



Quarterly Report September 30, 2010 (Unaudited)



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CORPORATE INFORMATION

QUARTERLY REPORT SEPTEMBER 2010

Board of Directors

Chairman
Nasir Ali Shah Bukhari

President / Chief Executive Officer
Mohammad Aftab Manzoor

Directors
Irshad Ali Shaban Ali Kassim
Leon Seynave
Muneer Kamal
N. K. Shahani
Tariq M. Rangoonwala
Waseem Haqqie

Chief Financial Officer
Sheikh Muhammed Moeen

Company Secretary
Muhammad Hamidullah

Auditors
Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Legal Advisors
Mandviwalla & Zafar
Advocates & Legal Consultants

Registered Office
Razia Sharif Plaza,
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) 32446772-77
Fax: (92-21) 32446828 & 32446865

Website
<http://www.kasb.com/bank>

Audit Committee

Irshad Ali Shaban Ali Kassim
Leon Seynave
N. K. Shahani
Waseem Haqqie (Chairman)

Human Resource and Remuneration Committee

Irshad Ali Shaban Ali Kassim
Leon Seynave
Muneer Kamal
Nasir Ali Shah Bukhari (Chairman)
Waseem Haqqie

Risk Management and Recovery Committee

Irshad Ali Shaban Ali Kassim (Chairman)
Muneer Kamal
N. K. Shahani
Tariq M. Rangoonwala
Waseem Haqqie

(All names in alphabetical order)

Regional Office, Lahore

KASB House
14-C, Jail Road,
Gulberg, Lahore.
Tel : (042) 35776723-4
Fax : (042) 35762192

Registrar and Share Transfer Office

Noble Computer Services (Pvt.) Limited
Mezzanine Floor, House of Habib Building,
(Siddiqsons Tower),
3-Jinnah Cooperative Housing Society,
Main Shahr-e-Faisal,
Karachi - 75350.
Tel. # : (92-21) 34325482-87 (6 Lines)
Fax # : (92-21) 34325442
E-mail: ncsl@noble-computers.com

DIRECTORS' REVIEW

On behalf of the Board of Directors of KASB Bank Limited I take the opportunity of presenting before you, the unaudited financial statements for the third quarter ended September 30, 2010.

Economic Overview

Towards the end of financial year 2010 the overall economic scenario of our country continues to remain under pressure. With the impact of floods yet not completely crystallized the economy continues to face challenges from macro and micro economic fronts. Liquidity though registered considerable improvement; however major concerns such as increased government borrowings and rising interest rate scenarios have constrained the economy to take a positive turn.

The recently released Non Performing Loans number, which has touched its all-time high of Rs. 460bln reflects that the overall economy requires some time to get back on the positive track. Incorporating the impact of floods along with other economic challenges the total NPL number can safely be forecasted to rise further in the last quarter of FY2010, thus posing a challenging situation to the institutions exposed to lending to agriculture and allied sectors.

Financial Results

The Bank's financial results are as follows:

Balance Sheet	30 Sep ,2010	31 Dec, 2009
	-----Rs in Million-----	
Paid up Capital	9,509	9,509
Equity	3,285	4,959
Deposits	47,155	43,900
Advances-net	30,726	29,499
Investments-net	13,029	15,129
Profit and Loss Account	30 Sep ,2010	30 Sep ,2009
	-----Rs in Million-----	
Revenue	575	203
Non markup expenses	1,861	1,729
Operating (Loss)/Profit	(1,286)	(1,526)
Provisions	(285)	(407)
(Loss)/Profit before tax	(1,571)	(1,933)
(Loss)/Profit after tax	(1,571)	(1,034)
(Loss) per share -Rupees	(2.20)	(1.81)

Performance

The Bank moving in line with industry dynamics did not increase its advances portfolio - which remained virtually unchanged from second quarter position. With key focus on recoveries and restructurings of non-performing portfolio, your bank moved steadily ahead on branch network consolidation and nurturing its new business initiatives of Home Remittance and Cash Management, which is also evident by a considerable rise in fee based income. On the Deposit front the Bank registered a modest decline which was primarily due to consolidation of overall depositor base.

Major reason for increase in loss in the 3rd quarter 2010 is attributed to taking up provision on non performing loans of Rs 320.79m and suspension of mark up income booked on the infected loan portfolio. This coupled with other income earned and administrative expenses incurred during the 9 month period ended September 30, 2010 has resulted in a total loss of Rs 1,571.63m.

The recovery and restructuring drive that has registered noticeable improvement in the overall NPL position of the Bank earlier in this year has slowed down in the third quarter of FY2010 as a direct result of economic pressures. Your Bank continues to rank the portfolio recovery and restructuring a top priority item and in this regard has recently strengthened the management team that is given this task.

Capital Injection Plan

The sponsors and management of your bank is working in line with the Capital Enhancement Plan aimed towards addressing the Minimum Capital and Capital Adequacy Ratio issues. This plan includes initiating steps targeted towards addressing the shortfall in meeting the prescribed minimum capital requirements.

In this regard sponsors of your Bank have finalized an arrangement with Asia International Finance Limited a foreign investor to invest in KASB Finance (Pvt.) Limited - the KASB Group Holding Company. Implementation of your Bank's Capital Enhancement Plan is dependent upon conclusion of the transaction between KASB Finance (Pvt.) Limited and Asia International Finance Limited. Considering the latest developments regarding this investment, we expect that the process will be concluded in due course.

The above plan has also been presented to the State Bank of Pakistan based on which it has granted the earlier exemption with the regulatory capital requirements till June 30, 2010. Considering the above developments the Bank has requested the State Bank for granting an extension to the above exemption till December 31, 2010.

Both the management and Board of your Bank are aware of the significance of this matter and are proceeding ahead with the required level of urgency in this regard.

Credit Rating

Your bank has been assigned a rating of "A-" and "A-2" (long and short term respectively) by PACRA, which denotes an adequate capacity of timely payment of financial commitments.

Future Prospects

We believe that with the overall economy taking a positive turn the local manufacturing and services sector will also register improvement. In this respect we anticipate that the SME sector would not only lead the growth trend, but would be a major source through which a significant amount of non performing loans would start to perform.

The Bank continues to work closely with its borrowers who are determined to perform in these extra ordinarily tough times and in this regard has taken a number of initiatives targeted towards supporting its borrowers.

Following the prudent business practices and complete compliance with regulatory requirements the bank has provided for all required non performing loans. However, considering the results of the recovery drive thus far, it is anticipated that there would be some tangible reversals of provisions in the last quarter of the FY2010.

We are pleased to inform that our newly lunched initiative of Home Remittance Business have received an excellent response from the target market, primarily on the backdrop of par excellence service quality. In this respect the Bank is swiftly progressing ahead with its plan for setting up new Home Remittance Centers across Pakistan for this initiative. With the launch of Cash Management business, your bank is progressing firmly ahead in diversifying its income base.

Acknowledgment

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

On behalf of the Board of Directors.



Nasir Ali Shah Bukhari
Chairman

Karachi
October 26, 2010

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

QUARTERLY REPORT SEPTEMBER 2010

As at September 30, 2010	Note	September 30, 2010 (Un-Audited)	December 31, 2009 (Audited)
ASSETS			
(Rs. in '000)			
Cash and balances with treasury banks		3,077,263	2,851,665
Balances with other banks		342,771	185,896
Lendings to financial institutions and others		644,724	2,815,159
Investments	6	13,028,846	15,129,090
Advances	7	30,726,300	29,498,752
Operating fixed assets		3,447,791	3,298,720
Deferred tax assets		3,217,743	3,217,743
Other assets		3,200,084	2,226,033
		57,685,522	59,223,058
LIABILITIES			
Bills payable		689,990	386,066
Borrowings		5,246,016	8,196,640
Deposits and other accounts		47,154,947	43,899,695
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		3,193	6,027
Deferred tax liabilities		-	-
Other liabilities		1,306,131	1,775,760
		54,400,277	54,264,188
NET ASSETS		3,285,245	4,958,870
REPRESENTED BY			
Share capital		9,508,617	9,508,617
Reserves		151,287	151,287
Accumulated loss		(6,719,742)	(5,179,823)
Share Premium		23,724	23,724
		2,963,886	4,503,805
Surplus on revaluation of assets - net of tax	8	321,359	455,065
		3,285,245	4,958,870
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The annexed notes form an integral part of these interim condensed financial statements.


President
& Chief Executive


Director


Director


Director

INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)

QUARTERLY REPORT SEPTEMBER 2010

For the quarter and nine months ended September 30, 2010

Note	Nine Months Ended		Quarter Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
----- (Rs. in '000) -----				
	3,936,383	3,930,966	1,263,851	1,306,460
Mark-up / return / interest earned				
Mark-up / return / interest expensed	(3,841,665)	(4,197,448)	(1,276,726)	(1,286,065)
Net mark-up / return / interest income	94,718	(266,482)	(12,875)	20,395
(Provision) / reversal against non-performing loans and advances	7.2 (231,694)	(293,940)	(320,789)	293,326
(Provision) / reversal of provision for diminution in the value of investments	(36,589)	(113,010)	(24,442)	4,650
Bad debts written off directly	(16,420)	(338)	(2,680)	(14)
	(284,703)	(407,288)	(347,911)	297,962
Net mark-up / return / interest after provisions	(189,985)	(673,770)	(360,786)	318,357
NON MARK-UP / RETURN / INTEREST INCOME				
Fee, commission and brokerage income	220,046	102,116	66,374	31,967
Dividend income	55,320	78,938	24,153	32,615
Income from dealing in foreign currencies	54,655	(15,056)	22,819	5,262
Gain on sale of securities	85,381	226,908	(1,291)	43,849
Unrealised loss on revaluation of investments classified as held for trading	-	-	(5)	-
Other income	64,421	76,765	2,192	37,940
Total non mark-up / interest income	479,823	469,671	114,242	151,633
	289,838	(204,099)	(246,544)	469,990
NON MARK-UP / RETURN / INTEREST EXPENSES				
Administrative expenses	(1,834,179)	(1,723,371)	(651,820)	(594,793)
Other provisions / write offs	-	(681)	-	-
Other charges	(27,286)	(4,884)	(586)	35
Total non mark-up / interest expenses	(1,861,465)	(1,728,936)	(652,406)	(594,758)
LOSS BEFORE TAXATION	(1,571,627)	(1,933,035)	(898,950)	(124,768)
Taxation - Current year	-	(55,380)	-	-
- Prior years	-	-	-	-
- Deferred	-	954,355	-	-
	-	898,975	-	-
LOSS AFTER TAXATION	(1,571,627)	(1,034,060)	(898,950)	(124,768)
Basic and diluted loss per share (Rupees) - Annualized	(2.20)	(1.81)	(3.78)	(0.65)

The annexed notes form an integral part of these interim condensed financial statements.


President
& Chief Executive


Director


Director


Director

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

QUARTERLY REPORT SEPTEMBER 2010

For the quarter and nine months ended
September 30, 2010

	Nine Months ended		Quarter Ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
	----- (Rs. in '000) -----			
Net loss for the period	(1,571,627)	(1,034,060)	(898,950)	(124,768)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(1,571,627)	(1,034,060)	(898,950)	(124,768)

Surplus / deficit arising on revaluation of fixed assets and available-for-sale investments is required to be shown separately below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan (SBP). Accordingly, these have not been included in comprehensive income which has been shown as part of equity.

The annexed notes form an integral part of these interim condensed financial statements.


President
& Chief Executive


Director


Director


Director

INTERIM CONDENSED CASH FLOW STATEMENT (UNAUDITED)

QUARTERLY REPORT SEPTEMBER 2010

For the quarter and nine months ended September 30, 2010	September 30, 2010	September 30, 2009
	----- (Rs. in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Loss before taxation	(1,571,627)	(1,933,035)
Less: dividend income	(55,320)	(78,938)
	<u>(1,626,947)</u>	<u>(2,011,973)</u>
Adjustments for non-cash items		
Depreciation	196,313	162,382
Amortisation	48,540	45,751
Provision against non-performing advances	231,694	293,940
Bad debts written-off directly	16,420	338
Provision for diminution in the value of investments	36,589	113,010
Provision for gratuity	30,632	23,851
Reversal of provision for compensated absences	(1,398)	-
Gain on disposal of operating fixed assets	(6,684)	(732)
Gain on sale of securities	(85,381)	(226,908)
Financial charges on leased assets	1,214	1,062
	<u>467,939</u>	<u>412,694</u>
	<u>(1,159,008)</u>	<u>(1,599,279)</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	2,170,435	(931,286)
Investments - (held-for-trading securities)	5,949	(193,144)
Advances	(1,475,662)	1,392,874
Others assets (excluding advance taxation)	(955,853)	107,773
	<u>(255,131)</u>	<u>376,217</u>
Increase / (decrease) in operating liabilities		
Bills payable	303,924	185,337
Borrowings	(2,956,738)	337,502
Deposits and other accounts	3,255,252	6,903,859
Other liabilities	(482,400)	519,674
	<u>120,038</u>	<u>7,946,372</u>
	<u>(1,294,101)</u>	<u>6,723,310</u>
Income tax paid	(5,892)	(24,958)
Gratuity benefits paid	(16,462)	(6,567)
Net cash (used in) / inflow from operating activities	<u>(1,316,455)</u>	<u>6,691,785</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investment in available-for-sale securities	2,043,243	(4,101,586)
Net investment in held-to-maturity securities	55,845	(894,844)
Net investment in subsidiaries & associates	(58,000)	-
Dividend received	54,016	72,491
Investments in operating fixed assets	(480,948)	(466,901)
Sale proceeds from operating fixed assets	82,706	21,306
Net cash inflow from / (used in) investing activities	<u>1,696,862</u>	<u>(5,369,534)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments against lease obligations	(4,048)	(3,857)
Increase in cash and cash equivalents	<u>376,359</u>	<u>1,318,394</u>
Cash and cash equivalents at beginning of the period	<u>3,021,539</u>	<u>1,563,981</u>
Cash and cash equivalents at the end of the period	<u><u>3,397,898</u></u>	<u><u>2,882,375</u></u>

The annexed notes form an integral part of these interim condensed financial statements.


President
& Chief Executive


Director


Director


Director

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

**FOR THE NINE MONTHS ENDED
SEPTEMBER 30, 2010**

	Share capital	Statutory reserve	General reserve	Capital Reserve for Provision Reversals	Proposed shares to be issued on amalgamation	Share Premium	Accumulated loss	Total
	----- (Rupees in '000) -----							
Balance as at 01 January 2009	4,014,890	150,903	384		5,607,976	13,775	(974,788)	8,813,140
Net loss for the period	-	-	-	-	-	-	(1,034,060)	(1,034,060)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(1,034,060)	(1,034,060)
Provision reversals transferred to Capital reserves				126,919				126,919
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	17,034	17,034
Balance as at 30 September 2009	4,014,890	150,903	384	126,919	5,607,976	13,775	(1,991,814)	7,923,033
Net loss for the period	-	-	-	-	-	-	(3,193,687)	(3,193,687)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(3,193,687)	(3,193,687)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	5,678	5,678
Issue of ordinary shares to the shareholders of KASB Capital Limited and Network Leasing Corporation Limited upon amalgamation	3,618,050	-	-	-	(5,607,976)	1,989,926	-	-
Share issue cost	-	-	-	-	-	(17,881)	-	(17,881)
Issue of bonus shares	1,962,096	-	-	-	-	(1,962,096)	-	-
Shares cancelled during the period	(86,419)	-	-	-	-	-	-	(86,419)
Provision reversals transferred to Capital reserves	-	-	-	(126,919)	-	-	-	(126,919)
Balance as at 31 December 2009	9,508,617	150,903	384	-	-	23,724	(5,179,823)	4,503,805
Net loss for the period	-	-	-	-	-	-	(1,571,627)	(1,571,627)
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	-	(1,571,627)	(1,571,627)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	-	31,708	31,708
Balance as at 30 September 2010	9,508,617	150,903	384	-	-	23,724	(6,719,742)	2,963,886

The annexed notes form an integral part of these interim condensed financial statements.


President
& Chief Executive


Director


Director


Director

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

1. STATUS AND NATURE OF BUSINESS

1.1 KASB Bank Limited (the Bank) was incorporated in Lahore, Pakistan on 13 October 1994 as a public limited company under the Companies Ordinance, 1984. The Bank received banking license from the SBP on 9 January 1995 and obtained certificate of commencement of business on 11 January 1995. The Bank is engaged in commercial banking, consumer banking and related services through 100 branches (including 30 sub branches) [31 December 2009: 100 branches (including 30 sub branches)] operating in 38 cities. The shares of the Bank are listed on the Karachi, Lahore and Islamabad stock exchanges.

1.2 In accordance with the SBP's BSD Circular No 7 dated 15 April 2009, the Minimum Capital Requirement (MCR) - net of losses for the Bank as at 31 December 2009 was Rs 6 billion and for the current year ending 31 December 2010 is Rs. 7 billion. Further, the Bank is also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% as at September 30, 2010. The paid up capital of the Bank (net of losses) as of September 30, 2010 amounts to Rs. 2,789 million, while CAR stands at (1.31%) (un-audited) as of that date.

Keeping in view the above capital shortfall, the sponsors of the Bank have finalised an arrangement with a foreign investor for additional equity injection into the Bank. Additionally, the Bank has plans to augment its equity base through long term financing by way of sub-ordinated debt to comply with the regulatory capital requirements.

Based on the above, the Board is of the view that the Bank would have adequate resources to continue its business on a sustainable basis in the foreseeable future. However, in view of corporate actions and the related time required to complete the process of equity injection into the Bank, the management has applied to SBP to grant an extension from the MCR and CAR till 31 December 2010.

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.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

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, 2009.

4. BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, trading and available for sale investments and derivative financial instruments are measured at fair value.

5. 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, 2009.

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

6. INVESTMENTS

	September 30, 2010 (Un-Audited)			December 31, 2009 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rs. in '000) -----						
Held-for-trading						
Ordinary Shares of listed companies	-	-	-	6,025	-	6,025
Available-for-sale securities						
Pakistan Investment Bonds	553,102	-	553,102	653,837	-	653,837
Market Treasury Bills	3,750,152	591,506	4,341,658	2,942,583	3,110,828	6,053,411
Listed Term Finance Certificates	400,148	-	400,148	420,651	-	420,651
Unlisted Term Finance Certificates	820,394	-	820,394	595,392	-	595,392
Units of Mutual Funds	500,000	-	500,000	850,000	-	850,000
Ordinary Shares of listed companies	247,023	-	247,023	320,773	-	320,773
Ordinary Shares of unlisted companies	330,588	-	330,588	330,588	-	330,588
	<u>6,601,407</u>	<u>591,506</u>	<u>7,192,913</u>	<u>6,113,824</u>	<u>3,110,828</u>	<u>9,224,652</u>
Held-to-maturity						
Pakistan Investment Bonds	646,515	-	646,515	665,565	-	665,565
Unlisted Term Finance Certificates	1,287,957	-	1,287,957	1,324,752	-	1,324,752
	<u>1,934,472</u>	<u>-</u>	<u>1,934,472</u>	<u>1,990,317</u>	<u>-</u>	<u>1,990,317</u>
Associates						
Shakarganj Food Products Limited	627,942	-	627,942	627,942	-	627,942
New Horizon Exploration & Production Limited - Investment	500,000	-	500,000	500,000	-	500,000
- Advance against shares	58,000	-	58,000	-	-	-
KASB International Limited	41,867	-	41,867	41,867	-	41,867
KASB Stock Market Fund	142,287	-	142,287	142,287	-	142,287
KASB Capital Protected Gold Fund	71,039	-	71,039	100,000	-	100,000
KASB Cash Fund	28,961	-	28,961	-	-	-
KASB Asset Allocation Fund (formerly KASB Balanced Fund)	298,424	-	298,424	298,424	-	298,424
KASB Income Opportunity Fund (formerly KASB Liquid Fund)	328,794	-	328,794	328,794	-	328,794
KASB Islamic Income Opportunity Fund (formerly KASB Islamic Income Fund)	103,525	-	103,525	103,525	-	103,525
	<u>2,200,839</u>	<u>-</u>	<u>2,200,839</u>	<u>2,142,839</u>	<u>-</u>	<u>2,142,839</u>
Subsidiaries						
KASB Technology Services Limited	104,771	-	104,771	104,771	-	104,771
KASB Modaraba Management (Private) Limited	28,000	-	28,000	28,000	-	28,000
KASB Securities Limited	2,394,937	-	2,394,937	2,394,937	-	2,394,937
KASB Funds Limited	432,302	-	432,302	432,302	-	432,302
KASB Modaraba	91,675	-	91,675	91,676	-	91,676
	<u>3,051,685</u>	<u>-</u>	<u>3,051,685</u>	<u>3,051,686</u>	<u>-</u>	<u>3,051,686</u>
Investments at cost	<u>13,788,403</u>	<u>591,506</u>	<u>14,379,909</u>	<u>13,304,691</u>	<u>3,110,828</u>	<u>16,415,519</u>
Less: Provision for diminution in the value of investments	(1,217,067)	-	(1,217,067)	(1,195,886)	-	(1,195,886)
Investments net of provision	<u>12,571,336</u>	<u>591,506</u>	<u>13,162,842</u>	<u>12,108,805</u>	<u>3,110,828</u>	<u>15,219,633</u>
Deficit on revaluation of held for trading securities	-	-	-	(76)	-	(76)
Deficit on revaluation of available for sale securities	(132,609)	(1,387)	(133,996)	(83,351)	(7,116)	(90,467)
Total Investments	<u>12,438,727</u>	<u>590,119</u>	<u>13,028,846</u>	<u>12,025,378</u>	<u>3,103,712</u>	<u>15,129,090</u>

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

	September 30 2010 (Un-Audited) ----- (Rs. in '000) -----	December 31 2009 (Audited)
7. ADVANCES		
Loans, cash credits, running finances, etc. - in Pakistan	32,514,067	31,737,539
Net investment in finance lease - in Pakistan	1,311,734	1,456,998
Bills discounted and purchased (excluding government treasury bills)		
- Payable in Pakistan	1,025,180	334,957
- Payable outside Pakistan	242,364	106,563
	1,267,544	441,520
	35,093,345	33,636,057
Provision for advances - specific	(4,343,996)	(4,104,983)
Provision for advances - general	(23,049)	(32,322)
	(4,367,045)	(4,137,305)
	30,726,300	29,498,752

7.1 Advances include Rs. 7,656 million (31 December 2009: Rs. 7,354 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2010				
	Domestic	Overseas	Total	Provision required	Provision held
	----- (Rs. in '000) -----				
Substandard	579,495	-	579,495	46,435	46,435
Doubtful	1,545,560	-	1,545,560	414,877	414,877
Loss	5,530,899	-	5,530,899	3,882,684	3,882,684
	7,655,954	-	7,655,954	4,343,996	4,343,996

7.2 Particulars of provision against non-performing advances

	September 30, 2010			December 31, 2009		
	Specific	General	Total	Specific	General	Total
	----- (Rs. in '000) -----					
Opening balance	4,104,983	32,322	4,137,305	2,875,909	48,745	2,924,654
Charge for the period	1,004,683		1,004,683	2,158,238		2,158,238
Reversals	(763,716)	(9,273)	(772,989)	(847,298)	(16,423)	(863,721)
Net charge	240,967	(9,273)	231,694	1,310,940	(16,423)	1,294,517
Amounts written off	(1,954)		(1,954)	(81,866)		(81,866)
Closing balance	4,343,996	23,049	4,367,045	4,104,983	32,322	4,137,305

	September 30 2010 (Un-Audited) ----- (Rs. in '000) -----	December 31 2009 (Audited)
8. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Operating fixed assets	8.1 428,547	460,256
Available-for-sale securities	8.2 (107,188)	(5,191)
	321,359	455,065

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

	September 30 2010 (Un-Audited)	December 31 2009 (Audited)
	----- (Rs. in '000) -----	
8.1 Operating fixed assets		
Surplus on revaluation of land and buildings	652,983	695,693
Related deferred tax liability	<u>(224,436)</u>	<u>(235,437)</u>
	<u>428,547</u>	<u>460,256</u>
8.2 Available-for-sale securities		
Market Treasury Bills	(19,750)	(26,318)
Pakistan Investment Bonds	(40,755)	(11,732)
Ordinary shares of listed companies	(14,177)	(4,740)
Listed term finance certificates	(17,984)	(30,702)
Open ended mutual funds units	<u>(40,758)</u>	<u>(16,975)</u>
	<u>(133,424)</u>	<u>(90,467)</u>
Reversal of impairment on available for sale securities transferred from provision for diminution in the value of investments	-	59,040
Related deferred tax asset	<u>26,236</u>	<u>26,236</u>
	<u>(107,188)</u>	<u>(5,191)</u>
9. CONTINGENCIES AND COMMITMENTS		
9.1 Direct credit substitutes		
Acceptances	<u>1,974,473</u>	<u>912,872</u>
9.2 Transaction-related contingent liabilities		
Guarantees issued favouring		
- Government	9,287,156	7,984,114
- Others	<u>1,597,903</u>	<u>1,530,282</u>
	<u>10,885,059</u>	<u>9,514,396</u>
9.3 Trade-related contingent liabilities		
Letters of credit	<u>3,086,596</u>	<u>2,306,118</u>
9.4 Commitments in respect of forward exchange contracts		
Purchase		
From SBP	312	5,297
From other banks	<u>2,036,335</u>	<u>2,745,825</u>
From other customers	<u>754,886</u>	<u>35,527</u>
	<u>2,791,533</u>	<u>2,786,649</u>
Sale		
To other banks	<u>1,990,540</u>	<u>2,343,089</u>
To customers	<u>69,480</u>	<u>-</u>
	<u>2,060,020</u>	<u>2,343,089</u>
	<u>4,851,553</u>	<u>5,129,738</u>
9.5 Commitments for the acquisition of operating fixed assets	<u>318,716</u>	<u>413,714</u>

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

9.6 Tax contingencies

There is no significant change during the period in the tax contingencies as disclosed in the annual financial statements for the year ended 31 December 2009.

10. RELATED PARTY TRANSACTIONS

Related parties of the Bank comprise subsidiaries, associates, retirement benefit funds, major share holders, directors and key management personnel and their close family members.

Transactions with related parties, other than those disclosed elsewhere in financial statements, are summarized as follows:

30 September 2010 (Un-Audited)						
	Subsidiaries	Associates	Directors	Key Management Personnel	Other Related Parties	Total
----- Rupees in '000 -----						
Deposits						
As at 01 January 2010 (Restated)	329,891	187,280	2,567	20,987	164,046	704,771
Deposits received during the period	57,491,993	2,032,253	150,888	246,077	248,186	60,169,397
Withdrawals during the period	(57,597,035)	(1,975,110)	(148,426)	(235,625)	(214,283)	(60,170,479)
As at 30 September 2010	<u>224,849</u>	<u>244,423</u>	<u>5,029</u>	<u>31,439</u>	<u>197,949</u>	<u>703,689</u>
Advances						
As at 01 January 2010 (Restated)	99,988	90,000	19,123	62,148	1,556	272,815
Disbursements during the period	1,985,247	198,637	4,933	28,927	-	2,217,744
Repayments during the period	(2,047,051)	(158,837)	(7,337)	(41,498)	(778)	(2,255,501)
As at 30 September 2010	<u>38,184</u>	<u>129,800</u>	<u>16,719</u>	<u>49,577</u>	<u>778</u>	<u>235,058</u>
Other assets	6,174	5,468	-	-	33	11,675
Other liabilities	77	-	12	89	-	178
Contingencies and commitments	-	358,357	-	-	2,158	360,515
31 December 2009 (Audited)						
Deposits						
As at 01 January 2009	20,929	55,234	6,622	11,528	93,659	187,972
Deposits received during the period	43,935,454	7,524,387	268,611	171,422	1,276,332	53,176,206
Withdrawals during the period	(43,626,492)	(7,392,341)	(272,666)	(161,963)	(1,164,559)	(52,618,021)
As at 31 December 2009	<u>329,891</u>	<u>187,280</u>	<u>2,567</u>	<u>20,987</u>	<u>205,432</u>	<u>746,157</u>
Advances						
As at 01 January 2009	37,560	-	22,488	66,676	2,722	129,446
Disbursements during the period	495,745	115,000	15,039	59,779	250,000	935,563
Repayments during the period	(433,317)	(25,000)	(18,404)	(64,308)	(1,167)	(542,196)
As at 31 December 2009	<u>99,988</u>	<u>90,000</u>	<u>19,123</u>	<u>62,147</u>	<u>251,555</u>	<u>522,813</u>
Other assets	9,044	2,664	30	21	571,778	583,537
Other liabilities	452	6	9	116	98	681
Contingencies and commitments	-	338,250	-	-	29,171	367,421

NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)

Nine months ended 30 September 2010 (Un-Audited)

	Subsidiaries	Associates	Directors	Key Management Personnel	Other Related Parties	Total
----- Rupees in '000 -----						
Mark-up earned	14,381	14,651	677	1,945	128	31,782
Mark-up expensed	(15,075)	(11,900)	(36)	(574)	(13,836)	(41,421)
Commission on letters of guarantee	-	273	-	-	5	278
Rental income	36	-	-	-	-	36
Group executive services	-	(48,674)	-	-	-	(48,674)
Brokerage commission paid	(182)	-	-	-	-	(182)
Salaries and allowances	-	-	-	(75,969)	-	(75,969)
Directors' fee	-	-	(5,025)	-	-	(5,025)
Other administrative expenses	(15,099)	-	-	-	-	(15,099)
Contribution to staff provident fund	-	-	-	-	(27,308)	(27,308)
Commission income	372	-	-	-	-	372

Nine months ended 30 September 2009 (Un-Audited)

Mark-up earned	5,790	3,700	171	-	25,094	34,755
Mark-up expensed	(8,182)	(9,723)	(210)	(357)	(26,986)	(45,458)
Commission on letters of guarantee	-	480	-	-	99	579
Group executive services	-	(25,128)	-	-	-	(25,128)
Brokerage commission paid	(800)	-	-	-	-	(800)
Salaries and allowances	-	-	-	(63,140)	-	(63,140)
Directors' fee	-	-	(7,500)	-	-	(7,500)
Shared services income	7,456	-	-	-	-	7,456
Shared services expenses	(2,466)	-	-	-	-	(2,466)
Other administrative expenses	(15,276)	-	-	-	-	(15,276)
Contribution to staff provident fund	-	-	-	-	(26,740)	(26,740)
Commission Income	229	-	-	-	-	229
Advance for acquisition of office premises	-	-	-	-	(101,576)	(101,576)

11. GENERAL

11.1 Administrative expenses for the corresponding period has been restated for amortisation expense consequent to the valuation of intangibles acquired at the time of acquisition of KASB Capital Limited and Network Leasing Corporation Limited as disclosed in note 6.7 to the annual financial statements for the year ended 31 December 2009.

12. DATE OF AUTHORIZATION

These interim condensed financial statements were authorized for issue by the Board of Directors in their meeting held on 26 October 2010.


President
& Chief Executive


Director


Director


Director

CONSOLIDATED INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

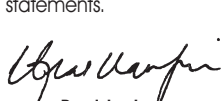



QUARTERLY REPORT SEPTEMBER 2010

AS AT 30 September 2010

	30 September 2010 (Un-Audited)	31 December 2009 (Audited)
	(Rs. in '000)	
ASSETS		
Cash and balances with treasury banks	3,077,447	2,851,783
Balances with other banks	426,794	235,121
Lendings to financial institutions and others	644,724	2,815,159
Investments	11,638,831	13,580,973
Advances	31,496,237	29,916,379
Operating fixed assets	4,256,245	4,027,676
Deferred tax assets	3,058,545	3,037,071
Other assets	4,806,636	4,535,425
	59,405,459	60,999,587
LIABILITIES		
Bills payable	689,990	386,066
Borrowings	5,741,416	8,696,140
Deposits and other accounts	47,495,819	43,807,061
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	3,193	6,105
Deferred tax liabilities	-	-
Other liabilities	1,882,529	2,687,394
	55,812,947	55,582,766
NET ASSETS	3,592,512	5,416,821
REPRESENTED BY		
Share capital	9,508,617	9,508,617
Reserves	163,974	151,287
Accumulated losses	(6,919,520)	(5,296,811)
Share premium	23,724	23,724
	2,776,795	4,386,817
Non-controlling interests in equity	518,652	524,694
	3,295,447	4,911,511
Surplus on revaluation of assets - net of tax	297,065	505,310
	3,592,512	5,416,821

CONTINGENCIES AND COMMITMENTS

The annexed notes form an integral part of these consolidated interim condensed financial statements.

 President & Chief Executive	 Director	 Director	 Director
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CONSOLIDATED INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)

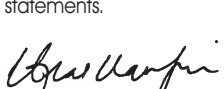


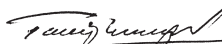
QUARTERLY REPORT SEPTEMBER 2010

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010	30 September 2010	30 September 2009
	(Rs. in '000)	
Mark-up / return / interest earned	4,033,116	3,944,781
Mark-up / return / interest expensed	<u>(3,917,463)</u>	<u>(4,196,985)</u>
Net mark-up / return / interest income	115,653	(252,204)
Provision against non-performing loans and advances	<u>(231,694)</u>	<u>(293,940)</u>
Provision for diminution in the value of investments	<u>(67,585)</u>	<u>(113,010)</u>
Bad debts written off directly	<u>(16,420)</u>	<u>(338)</u>
	<u>(315,699)</u>	<u>(407,288)</u>
Net mark-up / return / interest after provisions	(200,046)	(659,492)
NON MARK-UP / RETURN / INTEREST INCOME		
Fee, commission and brokerage income	<u>439,539</u>	<u>102,116</u>
Dividend income	<u>48,312</u>	<u>81,836</u>
Income / (Loss) from dealing in foreign currencies	<u>54,655</u>	<u>(15,056)</u>
Gain on sale / redemption of securities	<u>114,946</u>	<u>275,923</u>
Unrealised gain on revaluation of investments classified as held for trading	<u>1,335</u>	<u>1,297</u>
Other income	<u>107,437</u>	<u>90,367</u>
Total non mark-up / return / interest income	766,224	536,483
	<u>566,178</u>	<u>(123,009)</u>
NON MARK-UP / RETURN / INTEREST EXPENSES		
Administrative expenses	<u>(2,188,344)</u>	<u>(1,746,186)</u>
Other provisions / write offs	<u>10,277</u>	<u>(4,433)</u>
Other charges	<u>(27,286)</u>	<u>(4,884)</u>
Total non mark-up / return / interest expenses	(2,205,353)	(1,755,503)
Share of (loss) / profit from associates	<u>(15,216)</u>	<u>15,091</u>
Share of loss from subsidiaries classified as held for sale	<u>-</u>	<u>(159,859)</u>
Loss before taxation	(1,654,391)	(2,023,280)
Taxation - Current year	<u>(6,939)</u>	<u>(55,548)</u>
- Deferred	<u>21,475</u>	<u>951,541</u>
Taxation of subsidiaries classified as held for sale	<u>-</u>	<u>(15,784)</u>
	<u>14,536</u>	<u>880,209</u>
Loss after taxation	(1,639,855)	(1,143,071)
Loss after taxation attributable to:		
Equity holders of the holding company	<u>(1,633,813)</u>	<u>(1,371,261)</u>
Non-controlling interest	<u>(6,042)</u>	<u>228,190</u>
	<u>(1,639,855)</u>	<u>(1,143,071)</u>
	(2.30)	(1.97)

----- Rupees -----
Restated

Basic and diluted loss per share - Annualised

The annexed notes form an integral part of these consolidated interim condensed financial statements.

 President & Chief Executive	 Director	 Director	 Director
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CONSOLIDATED INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

QUARTERLY REPORT SEPTEMBER 2010

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	30 September 2010	30 September 2009
	(Rs. in '000)	
Net loss for the period	(1,639,855)	(1,143,071)
Other comprehensive income	-	-
Total comprehensive loss for the period	<u>(1,639,855)</u>	<u>(1,143,071)</u>

Surplus / deficit arising on revaluation of fixed assets and available-for-sale investments is required to be shown separately below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan (SBP). Accordingly, these have not been included in comprehensive income which has been shown as part of equity.

The annexed notes form an integral part of these consolidated interim condensed financial statements.






President & Chief Executive Director Director Director




CONSOLIDATED INTERIM CONDENSED CASH FLOW STATEMENT (UNAUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

QUARTERLY REPORT SEPTEMBER 2010

	30 September 2010	30 September 2009
	(Rs. in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(1,654,391)	(2,023,280)
Less: dividend income	(48,312)	(81,836)
	(1,702,703)	(2,105,116)
Adjustments for non cash and other items:		
Depreciation	211,950	162,654
Amortisation of intangibles	51,558	45,912
Provision against loans and advances	231,694	293,940
Share of profit from associates	15,216	(15,091)
Reversal of provision for compensated absences	(1,398)	(692)
Provision for gratuity	38,062	23,850
Gain on disposal of operating fixed assets	(6,684)	(732)
Finance charge on lease obligations	1,214	1,062
Unrealised gain on revaluation of investments classified as held for trading	(1,335)	(1,297)
Bad debts written off directly	16,420	338
Gain on sale of securities	(114,946)	-
Provision for diminution in the value of investments	67,585	113,010
	509,336	622,954
	(1,193,367)	(1,482,162)
(Increase) / decrease in operating assets		
Lendings to financial institutions and others	2,170,435	(965,626)
Held for trading securities	(319,064)	(569,712)
Advances	(1,827,972)	1,392,874
Other assets (excluding advance taxation)	(261,420)	90,592
	(238,021)	(61,872)
Increase / (decrease) in operating liabilities		
Bills payable	303,924	185,337
Borrowings	(2,960,838)	337,502
Deposits	3,688,758	6,493,992
Other liabilities	(832,984)	944,510
	198,860	7,961,341
	(1,232,528)	6,427,307
Income tax paid	(38,036)	(25,730)
Gratuity benefits paid	(16,462)	(6,567)
Net cash flow from operating activities	(1,287,026)	6,395,010
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	2,168,441	(4,356,590)
Net investments in held to maturity securities	53,675	(894,844)
Investments in associates	(103,967)	366,220
Dividend income received	80,621	62,310
Investments in operating fixed assets	(586,399)	(493,421)
Sale proceeds realised on disposal of fixed assets	90,004	21,306
Net cash flow from investing activities	1,702,375	(5,295,019)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments against lease obligations - net	(4,126)	(3,857)
Minority interest	-	228,190
Net cash flow from financing activities	(4,126)	224,333
Net increase in cash and cash equivalents during the period	411,223	1,324,324
Cash and cash equivalents at the beginning of the period	3,070,882	1,564,018
Cash and cash equivalents at the end of the period	3,482,105	2,888,342

The annexed notes form an integral part of these consolidated interim condensed financial statements.

 President & Chief Executive	 Director	 Director	 Director
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CONSOLIDATED INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

QUARTERLY REPORT SEPTEMBER 2010

	Attributable to equity holders of the Holding Company								
	Share Capital	Statutory reserve	General reserve	Proposed shares to be issued on amalgamation	Share premium	Accumulated losses	Total	Non-controlling interests	Total
	(Rs. in '000)								
Balance as at 01 January 2009	4,014,890	150,903	384	5,607,976	13,775	(1,096,473)	8,691,455	600,005	9,291,460
Net loss for the period	-	-	-	-	-	(1,143,071)	(1,143,071)	-	(1,143,071)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(1,143,071)	(1,143,071)	-	(1,143,071)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	17,034	17,034	-	17,034
Non-controlling interest related to subsidiaries recognized upon amalgamation of KCL into the holding company	-	-	-	-	-	-	-	228,190	228,190
Balance as at 30 September 2009	4,014,890	150,903	384	5,607,976	13,775	(2,222,510)	7,565,418	828,195	8,393,613
Net loss for the period	-	-	-	-	-	(3,080,855)	(3,080,855)	(323,013)	(3,403,868)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(3,080,855)	(3,080,855)	(323,013)	(3,403,868)
Issue of ordinary shares to the shareholders of KASB Capital Limited and Network Leasing Corporation Limited upon amalgamation	3,618,050	-	-	(5,607,976)	1,989,926	-	-	-	-
Share issue costs	-	-	-	-	(17,881)	-	(17,881)	-	(17,881)
Issue of bonus shares	1,962,096	-	-	-	(1,962,096)	-	-	-	-
Shares cancelled during the period	(86,419)	-	-	-	-	-	(86,419)	-	(86,419)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	5,679	5,679	-	5,679
Effect of change in ownership interest in subsidiaries and associates without loss of control - net	-	-	-	-	-	875	875	19,512	20,387
Balance as at 31 December 2009	9,508,617	150,903	384	-	23,724	(5,296,811)	4,386,817	524,694	4,911,511
Net loss for the period	-	-	-	-	-	(1,633,813)	(1,633,813)	(6,042)	(1,639,855)
Other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	-	-	(1,633,813)	(1,633,813)	(6,042)	(1,639,855)
Transfer to statutory reserve	-	12,687	-	-	-	(12,687)	-	-	-
Transfer to dividend payable	-	-	-	-	-	(7,917)	(7,917)	-	(7,917)
Transfer from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	31,708	31,708	-	31,708
Balance as at 30 September 2010	9,508,617	163,590	384	-	23,724	(6,919,520)	2,776,795	518,652	3,295,447

The annexed notes form an integral part of these consolidated interim condensed financial statements.


President
& Chief Executive


Director


Director


Director

NOTES TO THE CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

1. STATUS AND NATURE OF BUSINESS

1.1 KASB Bank Limited ('the bank' or 'Holding Company') was incorporated in Lahore, Pakistan on 13 October 1994 as a public limited company under the Companies Ordinance, 1984 and received banking license from the State Bank of Pakistan (SBP) on 9 January 1995. The bank obtained certificate of commencement of business on 11 January 1995 and is engaged in commercial banking, consumer banking and related services through 100 branches (including 30 sub-branches) operating in 38 cities. The shares of the holding company are listed on the Karachi, Lahore and Islamabad stock exchanges. KASB Bank Limited, as the holding company, has five subsidiaries and nine associates. The group comprises of:

Holding Company

KASB Bank Limited

Name of subsidiaries	Percentage holding
KASB Technology Services Limited	100.00%
KASB Securities Limited	77.12%
KASB Funds Limited	67.18%
KASB Modaraba Management (Private) Limited	96.02%
KASB Modaraba	51.21%
Structured Venture (Private) Limited (Indirectly through KASB Securities Ltd.)	100.00%

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

Name of associates	Percentage holding
New Horizon Exploration and Production Limited	40.00%
Shakarganj Food Products Limited	40.20%
KASB International Limited	21.78%
KASB Stock Market Fund	75.30%
KASB Asset Allocation Fund (formerly KASB Balanced Fund)	61.39%
KASB Income Opportunity Fund (formerly KASB Liquid Fund)	33.65%
KASB Islamic Income Opportunity Fund (formerly KASB Islamic Income Fund)	47.36%
KASB Cash Fund	40.35%
KASB Capital Protected Gold Fund	15.55%

1.3 In accordance with the SBP's BSD Circular No 7 dated 15 April 2009, the Minimum Capital Requirement (MCR) - net of losses for the holding company as at 31 December 2009 was Rs 6 billion and for the current year ending 31 December 2010 is Rs. 7 billion. Further, the holding company is also required to maintain a Capital Adequacy Ratio (CAR) of at least 10% as at 30 September 2010. The paid up capital (net of losses) as of 30 September 2010 amounts to Rs. 2,589 million, while CAR stands at 1.91% (un-audited) as of that date.

Keeping in view the above capital shortfall, the sponsors of the holding company have finalised an arrangement with a foreign investor for additional equity injection into the holding company. Additionally, the holding company has plans to augment its equity base through long term financing by way of sub-ordinated debt to comply with the regulatory capital requirements.

Based on the above, the Board is of the view that the holding company would have adequate resources to continue its business on a sustainable basis in the foreseeable future. However, in view of corporate actions and the related time required to complete the process of equity injection into the holding company, the management has applied to SBP to grant an extension from the MCR and CAR till 31 December 2010.

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.

2.1 Comparative information relating to subsidiaries classified as held for sale

During year ended 31 December 2008, the sponsor shareholder of the Holding Company had incorporated a company by the name of KASB Finance (Private) Limited (KFIN) (a company incorporated under the Companies Ordinance, 1984) to operate as the Holding Company of the Group. At the time of finalisation of the separate financial statements of the Holding Company for the year ended 31 December 2008 it was the management's intention to transfer its substantial holding in certain subsidiaries and associates to KFIN during the year ended 31 December 2009.

The transfer of the present Holding Company's investment to KFIN was partially dependant upon various external factors including arrangement of investments through a third party investor. However, the management believes that during the initial one year period the market conditions which existed at the date these assets were initially classified as held for sale, deteriorated (caused by events outside the present Holding Company's control) and, as a result, the preconditions set for executing the above transfer / disposal could not take place and accordingly the plan for the restructuring of the Group could not be executed.

During the quarter ended 31 December 2009, the management had reviewed its plan based on which the management believes that transfer of these investments to KFIN is dependent on further improvement of market conditions, at a price in excess of its current values and introduction of third party investor. Considering the above facts the management believed that the requirements specified by IFRS 5 under the changed circumstances were not fully met. Accordingly, the assets and liabilities of these subsidiaries were not classified as part of the disposal group in consolidated financial statements for the year ended 31 December 2009 and the investments of the Holding Company in these associates had ceased to be classified as held for sale.

Consequent to the change in plan and in accordance with the requirements of IFRS 5:

- the results of the operations of subsidiaries previously held for sale have been presented as income from continuing operations. The comparative information in profit and loss account for the corresponding period has not been revised / reclassified.
- the investments in associates that no longer meet the criteria to be classified as held for sale have been accounted for using the equity method.

3. STATEMENT OF COMPLIANCE

- 3.1** These consolidated 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 26 August 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 12 May 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 consolidated financial statements of the group for the year ended 31 December 2009.

4 BASIS OF MEASUREMENT

These condensed interim financial statements have been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts, trading and available for sale investments and derivative financial instruments are measured at fair value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 5.1** The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those applied in the preparation of the annual financial statements of the holding company for the year ended 31 December 2009.

6 RESTATEMENT OF PRIOR PERIOD

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination. At the time of acquisition of KCL and NLCL, the management was in the process of carrying out a detailed exercise for the identification and valuation of intangible assets required to be separately recognized under the initial accounting for the acquisition under International Financial Reporting Standard (IFRS) 3, 'Business Combinations', and due to the proximity of the acquisition to the year ended 31 December 2008, the fair value amounts contained some provisional balances.

IFRS 3 envisages such a situation and allows the acquirer to account for the acquisition using provisional values if the initial accounting for the acquisition can be determined only provisionally by the year end. However, adjustments to these provisional values consequent to completion of the initial accounting of the acquisition is required, under IFRS 3, to be incorporated in the financial statements with effect from the acquisition date, within a period of twelve months from the acquisition date.

Accordingly, during the year ended 31 December 2009, as allowed by IFRS 3, certain adjustments to these provisional balances have been made and management has completed its exercise for the identification and recognition of intangible assets. These adjustments and recognition of intangible assets have been incorporated in these financial statements as these were identified and finalized as at the date of acquisition (which was 31 December 2008) with a corresponding adjustment to goodwill. The adjustments primarily relate to identification and valuation of intangible assets & amortization charge thereon, which has been included in Administrative expenses for the corresponding period i.e. January to September 2009.

7. BASIS OF CONSOLIDATION

The consolidated financial statements of the group include the financial statements of KASB Bank (Holding company) and its subsidiaries. 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.

The matter relating to the consolidation and classification of the Group's investments in these funds as subsidiaries has been referred by some of the Asset Management Companies to the Professional Standards and Technical Advisory Committee and Joint Committee of the Institute of Chartered Accountants of Pakistan (ICAP). Till such time as clarification is received from ICAP, the investments of the Group in these funds have not been classified as subsidiaries and accordingly have not been consolidated in these financial statements.

8. GENERAL

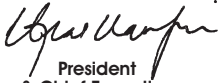



Figures have been rounded up to the nearest thousand rupees.

Comparative information has been reclassified and re-arranged wherever necessary, to facilitate comparison. Significant reclassifications include the following:

- Admin expense for the corresponding period has been restated consequent to the change in amortization on intangibles.
- Earnings per share for the corresponding period has been restated consequent to the change in amortization on intangibles.

9. DATE OF AUTHORIZATION

These financial statements were authorized for issue on 26 October, 2010 by the Board of Directors of the holding company, KASB Bank Limited.

 President & Chief Executive	 Director	 Director	 Director
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BRANCHES NETWORK

KARACHI BRANCHES

Main Branch

Tel: (021) 32446005-10 / 32446772-77
Fax: (021) 32446781
UAN: 111 555 666

Jodia Bazar Branch

Tel: (021) 32521351-6
Fax: (021) 32521357

Cochinwala Branch (Sub Branch)

PABX No. (021) 32462703-5
FAX No. (021) 32467643

Korangi Branch

Tel: (021) 35078922-25
Fax: (021) 35078926

Preedy Street Branch

PABX No (021) 32724121-32724135-32724178
Fax (021) 32725175

Electronic Market Sadar Branch (Sub Branch)

PABX No. (021) 32700561-63
Fax No. (021)-32700567

DHA Shahbaz Branch

PABX No. (021) 35349154-7
Fax No.(021) 35349149

DHA Phase VI Branch (Sub Branch)

PABX (021) 35242734-37
FAX No. (021)-35242739

Defence Phase IV Branch (Sub Branch)

PABX (021) 35312961-4
Fax No. (021) 35312966

Garden Branch

PABX No. (021) 32292041-43
FAX No. (021)-32292046

Gulshan-e-Iqbal Branch

Tel: (021) 34981330-31
Fax: (021) 34981334

Gulshan Chowrangi Branch (Sub Branch)

PABX No. (021) 34832541-3
FAX No. (021)-34832548

New Challi Branch

Tel: (021) 32601231-6
Fax: (021) 32601337

Shaheed-e-Millat Road Branch

PABX No (021) 34145183-84-86
Fax No. (021) 34145187

Dohraji Branch (Sub Branch)

PABX No. (021) 34860180-2
Fax No. (021) 34860184

Khalid Bin Waleed Branch (Sub Branch)

PABX (021) 34302806-9
Fax No. (021) 34302813

SITE Branch

PABX No (021) 32550391-3
Fax (021) 32550395

Orangi Town (Sub Branch)

PABX No. (021) 36760060-2
FAX No. (021) 36760063

Shahrah-e-Faisal Branch

Tel: (021) 34313236-38
Fax: (021) 34538638

Muhammad Ali Society Branch (Sub Branch)

PABX No. (021) 34306061-3
FAX No. (021)-34306066

Manzoor Colony Branch (Sub Branch)

PABX No. (021) 35392805-7
FAX No. (021) 35392810

Hyderi Branch

PABX (021) 36724280-3-4
Fax No. (021) 36724282

Nazimabad (Sub Branch)

PABX No. (021) 36611912-3-908
Fax (021) 36611909.

F.B.Area Karimabad Branch (Sub Branch)

PABX No. (021) 36826728/31/35
FAX No. (021)-36826805

Karachi Stock Exchange Branch

Tel: (021) 32473560-63
Fax (021) 32473564

DHA Phase 1 Branch

PABX No. (021) 35314121-3
Fax No. (021) 35314127

Gulistan-e-Johar Branch

PABX No. (021) 34029901-3
Fax No. (021) 34029902

Malir City Branch

PABX No. (021) 34117381-34110812 / 822
FAX No. (021)-34117452

Clifton Branch

PABX No.: (021) 35879207-35879170-35879215
Fax: (021) 35879134

Clifton (Shireen Jinnah) Branch (Sub Branch)

PABX No. (021) 35305581-3
FAX No. (021) 35374579

LAHORE BRANCHES

Defence Branch

PABX No: (042) 35731811, 35740083
Fax: (042) 35722228

DHA-G Branch (Sub Branch)

PABX (042) 35690987-8
Fax No. (042) 35690986

Johar Town Branch

PABX (042) 35220813-5
Fax No. (042) 35220819

Baghbanpura Branch

PABX No. (042) 36820445-6
FAX No. (042)-36820447

Mughalpura Branch (Sub Branch)

PABX No. (042) 36524880-3
FAX No. (042) 36524887

Gulshan-e-Ravi Branch

PABX No. (042) 37415063-83-86
FAX No. (042)-37414892

BRANCHES NETWORK

Raiwind Road Branch

PABX No:(042) 35426923, 35437893
Fax (042) 35426926

Abbot Road Branch

PABX No: (042) 36305143-44
Fax: (042) 36305142

Mozang Branch (Sub Branch)

PABX No. (042) 36371254-6
Fax No. (042) 36371504

Shadman Town Branch (Sub Branch)

PABX No. (042) 37569488-9
Fax (042) 37569487

Lahore Stock Exchange Branch

PABX No: (042) 36280801-3
Fax No : (042) 36280804

Peco Road Branch

PABX No:(042) 35144951-4
FAX NO:(042) 35144955

Shah Alam Branch

PABX No: (042) 37656501, 37658221
FAX NO:(042) 37658275

Allama Iqbal Town Branch

PABX (042) 35424951-3
Fax No. (042) 35436226

Wahdat Raod Branch (Sub Branch)

PABX (042) 35912863-4
Fax No. (042) 35912862

Circular Road Branch

PABX No: (042) 37639040-42
Fax: (042) 37660649

Shadbagh Branch (Sub Branch)

PABX No. (042) 37600953/986
FAX No. (042)-37600960

Gulberg Branch

PABX No: (042) 35764288-9
Fax No: (042) 35755358

KASB House (Jail Road)

Branch (Sub Branch)
PABX No. (042) 35776723-5
FAX No. (042) 35875013

Model Town Branch (Sub Branch)

PABX No. (042) 35915673-6
FAX No. (042) 35915677

ISLAMABAD BRANCHES

Islamabad Branch

PABX No: (051) 2826181- 83
Fax: (051) 2826184
UAN: 111 555 666

G-10 Markaz Branch (Sub Branch)

PABX No. (051) 2819211-3
Fax No. (051) 2819214

I-9 Markaz Branch (Sub Branch)

PABX No. (051) 4858395-97
FAX No. (051)-4858401

F-11 Markaz Branch

PABX No. (051) 2111533-4
Fax No. (051) 2111532

Rawat Branch

PABX No. (051) 4612413-5
FAX No. (051)-4612418

Bahria Town Phase VIII Branch (Sub Branch)

PABX No. (051) 5705651-5705652-5705653
FAX No. (051) 5705658

SIALKOT BRANCH

Sialkot Branch

PABX No: (052) 3241671-74
Fax (052) 3241679

Sialkot Branch (Sub Branch)

PABX No. (052) 3242650-3
Fax No. (052)-3242658

MULTAN BRANCH

Multan Branch

PABX No: (061) 4587701-3
Fax No: (061) 4587705

Bosan Road Multan Branch (Sub Branch)

PABX No. (061) 6210213-4
Fax No. (061)-6210219

GUJRANWALA

Gujranwala Branch

PABX No: (055) 3252348 / 3252353
Fax: (055) 3254529

Gujranwala G.T. Road Branch (Sub Branch)

PABX No. (055) 4294014-6
FAX No. (055) 4274016

RAWALPINDI BRANCHES

Rawalpindi Branch

PABX No: (051) 5527840-43
Fax: (051) 5527844

Raja Bazar Branch (Sub Branch)

PABX No. (051) 5777451-2
Fax No. (051) 5777453

Bahria Town Rawalpindi Branch

PABX No: (051)5730371-3
Fax: (051) 5730376

Chandni Chowk Branch

PABX No. (051) 4417049-50
Fax No. (051) 4417051

PESHAWAR BRANCHES

Peshawar Branch

AYS Centre, Arbab Road, Saddar,
Peshawar Cantt
PABX No: (091) 5279432 / 5279425
Fax: (091) 5279838
UAN: 111 555 666

BRANCHES NETWORK

QUARTERLY REPORT SEPTEMBER 2010

University Road Branch (Sub Branch)
Umer Plaza University Road/
Jamrud Road Jahangirabad Peshawar.
PABX No. (091) 5711526-7
Fax No. 091 5711529

Hayatabad Branch
PABX No. (091) 5830024-8
Fax No. (091) 5830025

HYDERABAD BRANCH

Hyderabad Branch
Tel: (022) 2729917-18
Fax: (022) 2785977
UAN: 111 555 666

Hyderabad Market Branch (Sub Branch)
PABX (022) 2636660-2
Fax (022) 2636275

MIRPUR (AJK)

Mirpur (A.K.) Branch
PABX No: (058610) 42841 / 44877
Fax: (058610) 42742
UAN: 111 555 666

Chaksawari Branch
PABX No. 05827-454810-11
FAX No. 05827-454814

OTHER CITIES

Faisalabad Branch
PABX NO (041) 2649667-70
Fax: (041) 2649672

Sukkur Branch
Tel: (071) 5619083-4
Fax No. (071) 5619088

Quetta Branch
Tel: (081) 2842531, 2836518
Fax: (081) 2842531
UAN: 111 555 666

Fateh Jang Branch
PABX No. (051) 2210244-6
Fax No. (051)-2210249

Nawabshah Branch
PABX No (024) 4330304-5
FAX No (024)-4330307

Sadiqabad Branch
PABX No. (068) 5800067-69
FAX No. (068) 5709114

Mandi Bahaudin Branch
PABX No. (054) 6507207-9
FAX No. (054) 6507210

Bhawalpur Branch
PABX No. (062) 2880701-3
FAX No. (062) 2880704

Kasur Branch
PABX No. (049) 2720697-98-2763823
FAX No. (049) 2763824

Gujrat Branch
PABX:(053)-3517966-69
Fax (053) 3517965

Jhelum Branch
PABX No. (0544) 622385/6
Fax No. (0544)-622938

Kandhkot Branch
PABX No.(0722) 570041-43
FAX No. (0722) 570044

Ghourghashti Branch
PABX No. (057)-2871291-2871292
FAX No. (057)-2871393

Mehar Branch
PABX No. (0254) 730375
FAX No. (0254) 730376

Jhang Branch
PABX No. (047) 7651670-2
FAX No. (047) 7651676

Kamoki Branch
PABX No. (055) 6814580-2
FAX No. (055) 6814584

Vehari Branch
PABX No. (067) 3360515-7
FAX No. (067) 3360519

Okara Branch
PABX No. (044) 2520526-8
FAX No. (044) 2520590

Sargodha Branch
PABX No. (048) 3768121-3
Fax No. (048) 3768122

Jacobabad Branch
PABX No. (0722) 654804/5
FAX No. (0722)654801

Rahimyarkhan Branch
PABX No. (068) 5871901-3
FAX No. (068) 5871908

D.G.Khan Branch
PABX No. (064) 2471560-2
FAX No. (064) 2471566

Mirpurkhas Branch
PABX (0233) 874612-4
Fax No. (0233) 874615

Gujjar Khan Branch
PABX No. (0571) 3511903-5
FAX No. (0571) 3511913

Sambriyal Branch
PABX No. (052) 6521003-5
FAX No. (052) 6521006

Sheikhupura Branch
PABX No. (056) 3780984-6
FAX No. (056) 3780987

Sanghar Branch
PABX No. (023) 5541479-80-5541478
FAX No. (023) 5541480