

The Bank For Everyone



Quarterly Report
March 31st
2010

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BOARD OF DIRECTORS

Mr. Nasser Abdullah Hussain Lootah
Chairman (Subject to clearance from SBP)
Mr. Husain Lawai
President & CEO
Mr. Nasim Beg
Director
Mr. Asadullah Khawaja
Director
Mr. Jaglul Karim
Director (Subject to clearance from SBP)
Mr. Mohamed Ahmad Mousa Ismail
Director (Subject to clearance from SBP)
Miss Khrida Nasser Abdullah H. Lootah
Director (Subject to clearance from SBP)

AUDIT COMMITTEE

Mr. Asadullah Khawaja
Chairman
Mr. Nasim Beg
Member

RISK MANAGEMENT COMMITTEE

Mr. Husain Lawai
Member
Mr. Asadullah Khawaja
Member
Mr. Nasim Beg
Member

HUMAN RESOURCE (HR) COMMITTEE

Mr. Husain Lawai
Member
Mr. Asadullah Khawaja
Member

CFO AND COMPANY SECRETARY

Mr. Muhammad Amin Bhouri

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.
Dagja House, 241-C, Block 2,
PECHS, off Shahrah-e-Quaideen,
Karachi – 74000, Pakistan
Tel: (021) 34391316-7
Fax: (021) 34391318

ENTITY RATINGS

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

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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

On behalf of the Board of Directors of Arif Habib Bank Limited (AHBL), I am pleased to present the un-audited financial statements for the quarter ended March 31, 2010.

Financial Highlights

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

	March 31, 2010 Unaudited	December 31, 2009 Audited
(Rupees in '000)		
Pre-tax (Loss) for the period	(241,929)	(2,285,586)
Equity	3,851,402	4,065,941
Paid-up-capital	5,000,000	5,000,000
Deposits	32,196,238	31,307,488
Advances (Net of provisions)	22,325,451	18,503,815
Investments	11,764,400	12,446,033
Basic and Diluted (Loss) per share	(0.429)	(4.13)

During the period under review, the total assets of the Bank grew by 6.87% to Rs. 40.795 bn with advances (net of provisions) showing a growth of 20.65% to Rs. 22.325 bn. Despite significant repayment of high cost money to the institutional depositors, with some roll-overs at lower rates, the Bank was able to maintain and grow its deposits base by 2.84% to Rs. 32.196 bn as at March 31, 2010, through a concerted effort to mobilize more deposits in the Current and Saving Accounts (CASA). In the process, the Bank was also able to reduce the cost of deposits from 9.96% in December 2009 to 9.50% for the quarter ended March 31, 2010.

The Bank continued to maintain a high level of liquidity, with total investments of Rs 11.764 bn, of which SLR eligible investments were Rs. 8.175 bn against an SLR requirement of only Rs. 3.420 bn, as at March 31, 2010, i.e. a surplus liquidity of Rs. 4.755 bn – which is a most important hedge against sudden withdrawals of large deposits.

During the quarter, the Bank incurred a pre-tax loss of Rs. 241.929 mn because of additional Provisions of Rs. 255.431 mn made against the NPLs, which were primarily due to the downgrading of existing NPLs and the addition of a few more accounts as at March 31, 2010. The Bank is making intensive efforts to recover the NPLs. There has been some success, and the current NPLs stand at Rs. 4,909.281 mn as opposed to Rs. 5,016.836 mn as at December 31, 2009, despite some additions as mentioned above. During the period under review, Administrative expenses increased by 15% to Rs. 265.574 mn as compared to the comparative quarter of last year. This was mainly due to an increase in the branch network from 34 branches last year to 40 branches at the present time.

Economic Overview

The Economy's slow turnaround is likely to be sustained during the next quarter with some positive growth in manufacturing, construction and services sectors. However, overall growth remains fragile, with real GDP growth for the year projected at 2.5 to 3.5 percent. The annual headline CPI inflation projection for FY10 also remains unchanged and it is estimated to be in the range of 11.0 to 12.0 percent. Due to an increase in the home remittances and a nominal growth in exports, coupled with slightly lower imports, the current account deficit has narrowed to US\$ 2.702 bn for the first nine months of 2009/10 fiscal year from US\$ 8.379 bn in the same period last year. However, with a modest revival of the industry, especially the textile industry, and, inter alia, an increase in the oil imports for the generators on which industrial, commercial and domestic consumers will have to rely more and more given the increasing gap between the supply and demand of electricity during the summer season, the imports are expected to grow, and as such it may be difficult to sustain the narrowing current account deficit – which, nevertheless, is expected to be much lower in FY10 than in FY09.

The future economic growth will depend largely on consistent and growth-oriented macroeconomic policies, a stable political environment, and an improvement in the law and order situation in the country. Another critical factor will be the availability of electricity at an affordable cost, which appears unlikely in the near future.

Branch Network & Business

As at March 31, 2010, the Bank was operating with 40 branches across the country, with a presence in all the provinces of Pakistan and Azad Jammu & Kashmir. We are now progressing towards finalization of the mergers with Atlas Bank and Mybank to consolidate our position in the market and emerge as a bigger and stronger bank equipped with a network of 162 branches and sub-branches, providing a wide range of products and services.

The Bank is coming up with various value added services for its customers, enhancing flexibility, reliability and hassle free banking. The scope and efficiency of mobile and web banking services of the bank are being enhanced significantly. We are also entering into various tie-ups with reputable international exchange companies under the Pakistan Remittance Initiative of the SBP to facilitate our customers and the general public in receiving the proceeds of home remittances from any of our branches, efficiently and conveniently.

An area of considerable importance for the Bank is the Foreign Trade business, which is showing a healthy growth. During the period under review, the Bank handled Rs.5,960 mn of Foreign Trade as compared to Rs.748 mn in the comparable period last year.

The Bank has recently entered the consumer finance market by providing secured personal loans to its customers, which we see as an important niche market for future business growth.

Re-branding

The Shareholders have approved the change of name of the Bank to Summit Bank Limited. The new name will be effective after completion of the necessary legal formalities and obtaining the required regulatory approvals.

Credit Rating

JCR-VIS Credit Rating Company's current credit ratings for the Bank are 'A' for medium to long-term, and 'A2' for the short term.

Minimum Capital Requirement

In view of some unforeseen delays in effecting the merger of the three banks, the Bank is presently short on its Minimum Capital Requirement (MCR) prescribed by the State Bank of Pakistan (SBP), which was earlier expected to be alleviated by March 31, 2010. The Bank has applied to the SBP for an extension in the waiver upto June 30, 2010, by which date the mergers are now expected to be implemented – after which the merged entity will not only meet but substantially exceed the minimum capital requirement.

Outlook


The Bank continues to grow and efforts are being made to provide innovative products and services to its customers, reduce costs and improve the quality of the assets by actively following-up on the existing non-performing loans portfolio. Positive results of these efforts are already showing and some recoveries have been effected. However, in a few cases, some more problems have surfaced, and there is a continued drag on our profitability from the additional provisions required – mainly due to the aging criteria applicable to the existing NPLs. This situation is expected to stabilize by the third quarter of this year.

Acknowledgments

The Board would like to appreciate and thank the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and other regulatory authorities for their continuous guidance and support. The Board is grateful to our valued customers for their continued patronage and is committed to improving the quality of service and the experience they share with the bank.

The Board would also like to place on record its appreciation of the employees of the bank for their professionalism, commitment, and dedication to make Arif Habib Bank one of the best in the country.

On Behalf of the Board of Directors


Husain Lawai
President & CEO
April 27, 2010

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2010

	Notes	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
Rupees in '000'			
ASSETS			
Cash and balances with treasury banks		1,666,332	1,923,526
Balances with other banks		256,155	724,802
Lendings to financial institutions		1,293,831	1,433,817
Investments	7	11,764,400	12,446,033
Advances	8	22,325,451	18,503,815
Operating fixed assets	9	1,595,328	1,570,754
Deferred tax assets-net		450,335	381,016
Other assets		1,442,852	1,189,612
		40,794,684	38,173,375
LIABILITIES			
Bills payable		181,336	213,209
Borrowings from financial institutions		3,416,576	1,554,801
Deposits and other accounts		32,196,238	31,307,488
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities-net		-	-
Other liabilities		1,227,956	1,043,477
		37,022,106	34,118,975
NET ASSETS		3,772,578	4,054,400
REPRESENTED BY			
Share capital		5,000,000	5,000,000
Reserves		1,064,828	1,064,828
Unappropriated loss		(2,213,426)	(1,998,887)
(Deficit) on revaluation of assets - net of deferred tax		3,851,402 (78,824)	4,065,941 (11,541)
		3,772,578	4,054,400
CONTINGENCIES AND COMMITMENTS			

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The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



PRESIDENT AND CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)

FOR THE QUARTER ENDED MARCH 31, 2010

	March 31, 2010	March 31, 2009
	Rupees in '000'	
Mark-up / return / interest earned	1,035,270	841,345
Mark-up / return / interest expensed	(844,849)	(608,221)
Net Mark-up / interest income	190,421	233,124
Provision against non-performing loans and advances - net	255,431	128,804
Provision for diminution in the value of investments	15,273	71,949
Bad debts written off directly	-	-
	270,704	200,753
Net Mark-up / interest income after provisions	(80,283)	32,371
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	60,217	13,813
Dividend income	6,892	8,813
Income from trading in government securities	1,118	11,465
Gain on sale of investment	22,558	4,179
Gain from dealing in foreign currencies	9,928	9,539
Unrealized (loss) / gain on revaluation of investments classified as held for trading	(3,268)	78
Other income	6,483	1,225
Total non-mark-up / interest income	103,928	49,112
	23,645	81,483
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	264,692	229,741
Other provisions / write-offs	-	-
Other charges	882	1,221
Total non mark-up / interest expenses	265,574	230,962
Extra ordinary / unusual items	-	-
(LOSS) BEFORE TAXATION	(241,929)	(149,479)
Taxation:		
- Current	(5,696)	(1,915)
- Prior years	-	-
- Deferred	33,086	12,404
	27,390	10,489
(LOSS) AFTER TAXATION	(214,539)	(138,990)
(Accumulated loss) brought forward	(1,998,887)	(182,097)
(Accumulated loss) carried forward	(2,213,426)	(321,087)
Basic and diluted (Loss) per share	(0.429)	(0.278)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



PRESIDENT AND CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2010

	March 31, 2010	March 31, 2009
	Rupees in '000'	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) before taxation	(241,929)	(149,479)
Less: Dividend income	(6,892)	(8,813)
	<u>(248,821)</u>	<u>(158,292)</u>
Adjustments:		
Depreciation	42,375	17,894
Amortization	7,215	6,785
Provision against non-performing advances	255,431	128,804
Provision for diminution in the value of investments	15,273	71,949
Unrealized loss / (gain) on revaluation of investment held for trading	3,268	(78)
(Gain) on disposal of fixed assets	(12)	(29)
	<u>323,550</u>	<u>225,325</u>
	74,729	67,033
(Increase) / decrease in operating assets		
Lendings to financial institutions	139,986	145,624
Net investments in held for trading securities	(39,866)	(117,183)
Advances	(4,077,067)	703,508
Others assets	(248,354)	66,265
	<u>(4,225,301)</u>	<u>798,214</u>
Increase in operating liabilities		
Bills payable	(31,873)	(10,771)
Borrowings from financial institutions	1,861,775	108,223
Deposits and other accounts	888,750	4,101,928
Other liabilities	190,283	163,375
	<u>2,908,935</u>	<u>4,362,755</u>
Income tax paid	(1,241,637)	5,228,002
	<u>(10,991)</u>	<u>(850)</u>
Net cash flow from operating activities	<u>(1,252,628)</u>	<u>5,227,152</u>
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	599,445	(4,749,846)
Dividend received	1,494	7,422
Investments in operating fixed assets	(74,227)	(241,091)
Sale proceeds of property and equipment disposed-off	75	141
	<u>526,787</u>	<u>(4,983,374)</u>
Net cash flow from investing activities	<u>526,787</u>	<u>(4,983,374)</u>
C. CASH FLOWS FROM FINANCING ACTIVITIES		
Issue of Share Capital	-	-
Share Premium on issue of share capital	-	-
Net cash generated from financing activities	<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(725,841)	243,778
Cash and cash equivalents at beginning of the period	2,648,328	1,415,229
Cash and cash equivalents at end of the period	<u>1,922,487</u>	<u>1,659,007</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



PRESIDENT AND CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED MARCH 31, 2010

	March 31, 2010	March 31, 2009
	Rupees in '000	
Loss after taxation for the period	(214,539)	(138,990)
Other comprehensive income	-	-
Total comprehensive (loss) for the period	(214,539)	(138,990)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



PRESIDENT AND CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
 FOR THE QUARTER ENDED MARCH 31, 2010

	Capital Reserves			Revenue reserves		
	Share capital	Share premium	Statutory reserve	General reserve	Unappropriated Profit / (Accumulated loss)	Total
	Rupees in '000'					
Balance as at December 31, 2008	5,000,000	1,000,000	64,828	250,000	(182,097)	6,132,731
Total comprehensive income for the quarter ended March 31, 2009						
Loss for the quarter	-	-	-	-	(138,990)	(138,990)
Balance as at March 31, 2009	5,000,000	1,000,000	64,828	250,000	(321,087)	5,993,741
Total comprehensive income for the period ended December 31, 2009						
Loss for the period	-	-	-	-	(1,927,800)	(1,927,800)
Transfer from general reserve	-	-	-	(250,000)	250,000	-
Balance as at December 31, 2009	5,000,000	1,000,000	64,828	-	(1,998,887)	4,065,941
Total comprehensive income for the quarter ended March 31, 2010						
Loss for the quarter	-	-	-	-	(214,539)	(214,539)
Balance as at March 31, 2010	5,000,000	1,000,000	64,828	-	(2,213,426)	3,851,402

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



PRESIDENT AND CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited) FOR THE QUARTER ENDED MARCH 31, 2010

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 40 branches (December 31, 2009: 40 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'.
- 1.3 Suroor Investment Limited (SIL), a company incorporated in Mauritius, had entered into a Share Purchase Agreement (SPA) with Arif Habib Securities Limited (AHSL) on June 30, 2009 for acquisition of 297,034,854 ordinary shares of the Bank beneficially owned by AHSL. Full payment was made to AHSL before the year ended December 31, 2009 as required under the SPA. Transfer of shares were executed on March 31, 2010 and the whole transaction of change of ownership completed successfully.
- 1.4 In accordance with BSD Circular No. 7 dated April 15, 2009, the minimum paid up capital requirement (free of losses) of the bank at December 31, 2009 is Rs 6 billion. The paid up capital of the Bank as at March 31, 2010 is Rs. 5.0 billion and the Bank has reserves and accumulated losses of Rs. 1.1 billion and Rs. 2.2 billion respectively as of the said date. The management through its letter no. AHBL/FIN/327/2010 dated: March 27, 2010 has approached SBP to grant extension of the said minimum capital requirement on the basis that SIL, the holding company has also entered into Share Purchase Agreements (SPAs) with majority shareholders of Mybank Limited and Atlas Bank Limited and as directed by the State Bank of Pakistan intend to merge these banks with and into Arif Habib Bank Limited.

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, 2009.
- 2.4 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited) FOR THE QUARTER ENDED MARCH 31, 2010

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, 2009.

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, 2009.

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, 2009.

Notes	Unaudited March 31, 2010			Audited December 31, 2009		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total

<----- Rupees '000' ----->

7. INVESTMENTS

7.1 Investments by types:

Held for trading securities

Listed ordinary shares	143,741	-	143,741	108,298	-	108,298
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Available for sale securities

Market Treasury Bills	5,470,388	2,106,241	7,576,629	8,210,515	487,831	8,698,346
Pakistan Investment Bonds	597,948	-	597,948	451,748	-	451,748
Listed companies shares	685,369	-	685,369	812,893	-	812,893
Mutual funds units / certificates - open end	265,543	-	265,543	115,000	-	115,000
Mutual funds units / certificates - closed end	53,244	-	53,244	53,244	-	53,244
Term finance certificates - listed	345,197	45,000	390,197	300,084	44,973	345,057
Term finance certificates - unlisted	1,499,700	-	1,499,700	1,499,700	-	1,499,700
Sukuk bonds	691,838	-	691,838	605,304	-	605,304

9,609,227	2,151,241	11,760,468	12,048,488	532,804	12,581,292
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Investments at Cost

9,752,968	2,151,241	11,904,209	12,156,786	532,804	12,689,590
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Less: Provision for diminution in value of investments

(15,273)	-	(15,273)	(221,379)	-	(221,379)
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Investments net of provisions

9,737,695	2,151,241	11,888,936	11,935,407	532,804	12,468,211
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Unrealized loss on held for trading securities

(3,268)	-	(3,268)	(4,423)	-	(4,423)
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Deficit on revaluation of available for sale securities

(119,600)	(1,668)	(121,268)	(14,038)	(3,717)	(17,755)
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Total investments at market value

9,614,827	2,149,573	11,764,400	11,916,946	529,087	12,446,033
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7.2 This includes listed shares of Thatta Cement Limited. Owing to changes in ownership structure of the Bank, said investment has been reclassified as Available for Sale Securities. Previously these shares qualify for Investments in Associates as per International Accounting Standard - 28 and were carried at cost in accordance with SBP directive. The resultant loss of Rs. 15.273 mn on reclassification has been taken to profit and loss account.

7.3 These includes mutual funds units / certificates of Pakistan Capital Protected Fund - 1, Pakistan Strategic Allocation Fund, Pakistan Income Enhancement Fund and Pakistan Premier Fund Limited which are associated undertakings as per the Companies Ordinance, 1984 on the basis of common directorship in the management company operating these funds, however, for the purpose of measurement, these have been classified as available for sale as the Bank does not exercise any significant influence over them.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2010**

	Note	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
Rupees in '000'			
8. ADVANCES			
Loans, cash credits, running finance, etc.			
In Pakistan		24,088,157	20,719,557
Outside Pakistan		-	-
		24,088,157	20,719,557
Financing in respect of Continuous funding system (CFS)		-	-
Net Investment in finance lease			
In Pakistan		301,077	142,388
Outside Pakistan		-	-
		301,077	142,388
Bills discounted and purchased (excluding Treasury Bills)			
Payable in Pakistan		664,259	97,064
Payable outside Pakistan		95,632	113,049
		759,891	210,113
		25,149,125	21,072,058
Provision against non-performing advances	8.1	(2,823,674)	(2,568,243)
Advances - net of provision		22,325,451	18,503,815

8.1 Advances include Rs. 4,909.281 million (December 31, 2009: Rs. 5,016.836 million) which have been placed under non-performing status as detailed below: -

Category of Classification	March 31, 2010 (Unaudited)			December 31, 2009 (Audited)		
	Classified Advances	Provision Required	Provision Held	Classified Advances	Provision Required	Provision Held
----- Rupees '000' -----						
Substandard	38,997	1,464	1,464	383,045	25,913	25,913
Doubtful	1,923,736	517,720	517,720	1,693,502	528,822	528,822
Loss	2,946,548	2,304,490	2,304,490	2,940,289	2,013,508	2,013,508
	4,909,281	2,823,674	2,823,674	5,016,836	2,568,243	2,568,243

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2010**

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

Business segment	Unaudited March 31, 2010		Audited December 31, 2009	
	Advances-Gross		Advances-Gross	
	Rupees '000'	%	Rupees '000'	%
Textile	2,076,535	8.26%	2,056,919	9.76%
Chemical and Pharmaceuticals	1,788,152	7.11%	1,261,500	5.99%
Cement	561,898	2.23%	650,791	3.09%
Sugar	1,369,200	5.44%	354,955	1.68%
Footwear and Leather garments	106,267	0.42%	77,196	0.37%
Automobile and transportation equipment	58,016	0.23%	54,686	0.26%
Electronics and electrical appliances	107,595	0.43%	136,985	0.65%
Construction	1,553,008	6.18%	1,565,126	7.43%
Power (electricity), Gas, Water, Sanitary	3,566,148	14.18%	3,002,252	14.25%
Wholesale and Retail Trade	2,471,300	9.83%	2,290,846	10.87%
Exports/Imports	713,588	2.84%	765,384	3.63%
Transport, Storage and Communication	800,000	3.18%	923,986	4.38%
Financial	3,665,202	14.57%	3,062,132	14.53%
Services	627,523	2.50%	447,140	2.12%
Individuals	3,222,389	12.81%	3,424,654	16.25%
Others	2,462,304	9.79%	997,506	4.73%
Advances- Gross	25,149,125	100.00%	21,072,058	100.00%

	March 31, 2010 (Unaudited)	March 31, 2009 (Unaudited)
	Rupees in '000'	
9. OPERATING FIXED ASSETS - AT COST		
9.1 Additions		
Leasehold Land	-	-
Building	-	139,536
Leasehold improvements	23,181	9,051
Furniture and fixtures	4,063	4,909
Electrical, office and computer equipment	13,096	51,737
Vehicles	2,770	5,050
Computer software	196	2,774
9.2 Deletions		
Electrical, office and computer equipment	196	113
Vehicles	-	66

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2010**

	Note	March 31, 2010 (Unaudited)	December 31, 2009 (Audited)
Rupees in '000'			
10. CONTINGENCIES AND COMMITMENTS			
10.1 Direct Credit Substitutes			
Including guarantees and standby letter of credit serving as financial guarantees for loans and advances			
Government		-	-
Banking companies and other financial institutions		-	-
Others		-	-
		<u>-</u>	<u>-</u>
10.2 Transaction-related contingent liabilities / commitments guarantees issued favoring			
Government		9,780,332	8,676,394
Banking companies and other financial institutions		605,550	1,010,067
Others		1,566,819	1,631,136
		<u>11,952,701</u>	<u>11,317,597</u>
10.3 Trade-related contingent liabilities			
Letters of credit		2,408,979	2,024,123
Acceptances		891,819	244,984
		<u>3,300,798</u>	<u>2,269,107</u>
10.4 Other contingencies - claims against bank not acknowledge as debt		<u>83,903</u>	<u>83,903</u>
10.5 Contingent assets			
There were no contingent assets as at March 31, 2010 (December 31, 2009: Nil)			
10.6 Commitments in respect of forward lending			
Forward call lending		-	-
Forward repurchase agreement lending		1,219,066	1,533,650
Commitments to extend credit		5,078,772	13,304,338
		<u>6,297,838</u>	<u>14,837,988</u>
10.7 Commitments in respect of forward exchange / future contracts			
Purchase		1,404,233	688,650
Sale		-	42,195
		<u>1,404,233</u>	<u>730,845</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2010**

Note	March 31, 2010 (Unaudited)	March 31, 2009 (Audited)
	Rupees in '000'	
10.8 Commitments for the acquisition of operating fixed assets		
Civil works	47,512	67,266
Acquisition of computer software	-	-
	<u>47,512</u>	<u>67,266</u>
10.9 Other commitments		
Commitments in respect of repo transactions	<u>2,151,241</u>	<u>532,804</u>
Commitments in respect of underwriting agreements	<u>328,000</u>	<u>28,000</u>
Commitments in respect of purchase of TFCs	<u>-</u>	<u>100,000</u>
Commitments in respect of purchase of RTCs	<u>6,890</u>	<u>-</u>

11. 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: -

	March 31, 2010		December 31, 2009	
	Key management personnel	Associates/ related party	Key management personnel	Associates/ related party
Advances				
Balance at the beginning of the period / year	98,817	602,292	103,694	930,458
Sanctioned / granted during the period / year	3,129	698,901	3,885	1,785,615
Payment received /adjusted during the period / year	(23,177)	(218,234)	(8,762)	(1,369,034)
Balance at the end of the period / year	<u>78,769</u>	<u>1,082,959</u>	<u>98,817</u>	<u>1,347,039</u>
Deposits				
Balance at the beginning of the period / year	7,161	304,480	3,934	1,489,978
Deposits during the period / year	97,608	2,556,206	3,563,588	76,936,419
Withdrawal during the period / year	(96,031)	(2,357,226)	(3,559,921)	(77,984,084)
Balance at the end of the period / year	<u>8,738</u>	<u>503,460</u>	<u>7,601</u>	<u>442,313</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2010**

March 31, 2010		December 31, 2009	
Key management personnel	Associates/related party	Key management personnel	Associates/related party

Rupees in '000'

Other				
Advance for renovation and refurbishment	-	-	-	-
Investments in Mutual Funds	-	103,787	-	153,244
Advance rent	-	-	-	6,125
Purchase of assets	-	-	-	185,856
Bills payable	-	-	-	-
Guarantees, letters of credits and acceptances	-	49,370	-	161,383
Contribution paid to the provident fund	-	-	-	13,664
Other Receivables	-	11	-	-
Other payable	-	1,192	-	1,097
Mark up payable	13	2,561	3,565	4,285
Mark up receivable	-	22,310	-	65,435
Profit / expense for the period				
Brokerage expenses paid - CFS	-	-	-	-
Brokerage expenses paid - equity securities	-	-	-	1,693
Rent expense	-	-	-	15,816
Mark up earned	1,546	23,612	8,228	157,561
Capital gain / (loss)	-	-	-	5,592
Dividend income	-	2,538	-	17,900
Mark up expensed	48	8,063	6,523	97,084
Mark up paid	35	5,502	2,981	100,982
Common expense	-	-	-	-
Proceed from disposal of operating fixed assets	-	-	-	-

11.1 Due to the change in ownership structure of the Bank, opening balance were restated wherever required.

12. 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 quarter ended March 31, 2010						
Total income	8,459	414,741	107,895	606,942	1,161	1,139,198
Total expenses	7,400	142,181	145,532	1,085,903	111	1,381,127
Net income / (loss) before tax	1,059	272,560	(37,637)	(478,961)	1,050	(241,929)
Segment return on assets (ROA) (%)	38.08	7.43	(2.84)	(9.21)	327.71	
Segment cost of funds (%)	265.91	3.88	10.97	20.88	34.53	
For the quarter ended March 31, 2009						
Total income	2,432	298,795	36,863	552,073	294	890,457
Total expenses	468	219,587	95,762	724,060	59	1,039,936
Net income / (loss) before tax	1,964	79,208	(58,899)	(171,987)	235	(149,479)
Segment return on assets (ROA) (%)	342.62	0.65	(3.08)	(1.14)	342.62	
Segment cost of funds (%)	13.63	12.33	861.69	3.35	0.09	
As at March 31, 2010						
Segment assets (Gross)	11,131	14,673,113	5,881,595	23,051,236	1,283	43,618,358
Segment non performing loans	-	-	1,003,384	3,905,897	-	4,909,281
Segment provision	-	-	577,117	2,246,557	-	2,823,674
Segment assets (Net)	11,131	14,673,113	5,304,478	20,804,679	1,283	40,794,684
Segment liabilities	4,057	2,257,380	120,617	34,458,321	181,731	37,022,106
As at December 31, 2009						
Segment assets (Gross)	9,812	17,230,556	3,854,766	19,645,596	888	40,741,618
Segment non performing loans	-	-	1,780,655	3,236,181	-	5,016,836
Segment provision	-	-	760,795	1,807,448	-	2,568,243
Segment assets (Net)	9,812	17,230,556	3,093,971	17,838,148	888	38,173,375
Segment liabilities	1,372	565,872	5,723,562	27,614,835	213,334	34,118,975

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)
FOR THE QUARTER ENDED MARCH 31, 2010**

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

13. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 27, 2010 by the Board of Directors of the bank.

14. GENERAL

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

14.2 Comparative figures have been restated wherever required.



PRESIDENT AND CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



CHIEF FINANCIAL OFFICER

Branch Network

KARACHI (17 BRANCHES)

I.I. Chundrigar Road Branch

Uni Tower, I.I. Chundrigar Road Karachi. Tel:021-32466410-13

Boat Basin Branch

Ground floor, Plot No. FL-4, Hanging Garden, Block-5, Clifton Karachi. Tel:021-35824171-80, 021-35823469, 021-35823606

Gulshan-e-Iqbal Branch

Ground Floor, Shop # CA- 1, 2, 3, Hasan Center, Block 16, Main University Road Karachi. Tel: 021-34829024-27

Atrium Mall Branch

Shop No. 6 and 21 Ground floor, Plot No. 249, Atrium Mall, Zaibunissa Street, Saddar Karachi. Tel:021-5641000-9

Karachi Stock Exchange Branch

Room No. 60 to 63, KSE Building, Stock Exchange Road Karachi. Tel: 021-32462844-50, 021-32462829-30

Cloth Market Branch

28, Cochinwala Market, LaxmiDas Street Karachi. Tel:021-32443651, 021-32443591, 021-32443871

Korangi Branch

33/1, Sector-15, Korangi Industrial Area, Karachi. Tel:021-35122231-32

Gulistan-e-Jauhar (Sub-Branch)

118/A-B, Shop # 02,03,04 Ground Floor, Ruffi Paradise Block-18,K.D.A, Scheme # 36, Gulistan-e-Jauhar, Karachi. Tel:021-34621281-4

Adamjee Nagar (Sub Branch)

Tipu Sultan Road, Adamjee Nagar, 115-A/Z, ShabierAbad, Opp Kathiawar Hospital, Karachi. Tel:021-34312984-7

Bahadurabad (Sub Branch)

Plot No. C-23, Block 3, CCA, Bihar Muslim Central Com. Area, Bahadurabad, Karachi. Tel:021-34913447, 021-34913449, 021-34913451

S.I.T.E. (Sub Branch)

B 49, State Avenue, SITE Karachi. Tel:021-32589662, 021-32589663

Dolmen City Branch

Ground Floor, Harbour Front, Triangular Tower, Dolmen City, Block 4, Clifton, Karachi. Tel:021-35297611-1561

Hyderi (Sub Branch)

D-10, Block F, North Nazimabad, Hyderi, Karachi. Tel:021-36724972-74

Nooriabad Branch

Nooriabad Industrial Area, Nooriabad Karachi. Tel:025-4670433

Khayaban-e-Jami Branch

64-C, 7th Street, Phase 7, Jami Commercial, DHA, Karachi. Tel:021-35316200-7

M. A. Jinnah Road Branch

Mezzanine Floor, Street R.B.6, Survey #19, Ram Bagh Quarters, M.A. Jinnah Road, Karachi. Tel:021-32218395, 021-32218409, 021-2218428

Jodia Bazar Branch

A/25/28 Darayalal Street, Jodia Bazar, Karachi. Tel:021-32500

Hyderabad (1 Branch)

Bori Bazar Branch

41/364, Saddar, Bori Bazar Hyderabad. Tel:022-2730911-5

Sukkur (1 Branch)

Marich Road Branch

B - 885, Marich Bazar, Sukkur. Tel:071-5627781-2, 85, 90

Mirpurkhas (1 Branch)

Mirpurkhas Branch

Plot No : 988 to 991 Umerkot Gharibabad, Mirpur Khas. Tel:0233-8751

Lahore (6 Branches)

Y Block DHA Branch

163, Block Y, Phase III, DHA Lahore Cantt, Lahore. Tel:042-5749069-79

Lahore Stock Exchange Branch

Office No. 5, LSE Building, 19, Aiwan e Iqbal Road, Lahore. Tel: 042-6280852-8, 042-6271715-6

Multan Road (Sub Branch)

Plot No. 9/A, Scheme More Corner, Industrial Block, Allama Iqbal Town, Multan Road, Lahore. Tel:042-7497451-6

Ferozpur Road (Sub Branch)

Siza Farmer Factory, Sufiabad, Main Ferozpur Road, Lahore. Tel:042-5800096-98

Gulberg Branch

132-E, Main Boulevard, Gulberg Lahore. Tel:042-5870832-33

Circular Road Branch

Baber Center, 51 Circular Road, Lahore. Tel:042-37379371-5

Branch Network

Islamabad (2 Branches)

Super Market Branch

Plot No. 6B, F-6, Super Market, Islamabad. Tel:051-2279167-70

Islamabad Stock Exchange (Sub Branch)

Shop No 5, Al Khair Plaza, Islamabad. Tel:051-2806281-3

Rawalpindi (1 Branch)

Bank Road

Plot No. 27, Bank Road, Rawalpindi. Tel:051-5120713-18

Multan (2 Branches)

Abdali Road Branch,

Plot No. 66-A & 66-B/9, Abdali Road, Multan.

Tel:4516761-2, 061-4572519

Hussain Agahi (Sub Branch)

Zenith Market, Chowk Bazar, Multan.

Tel:061-4511037, 061-4511057, 061-4511059

Faisalabad (2 Branches)

Yarn Market Branch

Property No. 7, Ward No.8, Chack No.212/RB,
Tehsil & District Faisalabad.

Tel:041-2619885, 041-2619746, 041-2645504

Liaquat Road Branch

Liaquat Road, FSD Chak # 212, Faisalabad. Tel:041-2541256-62

Gujranwala (1 Branch)

GT Road Branch

Property #Bx11-7S-105, Main GT Road, Gujranwala.

Tel:055-3820970-74

Gujrat (1 Branch)

Gujrat Branch

Revenue Area of Jattowakal, Main GT Road Tehsil & Distt, Gujrat.

Tel:053- 3517051-54

Peshawar (1 Branch)

Islamia Road Branch

Unit No. UG-67A, Upper GF & LG 79B & LG-79C,

Deans Trade Centre,

Islamia Road, Peshawar. Tel:091-5253981-5

Quetta (1 Branch)

M.A Jinnah Road Branch

Ground floor, Malik Plaza, M.A. Jinnah Road, Quetta.

Tel:081-2865590-95

Sadiqabad (1 Branch)

Sadiqabad Branch

Mozzah Khuda Bux Dehar, Macchi Goth, KLP Road, Sadiqabad.

Tel:068-5786791, 068-5786792, 068-5786793

Mirpur AJK (1 Branch)

Mirpur AJK Branch

NS Tower 119 F/1, Kotli Road, Mirpur, Azad Kashmir.

Tel:058274-37193-6

Sialkot (1 Branch)

Paris Road Branch

Plot No. 1/1437 Paris Road, Sialkot. Tel:052-4602894-97



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