CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2008

	Note	2008	2007
		------- (Rupees in '000) -------	
ASSETS			
Cash and balances with treasury banks	6	50,143,570	57,622,360
Balances with other banks	7	14,540,306	10,982,176
Lendings to financial institutions	8	22,805,341	24,781,723
Investments	9	115,057,090	114,026,273
Advances			
Performing	10	367,960,028	301,950,889
Non-performing	10	10,333,945	6,320,401
		378,293,973	308,271,290
Operating fixed assets	11	19,926,915	19,065,496
Deferred tax asset - net	19	2,164,148	-
Other assets	12	17,309,187	11,887,188
		620,240,530	546,636,506
LIABILITIES			
Bills payable	14	5,210,870	6,087,266
Borrowings	15	44,749,690	59,491,253
Deposits and other accounts	16	492,267,898	411,475,128
Sub-ordinated loans	17	11,993,848	5,996,696
Liabilities against assets subject to finance lease	18	1,978	3,261
Deferred tax liability - net	19	-	2,109,989
Other liabilities	20	16,620,583	13,581,974
		570,844,867	498,745,568
NET ASSETS		49,395,663	47,890,938
REPRESENTED BY:			
Share capital	21	10,117,188	8,093,750
Reserves		17,256,061	11,577,342
Unappropriated profit		17,703,327	16,728,318
		45,076,576	36,399,410
Minority Interest		2,044,589	2,115,645
		47,121,165	38,515,055
Surplus on revaluation of assets - net of deferred tax	22	2,274,498	9,375,883
		49,395,663	47,890,938
CONTINGENCIES AND COMMITMENTS	23		

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

The valuation of listed equity securities / mutual funds held under ‘available-for-sale’ category of investments has been arrived at using the market prices quoted on the stock exchange / net assets value as of December 31, 2008 and a portion of impairment loss arising therefrom has been included in deficit on revaluation of assets – net of deferred tax as allowed by State Bank of Pakistan and Securities and Exchange Commission of Pakistan. Under the regular accounting policy of the Group, the same would have resulted in a charge to profit and loss account of Rs.1,449.413 million (net of tax) and, consequently, the unappropriated profit for the year would have been Rs.16,543.575 million and surplus on revaluation of assets - net of deferred tax would have been lower by Rs.1,449.413 million as given in note 9.5 to 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 PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008	2007
		------- (Rupees in '000) -------	
Mark-up / return / interest earned	25	53,097,381	41,962,131
Mark-up / return / interest expensed	26	24,303,193	17,162,817
Net mark-up / interest income		28,794,188	24,799,314
Provision against loans and advances - net (excluding impact on account of change in Prudential Regulations)	10.5	5,883,778	1,690,095
(Reversal) / additional provisioning arising on account of change in Prudential Regulations	10.5	(1,369,230)	3,803,759
Provision against loans and advances - total		4,514,548	5,493,854
Provision for / (reversal of) diminution in value of investments - net	9.3	1,871,589	(6,233)
Bad debts written off directly	10.7	1,367,553	935,165
		7,753,690	6,422,786
Net mark-up / return / interest income after provisions		21,040,498	18,376,528
Non Mark-up / Interest Income			
Fee, commission and brokerage income		7,298,807	5,899,632
Dividend income		191,376	364,260
Income from dealing in foreign currencies		1,680,870	893,790
Gain on sale of securities	27	254,418	851,589
Unrealized loss on revaluation of investments classified as held for trading	9.4	(10,682)	(15,755)
Other income	28	1,506,146	1,614,151
Total non mark-up / return / interest income		10,920,935	9,607,667
		31,961,433	27,984,195
Non Mark-up / Interest Expenses			
Administrative expenses	29	16,679,968	14,257,211
Other provisions / write offs - net	30	468,042	236,281
Worker welfare fund	32	340,548	-
Other charges	31	292,377	17,430
Total non mark-up / interest expenses		17,780,935	14,510,922
Share of (loss) / income of associates		(128,446)	322,996
Profit before taxation		14,052,051	13,796,269
Taxation - Current	33	6,151,520	5,153,311
- Prior year	33	435,072	442,667
- Deferred	33	(979,792)	(1,036,724)
		5,606,800	4,559,254
Profit after taxation		8,445,251	9,237,015
Attributable to:			
Equity shareholders of the Bank		8,355,757	8,975,280
Minority interest		89,494	261,735
		8,445,251	9,237,015
		----------- (Rupees) -----------	
Earnings per share	34	8.26	8.87

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

The valuation of listed equity securities / mutual funds held under ‘available-for-sale’ category of investments has been arrived at using the market prices quoted on the stock exchange / net assets value as of December 31, 2008 and a portion of impairment loss arising therefrom has been included in surplus on revaluation of assets – net of deferred tax as allowed by State Bank of Pakistan and Securities and Exchange Commission of Pakistan. Under the regular accounting policy of the Group, the same would have resulted in a charge to profit and loss account of Rs.1,883.398 million and, consequently, the profit after tax attributable to the equity shareholder of the bank for the year would have been Rs.6,906.344 million and earnings per share would have been Rs.6.83 as given in note 9.5 to these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2008

	Attributable to ordinary shareholders of the bank									
			Capital reserves							
	Share capital	General reserve	Statutory reserve	Exchange translation reserve	Reserve for issue of bonus shares	Cash flow hedge reserve	Unapprop-riated profit	Sub Total	Minority interest	Total
	(Rupees in '000)									
Balance as at December 31, 2006	6,475,000	3,000	7,035,891	2,290,673	-	-	12,930,344	28,734,908	1,772,168	30,507,076
Final cash dividend for the year ended December 31, 2006 declared subsequent to year end at Rs.3.00 per share	-		-	-		-	(1,942,500)	(1,942,500)		(1,942,500)
Transfer to reserves for issue of bonus shares	-		-	-	1,618,750	-	(1,618,750)	-		-
Issue of bonus shares	1,618,750		-	-	(1,618,750)	-		-		-
Changes in equity for 2007										
Profit after taxation for the year ended December 31, 2007	-	-	-	-	-	-	8,975,280	8,975,280	261,735	9,237,015
Transfer from surplus on revaluation of fixed assets to unappropriated profit - net of tax	-		-	-	-	-	64,462	64,462		64,462
Exchange differences on translation of net investment in foreign branches and subsidiaries	-		-	567,260	-	-	-	567,260	147,073	714,333
Net income recognised directly in equity	-	-	-	567,260	-	-	64,462	631,722	147,073	778,795
Total recognised income and expense for the year	-	-	-	567,260	-	-	9,039,742	9,607,002	408,808	10,015,810
Preferred dividend relating to minority shareholders	-	-	-	-	-	-	-	-	(65,332)	(65,332)
Transfer to statutory reserve	-		1,680,518	-	-	-	(1,680,518)			-
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 cash dividend for the year ended December 31, 2007 declared subsequent to year end at Rs.3.00 per share	-		-	-	-	-	(2,428,125)	(2,428,125)	-	(2,428,125)
Interim cash dividend for the half year ended June 30, 2008 declared subsequent to the period end 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)	-		-		-
Changes in equity for 2008										
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
Net loss on cash flow hedges - net of deferred tax	-		-	-	-	(276,633)		(276,633)		(276,633)
Exchange differences on translation of net investment in foreign branches & subsidiaries	-		-	4,288,728	-		-	4,288,728	(105,325)	4,183,403
Net income recognised directly in equity	-	-	-	4,288,728	-	(276,633)	255,017	4,267,112	(105,325)	4,161,787
Total recognised income and expense for the year	10,117,188	3,000	8,716,409	7,146,661	-	(276,633)	19,369,951	45,076,576	2,099,813	47,176,389
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

Appropriations made by the directors subsequent to the year ended December 31, 2008 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 andi Chief Executive Officer	Dr. Ashfaque Hasan Khan Director	Sir Mohammed Anwar Pervez, OBE, HPk Deputy Chairman	Nahayan Mabarak Al Nahayan Chairman

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008	2007
		------- (Rupees in '000) -------	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		14,052,051	13,796,269
Less: Dividend income		(191,376)	(364,260)
Add: Share of loss / (profit) of associates		128,446	(322,996)
		13,989,121	13,109,013
Adjustments:			
Depreciation		1,291,079	712,815
Amortization		156,997	90,376
Worker welfare fund		340,548	-
Provision for retirement benefits		59,009	38,202
Provision against loans and advances		4,514,548	5,493,854
Charge / (Reversal) of provision for diminution in value of investments		1,871,589	(6,233)
Provision against off- balance sheet items		42,966	(38,093)
Gain on sale of fixed assets		(14,298)	(34,207)
Bad debts written-off directly		1,367,553	935,165
Unrealized loss on revaluation of investments classified as held for trading		10,682	15,755
Finance charges on leased assets		283	519
Provision against other assets		196,026	80,707
		9,836,982	7,288,860
		23,826,103	20,397,873
Decrease / (increase) in operating assets			
Lendings to financial institutions		1,976,382	4,790,347
Held-for-trading securities		(4,383,394)	(135,822)
Advances		(75,904,785)	(60,029,788)
Other assets (excluding advance taxation)		(5,620,707)	(2,644,428)
		(83,932,504)	(58,019,691)
(Decrease) / increase in operating liabilities			
Bills payable		(876,396)	1,459,498
Borrowings		(14,741,563)	20,865,779
Deposits and other accounts		80,792,770	68,333,575
Other liabilities (excluding current taxation)		3,439,069	3,585,270
		68,613,880	94,244,122
		8,507,479	56,622,304
Staff retirement benefits paid		(231,466)	205,447
Income taxes paid		(7,250,980)	(5,256,306)
Net cash flow from operating activities		1,025,033	51,571,445
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in securities		(8,264,808)	(48,364,133)
Dividend income received		188,251	357,246
Investment in operating fixed assets		(3,185,598)	(2,252,704)
Sale proceeds from disposal of property and equipment		138,396	150,234
Net cash flow on investing activities		(11,123,759)	(50,109,357)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of sub-ordinated loan		6,000,000	-
Repayments of principal of sub-ordinated loans		(2,848)	(1,648)
Payments in respect of lease obligations		(1,566)	(4,224)
Dividends paid		(3,945,703)	(1,942,500)
Net cash flow from / (used in) financing activities		2,049,883	(1,948,372)
Exchange adjustment on translation of net assets attributable to minority shareholders		(160,549)	81,742
Exchange differences on translation of net investment in foreign branches and subsidiaries		4,288,732	567,260
Increase in cash and cash equivalents		(3,920,660)	162,718
Cash and cash equivalents at beginning of the year		68,604,536	68,441,818
Cash and cash equivalents at end of the year	35	64,683,876	68,604,536

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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 1,119 (2007: 1,078) branches including 05 (2007: 05) Islamic banking branches, 01 (2007: 01) branch in Karachi Export Processing Zone (KEPZ) and 17 (2007: 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, 2008

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. 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,

The financial results of the Islamic banking branches of the Group have been consolidated in these consolidated financial statements for reporting purposes, after eliminating material inter 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) and interpretations 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 STANDARD, AMENDMENTS AND INTERPRETATION NOT YET EFFECTIVE

The following new standards and amendments to approved accounting standards are applicable in Pakistan from the dates mentioned below against the respective standard or amendment:

	Effective date (Accounting periods beginning on or after)
IAS - 1 Presentation of Financial Statements (Revised)	January 01, 2009
IAS - 23 Borrowings Costs (Revised)	January 01, 2009
IAS - 27 Consolidated and Separate Financial Statements (Revised)	January 01, 2009
IFRS 3 Business Combinations (Revised)	July 01, 2009
IFRS 4 Insurance Contracts	January 01, 2009
IFRS 8 Operating segments	January 01, 2009
IFRIC - 13 Customer Loyalty Programs	July 01, 2009
IFRIC - 15 Agreements for the construction of real estate	January 01, 2009
IFRIC - 16 Hedges of a Net Investment in Foreign Operation	October 01, 2008
IFRIC - 17 Distributions of Non - Cash Assets to Owners	July 01, 2009
IFRIC - 18 Transfer of Assets from Customers	July 01, 2009
IFAS 2 Ijarah	January 01, 2009

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 and improvements to various accounting standards have also been issued by IASB which are generally effective for accounting periods beginning on or after January 01, 2009. The management is in the process of evaluating the impact of such amendments and improvements on the Group's financial statements for the ensuing periods.

3.4 Early adoption of a standard

The State Bank of Pakistan vide its IBD Circular No. 01 of 2009 deferred the implementation of Islamic Financial Accounting Standard (IFAS 2) "Ijarah" issued by the Institute of Chartered Accountants of Pakistan in 2007 for ijarah transactions and it will be applicable for financial statements covering periods beginning on or after January 01, 2009. However the Group during last year has early adopted IFAS 2 and has applied the accounting principles stated therein in the preparation of these financial statements. The disclosures required under IFAS 2 are set out in note 11.8 to these consolidated financial statements. The related accounting policy is disclosed in note 5.6.2.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain operating fixed 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 judgments

The preparation of these consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that effect 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 5.4 and 9)
ii) provision against investments (notes 5.4 and 9.3) and advances (notes 5.5 and 10.5)
iii) income taxes (notes 5.8, 20.2 and 32)
iv) staff retirement benefits (note 5.10 and 37)
v) fair value of derivatives (note 5.15 and 20.5)
vi) operating fixed assets, depreciation and amortization (note 5.6 and 11)
vii) impairment (note 5.7)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

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

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

5.2. 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.

5.3 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:

5.3.1 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.

5.3.2 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 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.

5.4 Investments

The group classifies its investments as follows:

5.4.1 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.

5.4.2 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

5.4.3 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.

5.4.4 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 the mutual funds managed by UBL Fund Managers.

Investments other than those categorized as held for trading are initially recognized at fair value which includes transaction costs associated with the investment. Investments classified as held for trading are initially recognized 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 recognized 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 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.

5.5 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.

5.6 Operating fixed assets and depreciation

5.6.1 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 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.

5.6.2 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 recognized on an accrual basis as and when the rental becomes due.

5.6.3 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.

5.7 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.

5.8 Taxation

5.8.1 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.

5.8.2 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 dealing with Income Taxes.

5.9 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.

5.10 Staff retirement and other benefits

5.10.1 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, the bank operates

- 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 recognized as employee benefit expense when they are due. Prepaid contributions are recognized 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 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 recognized immediately.

5.10.2 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.

5.10.3 UBL Fund Managers Limited (UFML)

Defined benefit plan

UFML operates a gratuity fund covering eligible employees whose period of employment with UFML is three years or more. A provision is made on the basis of actuarial valuation to cover obligations under the scheme for all employees eligible to gratuity benefits, irrespective of the qualifying period. Gratuity, however, is payable only on completion of the prescribed qualifying period of service. Actuarial gains and losses are recognised in accordance with the recommendation of the actuary.

Defined contribution plan

UFML operates a provident fund covering all permanent employees. Equal contributions are made to the Fund by the UFML and the employees in accordance with the rules of the scheme. However, UFML's contribution starts after completion of one year of service.

5.11 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.

5.12 Borrowings / deposits and their cost

a) Borrowings / deposits are recorded at the proceeds received.
b) Borrowing / deposits costs are recognized as an expense in the period in which these are incurred using effective mark-up / interest rate method.

5.13 Revenue recognition

Revenue is recognized to the extent that the 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.

5.13.1 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 operate, except where in the opinion of the management, it would not be prudent to do so.

5.13.2 Dividend income

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

5.13.3 Fee, brokerage and commission

Fee, brokerage and commission on letters of credit / guarantee and others are recognized on an accrual basis.

5.14 Foreign currencies

5.14.1 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.

5.14.2 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 except that certain deposits, which are covered by forward foreign exchange contracts, are translated at contracted rates. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

5.14.3 Foreign operations

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

5.14.4 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) untill the disposal of net investment, at which time there are recognised in profit and loss account.

5.14.5 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.

5.15 Financial instruments

5.15.1 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.

5.15.2 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.

5.15.3 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.

5.15.4 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.

5.16 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing product 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.

5.16.1 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 pooled, segregated, retail, institutional, closed, open and private equity.

5.16.2 Geographical segments

The Group operates in three geographical regions being:

- Pakistan (including Karachi Export Processing Zone)
- United States of America
- Middle East
- Europe

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

5.17 Dividend and appropriation to reserves

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

5.18 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, 2008.

6. CASH AND BALANCES WITH TREASURY BANKS

	Note	2008	2007
		------- (Rupees in '000) -------	
In hand			
Local currency		9,859,989	9,720,257
Foreign currency		4,996,252	2,014,827
		14,856,241	11,735,084
With State Bank of Pakistan in			
Local currency current account	6.1	14,324,727	22,350,805
Local currency deposit account		3,864	3,864
Foreign currency current account	6.2	2,656	18,611
Foreign currency deposit account	6.3	4,730,090	1,889,388
		19,061,337	24,262,668
With other central banks in foreign currency current account	6.4	8,035,182	15,707,607
With other central banks in foreign currency deposit account		-	362,757
With National Bank of Pakistan in local currency current account		8,153,544	5,496,747
National Prize Bonds		37,266	57,497
		50,143,570	57,622,360

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, 2008 and carries mark-up at the rate of 0.90% (2007: 4.24%).

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008	2007
		------- (Rupees in '000) -------	
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
In current accounts		-	9,162
In deposit accounts	7.1	380,835	18,647
		380,835	27,809
Outside Pakistan			
In current accounts		6,966,789	2,174,319
In deposit accounts	7.1	7,192,682	8,780,048
		14,159,471	10,954,367
		14,540,306	10,982,176

7.1 These carry mark-up at rates ranging from 3.25% to 13.00% (2007: 4.25% to 5.5%) per annum.

	Note	2008	2007
		------- (Rupees in '000) -------	
8. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	8.2	2,800,780	2,777,757
Repurchase agreement lendings	8.3	15,639,163	13,809,706
Lendings to banks / financial institutions	8.4	4,365,398	8,194,260
		22,805,341	24,781,723
8.1 Particulars of lendings to financial institutions			
In local currency		18,618,677	19,171,866
In foreign currencies		4,186,664	5,609,857
		22,805,341	24,781,723

8.2 These are unsecured lendings carrying mark-up at rates ranging from 9.50% to15.65% per annum (2007: 9.50% to 11.00% per annum) and are due to mature latest by February 2009.

8.3 Securities held as collateral against repurchase agreement lendings

	2008			2007		
	Held by Bank	Further given as collateral /	Total	Held by Bank	Further given as collateral /	Total
	-----(Rupees in '000)-----					
Market Treasury Bills	12,596,455	-	12,596,455	6,944,762	2,887,635	9,832,397
Pakistan Investment Bonds	2,192,708	850,000	3,042,708	3,259,115	718,194	3,977,309
	14,789,163	850,000	15,639,163	10,203,877	3,605,829	13,809,706

These carry mark-up at rates ranging from 6.00% to 16.00% per annum (2007: 9.20% to 9.90% per annum) and are due to mature latest by January 2009.

8.4 These carry mark-up at rates ranging from 15.53% to 17.77% per annum(2007: 5.45% to 12.63 % per annum) and are due to mature latest by April 2011, Where as lending pertaining to overseas operation carry mark-up at rates ranging from 1.19% to 6.02% per annum (2007: 5.23% to 8.15% per annum) and are due to mature latest by June 2010.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

9. INVESTMENTS

9.1 Investments by types

	Note	2008 Held by bank	2008 Given as collateral	2008 Total	2007 Held by bank	2007 Given as collateral	2007 Total
		---(Rupees in '000)---					
Held for trading securities							
Market Treasury Bills		4,202,368	-	4,202,368	-	-	-
Ordinary shares of listed companies	9.11	348,506	-	348,506	269,932	-	269,932
Sukuk Bonds		81,450		81,450	-	-	-
Pakistan Investment Bonds		15,929	-	15,929	-	-	-
		4,648,253	-	4,648,253	269,932	-	269,932
Available for sale securities							
Market Treasury Bills		33,775,219	13,841,226	47,616,445	19,510,171	27,889,798	47,399,969
Pakistan Investment Bonds		16,777,690	428,230	17,205,920	15,337,793	1,536,588	16,874,381
Foreign currency bonds		15,272,429	-	15,272,429	3,475,078	-	3,475,078
Ordinary shares of listed companies		5,886,059	-	5,886,059	3,185,338	-	3,185,338
Euro Bonds		4,341,320	-	4,341,320	2,170,415	-	2,170,415
Government of Pakistan Islamic Bonds		2,493,607	-	2,493,607	1,123,894	-	1,123,894
Term Finance Certificates		2,172,450	-	2,172,450	644,145	-	644,145
Ordinary shares of unlisted companies	9.8	441,715	-	441,715	441,423	-	441,423
Sukuk Bonds		455,276		455,276	-	-	-
Units of mutual funds		211,583	-	211,583	262,201	-	262,201
Cumulative preference shares		8,120	-	8,120	8,120		8,120
		81,835,468	14,269,456	96,104,924	46,158,578	29,426,386	75,584,964
Held to maturity securities							
Term Finance Certificates	9.10	4,915,803	-	4,915,803	6,341,257	-	6,341,257
Pakistan Investment Bonds		4,339,104	-	4,339,104	4,521,049	-	4,521,049
Certificates of Deposit		4,091,750	-	4,091,750	853,146	-	853,146
CIRC Bonds		2,900,000	-	2,900,000	2,900,000	-	2,900,000
Foreign securities		2,105,582	-	2,105,582	1,628,023	-	1,628,023
Government of Pakistan - Guaranteed Bonds		1,485,444	-	1,485,444	1,433,444	-	1,433,444
Market Treasury Bills		1,263,178	-	1,263,178	12,883,608	-	12,883,608
Sukuk Bonds		1,094,372	-	1,094,372	685,000	-	685,000
Foreign currency bonds		1,138,686	-	1,138,686	1,055,801	-	1,055,801
Participation Term Certificates		38,205	-	38,205	46,920	-	46,920
Debentures		6,676	-	6,676	8,300	-	8,300
CDC SAARC Fund		395	-	395	310	-	310
		23,379,195	-	23,379,195	32,356,858	-	32,356,858
Associates							
United Money Market Fund	9.12.1	1,450,300	-	1,450,300	3,318,770	-	3,318,770
United Composite Islamic Fund	9.12.2	338,024	-	338,024	636,896	-	636,896
United Growth and Income Fund	9.12.3	327,193	-	327,193	1,875,256	-	1,875,256
United Islamic Income Fund	9.12.4	308,700	-	308,700	254,100	-	254,100
United Stock Advantage Fund	9.12.5	142,766	-	142,766	398,903	-	398,903
United Capital Protected Fund - I	9.12.6	75,500	-	75,500		-	-
UBL Principal Protected Plan	9.12.7	138,887	-	138,887	-	-	-
UBL Insurers Limited	9.12.8	52,154	-	52,154	46,350	-	46,350
Oman United Exchange Company, Muscat	9.12.9	72,307	-	72,307	6,981	-	6,981
		2,905,831	-	2,905,831	6,537,256	-	6,537,256
		112,768,747	14,269,456	127,038,203	85,322,624	29,426,386	114,749,010
Provision for diminution in value of investments	9.3	(2,188,792)	-	(2,188,792)	(351,508)	-	(351,508)
Investments (net of provisions)		110,579,955	14,269,456	124,849,411	84,971,116	29,426,386	114,397,502
Deficit on revaluation of available for sale securities	22.2	(9,671,911)	(109,728)	(9,781,639)	(314,365)	(41,109)	(355,474)
Deficit on revaluation of held for trading securities	9.4	(10,682)	-	(10,682)	(15,755)	-	(15,755)
Total investments		100,897,362	14,159,728	115,057,090	84,640,996	29,385,277	114,026,273

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008	2007
		------- (Rupees in '000) -------	
9.2 Investments by segments			
Federal Government Securities			
Market Treasury Bills		53,081,991	60,283,577
Pakistan Investment Bonds		21,560,953	21,395,430
Foreign currency bonds		897,982	1,055,801
Government of Pakistan Islamic Bonds		2,493,607	1,123,894
Government of Pakistan - Euro Bonds		4,341,320	2,170,415
		82,375,853	86,029,117
Other Bonds and Securities Guaranteed by Federal Government		4,385,444	4,333,444
Overseas Securities			
Government securities		4,009,856	2,951,469
CDC SAARC Fund		395	310
Other securities		17,604,286	2,975,907
		21,614,537	5,927,686
Fully Paid-up Ordinary Shares			
Listed companies		6,234,565	3,455,270
Unlisted companies	9.8	441,715	441,423
Cummulative preference shares		8,120	8,120
		6,684,400	3,904,813
Units of Mutual Funds		211,583	262,201
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
Term Finance Certificates			
Unlisted		5,778,897	6,000,195
Listed	9.10	1,309,356	985,207
		7,088,253	6,985,402
Bonds		1,727,421	685,000
Debentures		6,676	8,300
Participation Term Certificates		38,205	46,920
		8,860,555	7,725,622
Investments in associates		2,883,514	6,576,077
Total investments at cost		127,015,886	114,758,960
Provision for diminution in value of investments	9.3	(2,188,792)	(351,191)
Investments (net of provisions)		124,827,094	114,407,769
Deficit on revaluation of available for sale securities	22.2	(9,781,639)	(365,741)
Deficit on revaluation of held for trading securities	9.4	(10,682)	(15,755)
Total investments		115,034,773	114,026,273

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

		2008	2007
9.3	**Particulars of provision for diminution in value of investments:**	------- (Rupees in '000) -------	
9.3.1	Opening balance	351,508	400,886
	Charged during the year	2,241,691	49,194
	Reversed during the year	(370,102)	(55,427)
		1,871,589	(6,233)
	Transfers	-	15,000
	Written off during the year	(34,303)	(58,145)
	Closing balance	2,188,794	351,508
9.3.2	**Particulars of provision for diminution in value of investments by type**		
	Available for sale securities		
	Ordinary shares of listed companies	1,883,398	2,708
	Ordinary shares of unlisted companies	150,525	142,421
		2,033,923	145,129
	Held to maturity securities		
	Term Finance Certificates	109,989	151,159
	Debentures	6,676	8,300
	Participation Term Certificates	38,205	46,920
		154,870	206,379
		2,188,793	351,508
9.3.3	**Particulars of provision for diminution in value of investments by segment**		
	Fully Paid-up Ordinary Shares		
	Listed companies	1,883,398	2,708
	Unlisted companies	150,525	142,421
		2,033,923	145,129
	Term Finance Certificates, Debentures and Participation Term Certificates		
	Term Finance Certificates	109,989	151,159
	Debentures	6,676	8,300
	Participation Term Certificates	38,205	46,920
		154,870	206,379
		2,188,793	351,508
9.4	**Unrealized gain / (loss) on revaluation of held for trading securities**		
	Market Treasury Bills	1,968	-
	Pakistan Investment Bonds	(1,154)	-
	Sukuk Bonds	8,865	-
	Ordinary shares of listed companies	(20,361)	(15,755)
		(10,682)	(15,755)

9.5 During the year, the stock exchange introduced ‘floor mechanism’ in respect of prices of equity securities based on the closing prices as prevailing on August 27, 2008. Under the “floor mechanism”, the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. During this period, trading of securities effectively remained suspended on the stock exchanges. The trading resumed on December 15, 2008, however, the trading volumes upto December 31, 2008 were significantly lower as compared to the volumes before the institution of floor mechanism. However, pursuant to the BSD Circular Letter No. 2 dated January 27, 2009 issued by the SBP, the equity securities held by the bank have been valued at the prices quoted on the stock exchanges as of December 31, 2008.

Furthermore, pursuant to the BSD Circular No. 4 dated February 13, 2009 of the SBP and SRO No. 150 dated February 13, 2009 of the Securities and Exchange Commission of Pakistan, a portion of impairment loss, amounting to Rs.1,883.398 million, resulting from the valuation of listed equity securities held under 'Available-for-sale' category of investments as of December 31, 2008 has not been recognised in the profit and loss account and has been taken to 'Deficit on revaluation of assets' account as shown on the balance sheet. The said impairment loss is required to be taken to the profit and loss account in the year 2009 on a quarterly basis after adjustment for the effects of price movements in that year. However, for the purposes of distribution of dividend, the impairment loss as referred above shall be treated as a charge to the profit and loss account.

The recognition of remaining impairment loss based on the market values as at December 31, 2008 would have had the following effect on these consolidated financial statements:

	2008 (Rupees in '000)
Increase in provision of diminution in the value of investments	1,883,398
Decrease in tax charge for the year	433,985
Profit after tax would have been	6,906,344
Decrease in surplus on revaluation of assets - net of deferred tax	1,449,413
Unappropriated profit would have been	16,543,575
	(Rupees)
Earning per share would have been	6.83

9.6 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.

9.7 Investments include Rs.282 million (2007: 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 (2007: Rs.5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.

9.8 This includes the bank's subscription towards the paid-up capital of Khushhali Bank Limited amounting to Rs.200 million (2007: Rs.200 million). Pursuant to Section 10 of the Khushhali Bank Ordinance, 2000 strategic investors including the bank 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.

9.9 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.

9.10 This includes advance paid for subscription of privately placed Term Finance Certificates of Allied Bank Limited, amounting to Rs.446.8 million, having a tenor of 8 years from the date of issue, with principal repayments in semi annual instalments carrying mark-up at the rate of 6 months KIBOR offer rate plus 1.9%.

9.11 These shares / mutual fund units have been given by National Clearing Company of Pakistan Limited (NCCPL) under the CFS MK-II square-up programme as agreed among the Financers, Karachi Stock Exchange and NCCPL on December 26, 2008.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

9.12 Investment in associates

9.12.1 United Money Market Fund

	2008	2007
	------- (Rupees in '000) -------	
Investment as at January 1	3,318,770	-
Investment / (redemption) during the year	(1,770,867)	3,172,897
Share of profit	192,422	145,873
Dividend distribution	(219,518)	-
Share of unrealised deficit on assets	(70,507)	-
Balance as at December 31	1,450,300	3,318,770

9.12.1.1 United Money Market 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.

9.12.1.2 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 Money Market Fund	2008	4,910,986	119,775	764,331	532,511
	2007	11,524,751	989,348	1,343,424	1,138,066

9.12.2 United Composite Islamic Fund

	2008	2007
	------- (Rupees in '000) -------	
Investment as at January 1	636,896	250,300
Investment / (redemption) during the year	(66,953)	340,001
Share of (loss) / profit	(210,928)	46,595
Dividend distribution	(14,123)	-
Share of unrealised deficit on assets	(6,868)	-
Balance as at December 31	338,024	636,896

9.12.2.1 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.

9.12.2.2 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 / (Loss)
		------------------------------ (Rupees in '000) ------------------------------			
United Composite Islamic Fund	2008	676,552	5,215	(335,537)	(360,404)
	2007	1,058,155	3,620	198,155	159,971

9.12.3 United Growth and Income Fund

	2008	2007
	------- (Rupees in '000) -------	
Investment as at January 1	1,875,256	-
Investment / (redemption) during the year	(1,516,760)	1,802,097
Share of profit	39,089	73,159
Dividend distribution	(51,675)	-
Share of unrealised deficit on assets	(18,717)	-
Balance as at December 31	327,193	1,875,256

9.12.3.1 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.

9.12.3.2 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
		------------------------------ (Rupees in '000) ------------------------------			
United Growth and Income Fund	2008	10,868,720	58,697	1,388,782	1,116,975
	2007	18,498,395	881,745	2,020,222	1,790,183

9.12.4 United Islamic Income Fund

	2008	2007
	------- (Rupees in '000) -------	
Investment as at January 1	254,100	-
Investment during the year	83,853	250,001
Share of profit	14,095	4,099
Dividend distribution	(22,800)	-
Share of unrealised deficit on assets	(20,548)	-
Balance as at December 31	308,700	254,100

9.12.4.1 United Islamic 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.

9.12.4.2 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
		------------------------------ (Rupees in '000)			------------------------------
United Islamic Income Fund	2008	1,275,015	13,523	219,686	118,011
	2007	1,613,515	7,754	31,077	25,907

9.12.5 United Stock Advantage Fund

	2008	2007
	------- (Rupees in '000) -------	
Investment as at January 1	398,903	238,350
(Redemption) / investment during the year	(62,591)	62,591
Share of (loss) / profit	(184,459)	97,962
Dividend distribution	(9,087)	-
Balance as at December 31	142,766	398,903

9.12.5.1 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.

9.12.5.2 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 / (Loss)
		------------------------------ (Rupees in '000)			------------------------------
United Stock Advantage Fund	2008	1,121,150	44,914	(1,188,310)	(1,321,923)
	2007	2,218,363	29,319	489,737	432,680

9.12.6 United Capital Protected Fund - I

	2008	2007
	------- (Rupees in '000) -------	
Investment as at January 1	-	-
Investment during the year	80,075	-
Share of loss	(4,575)	-
Balance as at December 31	75,500	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

9.12.6.2 The details of assets, liabilities, revenues and profits of the fund as of December 31, 2008 based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenues	Loss
	---- (Rupees in '000) ----			
United Capital Protected Fund - I	664,503	8,093	19,060	(42,175)

9.12.7 UBL Principal Protected Plan

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

9.12.8 UBL Insurers Limited

	2008	2007
	------- (Rupees in '000) -------	
Investment as at January 1	46,350	91,002
Share of profit / (loss)	5,804	(44,652)
Balance as at December 31	52,154	46,350

9.12.8.1 UBL Insurers Limited is an unquoted public company .

9.12.8.2 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	Profit / (Loss)
		---- (Rupees in '000) ----			
UBL Insurers Limited	2008	822,707	648,445	124,568	19,763
	2007	703,204	548,705	(55,655)	(129,980)

9.12.9 Oman United Exchange Company

	2008	2007
	------- (Rupees in '000) -------	
Investment as at January 1	6,981	6,981
Share of profit - current year	22,317	-
Share of profit - prior year	45,439	-
Dividend distribution	(2,430)	-
Balance as at December 31	72,307	6,981

9.12.9.1 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.

9.12.9.2 The details of assets, liabilities, revenues and profits of the company as of December 31, 2008 based on reviewed financial statements are as follows:

		Assets	Liabilities	Revenues	Profit
		---- (Rupees in '000) ----			
Oman United Exchange Company	2008	340,138	50,911	184,066	113,945
	2007	214,840	58,162	91,601	43,130

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

10. ADVANCES

	Note	Performing 2008	Performing 2007	Non-performing 2008	Non-performing 2007
		(Rupees in '000)			
Loans, cash credits, running finances, etc.					
In Pakistan	10.2	254,525,402	222,660,938	23,988,307	17,759,670
Outside Pakistan		98,431,349	67,155,934	3,194,288	3,351,249
		352,956,751	289,816,872	27,182,595	21,110,919
Bills discounted and purchased (excluding government treasury bills)					
Payable in Pakistan		11,104,578	5,301,652	1,297,385	745,115
Payable outside Pakistan		4,800,215	5,570,875	421,348	495,691
		15,904,793	10,872,527	1,718,733	1,240,806
		368,861,544	300,689,399	28,901,328	22,351,725
Financing in respect of continuous funding system (CFS)		322,180	2,631,139	-	-
Advances - gross		369,183,724	303,320,538	28,901,328	22,351,725
Provision against advances	10.5				
- Specific		-	-	(18,567,383)	(16,031,324)
- General		(1,223,697)	(1,369,649)	-	-
		(1,223,697)	(1,369,649)	(18,567,383)	(16,031,324)
Advances - net of provision		367,960,028	301,950,889	10,333,945	6,320,401

		Performing 2008	Performing 2007	Non-performing 2008	Non-performing 2007
		(Rupees in '000)			
10.1	**Particulars of advances - gross**				
10.1.1	In local currency	257,379,877	227,669,639	25,285,692	18,504,785
	In foreign currencies	111,803,847	75,650,899	3,615,637	3,846,940
		369,183,724	303,320,538	28,901,329	22,351,725
10.1.2	Short term	255,783,762	210,172,350	-	-
	Long term	113,399,962	93,148,188	28,901,328	22,351,725
		369,183,724	303,320,538	28,901,328	22,351,725

10.2 This includes performing advances given under various Islamic financing modes amounting to Rs.469.910 million (2007: Rs.339.477 million).

10.3 Non-performing advances include advances having gross book value of Rs.936.792 million (2007: Rs.1,043.568 million) and net book value of Rs.339.689 million (2007: Rs.166.605 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

10.4 Advances include Rs.28.901 million (2007: Rs.22,351 million) which have been placed under non-performing status as detailed below:

Category of Classification	2008 Classified advances Domestic	Overseas	Total	Provision Required Domestic	Overseas	Total	Provision held 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	2,341,829	15,899,008	13,106,640	2,165,192	15,271,832	13,106,640	2,165,192	15,271,832
	25,285,692	3,615,637	28,901,329	16,226,543	2,340,840	18,567,383	16,226,543	2,340,840	18,567,383

Category of Classification	2007 Classified advances Domestic	Overseas	Total	Provision Required Domestic	Overseas	Total	Provision held Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets Especially Mentioned *	631,953	-	631,953	-	-	-	-	-	-
Substandard	4,670,464	301,045	4,971,509	1,061,583	75,262	1,136,845	1,061,583	75,262	1,136,845
Doubtful	2,756,266	3,866	2,760,132	1,335,909	1,934	1,337,843	1,335,909	1,934	1,337,843
Loss	10,446,102	3,542,029	13,988,131	10,353,279	3,203,357	13,556,636	10,353,279	3,203,357	13,556,636
	18,504,785	3,846,940	22,351,725	12,750,771	3,280,553	16,031,324	12,750,771	3,280,553	16,031,324

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

10.5 Particulars of provision against advances

	Note	2008 Specific	General	Total	2007 Specific	General	Total
		(Rupees in '000)					
Opening balance		16,031,324	1,369,649	17,400,973	12,409,962	1,416,249	13,826,211
Exchange adjustments		724,186	19,045	743,231	56,317	10,626	66,943
Charge / (Reversals)							
Charge for the year (excluding impact due to change in Prudential Regulations)		6,894,569	(214,675)	6,679,894	1,997,969	133,839	2,131,808
Reversals		(796,116)	-	(796,116)	(441,713)	-	(441,713)
		6,098,453	(214,675)	5,883,778	1,556,256	133,839	1,690,095
(Reversal) / additional provision due to change in Prudential Regulations	10.6	(1,369,230)	-	(1,369,230)	3,803,759	-	3,803,759
		4,729,223	(214,675)	4,514,548	5,360,015	133,839	5,493,854
Transfers		(49,678)	49,678	-	182,952	(191,065)	(8,113)
Amounts written off	10.7	(2,867,672)	-	(2,867,672)	(1,977,922)	-	(1,977,922)
Closing balance		18,567,382	1,223,697	19,791,079	16,031,324	1,369,649	17,400,973

10.5.1 General provision represents provision amounting to Rs.1,082.499 million (2007: Rs.1,296.496 million) against consumer finance portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs.141.207 million (2007: Rs.55.532 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries in which the overseas branches operate.

10.5.2 Particulars of provision against advances

	2008 Specific	General	Total	2007 Specific	General	Total
	(Rupees in '000)					
In local currency	16,226,542	1,082,499	17,309,041	12,750,771	1,296,496	14,047,267
In foreign currencies	2,340,840	141,198	2,482,038	3,280,553	73,153	3,353,706
	18,567,382	1,223,697	19,791,079	16,031,324	1,369,649	17,400,973

10.6 Amendments in Prudential Regulations in respect of provisioning against non-performing loans

State Bank of Pakistan vide BSD Circular No. 2 dated January 27, 2009 allowed the banks to avail the benefit of 30 percent of forced sales value (FSV) of pledged stock and mortgaged commercial and residential properties held as collateral by the banks against their non-performing (excluding consumer housing finance portfolio) for three years from the date of classification for the purpose determining the provisioning requirement with effect from December 31, 2008. In case of advances given under consumer housing finance portfolio the benefit of FSV would be 50 percent for the first and second year where as 30 percent allowable for the third year from the date of classification. Benefit of FSV shall not be available after three years from the date of classification.

The Bank accordingly, decided to avail the aforesaid benefit. Had the benefit of FSV not been availed by the Bank the specific provision against non-performing advances would have been higher and consequently profit before taxation and advances (net of provisions) as at December 31, 2008 would have been lower by approximately Rs.1,369.230 million. Increase in profit would not be available for the distribution of cash and stock dividend to share holders.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

		Note	2008	2007
10.7	**Particulars of write-offs**		------- (Rupees in '000) -------	
10.7.1	Against provisions	10.5	2,867,672	1,977,922
	Directly charged to profit and loss account		1,367,553	935,165
			4,235,225	2,913,087
10.7.2	Write-offs of Rs.500,000 and above	10.8	2,982,367	2,193,733
	Write-offs of below Rs.500,000		1,252,858	719,354
			4,235,225	2,913,087

10.8 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, 2008 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.

		Note	2008	2007
10.9	**Particulars of loans and advances to executives, directors, associated companies etc.**		------- (Rupees in '000) -------	
	Debts due by directors or executives of the bank or any of them either severally or jointly with any other persons			
	Balance at beginning of year		946,044	709,838
	Loans granted during the year		425,554	395,563
	Repayments		(390,279)	(159,357)
	Balance at end of year		981,319	946,044
	Debts due by companies or firms in which the directors of the bank are interested as directors, partners or in the case of private companies as members			
	Balance at beginning of year		-	1,000,565
	Loans granted during the year		-	-
	Repayments		-	(1,000,565)
	Balance at end of year		-	-

11. OPERATING FIXED ASSETS

	Note	2008	2007
Capital work-in-progress	11.1	1,010,404	1,067,379
Property and equipment	11.2	18,511,264	17,667,770
Intangible assets	11.3	405,247	330,347
		19,926,915	19,065,496

11.1 Capital work-in-progress

Capital work-in-progress essentially comprises civil works and advances to suppliers and contractors.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

11.2 Property and equipment

2008

	COST/ REVALUATION					ACCUMULATED DEPRECIATION				Net book value at December 31, 2008	Annual rate of depreciation %
	At January 01, 2008	Additions / (deletions)	Surplus on revaluation	Adjustments	At December 31, 2008	At January 01, 2008	Charge for the year / (depreciation on deletions)	Adjustments	At December 31, 2008		
	---------- (Rupees in '000) ----------										
Owned											
Freehold land	866,013	636,733 -	-	-	1,502,746	-	-	-	-	1,502,746	-
Leasehold land	10,333,042	253	-	- (241,164)	10,092,131	700	305,272 -	1,475 -	307,447	9,784,684	1 - 3.33
Buildings on freehold land	2,102,677	4,437 -	- (114,713)	20,757 (156,378)	1,856,781	32,446	20,788 -	20,880 (6,085)	68,028	1,788,753	5
Buildings on leasehold land	1,889,369	59,334	-	5,487 (22,680)	1,931,510	27,509	98,975 -	2,346 (7)	128,822	1,802,688	5
Leasehold Improvement	766,665	406,642 (3,457)	-	-	1,169,850	132,363	104,137 (3,109)	22,369 -	255,760	914,090	10
Furniture and fixtures	772,640	193,904 (1,775)	-	1,079 * (47,900)	917,948	406,122	74,949 (1,478)	942 (15,621)	464,913	453,035	10
Electrical, office and computer equipment	2,628,682	881,525 (70,403)	-	5,746 (68,382) *	3,377,169	1,540,157	494,360 (70,347)	34,900 (11,699)	1,987,370	1,389,799	20-25
Vehicles	300,114	98,179 (105,826)	-	- (19,201) *	273,266	148,335	49,165 (50,546)	- (4,601)	142,353	130,913	20
Assets held under operating lease											
Ijarah assets - note 11.8	307,473	659,038 (71,294)	-	-	895,217	14,944	142,380 (4,027)	-	153,297	741,920	20 - 33.33
Finance Lease											
Vehicles	5,261	19			5,280	1,591	1,053		2,644	2,636	
				-				-			
2008	19,971,936	2,940,064 (252,756)	- (114,713)	33,069 (555,704)	22,021,898	2,304,167	1,291,078 (129,508)	82,911 (38,014)	3,510,634	18,511,264	

2007

	COST/ REVALUATION					ACCUMULATED DEPRECIATION				Net book value at December 31, 2007	Annual rate of depreciation %
	At January 1, 2007	Additions/ (deletions)	Surplus on revaluation	Reversal of accumulated depreciation / other adjustments	At December 31, 2007	At January 1, 2007	Charge for the year / (depreciation on deletions)	Reversal due to revaluation / other adjustments*	At December 31, 2007		
	---------- (Rupees in '000) ----------										
Owned											
Freehold land	425,714	- -	440,299	-	866,013	-	-	-	-	866,013	-
Leasehold land	2,349,180	- -	8,349,972	(364,332) (1,778) *	10,333,042	272,927	91,563 -	(364,332) 542	700	10,332,342	1 - 3.33
Buildings on freehold land	1,121,522	3,834 -	974,678	(13,208) 15,851 *	2,102,677	50,721	18,919 -	(13,208) (23,986)	32,446	2,070,231	5
Buildings on leasehold land	382,802	1,418 (4,258)	1,581,560	(71,586) * (567)	1,889,369	78,710	46,493 -	(92,011) (5,684)	27,509	1,861,861	5
Leasehold Improvement	403,308	382,714 (23,889)	-	4,532 *	766,665	81,847	27,949	24,957 (2,389)	132,363	634,301	10
Furniture and fixtures	710,075	148,644 (3,492)	-	- (82,587) *	772,640	427,907	57,066 (3,138)	- (75,713)	406,122	366,518	10
Electrical, office and computer equipment	2,277,814	470,876 (4,758)	-	- * (115,250)	2,628,682	1,321,385	398,161 (4,364)	- (175,025)	1,540,157	1,088,525	20-25
Vehicles	533,051	37,539 (159,207)	-	- (111,269) *	300,114	209,285	56,487 (70,677)	- (46,760)	148,335	151,779	20
Assets held under operating lease											
Ijarah assets - note 11.8	-	307,473	-	-	307,473	-	15,001 -	- (57)	14,944	292,529	20 - 33.33
Finance lease											
Vehicles	8,976	- (3,715)			5,261	1,771	1,176 (1,356)		1,591	3,670	
				-							
2007	8,212,442	1,352,498 (199,319)	11,346,509	(444,594) (295,600)	19,971,936	2,444,553	712,815 (79,535)	(444,594) (329,072)	2,304,167	17,667,769	

* This represents write-off / reclassification of fixed assets based on an exercise being carried out by the management to reconcile their subsidiary records of fixed assets with the ledger balances. This exercise has been completed in respect of properties and is expected to be completed shortly in respect of furniture & fixture, electrical office and computer equipment and vehicles.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

11.3 Intangible assets

2008

	Cost				Accumulated Amortization				Net book value at December 31, 2008	Annual rate of amorti-sation %
	At January 01, 2008	Additions / (deletions)	Other adjust-ments	At December 31, 2008	At January 01, 2008	Charge for the year / (amorti-sation on deletion)	Other adjust-ments	At December 31, 2008		
	(Rupees in '000)									
Software	547,733	245,533 (9,408)	-	783,858	217,386	156,997 (8,558)	12,786	378,611	405,247	25

2007

	Cost				Accumulated Amortization				Net book value at December 31, 2007	Annual rate of amorti-sation %
	At January 01, 2007	Additions / (deletions)	Other adjust-ments	At December 31, 2007	At January 01, 2007	Charge for the year / (amorti-sation on deletion)	Other adjust-ments	At December 31, 2007		
	(Rupees in '000)									
Software	266,736	280,997	-	547,733	87,655	90,376	39,355	217,386	330,347	25

11.4 Revaluation of properties

The properties of the Group were last revalued by independent professional valuers as at December 31, 2007. The revaluation was carried out by M/s. Prisons Chemical Engineering (Private) Limited, M/s. Sadruddin Associates, M/s. Indus Surveyors (Private) Limited and M/s. Consultancy Support & Services,JRA Mcdonald Fries, 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.11,346.509 million. The directors of UNBL reviewed the valuation of the UNBL's properties in December 2008 and are of the opinion that their value has reduced by Rs.114.713 million as result of general fall in market values in the UK. Had there been no revaluation, the carrying amount of revalued assets at December 31, 2008 would have been as follows:

	(Rupees in '000)
Freehold land	425,715
Leasehold land	1,893,557
Buildings on freehold land	1,006,926
Buildings on leasehold land	262,474

11.5 Carrying amount of temporarily idle property 113,111

11.6 The gross carrying amount of fully depreciated assets that are still in use

Furniture and fixtures	248,176
Electrical, office and computer equipment	249,109
Vehicles	48,531
IT Hardware	692,804

11.7 Details of disposal 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.

11.8 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:

	2008	2007
	(Rupees in '000)	
Not later than one year	266,347	71,073
Later than one year but not later than five years	672,047	225,956
Later than five years	20,875	21,602
	959,269	318,631

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008	2007
		------- (Rupees in '000) -------	
12. OTHER ASSETS			
Income / mark-up accrued in local currency		10,713,190	7,729,857
Income / mark-up accrued in foreign currency		1,011,123	1,339,172
		11,724,313	9,069,029
Suspense accounts		462,603	498,202
Hajj refund		-	471,640
Stationery and stamps on hand		115,265	96,927
Advances, deposits, advance rent and other prepayments		885,981	1,264,658
Receivable from staff retirement funds		798,514	804,322
Due from other banks against telegraphic transfers and demand drafts		1,801,243	708,818
Unrealized loss on forward foreign exchange contracts		483,972	(35,010)
Receivable from SBP on account of encashment of savings certificates		775,289	561,493
Due from National Clearing Company of Pakistan Limited		1,086,879	372,533
Receivable in respect of encashment of dividend warrants on behalf of a customer		8,637	248,885
Receivable in respect of derivative transactions		416,075	68,387
Others		1,224,193	1,024,553
		19,782,963	15,154,437
Provision held against other assets	12.1	(1,209,096)	(1,319,997)
Unrealized mark-up held in suspense account		(1,264,679)	(1,947,252)
Other assets (net of provisions)		17,309,187	11,887,188

12.1 Provision against other assets

	Note	2008	2007
Opening balance		1,319,997	1,794,691
Exchange adjustments		6,809	(1,612)
		1,326,806	1,793,079
Charge for the year		209,325	255,394
Reversals		(13,299)	(174,687)
	30	196,026	80,707
Transfers		-	9,088
Amounts written off		(313,736)	(562,877)
Closing balance		1,209,096	1,319,997

13. CONTINGENT ASSETS

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

14. BILLS PAYABLE

	2008	2007
In Pakistan	4,690,304	5,777,625
Outside Pakistan	520,566	309,641
	5,210,870	6,087,266

15. BORROWINGS

	2008	2007
In Pakistan	38,967,725	53,795,007
Outside Pakistan	5,781,965	5,696,246
	44,749,690	59,491,253

15.1 Particulars of borrowings with respect to currencies

	2008	2007
In local currency	38,967,725	53,325,834
In foreign currencies	5,781,965	6,165,419
	44,749,690	59,491,253

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

		2008	2007
		------- (Rupees in '000) -------	
15.2 Details of borrowings from financial institutions			
Secured			
Borrowings from the State Bank of Pakistan under			
- Export refinance scheme	15.3	12,804,867	6,708,853
- Long-term financing under export oriented projects	15.4	4,280,169	4,945,514
- Locally manufactured machinery refinance scheme	15.5	544	1,620
		17,085,580	11,655,987
Repurchase agreement borrowings	15.6	14,284,138	32,269,543
		31,369,718	43,925,530
Unsecured			
Call borrowings	15.7	10,200,693	13,629,078
Overdrawn nostro accounts		2,116,282	936,004
Trading and other liabilities		1,062,997	1,000,641
		13,379,972	15,565,723
		44,749,689	59,491,253

15.3 United Bank Limited 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 2009.

15.4 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.

15.5 According to agreements with SBP, these loans were obtained for providing finance to customers against locally manufactured machinery.

15.6 These repurchase agreement borrowings are secured against market treasury bills and Pakistan Investment Bonds and carry mark-up at rates ranging from 9.00% to 15.00% per annum (2007: 8.90% to 10.00% per annum). These borrowings are repayable latest by January 2009. The carrying value of securities given as collateral is given in note 9.1.

15.7 These are unsecured borrowings and carry mark-up at rates ranging from 10.50% to 17.00% per annum (2007: 9.3% to 12.00% per annum) and are repayable latest by March 2009. Where as borrowing pertaining to overseas operation carry mark-up at rates ranging from 1.25% to 5.8% per annum (2007: NIL) and are due to mature latest by January 2009.

	2008	2007
	------- (Rupees in '000) -------	
16. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	190,496,105	131,190,126
Savings deposits	157,389,124	154,537,137
Sundry deposits	4,957,358	3,982,596
Margin deposits	3,993,023	2,769,452
Current accounts - remunerative	2,185,756	5,794,610
Current accounts - non-remunerative	132,111,190	112,153,247
	491,132,556	410,427,168
Financial Institutions		
Remunerative deposits	903,419	821,361
Non-remunerative deposits	231,923	226,599
	1,135,342	1,047,960
	492,267,898	411,475,128

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
	------- (Rupees in '000) -------	
16.1 Particulars of deposits and other accounts		
In local currency	350,849,396	309,871,061
In foreign currencies	141,418,502	101,604,067
	492,267,898	411,475,128

17. SUB-ORDINATED LOANS - UNSECURED

	Issue Date	Tenor	Rate % per annum	Maturity	Frequency of principal redemption	2008	2007
						------- (Rupees in '000) -------	
Term Finance Certificates - I	August 2004	8 years	8.45%	August 2012	Semi Annual	1,996,928	1,997,696
Term Finance Certificates - II	March 2005	8 years	9.49%	March 2013	Semi Annual	1,999,720	1,999,800
Term Finance Certificates - III	September 2006	8 years	6 months Kibor+1.70%	September 2014	Semi Annual	1,998,400	1,999,200
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	5,998,800	-
						11,993,848	5,996,696

17.1 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.

17.2 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.

18. 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% (2007: 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:

	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

	2007		
	Minimum lease payments	Finance charges for future periods	Principal Outstanding
	------------------- (Rupees in '000) ----------------		
Not later than one year	1,650	(291)	1,359
Later than one year and not later than five years	2,039	(137)	1,902
	3,689	(428)	3,261
amount representing future finance charges	(428)	-	-
	3,261	(428)	3,261

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	2008	2007
		------- (Rupees in '000) -------	
19. DEFERRED TAX (ASSET) / LIABILITY - NET			
Deferred tax (asset) / liability - net	19.1	(2,164,148)	2,109,989

19.1 Movement in temporary differences during the year

	2008			
	At January 01, 2008	Recognised in profit and loss	Recognised in equity	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)
- Worker welfare fund	-	(117,950)	-	(117,950)
- Derivative transactions	-	-	(148,956)	(148,956)
- provision against off balance sheet item, post retirement medical benefit and consumer financing	(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)

	2007			
	At January 01, 2007	Recognised in profit and loss	Recognised in equity	At December 31, 2007
	----------------------------- (Rupees in '000)			-----------------------------
Deductible temporary differences on				
- recognised tax losses of a subsidiary	(2,082)	(122,120)	-	(124,202)
- deficit on revaluation of investments	(18,849)	-	(117,515)	(136,364)
- ijarah financing	-	(57,605)	-	(57,605)
- Worker welfare fund	-	-	-	-
- Derivative transactions	-	-	-	-
- provision against off balance sheet item, post retirement medical benefit and consumer financing	(1,028,589)	(757,827)	-	(1,786,416)
	(1,049,520)	(937,552)	(117,515)	(2,104,587)
Taxable temporary differences on				
- surplus on revaluation of fixed assets	60,697	(33,338)	4,171,803	4,199,162
- accelerated tax depreciation	81,248	(65,834)	-	15,414
	141,945	(99,172)	4,171,803	4,214,576
	(907,575)	(1,036,724)	4,054,288	2,109,989

	Note	2008	2007
		------- (Rupees in '000) -------	
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		6,791,850	3,375,092
Mark-up / return / interest payable in foreign currency		358,623	474,233
Accrued expenses	20.1	1,900,546	1,572,636
Branch adjustment account		495,047	2,942,052
Payable under severance scheme		34,183	34,183
Unearned commission		120,028	315,081
Provision for taxation - net	20.2	712,208	1,376,596
Provision against off - balance sheet obligations	20.3	651,697	608,731
Deferred liabilities	20.4	2,028,555	2,206,820
Unrealized loss / (gain) on derivative financial instruments - net	20.5	829,008	(159,366)
Workers welfare fund payable		340,536	-
Insurance payable against consumer assets		689,124	663,277
Payable on account of Government transaction		1,506,101	-
Others		163,077	172,639
		16,620,583	13,581,974

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

20.1 This includes an accrual of Rs.338.551 million for the year ended December 31, 2008 (2007: Rs.263.181 million) in respect of employee bonus scheme. The object 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 UBL. 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.

20.2 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 years 2004, 2005, 2006 and 2007 (financial year ended December 31, 2003 to December 31, 2006) the taxation authorities, in exercise of their powers u/s. 122 (5A), amended the returns filed under the provisions of Section 114 of the Ordinance and issued amended assessment orders determining additional tax liability of Rs.6,811 million. The bank moved a rectification application u/s. 221 of the Ordinance before the additional commissioner audit on various mistakes apparent from the records. The additional commissioner audit partially accepted the issues raised in the said application and reduced the additional liability to Rs.3,654 million. The bank has filed an appeal before the Commissioner of Income Tax (Appeals) [CIT (A)] against the said additional liability. Although the management is confident that the appeals will be decided in the favour of the bank however, on account of prudence, an additional tax charge of Rs.400 million has been provided in these consolidated financial statements.

The return for the tax year 2003 was selected for audit u/s. 177 of the Ordinance and the amended assessment order was passed against which the bank has filed appeal before CIT (A). The appeal against the said order has been heard by the CIT (A) and the order is awaited. 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 disallowance in the consolidated financial statements for the year ended December 31, 2007.

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.

		Note	2008	2007
			------- (Rupees in '000) -------	
20.3	**Provision against off - balance sheet obligations**			
	Opening balance		608,731	652,339
	Charge / (Reversal) during the year		42,966	(38,093)
	Transfers during the year		-	(5,515)
			42,966	(43,608)
			651,697	608,731
20.4	**Deferred liabilities**			
	Provision for post retirement medical benefits	37	1,219,400	1,218,758
	Provision for gratuity - overseas		195,553	144,869
	Provision for compensated absences	37.4	613,602	843,193
			2,028,555	2,206,820

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

20.5 Unrealized gain / (loss) on derivative financial instruments

	Contract / notional amount		Unrealised gain / (loss)	
	2008	2007	2008	2007
	(Rupees in '000)			
Derivatives held for trading				
Interest rate swaps	20,758,372	3,960,485	(320,033)	(59,825)
Forward rate agreements	850,000	-	(1,457)	-
Cross currency swaps	15,948,869	9,948,001	(82,915)	219,191
Forward purchase contracts of government securities	10,065,070	-	5,848	-
Forward sale contracts of government securities	8,611,020	-	(4,864)	-
	56,233,331	13,908,486	(403,421)	159,366
Derivatives held for cash flow hedges				
Interest rate swaps	-	-	(425,587)	-
	56,233,331	13,908,486	(829,008)	159,366

21. SHARE CAPITAL

21.1 Authorized Capital

2008	2007			
(Number of shares)				
2,000,000,000	1,030,000,000	Ordinary shares of Rs.10 each	20,000,000	10,300,000

21.2 Issued, subscribed and paid-up capital

Fully paid-up ordinary shares of Rs.10 each

2008	2007			
(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
493,718,750	291,375,000	Issued as bonus shares	4,937,188	2,913,750
1,011,718,750	809,375,000		10,117,188	8,093,750

21.3 The bank in its 49th Annual General Meeting resolved to increase its authorized capital from Rs.10.3 billion to Rs.20 billion.

21.4 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 Depositary 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 depositary 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 depositary facility. Upon withdrawal, the holders will rank pari passu with other equity shareholders in respect of voting powers. As at December 31,2008: 143,078,641 (2007: 158,001,416) GDRs were in issue.

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

	2008	
Name of shareholder	**Number of shares held**	**Percentage of shareholding**
His Highness Shaikh Nahayan Mabarak Al Nahayan	65,241,408	6.45%
H.E. Dr. Mana'a Saeed Al Otaiba	55,778,837	5.51%
Bestway (Holdings) Limited	128,989,257	12.75%
Sir Mohammed Anwar Pervez, OBE, HPk	51,597,656	5.10%
Bestway Cement Limited	77,396,483	7.65%
Government of Pakistan	199,936,901	19.76%

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

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

		Note	2008	2007
			(Rupees in '000)	
22.	**SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX**			
	Surplus arising on revaluation of assets - net of tax :			
	Fixed assets			
	- Group's share	22.1	8,641,234	9,165,863
	- Minority Interest		343,931	429,130
			8,985,165	9,594,993
	Securities	22.2	(6,580,563)	(219,110)
	Deficit arising on revaluation of assets of associates		(130,103)	-
			2,274,498	9,375,883
22.1	**Surplus on revaluation of fixed assets**			
	Surplus on revaluation of fixed assets at January 01		13,794,155	2,545,446
	Revaluation of fixed assets during the year the year / adjustments		(282,191)	11,346,509
	Exchange adjustment		(72,620)	
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year		(255,017)	(64,462)
	Related deferred tax liability of incremental depreciation charged during the year		(136,240)	(33,338)
	Related deferred tax liability of transfer of property during the year		(90,167)	-
			12,957,920	13,794,155
	Less: Related deferred tax liability on:			
	Revaluation as on January 01		4,199,162	60,697
	Revaluation of fixed assets during the year		-	4,171,803
	Incremental depreciation charged on related assets		(136,240)	(33,338)
	Reversal in respect of transfer of a property during the year		(90,167)	-
			3,972,755	4,199,162
			8,985,165	9,594,993
22.2	**(Deficit) / surplus on revaluation available-for-sale securities**			
	Market Treasury Bills		(16,685)	(70,202)
	Pakistan Investment Bonds		(3,293,999)	(105,316)
	Quoted shares		(1,892,871)	(19,509)
	Mutual fund units		(9,465)	11,086
	Term Finance Certificates, Sukuk, other Bonds etc.		(53,850)	30,528
	Overseas securities		(4,514,768)	(202,061)
			(9,781,638)	(355,474)
	Related deferred tax asset		3,201,075	136,364
			(6,580,563)	(219,110)

23. CONTINGENCIES AND COMMITMENTS

		2008	2007
23.1	**Direct credit substitutes**		
	Contingent liabilities in respect of guarantees given favouring		
	Government	12,738,399	5,525,535
	Banking companies and other financial institutions	4,951,481	3,992,848
	Others	8,642,081	5,941,261
		26,331,962	15,459,644
23.2	**Transaction-related contingent liabilities**		
	Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
	Government	60,706,466	43,946,035
	Banking companies and other financial institutions	4,115,594	3,031,393
	Others	17,061,793	13,992,900
		81,883,853	60,970,328

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

		2008	2007
		------- (Rupees in '000) -------	
23.3	**Trade-related contingent liabilities**		
	Contingent liabilities in respect of letters of credit opened favouring		
	Government	68,756,444	60,431,464
	Banking companies and other financial institutions	32,013	412,056
	Others	73,606,990	89,102,242
		142,395,447	149,945,762
23.4	**Other contingencies**		
	Claims against the bank not acknowledged as debts	17,230,872	17,733,578

23.5 Commitments in respect of forward lending

The bank 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.

		2008	2007
		------- (Rupees in '000) -------	
23.6	**Commitments in respect of forward foreign exchange contracts**		
	Sale	55,616,766	87,334,393
	Purchase	79,929,121	81,782,747
23.7	**Other commitments**		
	Forward purchase contracts of government securities	10,065,070	-
	Forward sale contracts of government securities	8,611,020	-
	Interest rate swaps	20,758,372	4,977,160
	Equity indices	355,943	-
	Cross currency swaps	15,948,869	9,993,448
	Forward rate agreements	850,000	-
	FX options	25,460,283	5,886,360
	Commodity options	39,545	-
	Commitments in respect of capital expenditure	1,206,025	128,328

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 bank 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 bank, 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 bank'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 bank 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 bank 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 bank 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. Bank's Audit and Inspection wing also reviews this function, which covers regular review of systems, transactional processes, accounting practices, end-user roles and responsibilities.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

The bank has installed a state-of-the-art derivatives system (PRINCIPIA), 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

	2008							
	Interest rate swaps		Forward rate agreements		FX options		Cross currency swaps	
	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)
With Banks for								
Hedging	9	7,987,105	1	250,000	45	16,091,828	8	11,217,419
Market Making	10	7,678,036	1	250,000	2	445,862	1	1,958,250
With other entities								
Hedging	-	-	-	-	-	-	-	-
Market Making	21	5,093,231	2	350,000	42	8,922,593	6	2,773,200
Total								
Hedging	9	7,987,105	1	250,000	45	16,091,828	8	11,217,419
Market Making	31	12,771,267	3	600,000	44	9,368,455	7	4,731,450

	2007							
	Interest rate swaps		Forward rate agreements		FX options		Cross currency swaps	
	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)
With Banks for								
Hedging	5	1,614,635	-	-	17	2,943,180	8	7,715,465
Market Making	-	-	-	-	-	-	-	-
With other entities								
Hedging	-	-	-	-	-	-	-	-
Market Making	17	3,362,525	-	-	17	2,943,180	11	2,277,983
Total								
Hedging	5	1,614,635	-	-	17	2,943,180	8	7,715,465
Market Making	17	3,362,525	-	-	17	2,943,180	11	2,277,983

24.2 Maturity Analysis

Interest Rate Swaps, Forward Rate Agreements and Cross Currency Swaps

	2008				
Remaining Maturity	**No. of contracts**	**Notional principal**	**Mark to market**		
			Negative	**Positive**	**Net**
	----------	----------	(Rupees in '000)	----------	----------
Upto 1 Month	4	850,000	1,935	478	(1,457)
1 to 3 Month	1	150,000	3,666	-	(3,666)
3 to 6 Month	1	43,333	900	-	(900)
6 Month to 1 Year	5	259,444	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	101,975	17,169	(84,806)
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	-	-	-	-	-
	59	37,557,241	1,296,852	466,859	(829,993)

	2007				
Remaining Maturity	**No. of contracts**	**Notional principal**	**Mark to market**		
			Negative	**Positive**	**Net**
	----------	----------	(Rupees in '000)	----------	----------
Upto 1 Month	2	752,540	1,014	-	(1,014)
1 to 3 Month	2	464,135	-	-	-
3 to 6 Month	1	45,447	-	-	-
6 Month to 1 Year	5	1,382,857	5,054	5,765	711
1 to 2 Year	10	1,322,222	24,044		(24,044)
2 to 3 Year	13	2,466,546	24,843	1,207	(23,636)
3 to 5 Year	5	5,192,861	5,519	149,257	143,738
5 to 10 Year	3	3,344,000	-	63,870	63,870
Above 10 Year	-	-	-	-	-
	41	14,970,608	60,474	220,099	159,625

25. MARK-UP / RETURN / INTEREST EARNED

	2008	2007
	------- (Rupees in '000)	-------
On loans and advances		
- Customers	40,875,504	30,194,748
- Financial institutions	921,491	1,107,487
	41,796,995	31,302,235
On investments in		
- Available for sale securities	8,556,859	8,001,566
- Held to maturity securities	947,052	266,608
- Associates and subsidiaries	2,091	16,892
	9,506,002	8,285,066
On deposits with financial institutions	309,037	1,204,110
On securities purchased under resale agreements	1,413,574	1,151,537
Discount income	71,773	19,183
	53,097,381	41,962,131

26. MARK-UP / RETURN / INTEREST EXPENSED

On deposits	18,783,653	13,507,865
On securities sold under repurchase agreements	2,214,520	1,687,771
On other short - term borrowings	1,659,990	1,285,414
On long - term borrowings	1,348,166	596,625
Discount expense	296,864	85,142
	24,303,193	17,162,817

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

		Note	2008	2007
27.	**GAIN / (LOSS) ON SALE OF SECURITIES**		------- (Rupees in '000) -------	
	Federal Government Securities			
	Market Treasury Bills		(10,229)	(5,234)
	Pakistan Investment Bonds		(77,680)	(13,781)
			(87,909)	(19,015)
	Fully paid-up ordinary shares			
	Listed companies		325,856	389,816
	Unlisted companies		-	-
			325,856	389,816
	Other securities		16,471	480,788
			254,418	851,589
28.	**OTHER INCOME**			
	Charges recovered from customers		934,344	1,167,075
	Rent on properties		167,576	143,445
	Income from dealing in derivatives		163,576	280,754
	Others		240,650	22,877
			1,506,146	1,614,151
29.	**ADMINISTRATIVE EXPENSES**			
	Personnel Cost			
	Salaries, allowances etc.	29.1	7,280,683	6,582,629
	Charge for compensated absences	37.1.7	155,189	315,567
	Medical expenses		338,175	125,876
	Contribution to defined contribution plan		135,957	131,975
	Reversal in respect of defined benefit obligations		(232,138)	(219,648)
			7,677,866	6,936,399
	Premises Cost			
	Rent, taxes, insurance, electricity etc.		1,704,641	1,271,697
	Depreciation	11.2	529,111	199,926
	Repairs and maintenance		95,475	124,897
			2,329,227	1,596,520
	Other Operating Cost			
	Outsourced service charges including sales commission		1,842,756	1,441,421
	Depreciation	11.2	761,968	512,888
	Communications		710,330	574,943
	Banking service charge		444,048	361,062
	Advertisement and publicity		359,809	619,397
	Legal and professional charges		335,168	458,740
	Stationery and printing		306,536	300,268
	Miscellaneous expenses		338,526	220,257
	Cash transportation charges		233,179	157,390
	Travelling		200,861	172,306
	Repairs and maintenance		212,541	148,736
	Amortization	11.3	156,997	90,376
	Insurance expense		124,774	115,595
	Vehicle expenses		115,593	89,988
	Office running expenses		115,425	81,030
	Entertainment		91,771	69,997
	Cartage, freight and conveyance		71,742	61,364
	Training and seminar		74,093	86,960
	Subscriptions		36,236	27,984
	Auditors' remuneration	29.3	46,789	45,889
	Sub-ordinated debt related costs		26,254	19,836
	Brokerage expenses		7,742	20,176
	Non-executive directors' fee and allowances		14,912	7,152
	Donations	29.2	11,893	13,840
	Computer expenses		32,649	26,178
	Finance charges on leased assets		283	519
			6,672,875	5,724,292
			16,679,968	14,257,211

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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.168.884 million (2007: Rs.153.619 million).

29.2 Donations exceeding Rs.0.1 million

	2008	2007
	------- (Rupees in '000) -------	
Karachi Education Initiative	3,000	-
Citizen Foundation	2,200	1,500
Book Group	1,548	-
Burns Center	1,440	600
Agha Khan University and Medical Foundation	1,000	1,000
Marie Adelade Leprocy Center	850	850
Jinnah Foundation Memorial Trust	500	450
Family Education Services Foundation	480	-
Lahore University of Management Sciences	315	315
Umeed-e-Noor	300	-
C.P.L.C.	150	-
Pakistan Centre for Philanthrophy	-	708
Sindh Institute of Urology and Transplantation	-	3,000
Institute of Business Administration	-	210
Shalamar Hospital	-	300
Children Villages of Sindh	-	953
Shoukat Khanam Memorial Trust	-	3,000
Sahara Life for Trust	-	500
	11,783	13,386

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

29.3 Auditors' remuneration

	2008		
	Ford Rhodes Sidat Hyder & Co.	KPMG Taseer Hadi & Co.	Total
	---------------------- (Rupees in '000) ----------------------		
Audit fee	5,100	5,100	10,200
Fee for audit of EPZ branch	150	-	150
Fee for audit of overseas branches and subsidiaries	-	-	34,487
Fee for audit of domestic subsidiaries	-	-	242
Out of pocket expenses	848	862	1,710
	6,098	5,962	46,789

	2007		
	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.	Total
	---------------------- (Rupees in '000) ----------------------		
Audit fee	5,100	5,100	10,200
Fee for audit of EPZ branch	56	-	56
Fee for audit of overseas branches	-	-	32,403
Fee for audit of domestic subsidiaries	243	26	269
Out of pocket expenses	1,486	1,475	2,961
	6,885	6,601	45,889

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Note	2008	2007
		------- (Rupees in '000) -------	
30. OTHER PROVISIONS / WRITE OFFS - NET			
Provision against other assets - net	12.1	196,026	80,707
Provision / (reversal) against off - balance sheet obligations	20.3	42,966	(38,093)
Other provisions / write offs		229,050	193,667
		468,042	236,281
31. OTHER CHARGES			
Penalties of State Bank of Pakistan		258,321	17,430
Others		34,056	-
		292,377	17,430

32. WORKERS WELFARE FUND

The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which the Group is now liable to pay WWF @ 2% of profit before tax as per accounts or declared income as per income tax return, which ever is higher.

33. TAXATION

	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

	2007			
	Overseas	Azad Kashmir	Domestic	Total
	---------- (Rupees in '000) ----------			
Current tax	633,354	251,563	4,268,394	5,153,311
Prior year tax	21,961	-	420,706	442,667
Deferred taxation	(131,535)	(969)	(904,220)	(1,036,724)
	523,780	250,594	3,784,880	4,559,254

	2008	2007
	------- (Rupees in '000) -------	
33.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	14,052,051	13,796,269
Tax on income @ 35% (2007: 35%)	4,918,218	4,828,694
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates / permanent difference	169,176	(305,557)
Prior year tax charge	435,072	442,066
Other Charges	84,334	(405,949)
Tax charge	5,606,800	4,559,254

34. EARNINGS PER SHARE

	2008	2007
	------- (Rupees in '000) -------	
Profit after taxation for the year	8,355,757	8,975,280
	------- (Number of shares) -------	
Weighted average number of ordinary shares	1,011,718,750	1,011,718,750
	---------- (Rupees) ----------	
Earnings per share	8.26	8.87

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, 2008 and 2007 which would have any effect on the earnings per share if the option to convert is exercised.

35. CASH AND CASH EQUIVALENTS

	Note	2008	2007
		------- (Rupees in '000) -------	
Cash and balances with treasury banks	6	50,143,570	57,622,360
Balances with other banks	7	14,540,306	10,982,176
		64,683,876	68,604,536

36. STAFF STRENGTH

	2008	2007
	------------ (Number) ------------	
Permanent	9,028	9,520
Contractual basis	13	12
Group's own staff strength at the end of the year	9,041	9,532
Outsourced	6,192	5,522
Total number of employees at the end of the year	15,233	15,054

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. 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, 2008.

37.1.3 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2008. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the defined benefit plans:

	2008	2007
Discount rate	14.0%	10.0%
Expected rate of return on plan assets	14.0%	10.0%
Expected rate of salary increase	11.5%	8.0%
Expected rate of pension increase	5.0%	5.0%

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

	2008					2007				
	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	3,625,280	384,786	529,647	-	-	4,343,529	399,289	564,591	-	-
Fair value of plan assets	(6,526,828)	(291,292)	(739,180)	-	-	(7,260,256)	(356,676)	(914,356)	-	-
	(2,901,548)	93,494	(209,533)	-	-	(2,916,727)	42,613	(349,765)	-	-
Present value of unfunded obligation	-	-	-	875,509	613,602	-	-	-	1,202,462	843,193
Net actuarial gains or (losses) not recognized	2,486,765	(133,812)	120,356	343,891	-	2,247,418	(44,499)	324,249	16,296	-
(Receivable) / payable	(414,783)	(40,318)	(89,177)	1,219,400	613,602	(669,309)	(1,886)	(25,516)	1,218,758	843,193

37.1.5 Movement in defined benefit obligation

	2008					2007				
	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical	Employee compensated absences
	(Rupees in '000)									
Obligation at the beginning of the year	4,343,529	399,289	564,591	1,202,462	843,193	4,433,583	437,373	670,979	1,298,048	1,074,258
Current service cost	16,408	46,748	10,597	11,693	25,562	19,507	55,913	17,190	14,694	32,032
Interest cost	160,501	38,557	54,239	120,831	85,597	399,022	39,364	60,388	116,824	96,683
Benefits paid by the bank	(848,135)	(138,852)	(141,047)	(131,882)	(369,949)	(542,560)	(54,026)	(36,952)	(88,996)	(182,568)
Early retirement liability	-	-	-	-	-	(59,539)	(48,918)	(28,628)	(49,425)	(78,425)
Actuarial (gain) / loss on obligation	(47,023)	39,044	41,267	(327,595)	29,199	93,516	(30,417)	(118,386)	(88,683)	(98,787)
Obligation at the end 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

37.1.6 Movement in fair value of plan assets

	2008					2007				
	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical	Employee compensated absences
	(Rupees in '000)									
Fair value at the beginning of the year	7,260,256	356,676	914,356	-	-	7,116,577	335,449	917,522	-	-
Expected return on plan assets	511,411	34,520	84,307	-	-	640,492	30,190	82,577	-	-
Contribution by the bank	-	88,419	6,622	-	-	-	80,928	7,618	-	-
Contribution by the employees	-	-	6,622	-	-	-	-	7,618	-	-
Amount paid by the fund to the bank	(1,600,934)	(137,722)	(136,307)	-	-	(915,911)	(109,388)	(147,535)	-	-
Payment received on behalf of the fund	-	-	-	-	-	-	2,611	1,809	-	-
Actuarial gain / (loss) on plan assets	356,095	(50,601)	(136,420)	-	-	419,098	16,886	44,747	-	-
Fair value at the end of the year	6,526,828	291,292	739,180	-	-	7,260,256	356,676	914,356	-	-

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

	2008					2007				
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Employee compensated absences	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical	Employee compensated absences
	(Rupees in '000)									
Opening balance	(669,309)	(1,886)	(25,516)	1,218,758	843,193	(507,671)	(2,020)	(58,287)	1,226,331	1,074,258
Mark-up receivable on bank's balance	5,273	(125)	(338)	-	-	(10,351)	-	(9)	-	-
Charge / (reversal) for the year	(503,546)	51,242	(51,961)	132,524	140,358	(403,532)	79,092	(1,308)	133,976	125,876
Contribution by the bank	-	(88,419)	(6,622)	-	-	-	(80,928)	(7,618)	-	-
Amount paid by the Fund to the bank	1,600,934	137,722	136,307	-	-	915,911	109,388	147,535	-	-
Payment received on behalf of the bank	-	-	-	-	-	-	(2,611)	(1,809)	-	-
Benefits paid by the bank	(848,135)	(138,852)	(141,047)	(131,882)	(369,949)	(663,666)	(104,807)	(104,020)	(141,549)	(356,941)
Closing balance	(414,783)	(40,318)	(89,177)	1,219,400	613,602	(669,309)	(1,886)	(25,516)	1,218,758	843,193

37.1.8 Charge for defined benefit plans

	2008					2007				
	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)									
Current service cost	16,408	46,748	10,597	11,693	25,562	19,507	55,913	17,190	14,694	32,032
Interest cost	160,501	38,557	54,239	120,831	85,597	399,022	39,364	60,388	116,824	96,683
Expected return on plan assets	(511,411)	(34,520)	(84,307)	-	-	(640,492)	(30,190)	(82,577)	-	-
Actuarial (gains) and losses	(169,044)	457	(25,868)	-	29,199	(162,630)	6,690	(10,690)	-	(90,381)
Employees' contribution	-	-	(6,622)	-	-	-	-	(7,618)	-	-
Settlement loss / gains	-	-	-	-	-	(18,939)	7,315	21,999	2,458	87,542
	(503,546)	51,242	(51,961)	132,524	140,358	(403,532)	79,092	(1,308)	133,976	125,876

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:

	2008					2007				
	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	511,411	34,520	84,307	-	-	640,492	30,190	82,577	-	-
Actuarial gain / (loss) on plan assets	356,095	(50,601)	(136,420)	-	-	419,098	16,886	44,747	-	-
	867,506	(16,081)	(52,113)	-	-	1,059,590	47,076	127,324	-	-

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

	Pension Fund				
	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligation	(3,625,280)	(4,343,529)	(4,433,583)	(4,184,487)	(4,027,184)
Fair value of plan assets	6,526,828	7,260,256	7,116,577	6,349,249	6,541,166
Surplus / (deficit)	2,901,548	2,916,727	2,682,994	2,164,762	2,513,982
Experience adjustments on plan liabilities [loss / (gain)]	(87,141)	126,265	238,500	251,108	292,061
Experience adjustments on plan assets [loss / (gain)]	(1,195)	(11,848)	(411,713)	(438,971)	(534,091)

	Gratuity Fund				
	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligation	(384,786)	(399,289)	(437,373)	(381,983)	(292,738)
Fair value of plan assets	291,292	356,676	335,449	345,484	324,220
Surplus / (deficit)	(93,494)	(42,613)	(101,924)	(36,499)	31,482
Experience adjustments on plan liabilities [loss / (gain)]	43,905	27,782	33,547	50,697	1,029
Experience adjustments on plan assets [loss / (gain)]	55,290	(5,179)	10,979	757	(1,023)

	Benevolent Fund				
	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligation	(529,647)	(564,591)	(670,979)	(665,686)	(719,317)
Fair value of plan assets	739,180	914,356	917,522	773,365	694,182
Surplus / (deficit)	209,533	349,765	246,543	107,679	(25,135)
Experience adjustments on plan liabilities [loss / (gain)]	138,712	(90,203)	(11,064)	33,543	286,097
Experience adjustments on plan assets [loss / (gain)]	144,550	(45,638)	(64,187)	(59,679)	(60,667)

	Post retirement medical benefit				
	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligation	(875,509)	(1,202,462)	(1,298,048)	(1,263,750)	(1,256,633)
Experience adjustments on plan liabilities [loss / (gain)]	761	(67,904)	(37,633)	(12,195)	36,389

	Employee compensated absences				
	2008	2007	2006	2005	2004
	(Rupees in '000)				
Present value of defined benefit obligation	613,602	843,193	1,074,258	1,037,500	1,036,000
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

	2008					2007				
	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
	Percentage									
Government securities	35.54%	39.39%	43.39%	-	-	99.97%	32.20%	46.88%	-	-
Units of mutual funds	22.03%	29.38%	31.11%	-	-	-	21.62%	51.05%	-	-
Ordinary shares of listed companies	0.33%	-	3.20%	-	-	-	-	2.07%	-	-
Term finance certificates	7.86%	31.07%	-	-	-	-	41.44%	-	-	-
Others (including bank balances)	34.24%	0.16%	22.30%	-	-	0.03%	4.74%	-	-	-
	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, 2008 would be as follows:

	2009				
	Pension fund	Gratuity fund	Benevolent fund	Post retire-ment medical benefit	Employee compensated absences
	(Rupees in '000)				
Expected charge for the year	(583,852)	67,762	(23,719)	96,857	138,933

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, 2008.

The last full actuarial valuation of the scheme was carried at January 1, 2008 and has been updated to December 31, 2008 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:

	2008	2007
	Percentage	
Expected rate of salary increase	4.25%	4.75%
Expected rate of pension increase	3.00%	3.50%
Rate of revaluation of pension indeferment	5.00%	5.00%
Discount rate	6.40%	5.90%
Price inflation	2.75%	3.25%

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:

	2008		2007	
	Percentage	(Rupees '000)	Percentage	(Rupees '000)
Other - insurance policy	6.40%	398,970	5.90%	516,306
Total market value of assets		398,970		516,306
Actuarial value of liability		(394,267)		(478,797)
Net pension asset / (liability)		4,703		37,509

The asset value supplied by the insurance company for 2008 is on an ongoing basis. If the policy had been surrendered at December 31, 2008 the surrender value would have been Rs. 398,970 million. It is not UNBL's intention to surrender the policy.

37.2.1 Movement in surplus / (deficit) during the year

	2008	2007
	(Rupees in '000)	
Obligation at the beginning of the year	37,509	(37,834)
Current Service Cost	(17,043)	(12,275)
Interest Cost	2,212	(2,188)
Employer`s contribution	12,620	9,358
Actuarial (gains) / losses	(31,745)	80,333
Exchange Adjustment	1,151	115
Obligation at the end of the year	4,703	37,509

The defined benefit scheme is now closed to new entrants but existing member continue to accrue benefit . This meas that the service cost in respect of existing members (expressed as an annual percentage of their pensionable payroll) may be expected to increase in successive years as a result of the scheme's ageing membership. In the triennial valuation of 1 January 2008, the contribution of the Company was recommended to increase from 22.7% to 25.9% from 2009 and that of the employees to remain 4%. The costs of the death in service benefits, which are now costed separately, are paid directly by the Company. This resulted in an average employer contribution rate for 2008 of 26.1%. No directors were members of the defined benefit scheme during the year or as at 31 December 2008.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2008	2007
	(Rupees in '000)	

37.2.2 Analysis of the amount charged to operating profit

Current service cost	17,043	12,275
Past service cost	-	-
Total operating charge	17,043	12,275

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

Expected return on pension scheme assets	32,135	20,053
Interest on pension scheme liabilities	(29,923)	(22,240)
Net return	2,212	(2,187)

37.3 UBL Fund Managers Limited

The latest actuarial valuation of the Company`s gratuity fund has been carried out as at December 31, 2008 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:	2008	2007
Discount rate	15%	10%
Expected rate of return on plan assets	15%	10%
Expected rate of salary increase	15%	10%
Expected withdrawal rate	Moderate	Moderate

37.3.2 Reconciliation of payable to defined benefit plan

	2008	2007
	------- (Rupees in '000) -------	
Present value of defined benefit obligations	8,041	4,427
Fair value of plan assets	(3,061)	(1,897)
	4,980	2,530
Unrecognised actuarial gains / (losses)	(2,050)	(591)
	2,930	1,939

37.3.3 Movement in defined benefit obligation

	2008	2007
	------- (Rupees in '000) -------	
Obligation at the beginning of the year	4,427	1,820
Current Service Cost	2,714	1,836
Interest Cost	575	274
Benefits paid	(537)	-
Actuarial (gains) / losses	862	497
Obligation at the end of the year	8,041	4,427

		2008	2007
		------- (Rupees in '000) -------	
37.3.4	**Movement in the fair value of plan assets**		
	Fair value of plan assets at the beginning of the year	1,897	469
	Expected return on plan assets	359	171
	Contributions to the plan	1,939	1,264
	Benefits paid	(537)	-
	Actuarial gains / (losses)	(597)	(7)
		3,061	1,897
37.3.5	**Plan assets are comprised as follows:**		
	Balance with Banks in deposit account	1,361	1,277
	Others	1,700	620
	(Surplus) / Deficit	3,061	1,897
37.3.6	**Charge for defined benefit plan**		
	Current service cost	2,714	1,836
	Interest cost	575	274
	Expected return on plan assets	(359)	(171)
		2,930	1,939
	Actual return on plan assets	11	131
37.3.7	**Movement in net liability recognized**		
	Opening net liability	1,939	1,264
	Expense recognized	2,930	1,939
	Contribution to the fund made during the year	(1,939)	(1,264)
	Closing net liability	2,930	1,939

37.3.8 The expected gratuity expense for the next one year commencing January 01,2009 works out to Rs 4.791 million.

37.4 OTHER EMPLOYEE BENEFITS

37.4.1 Defined contribution plan

The bank operates a contributory provident fund scheme for 5,383 (2007: 6,053) 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 UBL .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. For further details refer note 19.1.

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	(Rupees in '000)					
Fees	-	-	14,912	119	-	-
Managerial remuneration	76,158	73,849	-	-	1,970,612	1,641,929
Charge for defined benefit plans	991	776	-	-	26,698	14,816
Charge for defined contribution plan	1,880	1,680	-	-	44,113	33,874
Rent and house maintenance	2,592	1,850	-	-	229,554	172,992
Utilities	182	143	-	-	50,917	38,443
Medical	170	36	-	-	51,127	38,443
Conveyance	-	-	-	-	220,042	161,626
Reimbursement of children's education fees	2,219	1,837	-	-	-	-
Others	1,558	158	-	-	30,915	18,105
	85,750	80,329	14,912	119	2,623,978	2,120,228
Number of persons	1	1	7	3	872	723

The bank's President / Chief Executive Officer and Executives are provided with free use of bank maintained cars and club memberships in accordance with their entitlement.

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 notes 20.1 and 29.1 to these consolidated financial statements.

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

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 5.4.4 and 5.7 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	For the year ended December 31, 2008					
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Asset Management	Others
	(Rupees in '000)					
Total income	1,137,609	13,485,895	23,136,122	25,559,805	522,266	176,619
Total expenses	(467,510)	(13,911,230)	(18,103,108)	(16,897,904)	(333,974)	(124,091)
Net income / (loss)	670,099	(425,335)	5,033,013	8,661,901	188,292	52,528
Segment return on assets (ROA) (%)	11.2%	7.6%	15.9%	16.2%	41.0%	5.0%
Segment cost of funds (%)	11.0%	7.9%	12.7%	10.8%	9.0%	7.0%

	For the year ended December 31, 2007					
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Asset Management	Others
	(Rupees in '000)					
Total income	878,445	9,043,358	26,992,612	14,096,814	402,587	155,982
Total expenses	(94,393)	(6,858,616)	(22,077,601)	(8,769,379)	(202,424)	(94,112)
Net income / (loss)	784,052	2,184,742	4,915,011	5,327,435	200,163	61,870
Segment return on assets (ROA) (%)	10%	8%	13%	9%	75%	5%
Segment cost of funds (%)	11%	7%	9%	7%	7%	7%

	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)	9,294,445	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

	As at December 31, 2007					
	Corporate finance	Trading & sales	Retail banking	Commercial banking	Asset Management	Others
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	5,720,519	179,642,022	171,381,012	202,709,302	265,398	2,949,577
Segment non performing loans (NPL)	-	-	18,822,358	3,529,367	-	-
Segment provision required against NPL	-	-	14,369,616	1,661,708	-	-
Segment liabilities	4,097,169	175,485,650	146,582,783	172,579,966	34,259	1,340,756

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 bank has related party relationship with its associates, subsidiary companies (refer note 9), employee benefit plans (refer note 36) and its directors and executive officers (including their associates).

Details 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 10.9 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 36 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

	2008			2007		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	(Rupees in '000)					
Advances						
At January 01	80,592	-	-	93,648	565	1,000,000
Given during the year	135,743	-	-	46,002	-	-
Repaid during the year	(67,460)	-	-	(59,058)	(565)	(1,000,000)
At December 31, 2008	148,875	-	-	80,592	-	-
Deposits						
At January 01	14,252	231,886	5,865,116	13,249	11,226	6,160,983
Received during the year	543,947	44,273,279	2,034,774	294,791	48,419,004	2,432,626
Withdrawn during the year	(538,050)	(44,357,464)	(7,591,543)	(293,788)	(48,198,344)	(2,728,493)
At December 31, 2008	20,149	147,701	308,347	14,252	231,886	5,865,116
Outstanding borrowing at the end of end of the year	-	850,000	-	-	-	-
Other receivable	-	37,954	4,458	-	37,954	3,343
Other payable	-	164,932	-	-	579	-
Employee Motivation and Retention Scheme	-	-	338,552	-	-	263,181
Term Finance Certificate purchased	-	1,898,783	-	-	-	-

	2008			2007		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	(Rupees in '000)					
Mark-up / return / interest earned	5,855	499	-	3,294	1,988	19,222
Mark-up / return / interest expensed	122	91,185	387	56	2,246	128,096
and Abu Dhabi Group	-	-	42,448	-	-	36,444
Dividend income received	-	317,202	-	-	1,021	-
Other expenses paid		-	-		81,882	-
Other income	-	114,643	-	-	63,121	-
Insurance premium paid	-	42,125	-	-	57,314	-
Remuneration paid	277,185	-	-	254,385	-	-
Post employment benefits	10,487	-	-	14,727	-	-
Contribution to defined contribution plan	-	-	122,417	-	-	118,897
Contribution to defined benefit plan	-	-	95,041	-	-	88,456
Employee Motivation and Retention Scheme	-	-	230,005	-	-	480,000
Borrowing made during the year	-	8,100,000	-	-	-	-
Borrowing settled during the year	-	7,250,000	-	-	-	-
Maximum amount of a placement made during the year	-	800,000	-			
Investment made during the year	-	5,579,970	-	-	17,134,635	18,743
Redemption made during the period	-	8,702,834	-	-	12,875,596	-
Bonus units received	-	127,175	-	-	436,904	-

43. CAPITAL ADEQUACY

43.1 The Basel II Framework is applicable to the bank 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 framework and governance structures at UBL.

The major risks types are:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Legal risk
- Reputational risk

UBL'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 bank'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).

UBL 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. UBL 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.

As per Basel II and SBP requirements, UBL must have an internal capital adequacy assessment process (ICAAP) that enables it to ensure that it has adequate overall capital in relation to its risk profile and it also informs the Board of the ongoing assessment of the UBL's risks and how to mitigate those risks. It must also include a brief stress testing analysis on certain risk assumptions and growth perspectives.

UBL 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 bank 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 the 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 bank's assets to allow for an optimal deployment of the bank's resources;
- to protect the Group against unexpected events and maintain strong ratings;
- 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. 19 dated September 05, 2008 has prescribed the minimum paid-up capital (net of losses) for Banks / Development Finance Institutions to be raised to Rs.23 billion by the year ending December 31, 2013. The raise is to be achieved in a phased manner requiring Rs.5 billion paid up capital (net of losses) by the end of the financial year 2008.

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

Rs.5 billion	December 31, 2008
Rs.6 billion	December 31, 2009
Rs.10 billion	December 31, 2010
Rs.15 billion	December 31, 2011
Rs.19 billion	December 31, 2012
Rs.23 billion	December 31, 2013

The paid-up capital of the bank for the year ended December 31, 2008 stood at Rs.10.117 billion 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 9% of the risk weighted exposure of the bank. United Bank Limited's CAR as at December 31, 2008 was 10.49% of its risk weighted exposure.

Bank's regulatory capital is analyzed into three 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 after deduction 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 50% the balance in the related revaluation reserves), foreign exchange translation reserves and subordinated 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 bank does not have any Tier 3 capital.

The capital of the bank 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 the capital is tested with reference to the risk-weighted assets of the bank.

The required capital adequacy ratio (9% of the risk-weighted assets) is achieved by the bank 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 bank to assess the long-term soundness. As the bank carries on the business on a wide area 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 bank 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 bank's long term strategic objectives. The bank has complied with all externally imposed capital requirements through out the period. Further, there has been no material change in the bank's management of capital during the year.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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:

Regulatory capital base	2008	2007
	--------- (Rupees in '000) ---------	
Tier 1 Capital		
- Fully paid-up capital	10,117,188	8,093,750
- Statutory reserves as disclosed on the balance sheet	10,386,033	8,716,409
- Un-appropriated profit	17,703,327	16,728,318
- Minority interest	2,044,589	2,115,645
	40,251,137	35,654,122
Deductions:		
- Book value of Goodwill and intangibles	405,247	330,347
- Deficit on account of revaluation of investments held in AFS category	7,888,767	335,965
- Other deductions (50% of the amount) investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	1,452,916	3,268,628
	9,746,930	3,934,940
Total eligible Tier 1 Capital	30,504,207	31,719,182
Supplementary Capital		
Tier 2 Capital		
- General provisions or general reserves for loan losses-up to maximum of 1.25% of risk weighted assets	1,082,498	1,296,496
- Revaluation reserves up to 45%	4,979,272	6,207,370
- Foreign exchange translation reserves	7,146,661	2,857,933
- Subordinated debt - upto maximum of 50% of total eligible Tier 1 capital	10,254,006	5,327,148
- Cash flow hedge reserve	(425,589)	-
Total Tier 2 Capital	23,036,848	15,688,947
Deductions:		
- Other deductions (50% of the amount as calculated on CAP 2) Investments in equity and other regulatory capital of majority owned securities or other financial subsidiaries not consolidated in the balance sheet	(1,452,916)	(3,268,628)
	(1,452,916)	(3,268,628)
Total eligible Tier 2 Capital	21,583,932	12,420,319
Tier 3 Capital	-	-
Eligible Tier 3 Capital	-	-
Total eligible Capital (1+2+3)	52,088,139	44,139,501

Risk weighted exposures	Note	Capital requirements		Risk weighted assets	
		2008	2007	2008	2007
Credit risk		------ (Rupees in '000) ------			
Claims on:					
Other sovereigns, GoP, PG, SBP other than PKR		1,438,155	920,503	15,979,498	11,506,284
PSE's		1,733,264	518,712	19,258,490	6,483,900
Banks		1,309,577	1,209,984	14,550,855	15,124,797
Corporate		25,149,676	19,251,582	279,440,840	240,644,780
Retail portfolio		4,289,403	5,602,596	47,660,035	70,032,444
Secured by residential property		682,428	283,979	7,582,529	3,549,741
Past due loans		998,110	583,830	11,090,116	7,297,880
Listed equity investments		199,493	52,511	2,216,594	656,389
Unlisted equity investments		39,821	35,880	442,452	448,503
Investments in fixed assets		1,756,950	1,496,803	19,521,668	18,710,043
Other assets		660,277	315,018	7,336,411	3,937,720
		38,257,154	30,271,398	425,079,488	378,392,481
Market risk					
Interest rate risk		417,939	779,837	4,643,763	9,747,963
Equity exposure risk		58,946	461,862	654,960	5,773,280
Foreign exchange risk		698,185	64,527	7,757,616	806,582
Position in options		670,032	-	7,444,796	-
		1,845,102	1,306,226	20,501,135	16,327,825
Operational risk		4,580,726	2,980,526	50,896,954	37,256,574
		44,682,982	34,558,150	496,477,577	431,976,880

	2008	2007
Capital adequacy ratio		
Total eligible regulatory capital held	52,088,139	44,139,501
Total risk weighted assets	496,477,577	431,976,880
Capital adequacy ratio	**10.49%**	**10.22%**

44. RISK MANAGEMENT

This section presents information about UBL'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 UBL 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 bank including IT projects for replacing the core Banking system, business process re-engineering and inventorying the risks and controls within the bank'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 bank.

44.1 Credit risk

Credit risk is the risk of loss to UBL 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 bank's overall objectives.
- Working with Business Groups in keeping aggregate credit risk well within the bank'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 bank.
- 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 bank 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 bank 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 bank 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 bank uses country risk scores of Export Credit Agencies (ECA) participating in the "Arrangement on Officially Supported Export Credits" available on OECD's website.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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 Corporates (excluding equity exposures).

Use of ECAI Ratings

The bank 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	CC	
				C	C	
					D	

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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 &	ECA scores
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	-
Sovereigns	-	-	-	-	✓
PSE	✓	✓	-	-	-

Credit exposures subject to Standardized Approach

Exposures	2008			
		------------------Rupees in '000-----------------		
	Rating category	Amount outstanding	Deduction CRM*	Net amount
Corporate	0	2,173,996	-	2,173,996
	1	14,328,851	62,769	14,266,082
	2	3,122,562	130,669	2,991,893
	3,4	3,010,976	-	3,010,976
	5,6			
Banks	0	-	-	-
	1	54,804,111	17,797,822	37,006,289
	2,3	7,254,869	2,528,842	4,726,027
	4,5	3,064,947	-	3,064,947
	6	-	-	-
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			
Public sector	0	9,335	-	9,335
	1	17,101,320	3,396,643	13,704,677
	2,3	-	-	-
	4,5	-	-	-
	6	-	-	-
Retail	75%	66,088,078	1,052,777	65,035,301
	35%	21,664,368	-	21,664,368
Sovereigns	1	200,218,357	12,155,890	188,062,467
	2	14,227,637		14,227,637
	3	-	-	-
	4,5	6,459,449	-	6,459,449
	6	4,121,052	-	4,121,052
Unrated		399,298,757	5,679,598	393,619,159
Others		49,759,540	-	49,759,540
Total		872,452,080	42,805,010	829,647,070

* CRM excludes provision

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

The bank has adopted the Comprehensive Approach of Credit Risk Mitigation for the Banking Book. Since the trading book of the bank only comprises equity investments; therefore no Credit Risk Mitigation benefit is taken in the trading book. In instances where the bank's exposure on an obligor is secured by collateral that conforms to the eligibility criteria under the Comprehensive Approach of CRM, then the bank 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 bank accepts cash, lien on deposits, government securities and eligible guarantees etc. under the comprehensive approach of Credit Risk Mitigation. The bank 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 bank uses realizable value of eligible collaterals to the extent of outstanding exposure.

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.

UBL 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. UBL 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 UBL considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

UBL 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

44.1.2 Geographical segment analysis

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan				
Domestic operations	9,721,480	461,566,268	30,421,021	394,539,543
Asia Pacific (including South Asia)	41,387	1,336,065	207,453	38,862,833
	9,762,867	462,902,333	30,628,474	433,402,376
Overseas				
United States of America	177,668	736,875	932,672	-
Europe	378,069	20,291,474	10,157,008	2,647,897
Middle East	3,733,447	136,309,850	7,677,513	49,426,850
	4,289,184	157,338,199	18,767,193	52,074,747
	14,052,051	620,240,532	49,395,667	485,477,123

	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan				
Domestic Operations	9,923,414	427,071,376	38,492,295	371,116,786
Asia Pacific (including South Asia)	75,818	2,662,392	187,073	149,581
	9,999,232	429,733,768	38,679,368	371,266,367
Overseas				
United States of America	170,243	990,806	130,217	81,521
Europe	593,475	17,730,865	7,245,314	5,684,679
Middle East	3,033,319	98,181,067	1,836,040	57,179,181
	3,797,037	116,902,738	9,211,571	62,945,381
	13,796,269	546,636,506	47,890,939	434,211,748

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. UBL 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 UBL. 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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

44.2.1 Segmental information

44.2.1.1 Segments by class of business

	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	7.13%	23,389,224	4.75%	45,358	0.01%
Textile spinning	22,498,135	5.65%	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	1.44%	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	0.77%	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	-	-	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	9.83%	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	3.36%	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	1.90%	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	0.80%	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	2.08%	1,510,486	0.31%	7,354,556	1.51%
Individuals	91,926,964	23.09%	258,799,330	52.57%	17,080,211	3.52%
Others	50,199,177	12.61%	65,947,783	13.40%	84,474,783	17.40%
	398,085,053	100.00%	492,267,898	100.00%	485,477,123	100.00%

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2007					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
	---------- (Rupees in '000) ----------					
Chemical and pharmaceuticals	4,362,845	1.34%	3,349,125	0.81%	5,942,216	1.37%
Agri business	14,368,394	4.41%	20,956,613	5.09%	133,550	0.03%
Textile spinning	21,731,262	6.67%	1,242,134	0.30%	1,874,086	0.43%
Textile weaving	10,759,934	3.30%	967,113	0.24%	1,784,845	0.41%
Textile composite	15,758,008	4.84%	474,008	0.12%	1,520,177	0.35%
Textile others	14,818,025	4.55%	1,306,397	0.32%	1,894,311	0.44%
Cement	8,279,376	2.54%	880,941	0.21%	4,787,875	1.10%
Sugar	8,114,092	2.49%	1,303,078	0.32%	196,899	0.05%
Shoes and leather garments	2,755,487	0.85%	1,426,002	0.35%	195,568	0.05%
Automobile and transportation equipment	6,263,701	1.92%	2,592,259	0.63%	1,829,951	0.42%
Financial	7,513,772	2.31%	13,923,366	3.38%	233,746,522	53.83%
Insurance	-	0.00%	8,558,352	2.08%	1,709	0.00%
Electronics and electrical appliances	2,432,333	0.75%	2,567,809	0.62%	1,466,097	0.34%
Production and transmission of energy	30,269,568	9.29%	20,911,496	5.08%	13,377,087	3.08%
Paper and allied	1,916,486	0.59%	570,453	0.14%	337,966	0.08%
Surgical and metal	5,636,289	1.73%	1,539,183	0.37%	110,761	0.03%
Contractors	3,826,108	1.17%	12,652,147	3.07%	676,007	0.16%
Wholesale traders	15,758,374	4.84%	24,827,046	6.03%	14,119,633	3.25%
Fertilizer dealers	4,997,043	1.53%	6,248,706	1.52%	898,260	0.21%
Sports goods	721,832	0.22%	317,714	0.08%	321	0.00%
Food industries	4,839,830	1.49%	1,539,080	0.37%	2,075,413	0.48%
Airlines	4,252,767	1.31%	2,025,897	0.49%	187,574	0.04%
Cables	182,300	0.06%	55,417	0.01%	704,511	0.16%
Construction	10,108,308	3.10%	6,375,229	1.55%	20,809,622	4.79%
Containers and ports	404,040	0.12%	2,639,257	0.64%	895	0.00%
Engineering	2,127,655	0.65%	4,935,704	1.20%	1,601,328	0.37%
Glass and allied	484,117	0.15%	69,357	0.02%	75,551	0.02%
Hotels	2,714,499	0.83%	311,895	0.08%	9,234	0.00%
Infrastructure	-	0.00%	6,539,304	1.59%	5,613	0.00%
Media	581,197	0.18%	326,873	0.08%	408,349	0.09%
Polyester and fibre	1,519,069	0.47%	189,557	0.05%	714,004	0.16%
Telecommunication	6,353,298	1.95%	702,204	0.17%	6,212,522	1.43%
Individuals	70,085,645	21.52%	211,956,366	51.51%	15,062,970	3.47%
Others	41,736,609	12.82%	47,195,046	11.47%	101,450,321	23.36%
	325,672,263	100%	411,475,128	100%	434,211,748	100%

44.2.1.2 Segment by Sector

	2008					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	44,845,490	11.27%	79,197,323	16.09%	72,427,524	14.92%
Private	353,239,563	88.73%	413,070,575	83.91%	413,049,599	85.08%
	398,085,053	100.00%	492,267,898	100.00%	485,477,123	100.00%

	2007					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public / Government	36,593,797	11.24%	79,122,332	19.23%	84,081,913	19.36%
Private	289,078,466	88.76%	332,352,796	80.77%	350,129,835	80.64%
	325,672,263	100.00%	411,475,128	100.00%	434,211,748	100.00%

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

	2008		2007	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Chemical and pharmaceuticals	165,190	130,312	779,887	760,287
Agri business	1,625,152	604,915	1,356,148	540,449
Textile spinning	2,420,187	2,013,992	1,584,127	1,496,813
Textile weaving	242,469	235,243	314,127	273,068
Textile composite	724,001	570,310	712,364	689,360
Textile others	2,767,639	2,489,931	2,928,663	2,452,500
Cement	31,598	29,483	19,567	19,567
Sugar	34,782	34,782	34,782	34,782
Shoes and leather garments	97,319	78,005	7,608	5,459
Automobile and transportation equipment	783,119	656,798	150,224	149,966
Financial	43,675	23,774	158,721	66,782
Insurance	-	-	-	-
Electronics and electrical appliances	240,344	66,513	150,127	118,414
Production and transmission of energy	154,429	154,429	-	-
Paper and allied	39,881	39,881	4,617	4,288
Surgical and metal	44,515	33,423	11,905	11,905
Contractor	6,540	3,501	-	-
Wholesale traders	963,506	690,107	847,628	589,029
Fertilizer dealers	36,549	21,440	71,145	66,215
Sports goods	307,202	300,339	255,855	255,855
Food industries	714,275	670,400	785,819	719,839
Construction	3,059,111	512,722	2,269,807	740,601
Containers and ports		-	-	-
Engineering	353,111	341,571	3,014	2,654
Steel		-	242,837	242,837
Glass and allied	34,976	17,488	24	24
Hotels	202,338	2,338	126,715	82,117
Infrastructure	-	-		
Media	-	-	82,462	82,462
Polyester and fibre	1,744,057	960,778	150	150
Telecommunication	14,000	2,421	3,000	1,500
Individuals	8,542,935	5,608,049	6,914,780	4,283,361
Others	3,508,429	2,274,437	2,535,622	2,341,040
	28,901,329	18,567,382	22,351,725	16,031,324

44.2.3 Details of non performing advances and specific provision by sector

	2008		2007	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000)			
Public / Government	-	-	-	-
Private	28,901,329	18,567,382	22,351,725	16,031,324
	28,901,329	18,567,382	22,351,725	16,031,324

The scope of market risk management is as follows:

- To keep the market risk exposure within the bank'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 risks 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

	2008			
	Assets	Liabilities	Off - balance sheet items	Net foreign currency exposure
	---------------------------- (Rupees in '000) ----------------------------			
Pakistan Rupee	439,513,706	394,866,703	3,263,227	47,910,230
US Dollar	37,913,006	40,870,229	1,329,349	(1,627,875)
Pound Sterling	16,871,368	11,606,861	3,156,482	8,420,989
Euro	3,654,139	8,599,843	4,773,653	(172,050)
Japanese Yen	59,183	61,562	26,292	23,913
Other Currencies	122,229,128	114,839,668	(12,549,003)	(5,159,543)
	620,240,530	570,844,867	-	49,395,663

	2007			
	Assets	Liabilities	Off - balance sheet items	Net foreign currency exposure
	---------------------------- (Rupees in '000) ----------------------------			
Pakistan Rupee	394,399,607	366,717,680	4,826,574	32,508,501
US Dollar	55,155,999	45,702,191	(13,827,103)	(4,373,295)
Pound Sterling	19,523,505	11,868,268	3,855,582	11,510,819
Euro	3,877,563	3,321,995	1,549,492	2,105,060
Japanese Yen	1,280,445	23,156	(1,268,081)	(10,792)
Other Currencies	72,399,387	71,112,278	4,863,536	6,150,645
	546,636,506	498,745,568	-	47,890,938

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 bank 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 bank'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 UBL'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 then 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 UBL’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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

44.2.7 Mismatch of interest rate sensitive assets and liabilities

	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
On-balance sheet financial instruments	%		(Rupees in '000)									
Assets												
Cash and balances with treasury banks	0.40%	50,143,571	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%	115,057,090	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		10,333,946	-	-	-	-	-	-	-	-	-	10,333,946
Operating fixed assets - Ijara assets	10% - 25%	741,919	-	42,369	127,108	572,442	-	-	-	-	-	-
Other assets	-	14,090,648	-	-	-	-	-	-	-	-	-	14,090,648
		595,672,848	130,303,646	217,006,977	72,755,764	48,341,726	11,998,042	9,926,184	13,803,747	11,559,480	1,348,899	78,628,384
Liabilities												
Bills payable	-	5,210,869	-	-	-	-	-	-	-	-	-	5,210,869
Borrowings	8.6%	44,749,690	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 l	11.5-14.5%	1,978	-	-	1,493	485	-					
Other liabilities	-	14,301,214	-	-	-	-	-	-	-	-	-	14,301,214
		568,525,499	157,084,913	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		27,147,349	(26,781,268)	80,404,913	27,231,233	(1,542,286)	4,872,801	5,404,791	6,618,336	6,968,056	1,348,899	(77,378,127)
Non financial net assets		22,248,314										
Total net assets		49,395,663										
Off-balance sheet financial instruments												
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)	-	-	-	-	-
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)	-	-
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)	-	-	-	-	-	-
Forward Rate Agreements-Short position		(850,000)	(850,000)	-	-	-	-	-	-	-	-	-
Forward Rate Agreements-Long position		850,000	850,000	-	-	-	-	-	-	-	-	-
Sale of Govt. Securities not yet purchased		-	-	-	-	-	-	-	-	-	-	-
FX Options - Long position		891,725	891,725	-	-	-	-	-	-	-	-	-
FX Options - Short position		(6,723,373)	(6,723,373)	-	-	-	-	-	-	-	-	-
Equity Indices - Long position		355,943	355,943	-	-	-	-	-	-	-	-	-
Equity Indices - Short position		-	-	-	-	-	-	-	-	-	-	-
Commodity Indices - Long position		39,545	39,545	-	-	-	-	-	-	-	-	-
Commodity Indices - Short position		-	-	-	-	-	-	-	-	-	-	-
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)	-	-	-	-
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			(10,052,753)	84,961,842	23,194,944	(1,931,333)	8,021,267	5,575,246	6,560,537	7,177,071	1,348,899	(77,378,127)
Cumulative Yield/Interest Risk Sensitivity Gap			(10,052,753)	74,909,089	98,104,033	96,172,701	104,193,968	109,769,214	116,329,751	123,506,822	124,855,721	47,477,594

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

			2007									
	Effective yield / interest rate	Total	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
On-balance sheet financial instruments	%		(Rupees in '000)									
Assets												
Cash and balances with treasury banks	1.20%	57,622,360	17,025,204		-	-	-	-	-	-	-	40,597,156
Balances with other banks	6.80%	10,982,176	8,185,333	-	-	-	-	-	-	-	-	2,796,843
Lendings to financial institutions	8.30%	24,781,723	12,541,487	7,615,087	1,054,116	1,775,935	1,361,050	434,048	-	-	-	-
Investments	8.10%	114,026,273	13,266,371	25,543,152	7,375,999	29,114,239	4,947,206	903,584	7,333,002	11,837,302	1,883,171	11,822,247
Advances												
Performing	11.10%	301,950,889	101,090,055	55,341,652	27,230,341	27,720,904	16,306,632	15,909,099	28,336,798	21,684,521	8,330,887	-
Non performing	-	6,320,401	-	-	-	-	-	-	-	-	-	6,320,401
Other assets	-	10,254,873	-	-	-	-	-	-	-	-	-	10,254,873
		525,938,695	152,108,450	88,499,891	35,660,456	58,611,078	22,614,888	17,246,731	35,669,800	33,521,823	10,214,058	71,791,520
Liabilities												
Bills payable	-	6,087,266	-	-	-	-	-	-	-	-	-	6,087,266
Borrowings	8.20%	59,491,253	40,491,555	14,287,237	4,445,694	92,946	-	-	-	9,212	-	164,609
Deposits and other accounts	0.4% - 10.2%	411,475,128	83,239,793	110,562,741	37,318,626	43,671,484	6,288,758	3,131,858	3,131,858	3,203,678	-	120,926,332
Subordinated loans	9.90%	5,996,696	-	424	-	1,999,624	848	852	3,994,948	-	-	-
Liabilities against assets subject to finance lease		3,261				1,359	1,902					
Other liabilities	-	7,568,027	-	-	-	-	-	-	-	-	-	7,568,027
		490,621,631	123,731,348	124,850,402	41,764,320	45,765,413	6,291,508	3,132,710	7,126,806	3,212,890	-	134,746,234
On-balance sheet gap		35,317,064	28,377,102	(36,350,511)	(6,103,864)	12,845,665	16,323,380	14,114,021	28,542,994	30,308,933	10,214,058	(62,954,714)
Non financial net assets		12,573,874										
Total net assets		47,890,938										
Off-balance sheet financial instruments												
Foreign currency forward purchases		81,782,747	27,361,951	3,367,205	23,937,089	17,456,897	9,416,325	243,280	-	-	-	-
Foreign currency forward sales		(87,334,393)	(44,397,151)	(33,604,317)	(2,139,069)	(6,300,847)	(654,585)	(238,424)	-	-	-	-
Interest rate swaps - Long position		4,977,160	1,015,040	1,126,634	-	500,000	1,098,889	997,961	238,636	-	-	-
Interest rate swaps - Short position		(4,977,160)	(1,714,020)	(2,405,059)	(458,081)	(400,000)	-	-	-	-	-	-
Forward Purchase of Govt. Securities		-	-	-	-	-	-	-	-	-	-	-
Forward Sale of Govt. Securities		-	-	-	-	-	-	-	-	-	-	-
Sale of Govt. Securities not yet purchased		(657,226)	-	(657,226)	-	-	-	-	-	-	-	-
Cross Currency Swaps - Long Position		9,993,448	458,336	6,830,665	2,704,447	-	-	-	-	-	-	-
Cross Currency Swaps - Short Position		(9,993,448)	(458,336)	(6,830,665)	(2,704,447)	-	-	-	-	-	-	-
Off-balance sheet gap		(6,208,872)	(17,734,180)	(32,172,763)	21,339,939	11,256,050	9,860,629	1,002,817	238,636	-	-	-
Total yield / interest risk sensitivity gap			10,642,922	(68,523,274)	15,236,075	24,101,715	26,184,009	15,116,838	28,781,630	30,308,933	10,214,058	(62,954,714)
Cumulative yield / interest risk sensitivity gap			10,642,922	(57,880,352)	(42,644,277)	(18,542,562)	7,641,447	22,758,285	51,539,915	81,848,848	92,062,906	29,108,192

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.

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

44.3 Liquidity risk

UBL'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 UBL's business.

44.3.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the bank

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.

	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	5,966,458	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	378,293,973	78,215,183	162,886,307	55,618,575	55,618,575	11,123,715	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	17,309,187	5,305,612	721,453	11,282,122				-	-	-
	620,240,530	168,018,293	217,950,733	78,766,112	59,030,074	16,763,215	13,197,779	30,950,059	17,824,719	17,739,546
Liabilities										
Bills payable	5,210,870	5,210,869	-	-	-	-	-	-	-	-
Borrowings	44,749,690	43,199,689	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	16,620,583	-	15,228,056	-	-	-	-	-	1,392,526	-
Deferred tax liability	-	-	-	-	-	-	-	-	-	-
	570,844,867	289,227,223	153,504,838	45,466,021	49,558,341	7,247,780	4,604,150	8,600,429	12,636,084	-
Net assets	49,395,663	(121,208,930)	64,445,895	33,300,091	9,471,733	9,515,435	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	2,274,498
	49,395,663

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2007									
	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	57,622,360	55,732,972	-	-	-	-	-	-	-	1,889,388
Balances with other banks	10,982,176	10,663,157	-	-	-	-	-	-	-	319,019
Lendings to financial institutions	24,781,723	11,960,321	6,133,272	2,355,895	3,493,545	542,857	295,833	-	-	-
Investments	114,026,273	10,751,046	20,442,404	11,590,894	26,329,785	5,039,628	3,681,901	19,999,475	10,880,254	5,310,886
Advances	308,271,290	70,672,136	72,777,768	24,450,226	34,333,319	17,586,899	15,546,806	31,260,218	31,704,206	9,939,712
Operating fixed assets	19,065,496	66,634	133,279	399,836	824,777	1,593,098	2,113,933	3,523,221	9,167,987	1,242,731
Other assets	11,887,188	183,064	7,437,446	3,250,183	203,299	406,598	406,598	-	-	-
	546,636,506	160,029,330	106,924,169	42,047,034	65,184,725	25,169,080	22,045,071	54,782,914	51,752,447	18,701,736
Liabilities										
Bills payable	6,087,266	6,087,266	-	-	-	-	-	-	-	-
Borrowings	59,491,253	43,812,647	5,242,064	4,956,842	3,006,943	2,472,757	-	-	-	-
Deposits and other accounts	411,475,128	209,802,263	64,893,430	24,595,559	21,031,522	20,705,804	2,184,647	3,384,269	59,252,910	5,624,724
Subordinated loan	5,996,696	-	824	-	824	1,648	1,652	2,661,676	3,330,072	-
Liabilities against assets subject to finance leases	3,261				1,359	1,902				
Other liabilities	13,581,974	220,079	10,257,328	8,546	17,092	-	-	608,731	2,470,198	-
Deferred tax liability	2,109,989	50,417	99,636	138,090	310,271	734,179	734,179	1,173,803	(934,433)	(196,152)
	498,745,567	259,972,672	80,493,282	29,699,037	24,368,011	23,916,290	2,920,478	7,828,479	64,118,747	5,428,572
Net assets	47,890,939	(99,943,342)	26,430,887	12,347,997	40,816,714	1,252,790	19,124,593	46,954,435	(12,366,300)	13,273,164

Represented by:

Share capital	8,093,750
Reserves	11,577,342
Unappropriated profit	16,728,318
Minority interest	2,115,645
Surplus on revaluation of assets	9,375,883
	47,890,938

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

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.

	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	1,875,975	-	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	50,572,383	5,081,372	2,266,770	5,326,550	5,573,718	14,639,175	14,243,000	1,530,500
Advances - Performing	378,293,973	95,034,919	75,282,237	36,317,007	50,182,733	14,758,777	17,883,397	32,292,285	29,569,981	26,972,638
- Non-performing	-	-	-	-	-	-	-	-	-	-
Other assets	17,309,187	5,389,230	721,453	11,127,919	70,517	68	-	-	-	-
Operating 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	-	-	-	-
	620,240,530	163,561,013	143,108,509	59,719,894	57,455,575	25,469,860	23,683,274	47,153,689	71,580,581	28,508,133
Liabilities										
Bills payable	5,210,870	4,171,980	1,038,890	-	-	-	-	-	-	-
Borrowings	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	121,282,038	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	16,620,583	250,429	14,872,952	-	104,676	-	-	-	1,392,526	-
	570,844,867	145,455,236	118,607,746	57,798,375	52,185,558	51,624,668	4,148,458	11,683,900	129,326,692	14,235
Net assets	49,395,663	18,105,777	24,500,763	1,921,519	5,270,017	(26,154,808)	19,534,816	35,469,789	(57,746,111)	28,493,898

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	2,274,498
	49,395,663

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

	2007									
	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	57,622,360	55,732,972	-	-	-	-	-	-	-	1,889,388
Balances with other banks	10,982,176	9,804,057	557,822	289,500	11,778	-	-	-	-	319,019
Lendings to financial institutions	24,781,723	11,960,321	6,133,272	2,355,895	3,493,545	542,857	295,833	-	-	-
Investments	114,026,273	12,339,722	20,610,003	11,590,894	24,451,652	5,144,997	3,681,901	19,999,475	10,880,254	5,327,375
Advances - Performing	301,950,889	104,024,814	55,380,954	26,654,992	27,847,740	16,625,725	16,327,068	29,825,327	22,573,836	2,690,433
- Non-performing	6,320,401		-	-	-	-	-	-	-	6,320,401
Other assets	11,887,188	4,813,662	3,746,698	2,557,524	76,142	78,166	614,996	-	-	-
Operating fixed assets	19,065,496	66,633	133,279	399,836	799,671	3,714,645	2,139,039	3,523,221	7,046,441	1,242,731
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
	546,636,506	198,742,181	86,562,028	43,848,641	56,680,528	26,106,390	23,058,837	53,348,023	40,500,531	17,789,347
Liabilities										
Bills payable	6,087,266	6,087,266	-	-	-	-	-	-	-	-
Borrowings	59,491,253	43,697,460	5,348,039	4,956,842	3,006,943	2,472,757	-	-	9,212	
Deposits and other accounts	411,475,128	217,056,771	56,769,952	25,804,399	21,354,929	20,705,804	2,184,647	3,384,269	59,252,910	4,961,447
Subordinated loan	5,996,696	-	824	-	824	1,648	1,652	2,661,676	3,330,072	
Liabilities against assets subject to finance leases	3,261	-	-	-	1,359	1,902	-	-		
Deferred tax liability	2,109,990	50,416	99,636	138,090	285,431	711,186	709,339	115,892	-	-
Other liabilities	13,581,974	455,986	9,780,888	8,546	17,092	1,939	-	608,731	2,708,792	
	498,745,568	267,347,899	71,999,339	30,907,877	24,666,578	23,895,236	2,895,638	6,770,568	65,300,986	4,961,447
Net assets	47,890,938	(68,605,718)	14,562,689	12,940,764	32,013,950	2,211,154	20,163,199	46,577,455	(24,800,455)	12,827,900

Represented by:

Share capital	8,093,750
Reserves	11,577,342
Unappropriated profit	16,728,318
Minority interest	2,115,645
Surplus on revaluation of assets	9,375,883
	47,890,938

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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.

UBL'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 UBL 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
- 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 UBL 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 bank. A methodology for Risk and Control Self Assessment is ready to be implemented at all core units of UBL.

45. ISLAMIC BANKING BUSINESS

The bank is operating 5 Islamic banking branches and 19 Islamic banking windows at the end of year 2008 as compared to 5 Islamic banking branches and 14 Islamic banking windows at the end of year 2007.

The balance sheet of the bank's Islamic Banking Branches at December 31, 2008 is as follows:

	2008	2007
	--------- (Rupees in '000) ---------	
ASSETS		
Cash and balances with treasury banks	259,264	307,448
Balances with and due from financial institutions	421,325	300,000
Investments	1,295,236	587,206
Financing and receivables		
- Murabaha	92,060	89,477
- Musharaka	250,000	250,000
- Diminishing Musharaka	127,850	-
Operating fixed assets including assets given on Ijara	848,086	401,909
Other assets	148,826	118,323
Total Assets	3,442,647	2,054,363
LIABILITIES		
Bills payable	24,838	17,565
Due to financial institutions	-	-
Deposits and other accounts		
- Current accounts	464,204	307,945
- Saving accounts	270,276	158,458
- Term deposits	413,322	231,882
- Deposits from financial institutions - remunerative	844,455	500,405
Due to head office	1,145,380	492,251
Other liabilities	61,192	29,781
	3,223,667	1,738,287
NET ASSETS	218,980	316,076
REPRESENTED BY		
Islamic Banking Fund	470,000	470,000
Unappropriated / unremitted loss	(237,572)	(156,130)
	232,428	313,870
(Deficit) / surplus on revaluation of assets	(13,448)	2,206
	218,980	316,076

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2008

The profit and loss account of the bank's Islamic Banking Branches for the year ended December 31, 2008 is as follows:

	2008	2007
	--------- (Rupees in '000) ---------	
Profit earned	326,885	80,938
Profit paid	74,733	98,892
	252,152	(17,954)
Provision against assets given on Ijarah	13,482	
Net Profit	238,670	(17,954)
Other Income		
Fee, commission and brokerage income	1,454	302.00
Dividend income	20,166	-
Income from dealing in foreign currencies	133	-
Other income	5,332	39,191
Total other income	27,085	39,493
	265,755	21,539
Other Expenses		
Administrative expenses	347,197	177,669
Other charges	-	-
Total other expenses	347,197	177,669
Net loss	(81,442)	(156,130)
Unappropriated loss brought forward	(156,130)	-
Unremitted loss	(237,572)	(156,130)

	2008	2007
	--------- (Rupees in '000) ---------	
Remuneration to shariah Advisor / Board	2,467	500
CHARITY FUND		
Opening balance	-	-
Addition during the period	19,809	-
Payment / utilization during the period	(200)	-
Closing balance	19,609	-

46. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on March 12, 2009 has proposed a cash dividend in respect of 2008 of Rs.______ per share (2007: cash dividend Rs.3.00 per share). In addition, the directors have also announced a bonus issue of ______% (2007: 25%) These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2008 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2009.

47. DATE OF AUTHORIZATION

These financial statements were authorized for issue on March ___, 2009 by the Board of Directors of the bank.

48. GENERAL

48.5 Comparatives

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

Rs.663.277 million have been classified from sundry deposits (deposits and other accounts) to insurance payable against consumer assets (other liabilities).

Rs.3,558 million have been reclassified from staff retirement benefits paid to other liabilities (excluding current taxation) in the cash flow statement.

Rs.25.105 million have been classified from others (other assets) to capital work-in-progress (fixed assets).

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

Annexure ' C '

Disposals of operating fixed assets during the year

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	--------------(Rupees in '000)--------------					
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	1,775	1,478	298	220	Auction	Various
Electrical, office and computer equipment						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	70,403	70,347	56	422	Auction	Various
Vehicles						
Items having book value of more than Rs. 250,000 and cost of more than Rs. 1,000,000						
H/Civic	1,319	932	386	740	Buy back	Najmul Hassan (EVP)
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000						
T/Corolla Xli	864	504	360	446	Buy back	Dr. Abdul Whaid Khan (VP)
S/Mehran	360	156	204	240	Buy back	Muhammad Sarfaraz (VP)
S/Cultus	555	555	0	111	Buy back	Muhammad Arshad (OG-I)
S/Cultus	620	176	444	506	Buy back	Syed Tariq Ali (VP)
S/Cultus	550	550	0	110	Buy back	Aurngzeb Malik (VP)
S/Cultus	620	186	434	496	Buy back	Muhammad Suleman (VP)
S/Cultus	550	550	0	110	Buy back	Fareeda Tabbasum (VP)
S/Cultus	560	168	392	448	Buy back	Mian Ali Afzal (VP)
S/Cultus	620	186	434	496	Buy back	Amir Raza Sheikh (AVP)
S/Cultus	555	509	46	157	Buy back	Muhammad Ali Saleem (AVP)
S/Cultus	620	238	382	444	Buy back	Arif Hussain (AVP)
S/Cultus	555	398	157	268	Buy back	Dahar Junejo (AVP)
S/Cultus	560	243	317	373	Buy back	Syed Rashid Ali (VP)
S/Cultus	550	550	0	110	Buy back	Muhammad Shahid Khan (AVP)
S/Cultus	555	555	0	111	Buy back	Ghulam Sarwar (OG-I)
S/Cultus	560	523	37	149	Buy back	Muhammad Naeem (VP)
S/Cultus	560	196	364	420	Buy back	Mahmood Saeed Siddiqi (AVP)
S/Mehran	360	156	204	240	Buy back	Muhammad Shahid Akhter (AVP)
S/Cultus	620	258	362	424	Buy back	Yameen Ahmed Farooqui (VP)
S/Cultus	560	233	327	439	Buy back	Anis-Ur-Rehman (OG-I)
S/Mehran	360	156	204	240	Buy back	M. Feroz Akhtar (AVP)
S/Cultus	620	258	362	424	Buy back	Tahir Javed (VP)
S/Cultus	555	398	157	268	Buy back	Imran Gul (VP)
S/Cultus	560	280	280	336	Buy back	Muhammad Mushtaq (VP)
S/Cultus	555	287	268	324	Buy back	Rashid Ahmed Baloch (VP)
S/Cultus	555	315	241	296	Buy back	Toufique Ahmed (AVP)
S/Cultus	555	463	93	204	Buy back	Shoukat Ali (AVP)
S/Cultus	555	278	278	333	Buy back	Mansoor Alam Khan Sumbul (AVF
S/Cultus	555	500	56	167	Buy back	Nazim Ali Malik (AVP)
S/Alto	419	419	0	84	Buy back	Arshad Mahmood Malik (OG-I)
S/Cultus	636	85	552	552	Buy back	Mumtaz Ali Mangi (OG-II)
S/Cultus	555	463	93	204	Buy back	Mahmood Ahmed (VP)
S/Cultus	555	463	93	207	Buy back	Syed Shabbir Ahmed (AVP)
S/Cultus	560	168	392	448	Buy back	Zaheer Afzal Malik (AVP)
S/Cultus	555	463	93	204	Buy back	Muhammad Aslam Awan (AVP)
S/Cultus	560	168	392	448	Buy back	Muhammad Ayub Khan (AVP)

Annexure ' C '

Disposals of operating fixed assets during the year

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	--------------(Rupees in '000)--------------					
S/Cultus	560	168	392	449	Buy back	Ch. Abdul Ghani (AVP)
S/Cultus	560	523	37	149	Buy back	Malik Abdul Majid (AVP)
S/Cultus	555	527	28	139	Buy back	Saqib Rahid Butt (AVP)
S/Cultus	555	463	93	204	Buy back	Muhammad Yousuf (OG-I)
S/Cultus	550	550	0	110	Buy back	Syed Tariq Javed Bokhari (VP)
S/Cultus	555	259	296	352	Buy back	Nasir Ahmed (AVP)
S/Alto	419	419	0	84	Buy back	Muhammad Ashraf Shahid (AVP)
S/Alto	419	419	0	84	Buy back	Ibrar ul Haq (AVP)
S/Alto	419	419	0	84	Buy back	Shahid Imtiaz (AVP)
S/Cultus	560	289	271	327	Buy back	Dilshad Aslam (OG-II)
S/Cultus	520	520	0	104	Buy back	Malik Tehseen (AVP)
S/Alto	419	419	0	84	Buy back	Waheed Uz Zaman (OG-I)
S/Alto	419	419	0	84	Buy back	Tariq Mehmood (AVP)
S/Cultus	550	550	0	110	Buy back	Naeem Raza Tahir (AVP)
S/Alto	419	419	0	84	Buy back	Muhammad Iqbal Chattha (AVP)
S/Cultus	550	507	43	153	Buy back	Pervez Ahmed (OG-II)
T/Corolla Xli	849	708	142	311	Buy back	Naseem Ahmed Quershi (VP)
S/Cultus	550	550	0	110	Buy back	Hamid Naseem Bhutta (AVP)
S/Alto	419	419	0	84	Buy back	Syed Muhammad Ahsan (AVP)
S/Cultus	560	252	308	420	Buy back	Shahid Aslam (AVP)
S/Cultus	555	463	93	204	Buy back	M.Mashkoor Anjum (OG-I)
S/Cultus	555	305	250	305	Buy back	Zahid Abbas Ch. (AVP)
S/Mehran	360	156	204	240	Buy back	Abdul Rashid (AVP)
S/Mehran	346	219	127	205	Buy back	Muhammad Akram (AVP)
S/Cultus	604	604	0	121	Buy back	Iftikhar Saeed Quershi (AVP)
S/Cultus	555	315	241	296	Buy back	Farida Bano (AVP)
S/Cultus	555	315	241	296	Buy back	Nadeem Riaz (AVP)
S/Cultus	652	76	576	576	Buy back	Muhammad Riaz Tarar (OG-I)
S/Cultus	636	66	570	570	Buy back	Ghulam Abbas (AVP)
S/Cultus	636	65	572	572	Buy back	Muhammad Arif Naeem (AVP)
S/Cultus	560	336	224	280	Buy back	Naveed Ahmed (AVP)
S/Alto	419	419	0	83	Buy back	Muhammad Anwar (AVP)
S/Cultus	620	289	331	393	Buy back	Aslam Pervez Nizamani (AVP)
S/Cultus	636	85	551	551	Buy back	Dildar Ahmed (OG-II)
S/Mehran	365	213	152	188	Buy back	Rashid Mehmood Ishaqui (AVP)
S/Alto	419	419	0	84	Buy back	Muhammad Hayat Khan (OG-I)
S/Cultus	560	168	392	448	Buy back	Azeez Rasool Chishtie (VP)
S/Cultus	620	258	362	424	Buy back	Nusrat Iqbal Khan (VP)
S/Cultus	560	159	401	457	Buy back	Kh. Mumtaz Ahmed (AVP)
S/Cultus	555	509	46	157	Buy back	Farida Bano (VP)
S/Alto	419	419	0	84	Buy back	Muhammad Javed Amin (OG-I)
S/Cultus	599	599	0	120	Buy back	Muhammad Najaf Khan (OG-I)
S/Cultus	620	230	390	452	Buy back	Shahnawaz Hadi (AVP)
S/Mehran	360	150	210	246	Buy back	S.M. Saleem (OG-I)
S/Cultus	560	168	392	448	Buy back	Nasir Mehmood (OG-I)
S/Alto	419	419	0	84	Buy back	Muhammad Zafar Abbas (AVP)
S/Cultus	567	387	180	293	Buy back	Muhammad Ahsan Idrees (AVP)
S/Cultus	636	85	552	552	Buy back	Shoukat Ali (OG-I)
S/Cultus	550	550	0	110	Buy back	Anwar Khan (AVP)
S/Mehran	346	218	128	198	Buy back	Saifur Rehman Khan (OG-I)
S/Cultus	636	11	626	626	Buy back	Muhammad Shamim (AVP)
S/Alto	419	419	0	86	Buy back	Muhammad Saeed (OG-I)
S/Mehran	360	156	204	240	Buy back	Muhammad Asif (AVP)
S/Alto	419	419	0	84	Buy back	Muhammad Amir (AVP)
S/Alto	419	419	0	84	Buy back	M.Azahar Javed Awan (AVP)
S/Cultus	555	532	23	134	Buy back	Ahmed Nawaz Janjua (OG-II)
S/Mehran	346	190	156	225	Buy back	Mansoor Hussain (AVP)
S/Mehran	350	187	163	198	Buy back	Shakil Ahmed (AVP)
S/Cultus	620	258	362	424	Buy back	Hamid Nadeem (AVP)

Annexure ' C '

Disposals of operating fixed assets during the year

	Cost	Accumu-lated deprec-iation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	--------------(Rupees in '000)--------------					
S/Alto	419	419	0	84	Buy back	Syed Shahbaz Hussain (OG-2)
S/Cultus	560	168	392	448	Buy back	Khalid Usman (AVP)
S/Alto	448	396	52	147	Buy back	Abdul Haleem (AVP)
S/Alto	419	419	0	85	Buy back	Jahan Zeb (AVP)
S/Cultus	560	168	392	448	Buy back	Gohar Ali (OG-I)
S/Mehran	346	236	110	179	Buy back	Muhammad Afzal Khan (OG-I)
S/Alto	419	419	0	84	Buy back	Muhammad Asif Sheikh (OG-I)
S/Alto	419	419	0	84	Buy back	Jauhar Shahab (OG-I)
S/Alto	419	419	0	84	Buy back	M. Saleem Akhtar (OG-I)
S/Cultus	560	168	392	448	Buy back	Ahmed Rafiq Khokhar (AVP)
S/Alto	419	419	0	84	Buy back	Abdul Ghafoor Farooqui (AVP)
S/Mehran	360	154	206	242	Buy back	Muhammad Arif Sajjad (OG-I)
S/Alto	419	419	0	84	Buy back	Mumtaz Ahmed (AVP)
S/Cultus	555	437	118	229	Buy back	Syed Jamil Uddin (AVP)
S/Cultus	560	177	383	445	Buy back	Muhammad Tanveer Khan (AVP)
S/Mehran	346	219	127	196	Buy back	Mahmood Khan Khattak (OG-I)
S/Mehran	350	197	153	222	Buy back	Shazia Mehnaz (OG-I)
S/Cultus	560	177	383	439	Buy back	Mian Muhammad Raza (AVP)
S/Mehran	346	242	104	173	Buy back	Shahzad Mahmood (OG-III)
S/Cultus	560	177	383	439	Buy back	Zakaria Naseem Mir (VP)
S/Cultus	555	389	167	278	Buy back	Perzez Akhtar Chaudhry (OG-I)
S/Cultus	636	10	626	626	Buy back	Munawar Ali (AVP)
S/Cultus	636	85	552	552	Buy back	Javaid Afzal Qazi (AVP)
S/Cultus	555	333	222	278	Buy back	Shaikh Muhammad Tayyab (OG-II
S/Alto	419	419	0	84	Buy back	Gul Muhammad Baloch (OG-II)
S/Cultus	636	78	559	559	Buy back	Malik Fazal Haq (AVP)
S/Cultus	555	324	231	287	Buy back	Jamil Mahmood Bhutta (AVP)
S/Mehran	350	245	105	175	Buy back	Muhammad Younas (OG-I)
S/Alto	419	419	0	84	Buy back	Syed Zakir Hussain Shah (AVP)
S/Jeep	678	565	113	249	Buy back	Muhammad Panjal Sahito (OG-III)
S/Alto	419	419	0	84	Buy back	Rasool Bux Soomro (AVP)
S/Alto	419	419	0	84	Buy back	Kashif Khan (AVP)
S/Alto	419	419	0	84	Buy back	Sikandar Latif Shaikh (OG-II)
S/Alto	419	419	0	84	Buy back	Zahid Hanif Butt (OG-II)
S/Cultus	560	261	299	355	Buy back	Nadeem Jamil (AVP)
S/Cultus	636	76	560	560	Buy back	M. Asif Wajih (OG-I)
S/Cultus	636	76	560	560	Buy back	Qamaruddin Memon (AVP)
S/Cultus	636	76	560	560	Buy back	Tanveer Hussain Qazi (OG-I)
S/Cultus	620	238	382	444	Buy back	Talat Khurshid Mian (AVP)
S/Cultus	636	32	604	604	Buy back	Amir Raza Shah (AVP)
S/Cultus	620	165	455	517	Buy back	Muhammad Waqar (AVP)
S/Cultus	636	66	570	570	Buy back	Muhammad Ali (OG-I)
S/Cultus	560	168	392	448	Buy back	Muhammad Ashraf Zia (OG-I)
S/Cultus	636	85	552	552	Buy back	Vinod Kumar (AVP)
S/Cultus	620	258	362	424	Buy back	Muhammad Asif Bashir (AVP)
S/Cultus	555	463	93	204	Buy back	Arif Ali Shah (OG-II)
S/ Alto	419	419	0	84	Buy back	Safdar Khan (AVP)
S/Cultus	560	168	392	448	Buy back	Fazal Karim (AVP)
T/Corolla Xli	939	908	31	219	Buy back	Dr. Arif Ahmed (EVP)
T/Corolla Xli	879	454	425	652	Buy back	Hassan Raza (SEVP)
Suzuki Cultus VXLi	661	78	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	661	78	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	661	78	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	661	78	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	661	78	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	661	78	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	661	78	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	661	78	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	661	78	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	661	78	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	661	78	583	626	Auction	T. M. & Sons

Annexure ' C '

Disposals of operating fixed assets during the year

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	--------------(Rupees in '000)--------------					
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	659	76	583	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	670	73	597	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	670	73	597	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	670	73	597	626	Auction	T. M. & Sons
Suzuki Cultus VXLi	670	73	597	626	Auction	T. M. & Sons
	105,826	50,546	55,278	67,861		

Ijara Assets

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
Suzuki Alto VXR CNG	534	45	489	459	Buy back	Abdul Rehman Javed
Suzuki Cultus VXR CNG	1,178	93	1,085	1,019	Buy back	Shahid Hameed
Daihatsu Coure	446	68	378	336	Buy back	Shaikh Azeem
Daihatsu Cuore CX ECO	512	73	439	408	Buy back	Syed Salman Raza
Suzuki Cultus VXR CNG	632	83	548	504	Buy back	Shahrukh Khan
Toyota Corolla XLI	908	129	779	708	Buy back	Imran Umer
Toyota Corolla GLI	998	119	879	826	Buy back	Munwar Iqbal
Honda City IDS-I M/T	870	104	766	719	Buy back	Raza Syed
Suzuki Alto VXR CNG	448	42	406	385	Buy back	Tariq Kamal
Suzuki Cultus VXR CNG	615	190	425	373	Buy back	Mohammad Kamran
Honda City IDS-I MT	894	64	829	782	Buy back	Ghulam Mustafa
Cultus VXR CNG	647	90	557	518	Buy back	Wase-Ur-Rehman
Suzuki Alto VXR CNG	531	76	455	421	Buy back	Rasheed Ahmed
Honda City IDS-I MT	896	212	684	621	Buy back	Danish Ahmed
Toyota Corolla XLI/1300	943	17	926	907	Buy back	Muhammad Saleh
Suzuki Mehran VX	344	14	330	315	Buy back	Muhammad Rizwan
Alto VXR CNG	555	28	527	516	Buy back	Naveed Hassan
Toyota Corolla XLI	1,023	137	886	816	Buy back	Bilal Ahmed
Honda City Vario CVT	665	62	603	577	Buy back	Asif Ijaz Shaikh
Suzuki Alto VXR CNG	536	58	478	448	Buy back	Saima Ishtiaq
Honda City Vario CVT	693	74	619	572	Buy back	Muhammad Faheem Quershi
Honda City Vario CVT	643	55	588	568	Buy back	Riaz Hussain
Cheverlet JOY CNG	570	28	542	531	Buy back	Mir Muhammad Ali
Suzuki Bolan STD CNG	433	42	391	382	Buy back	Khaild Abdul Ghani
Suzuki Cultus VXR CNG	647	93	554	549	Buy back	Shahid Hameed
Toyota Surf	2,468	198	2,270	2,194	Buy back	Ahmed Yousf
Toyota Corolla XLI	933	50	883	859	Buy back	Syed Imran Nawaz
Mehran VX CNG	383	5	378	370	Buy back	Sami Ur Rehman

Annexure ' C '

Disposals of operating fixed assets during the year

	Cost	Accumu-lated deprec-iation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	--------------(Rupees in '000)--------------					
Toyota Land Cruiser Prado	2,818	306	2,512	2,412	Buy back	Javeed Iqbal
Ravi Petrol	327	43	284	255	Buy back	Kamran Zaheer
Honda City IDS-I M/T	643	89	554	519	Buy back	Abdul Hafeez Siddiqui
Hoda City IDS-I M/T	871	75	796	748	Buy back	Muhammad Rashid Ghani
Honda City IDS-I M/T	864	172	692	651	Buy back	Ms. Hina Muzaffar
Cheverlet JOY CNG	570	40	529	672	Buy back	Rahat Ali
Suzuki Cultus VXR CNG	660	50	610	582	Buy back	Kamran Ahmed Bhatti
Honda Civic VTI Oriel MT	1,545	73	1,472	1,537	Insurance claimed	Pak Kuwait Takaful
Daihatsu Cuore CX ECO	512	16	496	518	Insurance claimed	Takaful Pakistan Ltd
Suzuki Mehran VXR CNG	408	34	374	403	Insurance claimed	Takaful Pakistan Ltd
Daihatsu Cuore CX ECO	512	17	495	520	Insurance claimed	Takaful Pakistan Ltd
Suzuki Mehran VXR CNG	408	23	385	410	Insurance claimed	Takaful Pakistan Ltd
Suzuki Mehran VX CNG	368	11	357	384	Insurance claimed	Takaful Pakistan Ltd
Daihatsu Cuore CX A/T	502	15	487	523	Insurance claimed	Takaful Pakistan Ltd
Suzuki Mehran VXR CNG	418	12	406	462	Insurance claimed	Takaful Pakistan Ltd
Suzuki Ravi	338	27	310	340	Insurance claimed	Takaful Pakistan Ltd
Suzuki Alto VXR CNG	647	74	573	622	Insurance claimed	Takaful Pakistan Ltd
Daihatsu Cuore CX ECO	510	14	496	513	Insurance claimed	Pak Kuwait Takaful
Daihatsu Cuore CX ECO	510	16	494	499	Insurance claimed	Pak Kuwait Takaful
Ravi CNG	385	16	369	378	Insurance claimed	Pak Kuwait Takaful
Mehran VX CNG	385	11	374	387	Insurance claimed	Pak Kuwait Takaful
Daihatsu Cuore CX ECO	520	15	505	510	Insurance claimed	Pak Kuwait Takaful
Suzuki Ravi CNG	385	23	362	364	Insurance claimed	Pak Kuwait Takaful
Suzuki Bolan/ 800	443	34	409	433	Insurance claimed	Takaful Pakistan Ltd
Daihatsu Cuore CX ECO	510	36	474	478	Insurance claimed	Takaful Pakistan Ltd
Mehran VX CNG	400	19	381	383	Insurance claimed	Pak Kuwait Takaful
Suzuki Mehran VX	345	12	333	350	Insurance claimed	Pak Kuwait Takaful
Honda City Vario CVT	952	112	840	776	Insurance claimed	Takaful Pakistan Ltd
Suzuki Mehran VX	378	11	367	359	Insurance claimed	Pak Kuwait Takaful
Daihatsu Cuore CX	478	73	405	368	Insurance claimed	Takaful Pakistan Ltd
Suzuki Mehran VX CNG	384	66	318	273	Insurance claimed	Pak Kuwait Takaful
Suzuki Bolan STD CNG	431	73	357	327	Insurance claimed	Pak Kuwait Takaful
Honda City IDS-I M/T	872	73	798	896	Insurance claimed	Takaful Pakistan Ltd
Corolla Altis A/T	1,460	21	1,439	1,337	Insurance claimed	Pak Kuwait Takaful
Suzuki Mehran VXR CNG	464	-	464	488	Insurance claimed	Takaful Pakistan Ltd
Ravi CNG	385	18	367	205	Insurance claimed	Pak Kuwait Takaful
Cuore CX ECO	532	31	501	336	Insurance claimed	Pak Kuwait Takaful
Daihatsu Cuore CX ECO	512	28	484	457	Insurance claimed	Takaful Pakistan Ltd
	26,700	-			Buy back	Fazli-E-Rabi Services (Pvt) Ltd.
	71,294	4,027	40,566	39,358		
Total	249,298	126,399	96,198	107,861		

Annexure ' D '

Guidelines for mapping of Business Lines

Segment Reporting

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

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.