UNITED BANK LTD.

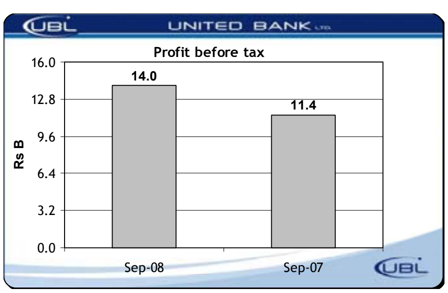
DIRECTORS' REPORT TO THE MEMBERS

On behalf of the Board of Directors, I am pleased to present to you the consolidated financial statements of the Group for the nine-months ended September 30, 2008.

Financial Highlights

	(Rs. In millions)
Profit before taxation	14,019
Taxation	(4,966)
Profit after taxation before minority interest	9,053
Minority interest	(88)
Profit after taxation	8,965
Un-appropriated profit brought forward – January 01, 2008	16,728
Transfer from surplus on revaluation of fixed assets – Incremental depreciation	241
Profit available for appropriation	25,934
Transfer to statutory reserve	(1,766)
Cash dividend for the year 2007	(2,428)
Interim cash dividend for the half-year ended June 30, 2008	(1,518)
Bonus shares issued – 2007	(2,023)
Un-appropriated profit carried forward – September 30, 2008	18,199
	(Rupees)
Earnings per share (post bonus)	8.86

Continued financial growth



During a challenging nine months Group has achieved a profit before tax of Rs 14.0 billion which is significantly higher by 23% than the same period last year due to solid advances growth and continued non-interest income performance. Deposits growth of 13% over Dec 2007.

Profit after tax at Rs. 9.1B translates into diluted earnings per share of Rs. 8.86 (September 2007: 7.20). Robust net interest income growth coupled with sustained non-interest income assisted revenue to close 24% higher than the same period last year.

Net interest income before provisions is up 15% to Rs 21.3B from the same period last year. Net interest income after provision at Rs 17.5 billion shows an increase of 17%. Net provisions are only up by 8% from the corresponding period last year. In comparison to 2Q08, provisions have remained flat at Rs 1.3B.

Non-interest income continued to show strong signs of growth during the period increasing by 40% to Rs. 9.6 billion. Fee and commission income grew by an impressive 29% backed by strong corporate finance fees and higher commissions on trade. Our derivatives portfolio has performed extraordinarily in the first nine months of the year generating an income of Rs. 1.4 billion (Rs 400 million in 3Q08). While we are a major player in the derivatives market in Pakistan, we have a robust limit structure in place and continue to operate within a framework of stringent risk management parameters to ensure risk minimization.

Administrative expenses increased by 22% over the corresponding period last year, with premises cost contributing of this increase. This is mainly due to the increase in rent and utilities on the existing branch network and infrastructure along with core banking facilities. The introduction of the Workers' Welfare Fund in the Finance Act 2008 contributed of this increase. Moreover, significant inflationary pressures on the economy (FY08 CPI at 24%) have also led to an overall increase in personnel and general operating expenses.

Total assets have grown by Rs. 71 billion to Rs. 618 billion during the first nine months of the year with gross advances increasing by 21% to Rs. 393 billion and deposits by 13% to Rs. 465 billion.

Trend indicators remain attractive (Bank Only)

Quarterly P&L - Bank Rs. B	Mar-07	Jun-07	Sep-07*	Dec-07*	Mar-08	Jun-08	Sep-08
Net Interest Income	5.8	6.1	6.2	6.0	6.4	6.8	7.6
Quarterly growth		4%	2%	-3%	6%	7%	12%
Non Interest Income	2.1	2.2	2.2	2.6	3.0	3.1	2.9
Quarterly growth		5%	0%	21%	14%	3%	-7%
Pre-Provision Operating Profit	5.0	4.9	4.9	5.2	5.9	5.9	6.3
Quarterly growth		-2%	2%	6%	12%	1%	6%
PBT	**4.6**	**4.4**	**2.0**	**2.0**	**4.4**	**4.5**	**4.8**
Quarterly growth		-4%	-54%	-2%	123%	0%	7%
Total Deposits	**352**	**403**	**381**	**402**	**408**	**466**	**455**
Quarterly growth		14%	-6%	5%	1%	14%	-2%
Net Advances	**252**	**280**	**280**	**299**	**320**	**329**	**365**
Quarterly growth		11%	0%	7%	7%	3%	11%

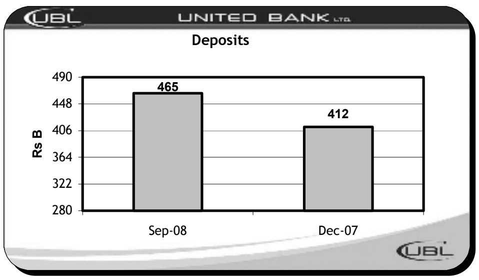
* PBT affected by additional provisioning of Rs. 3.8 billion due to removal of FSV by SBP taken in 2007.

KEY DEVELOPMENTS

Economic conditions

Pakistan's economy is mainly driven by domestic demand and therefore remained relatively insulated from troubles in global markets. However, the local economy is suffering from its own share of troubles that are no less critical. Twin deficits continue to plague the economy with 2MFY'09 current account deficit and trade deficit growing by 64%YoY and 47.6%YoY to USD 2.5 billion and USD 3.52 billion respectively. GoP has been funding its deficits through SBP borrowing which is not a plausible avenue anymore as it adds to inflation which is already at a critical level (September YoY CPI: 23.9%). GoP is targeting National Saving Schemes for bridging its deficits and the interest rates on these schemes have been raised (12% - 15% depending on the scheme). SBP, with its mandate to control inflation, raised discount rate by a further 100bps to 13% in July. However, in October 2008 reduced Cash reserve requirement (CRR) from 9% to 6% and removed SLR on time deposits of over 1 year. This was in response to the tight liquidity conditions prevailing in the inter-bank market. In the medium term, however, SBP plans to continue with its tight monetary policy stance.

Deposits strengthening the balance sheet

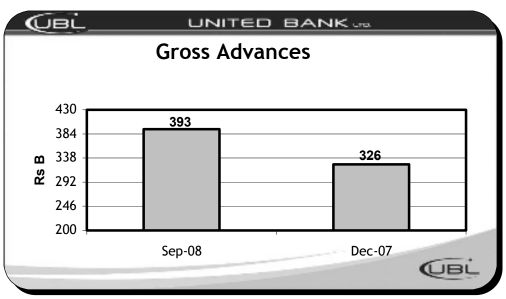


The balance sheet continued to grow solidly by Rs 53B at Rs 465B (higher by 13%). Domestic deposits increased by Rs. 19 billion (higher by 6%) in the first nine months to Rs. 348 billion. Low cost deposits contributed for 40% of this increase. This is a testament to the remarkable efforts of the field staff given the economic slowdown. UBL deposit growth led to an increase in our domestic market share from 9.1% in December 2007 to 9.3% in September 2008.

Consistent International growth

International operations continue to remain a significant revenue and profit driver contributing 20% to the total profitability and 25% to our total assets. The business grew strongly in the first nine months of the year with profit before tax increasing by 22% to Rs. 2.8 billion. The balance sheet also strengthened with deposits growing by 51% to 107 billion and advances by 55% to Rs. 100 billion.

Remarkable advances growth



Advances have grown sharply by 21% at Rs 393B. Domestic advances accounted for 44% of this increase due to disbursements to the power, energy, fertilizer and telecom sectors. This strategy has helped to maintain the market share position from December 2007 at 9.4%.

In comparison to 2Q08, the advances saw an increase of 11% mainly due to growth in corporate portfolio.

Looking ahead

On the economic front, GDP growth is expected to slow down to 3% - 4% range during FY'09 as a result of the tight monetary policy. SBP is expected to keep the tight monetary policy in place until Government borrowing and inflation comes under control even at the cost of an economic slow down.

Despite these challenges, however, our fundamentals have remained intact. Pre-provision operating profit increased significantly by 21% to Rs. 18 billion in the first nine months of the year over the same period last year. Operating revenue (net interest and non interest income) has grown by 21% in the first nine months of the year. Deposits and advances have shown solid growth of 13% and 21% respectively over December 2007.

The main challenge remains managing asset quality which has negatively impacted our bottom line. We are working on strengthening and tightening risk parameters to ensure a reduction in this charge going forward. We are also continuing to scrutinize and rationalize expenses in order to improve our operating efficiency ratios.

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 Mubarak Al Nahayan
Chairman
Abu Dhabi
October 27, 2008