

INVESTORS ARE ADVISED IN THEIR OWN INTEREST TO CAREFULLY READ THE CONTENTS OF THE OFFER FOR SALE DOCUMENT, ESPECIALLY THE RISK FACTORS GIVEN AT PARA 4.6, BEFORE MAKING ANY INVESTMENT DECISION.



UNITED BANK LIMITED
(Incorporated under the Companies Ordinance, 1984)

OFFER FOR SALE OF SHARES

THIS IS NOT A PROSPECTUS BY UNITED BANK LIMITED (THE BANK) BUT AN OFFER FOR SALE BY THE PRIVATISATION COMMISSION, GOVERNMENT OF PAKISTAN (THE OFFERER) OUT OF STATE BANK OF PAKISTAN'S SHAREHOLDING IN THE BANK

Present offer consists of 51,800,000 ordinary shares (10% of Paid up capital) of Rs. 10 each at a premium of Rs. 40 per share with a Green-shoe Option of additional 25,900,000 ordinary shares (5% of Paid up capital) in case of oversubscription.

Lead Manager to the Offer:



Aqeel Karim Dhedhi Securities (Private) Limited

Subscription list will open Insha-Allah at the commencement of banking hours on June 03, 2005 and will close on June 08, 2005 at the close of banking hours

Date of publication of this Offer for Sale Document is May 26, 2005

GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

ABL	Allied Bank of Pakistan Limited
CDC	Central Depository Company of Pakistan Limited
CDS	Central Depository system
Consortium	The Abu Dhabi Group, UAE and The Bestway Group, UK
CRO	Company Registration Office
CVT	Capital Value Tax
GoP	Government of Pakistan
HBL	Habib Bank Limited
HE	His Excellency
HH	His Highness
HPk	Hilal-e-Pakistan
ICP	Investment Corporation of Pakistan
ISE	Islamabad Stock Exchange (Guarantee) Limited
KSE	Karachi Stock Exchange (Guarantee) Limited
LSE	Lahore Stock Exchange (Guarantee) Limited
NBP	National Bank of Pakistan
OBE	Order of the British Empire
OFSD	Offer for Sale Document
Ordinance	Companies Ordinance, 1984
PC	Privatisation Commission
PRCL	Pakistan Reinsurance Company Limited
SBP	State Bank of Pakistan
SCRA	Special Convertible Rupee Accounts
SECP	Securities & Exchange Commission of Pakistan
SLIC	State Life Insurance Corporation of Pakistan
SSGC	Sui Southern Gas Company Limited
TFC	Term Finance Certificate
UAE	United Arab Emirates
UBL	United Bank Limited
YoY	Year on Year

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APPLICATION FORM		

PART 1 APPROVAL AND CLEARANCE

1.1. Approval of the Securities and Exchange Commission of Pakistan (“SECP”)

Approval of the SECP has been obtained for the issue, circulation and publication of this Offer for Sale Document (“OFSD”) as required under Section 62, read with Section 57 and Section 61, of the Companies Ordinance, 1984 (the “Ordinance”).

It must be distinctly understood that in giving this approval, the SECP does not take any responsibility for the financial soundness of any scheme or for the correctness of any of the statements made or opinions expressed with regard to them.

The SECP has not evaluated the quality of the offer, including the justification of the premium, and its approval of the offer should not be construed as any commitment of the same. The public / investors should conduct their own independent investigation and analysis regarding the quality of the offer before subscribing.

1.2 Clearance of the Offer for Sale by the Stock Exchange

The OFSD has been cleared by the Karachi Stock Exchange (Guarantee) Limited (“KSE”), Lahore Stock Exchange (Guarantee) Limited (“LSE”) and Islamabad Stock Exchange (Guarantee) Limited (“ISE”), collectively referred to as the (“Stock Exchanges”), in accordance with requirements under their respective Listing Regulations. **While clearing this OFSD, the Stock Exchanges neither guarantee the correctness of the contents of the OFSD nor the viability of United Bank Limited (“UBL” or the “Bank”).**

The Stock Exchanges have not evaluated the quality of the Offer, including the justification of the premium, and their clearance of the OFSD should not be construed as any commitment in respect of the same. The public / investors should conduct their own independent investigation and analysis regarding the quality of the offer before subscribing.

1.3 Filing of Offer for Sale Document and other documents with the Registrar of Companies

On behalf of the Offerer, the Bank has filed with the Registrar of Companies, Company Registration Office (“CRO”), Karachi, as required under Section 57(3) & (4) of the Ordinance, a copy of this OFSD signed on behalf of the Offerer, together with the following documents attached thereto:

- (a) A letter dated April 20, 2005 from the Auditors of the Bank, A. F. Ferguson & Co. and Taseer Hadi Khalid & Co., Chartered Accountants, consenting to the issue of the OFSD, which contains in Part 5 hereof certain statements and reports issued by them as experts (which consent has not been withdrawn), as required under Section 57(5) of the Ordinance.
- (b) Copies of material contracts and agreements mentioned in Part 7 of this OFSD as required under Section 57(4) of the Ordinance.

- (c) Written confirmations of the Auditors to the Bank, Legal Advisor of the Bank and Bankers to the Offer mentioned in this OFSD consenting to act in their respective capacities, as required under Section 57(5) of the Ordinance.
- (d) Consent of Directors and Chief Executive of the Bank to their respective appointments being made and their having been named or described as such Directors and Chief Executive in this OFSD, and the Company has filed written confirmation of such consents as required under section 57(3) of the Ordinance read with sub-clause (1) of clause (4) of Section 1 of Part 1 to the Second Schedule of the Ordinance.

1.4 Listing on the Stock Exchanges

Applications have been made to the KSE, the LSE, and the ISE for permission to deal in and for quotation of shares of the Bank.

The Bank shall stand listed provisionally for trading and for the quotation of its shares on the Stock Exchanges from May 26, 2005 under the “Regulations for Futures Trading in Provisionally Listed Companies”.

If for any reason, the application(s) for formal listing is/are not accepted by any of the Stock Exchanges the Offerer undertakes that a notice to that effect will be immediately published in the press, and thereafter to refund application money to the applicants in pursuance of this OFSD, as required under the provisions of Section 72 of the Ordinance.

PART 2 SHARE CAPITAL AND RELATED MATTERS

2.1 Share Capital

No. Of Shares		(Pak Rupees)		
AUTHORISED				
1,030,000,000	Ordinary shares of Rs. 10/- each	10,300,000,000		
ISSUED, SUBSCRIBED & PAID UP				
Issued for Cash				
518,000,000	Ordinary shares of Rs. 10/- each	5,180,000,000		
518,000,000		5,180,000,000		
The existing issued, subscribed and paid up capital of the Bank is held as follows:				
252,194,323	The State Bank of Pakistan	2,521,943,230		
66,042,500	Bestway Holding Limited	660,425,000		
39,627,000	Bestway Cement Limited	396,270,000		
26,418,000	H.H. Shaikh Nahayan Mabarak Al Nahayan, HPk	264,180,000		
26,418,000	Sir Mohammad Anwar Pervez, OBE, HPk	264,180,000		
26,418,000	H.H. Shaikh Suroor Bin Mohammad Al Nahayan	264,180,000		
26,418,000	H.E. Dr. Mana'a Saeed Al Otaiba	264,180,000		
26,418,000	Mr. Omar Ziad Jaafar Al Askari	264,180,000		
26,418,000	Mr. Abdullah Nasser Bin Huwailleel Al Mansouri	264,180,000		
1,419,447	Government of Pakistan	14,194,470		
70,702	National Bank of Pakistan, Trustee Department	707,020		
53,262	State Life Insurance Corporation of Pakistan	532,620		
50,197	Sui Southern Gas Company Limited	501,970		
29,260	Investment Corporation of Pakistan	292,600		
2,500	Mr. Zameer Mohammed Choudrey	25,000		
1,646	Metropolitan Steel Corporation	16,460		
727	Privatisation Commission	7,270		
435	Pakistan Reinsurance Company Limited	4,350		
1	Securities and Exchange Commission of Pakistan	10		
518,000,000	TOTAL	5,180,000,000		
Present offer by:¹				
51,800,000	The State Bank of Pakistan	518,000,000		
51,800,000	TOTAL	518,000,000		
At the offer price of Rs. 50/- per ordinary share of Rs.10/- each, inclusive of a premium of Rs. 40/- per share, as under:				
	No. of Shares	Face Value (Rs.)	Premium (Rs.)	Total (Rs.)
General Public	51,800,000	10/- per share	40/- per share	2,590,000,000
Resident Pakistani Investors	41,440,000	10/- per share	40/- per share	2,072,000,000
Non-Resident Pakistani Investors	10,360,000	10/- per share	40/- per share	518,000,000

¹ This is an "Offer for Sale" of 51,800,000 ordinary shares (10% of Paid up capital) of the Bank by the Privatisation Commission, Government of Pakistan (Offerer) out of State Bank of Pakistan's shareholding in the Bank.

Note:

In case of oversubscription, the Offerer shall exercise the Green-shoe Option and shall offer upto 25,900,000 (5% of Paid up capital) additional ordinary shares out its holding in the Bank.

In case of over/under subscription of shares by resident and/or non-resident Pakistani investors, the investors of oversubscribed category will be allocated the shares of undersubscribed category, provided that in case of non-resident Pakistani investors the total number of shares allocated shall not exceed 20% of the Offer.

2.2 Opening and Closing of the Subscription List

THE SUBSCRIPTION LIST WILL OPEN INSHA-ALLAH FOR FIVE (5) DAYS AT THE COMMENCEMENT OF BANKING HOURS ON JUNE 03, 2005 AND WILL CLOSE ON JUNE 08, 2005 AT THE CLOSURE OF BANKING HOURS.

2.3 Investor Eligibility

Pakistani investors are eligible to subscribe for the shares offered to the general public. Pakistani investors include Pakistani citizens resident in Pakistan, Pakistani citizens residing outside Pakistan and persons holding two nationalities including Pakistani nationality.

2.4 Facilities available to Non-resident Pakistani Investors

Non-resident Pakistani investors may subscribe for the shares through the following modes:

- i. **Subject to relevant approvals from the regulatory authorities in Kingdom of Bahrain (“Bahrain”)², Qatar³, Sultanate of Oman⁴ (“Oman”) United Arab Emirates (“UAE”)⁵ and Yemen⁶, non-resident Pakistani Investors resident in Bahrain, Qatar, Oman, UAE and Yemen may subscribe through overseas Bankers to the Offer in these countries. For information of the non-resident Pakistanis, the list of authorized banks would be published after publication of the OFSD and before closing of the subscription in the newspapers of each of these countries and would also be available on the websites of the Offerer, Lead Manager and the Bank. For website addresses please see para 8.2**
- ii. Non-resident Pakistani investors may subscribe using their Special Convertible Rupee Accounts (“SCRA”), as set out under Chapter 20 of the State Bank of Pakistan’s Foreign Exchange Manual.

2.5 Offer Price, Amount of Application and Basis for Offer for Sale of Shares

- a) This offer is being made at a price of Rs.50/- per ordinary share of Rs.10/- each, inclusive of a premium of Rs.40/- per share.

² Subject to the approval of the Bahrain Monetary Authority

³ Subject to the approval of the Qatar Central Bank

⁴ Subject to the approval of the Oman Central Bank

⁵ Subject to the approval of the UAE Central Bank

⁶ Subject to the approval of the Yemen Central Bank

- b) **Application for shares must be made for 200 shares only and the amount payable with each application will be Rs. 10,000/- (inclusive of transfer fee) both in case of physical transfer and transfer under book-entry system.**
- c) **Applications for shares below or above 200 shares shall not be entertained.**
- d) **FICTITIOUS AND MULTIPLE APPLICATIONS (MORE THAN ONE APPLICATION BY A SINGLE APPLICANT) ARE PROHIBITED AND SUCH APPLICANTS' MONEY SHALL BE LIABLE TO CONFISCATION UNDER SECTION 18-A OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969.**
- e) 20% of the Offer is reserved for non-resident Pakistani investors, who may apply for shares through applications, which shall be for 200 shares only.
- f) If the shares to be offered to the general public are sufficient for the purpose to accommodate all the applications, then all applications shall be accommodated.
- g) In case of over/under subscription of shares by resident and/or non-resident Pakistani investors, the investors of oversubscribed category will be allocated the shares of undersubscribed category, provided that in case of non-resident Pakistani investors the total number of shares allocated shall not exceed 20% of the Offer.
- h) If the Offer is oversubscribed, the shares shall be allocated by conducting computer balloting in the presence of representatives of the Stock Exchanges.
- i) Allocation of shares shall be subject to scrutiny of applications for subscription.
- j) Applications, which do not meet with the aforementioned requirements, or applications which are incomplete, will be rejected.
- k) This is an "Offer for Sale" of 51,800,000 ordinary shares (10% of Paid up capital) of the Bank by the Offerer out of its shareholding in the Bank through the Stock Exchanges. In case of oversubscription, the Offerer shall exercise the Green-Shoe option and offer upto 25,900,000 additional ordinary shares (5% of Paid up capital) out of its shareholding in the Bank.

2.6 Refund of Subscription Money to Unsuccessful Applicants

On behalf of the Offerer, the Bank shall take a decision within ten (10) days of the closure of the subscription list as to which applications have been accepted or are successful and refund the money in case of unaccepted or unsuccessful applications within 10 days of the date of such decision, as required under the provisions of Section 71 of the Ordinance.

As per sub section (2) of Section 71 of the said Ordinance, if the refund as required by sub section (1) of Section 71 of the said Ordinance is not made within the time specified therein, the Offerer shall be liable to repay the money with surcharge at the rate of one and a half percent, for every month or part thereof from the expiration of the 15th day and, in addition, to a fine not exceeding Rs. 5,000/- and in the case of continuing offence to a further fine not exceeding Rs. 100/- for every day after the said 15th day on which the default continues. Provided that the

Offerer shall not be liable if it proves that the default in making the refund was not due to any misconduct or negligence on its part.

2.7 Issue & Dispatch of Share Certificates

On behalf of the Offerer, the Bank will dispatch physical share certificates to the successful transferees or credit the shares to the respective Central Depository System (“CDS”) accounts within 30 days of the closing of public subscription list, as per Listing Regulations of the Stock Exchanges.

Shares will be transferred either in scripless form in the CDS of Central Depository Company of Pakistan Limited (“CDC”) or in the shape of physical scrips on the basis of option exercised by the successful applicants. Shares in physical scrips shall be dispatched to the Bankers to the Offer within thirty (30) days from the date of close of subscription list, whereas scripless shares shall be directly credited through book-entry into the respective CDS accounts of the transferees maintained with CDC.

The applicants who opt for receipt of shares in scripless form in the CDS should fill in the relevant columns of the Application Form. In order to exercise the scripless option, the applicant should also have a CDS account on the subscription date.

If the Bank makes default in complying with the requirements of Listing Regulations of the Stock Exchanges, they shall pay to the Stock Exchanges a penalty of Rs.500/- per day during which the default continues. The Stock Exchanges may also notify the fact of such default and the name of the Bank by notice and also by publication in their Ready Board Quotation.

2.8 Transfer of Shares

2.8.1 Physical Scrips

The Directors of the Bank shall not refuse to transfer any fully paid shares unless the transfer deed for any reason is defective or invalid under the provisions of Section 77 of the Ordinance, provided that the Bank shall within 30 days from the date on which the instrument of transfer was lodged with it, notify the defect or invalidity to the transferee who shall, after the removal of such defect or invalidity be entitled to re-lodge the transfer deed with the Bank.

2.8.2 Under Book-Entry System

The shares maintained within the CDS in the book-entry form shall be transferred in accordance with the provisions of the Central Depositories Act, 1997 (“CDA”) and the CDC Regulations.

2.9 Shares Issued During Preceding Years

Following are the details of the shares issued by the Company during the preceding years:

No. of Shares Issued	Par value/share (Rs.)	Premium (Rs.)	Consideration	Date of Issue
3,483,600	10	-	Bonus	25-04-1981
43,810,400	10	-	Cash	07-12-1981

95,068,000	10	-	Cash	14-05-1987
2,100,000,000	10	-	Cash	25-06-1998
786,649,466	10		Cash	10-05-2002
3,350,534	10		Cash	22-05-2002
Paid-up capital of UBL has been reduced to 518,000,000 shares through order dated 09-10-2002 of High Court of Sindh, Karachi.				

2.10 Principal purpose of the Offer for Sale

The purpose of this Offer is to invite the general public to subscribe to the Bank's shares for broadening the ownership base, further strengthening the capital market and passing the benefits of privatisation to the common man.

2.11 Interest of Shareholders

None of the holders of the issued shares of the Bank have any special or other interest in the property or profits of the Bank other than as holders of the ordinary shares in the capital of the Bank.

2.12 Dividend Policy

The rights in respect of capital and dividends attached to each ordinary share would be the same. The Bank in a general meeting may declare dividends but no dividends shall exceed the amount recommended by the Directors. Dividend, if declared in the general meeting, shall be paid according to the terms of the provisions of the Ordinance.

The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Bank. No dividends shall be paid otherwise than out of the profits of the Bank for the year or any other undistributed profits. No unpaid dividend shall bear interest or mark-up against the Bank.

2.13 Eligibility for Dividend

The shares of the Bank comprising the present Offer shall rank pari passu with the existing ordinary shares in all matters including the right to such bonus or right issue and dividend, as may be declared by the Bank subsequent to the date of this OFSD.

2.14 Deduction of Zakat

Income distribution will be subject to the deduction of Zakat at source pursuant to the provisions of Zakat and Ushr Ordinance, 1980 (XVIII of 1980) as may be applicable from time to time.

2.15 Withholding Tax on Dividend

Dividend distribution to the shareholders other than public companies and insurance companies will be subject to withholding tax at the rate of 10% specified in Clause 17 of Part 2 of the Second

Schedule to the Income Tax Ordinance, 2001, and in terms of the provisions of section 5 & 8 of the said Ordinance, such deductions at source from dividend shall be deemed to be final discharge of tax liability in respect of such dividend. Dividend received by Public Companies and Insurance Companies shall be subject to withholding tax at the rate of 5% of dividend as specified in Part 1, Division-III of the First Schedule to the said Ordinance.

2.16 Capital Value Tax on Purchase and Withholding Tax on Sale of Shares

The Stock Exchanges have issued a notice regarding the applicability of new taxes through the Finance Act 2004. Following charges have been in effect from July 1, 2004:

- a) 0.01% Capital Value Tax will be charged on purchase of all shares, modarba certificates, instrument of redeemable capital as defined in the Ordinance
- b) 0.005% Withholding Tax will be charged on sales of all shares modarba certificates, instrument of redeemable capital as defined in the Ordinance

2.17 Exemption from Capital Gains

Capital gains derived from the sale of listed securities are not liable to income tax pursuant to clause (110) of part 1 of the Second Schedule of the Income Tax Ordinance, 2001. This exemption is presently available up to income year ending June 30, 2007.

2.18 Taxation

Income tax assessments of UBL have been finalized up to the assessment year 2002-2003 (financial year ended December 31, 2001) both for domestic and Azad Kashmir operations. The domestic assessments resulted in income tax refunds amounting to Rs. 172.548 million, which were received during the year. Return for the year 2004 (financial year ended December 31, 2003) was filed for which refunds amounting to Rs. 301.139 million have been determined.

2.19 Deferred Taxation

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 Bank 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 difference reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognized only to the extent that it is possible that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

The Bank has an aggregate amount of Rs. 13,733 million available as carried forward tax losses as at December 31, 2004. Out of this amount the management has recognized deferred tax debit balance on losses amounting to Rs. 12,645 million. This represents the management's estimate of probable benefit which is expected to be realized in future years in the form of reduced tax liability as the Bank would be able to set-off the profits earned in these years against losses carried forward from prior years.

2.20 Justification of Premium

The Cabinet Committee on Privatisation (CCoP) has, inter alia, decided that the offer price for the divestment of 51,800,000 ordinary shares (10% of Paid up capital) of the Bank by the Offerer out of its shareholding in the Bank being offered to the general public with a Green-shoe Option of additional 25,900,000 ordinary shares (5% of Paid up capital), on a best effort basis, be fixed at Rs. 50/- per share. The premium of Rs. 40/- per share on Rs. 10/- per share is adequately justified, based on the following considerations:

- UBL has the third largest branch network (1,058 domestic and 15 international branches) as well as the third largest deposit base among domestic banks.⁷
- The bank underwent a major turnaround in 2002 when its capital was reduced (from 2.24 billion shares to 518 million shares) to set off losses. Later that year, the Government of Pakistan made a strategic sale of 51% of the shareholding in the Bank at a price of Rs. 46 per share and handed the management to the Consortium of the Bestway Group and the Abu Dhabi Group. Since then, the Bank has shown exceptional progress as evident from its increasing deposit base, soaring advances and improving net income.
- UBL's deposit base recorded a YoY increase of 16.94% and 24.41% from FY02 to FY03 and from FY03 to FY04 respectively.
- Advances of UBL have registered a 52.14% growth YoY between FY03 and FY04 as compared to a 32.03% increase in FY03 over FY02. Advances represent the core profitability driver of a bank.
- Net income of the Bank showed an improvement by registering a YoY increase of 40.44% (FY03 and FY04) and a staggering increase of 86.35% during FY02 and FY03.
- Based on the profitable operations, the Bank announced a 22.5% cash dividend in FY03 and 15% cash dividend in FY04.
- The break-up value of the Bank's share as at December 31, 2004 including surplus on revaluation of assets was Rs. 33.52. The break-up value per share excluding the surplus on revaluation of fixed assets on the same day was Rs. 28.36
- Earnings per share for the year ended December 31, 2004 was recorded at Rs. 7.15.
- Price to Earnings multiple for UBL stands at 7.00x on the back of FY04 earnings. With the market trading at a P/E multiple of 10x, the discount on the proposed offer price

⁷ SBP Annual Report, 2004

stands at 43%. On FY04 earnings, the peer group P/E multiple stands at 7.67x⁸. This reflects upon a discount of 10% at the proposed Offer Price.

⁸ Source: AKD Research (Earnings data from January 1, 2004 to December 31, 2004. Price data as at March 31, 2005). Peer group comprises National Bank of Pakistan, Muslim Commercial Bank Limited, Bank Alfalah Limited and Askari Commercial Bank Limited

PART 3 COMMISSIONS, BROKERAGE AND OTHER EXPENSES

3.1 Underwriting

Underwriting is required for public offerings where a premium is being charged under the provisions of rule 9(iii) of the Companies (Issue of Capital) Rules, 1996. This Offer for Sale has not been underwritten. A relaxation from the requirements of the said rule has been obtained by the Offerer from the SECP vide letter no. SMD/CO/62/1/2005 dated May 9, 2005.

3.2 Commission to the Bankers to the Offer

A commission at the rate of 0.25% of the amount collected on allotment in respect of successful applicants will be paid by the Offerer to the Bankers to the Offer for services to be rendered by them in connection with this Public Offer.

3.3 Brokerage

The brokerage will be payable at the rate of 1.00% of the value of shares (including premium) actually sold through the members of KSE, LSE and ISE. Brokerage will be paid by the Offerer.

3.4 Expenses of the Offer for Sale of Shares

The expenses of this Offer for Sale are estimated not to exceed Rs. 73,959,160 of which the listing fees and CDC charges shall be borne by the Bank while expenses to the Offer shall be borne by the Offerer.

Expense Category	Rate	Amount (Rs.)
Commission to the Bankers to the Offer*	0.25%	10,012,500
Brokerage to the Members of the Stock Exchange*	1.00%	38,850,000
Listing Fees of the Stock Exchanges*		3,685,000
Charges of Central Depository Company		453,300
Securities & Exchange Commission of Pakistan Processing Fee		50,000
Printing & Publication of OFSD, printing of share certificates, transfer deeds and share application forms		1,500,000
Fee to Lead Manager to the Offer		995,000
Fee for Computer Balloting		4,413,360
Advertising, Marketing and Road Shows		13,000,000
Other Miscellaneous Expenses		1,000,000
Total		73,959,160

*Represents maximum possible expenses relating to the subscription amount inclusive of green shoe option.

PART 4 HISTORY AND PROSPECTS

4.1 History of the Bank

UBL was incorporated in 1959 by Mr. Agha Hassan Abedi as President and has been in operation since then. In 1974, the GoP nationalized the Bank and in 2002, the Bank was privatized with 51% of its shares sold to a consortium of Abu Dhabi Group, UAE and Bestway Group, U.K. The SBP holds 48.69% of the total share capital while the GoP holds 0.27% of the total share capital.

As at December 31, 2004, the bank had 1,058 domestic and 15 international branches. UBL's domestic network is divided into 10 regions.

4.2 Shareholding Structure

UBL was a nationalized bank between 1974 through 2002. However, in 2002, the Bank was privatized with 51% of its shares sold to the Abu Dhabi Group, UAE and the Bestway group, U.K. (the "Consortium"). Furthermore, SBP holds 48.69% of the total share capital while the remaining 0.34% stake is divided amongst the GoP, National Bank of Pakistan ("NBP")- Trustee Department, State Life Insurance Corporation of Pakistan ("SLIC"), Sui Southern Gas Company Limited ("SSGC"), Investment Corporation of Pakistan ("ICP"), Metropolitan Steel Corporation, PC, Pakistan Reinsurance Company Limited ("PRCL") and the SECP.

4.3 The Sponsors

The Consortium comprises the Abu Dhabi Group and the Bestway Group holding 51% stake in the Bank while the State Bank of Pakistan holds 48.69% share in the Bank.

4.4 Management Structure

The management team comprises experienced banking professionals well positioned to meet UBL's business objectives. Senior bankers have been inducted to head various divisions organized around core businesses, such as foreign trade, credit, structured finance and treasury activities. The Bank has also hired qualified middle and lower management personnel to create a team of professionals at all levels.

4.5 Future Prospects

UBL expects its strong customer focus to drive the Bank's future business strategy. On the domestic front, the Bank has already launched its consumer banking business. Increased investment is targeted in developing human resources, infrastructure and internal systems to support the aggressive consumer initiative and exploration of new avenues of revenue generation. The first step under this initiative is the launch of the Bank's ATM / Debit Card, branded as UBL Wallet. Furthermore, UBL has introduced a full suite of innovative consumer finance products designed to capture a significant share of the local consumer financing market and tap into the current growth in demand for such financing.

UBL Consumer Bank was established in 2004 with the ambitious aim of taking consumer banking in Pakistan to the next level and introducing a full suite of differentiated, flexible and attractive consumer finance products in the market.

UBL Credit Card

UBL is Pakistan's 1st Smart Chip Credit card issuer and acquirer. It is also the 1st credit card in Pakistan to be launched simultaneously in the nine largest urban centers of the country.

By launching a *Chip* based Credit Card, UBL aimed to enter the market with a fresh differentiated product in line with the rest of its consumer bank product offerings to create customer preference over other competing market propositions. Chip based credit cards have proven to be the most secure way of conducting credit card transactions globally.

The UBL Card proposition aims to enhance the quality of life of Pakistani consumers by making Credit Cards the dominant payment and loan instrument for any financial transaction and purchase in Pakistan. This will be achieved by building market share through

- Innovation,
- Brand Dominance and
- Targeting untapped areas, users and uses

The beauty of UBL's Credit Card proposition is that it offers superior value for the customer. While the primary function of a Chip Credit Card is security, it has built in it a special feature 'UBL Chip Rewards' to increase both value and excitement for the customers.

UBL Cashline

UBL Cashline is a running finance facility that was launched in November 2004 with the commitment to provide full-scale banking solutions to multiple segments in the market. This product is targeted towards both the salaried segment as well as the self employed businessmen / persons with the specific goal to provide them with their desired financial freedom for personal and business purposes.

Cashline aims to be a flexible, personal financing solution for the mass market. This is an evergreen revolving facility, where the customer only pays the interest accumulated on the daily outstanding balance at the end of each month.

Cashline's innovative utilization based tiered pricing strategy re-enforced UBL's vision of launching consumer products with unique features. Another valuable feature includes the Balance Transfer Facility ("BTF") option, which allows individuals to pay off their debts at an attractive, lower mark-up. Cashline also offers net banking features with unlimited, unmatched features to help manage accounts. Its tiered pricing strategy was a pioneer in the market and proved to be the distinguishing factor that has contributed to Cashline's overwhelming success.

Electronic Banking

UBL aims to provide customers with a world-class multi-channel experience by leveraging UBL's products, customer insight and technology. The objectives behind the Bank's efforts to introduce E-banking products include improved customer service & customer retention, new revenue generation as well as cost reduction. UBL offers its customers a wide variety of services including ATMs, Online banking, Phone Banking, Internet Banking and electronic remittances. A growing number of ATMs and partnership with 1-Link Network ensures that customers have 24x7 access to cash. Extensive network of online branches is empowering the customers by offering

them remote access to their accounts from any online branch. UBL's website and phone banking services offer up-to-date product information. Full service Internet Banking offers fund transfers, check writing, bill payments, view of balance/statement and security & informational alerts. In 2004, UBL also launched Click N Remit, a much needed, highly successful and pioneering Internet-based homeward remittances product for US Residents.

Mortgages

Presently UBL has two products in its mortgage portfolio, namely UBL Address and UBL Businessline. These products offer innovative financing solutions aimed at the emerging middle-income segments. The continuous product innovations and process improvement has made UBL's mortgage business a dominant force in the consumer market.

UBL Drive

UBL Drive has emerged as a strong competitor in Auto Loan business since it was first launched in May 2004. Innovations like Pay As You Select, Free Tracker Option, Zero Pre-Payment Penalty played a key role in positioning the product as a key player in Auto Finance.

UBL Drive is the most flexible and innovative product available in the Auto Loan market today, as can be seen by the many product variants available and unique processes of UBL Drive. Today, UBL Drive offers more options for its customers than any other competitive offering in the Auto Financing market. Financing for both new and used vehicles together with the Cash Your Car product is offered for auto loan customers.

Personal Loan

UBL is poised to launch its Personal Installment Loan ("PIL") product in May 2005. It is a fixed installment loan starting from Rs.50,000/- to a maximum of Rs.500,000/- based on a fixed tenor of 1-5 years.

Its unique and exciting features will include:

- Zero Prepayment option
- Tenor in the multiple of six months
- Complimentary credit insurance

which are designed to offer the consumer tremendous flexibility and differentiation. The launch of PIL will see the completion of UBL's aim of offering a complete suite of consumer finance products to its customers.

Corporate Banking Group ("CBG") will target a greater slice of the client's wallet by deploying the full range of the Bank's product range i.e., Corporate banking, Cash Management, Investment Banking, Treasury, and Fund / Pension Management. Growth is expected through higher utilization of limits and better product mix in structuring lines for clients. Relationship teams are being reorganized to optimize the range and depth of client coverage. Focus will also be on developing the fee-based business through cash management, corporate finance and trade support.

Commercial Bank ("CB") has had substantial success over the last few years in leveraging its wide branch network to increase its deposits and reduce cost of funds. This, along with a more

sophisticated approach to lending, has enabled CB to improve performing advances significantly. The growth in deposits and advances is expected to continue for the next few years.

On asset growth the cornerstone of the strategy for 2005 is to leverage UBL's key strengths such as size and geographic distribution. Efforts will be made to gain market share through focused target market origination / retention, improved relationship management discipline and appropriate training and development of staff. Penetrating uncharted segments, such as SMEs and stronger focus on the agricultural lending sector, will also boost revenues.

Treasury & Capital Markets ("TCM") in view of the current situation, plans to initiate steps to re-engineer the existing foreign exchange business, develop secondary market activities and to develop new products and structured solutions. Another major step expected to enhance revenues is the establishment of a UAE Treasury & Capital Markets unit as a focal point for Middle East activity.

Investment Banking Group ("IBG") is continuing to make efforts to create awareness about UBL and IBG's capabilities in the market. The resultant increase in visibility will help IBG get a larger share of wallet from CBG's existing client base as well as attracting new clients to the Bank.

Cash Management ("CM") was established in order as a unit to capitalize on the opportunity offered by the market at UBL two years ago and since has been expanding in terms of team and business. Recently more focus has been put towards the department, along with addition of experienced CM resources, resulting in a more aggressive strategy to capture and increase the UBL CM market share.

Special Assets Management ("SAM") has been established to manage the non-performing loan portfolio of the bank. Although the non performing loans now left for handling consist of 'hard core' and very-difficult-to-recover amounts, efforts are being made to extract recoveries through outright sale of mortgaged assets, tracing absconded borrowers and their assets and out of court settlements through rescheduling or restructuring where feasible.

The International Bank

On the international front, UBL plans to continue to build the core Gulf business by focusing on trade. With a network presence in the Gulf, New York, Zurich and London, UBL has an ideal opportunity to offer correspondent banking services in these key financial centers to a host of small and middle-tier banks in the subcontinent, the Middle East and Africa.

Moreover, the Bank is evaluating opportunities to expand/ refresh consumer financing business in the Gulf. The Gulf markets having very high per capita GDP and consumption levels, offer a very attractive consumer-banking proposition. The large number of Pakistani expatriates being a natural customer base provide a unique opportunity to UBL, more so post privatization where customers are likely to have a higher degree of comfort with respect to their concerns of confidentiality, coupled with the offerings of Pak based remittances and GoP securities at the Bank's counters.

Branch Operations

Improving branch operations and outlook is another focus area within UBL's future strategy. In addition to automation, branches will be renovated to standard that reflects the communities and environment in which they operate.

4.6 Risk Factors

The Offerer wishes to highlight the following major risk factors, which may affect the profitability of the Bank:

4.6.1 Business Risk

UBL's business risks may include the following:

a. Risk of lower margins

The risk that the bank's margins will reduce to a lower level due to various economic and market factors; the major factor being increased competition in the banking sector that results in reduction of lending income.

This risk is mitigated for UBL due to its large market share in the banking sector and a large and diversified branch network in Pakistan. Additionally, UBL has demonstrated a healthy financial performance over the last five years with net profit increasing at a CAGR of 53.48% from Rs. 667 million in 2000 to Rs. 3.7 billion in 2004. UBL has also been able to expand its asset base over these years with the Total Assets increasing from Rs. 155.21 billion to Rs. 272.61 billion, a CAGR of 15.12%. Deposits have also shown a CAGR of 15.66% from 2000 to 2004 and have increased to Rs. 230 billion in 2004.

The healthy financial position of UBL over the years depicts the capability of UBL to successfully face the competition and challenging times. Moreover, UBL has recently ventured into consumer banking and expects its strong customer focus to drive the Bank's future business strategy.

The future strategy of UBL is to further enhance its focus on consumer products and improve customer services. On the corporate banking side, focus will be on developing the fee-based business through cash management, corporate finance and trade support. On the international front, UBL plans to continue to build the core Gulf business by focusing on trade.

b. Risk of reduced credit demand

With the upward movement in the interest rates and the increase in financing options available to the borrower, the Bank faces a risk of reduced credit demand.

There is an increased demand for consumer loans including loans for purchases of consumer durables, housing finance and auto loans. Moreover, banking sector has also reported a rising demand for personal loans to invest in the capital market. . Expansions in various industrial sector and BMR being carried out in the textiles, cement, auto and power sectors have and expected to continue to mitigate this risk.

c. Increased credit risk and increased provisioning requirements

UBL faces a certain degree of credit risk due to inability of some borrowers to pay back their loans.

The non-performing advances (net of provisions) stood at Rs. 4.48 billion, amounting to 3.06% of total advances as at December 31, 2004. UBL has been concentrating on reducing the level of these non-performing loans further to an acceptable level. The Bank has a Special Assets Management department that works to recover the non-performing loans by settlements with large borrowers, outsourcing of smaller loans to debt collection agencies and transfer of loans to Corporate & Industrial Restructuring Corporation and National Accountability Bureau. The future strategy of UBL for reducing the level of credit risk includes:

- Increased follow up with Advocates handling cases under litigation
- Proactively reviewing non-accrual portfolio
- Appoint experienced agencies to trace the absconded borrowers hidden assets
- Establish a Litigation Department

d. Competition

With the privatization of Habib Bank Limited (“HBL”), restructuring of Allied Bank of Pakistan Limited (“ABL”), emergence of strong private commercial banks and increased competition in the banking industry due to increased liquidity and limited investment opportunities, UBL is expected to face intense competition.

UBL’s existing infrastructure and a wide network of branches throughout the country give it a competitive edge over its market competitors. The risk of being a target for consolidation is mitigated by the high quality staff & human resources, substantial asset base of the bank and widespread operations. Moreover, the introduction of consumer products, renovation of branches, induction of high quality human resource and adoption of innovative technology for the branch network, evidences the proactive approach taken by UBL’s management for the challenging times ahead.

4.6.2 Liquidity Risk

The investors face the possible risk of not being able to sell the shares in the secondary market without adversely affecting the price.

This risk is mitigated by the fact that the shares are proposed to be listed on the three Stock Exchanges, which will provide a venue for granting liquidity for the shares by facilitating secondary market trades.

4.6.3 Interest/Mark-up rate Risk

This risk arises from the fluctuation in the value of a financial instrument consequent to the changes in market interest rates. The risks are inherent in deposits, liabilities, loans/advances and investments of the Bank. Most of the loans and advances comprise working capital which is repriced on a periodical basis, whereas the majority of deposits are repriced retrospectively on a six monthly basis due to the profit and loss sharing system for determining deposit rates.

4.6.4 Capital Market Risk

The shares of UBL will be listed on the KSE, the LSE and the ISE and the shareholders of the Bank will be able to sell or buy shares only through the Members of the KSE, the LSE, and the ISE subsequent to the Offer for Sale. Price of shares will depend on the stock market behavior and performance of the Bank. Hence, price may rise or fall and result in increase or decrease in

the value of shares to any extent. The investors may like to consult their legal advisors, financial advisors or stockbrokers to understand the nature of investment, if they desire so, before making the investment.

4.6.5 Regulatory Risk

Changes in the regulatory framework may have an effect on the profitability of UBL. Given UBL's extensive investment in government securities and cash holdings, it is unlikely that this will impact UBL's profitability.

Note: It is stated that all material risk factors have been disclosed and that nothing has been concealed in this respect.

PART 5 FINANCIAL INFORMATION

5.1 Auditor's Certificate under Section 53 (1) read with Clause 28 (1) of Section 2 of Part 1 of the Second Schedule to the Ordinance for the purpose of inclusion in the Offer for Sale of Shares of United Bank Limited (UBL)

The Board of Directors

KA-AQ-1420

United Bank Limited
Head Office
State Life Building No.1
I. I. Chundrigar Road
Karachi

20 April 2005

Dear Sirs,

Auditors report under section 53(1) read with clause 28, section 2 of part I of the Second Schedule to the Companies Ordinance, 1984 for the purpose of inclusion in the Offer For Sale of ordinary shares of United Bank Limited

We have reviewed the audited financial statements of United Bank Limited (the "Bank") for the five years ended December 31, 2000 to December 31, 2004 and in accordance with section 53(1) read with clause 28 of Section 2 of Part 1 of the Second Schedule to the Companies Ordinance, 1984, a summary of the assets, liabilities and shareholders' equity of United Bank Limited and the Bank and its subsidiary companies (the Group) as at December 31, 2004 and the profit and loss accounts of United Bank Limited and the consolidated profit and loss accounts of the Group for the years ended December 31, 2000 to December 31, 2004 together with other relevant information are given in the following paragraphs. The consolidated financial statements for the year ended December 31, 2000 were not prepared by the Bank. However, the consolidated profit and loss accounts for this financial year has now been prepared solely for the purposes of this report.

The financial statements of United Bank Limited were audited jointly by the following firms of Chartered Accountants:

Year	Audit firms
2000 and 2001	Ford, Rhodes, Robson, Morrow, Chartered Accountants and Ebrahim & Co., Chartered Accountants.
2002	Ford Rhodes Sidat Hyder & Co., Chartered Accountants and Ebrahim & Co., Chartered Accountants.
2003	Ford Rhodes Sidat Hyder & Co., Chartered Accountants and A.F. Ferguson & Co., Chartered Accountants.
2004	A.F. Ferguson & Co., Chartered Accountants and Taseer Hadi Khalid & Co., Chartered Accountants.

The Group comprises of United Bank Limited and five subsidiary companies, and the percentage of shareholding therein as at December 31, 2004 along with the details of their respective auditors are as follows:

Name of the Subsidiary Companies	Percentage of holding	Year ended	Auditors
United National Bank Limited, United Kingdom	55%	December 31, 2001 to December 31, 2004	Deloitte Touche Tohmatsu, London
United Bank AG (Zurich), Switzerland	100%	December 31, 2000 to December 31, 2002 and December 31, 2003 to December 31, 2004	Ernst & Young Limited, AG Zurich BDO Visura, AG Zurich
United Asset Management Company Limited, Pakistan	100%	December 31, 2001 to December 31, 2004	Ebrahim & Co., Karachi
United Executors and Trustee Company Limited, Pakistan	100%	December 31, 2000 to December 31, 2002 and December 31, 2003 to December 31, 2004	Hyder Bhimji & Co., Karachi Ford Rhodes Sidat Hyder & Co., Karachi
United Bank Financial Services (Private) Limited, Pakistan	100%	December 31, 2000 and December 31, 2002 December 31, 2003 to December 31, 2004	Hyder Bhimji & Co., Karachi Ford Rhodes Sidat Hyder & Co., Karachi

UNITED BANK LIMITED AND THE GROUP
SUMMARY OF ASSETS LIABILITIES AND SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2004

1.1 The summary of assets, liabilities and shareholders' equity of the Bank and the Group as at December 31, 2004 were as follows:

	United Bank Limited	
	(The Bank)	(The Group)
	(Rupees in '000)	
Assets		
Cash and balances with treasury banks	23,844,435	23,945,146
Balances with other banks	17,699,334	24,174,064
Lendings to financial institutions	16,262,504	16,262,504
Investments	54,953,728	52,707,729
Advances		
- Performing	141,767,569	145,629,269
- Non-performing	4,481,615	4,693,940
Other assets	4,393,852	4,504,533
Fixed assets	3,969,006	5,103,654
Taxation recoverable	45,728	32,607
Deferred tax asset – net	5,194,892	5,194,892
	<u>272,612,663</u>	<u>282,248,338</u>
Liabilities		
Bills payable	3,811,284	3,835,555
Borrowings from financial institutions	11,975,684	12,637,036
Deposits and other accounts	230,256,627	237,054,440
Sub-ordinated loans	3,500,000	3,500,000
Liabilities against assets subject to finance lease	288	3,306
Other liabilities	3,513,569	3,647,760
Deferred liabilities	2,191,180	2,191,180
	<u>255,248,632</u>	<u>262,869,277</u>
Net assets	<u>17,364,031</u>	<u>19,379,061</u>
Represented by:		
Share capital	5,180,000	5,180,000
Reserves	5,915,928	5,980,448
Unappropriated profit	3,274,439	3,585,102
	<u>14,370,367</u>	<u>14,745,550</u>
Surplus on revaluation of assets	2,993,664	3,000,159
Minority interest	-	1,633,352
	<u>17,364,031</u>	<u>19,379,061</u>

1.2 Contingent Liabilities and Commitments

United Bank Limited
(The Bank) (The Group)
(Rupees in '000)

1.2.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring:

i) Government	856,437	896,165
ii) Banking companies and other financial institutions	1,428,103	1,428,103
iii) Others	1,726,278	1,896,441
	<u>4,010,818</u>	<u>4,220,709</u>

1.2.2 Transactions related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties, etc. given favouring:

i) Government	7,477,242	7,477,242
ii) Banking companies and other financial institutions	201,946	201,946
iii) Others	4,051,297	4,051,297
	<u>11,730,485</u>	<u>11,730,485</u>

1.2.3 Trade related contingent liabilities

Contingent liabilities in respect of letters of credit opened favouring:

i) Government	185,994	271,468
ii) Banking companies and other financial institutions	216,960	216,960
iii) Others	55,713,984	57,029,007
	<u>56,116,938</u>	<u>57,517,435</u>

1.2.4 Other contingencies

Claims against the Bank / the Group not acknowledged as debts

<u>6,115,838</u>	<u>6,115,838</u>
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		United Bank Limited	
		(The Bank)	(The Group)
		(Rupees in '000)	
1.2.5	Commitments in respect of forward lending		
	Commitments to extend credit	<u>1,651,359</u>	<u>1,759,776</u>
1.2.6	Commitments in respect of forward foreign exchange contracts		
	Sale	<u>24,618,916</u>	<u>24,663,126</u>
	Purchase	<u>21,452,980</u>	<u>21,497,190</u>
1.2.7	Other commitments		
	Repo transactions	<u>4,643,873</u>	<u>4,643,873</u>
	Capital commitments	<u>229,050</u>	<u>229,050</u>

2. UNITED BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 2000 TO DECEMBER 31, 2004

	Rupees in '000				
	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001	Year ended December 31, 2000
Mark-up / return / interest earned	9,233,881	8,944,260	11,158,001	11,407,860	10,416,460
Mark-up / return / interest expensed	(1,732,760)	(1,888,349)	(5,379,435)	(6,334,863)	(6,740,868)
Net mark-up / return / interest income	7,501,121	7,055,911	5,778,566	5,072,997	3,675,592
Provision against non-performing loans and advances – net	(435,414)	(444,871)	(851,958)	(1,488,083)	(174,747)
Reversal / (provision) for diminution in the value of investments – net	100,381	(104,285)	160,289	242,642	(117,224)
Bad debts / other assets written off directly	(3,841)	(12,897)	(47,904)	(15,731)	-
	(338,874)	(562,053)	(739,573)	(1,261,172)	(291,971)
Net mark-up / return / interest income after provisions	7,162,247	6,493,858	5,038,993	3,811,825	3,383,621
Non mark-up / return / interest income					
Fee, commission and brokerage income	1,654,475	1,442,642	1,626,314	1,034,440	1,180,448
Dividend income / gain on sale of investments	1,102,510	2,057,314	276,915	54,081	22,734
Income from dealing in foreign currencies	668,085	436,656	1,051,778	1,580,560	1,560,344
Other income	981,154	607,500	179,146	162,508	733,512
Total non mark-up / return / interest income	4,406,224	4,544,112	3,134,153	2,831,589	3,497,038
	11,568,471	11,037,970	8,173,146	6,643,414	6,880,659
Non mark-up / return / interest expenses					
Administrative expenses	(6,702,709)	(6,153,913)	(5,390,233)	(4,559,422)	(5,159,130)
Other provisions / write offs / reversals	34,422	(551,840)	(27,353)	(514,209)	171,432
Other charges	(10,456)	(5,501)	(24,252)	(110,869)	-
Total non mark-up / return / interest expenses	(6,678,743)	(6,711,254)	(5,441,838)	(5,184,500)	(4,987,698)
Extra ordinary / unusual items	-	-	-	(7,200,000)	(247,463)
Profit / (loss) before taxation	4,889,728	4,326,716	2,731,308	(5,741,086)	1,645,498
Taxation - Current - for the year	(283,083)	(193,050)	(195,871)	(251,935)	(129,246)
- Prior years	(285,201)	(223,070)	(18,701)	(1,484,855)	(45,159)
- Deferred	(619,900)	(1,274,978)	(1,102,420)	-	(804,000)
	(1,188,184)	(1,691,098)	(1,316,992)	(1,736,790)	(978,405)
Profit / (loss) after taxation	3,701,544	2,635,618	1,414,316	(7,477,876)	667,093
Basic earning / (Loss) Per Share (Rs. Per Share)	7.15	5.09	0.60	(3.33)	0.30
Diluted earning / (loss) Per Share (Rs. Per Share)	7.15	5.09	0.60	(3.33)	0.30

Note:The above figures are as reported in the respective years' published financial statements except certain items that have been re arranged for consistency of classification.

**3. UNITED BANK LIMITED AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEARS ENDED DECEMBER 31, 2000 TO DECEMBER 31, 2004**

	Rupees in '000				
	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002	Year ended December 31, 2001	Year ended December 31, 2000
Mark-up / return / interest earned	9,660,563	9,269,494	11,527,524	11,480,865	10,456,610
Mark-up / return / interest expensed	(1,800,477)	(1,931,179)	(5,475,559)	(6,347,215)	(6,746,123)
Net mark-up / return / interest income	7,860,086	7,338,315	6,051,965	5,133,650	3,710,487
Provision against non-performing loans and advances – net	(453,708)	(449,114)	(858,708)	(1,489,577)	(182,624)
Reversal / (provision) for diminution in the value of investments – net	100,381	(102,945)	160,289	242,400	(117,224)
Bad debts written off directly	(3,841)	(12,897)	(47,904)	(15,731)	-
Other provisions	-	-	-	-	171,432
	(357,168)	(564,956)	(746,323)	(1,262,908)	(128,416)
Net mark up / return / interest income after provisions	7,502,918	6,773,359	5,305,642	3,870,742	3,582,071
Non mark-up / return / interest income					
Fee, commission and brokerage income	1,891,444	1,670,765	1,797,892	1,097,148	1,217,834
Dividend income / gain on sale of investments	1,103,160	2,059,232	285,900	55,065	24,717
Income from dealing in foreign currencies	720,865	471,377	1,086,152	1,584,894	1,561,599
Other income	1,011,572	743,830	210,757	164,758	735,728
Total non mark-up / return / interest income	4,727,041	4,945,204	3,380,701	2,901,865	3,539,878
	12,229,959	11,718,563	8,686,343	6,772,607	7,121,949
Non mark-up / return / interest expenses					
Administrative expenses	(7,254,069)	(6,639,239)	(5,879,027)	(4,668,553)	(5,206,666)
Other provisions / write offs / reversals	44,369	(551,840)	(27,353)	(521,367)	(1,566)
Other charges	(10,456)	(5,501)	(24,252)	(110,869)	-
Total non mark up / return / interest expenses	(7,220,156)	(7,196,580)	(5,930,632)	(5,300,789)	(5,208,232)
Extra ordinary items	-	-	25,738	(7,200,000)	(247,463)
Profit / (loss) before taxation	5,009,803	4,521,983	2,781,449	(5,728,182)	1,666,254
Taxation - Current - for the year	(287,872)	(199,735)	(197,675)	(253,654)	(130,699)
- Prior years	(281,360)	(229,384)	(18,701)	(1,484,855)	(45,090)
- Deferred	(619,900)	(1,274,978)	(1,102,420)	-	(804,000)
	(1,189,132)	(1,704,097)	(1,318,796)	(1,738,509)	(979,789)
Profit / (loss) after taxation	3,820,671	2,817,886	1,462,653	(7,466,691)	686,465
Share of minority interest	(43,877)	(21,568)	(10,612)	6,455	-
Profit / (loss) attributable to the group	3,776,794	2,796,318	1,452,041	(7,460,236)	686,465
Basic earning / (Loss) Per Share (Rs. Per Share)	7.38	5.44	0.62	(3.32)	0.31
Diluted earning / (loss) Per Share (Rs. Per Share)	7.38	5.44	0.62	(3.32)	0.31

Note:

- The above figures are as reported in the respective years' published financial statements except certain items that have been re-arranged for consistency of classification. Further, the consolidated financial statements for the year ended December 31, 2000 were not prepared by the Bank. However, the consolidated profit and loss account for this financial year has now been prepared solely for the purposes of this report.
- The consolidated financial statements for the year ended December 31, 2000 do not include the results of operations of United Bank Financial Services (Private) Limited, Pakistan. The company was not operational during this year.

4. We further report that:

4.1 Cash dividends @ 22.5% and 15% were declared by the Bank for the years ended December 31, 2003 and December 31, 2004 respectively. No dividends were declared by the Bank for the three years ended December 31, 2000 to December 31, 2002.

4.2 No financial statements have been audited subsequent to the audit of the financial statements for the year ended December 31, 2004.

5. Items of non-recurring nature and significant disclosures included in the financial statements for the years ended December 31, 2000 to December 31, 2004 are as follows:

5.1 Financial Statements for the year ended December 31, 2004

5.1.1 Investments

During the year, the Bank has changed its accounting policy in respect of accounting for unrealised surplus / (deficit) arising on revaluation of held for trading investment portfolio. As per the new policy, surplus / (deficit) arising on revaluation of the bank's held for trading investment portfolio is taken to the profit and loss account. This change has been made to comply with the requirements laid down in BSD Circular No. 10 dated July 13, 2004, issued by the State Bank of Pakistan. Previously, this surplus / (deficit) was being shown in the balance sheet below equity as required by the State Bank of Pakistan's BSD Circular No. 20 dated August 04, 2000.

In accordance with the allowed alternative treatment specified in International Accounting Standard 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies), the effect of this change in accounting policy has been recognised in the year 2004 and the comparative information has not been restated. Had the accounting policy not been changed, the profit before taxation for the year ended December 31, 2004 would have been lower by Rs. 1.044 million.

Further the Bank has also changed its accounting policy in respect of valuation of investments classified as held to maturity. According to the new policy, these investments are carried at amortised cost. Previously, these investments were marked to market as per the requirements of SBP's BSD Circular No. 20 dated August 4, 2000 and the related surplus / deficit was shown in the balance sheet below equity. This change has been made to comply with the requirements laid down in BSD Circular No. 14 dated September 24, 2004, issued by the State Bank of Pakistan. The change in accounting policy did not have any impact on the profit and loss account for the

current and the prior period. Had the accounting policy not been changed, the surplus on revaluation of assets as at December 31, 2004 would have been higher by 137.681 million.

5.1.2 Proposed Dividends

During the year, the bank has changed its accounting policy pertaining to recognition of dividends declared subsequent to the year-end. The change has been made consequent to the amendment made by the Securities and Exchange Commission of Pakistan in the Companies Ordinance, 1984 and the new policy is in accordance with the requirements of IAS 10 (Events after the Balance Sheet Date). As per the new policy dividends declared subsequent to the balance sheet date are considered as a non-adjusting event and are not recognised in the financial statements as liability. Previously such dividend declarations were being treated as adjusting events in the financial statements of the Bank and were recorded as liability. The change in accounting policy has been applied retrospectively and comparative information has been restated in accordance with the benchmark treatment specified in IAS 8 (Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies). Had there been no change in the accounting policy, the unappropriated profit would have been lower and other liabilities would have been higher for the year ended December 31, 2003 by Rs 1,166 million.

The effect of the change in accounting policy has been reflected in the statement of changes in equity. The change in accounting policy has not resulted in any change in the profit for the current year.

5.1.3 Advances

During the year:

- the bank has changed the method of computation of provision against non-performing advances in order to comply with the requirements of the revised Prudential Regulations, issued by the State Bank of Pakistan. In accordance with the revised regulations the banks are required to apply an adjustment factor of 80 percent to the Forced Sale Value (FSV) of mortgaged assets held as collateral against advances while determining the provision requirement against non-performing advances. The incremental provision arising as a result of the above mentioned discounting of the FSV's of mortgaged assets amounted to Rs 215.34 million, which has been provided in these financial statements. Had the above mentioned discounting of collaterals not been carried out, the profit before taxation for the year ended December 31, 2004 would have been higher by Rs 215.34 million whereas advances (net of provision) at the end of the year would have been higher by the same amount.
- the Bank has made a general provision amounting to Rs. 104.390 million against consumer finance portfolio to comply with the requirement of revised Prudential Regulations issued by State Bank of Pakistan.

5.1.4 Taxation

Current / prior years

Income tax assessments of the Bank have been finalised up to the assessment year 2002-2003 for domestic and Azad Kashmir Branches. On the basis of these assessments determined

assessed losses amount to Rs. 22,588 million. Refunds determined as a result of finalised assessments amounted to Rs. 172.548 million, which were received during the year.

While finalising the assessments, the tax authorities made add backs on suspended mark up on non-performing loans. This treatment was contested by the bank in appeals before the Income Tax Appellate Tribunal (ITAT), which was decided in bank's favour. However, in respect of assessment years 1998-99 to 2001-02, the Large Tax Payers Unit and the bank filed reference applications on the above issue, which were dismissed by the ITAT. The bank has filed a reference application with the High Court of Sindh against the order issued by the ITAT, which is currently pending.

Deferred taxation

The Bank has an aggregate amount of Rs 13,733 million available as carried forward tax losses as at December 31, 2004. Out of this amount the management has recognized deferred tax debit balance on losses amounting to Rs 12,645 million. This represents the management's estimate of probable benefit which is expected to be realised in future years in the form of reduced tax liability as the bank would be able to set-off the profits earned in these years against losses carried forward from prior years.

5.1.5 Deferred liabilities

During the year, the Bank has increased the entitlement of employees in respect of leaves prior to their retirement from 180 days to 365 days. The increase is applicable to employees retiring prior to 2008. An amount of Rs. 220 million has been charged in the financial statements as a result of this increase in entitlement based on actuarial advice.

5.2 Financial Statements for the year ended December 31, 2003

5.2.1 Depreciation on fixed assets

During the year the management decided to amortise the Bank's leasehold land over the remaining lease term. Previously, no depreciation was being charged on leasehold land as the management felt that the respective long-term leases were easily renewable on nominal charges and hence had an unlimited life and insignificant charge to the profit and loss account of the respective years. The change has been made as in the opinion of the management the new policy would result in a more appropriate presentation of the carrying value of leasehold land in the financial statements. Had the accounting policy not been changed the profit before taxation for the year ended December 31, 2003 would have been higher by Rs. 53.828 million.

Further, during the year the management also carried out a review of the estimated useful lives of buildings, furniture, fixtures and electrical / office appliances and decided to revise the estimated useful lives of these asset categories as follows:

Asset category	Revised estimated useful lives
- Buildings	20 years
- Furniture and fixtures	10 years
- Electrical and office appliances	4 to 5 years, depending upon the nature of the asset

In addition, the management also decided to revise the depreciation method used to allocate the depreciable amount of the afore-mentioned asset categories from diminishing balance method to straight-line method. The management believes that the depreciation charge computed under the straight-line method reflects a more systematic allocation of the depreciable amount of these assets over their useful lives. Had there been no change in the estimated useful lives of the afore-mentioned assets and no change in the depreciation method, the profit before taxation for the year would have been higher by Rs. 58.01 million.

5.2.2 Golden handshake cost under the voluntary separation scheme

Upto the year ended December 31, 2002, golden handshake cost incurred by the Bank was being amortised over a period of five years by the management as permitted under the accounting treatment allowed in Technical Release No.-28, issued by the Institute of Chartered Accountants of Pakistan. During the year the management reviewed the future operational benefits associated with the unamortised portion of golden handshake cost carried in the financial statements and decided to charge off the unamortised portion of this cost at January 01, 2003 during the year ended December 31, 2003. Had the above estimate not been changed, the profit before taxation for the year would have been higher by Rs. 130.9 million.

5.2.3 Taxation

Current / prior years

Income tax assessments of the Bank have been finalised up to the tax year 2003 other than of Azad Kashmir Branches that have been finalised up to the assessment year 2002-2003. On the basis of these assessments determined assessed losses amount to Rs. 22,531.7 million. Refunds determined as a result of finalised assessments amounted to Rs. 325.6 million, out of which Rs. 153 million was received during the year, which is being further contested.

While finalising the assessments, the tax authorities made add backs on suspended mark up on non-performing loans. This treatment was contested by the Bank in appeals before the Income Tax Appellate Tribunal (ITAT), which was decided in Bank's favour.

Deferred taxation

The bank has an aggregate amount of Rs. 17,945 million available as carried forward tax losses as at December 31, 2003. Out of this amount the management has recognised deferred tax debit balance on losses amounting to Rs. 14,382 million. This represents the management's estimate of probable benefit which is expected to be realised in future years in the form of reduced tax liability as the bank would be able to set-off the profits earned in these years against losses carried forward from prior years.

5.2.4 Staff retirement benefits

In the case of benevolent fund and post retirement medical plans, the date of transition to International Accounting Standard (IAS) 19 dealing with employee benefits was taken as December 31, 2000. Under IAS 19, any deficit as at the date of transition may be amortised over a period not exceeding 5 years. Accordingly, the Bank decided to amortise the deficit in the benevolent fund and to account for post-retirement medical plan over 5 years. Four annual amorisation amounts have already been recognised from 2000 to 2003 and the outstanding

balance, amounting to Rs. 190.795 million at December 31, 2003 has been shown in the financial statements, as "Transitional obligation not recognised".

5.3 Financial Statements for the year ended December 31, 2002

5.3.1 Fixed assets

During the year certain amendments in section 235 of the Companies Ordinance, 1984, were promulgated and clarifications were issued by the Securities and Exchange Commission of Pakistan allowing the transfer of incremental depreciation on assets at revalued amounts to retained earnings. Accordingly, incremental depreciation amounting to Rs. 183.313 million charged in previous years on assets carried at revalued amounts together with the incremental depreciation charged during the year amounting to Rs. 54.960 million was transferred to retained earnings.

5.3.2 Bonds receivable from Corporate and Industrial Restructuring Corporation (CIRC)

At December 31, 2002, bonds of Rs. 4,120.161 million were receivable from CIRC against non-performing assets transferred by the Bank to the Corporation and were in the process of being issued, effective date of privatization of the Bank as per the CIRC Ordinance, 2000. No income was accrued on this balance as the rate of return was in the process of determination. The bonds were subsequently issued to the bank during 2003.

5.3.3 Deferred taxation

Deferred tax asset has not been created on the available brought forward tax losses amounting to Rs. 5,500 million as the management is of the opinion that it would not be prudent to recognise additional deferred tax asset at this stage.

5.3.4 Sub-ordinated loans

During the year ended December 31, 2001, mark-up free subordinated loan of Rs.1,539.8 million was received by the Bank from the Government of Pakistan through the State Bank of Pakistan (SBP). This included Rs.1,000 million received for the strengthening of the capital adequacy of the bank, which was repaid by the Bank on November 28, 2002 on the privatisation of the Bank. The remaining balance of Rs. 539.8 million was provided to the Bank to enable it to meet the liquidity requirement for settlement under the voluntary separation scheme of the staff. Of this balance, Rs. 224 million was converted into a grant in the year 2002 against the Bank's voluntary separation scheme, while the remaining balance of Rs. 316 million was repaid on June 24, 2002.

5.3.5 Increase in authorised capital and reduction in issued, subscribed and paid-up capital

During the year, the Board of Directors of the Bank approved an increase in the authorised share capital of the Bank from Rs. 25,000 million to Rs. 31,000 million and a right shares issue of Rs. 7,900 million which was fully subscribed in cash by the State Bank of Pakistan.

Subsequently, the Bank applied to the Honourable High Court of Sindh under Section 96 of the Companies Ordinance, 1984 for capital reduction to offset accumulated losses up to Rs. 25,202 million against its paid-up share capital of Rs. 30,382 million. Simultaneously the Bank also applied for reduction in the authorised share capital from Rs. 25,000 million to Rs. 10,300 million. The Honourable High Court of Sindh approved the application on October 9, 2002. Details of the

increase / decrease in the authorised capital and reduction in issued, subscribed and paid-up capital are as follows:

	Authorised capital		Issued, subscribed and Paid-up capital	
	Number	Amount	Number	Amount
	(in '000)	(Rs in '000)	(in '000)	(Rs in '000)
Balance as at January 01, 2002	2,500,000	25,000,000	2,248,168	22,481,680
Increase in authorised capital	600,000	6,000,000	-	-
Right shares issued	-	-	790,000	7,900,000
	3,100,000	31,000,000	3,038,168	30,381,680
Capital reduction	(2,070,000)	(20,700,000)	(2,520,168)	(25,201,680)
Balance as at December 31, 2002	1,030,000	10,300,000	518,000	5,180,000

5.3.6 Unamortised deferred cost in respect of payments to staff under voluntary separation scheme

At December 31, 2002, deferred cost of Rs. 261.386 million relating to payments made under the staff voluntary separation scheme of the Bank was being amortised in accordance with the Technical Release No. 28 of the Institute of Chartered Accountants of Pakistan. The details of the payments, amortisation and adjustment against a grant received from the SBP are as follows:

	(Rs in '000)
Balance of deferred cost as at January 01, 2002	394,215
Voluntary Separation Scheme (VSS) payments made during the year	208,784
Grant received from the State Bank of Pakistan against VSS payments during the year	(224,105)
	378,894
Amortisation during the year (charge to the profit and loss account)	(117,508)
Balance of deferred cost as at December 31, 2002	261,386

5.4 Financial Statements for the year ended December 31, 2001

5.4.1 Emphasis of matter paragraphs in the auditors' report

The auditors report on the financial statements for the year ended December 31, 2001, included the following emphasis of matter paragraphs.

Non-performing advances / loans

Subsequent to December 31, 2001, non-performing domestic foreign currency loans having gross book value of Rs. 5,486 million and net book value (NBV) of Rs. 3,534 million were transferred at NBV to Corporate and Industrial Restructuring Corporation (CIRC). No provision had been made under the Prudential Regulations in respect of these loans as the balances have been transferred under Transfer and Assignment Agreement dated May 17, 2002 to CIRC at NBV. Under the terms of the Transfer and Assignment Agreement between the Bank and CIRC, the Bank will receive Federal Government guaranteed bonds as per the Corporate and Industrial Restructuring Corporation Ordinance, 2000.

Extra-ordinary items

The arrangement between the Government of Pakistan (GOP) and UBL to acquire the beneficial rights to a substantial part of the long overdue overseas loans for Rs. 7,200 million on December 30, 2000, was mutually rescinded and the entire beneficial rights on these loans were transferred by the Bank to Corporate and Industrial Restructuring Corporation (CIRC) as per the letters exchanged between the GOP, State Bank of Pakistan, CIRC and the Bank. As a consequence, the entire Rs. 7,200 million shown as receivable from the GOP as per the earlier arrangement, had been written off as it no longer would have been paid by the GOP. In lieu of their decision not to pay this amount, the GOP had injected capital on May 09, 2002 through the State Bank of Pakistan by subscribing to the rights issue as discussed in para 5.3.5 of this report.

Taxation

- a) A provision of Rs. 519 million had been made by the Bank against taxes overcharged and forcefully collected in the previous years by the Income Tax Department of Azad Jammu and Kashmir, which the Bank disputes. The Azad Kashmir Government had been arbitrarily imputing addition to income and disallowing significant portions of expenses, accruing to the Bank's operations in Azad Kashmir. Though the Bank persists in its efforts to contest these assessments, and seek intervention from the higher levels of Government, it was felt prudent to make provisions for these overpayments.
- b) A charge of Rs. 936 million was made by the Bank relating to the Pakistan income taxes, previously regarded as recoverable. The Bank had to crystallise a figure for income taxes recoverable acceptable to the Central Board of Revenue (CBR), for the purposes of privatisation of United Bank Limited. As a consequence, the bank and CBR worked jointly on an exercise for closing the disputed assessments covering past 12 years (1989-90 to 2000-2001). In order to reach an expeditious conclusion, the Bank conceded to the CBR on the non-deductibility of certain expenses, and other items. The tax effects of these concessions were charged off to the profit and loss account.

5.4.2 Merger of the branches of the Bank with the branches of National Bank of Pakistan and incorporation of a subsidiary company

During the year, the branches of United Bank Limited in the United Kingdom were closed and merged with the branches of National Bank of Pakistan to form Pakistan International Bank (UK) Limited (PIB). PIB was registered as a public limited company in United Kingdom and has an issued and paid-up capital of 30 million ordinary shares of Pound Sterling 1 each. United Bank Limited has a 55% holding in the company (valued at Rs. 1,427.837 million at 31 December 2001 in the financial statements of United Bank Limited), while the remaining 45% shares are held by National Bank of Pakistan. The name of the subsidiary company was changed to United National Bank Limited, United Kingdom in 2002.

5.4.3 Deferred taxation

The Central Board of Revenue had extended the period to carry forward tax losses relating to assessment year 1995-96 to 2000-2001 from six years to ten years for nationalised commercial banks. The benefits of availability of additional tax losses had not been recognised in the financial statements, as the amount could not be accurately quantified.

5.4.4 Unamortised deferred cost in respect of payments to staff under voluntary separate scheme

At December 31, 2001, deferred cost of Rs. 394.215 million relating to payments under the staff voluntary separation scheme was being amortised in accordance with Technical Release No. 28 of the Institute of Chartered Accountants of Pakistan. The details of the payments, amortisation and adjustment against the grant from the SBP are as follows:

	(Rs in '000)
Balance of deferred cost as at January 01, 2001	368,000
Voluntary Separation Scheme (VSS) payments made during the year	1,484,719
Grant received from State Bank of Pakistan against VSS payments during the year	(1,336,900)
	515,819
Amortisation during the year	(121,604)
Balance of deferred cost as at December 31, 2001	394,215

5.5 Financial Statements for the year ended December 31, 2000

5.5.1 Changes in accounting policies

Investments

The State Bank of Pakistan through BSD Circular No. 20 dated August 04, 2000 has directed all banks to revalue their security holdings on the basis of market value and any surplus / (deficit) arising on such revaluation should not be taken to profit and loss account except when actually realized and instead should be kept in a separate account called "Surplus / (deficit) on revaluation of securities". Consequently, the Bank changed its accounting policy for valuation of its investment in marketable securities, which are stated at their market values. Further, the surplus / (deficit) on revaluation are shown below the shareholders' equity in the balance sheet.

Had this policy not been changed the profit before taxation for the year would have been lower by Rs. 103.409 million and there would have been no surplus / (deficit) on revaluation of securities.

Deferred liabilities

The Bank decided to provide for post-retirement medical benefits and contributory benevolent fund based on actuarial advice to comply with the requirements of International Accounting Standard 19. Actuarial liability is amortised over a period of 5 years. Had this policy not been changed the profit before taxation for the year would have been higher by Rs. 245 million and accumulated losses would be lower by this amount.

Provision against contingencies

The Bank decided to make provision against guarantees, letters of credit relating to non-performing customers to comply with the Core Principles Methodology for Effective Banking Supervision. Had this policy not been changed, the profit before taxation for the year would have been higher by Rs. 229 million and accumulated losses would be lower by the same amount.

5.5.2 Extraordinary / unusual items

At December 31, 2000, net unusual expense of Rs. 247.463 million was recognised by the Bank, details of which are as follows:

	Notes	(Rs in '000)
Exceptional provision against non-performing advances and investments		
	A	(8,081,212)
Medical / benevolent fund - yearly amortisation of liabilities		(245,000)
Staff compensation / severance scheme / actuarial shortfall in compensated absences		(184,035)
Interest income for prior years		1,062,784
Sale of collection rights	B	7,200,000
		<u>(247,463)</u>

A) Provision against non-performing advances / loans

The Bank had strengthened its credit controls and reporting procedures during the year. The Bank had also undertaken extensive verification of the non-performing loans and had revised estimation procedures relating to provisions. In consequence, calculations of provision including amounts related to prior years have been rectified. Additionally, Prudential Regulations relating to non-performing loans and provisioning were modified during the year by the State Bank of Pakistan. The provision arising from these factors amounting to Rs. 8,081 million including provision against non-performing investments amounting to Rs. 477 million was charged in the financial statements.

B) Sale of collection rights

The Bank had entered into an arrangement with the Government of Pakistan (GOP), whereby the GOP had agreed to assist in the collection of specified long overdue and substantial loans. The Bank's claim at December 31, 2000 substantially exceeded the net book value of these loans. In consideration for the GOP assistance, with respect to collection effort, the bank and GOP had reached an arrangement, under which the GOP had effectively acquired a beneficial right to a substantial part of collection proceeds on those loans. In consideration for this the GOP had agreed to pay Rs. 7.2 billion, irrevocably, within the year 2001. This transaction was endorsed by the State Bank of Pakistan.

5.5.3 Unamortised deferred cost in respect of payments to staff under voluntary separate scheme

At December 31, 2000, deferred cost of Rs. 368 million relating to payments under the staff voluntary separate scheme was being amortised in accordance with the Technical Release No. 28 of the Institute of Chartered Accountants of Pakistan. The details of the payments, amortisation and adjustment against the grant from the SBP are as follows:

	(Rupees in '000)
Voluntary separation scheme payments made during the year	460,669
Amortisation during the year (charged to the profit and loss account)	<u>(92,669)</u>
Deferred cost carried forward (balance at December 31, 2000)	<u>368,000</u>

Yours truly,

Sd/-
A. F. Ferguson & Co.
Chartered Accountants
Karachi

Sd/-
Taseer Hadi Khalid & Co.
Chartered Accountants
Karachi

5.2 Auditors' Certificate on Break-Up Value of Shares

The Board of Directors

KA-AQ-1419

United Bank Limited
Head Office
State Life Building No.1
I. I. Chundrigar Road
Karachi

20 April 2005

Dear Sirs,

AUDITORS' CERTIFICATE FOR BREAK-UP VALUE OF SHARES

As requested, we confirm that the break-up value of the ordinary shares of Rs. 10 each of United Bank Limited (the Bank) and the Bank and its subsidiary companies (the Group) based on the audited financial statements for the year ended December 31, 2004 is as follows:

	United Bank Limited	
	(The Bank)	(The Group)
	(Rupees in '000)	(Rupees in '000)
Issued, subscribed and paid-up capital	5,180,000	5,180,000
Reserves	5,915,928	5,980,448
Unappropriated profit	3,274,439	3,585,102
Surplus on revaluation of investments - net of deferred tax	320,313	326,808
	14,690,680	15,072,358
Surplus on revaluation of fixed assets - net of deferred tax	2,673,351	2,673,351
	17,364,031	17,745,709
Number of shares	518,000,000	518,000,000
	Rupees	Rupees
Break-up value per ordinary share of Rs. 10 each (excluding surplus on revaluation of fixed assets)	28.36	29.09
Break-up value per ordinary share of Rs. 10 each (including surplus on revaluation of fixed assets)	33.52	34.25

Yours truly,

Sd/-
A. F. Ferguson & Co.
Chartered Accountants
Karachi

Sd/-
Taseer Hadi Khalid & Co.
Chartered Accountants
Karachi

5.3 Auditors' Certificate on Issued, Subscribed and Paid-Up Capital

The Board of Directors

KA-AQ-1418

United Bank Limited
Head Office
State Life Building No.1
I. I. Chundrigar Road
Karachi

20 April 2005

Dear Sirs,

AUDITORS' CERTIFICATE ON ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

We have verified from the books of accounts and records of United Bank Limited that the issued, subscribed and paid-up share capital of the Bank as at December 31, 2004 was Rs. 5,180 million divided into 518,000,000 ordinary shares of the face value of Rs. 10 each, fully paid-up and subscribed in cash.

Yours truly,

Sd/-
A. F. Ferguson & Co.
Chartered Accountants
Karachi

Sd/-
Taseer Hadi Khalid & Co.
Chartered Accountants
Karachi

5.4 Significant Financial Information for the last 5 years (FY00 to FY04)

Rs. million unless stated otherwise	FY2004	FY2003	FY2002	FY2001	FY2000
Operational Results					
Total Income	13,640	13,488	14,292	14,239	14,905
Operating Expenses	6,679	6,711	5,442	5,185	5,451
Profit/(Loss) before Income Tax	4,890	4,327	2,731	(5,741)	1,645
Profit/(Loss) after Taxation	3,702	2,636	1,414	(7,478)	667
Balance Sheet					
Shareholders' equity	17,364	15,050	11,072	1,237	8,803
Total Assets	272,613	216,924	183,003	160,852	161,573
Cash and balances	23,844	17,274	15,650	15,061	8,099
Advances	146,250	96,125	72,808	78,493	74,156
Investments - net of provisions	54,954	56,517	69,244	30,324	34,069
Deposits and other accounts	230,257	185,072	158,264	134,961	128,679
Ratios (%)					
Capital Adequacy	9.92%	8.65%	9.80%	N/A	10.70%
Profit before Tax ratio (PBT/Gross mark up income)	52.95%	48.37%	24.79%	(40.31)%	14.32%
Gross spread ratio (Net markup income/ gross markup income)	81.23%	78.88%	51.19%	44.41%	41.43%
Return on Average Equity (ROE)	21.32%	17.51%	12.77%	N/M	7.58%
Return on Average Assets (ROA)	1.35%	1.22%	0.76%	N/M	0.41%
Advances/ Deposits Ratio	63.50%	51.94%	46.00%	58.15%	57.62%
Book value per share excluding revaluation of assets (Rs.)	28.36	21.70	16.65	N/M	2.99
Book value per share including revaluation of assets (Rs.)	33.52	29.05	21.37	0.55	3.91
Earning per Share (Rs.)	7.15	5.09	0.60	(3.33)	0.30
Deposits/branch (in Rs. million)	214.80	171.84	145.83	127.70	92.73

N/M= Not Meaningful

N/A= Not Applicable

PART 6 MANAGEMENT AND RELATED MATTERS

6.1 Management of the Bank

The Bank’s affairs are governed by a Board of Directors, which currently consists of the President and Chief Executive Officer and seven Directors. The President and Chief Executive Officer has an overall responsibility for the strategic direction, government relations and to manage the portfolio of business and its functions.

6.2 Board of Directors

Name	Designation	Directorships in other Companies	
His Highness Shaikh Nahayan Mabarak Al Nahayan, HPk	Chairman	1. Union National Bank, UAE	Chairman
		2. Dhabi Group of Companies	Chairman
		3. Warid Telecom (Pvt) Limited, Pakistan	Chairman
Sir Mohammed Anwar Pervez, O.B.E, HPk	Deputy Chairman	1. Bestway (Holdings) Limited, UK	Chairman
		2. Bestway Northern Limited, UK	Chairman
		3. Bestway Cash & Carry Limited, UK	Chairman
		4. Batleys Limited, UK	Chairman
		5. Palmbest Limited, UK	Chairman
		6. Bestway Direct Limited, UK	Chairman
		7. Euroimpex Limited, UK	Chairman
		8. MAP Trading Limited, UK	Chairman
		9. Bestway Cement Limited, Pakistan	Chairman
		10. Buybest Limited	Director
		11. Peppermill Limited	Director
		12. National Grocers Benevolent Fund	Director
Mr. Atif R. Bokhari	President & CEO	1. United Executors and Trustees Co. Ltd	Chairman
		2. United Asset Management Co. Ltd	Chairman
		3. First Women Bank Ltd	Director
		4. United Bank AG Zurich	Chairman
		5. United National Bank Ltd. UK	Director

Mr. Omar Z. Al Askari	Director	<ol style="list-style-type: none"> 1. United Technical Services, UAE President & CEO 2. UTS-Carrier, Abu Dhabi Chairman 3. UTE- Kent, Abu Dhabi Chairman 4. Gulf Business Centre, Abu Dhabi Chairman 5. Warid Telecom (Pvt) Limited, Pakistan Director
Mr. Zameer Mohammed Choudrey	Director	<ol style="list-style-type: none"> 1. Bestway (Holdings) Limited, UK Group Chief Executive Officer 2. Bestway Northern Limited, UK Group Chief Executive Officer 3. Bestway Cash & Carry Limited, UK Group Chief Executive Officer 4. Batleys Limited, UK Group Chief Executive Officer 5. Palmbest Limited, UK Group Chief Executive Officer 6. Bestway Direct Limited, UK Group Chief Executive Officer 7. Euroimpex Limited, UK Group Chief Executive Officer 8. MAP Trading Limited, UK Group Chief Executive Officer 9. Bestway Cement Limited, Pakistan Group Chief Executive Officer 10. Buybest Limited Director 11. Peppermill Limited Director
Mr. Ahmad Waqar	Nominee Director of GOP	<ol style="list-style-type: none"> 1. SAINDAK Metals Limited Chairman 2. Pakistan Telecommunication Company Limited Director 3. Habib Bank Limited Director 4. Government Holding (Pvt) Limited- Chairman 5. Pakistan Mineral Development Corporation- Chairman
Mr. Javed Sadiq Malik	Nominee Director of GOP	Pak Kuwait Investment Company (Pvt.) Limited – Director
Mr. M. Tahsin Khan Iqbal	Nominee Director of GOP	<ol style="list-style-type: none"> 1. Zarai Taraqiyati Bank Limited – Director 2. Pakistan Telecommunication Company Limited- Director 3. Pakistan Industrial Credit and Investment Corporation Director 4. Investment Corporation of Pakistan Director

6.3 Information in respect of Listed Companies in Pakistan in which Directors are holding Directorship

6.3.1 Dividends Declared by the Listed Companies

Name of Company	CY04	CY03	CY02	CY01	CY00
Bestway Cement Limited	10% (C) 10% (B)	7.5% (C)	7.5% (C)	Nil	Nil

(C): Cash

(B): Bonus

6.3.2 Overdue Loans

There are no overdue loans (local and foreign currency) payable by the Bank or its Directors.

6.4 Profile of the President and the Chief Executive Officer

Mr. Atif R. Bokhari was appointed as the new President & Chief Executive Officer of United Bank Limited in May 2004 replacing Mr. Amar Zafar Khan.

In August 2000, Mr. Bokhari joined HBL as Executive Vice President, International Division and was responsible for development of business plans, risk and portfolio management of corporate clients and risk management and marketing of financial institutions both locally and globally. In September 2001, he was promoted to SEVP & Group Head, Corporate and Investment Banking, and a member of the HBL's management committee.

In this position he managed the largest Corporate and Investment Banking portfolio amongst all banks operating in Pakistan, and successfully established HBL as a leading bank in Corporate and Investment Banking area of Pakistan through a focused strategy and new initiatives.

Mr. Atif Bokhari is an MBA (Economics & Finance) from Central Missouri University, USA. He started his career with ICI (Pakistan) in October 1983. Subsequently for 15 years he worked at the Bank of America rising to Corporate /Credit Marketing Manager.

6.5 Profile of Company Secretary

Mr. Aly Shah is a Barrister-at-law from Lincolns Inn, London of over 10 years standing and holds a LL.B (Hons.) degree and a LL.M degree, from the United Kingdom. He has been practicing commercial and corporate law in Pakistan with Orr Dignam & Co., Karachi for over 10 years. In June 2004, he joined the Bank as Company Secretary and is also the Chief Legal Counsel of the Bank. His responsibilities include ensuring compliance by UBL of the Company and Banking Laws of Pakistan, and advising on legal issues.

6.6 Profile of the Chief Financial Officer

Mr. Aameer Karachiwalla, the Group Chief Financial Officer, is a Chartered Accountant from England & Wales and Pakistan. Since his return to Pakistan fifteen years back, he has worked in the automotive industry, travel, and financial services and with Citibank N.A. Karachi in the Investment Banking Division.

6.7 Profiles of the Directors

6.7.1 H.H. Shaikh Nahayan Mabarak Al Nahayan, HPk

His Highness Shaikh Nahayan Mabarak Al Nahayan is Chairman of the Board of Directors of the Bank since October 19, 2002. He was recently conferred the award of Hilal-e-Pakistan by the Government of Pakistan.

He is a prominent member of the Royal Family of Abu Dhabi. He is Federal Minister of Education, UAE. In 2002, His Highness and other members of the Abu Dhabi Group acquired 25.5% majority shares and management control of the Bank, along with the Bestway Group, UK who also acquired 25.5% shares of the Bank. His Highness is also holding the following offices:

- Chairman, Union National Bank, UAE
- Chairman, Warid Telecom (Pvt) Limited, Pakistan
- Chairman, Abu Dhabi Group of Companies
- Chancellor, UAE University, Al Ain, UAE
- Chancellor, Sheikh Zayed University, UAE
- Chancellor, Higher Colleges of Technology, Abu Dhabi
- President, Society of Natural History and National Heritage, UAE

6.7.2 Sir Mohammed Anwar Pervez, OBE, HPk

Sir Mohammed Anwar Pervez, OBE, HPk is the Deputy Chairman of the Board of Directors of the Bank since October 19, 2002.

He is Chairman of Bestway Group who acquired 25.5% majority shares and management control of the Bank along with the Abu Dhabi Group who also acquired 25.5% shares in 2002.

Bestway Group is amongst the top 10 privately owned companies in UK. Its cash & carry operations are the second largest in UK with an annual turnover in excess of US\$ 3.3 billion⁹. The group provides employment to about 5,000 people in UK. The group's cement company is the fourth largest cement producer in Pakistan.

Sir Anwar was awarded the Order of the British Empire (OBE) in 1992 by Her Majesty, Queen Elizabeth. A Knights Bachelor Honor was conferred on him in 1999. Hilal-e-Pakistan (HPK) was awarded to him by the Government of Pakistan in 2000.

Sir Anwar is a trustee of Memorial Gates Trust, Crimestoppers and Duke of Edinburgh's Award Scheme.

6.7.3 Mr. Omar Z. Al Askari

Mr. Omar Z. Al Askari is a Member of the Board of Directors of the Bank since October 19, 2002. He is also a member of four Board Committees namely the Board Executive Committee, Board Audit Committee, Board Credit Committee and Chairman of the Human Resource & Compensation Committee.

He is one of the members of Abu Dhabi Group. He is also President and Chief Executive Officer of United Technical Services, Abu Dhabi and Director of Warid Telecom, Pakistan. He is also Chairman of the following companies:

- UTS Carrier, Abu Dhabi

⁹ Source: www.bestway.co.uk

- UTS Kent, Abu Dhabi
- Gulf Business Center, Abu Dhabi

6.7.4 Mr. Zameer Mohammed Choudrey

Mr. Zameer Mohammed Choudrey is a Member of the Board of Directors of the Bank since October 19, 2002.

He is Chairman of the Board Audit Committee and Member of the Board Executive Committee, Board Credit Committee and Human Resource & Compensation Committee.

He is the Chief Executive Officer of Bestway Group, which is amongst the top 10 privately owned companies in UK. Its cash & carry operations are the second largest in UK with an annual turnover in excess of US\$ 3.3 billion.

He is a Chartered Accountant by profession. He joined Bestway Group as a financial controller in 1984. In 1990, he was promoted as the Group Finance Director and was responsible for IT and Human Resources departments. In 1995, he was given the additional responsibilities of business diversification both in UK and Pakistan and was promoted as Chief Executive Officer of Bestway Cement. He was appointed as the Group CEO for the Group's global business interests in 2004.

He is a member of the Economic Affairs Committee of CBI, UK.

6.7.5 Mr. Ahmad Waqar

Mr. Ahmad Waqar has been reappointed as Director on the Board of the Bank from October 19, 2002. Prior to this, he was appointed as Director of the Bank on July 7, 2001. During the process of privatization of the Bank, he was Secretary, Privatization Commission. He is currently the Secretary, Ministry of Petroleum & Natural Resources, Government of Pakistan.

He is the Chairman of the following companies:

- Pakistan Mineral Development Corporation
- SAINDAK Metals Limited
- Government Holding (Pvt.) Limited

He is also Director on the Board of Pakistan Telecommunication Company Limited and Habib Bank Limited. He is a member of the Hydrocarbon Development Institute of Pakistan and Private Power Infrastructure Board.

He has an MBA (Finance) degree from the USA. Since 1971, he has been working in various divisions / departments of different ministries of the Government of Pakistan.

6.7.6 Mr. Javed Sadiq Malik

Mr. Javed Sadiq Malik is a Director of the Bank since October 19, 2002. He is the Principal Secretary to the Prime Minister of Pakistan.

He has also worked at the following posts:

- Secretary, Planning & Development Division, Government of Pakistan
- Additional Finance Secretary, Government of Pakistan
- Special Assistant to Finance Minister, Government of Pakistan
- Faculty Member of Staff College Lahore
- Finance Secretary, Government of Punjab
- Commissioner Rawalpindi, Government of Punjab

Mr. Malik is also a Director of Pak Kuwait Investment Company (Pvt.) Limited.

He has a M.S. (MGT) and MA (Dev) from the USA and M.A. (Political Science) from Punjab University.

6.7.7 Mr. Muhammad Tahsin Khan Iqbal

Mr. Muhammad Tahsin Khan Iqbal is a Director of the Bank since October 19, 2002. He is also the member of two sub-committees of the Board namely the Board Executive Committee and Board Audit Committee.

He is Secretary, Ministry of Privatization and Investment, Government of Pakistan. He is also a Director on the Boards of Zarai Taraqiyati Bank Limited, Pakistan Industrial Credit and Investment Corporation, Investment Corporation of Pakistan and Pakistan Telecommunication Company Limited.

He has a MA (Economics) and MBA (Finance). He has to his credit over 30 years service in various departments of the Government of Pakistan.

6.7 Number of Directors

Pursuant to section 174 of the Companies Ordinance, 1984, the number of Directors of the Bank shall not be less than seven. At present, the Board consists of 8 Directors.

6.8 Qualification of Directors

The qualification of a director except a director appointed by the Federal Government shall be holding of shares in the Bank of nominal value of Rs. 25,000/-

6.9 Appointment/Election of Directors

The Directors shall comply with the provisions of section 174 to 178, 180 and 184 of the Ordinance relating to the election of Directors and matters ancillary thereto. Four Directors of the Bank namely, His Highness Shaikh Nahayan Mabarak Al Nahayan, Sir Mohammed Anwar Pervez, Mr. Omar Z. Al-Askari and Mr. Zameer Mohammed Choudrey, have been Directors since October 19, 2002 and were re-elected as Directors at the Annual General Meeting of the Bank held on March 19, 2005. Three of the remaining Directors have been nominated by the Government of Pakistan. The President and Chief Executive Officer is deemed to be a Director under the Companies Ordinance, 1984.

6.10 Benefits to Promoters and Officers during the last two years

No benefit has been given or is intended to be given by the Bank to the promoters and officers of the Bank other than remuneration for services rendered by them as full time executives of the Bank.

6.11 Remuneration of the Directors

The remuneration of the Directors shall from time to time be determined by the Bank in general meeting subject to the provisions of the Ordinance.

6.12 Interest of Directors in Property Acquired by the Bank

None of the Directors of the Bank had or has any interest in any property acquired by the Bank within the last two years or proposed to be acquired by the Bank.

6.13 Voting Rights

The rights and privileges, including voting rights, attached to the Ordinary Shares of the Bank are equal.

6.14 Power of Directors

As required under section 196 of the Companies Ordinance, 1984, and the Articles of Association of the Bank, the authority to conduct business of the Bank is vested with its Board of Directors and they may exercise all such powers of the Bank as are not required by the Companies Ordinance, 1984 or the Articles of Association of the Bank or by a special resolution, required to be exercised by the Bank in the general meeting of the shareholders.

6.15 Borrowing Powers of the Directors

The Directors may from time to time raise or borrow any sum or sums of money or make any arrangement for finance for the purpose of the Bank. The Directors may raise or secure the payment of such sum or sums or financial arrangement in such manner and upon such terms and conditions in all respects as they think fit and in particular by making, drawing, accepting or endorsing on behalf of the Bank any promissory notes or bills of exchange or by issuing bonds, perpetual or redeemable debentures or debenture stock or any mortgage, charge or other security on the undertaking or the whole or any part of the property of the Bank (both present and future) but so that no such charge shall be created on unpaid capital of the Bank.

PART 7 MISCELLANEOUS

7.1	Registered/Head Office	State Life Insurance Corporation Building # 1 I.I.Chundrigar Road, Karachi, P.O.Box No.: 4306
7.2	Share Registrars	THK Associates (Pvt.) Limited Ground Floor Modern Motors House Beaumont Road Karachi
7.3	Bankers to the Offer	<p>Domestic Bankers</p> <p>Allied Bank of Pakistan Limited Askari Commercial Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Faysal Bank Limited First Dawood Investment Bank limited First Women Bank Limited Habib Bank Limited Jahangir Siddiqui Investment Bank Limited KASB Bank Limited Metropolitan Bank Limited Muslim Commercial Bank Limited National Bank of Pakistan PICIC Commercial Bank Limited Prime Commercial Bank Limited Saudi Pak Commercial Bank Limited Soneri Bank Limited Standard Chartered Bank The Bank of Punjab United Bank Limited</p> <p>Overseas Bankers</p> <p>Habib Bank Limited, Bahrain Habib Bank Limited, Oman Habib Bank Limited, U.A.E. United Bank Limited, Bahrain United Bank Limited, Qatar United Bank Limited, UAE United Bank Limited, Yemen</p>
7.5	Auditors of the Bank	<p>A. F. Ferguson & Co., Chartered Accountants State Life Building 1-C I.I. Chundrigar Road Karachi</p> <p>Taseer, Hadi Khalid & Co., Chartered Accountants Shiekh Sultan Trust</p>

	Building No. 2 Beaumont Road Karachi
7.6 Legal Advisor of the Bank	Jamil & Jamil Barristers-At-Law 219-221, Central Hotel Annexe Abdullah Haroon Road Civil Lines Karachi
7.7 Lead Manager to the Offer	Aqeel Karim Dhedhi Securities (Pvt.) Limited 6 th Floor, Continental Trade Centre Block 8, Clifton Karachi

7.8 Material Contracts

- (a) Contracts / Documents in respect of Term Finance Certificates ("TFCs"), details of which are set out in the Prospectus dated July 26, 2004.

Total amount raised by these TFCs was Rs. 2,000 million. The TFCs have a tenor of 8 years and rank subordinated as to the payment of principal and profit to all other indebtedness of the bank (including deposits). The TFCs carry a markup of 8.45% p.a. payable semi annually. The principal amount representing 0.25% of the face value of these TFCs is redeemable semi-annually in the first 78 months and the balance is redeemable in three equal semi-annual installments of 33.25% each starting from the 48th month.

- (b) Contract / Documents in respect of second issue of Term Finance Certificates, details of which are set out in the Prospectus dated February 26, 2005.

Total amount raised by these TFCs was Rs. 2,000 million. The TFCs are redeemable by 2013 and rank subordinated as to the payment of principal and profit to all other indebtedness of the bank (including deposits). The mark up on these TFCs is fixed at 9.49% p.a. payable semi annually. The instrument is structured to redeem principal in one bullet payment at maturity.

- (c) Agreement between the Bank and the Chief Executive Officer dated 11th May 2004 setting out the terms of appointment of the Chief Executive Officer.
- (d) Agreement between the Bank and the Company Secretary dated 7th May 2004, setting out the terms of appointment of the Company Secretary.

7.9 Inspection of Documents and Contracts

Copies of the document specified above, the Memorandum and Articles of Association, the audited financial statements and Auditors' Certificates referred to in this OFSD may be inspected during normal business hours on any working day at the Bank's corporate office in Karachi from the date of publication of the OFSD until the closing of the subscription list.

7.10 Indemnity

Subject to the provisions of Section 194 of the Companies Ordinance 1984, every Director, Manager, Secretary, Trustee Auditor and other officer or servant of the Bank shall be indemnified by the Bank against, and it shall be the duty of the Directors out of the funds of the Bank to pay all losses, costs and expenses which any such officer or servant may incur or become liable to by reason of any contract entered into, or any act or thing done by him as such officer or servant, may incur or become liable to by reason of any contract entered into, or any act or thing done by him as such officer or servant, or in any way in or about the discharge of his duties, including traveling expenses.

Subject to the provisions of Section 194 of the Companies Ordinance 1984, no Director, Auditor or other officer of the Bank shall be liable for the acts, receipts, neglects or defaults of any other Directors or officer or for joining in any receipt or other act for the sake of conformity merely, or for any loss or expense happening to the Bank through the insufficiency or deficiency in point of title to or value of any property acquired by order of the Directors for or on behalf of the Bank, or mortgaged to the Bank, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Bank shall be invested or for any loss or damage arising from the bankruptcy, insolvency, or tortuous act of any person to or with whom any moneys, securities or effects of the Bank shall be entrusted or deposited or for any loss occasioned by any error of judgment, omission, default or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution or performance of the duties of his office or in relation thereto unless the same happens through his own dishonesty.

Every Officer or agent for the time being of the Bank may be indemnified out of assets of the Bank against any liability incurred by him in defending any proceedings, whether civil or criminal arising out of his dealings, in relation to the affairs of the Bank except those brought by the Bank against him, in which judgment is given in his favor or in which he is acquitted on in connection with any application under section 488 of the Ordinance in which relief is granted to him by the Court

7.11 Legal Proceedings

The Bank is a party to the following legal proceedings, which are other than ordinary routine litigation incidental to its business:

S#.	Region	Name Claimant	Name of Branch	Amount in Million (Rs.)
1.	Azad Kashmir	Mst. Anwari Begum	Kotli	0.035
2.	Azad Kashmir	Mst. Fazal Begum	Dadyal	0.04
3.	Faisalabad	UBL Employees Union Faisalabad through GS Zafar Iqbal vs UBL		
4.	Faisalabad	UBL Employees Union Faisalabad Vs UBL		
5.	Faisalabad	Mohammad Asghar	Sargodha	23.302
6.	Faisalabad	Jafar Ali		0.058
7.	Faisalabad	Crescent Sugar Mills	Nishatabad	21.01
8.	Faisalabad	UBL vs Parveen Akhtar	Jaranwala Branch	0.05

9.	Gujranwala	Liaquat Jamil	COC Gujranwala	1.31
10.	Gujranwala	Asim Bhatti	COC Gujranwala	US\$ 26000
11.	Hyderabad	UBL Officers Association Hyderabad Vs UBL		
12.	Hyderabad	UBL Vs Registrar Trade Union		
13.	Hyderabad	UBL Vs NIRC & Others (Manzoor Surhio)		
14.	Islamabad	Haji Muhammad Nawaz Khokar	SAMD Karachi	200
15.	Islamabad	Imtiaz Ali Khokar	SAMD Karachi	100
16.	Islamabad	Muhammad Afzal Khokar	SAMD Karachi	100
17.	Islamabad	Haji Allah Ditta Khokar	SAMD Karachi	100
18.	Islamabad	Mst Najma Nawaz Khokar	SAMD Karachi	100
19.	Islamabad	M/s. MEFT Pakistan (Pvt) Ltd	Civic Centre Islamabad	1519
20.	Islamabad	Muhammad Shafi	Chakwal Main	0.104
21.	Islamabad	Abdul Majid	Jhelum	3.482
22.	Islamabad	UBL Vs Malik M.Hussain & NIRC		
23.	Islamabad	UBL Vs UBL Progressive Employees Union, Rwp., Isd & Psc		
24.	Islamabad	UBL vs Malik Muhammad Hussain & NIRC		
25.	Islamabad	UBL Vs Malik M.Hussain		
26.	Islamabad	Emp Union Gujrat Vs UBL		
27.	Islamabad	Emp Union CBA (Malik M.Hussain) Vs UBL		
28.	Karachi	Ghulam Mehdi	Avari Towers	2.01
29.	Karachi	UBL Vs Registrar of Trade Union, UBL Emp Union Faisalabad & Assist Distt. Officer Labour Faisalabad		
30.	Karachi	UBL Vs NIRC, Emp Fed & Emp Union, Sargodha		
31.	Karachi	UBL vs Full Bench NIRC (Federation)		
32.	Karachi	Labour Union Vs UBL		
33.	Karachi	UBL Vs Emp Federation		
34.	Karachi	UBL Vs Emp Federation		
35.	Karachi	UBL Vs Labour Union		
36.	Karachi	UBL Vs Raja Muhammad Sarfaraz		
37.	Karachi	UBL Vs UBL Employees Federation Pak		
38.	Karachi	One CBU in the Establishment of UBL		
39.	Lahore	Muhammad Ashraf vs UBL	Katchupura Branch	4.14
40.	Lahore	Allay Brothers vs Federation of Pakistan & UBL (Seven Cases)	S.D.Vault Branch	0.05
41.	Lahore	Javed Iqbal vs UBL	Phool Nagar	0.375
42.	Lahore	Union Counsel vs UBL	Hanjarwal Branch	
43.	Lahore	Muhammad Ismail vs UBL	Shahalam Market Branch	3
44.	Lahore	Kashif Ismail vs UBL	Shahalam Market	3

			Branch	
45.	Lahore	Atif Ismail vs UBL	Shahalam Market Branch	3
46.	Lahore	Rehana Jabeen vs UBL	Shahalam Market Branch	3
47.	Lahore	Nasreen Begum vs UBL	Shahalam Market Branch	3
48.	Lahore	Dr. Nuhammad Aslam etc vs UBL etc	Wahdat Road	2.1
49.	Lahore	Sardar Zafar Iqbal etc vs UBL	Moughalpura Road	2.04
50.	Lahore	Sultan Muhammad vs UBL	GM.Jaranwala Branch,	0.584
51.	Lahore	Muhammad Yousaf Chughtai vs UBL		2.468
52.	Lahore	Muhammad Yousaf Chughtai vs UBL		100
53.	Lahore	Emp Federation Vs UBL		
54.	Lahore	UBL Vs Emp Union (Mian Manzoor & Ahraf Dogar)		
55.	Lahore	UBL Vs Emp Federation		
56.	Lahore	Emp Union (Tanveer Butt) Vs UBL		
57.	Lahore	UBL Vs Emp Union (Mian Manzoor & Ashraf Dogar)		
58.	Multan	UBL vs. Mr. Noor Ahmed Civil	Vehari Main	22.5
59.	Multan	Mr. Zafar Lal vs.UBL & Others.	Central Branch Sahiwal	0.6
60.	Multan	Mst. Tasleem Kausar vs. UBL etc.	Farid Gate Bahawalpur	0.3
61.	Multan	Mr. Tanvir Ahmed vs. UBL & 2 others.	Azmat Rd. D.G.Khan	1.4
62.	Multan	Haji Mian Muhaad Khan vs. UBL etc.	Azmat Rd. D.G.Khan	2.04
63.	Multan	Zafar Iqbal vs. UBL	Mian Channu Branch,	0.135
64.	Multan	Muhammad Aslam Tahir vs. UBL	Khanewal Br.	0.075
65.	Multan	Dr. Azhar Saeed vs. UBL	Shahrah/e/Quaid/e/Azam Multan Cantt.	0.3
66.	Multan	Mst. Sughran Bibi	Vehari Br	0.19
67.	Peshawar	P.O.F Wah	Abbottabad	1.138
68.	Peshawar	Amina Bibi	D.I Khan	0.515
69.	Peshawar	N.B. Locomoto Factory	Risalpur	0.306
70.	Peshawar	Khalid Shah	Mardan	0.8
71.	Peshawar	Jehanzeb Shah	Kohat Cantt	0.063
72.	Quetta	Sahib Dad Khan	HCB	60

Note: The above list does not include proceedings pending by or against the Bank, which are trade related or filed under the Financial Institutions (Recovery of Finances) Ordinance, 2001.

7.12 Memorandum of Association

The Memorandum of Association, inter alia, contains the objects for which the Bank was incorporated and the business, which the Bank is, authorized to undertake. A copy of the Memorandum of Association is annexed to this Offer for Sale and is being published with all issues thereof except those released as newspaper advertisements.

7.13 Vendors

The Bank has no Vendors in terms of Clause 12 of section 1 Part 1 of the Second Schedule of the Ordinance.

7.14 Investment in Associated Companies

The Group holds 25% shares in Oman United Exchange Company LLC (associated company). Investments in associated undertakings amounted to Rs. 2,462.558 million as per the audited accounts of December 31, 2004. This investment is carried at cost less impairment losses, if any, and has not been accounted for using the equity method as the Bank does not exercise significant influence on the company.

7.15 Subsidiary Companies

Extent of the interest of United Bank Limited (the holding company) in the equity of its subsidiaries is as follows:

▪ United Bank AG (Zurich), Switzerland	100%
▪ United Executors and trustees Company Limited, Pakistan	100%
▪ United Bank Financial Services (Private) Limited, Pakistan	100%
▪ United Asset Management Company Limited, Pakistan	100%
▪ United National Bank Limited (UNB), United Kingdom	55%

7.16 Revaluation of Fixed Assets

The properties of the Bank were last revalued by independent professional valuers as at December 31, 2003. The last revaluation was carried out by M/s. Prisons Chemicals Engineering (Private) Limited and M/s. Consultancy Support Services on the basis of professional assessment of present market values and resulted in a surplus of Rs. 991 million. Had there been no revaluation, the carrying amount of revalued assets would have been as follows:

	(Rupees in '000s)
Freehold land	4,454
Leasehold land	28,091
Buildings on leasehold land	176,077
Buildings on freehold land	8,076

7.17 Capitalization of Profits

The Bank has not declared / paid any bonus shares since its nationalization in 1974.

7.18 Financial year of the Bank

The financial year of the Bank is from January 1st to December 31st

7.19 Dividend History

Year	Number of Shares Outstanding	Cash Dividend (%)
2004	518,000,000	15.0
2003	518,000,000	22.5
2002	518,000,000	-
2001	2,240,378,400	-
2000	2,240,378,400	-

PART 8 APPLICATION AND TRANSFER INSTRUCTIONS FOR PAKISTANI INVESTORS

- 8.1** Pakistani investors include Pakistani citizens resident in Pakistan, Pakistani citizens residing outside Pakistan and persons holding two nationalities including Pakistani nationality.
- 8.2** Copies of the Offer for Sale Document and application forms can be obtained from members of the Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited and Islamabad Stock Exchange (Guarantee) Limited, the Bankers to the Offer and their branches, the Lead Manager and the registered office of the Bank. The Application form and Offer for Sale Document can also be downloaded from the following website:

www.privatisation.gov.pk
www.akdtrade.com
www.ubl.com.pk

8.3 APPLICATIONS MUST BE MADE ON THE APPROVED APPLICATION FORM OR A LEGIBLE PHOTOCOPY THEREOF.

- 8.4** Applicants opting for scripless form of security are required to complete the relevant sections of the application. In accordance with provisions of the Central Depository Act, 1997 and the CDC Regulations, credit of such securities is allowed ONLY in the applicant's own CDC Account. In case of discrepancy between the information provided in the application form and the information already held by CDC, the Bank reserves the right to issue share certificates in physical form.

- 8.5** Name(s) and address(es) must be written in full in block letters, in English and should not be abbreviated.

- 8.6** (i) In case of resident Pakistanis, an attested copy of the computerized CNIC should be enclosed and the CNIC number indicated against the name of the applicant. Copies of the CNIC can be attested by any Federal/Provincial Government gazetted officer, Councilor, Bank Manager, Oath Commissioner, or Head Master of a high school etc.

(ii) Original CNIC, along with one attested photocopy, must be produced for verification to the bank branch at the time of presenting an application. The attested photocopy will, after verification, be retained by the bank branch along with the application.

(iii) Non-resident Pakistani investors must submit an attested copy of their CNIC / National Identity Card for Overseas Pakistanis (NICOP) and the foreign resident visa or permit and indicate the CNIC / NICOP number against their names. The Bank Manager in the country of applicant's residence can attest copies of these documents.

(iv) Only one application will be accepted against each account. In case of joint accounts, one application will be accepted in the name of each of the joint account holders.

(v) Joint applications by more than four persons will not be accepted.

(vi) In case of joint applications, particulars of one applicant must be entered on the main application form and the particulars of the remaining applicants including name, father's or husband's name, CNIC number and specimen signature should be provided on a separate sheet. The said sheet along with the attested photocopy of their CNIC must be attached with the main application form.

(vii) In case of joint applications, the share certificates will be dispatched to the person whose name appears on the main application form while in case of CDS, it will be credited to the respective CDC account and where any amount is refundable, in whole or in part, the same will be refunded by cheque by post or through the bank where the application was lodged to the person named on the main application form without interest, profit or return.

- 8.7** (i) Subscription money must be paid by a cheque drawn on applicant's own account or bank draft/pay order payable to one of the bankers to the offer "A/C OFFER FOR SALE OF SHARES OF UNITED BANK LIMITED" and crossed, "A/C PAYEE ONLY" and must be drawn on a bank in the same town as the bank to which the application has been sent.

(ii) Non-resident Pakistani investors living in Bahrain, Qatar, Sultanate of Oman, UAE and Yemen may subscribe through the Overseas Bankers to the Offer in these countries. For the information of the non-resident Pakistanis, the list of authorized banks will be published in the press in each of these countries after publication of OFSD and before closing of the subscription list.

(iii) Applicants may also subscribe using their Special Convertible Rupee Accounts (SCRA), as set out under the State Bank of Pakistan's Foreign Exchange Manual.

- 8.8** Applications are not to be made by minors and persons of unsound mind.

- 8.9** Applicants should ensure that the bank branch, on which their application is drawn, completes the relevant portion on the application form.

- 8.10** Applicants should retain the bottom portion of their application form as provisional acknowledgement of submission of their application. This should not be construed as an acceptance of the application or a guarantee that the applicant will be allotted the number of shares for which the applicant has subscribed.

- 8.11** No receipt will be issued for payment made with the application but an acknowledgment will be forwarded in due course either by issuance of share certificate or by return of the money paid with the application. No interest or profit will be payable in respect of the refund amount.

- 8.12** It would be permissible for a Banker to the Offer to refund subscription money to unsuccessful applicants having an account in that bank by crediting such account instead of remitting the same by cheque, pay order or bank draft. Applicants should therefore not fail to give their bank account numbers.

- 8.13** Transfer of shares to successful applicants shall be made in accordance with the criteria disclosed in the offer for sale document subject to the rules of the Securities & Exchange Commission of Pakistan ("SECP").

- 8.14** Making of any false statement in the application or willfully embodying incorrect information therein will make the applicant or the bank liable to legal action.

- 8.15** The basis for Offer For Sale of Shares is as follows:

- a) This offer is being made at a price of Rs.50 per ordinary share of Rs.10 each, inclusive of a premium of Rs.40 per share.

- b) Application must be made for subscription of 200 shares only and the amount payable with each application will be Rs. 10,000/-, (inclusive of transfer fee) both in case of physical transfer and transfer under book-entry system.
- c) Applications for shares below or above 200 shares shall not be entertained.
- d) **FICTITIOUS AND MULTIPLE APPLICATIONS (MORE THAN ONE APPLICATION BY A SINGLE APPLICANT) ARE PROHIBITED AND SUCH APPLICANTS' MONEY SHALL BE LIABLE TO CONFISCATION UNDER SECTION 18-A OF THE SECURITIES AND EXCHANGE ORDINANCE, 1969.**
- e) 20% of the Offer is reserved for non-resident Pakistani investors, who may apply for shares through applications, which shall be for 200 shares only.
- f) If the shares to be issued to the general public are sufficient for the purpose, all applications shall be accommodated.
- g) In case of over/under subscription of shares by resident and/or non-resident Pakistani investors, the investors of oversubscribed category will be allocated the shares of undersubscribed category, provided that in case of non-resident Pakistani investors the total number of shares allocated shall not exceed 20% of the Offer.
- h) If the Offer is oversubscribed, the shares shall be allocated by conducting computer balloting in the presence of representatives of the Stock Exchanges.
- i) Allocation of shares shall be subject to scrutiny of applications for subscription.
- j) Applications, which do not meet the aforementioned requirements, or applications which are incomplete, will be rejected.
- k) This is an "Offer for Sale" of 51,800,000 ordinary shares (10% of Paid up capital) of the Bank by the SBP through the PC out of its shareholding in the Bank, through the Stock Exchanges. In case of over subscription, the Offerer shall exercise the Green-shoe option and offer upto 25,900,000 additional ordinary shares (5% of Paid up capital).

8.16 Domestic Bankers to the Offer

Code No.	Name of Banks
01	Allied Bank of Pakistan Limited
02	Askari Commercial Bank Limited
03	Bank Alfalah Limited
04	Bank Al-Habib Limited
05	Faysal Bank Limited
06	First Dawood Investment Bank limited
07	First Women Bank Limited
08	Habib Bank Limited
09	Jahangir Siddiqui Investment Bank Limited
10	KASB Bank Limited
11	Metropolitan Bank Limited
12	Muslim Commercial Bank Limited

13	National Bank of Pakistan
14	PICIC Commercial Bank Limited
15	Prime Commercial Bank Limited
16	Saudi Pak Commercial Bank Limited
17	Soneri Bank Limited
18	Standard Chartered Bank
19	The Bank of Punjab
20	United Bank Limited

8.17 Overseas Bankers to the Offer

21	Habib Bank Limited, Bahrain ¹⁰
22	Habib Bank Limited, Oman ¹¹
23	Habib Bank Limited, UAE ¹²
24	United Bank Limited, Bahrain ¹²
25	United Bank Limited, Qatar ¹³
26	United Bank Limited, UAE ¹⁴
27	United Bank Limited, Yemen ¹⁴

For information of the non-resident Pakistani, the list of authorized banks would be published after publication of the OFSD and before closing of the subscription in the newspapers of each of these countries and would also be available on the websites of the Offerer the Lead Manager and the Bank.

¹⁰ Subject to approval of the Bahrain Monetary Authority
¹¹ Subject to approval of the Oman Central Bank
¹² Subject to approval of the UAE Central Bank
¹³ Subject to the approval of the Qatar Central Bank
¹⁴ Subject to the approval of the Yemen Central Bank

PART 9 SIGNATORIES TO THE OFFERING DOCUMENT

1.
Sd/-

Muhammad Tahsin Khan Iqbal
Secretary
Privatisation Division, Government of Pakistan

2.
Sd/-

Muhammad Yamin
Deputy Secretary
Privatisation Division, Government of Pakistan

Signed by the above in the presence of witnesses

Sd/-

Faiz Jalal
Consultant, Privatisation Commission

Sd/-

Saqib Aziz
Consultant, Privatisation Commission

Date: 11th May, 2005
Place: Islamabad

PART 10 MEMORANDUM OF ASSOCIATION

- I. The name of the Company is United Bank Limited
- II. The Registered Office of the Company will be situated at Karachi in the Province of Sindh
- III. The objects for which the Company is established are:-
 - a. To carry on the business of a Banking Company as defined by Section 5 of the Banking Companies Ordinance 1962 and particularly the following forms of business
 - i. The accepting of deposits of money on current account or otherwise subject to withdrawal by cheque, draft or order.
 - ii. The borrowing, raising or taking up of money, the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hoondees, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scrips and other instruments and securities whether transferable or negotiable or not; the granting and issuing of letters of credit, traveler's cheques and circular notes; the buying, selling and dealing in billion and specie; the buying and selling of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, under writing and dealing in stock, funds shares, debentures, debenture stock, bonds, obligations securities and investment of all kinds; the purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents to others; the negotiating of loans and advances; the receiving of all kinds of bonds, scrips or valuables on deposit, or for safe custody or otherwise; the collecting and transmitting of money and securities.
 - iii. Acting as agents for Governments or local authorities or for any other person or persons; the carrying on of agency business of any description other than the business of a managing agent including the power to act as attorneys and to give discharge and receipts.
 - iv. Contracting for public and private loans and negotiating and issuing the same.
 - v. The promoting, effecting, insuring, guaranteeing, underwriting, participating in, managing and carrying out of any issue, public or private, of State, Municipal or other loans or of shares, stock, debentures or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue.
 - vi. Carrying on and transacting every kind of guarantee and indemnity business.

- vii. Promotion or financing or assisting in promoting or financing any business undertaking or industry, either existing or new, and developing or forming the same either through the instrumentality of syndicates or otherwise.
- viii. Acquisition by purchase, lease, exchange, hire or otherwise of any property immovable or movable and any rights or privileges which the company may think necessary or convenient to acquire or the acquisition of which in the opinion of the company is likely to facilitate the realization of any securities held by the Company or to prevent or diminish any apprehended loss or liability.
- ix. Managing, selling and releasing all property movable and immovable which may come into the possession of the company in satisfaction or part satisfaction of any of its claims.
- x. Acquiring and holding and generally dealing with any property and any right, title or interest in any property movable or immovable which may form part of the security for any loans or advance or which may be connected with any such security.
- xi. Undertaking and executing trusts.
- xii. Undertaking the administration of estates as executor, trustee or otherwise.
- xiii. Taking or otherwise acquiring and holding shares in any other company having objects similar to those of the company.
- xiv. Establishing and supporting or aiding in the establishment and support of associations, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the Company or the dependents or connections of such persons, granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object.
- xv. The acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the Company.
- xvi. Selling, improving, managing, developing, leasing, mortgaging, disposing of or turning into account, exchanging, or otherwise dealing with all or any part of the property and rights of the Company.
- xvii. Acquiring and undertaking the whole or any part of the business of any person or company, when such business is of a nature enumerated or described in Section 7 of the Banking Companies Ordinance 1962.
- xviii. Doing all such other things as are incidental or conducive to the promotion or advancement of the business of the Company.
- xix. All such other forms of business which may be specified from time to time as lawful for a banking company to engage in by the authority prescribed by

Section 7 of the Banking Companies Ordinance 1962 or any modification thereof or alteration or addition thereto for the time being in force.

- xx. The liability of the members is limited.
- xxi. The Capital of the Bank is Rs 10,300,000,000/- (Rupees Ten Billion Three Hundred Million Only) divided into 1,030,000,000 (One Billion Thirty Million) ordinary shares of Rs 10/- each.

(Amended pursuant to the Special Board Resolution passed in the Extraordinary General Meeting of the shareholders of the Bank held on 31-05-2002)