



ARIF HABIB BANK LIMITED

(Formerly Arif Habib Rapid Bank Ltd.)

HEAD OFFICE:

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

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

Website: www.arifhabibbank.com **E-mail:** info@arifhabibbank.com

Half Yearly Report

JUNE 30, 2008

the bank for
everyone



ARIF HABIB BANK LIMITED

(Formerly Arif Habib Rapid Bank Ltd.)

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Board of Directors

Mr. Arif Habib - Chairman
 Mr. Kamal Uddin Khan - President & CEO
 Mr. Salim Chamdia - Executive Director
 Mr. Md. Abdul Hamid Miah - Director
 Mr. Asadullah Khawaja - Director
 Mr. Nasim Beg - Director
 Syed Ajaz Ahmed - Director

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. Kamal Uddin Khan - Member
 Mr. Salim Chamdia - Member
 Mr. Asadullah Khawaja - Member
 Mr. Nasim Beg - Member

Human Resource (HR) Committee

Mr. Arif Habib - Chairman
 Mr. Kamal Uddin Khan - Member
 Mr. Salim Chamdia - Member
 Mr. Asadullah Khawaja - Member

Chief Financial Officer & Company Secretary

Mr. Muhammad Amin Bhoori

Auditors

M. Yousuf Adil Salim & Co.
 Chartered Accountants

Legal Advisors

Liaquat Merchant Associates

Head Office:

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

Registered Office:

2/1, R.Y. 16, Old Queen's Road,
 Karachi-74000.

Share Registrar:

Technology Trade (Pvt) Ltd.
 Dagia House, 241-C, Block 2, P.E.C.H.S.,
 Off: Shahrah-e-Quaideen, Karachi.
 Tel: (021) 439-1316-7
 Fax: (021) 439-1318

Entity Rating

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

E-mail: info@arifhabibbank.com
 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 community at large.

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

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

Financial Highlights

The Bank continues its growth momentum during the half year under review. Financial Highlights of the Bank for the period are as follows:

| | Unaudited June 30, 2008 | Unaudited June 30, 2007 |
|---------------------------------------|-------------------------------|-------------------------------|
| ----- Rupees in '000' ----- | | |
| Total assets | 25,298,336 | 9,584,264 |
| Equity | 6,536,813 | 3,109,042 |
| Paid-up-capital | 4,500,000 | 3,000,000 |
| Deposits | 15,538,962 | 5,117,950 |
| Advances (Net of provisions) | 16,434,715 | 2,506,519 |
| Investments | 4,562,509 | 4,989,710 |
| Profit for the period before taxation | 285,557 | 50,268 |
| Profit after tax | 212,674 | 15,068 |
| Earnings per share (Rupee per share) | 0.473 | 0.177 |

Despite challenging economic conditions, your bank continues its growth momentum. Total assets of the bank grew by 39.61% to Rs. 25.3 billion during the half year ended June 30, 2008. Net advances reflect an increase of 104.69%, while deposits registered a growth of 64.18% during the period under review.

The above achievements are result of optimal utilization of available resources, focused strategy and cost efficiency.

Non-Adjusting event-(Declaration of Bonus Shares to shareholders)

The Board of Directors of the Bank has approved issue of interim bonus shares of 11.11% (i.e. one share for every nine shares held) to its existing shareholders. After issue of bonus shares, paid up capital of the Bank will enhance to Rs. 5,000 million thus fulfilling the requirements of State Bank of Pakistan regarding minimum paid up capital by the year December 31, 2008.

Business & Branch Network

Todate fourteen branches are operational, while nineteen branches are under development in different cities. We plan to complete a network of thirty three branches by the end of current year. The Bank plans to develop a network of 100 branches across Pakistan during the next three to five years

The bank continues to strengthen its management team, invest in technology, broaden its product base and branch network to achieve its growth targets.

Credit Rating

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

Economic Outlook

Pakistan's Economy is passing through a challenging phase. The uphill tasks to manage are high Inflation, widening budgetary / trade deficit and weakening rupee as compared to other currencies specially US Dollar. The Government has taken some measures to correct macro economic imbalances. July 2008 numbers of FBR revenues, exports, home remittances and foreign direct investment are encouraging. It is hoped that investors' confidence will restore after the election of new President.

Acknowledgment

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

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

On Behalf of the Board of Directors

Arif Habib
Chairman

August 23, 2008

Kamal Uddin Khan
President & Chief Executive

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

Introduction

We have reviewed the accompanying interim financial information comprising of condensed interim balance sheet of **ARIF HABIB BANK LIMITED ("the Bank")** as at June 30, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and explanatory notes for the half year then ended. 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, 2008 have not been reviewed by us as we are required to review only the cumulative figures for the half year ended June 30, 2008.

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, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.


Chartered Accountants

Date: 23 August 2008
Karachi

Unaudited June 30, 2008 Audited December 31, 2007
----- Rupees in '000' -----

Assets

| | | |
|---------------------------------------|-------------------|-------------------|
| Cash and balances with treasury banks | 1,923,091 | 753,845 |
| Balances with other banks | 113,337 | 52,551 |
| Lendings to financial institutions | 814,125 | 2,855,582 |
| Investments | 4,562,509 | 5,408,425 |
| Advances | 16,434,715 | 8,029,248 |
| Other assets | 675,702 | 423,620 |
| Operating fixed assets | 774,064 | 597,515 |
| Deferred tax assets | 793 | -- |
| | 25,298,336 | 18,120,786 |

Liabilities

| | | |
|---|-------------------|-------------------|
| Bills payable | 120,411 | 384,179 |
| Borrowings from financial institutions | 2,903,333 | 1,748,603 |
| Deposits and other accounts | 15,538,962 | 9,464,785 |
| Sub-ordinated loans | -- | -- |
| Liabilities against assets subject to finance lease | -- | -- |
| Other liabilities | 283,660 | 181,776 |
| Deferred tax liabilities | -- | 39,867 |
| | 18,846,366 | 11,819,210 |

Net Assets

| | | |
|--|------------------|------------------|
| | 6,451,970 | 6,301,576 |
|--|------------------|------------------|

Represented By

| | | |
|--|------------------|------------------|
| Share capital | 4,500,000 | 4,500,000 |
| Reserves | 1,857,363 | 1,631,395 |
| Unappropriated profit | 179,450 | 192,744 |
| | 6,536,813 | 6,324,139 |
| Deficit on revaluation of assets - net | (84,843) | (22,563) |
| | 6,451,970 | 6,301,576 |

Contingencies And Commitments

8

The annexed notes from 1 to 13 form an integral part of these accounts.


President & Chief Executive


Director


Director


Director

Condensed Interim Profit and Loss Account (Unaudited)

for the half year and quarter ended June 30, 2008

| | Half year ended June 30, 2008 | Half year ended June 30, 2007 | Quarter ended June 30, 2008 | Quarter ended June 30, 2007 |
|--|-------------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|
| ----- Rupees in '000' ----- | | | | |
| Mark-up / Return / Interest earned | 955,388 | 205,063 | 588,779 | 108,770 |
| Mark-up / Return / Interest expensed | (517,784) | (99,672) | (364,062) | (56,260) |
| Net Mark-up / Interest Income | 437,604 | 105,391 | 224,717 | 52,510 |
| Provision against non-performing loans and advances | 13,529 | - | 13,529 | - |
| Provision for diminution in the value of investments | - | - | - | - |
| Bad debts written off directly | - | - | - | - |
| Net Mark-up / Interest Income after provisions | 424,075 | 105,391 | 211,188 | 52,510 |
| Non Mark up / Interest Income | | | | |
| Fee, Commission and Brokerage Income | 40,608 | 1,159 | 22,274 | 1,026 |
| Dividend income | 92,754 | 3,761 | 23,534 | 3,595 |
| Income from trading in government securities | - | 865 | - | 435 |
| Gain on sale of securities - net | 6,885 | 103,417 | 6,304 | 66,076 |
| (Loss) / gain from dealing in foreign currencies | (5,818) | 160 | (8,131) | 49 |
| Unrealized loss on revaluation of investments classified as held for trading | - | (5,078) | - | (5,026) |
| Other Income | 1,711 | 9,238 | 609 | 3,112 |
| Total non-Mark-up / Interest income | 136,140 | 113,522 | 44,590 | 69,267 |
| | 560,215 | 218,913 | 255,778 | 121,777 |
| Non Mark up / Interest Expenses | | | | |
| Administrative expenses | 273,917 | 167,933 | 149,167 | 88,098 |
| Other provisions / write-offs | - | - | - | - |
| Other charges | 981 | 712 | 521 | - |
| Total non mark-up / interest expenses | (274,898) | (168,645) | (149,688) | (88,098) |
| Share of gain from associate | 240 | - | 240 | - |
| Extra ordinary / unusual items | - | - | - | - |
| Profit Before Taxation | 285,557 | 50,268 | 106,330 | 33,679 |
| Taxation | | | | |
| Current | 71,443 | 1,593 | 38,613 | 823 |
| Prior years | - | - | - | - |
| Deferred | 1,440 | 33,607 | 1,795 | 33,607 |
| | 72,883 | 35,200 | 40,408 | 34,430 |
| Profit / (Loss) After Taxation | 212,674 | 15,068 | 65,922 | (751) |
| Unappropriated profit brought forward | 192,744 | 75,179 | 126,713 | 90,998 |
| Profit available for appropriation | 405,418 | 90,247 | 192,635 | 90,247 |
| Basic and Diluted earnings per share - Rupee | 0.473 | 0.177 | 0.146 | (0.009) |

The annexed notes from 1 to 13 form an integral part of these accounts.


President & Chief Executive


Director


Director


Director

Condensed Interim Cash Flow Statement (Unaudited)

for the period ended June 30, 2008

| | June 30, 2008 | June 30, 2007 |
|---|------------------|------------------|
| ----- Rupees in '000' ----- | | |
| A. Cash Flows From Operating Activities | | |
| Profit before taxation | 285,557 | 50,268 |
| Less: Dividend income | (92,754) | (3,761) |
| | 192,803 | 46,507 |
| Depreciation | 24,886 | 15,046 |
| Amortization | 12,967 | 4,187 |
| Unrealized Loss on revaluation of Investment Held for Trading | -- | 5,078 |
| Provision for non-performing loans and advances | 13,529 | -- |
| Gain on sale of fixed assets | -- | (752) |
| Share of gain from associate | (240) | -- |
| Provision for gratuity | 3,623 | 350 |
| | 54,765 | 23,909 |
| | 247,568 | 70,416 |
| (Increase)/decrease in operating assets | | |
| Lendings to financial institutions | 2,041,457 | 679,286 |
| Advances | (8,418,996) | (1,082,150) |
| Net investments in held for trading securities | 61,952 | (86,791) |
| Others assets | (259,916) | (46,661) |
| | (6,575,503) | (536,316) |
| Increase/(decrease) in operating liabilities | | |
| Bills payable | (263,768) | 15,713 |
| Borrowings from financial institutions | 1,154,730 | 1,183,054 |
| Deposits and other accounts | 6,074,177 | 2,591,679 |
| Other liabilities | 45,619 | 13,742 |
| | 7,010,758 | 3,804,188 |
| | 682,823 | 3,338,288 |
| Income tax paid | (18,800) | (11,082) |
| Net cash flow generated from operating activities | 664,023 | 3,327,206 |
| B. Cash Flows From Investing Activities | | |
| Net investments in available-for-sale securities | 679,824 | (3,139,116) |
| Dividend received | 96,402 | 2,227 |
| Investments in operating fixed assets | (210,785) | (105,909) |
| Sale proceeds of property and equipment disposed-off | 568 | 1,512 |
| Net cash flow generated from / (used in) investing activities | 566,009 | (3,241,286) |
| Increase in cash and cash equivalents | 1,230,032 | 85,920 |
| Cash and cash equivalents at beginning of the period | 806,396 | 874,024 |
| Cash and cash equivalents at end of the period | 2,036,428 | 959,944 |

The annexed notes from 1 to 13 form an integral part of these accounts.


President & Chief Executive


Director


Director

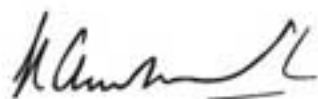

Director

Condensed Interim Statement of Changes in Equity (Unaudited)

for the period ended June 30, 2008

| | Share capital | Capital reserves | | Revenue reserves | | Total |
|------------------------------------|------------------|------------------|-------------------|------------------|-----------------------|------------------|
| | | Share premium | Statutory reserve | General reserve | Unappropriated profit | |
| ----- Rupees in '000' ----- | | | | | | |
| Balance as at December 31, 2006 | 3,000,000 | -- | 18,795 | -- | 75,179 | 3,093,974 |
| Profit 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 |
| Issue of share capital | 1,500,000 | 1,500,000 | -- | -- | -- | 3,000,000 |
| Profit for the period | -- | -- | -- | -- | 215,097 | 215,097 |
| Transferred to statutory reserve | -- | -- | 42,869 | -- | (42,869) | -- |
| Transferred to general reserve | -- | -- | -- | 66,567 | (66,567) | -- |
| Balance as at December 31, 2007 | 4,500,000 | 1,500,000 | 64,828 | 66,567 | 192,744 | 6,324,139 |
| Profit for the period | -- | -- | -- | -- | 212,674 | 212,674 |
| Transferred to Statutory reserve | -- | -- | 42,535 | -- | (42,535) | -- |
| Transferred to general reserve | -- | -- | -- | 183,433 | (183,433) | -- |
| Balance as at June 30, 2008 | 4,500,000 | 1,500,000 | 107,363 | 250,000 | 179,450 | 6,536,813 |

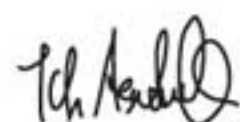
The annexed notes from 1 to 13 form an integral part of these accounts.



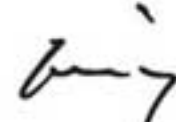
President & Chief Executive



Director



Director



Director

Notes to the Condensed Interim Financial Statements

for the period ended June 30, 2008

1. Status and Nature of Business

- 1.1** Arif Habib Bank Limited "the Bank" was incorporated in Pakistan as a public limited company on December 09, 2005 under the Companies Ordinance, 1984. Its registered office is situated at 2/1 R.Y. 16, Old Queens Road, Karachi in the Province of Sindh. The Bank commenced operation from April 10, 2006 and is listed on all the Stock Exchanges from February 13, 2008.
- 1.2** The Bank is principally engaged in the business of banking company, through its 12 branches and one sub-branch, as defined in the Banking Companies Ordinance, 1962. The medium to long term rating of the Bank rated by JCR-VIS, credit rating company, is A with a positive outlook. Short term rating of the Bank is A-2.

2. Statement of Compliance

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

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

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

3. Basis of Measurement

These condensed interim financial statements have been prepared under the historical cost convention, except that certain investments and commitments in respect of forward exchange contracts have been carried at revalued amount and staff retirement benefits (Gratuity) stated at present value.

4. Summary of Significant Accounting Policies

The accounting policies adopted in preparation of these condensed interim financial statements are the same as those adopted in the preparation of the annual financial statements of the Bank for the year ended December 31, 2007. In addition to the policies as discussed in annual financial statements for the year ended December 31, 2007, the Bank has adopted the following policies:

4.1 Investment in Associates

Investment in associates are valued using equity method of accounting.

4.2 Net Investment in Finance Lease

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

5. Investments

Investments by types: Held for trading

| | Unaudited June 30, 2008 | | | Audited Dec 31, 2007 | | |
|-----------------------------------|-------------------------|---------------------|-------|----------------------|---------------------|--------|
| | Held by bank | Given as collateral | Total | Held by bank | Given as collateral | Total |
| Listed companies shares | -- | -- | -- | 7,890 | 55,859 | 63,749 |
| Mutual funds units / certificates | -- | -- | -- | 5,000 | -- | 5,000 |
| | -- | -- | -- | 12,890 | 55,859 | 68,749 |

Available - for - sale securities

| | Unaudited June 30, 2008 | | | Audited Dec 31, 2007 | | |
|-----------------------------------|-------------------------|---------------------|-----------|----------------------|---------------------|-----------|
| | Held by bank | Given as collateral | Total | Held by bank | Given as collateral | Total |
| Market Treasury Bills | 1,803,056 | 464,343 | 2,267,399 | 2,445,570 | 192,860 | 2,638,430 |
| Pakistan Investment Bonds | 349,540 | -- | 349,540 | 446,042 | -- | 446,042 |
| Listed companies shares | 423,980 | -- | 423,980 | 158,271 | 146,458 | 304,729 |
| Sukuk bonds | 400,000 | -- | 400,000 | -- | -- | -- |
| Mutual funds units / certificates | 76,229 | -- | 76,229 | 1,080,000 | -- | 1,080,000 |
| Term Finance Certificates | 1,062,876 | -- | 1,062,876 | 903,420 | -- | 903,420 |
| | 4,115,681 | 464,343 | 4,580,024 | 5,033,303 | 339,318 | 5,372,621 |
| Investment in associate | 113,013 | -- | 113,013 | -- | -- | -- |
| | 4,228,694 | 464,343 | 4,693,037 | 5,046,193 | 395,177 | 5,441,370 |

Less: Provision for diminution in value of investments

Investments - net of provisions

(Deficit)/surplus on revaluation of securities - Held for trading

- Available for sale

Total investments at market value

Unaudited June 30, 2008
Audited December 31, 2007
Rupees in '000'

6. Advances

Loans, cash credits, running finance, etc.

| | | | |
|------------------|-----|------------|-----------|
| In Pakistan | 6.1 | 16,420,292 | 7,625,888 |
| Outside Pakistan | | -- | -- |
| | | 16,420,292 | 7,625,888 |

Financing in respect of Continuous funding system (CFS)

40,163 501,846

Net investment in finance lease

| | | |
|------------------|--------|----|
| In Pakistan | 82,735 | -- |
| Outside Pakistan | -- | -- |
| | 82,735 | -- |

Bills discounted and purchased (excluding Treasury Bills)

| | | |
|--------------------------|--------|--------|
| Payable in Pakistan | -- | 29,975 |
| Payable outside Pakistan | 33,515 | -- |
| | 33,515 | 29,975 |

Provision for non-performing advances
Advances - net of provision

16,576,705 8,157,709
(141,990) (128,461)
16,434,715 8,029,248

6.1 This includes lending to the Government of NWFP amounting to Rs. 782.877 million at markup rates ranging from 11% - 12% per annum with maturities up to September 16, 2008.

6.2 Advances include Rs.182.576 million (2007: 133.327 million) which have been placed under non-performing status as detailed below:-

| Category of Classification | Domestic | Overseas | Total Advances | Provision required | Provision held |
|----------------------------|----------|----------|----------------|--------------------|----------------|
| | | | | | |
| Substandard | 54,115 | -- | 54,115 | 13,529 | 13,529 |
| Doubtful | -- | -- | -- | -- | -- |
| Loss | 128,461 | -- | 128,461 | 128,461 | 128,461 |
| | 182,576 | -- | 182,576 | 141,990 | 141,990 |

Unaudited June 30, 2008
Unaudited June 30, 2007
Rupees in '000'

7. Operating Fixed Assets - At Cost

7.1 Additions

| | | |
|---|--------|--------|
| Land | 88,029 | -- |
| Building | -- | 22,997 |
| Leasehold improvements | 24,473 | -- |
| Furniture and fixtures | 8,725 | 7,130 |
| Electrical, office and computer equipment | 33,374 | 46,680 |
| Vehicles | 111 | 13,524 |
| Computer software | 2,681 | -- |

7.2 Deletions

| | | |
|---|-------|-------|
| Vehicles | 1,066 | 3,316 |
| Furniture and fixtures | -- | 122 |
| Electrical, office and computer equipment | -- | 723 |

Unaudited June 30, 2008
Audited December 31, 2007
Rupees in '000'

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 | 430,000 | -- |
| | 430,000 | -- |

8.2 Transaction-related contingent liabilities / commitments

Guarantees given in favour of:

| | | |
|--|---------|-------|
| Government | 435,106 | 7,024 |
| Banking companies and other financial institutions | -- | -- |
| Others | 183,113 | 1,925 |
| | 618,219 | 8,949 |

8.3 Trade-related contingent liabilities

| | | |
|-------------------|-----------|---------|
| Letters of credit | 1,044,836 | 581,088 |
| Acceptances | 479,336 | 7,840 |
| | 1,524,172 | 588,728 |

8.4 Other contingencies - claims against bank not acknowledge as debt

83,903 83,903

| | Unaudited June 30, 2008 | Audited December 31, 2007 |
|--|-------------------------------|---------------------------------|
| ----- Rupees in '000' ----- | | |
| 8.5 Commitments in respect of forward lending | | |
| Forward call lending | -- | -- |
| Forward repurchase agreement lending | 1,597,001 | 1,655,582 |
| Commitments to extend credit | 20,717,264 | -- |
| | 22,314,265 | 1,655,582 |
| 8.6 Commitments in respect of forward exchange contracts | | |
| Purchase | 1,309,404 | 30,990 |
| 8.7 Commitments for the acquisition of operating fixed assets | | |
| Civil works | 18,771 | 19,210 |
| Acquisition of computer software | -- | -- |
| | 18,771 | 19,210 |

9. Segment Details with Respect to Business Activities

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

| | Corporate Finance | Trading & Sales | Retail Banking | Commercial Banking | Payment & Settlement | Agency Services | Assets Management | Retail Brokerage | Others |
|--|----------------------|--------------------|-------------------|-----------------------|-------------------------|--------------------|----------------------|---------------------|--------|
| ----- Rupees in '000' ----- | | | | | | | | | |
| Current Period | | | | | | | | | |
| Total income | -- | 374,641 | 565,411 | 148,214 | 3,502 | -- | -- | -- | -- |
| Total expenses | 4,972 | 78,579 | 691,480 | 30,685 | 495 | -- | -- | -- | -- |
| Net income before tax | (4,972) | 296,062 | (126,069) | 117,529 | 3,007 | -- | -- | -- | -- |
| Segment Assets (Gross) | -- | 8,497,071 | 16,706,951 | 261,683 | 1,688 | -- | -- | -- | -- |
| Segment Non Performing Loans | -- | -- | 182,576 | -- | -- | -- | -- | -- | -- |
| Segment Provision | -- | -- | 166,362 | -- | -- | -- | -- | -- | -- |
| Segment Assets (Net) | -- | 8,497,071 | 16,540,590 | 261,683 | 1,688 | -- | -- | -- | -- |
| Segment Liabilities | -- | 1,854,493 | 16,593,436 | 272,108 | 126,840 | -- | -- | -- | -- |
| Segment Return on net Assets (ROA) (%) | -- | 3.48% | (0.76)% | 44.91% | 178.15% | -- | -- | -- | -- |
| Segment Cost of funds (%) | -- | 0.92% | 4.16% | 11.73% | 29.34% | -- | -- | -- | -- |

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

10. Non Adjusting Event After Balance Sheet Date

The board of directors have approved appropriation of Rs. 500,000,000 for issue of bonus shares as an interim announcement for the half year ended June 30, 2008. These financial statements do not reflect this appropriation.

11. Related Party Transactions

11.1 Associated companies

Brokerage Services

| | Unaudited June 30, 2008 | Unaudited June 30, 2007 |
|---|-------------------------------|-------------------------------|
| Brokerage expenses paid - CFS | 1,180 | 7,802 |
| Brokerage expenses paid - Equity securities | 6,552 | 1,478 |

Rent expense during the period

| | | |
|--|-------|----|
| | 3,900 | -- |
|--|-------|----|

Financing

| | | |
|-----------------------------------|--------|--------|
| Mark up charged during the period | 42,697 | 15,927 |
|-----------------------------------|--------|--------|

| | | |
|---|-------------|-----------|
| Balance at the beginning of the period/year | 1,290,921 | 380,050 |
| Sanctioned / granted during the period/year | 2,877,641 | 1,470,025 |
| Payment received during the period/year | (1,293,863) | (559,154) |
| Balance at the end of the period/year | 2,874,699 | 1,290,921 |

| | | |
|-------------------|-----|-------|
| Other receivable | 123 | 123 |
| Other payable | -- | 3,250 |
| Brokerage payable | 90 | 77 |

11.2 Key Management Personnel

Advances

| | | |
|---|---------|---------|
| Balance at the beginning of the period/year | 14,237 | 3,611 |
| Sanctioned / granted during the period/year | 47,358 | 13,751 |
| Payment received during the period/year | (3,287) | (3,125) |
| Balance at the end of the period/year | 58,308 | 14,237 |

Mark up earned during the period

| | | |
|--|-----|-----|
| | 368 | 153 |
|--|-----|-----|

11.3 Investments in shares / TFCs of associated companies

| | | |
|--|---------|---------|
| Thatta Cement Company Limited - Shares | 113,013 | -- |
| Pak Arab fertilizers Limited - TFC | 408,338 | 235,000 |

11.4 Mutual Fund of Arif Habib Investment Management Company

Investments - group company

| | | |
|----------------------|----|---------|
| Pakistan Income fund | -- | 200,000 |
|----------------------|----|---------|

Capital (loss) / gain earned during the period

| | | |
|--|----------|--------|
| | (59,557) | 26,410 |
|--|----------|--------|

11.5 Deposits - associated persons / companies

Balance at the beginning of the period/year
Deposits during the period/year
Withdrawal during the period/year
Balance at the end of the period/year
Mark up payable

| Unaudited June 30, 2008 | Audited December 31, 2007 |
|-------------------------------|---------------------------------|
| ----- Rupees in '000' ----- | |
| 611,147 | 523,237 |
| 163,613,473 | 34,059,685 |
| (159,691,042) | (33,971,775) |
| 4,533,578 | 611,147 |
| 36,767 | 5,911 |

Mark up expensed during the period
Mark up paid

| Unaudited June 30, 2008 | Unaudited June 30, 2007 |
|-------------------------------|-------------------------------|
| ----- Rupees in '000' ----- | |
| 172,785 | 28,474 |
| 141,930 | 26,054 |

11.6 Defined Contribution Plan

Contribution paid to provident fund

| | |
|-------|-------|
| 3,914 | 2,937 |
|-------|-------|

11.7 Contingencies - associated companies

Guarantees, letter of credit and acceptances

| Unaudited June 30, 2008 | Audited December 31, 2007 |
|-------------------------------|---------------------------------|
| ----- Rupees in '000' ----- | |
| 861,659 | 583,571 |

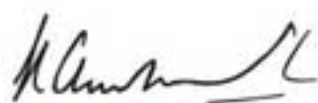
12. Date of Authorization for Issue

The condensed interim financial statements were authorized for issue on August 23, 2008 by the Board of Directors of the bank.

13. General

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

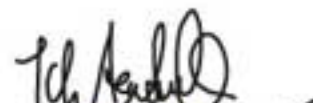
13.2 Figures have been rounded off to the nearest thousand rupee.



President & Chief Executive



Director



Director



Director

Karachi:

| | | |
|------------------------------|--|--|
| I.I Chundrigar | Tel: 021-2466410-3 Fax: 021-2466500 | Uni Towers, I.I Chundrigar Road, Karachi. |
| Boat Basin | Tel: 021-5824171-80 Fax: 021-5824163 | Ground Floor, Plot No. FL-4, Hanging Gardens, Block 5, Clifton, Karachi. |
| Gulistan-e-Jauhar | Tel: 021-4030527-8 021-4030530 Fax: 021-4030529 | Shop G1-010, Rufi Shopping Mall, Block-18, Gulistan-e-Jauhar, Karachi. |
| Gulistan-e-Jauhar Sub Branch | Tel: 021-4621281-4 Fax: 021-4621285 | Shop # 02-04, Ground Floor Rufi Paradise, Block-18, Gulistan-e-Jauhar, Karachi. |
| Atrium Mall | Tel: 021-5641000-3 021-5641007 Fax: 021-5641008 | Shop 6 & 21, Ground Floor, Atrium Mall, Staff Lines, Zaibunnisa Street, Saddar, Karachi. |
| Karachi Stock Exchange | Tel: 021-2462844-9 021-2462829-30 Fax: 021-2462843 | Room # 60-63, 1st Floor, Karachi Stock Exchange Building, Karachi. |
| Cloth Market | Tel: 021-2443651 021-2443591 021-2443871 Fax: 021-2443821 | 28th, Cochinwala Market, Laxmidas Street, Karachi. |
| Korangi Industrial Area | Tel: 021-5114290 Fax: 021-5114282 | 33/1, Sector 15, Korangi Industrial Area, Karachi. |

Lahore:

| | | |
|-----------------------|---|---|
| Defence | Tel: 042-5749069 042-5749071 Fax: 042-5749070 | 163, Block Y, Phase III, DHA, Lahore Cantt. |
| Lahore Stock Exchange | Tel: 042-6280853-6 Fax: 042-6280851 | Office # 5, 6, 19th Awan-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 |
| Islamabad Stock Exchange Sub Branch | PABX: 051-2806281-3 FAX #: 051-2806280 051-227 4296 (Coper) 051-280 62 84 051-280 62 86 051-280 62 89 | Islamabad Stock Exchange Branch Shop # 05, Al-Khair Plaza, Fazal-Ul-Haq Road, Blue Area, Islamabad |

Multan:

| | | |
|-------------|---|---|
| Abdali Road | Tel: 061-4573729 061-4572519 Fax: 061-4516782 | Plot No. 66-AB/9, Abdali Road, Multan-Pakistan. |
|-------------|---|---|

Faisalabad:

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

No. of Branches:

Karachi: 8 Branches | Lahore: 2 Branches | Islamabad: 2 Branch | Multan: 1 Branch | Faisalabad: 1 Branch