

Quarterly Report, 30th September, 2008



**THE BANK**

for everyone

Arif Habib  Bank

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## Board of Directors

Mr. Arif Habib  
Chairman

Mr. Kamal Uddin Khan  
President & CEO

Mr. Salim Chamdia  
Executive Director

Mr. Md. Abdul Hamid Miah  
Director

Mr. Asadullah Khawaja  
Director

Mr. Nasim Beg  
Director

Mirza Qamar Beg  
Director

## Audit Committee

Mr. Asadullah Khawaja  
Chairman

Mr. Nasim Beg  
Member

Mirza Qamar Beg  
Member

## Executive Committee

Mr. Arif Habib  
Chairman

Mr. Kamal Uddin Khan  
Member

Mr. Salim Chamdia  
Member

Mr. Nasim Beg  
Member

## Risk Management Committee

Mr. Arif Habib  
Chairman

Mr. Kamal Uddin Khan  
Member

Mr. Salim Chamdia  
Member

Mr. Asadullah Khawaja  
Member

Mr. Nasim Beg  
Member

## Human Resource (HR) Committee

Mr. Arif Habib  
Chairman

Mr. Kamal Uddin Khan  
Member

Mr. Salim Chamdia  
Member

Mr. Asadullah Khawaja  
Member

## Chief Financial Officer & Company Secretary

Mr. Muhammad Amin Bhoori

## Auditors

M. Yousuf Adil Salim & Co.  
Chartered Accountants

## Legal Advisors

Liaquat Merchant Associates

## Head Office

Arif Habib Centre, 23, M.T. Khan Road,  
Karachi - 74000, Pakistan  
UAN: (021) 111-124-725  
Fax: (021) 243-5736

## 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: Shahr-e-Quadeen, Karachi  
Tel: (021) 439-1316-7  
Fax: (021) 439-1318

## Entity Rating

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

E-mail: [info@arifhabibbank.com](mailto:info@arifhabibbank.com)  
Website: [www.arifhabibbank.com](http://www.arifhabibbank.com)  
Toll free: 0800-24252



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



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 community at large.

Reach out and provide financial services to under-served and un-served customer segment.

On behalf of the Board of Directors of Arif Habib Bank Limited (the Bank), we are pleased to present the un-audited financial statements for the nine months ended September 30, 2008.

## Financial Highlights

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

	<b>Sep 30, 2008</b>	Sep 30, 2007
	<b>(Rupees in '000)</b>	
Pre-tax Profit for the period	<b>436,737</b>	148,847
Equity	<b>6,637,031</b>	6,196,720
Paid-up-capital	<b>4,500,000</b>	4,500,000
Deposits	<b>18,621,731</b>	7,362,732
Advances (Net of provisions)	<b>17,866,598</b>	4,575,769
Investments	<b>5,446,829</b>	5,629,201
Earnings per share (Rupee per share)	<b>0.695</b>	0.322

In spite of the challenging economic environment, the Bank continued its growth momentum. Total assets of the Bank grew by 55.07% to Rs. 28.10 billion as compared to FYE Dec 2007. Net advances reflect an increase of 122.52%, while deposits registered a growth of 96.75% during the period. The entire profit has been retained, consequently equity of the Bank has increased to 6.64 bn.

Cost and operational efficiency, focused market approach and dedicated team effort were the factors that contributed to this achievement.

## Increase in Paid-up-Capital

Subsequent to the balance sheet date, the Paid-up-Capital of the Bank has been increased to Rs. 5,000 million, fulfilling the requirement of the State Bank of Pakistan requiring minimum Paid-up-Capital of that amount by December 31, 2008.

## Business & Branch Network

The Bank continues to grow its branch network in line with strategy to develop a network of 100 branches by 2011. Seventeen branches have already been established while 16 new branches will be added during the next three months, thereby achieving a branch network of 33 by December 2008.

Development of quality human resource, investment in state of the art technology and broadening product base remain the major strategic parameters towards achieving long-term objectives of the Bank.

## Economic/Future Outlook

Pakistan's economy is passing through a challenging phase. It is an uphill task to manage high inflation, wide budgetary & trade deficits and the weakening rupee. Government of Pakistan's new economic team is actively addressing the issues to ease out the macro economic imbalances and put the economy back on track.

In view of the State Bank's policy to further increase the Minimum Capital Requirement on the one hand and on the other hand, in order to ensure that the Bank is adequately capitalized to absorb any shocks due to extraordinarily adverse market and economic conditions that are currently prevalent, the sponsors have decided to raise the equity of the Bank. For this purpose, a Memorandum of Understanding (MOU) has been signed by Arif Habib Securities Limited (the sponsors of the Bank) with Mr. Hussain Lawai, an eminent banker representing a consortium of international and local investors, who have expressed their interest in acquiring substantial shareholding of the Bank by way of injection of additional equity/acquisition of shares from existing shareholders.

## Credit Rating

JCR-VIS Credit Rating Company Limited has maintained the Bank's credit ratings of 'A' for medium to long-term and 'A 2' for short term with a stable outlook. However, in view of the developments relating to increase in equity of the Bank referred above, the rating agency has put the Bank on "Rating Watch - Developing" status.

## Acknowledgment

On behalf of the Board and the Management, we would like to express our sincere appreciation to the State Bank of Pakistan for their guidance and support.

We sincerely appreciate our shareholders for their trust and confidence, our customers for their patronage and employees of the Bank for their commitment and hard work.

## On Behalf of the Board of Directors

**Arif Habib**  
Chairman

**Kamal Uddin Khan**  
President & CEO

October 24, 2008

# CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2008

	Unaudited September 30, 2008	Audited December 31, 2007
Note	----- Rupees in '000' -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	2,248,314	753,845
Balances with other banks	102,939	52,551
Lendings to financial institutions	584,488	2,855,582
Investments	5,446,829	5,408,425
Advances	17,866,598	8,029,248
Other assets	880,644	423,620
Operating fixed assets	920,140	597,515
Deferred tax assets	49,453	-
	<b>28,099,405</b>	<b>18,120,786</b>
<b>LIABILITIES</b>		
Bills payable	108,527	384,179
Borrowings from financial institutions	2,582,881	1,748,603
Deposits and other accounts	18,621,731	9,464,785
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Other liabilities	324,430	181,776
Deferred tax liabilities	-	39,867
	<b>21,637,569</b>	<b>11,819,210</b>
<b>NET ASSETS</b>	<b>6,461,836</b>	<b>6,301,576</b>
<b>REPRESENTED BY</b>		
Share capital	4,500,000	4,500,000
Reserves	1,877,406	1,631,395
Unappropriated profit	259,625	192,744
	<b>6,637,031</b>	<b>6,324,139</b>
Deficit on revaluation of assets - net	(175,195)	(22,563)
	<b>6,461,836</b>	<b>6,301,576</b>

## CONTINGENCIES AND COMMITMENTS

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The annexed notes from 1 to 12 form an integral part of these accounts.

  
**PRESIDENT AND CHIEF EXECUTIVE**

  
**DIRECTOR**

  
**DIRECTOR**

  
**DIRECTOR**



# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Unaudited) FOR THE NINE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2008

	Nine Months ended Sep 30, 2008	Nine Months ended Sep 30, 2007	Quarter ended Sep 30, 2008	Quarter ended Sep 30, 2007
----- Rupees in '000' -----				
Mark-up / Return / Interest earned	1,780,986	384,608	825,598	179,545
Mark-up / Return / Interest expensed	<u>(1,020,008)</u>	<u>(166,625)</u>	<u>(502,224)</u>	<u>(66,953)</u>
Net Mark-up / Interest Income	760,978	217,983	323,374	112,592
Provision against non-performing loans and advances	27,057	-	13,528	-
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	-
	<u>27,057</u>	<u>-</u>	<u>13,528</u>	<u>-</u>
Net Mark-up / Interest Income after provisions	733,921	217,983	309,846	112,592
<b>NON MARK UP / INTEREST INCOME</b>				
Fee, Commission and Brokerage Income	66,843	1,851	26,235	692
Dividend income	97,481	33,287	4,727	29,526
(Loss)/Income from trading in government securities	(20,118)	1,204	(20,118)	339
Gain on sale of securities - net	32,635	136,797	25,750	33,380
(Loss) / gain from dealing in foreign currencies	(19,459)	1,200	(13,641)	1,040
Unrealized gain on revaluation of investments classified as held for trading	-	3,518	-	8,596
Other Income	2,610	14,437	899	5,199
Total non-Mark-up / Interest income	<u>159,992</u>	<u>192,294</u>	<u>23,852</u>	<u>78,772</u>
	893,913	410,277	333,698	191,364
<b>NON MARK UP / INTEREST EXPENSES</b>				
Administrative expenses	456,100	260,542	182,183	92,609
Other provisions / write-offs	-	-	-	-
Other charges	1,286	888	305	176
Total non mark-up / interest expenses	<u>(457,386)</u>	<u>(261,430)</u>	<u>(182,488)</u>	<u>(92,785)</u>
Share of gain from associate	240	-	-	-
Extra ordinary / unusual items	-	-	-	-
PROFIT BEFORE TAXATION	436,767	148,847	151,210	98,579
Taxation				
Current	122,093	2,430	50,650	837
Prior years	-	-	-	-
Deferred	1,782	43,671	342	10,064
	<u>123,875</u>	<u>46,101</u>	<u>50,992</u>	<u>10,901</u>
<b>PROFIT AFTER TAXATION</b>	312,892	102,746	100,218	87,678
Unappropriated profit brought forward	192,744	75,179	192,635	90,247
Profit available for appropriations	<u>505,636</u>	<u>177,925</u>	<u>292,853</u>	<u>177,925</u>
Basic and Diluted earnings per share - Rupee	<u>0.695</u>	<u>0.322</u>	<u>0.223</u>	<u>0.247</u>

The annexed notes from 1 to 12 form an integral part of these accounts.

  
**PRESIDENT AND CHIEF EXECUTIVE**

  
**DIRECTOR**

  
**DIRECTOR**

  
**DIRECTOR**

# CONDENSED INTERIM CASH FLOW STATEMENT (Unaudited) FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	September 30, 2008	September 30, 2007
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>	--- Rupees in '000' ---	
Profit before taxation	436,767	148,847
Less: Dividend income	<u>(97,481)</u>	<u>(33,287)</u>
	339,286	115,560
Depreciation	38,495	24,370
Amortization	19,459	6,278
Unrealized Loss on revaluation of Investment Held for Trading	-	(3,518)
Provision for non-performing loans and advances	27,057	-
Gain on sale of fixed assets	-	(754)
Share of gain from associate	(240)	-
Provision for gratuity	3,623	350
	<u>88,394</u>	<u>26,726</u>
	427,680	142,286
(Increase)/decrease in operating assets		
Lendings to financial institutions	2,271,094	(1,044,737)
Advances	(9,864,407)	(3,151,400)
Net investments in held for trading securities	61,952	(251,995)
Others assets	(465,886)	(5,448)
	<u>(7,997,247)</u>	<u>(4,453,580)</u>
Increase/(decrease) in operating liabilities		
Bills payable	(275,652)	41,521
Borrowings from financial institutions	834,278	-
Deposits and other accounts	9,156,946	4,836,461
Other liabilities	101,784	62,217
	<u>9,817,356</u>	<u>4,940,199</u>
	2,247,789	628,905
Income tax paid	<u>(84,847)</u>	<u>(16,835)</u>
Net cash flow generated from operating activities	<u>2,162,942</u>	<u>612,070</u>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(343,849)	(3,637,814)
Dividend received	100,065	26,838
Investments in operating fixed assets	(374,869)	(190,747)
Sale proceeds of property and equipment disposed-off	588	1,551
Net cash flow used in investing activities	<u>(618,085)</u>	<u>(3,800,172)</u>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of share capital	-	1,500,000
Premium on issue of share capital	-	1,500,000
Net cash flow generated from financing activities	<u>-</u>	<u>3,000,000</u>
Increase/(decrease) in cash and cash equivalents	1,544,857	(188,102)
Cash and cash equivalents at beginning of the period	806,396	874,024
Cash and cash equivalents at end of the period	<u>2,351,253</u>	<u>685,922</u>

The annexed notes from 1 to 12 form an integral part of these accounts.



**PRESIDENT AND CHIEF EXECUTIVE**



**DIRECTOR**



**DIRECTOR**



**DIRECTOR**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Unaudited)  
FOR THE PERIOD ENDED SEPTEMBER 30, 2008**

Share capital	Capital Reserves			Revenue reserves		Total
	Share premium	Reserve for issue of bonus shares	Statutory reserve	General reserve	Unappropriated Profit	

----- Rupees in '000' -----

Balance as at December 31, 2006	3,000,000	-	-	18,795	-	75,179	3,093,974
Issue of share capital	1,500,000	1,500,000	-	-	-	-	3,000,000
Profit for the period	-	-	-	-	-	102,746	102,746
Transferred to Statutory reserve	-	-	-	20,549	-	(20,549)	-
Transferred to General reserve	-	-	-	-	66,567	(66,567)	-
<b>Balance as at September 30, 2007</b>	<b>4,500,000</b>	<b>1,500,000</b>	<b>-</b>	<b>39,344</b>	<b>66,567</b>	<b>90,809</b>	<b>6,196,720</b>
Profit for the period	-	-	-	-	-	127,419	127,419
Transferred to statutory reserve	-	-	-	25,484	-	(25,484)	-
<b>Balance as at December 31, 2007</b>	<b>4,500,000</b>	<b>1,500,000</b>	<b>-</b>	<b>64,828</b>	<b>66,567</b>	<b>192,744</b>	<b>6,324,139</b>
Profit for the period	-	-	-	-	-	312,892	312,892
Transferred to Statutory reserve	-	-	-	62,578	-	(62,578)	-
Transferred to reserve for issue of bonus shares	-	(500,000)	500,000	-	-	-	-
Transferred to general reserve	-	-	-	-	183,433	(183,433)	-
<b>Balance as at September 30, 2008</b>	<b>4,500,000</b>	<b>1,000,000</b>	<b>500,000</b>	<b>127,406</b>	<b>250,000</b>	<b>259,625</b>	<b>6,637,031</b>

The annexed notes from 1 to 12 form an integral part of these accounts.



**PRESIDENT AND CHIEF EXECUTIVE**



**DIRECTOR**



**DIRECTOR**



**DIRECTOR**

## 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. The Bank commenced operation from April 10, 2006 and is listed on all the Stock Exchanges from February 13, 2008.
- 1.2 The Bank is principally engaged in the business of banking company, through its twelve branches and two sub-branch, 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 with a positive outlook. Short term rating of the Bank is A-2.

## 2. STATEMENT OF COMPLIANCE

These condensed interim financial statements are prepared and presented in accordance with BSD Circular Letter No.2 dated May 12, 2004 relating to format of interim financial statements, approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Financial Reporting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

The State Bank of Pakistan as per BSD Circular letter No.10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standard 40, "Investment Property" for Banking Companies. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However the investments have been classified and valued in accordance with the categories prescribed by the State Bank of Pakistan through various circulars.

The disclosures made in these condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular letter No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and these condensed interim financial statements should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2007.

## 3. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention, except that certain investments and commitments in respect of forward exchange contracts have been carried at revalued amount and staff retirement benefits (Gratuity) 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 annual financial statements of the Bank for the year ended December 31, 2007. In addition to the policies as discussed in annual financial statements for the year ended December 31, 2007, the Bank has adopted the following policies:

### 4.1 Investment in associates

Investment in associates are valued using equity method of accounting.

### 4.2 Net Investment in Finance Lease

Lease including hire purchase where the Bank transfers substantially all the risks and rewards incidental to the ownership of an asset and are classified as finance lease, Net investment in finance lease is recognized at an amount equal to the aggregate of minimum lease payments including any guaranteed residual value and excluding unearned finance income, if any.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

5. INVESTMENTS

5.1 Investments by types:

Unaudited September 30, 2008			Audited Dec. 31, 2007		
Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total

----- Rupees '000' -----

**Held for trading**

Listed companies shares	-	-	-	7,890	55,859	63,749
Mutual funds units / certificates	-	-	-	5,000	-	5,000
	-	-	-	12,890	55,859	68,749

**Available - for - sale securities**

Market Treasury Bills	1,598,820	593,410	2,192,230	2,445,570	192,860	2,638,430
Pakistan Investment Bonds	349,904	-	349,904	446,042	-	446,042
Listed companies shares	571,811	60,449	632,260	158,271	146,458	304,729
Sukuk bonds	400,000	-	400,000	-	-	-
Mutual funds units / certificates	156,229	-	156,229	1,080,000	-	1,080,000
Term Finance Certificates	1,873,075	-	1,873,075	903,420	-	903,420
	4,949,839	653,859	5,603,698	5,033,303	339,318	5,372,621
Investment in associate	113,013	-	113,013	-	-	-
	5,062,852	653,859	5,716,711	5,046,193	395,177	5,441,370

Less: Provision for diminution in value of investments

	-	-	-	-	-	-
<b>Investments - net of provisions</b>	<b>5,062,852</b>	<b>653,859</b>	<b>5,716,711</b>	<b>5,046,193</b>	<b>395,177</b>	<b>5,441,370</b>
(Deficit)/surplus on revaluation of securities - Held for trading	-	-	-	(642)	(6,155)	(6,797)
- Available for sale	(235,808)	(34,074)	(269,882)	(17,426)	(8,722)	(26,148)
<b>Total investments at market value</b>	<b>4,827,044</b>	<b>619,785</b>	<b>5,446,829</b>	<b>5,028,125</b>	<b>380,300</b>	<b>5,408,425</b>

# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	Note	Unaudited September 30, 2008	Audited December 31, 2007
		----- Rupees '000' -----	
<b>6. ADVANCES</b>			
Loans, cash credits, running finance, etc.			
In Pakistan	6.1 & 6.2	17,886,753	7,625,888
Outside Pakistan		-	-
		17,886,753	7,625,888
Financing in respect of			
Continuous funding system (CFS)		11,621	501,846
Net Investment in finance lease			
In Pakistan		96,098	-
Outside Pakistan		-	-
		96,098	-
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		-	29,975
Payable outside Pakistan		27,644	-
		27,644	29,975
		18,022,116	8,157,709
Provision for non-performing advances		(155,518)	(128,461)
Advances - net of provision		17,866,598	8,029,248

**6.1** This includes lending to the Government of NWFP amounting to Rs. 683.933 million at mark up rate of 13.95% per annum with maturity upto October 22, 2008.

**6.2** These advances include an amount of Rs. 5,972 million secured against shares. As per Management's assessment, advances amounting to Rs. 1,000 million out of above, though fully collateralized, will however require provision in the event, the capital market further deteriorates severely in future. However, the Management has decided not to provide any amount there against considering the objective criteria and market condition till the date of approval of these financial statements.

**6.3** Advances include Rs.182.576 million (2007: 128.461 million) which have been placed under non-performing status as detailed below: -

Category of Classification	Domestic	Overseas	Total Advances	Provision required	Provision held
----- Rupees '000' -----					
Substandard	-	-	-	-	-
Doubtful	54,115	-	54,115	27,057	27,057
Loss	128,461	-	128,461	128,461	128,461
	182,576	-	182,576	155,518	155,518

6.4 Segment wise breakup of advances by class of business is as follows:

Business segment	Advances-Net	
	Rupees '000'	Percentage
Agriculture, Forestry, Hunting and Fishing	-	-
Mining and Quarrying	4000,000	2.24%
Textile	758,990	4.25%
Chemical and Pharmaceuticals	1,261,814	7.06%
Cement	829,838	4.64%
Sugar	124,817	0.70%
Footwear and Leather Garments	-	-
Automobile and transportation	24,285	0.14%
Electronics and electrical appliance	-	-
Construction	2,940,935	16.46%
Power (electricity), Gas, Water, Sanitary	1,642,858	9.20%
Wholesale and Retail Trade	1,259,287	7.05%
Exports/Imports	2,274	0.01%
Transports, Storage and Communication	500,000	2.80%
Finacial	4,828,979	27.03%
Insurance	-	-
Services	247,282	1.38%
Individuals	2,057,831	11.52%
Others	Note-6.1 987,408	5.53%
<b>Advances-net</b>	<b>17,866,568</b>	<b>100.00%</b>

	Unaudited September 30, 2008	Unaudited September 30, 2007
Note	---- Rupees '000' ----	
<b>7. OPERATING FIXED ASSETS - AT COST</b>		
<b>7.1 Additions</b>		
Land	-	-
Building	-	19,855
Leasehold improvements	25,185	-
Furniture and fixtures	9,755	7,823
Electrical, office and computer equipment	45,074	62,147
Vehicles	154	13,050
Computer software	-	-
<b>7.2 Deletions</b>		
Vehicles	1,066	950
Furniture and fixtures	-	-
Electrical, office and computer equipment	-	39
<b>8. CONTINGENCIES AND COMMITMENTS</b>		
<b>8.1 Direct Credit Substitutes</b>		
<b>Contingent liability in respect of guarantees given favouring:</b>		
Government	-	-
Banking companies and other financial institutions	-	-
Others	-	-
<b>8.2 Transaction-related contingent liabilities / commitments</b>		
<b>Guarantees given in favour of :</b>		
Government	468,532	7,024
Banking companies and other financial institutions	1,550	-
Others	926,319	1,925
	1,396,401	8,949
<b>8.3 Trade-related contingent liabilities</b>		
Letters of credit	346,690	581,088
Acceptances	540,783	7,640
	887,473	588,728



# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	Unaudited September 30, 2008	Audited December 31, 2007
----- Rupees '000' -----		
<b>8.4 Other contingencies - claims against bank</b>		
not acknowledge as debt	83,903	83,903
<b>8.5 Commitments in respect of forward lending</b>		
Forward call lending	-	-
Forward repurchase agreement lending	1,268,421	1,655,582
Commitments to extend credit	17,531,736	-
	18,800,157	1,655,582
<b>8.6 Commitments in respect of forward exchange contracts</b>		
Purchase	1,722,769	30,990
<b>8.7 Commitments for the acquisition of operating fixed assets</b>		
Civil works	36,614	19,210
Acquisition of computer software	-	-
	36,614	19,210

## 9. 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	Agency Services	Assets Management	Retail Brokerage	Others
----- Rupees in '000' -----								

### Current Period

Total income	44,712	539,736	1,084,318	267,609	4,843	-	-	-	-
Total expenses	13,924	139,218	1,297,315	53,293	700	-	-	-	-
Net income before tax	30,788	400,518	(212,997)	214,316	4,143	-	-	-	-
Segment Assets (Gross)	23,353	9,432,905	17,909,545	731,073	2,530	-	-	-	-
Segment Non Performing Loans	-	-	182,576	-	-	-	-	-	-
Segment Provision	-	-	179,889	-	-	-	-	-	-
Segment Assets (Net)	23,353	9,432,905	17,547,080	731,073	2,530	-	-	-	-
Segment Liabilities	34,540	1,694,633	19,589,402	206,726	112,268	-	-	-	-
Segment Return on net Assets (ROA) (%)	131.84%	4.25%	(1.21)%	29.32%	163.77%	-	-	-	-
Segment Cost of funds (%)	59.62%	1.48%	4.16%	7.29%	27.69%	-	-	-	-

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

10 RELATED PARTY TRANSACTIONS

10.1 Associated companies

*Brokerage Services*

Brokerage expenses paid - CFS	<u>1,283</u>	<u>9,393</u>
Brokerage expenses paid - Equity securities	<u>7,799</u>	<u>1,995</u>

<i>Rent expense during the period</i>	<u>5,850</u>	<u>-</u>
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*Financing*

Mark up charged during the period	<u>104,038</u>	<u>26,078</u>
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Unaudited  
September 30,  
2008

Unaudited  
September 30,  
2007

----- Rupees '000' -----

Unaudited  
September 30,  
2008

Audited  
December 31,  
2007

----- Rupees '000' -----

Balance at the beginning of the period/year	1,290,921	380,050
Sanctioned / granted during the period/year	4,951,808	1,470,025
Payment received during the period/year	<u>(4,855,111)</u>	<u>(559,154)</u>
Balance at the end of the period/year	<u>1,387,618</u>	<u>1,290,921</u>

Other receivable	<u>950</u>	<u>123</u>
Other payable	<u>-</u>	<u>3,250</u>
Brokerage payable	<u>-</u>	<u>77</u>

10.2 Key Management Personnel

*Advances*

Balance at the beginning of the period/year	14,237	3,611
Sanctioned / granted during the period/year	116,191	13,751
Payment received during the period/year	<u>(5,288)</u>	<u>(3,125)</u>
Balance at the end of the period/year	<u>125,140</u>	<u>14,237</u>

Unaudited  
September 30,  
2008

Unaudited  
September 30,  
2007

----- Rupees '000' -----

Mark up earned during the period	<u>1,509</u>	<u>232</u>
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# NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	Unaudited September 30, 2008	Audited December 31, 2007
----- Rupees '000' -----		
<b>10.3 Investments in shares / TFCs of associated companies</b>		
Thatta Cement Company Limited - Shares	<u>113,013</u>	<u>-</u>
Pakarab Fertilizers Limited - TFC	<u>215,104</u>	<u>235,000</u>
<b>10.4 Mutual Fund of Arif Habib Investment Management Company</b>		
<b>Investments - group company</b>		
Pakistan Income fund	<u>-</u>	<u>200,000</u>
----- Rupees '000' -----		
Capital (loss) / gain earned during the period	<u>(60,044)</u>	<u>22,874</u>
----- Rupees '000' -----		
<b>10.5 Deposits - associated persons / companies</b>		
Balance at the beginning of the period/year	<u>611,147</u>	<u>523,237</u>
Deposits during the period/year	<u>200,000,974</u>	<u>34,059,685</u>
Withdrawal during the period/year	<u>(197,555,065)</u>	<u>(33,971,775)</u>
Balance at the end of the period/year	<u>3,057,056</u>	<u>611,147</u>
Mark up payable	<u>17,493</u>	<u>5,911</u>
----- Rupees '000' -----		
Mark up expensed during the period	<u>232,330</u>	<u>16,877</u>
Mark up paid	<u>220,748</u>	<u>18,165</u>
<b>10.6 Defined Contribution Plan</b>		
Contribution paid to provident fund	<u>6,259</u>	<u>1,421</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	Unaudited September 30, 2008	Audited December 31, 2007
	----- Rupees '000' -----	
<b>10.7 Contingencies - associated companies</b>		
Guarantees, letter of credit and acceptances	543,314	583,571

**11. DATE OF AUTHORIZATION FOR ISSUE**

The condensed interim financial statements were authorized for issue on October 24, 2008 by the Board of Directors of the bank.

**12. GENERAL**

**12.1** These condensed interim financial statements are unaudited and are as required by the Code of Corporate Governance. These financial statements are circulated to the shareholders as required by section 245 of the Companies Ordinance, 1984.

**12.2** Figures have been rounded off to the nearest thousand rupee.



**PRESIDENT AND CHIEF EXECUTIVE**



**DIRECTOR**



**DIRECTOR**



**DIRECTOR**

## KARACHI

### II. Chundrigar Road

Uni Tower, II Chundrigar Road, Karachi. Tel: 021-2466410-3 Fax: 021-2466500

### Boat Basin

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

### Gulistan-e-Jauhar

Shop G1-010, Ruffi Shopping Mall Block-18, Gulistan-e-Jauhar Karachi.  
Tel: 021-4030527-8, 021-4030530, Fax: 021-4030529, 021-6050663

### Gulistan-e-Jauhar Sub Branch

Plot # 118/A-B, Shop # 02,03,04 Ground Floor Ruffi Paradise Block-18  
Gulistan-e-Jauhar, K.D.A, Scheme # 36, Karachi.  
PABX: 021-4621281-4, Fax:021-4621285

### Atrium Mall

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

### Karachi Stock Exchange

Room # 60-63, 1st Floor Karachi Stock Exchange Building Karachi-Pakistan.  
Tel: 021-2462844-9, 2462829-30 Fax: 021-2462843

### Cloth Market

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

### Korangi Industrial Area

33/1, Sector 15, Korangi Industrial Area Road Karachi-Pakistan.  
PABX: 5114290, FAX: 021-5114282

## LAHORE

### Defence

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

### Lahore Stock Exchange

Office # 5, 6, 19th Awan-e-Iqbal Road Lahore Stock Exchange Building,  
Lahore-Pakistan. Tel: 042-6280853-6, Fax: 042-6280851

## ISLAMABAD

### Super Market

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

### Islamabad Stock Exchange Sub Branch

Shop # 05, Al-Khair Plaza, Faza-HUI Haq Road Blue Area, Islamabad.  
PABX: 051-2806281-3, Fax: 051- 2806280, 051-2274296(Coper)  
051-2806284, 051-2806286, 051-2806289

## MULTAN

### Abdali Road

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

## FAISALABAD

### Yarn Market

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

### No. of Branches:

• Karachi: 8 • Lahore: 2 • Islamabad: 2 • Multan: 1 • Faisalabad: 1

# Arif Habib Bank

**Head Office:**

Arif Habib Centre 23 M.T. Khan Road Karachi 74000 Pakistan.

UAN: (021) 111-124-725 Toll Free: 0800-24252

Website: [www.arifhabibbank.com](http://www.arifhabibbank.com) Email: [info@arifhabibbank.com](mailto:info@arifhabibbank.com)