

Directors' Report

On behalf of the Board of Directors, it gives me great pleasure to present the financial statements of the Bank for the first quarter ended March 31, 2007.

Financial Highlights

| | (Rs. In million) |
|--|------------------|
| Profit before taxation | 4,574 |
| Taxation | <u>(1,494)</u> |
| Profit after taxation | 3,080 |
| Un-appropriated profit brought forward – January 01, 2007 | 12,430 |
| Transfer from surplus on revaluation of fixed assets – Incremental depreciation | <u>24</u> |
| Profit available for appropriation | 15,534 |
| Transfer to statutory reserve | (616) |
| Cash dividend paid to shareholders – 2006 | (1,943) |
| Bonus shares declared – 2006 | <u>(1,619)</u> |
| Un-appropriated profit carried forward – March 31, 2007 | <u>11,356</u> |
| | (Rupees) |
| Basic Earnings per share (pre bonus) | <u>4.76</u> |
| Diluted Earnings per share | <u>3.81</u> |

Financial Overview

The Bank achieved a profit before tax of Rs. 4.6 billion in the quarter ended March 31, 2007 which represents a 30% growth on the same period last year. Profit after tax at Rs. 3.1 billion translates into diluted earnings per share of Rs. 3.81 (March 2006: Rs. 2.79). Net interest income after provisions came in at Rs 5.5 billion compared to Rs. 4.1 billion for the same period last year (34% increase). This was due to 18% increase in the domestic and international portfolios and improvement in yields from the growing consumer business.

Non fund income also registered strong rise of 23% at Rs. 2.1 billion with majority of the increase coming in from trade related businesses and fees on consumer loans. Other non fund income streams which grew significantly from same period last year include the foreign exchange business up by 38% and capital gain on listed securities up by 25%. Administration expenses increased by 31% due to further hiring in the consumer business and continued investment in our premises and infrastructure.

Total assets grew by Rs. 12.3 billion to Rs. 436 billion with gross advances at Rs. 265 billion. Our deposits increased by Rs. 17.3 billion to Rs. 352 billion this quarter with robust growth both from domestic and international markets.

Key Developments

Commercial Bank

The first quarter of 2007 saw initiatives from the commercial banking arm aimed at strengthening our commitment to our customers. In order to offer attractive returns to small savers, we launched UniFlex Savings Account which gives customers the flexibility of a checking account while offering returns of a high yielding savings account. UniFlex is structured to balance the liquidity requirements of small individual account holders with their need to earn profits on savings.

Other initiatives included launching of free accidental death and disability insurance to all our account holders in collaboration with UBL Insurers. The objective was to communicate our policy of securing a better future for our customers.

International Business

In terms of revenue and profitability generation our international business is becoming increasingly important. The business saw double digit growth in both advances and deposits while the bottom line grew by 43% this quarter. While it currently contributes about 20% to our profitability, we expect the international business to increase its contribution over the years.

We continued to optimize and invest in our branch network by relocating branches and booths to increase customer footprint. In the UAE, our focus continues on strengthening our core commercial banking business which includes real estate development and civil construction contracting. Bahrain has shown solid growth over the same period last year owing to the increase in consumer financing which is expected to be a significant growth sector. Consumer banking initiatives include expansion of ATMs, launch of mortgage finance products and introduction of debit cards.

UBL Fund Managers

UBL Fund Managers became the largest private sector Asset Management Company in the open-end mutual funds sector with over Rs. 14.3 billion in aggregate Assets under Management. The company manages a total of four funds with two Fixed Income open end funds, one Equity fund and an Islamic Composite fund.

In the Money Market/Income funds sector we are managing the largest share of investments with over 22% share of market. Our Equity fund United Stock Advantage which was launched in August 2006 outperformed the KSE 100 Index and offered higher returns than most of the equity funds in the market.

UBL Ameen

UBL Islamic Banking was launched in December 2006 with the flagship branch in Karachi and plans to open two further branches in Sialkot and Peshawar by June 2007. UBL Ameen aims to capitalize on UBL's extensive branch network by opening specialist window operations in 7 cities across Pakistan. Ameen Window operations are already operational in four branches in Karachi offering Shariah compliant products including Certificates of Investments, Commercial Ijara and Morabaha and Islamic trade related facilities.

UBL Ameen plans to launch a full suite of consumer products including auto finance, home mortgage and credit cards to meet the rapidly growing demand for Islamic financing. The strategy for Ameen is to focus on competitively pricing its products with the objective that all offerings are at par with conventional banking products.

UBL Insurers Ltd.

UBL Insurers obtained its registration and operating license in January 2007 with a paid up capital of Rs. 300 million. It currently operates out of Karachi, Islamabad, Multan and Faisalabad with plans to open branches in Lahore and Hyderabad in the next quarter.

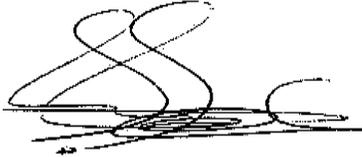
UBL Insurers has successfully launched auto insurance in collaboration with UBL Drive and several leading automobile manufactures. Other products include marine, fire and trade related insurance with a special personal accident cover facility which has been issued to all our commercial bank account holders.

Overall, the Bank continued to perform strongly in the first quarter with equal contribution from all business units.

Acknowledgements

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

For and on behalf of the Board,



Nahayan Mubarak Al Nahayan

Chairman

Abu Dhabi

Date: April 24, 2007