

United Bank Limited

Performance Review

FY 2009

March 01, 2010

Key Highlights

- PAT rises 12% yoy at Rs. 9.5 B
- Net Interest income up 16%
 - Mainly due to higher yield on earning assets (Yield 2008: 11.0%; 2009: 11.9%)
 - Increase in average advances by 5%
 - Net interest margin (NIM) up to 6.5% (2008: 6.1%)
 - QTD NIM up to 7.3% (Sep 09: 6.6%)
- Non Interest income up 18%
 - Derivative income contributed a healthy Rs 1.7B
 - Capital gain up to Rs 697M reflecting the strong performance of the bonds & stock markets
 - Commissions on consumer loans declined by 37% owing to net attrition in the lending portfolio
 - Exchange income down to Rs. 1.3B

Key Highlights

- Provision charge of Rs 13.5 B,
 - 40% charge from corporate; 23% from consumer; 12% from commercial & 16% from international
 - Includes impairment loss of Rs. 1.1B
- Bank expenses up by 7%;
 - Dom. Exp. up by 5% while average inflation at 14% yoy; Intl rupee exp.+16%; Intl dollar exp. +0%
 - Excluding rupee devaluation, admin expenses are only up by 4%
- Advances reduced to Rs. 362B; Domestic -3%; Intl -9% ; Intl \$ -14%
 - Reflecting reduction in systemic credit off-take and Bank's conscious strategy of risk containment
- Deposits up by 2% to Rs 504B; Domestic 3% ; Intl -4% ; Intl \$ -9%
 - CASA ratio increased to 67% at Dec'09 from 59% at Dec'08
 - Increase of Rs. 36bn in low cost deposits; expensive deposits shed by 27bn
- Total capital adequacy of 14.0% and Tier-1 CAR of 10.4%

Summary

	Dec 2009	Dec 2008	Change
Assets (PKR bn)	640	621	+3%
Advances (PKR bn)	362	378	-4%
Market Share-Adv-DOM	8.8%	9.2%	
Deposits (PKR bn)	504	492	+2%
Market Share-Deposits-DOM	8.8%	9.6%	
Online branches	928	894	+34
ATMs	412	354	+58
ROAA	1.5%	1.4%	
ROAE	16%	17%	
Credit Rating (JCR-VIS)	AA+/A-1+	AA+/A-1+	re-affirmed

Share Info

	Dec 2009	Dec 2008
EPS (Rs/share-annual.)	8.6	7.5
BV/share (Rs/share)	60.5	44.4
Price* - (Rs /share)	64.1	43.3
P/E	7.5x	5.8x
P/BV	1.1x	1.0x
# of shares	1,113M	1,113M

**Dec-09 Price dated February 26, 2010*

**Dec-08 Price dated March 04, 2009 adjusted for bonus shares*

Income Statement (PKR bn)

	QTD Dec'09	QTD Sep'09	Var %	FY Dec-09	FY Dec-08	Var %
Net Interest Income	9.00	8.39	+7%	33.17	28.52	+16%
Non Interest Income	3.51	2.76	+27%	13.01	11.07	+18%
Operating Revenue	12.50	11.15	+12%	46.18	39.59	+17%
Operating Expense	(4.61)	(4.53)	-2%	(17.80)	(16.68)	-7%
Pre-Provision Oper. Profit	7.89	6.62	+19%	28.38	22.91	+24%
Provision Exp./Other writeoffs	(3.90)	(3.03)	-29%	(13.52)	(8.22)	-64%
WWF / SBP Penalty	(0.18)	(0.12)	-57%	(0.47)	(0.63)	+26%
Profit Before Tax	3.82	3.47	+10%	14.39	14.05	+2%
Profit After Tax	2.55	2.34	+9%	9.49	8.45	+12%

Balance Sheet (PKR bn)

	Dec'09	Dec'08	% Change	Mix- Dec'09	Mix- Dec'08
Cash & bank balances	75.3	64.7	+16%	12%	10%
Investments	137.7	115.1	+20%	22%	19%
Advances	362.1	378.3	-4%	57%	61%
Fixed assets	23.7	19.9	+19%	4%	3%

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Total Assets	640.4	620.7	+3%	100%	100%
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Deposits	503.8	492.3	+2%	88%	86%
Borrowings	37.2	44.7	-17%	6%	8%

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Total Liabilities	573.1	571.3	+0%	100%	100%
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Shareholder equity	58.2	47.1	+23%	86%	95%
Surpl/(Def.) on reval.of assets	9.1	2.3	+301%	14%	5%
Total Equity	67.3	49.4	+36%	100%	100%

Financial Ratios

	QTD Dec'09	QTD Sep'09	FY Dec'09	FY Dec'08
Loan/Deposits	72%	78%	72%	77%
ROAE	16%	16%	16%	17%
ROAA	1.6%	1.5%	1.5%	1.4%
Cost/Income Ratio	54%	56%	55%	53%
Gross NPLs/Gross Advances	10.3%	10.0%	10.3%	7.3%
Net NPLs/Gross Advances	3.2%	3.3%	3.2%	2.6%
Coverage Ratio	71%	70%	71%	68%
CAR (Standalone)	13.2%	12.8%	13.2%	9.9%
Tier 1 CAR (Standalone)	9.0%	8.8%	9.0%	5.8%

Deposit Structure (Bank level)

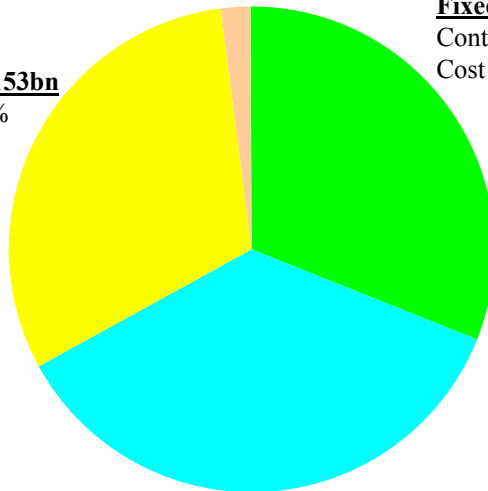
Deposit Mix (FY 2009) - Bank (Parent Company)

Other Deposits – PKR 10bn

Contribution 2%
Cost 0.4%

Fixed Deposits – PKR 151bn

Contribution 31%
Cost 8.3%



Current Deposits – PKR 153bn

Contribution 31%
Cost 0%

Saving Deposits – PKR 178bn

Contribution 36%
Cost 5.2%

Total Deposits = PKR 492 bn

Cost of Deposits = 4.8%

CASA = 67%

Cost of Deposits

	QTD Dec'09		QTD Sep'09	
	Period end Rs B	Avg.Yield /Cost	Period end Rs B	Avg.Yield /Cost
Saving deposits	178	4.9%	158	4.9%
Current deposits	153	0.0%	138	0.0%
Fixed deposits	151	7.0%	148	7.6%
Other deposits	10	0.8%	9	0.0%
Total deposits	492	4.0%	452	4.4%

CASA	67%	65%
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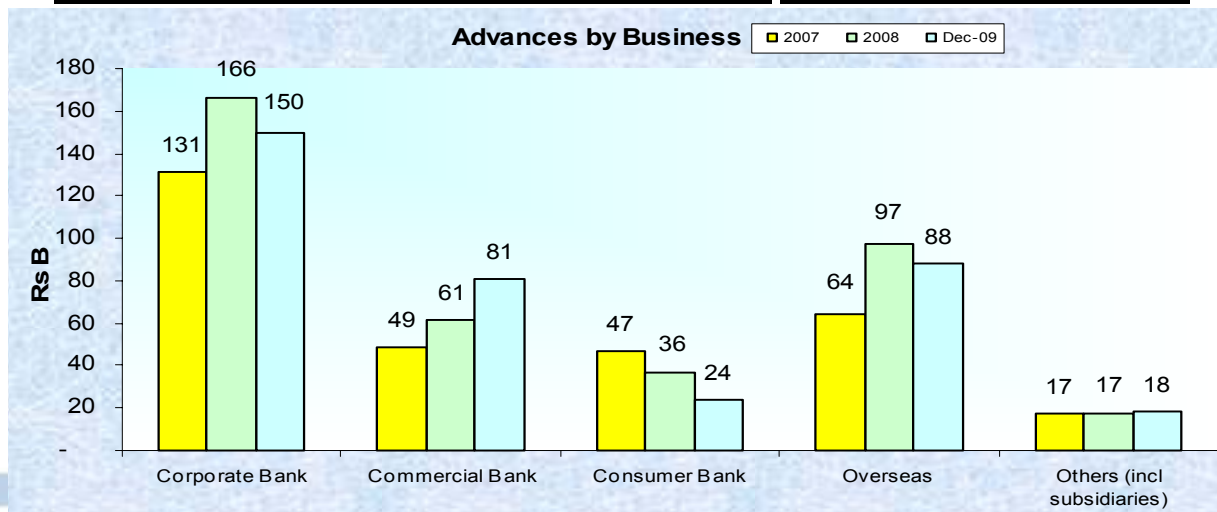
Domestic deposits	392	4.5%	346	4.7%
International deposits	100	2.5%	106	3.2%
Intl. deposits -US\$ M	1,186	2.5%	1,276	3.2%

Domestic CASA	75%	75%
International CASA	32%	31%

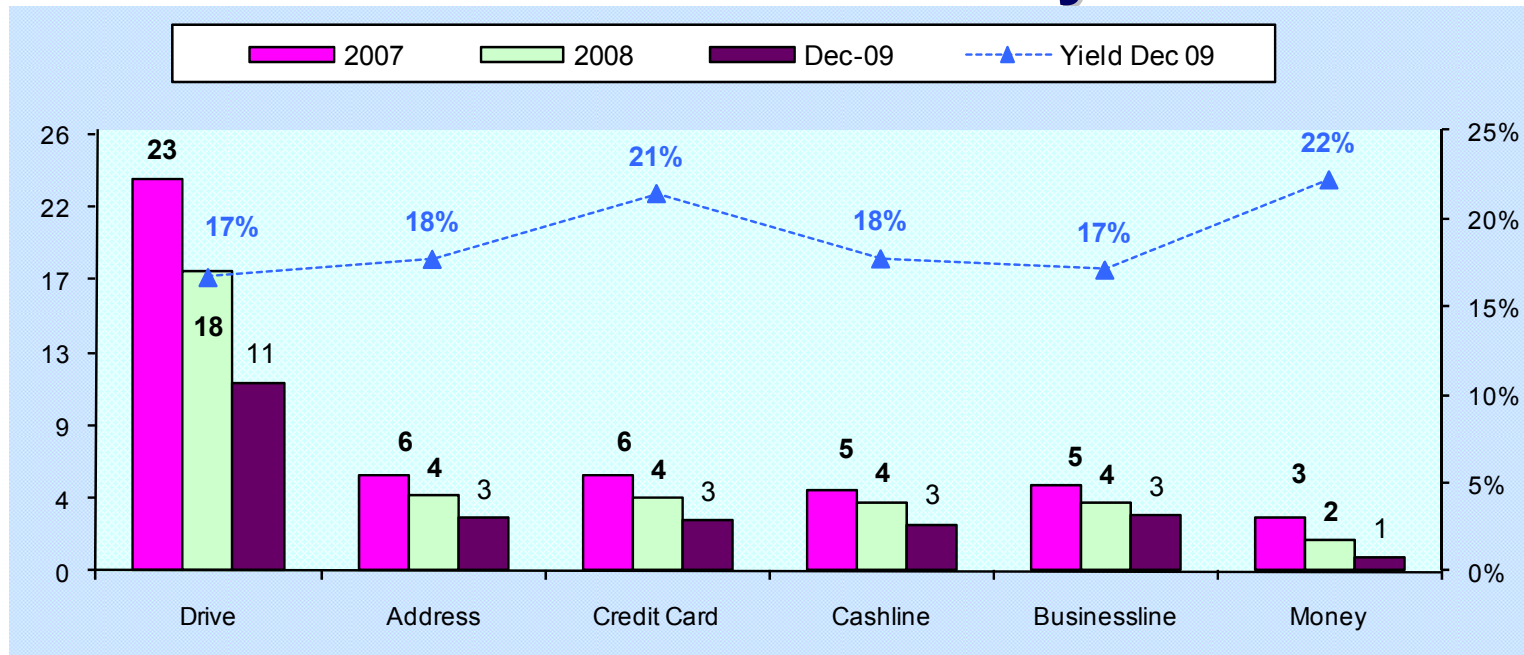
Advances by Business

Net Advances-Rs.B	% Change			Mix 09	Yield 09	Yield 08
	Dec'09	Dec'08	Change			
Corporate Bank	150.1	166.2	-10%	56%	14.1%	12.5%
Commercial Bank	81.2	61.4	+32%	31%	16.0%	14.6%
Consumer Bank	24.3	36.4	-33%	9%	17.9%	16.5%
Others	10.1	10.1	-1%	4%	1.2%	9.5%
Domestic	265.7	274.1	-3%	100%	14.6%	13.5%
International	88.4	97.0	-9%		8.1%	7.5%
Bank	354.1	371.1	-5%		12.9%	12.1%
Subsidiaries	8.0	7.2	+12%			
Bank-Consolidated	362.1	378.3	-4%			

International (US\$ M)	1,052	1,229	-14%			
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Consumer Advances by Product



	Dec'09	Dec'08	% Change	Mix 09	Yield 09	Yield 08
Drive	11.2	17.7	-37%	46%	16.7%	13.6%
Address	3.1	4.4	-30%	13%	17.7%	13.9%
Credit Card	3.0	4.3	-30%	12%	21.4%	23.1%
Cashline	2.8	4.1	-31%	12%	17.8%	22.7%
Businessline	3.3	4.0	-18%	14%	17.1%	16.1%
Money	0.8	1.8	-54%	3%	22.2%	20.7%
Total	24.3	36.4	-33%	100%	17.9%	16.5%

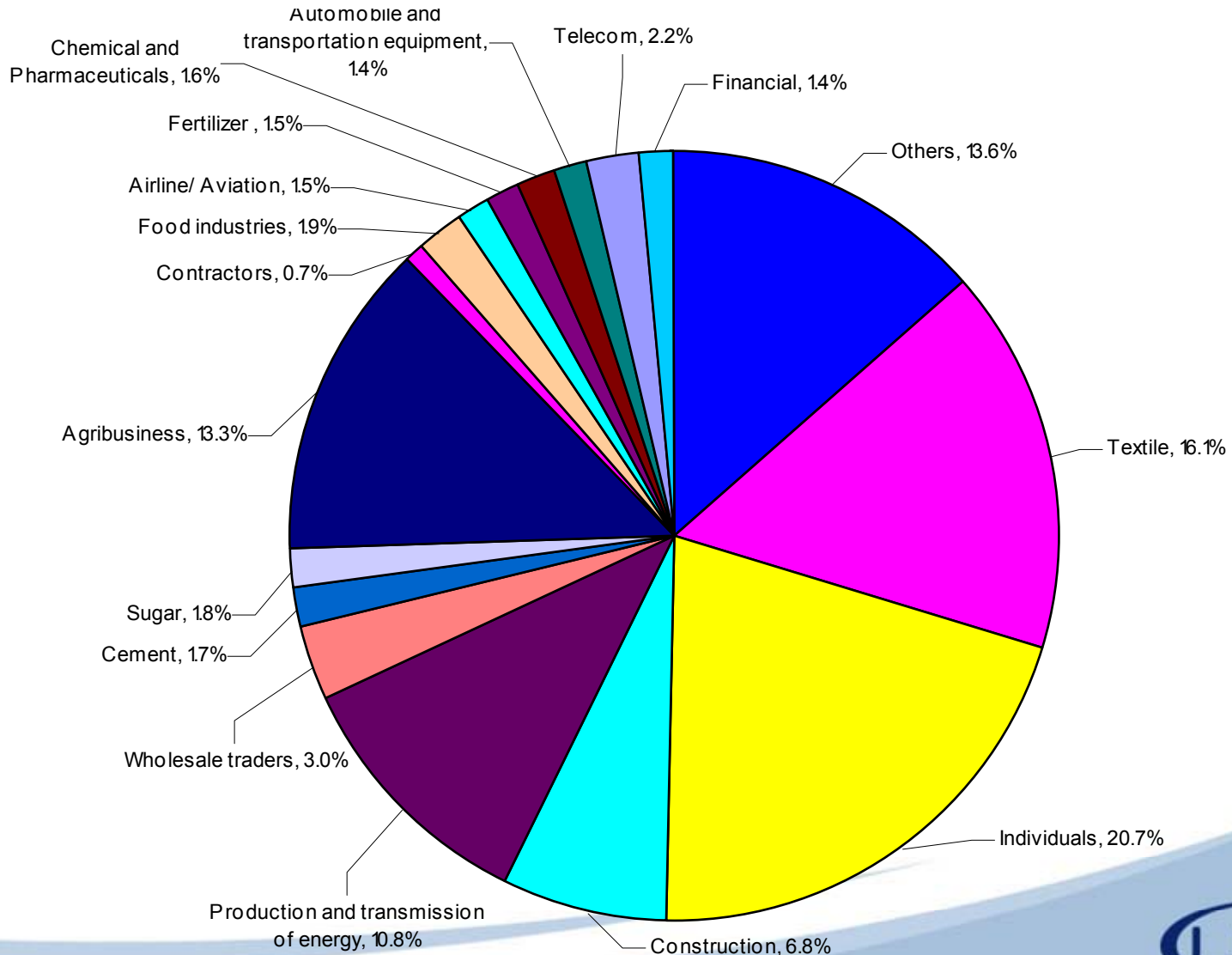
QTD – Net Interest Income (Bank Level)

Bank	QTD Dec 2009				QTD Sep 2009			
	PE	AVG	IE	Avg.Yield/ Cost	PE	AVG	IE	Avg.Yield/ Cost
Rs B								
Interest Earning Assets								
Performing Advances	343	341	11.0	12.8%	341	343	10.6	12.3%
Corporate	145	141	5.0	14.0%	141	141	4.7	13.2%
Commercial	79	80	3.3	16.2%	78	79	3.0	15.2%
Consumer	23	24	1.0	16.8%	25	27	1.1	16.4%
International	87	88	1.7	7.7%	89	89	1.8	8.2%
Others	9	8	0.0	0.6%	8	8	0.0	0.2%
Investments (earning)	127	122	3.4	11.1%	126	123	3.4	11.0%
Lending To Financial Institution	23	12	0.4	11.6%	11	18	0.5	10.8%
Others	18	16	0.0	0.9%	23	22	0.0	0.6%
Total int. earning assets (a)	511	492	14.8	11.9%	501	505	14.6	11.4%
<i>Non earning assets</i>	109	78	-	0.0%	89	87	-	0.0%
Total Assets (A)	620	570	14.8	10.3%	590	592	14.6	9.7%
Interest bearing liabilities								
Total deposits	492	451	(4.6)	4.0%	452	470	(5.2)	4.4%
Core Deposits	412	388	(2.9)	3.0%	395	398	(3.2)	3.2%
Unisaver Plus	45	33	(0.8)	9.2%	30	35	(0.8)	9.1%
UTTIP	36	29	(0.9)	12.0%	28	36	(1.1)	12.4%
Subordinated Debts - TFC	12	12	(0.4)	12.2%	12	12	(0.4)	12.5%
Swap cost (net)	-	-	(0.2)	0.0%	-	-	-	0.0%
Borrowings	35	39	(0.8)	8.1%	52	43	(0.8)	7.1%
Total interest bearing liab (b)	539	502	(5.9)	4.7%	517	525	(6.3)	4.8%
<i>Non earning liabilities & equity</i>	81	67	-	0.0%	73	68	-	0.0%
Total Liabilities+Equity (B)	620	570	(5.9)	4.1%	590	592	(6.3)	4.2%
Net Interest Margin (a-b)	-	-	8.9	7.3%	-	-	8.2	6.6%
Spread (A-B)			-	6.2%			-	5.5%

Spread Analysis (Bank Level)

Bank	FY Dec 2009				FY Dec 2008			
	PE	AVG	IE	Avg.Yield /Cost	PE	AVG	IE	Avg.Yield /Cost
Rs B								
Interest Earning Assets								
Performing Advances	343	349	45.2	12.9%	362	332	40.0	12.1%
Corporate	145	148	20.9	14.1%	162	148	18.5	12.5%
Commercial	79	73	11.7	16.0%	59	52	7.7	14.6%
Consumer	23	29	5.2	17.9%	35	41	6.8	16.5%
International	87	90	7.3	8.1%	97	80	6.0	7.5%
Others	9	9	0.1	1.2%	9	11	1.1	9.5%
Investments (earning)	127	123	13.8	11.2%	114	100	9.5	9.4%
Lending To Financial Institution	23	16	1.7	11.0%	23	22	2.1	9.5%
Others	18	22	0.2	0.9%	17	16	0.3	1.9%
Total int. earning assets (a)	511	509	60.9	11.9%	515	471	51.9	11.0%
<i>Non earning assets</i>	109	79	-	0.0%	90	78	-	0.0%
Total Assets (A)	620	589	60.9	10.3%	605	548	51.9	9.5%
Interest bearing liabilities								
Total deposits	492	465	(22.2)	4.8%	484	436	(18.6)	4.3%
Core Deposits	412	384	(12.6)	3.3%	385	353	(9.9)	2.8%
Unisaver Plus	45	36	(3.5)	9.9%	38	39	(3.4)	8.9%
UTTIP	36	45	(6.1)	13.6%	60	45	(5.3)	11.7%
Subordinated Debts - TFC	12	12	(1.5)	12.6%	12	11	(1.3)	12.6%
Swap cost (net)	-	-	(0.2)	0.0%	-	-	-	0.0%
Borrowings	35	45	(4.3)	9.6%	44	45	(4.1)	9.2%
Total interest bearing liab (b)	539	522	(28.2)	5.4%	540	491	(24.1)	4.9%
<i>Non earning liabilities & equity</i>	81	67	-	0.0%	65	57	-	0.0%
Total Liabilities+Equity (B)	620	589	(28.2)	4.8%	605	548	(24.1)	4.4%
Net Interest Margin (a-b)	-	-	32.7	6.5%	-	-	27.9	6.1%
Spread (A-B)			-	5.6%			-	5.1%

Concentration of Advances



Non Interest Income (PKR mm)

	QTD Dec'09	QTD Sep'09	% Change	FY Dec 09	FY Dec 08	% Change
Comm.on Commodity Operations	185	7	+100%	192	33	+483%
Commission on consumer loan	229	287	-20%	1,070	1,691	-37%
Minimum balance charges	160	130	+23%	571	561	+2%
Commission on trade	383	399	-4%	1,462	1,385	+6%
Commission on remittances/uniremote	209	195	+7%	787	591	+33%
Commission on cash manag.	79	68	+16%	271	215	+26%
Corporate Service Charges	43	76	-44%	218	306	-29%
Other fee commission income	319	282	+13%	1,353	1,467	-8%
Sub total - fee, commission income	1,608	1,445	+11%	5,925	6,249	-5%
Capital gain / Dividend income	338	550	-39%	1,233	769	+60%
Exchange income	293	78	+275%	1,214	1,795	-32%
Gain / loss on Derivatives	272	(4)	+100%	1,720	575	+199%
Recovery from Client	114	119	-4%	460	467	-1%
Ijarah rental Income	63	61	+4%	250	214	+17%
Other income	620	57	+980%	867	610	+42%
Total non funded income	3,308	2,306	+43%	11,670	10,680	+9%
Subsidiaries	(98)	270	-136%	651	520	+25%
Share of (loss) / income of associates	296	181	+64%	690	(128)	+637%
Total non funded income-Consol.	3,506	2,757	+27%	13,010	11,071	+18%

Operating Expenses

Operating Cost - Rs. M	QTD	QTD	Var %	FY	FY	Var %
	Dec'09	Sep'09		Dec 09	Dec 08	
Personnel cost	1,862	1,818	-2%	7,463	6,754	-11%
Early Retirement Scheme	76	113	+33%	275	271	-2%
Outsourced cost/commission	336	328	-3%	1,325	1,652	+20%
Premises cost	702	718	+2%	2,657	2,224	-19%
Advertising / Loyalty programs	96	50	-93%	221	319	+31%
Depreciation - others	290	274	-6%	1,092	880	-24%
Legal & Professional consul.	62	53	-17%	213	243	+12%
Courier / Communication	189	178	-6%	722	667	-8%
Banking service charges	170	140	-22%	566	454	-25%
Repair & Maintenance	78	64	-22%	246	172	-43%
Stationery	103	86	-20%	330	286	-16%
Office Running expense	40	38	-5%	152	123	-24%
Traveling expense	49	34	-44%	161	182	+11%
Cash transportation	77	59	-31%	339	228	-48%
Zakat / Donation	6	35	+84%	102	44	-132%
Insurance others	22	97	+77%	167	120	-39%
Other cost	168	126	-33%	577	902	+36%
Total Bank	4,328	4,212	-3%	16,609	15,520	-7%
Subsidiaries	284	320	+11%	1,195	1,160	-3%
Total Bank - Consolidated	4,612	4,532	-2%	17,803	16,680	-7%

E-Banking

<i>E-Banking</i>	<i>Dec-09</i>	<i>Dec-08</i>	<i>% Change</i>	<i>Dec-07</i>
# of ATMs	412	354	+16%	313
# of Transactions (M)	14.6	11.7	+25%	9.5
Average transactions per day	40k	32k	+25%	26k
Total transaction amount (Rs B)	84	63	+32%	48
Average transaction size (Rs 000)	5.7	5.4	+5%	5.0
Average monthly trans.per ATM (Rs M)	17	15	+13%	13
<i>Internet Banking</i>				
Users	70,834	52,766	+34%	37,408
Total # of transactions (000)	450	253	+78%	148
Total transaction amount (Rs M)	22,403	8,746	+156%	2,089
Average transaction size (Rs 000)	50	35	+44%	14
<i>Click N Remit</i>				
Users	28,379	23,255	+22%	19,950
Total # of transactions (000)	74	78	-5%	79
Total transaction amount (US\$ M)	56	65	-14%	70
Average transaction size (US\$)	759	834	-9%	885
<i>Remittances</i>				
Total # of transactions (000)	687	636	+8%	595
Total transaction amount (US\$ M)	1,242	823	+51%	709
Average transaction size (US\$)	1,808	1,295	+40%	1,192

Financial Ratios (1 of 3)

DuPont	Full Year			QTD Annualized			
	2007	2008	2009	Mar-09	Jun-09	Sep-09	Dec-09
Net Interest Yield ¹	5.0%	4.9%	5.3%	5.2%	4.9%	5.3%	5.8%
Net Interest Margin ²	6.1%	5.8%	6.4%	6.4%	6.2%	6.3%	7.0%
Non Interest Yield ³	2.0%	1.9%	2.1%	1.6%	2.6%	1.7%	2.2%
Operating Exp. / Assets	2.9%	2.9%	2.8%	2.7%	2.8%	2.9%	2.9%
Cost Income Ratio	50.8%	53.0%	55.6%	49.2%	58.7%	55.8%	54.0%
Loan Loss / Assets	1.3%	1.0%	1.9%	1.4%	2.8%	1.7%	1.9%
Loan Loss / RWA ⁴	1.8%	1.2%	2.4%	1.8%	3.5%	2.3%	2.4%
Effective Tax Rate	33.0%	39.9%	34.2%	33.9%	37.3%	32.6%	33.7%
Pre-Provision ROA ⁵	2.8%	2.3%	2.9%	2.7%	2.9%	2.8%	3.2%
ROA	1.9%	1.4%	1.5%	1.8%	1.1%	1.5%	1.6%
Return on RWA	2.6%	1.8%	1.9%	2.2%	1.4%	2.0%	2.0%
Pre-Provision ROE ⁶	33.4%	27.5%	31.4%	32.4%	32.7%	29.2%	31.4%
ROE	22.8%	17.4%	16.2%	21.2%	12.9%	15.6%	15.5%

Formulas

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|---|---|
| 1. Net interest income / average assets | 4. Risk weighted assets |
| 2. Net interest income / average earning assets | 5. Return on avg. assets (before net provisions) |
| 3. Non interest income / average assets | 6. Return on average equity (before net provisions) |

Financial Ratios (2 of 3)

Asset Quality	Full Year			QTD (Annu.)			
	2007	2008	2009	Mar-09	Jun-09	Sep-09	Dec-09
Gross NPLs / Gross Loan	6.9%	7.3%	10.3%	8.2%	8.8%	10.0%	10.3%
Net NPLs / Gross Loan	1.9%	2.4%	3.0%	3.0%	2.9%	3.0%	3.0%
Coverage Ratio	77.9%	66.8%	70.9%	67.0%	70.5%	69.9%	70.9%
Prov. held / Gross loan	4.9%	4.8%	7.3%	5.2%	5.9%	7.0%	7.3%
Prov. Exp. / Gross loan	2.0%	1.5%	3.0%	2.3%	4.4%	2.7%	3.0%

Growth	Full Year			QTD (over prev. quarter)			
	2007	2008	2009	Mar-09	Jun-09	Sep-09	Dec-09
Growth in Loan Book	21.0%	22.7%	-4.3%	-2.5%	2.8%	-4.4%	0.0%
Growth in Deposits	19.9%	19.6%	2.3%	-2.1%	8.2%	-11.0%	7.9%
Operating Revenue	21.3%	14.0%	16.6%	23.1%	10.8%	-5.9%	11.9%
Operating Expense	22.5%	17.0%	6.7%	-5.2%	6.2%	1.6%	1.8%
Pre-provision Oper.Profit	20.6%	11.9%	23.8%	58.2%	13.8%	-10.4%	18.9%
Provision exp./Other prov.	170.0%	23.5%	64.5%	-43.4%	97.0%	-30.7%	28.6%
Profit After Tax	-4.4%	-8.6%	12.3%	554.8%	-33.7%	27.7%	9.0%

Financial Ratios (3 of 3)

Other Metrics	Yearly			QTD (Annu.)			
	2007	2008	2009	Mar-09	Jun-09	Sep-09	Dec-09
Capital Adequacy Ratio	10.2%	9.9%	13.2%	11.4%	11.8%	12.8%	13.2%
Tier-I CAR	7.4%	5.8%	9.0%	7.7%	8.0%	8.8%	9.0%
Loan / Deposits	74.8%	76.8%	71.9%	76.5%	72.7%	78.1%	71.9%
Loan / Assets	56.4%	60.9%	56.5%	57.4%	57.9%	59.0%	56.5%
RWA / Assets	73.1%	77.0%	75.9%	83.2%	73.7%	75.8%	75.9%
Average Headcount ²	9,702	9,192	8,639	8,845	8,777	8,581	8,457
Personnel cost / Headcount (000)	679.4	736.4	863.9	849.6	867.8	847.5	880.7
Yield on Earning Assets ³	10.3%	10.7%	11.8%	12.5%	11.6%	11.2%	11.6%
Cost of Funds ⁴	4.0%	4.7%	5.2%	6.0%	5.5%	4.6%	4.4%
Yield on Performing Adv	10.9%	12.1%	12.7%	13.7%	12.6%	12.4%	12.9%
Cost of Deposits	3.6%	4.2%	4.5%	5.6%	4.7%	4.4%	4.1%

Formulas

2. Permanent Staff

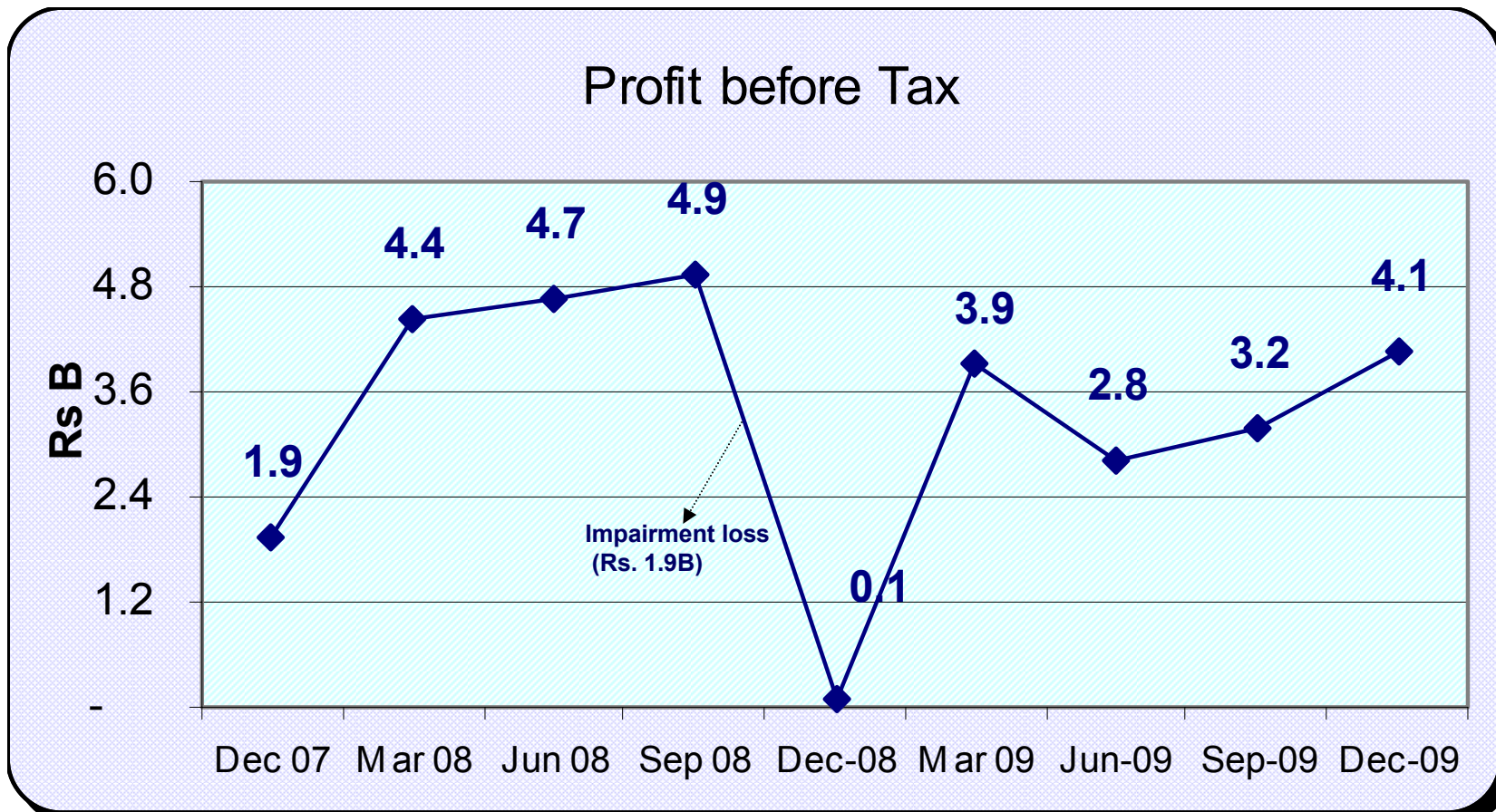
3. Earning assets incl bal. with other banks, lending to F.I., investments & perf adv

4. Funds includes deposits, borrowings & sub-ordinated loans

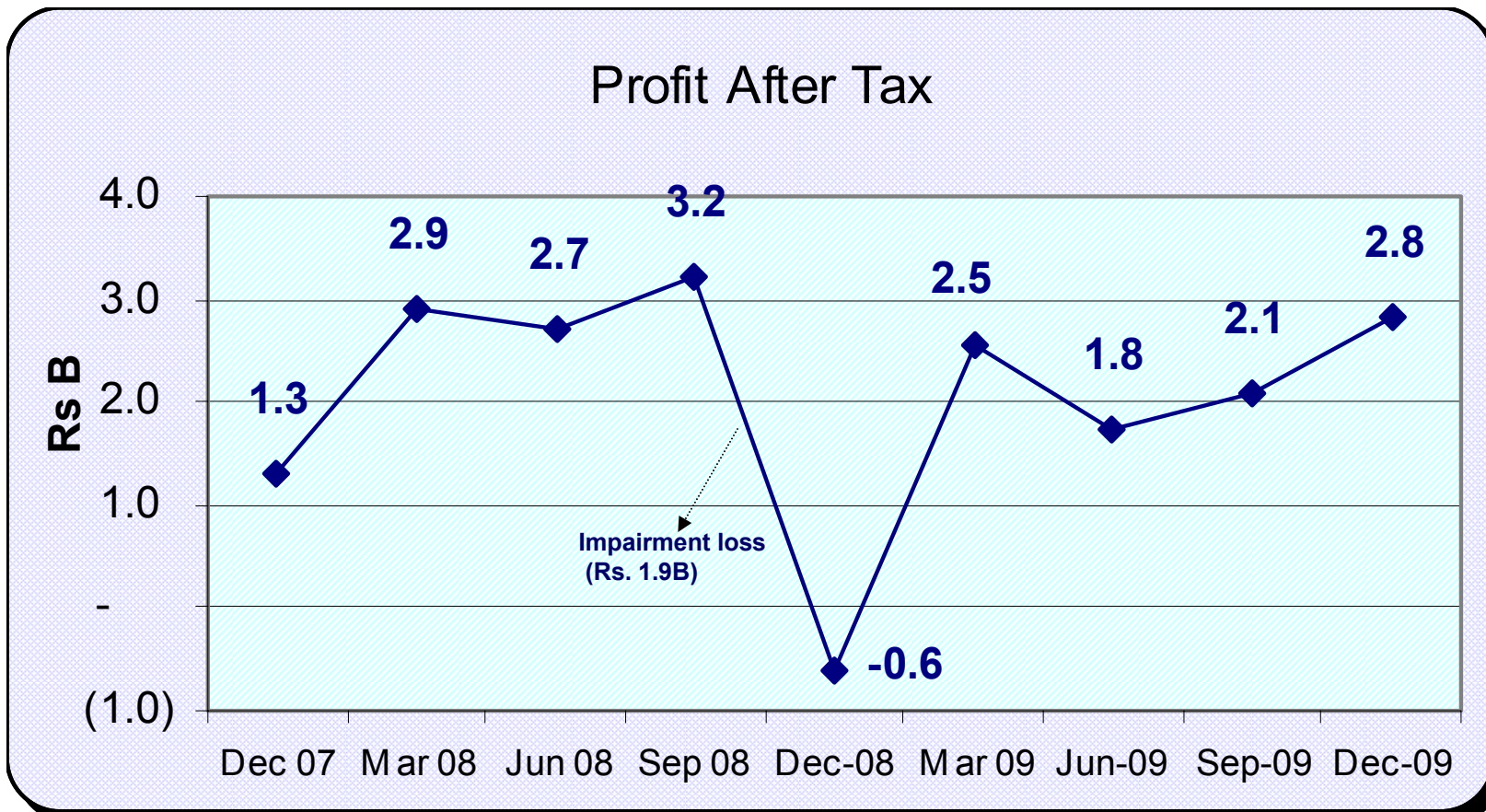
Quarterly Trend Analysis

Bank Level

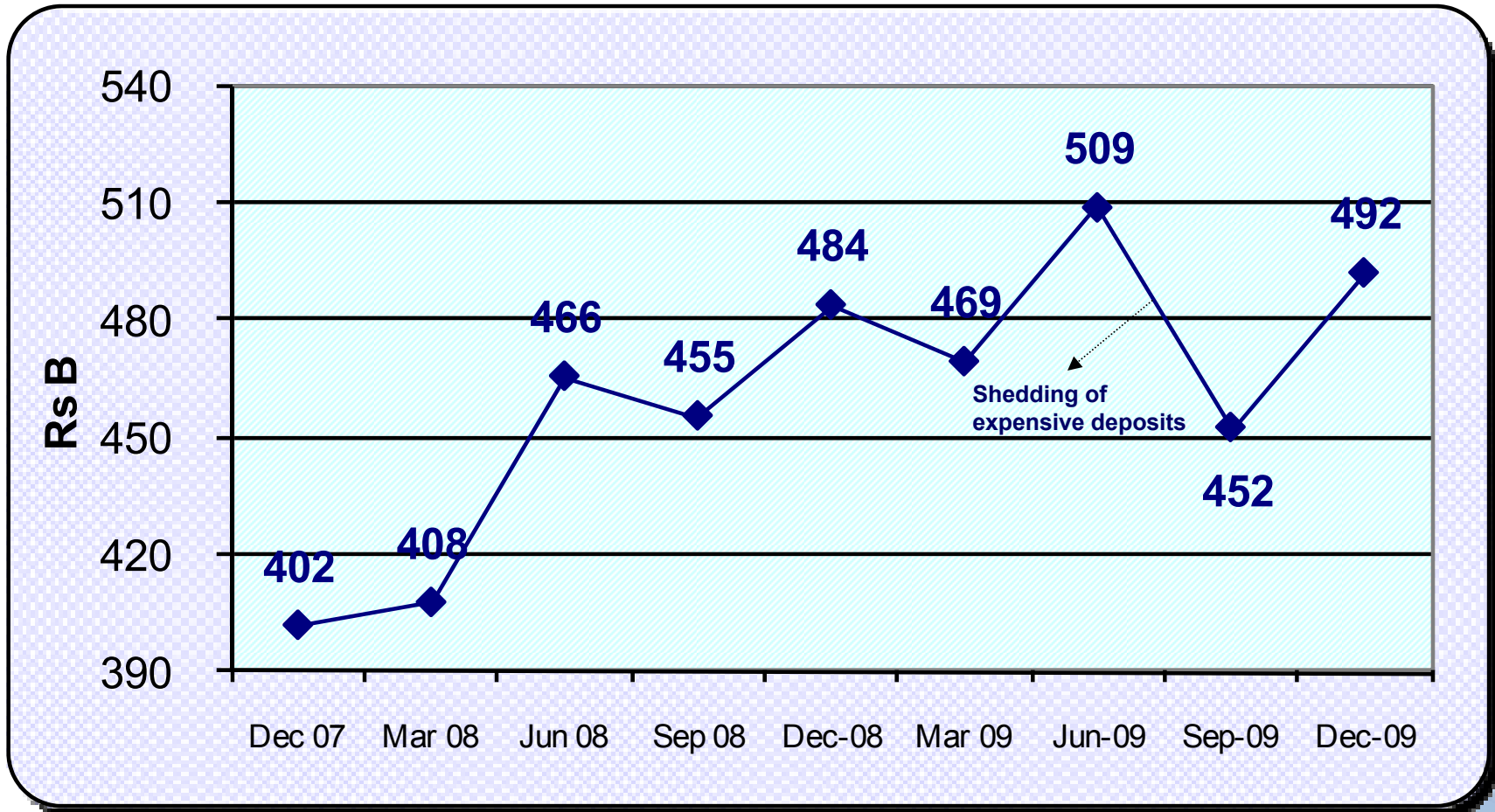
Profit Before Tax



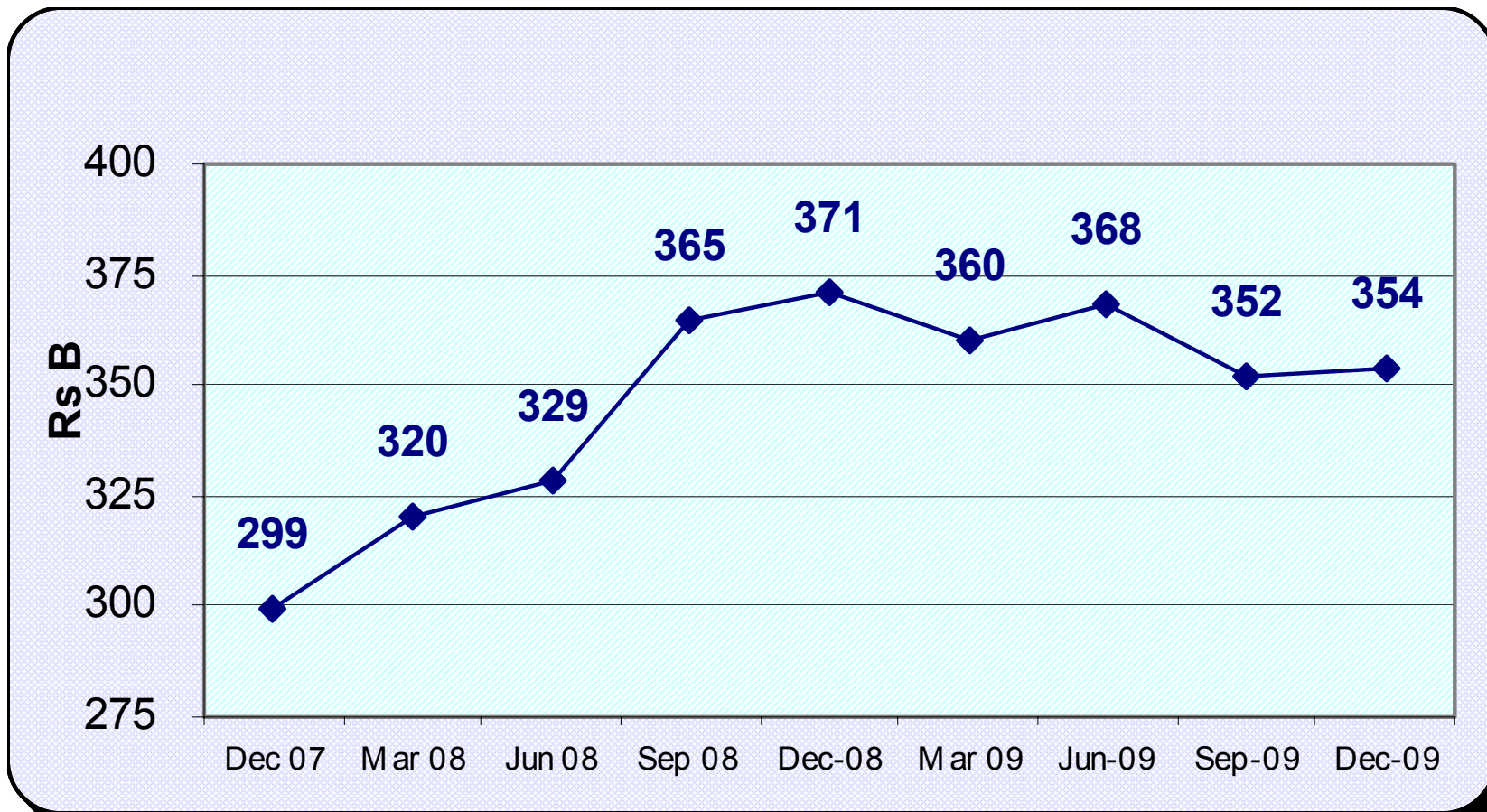
Profit after Tax



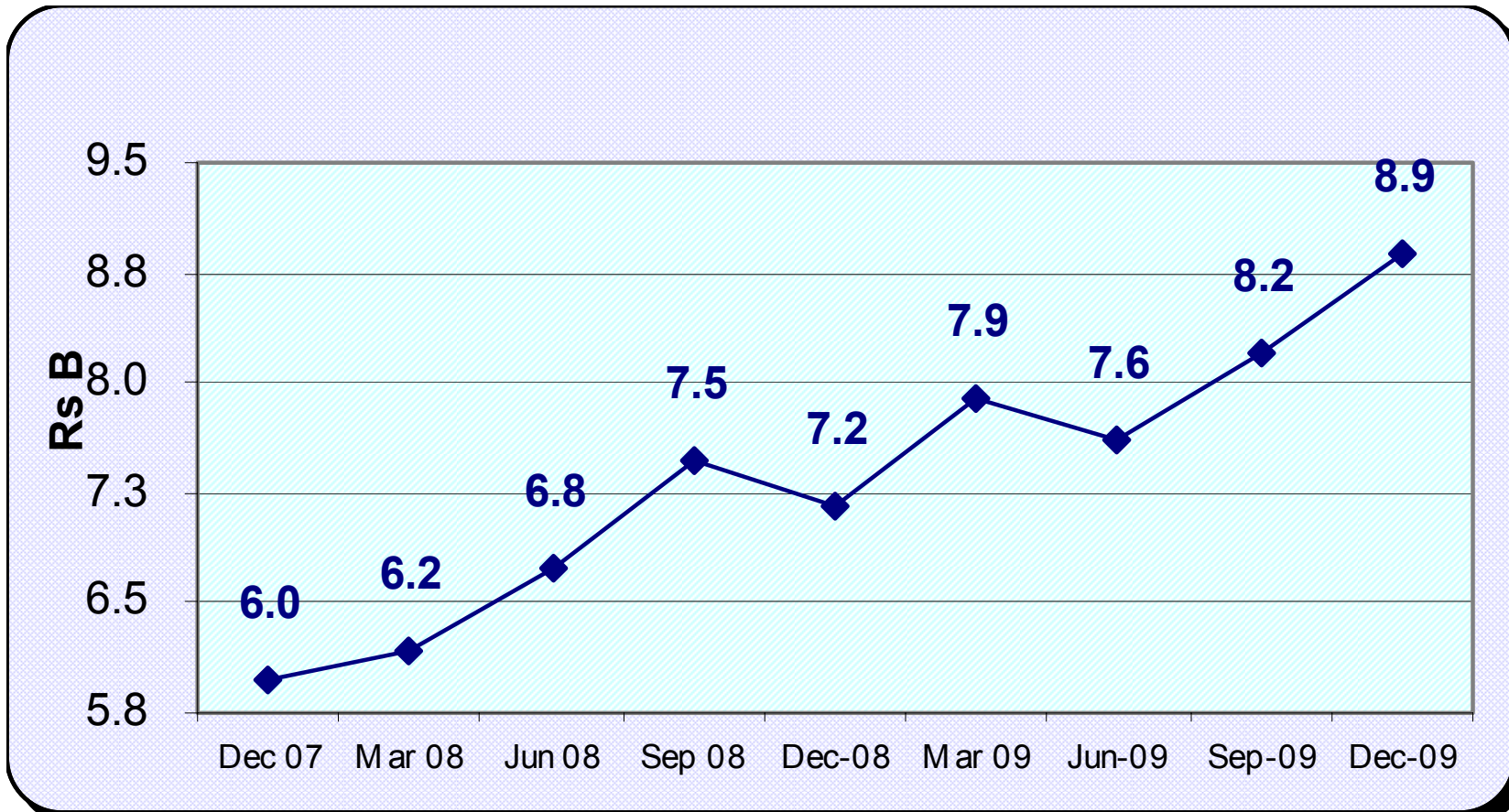
Deposits



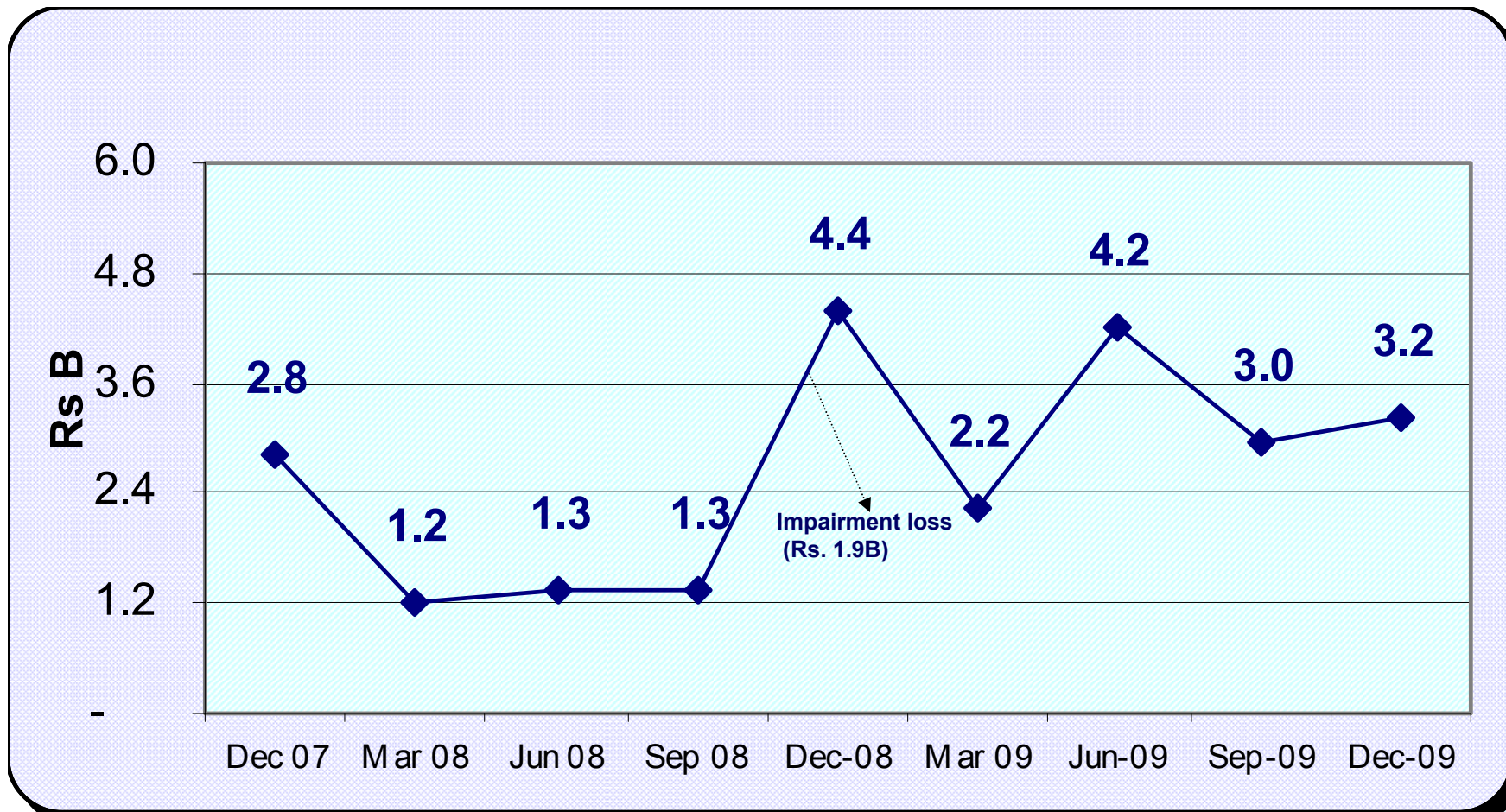
Net Advances



Net Interest Income

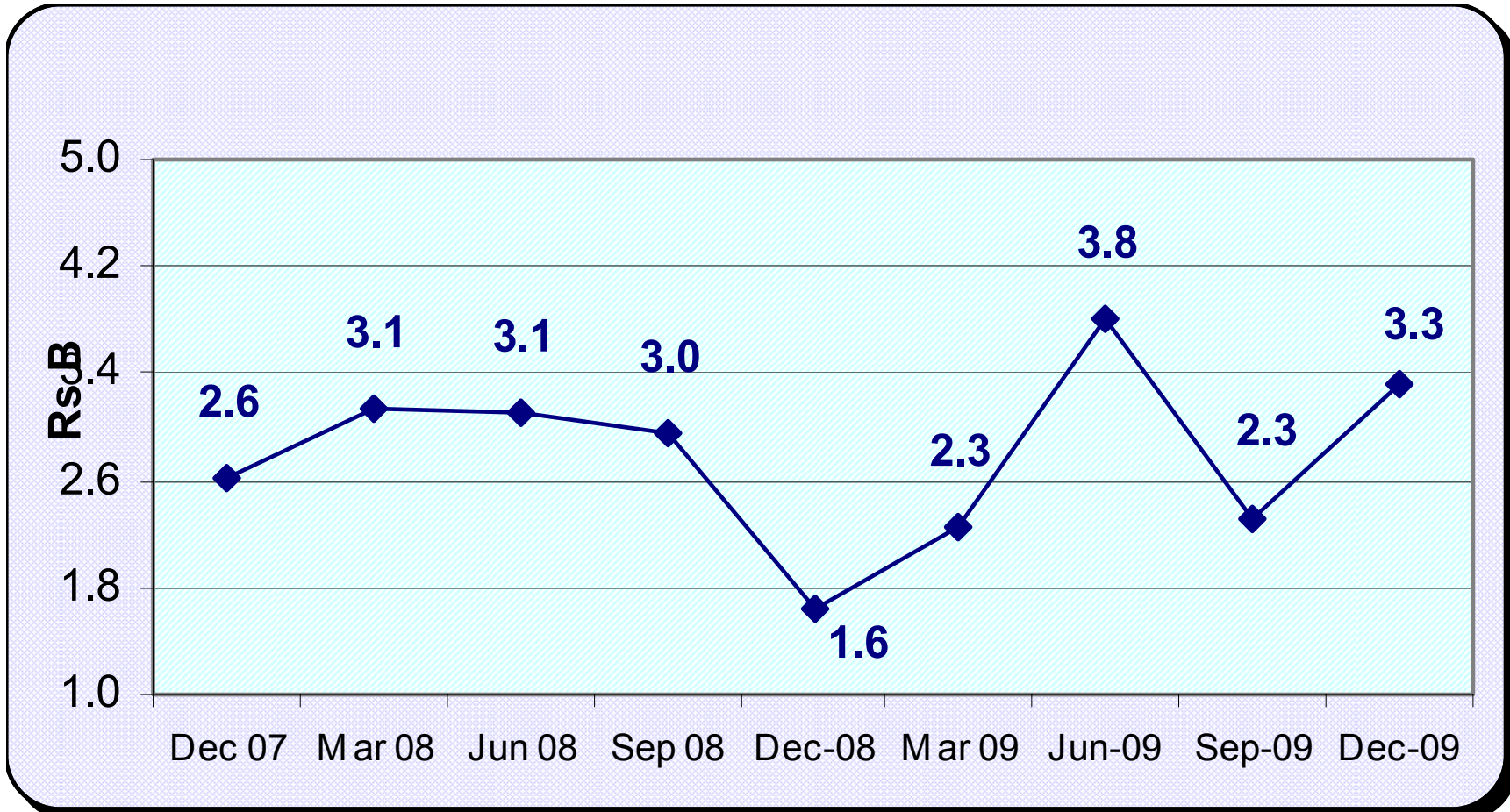


Net Provision *

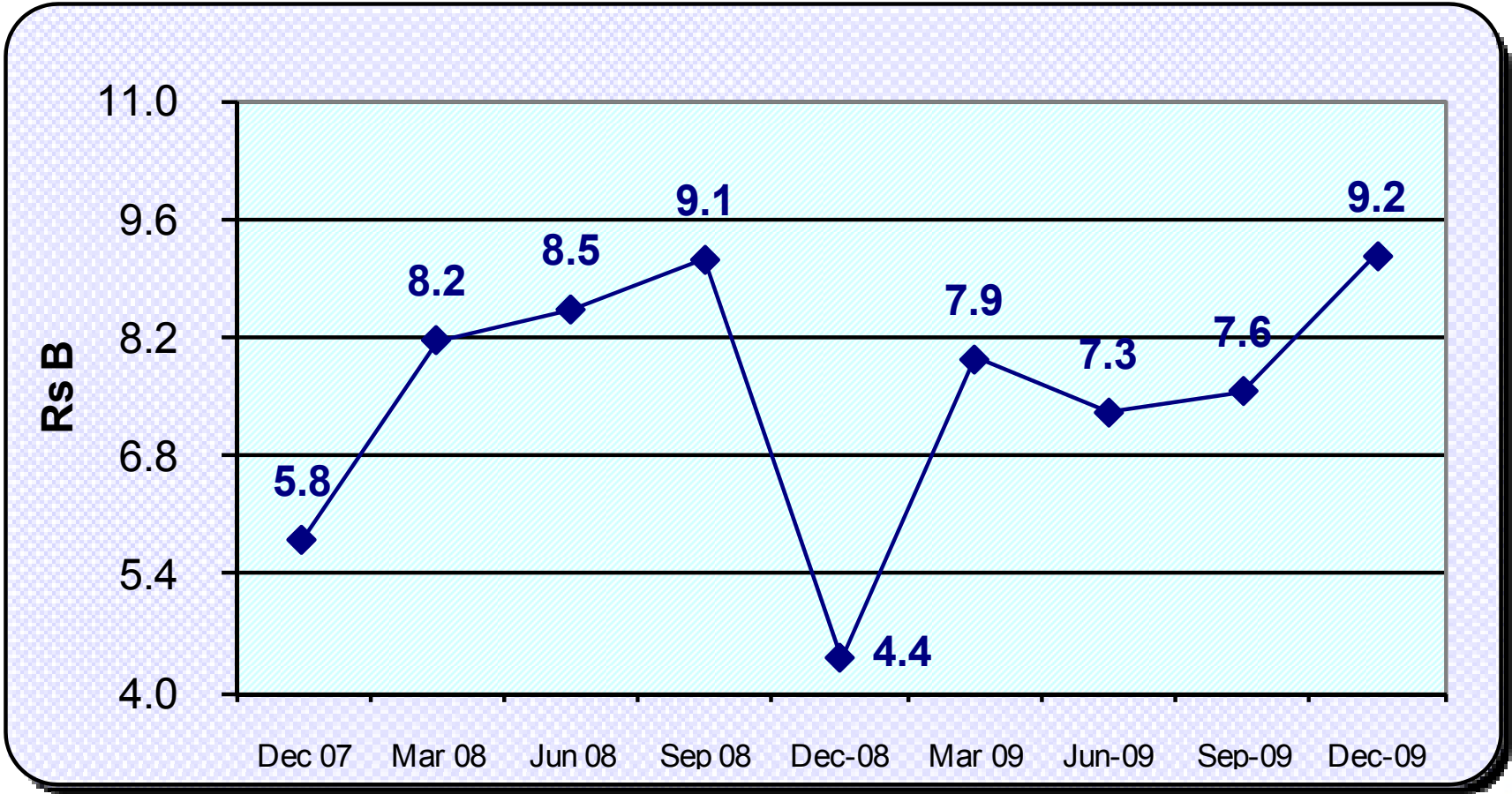


* Excluding other operational Write-offs

Non-Funded Income

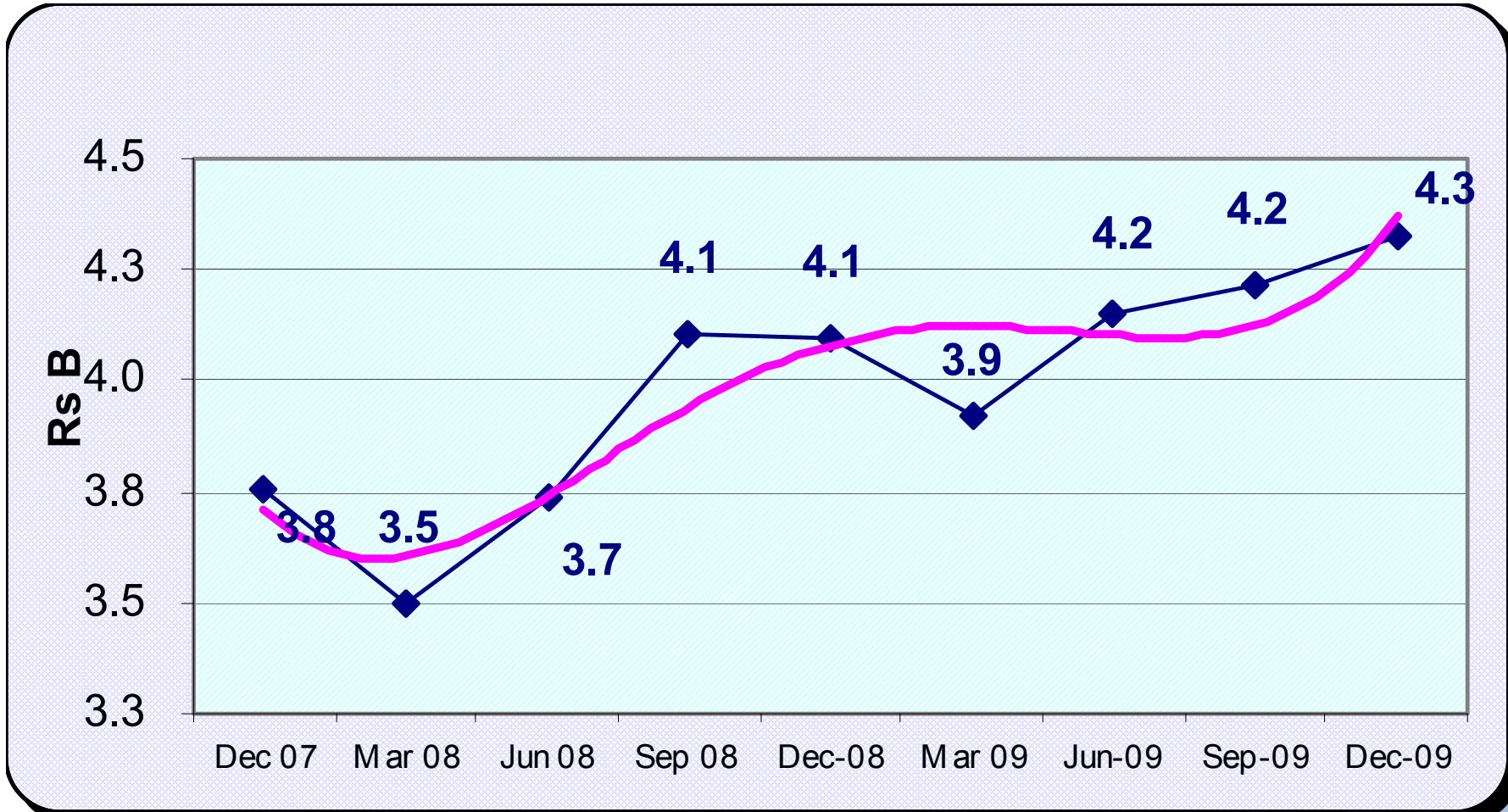


Total Revenue



* Excluding other operational Write-offs

Administrative Expenses



The information contained herein reflects our latest business statement as at December 31, 2009

Except the historical information contained herein, statements in this Release which contain words or phrases such as ‘will’, ‘would’, ‘indicating’ expected to’ etc., and similar expressions or variations of such expressions may constitute ‘forward-looking statements’. These forward-looking statements involve a number of risks, uncertainties and other factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These risks and uncertainties include, but are not limited to our ability to successfully implement our strategy, future levels of non-performing loans, our growth and expansion in business, the impact of any acquisitions, the adequacy of our allowance for credit losses, technological, implementation and changes, the actual growth in demand for banking products and services, investment income, cash flow projections, our exposure to market risks as well as other risks detailed in the reports filed by us with various regulatory authorities as per applicable laws and regulations. UBL undertakes no obligations to update forward-looking statements to reflect event or circumstances after the date thereof.

Thank You