



KASB BANK

QUARTERLY REPORT

MARCH 2006

(UNAUDITED)

Corporate Information

Board of Directors	<i>Chairman</i> :	H. U. Beg
	<i>Directors</i> :	Nasir Ali Shah Bukhari Sohail Wajahat H. Siddiqui Tariq M. Rangoonwala Arif Ali Shah Bukhari William Knight
President / Chief Executive Officer		Muneer Kamal
Audit Committee	<i>Chairman</i> :	H. U. Beg Tariq M. Rangoonwala Arif Ali Shah Bukhari
Executive Committee	<i>Chairman</i> :	Nasir Ali Shah Bukhari Tariq M. Rangoonwala Muneer Kamal
Human Resource & Remuneration Committee	<i>Chairman</i> :	H. U. Beg Nasir Ali Shah Bukhari Muneer Kamal
Risk Management Committee	<i>Chairman</i>	Nasir Ali Shah Bukhari Tariq M. Rangoonwala Muneer Kamal
Company Secretary		Syed Shah Sajid Hussain
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

DIRECTORS' REVIEW

We are pleased to present the un-audited financial statements of the Bank and consolidated accounts of the Bank and its subsidiaries for the three months period ended March 31, 2005. This is the first quarterly report of the year under the new set-up of the Bank.

FINANCIAL REVIEW

Performance during the quarter under review is encouraging in the wake of what we had to face and correct while cleaning the books of the Bank of the infected credit portfolio while finalizing the annual accounts of the Bank for the year 2005. The management has not only been able to offset the negative impact of the year end results of 2005 but has recorded profit in the short span of three months. Though the profit is marginal yet it is a healthy sign and a cause of satisfaction for the shareholders.

Comparative position of corresponding periods of last three years is as given below:

	Rs. '000		
	Mar 31, 2006	Mar 31, 2005	Mar 31, 2004
Total Revenues	160,321	184,149	72,121
Less Admin. Expenses	154,314	125,604	80,852
<i>Reversal/Provision</i>	(72,164)	9,387	(11,347)
Profit before tax	78,171	49,158	2,616

Bank's net profit before tax has shown growth of 57% as compared to the corresponding quarter of last year. Major earnings of the Bank came from the core banking operations as compared to corresponding quarter of last year. Earning per share and cost income ratio has also improved. Basic earning per share has gone up from 1.09 to 1.19 while the cost to income ratio has further improved.

The Bank's subsidiary KASB Securities Limited has also shown good performance and made Profit before Tax of Rs.65.606 million during the quarter as against profit of Rs.54.110 million during the last year's corresponding quarter. The profit of the subsidiary has not been included in the Bank's profit due to the accounting policy changes adopted as per the International Financial Reporting Standards, as highlighted in the financial statements.

OPERATIONAL REVIEW

Notwithstanding the loss in the year 2005 resulting due to certain unavoidable circumstances we continued to remain focused on core banking activities. The working system has been revamped by diverting Bank's resources toward segmented business areas of Corporate, Small and Medium Enterprise (SMEs), Consumer Financing etc. which have been showing improved operational activities resulting in increased operational revenue. Another value added product namely "Business Flex" providing incentives for opening current accounts has already been launched during the quarter. Another aspect being given priority is the Human Resource development besides paying continued attention to the streamlining and improving the internal policies, procedures and processes.

The minimum capital requirement of State Bank of Pakistan was met in the normal manner by issue of 18% Right Shares to the shareholders. However, a gap of over Rs.273 million surfaced as a result of heavy provisioning against non performing assets which was bridged

by induction of Rs.278 million by the Sponsor Director Mr. Nasir Ali Shah Bukhari from his own sources. In order to capitalize this amount, approval was accorded unanimously by the shareholders in the last Annual General Meeting to issue shares at par value for the said amount to Mr. Bukhari and the decision would be carried out by completing the required formalities on approval of the Securities and Exchange Commission of Pakistan.

CREDIT RATING

Presently the assigned rating of the Pakistan Credit Rating Agency (Pvt.) Ltd. is long term rating of BBB+ (triple B plus) and a short term rating of A2 (A two). These ratings depict a positive outlook. With the advent of our new systems and implementation of the revamped strategy we hope for further improvement in the rating now.

FUTURE OUTLOOK

We have chalked out our strategy of expanding our branch network in the year 2006 and will open new branches as and when permission from the State Bank of Pakistan is received. Certain products in the field of consumer finance are in the offing which would be launched befittingly.

Bank's subsidiary KASB Funds Limited is in the process of launching its first liquid fund in the name of KASB Liquid Fund. We are sanguine about taking care of customers' needs through the growth of these financial products.

IT infrastructure is also being revamped by acquiring solutions best suited to Bank's requirements and to meet the envisaged growth strategy.

ACKNOWLEDGEMENT

The Board of Directors takes this opportunity to record its gratitude to the valued customers, shareholders, business partners and other stakeholders for their continued support and confidence reposed in the Bank. We also wish to offer our thanks to the State Bank of Pakistan for their continued guidance and support to us and for their diligent governance. We also acknowledge the sincerity and hard work of our management and staff for their dedication and commitment to the cause of KASB Bank and in promotion of the brand name.

We would also like to thank Mr. Farid ud Din Ahmad, who has left us for personal reasons and other demanding commitments, for his contributions in the conduct of Board business.

On behalf of the Board of Directors

H.U. Beg
Chairman

Karachi
April 21, 2006

KASB BANK LIMITED

BALANCE SHEET

AS AT MARCH 31, 2006

UNAUDITED
March 31,
2006
AUDITED
December 31,
2005
(Rupees in '000)

ASSETS

Cash and balances with treasury banks		1,149,012	1,082,524
Balances with other banks		983,598	817,078
Lendings to financial institutions		1,898,949	1,077,546
Investments	4	4,377,274	3,821,943
Advances	5	11,243,490	10,739,337
Other assets		715,963	733,845
Operating fixed assets		477,664	447,513
Deferred tax assets - net		369,924	383,201
		21,215,874	19,102,987

LIABILITIES

Bills payable		229,620	127,446
Borrowings from financial institutions		2,214,392	1,931,448
Deposits and other accounts		16,237,194	14,828,110
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		7,182	9,493
Other liabilities		430,151	470,528
Deferred tax liabilities		-	-
		19,118,539	17,367,025
NET ASSETS		2,097,335	1,735,962

REPRESENTED BY

Share capital		2,292,707	2,014,707
Reserves		96,299	84,279
Effect of fair value measurement of capital on amalgamation		(79,240)	(79,240)
Accumulated loss		(224,956)	(273,034)
		2,084,810	1,746,712
Deficit on revaluation of securities - net of tax		12,525	(10,750)
		2,097,335	1,735,962

CONTINGENCIES AND COMMITMENTS

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

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED MARCH 31, 2006

	March 31, 2006	March 31, 2005
	(Rupees in '000)	
Mark-up / return / interest earned	409,010	223,150
Mark-up / return / interest expensed	(308,887)	(119,121)
Net mark-up / interest income	100,123	104,029
(Provision) / reversal of provision against loans and advances - net	72,164	(9,387)
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
Net mark-up / interest income after provisions	172,287	94,642
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	16,945	25,987
Dividend income	9,396	5,618
Income from dealing in foreign currencies	13,314	12,970
Unrealised (loss)/gain on revaluation of investments classified as held for trading	521	(38,546)
Income from trading in government securities	-	-
Gain on sale of investments (other than government securities)	16,367	69,416
Other income	3,655	4,675
Total non mark-up / interest income	60,198	80,120
	232,485	174,762
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	156,012	121,922
Other provisions / write offs	-	-
Other charges	(1,698)	3,682
Total non mark-up / interest expenses	154,314	125,604
	78,171	49,158
PROFIT BEFORE TAXATION		
Taxation - current year	(3,139)	(2,500)
- prior year	-	-
- deferred	(14,934)	-
	(18,073)	(2,500)
	60,098	46,658
PROFIT AFTER TAXATION		
Unappropriated profit / (accumulated loss)	(273,034)	-
	(212,936)	46,658
APPROPRIATIONS:		
Transfer to revenue reserve	-	-
Transfer to statutory reserve	(12,020)	(9,332)
	(12,020)	(9,332)
Accumulated (loss)/ profit carried forward	(224,956)	37,326
Basic earnings per share (annualised)	1.19	1.09
Diluted earnings per share (annualised)	1.13	1.09

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

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
CASH FLOW STATEMENT
FOR THE QUARTER ENDED MARCH 31, 2006

	March 31, 2006	March 31, 2005
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	78,171	49,158
Less: Dividend Income	(9,396)	(5,618)
	<u>68,775</u>	<u>43,540</u>
Adjustments for non-cash items		
Depreciation	13,223	13,257
Amortisation	6,311	6,101
Provision for compensated absences	-	-
Provision / (reversal) against non-performing advances - net	(72,164)	9,387
Profit on sale of fixed assets	(948)	(202)
Write off fixed assets	-	-
Provision for diminution in value of investments	-	-
Reversal of provision held against other assets	-	-
Amortisation of premium on investments	8,678	8,929
(Gain) / loss on held for trading securities	(521)	38,546
Bad debts written off directly	-	-
Finance charges on leased assets	163	520
	<u>(45,258)</u>	<u>76,538</u>
	<u>23,517</u>	<u>120,078</u>
<u>(Increase) / Decrease in operating assets</u>		
Lendings to financial institutions	(821,403)	274,986
Held-for-trading securities	5,584	(56,855)
Advances	(431,989)	(1,517,911)
Others assets (excluding advance taxation)	14,333	(148,472)
	<u>(1,233,475)</u>	<u>(1,448,252)</u>
<u>Increase / (Decrease) in operating liabilities</u>		
Bills payable	102,174	152,702
Borrowings from financial institutions	614,630	385,971
Deposits	1,409,084	(365,213)
Other liabilities (excluding current taxation)	(41,145)	(164,357)
	<u>2,084,743</u>	<u>9,103</u>
	<u>874,785</u>	<u>(1,319,071)</u>
Income tax refund / (paid)	(5,691)	68,203
Net cash (outflow) / inflow from operating activities	<u>869,094</u>	<u>(1,250,868)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in held to maturity securities	3,194	(14,584)
Net investments in available for sale securities	(549,881)	(28,924)
Dividend received	9,396	-
Investments in operating fixed assets	(45,459)	(28,238)
Investment in subsidiaries	-	-
Sale proceeds of property and equipment disposed-off	2,823	295
Net cash (outflow) / inflow from investing activities	<u>(579,927)</u>	<u>(71,451)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Subordinated loan	-	-
Payments of lease obligations (net)	(2,474)	(4,446)
Cash received as advance against future subscription of right issue	278,000	-
Net cash (outflow) / inflow from financing activities	<u>275,526</u>	<u>(4,446)</u>
Net decrease in cash and cash equivalents	<u>564,694</u>	<u>(1,326,765)</u>
Cash and cash equivalents at beginning of the period	<u>1,564,188</u>	<u>3,036,260</u>
Cash and cash equivalents at the end of the period	<u>2,128,882</u>	<u>1,709,495</u>

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

KASB BANK LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2006

	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
Right shares subscribed during the year	413,910	-	-	-	-	-	413,910
Profit after taxation for the period from January 1, 2004 to December 31, 2004 as restated	-	-	-	-	-	98,076	98,076
Transfer from general reserve as restated	-	-	(90,616)	(90,616)	-	90,616	-
Transfer to statutory reserve	-	24,000	-	24,000	-	(24,000)	-
Balance as at December 31, 2004 as restated	1,707,379	83,895	384	84,279	(79,240)	-	1,712,418
Right shares issued during the period	307,328	-	-	-	-	-	307,328
Profit/(Loss) for the period from January 1, 2005 to 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
Advance against future subscription of right issue	278,000	-	-	-	-	-	278,000
Profit for the period from January 1, 2006 to March 31, 2006	-	-	-	-	-	60,098	60,098
Transfer to statutory reserve	-	12,020	-	12,020	-	(12,020)	-
Balance as at March 31, 2006	2,292,707	95,915	384	96,299	(79,240)	(224,956)	2,084,810
	-	-	-	-	-	-	-

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

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2006

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 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.

2.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following IAS, which has been published, has been revised and the amendments are applicable to the financial statements of the bank covering accounting periods beginning on or after January 1, 2007:

- i. IAS 1 Presentation of Financial Statements - Capital Disclosures effective from January 1, 2007

Adoption of the above amendments would result in an impact on the extent of disclosures presented in the future financial statements of the bank.

2.3 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 State Bank of Pakistan through various circulars.

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, 2005.

KASB Bank Limited

As at March 31, 2006

4 INVESTMENTS

4.1 Investment by types

	March 31, 2006			December 31, 2005		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
(Rupees in '000)						
Held-for-trading						
Ordinary Shares of listed companies	99,329	-	99,329	103,625	-	103,625
Available-for-sale securities						
Pakistan Investment Bonds	53,841	107,829	161,670	108,025	53,960	161,985
Market Treasury Bills	1,811,626	235,303	2,046,929	1,380,482	299,643	1,680,125
Term Finance Certificates	549,447	-	549,447	395,995	-	395,995
Commercial papers	-	-	-	-	-	-
Ordinary Shares of listed companies	339,064	-	339,064	287,506	-	287,506
Ordinary Shares of unlisted companies	15,680	-	15,680	15,680	-	15,680
	2,769,658	343,132	3,112,790	2,187,688	353,603	2,541,291
Held-to-maturity						
Federal Investment Bonds	124,532	-	124,532	127,048	-	127,048
Pakistan Investment Bonds	126,997	615,902	742,899	616,984	135,271	752,255
Market Treasury Bills	-	-	-	-	-	-
	251,529	615,902	867,431	744,032	135,271	879,303
Subsidiaries						
KASB Securities Limited	300,000	-	300,000	300,000	-	300,000
KASB Technology Services Limited	4,771	-	4,771	4,771	-	4,771
KASB Funds Limited	30,000	-	30,000	30,000	-	30,000
	334,771	-	334,771	334,771	-	334,771
Less: Provision for diminution in value of Investments	(37,047)	-	(37,047)	(37,047)	-	(37,047)
Investments (net of provisions)	3,418,240	959,034	4,377,274	3,333,069	488,874	3,821,943

March 31, 2006 December 31,
2005
(Rupees in '000)

4.2 Investments by segments

Federal Government Securities

- Market Treasury Bills	2,046,929	1,680,125
- Pakistan Investment Bonds	904,569	914,240
- Federal Investment Bonds	124,532	127,048
	3,076,030	2,721,413

Fully Paid up Ordinary Shares

- Listed Companies	438,393	391,131
- Unlisted Companies	15,680	15,680
	454,073	406,811

Term Finance Certificates and commercial papers

- Term Finance Certificates - Quoted	136,480	149,124
- Term Finance Certificates - Unquoted	412,967	246,871
- Commercial Papers	-	-
	549,447	395,995

Subsidiaries

- KASB Securities Limited	300,000	300,000
- KASB Technology Services Limited	4,771	4,771
- KASB Funds Limited	30,000	30,000
	334,771	334,771

Less: Provision for diminution in value of Investments

	(37,047)	(37,047)
Investments (net of provisions)	4,377,274	3,821,943

KASB Bank Limited

As at March 31, 2006

	March 31, 2006	December 31, 2005
5. ADVANCES	(Rupees in '000)	
Loans, cash credits, running finances, etc.-in Pakistan	8,506,384	8,609,909
Net Investment in finance lease in Pakistan	1,655,668	1,740,662
Bills discounted and purchased (excluding government treasury bills)		
Payable in Pakistan	101,152	82,808
Payable outside Pakistan	230,740	172,456
	331,892	255,264
Financing in respect of continuous funding system	1,326,069	791,835
	11,820,013	11,397,670
Provision for non-performing advances		
- Specific	(572,653)	(654,463)
- General	(3,870)	(3,870)
	(576,523)	(658,333)
	11,243,490	10,739,337

KASB Bank Limited

As at March 31, 2006

- 5.1 Advances include Rs.1,043.838 million (Dec 2005: Rs. 1,070.433 million) which have been placed under non-performing status as detailed below:

Category of classification	March 31, 2006				
	Domestic	Overseas	Total	Provision required	Provision held
	(Rupees in '000)				
Other Assets Especially Mentioned	-	-	-	-	-
Substandard	195,142	-	195,142	24,852	24,852
Doubtful	354,041	-	354,041	125,136	125,136
Loss	494,655	-	494,655	422,665	422,665
	1,043,838	-	1,043,838	572,653	572,653

- 5.2 Particulars of provision against loans and advances

	March 31, 2006		
	Specific	General	Total
Opening balance	654,463	3,870	658,333
Charge for the year	27,139	-	27,139
Reversals	(99,303)	-	(99,303)
Net charge	(72,164)	-	(72,164)
Amount written off	(9,646)	-	(9,646)
	572,653	3,870	576,523

7 RELATED PARTY TRANSACTIONS

	March 31, 2006				December 31, 2005			
	Subsidiaries	Directors	Key management personnel	Associated undertakings	Subsidiaries	Directors	Key management personnel	Associated undertakings
----- Rupees in '000 -----								
Balances outstanding as at the period end								
Loans and advances	45,372	-	13,643	-	46,162	-	21,059	-
Deposit accounts	316,782	1,821	4,415	769	137,162	3,801	7,683	534
Security Deposit against lease advances	1,246	-	-	-	476	-	-	-
Admin expenses receivables	8,590	-	-	-	4,067	-	-	-
Receivable against advertisements	-	-	-	-	2,000	-	-	-
Commission income receivable	-	-	-	-	10,969	-	-	-
Creditors - Trading	-	-	-	-	13,923	-	-	-
Bank profits payable	-	-	-	-	334	-	-	-
Receivables - Trading	-	-	-	-	63,519	-	-	-
Receivable - Mark up	-	-	-	-	2,470	-	-	-
Profit / expense for the period								
Brokerage commission paid	4,579	-	-	-	3,639	-	-	-
Interest income on advances	1,473	-	-	-	14,983	-	-	-
Interest expense on deposits	2,078	-	-	-	2,917	-	-	-
Rent income	126	-	-	-	504	-	-	-
Lease Income	27	-	-	-	292	-	-	-
Rent expense	765	-	-	-	3,025	-	-	-
IT service charges	261	-	-	-	903	-	-	-
Communication expenses	1,325	-	-	-	801	-	-	-
Advertisement sponsorship	-	-	-	-	-	-	-	1,287
Financial charges on leased assets	67	-	-	-	62	-	-	-
Commission income	-	-	-	-	13,101	-	-	-
Dividend income	-	-	-	-	15,000	-	-	-
Donations	-	-	-	-	-	-	-	2,500

Mar 31, Dec 31,
2006 2005
----- (Rupees in '000) -----

Contribution to recognized staff provident fund

2,793 8,280

8. GENERAL

Figures have been rounded up to the nearest thousand rupees.

9. DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors' meeting held on April 21, 2006.

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED & SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2006

UNAUDITED
March 31,
2006
 AUDITED
December 31,
2005
 (Rupees in '000)

ASSETS

Cash and balances with treasury banks	1,373,538	1,082,856
Balances with other banks	983,598	876,446
Lendings to financial institutions	1,898,949	1,077,546
Investments	4,247,984	3,635,037
Advances	11,539,962	10,695,320
Other assets	1,819,721	2,055,172
Operating fixed assets	717,690	665,071
Deferred tax assets - net	371,720	383,746
	22,953,162	20,471,194

LIABILITIES

Bills payable	229,620	127,446
Borrowings from financial institutions	2,214,392	2,126,141
Deposits and other accounts	15,920,412	14,700,257
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	16,004	18,836
Other liabilities	2,335,149	1,678,680
Deferred tax liabilities	-	-
	20,715,577	18,651,360
NET ASSETS	2,237,585	1,819,834

REPRESENTED BY

Share capital	2,292,707	2,014,707
Reserves	96,299	84,279
Effect of fair value measurement of capital on amalgamation	(79,240)	(79,240)
Accumulated loss	(122,145)	(210,794)
	2,187,621	1,808,952
Deficit on revaluation of securities - net of tax	49,964	10,882
	2,237,585	1,819,834

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

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED & SUBSIDIARIES
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE QUARTER ENDED MARCH 31, 2006

	March 31, 2006	March 31, 2005
	(Rupees in '000)	
Mark-up / return / interest earned	415,966	219,010
Mark-up / return / interest expensed	(307,505)	(118,008)
Net mark-up / interest income	<u>108,461</u>	<u>101,002</u>
(Provision) / reversal of provision against loans and advances - net	<u>72,164</u>	<u>(9,387)</u>
Provision for diminution in the value of investments	-	-
Bad debts written off directly	-	-
	<u>72,164</u>	<u>(9,387)</u>
Net mark-up / interest income after provisions	<u>180,625</u>	<u>91,615</u>
NON MARK-UP / INTEREST INCOME		
Fee, commission and brokerage income	<u>146,350</u>	<u>161,275</u>
Dividend income	9,396	5,618
Income from dealing in foreign currencies	13,314	12,970
Unrealised (loss)/gain on revaluation of investments classified as held for trading	2,569	(42,941)
Income from trading in government securities	-	-
Gain on sale of investments (other than government securities)	25,011	88,120
Other income	26,239	14,287
Total non mark-up / interest income	<u>222,879</u>	<u>239,329</u>
	<u>403,504</u>	<u>330,944</u>
NON MARK-UP / INTEREST EXPENSES		
Administrative expenses	<u>268,218</u>	<u>228,300</u>
Other provisions / write offs	-	-
Other charges	(1,698)	4,106
Total non mark-up / interest expenses	<u>266,520</u>	<u>232,406</u>
	<u>136,984</u>	<u>98,538</u>
PROFIT BEFORE TAXATION		
Taxation - current year	<u>(22,632)</u>	<u>(15,845)</u>
- prior year	-	-
- deferred	(13,683)	-
	<u>(36,315)</u>	<u>(15,845)</u>
PROFIT AFTER TAXATION	<u>100,669</u>	<u>82,693</u>
Unappropriated profit / (accumulated loss)	<u>(210,794)</u>	<u>(43,023)</u>
	<u>(110,125)</u>	<u>39,670</u>
APPROPRIATIONS:		
Transfer to revenue reserve	-	-
Transfer to statutory reserve	(12,020)	(9,332)
	<u>(12,020)</u>	<u>(9,332)</u>
Accumulated (loss) / profit carried forward	<u>(122,145)</u>	<u>30,338</u>
Basic earnings per share (annualised)	<u>2.00</u>	<u>1.94</u>
Diluted earnings per share (annualised)	<u>1.90</u>	<u>1.94</u>

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

President and Chief Executive

Director

Director

Director

**KASB BANK LIMITED & SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE QUARTER ENDED MARCH 31, 2006**

	March 31, 2006	March 31, 2005
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	136,984	98,538
Less: Dividend Income	(9,396)	(5,618)
	<u>127,588</u>	<u>92,920</u>
Adjustments for non-cash items		
Depreciation	19,732	19,647
Amortisation	6,327	6,101
Provision for compensated absences	-	-
Provision / (reversal) against non-performing advances - net	(72,164)	9,387
Profit on sale of fixed assets	(1,128)	(202)
Write off fixed assets	-	-
Provision for dimunition in value of investments	-	-
Reversal of provision held against other assets	-	-
Amortisation of premium on investments	8,678	8,929
(Gain) / loss on held for trading securities	(2,569)	42,941
Bad debts written off directly	-	-
Finance charges on leased assets	7,613	24,802
	<u>(33,511)</u>	<u>111,605</u>
	94,077	204,525
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(821,403)	274,986
Held-for-trading securities	(39,288)	(64,809)
Advances	(772,478)	(1,199,121)
Others assets (excluding advance taxation)	244,082	(2,831,087)
	<u>(1,389,087)</u>	<u>(3,820,031)</u>
Increase / (Decrease) in operating liabilities		
Bills payable	102,174	152,702
Borrowings from financial institutions	614,630	385,971
Deposits	1,220,155	(506,224)
Other liabilities (excluding current taxation)	656,469	2,565,519
	<u>2,593,428</u>	<u>2,597,968</u>
	1,298,418	(1,017,538)
	<u>(33,309)</u>	<u>58,738</u>
	1,265,109	(958,800)
Income tax refund / (paid)		
Net cash (outflow) / inflow from operating activities		
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in held to maturity securities	3,194	15,416
Net investments in available for sale securities	(540,920)	(24,800)
Dividend received	9,396	66
Investments in operating fixed assets	(83,985)	(31,092)
Long term deposits and advances	-	325
Financail and other income net	-	(18,908)
Sale proceeds of property and equipment disposed-off	3,864	295
Net cash (outflow) / inflow from investing activities	<u>(608,451)</u>	<u>(58,698)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Subordinated loan	-	(20,000)
Dividend paid	-	(9)
Payments of lease obligations (net)	(10,445)	(5,697)
Cash received as advance against future subscription of right issue	278,000	-
Net cash (outflow) / inflow from financing activities	<u>267,555</u>	<u>(25,706)</u>
Net decrease in cash and cash equivalents	924,213	(1,043,204)
Cash and cash equivalents at beginning of the period	1,429,195	3,196,984
Cash and cash equivalents at the end of the period	<u>2,353,408</u>	<u>2,153,780</u>

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

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED & SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED MARCH 31, 2006

	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)	(169,138)	1,195,986
Right shares subscribed during the year	413,910	-	-	-	-	-	413,910
Profit after taxation for the period from January 1, 2004 to December 31, 2004 as restated	-	-	-	-	-	96,904	96,904
Transfer from general reserve as restated	-	-	(90,616)	(90,616)	-	90,616	-
Transfer to statutory reserve	-	24,000	-	24,000	-	(24,000)	-
Balance as at December 31, 2004 as restated	1,707,379	83,895	384	84,279	(79,240)	(5,618)	1,706,800
Right shares issued during the period	307,328	-	-	-	-	-	307,328
Profit/(Loss) for the period from January 1, 2005 to 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	(79,240)	(210,794)	1,808,952
Advance against future subscription of right issue	278,000	-	-	-	-	-	278,000
Profit for the period from January 1, 2006 to March 31, 2006	-	-	-	-	-	100,669	100,669
Transfer to statutory reserve	-	12,020	-	12,020	-	(12,020)	-
Balance as at March 31, 2006	2,292,707	95,915	384	96,299	(79,240)	(122,145)	2,187,621
	-	-	-	-	-	-	-

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

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED & SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED MARCH 31, 2006

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)
- KASB Funds Limited (Subsidiary company)

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, 2006 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, 2006.

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 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following IAS, which has been published, has been revised and the amendments are applicable to the financial statements of the bank covering accounting periods beginning on or after January 1, 2007:

- i. IAS 1 Presentation of Financial Statements - Capital Disclosures effective from January 1, 2007

Adoption of the above amendments would result in an impact on the extent of disclosures presented in the future financial statements of the bank.

- 2.3** 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, 2005.

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 21, 2006.

President and Chief Executive

Director

Director

Director

BRANCH NETWORK

KARACHI

Main Branch

Business & Finance Centre, Ground Floor, I.I Chundrigar Road, Karachi.
Tel (021) 2446005-10, 2446772-77 Fax: (021) 2446781

Jodia Bazar Branch

Suleman Street, Behind Lal Masjid, Near Achi Qabar, Jodia Bazar, Karachi.
Tel (021) 2400322. 2400458. 2400328 Fax (021) 2433519

Shahrah-e-Faisal Branch

1/1-A. Block-VI, P.E.C.H.S., Main Shahrah-e-Faisal, Karachi.
Tel (021) 4313236-38 Fax (021) 4538638

Gulshan-e-Iqbal Branch

Friends Paradise, SB-36, Block No. 13-B, Main University Road, Gulshan-e-Iqbal, Karachi.
Tel. (021) 4981330-31, 4983900 Fax: (021) 4981334

Clifton Branch

Plot No. DC4, Block - 9, KDA Scheme No.5, Merchant-Centre, Clifton. Karachi.
Tel: (021) 5878778. 5861615 Fax: (021) 5878779

S.I.T.E. Branch

Plot No. B/9-B-1, SITE Commerce Park, SITE, Karachi.
Tel: (021) 2584530-34 Fax: (021) 2584535

Shaheed-e-Millat Road Branch

No. 4, Ground Floor, Adam Arcade, Shaheed-e-Millat Road, Karachi
Tel: (021) 4145183-85 Fax: (021) 4145186

Gulistan-e-Jauhar Branch

Plot No. C-2 IX, Block 17, Shalimar Shopping Centre, Gulistan-e-Jauhar, Karachi.
Tel: (021) 4029901-03-04 Fax: (021) 4029902

Korangi Industrial Area Branch

Plot No. 25/1, Sector 23, Suzuki South Bldg., Korangi Industrial Area, Karachi.
Tel: (021) 5078922-25 Fax: (021) 5078926

Cochinwala Market Branch

Plot No. B.R. 5/27, Cochinwala Market, Laxmidas Street, Karachi.
Tel: (021) 2415927-28 Fax: (021) 2417560

Preedy Street Branch

Bukhari Centre. Preedy Street, Saddar, Karachi.
Tel: (021) 2724121, 2724135 Fax: (021) 2726958

North Karachi Branch

Plot No. SA-3, Sub Sector No. ST-1/1, Block 12 B, North Karachi
Tel: (021) 8305692-93 Fax: (021) 6997178

Karachi Stock Exchange Branch

93-95, 2nd Floor, Stock Exchange Building, Stock Exchange Road, Karachi.
Tel: (021) 2473560-63 Fax: (021) 2473564

LAHORE

Gulberg Branch

76-B, E-1, Main Boulevard, Gulberg III, Lahore
Tel: (042) 5764288-9, 5764384, 5762146 Fax: (042) 5755358

Lahore Stock Exchange Branch

Room No 110 & 111, 1st Floor, L.S.E. Building, 19, Khayaban-e-Awan-e-Iqbal, Lahore.
Tel: (042) 6367794-97 Fax: (042) 6367798

LCCHS Branch

81-Y, Phase III, Lahore
Tel: (042) 5731811 Fax: (042) 5722228

Abbot Road Branch

19, Abbot Road, Opp. PTV Station, Lahore.
Tel: (042) 6305143-44 Fax: (042) 6305142

Circular Road Branch

77, Main Circular Road, Lahore.
Tel: (042) 7639040-42 Fax: (042) 7660694

Shah Alam Branch

14-B, Tibbet Centre, Shah Alam, Lahore.
Tel: (042) 7656501, 7658221 Fax: (042) 7658239

Raiwind Road Branch

SS Centre, Kibria Town, Main Raiwind Road, Lahore.
Tel: (042) 5426923, 5437893 Fax: (042) 5426926

PECO Road Branch

Plot No. 47-1/ B-1, PECO Road, Lahore.
Tel: (042) 5144952-4 Fax: (042) 5144955

ISLAMABAD

Islamabad Branch

90, West Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad.
Tel. (051) 2826181-3 Fax: (051) 2826184

RAWALPINDI

Rawalpindi Branch

Feroz Sons Chamber, 32-Saddar Road, Rawalpindi Cantt.
Tel: (051) 5527840-3 Fax: (051) 5527844

Bahria Town Branch

No. 8 & 9 Ground Floor, Bahria Heights, Mouza Kotha Kalan Commercial Area, Phase-1
Bahria Town, Rawalpindi
Tel: (051) 5730375-76 Fax: (051) 5730373

FAISALABAD

Faisalabad Branch

14-P, Kotwali Road, Faisalabad.
Tel: (041) 649667-71 Fax: (041) 649672

GUJRANWALA

Gujranwala Branch

84-85, G.D.A. Trust Plaza, G.T. Road, Gujranwala.
Tel: (055) 3252348. 3252353, 3254429 Fax: (055) 3254529

MULTAN
Multan Branch

76-Holiday Inn, Abdali Road, Multan.
Tel: (061) 4587701-04 Fax: (061) 4587705

GUJRAT
Gujrat Branch

G.T. Road. Near Eid Gah Gujrat
Tel: (053) 3517966-69 Fax: (053) 3517965

SIALKOT
Sialkot Branch

2/139, Abbot Road, Sialkot.
Tel: (052) 4604991-92 Fax: (052) 4589044

PESHAWAR
Peshawar Branch

AYS Centre, Arbab Road, Peshawar Cantt., Peshawar.
Tel PABX: (091) 5279432, 5279217 Fax: (091) 5279838

MIRPUR (AZAD KASHMIR)
Mirpur (A.K.) Branch

629, Sector B/1, Bank Square Nangi, Allama Iqbal Road, Mirpur (Azad Kashmir).
Tel: (058610) 42841. 44877 Fax: (058610) 42742

QUETTA
Quetta Branch

2-10/29, Shahrah-e-Iqbal, Quetta.
Tel: (081) 2842531, 2836518 Fax: (081) 2836948

HYDERABAD
Hyderabad Branch

194/29-30, Saddar Cantt., Hyderabad.
Tel:(0222) 729917-18, 729502-03 Fax: (0222) 785977

NAWABSHAH
Nawabshah Branch

Kutchery Chowk, Press Club Road, Nawabshah.
Tel: (0244) 330304-5 Fax: (0244) 331307

SUKKUR
Sukkur Branch

Rafique-ul-Millat Moulana Muhammad Rafique Qadri Road (Old Race Course Road),
Sukkur.
Tel: (071) 5619083-86 Fax: (071) 5619088