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CORPORATE INFORMATION

Board of Directors

Mr. Arif Habib
Chairman

Mr. Rahim Khanani
President and CEO

Mr. Asadullah Khawaja
Director

Mr. Nasim Beg
Director

Salim Chamdia
Director

Syed Ajaz Ahmed
Director & Company Secretary

Mr. Md. Abdul Hamid Miah
Director

Mrs. Sultana
Director

Audit Committee

Mr. Asadullah Khawaja
Chairman

Salim Chamdia
Member

Syed Ajaz Ahmed
Member

Executive Committee

Mr. Arif Habib
Chairman

Mr. Rahim Khanani
Member

Mr. Nasim Beg
Member

Syed Ajaz Ahmed
Company Secretary

Muhammad Amin Bhoori
Financial Controller

Auditors & Chartered Accountants
M. Yousuf Adil Saleem & Co.

Legal Advisor
Liaquat Merchant Associates

Registered Office
2/1, R.Y. 16, Old Queens Road,
Karachi - 74000.
Tel: 1111- AHRBL Fax: 2435736

Share Registrar
Technology Trade (Pvt) Ltd.
Dagia House, 241-C, Block - 2,
P.E.C.H.S. Off
Shahrah-e-Quaideen, Karachi.
Tel: 4391316-7 Fax: 4391318



VISION

We are committed to being 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 delivering value to all stakeholders; customers, creditors, employees, investors, and the community at large.

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



CHAIRMAN'S REVIEW

It gives me much pleasure to report the successful commencement of commercial operations of Arif Habib Rupali Bank Limited. Having acquired the Pakistan branch of Rupali Bank of Bangladesh, the Arif Habib Group now holds over 90 percent of the common equity in the Bank.

The Group's entry into the commercial banking realm was the result of a strategic decision to leverage its strong brand franchise for further expansion of the scope of its financial services to clients. Given the broad spectrum of the needs of the modern client, and given the Group's inherent strengths, encompassing every major segment of the financial services industry was considered both synergetic and value-additive for all stakeholders. The success and continued progression of Arif Habib Rupali Bank are therefore matters of high priority for the Group.

In line with a Group-wide policy, our Bank shall implement international best practices at all levels and focus on client needs to provide the most efficient financial solutions. Arif Habib Rupali Bank is making prudent investment in capacity-including the development of quality personnel, management systems and an appropriate technology base-to position itself for the demands of a competitive environment. In addition to the branch already operating at I. I. Chundrigar Road, Karachi, the Bank plans the opening of six more branches before the end of the year, including one each at Lahore, Multan and Islamabad. A further country-wide expansion in the Bank's network is planned for the New Year by virtue of which all major cities of Pakistan shall have branch presence within 2007.

The Bank aims to offer a comprehensive range of services, including corporate, commercial and retail banking, Small & Medium Enterprise financing and wealth management. Wealth management is one of the prominent areas in which Bank shall leverage the Group's strong capital markets and investment management capabilities to offer innovative products to the customer.

The Arif Habib Group's flagship holding company has an equity base of over PKR 12 billion. It has controlling interests in highly successful securities brokerage, investment advisory and investment management companies in Pakistan. It also holds the majority stake in a newly-established private equity company, and has interests in the real estate, commodities, cement and fertilizer industries. The Group has entered the Middle East market through a wholly owned subsidiary – Arif Habib DMCC- which is a member of the Dubai Multi Commodities Centre.

The commercial banking industry in Pakistan offers ample opportunities for sustained growth and success. At the same time it is becoming increasingly competitive, which, in my opinion, only serves to broaden the opportunity-set for the efficient competitor. It is now up to us to make Arif Habib Rupali Bank Limited an efficient competitor, and, going forward, a winner.



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 period ended September 30, 2006.

License to Commence Business and Building Infrastructure:

The Bank was declared a Scheduled Bank and Certificate of Commencement of Business issued by the State Bank of Pakistan became effective on August 5, 2006. Accordingly, the Bank opened its doors for business on August 5, 2006 and the un-audited financial statements are being presented for the period from August 5, 2006 to September 30, 2006.

During this period, the Bank has been focusing on building its infrastructure in terms of human capital, information technology, operating platform and systems and controls to ensure effective risk management.

During this brief period, the Bank has been able to generate positive results. The beginning has been made with fully functional branch at Karachi and we are planning to have a total of seven branches by December 31, 2006. The additional six branches would comprise of three in Karachi and one each in Islamabad, Lahore and Multan. This network will be further expanded in 2007 and beyond.

We are grateful to our prospects and customers as well as to the State Bank of Pakistan and other Regulatory Authorities for their guidance and continued support.

We also sincerely appreciate the staff members for their commitment and efforts in building a strong foundation of the Bank.

On Behalf of the Board of Directors

Rahim Khanani
President & Chief Executive Officer

Arif Habib
Chairman

October 21, 2006

ARIF HABIB RUPALI BANK LIMITED
BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2006

	Notes	Sept 30, 2006 (Rupees in '000')	August 4, 2006 (Rupees in '000')
ASSETS			
Cash and balances with treasury banks		163,646	34,931
Balances with other banks		621,064	2,836,788
Lendings to financial institutions		1,385,432	-
Investments	4	707,432	298,096
Advances	5	1,097,436	7,438
Other assets		66,068	33,176
Operating fixed assets		289,979	279,882
Deferred cost		40,548	41,851
Deferred tax assets		-	-
		4,371,605	3,532,162
LIABILITIES			
Bills payable		13,555	8,996
Borrowings from financial institutions		159,482	170,000
Deposits and other accounts		1,039,712	100,706
Other liabilities		92,577	207,000
Deferred liabilities		26,288	45,460
		1,331,614	532,162
NET ASSETS			
		3,039,991	3,000,000
REPRESENTED BY:			
Share capital		1,500,000	1,500,000
Advance against issue of right shares		1,500,000	1,500,000
Unappropriated profit	6	40,309	-
		3,040,309	3,000,000
Surplus/(Deficit) on revaluation of assets		(318)	-
		3,039,991	3,000,000
CONTINGENCIES & COMMITMENTS			
	7		

The annexed notes from 1 to 10 form an integral part of these financial statements.

PRESIDENT & CHIEF EXECUTIVE DIRECTOR DIRECTOR DIRECTOR

ARIF HABIB RUPALI BANK LIMITED
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	(Rupees in '000')
Mark-up/Return/Interest Earned	53,285
Mark-up/Return/Interest Expensed	3,889
Net Mark-up/Interest Income	49,396
Provision against non-performing loans and advances	-
Provision for impairment in the value of investments	-
Bad debts written off directly	-
	-
Net Mark-up/Interest Income after provisions	49,396
NON MARK-UP/INTEREST INCOME	
Fee, Commission and Brokerage Income	73
Dividend Income	-
Gain/(Loss) on sale of investments	5,893
Income from trading in government securities	-
Gain/(Loss) from dealing in foreign currencies	(36)
Unrealized Gain/(Loss) on revaluation of investments classified as held for trading	-
Other Income	142
	-
Total non mark-up/Interest Income	6,072
	55,468
NON MARK-UP/INTEREST EXPENSES	
Administrative expenses	27,398
Other provisions/write offs	-
Other charges	-
	-
Total non-markup/Interest Expenses	(27,398)
	28,070
Extra ordinary/unusual items	-
PROFIT BEFORE TAXATION	
Taxation - Current	7,761
- Prior years	-
- Deferred	(20,000)
	12,239

continue

ARIF HABIB RUPALI BANK LIMITED
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
 FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	(Rupees in '000')
PROFIT AFTER TAXATION	40,309
Unappropriated profit brought forward	-
Unappropriated profit carried forward	40,309
Basic & Diluted Earnings/(Loss) per share	0.27

The annexed notes from 1 to 10 form an integral part of these financial statements.

PRESIDENT & CHIEF EXECUTIVE DIRECTOR DIRECTOR DIRECTOR

ARIF HABIB RUPALI BANK LIMITED
CASH FLOW STATEMENT (UN-AUDITED)
 FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	(Rupees in '000')
CASH FLOW FROM OPERATING ACTIVITIES	
Profit before taxation	28,070
Less: Dividend income	-
	28,070
Adjustment for non-cash charges	
Depreciation	1,505
Amortization	1,304
Provision against non-performing advances	-
Provision for diminution in the value of investments/other assets	-
Loss/(Gain) on sale of fixed assets	-
	2,809
	30,879
(Increase)/Decrease in operating assets	
Lendings to financial institutions	(1,385,432)
Held-for-trading securities	-
Advances	1,089,998
Others assets (excluding advance taxation)	(34,928)
	(2,510,358)
Increase/(Decrease) in other liabilities	
Bills payable	4,559
Borrowings from financial institutions	(10,518)
Deposits and other accounts	939,006
Other liabilities	(113,795)
Deferred liabilities	828
	820,080
	(1,659,399)
Payments of provision against off-balance sheet obligations	-
Income tax paid	(6,353)
	(6,353)
	(1,665,752)
CASH FLOW FROM INVESTING ACTIVITIES	
Net investments	(409,655)
Dividend Income	-
Fixed capital expenditure	(11,602)
Sale proceeds of property & equipment disposed-off	-
Net cash from investing activities	(421,257)

continue

ARIF HABIB RUPALI BANK LIMITED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2006

CASH FLOW FROM FINANCING ACTIVITIES

	(Rupees in '000')
Receipts/(payments) of sub-ordinated loan	-
Issue of share capital	-
Advance against issue of shares	-
Dividend paid	-
Net cash from financing activities	-
Net decrease in cash and cash equivalents	(2,087,009)
Cash and cash equivalents at beginning of the period	2,871,719
Cash and cash equivalents at end of the period	784,710

The annexed notes from 1 to 10 form an integral part of these financial statements.

PRESIDENT & CHIEF EXECUTIVE DIRECTOR DIRECTOR DIRECTOR

ARIF HABIB RUPALI BANK LIMITED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	(Rupees in '000')			
	Share Capital	Advance for Right Issue	Unappropriated profit/(loss)	Total
Issue of share capital	1,500,000	-	-	1,500,000
Advance against issue of 100% right shares	-	1,500,000	-	1,500,000
Balance as at August 04, 2006	1,500,000	1,500,000	-	3,000,000
Net profit for the period	-	-	40,309	40,309
Balance as at September 30, 2006	1,500,000	1,500,000	40,309	3,040,309

The annexed notes from 1 to 10 form an integral part of these financial statements.

PRESIDENT & CHIEF EXECUTIVE DIRECTOR DIRECTOR DIRECTOR

ARIF HABIB RUPALI BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2006

1. STATUS AND NATURE OF BUSINESS

Arif Habib Rupali Bank Limited "the Bank" has been incorporated in Pakistan as a public limited company on December 09, 2005 under the Companies Ordinance, 1984 with its registered office situated at Karachi in the province of Sindh and has obtained certificate of commencement of business on April 10, 2006.

State Bank of Pakistan has 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) has been 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.

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 financial statements are the same as those used in the preparation of the preceding financial statements of Bank as at Aug 04, 2006.

ARIF HABIB RUPALI BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2006

4. INVESTMENTS

(Rupees in '000')		
Held by the Bank	Given as Collateral	Total
548,432	159,000	707,432

As at September 30, 2006

4.1 Investment by type

September 30, 2006		
Held by the Bank	Given as Collateral	Total
-	-	-
548,432	159,000	707,432
-	-	-
548,432	159,000	707,432
-	-	-
548,432	159,000	707,432

Less: Provision for impairment in value of investments in unlisted shares

5. ADVANCES

	Sept 30, 06 (Rupees in '000')	Aug 04, 06 (Rupees in '000')
Loans, cash credits, running finances, etc. In Pakistan	151,044	145,066
Bills discounted and purchased (excluding treasury bills)	-	-
Payable in Pakistan	491	2,687
Payable outside Pakistan	491	2,687
	151,535	147,753
Financing in respect of continuous financing system	1,086,116	-
	1,237,651	147,753
Provision for non-performing advances	(140,215)	(140,315)
	1,097,436	7,438

ARIF HABIB RUPALI BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
 FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	Sept 30, 06 (Rupees in '000')	Aug 04, 06 (Rupees in '000')
6. UNAPPROPRIATED PROFIT		
Balance at the beginning of the period	-	-
Transfer from profit & loss account	40,309	-
Balance at the close of the period	40,309	-
7. CONTINGENCIES & COMMITMENTS		
7.1 Direct credit substitutes Contingent liability in respect of guarantees favouring:		
Government	-	-
Banking Companies and other financial institutions	-	-
Others	-	-
7.2 Transactions-related contingent liabilities/commitments Guarantees given in favour of:		
Government, Banking Companies and other financial institutions	-	-
Others	313	313
7.3 Trade-related contingent liabilities:		
Letters of credit	-	-
Acceptances	-	-
7.4 Other contingencies - Claims against bank not acknowledged as debt	83,903	83,903

ARIF HABIB RUPALI BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
 FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	Sept 30, 06 (Rupees in '000')	Aug 04, 06 (Rupees in '000')
7.5 Commitments in respect of forward lending	-	-
7.6 Commitments in respect of forward exchange contracts		
Purchase	24,252	-
Sale	-	-
7.7 Commitments relating to capital expenditure	-	-
7.8 Commitments in respect of repo transactions		
Repurchase	159,482	170,000
7.9 Other Commitments		
Continuous funding system	63,964	-
Forward sale/purchase of equity securities	43,000	-
7.10		
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 RBL's Tax Consultants, the case is likely to be decided in favour of RBL based on available precedence.		

ARIF HABIB RUPALI BANK LIMITED
 NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
 FOR THE PERIOD ENDED SEPTEMBER 30, 2006

8. RELATED PARTY TRANSACTIONS

Detail of transactions during the period and balances as at September 30, 2006 are as follows:

Balances outstanding at the period end

● Advances/investments/placements at the period end	-	-
● Deposits at the period end	107,000	-
● Outstanding commitments and contingent liabilities for irrevocable commitments and contingencies	-	-
● Investment in shares of related parties - at cost	-	-
● Brokerage payable	2,300	-
● Continuous funding system	1,086,116	-

Transactions during the period

● Brokerage expensed	5,269	-
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9. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on October 21, 2006 by the Board of Directors of the Bank.

10. FIGURES

Have been rounded off to the nearest thousand rupee.



Corporate Banking



Commercial Banking



Small & Medium Enterprise Banking



Retail Banking



Wealth Management



PRESIDENT & CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

DIRECTOR