667	394,539,543
United States of America	177,668	736,875	932,672	-
Europe	378,069	20,291,474	10,157,008	2,647,897
Asia Pacific	41,387	1,336,065	207,453	38,862,833
Middle East	3,733,447	136,309,850	16,444,864	49,426,850
	4,330,571	158,674,264	27,741,997	90,937,580
	14,052,051	620,707,389	49,395,664	485,477,123

Total assets employed include intra group items of Rs.Nil.

44.2 Market Risk

Market risk is the risk that a bank may experience loss due to unfavourable movements in market prices. It results from changes in the prices of equity instruments, fixed-income securities and currencies. Its major components are, therefore, equity position risk, rate-of-return risk, and currency risk. Each component of risk includes general aspect of market risk and a specific aspect of market risk that originates in the portfolio structure of a bank.

Market risk measures and controls are applied at the portfolio level, and concentration limits and other controls are applied where necessary to individual risk types, to particular books and to specific exposures. Portfolio risk measures are common to all market risks, but concentration limits and other controls are tailored to the nature of the activities and the risks they create.

Trading activities are centered in the Treasury and Capital Market (TCM) and include market making, facilitation of client business and proprietary position taking. The Group is active in the cash and derivative markets for equities, fixed income and interest rate products and foreign exchange.

Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price volatility and market depth and liquidity. They include controls on exposure to individual market risk variables, such as individual interest or exchange rates ('risk factors'), and on positions in the securities of individual issuers.

Treasury and Market Risk (TMR) division performs all market risk management activities within the Group. The Division is composed of two wings, i.e., Treasury Middle Office and Market Risk Management. The Market Risk Department is responsible for developing and reviewing market risk policies, strategies, processes, conducting market research, and is involved in model construction and testing etc. Middle Office is taking care of the operational side. It has to ensure monitoring and implementation of market risk and other policies, escalation of any deviation to senior management, compilation and MIS reporting, etc.

44.2.1 Segmental information

44.2.1.1 Segments by class of business

	2009					
	Gross Advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	6,081,931	1.56%	11,971,327	2.38%	1,235,141	0.27%
Agri business	50,894,347	13.03%	21,026,267	4.17%	48,362	0.01%
Textile spinning	19,541,766	5.00%	1,225,983	0.24%	3,153,486	0.70%
Textile weaving	7,788,745	1.99%	804,049	0.16%	3,307,899	0.73%
Textile composite	21,246,034	5.44%	965,467	0.19%	244,588	0.05%
Textile others	13,090,077	3.35%	1,981,459	0.39%	2,521,137	0.56%
Cement	6,508,094	1.67%	988,097	0.20%	1,471,077	0.33%
Sugar	7,068,609	1.81%	2,360,348	0.47%	16,915	0.00%
Shoes and leather garments	2,200,397	0.56%	1,827,377	0.36%	11,522	0.00%
Automobile and transportation equipment	5,574,069	1.43%	4,318,840	0.86%	1,306,428	0.29%
Financial	5,679,937	1.45%	11,835,140	2.35%	262,516,211	58.29%
Insurance	-	0.00%	13,802,720	2.74%	37,673	0.01%
Electronics and electrical appliances	2,159,288	0.55%	7,076,567	1.40%	1,931,037	0.43%
Production and transmission of energy	41,179,308	10.55%	19,932,300	3.96%	20,328,644	4.51%
Paper and allied	1,125,589	0.29%	1,016,292	0.20%	267,165	0.06%
Surgical and metal	567,366	0.15%	1,553,961	0.31%	95,659	0.02%
Contractors	2,600,466	0.67%	18,104,119	3.59%	20,133,503	4.47%
Wholesale traders	11,749,311	3.01%	26,658,663	5.29%	1,383,149	0.31%
Fertilizer dealers	5,729,029	1.47%	9,516,985	1.89%	1,461,840	0.32%
Sports goods	432,121	0.11%	868,470	0.17%	70,510	0.02%
Food industries	7,470,504	1.91%	3,231,634	0.64%	2,241,180	0.50%
Airlines	5,569,645	1.43%	1,621,206	0.32%	118,910	0.03%
Cables	379,600	0.10%	225,097	0.04%	255,330	0.06%
Construction	26,087,924	6.68%	7,793,699	1.55%	7,829,209	1.74%
Containers and ports	95,855	0.02%	1,223,696	0.24%	1,036,486	0.23%
Engineering	1,496,050	0.38%	3,124,994	0.62%	3,093,417	0.69%
Glass and Allied	444,982	0.11%	914,092	0.18%	316,022	0.07%
Hotels	2,747,484	0.70%	1,018,965	0.20%	303,976	0.07%
Infrastructure	2,507,584	0.64%	4,547,147	0.90%	32,018	0.01%
Media	-	0.00%	448,233	0.09%	77,411	0.02%
Polyester and fibre	3,403,956	0.87%	409,196	0.08%	117,122	0.03%
Telecommunication	8,557,307	2.19%	3,526,634	0.70%	25,329,025	5.62%
Individuals	81,411,045	20.85%	269,979,202	53.59%	3,361,186	0.75%
Others	39,105,534	10.01%	47,933,444	9.51%	84,734,076	18.81%
	390,493,953	100.00%	503,831,672	100.00%	450,387,316	100.00%

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	2008					
	Gross Advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Chemical and pharmaceuticals	4,969,946	1.25%	3,346,416	0.68%	6,493,951	1.34%
Agri business	28,392,337	7.14%	23,389,224	4.75%	45,358	0.01%
Textile spinning	22,498,135	5.66%	743,221	0.15%	2,167,314	0.45%
Textile weaving	8,405,185	2.11%	283,074	0.06%	1,724,231	0.36%
Textile composite	21,799,000	5.48%	784,763	0.16%	581,207	0.12%
Textile others	13,002,671	3.27%	1,517,089	0.31%	7,523,260	1.55%
Cement	5,748,245	1.45%	1,095,680	0.22%	15,777,626	3.25%
Sugar	7,125,739	1.79%	2,328,901	0.47%	108,543	0.02%
Shoes and leather garments	3,083,922	0.78%	2,113,705	0.43%	273,673	0.06%
Automobile and transportation equipment	9,625,335	2.42%	3,599,445	0.73%	3,077,958	0.63%
Financial	7,395,753	1.86%	8,919,716	1.81%	263,913,854	54.36%
Insurance	-	0.00%	13,203,155	2.68%	71,278	0.01%
Electronics and electrical appliances	2,543,023	0.64%	3,511,547	0.71%	1,971,279	0.41%
Production and transmission of energy	39,135,346	9.84%	23,219,533	4.72%	28,780,455	5.93%
Paper and allied	1,987,626	0.50%	783,732	0.16%	227,899	0.05%
Surgical and metal	928,548	0.23%	1,404,496	0.29%	108,109	0.02%
Contractors	2,353,124	0.59%	16,324,227	3.32%	2,355,113	0.49%
Wholesale traders	13,395,158	3.37%	24,116,087	4.90%	1,435,078	0.30%
Fertilizer dealers	5,396,543	1.36%	9,433,187	1.92%	1,957,674	0.40%
Sports goods	563,160	0.14%	530,438	0.11%	22,652	0.00%
Food industries	7,580,540	1.91%	4,932,417	1.00%	2,598,762	0.54%
Airlines	7,953,299	2.00%	1,737,760	0.35%	21,269	0.00%
Cables	365,900	0.09%	81,578	0.02%	651,244	0.13%
Construction	21,888,695	5.50%	10,010,811	2.03%	33,764,171	6.95%
Containers and ports	192,406	0.05%	2,023,997	0.41%	895	0.00%
Engineering	2,175,931	0.55%	2,593,967	0.53%	610,024	0.13%
Glass and Allied	607,918	0.15%	599,924	0.12%	129,092	0.03%
Hotels	3,201,814	0.81%	853,170	0.17%	25,366	0.01%
Infrastructure	3,113,952	0.78%	1,842,238	0.37%	5,491	0.00%
Media	493,290	0.12%	457,455	0.09%	93,620	0.02%
Polyester and fibre	1,739,026	0.44%	229,345	0.05%	51,127	0.01%
Telecommunication	8,297,343	2.09%	1,510,486	0.31%	7,354,556	1.51%
Individuals	91,926,964	23.11%	258,799,330	52.57%	17,080,211	3.52%
Others	49,850,570	12.53%	65,947,783	13.40%	84,474,783	17.40%
	397,736,446	100.00%	492,267,898	100.00%	485,477,123	100.00%

44.2.1.2 Segment by Sector

	2009					
	Gross Advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	66,948,105	17.14%	50,369,132	10.00%	63,563,612	14.11%
Private	323,545,848	82.86%	453,462,540	90.00%	386,823,704	85.89%
	390,493,953	100.00%	503,831,672	100.00%	450,387,316	100.00%

	2008					
	Gross Advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/Government	44,845,490	11.28%	79,197,323	16.09%	72,427,524	14.92%
Private	352,890,956	88.72%	413,070,575	83.91%	413,049,599	85.08%
	397,736,446	100.00%	492,267,898	100.00%	485,477,123	100.00%

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44.2.2 Details of non performing advances and specific provisions by class of business segment

	2009		2008	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Chemical and pharmaceuticals	309,349	177,596	165,190	130,312
Agri business	1,508,525	862,526	1,625,152	604,915
Textile spinning	5,017,860	3,927,267	2,420,187	2,013,992
Textile weaving	888,722	867,460	242,469	235,243
Textile composite	998,902	765,271	724,001	570,310
Textile others	2,935,380	2,365,528	2,767,639	2,489,931
Cement	4,450	4,450	31,598	29,483
Sugar	33,638	33,638	34,782	34,782
Shoes and leather garments	241,948	180,321	97,319	78,005
Automobile and transportation equipment	1,019,508	704,676	783,119	656,798
Financial	59,305	22,348	43,675	23,774
Insurance	-	-	-	-
Electronics and electrical appliances	542,892	428,957	240,344	66,513
Production and transmission of energy	2,927,748	1,942,137	154,429	154,429
Paper and allied	173,212	116,438	39,881	39,881
Surgical and metal	1,775	1,775	44,515	33,423
Contractor	-	-	6,540	3,501
Wholesale traders	1,024,613	648,018	963,506	690,107
Fertilizer dealers	6,182	4,364	36,549	21,440
Sports goods	280,675	279,310	307,202	300,339
Food industries	795,442	781,194	714,275	670,400
Construction	4,106,175	1,249,378	3,059,111	512,722
Containers and ports	-	-	-	-
Engineering	353,454	353,454	353,111	341,571
Steel	-	-	-	-
Glass and Allied	29,796	14,899	34,976	17,488
Hotels	489,493	116,586	202,338	2,338
Infrastructure	-	-	-	-
Media	-	-	-	-
Polyester and fibre	1,702,376	1,668,561	1,744,057	960,778
Telecommunication	-	-	14,000	2,421
Individuals	11,145,588	8,073,785	8,542,935	5,608,049
Others	3,468,228	2,110,913	3,159,823	2,274,437
	40,065,236	27,700,850	28,552,723	18,567,382

44.2.3 Details of non performing advances and specific provision by sector

	2009		2008	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Public / Government	-	-	-	-
Private	40,065,236	27,700,850	28,552,723	18,567,383
	40,065,236	27,700,850	28,552,723	18,567,383

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The scope of market risk management is as follows:

- To keep the market risk exposure within the Group's risk appetite as assigned by the Board of Directors (BOD).

- All the market risk policies are approved by the BOD and implementation is done by the senior management through MRC, Treasury and Market Risk division.

- Various limits have been assigned to different businesses on a product-portfolio basis. All the products have been approved through product programs, where all the risk have been identified and limits and parameters to operate have been set.

- Any transaction / product falling beyond the Product Policy Manuals must be approved through separate transaction / product memo.

44.2.4 Foreign Exchange Risk

	2009			
	Assets	Liabilities	Off - balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	544,311,005	477,309,003	(7,376,198)	59,625,804
US Dollar	36,427,386	35,678,901	128,765	877,250
Pound Sterling	15,648,746	16,217,506	5,300,828	4,732,068
Japanese Yen	317,257	276,281	(41,117)	(141)
Euro	3,330,172	6,801,212	3,508,282	37,242
UAE Dirham	3,078,195	2,122,578	(1,061,846)	(106,229)
Bahrain Dinar	18,850,218	18,874,901	-	(24,683)
Qatari Riyal	795,762	-	(842,508)	(46,746)
Other Currencies	17,690,787	15,850,784	383,794	2,223,798
	640,449,529	573,131,166	-	67,318,363

	2008			
	Assets	Liabilities	Off - balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	439,513,706	394,866,701	3,263,227	47,910,232
US Dollar	46,659,832	42,844,714	(4,025,639)	(210,521)
Pound Sterling	16,871,368	11,606,861	3,156,482	8,420,989
Japanese Yen	59,183	61,562	26,292	23,913
Euro	3,654,139	8,599,843	5,503,905	558,201
UAE Dirham	79,149,702	78,552,022	(593,973)	3,707
Bahrain Dinar	11,399,872	11,038,396	-	361,476
Qatari Riyal	17,590,011	17,707,716	(391)	(118,096)
Other Currencies	5,809,576	6,033,910	(7,329,903)	(7,554,237)
	620,707,389	571,311,725	-	49,395,664

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. Foreign exchange positions are reported on a consolidated basis and limits are used to monitor exposure in individual currencies.

The Group is an active participant in currency cash and derivatives markets and carries currency risk from these trading activities, conducted primarily in the Treasury & Capital Markets. These trading exposures are subject to prescribed stress, sensitivity and concentration limits. Details of foreign exchange contracts, most of which arise from trading activities and contribute to currency risk, are shown in this note.

The Group's reporting currency is the PKR, but its assets, liabilities, income and expense are denominated in many currencies. Reported profits or losses are translated daily into PKR, reducing volatility in the Group's earnings from subsequent changes in exchange rates within the limits regulated by SBP. Treasury also, from time to time, proactively hedges significant expected foreign currency earnings / costs (mainly USD, EUR and GBP) within a time horizon up to one year, in accordance with the instructions of the SBP and subject to pre-defined limits.

44.2.5 Equity position risk in the banking book – Basel II specific

Equity risk is the risk of loss resulting from changes in the levels of equity indices and values of individual stocks. Equity investments in banking book are normally taken on by the Investment Banking Group (IBG) and Treasury and Capital Markets. The positions held for capital gains are classified in Held for Trading (HfT) and Available for Sale (AfS) portfolios, whereas a separate strategic portfolio is maintained for position held for relationship or strategic purposes.

Product programs have been developed to discuss in detail the objectives / policies for equity investments and accounting / valuation procedures.

Currently, UBL is following Average Costing (AVCO) policy for accounting of equity investment / trading portfolios. Revaluation (MTM) of portfolio is done on a daily basis and separate profit and loss / balance sheet accounts are maintained for different portfolios.

UBL's equity investments portfolio includes Listed company shares, Mutual Funds, Unlisted companies and other illiquid investments (non-tradable due to de-listing, etc.). Treasury Capital Market's investments generally constitute of highly liquid listed shares (highly publicly traded) and are classified in HFT and AFS portfolios. IBG's investments are held with medium to long term gains with some part in listed shares and mutual funds while the rest are included in strategic investment.

Equity position risk in trading book arises due to changes in prices of individual stocks or levels of equity indices. UBL's equity trading book comprises of Treasury Capital Market's Held-for-Trading (HFT) & Available-for-Sale (AFS) portfolios and Investment Banking Group's AFS portfolio. Objective of Treasury Capital Market's HFT portfolio is to take advantages of short-term capital gains, while the AFS portfolio is maintained with a medium-term view of capital gains and dividend income. IBG maintained its AFS portfolio with a medium-long term view of capital gains and higher dividend yields. Separate product program manuals have been developed to discuss in detail the objectives / policies, risks / mitigates, limits / controls for equity trading portfolios of TCM and IBG.

44.2.6 Yield / Interest Rate Risk in the Banking Book (IRRBB)

The increase (decline) in earnings or economic value (or any other relevant measures used by management) for upward and downward shocks according to management's method for measuring IRRBB, broken down by currencies (if any, and than translated into rupees).

Interest rate risk is the risk of loss resulting from changes in interest rates, including changes in the shape of yield curves. It is controlled primarily through a limit structure. Exposure to interest rate movements can be expressed for all interest rate sensitive positions as the impact on their fair values of a one basis point (0.01%) change in interest rates.

Interest rate risk is inherent in many of the Group's businesses and arises from factors such as mismatches between contractual maturities or re-pricing of on and off balance sheet assets & liabilities. Interest rate risk arises from the banking book mainly through its advances and deposits portfolio, particularly the Corporate, Commercial and Consumer business's books.

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44.2.7 Mismatch of Interest Rate Sensitive Assets and Liabilities

	Effective yield/ Interest rate	Total	Exposed to Yield / Interest risk (2009)									Non-interest bearing financial instruments
			Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years	
	%	(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.01%	61,252,772	15,398,540	-	-	-	-	-	-	-	-	45,854,232
Balances with other banks	0.6%	14,049,990	6,546,749	2,029,733	680,099	-	-	-	-	-	-	4,793,409
Lendings to financial institutions	10.8%	23,162,130	18,483,355	2,773,622	385,669	143,875	1,210,610	165,000	-	-	-	-
Investments	10.4%	137,734,578	6,054,475	49,292,312	28,353,250	17,014,397	3,252,847	4,407,582	1,432,058	13,138,356	3,639,751	11,149,548
Advances	13.0%											
Performing		349,715,209	77,542,326	144,052,123	52,589,999	51,493,148	10,279,900	6,853,267	6,853,267	-	-	51,179
Non Performing		12,364,387	-	-	-	-	-	-	-	-	-	12,364,387
Operating fixed assets - Ijara assets	10% - 23%	514,391	-	-	514,391	-	-	-	-	-	-	-
Other assets		13,108,576	-	-	-	-	-	-	-	-	-	13,108,576
		611,902,033	124,025,445	198,147,790	82,523,408	68,651,420	14,743,357	11,425,849	8,285,325	13,138,356	3,639,751	87,321,331
Liabilities												
Bills payable		5,166,361	-	-	-	-	-	-	-	-	-	5,166,361
Borrowings	11.2%	37,168,277	11,691,719	6,701,606	14,316,171	455,496	526,093	283,755	137,058	2,928,274	88,581	39,524
Deposits and other accounts	0.3-13.6%	503,831,672	103,680,944	123,272,252	42,761,077	52,195,507	7,234,507	3,539,662	3,539,662	3,513,600	-	164,094,462
Subordinated loans	12.60%	11,989,800	-	7,994,424	-	424	665,467	1,330,085	1,999,400	-	-	-
Liabilities against assets subject to finance lease	11.5-14.5%	611	-	-	478	133	-	-	-	-	-	-
Other liabilities		13,358,662	-	-	-	-	-	-	-	-	-	13,358,662
		571,515,383	115,372,663	137,968,282	57,077,726	52,651,560	8,426,067	5,153,502	5,676,120	6,441,874	88,581	182,659,009
On-balance sheet gap		40,386,650	8,652,782	60,179,508	25,445,682	15,999,860	6,317,290	6,272,347	2,609,205	6,696,482	3,551,170	(95,337,678)
Non financial net assets		26,931,714										
Total net assets		67,318,363										
Off-balance sheet financial instruments												
Interest rate swaps - Long position		11,014,381	7,094,496	175,000	421,208	1,050,196	102,273	750,000	1,000,000	421,208	-	-
Interest rate swaps - Short position		(11,014,381)	(957,598)	(382,598)	(2,198,481)	-	(1,000,000)	-	(6,054,496)	(421,208)	-	-
Cross Currency Swaps - Long Position		36,372,837	5,712,267	25,438,470	5,222,100	-	-	-	-	-	-	-
Cross Currency Swaps - Short Position		(36,372,837)	(5,712,267)	(25,438,470)	(5,222,100)	-	-	-	-	-	-	-
Swaptions - Long Position		2,527,248	-	2,527,248	-	-	-	-	-	-	-	-
Swaptions -Short Position		(2,527,248)	-	(2,527,248)	-	-	-	-	-	-	-	-
FX Options - Long position		410,535	-	-	-	-	-	-	-	-	-	410,535
FX Options - Short position		(410,535)	-	-	-	-	-	-	-	-	-	(410,535)
Commodity Indices - Long position		-	-	-	-	-	-	-	-	-	-	-
Commodity Indices - Short position		-	-	-	-	-	-	-	-	-	-	-
Equity Indices - Long position		-	-	-	-	-	-	-	-	-	-	-
Equity Indices - Short position		-	-	-	-	-	-	-	-	-	-	-
Forward Rate Agreements-Short position		-	-	-	-	-	-	-	-	-	-	-
Forward Rate Agreements-Long position		-	-	-	-	-	-	-	-	-	-	-
Forward Purchase of Govt. Securities		-	-	-	-	-	-	-	-	-	-	-
Forward Sale of Govt. Securities		-	-	-	-	-	-	-	-	-	-	-
Foreign currency forward purchases		92,086,590	26,411,085	42,328,428	22,624,587	722,491	-	-	-	-	-	-
Foreign currency forward sales		(47,499,455)	(35,327,341)	(11,286,064)	(886,050)	-	-	-	-	-	-	-
Off-balance sheet gap		44,587,135	(2,779,358)	30,834,766	19,961,264	1,772,687	(897,727)	750,000	(5,054,496)	-	-	-
Total Yield/Interest Risk Sensitivity Gap		84,973,784	5,873,424	91,014,274	45,406,946	17,772,547	5,419,563	7,022,347	(2,445,291)	6,696,482	3,551,170	(95,337,678)
Cumulative Yield/Interest Risk Sensitivity Gap		84,973,784	5,873,424	96,887,697	142,294,643	160,067,190	165,486,753	172,509,099	170,063,809	176,760,291	180,311,461	84,973,783

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

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

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	Effective yield/ Interest rate	Total	2008 - Exposed to Yield / Interest risk: Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years	Non-interest bearing financial instruments
	%	(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.40%	50,143,570	11,595,644	-	-	-	-	-	-	-	-	38,547,926
Balances with other banks	5.30%	14,540,307	4,901,020	2,663,012	-	639,025	260,805	-	-	-	-	6,076,445
Lendings to financial institutions	9.10%	22,805,341	21,735,819	449,824	208,372	65,492	179,167	166,667	-	-	-	-
Investments	8.50%	115,057,089	9,547,173	57,764,358	15,755,405	679,730	421,416	2,341,465	6,126,634	11,559,480	1,348,899	9,512,529
Advances	12.0%											
Performing		367,960,027	82,523,989	156,087,413	56,664,878	46,385,037	11,136,654	7,418,052	7,677,113	-	-	66,891
Non performing		9,985,339	-	-	-	-	-	-	-	-	-	9,985,339
Operating fixed assets-Ijara-assets	10% - 25%	741,919	-	42,369	127,108	572,442	-	-	-	-	-	-
Other assets	-	14,439,255	-	-	-	-	-	-	-	-	-	14,439,255
		595,672,847	130,303,645	217,006,976	72,755,763	48,341,726	11,998,042	9,926,184	13,803,747	11,559,480	1,348,899	78,628,385
Liabilities												
Bills payable	-	5,210,869	-	-	-	-	-	-	-	-	-	5,210,869
Borrowings	8.6%	44,749,691	43,091,213	1,550,000	-	-	-	-	-	-	-	108,478
Deposits and other accounts	1.9-20.2%	492,267,900	113,993,701	127,054,440	45,523,038	49,883,102	7,124,393	3,855,926	3,855,926	4,591,424	-	136,385,950
Subordinated loans	12.60%	11,993,848	-	7,997,624	-	424	848	665,467	3,329,485	-	-	-
Liabilities against assets subject		-										
to finance lease	11.5-14.5%	1,978	-	-	1,493	485	-	-	-	-	-	-
Other liabilities	-	14,301,214	-	-	-	-	-	-	-	-	-	14,301,214
		568,525,500	157,084,914	136,602,064	45,524,531	49,884,011	7,125,241	4,521,393	7,185,411	4,591,424	-	156,006,511
On-balance sheet gap		27,147,347	(26,781,269)	80,404,912	27,231,232	(1,542,285)	4,872,801	5,404,791	6,618,336	6,968,056	1,348,899	(77,378,126)
Non financial net assets		22,248,317										
Total net assets		49,395,664										
						-						
Off-balance sheet financial instruments												
Interest Rate Derivatives - Long position		20,758,372	4,465,985	4,279,925	43,332	259,444	3,142,105	1,170,455	6,397,126	1,000,000	-	-
Interest Rate Derivatives - Short position		(20,758,372)	(2,873,552)	(5,299,108)	(4,339,802)	-	-	(1,000,000)	(6,454,925)	(790,985)	-	-
Cross Currency Swap - Long position		15,948,869	-	11,249,669	4,449,200	-	-	250,000	-	-	-	-
Cross Currency Swap - Short Position		(15,948,869)	-	(11,249,669)	(4,449,200)	-	-	(250,000)	-	-	-	-
FX Options - Long position		891,725	891,725	-	-	-	-	-	-	-	-	-
FX Options - Short position		(6,723,373)	(6,723,373)	-	-	-	-	-	-	-	-	-
Commodity Indices - Long position		39,545	39,545	-	-	-	-	-	-	-	-	-
Commodity Indices - Short position		-	-	-	-	-	-	-	-	-	-	-
Equity Indices - Long position		355,943	355,943	-	-	-	-	-	-	-	-	-
Equity Indices - Short position		-	-	-	-	-	-	-	-	-	-	-
Forward Rate Agreements-Short position		(850,000)	(850,000)	-	-	-	-	-	-	-	-	-
Forward Rate Agreements-Long position		850,000	850,000	-	-	-	-	-	-	-	-	-
Forward Purchase of Govt. Securities		10,065,070	-	9,597,520	-	467,550	-	-	-	-	-	-
Forward Sale of Govt. Securities		(8,611,020)	-	(8,143,470)	-	(467,550)	-	-	-	-	-	-
Sale of Govt. Securities not yet purchased		-	-	-	-	-	-	-	-	-	-	-
Foreign currency forward purchases		79,929,121	38,211,338	20,619,302	18,564,127	2,353,462	180,892	-	-	-	-	-
Foreign currency forward sales		(55,616,766)	(17,639,096)	(16,497,240)	(18,303,946)	(3,001,953)	(174,531)	-	-	-	-	-
Off-balance sheet gap		20,330,245	16,728,515	4,556,929	(4,036,289)	(389,047)	3,148,466	170,455	(57,799)	209,015	-	-
Total Yield/Interest Risk Sensitivity Gap			(10,052,754)	84,961,841	23,194,943	(1,931,332)	8,021,267	5,575,246	6,560,537	7,177,071	1,348,899	(77,378,126)
Cumulative Yield/Interest Risk Sensitivity Gap			(10,052,754)	74,909,087	98,104,030	96,172,698	104,193,965	109,769,211	116,329,748	123,506,819	124,855,718	47,477,592

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

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

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44.3 Liquidity Risk

The Group's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. Scenarios encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of Group's business.

44.3.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

The maturity profile set out below has been prepared on the basis of contractual maturities. The management believes that such a maturity analysis does not reveal the expected maturity of current and saving deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The maturity profile disclosed in note 43.3.2 that includes maturities of current and saving deposits determined by the Assets and Liabilities Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis the liquidity risk of the bank.

	2009									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	---------- (Rupees in '000) ----------									
Assets										
Cash and balances with treasury banks	61,252,772	48,151,775	-	-	-	-	-	-	-	13,100,997
Balances with other banks	14,049,990	9,836,577	2,662,509	899,726	180,043	37,672	-	-	-	433,463
Lendings to financial institutions	23,162,130	18,323,555	2,319,313	783,185	216,592	354,485	1,000,000	165,000	-	-
Investments	137,734,578	2,132,842	20,045,826	19,544,119	20,076,565	6,708,279	8,084,089	33,793,777	25,404,237	1,944,848
Advances	362,079,596	122,194,665	44,938,461	37,724,332	37,850,760	27,098,325	7,526,873	25,376,341	51,269,189	8,100,648
Operating fixed assets	23,734,082	1,940,947	364,608	749,032	769,222	2,347,761	907,601	1,613,853	2,622,572	12,418,486
Deferred tax asset	649,814	40,744	-	-	273,858	335,212	-	-	-	-
Other assets	17,786,567	1,790,870	1,781,912	9,618,760	2,470,936	1,740,158	-	383,929	-	-
	640,449,529	204,411,975	72,112,629	69,319,154	61,837,976	38,621,892	17,518,563	61,332,900	79,295,998	35,998,442
Liabilities										
Bills payable	5,166,361	4,972,520	193,841	-	-	-	-	-	-	-
Borrowings	37,168,277	11,700,809	6,732,040	14,366,171	405,496	526,093	283,755	137,058	2,928,274	88,581
Deposits and other accounts	503,831,672	426,804,901	42,046,318	8,488,651	9,957,838	6,811,436	702,303	1,062,379	7,957,846	-
Subordinated loans	11,989,800	-	2,024	-	2,024	668,667	1,997,821	3,334,864	5,984,400	-
Liabilities against assets subject to finance leases	611	-	-	-	611	-	-	-	-	-
Other liabilities	14,974,445	30,721,503	(26,713,934)	1,729,996	7,450,947	(126,524)	-	-	1,912,455	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
	573,131,166	474,199,733	22,260,289	24,584,818	17,816,916	7,879,672	2,983,879	4,534,301	18,782,975	88,581
Net assets	67,318,363	(269,787,758)	49,852,340	44,734,336	44,021,060	30,742,220	14,534,684	56,798,599	60,513,023	35,909,861

Represented by:

Share capital	11,128,907
Reserves	21,167,954
Unappropriated profit	23,617,875
Minority interest	2,279,691
Surplus on revaluation of assets	9,123,936
	67,318,363

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	2008									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	50,143,570	45,409,616	-	-	-	-	-	-	-	4,733,954
Balances with other banks	14,540,306	11,477,194	-	3,063,112	-	-	-	-	-	-
Lendings to financial institutions	22,805,341	21,507,303	678,340	208,372	65,492	179,167	166,667	-	-	-
Investments	115,057,090	5,966,460	53,390,776	8,183,146	1,550,569	2,626,910	4,673,170	22,012,561	13,102,650	3,550,848
Advances	377,945,366	77,866,575	162,886,307	55,618,575	55,618,575	11,123,714	7,415,810	7,415,810	-	-
Operating fixed assets	19,926,915	136,927	273,857	410,785	821,571	1,643,142	942,132	1,521,688	4,722,069	9,454,744
Deferred tax asset	2,164,148	-	-	-	973,867	1,190,281	-	-	-	-
Other assets	18,124,653	6,121,078	721,453	11,282,122	-	-	-	-	-	-
	620,707,389	168,485,153	217,950,733	78,766,112	59,030,074	16,763,214	13,197,779	30,950,059	17,824,719	17,739,546
Liabilities										
Bills payable	5,210,870	5,210,870	-	-	-	-	-	-	-	-
Borrowings	44,749,690	43,199,690	1,550,000	-	-	-	-	-	-	-
Deposits and other accounts	492,267,898	240,816,664	136,724,757	45,466,021	49,554,339	7,243,728	3,935,482	3,935,482	4,591,424	-
Subordinated loans	11,993,848	-	2,024	-	2,024	4,052	668,668	4,664,947	6,652,133	-
Liabilities against assets subject to finance leases	1,978	-	-	-	1,978	-	-	-	-	-
Other liabilities	17,087,441	-	15,694,915	-	-	-	-	-	1,392,526	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
	571,311,725	289,227,224	153,971,696	45,466,021	49,558,341	7,247,780	4,604,150	8,600,429	12,636,083	-
Net assets	49,395,664	(120,742,071)	63,979,037	33,300,091	9,471,733	9,515,434	8,593,629	22,349,630	5,188,636	17,739,546

Represented by:

Share capital	10,117,188
Reserves	17,256,061
Unappropriated profit	17,703,327
Minority interest	2,044,589
Surplus on revaluation of assets	2,274,499
	49,395,664

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44.3.2 Maturities of assets and liabilities - based on working prepared by the Assets and Liabilities Management Committee (ALCO) of the Group

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

	2009									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	61,252,772	30,108,340	5,744,339	3,821,791	4,031,174	5,046,748	107,770	294,807	12,097,803	-
Balances with other banks	14,049,990	10,364,189	2,443,990	824,096	180,043	37,672	-	-	200,000	-
Lendings to financial institutions	23,162,130	20,623,296	2,159,149	169,075	-	210,610	-	-	-	-
Investments	137,734,578	17,557,963	19,241,497	18,917,627	16,066,142	5,469,278	3,794,038	29,480,465	25,093,085	2,114,483
Advances - Performing	349,715,209	113,791,821	53,482,143	34,093,945	31,042,626	26,082,159	8,800,873	26,010,075	47,508,041	8,903,526
- Non Performing	12,364,387	-	-	-	-	-	-	-	12,364,387	-
Other assets	17,786,567	3,166,659	1,019,732	12,877,160	62,799	-	-	-	660,217	-
Fixed assets	23,734,082	1,745,741	-	-	-	62,671	-	-	21,925,670	-
Deferred tax Assets	649,814	40,744			274,188	334,882	-	-	-	-
	640,449,529	197,398,753	84,090,850	70,703,694	51,656,972	37,244,020	12,702,681	55,785,347	119,849,203	11,018,009
Liabilities										
Bills payable	5,166,361	3,983,539	1,182,822	-	-	-	-	-	-	-
Borrowing	37,168,276	15,452,801	13,603,220	6,848,198	-	-	-	1,264,057	-	-
Deposits and other accounts	503,831,672	99,619,122	101,402,301	49,270,259	54,014,009	60,048,963	1,826,977	4,593,456	133,056,585	-
Subordinated loan	11,989,800	-	2,024	-	2,024	668,667	1,997,821	3,334,864	5,984,400	-
Liabilities against assets subject to finance leases	611	-	-	-	611	-	-	-	-	-
Deferred tax Liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	14,974,445	485,102	12,390,929	-	-	-	-	-	2,098,414	-
	573,131,166	119,540,564	128,581,296	56,118,457	54,016,644	60,717,630	3,824,799	9,192,377	141,139,399	-
Net assets	67,318,363	77,858,189	(44,490,446)	14,585,237	(2,359,672)	(23,473,609)	8,877,882	46,592,970	(21,290,196)	11,018,009

Represented by:

Share capital	11,128,907
Reserves	21,167,954
Unappropriated profit	23,617,875
Minority interest	2,279,691
Surplus on revaluation of assets	9,123,936
	67,318,363

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	2008									
	Total	Upto 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	50,143,570	14,384,285	14,456,461	3,797,711	3,377,681	3,927,894	226,159	222,229	9,746,155	4,995
Balances with other banks	14,540,306	11,764,500	1,875,976	-	639,025	260,805	-	-	-	-
Lendings to financial institutions	22,805,341	19,209,457	200,000	3,395,884	-	-	-	-	-	-
Investments	115,057,090	15,823,621	50,572,384	5,081,372	2,266,770	5,326,550	5,573,718	14,639,175	14,243,000	1,530,500
Advances - Performing	367,960,027	95,034,919	75,282,236	36,317,007	50,182,733	14,758,777	17,883,397	32,292,285	29,569,981	16,638,692
- Non Performing	9,985,339	-	-	-	-	-	-	-	-	9,985,339
Other assets	18,124,653	6,204,697	721,452	11,127,919	70,517	68	-	-	-	-
Fixed assets	19,926,915	1,840,289	-	-	-	65,181	-	-	18,021,445	-
Deferred tax Assets	2,164,148	114,713	-	-	918,850	1,130,585	-	-	-	-
	620,707,389	164,376,481	143,108,509	59,719,893	57,455,576	25,469,860	23,683,274	47,153,689	71,580,581	28,159,526
Liabilities										
Bills payable	5,210,870	4,171,980	1,038,890	-	-	-	-	-	-	-
Borrowing	44,749,690	30,406,505	10,078,790	4,264,395	-	-	-	-	-	-
Deposits and other accounts	492,267,898	110,626,321	92,615,090	53,533,980	52,076,880	51,620,620	3,479,791	7,018,943	121,282,039	14,235
Subordinated loan	11,993,848	-	2,024	-	2,024	4,048	668,667	4,664,957	6,652,128	-
Liabilities against assets subject to finance leases	1,978	-	-	-	1,978	-	-	-	-	-
Deferred tax Liability	-	-	-	-	-	-	-	-	-	-
Other liabilities	17,087,441	717,287	14,872,952	-	104,676	-	-	-	1,392,526	-
	571,311,725	145,922,093	118,607,746	57,798,375	52,185,558	51,624,668	4,148,458	11,683,900	129,326,693	14,235
Net assets	49,395,664	18,454,388	24,500,763	1,921,518	5,270,018	(26,154,808)	19,534,816	35,469,789	(57,746,112)	28,145,291

Represented by:

Share capital	10,117,188
Reserves	17,256,061
Unappropriated profit	17,703,327
Minority interest	2,044,589
Surplus on revaluation of assets	2,274,499
	49,395,664

44.4 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events.

The Group's Operational Risk Management implementation framework, is based on advanced risk management architecture. The framework is flexible enough to implement in stages, and permits the overall risk management approach to evolve in response to organizational learning and the future needs of the organization.

Following are the high-level strategic initiatives that the Group has undertaken for the effective implementation of Operational Risk Management:

- Recruiting skilled resources for Operational Risk Management.

- Engaging external consultants to assist us in the development of an operational risk management infrastructure.

- In conjunction with the external consultants, determining the current state of key risks and their controls residing in each business unit.

- Developing policies, procedures and defining end to end information flow to establish a vigorous governance infrastructure.

- Analyzing current systems for data collection, migration, validation and retention for current and historical reference and calculation. Data warehousing solutions are being assessed for timely availability and storage of data.

A consolidated Business Continuity Plan is being augmented for the Group which encompasses roles and responsibilities, recovery strategy, IT and structural backups, scenario and impact analyses and testing directives.

There are several IT developments underway in the credit, market and operational risk areas. Specifically for operational risk mitigation and control, an IT infrastructure is being developed along with the other high-level initiatives, including process re-engineering and inventorying of risks and controls within the Group. A methodology for Risk and Control Self Assessment is ready to be implemented at all core units of the Group.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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45. ISLAMIC BANKING BUSINESS

The bank is operating 05(2008:05) Islamic banking branches and 19(2008:14) Islamic banking windows. The balance sheet of the bank's Islamic Banking Branches at December 31, 2009 is as follows:

	2009	2008
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	208,180	259,264
Balances with other banks	93,410	396,325
Lendings to financial institutions	100,000	25,000
Investments	1,563,953	1,186,757
Financing and receivables		
- Murabaha	154,650	92,060
- Musharaka	222,222	250,000
- Diminishing Musharaka	261,259	127,850
	638,131	469,910
Operating fixed assets including assets given on Ijara	598,452	848,086
Other assets	548,396	148,826
Total Assets	3,750,522	3,334,168
LIABILITIES		
Bills payable	4,522	24,838
Deposits and other accounts		
- Current accounts	429,412	464,204
- Saving accounts	209,676	270,276
- Term deposits	459,878	413,322
- Deposits from financial institutions - remunerative	1,109,452	844,455
	2,208,418	1,992,257
Due to head office	948,744	1,145,380
Other liabilities	84,544	61,192
	3,246,228	3,223,667
NET ASSETS	504,294	110,501
REPRESENTED BY		
Islamic Banking Fund	681,000	470,000
Unappropriated/ Unremitted profit	(174,404)	(346,051)
	506,596	123,949
(Deficit) / surplus on revaluation of assets	(2,302)	(13,448)
	504,294	110,501

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009

The profit and loss account of the bank's Islamic Banking Branches for the year ended December 31, 2009 is as follows:

	2009	2008
	--------- (Rupees in '000) ---------	
Return earned	484,098	326,885
Return expensed	(110,927)	(74,733)
	373,171	252,152
Reversal / (Provision) for diminution in value of investment	99,904	(108,479)
Provision against assets given on Ijarah	(6,177)	(13,482)
	93,727	(121,961)
Net return after provision	466,898	130,191
Other Income		
Fee, commission and brokerage income	4,444	1,454
Dividend income	12,169	20,166
Income from dealing in foreign currencies	2,904	133
Loss on sale of securities	(14,969)	-
Other income	4,201	5,332
Total other income	8,749	27,085
	475,647	157,276
Administrative expenses	(304,000)	(347,197)
Net profit / (loss) for the year	171,647	(189,921)
Unappropriated loss brought forward	(346,051)	(156,130)
Unappropriated loss carried forward	(174,404)	(346,051)

	2009	2008
	--------- (Rupees in '000) ---------	
Remuneration to shariah Advisor / Board	1,924	2,467
CHARITY FUND		
Opening balance	19,609	-
Addition during the period	6,629	19,809
Payment / utilization during the period	5,506	200
Closing balance	20,732	19,609

46. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on March 01, 2010 has proposed a cash dividend in respect of 2009 of Rs. 2.5 per share (2008: cash dividend Re.1.00 per share). In addition, the directors have also announced a bonus issue of 10% (2008: 10%) These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2009 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2010.

47. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on March 01, 2010 by the Board of Directors of the Group.

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FOR THE YEAR ENDED DECEMBER 31, 2009

48. GENERAL

48.1 Comparatives

Comparative information has been re-classified, re-arranged or additionally incorporated in these consolidated financial statements for purposes of better presentation as follows:

- Rs. 334.132 million has been reclassified from mark-up interest earned (loan and advances to customers) to other income (income from dealing in derivatives).

- Rs. 108.479 million relating to provision for diminution in the value of investments has been reclassified from the results of the conventional banking branches to Islamic Banking branches.

- Rs. 348.606 million relating to non-banking assets acquired in satisfaction of claim has been reclassified from Non-performing advances to other assets.

Atif R. Bokhari	**Dr.Ashfaque Hasan Khan**	**Sir Mohammed Anwar Pervez, OBE, HPk**	**Nahayan Mabarak Al Nahayan**
President & Chief Executive Officer	**Director**	**Deputy Chairman**	**Chairman**