

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2009

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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 766 (2008: 766) branches in Pakistan including the Karachi Export Processing Zone Branch (overseas business unit). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA'. Short term rating of the Bank is 'A1+'. The Bank is a holding company of ABL Asset Management Company Limited.

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

2. STATEMENT OF COMPLIANCE

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

2.2 The SBP, vide BSD Circular No. 10, dated August 26, 2002 had deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

3. BASIS OF PRESENTATION

3.1 The disclosures made in these consolidated condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan, vide BSD Circular No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2008.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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.

Notes to the Consolidated Condensed Interim Financial Statements
(Un-audited) for the quarter ended March 31, 2009

	Note	Un-audited March 31, 2009 Rupees in '000'	Audited December 31, 2008
5. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	5.1	1,000,000	100,000
Letters of placement	5.2	333,000	736,000
Repurchase agreement lendings (Reverse Repo)	5.3	11,303,934	14,957,183
Certificates of investment	5.4	1,000,000	–
		<u>13,636,934</u>	<u>15,793,183</u>

5.1 These are unsecured lendings to Financial Institutions, carrying mark –up at rates, ranging between 11.45% and 14.90% (December 31, 2008 at the rate of 15.40%) per annum and maturing on various dates, latest by June 19, 2009.

5.2 These are clean placement with Non-Banking Finance Companies, carrying mark –up at the rates of 0.00% and 16.10% (December 31, 2008: 18.90% and 20.00%) per annum and maturing on various dates, latest by January 01, 2010.

5.3 These are short –term lendings to various financial institutions against government securities, carrying mark –up at rates, ranging between 10.25% and 12.75% (December 31, 2008: 10.00% and 14.90%) per annum and maturing on various dates, latest by April 30, 2009.

5.4 The certificates of investments carrying mark –up at rates, ranging between 13.50% and 17.25% (December 31, 2008: Nil) per annum and maturing on various dates, latest by June 16, 2009.

6. INVESTMENTS

	Note	Held by Bank	Given as collateral Rupees in '000'	Total
Current period – March 31, 2009 (Un-audited)	6.1	<u>87,271,891</u>	<u>792,464</u>	<u>88,064,355</u>
Prior year corresponding period – December 31, 2008 (Audited)	6.1	<u>74,236,420</u>	<u>8,197,578</u>	<u>82,433,998</u>

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2009

	Un-audited As at March 31, 2009			Audited As at December 31, 2008		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
Rupees in '000'						
6.1 Investments by types						
Held-for-trading securities						
Ordinary Shares of listed companies	126,369	–	126,369	96,416	–	96,416
Available for sale securities						
Market Treasury Bills	24,057,445	787,800	24,845,245	26,512,476	8,197,541	34,710,017
Pakistan Investment Bonds	445,774	–	445,774	445,580	–	445,580
Ordinary Shares / Certificates of listed companies	7,253,150	–	7,253,150	6,863,698	–	6,863,698
Preference Shares of listed companies	250,000	–	250,000	250,000	–	250,000
Units of Open-End Mutual Funds	12,687,707	–	12,687,707	12,761,149	–	12,761,149
Ordinary Shares of unlisted companies	229,821	–	229,821	544,822	–	544,822
Ordinary Shares of unlisted companies – (related parties)	1,334,805	–	1,334,805	447,853	–	447,853
Pre IPO Investments	35,000	–	35,000	35,000	–	35,000
Sukuk Bonds	3,166,507	–	3,166,507	2,686,250	–	2,686,250
Listed Term Finance Certificates (TFCs)	19,453,761	–	19,453,761	7,733,386	–	7,733,386
	68,913,970	787,800	69,701,770	58,280,214	8,197,541	66,477,755
Held-to-maturity securities						
Pakistan Investment Bonds	9,033,581	–	9,033,581	9,084,116	–	9,084,116
Foreign Currency Bonds (US\$)	147,643	–	147,643	137,767	–	137,767
TFCs, Debentures, Bonds, and PTCs	10,652,862	–	10,652,862	10,682,356	–	10,682,356
	19,834,086	–	19,834,086	19,904,239	–	19,904,239
	88,874,425	787,800	89,662,225	78,280,869	8,197,541	86,478,410
Provision for diminution in value of investments	(2,144,799)	–	(2,144,799)	(2,015,042)	–	(2,015,042)
Unrealised gain on revaluation of Held-for-trading securities	2,590	–	2,590	3,201	–	3,201
Surplus/(deficit) on revaluation of Available-for-sale securities	539,675	4,664	544,339	(2,032,608)	37	(2,032,571)
Investments (net of provision)	87,271,891	792,464	88,064,355	74,236,420	8,197,578	82,433,998

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

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

The carried forward deficit of Rs. 1,918.395 million after price adjustment based on March 31, 2009 remained at Rs. 526.222 million. In accordance with guidelines of the SECP and SBP circulars stated above, the first quarter impairment of Rs. 131.556 million is recognized in the Profit and Loss Account and balance of Rs. 394.666 million is included in the total amount of revaluation surplus/deficit reported under equity as at March 31, 2009. The amount of Rs. 394.666 million taken to equity as at March 31, 2009 shall be treated as a charge to Profit and Loss Account for the purposes of distribution as dividend.

The full recognition of impairment loss based on the market values as at March 31, 2009 would have had the following effect on these financial statements:

	March 31, 2009 Rupees in ‘000
Increase in ‘Impairment Loss’ in Profit and Loss Account	394,666
Decrease in tax charge for the year	138,133
Decrease in profit for the year - after tax	256,533
	Rupees
Decrease in earnings per share -after tax (basic and diluted)	0.40
	Rupees in ‘000
Increase in net surplus on revaluation of available for sale securities	394,666
Decrease in unappropriated profit	256,533

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2009

Note	Un-audited	Audited
	March 31, 2009	December 31, 2008
Rupees in '000'		
7. ADVANCES		
Loans, cash credits, running finances, etc. – in Pakistan	195,402,195	215,781,261
Net investment in finance lease – in Pakistan	845,441	768,173
Bills discounted and purchased (excluding government treasury bills)		
Payable in Pakistan	1,006,116	1,738,019
Payable outside Pakistan	6,335,615	5,400,424
	7,341,731	7,138,443
	203,589,367	223,687,877
Financing in respect of Continuous Funding System (CFS)	–	–
	203,589,367	223,687,877
Provision against non-performing advances / others	7.1 (10,995,662)	(10,657,709)
General provision against consumer financing	(9,709)	(10,060)
	192,583,996	213,020,108

- 7.1 This represents provision against non-performing advances amounting to Rs. 10,850,389 thousand (December 31, 2008: Rs. 10,512,436 thousand) and a provision of Rs 145,273 thousand (December 31, 2008: Rs. 145,273 thousand) made against Japan Power Generation Limited without changing its status to non-performing as per SBP Directive No. BID (Insp)/ 722/71–02–2007 dated March 14, 2007. Advances include Rs. 14,982,970 thousand (2008: Rs. 13,771,895 thousand) which have been placed under the non-performing status as detailed below:

Category of Classification	March 31, 2009 (Un-audited)				Provision required	Provision held
	Classified Advances			Total		
	Domestic	Overseas	Total			
Rupees in '000'						
Other Assets Especially Mentioned	34,300	–	34,300	–	–	
Substandard	4,147,024	–	4,147,024	1,035,002	1,035,002	
Doubtful	1,972,518	–	1,972,518	986,259	986,259	
Loss	8,829,128	–	8,829,128	8,829,128	8,829,128	
	14,982,970	–	14,982,970	10,850,389	10,850,389	

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

8. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs. 522,763 thousand and Rs. 6,315 thousand, respectively.

Notes to the Consolidated Condensed Interim Financial Statements
(Un-audited) for the quarter ended March 31, 2009

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

9. DEPOSITS AND OTHER ACCOUNTS

	Un-audited March 31, 2009	Audited December 31, 2008
Customers		
Fixed deposits	94,349,861	105,939,618
Savings deposits	74,944,357	72,448,664
Current accounts – Remunerative	38,715,851	37,829,726
– Non-remunerative	74,798,554	77,755,031
	282,808,623	293,973,039
Financial Institutions		
Remunerative deposits	1,873,981	3,501,504
	284,682,604	297,474,543

10. The Bank is in the process to issue second TFC amounting to Rs. 4,000 million out of which, Rs. 3,000 million had been raised through Pre IPO and Rs. 1,000 million will be offered for subscription through IPO for which SECP approval is awaited. As of March 31, 2009 Rs. 3,000 million has been received as Pre IPO proceeds and are included in other liabilities.

11. SHARE CAPITAL

11.1 Authorised capital

Un-audited March 31, 2009	Audited December 31, 2008		Un-audited March 31, 2009	Audited December 31, 2008
No. of shares			Rupees in '000'	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

11.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10 each

Un-audited March 31, 2009	Audited December 31, 2008	Ordinary Shares	Un-audited March 31, 2009	Audited December 31, 2008
No. of shares			Rupees in '000'	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
222,035,681	222,035,681	Issued as bonus shares	2,220,357	2,220,357
628,815,775	628,815,775		6,288,158	6,288,158
9,148,550	9,148,550	18,348,550 Ordinary Shares of Rs.10 each determined pursuant to the Scheme of Amalgamation of ILL with ABL in accordance with the share swap ratio stipulated therein less 9,200,000 Ordinary Shares of Rs.10 each held by ILL on the cut-off date (September 30, 2004)	91,486	91,486
8,400,000	8,400,000	8,400,000 Ordinary Shares of Rs.10 each determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein	84,000	84,000
646,364,325	646,364,325		6,463,644	6,463,644

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 261,526,088 (40.46%) and 59,968,382 (9.28%) [December 31, 2008: 261,526,088 (40.46%) and 58,968,382 (9.28%)] Ordinary shares of Rs.10 each, respectively, as at March 31, 2009.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2009

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	Un-audited March 31, 2009	Audited December 31, 2008
	Rupees in '000'	
12. CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes		
Guarantees in favour of:		
Banks and financial institutions	1,419,019	1,455,678
12.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	6,510,421	7,736,845
Others	5,206,649	4,088,278
	11,717,070	11,825,123
12.3 Trade-related contingent liabilities	77,070,403	75,991,804
12.4 Claims against the Bank not acknowledged as debt	5,154,273	5,155,293
12.5 Commitments to extend credit		
<p>The Bank makes commitments to extend credit in the normal course of business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.</p>		
	Un-audited March 31, 2009	Audited December 31, 2008
	Rupees in '000'	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	13,960,981	17,083,600
Sale	6,111,783	4,831,414
12.7 Commitments in respect of:		
Civil works	650,394	929,810
Acquisition of operating fixed assets	407,706	145,987
12.8 Commitments in respect of lease financing	31,250	48,567
12.9 Commitments in respect of purchase of shares	317,271	450,643
12.10 Commitments in respect of procurement of software	-	142,859
12.11 Commitments in respect of purchase of T-Bills	-	8,000,000

12.12 Contingencies

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

12.12.2 The Income tax assessments of the Bank have been finalized upto and including Tax Year 2008 for local operations and Azad Kashmir Operations.

- a) While finalizing income tax assessments up to the assessment year 2000–2001, the Income Tax Authorities made certain add backs with a tax impact of Rs.219 million. As a result of appeals filed by the Bank before the Appellate Authorities, these add-backs were set-aside with a tax impact of Rs. 125 million.
- b) While finalizing income tax assessments from Assessment year 2001–2002 to tax year 2006, the income tax authorities made certain add backs with tax impact amounting to Rs. 6,500 million. As a result of Appeals filed by the Bank before the Appellate Authorities, these add-backs were deleted and set-aside, by Appellate Authorities, with tax impact of Rs.4,102 million and Rs.2,398 million respectively.
- c) The assessment for Tax Year 2007 and 2008 have been finalized with net additional tax liability of Rs. 2,798 millions. The Bank has filed appeals against the orders before the appellate authority.

Pending the finalization of the above-referred matters, no provision has been made by the Bank in an aggregate sum of Rs. 7,448 million in these financial statements. This sum includes tax liability, aggregating to Rs. 4,102 million, already deleted by the Appellate Authorities and Income Tax Department is also in appeal before higher Appellate Authorities. While giving appeal effect on most of the deleted issues a refund of Rs. 3,875 million has been determined. The management is hopeful that the outcome of these appeals will be in favor of the Bank.

13. EARNINGS PER SHARE – BASIC AND DILUTED

	Rupees in '000'	
Profit after tax for the period attributable to ordinary shareholders	1,443,826	1,358,638
	Number of Shares	
Weighted average number of Ordinary Shares outstanding during the period	646,364,325	646,364,325
	Rupees	
Earnings per share – basic and diluted	2.23	2.10

There is no dilution effect on basic earnings per share.

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the quarter ended March 31, 2009

14. RELATED PARTY TRANSACTIONS

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

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

Contributions to the accounts in respect of staff retirement benefits are made in accordance with actuarial valuation (terms of contribution plan).

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

	Un-audited March 31, 2009				Audited December 31, 2008			
	Directors	Associated Companies	Key management personnel	Other related parties	Directors	Associated Companies	Key management personnel	Other related parties
Nature of related party transactions								
Loans								
Loans at the beginning of the period/year				3,797,789				2,053,508
Loans given during the period/year	3,977	-	253,361	3,089,178	11,783	-	75,899	8,907,741
Loans repaid during the period/year	(3,755)	-	(8,808)	(1,572,177)	(10,355)	-	(22,747)	(7,163,460)
Loans at the end of the period/year	27,262	-	252,218	5,314,790	27,040	-	253,961	3,797,789
Deposits								
Deposits at the beginning of the period/year	4,845	55,082	11,105	125,001	3,763	87,452	17,499	2,953
Deposits received during the period/year	5,383	531,533	38,062	1,143,918	1,005,191	2,490,881	189,675	5,810,587
Deposits repaid during the period/year	(6,596)	(90,338)	(38,564)	(1,263,303)	(1,004,059)	(2,523,251)	(196,069)	(5,688,537)
Deposits at the end of the period/year	3,812	26,597	10,603	5,616	4,845	55,082	11,105	125,001
Net receivable from								
staff retirement benefit funds	-	-	-	1,403,550	-	-	-	1,393,710
Staff retirement fund deposits	-	-	-	3,639,527	-	-	-	3,317,336
Investments in Shares	-	235,969	-	1,191,717	-	235,969	-	306,884
Nostro Balances	-	156,404	-	-	-	372,416	-	-
Rent Payable	-	-	-	664	-	-	-	1,328
Un-audited March 31, 2009								
Directors	Associated Companies	Key management personnel	Other related parties	Un-audited March 31, 2008				
				Directors	Associated Companies	Key management personnel	Other related parties	
272	-	3,413	6,403	-	-	-	-	-
-	106	-	-	-	-	-	-	-
-	-	37	69,920	4	-	-	33	52,754
525	-	-	-	500	-	-	-	-
-	-	-	14,712	-	-	-	-	12,949
-	-	-	1,993	-	-	-	-	1,993
-	-	-	-	-	-	-	2	-
-	-	-	153,406	-	-	-	-	(44,263)
Un-audited March 31, 2009								
Directors	Associated Companies	Key management personnel	Other related parties	Un-audited March 31, 2008				
				Directors	Associated Companies	Key management personnel	Other related parties	
272	-	3,413	6,403	-	-	-	-	-
-	106	-	-	-	-	-	-	-
-	-	37	69,920	4	-	-	33	52,754
525	-	-	-	500	-	-	-	-
-	-	-	14,712	-	-	-	-	12,949
-	-	-	1,993	-	-	-	-	1,993
-	-	-	-	-	-	-	2	-
-	-	-	153,406	-	-	-	-	(44,263)

Mark-up earned on loans
Income on placements
Mark-up expense on deposits
Directors' meeting fee
NIFT charges
Rent expense
Bank Charges Levied
Change / (expense) in respect of staff
retirement benefit funds

**Notes to the Consolidated Condensed Interim Financial Statements
(Un-audited) for the quarter ended March 31, 2009**

15. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

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

	For the Period Ended March 31, 2008 (Un-audited)					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management
	Rupees in '000					
Total Income	153,617	483,261	3,059,246	5,649,742	29,008	10,603
Total Expenses	(80,006)	(407,196)	(2,516,803)	(4,996,739)	(16,903)	(9,192)
Net Income	73,611	76,065	542,443	653,003	12,105	1,411

16. GENERAL

Figures have been rounded off to the nearest thousand rupees.

17. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue on April 25, 2009 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive

Director

Director

Director