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people we serve...

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# Corporate Information

## Board of Directors

Mohammad Naeem Mukhtar  
Chairman

Sheikh Mukhtar Ahmad

Mohammad Waseem Mukhtar

Sheikh Jalees Ahmed

Abdul Aziz Khan

Mubashir A. Akhtar

Pervaiz Iqbal Butt

Government Nominee  
(yet to be appointed)

Khalid A. Sherwani  
Chief Executive Officer

## Audit Committee

Sheikh Mukhtar Ahmad  
Chairman

Sheikh Jalees Ahmed  
Member

Mubashir A. Akhtar

## Company Secretary

Muhammad Raffat

## Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

KPMG Taseer Hadi & Co.  
Chartered Accountants

## Legal Adviser

Haidermota and Company  
Advocates and solicitors

## Shares Registrar

Technology Trade (Pvt.) Ltd.

## Central Office

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

## Head Office/Registered Office

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

## Website & Email

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

## Toll Free Number

0800-22522

# Vision, Mission & Core Values

## Vision

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

## Mission

To provide value added services to our customers

To provide high tech innovative solutions to meet customers' requirements

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

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

To play a proactive role in contributing towards the society

## Core Values

Integrity

Excellence in Service

High Performance

Innovation and Growth

## Directors' Review

(Un-audited) for the nine months ended September 30, 2010

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 period ended September 30, 2010.

### Financial Highlights

	(Rupees in million)		Growth
	Nine months ended September 30,		
	2010	2009	
Profit after tax	5,849	5,013	16.68%
Un-appropriated profits brought forward	12,198	8,537	42.88%
Transfer from surplus on revaluation of fixed assets – net of tax	23	24	-4.17%
Profit available for appropriation	18,070	13,574	33.12%
Final cash dividend for the year ended December 31, 2009 (2009: year ended December 31, 2008) at Rs. 2 per share (2009: Re. 1 per share)	(1,422)	(6460)	120.12%
Interim cash dividend for the year ending December 31, 2010 (2009: year ended December 31, 2009) at Rs.2 per share (2009: Rs. 2 per share)	(1,564)	(1,422)	9.99%
Transfer to Statutory Reserves	(1,170)	(1,003)	16.65%
Un-appropriated profits carried forward	13,914	10,503	32.48%
Earning Per Share (EPS) for the nine months	748	641	16.69%

### Economic Overview

The challenges for Pakistan's economy, which was already passing through a difficult phase, increased manifold due to the recent catastrophic floods having serious implications for macroeconomic stability and growth prospects. The current fiscal year started with concerns over inflationary pressures and weak fiscal position and the risks exacerbated in post-flood scenario.

While an exercise for determining the extent of damage is currently underway, the provisional estimates suggest slowing down of the GDP growth from initial target on account of losses in agriculture and its ensuing impact on related industries and extensive damage caused to the infrastructure. The CPI inflation has shown sharp rise to 15.7% during September 2010, mainly on account of high food inflation caused by loss of agriculture output and disruption of supply chains of food items. While food inflation is expected to normalize in coming months, given the probable increase in electricity prices, induction of reformed GST and increasing reliance of the government on borrowings from SBP for deficit financing, the high inflationary pressures are likely to persist in FY11. Meanwhile, the expectation of widening of external account deficit has increased as growth in imports seems to outpace exports, especially after the floods. There exists heavy dependence on foreign inflows for supporting the overall budget deficit, especially in lieu of increasing spending requirements of the government for relief and reconstruction efforts, and supporting the balance of payments. Considering the challenges to the economic stability, the State Bank of Pakistan raised the Policy Rate consecutively by 50bps each in its past two Monetary Policy announcements in July 2010 and September 2010.

In these circumstances, most of the expansion in broad money in FY11 is expected to be driven by growth in Net Domestic Assets (NDA) of the banking system accompanied by possible decline in the Net Foreign Assets (NFA). Meanwhile, the accumulation in bank's NPLs does not seem to be decelerating and is expected to rise further for banks with large exposure to the agriculture sector. Increasing encroachment of the banking system resources for deficit monetization is inevitable in near to mid-term, leading to crowding out effect of the private sector credit.

### Financial Review

Under the current difficult environment, Your Bank continues to follow its strategy of maintaining sustainable growth, pursuing conservative lending policies tilted towards less risky avenues and achieving a more stable and cost effective deposit mix. As a result deposits of Your bank grew by 9% and stood at Rs. 328,575 million as at September 30, 2010 compared to deposits of Rs. 301,588 million over the corresponding period of 2009. Importantly, the share of Non-Remunerative Current Accounts and low cost Savings Accounts in the total deposits mix has improved to 57.7% as at September 30, 2010 compared to 55.7% as at September 30, 2009. Given the prevalent circumstances, Gross Investments of Rs. 124,300 million constituted much of the Bank's earning assets growth during the period ended on September 30, 2010, which increased by 35.4 % over September 30, 2009. The Gross Advances, keeping in line with cautious lending approach were Rs. 236,127 million as at September 30, 2010, a growth of 6% over the gross advances of Rs. 222,690 million as at September 30, 2009. The balance sheet size of Your Bank stands at Rs. 412,482 million as at September 30, 2010, while the equity of the bank as at September 30, 2010 registered a strong growth of 16.3% over September 30, 2009 level to reach at Rs. 32,199 million.

Profit Before Tax of Your Bank increased by 17% to reach Rs. 8,750 million during nine months period ended September 30, 2010 as compared to Rs. 7,476 million in the corresponding period of previous year. Profit After Tax also rose by 16.7% to Rs. 5,849 million compared to Rs. 5,013 million in the corresponding period. Resultantly, the EPS of Your Bank increased to Rs. 7.48 during nine months period ended September 30, 2010 compared to Rs. 6.41 in the corresponding period of previous year.

Mark-up/interest income during nine months period ended September 30, 2010 increased to Rs. 33,254 million compared to Rs. 30,419 million in the corresponding period of previous year, a growth of 9.3%. This was mainly due to higher average volume growth in earning assets which offset the impact of lower average KIBOR prevailing during the period compared to the corresponding period. On the other hand, the mark-up/interest expense declined marginally to Rs. 16,704 million compared to Rs. 16,791 million over the corresponding period attributable largely to the improvement in deposit mix. As a consequence, the net mark-up/interest income of Your Bank grew by 21.4% to Rs. 16,550 million compared to the corresponding period of previous year. The provision expense declined to Rs. 3,053 million during nine months period ended September 30, 2010 compared to Rs. 3,669 million in the corresponding period.

Non-mark up/interest income during nine months period ended September 30, 2010 reduced to Rs. 3,656 million over the corresponding period, attributable to lower YoY FX revenue and income from equity investments. Due to limited growth of project financing activity in the country during the period, the contribution of advisory and investment banking fee income in the total fee income has also reduced from previous year. The Operating Expenses increased to Rs. 8,403 million during nine months period ended September 30, 2010 as compared to Rs. 7,178 million in the corresponding period of previous year. However, expenses for the

current period include one-off expense against Voluntary Retirement Scheme offered by the bank. Excluding its impact, the actual growth in expenses is 12.9%. This when compared with inflationary trends and increasing outlays on system up-gradation reflects effectiveness of the management strategies for cost control. In the wake of current difficult credit environment, NPLs showed an increasing trend with NPLs to Gross Advances Ratio increasing to 8.02% as at September 30, 2010. However, the bank has adequately provided for the NPLs with provision coverage ratio increasing to 79.8% as at September 30, 2010 (excluding general provisions) compared to 76.9% at December 31, 2009. No benefit of FSV has been taken while determining the provision against NPLs as allowed under BSD Circular No. 10 of 2009 dated October 20, 2009.

### Future Outlook:

The macroeconomic outlook remains fragile and exposed to various risks on account of rising inflation, increasing fiscal slippages and possible pressure on Balance of Payments. Meanwhile, the uncertainties attached with global economic outlook, sensitive security situation in the country and severe power shortage would continue to act as impediments for the overall recovery. In these challenging times, the asset quality of the banking industry is likely to remain under pressure. Your Bank being watchful of the economic conditions would continue with its strategy of achieving steady growth in avenues prone to less risk and optimizing efficiencies to reduce cost. Meanwhile, Your Bank's focus would remain on providing state of the art banking services to its large customer base and aim for higher customers' satisfaction levels by further improving service quality.

### 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 rating of TFC Issue of Rs. 3,000 million (Issue Date: August 28, 2009) has also been maintained at AA- (Double A Minus). The ratings denote very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. Meanwhile, the rating of Bank's earlier TFC Issue of Rs. 2,500 million (Issue Date: December 06, 2006) has also been maintained at AA- (Double A Minus) by JCR-VIS Credit Rating Company.

### Corporate Governance Rating

The bank has a Corporate Governance rating of CGR-8, assigned by JCR-VIS, which denotes a high level of corporate governance.

### 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.

For and on behalf of the Board,

Khalid A. Sherwani  
Chief Executive Officer

Mohammad Naeem Mukhtar  
Chairman

Dated: October 18, 2010  
Place: Lahore

# Unconsolidated Condensed Interim Statement of Financial Position

as at September 30, 2010

	Note	Un-audited September 30, 2010	Audited December 31, 2009
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		24,665,286	26,435,633
Balances with other banks		3,066,003	1,280,443
Lendings to financial institutions	5	6,563,969	28,122,932
Investments	6	122,951,771	94,789,492
Advances	7	220,844,554	237,344,038
Operating fixed assets	8	15,028,859	12,446,748
Deferred tax assets - net	9	729,361	-
Other assets		18,631,730	17,955,045
		412,481,533	418,374,331
<b>LIABILITIES</b>			
Bills payable		3,518,097	3,162,429
Borrowings from financial institutions		31,467,422	39,818,532
Deposits and other accounts	10	328,575,477	328,875,037
Sub-ordinated loans		5,495,300	5,497,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	1,871
Other liabilities		11,226,256	11,059,484
		380,282,552	388,414,353
<b>NET ASSETS</b>		<b>32,198,981</b>	<b>29,959,978</b>
<b>REPRESENTED BY</b>			
Share capital	11	7,821,009	7,110,008
Reserves		7,041,588	6,582,845
Unappropriated profit		13,914,258	12,198,425
		28,776,855	25,891,278
Surplus on revaluation of assets - net of tax	12	3,422,126	4,068,700
		32,198,981	29,959,978
<b>CONTINGENCIES AND COMMITMENTS</b>	13	-	-

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

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman



# Unconsolidated Condensed Interim Profit and Loss Account

(Un-audited) for the nine months ended September 30, 2010

Note	Nine Months ended		Quarter ended		
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009	
<b>Rupees in '000</b>					
Mark-up / return / interest earned	14	33,254,106	30,418,946	11,407,004	10,418,731
Mark-up/return / interest expensed	15	16,703,756	16,790,843	5,436,413	5,477,870
Net mark-up / interest income		16,550,350	13,628,103	5,970,591	4,940,861
Provision against non-performing loans and advances and general provision-net		2,837,331	2,568,953	1,030,999	698,535
Provision / (reversal of provision) against lending to Financial Institutions		(280,195)	189,750	-	123,250
Provision for diminution in the value of investments - net		595,729	579,719	(6,024)	59,778
Bad debts written off directly		-	282	-	-
		3,152,865	3,338,704	1,024,975	881,563
Net mark-up/interest income after provisions		13,397,485	10,289,399	4,945,616	4,059,298
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income		1,842,985	2,163,794	486,247	517,974
Dividend income		828,758	1,092,982	292,147	344,147
Income from trading in government securities		-	-	-	-
Income from dealing in foreign currencies		230,608	565,177	130,906	98,719
Gain from sale and purchase of other securities		684,972	835,992	87,018	351,878
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		(8,124)	4,205	352	4,149
Other income		77,199	32,723	39,079	14,562
Total non-mark-up/interest income		3,656,398	4,694,873	1,035,749	1,331,429
		17,053,883	14,984,272	5,981,365	5,390,727
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses	16	8,146,683	6,968,206	2,684,899	2,423,867
Provision against other assets - net		-	143,000	(12,000)	12,000
Provision / (reversal of provision) against off-balance sheet obligations - net		(99,778)	187,554	3,400	167,453
Workers welfare fund		191,013	158,399	70,823	45,516
Other charges		65,891	51,554	2,327	(106,878)
Total non-mark-up / interest expenses		8,303,809	7,508,713	2,749,449	2,541,958
		8,750,074	7,475,559	3,231,916	2,848,769
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		8,750,074	7,475,559	3,231,916	2,848,769
<b>Taxation</b>					
- Current		3,135,532	2,771,984	1,166,367	796,526
- Prior years		373,941	-	-	-
- Deferred		(608,123)	(309,753)	(162,964)	99,453
		2,901,350	2,462,231	1,003,403	895,979
<b>PROFIT AFTER TAXATION</b>		5,848,724	5,013,328	2,228,513	1,952,790
Earning per share - Basic and Diluted (in Rupees)	17	748	641	2.85	2.50

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

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Unconsolidated Condensed Interim Statement of Comprehensive Income  
(Un-audited) for the nine months ended September 30, 2010

Note	Nine Months ended		Quarter ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	Rupees in '000			
Profit after taxation for the period	5,848,724	5,013,328	2,228,513	1,952,790
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	5,848,724	5,013,328	2,228,513	1,952,790

Surplus/ deficit on revaluation of 'Available for sale' securities and 'Fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated 04 August 2000 and BSD Circular No. 10 dated 13 July 2004 and Companies Ordinance, 1984 respectively.

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

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

# Unconsolidated Condensed Interim Statement of Cash Flow

(Un-audited) for the nine months ended September 30, 2010

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	8,750,074	7,475,559
Less: Dividend income	828,758	1,092,982
	<u>7,921,316</u>	<u>6,382,577</u>
Adjustments for non-cash charges		
Depreciation / amortization	625,165	462,454
Provision against non-performing loans and advances and general provision - net	2,837,331	2,568,953
Provision for diminution in the value of investments - net	595,729	579,719
Provision /(reversal of provision) against lending to financial institutions	(280,195)	189,750
Unrealised loss / (gain) on revaluation of held for trading securities - net	8,124	(4,205)
Provision/(reversal of provision) against off-balance sheet obligations - net	(99,778)	187,554
Provision against other assets - net	-	143,000
Operating fixed assets written off	5	-
Gain on sale of fixed assets	(15,927)	(3,138)
Bad debts written off directly	-	282
	<u>3,670,454</u>	<u>4,124,369</u>
	<u>11,591,770</u>	<u>10,506,946</u>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	21,839,158	(6,111,516)
Held for trading securities	(16,989)	(72,609)
Advances	13,662,578	(71,297)
Other assets (excluding advance taxation)	(3,048,832)	(1,678,662)
	<u>32,435,915</u>	<u>(7,934,084)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	355,668	1,294,918
Borrowings from financial institutions	(9,940,924)	1,638,003
Deposits	(299,560)	4,112,527
Other liabilities	258,349	(3,087,917)
	<u>(9,626,467)</u>	<u>3,957,531</u>
Income tax paid	34,401,218	6,530,393
	<u>(972,534)</u>	<u>(2,122,237)</u>
<b>Net cash flow from operating activities</b>	<u>33,428,684</u>	<u>4,408,156</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(30,248,004)	(7,772,720)
Net investment in held-to-maturity securities	757,536	1,804,493
Dividend income received	663,541	1,023,753
Investments in operating fixed assets	(3,216,852)	(1,307,731)
Proceeds from sale of fixed assets	20,197	17,574
<b>Net cash used in investing activities</b>	<u>(32,023,582)</u>	<u>(6,234,631)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net payment of sub-ordinated loan	(1,700)	2,999,500
Dividend paid	(2,978,003)	(2,049,240)
<b>Net cash used in financing activities</b>	<u>(2,979,703)</u>	<u>950,260</u>
<b>Increase/(decrease) in cash and cash equivalents during the period</b>	<u>(1,574,601)</u>	<u>(876,215)</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>27,354,760</u>	<u>25,617,627</u>
<b>Cash and cash equivalents at end of the period</b>	<u>25,780,159</u>	<u>24,741,412</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 Officer

Director

Director

Chairman

# Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the nine months ended September 30, 2010

	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appropriated Profit	Total
	Rupees in '000								
Balance as at: 01 January 2009	6,463,644	2,341,322	3,055,595	-	67,995	333,864	6,000	8,536,697	20,805,117
Changes in equity during the nine months ended September 30, 2009									
Total Comprehensive income for the nine months ended September 30, 2009	-	-	-	-	-	-	-	5,013,328	5,013,328
Transactions with owners recognised directly in equity									
Transfer to reserve for issue of bonus shares for year ended December 31, 2008 @ 10%	-	(646,364)	-	646,364	-	-	-	-	-
Final cash dividend for the year ended December 31, 2008 (Rs. 1.00 per ordinary share)	-	-	-	-	-	-	-	(646,364)	(646,364)
Issue of bonus shares	646,364	-	-	(646,364)	-	-	-	-	-
Interim cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
	646,364	(646,364)	-	-	-	-	-	(2,068,366)	(2,068,366)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	24,265	24,265
Transfer to statutory reserve	-	-	1,002,666	-	-	-	-	(1,002,666)	-
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
Changes in equity during the quarter ended December 31, 2009									
Profit after taxation for the quarter ended December 31, 2009	-	-	-	-	-	-	-	2,108,839	2,108,839
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	8,095	8,095
Transfer to statutory reserve	-	-	421,768	-	-	-	-	(421,768)	-
Balance as at: December 31, 2009	7,110,008	1,694,958	4,480,028	-	67,995	333,864	6,000	12,198,425	25,891,278
Changes in equity during the nine months ended September 30, 2010									
Total Comprehensive income for the nine months ended September 30, 2010	-	-	-	-	-	-	-	5,848,724	5,848,724
Transactions with owners recognised directly in equity									
Transfer to reserve for issue of bonus shares for year ended December 31, 2009 @ 10%	-	(711,001)	-	711,001	-	-	-	-	-
Issue of bonus shares	711,001	-	-	(711,001)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
Interim cash dividend for the year ending December 31, 2010 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,564,202)	(1,564,202)
	711,001	(711,001)	-	-	-	-	-	(2,986,204)	(2,986,204)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	23,057	23,057
Transfer to statutory reserve	-	-	1,169,744	-	-	-	-	(1,169,744)	-
Balance as at: September 30, 2010	7,821,009	983,957	5,649,772	-	67,995	333,864	6,000	13,914,258	28,776,855

\* 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 Officer

Director

Director

Chairman

# Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the nine months ended September 30, 2010

## 1. STATUS AND NATURE OF BUSINESS

Allied Bank Limited (the Bank), incorporated in Pakistan, is a scheduled Bank, engaged in commercial banking and related services. The Bank is listed on all stock exchanges in Pakistan. The Bank operates a total of 789 (2009: 779) branches in Pakistan including the Karachi Export Processing Zone Branch (overseas business unit). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA'. Short term rating of the Bank is 'A1+'. The Bank is a holding company of ABL Asset Management Company Limited.

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

## 2. STATEMENT OF COMPLIANCE

2.1 These unconsolidated condensed interim financial statements of the Bank for the nine months period ended September 30, 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan. In case where requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, 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 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan dated April 28, 2008, International Financial Reporting Standard (IFRS) 7 "Financial Instruments Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

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

## 3. BASIS OF PRESENTATION

3.1 The disclosures included in these unconsolidated condensed interim financial statements are limited based on the format prescribed by the State Bank of Pakistan, vide BSD Circular Letter No. 2 dated May 12, 2004, vide BSD Circular Letter No. 7 dated April 20, 2010 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2009.

3.2 During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

- IAS 27 - Consolidated and Separate Financial Statements (Amendments).
- IFRS 2 - Share Based Payments: Amendments relating to Group Cash-settled Share-based payment Transaction.
- IFRS 3 - Business Combinations (Revised)
- IFRIC 17 - Distributions to Non-cash Assets to owners

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank as disclosed in the annual financial statements for the year ended December 31, 2009. The implications of the amendment to the IFRS-2 relating to the Government of Pakistan share option scheme for employees of State Owned Enterprises are under considerations of the Institute of the Chartered Accountants of Pakistan.

# Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the nine months ended September 30, 2010

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

- 4.1 The accounting policies, underlying estimates and methods of computation followed in the preparation of these unconsolidated condensed interim financial statements are same as those applied in preparing the most recent annual unconsolidated financial statements of the Bank, except, as referred to Note 7.2.
- 4.2 The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in the financial statements of the Bank for the year ended December 31, 2009.

Note	Un-audited September 30, 2010	Audited December 31, 2009
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Rupees in '000

## 5. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	5.1	700,000	525,000
Letters of placement	5.2	395	649,750
Repurchase agreement lendings (Reverse Repo)	5.3	5,757,307	26,347,932
Certificates of investment	5.4	106,667	880,845
		6,564,369	28,403,527
Provision against lending to Financial Institution	5.5	(400)	(280,595)
		6,563,969	28,122,932

- 5.1 These are unsecured lendings to Financial Institutions, carrying mark-up at rates, ranging between 10.75% and 12.70% (December 31, 2009: ranging between 12.10% and 12.70%) per annum and maturing on various dates, latest by October 22, 2010.
- 5.2 This represents clean placement with Non-Banking Finance Company carrying mark-up rate at 0.00 % (December 31, 2009: ranging between 12.60% and 12.70%) per annum and will mature on October 25, 2010.
- 5.3 These are short-term lendings to various financial institutions against the government securities, carrying mark-up at rates, ranging between 10.74% and 12.25% (December 31, 2009: ranging between 11.75% and 12.40%) per annum and will mature on various dates, latest by October 14, 2010.
- 5.4 The certificate of investment carries mark-up at the rate of 12.81% (December 31, 2009: ranging between 13.0% and 14.47%) per annum on performing investment and will mature on October 06, 2010.
- 5.5 This represents provision made under the prudential regulations of the State Bank of Pakistan.

## 6. INVESTMENTS

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

Current period - September 30, 2010 (Un-audited)	6.1	120,618,476	2,333,295	122,951,771
Prior year - December 31, 2009 (Audited)	6.1	87,812,873	6,976,619	94,789,492

# Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2010

Un-audited As at September 30, 2010			Audited As at December 31, 2009		
Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total

Rupees in '000

## 6.1 Investments by types

### Held-for-trading securities

Ordinary Shares of listed companies  
Ordinary Shares of related parties  
- Listed Shares

59,900	-	59,900	67,385	-	67,385
16,577	-	16,577			
76,477	-	76,477	67,385	-	67,385

### Available-for-sale securities

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

61,083,191	2,341,789	63,424,980	27,019,901	6,976,575	33,996,476
246,617	-	246,617	246,204	-	246,204
5,158,296	-	5,158,296	4,882,928	-	4,882,928
291,688	-	291,688	191,667	-	191,667
2,731,787	-	2,731,787	4,347,813	-	4,347,813
215,193	-	215,193	215,193	-	215,193
-	-	-	-	-	-
2,394,919	-	2,394,919	2,449,082	-	2,449,082
597,496	-	597,496	597,496	-	597,496
55,000	-	55,000	35,000	-	35,000
118,896	-	118,896	-	-	-
4,676,421	-	4,676,421	3,637,774	-	3,637,774
29,531,187	-	29,531,187	26,036,936	-	26,036,936
107,100,691	2,341,789	109,442,480	69,659,994	6,976,575	76,636,569

### Held-to-maturity securities

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

7,543,782	-	7,543,782	7,690,909	-	7,690,909
648,909	-	648,909	73,286	-	73,286
6,088,732	-	6,088,732	10,274,764	-	10,274,764
14,281,423	-	14,281,423	18,038,959	-	18,038,959

### Subsidiary

ABL Asset Management Company Limited

500,000	-	500,000	500,000	-	500,000
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### Investment at cost

121,958,591	2,341,789	124,300,380	88,266,338	6,976,575	95,242,913
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Provision for diminution in value of investments

(2,339,566)	-	(2,339,566)	(2,185,929)	-	(2,185,929)
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Unrealised loss on revaluation of

Held-for-trading securities

(8,124)	-	(8,124)	(7,897)	-	(7,897)
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Surplus/(deficit) on revaluation

of Available-for-sale securities

1,007,575	(8,494)	999,081	1,740,361	44	1,740,405
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Investments (net of provision)

120,618,476	2,333,295	122,951,771	87,812,873	6,976,619	94,789,492
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Notes to the Unconsolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2010

	Note	Un-audited September 30, 2010	Audited December 31, 2009
Rupees in '000			
<b>7. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		231,794,817	243,166,083
Net investment in finance lease - in Pakistan		1,182,152	846,699
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		342,800	389,507
Payable outside Pakistan		2,807,029	5,484,414
		3,149,829	5,873,921
Advances - gross		236,126,798	249,886,703
Provision against non-performing advances	7.1	(15,123,189)	(12,535,255)
General provision	7.2	(150,000)	-
General provision against consumer financing		(9,055)	(7,410)
		220,844,554	237,344,038

7.1 Advances include Rs. 18,950.298 million (2009: Rs. 16,281.178 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2010 (Un-audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Other Assets Especially					
Mentioned	26,412	-	26,412	-	-
Substandard	2,006,460	-	2,006,460	501,093	501,093
Doubtful	4,590,660	-	4,590,660	2,295,330	2,295,330
Loss	12,326,766	-	12,326,766	12,326,766	12,326,766
	18,950,298	-	18,950,298	15,123,189	15,123,189
December 31, 2009 (Audited)					
Category of Classification	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Other Assets Especially					
Mentioned	21,370	-	21,370	-	-
Substandard	3,045,384	-	3,045,384	760,816	760,816
Doubtful	2,713,157	-	2,713,157	1,356,579	1,356,579
Loss	10,501,267	-	10,501,267	10,417,860	10,417,860
	16,281,178	-	16,281,178	12,535,255	12,535,255

7.2 This represents general provision against advances excluding non performing advances and consumer financing, made on prudent basis, in view of prevailing economic conditions.

7.3 No benefit of Forced Sales Value of the collaterals held by the Bank has been taken while determining the provision against non performing loans as allowed under BSD Circular No. 02 dated June 03, 2010.



## Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2010

	Un-audited September 30, 2010	Audited December 31, 2009
	Rupees in '000	
<b>8. OPERATING FIXED ASSETS</b>		
Capital work-in-progress	3,062,254	1,686,872
Property and equipment	11,774,345	10,604,335
Intangible assets	192,260	155,541
	<u>15,028,859</u>	<u>12,446,748</u>

### 9. DEFERRED TAX ASSET / (LIABILITY) - NET

Deferred debits arising in respect of:

Compensated leave absences	136,124	216,646
Provision against:		
Investments	79,098	79,098
Other assets	305,418	305,418
Off balance sheet obligations	169,525	169,525
Provision against advances	1,019,768	223,560
Post retirement medical benefits	282,598	327,168
Workers Welfare Fund	142,113	75,258
Loss on sale of listed shares	19,862	39,863
	<u>2,154,506</u>	<u>1,436,536</u>

Deferred credits arising due to:

Surplus on revaluation of fixed assets	(318,749)	(331,165)
Surplus on revaluation of investments	(349,678)	(472,787)
Accelerated tax depreciation / amortization	(743,230)	(603,564)
Excess of investment in finance lease over written down value of leased assets	(13,488)	(30,891)
	<u>(1,425,145)</u>	<u>(1,438,407)</u>
	<u>729,361</u>	<u>(1,871)</u>

- 9.1 Through Finance Act 2007, a new section 100A and the 7th Schedule (the Schedule) were inserted in the Income Tax Ordinance, 2001 governing taxation of banking companies. The Schedule was applicable from tax year 2009 (financial year ended on December 31, 2008). Initially schedule did not contain transitory provisions to deal with the disallowances made up to year ended December 31, 2007. During the period, Rule 8A has been inserted in 7th Schedule, vide Finance Act 2010 which contains transitional provision with respect to provision against non performing loans and leases. However, transitional provisions on certain matters are yet to be notified, and the issue has been taken up with the tax authorities through Pakistan Banks' Association (PBA) for formulation of transitory provisions to deal with the items, which were previously treated differently under the then applicable provisions.

The deferred tax asset on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007, for which transitory provisions are not available, is being kept as an asset as the Bank is confident that transitory provisions would be introduced to set out the mechanism of claiming where benefit of these allowances can be claimed.

- 9.2 Similarly, the Finance Act, 2009 and 2010 have made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provision for doubtful and loss categories of advances and off balance sheet items is allowable up to a maximum of 1% of total advances whereas provision for advances and off balance sheet items for consumers and small and medium enterprises (SMEs) ("as defined under the SBP's Prudential Regulations) is now allowed at 5% of gross consumers and SME portfolio. The amount of bad debts classified as substandard under Prudential Regulations issued by the State Bank of Pakistan would not be allowed as an expense. Provision in excess of 1% of general advances can be carried forward to succeeding years. The matter of carry forward of provision exceeding 5% in case of consumer and SME advances has been taken up with Federal Board of Revenue through PBA.

Notes to the Unconsolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2010

	Un-audited September 30, 2010	Audited December 31, 2009
	Rupees in '000	
<b>10. DEPOSITS AND OTHER ACCOUNTS</b>		
Customers		
Fixed deposits	91,150,922	98,425,685
Savings deposits	88,742,034	85,274,893
Current accounts – Remunerative	47,340,104	47,706,475
– Non-remunerative	100,749,447	93,273,720
	327,982,507	324,680,773
Financial Institutions		
Remunerative deposits	592,970	4,194,264
	<u>328,575,477</u>	<u>328,875,037</u>

**11. SHARE CAPITAL**

**11.1 Authorised capital**

Un-audited September 30, 2010	Audited December 31, 2009		Un-audited September 30, 2010	Audited December 31, 2009
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

**11.2 Issued, subscribed and paid-up capital**

Fully paid-up Ordinary shares of Rs. 10 each

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

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 294,346,565 (37.64%) and NIL (0.00%) (December 31, 2009: 287,678,696 (40.46%) and 66,247,840 (9.32%)) Ordinary shares of Rs.10 each, respectively.

Notes to the Unconsolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2010

	Note	Un-audited September 30, 2010	Audited December 31, 2009
Rupees in '000			
<b>12. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus/(deficit) arising on revaluation of:			
- fixed assets	12.1	2,772,722	2,801,082
- available for sale securities	12.2	649,404	1,267,618
Surplus on revaluation of assets - net of tax		<u>3,422,126</u>	<u>4,068,700</u>
<b>12.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 1		3,132,247	3,182,032
Surplus realized on disposal of revalued properties		(5,303)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(23,057)	(32,360)
Related deferred tax liability		(12,416)	(17,425)
		<u>(35,473)</u>	<u>(49,785)</u>
Surplus on revaluation of fixed assets as at September 30 and December 31		3,091,471	3,132,247
Less: Related deferred tax liability on : Revaluation as at January 1		331,165	348,590
Incremental depreciation charged during the period / year transferred to profit and loss account		(12,416)	(17,425)
		<u>318,749</u>	<u>331,165</u>
		<u>2,772,722</u>	<u>2,801,082</u>
<b>12.2 Surplus/(Deficit) on revaluation of available-for-sale securities</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		(175,271)	1,127
Pakistan Investment Bonds		(21,431)	(19,305)
Term Finance Certificates		(201,271)	(381,506)
Sukuk Bonds		(108,882)	(97,281)
Shares/Certificates - Listed		1,480,092	2,069,929
Mutual Funds		25,845	167,441
		999,082	1,740,405
Less : Related deferred tax liability		(349,678)	(472,787)
		<u>649,404</u>	<u>1,267,618</u>

Notes to the Unconsolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2010

	Un-audited September, 2010	Audited December 31, 2009
	Rupees in '000	
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Guarantees in favour of: Banks and financial institutions	1,697,854	1,035,107
<b>13.2 Transaction—related contingent liabilities</b>		
Guarantees in favour of: Government	5,989,021	5,752,873
Others	10,797,159	10,352,695
	16,786,180	16,105,568
<b>13.3 Trade—related contingent liabilities</b>	46,752,347	65,895,610
<b>13.4 Claims against the Bank not acknowledged as debt</b>	4,207,928	4,346,919
<b>13.5 Commitments to extend credit</b>		

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

	Un-audited September, 2010	Audited December 31, 2009
	Rupees in '000	
<b>13.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	25,416,173	23,338,782
Sale	11,862,377	8,827,975
<b>13.7 Commitments in respect of operating fixed assets</b>		
Civil works	1,212,376	604,828
Acquisition of operating fixed assets	511,288	327,650
<b>13.8 Commitments in respect of lease financing</b>	138,030	32,630
<b>13.9 Commitments in respect of procurement of software</b>	-	36,523

**13.10 Contingencies**

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

**13.10.2** The income tax assessments of the Bank have been finalized up to and including tax year 2009 for local and Azad Kashmir operations. While finalizing income tax assessments up to tax year 2009, income tax authorities made certain add backs with aggregate tax impact of Rs.9,631 million. As a result of appeals filed by the Bank before appellate authorities, the add backs with tax impact amounting to Rs.2,524 million and Rs.6,987 million were set-aside and deleted respectively. While giving appeal effects on most of the deleted issues, a refund of Rs.5,794 million has been determined. Against most of the deleted and set-aside issues, Department is in appeal before higher appellate authorities. Pending finalization of appeals no provision has been made by the Bank on aggregate sum of Rs. 9,631 million. The management is hopeful that the outcome of these appeals will be in favour of the Bank.

Notes to the Unconsolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2010

	Nine months ended		Quarter ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
<b>Rupees in '000</b>				
<b>14. MARK-UP/RETURN/INTEREST EARNED</b>				
On loans and advances	23,176,157	22,300,930	7,885,396	7,354,012
On investments in:				
Available-for-sale securities	7,275,741	4,899,835	3,086,011	1,807,541
Held-to-maturity securities	1,093,222	1,499,097	170,668	458,673
	8,368,963	6,398,932	3,256,679	2,266,214
On deposits with financial institutions	9,113	33,191	1,675	18,350
On securities purchased under resale agreements	1,573,108	1,537,490	226,906	733,221
On certificates of investment	30,631	60,709	3,507	17,652
On letters of placement	23,579	34,610	-	11,963
On call money lending	72,555	53,084	32,841	17,319
	33,254,106	30,418,946	11,407,004	10,418,731

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

Deposits	12,488,394	13,592,094	3,843,036	4,268,629
Long term borrowings	257,902	179,197	90,611	70,202
Securities sold under repurchase agreements	618,211	413,221	356,993	227,183
Call money borrowing	927,077	859,010	382,234	330,951
Brokerage and commission	99,823	89,884	58,677	36,820
Markup on sub-ordinated loan	566,564	628,749	191,296	189,397
Other short term borrowings	1,745,785	1,028,688	513,566	354,688
	16,703,756	16,790,843	5,436,413	5,477,870

**16. ADMINISTRATIVE EXPENSES**

During the period, the Bank announced the Voluntary Retirement Scheme (VRS) for its employees. 195 employees of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 294 million to cover additional retirement benefits in respect of such employees.

	Nine months ended		Quarter ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
<b>Rupees in '000</b>				
<b>17. EARNINGS PER SHARE - BASIC AND DILUTED</b>				
Profit after tax for the period attributable to ordinary shareholders	5,848,724	5,013,328	2,228,513	1,952,790
<b>Number of Shares</b>				
Weighted average number of Ordinary Shares outstanding during the period	782,100,834	782,100,834	782,100,834	782,100,834
<b>Rupees</b>				
Earnings per share - basic and diluted	748	641	2.85	2.50

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, 2010

## 18. RELATED PARTY TRANSACTIONS

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

Nature of related party transactions	September 30, 2010 (Un-audited)					December 31, 2009 (Audited)				
	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties
	Rupees in 000									
<b>Loans</b>										
Loans at the beginning of the period/year	22,461	-	-	237,298	14,318,863	27,040	-	-	205,884	6,156,764
Loans given during the period/year	16,457	-	-	35,999	1,536,060	13,040	-	-	70,322	8,196,479
Loans repaid during the period/year	(37,861)	-	-	(69,370)	(26,363,339)	(17,619)	-	-	(38,908)	(34,380)
Loans at the end of the period/year	1,057	-	-	203,927	15,593,290	22,461	-	-	237,298	14,318,863
<b>Deposits</b>										
Deposits at the beginning of the period/year	9,661	9,400	2,382	10,782	-	4,845	55,423	778	14,275	-
Deposits received during the period/year	2,338,529	5,152,797	456,868	11,7766	-	555,123	1,631,336	524,455	268,641	-
Deposits repaid during the period/year	(2,340,625)	(5,135,087)	(452,323)	(104,982)	-	(550,307)	(1,677,359)	(522,851)	(272,134)	-
Deposits at the end of the period/year	7,565	27,110	6,927	23,566	-	9,661	9,400	2,382	10,782	-
Nostro balances	-	133,772	-	-	-	-	198,082	-	-	-
Lendings	-	523,239	-	-	-	-	1,097,434	-	-	-
Borrowings	-	150,981	-	-	-	-	484,267	-	-	-
Investments in shares	-	240,969	500,000	-	2,768,023	-	240,969	500,000	-	2,805,599
Non Funded Exposures	-	-	-	-	330,420	-	-	2,016	-	4,003,500
Other receivables	-	-	1,070	-	-	-	-	-	-	-
Net receivable from staff retirement benefit funds	-	-	-	-	1,376,170	-	-	-	-	1,343,345
staff retirement fund deposits	-	-	-	-	4,738,643	-	-	-	-	4,810,081
	September 30, 2010 (Un-audited)					September 30, 2009 (Un-audited)				
Mark-up earned	390	-	-	9,226	1,480,667	804	-	-	11,032	772,539
Income on placements	-	6	-	-	-	-	106	-	-	-
Dividend Income	-	-	-	-	142,136	-	-	-	-	-
Sales Commission	-	-	8,534	5,687	-	-	-	3,288	-	-
Mark-up expense on Deposits	185	-	417	56	318,630	204	37	233	517	204,214
Interest expense on Borrowings	-	448	-	-	-	-	-	-	-	-
Directors' meeting fee	1,000	-	-	-	-	1,650	-	-	-	-
NIFT charges	-	-	-	-	51,795	-	-	-	-	48,314
Bank charges levied	-	19	-	-	29	-	-	-	-	-
Rent expense	-	3,416	-	-	-	-	-	-	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	-	10,7853	-	-	-	-	250,101

# Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2010

## 19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

As at September 30, 2010 (Un-audited)							
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total	
Rupees in '000							
Total Income	374,194	1,726,497	17,014,550	29,272,125	319,527	(11,796,389)	36,910,504
Total Expenses	(193,861)	(1,721,478)	(14,297,395)	(26,472,254)	(173,181)	11,796,389	(31,061,780)
Net Income	180,333	5,019	2,717,155	2,799,871	146,346	-	5,848,724

As at September 30, 2009 (Un-audited)							
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total	
Rupees in '000							
Total Income	620,915	1,719,267	14,599,108	27,442,622	132,858	(9,400,951)	35,113,819
Total Expenses	(325,075)	(1,694,881)	(12,903,263)	(24,498,575)	(79,648)	9,400,951	(30,100,491)
Net Income	295,840	24,386	1,695,845	2,944,047	53,210	-	5,013,328

As at September 30, 2010 (Un-audited)						
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total	
Rupees in '000						
Segment Assets	315,249	6,681,948	104,231,167	301,009,839	243,330	412,481,533

As at December 31, 2010 (Audited)						
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total	
Rupees in '000						
Segment Assets	467,199	28,250,923	90,559,712	298,846,026	250,471	418,374,331

## 20. GENERAL

20.1 Figures have been rounded off to the nearest thousand rupees.

20.2 Corresponding figures have been re-arranged and reclassified to reflect more appropriate presentation of transactions for the purpose of comparison. However, no significant reclassifications have been made in these unconsolidated condensed interim financial statements.

## 21. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue on October 18, 2010 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Consolidated Condensed Interim Financial Statements  
for the nine months ended September 30, 2010



# Consolidated Condensed Interim Statement of Financial Position as at September 30, 2010

	Note	Un-audited September 30, 2010	Audited December 31, 2009
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		24,665,336	26,435,683
Balances with other banks		3,066,145	1,280,591
Lendings to financial institutions	5	6,563,969	28,122,932
Investments	6	122,892,013	94,673,100
Advances	7	220,855,342	237,382,522
Operating fixed assets	8	15,041,083	12,459,586
Deferred tax assets - net	9	728,177	-
Other assets		18,670,796	17,986,438
		412,482,861	418,340,852
<b>LIABILITIES</b>			
Bills payable		3,518,097	3,162,429
Borrowings from financial institutions		31,467,422	39,818,532
Deposits and other accounts	10	328,571,704	328,872,559
Sub-ordinated loans		5,495,300	5,497,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	3,374
Other liabilities		11,242,857	11,067,164
		380,295,380	388,421,058
<b>NET ASSETS</b>		<b>32,187,481</b>	<b>29,919,794</b>
<b>REPRESENTED BY</b>			
Share capital	11	7,821,009	7,110,008
Reserves		7,041,588	6,582,845
Unappropriated profit		13,919,906	12,164,662
		28,782,503	25,857,515
Surplus on revaluation of assets - net of tax	12	3,404,978	4,062,279
		<b>32,187,481</b>	<b>29,919,794</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13	-	-

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

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

# Consolidated Condensed Interim Profit and Loss Account

(Un-audited) for the nine months ended September 30, 2010

	Note	Nine Months ended		Quarter ended	
		September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Rupees in '000					
Mark-up / return / interest earned	14	33,269,501	30,435,595	11,412,410	10,424,257
Mark-up/return / interest expensed	15	16,704,179	16,790,610	5,437,073	5,477,707
Net mark-up / interest income		16,565,322	13,644,985	5,975,337	4,946,550
Provision against non-performing loans and advances and general provision-net		2,837,331	2,568,953	1,030,999	698,535
Provision / (reversal of provision) against lending to Financial Institution		(280,195)	189,750	-	123,250
Provision for diminution in the value of investments - net		595,729	595,501	(6,024)	61,997
Bad debts written off directly		-	282	-	-
		3,152,865	3,354,486	1,024,975	883,782
Net mark-up/interest income after provisions		13,412,457	10,290,499	4,950,362	4,062,768
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income		1,958,335	2,222,854	522,669	549,283
Dividend income		828,758	1,096,934	292,147	344,597
Income from trading in government securities		-	-	-	-
Income from dealing in foreign currencies		230,608	565,177	130,906	98,719
Gain from sale and purchase of other securities		698,391	847,619	96,595	357,477
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		2,198	16,327	288	16,142
Other income		77,382	32,724	39,255	14,562
Total non-mark-up/interest income		3,795,672	4,781,635	1,081,860	1,380,780
		17,208,129	15,072,134	6,032,222	5,443,548
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses	16	8,251,437	7,039,263	2,720,071	2,448,632
Provision against other assets - net		-	143,000	(12,000)	12,000
Provision / (reversal of provision) against off-balance sheet obligations - net		(99,778)	187,554	3,400	167,453
Workers welfare fund		191,013	158,399	70,272	45,516
Other charges		65,891	51,554	2,327	(106,878)
Total non-mark-up / interest expenses		8,408,563	7,579,770	2,784,070	2,566,723
		8,799,566	7,492,364	3,248,152	2,876,825
Extra ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		8,799,566	7,492,364	3,248,152	2,876,825
Taxation					
- Current		3,145,407	2,772,025	1,169,563	796,217
- Prior years		374,465	-	-	-
- Deferred		(608,441)	(307,053)	(162,796)	102,048
		2,911,431	2,464,972	1,006,767	898,265
<b>PROFIT AFTER TAXATION</b>		5,888,135	5,027,392	2,241,385	1,978,560
<b>Earning per share - Basic and Diluted (in Rupees)</b>	17	753	643	2.87	2.53

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

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

## Consolidated Condensed Interim Statement of Comprehensive Income (Un-audited) for the nine months ended September 30, 2010

	Nine Months ended		Quarter ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	Rupees in '000			
Profit after taxation for the period	5,888,135	5,027,392	2,241,385	1,978,560
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	5,888,135	5,027,392	2,241,385	1,978,560

Surplus/ deficit on revaluation of 'Available for sale' securities and 'Fixed assets' are presented under a separate head below equity as 'surplus/ deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated 04 August 2000 and BSD Circular No. 10 dated 13 July 2004 and Companies Ordinance, 1984 respectively.

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

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

# Consolidated Condensed Interim Statement of Cash Flow

(Un-audited) for the nine months ended September 30, 2010

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	8,799,566	7492,364
Less: Dividend income	828,758	1,096,934
	<u>7,970,808</u>	<u>6,395,430</u>
<b>Adjustments for non-cash charges</b>		
Depreciation / amortization	628,316	463,430
Provision against non-performing loans and advances and general provision - net	2,837,331	2,568,953
Provision for diminution in the value of investments - net	595,729	595,501
Provision /(reversal of provision) against lending to financial institutions	(280,195)	189,750
Unrealised loss / (gain) on revaluation of held for trading securities - net	(2,198)	(16,327)
Provision/(reversal of provision) against off-balance sheet obligations - net	(99,778)	187,554
Provision against other assets - net	-	143,000
Operating fixed assets written off	5	-
Gain on sale of fixed assets	(15,934)	(3,228)
Bad debts written off directly	-	282
	<u>3,663,276</u>	<u>4,128,915</u>
	11,634,084	10,524,345
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	21,839,158	(6,111,516)
Held for trading securities	(98,645)	(193,430)
Advances	13,690,274	(70,223)
Other assets (excluding advance taxation)	(3,057,285)	(1,693,827)
	32,373,502	(8,068,996)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	355,668	1,294,918
Borrowings from financial institutions	(9,940,924)	1,638,003
Deposits	(300,855)	4,111,358
Other liabilities	267,270	(3,088,165)
	(9,618,841)	3,956,114
	34,388,745	6,411,463
Income tax paid	(982,153)	(2,125,928)
<b>Net cash flow from operating activities</b>	<u>33,406,592</u>	<u>4,285,535</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(30,223,388)	(7,656,067)
Net investment in held-to-maturity securities	757,536	1,804,494
Dividend income received	663,541	1,027,705
Investments in operating fixed assets	(3,219,631)	(1,306,504)
Proceeds from sale of fixed assets	20,446	17,706
<b>Net cash used in investing activities</b>	<u>(32,001,496)</u>	<u>(6,112,666)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net payment of sub-ordinated loan	(1,700)	2,999,500
Dividend paid	(2,978,003)	(2,049,240)
<b>Net cash used in financing activities</b>	<u>(2,979,703)</u>	<u>950,260</u>
<b>Increase/(decrease) in cash and cash equivalents during the period</b>	<u>(1,574,607)</u>	<u>(876,871)</u>
<b>Cash and cash equivalents at beginning of the period</b>	<u>27,354,958</u>	<u>25,618,459</u>
<b>Cash and cash equivalents at end of the period</b>	<u>25,780,351</u>	<u>24,741,588</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 Officer

Director

Director

Chairman

# Consolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the nine months ended September 30, 2010

	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appropriated Profit	Total
	Rupees in '000								
Balance as at 01 January 2009	6,463,644	2,341,322	3,055,595	-	67,995	333,864	6,000	8,475,791	20,744,211
Changes in equity during the nine months ended September 30, 2009									
Total Comprehensive income for the nine months ended September 30, 2009	-	-	-	-	-	-	-	5,027,392	5,027,392
Transactions with owners recognised directly in equity									
Transfer to reserve for issue of bonus shares for year ended December 31, 2008 @ 10%	-	(646,364)	-	646,364	-	-	-	-	-
Final cash dividend for the year ended December 31, 2008 (Rs. 1.00 per ordinary share)	-	-	-	-	-	-	-	(646,364)	(646,364)
Issue of bonus shares	646,364	-	-	(646,364)	-	-	-	-	-
Interim cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
	646,364	(646,364)	-	-	-	-	-	(2,068,366)	(2,068,366)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	24,265	24,265
Transfer to statutory reserve	-	-	951,661	-	-	-	-	(951,661)	-
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
Changes in equity during the quarter ended December 31, 2009									
Profit after taxation for the quarter ended December 31, 2009	-	-	-	-	-	-	-	2,121,918	2,121,918
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	8,095	8,095
Transfer to statutory reserve	-	-	472,772	-	-	-	-	(472,772)	-
Balance as at December 31, 2009	7,110,008	1,694,958	4,480,028	-	67,995	333,864	6,000	12,164,662	25,857,515
Changes in equity during the nine months ended September 30, 2010									
Total Comprehensive income for the nine months ended September 30, 2010	-	-	-	-	-	-	-	5,888,135	5,888,135
Transactions with owners recognised directly in equity									
Transfer to reserve for issue of bonus shares for year ended December 31, 2009 @ 10%	-	(711,001)	-	711,001	-	-	-	-	-
Issue of bonus shares	711,001	-	-	(711,001)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
Interim cash dividend for the year ending December 31, 2010 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,564,202)	(1,564,202)
	711,001	(711,001)	-	-	-	-	-	(2,986,204)	(2,986,204)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	23,057	23,057
Transfer to statutory reserve	-	-	1,169,744	-	-	-	-	(1,169,744)	-
Balance as at September 30, 2010	7,821,009	983,957	5,649,772	-	67,995	333,864	6,000	13,919,906	28,762,503

\* 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 Officer

Director

Director

Chairman

# Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the nine months ended September 30, 2010

## 1. STATUS AND NATURE OF BUSINESS

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

Allied Bank Limited (the Bank), incorporated in Pakistan, is a scheduled Bank, engaged in commercial banking and related services. The Bank is listed on all stock exchanges in Pakistan. The Bank operates a total of 789 (2009: 779) branches in Pakistan including the Karachi Export Processing Zone Branch (overseas business unit). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA'. Short term rating of the Bank is 'A1+'. The Bank is a holding company of ABL Asset Management Company Limited.

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

## 2. STATEMENT OF COMPLIANCE

2.1 These consolidated condensed interim financial statements of the Bank for the nine months period ended September 30, 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan. In case where requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, 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 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan dated April 28, 2008, International Financial Reporting Standard (IFRS) 7 "Financial Instruments Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

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

## 3. BASIS OF PRESENTATION

3.1 The disclosures included in these consolidated condensed interim financial statements are limited based on the format prescribed by the State Bank of Pakistan, vide BSD Circular Letter No. 2 dated May 12, 2004, vide BSD Circular Letter No. 7 dated April 20, 2010 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2009.

3.2 During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:

- IAS 27 - Consolidated and Separate Financial Statements (Amendments).
- IFRS 2 - Share Based Payments: Amendments relating to Group Cash-settled Share-based payment Transaction.
- IFRS 3 - Business Combinations (Revised)
- IFRIC 17 - Distributions to Non-cash Assets to owners

Adoption of the above standards, amendments and interpretations did not affect the accounting policies of the Bank as disclosed in the annual financial statements for the year ended December 31, 2009. The implications of the amendment to the IFRS-2 relating to the Government of Pakistan share option scheme for employees of State Owned Enterprises are under considerations of the Institute of the Chartered Accountants of Pakistan.

## Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2010

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

- 4.1 The accounting policies, underlying estimates and methods of computation followed in the preparation of these consolidated condensed interim financial statements are same as those applied in preparing the most recent annual consolidated financial statements of the Bank, except, as referred to Note 7.2.
- 4.2 The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in the financial statements of the Bank for the year ended December 31, 2009.

Note	Un-audited September 30, 2010	Audited December 31, 2009
<u>Rupees in '000</u>		

### 5. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	5.1	700,000	525,000
Letters of placement	5.2	395	649,750
Repurchase agreement lendings (Reverse Repo)	5.3	5,757,307	26,347,932
Certificates of investment	5.4	106,667	880,845
		<u>6,564,369</u>	<u>28,403,527</u>
Provision against lending to Financial Institution	5.5	(400)	(280,595)
		<u>6,563,969</u>	<u>28,122,932</u>

- 5.1 These are unsecured lendings to Financial Institutions, carrying mark-up at rates, ranging between 10.75% and 12.70% (December 31, 2009: ranging between 12.10% and 12.70%) per annum and maturing on various dates, latest by October 22, 2010.
- 5.2 This represents clean placement with Non-Banking Finance Company carrying mark-up rate at 0.00 % (December 31, 2009: ranging between 12.60% and 12.70%) per annum and will mature on October 25, 2010.
- 5.3 These are short-term lendings to various financial institutions against the government securities, carrying mark-up at rates, ranging between 10.74% and 12.25% (December 31, 2009: ranging between 11.75% and 12.40%) per annum and will mature on various dates, latest by October 14, 2010.
- 5.4 The certificate of investment carries mark-up at the rate of 12.81% (December 31, 2009: ranging between 13.0% and 14.47%) per annum on performing investment and will mature on October 06, 2010.
- 5.5 This represents provision made under the prudential regulations of the State Bank of Pakistan.

### 6. INVESTMENTS

Note	Held by Bank	Given as collateral	Total
<u>Rupees in '000</u>			
Current period - September 30, 2010 (Un-audited)	6.1	<u>120,558,718</u>	<u>2,333,295</u>
Prior year - December 31, 2009 (Audited)	6.1	<u>87,696,481</u>	<u>6,976,619</u>
		<u>94,673,100</u>	

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2010

	Un-audited As at September 30, 2010			Audited As at December 31, 2009		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000						
<b>6.1 Investments by types</b>						
<b>Held-for-trading securities</b>						
Ordinary Shares of listed companies	59,900	-	59,900	67,385	-	67,385
Ordinary Shares of related parties:						
-Listed Shares	16,577	-	16,577	-	-	-
Units of open-end mutual funds	342,054	-	342,054	252,866	-	252,866
	418,531	-	418,531	320,251	-	320,251
<b>Available-for-sale securities</b>						
Market Treasury Bills	61,083,191	2,341,789	63,424,980	27,019,901	6,976,575	33,996,476
Pakistan Investment Bonds	246,617	-	246,617	246,204	-	246,204
Ordinary Shares / certificates						
of listed companies	5,158,296	-	5,158,296	4,882,928	-	4,882,928
Preference Shares of listed companies	291,688	-	291,688	191,667	-	191,667
Units of open-end mutual funds	2,731,787	-	2,731,787	4,347,813	-	4,347,813
Ordinary Shares of unlisted companies	215,193	-	215,193	215,193	-	215,193
Ordinary Shares of related parties						
-Listed Shares	2,394,919	-	2,394,919	2,449,082	-	2,449,082
-Unlisted Shares	597,496	-	597,496	597,496	-	597,496
Pre IPO Investment	55,000	-	55,000	35,000	-	35,000
Commercial paper	118,896	-	118,896	-	-	-
Sukuk Bonds	4,676,421	-	4,676,421	3,637,774	-	3,637,774
Term Finance Certificates (TFCs)	29,636,202	-	29,636,202	26,166,567	-	26,166,567
	107,205,706	2,341,789	109,547,495	69,789,625	6,976,575	76,766,200
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	7,543,782	-	7,543,782	7,690,909	-	7,690,909
Foreign Currency Bonds (US\$)	648,909	-	648,909	73,286	-	73,286
TFCs, Debentures, Bonds and Participation Term Certificate (PTC's)	6,088,732	-	6,088,732	10,274,764	-	10,274,764
	14,281,423	-	14,281,423	18,038,959	-	18,038,959
<b>Investment at cost</b>	<b>121,905,660</b>	<b>2,341,789</b>	<b>124,247,449</b>	<b>88,148,835</b>	<b>6,976,575</b>	<b>95,125,410</b>
Provision for diminution in value of investments	(2,339,566)	-	(2,339,566)	(2,185,929)	-	(2,185,929)
Unrealised gain on revaluation of Held-for-trading securities	2,197	-	2,197	(365)	-	(365)
Surplus/(deficit) on revaluation of Available-for-sale securities	990,427	(8,494)	981,933	1,733,940	44	1,733,984
<b>Investments (net of provision)</b>	<b>120,558,718</b>	<b>2,333,295</b>	<b>122,892,013</b>	<b>87,696,481</b>	<b>6,976,619</b>	<b>94,673,100</b>



Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2010

	Note	Un-audited September 30, 2010	Audited December 31, 2009
Rupees in '000			
<b>7. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		231,805,605	243,204,567
Net investment in finance lease - in Pakistan		1,182,152	846,699
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		342,800	389,507
Payable outside Pakistan		2,807,029	5,484,414
		<u>3,149,829</u>	<u>5,873,921</u>
Advances - gross		236,137,586	249,925,187
Provision against non-performing advances	7.1	(15,123,189)	(12,535,255)
General provision	7.2	(150,000)	-
General provision against consumer financing		(9,055)	(7,410)
		<u>220,855,342</u>	<u>237,382,522</u>

7.1 Advances include Rs. 18,950.298 million (2009: Rs. 16,281.178 million) which have been placed under the non-performing status as detailed below:

Category of Classification	September 30, 2010 (Un-audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Other Assets Especially					
Mentioned	26,412	-	26,412	-	-
Substandard	2,006,460	-	2,006,460	501,093	501,093
Doubtful	4,590,660	-	4,590,660	2,295,330	2,295,330
Loss	12,326,766	-	12,326,766	12,326,766	12,326,766
	<u>18,950,298</u>	<u>-</u>	<u>18,950,298</u>	<u>15,123,189</u>	<u>15,123,189</u>

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

7.2 This represents general provision against advances excluding non performing advances and consumer financing, made on prudent basis, in view of prevailing economic conditions.

7.3 No benefit of Forced Sales Value of the collaterals held by the Bank has been taken while determining the provision against non performing loans as allowed under BSD Circular No. 02 dated June 03, 2010.

Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2010

	Un-audited September 30, 2010	Audited December 31, 2009
	Rupees in '000	
<b>8. OPERATING FIXED ASSETS</b>		
Capital work-in-progress	3,062,254	1,686,872
Property and equipment	11,784,031	10,614,274
Intangible assets	194,798	158,440
	15,041,083	12,459,586
<b>9. DEFERRED TAX ASSET / (LIABILITY) - NET</b>		
<b>Deferred debits arising in respect of:</b>		
Compensated leave absences	136,124	216,646
Provision against:		
Investments	79,098	79,098
Other assets	305,418	305,418
Off balance sheet obligations	169,525	169,525
Provision against advances	1,019,768	223,560
Post retirement medical benefits	282,598	327,168
Workers Welfare Fund	142,113	75,258
Loss on sale of listed shares	19,862	39,863
	2,154,506	1,436,536
<b>Deferred credits arising due to:</b>		
Surplus on revaluation of fixed assets	(318,749)	(331,165)
Surplus on revaluation of investments	(349,678)	(472,787)
Accelerated tax depreciation / amortization	(744,414)	(605,066)
Excess of investment in finance lease over written down value of leased assets	(13,488)	(30,892)
	(1,426,329)	(1,439,910)
	728,177	(3,374)

- 9.1 Through Finance Act 2007, a new section 100A and the 7th Schedule (the Schedule) were inserted in the Income Tax Ordinance, 2001 governing taxation of banking companies. The Schedule was applicable from tax year 2009 (financial year ended on December 31, 2008). Initially schedule did not contain transitory provisions to deal with the disallowances made upto year ended December 31, 2007. During the period, Rule 8A has been inserted in 7th Schedule, vide Finance Act 2010 which contains transitional provision with respect to provision against non performing loans and leases. However, transitional provisions on certain matters are yet to be notified, and the issue has been taken up with the tax authorities through Pakistan Banks' Association (PBA) for formulation of transitory provisions to deal with the items, which were previously treated differently under the then applicable provisions.

The deferred tax asset on the deductible temporary differences disallowed as a deduction in the past up to December 31, 2007, for which transitory provisions are not available, is being kept as an asset as the Bank is confident that transitory provisions would be introduced to set out the mechanism of claiming where benefit of these allowances can be claimed.

- 9.2 Similarly, the Finance Act, 2009 and 2010 have made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provision for doubtful and loss categories of advances and off balance sheet items is allowable up to a maximum of 1% of total advances whereas provision for advances and off balance sheet items for consumers and small and medium enterprises (SMEs) ("as defined under the SBP's Prudential Regulations) is now allowed at 5% of gross consumers and SME portfolio. The amount of bad debts classified as substandard under Prudential Regulations issued by the State Bank of Pakistan would not be allowed as an expense. Provision in excess of 1% of general advances can be carried forward to succeeding years. The matter of carry forward of provision exceeding 5% in case of consumer and SME advances has been taken up with Federal Board of Revenue through PBA.

Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2010

	Un-audited September 30, 2010	Audited December 31, 2009
————— Rupees in '000 —————		
<b>10. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	91,150,922	98,425,685
Savings deposits	88,738,261	85,274,893
Current accounts - Remunerative	47,340,104	47,704,436
- Non-remunerative	100,749,447	93,273,281
	327,978,734	324,678,295
<b>Financial Institutions</b>		
Remunerative deposits	592,970	4,194,264
	<u>328,571,704</u>	<u>328,872,559</u>

**11. SHARE CAPITAL**

**11.1 Authorised capital**

Un-audited September 30, 2010	Audited December 31, 2009		Un-audited September 30, 2010	Audited December 31, 2009
————— 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

**11.2 Issued, subscribed and paid-up capital**

Fully paid-up Ordinary shares of Rs. 10 each

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

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 294,346,565 (37.64%) and NIL (0.00%) (December 31, 2009: 287,678,696 (40.46%) and 66,247,840 (9.32%)) Ordinary shares of Rs.10 each, respectively.

Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2010

	Note	Un-audited September 30, 2010	Audited December 31, 2009
————— Rupees in '000 —————			
<b>12. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
Surplus/(deficit) arising on revaluation of:			
- fixed assets	12.1	2,772,722	2,801,082
- available for sale securities	12.2	632,256	1,261,197
Surplus on revaluation of assets - net of tax		3,404,978	4,062,279
<b>12.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 1		3,132,247	3,182,032
Surplus realized on disposal of revalued properties		(5,303)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(23,057)	(32,360)
Related deferred tax liability		(12,416)	(17,425)
		(35,473)	(49,785)
Surplus on revaluation of fixed assets as at September 30 and December 31		3,091,471	3,132,247
Less: Related deferred tax liability on :			
Revaluation as at January 1		331,165	348,590
Incremental depreciation charged during the period / year transferred to profit and loss account		(12,416)	(17,425)
		318,749	331,165
		2,772,722	2,801,082
<b>12.2 Surplus/(Deficit) on revaluation of available-for-sale securities</b>			
<b>Federal Government Securities</b>			
Market Treasury Bills		(175,271)	1,127
Pakistan Investment Bonds		(21,431)	(19,305)
<b>Term Finance Certificates</b>		(218,419)	(387,927)
<b>Sukuk Bonds</b>		(108,882)	(97,281)
<b>Shares/Certificates - Listed</b>		1,480,092	2,069,929
<b>Mutual Funds</b>		25,845	167,441
		981,934	1,733,984
Less : Related deferred tax liability		(349,678)	(472,787)
		632,256	1,261,197

## Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the nine months ended September 30, 2010

	Un-audited September 30, 2010	Audited December 31, 2009
Rupees in '000		
<b>13. CONTINGENCIES AND COMMITMENTS</b>		
<b>13.1 Direct credit substitutes</b>		
Guarantees in favour of: Banks and financial institutions	1,697,854	1,035,107
<b>13.2 Transaction—related contingent liabilities</b>		
Guarantees in favour of: Government	5,989,021	5,752,873
Others	10,797,159	10,352,695
	16,786,180	16,105,568
<b>13.3 Trade—related contingent liabilities</b>	46,752,347	65,895,610
<b>13.4 Claims against the Bank not acknowledged as debt</b>	4,207,928	4,346,919
<b>13.5 Commitments to extend credit</b>		

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

	Un-audited September 30, 2010	Audited December 31, 2009
Rupees in '000		
<b>13.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	25,416,173	23,338,782
Sale	11,862,377	8,827,975
<b>13.7 Commitments in respect of operating fixed assets</b>		
Civil works	1,212,376	604,828
Acquisition of operating fixed assets	511,288	327,650
<b>13.8 Commitments in respect of lease financing</b>	138,030	32,630
<b>13.9 Commitments in respect of procurement of shares</b>	-	36,523

### 13.10 Contingencies

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

**13.10.2** The income tax assessments of the Bank have been finalized upto and including tax year 2009 for local and Azad Kashmir operations. While finalizing income tax assessments upto tax year 2009, income tax authorities made certain add backs with aggregate tax impact of Rs.9,631 million. As a result of appeals filed by the Bank before appellate authorities, the add backs with tax impact amounting to Rs.2,524 million and Rs.6,987 million were set-aside and deleted respectively. While giving appeal effects on most of the deleted issues, a refund of Rs.5,794 million has been determined. Against most of the deleted and set-aside issues, Department is in appeal before higher appellate authorities. Pending finalization of appeals no provision has been made by the Bank on aggregate sum of Rs. 9,631 million. The management is hopeful that the outcome of these appeals will be in favour of the Bank.

Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2010

	Nine months ended		Quarter ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
<b>Rupees in '000</b>				
<b>14. MARK-UP/RETURN/INTEREST EARNED</b>				
On loans and advances	22,989,362	22,302,293	7,697,696	7,354,356
On investments in:				
Available-for-sale securities	7,289,264	4,914,938	3,090,453	1,812,397
Held-to-maturity securities	1,093,222	1,499,097	170,668	458,673
	8,382,486	6,414,035	3,261,121	2,271,070
On deposits with financial institutions	9,536	33,375	2,095	18,677
On securities purchased under resale agreements	1,573,108	1,537,490	226,906	733,221
On certificates of investment	30,631	60,708	3,507	17,651
On letters of placement	23,579	34,610	-	11,963
On call money lending	260,799	53,084	221,085	17,319
	<u>33,269,501</u>	<u>30,435,595</u>	<u>11,412,410</u>	<u>10,424,257</u>

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

Deposits	12,488,811	13,591,861	3,843,690	4,268,466
Long term borrowings	257,902	179,197	90,611	70,202
Securities sold under repurchase agreements	618,211	413,221	356,993	227,183
Call money borrowing	927,077	859,010	382,234	330,951
Brokerage and commission	99,829	89,884	58,683	36,820
Markup on sub-ordinated loans	566,564	628,749	191,296	189,397
Other short term borrowings	1,745,785	1,028,688	513,566	354,688
	<u>16,704,179</u>	<u>16,790,610</u>	<u>5,437,073</u>	<u>5,477,707</u>

**16. ADMINISTRATIVE EXPENSES**

During the period, the Bank announced the Voluntary Retirement Scheme (VRS) for its employees. 195 employees of the Bank opted for retirement under this scheme. In accordance with the actuary recommendations, the Bank has recognized an amount of Rs. 294 million to cover additional retirement benefits in respect of such employees.

	Nine months ended		Quarter ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
<b>Rupees in '000</b>				
<b>17. EARNINGS PER SHARE - BASIC AND DILUTED</b>				
Profit after tax for the period attributable to ordinary shareholders	5,888,135	5,027,392	2,241,385	1,978,560
<b>Number of Shares</b>				
Weighted average number of Ordinary Shares outstanding during the period	782,100,834	782,100,834	782,100,834	782,100,834
<b>Rupees</b>				
Earnings per share - basic and diluted	7.53	6.43	2.87	2.53

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 Consolidated Condensed Interim Financial Statements

(Un-audited) for the nine months ended September 30, 2010

## 18. RELATED PARTY TRANSACTIONS

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

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

Nature of related party transactions	Un-audited				Audited			
	September 30, 2010				December 31, 2009			
	Directors	Associated companies	Key management personnel	Other related parties	Directors	Associated companies	Key management personnel	Other related parties
Rupees in '000								
<b>Loans</b>								
Loans at the beginning of the period/year	22,461	-	248,967	14,318,863	27,040	-	227,276	6,156,764
Loans given during the period/year	16,457	-	35,999	1,538,060	13,040	-	71,710	8,196,479
Loans repaid during the period/year	(37,861)	-	(69,370)	(263,633)	(17,619)	-	(50,019)	(34,380)
Loans at the end of the period/year	1,057	-	215,596	15,593,290	22,461	-	248,967	14,318,863
<b>Deposits</b>								
Deposits at the beginning of the period/year	9,661	9,400	10,782	-	4,845	55,423	14,275	-
Deposits received during the period/year	2,338,529	5,152,797	117,766	-	555,123	1,631,336	268,641	-
Deposits repaid during the period/year	(2,340,625)	(5,135,087)	(104,982)	-	(550,307)	(1,677,359)	(272,134)	-
Deposits at the end of the period/year	7,565	27,110	23,566	-	9,661	9,400	10,782	-
Nostro balances	-	133,772	-	-	-	198,082	-	-
Lendings	-	523,239	-	-	-	1,097,434	-	-
Borrowings	-	150,981	-	-	-	484,267	-	-
Investments in shares/ funds	-	240,969	-	3,960,076	-	240,969	-	4,229,537
Non Funded Exposures	-	-	-	330,420	-	-	-	4,003,500
Other receivables	-	-	-	-	-	-	-	-
Net receivable from staff retirement benefit funds	-	-	-	1,376,170	-	-	-	1,343,345
staff retirement fund deposits	-	-	-	4,738,643	-	-	-	4,810,081

Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2010

	Un-audited September 30, 2010				Un-audited September 30, 2009			
	Directors	Associated companies	Key management personnel	Other related parties	Directors	Associated companies	Key management personnel	Other related
	Rupees in '000							
Mark-up earned	390	-	9,226	1,480,667	804	3,769	11,721	772,539
Income on placements	-	6	-	-	-	106	-	-
Dividend Income	-	-	-	142,136	-	-	-	-
Management Fee / Sales Commission	-	-	-	5,687	-	-	-	64,445
Mark-up expense on Deposits	185	-	56	318,630	204	37	517	204,214
Interest expense on Borrowings	-	448	-	-	-	-	-	-
Directors' meeting fee	1,000	-	-	-	1,650	-	-	-
NIFT charges	-	-	-	51,795	-	-	-	48,314
Bank charges levied	-	19	-	29	-	-	-	-
Rent expense	-	3,416	-	-	-	-	-	5,978
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	107,853	-	-	-	250,101



# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2010

## 19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

As at September 30, 2010 (Un-audited)								
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total	
Rupees in '000								
Total Income	374,194	1,726,497	17,014,550	29,272,125	319,527	162,786	(11,804,506)	37,065,173
Total Expenses	(193,861)	(1,721,478)	(14,297,395)	(26,472,254)	(173,181)	(123,375)	11,804,506	(31,177,038)
Net Income	180,333	5,019	2,717,155	2,799,871	146,346	39,411	-	5,888,135

As at September 30, 2009 (Un-audited)								
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total	
Rupees in '000								
Total Income	620,915	1,719,267	14,599,108	27,442,622	132,858	106,932	(9,404,472)	35,217,230
Total Expenses	(325,075)	(1,694,881)	(12,903,263)	(24,498,575)	(79,648)	(92,868)	9,404,472	(30,189,838)
Net Income	295,840	24,386	1,695,845	2,944,047	53,210	14,064	-	5,027,392

As at September 30, 2010 (Un-audited)							
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Total	
Rupees in '000							
Segment Assets	315,249	6,181,948	104,231,167	301,009,839	243,330	501,328	412,482,861

As at December 31, 2009 (Audited)							
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Total	
Rupees in '000							
Segment Assets	467,199	27,747,915	90,559,712	298,846,026	250,471	469,529	418,340,852

## 20. GENERAL

20.1 Figures have been rounded off to the nearest thousand rupees.

20.2 Corresponding figures have been re-arranged and reclassified to reflect more appropriate presentation of transactions for the purpose of comparison. However, no significant reclassifications have been made in these consolidated condensed interim financial statements.

## 21. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue on October 18, 2010 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman