



**KASB Bank**  
Limited

QUARTERLY REPORT  
SEPTEMBER 30, 2009  
(UNAUDITED)

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# QUARTERLY REPORT SEPTEMBER 2009

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## CORPORATE INFORMATION

# QUARTERLY REPORT SEPTEMBER 2009

Board of Directors	Chairman : H. U. Beg Directors : 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 Waseem Haqqie N. K. Shahani Leon Seynave
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 and 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 (Siddiq Sons Tower) 3-Jinnah.C.H.Society, Main Shahrah-e-Faisal Karachi.

**DIRECTORS' REVIEW**

On behalf of the Board of Directors of KASB Bank Limited (Bank), I take this opportunity to present the unaudited financial statements of the Bank together with consolidated financial statements of the Bank and its subsidiaries, for the third quarter ended September 30, 2009.

Pressures from the first half of the year 2009 continued to exist on the third quarter. With signs of limited improvement in the global economic markets, it is anticipated that the domestic financial market would also start registering improvement. However, this needs to be analyzed in presence of the prevailing internal and external challenges our economy is facing.

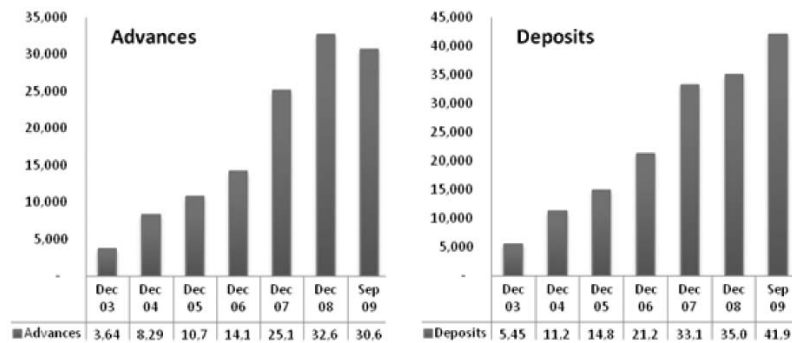
In line with the strategy for FY2009 the third quarter numbers reflected consolidation on the overall business and operation side of your bank. Rationalization of deposit cost, maximizing recoveries, controlling portfolio infection, introducing cost cutting measures and continuing expansion on branch network and new businesses are the key areas that have remained to be top priority of your Bank's management.

A summary of your Bank's third quarter results are as follows:

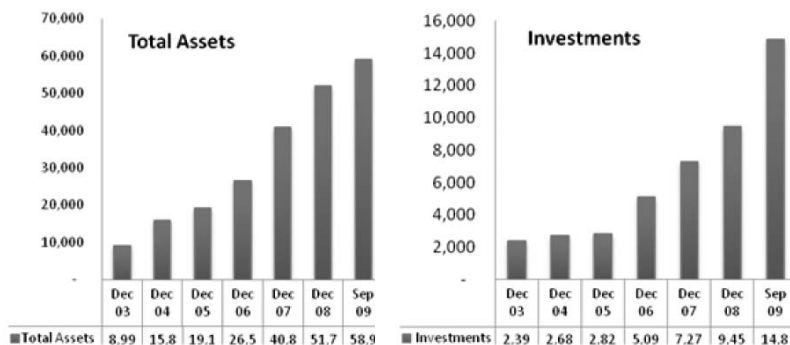
Balance Sheet	30-Sept-09	30-Jun-09	31-Dec-08
----- Rs in millions -----			
Paid up Capital*	7,633	7,633	7,633
Equity	8,397	8,368	9,199
Deposits	41,991	43,237	35,087
Advances- net	30,680	30,102	32,240
Investments - net	14,835	15,840	9,454

Profit and Loss Account	Q3 2009	Q2 2009	Q3 2008
----- Rs in millions -----			
Revenue	172.0	(139.4)	285.4
Non markup expenses	589.1	662.0	292.7
Operating (loss) /profit	(417.1)	(801.4)	(7.3)
(Reversal) /Provisions	(297.9)	814.6	77.6
(Loss) /Profit before tax	(119.2)	(1,616)	(84.8)
(Loss) /Profit after tax	(119.2)	(724.6)	(59.3)
Earnings /(Loss) per share* - Rupees	(0.62)	(3.80)	(0.59)

\*including amalgamation shares to be issued



**DIRECTORS' REVIEW**



**Operating and Financial Review**

Your Bank's third quarter results registered improvement as compared to the second quarter results whereby its loss before taxation declined from Rs 1,616m to Rs 119m. This is mainly due to the net interest income turning positive and the recoveries and reversal of provision that were made in the third quarter (both as a result of regular recoveries and due to reversals in line with the relaxations made in the provision requirements by the State Bank). In addition to this, reduction in administrative expenses as a result of aggressive cost rationalization also contributed positively in closing a relatively better third quarter result.

Considering the implementation of planned capacity-building and expansion initiatives that are in pipeline, it is anticipated these administrative expenses would register an increase in the last quarter of FY2009.

With prime focus on reduction of cost of deposits the overall deposit size of your bank remained range-bound to Rs 41.99bln from Rs 43.23bln on a quarter to quarter basis. However, on a nine month period comparison these deposits registered an increase of 19.67%, when compared with the December 2008 closing balances. The management remains determined to establish a strong and low cost deposit base in this regard has been successful on diversifying its deposit book with the help of new and innovative deposit mobilization and network expansion strategies.

Following the prudent business practices and complete compliance with regulatory requirements your bank provided for all required non performing loans mostly in the first half of the year. In line with its strategy of consolidating the overall loan portfolio and extending support to its accountholders who are determined to perform in these tough times, your bank has taken a number of steps towards supporting its borrowers. As a result of this the overall advances portfolio has registered no significant movement, however as a result of prevailing restructuring and recovery exercise, some of the provision on infected accounts have been reversed in the third quarter.

Considering the improvement registered so far in the overall economic scenario, we foresee that a number of non performing loans will start performing in short to medium term, with major reversals falling due in FY2010. The Bank continues to work on non performing loans with a sense of urgency.

On consumer side, the management team has been revamped with clear focus on reorganizing this unit and aligning recoveries and capacity building as top priorities.

**Performance**

Your Bank during the third quarter continued its focus on its core banking activities. With the recent reorganization of the commercial, consumer and corporate banking units and introduction of new business initiatives, the business is now geared up to operate in the defined market segments and achieve the desired result.

The plan for opening new branches is being followed as chalked out and your bank is presently operating with a network of 83 branches located in 28 cities across Pakistan.

Utilizing the edge on the technology platform your bank has successfully launched the Home Remittance Business - a joint effort led by the PRI initiative (supported by the State Bank). KASB Bank is now amongst a few banks who are presently offering this business to a wide client base of local beneficiaries of inward home remittances. Besides this, there is a series of new e-banking and alternate delivery initiatives that are under finalization and are expected to be rolled out shortly.

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

To cope with demanding challenges amidst precipitous competition the Bank continues to invest in technology, service quality and human resource development. In presence of this challenging environment and in a bid to manage the overall operating cost your bank has undertaken various cost optimization initiatives, however considering the pressures from the overall business network expansion and the need to fund new initiatives, it is anticipated that the overall operating cost would rise towards the end of the current year.

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**

In order to cater to the need to increase core lending and to continue writing new business and more importantly taking into account the post merger situation of Capital Adequacy Ratio (CAR) your Bank is in process of having its first debt instrument issued. This would be in shape of a Rated Privately Placed Unlisted Term Finance Certificate.

Necessary ground work in this respect has already been completed and the issue is anticipated to be concluded in the near future. Till the time this issue is concluded the bank continues to operate with CAR below the minimum required level.

**Future Prospects**

Going forward, your bank is poised to respond to the challenges faced on macro and micro front. Operating with the clear objective of concentrating on its niche clientele with swift expansion of its branch network in the target market, tangible growth is anticipated to be registered in the core earnings of your bank in the months to come.

In the year 2010 your Bank is looking forward to attain growth by broadening its Middle Market, Small and Medium Businesses as well as continue to take new consumer financing and agricultural credit exposure. The management is working on a strategy whereby its business units are strategically reorganized keeping in view the optimization of their relevant businesses and are now geared towards efficient and result oriented business operations.

**DIRECTORS' REVIEW**

This added with the recent transformation of the branches into business shops and expansion of their service offerings would also contribute on yielding positive results in the year coming ahead. Additionally, aggressive pursuit of the newly launched home remittance business initiative will also continue to get priority attention.

With the overall economic landscape getting better, it is anticipated that the investment banking and financial advisory business would also have to offer us significant results and the line of under-process mandates would be concluded in the months to follow.

We are looking forward for a positive outlook and will continue to build on our strengths and expertise in the financial services industry, leverage optimal mix of technology to attain operating cost efficiencies, achieve product and service differentiation, while at the same time growing our footprint through expansion of our branch network across Pakistan.

**Credit rating**

PACRA has maintained the Bank's long term rating of A (Single A) with a negative outlook and a short term rating of A-1 (A One) reflecting Bank's well maintained risk profile with preserved sound asset quality and capacity for timely payment of financial commitments.

**Branch Expansion**

Bank intends to open 27 new branches (including 10 sub-branches) in 2009 which will take your Bank's branch network to 100 branches. Out of these, 10 branches (including 3 sub-branches) have already been opened till the end of third quarter 2009. All branches including those to be opened shall be online, equipped with state of the art technology, capability, providing real time banking services to the customers.

A professional team has been developed to meet the expectation of demanding services, which is in sync with Bank's strategy to build infrastructure of international standard to attract the target client base.

**Acknowledgment**

The Board would like to thank our valued customers for their continuous patronage and support, the State Bank of Pakistan and other regulatory authorities for their guidance. The Board would also like to place on record its appreciation for the hard work, dedication and sincere efforts of the senior management, officers and staff of the Bank at all the levels.

On behalf of the Board of Directors



**H.U Beg**  
Chairman

Karachi  
October 26, 2009

## Condensed Interim Balance Sheet

QUARTERLY REPORT SEPTEMBER 2009

AS AT SEPTEMBER 30, 2009	Note	Unaudited September 30, 2009	Audited December 31, 2008
(Rs. in '000)			
<b>ASSETS</b>			
Cash and balances with treasury banks		2,808,559	1,507,632
Balances with other banks		77,338	59,093
Lendings to financial institutions and others		1,487,741	556,455
Investments - net (including investments amounting to Rs.3,448,980 thousand classified as held for sale)	6	14,834,672	9,454,149
Advances - net	7	30,679,963	32,240,196
Operating fixed assets		3,002,513	2,730,533
Deferred tax assets - net		2,436,252	1,488,096
Other assets		3,631,198	3,762,944
		<b>58,958,236</b>	<b>51,799,098</b>
<b>LIABILITIES</b>			
Bills payable		402,857	217,520
Borrowings		6,638,902	6,300,622
Deposits and other accounts		41,991,336	35,087,477
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		6,890	9,685
Deferred tax liabilities		-	-
Other liabilities		1,521,245	984,287
		<b>50,561,230</b>	<b>42,599,591</b>
<b>NET ASSETS</b>		<b>8,397,006</b>	<b>9,199,507</b>
<b>REPRESENTED BY</b>			
Share capital		4,014,890	4,014,890
Reserves		278,206	151,287
Proposed shares to be issued on amalgamation	8	5,607,976	5,607,976
Share Premium	8	13,775	13,775
Accumulated losses		(1,975,062)	(974,788)
		<b>7,939,785</b>	<b>8,813,140</b>
Surplus on revaluation of assets - net of tax	9	457,221	386,367
		<b>8,397,006</b>	<b>9,199,507</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	10		

The annexed notes 1 to 15 form an integral part of these financial statements.


 President & Chief Executive	 Director	 Director	 Director
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Condensed Interim Profit and Loss Account (Unaudited)

For the quarter and nine months ended September 30, 2009

	July 1, 2009 to Sep 30, 2009	July 1, 2008 to Sep 30, 2008	January 1, 2009 to Sep 30, 2009	January 1, 2008 to Sep 30, 2008
	----- (Rs. in '000) -----			
Mark-up / return / interest earned	1,306,460	1,557,993	3,930,966	3,679,649
Mark-up / return / interest expensed	(1,286,065)	(1,360,200)	(4,197,448)	(3,065,704)
Net mark-up / return / interest income	20,395	197,793	(266,482)	613,945
Reversal / (charge) of provision against advances - net	293,326	(77,624)	(293,940)	(183,392)
Reversal / (charge) of provision for diminution in the value of investments	4,650	-	(113,010)	(38,945)
Bad debts written off directly	(14)	-	(338)	(230)
	297,962	(77,624)	(407,288)	(222,567)
Net mark-up / return / interest (loss) / income after provisions	318,357	120,169	(673,770)	391,378
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	31,967	42,337	102,116	132,022
Dividend income	32,615	4,352	78,938	52,635
Income from dealing in foreign currencies	5,262	34,250	(15,056)	189,855
Gain / (loss) on sale of securities	43,849	(3,332)	226,908	161,320
Unrealised loss on revaluation of investments classified as held for trading	-	(4,615)	-	-
Other income	37,940	14,730	76,765	75,937
Total non mark-up / return / interest income	151,633	87,722	469,671	611,769
	469,990	207,891	(204,099)	1,003,147
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	(589,209)	(292,705)	(1,706,619)	(970,732)
Other provisions / write offs	-	-	(681)	-
Other charges	35	(9)	(4,884)	(9,275)
Total non mark-up / return / interest expenses	(589,174)	(292,714)	(1,712,184)	(980,007)
<b>(LOSS) / PROFIT BEFORE TAXATION</b>	(119,184)	(84,823)	(1,916,283)	23,140
Taxation - Current year	-	-	(55,380)	(4,637)
- Prior years	-	3,495	-	-
- Deferred	-	22,017	954,355	-
	-	25,512	898,975	(4,637)
<b>(LOSS) / PROFIT AFTER TAXATION</b>	(119,184)	(59,311)	(1,017,308)	18,503
(Accumulated loss) / unappropriated profit brought forward	(1,861,555)	54,754	(974,788)	(7,497)
Transfer from surplus on revaluation of fixed assets - net of tax	5,677	-	17,034	-
Transfer to statutory reserve	-	11,862	-	(3,701)
	(1,975,062)	7,305	(1,975,062)	7,305
(Loss) / earnings per share without proposed shares to be issued on amalgamation (annualised)	(1.19)	(0.59)	(3.38)	0.06
(Loss) / earnings per share with proposed shares to be issued on amalgamation (annualised)	(0.62)	(0.59)	(1.78)	0.06

The annexed notes 1 to 15 form an integral part of these financial statements.

  
President & Chief Executive

  
Director

  
Director

  
Director


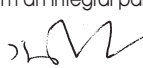
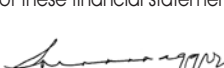

## Condensed Interim Cash Flow Statement (Unaudited)

QUARTERLY REPORT SEPTEMBER 2009

For the nine months ended September 30, 2009

	September 30, 2009	September 30, 2008
------(Rs. in '000)-----		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(1,916,283)	23,140
Less: Dividend income	(78,938)	(52,635)
	(1,995,221)	(29,495)
<b>Adjustments for non-cash and other items</b>		
Depreciation	162,382	84,839
Amortisation of intangible assets	28,999	6,113
Provision against non-performing advances - net	293,940	183,392
Bad debts written-off directly	338	-
Gain on sale of operating fixed assets - net	(732)	(2,252)
Provision for gratuity	23,851	-
Provision for diminution in the value of investments	113,010	-
Financial charges on leased assets	1,062	139
Amortisation of premium on investments	21,111	20,100
	643,961	292,331
	(1,351,260)	262,836
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions and others	(931,286)	(1,204,762)
Held for trading securities	(193,144)	944,228
Advances	1,392,874	(10,571,854)
Others assets (excluding advance taxation)	107,773	(1,229,368)
	376,217	(12,061,756)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	185,337	(416,050)
Borrowings	337,502	2,909,790
Deposits and other accounts	6,903,859	13,897,630
Other liabilities (excluding current taxation)	519,674	150,327
	7,946,372	16,541,697
	6,971,329	4,742,777
Income tax paid	(24,958)	(9,101)
Gratuity benefits paid	(6,567)	(4,290)
Net cash flow from operating activities	6,939,804	4,729,386
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in held to maturity securities	(894,844)	(403,956)
Net investment in available for sale securities	(4,349,605)	(2,219,677)
Dividend income received	72,491	52,635
Investments in operating fixed assets	(466,901)	(1,329,266)
Sale proceeds realised on disposal of fixed assets	21,306	25,876
Net cash flow from investing activities	(5,617,553)	(3,874,388)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments against lease obligations - net	(3,857)	(869)
Net cash flow from financing activities	(3,857)	(869)
<b>Net Increase in cash and cash equivalents during the period</b>	1,318,394	854,129
Cash and cash equivalents at beginning of the period	1,563,981	3,703,349
Cash and cash equivalents at the end of the period	2,882,375	4,557,478

The annexed notes 1 to 15 form an integral part of these financial statements.

 President & Chief Executive	 Director	 Director	 Director
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## Condensed Interim Statement of Changes in Equity (Unaudited)

QUARTERLY REPORT SEPTEMBER 2009

### For the nine months ended September 30, 2009

	Share capital	Subscription money received against proposed issue of right shares	Capital Reserve for Provision Reversals (note 7.2.1)	Statutory reserve	General reserve	Total 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 for the period from January 1, 2008 to September 30, 2008									18,503	18,503
Transfer to statutory reserve				3,701		3,701			(3,701)	-
Balance as at September 30, 2008	4,014,890	-	-	154,604	384	154,988		13,775	7,305	4,190,956
Loss for the period from October 1, 2008 to December 31, 2008									(991,472)	(991,472)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax									5,678	5,678
Transfer from statutory reserve to accumulated losses during the period from October 1, 2008 to December 31, 2008				(3,701)		(3,701)			3,701	-
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
Provision reversals transferred to capital reserve (note 7.2.1)			126,919			126,919				126,919
Loss for the period from January 1, 2009 to September 30, 2009									(1,017,308)	(1,017,308)
Transfer from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax									17,034	17,034
	4,014,890	-	126,919	150,903	384	278,206	5,607,976	13,775	(1,975,062)	7,939,785

The annexed notes 1 to 15 form an integral part of these financial statements.

  
President & Chief Executive

  
Director

  
Director

  
Director

**FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 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, corporate banking, consumer banking and related services through 83 branches (including 23 sub-branches) operating in 28 cities. The bank's shares are listed on the Karachi, Lahore and Islamabad stock exchanges. Effective January 1, 2009 the KASB Capital Limited and Network Leasing Corporation Limited got amalgamated with the Bank after which the Investment Banking Group segment was added to its business line.
- 1.2 Pakistan Credit Rating Agency Limited has assigned a long-term credit rating of 'A' (Single A) and the short-term rating of A1 (A one) to the bank.

**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. 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, except for the change explained below:

During the period the bank has changed its accounting policy in respect of borrowing costs. As per the revised policy borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. Previously, borrowing costs were recognised as an expense in the period in which they were incurred. The change in accounting policy has been made to comply with the requirements of IAS 23 (Amendment), 'Borrowing Costs' which became effective from January 1, 2009. IAS 23 (Amendment) applies to qualifying assets for which the commencement date for capitalisation is on or after January 1, 2009 and does not affect qualifying assets for which the commencement date for capitalisation is earlier than the transition date. The bank did not have any qualifying assets whose commencement date for capitalisation was on or after January 1, 2009. Accordingly, the change in accounting policy has had no effect on the financial statements of the bank for the current and prior periods.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

6. INVESTMENTS	September 30, 2009			December 31, 2008		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
<b>6.1 Investment by types</b>	------(Rs. in '000)-----					
<b>Held-for-trading securities</b>						
Units of Mutual Funds	-	-	-	2,869	-	2,869
Ordinary Shares of listed companies	-	-	-	258,715	-	258,715
	-	-	-	261,584	-	261,584
<b>Available-for-sale securities</b>						
Pakistan Investment Bonds	362,791	-	362,791	-	170,660	170,660
Market Treasury Bills	2,632,242	2,016,930	4,649,172	-	592,345	592,345
Listed Term Finance Certificates	329,210	81,701	410,911	376,535	-	376,535
Unlisted Term Finance Certificates	609,496	-	609,496	612,036	-	612,036
Units of Mutual Funds	1,000,000	-	1,000,000	1,031,638	-	1,031,638
Fully paid-up ordinary shares of listed companies (including Rs. 10,078 thousand classified as held for sale)	516,626	-	516,626	437,288	-	437,288
Ordinary Shares of unlisted companies	330,588	-	330,588	330,588	-	330,588
	5,780,953	2,098,631	7,879,584	2,788,085	763,005	3,551,090
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	671,568	-	671,568	2,000	686,826	688,826
Unlisted Term Finance Certificates	1,339,032	-	1,339,032	426,930	-	426,930
	2,010,600	-	2,010,600	428,930	686,826	1,115,756
<b>Associates</b>						
Shahjahanji Foods Products Limited - held for sale	627,942	-	627,942	627,942	-	627,942
New Horizon Exploration & Production Ltd - held for sale	500,000	-	500,000	500,000	-	500,000
KASB International Limited - held for sale	41,867	-	41,867	-	-	-
KASB Balanced Fund	-	-	-	298,424	-	298,424
KASB Stock Market Fund	142,286	-	142,286	142,287	-	142,287
KASB Cash Fund	100,000	-	100,000	-	-	-
KASB Liquid Fund	328,794	-	328,794	-	-	-
Netwoik Microfinance Bank Limited - held for sale	-	-	-	10,078	-	10,078
KASB Islamic Income Fund	103,525	-	103,525	204,036	-	204,036
	1,844,414	-	1,844,414	1,782,767	-	1,782,767
<b>Subsidiaries</b>						
KASB Technology Services Limited	104,771	-	104,771	104,771	-	104,771
KASB Modaraba Management (Pvt) Ltd (including Rs. 22,660 thousand held for sale)	28,000	-	28,000	28,000	-	28,000
KASB Securities Limited (including Rs. 1,804,698 thousand classified as held for sale)	2,394,937	-	2,394,937	2,394,937	-	2,394,937
KASB Balanced Fund	298,424	-	298,424	-	-	-
KASB Funds Limited (including Rs. 397,000 classified as held for sale)	432,303	-	432,303	397,000	-	397,000
KASB International Limited	-	-	-	41,867	-	41,867
KASB Modaraba (including Rs. 44,535 thousand as held for sale)	91,676	-	91,676	91,676	-	91,676
	3,350,111	-	3,350,111	3,068,251	-	3,068,251
<b>Investments at cost</b>	12,986,078	2,098,631	15,084,709	8,319,617	1,449,831	9,769,448
Less: Provision for diminution in the value of investments	(144,531)	-	(144,531)	(196,407)	-	(196,407)
<b>Investments net of provision</b>	12,841,547	2,098,631	14,940,178	8,123,210	1,449,831	9,573,041
Deficit on revaluation of available for sale securities	(86,571)	(18,935)	(105,506)	(77,115)	(41,777)	(118,892)
<b>Total Investments</b>	12,754,976	2,079,696	14,834,672	8,046,095	1,408,054	9,454,149

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

	September 30, 2009	December 31, 2008
	------(Rs. in '000)-----	
<b>6.2 INVESTMENT BY SEGMENTS:</b>		
<b>Federal Government Securities</b>		
- Market Treasury Bills	4,649,172	592,345
- Pakistan Investment Bonds	1,034,359	859,486
	<b>5,683,531</b>	1,451,831
<b>Fully Paid up Ordinary Shares</b>		
- Listed Companies	516,626	696,003
- Unlisted Companies	330,588	330,588
	<b>847,214</b>	1,026,591
<b>Term Finance Certificates and commercial papers</b>		
- Term Finance Certificates - Listed	410,911	376,535
- Term Finance Certificates - Unlisted	1,948,528	1,038,966
	<b>2,359,439</b>	1,415,501
<b>Units of Mutual Funds</b>	<b>1,000,000</b>	1,034,507
<b>Associates</b>		
- Investment in Associates	1,844,414	1,782,767
<b>Subsidiaries</b>		
- Investment in Subsidiaries	<b>3,350,111</b>	3,058,251
<b>Investments at cost</b>	<b>15,084,709</b>	9,769,448
Less: Provision for diminution in the value of investments	<b>(144,531)</b>	(196,407)
<b>Investments net of provision</b>	<b>14,940,178</b>	9,573,041
Deficit on revaluation of available for sale securities	<b>(105,506)</b>	(118,892)
<b>Total Investments</b>	<b>14,834,672</b>	9,454,149

6.3 The Bank plans to transfer a part of its holding in its subsidiaries and associates acquired as a result of amalgamation of KASB Capital Limited and Network Leasing Corporation Limited with and into the bank.

This transfer is planned to be executed through a restructuring exercise wherein these investments would be transferred to a Group Holding Company in line with the applicable regulations issued in this regard by the regulators. This shall be done so as to ensure the compliance with the requirements of section 59B of the Income Tax Ordinance, 2001). The bank also intends to introduce third-party investors in the revised structure and plans to conclude this after taking relevant regulatory approvals and permission as may be required under the applicable regulatory framework of the State Bank of Pakistan.

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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

	September 30, 2009	December 31, 2008
	------(Rs. in '000)-----	
<b>7. ADVANCES</b>		
Loans, cash credits, running finances, etc. - in Pakistan	<b>31,827,385</b>	32,634,426
Net investment in finance lease - in Pakistan	<b>1,515,727</b>	1,796,965
Bills discounted and purchased (excluding government treasury bills)		
- Payable in Pakistan	<b>284,738</b>	678,054
- Payable outside Pakistan	<b>125,051</b>	55,405
	<b>409,789</b>	733,459
	<b>33,752,901</b>	35,164,850
Provision for advances - specific	<b>(3,038,645)</b>	(2,875,909)
Provision for advances - general	<b>(34,293)</b>	(48,745)
	<b>(3,072,938)</b>	(2,924,654)
	<b>30,679,963</b>	32,240,196

7.1 Advances include Rs 6,215.412 million (December 31, 2008: Rs. 6,245.779 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2009				
	Domestic	Overseas	Total	Provision required	Provision held
	----- Rupees in '000 -----				
Substandard	441,058	-	441,058	43,699	43,699
Doubtful	3,057,827	-	3,057,827	972,829	972,829
Loss	2,716,527	-	2,716,527	2,022,117	2,022,117
	<u>6,215,412</u>	<u>-</u>	<u>6,215,412</u>	<u>3,038,645</u>	<u>3,038,645</u>

**7.2 Particulars of provision against non-performing advances**

	September 30, 2009		
	Specific	General	Total
	----- Rupees in '000 -----		
Opening balance January 1, 2009	2,875,909	48,745	2,924,654
Charge for the period	968,361	-	968,361
Reversals	(659,969)	(14,452)	(674,421)
Net charge	308,392	(14,452)	293,940
Transfer to Capital Reserve	(126,919)	-	(126,919)
Amounts written off	(18,737)	-	(18,737)
Closing balance at Sep 30, 2009	<u>3,038,645</u>	<u>34,293</u>	<u>3,072,938</u>

- 7.2.1 State Bank of Pakistan (SBP) vide BSD Circular No. 10 of October 20, 2009 made certain changes in existing Prudential Regulation R-8 for Corporate and Commercial Banking, Prudential Regulation R-11 for Small and Medium Enterprise Financing and Prudential Regulation R-22 for Consumer Financing. Accordingly provisions on existing and additional NPLs have been determined by the Bank as of September 30, 2009 taking benefit of the circular, as a result provision amounting to Rs 208.019 million has been reversed in profit and loss account for the quarter and nine months ended September 30, 2009.

SBP vide above Circular also introduced interim instructions on classification / provisioning requirements in respect of rescheduling / restructuring of such classified loans and advances that were rescheduled / restructured on or after January 1, 2009. Accordingly, Bank has availed the benefit of these interim instructions in respect of its NPLs rescheduled / restructured on or after January 1, 2009 which resulted in up-gradation of NPL category and related provisions reversal of Rs 126.919 million which has been credited to a capital reserve account, as required under the Circular.

- 8 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.

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 per the shareholders approval made in their EOGM held on October 2, 2009. All 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. 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 nine months period ended September 30, 2009.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

	September 30, 2009	December 31, 2008
	(Rs. in '000)	
<b>9. Surplus / (deficit) on revaluation of Assets</b>		
Federal government securities	(42,461)	(41,777)
Term finance certificates - listed	(37,419)	175
Revaluation of Fixed Assets	704,429	730,636
Ordinary shares and units of mutual funds	55,074	(77,290)
	<u>679,623</u>	611,744
Related deferred tax asset - Investments	16,093	22,290
Related deferred tax liability - Fixed Assets	(238,495)	(247,667)
	<u>457,221</u>	<u>386,367</u>
<b>10 CONTINGENCIES AND COMMITMENTS</b>		
<b>10.1 Direct credit substitutes</b>		
Acceptances	1,474,632	1,843,971
<b>10.2 Transaction-related contingent liabilities</b>		
Letter of Guarantees	9,185,654	9,499,568
<b>10.3 Trade-related contingent liabilities</b>		
Letters of credit	1,934,688	817,726
<b>10.4 Commitments in respect of forward exchange contracts</b>		
<b>Purchase</b>		
From the State Bank of Pakistan	5,174	8,930
From other banks	3,628,066	1,369,656
From other customers	-	50,582
	<u>3,633,240</u>	<u>1,429,168</u>
<b>Sale</b>		
To banks	3,194,401	676,238
To customers	-	-
	<u>3,194,401</u>	<u>676,238</u>
	<u>6,827,641</u>	<u>2,105,406</u>
<b>10.5 Commitments for the acquisition of operating fixed assets</b>	477,320	699,546
<b>10.6 Taxation</b>		

There is no significant change in tax contingencies as of September 30, 2009 as compared to June 30, 2009.

**11. 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

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.

**12 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.

September 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**

Balance as at January 1, 2009	37,560	16,512	15,302	-	2,722	19,432	21,000	19,365	-	35,399
Disbursed during the period	183,252	251	6,085	70,000	250,000	93,315	2,536	22,589	-	3,575
Repayments during the period	220,812	15,282	20,186	-	875	75,187	7,024	26,652	-	36,252
Balance as at September 30, 2009	-	1,481	1,201	70,000	251,847	37,560	16,512	15,302	-	2,722

**Deposit accounts**

Balance as at January 1, 2009	20,929	9,476	11,528	55,234	93,659	1,662	3,078	5,662	355,270	62,555
Deposit received during the year	39,044,743	224,005	142,739	2,903,301	1,660,096	97,923	753,715	138,345	11,431,779	5,459,578
Withdrawals during the period	38,669,127	222,952	137,589	2,904,526	1,373,386	78,656	747,317	132,479	11,731,815	5,428,474
Balance as at September 30, 2009	416,545	10,529	16,679	54,009	380,369	20,929	9,476	11,528	65,234	93,659

Security deposit against lease advances	151	-	-	-	-	151	-	-	-	-
Receivable against expenses	43,522	-	-	4,537	-	21,311	-	-	95	351
Commission income receivable	371	-	-	-	-	142	-	-	-	-
Bank profit payable	311	4	59	87	10	134	11	118	129	16
Markup receivable	883	30	-	2,644	9,195	6,362	-	-	-	-
Purchase of Computer Equipment & Machine	151	-	-	-	-	5,672	-	-	-	3,399
Advance for acquisition of office premises	-	-	-	-	504,245	-	-	-	-	402,669

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

	September 30, 2009					September 30, 2008				
	Subsidiaries	Directors	Key Management Personnel	Associates	Other Related Parties	Subsidiaries	Directors	Key Management Personnel	Associates	Other Related Parties
----- Rupees in '000 -----										
<b>Income / Expense for the period</b>										
Interest income on advances	5,790	171	-	3,700	25,094	1,813	-	-	733	-
Interest expense on deposits	8,182	210	357	9,723	26,986	-	162	224	38,893	-
Shared Services Income	7,456	-	-	-	-	-	-	-	-	-
Shared Services Expense	2,466	-	-	-	-	-	-	-	-	-
IT service charges	1,409	-	-	-	-	764	-	-	-	-
Communication expenses	6,058	-	-	-	-	7,550	-	-	-	-
Repair and maintenance	7,205	-	-	-	-	6,910	-	-	-	-
Remuneration paid	-	-	63,140	-	-	-	-	52,495	-	-
Administrative expenses	604	-	-	-	-	1,080	-	-	-	-
Director fees	-	7,500	-	-	-	-	4,125	-	-	-
Advance for acquisition of office premises	-	-	-	-	101,576	-	-	-	-	-

**September 30, 2009**      **September 30, 2008**  
(Rs. in '000)

Contribution to Staff Provident Fund	26,740	18,688
Contribution to Gratuity scheme - Balance	23,851	-

**13. Segment details with respect to business activities**

The segment analysis with respect to business activities of the bank is as follows:

	For the nine months ended September 30, 2009 (Unaudited)				
	Trading & Sales	Retail Banking	Corporate / Commercial Banking	Others	Total
(Rs. in '000)					
Total income / (loss) (net of interest expense and provisions)	742,214	(1,803,214)	1,042,992	(186,091)	(204,099)
Administrative and other expenses	19,928	239,103	57,250	1,395,903	1,712,184
Net income / (loss) before tax	722,286	(2,042,317)	985,742	(1,581,994)	(1,916,283)

	As at September 30, 2009 (Unaudited)				
	Trading & Sales	Retail Banking	Corporate / Commercial Banking	Others	Total
(Rs. in '000)					
Segment assets	17,278,838	4,529,316	32,849,714	7,522,544	62,180,412
Segment non - performing loans	-	913,503	5,301,909	-	6,215,412
Segment provision required	144,531	305,137	2,767,801	4,707	3,222,176
Segment liabilities	6,638,913	23,424,962	16,980,810	3,516,545	50,561,230

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 September 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".

**14 DATE OF AUTHORISATION**

These condensed interim financial statements were authorised for issue on October 26, 2009 by the Board of Directors of the bank.

**15 GENERAL**

Figures have been rounded up to the nearest thousand rupees.





  
 President & Chief Executive      Director      Director      Director


## CONSOLIDATED CONDENSED INTERIM BALANCE SHEET

QUARTERLY REPORT SEPTEMBER 2009

### AS AT SEPTEMBER 30, 2009

	Note	Unaudited September 30, 2009 (Rs. in '000)	Audited December 31, 2008
<b>ASSETS</b>			
Cash and balances with treasury banks		2,808,603	1,507,650
Balances with other banks		104,372	59,112
Lendings to financial institutions and others		1,522,081	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)		11,931,572	6,400,669
Advances		30,679,963	32,240,196
Operating fixed assets		3,003,724	2,731,864
Deferred tax assets - net		2,534,384	1,589,042
Other assets - net (including assets amounting to Rs 3,093,703 thousand: December 31, 2008 Rs. 3,309,354 thousand, classified as held for sale)		8,399,340	8,609,419
		<b>60,984,039</b>	53,694,407
<b>LIABILITIES</b>			
Bills payable		402,857	217,520
Borrowings		6,638,902	6,300,622
Deposits and other accounts		41,574,792	35,080,800
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		6,890	9,685
Deferred tax liabilities		-	-
Other liabilities (including liabilities amounting to Rs 1,707,269 thousand: December 31, 2008 Rs. 1,367,351 thousand, classified as held for sale)		3,442,563	2,484,423
		<b>52,066,004</b>	44,093,050
<b>NET ASSETS</b>		<b>8,918,035</b>	9,601,357
<b>REPRESENTED BY</b>			
Share capital		4,014,890	4,014,890
Reserves		278,206	151,287
Proposed shares to be issued on amalgamation	6	5,607,976	5,607,976
Share premium		13,775	13,775
Accumulated losses		(2,205,758)	(1,096,473)
		<b>7,709,089</b>	8,691,455
Non-controlling interests		751,725	523,535
		<b>8,460,814</b>	9,214,990
Surplus on revaluation of assets - net of tax		457,221	386,367
		<b>8,918,035</b>	9,601,357
<b>CONTINGENCIES AND COMMITMENTS</b>			

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

  
President & Chief Executive

  
Director

  
Director

  
Director

**CONSOLIDATED CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)**

<b>FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009</b>	<b>September 30, 2009</b>	<b>September 30, 2008</b>
	<b>(Rs. in '000)</b>	
Mark-up / return / interest earned	3,944,781	3,677,836
Mark-up / return / interest expensed	<u>(4,196,985)</u>	<u>(3,065,033)</u>
Net mark-up / return / interest income	<b>(252,204)</b>	612,803
Provision against loans and advances - net	<b>293,940</b>	183,392
Provision for diminution in the value of investments - net	<b>113,010</b>	38,945
Bad debts written off directly	<b>338</b>	230
	<u><b>407,288</b></u>	<u>222,567</u>
Net mark-up / return / interest income after provisions	<b>(659,492)</b>	390,236
<b>Non mark-up / return / interest income</b>		
Fee, commission and brokerage income	<b>102,116</b>	132,022
Dividend income	<b>81,836</b>	52,635
Income from dealing in foreign currencies	<b>(15,056)</b>	189,855
Gain on sale of securities - net	<b>275,923</b>	161,320
Unrealised gain on revaluation of investments classified as held for trading - net	<b>1,297</b>	-
Other income	<b>90,367</b>	88,682
Total non mark-up / return / interest income	<b>536,483</b>	624,514
	<u><b>(123,009)</b></u>	<u>1,014,750</u>
<b>Non mark-up / return / interest expenses</b>		
Administrative expenses	<b>(1,729,434)</b>	(975,363)
Other provisions / write offs	<b>(4,433)</b>	(5,182)
Other charges	<b>(4,884)</b>	(9,275)
Total non mark-up / return / interest expenses	<b>(1,738,751)</b>	(989,820)
Share of loss from subsidiaries classified as held for sale	<b>(159,859)</b>	-
Share of profit from associates	<b>15,091</b>	356,977
	<u><b>(2,006,528)</b></u>	<u>381,907</u>
<b>(Loss) / profit before taxation</b>		
Taxation - Current year	<b>(55,548)</b>	(4,679)
- Prior years	<b>-</b>	-
- Deferred	<b>951,541</b>	-
Taxation of subsidiaries classified as held for sale	<b>(15,784)</b>	-
	<u><b>880,209</b></u>	<u>(4,679)</u>
<b>(Loss) / profit after taxation</b>	<b>(1,126,319)</b>	377,228
<b>Attributable to:</b>		
Equity holders of the bank	<b>(1,354,509)</b>	377,228
Minority interest	<b>228,190</b>	-
	<u><b>(1,126,319)</b></u>	<u>377,228</u>
	<b>Rupees</b>	
(Loss) / earnings per share without proposed shares to be issued on amalgamation (annualised)	<b>(3.74)</b>	1.26
(Loss) / earnings per share with proposed shares to be issued on amalgamation (annualised)	<b>(1.97)</b>	1.26

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

  
President & Chief Executive

  
Director

  
Director

  
Director

**CONSOLIDATED CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**

**QUARTERLY REPORT SEPTEMBER 2009**

**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

	<b>September 30, 2009</b>	September 30, 2008
	<b>(Rs. in '000)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	<b>(2,006,528)</b>	381,907
Less: dividend income	<b>(81,836)</b>	(52,635)
	<b>(2,088,364)</b>	329,272
<b>Adjustments for non-cash and other items:</b>		
Depreciation	<b>162,654</b>	84,937
Amortisation of intangible assets	<b>29,160</b>	6,113
Provision against loans and advances - net	<b>293,940</b>	183,392
Share of profit / (loss) from associates	<b>(15,091)</b>	(356,977)
(Reversal of provision) / provision against compensated absences	<b>(692)</b>	-
Provision / (reversal of provision) for gratuity	<b>23,850</b>	(4,288)
Gain on disposal of operating fixed assets - net	<b>(732)</b>	(2,252)
Financial charges on leased assets	<b>1,062</b>	139
Unrealised gain on revaluation of investments classified as held for trading	<b>(1,297)</b>	-
Bad debts written off directly	<b>338</b>	230
Provision / (reversal of provision) for diminution in the value of investments	<b>113,010</b>	38,945
Amortisation of premium on investments	<b>21,111</b>	20,100
	<b>627,313</b>	(29,661)
	<b>(1,461,051)</b>	299,611
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	<b>(965,626)</b>	(1,204,762)
Held for trading securities	<b>(569,712)</b>	905,283
Advances	<b>1,392,874</b>	(10,571,990)
Others assets (excluding advance taxation)	<b>90,592</b>	(1,217,885)
	<b>(51,872)</b>	(12,089,354)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	<b>185,337</b>	(416,050)
Borrowings	<b>337,502</b>	2,909,790
Deposits	<b>6,493,992</b>	13,898,194
Other liabilities (excluding current taxation)	<b>944,510</b>	142,723
	<b>7,961,341</b>	16,534,657
	<b>6,448,418</b>	4,744,914
Income tax paid -net	<b>(25,730)</b>	(8,624)
Gratuity benefits paid	<b>(6,567)</b>	-
Net cash (outflow on) / inflow from operating activities	<b>6,416,121</b>	4,736,290
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	<b>(4,356,590)</b>	(2,217,295)
Net investments in held to maturity securities	<b>(894,844)</b>	(406,338)
Investment in associates	<b>366,220</b>	-
Dividend income received	<b>62,310</b>	48,810
Investments in operating fixed assets	<b>(493,421)</b>	(1,312,439)
Sale proceeds realised on disposal of operating fixed assets	<b>21,306</b>	6,354
Net cash outflow on investing activities	<b>(5,295,019)</b>	(3,880,908)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments against lease obligations - net	<b>(3,857)</b>	(869)
Minority interest	<b>228,190</b>	-
Net cash inflow from financing activities	<b>224,333</b>	(869)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>1,345,435</b>	854,513
Cash and cash equivalents at the beginning of the period	<b>1,564,018</b>	3,702,226
<b>Cash and cash equivalents at the end of the period</b>	<b>2,909,453</b>	4,556,739

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

			
President & Chief Executive	Director	Director	Director

CONSOLIDATED CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

QUARTERLY REPORT SEPTEMBER 2009

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

	Attributable to equity holders of the parent entity											
	Share capital	Share Premium	Subscription towards issue of right shares	Reserves				Proposed shares to be issued on amalgamation	Accumulated loss	Post acquisition changes in associate directly recognised in equity	Non-controlling interests	Total
				Statutory reserve (a)	Capital Reserve for Provision Reversals	Revenue reserve	Total reserves					
(Rs. in '000)												
Balance as of December 31, 2007	3,106,978	13,775	907,912	150,903	-	384	151,287	-	(50,330)	-	4,129,602	4,129,602
Right shares issued during the period	907,912	-	(907,912)	-	-	-	-	-	-	-	-	-
Profit after taxation for the period ended September 30, 2008	-	-	-	-	-	-	-	-	377,228	-	377,228	377,228
Transfer to statutory reserve	-	-	-	3,701	-	-	3,701	-	(3,701)	-	-	-
Balance as of September 30, 2008	4,014,890	13,775	-	154,604	-	384	154,988	-	323,177	-	4,508,630	4,508,630
Loss after taxation for the period from October 1, 2008 to December 31, 2008	-	-	-	-	-	-	-	-	(1,741,315)	-	(1,741,315)	(1,741,315)
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 October 1, 2008 to December 31, 2008	-	-	-	(3,701)	-	-	(3,701)	-	3,701	-	-	-
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 recognised upon amalgamation of KCL into the holding company	-	-	-	-	-	-	-	-	-	-	523,535	523,535
Balance as of December 31, 2008	4,014,890	13,775	-	150,903	-	384	151,287	5,607,976	(1,096,473)	-	8,691,455	9,214,990
Loss after taxation for the period ended September 30, 2009	-	-	-	-	-	-	-	-	(1,126,319)	-	(1,126,319)	(1,126,319)
Provision reversals transferred to capital reserve	-	-	-	-	126,919	-	126,919	-	-	-	126,919	126,919
Transferred from surplus on revaluation of fixed assets on account of incremental depreciation - net of tax	-	-	-	-	-	-	-	-	17,034	-	17,034	17,034
Increase / decrease in non-controlling interest	-	-	-	-	-	-	-	-	-	-	228,190	228,190
Balance as of September 30, 2009	4,014,890	13,775	-	150,903	126,919	384	278,206	5,607,976	(2,205,798)	-	7,709,089	8,460,814

(a) This represents reserve created under section 210(a) of the Banking Companies Ordinance, 1962

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

  
President & Chief Executive

  
Director

  
Director

  
Director

NOTES TO AND FORMING PART OF THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009

1. STATUS AND NATURE OF BUSINESS

1.1 The Group consists of:

**Holding Company**

KASB Bank Limited (Holding Company)

**Subsidiaries**

	<b>Percentage holding</b>
KASB Technology Services Limited	100.00%
KASB Securities Limited*	77.12%
KASB Funds Limited*	67.18%
KASB Modaraba Management (Private) Limited*	99.63%
KASB Modaraba*	50.50%
KASB Balanced Fund	56.87%

\* 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**

	<b>Percentage holding</b>
New Horizon Exploration and Production Limited *	40.00%
Shakarganj Food Products Limited *	42.78%
KASB International Limited*	23.59%
KASB Stock Market Fund	39.86%
KASB Islamic Fund	22.28%
KASB Liquid Fund	21.23%
KASB Cash Fund	21.34%

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 83 branches (including 23 sub-branches) operating in 28 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 prevail.

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 quarter and nine-months ended September 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, except for the change explained below:

During the period the holding company has changed its accounting policy in respect of borrowing costs. As per the revised policy borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. Previously, borrowing costs were recognised as an expense in the period in which they were incurred. The change in accounting policy has been made to comply with the requirements of IAS 23 (Amendment), 'Borrowing Costs' which became effective from January 1, 2009. IAS 23 (Amendment) applies to qualifying assets for which the commencement date for capitalisation is on or after January 1, 2009 and does not affect qualifying assets for which the commencement date for capitalisation is earlier than the transition date. The holding company did not have any qualifying assets whose commencement date for capitalisation was on or after January 1, 2009. Accordingly, the change in accounting policy has had no effect on the financial statements of the holding company for the current and prior periods.

**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. 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 holding company will recognise a share premium amounting to Rs. 1,989.927 million in the books and records of the bank.

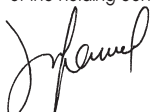



The Board of Directors of holding company in their meeting held on August 28, 2009 has announced a bonus issue of 26 percent (26 ordinary shares for every 100 ordinary shares held). These bonus shares will be issued out of the balance of the share premium account existing at June 30, 2009 and the share premium of Rs 1,989.927 million that will be transferred from "Proposed shares to be issued on amalgamation" to the share premium account as per the holding company's shareholders approval made in their EOGM held on October 2, 2009. All 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. 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 nine months period ended September 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 October 26, 2009 by the Board of Directors of the holding company, KASB Bank Limited.




  
 President & Chief Executive      Director      Director      Director

## Branches Network

### KARACHI BRANCHES

#### Main Branch

Tel: (021) 2446005-10 / 2446772-77  
Fax: (021) 2446781  
UAN: 111 555 666

#### Jodia Bazar Branch

Tel: (021) 2423310-2420567  
Fax: (021) 2433519

#### Cochinwala (Sub-Branch)

Tel: (021) 2467641, 2462743

#### Clifton Branch

PABX No.: (021) 5879207-5879170-5879215  
Fax: (021) 5879134

#### Korangi Branch

Tel: (021) 5078922-25  
Fax (021) 5078926

#### Preedy Street Branch

PABX No (021) 2724121-2724135-2724178  
Fax (021) 2725175

#### Electronic Market Sadar Branch (Sub Branch)

PABX No. (021) 2700561-63  
Fax No. 021-2700567

#### DHA Shahbaz Branch

PABX No. (021) 5349154-7  
Fax No.(021) 5349149

#### DHA Phase VI Branch (Sub Branch)

PABX (021) 5242734-37  
FAX No. 021-5242739

#### Defence Phase IV Branch (Sub Branch)

PABX (021) 5312961-4  
Fax No. 021 5312966

#### Shahrah-e-Faisal Branch

Tel: (021) 4313236-38  
Fax: (021) 4538638

#### Muhammad Ali Society Branch (Sub Branch)

PABX No. (021) 4306061-3  
FAX No. 021-4306066

#### Gulshan-e-Iqbal Branch

Tel: (021) 4981330-31  
Fax: (021) 4981334

#### Gulshan Chowringi Branch (Sub Branch)

PABX No. (021) 4832541-3  
FAX No. 021-4832548

#### SITE Branch

PABX No (021) 2550391-3  
Fax (021) 2550395

#### North Karachi Branch

PABX No (021) 6950195-7  
Fax (021) 6997178

#### Shaheed-e-Millat Road Branch

PABX No (021) 4145183-84-86  
Fax No. (021) 4145187

#### Dohraji Branch (Sub Branch)

PABX No. (021) 4860180-2  
Fax No. 021 4860184

#### Khalid Bin Waleed Branch (Sub Branch)

PABX (021) 4302806-8  
Fax No. 021 4302813

#### Hyderi Branch

PABX (021) 6724280-3-4  
Fax No. 021 6724282

#### Nazimabad (Sub Branch)

PABX No. (021) 6611912-3-908  
Fax 021 6611909.

#### F.B.Area Karimabad Branch (Sub Branch)

PABX No. (021) 6826728/31/35  
FAX No. 021-6826805

#### Karachi Stock Exchange Branch

Tel: (021)2473560-62  
Fax (021) 2473564

#### DHA Phase 1 Branch

PABX No. (021) 5314121-3  
Fax No. 021 5314127

#### Gulistan-e-Johar Branch

PABX No. 4029901-3  
Fax No. 4029902

#### Malir City Branch

PABX No. (021) 4117381-71  
FAX No. 021-4117452

#### Garden Branch

PABX No. (021) 2292041-43  
FAX No. 021-2292046

### LAHORE BRANCHES

#### Defence Branch

PABX No: (042) 5731811,5740083  
Fax: (042) 5722228

#### DHA-G Branch (Sub Branch)

PABX (042) 5690987-8  
Fax No. 042 5690986

#### Johar Town Branch

PABX (042) 5220813-5  
Fax No. 042 5220819

#### Baghbanpura Branch

PABX No. (042) 6820445-6  
FAX No. 042-6820447

#### Gulberg Branch

PABX No: (042) 5764288-9  
Fax No: (042) 5755358

#### Jail Road (Sub-Branch)

PABX No. (042) 5870350, 5776723

#### Gulshan-e-Ravi Branch

PABX No. (042) 7415063-83-86  
FAX No. 042-7414892

#### Raiwind Road Branch

PABX No:(042) 5426923,5437893  
Fax (042) 5426926

#### Abbot Road Branch

PABX No: (042) 6305143-44  
Fax: (042) 6305142

#### Shadman Town Branch (Sub Branch)

PABX No. (042) 7569488-9  
Fax 042 7569487

#### Mozang (Sub-Branch)

PABX No: (042) 6371505, 6371254

#### Lahore Stock Exchange Branch

PABX No: (042) 6367794-97  
Fax No : (042) 6280804

#### Peco Road Branch

PABX No:(042) 5144951-3  
FAX NO:(042) 5144955

#### Shah Alam Branch

PABX No: (042)7656501,7658221  
FAX NO:(042)7658275

#### Allama Iqbal Town Branch

PABX (042) 5424951-3  
Fax No. 042 5436226

#### Wahdat Road Branch (Sub Branch)

PABX (042) 5912863-4  
Fax No. 042 5912862

## Branches Network

**Circular Road Branch**  
PABX No: (042) 7639040-42  
Fax: (042) 7660649

**Shadbagh Branch (Sub Branch)**  
PABX No. (042) 7600953/986  
FAX No. 042-7600960

### ISLAMABAD BRANCHES

**Islamabad Branch**  
PABX No: (051) 2826181- 82  
Fax: (051) 2826184  
UAN: 111 555 666

**G-10 Markaz Branch (Sub Branch)**

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

**I-9 Markaz Branch (Sub Branch)**

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

**F-11 Markaz Branch**

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

**Rawat Branch**

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

### SIALKOT BRANCHES

**Sialkot Branch**

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

**Sialkot Branch (Sub Branch)**

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

### MULTAN BRANCHES

**Multan Branch**

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

**Bosan Road Multan Branch (Sub Branch)**

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

### HYDERABAD BRANCHES

**Hyderabad Branch**

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

**Hyderabad Market Branch (Sub Branch)**

PABX (022) 2636660-2  
Fax 022 2636275

### RAWALPINDI BRANCHES

**Rawalpindi Branch**

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

**Raja Bazar Branch (Sub Branch)**

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

**Bahria Town Rawalpindi Branch**

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

**Chandni Chowk Branch**

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

### PESHAWAR BRANCHES

**Peshawar Branch**

PABX No: (091) 5279432 / 5279425  
Fax: (091) 5279838  
UAN: 111 555 666

**University Road Branch (Sub Branch)**

PABX No. (091) 5711526-7  
Fax No. 091 5711529

**Hayatabad Branch**

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

### OTHER CITIES

**Faisalabad Branch**

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

**Sargodha Branch**

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

**Sukkur Branch**

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

**Quetta Branch**

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

**Fateh Jang Branch**

PABX No. (051) 2210244-6  
Fax No. 051-2210249

**Gujrat Branch**

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

**Jhelum Branch**

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

**Mirpur (A.K.) Branch**

PABX No: (058610) 42841 / 44877  
Fax: (058610) 42742  
UAN: 111 555 666

**Gujranwala Branch**

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

**Mirpurkhas Branch**

PABX (0233) 874612-3  
Fax No. 0233 87415

**Jacobabad Branch**

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

**Rahimyar Khan Branch**

PABX No. (068) 5871901-3  
Fax No. 068 5871908

**Nawabshah Branch**

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

**Sambriyal**

PABX No (052) 6521001, 6521003

**Okara**

PABX No (044) 2520591, 2520526

**Sheikhupura**

PABX No (056) 3780988, 3780984

**Kasur**

PABX No (049) 2773246, 2763823

**Vehari**

PABX No (067) 3360518, 3365515

**Mandi Bahauddin**

PABX No (054) 6507211, 6507207

**Bhawalpur**

PABX No (062) 2880706, 2880701

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**QUARTERLY REPORT  
SEPTEMBER 30, 2009  
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Business & Finance Centre, I.I. Chundrigar Road  
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