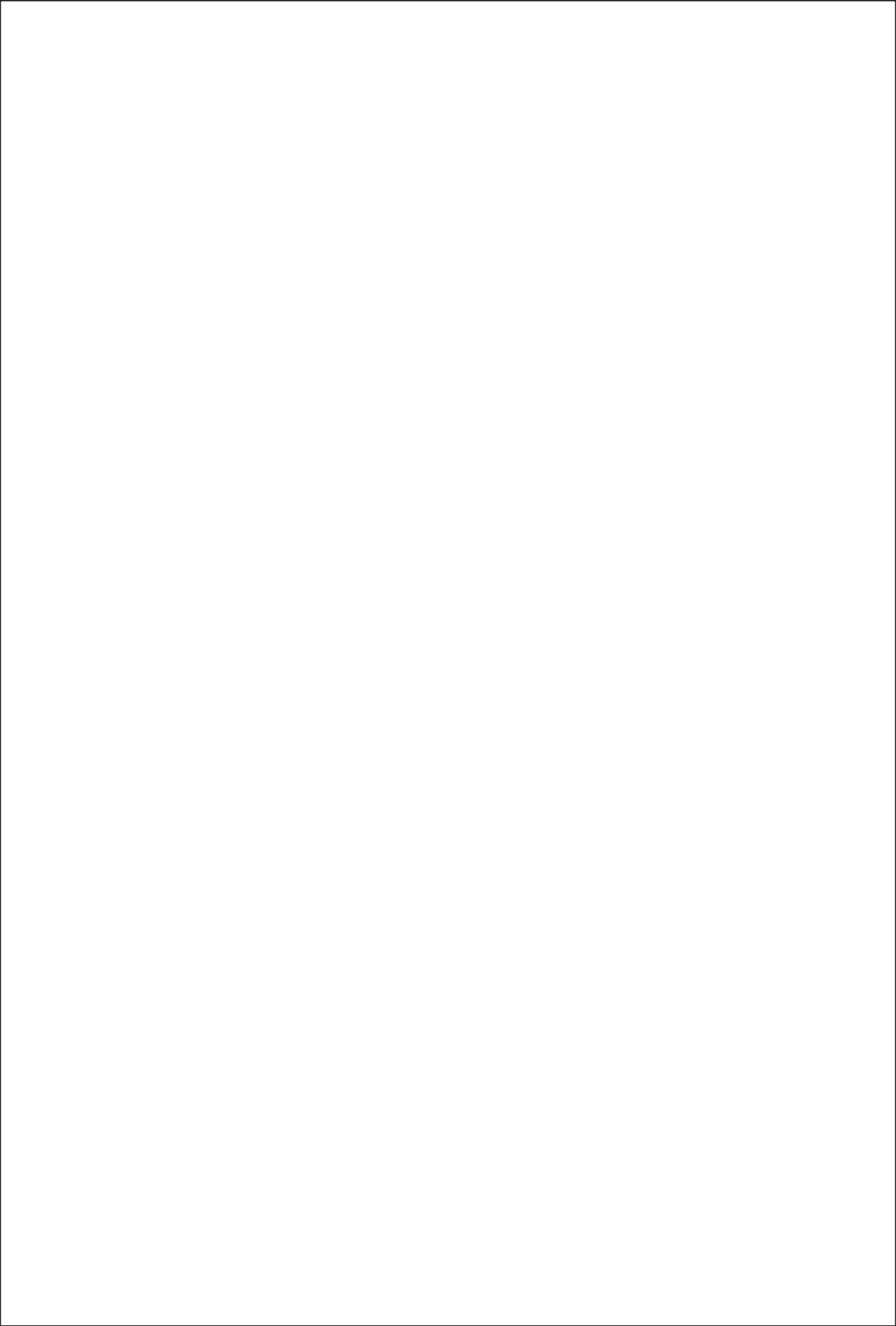




ARIF HABIB
RUPALI BANK
the bank for everyone

Half
Yearly
Report
June 30, 2007



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CORPORATE INFORMATION

Board of Directors

Mr. Arif Habib
Chairman

Mr. Kamal Uddin Khan
President & CEO

Mr. Salim Chamdia
Director

Mr. Md. Abdul Hamid Miah
Director

Mr. Asadullah Khawaja
Director

Mr. Rahim Khanani
Director

Mr. Nasim Beg
Director

Syed Ajaz Ahmed
Director & Company Secretary

Audit Committee

Mr. Asadullah Khawaja
Chairman

Mr. Nasim Beg
Member

Syed Ajaz Ahmed
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. Rahim Khanani
Member

Mr. Asadullah Khawaja
Member

Mr. Nasim Beg
Member

Human Resource (HR) Committee

Mr. Arif Habib
Chairman

Mr. Salim Chamdia
Member

Mr. Rahim Khanani
Member

Mr. Asadullah Khawaja
Member

Company Secretary

Syed Ajaz Ahmed

Chief Financial Officer

Mr. Muhammad Amin Bhoori

Auditors

M. Yousuf Adil Salim & Co.
Chartered Accountants

Legal Advisor

Liaquat Merchant Associates

Head Office / Registered Office

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

Tel: 1111 - AHRBL Fax: 2435736

Entity Ratings

Rated by: JCR-VIS

Medium to long term "A"
Short term "A-2"
Outlook "Stable"

Rated by: PACRA

Long term "A"
Short term "A-1"

E-mail

info@arifhabibbank.com

Website

www.arifhabibbank.com



VISION

VISION

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



MISSION

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 segments.

Directors' Report

On behalf of the Board of Directors of Arif Habib Rupali Bank Limited (the Bank), we are pleased to present the unaudited financial statements for the half-year ended June 30, 2007.

Financial Highlights

Financial Highlights of the Bank for the half year ended June 30, 2007 are as follows:

| | (Rupees in '000) |
|---------------------------------------|------------------|
| Profit for the period before taxation | 50,268 |
| Equity | 3,125,858 |
| Paid-up-capital | 3,000,000 |
| Deposits | 5,117,950 |
| Advances (Net of provisions) | 2,506,519 |
| Investments | 4,989,710 |
| Advances to Deposit Ratio | 49% |
| No. of Branches | 7 |

The Bank continued its growth momentum. Deposits increased by 103% to Rs. 5,118 million, while Advances grew by 76% to Rs. 2,507 million during the period under review as compared to 31st December 2006.

Revenue was up by 56% to Rs. 218.91 million. Profit before tax for the half year was Rs. 50.26 million. Profit after tax, however declined due to Rs.33.6 million deferred tax charge that was applicable in the current period.

Business and Branch Network

The Bank is currently operating with seven branches throughout Pakistan (four in Karachi and one each in Islamabad, Lahore and Multan). Five new branches will be added to the network during the current fiscal year. In addition, several new sites have been acquired/identified on strategic locations to expand the branch network in due course of time. All branches are online, equipped with state of the art technology capable of providing real time banking services to the customers. A professional team has been developed to meet the expectation of demanding services. This is in line with the Bank's strategy to build an infrastructure of international standard to attract sizeable client base.

Update on Merger of Arif Habib Securities Limited with the Bank

The Board of Directors of the Bank had recommended to the general body for the merger of Arif Habib Securities Limited with and into the Bank. The general body in the Extraordinary general meeting decided to defer the merger proposal in view of the negative tax implications of budgetary proposals on the proposed merged entity and had asked the Board to review its decision and submit the revised proposal, if deemed appropriate.

The Board of Directors in its meeting held on July 24, 2007 has decided to defer the merger proposal for the time being and decided to raise the equity to Rs. 6 billion by issuing 50% right shares at a premium of Rs. 10 per share. This will help in meeting the Minimum Capital Requirement for the Bank until end of 2009. The Board has further decided to list the Bank on all the stock exchanges of the country.

Directors' Report

Credit Rating

JCR-VIS Credit Rating Company Limited has assigned the Bank's credit ratings of 'A' for medium to long-term and 'A-2' for short term with a stable outlook.

The Pakistan Credit Rating Agency Limited PACRA has assigned initial credit ratings of 'A' for medium to long-term and 'A-1' for short term with a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

Aforesaid Ratings by JCR-VIS and PACRA incorporated the positive impact of the proposed merger of Arif Habib Securities Limited into the Bank. Following deferment of this merger the Rating Agencies have placed the entity rating of the Bank on 'Rating Watch-Developing' status. The Board feels that increase in equity of the Bank to Rs. 6 billion will help address this issue.

Future Outlook of the Bank

The Bank has developed a strategic plan for long term sustainable growth which will maximize shareholders' value.

We will continue to build on our strengths & expertise in the financial services industry, leverage optimal mix of Technology to attain operating cost-efficiencies, achieve product and service differentiation, while at the same time growing our footprint through expansion of our branch network across Pakistan.

Acknowledgement

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 customers for their patronage and employees of the Bank for their commitment and hard work.

On Behalf of the Board of Directors

Kamal Uddin Khan
President & CEO

Arif Habib
Chairman

July 24, 2007

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of **ARIF HABIB RUPALI BANK LIMITED (“the Bank”)** as at June 30, 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the “Interim Financial Information”). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed profit and loss account for the quarter ended June 30, 2007 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2007.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended June 30, 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Dated: 24 July 2007
Karachi

Condensed Interim Balance Sheet

as at June 30, 2007

| | Note | June 30, 2007 Unaudited (Rupees '000') | December 31, 2006 Audited (Rupees '000') |
|---|------|---|---|
| ASSETS | | | |
| Cash and balances with treasury banks | | 458,953 | 228,374 |
| Balances with other banks | | 500,991 | 645,650 |
| Lendings to financial institutions | | 400,000 | 1,079,286 |
| Investments | 5 | 4,989,710 | 1,730,868 |
| Advances | 6 | 2,506,519 | 1,424,369 |
| Other assets | | 252,916 | 202,758 |
| Operating fixed assets | 7 | 475,175 | 385,074 |
| Deferred tax assets | | - | - |
| | | 9,584,264 | 5,696,379 |
| LIABILITIES | | | |
| Bills payable | | 19,612 | 3,899 |
| Borrowings from financial institutions | | 1,183,054 | - |
| Deposits and other accounts | | 5,117,950 | 2,526,271 |
| Sub-ordinated loans | | - | - |
| Liabilities against assets subject to finance lease | | - | - |
| Other liabilities | | 104,358 | 93,328 |
| Deferred tax liabilities | | 33,432 | 105 |
| | | 6,458,406 | 2,623,603 |
| NET ASSETS | | 3,125,858 | 3,072,776 |
| REPRESENTED BY | | | |
| Share capital | | 3,000,000 | 3,000,000 |
| Reserves | | 21,959 | 18,795 |
| Unappropriated profit | | 87,083 | 75,179 |
| | | 3,109,042 | 3,093,974 |
| Surplus / (deficit) on revaluation of assets - net | | 16,816 | (21,198) |
| | | 3,125,858 | 3,072,776 |

CONTINGENCIES & COMMITMENTS

8

The annexed notes from 1 to 11 form an integral part of these accounts.


PRESIDENT AND CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


DIRECTOR

Condensed Interim Profit and Loss Account (Unaudited)

for the half year and quarter ended June 30, 2007

| | Half year ended June 30, 2007 | Half year ended June 30, 2006 | Quarter ended June 30, 2007 | Quarter ended June 30, 2006 |
|---|-------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| | Rupees '000' | | | |
| Mark-up / Return / Interest earned | 205,063 | - | 108,770 | - |
| Mark-up / Return / Interest expensed | (99,672) | - | (56,260) | - |
| Net Mark-up / Interest Income | 105,391 | - | 52,510 | - |
| Provision against non-performing advances | - | - | - | - |
| Provision for diminution in the value of investments | - | - | - | - |
| Bad debts written off directly | - | - | - | - |
| Net Mark-up / Interest Income after provisions | 105,391 | - | 52,510 | - |
| NON MARK-UP / INTEREST INCOME | | | | |
| Fee, Commission and Brokerage Income | 1,159 | - | 1,026 | - |
| Dividend Income | 3,761 | - | 3,595 | - |
| Gain on sale of investment | 103,417 | - | 66,076 | - |
| Income from trading in Government Securities | 865 | - | 435 | - |
| Income from dealing in foreign currencies | 160 | - | 49 | - |
| Unrealized Loss on revaluation of investments classified as held for trading | (5,078) | - | (5,026) | - |
| Other Income | 9,238 | - | 3,112 | - |
| Total non-Mark-up / Interest Income | 113,522 | - | 69,267 | - |
| | 218,913 | - | 121,777 | - |
| NON MARK-UP / INTEREST EXPENSES | | | | |
| Administrative expenses | 167,933 | - | 88,098 | - |
| Other provisions / write-offs | - | - | - | - |
| Other charges | 712 | - | - | - |
| Total non mark-up / interest expenses | (168,645) | - | (88,098) | - |
| Extra ordinary / unusual items | - | - | - | - |
| PROFIT BEFORE TAXATION | 50,268 | - | 33,679 | - |
| Taxation | | | | |
| Current | 1,593 | - | 823 | - |
| Prior years | - | - | - | - |
| Deferred | 33,607 | - | 33,607 | - |
| PROFIT / (LOSS) AFTER TAXATION | 15,068 | - | (751) | - |
| Unappropriated profit brought forward | 75,179 | - | 90,998 | - |
| Profit available for appropriation | 90,247 | - | 90,247 | - |
| Basic and Diluted earnings / (loss) per share | 0.177 | - | (0.009) | - |

The annexed notes from 1 to 11 form an integral part of these accounts.


PRESIDENT AND CHIEF EXECUTIVE


DIRECTOR

 
DIRECTOR DIRECTOR

Condensed Interim Cash Flow Statement

for the half year ended June 30, 2007

| | June 30, 2007 Unaudited (Rupees '000') | June 30, 2006 Unaudited (Rupees '000') |
|---|---|---|
| A. CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 50,268 | - |
| Less: Dividend income | <u>(3,761)</u> | <u>-</u> |
| | 46,507 | - |
| Depreciation | 15,046 | - |
| Amortization | 4,187 | - |
| Unrealized gain / loss on revaluation of Investment Held for Trading | 5,078 | - |
| Provision for non-performing advances | - | - |
| Gain on sale of fixed assets | (752) | - |
| Provision for gratuity | 350 | - |
| | <u>23,909</u> | <u>-</u> |
| | 70,416 | - |
| (Increase) / decrease operating assets | | |
| Lendings to financial institutions | 679,286 | - |
| Advances | (1,082,150) | - |
| Net investments in held for trading securities | (86,791) | - |
| Others assets | (46,661) | (45,618) |
| | <u>(536,316)</u> | <u>(45,618)</u> |
| Increase / (decrease) operating liabilities | | |
| Bills payable | 15,713 | - |
| Borrowings from financial institutions | 1,183,054 | - |
| Deposits and other accounts | 2,591,679 | - |
| Other liabilities | 13,742 | 142,198 |
| | <u>3,804,188</u> | <u>142,198</u> |
| | 3,338,288 | 96,580 |
| Income tax paid | <u>(11,082)</u> | <u>-</u> |
| Net cash flow from operating activities | <u>3,327,206</u> | <u>96,580</u> |

Condensed Interim Cash Flow Statement

for the half year ended June 30, 2007

| | June 30, 2007 Unaudited (Rupees '000') | June 30, 2006 Unaudited (Rupees '000') |
|--|---|---|
| B. CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Net investments in available-for-sale securities | (3,139,116) | - |
| Dividend income | 2,227 | - |
| Investments in operating fixed assets | (105,909) | (83,639) |
| Cash flow on acquisition | - | - |
| Sale proceeds of property and equipment disposed-off | 1,512 | - |
| | <u>(3,241,286)</u> | <u>(83,639)</u> |
| Net cash flow used in investing activities | | |
| C. CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issue of share capital | - | 100 |
| Cash flow from financing activities | - | 100 |
| | <u>85,920</u> | <u>13,041</u> |
| Increase in cash and cash equivalents | | |
| Cash and cash equivalents at beginning of the period | 874,024 | - |
| Cash and cash equivalents at end of the period | <u>959,944</u> | <u>13,041</u> |

The annexed notes 1 to 11 form an integral part of these accounts.


PRESIDENT AND CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


DIRECTOR

Condensed Interim Statement of Changes in Equity (Unaudited)

for the half year ended June 30, 2007

| | Share capital | Statutory reserve | Unappropriated Profit | Total |
|--|------------------|-------------------|-----------------------|------------------|
| | Rupees '000' | | | |
| Balance as at December 31, 2005 | - | - | - | - |
| Issue of share capital | 100 | - | - | 100 |
| Profit after taxation for the period | - | - | - | - |
| Transferred to Statutory reserve | - | - | - | - |
| Balance as at June 30, 2006 | 100 | - | - | 100 |
| Issue of share capital | 2,999,900 | - | - | 2,999,900 |
| Profit after taxation for the period | - | - | 93,974 | 93,974 |
| Transferred to statutory reserve | - | 18,795 | (18,795) | - |
| Balance as at December 31, 2006 | 3,000,000 | 18,795 | 75,179 | 3,093,974 |
| Profit after taxation for the period | - | - | 15,068 | 15,068 |
| Transferred to Statutory reserve | - | 3,164 | (3,164) | - |
| Balance as at June 30, 2007 | 3,000,000 | 21,959 | 87,083 | 3,109,042 |

The annexed notes from 1 to 11 form an integral part of these accounts.


PRESIDENT AND CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


DIRECTOR

Notes to the Interim Financial Statements (Unaudited)

for the half year ended June 30, 2007

1. STATUS AND NATURE OF BUSINESS

- 1.1** Arif Habib Rupali 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 has obtained certificate of commencement of business from Securities and Exchange Commission of Pakistan on April 10, 2006.
- 1.2** State Bank of Pakistan sanctioned a scheme of amalgamation under section 48 of the Banking Companies Ordinance, 1962 on July 07, 2006 by virtue of which Rupali Bank Limited - Pakistan Branch (here-in-after referred as "RBL") was amalgamated with the Bank on August 04, 2006. This scheme of amalgamation had been approved by the shareholders of the Bank in an extraordinary general meeting held on May 17, 2006. The bank obtained Certificate of Commencement of Business from SBP effective from August 05, 2006.

The bank is principally engaged in the business of banking company, through its seven (7) 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 with a positive outlook. Short term rating of the bank is A-2. The long and short term ratings of the Bank as rated by PACRA, credit rating agency is A and A1 respectively.

2. STATEMENT OF COMPLIANCE

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

The disclosure 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 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 financial statements should be read in conjunction with the financial statements of the bank for the year ended December 31, 2006.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except for the measurement of certain financial instruments at fair value.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in preparation of these financial statements are the same as those adopted in the preparation of the financial statements of the bank for the period from December 09, 2005 to December 31, 2006.

Notes to the Interim Financial Statements (Unaudited)

for the half year ended June 30, 2007

| Unaudited June 30, 2007 | | | Audited Dec. 31, 2006 | | |
|-------------------------|---------------------|-------|-----------------------|---------------------|-------|
| Held by bank | Given as collateral | Total | Held by bank | Given as collateral | Total |

Rupees '000'

5. INVESTMENTS

5.1 Investments by types:

Available for sale securities

| | | | | | | |
|------------------------------------|------------------|------------------|------------------|------------------|----------|------------------|
| Market Treasury Bills | 1,170,856 | 950,000 | 2,120,856 | 384,651 | - | 384,651 |
| Certificate of investments | - | - | - | - | - | - |
| Pakistan Investment Bonds | 246,626 | 200,000 | 446,626 | 203,196 | - | 203,196 |
| Listed companies shares | 188,769 | - | 188,769 | 364,013 | - | 364,013 |
| Mutual funds units / certificates | 1,885,800 | - | 1,885,800 | 650,795 | - | 650,795 |
| Unlisted Term Finance Certificates | 250,000 | - | 250,000 | 150,000 | - | 150,000 |
| | 3,742,051 | 1,150,000 | 4,892,051 | 1,752,655 | - | 1,752,655 |

Held for trading

| | | | | | | |
|--|------------------|------------------|------------------|------------------|----------|------------------|
| Mutual funds units / certificates | 3,096 | - | 3,096 | - | - | - |
| Listed companies shares | 83,695 | - | 83,695 | - | - | - |
| | 86,791 | - | 86,791 | - | - | - |
| Less: Provision for diminution in value of investments | - | - | - | - | - | - |
| Surplus / (deficit) on revaluation of securities | 10,868 | - | 10,868 | (21,787) | - | (21,787) |
| Investments at cumulative amount (net of provisions) | 3,839,710 | 1,150,000 | 4,989,710 | 1,730,868 | - | 1,730,868 |

| June 30, 2007 Unaudited (Rupees '000') | December 31, 2006 Audited (Rupees '000') |
|---|---|
|---|---|

6. ADVANCES

Loans, cash credits, running finance, etc.

| | | |
|--|------------------|------------------|
| In Pakistan | 1,554,652 | 533,997 |
| Outside Pakistan | - | - |
| | 1,554,652 | 533,997 |
| Financing in respect of Continuous funding system (CFS) | 1,085,218 | 1,030,611 |
| Net Investment in finance lease | | |
| In Pakistan | - | - |
| Outside Pakistan | - | - |
| | - | - |
| Bills discounted and purchased (excluding Treasury Bills) | | |
| Payable in Pakistan | - | - |
| Payable outside Pakistan | - | - |
| | - | - |
| | 2,639,870 | 1,564,608 |
| Provision for non-performing advances | (133,351) | (140,239) |
| | 2,506,519 | 1,424,369 |

Notes to the Interim Financial Statements (Unaudited)

for the half year ended June 30, 2007

- 6.1 Advances include Rs.133.327 million which have been placed under non-performing status as detailed below: -

Category of Classification

| | Domestic | Overseas | Total Advances Rupees '000' | Provision required | Provision held |
|-------------|----------------|----------|-----------------------------------|-----------------------|-------------------|
| Substandard | - | - | - | - | - |
| Doubtful | - | - | - | - | - |
| Loss | 133,327 | - | 133,327 | 133,327 | 133,327 |
| | <u>133,327</u> | <u>-</u> | <u>133,327</u> | <u>133,327</u> | <u>133,327</u> |

| | June 30, 2007 Unaudited (Rupees '000') | December 31, 2006 Audited (Rupees '000') |
|--|---|---|
| 7. OPERATING FIXED ASSETS - AT COST | | |

7.1 Additions

| | | |
|---|--------|---------|
| Building | 22,997 | 196,409 |
| Furniture and fixture | 7,130 | 3,083 |
| Electrical, office and computer equipment | 46,680 | 31,966 |
| Vehicles | 13,524 | 27,826 |

7.2 Deletions

| | | |
|---|-------|-----|
| Building | - | - |
| Furniture and fixture | 122 | - |
| Electrical, office and computer equipments | 723 | - |
| Vehicles | 3,316 | 900 |

8. CONTINGENCIES AND COMMITMENTS

8.1 Direct Credit Substitutes

Contingent liability in respect of guarantees given favouring:

| | | |
|--|---|---|
| Government | - | - |
| Banking Companies and other financial institutions | - | - |
| Others | - | - |
| | - | - |

8.2 Transactions-related contingent liabilities / commitments

Guarantees given in favour of:

| | | |
|--|-------|---|
| Government | 4,698 | - |
| Banking Companies and other financial institutions | - | - |
| Others | 1,620 | - |
| | 6,318 | - |

8.3 Trade-related contingent liabilities

| | | |
|-------------------|--------|---|
| Letters of credit | 85,340 | - |
| Acceptances | 7,640 | - |
| | 92,980 | - |

Notes to the Interim Financial Statements (Unaudited)

for the half year ended June 30, 2007

| | June 30, 2007 Unaudited (Rupees '000') | December 31, 2006 Audited (Rupees '000') |
|---|---|---|
| 8.4 Other contingencies - Claims against bank not acknowledge as debt | 83,903 | 83,903 |
| 8.5 Commitments in respect of forward lending | | |
| Forward call lending | - | - |
| Forward repurchase agreement lending | - | 49,286 |
| Commitments to extend credit | - | - |
| | - | 49,286 |
| 8.6 Commitments in respect of future contracts | | |
| Purchase | - | 3,501 |
| Sale | 16,643 | 26,736 |
| | 16,643 | 30,237 |
| 8.7 Commitments for the acquisition of operating fixed assets | | |
| Civil works | 25,382 | 14,168 |
| Acquisition of computer software | 18,273 | 38,876 |
| | 43,655 | 53,044 |
| 8.8 Underwriting Commitments | - | 50,000 |
| 8.9 In the year 2005, DCIT completed assessment for tax year 2003 of Rupali Bank Limited - Pakistan Branch (RBL) and created an additional tax demand of Rs.42.241 million on account of disallowance of provision made by RBL against the non performing advances amounting to Rs.89.12 million. The order of CIT was set aside by the Commissioner of Income Tax (Appeals) vide its Order No. 65, 66 dated June 22, 2005 for reconsideration by the DCIT in the light of orders passed by higher forum in this context. RBL as well as the tax department have filed appeal with ITAT against the order of CIT appeals which is pending. No provision has been made in this respect in these financial statements as in the opinion of Tax Consultants, the case is likely to be decided in favour of RBL based on precedence. | | |

9. RELATED PARTY TRANSACTIONS

Transactions with related parties are executed on the same terms as those prevailing at the time for comparable transactions with unrelated parties.

The detail of transactions with related parties and balances with them are given below: -

Arif Habib Limited - an associated company

Brokerage Services

| | | |
|----------------------------------|--------------|---------------|
| Brokerage expenses paid - CFS | <u>7,802</u> | <u>10,499</u> |
| Brokerage expenses paid - Equity | <u>1,478</u> | <u>1,483</u> |
| Brokerage payable | <u>313</u> | <u>-</u> |

Notes to the Interim Financial Statements (Unaudited)

for the half year ended June 30, 2007

| | June 30, 2007 Unaudited (Rupees '000') | December 31, 2006 Audited (Rupees '000') |
|--|---|---|
| Financing | | |
| Balance at the beginning of the period | 380,050 | - |
| Sanctioned / granted during the period | 27,044 | 453,571 |
| Payment received during the period | 380,050 | 73,521 |
| Balance at the end of the period | <u>27,044</u> | <u>380,050</u> |
| Mark up charged during the period | <u>15,927</u> | <u>4,221</u> |
| Share Subscription money | <u>-</u> | <u>50,000</u> |
| Mutual Fund of Arif Habib Investment Management Company | | |
| Investments - group company | | |
| Pakistan Capital Market Fund | - | 10,000 |
| Pakistan Income fund | 450,000 | 400,000 |
| | <u>450,000</u> | <u>410,000</u> |
| Capital gain earned during the period | <u>20,515</u> | <u>6,372</u> |
| Deposits - associated persons / companies | | |
| Balance at the beginning of the period | 523,237 | - |
| Deposits during the period | 11,055,965 | 2,257,790 |
| Withdrawal during the period | 9,011,564 | 1,734,553 |
| Balance at the end of the period | <u>2,567,638</u> | <u>523,237</u> |
| Mark up charged during the period | <u>7,744</u> | <u>7,875</u> |
| Mark up paid | <u>8,767</u> | <u>4,868</u> |
| Mark up payable | <u>2,466</u> | <u>3,489</u> |

10. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on July 24, 2007 by the Board of Directors of the bank.

11. GENERAL

11.1 Comparative figures of Condensed interim profit and loss account for quarter and half year ended June 30, 2006 are reported as "NIL" as there were no transactions during the period except issuance of shares and certain other transactions as disclosed in Condensed interim Cash Flow Statement and Condensed interim Statement of Changes in Equity. These comparative figures were not reviewed by the auditors.

11.2 Figures have been rounded off to the nearest thousand rupee.


PRESIDENT AND CHIEF EXECUTIVE


DIRECTOR


DIRECTOR


DIRECTOR

BRANCH NETWORK

| BRANCH | CONTACT NO. | ADDRESS |
|--------|-------------|---------|
|--------|-------------|---------|

KARACHI

| | | |
|---------------------------|--|--|
| I.I Chundrigar | Tel: 021-2466410 021-2466412 021-2466413 Fax: 021-2466500 | Uni Towers, I.I. Chundrigar Road, Karachi. |
| Boat Basin | Tel: 021-5824171 Fax: 021-5824163 | Ground Floor, Plot No. FL-4, Hanging Garden, Block-5, Clifton, Karachi. |
| Gulistan-e-Jauhar | Tel: 021-4030527-8 021-4030530 021-4030536 Fax: 021-4030529 | Shop No. G1-010, Rufi Shopping Mall, Plot No. 118/9, C-1, Block 18, Scheme No. 36, Gulistan-e-Jauhar, Karachi. |
| Atrium Mall | Tel: 021-5641000-3 021-5641007 Fax: 021-5641008 | Shop No. 6 & 21 Ground Floor, Plot No. 249, Atrium Mall, Staff lines, Zaibunnisa Street, Saddar, Karachi. |
| Karachi Stock Exchange | Tel: 021-2462843-50 021-2462829-30 Fax: 021-2452843 | Room No. 60-63, First Floor, Karachi Stock Exchange Building, Karachi. |

LAHORE

| | | |
|--------------------------|---|--|
| Defence | Tel: 042-5692531-38 Fax: 042-5749070 | 163, Block Y, Phase III, DHA, Lahore Cantt. |
| Lahore Stock Exchange | Tel: 042-2680852-8 Fax: 042-6280851 | Office No. 5, 19 Aewan-e-Iqbal Road, Lahore Stock Exchange Building, Lahore |

ISLAMABAD

| | | |
|--------------|---|--|
| Super Market | Tel: 051-2279167-70 Fax: 051-2279166 | Plot No. 6B, F-6, Super Market, Islamabad. |
|--------------|---|--|

MULTAN

| | | |
|-------------|---------------------------------|---|
| Abdali Road | Tel: 061-4571704 061-4573729 | Plot No. 66-A & 66-B/9, Abdali Road, Multan. |
|-------------|---------------------------------|---|

BRANCHES




Islamabad


Lahore


Multan


Karachi

Future model of Arif Habib Center





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Fax: 2435736

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