



United Bank Limited
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009
(UNAUDITED)

**CONSOLIDATED CONDENSED INTERIM BALANCE SHEET
AS AT SEPTEMBER 30, 2009**

	Note	(Un audited) Sep 30, 2009	(Audited) Dec 31, 2008
------(Rupees in '000)-----			
ASSETS			
Cash and balances with treasury banks		50,371,349	50,143,570
Balances with other banks		19,326,746	14,540,306
Lendings to financial institutions		11,076,985	22,805,341
Investments	7	132,686,401	115,057,090
Advances	8	362,179,575	378,293,973
Operating fixed assets		20,095,314	19,926,915
Deferred tax asset - net		1,333,074	2,164,148
Other assets		16,752,873	17,309,187
		613,822,317	620,240,530
LIABILITIES			
Bills payable		6,440,801	5,210,870
Borrowings from financial institutions	9	54,195,184	44,749,690
Deposits and other accounts	10	463,888,422	492,267,898
Sub-ordinated loans		11,989,800	11,993,848
Liabilities against assets subject to finance lease		661	1,978
Other liabilities		15,525,726	16,620,583
		552,040,594	570,844,867
NET ASSETS		61,781,723	49,395,663
REPRESENTED BY			
Share capital		11,128,907	10,117,188
Reserves		20,107,236	17,256,061
Unappropriated profit		21,523,295	17,703,327
		52,759,438	45,076,576
Minority interest		2,376,360	2,044,589
		55,135,798	47,121,165
Surplus on revaluation of assets - net of deferred tax		6,645,925	2,274,498
		61,781,723	49,395,663

CONTINGENCIES AND COMMITMENTS

11

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim 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 September 30, 2009 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. Under the regular accounting policy of the bank, the same would have resulted in a charge to profit and loss account of Rs 56.046 million (net of tax) and, consequently, the unappropriated profit for the period would have been Rs 21,478.458 million and surplus on revaluation of assets - net of deferred tax would have been lower by Rs 56.046 million.

Atif R. Bokhari
President &
Chief Executive Officer

Dr. Ashfaq Hasan Khan
Director

Sir Mohammed Anwar Pervez, OBE, HPk
Deputy Chairman

Nahayan Mabarak Al Nahayan
Chairman

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE QUARTER & NINE MONTHS ENDED SEPTEMBER 30, 2009**

	Note	Jul - Sep 2009	Jul - Sep 2008	Jan - Sep 2009	Jan - Sep 2008
----- (Rupees in '000) -----					
Mark-up / return / interest earned	12	14,865,121	14,042,114	47,028,677	37,641,060
Mark-up / return / interest expensed	13	(6,393,639)	(6,258,965)	(22,456,475)	(16,312,206)
Net mark-up / interest income		8,471,482	7,783,149	24,572,202	21,328,854
Provision for non-performing loans and advances		(2,384,811)	(1,081,732)	(7,691,371)	(3,031,771)
General provision against consumer loans		63,369	61,284	(8,082)	149,013
Provision for diminution in value of investment		(45,567)	(38,248)	(659,156)	(38,248)
Bad debts written off directly		(324,272)	(279,583)	(1,024,563)	(956,949)
		(2,691,281)	(1,338,279)	(9,383,172)	(3,877,955)
Net mark-up / interest income after provisions		5,780,201	6,444,870	15,189,030	17,450,899
Non mark-up / return / interest income					
Fee, commission and brokerage income		1,586,427	1,914,041	4,666,095	5,476,468
Dividend income		36,449	113,798	267,093	365,087
Gain on sale of securities		324,221	255,598	719,255	262,553
Unrealized gain / (loss) on revaluation of trading securities		(18,091)	(2,469)	(18,772)	(3,671)
Income from dealing in foreign currencies		(68,153)	501,450	491,963	1,256,425
Other income		355,409	371,166	2,588,910	2,402,496
Total non-markup / interest income		2,216,262	3,153,584	8,714,544	9,759,358
		7,996,463	9,598,454	23,903,574	27,210,257
Non mark-up / interest expenses					
Administrative expenses	14	(4,532,480)	(4,452,716)	(13,191,346)	(12,248,218)
Other provisions / write offs		(59,301)	(77,691)	(242,607)	(272,217)
Worker welfare fund		(113,026)	(102,265)	(282,371)	(304,938)
Other charges		(2,383)	(681)	(3,551)	(182,954)
Total non-markup / interest expenses		(4,707,190)	(4,633,353)	(13,719,875)	(13,008,327)
		3,289,273	4,965,101	10,183,699	14,201,930
Share of income from associates		181,201	(155,927)	393,519	(182,786)
Profit before taxation		3,470,474	4,809,174	10,577,218	14,019,144
Taxation					
Current / prior	15	(2,031,819)	(1,872,046)	(5,084,319)	(5,608,499)
Deferred		901,598	260,184	1,445,126	642,513
		(1,130,221)	(1,611,862)	(3,639,193)	(4,965,986)
Profit after taxation		2,340,253	3,197,312	6,938,025	9,053,158
Share of minority interest		(5,198)	(30,467)	(11,959)	(88,299)
Profit attributable to Shareholders of the Bank		2,335,055	3,166,845	6,926,066	8,964,859
Unappropriated profit brought forward		19,540,004	17,116,908	17,703,327	16,728,319
		21,875,059	20,283,753	24,629,393	25,693,178
Transferred from surplus on revaluation of fixed assets-net of tax		64,174	80,420	190,788	241,260
Profit before appropriations		21,939,233	20,364,173	24,820,181	25,934,438
Appropriations					
Transfer to statutory reserve		(415,938)	(647,573)	(1,273,448)	(1,766,275)
Final cash dividend for the year ended December 31, 2008 and December 31, 2007 declared subsequent to the year end		-	-	(1,011,719)	(2,428,125)
Interim cash dividend for the half year ended June 30, 2008 declared subsequent to the period end		-	(1,517,578)	-	(1,517,578)
Transfer to reserve for issue of bonus shares		-	-	(1,011,719)	(2,023,438)
		(415,938)	(2,165,151)	(3,296,886)	(7,735,416)
Unappropriated profit carried forward		21,523,295	18,199,022	21,523,295	18,199,022

	----- (Rupees) -----			
Basic and diluted earnings per share	2.10	2.85	6.22	8.06

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim 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 September 30, 2009 and a portion of impairment loss arising there from has been included in surplus on revaluation of assets – net of deferred tax as allowed by State Bank of Pakistan. Under the regular accounting policy of the bank, the same would have resulted in a charge to profit and loss account of Rs 86.224 million (gross of tax) and, consequently, the profit after tax for the nine months would have been Rs 6,881.979 million and earnings per share would have been Rs. 6.18.

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

	Nine months ended	
	Sep 30, 2009	Sep 30, 2008
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	10,577,218	14,019,144
Share of (profit) / loss from associates	(393,519)	182,786
Dividend income	(267,093)	(365,087)
	<u>9,916,606</u>	<u>13,836,843</u>
Adjustments for non-cash charges		
Depreciation	1,258,187	1,157,771
Worker welfare fund	282,371	304,938
Provision for retirement benefits	227,998	(54,087)
Provision against non-performing advances	7,699,453	2,882,758
Provision for diminution in the value of investments	659,156	38,248
(Gain) / loss on sale of fixed assets	(7,317)	(12,246)
Finance charges on leased assets	-	235
Provision / (reversal of provision) against other assets	242,607	272,217
Unrealized loss on revaluation of investment classified as held for trading	18,772	3,671
Impairment on fixed assets	15,329	-
Bad debts written off	1,024,563	956,949
	<u>11,421,119</u>	<u>5,550,454</u>
	<u>21,337,725</u>	<u>19,387,297</u>
(Increase)/ decrease in operating assets		
Lendings to financial institutions	11,728,356	1,814,647
Held-for-trading securities	(3,403,277)	(5,209,043)
Advances - net	7,390,382	(70,085,851)
Others assets	2,513,057	(4,300,338)
	<u>18,228,518</u>	<u>(77,780,585)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	1,229,931	836,130
Borrowings from financial institutions	9,445,494	2,751,151
Deposits	(28,379,476)	52,541,436
Other liabilities	(672,676)	4,351,097
	<u>(18,376,727)</u>	<u>60,479,814</u>
Received from retirement benefits	21,189,516	2,086,526
Income tax paid	(328,494)	448,577
	<u>(7,772,246)</u>	<u>(3,453,369)</u>
Net cash flow from operating activities	13,088,776	(918,266)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in securities	(8,082,436)	949,664
Dividend income	277,236	365,081
Investments in operating fixed assets	(1,148,561)	(2,719,898)
Sale proceeds of property and equipment disposed off	73,097	381,267
Net cash flow from investing activities	(8,880,664)	(1,023,886)
CASH FLOW FROM FINANCING ACTIVITIES		
(Payments) / receipts of sub-ordinated loan	(4,048)	5,997,152
Payments of lease obligations	(1,317)	(1,238)
Dividend paid	(1,011,719)	(3,945,703)
Net cash flow from financing activities	(1,017,084)	2,050,211
Net cash flow	3,191,028	108,059
Exchange difference on transaction of net investment in foreign branches and subsidiaries & minority	1,503,379	4,583,221
Exchange difference on transaction of net assets attributable to minority interest	319,812	300,580
Increase in cash and cash equivalents	5,014,219	4,991,860
Cash and cash equivalents at beginning of the period	64,683,876	68,604,536
Cash and cash equivalents at end of the period	69,698,095	73,596,396

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim financial statements.

**CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

	Share capital	Capital Reserves				Cash flow hedge reserve	Unappropriated Profit	Minority Interest	Total
		General Reserve	Statutory Reserve	Exchange Reserve	Reserve for issue of Bonus share				
(Rupees in '000)									
Balance as at January 1, 2008	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 at Rs 3 per share	-	-	-	-	-	-	(2,428,125)	-	(2,428,125)
Interim cash dividend for the half year ended June 30, 2008 declared subsequent to period end at Rs 1.5 per share	-	-	-	-	-	-	(1,517,578)	-	(1,517,578)
Transfer to reserve for issue of bonus shares	-	-	-	-	2,023,438	-	(2,023,438)	-	-
Issue of bonus shares	2,023,438	-	-	-	(2,023,438)	-	-	-	-
Profit after taxation for the nine months ended September 30, 2009	-	-	-	-	-	-	8,964,860	88,299	9,053,159
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	-	241,260	-	241,260
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	4,583,221	-	-	-	300,580	4,883,801
Transfer to statutory reserves	-	-	1,766,275	-	-	-	(1,766,275)	-	-
Balance as at September 30, 2008	10,117,188	3,000	10,482,684	7,441,154	-	-	18,199,022	2,504,524	48,747,572
Profit after taxation for the three months ended December 31, 2008	-	-	-	-	-	-	(609,103)	1,195	(607,908)
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	-	13,757	-	13,757
Net loss on cash flow hedges - net of deferred tax	-	-	-	-	-	(276,633)	-	-	(276,633)
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	(294,493)	-	-	-	(405,906)	(700,399)
Preferred dividend relating to minority shareholders	-	-	-	-	-	-	-	(55,224)	(55,224)
Transfer to statutory reserve	-	-	(99,651)	-	-	-	99,651	-	-
Balance as at December 31, 2008	10,117,188	3,000	10,383,033	7,146,661	-	(276,633)	17,703,327	2,044,589	47,121,165
Final cash dividend for the year ended December 31, 2008 declared subsequent to year end at Rs 1 per share	-	-	-	-	-	-	(1,011,719)	-	(1,011,719)
Transfer to reserve for issue of bonus shares	-	-	-	-	1,011,719	-	(1,011,719)	-	-
Issue of bonus shares	1,011,719	-	-	-	(1,011,719)	-	-	-	-
Profit after taxation for the nine months ended September 30, 2009	-	-	-	-	-	-	6,926,066	11,959	6,938,025
Transfer from surplus on revaluation of fixed assets to un-appropriated profit-net of tax	-	-	-	-	-	-	190,788	-	190,788
Reversal of loss on cash flow hedges - net of deferred tax	-	-	-	-	-	74,348	-	-	74,348
Exchange differences on translation of net investments in foreign branches, subsidiaries and associates	-	-	-	1,503,379	-	-	-	319,812	1,823,191
Transfer to statutory reserves	-	-	1,273,448	-	-	-	(1,273,448)	-	-
Balance as at September 30, 2009	11,128,907	3,000	11,656,481	8,650,040	-	(202,285)	21,523,295	2,376,360	55,135,798

The annexed notes 1 to 19 form an integral part of these consolidated condensed interim 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 CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

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 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 1,121 (2008:1,119) branches inside Pakistan including the Karachi Export Processing Zone Branch (KEPZ) and 17 (December 31, 2008:17) branches outside Pakistan as at September 30, 2009. The domestic branch network also includes 5 (2008: 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

- 2.1** The disclosures made in these consolidated condensed interim financial statements have been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the financial statements of the Group for the year ended December 31, 2008.
- 2.2** 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 bank 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, 1984.
- 2.3** The financial results of the Islamic banking branches of the Bank have been consolidated in these consolidated condensed interim financial statements for reporting purposes, after eliminating intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 18 to these consolidated condensed interim 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 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. Wherever 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.
- 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** During the period, following new / revised standards, amendments and interpretations to accounting standards became effective
- IAS 1 – Presentation of Financial Statements (Revised)
 - IAS 23 – Borrowing Costs (Revised)
 - IAS 32 - Financial Instruments: Presentation - Amendments regarding Puttable Financial Instruments
 - IFRS 2 – Share-Based Payment – Vesting Conditions and Cancellations
 - IFRS 4 – Insurance Contracts
 - IFRS 8 – Operating Segments
 - IFRIC 13 – Customer Loyalty Programs
 - IFRIC 15 – Agreements for the Construction of Real Estate

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

3. STATEMENT OF COMPLIANCE (continued)

3.4 Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank as disclosed in the annual financial statement for the year ended December 31, 2008. However, the revised IAS 1 was issued in September 2007 with subsequent amendments in November 2008 and was effective for financial years beginning on or after January 1, 2009. Since the bank is required to follow the format of financial statements as prescribed by the SBP through the BSD Circular Letter No. 2 of 2004, therefore the newly introduced statements of comprehensive income presenting all items recognized in income and expense introduced through IAS 1 (revised) have not been taken into consideration in the preparation of these financial statements.

4. ESTIMATES

4.1 The preparation of interim financial statements requires management to make judgment, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

4.2 The significant judgments made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to financial statements for the year ended December 31, 2008.

5. 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 Bank for the year ended December 31, 2008.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the Bank for the year ended December 31, 2008.

7. INVESTMENTS

7.1	Note	September 30, 2009			December 31, 2008		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000-----							
Held-for-trading securities	7.2.1	3,534,641	4,524,979	8,059,620	4,648,253	-	4,648,253
Available-for-sale securities	7.2.2	62,794,879	15,951,878	78,746,757	81,835,468	14,269,456	96,104,924
Held-to-maturity securities	7.2.3	44,837,050	-	44,837,050	23,379,195	-	23,379,195
Investments in Associates	7.2.4	5,983,194	-	5,983,194	2,905,831	-	2,905,831
		<u>117,149,764</u>	<u>20,476,857</u>	<u>137,626,621</u>	<u>112,768,747</u>	<u>14,269,456</u>	<u>127,038,203</u>
Provision for diminution in value of investments		(1,942,563)	-	(1,942,563)	(2,188,792)	-	(2,188,792)
Investments (net of provisions)		<u>115,207,201</u>	<u>20,476,857</u>	<u>135,684,058</u>	<u>110,579,955</u>	<u>14,269,456</u>	<u>124,849,411</u>
Surplus / (deficit) on revaluation of available for sale investments		(3,004,553)	25,668	(2,978,885)	(9,671,911)	(109,728)	(9,781,639)
Surplus / (deficit) on revaluation of held for trading investments		(7,633)	(11,139)	(18,772)	(10,682)	-	(10,682)
Total investments		<u><u>112,195,015</u></u>	<u><u>20,491,386</u></u>	<u><u>132,686,401</u></u>	<u><u>100,897,362</u></u>	<u><u>14,159,728</u></u>	<u><u>115,057,090</u></u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

7 INVESTMENTS (continued)

7.2 Investments by types	Note	Sep 30, 2009			Dec 31, 2008		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
------(Rupees in '000)-----							
7.2.1 Held-for-trading securities							
Market treasury bills		2,414,093	4,524,979	6,939,072	4,202,368	-	4,202,368
Ordinary shares of listed companies		-	-	-	348,506	-	348,506
Sukuk bonds		-	-	-	81,450	-	81,450
Pakistan Investment Bonds		1,120,548	-	1,120,548	15,929	-	15,929
		3,534,641	4,524,979	8,059,620	4,648,253	-	4,648,253
7.2.2 Available for sale securities							
Market treasury bills		19,122,945	15,951,878	35,074,823	33,775,219	13,841,226	47,616,445
Ordinary shares of listed companies		3,218,950	-	3,218,950	5,886,059	-	5,886,059
Sukuk bonds		-	-	-	455,276	-	455,276
Pakistan Investment Bonds		16,134,683	-	16,134,683	16,777,690	428,230	17,205,920
Government of Pakistan Islamic Bonds		4,875,780	-	4,875,780	2,493,607	-	2,493,607
Term Finance Certificates		1,993,160	-	1,993,160	2,172,450	-	2,172,450
Foreign currency bonds		14,388,729	-	14,388,729	15,272,429	-	15,272,429
Euro Bonds		2,427,781	-	2,427,781	4,341,320	-	4,341,320
Ordinary shares of unlisted companies		441,552	-	441,552	441,715	-	441,715
Units of mutual funds		191,299	-	191,299	211,583	-	211,583
Cumulative preference shares		-	-	-	8,120	-	8,120
		62,794,879	15,951,878	78,746,757	81,835,468	14,269,456	96,104,924
7.2.3 Held to maturity securities							
Market treasury bills		9,478,880	-	9,478,880	1,263,178	-	1,263,178
Sukuk bonds		1,702,121	-	1,702,121	1,094,372	-	1,094,372
Pakistan Investment Bonds		2,506,471	-	2,506,471	4,339,104	-	4,339,104
Government of Pakistan - Guaranteed bonds		1,928,077	-	1,928,077	1,485,444	-	1,485,444
Term finance certificates		25,307,015	-	25,307,015	4,915,803	-	4,915,803
Foreign currency bonds		471,978	-	471,978	1,138,686	-	1,138,686
Foreign securities		2,008,545	-	2,008,545	2,105,582	-	2,105,582
Certificate of deposits		-	-	-	4,091,750	-	4,091,750
CIRC bonds		1,400,000	-	1,400,000	2,900,000	-	2,900,000
Participation Term Certificates		27,295	-	27,295	38,205	-	38,205
Debentures		6,252	-	6,252	6,676	-	6,676
CDC SAARC Fund		416	-	416	395	-	395
		44,837,050	-	44,837,050	23,379,195	-	23,379,195
7.2.4 Investments in Associates							
United Growth and Income Fund	7.2.4.1	3,982,377	-	3,982,377	1,777,493	-	1,777,493
United Composite Islamic Fund		632,031	-	632,031	338,024	-	338,024
United Liquidity Preference Fund		103,297	-	103,297	-	-	-
United Islamic Income Fund		295,690	-	295,690	308,700	-	308,700
United Stock Advantage Fund		512,790	-	512,790	142,766	-	142,766
UBL Participation Protected Plan		227,752	-	227,752	75,500	-	75,500
UBL Insurers Limited		118,516	-	118,516	138,887	-	138,887
United Capital Protected Fund - 1		86,774	-	86,774	52,154	-	52,154
Oman United Exchange Company, Muscat		23,967	-	23,967	72,307	-	72,307
		5,983,194	-	5,983,194	2,905,831	-	2,905,831
Provision for diminution in value of investments		117,149,764	20,476,857	137,626,621	112,768,747	14,269,456	127,038,203
		(1,942,563)	-	(1,942,563)	(2,188,792)	-	(2,188,792)
		115,207,201	20,476,857	135,684,058	110,579,955	14,269,456	124,849,411
Surplus / (deficit) on revaluation of available for sale investments		(3,004,553)	25,668	(2,978,885)	(9,671,911)	(109,728)	(9,781,639)
Surplus / (deficit) on revaluation of held for trading investments		(7,633)	(11,139)	(18,772)	(10,682)	-	(10,682)
Investments (net of provisions)		112,195,015	20,491,386	132,686,401	100,897,362	14,159,728	115,057,090

7.2.4.1 United Money Market Fund merged with United Growth and Income Fund during the period. The comparatives have been adjusted accordingly.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

8. ADVANCES	Note	Sep 30, 2009	Dec 31, 2008
		----- (Rupees in '000) -----	
Loans, cash credits, running finances, etc.			
In Pakistan		272,876,165	278,513,709
Outside Pakistan		96,785,280	101,625,637
		<u>369,661,445</u>	<u>380,139,346</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		13,293,330	12,401,963
Payable outside Pakistan		6,505,116	5,221,564
		<u>19,798,446</u>	<u>17,623,527</u>
Finance in respect of continuous funding system (CFS)		389,459,891	397,762,873
		-	322,180
		<u>389,459,891</u>	<u>398,085,053</u>
Provision for non-performing advances			
- Specific	8.1	(26,032,526)	(18,567,383)
- General	8.2	(1,247,790)	(1,223,697)
		<u>362,179,575</u>	<u>378,293,973</u>

8.1 Advances include Rs 39,037 million (December 31, 2008: Rs 28,901 million) which have been placed under non-performing status as detailed below:-

Category of classification	September 30, 2009				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- Rupees in '000 -----				
Other Assets Especially Mentioned	752,977	-	752,977	-	-
Substandard	5,736,615	510,673	6,247,288	1,491,029	1,491,029
Doubtful	5,660,898	2,062,633	7,723,531	2,963,845	2,963,845
Loss	21,853,802	2,460,187	24,313,989	21,577,652	21,577,652
	<u>34,004,292</u>	<u>5,033,493</u>	<u>39,037,785</u>	<u>26,032,526</u>	<u>26,032,526</u>

Category of classification	December 31, 2008				
	Domestic	Overseas	Total	Provision Required	Provision Held
	----- Rupees in '000 -----				
Other Assets Especially Mentioned	562,548	348,605	911,153	-	-
Substandard	4,857,390	616,407	5,473,797	926,042	926,042
Doubtful	6,308,575	308,796	6,617,371	2,369,509	2,369,509
Loss	13,557,179	2,341,829	15,899,008	15,271,832	15,271,832
	<u>25,285,692</u>	<u>3,615,637</u>	<u>28,901,329</u>	<u>18,567,383</u>	<u>18,567,383</u>

8.2 General provision represents provision amounting to Rs 765.537 million (December 31, 2008: Rs 1,082.499 million) against consumer financing portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs 482.253 million (December 31, 2008: Rs 141.207 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulating authorities of the respective country in which the overseas branches operate.

9. BORROWINGS FROM FINANCIAL INSTITUTIONS	Sep 30, 2009	Dec 31, 2008
	----- (Rupees in '000) -----	
Secured		
Borrowings from financial institutions	-	-
Borrowings from State Bank of Pakistan		
- Under export refinance scheme	12,949,548	12,804,867
- Long term fixed finance	834,119	459,946
- Long term finance under export oriented projects	3,762,251	3,820,223
- Locally manufactured machinery	-	544
	<u>17,545,918</u>	<u>17,085,580</u>
Repurchase agreement borrowings	20,459,539	14,284,138
Unsecured		
Call borrowings	16,056,984	10,200,693
Overdrawn nostro accounts	132,743	2,116,282
Trading account liability	-	1,062,997
	<u>16,189,727</u>	<u>13,379,972</u>
	<u>54,195,184</u>	<u>44,749,690</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

	Sep 30, 2009	Dec 31, 2008
	----- (Rupees in '000) -----	
10. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	153,165,063	190,496,105
Savings deposits	159,026,145	157,389,124
Sundry deposits	5,311,109	4,957,358
Margin deposits	3,520,792	3,993,023
Current accounts: Remunerative	2,002,030	2,185,756
Current accounts: Non-remunerative	140,205,565	132,111,190
	<u>463,230,704</u>	<u>491,132,556</u>
Financial Institutions		
Remunerative deposits	454,828	903,419
Non-remunerative deposits	202,890	231,923
	<u>657,718</u>	<u>1,135,342</u>
	<u>463,888,422</u>	<u>492,267,898</u>
11. CONTINGENCIES AND COMMITMENTS		
11.1 Direct credit substitutes		
Contingent liability in respect of guarantees given favouring:		
Government	12,496,066	12,738,399
Banking companies and other financial institutions	4,094,947	4,951,481
Others	7,580,957	8,642,081
	<u>24,171,970</u>	<u>26,331,961</u>
11.2 Transaction-related contingent liabilities		
Contingent liability in respect of performance bonds, bid bonds, warranties, etc.		
Government	71,490,927	60,706,466
Banking companies and other financial institutions	3,239,490	4,115,594
Others	19,686,414	17,061,793
	<u>94,416,831</u>	<u>81,883,853</u>
11.3 Trade-related contingent liabilities		
Contingent liability in respect of letters of credit favouring:		
Government	64,351,114	68,756,444
Banking companies and other financial institutions	675,031	32,013
Others	74,426,491	73,606,990
	<u>139,452,636</u>	<u>142,395,447</u>
11.4 Other contingencies		
Claims against the Bank not acknowledged as debts	<u>19,879,096</u>	<u>17,230,872</u>
11.5 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.		
11.6 Other commitments		
Forward purchase contract of government securities	-	10,065,070
Forward sale contracts of government securities	-	8,611,020
Interest rate swaps	11,055,882	20,758,372
Equity options	-	355,943
Cross currency swaps	36,852,361	15,948,869
Forward rate agreements	-	850,000
FX options	-	25,460,283
Commodity options	-	39,545
Swaption	2,494,446	-
Commitments in respect of capital expenditure	<u>324,483</u>	<u>1,206,025</u>

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

	Sep 30, 2009	Dec 31, 2008
	----- (Rupees in '000) -----	
11. CONTINGENCIES AND COMMITMENTS (continued)		
11.7 Commitments in respect of forward exchange contracts		
Sale	70,907,037	55,616,766
Purchase	74,181,904	79,929,121
	Jan - Sep 2009	Jan - Sep 2008
	----- (Rupees in '000) -----	
12. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances		
- Customers	34,947,365	28,490,125
- Financial institutions	482,969	682,890
	35,430,334	29,173,015
On investments in		
- Securities	10,328,665	7,009,829
- Associates	94,442	-
	10,423,107	7,009,829
On deposits with financial institutions	171,455	363,006
On securities purchased under resale agreements	888,752	1,010,828
Discount income	115,029	84,382
	47,028,677	37,641,060
13. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	17,804,407	12,166,717
On securities sold under repurchase agreements	1,402,449	1,840,163
On other short - term borrowings	1,971,492	1,186,080
On other long - term borrowings	1,003,406	962,700
Discount expense	274,721	156,546
	22,456,475	16,312,206
14. ADMINISTRATIVE EXPENSES		
Salaries, allowances etc.	6,121,406	5,723,082
Outsourced service charges including sales commission	1,008,128	1,372,642
Contribution to retirement plan	14.1 122,305	(148,338)
Charge for compensated absences	105,693	94,251
Rent, taxes, insurance, electricity etc.	1,548,691	1,221,490
Communications	562,773	505,060
Advertisement and publicity	135,148	236,757
Depreciation	1,258,187	1,157,771
Stationery and printing	244,854	203,714
Banking service charges	388,296	325,193
Legal and professional charges	171,806	243,980
Cash transportation charges	265,760	157,128
Traveling	125,644	147,226
Repairs and maintenance	279,509	234,931
Donations	54,117	7,051
Insurance expenses	125,743	66,903
Vehicle expenses	74,396	80,494
Office running expenses	112,388	82,023
Entertainment	66,967	63,171
Cartage, freight and conveyance	51,898	49,864
Training and seminar	34,487	48,858
Auditors' remuneration	48,858	37,441
Subscriptions	29,581	27,096
Brokerage expenses	14,867	18,219
Finance charges on lease	-	235
Miscellaneous expenses	239,844	291,976
	13,191,346	12,248,218

14.1 This includes ex gratia amount of Rs.148 million given to Employee Provident Fund in 2009 (2008 : nil).

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**
15. TAXATION

- 15.1 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.
- 15.2 For tax year 2008 (financial year ended December 31, 2007) the taxation authorities have issued an amended assessment order under section 122(5A) of the Ordinance determining additional tax liability of Rs. 1,609 million. The Bank has filed an appeal before the Commissioner of Income Tax (Appeals) [CIT (A)] against the said additional liability, for which hearing is still pending. The management is confident that the appeals will be decided in the favour of the Bank.
- 15.3 For tax years 2004 to 2007 (financial year ended December 31, 2003 to 2006) the taxation authorities have issued amended assessment orders under section 122(5A) of the Ordinance, which were further rectified under section 221 of the Ordinance determining additional tax liability of Rs.3,564 million. Appeals filed by the Bank before the CIT (A) against these amended assessments have been decided, by allowing relief on certain issues. However, for remaining issues appeals have been filed before the Income Tax Appellate Tribunal (ITAT). The return for the tax year 2003 was selected for audit under section 177 of the Ordinance and the amended assessment order was passed, which has been contested before the CIT(A). The management is confident that the appeals will be decided in the favour of the Bank.
- 15.4 Tax liabilities for tax years 2004 to 2008 have been paid except to the extent of relief allowed by the CIT(A) for tax years 2004 to 2007.
- 15.5 In respect of Azad Kashmir Branches for the tax years 2005 to 2009 (financial years ended December 31, 2004 to 2008) 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.
- 15.6 During the period, amendments were brought in through Finance Act 2009 regarding allowance of provision against non performing loans and off balance sheet exposures applicable from tax year 2010 (financial year ended December 31, 2009) and onwards. The Bank has accounted for these in the tax computation for the period, and in accordance with the law, provision under the category of doubtful and loss category has been treated as allowed subject to a maximum limit of 1% of advances. Consequently a deferred tax asset of Rs. 1,349 million is recognized relating to amounts allowed to be carried forward to future years. Based upon the legal opinion of the tax advisor, the Bank is confident that these disallowances and any relating to prior periods, which approximates to Rs.4,745 million, would be allowed to the bank in future periods against available profits and hence, the same has been carried forward as an tax asset in these interim condensed financial statements.

16. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES
For the period ended September 30, 2009

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
	(Rupees in '000)					
Total income	437,697	12,298,298	18,425,092	23,332,698	366,025	883,411
Total expenses	(486,029)	(9,762,257)	(13,156,797)	(21,137,103)	(226,504)	(790,832)
Net income / (loss)	(48,332)	2,536,041	5,268,295	2,195,595	139,521	92,579
Segment return on assets (ROA) (%)	6.82%	10.70%	13.95%	14.75%	29.99%	1.67%
Segment cost of funds (%)	12.56%	10.60%	10.23%	10.55%	10.90%	10.30%

For the period ended September 30, 2008

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
	(Rupees in '000)					
Total income	905,042	10,593,146	16,989,266	18,165,022	413,028	152,127
Total expenses	(145,101)	(8,593,994)	(13,015,094)	(11,084,651)	(263,560)	(96,088)
Net income / (loss)	759,941	1,999,152	3,974,172	7,080,371	149,468	56,039
Segment return on assets (ROA) (%)	11.80%	7.60%	11.00%	12.00%	32.81%	4.50%
Segment cost of funds (%)	10.30%	7.50%	8.60%	8.80%	8.70%	8.20%

As at September 30, 2009

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset Management	Others
	(Rupees in '000)					
Segment assets (gross of NPL provisions)	6,419,168	170,429,288	210,742,300	246,036,381	465,242	5,536,988
Segment non performing loans (NPL)	-	-	20,453,571	18,584,214	-	-
Segment provision required against NPL	-	-	14,523,947	11,508,579	-	-
Segment liabilities	5,634,581	148,784,066	195,117,982	198,559,006	43,724	3,450,321

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

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**
17. RELATED PARTY TRANSACTIONS

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

17.2 The Bank enters into transactions with the related parties in the normal course of business. 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 employment.

17.3

	For the period ended September 30, 2009			For the year ended December 31, 2008		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	----- (Rupees in '000) -----					
Advances						
At January 01	148,875	-	-	80,592	-	-
Given during the period	26,766	-	-	135,743	-	-
Repaid during the period	(59,126)	-	-	(67,460)	-	-
At September 30, 2009	<u>116,515</u>	<u>-</u>	<u>-</u>	<u>148,875</u>	<u>-</u>	<u>-</u>
Deposits						
At January 01	20,149	147,701	308,347	14,252	231,886	5,865,116
Received during the period	233,348	12,266,120	855,613	543,947	44,273,279	2,034,774
Withdrawn during the period	(228,298)	(12,259,933)	(853,434)	(538,050)	(44,357,464)	(7,591,543)
At September 30, 2009	<u>25,199</u>	<u>153,888</u>	<u>310,526</u>	<u>20,149</u>	<u>147,701</u>	<u>308,347</u>

Outstanding borrowing at the end of end of the period / year	-	300,000	-	-	850,000	-
Distribution commission receivable	-	-	-	-	-	-
Other receivables	-	117,128	-	-	37,954	4,458
Other payables	-	1,079	-	-	164,932	-
Employee Motivation anc Retention Scheme	-	-	355,213	-	-	338,552
Term Finance Certificate (sale) / purchased	-	-	-	-	1,898,783	-

	For the period ended September 30, 2009			For the period ended September 30, 2008		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	----- (Rupees in '000) -----					
Mark-up / return / interest earned	5,674	-	-	3,826	-	-
Mark-up / return / interest expensed	381	56,724	816	95	48,578	378
Dividend income received	-	76,155	-	-	49,578	-
Other expenses paid	-	-	-	-	137,971	-
Other income	-	558	-	-	37,299	-
Insurance premium paid	-	199,479	-	-	95,359	-
Remuneration paid	247,187	-	-	229,739	-	-
Post employment benefits	8,311	-	-	8,062	-	-
Contribution to defined contribution plan	-	-	429,743	-	-	186,275
Contribution to defined benefit plan	-	-	248,169	-	-	262,599
Employee Motivation anc Retention Scheme	-	-	150,005	-	-	230,000
Placements made during the period	-	-	-	-	20,000	-
Maximum amount of a placement made during the period	-	-	-	-	-	-
Borrowing made during the period	-	3,829,043	-	-	-	-
Borrowing settled during the period	-	3,529,043	-	-	-	-
Maximum amount of a borrowing made during the period	-	1,279,043	-	-	-	-
Investment made during the period	-	4,437,264	-	-	3,212,687	-
Redemption made during the period	-	70,266	-	-	11,270,195	-
Realised gain on cross currency swaps	-	597,878	-	-	-	-
Unrealised loss on cross currency swaps	-	(216,011)	-	-	-	-
Bonus units received	-	778,925	-	-	49,578	-

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

18. ISLAMIC BANKING BUSINESS

The balance sheet of the bank's Islamic Banking Branches as at September 30, 2009 is as follows:

	Sep 30, 2009	Dec 31, 2008
	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	127,575	259,264
Balances with and due from financial institutions	178,784	421,325
Investments	1,162,560	1,295,236
Financing and receivables		
- Murabaha	152,600	92,060
- Musharaka	222,222	250,000
- Diminishing Musharaka	268,944	127,850
Operating fixed assets including assets given on Ijara	671,168	848,086
Other assets	133,958	148,826
Total Assets	2,917,811	3,442,647
LIABILITIES		
Bills payable	22,558	24,838
Deposits and other accounts		
- Current accounts	437,880	464,204
- Saving accounts	160,087	270,276
- Term deposits	380,417	413,322
- Deposits from financial institutions - remunerative	450,914	844,455
Due to head office	922,407	1,145,380
Other liabilities	59,313	61,192
Total Liabilities	2,433,576	3,223,667
NET ASSETS	484,235	218,980
REPRESENTED BY		
Islamic Banking Func	681,000	470,000
Unremitted deficit	(196,363)	(346,051)
	484,637	123,949
Deficit on revaluation of assets	(402)	(13,448)
	484,235	110,501

The profit and loss account of the bank's Islamic Banking Branches for the nine months ended September 30, 2009 is as follows:

	Jan-Sep 2009	Jan-Sep 2008
	----- (Rupees in '000) -----	
Profit earned	355,472	236,525
Profit paid	79,925	54,308
	275,547	182,217
Reversal for diminution in value of investment	96,132	-
Provision against assets given on Ijara	484	9,532
	96,616	9,532
Net Profit	372,163	172,685
OTHER INCOME		
Fee, commission and brokerage income	2,229	1,201
Dividend income	9,044	20,166
Income from dealing in foreign currencies	560	114
Loss on sale of securities	(11,355)	-
Other income	2,322	6,970
Total other income	2,800	28,451
	374,963	201,136
OTHER EXPENSES		
Administrative expenses	(225,275)	(212,880)
Other charges	-	-
Total other expenses	(225,275)	(212,880)
Net surplus / (deficit)	149,688	(11,744)
Unappropriated deficit brought forward	(346,051)	(156,130)
Unremitted deficit	(196,363)	(167,874)
Remuneration to sharia advisor / board	1,354	2,467

19. DATE OF AUTHORIZATION

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

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