

United Bank Limited & its Subsidiaries

***Financial Statements (Un- Audited)
For The Period Ended March 31, 2008***



Directors' Report

On behalf of the Board of Directors, it gives me great pleasure to present the financial statements of the Group for the quarter ended March 31, 2008.

Financial Highlights

	(Rs. in million)
Profit before taxation	4,727
Taxation	<u>(1,569)</u>
Profit after taxation	3,158
Un-appropriated profit brought forward – January 01, 2008	16,728
Transfer from surplus on revaluation of fixed assets – Incremental depreciation	<u>80</u>
Profit available for appropriation	18,635
Transfer to statutory reserve	(580)
Cash dividend paid to shareholders – 2007	(2,428)
Bonus shares declared – 2007	<u>(2,023)</u>
Un-appropriated profit carried forward – March 31, 2008	<u>14,907</u>
	(Rupees)
Basic Earnings per share (pre-bonus)	<u>3.87</u>
Diluted Earnings per share	<u>3.09</u>

Financial Overview

The Group achieved a profit before tax of Rs. 4.7 billion for the quarter ended March 31, 2008 which is 1% higher than the same period last year. Profit after tax at Rs. 3.1 billion translates into Basic Earnings per Share of Rs. 3.87 (March 2007: Rs. 3.88).

Net interest income before provisions was up 10% at Rs 6.5 billion compared to Rs. 5.9 billion for the same period last year. However, net interest income after provision at Rs. 5.4 billion is 4% lower than the same period last year. The higher provision charge this quarter is due in part to the removal of FSV which accounted for Rs. 260 M of the total charge. The quarterly charge also includes provisions and write-offs with respect to our consumer portfolio which is on-going due to the significant buildup of the last three years. We have also taken an additional charge on the corporate and commercial portfolios given the adverse macro-economic environment prevailing in the country. However, more stringent risk management policies and tighter controls should reduce this charge going forward.

Non interest income increased significantly by 45% to Rs. 3.2 billion. Fee and commission income grew solidly by 31% backed by strong corporate finance fees, higher commissions on trade and gains on our derivatives portfolio.

Administration expenses showed a 21% increase over the same period last year. 41% of this increase is owing to investments in upgrading and renovating our local and international branch network and the addition of 36 new branches. Higher focus on retention and incentive programs for the staff attributed to a further 33% of the increase. However, administration expenses have remained flat compared to the previous quarter.

Total assets grew by Rs. 8 billion to Rs. 555 billion in the last three months with gross advances increasing by 6% to Rs. 346 billion and deposits by 1% to Rs. 417 billion.

Economic Outlook

Domestic instability and external shocks are expected to impact all key indicators negatively including GDP growth, trade deficit and inflation. The State Bank of Pakistan has lowered the real GDP growth projection from 6.6-7% to 6-6.5% for the fiscal year ending June 2008. The primary reasons have been poor agricultural performance and slowing LSM growth of 4.2% for 1HFY08 compared to 8.4% for the same period last year. While the services sector continued to perform strongly, it has been unable to compensate for the depressed performance of the other main sectors.

Rising international commodity prices have severely impacted the trade deficit which crossed USD 7.8bn for 1HFY08 compared to USD 6.2bn for the same period last year. This has resulted in SBP raising the projected current account deficit from 5.2% to 6%.

The government has continued to finance Pakistan's growing fiscal deficit by borrowing from the SBP which has caused bank borrowings to reach Rs. 229bn in 1HFY08 against Rs. 31bn in the same period last year. As a result, monetary growth and inflation targets have both been revised upwards to approximately 17% and 9% respectively.

Consequently SBP has kept tightening the monetary policy with an increase of 50 bps in the discount rate to 10.5% and in the Cash Reserve Requirements from 7% to 8%. While the policy has been necessitated in order to control M2 growth and inflation, it is expected to impact the growth targets for all key economic sectors.

Key Developments

Retail Bank

We launched the UBL Capital Protected Fund (UCPF) in February 2008 which is the first joint investment product by UBL and UBL Fund Managers aiming to create cross functional synergies within the bank. UCPF has been exclusively designed for UBL and is a closed end mutual fund offering 100% capital protection with returns linked to the stock market. It features a fixed income segment with 80% of the funds invested in UBL CODs in order to protect the capital and the remaining invested in the equity market to give high returns. The product has been marketed aggressively and is expected to help widen our customer base.

We have continued with our business process re-engineering strategy with over 170 branches having completed phase one of implementation by March 2008. Under phase one, a comprehensive capacity planning exercise was carried out which resulted in realigning the teller and customer service functions. This is helping us deliver a superior standard of service which is key in enabling us to compete effectively. We expect our 400 top branches to have completed phase one of implementation by July 2008.

Under phase two of the implementation we have begun to centralize back end processes including inward and outward clearing and issuance of cheque books and ATM cards into our central processing facility. Approximately 170 branches would have completed phase two of implementation by July 2008.

Consumer Business

The consumer industry has been directly impacted by the prevailing tight monetary policy both in terms of credit offtake and asset quality. Rising inflation and high interest rates have increased consumer debt burdens which have led to a rise in delinquencies industry wide. Credit approval rates have also come down with the full implementation of the positive credit bureau which now provides more accurate information regarding consumer debt exposures.

Our focus has remained on re-aligning our policy parameters which include revisions in minimum income requirements, debt burden assessments and more stringent credit verifications. In response to initiatives taken last quarter, collection and recoveries have also shown a marked improvement.

We remain confident that the strengthening of risk management systems and internal controls will ensure the consolidation of our consumer portfolio this year and equip us to show strong quality growth in 2009.

Looking ahead

In the backdrop of a trying macroeconomic environment, increasing competition, high inflation and tight monetary policy, we expect 2008 to be a challenging year for the banking sector. Consumer financing will show slow growth this year which will, however, be offset by high corporate sector demand on the back of committed off take in power, fertilizer and telecom sectors. Continuing international growth will also help in achieving fairly strong overall loan growth this year.

Improving asset quality will remain a key focus with greater resource deployment in the recovery and collection functions. Our Credit Risk Environmental and Monitoring system which is in its final stages of implementation is expected to assist us in more effective post disbursement monitoring. We expect our efforts in this area to show positive results in the coming months.

We believe that our business process reengineering initiative supported by our customized core banking technology platform will also help us to compete more effectively in the changing landscape of the Pakistani banking sector.

Acknowledgements

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

For and on behalf of the Board,

Nahayan Mabarak Al Nahayan

Chairman

Abu Dhabi

April 26, 2008

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2008

	Note	(Un audited) Mar. 31, 2008	(Audited) Dec. 31, 2007
('Rupees in '000)			
ASSETS			
Cash and balances with treasury banks		50,760,552	57,622,360
Balances with other banks		11,910,398	10,982,176
Lendings to financial institutions		27,423,173	24,781,723
Investments	5	106,237,348	114,026,273
Advances	6	327,888,138	308,271,290
Other assets		10,162,439	12,071,659
Operating fixed assets		19,267,107	19,040,390
		553,649,155	546,795,871
LIABILITIES			
Bills payable		5,917,742	6,087,266
Borrowings from financial institutions	7	54,832,053	59,491,253
Deposits and other accounts	8	416,786,802	412,138,405
Sub-ordinated loans		11,995,872	5,996,696
Liabilities against assets subject to finance lease		3,008	3,261
Deferred tax liability - net		1,694,482	2,109,989
Other liabilities		14,013,638	13,078,063
		505,243,597	498,904,933
NET ASSETS		48,405,558	47,890,938
REPRESENTED BY			
Share capital		8,093,750	8,093,750
Reserves		14,431,020	11,577,342
Unappropriated profit		14,907,200	16,728,318
		37,431,970	36,399,410
Minority interest		2,219,005	2,115,645
		39,650,975	38,515,055
Surplus on revaluation of assets		8,754,583	9,375,883
		48,405,558	47,890,938
CONTINGENCIES AND COMMITMENTS			
	9		

The annexed notes 1 to 18 form an integral part of these financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE QUARTER ENDED MARCH 31, 2008 - (Unaudited)

	Note	Jan - Mar 2008 (Rupees in '000)	Jan - Mar 2007 (Rupees in '000)
Mark-up / Return / Interest Earned	10	11,373,574	9,866,894
Mark-up / Return / Interest Expensed	11	(4,813,940)	(3,875,267)
Net Mark-up / Interest Income		6,559,634	5,991,627
Provision for non-performing loans and advances		(886,594)	(143,156)
Provision against consumer loans		23,822	(49,425)
Provision for diminution in value of investment		-	(6,750)
Bad debts written off directly		(330,907)	(154,226)
		(1,193,679)	(353,557)
Net Mark-up / Interest Income after provisions		5,365,955	5,638,070
NON MARK-UP/INTEREST INCOME			
Fee, Commission and Brokerage Income		1,692,723	1,262,686
Dividend Income		27,879	130,133
Gain on sale of securities		251,542	320,208
Income from dealing in foreign currencies		260,870	244,319
Other Income		1,007,667	240,264
Total non-markup/interest Income		3,240,680	2,197,611
		8,606,635	7,835,681
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	12	(3,765,436)	(3,106,472)
Other provisions / write offs		(56,699)	(52,222)
Other charges		(179,151)	(509)
Total non-markup / interest expenses		(4,001,286)	(3,159,203)
		4,605,349	4,676,477
Extra ordinary / unusual items		-	-
Share of income of associates		121,850	-
PROFIT BEFORE TAXATION		4,727,199	4,676,477
Taxation – Current / prior		(1,862,891)	(1,630,962)
– Deferred		293,828	134,681
		(1,569,063)	(1,496,281)
PROFIT AFTER TAXATION		3,158,136	3,180,197
Share of Minority Interest		(28,001)	(41,739)
Profit attributable to Shareholders of the Bank		3,130,135	3,138,457
Unappropriated profit brought forward		16,728,318	12,930,344
		19,858,453	16,068,802
Transferred from surplus on revaluation of fixed assets-net of tax		80,420	23,614
Profit before appropriations		19,938,873	16,092,416
APPROPRIATIONS			
Transfer to statutory reserve		(580,109)	(616,040)
Cash Dividend 2007:Rs 3.00 (2006:Rs 3.00) per share		(2,428,125)	(1,942,500)
Transfer to reserve for issue of bonus shares @25% (2006 @ 25%)		(2,023,438)	(1,618,750)
		(5,031,672)	(4,177,290)
Unappropriated profit carried forward		14,907,201	11,915,126
Basic earnings per share (Rupees)		3.87	3.88
Diluted earnings per share (Rupees)		3.09	3.10

The annexed notes 1 to 18 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE QUARTER ENDED MARCH 31 2008

	Share capital	General Reserve	Statutory Reserve	Exchange Reserve	Reserve for issue of Bonus share	Unappropriated Profit	Minority Interest	Total
Rupees in '000								
Opening Balance on 1 January 2007	6,475,000	3,000	7,035,891	2,290,673	-	12,930,344	1,772,168	30,507,076
Final cash dividend for the year ended December 31, 2006 declared subsequent to year end	-	-	-	-	-	(1,942,500)	-	(1,942,500)
Bonus shares for December 2005 declared subsequent to year end	-	-	-	-	1,618,750	(1,618,750)	-	-
Profit after taxation for the quarter ended March 31, 2007	-	-	-	-	-	3,138,459	41,739	3,180,198
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	23,614	-	23,614
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	(392,685)	-	-	205,967	(186,718)
Transfer to Statutory reserves	-	-	616,040	-	-	(616,040)	-	-
Closing balance as at March 31, 2007	6,475,000	3,000	7,651,931	1,897,988	1,618,750	11,915,127	2,019,874	31,581,670
Profit after taxation for the nine months ended December 31, 2007	-	-	-	-	-	5,836,821	-	5,836,821
Issue of Bonus shares	1,618,750	-	-	-	(1,618,750)	-	-	-
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	40,848	219,996	260,844
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	959,945	-	-	(124,225)	835,720
Transfer to Statutory reserve	-	-	1,064,478	-	-	(1,064,478)	-	-
Closing balance as at December 31, 2007	8,093,750	3,000	8,716,409	2,857,933	-	16,728,318	2,115,645	38,515,055
Final cash dividend for the year ended December 31, 2007 declared subsequent to year end	-	-	-	-	-	(2,428,125)	-	(2,428,125)
Bonus shares for December 2007 declared subsequent to year end	-	-	-	-	2,023,438	(2,023,438)	-	-
Profit after taxation for the quarter ended March 31, 2008	-	-	-	-	-	3,130,135	28,001	3,158,136
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	80,420	-	80,420
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	250,131	-	-	75,359	325,490
Transfer to Statutory reserves	-	-	580,109	-	-	(580,109)	-	-
Closing balance as at March 31, 2008	8,093,750	3,000	9,296,518	3,108,064	2,023,438	14,907,200	2,219,005	39,650,974

The annexed notes 1 to 18 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE QUARTER ENDED MARCH 31, 2008 - (Unaudited)

	Mar. 31, 2008	Mar. 31, 2007
	('Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	4,727,199	4,676,477
Add : Income from associates:	(121,850)	-
Less: Dividend income	(27,879)	(130,133)
	<u>4,577,470</u>	<u>4,546,344</u>
Adjustments for non-cash charges		
Depreciation	373,829	182,487
Provision for retirement benefits	(1,817)	41,219
Provision Against Non-performing Advances	862,772	192,581
Provision for Diminution in the value of investments	-	6,750
(Gain) on sale of fixed assets	(213)	(16,774)
Finance Charges on leased assets	75	213
Provision against other assets	56,699	52,222
Bad debts written off	330,907	154,226
	<u>1,622,253</u>	<u>612,924</u>
	6,199,722	5,159,268
(Increase)/ Decrease in operating assets		
Lendings to financial institutions	(2,641,450)	12,297,306
Held-for-trading securities	(77,614)	(1,534,638)
Advances	(20,810,527)	(5,005,326)
Others assets	2,244,614	(1,344,669)
	<u>(21,284,977)</u>	<u>4,412,673</u>
Increase/ (Decrease) in operating liabilities		
Bills Payable	(169,524)	(307,836)
Borrowings from financial institutions	(4,659,200)	(9,169,510)
Deposits	4,648,397	18,146,260
Other liabilities	(2,040,723)	216,520
	<u>(2,221,050)</u>	<u>8,885,434</u>
	(17,306,304)	18,457,375
Payments for retirement benefits	(619,553)	1,173,595
Income tax paid	(1,219,769)	(361,140)
	<u>(19,145,627)</u>	<u>19,269,830</u>
Net cash flow from operating activities	(19,145,627)	19,269,830
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	7,375,935	(21,363,384)
Dividend income	25,266	130,448
Investments in operating fixed assets	(564,843)	(107,762)
Sale proceeds of property and equipment disposed-off	51,345	36,897
Net cash flow from investing activities	6,887,703	(21,303,801)
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of Sub-ordinated loan	5,999,176	(440)
Payments of lease obligations	(328)	(2,986)
Dividend paid	-	-
Net cash flow from financing activities	5,998,848	(3,426)
Net cash flow	(6,259,076)	(2,037,397)
Exchange difference on transaction of net investment in foreign branches and subsidiaries & minority	325,490	(186,718)
(Decrease) in cash and cash equivalents	(5,933,586)	(2,224,115)
Cash and cash equivalents at beginning of the period	68,604,536	68,441,818
Cash and cash equivalents at end of the period	<u>62,670,950</u>	<u>66,217,703</u>

The annexed notes 1 to 18 form an integral part of these financial statements.

Atif R. Bokhari
President &
Chief Executive Officer

Dr. Ashfaqe Hasan Khan
Director

Sir Mohammed Anwar Pervez, OBE, HPK
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008**1. STATUS AND NATURE OF BUSINESS**

The Group consists of:

Holding Company

United Bank Limited (The Bank)

Subsidiary Companies

United National Bank Limited (UNBL), United Kingdom

United Bank AG (Zurich), Switzerland

United Executors and Trustees Company Limited

UBL Fund Managers Limited

The Group is engaged in commercial banking, modaraba management, asset management, mutual funds and trustee services. The Bank is listed on all three Stock Exchanges in Pakistan and in London Stock Exchange. The Bank's registered and principal office is situated in State Life Building No. 1, I. I. Chundirgar Road Karachi. The Bank operates 1079 (2007: 1078) branches in Pakistan including the Karachi Export Processing Zone Branch (KEPZ) and 17 (2007: 17) branches outside Pakistan as at March 31, 2008. The domestic branch network includes 5 (2007: 5) Islamic banking branches.

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

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of annual financial statements of the Group for the year ended December 31, 2007.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008
5. INVESTMENTS

Note	Mar. 31, 2008			Dec. 31, 2007		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in 000'-----						
5.1 Held-for-trading securities	5.1.1 243,839	93,063	336,902	269,932	-	269,932
Available-for-sale securities	5.1.2 35,120,537	40,421,364	75,541,901	46,158,578	29,426,386	75,584,964
Held-to-maturity securities	5.1.3 27,523,174	-	27,523,174	32,356,858	-	32,356,858
Investments in Associates	5.1.4 4,175,246	-	4,175,246	6,537,256	-	6,537,256
	67,062,797	40,514,427	107,577,224	85,322,624	29,426,386	114,749,010
Provision for Diminution in value of investments	(366,837)	-	(366,837)	(351,508)	-	(351,508)
Surplus / (deficit) on revaluation of available for sale investments	(556,377)	(411,551)	(967,928)	(314,365)	(41,109)	(355,474)
Surplus / (deficit) on revaluation of held for trading investments	(2,180)	(2,931)	(5,111)	(15,755)	-	(15,755)
Investments (net of provisions)	66,137,403	40,099,945	106,237,348	84,640,996	29,385,277	114,026,273

5.1.1 Held-for-trading securities

Ordinary shares of listed companies	63,628	-	63,628	269,932	-	269,932
Pakistan investment bonds	180,211	93,063	273,274	-	-	-
	243,839	93,063	336,902	269,932	-	269,932

5.1.2 Available for sale securities

Market treasury bills	12,768,911	33,971,985	46,740,896	19,510,171	27,889,798	47,399,969
Pakistan investment bonds	10,397,635	6,449,379	16,847,014	15,337,793	1,536,588	16,874,381
Ordinary shares of listed companies	3,122,915	-	3,122,915	3,185,338	-	3,185,338
Ordinary shares of unlisted companies	441,435	-	441,435	441,423	-	441,423
Cumulative Preference Shares	8,120	-	8,120	8,120	-	8,120
Government of Pakistan Islamic Bonds	948,404	-	948,404	1,123,894	-	1,123,894
Units of mutual funds	262,201	-	262,201	262,201	-	262,201
Euro Bonds	2,195,533	-	2,195,533	2,170,415	-	2,170,415
Foreign Currency bonds	4,370,002	-	4,370,002	3,475,078	-	3,475,078
Term Finance Certificates	605,380	-	605,380	644,145	-	644,145
	35,120,537	40,421,364	75,541,901	46,158,578	29,426,386	75,584,964

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008

Mar. 31, 2008			Dec. 31, 2007		
Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total

-----Rupees in 000'-----

5.1.3 Held to maturity securities

Term Finance Certificates	5,964,732	-	5,964,732	6,341,257	-	6,341,257
CIRC bonds	2,900,000	-	2,900,000	2,900,000	-	2,900,000
Pakistan investment bonds	4,530,938	-	4,530,938	4,521,049	-	4,521,049
Government of Pakistan - Guranteed Bonds	1,483,444	-	1,483,444	1,433,444	-	1,433,444
Foreign currency bonds	1,068,164	-	1,068,164	1,055,801	-	1,055,801
Foreign securities	1,664,202	-	1,664,202	1,628,023	-	1,628,023
Debentures	7,285	-	7,285	8,300	-	8,300
Participation of Term Certificates	44,510	-	44,510	46,920	-	46,920
CDC SAARC Fund	310	-	310	310	-	310
Sukkok Bonds	685,000	-	685,000	685,000	-	685,000
Market treasury bills	8,147,151	-	8,147,151	12,883,608	-	12,883,608
Certificate of deposits	1,027,438	-	1,027,438	853,146	-	853,146
	27,523,174	-	27,523,174	32,356,858	-	32,356,858

5.1.4 Investments in Associates

United Composite Islamic Fund	635,860	-	635,860	636,896	-	636,896
United Stock Advantage Fund	450,096	-	450,096	398,903	-	398,903
UBL Insurance Limited	46,350	-	46,350	46,350	-	46,350
United Money Market Fund	2,232,860	-	2,232,860	3,318,770	-	3,318,770
United Islamic Income Fund	260,175	-	260,175	254,100	-	254,100
United Growth & Income Fund	542,924	-	542,924	1,875,256	-	1,875,256
Oman united Exchange Company, Muscat	6,981	-	6,981	6,981	-	6,981
	4,175,246	-	4,175,246	6,537,256	-	6,537,256

	67,062,797	40,514,427	107,577,224	85,322,624	29,426,386	114,749,010
Provision for Diminution in value of investments	(366,837)	-	(366,837)	(351,508)	-	(351,508)
Surplus / (deficit) on revaluation of available for sale investments	(556,377)	(411,551)	(967,928)	(314,365)	(41,109)	(355,474)
Surplus / (deficit) on revaluation of held for trading investments	(2,180)	(2,931)	(5,111)	(15,755)	-	(15,755)
Investments (net of provisions)	66,137,403	40,099,945	106,237,348	84,640,996	29,385,277	114,026,273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008

6. ADVANCES	Note	Mar. 31, 2008	Dec. 31, 2007
('Rupees in '000)			
Loans, cash credits, running finances, etc.			
In Pakistan		258,199,694	240,420,608
Outside Pakistan		<u>74,876,430</u>	<u>70,507,183</u>
		333,076,124	310,927,791
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		<u>5,466,926</u>	<u>6,046,767</u>
Payable outside Pakistan		<u>5,472,822</u>	<u>6,066,566</u>
		10,939,748	12,113,333
		344,015,872	323,041,124
Finance in respect of continuous funding system (CFS)		<u>1,927,011</u>	<u>2,631,139</u>
		345,942,883	325,672,263
Provision for non-performing advances- Specific	6.1	(16,712,914)	(16,031,324)
Provision for non-performing advances- General	6.2	<u>(1,341,831)</u>	<u>(1,369,649)</u>
		<u>327,888,138</u>	<u>308,271,290</u>

6.1 Advances include Rs.23,487 million (December 31,2007 22,352 million) which have been placed under non-performing status as detailed below:-

Category of Classification	Domestic	Overseas	Total	Provision Required	Provision Held
				-----Rupees in '000'-----	
Other Assets Especially Mentioned	1,406,414	-	1,406,414	-	-
Substandard	4,970,456	256,985	5,227,441	1,319,542	1,319,542
Doubtful	2,172,329	32,058	2,204,387	1,195,746	1,195,746
Loss	<u>11,496,195</u>	<u>2,825,169</u>	<u>14,321,364</u>	<u>14,196,983</u>	<u>14,196,983</u>
	20,045,394	3,114,212	23,159,606	16,712,271	16,712,271
Subsidiary Company	-	327,028	327,028	644	644
	<u>20,045,394</u>	<u>3,441,240</u>	<u>23,486,634</u>	<u>16,712,915</u>	<u>16,712,915</u>

6.2 General provision represents provision amounting to Rs 1,255 million (December 31, 2007: Rs. 1,296 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs. 87 million (December 31, 2007: Rs. 74 million) pertaining to overseas and subsidiary advances to meet the requirements of monetary agencies and regulating authorities of the respective countries. The forced Sales value of the collateral held against these non -performing loans amounted to Rs 3,497 million (December 31, 2007 Rs 3,811 million).

7. BORROWINGS FROM FINANCIAL INSTITUTIONS	Mar. 31, 2008	Dec. 31, 2007
('Rupees in '000)		
Secured		
Borrowings from financial institutions	-	-
Borrowings from State Bank of Pakistan		
- Under export refinance scheme	<u>7,007,686</u>	<u>6,708,853</u>
- Long term finance under export oriented projects	<u>4,782,752</u>	<u>4,945,514</u>
- Locally Manufactured Machinery	<u>1,614</u>	<u>1,620</u>
	11,792,052	11,655,987
Repurchase agreement borrowings	36,000,356	32,269,543
Unsecured		
Borrowings from other central Banks	<u>2,509,378</u>	-
Call borrowings	<u>3,391,428</u>	<u>13,629,078</u>
Overdrawn nostro accounts	<u>128,515</u>	<u>936,004</u>
Trading account liability	<u>1,010,324</u>	<u>1,000,641</u>
	7,039,645	15,565,723
	<u>54,832,053</u>	<u>59,491,253</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008
8. DEPOSITS AND OTHER ACCOUNTS

	Mar. 31, 2008	Dec. 31, 2007
	('Rupees in '000)	
Customers		
Fixed deposits	139,947,479	131,190,126
Savings deposits	152,214,188	154,537,137
Sundry Deposits	6,262,810	4,645,873
Margin Deposits	3,288,435	2,769,452
Current Accounts - Remunerative	1,774,387	5,794,610
Current Accounts - Non-remunerative	112,793,558	112,153,247
	<u>416,280,857</u>	<u>411,090,445</u>
Financial Institutions		
Remunerative deposits	310,448	821,361
Non-remunerative deposits	195,497	226,599
	<u>505,945</u>	<u>1,047,960</u>
	<u>416,786,802</u>	<u>412,138,405</u>

9. CONTINGENCIES AND COMMITMENTS
9.1 Direct Credit Substitutes

Contingent liability in respect of guarantees given favouring:

i) Government	5,235,041	5,525,535
ii) Banking companies and other financial institutions	4,103,962	3,992,848
iii) Others	6,432,400	5,941,261
	<u>15,771,404</u>	<u>15,459,644</u>

9.2 Transaction-related Contingent Liabilities

Contingent liability in respect of performance bonds, bid bonds, warranties, etc.

i) Government	44,209,202	43,946,035
ii) Banking companies and other financial institutions	3,265,965	3,031,393
iii) Others	13,884,572	13,992,900
	<u>61,359,739</u>	<u>60,970,328</u>

9.3 Trade-related Contingent Liabilities

Contingent liability in respect of letters of credit favouring:

i) Government	56,106,398	60,431,464
ii) Banking companies and other financial institutions	11,973,511	412,056
iii) Others	80,611,832	89,102,242
	<u>148,691,742</u>	<u>149,945,762</u>

9.4 Other Contingencies

Claims against the bank not acknowledge as debts

17,778,476	17,733,578
------------	------------

9.5 Commitments to Extend Credit

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

9.6 Other commitments

Forward sale contracts of government securities	676,941	-
Forward Purchase contract of government securities	587,276	-
Interest rate swaps	8,409,963	4,977,160
Cross Currency Swaps	14,048,479	9,993,448
Equity futures	6,209	-
Sales of securities not yet purchased	-	657,226
Commitments in respect of capital expenditure	141,296	128,328

9.7 Commitments in respect of forward exchange contracts

Sale	77,869,514	87,334,393
Purchase	73,651,308	81,782,747

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008

	Jan - Mar 2008	Jan - Mar 2007
	----- (Rupees in '000) -----	
10. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances		
- Customers	8,299,395	7,219,304
- Financial institutions	319,812	264,580
	8,619,208	7,483,883
On investments in		
- Securities	2,217,645	1,540,335
- Associates	-	8,338
	2,217,645	1,548,673
On deposits with financial institutions	104,915	378,735
On securities purchased under resale agreements	399,827	451,758
Discount income	31,979	3,844
	<u>11,373,574</u>	<u>9,866,894</u>
11. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	3,520,576	3,178,709
On securities sold under repurchase agreements	674,730	204,661
On other short - term borrowings	280,467	326,806
On other long - term borrowings	296,842	147,512
Discount expense	41,324	17,579
	<u>4,813,940</u>	<u>3,875,267</u>
12. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	1,764,594	1,606,418
Outsourced service charges including sales commission	387,507	316,469
Contribution to retirement plan	30,832	(28,106)
Charge for compensated absences	35,102	40,374
Rent, taxes, insurance, electricity etc.	368,588	251,972
Communications	135,120	113,891
Advertisement and publicity	71,331	110,280
Depreciation	373,829	182,487
Stationery and printing	56,398	52,150
Banking service charge	93,854	74,675
Legal and professional charges	48,362	90,948
Cash transportation charges	50,117	38,498
Travelling	30,395	45,275
Repairs and maintenance	54,193	52,580
Donations	314	362
Insurance expenses	37,587	1,306
Vehicle expenses	23,842	20,316
Office running expenses	22,696	17,183
Entertainment	17,431	14,020
Cartage, freight and conveyance	14,052	11,599
Training and seminar	19,371	27,958
Auditors' remuneration	11,564	13,510
Subscriptions	9,530	8,593
Brokerage expenses	5,968	4,351
Sub debt expenses	21,336	727
Finance charges on leased assets	75	213
Miscellaneous expenses	81,448	38,424
	<u>3,765,436</u>	<u>3,106,472</u>
13. TAXATION		

The income tax assessments of the bank for domestic branches till the assessment year 2002-2003 (financial year ended December 31, 2001) have been finalized under normal law and as per the provisions of Repealed Income Tax Ordinance, 1979. The returns for the Tax Year 2003 to 2007 (financial years ended December 31, 2002 to 2006) were filed under the provisions of section 114 of the Income Tax Ordinance, 2001 (Ordinance) and are deemed to be assessed under section 120(1) of the Ordinance, unless amended by the Commissioner of Income Tax.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008

The return for the tax year 2003 was selected for audit under section 177 of the Ordinance and the amended assessment order has been passed on the basis of audit observations by adding / disallowing certain expenses / deductions resulting in an additional tax liability of Rs 406 million. 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, decided to create the provision against the above amount in these financial statements. The appeal against the said order has been heard by the Appellate Commissioner and the order is awaited.

For the tax years 2005, 2006 and 2007 taxation authorities has initiated proceedings u/s. 122 (5A) read with the section 122(9) of the Ordinance. In respect of tax year 2005 & 2006 information have been provided, revised assessment orders are awaited. For tax year 2007 issuance of notice was challenged on point of jurisdiction and no further correspondence has been received. However, the management is of the view that there may not arise any material tax liability once these cases attain finality.

14. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES
-----For the Period Ended March 31, 2008-----

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

-----For the Period Ended March 31, 2007-----

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Assets Management	Others
----- (Rupees in '000) -----						
Total income	222,479	2,535,903	4,981,832	4,236,221	46,350	41,720
Total expenses	(28,506)	(1,845,039)	(2,920,064)	(2,515,901)	(42,781)	(35,737)
Net income / (loss)	193,973	690,864	2,061,768	1,720,320	3,569	5,983
Segment return on assets (ROA) (%)	10.0%	11.1%	12.0%	11.0%	45.0%	3.0%
Segment cost of funds (%)	9.0%	7.7%	10.0%	9.0%	0.0%	2.0%

-----As at March 31, 2008-----

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Assets Management	Others
----- (Rupees in '000) -----						
Segment assets (gross of NPL provisions)	7,960,864	161,369,620	176,438,395	221,172,598	310,884	3,109,708
Segment non performing loans (NPL)	-	-	17,250,955	6,235,679	-	-
Segment provision required against NPL	-	-	12,625,824	4,087,090	-	-
Segment liabilities	6,499,890	149,266,823	164,730,684	183,200,215	31,353	1,514,632

-----As at Dec. 31, 2007-----

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Assets Management	Others
----- (Rupees in '000) -----						
Segment assets (gross of NPL provisions)	5,720,519	179,801,387	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	174,270,000	146,582,782	172,579,967	34,259	1,340,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008
15. RELATED PARTY TRANSACTIONS

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

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

15.1 RELATED PARTY TRANSACTIONS

	March 31, 2008			December 31, 2007		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----						
Advances						
At January 01	77,627	-	-	90,683	565	1,000,000
Given during the year	-	-	-	46,002	-	-
Repaid during the year	(2,647)	-	-	(59,058)	(565)	(1,000,000)
At December 31 2007	74,980	-	-	77,627	-	-
Deposits						
At January 01	14,252	316,898	2,293,841	13,249	96,238	2,589,708
Received during the year	75,397	7,326,810	872,708	294,791	48,419,004	2,432,626
Withdrawn during the year	(65,415)	(7,123,739)	(700,434)	(293,788)	(48,198,344)	(2,728,493)
At December 31 2007	24,234	519,969	2,466,115	14,252	316,898	2,293,841
Outstanding placement at the end of the year	-	-	-	-	-	-
Payable in respect of acquisition of investment in equity shares	-	-	-	-	-	-
Distribution commission receivable	-	-	-	-	-	-
Other receivable	-	1,621	-	-	37,954	-
Employee Motivation & Retention Scheme	-	-	352,182	-	-	263,181
	March 31, 2008			March 31, 2007		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
----- (Rupees in '000) -----						
Mark-up / return / interest earned	800	-	-	955	681	56,964
Mark-up / return / interest expensed	28	2,145	52,092	-	-	123,951
Reimbursement of liaison office expenses paid to Dubai and Abu Dhabi Group	-	-	9,392	-	-	9,116
Insurance Premium	-	93,713	-	-	-	-
Remuneration paid	56,014	-	-	112,878	-	-
Post employment benefits	2,443	-	-	2,514	-	-
Contribution to defined contribution plan	-	-	57,982	-	-	-
Contribution to defined benefit plan	-	-	81,255	-	-	-
Employee Motivation & Retention scheme	-	-	89,000	-	-	65,000
Investment made during period / year	-	4,159,143	-	-	300,000	-
Redemption made during the period	-	6,469,307	-	-	-	-
Bonus Units received	-	109,712	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE QUARTER ENDED MARCH 31, 2008
16. ISLAMIC BANKING BUSINESS

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

	Jan - Mar 2008	Jan - Mar 2007
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	440,859	307,448
Lendings to financial institutions	200,000	300,000
Investments	616,927	587,206
Advances	371,409	339,477
Operating fixed assets	677,949	401,909
Other assets	98,375	118,323
Total Assets	2,405,519	2,054,363
LIABILITIES		
Bills payable	12,972	17,565
Deposits and other accounts	1,502,326	1,198,688
Other liabilities	593,771	522,034
	<u>2,109,069</u>	<u>1,738,287</u>
NET ASSETS	<u>296,450</u>	<u>316,076</u>
REPRESENTED BY		
Islamic Banking Fund	470,000	470,000
Unappropriated/ Unremitted profit	<u>(180,132)</u>	<u>(156,130)</u>
	289,868	313,870
Surplus / (deficit) on revaluation of assets	<u>6,582</u>	<u>2,206</u>
	<u>296,450</u>	<u>316,076</u>

17. DATE OF AUTHORIZATION

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

18. GENERAL

Comparative figures have been reclassified and rearranged, wherever necessary for comparison purposes.

Atif R. Bokhari
President &

Chief Executive Officer

Dr. Ashfaque Hasan Khan
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman