

# Notes to the Condensed Interim Financial Statements (Un-audited) for the Quarter ended March 31, 2008

## **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 757 (2007: 757) branches in Pakistan. The long term credit rating of the Bank rated 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 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 and the provisions of and regulations/directives issued under the Banking Companies Ordinance, 1962 and the Companies Ordinance, 1984. In case requirements differ, the provisions of and regulations/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 condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.

**2.3** The disclosures made in these 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 condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2007.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1** The accounting policies and methods of computation followed in the preparation of these condensed interim financial statements are same as those applied in preparing the most recent annual financial statements of the Bank.

Notes to the Condensed Interim Financial Statements (Un-audited)  
for the Quarter ended March 31, 2008

	Note	March 31, 2008	December 31, 2007
Rupees in '000'			
<b>4. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call money lendings	4.1	500,000	1,500,000
Letters of placement	4.2	760,000	1,850,000
Repurchase agreement lendings (Reverse Repo)	4.3	16,134,319	12,924,241
Certificates of investment		—	2,145,000
		<u>17,394,319</u>	<u>18,419,241</u>

4.1 This is an unsecured lending to Financial Institution, carrying mark-up at rate 9.70% (December 31, 2007 ranged between 10.00% and 12.00%) per annum and maturing on April 4, 2008.

4.2 These are clean placements with Non-Banking Finance Companies, carrying mark-up at rates, ranging between 10.00% and 10.50 % (December 31, 2007: 9.75% and 10.30%) per annum and maturing on April 1, 2008.

4.3 These are short-term lendings to various financial institutions against government securities. These carry mark-up at rates, ranging between 7.75% and 10.50% (December 31, 2007: 9.10% and 9.40%) per annum and maturing on various dates, latest by June 26, 2008.

**5. INVESTMENTS**

	Held by Bank	Given as collateral	Total
Rupees in '000'			
Current period - March 31, 2008	<u>85,068,517</u>	<u>1,785,935</u>	<u>86,854,452</u>
Prior year corresponding period - December 31, 2007	<u>71,432,066</u>	<u>12,526,397</u>	<u>83,958,463</u>

Notes to the Condensed Interim Financial Statements (Un-audited)  
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	As at March 31, 2008			As at December 31, 2007		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	Rupees in '000'					
<b>5.1 Investments by types</b>						
<b>Held-for-trading securities</b>						
Ordinary Shares of listed companies	84,785	-	84,785	33,860	-	33,860
<b>Available for sale securities</b>						
Market Treasury Bills	23,630,621	1,788,949	25,419,570	24,936,479	12,543,383	37,479,862
Pakistan Investment Bonds	444,903	-	444,903	444,758	-	444,758
Ordinary Shares/Certificates of listed companies	3,734,671	-	3,734,671	1,601,605	-	1,601,605
Preference Shares of listed companies	275,000	-	275,000	275,000	-	275,000
Investment in Open-End Mutual Funds	22,906,845	-	22,906,845	19,606,845	-	19,606,845
Ordinary Shares of unlisted companies	247,067	-	247,067	82,099	-	82,099
Ordinary Shares of unlisted companies -(related parties)	451,219	-	451,219	451,219	-	451,219
Pre IPO Investments	175,000	-	175,000	2,514,900	-	2,514,900
Privately Placed Investments	-	-	-	1,890,918	-	1,890,918
Sukuk Bonds	2,420,000	-	2,420,000	2,420,000	-	2,420,000
Listed Term Finance Certificates (TFCs)	7,073,841	-	7,073,841	736,636	-	736,636
	61,359,167	1,788,949	63,148,116	54,960,459	12,543,383	67,503,842
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	11,050,690	-	11,050,690	11,108,762	-	11,108,762
Foreign Currency Bonds (US\$)	163,893	-	163,893	160,010	-	160,010
TFCs, Debentures, Bonds, and PTCs	11,440,271	-	11,440,271	4,903,356	-	4,903,356
	22,654,854	-	22,654,854	16,172,128	-	16,172,128
<b>Subsidiary</b>						
ABL Asset Management Company Limited	500,000	-	500,000	500,000	-	500,000
	84,598,806	1,788,949	86,387,755	71,666,447	12,543,383	84,209,830
Provision for diminution in value of investments	(176,241)	-	(176,241)	(192,290)	-	(192,290)
Unrealised (loss)/gain on revaluation of Held-for-trading securities	(2,525)	-	(2,525)	(1,463)	-	(1,463)
Suplus/(deficit) on revaluation of Available-for-sale securities	648,477	(3,014)	645,463	(40,628)	(16,986)	(57,614)
<b>Investments (net of provision)</b>	<b>85,068,517</b>	<b>1,785,935</b>	<b>86,854,452</b>	<b>71,432,066</b>	<b>12,526,397</b>	<b>83,958,463</b>

Notes to the Condensed Interim Financial Statements (Un-audited)  
for the Quarter ended March 31, 2008

Note	March 31, 2008	December 31, 2007
Rupees in '000'		
<b>6. ADVANCES</b>		
Loans, cash credits, running finances, etc. - in Pakistan	181,504,435	170,743,654
Net investment in finance lease - in Pakistan	810,613	741,148
Bills discounted and purchased (excluding government treasury bills)		
Payable in Pakistan	1,753,981	1,455,922
Payable outside Pakistan	2,799,138	3,256,536
	<u>4,553,119</u>	<u>4,712,458</u>
	186,868,167	176,197,260
Financing in respect of Continuous Funding System (CFS)	-	2,327,097
	<u>186,868,167</u>	<u>178,524,357</u>
Provision against non-performing advances / others	6.1 (10,502,594)	(10,103,954)
General provision against consumer financing	(12,645)	(13,123)
	<u>176,352,928</u>	<u>168,407,280</u>

- 6.1** This represents provision against non-performing advances amounting to Rs. 10,357,321 thousand and a provision of 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. 11,654,727 thousand (2006: Rs. 11,354,923 thousand) which have been placed under the non-performing status as detailed below:

Category of Classification	March 31, 2008			Provision required	Provision held
	Classified Advances				
	Domestic	Overseas*	Total		
Rupees in '000'					
Other Assets Especially					
Mentioned	39,224	-	39,224	-	-
Substandard	859,611	-	859,611	213,907	213,907
Doubtful	978,099	-	978,099	488,968	488,968
Loss	9,777,793	-	9,777,793	9,654,446	9,654,446
	<u>11,654,727</u>	<u>-</u>	<u>11,654,727</u>	<u>10,357,321</u>	<u>10,357,321</u>
Category of Classification	December 31, 2007			Provision required	Provision held
	Classified Advances				
	Domestic	Overseas*	Total		
Rupees in '000'					
Other Assets Especially					
Mentioned	32,765	-	32,765	-	-
Substandard	1,311,832	-	1,311,832	327,091	327,091
Doubtful	532,967	-	532,967	265,960	265,960
Loss	9,477,359	-	9,477,359	9,365,630	9,365,630
	<u>11,354,923</u>	<u>-</u>	<u>11,354,923</u>	<u>9,958,681</u>	<u>9,958,681</u>

\* The Bank does not have any overseas branch.

**7. OPERATING FIXED ASSETS**

During the current period, additions and disposals in operating fixed assets amounted to Rs. 476,752 thousand and Rs. 7,233 thousand, respectively.

Notes to the Condensed Interim Financial Statements (Un-audited)  
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	March 31, 2008	December 31, 2007
	Rupees in '000'	
<b>8. DEPOSITS AND OTHER ACCOUNTS</b>		
<b>Customers</b>		
Fixed deposits	81,906,419	72,912,363
Savings deposits	76,993,506	71,255,336
Current accounts - Remunerative	46,039,825	42,351,315
- Non-remunerative	69,725,674	67,742,105
	274,665,424	254,261,119
<b>Financial Institutions</b>		
Remunerative deposits	3,188,267	9,711,263
	<u>277,853,691</u>	<u>263,972,382</u>

**9. SHARE CAPITAL**

**9.1 Authorised capital**

March 31, 2008	December 31, 2007		March 31, 2008	December 31, 2007
No. of shares				
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

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

Fully paid-up Ordinary shares of Rs. 10 each

March 31, 2008	December 31, 2007	Ordinary Shares	March 31, 2008	December 31, 2007
No. of shares				
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
222,035,681	114,308,294	Issued as bonus shares	2,220,357	1,143,083
<u>628,815,775</u>	<u>521,088,388</u>		<u>6,288,158</u>	<u>5,210,884</u>
9,148,550	9,148,550	18,348,550 Ordinary Shares of Rs.10 each determined pursuant to the Scheme of Amalgamation of ILL with ABL in accordance with the share swap ratio stipulated therein less 9,200,000 Ordinary Shares of Rs.10 each held by ILL on the cut-off date (September 30, 2004)	91,486	91,486
8,400,000	8,400,000	8,400,000 Ordinary Shares of Rs.10 each determined pursuant to the Scheme of Amalgamation of First Allied Bank Modaraba with Allied Bank Limited in accordance with the share swap ratio stipulated therein	84,000	84,000
<u>646,364,325</u>	<u>538,636,938</u>		<u>6,463,644</u>	<u>5,386,370</u>

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 204,455,088 and 56,968,382 (December 31, 2007: 170,379,240 and 47,473,652) Ordinary shares of Rs.10 each, respectively, as at March 31, 2008.

Notes to the Condensed Interim Financial Statements (Un-audited)  
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	March 31, 2008	December 31, 2007
	Rupees in '000'	
<b>10. CONTINGENCIES AND COMMITMENTS</b>		
<b>10.1 Direct credit substitutes</b>		
Guarantees in favour of:		
Banks and financial institutions	1,247,965	1,971,776
<b>10.2 Transaction-related contingent liabilities</b>		
Guarantees in favour of:		
Government	4,093,873	4,040,048
Others	6,346,205	6,235,919
	10,440,078	10,275,967
<b>10.3 Trade-related contingent liabilities</b>	77,596,049	83,037,690
<b>10.4 Claims against the Bank not acknowledged as debt</b>	3,073,367	3,058,291
<b>10.5 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.		
	March 31, 2008	December 31, 2007
	Rupees in '000'	
<b>10.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	15,646,531	10,998,573
Sale	5,621,725	4,763,749
<b>10.7 Commitments in respect of:</b>		
Civil works	139,930	752,139
Acquisition of operating fixed assets	640,962	168,654
<b>10.8 Commitments in respect of lease financing</b>	138,473	188,174
<b>10.9 Commitments in respect of:</b>		
Forward lending	964,494	1,000,000
Forward borrowing	—	—
	964,494	1,000,000
<b>10.10 Commitments in respect of lending against CFS</b>	—	733
<b>10.11 Commitments in respect of purchase of shares</b>	872,367	865,000

## Notes to the Condensed Interim Financial Statements (Un-audited) for the Quarter ended March 31, 2008

### 10.12 Contingencies

**10.12.1** There is no change in the status of contingencies, set out in note 21.12 to the financial statements of the Bank for the year ended December 31, 2007, except for the contingency as mentioned below.

**10.12.2** The Income tax assessments of the Bank have been finalized upto and including Tax Year 2006 for local operations and Azad Kashmir Operations. Further, income tax returns for the tax year 2007 have also been filed for local and Azad Kashmir operation.

- 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. 278 million. As a result of appeals filed by the Bank before the Appellate Authorities, these add-backs were deleted and set-aside with a tax impact of Rs. 125 million. The appeal effect orders with regard to the above matters are pending.
- b) The assessments from Assessment Year 2001-2002 to Tax Year 2005 have been finalized with net additional tax liability of Rs. 4,684 million. As a result of the appeals filed by the Bank before the Appellate Authorities, various additions having tax impact of Rs. 4,718 million and Rs 2,424 million have been deleted and set-aside by Appellate Authorities, respectively. The appeal effect orders with regard to the above matters are pending.
- c) The assessment for Tax Year 2006 has been finalized with net additional tax liability of Rs. 671 million. However, the Bank has filed appeal against the above referred order before the Appellate Authority.

Pending the finalization of the above-referred appeals, no provision has been made by the Bank in an aggregate sum of Rs. 5,633 million in these condensed interim financial statements. This sum includes tax liability, aggregating to Rs. 4,718 million, already deleted by the Appellate Authorities for which appeal effect orders are pending. The management is hopeful that the outcome of these appeals will be in favor of the Bank.

	<b>March 31, 2008</b>	<b>March 31, 2007</b>
	<b>Rupees in '000'</b>	
<b>11. EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit after tax for the period attributable to ordinary shareholders	<u>1,357,227</u>	<u>1,350,847</u>
Weighted average number of Ordinary Shares outstanding during the period	11.1 <u>646,364,325</u>	<u>646,364,325</u>
Earnings per share - basic and diluted	<u>2.10</u>	<u>2.09</u>

There is no dilution effect on basic earnings per share.

**11.1** 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 Condensed Interim Financial Statements (Un-audited)  
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12. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its subsidiary, companies with common directorship, having equity under 20%, directors and employee benefit plans. Banking transactions with related parties are executed substantially on the same terms, including mark-up rates and collateral, as those prevailing at the time for comparable transactions with unrelated parties and do not involve more than a normal risk (i.e. under the comparable uncontrolled price method).

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

Nature of related party transactions	March 31, 2008					December 31, 2007				
	Directors	Companies with common directorship having equity under 20%	Subsidiaries	Key management personnel	Other related parties	Directors	Companies with common directorship having equity under 20%	Subsidiary	Key management personnel	Other related parties
Rupees in 000										
<b>Loans</b>										
Loans at the beginning of the period/year	1,283	-	-	98,671	-	386	-	-	60,970	-
Loans given during the period/year	794	-	-	21,441	-	7,166	-	-	53,314	-
Loans repaid during the period/year	(1,761)	-	-	(3,980)	-	(6,289)	-	-	(15,813)	-
Loans at the end of the period/year	316	-	-	116,132	-	1,283	-	-	98,671	-
<b>Deposits</b>										
Deposits at the beginning of the period/year	3,763	89,447	502,788	31,843	-	1,701	59,800	-	7,225	-
Deposits received during the period/year	13,791	220,600	765,810	39,854	-	4,978,161	1,274,415	1,004,609	189,350	-
Deposits repaid during the period/year	(14,409)	(253,915)	(919,287)	(42,030)	-	(4,976,099)	(1,244,768)	(501,821)	(164,732)	-
Deposits at the end of the period/year	3,145	56,132	349,311	29,667	-	3,763	89,447	502,788	31,843	-
Other receivables	-	-	6,282	-	-	-	-	5,740	-	-
Net receivable from Staff retirement benefit funds	-	-	-	-	1,324,081	-	-	-	-	1,153,044
Staff retirement fund deposits	-	-	-	-	2,418,191	-	-	-	-	1,863,389
Other payables	-	-	-	434	-	-	-	-	-	-
March 31, 2008										
	Directors	Companies with common directorship having equity under 20%	Subsidiaries	Key management personnel	Other related parties	Directors	Companies with common directorship having equity under 20%	Subsidiary	Key management personnel	Other related parties
Mark-up earned	-	-	-	1,179	-	-	-	-	815	-
Mark-up expensed	4	-	9,555	33	52,754	39	38	3,198	68	79,357
Bank charges levied	-	-	-	2	-	-	-	-	1	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	-	(44,263)	-	-	-	-	5,029

Notes to the Condensed Interim Financial Statements (Un-audited)  
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**13. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES**

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

	<b>For the Period Ended March 31, 2008</b>				
	<b>Corporate Finance</b>	<b>Trading &amp; Sales</b>	<b>Retail Banking</b>	<b>Commercial Banking</b>	<b>Payment &amp; Settlement</b>
Rupees in '000'					
Total Income	153,617	483,261	3,059,246	5,649,742	29,008
Total Expenses	(80,006)	(407,196)	(2,516,803)	(4,996,739)	(16,903)
Net Income	<u>73,611</u>	<u>76,065</u>	<u>542,443</u>	<u>653,003</u>	<u>12,105</u>

	<b>For the Period Ended March 31,2007</b>				
	<b>Corporate Finance</b>	<b>Trading &amp; Sales</b>	<b>Retail Banking</b>	<b>Commercial Banking</b>	<b>Payment &amp; Settlement</b>
Rupees in '000'					
Total Income	66,001	568,318	1,938,795	4,245,993	60,312
Total Expenses	(31,173)	(476,584)	(1,418,426)	(3,572,528)	(29,861)
Net Income	<u>34,828</u>	<u>91,734</u>	<u>520,369</u>	<u>673,465</u>	<u>30,451</u>

**14. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**15. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on April 26, 2008 by the Board of Directors of the Bank.

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
President and Chief Executive

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

\_\_\_\_\_  
Chairman