

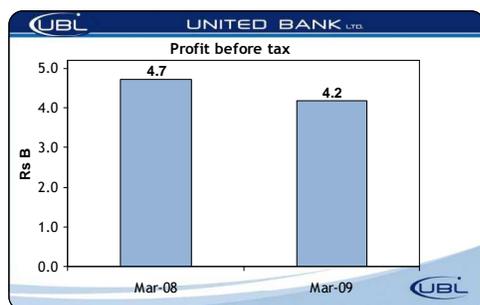
### DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the consolidated financial statements of the Bank for the quarter ended March 31, 2009.

#### Financial Highlights

	<b>(Rs. in millions)</b>
Profit before taxation	4,183
Taxation	<u>(1,419)</u>
Profit after taxation	2,765
Un-appropriated profit brought forward	17,703
Transfer from surplus on revaluation of fixed assets – Incremental depreciation	<u>97</u>
Profit before appropriations	20,557
Transfer to statutory reserve	<u>(507)</u>
Un-appropriated profit carried forward	<u><u>20,050</u></u>
	<b>(Rupees)</b>
Earnings per share	<u>2.72</u>

#### Financial Performance



UBL achieved a profit before tax of Rs 4.2 billion which is lower by 12% than the corresponding period last year due to higher provisions and lower non-interest income.

Profit after tax at Rs. 2.8 billion translates into earnings per share of Rs. 2.72 (March 2008: 3.09). Net interest income grew by 25% whereas non-interest income decreased by 25% mainly on account of lower fee commissions and the lower income on derivatives portfolio. As a result, operating revenue is up by 8% at Rs 10.7B as compared to last year.

Net interest income before provisions is up 25% to Rs 8.2B from the same period last year owing to re-pricing on the lending portfolio and more attractive investment returns. However, this was partially offset by the 5% minimum rate of return on savings deposits and an overall increase in cost of funds. Net interest income after provisions at Rs 6 billion shows an increase of 11%. Net provisions have deteriorated to Rs 2.2 billion from Rs 1.2 billion last year. Advances are down by 3% which has been the result of rationalization across our corporate and consumer portfolios due to tighter credit policies. Deposits are lower by 2% over Dec'08 with half the reduction coming from high cost deposits.

Non-interest income slowed to Rs 2.5 billion as compared to Rs 3.4 billion (lower by 25%). Fee and commissions decreased by 19% owing to lower commission on consumer loans and corporate finance fees. Gain on derivatives is lower by Rs 476 million as a result of change in the accounting methodology whereby the unrealized gain on derivatives which was being accounted for according to the fair value methodology has been changed to a settlement basis valuation. However, exchange income showed a growth of 29% over the corresponding period last year.

Administrative expenses increased by 12% over the corresponding period last year with nearly half this increase relating to personnel cost. Premises cost attributes to one fourth of the increase as a result of higher rent, gas and electricity charges. In addition, significant inflationary pressure (FY08 CPI at 21%) has contributed to a rise in general operating expenses.

Total assets have grown by Rs. 21 billion to Rs. 642 billion during the first three months of the year with investments increasing by 24% to Rs. 142 billion.

### Key Developments

The launch of UBL Ameen Mahana Certificates of Islamic Investment took place earlier this year and added another product to its existing range of 'fixed-term' investment products in keeping with our goal to offer a complete and comprehensive range of Shariah compliant UBL Ameen financial products and services. UBL Ameen Certificates of Islamic Investment is a range of 'investment for profit' products with fixed maturities. Profit is made at the choice of the customer – at the time of maturity or periodically.

The initial launch of 'Instant Account Establishment Process' took place in Q109, which uses technology to enable branches to send data directly from Bluetooth or mobile phone to the CPU for instant loading to UniBank. Account establishment confirmation is sent via SMS and email to both customer and the branch. This is designed to eliminate compliance gaps and data input at the branch. The technology is being rolled out in a phased manner.

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.' This service will be available at all UBL branches in Pakistan and will allow beneficiaries to receive cash over the counter.

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, bill payments and much more. The machine is aimed for customers to minimize the need to visit the branches.

UBL Wiz cards reached the 50k card milestone with a float of Rs 70 million in a period of just under six months. We have already initiated work on enriching the product through introduction of several new features including top ups through ATM/Internet, card sales through all online branches and retail outlets, and specific usage cards (Hajj-Umra-Internet-Corporate-Remittance-FCY).

### Looking ahead

The earnings and growth of the banking sector have been negatively impacted by the global slowdown and political turmoil in the country. While the domestic economy appears to be healing, the pressure on financial institutions is not likely to ease in the short term.

However, we believe our diverse revenue and funding sources should gain us capacity to weather this crisis. Despite these challenges our fundamentals have remained intact. Operating revenue (net interest and non interest income) has grown by 8% in the first three months of the year. Pre-provision operating profit also grew by 5% to Rs. 6.5 billion.

The main challenge remains tackling the non performing loans which have negatively impacted our bottom line. With inflation showing signs of improvements, we believe that a reduction in interest rates is likely during 2009. This should ease some pressure on corporate borrowers which would lead to improvement in asset quality. In addition to that, we remain committed to working with the State Bank of Pakistan to provide restructuring and refinancing solutions to help our clients recover from the

current downturn. The management is aware of the continued focus required in this area and remains confident of positive results going forward.

***Acknowledgements***

We would like to express our sincere thanks and gratitude to our customers for their patronage and the State Bank of Pakistan and the Government of Pakistan for their continued support. We also take the opportunity to thank the shareholders for their continued trust and the staff for their dedication and commitment.

For and on behalf of the Board,

Sir Mohammed Anwar Pervez, OBE, HPk  
Deputy Chairman  
Islamabad  
April 20, 2009