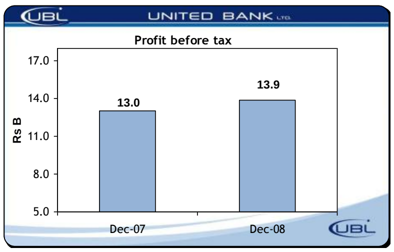
DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the 50th Annual Report of United Bank Limited for the year ended December 31, 2008.

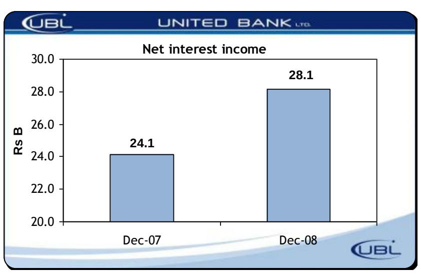
FINANCIAL HIGHLIGHTS



The significant turmoil in the global financial markets and the marked slowdown in the economic environment have brought many challenges for banks in 2008. Despite this prevailing uncertainty, UBL has achieved a profit before tax of Rs 13.9 billion, which is higher by 7% than the same period last year. Profit after tax at Rs. 8.3 billion translates into earnings per share of Rs. 8.24 (December 2007: 8.31). The Board of Directors is pleased to recommend a final cash dividend of Rs 1/- per share i.e. 10% (in addition to Interim Dividend of 15% already paid for the year) and bonus issue of 10% for the year ended December 31, 2008.

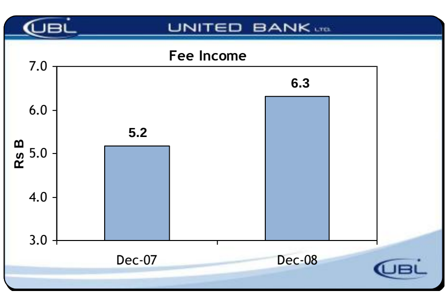
The profitability for 2008 has been impacted by our decision to route 50% of the impairment loss on the equities portfolio through the P&L. Despite the relaxation provided by the State Bank of Pakistan which allowed banks to defer booking the loss till 2009, the management felt it prudent to partially absorb the loss in 2008 while at the same time allowing the bank to capitalize on the upside which recovery in equity prices would offer. In this regard, UBL has booked a pre-tax impairment loss of Rs. 1.88 billion in the P&L. Had this impairment not been taken, our PBT would have been higher at Rs. 15.7 billion (up 21% yoy).

Continued momentum in revenue



Net interest income before provisions grew by 17% to Rs 28.1 billion from the same period last year mainly owing to a 24% increase in advances. The increase in lending rates and asset yields was partially offset by the 5% minimum rate of return on savings deposits and an overall increase in our cost of funds. However, net interest margins for the bank remained steady at 6.1%.

Net provisions at Rs. 8.1 billion are up by 26% from the corresponding period last year. Our asset quality has been impacted by the adverse macro-economic environment which has negatively impacted our consumer and corporate portfolios. The net provisions also take into account the Rs. 1.88 billion impairment loss booked on equities and an additional Rs. 349 million impairment of investment in associates.



UBL has partially taken the impact of the benefit of FSV which has been reinstated by the State Bank of Pakistan which amounts to Rs. 1.3 billion. The decision has been taken after careful scrutiny of type of exposure involved, value of collateral and relationship with client.

Non-interest income continued to perform during the period with an increase of 16% to Rs. 10.4 billion. Fee and commission income grew by 22% to Rs 6.3 billion due to an overall growth in trade commissions, income generated on remittances and high corporate finance fees. The volatility in the Pak rupee contributed to healthy exchange gain income which more than doubled to Rs. 1.8 billion.

During the year, the bank changed the accounting methodology on derivatives 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. This has led to the bank taking an after tax reversal of Rs. 384 million on the derivatives portfolio (net of exchange income) in 4Q08 from the income recognized during the year. The management believes this to be a more prudent method for valuation of derivatives as it does not lead to large swings in profitability.

Focused cost management

In the backdrop of a difficult operating environment, our focus on 2008 has been on tighter cost controls. Overall administrative expenses increased by 16% over the corresponding period last year despite significant inflationary pressures (FY 08 CPI at 22%). Nearly 35% of this increase is attributed to increases in premises expenses due to higher rents and utilities across our branch network. Personnel costs were up only by 9.7% which was a result of headcount reduction by 370 (4%) to 8,930 largely as a result of efficiency improvements due to our process restructuring initiatives. International operating expenses were impacted by the devaluation of the rupee which accounted for 19% of the increase. Given this backdrop, we have managed to achieve considerable cost efficiency in 2008.

Healthy business growth

Total assets have grown this year by Rs. 75 billion (up 14%) to Rs. 605 billion over the corresponding period with net advances increasing by 24% to Rs. 371 billion and deposits by 21% to Rs. 484 billion.

We were successful in maintaining a return on average equity (ROE) and return on average assets (ROAA) of 19% and 1.5% respectively.

KEY DEVELOPMENTS

Macro-economic challenges

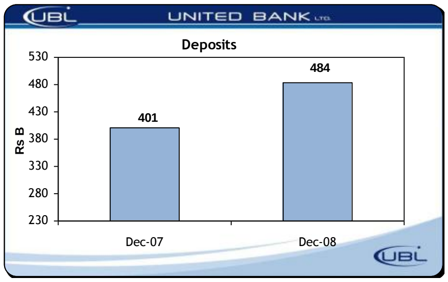
Pakistan's economy has experienced major setbacks in 2008 with most macro economic indicators deteriorating sharply. High oil and commodity prices during the first half of the year led to significant imbalances and a fiscal deficit of 7.4% of GDP. Foreign exchange reserves dropped from USD 16 billion to below USD 7 billion and the rupee devalued by more than 25% during the year.

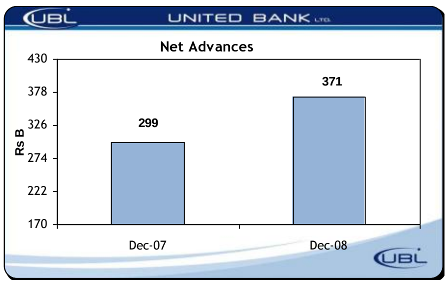
This led to the Government of Pakistan seeking assistance and thereby entering into a USD 7.6 billion macroeconomic stabilization program with the International Monetary Fund (IMF). This necessitated the State Bank of Pakistan (SBP) to raise discount rates by 200 bps to 15% as one of the key IMF conditions for disbursement of the first tranche of USD 3.1 billion. Some of the other targets for the governnment include reducing the government's borrowing from SBP to zero, achieving at tax to GDP ratio of 10.7% and a CPI inflation target to 20% for FY09.

The first IMF review of the program was positive as most of the quantitative performance criteria for end December 2008 were met. The exchange rate has stabilized and the foreign exchange position has strengthened. In response to the fall in international oil and commodity prices, the external current account deficit has begun to narrow and CPI inflation has started to decline.

However, key challenges still remain. The external outlook in terms of demand for exports remains weak which will continue to put pressure on the trade deficit. The GDP growth target has been adjusted downwards from 3.4 percent to 2.5 percent in response to the slowdown in key sectors of the economy. The focus this year will be to mobilize reveune through reforms in tax policy and to rationalize expenditure through elimination of subsidies. On the monetary policy side, the government will have to balance between the need for a tight monetary policy to keep inflation in check and to lower interest rates to stimulate economic growth.

Strengthening the balance sheet





Deposits reflect solid growth of 21% to Rs 484 billion with domestic deposits increasing by Rs. 49 billion (15%) to Rs 380 billion which resulted in our market share growing from 9.1% in December 2007 to 9.6% in Dec 2008. Low cost deposits accounted for one third of the increase.

Advances grew by 24% at Rs 371B. Domestic advances have accounted for 46% of this increase as a result of a strong push in the corporate financing sector. However, liquidity constraints in the second half of the year led to rationalization of lending, which resulted in a drop in market share from 9.4% in December 2007 to 9.2% in December 2008.

Advances to deposits ratio increased from 75% in December 2007 to 77% in December 2008.

Consistent International growth

International operations continued their contribution to the bank's overall results in spite of tough economic conditions with 30% of total profitability and 24% of total assets. Profit after tax grew by 30% to Rs. 2.7 billion. The balance sheet size also increased with deposits growing by a healthy 46% to 104 billion and advances by 51% to Rs 97 billion.

Finding new and improved ways to serve our customers

Consumer business witnessed unprecedented changes in the economy at large and the banking industry in particular. However, it was also a rewarding year for UBL in many respects; one of them being the successful implementation of the Proxima model across the Customer Services, Product, Sales and the Centralized Processing Units of the Bank as it helped to reign in the costs and focus on service and controls.

The Retail Banking structure, based on centralization of transaction processing away from the branches, has resulted in freeing up resources at the branch level enabling sharper focus on improving service delivery and procedural controls. In addition, the centralization of account opening, check clearing function, checkbook ordering and ATM card ordering has resulted in process standardization which has resulted in improvement of the overall control environment. In the area of phone banking, our automation and centralization initiatives have been supported by the upgraded telephone banking services making it more convenient to our customer base.

The planned launch of priority banking aims to serve UBL's top customers by offering savings, investment and insurance products as well as differentiated services. Modernization and enhancement of operations remain top priorities to enable branch staff to focus on better serving customers, while reducing costs, improving processing times and retaining high quality standards.

All branches stand automated

As part of our continued efforts of providing the best services to our customers and building long-lasting relationships, we were able to achieve a major milestone this year in successfully automating all branches. This accomplishment will prove to be a sound launch pad for new and innovative products and improving customer services at all branches.

Core Banking initiative

Our Core Banking renewal project, codenamed Genesis, was launched in Feb 2008. The core banking application from SUNGARD comprises of two main parts: a front-end system called the Customer Service Manager (CSM), and a back-end engine called SYMBOLS. In order to ensure success, we are implementing the core banking systems in phases for both CSM and SYMBOLS.

CSM Phase 1 will go 'live' in March 2009. This comprises Customer Case Management, Complaints Management, Campaign Management and a host of other customer-focused features. CSM Phase 2 comprises loan origination systems for corporate, SME, agriculture and consumer loan portfolios, which should go 'live' by the end of this year.

In preparation of the core banking renewal project, we had ambitiously embarked on the first middleware project in the Pakistan banking industry. Nearly 40 legacy and new applications have gone live on Microsoft BizTalk till now. Having an enterprise middleware has helped the bank enormously in resolving integration issues and has considerably cut down the time for new applications to go live, making our business and IT agile and responsive to rapidly changing market conditions.

Looking Ahead

Given the current market situation, the banking industry has had to adapt to the fast changing environment. Profitability and growth of the banking sector has been negatively impacted by the current economic and political turmoil in the country. Inflationary pressures have led to a high interest rate environment which has led to weakening asset quality and high consumer delinquencies.

Despite these challenges, however, we have produced healthy results. Pre-provision operating profit is up 17% to Rs. 23 billion for the year over the same period last year. Operating revenue (net interest and non interest income) has grown by 16% for the year. Deposits and advances have shown solid growth of 21% and 24% respectively over December 2007.

The main strategic challenges for next year will be to effectively manage asset quality, maintain adequate liquidity and strengthen our capitalization. The management is cognizant of the continued focus required in these areas and remains confident that the initiatives put in place for strengthening risk and liquidity management will yield positive results going forward.

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 Group's 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.
- Your 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 ten 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 2008. However only Gratuity and Provident Fund Schemes are available to staff who joined the bank post privatization.

RISK MANAGEMENT FRAMEWORK

The current economic downturn & increasing world wide recession has lead to higher level of activity directed towards assessing, mitigating and monitoring of risks. For UBL, risk management has entailed organized activities to manage uncertainty and threats in the lending business. Stringent monitoring has involved following procedures and using tools in order to ensure conformance with risk-management policies.

Our strategies have involved formalization of Industry wise Concentration limits enabling the bank to cap exposure in risky industries. Directions given by the senior management is followed by a prioritization process in identification of the target market for lending purposes at credit initiation. Furthermore, continuous monitoring of these limits aid the risk managers in making decisions while lending to different industries so as to ensure that the risk is well diversified.

The Credit Risk Environmental and Monitoring System is bifurcated into two areas; 1) Pre-Granting 2) Post- Granting. Post Granting is at its final stage of User Acceptance Test while Pre-Granting is expected to be implemented during the current calendar year.

In addition to the above, Portfolio Management & Credit Review meetings are held which are attended by senior management. These meetings usually discuss:

1. Health of the portfolio & measures to be taken to improve them;
2. Ways through which our risk management framework can be improved.

Consumer financing portfolios throughout the industry were under stress due to over-leveraged customers. Further, the year saw an increase in inflation, energy and food crisis and a difficult collection environment. This led to a tightening of underwriting policies, line reduction programs and an enhancement of collections infrastructure and system capability.

UBL has proven itself to be a pioneer and leader in implementation of Basel II Framework in Pakistan. The bank is fully compliant with the Capital Adequacy Requirements of the State Bank of Pakistan under the Standardized Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk. The bank has also taken significant steps towards implementing an automated Enterprise Risk Management Framework using state-of-the-art technologies and tools.

The bank is also engaged in establishing a robust Internal Capital Adequacy Assessment Process (ICAAP) for Pillar II of the Basel framework and to comply with central bank requirements. This will allow adequate maintenance of capital with respect to the overall risk profile of the bank. The process will also allow the Board of Directors to remain abreast with latest developments in risk mitigation activities.

Treasury & Market Risk Division is responsible for managing market risk of the bank. The Division is functionally divided into Market Risk unit and Middle office.

Market Risk unit reviews policies, procedures and product process manuals for managing Market Risk of the bank and makes recommendations to respective management committees for approval. Market Risk Limits are reviewed and recommended to Market Risk Committee for approval. Parameter estimation for market risk models and periodical stress-testing at balance sheet level is also performed by the same unit. The unit is also responsible for evaluating/managing derivative products, model development/evaluation and assessment of market risk by performing sensitivity analysis.

Middle Office is mainly involved in implementation and monitoring of policies & procedures for managing markets risk. Limit exceptions are reported and their regularization/remedial actions are also executed through the same unit. The unit monitors and reports outstanding exposures, rate reasonability checks, MTM, Duration, PVBP, Convexity, limit utilization/exceptions etc on a daily basis to respective business units and to the Group Executive Risk Management in the form of a comprehensive MIS pack. The pack provides a comprehensive picture of tradable rate sensitive assets & Liabilities in terms of outstanding exposures, profitability and risks helping respective business units managing their positions within the approved risk parameters.

At senior management level Market Risk function is supervised by Market Risk Management Committee (MRC). The committee is actively involved in policy recommendations and formulation of procedures for market risk management. The committee in its meetings discusses banks exposures and their sensitivity against rates& price volatilities and sets exposure limits, Management Action Triggers (MATs) and other risk parameters for managing market risk after detailed discussions.

UBL being an ADD (Authorized Derivatives Dealer) is an active player in the derivatives business. Derivatives Business being a sensitive area requires enhanced supervision at senior management level. This function is performed by the Market Risk Committee (MRC). MRC receives daily reports on Derivatives exposures which keeps them informed about the outstanding positions and their performance. Exposures / transactions pertaining to Derivatives are discussed and approved by MRC.

UBL is continuously improving its risk management systems by upgrading existing systems and implementing new systems like Symbols (Treasury & Capital Markets), SAS (Basel II). Implementation of these systems will allow greater insights and better management of the bank’s portfolio as well as enhance risk management capabilities.

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 financials statements as at December 31, 2007:

	Amounts in '000
Employees' Provident Fund	3,145,063
Employees' Gratuity Fund	335,433
Staff Pension Fund	7,250,720
Staff General Provident Fund	1,430,520
Officers / Non-Officers Benevolent Fund	904,566

MEETINGS OF THE BOARD

During the year under report, the Board of Directors met six times. The number of meetings attended by each director during the year is shown below:

Name	Attendance
His Highness Shaikh Nahayan Mabarak Al Nahayan, Chairman	04
Sir Mohammed Anwar Pervez, OBE, HPk, Deputy Chairman	05
Mr. Omar Z. Al Askari, Director	06
Mr. Zameer Mohammed Choudrey, Director	06
Dr. Ashfaque Hasan Khan, Director	04
Mr. Muhammad Sami Saeed, Director (appointed in February 2008)	03
Mr. Muhammad Javed Malik, Director (till February 2008)	01
Mr. Atif R. Bokhari, President and Chief Executive Officer	06

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	257,988,278	25.50
Abu Dhabi Group	257,988,275	25.50
State Bank of Pakistan	197,163,126	19.49
Governmnet of Pakistan	2,772,356	0.27
Privatization Commission of Pakistan	1,418	0.00
General Public & others	117,858,359	11.65
National Bank of Pakistan, Trustee Department	1,212,120	0.12
NIT	1,461,525	0.14
State Life Insurance Corporation of Pakistan	712,201	0.07
Bank, DFI & NBFI	11,185,705	1.11
Insurance Companies	4,959,632	0.49
Modarabas & Mutual Funds	15,337,113	1.52
Securities & Exchange Commission of Pakistan	1	0.00
* International GDR (non voting shares)	143,078,641	14.14
TOTAL OUTSTANDING SHARES	**1,011,718,750**	**100.00**
* Sponsor Groups have also acquired 10.37% 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 (UK)	128,989,257
2)	Bestway Cement Limited	77,396,483
3)	Al Jaber Transport & General Contracting	49,581,188

b)	**NBP Trustee Department**	1,212,120
c)	**NIT**	1,461,525
d)	**State Life Insurance Corporation**	712,201

e)	**Directors / CEO / Executives**	Self	Spouse & Children	**Total**
1)	H.H. Shaikh Nahayan Mabark Al Nahayan	65,241,408	-	65,241,408
2)	Sir Mohammed Anwar Pervez,OBE,HPk	51,597,656	-	51,597,656
3)	Omar Z. Al Askari	12,395,296	-	12,395,296
4)	Zameer Mohammed Choudrey	4,882	-	4,882
5)	Atif R. Bokhari	190,304	-	190,304
6)	Other Executives	551,459	13,404	564,863

All trading in the share carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children is reported as under:

Name	Purchase	Sales
Mr. Aameer Karachiwalla, CFO	--	7,000
Mr. Aqeel A. Nasir, Co. Secretary	--	8,000

CHANGE IN DIRECTORS:

I am pleased to announce that Mr. Muhammad Sami Saeed was appointed as Director by the Government of Pakistan with effect from 26 February 2008 in place of Mr. Muhammad Javed Malik. On behalf of the Board, I would like to thank Mr. Malik for his valuable contribution and service.

Furthermore, the following persons were elected as Directors of the Bank in the 49th Annual General Meeting of the Shareholders of UBL held on 29 March 2008, for a period of three years.

1 H.H. Shaikh Nahayan Mabarak Al Nahayan (Re-appointed)
2 Sir Mohammed Anwar Pervez, OBE, HPk (Re-appointed)
3 Mr. Omar Z. Al Askari (Re-appointed)
4 Mr. Zameer Mohammed Choudrey (Re-appointed)
5 Mr. Atif R. Bokhari (fresh appointment as elected Director)

AUDITORS

The present auditors M/s Ford, Rhodes, Siddat, Haider & Co Chartered Accountants retire and being eligible offer themselves for re-appointment in the forthcoming Annual General Meeting. M/s KPMG Taseer Hadi & Co. Chartered Accountants retire and in pursuance to the Code of Corporate Governance become ineligible for re-appointment since having completed a term of five years.

The Board of Directors, on the suggestion of the Audit Committee, recommended M/s Ford Rhodes Sidat Hyder & Co., Chartered Accountants and M/s BDO Ebrahim & Co., Chartered Accountants 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 12, 2009