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Unconsolidated Condensed Interim Financial Statements of Allied Bank Limited

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Board of Directors

Mohammad Nacem Mukhtar
Chairman

Sheikh Mukhtar Ahmad

Mohammad Waseem Mukhtar

Abdul Aziz Khan

Sheikh Jalees Ahmed

Farrakh Qayyum
Government Nominee

Mubashir A. Akhtar

Pervaiz Iqbal Butt

Mohammad Aftab Manzoor
Chief Executive Officer

Audit Committee

Sheikh Mukhtar Ahmad
Chairman

Farrakh Qayyum
Member

Sheikh Jalees Ahmed
Member

Company Secretary

Waheed-Ur-Rehman, FCA

Auditors

M. Yousuf Adil Saleem & 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

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

for the nine months ended September 30, 2009

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Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the financial results of Allied Bank Limited for the nine months ended September 30, 2009.

Financial Highlights

	(Rupees in million)		Growth
	Nine months ended September 30,		
	2009	2008	
Profit after tax	5,013	3,741	34.0%
Un-appropriated profits brought forward	8,537	6,971	22.5%
Transfer from surplus on revaluation of fixed assets – net of tax	24.3	13.2	84.1%
Profit available for appropriation	13,574	10,725	26.6%
Final cash dividend for the year ended December 31, 2008 (2008: year ended December 31, 2007) at Re. 1 per share (2008: Rs. 1.5 per share)	(646)	(808)	-20.1%
Interim cash dividend from the year ending December 31, 2009 (2008: year ended December 31, 2008) at Rs. 2 per share (2008: Rs. 1.5 per share)	(1,422)	(970)	46.6%
Transfer to Statutory Reserves	(1,003)	(748)	34.1%
Un-appropriated profits carried forward	10,503	8,199	28.1%
Half - Yearly Earning Per Share (EPS) (Rs.)	7.05	5.26	34.0%

Economic Overview

Pakistan's macroeconomic indicators present a mix picture. While inflation (YoY) and balance of payment position has improved, fiscal and real sector performance remains fragile. Both CPI and core inflation have declined to 10.1% and 11.9% in September 2009 as against average of 20.8% and 17.6% respectively for the FY09 but this decline was less than expected. The State Bank of Pakistan (SBP) has reduced the benchmark discount rate by 100bps in August 2009 over and above the reduction of 100bps made in April 2009. The slowdown in economic activity and lower GDP growth continued to impact the Banking sector due to which lending to private sector has remained subdued and liquidity has been diverted more towards low risk Government borrowing.

Financial Overview

Your Bank is conscious of the challenges being faced by the economy and the prevailing business conditions in the country and is continuously following its consolidation strategy with a consistent approach towards improving asset quality and achieving a better deposit mix. As a result, your Bank remained vigilant on extending fresh credit lines and increased the proportion of CASA to 55.7% as at September 30, 2009 in the total deposits as against 50.5% as at December 31, 2008, thus reducing reliance on costly deposits. Deposits of your Bank increased to Rs. 301,588 million as at September 30, 2009. The average deposits increased by 6.8% during the nine months ended September 30, 2009 over the corresponding period of 2008. Advances as at September 30, 2009 are showing a marginal decrease over December 31, 2008. However, the average advances during the nine months of 2009 grew by 19.7% over corresponding period of 2008. The non-performing loans of your Bank have increased to Rs. 15,795 million as at September 30, 2009 as against Rs. 13,772 million as at December 31, 2008 thus increasing the infection ratio from 6.2% to 7.1%. The balance sheet size of your Bank stands at Rs. 379,240 million, while the equity of your Bank registered a strong growth of 23.8% to stand at Rs. 27,686 million.

Pre-tax profit of your Bank increased by Rs. 1,727 million to Rs. 7,476 million and after tax profit by Rs. 1,273 million to Rs. 5,013 million during nine months ended on September 30, 2009 compared to Rs. 5,749 million and Rs. 3,741 million, respectively in the corresponding period of previous year. Resultantly, Earnings per Share increased to Rs. 7.05 during the nine months ended September 30, 2009 as compared to Rs. 5.26 for the corresponding period of previous year.

During the nine months under review, net mark up/interest income increased by 39.1% which was mainly due to the improved deposit mix. Mark up/interest spread rose to 6.3% from 5.5% as compared to corresponding period of previous year. Your Bank has achieved this growth despite SBP's regulation requiring to pay a minimum profit of 5% on all PLS deposits which was made effective from June 01, 2008. Mark up/interest income grew by 44% over corresponding period of previous year; whereas mark up/interest expense rose by 48.2%. During the 3Q09 under review, mark up/interest income increased by 29.9% over 3Q08, while your Bank has been able to restrict the increase in mark up/interest expense during the 3Q09 to 30% over the 3Q08, resulting into growth of 29.8% in net mark up/interest income during 3Q09.

Non-Mark up/Interest Income of your Bank rose to Rs. 4,695 million during nine months period ended September 30, 2009, a growth of 61.0% over corresponding period of previous year. The increase was primarily led by higher investment banking fee income, dividend income and capital gain on sale of securities due to better performance of the stock market. Non-Mark up/Interest expense increased by 21.8% during nine months period ended September 30, 2009 compared to corresponding period of previous year; however, it has been controlled during 3Q09 to 12.0% over the corresponding period of previous year.

Impairment on Available for Sale Liquid Equity Investments

SBP BSD Circular No. 4 dated February 13, 2009 allowed to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as "Available for Sale" may be shown under equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009.

The impairment loss as of September 30 2009, based on the above circular and the market values as of that date have been determined at Rs. 25.257 million (December 31, 2008 : Rs. 1,859.256 million) after quarterly adjustments as required mainly due to better performance of stock markets during this period.

The full recognition of impairment loss based on the market values as at September 30, 2009 would have had the following effect on these financial statements:

	September 30, 2009 Rupees in '000'
Increase in 'Impairment Loss' in Profit and Loss Account	25,257
Decrease in tax charge for the year	8,840
Decrease in profit for the year - after tax	16,417
Decrease in earnings per share - after tax (basic and diluted) (Rs.)	0.023
Increase in net surplus on revaluation of available for sale securities	25,257
Decrease in un-appropriated profit	16,417

ENTITY & TFC RATINGS

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term rating of 'AA' (Double A) and the short-term rating of 'A1+' (A One Plus) of your Bank. The ratings denote a very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments.

JCR-VIS Credit Rating Company has maintained rating of AA- (Double A Minus) assigned to your Bank's 1st TFC Issue (issue date: December 06, 2006). This rating denotes high credit quality. Recently, your Bank raised funds through a second TFC Issue (Issue date: August 28, 2009) of Rs. 3,000 million. The TFC Issue is rated AA- by PACRA. The rating denotes a very strong capacity for timely payment of financial commitments.

Corporate Governance Rating

JCR-VIS has reaffirmed the corporate governance rating of your Bank of CGR-8, which denotes high level of corporate governance.

Future Outlook:

The macroeconomic outlook seems somewhat uncertain as on the one hand, the expected improvement in the external current account and emerging global economic recovery augur well for Pakistan's economy but, on the other hand, the administrative issues in the supply chain of food items and expected increase in electricity prices could have an adverse impact on inflation in the coming months. The Banking sector would remain under pressure as the downgrading of non performing loans could have a bearing on the Banking sector profits. In this scenario, the SBP BSD circular # 10 of 2009 revising provisioning criteria against non performing loans would have a positive impact on profitability of the Banking sector.

Your Bank, while remaining prudent under these circumstances, shall continue with its strategy of consolidation and is confident to further improve asset quality to ensure steady growth in profitability.

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: October 24, 2009
Place: Lahore

Unconsolidated Condensed Interim Balance Sheet

as at September 30, 2009

	Note	Un-audited September 30, 2009	Audited December 31, 2008
Rupees in '000'			
ASSETS			
Cash and balances with treasury banks		24,195,482	23,653,754
Balances with other banks		744,662	2,096,779
Lendings to financial institutions	5	21,714,949	15,793,183
Investments	6	91,766,384	82,631,118
Advances	7	210,474,070	212,972,008
Operating fixed assets	8	11,965,277	11,134,436
Deferred tax assets – net	9	54,497	1,029,223
Other assets		18,324,836	17,369,691
		379,240,157	366,680,192
LIABILITIES			
Bills payable		4,247,408	2,952,490
Borrowings from financial institutions		29,481,980	27,778,151
Deposits and other accounts	10	301,587,848	297,475,321
Sub-ordinated loans	11	5,497,500	2,498,000
Liabilities against assets subject to finance lease		–	–
Deferred tax liabilities		–	–
Other liabilities		10,739,382	13,620,616
		351,554,118	344,324,578
NET ASSETS			
		27,686,039	22,355,614
REPRESENTED BY			
Share capital	12	7,110,008	6,463,644
Reserves		6,161,078	5,804,776
Unappropriated profit		10,503,258	8,536,697
		23,774,344	20,805,117
Surplus on revaluation of assets – net of tax	13	3,911,695	1,550,497
		27,686,039	22,355,614
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

The detail of valuation of investment, impairment and impact on profit and loss account are given in note 6.2.

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

Unconsolidated Condensed Interim Profit and Loss Account

(Un-audited) for the nine months ended September 30, 2009

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	Note	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Quarter Ended September 30, 2009	Quarter Ended September 30, 2008
— Rupees in '000' —					
Mark-up/return/interest earned	15	30,418,946	21,125,920	10,418,731	8,018,845
Mark-up/return/interest expensed	16	16,790,843	11,326,377	5,477,870	4,213,606
Net mark-up/interest income		13,628,103	9,799,543	4,940,861	3,805,239
Provision against non-performing loans and advances (including general provision) - net		2,568,953	314,843	698,535	189,598
Provision/(reversal of provision) for diminution in the value of investments - net		579,719	(2,113)	59,778	(187)
Provision against lending to financial institutions	5	189,750	-	123,250	-
Bad debts written off directly		282	2,654	-	2,652
		3,338,704	315,384	881,563	192,063
Net mark-up/interest income after provisions		10,289,399	9,484,159	4,059,298	3,613,176
NON MARK-UP/INTEREST INCOME					
Fee, commission and brokerage income		2,163,794	1,757,203	517,974	555,156
Dividend income		1,092,982	916,469	344,147	330,464
Income from trading in government securities		-	-	-	-
Income from dealing in foreign currencies		565,177	286,462	98,719	178,541
Gain/(loss) from sale and purchase of other securities		835,992	(32,803)	351,878	16,172
Unrealised gain/(loss) on revaluation of investments classified as held for trading - net		4,205	(41,571)	4,149	(34,111)
Other income		32,723	29,676	14,562	20,537
Total non-mark-up/interest income		4,694,873	2,915,436	1,331,429	1,066,759
		14,984,272	12,399,595	5,390,727	4,679,935
NON MARK-UP/INTEREST EXPENSES					
Administrative expenses		6,968,206	5,603,552	2,423,867	2,043,376
Provision against other assets		143,000	42,576	12,000	32,228
Provision against off-balance sheet obligations - net		187,554	102,886	167,453	114,105
Other charges		209,953	416,129	(61,362)	80,250
Total non-mark-up/interest expenses		7,508,713	6,165,143	2,541,958	2,269,959
		7,475,559	6,234,452	2,848,769	2,409,976
Extra ordinary/unusual items (Voluntary Retirement Scheme)		-	485,914	-	485,914
PROFIT BEFORE TAXATION		7,475,559	5,748,538	2,848,769	1,924,062
Taxation					
Current		2,771,984	1,796,233	796,526	531,472
Prior years		-	-	-	-
Deferred		(309,753)	211,759	99,453	160,223
		2,462,231	2,007,992	895,979	691,695
PROFIT AFTER TAXATION		5,013,328	3,740,546	1,952,790	1,232,367
Unappropriated profit brought forward		8,536,697	6,971,308	10,354,943	8,178,665
Transfer from surplus on revaluation of fixed assets - net of tax		24,265	13,155	8,085	4,386
		8,560,962	6,984,463	10,363,028	8,183,051
PROFIT AVAILABLE FOR APPROPRIATION		13,574,290	10,725,009	12,315,818	9,415,418
Earning per share - Basic and Diluted (in Rupees)	17	7.05	5.26	2.75	1.73

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements. The details of valuation of investment, impairment and impact on profit and loss account are given in note 6.2.

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

**Unconsolidated Condensed Interim Statement of Comprehensive Income
(Un-audited) for the nine months ended September 30, 2009**

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Quarter Ended September 30, 2009	Quarter Ended September 30, 2008
	Rupees in '000'			
Other comprehensive income	5,013,328	3,740,546	1,952,790	1,232,367
Surplus on revaluation of fixed assets relating to incremental depreciation	37,331	20,238	12,437	6,748
Deferred tax relating to incremental depreciation on revaluation of fixed assets	(13,066)	(7,083)	(4,353)	(2,362)
	24,265	13,155	8,084	4,386
Comprehensive income transferred to equity	5,037,593	3,753,701	1,960,876	1,236,753
Components of comprehensive income not transferred to equity				
Surplus on revaluation of fixed assets relating to incremental depreciation	(24,265)	(13,155)	(8,084)	(4,386)
Surplus / (deficit) on revaluation of investments- available for sale	3,669,944	917,942	1,132,660	538,223
Deferred tax on revaluation of investments - available for sale	(1,284,480)	(321,280)	(396,430)	(188,378)
	2,385,464	596,662	736,230	349,845
	<u>7,398,792</u>	<u>4,337,208</u>	<u>2,689,020</u>	<u>1,582,212</u>

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

Unconsolidated Condensed Interim Cash Flow Statement

(Un-audited) for the nine months ended September 30, 2009

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	Rupees in '000'	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	7,475,559	5,748,538
Less: Dividend income	1,092,982	916,469
	6,382,577	4,832,069
Adjustments for non-cash charges		
Depreciation / amortisation	462,454	317,829
Provision against non-performing loans and advances and general provision - net	2,568,953	314,843
Provision / (Reversal) for diminution in the value of investments - net	579,719	(2,113)
Provision against lendings to financial institutions	189,750	-
Unrealised (gain) / loss on revaluation of held for trading securities - net	(4,205)	41,571
Provision against off-balance sheet obligations - net	187,554	102,886
Provision against other assets - net	143,000	42,576
(Gain) / loss on sale of fixed assets	(3,138)	6,197
Bad debts written off directly	282	2,654
	4,124,369	826,443
	10,506,946	5,658,512
(Increase) / decrease in operating assets		
Lendings to financial institutions Held for trading securities	(6,111,516)	2,653,231
Advances	(72,609)	(158,378)
Other assets (excluding advance taxation)	(71,297)	(12,948,045)
	(1,678,662)	(3,390,115)
	(7,934,084)	(13,843,307)
Increase / (decrease) in operating liabilities		
Bills payable	1,294,918	70,095
Borrowings from financial institutions	1,638,003	(6,722,805)
Deposits	4,112,527	15,343,230
Other liabilities	(3,087,917)	3,323,266
	3,957,531	12,013,786
	6,530,393	3,828,991
Income tax paid	(2,122,237)	(1,836,691)
Net cash flow from operating activities	4,408,156	1,992,300
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(7,772,720)	5,733,767
Net investment in held-to-maturity securities	1,804,493	(5,124,664)
Dividend income received	1,023,753	843,283
Investments in operating fixed assets	(1,307,731)	(1,902,770)
Proceeds form sale of fixed assets	17,574	124,751
Net cash flow used in investing activities	(6,234,631)	(325,633)
CASH FLOW FROM FINANCING ACTIVITIES		
Net inflow of sub-ordinated loan	2,999,500	(500)
Dividend paid	(2,049,240)	(1,563,760)
Net cash flow from / (used) in financing activities	950,260	(1,564,260)
(Decrease)/increase in cash and cash equivalents during the period	(876,215)	102,407
Cash and cash equivalents at beginning of the period	25,617,627	30,352,711
Cash and cash equivalents at end of the period	24,741,412	30,455,118

The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the nine months ended September 30, 2009

	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, 2008	5,386,370	3,418,596	2,224,258	-	67,995	333,864	6,000	6,971,308	18,408,391
Changes in equity during the nine months ended September 30, 2008									
Profit after tax for the nine months ended September 30, 2008	-	-	-	-	-	-	-	3,740,546	3,740,546
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	13,155	13,155
Total comprehensive income for nine months ended September 30, 2008	-	-	-	-	-	-	-	3,753,701	3,753,701
Transfer to statutory reserve	-	-	748,109	-	-	-	-	(748,109)	-
Transfer to reserve for issue of bonus shares for the year ended December 31, 2007 @ 20%	-	(1,077,274)	-	1,077,274	-	-	-	-	-
Issue of Bonus shares	1,077,274	-	-	(1,077,274)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2007 (Rs. 1.5 per Ordinary share)	-	-	-	-	-	-	-	(807,955)	(807,955)
Interim cash dividend for the year ending December 31, 2008 (Rs. 1.50 per Ordinary share)	-	-	-	-	-	-	-	(969,546)	(969,546)
Balance as at September 30, 2008	6,463,644	2,341,322	2,972,367	-	67,995	333,864	6,000	8,199,399	20,384,591
Changes in equity during the quarter ended December 31, 2008									
Profit after tax for the quarter ended September 30, 2008	-	-	-	-	-	-	-	416,140	416,140
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	4,386	4,386
Total comprehensive income for the quarter ended December 31, 2008	-	-	-	-	-	-	-	420,526	420,526
Transfer to statutory reserve	-	-	83,228	-	-	-	-	(83,228)	-
Balance as at December 31, 2008	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 nine months ended September 30, 2009									
Profit after tax for the nine months ended September 30, 2009	-	-	-	-	-	-	-	5,013,328	5,013,328
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	24,265	24,265
Total comprehensive income for nine months ended September 30, 2009	-	-	-	-	-	-	-	5,037,593	5,037,593
Transfer to statutory reserve	-	-	1,002,666	-	-	-	-	(1,002,666)	-
Transfer to reserve for issue of bonus shares for the year ended December 31, 2008 @ 10%	-	(646,364)	-	646,364	-	-	-	-	-
Issue of Bonus shares	646,364	-	-	(646,364)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2008 (Rs. 1.00 per Ordinary share)	-	-	-	-	-	-	-	(646,364)	(646,364)
Interim cash dividend for the year ending December 31, 2009 (Rs. 2.00 per Ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
Balance as at September 30, 2009	7,110,008	1,694,958	4,058,261	-	67,995	333,864	6,000	10,503,258	23,774,344

* 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 21 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

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 769 (2008: 766) 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 Letter No. 10, dated August 26, 2002 had 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 the banking companies till further instructions. 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 During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standard has resulted in certain increased disclosures only.

Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2009 and are not considered to be relevant or have any significant effect on the Bank's operations, are not detailed in these unconsolidated condensed interim financial statements.

- 2.4 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, 2008.

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.
- 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, 2008.

Note	Un-audited September 30, 2009	Audited December 31, 2008
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Rupees in '000'

5. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	5.1	1,050,000	100,000
Letters of placement	5.2	306,983	736,000
Repurchase agreement lendings (Reverse Repo)	5.3	20,047,716	14,957,183
Certificates of investment	5.4	500,000	-
		<u>21,904,699</u>	<u>15,793,183</u>
Provision against lending to Financial Institution.	5.5	(189,750)	-
		<u>21,714,949</u>	<u>15,793,183</u>

- 5.1 These are unsecured lendings to Financial Institutions, carrying mark-up at rates, ranging between 12.40% and 12.90% (December 31, 2008 at the rate of 15.40%) per annum and maturing on various dates, latest by March 30, 2010.
- 5.2 This represents placements with Non-Banking Finance Companies carrying mark-up rate at 14.71 % (December 31, 2008: ranging between 18.90% and 20.00%).
- 5.3 These are short-term lendings to various financial institutions against government securities, carrying mark-up at rates, ranging between 11.90% and 12.90% (December 31, 2008: 10.00% and 14.90%) per annum and maturing on various dates, latest by November 13, 2009.
- 5.4 The certificate of investment carries mark-up at the rate of 15.61% (December 31, 2008: Nil) per annum and will mature completely by April 30, 2012.
- 5.5 This represents provision against placements with Non-banking Finance Companies.

6. INVESTMENTS

Note	Held by Bank	Given as collateral	Total
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Rupees in '000'

Current period – September 30, 2009 (Un-audited)	6.1	<u>86,851,547</u>	<u>4,914,837</u>	<u>91,766,384</u>
Prior year corresponding period – December 31, 2008 (Audited)	6.1	<u>74,433,540</u>	<u>8,197,578</u>	<u>82,631,118</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

	Un-audited As at September 30, 2009			Audited As at December 31, 2008		
	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	72,609	-	72,609	-	-	-
Available for sale securities						
Market Treasury Bills	23,302,100	4,915,725	28,217,825	26,512,476	8,197,541	34,710,017
Pakistan Investment Bonds	246,070	-	246,070	445,580	-	445,580
Ordinary Shares / Certificates of listed companies	6,017,317	-	6,017,317	6,672,140	-	6,672,140
Preference Shares of listed companies	191,667	-	191,667	250,000	-	250,000
Units of Open-End Mutual Funds	7,310,000	-	7,310,000	12,761,149	-	12,761,149
Ordinary Shares of unlisted companies	225,822	-	225,822	544,822	-	544,822
Ordinary Shares of unlisted companies (related parties)	1,489,233	-	1,489,233	447,853	-	447,853
Pre IPO Investments	100,000	-	100,000	35,000	-	35,000
Sukuk Bonds	3,323,227	-	3,323,227	2,686,250	-	2,686,250
Term Finance Certificates (TFCs)	25,993,215	-	25,993,215	7,603,733	-	7,603,733
	68,198,651	4,915,725	73,114,376	57,959,003	8,197,541	66,156,544
Held-to-maturity securities						
Pakistan Investment Bonds	7,738,598	-	7,738,598	9,084,116	-	9,084,116
Foreign Currency Bonds (US\$)	72,202	-	72,202	137,767	-	137,767
TFCs, Debentures, Bonds and Participation Term Certificate (PTCs)	10,288,946	-	10,288,946	10,682,356	-	10,682,356
	18,099,746	-	18,099,746	19,904,239	-	19,904,239
Subsidiary						
ABL Asset Management Company Limited	500,000	-	500,000	500,000	-	500,000
	86,871,006	4,915,725	91,786,731	78,363,242	8,197,541	86,560,783
Provision for diminution in value of investments	(1,720,734)	-	(1,720,734)	(1,955,903)	-	(1,955,903)
Unrealised gain on revaluation of Held-for-trading securities	4,205	-	4,205	-	-	-
Surplus/(deficit) on revaluation of Available-for-sale securities	1,697,070	(888)	1,696,182	(1,973,799)	37	(1,973,762)
Investments (net of provision)	86,851,547	4,914,837	91,766,384	74,433,540	8,197,578	82,631,118

6.2 The Karachi Stock Exchange (Guarantee) Limited (“KSE”) placed a “Floor Mechanism” on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the “Floor Mechanism”, the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of “Floor Mechanism” by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated January 27, 2009.

Furthermore, SBP BSD Circular No. 4 dated February 13, 2009 has allowed to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as “Available for Sale” to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009.

The impairment loss as of September 30 2009, based on the above discussions and the market values as of that date have been determined at Rs. 25.257 million (December 31, 2008 : Rs 1,859.256 million) after quarterly adjustments as required.

The full recognition of impairment loss based on the market values as at September 30, 2009 would have had the following effect on these financial statements:

	September 30, 2009 Rupees in ‘000’
Increase in ‘Impairment Loss’ in Profit and Loss Account	25,257
Decrease in tax charge for the year	8,840
Decrease in profit for the year - after tax	<u>16,417</u>
	Rupees
Decrease in earnings per share -after tax (basic and diluted)	<u>0.023</u>
	Rupees in ‘000’
Increase in net surplus on revaluation of available for sale securities	<u>25,257</u>
Decrease in unappropriated profit	<u>16,417</u>

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

	Note	Un-audited September 30, 2009	Audited December 31, 2008
Rupees in '000'			
7. ADVANCES			
Loans, cash credits, running finances, etc. – in Pakistan		215,526,006	215,733,161
Net investment in finance lease – in Pakistan		781,764	768,173
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		578,524	1,738,019
Payable outside Pakistan		5,803,810	5,400,424
		6,382,334	7,138,443
		222,690,104	223,639,777
Provision against non-performing advances / others	7.1	(12,208,251)	(10,657,709)
General provision against consumer financing		(7,783)	(10,060)
		210,474,070	212,972,008

- 7.1 Advances include Rs. 15,795,457 thousand (2008: Rs. 13,771,895 thousand) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2009 (Un-audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000'					
Other Assets Especially					
Mentioned	21,322	-	21,322	-	-
Substandard	2,336,806	-	2,336,806	583,352	583,352
Doubtful	3,458,047	-	3,458,047	1,729,024	1,729,024
Loss	9,979,282	-	9,979,282	9,895,875	9,895,875
	15,795,457	-	15,795,457	12,208,251	12,208,251

Category of Classification	December 31, 2008 (Audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000'					
Other Assets Especially					
Mentioned	40,689	-	40,689	-	-
Substandard	3,805,228	-	3,805,228	950,134	950,134
Doubtful	722,223	-	722,223	361,111	361,111
Loss	9,203,755	-	9,203,755	9,201,191	9,201,191
	13,771,895	-	13,771,895	10,512,436	10,512,436

8. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 1,307,731 thousand (September 30, 2008: Rs. 1,902,770 thousand) and Rs. 14,436 thousand (September 30, 2008: Rs. 130,948 thousand) respectively.

9. DEFERRED TAX ASSETS - NET

The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable upto a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. The management is of the view that it would be able to get deduction of provision in excess of 1% of total advances provided for the nine months and accordingly has recognized deferred tax amounting to Rs. 380.315 million on such provisions.

The status of the transitional provisions mentioned in note 12.2 of the financial statements as of December 31, 2008 is the same as mentioned there in.

Notes to the Unconsolidated Condensed Interim Financial Statements
(Un-audited) for the nine months ended September 30, 2009

	Un-audited September 30, 2009	Audited December 31, 2008
	Rupees in '000'	
10. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	88,316,621	105,939,618
Savings deposits	81,420,260	72,448,664
Current accounts – Remunerative	44,584,666	37,830,504
– Non-remunerative	86,640,271	77,755,031
	<u>300,961,818</u>	<u>293,973,817</u>
Financial Institutions		
Remunerative deposits	626,030	3,501,504
	<u>301,587,848</u>	<u>297,475,321</u>

	Un-audited September 30, 2009	Audited December 31, 2008
	Rupees in '000'	
11. SUB-ORDINATED LOANS		
Term Finance certificates - I	2,497,500	2,498,000
Term Finance certificates - II	3,000,000	-
	<u>5,497,500</u>	<u>2,498,000</u>

The Bank raised unsecured sub-ordinated loans in two separate Term Finance Certificates, issued to improve the Bank's capital adequacy. The salient features of the issue are as follow:

	Term Finance certificate - I	Term Finance certificate - II
Outstanding Amount- Rupees in thousand	2,497,500	3,000,000
Issue date	December 06, 2006	August 28, 2009
Total issue	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
Repayment	8 Years (2007 - 2014)	10 Years (2009 - 2019)

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

12. SHARE CAPITAL

12.1 Authorised capital

Un-audited September 30, 2009 No. of shares	Audited December 31, 2008		Un-audited September 30, 2009 Rupees in '000'	Audited December 31, 2008
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 September 30, 2009 No. of shares	Audited December 31, 2008	Ordinary Shares		
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
286,672,114	222,035,681	Issued as bonus shares	2,866,721	2,220,357
693,452,208	628,815,775		6,934,522	6,288,158
9,148,550	9,148,550	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	8,400,000	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
711,000,758	646,364,325		7,110,008	6,463,644

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 287,678,696 (40.46%) and 66,247,840 (9.32%) [December 31, 2008: 261,526,088 (40.46%) and 58,968,382 (9.12%)] Ordinary shares of Rs.10 each, respectively, as at September 30, 2009.

13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

	Note	Un-audited September 30, 2009 Rupees in '000'	Audited December 31, 2008
Surplus/(deficit) arising on revaluation of:			
- fixed assets	13.1	2,809,177	2,833,442
- available for sale securities	13.2	1,102,518	(1,282,945)
Surplus on revaluation of assets - net of tax		3,911,695	1,550,497

Notes to the Unconsolidated Condensed Interim Financial Statements
(Un-audited) for the nine months ended September 30, 2009

	Un-audited September 30, 2009	Audited December 31, 2008
	Rupees in '000'	
13.1 Surplus on revaluation of fixed assets		
Surplus on revaluation of fixed assets as at January 1	3,182,032	1,696,306
Surplus arised on revaluation of properties	-	1,512,713
Transferred to unappropriated profit in respect of incremental depreciation charged during the period/year - net of deferred tax	(24,265)	(17,541)
Related deferred tax liability	(13,066)	(9,446)
	(37,331)	(26,987)
Surplus on revaluation of fixed assets as at September 30 and December 31	3,144,701	3,182,032
Less: Related deferred tax liability on :		
Revaluation as at January 1	348,590	189,006
Charge on revaluation during the period/year	-	169,030
Incremental depreciation charged during the period/year transferred to profit and loss account	(13,066)	(9,446)
	335,524	348,590
	2,809,177	2,833,442
13.2 Surplus/(Deficit) on revaluation of available-for-sale securities		
Federal Government Securities		
Market Treasury Bills	7,630	(7,932)
Pakistan Investment Bonds	(19,322)	(50,562)
Term Finance Certificates	(503,611)	(115,353)
Sukuk Bonds	(83,717)	-
Shares/Certificates - Listed	1,934,286	(1,696,544)
Mutual Funds	360,916	(103,371)
	1,696,182	(1,973,762)
Less : Related deferred tax (liability) / asset	(593,664)	690,817
	1,102,518	(1,282,945)

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

	Un-audited September 30, 2009	Audited December 31, 2008
Rupees in '000'		
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Guarantees in favour of:		
Banks and financial institutions	1,173,402	1,455,678
14.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	5,055,089	7,736,845
Others	7,550,169	4,088,278
	12,605,258	11,825,123
14.3 Trade-related contingent liabilities	71,529,993	75,991,804
14.4 Claims against the Bank not acknowledged as debt	4,369,690	5,155,293
14.5 Commitments to extend credit		

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 September 30, 2009	Audited December 31, 2008
Rupees in '000'		
14.6 Commitments in respect of forward foreign exchange contracts		
Purchase	14,358,573	17,083,600
Sale	4,364,002	4,831,414
14.7 Commitments in respect of operating fixed assets		
Civil works	600,757	929,810
Acquisition of operating fixed assets	383,634	145,987
Procurement of software	2,802	142,859
14.8 Commitments in respect of lease financing	30,000	48,567
14.9 Commitments in respect of purchase of shares	162,618	450,643
14.10 Commitments in respect of purchase of T-Bills	-	8,000,000
14.11 Contingencies		

14.11.1 There is no change in the status of contingencies, set out in note 22.14 to the financial statements of the Bank for the year ended December 31, 2008, except for the contingency as mentioned below:

14.11.2 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 2008, income tax authorities made certain add backs with aggregate tax impact of Rs.7,448 million. As a result of appeals filed by the Bank before appellate authorities, the add backs amounting to Rs.2,524 million and Rs.7,030 million were set-aside and deleted respectively. While giving appeal effects on most of the deleted issues, a refund of Rs.6,359 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.7,448 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 nine months ended September 30, 2009

	Nine months Ended September 30, 2009	Nine months Ended September 30, 2008	Quarter Ended September 30, 2009	Quarter Ended September 30, 2008
Rupees in '000'				
15. MARK-UP/RETURN/INTEREST EARNED				
On loans and advances	22,300,930	14,799,092	7,354,012	5,483,930
On investments in:				
Available-for-sale securities	4,899,835	3,555,901	1,807,541	1,712,119
Held-to-maturity securities	1,499,097	1,208,995	458,673	254,566
	6,398,932	4,764,896	2,266,214	1,966,685
On deposits with financial institutions	33,191	49,947	18,350	24,276
On securities purchased under resale agreements	1,537,490	1,181,519	733,221	339,507
On certificates of investment	60,709	38,222	17,652	16,894
On letters of placement	34,610	83,616	11,963	34,680
On call money lending	53,084	208,628	17,319	152,873
	<u>30,418,946</u>	<u>21,125,920</u>	<u>10,418,731</u>	<u>8,018,845</u>

16. MARK-UP/RETURN/INTEREST EXPENSED

Deposits	13,592,094	9,765,274	4,268,629	3,693,533
Long term borrowings	179,197	152,311	70,202	152,311
Securities sold under repurchase agreements	413,221	350,502	227,183	84,009
Other short term borrowings	1,887,698	736,994	685,639	166,941
Brokerage and commission	89,884	73,861	36,820	22,601
Markup on TFCs	628,749	247,435	189,397	94,211
	<u>16,790,843</u>	<u>11,326,377</u>	<u>5,477,870</u>	<u>4,213,606</u>

17. EARNINGS PER SHARE - BASIC AND DILUTED

	Rupees in '000'			
Profit after tax for the period attributable to ordinary shareholders	<u>5,013,328</u>	<u>3,740,546</u>	<u>1,952,790</u>	<u>1,232,367</u>
	Number of Shares			
Weighted average number of Ordinary Shares outstanding during the period	<u>711,000,758</u>	<u>711,000,758</u>	<u>711,000,758</u>	<u>711,000,758</u>
	Rupees			
Earnings per share - basic and diluted	<u>7.05</u>	<u>5.26</u>	<u>2.75</u>	<u>1.73</u>
There is no dilution effect on basic earnings per share.				

- 17.1 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 nine months ended September 30, 2009

18. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its subsidiary, companies with common directorships, directors and employee benefit plans.

Banking transactions with related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. comparable uncontrolled price method)

Details of transactions with related parties except those under the terms of employment and balances with them as at the period/year end were as follows:

Nature of related party transactions	Un-audited September 30, 2009				Audited December 31, 2008				
	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies	Subsidiary	Key management personnel
	Rupees in '000'								
Loans									
Loans at the beginning of the period/year	27,040	-	-	221,468	4,107,699	11,783	-	-	81,894
Loans given during the period/year	9,221	-	-	65,355	4,269,818	25,612	-	-	163,629
Loans repaid during the period/year	(12,519)	-	-	(30,859)	(31,493)	(10,355)	-	-	(24,055)
Loans at the end of the period/year	23,742	-	-	255,964	8,346,024	27,040	-	-	221,468
Deposits									
Deposits at the beginning of the period/year	4,845	55,423	778	14,355	-	3,763	89,446	502,788	17,706
Deposits received during the period/year	518,521	1,762,002	442,396	243,332	-	1,005,141	2,591,970	3,316,103	221,062
Deposits repaid during the period/year	(518,604)	(1,770,597)	(441,227)	(243,826)	-	(1,004,059)	(2,625,993)	(3,818,113)	(224,413)
Deposits at the end of the period/year	4,762	46,828	1,947	13,861	-	4,845	55,423	778	14,355
Nostr0 balances	-	171,095	-	-	-	-	372,416	-	-
Placements	-	-	-	-	-	-	-	-	-
Investments in shares	-	-	500,000	-	-	-	778,512	500,000	-
Other receivables	-	240,969	-	-	1,248,264	-	-	1,140	-
Other payables	-	-	480	-	-	-	-	-	-
Net receivable from staff retirement benefit funds	-	-	-	-	-	-	-	-	-
Staff retirement fund deposits	-	-	-	-	1,499,459	-	-	-	1,393,710
	-	-	-	-	3,911,751	-	-	-	3,317,336

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

For the Period Ended September 30, 2009 (Un-audited)					
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total
Rupees in '000'					
Total Income	620,915	1,719,267	14,599,108	27,442,622	44,514,770
Total Expenses	(325,075)	(1,694,881)	(12,903,263)	(24,498,575)	(39,501,442)
Net Income	295,840	24,386	1,695,845	2,944,047	5,013,328
For the Period Ended September 30, 2008 (Un-audited)					
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total
Rupees in '000'					
Total Income	263,456	1,520,525	11,405,626	17,583,504	30,856,581
Total Expenses	(143,967)	(1,245,654)	(9,930,918)	(15,746,868)	(27,116,035)
Net Income	119,489	274,871	1,474,708	1,836,636	3,740,546

20. GENERAL

Figures have been rounded off to the nearest thousand rupees.

21. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue on October 24, 2009 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

Consolidated Condensed Interim Financial Statements
for the nine months ended September 30, 2009

Consolidated Condensed Interim Balance Sheet

as at September 30, 2009

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	Note	Un-audited September 30, 2009	Audited December 31, 2008
Rupees in '000'			
ASSETS			
Cash and balances with treasury banks		24,195,532	23,653,754
Balances with other banks		744,788	2,097,611
Lendings to financial institutions	5	21,714,949	15,793,183
Investments	6	91,620,413	82,433,998
Advances	7	210,521,096	213,020,108
Operating fixed assets	8	11,978,725	11,150,129
Deferred tax assets - net	9	53,624	1,031,049
Other assets		18,362,568	17,388,612
		379,191,695	366,568,444
LIABILITIES			
Bills payable		4,247,408	2,952,490
Borrowings from financial institutions		29,481,980	27,778,151
Deposits and other accounts	10	301,585,901	297,474,543
Sub-ordinated loans	11	5,497,500	2,498,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		10,747,876	13,629,361
		351,560,665	344,332,545
NET ASSETS		27,631,030	22,235,899
REPRESENTED BY			
Share capital	12	7,110,008	6,463,644
Reserves		6,110,073	5,804,776
Unappropriated profit		10,507,421	8,475,791
		23,727,502	20,744,211
Surplus on revaluation of assets - net of tax	13	3,903,528	1,491,688
		27,631,030	22,235,899
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

The detail of valuation of investment, impairment and impact on profit and loss account are given in note 6.2.

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

Consolidated Condensed Interim Profit and Loss Account (Un-audited) for the nine months ended September 30, 2009

	Note	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Quarter Ended September 30, 2009	Quarter Ended September 30, 2008
Rupees in '000'					
Mark-up/return/interest earned	15	30,435,595	21,144,362	10,424,257	8,026,975
Mark-up/return/interest expensed		16,790,610	11,316,185	5,477,707	4,213,315
Net mark-up / interest income		13,644,985	9,828,177	4,946,550	3,813,660
Provision/(reversal of provision) against non-performing loans and advances (including general provision) - net		2,568,953	314,843	698,535	189,598
Provision/(reversal of provision) for diminution in the value of investments - net		595,501	(2,113)	61,997	(187)
Provision against lending to financial institutions	5	189,750	-	123,250	-
Bad debts written off directly		282	2,654	-	2,652
		3,354,486	315,384	883,782	192,063
Net mark-up/ interest income after provisions		10,290,499	9,512,793	4,062,768	3,621,597
NON MARK-UP/INTEREST INCOME					
Fee, commission and brokerage income		2,222,854	1,758,024	549,283	555,977
Dividend income		1,096,934	919,628	344,597	331,313
Income from trading in government securities		-	-	-	-
Income from dealing in foreign currencies		565,177	286,462	98,719	178,541
Gain/(loss) from sale and purchase of other securities		847,619	(33,817)	357,477	14,524
Unrealised gain/(loss) on revaluation of investments classified as held for trading		16,327	(51,513)	16,142	(44,053)
Other income		32,724	29,700	14,562	20,444
Total non-mark-up/interest income		4,781,635	2,908,484	1,380,780	1,056,746
		15,072,134	12,421,277	5,443,548	4,678,343
NON MARK-UP/INTEREST EXPENSES					
Administrative expenses		7,039,263	5,641,660	2,448,632	2,060,268
Provision against other assets		143,000	42,576	12,000	32,228
Provision against off-balance sheet obligations - net		187,554	102,886	167,453	114,105
Other charges		209,953	416,129	(61,362)	80,250
Total non-mark-up/interest expenses		7,579,770	6,203,251	2,566,723	2,286,851
		7,492,364	6,218,026	2,876,825	2,391,492
Extra ordinary/unusual items (Voluntary Retirement Scheme)		-	485,914	-	485,914
PROFIT BEFORE TAXATION		7,492,364	5,732,112	2,876,825	1,905,578
Taxation					
Current		2,772,025	1,796,597	796,217	531,575
Prior years		-	-	-	-
Deferred		(307,053)	211,744	102,048	159,526
		2,464,972	2,008,341	898,265	691,101
PROFIT AFTER TAXATION		5,027,392	3,723,771	1,978,560	1,214,477
Unappropriated profit brought forward		8,475,791	6,973,227	-	8,181,699
Transfer from surplus on revaluation of fixed assets - net of tax		24,265	13,155	8,085	4,386
		8,500,056	6,986,382	8,085	8,186,085
PROFIT AVAILABLE FOR APPROPRIATION		13,527,448	10,710,153	1,986,645	9,400,562
Earning per share - Basic and Diluted (in Rupees)	17	7.07	5.24	2.78	1.71

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.
The details of valuation of investment, impairment and impact on profit and loss account are given in note 6.2.

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

Consolidated Condensed Interim Statement of Comprehensive Income
(Un-audited) for the nine months ended September 30, 2009

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Quarter Ended September 30, 2009	Quarter Ended September 30, 2008
	Rupees in '000'			
Other comprehensive income	5,027,392	3,723,771	1,978,560	1,214,477
Surplus on revaluation of fixed assets relating to incremental depreciation	37,331	20,238	12,438	6,748
Deferred tax relating to incremental depreciation on revaluation of fixed assets	(13,066)	7,083	4,353	2,362
	24,265	13,155	8,085	4,386
Comprehensive income transferred to equity	5,051,657	3,736,926	1,986,645	1,218,863
Components of comprehensive income not transferred to equity				
Surplus on revaluation of fixed assets relating to incremental depreciation	(24,265)	(13,155)	(8,085)	(4,386)
Surplus / (deficit) on revaluation of investments- available for sale	3,720,586	917,942	1,164,209	917,942
Deferred tax on revaluation of investments - available for sale	(1,302,205)	(321,280)	(407,473)	(321,280)
	2,418,381	596,662	756,736	596,662
	<u>7,445,773</u>	<u>4,320,433</u>	<u>2,735,296</u>	<u>1,811,139</u>

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

Consolidated Condensed Interim Cash Flow Statement

(Un-audited) for the nine months ended September 30, 2009

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008
	Rupees in '000'	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	7,492,364	5,732,112
Less: Dividend income	1,096,934	919,628
	6,395,430	4,812,484
Adjustments for non-cash charges		
Depreciation / amortisation	463,430	317,829
Provision against non-performing loans and advances and general provision-net	2,568,953	314,843
Provision / (reversal) for diminution in the value of investments-net	595,501	(2,113)
Provision against lending to Financial Institutions	189,750	-
Unrealised (gain) / loss on revaluation of held for trading securities-net	(16,327)	51,513
Provision against off-balance sheet obligations-net	187,554	102,886
Provision against other assets-net	143,000	42,576
(Gain) / loss on sale of fixed assets	(3,228)	6,197
Bad debts written off directly	282	2,654
	4,128,915	836,385
	10,524,345	5,648,869
(Increase)/ decrease in operating assets		
Lendings to financial institutions	(6,111,516)	2,653,231
Held for trading securities	(193,430)	(322,590)
Advances	(70,223)	(12,959,745)
Other assets (excluding advance taxation)	(1,693,827)	(3,414,892)
	(8,068,996)	(14,043,996)
Increase/ (decrease) in operating liabilities		
Bills payable	1,294,918	70,095
Borrowings from financial institutions	1,638,003	(6,722,805)
Deposits	4,111,358	15,845,590
Other liabilities	(3,088,165)	3,336,345
	3,956,114	12,529,225
	6,411,463	4,134,098
Income tax paid	(2,125,928)	(1,840,451)
Net cash flow from operating activities	4,285,535	2,293,647
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(7,656,067)	5,444,986
Net investment in held-to-maturity securities	1,804,494	(5,124,664)
Dividend income received	1,027,705	846,442
Investments in operating fixed assets	(1,306,504)	(1,916,663)
Proceeds form sale of fixed assets	17,706	124,751
Net cash flow used in investing activities	(6,112,666)	(625,148)
CASH FLOW FROM FINANCING ACTIVITIES		
Net inflow of sub-ordinated loan	2,999,500	(500)
Dividend paid	(2,049,240)	(1,563,760)
Net cash flow from / (used) in financing activities	950,260	(1,564,260)
(Decrease) / increase in cash and cash equivalents during the period	(876,871)	104,239
Cash and cash equivalents at beginning of the period	25,618,459	30,352,732
Cash and cash equivalents at end of the period	24,741,588	30,456,971

The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the nine months ended September 30, 2009

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	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve* Rupees in '000'	Merger Reserve*	General Reserve	Un-appropriated Profit	Total
Balance as at January 01, 2008	5,386,370	3,418,596	2,224,258	-	67,995	333,864	6,000	6,973,227	18,410,310
Changes in equity during the nine months ended September 30, 2008									
Profit after tax for the nine months ended September 30, 2008	-	-	-	-	-	-	-	3,723,771	3,723,771
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	13,155	13,155
Total comprehensive income for nine months ended September 30, 2008	-	-	-	-	-	-	-	3,736,926	3,736,926
Transfer to statutory reserve	-	-	748,109	-	-	-	-	(748,109)	-
Transfer to reserve for issue of bonus shares for the year ended December 31, 2007 @ 20%	-	(1,077,274)	-	1,077,274	-	-	-	-	-
Issue of Bonus shares	1,077,274	-	-	(1,077,274)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2007 (Rs. 1.5 per Ordinary share)	-	-	-	-	-	-	-	(807,955)	(807,955)
Interim cash dividend for the year ending December 31, 2008 (Rs. 1.50 per Ordinary share)	-	-	-	-	-	-	-	(969,546)	(969,546)
Balance as at September 30, 2008	6,463,644	2,341,322	2,972,367	-	67,995	333,864	6,000	8,184,543	20,369,735
Changes in equity during the quarter ended December 31, 2008									
Profit after tax for quarter ended December 31, 2008	-	-	-	-	-	-	-	370,090	370,090
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	4,386	4,386
Total comprehensive income for the quarter ended December 31, 2008	-	-	-	-	-	-	-	374,476	374,476
Transfer to statutory reserve	-	-	83,228	-	-	-	-	(83,228)	-
Balance as at December 31, 2008	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 nine months ended September 30, 2009									
Profit after tax for the nine months ended September 30, 2009	-	-	-	-	-	-	-	5,027,392	5,027,392
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	24,265	24,265
Total comprehensive income for nine months ended September 30, 2009	-	-	-	-	-	-	-	5,051,657	5,051,657
Transfer to statutory reserve	-	-	951,661	-	-	-	-	(951,661)	-
Transfer to reserve for issue of bonus shares for the year ended December 31, 2008 @ 10%	-	(646,364)	-	646,364	-	-	-	-	-
Issue of Bonus shares	646,364	-	-	(646,364)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2008 (Rs. 1.00 per Ordinary share)	-	-	-	-	-	-	-	(646,364)	(646,364)
Interim cash dividend for the year ending December 31, 2009 (Rs. 2.00 per Ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
Balance as at September 30, 2009	7,110,008	1,694,958	4,007,256	-	67,995	333,864	6,000	10,507,421	23,727,502

* 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 21 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

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 769 (December 31, 2008: 766) branches in Pakistan including the Karachi Export Processing Zone Branch (oversees 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 regulations/directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives issued by State Bank of Pakistan (SBP). In case requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984 and the directives issued by the State bank of Pakistan shall prevail.

2.2 The SBP, vide BSD Circular Letter No. 10, dated August 26, 2002 had 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 the banking companies till further instructions. 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 During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standard has resulted in certain increased disclosures only.

Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2009 and are not considered to be relevant or have any significant effect on the Bank's operations, are not detailed in these consolidated condensed interim financial statements.

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, 2008.

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.

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, 2008.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

	Note	Un-audited September 30, 2009	Audited December 31, 2008
Rupees in '000'			
5. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	5.1	1,050,000	100,000
Letters of placement	5.2	306,983	736,000
Repurchase agreement lendings (Reverse Repo)	5.3	20,047,716	14,957,183
Certificates of investment	5.4	500,000	-
		21,904,699	15,793,183
Provision against lending to Financial Institution	5.5	(189,750)	-
		21,714,949	15,793,183

5.1 These are unsecured lendings to Financial Institutions, carrying mark-up at rates, ranging between 12.40% and 12.90% (December 31, 2008 at the rate of 15.40%) per annum and maturing on various dates, latest by March 30, 2010.

5.2 This represents placements with Non-Banking Finance Companies carrying mark-up rate at 14.71 % (December 31, 2008: ranging between 18.90% and 20.00%).

5.3 These are short-term lendings to various financial institutions against government securities, carrying mark-up at rates, ranging between 11.90% and 12.90% (December 31, 2008: 10.00% and 14.90%) per annum and maturing on various dates, latest by November 13, 2009.

5.4 The certificate of investment carries mark-up at the rate of 15.61% (December 31, 2008: Nil) per annum and will mature completely by April 30, 2012.

5.5 This represents provision against placement with Non-banking Finance Companies.

6. INVESTMENTS

	Note	Held by Bank	Given as collateral	Total
Rupees in '000'				
Current period – September 30, 2009 (Un-audited)	6.1	86,705,576	4,914,837	91,620,413
Prior year corresponding period – December 31, 2008 (Audited)	6.1	74,236,420	8,197,578	82,433,998

Notes to the Consolidated Condensed Interim Financial Statements
(Un-audited) for the nine months ended September 30, 2009

	Un-audited As at September 30, 2009			Audited As at December 31, 2008		
	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	72,609	-	72,609	-	-	-
Units of Open-End Mutual Funds	220,438	-	220,438	96,416	-	96,416
	293,047	-	293,047	96,416	-	96,416
Available for sale securities						
Market Treasury Bills	23,302,100	4,915,725	28,217,825	26,512,476	8,197,541	34,710,017
Pakistan Investment Bonds	246,070	-	246,070	445,580	-	445,580
Ordinary Shares / Certificates of listed companies	6,017,317	-	6,017,317	6,863,698	-	6,863,698
Preference Shares of listed companies	191,667	-	191,667	250,000	-	250,000
Units of Open-End Mutual Funds	7,310,000	-	7,310,000	12,761,149	-	12,761,149
Ordinary Shares of unlisted companies	225,822	-	225,822	544,822	-	544,822
Ordinary Shares of unlisted companies (related parties)	1,489,233	-	1,489,233	447,853	-	447,853
Pre IPO Investments	100,000	-	100,000	35,000	-	35,000
Sukuk Bonds	3,323,227	-	3,323,227	2,686,250	-	2,686,250
Term Finance Certificates (TFCs)	26,122,852	-	26,122,852	7,733,386	-	7,733,386
	68,328,288	4,915,725	73,244,013	58,280,214	8,197,541	66,477,755
Held-to-maturity securities						
Pakistan Investment Bonds	7,738,598	-	7,738,598	9,084,116	-	9,084,116
Foreign Currency Bonds (US\$)	72,202	-	72,202	137,767	-	137,767
TFCs, Debentures, Bonds, and Participation Term Certificate (PTC's)	10,288,945	-	10,288,945	10,682,356	-	10,682,356
	18,099,745	-	18,099,745	19,904,239	-	19,904,239
	86,721,080	4,915,725	91,636,805	78,280,869	8,197,541	86,478,410
Provision for diminution in value of investments	(1,720,734)	-	(1,720,734)	(2,015,042)	-	(2,015,042)
Unrealised gain on revaluation of Held-for-trading securities	16,327	-	16,327	3,201	-	3,201
Surplus/(deficit) on revaluation of Available-for-sale securities	1,688,903	(888)	1,688,015	(2,032,608)	37	(2,032,571)
Investments (net of provision)	86,705,576	4,914,837	91,620,413	74,236,420	8,197,578	82,433,998

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

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- 6.2 The Karachi Stock Exchange (Guarantee) Limited (KSE) placed a Floor Mechanism on the market value of securities based on the closing prices of securities prevailing as on August 27, 2008. Under the Floor Mechanism, the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. Consequent to the introduction of Floor Mechanism by KSE, the market volume declined significantly during the period from August 27, 2008 to December 15, 2008. There were lower floors on a number of securities at December 31, 2008. The equity securities have been valued at prices quoted on the KSE on December 31, 2008 without any adjustment as allowed by the State Bank of Pakistan (SBP) BSD Circular Letter No. 2 dated January 27, 2009.

Furthermore, SBP BSD Circular No. 4 dated February 13, 2009 has allowed to follow Securities and Exchange Commission of Pakistan (SECP) notification vide SRO 150 (1)/2009 dated February 13, 2009 allowing that the impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investments held as Available for Sale to quoted market prices may be shown under the equity. The amount taken to equity including any adjustment/effect for price movements shall be taken to Profit and Loss Account on quarterly basis during the year ending December 31, 2009.

The impairment loss as of September 30 2009, based on the above discussions and the market values as of that date have been determined at Rs. 25.257 million (December 31, 2008 : Rs 1,918.395 million) after quarterly adjustments as required.

The full recognition of impairment loss based on the market values as at September 30, 2009 would have had the following effect on these financial statements:

	September 30, 2009 Rupees in '000'
Increase in 'Impairment Loss' in Profit and Loss Account	25,257
Decrease in tax charge for the year	8,840
Decrease in profit for the year - after tax	<u>16,417</u>
	Rupees
Decrease in earnings per share -after tax (basic and diluted)	<u>0.023</u>
	Rupees in '000'
Increase in net surplus on revaluation of available for sale securities	25,257
Decrease in unappropriated profit	<u>16,417</u>

Notes to the Consolidated Condensed Interim Financial Statements
(Un-audited) for the nine months ended September 30, 2009

	Note	Un-audited September 30, 2009	Audited December 31, 2008
Rupees in '000'			
7. ADVANCES			
Loans, cash credits, running finances, etc. – in Pakistan		215,573,032	215,781,261
Net investment in finance lease – in Pakistan		781,764	768,173
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		578,524	1,738,019
Payable outside Pakistan		5,803,810	5,400,424
		6,382,334	7,138,443
		222,737,130	223,687,877
Provision against non-performing advances / others	7.1	(12,208,251)	(10,657,709)
General provision against consumer financing		(7,783)	(10,060)
		210,521,096	213,020,108

7.1 Advances include Rs 15,795,457 thousand (2008: Rs. 13,771,895 thousand) which has been placed under the non-performing status as detailed below:

September 30, 2009 (Un-audited)					
Category of Classification	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000'					
Other Assets Especially					
Mentioned	21,322	-	21,322	-	-
Substandard	2,336,806	-	2,336,806	583,352	583,352
Doubtful	3,458,047	-	3,458,047	1,729,024	1,729,024
Loss	9,979,282	-	9,979,282	9,895,875	9,895,875
	15,795,457	-	15,795,457	12,208,251	12,208,251

December 31, 2008 (Audited)					
Category of Classification	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000'					
Other Assets Especially Mentioned	40,689	-	40,689	-	-
Substandard	3,805,228	-	3,805,228	950,134	950,134
Doubtful	722,223	-	722,223	361,111	361,111
Loss	9,203,755	-	9,203,755	9,201,191	9,201,191
	13,771,895	-	13,771,895	10,512,436	10,512,436

8. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 1,306,504 thousand (September 30, 2008: Rs. 1,916,663 thousand) and Rs. 14,478 thousand (September 30, 2008: Rs. 130,948 thousand) respectively.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

9. DEFERRED TAX ASSETS - NET

The Finance Act, 2009 has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is now allowable upto a maximum of 1% of total advances. The amount of bad debts classified as substandard under Prudential Regulations issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. The management is of the view that it would be able to get deduction of provision in excess of 1% of total advances provided for the nine months ended and accordingly has recognized deferred tax amounting to Rs. 380.315 million on such provisions.

The status of the transitional provisions mentioned in note 12.2 of the financial statements as of December 31, 2008 is the same as mentioned there in.

	Un-audited September 30, 2009	Audited December 31, 2008
	Rupees in '000'	

10. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	88,316,621	105,939,618
Savings deposits	81,418,313	72,448,664
Current accounts – Remunerative	44,584,666	37,829,726
– Non–remunerative	86,640,271	77,755,031
	300,959,871	293,973,039

Financial Institutions

Remunerative deposits	626,030	3,501,504
	301,585,901	297,474,543

	Un-audited September 30, 2009	Audited December 31, 2008
	Rupees in '000'	

11. SUB-ORDINATED LOANS

Term Finance certificates - I	2,497,500	2,498,000
Term Finance certificates - II	3,000,000	-
	5,497,500	2,498,000

The Bank raised unsecured sub-ordinated loans in two separate Term Finance Certificates, issued to improve the Bank's capital adequacy. The salient features of the issue are as follow:

	Term Finance certificate - I	Term Finance certificate - II
Outstanding Amount- Rupees in thousand	2,497,500	3,000,000
Issue date	December 06, 2006	August 28, 2009
Total issue	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
Repayment	8 Years (2007 - 2014)	10 Years (2009 - 2019)

12. SHARE CAPITAL

12.1 Authorised capital

Un-audited September 30, 2009	Audited December 31, 2008		Un-audited September 30, 2009	Audited December 31, 2008
No. of shares			Rupees in '000'	
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 September 30, 2009	Audited December 31, 2008	Ordinary Shares		
No. of shares				
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
286,672,114	222,035,681	Issued as bonus shares	2,866,721	2,220,357
693,452,208	628,815,775		6,934,522	6,288,158
		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			
711,000,758	646,364,325		7,110,008	6,463,644

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 287,678,696 (40.46%) and 66,247,840 (9.32%) [December 31, 2008: 261,526,088 (40.46%) and 58,968,382 (9.12%)] Ordinary shares of Rs. 10 each, respectively, as at September 30, 2009.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

	Note	Un-audited September 30, 2009	Audited December 31, 2008
Rupees in '000'			
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus/(deficit) arising on revaluation of:			
- fixed assets	13.1	2,809,177	2,833,442
- available for sale securities	13.2	1,094,351	(1,341,754)
Surplus on revaluation of assets - net of tax		<u>3,903,528</u>	<u>1,491,688</u>
13.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		3,182,032	1,696,306
Surplus arised on revaluation of properties		-	1,512,713
Transferred to unappropriated profit in respect of incremental depreciation charged during the period/year - net of deferred tax		(24,265)	(17,541)
Related deferred tax liability		(13,066)	(9,446)
		<u>(37,331)</u>	<u>(26,987)</u>
Surplus on revaluation of fixed assets as at September 30 and December 31		3,144,701	3,182,032
Less: Related deferred tax liability on :			
Revaluation as at January 1		348,590	189,006
Charge on revaluation during the year		-	169,030
Incremental depreciation charged during the period/year transferred to profit and loss account		(13,066)	(9,446)
		<u>335,524</u>	<u>348,590</u>
		<u>2,809,177</u>	<u>2,833,442</u>
13.2 Surplus/(Deficit) on revaluation of available-for-sale securities			
Federal Government Securities			
Market Treasury Bills		7,630	(7,932)
Pakistan Investment Bonds		(19,322)	(50,562)
Term Finance Certificates		(511,778)	(115,023)
Sukuk Bonds		(83,717)	-
Shares/Certificates - Listed		1,934,286	(1,755,683)
Mutual Funds		360,916	(103,371)
		<u>1,688,015</u>	<u>(2,032,571)</u>
Less : Related deferred tax liability / asset		(593,664)	690,817
		<u>1,094,351</u>	<u>(1,341,754)</u>

Notes to the Consolidated Condensed Interim Financial Statements
(Un-audited) for the nine months ended September 30, 2009

	Un-audited September 30, 2009	Audited December 31, 2008
	Rupees in '000'	
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Guarantees in favour of:		
Banks and financial institutions	1,173,402	1,455,678
14.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	5,055,089	7,736,845
Others	7,550,169	4,088,278
	12,605,258	11,825,123
14.3 Trade-related contingent liabilities	71,529,993	75,991,804
14.4 Claims against the Bank not acknowledged as debt	4,369,690	5,155,293
14.5 Commitments to extend credit		

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 September 30, 2009	Audited December 31, 2008
	Rupees in '000'	
14.6 Commitments in respect of forward foreign exchange contracts		
Purchase	14,358,573	17,083,600
Sale	4,364,002	4,831,414
14.7 Commitments in respect of operating fixed assets:		
Civil works	600,757	929,810
Acquisition of fixed assets	383,634	145,987
Procurement of software	2,802	142,859
14.8 Commitments in respect of lease financing	30,000	48,567
14.9 Commitments in respect of purchase of shares	162,618	450,643
14.10 Commitments in respect of purchase of T-Bills	-	8,000,000
14.11 Contingencies		

14.11 There is no change in the status of Contingencies, set out in note 22.14 to the consolidated financial statements of the Bank for the year ended December 31, 2008, except for the contingency as mentioned below:

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

- 14.11.2 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 2008, income tax authorities made certain add backs with aggregate tax impact of Rs. 7,448 million. As a result of appeals filed by the Bank before appellate authorities, the add backs amounting to Rs. 2,524 million and Rs. 7,030 million were set-aside and deleted respectively. While giving appeal effects on most of the deleted issues, a refund of Rs. 6,359 million has been determined. Against most of the deleted and set-aside issued, 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. 7,448 million. The management is hopeful that the outcome of these appeals will be in favor of the Bank.

	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2008	Quarter Ended September 30, 2009	Quarter Ended September 30 2008
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Rupees in '000'

15. MARK-UP/RETURN/INTEREST EARNED

On loans and advances	22,302,293	14,799,297	7,354,356	5,491,309
On investments in:				
Available for sale securities	4,914,938	3,558,674	1,812,397	1,714,892
Held to maturity securities	1,499,097	1,208,995	458,673	254,566
	6,414,035	4,767,669	2,271,070	1,969,458
On deposits with financial institutions	33,375	65,411	18,677	22,254
On securities purchased under resale agreements	1,537,490	1,181,519	733,221	339,507
On certificates of investment	60,708	38,222	17,651	16,894
On letters of placement	34,610	83,616	11,963	34,680
On call money lending	53,084	208,628	17,319	152,873
	<u>30,435,595</u>	<u>21,144,362</u>	<u>10,424,257</u>	<u>8,026,975</u>

16. MARK-UP/RETURN/INTEREST EXPENSED

Deposits	13,591,861	9,755,082	4,268,466	3,693,242
Long Term borrowing	179,197	152,311	70,202	152,311
Securities sold under repurchase agreements	413,221	350,502	227,183	84,009
Other short term borrowings	1,887,698	736,994	685,639	166,941
Brokerage and commission	89,884	73,861	36,820	22,601
Markup on TFCs	628,749	247,435	189,397	94,211
	<u>16,790,610</u>	<u>11,316,185</u>	<u>5,477,707</u>	<u>4,213,315</u>

17. EARNINGS PER SHARE - BASIC AND DILUTED

	Rupees in '000'			
Profit after tax for the period attributable to ordinary shareholders	<u>5,027,392</u>	<u>3,723,771</u>	<u>1,978,560</u>	<u>1,214,477</u>
	Number of Shares			
Weighted average number of Ordinary Shares outstanding during the period	<u>711,000,758</u>	<u>711,000,758</u>	<u>711,000,758</u>	<u>711,000,758</u>
	Rupees			
Earnings per share - basic and diluted	<u>7.07</u>	<u>5.24</u>	<u>2.78</u>	<u>1.71</u>

There is no dilution effect on the basic earning per share.

- 17.1 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.

18. RELATED PARTY TRANSACTIONS

The Bank and subsidiary have related party relationships with companies with common directorship, directors and employee benefit plans.

Banking transactions with related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e., under the comparable uncontrolled price method).

Details of transactions with related parties except those under the terms of employment and balances with them as at the period/year end were as follows:

Nature of related party transactions	Un-audited				Audited			
	September 30, 2009		December 31, 2008		September 30, 2009		December 31, 2008	
	Directors	Associated Companies	Key management personnel	Other related parties	Directors	Associated Companies	Key management personnel	Other related parties
	Rupees in '000'							
Loans								
Loans at the beginning of the period/year	27,040	-	269,568	4,107,699	11,783	-	81,894	491,400
Loans given during the period/year	9,221	-	65,355	4,269,818	25,612	-	212,325	3,616,299
Loans repaid during the period/year	(12,519)	-	(32,360)	(31,493)	(10,355)	-	(24,651)	-
Loans at the end of the period/year	23,742	-	302,563	8,346,024	27,040	-	269,568	4,107,699
Deposits								
Deposits at the beginning of the period/year	4,845	55,423	14,355	-	3,763	89,446	17,706	-
Deposits received during the period/year	518,521	1,762,002	243,332	-	1,005,141	2,591,970	221,062	-
Deposits repaid during the period/year	(518,604)	(1,770,597)	(243,826)	-	(1,004,059)	(2,625,993)	(224,413)	-
Deposits at the end of the period/year	4,762	46,828	13,861	-	4,845	55,423	14,355	-
Investment in Shares								
Investment in Shares	-	171,095	-	-	-	372,416	-	-
Net receivable from staff retirement benefit funds	-	240,969	-	1,248,264	-	778,512	-	238,993
Staff retirement fund deposits	-	-	-	1,499,459	-	-	-	1,393,710
	-	-	-	3,911,751	-	-	-	3,317,336

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2009

	Un-audited September 30, 2009				Un-audited September 30, 2008			
	Directors	Associated Companies	Key management personnel	Other related parties	Directors	Associated Companies	Key management personnel	Other related parties
	Rupees in '000'							
Mark-up earned	804	3,769	11,721	772,539	607	845	6,479	148,035
Income on placements	-	106	-	-	-	294	-	-
Management fee/commission income	-	-	-	64,445	-	-	-	821
Mark-up expensed	204	37	517	204,214	37	292	69	229,654
Rent expense	-	-	-	5,978	-	-	-	5,978
Bank charges levied	-	-	-	-	-	-	-	-
Directors' meeting fee	1,650	-	-	-	1,200	-	-	-
Change / (reversal) in respect of staff retirement benefit funds	-	-	-	250,101	-	-	-	(101,100)
NIFT Charges	-	-	-	48,314	-	-	-	44,971

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

For the Period Ended September 30, 2009 (Un-audited)						
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Total
Rupees in '000'						
Total Income	620,915	1,719,267	14,599,108	27,442,622	132,858	44,621,702
Total Expenses	(325,075)	(1,694,881)	(12,903,263)	(24,498,575)	(79,648)	(39,594,310)
Net Income	295,840	24,386	1,695,845	2,944,047	53,210	5,027,392

For the Period Ended September 30, 2008 (Un-audited)						
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Total
Rupees in '000'						
Total Income	263,456	1,520,525	11,405,626	17,583,504	83,470	30,878,263
Total Expenses	(143,967)	(1,245,654)	(9,930,918)	(15,746,868)	(48,628)	(27,154,492)
Net Income	119,489	274,871	1,474,708	1,836,636	34,842	3,723,771

20. GENERAL

Figures have been rounded off to the nearest thousand rupees.

21. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue on October 24, 2009 by the Board of Directors of the Bank

Chief Financial Officer

President and Chief Executive

Chairman

Director

Director

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