

**Half Yearly Report
for the
period ended
June 30, 2009**

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Corporate Information

BOARD OF DIRECTORS

Mr. Arif Habib
Chairman

Mr. Husain Lawai
President & CEO

Mr. Md. Abdul Hamid Miah
Director

Mr. Asadullah Khawaja
Director

Mr. Nasim Beg
Director

Mr. Mohammad Khan Hoti
Director

Mirza Mahmood Ahmad
Director (Subject to clearance from SBP)

AUDIT COMMITTEE

Mr. Asadullah Khawaja
Chairman

Mr. Nasim Beg
Member

Mr. Arif Habib
Member

RISK MANAGEMENT COMMITTEE

Mr. Arif Habib
Chairman

Mr. Husain Lawai
Member

Mr. Asadullah Khawaja
Member

Mr. Nasim Beg
Member

HUMAN RESOURCE (HR) COMMITTEE

Mr. Arif Habib
Chairman

Mr. Husain Lawai
Member

Mr. Asadullah Khawaja
Member

CFO AND COMPANY SECRETARY

Mr. Muhammad Amin Bhoori

AUDITORS

M. Yousuf Adil Salim & Co.
Chartered Accountants

LEGAL ADVISORS

Liaquat Merchant Associates

HEAD OFFICE

Arif Habib Center, 23, M.T. Khan Road
Karachi – 74000, Pakistan
UAN: (021) 111-124-725
Fax: (021) 2435736

REGISTERED OFFICE

2/1, R.Y.16, Old Queens Road,
Karachi – 74000

SHARE REGISTRAR

Technology Trade (Pvt) Ltd.
Dagia House, 241-C, Block 2,
PECHS, off Shahrah-e-Quaideen,
Karachi – 74000, Pakistan
Tel: (021) 4391316-7
Fax: (021) 4391318

ENTITY RATINGS

Rated by: JCR-VIS
Medium to long term "A"
Short term "A-2"

E-mail: info@arifhabibbank.com

Website: www.arifhabibbank.com

Toll free: 0800 24252



VISION

“We are committed to be recognized as the preferred supplier of financial services to the markets we serve”

MISSION

“Our mission is to differentiate ourselves as an institution built on Trust, Integrity, Good Governance and Commitment to Deliver Value to all stakeholders i.e. customers, creditors, employees, investors and the community at large. Reach out and provide financial services to under-served and un-served customer segment”

Directors' Report to the Members

On behalf of the Board of Directors of Arif Habib Bank Limited (the Bank), I present the un-audited financial statements for the half year ended June 30, 2009.

Financial Highlights

Financial Highlights of the Bank for the period under review are as follows:

	June 30, 2009 Unaudited Rupees in '000'	June 30, 2008 Unaudited Rupees in '000'
Pre-tax (Loss) / Profit for the period	(693,523)	285,557
Equity	5,564,544	6,536,813
Paid-up-capital	5,000,000	4,500,000
Deposits	24,380,216	15,538,962
Advances (Net of provisions)	17,530,198	16,434,715
Investments	9,532,104	4,562,509
Basic and Diluted (Loss) / Earnings per share	(1.14)	0.473

The Bank continued its growth momentum during the 2nd quarter of 2009, with deposits increasing by Rs 7.764 billion to touch Rs 24.380 billion as at June 30, 2009 - a growth of 46.7% over December 31, 2008. Total assets of the Bank grew by 30.3% over the same period. The growth in deposits was applied mainly towards investments in (short term) government securities to build a liquidity cushion.

Total investments grew by Rs 4.437 billion, or 87.1%, during the first half of 2009, of which the growth in Market Treasury Bills was Rs 3.939 billion - an increase of 170.6% over December 31, 2008, which shows a very cautious and prudent approach towards utilization of funds generated from increased deposits.

In view of the foregoing, the increase in gross advances was restricted to Rs 2.274 billion, or 13.8%, during the period under review, and these stood at Rs.18.784 billion as at June 30, 2009, of which the non-performing loans and advances (NPLs) were Rs 3.668 billion (19.5%) as against Rs 2.693 billion (16.3%) at December 31, 2008. The increase in NPLs occurred mainly due to the downgrading of accounts arising from the timing criteria for the classification of advances, because of delays in the payment of mark-up.

The relatively high level of NPLs and impairment in the value of investments, resulted in a pre-tax loss of Rs 693.5 million - due to additional net provisions of Rs 502.5 million, interest suspended (net) Rs 107.7 million, and net charge for diminution in the value of investments, Rs 157.1 million - arising from the accounting treatment for such losses in respect of Available for Sale investments as at December 31, 2008, as per the guidelines of the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). But for these provisions, the Bank would have registered a pre-tax (Operating) profit of Rs 73.8 million.

The administrative expenses during the half-year were Rs 490.2 million as compared to Rs 273.9 million in the corresponding period of the previous year, mainly due to 21 additional branches opened since then, the full benefits from which will accrue in 2010.

Directors' Report to the Members

Economic Overview

Pakistan's economy has made some progress towards macroeconomic stability. Headline CPI inflation (YoY) fell to 13.1 percent during June 2009 as compared to 21.5 percent in the corresponding month last year and a highest of 25.3 percent in August 2008. The recently announced CPI inflation for July 2009 of 11.2 percent and the projected inflation of around 8 percent for FY10 shows a positive outlook for the future.

Despite the projected improvement in some economic indicators during FY10, the path to sustainable medium term economic recovery remains somewhat uncertain. There are still some important issues that need to be satisfactorily resolved, such as the severe power shortages and the law and order situation. The Government has made considerable progress on both counts; but a lot depends on the outcome, by, say, end December, 2009.

As an incentive for stimulating the business activity in the country, the State Bank of Pakistan lowered their discount rate by 100 bps to 14 percent effective April, 2009, and have recently announced a further 100 bps cut effective August 17, 2009.

Business & Branch Network

As at June 30, 2009 the Bank was operating with 34 branches across the country. Six more branches which were planned to be opened during the quarter ended June 30, 2009, have been delayed due to various reasons, and will now be added during the quarter ending September 30, 2009.

The Bank has achieved VISA Certification for its proposed VISA DEBIT cards. This certification means that AHBL's VISA DEBIT cards (to be launched shortly) could be used at over 1 million plus ATM machines and 12 million VISA merchants' point of sale terminals worldwide. It also means that the name of the Bank will be projected around the world.

Credit Rating

JCR-VIS Credit Rating Company Limited has re-affirmed the Bank's credit rating of 'A' for medium to long-term and 'A 2' for the short term.

Outlook

While the Bank continues to increase and diversify its advances prudently, a considerable emphasis is being placed on managing the substantial portfolio of NPLs - pertaining mainly to Capital Markets financing undertaken previously. However, for the time being, these NPLs will continue to impact the Bank's Balance Sheet and the Profit and Loss Account adversely - mainly due to the downgrading of the problem accounts arising from the timing criteria for the classification of the non-performing loans and advances.

Also, with the need to maintain a significant proportion of our assets in the relatively low yielding government securities to ensure adequate liquidity at all times, the revenue stream remains under pressure, for the time being.

Directors' Report to the Members

Nevertheless, we are sanguine about the future of the Bank. The management of the Bank is working to overcome the problem of the NPLs, and as soon as the problem has been satisfactorily resolved, we see very good prospects thereafter.

Other developments

Arif Habib Securities Limited (" AHSL "), the majority shareholder of the Bank, entered into a share sale / purchase agreement on June 30, 2009 with Suroor Investments Limited, a company incorporated in Mauritius, for the sale of 297,034,854 ordinary shares of the Bank, beneficially owned by AHSL.

Acknowledgment

The Board would like to thank the State Bank of Pakistan and other regulatory authorities for their continuous guidance and support, and our valued customers for their continued patronage.

The Board would also like to place on record its appreciation of the hard work, commitment, professionalism and dedicated efforts of the senior management, officers and staff of the Bank.

On Behalf of the Board of Directors



Arif Habib
Chairman

Date: August 18, 2009

Independent Auditors' Report on Review of Interim Financial Statement to the Members of Arif Habib Bank Limited

Introduction

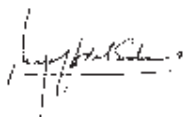
We have reviewed the accompanying condensed interim balance sheet of ARIF HABIB BANK LIMITED ("the Bank") as at June 30, 2009 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity together with the notes for the half year then ended June 30, 2009 (here-in-after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of these condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on these condensed interim financial information based on our review. The figures of the condensed profit and loss account for the quarters ended June 30, 2009 and 2008 have not been reviewed by us as we are required to review only the cumulative figures for the half year ended June 30, 2009.

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 condensed 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 condensed interim financial information as of and for the half year ended June 30, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.



Chartered Accountants
Karachi
Date: August 18, 2009

Condensed Interim Balance Sheet

As at June 30, 2009

	Note	Unaudited June 30, 2009	Audited December 31, 2008
Rupees in '000'			
ASSETS			
Cash and balances with treasury banks		1,448,230	1,349,649
Balances with other banks		363,024	65,580
Lendings to financial institutions		314,471	200,000
Investments	7	9,532,104	5,094,613
Advances	8	17,530,198	15,758,678
Operating fixed assets	9	1,434,844	927,882
Deferred tax assets - net		440,724	360,893
Other assets		1,255,243	1,045,522
		32,318,838	24,802,817
LIABILITIES			
Bills payable		100,184	75,963
Borrowings from financial institutions		1,850,090	1,869,940
Deposits and other accounts		24,380,216	16,616,466
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		626,296	420,328
		26,956,786	18,982,697
NET ASSETS		5,362,052	5,820,120
REPRESENTED BY			
Share capital		5,000,000	5,000,000
Reserves		1,314,828	1,314,828
Accumulated loss		(750,284)	(182,097)
		5,564,544	6,132,731
Deficit on revaluation of assets - net of deferred tax		(202,492)	(312,611)
		5,362,052	5,820,120

CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

The detail of valuation of investments, impairment and impact on profit and loss account are given in note 7.3.

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984.

The President/Chief Executive of the Company being presently out of the Country, the condensed interim financial statements have been signed by the Chairman and three Directors.



CHAIRMAN



DIRECTOR



DIRECTOR



DIRECTOR

Condensed Interim Profit and Loss Account (Unaudited)
For the half year and quarter ended June 30, 2009

Note	Half year ended June 30, 2009	Half year ended June 30, 2008	Quarter ended June 30, 2009	Quarter ended June 30, 2008
Rupees in '000'				
Mark-up / return / interest earned	1,705,363	955,388	864,018	588,779
Mark-up / return / interest expensed	(1,295,599)	(517,784)	(705,074)	(364,062)
Net mark-up / interest income	409,764	437,604	158,944	224,717
Provision against non-performing loans and advances - net	(502,515)	(13,529)	(373,711)	(13,529)
Provision for diminution in the value of investments	(157,132)	-	(85,183)	-
Bad debts written off directly	-	-	-	-
	(659,647)	(13,529)	(458,894)	(13,529)
Net mark-up / interest income after provisions	(249,883)	424,075	(299,950)	211,188
NON MARK UP / INTEREST INCOME				
Fee, commission and brokerage income	46,476	40,608	32,663	22,274
Dividend income	15,722	92,754	6,909	23,534
Income from trading in government securities	13,129	-	1,664	-
Gain on sale of securities - net	31,042	6,885	39,199	6,304
Loss from dealing in foreign currencies	(36,637)	(5,818)	(40,816)	(8,131)
Unrealized loss on revaluation of investments classified as held for trading	(16,234)	-	(16,312)	-
Other income	2,815	1,711	1,590	609
Total non-mark-up / interest income	56,313	136,140	24,897	44,590
	(193,570)	560,215	(275,053)	255,778
NON MARK UP / INTEREST EXPENSES				
Administrative expenses	(490,223)	(273,917)	(260,482)	(149,167)
Other provisions / write-offs	-	-	-	-
Other charges	(9,730)	(981)	(8,509)	(521)
Total non mark-up / interest expenses	(499,953)	(274,898)	(268,991)	(149,688)
Share of gain from associate	-	240	-	240
Extra ordinary / unusual items	-	-	-	-
(LOSS) / PROFIT BEFORE TAXATION	(693,523)	285,557	(544,044)	106,330
Taxation				
- Current	(13,787)	(71,443)	(11,872)	(38,613)
- Prior years	-	-	-	-
- Deferred	139,123	(1,440)	126,719	(1,795)
	(125,336)	(72,883)	(114,847)	(40,408)
(LOSS) / PROFIT AFTER TAXATION	(568,187)	212,674	(429,197)	65,922
(Accumulated loss) / unappropriated profit brought forward	(182,097)	192,744	(321,087)	126,713
(Accumulated loss) / unappropriated profit carried forward	(750,284)	405,418	(750,284)	192,635
Basic and diluted (loss) / earnings per share - Rupee	(1.14)	0.47	(0.95)	0.15

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

The detail of valuation of investments, impairment and impact on profit and loss account are given in note 7.3.

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984.

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CHAIRMAN



DIRECTOR



DIRECTOR



DIRECTOR

Condensed Interim Cash Flow Statement (Unaudited)

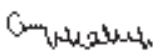
For the half year ended June 30, 2009

	June 30, 2009	June 30, 2008
Rupees in '000'		
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(693,523)	285,557
Less: Dividend income	(15,722)	(92,754)
	(709,245)	192,803
Adjustments:		
Depreciation	37,650	24,886
Amortisation	13,755	12,967
Unrealized loss on revaluation of investments classified as held for trading	16,234	-
Provision for diminution in the value of investments	157,132	-
Provision against non-performing advances	502,515	13,529
Gain on disposal of fixed assets	(27)	-
Share of gain from associate	-	(240)
Provision for compensated absences	7,448	-
Provision for gratuity	5,357	3,623
	740,064	54,765
	30,819	247,568
(Increase) / decrease operating assets		
Lendings to financial institutions	(114,471)	2,041,457
Held for trading investments	(113,865)	61,952
Advances	(2,274,032)	(8,418,996)
Others assets	(225,023)	(259,916)
	(2,727,391)	(6,575,503)
Increase / (decrease) operating liabilities		
Bills payable	24,221	(263,768)
Borrowings from financial institutions	(19,850)	1,154,730
Deposits and other accounts	7,763,750	6,074,177
Other liabilities	193,163	45,619
	7,961,284	7,010,758
	5,264,712	682,823
Income tax paid	(2,461)	(18,800)
Net cash flow from operating activities	5,262,251	664,023
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale investments	(4,327,578)	679,824
Dividend received	15,507	96,402
Investments in operating fixed assets	(554,296)	(210,785)
Sale proceeds of property and equipment disposed-off	141	568
Net cash flow (used in) generated from investing activities	(4,866,226)	566,009
Increase in cash and cash equivalents	396,025	1,230,032
Cash and cash equivalents at beginning of the period	1,415,229	806,396
Cash and cash equivalents at end of the period	1,811,254	2,036,428


The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984.

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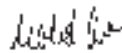
CHAIRMAN



DIRECTOR



DIRECTOR



DIRECTOR

Condensed Interim Statement of Changes in Equity (Unaudited)
For the half year ended June 30, 2009

	Share Capital	Capital Reserves		Revenue Reserves		Total
		Share Premium	Statutory Reserve	General Reserve	Unappropriated Profit / (Accumulated Loss)	
Rupees in '000'						
Balance at January 01, 2008	4,500,000	1,500,000	64,828	66,567	192,744	6,324,139
Profit after taxation for the half year ended June 30, 2008	-	-	-	-	212,674	212,674
Transferred to general reserve	-	-	-	183,433	(183,433)	-
Transferred to statutory reserve	-	-	42,535	-	(42,535)	-
Balance at June 30, 2008	4,500,000	1,500,000	107,363	250,000	179,450	6,536,813
Issue of bonus shares	500,000	(500,000)	-	-	-	-
Loss after taxation for the half year ended December 31, 2008	-	-	-	-	(404,082)	(404,082)
Transferred from statutory reserve	-	-	(42,535)	-	42,535	-
Balance at December 31, 2008	5,000,000	1,000,000	64,828	250,000	(182,097)	6,132,731
Loss after taxation for the half year ended June 30, 2009	-	-	-	-	(568,187)	(568,187)
Balance at June 30, 2009	5,000,000	1,000,000	64,828	250,000	(750,284)	5,564,544

The annexed notes from 1 to 15 form an integral part of these condensed interim financial statements.

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984.

The President/Chief Executive of the Company being presently out of the Country, the condensed interim financial statements have been signed by the Chairman and three Directors.



CHAIRMAN



DIRECTOR



DIRECTOR



DIRECTOR

Notes to the Condensed Interim Financial Statements

For the half year ended June 30, 2009

1. STATUS AND NATURE OF BUSINESS

- 1.1 Arif Habib bank Limited (the bank) was incorporated in Pakistan as a public limited company on December 09, 2005 under the Companies Ordinance, 1984. Its registered office is situated at 2/1 R.Y. 16, Old Queens Road, Karachi in the Province of Sindh. It is listed on all Stock Exchanges of Pakistan.
- 1.2 The bank is principally engaged in the business of banking company, through its 34 branches (December 31, 2008: 33 branches), as defined in the banking Companies Ordinance, 1962. The medium to long term rating of the bank rated by JCR-VIS, credit rating company, is 'A'. Short term rating of the bank is 'A-2'.

2. STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved Accounting Standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified by the Securities and Exchange Commission of Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the requirements of the said directives 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. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the categories prescribed by the SBP through various circulars.
- 2.3 The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BSD Circular letter No. 2 dated May 12, 2004 and International Accounting Standard 34 "Interim Financial Reporting". They do not include all of the information and disclosures required for full annual financial statements, and should be read in conjunction with the financial statements of the bank for the year ended December 31, 2008.

During the current period, International Accounting Standard 1 (Revised), Presentation of Financial Statements (IAS 1) became effective from January 1, 2009. The application of this standard requires certain increased disclosures only. Since the bank has followed format of half yearly financial statements prescribed by the SBP through BSD Circular letter No. 2 of 2004, therefore the changes introduced in IAS 1 (revised) have not been taken into consideration in the preparation of these condensed interim financial statements.

Notes to the Condensed Interim Financial Statements

For the half year ended June 30, 2009

2.4 Other new standards, amendments and interpretations that were mandatory for accounting periods beginning on or after January 1, 2009 and are not considered to be relevant or have any significant effect on the bank's operations, are not detailed in these condensed interim financial statements.

2.5 These condensed interim financial statements are unaudited, however these are subjected to limited scope review by the auditors and are being submitted to the shareholders in accordance with Section 245 of the Companies Ordinance, 1984.

3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention, except that certain financial instruments carried at revalued amount and staff retirement benefits stated at present value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those adopted in the preparation of the financial statements of the bank for the year ended December 31, 2008.

5. ESTIMATES

The preparation of condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by the management to applying the accounting policies and the key sources of estimation uncertainty were the same as those applied to financial statements for the year ended December 31, 2008.

6. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies are consistent with those disclosed in the financial statements of the bank for the year ended December 31, 2008.

Notes to the Condensed Interim Financial Statements
For the half year ended June 30, 2009

Note	Unaudited June 30, 2009			Audited December 31, 2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000'						
7.	INVESTMENTS					
7.1	Investments by types:					
	Held for trading					
	Listed companies shares	113,865	–	113,865	–	–
	Available for sale securities					
	Market Treasury Bills	5,194,230	1,052,849	6,247,079	733,602	1,574,702
	Pakistan Investment Bonds	355,555	–	355,555	364,608	–
	Listed companies shares	534,974	–	534,974	422,738	211,021
	Unlisted companies shares	7.2 138,842	–	138,842	–	–
	Mutual funds units / certificates- open ended	115,000	–	115,000	115,000	–
	Mutual funds units/ certificates- closed ended	53,244	–	53,244	41,229	–
	Term finance certificates-listed	324,670	–	324,670	99,980	–
	Term finance certificates-unlisted	1,495,440	–	1,495,440	1,499,900	–
	Sukuk bonds	524,703	–	524,703	400,000	–
		8,736,658	1,052,849	9,789,507	3,677,057	1,785,723
	Investment in Associates	112,773	–	112,773	112,773	–
	Investments at cost	8,963,296	1,052,849	10,016,145	3,789,830	1,785,723
	Less: Provision for diminution in value of investments	7.3 (156,281)	–	(156,281)	–	–
	Investments - net of provisions	8,807,015	1,052,849	9,859,864	3,789,830	1,785,723
	Deficit on revaluation of securities					
	- Held for trading	(16,234)	–	(16,234)	–	–
	- Available for sale	7.3 (310,449)	(1,077)	(311,526)	(317,427)	(163,513)
	Total investments at market value	8,496,566	1,051,772	9,532,104	3,472,403	1,622,210
						5,094,613

Notes to the Condensed Interim Financial Statements
For the half year ended June 30, 2009

- 7.2** Shares of the company have been acquired under Pre- Initial Public offering (IPO). An application for listing of the shares of the company has been filed with the Karachi Stock Exchange (Guarantee) Limited. The shares have been valued at cost.
- 7.3** SBP BSD Circular No. 4 dated February 13, 2009 and Securities and Exchange Commission of Pakistan (SECP) SRO 150 (1)/2009 dated February 13, 2009 has allowed that impairment loss, if any, recognised as on December 31, 2008 on valuation of 'available for sale' listed equity investments to quoted market prices may be shown under the equity. The said SECP circular also directed that such amount shown under equity including any adjustment/effect of price movements shall be taken to profit and loss account on quarterly basis during the year ending December 31, 2009. The bank has adopted the said treatment and during the half year ended June 30, 2009, it has charged impairment loss of Rs. 157.132 million to profit and loss account and the remaining unrealised loss of Rs. 154.516 million has been included in the equity under 'deficit on revaluation of assets'. The impairment loss has been determined based on prices quoted on the Karachi Stock Exchange as of June 30, 2009 after adjustments of quarter March 2009 amounts as required. The recognition of impairment loss based on the market value as at June 30, 2009 would have following effect on these financial statements:

	Unaudited June 30, 2009 Rupees in '000'
Impairment loss as at June 30, 2009	311,648
Recognised in profit and loss account during the period	<u>(157,132)</u>
Balance of deficit on revaluation of assets	154,516
Tax impact on the above	<u>54,081</u>
Increase in loss after tax	<u>100,435</u>

	Note	Unaudited June 30, 2009 Rupees in '000'	Audited December 31, 2008
8. ADVANCES			
Loans, cash credits, running finance, etc.			
In Pakistan		18,112,342	16,346,866
Outside Pakistan		-	-
		18,112,342	16,346,866
Financing in respect of			
Continuous funding system (CFS)		-	2,516
Net Investment in finance lease			
In Pakistan		145,631	116,466
Outside Pakistan		-	-
		145,631	116,466
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		505,000	-
Payable outside Pakistan		21,400	44,493
		526,400	44,493
		18,784,373	16,510,341
Provision for non-performing advances	8.1	(1,254,175)	(751,663)
Advances - net of provision		17,530,198	15,758,678

Notes to the Condensed Interim Financial Statements
For the half year ended June 30, 2009

- 8.1 Advances include Rs.3,668.420 million (December 31, 2008: Rs. 2,693.654 million) which have been placed under non-performing status as detailed below: -

Category of Classification	June 30, 2009 (Unaudited)				
	Domestic	Overseas	Total Advances	Provision required	Provision held
Rupees in '000'					
Substandard	1,141,248	—	1,141,248	212,471	212,471
Doubtful	1,968,005	—	1,968,005	562,501	562,501
Loss	559,167	—	559,167	479,203	479,203
	<u>3,668,420</u>	<u>—</u>	<u>3,668,420</u>	<u>1,254,175</u>	<u>1,254,175</u>

Category of Classification	December 31, 2008 (Audited)				
	Domestic	Overseas	Total Advances	Provision required	Provision held
Rupees in '000'					
Substandard	1,314,612	—	1,314,612	123,677	123,677
Doubtful	745,993	—	745,993	173,633	173,633
Loss	633,049	—	633,049	454,353	454,353
	<u>2,693,654</u>	<u>—</u>	<u>2,693,654</u>	<u>751,663</u>	<u>751,663</u>

Unaudited
June 30,
2009
Unaudited
June 30,
2008
Rupees in '000'

9. OPERATING FIXED ASSETS - AT COST

9.1 Additions

Land	25,000	88,029
Building	5,000	—
Leasehold improvements	59,725	24,473
Furniture and fixtures	9,703	8,725
Electrical, office and computer equipment	70,983	33,374
Vehicles	5,139	111
Computer software	5,561	2,681

9.2 Deletions

Electrical, office and computer equipment	66	—
Vehicles	113	1,066

Notes to the Condensed Interim Financial Statements
For the half year ended June 30, 2009

	Unaudited June 30, 2009	Audited December 31, 2008
Rupees in '000'		
10. CONTINGENCIES AND COMMITMENTS		
10.1 Direct Credit Substitutes		
Contingent liability in respect of guarantees given favouring:		
Government	-	-
Banking companies and other financial institutions	-	-
Others	-	-
	-	-
10.2 Transaction-related contingent liabilities / commitments		
Guarantees given in favour of :		
Government	1,682,716	475,059
Banking companies and other financial institutions	806,550	6,550
Others	1,310,142	1,628,147
	3,799,408	2,109,756
10.3 Trade-related contingent liabilities		
Letters of credit	1,140,252	176,876
Acceptances	646,973	224,265
	1,787,225	401,141
10.4 Other contingencies - Claims against bank not acknowledge as debt	83,903	83,903
10.5 Commitments in respect of forward lending		
Forward call lending	-	-
Forward repurchase agreement lending	1,052,849	933,317
Commitments to extend credit	11,439,650	21,272,326
	12,492,499	22,205,643
10.6 Commitments in respect of forward exchange / future contracts		
Purchase	621,619	993,085
Sale	-	-
	621,619	993,085

Notes to the Condensed Interim Financial Statements
For the half year ended June 30, 2009

	Unaudited June 30, 2009	Audited December 31, 2008
	Rupees in '000'	
10.7 Commitments for the acquisition of operating fixed assets		
Civil works	35,274	64,102
Acquisition of computer software	–	–
	35,274	64,102
10.8 Underwriting Commitments	200,000	–

11. LOSS FROM DEALING IN FOREIGN CURRENCIES

It is net off of swap cost of Rs. 46.170 million incurred on Foreign Currency Accounts.

12. RELATED PARTY TRANSACTIONS

Related parties comprise associated undertakings, majority shareholders, retirement benefit plans, directors and key management personnel of the bank. The bank enters into transactions with the related parties in the normal course of business. These transactions were made on substantially the same commercial terms as those prevailing at the time for comparable transactions with unrelated parties and did not involve more than a normal amount of risk. There were no transactions with the key management personnel other than those under the terms of their employment.

Details of transactions with the related parties as at the period / year ended is as follows:

June 30, 2009		December 31, 2008	
Key management personnel	Associates/ related parties	Key management personnel	Associates/ related parties
Rupees in '000'			

Advances

Balance at the beginning of the period / year	103,694	930,458	14,237	1,290,921
Sanctioned / granted during the period / year	1,818	1,550,604	117,141	6,253,956
Payment received during the period / year	(4,261)	(1,280,198)	(27,684)	(6,614,419)
Balance at the end of the period / year	101,251	1,200,864	103,694	930,458

Notes to the Condensed Interim Financial Statements
For the half year ended June 30, 2009

June 30, 2009		December 31, 2008	
Key management personnel	Associates/ related parties	Key management personnel	Associates/ related parties

Rupees in '000'

Deposits

Balance at the beginning of the period / year	3,934	1,489,978	404,049	207,098
Deposits during the period / year	3,413,724	46,376,916	37,327,191	313,227,211
Withdrawal during the period / year	(3,412,791)	(47,260,501)	(37,727,306)	(311,944,331)
Balance at the end of the period / year	4,867	606,393	3,934	1,489,978

Investment in shares / TFC's

Thatta Cement Company Limited	-	112,773	-	112,773
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Others

Guarantees, letters of credits and acceptances	-	271,577	-	164,775
Advance for renovation and refurbishment	-	178,796	-	152,479
Receivable against sale of securities	-	103,354	-	-
Markup receivable	-	55,891	-	38,202
Advance rent	-	29,589	-	-
Mark up payable	52	4,233	22	8,209
Other receivable	-	3,937	-	898
Bills payable	-	-	-	5,625

June 30, 2009		June 30, 2008	
Key management personnel	Associates/ related parties	Key management personnel	Associates/ related parties

Rupees in '000'

Profit / expense for the half year

Brokerage expenses paid	-	1,157	-	7,732
Rent expense	-	10,617	-	3,900
Mark up earned	2,028	80,623	368	42,697
Capital gain earned	-	9,712	-	-
Dividend income	-	10,320	-	-
Capital loss	-	-	-	59,557
Mark up expensed	1,059	65,868	-	172,785
Mark up paid	1,030	69,815	-	141,930
Contribution to provident fund	-	5,956	-	3,914

Notes to the Condensed Interim Financial Statements
For the half year ended June 30, 2009

13. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	Corporate finance	Trading & sales	Retail banking	Commercial banking	Payment & settlement	Total
	Rupees in '000'					
For the half year ended June 30, 2009						
Total income	10,920	564,312	763,078	415,149	8,217	1,761,676
Total expenses	6,464	324,255	2,058,672	64,854	954	2,455,199
Net income / (loss) before tax	4,456	240,057	(1,295,594)	350,295	7,263	(693,523)
Segment return on assets (ROA) (%)	0.72%	1.95%	(9.48)%	6.34%	125.97%	
Segment cost of funds (%)	1.04%	2.64%	15.07%	1.17%	16.54%	

**For the half year ended
June 30, 2008**

Total income	-	374,641	565,411	148,214	3,502	1,091,768
Total expenses	4,972	78,579	691,480	30,685	495	806,211
Net income / (loss) before tax	(4,972)	296,062	(126,069)	117,529	3,007	285,557
Segment return on assets (ROA) (%)	-	3.48%	(0.76)%	44.91%	178.15%	
Segment cost of funds (%)	-	0.92%	4.16%	11.73%	29.34%	

As at June 30, 2009

Segment assets (Gross)	621,309	12,304,422	15,140,432	5,525,452	5,770	33,597,385
Segment non performing loans	451	9,094	3,679,403	4,008	4	3,692,960
Segment provision	451	9,094	1,264,990	4,008	4	1,278,547
Segment assets (Net)	620,859	12,295,328	13,875,441	5,521,444	5,766	32,318,838
Segment liabilities	5,345	1,496,571	25,147,473	203,191	104,206	26,956,786

As at December 31, 2008

Segment assets (Gross)	910,742	7,139,971	17,055,891	471,888	360	25,578,852
Segment non performing loans	13	7,658	2,685,539	444	-	2,693,654
Segment provision	13	7,658	767,920	444	-	776,035
Segment assets (Net)	910,729	7,132,313	16,287,971	471,444	360	24,802,817
Segment liabilities	2,020	1,600,636	16,545,678	758,351	76,012	18,982,697

For the purpose of segmental reporting unallocated items of income and expenses have been allocated to the above segments in proportions to segment revenue.

Notes to the Condensed Interim Financial Statements
For the half year ended June 30, 2009

14. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on August 18, 2009 by the Board of Directors of the bank.

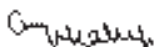
15. GENERAL

15.1 Arif Habib Securities Limited ("AHSL") the holding company of the bank has entered into a share purchase agreement on June 30, 2009 with Suroor Investment Limited, a company incorporated in Mauritius, for sale of 297,034,854 ordinary shares of the bank beneficially owned by AHSL.

15.2 Figures have been rounded off to the nearest thousand Rupees.

STATEMENT UNDER SECTION 241(2) OF THE COMPANIES ORDINANCE, 1984.

The President/Chief Executive of the Company being presently out of the Country, the condensed interim financial statements have been signed by the Chairman and three Directors.



CHAIRMAN



DIRECTOR



DIRECTOR



DIRECTOR

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Arif Habib  Bank

Branch Network

KARACHI (17 Branches)

Head Office

Arif Habib Center 23
M.T. Khan Road,
Karachi - 74000
UAN: (021) 111-124-725
Tel: 021-2437892,
021-2436519
Fax: 021-2435736

I.I. Chundrigar Road Branch

I.I. Chundrigar Road, Karachi
Tel: 021-2466410-3
Fax: 021-2466500

Boat Basin Branch

Ground Floor, FL-4,
Hanging Garden, Block-5,
Boat Basin, Clifton, Karachi.
Tel: 021-5824171-80
Fax: 021-5824163

Atrium Mall Branch

Shop 6 & 21, Ground Floor,
Atrium Mall, Staff Lines
Zaibunnisa Street,
Saddar, Karachi.
Tel: 021-5641000-3,
021-5641007
Fax: 021-5641008

Gulshan-e-Iqbal Branch

Ground floor, Shop No.CA1-2-3,
CA25-26-27-28, Hasan Center,
Main University Road,
Gulshan-e-Iqbal, Karachi.
Tel: 021-4829024, 4829027
Fax: 021-4829023

Karachi Stock

Exchange Branch
Room No. 60-63,
1st Floor, Karachi Stock
Exchange Building, Karachi
Tel: 021-2462844-49,
021-2462829-30
Fax: 021-2462843

Cloth Market Branch

28th Cochinwala Market,
Laxmidas Street,
Karachi
Tel: 021-2443651,
021-2443591,
021-2443871
Fax: 021-2443821

Korangi Branch

33/1, Sector 15,
Korangi Industrial Area
Road, Karachi
Tel: 021-5114282,
021-5114290

Gulistan-e-Jauhar Sub Branch

Plot No. 118/A-B,
Shop No. 02-03-04
Ground Floor, Ruffi Paradise,
Block-18, Gulistan-e-Jauhar,
K.D.A, Scheme No. 36,
Karachi.
Tel: 021-2621281-4
Fax: 021-2621285

Dolmen City Sub-Branch

Ground Floor, Harbour Front,
Triangular Tower, Dolmen City,
Marine Drive, Block 4,
Clifton, Karachi
Tel: 021-5297611-15
Fax: 021-5297610

Jami Commercial DHA Branch

64-C, 7th Street, Phase 7,
Jami Commercial, DHA,
Karachi
Tel: 021-5316200-7
Fax: 021-5316208

Adamjee Nagar Branch

Plot No. 115 A/Z,
Adamjee Nagar,
Tipu Sultan Road, Karachi.
Tel: 021-4312984-7
Fax: 021-4312980

Hyderi Branch

D-10 Block-F, North
Nazimabad, Hyderi.
Karachi.
Tel: 021-6724972-74
Fax: 021-6724971

Bahadurabad Sub-Branch

CCA, Bihar Muslim
Commercial Area,
Bahadurabad, Karachi
Tel: 021-4913447
021-4913449,
021-4913451
Fax: 021-4913453

SITE Sub-Branch

B 49, State Avenue,
SITE Karachi
Tel: 021-2589662,
021-2589663 (2 Lines)
Fax: 021-2589661

M. A. Jinnah Road Branch

Ram Bagh Quarters,
M.A. Jinnah Road, Karachi
Tel : 021-2218395,
021-2218409,
021-92218428,
021-2218430,
021-2218433
Fax: 021-2218376

Nooriabad Branch

Nooriabad Industrial Area,
Nooriabad Karachi
Tel: 025-4670433
Fax: 025-4670434

LAHORE (5 Branches)

DHA "Y" Block Branch

163, Y Block,
Phase III, D.H.A.,
Lahore Cantt.
Tel 042-5749069
042-5749071
Fax: 042-5749070

Lahore Stock

Exchange Branch
Office No. 5, 6,
19th Awan-e-Iqbal Road
Lahore Stock Exchange
Building, Lahore
Tel: 042-6280853-6
Fax: 042-6280851

Multan Road Branch

Plot No. 9/A,
Scheme more
Corner, Allama Iqbal Town,
Multan Road, Lahore.
Tel: 042-7497451-6
Fax: 042-7497450

Branch Network

Gulberg Branch

Main Boulevard,
Gulberg Lahore
Tel: 042-5870832-33
Fax: 042-5870834

Ferozepur Road Branch

Main Ferozepur Road, Lahore,
Siza Farmer Factory, Sufiabad,
Tel: 042-5800096-98
Fax: 042-5800094

ISLAMABAD (3 Branches)

Islamabad Branch

6B. F-6, Super Market
Islamabad
Tel: 051-2279167-70
Fax: 051-2279166

Islamabad Stock Exchange Branch

Shop No. 05, Al-Khair Plaza
Blue Area, Islamabad
Tel: 051-2806281-3
Fax: 051-2806280

Rawalpindi Branch

Plot No. 27, Bank Road,
Rawalpindi
Tel: 051-5120713-8
Fax: 051-5120712

MULTAN (2 Branches)

Abdali Road Branch

66-AB/9, Abdali Road,
Multan
Tel: 061-4573729,
061-4572519
Fax: 061-4516762

Hussain Agahi Road Branch

Zenith Market,
Chowk Bazar, Multan
Tel: 061-4511025, 4511029
061-4511031, 4511037
Fax: 061-4511193

FAISALABAD (2 Branches)

Yarn Market Branch

Property # 7, Yarn Market,
Ghunta Ghar, Faisalabad
Tel: 041-2619885, 2619746
041-2465504
Fax: 041-2619884

Liaquat Road Sub-Branch

Liaquat Road, Faisalabad
Tel: 041-2541256-60
041-2541261-64
Fax: 041-2541255

GUJRANWALA (1 Branch)

Gujranwala Branch

Main GT Road,
Gujranwala
Tel: 055-3820970-74
Fax: 055-3820967

GUJRAT (1 Branch)

Gujrat Branch

Main GT Road, Gujrat
Tel: 053-3517051-54
Fax: 053-3516493

PESHAWAR (1 Branch)

Deans Trade Center,
Islamia Road, Peshawar
Tel: 091-5253981-5
Fax: 091-5253080

SADIQABAD (1 Branch)

Sadiqabad Branch

KLP Road, Sadiqabad
Tel: 068-5786791-93
Fax: 068-5786300

MIRPUR AJK (1 Branch)

Mirpur Azad Kashmir Branch

NS Tower, Kotli Road,
Mirpur Azad Kashmir
Tel: 058610-37193-96
Fax: 058610-37192

SIALKOT (1 Branch)

Sialkot Branch

Paris Road, Sialkot
Tel: 052-4602894-97
Fax: 052-4601310

Arif Habib  Bank

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