

## CORPORATE INFORMATION

<b>Board of Directors</b>	<i>Chairman</i> : H. U. Beg
	<i>Directors</i> : Nasir Ali Shah Bukhari Arif Ali Shah Bukhari Sohail Wajahat H. Siddiqui Tariq M. Rangoonwala William Knight Farid uddin Ahmad
<b>Acting President / Chief Operating Officer</b>	: Syed Majeedullah Husaini
<b>Audit Committee</b>	<i>Chairman</i> : H. U. Beg Tariq M. Rangoonwala Arif Ali Shah Bukhari
<b>Executive Committee</b>	<i>Chairman</i> : Nasir Ali Shah Bukhari Tariq M. Rangoonwala
<b>Human Resource &amp; Remuneration Committee</b>	<i>Chairman</i> : H. U. Beg Arif Ali Shah Bukhari Farid uddin Ahmad
<b>Risk Management Committee</b>	<i>Chairman</i> : Nasir Ali Shah Bukhari Tariq M. Rangoonwala William Knight
<b>Company Secretary (officiating) / Advisor to the Board</b>	: Muhammad Hamidullah
<b>Auditors</b>	A. F. Ferguson & Co.
<b>Legal Advisors</b>	Ghulam Ali & Co.
<b>Registered Office and Head Office</b>	Business & Finance Centre, I.I. Chundrigar Road, Karachi Tel : (92-21) 2446772-77 Fax : (92-21) 2446828 & 2446865
<b>Regional Office, Lahore</b>	76-B, E-1, Main Boulevard, (Next to Hafeez Centre,) Gulberg-III, Lahore-54000. Tel : (92-42) 5764288-9 Fax : (92-42) 5755358 & 5760079
<b>Registrar and Share Transfer Office</b>	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**

On behalf of the Board of Directors of KASB Bank Limited I am pleased to present before you the financial statements of the Bank along with consolidated financial statements of the Bank and its subsidiaries for the period ended September 30, 2005.

### **Operating and Financial Review**

The Bank continued to advance in major business parameters during the period. Growth in deposits and assets is higher than the comparable average for the corresponding period of last year while operating profit and profit before tax showed significant improvement.

- ✍ Profit before tax of the bank increased sharply from Rs. 15.33 million in September, 2004 to Rs. 84.99 million in September 2005 reflecting 4.5 times increase.
- ✍ Net mark-up income was up by 34.92% whereas non mark-up income showed a significant rise and was up by 119.72% when compared with the corresponding period of last year.
- ✍ Non-mark-up and other charges during the period increased by 37.27%. Increase in the non markup expenses were mainly due to increase in number of branches and other business related administrative expenses.
- ✍ Deposits registered an improvement of around 30% as compared to September 30, 2004. Focus is now to go for stable deposits to build a strong deposit base of the Bank by introducing new and innovative deposit schemes.
- ✍ The Authorized Capital of the Bank has been increased from Rupees two billion to Rupees four billion as approved by the shareholders in Extraordinary General Meeting held on September 21, 2005.

### **Future Prospects**

The Bank has opened two more branches during the quarter and now has a network of 27 branches while strategy has been chalked out to increase the number of branches to 40 by the year-end by opening further branches in different business centers of the country.

Scope of e-collection of utility bills is being widened to facilitate Bank's own customers as well as others. Shortly infrastructure will be in place for offering additional online services.

An innovative deposit scheme "Maheena Asaan" has been launched during first week of October, 2005 and the people of all walks of life from all over Pakistan have given heartening response. The Bank is committed to provide excellent services and is giving focused attention to quality customer services. Soon customers will enjoy vast range of innovative banking services in addition to existing services which are being offered.

Process of 18% Right Issue has commenced on consummation of which the Paid up Capital will exceed Rupees two billion by the end of December, 2005.

### **Credit rating**

PACRA has maintained the medium to long-term rating of BBB+ (Triple B Plus) with a 'stable' outlook, and a short term rating of A-2 (A Two) to the Bank.

### **Acknowledgment**

We wish to record our gratitude to our valued customers, shareholders, business partners and other stakeholders for their continued support and confidence reposed in the Bank; and are thank ful to the State Bank of Pakistan for their guidance and support extended to the Bank. We also wish to place on record our appreciation for staff of the Bank for their hard work and commitment.

On behalf of the Board of Directors

**H.U Beg**  
Chairman

Karachi  
October 27, 2005

**KASB BANK LIMITED**  
**BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2005**

	Note	Unaudited September 30, 2005	Restated Audited December 31, 2004
(Rupees in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		1,210,097	1,437,561
Balances with other banks		1,628,214	2,126,281
Lendings to financial institutions and others		747,579	699,019
Investments	4	2,738,697	2,686,757
Advances	5	9,073,124	8,294,759
Other assets		712,039	576,380
Operating fixed assets		293,929	235,617
Deferred tax assets - net		125,808	129,019
		16,529,487	16,185,393
<b>LIABILITIES</b>			
Bills payable		190,668	166,133
Borrowings from financial institutions and others		2,918,236	2,673,879
Deposits and other accounts		11,297,725	11,201,209
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		13,481	23,844
Other liabilities		390,874	416,763
Deferred tax liabilities		-	-
		14,810,984	14,481,828
<b>NET ASSETS</b>		<u>1,718,503</u>	<u>1,703,565</u>
<b>REPRESENTED BY</b>			
Share capital		1,707,379	1,707,379
Reserves		98,822	84,279
Effect of fair value measurement of capital on amalgamation		(79,240)	(79,240)
Unappropriated Profit		58,171	-
		1,785,132	1,712,418
Deficit on revaluation of securities - net of tax		(66,629)	(8,853)
		<u>1,718,503</u>	<u>1,703,565</u>

**CONTINGENCIES AND COMMITMENTS**

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

**Note:** These financial statements have been signed by the chairman and three directors in the absence of the President & Chief Executive Officer.

Chairman

Director

Director

Director

**KASB BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 (UNAUDITED)**

	From July 1, 2005 to September 30, 2005	<b>From January 1, 2005 to September 30, 2005</b>	From July 1, 2004 to September 30, 2004	Restated From January 1, 2004 to September 30, 2004
	(Rupees in '000)			
Mark-up / return / interest earned	279,776	<b>759,186</b>	169,083	443,274
Mark-up / return / interest expensed	(168,271)	<b>(433,388)</b>	(85,130)	(213,016)
Net mark-up / interest income	111,505	<b>325,798</b>	83,953	230,258
(Provision) / reversal of provision against loans and advances - net	4,000	<b>(6,413)</b>	(1,076)	12,379
Provision for diminution in the value of investments	-	-	-	-
Bad debts written off directly	-	-	-	(5,974)
	4,000	<b>(6,413)</b>	(1,076)	6,405
Net mark-up / interest income after provisions	115,505	<b>319,385</b>	82,877	236,663
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	14,431	<b>82,492</b>	10,226	22,542
Dividend income	9,467	<b>30,085</b>	23,612	28,482
Income from dealing in foreign currencies	10,269	<b>34,048</b>	(1,098)	2,482
Loss from trading in government securities	-	-	(5,083)	(16,533)
Gain on sale of investments (other than government securities)	7,277	<b>60,867</b>	2,892	36,880
Loss on revaluation of investments classified as held for trading	(325)	<b>(36,069)</b>	-	-
Other income	7,509	<b>13,836</b>	2,451	10,461
Total non mark-up / interest income	48,628	<b>185,259</b>	33,000	84,314
	164,133	<b>504,644</b>	115,877	320,977
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	(152,173)	<b>(415,607)</b>	(107,892)	(305,298)
Other provisions / write offs	-	-	-	-
Other charges	(271)	<b>(4,044)</b>	(107)	(353)
Total non mark-up / interest expenses	(152,444)	<b>(419,651)</b>	(107,999)	(305,651)
<b>PROFIT BEFORE TAXATION</b>	11,689	<b>84,993</b>	7,878	15,326
Taxation – Current	-	<b>(4,599)</b>	(4,878)	(9,612)
- Prior years	-	-	-	1,704
- Deferred	-	<b>(7,680)</b>	-	52,574
	-	<b>(12,279)</b>	(4,878)	44,666
<b>PROFIT AFTER TAXATION</b>	11,689	<b>72,714</b>	3,000	59,992
Unappropriated profit / (accumulated loss) brought forward	48,820	-	(121,011)	(164,692)
	60,509	<b>72,714</b>	(118,011)	(104,700)
<b>APPROPRIATIONS:</b>				
Transfer from revenue reserve	-	-	90,616	90,616
Transfer to statutory reserve	(2,338)	<b>(14,543)</b>	(1,896)	(15,207)
	58,171	<b>58,171</b>	(29,291)	(29,291)
Basic and diluted earnings per share (annualised)	0.27	<b>0.57</b>	0.09	0.93

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

**Note:** These financial statements have been signed by the chairman and three directors in the absence of the President & Chief Executive Officer.

Chairman

Director

Director

Director

**KASB BANK LIMITED**  
**CASH FLOW STATEMENT**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 (UNAUDITED)**

	September 30, 2005	Restated September 30, 2004
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	84,993	15,326
Less: Dividend Income	<u>(30,085)</u>	<u>(28,482)</u>
	54,908	(13,156)
<b>Adjustments for non-cash items</b>		
Depreciation	42,437	37,023
Amortisation	19,226	19,092
Provision / (reversal) against non-performing advances - net	6,413	(12,379)
Bad debts written off directly	-	5,974
Profit on sale of fixed assets	(3,658)	(5,103)
Write off of fixed assets	22	-
Finance charges on leased assets	1,411	2,325
Amortisation of premium on investments	26,175	25,500
	<u>92,026</u>	<u>72,432</u>
	146,934	59,276
<b>(Increase) / Decrease in operating assets</b>		
Lendings to financial institutions	(48,560)	1,762,054
Held-for-trading securities	(136,517)	(10,530)
Advances	(784,778)	(6,574,336)
Others assets (excluding advance taxation)	(227,299)	(66,892)
	<u>(1,197,154)</u>	<u>(4,889,704)</u>
<b>Increase / (Decrease) in operating liabilities</b>		
Bills payable	24,535	282,626
Borrowings from financial institutions	(446,197)	1,237,300
Deposits	96,516	3,270,786
Other liabilities (excluding current taxation)	(26,675)	47,016
	<u>(351,821)</u>	<u>4,837,728</u>
	(1,402,041)	7,300
Income tax refund	68,738	19,850
Net cash (outflow) / inflow from operating activities	<u>(1,333,303)</u>	<u>27,150</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in held to maturity securities	119,854	-
Net investments in available for sale securities	56,303	(51,953)
Dividend received	30,085	8,868
Investments in operating fixed assets	(100,935)	(76,487)
Investment in subsidiaries	(180,000)	-
Sale proceeds of property and equipment disposed-off	3,685	7,159
Net cash outflow from investing activities	<u>(71,008)</u>	<u>(112,413)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Subordinated loan	-	-
Payments of lease obligations (net)	(11,774)	(12,889)
Net cash outflow from financing activities	<u>(11,774)</u>	<u>(12,889)</u>
Net decrease in cash and cash equivalents	(1,416,085)	(98,152)
Cash and cash equivalents at beginning of the period	3,036,260	971,294
Cash and cash equivalents at the end of the period	<u>1,620,175</u>	<u>873,142</u>

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

**Note:** These financial statements have been signed by the chairman and three directors in the absence of the President & Chief Executive Officer.

Chairman

Director

Director

Director

**KASB BANK LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 (UNAUDITED)**

	Share capital	Statutory reserve	Revenue reserve	Total Reserves	Effect of fair value measurement of capital on amalgamation	Accumulated (loss) / unappropriated profit	Total
----- (Rupees in '000) -----							
Balance as at December 31, 2003 as previously reported	1,293,469	59,895	91,000	150,895	(79,240)	(149,212)	1,215,912
Change in accounting policy for investment in subsidiaries						(15,480)	(15,480)
Balance as at December 31, 2003 as restated	1,293,469	59,895	91,000	150,895	(79,240)	(164,692)	1,200,432
Profit for the period from January 1, 2004 to September 30, 2004 as restated	-	-	-	-	-	59,992	59,992
Transfer from general reserve as restated	-	-	(90,616)	(90,616)	-	90,616	-
Transfer to statutory reserve	-	15,207	-	15,207	-	(15,207)	-
Balance as at September 30, 2004 as restated	1,293,469	75,102	384	75,486	(79,240)	(29,291)	1,260,424
Right shares issued during the period	413,910	-	-	-	-	-	413,910
Profit for the period from October 1, 2004 to December 31, 2004 as restated	-	-	-	-	-	38,084	38,084
Transfer to statutory reserve	-	8,793	-	8,793	-	(8,793)	-
	1,707,379	83,895	384	84,279	(79,240)	-	1,712,418
Profit for the period from January 1, 2005 to September 30, 2005						72,714	72,714
Transfer to statutory reserve		14,543		14,543		(14,543)	-
	1,707,379	98,438	384	98,822	(79,240)	58,171	1,785,132
	-	-	-	-	-	-	-

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

**Note** These financial statements have been signed by the chairman and three directors in the absence of the President & Chief Executive Officer.

Chairman

Director

Director

Director

KASB BANK LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 (UNAUDITED)

1. STATUS AND NATURE OF BUSINESS

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 on January 9, 1995. The registered office of the Bank is situated at Business and Finance Center, I.I. Chundrigar Road, Karachi. The Bank obtained Certificate of Commencement of Business on January 11, 1995 and is engaged in commercial banking and related services through 27 (December 31, 2004 : 21) branches operating in different cities. Its shares are listed on the Karachi, Lahore and Islamabad Stock Exchanges.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan. Approved accounting standards comprise of such International Accounting Standards as are notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence. The disclosures made in these financial statements have, however, been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No.02 dated May 12, 2004 and the requirements of International Accounting Standard 34, 'Interim Financial Reporting' (IAS

The State Bank of Pakistan as per BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement' (IAS 39) and International Accounting Standard 40, 'Investment Property' (IAS 40). Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified in accordance with the categories prescribed by the State Bank of Pakistan vide BSD Circular No. 10 dated July 13, 2004.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these 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, 2004 except for the change as discussed in note 3.1 below.

3.1 Investment in Subsidiaries

The Bank has changed its accounting policy in respect of accounting for investment in subsidiaries from the equity method of accounting to the cost basis. This change in accounting policy has been made to comply with the new requirements of the revised International Accounting Standard 27, 'Consolidated and Separate Financial Statements' (IAS 27). This revised IAS is applicable for annual periods beginning on or after January 01, 2005.

# KASB Bank Limited

As at September 30, 2005

## 4 INVESTMENTS

### 4.1 Investment by types

	September 30, 2005			December 31, 2004		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rupees in '000)					
<u>Held-for-trading</u>						
- Ordinary Shares of listed companies	136,517	-	136,517	-	-	-
<u>Available-for-sale securities</u>						
Federal Investment Bonds	-	-	-	-	-	-
- Pakistan Investment Bonds	97,725	63,629	161,354	59,421	119,087	178,508
Term Finance Certificates	497,947	-	497,947	393,940	50,224	444,164
Commercial papers	-	-	-	24,279	-	24,279
Ordinary Shares of listed companies	195,960	139,000	334,960	-	403,613	403,613
Ordinary Shares of unlisted companies	15,680	-	15,680	15,680	-	15,680
	807,312	202,629	1,009,941	493,320	572,924	1,066,244
<u>Held-to-maturity</u>						
Federal Investment Bonds	129,566	-	129,566	495,661	-	495,661
Pakistan Investment Bonds	413,731	343,106	756,837	420,978	350,290	771,268
Market Treasury Bills	371,956	-	371,956	199,704	-	199,704
	915,253	343,106	1,258,359	1,116,343	350,290	1,466,633
<u>Subsidiaries</u>						
KASB Securities Limited	300,000	-	300,000	150,000	-	150,000
KASB Technology Services Limited	4,771	-	4,771	4,771	-	4,771
KASB Funds Limited	30,000	-	30,000	-	-	-
	334,771	-	334,771	154,771	-	154,771
Less: Provision for Diminution in value of Investments	(891)	-	(891)	(891)	-	(891)
	2,192,962	545,735	2,738,697	1,763,543	923,214	2,686,757

	September 30, 2005	December 31, 2004
	(Rupees in '000)	
4.2 Investments by segments		
Federal Government Securities		
- Federal Investment Bonds	129,566	495,661
- Pakistan Investment Bonds	918,191	949,776
- Market Treasury Bills	371,956	199,704
	1,419,713	1,645,141
Term Finance Certificates and commercial papers		
- Term Finance Certificates - Quoted	250,830	224,147
- Term Finance Certificates - Unquoted	247,117	220,017
- Commercial Papers	-	24,279
	497,947	468,443
Fully Paid up Ordinary Shares		
- Listed Companies	471,477	403,613
- Unlisted Companies	15,680	15,680
	487,157	419,293
<u>Investment in subsidiaries</u>		
- Subsidiaries		
- KASB Securities Limited	300,000	150,000
- KASB Technology Services Limited	4,771	4,771
- KASB Funds Limited	30,000	-
	334,771	154,771
Provision for diminution in value of Investments	(891)	(891)
	2,738,697	2,686,757

# KASB Bank Limited

As at September 30, 2005

5. ADVANCES	September 30, 2005	December 31, 2004
	(Rupees in '000)	
Loans, cash credits, running finances, etc.		
In Pakistan	7,513,206	7,153,429
Net Investment in finance lease		
In Pakistan	1,623,445	1,217,686
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	32,882	13,929
Payable outside Pakistan	104,612	108,089
	137,494	122,018
Financing in respect of carry over transactions	-	-
	<b>9,274,145</b>	<b>8,493,133</b>
Provision for non-performing advances		
- Specific	(197,151)	(194,452)
- General	(3,870)	(3,922)
	(201,021)	(198,374)
	<b>9,073,124</b>	<b>8,294,759</b>

5.1 Advances include Rs. 869.856 million (December 31, 2004: Rs. 593.273 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2005			Provision required	Provision held
	Domestic	Overseas	Total		
	(Rupees in '000)				
Other Assets Especially					
Mentioned	482,458	-	482,458	-	-
Substandard	15,691	-	15,691	638	547
Doubtful	14,858	-	14,858	7,362	7,768
Loss	356,849	-	356,849	230,136	188,836
	869,856	-	869,856	238,136	197,151

5.2 Particulars of provision against loans and advances

	Specific	General	Total
	----- (Rupees in '000) -----		
Opening balance	194,452	3,922	198,374
Charge for the period	17,522	-	17,522
Write off against provision	(3,766)	-	(3,766)
Reversals	(11,057)	(52)	(11,109)
	197,151	3,870	201,021

# KASB Bank Limited

As at September 30, 2005

September  
30, 2005      December 31,  
2004  
(Rupees in '000)

## 6 CONTINGENCIES AND COMMITMENTS

### 6.1 Direct credit substitutes

Acceptances 1,035,334 834,273

### 6.2 Transaction-related contingent liabilities

Guarantees issued favouring:

- Government	29,676	44,850
- Others	1,750,200	1,021,273
	1,779,876	1,066,123

### 6.3 Trade-related contingent liabilities

Letters of credit 1,163,837 1,904,095

### 6.4 Commitments in respect of forward exchange contracts

#### Purchase

From the State Bank of Pakistan	9,492	9,970
From other banks	815,804	706,490
From other customers	-	226,921
	825,296	943,381

#### Sale

To banks	959,925	1,145,091
To customers	42,118	1,021,614
	1,002,043	2,166,705
	1,827,339	3,110,086

Maturities of above contracts fall within 3 months

6.7 Commitments for the acquisition of operating fixed assets 37,350 38,693

## 7. RELATED PARTY TRANSACTIONS

Related parties comprise of directors, subsidiaries of the Bank, major shareholders of the Bank and companies owned by such shareholders, entities owned by directors of the Bank, companies where directors of the Bank also hold directorship, key employees, entities that have key management personnel in common and retirement benefit funds.

The related party transactions are entered into on an arms length basis following the Comparable Uncontrolled Price method on loans, deposits and brokerage transactions and Cost Plus method on communication expenses.

Details of transactions with related parties except those under the terms of employment and balances with them as at the period end were as follows :

	September 30, 2005			December 31, 2004		
	Subsidiaries	Directors	Associates	Subsidiaries	Directors	Associates
------(Rupees in '000)-----						
<b>Balances outstanding as at the period end</b>						
Loans and advances	166,527	-	-	28,344	-	-
Deposit accounts	67,651	4,683	1,412	153,547	-	-
Security deposit against lease advances	476	-	-	299	-	-

	September 30, 2005			September 30, 2004		
	Subsidiaries	Directors	Associates	Subsidiaries	Directors	Associates
------(Rupees in '000)-----						
<b>Profit / Expense for the period</b>						
Brokerage commission paid	2,188	-	-	19,902	-	-
Interest income on advances	12,060	-	-	3,807	-	-
Interest expense on deposit	1,869	-	-	841	-	-
Rent Income	504	-	-	378	-	-
Rent Expense	2,260	-	-	1,500	-	-
Advertisement sponsorship	-	-	557	-	-	-
IT Service charges	607	-	-	10,897	-	-
Communication expenses	343	-	-	1,054	-	-

	September 30, 2005	September 30, 2004
	(Rupees in '000)	
<b>Contribution to staff retirement fund</b>	<u>1,935</u>	<u>4,034</u>

## 8. GENERAL

Figures have been rounded up to the nearest thousand rupees.

## 9. DATE OF AUTHORIZATION

The financial statements were authorised for issue in the Board of Directors' meeting held on October 27, 2005.

Note: These financial statements have been signed by the chairman and three directors in the absence of the President & Chief Executive Officer.

Chairman

Director

Director

Director

**KASB BANK LIMITED**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT SEPTEMBER 30, 2005**

	<b>Unaudited September 30, 2005</b>	<b>Audited December 31, 2004</b>
	<b>(Rupees in '000)</b>	
<b>ASSETS</b>		
Cash and balances with treasury banks	1,287,699	1,437,707
Balances with other banks	1,628,395	2,286,859
Lendings to financial institutions and others	747,579	699,019
Investments	2,594,296	2,652,808
Advances	8,906,597	8,247,575
Other assets	2,403,772	920,675
Operating fixed assets	385,722	335,602
Deferred tax assets - net	126,895	129,019
	<b>18,080,955</b>	<b>16,709,264</b>
<b>LIABILITIES</b>		
Bills payable	190,668	166,133
Borrowings from financial institutions and others	2,755,371	2,673,879
Deposits and other accounts	11,230,074	10,979,590
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	16,739	28,696
Other liabilities	2,145,868	1,172,265
Deferred tax liabilities	-	-
	<b>16,338,720</b>	<b>15,020,563</b>
<b>NET ASSETS</b>	<b>1,742,235</b>	<b>1,688,701</b>
<b>REPRESENTED BY</b>		
Share capital	1,707,379	1,707,379
Reserves	98,822	84,279
Effect of fair value measurement of capital on amalgamation	(79,240)	(79,240)
Unappropriated profit / (accumulated loss)	72,138	(5,618)
	<b>1,799,099</b>	<b>1,706,800</b>
Deficit on revaluation of securities - net of tax	(56,864)	(18,099)
	<b>1,742,235</b>	<b>1,688,701</b>

The annexed notes 1 to 5 form an integral part of these financial statements.

**Note:** These financial statements have been signed by the chairman and three directors in the absence of the President & Chief Executive Officer.

Chairman

Director

Director

Director

**KASB BANK LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005**

	Nine months ended	
	From January 1, 2005 to September 30, 2005	From January 1, 2004 to September 30, 2004
	(Rupees in '000)	
Mark-up / return / interest earned	748,511	439,460
Mark-up / return / interest expensed	(431,518)	(212,175)
Net mark-up / interest income	316,993	227,285
(Provision) / reversal of provision against loans and advances - net	(6,413)	12,379
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	(5,974)
	(6,413)	6,405
Net mark-up / interest income after provisions	310,580	233,690
<b>NON MARK-UP / INTEREST INCOME</b>		
Fee, commission and brokerage income	358,994	173,661
Dividend income	15,084	28,482
Income from dealing in foreign currencies	34,048	2,482
Loss from trading in government securities	-	(16,533)
Gain from sale of investments (other than government securities)	92,301	36,880
Loss on revaluation of investments classified as held for trading	(40,789)	-
Other income	40,334	53,422
Total non mark-up / interest income	499,972	278,394
	810,552	512,084
<b>NON MARK-UP / INTEREST EXPENSES</b>		
Administrative expenses	(678,280)	(502,305)
Other provisions / write offs	-	-
Other charges	(4,044)	(5,121)
Total non mark-up / interest expenses	(682,324)	(507,426)
<b>PROFIT BEFORE TAXATION</b>	128,228	4,658
Taxation - Current	(33,367)	(9,489)
- Prior years	4,031	1,704
- Deferred	(6,593)	52,574
	(35,929)	44,789
<b>PROFIT AFTER TAXATION</b>	92,299	49,447
Accumulated loss brought forward	(5,618)	(169,138)
	86,681	(119,691)
<b>APPROPRIATIONS:</b>		
Transfer to Statutory reserve	(14,543)	(15,207)
<b>Unappropriated profit / (accumulated loss) carried forward</b>	72,138	(134,898)
<b>Basic / diluted earnings per share (annualised)</b>	0.72	0.51

The annexed notes 1 to 5 form an integral part of these financial statements

**Note:** These financial statements have been signed by the chairman and three directors in the absence of the President & Chief Executive Officer.

Chairman

Director

Director

Director

**KASB BANK LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 (UNAUDITED)**

	September 30, 2005	September 30, 2004
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	128,228	4,658
Less: Dividend Income	(15,945)	(28,482)
	<u>112,283</u>	<u>(23,824)</u>
<b>Adjustments for non-cash items</b>		
Depreciation	60,361	55,381
Amortisation	19,226	18,303
Provision / (reversal) against non-performing advances - net	6,413	-
Bad debts written off directly	-	5,974
Loss on held for trading securities	4,720	1,999
Profit on sale of fixed assets	(5,344)	(5,175)
Fixed assets write off	22	-
Finance charges (net)	8,652	(11,091)
Amortization of premium on investments	26,175	25,500
	<u>120,225</u>	<u>90,891</u>
	232,508	67,067
<b>(Increase) / Decrease in operating assets</b>		
Lendings to financial institutions	(48,560)	1,762,054
Held-for-trading securities	(161,073)	(77,009)
Advances	(621,913)	(6,564,813)
Others assets (excluding advance taxation)	(1,614,289)	1,087,886
	<u>(2,445,835)</u>	<u>(3,791,882)</u>
<b>Increase / (Decrease) in operating liabilities</b>		
Bills payable	24,535	282,626
Borrowings from financial institutions	(446,197)	1,194,262
Deposits	251,516	3,274,035
Other liabilities (excluding current taxation)	522,316	(996,392)
	<u>352,170</u>	<u>3,754,531</u>
	(1,861,157)	29,716
Income tax refund/ (paid)	44,257	15,081
Net cash outflow / inflow from operating activities	<u>(1,816,900)</u>	<u>44,797</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Available for sale securities	55,427	(166,535)
Held to maturity securities	119,854	-
Dividend received	30,715	8,868
Investments in operating fixed assets	(111,867)	(81,846)
Long term advances and deposits	895	2,141
Financial and other income (net)	1,312	5,024
Sale proceeds of property and equipment disposed-off	5,371	7,238
Net cash inflow from investing activities	<u>101,707</u>	<u>(225,110)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Subordinated loan	-	6,000
Issue of share capital	-	-
Investment in associates	(29,825)	-
Dividends paid	-	(12)
Payments of lease obligations (net)	(16,560)	(12,889)
Net cash outflow from financing activities	<u>(46,385)</u>	<u>(6,901)</u>
Net decrease in cash and cash equivalents	<u>(1,761,578)</u>	<u>(187,214)</u>
Cash and cash equivalents at beginning of the period	<u>3,196,984</u>	<u>1,093,470</u>
Cash and cash equivalents at the end of the period	<u>1,435,406</u>	<u>906,256</u>

The annexed notes 1 to 5 form an integral part of these financial statements.

**Note:** These financial statements have been signed by the chairman and three directors in the absence of the President & Chief Executive Officer.

Chairman

Director

Director

Director

**KASB BANK LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005**

	Share capital	Statutory reserve	Revenue reserve	Total Reserves	Effect of fair value measurement of capital on amalgamation	Accumulated (loss) / Unappropriated profit	Total
	(Rupees in '000)						
Closing Balance - December 31, 2003	1,293,469	59,895	91,000	<b>150,895</b>	(79,240)	(169,138)	<b>1,195,986</b>
Profit for the period from January 1, 2004 to September 30, 2004	-	-	-	-	-	49,447	<b>49,447</b>
Transfer from general reserve			(90,616)	<b>(90,616)</b>		90,616	-
Transfer to statutory reserve	-	15,207	-	<b>15,207</b>	-	(15,207)	-
Closing Balance - September 30, 2004	1,293,469	75,102	384	<b>75,486</b>	(79,240)	(44,282)	<b>1,245,433</b>
Right shares subscribed during the period	413,910	-	-	-	-	-	<b>413,910</b>
Profit for the period from October 1, 2004 to December 31, 2004	-	-	-	-	-	47,457	<b>47,457</b>
Transfer to statutory reserve		8,793		<b>8,793</b>	-	(8,793)	-
Closing Balance - December 31, 2004	1,707,379	83,895	384	<b>84,279</b>	(79,240)	(5,618)	<b>1,706,800</b>
Profit for the period from January 1, 2005 to September 30, 2005						92,299	<b>92,299</b>
Transfer to statutory reserve		14,543		<b>14,543</b>		(14,543)	-
	<u>1,707,379</u>	<u>98,438</u>	<u>384</u>	<u>98,822</u>	<u>(79,240)</u>	<u>72,138</u>	<u>1,799,099</u>
	-	-	-	-	-	-	-

The annexed notes 1 to 5 form an integral part of these financial statements.

**Note:** These financial statements have been signed by the chairman and three directors in the absence of the President & Chief Executive Officer.

Chairman

Director

Director

Director

**KASB BANK LIMITED**  
**CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005 (UNAUDITED)**

**1. STATUS AND NATURE OF BUSINESS**

KASB Bank Limited is a public limited company incorporated in Pakistan under the Companies Ordinance, 1984. The consolidated financial statements of the bank for the nine months ended September 30, 2005 comprise the bank and its subsidiaries (together referred to as the "group"). The group is primarily engaged in the financial sector and has seven major businesses: (a) commercial banking, (b) lease financing, (c) equity sales and trading, (d) securities and economic research, (e) investment advisory, (f) investment banking and (g) information technology services.

**2. BASIS OF CONSOLIDATION**

Subsidiaries are those companies in which the Bank directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has the power to elect and appoint more than 50 percent of its directors.

The financial statements of the subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases. In preparing consolidated financial statements, the financial statements of the bank and its subsidiaries are combined on a line by line basis by adding together like items of assets, liabilities, equity, income and expenses. Significant inter company transactions have been eliminated.

Further, income and expenses of the subsidiaries are proportionately added in the consolidated profit and loss account from the date of commencement of control.

**3. STATEMENT OF COMPLIANCE**

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence. The disclosures made in these 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".

The State Bank of Pakistan as per BSD Circular No. 10 dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40). Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified in accordance with the categories prescribed by the State Bank of Pakistan.

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The same accounting policies and methods of computations are followed in the interim financial statements as compared with the most recent annual financial statements.

**5 DATE OF AUTHORIZATION FOR ISSUE**

The Board of Directors have authorized these financial statements for issue on October 27, 2005.

**Note:** These financial statements have been signed by the chairman and three directors in the absence of the President & Chief Executive Officer.

Chairman

Director

Director

Director