

**Quarterly Report
for the
period ended
September 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

A 3D visualization of financial data. In the foreground, a pie chart is shown with several slices, one of which is slightly exploded. Behind it, a bar chart with numerous vertical bars of varying heights is visible. The entire scene is rendered in shades of blue and cyan, with a soft glow and shadows on the surface below.

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), we present the un-audited financial statements for the nine months ended September 30, 2009.

Financial Highlights

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

	Sep 30, 2009 Unaudited	Dec 31, 2008 Audited
	Rupees in '000'	
Pre-tax Loss for the period	(982,242)	(347,274)
Equity	5,267,210	6,132,731
Paid-up-capital	5,000,000	5,000,000
Deposits	26,719,762	16,616,466
Advances (Net of provisions)	17,610,961	15,758,678
Investments	12,895,806	5,094,613
Basic and Diluted Loss per share	(1.73)	(0.38)

The Balance Sheet of the Bank continued to grow during the 3rd quarter of 2009, driven by a growth in deposits which reached Rs 26.720 billion as at Sep 30, 2009 - a growth of Rs 10.103 billion, or 60.8%, over December 31, 2008. The total assets of the Bank grew by 42.98% over the same period. The growth in deposits was applied mainly towards investments in (short term) government securities to build a strong liquidity position. Thus, total investments grew by Rs 7.801 billion, or 153.1%, during the nine months of 2009, of which the growth in Market Treasury Bills was Rs 6.861 billion -- an increase of 297.3% over December 31, 2008, which shows a very cautious and prudent approach towards utilization of funds generated from increased deposits.

The increase in gross advances was restricted to Rs 2.561 billion, or 15.51%, during the nine months under review, and these stood at Rs 19.071 billion as at September 30, 2009, of which the non-performing loans and advances (NPLs) were Rs 3.867 billion (20.28%) 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. Shortfall in security coverage and the apparent irrecoverability of some of the advances - mainly due to losses suffered by the borrowers, also contributed to the growth in the NPLs.

Loan loss provisions against the relatively high level of NPLs and amortization of the impairment in the value of investments, resulted in a pre-tax loss of Rs 982.242 million for the nine months ended September 30, 2009. Additional net provisions of Rs 708.335 million, interest suspended (net) Rs 218 million, and a net charge of Rs 162 million for diminution in the value of investments, arising from the accounting treatment for such losses suffered 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), were the main contributors to the above pre-tax loss.

The administrative expenses during the nine months were Rs 753.4 million as compared to Rs 456.1 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 and afterwards.

Directors' Report to the Members

Economic Overview

Macroeconomic factors and outlook which influence monetary policy decisions depict a mixed picture. While inflation (YoY) and balance of payments position have improved substantially, fiscal and real sectors' performance remains subdued. From a forward looking perspective, the substantial improvement in the external current account and emerging global economic recovery augur well for Pakistan's economy. As an important step towards achieving macroeconomic stability and economic growth, the government has entered into a Stand-by Arrangement (SBA) with the International Monetary Fund (IMF) to support its economic program. The SBA, together with the substantial improvement in the external current account, has lent stability to the exchange rates, especially the Rupee / Dollar parity. On the other hand, limited progress on electricity shortages and stressed fiscal position dilute some of the optimism. Similarly, inflation outlook is not completely benign, as depicted by recent monthly figures. The recent spate of terrorist attacks in several of the big cities in the country, have badly jolted the confidence which was slowly returning to the economic scene, particularly the stock market.

Headline CPI inflation (YoY) fell to 10.7 percent during August 2009 as compared to 25.3 percent in the corresponding month last year which was the highest in 2008. The projected inflation of around 8 percent by the end of FY10 depicts a positive outlook for the future. However, administrative issues in the supply chain of food items and projected increases in electricity prices to eliminate subsidies could have a bearing on the behavior of domestic inflation in the coming months. Increase in international oil prices, which have recently topped US\$ 80 per barrel, may also upset the Government's efforts at controlling inflation and the external current account deficit.

As an incentive for stimulating the business activity in the country, and considering the declining trend of inflation, the State Bank of Pakistan lowered their Discount rate twice during 2009 by 100 bps each in April 2009 and August 2009, which now stands at 13 percent.

Business & Branch Network

As at September 30, 2009 the Bank was operating with 35 branches across the country. During the current quarter, Bank's business activities have been expanded to interior Sindh by opening a branch in Hyderabad. In October, branches have also been opened in Sukkur, Quetta and Jodia Bazar Karachi. The Bank now has a presence in all the provinces of Pakistan.

After achieving VISA Certification for the proposed VISA DEBIT card, the Bank is now poised to launch the co-branded card very shortly, which will enable AHBL's VISA DEBIT card - holders to access over 1 million plus ATM machines and 12 million VISA merchants' point of sale terminals worldwide.

The capabilities of the Bank's "Contact Center" have been enhanced, and it is now fully geared to provide customer care and support for all the existing products and services, round the clock (24/7). The Contact Center is also providing complaint management services to AHBL's customers, within defined turnaround times, thereby enhancing customer service and satisfaction.

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.

Directors' Report to the Members

Outlook

The Bank continues to increase and diversify its advances portfolio prudently. At the same time considerable emphasis is being placed on managing the substantial portfolio of Non-performing Loans (NPLs). The management is actively negotiating with the defaulting customers to retrieve as much of the Bank's money as possible by re-structuring the outstandings wherever feasible. In other cases, the legal route is being adopted. Regardless, the Bank's Profit and Loss Account is being adversely affected by the additional provisions having to be made because of the downgrading of NPLs due to the timing criteria for classification of such loans and advances. For considerations of adequate liquidity to meet any unforeseen withdrawals of large deposits, the Bank is investing in Market Treasury Bills - the return from which is 300 to 400 basis points below that from commercial advances, as a result of which the revenue stream remains under pressure. The problem of NPLs and increasing provisions is expected to continue for another one or two quarters - after which the turnaround is expected to start by the 2nd quarter of 2010.

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

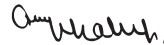
The Board would like to thank the State Bank of Pakistan and other regulatory authorities for their continuous guidance and support, and our valued customers for their continued patronage.

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 the Behalf of the Board of Directors



Husain Lawai
President & CEO



Arif Habib
Chairman

Date: October 24, 2009

Condensed Interim Balance Sheet
As at September 30, 2009

	Note	Unaudited September 30, 2009	Audited December 31, 2008
Rupees in '000'			
ASSETS			
Cash and balances with treasury banks		1,397,415	1,349,649
Balances with other banks		331,331	65,580
Lendings to financial institutions		168,543	200,000
Investments	7	12,895,806	5,094,613
Advances	8	17,610,961	15,758,678
Operating fixed assets	9	1,547,755	927,882
Deferred tax assets - net		397,848	360,893
Other assets		1,113,244	1,045,522
		<u>35,462,903</u>	<u>24,802,817</u>
LIABILITIES			
Bills payable		386,490	75,963
Borrowings from financial institutions		2,374,609	1,869,940
Deposits and other accounts		26,719,762	16,616,466
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net		-	-
Other liabilities		848,793	420,328
		<u>30,329,654</u>	<u>18,982,697</u>
NET ASSETS		<u>5,133,249</u>	<u>5,820,120</u>
REPRESENTED BY			
Share capital		5,000,000	5,000,000
Reserves		1,314,828	1,314,828
Accumulated loss		(1,047,618)	(182,097)
		5,267,210	6,132,731
Deficit on revaluation of assets - net of deferred tax		(133,961)	(312,611)
		<u>5,133,249</u>	<u>5,820,120</u>

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 7.2.



PRESIDENT AND CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



DIRECTOR

Condensed Interim Profit and Loss Account (Unaudited)
For the nine months and quarter ended September 30, 2009

Note	Nine Months ended September 30, 2009	Nine Months ended September 30, 2008	Quarter ended September 30, 2009	Quarter ended September 30, 2008
Rupees in '000'				
Mark-up / return / interest earned	2,578,201	1,780,986	872,838	825,598
Mark-up / return / interest expensed	(2,038,365)	(1,020,008)	(742,766)	(502,224)
Net mark-up / interest income	<u>539,836</u>	<u>760,978</u>	<u>130,072</u>	<u>323,374</u>
Provision against non-performing loans and advances - net	(708,335)	(27,057)	(205,820)	(13,528)
Provision for diminution in the value of investments	(161,970)	-	(4,838)	-
Bad debts written off directly	-	-	-	-
	<u>(870,305)</u>	<u>(27,057)</u>	<u>(210,658)</u>	<u>(13,528)</u>
Net mark-up / interest income after provisions	<u>(330,469)</u>	<u>733,921</u>	<u>(80,586)</u>	<u>309,846</u>
NON MARK UP / INTEREST INCOME				
Fee, commission and brokerage income	76,416	66,843	29,940	26,235
Dividend income	20,562	97,481	4,840	4,727
Income/(loss) from trading in government securities	12,564	(20,118)	(565)	(20,118)
Gain on sale of securities - net	40,321	32,635	9,279	25,750
Loss from dealing in foreign currencies	(42,562)	(19,459)	(5,925)	(13,641)
Unrealized (loss)/gain on revaluation of investments classified as held for trading	(4,571)	-	11,663	-
Other income	9,397	2,610	6,582	899
Total non-mark-up / interest income	<u>112,127</u>	<u>159,992</u>	<u>55,814</u>	<u>23,852</u>
	<u>(218,342)</u>	<u>893,913</u>	<u>(24,772)</u>	<u>333,698</u>
NON MARK UP / INTEREST EXPENSES				
Administrative expenses	(753,429)	(456,100)	(263,206)	(182,183)
Other provisions / write-offs	-	-	-	-
Other charges	(10,471)	(1,286)	(741)	(305)
Total non mark-up / interest expenses	<u>(763,900)</u>	<u>(457,386)</u>	<u>(263,947)</u>	<u>(182,488)</u>
Share of gain from associate	-	240	-	-
Extra ordinary / unusual items	-	-	-	-
(LOSS) / PROFIT BEFORE TAXATION	<u>(982,242)</u>	<u>436,767</u>	<u>(288,719)</u>	<u>151,210</u>
Taxation				
- Current	(16,432)	(122,093)	(2,645)	(50,650)
- Prior years	-	-	-	-
- Deferred	133,153	(1,782)	(5,970)	(342)
	<u>116,721</u>	<u>(123,875)</u>	<u>(8,615)</u>	<u>(50,992)</u>
(LOSS) / PROFIT AFTER TAXATION	<u>(865,521)</u>	<u>312,892</u>	<u>(297,334)</u>	<u>100,218</u>
(Accumulated loss) / unappropriated profit brought forward	(182,097)	192,744	(750,284)	192,635
(Accumulated loss) / unappropriated profit carried forward	<u>(1,047,618)</u>	<u>505,636</u>	<u>(1,047,618)</u>	<u>292,853</u>
Basic and diluted (loss) / earnings per share - Rupee	<u>(1.73)</u>	<u>0.70</u>	<u>(0.59)</u>	<u>0.22</u>

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 7.2



PRESIDENT AND CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



DIRECTOR

Condensed Interim Cash Flow Statement (Unaudited)

For the nine months ended September 30, 2009

	September 30, 2009	September 30, 2008
	Rupees in '000'	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(982,242)	436,767
Less: Dividend income	(20,562)	(97,481)
	(1,002,804)	339,286
Adjustments:		
Depreciation	63,111	38,495
Amortisation	20,771	19,459
Unrealized loss on revaluation of investments classified as held for trading	4,571	-
Provision for diminution in the value of investments	161,970	-
Provision against non-performing advances	708,335	27,057
Gain on disposal of fixed assets	(34)	-
Share of gain from associate	-	(240)
Provision for compensated absences	7,448	-
Provision for gratuity	5,357	3,623
	971,529	88,394
	(31,275)	427,680
(Increase) / decrease in operating assets		
Lendings to financial institutions	31,457	2,271,094
Held for trading investments	(183,726)	61,952
Advances	(2,560,618)	(9,864,407)
Other assets	(104,914)	(465,886)
	(2,817,801)	(7,997,247)
Increase / (decrease) in operating liabilities		
Bills payable	310,527	(275,652)
Borrowings from financial institutions	504,669	834,278
Deposits and other accounts	10,103,296	9,156,946
Other liabilities	415,663	101,784
	11,334,155	9,817,356
	8,485,079	2,247,789
Income tax paid	11,551	(84,847)
Net cash flow from operating activities	8,496,630	2,162,942
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale investments	(7,506,331)	(343,849)
Dividend received	20,662	100,065
Investments in operating fixed assets	(697,620)	(374,869)
Sale proceeds of property and equipment disposed-off	177	568
Net cash flow used in investing activities	(8,183,112)	(618,085)
Increase in cash and cash equivalents	313,517	1,544,857
Cash and cash equivalents at beginning of the period	1,415,229	806,396
Cash and cash equivalents at end of the period	1,728,746	2,351,253

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


PRESIDENT AND CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


DIRECTOR

Condensed Interim Statement of Changes in Equity (Unaudited)
For the nine months ended September 30, 2009

	Capital Reserves			Statutory Reserve	Revenue Reserves		Total
	Share Capital	Share Premium	Reserve for issue of bonus shares		General Reserve	Unappropriated Profit / (Accumulated Loss)	
Rupees in '000'							
Opening 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 nine months ended September 30, 2008	-	-	-	-	-	312,892	312,892
Transferred to general reserve	-	-	-	-	183,433	(183,433)	-
Transferred to reserve for issue of bonus shares	-	(500,000)	500,000	-	-	-	-
Transferred to statutory reserve	-	-	-	62,578	-	(62,578)	-
Balance at September 30, 2008	4,500,000	1,000,000	500,000	127,406	250,000	259,625	6,637,031
Issue of bonus shares	500,000	-	(500,000)	-	-	-	-
Loss after taxation for the quarter ended December 31, 2008	-	-	-	-	-	(504,300)	(504,300)
Transferred from statutory reserve	-	-	-	(62,578)	-	62,578	-
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 nine months ended September 30, 2009	-	-	-	-	-	(865,521)	(865,521)
Balance at September 30, 2009	5,000,000	1,000,000	-	64,828	250,000	(1,047,618)	5,267,210

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



PRESIDENT AND CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



DIRECTOR

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months ended September 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 35 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 quarterly 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 (Unaudited)

For the nine months ended September 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 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 judgments, 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 judgments 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 (Unaudited)
For the nine months ended September 30, 2009

Note	Unaudited September 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	182,933	—	182,933	—	—	—
Mutual funds units / certificates - closed ended	793	—	793	—	—	—
	183,726	—	183,726	—	—	—
Available for sale securities						
Market Treasury Bills	7,539,402	1,630,277	9,169,679	733,602	1,574,702	2,308,304
Pakistan Investment Bonds	404,569	—	404,569	364,608	—	364,608
Listed companies shares	646,346	—	646,346	422,738	211,021	633,759
Mutual funds units / certificates - open ended	315,000	—	315,000	115,000	—	115,000
Mutual funds units / certificates- closed ended	53,244	—	53,244	41,229	—	41,229
Term finance certificates - listed	304,678	45,000	349,678	99,980	—	99,980
Term finance certificates - unlisted	1,494,951	—	1,494,951	1,499,900	—	1,499,900
Sukuk bonds	535,644	—	535,644	400,000	—	400,000
	11,293,834	1,675,277	12,969,111	3,677,057	1,785,723	5,462,780
Investment in Associates	112,773	—	112,773	112,773	—	112,773
Investments at cost	11,590,333	1,675,277	13,265,610	3,789,830	1,785,723	5,575,553
Less: Provision for diminution in value of investments	7.2 (159,142)	—	(159,142)	—	—	—
Investments - net of provisions	11,431,191	1,675,277	13,106,467	3,789,830	1,785,723	5,575,553
Deficit on revaluation of securities						
- Held for trading	(4,571)	—	(4,571)	—	—	—
- Available for sale	7.2 (199,737)	(6,353)	(206,090)	(317,427)	(163,513)	(480,940)
Total investments at market value	11,226,883	1,668,924	12,895,806	3,472,403	1,622,210	5,094,613

Notes to the Condensed Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009

- 7.2 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 nine months ended September 30, 2009, it has charged impairment loss of Rs.161.970 million to profit and loss account and the remaining unrealised loss of Rs.53.989 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 September 30, 2009 after adjustments for the nine months ended September 30, 2009 amounts as required.

The recognition of impairment loss based on the market values as at September 30, 2009 would have following effect on these financial statements:

	Unaudited September 30, 2009 Rupees in '000'
Impairment loss as at September 30, 2009	215,959
Recognised in profit and loss account during the period	<u>(161,970)</u>
Balance of deficit on revaluation of assets	53,989
Tax impact on the above	<u>18,896</u>
Increase in loss after tax	<u>35,093</u>

	Note	Unaudited September 30, 2009	Audited December 31, 2008
Rupees in '000'			
8. ADVANCES			
Loans, cash credits, running finance, etc.			
In Pakistan		18,296,755	16,346,866
Outside Pakistan		-	-
		18,296,755	16,346,866
Financing in respect of Continuous funding system (CFS)		-	2,516
Net Investment in finance lease			
In Pakistan		144,906	116,466
Outside Pakistan		-	-
		144,906	116,466
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		558,342	-
Payable outside Pakistan		70,956	44,493
		629,298	44,493
		<u>19,070,959</u>	<u>16,510,341</u>
Provision for non-performing advances	8.1	<u>(1,459,998)</u>	<u>(751,663)</u>
Advances - net of provision		<u>17,610,961</u>	<u>15,758,678</u>

Notes to the Condensed Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009

- 8.1 Advances include Rs. 3,866.977 million (December 31, 2008: Rs. 2,693.654 million) which have been placed under non-performing status as detailed below: -

Category of Classification	September 30, 2009 (Unaudited)				
	Domestic	Overseas	Total	Provision	Provision
	Advances			required	held
Rupees in '000'					
Substandard	1,064,849	-	1,064,849	191,444	191,444
Doubtful	1,720,781	-	1,720,781	450,551	450,551
Loss	1,081,347	-	1,081,347	818,003	818,003
	<u>3,866,977</u>	<u>-</u>	<u>3,866,977</u>	<u>1,459,998</u>	<u>1,459,998</u>

Category of Classification	December 31, 2008 (Audited)				
	Domestic	Overseas	Total	Provision	Provision
	Advances			required	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 Unaudited
September 30, September 30,
2009 2008
Rupees in '000'

9. OPERATING FIXED ASSETS - AT COST

9.1 Additions

Land	173,100	-
Building	309,431	-
Leasehold improvements	74,297	25,185
Furniture and fixtures	15,965	9,755
Electrical, office and computer equipment	89,629	45,074
Vehicles	5,139	154
Computer software	5,569	-

9.2 Deletions

Electrical, office and computer equipment	66	-
Vehicles	169	1,066

Notes to the Condensed Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009

		Unaudited September 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	6,510,864	475,059
	Banking companies and other financial institutions	1,012,761	6,550
	Others	1,244,924	1,628,147
		8,768,549	2,109,756
10.3	Trade-related contingent liabilities		
	Letters of credit	1,981,841	176,876
	Acceptances	718,835	224,265
		2,700,677	401,141
10.4	Other contingencies		
	Claims against bank not acknowledged as debt	83,903	83,903
10.5	Commitments in respect of forward lending		
	Forward call lending	—	—
	Forward repurchase agreement lending	291,340	933,317
	Commitments to extend credit	10,967,797	21,272,326
		11,259,137	22,205,643
10.6	Commitments in respect of forward exchange / future contracts		
	Purchase	137,253	993,085
	Sale	—	—
		137,253	993,085
10.7	Commitments for the acquisition of operating fixed assets		
	Civil works	36,956	64,102
	Acquisition of computer software	—	—
		36,956	64,102
10.8	Underwriting Commitments	200,000	—

Notes to the Condensed Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009

11. LOSS FROM DEALING IN FOREIGN CURRENCIES

It is net off of swap cost of Rs.53.633 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:

September 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	2,908	2,288,246	117,141	6,253,956
Payment received /adjusted during the period / year	(6,200)	(2,187,415)	(27,684)	(6,614,419)
Balance at the end of the period / year	100,402	1,031,289	103,694	930,458

Deposits

Balance at the beginning of the period / year	3,934	1,489,978	404,049	207,098
Deposits during the period / year	3,532,126	62,402,890	37,327,191	313,227,211
Withdrawal during the period / year	(3,531,369)	(63,315,846)	(37,727,306)	(311,944,331)
Balance at the end of the period / year	4,691	577,022	3,934	1,489,978

Investment in shares

Thatta Cement Company Limited	–	112,773	–	112,773
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Notes to the Condensed Interim Financial Statements (Unaudited)
For the nine months ended September 30, 2009

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

Rupees in '000'

Other

Guarantees, letters of credits and acceptances	–	175,098	–	164,775
Advance for renovation and refurbishment	–	185,796	–	152,479
Markup receivable	–	38,752	–	38,202
Advance rent	–	37,509	–	–
Payable against purchase of securities	–	4,000	–	–
Mark up payable	16	9,060	22	8,209
Other receivable	–	217	–	898
Bills payable	–	–	–	5,625

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

Rupees in '000'

Profit / expense for the period

Brokerage expenses paid	–	1,481	–	9,082
Rent expense	–	22,871	–	5,850
Mark up earned	3,975	101,181	1,509	104,038
Dividend income	–	15,060	–	–
Capital loss	–	–	–	60,044
Mark up expensed	1,142	90,226	–	232,330
Mark up paid	1,148	89,348	–	220,748
Contribution to provident fund	–	9,740	–	6,259

Notes to the Condensed Interim Financial Statements
For the nine months ended September 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 nine months ended September 30, 2009						
Total income	18,758	885,522	1,107,162	669,900	8,986	2,690,328
Total expenses	9,565	370,527	3,201,782	89,826	870	3,672,570
Net income / (loss) before tax	9,193	514,995	(2,094,620)	580,074	8,116	(982,242)
Segment return on assets (ROA) (%)	104.99%	3.30%	(15.06)%	9.79%	193.48%	
Segment cost of funds (%)	109.23%	2.37%	23.02%	1.52%	20.73%	

**For the nine months
ended September 30, 2008**

Total income	44,712	539,736	1,084,318	267,609	4,843	1,941,218
Total expenses	13,924	139,218	1,297,315	53,293	700	1,504,450
Net income / (loss) before tax	30,788	400,518	(212,997)	214,316	4,143	436,768
Segment return on assets (ROA) (%)	131.84%	4.25%	(1.21)%	29.32%	163.77%	
Segment cost of funds (%)	59.26%	1.48%	4.16%	7.29%	27.69%	

As at September 30, 2009

Segment assets (Gross)	8,762	15,625,681	15,377,952	5,930,680	4,198	36,947,273
Segment non performing loans	6	10,310	3,877,118	3,912	3	3,891,349
Segment provision	6	10,310	1,470,139	3,912	3	1,484,370
Segment assets (Net)	8,756	15,615,371	13,907,813	5,926,768	4,195	35,462,903
Segment liabilities	11,102	2,154,640	27,375,610	396,493	391,809	30,329,654

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 nine months ended September 30, 2009

14. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on October 24, 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.



PRESIDENT AND CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



DIRECTOR

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

Jodia Bazar Branch

Survey No. 239,
Survey Street No. M.P-12
Daryalal Street, Jodia Bazar,
Karachi
Tel: 021-32500121-6
Fax: 021-32500128

Nooriabad Branch

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

HYDERABAD (1 BRANCH)

Saddar, Hyderabad Branch
41/364, Saddar
(Bohri Bazar), Hyderabad
Tel: 022-2230911-5

SUKKUR (1 BRANCH)

Marich Bazar, Sukkur Branch
B-885 Marich Bazar, Sukkur
Tel: 071-5627781-2,
071-5627785
071-5627790

QUETTA (1 BRANCH)

Ground floor, Malik Plaza,
Near Adara-e-Saqafat,
M. A. Jinnah Road, Quetta
Tel: 081-2865590
081-2865595

Branch Network

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

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

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