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# Corporate Information

## Board of Directors

Mohammad Naeem Mukhtar  
Chairman

Sheikh Mukhtar Ahmad

Mohammad Waseem Mukhtar

Abdul Aziz Khan

Sheikh Jalees Ahmed

Government Nominee  
(yet to be appointed)

Mubashir A. Akhtar

Pervaiz Iqbal Butt

Muhammad Aftab Manzoor  
Chief Executive Officer

## Audit Committee

Sheikh Mukhtar Ahmad  
Chairman

Sheikh Jalees Ahmed  
Member

Government Nominee  
(yet to be appointed)

## Company Secretary

Waheed-Ur-Rehman, FCA

## Auditors

Ernst & Young Ford Rhodes Sidat Haider & Co.  
Chartered Accountants

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Legal Adviser

Haidermota and Company  
Advocates and solicitors

## Shares Registrar

Technology Trade (Pvt.) Ltd.

## Central Office

Bath Island, Khayaban-e-Iqbal,  
Main Clifton Road,  
Karachi – 75600  
UAN: (92 21) 111-110-110

## Head Office/Registered Office

8-Kashmir / Egerton Road,  
Lahore  
UAN: (92 42) 111-110-110

## Website & Email

www.abl.com  
E-mail: info@abl.com

## Toll Free Number

0800-22522

# Vision, Mission & Core Values

## Vision

To become a dynamic and efficient bank providing integrated solutions in order to be the first choice bank for the customers

## Mission

To provide value added services to our customers

To provide high tech innovative solutions to meet customers' requirements

To create sustainable value through growth, efficiency and diversity for all stakeholders

To provide a challenging work environment and reward dedicated team members according to their abilities and performance

To play a proactive role in contributing towards the society

## Core Values

Integrity

Excellence in Service

High Performance

Innovation and Growth

## Directors' Review

(Un-audited) for the quarter ended March 31, 2010

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the financial results of Allied Bank for the three months period ended March 31, 2010.

### Financial Highlights

	(Rupees in million)		Growth
	Quarter ended March 31,		
	2010	2009	
Profit after tax	1,777	1,448	22.72%
Un-appropriated profits brought forward	12,198	8,537	42.88%
Transfer from surplus on revaluation of fixed assets – net of tax	7.7	8.1	-4.94%
Profit available for appropriation	13,983	9,993	39.93%
Final cash dividend for the year ended December 31, 2009 (2009: year ended December 31, 2008) at Rs. 2 per share (2008: Re. 1 per share)	(1,422)	(646)	120.12%
Transfer to Statutory Reserves	(355)	(290)	22.41%
Un-appropriated profits carried forward	12,206	9,057	34.77%
Earning Per Share (EPS) for three months	2.27	1.85	22.70%

### Economic Overview

Pakistan's economy on its way to moderate recovery is confronted with major challenges that may have an impact on the overall growth and stability prospects. Large Scale manufacturing has shown growth since October 2009 after contraction for almost 20 months but the nascent recovery remains fragile. Inflation was at 8.9% in October 2009 and has been recorded at 12.9% in March 2010, indicating the persistence of inflationary pressures.

The balance of payments has shown notable improvement as external current account deficit dropping from 6.8 percent of GDP in Jul-Feb FY09 to 2.2 percent of GDP in Jul-Feb FY10, with most of the improvement concentrated in first quarter of the fiscal year. The weak fiscal position, owing to increasing requirement for security related expenditures, severe energy crisis and shortfalls in revenues, present another formidable challenge. Meanwhile, uncertainty is also attached with the financing mix of the fiscal deficit as the external financing for the budget, mainly the official foreign inflows, have not materialized as expected. As a consequence of weak fiscal position, the Government Borrowing from SBP has increased notably in Q3 FY10.

The banking sector's system resources remain under pressure owing to less than expected retirement of credit availed by the government for commodity operations and continued borrowings by the Public Sector Enterprises, partly because of the energy sector's circular debt. Although credit to the private sector has picked up, the cautious and the risk averse

stance by banks continued during the period owing to the difficult credit environment. Given the risk of inflationary pressures and other uncertainties in the operating environment, the State Bank of Pakistan after reducing the policy rate by a cumulative 250 basis points during CY09 kept it unchanged at 12.5% in succeeding months.

### Financial Review

Your bank while remaining prudent under the circumstances continued to emphasize on improving cost effective deposit mix, building risk weighted assets by ensuring quality and optimizing costs to pursue its strategy of maintaining steady growth. Deposits of the bank stood at Rs. 317,742 million as at March 31, 2010, which grew by 11.6% over corresponding period last year with CASA mix increased to 56% as against 54.3% and 52.6% compared to December 31, 2009 and March 31, 2009, respectively. In view of prevailing business conditions Your Bank remained cautious in lending. Gross advances thus depicted a modest decrease of around 4% from Rs. 249,887 million as at December 31, 2009 to Rs. 240,359 million as at March 31, 2010. Gross Advances as at March 31, 2010, however, remained higher by Rs. 36,770 million or 18% from March 31, 2009 level, leading to increase in Loans to Deposit Ratio to 75.6% as at March 31, 2010. The balance sheet size of Your Bank increased to Rs. 399,837 million as at March 31, 2010 while the equity of the bank increased to Rs. 30,250 million compared to Rs. 29,960 million as at December 31, 2009.

Profit Before Tax of Your Bank increased by 19.9% to reach Rs. 2,683 million during three months period ended March 31, 2010 compared to Rs. 2,239 million in the corresponding period of March 31, 2009. Profit After Tax also rose by 22.7% to Rs. 1,777 million compared to Rs. 1,448 million in the corresponding period. Resultantly, the EPS of Your Bank increased to Rs. 2.27 during three months ended March 31, 2010 compared to Rs. 1.85 in the corresponding period of previous year.

During the three months period ended March 31, 2010, the Mark-up/Interest income grew by 6.9% over the corresponding period, attributable to higher average volume growth in earning assets which offset the impact of lower yields due to fall in market interest rates. Meanwhile, the improvement in deposit mix contributed towards 5.9% reduction in Mark-up/Interest expense, which declined to Rs. 5,566 million during the three months period ended March 31, 2010 compared to the corresponding period. Deposit cost thus decreased from 6.87% in corresponding Quarter of 2009 to 5.51% in 1st Quarter 2010. As a consequence, the net mark-up/interest income of Your Bank grew by 24.3% to Rs. 5,368 million compared to the corresponding period of previous year.

Non-Mark up/Interest Income of Your Bank increased to Rs. 1,571 million during the three months period ended March 31, 2010 compared to Rs. 1,210 million in the corresponding period of previous year, a growth of 29.8%. The increase was primarily led by higher fee income, dividend income and capital gains. The Operating Expenses increased to Rs. 2,937 million during the three months period ended March 31, 2010 as compared to Rs. 2,227

million in the corresponding period of last year. However, expenses for the current period include one-off expense against Voluntary Retirement Scheme offered by the bank. Excluding its impact, the actual growth in expenses is 18.7%. Remaining prudent, Your Bank recognized general provision of Rs. 100 million and the provision coverage against NPLs improved to 78.6% at March 31, 2010 as compared to 76.9% at December 31, 2009. No benefit of FSV has been taken while determining the provision against NPLs as allowed under BSD Circular No. 10 of 2009 dated October 20, 2009.

#### Future Outlook:

Higher inflation, liquidity crunch and inevitable rupee depreciation may pose pressure on the country's operating environment, unless flows from IMF and other multilateral agencies start pouring in and international oil prices come down. Under these circumstances tightening of monetary policy by SBP in upcoming review started gaining weight. Your Bank being cautious of the prevailing economic conditions would continue with its strategy of achieving steady growth by taking exposure in selected avenues following stringent risk management policies, proactive monitoring of the credit portfolio, focusing on further improving the deposit mix and optimizing cost efficiencies.

#### Change in Directors:

The Government has replaced its Nominee Director Mr. Farrakh Qayyum with Chairman Federal Board of Revenue (FBR). However, the Chairman FBR has expressed his inability to accept the position. As a consequence, the position is still vacant.

#### Acknowledgement:

We take this opportunity to thank our valued customers for their patronage, to our employees for their continued commitment, our shareholders for their trust and confidence and State Bank of Pakistan and other regulatory bodies for their continued guidance.

Mohammad Aftab Manzoor  
Chief Executive Officer

Mohammad Naeem Mukhtar  
Chairman

Dated: April 24, 2010  
Place: Lahore

# Unconsolidated Condensed Interim Balance Sheet

as at March 31, 2010

	Note	Un-audited March 31, 2010	Audited December 31, 2009
<b>Rupees in '000</b>			
<b>ASSETS</b>			
Cash and balances with treasury banks		22,784,138	26,435,633
Balances with other banks		559,626	1,280,443
Lendings to financial institutions	5	25,385,859	28,122,932
Investments	6	94,199,004	94,789,492
Advances	7	227,033,971	237,344,038
Operating fixed assets	8	12,598,997	12,446,748
Deferred tax assets - net	9	617,652	-
Other assets		16,658,039	17,955,045
		<b>399,837,286</b>	<b>418,374,331</b>
<b>LIABILITIES</b>			
Bills payable		3,643,828	3,162,429
Borrowings from financial institutions		32,411,579	39,818,532
Deposits and other accounts	10	317,742,186	328,875,037
Sub-ordinated loans	11	5,496,400	5,497,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	1,871
Other liabilities		10,293,503	11,059,484
		<b>369,587,496</b>	<b>388,414,353</b>
<b>NET ASSETS</b>		<b>30,249,790</b>	<b>29,959,978</b>
<b>REPRESENTED BY</b>			
Share capital	12	7,821,009	7,110,008
Reserves		6,227,327	6,582,845
Unappropriated profit		12,206,040	12,198,425
		<b>26,254,376</b>	<b>25,891,278</b>
Surplus on revaluation of assets - net of tax	13	3,995,414	4,068,700
		<b>30,249,790</b>	<b>29,959,978</b>
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The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Condensed Interim Profit and Loss Account

(Un-audited) for the quarter ended March 31, 2010

	Note	Quarter Ended March 31, 2010	Quarter Ended March 31, 2009
Rupees in '000			
Mark-up/return/interest earned	15	10,934,390	10,233,049
Mark-up/return/interest expensed	16	5,565,897	5,914,515
Net mark-up/interest income		5,368,493	4,318,534
Provision against non-performing loans and advances and general provision-net		783,765	815,009
Provision for diminution in the value of investments - net		477,799	125,770
Bad debts written off directly		-	282
		1,261,564	941,061
Net mark-up/interest income after provisions		4,106,929	3,377,473
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		828,505	637,948
Dividend income		354,776	260,584
Income from trading in government securities		-	-
Income from dealing in foreign currencies		127,183	287,570
Gain from sale and purchase of other securities		238,600	19,290
Unrealised gain/(loss) on revaluation of investments classified as held for trading - net		201	(592)
Other income		22,037	5,710
Total non-mark-up/interest income		1,571,302	1,210,510
		5,678,231	4,587,983
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	17	2,811,077	2,116,113
Provision against other assets - net		-	32,000
Provision against off-balance sheet obligations - net		58,354	90,681
Workers welfare fund		70,891	45,725
Other charges		54,819	64,934
Total non-mark-up/interest expenses		2,995,141	2,349,453
		2,683,090	2,238,530
Extra ordinary/unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		2,683,090	2,238,530
<b>Taxation</b>			
- Current		1,328,566	841,302
- Prior years		373,941	-
- Deferred		(796,831)	(50,908)
		905,676	790,394
<b>PROFIT AFTER TAXATION</b>		1,777,414	1,448,136
Unappropriated profit brought forward		12,198,425	8,536,697
Transfer from surplus on revaluation of fixed assets - net of tax		7,686	8,090
		12,206,111	8,544,787
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		13,983,525	9,992,923
Earning per share - Basic and Diluted (in Rupees)	18	2.27	1.85

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman



# Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited) for the quarter ended March 31, 2010

	Quarter Ended March 31, 2010	Quarter Ended March 31, 2009
	Rupees in '000	
Profit after taxation for the period	1,777,414	1,448,136
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b><u>1,777,414</u></b>	<b><u>1,448,136</u></b>

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Condensed Interim Cash Flow Statement

(Un-audited) for the quarter ended March 31, 2010

	Quarter Ended March 31, 2010	Quarter Ended March 31, 2009
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,683,090	2,238,530
Less: Dividend income	354,776	260,584
	<u>2,328,314</u>	<u>1,977,946</u>
<b>Adjustments for non-cash charges</b>		
Depreciation / amortisation	187,677	148,876
Provision against non-performing loans and advances and general provision - net	783,765	815,009
Provision for diminution in the value of investments - net	477,799	125,770
Unrealised (gain) / loss on revaluation of held for trading securities - net	(201)	592
Provision against off-balance sheet obligations - net	58,354	90,681
Provision against other assets - net	-	32,000
(Gain) / loss on sale of fixed assets	(3,138)	703
Bad debts written off directly	-	282
	<u>1,504,256</u>	<u>1,213,913</u>
	<u>3,832,570</u>	<u>3,191,859</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	2,737,073	2,156,249
Held for trading securities	(15,301)	(33,487)
Advances	9,526,303	19,620,065
Other assets (excluding advance taxation)	(180,529)	311,810
	<u>12,067,546</u>	<u>22,054,637</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	481,399	(27,482)
Borrowings from financial institutions	(8,634,342)	(6,985,340)
Deposits	(11,132,851)	(12,792,110)
Other liabilities	(2,246,019)	(1,716,982)
	<u>(21,531,813)</u>	<u>(21,521,914)</u>
	<u>(5,631,697)</u>	<u>3,724,582</u>
Income tax paid	(60,809)	(1,139,557)
<b>Net cash flow from operating activities</b>	<u>(5,692,506)</u>	<u>2,585,025</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	406,400	(3,224,020)
Net investment in held-to-maturity securities	(161,198)	68,354
Dividend income received	190,613	198,612
Investments in operating fixed assets	(347,634)	(522,714)
Proceeds from sale of fixed assets	5,542	5,612
<b>Net cash flow used in investing activities</b>	<u>93,723</u>	<u>(3,474,156)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net receipt / (payment) of sub-ordinated loan	(600)	-
Dividend paid	(318)	(580,468)
<b>Net cash flow used in financing activities</b>	<u>(918)</u>	<u>(580,468)</u>
<b>Increase/(decrease) in cash and cash equivalents during the period</b>	<u>(5,599,701)</u>	<u>(1,469,599)</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>27,354,760</u>	<u>25,617,627</u>
<b>Cash and cash equivalents at end of the period</b>	<u>21,755,059</u>	<u>24,148,028</u>

The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the quarter ended March 31, 2010

	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appropriated Profit	Total
	-Rupees in '000								
Balance as at January 01, 2009	6,463,644	2,341,322	3,055,595	-	67,995	333,864	6,000	8,536,697	20,805,117
Changes in equity during the quarter ended March 31, 2009									
Profit after taxation for the quarter ended March 31, 2009	-	-	-	-	-	-	-	1,448,136	1,448,136
<b>Transactions with owners recognised directly in equity</b>									
Transfer to reserve for issue of bonus shares for year ended December 31, 2008 @ 10%	-	(646,364)	-	646,364	-	-	-	-	-
Final cash dividend for the year ended December 31, 2008 (Rs. 1.00 per ordinary share)	-	-	-	-	-	-	-	(646,364)	(646,364)
	-	(646,364)	-	646,364	-	-	-	(646,364)	(646,364)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	8,090	8,090
Transfer to statutory reserve	-	-	289,627	-	-	-	-	(289,627)	-
Balance as at March 31, 2009	6,463,644	1,694,958	3,345,222	646,364	67,995	333,864	6,000	9,056,932	21,614,979
<b>Changes in equity during the nine months ended December 31, 2009</b>									
Profit after taxation for the nine months ended December 31, 2009	-	-	-	-	-	-	-	5,674,031	5,674,031
<b>Transactions with owners recognised directly in equity</b>									
Issue of bonus shares	646,364	-	-	(646,364)	-	-	-	-	-
Interim cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
	646,364	-	-	(646,364)	-	-	-	(1,422,002)	(1,422,002)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	24,270	24,270
Transfer to statutory reserve	-	-	1,134,806	-	-	-	-	(1,134,806)	-
Balance as at December 31, 2009	7,110,008	1,694,958	4,480,028	-	67,995	333,864	6,000	12,198,425	25,891,278
<b>Changes in equity during the quarter ended March 31, 2010</b>									
Profit after taxation for the quarter ended March 31, 2010	-	-	-	-	-	-	-	1,777,414	1,777,414
<b>Transactions with owners recognised directly in equity</b>									
Transfer to reserve of issue of bonus shares for year ended December 31, 2009 @ 10%	-	(711,001)	-	711,001	-	-	-	-	-
Issue of bonus shares	711,001	-	-	(711,001)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
	711,001	(711,001)	-	-	-	-	-	(1,422,002)	(1,422,002)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	7,686	7,686
Transfer to statutory reserve	-	-	355,483	-	-	-	-	(355,483)	-
Balance as at March 31, 2010	7,821,009	983,957	4,835,511	-	67,995	333,864	6,000	12,206,040	26,254,376

\* These were created as a result of merger of Ibrahim Leasing Limited and First Allied Bank Modaraba into Allied Bank Limited. The annexed notes 1 to 22 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the quarter ended March 31, 2010

## 1. STATUS AND NATURE OF BUSINESS

Allied Bank Limited (the Bank), incorporated in Pakistan, is a scheduled Bank, engaged in commercial banking and related services. The Bank is listed on all stock exchanges in Pakistan. The Bank operates a total of 784 (2009: 779) branches in Pakistan including the Karachi Export Processing Zone Branch (overseas business unit). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA'. Short term rating of the Bank is 'A1+'. The Bank is a holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated in Lahore whereas the principal office is situated at Khayaban-e-Iqbal, Main Clifton Road, Bath Island, Karachi.

## 2. STATEMENT OF COMPLIANCE

2.1 These unconsolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by State Bank of Pakistan. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by State Bank of Pakistan shall prevail.

2.2 The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan dated April 28, 2008, International Financial Reporting Standard (IFRS) 7 "Financial Instruments Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

2.3 These unconsolidated condensed interim financial statements are being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984.

## 3. BASIS OF PRESENTATION

3.1 The disclosures included in these unconsolidated condensed interim financial statements are limited based on the format prescribed by the State Bank of Pakistan, vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2009.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND RISK MANAGEMENT POLICIES

4.1 The accounting policies, underlying estimates and methods of computation followed in the preparation of these unconsolidated condensed interim financial statements are same as those applied in preparing the most recent annual unconsolidated financial statements of the Bank, except, general provision is maintained against advances other than non performing advances and consumer financing.

4.2 The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in the financial statements of the Bank for the year ended December 31, 2009.

## Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2010

	Note	Un-audited March 31, 2010	Audited December 31, 2009
Rupees in '000			
<b>5. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	5.1	1,950,000	525,000
Letters of placement	5.2	399,750	649,750
Repurchase agreement lendings (Reverse Repo)	5.3	23,135,859	26,347,932
Certificates of investment	5.4	180,845	880,845
		25,666,454	28,403,527
Provision against lending to Financial Institution.	5.5	(280,595)	(280,595)
		25,385,859	28,122,932

- 5.1** These are unsecured lendings to Financial Institutions, carrying mark-up at rates, ranging between 9.50% and 12.10% (December 31, 2009 at the rates ranging between 12.10% and 12.70%) per annum and maturing on various dates, latest by April 03, 2010.
- 5.2** This represents clean placements with Non-Banking Finance Companies carrying mark-up rate at 12.40% (December 31, 2009: ranging between 12.60% and 12.70%) per annum on performing placements and will mature on various dates, latest by April 14, 2010.
- 5.3** These are short-term lendings to various financial institutions against the government securities, carrying mark-up at rates, ranging between 9.73% and 12.20% (December 31, 2009: ranging between 11.75% and 12.40%) per annum and will mature on various dates, latest by April 30, 2010.
- 5.4** The certificate of investment carries mark-up at the rate of 14.38% (December 31, 2009: ranging between 13.0% and 14.47%) per annum on performing investment and will mature on April 05, 2010.
- 5.5** This represents provision made under the prudential regulations of the State Bank of Pakistan against certain clean placements.

### 6. INVESTMENTS

	Note	Held by Bank	Given as collateral	Total
Rupees in '000				
Current period - March 31, 2010 (Un-audited)	6.1	92,894,596	1,304,408	94,199,004
Prior year corresponding period - December 31, 2009 (Audited)	6.1	87,812,873	6,976,619	94,789,492

# Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2010

	Un-audited As at March 31, 2010			Audited As at December 31, 2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000						
<b>6.1 Investments by types</b>						
<b>Held-for-trading securities</b>						
Ordinary Shares of listed companies	82,686	-	82,686	67,385	-	67,385
<b>Available-for-sale securities</b>						
Market Treasury Bills	32,038,208	1,305,686	33,343,894	27,019,901	6,976,575	33,996,476
Pakistan Investment Bonds	246,336	-	246,336	246,204	-	246,204
Ordinary shares / certificates of listed companies	4,711,851	-	4,711,851	4,882,928	-	4,882,928
Preference shares of listed companies	200,667	-	200,667	191,667	-	191,667
Units of open-end mutual Funds	3,876,746	-	3,876,746	4,347,813	-	4,347,813
Ordinary Shares of unlisted companies	215,193	-	215,193	215,193	-	215,193
Ordinary Shares of related parties						
-Listed Shares	2,664,396	-	2,664,396	2,449,082	-	2,449,082
-Unlisted Shares	597,496	-	597,496	597,496	-	597,496
Pre IPO Investments	35,000	-	35,000	35,000	-	35,000
Sukuk Bonds	4,204,612	-	4,204,612	3,637,774	-	3,637,774
Term Finance Certificates (TFCs)	25,989,027	-	25,989,027	26,036,936	-	26,036,936
	74,779,532	1,305,686	76,085,218	69,659,994	6,976,575	76,636,569
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	7,642,699	-	7,642,699	7,690,909	-	7,690,909
Foreign Currency Bonds (US\$)	295,844	-	295,844	73,286	-	73,286
TFCs, Debentures, Bonds and Participation Term Certificate (PTC's)	10,261,614	-	10,261,614	10,274,764	-	10,274,764
	18,200,157	-	18,200,157	18,038,959	-	18,038,959
<b>Subsidiary</b>						
ABL Asset Management Company Limited	500,000	-	500,000	500,000	-	500,000
<b>Investment at cost</b>	93,562,375	1,305,686	94,868,061	88,266,338	6,976,575	95,242,913
Provision for diminution in value of investments	(2,518,778)	-	(2,518,778)	(2,185,929)	-	(2,185,929)
Unrealised gain on revaluation of Held-for-trading securities	(7,696)	-	(7,696)	(7,897)	-	(7,897)
Surplus/(deficit) on revaluation of Available-for-sale securities	1,858,695	(1,278)	1,857,417	1,740,361	44	1,740,405
<b>Investments (net of provision)</b>	92,894,596	1,304,408	94,199,004	87,812,873	6,976,619	94,789,492

## Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2010

	Note	Un-audited March 31, 2010	Audited December 31, 2009
Rupees in '000			
<b>7. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		234,255,096	243,166,083
Net investment in finance lease - in Pakistan		850,118	846,699
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		620,142	389,507
Payable outside Pakistan		4,633,831	5,484,414
		5,253,973	5,873,921
Advances gross		240,359,187	249,886,703
Provision against non-performing advances / others	7.1	(13,217,513)	(12,535,255)
General provision	7.2	(100,000)	-
General provision against consumer financing		(7,703)	(7,410)
		227,033,971	237,344,038

7.1 Advances include Rs. 16,940.855 million (2009: Rs. 16,281.178 million) which have been placed under the non-performing status as detailed below:

Category of Classification	March 31, 2010 (Un-audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Other Assets Especially					
Mentioned	32,448	-	32,448	-	-
Substandard	3,527,260	-	3,527,260	881,433	881,433
Doubtful	2,090,134	-	2,090,134	1,045,067	1,045,067
Loss	11,291,013	-	11,291,013	11,291,013	11,291,013
	16,940,855	-	16,940,855	13,217,513	13,217,513

Category of Classification	December 31, 2009 (Audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Other Assets Especially					
Mentioned	21,370	-	21,370	-	-
Substandard	3,045,384	-	3,045,384	760,816	760,816
Doubtful	2,713,157	-	2,713,157	1,356,579	1,356,579
Loss	10,501,267	-	10,501,267	10,417,860	10,417,860
	16,281,178	-	16,281,178	12,535,255	12,535,255

7.2 This represents general provision against advances other than non performing advances and consumer financing.

7.3 No benefit of FSV has been taken while determining the provision against non performing loans as allowed under BSD Circular No. 10 of 2009 dated October 20, 2009.

### 8. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 347,634 thousand (March 31, 2009: Rs. 522,714 thousand) and Rs. 9,796 thousand (March 31, 2009: Rs. 6,315 thousand) respectively.

## Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2010

### 9. DEFERRED TAX ASSETS - NET

Through Finance Act 2007, a new section 100A and the 7th Schedule (the Schedule) were inserted in the Income Tax Ordinance, 2001 governing taxation of banking companies. The Schedule seeks to simplify the taxation of banking companies and was applicable from the tax year 2009 (financial year ended on December 31, 2008).

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

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

	Un-audited March 31, 2010	Audited December 31, 2009
	Rupees in '000	

### 10. DEPOSITS AND OTHER ACCOUNTS

Customers		
Fixed deposits	93,807,232	98,425,685
Savings deposits	87,685,179	85,274,893
Current accounts — Remunerative	45,367,876	47,706,475
— Non—remunerative	90,184,522	93,273,720
	317,044,809	324,680,773
Financial Institutions		
Remunerative deposits	697,377	4,194,264
	317,742,186	328,875,037

### 11. SUB-ORDINATED LOANS

Term Finance certificates - I	2,497,000	2,497,000
Term Finance certificates - II	2,999,400	3,000,000
	5,496,400	5,497,000

The Bank has issued following unsecured sub-ordinated Term Finance certificates to improve the Bank's capital adequacy. Liability to the TFC holders is subordinated to and rank inferior to all other debts of the Bank including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of the issues are as follows:

	Term Finance certificate - I	Term Finance certificate - II
Outstanding Amount-		
Rupees in thousand	2,497,000	2,999,400
Issue date	December 06, 2006	August 28, 2009
Total issue		
Rupees in thousand	2,500,000	3,000,000
Rating	AA-	AA-
Listing	Karachi Stock Exchange (Guarantee) Limited	Karachi Stock Exchange (Guarantee) Limited
Rate	Payable semi annually - Six months KIBOR plus 1.9%	Payable semi annually -Six months KIBOR plus 0.85% for first 5 years -Six months KIBOR plus 1.30% from start of 6th year
Call option	Call option is not available to the issuer, except with prior approval of SBP	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2010 - 2019)



# Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the quarter ended March 31, 2010

## 12. SHARE CAPITAL

### 12.1 Authorised capital

Un-audited March 31, 2010 No. of shares	Audited December 31, 2009		Un-audited March 31, 2010 Rupees in '000	Audited December 31, 2009
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

### 12.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10 each

Un-audited March 31, 2010 No. of shares	Audited December 31, 2009	Ordinary Shares	Un-audited March 31, 2010 Rupees in '000	Audited December 31, 2009
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
357,772,190	286,672,114	Issued as bonus shares	3,577,722	2,866,721
764,552,284	693,452,208		7,645,523	6,934,522
		18,348,550 Ordinary Shares of Rs. 10 each determined pursuant to the Scheme of Amalgamation of ILL with ABL in accordance with the share swap ratio stipulated therein less 9,200,000 Ordinary Shares of Rs. 10 each held by ILL on the cut-off date (September 30, 2004)	91,486	91,486
		8,400,000 Ordinary Shares of Rs. 10 each determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein	84,000	84,000
8,400,000	8,400,000		84,000	84,000
782,100,834	711,000,758		7,821,009	7,110,008

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 309,846,565 (39.62%) and 72,872,624 (9.32%) (December 31, 2009, 287,678,696 (40.46%) and 66,247,840 (9.32%)) Ordinary shares of Rs.10 each, respectively, as at March 31, 2010.

Note	Un-audited March 31, 2010 Rupees in '000	Audited December 31, 2009
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## 13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus/(deficit) arising on revaluation of:			
- fixed assets	13.1	2,788,093	2,801,082
- available for sale securities	13.2	1,207,321	1,267,618
Surplus on revaluation of assets - net of tax		3,995,414	4,068,700

## Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the quarter ended March 31, 2010

	Un-audited March 31, 2010	Audited December 31, 2009
	Rupees in '000	

### 13.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1	3,132,247	3,182,032
Surplus arose on revaluation of properties	-	-
Surplus realized on disposal of revalued properties	(5,303)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period/year - net of deferred tax	(7,686)	(32,360)
Related deferred tax liability	(4,138)	(17,425)
	(11,824)	(49,785)
Surplus on revaluation of fixed assets as at March 31 and December 31	3,115,120	3,132,247
Less: Related deferred tax liability on :		
Revaluation as at January 1	331,165	348,590
Charge on revaluation during the period/year	-	-
Disposal of revalued properties during the period/year transferred to profit and loss account	-	-
Incremental depreciation charged during the period/year transferred to profit and loss account	(4,138)	(17,425)
	327,027	331,165
	2,788,093	2,801,082

### 13.2 Surplus/(Deficit) on revaluation of available-for-sale securities

Federal Government Securities		
Market Treasury Bills	(25,662)	1,127
Pakistan Investment Bonds	(18,449)	(19,305)
Term Finance Certificates	(335,727)	(381,506)
Sukuk Bonds	(110,855)	(97,281)
Shares/Certificates - Listed	2,225,955	2,069,929
Mutual Funds	122,155	167,441
	1,857,417	1,740,405
Less : Related deferred tax liability	(650,096)	(472,787)
	1,207,321	1,267,618

# Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the quarter ended March 31, 2010

	Un-audited March 31, 2010	Audited December 31, 2009
	Rupees in '000	
<b>14. CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Direct credit substitutes</b>		
Guarantees in favour of:		
Banks and financial institutions	677,318	1,035,107
<b>14.2 Transaction—related contingent liabilities</b>		
Guarantees in favour of:		
Government	5,014,761	5,752,873
Others	12,534,753	10,352,695
	17,549,514	16,105,568
<b>14.3 Trade—related contingent liabilities</b>	63,136,779	65,895,610
<b>14.4 Claims against the Bank not acknowledged as debt</b>	4,419,810	4,346,919
<b>14.5 Commitments to extend credit</b>		

The Bank makes commitments to extend credit in the normal course of business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Un-audited March 31, 2010	Audited December 31, 2009
	Rupees in '000	
<b>14.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	25,294,718	23,338,782
Sale	9,040,161	8,827,975
<b>14.7 Commitments in respect of operating fixed assets</b>		
Civil works	837,132	604,828
Acquisition of operating fixed assets	337,734	327,650
<b>14.8 Commitments in respect of lease financing</b>	91,491	32,630
<b>14.9 Commitments in respect of procurement of software</b>	5,847	36,523

## 14.10 Contingencies

**14.10.1** There is no change in the status of contingencies, set out in note 22.12 to the financial statements of the Bank for the year ended December 31, 2009, except for the contingency as mentioned below:

**14.10.2** The income tax assessments of the Bank have been finalized up to and including tax year 2009 for local and Azad Kashmir operations. While finalizing income tax assessments up to tax year 2009, income tax authorities made certain add backs with aggregate tax impact of Rs. 9,524 million. As a result of appeals filed by the Bank before appellate authorities, the add backs amounting to Rs. 2,524 million and Rs. 6,987 million were set-aside and deleted respectively. While giving appeal effects on most of the deleted issues, a refund of Rs. 5,794 million has been determined. Against most of the deleted and set-aside issues, Department is in appeal before higher appellate authorities. Pending finalization of appeals no provision has been made by the Bank on aggregate sum of Rs. 9,524 million. The management is hopeful that the outcome of these appeals will be in favor of the Bank.

# Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the quarter ended March 31, 2010

	Quarter ended March 31, 2010	Quarter ended March 31, 2009
	Rupees in '000	
<b>15. MARK-UP/RETURN/INTEREST EARNED</b>		
On loans and advances	7,727,558	7,844,954
On investments in:		
Available-for-sale securities	1,950,481	1,572,922
Held-to-maturity securities	548,874	351,151
	2,499,355	1,924,073
On deposits with financial institutions	4,996	2,055
On securities purchased under resale agreements	665,776	394,364
On certificates of investment	11,047	20,918
On letters of placement	5,889	24,097
On call money lending	19,769	22,588
	10,934,390	10,233,049

## 16. MARK-UP/RETURN/INTEREST EXPENSED

Deposits	4,252,011	4,832,361
Long term borrowings	84,106	55,109
Securities sold under repurchase agreements	195,563	117,644
Call money borrowing	231,698	239,003
Brokerage and commission	29,447	23,106
Markup on TFCs	186,907	229,592
Other short term borrowings	586,165	417,700
	5,565,897	5,914,515

## 17. VOLUNTARY RETIREMENT SCHEME (VRS)

During the period, Bank offered the Voluntary Retirement Scheme (VRS) for its employees. 195 employees of the Bank opted for retirement under this scheme. Total liability for these employees under this scheme for pension, gratuity, leave encashment, medical and salary compensation benefits is worked out to be Rs. 646 million. As a result Bank has incurred Rs. 294 million which is provided by the Bank during the period.

	Un-audited March 31, 2010	Audited December 31, 2009
	Rupees in '000	

## 18. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after tax for the period attributable to ordinary shareholders	1,777,414	1,448,136
	Number of Shares	
Weighted average number of Ordinary Shares outstanding during the period	782,100,834	782,100,834
	Rupees	
Earnings per share - basic and diluted	2.27	1.85

There is no dilution effect on basic earnings per share.

18.1 The comparative figure of weighted average number of shares outstanding has been restated to include the effect of bonus shares issued by the Bank during the period.

# Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the quarter ended March 31, 2010

## 19. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its subsidiary, companies with common directorship, directors, employee benefit plans and key management personnel. Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are as agreed terms.

	March 31, 2010 (Un-audited)				December 31, 2009 (Audited)					
	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies	Subsidiary	Key management personnel	
<b>Rupees in 000</b>										
<b>Nature of related party transactions</b>										
<b>Loans</b>										
Loans at the beginning of the period/year	22,461	-	-	237,298	14,318,863	27,040	-	-	205,884	6,156,764
Loans given during the period/year	7,025	-	-	4,294	233,218	13,040	-	-	70,322	8,196,479
Loans repaid during the period/year	(7,035)	-	-	(8,937)	(3,115)	(17,619)	-	-	(38,908)	(34,380)
Loans at the end of the period/year	22,451	-	-	232,655	14,548,966	22,461	-	-	237,298	14,318,863
<b>Deposits</b>										
Deposits at the beginning of the period/year	9,661	9,400	2,382	10,792	-	4,845	55,423	778	14,275	-
Deposits received during the period/year	397,558	810,584	92,999	32,682	-	555,123	1,631,336	524,455	268,641	-
Deposits repaid during the period/year	(349,864)	(804,935)	(93,325)	(28,981)	-	(550,307)	(1,677,359)	(522,851)	(272,134)	-
Deposits at the end of the period/year	57,355	15,049	2,056	14,483	-	9,661	9,400	2,382	10,782	-
Nostro balances	-	(559,463)	-	-	-	-	198,082	-	-	-
Lendings	-	-	-	-	-	-	1,097,434	-	-	-
Borrowings	-	69,340	-	-	-	-	484,267	-	-	-
Investments in shares	-	240,969	500,000	-	3,020,923	-	240,969	500,000	-	2,805,599
Non Funded Exposures	-	-	-	-	4,361,491	-	-	-	-	4,003,500
Other receivables	-	-	1,385	-	-	-	-	2,016	-	-
Net receivable from staff retirement benefit funds	-	-	-	-	1,199,550	-	-	-	-	1,343,345
Staff retirement fund deposits	-	-	-	-	4,015,381	-	-	-	-	4,810,081
<b>March 31, 2010 (Un-audited)</b>										
<b>March 31, 2009 (Un-audited)</b>										
Mark-up earned	244	-	-	3,014	650,192	272	-	-	3,413	6,403
Income on placements	-	3	-	-	-	-	106	-	-	-
Income on lendings	-	-	-	-	-	-	-	-	-	-
Dividend income	-	-	-	-	142,136	-	-	-	-	-
Sales Commission	-	-	2,100	-	-	-	-	942	-	-
Mark-up expense on Deposits	159	-	111	31	144,125	-	-	17	37	69,920
Interest expense on borrowings	-	92	-	-	-	-	-	-	-	-
Directors' meeting fee	300	-	-	-	-	525	-	-	-	-
NIFT charges	-	-	-	-	16,660	-	-	-	-	14,712
Bank charges levied	-	-	-	-	595	-	-	-	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	3	2	-	-	-	-	-	-	-
	-	-	-	-	77,390	-	-	-	-	152,922

# Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2010

## 20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

	For the Period Ended March 31, 2010 (Un-audited)					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total
	Rupees in '000					
Total Income	306,036	707,545	4,547,068	9,479,948	93,834	15,134,431
Total Expenses	(159,056)	(364,246)	(4,042,942)	(8,743,345)	(47,428)	(13,357,017)
Net Income	<u>146,980</u>	<u>343,299</u>	<u>504,126</u>	<u>736,603</u>	<u>46,406</u>	<u>1,777,414</u>

	For the Period Ended March 31, 2009 (Un-audited)					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total
	Rupees in '000					
Total Income	214,656	463,483	5,142,728	8,858,302	83,972	14,763,141
Total Expenses	(116,251)	(437,035)	(4,431,516)	(8,295,975)	(34,228)	(13,315,005)
Net Income	<u>98,405</u>	<u>26,448</u>	<u>711,212</u>	<u>562,327</u>	<u>49,744</u>	<u>1,448,136</u>

## 21. GENERAL

Figures have been rounded off to the nearest thousand rupees.

## 22. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue on April 24, 2010 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

Consolidated Condensed Interim Financial Statements  
for the quarter ended March 31, 2010

# Consolidated Condensed Interim Balance Sheet

as at March 31, 2010

	Note	Un-audited March 31, 2010	Audited December 31, 2009
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		22,784,188	26,435,683
Balances with other banks		559,775	1,280,591
Lendings to financial institutions	5	25,385,859	28,122,932
Investments	6	94,128,597	94,673,100
Advances	7	227,046,624	237,382,522
Operating fixed assets	8	12,610,995	12,459,586
Deferred tax assets - net	9	616,662	-
Other assets		16,695,431	17,986,438
		399,828,131	418,340,852
<b>LIABILITIES</b>			
Bills payable		3,643,828	3,162,429
Borrowings from financial institutions		32,411,579	39,818,532
Deposits and other accounts	10	317,740,131	328,872,559
Sub-ordinated loans	11	5,496,400	5,497,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	3,374
Other liabilities		10,304,222	11,067,164
		369,596,160	388,421,058
<b>NET ASSETS</b>		<b>30,231,971</b>	<b>29,919,794</b>
<b>REPRESENTED BY</b>			
Share capital	12	7,821,009	7,110,008
Reserves		6,227,327	6,582,845
Unappropriated profit		12,193,352	12,164,662
		26,241,688	25,857,515
Surplus on revaluation of assets - net of tax	13	3,990,283	4,062,279
		<b>30,231,971</b>	<b>29,919,794</b>

## CONTINGENCIES AND COMMITMENTS

14

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman



## Consolidated Condensed Interim Profit and Loss Account (Un-audited) for the quarter ended March 31, 2010

	Note	Quarter Ended March 31, 2010	Quarter Ended March 31, 2009
Rupees in '000			
Mark-up/return/interest earned	15	10,939,724	10,238,753
Mark-up/return/interest expensed	16	5,565,786	5,914,499
Net mark-up/interest income		5,373,938	4,324,254
Provision against non-performing loans and advances and general provision-net		783,765	815,009
Provision for diminution in the value of investments - net		477,799	1,31,556
Bad debts written off directly		-	282
		1,261,564	946,847
Net mark-up/interest income after provisions		4,112,374	3,377,407
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee, commission and brokerage income		864,791	646,886
Dividend income		354,776	261,888
Income from trading in government securities		-	-
Income from dealing in foreign currencies		127,183	287,570
Gain from sale and purchase of other securities		238,876	19,455
Unrealised Gain on revaluation of investments classified as held for trading - net		17,075	2,590
Other income		22,045	5,710
Total non-mark-up/interest income		1,624,746	1,224,099
		5,737,120	4,601,506
<b>NON MARK-UP/INTEREST EXPENSES</b>			
Administrative expenses	17	2,846,238	2,134,591
Provision against other assets - net		-	32,000
Provision against off-balance sheet obligations - net		58,354	90,681
Workers welfare fund		71,357	45,725
Other charges		54,819	64,934
Total non-mark-up/interest expenses		3,030,768	2,367,931
		2,706,352	2,233,575
Extra ordinary/unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		2,706,352	2,233,575
<b>Taxation</b>			
- Current		1,330,753	841,432
- Prior years		373,941	-
- Deferred		(796,831)	(51,683)
		907,863	789,749
<b>PROFIT AFTER TAXATION</b>		1,798,489	1,443,826
Unappropriated profit brought forward		12,164,662	8,475,791
Transfer from surplus on revaluation of fixed assets - net of tax		7,686	8,090
		12,172,348	8,483,881
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		13,970,837	9,927,707
<b>Earning per share - Basic and Diluted (in Rupees)</b>	18	2.30	1.85

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

## Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited) for the quarter ended March 31, 2010

	Quarter Ended March 31, 2010	Quarter Ended March 31, 2009
	Rupees in '000	
Profit after taxation for the period	1,798,489	1,443,826
Other comprehensive income	-	-
<b>Total comprehensive income for the period</b>	<b><u>1,798,489</u></b>	<b><u>1,443,826</u></b>

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Consolidated Condensed Interim Cash Flow Statement

(Un-audited) for the quarter ended March 31, 2010

	Quarter Ended March 31, 2010	Quarter Ended March 31, 2009
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,706,352	2,233,575
Less: Dividend income	354,776	260,584
	<u>2,351,576</u>	<u>1,972,991</u>
<b>Adjustments for non-cash charges</b>		
Depreciation / amortisation	188,688	148,876
Provision against non-performing loans and advances and general provision - net	783,765	815,009
Provision for diminution in the value of investments - net	477,799	125,770
Unrealised (gain)/loss on revaluation of held for trading securities-net	(17,075)	592
Provision against off-balance sheet obligations - net	58,354	90,681
Provision against other assets - net	-	32,000
(Gain) / loss on sale of fixed assets	(3,145)	703
Bad debts written off directly	-	282
	<u>1,488,386</u>	<u>1,213,913</u>
	<u>3,839,962</u>	<u>3,186,904</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	2,737,073	2,156,249
Held for trading securities	(43,128)	(33,487)
Advances	9,552,134	19,620,065
Other assets (excluding advance taxation)	(185,979)	311,810
	<u>12,060,100</u>	<u>22,054,637</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	481,399	(27,482)
Borrowings from financial institutions	(8,634,342)	(6,985,340)
Deposits	(11,132,428)	(12,792,110)
Other liabilities	(2,243,493)	(1,716,982)
	<u>(21,528,864)</u>	<u>(21,521,914)</u>
	<u>(5,628,802)</u>	<u>3,719,627</u>
Income tax paid	(63,545)	(1,139,557)
	<u>(5,692,347)</u>	<u>2,580,070</u>
<b>Net cash flow from operating activities</b>		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	406,406	(3,224,020)
Net investment in held-to-maturity securities	(161,198)	68,354
Dividend income received	190,613	198,612
Investments in operating fixed assets	(348,047)	(522,714)
Proceeds from sale of fixed assets	5,791	5,612
	<u>93,565</u>	<u>(3,474,156)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net inflow of sub-ordinated loan	(600)	-
Dividend paid	(318)	(580,468)
	<u>(918)</u>	<u>(580,468)</u>
<b>Net cash flow used in financing activities</b>		
<b>Increase/(decrease) in cash and cash equivalents during the period</b>		
Cash and cash equivalents at beginning of the period	(5,599,700)	(1,474,554)
	<u>27,354,958</u>	<u>25,617,627</u>
<b>Cash and cash equivalents at end of the period</b>	<u>21,755,258</u>	<u>24,143,073</u>

The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Condensed Interim Statement of Changes in Equity (Un-audited) for the quarter ended March 31, 2010

	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appropriated Profit	Total
	Rupees in '000								
Balance as at January 01, 2009	6,463,644	2,341,322	3,055,595	-	67,995	333,864	6,000	8,475,791	20,744,211
Changes in equity during the quarter ended March 31, 2009									
Profit after taxation for the quarter ended March 31, 2009	-	-	-	-	-	-	-	1,443,826	1,443,826
Transactions with owners recognised directly in equity									
Transfer to reserve for issue of bonus shares for year ended December 31, 2008 @ 10%	-	(646,364)	-	646,364	-	-	-	-	-
Final cash dividend for the year ended December 31, 2008 (Rs. 1.00 per ordinary share)	-	-	-	-	-	-	-	(646,364)	(646,364)
	-	(646,364)	-	646,364	-	-	-	(646,364)	(646,364)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	8,090	8,090
Transfer to statutory reserve	-	-	289,627	-	-	-	-	(289,627)	-
Balance as at March 31, 2009	6,463,644	1,694,958	3,345,222	646,364	67,995	333,864	6,000	8,991,716	21,549,763
Changes in equity during the nine months ended December 31, 2009									
Profit after taxation for the nine months ended December 31, 2009	-	-	-	-	-	-	-	5,705,484	5,705,484
Transactions with owners recognised directly in equity									
Issue of bonus shares	646,364	-	-	(646,364)	-	-	-	-	-
Interim cash dividend for the year ended December 31, 2009 (Rs. 2.0 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
	646,364	-	-	(646,364)	-	-	-	(1,422,002)	(1,422,002)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	24,270	24,270
Transfer to statutory reserve	-	-	1,134,806	-	-	-	-	(1,134,806)	-
Balance as at December 31, 2009	7,110,008	1,694,958	4,480,028	-	67,995	333,864	6,000	12,164,662	25,857,515
Changes in equity during the quarter ended March 31, 2010									
Profit after taxation for the quarter ended March 31, 2010	-	-	-	-	-	-	-	1,798,489	1,798,489
Transactions with owners recognised directly in equity									
Transfer to reserve of issue of bonus shares for year ended December 31, 2009 @ 10%	-	(711,001)	-	711,001	-	-	-	-	-
Issue of bonus shares	711,001	-	-	(711,001)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
	711,001	(711,001)	-	-	-	-	-	(1,422,002)	(1,422,002)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	7,686	7,686
Transfer to statutory reserve	-	-	355,483	-	-	-	-	(355,483)	-
Balance as at March 31, 2010	7,821,009	983,957	4,835,511	-	67,995	333,864	6,000	12,193,352	26,241,688

\* These were created as a result of merger of Ibrahim Leasing Limited and First Allied Bank Modaraba into Allied Bank Limited. The annexed notes 1 to 22 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2010

## 1. STATUS AND NATURE OF BUSINESS

The consolidated condensed interim financial statements consist of Allied Bank Limited (holding company) and ABL Asset Management Company Limited (subsidiary company).

Allied Bank Limited (the Bank), incorporated in Pakistan, is a scheduled Bank, engaged in commercial banking and related services. The Bank is listed on all stock exchanges in Pakistan. The Bank operates a total of 784 (2009: 779) branches in Pakistan including the Karachi Export Processing Zone Branch (overseas business unit). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA'. Short term rating of the Bank is 'A1+'. The Bank is a holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated in Lahore whereas the principal office is situated at Khayaban-e-Iqbal, Main Clifton Road, Bath Island, Karachi.

## 2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by State Bank of Pakistan. In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by State Bank of Pakistan shall prevail.
- 2.2 The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan dated April 28, 2008, International Financial Reporting Standard (IFRS) 7 "Financial Instruments Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.
- 2.3 These consolidated condensed interim financial statements are being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984.

## 3. BASIS OF PRESENTATION

- 3.1 The disclosures included in these consolidated condensed interim financial statements are limited based on the format prescribed by the State Bank of Pakistan, vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2009.

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND RISK MANAGEMENT POLICIES

- 4.1 The accounting policies, underlying estimates and methods of computation followed in the preparation of these consolidated condensed interim financial statements are same as those applied in preparing the most recent annual consolidated financial statements of the Bank, except, general provision is maintained against advances other than non performing advances and consumer financing.
- 4.2 The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in the financial statements of the Bank for the year ended December 31, 2009.

## Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2010

	Note	Un-audited March 31, 2010	Audited December 31, 2009
Rupees in '000			
<b>5. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	5.1	1,950,000	525,000
Letters of placement	5.2	399,750	649,750
Repurchase agreement lendings (Reverse Repo)	5.3	23,135,859	26,347,932
Certificates of investment	5.4	180,845	880,845
		25,666,454	28,403,527
Provision against lending to Financial Institution		(280,595)	(280,595)
	5.5	25,385,859	28,122,932

- 5.1** These are unsecured lendings to Financial Institutions, carrying mark-up at rates, ranging between 9.50% and 12.10% (December 31, 2009 at the rates ranging between 12.10% and 12.70%) per annum and maturing on various dates, latest by April 03, 2010.
- 5.2** This represents clean placements with Non-Banking Finance Companies carrying mark-up rate at 12.40% (December 31, 2009: ranging between 12.60% and 12.70%) per annum on performing placements and will mature on various dates, latest by April 14, 2010.
- 5.3** These are short-term lendings to various financial institutions against the government securities, carrying mark-up at rates, ranging between 9.73% and 12.20% (December 31, 2009: ranging between 11.75% and 12.40%) per annum and will mature on various dates, latest by April 30, 2010.
- 5.4** The certificate of investment carries mark-up at the rate of 14.38% (December 31, 2009: ranging between 13.0% and 14.47%) per annum on performing investment and will mature on April 05, 2010.
- 5.5** This represents provision made under the prudential regulations of the State bank of Pakistan against certain clean placements.

### 6. INVESTMENTS

	Note	Held by Bank	Given as collateral	Total
Rupees in '000				
Current period - March 31, 2010 (Un-audited)	6.1	92,824,189	1,304,408	94,128,597
Prior year corresponding period - December 31, 2009 (Audited)	6.1	87,696,481	6,976,619	94,673,100

Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the quarter ended March 31, 2010

Un-audited As at March 31, 2010			Audited As at December 31, 2009		
Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total

Rupees in '000

6.1 Investments by types

Held-for-trading securities

Ordinary Shares of listed companies  
Open ended Mutual Funds

82,686	-	82,686	67,385	-	67,385
288,224	-	288,224	252,866	-	252,866
370,910	-	370,910	320,251	-	320,251

Available-for-sale securities

Market Treasury Bills  
Pakistan Investment Bonds  
Ordinary shares / certificates of  
listed companies  
Preference shares of listed companies  
Units of open-end mutual Funds  
Ordinary Shares of unlisted companies  
Ordinary Shares of related parties  
-Listed Shares  
-Unlisted Shares  
Pre IPO Investments  
Sukuk Bonds  
Term Finance Certificates (TFCs)

32,038,208	1,305,686	33,343,894	27,019,901	6,976,575	33,996,476
246,336	-	246,336	246,204	-	246,204
4,711,851	-	4,711,851	4,882,928	-	4,882,928
200,667	-	200,667	191,667	-	191,667
3,876,746	-	3,876,746	4,347,813	-	4,347,813
215,193	-	215,193	215,193	-	215,193
2,664,396	-	2,664,396	2,449,082	-	2,449,082
597,496	-	597,496	597,496	-	597,496
35,000	-	35,000	35,000	-	35,000
4,204,612	-	4,204,612	3,637,774	-	3,637,774
26,118,652	-	26,118,652	26,166,567	-	26,166,567
74,909,157	1,305,686	76,214,843	69,789,625	6,976,575	76,766,200

Held-to-maturity securities

Pakistan Investment Bonds  
Foreign Currency Bonds (US\$)  
TFCs, Debentures, Bonds and  
Participation Term Certificate (PTC's)

7,642,699	-	7,642,699	7,690,909	-	7,690,909
295,844	-	295,844	73,286	-	73,286
10,261,614	-	10,261,614	10,274,764	-	10,274,764
18,200,157	-	18,200,157	18,038,959	-	18,038,959

Investment at cost

Provision for diminution in  
value of investments

93,480,224	1,305,686	94,785,910	88,148,835	6,976,575	95,125,410
(2,518,778)	-	(2,518,778)	(2,185,929)	-	(2,185,929)

Unrealised gain/(loss) on revaluation of  
Held-for-trading securities

8,978	-	8,978	(365)	-	(365)
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Surplus/(deficit) on revaluation of  
Available-for-sale securities

1,853,765	(1,278)	1,852,487	1,733,940	44	1,733,984
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Investments (net of provision)

92,824,189	1,304,408	94,128,597	87,696,481	6,976,619	94,673,100
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## Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2010

	Note	Un-audited March 31, 2010	Audited December 31, 2009
<b>Rupees in '000</b>			
<b>7. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		234,267,749	243,204,567
Net investment in finance lease - in Pakistan		850,118	846,699
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		620,142	389,507
Payable outside Pakistan		4,633,831	5,484,414
		5,253,973	5,873,921
Advances gross		240,371,840	249,925,187
Provision against non-performing advances / others	7.1	(13,217,513)	(12,535,255)
General provision	7.2	(100,000)	-
General provision against consumer financing		(7,703)	(7,410)
		227,046,624	237,382,522

- 7.1 Advances include Rs. 16,940.855 million (2009: Rs. 16,281.178 million) which have been placed under the non-performing status as detailed below:

Category of Classification	March 31, 2010 (Un-audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
<b>Rupees in '000</b>					
Other Assets Especially					
Mentioned	32,448	-	32,448	-	-
Substandard	3,527,260	-	3,527,260	881,433	881,433
Doubtful	2,090,134	-	2,090,134	1,045,067	1,045,067
Loss	11,291,013	-	11,291,013	11,291,013	11,291,013
	16,940,855	-	16,940,855	13,217,513	13,217,513

Category of Classification	December 31, 2009 (Audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
<b>Rupees in '000</b>					
Other Assets Especially					
Mentioned	21,370	-	21,370	-	-
Substandard	3,045,384	-	3,045,384	760,816	760,816
Doubtful	2,713,157	-	2,713,157	1,356,579	1,356,579
Loss	10,501,267	-	10,501,267	10,417,860	10,417,860
	16,281,178	-	16,281,178	12,535,255	12,535,255

- 7.2 This represents general provision against advances other than non performing advances and consumer financing.
- 7.3 No benefit of FSV has been taken while determining the provision against non performing loans as allowed under BSD Circular No. 10 of 2009 dated October 20, 2009.

### 8. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 348,047 thousand (March 31, 2009: Rs. 522,763 thousand) and Rs. 10,078 thousand (March 31, 2009: Rs. 6,315 thousand) respectively.



# Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the quarter ended March 31, 2010

## 9. DEFERRED TAX ASSETS - NET

Through Finance Act 2007, a new section 100A and the 7th Schedule (the Schedule) were inserted in the Income Tax Ordinance, 2001 governing taxation of banking companies. The Schedule seeks to simplify the taxation of banking companies and was applicable from the tax year 2009 (financial year ended on December 31, 2008).

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

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

Un-audited March 31, 2010	Audited December 31, 2009
---------------------------------	---------------------------------

Rupees in '000

## 10. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	93,807,232	98,425,685
Savings deposits	87,685,179	85,274,893
Current accounts - Remunerative	45,366,663	47,704,436
- Non-remunerative	90,183,680	93,273,281
	317,042,754	324,678,295
Financial Institutions		
Remunerative deposits	697,377	4,194,264
	<u>317,740,131</u>	<u>328,872,559</u>

## 11. SUB-ORDINATED LOANS

Term Finance certificates - I	2,497,000	2,497,000
Term Finance certificates - II	2,999,400	3,000,000
	<u>5,496,400</u>	<u>5,497,000</u>

The Bank has issued following unsecured sub-ordinated Term Finance certificates to improve the Bank's capital adequacy. Liability to the TFC holders is subordinated to and rank inferior to all other debts of the Bank including deposits and is not redeemable before maturity without prior approval of the SBP. The salient features of the issues are as follows:

	Term Finance certificate - I	Term Finance certificate - II
Outstanding Amount- Rupees in thousand	2,497,000	2,999,400
Issue date	December 06, 2006	August 28, 2009
Total issue Rupees in thousand	2,500,000	3,000,000
Rating	AA-	AA-
Listing	Karachi Stock Exchange (Guarantee) Limited	Karachi Stock Exchange (Guarantee) Limited
Rate	Payable semi annually - Six months KIBOR plus 1.9%	Payable semi annually - Six months KIBOR plus 0.85% for first 5 years - Six months KIBOR plus 1.30% from start of 6th year
Call option	Call option is not available to the issuer, except with prior approval of SBP	Issuer has the right to seek redemption after the eleventh redemption date of the entire TFC issue, prior to its stated maturity.
Repayment	8 Years (2007 - 2014)	10 Years (2010 - 2019)

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2010

## 12. SHARE CAPITAL

### 12.1 Authorised capital

Un-audited March 31, 2010 No. of shares	Audited December 31, 2009		Un-audited March 31, 2010 Rupees in '000	Audited December 31, 2009
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

### 12.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10 each

Un-audited March 31, 2010 No. of shares	Audited December 31, 2009	Ordinary Shares	Un-audited March 31, 2010 Rupees in '000	Audited December 31, 2009
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
357,772,190	286,672,114	Issued as bonus shares	3,577,722	2,866,721
764,552,284	693,452,208		7,645,523	6,934,522
		18,348,550 Ordinary Shares of Rs. 10 each determined pursuant to the Scheme of Amalgamation of ILL with ABL in accordance with the share swap ratio stipulated therein less 9,200,000 Ordinary Shares of Rs. 10 each held by ILL on the cut-off date (September 30, 2004)	91,486	91,486
9,148,550	9,148,550			
		8,400,000 Ordinary Shares of Rs. 10 each determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein	84,000	84,000
8,400,000	8,400,000		84,000	84,000
782,100,834	711,000,758		7,821,009	7,110,008

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 309,846,565 (39.62%) and 72,872,624 (9.32%) (December 31, 2009, 287,678,696 (40.46%) and 66,247,840 (9.32%)) Ordinary shares of Rs. 10 each, respectively, as at March 31, 2010.

Note	Un-audited March 31, 2010 Rupees in '000	Audited December 31, 2009
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### 13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus/(deficit) arising on revaluation of:			
- fixed assets	13.1	2,788,093	2,801,082
- available for sale securities	13.2	1,202,190	1,261,197
Surplus on revaluation of assets - net of tax		3,990,283	4,062,279

Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the quarter ended March 31, 2010

Un-audited  
March 31,  
2010  
Audited  
December 31,  
2009  
Rupees in '000

13.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1	3,132,247	3,182,032
Surplus arose on revaluation of properties	-	-
Surplus realized on disposal of revalued properties	(5,303)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period/year - net of deferred tax	(7,686)	(32,360)
Related deferred tax liability	(4,138)	(17,425)
	(11,824)	(49,785)
Surplus on revaluation of fixed assets as at March 31 and December 31	3,115,120	3,132,247
Less: Related deferred tax liability on :		
Revaluation as at January 1	331,165	348,590
Charge on revaluation during the period/year	-	-
Disposal of revalued properties during the year transferred to profit and loss account	-	-
Incremental depreciation charged during the period/year transferred to profit and loss account	(4,138)	(17,425)
	327,027	331,165
	2,788,093	2,801,082

13.2 Surplus/(Deficit) on revaluation of available-for-sale securities

Federal Government Securities		
Market Treasury Bills	(25,662)	1,127
Pakistan Investment Bonds	(18,449)	(19,305)
Term Finance Certificates	(335,727)	(387,927)
Sukuk Bonds	(110,855)	(97,281)
Shares/Certificates - Listed	2,220,824	2,069,929
Mutual Funds	122,155	167,441
	1,852,286	1,733,984
Less : Related deferred tax liability	(650,096)	(472,787)
	1,202,190	1,261,197

# Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the quarter ended March 31, 2010

	Un-audited March 31, 2010	Audited December 31, 2009
	Rupees in '000	
<b>14. CONTINGENCIES AND COMMITMENTS</b>		
<b>14.1 Direct credit substitutes</b>		
Guarantees in favour of:		
Banks and financial institutions	677,318	1,035,107
<b>14.2 Transaction—related contingent liabilities</b>		
Guarantees in favour of:		
Government	5,014,761	5,752,873
Others	12,534,753	10,352,695
	17,549,514	16,105,568
<b>14.3 Trade—related contingent liabilities</b>	63,136,779	65,895,610
<b>14.4 Claims against the Bank not acknowledged as debt</b>	4,419,810	4,346,919
<b>14.5 Commitments to extend credit</b>		

The Bank makes commitments to extend credit in the normal course of business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

	Un-audited March 31, 2010	Audited December 31, 2009
	Rupees in '000	
<b>14.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	25,294,718	23,338,782
Sale	9,040,161	8,827,975
<b>14.7 Commitments in respect of operating fixed assets</b>		
Civil works	837,132	604,828
Acquisition of operating fixed assets	337,734	327,650
<b>14.8 Commitments in respect of lease financing</b>	91,491	32,630
<b>14.9 Commitments in respect of procurement of shares</b>	5,847	36,523

## 14.10 Contingencies

**14.10.1** There is no change in the status of contingencies, set out in note 22.12 to the financial statements of the Bank for the year ended December 31, 2009, except for the contingency as mentioned below:

**14.10.2** The income tax assessments of the Bank have been finalized upto and including tax year 2009 for local and Azad Kashmir operations. While finalizing income tax assessments upto tax year 2009, income tax authorities made certain add backs with aggregate tax impact of Rs.9,524 million. As a result of appeals filed by the Bank before appellate authorities, the add backs amounting to Rs.2,524 million and Rs.6,987 million were set-aside and deleted respectively. While giving appeal effects on most of the deleted issues, a refund of Rs.5,794 million has been determined. Against most of the deleted and set-aside issues, Department is in appeal before higher appellate authorities. Pending finalization of appeals no provision has been made by the Bank on aggregate sum of Rs.9,524 million. The management is hopeful that the outcome of these appeals will be in favor of the Bank.

Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the quarter ended March 31, 2010

	Quarter ended March 31, 2010	Quarter ended December 31, 2009
	Rupees in '000	
<b>15. MARK-UP/RETURN/INTEREST EARNED</b>		
On loans and advances	7,728,336	7,845,349
On investments in:		
Available-for-sale securities	1,955,036	1,578,148
Held-to-maturity securities	548,874	351,151
	2,503,910	1,929,299
On deposits with financial institutions	4,997	2,138
On securities purchased under resale agreements	665,776	394,364
On certificates of investment	11,047	20,918
On letters of placement	5,889	24,097
On call money lending	19,769	22,588
	10,939,724	10,238,753

**16. MARK-UP/RETURN/INTEREST EXPENSED**

Deposits	4,251,900	4,832,345
Long term borrowings	84,106	55,109
Securities sold under repurchase agreements	195,563	117,644
Call money borrowing	231,698	239,003
Brokerage and commission	29,447	23,106
Markup on TFCs	186,907	229,592
Other short term borrowings	586,165	417,700
	5,565,786	5,914,499

**17. VOLUNTARY RETIREMENT SCHEME (VRS)**

During the period, Bank offered the Voluntary Retirement Scheme (VRS) for its employees. 195 employees of the Bank opted for retirement under this scheme. Total liability for these employees under this scheme for pension, gratuity, leave encashment, medical and salary compensation benefits is worked out to be Rs. 646 million. As a result, Bank has incurred Rs. 294 million which is provided by the Bank during the period.

	Quarter ended March 31, 2010	Quarter ended December 31, 2009
	Rupees in '000	
<b>18. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit after tax for the period attributable to ordinary shareholders	1,798,489	1,443,826
	Number of Shares	
Weighted average number of Ordinary Shares outstanding during the period	782,100,834	782,100,834
	Rupees	
Earnings per share - basic and diluted	2.30	1.85

There is no dilution effect on basic earnings per share.

**18.1** The comparative figure of weighted average number of shares outstanding has been restated to include the effect of bonus shares issued by the Bank during the period.

# Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the quarter ended March 31, 2010

## 19. RELATED PARTY TRANSACTIONS

The Bank and its subsidiary have related party relationships with companies with common directorship, directors, employee benefit plans and key management personnel. Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation / terms of the contribution plan. Remuneration of the key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

Nature of related party transactions	Un-audited March 31, 2010				Audited December 31, 2009			
	Directors	Associated companies	Key management personnel	Other related parties	Directors	Associated companies	Key management personnel	Other related parties
Rupees in '000								
<b>Loans</b>								
Loans at the beginning of the period/year	22,461	-	248,967	14,318,863	27,040	-	227,276	6,156,764
Loans given during the period/year	7,025	-	4,294	233,218	13,040	-	71,710	8,196,479
Loans repaid during the period/year	(7,035)	-	(20,606)	(3,115)	(17,619)	-	(50,019)	(34,380)
Loans at the end of the period/year	22,451	-	232,655	14,548,966	22,461	-	248,967	14,318,863
<b>Deposits</b>								
Deposits at the beginning of the period/year	9,661	9,400	10,782	-	4,845	55,423	14,275	-
Deposits received during the period/year	397,558	810,584	32,682	-	555,123	1,631,336	268,641	-
Deposits repaid during the period/year	(349,864)	(804,935)	(28,981)	-	(550,307)	(1,677,359)	(272,134)	-
Deposits at the end of the period/year	57,355	15,049	14,483	-	9,661	9,400	10,782	-
Nostro balances	-	(559,463)	-	-	-	198,082	-	-
Lendings	-	-	-	-	-	1,097,434	-	-
Borrowings	-	69,340	-	-	-	484,267	-	-
Investments in shares	-	240,969	-	3,071,623	-	240,969	-	4,229,537
Non Funded Exposures	-	-	-	4,361,491	-	-	-	4,003,500
Other receivables	-	-	-	-	-	-	-	-
Net receivable from staff retirement benefit funds	-	-	-	1,199,550	-	-	-	1,343,345
Staff retirement fund deposits	-	-	-	4,015,381	-	-	-	4,810,081

Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the quarter ended March 31, 2010

	Un-audited March 31, 2010				Un-audited March 31, 2009			
	Directors	Associated companies	Key management personnel	Other related parties	Directors	Associated companies	Key management personnel	Other related parties
	Rupees in '000							
Mark-up earned	244	-	3,014	650,192	272	-	3,413	6,403
Income on placements	-	3	-	-	-	106	-	-
Dividend income	-	-	-	142,136	-	-	-	-
Sales Commission/ Management fee	-	40,052	-	-	-	10,579	-	-
Mark-up expense on deposits	159	-	31	144,125	-	-	37	69,920
Interest expense on borrowings	-	92	-	-	-	-	-	-
Directors' meeting fee	300	-	-	-	525	-	-	-
NIFT charges	-	-	-	16,660	-	-	-	14,712
Rent expense	-	-	-	1,993	-	-	-	1,993
Bank charges levied	-	3	-	595	-	-	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	77,390	-	-	-	153,406

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2010

## 20. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

	For the Period Ended March 31, 2010 (Un-audited)						Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	
	Rupees in '000						
Total Income	306,036	707,545	4,547,068	9,479,948	93,834	60,990	15,195,421
Total Expenses	(159,056)	(364,246)	(4,042,942)	(8,743,345)	(47,428)	(39,915)	(13,396,932)
Net Income	<u>146,980</u>	<u>343,299</u>	<u>504,126</u>	<u>736,603</u>	<u>46,406</u>	<u>21,075</u>	<u>1,798,489</u>

	For the Period Ended March 31, 2009 (Un-audited)						Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	
	Rupees in '000						
Total Income	214,656	463,483	5,142,728	8,858,302	83,972	20,252	14,783,393
Total Expenses	(116,251)	(437,035)	(4,431,516)	(8,295,975)	(34,228)	(24,562)	(13,339,567)
Net Income	<u>98,405</u>	<u>26,448</u>	<u>711,212</u>	<u>562,327</u>	<u>49,744</u>	<u>(4,310)</u>	<u>1,443,826</u>

## 21. GENERAL

Figures have been rounded off to the nearest thousand rupees.

## 22. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue on April 24, 2010 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Chairman