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## Corporate Information

Board of Directors	Chairman : H. U. Beg Directors : Nasir Ali Shah Bukhari Sohail Wajahat H. Siddiqui Tariq M. Rangoonwala Irtiza Husain N. K. Shahani Muneer Kamal
President / Chief Executive Officer	Muneer Kamal
Audit Committee	Chairman : H. U. Beg Tariq M. Rangoonwala Irtiza Husain N. K. Shahani
Human Resource & Remuneration Committee	Chairman : H. U. Beg Nasir Ali Shah Bukhari Muneer Kamal
Risk Management Committee	Chairman : Nasir Ali Shah Bukhari Tariq M. Rangoonwala N. K. Shahani Muneer Kamal
Auditors	A. F. Ferguson & Co.
Legal Advisors	Ghulam Ali & Co.
Registered Office and Head Office	Business & Finance Centre, I.I. Chundrigar Road, Karachi Tel : (92-21) 2446772-77 Fax : (92-21) 2446828 & 2446865
Regional Office, Lahore	76-B, E-1, Main Boulevard, (Next to Hafeez Centre,) Gulberg-III,  Lahore-54000. Tel : (92-42) 5764288-9 Fax : (92-42) 5755358 & 5760079
Registrar and Share Transfer Office	Noble Computer Services (Pvt.) Ltd.  2nd Floor, Sohni Centre, BS 5&6, Main Karimabad, Block-4, Federal 'B' Area, Karachi. Tel : (92-21) 6801880-2 Fax : (92-21) 6801129



I have the privilege to present before you, on behalf of the Board of Directors of the Bank, the quarterly un-audited financial statements of the Bank along with consolidated financial statements of the Bank and its subsidiaries for the three months period and quarter ended March 31, 2007.

#### Operating and Financial Review

- \* On the onset I would like to inform that we have taken a few bold steps to ensure that the operating profitability of the Bank improves. We have successfully shed some of our large and high cost deposits and replenished them with smaller and lower cost deposits. This has been achieved through a concerted effort by reducing corporate deposit rates and by the retail banking group by focusing on building smaller, more stable and lower cost deposits for the Bank.
- \* Despite shedding over Rs. 3 billion of high cost deposits in the first quarter, our deposits have increased from Rs. 21.2 billion on December 31, 2006 to Rs. 22.1 billion on March 31, 2007. The Deposits on March 31, 2006 were at Rs. 16.2 billion, translating into an increase of 36.42% over the year.
- \* The advances of the Bank have increased from Rs. 11.2 billion on March 31, 2006 to Rs. 14.98 billion on March 31, 2007 showing a 33.75% increase in the advances in the year.
- \* The investment has increased by Rs. 1.2 billion in the first quarter of 2007, namely 26.94% vis a vis the investment on December 31, 2006.
- \* Non Performing Loans (NPLs) as a percentage of total advances have fallen from 9.28% on December 31, 2006 to 6.28% on March 31, 2007.
- \* The Bank has increased expenses due to investment in Technology and Human Capital, both in the form of hiring quality personnel and providing training and by improving the efficiency of existing staff and strengthening our Service Quality Department.
- \* Net mark-up income increased from Rs. 100.12 million in the first quarter of 2006 to Rs. 109.8 million in the first quarter of 2007. This will increase further as the Bank is in the process of shedding high cost deposits and most of the decrease in the high cost deposits was near the quarter end.

#### Future Prospects

Pursuing the policy of building of quality assets, the management continues to strive for relationship with additional quality clients of stature and is focusing on developing and enriching core business relationships.

Apart from relationship based lending, the Bank is also focusing on program and product based lending. Agri Finance is a key priority of the Bank which will be program based. Consumer products such as personal finance facilities will be added to the product menu.

The scheme of amalgamation of International Housing Finance Ltd. (IHFL) was tabled at the AGM of KASB Bank. Approval by 2/3rd of voting was required and was actually passed by a 63.10% of the shareholders that voted in person or through proxy. The issue of voting rights of shareholders holding more than 5% shares needed clarification. KASB Bank has referred this matter to the Regulatory Authority for a finding.

The Bank is in the process of implementing MISYS a banking software solution, and has currently converted 29 branches to the MISYS platform. We believe that with the completion of the implementation, the Bank will be able to offer high quality service to its customers, be able to have stronger Internal Control and Risk Management systems and will enable the Bank to increase the scope of its services in all areas of business.

With the intent to offer consumers a wide array of financial services, the Bank launched several asset and liability products (Education Assan, Maheena Assan, Mahana Khazana, Business Flex) in the last year. These products have gained momentum and are enabling the Bank to generate higher spread consumer business as well as lower cost stable deposits. There are several other products in the pipeline, the first of which is Cash Assan, a personal finance facility that is expected to generate substantial consumer business for the Bank.

**Credit Rating**

Credit rating by PACRA remains unchanged with medium to long-term rating of BBB+ (Triple B Plus) with a 'stable' outlook, and a short term rating of A-2 (A Two).

**Acknowledgment**

The Board of Directors wishes to record its gratitude to Bank's valued customers, shareholders, business partners, and other stakeholders for their continued support and confidence reposed in the Bank; and are thankful to the State Bank of Pakistan for their guidance and support extended to the Bank. The Board also wishes to place on record its appreciation for the staff of the Bank for their hard work and commitment.

On behalf of the Board of Directors



**H.U Beg**  
Chairman

Karachi  
April 25, 2007



Balance Sheet As at March 31, 2007

	Note	Unaudited March 31, 2007	Audited December 31, 2006
(Rs. in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		<b>2,372,645</b>	2,305,082
Balances with other banks		<b>772,705</b>	799,731
Lendings to financial institutions		<b>1,365,051</b>	2,305,232
Investments	4	<b>5,958,745</b>	4,694,312
Advances	5	<b>14,984,956</b>	14,512,718
Other assets		<b>1,080,012</b>	759,975
Operating fixed assets		<b>687,804</b>	673,064
Deferred tax assets - net		<b>491,496</b>	488,621
		<b>27,713,414</b>	26,538,735
<b>LIABILITIES</b>			
Bills payable		<b>369,210</b>	199,670
Borrowings from financial institutions		<b>2,240,610</b>	2,176,032
Deposits and other accounts		<b>22,125,537</b>	21,275,570
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		<b>3,571</b>	3,775
Other liabilities		<b>574,006</b>	754,891
Deferred tax liabilities		-	-
		<b>25,312,934</b>	24,409,938
<b>NET ASSETS</b>		<b>2,400,480</b>	2,128,797
<b>REPRESENTED BY</b>			
Share capital		<b>2,521,978</b>	2,292,707
Reserves		<b>117,795</b>	111,748
Effect of fair value measurement of capital on amalgamation		<b>(79,240)</b>	(79,240)
Accumulated loss		<b>(138,970)</b>	(163,156)
		<b>2,421,563</b>	2,162,059
Deficit on revaluation of securities - net of tax	6	<b>(21,083)</b>	(33,262)
		<b>2,400,480</b>	2,128,797
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		

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

  
President & Chief Executive

  
Director

  
Director

  
Director



Profit And Loss Account For the quarter ended March 31, 2007 (Unaudited)

	From January 1, 2007 to March 31, 2007	From January 1, 2006 to March 31, 2006
	(Rs. in '000)	
Mark-up / return / interest earned	541,579	409,010
Mark-up / return / interest expensed	<u>431,765</u>	<u>308,887</u>
Net mark-up / interest income	<u>109,814</u>	<u>100,123</u>
Reversal of provision against non-performing loans and advances	<u>31,127</u>	<u>72,164</u>
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>31,127</u>	<u>72,164</u>
Net mark-up / interest after provisions	<u>140,941</u>	<u>172,287</u>
<b>NON MARK-UP / INTEREST INCOME</b>		
Fee, commission and brokerage income	<u>25,308</u>	<u>16,945</u>
Dividend income	<u>4,344</u>	<u>9,396</u>
Income from dealing in foreign currencies	<u>10,598</u>	<u>13,314</u>
Gain on sale of securities	<u>34,862</u>	<u>16,367</u>
Unrealised gain / (loss) on revaluation of investments classified as held for trading	<u>37,314</u>	<u>521</u>
Other income	<u>10,410</u>	<u>3,655</u>
Total non mark-up / interest income	<u>122,836</u>	<u>60,198</u>
	<u>263,777</u>	<u>232,485</u>
<b>NON MARK-UP / INTEREST EXPENSES</b>		
Administrative expenses	<u>234,221</u>	<u>156,012</u>
Other provisions / write offs / (reversal) - net	-	-
Other charges	<u>81</u>	<u>(1,698)</u>
Total non mark-up / interest expenses	<u>234,302</u>	<u>154,314</u>
<b>PROFIT BEFORE TAXATION</b>	<u>29,475</u>	<u>78,171</u>
Taxation - Current year	<u>(3,560)</u>	<u>(3,139)</u>
- Prior years	-	-
- Deferred	<u>4,318</u>	<u>(14,934)</u>
	<u>758</u>	<u>(18,073)</u>
<b>PROFIT AFTER TAXATION</b>	<u>30,233</u>	<u>60,098</u>
Accumulated loss brought forward	<u>(163,156)</u>	<u>(273,034)</u>
	<u>(132,923)</u>	<u>(212,936)</u>
<b>APPROPRIATIONS</b>		
Transfer to statutory reserve	<u>(6,047)</u>	<u>(12,020)</u>
	<u>(138,970)</u>	<u>(224,956)</u>
Basic Earnings per share (annualised)	<u>0.53</u>	<u>1.19</u>
Diluted Earnings per share (annualised)	<u>0.53</u>	<u>1.13</u>

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

  
President & Chief Executive

  
Director

  
Director

  
Director



Cash Flow Statement For the quarter ended March 31, 2007 (Unaudited)

	March 31, 2007	March 31, 2006
	(Rs. in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	29,475	78,171
Less: Dividend income	<u>(4,344)</u>	<u>(9,396)</u>
	25,131	68,775
<b>Adjustments for non-cash items</b>		
Depreciation	21,216	13,223
Amortisation	6,741	6,311
Reversal of provision against Non-performing Advances - net	(31,127)	(72,164)
(Gain) / Loss on sale of fixed assets - net	163	(948)
Financial charges on lease obligations	103	163
Unrealised gain on revaluation of investments classified as held for trading	(37,314)	(521)
Amortisation of premium on investments	8,824	8,678
	<u>(31,394)</u>	<u>(45,258)</u>
	(6,263)	23,517
<b>(Increase) / Decrease in operating assets</b>		
Lendings to financial institutions	940,181	(821,403)
Held for trading securities	147,135	5,584
Advances	(441,111)	(431,989)
Others assets (excluding advance taxation)	(318,456)	14,334
	<u>327,749</u>	<u>(1,233,474)</u>
<b>Increase / (Decrease) in operating liabilities</b>		
Bills payable	169,540	102,174
Borrowings from financial institutions	64,578	614,630
Deposits	849,967	1,409,084
Other liabilities	(180,885)	(41,145)
	<u>903,200</u>	<u>2,084,743</u>
	1,224,686	874,786
Income tax refund / (paid)	3,509	(5,691)
Net cash flow from operating activities	<u>1,228,195</u>	<u>869,095</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in available for sale securities	(1,419,295)	(549,881)
Net investment in held to maturity securities	(1,097)	3,194
Dividend received	50,625	9,396
Investments in operating fixed assets	(38,759)	(45,459)
Sale proceeds realised on disposal of fixed assets	92	2,823
Net cash flow from investing activities	<u>(1,408,434)</u>	<u>(579,927)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments against lease obligations	(307)	(2,474)
Issue of right shares	229,271	-
Cash received as advance against future subscription of right issue	-	278,000
Net cash flow from financing activities	<u>228,964</u>	<u>275,526</u>
(Decrease) / increase in cash and cash equivalents during the period	<u>48,725</u>	<u>564,694</u>
Cash and cash equivalents at beginning of the period	<u>3,096,625</u>	<u>1,564,188</u>
Cash and cash equivalents at the end of the period	<u>3,145,350</u>	<u>2,128,882</u>

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

  
President & Chief Executive

  
Director

  
Director

  
Director



Statement of Changes in Equity For the quarter ended March 31, 2007 (Unaudited)

	Share capital	Statutory reserve	General reserve	Total Reserves	Effect of fair value measurement of capital on amalgamation	Accumulated loss	Total
	(Rs. in '000)						
Balance as at December 31, 2004	1,707,379	83,895	384	84,279	(79,240)	-	1,712,418
Right shares subscribed	307,328	-	-	-	-	-	307,328
Loss for the year ended December 31, 2005	-	-	-	-	-	(273,034)	(273,034)
Transfer to statutory reserve	-	-	-	-	-	-	-
Balance as at December 31, 2005	2,014,707	83,895	384	84,279	(79,240)	(273,034)	1,746,712
Issue of right shares	278,000	-	-	-	-	-	278,000
Profit for the year ended December 31, 2006	-	-	-	-	-	137,347	137,347
Transfer to statutory reserve	-	27,469	-	27,469	-	(27,469)	-
Balance as at December 31, 2006	2,292,707	111,364	384	111,748	(79,240)	(163,156)	2,162,059
Issue of right shares	229,271	-	-	-	-	-	229,271
Profit for the period from January 1, 2007 to March 31, 2007	-	-	-	-	-	30,233	30,233
Transfer to statutory reserve	-	6,047	-	6,047	-	(6,047)	-
	<u>2,521,978</u>	<u>117,411</u>	<u>384</u>	<u>117,795</u>	<u>(79,240)</u>	<u>(138,970)</u>	<u>2,421,563</u>

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

  
President & Chief Executive

  
Director

  
Director

  
Director



**1. STATUS AND NATURE OF BUSINESS**

- 1.1** KASB Bank Limited was incorporated in Lahore, Pakistan on October 13, 1994 as a public limited company under the Companies' Ordinance, 1984 and received banking license from the State Bank of Pakistan 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 35 branches operating in different cities. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges.

**2. STATEMENT OF COMPLIANCE**

- 2.1** 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 and the directives issued by Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Approved accounting standards comprise of such International Accounting Standards (IAS) 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 SECP and the SBP 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 No. 02 dated May 12, 2004 and the requirements of International Accounting Standard 34: 'Interim Financial Reporting' (IAS 34).
- 2.2** 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, investment 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, 2006.

**4. INVESTMENTS**

**4.1 Investment by types**

	March 31, 2007			December 31, 2006		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rs. in '000)					
<b>Held-for-trading</b>						
Ordinary Shares of listed companies	51,735	-	51,735	198,870	-	198,870
<b>Available-for-sale securities</b>						
Pakistan Investment Bonds	158,971	-	158,971	93,638	62,677	156,315
Market Treasury Bills	2,158,201	-	2,158,201	1,023,016	299,466	1,322,482
Listed Term Finance Certificates	140,866	-	140,866	152,155	-	152,155
Unlisted Term Finance Certificates	704,254	-	704,254	210,572	-	210,572
Units of Mutual Funds	1,334,743	-	1,334,743	1,216,199	-	1,216,199
Ordinary Shares of listed companies	228,564	-	228,564	248,581	-	248,581
Ordinary Shares of unlisted companies	15,680	-	15,680	15,680	-	15,680
	4,741,279	-	4,741,279	2,959,841	362,143	3,321,984
<b>Held-to-maturity</b>						
Federal Investment Bonds	114,133	-	114,133	116,751	-	116,751
Pakistan Investment Bonds	727,012	-	727,012	596,850	135,271	732,121
	841,145	-	841,145	713,601	135,271	848,872
<b>Associates</b>						
KASB Funds Limited	30,000	-	30,000	30,000	-	30,000
<b>Subsidiaries</b>						
KASB Securities Limited	300,000	-	300,000	300,000	-	300,000
KASB Technology Services Limited	4,771	-	4,771	4,771	-	4,771
	304,771	-	304,771	304,771	-	304,771
	5,968,930	-	5,968,930	4,207,083	497,414	4,704,497
Less: Provision for diminution in the value of investments	(10,185)	-	(10,185)	(10,185)	-	(10,185)
	5,958,745	-	5,958,745	4,196,898	497,414	4,694,312

**4.2 INVESTMENT BY SEGMENTS:**

**Federal Government Securities**

- Market Treasury Bills
- Pakistan Investment Bonds
- Federal Investment Bonds

<b>2,158,201</b>	1,322,482
<b>885,984</b>	888,436
<b>114,133</b>	116,751
<b>3,158,318</b>	2,327,669

**Fully Paid up Ordinary Shares**

- Listed Companies
- Unlisted Companies

<b>280,298</b>	447,451
<b>15,680</b>	15,680
<b>295,978</b>	463,131

**Term Finance Certificates**

- Term Finance Certificates - Listed
- Term Finance Certificates - Unlisted

<b>140,866</b>	152,155
<b>704,254</b>	210,572
<b>845,120</b>	362,727

**NOTES TO THE ACCOUNTS**  
For the quarter ended March 31, 2007 (Unaudited)

	March 31, 2007	December 31, 2006
	(Rs. in '000)	
<b>Units of Mutual Funds</b>	<b>1,334,743</b>	1,216,199
<b>Associates</b>		
- KASB Funds Limited	<b>30,000</b>	30,000
<b>Subsidiaries</b>		
- KASB Securities Limited	<b>300,000</b>	300,000
- KASB Technology Services Limited	<b>4,771</b>	4,771
	<b>304,771</b>	304,771
	<b>5,968,930</b>	4,704,497
Less: Provision for diminution in the value of investments	<b>(10,185)</b>	(10,185)
	<b>5,958,745</b>	4,694,312

**5. ADVANCES**

Loans, cash credits, running finances, etc. - in Pakistan	<b>13,972,763</b>	12,170,125
Net investment in finance lease - in Pakistan	<b>1,240,225</b>	1,643,279
Bills discounted and purchased (excluding government treasury bills)		
- Payable in Pakistan	<b>131,520</b>	168,093
- Payable outside Pakistan	<b>164,906</b>	210,845
	<b>296,426</b>	378,938
	<b>15,509,414</b>	14,192,342
Financing in respect of Continuous Funding System (CFS)	<b>139,476</b>	1,015,437
	<b>15,648,890</b>	15,207,779
Provision for advances - specific	<b>(662,357)</b>	(693,484)
Provision for advances - general	<b>(1,577)</b>	(1,577)
	<b>(663,934)</b>	(695,061)
	<b>14,984,956</b>	14,512,718

**5.1** Advances include Rs.941.187 million (2006: Rs. 1,016.710 million) which have been placed under non-performing status as detailed below:

Category of classification	March 31, 2007				
	Domestic	Oversease	Total	Provision required	Provision held
	------(Rupees in '000)-----				
Substandard	43,788	-	43,788	9,151	9,151
Doubtful	106,491	-	106,491	41,742	41,742
Loss	790,908	-	790,908	611,464	611,464
	<u>941,187</u>	<u>-</u>	<u>941,187</u>	<u>662,357</u>	<u>662,357</u>

**NOTES TO THE ACCOUNTS**  
For the quarter ended March 31, 2007 (Unaudited)

	March 31, 2007		
	Specific	General	Total
	(Rs. in '000)		
<b>5.2 Particulars of provision against loans and advances</b>			
Opening balance	693,484	1,577	695,061
Charge for the year	-	-	-
Reversals	(31,127)	-	(31,127)
Net charge / (Reversal)	(31,127)	-	(31,127)
Amount written off	-	-	-
	<u>662,357</u>	<u>1,577</u>	<u>663,934</u>
<b>6 Surplus / (deficit) on revaluation of Available-for-sale securities</b>			
		March 31, 2007	December 31, 2006
		(Rs. in '000)	
Federal Government securities	(20,244)		(24,367)
Listed Term Finance Certificates	1,459		1,611
Units of Mutual Funds	711		16,199
Fully paid up ordinary shares	(10,094)		(35,233)
	(28,168)		(41,790)
Related deferred tax asset	7,085		8,528
	<u>(21,083)</u>		<u>(33,262)</u>
<b>7 CONTINGENCIES AND COMMITMENTS</b>			
<b>7.1 Direct credit substitutes</b>			
Acceptances	2,004,938		2,116,691
<b>7.2 Transaction-related contingent liabilities</b>			
Guarantees issued favouring:			
- Government	37,102		26,967
- Others	3,054,500		3,006,817
	<u>3,091,602</u>		<u>3,033,784</u>
<b>7.3 Trade-related contingent liabilities</b>			
Letters of credit	3,499,688		2,822,946
<b>7.4 Commitments in respect of forward exchange contracts</b>			
<b>Purchase</b>			
From the State Bank of Pakistan	7,438		8,585
From other banks	239,180		30,440
From other customers	96,058		24,822
	<u>342,676</u>		<u>63,847</u>
<b>Sale</b>			
To banks	392,068		291,285
To customers	-		12,620
	<u>392,068</u>		<u>303,905</u>
	<u>734,744</u>		<u>367,752</u>
<b>7.5 Commitments for the acquisition of operating fixed assets</b>			
	25,912		28,639

**8. 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,

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:

	March 31, 2007				December 31, 2006			
	Subsidiaries	Directors	Key management personnel	Associates	Subsidiaries	Directors	Key management personnel	Associates
----- Rupees in '000 -----								
<b>Balances outstanding as at the period end</b>								
Loans and advances	259,448	-	25,303	6,305	23,091	-	25,904	5,129
Deposit accounts	26,752	4,739	8,030	6,208	83,054	4,109	6,485	2,424
Investments	-	-	-	274,032	-	-	-	250,000
Security Deposit against lease advances	-	-	-	834	-	-	-	593
Receivable against expenses	-	-	-	-	881	-	-	-
Commission income receivable	-	-	-	-	341	-	-	-
Creditors - Trading	-	-	-	-	5,488	-	-	-
Bank profit payable	720	15	18	1	176	367	42	-
Receivable - Markup	2,924	-	-	-	466	-	-	-
Prepayments	-	-	-	-	2,354	-	-	-
Dividend Receivable	-	-	-	-	50,100	-	-	-
Unearned mark up	-	-	-	-	-	-	-	678
Mark Up Suspense	-	-	-	-	1,397	-	-	-
Distribution Income Receivable	-	-	-	-	-	-	-	114
Admin Expense payable	-	-	-	-	1,045	-	-	-

	March 31, 2007				March 31, 2006			
	Subsidiaries	Directors	Key management personnel	Associates	Subsidiaries	Directors	Key management personnel	Associates
----- Rupees in '000 -----								
<b>Profit / Expense for the period</b>								
Brokerage commission paid	688	-	-	-	4,579	-	-	-
Interest income on advances	4,313	-	-	902	1,473	-	-	-
Interest expense on deposits	720	30	18	650	2,078	-	-	-
Rent Income	132	-	-	-	126	-	-	-
Rent Expense	781	-	-	-	765	-	-	-
IT Service charges	17	-	-	-	261	-	-	-
Communication expenses	86	-	-	-	1,325	-	-	-
Advertisement sponsorship	-	-	-	443	-	-	-	-
Dividend income	-	-	-	-	-	-	-	-
Remuneration paid	-	-	8,959	-	-	-	-	-
Directors Fee	-	3,399	-	-	-	-	-	-
Lease Income	-	-	-	-	27	-	-	-
Financial Charges on Leased assets	-	-	-	-	67	-	-	-

	March 31, 2007	March 31, 2006
	(Rs. in '000)	
Contribution to staff Provident fund	3,351	2,793
Contribution to gratuity Scheme	21,475	-

**9 GENERAL**

Figures have been rounded up to the nearest thousand rupees

**10 DATE OF AUTHORIZATION**

These financial statements were authorized for issue on April 25, 2007 by the Board of Directors of the Bank.

 President & Chief Executive	 Director	 Director	 Director
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Consolidated Balance Sheet As at March 31, 2007

	Unaudited March 31, 2007	Audited December 31, 2006
	(Rs. in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	2,372,993	2,305,248
Balances with other banks	808,305	976,257
Lendings to financial institutions	1,365,051	2,305,232
Investments	6,093,457	4,635,204
Advances	14,725,508	14,489,626
Operating fixed assets	949,187	915,397
Deferred tax assets - net	540,389	538,267
Other assets	2,864,206	1,608,221
	<b>29,719,096</b>	<b>27,773,452</b>
<b>LIABILITIES</b>		
Bills payable	369,210	199,670
Borrowings	2,262,387	2,176,032
Deposits and other accounts	22,098,785	21,191,480
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	25,221	18,979
Deferred tax liabilities	-	-
Other liabilities	2,274,867	1,824,827
	<b>27,030,470</b>	<b>25,410,988</b>
<b>NET ASSETS</b>	<b>2,688,626</b>	<b>2,362,464</b>
<b>REPRESENTED BY</b>		
Share capital	2,521,978	2,292,707
Revenue reserves	144,208	138,161
Accumulated loss	(4,046)	(62,876)
Effect of fair value measurement of capital on amalgamation	(79,240)	(79,240)
	<b>2,582,900</b>	<b>2,288,752</b>
Minority Interest	21,369	21,369
Surplus on revaluation of securities - net of tax	84,357	52,343
	<b>2,688,626</b>	<b>2,362,464</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		

The annexed notes 1 to 6 form an integral part of these financial statements.

  
President & Chief Executive

  
Director

  
Director

  
Director



Consolidated Profit And Loss Account For the quarter ended March 31, 2007 (Unaudited)

	March 31, 2007	March 31, 2006
	(Rs. in '000)	
Mark-up / return / interest earned	541,617	415,966
Mark-up / return / interest expensed	432,566	307,505
Net mark-up / interest income	<u>109,051</u>	<u>108,461</u>
Reversal of provision against non-performing loans and advances	<u>31,127</u>	<u>72,164</u>
(Reversal of provision) / provision for diminution in the value of investments - net	-	-
Bad debts written off directly	-	-
	<u>31,127</u>	<u>72,164</u>
Net mark-up / return / interest after provisions	<u>140,178</u>	<u>180,625</u>
<b>Non mark-up / interest income</b>		
Fee, commission and brokerage income	<u>189,156</u>	<u>146,350</u>
Dividend income	<u>4,348</u>	<u>9,396</u>
Income from dealing in foreign currencies	<u>10,598</u>	<u>13,314</u>
Gain on sale of securities - net	<u>39,120</u>	<u>25,011</u>
Unrealised gain on revaluation of investments classified as held for trading	<u>37,945</u>	<u>2,569</u>
Other income	<u>17,979</u>	<u>26,239</u>
Total non mark-up / interest income	<u>299,146</u>	<u>222,879</u>
	<u>439,324</u>	<u>403,504</u>
<b>Non mark-up / interest expenses</b>		
Administrative expenses	<u>359,507</u>	<u>268,218</u>
Other provisions / write offs	-	-
Other charges	<u>125</u>	<u>(1,698)</u>
Total non mark-up / interest expenses	<u>359,632</u>	<u>266,520</u>
<b>Profit before taxation</b>	<u>79,692</u>	<u>136,984</u>
Taxation - Current year	<u>18,380</u>	<u>22,632</u>
- Prior years	-	-
- Deferred	<u>(3,565)</u>	<u>13,683</u>
	<u>14,815</u>	<u>36,315</u>
<b>Profit after taxation</b>	<u>64,877</u>	<u>100,669</u>
Accumulated loss brought forward	<u>(62,876)</u>	<u>(210,794)</u>
	<u>2,001</u>	<u>(110,125)</u>
<b>APPROPRIATIONS:</b>		
Transfer to revenue reserve	-	-
Transfer to statutory reserve	<u>(6,047)</u>	<u>(12,020)</u>
	<u>(6,047)</u>	<u>(12,020)</u>
<b>Accumulated (loss) carried forward</b>	<u>(4,046)</u>	<u>(122,145)</u>
<b>Basic earnings per share (annualised)</b>	<u>1.15</u>	<u>2.00</u>
<b>Diluted earnings per share (annualised)</b>	<u>1.15</u>	<u>1.90</u>

The annexed notes 1 to 6 form an integral part of these financial statements.

  
President & Chief Executive

  
Director

  
Director

  
Director



Consolidated Cash Flow Statement For the quarter ended March 31, 2007 (Unaudited)

	March 31, 2007	March 31, 2006
	(Rs. in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	79,692	136,984
Less: Dividend income	<u>(4,348)</u>	<u>(9,396)</u>
	75,344	127,588
<b>Adjustments for non-cash and other items :</b>		
Depreciation	34,180	19,732
Amortisation	7,230	6,327
Reversal of provision against non-performing loans and advances - net	(31,127)	(72,164)
Gain on sale of fixed assets - net	(35)	(1,128)
Unrealised (gain) / loss on revaluation of investments classified as held for trading	(37,945)	(2,569)
Amortisation of premium on investments	8,824	8,678
Finance charges on leased assets	699	7,613
	<u>(18,174)</u>	<u>(33,511)</u>
	57,170	94,077
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	940,181	(821,403)
Held for trading securities	54,354	(39,288)
Advances	(204,755)	(772,478)
Others assets (excluding advance taxation)	(1,251,821)	244,082
	<u>(462,041)</u>	<u>(1,389,087)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	169,540	102,174
Borrowings from financial institutions	36,410	614,630
Deposits	907,305	1,220,155
Other liabilities	450,040	656,469
	<u>1,563,295</u>	<u>2,593,428</u>
	1,158,424	1,298,418
Income tax (paid)	<u>(26,515)</u>	<u>(33,309)</u>
Net cash flow from operating activities	1,131,909	1,265,109
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(1,443,062)	(540,920)
Net investments in held to maturity securities	(1,097)	3,194
Dividends received	529	9,396
Investments in operating fixed assets	(74,236)	(83,985)
Sale proceeds from disposal of fixed assets	991	3,864
Net cash flow from investing activities	<u>(1,516,875)</u>	<u>(608,451)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments against lease obligations	5,543	(10,445)
Issue of right shares	229,271	-
Cash received as advance against future subscription of right issue	-	278,000
Net cash flow from financing activities	<u>234,814</u>	<u>267,555</u>
<b>Increase / (decrease) in cash and cash equivalents</b>	<u>(150,152)</u>	<u>924,213</u>
Cash and cash equivalents at beginning of the period	3,273,317	1,429,195
<b>Cash and cash equivalents at end of the period</b>	<u>3,123,165</u>	<u>2,353,408</u>

The annexed notes 1 to 6 form an integral part of these financial statements.

  
President & Chief Executive

  
Director

  
Director

  
Director



**Consolidated Statement of Changes in Equity For the quarter ended March 31, 2007 (Unaudited)**

	Share capital	Statutory reserve	General reserve	Total reserves	Accumulated loss	Effect of fair value measurement of capital on amalgamation	Total
	(Rs. in '000)						
Balance as at December 31, 2004	1,707,379	83,895	384	84,279	(5,618)	(79,240)	1,706,800
Right shares subscribed	307,328	-	-	-	-	-	307,328
Loss after taxation for the year ended December 31, 2005	-	-	-	-	(205,176)	-	(205,176)
Transfer to statutory reserve	-	-	-	-	-	-	-
Balance as at December 31, 2005	2,014,707	83,895	384	84,279	(210,794)	(79,240)	1,808,952
Issue of right shares	278,000	-	-	-	-	-	278,000
Profit after taxation for the year ended December 31, 2006	-	-	-	-	201,800	-	201,800
Transfer to general reserve	-	-	26,413	26,413	(26,413)	-	-
Transfer to statutory reserve	-	27,469	-	27,469	(27,469)	-	-
Balance as at December 31, 2006	2,292,707	111,364	26,797	138,161	(62,876)	(79,240)	2,288,752
Issue of right shares	229,271	-	-	-	-	-	229,271
Profit for the period from January 1, 2007 to March 31, 2007	-	-	-	-	64,877	-	64,877
Transfer to statutory reserve	-	6,047	-	6,047	(6,047)	-	-
	<u>2,521,978</u>	<u>117,411</u>	<u>26,797</u>	<u>144,208</u>	<u>(4,046)</u>	<u>(79,240)</u>	<u>2,582,900</u>

The annexed notes 1 to 6 form an integral part of these financial statements.

  
President & Chief Executive

  
Director

  
Director

  
Director



## **1. STATUS AND NATURE OF BUSINESS**

The group consists of:

- KASB Bank Limited (Holding company)
- KASB Securities Limited (Subsidiary company)
- KASB Technology Services Limited (Subsidiary company)
- New Horizon Exploration & Production Limited (indirect subsidiary company in which KASB Securities Limited holds 50 percent shareholding)

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 35 branches operating in different cities. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The consolidated financial statements of the bank for the quarter ended March 31, 2007 comprise the bank and its subsidiaries (together referred 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.

The financial statements of the holding company and the subsidiary companies have been consolidated based on their un-audited financial statements for the quarter ended March 31, 2007.

## **2. STATEMENT OF COMPLIANCE**

- 2.1.** 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.
- 2.2** 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 financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

**3. BASIS OF CONSOLIDATION**

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

The financial statements of the subsidiary companies are included in the consolidated financial statements from the date control commences until the date that control ceases. The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis and the carrying value of investments held by the bank is eliminated against the subsidiaries share capital. Significant intergroup transactions have been eliminated.

**4. 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, 2006.

**5. GENERAL**

Figures have been rounded up to the nearest thousand rupees.

**6. DATE OF AUTHORIZATION**

These financial statements were authorized for issue in the Board of Directors' meeting held on April 25, 2007.

  
President & Chief Executive

  
Director

  
Director

  
Director

<b>KARACHI</b>	
<b>Main Branch</b>	- Business & Finance Centre, Ground Floor, I.I Chundrigar Road, Karachi. Tel: (021) 2446005-10, 2446772-77 Fax: (021) 2446781
<b>Jodia Bazar Branch</b>	- Suleman Street, Behind Lal Masjid, Near Achi Qabar, Jodia Bazar, Karachi. Tel: (021) 2400322, 2400458, 2400328 Fax: (021) 2433519
<b>Shahrah-e-Faisal Branch</b>	- 1/1-A, Block-VI, P.E.C.H.S., Main Shahrah-e-Faisal, Karachi. Tel: (021) 4313236-38 Fax: (021) 4538638
<b>Gulshan-e-Iqbal Branch</b>	- Friends Paradise, SB-36, Block No. 13-B, Main University Road, Gulshan-e-Iqbal, Karachi. Tel: (021) 4981330-31, 4983900 Fax: (021) 4981334
<b>Clifton Branch</b>	- Plot No. DC4, Block - 9, KDA Scheme No.5, Merchant-Centre, Clifton, Karachi. Tel: (021) 5878778, 5861615 Fax: (021) 5878779
<b>S.I.T.E. Branch</b>	- Plot No. B/9-B-1, SITE Commerce Park, SITE, Karachi. Tel: (021) 2584530-34 Fax: (021) 2584535
<b>Shaheed-e-Millat Road Branch</b>	- No. 4, Ground Floor, Adam Arcade, Shaheed-e-Millat Road, Karachi Tel: (021) 4145183-85 Fax: (021) 4145186
<b>Gulistan-e-Jauhar Branch</b>	- Plot No. C-2 IX, Block 17, Shalimar Shopping Centre, Gulistan-e-Jauhar, Karachi. Tel: (021) 4029901-03-04 Fax: (021) 4029902
<b>Korangi Industrial Area Branch</b>	- Plot No. 25/1, Sector 23, Suzuki South Bldg., Korangi Industrial Area, Karachi. Tel: (021) 5078922-25 Fax: (021) 5078926
<b>Cochinwala Market Branch</b>	- Plot No. B.R. 5/27, Cochinwala Market, Laxmidas Street, Karachi. Tel: (021) 2415927-28 Fax: (021) 2417560
<b>Preedy Street Branch</b>	- Bukhari Centre, Preedy Street, Saddar, Karachi. Tel: (021) 2724121, 2724135 Fax: (021) 2726958
<b>North Karachi Branch</b>	- Plot No. SA-3, Sub Sector No. SF-1/1, Block 12 B, North Karachi Tel: (021) 6950194-7 Fax: (021) 6997178
<b>Karachi Stock Exchange Branch</b>	- 93-95, 2nd Floor, Stock Exchange Building, Stock Exchange Road, Karachi. Tel: (021) 2473560-63 Fax: (021) 2473564
<b>LAHORE</b>	
<b>Gulberg Branch</b>	- 76-B, E-1, Main Boulevard, Gulberg III, Lahore Tel: (042) 5764288-9, 5764384, 5762146 Fax: (042) 5755358
<b>Lahore Stock Exchange Branch</b>	- Room No 110 & 111, 1st Floor, L.S.E. Building, 19, Khayaban-e-Awan-e-Iqbal, Lahore. Tel: (042) 6367794-97 Fax: (042) 6367798
<b>LCCHS Branch</b>	- 81-Y, Phase III, Lahore Tel: (042) 5731811 Fax: (042) 5722228
<b>Abbot Road Branch</b>	- 19, Abbot Road, Opp. PTV Station, Lahore. Tel: (042) 6305143-44 Fax: (042) 6305142
<b>Circular Road Branch</b>	- 77, Main Circular Road, Lahore. Tel: (042) 7639040-42 Fax: (042) 7660694
<b>Shah Alam Branch</b>	- 14-B, Tibbet Centre, Shah Alam, Lahore. Tel: (042) 7656501, 7658221 Fax: (042) 7658239
<b>Raiwind Road Branch</b>	- SS Centre, Kibria Town, Main Raiwind Road, Lahore. Tel: (042) 5426923, 5437893 Fax: (042) 5426926
<b>PECO Road Branch</b>	- Plot No. 47-1/ B-1, PECO Road, Lahore. Tel: (042) 5144952-4 Fax: (042) 5144955
<b>ISLAMABAD</b>	
<b>Islamabad Branch</b>	- 90, West Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad. Tel: (051) 2826181-3 Fax: (051) 2826184
<b>RAWALPINDI</b>	
<b>Rawalpindi Branch</b>	- Feroz Sons Chamber, 32-Saddar Road, Rawalpindi Cantt. Tel: (051) 5527840-3 Fax: (051) 5527844
<b>Bahria Town Branch</b>	- No. 8 & 9 Ground Floor, Bahria Heights, Mouza Kotla Kalan Commercial Area, Phase-1 Bahria Town, Rawalpindi Tel: (051) 5730375-76 Fax: (051) 5730373
<b>FAISALABAD</b>	
<b>Faisalabad Branch</b>	- 14-P, Kotwall Road, Faisalabad. Tel: (041) 649667-71 Fax: (041) 649672
<b>GUJRANWALA</b>	
<b>Gujranwala Branch</b>	- 84-85, G.D.A. Trust Plaza, G.T. Road, Gujranwala. Tel: (055) 3252348, 3252353, 3254429 Fax: (055) 3254529

## Branches Network

<b>MULTAN</b>	
Multan Branch	- 76-Holiday Inn, Abdali Road, Multan. Tel: (061) 4587701-04 Fax: (061) 4587705
<b>GUJRAT</b>	
Gujrat Branch	- G.T. Road, Near Eid Gah Gujrat Tel: (053) 3517966-69 Fax: (053) 3517965
<b>SIALKOT</b>	
Sialkot Branch	- 2/139, Abbot Road, Sialkot. Tel: (052) 4604991-92 Fax: (052) 4589044
<b>PESHAWAR</b>	
Peshawar Branch	- AYS Centre, Arbab Road, Peshawar Cantt., Peshawar. Tel/PABX: (091) 5279432, 5279217 Fax: (091) 5279838
<b>MIRPUR (AZAD KASHMIR)</b>	
Mirpur (A.K.) Branch	- 629, Sector B/1, Bank Square Nangi, Allama Iqbal Road, Mirpur (Azad Kashmir). Tel: (058610) 42841, 44877 Fax: (058610) 42742
<b>QUETTA</b>	
Quetta Branch	- 2-10/29, Shahrah-e-Iqbal, Quetta. Tel: (081) 2842531, 2836518 Fax: (081) 2836948
<b>HYDERABAD</b>	
Hyderabad Branch	- 194/29-30, Saddar Cantt., Hyderabad. Tel:(0222) 729917-18, 729502-03 Fax: (0222) 785977
<b>NAWABSHAH</b>	
Nawabshah Branch	- Kutchery Chowk, Press Club Road, Nawabshah. Tel: (0244) 330304-5 Fax: (0244) 331307
<b>SUKKUR</b>	
Sukkur Branch	- Rafique-ul-Millat Moulana Muhammad Rafique Qadri Road (Old Race Course Road), Sukkur. Tel: (071) 5619083-86 Fax: (071) 5619088