

Directors' Review for the Quarter ended March 31, 2008

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the financial results of Allied Bank Limited for the three months ended March 31, 2008.

Financial Highlights

	(Rupees in million)		
	Three months ended March 31		
	2008	2007	Growth
Profit after tax	1,357	1,351	0.5%
Un-appropriated profits brought forward	6,971	5,608	24%
Transfer from surplus on revaluation of fixed assets - net of tax	4.4	4.7	6%
Profit available for appropriation	8,333	6,963	20%
Final cash dividend for the year ended December 31, 2007 (2007: year ended December 31, 2006) at Rs.1.5* per share (2007: Rs.2.5 per share)	(808)	(1,122)	-28%
Transfer to Statutory Reserves	(271)	(270)	0.4%
Un-appropriated profits carried forward	7,254	5,571	30%
1st Quarter Earnings per share (EPS)	2.10	2.09	0.5%

* In addition to Rs. 1.5 per share as interim dividend

Financial Overview

Your Bank continues to maintain growth momentum during 1st quarter ended March 31, 2008 (1Q08) as operating profit of your Bank grew to Rs. 2.4 billion or 12% compared to the 1st quarter of 2007 (1Q07).

Profit after tax for the 1Q08 remained at Rs. 1.36 billion compared to the corresponding period of 2007. Increased cost of funds, lower yield on advances and higher provisioning are the primary factors for slower growth. Due to accounting principles, the results do not consider unrecognized profits on certain investment portfolios for which substantial income is expected towards the later part of the year.

Markup income grew to Rs. 6.4 billion or by 24% during the current period, driven primarily by 32% higher average performing loan volume, compared to the corresponding period of last year. However, it was partially offset by impact of declining KIBOR as average yield dropped by approximately 60 basis points. The six months KIBOR, which remained above 10.60% in the beginning of 2007, was down to around 10.00% at the start of the current year. This was well supported by approximately 100 basis points rise in investment yield coupled with 12% volumetric growth witnessed under interest bearing average investments.

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Improvement in markup income was partially offset by increase in cost of funds by 51% owing to 35% higher volume and approximately 50 basis points increase in rates. However, your Bank registered stable growth in deposits without compromising on the net interest spreads. Deposits grew by 5.3% to Rs.278 billion compared to Rs.264 billion at December 31, 2007, whereas average deposit volume improved by 31% compared with Q107.

Considering the current economic conditions, your Bank increased the provisioning against Non Performing Loans (NPLs). This includes subjective provisioning as the Bank wants to be prudent about the current business conditions. NPLs increased marginally by 2.6% over December 2007 while NPL ratio improving to 6.2% compared to 6.4% in December 2007.

Non mark-up income improved to Rs.1.1 billion or by 49% contributed mainly by increases in fee, commission and brokerage income and gain on securities and dividend income.

Total assets of your Bank grew by 4% to Rs. 333 billion contributed by gross loans and investments growth by around 5% and 3.4% respectively. Owing to the increased dependence of corporates on debt instruments, your Bank has also increased its investment in Term Finance Certificates and Sukook bonds. Equity of your Bank increased by 3% over December 2007 to reach Rs. 19 billion.

Corporate Finance House of the Year - 2007

We feel pleased to apprise you that your Bank has been awarded 'Corporate Finance House of the Year (Banks) for the second consecutive year. CFA Association of Pakistan, a member society of CFA Institute - USA, conferred the award on Allied Bank based on the highest value and number of corporate finance transactions concluded during July 2006 - December 2007.

Outlook

With challenges lying ahead owing to changing political and economic conditions of the country, your Bank is watchful of economic and industry environment by pursuing a managed growth approach. The quality of growth is given higher preference than just seeking growth.

Acknowledgment

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

Mohammad Aftab Manzoor
Chief Executive Officer

Mohammad Naem Mukhtar
Chairman

Dated: April 26, 2008
Place: Lahore