



***Consolidated
Financial Statements***

For The Quarter Ended March 31, 2009

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2009

	Note	(Un audited) Mar. 31, 2009	(Audited) Dec. 31, 2008
('Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		57,897,637	50,143,570
Balances with other banks		20,167,863	14,540,306
Lendings to financial institutions		13,679,249	22,805,341
Investments	5	142,472,954	115,057,090
Advances	6	368,662,175	378,293,973
Operating fixed assets		19,959,624	19,926,915
Other assets		17,815,043	17,309,187
Deferred tax asset - net		1,332,497	2,164,148
		<u>641,987,042</u>	<u>620,240,530</u>
LIABILITIES			
Bills payable		5,489,731	5,210,870
Borrowings from financial institutions	7	69,622,131	44,749,690
Deposits and other accounts	8	481,799,048	492,267,898
Sub-ordinated loans		11,991,824	11,993,848
Liabilities against assets subject to finance lease		1,535	1,978
Deferred tax liability - net		-	-
Other liabilities		17,922,847	16,620,583
		<u>586,827,116</u>	<u>570,844,867</u>
NET ASSETS		<u><u>55,159,926</u></u>	<u><u>49,395,663</u></u>
REPRESENTED BY			
Share capital		10,117,188	10,117,188
Reserves		18,834,796	17,256,061
Unappropriated profit		20,050,017	17,703,327
		49,002,001	45,076,576
Minority interest		2,058,583	2,044,589
		<u>51,060,584</u>	<u>47,121,165</u>
Surplus on revaluation of assets		4,099,341	2,274,498
		<u><u>55,159,926</u></u>	<u><u>49,395,663</u></u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 17 form an integral part of these financial statements.

Atif R. Bokhari
President &
Chief Executive Officer

Dr. Ashfaqe Hasan Khan
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED MARCH 31, 2009 - (Unaudited)

	Note	Jan - Mar 2009 (*Rupees in '000)	Jan - Mar 2008
Mark-up / Return / Interest Earned	10	16,459,320	11,373,574
Mark-up / Return / Interest Expensed	11	(8,282,966)	(4,813,940)
Net Mark-up / Interest Income		<u>8,176,355</u>	<u>6,559,634</u>
Provision for non-performing loans and advances		(1,666,480)	(886,594)
Provision against consumer loans		67,217	23,822
Provision for diminuation in value of investment		(290,060)	-
Bad debts written off directly		(334,660)	(330,907)
		<u>(2,223,983)</u>	<u>(1,193,679)</u>
Net Mark-up / Interest Income after provisions		<u>5,952,372</u>	<u>5,365,955</u>
NON MARK-UP/INTEREST INCOME			
Fee, Commission and Brokerage Income		1,376,493	1,692,723
Dividend Income		35,116	27,879
Gain on sale of securities		153,831	251,542
Income from dealing in foreign currencies		336,852	260,870
Other Income		428,632	1,007,667
Total non-markup/interest Income		<u>2,330,923</u>	<u>3,240,680</u>
		<u>8,283,295</u>	<u>8,606,635</u>
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	12	(4,199,466)	(3,765,436)
Other provisions / write offs		2,970	(56,699)
Worker welfare fund		(82,618)	-
Other charges		(820)	(179,151)
Total non-markup / interest expenses		<u>(4,279,934)</u>	<u>(4,001,286)</u>
		<u>4,003,361</u>	<u>4,605,349</u>
Extra ordinary / unusual items		-	-
Share of income of associates		179,915	121,850
PROFIT BEFORE TAXATION		<u>4,183,276</u>	<u>4,727,199</u>
Taxation – Current / prior		(1,621,664)	(1,862,891)
– Deferred		202,930	293,828
		<u>(1,418,734)</u>	<u>(1,569,063)</u>
PROFIT AFTER TAXATION		<u>2,764,542</u>	<u>3,158,136</u>
Share of Minority Interest		(7,984)	(28,001)
Profit attributable to Shareholders of the Bank		<u>2,756,558</u>	<u>3,130,135</u>
Unappropriated Profit brought forward		17,703,327	16,728,318
		<u>20,459,885</u>	<u>19,858,453</u>
Transferred from surplus on revaluation of fixed assets-net of tax		97,315	80,420
Profit before appropriations		<u>20,557,199</u>	<u>19,938,873</u>
APPROPRIATIONS			
Transfer to statutory reserve		(507,182)	(580,109)
Final cash dividend for the year ended December 31, 2007 declared subsequent to the year end		-	(2,428,125)
Transfer to reserve for issue of bonus shares		(507,182)	(2,023,438)
		<u>(507,182)</u>	<u>(5,031,672)</u>
Unappropriated profit carried forward		<u><u>20,050,017</u></u>	<u><u>14,907,201</u></u>
		(Rupees)	
Earnings per share		<u><u>2.72</u></u>	<u><u>3.09</u></u>

The annexed notes 1 to 17 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED MARCH 31, 2009 - (Unaudited)

Mar. 31, 2009 Mar. 31, 2008
(Rupees in '000)

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	4,183,276	4,727,199
Income from associates:	(179,915)	(121,850)
Dividend income	(35,116)	(27,878)
	3,968,245	4,577,471

Adjustments for non-cash charges

Depreciation	410,984	373,829
Worker Welfare Fund	82,618	-
Provision for retirement benefits	74,600	(1,817)
Provision Against Non-performing Advances	1,599,263	862,772
Provision for Diminution in the value of investments	290,060	-
(Gain) on sale of fixed assets	(2,437)	(213)
Finance Charges on leased assets	53,813	75
Provision against other assets	(17,878)	56,699
Unrealized gain on revaluation of investment classified as held for trading	(20,506)	-
Bad debts written off	334,660	330,907
	2,805,176	1,622,252
	6,773,421	6,199,723

(Increase)/ Decrease in operating assets

Lendings to financial institutions	9,126,092	(2,641,450)
Held-for-trading securities	(7,222,834)	(77,614)
Advances	7,697,875	(20,810,527)
Others assets	1,502,394	2,244,614
	11,103,527	(21,284,977)

Increase/ (Decrease) in operating liabilities

Bills Payable	278,861	(169,524)
Borrowings from financial institutions	24,872,441	(4,659,200)
Deposits	(10,468,850)	4,648,397
Other liabilities	(1,106,632)	(2,040,723)
	13,575,820	(2,221,050)

Payments for retirement benefits

	31,452,768	(17,306,304)
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Income tax paid	(205,291)	(619,553)
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Net cash flow from operating activities	30,723,401	(19,145,626)
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CASH FLOW FROM INVESTING ACTIVITIES

Net investment in securities	(17,902,166)	7,375,935
Dividend income	40,273	25,266
Investments in operating fixed assets	(289,233)	(564,843)
Sale proceeds of property and equipment disposed-off	10,886	51,345
Net cash flow from investing activities	(18,140,240)	6,887,703

CASH FLOW FROM FINANCING ACTIVITIES

Receipts / (Payments) of Sub-ordinated loan	(2,024)	5,999,176
Payments of lease obligations	(443)	(328)
Net cash flow from financing activities	(2,467)	5,998,848

Net cash flow	12,580,694	(6,259,075)
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Exchange difference on transaction of net investment in foreign branches and subsidiaries & minority

	800,930	325,490
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Increase/(Decrease) in cash and cash equivalents

	13,381,624	(5,933,585)
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Cash and cash equivalents at beginning of the period	64,683,876	68,604,536
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Cash and cash equivalents at end of the period	78,065,500	62,670,951
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The annexed notes 1 to 17 form an integral part of these financial statements.

Atif R. Bokhari
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Deputy Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED MARCH 31 2009

	Share capital	General Reserve	Statutory Reserve	Exchange Reserve	Reserve for issue of Bonus share	Cash flow hedge reserve	Unappropriated Profit	Minority Interest	Total
Rupees in '000									
Opening Balance on 1 January 2008	8,093,750	3,000	8,716,409	2,857,933	-	-	16,728,318	2,115,644	38,515,054
Final cash dividend for the year ended December 31, 2007 declared subsequent to year end	-	-	-	-	-	-	(2,428,125)	-	(2,428,125)
Bonus shares for December 2007 declared subsequent to year end	-	-	-	-	2,023,438	-	(2,023,438)	-	-
Profit after taxation for the quarter ended March 31, 2008	-	-	-	-	-	-	3,130,135	28,001	3,158,136
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	-	80,420	-	80,420
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	250,131	-	-	-	75,359	325,490
Transfer to Statutory reserves	-	-	580,109	-	-	-	(580,109)	-	-
Closing balance as at March 31, 2008	8,093,750	3,000	9,296,518	3,108,064	2,023,438	-	14,907,201	2,219,004	39,650,975
Interim cash dividend for the half year ended June 30, 2008	-	-	-	-	-	-	(1,517,578)	-	(1,517,578)
Profit after taxation for the nine months ended December 31, 2008	-	-	-	-	-	-	5,225,622	61,493	5,287,115
Issue of Bonus shares	2,023,438	-	-	-	(2,023,438)	-	-	-	-
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	-	174,597	-	174,597
Net loss on cash flow hedges - net of deferred tax	-	-	-	-	-	(276,633)	-	-	(276,633)
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	4,038,597	-	-	-	(180,684)	3,857,913
Preferred dividend relating to minority shareholders	-	-	-	-	-	-	-	(55,224)	(55,224)
Transfer to Statutory reserve	-	-	1,086,515	-	-	-	(1,086,515)	-	-
Closing balance as at December 31, 2008	10,117,188	3,000	10,383,033	7,146,661	-	(276,633)	17,703,327	2,044,589	47,121,165
Profit after taxation for the quarter ended March 31, 2009	-	-	-	-	-	-	2,756,558	7,984	2,764,542
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	-	97,315	-	97,315
Reversal of loss on cash flow hedges - net of deferred tax	-	-	-	-	-	276,633	-	-	276,633
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	794,920	-	-	-	6,010	800,930
Transfer to Statutory reserves	-	-	507,182	-	-	-	(507,182)	-	-
Closing balance as at March 31, 2009	10,117,188	3,000	10,890,215	7,941,581	-	-	20,050,017	2,058,583	51,060,584

The annexed notes 1 to 17 form an integral part of these financial statements.

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Deputy Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009**1. STATUS AND NATURE OF BUSINESS**

The Group consists of:

Holding Company

United Bank Limited (The Bank)

Subsidiary Companies

United National Bank Limited (UNBL), United Kingdom

United Bank AG (Zurich), Switzerland

United Executors and Trustees Company Limited

UBL Fund Managers Limited

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

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

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Whenever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence. The disclosures in these accounts have, however, been limited based on the requirements of International Accounting Standard 34, Interim Financial Reporting

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009
5. INVESTMENTS

Note	Mar. 31, 2009			Dec. 31, 2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in 000'-----						
5.1 Held-for-trading securities	5.1.1 6,950,143	4,920,944	11,871,087	4,648,253	-	4,648,253
Available-for-sale securities	5.1.2 72,920,869	27,518,469	100,439,338	81,835,468	14,269,456	96,104,924
Held-to-maturity securities	5.1.3 34,928,989	-	34,928,989	23,379,195	-	23,379,195
Investments in Associates	5.1.4 4,923,789	-	4,923,789	2,905,831	-	2,905,831
	119,723,790	32,439,413	152,163,203	112,768,747	14,269,456	127,038,203
Provision for Diminution in value of investments	(2,780,274)	-	(2,780,274)	(2,188,792)	-	(2,188,792)
Surplus / (deficit) on revaluation of available for sale investments	(6,824,649)	(105,833)	(6,930,482)	(9,671,911)	(109,728)	(9,781,639)
Surplus / (deficit) on revaluation of held for trading investments	17,002	3,504	20,506	(10,682)	-	(10,682)
Investments (net of provisions)	110,135,870	32,337,084	142,472,954	100,897,362	14,159,728	115,057,090

5.1.1 Held-for-trading securities

Market Treasury Bills	6,919,930	4,920,944	11,840,874	4,202,368	-	4,202,368
Ordinary shares of listed companies	30,213	-	30,213	348,506	-	348,506
Sukuk Bonds	-	-	-	81,450	-	81,450
Pakistan investment bonds	-	-	-	15,929	-	15,929
	6,950,143	4,920,944	11,871,087	4,648,253	-	4,648,253

5.1.2 Available for sale securities

Market treasury bills	26,099,088	26,892,665	52,991,753	33,775,219	13,841,226	47,616,445
Pakistan investment bonds	16,760,668	625,804	17,386,472	16,777,690	428,230	17,205,920
Foreign Currency bonds	14,403,755	-	14,403,755	15,272,429	-	15,272,429
Ordinary shares of listed companies	5,748,765	-	5,748,765	5,886,059	-	5,886,059
Euro Bonds	2,503,151	-	2,503,151	4,341,320	-	4,341,320
Government of Pakistan Islamic Bonds	4,888,784	-	4,888,784	2,493,607	-	2,493,607
Term Finance Certificates	1,750,743	-	1,750,743	2,172,450	-	2,172,450
Ordinary shares of unlisted companies	441,496	-	441,496	441,715	-	441,715
Sukuk Bonds	125,000	-	125,000	455,276	-	455,276
Units of mutual funds	191,299	-	191,299	211,583	-	211,583
Cumulative Preference Shares	8,120	-	8,120	8,120	-	8,120
	72,920,869	27,518,469	100,439,338	81,835,468	14,269,456	96,104,924

5.1.3 Held to maturity securities

Term Finance Certificates	16,320,751	-	16,320,751	4,915,803	-	4,915,803
Pakistan investment bonds	4,325,498	-	4,325,498	4,339,104	-	4,339,104
Certificate of deposits	-	-	-	4,091,750	-	4,091,750
CIRC bonds	2,900,000	-	2,900,000	2,900,000	-	2,900,000
Foreign securities	1,945,371	-	1,945,371	2,105,582	-	2,105,582
Government of Pakistan - Guranteed Bonds	1,662,859	-	1,662,859	1,485,444	-	1,485,444
Market treasury bills	5,739,914	-	5,739,914	1,263,178	-	1,263,178
Sukkok Bonds	1,078,372	-	1,078,372	1,094,372	-	1,094,372
Foreign currency bonds	914,041	-	914,041	1,138,686	-	1,138,686
Participation of Term Certificates	35,433	-	35,433	38,205	-	38,205
Debentures	6,347	-	6,347	6,676	-	6,676
CDC SAARC Fund	403	-	403	395	-	395
	34,928,989	-	34,928,989	23,379,195	-	23,379,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009

	Mar. 31, 2009			Dec. 31, 2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000'-----						
5.1.4 Investments in Associates						
United Money Market Fund	1,764,311	-	1,764,311	1,450,300	-	1,450,300
United Growth and Income Fund	1,504,719	-	1,504,719	338,024	-	338,024
United Composite Islamic Fund	394,526	-	394,526	327,193	-	327,193
United Islamic Income Fund	403,941	-	403,941	308,700	-	308,700
United Stock Advantage Fund	466,818	-	466,818	142,766	-	142,766
UBL Participation Protected Plan	212,966	-	212,966	75,500	-	75,500
UBL Insurers Limited	83,901	-	83,901	138,887	-	138,887
United Capital Protected Fund - 1	85,626	-	85,626	52,154	-	52,154
Oman United Exchange Company, Muscat	6,981	-	6,981	72,307	-	72,307
	4,923,789	-	4,923,789	2,905,831	-	2,905,831
	119,723,790	32,439,413	152,163,203	112,768,747	14,269,456	127,038,203
Provision for Diminution in value of investments	(2,780,274)		(2,780,274)	(2,188,792)	-	(2,188,792)
Surplus / (deficit) on revaluation of available for sale investments	(6,824,649)	(105,833)	(6,930,482)	(9,671,911)	(109,728)	(9,781,639)
Surplus / (deficit) on revaluation of held for trading investments	17,002	3,504	20,506	(10,682)	-	(10,682)
Investments (net of provisions)	110,135,870	32,337,084	142,472,954	100,897,362	14,159,728	115,057,090

	Mar. 31, 2009	Dec. 31, 2008
('Rupees in '000)		
6. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	269,673,074	278,513,709
Outside Pakistan	101,179,105	101,625,637
	370,852,179	380,139,346
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	14,164,462	12,401,963
Payable outside Pakistan	5,071,171	5,221,564
	19,235,633	17,623,527
	390,087,812	397,762,873
Finance in respect of continuous funding system (CSF)		322,180
	390,087,812	398,085,053
Provision for non-performing advances- specific	6.1	(20,229,433)
Provision for non-performing advances- General	6.2	(1,196,204)
		368,662,175
		378,293,973

6.1 Advances include Rs.31,963 million which have been placed under non-performing status as detailed below:-

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
	-----Rupees in '000'-----				
Other Assets Especially Mentioned	808,429	-	808,429	-	-
Substandard	5,077,802	131,076	5,208,878	1,021,168	1,021,168
Doubtful	7,167,913	581,510	7,749,423	2,429,751	2,429,751
Loss	15,114,797	3,082,405	18,197,202	16,778,514	16,778,514
	28,168,941	3,794,991	31,963,932	20,229,433	20,229,433

6.2 General provision represents provision amounting to Rs1,254.672 million (December 31, 2007: Rs. 1296.496 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs. 87.159 million (December 31, 2007: Rs. 128.685 million) pertaining to overseas and subsidiary advances to meet the requirements of monetary agencies and regulating authorities of the respective countries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009

	Mar. 31, 2009	Dec. 31, 2008
	('Rupees in '000)	
7. BORROWINGS FROM FINANCIAL INSTITUTIONS		
Secured		
Borrowings from financial institutions	-	-
Borrowings from State Bank of Pakistan		
- Under export refinance scheme	14,367,531	12,804,867
- Long term finance under export oriented projects	4,444,172	4,280,169
- Locally Manufactured Machinery	538	544
	18,812,241	17,085,580
Repurchase agreement borrowings	32,348,009	14,284,138
Unsecured		
Borrowings from other central Banks	-	-
Call borrowings	16,327,054	10,200,693
Overdrawn nostro accounts	1,436,337	2,116,282
Trading account liability	698,490	1,062,997
	18,461,881	13,379,972
	<u>69,622,131</u>	<u>44,749,690</u>
8. DEPOSITS AND OTHER ACCOUNTS		
Customers	Mar. 31, 2009	Dec. 31, 2008
	('Rupees in '000)	
Fixed deposits	184,675,464	190,496,105
Savings deposits	156,587,583	157,389,124
Sundry Deposits	6,411,086	4,957,358
Margin Deposits	3,605,858	3,993,023
Current Accounts - Remunerative	2,265,568	2,185,756
Current Accounts - Non-remunerative	125,822,530	132,111,190
	<u>479,368,089</u>	<u>491,132,556</u>
Financial Institutions		
Remunerative deposits	186,903	903,419
Non-remunerative deposits	2,244,056	231,923
	<u>2,430,959</u>	<u>1,135,342</u>
	<u>481,799,048</u>	<u>492,267,898</u>
9. CONTINGENCIES AND COMMITMENTS		
9.1 Direct Credit Substitutes		
Contingent liability in respect of guarantees given favouring:		
Government	11,787,510	12,738,399
Banking companies and other financial institutions	3,751,681	4,951,481
Others	8,801,542	8,642,081
	<u>24,340,733</u>	<u>26,331,961</u>
9.2 Transaction-related Contingent Liabilities		
Contingent liability in respect of performance bonds, bid bonds, warranties, etc.		
Government	54,722,725	60,706,466
Banking companies and other financial institutions	3,984,984	4,115,594
Others	17,866,567	17,061,793
	<u>76,574,276</u>	<u>81,883,853</u>
9.3 Trade-related Contingent Liabilities		
Contingent liability in respect of letters of credit favouring:		
Government	64,427,850	68,756,444
Banking companies and other financial institutions	1,090,009	32,013
Others	59,466,399	73,606,990
	<u>124,984,258</u>	<u>142,395,447</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009
9.4 Other Contingencies

Claims against the bank not acknowledge as debts	18,261,372	17,230,872
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9.5 Commitments to Extend Credit

The bank makes commitments to extend credit in the normal course of its business but these being recoverable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

9.6 Other commitments

Forward Purchase contract of government securities	-	10,065,070
Forward sale contracts of government securities	-	8,611,020
Interest rate swaps	18,399,266	20,758,372
Equity indices	281,091	355,943
Cross Currency Swaps	33,254,129	15,948,869
Forward rate agreements	-	850,000
FX options	2,701,788	25,460,283
Commodity options	40,251	39,545
Commitments in respect of capital expenditure	611,780	1,206,025

9.7 Commitments in respect of forward exchange contracts

Sale	95,303,345	55,616,766
Purchase	94,422,475	79,929,121

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

10. MARK-UP / RETURN / INTEREST EARNED

On loans and advances		
- Customers	12,411,931	8,299,395
- Financial institutions	273,812	319,812
	12,685,742	8,619,208
On investments in		
- Securities	3,319,456	2,217,645
- Associates	647	-
	3,320,103	2,217,645
On deposits with financial institutions	141,413	104,915
On securities purchased under resale agreements	289,425	399,827
Discount income	22,637	31,979
	16,459,320	11,373,574

11. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	6,826,964	3,520,576
On securities sold under repurchase agreements	417,055	674,730
On other short - term borrowings	524,895	280,467
On other long - term borrowings	381,068	296,842
Discount expense	132,984	41,324
	8,282,966	4,813,940

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009

	Jan - Mar 2009	Jan - Mar 2008
	----- (Rupees in '000) -----	
12. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	2,001,776	1,764,594
Outsourced service charges including sales commission	343,284	387,507
Contribution to retirement plan	44,240	30,832
Charge for compensated absences	30,360	35,102
Rent, taxes, insurance, electricity etc.	473,094	368,588
Communications	178,429	135,120
Advertisement and publicity	46,531	71,331
Depreciation	410,984	373,829
Stationery and printing	69,105	56,398
Banking service charge	114,341	93,854
Legal and professional charges	52,835	48,362
Cash transportation charges	95,246	50,117
Travelling	40,187	30,395
Repairs and maintenance	51,410	54,193
Donations	483	314
Insurance expenses	11,931	37,587
Vehicle expenses	23,456	23,842
Office running expenses	32,845	22,696
Entertainment	22,218	17,431
Cartage, freight and conveyance	16,833	14,052
Training and seminar	7,861	19,371
Auditors' remuneration	14,809	11,564
Subscriptions	7,862	9,530
Brokerage expenses	6,387	5,968
Sub debt expenses	2,002	21,336
Miscellaneous expenses	100,957	81,523
	<u>4,199,466</u>	<u>3,765,436</u>

13. TAXATION

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

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

For tax years 2004 to 2007 (financial year ended December 31, 2003 to 2006) the taxation authorities have issued amended assessment orders u/s. 122(5A) of the Ordinance, which were further rectified u/s 221 of the Ordinance determining additional tax liability of Rs.3,564 million. The return for the tax year 2003 was selected for audit under section 177 of the Ordinance and the amended assessment order was passed. The Bank has filed appeals before the CIT (A) against these amended assessments. Notwithstanding the challenging of the assessment in appeal before the Appellate Commissioner, on the grounds that the additions are arbitrary and uncalled for, the management has, on account of prudence, created the provision against the disallowances in the financial statements for the year ended December 31, 2007 and 2008.

Tax liabilities for tax years 2004 to 2008 amounting to Rs.1,605 M remained unpaid to date, and may be reduced to the extend of relief be allowed in appeals before CIT.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009
14. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

-----For the Period Ended March 31, 2009-----

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Assets Management	Others
	----- (Rupees in '000) -----					
Total income	139,771	3,899,506	6,338,039	8,037,133	92,988	282,806
Total expenses	(137,855)	(1,479,064)	(5,539,967)	(7,314,318)	(69,294)	(246,385)
Net income / (loss)	1,916	2,420,442	798,072	722,815	23,694	36,421
Segment return on assets (ROA) (%)	12.5%	9.0%	10.7%	15.0%	41.0%	1.1%
Segment cost of funds (%)	11.1%	8.8%	9.2%	11.7%	0.0%	2.1%

-----For the Period Ended March 31, 2008-----

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Assets Management	Others
	----- (Rupees in '000) -----					
Total income	289,352	3,414,286	5,633,741	5,208,404	150,712	39,609
Total expenses	(76,277)	(2,758,180)	(3,133,557)	(3,938,664)	(72,101)	(30,125)
Net income / (loss)	213,075	656,106	2,500,183	1,269,740	78,611	9,484
Segment return on assets (ROA) (%)	9.5%	9.0%	10.3%	9.2%	48.5%	1.3%
Segment cost of funds (%)	8.2%	7.3%	7.6%	8.0%	0.0%	2.0%

-----As at March 31, 2009-----

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Assets Management	Others
	----- (Rupees in '000) -----					
Segment assets (gross of NPL provisions)	7,452,915	189,806,906	217,218,975	243,083,690	423,766	4,230,223
Segment non performing loans (NPL)	-	-	18,836,989	13,126,943	-	-
Segment provision required against NPL	-	-	12,583,646	7,645,787	-	-
Segment liabilities	7,944,831	176,881,677	196,646,014	202,434,504	28,409	2,891,681

-----As at Dec. 31, 2008-----

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

15. RELATED PARTY TRANSACTIONS

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

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with the terms of their appointment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009
15.1 RELATED PARTY TRANSACTIONS

	For the Period Ended March 31 , 2009			For the year ended December 31, 2008		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	----- (Rupees in '000) -----					
Advances						
At January 01	148,875	-	-	80,592	-	-
Given during the period / year	11,432	-	-	135,743	-	-
Repaid during the period / year	(14,359)	-	-	(67,460)	-	-
At March 31, 2009	<u>145,948</u>	<u>-</u>	<u>-</u>	<u>148,875</u>	<u>-</u>	<u>-</u>

Deposits						
At January 01	20,149	147,701	308,347	14,252	231,886	5,865,116
Received during the period / year	57,824	4,698,978	300,138	543,947	44,273,279	2,034,774
Withdrawn during the period / year	(57,816)	(4,585,046)	(608,373)	(538,050)	(44,357,464)	(7,591,543)
At March 31, 2009	<u>20,157</u>	<u>261,633</u>	<u>112</u>	<u>20,149</u>	<u>147,701</u>	<u>308,347</u>

Balances with other banks	-	-	-	-	-	-
Outstanding placement at the end of the period / year	-	-	-	-	-	-
Outstanding borrowing at the end of the period / year	-	850,000	-	-	850,000	-
Payable in respect of acquisition of investment in equity shares	-	-	-	-	-	-
Distribution commission receivable	-	-	-	-	-	-
Other receivable	-	150	-	-	37,954	4,458
Other payable	-	11,164	-	-	164,932	-
Unearned income	-	-	-	-	-	-
Employee Motivation and Retention Scheme	-	-	401,051	-	-	338,552
Term Finance Certificate (Sale) / purchased	-	(277,172)	-	-	1,898,783	-

	For the Period Ended March 31 , 2009			For the Period Ended March 31 , 2008		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	----- (Rupees in '000) -----					
Mark-up / return / interest earned	1,885	-	-	800	-	-
Mark-up / return / interest expensed	197	13,305	-	28	2,145	52,092
Reimbursement of liaison office expenses paid to Bestway Group and Abu Dhabi Group	-	-	11,964	-	-	9,392
Dividend income received	-	-	-	-	-	-
Other expenses paid	-	-	-	-	-	-
Other income	-	35,798	-	-	33,427	-
Insurance premium paid	-	170,626	-	-	93,713	-
Remuneration paid	44,817	-	-	56,014	-	-
Post employment benefits	2,748	-	-	2,443	-	-
Contribution to defined contribution plan	-	-	129,804	-	-	57,982
Contribution to defined benefit plan	-	-	85,896	-	-	81,255
Employee Motivation and Retention Scheme	-	-	33,176	-	-	89,000
Placements made during the period / year	-	-	-	-	-	-
Placements settled during the period / year	-	-	-	-	-	-
Maximum amount of a placement made during the period / year	-	-	-	-	-	-
Borrowing made during the period / year	-	850,000	-	-	-	-
Investment made during the period / year	-	1,651,853	-	-	4,159,143	-
Redemption made during the period / year	-	-	-	-	6,469,307	-
Bonus units received	-	-	-	-	109,712	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009
16. ISLAMIC BANKING BUSINESS

The balance sheet of the bank's Islamic Banking Branches as at March 31, 2009 is as follows:

	March 31, 2009	December 31 2008
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	364,987	259,264
Balances with and due from financial institutions	562,257	421,325
Investments	914,820	1,295,236
Financing and receivables		
- Murabaha	130,492	92,060
- Musharaka	250,000	250,000
- Diminishing Musharaka	275,451	127,850
Operating fixed assets including assets given on Ijara	773,966	848,086
Other assets	112,798	148,826
Total Assets	3,384,771	3,442,647
LIABILITIES		
Bills payable	4,183	24,838
Deposits and other accounts		
- Current accounts	422,736	464,204
- Saving accounts	178,346	270,276
- Term deposits	497,785	413,322
- Deposits from financial institutions - remunerative	1,042,816	844,455
Due to head office	780,939	1,145,380
Other liabilities	69,803	61,192
	<u>2,996,608</u>	<u>3,223,667</u>
NET ASSETS	<u>388,163</u>	<u>218,980</u>
REPRESENTED BY		
Islamic Banking Fund	681,000	470,000
Unappropriated / Unremitted loss	(292,186)	(237,572)
	<u>388,814</u>	<u>232,428</u>
Surplus / (deficit) on revaluation of assets	(651)	(13,448)
	<u>388,163</u>	<u>218,980</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2009

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

	Jan - Mar 2009	Jan - Mar 2008
	----- (Rupees in '000) -----	
Profit earned	125,918	63,442
Profit paid	<u>33,819</u>	<u>15,263</u>
	92,098	48,179
Provision for diminution in value of investment	<u>73,860</u>	-
Provision against assets given on Ijara	<u>(235)</u>	-
	<u>73,625</u>	-
Net Profit	18,473	48,179
OTHER INCOME		
Fee, Commission and Brokerage Income	<u>626</u>	418
Dividend Income	2,170	-
Income from dealing in foreign currencies	767	-
Other Income	<u>549</u>	<u>3,348</u>
Total other Income	<u>4,111</u>	<u>3,766</u>
	22,585	51,945
OTHER EXPENSES		
Administrative Expenses	<u>77,199</u>	<u>75,947</u>
Other charges	-	-
Total Other Expenses	<u>77,199</u>	<u>75,947</u>
Net loss	(54,614)	(24,002)
Unappropriated profit brought forward	<u>(237,572)</u>	<u>(156,130)</u>
Unremitted loss	<u>(292,186)</u>	<u>(180,132)</u>

17. DATE OF AUTHORIZATION

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

Atif R. Bokhari
President &
Chief Executive Officer

Dr. Ashfaque Hasan Khan
Director

Omar Z. Al Askari
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman