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# Corporate Information

## Board of Directors

Mohammad Naem Mukhtar  
Chairman

Sheikh Mukhtar Ahmad  
Muhammad Waseem Mukhtar  
Abdul Aziz Khan  
Mubashir A. Akhtar  
Pervaiz Iqbal Butt  
A. Akbar Sharifzada  
Sheikh Jalees Ahmed  
Tariq Mahmood

## Audit Committee of Board

Mubashir A. Akhtar  
(Chairman)  
Pervaiz Iqbal Butt  
A. Akbar Sharifzada

## Human Resource & Remuneration Committee

Abdul Aziz Khan  
(Chairman)  
Muhammad Waseem Mukhtar  
Pervaiz Iqbal Butt  
Tariq Mahmood

## Company Secretary

Muhammad Raffat

## Auditors

Ernst & Young Ford Rhodes  
Sidat Hyder  
Chartered Accountants

## Legal Adviser

Haidermota & Co.  
Barrister-at-Law & Corporate Counselors

## Shares Registrar

Technology Trade (Pvt.) Limited

## Registered & Head Office

3 Tipu Block, Main Boulevard  
New Garden Town  
Lahore - Pakistan  
Tel: (92 42) 35880043  
Postal Code 54000

## Website & Email

[www.abl.com](http://www.abl.com)  
[info@abl.com](mailto: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

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, 2013:

## Financial Highlights

	(Rupees in million)		Growth
	Nine Months ended Sep 30,		
	2013	2012 (Restated)	
Profit After Tax	8,342	9,412	(11.4%)
Un-appropriated profits brought forward	24,250	20,509	18.2%
Transfer from surplus on revaluation of fixed assets – net of tax	47	23	78.3%
Profit available for appropriation	32,639	29,944	9%
Final cash dividend for the year ended December 31, 2012 Rs. 2 per ordinary share (2012: year ended December 31, 2011 at Rs. 2.5 per share)	(1,893)	(2,151)	(11.9%)
Interim Cash Dividend for the year ending December 31, 2013 (2012: interim dividend for the year ended December 31, 2012)	(2,602)	(3,312)	(21.5%)
Transfer to reserve for issue of bonus shares for the year ended December 31, 2012 @ 10% (2012: year ended December 31, 2011 @ 10%)	(946)	(658)	43.8%
Transfer to Statutory Reserves	(834)	(1,882)	(55.7%)
Un-appropriated profits carried forward	26,364	21,941	20.2%
Earnings Per Share (EPS) (Rs.)	8.01	9.04	(11.4%)

The Board is pleased to announce third interim cash dividend of Rs. 1.25 per share in addition to the already paid first and second interim cash dividends of Rs. 1.25 per share each. Interim Cash Dividend for the nine months period ended September 30, 2013 is Rs. 3.75 per share as compared to Rs. 4.5 per share Interim Cash Dividend in the corresponding period of the previous year.

## Economic Overview

Major positive factor during the third quarter 2013 was the approval of the IMF Extended Fund Facility of US \$ 6.6 billion. The facility is intended to ease the pressure on external account, facilitate funding from other international donors and assist in Pakistan's re-entry in the international capital markets. Moreover, clarity on the political front together with newly-initiated fiscal consolidation efforts of the government including settlement of the energy sector's circular debt, reduction in electricity tariff related subsidies and introduction of some taxation measures shows its intentions to address structural issues afflicting the fiscal accounts and could boost overseas investors' confidence.

However, the fundamental issues responsible for sluggish long-term economic growth in Pakistan, such as weak economic management and low productivity, have largely remained unaddressed. An unprecedented global economic crisis, together with escalating energy shortages and worsening security conditions in the domestic economy in recent years has further aggravated the situation. As

a result of the tough macroeconomic and geopolitical situation, real GDP growth for 2012-13 has been estimated at 3.6 percent for FY13 as compared to 4.4 percent in FY12. Further, the low tax to GDP ratio has led to a consistent gap between Federal Board of Revenue's (FBR) budget targets and actual tax collections in the last few years; the gap of Rs. 445 billion in FY13 was exceptionally high. Therefore, the estimated fiscal deficit of 8.0 percent of GDP in FY13 was considerably higher than the budgeted target of 4.7 percent of GDP.

The Government continues to struggle in reducing and financing its domestic and external deficits. The increase of Rs. 1,446 billion in budgetary borrowings from the banking system during FY13 was almost Rs. 1,000 billion higher than the original target and was even higher than the total expansion in M2. The government's aggregate domestic debt has reached Rs. 9,500 billion at the close of FY13. Substantial interest payments, on account of the rising domestic debt, are likely to keep the fiscal accounts under stress despite fiscal consolidation efforts of the government.

In the wake of considerable deceleration in inflation over the last two years, the SBP lowered its policy rate by 500 basis points. Accordingly, the weighted average lending rate has declined by 423 basis points by end-August 2013. The declining interest rate environment did contribute in a marginal pick up in loans to some sectors of private businesses in FY13. Similarly, the Large-scale Manufacturing sector grew by 4.3 percent in FY13 compared to an average growth of 0.3 percent in the last five years. However, most of the private sector loans were used to fulfill the working capital requirements only; loans availed for fixed assets investments show reduction due to repayments. Thus, there has been no real broad-based recovery in credit utilization by the private sector. This shows that higher interest rates were not the major constraining reason for the private sector credit off-take.

Due to shrinking net capital and financial flows and high loan repayments to the IMF, the SBP's foreign exchange reserves declined to \$4.6 billion as on 27th September, 2013 even after receiving \$544.5 million under the new IMF program. Pakistan Rupee depreciated by 6.4 percent in first quarter of FY14. Speculative sentiments in the market were a major reason for this accelerated depreciation.

Inflation has been on a declining trend since December 2010. The YOY inflation for the month of September 2013 was recorded at 7.39 percent. However, going forward, in view of the curtailment of energy subsidies, rise in GST, increase in petroleum prices and pressure on PKR parity, SBP projects average inflation in FY14 to rise between 11 to 12 percent in FY14.

In view of the need to contain inflation expectations in the economy, SBP has decided to increase the SBP policy rate by 50 bps to 9.5 percent with effect from 16th September, 2013. At the same time, the minimum profit rate on Rupee Saving Deposits, has been fixed at 50 basis points below the prevailing SBP Repo Rate (Interest Rate Corridor - Floor), increasing it to 6.5% from October 01, 2013, thereby, further squeezing the banking sector margins in the future.

## Financial Review

Under the tough business environment, Your Bank maintained its strategic focus on steady growth in overall deposits and earning assets while maintaining quality of advances portfolio. Deposits increased to Rs. 570,852 million as on September 30th, 2013; showing growth of 10.9% over December 31, 2012. Gross Investments increased to Rs. 316,185 million as at September 30, 2013 from Rs. 264,278 million as at December 31, 2012; depicting an increase of 19.6%. Gross Advances stood at Rs. 261,822

million as compared to December 31, 2012 by registering a reduction of 9.3% due to lower private sector credit appetite and repayment of energy sector loans upon settlement of Circular Debt by the Government.

Your Bank continued its emphasis to minimize NPLs, which have reduced to Rs. 19,692 million as at September 30, 2013 as compared to Rs. 20,668 million as on December 31, 2012, showing a decrease of 4.7%. The NPLs stand provided for with coverage ratio of 91.5% as at September 30, 2013. The Bank has not taken benefit of FSV while determining the provision against NPLs as allowed under BSD Circular No. 02 of 2010 dated June 03, 2010. The total assets stood at Rs. 681,040 million as at September 30, 2013 registering a growth of 7.5% while the Equity of the Bank as at September 30, 2013 registered a growth of 13.6% over December 31, 2012 level, to reach at Rs. 59,767 million.

Net Mark-up / Interest Income during the nine months period ended September 30, 2013 witnessed increase by Rs. 1,965 million to Rs. 16,359 million compared to Rs. 14,394 million in corresponding period of previous year. Despite 220 bps reduction in average KIBOR rate further compounded by the negative impact of rising Saving Account rate and changed profit payment mechanism, the above growth of 13.7% was accomplished through diversification of funds previously invested in Mutual Funds towards growth in interest bearing advances and investments respectively. Provision for loan losses reduced to Rs. 311 million during the period from Rs. 768 million in the corresponding period of previous year.

Fee, commission and brokerage income registered increase of Rs. 232 million or 11.5% as compared to corresponding period of previous year. The Bank has recognized compensation on delayed refunds which partially offset the reduction in dividend income and capital gain. The overall Non-Markup / Interest Income witnessed decline to reach at Rs. 7,254 million during the nine months period ended September 30, 2013 as compared to Rs. 10,629 million pertaining to corresponding period of previous year.

Non-Markup / Interest Expenses witnessed a minor increase of 0.6% for nine months period ended September 30, 2013 as compared to corresponding period of previous year. Administrative expenses increased by Rs. 781 million for nine months period ended September 30, 2013 as compared to corresponding period of previous year. This increase has been offset by decrease in provision against other assets, provision against off-balance sheet obligations and other charges by Rs. 237 million, Rs. 397 million and Rs. 82 million respectively, as compared to corresponding period of previous year.

Profit Before Tax of Your Bank stood at Rs. 11,718 million for nine months period ended September 30, 2013, showing a decline by 8.0% as compared to Rs. 12,737 million for the corresponding period of previous year. Profit After Tax also declined by 11.4% to Rs. 8,342 million as compared to Rs. 9,412 million in the corresponding period of previous year. As a result the EPS stood at Rs. 8.01 for nine months period ended September 30, 2013 compared to Rs. 9.04 in the corresponding period of previous year.



## Future Outlook

The implementation of a wide-ranging economic program, supported by the IMF, shall require some time to restore stability and enhance future growth prospects, as imbalances are corrected and structural reforms take hold. The banking sector's outlook remains under pressure in view of the contraction in banking spreads, the challenging domestic operating environment, which will continue to pressure asset quality and rising cost of doing business.

Your Bank is continuously investing in its business franchise in order to maintain profitability margins in the future. A critical mile stone was achieved with the recent opening of the 900th branch and installation of the 700th ATM. State of the art technology based solutions are being implemented for innovative banking products and services, enhanced customer service experience and automation of back end processes to enhance Internal Controls and Financial Reporting framework. Your Bank's key future initiatives also include expansion in Mobile, Branchless and Islamic banking.

## Entity & TFC Ratings

Allied Bank has long-term and short-term entity ratings of AA+ (Double A plus) and A1+ (A One Plus), respectively, assigned by The Pakistan Credit Rating Agency (PACRA). The ratings represent very high credit quality. The rating of TFC Issue of Rs. 3,000 million (Issue Date: August 28, 2009) by PACRA is AA (Double A). 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) is also AA (Double A) assigned by JCR-VIS Credit Rating Company Ltd. (JCR-VIS).

## Corporate Governance Rating

Your Bank's Corporate Governance rating has been upgraded from "CGR-8++" to "CGR-9" by JCR-VIS, which denotes a very 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,

Tariq Mahmood  
Chief Executive Officer

Date: October 22, 2013  
Place: Lahore

# Unconsolidated Condensed Interim Statement of Financial Position

as at September 30, 2013

	Note	Un-audited September 30, 2013	Audited December 31, 2012 Restated
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		48,295,119	43,351,653
Balances with other banks		807,378	1,029,286
Lendings to financial institutions	6	23,270,183	10,720,935
Investments	7	323,105,795	267,403,346
Advances	8	243,724,421	271,084,275
Operating fixed assets		20,833,832	19,871,173
Deferred tax assets		-	-
Other assets		21,003,241	19,861,305
		681,039,969	633,321,973
<b>LIABILITIES</b>			
Bills payable		5,860,472	6,203,051
Borrowings with financial institutions	9	23,785,582	38,916,192
Deposits and other accounts	10	570,852,007	514,707,055
Sub-ordinated loans		4,865,700	5,490,400
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		248,725	64,584
Other liabilities		15,660,628	15,333,164
		621,273,114	580,714,446
<b>NET ASSETS</b>		<b>59,766,855</b>	<b>52,607,527</b>
<b>REPRESENTED BY</b>			
Share capital	11	10,409,763	9,463,421
Reserves		11,790,005	10,906,250
Unappropriated profit		26,363,541	24,250,078
		48,563,309	44,619,749
Surplus on revaluation of assets - net of tax		11,203,546	7,987,778
		59,766,855	52,607,527

## CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 20 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, 2013

	Note	Nine Months Ended September 30,		Quarter Ended September 30,	
		2013	2012	2013	2012
Rupees in '000					
Mark-up / return / interest earned	13	40,088,003	37,002,838	13,936,186	12,624,346
Mark-up / return / interest expensed	14	23,729,044	22,608,701	7,967,055	8,189,653
Net mark-up / interest income		16,358,959	14,394,137	5,969,131	4,434,693
Provision against non-performing loans and advances and general provision - net		373,988	1,383,326	299,157	509,296
Reversal for diminution in the value of investments - net		(63,308)	(615,805)	(19,937)	(22,992)
Bad debts written off directly		-	-	-	-
		310,680	767,521	279,220	486,304
Net mark-up / interest income after provisions		16,048,279	13,626,616	5,689,911	3,948,389
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income		2,248,269	2,016,233	643,641	634,029
Dividend income		2,391,569	6,216,626	1,195,587	2,887,344
Income from dealing in foreign currencies		346,495	488,045	177,972	194,225
Gain / (loss) on sale of securities		1,100,142	1,731,956	314,056	(3,684)
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading' - net		-	-	(6,906)	792
Other income	15	1,167,675	175,982	28,782	54,219
Total non-markup / interest income		7,254,150	10,628,842	2,353,132	3,766,925
		23,302,429	24,255,458	8,043,043	7,715,314
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses		11,220,398	10,438,948	4,037,227	3,583,984
Provision / (reversal) against other assets - net		36,000	272,667	12,000	279,209
Provision against off-balance sheet obligations - net		24,900	421,992	21,500	396,098
Other charges		303,108	384,905	132,598	134,203
Total non-markup / interest expenses		11,584,406	11,518,512	4,203,325	4,393,494
Extra-ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		11,718,023	12,736,946	3,839,718	3,321,820
Taxation					
Current		3,390,388	3,504,302	1,118,631	617,637
Prior years		-	-	-	-
Deferred		(14,443)	(179,548)	(93,969)	(55,201)
		3,375,945	3,324,754	1,024,662	562,436
<b>PROFIT AFTER TAXATION</b>		8,342,078	9,412,192	2,815,056	2,759,384
Earnings per share - Basic and Diluted (in Rupees)	16	8.01	Restated 9.04	2.70	Restated 2.65

The annexed notes 1 to 20 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, 2013

	Nine Months Ended		Quarter Ended	
	September 30, 2013	2012	September 30, 2013	2012
	Rupees in '000			
Profit after taxation for the period	8,342,078	9,412,192	2,815,056	2,759,384
Other comprehensive income				
Exchange differences on translation of net investment in foreign wholesale branch	49,547	842	37,771	842
Total comprehensive income for the period	<u>8,391,625</u>	<u>9,413,034</u>	<u>2,852,827</u>	<u>2,760,226</u>

Surplus / (deficit) on revaluation of 'available for sale' securities and 'operating 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 August 04, 2000 and BSD Circular No. 10 dated July 13, 2004 respectively and Companies Ordinance, 1984.

The annexed notes 1 to 20 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 Flows

(Un-audited) for the nine months ended September 30, 2013

	Nine Months Ended	
	September 30, 2013	September 30, 2012
		Restated
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	11,718,023	12,736,946
Less: Dividend income	(2,391,569)	(6,216,626)
	<u>9,326,454</u>	<u>6,520,320</u>
Adjustments for non-cash items:		
Depreciation / amortization	1,244,217	856,396
Provision against non-performing loans, advances and general provision - net	373,988	1,383,326
Reversal for diminution in the value of investments - net	(63,308)	(615,805)
Provision against off balance sheet obligations - net	24,900	421,992
Provision against other assets - net	36,000	272,667
Provision for Workers' Welfare Fund	236,873	267,995
Loss / (gain) on sale of fixed assets	1,494	(14,427)
	<u>1,854,164</u>	<u>2,572,144</u>
	<u>11,180,618</u>	<u>9,092,464</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(12,549,248)	(12,630,013)
Advances - net	26,985,866	(8,203,256)
Other assets (excluding advance taxation) - net	(1,906,639)	(1,060,187)
	<u>12,529,979</u>	<u>(21,893,456)</u>
(Decrease) / increase in operating liabilities		
Bills payable	(342,579)	1,267,000
Borrowings from financial institutions	(15,227,695)	20,658,553
Deposits and other accounts	56,144,952	56,146,511
Other liabilities	24,845	972,737
	<u>40,599,523</u>	<u>79,044,801</u>
	<u>64,310,120</u>	<u>66,243,809</u>
Income tax paid - net	(2,385,669)	(6,021,103)
Net cash flows from operating activities	<u>61,924,451</u>	<u>60,222,706</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in 'available-for-sale' securities	(52,473,224)	(59,397,909)
Net investments in 'held-to-maturity' securities	295,494	934,279
Dividend income received	2,115,553	6,248,052
Investments in operating fixed assets	(2,250,014)	(1,979,736)
Proceeds from sale of fixed assets	41,644	15,671
Net cash used in investing activities	<u>(52,270,547)</u>	<u>(54,179,643)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of sub-ordinated loan	(624,700)	(1,700)
Dividend paid	(4,454,278)	(5,434,126)
Net cash used in financing activities	<u>(5,078,978)</u>	<u>(5,435,826)</u>
Effect of translation of net investment in Wholesale Bank Branch	49,547	842
Increase in cash and cash equivalents during the period	4,624,473	608,079
Cash and cash equivalents at beginning of the period	44,380,939	38,124,951
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>49,005,412</u>	<u>38,733,030</u>

The annexed notes 1 to 20 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, 2013

	Share Capital	Capital Reserves					Revenue Reserves		Total	
		Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*	Statutory Reserve	General Reserve		Un-appropriated Profit
Rupees in '000										
Balance as at 1 January, 2012 - as previously reported	8,603,110	201,856	-	-	67,995	333,864	8,153,030	6,000	20,254,503	37,620,358
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred in note 5.3	-	-	-	-	-	-	-	-	255,117	255,117
Balance as at 1 January, 2012 - restated	8,603,110	201,856	-	-	67,995	333,864	8,153,030	6,000	20,509,620	37,875,475
Changes in equity during the nine months ended September 30, 2012										
Total comprehensive income for the nine months ended September 30, 2012										
Net profit for the nine months ended September 30, 2012	-	-	-	-	-	-	-	-	9,412,192	9,412,192
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
- Effect of translation of net investment in Wholesale Bank Branch	-	-	842	-	-	-	-	-	-	842
	-	-	842	-	-	-	-	-	9,412,192	9,413,034
Transactions with owners recognized directly in equity										
Transfer to reserve for issue of bonus shares for the year ended December 31, 2011 @ 10%	-	(201,856)	-	860,311	-	-	-	-	(658,455)	-
Issue of bonus shares	860,311	-	-	(860,311)	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2011 (Rs. 2.50 per ordinary share)	-	-	-	-	-	-	-	-	(2,150,777)	(2,150,777)
First interim cash dividend for the year ended December 31, 2012 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	-	(1,892,684)	(1,892,684)
Second interim cash dividend for the year ended December 31, 2012 (Rs. 1.50 per ordinary share)	-	-	-	-	-	-	-	-	(1,419,513)	(1,419,513)
	860,311	(201,856)	-	-	-	-	-	-	(6,121,429)	(5,462,974)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	-	23,271	23,271
Transfer to statutory reserve	-	-	-	-	-	-	1,882,438	-	(1,882,438)	-
Balance as at September 30, 2012 - restated	9,463,421	-	842	-	67,995	333,864	10,035,468	6,000	21,941,216	41,848,806
Changes in equity during the quarter ended December 31, 2012										
Total comprehensive income for the quarter ended December 31, 2012										
Net profit for the quarter ended December 31, 2012	-	-	-	-	-	-	-	-	2,263,622	2,263,622
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred in note 5.3	-	-	-	-	-	-	-	-	1,436,550	1,436,550
Effect of translation of net investment in foreign wholesale bank branch	-	-	9,356	-	-	-	-	-	-	9,356
	-	-	9,356	-	-	-	-	-	3,700,172	3,709,528
Transactions with owners recognized directly in equity										
Third Interim cash dividend for the year ended December 31, 2012 (Rs. 1 per ordinary share)	-	-	-	-	-	-	-	-	(946,342)	(946,342)
	-	-	-	-	-	-	-	-	(946,342)	(946,342)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	-	7,757	7,757
Transfer to statutory reserve	-	-	-	-	-	-	452,725	-	(452,725)	-
Balance as at December 31, 2012 - restated	9,463,421	-	10,198	-	67,995	333,864	10,488,193	6,000	24,250,078	44,619,749
Changes in equity during the nine months ended September 30, 2013										
Total comprehensive income for the nine months ended September 30, 2013										
Net profit for the nine months ended September 30, 2013	-	-	-	-	-	-	-	-	8,342,078	8,342,078
Effect of translation of net investment in foreign wholesale bank branch	-	-	49,547	-	-	-	-	-	-	49,547
	-	-	49,547	-	-	-	-	-	8,342,078	8,391,625
Transactions with owners recognized directly in equity										
Transfer to reserve for issue of bonus shares for the year ended December 31, 2012 @ 10%	-	-	-	946,342	-	-	-	-	(946,342)	-
Issue of bonus shares	946,342	-	-	(946,342)	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2012 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	-	(1,892,684)	(1,892,684)
First interim cash dividend for the year ending December 31, 2013 (Rs. 1.25 per ordinary share)	-	-	-	-	-	-	-	-	(1,301,220)	(1,301,220)
Second interim cash dividend for the year ending December 31, 2013 (Rs. 1.25 per ordinary share)	-	-	-	-	-	-	-	-	(1,301,220)	(1,301,220)
	946,342	-	-	-	-	-	-	-	(5,441,466)	(4,495,124)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	-	47,059	47,059
Transfer to statutory reserve	-	-	-	-	-	-	834,208	-	(834,208)	-
Balance as at September 30, 2013	10,409,763	-	59,745	-	67,995	333,864	11,322,401	6,000	26,363,541	48,563,309

\* 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 20 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, 2013

## 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 901 (2012: 873) branches in Pakistan, 1 branch (2012:1) in Karachi Export Processing Zone Branch, and 1 wholesale banking branch (2012: 1) in Bahrain. 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 the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated at 3 Tipu Block, Main Boulevard, New Garden Town, Lahore.

## 2 STATEMENT OF COMPLIANCE

- 2.1 These unconsolidated condensed interim financial statements of the Bank for the nine months ended September 30, 2013 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 (SBP). In case where requirements of provisions and directives issued under the Banking Companies Ordinance, 1962, Companies Ordinance 1984 and the directives issued by SBP differs, the directives issued by SBP shall prevail.
- 2.2 The SBP, vide BSD Circular 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 (SECP) 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 condensed interim financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.
- 2.3 These unconsolidated condensed interim financial statements represent the separate standalone condensed interim financial statements of the bank. The consolidated condensed interim financial statements of the banks and its subsidiary company are presented separately.
- 2.4 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 MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except the following are stated at revalued amounts / fair values:

- Investments
- Operating fixed assets
- Derivatives

## 4 BASIS OF PRESENTATION

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, 2012.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND RISK MANAGEMENT POLICIES

- 5.1 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 other than those disclosed in Note 5.3 below.
- 5.2 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, 2012.

# Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2013

## 5.3 Amendments to International Financial Reporting Standards (IFRSs) and interpretation of IFRSs adopted by the Bank

Effective January 1, 2013 the Bank has adopted revised IAS 19 "Employees Benefits" and as a consequence has changed its accounting policy retrospectively related to recognition of actuarial gains and losses and past service cost relating to employee benefit plans. The adoption of this standard requires restatement of previous financial statements. The nature and effect, including restatement of prior period figures, of this change in accounting policy is disclosed below.

	December 31, 2012	December 31, 2011
	Rupees in '000	
<b>Impact on statement of financial position:</b>		
Increase in Other Assets	1,122,817	283,674
Decrease / (Increase) in Other Liabilities	313,733	(28,557)
Net increase in unappropriated profit	1,436,550	255,117

The Bank follows a consistent practice of conducting actuarial valuation annually at each year end and also considers that the above does not have material impact on Bank's Condensed Interim Profit and Loss Account and basic & diluted EPS.

In addition, few amendments and interpretation of IFRSs became effective during the current period, however the adoption of such revision, amendments and interpretation of the standards did not have any impact on the financial statements.

Further, certain new standards have been issued by IASB which are effective for accounting periods beginning on or after 01 January, 2013 but are yet to be notified by the Securities Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

Note	Un-audited September 30, 2013	Audited December 31, 2012
	Rupees in '000	

## 6. LENDINGS TO FINANCIAL INSTITUTIONS

Repurchase agreement lendings (Reverse Repo)	6.1	21,270,183	8,270,935
Certificates of investment	6.2	70,000	520,000
Call Money Lendings	6.3	2,000,000	2,000,000
		<u>23,340,183</u>	<u>10,790,935</u>
Provision against lendings to financial institutions		(70,000)	(70,000)
		<u>23,270,183</u>	<u>10,720,935</u>

6.1 These are short-term lendings to various financial institutions against the government securities. These carry mark-up at rate, ranging between 8.25% to 9.74% (2012: 8.99% to 9.95%) per annum and will mature on various dates latest by October 28, 2013.

6.2 This represents a classified certificate of investment amounting to Rs. 70 million.

6.3 These call money lendings carry markup at rate, ranging between 8.50% and 10.00% (2012: 9.75%) and will mature on various dates latest by October 01, 2013.

## 7. INVESTMENTS

Note	Held by Bank	Given as collateral	Total	
	Rupees in '000			
Current period - September 30, 2013 (Un-audited)	7.1	<u>314,978,761</u>	<u>8,127,034</u>	<u>323,105,795</u>
Prior year - December 31, 2012 (Audited)	7.1	<u>248,843,089</u>	<u>18,560,257</u>	<u>267,403,346</u>



# Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2013

	Un-audited As at September 30, 2013			Audited As at December 31, 2012		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total

Rupees in '000

## 7.1 Investments by types

### 'Available-for-sale' securities

Market treasury bills	239,590,039	8,126,051	247,716,090	187,405,619	18,472,671	205,878,290
Pakistan investment bonds	148,237	-	148,237	147,813	-	147,813
Ordinary shares of listed companies / certificates of mutual funds	21,347,590	-	21,347,590	14,788,340	-	14,788,340
Preference shares	149,355	-	149,355	149,355	-	149,355
Units of open end mutual funds	671,645	-	671,645	831,219	-	831,219
Ordinary shares of unlisted companies	1,992,014	-	1,992,014	1,692,292	-	1,692,292
Investment in related parties						
- Unlisted shares	281,816	-	281,816	221,295	-	221,295
- Units of open end mutual funds	5,100,000	-	5,100,000	100,000	-	100,000
Sukuk bonds	2,524,529	-	2,524,529	3,216,409	-	3,216,409
Term finance certificates (TFCs)	2,065,684	-	2,065,684	2,768,904	-	2,768,904
	273,870,909	8,126,051	281,996,960	211,321,246	18,472,671	229,793,917

### 'Held-to-maturity' securities

Pakistan investment bonds	25,847,165	-	25,847,165	26,818,371	-	26,818,371
Foreign currency bonds (US\$)	4,663,327	-	4,663,327	2,612,263	-	2,612,263
TFCs, Debentures, Bonds and PTCs	3,177,938	-	3,177,938	4,553,290	-	4,553,290
	33,688,430	-	33,688,430	33,983,924	-	33,983,924

### Subsidiary

ABL Asset Management Company Limited	500,000	-	500,000	500,000	-	500,000
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Investment at cost	308,059,339	8,126,051	316,185,390	245,805,170	18,472,671	264,277,841
Provision for diminution in the value of investments	(1,614,292)	-	(1,614,292)	(1,947,781)	-	(1,947,781)
Investment (net of provisions)	306,445,047	8,126,051	314,571,098	243,857,389	18,472,671	262,330,060
Surplus on revaluation of 'available-for-sale' securities	8,533,714	983	8,534,697	4,985,700	87,586	5,073,286
Total investments at market value	314,978,761	8,127,034	323,105,795	248,843,089	18,560,257	267,403,346

## Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2013

	Note	Un-audited September 30, 2013	Audited December 31, 2012
Rupees in '000			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		253,344,586	283,032,567
Net investment in finance lease - in Pakistan		1,882,690	1,815,004
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		2,455,651	2,390,263
Payable outside Pakistan		4,138,631	1,651,473
		6,594,282	4,041,736
Advances - gross		261,821,558	288,889,307
Provision for non-performing advances	8.1 & 8.3	(18,010,288)	(17,752,942)
General provision against consumer financing	8.1 & 8.3	(86,849)	(52,090)
		(18,097,137)	(17,805,032)
Advances - net of provision		243,724,421	271,084,275

8.1 Advances include Rs. 19,692.318 million (2012: Rs. 20,667.561 million) which have been placed under non-performing status as detailed below:-

Category of Classification	September 30, 2013 (Un-audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Other Assets Especially					
Mentioned	96,530	-	96,530	-	-
Substandard	538,207	-	538,207	133,158	133,158
Doubtful	2,953,775	-	2,953,775	1,773,323	1,773,323
Loss	16,103,806	-	16,103,806	16,103,807	16,103,807
	19,692,318	-	19,692,318	18,010,288	18,010,288

Category of Classification	December 31, 2012 (Audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
Rupees in '000					
Other Assets Especially					
Mentioned	62,814	-	62,814	-	-
Substandard	608,677	-	608,677	151,422	151,422
Doubtful	4,750,195	-	4,750,195	2,405,112	2,405,112
Loss	15,245,875	-	15,245,875	15,196,408	15,196,408
	20,667,561	-	20,667,561	17,752,942	17,752,942

8.2 No benefit of Forced Sale 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, 2013

## 8.3 Particulars of provision against non-performing advances and general provision

	September 30, 2013 (Un-audited)			December 31, 2012 (Audited)		
	Specific	General	Total	Specific	General	Total
Rupees in '000						
Opening balance	17,752,942	52,090	17,805,032	17,671,070	32,647	17,703,717
Charge for the period	2,196,869	34,759	2,231,628	3,233,567	19,443	3,253,010
Reversals	(1,857,640)	-	(1,857,640)	(1,979,109)	-	(1,979,109)
Charged to profit and loss account	339,229	34,759	373,988	1,254,458	19,443	1,273,901
Amounts written off	(81,883)	-	(81,883)	(1,172,586)	-	(1,172,586)
Closing balance	18,010,288	86,849	18,097,137	17,752,942	52,090	17,805,032
				Un-audited September 30, 2013	Audited December 31, 2012	
				Rupees in '000		

## 9. BORROWINGS WITH FINANCIAL INSTITUTION

### Details of Borrowings (Secured / Unsecured)

#### Secured

Borrowings from State Bank of Pakistan	13,233,913	18,891,729
Repurchase agreement borrowings	7,805,135	18,220,505

#### Unsecured

Call borrowings	2,514,700	1,553,957
Overdrawn nostro accounts	97,085	-
Other Borrowings	134,749	250,001
	<u>2,746,534</u>	<u>1,803,958</u>
	<u>23,785,582</u>	<u>38,916,192</u>

## 10. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	164,743,646	158,249,920
Savings deposits	136,671,768	125,840,130
Current accounts - remunerative	93,411,085	80,053,817
- Non - remunerative	172,850,075	145,711,361
	<u>567,676,574</u>	<u>509,855,228</u>

### Financial Institutions

Remunerative deposits	2,690,033	4,463,515
Non - remunerative deposits	485,400	388,312
	<u>570,852,007</u>	<u>514,707,055</u>

# Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2013

## 11. SHARE CAPITAL

### 11.1 Authorised capital

Un-audited September 30, 2013	Audited December 31, 2012		Un-audited September 30, 2013	Audited December 31, 2012
No. of shares			Rupees in '000	
<u>1,500,000,000</u>	<u>1,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>15,000,000</u>	<u>15,000,000</u>

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

Fully paid-up Ordinary shares of Rs. 10 each

Un-audited September 30, 2013	Audited December 31, 2012		Un-audited September 30, 2013	Audited December 31, 2012
No. of shares		Ordinary shares of Rs. 10 each	Rupees in '000	
<u>406,780,094</u>	<u>406,780,094</u>	Fully paid in cash	<u>4,067,801</u>	<u>4,067,801</u>
<u>616,647,565</u>	<u>522,013,365</u>	Issued as bonus shares	<u>6,166,476</u>	<u>5,220,134</u>
<u>1,023,427,659</u>	<u>928,793,459</u>		<u>10,234,277</u>	<u>9,287,935</u>
		18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 Ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004).	<u>91,486</u>	<u>91,486</u>
		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.	<u>84,000</u>	<u>84,000</u>
<u>8,400,000</u>	<u>8,400,000</u>		<u>84,000</u>	<u>84,000</u>
<u>1,040,976,209</u>	<u>946,342,009</u>		<u>10,409,763</u>	<u>9,463,421</u>

Ibrahim Fibers Limited, related party of the Bank, holds 176,401,742 (16.95%) [December 31, 2012: 226,365,220 (23.92%)] ordinary shares of Rs.10 each, as at reporting date.

# Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2013

	Un-audited September 30, 2013	Audited December 31, 2012
	Rupees in '000	
<b>12 CONTINGENCIES AND COMMITMENTS</b>		
<b>12.1 Direct credit substitutes</b>		
Guarantees in favour of:		
Banks and financial institutions	474,336	473,823
<b>12.2 Transaction-related contingent liabilities</b>		
Guarantees in favour of:		
Government	18,231,116	18,513,854
Others	11,807,825	12,703,025
	30,038,941	31,216,879
<b>12.3 Trade-related contingent liabilities</b>	75,543,639	54,546,360
<b>12.4 Claims against the Bank not acknowledged as debt</b>	5,747,267	5,929,382
<b>12.5 The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.</b>		
	Un-audited September 30, 2013	Audited December 31, 2012
	Rupees in '000	
<b>12.6 Commitments in respect of forward foreign exchange contracts</b>		
Purchase	76,321,075	35,605,257
Sale	46,155,418	9,400,993
<b>12.7 Commitments in respect of:</b>		
Civil works	1,274,785	495,414
Acquisition of operating fixed assets	948,138	706,733
	2,222,923	1,202,147
<b>12.8 Commitments in respect of lease financing</b>	148,090	192,274
<b>12.9 Contingencies</b>		
<b>12.9.1</b> There is no change in the status of contingencies, set out in note 22.10 to the unconsolidated financial statements of the Bank for the year ended December 31, 2012, except for the contingency as mentioned below:		
<b>12.9.2</b> The income tax assessments of the Bank have been finalized up to and including tax year 2012 for local and Azad Kashmir operations. While finalizing income tax assessments up to tax year 2012, income tax authorities made certain add backs with aggregate tax impact of Rs.12,952 million (2012: Rs. 11,471 million). As a result of appeals filed by the Bank before appellate authorities, most of the add backs have been deleted. However, the Bank and Tax Department are in appeals / references before higher appellate forums against unfavorable decisions. Pending finalization of appeals no provision has been made by the Bank on aggregate sum of Rs.12,952 million (2012: Rs. 11,471 million). The management is confident that the outcome of these appeals will be in favor of the Bank.		

Tax Authorities have conducted proceedings of withholding tax audit under section 161/205 of Income Tax Ordinance, 2001 for tax year 2005, 2006 and tax year 2008 to 2012 and created an arbitrary demand of Rs. 1,081 million (2012: Rs. 219 million). The Bank appeals against these orders are pending before Appellate Tribunal Inland Revenue (ATIR) for adjudication. The management is confident that these appeals will be decided in favor of the Bank and therefore, no provision has been made against the said demand of Rs. 1,081 million (2012: Rs. 219 million).

Tax authorities have also issued orders under Federal Excise Act, 2005 thereby creating an arbitrary demand of Rs. 257 million (2012: Rs. 110 million). The Bank appeals against these orders are pending before Appellate Tribunal Inland Revenue (ATIR) for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 257 million (2012: Rs. 110 million).

# Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2013

	Un-audited Nine Months Ended September 30,		Un-audited Quarter Ended September 30,	
	2013	2012	2013	2012
Rupees in '000				
<b>13 MARK-UP / RETURN / INTEREST EARNED</b>				
On loans and advances	20,811,299	23,863,497	6,865,954	7,783,494
On investments in:				
'Available-for-sale' securities	15,018,907	9,182,688	5,519,127	3,557,528
'Held-to-maturity' securities	3,078,343	3,025,622	1,091,908	1,021,996
'Held-for-Trading' securities	-	41,990	-	14,819
On deposits with financial institutions	18,097,250	12,250,300	6,611,035	4,594,343
On securities purchased under resale agreements	35,617	6,237	23,514	4,580
On certificates of investment	1,018,729	851,809	420,069	232,553
On letters of placement	14,457	-	-	-
On call money lending	-	2,773	-	274
	110,651	28,222	15,614	9,102
	<u>40,088,003</u>	<u>37,002,838</u>	<u>13,936,186</u>	<u>12,624,346</u>

## 14 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	19,743,449	16,461,415	6,882,764	5,822,293
Long term borrowing	176,983	186,025	58,281	63,391
Securities sold under repurchase agreements	1,102,124	2,429,765	172,424	1,158,011
Call money borrowing	85,796	360,238	39,617	121,625
Brokerage and commission	101,679	112,626	34,451	39,500
Markup on sub-ordinated loans	426,354	548,928	130,609	179,434
Other short term borrowings	2,092,659	2,509,704	648,909	805,399
	<u>23,729,044</u>	<u>22,608,701</u>	<u>7,967,055</u>	<u>8,189,653</u>

15 Other income includes compensation on delayed refunds amounting to Rs 1,066.805 million (2012: Nil) under section 171 of the Income Tax Ordinance 2001 pertaining to Assessment Year / Tax Years 1997-98 to 2006. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

## 16 EARNINGS PER SHARE - BASIC AND DILUTED

	Note	Nine Months Ended September 30,		Quarter Ended September 30,	
		2013	2012	2013	2012
Rupees in '000					
Profit after taxation for the period attributable to ordinary shareholders		8,342,078	9,412,192	2,815,056	2,759,384
Number of Shares					
		Restated		Restated	
Weighted average number of ordinary shares outstanding during the period.	16.1	1,040,976,209	1,040,976,209	1,040,976,209	1,040,976,209
Rupees					
		Restated		Restated	
Earnings per share - basic and diluted for the period	16.1	8.01	9.04	2.70	2.65

There is no dilution effect on basic earnings per share.

16.1 The corresponding figure of weighted average number of shares outstanding and earnings per share have 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, 2013

17. 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 at agreed terms.

Nature of related party transactions	September 30, 2013 (Un-audited)				December 31, 2012 (Audited)				
	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies	Subsidiary	Key management personnel
Rupees in '000									
Loans									
Loans at the beginning of the period / year	43,842	1,833,333	-	1,62,016	200	49,969	-	-	203,005
Loans given during the period / year	28,910	-	-	102,681	3,046	14,847	2,000,000	-	76,199
Loans repaid / adjustment during the period / year	(59,955)	(1,833,333)	-	(57,126)	(2,678)	(20,974)	(166,667)	-	(117,188)
Loans at the end of the period / year	12,797	-	-	207,571	568	43,842	1,833,333	-	1,62,016
Deposits									
Deposits at the beginning of the period / year	33,653	41,011	5,680	27,640	5,675,814	17,270	48,985	5,710	13,556
Deposits received during the period / year	3,487,205	4,463,315	703,244	533,707	63,368,070	6,532,379	13,700,859	935,661	310,582
Deposits repaid during the period / year	(3,456,078)	(41,168,183)	(690,876)	(528,296)	(56,383,593)	(6,515,996)	(13,708,833)	(935,691)	(296,498)
Deposits at the end of the period / year	64,780	336,143	18,048	33,051	12,660,291	33,653	41,011	5,680	27,640
Nostro balances	-	246,775	-	-	-	-	136,808	-	-
Lending	-	-	-	-	-	-	1,479,252	-	-
Borrowing	-	530,315	-	-	-	-	-	-	-
Investments in shares / open end mutual funds	-	279,650	500,000	-	5,281,497	-	219,130	500,000	-
Other receivables	-	-	2,379	-	-	-	-	3,186	-
Net receivable from staff retirement benefit funds	-	-	-	-	3,200,019	-	-	-	2,912,357
September 30, 2013 (Un-audited)									
Directors									
Associated Companies									
Subsidiary									
Key management personnel									
Other related parties									
September 30, 2012 (Un-audited)									
Directors									
Associated Companies									
Subsidiary									
Key management personnel									
Other related parties									
Rupees in '000									
Markup earned	1,352	-	-	7,882	-	1,307	-	-	8,168
Income on Placements	-	1,226	-	-	-	-	41	-	-
Dividend Income	-	-	-	-	53,270	-	-	-	4,315,166
Capital Loss	-	-	-	-	-	-	-	-	(634,512)
Sales commission	-	-	3,682	-	-	-	-	47,647	-
Mark-up expense on Deposits	1,675	15	960	507	488,900	1,003	793	22	38,015
Fee commission / bank charges	9	25	6	42	251	-	-	15	4,036
Interest expense on Borrowings	-	17	-	-	-	-	-	-	-
Director's meeting fee	5,800	-	-	-	-	5,450	-	-	-
Remuneration	-	-	-	218,424	-	-	-	-	214,256
NIFT charges	-	-	-	-	53,485	-	-	-	64,359
Rent Expense	-	6,060	-	-	-	-	4,401	-	-
Rent Income	-	300	-	-	-	-	-	-	-
Change in respect of staff retirement benefit funds	-	-	-	-	79,137	-	-	-	151,603

# Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2013

## 18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	For the Period Ended September 30, 2013 (Un-audited)						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total
	Rupees in '000						
Total Income	340,310	1,474,031	30,016,198	39,118,896	685,441	(24,292,723)	47,342,153
Total Expenses	(146,775)	(2,073,602)	(25,107,673)	(35,644,965)	(319,783)	24,292,723	(39,000,075)
Net Income	<u>193,535</u>	<u>(599,571)</u>	<u>4,908,525</u>	<u>3,473,931</u>	<u>365,658</u>	<u>-</u>	<u>8,342,078</u>

	For the Period Ended September 30, 2012 (Un-audited)						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total
	Rupees in '000						
Total Income	499,340	2,597,897	29,870,959	41,685,130	437,807	(27,459,453)	47,631,680
Total Expenses	(223,177)	(3,420,872)	(22,947,479)	(38,879,833)	(207,580)	27,459,453	(38,219,488)
Net Income	<u>276,163</u>	<u>(822,975)</u>	<u>6,923,480</u>	<u>2,805,297</u>	<u>230,227</u>	<u>-</u>	<u>9,412,192</u>

	As at September 30, 2013 (Un-audited)					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total
	Rupees in '000					
Segment Assets (Gross)	<u>294,772</u>	<u>22,538,861</u>	<u>115,587,079</u>	<u>563,291,514</u>	<u>521,359</u>	<u>702,233,585</u>

	As at December 31, 2012 (Audited)					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total
	Rupees in '000					
Segment Assets (Gross) - Restated	<u>324,474</u>	<u>9,456,172</u>	<u>122,401,581</u>	<u>522,024,483</u>	<u>342,883</u>	<u>654,549,593</u>

## 19. GENERAL

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

19.2 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, except as mentioned in note 5.3.

19.3 The Board of Directors of the Bank in its meeting held on 22 October, 2013 approved interim cash dividend for the year ending 31 December, 2013 at Rs. 1.25 per share (30 September, 2012: Re. 1). The unconsolidated condensed interim financial statements for the nine months ended 30 September, 2013 do not include the effect of this appropriation and will be accounted for in the financial statements of the period of declaration.

## 20. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue on 22 October, 2013 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, 2013



# Consolidated Condensed Interim Statement of Financial Position

as at September 30, 2013

	Note	Un-audited September 30, 2013	Audited December 31, 2012 Restated
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks		48,295,169	43,351,703
Balances with other banks		807,383	1,029,292
Lendings to financial institutions	6	23,270,183	10,720,935
Investments	7	323,486,377	267,682,679
Advances	8	243,754,257	271,115,683
Operating fixed assets		20,847,890	19,882,246
Deferred tax assets		-	-
Other assets		21,066,875	19,925,659
		681,528,134	633,708,197
<b>LIABILITIES</b>			
Bills payable		5,860,472	6,203,051
Borrowings with financial institutions	9	23,785,582	38,916,192
Deposits and other accounts	10	570,836,939	514,702,444
Sub-ordinated loans		4,865,700	5,490,400
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		249,976	65,419
Other liabilities		15,718,468	15,375,470
		621,317,137	580,752,976
<b>NET ASSETS</b>		<b>60,210,997</b>	<b>52,955,221</b>
<b>REPRESENTED BY</b>			
Share capital	11	10,409,763	9,463,421
Reserves		11,790,005	10,906,250
Unappropriated profit		26,807,683	24,597,845
		49,007,451	44,967,516
Surplus on revaluation of assets - net of tax		11,203,546	7,987,705
		60,210,997	52,955,221

## CONTINGENCIES AND COMMITMENTS

12

The annexed notes 1 to 20 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, 2013

	Note	Nine Months Ended September 30,		Quarter Ended September 30,	
		2013	2012	2013	2012
Rupees in '000					
Mark-up / return / interest earned	13	40,089,572	37,009,606	13,936,398	12,631,114
Mark-up / return / interest expensed	14	23,728,220	22,607,909	7,966,737	8,188,861
Net mark-up / interest income		16,361,352	14,401,697	5,969,661	4,442,253
Provision against non-performing loans and advances and general provision - net		373,988	1,383,326	299,157	509,296
Reversal for diminution in the value of investments - net		(63,308)	(615,805)	(19,937)	(22,992)
Bad debts written off directly		-	-	-	-
		310,680	767,521	279,220	486,304
Net mark-up / interest income after provisions		16,050,672	13,634,176	5,690,441	3,955,949
<b>NON MARK-UP / INTEREST INCOME</b>					
Fee, commission and brokerage income		2,438,285	2,289,511	721,003	907,307
Dividend income		2,391,569	6,216,626	1,195,587	2,887,344
Income from dealing in foreign currencies		346,495	488,045	177,972	194,225
Gain / (loss) on sale of securities		1,120,091	1,738,704	315,885	3,064
Unrealized gain / (loss) on revaluation of investments classified as 'held-for-trading' - net		35,898	51,773	5,304	52,565
Other income	15	1,167,725	175,895	28,783	54,132
Total non-markup / interest income		7,500,063	10,960,554	2,444,534	4,098,637
		23,550,735	24,594,730	8,134,975	8,054,586
<b>NON MARK-UP / INTEREST EXPENSES</b>					
Administrative expenses		11,351,931	10,585,035	4,084,191	3,730,071
Provision / (reversal) against other assets - net		36,000	272,667	12,000	279,209
Provision against off-balance sheet obligations - net		24,900	421,992	21,500	396,098
Other charges		303,108	384,905	131,162	134,203
Total non-markup / interest expenses		11,715,939	11,664,599	4,248,853	4,539,581
Extra-ordinary / unusual items		-	-	-	-
<b>PROFIT BEFORE TAXATION</b>		11,834,796	12,930,131	3,886,122	3,515,005
Taxation					
Current		3,410,370	3,552,564	1,128,594	665,899
Prior years		-	-	-	-
Deferred		(14,027)	(180,056)	(93,409)	(55,709)
		3,396,343	3,372,508	1,035,185	610,190
<b>PROFIT AFTER TAXATION</b>		8,438,453	9,557,623	2,850,937	2,904,815
Earnings per share - Basic and Diluted (in Rupees)	16	8.11	Restated 9.18	2.74	Restated 2.79

The annexed notes 1 to 20 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, 2013

Note	Nine Months Ended		Quarter Ended	
	September 30, 2013	September 30, 2012	September 30, 2013	September 30, 2012
	Rupees in '000			
Profit after taxation for the period	8,438,453	9,557,623	2,850,937	2,904,815
Other comprehensive income				
Exchange differences on translation of net investment in foreign wholesale branch	49,547	842	37,771	842
Total comprehensive income for the period	<u>8,488,000</u>	<u>9,558,465</u>	<u>2,888,708</u>	<u>2,905,657</u>

Surplus / (deficit) on revaluation of 'available for sale' securities and 'operating 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 August 04, 2000 and BSD Circular No. 10 dated July 13, 2004 respectively and Companies Ordinance, 1984.

The annexed notes 1 to 20 form an integral part of these Consolidated condensed interim financial statements.

Chief Financial Officer  
Director

President and Chief Executive Officer  
Director

Chairman

# Consolidated Condensed Interim Statement of Cash Flows

(Un-audited) for the nine months ended September 30, 2013

	Nine Months Ended	
	September 30, 2013	September 30, 2012 Restated
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	11,834,796	12,930,131
Less: Dividend income	(2,391,569)	(6,216,626)
	9,443,227	6,713,505
Adjustments for non-cash items:		
Depreciation / amortization	1,246,868	858,903
Provision against non-performing loans, advances and general provision - net	373,988	1,383,326
Reversal for diminution in the value of investments - net	(63,308)	(615,805)
Unrealized (loss) / gain on revaluation of 'held-for-trading' securities - net	(35,898)	(51,773)
Provision against off balance sheet obligations - net	24,900	421,992
Provision against other assets - net	36,000	272,667
Provision for Workers' Welfare Fund	236,873	267,995
Loss / (gain) on sale of fixed assets	1,443	(14,340)
	1,820,866	2,522,965
	11,264,093	9,236,470
(Increase) / decrease in operating assets		
Lendings to financial institutions	(12,549,248)	(12,630,013)
Net investments in 'held-for-trading' securities	(80,277)	(218,672)
Advances - net	26,987,438	(8,221,081)
Other assets (excluding advance taxation) - net	(1,901,339)	(1,020,906)
	12,456,574	(22,090,672)
(Decrease) / increase in operating liabilities		
Bills payable	(342,579)	1,267,000
Borrowings from financial institutions	(15,227,695)	20,658,553
Deposits and other accounts	56,134,495	56,146,636
Other liabilities	40,378	952,642
	40,604,599	79,024,831
	64,325,266	66,170,629
Income tax paid - net	(2,410,231)	(6,072,824)
Net cash flows from operating activities	61,915,035	60,097,805
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in 'available-for-sale' securities	(52,458,224)	(59,267,911)
Net investments in 'held-to-maturity' securities	295,494	934,279
Dividend income received	2,115,553	6,248,052
Investments in operating fixed assets	(2,255,727)	(1,984,807)
Proceeds from sale of fixed assets	41,772	15,670
Net cash used in investing activities	(52,261,132)	(54,054,717)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of sub-ordinated loan	(624,700)	(1,700)
Dividend paid	(4,454,278)	(5,434,126)
Net cash used in financing activities	(5,078,978)	(5,435,826)
Effect of translation of net investment in Wholesale Bank Branch	49,547	842
Increase in cash and cash equivalents during the period	4,624,472	608,104
Cash and cash equivalents at beginning of the period	44,380,995	38,124,994
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>49,005,467</b>	<b>38,733,098</b>

The annexed notes 1 to 20 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, 2013

	Share Capital	Capital Reserves					Statutory Reserve	Revenue Reserves		Total
		Share Premium	Exchange Translation Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*		General Reserve	Un-appropriated Profit	
	Rupees in '000									
Balance as at 1 January, 2012 - as previously reported	8,603,110	201,856	-	-	67,995	333,864	8,153,030	6,000	20,395,717	37,761,572
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred in note 5.3	-	-	-	-	-	-	-	-	255,117	255,117
Balance as at 1 January, 2012 - restated	8,603,110	201,856	-	-	67,995	333,864	8,153,030	6,000	20,650,834	38,016,689
Changes in equity during the nine months ended September 30, 2012										
Total comprehensive income for the nine months ended September 30, 2012										
Net profit for the nine months ended September 30, 2012	-	-	-	-	-	-	-	-	9,557,623	9,557,623
Other comprehensive income	-	-	842	-	-	-	-	-	-	842
- Effect of translation of net investment in Wholesale Bank Branch	-	-	842	-	-	-	-	-	9,557,623	9,558,465
Transactions with owners recognized directly in equity										
Transfer to reserve for issue of bonus shares for the year ended December 31, 2011 @ 10%	-	(201,856)	-	860,311	-	-	-	-	(658,455)	-
Issue of bonus shares	860,311	-	-	(860,311)	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2011 (Rs. 2.50 per ordinary share)	-	-	-	-	-	-	-	-	(2,150,777)	(2,150,777)
First interim cash dividend for the year ended December 31, 2012 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	-	(1,892,684)	(1,892,684)
Second interim cash dividend for the year ended December 31, 2012 (Rs. 1.50 per ordinary share)	-	-	-	-	-	-	-	-	(1,419,513)	(1,419,513)
	860,311	(201,856)	-	-	-	-	-	-	(6,121,429)	(5,462,974)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	-	23,271	23,271
Transfer to statutory reserve	-	-	-	-	-	-	1,882,438	-	(1,882,438)	-
Balance as at September 30, 2012 - restated	9,463,421	-	842	-	67,995	333,864	10,035,468	6,000	22,227,861	42,135,451
Changes in equity during the quarter ended December 31, 2012										
Total comprehensive income for the quarter ended December 31, 2012										
Net profit for the quarter ended December 31, 2012	-	-	-	-	-	-	-	-	2,324,744	2,324,744
Effect of retrospective change in accounting policy with respect to accounting for actuarial gains and losses referred in note 5.3	-	-	-	-	-	-	-	-	1,436,550	1,436,550
Effect of translation of net investment in foreign wholesale bank branch	-	-	9,356	-	-	-	-	-	-	9,356
	-	-	9,356	-	-	-	-	-	3,761,294	3,770,650
Transactions with owners recognized directly in equity										
Third Interim cash dividend for the year ended December 31, 2012 (Rs. 1 per ordinary share)	-	-	-	-	-	-	-	-	(946,342)	(946,342)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	-	(946,342)	(946,342)
Transfer to statutory reserve	-	-	-	-	-	-	452,725	-	7,757	7,757
	-	-	-	-	-	-	452,725	-	(452,725)	-
Balance as at December 31, 2012 - restated	9,463,421	-	10,198	-	67,995	333,864	10,488,193	6,000	24,597,845	44,967,516
Changes in equity during the nine months ended September 30, 2013										
Total comprehensive income for the nine months ended September 30, 2013										
Net profit for the nine months ended September 30, 2013	-	-	-	-	-	-	-	-	8,438,453	8,438,453
Effect of translation of net investment in foreign wholesale bank branch	-	-	49,547	-	-	-	-	-	-	49,547
	-	-	49,547	-	-	-	-	-	8,438,453	8,488,000
Transactions with owners recognized directly in equity										
Transfer to reserve for issue of bonus shares for the year ended December 31, 2012 @ 10%	-	-	-	946,342	-	-	-	-	(946,342)	-
Issue of bonus shares	946,342	-	-	(946,342)	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2012 (Rs. 2 per ordinary share)	-	-	-	-	-	-	-	-	(1,892,684)	(1,892,684)
First interim cash dividend for the year ending December 31, 2013 (Rs. 1.25 per ordinary share)	-	-	-	-	-	-	-	-	(1,301,220)	(1,301,220)
Interim cash dividend for the year ending December 31, 2013 (Rs. 1.25 per ordinary share)	-	-	-	-	-	-	-	-	(1,301,220)	(1,301,220)
	946,342	-	-	-	-	-	-	-	(5,441,466)	(4,495,124)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	-	47,059	47,059
Transfer to statutory reserve	-	-	-	-	-	-	834,208	-	(834,208)	-
Balance as at September 30, 2013	10,409,763	-	59,745	-	67,995	333,864	11,322,401	6,000	26,807,683	49,007,451

\* 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 20 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, 2013

## 1 STATUS AND NATURE OF BUSINESS

### Holding 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 901 (2012: 873) branches in Pakistan, 1 branch (2012:1) in Karachi Export Processing Zone Branch, and 1 wholesale banking branch (2012: 1) in Bahrain. 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 the holding company of ABL Asset Management Company Limited.

The registered office of the Bank is situated at 3 Tipu Block, Main Boulevard, New Garden Town, Lahore.

### Subsidiary Company

ABL Asset Management Company Limited, a wholly owned subsidiary of the Bank, is a public unlisted company incorporated in Pakistan as a limited liability company on October 12, 2007 under the Companies Ordinance, 1984. The subsidiary company has obtained licenses from the Securities and Exchange Commission of Pakistan (SECP) to carry out Asset Management Services and Investment Advisory Services as a Non-Banking Finance Company (NBFC) under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 as amended through S.R.O.1131[I] 2007 (the NBFC Rules, 2003). The subsidiary company received certificate of commencement of business on December 31, 2007. The registered office of the subsidiary company is situated at 11-B Lalazar, M.T. Khan Road, Karachi. The Management quality rating of the company, as assigned by JCR-VIS credit rating company limited, is AM2 (Stable).

ABL Asset Management company is managing following open ended funds:

- ABL-Income Fund	Launched on September 20, 2008
- ABL-Stock Fund	Launched on June 28, 2009
- ABL-Cash Fund	Launched on July 31, 2010
- ABL-Islamic Income Fund	Launched on July 31, 2010
- ABL-Government securities Fund	Launched on November 30, 2011
- ABL-AMC Capital Protected Fund	Launched on June 01, 2012
- ABL-Islamic Fund	Launched on June 11, 2013

## 2 STATEMENT OF COMPLIANCE

- 2.1 These consolidated condensed interim financial statements of the Bank for the nine months ended September 30, 2013 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 (SBP). In case where requirements of provisions and directives issued under the Banking Companies Ordinance, 1962, Companies Ordinance 1984 and the directives issued by SBP differs, the directives issued by SBP shall prevail.
- 2.2 The SBP, vide BSD Circular 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 (SECP) 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 condensed interim financial statements. However, investments have been classified and disclosed in accordance with the requirements prescribed by SBP through various circulars.
- 2.3 These consolidated condensed interim financial statements represent the separate standalone condensed interim financial statements of the bank. The consolidated condensed interim financial statements of the banks and its subsidiary company are presented separately.
- 2.4 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 MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except the following are stated at revalued amounts / fair values:

- Investments
- Operating fixed assets
- Derivatives

## 4 BASIS OF PRESENTATION

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



# Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the nine months ended September 30, 2013

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, 2012.

## 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND RISK MANAGEMENT POLICIES

- 5.1 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 other than those disclosed in Note 5.3 below.
- 5.2 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, 2012.
- 5.3 Amendments to International Financial Reporting Standards (IFRSs) and interpretation of IFRSs adopted by the Bank

Effective January 1, 2013 the Bank has adopted revised IAS 19 "Employees Benefits" and as a consequence has changed its accounting policy retrospectively related to recognition of actuarial gains and losses and past service cost relating to employee benefit plans. The adoption of this standard requires restatement of previous financial statements. The nature and effect, including restatement of prior period figures, of this change in accounting policy is disclosed below.

Impact on statement of financial position:

	December 31, 2012	December 31, 2011
	Rupees in '000	
Increase in Other Assets	1,122,817	283,674
Decrease / (Increase) in Other Liabilities	313,733	(28,557)
Net increase in equity	1,436,550	255,117

The Bank follows a consistent practice of conducting actuarial valuation annually at each year end and also considers that the above does not have material impact on Bank's Condensed Interim Profit and Loss Account and basic & diluted EPS.

In addition, few amendments and interpretation of IFRSs became effective during the current period, however the adoption of such revision, amendments and interpretation of the standards did not have any impact on the financial statements.

Further, certain new standards have been issued by IASB which are effective for accounting periods beginning on or after 01 January, 2013 but are yet to be notified by the Securities Exchange Commission of Pakistan (SECP) for the purpose of applicability in Pakistan.

	Note	Un-audited September 30, 2013	Audited December 31, 2012
		Rupees in '000	
<b>6. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Repurchase agreement lendings (Reverse Repo)	6.1	21,270,183	8,270,935
Certificates of investment	6.2	70,000	520,000
Call Money Lendings	6.3	2,000,000	2,000,000
		<u>23,340,183</u>	<u>10,790,935</u>
Provision against lendings to financial institutions		(70,000)	(70,000)
		<u>23,270,183</u>	<u>10,720,935</u>

- 6.1 These are short-term lendings to various financial institutions against the government securities. These carry mark-up at rate, ranging between 8.25% to 9.74% (2012: 8.99% to 9.95%) per annum and will mature on various dates latest by October 28, 2013.
- 6.2 This represents a classified certificate of investment amounting to Rs. 70 million.
- 6.3 These call money lendings carry markup at rate, ranging between 8.50% and 10.00% (2012: 9.75%) and will mature on various dates latest by October 01, 2013.

# Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the nine months ended September 30, 2013

## 7. INVESTMENTS

	Note	Held by Bank	Given as collateral	Total
Rupees in '000				
Current period - September 30, 2013 (Un-audited)	7.1	315,359,343	8,127,034	323,486,377
Prior year - December 31, 2012 (Audited)	7.1	249,122,422	18,560,257	267,682,679

Un-audited As at September 30, 2013			Audited As at December 31, 2012		
Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000					

### 7.1 Investments by types

#### Held-for-trading' securities

Units of open end mutual funds - related party	844,684	-	844,684	679,962	-	679,962
Term Finance Certificate	-	-	-	14,745	-	14,745
	844,684	-	844,684	694,707	-	694,707

#### 'Available-for-sale' securities

Market treasury bills	239,590,039	8,126,051	247,716,090	187,405,619	18,472,671	205,878,290
Pakistan investment bonds	148,237	-	148,237	147,813	-	147,813
Ordinary shares of listed companies / certificates of mutual funds	21,347,590	-	21,347,590	14,788,340	-	14,788,340
Preference shares	149,355	-	149,355	149,355	-	149,355
Units of open end mutual funds	671,645	-	671,645	831,219	-	831,219
Ordinary shares of unlisted companies	1,992,014	-	1,992,014	1,692,292	-	1,692,292
Investment in related parties						
- Unlisted shares	281,816	-	281,816	221,295	-	221,295
- Units of open end mutual funds	5,100,000	-	5,100,000	100,000	-	100,000
Sukuk bonds	2,524,529	-	2,524,529	3,216,409	-	3,216,409
Term finance certificates (TFCs)	2,065,684	-	2,065,684	2,783,904	-	2,783,904
	273,870,909	8,126,051	281,996,960	211,336,246	18,472,671	229,808,917

#### Held-to-maturity' securities

Pakistan investment bonds	25,847,165	-	25,847,165	26,818,371	-	26,818,371
Foreign currency bonds (US\$)	4,663,327	-	4,663,327	2,612,263	-	2,612,263
TFCs, Debentures, Bonds and PTCs	3,177,938	-	3,177,938	4,553,290	-	4,553,290
	33,688,430	-	33,688,430	33,983,924	-	33,983,924

#### Investment at cost

Provision for diminution in the value of investments	(1,614,292)	-	(1,614,292)	(1,947,781)	-	(1,947,781)
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Investment (net of provisions)	306,789,731	8,126,051	314,915,782	244,067,096	18,472,671	262,539,767
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Unrealized loss on revaluation of 'held-for-trading' securities	35,898	-	35,898	69,700	-	69,700
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Surplus on revaluation of 'available-for-sale' securities	8,533,714	983	8,534,697	4,985,626	87,586	5,073,212
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Total investments at market value	315,359,343	8,127,034	323,486,377	249,122,422	18,560,257	267,682,679
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Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2013

	Note	Un-audited September 30, 2013	Audited December 31, 2012
Rupees in '000			
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc. - in Pakistan		253,374,422	283,063,975
Net investment in finance lease - in Pakistan		1,882,690	1,815,004
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		2,455,651	2,390,263
Payable outside Pakistan		4,138,631	1,651,473
		6,594,282	4,041,736
<b>Advances - gross</b>		<b>261,851,394</b>	<b>288,920,715</b>
Provision for non-performing advances	8.1 & 8.3	(18,010,288)	(17,752,942)
General provision against consumer financing	8.1 & 8.3	(86,849)	(52,090)
		(18,097,137)	(17,805,032)
<b>Advances - net of provision</b>		<b>243,754,257</b>	<b>271,115,683</b>

- 8.1 Advances include Rs. 19,692.318 million (2012: Rs. 20,667.561 million) which have been placed under non-performing status as detailed below:-

Category of Classification	September 30, 2013 (Un-audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
Other Assets Especially					
Mentioned	96,530	-	96,530	-	-
Substandard	538,207	-	538,207	133,158	133,158
Doubtful	2,953,775	-	2,953,775	1,773,323	1,773,323
Loss	16,103,806	-	16,103,806	16,103,807	16,103,807
	<u>19,692,318</u>	<u>-</u>	<u>19,692,318</u>	<u>18,010,288</u>	<u>18,010,288</u>

Category of Classification	December 31, 2012 (Audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
	Rupees in '000				
Other Assets Especially					
Mentioned	62,814	-	62,814	-	-
Substandard	608,677	-	608,677	151,422	151,422
Doubtful	4,750,195	-	4,750,195	2,405,112	2,405,112
Loss	15,245,875	-	15,245,875	15,196,408	15,196,408
	<u>20,667,561</u>	<u>-</u>	<u>20,667,561</u>	<u>17,752,942</u>	<u>17,752,942</u>

- 8.2 No benefit of Forced Sale 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, 2013

## 8.3 Particulars of provision against non-performing loans & advances and general provision

	(Un-audited)			(Audited)		
	September 30, 2013			December 31, 2012		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	17,752,942	52,090	17,805,032	17,671,070	32,647	17,703,717
Charge for the period	2,196,869	34,759	2,231,628	3,233,567	19,443	3,253,010
Reversals	(1,857,640)	-	(1,857,640)	(1,979,109)	-	(1,979,109)
Charged to profit and loss account	339,229	34,759	373,988	1,254,458	19,443	1,273,901
Amounts written off	(81,883)	-	(81,883)	(1,172,586)	-	(1,172,586)
Closing balance	18,010,288	86,849	18,097,137	17,752,942	52,090	17,805,032

Un-audited  
September 30,  
2013  
Rupees in '000

Audited  
December 31,  
2012

## 9. BORROWINGS WITH FINANCIAL INSTITUTION

### Details of Borrowings (Secured / Unsecured)

#### Secured

Borrowings from State Bank of Pakistan	13,233,913	18,891,729
Repurchase agreement borrowings	7,805,135	18,220,505

#### Unsecured

Call borrowings	2,514,700	1,553,957
Overdrawn nostro accounts	97,085	-
Other Borrowings	134,749	250,001
	2,746,534	1,803,958
	23,785,582	38,916,192

## 10. DEPOSITS AND OTHER ACCOUNTS

### Customers

Fixed deposits	164,743,646	158,249,920
Savings deposits	136,656,700	125,835,518
Current accounts - remunerative	93,411,085	80,053,817
- Non - remunerative	172,850,075	145,711,362
	567,661,506	509,850,617

### Financial Institutions

Remunerative deposits	2,690,033	4,463,515
Non - remunerative deposits	485,400	388,312
	570,836,939	514,702,444

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2013

## 11. SHARE CAPITAL

### 11.1 Authorised capital

Un-audited September 30, 2013	Audited December 31, 2012		Un-audited September 30, 2013	Audited December 31, 2012
No. of shares			Rupees in '000	
1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each	15,000,000	15,000,000

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

Fully paid-up Ordinary shares of Rs. 10 each

Un-audited September 30, 2013	Audited December 31, 2012	Ordinary Shares	Un-audited September 30, 2013	Audited December 31, 2012
No. of shares			Rupees in '000	
406,780,094	406,780,094	Fully paid in cash	4,067,801	4,067,801
616,647,565	522,013,365	Issued as bonus shares	6,166,476	5,220,134
1,023,427,659	928,793,459		10,234,277	9,287,935
		18,348,550 Ordinary shares of Rs. 10 each, determined pursuant to the Scheme of Amalgamation in accordance with the swap ratio stipulated therein less 9,200,000 Ordinary shares of Rs. 10 each, held by Ibrahim Leasing Limited on the cut-off date (September 30, 2004).	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.	84,000	84,000
1,040,976,209	946,342,009		10,409,763	9,463,421

Ibrahim Fibers Limited, related party of the Bank, holds 176,401,742 (16.95%) [December 31, 2012: 226,365,220 (23.92%)] ordinary shares of Rs.10 each, as at reporting date.

Un-audited September 30, 2013	Audited December 31, 2012
Rupees in '000	

## 12. CONTINGENCIES AND COMMITMENTS

### 12.1 Direct credit substitutes

Guarantees in favour of:

Banks and financial institutions	474,336	473,823
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### 12.2 Transaction-related contingent liabilities

Guarantees in favour of:

Government	18,231,116	18,513,854
Others	11,807,825	12,703,025
	30,038,941	31,216,879

### 12.3 Trade-related contingent liabilities

	75,543,639	54,546,360
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### 12.4 Claims against the Bank not acknowledged as debt

	5,747,267	5,929,382
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### 12.5 The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

## Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2013

	Un-audited September 30, 2013	Audited December 31, 2012
	Rupees in '000	
12.6 Commitments in respect of forward foreign exchange contracts		
Purchase	76,321,075	35,605,257
Sale	46,155,418	9,400,993
12.7 Commitments in respect of:		
Civil works	1,274,785	495,414
Acquisition of operating fixed assets	948,138	706,733
	2,222,923	1,202,147
12.8 Commitments in respect of lease financing	148,090	192,274
12.9 Contingencies		

12.9.1 There is no change in the status of contingencies, set out in note 22.10 to the Consolidated financial statements of the Bank for the year ended December 31, 2012, except for the contingency as mentioned below:

12.9.2 The income tax assessments of the Bank have been finalized up to and including tax year 2012 for local and Azad Kashmir operations. While finalizing income tax assessments up to tax year 2012, income tax authorities made certain add backs with aggregate tax impact of Rs.12,952 million (2012: Rs. 11,471 million). As a result of appeals filed by the Bank before appellate authorities, most of the add backs have been deleted. However, the Bank and Tax Department are in appeals / references before higher appellate forums against unfavorable decisions. Pending finalization of appeals no provision has been made by the Bank on aggregate sum of Rs.12,952 million (2012: Rs. 11,471 million). The management is confident that the outcome of these appeals will be in favor of the Bank.

Tax Authorities have conducted proceedings of withholding tax audit under section 161/205 of Income Tax Ordinance, 2001 for tax year 2005, 2006 and tax year 2008 to 2012 and created an arbitrary demand of Rs. 1,081 million (2012: Rs. 219 million). The Bank 'appeals against these orders are pending before Appellate Tribunal Inland Revenue (ATIR) for adjudication. The management is confident that these appeals will be decided in favor of the Bank and therefore, no provision has been made against the said demand of Rs. 1,081 million (2012: Rs. 219 million).

Tax authorities have also issued orders under Federal Excise Act, 2005 thereby creating an arbitrary demand of Rs. 257 million (2012: Rs. 110 million). The Bank 'appeals against these orders are pending before Appellate Tribunal Inland Revenue (ATIR) for adjudication. The management is confident that aforesaid demand will be deleted by appellate authorities and therefore no provision has been made against the said demand of Rs. 257 million (2012: Rs. 110 million).

Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2013

	Un-audited Nine Months Ended September 30, 2013		Un-audited Quarter Ended September 30, 2012	
	Rupees in '000			
<b>13 MARK-UP / RETURN / INTEREST EARNED</b>				
On loans and advances	20,812,056	23,863,894	6,866,165	7,783,891
On investments in:				
'Available-for-sale' securities	15,019,577	9,189,039	5,519,127	3,563,879
'Held-to-maturity' securities	3,078,343	3,025,622	1,091,908	1,021,996
'Held-for-Trading' securities	-	41,990	-	14,819
	18,097,920	12,256,651	6,611,035	4,600,694
On deposits with financial institutions	35,759	6,257	23,515	4,600
On securities purchased under resale agreements	1,018,729	851,809	420,069	232,553
On certificates of investment	14,457	-	-	-
On letters of placement	-	2,773	-	274
On call money lending	110,651	28,222	15,614	9,102
	40,089,572	37,009,606	13,936,398	12,631,114

**14 MARK-UP / RETURN / INTEREST EXPENSED**

Deposits	19,742,625	16,460,623	6,882,446	5,821,501
Long term borrowing	176,983	186,025	58,281	63,391
Securities sold under repurchase agreements	1,102,124	2,429,765	172,424	1,158,011
Call money borrowing	85,796	360,238	39,617	121,625
Brokerage and commission	101,679	112,626	34,451	39,500
Markup on sub-ordinated loans	426,354	548,928	130,609	179,434
Other short term borrowings	2,092,659	2,509,704	648,909	805,399
	23,728,220	22,607,909	7,966,737	8,188,861

- 15 Other income includes compensation on delayed refunds amounting to Rs 1,066.805 million (2012: Nil) under section 171 of the Income Tax Ordinance 2001 pertaining to Assessment Year / Tax Years 1997-98 to 2006. This compensation has been calculated at the rates applicable under section 171 on the amount of refund for the period commencing at the end of the three months of refund becoming due to the Bank and the date of adjustment of refund by the income tax authorities.

Note	Nine Months Ended September 30,		Quarter Ended September 30,	
	2013	2012	2013	2012
	Rupees in '000			

**16 EARNINGS PER SHARE - BASIC AND DILUTED**

Profit after taxation for the period attributable to ordinary shareholders	8,438,453	9,557,623	2,850,937	2,904,815
	Number of Shares			
	Restated		Restated	
Weighted average number of ordinary shares outstanding during the period.	16.1	1,040,976,209	1,040,976,209	1,040,976,209
	Rupees			
	Restated		Restated	
Earnings per share - basic and diluted for the period	16.1	8.11	9.18	2.74
There is no dilution effect on basic earnings per share.				2.79

- 16.1 The corresponding figure of weighted average number of shares outstanding and earnings per share have 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, 2013

## RELATED PARTY TRANSACTIONS

The group has 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 September 30, 2013				Audited December 31, 2012			
	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	43,842	1,833,333	176,428	200	49,969	-	203,005	-
Loans given during the period / year	28,910	-	102,681	3,046	14,847	2,000,000	91,199	3,185
Loans repaid / adjustment during the period / year	(59,955)	(1,833,333)	(57,812)	(2,678)	(20,974)	(166,667)	(117,776)	(2,985)
Loans at the end of the period / year	12,797	-	221,297	568	43,842	1,833,333	176,428	200
<b>Deposits</b>								
Deposits at the beginning of the period / year	33,653	41,011	27,640	5,675,814	17,270	48,985	13,556	230,430
Deposits received during the period / year	3,487,205	4,463,315	533,707	63,568,070	6,532,579	13,700,859	310,582	327,706,930
Deposits repaid during the period / year	(3,456,078)	(4,168,183)	(528,296)	(56,383,593)	(6,515,996)	(13,708,833)	(296,498)	(322,261,546)
Deposits at the end of the period / year	64,780	336,143	33,051	12,660,291	33,653	41,011	27,640	5,675,814
Nostro balances	-	246,775	-	-	-	136,808	-	-
Lending	-	-	-	-	-	1,479,232	-	-
Investments in shares / open end mutual funds	-	279,650	-	6,162,079	-	219,130	-	872,122
Other receivables	-	-	-	56,739	-	-	-	62,563
Other Payable	-	-	-	110	-	-	-	110
Net receivable from staff retirement benefit funds	-	-	-	3,200,019	-	-	-	2,912,357



Notes to the Consolidated Condensed Interim Financial Statements  
(Un-audited) for the nine months ended September 30, 2013

	Un-audited September 30, 2013				Un-audited September 30, 2012			
	Directors	Associated companies	Key management personnel	Other related parties	Directors	Associated companies	Key management personnel	Other related parties
	Rupees in '000							
Mark-up earned	1,352	-	8,183	-	1,307	-	8,168	244
Income on Placements	-	1,226	-	-	-	41	-	-
Income on Lending	-	-	-	-	-	-	-	-
Dividend Income	-	-	-	53,270	-	-	-	4,315,166
Capital Loss	-	-	-	-	-	-	-	(634,512)
Sales commission	-	-	-	2,377	-	-	-	1,353
Management fee sharing expense	-	-	-	-	-	-	-	111
Management fee income	-	-	-	180,801	-	-	-	319,694
Mark-up expense on Deposits	1,675	15	507	488,900	1,003	-	22	38,015
Fee commission / bank charges	9	25	42	251	-	-	-	4,036
Interest expense on borrowings	-	17	-	-	-	-	-	-
Director's meeting fee	5,800	-	-	-	5,450	-	-	-
Remuneration	-	-	232,386	-	-	-	226,605	-
NIFT charges	-	-	-	53,485	-	-	-	64,359
Rent Expense	-	14,476	-	-	-	12,259	-	-
Rent Income	-	300	-	-	-	-	-	-
Charge in respect of staff retirement benefit funds	-	-	-	82,080	-	-	-	154,144

# Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the nine months ended September 30, 2013

## 18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

For the Period Ended September 30, 2013 (Un-audited)								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total
	Rupees in '000							
Total Income	340,310	1,474,031	30,016,198	39,118,896	685,441	251,995	(24,297,236)	47,589,635
Total Expenses	(146,775)	(2,073,602)	(25,107,673)	(35,644,965)	(319,783)	(155,620)	24,297,236	(39,151,182)
Net Income	<u>193,535</u>	<u>(599,571)</u>	<u>4,908,525</u>	<u>3,473,931</u>	<u>365,658</u>	<u>96,375</u>	<u>-</u>	<u>8,438,453</u>

For the Period Ended September 30, 2012 (Un-audited)								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total
	Rupees in '000							
Total Income	499,340	2,597,897	29,870,959	41,685,130	437,807	387,612	(27,508,585)	47,970,160
Total Expenses	(223,177)	(3,420,872)	(22,947,479)	(38,879,833)	(207,580)	(242,181)	27,508,585	(38,412,537)
Net Income	<u>276,163</u>	<u>(822,975)</u>	<u>6,923,480</u>	<u>2,805,297</u>	<u>230,227</u>	<u>145,431</u>	<u>-</u>	<u>9,557,623</u>

As at September 30, 2013 (Un-audited)								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Total	
	Rupees in '000							
Segment Assets (Gross)	<u>294,772</u>	<u>22,538,861</u>	<u>115,587,079</u>	<u>562,774,066</u>	<u>521,359</u>	<u>1,005,613</u>	<u>702,721,750</u>	

As at December 31, 2012 (Audited)								
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Total	
	Rupees in '000							
Segment Assets (Gross) Restated	<u>324,474</u>	<u>9,456,172</u>	<u>121,899,229</u>	<u>522,024,483</u>	<u>342,883</u>	<u>888,576</u>	<u>654,935,817</u>	

## 19. GENERAL

- 19.1 Figures have been rounded off to the nearest thousand rupees.
- 19.2 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, except as mentioned in note 5.3.
- 19.3 The Board of Directors of the Bank in its meeting held on 22 October, 2013 approved interim cash dividend for the year ending 31 December, 2013 at Rs. 1.25 per share (30 September, 2012: Re. 1). The consolidated condensed interim financial statements for the nine months ended 30 September, 2013 do not include the effect of this appropriation and will be accounted for in the financial statements of the period of declaration.

## 20. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue on 22 October, 2013 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman



[www.abl.com](http://www.abl.com)

Allied Bank Limited  
3 Tipu Block, Main Boulevard,  
New Garden Town, Lahore - Pakistan  
Tel 92 42 3588 0043