

A. F. FERGUSON & CO.
Chartered Accountants
State Life Building 1-C
I. I. Chundrigar Road
Karachi

KPMG TASEER HADI & CO.
Chartered Accountants
Sheikh Sultan Trust
Building No. 2
Beaumont Road
Karachi

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising Consolidated Balance Sheet of United Bank Limited and its subsidiary companies (the Group) as at December 31, 2007 and the related Consolidated Profit and Loss Account, Consolidated Cash Flow Statement and Consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. These consolidated financial statements include unaudited certified returns from the branches, except for 61 branches, which have been audited by us and 17 branches audited by auditors abroad. We have also expressed separate opinion on the financial statements of United Bank Limited. The financial statements of subsidiary company UBL Fund Managers Limited were audited by A.F. Ferguson & Co., the financial statements of the subsidiary company United Executors and Trustees Company Limited were audited by KPMG Taseer Hadi & Co. while the financial statements of the remaining subsidiary companies were audited by other firms of chartered accountants and our opinion in so far as it relates to the amounts included for such companies, is based solely on the report of such auditors. These consolidated financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements examined by us, based on 61 branches audited by us and the returns referred to above received from the branches which have been found adequate for the purposes of our audit, present fairly the financial position of United Bank Limited and its subsidiary companies as at December 31, 2007 and the results of their operations, their cash flows and changes in equity for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

A. F. FERGUSON & CO.
Chartered Accountants

KPMG TASEER HADI & CO.
Chartered Accountants

Karachi
Dated: 19 FEB 2008


**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31, 2007**

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)
ASSETS			
Cash and balances with treasury banks	6	57,622,360	49,023,540
Balances with other banks	7	10,982,176	19,418,278
Lendings to financial institutions	8	24,781,723	29,572,070
Investments	9	114,026,273	65,735,128
Advances			
Performing	10	301,950,889	250,334,663
Non-performing	10	6,320,401	4,335,829
		308,271,290	254,670,492
Fixed assets	11	19,040,390	6,362,492
Deferred tax asset - net	19	-	907,575
Other assets	12	12,071,659	10,145,788
		546,795,871	435,835,363
LIABILITIES			
Bills payable	14	6,087,266	4,627,769
Borrowings	15	59,491,253	38,625,474
Deposits and other accounts	16	412,138,405	343,804,830
Sub-ordinated loans	17	5,996,696	5,998,344
Liabilities against assets subject to finance lease	18	3,261	6,966
Deferred tax liability- net	19	2,109,989	-
Other liabilities	20	13,078,063	9,594,496
		498,904,933	402,657,879
NET ASSETS			
		47,890,938	33,177,484
REPRESENTED BY:			
Share capital	21	8,093,750	6,475,000
Reserves		11,577,342	9,329,564
Unappropriated profit		16,728,318	12,930,344
		36,399,410	28,734,908
Minority Interest		2,115,645	1,772,168
		38,515,055	30,507,076
Surplus on revaluation of assets - net	22	9,375,883	2,670,408
		47,890,938	33,177,484
CONTINGENCIES AND COMMITMENTS			
	23		

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

Atif R. Bokhari
President and
Chief Executive Officer

Dr. Ashfaq Hasan Khan
Director

Zameer Mohammed Choudrey
Director

Omar Z. Al Askari
Director



UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 (Rupees in '000)	2006
Mark-up / return / interest earned	25	41,962,131	33,627,533
Mark-up / return / interest expensed	26	17,162,817	12,260,240
Net mark-up / interest income		24,799,314	21,367,293
Provision against loans and advances - net (excluding impact on account of change in Prudential Regulations)	10.5	1,690,095	1,895,487
Additional provisioning arising on account of change in Prudential Regulations	10.5	3,803,759	-
Provision against loans and advances - total		5,493,854	1,895,487
Provision / (Reversal) for diminution in value of investments - net	9.3	(6,233)	74,790
Bad debts written off directly	10.7	935,165	269,349
		6,422,786	2,239,626
Net mark-up / return / interest income after provisions		18,376,528	19,127,667
Non Mark-up / Interest Income			
Fee, commission and brokerage income		5,899,632	4,799,461
Dividend income		364,260	693,366
Income from dealing in foreign currencies		893,790	720,337
Gain on sale of securities	27	851,589	282,567
Unrealized loss on revaluation of investments classified as held for trading	9.4	(15,755)	(3,335)
Other income	28	1,614,151	793,345
Total non mark-up / return / interest income		9,607,667	7,285,741
		27,984,195	26,413,408
Non Mark-up / Interest Expenses			
Administrative expenses	29	14,257,211	11,637,865
Other provisions / write offs	30	236,281	226,313
Other charges	31	17,430	25,980
Total non mark-up / interest expenses		14,510,922	11,890,158
Extraordinary items		-	-
Share of income / (loss) of associates		322,996	(23,468)
Profit before taxation		13,796,269	14,499,782
Taxation - Current	32	5,151,242	3,423,276
- Prior year	32	442,667	45,225
- Deferred	32	(1,034,655)	1,364,403
		4,559,254	4,832,904
Profit after taxation		9,237,015	9,666,878
Attributable to:			
Equity shareholders of the Bank		8,975,280	9,529,388
Minority Interest		261,735	137,490
		9,237,015	9,666,878
		(Rupees)	
Basic / diluted earnings per share	33	11.09	11.77

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

Atif R. Bokhari
President and
Chief Executive Officer

Dr. Ashfaq Hasan Khan
Director

Zameer Mohammed Choudrey
Director

Omar Z. Al Askari
Director



UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2007

	Attributable to ordinary shareholders of the Bank							Minority interest	Total
	Share Capital	General reserve	-----Capital reserves-----			Unappropriated Profit	Sub Total		
			Statutory Reserve	Exchange Translation Reserve	Reserve for issue of bonus shares				
(Rupees in '000)									
Balance as at December 31, 2005	5,180,000	3,000	5,142,245	1,674,989	-	7,790,148	19,790,382	1,561,005	21,351,387
Final dividend for year ended December 31, 2004 at Rs. 1.50 per share	-	-	-	-	-	(1,295,000)	(1,295,000)	-	(1,295,000)
Transfer to reserves for issue of bonus shares	-	-	-	-	1,295,000	(1,295,000)	-	-	-
Issue of bonus shares	1,295,000	-	-	-	(1,295,000)	-	-	-	-
Changes in equity for 2006									
Profit after taxation for the year ended December 31, 2006	-	-	-	-	-	9,529,388	9,529,388	137,490	9,666,878
Transfer from surplus on reval. of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	94,454	94,454	-	94,454
Exchange diff. on translation of net investment in foreign branches and subsidiaries	-	-	-	615,684	-	-	615,684	189,657	805,341
Net expense recognised directly in equity	-	-	-	615,684	-	94,454	710,138	189,657	899,795
Total recognised income and expense for the year:	-	-	-	615,684	-	9,623,842	10,239,526	327,147	10,566,673
Preferred dividend realting to minority shareholders									
- Prior year	-	-	-	-	-	-	-	(71,255)	(71,255)
- Current year	-	-	-	-	-	-	-	(44,729)	(44,729)
Transfer to statutory reserve	-	-	1,893,646	-	-	(1,893,646)	-	-	-
Balance as at December 31, 2006	6,475,000	3,000	7,035,891	2,290,673	-	12,930,344	28,734,908	1,772,168	30,507,076
Final dividend for year ended Dec. 31, 2006 at Rs. 2.50 per share	-	-	-	-	-	(1,942,500)	(1,942,500)	-	(1,942,500)
Transfer to reserves for issue of bonus shares	-	-	-	-	1,618,750	(1,618,750)	-	-	-
Issue of bonus shares	1,618,750	-	-	-	(1,618,750)	-	-	-	-
Changes in equity for 2007									
Profit after taxation for the year ended December 31, 2007	-	-	-	-	-	8,975,280	8,975,280	261,735	9,237,015
Transfer from surplus on reval. of fixed assets to unappropriated profit - net of tax	-	-	-	-	-	64,462	64,462	-	64,462
Exchange diff. on translation of net investment in foreign branches and subsidiaries	-	-	-	567,260	-	-	567,260	147,074	714,334
Net income recognised directly in equity	-	-	-	567,260	-	64,462	631,722	147,074	778,796
Total recognised income and expense for the year:	-	-	-	567,260	-	9,039,742	9,607,002	408,809	10,015,811
Preferred dividend realting to minority shareholder	-	-	-	-	-	-	-	(65,332)	(65,332)
Transfer to statutory reserve	-	-	1,680,518	-	-	(1,680,518)	-	-	-
Balance as at December 31, 2007	8,093,750	3,000	8,716,409	2,857,933	-	16,728,318	36,399,410	2,115,645	38,515,055

Appropriations made by the directors subsequent to the year ended December 31, 2007 are disclosed in note 46 of these financial statements.

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

Atif R. Bokhari
President and
Chief Executive Officer

Dr. Ashfaq Hasan Khan
Director

Zameer Mohammed Choudrey
Director

Omar Z. Al Askari
Director



UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007	2006
		Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		13,796,269	14,499,782
Dividend income		(364,260)	(693,366)
Share of loss / (profit) of associates		(322,996)	23,468
		<u>13,109,013</u>	<u>13,829,884</u>
Adjustments:			
Depreciation		712,815	593,274
Amortization		90,376	53,031
Provision for retirement benefits		38,202	578,458
Provision against loans and advances		5,493,854	1,895,487
Provision for diminution in value of investments		(6,233)	74,790
Provision against off- balance sheet items		(38,093)	52,663
(Gain) on sale of fixed assets		(34,207)	(14,391)
Finance charges on leased assets		519	615
Bad debts written-off directly		935,165	269,349
Unrealized loss on revaluation of investments classified as held for trading		15,755	3,335
Provision against other assets		80,707	173,650
Exchange (gain) / loss on cash and cash equivalents		(1,089,407)	36,672
		<u>6,199,453</u>	<u>3,716,933</u>
		19,308,466	17,546,817
(Increase)/ Decrease in operating assets			
Lendings to financial institutions		4,790,347	(11,704,518)
Held-for-trading securities		(135,822)	1,383,828
Advances		(60,029,788)	(46,682,699)
Other assets (excluding advance taxation)		(2,644,428)	(2,001,117)
		<u>(58,019,691)</u>	<u>(59,004,506)</u>
Increase/ (Decrease) in operating liabilities			
Bills payable		1,459,498	446,743
Borrowings		20,865,779	15,928,793
Deposits and other accounts		68,333,575	47,305,717
Other liabilities (excluding current taxation)		7,143,647	2,209,482
		<u>97,802,499</u>	<u>65,890,735</u>
		59,091,274	24,433,046
Staff retirement benefits paid		(3,352,930)	(860,116)
Income taxes paid		(5,256,306)	(2,644,861)
Net cash flow from operating activities		<u>50,482,038</u>	<u>20,928,069</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(48,364,133)	(5,818,243)
Dividend income received		357,246	695,924
Investments in operating fixed assets		(2,252,704)	(1,573,520)
Sale proceeds from disposal of property and equipment		150,234	22,725
Net cash flow on investing activities		<u>(50,109,357)</u>	<u>(6,673,114)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of sub-ordinated loan		-	2,000,000
Repayments of principal of sub-ordinated loans		(1,648)	(848)
Payments in respect of lease obligations		(4,224)	(1,785)
Dividends paid		(1,942,500)	(1,295,000)
Net cash flow from / (used in) financing activities		<u>(1,948,372)</u>	<u>702,367</u>
Exchange adjustment on translation of net assets attributable to minority shareholders		81,742	73,673
Exchange differences on translation of net investment on foreign branches and subsidiaries		<u>567,260</u>	<u>615,684</u>
Increase in cash and cash equivalents		<u>(926,689)</u>	<u>15,646,679</u>
Cash and cash equivalents at beginning of the year as previously reported		68,441,818	52,831,811
Effects of exchange rate changes on cash and cash equivalents		1,089,407	(36,672)
Cash and cash equivalents at beginning of the year as restated		<u>69,531,225</u>	<u>52,795,139</u>
Cash and cash equivalents at end of the year	34	<u>68,604,536</u>	<u>68,441,818</u>

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

Atif R. Bokhari
President and
Chief Executive Officer

Dr. Ashfaq Hasan Khan
Director

Zameer Mohammed Choudrey
Director

Omar Z. Al Askari
Director

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

1. STATUS AND NATURE OF BUSINESS

1.1 The "Group" consists of:

Holding Company

- United Bank Limited, Pakistan (the Bank)

United Bank Limited is a banking company incorporated in Pakistan and is engaged in commercial banking and related services. The bank is listed on all three Stock Exchanges in Pakistan. The Bank's registered office and principal office is situated at State Life Building No. 1, I. I. Chundrigar Road, Karachi. The bank operates 1,078 (2006: 1,044) branches inside Pakistan including the Karachi Export Processing Zone Branch (KEPZ) and 17 (2006: 15) branches outside Pakistan. The domestic branch network currently includes 5 (2006: 1) Islamic Banking Branches.

Subsidiary Companies

The Group is engaged in carrying out the following business activities:

- United National Bank Limited (UNBL), United Kingdom - 55 percent holding

UNBL is an authorised banking institution incorporated in the United Kingdom (UK) and regulated by the Financial Services Authority (FSA). The Company was formed in 2001 from the merger of the UK branches of United Bank Limited and National Bank Limited. The principal activities of the Company are to provide retail banking products through its branch network in major cities of UK, whole sale banking and treasury services to financial institutions and trade finance facilities to businesses of all sizes.

- United Bank AG Zurich, Switzerland - 100 percent holding

The United Bank AG (Zurich) is a commercial bank belonging to United Bank Limited, Karachi. Founded in 1967, its main activities are in credit operations and the related trade financing. In doing so, it supports its international clientele in their import and export business with Pakistan, the rest of the sub-continent and the Gulf States.

- United Executors and Trustees Company Limited, Pakistan - 100 percent holding

United Executors and Trustees Company Limited ("the Company") was incorporated in Pakistan in 1965 as an unlisted public limited Company. The Company is engaged in the business of trusteeship. The registered office of the Company is situated at State Life Insurance Building No. 1, I.I. Chundrigar Road, Karachi. The Company is a wholly owned subsidiary of United Bank Limited. Currently, the Company is engaged in the business of investments in listed securities.

- UBL Fund Managers Limited, Pakistan - 100 percent holding

UBL Fund Managers Limited was incorporated as a public limited company in Pakistan under the Companies Ordinance, 1984 on April 03, 2001. The Company is licensed to carry out Asset Management and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations). The principal activities of the Company are floating and managing mutual funds and to provide investment advisory services. The registered office of the Company is situated at 8th Floor, State Life Building No. 1, I. I. Chundrigar Road, Karachi.

During the year, the Government of Pakistan (GoP) which was holding 44.46% shares of the Bank through the State Bank of Pakistan (SBP) disinvested 25% of total shareholding of the Bank in the form of Global Depositary Receipts (GDRs). As a pre-requisite to such offering by the GoP, the Bank was admitted to the official list of the UK Listing Authority and London Stock Exchange Professional Securities Market for trading of GDRs issued by the bank. These GDRs are also eligible for trading on the International Order Book System of the London Stock Exchange. Further, the GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the US Securities Act of 1933 and an offering outside the United States in reliance on Regulation S. Trading in the GDRs on the London Stock Exchange commenced on June 29, 2007.

- 1.2** United Bank Financial Services (Private) Limited (UBFSL), one of the subsidiary company of the Group, was registered as a Modaraba Company under the Modaraba Companies and Modaraba (Floatation and Control)

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

UBFLs license to act as Modaraba Management Company. As a result the Registrar of Modaraba Companies and Modarabas cancelled the registration of UBFSL as a Modaraba Management Company. Pursuant to the cancellation of this registration UBFSL has decided to wind up its dormant operations under the Companies Easy Exit Scheme 2007 issued by the Securities and Exchange Commission of Pakistan.

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 consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. However, the Islamic Banking branches of the Group have complied with the requirements set out under the Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan and notified under the provisions of the Companies Ordinance, 1984.

The financial results of the Islamic banking branches of the Bank have been consolidated in these financial statements for reporting purposes, after eliminating intra branch transactions / balances. Key financial figures of the Islamic banking branches are disclosed in note 45 to these consolidated financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. 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 IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.
- 3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for Banking Companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

4. BASIS OF MEASUREMENT

4.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except that certain assets have been stated at revalued amounts, certain investments have been stated at fair value and derivative financial instruments are measured at fair value.

4.2 Critical accounting estimates and judgements

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that effect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise judgement in application of its accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

Significant accounting estimates and areas where judgements were made by the management in the application of accounting policies are as follows:

- i) classification of investments (notes 5.4 and 9)
- ii) provision against investments (notes 5.4 and 9) and advances (notes 5.5, 10.5 and 10.6)
- iii) income taxes (notes 5.8, 19, 20.2 and 32)
- iv) staff retirement benefits (note 36)
- v) fair value of derivatives (note 20.4)

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of consolidation

- The consolidated financial statements include the financial statements of UBL - Holding Company and its subsidiary companies - "the Group".
- Subsidiary companies are consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and are excluded from consolidation from the date of disposal.
- The assets and liabilities of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the Bank is eliminated against the subsidiaries' share capital and pre acquisition reserves in the consolidated financial statements.
- Minority interest are that part of the net results of operations and of net assets of subsidiary companies attributable to interests which are not owned by the Bank.
- Material intra-group balances and transactions have been eliminated.

5.2 Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement represent cash and balances with treasury banks and balances with other banks in current and deposit accounts.

5.3 Lendings to / borrowings from financial institutions

The Group enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

(a) Sale under repurchase agreements

Securities sold subject to a re-purchase agreement (repo) are retained in these consolidated financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re-purchase value is accrued over the period of the agreement and recorded as an expense.

(b) Purchase under resale agreements

Securities purchased under agreement to resell (reverse repo) are included in lendings to financial institutions. The differential between the contracted price and resale price is amortized over the period of the agreement and recorded as income.

Securities borrowed are not recognized in these consolidated financial statements, unless these are sold to third parties, in which case the obligation to return them is recorded at fair value as a trading liability under borrowings from financial institutions.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

5.4 Investments

The Group classifies its investments as follows:

(a) Held for trading

These are securities, which are either acquired for generating profit from short-term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

(b) Held to maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Group has the positive intent and ability to hold to maturity.

(c) Available for sale

These are investments, other than those in subsidiaries and associates, that do not fall under the held for trading or held to maturity categories.

(d) Associates

Associates are all entities over which the Group has a significant influence but not control.

Investments in associates where the Group has significant influence are accounted for using the equity method of accounting. Under the equity method, the investment in associate is initially recognised at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Increase / decrease in share of profit and loss of associates is accounted for in the consolidated profit and loss account. The Group applies equity accounting method for its investment in the mutual funds managed by UBL Fund Managers.

Investments other than those categorised as held for trading are initially recognised at fair value which includes transaction costs associated with the investment. Investments classified as held for trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All purchases and sales of investments that require delivery within the time frame established by regulations or market convention are recognised at the trade date. Trade date is the date on which the Group commits to purchase or sell the investment.

In accordance with the requirements of State Bank of Pakistan, quoted securities other than those classified as 'held to maturity' are subsequently re-measured to market value. Surplus / (deficit) arising on revaluation of quoted securities classified as 'available for sale', is taken to a separate account shown in the balance sheet below equity. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'held for trading', is taken to the profit and loss account.

Unquoted equity securities are valued at the lower of cost and break-up value. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments classified as 'held to maturity' are carried at amortized cost.

Provision for diminution in the values of securities (except debentures, participation term certificates and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates and term finance certificates is made as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

Profit and loss on sale of investments is included in income currently.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

5.5 Advances

Advances are stated net of specific and general provisions. Specific provision against domestic advances is determined on the basis of Prudential Regulations and other directives issued by the State Bank of Pakistan and charged to the profit and loss account. General provision against consumer loans is made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. General and specific provisions pertaining to overseas advances are made in accordance with the requirements of monetary agencies and regulatory authorities of the respective countries. Advances are written off when there is no realistic prospect of recovery.

5.6 Fixed assets and depreciation

Owned

Property and equipment, other than freehold land which is not depreciated and capital work-in-progress, are stated at cost or revalued amount less accumulated depreciation and accumulated impairment losses (if any). Freehold land is carried at revalued amount less impairment losses while capital work-in-progress is stated at cost less impairment losses. Cost of property and equipment of foreign branches and subsidiaries includes exchange difference arising on currency translation at the year-end rates of exchange.

Depreciation is calculated so as to write off the depreciable amount of the assets over their expected economic lives at the rates specified in note 11.2 to these financial statements. The depreciation charge for the year is calculated after taking into account residual value, if any, and using methods depending on the nature of the asset and the country of its location. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each balance sheet date.

Depreciation on additions is charged from the month the asset is available for use and on disposals upto the month of disposal.

Land and buildings are revalued by professionally qualified valuers with sufficient regularity to ensure that the net carrying amount does not differ materially from their fair value.

Surplus arising on revaluation is credited to the surplus on revaluation of fixed assets account. Deficit arising on subsequent revaluation of fixed assets is adjusted against the balance in the above-mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984. The surplus on revaluation of fixed assets to the extent of incremental depreciation charged on the related assets is transferred to unappropriated profit.

Gains and losses on sale of fixed assets are included in income currently, except that the related surplus on revaluation of fixed assets (net of deferred taxation) is transferred directly to unappropriated profit.

Major renewals and improvements are capitalized and the assets so replaced, if any, are retired. Normal repairs and maintenance are charged to the profit and loss account as and when incurred.

Leased (Ijarah)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-ijarah depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised in income on accrual basis as and when the rental becomes due.

Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized from the month, when these assets are available for use, using the straight line method, whereby the cost of the intangible asset is amortized on the basis of the estimated useful life over which economic benefits are expected to flow to the Group. The residual value, useful life and amortization method is reviewed and adjusted, if appropriate, at each balance sheet date.

Intangible assets having an indefinite useful life are stated at acquisition cost. Provisions are made for permanent diminution in the value of assets, if any. Gains and losses on disposals, if any, are taken to the profit and loss account.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

5.7 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account except for impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

5.8 Taxation

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws for taxation on income earned from local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax is calculated using prevailing tax rates or tax rates expected to apply to the profits for the year at enacted rates. The charge for the current tax also includes adjustments, where considered necessary relating to prior years, arising from assessments made during the year.

Deferred

Deferred tax is recognized using the balance sheet liability method on all major temporary differences between the amounts attributed to assets and liabilities for financial reporting purposes and amounts used for taxation purposes. In addition, the Group also records deferred tax asset on available tax losses. Deferred tax is calculated at the rates that are expected to apply to the period when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

The Group also recognizes deferred tax asset / liability on deficit / surplus on revaluation of fixed assets and securities which is adjusted against the related deficit / surplus in accordance with the requirements of the revised International Accounting Standard (IAS) 12 dealing with Income Taxes.

5.9 Provisions

Provisions are recognized when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

5.10 Staff retirement and other benefits

5.10.1 United Bank Limited (UBL)

Staff retirement benefit schemes

The Bank operates the following staff retirement schemes for its employees

- a) For employees who have not opted for the new share scheme introduced in 1991
 - approved funded pension scheme, introduced in 1986 (defined benefit scheme); and
 - approved non-contributory provident fund in lieu of the contributory provident fund.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

- b) For new employees and for those who opted for the new scheme introduced in 1991, the Bank operates
- approved contributory provident fund (defined contribution scheme); and
 - approved gratuity scheme (defined benefit scheme).

In the year 2001, the Bank modified the pension scheme and introduced a conversion option for employees covered under option (a) above to option (b). This conversion option ceased on December 31, 2003.

The Bank also operates a contributory benevolent fund for all its employees (defined benefit scheme).

Annual contributions towards the defined benefit schemes are made on the basis of actuarial advice using the Projected Unit Credit Method.

For defined contribution plans, the bank pays contributions to the Fund on a periodic basis. The bank has no further payment obligation once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction on the future payments is available.

Other benefits

a) Employees' compensated absences

The Bank makes provisions for compensated vested and non-vested absences accumulated by its employees on the basis of actuarial advice under the Projected Unit Credit Method.

b) Post retirement medical benefits (defined benefit scheme)

The bank provides post retirement medical benefits to eligible retired employees. Provision is made annually to meet the cost of such medical benefit on the basis of actuarial advice under the Projected Unit Credit Method.

c) Employee motivation and retention scheme

The Bank operates a long term motivation and retention scheme for its employees with the objective to reward, motivate and retain its high performing executives and officers. The liability of the bank is fixed and determined each year based on the performance of the bank.

Actuarial gains and losses

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of the plan assets or 10% of the defined benefit obligation at the end of the last reporting year are charged or credited to income over the employees' expected average remaining working lives. These limits are calculated and applied separately for each defined benefit plan.

Actuarial gains and losses pertaining to long term compensated absences are recognised immediately.

5.10.2 United National Bank Limited (UNBL)

UNBL operates a pension scheme (defined benefit scheme) for certain staff. This scheme is closed for new members. The assets of the scheme are held separately from those of UNBL in independently administered funds. Pension costs are assessed in accordance with the advice of the independent qualified actuary to recognize the cost of pensions on a systematic basis over employees' service lives.

For defined contribution schemes, the amount charged to the profit and loss account is the contribution payable in the year. Difference between the contribution payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet. The asset is recognised only if it is probable that economic benefits will be realised in future.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

5.10.3 UBL Fund Managers Limited (UFML)

Defined benefit plan

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

Defined contribution plan

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

5.11 Borrowings / deposits and their cost

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

5.12 Revenue Recognition

Mark-up / return on performing advances and investments is recognized on a time proportion basis over the term of loans and advances. Where debt securities are purchased at premium or discount, those premiums / discounts are amortized through the profit and loss account over the remaining period of maturity.

Interest or mark-up recoverable on non-performing advances and classified investments is recognized on receipt basis. Interest / return / mark-up on rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the State Bank of Pakistan or overseas regulatory authorities of countries where the branches and subsidiaries operate, except where in the opinion of the management, it would not be prudent to do so.

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

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

5.13 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the consolidated profit and loss account.

5.14 Foreign Currencies

a) Functional and presentation currency

Items included in these consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. These consolidated financial statements are presented in Pakistani Rupees, which is the Group's functional and presentation currency.

b) Foreign currency transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date except that certain deposits, which are covered by forward foreign exchange contracts, are translated at contracted rates. Forward foreign exchange contracts and foreign bills purchased are valued at forward rates applicable to their respective maturities.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

c) Foreign operations

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

d) Translation gains and losses

Translation gains and losses are included in the profit and loss account, except those arising on the translation of net investment in foreign branches and subsidiaries which are taken to capital reserve (Exchange Translation Reserve).

e) Commitments

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the date of transaction.

5.15 Segment Reporting

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

Business segments

(a) Corporate finance

Corporate banking includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary

(b) Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

(c) Retail Banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

(d) Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

Asset Management

It includes pooled, segregated, retail, institutional, closed, open and private equity.

Geographical segments

The Group operates in four geographical regions being:

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

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

5.16 Dividend and appropriation to reserves

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

5.17 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in these consolidated financial statements when there is a legally enforceable right to set off and the Group intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.18 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period / year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no convertible dilutive potential ordinary shares in issue at December 31, 2007.

	Note	2007	2006
		(Rupees in '000)	
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		9,720,257	5,041,678
Foreign currency		2,014,827	1,760,911
		11,735,084	6,802,589
With State Bank of Pakistan in			
Local currency current account	6.1	22,350,805	17,840,637
Local currency deposit account		3,864	3,864
Foreign currency current account	6.2	18,611	77,487
Foreign currency deposit account	6.3	1,889,388	2,841,756
		24,262,668	20,763,744
With other central banks in foreign currency current account	6.4	15,707,607	18,403,170
With other central banks in foreign currency deposit account		362,757	-
With National Bank of Pakistan in local currency current account		5,496,747	2,994,861
National Prize Bonds		57,497	59,176
		<u>57,622,360</u>	<u>49,023,540</u>

6.1 The local currency current account is maintained by United Bank Limited with the State Bank of Pakistan (SBP) as per the requirements of Section 36 of the State Bank of Pakistan Act, 1956. This section requires banking companies to maintain a local currency cash reserve in current account opened with the SBP at a sum not less than such percentage of its time and demand liabilities in Pakistan as may be prescribed by SBP.

6.2 This represents US Dollar Settlement Account maintained with SBP.

6.3 This represents foreign currency cash reserve maintained by United Bank Limited with SBP equivalent to at least 10% of the Bank's foreign currency deposits. The foreign currency cash reserve comprises of an amount equivalent to at least 5% of the bank's foreign currency deposits which is kept in a non-remunerative account. The balance amount is maintained in a remunerative account on which the Bank is entitled to earn a return which is declared by SBP on a monthly basis.

6.4 Deposits with other central banks are maintained to meet the minimum cash reserves and capital requirements pertaining to the foreign branches and subsidiaries of the Group.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**

	Note	2007 (Rupees in '000)	2006
7. BALANCES WITH OTHER BANKS			
Inside Pakistan			
In current accounts		9,162	5,935
In deposit accounts		18,647	55,525
		<u>27,809</u>	<u>61,460</u>
Outside Pakistan			
In current accounts		2,174,319	1,247,384
In deposit accounts	7.1	8,780,048	18,109,434
		<u>10,954,367</u>	<u>19,356,818</u>
		<u>10,982,176</u>	<u>19,418,278</u>

7.1 These carry mark-up at rates ranging from 4.25% to 5.5% (2006: 5.07% to 5.28%) per annum.

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	8.2	2,777,757	447,360
Repurchase agreement lendings	8.3	13,809,706	21,950,095
Lendings to banks / financial institutions	8.4	8,194,260	7,174,615
		<u>24,781,723</u>	<u>29,572,070</u>

8.1 Particulars of lendings to financial institutions

In local currency	19,171,866	25,981,155
In foreign currencies	5,609,857	3,590,915
	<u>24,781,723</u>	<u>29,572,070</u>

8.2 These call money lendings carry mark-up at rates ranging from 9.50% to 11.00% per annum (2006: 6.70% to 10.35% per annum) and are due to mature latest by March 2008.

8.3 Securities held as collateral against repurchase agreement lendings

	2007			2006		
	Held by Group	Further given as collateral / sold	Total	Held by Group	Further given as collateral / sold	Total
	<u>(Rupees in '000)</u>					
Market Treasury Bills	6,944,762	2,887,635	9,832,397	15,504,830	920,265	16,425,095
Pakistan Investment Bonds	3,259,115	718,194	3,977,309	4,334,500	1,190,500	5,525,000
	<u>10,203,877</u>	<u>3,605,829</u>	<u>13,809,706</u>	<u>19,839,330</u>	<u>2,110,765</u>	<u>21,950,095</u>

These carry mark-up at rates ranging from 9.20% to 9.90% per annum (2006: 7.99% to 9.40% per annum) and are due to mature latest by March 2008.

8.4 These carry mark-up at rates ranging from 5.45% to 12.63% per annum (2006: 5.45% to 12.63% per annum) and are due to mature latest by March 2011.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
9. INVESTMENTS
9.1 Investments by types

Note	2007			2006			
	Held by Group	Given as collateral	Total	Held by Group	Given as collateral	Total	
----- (Rupees in '000) -----							
Held for trading securities							
Ordinary shares of listed companies	269,932	-	269,932	91,007	-	91,007	
Market Treasury Bills	-	-	-	46,438	-	46,438	
	269,932	-	269,932	137,445	-	137,445	
Available for sale securities							
Market Treasury Bills	19,510,171	27,889,798	47,399,969	15,304,284	16,743,707	32,047,991	
Pakistan Investment Bonds	15,337,793	1,536,588	16,874,381	3,157,602	-	3,157,602	
Ordinary shares of listed companies	3,185,338	-	3,185,338	2,409,288	-	2,409,288	
Foreign currency bonds	3,475,078	-	3,475,078	1,705,045	-	1,705,045	
Euro Bonds	2,170,415	-	2,170,415	1,247,217	-	1,247,217	
Units of mutual funds	262,201	-	262,201	1,246,338	-	1,246,338	
Term Finance Certificates	644,145	-	644,145	694,980	-	694,980	
Government of Pakistan Islamic Bonds	1,123,894	-	1,123,894	694,271	-	694,271	
Ordinary shares of unlisted companies	441,423	-	441,423	497,318	-	497,318	
Cumulative preference shares	8,120	-	8,120	8,120	-	8,120	
	46,158,578	29,426,386	75,584,964	26,964,463	16,743,707	43,708,170	
Held to maturity securities							
Term Finance Certificates	6,341,257	-	6,341,257	8,134,206	-	8,134,206	
Pakistan Investment Bonds	4,521,049	-	4,521,049	4,691,273	-	4,691,273	
CIRC Bonds	2,900,000	-	2,900,000	2,900,000	-	2,900,000	
Government of Pakistan - Guaranteed Bonds	1,433,444	-	1,433,444	2,410,415	-	2,410,415	
Foreign currency bonds	1,055,801	-	1,055,801	1,382,986	-	1,382,986	
Market Treasury Bills	12,883,608	-	12,883,608	1,205,603	-	1,205,603	
Foreign securities	1,628,023	-	1,628,023	734,939	-	734,939	
Participation Term Certificates	46,920	-	46,920	55,169	-	55,169	
Sukuk Bonds	685,000	-	685,000	-	-	-	
Certificate of deposits	853,146	-	853,146	-	-	-	
Federal Investment Bonds	-	-	-	13,906	-	13,906	
Debentures	8,300	-	8,300	11,289	-	11,289	
CDC SAARC Fund	310	-	310	505	-	505	
	32,356,858	-	32,356,858	21,540,291	-	21,540,291	
Associates							
United Composite Islamic Fund	9.9.1	636,896	-	636,896	250,300	-	250,300
United Stock Advantage Fund	9.9.2	398,903	-	398,903	238,350	-	238,350
UBL Insurers Limited	9.9.3	46,350	-	46,350	91,002	-	91,002
United Money Market Fund	9.9.4	3,318,770	-	3,318,770	-	-	-
United Islamic Income Fund	9.9.5	254,100	-	254,100	-	-	-
United Growth and Income Fund	9.9.6	1,875,256	-	1,875,256	-	-	-
Oman United Exchange Company, Muscat		6,981	-	6,981	6,981	-	6,981
		6,537,256	-	6,537,256	586,633	-	586,633
		85,322,624	29,426,386	114,749,010	49,228,832	16,743,707	65,972,539
Provision for diminution in value of investments	9.3	(351,508)	-	(351,508)	(400,886)	-	(400,886)
Investments (net of provisions)		84,971,116	29,426,386	114,397,502	48,827,946	16,743,707	65,571,653
Surplus / (deficit) on revaluation of available for sale securities	22.2	(314,365)	(41,109)	(355,474)	173,750	(6,940)	166,810
Surplus/ (deficit) on revaluation of held for trading securities	9.4	(15,755)	-	(15,755)	(3,335)	-	(3,335)
Total investments at market value		84,640,996	29,385,277	114,026,273	48,998,361	16,736,767	65,735,128

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**

	Note	2007 (Rupees in '000)	2006
9.2 Investments by segments			
Federal Government Securities			
Market Treasury Bills		58,345,964	32,594,095
Pakistan Investment Bonds		21,395,430	7,848,875
Foreign currency bonds		1,055,801	1,382,986
Government of Pakistan - US Dollar / Euro Bonds		2,170,415	1,247,217
Government of Pakistan Islamic Bonds		1,123,894	694,271
Federal Investment Bonds		-	13,906
		84,091,504	43,781,350
Overseas Governments' Securities			
Foreign securities		5,849,117	2,354,287
Market Treasury Bills		1,937,613	705,937
		7,786,730	3,060,224
Other Overseas Securities			
Foreign securities		107,130	85,697
CDC SAARC Fund		310	505
		107,440	86,202
Fully Paid-up Shares			
Listed companies		3,455,270	2,500,295
Unlisted companies	9.7	441,423	497,318
Cumulative preference shares		8,120	8,120
		3,904,813	3,005,733
Units of Mutual Funds		262,201	1,246,338
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates			
Term Finance Certificates			
Unlisted		6,000,195	7,629,656
Listed		985,207	1,199,530
		6,985,402	8,829,186
Bonds		5,018,444	5,310,415
Debentures		8,300	11,289
Participation Term Certificates		46,920	55,169
		12,059,066	14,206,059
Investments in associates		6,537,256	586,633
Total investments		114,749,010	65,972,539
Provision for diminution in value of investments	9.3	(351,508)	(400,886)
Investments (net of provisions)		114,397,502	65,571,653
Surplus on revaluation of available for sale securities	22.2	(355,474)	166,810
Deficit on revaluation of held for trading securities	9.4	(15,755)	(3,335)
Total investments at market value		114,026,273	65,735,128

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
	(Rupees in '000)	
9.3 Particulars of provision for diminution in value of investments:		
9.3.1 Opening balance	400,886	634,002
Charged during the year	49,194	82,185
Reversed during the year	(55,427)	(7,395)
	(6,233)	74,790
Transfers	15,000	(30,133)
Written off during the year	(58,145)	(277,773)
Closing balance	351,508	400,886
9.3.2 Particulars of provision for diminution in value of investments by type		
Available for sale securities		
Ordinary shares of listed companies	2,708	33,247
Ordinary shares of unlisted companies	142,421	123,217
	145,129	156,464
Held to maturity securities		
Term Finance Certificates	151,159	177,964
Debentures	8,300	11,289
Participation Term Certificates	46,920	55,169
	206,379	244,422
	351,508	400,886
9.3.3 Particulars of provision for diminution in value of investments by segment		
Fully Paid-up Ordinary Shares		
Listed companies	2,708	33,247
Unlisted companies	142,421	123,217
	145,129	156,464
Term Finance Certificates, Debentures, Bonds and Participation Term Certificates		
Term Finance Certificates	151,159	177,964
Debentures	8,300	11,289
Participation Term Certificates	46,920	55,169
	206,379	244,422
	351,508	400,886
9.4 Unrealized gain/ (loss) on revaluation of held for trading securities		
Market Treasury Bills	-	(12)
Ordinary shares of listed companies	(15,755)	(3,323)
	(15,755)	(3,335)
9.5 Investments include certain approved / government securities which are held by the Bank to comply with the Statutory Liquidity Requirement determined on the basis of the Bank's demand and time liabilities as set out under section 29 of the Banking Companies Ordinance, 1962.		
9.6 Investments include Rs. 282 million (2006: Rs. 282 million) held by the State Bank of Pakistan and National Bank of Pakistan as pledge against demand loan, TT / DD discounting facilities and foreign exchange exposure limit sanctioned to the Bank and Rs. 5 million (2006: Rs. 5 million) held by the Controller of Military Accounts (CMA) under Regimental Fund Arrangements.		
9.7 This includes the Group's subscription towards the paid-up capital of Khushhali Bank Limited amounting to Rs. 200 million (2006: Rs. 200 million). Pursuant to Section 10 of the Khushhali Bank Ordinance, 2000 strategic investors including the Group cannot sell or transfer their investment before a period of five years that has expired on October 10, 2005. Thereafter, such sale/ transfer would be subject to the prior approval of SBP. In addition, profit of Khushhali Bank Limited cannot be distributed as dividend under clause 35(i) of the Khushhali Bank Ordinance, 2000. However, Khushhali Bank Ordinance is in process of amendment under which the restriction on the dividend payments is expected to be deleted. Moreover, the shareholders of Khushhali Bank Limited at the Extra Ordinary General Meeting held in December 2007 have passed a resolution stating that Khushhali Bank be licensed and operated under the Micro Finance Institution Ordinance, 2001 under the conversion structure stipulated by the State Bank of Pakistan which does not restrict the distribution of dividend to members.		
9.8 Information relating to investments in ordinary and preference shares / certificates of listed and unlisted companies/		

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

modarabas/ mutual funds, term finance certificates, debentures and bonds, required to be disclosed as part of these consolidated financial statements under State Bank of Pakistan's BSD Circular No. 4 dated February 17, 2006, is given in Annexure 'A'. Details in respect of quality of available for sale securities are also disclosed in Annexure 'A' to these consolidated financial statements.

9.9 Investment in associates
9.9.1 United Composite Islamic Fund

	2007	2006
	(Rupees in '000)	
Investment as at January 1	250,300	-
Investment during the year	340,001	250,000
Share of profit	46,595	300
Balance as at December 31	<u>636,896</u>	<u>250,300</u>

9.9.1.1 United Composite Islamic Fund is an open ended mutual fund, listed on Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.1.2 The details of assets, liabilities, revenues and profits of the fund as of December 31, 2007 based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenues	Profits
	(Rupees in '000)			
United Composite Islamic Fund	<u>1,058,155</u>	<u>3,620</u>	<u>198,155</u>	<u>159,971</u>

9.9.2 United Stock Advantage Fund

	2007	2006
	(Rupees in '000)	
Investment as at January 1	238,350	-
Investment during the year	62,591	250,000
Share of profit / (loss)	97,962	(11,650)
Balance as at December 31	<u>398,903</u>	<u>238,350</u>

9.9.2.1 United Stock Advantage Fund is an open ended mutual fund, listed on Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.2.2 The details of assets, liabilities, revenues and profits of the fund as of December 31, 2007 based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenues	Profit
	(Rupees in '000)			
United Stock Advantage Fund	<u>2,218,363</u>	<u>29,319</u>	<u>489,737</u>	<u>432,680</u>

9.9.3 UBL Insurers Limited

	2007	2006
	(Rupees in '000)	
Investment as at January 1	91,002	-
Investment during the year	-	90,000
Share of (loss) / profit	(44,652)	1,002
Balance as at December 31	<u>46,350</u>	<u>91,002</u>

9.9.3.1 UBL Insurers Limited is an unquoted public company .

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

9.9.3.2 The details of assets, liabilities, revenues and profits of the insurance company as of December 31, 2007 based on unaudited financial statements are as follows:

	Assets	Liabilities	Revenues	Loss
	----- (Rupees in '000) -----			
UBL Insurers Limited	<u>709,211</u>	<u>548,705</u>	<u>88,563</u>	<u>(129,980)</u>

9.9.4 United Money Market Fund

	2007	2006
	----- (Rupees in '000) -----	
Cost of investment	3,172,900	-
Share of profit	<u>145,870</u>	<u>-</u>
Balance as at December 31	<u>3,318,770</u>	<u>-</u>

9.9.4.1 United Money Market Fund is an open ended mutual fund, listed on Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.4.2 The details of assets, liabilities, revenues and profits of the fund as of December 31, 2007 based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenues	Profit
	----- (Rupees in '000) -----			
United Money Market Fund	<u>11,524,751</u>	<u>989,348</u>	<u>1,343,424</u>	<u>1,138,066</u>

9.9.5 United Islamic Income Fund

	2007	2006
	----- (Rupees in '000) -----	
Investment during the year	250,000	-
Share of profit	<u>4,100</u>	<u>-</u>
Balance as at December 31	<u>254,100</u>	<u>-</u>

9.9.5.1 United Islamic Income Fund is an open ended mutual fund, listed on Islamabad Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.5.2 The details of assets, liabilities, revenues and profits of the Fund as of December 31, 2007 based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenues	Profit
	----- (Rupees in '000) -----			
United Islamic Income Fund	<u>1,613,515</u>	<u>7,754</u>	<u>31,077</u>	<u>25,907</u>

9.9.6 United Growth and Income Fund

	2007	2006
	----- (Rupees in '000) -----	
Cost of investment	1,802,135	-
Share of profit	<u>73,121</u>	<u>-</u>
Balance as at December 31	<u>1,875,256</u>	<u>-</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

9.9.7.1 United Growth and Income Fund is an open ended mutual fund, listed on Karachi Stock Exchange. Being an open ended mutual fund, the fund offers units for public subscription on a continuous basis.

9.9.7.2 The details of assets, liabilities, revenues and profits of the fund as of December 31, 2007 based on reviewed financial statements are as follows:

	Assets	Liabilities	Revenues	Profit
	----- (Rupees in '000) -----			
United Growth and Income Fund	<u>18,498,395</u>	<u>881,745</u>	<u>2,020,222</u>	<u>1,790,183</u>

10. ADVANCES
Note

ADVANCES	Note	Performing		Non-performing	
		2007	2006	2007	2006
----- (Rupees in '000) -----					

Loans, cash credits, running finances, etc.

In Pakistan	10.2	<u>222,660,938</u>	<u>200,080,279</u>	<u>17,759,670</u>	<u>9,273,198</u>
Outside Pakistan		<u>67,155,934</u>	<u>38,934,073</u>	<u>3,351,249</u>	<u>5,261,513</u>
		<u>289,816,872</u>	<u>239,014,352</u>	<u>21,110,919</u>	<u>14,534,711</u>

**Bills discounted and purchased
(excluding government treasury bills)**

Payable in Pakistan	<u>5,301,652</u>	<u>5,661,421</u>	<u>745,115</u>	<u>876,300</u>
Payable outside Pakistan	<u>5,570,875</u>	<u>5,612,897</u>	<u>495,691</u>	<u>1,334,780</u>
	<u>10,872,527</u>	<u>11,274,318</u>	<u>1,240,806</u>	<u>2,211,080</u>
	<u>300,689,399</u>	<u>250,288,670</u>	<u>22,351,725</u>	<u>16,745,791</u>

**Financing in respect of continuous
funding system (CFS)**

Advances - gross	<u>2,631,139</u>	<u>1,462,242</u>	<u>-</u>	<u>-</u>
	<u>303,320,538</u>	<u>251,750,912</u>	<u>22,351,725</u>	<u>16,745,791</u>

Provision against advances

- Specific
- General

10.5	<u>-</u>	<u>-</u>	<u>(16,031,324)</u>	<u>(12,409,962)</u>
10.5	<u>(1,369,649)</u>	<u>(1,416,249)</u>	<u>-</u>	<u>-</u>
	<u>(1,369,649)</u>	<u>(1,416,249)</u>	<u>(16,031,324)</u>	<u>(12,409,962)</u>

Advances - net of provision	<u>301,950,889</u>	<u>250,334,663</u>	<u>6,320,401</u>	<u>4,335,829</u>
------------------------------------	--------------------	--------------------	------------------	------------------

10.1 Particulars of advances - gross

10.1.1	In local currency	<u>227,669,639</u>	<u>202,929,515</u>	<u>18,504,785</u>	<u>11,693,905</u>
	In foreign currencies	<u>75,650,899</u>	<u>48,821,397</u>	<u>3,846,940</u>	<u>5,051,886</u>
		<u>303,320,538</u>	<u>251,750,912</u>	<u>22,351,725</u>	<u>16,745,791</u>

Performing		Non-performing	
2007	2006	2007	2006
----- (Rupees in '000) -----			

10.1.2	Short term	<u>210,172,350</u>	<u>156,428,147</u>	<u>-</u>	<u>-</u>
	Long term	<u>93,148,188</u>	<u>95,322,765</u>	<u>22,351,725</u>	<u>16,745,791</u>
		<u>303,320,538</u>	<u>251,750,912</u>	<u>22,351,725</u>	<u>16,745,791</u>

10.2 This includes performing advances given under various Islamic financing modes amounting to Rs 339.477 million at December 31, 2007 entered into during the year by the Islamic Banking branches of the Groups.

10.3 Non-performing advances include

- a) Advances having Gross Book Value of Rs.1,043.568 million (2006: Rs. 199.770 million) and Net Book Value of Rs. 166.605 million (2006: Rs. 174.465 million) though restructured and performing have been placed under non-performing status as required by the revised Prudential Regulations issued by the State Bank of Pakistan, which requires monitoring for at least one year before any up gradation is considered.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

10.4 Advances include Rs. 22,352 million (2006: Rs. 16,746 million) which have been placed under non-performing status as detailed below:

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

Category of Classification	Classified Advances			2006 Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
(Rupees in '000)									
Other Assets Especially									
Mentioned *	363,819	-	363,819	-	-	-	-	-	-
Substandard	1,583,124	175,597	1,758,721	222,278	158,901	381,179	222,278	158,901	381,179
Doubtful	1,612,613	68,730	1,681,343	438,416	61,967	500,383	438,416	61,967	500,383
Loss	7,907,722	5,034,186	12,941,908	6,757,969	4,770,431	11,528,400	6,757,969	4,770,431	11,528,400
	<u>11,467,278</u>	<u>5,278,513</u>	<u>16,745,791</u>	<u>7,418,663</u>	<u>4,991,299</u>	<u>12,409,962</u>	<u>7,418,663</u>	<u>4,991,299</u>	<u>12,409,962</u>

* The Other Assets Especially Mentioned category pertains to agricultural finance only

10.5 Particulars of provision against advances

Note	2007			2006		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
Opening balance	12,409,962	1,416,249	13,826,211	13,506,034	1,224,326	14,730,360
Exchange adjustments	56,317	10,626	66,943	193,206	8,018	201,224
Charge						
Charge for the year (excluding impact due to change in Prudential Regulations)	1,997,969	133,839	2,131,808	1,993,426	633,682	2,627,108
Reversals	(441,713)	-	(441,713)	(681,048)	(50,573)	(731,621)
	<u>1,556,256</u>	<u>133,839</u>	<u>1,690,095</u>	<u>1,312,378</u>	<u>583,109</u>	<u>1,895,487</u>
Additional provisioning arising on account of change in Prudential Regulations	3,803,759	-	3,803,759	-	-	-
	<u>5,360,015</u>	<u>133,839</u>	<u>5,493,854</u>	<u>1,312,378</u>	<u>583,109</u>	<u>1,895,487</u>
Transfers	182,952	(191,065)	(8,113)	287,614	(352,292)	(64,678)
Amounts written off	(1,977,922)	-	(1,977,922)	(2,889,270)	(46,912)	(2,936,182)
Closing balance	<u>16,031,324</u>	<u>1,369,649</u>	<u>17,400,973</u>	<u>12,409,962</u>	<u>1,416,249</u>	<u>13,826,211</u>

10.5.1 General provision represents provision amounting to Rs. 1,296.496 million (2006: Rs. 1163.019 million) against consumer finance portfolio as required by the Prudential Regulations issued by State Bank of Pakistan and Rs. 73.153 million (2006: Rs. 253.230 million) pertaining to overseas advances to meet the requirements of monetary agencies and regulatory authorities of the respective countries in which the overseas branches and subsidiaries operate.

10.5.2 Particulars of provision against advances

	2007			2006		
	Specific	General	Total	Specific	General	Total
(Rupees in '000)						
In local currency	12,750,771	1,296,496	14,047,267	7,418,663	1,163,019	8,581,682
In foreign currencies	3,280,553	73,153	3,353,706	4,991,299	253,230	5,244,529
	<u>16,031,324</u>	<u>1,369,649</u>	<u>17,400,973</u>	<u>12,409,962</u>	<u>1,416,249</u>	<u>13,826,211</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

During the year the State Bank of Pakistan has introduced certain amendments in the Prudential Regulations in respect of maintenance of provisioning requirements against non-performing loans and advances vide BSD Circular No. 7 dated October 12, 2007. The amendments made in the provisioning requirements and the resulting additional provision of Rs 3,803.759 million for United Bank Limited is explained below:

10.6.1 Under the revised guidelines issued by SBP, banks can not avail the benefit of discounted forced sales value of mortgaged assets held as collateral by the banks against their non-performing (excluding housing finance portfolio) loans for the purpose of determining the provisioning requirement to be maintained for non-performing customers with effect from December 31, 2007. Previously, the Prudential Regulations issued by SBP allowed banks to avail the benefit of discounted forced sales value of mortgaged assets held as collateral against non-performing loans of over Rs 10 million while determining the provisioning there against. Had the provision against non-performing loans and advances been determined in accordance with the requirement previously laid down by SBP, the specific provision against non-performing loans and advances would have been lower and consequently profit before taxation and advances (net of provisions) as at December 31, 2007 would have been higher by approximately Rs. 3,314.152 million.

10.6.2 As noted above in accordance with the revised guidelines issued by SBP, banks are allowed to avail the benefit of forced sales value of mortgaged assets held as collateral against their non-performing housing finance portfolio while determining provisioning requirement against such portfolio. However, the forced sales value of the mortgaged assets would only be allowed to the extent of 50% of its value during the first two years from the date of classification of the respective non-performing customers and no benefit would be admissible in subsequent years.

Previously, the Prudential Regulations allowed banks to avail the benefit of forced sales value of mortgaged assets held as collateral against their non-performing housing finance portfolio without any specified time limit. Had the provision against non-performing housing finance portfolio been determined in accordance with requirement previously laid down by SBP, the specific provision against non-performing housing finance portfolio would have been lower and consequently profit before taxation and advances (net of provisions) as at December 31, 2007 would have been higher by approximately Rs 240.288 million.

10.6.3 In addition, as per the revised regulations the overdue time period for classifying personal loans as 'loss' has been reduced from one year to 180 days and as a result the category of 'doubtful' has been dispensed with. Had the provision against non-performing personal loans been determined in accordance with the requirement previously laid down by SBP, the specific provision against non-performing personal loans would have been lower and consequently profit before taxation and advances (net of provision) as at December 31, 2007 would have been higher by approximately Rs 249.319 million.

10.6.4 Although United Bank Limited had made provision against its non-performing portfolio as per the category of the loan without taking into account the benefit of collateral, however, the bank still holds enforceable collateral in the event of recovery through litigation. These securities comprise of charge against various tangible assets of the borrower including land, building, plant and machinery, stock in trade etc.

	Note	2007 (Rupees in '000)	2006
10.7 Particulars of write-offs			
10.7.1 Against provisions	10.5	1,977,922	2,936,182
Directly charged to profit and loss account		935,165	269,349
		<u>2,913,087</u>	<u>3,205,531</u>
10.7.2 Write-offs of Rs. 500,000 and above	10.8	2,193,691	2,906,736
Write-offs of below Rs. 500,000		719,396	298,795
		<u>2,913,087</u>	<u>3,205,531</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

10.8 Details of loan write-offs of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of five hundred thousand rupees or above allowed to a person during the year ended December 31, 2007 is given in Annexure-B to these consolidated financial statements. These loans are written off as a book entry without prejudice to the Group's right of recovery against the customers. The above also includes write-off amounting to Rs. 193.629 million pertaining to one of the overseas subsidiaries, particulars of borrowers are not disclosable under the local regulation of the country in which subsidiary operates.

	Note	2007	2006
		(Rupees in '000)	
10.9 Particulars of loans and advances to executives, directors, associated companies etc.			
Debts due by directors or executives of the Group or any of them either severally or jointly with any other persons			
Balance at beginning of year		609,403	471,621
Loans granted during the year		129,804	313,544
Repayments		(150,488)	(175,762)
Balance at end of year		<u>588,719</u>	<u>609,403</u>
Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members			
Balance at beginning of year		1,000,565	1,818,141
Given during the year		-	-
Repaid during the year		(1,000,565)	(817,576)
Balance at end of year		<u>-</u>	<u>1,000,565</u>
11. FIXED ASSETS			
Capital work-in-progress	11.1	1,042,273	415,522
Property and equipment	11.2	17,667,770	5,767,889
Intangible assets	11.3	330,347	179,081
		<u>19,040,390</u>	<u>6,362,492</u>
11.1 Capital work-in-progress			

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

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**
11.2 Property and equipment

2007											
COST/ REVALUATION					ACCUMULATED DEPRECIATION					Net book value at Dec. 31, 2007	Annual rate of depreciation %
At Jan. 01, 2007	Additions/ (deletions)	Surplus on revaluation	Reversal of accumulated depreciation / other adjustments	At Dec. 31, 2007	At Jan. 01, 2007	Charge for the year/ (depreciation on deletions)	Reversal due to revaluation / other adjustments*	At Dec. 31, 2007			
(Rupees in '000)											
Owned											
Freehold land	425,714	-	440,299	-	866,013	-	-	-	-	866,013	-
Leasehold land	2,349,180	-	8,349,972	(364,332) (1,778)	10,333,042	272,927	91,563 -	(364,332) 542	700	10,332,342	1 - 3.33
Buildings on freehold land	1,121,522	3,834 -	974,678	(13,208) 15,851	2,102,677	50,721	18,919 -	(13,208) (23,986)	32,446	2,070,231	5
Buildings on leasehold land	786,110	384,132 (28,147)	1,581,560	(67,054) (567)	2,656,034	160,557	74,442 -	(67,054) (8,073)	159,872	2,496,162	5
Furniture and fixtures	710,075	148,644 (3,492)	-	- (82,587)	772,640	427,907	57,066 (3,138)	- (75,713)	406,122	366,518	10
Electrical, office and computer equipment	2,277,814	470,876 (4,758)	-	- (115,250)	2,628,682	1,321,385	398,160 (4,364)	- (175,025)	1,540,156	1,088,526	20-25
Vehicles	533,051	37,539 (159,207)	-	- (111,269)	300,114	209,285	56,487 (70,677)	- (46,760)	148,335	151,779	20
Assets held under:											
- Operating lease - Ijarah assets -note 11.7	-	307,473	-	-	307,473	-	15,001	-	14,944	292,529	20 - 33.33
	-	-	-	-	-	-	-	(57)	-		
- Finance lease -	8,976	-	-	-	5,261	1,771	1,176	-	1,591	3,670	20
	-	(3,715)	-	-	-	-	(1,356)	-	-		
2007	8,212,442	1,352,498 (199,319)	11,346,509	(444,594) (295,600)	19,971,936	2,444,553	712,814 (79,535)	(444,594) (329,072)	2,304,166	17,667,770	
2006											
COST / REVALUATION					ACCUMULATED DEPRECIATION				Net book value at December 31, 2006	Annual rate of depreciation %	
At January 1, 2006	Additions/ (deletions)	Surplus on revaluation	Other adjustments*	At December 31, 2006	At January 1, 2006	Charge for the year/ (depreciation on deletions)	Reversal due to other adjustments*	At December 31, 2006			
(Rupees in '000)											
Owned											
Freehold land	408,194	17,520	-	-	425,714	-	-	-	-	425,714	-
Leasehold land	2,274,006	75,174	-	-	2,349,180	192,388	91,788	(11,249)	272,927	2,076,253	1 - 3.33
Buildings on freehold land	973,175	2,748	-	145,599	1,121,522	29,880	16,167	4,674	50,721	1,070,801	5
Buildings on leasehold land	565,380	219,487	-	1,243	786,110	96,156	52,264	12,137	160,557	625,553	5
Furniture and fixtures	616,715	122,388 (3,449)	-	(25,579)	710,075	419,118	44,029 (3,274)	(31,966) -	427,907	282,168	10
Electrical, office and computer equipment	1,663,200	634,331 (3,715)	-	(16,002)	2,277,814	1,015,048	308,244 (3,707)	1,800 -	1,321,385	956,429	20-25
Vehicles	383,141	279,771 (55,919)	-	(73,942)	533,051	196,508	79,603 (47,768)	(19,058) -	209,285	323,766	20
Assets held under finance lease											
Vehicles	5,033	-	-	3,943	8,976	566	1,177	28	1,771	7,205	20
2006	6,888,844	1,351,419 (63,083)	-	31,319	8,212,442	1,949,664	593,272 (54,749)	(43,634)	2,444,553	5,767,889	

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

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
11.3 Intangible assets

2007										
Cost				Accumulated Amortization				Net book value at December 31, 2006	Annual rate of amorti-sation %	
At January 1, 2006	Additions/ (deletions)	Other adjust-ments*	At December 31, 2006	At January 1, 2006	Charge for the year/ (amorti-sation on deletion)	Other adjust-ments	At December 31, 2006			
(Rupees in '000)										
Software	266,736	280,997	-	547,733	87,655	90,376	39,355	217,386	330,347	25

2006										
Cost				Accumulated Amortization				Net book value at December 31, 2006	Annual rate of amorti-sation %	
At January 1, 2006	Additions/ (deletions)	Other adjust-ments*	At December 31, 2006	At January 1, 2006	Charge for the year/ (amorti-sation on deletion)	Other adjust-ments	At December 31, 2006			
(Rupees in '000)										
Software	147,510	119,226	-	266,736	33,724	53,031	900	87,655	179,081	25

11.4 Revaluation of properties

During the year, the properties of the Group were revalued by independent professional valuers and the results of the revaluation exercise were incorporated in the financial statements as at December 31, 2007. The revaluation was carried out by M/s. Pirsons Chemicals Engineering (Private) Limited, M/s. Sadruddin Associates, M/s. Indus Surveyors (Private) Limited, M/s. Consultancy Support & Services, JRA Macdonald Fries, Douglas Duff, O' Hearne & Pariners and ALEX Smith & Co. on the basis of professional assessment of present market values and resulted in a surplus of Rs. 11,346.509 million. Had there been no revaluation, the carrying amount of revalued assets at December 31, 2007 would have been as follows:

(Rupees in '000)

Freehold land	21,974
Leasehold land	103,204
Buildings on freehold land	1,058,432
Buildings on leasehold land	486,205

11.5 Carrying amount of temporarily idle property of the Group 57,966

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

Furniture and fixtures	266,285
Electrical, office and computer equipment	86,195
Vehicles	25,352
IT Hardware	222,336

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

- 11.7 The Islamic Banking Branches of the United Bank Limited have entered into ijarah transactions with customers during the year. The significant ijarah transactions have been entered in respect of vehicles.

The ijarah payments receivable from customers for each of the following periods under the terms of the respective arrangements are given below:

	(Rupees in
Not later than one year	71,073
Later than one year but not later than five years	225,956
Later than five years	<u>21,602</u>
	<u><u>318,631</u></u>

11.8 Disposals of fixed assets during the year

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
Furniture and fixtures						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	3,492	3,138	354	1,025	Auction	Various
Electrical, office and computer equipment						
Items having book value of less than Rs. 250,000 or cost of less than Rs. 1,000,000	4,758	4,364	394	716	Auction	Various
Vehicles						
Suzuki Cultus	560	196	364	364	Buy Back	Nadeem Siddiqui (VP)
Suzuki Cultus	620	114	506	620	Buy Back	Mujahid Itaat (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Ahmed Yousuf (VP)
Suzuki Cultus	620	103	517	496	Buy Back	A.Saeed Siddiqui (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Muhammad Ali (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Arshad Nadeem (VP)
Suzuki Cultus	620	103	517	496	Buy Back	S.Iftikhar Hussain (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Qaiser A.Siddiqui (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Nigar Tasneem (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Iqbal Hamid (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Kamran M. Ilyas (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Shaikh Shahabuddin (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Atif Rasheed (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Tahir Abbas (VP)
Suzuki Cultus	620	103	517	496	Buy Back	S.Z.H.Bukhari (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Hassan Raza Zaidi (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Syed I. Humayun (VP)
Suzuki Cultus	620	103	517	496	Buy Back	M.Umer Khan (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Sajjad Arif (VP)
Suzuki Cultus	620	103	517	496	Buy Back	Amir Murtaza (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Niaz A. Khan Toro (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Rdous Hameed (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Aamir Nasib (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Jabar Memon (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Adnan Lari (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Zenia Rabadi (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Shpur S.Ahmed (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Tariq Rasheed (VP)
Suzuki Cultus	620	93	527	496	Buy Back	M.Anzarul Haq (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Mushtaq Zahid (VP)
Suzuki Cultus	620	93	527	496	Buy Back	M.Mursaleen Rao (VP)

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
Suzuki Cultus	620	93	527	496	Buy Back	Rashida Arif (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Kazi Jabran Ahmed (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Raziuddin Safdar (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Minhas Wirasat (VP)
Suzuki Cultus	620	93	527	496	Buy Back	Talat Rabia (VP)
Suzuki Cultus	620	83	537	496	Buy Back	M.Shahzad Khan (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Tariq Abbasi (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Mir M. Moazzam (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Reaz Ahmed (VP)
Suzuki Cultus	620	83	537	496	Buy Back	M.Shahid Qureshi (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Shahid Habibullah (VP)
Suzuki Cultus	620	83	537	496	Buy Back	A.Hamid Farid (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Moazzam Haider (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Danish Tanvir (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Baber Pervez (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Shahzad Jew (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Jawed Mohsin (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Sabrina Ghani (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Haroon Zaib (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Sahir Ali (VP)
Suzuki Cultus	620	83	537	496	Buy Back	M. Faraz Khan (VP)
Suzuki Cultus	620	83	537	496	Buy Back	Zeeshan Waheed (VP)
Suzuki Cultus	620	52	568	496	Buy Back	Malik Dilawar (VP)
Suzuki Cultus	620	52	568	496	Buy Back	Abdul Sattar Vaid (VP)
Suzuki Cultus	620	52	568	496	Buy Back	Aamir Ashfaq (VP)
Suzuki Cultus	620	52	568	496	Buy Back	Tahir Sajjad (VP)
Suzuki Cultus	620	52	568	496	Buy Back	Syed Kashif Hussain (VP)
Suzuki Cultus	620	52	568	496	Buy Back	Abdul Hamid (VP)
Suzuki Cultus	620	52	568	496	Buy Back	Abdul Malik Khan (VP)
Suzuki Cultus	620	52	568	496	Buy Back	M.Shafqat Asim (VP)
Suzuki Cultus	620	52	568	496	Buy Back	Muslehuddin Saadi (VP)
Suzuki Cultus	620	52	568	496	Buy Back	Shakil M.Khan (VP)
Suzuki Cultus	620	52	568	496	Buy Back	Zahid Ali (VP)
Suzuki Cultus	620	52	568	496	Buy Back	Muhammad Zubair (VP)
Suzuki Cultus	620	31	589	496	Buy Back	Sultan Shahryar (VP)
Suzuki Cultus	620	31	589	496	Buy Back	Saleem Lalani. (VP)
Suzuki Cultus	620	21	599	496	Buy Back	Shahzad Zuberi (VP)
Suzuki Cultus	620	10	610	496	Buy Back	Zubair K. Munshi (VP)
Toyota Corolla	849	594	255	255	Buy Back	Sohail Bhojani (SVP)
Toyota Corolla	849	594	255	255	Buy Back	Khurram Agha (SVP)
Toyota Corolla	849	552	297	297	Buy Back	Abdul Bari Khan (SVP)
Toyota Corolla	849	538	311	325	Buy Back	Ghazanfar Agha (SVP)
Toyota Corolla	849	481	368	707	Buy Back	Humayun Saghir
Toyota Corolla	849	481	368	708	Buy Back	Amir Noorani
Toyota Corolla	849	453	396	396	Buy Back	Nadeem Burgary (SVP)
Toyota Corolla	849	382	467	467	Buy Back	Qasim Anjum (SVP)
Toyota Corolla	864	346	518	533	Buy Back	Dr.Abdul Wahid (SVP)
Toyota Corolla	864	317	547	547	Buy Back	Kumail Dheradunwala (SVP)
Toyota Corolla	864	317	547	547	Buy Back	Nabeel Anwar (SVP)
Toyota Corolla	864	302	562	562	Buy Back	Rizwan Razvi (SVP)
Toyota Corolla	864	288	576	576	Buy Back	Sharjeel Shahid (SVP)
Toyota Corolla	879	352	527	653	Buy Back	Kh. Asif Javed
Toyota Corolla	879	308	571	684	Buy Back	Dr.Arif Ahmed (EVP)
Toyota Corolla	879	293	586	586	Buy Back	Naeem Ilyas (SVP)
Toyota Corolla	879	264	615	684	Buy Back	Aqeel A.Nasir (EVP)

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of Buyers
	----- (Rupees in '000) -----					
Honda City	885	266	620	620	Buy Back	H.Abdul Rehman (SVP)
Honda City	885	251	634	629	Buy Back	Nauman Ahmed
Honda Civic	939	642	297	607	Buy Back	Hassan Raza (SEVP)
Toyota Corolla	969	210	759	759	Buy Back	M. Maqsood (SVP)
Toyota Corolla	969	210	759	709	Buy Back	Sadeed Barlas (EVP)
Toyota Corolla	969	129	840	775	Buy Back	Ashraf Ali (SVP)
Toyota Corolla	969	129	840	775	Buy Back	Ahmed Mustafa (SVP)
Toyota Corolla	969	81	888	775	Buy Back	Arif Rasheed.(SVP)
Toyota Corolla	969	48	921	775	Buy Back	Samina Riaz (SVP)
Toyota Corolla	895	366	529	529	Buy Back	Hassan Abbas
Toyota Corolla	895	366	529	529	Buy Back	Obbaid Afzal
Honda Civic	889	390	499	499	Buy Back	Nadeem Anwer
Items having book value of more than Rs. 250,000 and cost of more than Rs. 1,000,000						
Honda Civic	1,043	243	800	800	Buy Back	Javed H.Zaidi (SVP)
Honda Civic	1,043	243	800	800	Buy Back	Khurram Rezvi (SVP)
Honda Civic	1,043	243	800	800	Buy Back	Nadeem Ibrahim (SVP)
Honda Civic	1,043	243	800	800	Buy Back	Asad Kerai (SVP)
Honda Civic	1,043	226	817	817	Buy Back	Mir Maqbool Mehmood (SVP)
Honda Civic	1,043	226	817	817	Buy Back	Zeeba Ansar (SVP)
Honda Civic	1,043	226	817	817	Buy Back	Noman Tariq (SVP)
Honda Civic	1,043	209	834	834	Buy Back	Noman Zafar (SVP)
Honda Civic	1,043	191	852	834	Buy Back	Ehteshamullah (SVP)
Honda Civic	1,043	174	869	834	Buy Back	Adnan Masud (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Mir Akbar (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Muhammad Arshad (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Jahat A. Qureshi (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Mir Shahbaz Sultan (SVP)
Honda Civic	1,043	156	887	834	Buy Back	S.Mohsin Ali (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Muhammad Y. Yaqub (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Adnan Kamal (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Ahmad Yousuf (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Rizwan H.Chapra (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Kashif Umer Thanvi (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Zulfiqar M. Alvi (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Shalla Kazi (SVP)
Honda Civic	1,043	156	887	834	Buy Back	Zafar H. Jilani (SVP)
Toyota Corolla	1,219	264	955	955	Buy Back	Najeeb Agrawala (SVP)
Honda Civic	1,243	186	1,057	994	Buy Back	Mubashir Yasin (SVP)
Honda Accord	2,800	980	1,820	1,867	Insurance Claim	Adamjee Insurance Co Ltd
Honda Civic	1,225	614	611	611	Tendor	Asif Mubeen
Toyota Corolla	1,067	276	791	791	Tendor	Syed Riaz Ahmed
Honda Civic	1,032	234	798	798	Buy Back	Hasnain Nensey
Items having book value of less than Rs. 250,000 and cost of less than Rs. 1,000,000						
	61,797	49,496	12,367	34,089		
	162,922	72,033	90,957	110,084		
Total	171,172	79,535	91,705	111,824		

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007 (Rupees in '000)	2006
12. OTHER ASSETS			
Income / mark-up accrued in local currency		7,729,857	7,918,507
Income / mark-up accrued in foreign currency		1,339,172	1,503,888
		9,069,029	9,422,395
Suspense accounts		287,073	452,492
Hajj refund		471,640	558,407
Stationery and stamps on hand		96,927	88,581
Non banking assets acquired in satisfaction of claims		-	68,571
Advances, deposits, advance rent and other prepayments		1,264,658	1,052,018
Receivable from staff retirement funds		804,322	1,289,559
Due from other banks against telegraphic transfer and demand drafts		708,818	699,967
Unrealized (loss) / gain on forward foreign exchange contracts		(35,010)	103,489
Unrealized gain on derivative financial instruments - net	20.4	159,366	-
Receivable from SBP on account of encashment of savings certificates		561,493	27,812
Due from National Clearing Company of Pakistan Limited		372,533	-
Receivable in respect of encashment of dividend warrants on behalf of a customer		248,885	132,760
Others		1,329,174	412,898
		15,338,908	14,308,949
Provision held against other assets	12.1	(1,319,997)	(1,794,691)
Unrealized mark-up held in suspense account		(1,947,252)	(2,368,470)
Other Assets (Net of Provisions)		12,071,659	10,145,788
12.1 Provision against other assets			
Opening balance		1,794,691	2,280,212
Exchange adjustments		(1,612)	-
		1,793,079	2,280,212
Charge for the year		255,394	181,249
Reversals		(174,687)	(7,599)
	30	80,707	173,650
Transfers		9,088	33,029
Amounts written off		(562,877)	(692,200)
Closing balance		1,319,997	1,794,691

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
13. CONTINGENT ASSETS

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

	Note	2007 (Rupees in '000)	2006 (Rupees in '000)
14. BILLS PAYABLE			
In Pakistan		5,777,625	3,723,994
Outside Pakistan		309,641	903,775
		<u>6,087,266</u>	<u>4,627,769</u>

15. BORROWINGS

In Pakistan	53,795,007	37,374,374
Outside Pakistan	5,696,246	1,251,100
	<u>59,491,253</u>	<u>38,625,474</u>

15.1 Particulars of borrowings with respect to currencies

In local currency	53,325,834	37,374,374
In foreign currencies	6,165,419	1,251,100
	<u>59,491,253</u>	<u>38,625,474</u>

15.2 Details of borrowings from financial institutions
Secured

Borrowings from the State Bank of Pakistan under

- Export refinance scheme	15.3	6,708,853	9,414,812
- Long-term financing under export oriented projects	15.4	4,945,514	5,333,691
- Locally manufactured machinery refinance scheme	15.5	1,620	3,382
		11,655,987	14,751,885
Repurchase agreement borrowings	15.6	32,269,543	17,527,738
		<u>43,925,530</u>	<u>32,279,623</u>

Unsecured

Call borrowings	15.7	13,629,078	4,604,999
Overdrawn nostro accounts		936,004	567,880
Trading liabilities		1,000,641	1,068,801
Others		-	104,171
		<u>15,565,723</u>	<u>6,345,851</u>
		<u>59,491,253</u>	<u>38,625,474</u>

15.3 United Bank Limited has entered into agreements with the State Bank of Pakistan (SBP) for extending export finance to customers. As per the terms of the agreement, the bank has granted SBP the right to recover the outstanding amount from the bank at the date of maturity of finances by directly debiting the current account maintained by the bank with SBP. These borrowings are repayable within six months upto June 2008.

15.4 These borrowings have been made from SBP for providing financing facilities to customers for import of machinery, plant, equipment and accessories thereof (not manufactured locally) by export oriented units.

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

15.6 These repurchase agreement borrowings are secured against market treasury bills and carry mark-up at rates ranging from 8.9% to 10.00% per annum (2006: 8.19% to 8.82% per annum). These borrowings are repayable latest by August 2008.

15.7 These call borrowings carry mark-up at rates ranging from 9.3% to 12.00% per annum (2006: 8.1% to 10.1% per annum) and are repayable latest by January 2008.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

		2007	2006
		(Rupees in '000)	
16. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		131,190,126	118,250,882
Savings deposits		154,537,137	123,454,103
Sundry deposits		4,645,873	4,942,064
Margin deposits		2,769,452	2,710,848
Current accounts - remunerative	16.2	5,794,610	1,999,555
Current accounts - non-remunerative		112,153,247	91,673,844
		411,090,445	343,031,296
Financial Institutions			
Remunerative deposits		821,361	549,862
Non-remunerative deposits		226,599	223,672
		1,047,960	773,534
		<u>412,138,405</u>	<u>343,804,830</u>

16.1 Particulars of deposits and other accounts

In local currency	310,534,338	256,314,804
In foreign currencies	101,604,067	87,490,026
	<u>412,138,405</u>	<u>343,804,830</u>

16.2 This includes pre IPO / private placement receipts of Rs 4,185 million deposited with United Bank Limited on account of subscription money towards fourth issue of 10 years term finance certificates. The total issue consists of Rs 6,000 million under pre-IPO / private placement and the remaining Rs 1,500 million represents the proposed Initial Public Offering to the general public. The issue of these term finance certificates has been approved by the State Bank of Pakistan. These term finance certificates will be sub-ordinate as to the payment of principal and profit to all other indebtedness of the bank (including deposits) and are not redeemable before maturity without approval of SBP. The rate of mark-up on these term finance certificates would be KIBOR plus 0.85% per annum for the first five years and KIBOR plus 1.35% per annum during the last five years to maturity.

17. SUB-ORDINATED LOANS - UNSECURED

Note	Issue Date	Tenor	Rate % per annum	Maturity	Frequency of principal redemption	2007	2006
							(Rupees in '000)
Term Finance Certificates - I	August 2004	8 years	8.45%	August 2012	Semi Annual	1,997,696	1,998,464
Term Finance Certificates - II	March 2005	8 years	9.49%	March 2013	Semi Annual	1,999,800	1,999,880
Term Finance Certificates - III	September 2006	8 years	Kibor+1.70%	September 2014	Semi Annual	1,999,200	2,000,000
						<u>5,996,696</u>	<u>5,998,344</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

- 17.1** These represent listed Term Finance Certificates (TFCs) issued by United Bank Limited in the year 2004 , 2005 and 2006 having tenor of eight years. The liability of United Bank Limited is subordinated as to the payment of principal and profit to all other indebtedness of United Bank Limited (including deposits) and is not redeemable before maturity without approval of the State Bank of Pakistan.

18. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

These represent finance leases entered into with leasing companies for lease of vehicles. The rates of interest used as discounting factor range from 11.5% to 14.5% (2006: 11.5% to 14.5%) per annum. There is no financial restriction in the lease agreements. The amount of future minimum lease payments, present value of minimum lease payments and periods during which they become due are as follows:

2007			
	Minimum lease payments	Finance charges for future period	Principal outstanding
	(Rupees in '000)		
Not later than one year	1,650	(291)	1,359
Later than one year and not later than five years	2,039	(137)	1,902
	<u>3,689</u>	<u>(428)</u>	<u>3,261</u>
Less: Amount representing future finance charges	(428)	-	-
	<u><u>3,261</u></u>	<u><u>(428)</u></u>	<u><u>3,261</u></u>
2006			
	Minimum lease payments	Finance charges for future period	Principal outstanding
	(Rupees in '000)		
Not later than one year	2,367	661	1,706
Later than one year and not later than five years	5,944	684	5,260
	<u>8,311</u>	<u>1,345</u>	<u>6,966</u>
Less: Amount representing future finance charges	-	-	-
	<u><u>8,311</u></u>	<u><u>1,345</u></u>	<u><u>6,966</u></u>

At the end of lease period, the ownership of asset shall be transferred to the Group on payment of residual value. The cost of operating and maintaining the leased asset is borne by the Group. These are secured by the demand promissory notes and security deposits and the vehicles which have been obtained under leasing arrangements.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007	2006
		(Rupees in '000)	
19 DEFERRED TAX LIABILITY / (ASSET) - NET			
Deferred tax asset - net	19.1	<u>2,109,989</u>	<u>(907,575)</u>
19.1 The balance of deferred taxation comprises:			
Deductible temporary differences on			
recognized tax losses of a subsidiary		(124,202)	(2,082)
deficit on revaluation of investments	22.2	(136,364)	(18,849)
Ijarah financing		(57,605)	-
provision against off balance sheet items, post retirement medical benefits			
and consumer financing and other deductible differences		<u>(1,786,416)</u>	<u>(1,028,589)</u>
		<u>(2,104,587)</u>	<u>(1,049,520)</u>
Taxable temporary differences on			
surplus on revaluation of fixed assets	22.1	<u>4,199,162</u>	<u>60,697</u>
accelerated tax depreciation		<u>15,414</u>	<u>81,248</u>
		<u>4,214,576</u>	<u>141,945</u>
		<u>2,109,989</u>	<u>(907,575)</u>

- 19.2** Through Finance Act 2007, a new section 100A read with the 7th schedule (the Schedule) was inserted in the Income Tax Ordinance, 2001 for the taxation of banking companies. The schedule seeks to simplify the taxation of banking companies and is applicable from the tax year 2009 (financial year ending on December 31, 2008).

The 7th Schedule does not contain transitory provisions to deal with the disallowances made upto the year ended December 31, 2007. This issue has been taken up with the tax authorities through Pakistan Banks Association for formulation of transitory provisions to deal with the items which were previously treated differently under the then applicable provisions.

The deferred tax asset of United Bank Limited on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007 is being kept as an asset as the bank is confident that transitory provisions would be introduced to set out the mechanism where benefit of these allowances can be claimed.

- 19.3** Deferred tax asset on carry forward losses and other deductible differences amounting to Rs. 1,957.08 million has not been recognized by United National Bank Limited due to uncertainty of its realization.

	Note	2007	2006
		(Rupees in '000)	
20. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		3,375,092	2,432,041
Mark-up / return / interest payable in foreign currency		474,233	248,513
Accrued expenses	20.1	1,572,636	1,545,509
Branch adjustment account		2,942,052	(414,734)
Payable under severance scheme		34,183	35,227
Unearned commission		315,081	352,081
Provision for taxation - net	20.2	1,376,596	1,038,993
Provision against off - balance sheet obligations	20.3	608,731	652,339
Unrealized loss on derivative financial instruments - net	20.4	-	153,174
Deferred liabilities	20.5	2,206,820	2,448,408
Others		<u>172,639</u>	<u>1,102,945</u>
		<u>13,078,063</u>	<u>9,594,496</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

20.1 This includes an accrual of Rs. 263.181 million for the year ended December 31, 2007 (2006 : Rs. 289 million for the year ended December 31, 2006 and Rs 270 million for the year ended December 31, 2005) in respect of employee bonus scheme . The objective of the scheme is to reward, motivate and retain high performing executives and officers of the Bank by way of bonus in the form of shares of UBL. The liability of the Bank in respect of this scheme is fixed and is approved each year by the Board of Directors of the Bank. The scheme for each year is managed by a separate trust formed for this purpose.

20.2 The income tax assessments of United Bank Limited 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.

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 Commission, 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 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. The proceedings have been joined and the required information is being provided and no order has been passed as yet. however, the management is of the view that there may not arise any material tax liability once these cases attain finality.

In respect of Azad Kashmir Branches for the tax years 2005, 2006 and 2007 (financial years ended December 31, 2004, 2005 and 2006) 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 a deemed assessment orders.

	Note	2007	2006
		(Rupees in '000)	
20.3 Provision against off - balance sheet obligations			
Opening balance		652,339	612,939
Charge during the year	30	(38,093)	52,663
Transfers during the year		(5,515)	(13,263)
		<u>608,731</u>	<u>652,339</u>
20.4 Unrealized gain / (loss) on derivative financial instruments			
		2007	2006
		Contract/ Notional amount	Contract/ Notional amount
		Fair values	Fair values
		(Rupees in '000)	
Unrealized loss on:			
Interest rate swaps		4,977,160	7,825,419
Equity futures		-	382,026
Cross Currency Swaps		9,993,448	-
Forward purchase and sale contracts of government securities		-	-
		<u>14,970,608</u>	<u>8,468,302</u>
		<u>159,625</u>	<u>202</u>
		<u>16,675,747</u>	<u>(153,174)</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

		2007	2006
		(Rupees in '000)	
20.5	Deferred liabilities		
	Provision for post retirement medical benefits	36	1,218,758
	Provision for gratuity		144,869
	Provision for pension overseas		-
	Provision for compensated absences	37	843,193
		<u>2,206,820</u>	<u>2,448,408</u>

21. SHARE CAPITAL
21.1 Authorized Capital

2007	2006		
Number of shares			
<u>1,030,000,000</u>	<u>1,030,000,000</u>	Ordinary shares of Rs 10 each	<u>10,300,000</u> <u>10,300,000</u>

21.2 Issued, subscribed and paid-up capital

Fully paid-up ordinary shares of Rs 10 each

2007	2006		
Number of shares			
518,000,000	518,000,000	Fully paid-up ordinary shares of Rs 10 each	
291,375,000	129,500,000	Issued for cash	5,180,000 5,180,000
<u>809,375,000</u>	<u>647,500,000</u>	Issued as bonus shares	<u>2,913,750</u> <u>1,295,000</u>
			<u>8,093,750</u> <u>6,475,000</u>

As at December 31, 2007 Abu Dhabi Group and Bestway Group each held 25.5% shareholding of the Bank.

During the year Government of Pakistan (GoP) which was holding 44.46% shares of United Bank Limited through the State Bank of Pakistan (SBP) disinvested 25% of total shareholding of the bank comprising 202,343,752 equity shares in the form of Global Depositary Receipts (GDRs). The bank has issued 50,585,938 GDRs each representing four ordinary equity shares at an offer price of US\$ 12.8543 per GDR. Due to the above disinvestment, the shareholding of SBP in the bank has reduced to 19.76%.

The bank has not received any proceeds from the offering of GDRs. Holders of GDRs are entitled, subject to the provision of the depositary agreement, to receive dividends, if any and rank parri passu with other equity shareholders in respect of such entitlement to receive dividends. However, the holders of GDRs have no voting rights or other direct rights of shareholders with respect to the equity shares underlying such GDRs. Subject to the terms and restrictions set out in the offering circular dated June 25, 2007, the deposited equity shares in respect of which the GDRs were issued may be withdrawn from the depositary facility. Upon withdrawal, the holders will rank parri passu with other equity shareholders in respect of voting powers. At December 31, 2007 44,342,334 deposited equity shares had been withdrawn from the depositary facility.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
21.3 Major shareholders (holding more than 5% of total paid-up capital)

Name of shareholders	2007	
	Number of shares held	Percentage of shareholding
His Highness Shaikh Nahayan Mabarak Al Nahayan	52,193,127	6.45%
H.E. Dr. Mana'a Saeed Al Otaiba	44,623,070	5.51%
Bestway (Holdings) Limited	103,191,406	12.75%
Sir Mohammed Anwar Pervez, OBE, HPk	41,278,125	5.10%
Bestway Cement Limited	61,917,187	7.65%
Government of Pakistan	159,949,522	19.76%

22. SURPLUS ON REVALUATION OF ASSETS

Surplus arising on revaluation of assets - net of tax :

Fixed assets

- Group's share

- Minority Interest

Securities

Note

2007

2006

(Rupees in '000)

	9,165,863	2,484,749
	429,130	-
22.1	9,594,993	2,484,749
22.2	(219,110)	185,659
	<u>9,375,883</u>	<u>2,670,408</u>
	2,545,446	2,643,470
	11,346,509	-
	(64,462)	(94,454)
	(33,338)	(3,570)
	<u>13,794,155</u>	<u>2,545,446</u>
	60,697	64,267
	4,171,803	-
	(33,338)	(3,570)
	<u>4,199,162</u>	<u>60,697</u>
	<u>9,594,993</u>	<u>2,484,749</u>

22.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets at January 1

Surplus on revaluation of fixed assets booked during the year / adjustments

Transferred to unappropriated profit in respect of incremental depreciation charged during the year

Related deferred tax liability of incremental depreciation charged during the year

Less: Related deferred tax liability on:

Revaluation as on January 1

Revaluation of fixed assets during the year

Incremental depreciation charged on related assets

22.2 Deficit on revaluation available-for-sale securities

Market Treasury Bills

Pakistan Investment Bonds

Quoted securities

Related deferred tax asset

(70,202)	(10,437)
(105,316)	(58,140)
(179,956)	235,387
(355,474)	166,810
136,364	18,849
<u>(219,110)</u>	<u>185,659</u>

23. CONTINGENCIES AND COMMITMENTS
23.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring

Government

Banking companies and other financial institutions

Others

5,525,535	9,658,487
3,992,848	2,450,816
5,941,261	4,120,475
<u>15,459,644</u>	<u>16,229,778</u>

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007	2006
	(Rupees in '000)	
23.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring		
Government	43,946,035	27,269,975
Banking companies and other financial institutions	3,031,393	1,387,386
Others	13,992,900	4,585,391
	<u>60,970,328</u>	<u>33,242,752</u>
23.3 Trade-related contingent liabilities		
Contingent liabilities in respect of letters of credit opened favouring		
Government	60,431,464	50,491,386
Banking companies and other financial institutions	412,056	365,045
Others	89,102,242	43,357,420
	<u>149,945,762</u>	<u>94,213,851</u>
23.4 Other contingencies		
Claims against the Group not acknowledged as debts	<u>17,733,578</u>	<u>13,732,499</u>
23.5 Commitments in respect of forward lending		
The Group makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
	2007	2006
	(Rupees in '000)	
23.6 Commitments in respect of forward foreign exchange contracts		
Sale	<u>87,334,393</u>	<u>58,556,959</u>
Purchase	<u>81,782,747</u>	<u>56,461,145</u>
23.7 Other commitments		
Forward purchase contracts of government securities	<u>-</u>	<u>5,634,902</u>
Forward sale contracts of government securities	<u>-</u>	<u>2,833,400</u>
Interest rate swaps	<u>4,977,160</u>	<u>7,825,419</u>
Cross currency swaps	<u>9,993,448</u>	<u>-</u>
Equity futures	<u>-</u>	<u>382,026</u>
Sale of securities not yet purchased	<u>657,226</u>	<u>1,067,735</u>
Commitments in respect of capital expenditure	<u>128,328</u>	<u>95,307</u>

24. DERIVATIVE INSTRUMENTS

“Derivative” means a type of financial contract the value of which is determined by reference to one or more underlying assets or indices. The major categories of such contracts include forwards, futures, swaps and options. Derivative also includes structured financial products that have one or more characteristics of forwards, futures, swaps and options.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

United Bank Limited as an Authorized Derivative Dealer (ADD) is an active participant in the derivatives' market of Pakistan. Though the ADD license covers the below mentioned transactions only (permitted under Financial Derivatives Business Regulations issued by SBP), but the Bank offers a wide variety of derivative products to satisfy customers' needs (specific approval for which is sought from SBP on transaction basis):

- a) Foreign Currency Options
- b) Forward Rate Agreements
- c) Interest Rate Swaps
- d) Cross Currency Swaps

These transactions cover both the aspects of market making and hedging.

The authority for approving policies lie with the BOD, who has delegated its powers to Market Risk Committee (MRC), which runs the affairs in line with policies approved by the BOD.

With regard to derivatives, the Market Risk Committee (MRC) is authorized to:

- Review derivatives business with reference to market risk exposure and assign various limits in accordance with the risk appetite of the Group
- Review and approve the Derivatives Business Policy
- Review and sign off derivatives' product programs
- Authorize changes in procedures and processes regarding derivatives and structured products

Overall responsibility for derivatives trading activity lies with Treasury and Capital Markets (TCM). Identifying and quantifying market risk on derivatives; Coordinating approvals on temporary or permanent market risk limits; Formulation of policies and procedures with respect to market risk arising from derivatives; Formal monitoring of market and credit risk exposure and limits and its reporting to the senior management and BOD is done by Treasury and Market Risk (TMR). Treasury Operations (TROPS) records derivative activity in the Bank's books, and its reporting to SBP.

Derivative Risk Management

There are a number of risks undertaken by the Group, which need to be monitored and assessed. The "risk continuum" includes:

Credit Risk

This refers to the risk of non-performance or default by a party (a customer, guarantor, trade counterparty, third party, etc.), resulting in a negative impact on the Group's equity. There are two types of credit risk (Settlement and Pre-Settlement risk) that are associated with derivatives transactions and monitored on regular basis. To mitigate the settlement risk, settlement is carried out by netting the amounts receivable and payable, i.e., net amount is either received or paid. Further, for Pre-Settlement Risk, the Group has constituted Treasury Product Credit Committee (TPCC) that is authorized to approve credit limits (based on internal obligor risk rating) for all derivative counterparties. Credit exposure for each counterparty is calculated and monitored by an independent risk monitoring and control department i.e. Treasury Middle Office.

Market Risk

Market risk exposure limits have been assigned in accordance with the risk appetite of the Group and being monitored on daily basis, which include sensitivity limits, tenor limits, and notional limits. An exercise is under way to model VaR structure, which will then help in deriving VaR limits.

Liquidity Risk

Derivative transactions, usually being non-funded in nature, do not involve funds therefore there is no specific risk of liquidity.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

The other aspect of liquidity refers to the availability of certain instrument or hedge in the market, which is very much true in the local market, as interest rate derivatives have a unidirectional demand, and no perfect hedge is available. The Group mitigates its risk, on one side, by limiting the portfolio in terms of tenor, notional, and sensitivity limits, and on the other side its running a short position in fixed income securities to partially cover the unfavourable movement in

Operational Risk

The human resources involved in the process of trading, settlement and risk management of derivatives are carefully selected and subsequently trained to deal with the delicacies involved in the process. A state-of-the-art system has been put in place which handles the derivative transactions. As each and every product / transaction is processed in accordance with the product program or transaction memo, which contains in detail the accounting and operational aspects of the transaction, it further mitigates the operational risk. In addition, Treasury Middle Office (TMO) and Compliance and Control Department (CCD) are assigned with the responsibility of monitoring any deviation from the policies and procedures. Bank's Audit and Inspection wing also reviews this function, which covers regular review of systems, transactional processes, accounting practices, end-user roles and responsibilities.

United Bank Limited has installed a state-of-the-art derivatives system (PRINCIPIA), which provides an end-to-end solution. Other than supporting the routine transactional process it also provides analytical tools to measure various

Treasury Middle Office produces various reports for higher management (BOD, MRC etc) on daily, monthly and ad-hoc basis. These reports provide a quick look on derivatives business profile various risk exposures.

Derivatives market in Pakistan, except for currency options, has a unidirectional demand, therefore the portfolio structure, as regards interest rate derivatives, is liability dominant.

24.1 Product Analysis

2007

Interest Rate Swaps		Forward Rate Agreements		FX Options		Cross Currency Swaps		
No. of Contracts	Notional Principal	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal	
(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		
With Banks for								
Hedging	5	1,614,635	-	-	17	2,943,180	8	7,715,465
Market Making	-	-	-	-	-	-	-	-
With FIs other than banks								
Hedging	-	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-	-
With other entities								
Hedging	-	-	-	-	-	-	-	-
Market Making	17	3,362,525	-	-	17	2,943,180	11	2,277,983
Total								
Hedging	5	1,614,635	-	-	17	2,943,180	8	7,715,465
Market Making	17	3,362,525	-	-	17	2,943,180	11	2,277,983

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

2006							
Interest Rate Swaps		Forward Rate Agreements		FX Options		Cross Currency Swaps	
No. of Contracts	Notional Principal	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal
(Rupees in '000)		(Rupees in '000)		(Rupees in '000)		(Rupees in '000)	
With Banks for							
Hedging	2	702,529	-	-	3	621,571	-
Market Making	3	941,072	-	-	-	-	-
With FIs other than banks							
Hedging	-	-	-	-	-	-	-
Market Making	-	-	-	-	-	-	-
With other entities							
Hedging	-	-	-	-	-	-	-
Market Making	20	6,181,818	-	-	3	621,571	-
Total							
Hedging	2	702,529	-	-	3	621,571	-
Market Making	23	7,122,890	-	-	3	621,571	-

24.2 Maturity Analysis
Interest Rate and Cross Currency Swaps

2007					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
Upto 1 Month	2	752,540	1,014	-	(1,014)
1 to 3 Month	2	464,135	-	-	-
3 to 6 Month	1	45,447	259	-	(259)
6 Month to 1 Year	5	1,382,857	5,054	5,765	711
1 to 2 Year	10	1,322,222	24,044		(24,044)
2 to 3 Year	13	2,466,546	24,843	1,207	(23,636)
3 to 5 Year	5	5,192,861	5,519	149,257	143,738
5 to 10 Year	3	3,344,000	-	63,870	63,870
Above 10 Year					
	41	14,970,608	60,733	220,099	159,366

2006					
Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
(Rupees in '000)					
Upto 1 Month	-	-	-	-	-
1 to 3 Month	-	-	-	-	-
3 to 6 Month	1	300,000	(155)	-	(155)
6 Month to 1 Year	1	500,000	(4,927)	-	(4,927)
1 to 2 Year	3	1,900,000	(16,880)	-	(16,880)
2 to 3 Year	10	2,536,072	(59,726)	-	(59,726)
3 to 5 Year	10	2,589,347	(73,751)	2,794	(70,957)
5 to 10 Year	-	-	-	-	-
Above 10 Year	-	-	-	-	-
	25	7,825,419	(155,439)	2,794	(152,645)

24.3 In addition the Group enters into transactions relating to equity futures. The contract amount and fair values of equity futures outstanding at December 31, 2007 are stated in note 20.4 of these consolidated financial statements.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2007	2006
	(Rupees in '000)	
25. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances		
- Customers	30,194,748	24,903,328
- Financial institutions	1,107,487	821,337
	31,302,235	25,724,665
On investments in		
- Available for sale securities	8,001,566	3,542,960
- Held to maturity securities	266,608	1,612,477
- Associates	16,892	31,513
	8,285,066	5,186,950
On deposits with financial institutions	1,204,110	1,256,750
On securities purchased under resale agreements	1,151,537	1,442,904
Discount income	19,183	16,264
	<u>41,962,131</u>	<u>33,627,533</u>
26. MARK-UP / RETURN / INTEREST EXPENSED		
On deposits	13,507,865	9,431,312
On securities sold under repurchase agreements	1,687,771	1,020,155
On other short - term borrowings	1,285,414	1,275,535
On long - term borrowings	596,625	471,851
Discount expense	85,142	61,387
	<u>17,162,817</u>	<u>12,260,240</u>
27. GAIN / (LOSS) ON SALE OF SECURITIES		
Federal Government Securities		
Market Treasury Bills	(5,234)	(3,607)
Pakistan Investment Bonds	(13,781)	(98,397)
	<u>(19,015)</u>	<u>(102,004)</u>
Fully paid - up ordinary shares		
Listed companies	389,816	391,678
Unlisted companies	-	-
	389,816	391,678
Other securities	480,788	(7,107)
	<u>851,589</u>	<u>282,567</u>
28. OTHER INCOME		
Charges recovered from customers	1,167,075	584,926
Rent on properties	143,445	119,484
Income from non-banking assets and profit from sale of or dealing with such assets	-	14,391
Others	303,631	74,544
	<u>1,614,151</u>	<u>793,345</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Note	2007	2006
		(Rupees in '000)	
29. ADMINISTRATIVE EXPENSES			
Personnel Cost			
Salaries, allowances etc.		6,582,629	5,515,126
Medical expenses		315,567	269,293
Charge for compensated absences		125,876	201,501
Contribution to defined contribution plan		131,975	107,664
Reversal in respect of defined benefit obligations		(219,648)	(31,460)
		6,936,399	6,062,124
Premises Cost			
Rent, taxes, insurance, electricity etc.		1,271,697	895,629
Depreciation	11.2	199,926	167,755
Repairs and maintenance		124,897	76,580
		1,596,520	1,139,964
Other Operating Cost			
Outsourced service charges including sales commission		1,441,421	1,044,641
Advertisement and publicity		619,397	491,613
Communications		574,943	512,215
Depreciation	11.2	512,888	425,517
Legal and professional charges		458,740	216,845
Banking service charge		361,062	244,423
Stationery and printing		300,268	258,886
Travelling		172,306	145,668
Cash transportation charges		157,390	144,165
Repairs and maintenance		148,736	110,322
Insurance expense		115,595	97,737
Amortization	11.3	90,376	53,031
Vehicle expenses		89,988	89,673
Training and seminar		86,960	84,981
Office running expenses		81,030	64,230
Entertainment		69,997	55,728
Cartage, freight and conveyance		61,364	50,625
Auditors' remuneration	29.2	45,889	41,296
Subscriptions		27,984	22,859
Computer expenses		26,178	20,668
Brokerage expenses		20,176	19,142
Sub-ordinated debt issuance costs		19,836	27,804
Donations	29.1	13,840	11,350
Non-executive directors' fee and allowances		7,152	6,321
Finance charges on leased assets		519	615
Miscellaneous expenses		220,257	195,422
		5,724,292	4,435,777
		<u>14,257,211</u>	<u>11,637,865</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

29.1 Donations were not made to any donee in which the Group or a director or his spouse had any interest.

29.2 Auditors' remuneration

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

	2006		
	A. F. Ferguson & Co.	KPMG Taseer Hadi & Co.	Total
	(Rupees in '000)		
Audit fee	5,100	5,100	10,200
Fee for audit of EPZ branch	60	-	60
Special certifications and sundry advisory services	200	-	200
Fee for audit of overseas branches and subsidiaries	-	-	28,721
Fee for audit of domestic subsidiaries	212	45	257
Out of pocket expenses	968	890	1,858
	<u>6,540</u>	<u>6,035</u>	<u>41,296</u>

	Note	2007	2006
		(Rupees in '000)	
30. OTHER PROVISIONS / WRITE OFFS - Net			
Provision against other assets - net	12.1	80,707	173,650
Provision against off - balance sheet obligations	20.3	(38,093)	52,663
Other provisions / write offs		193,667	-
		<u>236,281</u>	<u>226,313</u>

31. OTHER CHARGES			
Penalties of State Bank of Pakistan		<u>17,430</u>	<u>25,980</u>

	2007			
	Overseas	Azad Kashmir	Domestic	Total
	(Rupees in '000)			
Current tax	631,285	251,563	4,268,394	5,151,242
Prior year tax	21,961	-	420,706	442,667
Deferred taxation	(129,466)	(969)	(904,220)	(1,034,655)
	<u>523,780</u>	<u>250,594</u>	<u>3,784,880</u>	<u>4,559,254</u>

	2006			
	Overseas	Azad Kashmir	Domestic	Total
	(Rupees in '000)			
Current tax	601,550	354,752	2,466,974	3,423,276
Prior year tax	19,058	17,626	8,541	45,225
Deferred taxation	274,554	111,043	978,806	1,364,403
	<u>895,162</u>	<u>483,421</u>	<u>3,454,321</u>	<u>4,832,904</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2007 (Rupees in '000)	2006
32.1 Relationship between tax expense and accounting profit		
Accounting profit for the year	13,796,269	14,499,782
Tax on income @ 35% (2006: 35%)	4,828,694	5,074,924
Tax effect of items that are either not included in determining taxable profit or taxed at reduced rates	(678,769)	(232,865)
Deferred tax liability / (asset) recognized on assessed losses / temporary differences	-	(50,810)
Reversal of deferred tax liability on incremental depreciation	(33,338)	(3,570)
Prior year tax charge	442,667	45,225
Tax charge	4,559,254	4,832,904

33. BASIC / DILUTED EARNINGS PER SHARE

Profit after taxation for the year attributable to the shareholders of the holding company	8,975,280	9,529,388
	(Number of shares)	
Weighted average number of ordinary shares	809,375,000	809,375,000
	(Rupees)	
Basic / diluted earnings per share	11.09	11.77

33.1 Diluted earnings per share has not been presented as the Group does not have any convertible instruments in issue at December 31, 2006 and 2007 which would have any effect on the earnings per share if the option to convert is exercised.

	2007 (Rupees in '000)	2006
34. CASH AND CASH EQUIVALENTS		
Cash and balances with treasury banks	57,622,360	49,023,540
Balances with other banks	10,982,176	19,418,278
	68,604,536	68,441,818

	(Number)	
35. STAFF STRENGTH		
Permanent	9,520	9,860
Contractual basis	12	11
Bank's own staff strength at the end of the year	9,532	9,871
Outsourced	5,522	5,631
Total number of employees at the end of the year	15,054	15,502

36. EMPLOYEE BENEFITS
36.1 United Bank Limited
36.1.1 Defined benefit plan

United Bank Limited operates a funded pension scheme established in 1986. The Bank also operates a funded gratuity scheme for new employees and those employees who have not opted for the pension scheme. Further, the Bank also operates a contributory benevolent fund scheme and provides post retirement medical benefits to eligible retired employees. The benevolent fund plan and post retirement medical plan cover all the regular employees of the Bank. Actuarial valuation of the defined benefit plan / scheme is carried out every year and the latest valuation was carried out as at December 31, 2007.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**
36.1.2 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2007. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the defined benefit plans:

	2007	2006
Discount rate	10%	9%
Expected rate of return on plan assets	10%	9%
Expected rate of salary increase	8%	9%
Expected rate of pension increase	5%	4%

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

	2007				2006			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)							
Present value of funded obligations	4,343,529	399,289	564,591	-	4,433,583	437,373	670,979	-
Fair value of plan assets	(7,260,256)	(356,676)	(914,356)	-	(7,116,577)	(335,449)	(917,522)	-
	(2,916,727)	42,613	(349,765)	-	(2,682,994)	101,924	(246,543)	-
Present value of unfunded obligation	-	-	-	1,202,462	-	-	-	1,298,048
Net actuarial gains or (losses) not recognized	2,247,418	(44,499)	324,249	16,296	2,175,323	(103,944)	188,256	(71,717)
(Receivable) / payable	(669,309)	(1,886)	(25,516)	1,218,758	(507,671)	(2,020)	(58,287)	1,226,331

36.1.4 Movement in defined benefit obligation

	2007				2006			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)							
Obligation at the beginning of the year	4,433,583	437,373	670,979	1,298,048	4,184,487	381,983	665,686	1,263,750
Current service cost	19,507	55,913	17,190	14,694	19,626	46,838	17,758	15,511
Interest cost	399,022	39,364	60,388	116,824	376,604	34,378	59,912	113,738
Benefits paid by the fund	-	-	-	-	(629)	-	(597)	-
Benefits paid by the beneficiaries	(542,560)	(54,026)	(36,952)	(88,996)	(385,005)	(59,373)	(60,716)	(57,318)
Early retirement liability	(59,539)	(48,918)	(28,628)	(49,425)	-	-	-	-
Actuarial (gain)/ loss on obligation	93,516	(30,417)	(118,386)	(88,683)	238,500	33,547	(11,064)	(37,633)
Obligation at the end of the year	4,343,529	399,289	564,591	1,202,462	4,433,583	437,373	670,979	1,298,048

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**
36.1.5 Movement in fair value of plan assets

	2007				2006			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)							
Fair value at the beginning of the year	7,116,577	335,449	917,522	-	6,349,249	345,484	773,365	-
Expected return on plan assets	640,492	30,190	82,577	-	571,432	31,094	69,603	-
Contribution by the bank	-	80,928	7,618	-	-	51,259	10,000	-
Contribution by the employees	-	-	7,618	-	-	-	10,290	-
Amount paid by the fund to the bank	(915,911)	(109,388)	(147,535)	-	(516,973)	(61,696)	(26,129)	-
Benefits received on behalf of the bank	-	2,611	1,809	-	-	-	-	-
Benefits paid by the fund	-	-	-	-	(629)	-	(597)	-
Actuarial gain/ (loss) on plan assets	419,098	16,886	44,747	-	713,498	(30,692)	80,990	-
Fair value at the end of the year	7,260,256	356,676	914,356	-	7,116,577	335,449	917,522	-

36.1.6 Movement in (receivable) / payable to defined benefit plans

	2007				2006			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)							
Opening balance	(507,671)	(2,020)	(58,287)	1,226,331	(346,059)	(3,373)	(9,555)	1,154,400
Mark-up receivable on company's balance	(10,351)	-	(9)	-	-	-	-	-
Charge/ (reversal) for the year	(403,532)	79,092	(1,308)	133,976	(293,580)	50,289	(4,113)	129,249
Contribution to / (refund from) fund made during the year	915,911	28,460	139,917	-	516,973	10,437	16,129	-
Payment received on Behalf of the Bank	-	(2,611)	(1,809)	-	-	-	-	-
Benefits paid	(663,666)	(104,807)	(104,020)	(141,549)	(385,005)	(59,373)	(60,748)	(57,318)
Closing balance	(669,309)	(1,886)	(25,516)	1,218,758	(507,671)	(2,020)	(58,287)	1,226,331

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**
36.1.7 Charge for defined benefit plans

	2007				2006			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)							
Current service cost	19,507	55,913	17,190	14,694	19,626	46,838	17,758	15,511
Interest cost	399,022	39,364	60,388	116,824	376,604	34,378	59,912	113,738
Expected return on plan assets	(640,492)	(30,190)	(82,577)	-	(571,432)	(31,094)	(69,603)	-
Actuarial (gains) and losses	(162,630)	6,690	(10,690)	-	(118,378)	167	(1,890)	-
Employees' contributic	-	-	(7,618)	-	-	-	(10,290)	-
Settlement loss / gains	(18,939)	7,315	21,999	2,458	-	-	-	-
	(403,532)	79,092	(1,308)	133,976	(293,580)	50,289	(4,113)	129,249

36.1.8 Actual return on plan assets

Amongst the defined benefit plans, currently the pension, gratuity and benevolent fund plans are funded. The actual return earned on the assets during the year are:

	2007				2006			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)							
Expected return on plan assets	640,492	30,190	82,577	-	571,432	31,094	69,603	-
Actuarial gain/ (loss) on plan assets	419,098	16,886	44,747	-	713,498	(30,692)	80,990	-
	1,059,590	47,076	127,324	-	1,284,930	402	150,593	-

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

	Pension Fund				
	2007	2006	2005	2004	2003
	(Rupees in '000)				
Present value of defined benefit obligation	(4,343,529)	(4,433,583)	(4,184,487)	(4,027,184)	(3,363,652)
Fair value of plan assets	7,260,256	7,116,577	6,349,249	6,541,166	5,985,788
Surplus / (Deficit)	(2,916,727)	2,682,994	2,164,762	2,513,982	2,622,136
Experience adjustments on plan liabilities [loss/(gain)]	126,265	238,500	251,108	292,061	(213,654)
Experience adjustments on plan assets [loss/(gain)]	(11,848)	(411,713)	(438,971)	(534,091)	(402,753)

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Gratuity Fund				
	2007	2006	2005	2004	2003
	(Rupees in '000)				
Present value of defined benefit obligation	(399,289)	(437,373)	(381,983)	(292,738)	(279,509)
Fair value of plan assets	356,676	335,449	345,484	324,220	373,367
Surplus / (Deficit)	42,613	(101,924)	(36,499)	31,482	93,858
Experience adjustments on plan liabilities [loss/(gain)]	27,782	33,547	50,697	1,029	(39,872)
Experience adjustments on plan assets [loss/(gain)]	(5,179)	10,979	757	(1,023)	13,931

	Benevolent Fund				
	2007	2006	2005	2004	2003
	(Rupees in '000)				
Present value of defined benefit obligation	(564,591)	(670,979)	(665,686)	(719,317)	(582,699)
Fair value of plan assets	914,356	917,522	773,365	694,182	607,327
Surplus / (Deficit)	(349,765)	246,543	107,679	(25,135)	24,628
Experience adjustments on plan liabilities [loss/(gain)]	(90,203)	(11,064)	33,543	286,097	(89,812)
Experience adjustments on plan assets [loss/(gain)]	(45,638)	(64,187)	(59,679)	(60,667)	(46,803)

	Post retirement medical				
	2007	2006	2005	2004	2003
	(Rupees in '000)				
Present value of defined benefit obligation	(1,202,462)	(1,298,048)	(1,263,750)	(1,256,633)	(1,064,831)
Experience adjustments on plan liabilities [loss/(gain)]	67,904	(37,633)	(12,195)	36,389	160,963

36.1.10 Effects of a 1% movement in assumed medical cost trend rates

Annual medical expense limit is based on frozen non-monetized basic pay of employees as on June 30, 2001. Accordingly, movement in medical cost trend rates would not affect current service cost, interest cost and defined

36.1.11 Components of plan assets as a percentage of total plan assets

	2007				2006			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)							
Government securities	99.97%	32.20%	46.88%	-	88.80%	48.00%	95.00%	-
Units of mutual funds	0.00%	21.62%	51.05%	-	0.01%	23.00%	2.40%	-
Ordinary shares of listed companies	0.00%	0.00%	2.07%	-	0.00%	0.00%	2.50%	-
Term finance certificate	0.00%	41.44%	0.00%	-	0.00%	28.00%	0.00%	-
Others (including bank balances)	0.03%	4.74%	0.00%	-	11.19%	1.00%	0.10%	-
	100.00%	100.00%	100.00%	-	100.00%	100.00%	100.00%	-

As per the actuarial recommendations the expected return on plan assets was taken as 12% per annum. The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
36.1.12 Expected contributions to be paid to the funds in the next financial year

United Bank Limited contributes to the pension and gratuity funds according to the actuary's advice. Contribution to the benevolent fund is made by the Bank as per the rates set out in the benevolent scheme. Based on actuarial advice the management estimate that the charge in respect of defined benefit plans for the year ending December 31, 2008 will be as follows:

	2008			
	Pension fund	Gratuity fund	Benevolent fund	Post retirement medical
	(Rupees in '000)			
Expected charge for the year	(503,546)	51,242	(45,339)	132,524

36.2 United National Bank Limited Pension and Life assurance scheme for U.K Employees.

As part of the shareholder agreement (the "agreement") signed on November 9, 2001 between UNBL and the share holders of United Bank Limited and National Bank of Pakistan, it was agreed that the UNBL may participate as an associated employer in the United Bank Limited Pension and Life Assurance Scheme ("The Scheme") with effect from the completion of transfer of the businesses (November, 2001) ("The Completion date"). the scheme provides benefits based on final pensionable salary.

Under the terms of the Agreement, the company is responsible for the funding requirements of the active members whose employment were transferred to the UNBL on the completion date and for any new members admitted to the scheme after this date. United Bank Limited remains responsible for the funding of the pensioners and deferred members as at the Completion Date.

No new members have been admitted to the scheme in the year ended December 31, 2007.

The last full actuarial valuation of the scheme was carried at January 1, 2006 and has been updated to December 31, 2007 using Projected Unit Credit Method. The major assumptions used by the actuary are as follows:

	2007	2006
	Percentage	
Rate of increase in salary	4.75	4.75
Rate of increase in pension	3.50	3.00-3.55
Rate of revaluation of pension in deferment	5.00	5.00
Discount rate	5.90	5.10
Price inflation	3.25	3.25

The assets and liabilities of the scheme noted below relate to those employees for whom the UNBL has a funding liability. The combined assets in the scheme and the expected rate of return were:

	2007	2006
	Percentage (Rupees '000)	Percentage (Rupees '000)
Other - insurance policy	4.75 516,306	4.75 382,517
Total market value of assets	516,306	382,517
Actuarial value of liability	(478,797)	(420,351)
Net pension asset / (liability)	37,509	(37,834)

The Directors of United National Bank are of the opinion that the pension asset is not realisable in the short term and have therefore decided not to recognize the pension asset.

The asset value supplied by the insurance company for 2007 is on an ongoing basis. If the policy had been surrendered at December 31, 2007 the surrender value would have been Rs. 374,468 million. It is not UNBL's intention to surrender the policy.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**
36.2.1 Movement in defined benefit obligation

	2007	2006
	(Rupees in '000)	
Obligation at the beginning of the year	(37,834)	(2,469)
Current Service Cost	(12,275)	(10,115)
Interest Cost	(2,188)	111
Employer's contribution	9,358	8,781
Actuarial (gains) / losses	80,333	(36,680)
Exchange Adjustment	115	2,538
Obligation at the end of the year	<u>37,509</u>	<u>(37,834)</u>

36.2.3 Charged for defined benefit plans

Current service cost	<u>(12,275)</u>	<u>(10,115)</u>
----------------------	-----------------	-----------------

36.2.4 Actual return on plan asset

Expected return on plan assets	20,053	15,450
Actuarial loss on plan assets	(22,241)	(15,339)
	<u>(2,188)</u>	<u>111</u>

36.3 UBL Fund Managers Limited

The scheme provides for gratuity benefits for all its eligible employees who attain the minimum qualifying period of three years. Annual charge is based on actuarial valuation carried out as at December 31, 2007 using the Projected

36.3.1 Principal actuarial assumptions

The key assumptions used for actuarial valuation were as follows:	2007	2006
Discount rate	10%	10%
Expected rate of return on plan assets	10%	10%
Expected rate of salary increase	10%	10%
Expected withdrawal rate	Moderate	Moderate

36.3.2 Reconciliation of payable to defined benefit plan

	2007	2006
	(Rupees in 000)	
Present value of defined benefit obligations	4,427	1,820
Fair value of plan assets	<u>(1,897)</u>	<u>(469)</u>
	2,530	1,351
Unrecognised actuarial gains / (losses)	<u>(591)</u>	<u>(87)</u>
	<u>1,939</u>	<u>1,264</u>

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**

	2007	2006
	(Rupees in 000)	
36.3.3 Movement in defined benefit obligation		
Obligation at the beginning of the year	1,820	459
Current Service Cost	1,836	1,250
Interest Cost	274	78
Benefits paid	-	-
Actuarial (gains) / losses	497	33
Recognition of transitional liability	-	-
Obligation at the end of the year	<u>4,427</u>	<u>1,820</u>
36.3.4 Movement in the fair value of plan assets		
Fair value of plan assets at the beginning of the year	469	-
Expected return on plan assets	171	64
Contributions to the plan	1,264	459
Benefits paid	-	-
Actuarial gains / (losses)	(7)	(54)
	<u>1,897</u>	<u>469</u>
36.3.5 Movement in net liability recognized		
Opening net liability	1,264	459
Expense recognized	1,939	1,264
Contribution to the fund made during the year	(1,264)	(459)
Closing net liability	<u>1,939</u>	<u>1,264</u>
36.3.6 Charge for defined benefit plan		
Current service cost	1,836	1,250
Interest cost	274	78
Expected return on plan assets	(171)	(64)
Actuarial (gain) / losses recognized	-	-
Recognition of transitional liability	-	-
	<u>1,939</u>	<u>1,264</u>
36.3.7 Actual Return on Plan Assets	<u>131</u>	<u>11</u>
36.3.8 Details of Surplus in the plan		
Present value of defined benefit obligation	4,427	1,820
Fair value of plan assets	(1,897)	(469)
(Surplus) / Deficit	<u>2,530</u>	<u>1,351</u>
Experience adjustments on plan liabilities	<u>497</u>	<u>33</u>
Experience adjustments on plan assets	<u>7</u>	<u>54</u>

The expected gratuity expense for the year ending December 31, 2008 would be Rs 2.92 million.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
37. OTHER EMPLOYEE BENEFITS
37.1 Defined contribution plan

United Bank Limited operates a contributory provident fund scheme for 6,053 (2005: 5,495) employees who are not in the pension scheme. The employer and employee both contribute 8.33% of the basic salaries to the funded scheme every month.

37.2 Employee compensated absences

The liability of United Bank Limited in respect of long-term employee compensated absences is determined based on actuarial valuation carried out using Projected Unit Credit Method. The liability of the bank as per the latest actuarial valuation carried out as at December 31, 2007 amounted to Rs. 843.193 million (2006: Rs 1,074.258 million) which has been fully provided by the bank. The charge for the year in respect of these absences amounted to Rs.125.876 million (2006: Rs 201.501 million) which is included in note 29 to these financial statements.

37.3 Employee Motivation and Retention Scheme

United Bank Limited operates a long term motivation and retention scheme for its employees. The objective of the scheme is to reward, motivate and retain high performing executives and officers of the Bank by way of Bonus in the form of shares of UBL. The liability of the Bank in respect of this scheme is fixed and approved each year by the Board of Directors of the Bank. The scheme is managed by separate Trusts formed in respect of each year. For

38. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President / Chief Executive		Directors		Executives	
	2007	2006	2007	2006	2007	2006
	(Rupees in '000)					
Fees	-	-	119	117	-	-
Managerial remuneration	73,557	48,385	-	-	623,238	394,833
Charge for defined benefit plan	776	455	-	-	29,744	6,850
Contribution to defined contribution plan	1,680	1,380	-	-	32,039	20,759
Rent and house maintenance	1,440	1,440	-	-	172,992	116,143
Utilities	227	303	-	-	38,443	25,810
Medical	36	21	-	-	38,443	25,810
Reimbursement of children's education fee	1,837	1,035	-	-	-	-
Vehicle running, maintenance and others	775	447	-	-	157,701	33,476
	80,328	53,466	119	117	1,092,600	623,681
Number of persons	1	1	3	3	405	269

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

In addition to the above, all executives including Chief Executive Officer of the bank, are also entitled to certain short and long term employee benefits which are disclosed in note 37 to these consolidated financial statements. The particulars in this note do not include particulars of Directors, Chief Executive and Executives of subsidiary

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**
39. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments other than those classified as held to maturity is based on quoted market price. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per the latest available audited financial statements

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Group's accounting policy as stated in note 5.5 to these consolidated financial statements

The repricing profile, effective rates and maturity are stated in note 44.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer loans and deposits are frequently repriced.

40. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

For the year ended December 31, 2007						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset management	Others
(Rupees in '000)						
Total income	878,445	9,043,358	27,315,608	14,096,814	402,587	155,982
Total expenses	(94,393)	(6,858,616)	(22,077,601)	(8,769,379)	(202,424)	(94,112)
Net income / (loss)	784,052	2,184,742	5,238,007	5,327,435	200,163	61,870
Segment return on assets (ROA) (%)	10%	8%	13%	9%	75%	5%
Segment cost of funds (%)	11%	7%	9%	7%	0%	7%

For the year ended December 31, 2006						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset management	Others
(Rupees in '000)						
Total income	13,985,890	4,184,432	10,755,877	11,749,448	107,887	129,740
Total expenses	(11,231,616)	(3,585,573)	(8,605,811)	(2,786,189)	(116,735)	(87,568)
Net income / (loss)	2,754,274	598,859	2,150,066	8,963,259	(8,848)	42,172
Segment return on assets (ROA) (%)	10%	7%	15%	8%	153%	8%
Segment cost of funds (%)	8%	7%	9%	3%	0%	8%

As at December 31, 2007						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset management	Others
(Rupees in '000)						
Segment assets (gross)	5,720,519	179,801,387	171,381,012	202,709,302	265,398	2,949,577
Segment non performing loans	-	-	18,822,358	3,529,367	-	-
Segment provision required	-	-	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

As at December 31, 2006						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Asset management	Others
(Rupees in '000)						
Segment assets (gross)	1,065,980	118,913,989	193,219,277	133,271,192	70,522	1,704,365
Segment non performing loans	-	-	9,859,499	6,886,292	-	-
Segment provision required	-	-	7,289,044	5,120,918	-	-
Segment liabilities	289,895	112,479,273	165,970,561	122,857,860	15,283	1,045,006

41. TRUST ACTIVITIES

The Group is not engaged in any significant trust activities. However, it acts as security agent for some of the Term Finance Certificates it arranges and distributes on behalf of its customers.

42. RELATED PARTY TRANSACTIONS

The Group has related party relationship with its associated undertakings (refer note 9.1), employee benefit plans (refer note 36) and its directors and executive officers (including their associates).

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

Contributions to and accruals in respect of staff retirements and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan (refer note 36 to these consolidated financial statements for the details of plans). Remuneration to the executives, disclosed in note 38 to these consolidated financial statements are determined in accordance with the terms of their appointment.

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

	2007			2006		
	Key management personnel	Associates	Other related parties	Key management personnel	Associates	Other related parties
	(Rupees in '000)					
Advances						
At January 01	94,550	565	1,000,000	80,825	565	1,817,576
Given during the year	46,452	-	-	46,817	-	-
Repaid during the year	(59,548)	(565)	(1,000,000)	(33,092)	-	(817,576)
At December 31	81,454	-	-	94,550	565	1,000,000
Deposits						
At January 01	13,249	11,226	6,160,983	15,542	-	4,327,134
Received during the year	294,791	48,419,004	2,432,626	189,638	138,201	149,323,191
Withdrawn during the year	(293,788)	(48,198,344)	(2,728,493)	(191,931)	(135,732)	(147,480,585)
At December 31	14,252	231,886	5,865,116	13,249	2,469	6,169,740
Placements made during the year	-	-	-	-	500,000	-
Placements settled during the year	-	-	-	-	500,000	-
Maximum amount of placement	-	-	-	-	-	-
Mark-up / return / interest earned	3,294	1,988	19,222	3,651	2,349	100,545
Mark-up / return / interest expensed	56	2,246	128,096	-	-	115,530
Reimbursement of liaison office expenses paid to Bestway and Abu Dhabi Group	-	-	36,444	-	-	36,170
Investment made during year	-	17,134,635	18,743	-	1,460,000	-
Redemptions made during the year	-	12,875,596	-	-	-	-
Other expenses paid	-	119,943	37,954	-	30,824	-
Remuneration paid	254,385	-	-	189,407	-	-
Post employment benefits	14,727	-	-	7,506	-	-
Contribution to defined contribution plan	-	-	118,897	-	-	104,287
Charge for defined benefit obligation	-	-	88,546	-	-	61,259
Payment in respect of employee motivation and retention scheme	-	-	480,000	-	-	-
Payable in respect of motivation and retention scheme	-	-	263,181	-	-	559,900
Management fee	-	359,576	-	-	93,862	-

43. CAPITAL ADEQUACY
43.1 Capital Management

The objective of managing capital is to safeguard the Group's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders by pricing products and services commensurately with the level of risk. It is the policy of the Group to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Goals of managing capital

The goals of managing capital of the Group are as follows:

- To be an appropriately capitalized institution, as defined by regulatory authorities and comparable to the peers;
- Maintain strong ratings and to protect the Group against unexpected events;
- Availability of adequate capital (including the quantum) at a reasonable cost so as to enable the Group to expand; and achieve low overall cost of capital with appropriate mix of capital elements.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
Statutory minimum capital requirement and management of capital

The State Bank of Pakistan through its BSD Circular No. 6 dated October 28, 2006 requires the minimum paid up capital (net of losses) for Banks / Development Finance Institutions to be raised to Rs. 6 billion by the year ending December 31, 2009. The raise is to be achieved in a phased manner requiring Rs. 4 billion paid up capital (net of losses) by the end of the financial year 2007. The paid up capital of United Bank Limited for the year ended December 31, 2007 stood at Rs. 8.093 billion and is in compliance with the SBP requirement for the said year. In addition banking companies carrying on business in Pakistan are also required to maintain a minimum Capital Adequacy Ratio (CAR) of 8% of the risk weighted exposure of the banking company. Group's CAR as at December 31, 2007 was 12.40% of its risk weighted exposure.

Group's regulatory capital is analyzed into two tiers

Tier 1 capital, which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves as per the financial statements and net un-appropriated profits, etc after deductions for investments in the equity of subsidiary engaged in banking and financial activities and deficit on revaluation of available for sale investments.

Tier 2 capital, which includes general provisions for loan losses (up to a maximum of 1.25% risk weighted assets), reserves on the revaluation of fixed assets and equity investments (up to a maximum of 50% the balance in the related revaluation reserves), foreign exchange translation reserves), etc.

The Group has already successfully issued TFCs in the past and continues to be in a position, if needed, to raise capital in the financial markets.

The required capital adequacy ratio (8% of the risk-weighted assets) is achieved by the Group through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk. Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the State Bank of Pakistan that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. The total risk-weighted exposures comprise the credit risk and market risk.

The calculation of Capital Adequacy enables the Group to assess the long-term soundness. As the bank carry on the business on a wide areas network basis, it is critical that it is able to continuously monitor the exposure across the entire organization and aggregate the risks so as to take an integrated approach / view.

The allocation of capital between specific operations and activities is, to a large extent driven by the optimization of the return achieved on the capital allocated. Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision making. Account also is taken of synergies with other operations and activities, etc. and the fit of the activity with the Group's long term strategic objectives. The Group has complied with all externally imposed capital requirements through out the period. Further there has been no material change in the Group's management of capital during the period.

**UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007**
43.2 Capital Adequacy Ratio

The capital to risk weighted assets ratio, calculated in accordance with the State Bank of Pakistan's guidelines on capital adequacy was as follows:

		2007	2006		
		(Rupees in '000)			
Regulatory capital base					
Tier I Capital					
Share capital		8,093,750	6,475,000		
Reserves		8,719,409	7,038,891		
Unappropriated profits		16,728,289	12,930,344		
Minority interest		2,115,643	1,772,168		
		<u>35,657,091</u>	<u>28,216,403</u>		
Less: Adjustments					
- Deficit on account of revaluation of investments classified as AFS		(347,650)	(157,041)		
Total Tier I Capital		<u>35,309,441</u>	<u>28,059,362</u>		
Tier II Capital					
Subordinated debt (upto 50% of total Tier I Capital)		5,327,148	5,860,474		
General provisions (subject to 1.25% of total risk weighted assets)		1,296,496	1,163,019		
Exchange translation reserve		2,857,965	2,290,673		
Revaluation reserves		4,797,497	1,343,500		
Total Tier II Capital		<u>14,279,106</u>	<u>10,657,666</u>		
Eligible Tier III Capital					
		-	-		
Total regulatory capital (a)		<u>49,588,547</u>	<u>38,717,028</u>		
Risk weighted exposures					
		2007	2006		
	Note	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
		(Rupees in '000)			
Credit risk					
Balance sheet items:					
Cash and balances with treasury banks		52,125,613	-	46,028,679	-
Balances with other banks	43.2.1	16,478,923	3,295,785	22,413,139	4,482,628
Lendings to financial institutions		24,781,723	9,659,006	29,572,070	7,203,011
Investments	43.2.2	113,772,096	14,583,184	65,601,017	9,841,356
Advances	43.2.3	302,285,863	242,732,681	253,278,851	211,528,702
Fixed assets		19,040,390	19,040,391	6,362,492	6,362,492
Deferred tax asset - net		-	-	907,575	907,575
Other assets		12,071,661	11,446,294	10,614,856	10,023,507
		<u>540,556,269</u>	<u>300,757,341</u>	<u>434,778,679</u>	<u>250,349,271</u>
Off - balance sheet items:					
Loan repayment guarantees		21,992,755	21,981,396	23,799,320	23,629,080
Performance bonds etc		60,341,290	27,098,512	32,614,417	14,497,855
Stand by letters of credit		140,990,243	29,117,788	84,547,409	15,921,776
Outstanding interest rate swaps		4,977,161	169,877	7,825,419	262,692
Outstanding foreign exchange contracts		9,993,448	464,574	-	-
Purchase		79,696,293	864,857	51,726,869	316,448
Sales		81,207,417	853,039	51,310,051	300,559
		<u>160,903,710</u>	<u>1,717,896</u>	<u>103,036,920</u>	<u>617,007</u>
		<u>399,198,607</u>	<u>80,550,043</u>	<u>251,823,485</u>	<u>54,928,410</u>
Credit risk weighted exposures			<u>381,307,384</u>		<u>305,277,681</u>
Market Risk					
General market risk			853,623		160,150
Specific market risk			575,164		37,258
Foreign exchange risk			64,527		683,440
Total capital charge for market risk (b)			<u>1,493,314</u>		<u>880,848</u>
Market risk weighted exposures (b x 12.5)			<u>18,666,425</u>		<u>11,010,600</u>
Total risk weighted exposures (c)			<u>399,973,809</u>		<u>316,288,281</u>
Capital Adequacy Ratio (a / c x 100)			<u>12.40%</u>		<u>12.24%</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

- 43.2.1** Balances with other banks includes balances with National Bank of Pakistan in local currency current account amounting to Rs 5,496.747 million (2006: Rs 2,994.861million) classified under cash and balances with treasury banks in these consolidated financial statements.
- 43.2.2** Investments held-for-trading portfolio amounting to Rs. 254.177 million (2006: Rs 134.110 million) . The held-for-trading portfolio is subject to market risk and is included in the computation of capital charge for market risk.
- 43.2.3** Advances secured against government securities / own deposits / cash margin amounting to Rs 7281.923 million (2006: Rs 2,554.660 million) have been deducted from gross advances. Advances are gross of general reserve for consumer financing amounting to Rs 1296.496 million (2006: Rs. 1,163.019 million). This reserve has been added to supplementary capital.
- 43.2.4** Cash margin amounting to Rs 1,686.041million (2006: Rs 1,413.397 million) have been deducted from loan repayment guarantees.
- 43.2.5** Cash margin amounting to Rs 629.038 million (2006: Rs. 628.335 million) have been deducted from performance bonds etc.
- 43.2.6** Cash margin amounting to Rs 736.368 million (2006: Rs 683.503 million) have been deducted from stand by letters of credit.
- 43.2.7** Forward foreign exchange contracts with maturity of less than or equal to 14 days amounting to Rs. 8213.369 million (2006: Rs. 11,981.180 million) have been excluded from the above in accordance with the guidelines for determination of CAR prescribed by SBP.

44. RISK MANAGEMENT

This section presents information about the Group's exposure to and its management and control of risks, in particular the primary risks associated with its use of financial instruments:

- Credit risk is the risk of loss resulting from client or counterparty default
- Market risk is exposure to market variables such as interest rates, exchange rates and equity indices
- Liquidity risk is the risk that the Group may be unable to meet its payment obligations when due
- Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and therefore includes legal risk

Representations of risk are for a given period and the Group's risk management will constantly evolve as its business activities change in response to credit, market, product and other developments. There have been many initiatives started by the Group including IT projects for replacing the core Banking system, business process re-engineering and inventorying the risks and controls within the Groups existing business and process units. All of these initiatives, as they partially or completely roll out, will have a direct impact on the risk management function

44.1 Credit risk

Credit risk is the risk of loss to the Group as a result of failure by a client or counterparty to meet its contractual obligations. It is inherent in loans, commitments to lend and contingent liabilities, such as letters of credit – and in traded products – derivative contracts such as forwards, swaps and options, repurchase agreements (repos and

The Risk and Credit Policy Group, has the Credit Administration, Market and Treasury Risk, Commercial and FIRMU Credit Policy, Consumer and Retail Credit, Credit Risk Management and Operational Risk and Basel II functions reporting directly to the Risk and Credit Policy Group Executive. There are senior managers heading each risk category, managing a team solely dedicated to risk management and to maintain a sound and effective risk management culture. The role of the Risk and Credit Policy Group particularly includes:

- Participation in portfolio planning and management.
- Establishment of credit policies and standards that conform to regulatory requirements and the Group's overall objectives.
- Working with Business Groups in keeping aggregate credit risk well within the Group's risk taking capacity.
- Developing and maintaining Credit Approval Authority structure.
- Approving major credits.
- Granting approval authority to qualified and experienced individuals.
- Reviewing the adequacy of credit training across the Group.
- Organizing portfolio reviews focusing on quality assessment, risk profiles, industry concentrations, etc.
- Setting systems to identify significant portfolio indicators, problem credits and level of provisioning required.

Counterparty ratings, are obtained through the two local SBP authorized External Credit Rating Agencies; JCR VIS and PACRA and other international sources such as Standard and Poors, Fitch and Moody's. Credit risk assessment and the continuous monitoring of counterparty and portfolio credit exposures is carried out by the

The wholesale portfolio, which includes corporate, commercial and agricultural loans are ideally collateralized by cash equivalents, fixed and current assets including property plant and equipment, and land. Loans to individuals are typically secured by autos for car loans and private or income producing real estate is secured by a mortgage over the relevant property.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

The Group manages limits and controls concentrations of credit risk as identified, in particular to individual counterparties and groups, and to industries and countries, where appropriate. Concentrations of credit risk exist if clients are engaged in similar activities, or are located in the same geographic region or have comparable economic characteristics such that their ability to meet contractual obligations would be similarly affected by changes in economic, political or other conditions. The Group sets limits on its credit exposure to counterparty groups, by industry, product, counterparty and geographical location, in line with SBP standards. Limits are also applied in a variety of forms to portfolios or sectors where the Group considers it appropriate to restrict credit risk concentrations or areas of higher risk, or to control the rate of portfolio growth.

The Group classifies a claim as impaired if it considers it likely that it will suffer a loss on that claim as a result of the obligor's inability to meet its commitments (including interest payments, principal repayments or other payments due) after realization of any available collateral. Loans carried at amortized cost are classified as non-performing where payment of interest, principal or fees is overdue by more than 90 days. Allowances or provisions are determined such that the carrying values of impaired claims are consistent with the requirements of SBP or regulatory of the countries where the branch or the subsidiary operates. The authority to establish allowances, provisions and credit valuation adjustments for impaired claims, is vested in Finance Division and is according to SBP regulations. Details are given in note 10 to these consolidated financial statements.

44.1.1 Segmental information
44.1.1.1 Segments by class of business

	2007					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	4,362,845	1.34%	3,349,125	0.81%	5,942,216	1.39%
Agri business	14,368,394	4.41%	20,956,613	5.08%	133,550	0.03%
Textile spinning	21,731,262	6.67%	1,242,134	0.30%	1,874,086	0.44%
Textile weaving	10,759,934	3.30%	967,113	0.23%	1,784,845	0.42%
Textile composite	15,758,008	4.84%	474,008	0.12%	1,520,177	0.35%
Textile others	14,818,025	4.55%	1,306,397	0.32%	1,894,311	0.44%
Cement	8,279,376	2.54%	880,941	0.21%	4,787,875	1.12%
Sugar	8,114,092	2.49%	1,303,078	0.32%	196,899	0.05%
Shoes and leather garments	2,755,487	0.85%	1,426,002	0.35%	195,568	0.05%
Automobile and transportation equipment	6,263,701	1.92%	2,592,259	0.63%	1,829,951	0.43%
Financial	7,513,772	2.31%	13,923,366	3.38%	233,746,522	54.49%
Insurance	-	0.00%	8,558,352	2.08%	1,709	0.00%
Electronics and electrical appliances	2,432,333	0.75%	2,567,809	0.62%	1,466,097	0.34%
Production and transmission of energy	30,269,568	9.29%	20,911,496	5.07%	13,377,087	3.12%
Paper and allied	1,916,486	0.59%	570,453	0.14%	337,966	0.08%
Surgical and metal	5,636,289	1.73%	1,539,183	0.37%	110,761	0.03%
Contractors	3,826,108	1.17%	12,652,147	3.07%	676,007	0.16%
Wholesale traders	15,758,374	4.84%	24,827,046	6.02%	14,119,633	3.29%
Fertilizer dealers	4,997,043	1.53%	6,248,706	1.52%	898,260	0.21%
Sports goods	721,832	0.22%	317,714	0.08%	321	0.00%
Food industries	4,839,830	1.49%	1,539,080	0.37%	2,075,413	0.48%
Airlines	4,252,767	1.31%	2,025,897	0.49%	187,574	0.04%
Cables	182,300	0.06%	55,417	0.01%	704,511	0.16%
Construction	10,108,308	3.10%	6,375,229	1.55%	20,809,622	4.85%
Containers and ports	404,040	0.12%	2,639,257	0.64%	895	0.00%
Engineering	2,127,655	0.65%	4,935,704	1.20%	1,601,328	0.37%
Glass and Allied	484,117	0.15%	69,357	0.02%	75,551	0.02%
Hotels	2,714,499	0.83%	311,895	0.08%	9,234	0.00%
Infrastructure	-	0.00%	6,539,304	1.59%	5,613	0.00%
Media	581,197	0.18%	326,873	0.08%	408,349	0.10%
Polyester and fibre	1,519,069	0.47%	189,557	0.05%	714,004	0.17%
Telecommunication	6,353,298	1.95%	702,204	0.17%	6,212,522	1.45%
Individuals	70,085,645	21.52%	211,956,366	51.43%	15,062,970	3.51%
Others	41,736,609	12.82%	47,858,323	11.61%	96,221,187	22.43%
	325,672,263	100%	412,138,405	100%	428,982,614	100%

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2006					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Chemical and pharmaceuticals	4,511,482	1.68%	3,386,338	0.98%	3,144,371	1.08%
Agri business	7,094,810	2.64%	16,129,894	4.69%	333,860	0.12%
Textile spinning	15,907,533	5.92%	578,445	0.17%	1,020,821	0.35%
Textile weaving	10,183,090	3.79%	859,102	0.25%	1,427,245	0.49%
Textile composite	14,621,254	5.45%	799,958	0.23%	943,938	0.33%
Textile others	13,043,435	4.86%	1,221,113	0.36%	3,761,165	1.30%
Cement	4,152,150	1.55%	1,307,382	0.38%	1,321,918	0.46%
Sugar	8,724,207	3.25%	1,052,314	0.31%	503,673	0.17%
Shoes and leather garments	2,794,697	1.04%	1,034,507	0.30%	113,422	0.04%
Automobile and transportation equipment	3,011,675	1.12%	3,415,511	0.99%	1,840,308	0.63%
Financial	7,348,432	2.74%	7,227,421	2.10%	145,192,308	50.02%
Insurance	-	0.00%	9,152,038	2.66%	510	0.00%
Electronics and electrical appliances	4,145,485	1.54%	2,331,234	0.68%	1,289,381	0.44%
Production and transmission of energy	13,627,321	5.08%	11,518,679	3.35%	10,220,940	3.52%
Paper and allied	2,232,501	0.83%	1,705,473	0.50%	7,330,271	2.53%
Surgical and metal	430,915	0.16%	409,751	0.12%	443,919	0.15%
Contractors	3,121,222	1.16%	9,130,375	2.66%	2,651,680	0.91%
Wholesale traders	12,358,576	4.60%	20,523,174	5.97%	1,381,908	0.48%
Fertilizer dealers	3,495,328	1.30%	2,742,458	0.80%	856,482	0.30%
Sports goods	600,862	0.22%	189,950	0.06%	25,140	0.01%
Food industries	5,285,073	1.97%	1,316,920	0.38%	982,637	0.34%
Airlines	1,529,443	0.57%	1,028,614	0.30%	16,864	0.01%
Cables	378,700	0.14%	70,630	0.02%	448,706	0.15%
Construction	7,413,068	2.76%	4,224,425	1.23%	18,314,793	6.31%
Containers and ports	678,956	0.25%	335,051	0.10%	11,109	0.00%
Engineering	3,716,097	1.38%	2,349,450	0.68%	1,316,492	0.45%
Glass and Allied	236,206	0.09%	86,001	0.03%	116,763	0.04%
Hotels	1,329,976	0.50%	407,649	0.12%	2,582	0.00%
Infrastructure	3,731,454	1.39%	4,462,439	1.30%	6,268	0.00%
Media	1,163,559	0.43%	774,282	0.23%	267,043	0.09%
Polyester and fibre	5,632,711	2.10%	23,793	0.01%	177,910	0.06%
Telecommunication	4,860,597	1.81%	2,406,121	0.70%	4,358,017	1.50%
Individuals	54,373,659	20.25%	185,313,858	53.90%	3,826,773	1.32%
Others	46,762,229	17.42%	46,290,480	13.46%	76,626,556	26.40%
	<u>268,496,703</u>	<u>100%</u>	<u>343,804,830</u>	<u>100%</u>	<u>290,275,773</u>	<u>100%</u>

44.1.1.2 Segment by Sector

	2007					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/Government	36,593,797	11.24%	79,122,332	19.20%	84,081,193	19.60%
Private	289,078,466	88.76%	333,016,073	80.80%	344,901,421	80.40%
	<u>325,672,263</u>	<u>100%</u>	<u>412,138,405</u>	<u>100%</u>	<u>428,982,614</u>	<u>100%</u>

	2006					
	Gross advances		Deposits		Contingencies and commitments	
	(Rupees in '000)	Percent	(Rupees in '000)	Percent	(Rupees in '000)	Percent
Public/Government	25,566,786	9.52%	55,254,516	16.07%	61,399,347	21.15%
Private	242,929,917	90.48%	288,550,314	83.93%	228,856,386	78.85%
	<u>268,496,703</u>	<u>100%</u>	<u>343,804,830</u>	<u>100%</u>	<u>290,255,733</u>	<u>100%</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

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

	2007		2006	
	Classified Advances	Specific Provision Held	Classified Advances	Specific Provision Held
	(Rupees in '000)			
Chemical and pharmaceuticals	779,887	760,287	751,726	639,609
Agri business	1,356,148	540,449	913,266	348,712
Textile spinning	1,584,127	1,496,813	1,538,999	1,225,149
Textile weaving	314,127	273,068	253,351	184,686
Textile composite	712,364	689,360	754,257	617,940
Textile others	2,928,663	2,452,500	2,257,048	1,787,406
Cement	19,567	19,567	24,507	22,037
Sugar	34,782	34,782	37,187	37,187
Shoes and leather garments	7,608	5,459	146,517	89,922
Automobile and transportation equipment	150,224	149,966	144,950	142,581
Financial	158,721	66,782	138,369	69,435
Insurance	-	-	-	-
Electronics and electrical appliances	150,127	118,414	96,467	93,614
Production and transmission of energy	-	-	154,429	154,429
Paper and allied	4,617	4,288	180,046	53,102
Surgical and metal	11,905	11,905	952	952
Contractor	-	-	-	-
Wholesale traders	847,628	589,029	550,518	370,297
Fertilizer dealers	71,145	66,215	263	263
Sports goods	255,855	255,855	180,208	2,552
Food industries	785,819	719,839	769,500	361,644
Airlines	-	-	-	-
Cables	-	-	-	-
Construction	2,269,807	740,601	451,311	293,529
Containers and ports	-	-	-	-
Engineering	3,014	2,654	23,446	6,953
Steel	242,837	242,837	271,447	254,447
Glass and Allied	24	24	-	-
Hotels	126,715	82,117	245,802	66,992
Infrastructure	-	-	-	-
Media	82,462	82,462	94,004	18,947
Polyester and fibre	150	150	1,789	1,789
Telecommunication	3,000	1,500	-	-
Individuals	6,914,780	4,283,361	3,155,992	2,486,333
Others	2,535,622	2,341,040	3,609,440	3,079,455
	<u>22,351,725</u>	<u>16,031,324</u>	<u>16,745,791</u>	<u>12,409,962</u>

44.1.3 Details of non performing advances and specific provision by sector

Public/Government	-	-	60,750	-
Private	<u>22,351,725</u>	<u>16,031,324</u>	<u>16,685,041</u>	<u>12,409,962</u>
	<u>22,351,725</u>	<u>16,031,324</u>	<u>16,745,791</u>	<u>12,409,962</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
44.1.4 Geographical segment analysis

2007				
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan				
Domestic Operations	9,923,414	427,230,741	38,492,294	365,887,652
Asia Pacific (including South Asia)	75,818	2,662,392	187,073	149,581
	<u>9,999,232</u>	<u>429,893,133</u>	<u>38,679,367</u>	<u>366,037,233</u>
Overseas				
United States of America	170,243	990,806	130,217	81,521
Europe	593,475	17,730,865	7,245,314	5,684,679
Middle East	3,033,319	98,181,067	1,836,040	57,179,181
	<u>3,797,037</u>	<u>116,902,738</u>	<u>9,211,571</u>	<u>62,945,381</u>
	<u>13,796,269</u>	<u>546,795,871</u>	<u>47,890,938</u>	<u>428,982,614</u>
2006				
	Profit before taxation	Total assets employed	Net assets employed	Contingencies & commitments
	(Rupees in '000)			
Pakistan				
Domestic Operations	11,784,882	345,124,548	26,495,737	225,369,597
Asia Pacific (including South Asia)	44,198	2,541,625	867,515	80,775
	<u>11,829,080</u>	<u>347,666,173</u>	<u>27,363,252</u>	<u>225,450,372</u>
Overseas				
United States of America	176,205	1,302,816	93,905	42,481
Europe	228,843	15,041,591	4,132,705	3,639,209
Middle East	2,265,654	71,879,117	1,587,622	61,143,711
	<u>2,670,702</u>	<u>88,223,524</u>	<u>5,814,232</u>	<u>64,825,401</u>
	<u>14,499,782</u>	<u>435,889,697</u>	<u>33,177,484</u>	<u>290,275,773</u>

44.2 Market Risk

Market risk is the risk of loss arising from movements in market variables including observable variables such as interest rates, exchange rates and equity indices, and others which may be only indirectly observable such as volatilities and correlations.

Market risk measures and controls are applied at the portfolio level, and concentration limits and other controls are applied where necessary to individual risk types, to particular books and to specific exposures. Portfolio risk measures are common to all market risks, but concentration limits and other controls are tailored to the nature of the activities and the risks they create.

Trading activities are centred in the Treasury & Capital Market (TCM) and include market making, facilitation of client business and proprietary position taking. The Group is active in the cash and derivative markets for equities, fixed income and interest rate products and foreign exchange.

Controls are also applied to prevent any undue risk concentrations in trading books, taking into account variations in price volatility and market depth and liquidity. They include controls on exposure to individual market risk variables, such as individual interest or exchange rates ('risk factors'), and on positions in the securities of individual issuers.

Treasury and Market Risk (TMR) division performs all market risk management activities within the Group. The Division is composed of two wings, i.e., Treasury Middle Office and Market Risk Management. The Market Risk department is responsible for developing and reviewing market risk policies, strategies, processes, conducting market research, involved in model construction & testing etc. Middle Office is taking care of the operational side. It has to ensure monitoring and implementation of market risk and other policies, escalation of any deviation to senior management, compilation and MIS reporting, etc.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

The scope of market risk management is as follows:

- To keep the market risk exposure within the Group's risk appetite as assigned by the Board of Directors (BOD).
- All the market risk policies are approved by the BOD and implementation is done by the senior management through MRC, Treasury and Market Risk division.
- Various limits have been assigned to different businesses on a product-portfolio basis. All the products have been approved through product programs, where all the risk have been identified and limits and parameters to operate have been set.
- Any transaction/product falling beyond the Product Policy Manuals must be approved through separate transaction/product memo.

44.2.1 Foreign Exchange Risk

Foreign Exchange Risk	2007			
	Assets	Liabilities	Off - balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	394,558,972	366,877,045	4,826,574	32,508,501
US Dollar	55,155,999	45,702,191	(13,827,103)	(4,373,295)
Pound Sterling	19,523,505	11,868,268	3,855,582	11,510,819
Euro	3,877,563	3,321,995	1,549,492	2,105,060
Japanese Yen	1,280,445	23,156	(1,268,081)	(10,792)
Other Currencies	72,399,387	71,112,278	4,863,536	6,150,645
	546,795,871	498,904,933	-	47,890,938
	2006			
	Assets	Liabilities	Off - balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan Rupee	333,687,527	303,558,352	2,063,995	32,193,170
US Dollar	18,977,663	20,722,646	(5,746,310)	(7,491,293)
Pound Sterling	13,833,951	13,899,109	2,273,882	2,208,724
Euro	263,097	29,133	(256,629)	(22,665)
Japanese Yen	828,009	1,811,213	1,101,851	118,647
Other Currencies	68,299,450	62,691,760	563,211	6,170,901
	435,889,697	402,712,213	-	33,177,484

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. Foreign exchange positions are reported on a consolidated basis and limits are used to monitor exposure in individual currencies.

The Group is an active participant in currency cash and derivatives markets and carries currency risk from these trading activities, conducted primarily in the Treasury & Capital Markets. These trading exposures are subject to prescribed stress, sensitivity and concentration limits.

The Group's reporting currency is the PKR, but its assets, liabilities, income and expense are denominated in many currencies. Reported profits or losses are translated daily into PKR, reducing volatility in the Group's earnings from subsequent changes in exchange rates within the limits regulated by SBP. Treasury also, from time to time, proactively hedges significant expected foreign currency earnings / costs (mainly USD, EUR and GBP) within a time horizon up to one year, in accordance with the instructions of the SBP and subject to pre-defined limits.

44.2.2 Equity position risk

Equity position risk in trading book arises due to changes in prices of individual stocks or levels of equity indices. The Group's equity trading book comprises of Treasury Capital Market's (TCM) Held for trading (HFT) & Available for Sale (AFS) portfolios and Investment Banking Group's (IBG) AFS portfolio. Objective of Treasury Capital Market's HFT portfolio is to take advantages of short-term capital gains, while the AFS portfolio is maintained with a medium-term view of capital gains and dividend income. IBG maintains its AFS portfolio with a medium-long term view of capital gains and higher dividend yields. Separate product program manuals have been developed to discuss in detail the objectives/policies, risks/mitigates, limits/controls for equity trading portfolios of TCM and IBG.



UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

44.2.3 Mismatch of Interest Rate Sensitive Assets and Liabilities

		2007										Non-interest bearing financial instruments	
Effective yield/ Interest rate	Total	Exposed to Yield / Interest risk											
		Upto One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years			
%		----- (Rupees in '000) -----											
On-balance sheet financial instruments													
Assets													
Cash and balances with treasury banks	3.3%	57,622,360	17,025,204	-	-	-	-	-	-	-	-	40,597,156	
Balances with other banks	7.8%	10,982,176	8,185,333	-	-	-	-	-	-	-	-	2,796,843	
Lendings to financial institutions	10.8%	24,781,723	12,541,487	7,615,087	1,054,116	1,775,935	1,361,050	434,048	-	-	-	-	
Investments	8.9%	114,026,273	13,266,371	25,543,152	7,375,999	29,114,239	4,947,206	903,584	7,333,002	11,837,302	1,883,171	11,822,247	
Advances													
Performing	14.0%	301,950,889	101,090,055	55,341,652	27,230,341	27,720,904	16,306,632	15,909,099	28,336,798	21,684,521	8,330,887	-	
Non Performing	-	6,320,401	-	-	-	-	-	-	-	-	-	6,320,401	
Other assets	-	10,289,468	-	-	-	-	-	-	-	-	-	10,289,468	
		525,973,290	152,108,450	88,499,891	35,660,456	58,611,078	22,614,888	17,246,731	35,669,800	33,521,823	10,214,058	71,826,115	
Liabilities													
Bills payable	-	6,087,266	-	-	-	-	-	-	-	-	-	6,087,266	
Borrowings	9.3% - 12%	59,491,253	40,491,555	14,287,237	4,445,694	92,946	-	-	-	9,212	-	164,609	
Deposits and other accounts	0.2% - 10.6%	412,138,405	83,239,793	110,562,741	37,318,626	44,332,267	6,288,758	3,131,858	3,131,858	3,206,172	-	120,926,332	
Subordinated loans	10.20%	5,996,696	-	424	-	1,999,624	848	852	3,994,948	-	-	-	
Liabilities against assets subject to finance lease	11.5% - 14.5%	3,261	-	-	-	1,359	1,902	-	-	-	-	-	
Other liabilities	-	7,662,964	-	-	-	-	-	-	-	-	-	7,662,964	
		491,379,845	123,731,348	124,850,402	41,764,320	46,426,196	6,291,508	3,132,710	7,126,806	3,215,384	-	134,841,171	
On-balance sheet gap		34,593,445	28,377,102	(36,350,511)	(6,103,864)	12,184,882	16,323,380	14,114,021	28,542,994	30,306,439	10,214,058	(63,015,056)	
Non financial net assets		13,297,493											
Total net assets		47,890,938											
Off-balance sheet financial instruments													
Foreign currency forward purchases		81,782,747	27,361,951	3,367,205	23,937,089	17,456,897	9,416,325	243,280	-	-	-	-	
Foreign currency forward sales		(87,334,393)	(44,397,151)	(33,604,317)	(2,139,069)	(6,300,847)	(654,585)	(238,424)	-	-	-	-	
Interest rate swaps - Long position		4,977,160	1,015,040	1,126,634	-	500,000	1,098,889	997,961	238,636	-	-	-	
Interest rate swaps - Short position		(4,977,160)	(1,714,020)	(2,405,059)	(458,081)	(400,000)	-	-	-	-	-	-	
Forward Purchase of Govt. Securities		-	-	-	-	-	-	-	-	-	-	-	
Forward Sale of Govt. Securities		-	-	-	-	-	-	-	-	-	-	-	
Sale of Govt. Securities not yet purchased		(657,226)	-	(657,226)	-	-	-	-	-	-	-	-	
Cross Currency Swaps - Long Position		9,993,448	458,336	6,830,665	2,704,447	-	-	-	-	-	-	-	
Cross Currency Swaps - Short Position		(9,993,448)	(458,336)	(6,830,665)	(2,704,447)	-	-	-	-	-	-	-	
Off-balance sheet gap		(6,208,872)	(17,734,180)	(32,172,763)	21,339,939	11,256,050	9,860,629	1,002,817	238,636	-	-	-	
Total Yield/Interest Risk Sensitivity Gap		10,642,922	(68,523,274)	15,236,075	23,440,932	26,184,009	15,116,838	28,781,630	30,306,439	10,214,058	(63,015,056)		
Cumulative Yield/Interest Risk Sensitivity Gap													
		10,642,922	(57,880,352)	(42,644,277)	(19,203,345)	6,980,664	22,097,502	50,879,132	81,185,571	91,399,629	28,384,573		

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.



UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

2006											
Effective yield/ Interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
		Upto One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years	
%		(Rupees in '000)									
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	4.3%	49,023,540	20,522,278	-	-	-	-	-	-	-	28,501,262
Balances with other banks	7.0%	19,418,278	16,265,579	-	-	-	-	-	-	-	3,152,699
Lendings to financial institutions	8.0%	29,572,070	20,496,941	3,149,180	529,243	2,026,964	1,476,884	1,792,858	100,000	-	-
Investments	8.0%	65,735,128	1,710,884	1,202,307	9,768,021	26,157,905	7,307,394	3,443,386	4,524,915	6,478,904	1,764
Advances	11.0%	250,334,663	58,658,999	104,193,274	37,116,216	37,123,119	7,421,712	5,013,959	807,384	-	-
Performing		4,335,829	-	-	-	-	-	-	-	-	4,335,829
Non performing		7,807,167	-	-	-	-	-	-	-	-	7,807,167
Other assets		426,226,675	117,654,681	108,544,761	47,413,480	65,307,988	16,205,990	10,250,203	5,432,299	6,478,904	1,764
											48,936,605
Liabilities											
Bills payable	0%	4,627,769	-	-	-	-	-	-	-	-	4,627,769
Borrowings	3.0%-14.7%	38,679,808	20,691,627	10,838,746	1,458,543	2,913,596	2,777,296	-	-	-	-
Deposits and other accounts	0.2%-10.7%	343,804,830	71,061,776	102,077,250	22,359,063	31,762,714	5,863,229	3,439,807	4,123,586	3,566,977	99,550,428
Subordinated loans	10.20%	5,998,344	-	424	2,000,000	424	848	666,315	3,329,485	-	-
Liabilities against assets subject to finance lease	11.0%-14.5%	6,966	290	581	871	1,742	3,483	-	-	-	-
Other liabilities		6,709,698	-	-	-	-	-	-	-	-	6,709,698
		399,827,415	91,753,693	112,917,001	25,818,477	34,678,476	8,644,856	3,440,655	4,789,901	6,896,462	-
											110,887,895
On-balance sheet gap		26,399,260	25,900,988	(4,372,240)	21,595,003	30,629,513	7,561,134	6,809,548	642,398	(417,558)	1,764
											(61,951,290)
Non financial net assets		6,778,224									
Total net assets		33,177,484									
Off-balance sheet financial instruments											
Foreign currency forward purchases		56,461,145	25,051,697	21,643,738	8,973,761	791,949	-	-	-	-	-
Foreign currency forward sales		(58,556,959)	(30,365,074)	(17,368,333)	(8,960,479)	(1,863,073)	-	-	-	-	-
Interest rate derivatives - long position		7,825,419	-	800,000	300,000	500,000	1,100,000	1,595,000	3,530,419	-	-
Interest rate derivatives - short position		(7,825,419)	(1,930,000)	(2,778,333)	(673,485)	-	(800,000)	(1,643,601)	-	-	-
Forward purchase of Govt. securities		5,683,604	5,634,902	-	48,702	-	-	-	-	-	-
Forward sale of Govt. securities		(2,833,400)	(2,833,400)	-	-	-	-	-	-	-	-
Sale of Govt. securities not yet purchased		(1,067,735)	-	-	-	-	(99,285)	-	(968,450)	-	-
Off-balance sheet gap		(313,345)	(4,441,875)	2,297,072	(311,501)	(571,124)	300,000	(147,886)	3,530,419	(968,450)	-
											-
Total yield / interest risk sensitivity gap			21,459,113	(2,075,168)	21,283,502	30,058,389	7,861,134	6,661,662	4,172,817	(1,386,008)	1,764
											(61,951,290)
Cumulative yield / interest risk sensitivity gap			21,459,113	19,383,945	40,667,448	70,725,836	78,586,970	85,248,632	89,421,449	88,035,441	88,037,205
											26,085,915

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve.

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
44.3 Liquidity Risk

The Group's approach to liquidity management is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage to business franchises. A centralized approach is adopted, based on an integrated framework incorporating an assessment of all material known and expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required. The framework entails careful monitoring and control of the daily liquidity position, and regular liquidity stress testing under a variety of scenarios. Scenarios encompass both normal and stressed market conditions, including general market crises and the possibility that access to markets could be impacted by a stress event affecting some part of the Group's business.

44.3.1 Maturities of Assets and Liabilities - Based on contractual maturity of the assets and liabilities of the Group

The above mentioned maturity profile has been prepared on the basis of contractual maturities. The management believes that such a maturity analysis does not reveal the expected maturity of current and saving deposits as a contractual maturity analysis of deposits alone does not provide information about the conditions expected in normal circumstances. The maturity profile disclosed in note 44.3.2 that includes maturities of current and saving deposits determined by the Assets and Liabilities Management Committee (ALCO) keeping in view historical withdrawal pattern of these deposits reflects a more meaningful analysis the liquidity risk of the Group.

2007										
Total	Upto One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years	
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	57,622,360	55,732,972	-	-	-	-	-	-	-	1,889,388
Balances with other banks	10,982,176	9,804,057	557,822	289,500	11,778	-	-	-	-	319,019
Lendings to financial institutions	24,781,723	11,960,321	6,133,272	2,355,895	3,493,545	542,857	295,833	-	-	-
Investments	114,026,273	12,339,722	20,610,003	11,590,894	24,451,652	5,144,997	3,681,901	19,999,475	10,880,254	5,327,375
Advances	308,271,290	104,024,814	55,380,954	26,654,992	27,847,740	16,625,725	16,327,068	29,825,327	22,573,836	9,010,834
Fixed assets	19,040,390	66,633	133,279	399,836	799,671	3,714,645	2,113,933	3,523,221	7,046,441	1,242,731
Other assets	12,071,659	4,813,662	3,746,698	2,557,524	76,142	78,166	799,467	-	-	-
	546,795,871	198,742,181	86,562,028	43,848,641	56,680,528	26,106,390	23,218,202	53,348,023	40,500,531	#####
Liabilities										
Bills payable	6,087,266	6,087,266	-	-	-	-	-	-	-	-
Borrowings	59,491,253	43,697,460	5,348,039	4,956,842	3,006,943	2,472,757	-	-	9,212	-
Deposits and other accounts	412,138,405	217,056,771	56,769,952	25,804,399	21,354,929	20,705,804	2,184,647	3,384,269	59,252,910	5,624,724
Subordinated loans	5,996,696	-	824	-	824	1,648	1,652	2,661,676	3,330,072	-
Liabilities against assets subject to finance leases	3,261	-	-	-	1,359	1,902	-	-	-	-
Deferred tax liabilities	2,109,989	50,416	99,636	138,090	285,431	711,186	709,339	1,246,476	(934,433)	(196,152)
Other liabilities	13,078,063	455,986	9,780,888	8,546	17,092	1,939	-	608,731	2,204,881	-
	498,904,933	267,347,899	71,999,339	30,907,877	24,666,578	23,895,236	2,895,638	7,901,152	63,862,642	5,428,572
Net assets	47,890,938	(68,605,718)	14,562,689	12,940,764	32,013,950	2,211,154	20,322,564	45,446,871	(23,362,111)	#####
Represented by:										
Share capital	8,093,750									
Reserves	11,577,342									
Unappropriated profit	16,728,318									
Minority interest	2,115,645									
Surplus on revaluation of assets	9,375,883									
	<u>47,890,938</u>									



UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

2006

	Total	Upto One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	49,023,540	46,181,784	-	-	-	-	-	-	-	2,841,756
Balances with other banks	19,418,278	18,478,935	-	-	-	-	-	-	-	939,343
Lendings to financial institutions	29,572,070	20,546,941	3,489,135	641,795	1,524,459	1,476,884	1,792,856	100,000	-	-
Investments	65,735,128	1,811,401	1,263,012	11,680,877	27,544,233	7,774,349	3,453,749	5,022,524	6,671,288	513,695
Advances	254,670,492	43,486,355	72,749,874	20,503,879	19,688,039	33,732,130	13,328,751	21,591,017	21,051,778	8,538,669
Fixed assets	6,362,492	95,492	145,988	196,481	347,963	650,925	650,925	970,041	825,180	2,479,497
Other assets	10,200,122	164,299	7,732,537	1,264,342	1,222	-	-	-	1,037,722	-
Deferred tax assets	907,575	5,749	11,497	18,817	32,923	51,051	50,137	272,474	275,370	189,557
	435,889,697	130,770,956	85,392,043	34,306,191	49,138,839	43,685,339	19,276,418	27,956,056	29,861,338	#####

Liabilities

Bills payable	4,627,769	4,627,769	-	-	-	-	-	-	-	-
Borrowings	38,679,808	20,823,025	10,835,255	1,451,561	2,903,122	2,666,846	-	-	-	-
Deposits and other accounts	343,804,830	206,052,351	39,485,093	19,749,970	18,102,696	40,592	60	17,826,001	42,548,067	-
Subordinated loan	5,998,344	-	824	-	824	1,648	1,648	667,915	5,325,485	-
Liabilities against assets subject to finance leases	6,966	290	581	871	1,742	3,483	-	-	-	-
Other liabilities	9,594,496	544,028	6,184,066	10,514	17,613	-	-	652,339	2,185,936	-
	402,712,213	232,047,463	56,505,819	21,212,916	21,025,997	2,712,569	1,708	19,146,255	50,059,488	-

Net assets	33,177,484	(101,276,507)	28,886,224	13,093,275	28,112,842	40,972,770	19,274,710	8,809,801	(20,198,150)	#####
-------------------	------------	---------------	------------	------------	------------	------------	------------	-----------	--------------	-------

Represented by:

Share capital	6,475,000
Reserves	9,329,564
Unappropriated profit	12,930,344
Minority interest	1,772,168
Surplus on revaluation of assets	2,670,408
	<u>33,177,484</u>

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
44.3.: Maturities of Assets and Liabilities - Based on working prepared by the Assets and Liabilities Management Committee (ALCO) of the Group

Current and savings deposits do not have any contractual maturity therefore, current deposits and savings accounts have been classified between all nine maturities. Further, it has been assumed that on a going concern basis, these deposits are not expected to fall below the current year's level.

2007										
Total	Upto One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 year to 3 years	Over 3 year to 5 years	Over 5 year to 10 years	Over 10 years	
(Rupees in '000)										
Assets										
Cash and balances with treasury banks	57,622,360	15,736,046	9,406,529	5,525,224	4,869,077	6,347,570	157,181	338,057	15,240,624	2,052
Balances with other banks	10,982,176	9,111,383	1,569,515	289,500	11,778	-	-	-	-	-
Lendings to financial institutions	24,781,723	9,930,313	10,226,261	1,054,116	1,775,935	1,361,050	434,048	-	-	-
Investments	114,026,273	20,657,728	19,809,685	4,003,534	26,787,005	19,034,476	607,390	3,171,039	19,801,129	154,287
Advances - Performing	301,950,889	78,727,398	70,080,959	24,641,725	25,543,599	17,905,569	15,964,740	32,744,819	26,402,368	9,939,712
- Non Perform	6,320,401	-	-	-	-	-	-	6,320,401	-	-
Other assets	12,071,659	854,438	2,512,054	324,254	6,762,936	391,511	223,813	645,594	357,059	-
Fixed assets	19,040,390	-	-	-	1,042,273	2,121,546	-	1,809,533	295,936	13,771,101
	546,795,871	135,017,306	113,605,003	35,838,353	66,792,603	47,161,722	17,387,172	38,709,042	68,417,517	23,867,152
Liabilities										
Bills payable	6,087,266	4,871,397	1,215,869	-	-	-	-	-	-	-
Borrowing from financial institutions	59,491,253	38,903,195	13,242,061	7,252,997	93,000	-	-	-	-	-
Deposits and other accounts	412,138,405	86,036,183	75,169,967	44,743,094	39,846,315	45,117,122	2,263,293	3,513,348	109,824,359	5,624,724
Subordinated loan	5,996,696	-	824	-	824	1,648	1,648	2,661,688	3,330,064	-
Liabilities against assets subject to finance leases	3,261	-	-	-	1,359	1,902	-	-	-	-
Deferred tax Liability	2,109,989	599	-	-	947,762	411,983	387,243	362,402	-	-
Other liabilities	13,078,063	6,996,739	3,874,504	-	-	1,939	-	2,204,881	-	-
	498,904,933	136,808,113	93,503,225	51,996,091	40,889,260	45,534,594	2,652,184	8,742,319	113,154,423	5,624,724
Net assets	47,890,938	(1,790,807)	20,101,778	(16,157,738)	25,903,343	1,627,128	14,734,988	29,966,723	(44,736,906)	18,242,428
Represented by:										
Share capital	8,093,750									
Reserves	11,577,342									
Unappropriated profit	16,728,318									
Minority interest	2,115,645									
Surplus on revaluation of assets	9,375,883									
	<u>47,890,938</u>									



UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007

2006										
	Total	Upto One month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 years to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	49,023,540	14,584,511	16,019,732	3,036,627	2,623,123	3,437,078	2,068,770	2,078,861	5,088,149	86,689
Balances with other banks	19,418,278	13,161,172	1,904,327	1,225,800	919,729	919,350	612,900	675,000	-	-
Lendings to financial institutions	29,572,070	24,488,971	3,088,209	365,476	776,637	852,777	-	-	-	-
Investments	65,735,128	6,742,446	2,195,081	5,173,673	26,228,752	11,984,863	3,674,593	1,300,724	8,432,996	2,000
Advances	254,670,492	51,704,687	72,485,704	20,555,252	19,369,472	19,765,777	19,308,028	27,312,919	8,082,791	16,085,862
Other assets	10,200,122	699,967	739,349	7,036,614	137,656	-	-	-	1,007,396	579,140
Fixed assets	6,362,492	75,744	151,488	227,232	454,464	908,927	1,817,855	1,817,855	908,927	-
Deferred tax assets	907,575	-	-	914	407,998	181,332	163,199	154,132	-	-
	435,889,697	111,457,498	96,583,890	37,621,588	50,917,831	38,050,104	27,645,345	33,339,491	23,520,259	16,753,691
Liabilities										
Bills payable	4,627,769	3,696,976	930,793	-	-	-	-	-	-	-
Borrowings	38,679,808	20,460,429	13,144,791	4,939,700	134,888	-	-	-	-	-
Deposits and other accounts	343,804,830	82,294,063	52,722,054	35,648,394	33,733,103	37,885,193	1,164,153	2,412,900	97,933,417	11,553
Subordinated loan	5,998,344	-	824	-	824	1,648	1,648	667,915	5,325,485	-
Liabilities against assets subject to finance leases	6,966	290	581	871	1,742	3,483	-	-	-	-
Other liabilities	9,594,496	319,462	4,813,757	16,082	-	-	-	-	4,445,195	-
	402,712,213	106,771,220	71,612,800	40,605,047	33,870,557	37,890,324	1,165,801	3,080,815	107,704,097	11,553
Net assets										
	33,177,484	4,686,278	24,971,090	(2,983,459)	17,047,274	159,780	26,479,544	30,258,676	(84,183,838)	16,742,138

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
44.4 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and system or from external events.

Group's Operational Risk Management implementation framework, is based on advanced risk management architecture. The framework is flexible enough to implement in stages, and permits the overall risk management approach to evolve in response to organizational learning and the future needs of the organization.

Following are the high-level strategic initiatives that the Group has undertaken for the effective implementation of Operational Risk Management:

- Recruiting skilled resources for Operational Risk Management.
- Engaging external consultants to assist us in the development of an operational risk management infrastructure.
- In conjunction with the external consultants, determining the current state of key risks and their controls residing in each Business Unit.
- Developing policies, procedures and defining end to end information flow to establish a vigorous governance infrastructure.
- Analyzing current systems for data collection, migration, validation and retention for current and historical reference and calculation. Data warehousing solutions are being assessed for timely availability and storage of data.

A consolidated Business Continuity Plan is being augmented for the Group which encompasses roles and responsibilities, recovery strategy, IT and structural back ups, scenario and impact analyses and testing directives.

There are several IT developments underway in the credit, market and operational risk areas. Specifically for operational risk mitigation and control, an IT infrastructure is being developed along with the other high-level initiatives, including process re-engineering and inventorying of risks and controls within the Group. A methodology for Risk and Control Self Assessment is ready to be implemented at all core units of the Group.

45. ISLAMIC BANKING BUSINESS

The balance sheet of the Group's Islamic Banking Branches at December 31, 2007 is as follows:

	2007	2006
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	307,448	1,087
Lendings to financial institutions	300,000	48,000
Investments	587,206	1,951
Advances	339,477	-
Operating fixed assets	401,909	-
Other assets	118,323	-
Total Assets	2,054,363	51,038
LIABILITIES		
Bills payable	17,565	-
Deposits and other accounts	1,198,688	1,006
Other liabilities	522,034	-
	1,738,287	1,006
NET ASSETS	316,076	50,032
REPRESENTED BY		
Islamic Banking Fund	470,000	50,000
Unappropriated/ Unremitted profit	(156,130)	32
	313,870	50,032
Surplus / (deficit) on revaluation of assets	2,206	-
	316,076	50,032

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007
46. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on February 14, 2008 has proposed a cash dividend in respect of 2007 of Rs. 3.00 per share (2006: cash dividend Rs 3.00 per share). In addition, the directors have also announced a bonus issue of 25% (2006: 25%) These appropriations will be approved in the forthcoming Annual General Meeting. The consolidated financial statements for the year ended December 31, 2007 do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2008.

47. DATE OF AUTHORIZATION

These consolidated financial statements were authorized for issue on February 14, 2008 by the Board of Directors of the Group.

48. GENERAL
48.1 Amendments to published standards and new interpretations effective in 2007

Amendment to IAS 1 - "Presentation of financial statements - Capital Disclosures", introduces certain new disclosures about the level of the Group's capital and how it manages capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 42.1 of these financial statements.

Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2007 and are not considered relevant or have any significant effect on the Group's operations, are not detailed in these financial statements.

48.2 Early adoption of a standard

During the year the Securities and Exchange Commission of Pakistan notified that Islamic Financial Accounting Standard (IFAS 2) "Ijarah" issued by the Institute of Chartered Accountants of Pakistan shall be followed while accounting for ijarah transactions as defined by IFAS 2 for financial statements covering periods beginning on or after July 1, 2007. The Group has early adopted IFAS 2 and has applied the accounting principles stated therein in the preparation of these consolidated financial statements. The disclosures required under IFAS 2 are set out in note 11.7 of these financial statements. Refer note 5.6 which gives the details of the accounting policy.

48.3 Standards, interpretations and amendments to published approved accounting standard that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning from the dates specified below are either not relevant to Group's operations or are not expected to have significant impact on the consolidated financial statements other than certain increased disclosures in certain cases:

IFRIC 11 - Group and Treasury Share Transactions	effective from March 1, 2007
IFRIC 12 - Service Concession Arrangements	effective from January 1, 2008
IFRIC 13 - Customer Loyalty Programmes	effective from July 1, 2008
IFRIC 14 - IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	effective from January 1, 2008
IAS 1 - Presentation of financial statements (Revised September 2007)	effective from January 1, 2008
IAS 23 - Borrowing Costs (Revised March 2007)	effective from January 1, 2008
IAS 27 (Revised) - Consolidated and separate financial statements	effective from July 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from July 1, 2009

UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2007****48.4 Comparatives**

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

Rs 54.334 million have been classified from unrealized gain on securities not yet purchased (Other Assets) to trading liability (Borrowings).

Rs 97.737 million have been classified from rent, taxes, electricity e.t.c (premises cost) to insurance expense (other operating cost).

Atif R. Bokhari
President and
Chief Executive Officer

Dr. Ashfaq Hasan Khan
Director

Zameer Mohammed Choudrey
Director

Omar Z. Al Askari
Director