

Corporate Information

Board of Directors	<i>Chairman</i> : H. U. Beg <i>Directors</i> : Nasir Ali Shah Bukhari Tariq M. Rangoonwala N. K. Shahani Leon Seynave Muneer Kamal
President / Chief Executive Officer	Muneer Kamal
Audit Committee	: H. U. Beg Tariq M. Rangoonwala N. K. Shahani
Human Resource & Remuneration Committee	: Nasir Ali Shah Bukhari H. U. Beg Leon Seynave Muneer Kamal
Risk Management Committee	: Tariq M. Rangoonwala Nasir Ali Shah Bukhari N. K. Shahani Muneer Kamal
Company Secretary	Muhammad Hamidullah
Chief Financial Officer	Laila Humayun
Auditors	A. F. Ferguson & Co.
Legal Advisors	Mandviwalla & Zafar Advocates & Legal Consultants
Registered Office & Head Office	Razia Sharif Plaza (Basement), Jinnah Avenue, 90-Blue Area, Islamabad Tel: (92-51) 2270725, 2276828-30 Fax: (92-51) 2270727
Principal Office	Business & Finance Centre, I.I. Chundrigar Road, Karachi Tel: (92-21) 2446772-77 Fax: (92-21) 2446828 & 2446865
Regional Office, Lahore	76-B, E-1, Main Boulevard, (Next to Hafeez Centre,) Gulberg-III, Lahore-54000. Tel: (92-42) 5764288-9 Fax:(92-42) 5755358 & 5760079
Registrar and Share Transfer Office	Noble Computer Services (Pvt.) Ltd. 2nd Floor, Sohni Centre, BS 5&6, Main Karimabad, Block-4, Federal 'B' Area, Karachi. Tel: (92-21) 6801880-2 Fax: (92-21) 6801129

DIRECTORS REVIEW

I have the privilege of presenting before you, on behalf of the Board of Directors of KASB Bank Limited, the quarterly unaudited financial statements of the Bank together with consolidated financial statements of the Bank and its subsidiaries, for the quarter ended March 31, 2009.

Financial Performance

The summarized financial performance of the Bank is as follows:

	Rs in Million	
	March 31, 2009	March 31, 2008
Profit/(Loss) before taxation	(180.9)	97.09
Total Assets	59,801	51,799
Investments	16,265	9,454
Advances	31,529	32,240
Deposits	42,550	35,087
Earning/(Loss) per share- Rupees	(0.43)	0.23

Operating and Financial Review

After a fairly tough 2008, the Bank has started 2009 in a more positive mode. The key concern for the later half of last year was deposits and liquidity management for the entire banking sector. In the first quarter of 2009 the Bank has already increased its deposit base by almost Rs. 7.5 billion through 73 branches (including 20 sub-branches) in 21 cities in Pakistan. The deposits which had fallen to Rs. 35 billion in December 2008, had forced the Bank to raise liquidity and the Bank has managed well and has closed the first quarter of 2009 at Rs. 42.5 billion of deposits. This deposit mobilization has enabled the Bank in reducing its ADR to around 60% and meeting all its regulatory liquidity requirements. The price for this liquidity was high cost of mobilizing the deposit.

The first quarter has posted a loss primarily due to a high deposit cost which was picked up in the later part of 2008. This year, the management's key focus is on reduction of the cost of deposits by actively re-pricing the expensive deposit at their maturity dates. The average cost of deposit has gone down considerably from its peak of 14% and has been reduced to under 12.5% and will continuously be re-priced going forward. This reduction will significantly impact the bottom line of the Bank going forward.

Customer deposits increased from 35,087 million as of December 31, 2008 to Rs 42,550 million as at March 31, 2009. The increase is reflected in volume of Investments which grew by 72% from 9,454 million in December 2008 to 16,265 million in March 2009.

The heavy provisioning in 2008, of which more than 50% was subjective, has also been a key focus area of your Bank's management. The management believes that a substantial portion of this classified portfolio will become regular over the next few years. Already, our efforts for recovery of non-performing advances are yielding results and we have succeeded in regularizing over Rs. 550 million of the classified portfolios which has also resulted in a reversal of Rs. 137 million in the provisioning.

The combination of prudent investment policies and the increase in benchmark rates resulted in the improvement of the average lending rate of the Bank during the period which can be evidenced by a growth of 42% in the markup income when compared to same period last year. The operating expenses for the first quarter 2009 increased by 56% over the corresponding period, from Rs. 295 million to Rs 460

million due to the increase of the branch network (most of which came online in the second half of the year) and the additional cost of the two companies that were merged into the Bank. There have been many cost rationalization measures undertaken by the management which should result in efficiencies going forward.

Performance

The Bank remained focused on the core banking activities by attending to clearly defined market segments resulting in increased operational revenue, streamlined and improved further the internal policies, procedures, processes and intellectual capital. The Bank is continuing to rely on Information Technology to improve customer service and controls. We have several key projects underway and many more planned for the year.

The Bank is already compliant with the Minimum Capital requirement for the year 2009.

To cope with demanding challenges amidst precipitous competition the Bank continues to go along with investments in technology, service quality and human resource development. This obviously needs high level of investment worth incurring to provide top class service to the clients.

Merger with KASB Capital and Network Leasing Corporation Limited

For the merger, we decided to adopt a customer centric focus to ensure that we deliver seamless service throughout the process. I am delighted to report that the task was conducted in a highly professional manner, drawing appreciation from all stakeholders.

Today, we are a unique combination of international expertise, local knowledge, traditional values and world-class technology. Our experienced team is devoted to a vision of being the most versatile and service oriented bank in Pakistan.

Future Prospects

The year 2008 was perhaps one of the most important years of our operations. In view of the slowdown of banking sector's growth scenario in Pakistan, it became evident that we should have an all-embracing banking group to carry out the requisite scale of operations in the future. Furthermore, as always, we are faced with the challenges of maintaining quality of assets and superior service whilst demonstrating growth.

With this in view, we took the pivotal decision of merging with KASB Capital Limited and Network Leasing Corporation Limited. This decision has far-reaching consequences. It is an endorsement and recognition of KASB Bank's quality. The merger yielded benefits to the combined entity. Not only did we increase our Bank's size and scale, but we now also have one of the best investment banking team in-house.

We are looking forward to have a fast growth in view of the increased branch network, effective asset/liability management, substantial increase in business volumes and expansion of the core business.

Credit rating

PACRA has maintained the Bank's long term rating of A (Single A) with a positive outlook and a short term rating of A-1 (A One).

Branch Expansion

After a successful expansion in 2008 from 35 branches to 73 branches, we have now received permission from the State Bank of Pakistan to open 27 new branches (including 10 sub-branches) in 2009 which will Inshallah take your Bank's branch network to 100 branches.

Acknowledgment

We would like to thank our valued customers for their continuous patronage and support, to the State Bank of Pakistan and Securities and Exchange Commission for their guidance, to our staff for their commitment, hard work and dedication, and to our shareholders for the trust and confidence reposed in us.

On behalf of the Board of Directors

H.U Beg
Chairman

Karachi
April 29, 2009

KASB Bank Limited
Condensed Interim Balance Sheet
As at March 31, 2009

Note **March 31, 2009** December 31, 2008
(Rupees in '000)

ASSETS

Cash and balances with treasury banks		2,580,120	1,507,632
Balances with other banks		94,327	59,093
Lendings to financial institutions		845,004	556,455
Investments	5	16,264,979	9,454,149
Advances	6	31,528,504	32,240,196
Operating fixed assets		2,853,897	2,730,533
Deferred tax assets - net		1,495,595	1,488,096
Other assets - net		4,139,047	3,762,944
		59,801,473	51,799,098

LIABILITIES

Bills payable		681,845	217,520
Borrowings		6,057,172	6,300,622
Deposits and other accounts		42,550,359	35,087,477
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		8,496	9,685
Deferred tax liabilities		-	-
Other liabilities		1,366,739	984,287
		50,664,611	42,599,591

NET ASSETS

	9,136,862	9,199,507
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REPRESENTED BY

Share capital		4,014,890	4,014,890
Reserves		151,287	151,287
Proposed shares to be issued on amalgamation		5,607,976	5,607,976
Accumulated losses		(1,142,571)	(974,788)
Effect of fair value measurement of capital on amalgamation		13,775	13,775
		8,645,357	8,813,140
Surplus on revaluation of assets - net of tax	7	491,505	386,367
		9,136,862	9,199,507

CONTINGENCIES AND COMMITMENTS 8

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

President and Chief Executive

Director

Director

Director

KASB Bank Limited
Condensed Interim Profit and Loss Account
For the quarter ended March 31, 2009

March 31, 2009 **March 31, 2008**
(Rupees in '000)

Mark-up / return / interest earned	1,514,933	1,061,090
Mark-up / return / interest expensed	(1,462,242)	(764,418)
Net mark-up / return / interest income	52,691	296,672
Provision /(reversal) against non-performing loans and advances -	(109,379)	37,774
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	(109,379)	37,774
Net mark-up / return / interest after provisions	162,070	258,898
Non mark-up / return / interest income		
Fee, commission and brokerage income	39,529	42,584
Dividend income	15,058	5,081
Income from dealing in foreign currencies	13,051	45,413
Gain on sale of securities (other than Govt. Securities)	38,779	617
Unrealised (loss) / gain on revaluation of investments classified as held for trading	5	23,600
Other income	11,515	15,836
Total non mark-up / interest income	117,937	133,131
	280,007	392,029
Non mark-up / return / interest expenses		
Administrative expenses	(460,241)	(294,809)
Other provisions / write offs	(681)	-
Other charges	(46)	(122)
Total non mark-up / interest expenses	(460,968)	(294,931)
(LOSS) / PROFIT BEFORE TAXATION	(180,961)	97,098
Taxation - Current year	-	(5,943)
- Prior years	-	-
- Deferred	7,500	-
	7,500	(5,943)
(LOSS) / PROFIT AFTER TAXATION	(173,461)	91,155
Accumulated loss brought forward	(974,788)	(7,497)
Transfer from Surplus on revaluation of fixed assets - net of tax	5,678	
(Accumulated losses) / Unappropriated profit carried forward	(1,142,571)	83,658
Earning per share	(0.43)	0.23

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

President and Chief Executive

Director

Director

Director

KASB Bank Limited
Condensed Interim Cash Flow Statement
For the quarter ended March 31, 2009

	March 31, 2009	March 31, 2008
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(180,961)	97,098
Less: Dividend income	(15,058)	(5,081)
	(196,019)	92,017
Adjustments for non-cash items		
Depreciation	51,485	24,898
Amortisation	9,019	1,839
(Reversal) / provision against non-performing advances - net	109,379	37,774
Gain on sale of fixed assets - net	(128)	(25)
Unrealised gain on revaluation of investments classified as held for trading	(5)	(23,600)
Financial charges on leased assets	434	34
Amortisation of premium on investments	6,831	6,566
	177,015	47,486
	(19,004)	139,503
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(288,549)	(1,054,868)
Held for trading securities	96,426	(109,690)
Advances	602,313	(3,993,491)
Others assets (excluding advance taxation)	(353,071)	(140,946)
	57,119	(5,298,995)
Increase / (Decrease) in operating liabilities		
Bills payable	464,325	(49,933)
Borrowings from financial institutions	(244,764)	157,802
Deposits	7,462,882	4,845,200
Other liabilities	382,452	4,527
	8,064,895	4,957,596
	8,103,010	(201,896)
Income tax (paid)	(16,408)	(7,791)
Net cash flow from operating activities	8,086,602	(209,687)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in held to maturity securities	19,873	9,889
Net investment in available for sale securities	(6,828,817)	365,656
Dividend received	8,434	238
Investments in operating fixed assets	(184,067)	(104,002)
Sale proceeds realised on disposal of fixed assets	6,006	878
Net cash flow from investing activities	(6,978,571)	272,659
CASH FLOW FROM FINANCING ACTIVITIES		
Payments against lease obligations - net	(1,623)	(285)
Net cash flow from financing activities	(1,623)	(285)
Net Increase in cash and cash equivalents during the period	1,106,408	62,687
Cash and cash equivalents at beginning of the period	1,563,981	3,703,349
Cash and cash equivalents at the end of the period	2,670,389	3,766,036

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

President and Chief Executive

Director

Director

Director

KASB Bank Limited
Condensed Interim Statement of Changes in Equity
For the quarter ended March 31, 2009

	Share capital	Subscription towards issue of right shares	Statutory reserve	General reserve	Revenue Reserves	Proposed shares to be issued on amalgamation	Effect of fair value measurement of capital on amalgamation	Accumulated loss	Total
	----- (Rupees in '000) -----								
Balance as at December 31, 2007	3,106,978	907,912	150,903	384	151,287	-	13,775	(7,497)	4,172,455
Right shares issued during the year	907,912	(907,912)	-	-	-	-	-	-	-
Profit for the period from January 1, 2008 to March 31, 2008	-	-	-	-	-	-	-	91,155	91,155
Transfer to statutory reserve	-	-	18,231	-	18,231	-	-	(18,231)	-
Balance as at March 31, 2008	4,014,890	-	169,134	384	169,518	-	13,775	65,427	4,263,610
Loss for the period from April 1, 2008 to December 31, 2008	-	-	-	-	-	-	-	(1,064,124)	(1,064,124)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	-	-	5,678	5,678
Transfer from statutory reserve to accumulated losses during the period from April 1, 2008 to December 31, 2008	-	-	(18,231)	-	(18,231)	-	-	18,231	-
Proposed shares to be issued on amalgamation	-	-	-	-	-	5,607,976	-	-	5,607,976
Balance as at December 31, 2008	4,014,890	-	150,903	384	151,287	5,607,976	13,775	(974,788)	8,813,140
Loss for the period from January 1, 2009 to March 31, 2009	-	-	-	-	-	-	-	(173,461)	(173,461)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	-	-	5,678	5,678
	<u>4,014,890</u>	<u>-</u>	<u>150,903</u>	<u>384</u>	<u>151,287</u>	<u>5,607,976</u>	<u>13,775</u>	<u>(1,142,571)</u>	<u>8,645,357</u>
	-	-	-	-	-	-	-	-	-

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

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2009

1. STATUS AND NATURE OF BUSINESS

- 1.1** KASB Bank Limited was incorporated in Lahore, Pakistan on October 13, 1994 as a public limited company under the Companies Ordinance, 1984 and received banking license from the State Bank of Pakistan (SBP) on January 9, 1995. The Bank obtained certificate of commencement of business on January 11, 1995 and is engaged in commercial banking, consumer banking and related services through 73 branches (including 20 sub-branches) operating in different cities. The Bank's shares are listed on the Karachi, Lahore and Islamabad stock exchanges.
- 1.2** The Pakistan Credit Rating Agency Limited has determined the Bank's long-term rating as A (Single A) and the short-term rating as A1.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these condensed interim financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE

- 3.1** These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable to banks in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified by the Securities and Exchange Commission of Pakistan (SECP) from time to time, the requirements of the Companies Ordinance, 1984, the requirements of the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the 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 IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.
- 3.2** 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.
- 3.3** 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 should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2008.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2008.

5. INVESTMENTS

5.1 Investment by types

	March 31, 2009			December 31, 2008		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rupees in '000) -----						
Held-for-trading						
Units of Mutual Funds	-		-	2,869		2,869
Ordinary Shares of listed companies	1,406		1,406	258,715		258,715
	1,406	-	1,406	261,584	-	261,584
Available-for-sale securities						
Pakistan Investment Bonds	438,319	-	438,319		170,660	170,660
Market Treasury Bills	5,527,451	1,448,161	6,975,612		592,345	592,345
Listed Term Finance Certificates	373,391	-	373,391	376,535		376,535
Unlisted Term Finance Certificates	612,031	-	612,031	612,036		612,036
Units of Mutual Funds	1,078,794	-	1,078,794	1,031,638		1,031,638
Ordinary Shares of listed companies	564,341	-	564,341	437,288		437,288
Ordinary Shares of unlisted companies	330,588	-	330,588	330,588		330,588
	8,924,915	1,448,161	10,373,076	2,788,085	763,005	3,551,090
Held-to-maturity						
Pakistan Investment Bonds	683,239	-	683,239	2,000	686,826	688,826
Unlisted Term Finance Certificates	412,644		412,644	426,930		426,930
	1,095,883	-	1,095,883	428,930	686,826	1,115,756
Associates	1,804,752	-	1,804,752	1,782,767	-	1,782,767
Subsidiaries	3,016,384	-	3,016,384	3,058,251	-	3,058,251
Investment at cost	14,843,340	1,448,161	16,291,501	8,319,617	1,449,831	9,769,448
Less: Provision for diminution in the value of investments	(18,452)	-	(18,452)	(196,407)	-	(196,407)
Investment net of provision	14,824,888	1,448,161	16,273,049	8,123,210	1,449,831	9,573,041
(Deficit) on revaluation of securities	(8,070)	-	(8,070)	(77,115)	(41,777)	(118,892)
Total Investments	14,816,818	1,448,161	16,264,979	8,046,095	1,408,054	9,454,149

5.2 Investments by Segment

(Rupees in '000)

Federal Government Securities

- Market Treasury Bills	6,975,612	592,345
- Pakistan Investment Bonds	1,121,558	859,486
- Federal Investment Bonds	-	-
	8,097,170	1,451,831

Fully Paid up Ordinary Shares

- Listed Companies	565,747	696,003
- Unlisted Companies	330,588	330,588
	896,335	1,026,591

Term Finance Certificates and commercial papers

- Term Finance Certificates - Listed	373,391	376,535
- Term Finance Certificates - Unlisted	1,024,675	1,038,966
	1,398,066	1,415,501

Units of Mutual Funds

1,078,794 1,034,507

Associates

1,804,752 1,782,767

Subsidiaries

3,016,384 3,058,251

Investment at cost

16,291,501 9,769,448

Less: Provision for diminution in the value of investments

(18,452) (196,407)

Investment net of provision

16,273,049 9,573,041

(Deficit) on revaluation of securities

(8,070) (118,892)

Total Investments**16,264,979** **9,454,149**

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	March 31, 2009	December 31, 2008
	(Rupees in '000)	
6. ADVANCES		
Loans, cash credits, running finances, etc. - in Pakistan	32,398,038	32,634,426
Net investment in finance lease - in Pakistan	1,691,525	1,796,965
Bills discounted and purchased (excluding government treasury bills)		
- Payable in Pakistan	192,968	678,054
- Payable outside Pakistan	51,154	55,405
	244,122	733,459
	34,333,685	35,164,850
Provision for advances - specific	(2,761,536)	(2,875,909)
- general	(43,645)	(48,745)
	(2,805,181)	(2,924,654)
	31,528,504	32,240,196

6.1 Advances include Rs 5,734.209 million (December 31, 2008: Rs. 6,245.779 million) which have been placed under non-performing status as detailed below:

Category of classification	March 31, 2009				
	Domestic	Overseas	Total	Provision required	Provision held
	----- (Rupees in '000) -----				
Substandard	569,873	-	569,873	98,686	98,686
Doubtful	3,290,012	-	3,290,012	1,067,509	1,067,509
Loss	1,874,324	-	1,874,324	1,595,341	1,595,341
	5,734,209	-	5,734,209	2,761,536	2,761,536

6.2 Particulars of provision against non-performing advances

	March 31, 2009		
	Specific	General	Total
	----- (Rupees in '000) -----		
Opening balance	2,875,909	48,745	2,924,654
Charge for the period	32,654		32,654
Reversals	(136,933)	(5,100)	(142,033)
Net charge	(104,279)	(5,100)	(109,379)
Amounts written off	(10,094)		(10,094)
Closing balance	2,761,536	43,645	2,805,181

March 31, **December**
2009 **31, 2008**
(Rupees in '000)

7. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

Federal Government securities	(71,634)	(41,777)
Listed & Unlisted Term Finance Certificates	(36,349)	175
Revaluation of Fixed Assets	721,900	730,636
Fully paid up ordinary shares & Units of mutual funds	99,908	(77,290)
	713,825	611,744
Related deferred tax asset- Investments	22,290	22,290
Related deferred tax liability- Fixed Assets	(244,610)	(247,667)
	<u>491,505</u>	<u>386,367</u>

8 CONTINGENCIES AND COMMITMENTS

8.1 Direct credit substitutes

Acceptances	1,084,223	1,843,971
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8.2 Transaction-related contingent liabilities

Letters of guarantee	9,810,717	9,499,568
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8.3 Trade-related contingent liabilities

Letters of credit	2,748,953	817,726
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8.4 Commitments in respect of forward exchange contracts

Purchase

From the State Bank of Pakistan	8,523	8,930
From other banks	2,957,426	1,369,656
From other customers	22,223	50,582
	<u>2,988,172</u>	<u>1,429,168</u>

Sale

To banks	2,302,541	676,238
To customers	-	-
	<u>2,302,541</u>	<u>676,238</u>
	<u>5,290,713</u>	<u>2,105,406</u>

8.5 Commitments for the acquisition of operating fixed assets

	<u>531,946</u>	<u>699,546</u>
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9 RELATED PARTY TRANSACTIONS

The Bank has a related party relationship with its associated undertaking, subsidiary company, employee benefit plans, and its key management personnel (including their associates). The particulars of investments in subsidiary company and associated company is mentioned in note 5.1 to these condensed interim financial statements.

Transactions between the Bank and its related parties are carried out at arm's length under the comparable uncontrolled price method, except for communication expenses that are carried out on "cost plus" method.

Details of transactions with related parties during the period and balances with them as at the period end are as follows:

March 31, 2009					December 31, 2008				
Subsidiaries	Directors	Key Management Personnel	Associates	Other Related Parties	Subsidiaries	Directors	Key Management Personnel	Associates	Other Related Parties

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

Balances outstanding as at the period end

Loans and advances

Balance as at March 31, 2009	20,008	21,884	57,260	-	2,430	37,560	22,488	66,676		2,722
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Deposit accounts

Balance as at March 31, 2009	61,934	10,720	9,973	103,774	119,992	20,929	9,476	11,528	55,234	93,659
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Security deposit against lease advances	151	-	-	-	-	151	-	-	-	-
Receivable against expenses	14,595	-	-	-	-	21,311	-	-	95	351
Commission income receivable	244	-	-	-	-	142	-	-	-	-
Bank profit payable	140	91	38	13	-	134	11	118	129	16
Markup receivable	3,785	-	-	-	116	6,362	-	-	-	-
Purchase of Computer Equipment & Machine	108	-	-	-	-	5,672	-	-	-	3,399
Advance for acquisition of office premises	-	-	-	-	442,573	-	-	-	-	402,669

March 31, 2009					March 31, 2008				
Subsidiaries	Directors	Key Management Personnel	Associates	Other Related Parties	Subsidiaries	Directors	Key Management Personnel	Associates	Other Related Parties

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

Income / Expense for the period

Interest income on advances	1,837	50	472	-	116	595	-	319	1,156	-
Interest expense on deposits	499	131	54	2,200	3,681	-	56	48	13,636	-
IT service charges	90	-	-	-	-	233	-	-	-	-
Communication expenses	2,235	-	-	-	-	-	-	-	-	-
Repair and maintenance	2,178	-	-	-	-	-	-	-	-	-
Advertisement sponsorship	-	-	-	-	-	1,718	-	-	-	-
Remuneration paid	-	-	17,306	-	-	-	-	10,980	-	-
Administrative expenses	115	-	-	-	-	157	-	-	-	-
Director fees	-	-	-	-	-	-	975	-	-	-
Distribution and facilitation income	-	-	-	-	-	-	-	-	232	-
Advance for acquisition of office premises	-	-	-	-	39,904	-	-	-	-	-

March 31, 2009 March 31, 2008
----- (Rupees in '000) -----

Contribution to Staff Provident Fund

8,027 5,201

10 GENERAL

Figures have been rounded up to the nearest thousand rupees

11 DATE OF AUTHORIZATION

These financial statements were authorized for issue on April 29, 2009 by the Board of Directors of the Bank

President & Chief Executive

Director

Director

Director

KASB BANK LIMITED
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2009

March 31, 2009 **December 31, 2008**
(Rupees in '000)

ASSETS

Cash and balances with treasury banks	2,580,138	1,507,650
Balances with other banks	98,136	59,112
Lendings to financial institutions and others	845,004	556,455
Investments (including investments amounting to Rs 1,138,020 thousand classified as held for sale)	13,256,188	6,400,669
Advances	31,528,504	32,240,196
Operating fixed assets	2,855,228	2,731,864
Deferred tax assets - net	1,596,542	1,589,042
Other assets - net (including assets amounting to Rs 3,148,269 thousand classified as held for sale)	8,819,184	8,609,419
	61,578,924	53,694,407

LIABILITIES

Bills payable	681,845	217,520
Borrowings	6,057,172	6,300,622
Deposits and other accounts	42,548,461	35,080,800
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	8,496	9,685
Deferred tax liabilities	-	-
Other liabilities (including liabilities amounting to Rs 1,347,691 thousand classified as held for sale)	2,753,960	2,484,423
	52,049,934	44,093,050

NET ASSETS

	9,528,990	9,601,357
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REPRESENTED BY

Share capital	4,014,890	4,014,890
Subscription money received against proposed issue of right shares	-	-
Revenue reserves	151,287	151,287
Proposed shares to be issued on amalgamation	5,607,976	5,607,976
Effect of fair value measurement of capital on amalgamation	13,775	13,775
Accumulated losses	(1,251,510)	(1,096,473)
	8,536,418	8,691,455
Non-controlling interests	501,067	523,535
Surplus on revaluation of assets - net of tax	491,505	386,367
	9,528,990	9,601,357

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 7 form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED MARCH 31, 2009

March 31, 2009 **March 31, 2008**
(Rupees in '000)

CONTINUING OPERATIONS

Mark-up / return / interest earned	1,514,932	1,060,495
Mark-up / return / interest expensed	<u>(1,461,020)</u>	<u>(764,417)</u>
Net mark-up / return / interest income	53,912	296,078
Provision / (reversal) against loans and advances - net	<u>(109,379)</u>	<u>37,774</u>
Provision against other assets	-	-
Provision / (reversal of provision) for diminution in the value of investments - net	-	-
Bad debts written off directly	-	-
Investments written off directly	-	-
	<u>(109,379)</u>	<u>37,774</u>
Net mark-up / return / interest income after provisions	163,291	258,304
Non mark-up / return / interest income		
Fee, commission and brokerage income	<u>39,529</u>	<u>42,584</u>
Dividend income	15,058	5,081
Income from dealing in foreign currencies	11,829	45,413
Gain on sale of securities - net	38,779	617
Unrealised gain on revaluation of investments classified as held for trading - net	5	23,600
Other income	<u>25,508</u>	<u>22,080</u>
Total non mark-up / return / interest income	130,708	139,375
	<u>293,999</u>	<u>397,679</u>
Non mark-up / return / interest expenses		
Administrative expenses	<u>(464,309)</u>	<u>(299,737)</u>
Other provisions / write offs	(681)	-
Other charges	<u>(46)</u>	<u>(122)</u>
Total non mark-up / return / interest expenses	(465,036)	(299,859)
Share of profit of associates	2,822	9,712
Gain on derecognition of associate on amalgamation	-	-
Gain on remeasurement of previously held equity interest in associate and subsidiary arising upon amalgamation and acquisition	-	-
	<u>(168,215)</u>	<u>107,532</u>
Loss before taxation from continuing operations		
Taxation - Current year	<u>-</u>	<u>(5,985)</u>
- Prior years	-	-
- Deferred	<u>7,500</u>	<u>-</u>
	<u>7,500</u>	<u>(5,985)</u>
Net loss after taxation from continuing operations	<u>(160,715)</u>	<u>101,547</u>
Net profit after taxation from discontinued operations	-	-
	<u>(160,715)</u>	<u>101,547</u>
Accumulated loss brought forward	(1,096,473)	(69,101)
Transfer from surplus on revaluation of fixed assets - net of tax	5,678	-
(Accumulated loss) / unappropriated profit carried forward	<u>(1,251,510)</u>	<u>32,446</u>
	<u>(1,251,510)</u>	<u>32,446</u>
	----- Rupees -----	
Loss per share from continuing operations	<u>(0.40)</u>	<u>0.26</u>

The annexed notes 1 to 7 form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED MARCH 31, 2009

	March 31, 2009	March 31, 2008
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(168,215)	107,532
Less: dividend income	(15,058)	(5,081)
	<u>(183,273)</u>	<u>102,451</u>
Adjustments for non-cash and other items:		
Depreciation	51,485	24,996
Amortisation of intangible assets	9,019	1,839
Provision against loans and advances - net	(109,379)	37,774
Share of profit / (loss) from associates	(2,822)	(9,712)
Reversal of provision / (provision) against compensated absences	(15,175)	-
Provision for gratuity	458	-
Gain on disposal of operating fixed assets - net	(128)	(25)
Financial charges on leased assets	434	34
Unrealised gain on revaluation of investments classified as held for trading	(5)	(23,600)
Amortisation of premium on investments	6,831	6,566
	<u>(59,282)</u>	<u>37,872</u>
	<u>(242,555)</u>	<u>140,323</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(288,549)	(1,054,868)
Held for trading securities	51,737	(109,690)
Advances	821,071	(3,993,039)
Others assets (excluding advance taxation)	(181,480)	(138,424)
	<u>402,779</u>	<u>(5,296,021)</u>
Increase / (decrease) in operating liabilities		
Bills payable	464,325	(49,933)
Borrowings	(244,764)	157,350
Deposits	7,467,661	4,845,702
Other liabilities (excluding current taxation)	284,254	1,595
	<u>7,971,476</u>	<u>4,954,714</u>
	<u>8,131,700</u>	<u>(200,984)</u>
Income tax paid -net	(35,629)	(8,089)
Gratuity benefits paid	-	-
Net cash (outflow on) / inflow from operating activities	<u>8,096,071</u>	<u>(209,073)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(6,828,817)	365,657
Net investments in held to maturity securities	19,873	9,889
Dividend income received	8,434	238
Investments in operating fixed assets	(189,746)	(104,028)
Sale proceeds realised on disposal of operating fixed assets	6,006	878
Net cash outflow on investing activities	<u>(6,984,250)</u>	<u>272,634</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments against lease obligations - net	(1,623)	(285)
Subscription money received against proposed right issue	-	-
Net cash inflow from financing activities	<u>(1,623)</u>	<u>(285)</u>
Net (decrease) / increase in cash and cash equivalents	<u>1,110,198</u>	<u>63,276</u>
Cash and cash equivalents at the beginning of the period	<u>1,564,018</u>	<u>3,702,226</u>
Cash and cash equivalents at the end of the period	<u><u>2,674,216</u></u>	<u><u>3,765,502</u></u>

The annexed notes 1 to 7 form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2009

	Attributable to equity holders of the parent entity										Non-controlling interests	Total
	Share capital	Effect of fair value measurement of capital on amalgamation	Subscription towards issue of right shares	Reserves			Proposed shares to be issued on amalgamation	Accumulated loss	Post acquisition changes in associate directly recognised in equity	Total		
				Statutory reserve (a)	Revenue reserve	Total reserves						
----- (Rupees in '000) -----												
Balance as at December 31, 2007	3,106,978	13,775	907,912	150,903	384	151,287	-	(50,350)	-	4,129,602	-	4,129,602
Right shares issued during the year	907,912	-	(907,912)			-	-	-	-	-	-	-
Profit after taxation for the period ended March 31, 2008	-	-	-	-	-	-	-	101,547	-	101,547	-	101,547
Transfer to statutory reserve	-	-	-	18,231	-	18,231	-	(18,231)	-	-	-	-
Balance as at March 31, 2008	4,014,890	13,775	-	169,134	384	169,518	-	32,966	-	4,231,149	-	4,231,149
Loss after taxation for the period from April 1, 2008 to December 31, 2008	-	-	-	-	-	-	-	(1,465,633)	-	(1,465,633)	-	(1,465,633)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	-	-	5,678	-	5,678	-	5,678
Transferred from statutory reserve to accumulated losses during the period from April 1, 2008 to December 31, 2008	-	-	-	(18,231)	-	(18,231)	-	18,231	-	-	-	-
Post acquisition changes in net assets of associates - note 10.17	-	-	-	-	-	-	-	-	627,137	627,137	-	627,137
Post acquisition changes in net assets of associate derecognised upon amalgamation of KCL into the holding company - note 10.17	-	-	-	-	-	-	-	312,285	(627,137)	(314,852)	-	(314,852)
Proposed shares to be issued on amalgamation - note 6.1	-	-	-	-	-	-	5,607,976	-	-	5,607,976	-	5,607,976
Non-controlling interest related to subsidiaries recognized upon amalgamation of KCL into the holding company - note 6.3 & 6.3.5	-	-	-	-	-	-	-	-	-	-	523,535	523,535
Balance as at December 31, 2008	4,014,890	13,775	-	150,903	384	151,287	5,607,976	(1,096,473)	-	8,691,455	523,535	9,214,990
Loss after taxation for the period ended March 31, 2009								(160,715)		(160,715)		(160,715)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax								5,678		5,678		5,678
Non-controlling interest related to subsidiaries recognized upon amalgamation of KCL into the holding company - note 6.3 & 6.3.5											(22,468)	(22,468)
	4,014,890	13,775	-	150,903	384	151,287	5,607,976	(1,251,510)	-	8,536,418	501,067	9,037,485

(a) This represents reserve created under section 21(i)(a) of the Banking Companies Ordinance, 1962

The annexed notes 1 to 7 form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2009

1. STATUS AND NATURE OF BUSINESS

1.1 The Group consists of:

Holding Company

- KASB Bank Limited (Holding Company)

**Percentage
holding**

Subsidiaries

-	KASB Technology Services Limited	100%
-	KASB Securities Limited*	77.12%
-	KASB Funds Limited*	67.18%
-	KASB Modaraba Management (Private) Limited*	99.63%
-	KASB Modaraba*	50.50%

* including shares held by the nominee directors of the bank

In addition, the Group maintains significant influence in the following associates:

Name of the associates

**Percentage
holding**

New Horizon Exploration and Production Limited	40%
Shakarganj Food Products Limited	42.78%
KASB International Limited	23.59%
KASB Stock Market Fund	27.95%
KASB Balanced Fund	26%
KASB Islamic Fund	32%
Network Microfinance Bank Limited	22.39%

1.2 KASB Bank Limited was incorporated in Lahore, Pakistan on October 13, 1994 as a public limited company under the Companies Ordinance, 1984 and received banking license from the State Bank of Pakistan (SBP) on January 9, 1995. The Bank obtained certificate of commencement of business on January 11, 1995 and is engaged in commercial banking, consumer banking and related services through 73 branches (including 20 sub-branches) operating in different cities. The Bank's shares are listed on the Karachi, Lahore and Islamabad stock exchanges.

1.3 The Pakistan Credit Rating Agency Limited has determined the Bank's long-term rating as A (Single A) and the short-term rating as A1.

2. BASIS OF PRESENTATION

In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these condensed interim financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE

3.1 These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable to banks in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified by the Securities and Exchange Commission of Pakistan (SECP) from time to time, the requirements of the Companies Ordinance, 1984, the requirements of the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever the requirements of the Companies Ordinance, 1984, the 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 IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

- 3.2** 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.
- 3.3** 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 should be read in conjunction with the financial statements of the Bank for the year ended December 31, 2008.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Bank for the year ended December 31, 2008.

5. BASIS OF CONSOLIDATION

The consolidated financial statements of the group include the financial statements of KASB Bank (Holding company) and its subsidiary companies. Subsidiaries are those companies in which the bank directly or indirectly controls, beneficially owns or holds more than 50% of the voting securities or otherwise has the power to elect and appoint more than 50% of its directors.

6. GENERAL

Figures have been rounded up to the nearest thousand rupees

7. DATE OF AUTHORIZATION

These financial statements were authorized for issue on April 29, 2009 by the Board of Directors of the holding company, KASB Bank Limited.

President & Chief Executive

Director

Director

Director