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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

Nazrat Bashir
Government Nominee

Tasneem M. Noorani

Mubashir A. Akhtar

Pervaiz Iqbal Butt

Mohammad Aftab Manzoor
Chief Executive Officer

Audit Committee

Sheikh Mukhtar Ahmad
Chairman

Farrakh Qayyum
Member

Mubashir A. Akhtar
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 half year ended June 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 half year ended June 30, 2009.

Financial Highlights

	(Rupees in million)		Growth
	Half year ended June 30		
	2009	2008	
Profit after tax	3,061	2,508	22.0%
Un-appropriated profits brought forward	8,537	6,971	22.5%
Transfer from surplus on revaluation of fixed assets – net of tax	16	9	77.8%
Profit available for appropriation	11,613	9,488	22.4%
Final cash dividend for the year ended December 31, 2008 (2008: year ended December 31, 2007) at Rs.1 per share (2008: Rs.1.5 per share)	(646)	(808)	-20.0%
Transfer to Statutory Reserves	(612)	(502)	21.9%
Un-appropriated profits carried forward	10,355	8,178	26.6%
Half - Yearly Earning Per Share (EPS) (Rs.)	4.30	3.53	21.8%

Economic Overview

Pakistan's economy remained under pressure due to trickle down effects of global downturn, witnessed in most of the economies across the globe, as well as severe energy shortage and sensitive security situation in the country. The GDP of our country grew by only 2% during the FY2009 as against 4.1% in FY 2008, mainly contributed by a growth of 3.1% in Services sectors and 4.7% in agricultural sector, whereas manufacturing sector declined by 3.3%.

In this scenario, the banking industry has a challenging time as the slowdown in economy and high inflation impacted the borrowers' repayment capacity, thereby leading to a rising trend in NPLs across the banking sector. Due to shift in the risk appetite and also falling credit demand, the credit to private sector witnessed a contraction during the period, with system liquidity being diverted more towards government securities or lending to public sector entities. Under the circumstances, banking industry has to make huge provision against NPLs and the profitability remained under pressure.

Financial Overview

Under the current challenging circumstances, your Bank is effectively pursuing its strategy of consolidation for the year 2009 and remained focused on the improvement in the quality of assets and achievement of a more favorable deposit mix in terms of cost. In line with this strategy, Your Bank continued to align its risk management framework to improve asset quality and remained prudent in lending. The share of Current and Savings Deposits in the total deposits has increased from 50.5% at December 31, 2008 to 55.2% at June 30, 2009, thereby reducing reliance on costly deposits. Deposits of your Bank increased to Rs. 312,777 million at June 30, 2009 compared to Rs. 297,475 million at December 31, 2008. The loan book maintained the same level attained in December 2008, with average balance increasing by around 14.4 % during 1H09. The Balance Sheet size of your Bank stands at Rs. 385,636 million as at June 30, 2009, while the equity of your Bank registered a growth of 18.2% to reach at Rs. 26,419 million.

Your Bank has been able to increase its pre-tax profit by 21% to Rs.4,627 million and after tax profit of Rs. 3,061 million during half year ended June 30, 2009 as compared to Rs. 2,508 million in the corresponding period last year, reflecting a growth of 22%. Resultantly, the EPS for six months period ended June 30, 2009 stands at Rs. 4.30 compared to Rs. 3.53 in the comparative period last year.

The net mark-up income increased by 45% led primarily by improved deposit mix, as your Bank focused on its strategy to consolidate. The interest rate spread rose to 6.2% during 1H09 from 5.1% registered during corresponding period of last year. Mark-up income grew by 53% during 1H09 over the corresponding period last year, with mark-up expense rising by 59%. While, the mark-up income during 2Q09 increased by 46%, your Bank was able to restrict increase in its cost of funds, which rose by 50% over the corresponding period last year. Resultantly, net mark-up income for 2Q09 was able to grow by 41%.

Your Bank was able to achieve this growth despite State Bank of Pakistan's (SBP) regulation of paying profit at a minimum of 5%, effective June 1, 2008, on all PLS deposits coupled with the staggered increases of 500 basis points in the SBP's Discount Rate during year 2008, though the Discount Rate was cut by 100 basis points by the SBP in April 2009.

Non mark-up income grew to Rs. 3,363 million or 82% over the corresponding period of last year. This growth was led by improved capital market results, increased foreign currency gains and investment banking fee income. Non mark-up expenses increased by 28% during 1H09, however, these have been contained during 2Q09 to 11% over the corresponding period of last 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 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 June 30 2009, based on the above circular and the market values as of that date have been determined at Rs. 254.301 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 June 30, 2009 would have had the following effect on these financial statements:

	June 30, 2009 Rupees in '000'
Increase in 'Impairment Loss' in Profit and Loss Account	254,301
Decrease in tax charge for the year	89,005
Decrease in profit for the year - after tax	165,296
Decrease in earnings per share - after tax (basic and diluted) (Rs.)	0.23
Increase in net surplus on revaluation of available for sale securities	254,301
Decrease in un-appropriated profit	165,296

Launch of Allied Visa Credit Card and Bancassurance Products

In an effort to offer a complete suite of products and services to our customers, your Bank marked the beginning of its consumer financing portfolio by launching "Allied VISA Credit Card" in June 2009.

Keeping in view the difficult credit environment in hand, your Bank has adopted a cautious approach and implemented strict credit policies and procedures to gradually build quality Credit Card portfolio. Your Bank has also launched two bancassurance products in collaboration with EFU Life Insurance, a leading provider of life insurance in Pakistan. The products include Child Education Plan (I'lm) and Marriage Savings Plan (Anmol Rishtey).

'Corporate Excellence Award' and 'Best Corporate Report Award'

Allied Bank Limited has been awarded the "26th Corporate Excellence Award" in Financial Institutions category by Management Association of Pakistan (MAP). Your Bank was presented this award in recognition of its Corporate Governance and overall management best practices. Your Bank has also won the "Best Corporate Report Award 2008", securing 2nd position for excellence in its publication of timely, informative, factual and reader friendly annual report.

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 TFC (1st issue). This rating denotes high credit quality.

Corporate Governance Rating

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

Future Outlook:

The macro economic outlook remains difficult particularly energy crisis would continue to hamper industrial growth in the country. In order to bolster the economy, IMF has agreed to extend additional funding to our country under its Stand-By Agreement. Although, inflation has started showing a downward trend, SBP has already announced a reduction in discount rate of 100bps in April 2009, while further cut in discount rate is expected to be announced in the forthcoming monetary policy.

Under the circumstances the banking industry earnings have been adversely affected. While your Bank is watchful of these circumstances, adherence to its strategy of consolidation would continue and foresees a sustained growth in profitability while also ensuring preservation of asset quality during the year 2009.

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: August 11, 2009

Place: Lahore

Independent Report on Review of Interim Financial Information to the Members

Introduction

We have reviewed the accompanying unconsolidated condensed interim balance sheet of Allied Bank Limited (“the Bank”) as at 30 June 2009 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim cash flow statement and unconsolidated condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the “interim financial information”). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at 30 June 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended 30 June 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30 June 2009.

KPMG Taseer Hadi & Co.
Chartered Accountants

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Dated: August 11, 2009
Place: Karachi

Unconsolidated Condensed Interim Balance Sheet

as at June 30, 2009

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	Note	Un-audited June 30, 2009	Audited December 31, 2008
Rupees in '000'			
ASSETS			
Cash and balances with treasury banks		24,720,491	23,653,754
Balances with other banks		1,017,348	2,096,779
Lendings to financial institutions	5	31,028,399	15,793,183
Investments	6	86,323,384	82,631,118
Advances	7	212,223,673	212,972,008
Other assets		18,060,514	17,369,691
Operating fixed assets	8	11,711,751	11,134,436
Deferred tax assets – net	9	550,379	1,029,223
		385,635,939	366,680,192
LIABILITIES			
Bills payable		2,982,583	2,952,490
Borrowings from financial institutions		27,753,599	27,778,151
Deposits and other accounts	10	312,776,675	297,475,321
Sub-ordinated loans		2,497,500	2,498,000
Liabilities against assets subject to finance lease		–	–
Other liabilities	11	13,206,560	13,620,616
Deferred tax liabilities		–	–
		359,216,917	344,324,578
NET ASSETS			
		26,419,022	22,355,614
REPRESENTED BY			
Share capital	12	7,110,008	6,463,644
Reserves		5,770,520	5,804,776
Unappropriated profit		10,354,943	8,536,697
		23,235,471	20,805,117
Surplus on revaluation of assets – net of tax	13	3,183,551	1,550,497
		26,419,022	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

Director

Director

Director

Unconsolidated Condensed Interim Profit and Loss Account (Un-audited) for the half year and quarter ended June 30, 2009

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	Note	Half Year Ended June 30, 2009	Half Year Ended June 30, 2008	Quarter Ended June 30, 2009	Quarter Ended June 30, 2008
Rupees in '000'					
Mark-up/return/interest earned	15	20,000,215	13,107,075	9,767,166	6,697,643
Mark-up/return/interest expensed	16	11,312,973	7,112,771	5,397,022	3,591,136
Net mark-up/interest income		8,687,242	5,994,304	4,370,144	3,106,507
Provision/(reversal of provision) against non-performing loans and advances (including general provision) - net		1,870,418	125,245	1,055,409	(278,914)
Provision/(reversal of provision) for diminution in the value of investments - net		519,941	(1,926)	394,171	(135)
Provision against lending to financial institutions	5	66,500	-	66,500	-
Bad debts written off directly		282	2	-	1
		2,457,141	123,321	1,516,080	(279,048)
Net mark-up/interest income after provisions		6,230,101	5,870,983	2,854,064	3,385,555
NON MARK-UP/INTEREST INCOME					
Fee, commission and brokerage income		1,645,820	1,202,047	1,007,872	582,289
Dividend income		748,835	586,005	488,251	334,539
Income from trading in government securities		-	-	-	-
Income from dealing in foreign currencies		466,458	107,921	178,888	19,097
Gain/(loss) from sale and purchase of other securities		484,114	(48,975)	464,824	(139,310)
Unrealised gain/(loss) on revaluation of investments classified as held for trading		56	(7,460)	648	(4,935)
Other income		18,161	9,139	12,451	(1,417)
Total non-mark-up/interest income		3,363,444	1,848,677	2,152,934	790,263
		9,593,545	7,719,660	5,006,998	4,175,818
NON MARK-UP/INTEREST EXPENSES					
Administrative expenses		4,544,339	3,560,176	2,429,662	2,019,849
Provision against other assets		131,000	10,348	99,000	10,348
Provision/(reversal of provision) against off-balance sheet obligations		20,101	(11,219)	(70,580)	1,500
Other charges		271,315	335,879	160,656	327,129
Total non-mark-up/interest expenses		4,966,755	3,895,184	2,618,738	2,358,826
		4,626,790	3,824,476	2,388,260	1,816,992
Extra ordinary/unusual items		-	-	-	-
PROFIT BEFORE TAXATION		4,626,790	3,824,476	2,388,260	1,816,992
Taxation					
Current		1,975,458	1,264,761	1,134,156	627,843
Prior years		-	-	-	-
Deferred		(409,206)	51,536	(358,298)	38,197
		1,566,252	1,316,297	775,858	666,040
PROFIT AFTER TAXATION		3,060,538	2,508,179	1,612,402	1,150,952
Unappropriated profit brought forward		8,536,697	6,971,308	9,056,932	7,253,521
Transfer from surplus on revaluation of fixed assets - net of tax		16,180	8,769	8,090	4,383
		8,552,877	6,980,077	9,065,022	7,257,904
PROFIT AVAILABLE FOR APPROPRIATION		11,613,415	9,488,256	10,677,424	8,408,856
Earning per share - Basic and Diluted (in Rupees)	17	4.30	3.53	2.27	1.62

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

Director

Director

Director

Unconsolidated Condensed Interim Statement of Comprehensive Income (Un-audited) for the half year and quarter ended June 30, 2009

	Half Year Ended June 30, 2009	Half Year Ended June 30, 2008	Quarter Ended June 30, 2009	Quarter Ended June 30, 2008
Rupees in '000'				
Profit after taxation for the period	3,060,538	2,508,179	1,612,402	1,150,952
Other comprehensive income				
Surplus on revaluation of fixed assets relating to incremental depreciation	24,893	13,491	12,447	6,743
Deferred tax relating to incremental depreciation on revaluation of fixed assets	(8,713)	(4,722)	(4,357)	(2,360)
	16,180	8,769	8,090	4,383
Comprehensive income transferred to equity	3,076,718	2,516,948	1,620,492	1,155,335
Components of comprehensive income not transferred to equity				
Surplus on revaluation of fixed assets relating to incremental depreciation	(16,180)	(8,769)	(8,090)	(4,383)
Surplus / (deficit) on revaluation of investments- available for sale	2,537,284	379,719	(4,733)	(323,358)
Deferred tax on revaluation of investments - available for sale	(888,050)	(132,902)	1,656	(132,902)
	1,649,234	246,817	(3,077)	(456,260)
	4,709,772	2,754,996	1,609,325	694,692

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

Chief Financial Officer

President and Chief Executive

Director

Director

Director

Unconsolidated Condensed Interim Cash Flow Statement

(Un-audited) for the half year ended June 30, 2009

	Half Year Ended June 30, 2009	Half Year Ended June 30, 2008
	Rupees in '000'	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	4,626,790	3,824,476
Less: Dividend income	748,835	586,005
	3,877,955	3,238,471
Adjustments for non-cash charges		
Depreciation/amortisation	297,825	208,294
Provision against non-performing loans and advances (including general/other provision)	1,870,418	125,245
Provision/(reversal of provision) for diminution in the value of investments	519,941	(1,926)
Provision against lendings to financial institutions	66,500	-
Unrealised (gain)/loss on revaluation of held for trading securities	(56)	7,460
Provision/(reversal of provision) against off balance sheet items	20,101	(11,219)
Provision against other assets	131,000	10,348
(Gain)/loss on sale of property and equipment - net	(3,003)	13,833
Bad debts written off directly	282	2
	2,903,008	352,037
	6,780,963	3,590,508
(Increase)/decrease in operating assets		
Lendings to financial institutions	(15,301,716)	(10,242,425)
Held for trading securities	(35,195)	(166,161)
Advances	(1,122,366)	(158,321)
Other assets (excluding advance taxation)	(757,054)	(1,895,860)
	(17,216,331)	(12,462,767)
Increase/(decrease) in operating liabilities		
Bills payable	30,093	(1,034,322)
Borrowings from financial institutions	(79,205)	(7,987,032)
Deposits	15,301,354	30,009,621
Other liabilities	(423,048)	1,731,346
	14,829,194	22,719,613
	4,393,826	13,847,354
Income tax paid	(1,980,891)	(1,176,655)
Net cash flow from operating activities	2,412,935	12,670,699
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(3,326,994)	8,622,306
Net investment in held-to-maturity securities	1,687,322	(5,301,318)
Dividend income	689,500	538,253
Investments in operating fixed assets	(887,102)	(1,336,351)
Proceeds from sale of fixed assets	14,965	180,388
Net cash flow (used) in / from investing activities	(1,822,309)	2,703,278
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of sub-ordinated loan	(500)	(500)
Dividend paid	(657,473)	(789,128)
Net cash flow used in financing activities	(657,973)	(789,628)
(Decrease)/ increase in cash and cash equivalents during the period	(67,347)	14,584,349
Cash and cash equivalents at beginning of the period	25,617,627	30,352,711
Cash and cash equivalents at end of the period	25,550,280	44,937,060

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

Chief Financial Officer

President and Chief Executive

Director

Director

Director

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended June 30, 2009

	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve ^a	Merger Reserve ^a	General Reserve	Un-appropriated Profit	Total
	Rupees in '000'								
Balance as at January 1, 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 half year ended June 30, 2008									
Total comprehensive income for the half year ended June 30, 2008	-	-	-	-	-	-	-	2,516,948	2,516,948
Transfer to statutory reserve	-	-	501,636	-	-	-	-	(501,636)	-
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. 1.50 per Ordinary share)	-	-	-	-	-	-	-	(807,955)	(807,955)
Balance as at June 30, 2008	6,463,644	2,341,322	2,725,894	-	67,995	333,864	6,000	8,178,665	20,117,384
Changes in equity during half year ended December 31, 2008									
Total comprehensive income for the half year ended December 31, 2008	-	-	-	-	-	-	-	1,657,279	1,657,279
Transfer to statutory reserve	-	-	329,701	-	-	-	-	(329,701)	-
Interim cash dividend for the year ended December 31, 2008 (Rs. 1.50 per Ordinary share)	-	-	-	-	-	-	-	(969,546)	(969,546)
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 half year ended June 30, 2009									
Total comprehensive income for the half year ended June 30, 2009	-	-	-	-	-	-	-	3,076,718	3,076,718
Transfer to statutory reserve	-	-	612,108	-	-	-	-	(612,108)	-
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)
Balance as at June 30, 2009	7,110,008	1,694,958	3,667,703	-	67,995	333,864	6,000	10,354,943	23,235,471

^a 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

Director

Director

Director

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 768 (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 (SBP). 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 SBP 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. These are un-audited but subject to limited scope review by the auditors.

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.

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 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.
- 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 June 30, 2009	Audited December 31, 2008
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Rupees in '000'

5. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	5.1	1,300,000	100,000
Letters of placement	5.2	133,000	736,000
Repurchase agreement lendings (Reverse Repo)	5.3	29,477,177	14,957,183
Certificates of investment	5.4	184,722	-
		<u>31,094,899</u>	<u>15,793,183</u>
Provision against lending to Financial Institution.	5.2	(66,500)	-
		<u>31,028,399</u>	<u>15,793,183</u>

- 5.1 These are unsecured lendings to Financial Institutions, carrying mark-up at rates, ranging between 13.30% and 14.00% (December 31, 2008 at the rate of 15.40%) per annum and maturing on various dates, latest by September 10, 2009.
- 5.2 This represents a placement with a Non-Banking Finance Company. Provision aggregating to Rs. 66.5 million has been made against this placement outstanding as at June 30, 2009.
- 5.3 These are short-term lendings to various financial institutions against government securities, carrying mark-up at rates, ranging between 12.00% and 13.90% (December 31, 2008: 10.00% and 14.90%) per annum and maturing on various dates, latest by August 17, 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.

6. INVESTMENTS

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

Current period – June 30, 2009 (Un-audited)	6.1	86,005,991	317,393	86,323,384
Prior year corresponding period – December 31, 2008 (Audited)	6.1	74,433,540	8,197,578	82,631,118

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2009

	Un-audited As at June 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	35,195	-	35,195	-	-	-
Available for sale securities						
Market Treasury Bills	27,606,850	315,435	27,922,285	26,512,476	8,197,541	34,710,017
Pakistan Investment Bonds	245,940	-	245,940	445,580	-	445,580
Ordinary Shares / Certificates of listed companies	7,284,947	-	7,284,947	6,672,140	-	6,672,140
Preference Shares of listed companies	250,000	-	250,000	250,000	-	250,000
Units of Open-End Mutual Funds	8,968,888	-	8,968,888	12,761,149	-	12,761,149
Ordinary Shares of unlisted companies	466,072	-	466,072	544,822	-	544,822
Ordinary Shares of unlisted companies (related parties)	1,069,970	-	1,069,970	447,853	-	447,853
Pre IPO Investments	35,000	-	35,000	35,000	-	35,000
Sukuk Bonds	3,268,520	-	3,268,520	2,686,250	-	2,686,250
Term Finance Certificates (TFCs)	19,619,113	-	19,619,113	7,603,733	-	7,603,733
	68,815,300	315,435	69,130,735	57,959,003	8,197,541	66,156,544
Held-to-maturity securities						
Pakistan Investment Bonds	7,785,576	-	7,785,576	9,084,116	-	9,084,116
Foreign Currency Bonds (US\$)	141,564	-	141,564	137,767	-	137,767
TFCs, Debentures, Bonds, and Participation Term Certificate (PTC's)	10,289,777	-	10,289,777	10,682,356	-	10,682,356
	18,216,917	-	18,216,917	19,904,239	-	19,904,239
Subsidiary						
ABL Asset Management Company Limited	500,000	-	500,000	500,000	-	500,000
	87,567,412	315,435	87,882,847	78,363,242	8,197,541	86,560,783
Provision for diminution in value of investments	(2,123,041)	-	(2,123,041)	(1,955,903)	-	(1,955,903)
Unrealised gain on revaluation of Held-for-trading securities	56	-	56	-	-	-
Surplus/(deficit) on revaluation of Available-for-sale securities	561,564	1,958	563,522	(1,973,799)	37	(1,973,762)
Investments (net of provision)	86,005,991	317,393	86,323,384	74,433,540	8,197,578	82,631,118

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2009

- 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 June 30 2009, based on the above discussions and the market values as of that date have been determined at Rs. 254.301 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 June 30, 2009 would have had the following effect on these financial statements:

	June 30, 2009
	Rupees in ‘000’
Increase in ‘Impairment Loss’ in Profit and Loss Account	254,301
Decrease in tax charge for the year	89,005
Decrease in profit for the year - after tax	165,296
	Rupees
Decrease in earnings per share -after tax (basic and diluted)	0.23
	Rupees in ‘000’
Increase in net surplus on revaluation of available for sale securities	254,301
Decrease in unappropriated profit	165,296

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2009

	Note	Un-audited June 30, 2009	Audited December 31, 2008
Rupees in '000'			
7. ADVANCES			
Loans, cash credits, running finances, etc. – in Pakistan		217,403,757	215,733,161
Net investment in finance lease – in Pakistan		709,884	768,173
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		592,457	1,738,019
Payable outside Pakistan		5,047,402	5,400,424
		5,639,859	7,138,443
		223,753,500	223,639,777
Provision against non-performing advances / others	7.1	(11,522,840)	(10,657,709)
General provision against consumer financing		(6,987)	(10,060)
		212,223,673	212,972,008

- 7.1 Advances include Rs. 15,579,788 thousand (December 31, 2008: Rs. 13,771,895 thousand) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2009 (Un-audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000'					
Other Assets Especially					
Mentioned	17,831	-	17,831	-	-
Substandard	2,128,064	-	2,128,064	530,727	530,727
Doubtful *	4,768,977	-	4,768,977	2,327,197	2,327,197
Loss	8,664,916	-	8,664,916	8,664,916	8,664,916
	15,579,788	-	15,579,788	11,522,840	11,522,840
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

- * This includes net exposure of Rs. 317.785 million against Japan Power Generation Limited, classification of which as loss has been deferred till 30 September 2009 under a permission by the State Bank of Pakistan's letter BID(insp)/332/045-01/2009 dated 13 July 2009.

8. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 887,102 thousand (June 30, 2008: 1,336,351 thousand) and Rs. 11,962 thousand (June 30, 2008: 192,221 thousand), respectively.

9. DEFFERED 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 get 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 half year and accordingly has recognized deferred tax amounting to Rs. 447.77 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 half year ended June 30, 2009

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

10. DEPOSITS AND OTHER ACCOUNTS

Customers	Un-audited June 30, 2009	Audited December 31, 2008
Fixed deposits	91,287,929	105,939,618
Savings deposits	82,229,487	72,448,664
Current accounts – Remunerative	46,689,035	37,830,504
– Non-remunerative	90,318,605	77,755,031
	<u>310,525,056</u>	<u>293,973,817</u>
Financial Institutions		
Remunerative deposits	2,251,619	3,501,504
	<u>312,776,675</u>	<u>297,475,321</u>

11. The Bank has restructured the issue of second TFC from Rs. 4,000 million to Rs. 3,000 million out of which, Rs. 2,250 million had been raised through Pre IPO and Rs. 750 million will be offered for subscription through IPO for which SECP approval is awaited. As of June 30, 2009, Rs. 2,250 million has been received as Pre IPO proceeds and are included in other liabilities.

12. SHARE CAPITAL

12.1 Authorised capital

Un-audited June 30, 2009 No. of shares	Audited December 31, 2008		Un-audited June 30, 2009 Rupees in '000'	Audited December 31, 2008
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>10,000,000</u>	<u>10,000,000</u>

12.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10 each

Un-audited June 30, 2009 No. of shares	Audited December 31, 2008	Ordinary Shares	Un-audited June 30, 2009 Rupees in '000'	Audited December 31, 2008
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
<u>693,452,208</u>	<u>628,815,775</u>		<u>6,934,522</u>	<u>6,288,158</u>
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
<u>711,000,758</u>	<u>646,364,325</u>		<u>7,110,008</u>	<u>6,463,644</u>

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 287,678,696 (40.46%) and 65,965,220 (9.28%) [December 31, 2008: 261,526,088 (40.46%) and 58,968,382 (9.12%)] Ordinary shares of Rs. 10 each, respectively, as at June 30, 2009.

Notes to the Unconsolidated Condensed Interim Financial Statements
(Un-audited) for the half year ended June 30, 2009

	Note	Un-audited June 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	2,817,262	2,833,442
- available for sale securities	13.2	366,289	(1,282,945)
Surplus on revaluation of assets - net of tax		3,183,551	1,550,497
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		(16,180)	(17,541)
Related deferred tax liability		(8,713)	(9,446)
		(24,893)	(26,987)
Surplus on revaluation of fixed assets as at June 30 and December 31		3,157,139	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		(8,713)	(9,446)
		339,877	348,590
		2,817,262	2,833,442
13.2 Surplus/(Deficit) on revaluation of available-for-sale securities			
Federal Government Securities			
Market Treasury Bills		81,295	(7,932)
Pakistan Investment Bonds		(16,118)	(50,562)
Term Finance Certificates		(152,658)	(115,353)
Sukuk Bonds		(90,810)	-
Shares/Certificates - Listed		420,217	(1,696,544)
Mutual Funds		321,596	(103,371)
		563,522	(1,973,762)
Less : Related deferred tax (liability) / asset		(197,233)	690,817
		366,289	(1,282,945)

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2009

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	Un-audited June 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	1,133,110	1,455,678
14.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	6,538,446	7,736,845
Others	5,774,016	4,088,278
	12,312,462	11,825,123
14.3 Trade-related contingent liabilities	72,579,180	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		
<p>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.</p>		
	Un-audited June 30, 2009	Audited December 31, 2008
	Rupees in '000'	
14.6 Commitments in respect of forward foreign exchange contracts		
Purchase	16,701,016	17,083,600
Sale	4,981,930	4,831,414
14.7 Commitments in respect of operating fixed assets		
Civil works	551,997	929,810
Acquisition of operating fixed assets	508,798	145,987
Procurement of software	195	142,859
14.8 Commitments in respect of lease financing	4,400	48,567
14.9 Commitments in respect of purchase of shares	490,751	450,643
14.10 Commitments in respect of purchase of T-Bills	-	8,000,000

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2009

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 2008 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. 2,523 million and Rs. 4,102 million were set-aside and deleted respectively. While giving appeal effects on most of the deleted issues, a refund of Rs. 3,875 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.

	Half Year Ended June 30, 2009	Half Year Ended June 30, 2008	Quarter Ended June 30, 2009	Quarter Ended June 30 2008
Rupees in '000'				

15. MARK-UP/RETURN/INTEREST EARNED

On loans and advances	14,946,918	9,315,162	7,101,964	4,865,989
On investments in:				
Available for sale securities	3,092,294	1,843,782	1,519,372	1,132,376
Held to maturity securities	1,040,424	954,429	689,273	191,308
	4,132,718	2,798,211	2,208,645	1,323,684
On deposits with financial institutions	14,841	25,671	8,785	10,614
On securities purchased under resale agreements	804,269	842,012	409,906	438,494
On certificates of investment	43,057	21,328	22,139	21,328
On letters of placement	22,647	48,936	2,550	5,025
On call money lending	35,765	55,755	13,177	32,509
	<u>20,000,215</u>	<u>13,107,075</u>	<u>9,767,166</u>	<u>6,697,643</u>

16. MARK-UP/RETURN/INTEREST EXPENSED

Deposits	9,323,465	6,071,741	4,491,103	3,172,634
Long term borrowings	108,995	-	53,888	-
Securities sold under repurchase agreements	186,038	266,493	68,393	58,667
Other short term borrowings	1,202,059	570,053	545,356	260,247
Brokerage and commission	53,064	51,260	28,522	20,269
Markup on TFCs	214,174	153,224	105,992	79,319
Markup on Pre-IPO proceeds	225,178	-	103,768	-
	<u>11,312,973</u>	<u>7,112,771</u>	<u>5,397,022</u>	<u>3,591,136</u>

17. EARNINGS PER SHARE - BASIC AND DILUTED

	Rupees in '000'			
Profit after tax for the period attributable to ordinary shareholders	<u>3,060,538</u>	<u>2,508,179</u>	<u>1,612,402</u>	<u>1,150,952</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>4.30</u>	<u>3.53</u>	<u>2.27</u>	<u>1.62</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 half year ended June 30, 2009

18. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its subsidiary 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).

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation (terms of contribution plan). Transactions with key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

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 June 30, 2009				Audited December 31, 2008					
	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties
Rupees in '000'										
Loans										
Loans at the beginning of the period/year	27,040	-	-	220,924	6,099,914	11,783	-	-	81,894	2,544,908
Loans given during the period/year	7,269	-	-	39,715	15,059,667	25,612	-	-	162,946	10,718,466
Loans repaid during the period/year	(10,323)	-	-	(23,326)	(2,814,155)	(10,355)	-	-	(23,916)	(7,163,460)
Loans at the end of the period/year	23,986	-	-	237,313	18,345,426	27,040	-	-	220,924	6,099,914
Deposits										
Deposits at the beginning of the period/year	4,845	55,423	778	14,355	135,001	3,763	89,446	502,788	17,706	2,953
Deposits received during the period/year	168,311	1,008,220	246,087	171,589	1,247,191	1,005,141	2,591,970	3,316,103	221,062	5,810,587
Deposits repaid during the period/year	(167,486)	(1,042,206)	(243,736)	(354,829)	(1,345,702)	(1,004,059)	(2,625,993)	(3,818,113)	(224,413)	(5,688,539)
Deposits at the end of the period/year	5,670	21,437	3,129	31,115	26,490	4,845	55,423	778	14,355	125,001
Netto Balances	-	159,389	-	-	-	-	372,416	-	-	-
Investment in Shares	-	240,969	500,000	-	829,001	-	778,512	500,000	-	238,993
Other receivables	-	-	588	-	-	-	-	1,140	-	-
Net receivable from staff retirement benefit funds	-	-	-	-	1,445,395	-	-	-	-	1,993,710
Staff retirement fund deposits	-	-	-	-	3,861,798	-	-	-	-	3,317,336

Notes to the Unconsolidated Condensed Interim Financial Statements
(Un-audited) for the half year ended June 30, 2009

	Un-audited June 30, 2009				Audited December 31, 2008					
	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties
	Rupees in '000'									
Mark-up earned on loans	193	-	-	7,404	503,802	-	-	-	3,575	79,120
Income on placements	-	106	-	-	-	-	294	-	-	-
Income on lending	-	-	-	-	-	-	33	-	-	-
Sales commission	-	-	2,163	-	-	-	-	-	-	-
Mark-up expense on deposits	-	25	70	367	142,076	12	-	9,901	101	151,628
Interest expense on Borrowing	-	-	-	-	-	-	-	-	-	-
Directors' meeting fee	925	-	-	-	-	975	-	-	-	-
NIFT charges	-	-	-	-	31,355	-	-	-	-	28,831
Bank Charges Levied	-	-	-	-	-	-	-	1	-	-
Change / (reversal) in respect of staff retirement benefit funds	-	-	-	-	342,704	-	-	-	-	(67,495)

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 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 June 30, 2009 (Un-audited)					Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	
	Rupees in '000'					
Total Income	606,584	942,081	10,719,814	18,325,586	106,880	30,700,945
Total Expenses	(317,851)	(826,509)	(9,115,837)	(17,322,343)	(57,867)	(27,640,407)
Net Income	288,733	115,572	1,603,977	1,003,243	49,013	3,060,538

	For the Period Ended June 30, 2008 (Un-audited)					Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	
	Rupees in '000'					
Total Income	245,477	986,352	7,128,763	11,444,395	56,216	19,861,203
Total Expenses	(127,730)	(881,775)	(5,962,265)	(10,349,395)	(31,859)	(17,353,024)
Net Income	117,747	104,577	1,166,498	1,095,000	24,357	2,508,179

20. GENERAL

20.1 The Board of Directors of the Bank in its meeting held on August 11, 2009 has approved interim cash dividend for the half year ended June 30, 2009 at Rs. 2.0 per share (June 30, 2008: cash dividend of Rs. 1.5 per share) resulting in total distribution of Rs. 1,422.002 million. The unconsolidated condensed interim financial statements for the half year ended June 30, 2009 do not include the effect of this appropriation and will be accounted for in the financial statements of the period of declaration.

20.2 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 August 11, 2009 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Director

Consolidated Condensed Interim Financial Statements
for the half year ended June 30, 2009

Consolidated Condensed Interim Balance Sheet

as at June 30, 2009

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	Note	Un-audited June 30, 2009	Audited December 31, 2008
Rupees in '000'			
ASSETS			
Cash and balances with treasury banks		24,720,541	23,653,754
Balances with other banks		1,017,471	2,097,611
Lendings to financial institutions	5	31,028,399	15,793,183
Investments	6	86,149,400	82,433,998
Advances	7	212,270,272	213,020,108
Other assets		18,091,676	17,388,612
Operating fixed assets	8	11,726,131	11,150,129
Deferred tax assets – net	9	552,100	1,031,049
		<u>385,555,990</u>	<u>366,568,444</u>
LIABILITIES			
Bills payable		2,982,583	2,952,490
Borrowings from financial institutions		27,753,599	27,778,151
Deposits and other accounts	10	312,773,546	297,474,543
Sub-ordinated loans		2,497,500	2,498,000
Liabilities against assets subject to finance lease		–	–
Other liabilities	11	13,216,390	13,629,361
Deferred tax liabilities		–	–
		<u>359,223,618</u>	<u>344,332,545</u>
NET ASSETS			
		<u>26,332,372</u>	<u>22,235,899</u>
REPRESENTED BY			
Share capital	12	7,110,008	6,463,644
Reserves		5,770,520	5,804,776
Unappropriated profit		10,282,331	8,475,791
		<u>23,162,859</u>	<u>20,744,211</u>
Surplus on revaluation of assets – net of tax	13	3,169,513	1,491,688
		<u>26,332,372</u>	<u>22,235,899</u>
CONTINGENCIES AND COMMITMENTS			
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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

Director

Director

Director

Consolidated Condensed Interim Profit and Loss Account (Un-audited) for the half year and quarter ended June 30, 2009

	Note	Half Year Ended June 30, 2009	Half Year Ended June 30, 2008	Quarter Ended June 30, 2009	Quarter Ended June 30, 2008
Rupees in '000'					
Mark-up/return/interest earned	15	20,011,338	13,117,387	9,772,585	6,706,907
Mark-up/return/interest expensed	16	11,312,903	7,102,870	5,396,969	3,590,789
Net mark-up/interest income		8,698,435	6,014,517	4,375,616	3,116,118
Provision/(reversal of provision) against non-performing loans and advances (including general provision) - net		1,870,418	125,245	1,055,409	(278,914)
Provision/(reversal of provision) for diminution in the value of investments - net		533,504	(1,926)	401,948	(135)
Provision against lending to financial institutions	5	66,500	-	66,500	-
Bad debts written off directly		282	2	-	1
		2,470,704	123,321	1,523,857	(279,048)
Net mark-up/ interest income after provisions		6,227,731	5,891,196	2,851,759	3,395,166
NON MARK-UP/INTEREST INCOME					
Fee, commission and brokerage income		1,673,571	1,202,047	1,026,685	582,289
Dividend income		752,337	588,315	490,449	336,849
Income from trading in government securities		-	-	-	-
Income from dealing in foreign currencies		466,458	107,921	178,888	19,097
Gain/(loss) from sale and purchase of other securities		490,142	(48,341)	470,687	(138,676)
Unrealised gain/(loss) on revaluation of investments classified as held for trading		185	(7,460)	(2,405)	(4,935)
Other income		18,162	9,256	12,452	(1,300)
Total non-mark-up/interest income		3,400,855	1,851,738	2,176,756	793,324
		9,628,586	7,742,934	5,028,515	4,188,490
NON MARK-UP/INTEREST EXPENSES					
Administrative expenses		4,590,631	3,581,392	2,457,475	2,032,633
Provision against other assets		131,000	10,348	99,000	10,348
Provision/(reversal of provision) against off-balance sheet obligations		20,101	(11,219)	(70,580)	1,500
Other charges		271,315	335,879	160,656	327,129
Total non-mark-up/interest expenses		5,013,047	3,916,400	2,646,551	2,371,610
		4,615,539	3,826,534	2,381,964	1,816,880
Extra ordinary/unusual items		-	-	-	-
PROFIT BEFORE TAXATION		4,615,539	3,826,534	2,381,964	1,816,880
Taxation					
Current		1,975,808	1,265,022	1,134,376	627,726
Prior years		-	-	-	-
Deferred		(409,101)	52,218	(357,418)	38,498
		1,566,707	1,317,240	776,958	666,224
PROFIT AFTER TAXATION		3,048,832	2,509,294	1,605,006	1,150,656
Unappropriated profit brought forward		8,475,791	6,973,227	8,991,716	7,256,851
Transfer from surplus on revaluation of fixed assets - net of tax		16,180	8,769	8,090	4,383
		8,491,971	6,981,996	8,999,806	7,261,234
PROFIT AVAILABLE FOR APPROPRIATION		11,540,803	9,491,290	10,604,812	8,411,890
Earning per share - Basic and Diluted (in Rupees)	17	4.29	3.53	2.26	1.62

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

Director

Director

Director

Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited) for the half year and quarter ended June 30, 2009

	Half Year Ended June 30, 2009	Half Year Ended June 30, 2008	Quarter Ended June 30, 2009	Quarter Ended June 30, 2008
Rupees in '000'				
Profit after taxation for the period	3,048,832	2,509,294	1,605,006	1,150,656
Other comprehensive income				
Surplus on revaluation of fixed assets relating to incremental depreciation	24,893	13,491	12,447	6,743
Deferred tax relating to incremental depreciation on revaluation of fixed assets	(8,713)	(4,722)	(4,357)	(2,360)
	16,180	8,769	8,090	4,383
Comprehensive income transferred to equity	3,065,012	2,518,063	1,613,096	1,155,039
Components of comprehensive income not transferred to equity				
Surplus on revaluation of fixed assets relating to incremental depreciation	(16,180)	(8,769)	(8,090)	(4,383)
Surplus / (deficit) on revaluation of investments- available for sale	2,556,377	321,811	(14,431)	(746,352)
Deferred tax on revaluation of investments - available for sale	(894,732)	(112,634)	5,051	261,223
	1,661,645	209,177	(9,380)	(485,129)
	4,710,477	2,718,471	1,595,626	665,527

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

Chief Financial Officer

President and Chief Executive

Director

Director

Director

Consolidated Condensed Interim Cash Flow Statement

(Un-audited) for the half year ended June 30, 2009

	Half Year Ended June 30, 2009	Half Year Ended June 30, 2008
	Rupees in '000'	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	4,615,539	3,826,534
Less: Dividend income	752,337	588,315
	<u>3,863,202</u>	<u>3,238,219</u>
Adjustments for non-cash charges		
Depreciation/amortisation	299,733	209,171
Provision against non-performing loans and advances (including general/other provision)	1,870,418	125,245
Provision/(reversal of provision) for diminution in the value of investments	533,504	(1,926)
Provision against lendings to financial institutions	66,500	-
Unrealised (gain)/loss on revaluation of held for trading securities	(185)	7,460
Provision/(reversal of provision) against off balance sheet items	20,101	(11,219)
Provision against other assets	131,000	10,348
(Gain)/loss on sale of property and equipment - net	(3,004)	13,199
Bad debts written off directly	282	2
	<u>2,918,349</u>	<u>352,280</u>
	6,781,551	3,590,499
(Increase)/ decrease in operating assets		
Lendings to financial institutions	(15,301,716)	(10,242,425)
Held for trading securities	(25,773)	(166,161)
Advances	(1,120,865)	(168,133)
Other assets (excluding advance taxation)	(769,064)	(2,022,850)
	<u>(17,217,418)</u>	<u>(12,599,569)</u>
Increase/ (decrease) in operating liabilities		
Bills payable	30,093	(1,034,322)
Borrowings from financial institutions	(79,205)	(7,987,032)
Deposits	15,299,003	30,495,415
Other liabilities	(421,963)	1,736,588
	<u>14,827,928</u>	<u>23,210,649</u>
	4,392,061	14,201,579
Income tax paid	(1,982,782)	(1,179,283)
Net cash flow from operating activities	<u>2,409,279</u>	<u>13,022,296</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(3,328,215)	8,432,170
Net investment in held-to-maturity securities	1,687,322	(5,301,318)
Dividend income	694,312	540,563
Investments in operating fixed assets	(887,739)	(1,345,756)
Proceeds from sale of fixed assets	15,008	180,388
Net cash flow (used) in / from investing activities	<u>(1,819,312)</u>	<u>2,506,047</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of sub-ordinated loan	(500)	(500)
Dividend paid	(657,473)	(789,128)
Net cash flow used in financing activities	<u>(657,973)</u>	<u>(789,628)</u>
(Decrease)/increase in cash and cash equivalents during the period	<u>(68,006)</u>	<u>14,738,715</u>
Cash and cash equivalents at beginning of the period	<u>25,618,459</u>	<u>30,352,732</u>
Cash and cash equivalents at end of the period	<u>25,550,453</u>	<u>45,091,447</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

Director

Director

Director

Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended June 30, 2009

	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 1, 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 half year ended June 30, 2008									
Total comprehensive income for the half year ended June 30, 2008	-	-	-	-	-	-	-	2,509,294	2,509,294
Transfer to statutory reserve	-	-	501,636	-	-	-	-	(501,636)	-
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. 1.50 per Ordinary share)	-	-	-	-	-	-	-	(807,955)	(807,955)
Balance as at June 30, 2008	6,463,644	2,341,322	2,725,894	-	67,995	333,864	6,000	8,172,930	20,111,649
Changes in equity during the half year ended December 31, 2008									
Total comprehensive income for the half year ended December 31, 2008	-	-	-	-	-	-	-	1,602,108	1,602,108
Transfer to statutory reserve	-	-	329,701	-	-	-	-	(329,701)	-
Interim cash dividend for the year ended December 31, 2008 (Rs. 1.50 per Ordinary share)	-	-	-	-	-	-	-	(969,546)	(969,546)
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 half year ended June 30, 2009									
Total comprehensive income for the half year ended June 30, 2009	-	-	-	-	-	-	-	3,065,012	3,065,012
Transfer to statutory reserve	-	-	612,108	-	-	-	-	(612,108)	-
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)
Balance as at June 30, 2009	7,110,008	1,694,958	3,667,703	-	67,995	333,864	6,000	10,282,331	23,162,859

* 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

Director

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 768 (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 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 (SBP). 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 SBP 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 half year ended June 30, 2009

	Note	Un-audited June 30, 2009	Audited December 31, 2008
Rupees in '000'			
5. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	5.1	1,300,000	100,000
Letters of placement	5.2	133,000	736,000
Repurchase agreement lendings (Reverse Repo)	5.3	29,477,177	14,957,183
Certificates of investment	5.4	184,722	–
		31,094,899	15,793,183
Provision against lending to Financial Institution	5.2	(66,500)	–
		31,028,399	15,793,183

5.1 These are unsecured lendings to Financial Institutions, carrying mark-up at rates, ranging between 13.30% and 14.00% (December 31, 2008 at the rate of 15.40%) per annum and maturing on various dates, latest by September 10, 2009.

5.2 This represents a placement with a Non-Banking Finance Company. Provision aggregating to Rs. 66.5 million has been made against this placement outstanding as at June 30, 2009.

5.3 These are short-term lendings to various financial institutions against government securities, carrying mark-up at rates, ranging between 12.00% and 13.90% (December 31, 2008: 10.00% and 14.90%) per annum and maturing on various dates, latest by August 17, 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 on April 30, 2012.

6. INVESTMENTS

	Note	Held by Bank	Given as collateral	Total
Rupees in '000'				
Current period – June 30, 2009 (Un-audited)	6.1	85,832,007	317,393	86,149,400
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 half year ended June 30, 2009

	Un-audited As at June 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	35,195	-	35,195	-	-	-
Units of Open-End Mutual Funds	90,195	-	90,195	96,416	-	96,416
	125,390	-	125,390	96,416	-	96,416
Available for sale securities						
Market Treasury Bills	27,606,850	315,435	27,922,285	26,512,476	8,197,541	34,710,017
Pakistan Investment Bonds	245,940	-	245,940	445,580	-	445,580
Ordinary Shares / Certificates of listed companies	7,477,737	-	7,477,737	6,863,698	-	6,863,698
Preference Shares of listed companies	250,000	-	250,000	250,000	-	250,000
Units of Open-End Mutual Funds	8,968,888	-	8,968,888	12,761,149	-	12,761,149
Ordinary Shares of unlisted companies	466,072	-	466,072	544,822	-	544,822
Ordinary Shares of unlisted companies -(related parties)	1,069,970	-	1,069,970	447,853	-	447,853
Pre IPO Investments	35,000	-	35,000	35,000	-	35,000
Sukuk Bonds	3,268,520	-	3,268,520	2,686,250	-	2,686,250
Term Finance Certificates (TFCs)	19,748,755	-	19,748,755	7,733,386	-	7,733,386
	69,137,732	315,435	69,453,167	58,280,214	8,197,541	66,477,755
Held-to-maturity securities						
Pakistan Investment Bonds	7,785,576	-	7,785,576	9,084,116	-	9,084,116
Foreign Currency Bonds (US\$)	141,564	-	141,564	137,767	-	137,767
TFCs, Debentures, Bonds, and Participation Term Certificate (PTCs)	10,289,777	-	10,289,777	10,682,356	-	10,682,356
	18,216,917	-	18,216,917	19,904,239	-	19,904,239
	87,480,039	315,435	87,795,474	78,280,869	8,197,541	86,478,410
Provision for diminution in value of investments	(2,195,743)	-	(2,195,743)	(2,015,042)	-	(2,015,042)
Unrealised gain on revaluation of Held-for-trading securities	185	-	185	3,201	-	3,201
Surplus/(deficit) on revaluation of Available-for-sale securities	547,526	1,958	549,484	(2,032,608)	37	(2,032,571)
Investments (net of provision)	85,832,007	317,393	86,149,400	74,236,420	8,197,578	82,433,998

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 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 June 30 2009, based on the above discussions and the market values as of that date have been determined at Rs. 262.953 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 June 30, 2009 would have had the following effect on these financial statements:

	June 30, 2009 Rupees in ‘000’
Increase in ‘Impairment Loss’ in Profit and Loss Account	262,953
Decrease in tax charge for the year	89,005
Decrease in profit for the year - after tax	<u>173,948</u>
	Rupees
Decrease in earnings per share -after tax (basic and diluted)	<u>0.24</u>
	Rupees in ‘000’
Increase in net surplus on revaluation of available for sale securities	262,953
Decrease in unappropriated profit	<u>173,948</u>

Notes to the Consolidated Condensed Interim Financial Statements
(Un-audited) for the half year ended June 30, 2009

	Note	Un-audited June 30, 2009	Audited December 31, 2008
Rupees in '000'			
7. ADVANCES			
Loans, cash credits, running finances, etc. – in Pakistan		217,450,356	215,781,261
Net investment in finance lease – in Pakistan		709,884	768,173
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		592,457	1,738,019
Payable outside Pakistan		5,047,402	5,400,424
		5,639,859	7,138,443
		223,800,099	223,687,877
Provision against non-performing advances / others	7.1	(11,522,840)	(10,657,709)
General provision against consumer financing		(6,987)	(10,060)
		212,270,272	213,020,108

7.1 Advances include Rs. 15,579,788 thousand (December 31, 2008: Rs. 13,771,895 thousand) which have been placed under the non-performing status as detailed below:

June 30, 2009 (Un-audited)					
Category of Classification	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000'					
Other Assets Especially Mentioned	17,831	–	17,831	–	–
Substandard	2,128,064	–	2,128,064	530,727	530,727
Doubtful*	4,768,977	–	4,768,977	2,327,197	2,327,197
Loss	8,664,916	–	8,664,916	8,664,916	8,664,916
	15,579,788	–	15,579,788	11,522,840	11,522,840

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

* This includes net exposure of Rs. 317.785 million against Japan Power Generation Limited, classification of which as loss has been deferred till 30 September 2009 under a permission by the State Bank of Pakistan's letter BID(insp)/332/045-01/2009 dated 13 July 2009.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2009

8. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 887,739 thousand (June 30, 2008: 1,345,756 thousand) and Rs. 12,004 thousand (June 30, 2008: 193,587 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 half year and accordingly has recognized deferred tax amounting to Rs. 447.77 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 June 30, 2009	Audited December 31, 2008
Rupees in '000'	

10. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	91,287,929	105,939,618
Savings deposits	82,229,487	72,448,664
Current accounts – Remunerative	46,685,906	37,829,726
– Non-remunerative	90,318,605	77,755,031
	310,521,927	293,973,039

Financial Institutions

Remunerative deposits	2,251,619	3,501,504
	312,773,546	297,474,543

11. The Bank has restructured the issue of second TFC from Rs. 4,000 million to Rs. 3,000 million out of which, Rs. 2,250 million had been raised through Pre IPO and Rs. 750 million will be offered for subscription through IPO for which SECP approval is awaited. As of June 30, 2009 Rs. 2,250 million has been received as Pre IPO proceeds and are included in other liabilities.

12. SHARE CAPITAL

12.1 Authorised capital

Un-audited June 30, 2009	Audited December 31, 2008		Un-audited June 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 June 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
286,672,118	222,035,681	Issued as bonus shares	2,866,721	2,220,357
693,452,212	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			
711,000,762	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 65,965,220 (9.28%) [December 31, 2008: 261,526,088 (40.46%) and 58,968,382 (9.12%)] Ordinary shares of Rs. 10 each, respectively, as at June 30, 2009.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2009

	Note	Un-audited June 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	2,817,262	2,833,442
- available for sale securities	13.2	352,251	(1,341,754)
Surplus on revaluation of assets - net of tax		<u>3,169,513</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		(16,180)	(17,541)
Related deferred tax liability		(8,713)	(9,446)
		<u>(24,893)</u>	<u>(26,987)</u>
Surplus on revaluation of fixed assets as at June 30 and December 31		3,157,139	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		(8,713)	(9,446)
		<u>339,877</u>	<u>348,590</u>
		<u>2,817,262</u>	<u>2,833,442</u>
13.2 Surplus/(Deficit) on revaluation of available-for-sale securities			
Federal Government Securities			
Market Treasury Bills		81,295	(7,932)
Pakistan Investment Bonds		(16,118)	(50,562)
Term Finance Certificates		(158,044)	(115,023)
Sukuk Bonds		(90,810)	-
Shares/Certificates - Listed		411,565	(1,755,683)
Mutual Funds		321,596	(103,371)
		<u>549,484</u>	<u>(2,032,571)</u>
Less : Related deferred tax liability / asset		(197,233)	690,817
		<u>352,251</u>	<u>(1,341,754)</u>

	Un-audited June 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	1,133,110	1,455,678
14.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	6,538,446	7,736,845
Others	5,774,016	4,088,278
	12,312,462	11,825,123
14.3 Trade-related contingent liabilities	72,579,180	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 June 30, 2009	Audited December 31, 2008
	Rupees in '000'	
14.6 Commitments in respect of forward foreign exchange contracts		
Purchase	16,701,016	17,083,600
Sale	4,981,930	4,831,414
14.7 Commitments in respect of operating fixed assets:		
Civil works	551,997	929,810
Acquisition of fixed assets	508,798	145,987
Procurement of software	195	142,859
14.8 Commitments in respect of lease financing	4,400	48,567
14.9 Commitments in respect of purchase of shares	490,751	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:

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2009

- 14.11.2 The income tax assessments of the Bank have been finalized upto and including tax year 2008 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 the result of appeals filed by the Bank before appellate authorities, the add backs amounting to Rs. 2,523 million and Rs. 4,102 million were set-aside and deleted respectively. While giving appeal effects on most of deleted issues a refund of Rs. 3,875 million has been determined. Against most of 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.

	Half Year Ended June 30, 2009	Half Year Ended June 30, 2008	Quarter Ended June 30, 2009	Quarter Ended June 30 2008
Rupees in '000'				
15. MARK-UP/RETURN/INTEREST EARNED				
On loans and advances	14,947,704	9,307,988	7,102,354	4,858,815
On investments in:				
Available for sale securities	3,102,541	1,843,782	1,524,393	1,132,376
Held to maturity securities	1,040,424	954,429	689,273	191,308
	4,142,965	2,798,211	2,213,666	1,323,684
On deposits with financial institutions	14,931	43,157	8,793	27,052
On securities purchased under resale agreements	804,269	842,012	409,906	438,494
On certificates of investment	43,057	21,328	22,139	21,328
On letters of placement	22,647	48,936	2,550	5,025
On call money lending	35,765	55,755	13,177	32,509
	<u>20,011,338</u>	<u>13,117,387</u>	<u>9,772,585</u>	<u>6,706,907</u>

16. MARK-UP/RETURN/INTEREST EXPENSED

Deposits	9,323,395	6,061,840	4,491,050	3,172,287
Long term borrowings	108,995	-	53,888	-
Securities sold under repurchase agreements	186,038	266,493	68,393	58,667
Other short term borrowings	1,202,059	570,053	545,356	260,247
Brokerage and commission	53,064	51,260	28,522	20,269
Markup on TFCs	214,174	153,224	105,992	79,319
Markup on Pre-IPO proceeds	225,178	-	103,768	-
	<u>11,312,903</u>	<u>7,102,870</u>	<u>5,396,969</u>	<u>3,590,789</u>

17. EARNINGS PER SHARE - BASIC AND DILUTED

	Rupees in '000'			
Profit after tax for the period attributable to ordinary shareholders	<u>3,048,832</u>	<u>2,509,294</u>	<u>1,605,006</u>	<u>1,150,656</u>
	Number of Shares			
Weighted average number of Ordinary Shares outstanding during the period	<u>711,000,762</u>	<u>711,000,762</u>	<u>711,000,762</u>	<u>711,000,762</u>
	Rupees			
Earnings per share - basic and diluted	<u>4.29</u>	<u>3.53</u>	<u>2.26</u>	<u>1.62</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.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2009

18.

RELATED PARTY TRANSACTIONS

The Bank and subsidiary have related party relationships with 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., under the comparable uncontrolled price method).

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation (terms of contribution plan). Transactions with key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

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 June 30, 2009			Audited December 31, 2008				
	Directors	Associated Companies	Key management personnel	Other related	Directors	Associated Companies	Key management personnel	Other related parties
Rupees in '000'								
Loans								
Loans at the beginning of the period/year				6,099,914			81,894	2,544,908
Loans given during the period/year	27,040	-	269,024	15,059,667	11,783	-	211,642	10,718,466
Loans repaid during the period/year	7,269 (10,323)	-	39,715 (24,828)	(2,814,155)	25,612 (10,355)	-	(24,512)	(7,163,460)
Loans at the end of the period/year	23,986	-	283,911	18,345,426	27,040	-	269,024	6,099,914
Deposits								
Deposits at the beginning of the period/year				125,001			17,706	2,953
Deposits received during the period/year	4,845	55,423	14,355	1,247,191	3,763	89,446	221,062	5,810,587
Deposits repaid during the period/year	168,311 (167,486)	1,008,220 (1,042,206)	171,589 (154,829)	(1,345,702)	1,005,141 (1,004,059)	2,591,970 (2,625,993)	(224,413)	(5,688,539)
Deposits at the end of the period/year	5,670	21,437	31,115	26,490	4,845	55,423	14,355	125,001
Nostro Balances	-	159,389	-	-	-	372,416	-	-
Investment in Shares	-	240,969	-	928,694	-	778,512	-	333,993
Other receivables	-	-	-	16,595	-	-	-	-
Net receivable from staff retirement benefit funds	-	-	-	1,445,164	-	-	-	1,393,152
Staff retirement fund deposits	-	-	-	3,861,798	-	-	-	3,317,336
Rent payable	-	-	-	1,328	-	-	-	1,328

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2009

	Un-audited June 30, 2009				Audited December 31, 2008			
	Directors	Associated Companies	Key management personnel	Other related	Directors	Associated Companies	Key management personnel	Other related parties
	Rupees in '000'							
Mark-up earned on loans	193	-	7,404	503,802	-	-	3,575	79,120
Income on placements	-	106	-	-	-	294	-	-
Income on lending	-	-	-	-	-	33	-	-
Management fee/commission income	-	-	-	29,915	-	-	-	-
Mark-up expense on deposits	-	25	367	142,076	12	-	101	151,628
Interest expense on Borrowing	-	-	-	-	-	231	-	-
Management fee/commission expense	-	-	-	31,205	-	-	-	-
Directors' meeting fee	925	-	-	-	975	-	-	-
NIFT charges	-	-	-	31,355	-	-	-	28,831
Bank Charges Levied	-	-	-	-	-	-	3	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	342,704	-	-	-	(67,495)

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

For the Period Ended June 30, 2009 (Un-audited)						
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Total
Rupees in '000'						
Total Income	606,584	942,081	10,719,814	18,325,586	106,880	30,751,712
Total Expenses	(317,851)	(826,509)	(9,115,837)	(17,322,343)	(57,867)	(27,702,880)
Net Income	288,733	115,572	1,603,977	1,003,243	49,013	3,048,832

For the Period Ended June 30, 2008 (Un-audited)						
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Total
Rupees in '000'						
Total Income	245,477	986,352	7,128,763	11,444,395	56,216	19,884,477
Total Expenses	(127,730)	(881,775)	(5,962,265)	(10,349,395)	(31,859)	(17,375,183)
Net Income	117,747	104,577	1,166,498	1,095,000	24,357	2,509,294

20. GENERAL

20.1 The Board of Directors of the Bank in its meeting held on August 11, 2009 has approved interim cash dividend for the half year ended June 30, 2009 at Rs. 2.0 per share (June 30, 2008: cash dividend of Rs. 1.5 per share) resulting in total distribution of Rs. 1,422.002 million. The consolidated condensed interim financial statements for the half year ended June 30, 2009 do not include the effect of this appropriation and will be accounted for in the financial statements of the period of declaration.

20.2 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 August 11, 2009 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Director

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