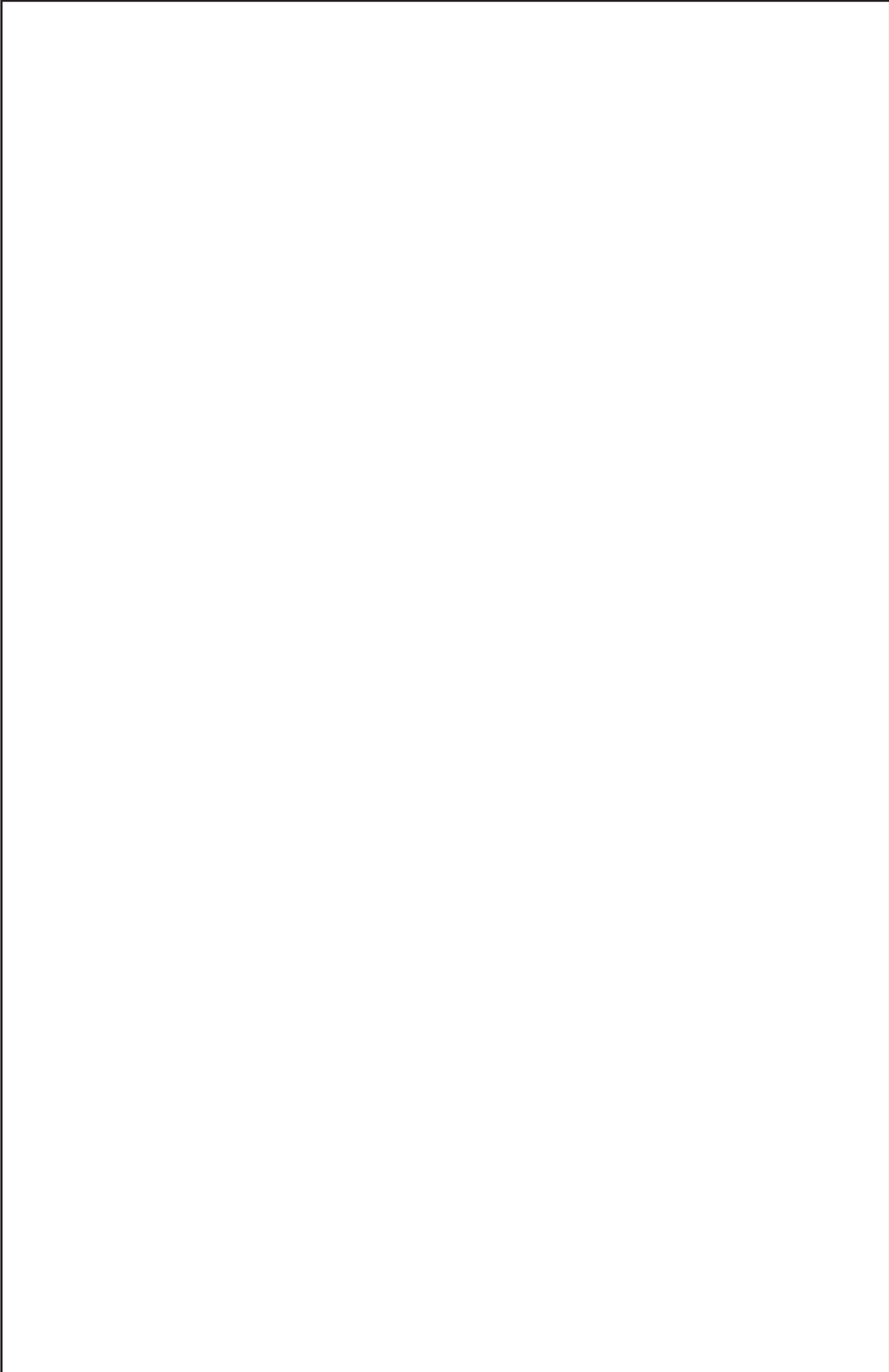




Quarterly Report

March 31, 2007

 **ARIF HABIB
RUPALI BANK**
the bank for everyone



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C O R P O R A T E I N F O R M A T I O N

Board of Directors

Mr. Arif Habib
Chairman

Mr. Rahim Khanani
President & CEO

Mr. Asadullah Khawaja
Director

Mr. Nasim Beg
Director

Mr. Salim Chamdia
Director

Syed Ajaz Ahmed
Director & Company Secretary

Mr. M. Abdul Hamid Miah
Director

Mrs. Sultana
Director

Audit Committee

Mr. Asadullah Khawaja
Chairman

Mr. Salim Chamdia
Member

Syed Ajaz Ahmed
Member

Executive Committee

Mr. Arif Habib
Chairman

Mr. Rahim Khanani
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. Rahim Khanani
Member

Mr. Asadullah Khawaja
Member

Company Secretary

Syed Ajaz Ahmed

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

Share Registrar

Technology Trade (Pvt) Ltd.

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	"A1"

Email

info@arifhabibbank.com

Website

www.arifhabibbank.com



Arif Habib Rupali Bank Limited

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 segments.

Directors' Report

On behalf of the Board of Directors of Arif Habib Rupali Bank Limited (the Bank), we are pleased to present the un-audited financial statements of the bank for the quarter ended March 31, 2007.

Financial Performance:

The financial highlights of the Bank for the first quarter ended March 31, 2007 are as follows:

	(Rupees in '000)
Profit for the period before taxation	16,589
Profit for the period after taxation	15,819
Equity	3,109,793
Paid-up-capital	3,000,000
Deposits	3,655,466
Advances (Net of provisions)	1,415,802
Investments	3,239,971
Advances to Deposit Ratio	38.73
No. of Branches	7

Business & Branch Network:

During the first quarter of 2007, total deposits and total assets increased by 45% and 22% respectively as compared to December 31, 2006.

We have also made progress in building our core advance portfolio via participation in high profile syndicated credits with lead banks and have also approved lines of credits on stand-alone basis for Corporate, Commercial and SME borrowers. The draw-down on these commitments is expected during the next quarter and beyond.

Within a short period, we have been able to establish seven real time on-line fully functional branch network (four in Karachi and one each in Lahore, Multan and Islamabad). During 2007 and beyond, we will aggressively expand our branch network as well as on-site and off-site ATMs. We have already launched SMS/GSM Banking for our Customers. A soft launch of Web Banking has also been made and it will be formally rolled-out very shortly.

For the benefit of our customers and prospects, we have made available our delivery channels to associate company; Arif Habib Investment Management Limited (AHIML) for marketing their mutual funds. We are providing investors in mutual funds acquisition and redemption facilities via our Branch/ATM network.

We have also established relationship with number of local and foreign correspondent banks and appreciate their services.

Directors' Report

Update on Merger of Arif Habib Securities Limited (AHSL) with the Bank:

On April 7, 2007, SBP has provided an in principle approval of the proposed merger. The proposed merger as reported in our Audited Annual Report for 2006 would be a source of significant strength to the Bank; including but not limited to an instant increase of Bank's equity base to over Rs.14 billion. One of the benefits of merger would be availability of significant amount of reserves on the Books of the Bank.

Bank's 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 stable outlook.

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 business and employees of the Bank for their commitment.

On Behalf of the Board of Directors

Rahim Khanani
President & CEO

April 14, 2007

Arif Habib
Chairman

Balance Sheet (Un-audited)

as at March 31, 2007

	Note	March 31, 2007 (Rupees '000')	December 31, 2006 (Rupees '000')
ASSETS			
Cash and balances with treasury banks		329,349	228,374
Balances with other banks		426,148	645,650
Lendings to financial institutions		930,000	1,079,286
Investments	4	3,239,971	1,730,868
Advances	5	1,415,802	1,424,369
Other assets		124,831	164,304
Operating fixed assets		426,698	385,074
Deferred cost		36,362	38,454
Deferred tax assets		-	-
		6,929,161	5,696,379
LIABILITIES			
Bills payable		9,049	3,899
Borrowings from financial institutions		-	-
Deposits and other accounts		3,655,466	2,526,271
Other liabilities		168,188	93,328
Deferred tax liabilities		1,266	105
		3,833,969	2,623,603
		3,095,192	3,072,776
NET ASSETS			
REPRESENTED BY :			
Share capital		3,000,000	3,000,000
Reserves - Reserve Fund		21,959	18,795
Unappropriated profit	6	87,834	75,179
		3,109,793	3,093,974
Deficit on revaluation of assets		(14,601)	(21,198)
		3,095,192	3,072,776
CONTINGENCIES & COMMITMENTS			
	7		

The annexed notes from 1 to 9 form an integral part of these financial statements.


President & Chief Executive


Director


Director


Director

Profit and Loss Account (Un-audited)

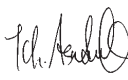
for the quarter ended March 31, 2007

	Quarter ended March 31, 2007 (Rupees '000')
Mark-up/Return/Interest earned	96,293
Mark-up/Return/Interest expensed	<u>(43,412)</u>
Net Mark-up/ Interest Income	52,881
Provision against non-performing loans and advances	-
Provision for impairment in the value of investments	-
Bad debts written off directly	-
	<u>-</u>
Net Mark-up/ Interest Income after provisions	<u>52,881</u>
NON MARK-UP/INTEREST INCOME	
Fee, Commission and Brokerage Income	133
Dividend Income	166
Gain on sale of investments	37,341
Income from trading in government securities	430
Gain from dealing in foreign currencies	111
Unrealized (Loss) on revaluation of investments classified as held-for-trading	(52)
Other Income	6,125
Total non mark-up/interest Income	<u>44,254</u>
	<u>97,135</u>
NON MARK-UP/INTEREST EXPENSES	
Administrative expenses	80,546
Other provisions/write offs	-
Other charges	-
Total non-markup/interest expenses	<u>(80,546)</u>
	<u>16,589</u>
Extraordinary/unusual items	-
	<u>16,589</u>
PROFIT BEFORE TAXATION	<u>16,589</u>
Taxation – Current	770
– Prior years	-
– Deferred	-
	<u>(770)</u>
PROFIT AFTER TAXATION	<u>15,819</u>
Unappropriated Profit brought forward	75,179
Profit available for appropriation	<u>90,998</u>
APPROPRIATIONS:	
Reserve Fund	(3,164)
Unappropriated profit carried forward	<u>87,834</u>
Basic & Diluted Earnings per share	<u>0.053</u>

The annexed notes 1 to 9 form an integral part of these financial statements.



President & Chief Executive



Director



Director



Director

Cash Flow Statement (Un-audited)

for the quarter ended March 31, 2007

Quarter ended
March 31, 2007
(Rupees '000')

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	16,589
Less: Dividend income	(166)
	16,423
Adjustment for non-cash charges	
Depreciation	6,748
Amortization	2,092
Provision against non-performing advances	-
Provision for diminution in the value of investments/other assets	52
Loss/(Gain) on sale of fixed assets	(720)
	8,172
	24,595
(Increase)/Decrease in operating assets	
Lendings to financial institutions	149,286
Held-for-trading securities	(60,611)
Advances	8,567
Others assets (excluding advance taxation)	43,872
	141,114
Increase/(Decrease) in other liabilities	
Bills payable	5,150
Borrowings from financial institutions	-
Deposits and other accounts	1,129,195
Other liabilities	74,860
Deferred tax liabilities	1,161
	1,210,366
Payments of provision against off-balance sheet obligations	-
Income tax paid	(5,171)
	(5,171)
<i>Net cash flow from operating activities</i>	1,370,904

CASH FLOW FROM INVESTING ACTIVITIES

Net investments	(1,441,945)
Dividend Income	166
Fixed capital expenditure	(48,372)
Sale proceeds of property & equipment disposed-off	720
<i>Net cash flow from investing activities</i>	(1,489,431)

CASH FLOW FROM FINANCING ACTIVITIES

Receipts/(payments) of sub-ordinated loan	-
Issue of share capital	-
Advance against issue of shares	-
Dividend paid	-
<i>Net cash flow from financing activities</i>	-
Net decrease in cash and cash equivalents	(118,527)
Cash and cash equivalents at beginning of the period	874,024
Cash and cash equivalents at end of the period	755,497

The annexed notes from 1 to 9 form an integral part of these financial statements.

President & Chief Executive

Director

Director

Director

Statement of Changes in Equity (Un-audited)

for the quarter ended March 31, 2007

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

	Share Capital	Statutory Reserve	Unappropriated Profit	Total
Issue of Share Capital	3,000,000	-	-	3,000,000
Net profit for the period	-	-	93,974	93,974
Transfer to Statutory Reserve	-	18,795	(18,795)	-
Balance as at December 31, 2006	<u>3,000,000</u>	<u>18,795</u>	<u>75,179</u>	<u>3,093,974</u>
Balance as at January 01, 2007	3,000,000	18,795	75,179	3,093,974
Net profit for the period	-	-	15,819	15,819
Transfer to Statutory Reserve	-	3,164	(3,164)	-
Balance as at March 31, 2007	<u>3,000,000</u>	<u>21,959</u>	<u>87,834</u>	<u>3,109,793</u>

The annexed notes from 1 to 9 form an integral part of these financial statements.


President & Chief Executive


Director


Director


Director

Notes to the Financial Statements (Un-audited)

for the quarter ended March 31, 2007

1. STATUS AND NATURE OF BUSINESS

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 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.

State Bank of Pakistan sanctioned a scheme of amalgamation under section 48 of Banking Companies Ordinance, 1962 on July 07, 2006 by virtue of which Rupali Bank Limited - Pakistan Branch (RBL) was amalgamated with and into the Bank on close of day of August 04, 2006. This scheme of amalgamation was approved by the shareholders of the Bank in an Extra Ordinary 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'.

2. STATEMENT OF COMPLIANCE

These financial statements are un-audited and are being submitted as required under Section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the directives issued by the State Bank of Pakistan, the requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the Accounting Standards issued by the International Accounting Standards Committee (IASC) and interpretations issued by Standing Interpretations Committee of the IASC, as adopted in Pakistan and presented in accordance with the format of quarterly and half yearly financial statements prescribed by the State Bank of Pakistan.

International Accounting Standard 39, Financial Instruments: Recognition & Measurement and International Accounting Standard 40, Investment Property are not applicable for Banking Companies in Pakistan. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of these quarterly financial statements are the same as those used in the preparation of the preceding financial statements of the Bank as at December 31, 2006.

Notes to the Financial Statements (Un-audited)

for the quarter ended March 31, 2007

4. INVESTMENTS

	(Rupees '000')	
	Held by the Bank	Given as Collateral
As at March 31, 2007	3,239,971	-
As at March 31, 2006	-	-

4.1 Investment by type

	March 31, 2007	
	Held by the Bank	Given as Collateral
Held-for-trading securities	60,611	-
Available-for-sale securities	3,193,440	-
Held-to-maturity securities	-	-
	3,254,051	-
Less: Provision for diminution in the value of investments	(14,080)	-
Investments (Net of Provisions)	3,239,971	-

5. ADVANCES

	March 31, 2007 (Un-audited) (Rupees '000')	December 31, 2006 (Audited) (Rupees '000')
Loans, cash credits, running finances, etc.		
In Pakistan	967,061	531,747
Outside Pakistan	-	-
	967,061	531,747
Net investment in finance lease		
In Pakistan	-	-
Outside Pakistan	-	-
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	2,250	2,250
Payable outside Pakistan	-	-
	2,250	2,250
	969,311	533,997
Financing in respect of continuous funding system	582,845	1,030,611
	1,552,156	1,564,608
Provision for non-performing advances	(136,354)	(140,239)
	1,415,802	1,424,369

Notes to the Financial Statements (Un-audited)

for the quarter ended March 31, 2007

5.1 Advances include Rs. 136,354 million which have been placed under non-performing status as detailed below:

Category of classification	(Rupees '000')				
	Domestic	Overseas	Total	Provision Required	Provision Held
Substandard	-	-	-	-	-
Doubtful	-	-	-	-	-
Loss	136,354	-	136,354	136,354	136,354
	<u>136,354</u>	<u>-</u>	<u>136,354</u>	<u>136,354</u>	<u>136,354</u>

6. UNAPPROPRIATED PROFIT

	March 31, 2007 (Un-audited) (Rupees '000')	December 31, 2006 (Audited) (Rupees '000')
Balance at the beginning of the period	75,179	-
Profit after taxation for the period	<u>15,819</u>	<u>93,974</u>
Profit available for appropriations	<u>90,998</u>	<u>93,974</u>
Transferred to statutory reserves	<u>(3,164)</u>	<u>(18,795)</u>
Balance at the close of the period	<u><u>87,834</u></u>	<u><u>75,179</u></u>

7. CONTINGENCIES & COMMITMENTS

7.1 Direct credit substitutes Contingent liability in respect of guarantees favouring

Government	-	-
Banking Companies and other Financial Institutions	-	-
Others	-	-
	<u>-</u>	<u>-</u>

Notes to the Financial Statements (Un-audited)

for the quarter ended March 31, 2007

	March 31, 2007 (Un-audited) (Rupees '000')	December 31, 2006 (Audited) (Rupees '000')
7.2 Transactions-related contingent liabilities/commitments		
Guarantees given in favour of:		
Government	-	-
Banking Companies and other Financial Institutions	-	-
Others	345	-
	<u>345</u>	<u>-</u>
7.3 Trade-related contingent liabilities		
Letters of credit	-	-
Acceptances	-	-
	<u>-</u>	<u>-</u>
7.4 Other contingencies - Claims against bank not acknowledged as debt	83,903	83,903
7.5 Commitments in respect of forward lending	-	-
Forward call lending	-	-
Forward repurchase agreement lending	280,000	49,286
Commitments to extend credit	-	-
	280,000	49,286
7.6 Commitments in respect of future contracts		
Buy	-	3,501
Sale	75,508	26,736
7.7 Commitments for the acquisition of operating fixed assets		
Civil works	13,200	14,168
Acquisition of computer software	36,663	38,876
7.8 Commitments in respect of repo transactions		
Repurchase	-	-
7.9 Underwriting Commitments	-	50,000
7.10 Continues Funding System	37,632	-

Notes to the Financial Statements (Un-audited)

for the quarter ended March 31, 2007

7.11 In the year 2005, Deputy Commissioner of Income Tax ('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 Commissioner of Income Tax ('CIT') was set aside by the CIT 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 Income Tax Appellate Tribunal ('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 RBL's Tax Consultants, the case is likely to be decided in favour of RBL based on available precedence.

8. RELATED PARTY TRANSACTIONS

Detail of transactions during the period and balances as at March 31, 2007 are as follows:

	March 31, 2007 (Un-audited) (Rupees '000')	December 31, 2006 (Audited) (Rupees '000')
Arif Habib Limited - an associated company		
Brokerage Services		
Brokerage expenses paid - CFS	<u>6,306</u>	<u>10,499</u>
Brokerage expenses paid - Equity	<u>1,008</u>	<u>1,483</u>
Continuous funding system		
Mark up charged during the period	<u>32,970</u>	<u>60,674</u>
Mark up received during the period	<u>29,386</u>	<u>53,808</u>
Financing		
Balance at beginning of the period	380,050	-
Withdrawal / Sanctioned/ Granted during the period	179,222	453,571
Payment received during the period	<u>119,221</u>	<u>73,521</u>
Balance at end of the period	<u>440,051</u>	<u>380,050</u>
Mark up charged during the period	<u>12,442</u>	<u>4,221</u>
Share Subscription money	<u>-</u>	<u>50,000</u>

Notes to the Financial Statements (Un-audited)

for the quarter ended March 31, 2007

	March 31, 2007 (Un-audited) (Rupees '000')	December 31, 2006 (Audited) (Rupees '000')
Mutual Fund of Arif Habib Investment Management Company Investments - group company		
Pakistan Capital Market Fund	-	10,000
Pakistan Income Fund	400,000	400,000
Pakistan Strategic Allocation Fund	45,296	45,296
Pakistan Premier Fund	60,499	60,499
	<u>505,795</u>	<u>515,795</u>
Capital gain earned during the period	<u>12,019</u>	<u>6,372</u>
Deposits - associated persons / companies		
Balance at beginning of the period	523,237	-
Deposits during the period	1,325,969	2,257,790
Withdrawal during the period	1,405,763	1,734,553
Balance at end of the period	<u>443,443</u>	<u>523,237</u>
Mark up charged during the period	<u>2,864</u>	<u>7,875</u>
Mark up paid	<u>4,994</u>	<u>4,868</u>
Mark up payable	<u>1,359</u>	<u>3,489</u>

9. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on April 14, 2007 by the Board of Directors of the Bank.


President & Chief Executive

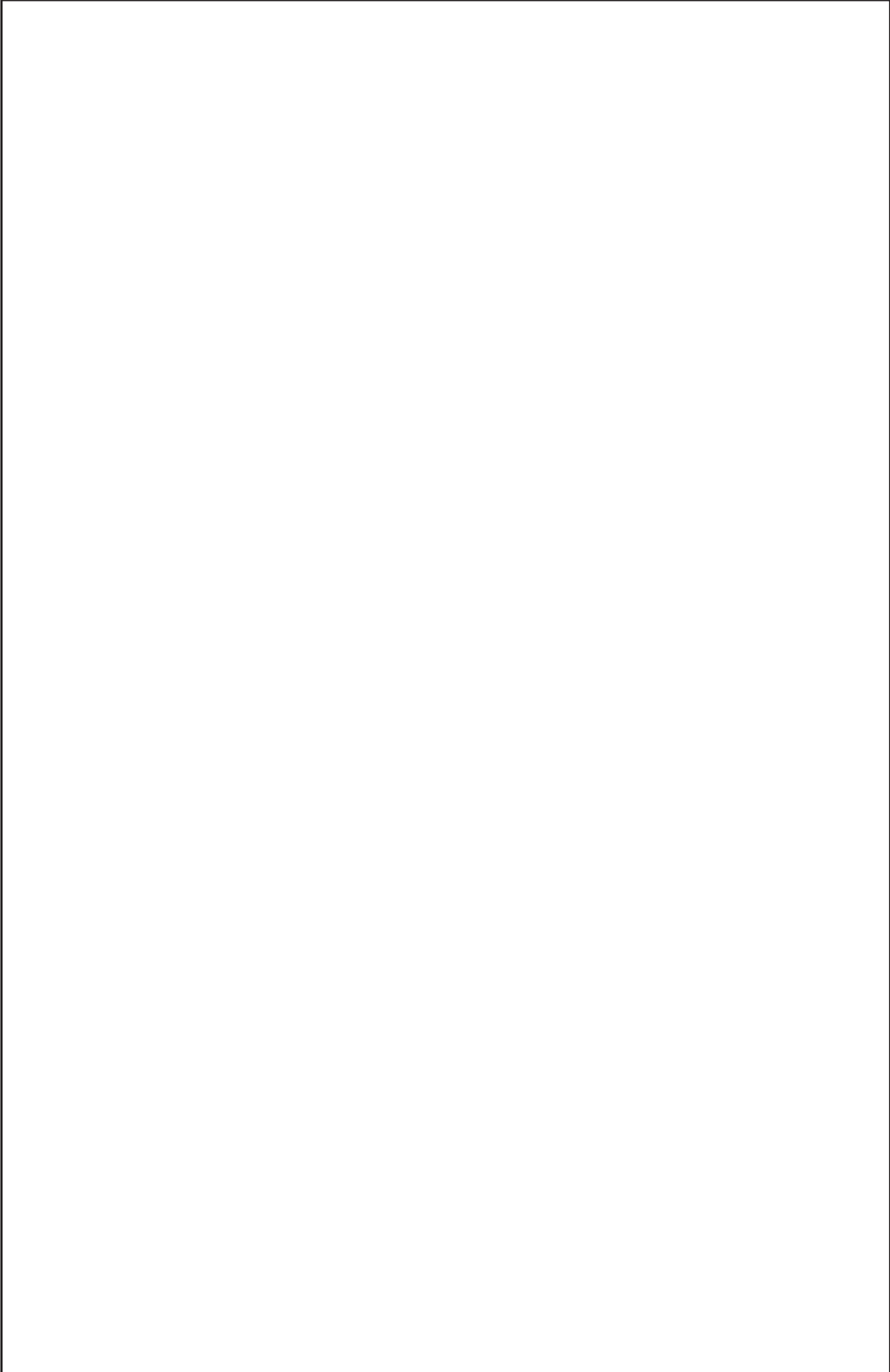

Director


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, Ruffi 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.
LAHORE		
Lahore	Tel: 042-5692531-38 Fax: 042-5749070	163, Block Y, Phase III, DHA, Lahore Cantt.
ISLAMABAD		
Islamabad	Tel: 051-2279167-70 Fax: 051-2279166	Plot No. 6B, F-6, Super Market, Islamabad.
MULTAN		
Multan	Tel: 061-4571704, 061-4573729 Fax: 061-4516762	Plot No. 66-A & 66-B/9, Abdali Road, Multan.





Registered Office:

2/1, R.Y. 16, Old Queens Road,
Karachi-74000.
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Website: www.arifhabibbank.com
Email: info@arifhabibbank.com