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Corporate Information

Board of Directors

Mohammad Naeem Mukhtar
Chairman

Sheikh Mukhtar Ahmad

Mohammad Waseem Mukhtar

Sheikh Jalees Ahmed

Abdul Aziz Khan

Mubashir A. Akhtar

Pervaiz Iqbal Butt

Government Nominee
(yet to be appointed)

Khalid A. Sherwani
Chief Executive Officer

Audit Committee

Sheikh Mukhtar Ahmad
Chairman

Sheikh Jalees Ahmed

Mubashir A. Akhtar

Company Secretary

Muhammad Raffat

Auditors

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

KPMG Taseer Hadi & Co.
Chartered Accountants

Legal Adviser

Haidermota and Company
Advocates and solicitors

Shares Registrar

Technology Trade (Pvt.) Ltd.

Central Office

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

Head Office/Registered Office

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

Website & Email

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

Toll Free Number

0800-22522

Vision, Mission & Core Values

Vision

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

Mission

To provide value added services to our customers

To provide high tech innovative solutions to meet customers' requirements

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

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

To play a proactive role in contributing towards the society

Core Values

Integrity

Excellence in Service

High Performance

Innovation and Growth

Directors' Review

(Un-audited) for the half year ended June 30, 2010

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the financial results of Allied Bank for the half-year ended June 30, 2010.

Financial Highlights

	(Rupees in million)		
	Half year ended June 30,		
	2010	2009	Growth
Profit After Tax	3,620	3,061	18.26%
Unappropriated profits brought forward	12,199	8,536	42.91%
Transfer from surplus on revaluation of fixed assets - net of tax	15	16	-6.25%
Profit available for appropriation	15,834	11,613	36.35%
Final cash dividend for the year ended December 31, 2009 (2009: year ended December 31, 2008) at Rs. 2 per share (2008: Re.1 per share)	(1,422)	(646)	120.12%
Transfer to Statutory Reserves	(724)	(612)	18.30%
Un-appropriated profits carried forward	13,688	10,355	32.19%
Earning Per Share (EPS) for six months	4.63	3.91	18.41%

The Board is pleased to announce an interim cash dividend of Rs. 2 per share for the half-year ended June 30, 2010 (2009: Rs. 2 per share)

Economic Overview

Pakistan's economy continues to face major challenges emanating from persistent inflationary pressures, weak fiscal position, sensitive security situation in the country and structural bottlenecks, mainly severe power shortage. Although external current account deficit and economic growth have shown improvement in FY 2010, the overall recovery remains fragile. Meanwhile, the uncertainty attached with global economic outlook also adds to the difficulties. The recent catastrophic flooding in major parts of the country, leading to huge loss of lives, displacement of a large segment of population and extensive damage to infrastructure, presents another formidable challenge.

The provisional estimates show that the real GDP grew by 4.1% during FY 2010 as compared with GDP growth of 1.2% (revised) in FY 2009. The agriculture sector grew an estimated 2% against previous year's growth rate of 4%. While the crops sub-sector declined 0.4% over the previous year, livestock posted a healthy rise of 4.1%. Industrial sector output expanded by 4.9%, led by recovery in Large Scale Manufacturing. Meanwhile, services sector grew by 4.6% as compared to 1.6% in FY 2009. The external current account deficit narrowed to USD 3.5 billion or 2% of GDP in FY 2010, while State Bank of Pakistan's (SBP) foreign exchange reserves increased to USD 13 billion by end-June 2010 from USD 9.1 billion at end-June 2009. However, the sustainability of external account improvement remain exposed to the risks of imports outpacing the exports, forecast of higher international commodity prices and delays or shortfall in receipt of official foreign inflows.

With recovery in domestic aggregate demand, rise in energy and fuel charges and increasing volatility in prices of food items, the year-on-year (YoY) CPI inflation has risen to 12.7% in June 2010 from 10.5% in December 2009 and the inflationary pressures are likely to persist this year also. Another major challenge for the economy is the weak fiscal position wherein fiscal deficit has outgrown the revised target of 5.1% set for FY 2010. The higher deficit together with less than projected external inflows for budgetary support led to rise in government's borrowings from SBP, while the overall debt of the country also kept soaring. Considering the challenges in hand, SBP

has raised the Discount Rate by 50bps in its recently announced Monetary Policy Statement in July 2010, which was kept constant at 12.5% during 2H FY 2009.

Broad Money (M2) grew by 12.5% during FY 2010 as compared to 9.6% in FY 2009. This was on account of expansion of Rs. 4877 billion in Net Domestic Assets (NDA) and Rs. 152 billion of increase in Net Foreign Assets (NFA) of the banking system. Although credit to private sector has picked up during FY 2010, the government's increasing need for budgetary support, large outstanding stock of commodity financing and credit to PSEs, partly because of energy circular debt, consumed a major portion of the banking systems' resources. Meanwhile, the banking industry continues to adopt a risk-averse behavior in extending fresh credit to the private sector in the current difficult operating environment. The accumulation in bank's NPLs does not seem to be decelerating as the NPLs ratio has increased from 11.5% in June 2009 to 13.1% in March 2010.

Financial Review

Your Bank, cognizant of the difficult operating conditions, is consistently pursuing its strategy of maintaining steady growth, while at the same time gearing up efforts to further fortify risk management systems and improve asset quality. Deposits of the bank increased to Rs. 352,615 million as at June 30, 2010, a growth of 7.2% over December 31, 2009 and 12.74% over June 30, 2009. Importantly, due to focus in achieving a more favorable deposit mix in terms of cost, the share of Current and Savings Deposits in the total deposits has increased to 56.90% as at June 30, 2010 compared to 54.29% at December 31, 2009. In view of prevailing business conditions, Your Bank remained vigilant in extending fresh credits. Gross advances thus depicted a marginal decrease of around 0.7% from Rs. 249,887 million as at December 31, 2009 to Rs. 248,220 million as at June 30, 2010. Gross Advances as at June 30, 2010 were, however, higher by Rs. 24,466 million or 10.9% from June 30, 2009 level. As a result Gross Investments have increased to Rs. 112,655 million as at June 30, 2010, a growth of 16.2% over December 31, 2009 and 274% over June 30, 2009. The balance sheet size of Your Bank stands at Rs. 432,674 million as at June 30, 2010, while the equity of the bank as at June 30, 2010 registered a strong growth of 19.03% over June 30, 2009 level to reach at Rs. 31,444 million.

Profit Before Tax of Your Bank increased by 19.3% to reach Rs. 5,518 million during half year ended June 30, 2010 as compared to Rs. 4,627 million in the corresponding period of previous year. After Tax Profit also rose by 18.3% to 3,620 million compared to Rs. 3,061 million in the corresponding period. Resultantly, the EPS of Your Bank increased to Rs. 4.63 during half-year ended June 30, 2010 compared to Rs. 3.91 in the corresponding period of previous year.

Mark-up / Interest income during half-year ended June 30, 2010 grew by 9.2% over the corresponding period in previous year, attributable to higher average volume growth in earning assets which offset the impact of lower average KIBOR prevailing during the period compared to the corresponding period. On the other hand, the Mark-up / Interest expense registered a modest decline of 0.4% over the corresponding half year attributable largely to the improvement in deposit mix. As a consequence, the net mark-up / interest income of Your Bank grew by 21.8% to Rs. 10,580 million compared to the corresponding period of previous year.

Non-Mark up / Interest Income of Your Bank during 1H 2010 was Rs. 2,621 million. The decline over corresponding period of previous year was attributable to lower YoY FX revenue and income from equity investments. Due to limited growth of project financing activity in the country during the period, the contribution of advisory and investment banking fee income in the total fee income has also reduced from previous year. The Operating Expenses increased to Rs. 5,645 million during 1H 2010 as compared to Rs. 4,816 million in the corresponding period of previous year. However, expenses for the current period include one-off expense against Voluntary Retirement Scheme offered by the bank. Excluding its impact, the actual growth in expenses is 11.1%. This when compared with inflationary trends and increasing outlays on system up-gradation reflects effectiveness of the management strategies for cost control. Your Bank recognized an additional general provision of Rs. 200 million in addition to Rs. 100 million provided in the first quarter of 2010. Meanwhile, the provision coverage against NPLs (excluding general provisions) improved to

80.8% at June, 30 2010 as compared to 76.9% at December 31, 2009. No benefit of FSV has been taken while determining the provision against NPLs as allowed under BSD Circular No. 10 of 2009 dated October 20, 2009.

Future Outlook:

The macroeconomic outlook remains unstable owing to slippages in fiscal deficit and government borrowings against the target. Such fiscal developments are inconsistent with the objectives of macroeconomic stability. Thus aggravating expectations of rising inflation have kept an upward pressure on interest rates. As a result sustainability of credit to private sector seems uncertain. In these challenging times, the asset quality of the banking industry is likely to remain under pressure.

Your Bank being watchful of the economic conditions would continue with its strategy of achieving steady growth by maintaining quality of earning assets and optimizing efficiencies to reduce cost. Meanwhile, Your Bank's focus would remain on providing state of the art banking services to its large customer base and aim for higher customers' satisfaction levels by further improving service quality. In this regard Your Bank is continually upgrading the technological infrastructure and delivery systems and proactively enhancing the skill set of field functionaries. Through concerted efforts of its team, the implementation of a world class core banking software application at the branches is progressing well.

Entity & TFC Ratings

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term rating of AA (Double A) and the short-term rating of A1+ (A One Plus) of Your Bank. The rating of TFC Issue of Rs. 3,000 million (Issue Date: August 28, 2009) has also been maintained at AA- (Double A Minus). The ratings denote very low expectation of credit risk emanating from a very strong capacity for timely payment of financial commitments. Meanwhile, the bank's earlier TFC Issue of Rs. 2,500 million (Issue Date: December 06, 2006) also carries rating of AA- (Double A Minus) assigned by JCR-VIS Credit Rating Company.

Corporate Governance Rating

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

Asiamoney Award

Your bank won the 'Best Domestic Bank in Pakistan - 2010' award by Asiamoney in view of its superior performance, corporate strategy and improvement in financial strength.

Acknowledgement:

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

For and on behalf of the Board,

Khalid A. Sherwani
Chief Executive Officer

Mohammad Naeem Mukhtar
Chairman

Date: August 12, 2010

Place: Lahore

Independent Auditors Report to the Members on Review of Interim Financial Information

Introduction

We have reviewed the accompanying unconsolidated condensed interim statement of financial position of the Allied Bank Limited ("the Bank") as at 30 June 2010 and the related unconsolidated condensed interim profit and loss account, unconsolidated condensed interim statement of comprehensive income, unconsolidated condensed interim statement of cash flow and unconsolidated condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

The figures of the unconsolidated condensed interim profit and loss account and unconsolidated condensed interim statement of comprehensive income for the quarters ended 30 June 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended 30 June 2010.

The financial statements of the Bank for the half year ended 30 June 2009 and for the year ended 31 December 2009 were reviewed and audited by M. Yousuf Adil Saleem & Co., Chartered Accountants and KPMG Taseer Hadi & Co., Chartered Accountants whose reports dated 11 August 2009 and 17 February 2010, expressed an unqualified conclusion and opinion thereon.

KPMG TASEER HADI & Co.
Chartered Accountants

ERNST & YOUNG FORD RHODES SIDAT HYDER
Chartered Accountants

Date: August 12, 2010

Place: Lahore

Unconsolidated Condensed Interim Statement of Financial Position

as at June 30, 2010

	Note	Un-audited June 30, 2010	Audited December 31, 2009
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		28,602,342	26,435,633
Balances with other banks		836,435	1,280,443
Lendings to financial institutions	5	28,790,020	28,122,932
Investments	6	110,277,397	94,789,492
Advances	7	233,960,100	237,344,038
Operating fixed assets	8	13,827,620	12,446,748
Deferred tax assets - net	9	615,035	-
Other assets		15,765,190	17,955,045
		432,674,139	418,374,331
LIABILITIES			
Bills payable		3,013,873	3,162,429
Borrowings from financial institutions		29,333,042	39,818,532
Deposits and other accounts	10	352,615,095	328,875,037
Sub-ordinated loans		5,495,900	5,497,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	1,871
Other liabilities		10,771,883	11,059,484
		401,229,793	388,414,353
NET ASSETS		31,444,346	29,959,978
REPRESENTED BY			
Share capital	11	7,821,009	7,110,008
Reserves		6,595,885	6,582,845
Unappropriated profit		13,687,965	12,198,425
		28,104,859	25,891,278
Surplus on revaluation of assets - net of tax	12	3,339,487	4,068,700
		31,444,346	29,959,978
CONTINGENCIES AND COMMITMENTS	13	-	-

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

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Unconsolidated Condensed Interim Profit and Loss Account

(Un-audited) for the half year ended June 30, 2010

		Half year ended		Quarter ended	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Note		Rupees in '000			
Mark-up / return / interest earned	14	21,847,102	20,000,215	10,912,713	9,767,166
Mark-up / return / interest expensed	15	11,267,343	11,312,973	5,701,446	5,397,022
Net mark-up / interest income		10,579,759	8,687,242	5,211,267	4,370,144
Provision against non-performing loans and advances and general provision-net		1,806,332	1,870,418	1,022,567	1,055,409
Provision / (reversal of provision) against lending to Financial Institution		(280,195)	66,500	(280,195)	66,500
Provision for diminution in the value of investments - net		601,753	519,941	123,954	394,171
Bad debts written off directly		-	282	-	-
		2,127,890	2,457,141	866,326	1,516,080
Net mark-up / interest income after provisions		8,451,869	6,230,101	4,344,941	2,854,064
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		1,356,738	1,645,820	528,233	1,007,872
Dividend income		536,611	748,835	181,835	488,251
Income from trading in government securities		-	-	-	-
Income from dealing in foreign currencies		99,702	466,458	(27,481)	178,888
Gain from sale and purchase of other securities		597,954	484,114	359,354	464,824
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		(8,476)	56	(8,677)	648
Other income		38,120	18,161	16,083	12,451
Total non-mark-up / interest income		2,620,649	3,363,444	1,049,347	2,152,934
		11,072,518	9,593,545	5,394,288	5,006,998
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses	16	5,461,784	4,544,339	2,650,707	2,429,662
Provision against other assets - net		12,000	131,000	12,000	99,000
Provision / (reversal of provision) against off-balance sheet obligations - net		(103,178)	20,101	(161,532)	(70,580)
Workers welfare fund		120,190	112,883	49,299	74,465
Other charges		63,564	158,432	8,745	86,191
Total non-mark-up / interest expenses		5,554,360	4,966,755	2,559,219	2,618,738
		5,518,158	4,626,790	2,835,069	2,388,260
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		5,518,158	4,626,790	2,835,069	2,388,260
Taxation					
- Current		1,969,165	1,975,458	640,599	1,134,156
- Prior years		373,941	-	-	-
- Deferred		(445,159)	(409,206)	351,672	(358,298)
		1,897,947	1,566,252	992,271	775,858
PROFIT AFTER TAXATION		3,620,211	3,060,538	1,842,798	1,612,402
Earning per share - Basic and Diluted (in Rupees)	17	4.63	3.91	2.36	2.06

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Unconsolidated Condensed Interim Statement of Comprehensive Income

(Un-audited) for the half year ended June 30, 2010

	Half year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	Rupees in '000			
Profit after taxation for the period	3,620,211	3,060,538	1,842,798	1,612,402
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	3,620,211	3,060,538	1,842,798	1,612,402

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

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

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Unconsolidated Condensed Interim Statement of Cash Flow

(Un-audited) for the half year ended June 30, 2010

Half Year Ended
June 30,
2010

Half Year Ended
June 30,
2009

Rupees in '000

CASH FLOW FROM OPERATING ACTIVITIES

Profit before taxation	5,518,158	4,626,790
Less: Dividend income	536,611	748,835
	<u>4,981,547</u>	<u>3,877,955</u>
Adjustments for non-cash charges		
Depreciation / amortization	401,280	297,825
Provision against non-performing loans and advances and general provision - net	1,806,332	1,870,418
Provision for diminution in the value of investments - net	601,753	519,941
Provision / (reversal of provision) against lending to financial institutions	(280,195)	66,500
Unrealised loss / (gain) on revaluation of held for trading securities - net	8,476	(56)
Provision / (reversal of provision) against off-balance sheet obligations - net	(103,178)	20,101
Provision against other assets - net	12,000	131,000
Operating fixed assets written off	5	-
Gain on sale of fixed assets	(5,142)	(3,003)
Bad debts written off directly	-	282
	<u>2,441,331</u>	<u>2,903,008</u>
	<u>7,422,878</u>	<u>6,780,963</u>

(Increase) / decrease in operating assets

Lendings to financial institutions	(386,893)	(15,301,716)
Held for trading securities	(14,658)	(35,195)
Advances	1,577,606	(1,122,366)
Other assets (excluding advance taxation)	2,232	(757,054)
	<u>1,178,287</u>	<u>(17,216,331)</u>

Increase / (decrease) in operating liabilities

Bills payable	(148,556)	30,093
Borrowings from financial institutions	(10,152,700)	(79,205)
Deposits	23,740,058	15,301,354
Other liabilities	(193,147)	(423,048)
	<u>13,245,655</u>	<u>14,829,194</u>

Income tax paid

	<u>21,846,820</u>	<u>4,393,826</u>
	<u>(122,422)</u>	<u>(1,980,891)</u>

Net cash flow from operating activities

	<u>21,724,398</u>	<u>2,412,935</u>
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CASH FLOW FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	(17,630,123)	(3,326,994)
Net investment in held-to-maturity securities	666,363	1,687,322
Dividend income received	491,549	689,500
Investments in operating fixed assets	(1,789,029)	(887,102)
Proceeds from sale of fixed assets	6,711	14,965
	<u>(18,254,529)</u>	<u>(1,822,309)</u>

CASH FLOW FROM FINANCING ACTIVITIES

Net payment of sub-ordinated loan	(1,100)	(500)
Dividend paid	(1,413,278)	(657,473)
	<u>(1,414,378)</u>	<u>(657,973)</u>

Increase/(decrease) in cash and cash equivalents during the period

Cash and cash equivalents at beginning of the period	2,055,491	(67,347)
	<u>27,354,760</u>	<u>25,617,627</u>

Cash and cash equivalents at end of the period

	<u>29,410,251</u>	<u>25,550,280</u>
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The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Unconsolidated Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended June 30, 2010

	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appropriated Profit	Total
	Rupees in '000								
Balance as at January 01, 2009	6,463,644	2,341,322	3,055,595	-	67,995	333,864	6,000	8,536,697	20,805,117
Changes in equity during the half year ended June 30, 2009									
Total Comprehensive income for the half year ended June 30, 2009	-	-	-	-	-	-	-	3,060,538	3,060,538
<i>Transactions with owners recognised directly in equity</i>									
Transfer to reserve for issue of bonus shares for year ended December 31, 2009 @ 10%	-	(646,364)	-	646,364	-	-	-	-	-
Final cash dividend for the year ended December 31, 2008 (Rs. 1.00 per ordinary share)	-	-	-	-	-	-	-	(646,364)	(646,364)
Issue of bonus shares	646,364	-	-	(646,364)	-	-	-	-	-
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	646,364	(646,364)	-	-	-	-	-	(646,364)	(646,364)
Transfer to statutory reserve	-	-	612,108	-	-	-	-	16,180	16,180
Balance as at June 30, 2009	7,110,008	1,694,958	3,667,703	-	67,995	333,864	6,000	10,354,943	23,235,471
<i>Changes in equity during the half year ended December 31, 2009</i>									
Profit after taxation for the half year ended December 31, 2009	-	-	-	-	-	-	-	4,061,629	4,061,629
<i>Transactions with owners recognised directly in equity</i>									
Interim cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	16,180	16,180
Transfer to statutory reserve	-	-	812,325	-	-	-	-	(812,325)	-
Balance as at December 31, 2009	7,110,008	1,694,958	4,480,028	-	67,995	333,864	6,000	12,198,425	25,891,278
<i>Changes in equity during the half year ended June 30, 2010</i>									
Total Comprehensive income for the half year ended June 30, 2010	-	-	-	-	-	-	-	3,620,211	3,620,211
<i>Transactions with owners recognised directly in equity</i>									
Transfer to reserve for issue of bonus shares for year ended December 31, 2009 @ 10%	-	(711,001)	-	711,001	-	-	-	-	-
Issue of bonus shares	711,001	-	-	(711,001)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	711,001	(711,001)	-	-	-	-	-	(1,422,002)	(1,422,002)
Transfer to statutory reserve	-	-	724,041	-	-	-	-	15,372	15,372
Balance as at June 30, 2010	7,821,009	983,957	5,204,069	-	67,995	333,864	6,000	13,687,965	28,104,859

* These were created as a result of merger of Ibrahim Leasing Limited and First Allied Bank Modaraba into Allied Bank Limited. The annexed notes 1 to 21 form an integral part of these unconsolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2010

1. STATUS AND NATURE OF BUSINESS

Allied Bank Limited (the Bank), incorporated in Pakistan, is a scheduled Bank, engaged in commercial banking and related services. The Bank is listed on all stock exchanges in Pakistan. The Bank operates a total of 787 (2009: 779) branches in Pakistan including the Karachi Export Processing Zone Branch (overseas business unit). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA'. Short term rating of the Bank is 'A1+'. The Bank is a holding company of ABL Asset Management Company Limited.

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

2. STATEMENT OF COMPLIANCE

- 2.1 These unconsolidated condensed interim financial statements of the Bank for the six months period ended June 30, 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan. In case where requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by the State Bank of Pakistan shall prevail.
- 2.2 The SBP, vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan dated April 28, 2008, International Financial Reporting Standard (IFRS) 7 "Financial Instruments Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.
- 2.3 These unconsolidated condensed interim financial statements are being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984.

3. BASIS OF PRESENTATION

- 3.1 The disclosures included in these unconsolidated condensed interim financial statements are limited based on the format prescribed by the State Bank of Pakistan, vide BSD Circular Letter No. 2 dated May 12, 2004, vide BSD Circular Letter No. 7 dated April 20, 2010 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these unconsolidated condensed interim financial statements should be read in conjunction with the unconsolidated financial statements of the Bank for the year ended December 31, 2009.
- 3.2 During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:
 - IAS 27 - Consolidated and Separate Financial Statements (Amendments)
 - IFRS 2 - Share Based Payments: Amendments relating to Group Cash-settled Share-based payment Transaction
 - IFRS 3 - Business Combinations (Revised)
 - IFRIC 17 - Distributions to Non-cash Assets to owners

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

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2010

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

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

	Note	Un-audited June 30, 2010	Audited December 31, 2009
Rupees in '000			
5. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	5.1	1,200,000	525,000
Letters of placement	5.2	400	649,750
Repurchase agreement lendings (Reverse Repo)	5.3	27,473,353	26,347,932
Certificates of investment	5.4	116,667	880,845
		28,790,420	28,403,527
Provision against lending to Financial Institution.	5.5	(400)	(280,595)
		28,790,020	28,122,932

- 5.1 These are unsecured lendings to Financial Institutions, carrying mark-up at rates, ranging between 12.35% and 12.40% (December 31, 2009: ranging between 12.10% and 12.70%) per annum and maturing on various dates, latest by July 19, 2010.
- 5.2 This represents clean placement with Non-Banking Finance Company carrying mark-up rate at 0.00% (December 31, 2009: ranging between 12.60% and 12.70%) per annum and will mature on July 30, 2010.
- 5.3 These are short-term lendings to various financial institutions against the government securities, carrying mark-up at rates, ranging between 10.00% and 12.40% (December 31, 2009: ranging between 11.75% and 12.40%) per annum and will mature on various dates, latest by July 29, 2010.
- 5.4 The certificate of investment carries mark-up at the rate of 12.34% (December 31, 2009: ranging between 13.0% and 14.47%) per annum on performing investment and will mature on July 05, 2010.
- 5.5 This represents provision made under the prudential regulations of the State Bank of Pakistan.

6. INVESTMENTS

	Note	Held by Bank	Given as collateral	Total
Rupees in '000				
Current period - June 30, 2010 (Un-audited)	6.1	108,983,944	1,293,453	110,277,397
Prior year December 31, 2009 (Audited)	6.1	87,812,873	6,976,619	94,789,492

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2010

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

Rupees in '000

6.1 Investments by types

Held-for-trading securities

Ordinary Shares of listed companies	74,146	-	74,146	67,385	-	67,385
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Available-for-sale securities

Market Treasury Bills	48,321,416	1,294,750	49,616,166	27,019,901	6,976,575	33,996,476
Pakistan Investment Bonds	246,474	-	246,474	246,204	-	246,204
Ordinary Shares / certificates of listed companies	4,675,383	-	4,675,383	4,882,928	-	4,882,928
Preference Shares of listed companies	350,017	-	350,017	191,667	-	191,667
Units of open-end mutual funds	3,790,623	-	3,790,623	4,347,813	-	4,347,813
Ordinary Shares of unlisted companies	215,192	-	215,192	215,193	-	215,193
Ordinary Shares of related parties						
- Listed Shares	2,625,900	-	2,625,900	2,449,082	-	2,449,082
- Unlisted Shares	597,496	-	597,496	597,496	-	597,496
Pre IPO Investment	35,000	-	35,000	35,000	-	35,000
Sukuk Bonds	4,721,863	-	4,721,863	3,637,774	-	3,637,774
Term Finance Certificates (TFCs)	29,982,950	-	29,982,950	26,036,936	-	26,036,936
	95,562,314	1,294,750	96,857,064	69,659,994	6,976,575	76,636,569

Held-to-maturity securities

Pakistan Investment Bonds	7,593,662	-	7,593,662	7,690,909	-	7,690,909
Foreign Currency Bonds (US\$)	559,308	-	559,308	73,286	-	73,286
TFCs, Debentures, Bonds and Participation Term Certificates (PTCs)	6,219,626	-	6,219,626	10,274,764	-	10,274,764
	14,372,596	-	14,372,596	18,038,959	-	18,038,959

Subsidiary

ABL Asset Management Company Limited	500,000	-	500,000	500,000	-	500,000
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Investment at cost	110,509,056	1,294,750	111,803,806	88,266,338	6,976,575	95,242,913
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Provision for diminution in value of investments	(2,378,054)	-	(2,378,054)	(2,185,929)	-	(2,185,929)
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Unrealised gain on revaluation of Held-for-trading securities	(8,477)	-	(8,477)	(7,897)	-	(7,897)
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Surplus/(deficit) on revaluation of Available-for-sale securities	861,419	(1,297)	860,122	1,740,361	44	1,740,405
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Investments (net of provision)	108,983,944	1,293,453	110,277,397	87,812,873	6,976,619	94,789,492
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Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2010

	Note	Un-audited June 30, 2010	Audited December 31, 2009
Rupees in '000			
7. ADVANCES			
Loans, cash credits, running finances, etc. - in Pakistan		241,386,871	243,166,083
Net investment in finance lease - in Pakistan		1,078,223	846,699
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		317,788	389,507
Payable outside Pakistan		5,436,989	5,484,414
		5,754,777	5,873,921
Advances - gross		248,219,871	249,886,703
Provision against non-performing advances	7.1	(13,951,460)	(12,535,255)
General provision	7.2	(300,000)	-
General provision against consumer financing		(8,311)	(7,410)
		233,960,100	237,344,038

7.1 Advances include Rs. 17,269,455 million (2009: Rs. 16,281.178 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2010 (Un-audited)			Provision required	Provision held
	Classified Advances				
	Domestic	Overseas	Total		
Rupees in '000					
Other Assets Especially					
Mentioned	21,954	-	21,954	-	-
Substandard	2,081,854	-	2,081,854	519,962	519,962
Doubtful	3,468,298	-	3,468,298	1,734,149	1,734,149
Loss	11,697,349	-	11,697,349	11,697,349	11,697,349
	17,269,455	-	17,269,455	13,951,460	13,951,460

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

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

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

Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

	Un-audited June 30, 2010	Audited December 31, 2009
Rupees in '000		
8. OPERATING FIXED ASSETS		
Capital work-in-progress	1,880,360	1,686,872
Property and equipment	11,788,113	10,604,335
Intangible assets	159,147	155,541
	<u>13,827,620</u>	<u>12,446,748</u>

9. DEFERRED TAX ASSET / (LIABILITY) - NET

Deferred debits arising in respect of:

Compensated leave absences	172,862	216,646
Provision against:		
Investments	79,098	79,098
Other assets	305,418	305,418
Off balance sheet obligations	169,525	169,525
Provision against advances	782,914	223,560
Post retirement medical benefits	292,679	327,168
Workers Welfare Fund	117,325	75,258
Loss on sale of listed shares	25,806	39,863
	<u>1,945,627</u>	<u>1,436,536</u>

Deferred credits arising due to:

Surplus on revaluation of fixed assets	(322,888)	(331,165)
Surplus on revaluation of investments	(301,043)	(472,787)
Accelerated tax depreciation / amortization	(687,551)	(603,564)
Excess of investment in finance lease over written down value of leased assets	(19,110)	(30,891)
	<u>(1,330,592)</u>	<u>(1,438,407)</u>
	<u>615,035</u>	<u>(1,871)</u>

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

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

Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

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

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

10. DEPOSITS AND OTHER ACCOUNTS

Rupees in '000

Customers		
Fixed deposits	96,960,400	98,425,685
Savings deposits	89,366,047	85,274,893
Current accounts — Remunerative	54,272,137	47,706,475
— Non-remunerative	111,274,311	93,273,720
	351,872,895	324,680,773
Financial Institutions		
Remunerative deposits	742,200	4,194,264
	<u>352,615,095</u>	<u>328,875,037</u>

11. SHARE CAPITAL

11.1 Authorised capital

Un-audited	Audited		Un-audited	Audited
June 30,	December 31,		June 30,	December 31,
2010	2009		2010	2009
No. of shares			Rupees in '000	
<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs. 10 each	<u>10,000,000</u>	<u>10,000,000</u>

11.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10 each

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

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 301,846,565 (38.59%) and 72,624 (0.01%) (December 31, 2009: 287,678,696 (40.46%) and 66,247,840 (9.32%)) Ordinary shares of Rs.10 each, respectively.

Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

	Note	Un-audited June 30, 2010	Audited December 31, 2009
		Rupees in '000	
12. Surplus on revaluation of assets			
Surplus / (deficit) arising on revaluation of:			
- fixed assets	12.1	2,780,407	2,801,082
- available for sale securities	12.2	559,080	1,267,618
Surplus on revaluation of assets - net of tax		3,339,487	4,068,700
12.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		3,132,247	3,182,032
Surplus realized on disposal of revalued properties		(5,303)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(15,372)	(32,360)
Related deferred tax liability		(8,274)	(17,425)
		(23,646)	(49,785)
Surplus on revaluation of fixed assets as at June 30 and December 31		3,103,298	3,132,247
Less: Related deferred tax liability on :			
Revaluation as at January 1		331,165	348,590
Incremental depreciation charged during the period / year transferred to profit and loss account		(8,274)	(17,425)
		322,891	331,165
		2,780,407	2,801,082
12.2 Surplus / (Deficit) on revaluation of available-for-sale securities			
Federal Government Securities			
Market Treasury Bills		(60,702)	1,127
Pakistan Investment Bonds		(17,641)	(19,305)
Term Finance Certificates		(189,825)	(381,506)
Sukuk Bonds		(108,281)	(97,281)
Shares / Certificates - Listed		1,173,051	2,069,929
Mutual Funds		63,521	167,441
		860,123	1,740,405
Less : Related deferred tax liability		(301,043)	(472,787)
		559,080	1,267,618

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2010

	Un-audited June 30, 2010	Audited December 31, 2009
	Rupees in '000	
13. CONTINGENCIES AND COMMITMENTS		
13.1 Direct credit substitutes		
Guarantees in favour of:		
Banks and financial institutions	666,551	1,035,107
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	7,166,461	5,752,873
Others	11,028,240	10,352,695
	18,194,701	16,105,568
13.3 Trade-related contingent liabilities	63,096,396	65,895,610
13.4 Claims against the Bank not acknowledged as debt	3,872,752	4,346,919
13.5 Commitments to extend credit		
<p>The Bank makes commitments to extend credit in the normal course of business but these being revocable commitments, do not attract any significant penalty or expense if the facility is unilaterally withdrawn.</p>		
	Un-audited June 30, 2010	Audited December 31, 2009
	Rupees in '000	
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	22,291,185	23,338,782
Sale	9,494,391	8,827,975
13.7 Commitments in respect of operating fixed assets		
Civil works	2,236,129	604,828
Acquisition of operating fixed assets	428,266	327,650
13.8 Commitments in respect of lease financing	113,308	32,630
13.9 Commitments in respect of procurement of software	1,039	36,523

13.10 Contingencies

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

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

Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

	Half year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	Rupees in '000			
14. MARK-UP / RETURN / INTEREST EARNED				
On loans and advances	15,290,761	14,946,918	7,563,203	7,101,964
On investments in:				
Available-for-sale securities	4,189,730	3,092,294	2,239,249	1,519,372
Held-to-maturity securities	922,554	1,040,424	373,680	689,273
	5,112,284	4,132,718	2,612,929	2,208,645
On deposits with financial institutions	7,438	14,841	2,442	8,785
On securities purchased under resale agreements	1,346,202	804,269	680,426	409,906
On certificates of investment	27,124	43,057	16,077	22,139
On letters of placement	23,579	22,647	17,690	2,550
On call money lending	39,714	35,765	19,946	13,177
	21,847,102	20,000,215	10,912,713	9,767,166

15. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	8,645,358	9,323,465	4,393,346	4,491,103
Long term borrowings	167,291	108,995	83,185	53,888
Securities sold under repurchase agreements	261,218	186,038	65,655	68,393
Call money borrowing	544,843	528,059	313,145	289,056
Brokerage and commission	41,146	53,064	11,699	28,522
Markup on TFCs	375,268	439,352	188,361	209,760
Other short term borrowings	1,232,219	674,000	646,055	256,300
	11,267,343	11,312,973	5,701,446	5,397,022

16. ADMINISTRATIVE EXPENSES

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

	Half year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	Rupees in '000			
17. EARNINGS PER SHARE - BASIC AND DLUTED				
Profit after tax for the period attributable to ordinary shareholders	3,620,211	3,060,538	1,842,798	1,612,402
	Number of Shares			
Weighted average number of Ordinary Shares outstanding during the period	782,100,834	782,100,834	782,100,834	782,100,834
	Rupees			
Earnings per share - basic and diluted	4.63	3.91	2.36	2.06

There is no dilution effect on basic earnings per share.

- 17.1 The comparative figure of weighted average number of shares outstanding has been restated to include the effect of bonus shares issued by the Bank during the period.

Notes to the Unconsolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

18. RELATED PARTY TRANSACTIONS

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

Nature of related party transactions	June 30, 2010 (Un-audited)				December 31, 2009 (Audited)					
	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties	Directors	Associated Companies	Subsidiary	Key management personnel	Other related parties
Rupees in 000										
Loans										
Loans at the beginning of the period / year	22,461	-	-	237,298	14,318,863	27,040	-	-	205,884	6,156,764
Loans given during the period / year	12,202	-	-	30,957	1,541,787	13,040	-	-	70,322	8,195,479
Loans repaid during the period / year	(33,613)	-	-	(17,786)	(35,986)	(17,619)	-	-	(38,908)	(34,380)
Loans at the end of the period / year	1,050	-	-	250,509	15,824,664	22,461	-	-	237,298	14,318,863
Deposits										
Deposits at the beginning of the period / year	9,661	9,400	2,382	10,782	-	4,845	55,423	778	14,275	-
Deposits received during the period / year	1,717,186	4,111,623	183,952	77,794	-	555,123	1,631,336	524,455	268,641	-
Deposits repaid during the period / year	(1,717,957)	(4,079,925)	(179,350)	(70,116)	-	(550,307)	(1,677,359)	(52,851)	(272,134)	-
Deposits at the end of the period / year	8,890	41,098	6,984	18,460	-	9,661	9,400	2,382	10,782	-
Nostro balances	-	152,723	-	-	-	-	198,082	-	-	-
Lendings	-	-	-	-	-	-	1,097,434	-	-	-
Borrowings	-	70,487	-	-	-	-	484,267	-	-	-
Investments in shares	-	240,969	500,000	-	2,982,426	-	240,969	500,000	-	2,805,599
Non Funded Exposures	-	-	-	-	4,531,905	-	-	-	-	4,003,500
Other receivables	-	-	724	-	-	-	-	2,016	-	-
Net receivable from staff retirement benefit funds	-	-	-	-	1,304,007	-	-	-	-	1,343,345
staff retirement fund deposits	-	-	-	-	4,406,972	-	-	-	-	4,810,081
	June 30, 2010 (Un-audited)				June 30, 2009 (Un-audited)					
Mark-up earned	433	-	-	6,190	958,500	193	-	-	7404	503,802
Income on placements	-	6	-	-	-	-	106	-	-	-
Dividend income	-	-	-	-	342,136	-	-	-	-	-
Sales Commission	-	-	-	-	717	-	-	-	-	-
Mark-up expense on Deposits	154	-	222	56	248,611	-	25	70	367	14,076
Interest expense on Borrowings	-	222	-	-	-	-	-	-	-	-
Directors' meeting fee	600	-	-	-	-	925	-	-	-	-
NIFT charges	-	-	-	-	35,045	-	-	-	-	31,355
Bank Charge levied	-	19	4	-	22	-	-	-	-	-
Rent expense	-	1,952	-	-	-	-	-	-	-	-
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	-	77,651	-	-	-	-	342,704

Notes to the Unconsolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2010

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

For the Period Ended June 30, 2010 (Un-audited)							
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total
Rupees in '000							
Total Income	326,227	1,461,146	10,582,927	18,958,691	226,260	(7,087,500)	24,467,751
Total Expenses	(170,428)	(1,075,431)	(9,216,318)	(17,347,991)	(124,873)	7,087,500	(20,847,540)
Net Income	155,799	385,715	1,366,609	1,610,700	101,387	-	3,620,211

For the Period Ended June 30, 2009 (Un-audited)							
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Eliminations	Total
Rupees in '000							
Total Income	606,584	942,081	10,719,814	18,325,586	106,880	(7,337,286)	23,363,659
Total Expenses	(317,851)	(826,509)	(9,115,837)	(17,322,343)	(57,867)	7,337,286	(20,303,121)
Net Income	288,733	115,572	1,603,977	1,003,243	49,013	-	3,060,538

As at June 30, 2010 (Un-audited)						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total
Rupees in '000						
Segment Assets	349,242	29,723,288	108,059,272	294,324,508	217,829	432,674,139

As at December 31, 2009 (Audited)						
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Total
Rupees in '000						
Segment Assets	467,199	28,250,923	90,559,712	298,846,026	250,471	418,374,331

20. GENERAL

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

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

20.3 The Board of Directors of the Bank in its meeting held on August 12, 2010 has approved interim cash dividend for the half year ended June 30, 2010 at Rs. 2.0 per share (June 30, 2009: cash dividend of Rs. 2.0 per share) resulting in total distribution of Rs. 1,564.202 million. The unconsolidated condensed interim financial statements for the half year ended June 30, 2010 do not include the effect of this appropriation and will be accounted for in the financial statements of the period of declaration.

21. DATE OF AUTHORIZATION FOR ISSUE

These unconsolidated condensed interim financial statements were authorized for issue on August 12, 2010 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Consolidated Condensed Interim Financial Statements
for the half year ended June 30, 2010

Consolidated Condensed Interim Statement of Financial Position

as at June 30, 2010

	Note	Un-audited June 30, 2010	Audited December 31, 2009
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		28,602,392	26,435,683
Balances with other banks		836,571	1,280,591
Lendings to financial institutions	5	28,790,020	28,122,932
Investments	6	110,219,314	94,673,100
Advances	7	233,972,430	237,382,522
Operating fixed assets	8	13,839,362	12,459,586
Deferred tax assets - net	9	614,019	-
Other assets		15,794,086	17,986,438
		432,668,194	418,340,852
LIABILITIES			
Bills payable		3,013,873	3,162,429
Borrowings from financial institutions		29,333,042	39,818,532
Deposits and other accounts	10	352,612,664	328,872,559
Sub-ordinated loans		5,495,900	5,497,000
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	3,374
Other liabilities		10,786,971	11,067,164
		401,242,450	388,421,058
		31,425,744	29,919,794
NET ASSETS			
		31,425,744	29,919,794
REPRESENTED BY			
Share capital	11	7,821,009	7,110,008
Reserves		6,600,389	6,582,845
Unappropriated profit		13,676,237	12,164,662
		28,097,635	25,857,515
Surplus on revaluation of assets - net of tax	12	3,328,109	4,062,279
		31,425,744	29,919,794
CONTINGENCIES AND COMMITMENTS	13	-	-

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

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Consolidated Condensed Interim Profit and Loss Account

(Un-audited) for the half year ended June 30, 2010

	Note	Half year ended		Quarter ended	
		June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Rupees in '000					
Mark-up / return / interest earned	14	21,857,091	20,011,338	10,917,383	9,772,585
Mark-up / return / interest expensed	15	11,267,106	11,312,903	5,701,335	5,396,969
Net mark-up / interest income		10,589,985	8,698,435	5,216,048	4,375,616
Provision against non-performing loans and advances and general provision-net		1,806,332	1,870,418	1,022,567	1,055,409
Provision / (reversal of provision) against lending to Financial Institution		(280,195)	66,500	(280,195)	66,500
Provision for diminution in the value of investments - net		601,753	533,504	123,954	401,948
Bad debts written off directly		-	282	-	-
		2,127,890	2,470,704	866,326	1,523,857
Net mark-up / interest income after provisions		8,462,095	6,227,731	4,349,722	2,851,759
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		1,435,666	1,673,571	572,087	1,026,685
Dividend income		536,611	752,337	181,835	490,449
Income from trading in government securities		-	-	-	-
Income from dealing in foreign currencies		99,702	466,458	(27,481)	178,888
Gain from sale and purchase of other securities		601,796	490,142	362,920	470,687
Unrealised (loss) / gain on revaluation of investments classified as held for trading - net		1,910	185	(15,165)	(2,405)
Other income		38,127	18,162	16,083	12,452
Total non-mark-up/interest income		2,713,812	3,400,855	1,090,279	2,176,756
		11,175,907	9,628,586	5,440,001	5,028,515
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses	16	5,531,366	4,590,631	2,686,261	2,457,475
Provision against other assets - net		12,000	131,000	12,000	99,000
Provision / (reversal of provision) against off-balance sheet obligations - net		(103,178)	20,101	(161,532)	(70,580)
Workers welfare fund		120,741	112,883	49,464	75,016
Other charges		63,564	158,432	8,745	85,640
Total non-mark-up / interest expenses		5,624,493	5,013,047	2,594,938	2,646,551
		5,551,414	4,615,539	2,845,063	2,381,964
Extra ordinary / unusual items		-	-	-	-
PROFIT BEFORE TAXATION		5,551,414	4,615,539	2,845,063	2,381,964
Taxation					
- Current		1,975,844	1,975,808	645,103	1,134,376
- Prior years		374,465	-	-	-
- Deferred		(445,645)	(409,101)	351,698	(357,418)
		1,904,664	1,566,707	996,801	776,958
PROFIT AFTER TAXATION		3,646,750	3,048,832	1,848,262	1,605,006
Earning per share - Basic and Diluted (in Rupees)	17	4.66	3.90	2.36	2.05

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

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Consolidated Condensed Interim Statement of Comprehensive Income

(Un-audited) for the half year ended June 30, 2010

	Half year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
	Rupees in '000			
Profit after taxation for the period	3,646,750	3,048,832	1,848,262	1,605,006
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	3,646,750	3,048,832	1,848,262	1,605,006

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

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

Chief Financial Officer
Director

President and Chief Executive Officer
Director

Chairman

Consolidated Condensed Interim Statement of Cash Flow

(Un-audited) for the half year ended June 30, 2010

	Half Year Ended June 30, 2010	Half Year Ended June 30, 2009
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	5,551,414	4,615,539
Less: Dividend income	<u>536,611</u>	<u>752,337</u>
	5,014,803	3,863,202
Adjustments for non-cash charges		
Depreciation / amortization	403,325	299,733
Provision against non-performing loans and advances and general provision - net	1,806,332	1,870,418
Provision for diminution in the value of investments - net	601,753	533,504
Provision / (reversal of provision) against lending to financial institutions	(280,195)	66,500
Unrealised loss / (gain) on revaluation of held for trading securities - net	(1,910)	(185)
Provision / (reversal of provision) against off-balance sheet obligations - net	(103,178)	20,101
Provision against other assets - net	12,000	131,000
Operating fixed assets written off	5	-
Gain on sale of fixed assets	(5,149)	(3,004)
Bad debts written off directly	-	282
	<u>2,432,983</u>	<u>2,918,349</u>
	7,447,786	6,781,551
(Increase) / decrease in operating assets		
Lendings to financial institutions	(386,893)	(15,301,716)
Held for trading securities	(67,549)	(25,773)
Advances	1,603,760	(1,120,865)
Other assets (excluding advance taxation)	3,554	(769,064)
	<u>1,152,872</u>	<u>(17,217,418)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(148,556)	30,093
Borrowings from financial institutions	(10,152,700)	(79,205)
Deposits	23,740,105	15,299,003
Other liabilities	(185,740)	(421,963)
	<u>13,253,109</u>	<u>14,827,928</u>
	21,853,767	4,392,061
Income tax paid	<u>(128,449)</u>	<u>(1,982,782)</u>
Net cash flow from operating activities	21,725,318	2,409,279
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(17,630,112)	(3,328,215)
Net investment in held-to-maturity securities	666,363	1,687,322
Dividend income received	491,549	694,312
Investments in operating fixed assets	(1,790,221)	(887,739)
Proceeds from sale of fixed assets	6,960	15,008
Net cash used in investing activities	<u>(18,255,461)</u>	<u>(1,819,312)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Net payment of sub-ordinated loan	(1,100)	(500)
Dividend paid	<u>(1,413,278)</u>	<u>(657,473)</u>
Net cash used in financing activities	<u>(1,414,378)</u>	<u>(657,973)</u>
Increase/(decrease) in cash and cash equivalents during the period	2,055,479	(68,006)
Cash and cash equivalents at beginning of the period	27,354,958	25,618,459
Cash and cash equivalents at end of the period	<u>29,410,437</u>	<u>25,550,453</u>

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

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Condensed Interim Statement of Changes in Equity (Un-audited) for the half year ended June 30, 2010

	Share Capital	Share Premium	Statutory Reserve	Bonus Issue Reserve	Special Reserve*	Merger Reserve*	General Reserve	Un-appropriated Profit	Total
	-Rupees in '000								
Balance as at January 01, 2009	6,463,644	2,341,322	3,055,595	-	67,995	333,864	6,000	8,475,791	20,744,211
Changes in equity during the half year ended June 30, 2009									
Total Comprehensive income for the half year ended June 30, 2009	-	-	-	-	-	-	-	3,048,832	3,048,832
Transactions with owners recognised directly in equity									
Transfer to reserve for issue of bonus shares for year ended December 31, 2008 @ 10%	-	(646,364)	-	646,364	-	-	-	-	-
Final cash dividend for the year ended December 31, 2008 (Rs. 1.00 per ordinary share)	-	-	-	-	-	-	-	(646,364)	(646,364)
Issue of bonus shares	646,364	-	-	(646,364)	-	-	-	-	-
	646,364	(646,364)	-	-	-	-	-	(646,364)	(646,364)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	16,180	16,180
Transfer to statutory reserve	-	-	612,108	-	-	-	-	(612,108)	-
Balance as at June 30, 2009	7,110,008	1,694,958	3,667,703	-	67,995	333,864	6,000	10,282,331	23,162,859
Changes in equity during the half year ended December 31, 2009									
Profit after taxation for the half year ended December 31, 2009	-	-	-	-	-	-	-	4,100,478	4,100,478
Transactions with owners recognised directly in equity									
Interim cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	16,180	16,180
Transfer to statutory reserve	-	-	812,325	-	-	-	-	(812,325)	-
Balance as at December 31, 2009	7,110,008	1,694,958	4,480,028	-	67,995	333,864	6,000	12,164,662	25,857,515
Changes in equity during the half year ended June 30, 2010									
Total Comprehensive income for the half year ended June 30, 2010	-	-	-	-	-	-	-	3,646,750	3,646,750
Transactions with owners recognised directly in equity									
Transfer to reserve for issue of bonus shares for year ended December 31, 2009 @ 10%	-	(711,001)	-	711,001	-	-	-	-	-
Issue of bonus shares	711,001	-	-	(711,001)	-	-	-	-	-
Final cash dividend for the year ended December 31, 2009 (Rs. 2.00 per ordinary share)	-	-	-	-	-	-	-	(1,422,002)	(1,422,002)
	711,001	(711,001)	-	-	-	-	-	(1,422,002)	(1,422,002)
Transferred from surplus on revaluation of fixed assets to un-appropriated profit - net of tax	-	-	-	-	-	-	-	15,372	15,372
Transfer to statutory reserve	-	-	728,545	-	-	-	-	(728,545)	-
Balance as at June 30, 2010	7,821,009	983,957	5,208,573	-	67,995	333,864	6,000	13,676,237	28,097,635

* These were created as a result of merger of Ibrahim Leasing Limited and First Allied Bank Modaraba into Allied Bank Limited. The annexed notes 1 to 21 form an integral part of these consolidated condensed interim financial statements.

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman

Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

1. STATUS AND NATURE OF BUSINESS

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

Allied Bank Limited (the Bank), incorporated in Pakistan, is a scheduled Bank, engaged in commercial banking and related services. The Bank is listed on all stock exchanges in Pakistan. The Bank operates a total of 787 (2009: 779) branches in Pakistan including the Karachi Export Processing Zone Branch (overseas business unit). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) is 'AA'. Short term rating of the Bank is 'A1+'. The Bank is a holding company of ABL Asset Management Company Limited.

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

2. STATEMENT OF COMPLIANCE

- 2.1 These consolidated condensed interim financial statements of the Bank for the six months period ended June 30, 2010 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting, provisions of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan. In case where requirements differ, the provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, and the directives issued by the State Bank of Pakistan shall prevail.
- 2.2 The SBP, vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan dated April 28, 2008, International Financial Reporting Standard (IFRS) 7 "Financial Instruments Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.
- 2.3 These consolidated condensed interim financial statements are being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984.

3. BASIS OF PRESENTATION

- 3.1 The disclosures included in these consolidated condensed interim financial statements are limited based on the format prescribed by the State Bank of Pakistan, vide BSD Circular Letter No. 2 dated May 12, 2004, vide BSD Circular Letter No. 7 dated April 20, 2010 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these consolidated condensed interim financial statements should be read in conjunction with the consolidated financial statements of the Bank for the year ended December 31, 2009.
- 3.2 During the period, following new / revised standards, amendments and interpretations to accounting standards became effective:
- IAS 27 - Consolidated and Separate Financial Statements (Amendments)
 - IFRS 2 - Share Based Payments: Amendments relating to Group Cash-settled Share-based payment Transaction
 - IFRS 3 - Business Combinations (Revised)
 - IFRIC 17 - Distributions to Non-cash Assets to owners

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

Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

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

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

	Note	Un-audited June 30, 2010	Audited December 31, 2009
Rupees in '000			
5. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	5.1	1,200,000	525,000
Letters of placement	5.2	400	649,750
Repurchase agreement lendings (Reverse Repo)	5.3	27,473,353	26,347,932
Certificates of investment	5.4	116,667	880,845
		28,790,420	28,403,527
Provision against lending to Financial Institution.	5.5	(400)	(280,595)
		28,790,020	28,122,932

- 5.1 These are unsecured lendings to Financial Institutions, carrying mark-up at rates, ranging between 12.35% and 12.40% (December 31, 2009: ranging between 12.10% and 12.70%) per annum and maturing on various dates, latest by July 19, 2010.
- 5.2 This represents clean placement with Non-Banking Finance Company carrying mark-up rate at 0.00% (December 31, 2009: ranging between 12.60% and 12.70%) per annum and will mature on July 30, 2010.
- 5.3 These are short-term lendings to various financial institutions against the government securities, carrying mark-up at rates, ranging between 10.00% and 12.40% (December 31, 2009: ranging between 11.75% and 12.40%) per annum and will mature on various dates, latest by July 29, 2010.
- 5.4 The certificate of investment carries mark-up at the rate of 12.34% (December 31, 2009: ranging between 13.0% and 14.47%) per annum on performing investment and will mature on July 05, 2010.
- 5.5 This represents provision made under the prudential regulations of the State Bank of Pakistan.

6. INVESTMENTS

	Note	Held by Bank	Given as collateral	Total
Rupees in '000				
Current period - June 30, 2010 (Un-audited)	6.1	108,925,861	1,293,453	110,219,314
Prior year December 31, 2009 (Audited)	6.1	87,696,481	6,976,619	94,673,100

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2010

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

Rupees in '000

6.1 Investments by types

Held-for-trading securities

Ordinary Shares of listed companies	74,146	-	74,146	67,385	-	67,385
Units of open-end mutual funds	313,289	-	313,289	252,866	-	252,866
	387,435	-	387,435	320,251	-	320,251

Available-for-sale securities

Market Treasury Bills	48,321,416	1,294,750	49,616,166	27,019,901	6,976,575	33,996,476
Pakistan Investment Bonds	246,474	-	246,474	246,204	-	246,204
Ordinary Shares / certificates of listed companies	4,675,383	-	4,675,383	4,882,928	-	4,882,928
Preference Shares of listed companies	350,017	-	350,017	191,667	-	191,667
Units of open-end mutual funds	3,790,623	-	3,790,623	4,347,813	-	4,347,813
Ordinary Shares of unlisted companies	215,192	-	215,192	215,193	-	215,193
Ordinary Shares of related parties						
-Listed Shares	2,625,900	-	2,625,900	2,449,082	-	2,449,082
-Unlisted Shares	597,496	-	597,496	597,496	-	597,496
Pre IPO Investment	35,000	-	35,000	35,000	-	35,000
Sukuk Bonds	4,721,863	-	4,721,863	3,637,774	-	3,637,774
Term Finance Certificates (TFCs)	30,112,570	-	30,112,570	26,166,567	-	26,166,567
	95,691,934	1,294,750	96,986,684	69,789,625	6,976,575	76,766,200

Held-to-maturity securities

Pakistan Investment Bonds	7,593,662	-	7,593,662	7,690,909	-	7,690,909
Foreign Currency Bonds (US\$)	559,308	-	559,308	73,286	-	73,286
TFCs, Debentures, Bonds and Participation Term Certificate (PTCs)	6,219,626	-	6,219,626	10,274,764	-	10,274,764
	14,372,596	-	14,372,596	18,038,959	-	18,038,959

Investment at cost

	110,451,965	1,294,750	111,746,715	88,148,835	6,976,575	95,125,410
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Provision for diminution in value of investments	(2,378,054)	-	(2,378,054)	(2,185,929)	-	(2,185,929)
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Unrealised gain on revaluation of

Held-for-trading securities	1,909	-	1,909	(365)	-	(365)
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Surplus/(deficit) on revaluation of

Available-for-sale securities	850,041	(1,297)	848,744	1,733,940	44	1,733,984
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Investments (net of provision)

	108,925,861	1,293,453	110,219,314	87,696,481	6,976,619	94,673,100
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Notes to the Consolidated Condensed Interim Financial Statements
(Un-audited) for the half year ended June 30, 2010

	Note	Un-audited June 30, 2010	Audited December 31, 2009
Rupees in '000			
7. ADVANCES			
Loans, cash credits, running finances, etc. - in Pakistan		241,399,201	243,204,567
Net investment in finance lease - in Pakistan		1,078,223	846,699
Bills discounted and purchased (excluding government treasury bills)			
Payable in Pakistan		317,788	389,507
Payable outside Pakistan		5,436,989	5,484,414
		5,754,777	5,873,921
Advances - gross		248,232,201	249,925,187
Provision against non-performing advances	7.1	(13,951,460)	(12,535,255)
General provision	7.2	(300,000)	-
General provision against consumer financing		(8,311)	(7,410)
		233,972,430	237,382,522

7.1 Advances include Rs. 17,269.455 million (2009: Rs. 16,281.178 million) which have been placed under the non-performing status as detailed below:

Category of Classification	June 30, 2010 (Un-audited)			Provision required	Provision held
	Classified Advances				
	Domestic	Overseas	Total		
Rupees in '000					
Other Assets Especially					
Mentioned	21,954	-	21,954	-	-
Substandard	2,081,854	-	2,081,854	519,962	519,962
Doubtful	3,468,298	-	3,468,298	1,734,149	1,734,149
Loss	11,697,349	-	11,697,349	11,697,349	11,697,349
	17,269,455	-	17,269,455	13,951,460	13,951,460

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

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

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

Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

	Un-audited June 30, 2010	Audited December 31, 2009
Rupees in '000		
8. OPERATING FIXED ASSETS		
Capital work-in-progress	1,880,360	1,686,872
Property and equipment	11,796,978	10,614,274
Intangible assets	162,024	158,440
	13,839,362	12,459,586

9. DEFERRED TAX ASSET / (LIABILITY) - NET

Deferred debits arising in respect of:

Compensated leave absences	172,862	216,646
Provision against:		
Investments	79,098	79,098
Other assets	305,418	305,418
Off balance sheet obligations	169,525	169,525
Provision against advances	782,914	223,560
Post retirement medical benefits	292,679	327,168
Worker's Welfare Fund	117,325	75,258
Loss on sale of listed shares	25,806	39,863
	1,945,627	1,436,536

Deferred credits arising due to:

Surplus on revaluation of fixed assets	(322,888)	(331,165)
Surplus on revaluation of investments	(301,043)	(472,787)
Accelerated tax depreciation / amortization	(688,567)	(605,066)
Excess of investment in finance lease over written down value of leased assets	(19,110)	(30,892)
	(1,331,608)	(1,439,910)
	614,019	(3,374)

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

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

Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

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

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

10. DEPOSITS AND OTHER ACCOUNTS

Customers		
Fixed deposits	96,960,400	98,425,685
Savings deposits	89,363,616	85,274,893
Current accounts – Remunerative	54,272,137	47,704,436
– Non–remunerative	111,274,311	93,273,281
	351,870,464	324,678,295
Financial Institutions		
Remunerative deposits	742,200	4,194,264
	352,612,664	328,872,559

11. SHARE CAPITAL

11.1 Authorised capital

Un-audited June 30, 2010	Audited December 31, 2009		Un-audited June 30, 2010	Audited December 31, 2009
No. of shares			Rupees in '000	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

11.2 Issued, subscribed and paid-up capital

Fully paid-up Ordinary shares of Rs. 10 each

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

Ibrahim Fibres Limited and Ibrahim Agencies (Private) Limited, related parties of the Bank, held 301,846,565 (38.59%) and 72,624 (0.01%) [December 31, 2009: 287,678,696 (40.46%) and 66,247,840 (9.32%)] Ordinary shares of Rs.10 each, respectively.

Notes to the Consolidated Condensed Interim Financial Statements
(Un-audited) for the half year ended June 30, 2010

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

12. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

12.1 Surplus on revaluation of assets

Surplus / (deficit) arising on revaluation of:			
- fixed assets	12.1	2,780,407	2,801,082
- available for sale securities	12.2	547,702	1,261,197
Surplus on revaluation of assets - net of tax		<u>3,328,109</u>	<u>4,062,279</u>

12.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1		3,132,247	3,182,032
Surplus realized on disposal of revalued properties		(5,303)	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the period / year - net of deferred tax		(15,372)	(32,360)
Related deferred tax liability		(8,274)	(17,425)
		<u>(23,646)</u>	<u>(49,785)</u>
Surplus on revaluation of fixed assets as at June 30 and December 31		3,103,298	3,132,247
Less: Related deferred tax liability on : Revaluation as at January 1		331,165	348,590
Incremental depreciation charged during the period / year transferred to profit and loss account		(8,274)	(17,425)
		<u>322,891</u>	<u>331,165</u>
		<u>2,780,407</u>	<u>2,801,082</u>

12.2 Surplus / (Deficit) on revaluation of available-for-sale securities

Federal Government Securities			
Market Treasury Bills		(60,702)	1,127
Pakistan Investment Bonds		(17,641)	(19,305)
Term Finance Certificates		(201,203)	(387,927)
Sukuk Bonds		(108,281)	(97,281)
Shares / Certificates - Listed		1,173,051	2,069,929
Mutual Funds		63,521	167,441
		848,745	1,733,984
Less : Related deferred tax liability		(301,043)	(472,787)
		<u>547,702</u>	<u>1,261,197</u>

Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

	Un-audited June 30, 2010	Audited December 31, 2009
13. CONTINGENCIES AND COMMITMENTS	Rupees in '000	
13.1 Direct credit substitutes		
Guarantees in favour of:		
Banks and financial institutions	666,551	1,035,107
13.2 Transaction-related contingent liabilities		
Guarantees in favour of:		
Government	7,166,461	5,752,873
Others	11,028,240	10,352,695
	18,194,701	16,105,568
13.3 Trade-related contingent liabilities	63,096,396	65,895,610
13.4 Claims against the Bank not acknowledged as debt	3,872,752	4,346,919
13.5 Commitments to extend credit		

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

	Un-audited June 30, 2010	Audited December 31, 2009
	Rupees in '000	
13.6 Commitments in respect of forward foreign exchange contracts		
Purchase	22,291,185	23,338,782
Sale	9,494,391	8,827,975
13.7 Commitments in respect of operating fixed assets		
Civil works	2,236,129	604,828
Acquisition of operating fixed assets	428,266	327,650
13.8 Commitments in respect of lease financing	113,308	32,630
13.9 Commitments in respect of procurement of software	1,039	36,523

13.10 Contingencies

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

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

Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

	Half year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Rupees in '000				
14. MARK-UP / RETURN / INTEREST EARNED				
On loans and advances	15,291,666	14,947,704	7,564,235	7,102,354
On investments in:				
Available-for-sale securities	4,198,811	3,102,541	2,242,870	1,524,393
Held-to-maturity securities	922,554	1,040,424	373,680	689,273
	5,121,365	4,142,965	2,616,550	2,213,666
On deposits with financial institutions	7,441	14,931	2,459	8,793
On securities purchased under resale agreements	1,346,202	804,269	680,426	409,906
On certificates of investment	27,124	43,057	16,077	22,139
On letters of placement	23,579	22,647	17,690	2,550
On call money lending	39,714	35,765	19,946	13,177
	<u>21,857,091</u>	<u>20,011,338</u>	<u>10,917,383</u>	<u>9,772,585</u>

15. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	8,645,121	9,323,395	4,393,235	4,491,050
Long term borrowings	167,291	108,995	83,185	53,888
Securities sold under repurchase agreements	261,218	186,038	65,655	68,393
Call money borrowing	544,843	528,059	313,145	289,056
Brokerage and commission	41,146	53,064	11,699	28,522
Markup on TFCs	375,268	439,352	188,361	209,760
Other short term borrowings	1,232,219	674,000	646,055	256,300
	<u>11,267,106</u>	<u>11,312,903</u>	<u>5,701,335</u>	<u>5,396,969</u>

16. ADMINISTRATIVE EXPENSES

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

	Half year ended		Quarter ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Rupees in '000				
17. EARNINGS PER SHARE - BASIC AND DLUTED				
Profit after tax for the period attributable to ordinary shareholders	<u>3,646,750</u>	<u>3,048,832</u>	<u>1,848,262</u>	<u>1,605,006</u>
Number of Shares				
Weighted average number of Ordinary Shares outstanding during the period	<u>782,100,834</u>	<u>782,100,834</u>	<u>782,100,834</u>	<u>782,100,834</u>
Rupees				
Earnings per share - basic and diluted	<u>4.66</u>	<u>3.90</u>	<u>2.36</u>	<u>2.05</u>

There is no dilution effect on basic earnings per share.

17.1 The comparative figure of weighted average number of shares outstanding has been restated to include the effect of bonus shares issued by the Bank during the period.

Notes to the Consolidated Condensed Interim Financial Statements

(Un-audited) for the half year ended June 30, 2010

18. RELATED PARTY TRANSACTIONS

The Bank 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	June 30, 2010 (Un-audited)				December 31, 2009 (Audited)			
	Directors	Associated Companies	Key management personnel	Other related parties	Directors	Associated Companies	Key management personnel	Other related parties
Rupees in '000								
Loans								
Loans at the beginning of the period / year	22,461	-	248,967	14,318,863	27,040	-	227,276	6,156,764
Loans given during the period / year	12,202	-	30,997	1,941,787	13,040	-	71,710	8,196,479
Loans repaid during the period / year	(33,613)	-	(17,786)	(35,986)	(17,619)	-	(50,019)	(34,380)
Loans at the end of the period / year	1,050	-	262,178	15,824,664	22,461	-	246,967	14,318,863
Deposits								
Deposits at the beginning of the period / year	9,661	9,400	10,782	-	4,845	55,423	14,275	-
Deposits received during the period / year	1,717,186	4,111,623	777,94	-	555,123	1,631,336	268,641	-
Deposits repaid during the period / year	(1,717,957)	(4,079,925)	(70,116)	-	(550,307)	(1,677,359)	(272,134)	-
Deposits at the end of the period / year	8,890	41,098	18,460	-	9,661	9,400	10,782	-
nostro balances	-	152,723	-	-	-	198,082	-	-
Lendings	-	-	-	-	-	1,097,034	-	-
Borrowings	-	70,487	-	-	-	484,267	-	-
Investments in shares	-	240,969	-	3,886,810	-	240,969	-	4,229,537
Non Funded Expenses	-	-	-	4,531,905	-	-	-	4,003,500
Other receivables	-	-	-	135,592	-	-	-	-
Net receivable from staff retirement benefit funds	-	-	-	1,304,007	-	-	-	1,343,345
staff retirement fund deposits	-	-	-	4,406,972	-	-	-	4,810,081
Mark-up earned	433	-	6,190	958,500	193	-	74,04	503,802
Income on placements	-	6	-	-	-	106	-	-
Dividend Income	-	-	-	142,136	-	-	-	-
Sales Commission	-	-	-	717	-	-	-	-
Management fee / commission income	-	-	-	87,218	-	-	-	29,915
Mark-up expense on Deposits	154	-	56	248,611	-	25	367	142,076
Interest expense on Borrowings	-	222	-	-	-	-	-	-
Directors' meeting fee	600	-	-	-	925	-	-	-
Remuneration	-	-	3,189	-	-	-	6,325	-
NFT Charges	-	-	-	35,045	-	-	-	31,355
Bank Charges levied	-	19	-	22	-	-	-	-
Rent expense	-	1,952	-	3,985	-	-	-	3,985
Charge / (reversal) in respect of staff retirement benefit funds	-	-	-	77,651	-	-	-	342,704

Notes to the Consolidated Condensed Interim Financial Statements (Un-audited) for the half year ended June 30, 2010

19. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

For the Period Ended June 30, 2010 (Un-audited)								
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total	
Rupees in '000								
Total Income	326,227	1,461,146	10,582,927	18,958,691	226,260	108,806	(7,093,154)	24,570,903
Total Expenses	(170,428)	(1,075,431)	(9,216,318)	(17,347,991)	(124,873)	(82,267)	7,093,154	(20,924,153)
Net Income	155,799	385,715	1,366,609	1,610,700	101,387	26,539	-	3,646,750

For the Period Ended June 30, 2009 (Un-audited)								
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Eliminations	Total	
Rupees in '000								
Total Income	606,584	942,081	10,719,814	18,325,586	106,880	50,768	(7,339,520)	23,412,193
Total Expenses	(317,851)	(826,509)	(9,115,837)	(17,322,343)	(57,867)	(62,474)	7,339,520	(20,363,361)
Net Income	288,733	115,572	1,603,977	1,003,243	49,013	(11,706)	-	3,048,832

As at June 30, 2010 (Un-audited)							
Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Asset Management	Total	
Rupees in '000							
Segment Assets	349,242	29,220,134	108,059,272	294,324,508	217,829	497,209	432,668,194

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

20. GENERAL

- 20.1 Figures have been rounded off to the nearest thousand rupees.
- 20.2 Corresponding figures have been re-arranged and reclassified to reflect more appropriate presentation of transactions for the purpose of comparison. However, no significant reclassifications have been made in these consolidated condensed interim financial statements.
- 20.3 The Board of Directors of the Bank in its meeting held on August 12, 2010 has approved interim cash dividend for the half year ended June 30, 2010 at Rs. 2.0 per share (June 30, 2009: cash dividend of Rs. 2.0 per share) resulting in total distribution of Rs. 1,564.202 million. The consolidated condensed interim financial statements for the half year ended June 30, 2010 do not include the effect of this appropriation and will be accounted for in the financial statements of the period of declaration.

21. DATE OF AUTHORIZATION FOR ISSUE

These consolidated condensed interim financial statements were authorized for issue on August 12, 2010 by the Board of Directors of the Bank.

Chief Financial Officer

President and Chief Executive Officer

Director

Director

Chairman