

Corporate Information

Board of Directors	<i>Chairman</i> : H. U. Beg <i>Directors</i> : Nasir Ali Shah Bukhari Tariq M. Rangoonwala Waseem Haqqie N. K. Shahani Leon Seynave Muneer Kamal
President / Chief Executive Officer	Muneer Kamal
Audit Committee	: H. U. Beg Tariq M. Rangoonwala Waseem Haqqie N. K. Shahani
Human Resource & Remuneration Committee	: Nasir Ali Shah Bukhari H. U. Beg Waseem Haqqie Leon Seynave Muneer Kamal
Risk Management Committee	: Waseem Haqqie Nasir Ali Shah Bukhari Tariq M. Rangoonwala N. K. Shahani Muneer Kamal
Company Secretary	Muhammad Hamidullah
Chief Financial Officer	Sheikh Muhammad Moeen
Auditors	A. F. Ferguson & Co.
Legal Advisors	Mandviwalla & Zafar Advocates & Legal Consultants
Registered Office & Head Office	Razia Sharif Plaza (Basement), Jinnah Avenue, 90-Blue Area, Islamabad Tel: (92-51) 2270725, 2276828-30 Fax: (92-51) 2270727
Principal Office	Business & Finance Centre, I.I. Chundrigar Road, Karachi Tel: (92-21) 2446772-77 Fax: (92-21) 2446828 & 2446865
Regional Office, Lahore	76-B, E-1, Main Boulevard, (Next to Hafeez Centre,) Gulberg-III, Lahore-54000. Tel: (92-42) 5764288-9 Fax:(92-42) 5755358 & 5760079
Registrar and Share Transfer Office	Noble Computer Services (Pvt.) Ltd. Mezzanine Floor, House of Habib Building (Siddiqsons Tower), 3, Jinnah C.H. Society, Main Shahrah-e-Faisal, Karachi

DIRECTORS' REVIEW

I take this opportunity of presenting before you, on behalf of the Board of Directors of KASB Bank Limited (Bank), the reviewed financial statements of the Bank together with consolidated financial statements, for the half year ended June 30, 2009.

The Bank's financial results are as follows:

Balance Sheet	June 30, 2009	December 31, 2008
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Rs in millions

Paid up Capital*	7,633	7,633
Equity	8,368	9,199
Deposits	43,237	35,087
Advances- net	30,102	32,240
Investments – net	15,840	9,454

Profit and Loss Account	Half year ended June 30, 2009	Half year ended June 30, 2008
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Rs in millions

Revenue	31.1	940.2
Non markup expenses	1,123.0	687.3
Operating (loss) /profit	(1,091.9)	252.9
Provisions	705.2	144.9
(Loss) /Profit before tax	(1,797.1)	108.0
(Loss) /Profit after tax	(898.1)	77.8
Earnings /(Loss) per share* - Rupees	(2.35)	0.39

**including amalgamation shares to be issued*

Domestic financial markets particularly the banking sector continued to operate in one of the most challenging times in Pakistan's economic history. Similarly your bank had to face these tough times during the first half of the financial year 2009. The tight liquidity conditions, distressed corporate performance and an overall weak macro-economic situation were few of the elements that contributed to the current situation in the Profit and Loss Account of the Bank.

I am pleased to inform you that despite all these challenges your bank continued on its path towards expanding and improving its product and service platter. The bank has successfully enabled technology features that would add to the existing product offerings and make it possible for us to launch new products. Some of these products and features will be launched during the second half of the financial year 2009.

During the half year, your Bank's Loss after tax amounted to Rs 898.1 million as compared to a Profit after tax of Rs 77.8 million in the corresponding period last year.

The primary reason for the decline in profitability was the mobilization of high cost deposits which was necessitated by the severe liquidity crises across the industry and the negative drag of the non-performing assets.

The bank has already embarked on a strategy to counter the negative trends that appeared since the last quarter of FY2008. Your bank has adopted the policy to extend all possible support to its accountholders who are determined to perform in these extra ordinarily tough times and has taken a number of initiatives targeted towards supporting its borrowers.

Considering the improvement registered so far in the overall economic scenario, we foresee that some of the non performing loans will start performing in short to medium term with potential reversals falling due in FY2010. The Bank continues to work on non performing loans with a sense of urgency. In addition to this, the policy of consolidation of advances portfolio continues to remain in place, which is proven by the decline of Rs 1,020 million in core gross advances from December 31, 2008 levels.

On the deposit side, despite tough times your Bank was not only successful in retaining its customer confidence but was also able to attract fresh deposits. As a result of this our overall deposit base increased from 35,087 million as of December 31, 2008 to Rs 43,237 million as of 30 June 09. Although skewed a bit more towards term deposits, these funds were vital in bridging the liquidity shortfall that persisted in the early part of year 2009.

High cost of deposits, borrowings for liquidity management, and reversal of infected portfolio income has resulted in shrinking down the net interest margin into negative territory. This was primarily a result of disconnect between the 70% rise in markup expense against a 23.7% growth in markup income. The bank is cognizant of this fact and has undertaken immediate remedial action for cutting down on high yielding deposits and focusing more on current and saving accounts. Immediate consequent improvement of these initiatives is evident from the post June spreads.

Following the prudent business practices and complete compliance with regulatory requirements the bank has provided for all required non performing loans. However, considering the results of the recovery drive thus far, it is anticipated that there would be some tangible reversals of provisions in the second half of the FY2009.

Rise in administrative expenses was primarily due to increased branch network and absorption of the investment banking business from KASB Capital. Other factors besides inflationary adjustments in payroll and increase in depreciation were; few one-off advisory costs, which are not expected to reoccur in the remaining part of the financial year 2009. Working in line with achieving the group vision of 'Partnering Success', we have realigned our goals and have launched a program of ensuring maximum utilization of group synergies.

Performance

Working on the clearly defined market segments comprising of primarily small and medium sized enterprises and selected consumer banking clientele we understand

that a lot is yet to be achieved. The plan for opening new branches has clearly been chalked out in line with our overall business niche and target market.

Besides the core traditional banking, your bank has made full utilization of its edge on information technology and its in-house skill set, as a result of which we would be launching a series of value added services including mobile-banking, branchless-banking and tapping into the lucrative and fast growing foreign remittance business.

Your bank continues to focus on further improving the existing system and controls and have in this respect invested carefully on strengthening the risk management and processes control functions. With COSO and COBIT implementation underway the management has ensured that the internal control and the information technology processes will meet all the standardized regulatory requirements.

Being already compliant with the Minimum Capital requirements for the year 2009, the management is completely aware of its responsibility towards meeting all other vital ratios and has put in place a procedure whereby all critical regulatory ratios are systematically monitored and maintained on a regular basis.

Tier II Capital

Considering the need to increase the core asset base lending, income generation and to continue writing new business and more importantly taking into account the post merger situation of Capital Adequacy Ratio (CAR) the Bank has decided to issue a rated, unsecured and subordinated Tier II Capital, by way of a Privately Placed Unlisted Term Finance Certificate. Ground work in this respect has already been completed and the issue has received positive response from the market.

Future Prospects

The difficult economic environment that appeared suddenly and swiftly in second half of FY2008 continues to have its negative impact, atleast during the first half of FY2009. However, we believe that the economy has taken a positive turn, albeit the recovery remains slow. The recent change in sovereign ratings for Pakistan by International rating agencies confirms our views. The efforts made by bank in variety of areas, as described earlier, along with the improving economic conditions will certainly have a positive impact on your banks performance starting in the second half of FY2009 continuing through FY2010.

In these circumstances we understand that our policy to maintain steady growth in our scale of operations would be of vital importance. 27 new branches, including 10 sub-branches have been planned to be operational by end of 2009, taking the total branch network to 100 in 38 cities. This provides the reach for our existing and proposed new products. We are pleased to announce that the bank is ready to launch GPRS based mobile banking, end-to-end cash management solution, international inward remittance business and first of its kind branchless banking products. All of these products will add to the non-fund based revenues and are not dependent directly on asset growth.

Fresh inflows from the recently added Investment Banking operations are also anticipated to add to the fee based earnings. We are pleased to announce that Investment Banking Unit has been awarded Best Pakistan Deal of the year award by Asia Money.

Credit rating

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

Bonus shares

Taking the benefit of merger reserves that were created earlier this year and after examining necessary clarity on legal and corporate angles, we have decided to propose a 26% bonus issue to all shareholders of the Bank, comprising all existing as well as the shareholders of two entities which were merged with the Bank.

In accordance with the Articles of Association, this matter shall be placed before the shareholders for their final approval in their general meeting.

Acknowledgment

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

On behalf of the Board of Directors

H.U Beg
Chairman

Karachi
August 28, 2009

INDEPENDENT AUDITORS' REPORT ON REVIEW OF THE CONDENSED INTERIM FINANCIAL INFORMATION TO THE MEMBERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of KASB Bank Limited as at June 30, 2009 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity (here-in-after referred to as the "condensed interim financial information") for the half year then ended. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended June 30, 2009 and 2008 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2009.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended June 30, 2009 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A. F. Ferguson & Co.

Chartered Accountants

Engagement Partner: Rashid A. Jafer

Dated: August 28, 2009

Karachi

KASB BANK LIMITED
CONDENSED INTERIM BALANCE SHEET
AS AT JUNE 30, 2009

	Unaudited June 30, 2009	Audited December 31, 2008
Note	----- (Rupees in '000) -----	
ASSETS		
Cash and balances with treasury banks	2,900,149	1,507,632
Balances with other banks	140,332	59,093
Lendings to financial institutions and others	2,278,509	556,455
Investments - net (including investments amounting to Rs 3,448,980 thousand classified as held for sale)	6 15,840,079	9,454,149
Advances - net	7 30,101,778	32,240,196
Operating fixed assets	2,967,392	2,730,533
Deferred tax assets - net	8 2,436,253	1,488,096
Other assets - net	3,622,570	3,762,944
	60,287,062	51,799,098
LIABILITIES		
Bills payable	326,290	217,520
Borrowings	6,892,515	6,300,622
Deposits and other accounts	9 43,237,683	35,087,477
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	7,718	9,685
Deferred tax liabilities	-	-
Other liabilities	1,454,754	984,287
	51,918,960	42,599,591
NET ASSETS	<u>8,368,102</u>	<u>9,199,507</u>
REPRESENTED BY:		
Share capital	10 4,014,890	4,014,890
Revenue reserves	151,287	151,287
Proposed shares to be issued on amalgamation	10.4 5,607,976	5,607,976
Accumulated losses	(1,861,555)	(974,788)
Share premium	13,775	13,775
	7,926,373	8,813,140
Surplus on revaluation of assets - net of tax	11 441,729	386,367
	<u>8,368,102</u>	<u>9,199,507</u>
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The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

President and Chief Executive

Director

Director

Directo

KASB BANK LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2009

	Note	April 1 to June 30, 2009	April 1 to June 30, 2008	January 1 to June 30, 2009	January 1 to June 30, 2008
------(Rupees in '000)-----					
Mark-up / return / interest earned	14	1,109,573	1,060,566	2,624,506	2,121,656
Mark-up / return / interest expensed	15	(1,449,141)	(941,086)	(2,911,383)	(1,705,504)
Net mark-up / return / interest income		<u>(339,568)</u>	<u>119,480</u>	<u>(286,877)</u>	<u>416,152</u>
Provision against loans and advances - net	7.2	696,645	67,994	587,266	105,768
Provision for diminution in the value of investments	6.5	117,660	38,945	117,660	38,945
Bad debts written-off directly		324	230	324	230
		<u>814,629</u>	<u>107,169</u>	<u>705,250</u>	<u>144,943</u>
Net mark-up / return / interest (loss) / income after provisions		<u>(1,154,197)</u>	<u>12,311</u>	<u>(992,127)</u>	<u>271,209</u>
NON MARK-UP / RETURN / INTEREST INCOME					
Fee, commission and brokerage income		30,620	47,101	70,149	89,685
Dividend income		31,265	43,202	46,323	48,283
(Loss) / income from dealing in foreign currencies		(33,369)	110,192	(20,318)	155,605
Gain on sale of securities - net		144,280	164,035	183,059	164,652
Unrealised gain on revaluation of investments classified as held for trading		(5)	(18,985)	-	4,615
Other income		27,310	45,371	38,825	61,207
Total non mark-up / return / interest income		<u>200,101</u>	<u>390,916</u>	<u>318,038</u>	<u>524,047</u>
		<u>(954,096)</u>	<u>403,227</u>	<u>(674,089)</u>	<u>795,256</u>
NON MARK-UP / RETURN / INTEREST EXPENSES					
Administrative expenses		(657,170)	(383,219)	(1,117,410)	(678,027)
Other provisions / write-offs		-	-	(681)	-
Other charges	16	(4,873)	(9,144)	(4,919)	(9,266)
Total non mark-up / return / interest expenses		<u>(662,043)</u>	<u>(392,363)</u>	<u>(1,123,010)</u>	<u>(687,293)</u>
(LOSS) / PROFIT BEFORE TAXATION		<u>(1,616,139)</u>	<u>10,864</u>	<u>(1,797,099)</u>	<u>107,963</u>
Taxation					
- Current period		(55,380)	1,306	(55,380)	(4,637)
- Prior years		-	(3,495)	-	(3,495)
- Deferred		946,855	(22,017)	954,355	(22,017)
		<u>891,475</u>	<u>(24,206)</u>	<u>898,975</u>	<u>(30,149)</u>
(LOSS) / PROFIT AFTER TAXATION		<u>(724,664)</u>	<u>(13,342)</u>	<u>(898,124)</u>	<u>77,814</u>
(Accumulated losses) / unappropriated profit brought forward		(1,142,570)	65,428	(974,788)	(7,497)
Transfer from surplus on revaluation of fixed assets - net of tax		5,679	-	11,357	-
Transfer from / (to) statutory reserve		-	2,668	-	(15,563)
(ACCUMULATED LOSSES) / UNAPPROPRIATED PROFIT CARRIED FORWARD		<u>(1,861,555)</u>	<u>54,754</u>	<u>(1,861,555)</u>	<u>54,754</u>
------(Rupees)-----					
(Loss) / earnings per share without proposed shares to be issued on amalgamation (annualised)	17	<u>(7.22)</u>	<u>(0.13)</u>	<u>(4.47)</u>	<u>0.39</u>
(Loss) / earnings per share with proposed shares to be issued on amalgamation (annualised)	17	<u>(3.80)</u>	<u>(0.13)</u>	<u>(2.35)</u>	<u>0.39</u>

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

President and Chief Executive

Director

Director

Directo

KASB BANK LIMITED
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009

	Half year ended June 30, 2009	Half year ended June 30, 2008
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(1,797,099)	107,963
Less: dividend income	(46,323)	(48,283)
	(1,843,422)	59,680
Adjustments for non-cash and other items		
Depreciation	105,911	52,650
Amortisation of intangible assets	18,101	2,739
Provision against loans and advances - net	587,266	105,768
Bad debts written-off directly	324	230
Gain on disposal of operating fixed assets - net	(275)	(393)
Provision for gratuity	16,540	-
Unrealised gain on revaluation of investments classified as held for trading	-	(4,615)
Provision for diminution in the value of investments	117,660	38,945
Financial charges on leased assets	775	60
Amortisation of premium on investments	13,908	13,271
	860,210	208,655
	(983,212)	268,335
(Increase) / decrease in operating assets		
Lendings to financial institutions and others	(1,722,054)	(757,140)
Held for trading securities	261,584	(34,089)
Advances	1,550,828	(7,613,706)
Others assets (excluding advance taxation)	115,058	(588,210)
	205,416	(8,993,145)
Increase / (decrease) in operating liabilities		
Bills payable	108,770	(377,281)
Borrowings	591,880	2,211,323
Deposits and other accounts	8,150,206	11,194,669
Other liabilities (excluding current taxation)	453,436	(29,944)
	9,304,292	12,998,767
	8,526,496	4,273,957
Income tax paid	(18,520)	(8,376)
Compensated absences paid	(692)	-
Gratuity benefits paid	(5,257)	(3,017)
Net cash inflow from operating activities	8,502,027	4,262,564
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investment in held to maturity securities	(108,055)	(411,939)
Net investment in available for sale securities	(6,598,110)	(1,401,905)
Dividend income received	41,219	5,895
Investments in operating fixed assets	(374,402)	(400,809)
Proceeds from sale of operating fixed assets	13,806	6,355
Net cash outflow on investing activities	(7,025,542)	(2,202,403)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments against lease obligations	(2,742)	(547)
Net cash outflow on financing activities	(2,742)	(547)
Net increase in cash and cash equivalents during the period	1,473,743	2,059,614
Cash and cash equivalents at beginning of the period	1,563,981	3,703,349
Cash and cash equivalents at end of the period	3,037,724	5,762,963

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED JUNE 30, 2009

	Issued, subscribed and paid up capital	Subscription money received against proposed issue of right shares	Statutory reserve (a)	General reserve	Revenue reserves	Proposed shares to be issued on amalgamation of entities	Share premium	Unappropriated profit / (Accumulated losses)	Total
----- (Rupees in '000) -----									
Balance as at December 31, 2007	3,106,978	907,912	150,903	384	151,287	-	13,775	(7,497)	4,172,455
Right shares issued during the period	907,912	(907,912)	-	-	-	-	-	-	-
Profit after taxation for the period from January 1, 2008 to June 30, 2008	-	-	-	-	-	-	-	77,814	77,814
Transferred to statutory reserve	-	-	15,563	-	15,563	-	-	(15,563)	-
Balance as at June 30, 2008	4,014,890	-	166,466	384	166,850	-	13,775	54,754	4,250,269
Loss after taxation for the period from July 1, 2008 to December 31, 2008	-	-	-	-	-	-	-	(1,050,783)	(1,050,783)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	-	-	5,678	5,678
Transferred from statutory reserve to accumulated losses during the period from July 1, 2008 to December 31, 2008	-	-	(15,563)	-	(15,563)	-	-	15,563	-
Proposed shares to be issued on amalgamation	-	-	-	-	-	5,607,976	-	-	5,607,976
Balance as at December 31, 2008	4,014,890	-	150,903	384	151,287	5,607,976	13,775	(974,788)	8,813,140
Loss after taxation for the period from January 1, 2009 to June 30, 2009	-	-	-	-	-	-	-	(898,124)	(898,124)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	-	-	11,357	11,357
Balance as at June 30, 2009	4,014,890	-	150,903	384	151,287	5,607,976	13,775	(1,861,555)	7,926,373

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

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED JUNE 30, 2009

1. STATUS AND NATURE OF BUSINESS

- 1.1** KASB Bank Limited was incorporated in Lahore, Pakistan on October 13, 1994 as a public limited company under the Companies Ordinance, 1984 and received banking license from the State Bank of Pakistan (SBP) on January 9, 1995. The registered office of the bank is situated at Razia Sharif Plaza, Jinnah Avenue, 90-Blue Area, Islamabad. The bank obtained certificate of commencement of business on January 11, 1995 and is engaged in commercial banking, consumer banking and related services through 73 branches (including 20 sub-branches) operating in different cities. The bank's shares are listed on the Karachi, Lahore and Islamabad stock exchanges.
- 1.2** Pakistan Credit Rating Agency Limited has assigned a long-term credit rating of 'A' and the short-term rating as 'A1' (A one) to the bank.
- 1.3** In accordance with BSD Circular No. 19 dated September 5, 2008, issued by the SBP, all banking companies carrying on business in Pakistan are required to raise their Capital Adequacy Ratio (CAR) calculated as per Basel II to at least 10% by December 31, 2009. The un-audited CAR of the bank at June 30, 2009 is 7.29% (prescribed requirement for June 30, 2009 is 9%). In order to meet the minimum CAR requirement the management intends to issue subordinated Term Finance Certificates (TFCs) and the management believes that subsequent to the issue of these TFCs the bank will be able to meet the minimum CAR requirement prescribed by the SBP. The SBP through its letter No. BSD/BAI/3/608/756/2009 dated August 07, 2009 has granted extension to the bank in meeting the afore-mentioned CAR requirement until August 31, 2009.

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

- 3.1** These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SBP prevail.
- 3.2** The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular No. 10 dated August 26, 2002 till further instructions. In addition, the Securities and Exchange Commission of Pakistan has deferred the applicability of International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' vide SRO 411(I) / 2008 till further orders. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the State Bank of Pakistan through various circulars.
- 3.3** The disclosures made in these condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan through BSD Circular Letter No. 2 dated May 12, 2004 and the requirements of International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for a full set of annual financial statements, and these condensed interim financial statements should be read in conjunction with the financial statements of the bank for the year ended December 31, 2008.

4. BASIS OF MEASUREMENT

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

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the bank for the year ended December 31, 2008, except for the change explained below:

- 6.2** The investment portfolio of the bank classified as available-for-sale includes shares of KASB Bank Limited. The cost of these investments amounted to Rs 160.394 million (Face value: Rs 86.419 million). These investments had been acquired by the bank consequent to acquisition of KCL under the scheme of amalgamation approved by SBP. Last year, the bank intended to dispose of these shares in an appropriate manner. However, during the current period the bank revisited its decision and has raised a formal request with the SBP seeking its permission for the cancellation of the above shares. The SBP through its letter BPRD (CGD-02)/625-93/11791/2009/4769 dated July 17, 2009 has given its in principle approval with no objection to cancellation. The SBP has, at the same time, instructed the bank to achieve compliance with the applicable legal and regulatory requirements. The management has written to the legal advisor of the bank who has provided his initial views on cancellation (through court or otherwise) which are being evaluated by the bank.
- 6.3** During the period, KASB International Limited (KIL) has issued right shares to the shareholders of the company. The bank did not subscribe to the right issue and consequently the shareholding of the bank in KIL has diluted from 100% to 22.3%. Based on the requirements of IAS 28 'Investment in Associates' the investment of the bank in KIL has been classified as an associate.
- 6.4** KASB Finance (Private) Limited (KFPL) had been incorporated as the Group Holding company to restructure the group. The bank intends to transfer its substantial holding in all subsidiaries and associates acquired on amalgamation of KASB Capital Limited and Network Leasing Corporation Limited into the bank to KFPL during the year ending December 31, 2009. KFPL (majority shareholding of which will be held by the sponsor shareholder of the bank in compliance with the requirements of section 59B of the Income Tax Ordinance, 2001) shall directly hold at least 55 percent shareholding in the bank (by virtue of transfer of shareholding held by the sponsor shareholder of the bank to KFPL) as well as greater than 55 percent shareholding and 75 percent shareholding in listed and unlisted subsidiaries which will be transferred to this company by the bank. The sponsor shareholder of the bank also plans to introduce third-party investors in KFPL. However, it is envisaged that the ownership structure of KFPL as well as other terms of the restructuring shall be in compliance with the requirements of section 59B of the Income Tax Ordinance, 2001 (the Ordinance) and qualify for approval of the relevant regulatory authorities for formation of a "Group".

In view of the above, investment in certain subsidiaries and associates was classified as "held for sale" in the financial statements for the year ended December 31, 2008. As per the requirements of IFRS 5 the investment of the bank in these subsidiaries and associates should be carried at fair value less cost to sell. However SBP, vide BSD Circular No 06 dated September 06, 2007, had directed all banks that investment in subsidiaries and associates shall to be carried at cost. In this connection the bank has requested clarification from the SBP as to whether the investment in the aforementioned subsidiaries and associates will also fall in the ambit of the above mentioned circular and be carried at cost or whether they have to be accounted for in line with the requirements of IFRS 5 which requires them to be valued at fair value less cost to sell. The reply from SBP on this matter is pending to date.

In addition, the management believes that this group restructuring would not result in a taxable event under section 59B of the Ordinance and therefore, has not recognised the related deferred tax liability amounting to Rs 442.11 million arising on the difference between fair value of assets (subject to transfer under the above group restructuring which are eligible for special tax treatment under section 59B of the Ordinance) and its tax base (i.e. the cost of investment).

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
6.5 Particulars of provision for diminution in the value of investments		
Opening balance	196,407	8,443
Charge for the period / year	117,660	187,964
Realised on disposal of shares	(84,182)	-
Reversals for the period / year	(48,493)	-
Net charge / (reversals)	(15,015)	187,964
Closing balance	<u>181,392</u>	<u>196,407</u>

	June 30, 2009	December 31, 2008
	----- (Rupees in '000) -----	
7. ADVANCES		
Loans, cash credits, running finances, etc. - in Pakistan	31,613,898	32,634,426
Net investment in finance lease - in Pakistan	1,583,894	1,796,965
Bills discounted and purchased (excluding government treasury bills)		
- Payable in Pakistan	360,210	678,054
- Payable outside Pakistan	36,959	55,405
	397,169	733,459
	<u>33,594,961</u>	<u>35,164,850</u>
Provision against advances		
- Specific	(3,456,021)	(2,875,909)
- General	(37,162)	(48,745)
	(3,493,183)	(2,924,654)
	<u>30,101,778</u>	<u>32,240,196</u>

7.1 Advances include Rs 6,473.189 million (December 31, 2008: Rs. 6,245.779 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2009			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Substandard	443,257	-	443,257	48,902	48,902
Doubtful	2,801,872	-	2,801,872	872,907	872,907
Loss	3,228,060	-	3,228,060	2,534,212	2,534,212
	<u>6,473,189</u>	<u>-</u>	<u>6,473,189</u>	<u>3,456,021</u>	<u>3,456,021</u>

7.2 Particulars of provision against non-performing advances

	Specific	General	Total
	----- (Rupees in '000) -----		
Opening balance at January 1, 2009	2,875,909	48,745	2,924,654
Charge for the period	870,609	-	870,609
Reversals	(271,760)	(11,583)	(283,343)
Net charge	598,849	(11,583)	587,266
Amounts written off	(18,737)	-	(18,737)
Closing balance at June 30, 2009	<u>3,456,021</u>	<u>37,162</u>	<u>3,493,183</u>

7.3 General provision against consumer loans represents provision maintained at an amount equal to 1.5 percent of the fully secured regular portfolio of consumer loans and 5 percent of the unsecured regular portfolio of consumer loans as per the requirements of the Prudential Regulations issued by the State Bank of Pakistan.

8. DEFERRED TAX ASSETS - NET	June 30, 2009	December 31, 2008
	------(Rupees in '000)-----	
Deferred debits arising due to:		
Net deficit on revaluation of available for sale securities	16,092	22,290
Provision for diminution in the value of investments	63,487	40,140
Provision against non-performing loans and advances and mark-up in suspense	319,211	149,588
Provision for compensated absences	2,684	2,926
Provision against other assets	1,647	1,647
Provision for gratuity	30,096	26,147
Fair value adjustments relating to net assets acquired upon amalgamation	4,043	73,039
Minimum tax	41,283	41,283
Unused tax losses (including unabsorbed depreciation)	2,336,493	1,704,493
Other deductible temporary differences	2,020	2,357
	<u>2,817,056</u>	<u>2,063,910</u>
Deferred credits arising on / due to:		
Accelerated tax depreciation	(63,380)	(146,346)
Liabilities against assets subject to finance lease	(340)	(342)
Surplus on revaluation of fixed assets	(241,552)	(247,667)
Net investment in finance leases	(75,531)	(181,459)
	<u>(380,803)</u>	<u>(575,814)</u>
	<u>2,436,253</u>	<u>1,488,096</u>

- 8.1 The deferred tax asset recognised on unused tax losses in these financial statements represents the management's best estimate of the probable benefit which is expected to be realised in future years in the form of reduced tax liability as the bank would be able to set off the profits earned in those years against losses carried forward from prior years.

9. DEPOSITS AND OTHER ACCOUNTS	June 30, 2009	December 31, 2008
	------(Rupees in '000)-----	
Customers		
Remunerative		
Fixed deposits	25,552,050	18,437,251
Savings deposits	9,367,702	8,928,113
	<u>34,919,752</u>	<u>27,365,364</u>
Non-Remunerative		
Current accounts	5,251,248	3,671,559
Margin deposits	279,513	364,014
	<u>5,530,761</u>	<u>4,035,573</u>
	<u>40,450,513</u>	<u>31,400,937</u>
Financial Institutions		
Remunerative deposits		
Savings deposits	1,577,717	1,959,495
Term deposits	1,197,000	1,715,600
Non-remunerative deposits		
Current accounts	12,453	11,445
	<u>2,787,170</u>	<u>3,686,540</u>
	<u>43,237,683</u>	<u>35,087,477</u>

10. SHARE CAPITAL

- 10.1 The State Bank of Pakistan required all commercial banks to raise their paid-up capital (net of losses) to minimum limits as prescribed in BSD Circular No. 7 dated April 15, 2009. As per the requirements, the minimum paid-up capital (net of losses) requirement for locally incorporated banks was raised to Rs 10 billion (net of losses), to be achieved in a phased manner by December 31, 2013. The minimum paid-up capital requirement (net of losses) to be achieved by December 31, 2009 is Rs 6 billion. The paid-up capital of the bank as at June 30, 2009 amounts to Rs 4,014.890 million and the bank has accumulated losses of Rs 1,861.555 million.

- 10.2** In order to comply with the minimum capital requirements prescribed by the State Bank of Pakistan (SBP) pursuant to the scheme of amalgamation, the entire undertaking of KASB Capital Limited (KCL) and Network Leasing Corporation Limited (NLCL) including properties, assets, liabilities and the rights and obligations of KCL and NLCL as at December 31, 2008 have been amalgamated into and vested with the bank as at that date. In consideration for the amalgamation, the bank has allotted 361,797,538 fully paid ordinary shares to the shareholders of KCL and 7,403 fully paid ordinary shares to the shareholders of NLCL, which rank pari passu with the existing shares of the bank. These shares will be issued subsequent to the receipt of the required approval from the State Bank of Pakistan.

Consequent to the aforementioned further issue of capital upon amalgamation of the entities into the bank, the issued, subscribed and paid-up capital of the bank will be increased to Rs. 7,632.940 million.

- 10.3** The bank had established an Employee Stock Option Plan (the 'Plan') for the benefit of certain employees of the bank and its affiliates. The plan had been approved by the shareholders of the bank in the Extra Ordinary General Meeting held on June 28, 2007. The bank had forwarded an application to the Securities and Exchange Commission of Pakistan (SECP) for approval of the plan.

The plan will be administered by a Committee constituted by the Board of Directors of the bank which shall allocate stock options not exceeding 4 percent of the bank's paid-up share capital. The plan entitles eligible employees, who are granted share options, to purchase shares of the bank at an exercise price of Rs 10 per share after the vesting period has lapsed or at any time after the grant date upon approval of the Committee. The grant date of the options will be determined by the Committee upon which options to purchase the shares will be granted to the eligible employees. The vesting period of share options will be a maximum period of twelve months or less. The exercise period constitutes a maximum period of three years after the vesting period during which options may be exercised. The SECP has not approved the Plan till date. In addition, the Committee constituted by the Board of Directors in respect of this plan has not yet determined the grant date, vesting period and other conditions relating to the Plan.

The Plan has not been accounted for in these financial statements as the grant date, vesting period and other conditions related thereto will be determined subsequent to receipt of approval from SECP and will not relate to the period ended June 30, 2009.

- 10.4** This represents 361,804,941 fully paid ordinary shares which the bank is required to issue to the shareholders of KASB Capital Limited and Network Leasing Corporation Limited under the scheme of amalgamation duly sanctioned by the State Bank of Pakistan. Upon issuance of the aforementioned shares, the bank will recognise a share premium amounting to Rs. 1,989.927 million in the books and records of the bank.

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
11. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX		
Federal Government Securities	(24,037)	(41,777)
Term Finance Certificates - listed	(34,145)	175
Revaluation of fixed assets	713,164	730,636
Ordinary shares and units of mutual funds	12,207	(77,290)
	667,189	611,744
Related deferred tax asset - Investments	16,092	22,290
Related deferred tax liability - Fixed assets	(241,552)	(247,667)
	<u>441,729</u>	<u>386,367</u>
12. CONTINGENCIES AND COMMITMENTS		
12.1 Direct credit substitutes		
Acceptances	<u>3,051,083</u>	<u>1,843,971</u>
12.2 Transaction-related contingent liabilities		
Guarantees issued favouring		
- Government	7,974,116	8,081,693
- Others	1,493,633	1,417,875
	<u>9,467,749</u>	<u>9,499,568</u>
12.3 Trade-related contingent liabilities		
Letters of credit	<u>1,691,536</u>	<u>817,726</u>

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
12.4 Commitments in respect of forward exchange contracts		
Purchase		
From the State Bank of Pakistan	5,204	8,930
From other banks	3,322,498	1,369,656
From other customers	11,434	50,582
	<u>3,339,136</u>	<u>1,429,168</u>
Sale		
To banks	<u>2,570,577</u>	<u>676,238</u>
To customers	-	-
	<u>2,570,577</u>	<u>676,238</u>
	<u>5,909,713</u>	<u>2,105,406</u>
12.5 Commitments for the acquisition of operating fixed assets	<u>489,417</u>	<u>699,546</u>
12.6 Taxation		
12.6.1 Taxation excluding Azad Jammu and Kashmir		

(a) The income tax returns of the bank have been filed under the self assessment scheme upto and including the tax year 2008. The assessment of the bank for the tax years 2003 and 2004 had been amended by the Taxation Officer on account of certain disallowances in respect of income from carry over transactions, provision for bad debts and bad debts written off and certain other items. The above-mentioned disallowances for the tax year 2003 and 2004 have resulted in an additional tax liability of Rs 17.935 million and Rs 55.023 million respectively. The Commissioner of Income Tax Appeals (CIT - Appeals), through the order dated May 31, 2006, has decided the matters relating to tax year 2004 against the bank and has maintained the above-mentioned disallowances made by the Taxation Officer. Presently, the bank has filed an appeal before the Income Tax Appellate Tribunal (ITAT) in respect of tax year 2004 which is pending to date. The bank has also filed an appeal with the CIT- Appeals in connection with the above amendments made by the Taxation Officer in respect of additions relating to tax year 2003 which is pending to date.

(b) Income tax assessments of International Housing Finance Limited (amalgamated into the bank during the year ended December 31, 2007) for tax years 2003-2006 have also been amended by the Taxation Officer on account of income from carry over transactions, gain on sale of units of mutual funds, provision for doubtful debts, gain on sale of property and certain other items resulting in a tax demand of Rs 35.973 million. The bank has filed an appeal with the CIT Appeals in respect of the above-mentioned disallowances which is pending to date.

On a prudent basis, in connection with items (a) and (b) above, tax impact of Rs 44.272 million in respect of certain disallowances made by the income tax authorities has been incorporated in these financial statements. No provision for any implication arising out of certain other items amounting to Rs 64.66 million has been recognised and its resultant effects on deferred tax assets on unused tax losses in these financial statements in respect of the current year or any other tax years which are deemed to be assessed under the Income Tax Ordinance, 2001 as the management is hopeful of a favourable decision in appeals.

12.6.2 Taxation - Azad Jammu and Kashmir

Income tax assessments of the Azad Jammu Kashmir Region (AJK) in respect of the operations of the bank had been finalised upto the tax year 2008 (including tax years 2006 to 2008 which have been finalised under Self Assessment Scheme and have not yet been selected for audit). While finalising the assessments for the tax years 2003, 2004 and 2005 the income tax authorities of AJK region had arbitrarily increased the taxable income of the bank mainly on account of excessive additions to Azad Kashmir region's shadow cost of funds resulting in an additional tax demand of Rs 17.314 million. The bank has filed reference with the Azad Kashmir High Court against such additions for tax years 2003 and 2004. For tax year 2005, the bank's appeal is pending before the Commissioner Appeals.

No provision for the above tax demand of Rs 17.314 million has been recognised in these financial statements. Further, no provision has also been made in respect of tax year 2006 to 2010 as the management is hopeful of a favourable decision on the issue pending in appeals.

12.6.3 Amendments in the Seventh Schedule to the Income Tax Ordinance, 2001

The Finance Act, 2009 has introduced certain significant amendments in the Seventh Schedule to the Income Tax Ordinance, 2001 with regard to the allowability of charge for irrecoverable debts in arriving at the taxable income of the banking companies. The revised Seventh Schedule now allows banking companies a tax deduction in respect of the provision for advances and off balance sheet items upto a maximum of 1% of total advances to the effect that such provisions are based upon and in line with the Prudential Regulations of the State Bank of Pakistan. Further, provisioning in excess of the above mentioned limit would be allowed to be carried over the succeeding years.

However, the amendments do not specify any transitional mechanism in respect of provisions for non performing advances made in previous years and which have not yet been allowed by the authorities as a tax deduction. The Bank has recognised a deferred tax asset of Rs 14.334 million at June 30, 2009 in respect of such disallowances.

The matter regarding introduction of appropriate transitional provisions in the Seventh Schedule has been taken up by the Pakistan Bank's Association (PBA) with the Federal Board of Revenue (FBR). PBA considers that reversal of deferred tax asset in relation thereto may not be made until the end of the financial year by which time the matter is expected to be decided by the FBR. Accordingly, the Bank has maintained the amount of deferred tax asset recognised on provisions against loans and advances disallowed as a tax deduction in previous years.

13. INITIAL ACCOUNTING OF ASSETS AND LIABILITIES ACQUIRED ON AMALGAMATION OF ENTITIES

During the year ended December 31, 2008, the bank had amalgamated KASB Capital Limited (KCL) [an associate of the bank] and Network Leasing Corporation Limited (NLCL) [a Non-Banking Finance Company in which KCL directly held 78.84 percent shares], with and into the bank. As part of the acquisition the bank had acquired assets and liabilities which had been carried at the provisional fair values at the acquisition date.

The initial accounting for a business combination involves identifying and determining the fair values to be assigned to the acquiree's identifiable assets, liabilities and contingent liabilities and the cost of the combination.

In connection with the above, the management is in the process of carrying out a detailed exercise for the identification and valuation of intangible assets required to be separately recognized under the initial accounting for the acquisition under International Financial Reporting Standard (IFRS) 3, 'Business Combinations', and the exercise is expected to be completed shortly. IFRS 3 envisages such a situation and allows the acquirer to account for the acquisition using provisional values if the initial accounting for the acquisition can be determined only provisionally by the year end. However, adjustments to these provisional values consequent to completion of the initial accounting of the acquisition is required, under IFRS 3, to be incorporated in the financial statements with effect from the acquisition date, within a period of twelve months from the acquisition date.

The management expects to finalize the determination and valuation of such intangible assets by December 31, 2009, in compliance with the time frame envisaged in IFRS 3.

	January 1, to June 30, 2009	January 1, to June 30, 2008
	------(Rupees in '000)-----	
14. MARK-UP / RETURN / INTEREST EARNED		
On loans and advances		
- Customers	2,072,596	1,735,588
- Financial Institutions	-	-
On investments in:		
- held for trading	-	(266)
- available for sale securities	446,175	223,332
- held to maturity securities	29,359	29,637
On deposits with financial institutions	1,352	9,639
On securities purchased under resale agreements	74,874	118,779
On call money lending	150	4,947
	<u>2,624,506</u>	<u>2,121,656</u>

	January 1, to June 30, 2009	January 1, to June 30, 2008
	------(Rupees in '000)-----	
15. MARK-UP/ RETURN / INTEREST EXPENSED		
Deposits	2,613,986	1,569,981
Securities sold under repurchase agreements	61,162	890
Borrowing from the State Bank of Pakistan under export refinance	108,813	47,190
Call borrowing	111,405	74,049
Short term borrowings	1,963	-
Forward cover fee	146	123
Amortization of premium on securities	13,908	13,271
	<u>2,911,383</u>	<u>1,705,504</u>

16. OTHER CHARGES

Other charges include Rs 4.574 million (2008: Rs 9.266 million) in respect of penalties imposed by the State Bank of Pakistan.

17. (LOSS)/ EARNINGS PER SHARE

	April 1, to June 30, 2009	April 1, to June 30, 2008	January 1, to June 30, 2009	January 1, to June 30, 2008
	------(Rupees in '000)-----			
(Loss) / profit for the period after taxation	<u>(724,664)</u>	<u>(13,342)</u>	<u>(898,124)</u>	<u>77,814</u>
	-----Number of shares-----			
Weighted average number of ordinary shares outstanding during the period:				
- without taking into account proposed shares to be issued on amalgamation	<u>401,489,080</u>	<u>401,489,114</u>	<u>401,489,080</u>	<u>399,827,559</u>
- taking into account proposed shares to be issued on amalgamation	<u>763,286,618</u>	<u>401,489,114</u>	<u>763,286,618</u>	<u>399,827,559</u>
	------(Rupees)-----			
Earnings / (loss) per share				
- without taking into account proposed shares to be issued on amalgamation (annualised)	<u>(7.22)</u>	<u>(0.13)</u>	<u>(4.47)</u>	<u>0.39</u>
- taking into account proposed shares to be issued on amalgamation (annualised)	<u>(3.80)</u>	<u>(0.13)</u>	<u>(2.35)</u>	<u>0.39</u>

18. RELATED PARTY TRANSACTIONS

The bank has related party relationships with its associated undertakings, associates, subsidiary companies, employee benefit plans, and its key management personnel (including their associates). The particulars of investments in subsidiary companies and associated companies is mentioned in note 6.1 to these condensed interim financial statements.

Transactions between the bank and its related parties are carried out under the comparable uncontrolled price method, except for communication expenses that are carried out on "cost plus" method.

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

	June 30, 2009					December 31, 2008				
	Subsidiaries	Directors	Key Management Personnel	Associates	Other related parties	Subsidiaries	Directors	Key Management Personnel	Associates	Other related parties
------(Rupees in '000)-----										
Balances outstanding as at the period end										
Loans and advances										
Opening balance	37,560	22,488	66,676	-	2,722	19,432	21,000	19,365	-	35,399
Disbursed during the period	217,017	14,679	2,836	-	-	93,315	3,604	56,789	-	3,575
Repayments during the period	241,617	16,021	13,192	-	583	75,187	2,116	9,478	-	36,252
Closing balance	12,960	21,146	56,320	-	2,139	37,560	22,488	66,676	-	2,722
Deposit accounts										
Opening balance	20,929	9,476	11,528	55,234	93,659	1,662	3,078	5,662	355,270	62,555
Deposits received during the period	26,282,395	162,632	49,200	1,907,260	239,416	97,923	753,715	138,345	11,431,779	5,459,578
Withdrawals during the period	26,247,581	168,301	49,525	1,870,978	192,686	78,656	747,317	132,479	11,731,815	5,428,474
Closing balance	55,743	3,807	11,203	91,516	140,389	20,929	9,476	11,528	55,234	93,659
Security deposit against lease advances	151	-	-	-	-	151	-	-	-	-
Receivable against expenses	36,518	-	-	4,249	-	21,311	-	-	95	351
Commission income receivable	309	-	-	-	-	142	-	-	-	-
Bank profit payable	542	104	80	206	-	134	11	118	129	16
Receivable - mark-up	2,882	-	-	-	89	6,362	-	-	-	-
Purchase of office equipment and machinery	127	-	-	-	-	5,672	-	-	-	3,399
Advance for acquisition of office premises	-	-	-	-	482,478	-	-	-	-	402,669
------(Rupees in '000)-----										
Transactions for the period										
Interest income on advances	4,907	165	822	-	206	1,068	-	1,302	488	-
Interest income on funds placed for initial public offer	-	-	-	-	-	-	-	-	825	-
Interest expense on deposits	2,824	179	153	7,994	8,528	-	102	-	22,046	-
Shared Services Income	4,848	-	-	-	-	-	-	-	-	-
Shared Services Expense	13,961	-	-	-	-	-	-	-	-	-
IT service charges	1,132	-	-	-	-	604	-	-	-	-
Communication expenses	3,497	-	-	-	-	5,811	-	-	-	-
Repairs and maintenance	2,178	-	-	-	-	3,829	-	-	-	-
Remuneration paid	-	-	35,317	-	-	-	-	30,646	-	-
Administrative expenses	139	-	-	-	-	623	-	-	-	-
Directors fees	-	5,100	-	-	-	-	2,550	-	-	-
Distribution and facilitation income	-	-	-	-	-	-	-	-	114	-
Advance for acquisition of office premises	-	-	-	-	79,809	-	-	-	-	-
------(Rupees in '000)-----										
							January 1 to June 30, 2009		January 1 to June 30, 2008	
------(Rupees in '000)-----										
Contribution to staff provident fund							17,425		11,749	
Charge in respect of gratuity scheme							16,540		9,017	

19 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:-

For the half year ended June 30, 2009 (Unaudited)					
	Trading and Sales	Retail Banking	Corporate / Commercial Banking	Others	Total
------(Rupees in '000)-----					
Total income / (loss) (net of interest expense and provisions)	463,927	(1,250,058)	262,975	(150,933)	(674,089)
Administrative and other expenses	19,149	239,103	57,250	807,508	1,123,010
Net income / (loss) before tax	444,778	(1,489,161)	205,725	(958,441)	(1,797,099)

For the half year ended June 30, 2008 (Unaudited)					
	Trading and Sales	Retail Banking	Corporate / Commercial Banking	Others	Total
------(Rupees in '000)-----					
Total income (net of interest expense and provisions)	633,901	40,417	113,214	7,724	795,256
Administrative and other expenses	2,458	-	231,090	453,745	687,293
Net income / (loss) before tax	631,443	40,417	(117,876)	(446,021)	107,963

As at June 30, 2009 (Unaudited)					
	Trading and Sales	Retail Banking	Corporate / Commercial Banking	Others	Total
------(Rupees in '000)-----					
Segment assets	19,861,084	4,469,819	32,270,436	7,415,005	64,016,344
Segment non - performing loans	-	961,043	5,512,146	-	6,473,189
Segment provision required	231,392	263,233	3,229,950	4,707	3,729,282
Segment liabilities	3,025,642	23,330,466	17,976,454	7,586,398	51,918,960

As at December 31, 2008 (Audited)					
	Trading and Sales	Retail Banking	Corporate / Commercial Banking	Others	Total
------(Rupees in '000)-----					
Segment assets	7,666,457	5,187,784	32,335,634	9,879,839	55,069,714
Segment non - performing loans	-	756,406	5,489,373	-	6,245,779
Segment provision required	187,964	258,504	2,674,593	149,555	3,270,616
Segment liabilities	3,622,897	24,923,489	8,989,641	5,063,564	42,599,591

The above analysis includes allocation of items as per approved mapping policy of the bank.

The bank is in the process of upgrading its systems and this will also appropriately cater to the information requirements (including information relating to segment cost of funds and return on assets) for preparation of an accurate and meaningful segment analysis. However, in the interim stage, the above analysis has been prepared on the basis of certain estimates and application of judgement including the following:

- cost of deposits has been allocated to the business activities on the basis of the ratio of different types of deposits. The ratio used has been determined based on the deposits of the bank as at June 30, 2009.
- net investment in finance leases has been classified under the commercial banking activity.
- deferred taxation on provision against advances and mark-up in suspense account has been classified under the commercial banking activity, while the remaining deferred tax balance has been classified as "others".

20 NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on August 28, 2009 has announced a bonus issue of 26 percent (26 ordinary shares for every 100 ordinary shares held). These bonus shares will be issued out of the balance of the share premium account existing at June 30, 2009 and the share premium of Rs 1,989.927 million that will be transferred from "Proposed shares to be issued on amalgamation" to the share premium account as explained in note 10.4 to these condensed interim financial statements. The shareholders of KASB Capital Limited and Network Leasing Corporation Limited who are to be issued shares of KASB Bank Limited in terms of the scheme of amalgamation sanctioned by the State Bank of Pakistan will also be entitled to receive the aforementioned bonus shares.

The above bonus issue will be approved in the forthcoming Extra Ordinary General Meeting of the bank. These condensed interim financial statements do not include the effect of the above appropriation which will be accounted for, subject to the relevant approvals, subsequent to the half year ended June 30, 2009.

21 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on August 28, 2009 by the Board of Directors of the bank.

22 GENERAL

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

- Corporate and commercial banking segments are now being reported as a single segment.

22.2 Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

President and Chief Executive

Director

Director

Directo

KASB BANK LIMITED
CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 2009

	June 30, 2009	December 31, 2008
	(Rupees in '000)	
ASSETS		
Cash and balances with treasury banks	2,900,190	1,507,650
Balances with other banks	140,265	59,112
Lendings to financial institutions and others	2,278,509	556,455
Investments (including investments amounting to Rs 1,138,020 thousand: December 31, 2008 Rs. 1,138,020 thousand, classified as held for sale)	12,922,386	6,400,669
Advances	30,088,818	32,240,196
Operating fixed assets	2,968,797	2,731,864
Deferred tax assets - net	2,537,199	1,589,042
Other assets - net (including assets amounting to Rs 2,778,842 thousand: December 31, 2008 Rs. 3,309,354 thousand, classified as held for sale)	7,906,074	8,609,419
	61,742,238	53,694,407
LIABILITIES		
Bills payable	326,290	217,520
Borrowings	6,892,515	6,300,622
Deposits and other accounts	43,181,940	35,080,800
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	7,718	9,685
Deferred tax liabilities	-	-
Other liabilities (including liabilities amounting to Rs 1,213,954 thousand: December 31, 2008 Rs. 1,367,351 thousand, classified as held for sale)	2,805,563	2,484,423
	53,214,026	44,093,050
NET ASSETS	8,528,212	9,601,357
REPRESENTED BY		
Share capital	4,014,890	4,014,890
Subscription money received against proposed issue of right shares	-	-
Revenue reserves	151,287	151,287
Proposed shares to be issued on amalgamation	5,607,976	5,607,976
Share premium	13,775	13,775
Accumulated losses	(2,138,273)	(1,096,473)
	7,649,655	8,691,455
Non-controlling interests	436,828	523,535
	8,086,483	9,214,990
Surplus on revaluation of assets - net of tax	441,729	386,367
	8,528,212	9,601,357
CONTINGENCIES AND COMMITMENTS		

The annexed notes 1 to 8 form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE HALF-YEAR ENDED JUNE 30, 2009

	June 30, 2009	June 30, 2008
	(Rupees in '000)	
Mark-up / return / interest earned	2,622,558	2,120,588
Mark-up / return / interest expensed	(2,910,920)	(1,705,570)
Net mark-up / return / interest income	<u>(288,362)</u>	<u>415,018</u>
Provision / (reversal) against loans and advances - net	<u>587,266</u>	<u>105,768</u>
Provision / (reversal of provision) for diminution in the value of investments - net	117,660	38,945
Bad debts written off directly	324	230
	<u>705,250</u>	<u>144,943</u>
Net mark-up / return / interest income after provisions	<u>(993,612)</u>	<u>270,075</u>
Non mark-up / return / interest income		
Fee, commission and brokerage income	<u>70,149</u>	<u>89,685</u>
Dividend income	46,323	48,283
Income from dealing in foreign currencies	(20,318)	155,605
Gain on sale of securities - net	183,059	164,652
Unrealised gain on revaluation of investments classified as held for trading - net	-	4,615
Other income	<u>48,118</u>	<u>69,065</u>
Total non mark-up / return / interest income	<u>327,331</u>	<u>531,905</u>
	<u>(666,281)</u>	<u>801,980</u>
Non mark-up / return / interest expenses		
Administrative expenses	<u>(1,126,056)</u>	<u>(679,913)</u>
Other provisions / write offs	(681)	(5,182)
Other charges	<u>(4,919)</u>	<u>(9,266)</u>
Total non mark-up / return / interest expenses	<u>(1,131,656)</u>	<u>(694,361)</u>
Share of loss from subsidiaries classified as held for sale	(246,614)	-
Share of profit of associates	93,920	346,674
Loss before taxation	<u>(1,950,631)</u>	<u>454,293</u>
Taxation - Current year	<u>(55,380)</u>	<u>(4,679)</u>
- Prior years	-	(3,495)
- Deferred	954,355	(22,017)
Taxation of subsidiaries classified as held for sale	<u>(1,501)</u>	<u>-</u>
	<u>897,474</u>	<u>(30,191)</u>
Net loss after taxation	<u>(1,053,157)</u>	<u>424,102</u>
Attributable to:		
Equity holders of the bank	(998,492)	424,102
Minority interest	<u>(54,665)</u>	<u>-</u>
	<u>(1,053,157)</u>	<u>424,102</u>
	----- Rupees -----	
(Loss) / earnings per share without proposed shares to be issued on amalgamation (annualised)	<u>(5.25)</u>	<u>1.06</u>
(Loss) / earnings per share with proposed shares to be issued on amalgamation (annualised)	<u>(2.76)</u>	<u>1.06</u>

The annexed notes 1 to 8 form an integral part of these financial statements.

President and Chief Executive

Director

Director

Directo

KASB BANK LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED JUNE 30, 2009

	June 30, 2009	June 30, 2008
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(1,950,631)	454,293
Less: dividend income	(46,323)	(48,283)
	<u>(1,996,954)</u>	<u>406,010</u>
Adjustments for non-cash and other items:		
Depreciation	105,911	52,458
Amortisation of intangible assets	18,101	2,739
Provision against loans and advances - net	587,266	105,768
Share of profit / (loss) from associates	(93,920)	(346,674)
Reversal of provision / (provision) against compensated absences	(692)	-
Provision for gratuity	16,540	(3,017)
Gain on disposal of operating fixed assets - net	(275)	(393)
Financial charges on leased assets	775	60
Unrealised gain on revaluation of investments classified as held for trading	-	(4,615)
Bad debts written off directly	324	230
Provision / (reversal of provision) for diminution in the value of investments	117,660	38,945
Amortisation of premium on investments	13,908	13,271
	<u>765,598</u>	<u>(141,228)</u>
	<u>(1,231,356)</u>	<u>264,782</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	(1,722,054)	(757,140)
Held for trading securities	261,584	(34,089)
Advances	1,563,788	(7,614,994)
Others assets (excluding advance taxation)	462,359	(585,532)
	<u>565,677</u>	<u>(8,991,755)</u>
Increase / (decrease) in operating liabilities		
Bills payable	108,770	(377,281)
Borrowings	591,880	2,211,323
Deposits	8,101,140	11,194,842
Other liabilities (excluding current taxation)	308,167	(30,508)
	<u>9,109,957</u>	<u>12,998,376</u>
	<u>8,444,278</u>	<u>4,271,403</u>
Income tax paid -net	(21,115)	(7,554)
Gratuity benefits paid	(5,257)	-
Net cash (outflow on) / inflow from operating activities	<u>8,417,906</u>	<u>4,263,849</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(6,474,281)	(1,401,906)
Net investments in held to maturity securities	(108,055)	(411,939)
Investment in associate	(33,582)	-
Dividend income received	41,219	5,895
Investments in operating fixed assets	(380,591)	(402,571)
Sale proceeds realised on disposal of operating fixed assets	13,806	6,354
Net cash outflow on investing activities	<u>(6,941,484)</u>	<u>(2,204,167)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments against lease obligations - net	(2,742)	(546)
Subscription money received against proposed right issue	-	-
Net cash inflow from financing activities	<u>(2,742)</u>	<u>(546)</u>
Net (decrease) / increase in cash and cash equivalents	<u>1,473,680</u>	<u>2,059,136</u>
Cash and cash equivalents at the beginning of the period	<u>1,564,018</u>	<u>3,702,226</u>
Cash and cash equivalents at the end of the period	<u><u>3,037,698</u></u>	<u><u>5,761,362</u></u>

The annexed notes 1 to 8 form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED JUNE 30, 2009

	Attributable to equity holders of the parent entity										Non-controlling interests	Total
	Share capital	Share premium	Subscripti on towards issue of right shares	Reserves			Proposed shares to be issued on amalgamation	Accumulated loss	Post acquisition changes in associate directly recognised in equity	Total		
				Statutory reserve (a)	Revenue reserve	Total reserves						
(Rupees in '000)												
Balance as at December 31, 2007	3,106,978	13,775	907,912	150,903	384	151,287	-	(50,350)	-	4,129,602	-	4,129,602
Right shares issued during the year	907,912	-	(907,912)	-	-	-	-	-	-	-	-	-
Profit after taxation for the period ended June 30, 2008	-	-	-	-	-	-	-	424,102	-	424,102	-	424,102
Transfer to statutory reserve	-	-	-	15,563	-	15,563	-	(15,563)	-	-	-	-
Balance as at June 30, 2008	4,014,890	13,775	-	166,466	384	166,850	-	358,189	-	4,553,704	-	4,553,704
Loss after taxation for the period from July 1, 2008 to December 31, 2008	-	-	-	-	-	-	-	(1,788,188)	-	(1,788,188)	-	(1,788,188)
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	-	-	5,678	-	5,678	-	5,678
Transferred from statutory reserve to accumulated losses during the period from July 1, 2008 to December 31, 2008	-	-	-	(15,563)	-	(15,563)	-	15,563	-	-	-	-
Post acquisition changes in net assets of associates	-	-	-	-	-	-	-	-	627,137	627,137	-	627,137
Post acquisition changes in net assets of associate derecognised upon amalgamation of KCL into the holding company	-	-	-	-	-	-	-	312,286	(627,137)	(314,851)	-	(314,851)
Proposed shares to be issued on amalgamation	-	-	-	-	-	-	5,607,976	-	-	5,607,976	-	5,607,976
Non-controlling interest related to subsidiaries recognized upon amalgamation of KCL into the holding company	-	-	-	-	-	-	-	-	-	-	523,535	523,535
Balance as at December 31, 2008	4,014,890	13,775	-	150,903	384	151,287	5,607,976	(1,096,472)	-	8,691,456	523,535	9,214,991
Loss after taxation for the period ended June 30, 2009	-	-	-	-	-	-	-	(1,053,157)	-	(1,053,157)	-	(1,053,157)
Transfer to statutory reserve	-	-	-	-	-	-	-	-	-	-	-	-
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	-	-	11,356	-	11,356	-	11,356
Increase / decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	(86,707)	(86,707)
Balance as at June 30, 2009	4,014,890	13,775	-	150,903	384	151,287	5,607,976	(2,138,273)	-	7,649,655	436,828	8,086,483

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

The annexed notes 1 to 8 form an integral part of these financial statements.

President and Chief Executive

Director

Director

Director

KASB BANK LIMITED
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED JUNE 30, 2009

1. STATUS AND NATURE OF BUSINESS

1.1 The Group consists of:

Holding Company

KASB Bank Limited (Holding Company)

**Percentage
holding**

Subsidiaries

KASB Technology Services Limited

100%

KASB Securities Limited*

77.12%

KASB Funds Limited*

67.18%

KASB Modaraba Management (Private) Limited*

99.63%

KASB Modaraba*

50.50%

* including shares held by the nominee directors of the bank

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

Name of the associates

**Percentage
holding**

New Horizon Exploration and Production Limited

40%

Shakarganj Food Products Limited

42.78%

KASB International Limited

23.59%

KASB Stock Market Fund

27.95%

KASB Balanced Fund

26%

KASB Islamic Fund

32%

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

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

2. BASIS OF PRESENTATION

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

3. STATEMENT OF COMPLIANCE

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

- 3.2 The disclosures made in these condensed interim financial statements have, however been limited based on the format prescribed by the State Bank of Pakistan vide BSD Circular Letter No. 2 dated May 12, 2004 and International Accounting Standard 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Bank for the half-year ended June 30, 2009.

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

5. **BASIS OF CONSOLIDATION**

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

6. **NON ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of holding company in their meeting held on August 28, 2009 has announced a bonus issue of 26 percent (26 ordinary shares for every 100 ordinary shares held). These bonus shares will be issued out of the balance of the share premium account existing at June 30, 2009 and the share premium of Rs 1,989.927 million that will be transferred from "Proposed shares to be issued on amalgamation" to the share premium account. The shareholders of KASB Capital Limited and Network Leasing Corporation Limited who are to be issued shares of holding company in terms of the scheme of amalgamation sanctioned by the State Bank of Pakistan will also be entitled to receive the aforementioned bonus shares

The above bonus issue will be approved in the forthcoming Extra Ordinary General Meeting of the holding company. These condensed interim consolidated financial statements do not include the effect of the above appropriation which will be accounted for, subject to the relevant approvals, subsequent to the half year ended June 30, 2009.

7. **GENERAL**

Figures have been rounded up to the nearest thousand rupees

8. **DATE OF AUTHORIZATION**

These financial statements were authorized for issue on August 28, 2009 by the Board of Directors of the holding company, KASB Bank Limited.

President & Chief Executive Director

Director

Director