

	Page No.
CORPORATE INFORMATION	2
DIRECTORS' REVIEW	3
INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED FINANCIAL INFORMATION TO THE MEMBERS	6
BALANCE SHEET	7
PROFIT AND LOSS ACCOUNT	8
CASH FLOW STATEMENT	9
STATEMENT OF CHANGES IN EQUITY	10
NOTES TO THE ACCOUNTS	11
CONSOLIDATED BALANCE SHEET	22
CONSOLIDATED PROFIT AND LOSS ACCOUNT	23
CONSOLIDATED CASH FLOW STATEMENT	24
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	25
CONSOLIDATED NOTES TO THE ACCOUNTS	26
BRANCHES NETWORK	28

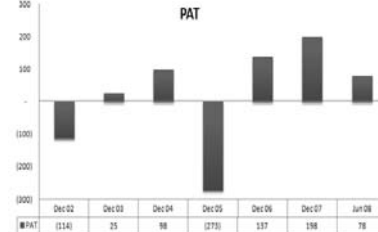
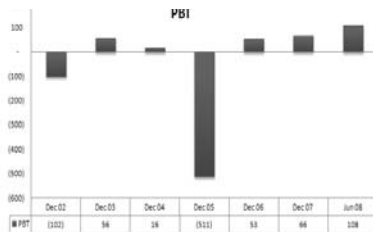
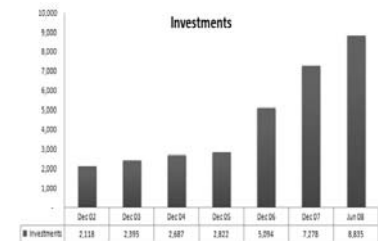
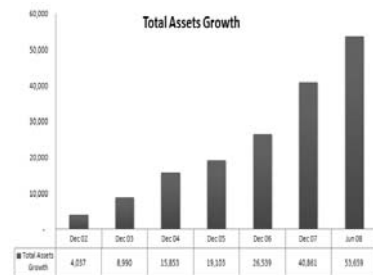
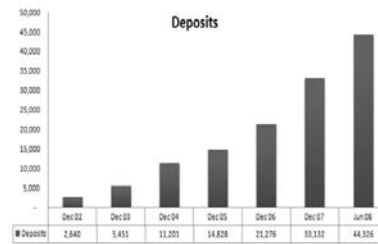
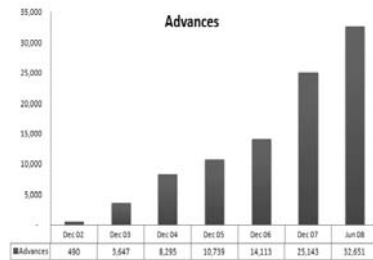
Board of Directors	Chairman : H. U. Beg Directors : Nasir Ali Shah Bukhari Sohail Wajahat H. Siddiqui Tariq M. Rangoonwala N. K. Shahani Syed Asghar Ali Shah Muneer Kamal
President / Chief Executive Officer	Muneer Kamal
Audit Committee	Chairman : H. U. Beg Tariq M. Rangoonwala N. K. Shahani Syed Asghar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

I have the privilege of presenting before you, on behalf of the Board of Directors of KASB Bank Limited, the half-yearly financial statements of the Bank together with consolidated financial statements of the Bank and its subsidiary, for the half year ended June 30, 2008.

**Operating and Financial Review**

Pursuing the policy of building of quality assets, the management continued to strive for relationship with additional quality clients of stature and focused on developing and enriching core business relationships. The operational results for the half year are summarized below as compared to the corresponding period of last year:

	Rs in million	
	<b>June 30, 2008</b>	June 30, 2007
Deposits	44,326	26,839
Advances	32,651	20,109
Profit before taxation	107.9	183.6
Taxation	(30.15)	21.70
Profit after taxation	77.81	205.3
Total Assets	53,659	34,911
Investments	8,835	6,252
Basic Earning per share- Annualized	0.39	1.48



During the six months period customer deposits increased by 34 %, from Rs.33,132 million as of December 31, 2007 to Rs.44,326 million as at June 30, 2008 and were the main source to fund advances that increased by 30 % from Rs.25,143 as of December 2007 to Rs.32,651 as at June 30, 2008, in line with the sharp increase in the private sector credit demand. The combination of prudent investment policies in consonance with the prevailing money market trends, and the increase in benchmark rates, the average lending rate of the Bank improved during the period and the Bank has been successful in generating reasonable revenues during this period.

Bank's operating profit before provisions and markup suspense is Rs.278.260 million as compared to Rs.160.954 million for the corresponding period of last year thereby registering a healthy increase of 73 %. A significant contribution to the half year's profit came in the form of one-off gain realized by selling one of our strategic investments in equities. The sale was prompted in view of the bearish market sentiment which prevailed during most of the six months period. Even otherwise our core banking profits increased by 72 % over the corresponding period mainly due to increased branch network, effective asset/ liability management, substantial increase in business volumes and expansion of consumer business. This can be evidenced by the growth rate of 76 % in spread when compared to the corresponding period of last year. The operating expenses for the six months ended June 30, 2008 increased by 35% over the corresponding period, mainly due to increase in branch network and the increased technology related expenses.

Continuing with our prudent policy, an amount of Rs.106 million has been set aside as loan loss provisions, which has increased the cumulative provisions to Rs.952 million as against the total classified portfolio of Rs.1,345 million as at June 30, 2008. These elements eroded the healthy growth in profitability thus reducing the profit before tax with direct impact on earning per share.

#### Performance

The Bank has already started rebuilding the core business by focusing on clearly defined market segments comprising particularly of medium size enterprises and selected introduction of consumer banking supplemented by treasury operation.

An extensive restructuring program has been initiated with special focus on the areas of human resources, business and information technology and creating a prudent credit and compliance culture. This is being done with a strong emphasis on making IT the key driver of the systems of the Bank.

During the period, the Bank remained focused on increasing its deposit base through the customary means as well as through launching of branded products. Re-launch of the Maheena Asaan product with lucrative revised rates as well as increased focus on Ghar Asaan product with ambitious targets for growth of this portfolio supported us in achieving the targets.

To cope with demanding challenges amidst precipitous competition the Bank continues to go along with investments in technology, service quality and human resource development. This obviously needs high level of expenditure worth incurring to provide top class service to the clients.

The Bank has successfully implemented the solutions provided by MYSIS International, an internationally renowned software house. The platform has been established for the management of the Corporate, Middle Market, SME, Consumer and Retail Banking products as well as internal management information system.

**Future Prospects**

The management has made inroads in building our core banking businesses by focusing on clearly defined market segments. It has established various risk management groups in line with good governance practices and guidelines of State Bank of Pakistan. Tools have been established to measure and monitor these risks on an ongoing basis to utilize the opportunities for safeguarding the interests of the depositors and stakeholders in the best possible manner.

Human resources and information technology areas have been strengthened further that may add value to the services provided to streamline a more effective and efficient delivery system.

As in past, focus remains on devising and launching products best suited to market demands besides paying full attention to quality customer services through full fledged Internet banking and other technology based services. Service Quality segment has been instrumental in establishing the KASB brand name.

In order to comply with the directives of State Bank of Pakistan for further increase of the Capital, initiatives are being taken by the Bank for compliance.

**Credit rating**

During the period, the Pakistan Credit Rating agency (Pvt.) Ltd. upgraded your Bank's long term rating from A- to A and short term rating from A2 to A1. The revision reflects sustained ability of revenue growth from core operations while maintaining a low risk profile and also dynamic as well efficient fund deployment policy. Going forward, given the strong technological platform and enhanced geographical outreach, the Bank is well positioned to maintain its well competitive edge despite an increasingly competitive operating environment.

**Branch Expansion**

The Bank continues to pursue the strategic expansion and has opened 6 new branches including 2 sub-branches during the current year. In line with the approval of 18 new branches and 20 sub-branches for the year 2008, the Bank is geared up to open the remaining branches in the coming months. By the end of year 2008 we will Insha Allah have a network of 73 branches.

**Acknowledgment**

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

On behalf of the Board of Directors



**H.U Beg**  
Chairman

Karachi  
August 27, 2008

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of KASB Bank Limited as at June 30, 2008 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (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, 2008 and 2007 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2008.

### **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, 2008 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

A.F. Ferguson & Co.  
Chartered Accountants  
Karachi

Date: August 27, 2008

CONDENSED INTERIM BALANCE SHEET  
AS AT JUNE 30, 2008

	Note	Unaudited June 30, 2008	Audited December 31, 2007
<b>(Rs. in '000)</b>			
<b>ASSETS</b>			
Cash and balances with treasury banks		5,631,309	3,001,895
Balances with other banks		135,853	807,555
Lendings to financial institutions		2,523,538	1,766,398
Investments - net	5	8,835,259	7,277,875
Advances - net	6	32,650,861	25,143,153
Operating fixed assets		1,434,206	1,094,748
Deferred tax asset - net	7	628,675	610,533
Other assets		1,819,257	1,188,415
		<b>53,658,958</b>	40,890,572
<b>LIABILITIES</b>			
Bills payable		501,871	879,152
Borrowings		3,855,228	1,745,807
Deposits and other accounts	8	44,326,442	33,131,773
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		942	1,428
Deferred tax liabilities		-	-
Other liabilities		815,459	848,420
		<b>49,499,942</b>	36,606,580
<b>NET ASSETS</b>		<b>4,159,016</b>	4,283,992
<b>REPRESENTED BY:</b>			
Share capital	9	4,014,890	3,106,978
Subscription money received against proposed issue of right shares		-	907,912
Reserves		166,850	151,287
Unappropriated profit/ (Accumulated losses)		54,754	(7,497)
Effect of fair value measurement of capital on amalgamation		13,775	13,775
		<b>4,250,269</b>	4,172,455
(Deficit) / surplus on revaluation of securities - net of tax	10	(91,253)	111,537
		<b>4,159,016</b>	4,283,992

**CONTINGENCIES AND COMMITMENTS**

11

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

  
President & Chief Executive

  
Director

  
Director

  
Director

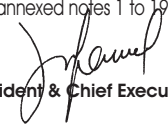
07

 **KASB Bank**  
Limited

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE QUARTER AND HALF YEAR ENDED JUNE 30, 2008

	Note	April 1, to June 30, 2008	April 1, to June 30, 2007	January 1, to June 30, 2008	January 1, to June 30, 2007
------(Rs. in '000)-----					
Mark-up / return / interest earned	12	1,060,566	636,270	2,121,656	1,177,849
Mark-up / return / interest expensed	13	(941,086)	(509,803)	(1,705,504)	(941,568)
Net mark-up / return / interest income		119,480	126,467	416,152	236,281
(Charge) / reversal of provision against loans and advances - net		(67,994)	(10,463)	(105,768)	20,664
(Provision) / reversal of provision for diminution in the value of investments		(38,945)	2,026	(38,945)	2,026
Bad debts written off directly		(230)	-	(230)	-
		(107,169)	(8,437)	(144,943)	22,690
Net mark-up / interest income after provisions		12,311	118,030	271,209	258,971
<b>Non mark-up / interest income</b>					
Fee, commission and brokerage income		47,101	31,042	89,685	56,350
Dividend income		43,202	200,100	48,283	204,444
Income from dealing in foreign currencies		110,192	5,035	155,605	15,633
Income on trading in government securities		-	-	-	-
Gain on sale of investments (other than government securities)		164,035	63,889	164,652	98,751
Unrealised (loss) / gain on revaluation of investments classified as held for trading		(18,985)	6,770	4,615	44,084
Other income		45,371	10,289	61,207	20,699
Total non mark-up / interest income		390,916	317,125	524,047	439,961
		403,227	435,155	795,256	698,932
<b>Non mark-up / interest expenses</b>					
Administrative expenses		(383,219)	(268,732)	(678,027)	(502,953)
Other provisions / write offs		-	(3)	-	(3)
Other charges		(9,144)	(12,251)	(9,266)	(12,332)
Total non mark-up / interest expenses		(392,363)	(280,986)	(687,293)	(515,288)
<b>Profit before taxation</b>		10,864	154,169	107,963	183,644
Taxation - Current period		1,306	(14,159)	(4,637)	(17,719)
- Prior years		(3,495)	-	(3,495)	-
- Deferred		(22,017)	35,088	(22,017)	39,406
		(24,206)	20,929	(30,149)	21,687
<b>Profit/(Loss) after taxation</b>		(13,342)	175,098	77,814	205,331
Unappropriated profit/ (Accumulated losses) brought forward		65,428	(138,970)	(7,497)	(163,156)
		52,086	36,128	70,317	42,175
<b>Appropriation</b>					
Transfer from / (to) statutory reserve		2,668	(35,019)	(15,563)	(41,066)
		54,754	1,109	54,754	1,109
Basic (loss) / earnings per share (annualised) 15		(0.13)	2.46	0.39	1.48
Diluted (loss) / earnings per share (annualised) 15		(0.13)	2.18	0.39	1.39

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

  
President & Chief Executive

  
Director

  
Director

  
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2008

	Half year ended June 30, 2008	Half year ended June 30, 2007
	------(Rs. in '000)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	107,963	183,644
Less: Dividend income	<u>(48,283)</u>	<u>(204,444)</u>
	59,680	(20,800)
<b>Adjustments for non-cash and other items</b>		
Depreciation	52,650	40,314
Amortisation	2,739	4,523
Charge / (reversal of provision) against loans and advances - net	105,768	(20,664)
Bad debts written off directly	(230)	-
(Gain) / loss on sale of fixed assets - net	(393)	199
Unrealised gain on revaluation of investments classified as held for trading	(4,615)	(44,084)
Provision / (reversal of provision) for diminution in the value of investments	38,945	(2,026)
Fixed assets written off	-	3
Financial charges on leased assets	60	187
Amortisation of premium on investments	13,271	17,872
	<u>208,195</u>	<u>(3,676)</u>
	267,875	(24,476)
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(757,140)	30,679
Held for trading securities	(34,089)	184,448
Advances	(7,613,246)	(5,576,239)
Others assets (excluding advance taxation)	(588,210)	(200,275)
	<u>(8,992,685)</u>	<u>(5,561,387)</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(377,281)	68,429
Borrowings from financial institutions	2,211,323	1,604,852
Deposits	11,194,669	5,563,055
Other liabilities	(29,944)	(55,096)
	<u>12,998,767</u>	<u>7,181,240</u>
	4,273,957	1,595,377
Income tax paid	(8,376)	(14,326)
Gratuity benefits paid	(3,017)	-
<b>Net cash inflow from operating activities</b>	<u>4,262,564</u>	<u>1,581,051</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investment in held to maturity securities	(411,939)	-
Net investment in available for sale securities	(1,401,905)	(1,564,913)
Dividend received	5,895	54,969
Investments in operating fixed assets	(400,809)	(126,852)
Sale proceeds realised on disposal of fixed assets	6,355	382
<b>Net cash outflow on investing activities</b>	<u>(2,202,403)</u>	<u>(1,636,414)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from sub-ordinated loans	-	617,000
Issue of right shares	-	229,271
Payments against lease obligations	(547)	(1,500)
<b>Net cash inflow from / (outflow on) financing activities</b>	<u>(547)</u>	<u>844,771</u>
<b>Net increase in cash and cash equivalents</b>	2,059,614	789,408
Cash and cash equivalents at beginning of the period	3,703,349	3,096,625
<b>Cash and cash equivalents at end of the period</b>	<u>5,762,963</u>	<u>3,886,033</u>

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

  
President & Chief Executive

  
Director

  
Director

  
Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED JUNE 30, 2008**

	Share capital	Subscription towards issue of right shares	Statutory reserve	Revenue reserve	Total reserves	Unappropriated profit / (accumulated loss)	Effect of fair value measurement of capital on amalgamation	Total
----- (Rupees in '000) -----								
Balance as at December 31, 2006	2,292,707	-	111,364	384	111,748	(163,156)	(79,240)	2,162,059
Right shares issued during the period	229,271	-	-	-	-	-	-	229,271
Profit after taxation for the period from January 1, 2007 to June 30, 2007	-	-	-	-	-	205,331	-	205,331
Transfer to statutory reserve	-	-	41,066	-	41,066	(41,066)	-	-
Balance as at June 30, 2007	2,521,978	-	152,430	384	152,814	1,109	(79,240)	2,596,661
Subscription money received against proposed issue of right shares	-	907,912	-	-	-	-	-	907,912
Shares issued on amalgamation of IHFL	585,000	-	-	-	-	-	93,015	678,015
Shares issue cost	-	-	-	-	-	(2,495)	-	(2,495)
Loss after taxation for the period from July 1, 2007 to December 31, 2007	-	-	-	-	-	(7,638)	-	(7,638)
Transfer from statutory reserve	-	-	(1,527)	-	(1,527)	1,527	-	-
Balance as at December 31, 2007	3,106,978	907,912	150,903	384	151,287	(7,497)	13,775	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
Transfer to statutory reserve	-	-	15,563	-	15,563	(15,563)	-	-
Balance as at June 30, 2008	4,014,890	-	166,466	384	166,850	54,754	13,775	4,250,269

The annexed notes 1 to 19 form an integral part of these condensed interim financial statements.

  
President & Chief Executive

  
Director

  
Director

  
Director

## 1. STATUS AND NATURE OF BUSINESS

- 1.1 KASB Bank Limited was incorporated in Lahore, Pakistan on October 13, 1994 as a public limited company under the Companies Ordinance, 1984 and received banking license from the State Bank of Pakistan (SBP) on January 9, 1995. The registered office of the bank is situated at Business and Finance Centre, I.I. Chundrigar Road, Karachi. The bank obtained certificate of commencement of business on January 11, 1995 and is engaged in commercial banking, consumer banking and related services through 41 branches operating in different cities. The bank's shares are listed on the Karachi, Lahore and Islamabad stock exchanges.
- 1.2 The Pakistan Credit Rating Agency Limited has determined the bank's long-term rating as 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 State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and International Accounting Standard (IAS) 40, 'Investment Property' for banking companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these standards have not been considered in the preparation of these 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 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 year ended December 31, 2007.

## 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, 2007.

5 INVESTMENTS - Net	Note	June 30, 2008			December 31, 2007		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
<b>5.1 Investments by type</b>		(Rs. in '000)					
<b>Held for trading</b>							
Units of mutual funds		204,615	-	204,615	50,000	-	50,000
Commercial papers		-	-	-	66,710	-	66,710
Ordinary shares of listed companies		-	-	-	49,201	-	49,201
		204,615	-	204,615	165,911	-	165,911
<b>Available for sale securities</b>							
Pakistan Investment Bonds		140,778	-	140,778	156,183	-	156,183
Market Treasury Bills		5,141,397	-	5,141,397	3,829,154	-	3,829,154
Listed Term Finance Certificates		104,867	-	104,867	123,785	-	123,785
Unlisted Term Finance Certificates		192,422	-	192,422	402,108	-	402,108
Commercial Papers		-	-	-	102,992	-	102,992
Units of mutual funds		1,082,452	-	1,082,452	392,741	-	392,741
Ordinary shares of listed companies		188,587	-	188,587	327,500	-	327,500
Ordinary shares of unlisted companies		15,680	-	15,680	15,680	-	15,680
		6,866,183	-	6,866,183	5,350,143	-	5,350,143
<b>Held to maturity securities</b>							
Federal Investment Bonds		-	-	-	6,519	-	6,519
Pakistan Investment Bonds		700,113	-	700,113	711,002	-	711,002
Unlisted Term Finance Certificates		426,965	-	426,965	367,972	-	367,972
		1,127,078	-	1,127,078	1,085,493	-	1,085,493
<b>Associate</b>							
KASB Capital Limited		680,000	-	680,000	680,000	-	680,000
<b>Subsidiary</b>							
KASB Technology Services Limited		4,771	-	4,771	4,771	-	4,771
		8,882,647	-	8,882,647	7,286,318	-	7,286,318
Less: Provision for diminution in the value of investments	5.3	(47,388)	-	(47,388)	(8,443)	-	(8,443)
<b>Investments at market value - net of provision</b>		<b>8,835,259</b>	<b>-</b>	<b>8,835,259</b>	<b>7,277,875</b>	<b>-</b>	<b>7,277,875</b>

	June 30, 2008	December 31, 2007
	(Rs. in '000)	
<b>5.2 Investments by segment</b>		
<b>Federal Government Securities</b>		
- Market Treasury Bills	5,141,397	3,829,154
- Pakistan Investment Bonds	840,891	867,185
- Federal Investment Bonds	-	6,519
	<b>5,982,288</b>	4,702,858
<b>Fully paid-up ordinary shares</b>		
- Listed companies	188,587	376,701
- Unlisted companies	15,680	15,680
	<b>204,267</b>	392,381
<b>Term Finance Certificates and Commercial Papers</b>		
- Term Finance Certificates - listed	104,867	123,785
- Term Finance Certificates - unlisted	619,387	770,080
	<b>724,254</b>	893,865
<b>Commercial Papers</b>	-	169,702
<b>Units of mutual funds</b>	1,287,067	442,741
<b>Associate</b>		
- KASB Capital Limited	680,000	680,000
<b>Subsidiary</b>		
- KASB Technology Services Limited	4,771	4,771
	<b>8,882,647</b>	7,286,318
Less: Provision for diminution in the value of investments	<b>(47,388)</b>	(8,443)
<b>Investments at market value - net of provision</b>	<b>8,835,259</b>	7,277,875

**5.3 Particulars of provision for diminution in the value of investments**

Opening balance	8,443	10,185
Charge for the period / year	38,945	1,554
Reversals for the period / year	-	(3,296)
Net charge / (reversals)	38,945	(1,742)
Closing balance	<b>47,388</b>	8,443

	Note	June 30, 2008	December 31, 2007
<b>(Rs. in '000)</b>			
<b>6. ADVANCES - NET</b>			
<b>Loans, cash credits, running finances, etc</b>			
- In Pakistan		30,482,891	23,844,503
<b>Net Investment in finance lease</b>			
- In Pakistan		1,867,224	1,898,315
<b>Bills discounted and purchased (excluding government treasury bills)</b>			
- Payable in Pakistan		1,096,882	128,901
- Payable outside Pakistan		203,574	175,049
		<u>1,300,456</u>	<u>303,950</u>
		33,650,571	26,046,768
<b>Provision against advances</b>			
- Specific	6.2	(952,024)	(870,746)
- General	6.2	(47,686)	(32,869)
		<u>(999,710)</u>	<u>(903,615)</u>
		<u>32,650,861</u>	<u>25,143,153</u>

6.1 Advances include Rs 1,345.245 million (December 31, 2007: Rs 1,069.872 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2008			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000 -----				
Substandard	197,185	-	197,185	34,572	34,572
Doubtful	259,558	-	259,558	77,733	77,733
Loss	888,502	-	888,502	839,719	839,719
	<u>1,345,245</u>	<u>-</u>	<u>1,345,245</u>	<u>952,024</u>	<u>952,024</u>
				Specific	General
				----- Rupees in '000 -----	

6.2 Particulars of provision against loans and advances

Opening balance	870,746	32,869	903,615
Charge for the period	146,347	14,817	161,164
Reversals for the period	(55,396)	-	(55,396)
Net charge / (reversals)	90,951	14,817	105,768
Amounts written off	(9,673)	-	(9,673)
Closing balance	<u>952,024</u>	<u>47,686</u>	<u>999,710</u>

6.2.1 General provision represents provisions made against consumer loans which is 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.

June 30,      December 31,  
2008              2007  
(Rs. in '000)

**7. DEFERRED TAX ASSET - NET**

**Deferred debits arising due to:**

Net deficit on revaluation of available for sale securities	34,174	-
Provision for diminution in the value of investments	16,586	2,955
Provision against non-performing loans and advances and mark-up in suspense	144,519	144,946
Provision for compensated absences	3,391	3,391
Provision against other assets	1,647	1,647
Provision for gratuity	12,984	14,040
Minimum tax	41,283	41,283
Unused tax losses (including unabsorbed depreciation)	580,515	648,725
Other deductible temporary differences	35,614	35,614
	<b>870,713</b>	<b>892,601</b>

**Deferred credits arising due to:**

Unrealised gain on shares of listed companies and units of mutual funds	(1,615)	(3,478)
Net surplus on revaluation of available for sale securities	-	(5,985)
Reversal of accelerated tax depreciation	(71,261)	(68,580)
Liabilities against assets subject to finance lease	(270)	(338)
Net investment in finance leases	(168,892)	(203,687)
	<b>(242,038)</b>	<b>(282,068)</b>
	<b>628,675</b>	<b>610,533</b>

- 7.1 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.

June 30,      December 31,  
2008              2007  
(Rs. in '000)

**8. DEPOSITS AND OTHER ACCOUNTS**

**Customers**

**Remunerative**

Fixed deposits	20,556,001	15,165,536
Saving deposits	11,260,483	8,723,263
	<b>31,816,484</b>	<b>23,888,799</b>

**Non-Remunerative**

Current accounts	3,830,383	3,424,258
Margin deposits	817,447	374,262
	<b>4,647,830</b>	<b>3,798,520</b>

**36,464,314**      27,687,319

**Financial Institutions**

**Remunerative deposits**

Saving deposits	2,844,352	857,256
Term deposits	4,886,322	4,498,500

**Non-remunerative deposits**

Current accounts	131,454	88,698
	<b>7,862,128</b>	<b>5,444,454</b>

**44,326,442**      33,131,773

## 9. SHARE CAPITAL

- 9.1 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. 6 dated October 28, 2005. As per the requirements, the minimum paid-up capital (net of losses) requirement for locally incorporated banks was raised to Rs 6 billion (net of losses), to be achieved in a phased manner by December 31, 2009. The minimum paid-up capital requirement (net of losses) to be achieved by December 31, 2008 is Rs 5 billion. The paid-up capital of the bank as at June 30, 2008 amounts to Rs 4,014.890 million.

During the current period, the bank issued right shares amounting to Rs 907.912 million which had been fully subscribed by the shareholders of the bank during the year ended December 31, 2007. Consequent to the aforementioned issue of right shares, the paid-up capital of the bank has been increased to Rs 4,014.890 million.

- 9.2 The bank has established an Employee Stock Option Plan ('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 has forwarded an application to the Securities and Exchange Commission of Pakistan (SECP) for the approval of the plan.

The plan will be administered by a Committee constituted by the Board of Directors of the bank which shall allocate share 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. This Plan has not been accounted for in these condensed interim financial statements of the bank 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 half year ended June 30, 2008.

June 30,      December 31,  
2008              2007  
(Rs. in '000)

## 10 SURPLUS / (DEFICIT) ON REVALUATION OF AVAILABLE FOR SALE SECURITIES - NET OF TAX

Federal Government securities	(56,149)	(26,093)
Listed Term Finance Certificates	404	693
Fully paid up ordinary shares and units of mutual funds	(69,682)	142,922
	(125,427)	117,522
Related deferred tax asset	34,174	(5,985)
	<u>(91,253)</u>	<u>111,537</u>

## 11 CONTINGENCIES AND COMMITMENTS

### 11.1 Direct credit substitutes

Acceptances	2,804,425	1,935,011
-------------	-----------	-----------

### 11.2 Transaction-related contingent liabilities

Letter of guarantees	5,066,573	3,360,474
----------------------	-----------	-----------

### 11.3 Trade-related contingent liabilities

Letters of credit	3,228,246	3,488,493
-------------------	-----------	-----------

11.4	Commitments in respect of forward exchange contracts	June 30, 2008	December 31, 2007
	<b>Purchase</b>	(Rs. in '000)	
	From the State Bank of Pakistan	7,495	7,064
	From other banks	1,983,843	405,900
	From other customers	3,656	60,667
		<u>1,994,994</u>	<u>473,631</u>
	<b>Sale</b>		
	To banks	1,124,823	694,642
	To customers	631,747	-
		<u>1,756,570</u>	<u>694,642</u>
		<u>3,751,564</u>	<u>1,168,273</u>
	<b>11.5</b>	<u>331,867</u>	<u>422,999</u>
	<b>Commitments for the acquisition of operating fixed assets</b>		
	<b>11.6</b>		
	<b>Taxation</b>		

- (a) The income tax assessments of the bank have been assessed under the self assessment scheme upto and including the tax year 2007. The assessment of the bank for the tax year 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. Further, during the period the assessment of the bank for the tax year 2003 has been amended on account of certain disallowances in respect of income from carry over transactions, provision for bad debts and bad debts written off. 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 its order dated May 15, 2006, has also decided the above matters against the bank and has maintained the above-mentioned disallowances made by the Taxation Officer in respect of tax year 2004. Presently, the bank has filed an appeal before the Income Tax Appellate Tribunal (ITAT) which is pending to date. The bank has also filed an appeal with the CIT-Appeals in connection with amendments made by the Taxation Officer in return for the tax year 2003.
- (b) Income tax assessments of International Housing Finance Limited (amalgamated into KASB 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 and certain other items resulting in a tax demand of Rs. 10.838 million. The bank has filed an appeal with the CIT Appeals in respect of the above-mentioned disallowances.
- (c) Furthermore, income tax assessments of Azad Jammu and Kashmir Branch of the bank for the tax year 2005 has also been amended during the period by the Taxation Officer on account of certain disallowances in respect of income on surplus funds transferred to head office and certain other items resulting in a tax demand of Rs. 12.828 million. The bank has filed an appeal with the CIT Appeals in respect of the above mentioned disallowances.

However, on a prudent basis, in connection with the items (a) to (c) above, tax impact of Rs 59.994 million in respect of certain disallowances made by their tax authorities has been incorporated in these financial statements. No provision for any implication arising out of certain other items amounting to Rs. 184.471 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 period or any other tax years which are deemed to be assessed under the Income Tax Ordinance, 2001 as the management is hopeful of a favorable decision in appeals.

January 1, to January 1, to  
**June 30, 2008** June 30, 2007  
----- Rupees in '000 -----

**12 MARK-UP / RETURN / INTEREST EARNED**

On loans and advances to customers	1,735,588	886,433
On investments in:		
- held for trading securities	(266)	-
- available for sale securities	223,332	157,072
- held to maturity securities	29,637	37,286
On deposits with financial institutions and the State Bank of Pakistan	9,639	40,753
On securities purchased under resale agreements	118,779	33,166
On call money lendings	4,947	2,407
On listed equity securities purchased under resale agreements	-	20,732
	<b>2,121,656</b>	<b>1,177,849</b>

**13 MARK-UP/ RETURN / INTEREST EXPENSED**

Deposits	1,569,981	831,903
Securities sold under repurchase agreements	890	950
Borrowing from the State Bank of Pakistan under export refinance	47,190	65,713
Call borrowings	74,049	23,225
Murabaha financing	-	1,775
Forward cover fee	123	130
Amortisation of premium on securities	13,271	17,872
	<b>1,705,504</b>	<b>941,568</b>

**14. OTHER CHARGES**

Other charges include Rs 9,266 thousand (2007: Rs 12,133 thousand) in respect of penalties imposed by the State Bank of Pakistan.

**15 BASIC / DILUTED EARNINGS PER SHARE**

	April 1, to June 30, 2008	April 1, to June 30, 2007	January 1, to June 30, 2008	January 1, to June 30, 2007
	----- (Rupees in '000) -----			
Profit for the period after taxation	<b>(13,342)</b>	175,098	<b>77,814</b>	205,331
	----- Number of shares -----			
Weighted average number of ordinary shares outstanding during the period - basic	<b>401,489,114</b>	284,983,602	<b>399,827,559</b>	277,511,907
Weighted average number of ordinary shares outstanding during the period - diluted	<b>401,489,114</b>	320,993,349	<b>399,827,559</b>	295,616,255
	----- Rupees -----			
Earnings / (loss) per share - basic (annualised)	<b>(0.13)</b>	2.46	<b>0.39</b>	1.48
Earnings / (loss) per share - diluted (annualised)	<b>(0.13)</b>	2.18	<b>0.39</b>	1.39

## 16 RELATED PARTY TRANSACTIONS

The bank has a related party relationship with its associated undertaking, subsidiary company, employee benefit plans, and its key management personnel (including their associates). The particulars of investments in subsidiary company and associated company is mentioned in note 5.1 to these condensed interim financial statements.

Transactions between the bank and its related parties are carried out at arm's length 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, 2008				December 31, 2007			
	Subsidiaries	Directors	Key management personnel	Associates	Subsidiaries	Directors	Key management personnel	Associates
----- Rupees in '000 -----								
<b>Balances outstanding as at the period end</b>								
<b>Loans and advances</b>								
Opening balance	19,432	-	40,365	35,399	23,091	-	25,904	5,129
Disbursed during the year	38,621	-	32,614	3	58,787	-	18,726	33,668
Repayments during the year	39,909	-	7,745	4,631	62,446	-	4,265	3,398
Closing balance	18,144	-	65,234	30,771	19,432	-	40,365	35,399
<b>Deposit accounts</b>								
Opening balance	1,661	2,714	6,029	417,825	83,054	4,109	6,485	2,424
Deposits received during the year	2,854	88,817	74,903	4,680,461	2,857	1,040,400	67,670	6,169,147
Withdrawals during the year	3,028	88,239	71,320	4,726,303	84,249	1,041,798	68,125	5,753,746
Closing balance	1,487	3,292	9,612	371,983	1,662	2,711	6,029	417,825
Security deposit against lease advances	-	-	-	151	-	-	-	889
Receivable against expenses	818	-	-	1,017	780	-	-	169
Commission income receivable	-	-	-	-	457	-	-	-
Bank profit payable	-	11	116	7	-	1	16	281
Mark-up receivable	245	-	-	474	1,140	-	-	257
Unearned mark-up	-	-	-	60	-	-	-	469
Distribution income receivable	-	-	-	114	-	-	-	535

	January 1 to June 30, 2008				January 1 to June 30, 2007			
	Subsidiaries	Directors	Key management personnel	Associates	Subsidiaries	Directors	Key management personnel	Associates
----- Rupees in '000 -----								
<b>Profit / expense for the year</b>								
Brokerage commission paid	-	-	-	-	799	-	-	-
Interest income on funds placed for initial public offer	-	-	-	825	-	-	-	-
Interest income on advances	1,068	-	1,302	488	10,945	-	-	-
Interest expense on deposits	-	102	-	22,046	1,979	65	97	38
Rent income	-	-	-	-	222	-	-	-
Rent expense	-	-	-	-	1,877	-	-	-
IT service charges	604	-	-	-	534	-	-	-
Communication expenses	5,811	-	-	-	2,115	-	-	-
Repair and maintenance	3,829	-	-	-	-	-	-	-
Advertisement sponsorship	-	-	-	-	-	-	-	1,220
Dividend income	-	-	-	-	200,100	-	-	-
Remuneration paid	-	-	30,646	-	-	534	23,487	-
Administrative expenses	623	-	-	-	494	-	-	8,510
Directors' fee	-	2,550	-	-	-	2,199	-	-
Lease income	-	-	-	-	-	-	-	808
Distribution and facilitation income	-	-	-	114	-	-	-	198

January 1, to January 1, to  
June 30, 2008 June 30, 2007  
(Rs. in '000)

**Contribution to staff provident fund** 11,749 7,716

**17 SEGMENT INFORMATION**

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

	Trading & Sales	Retail Banking	Commerical Banking (Rs. in '000)	Others	Total
<b>June 30, 2008</b>					
Total income (net of interest expense and provisions)	633,901	40,417	113,214	7,724	795,256
Administrative & 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
Segment Assets (Gross)	11,116,339	2,617,576	32,059,435	8,917,413	54,710,763
Segment Non Performing Loans	-	259,157	1,086,088	-	1,345,245
Segment Provision Required	47,388	120,975	878,735	4,707	1,051,805
Segment Liabilities	14,229	2,443,869	46,934,647	107,197	49,499,942

The group is in the process of upgrading its systems and this will also appropriately cater to the information requirements 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, 2008.
- 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 and deferred taxation on provision against investments has been classified under the trading and sales activity, while the remaining deferred tax balance has been classified as "others".

**18 DATE OF AUTHORISATION**

These condensed interim financial statements were authorised for issue on August 27, 2008 by the Board of Directors of the bank.

**19 GENERAL**

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

- Unlisted term finance certificates of KASHF Foundation, Azgard Nine Limited and Avari Hotel Limited amounting to Rs 40.972 million, Rs 175 millionRs 152 million respectively, which had inadvertently been classified as 'Available for sale' investments have now been reclassified as 'Held to maturity' investments in accordance with the management's intention at the time of purchase.
- Earnings per share for the prior period has been restated consequent to the issue of right shares during the current period.

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

  
President & Chief Executive

  
Director

  
Director

  
Director

**CONSOLIDATED BALANCE SHEETS**  
**AS AT JUNE 30, 2008**

	Unaudited June 30, 2008	Audited December 31, 2007
	(Rs. in '000)	
<b>ASSETS</b>		
Cash and balances with treasury banks	5,631,354	3,001,928
Balances with other banks	136,063	806,967
Lendings to financial institutions	2,523,538	1,766,398
Investments	9,184,513	7,280,455
Advances	32,632,717	25,123,721
Operating fixed assets	1,449,434	1,108,021
Deferred tax assets - net	676,039	657,897
Other assets	1,829,793	1,202,493
	<b>54,063,451</b>	<b>40,947,880</b>
<b>LIABILITIES</b>		
Bills payable	501,871	879,152
Borrowings	3,857,084	1,746,375
Deposits and other accounts	44,324,954	33,130,112
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	942	1,428
Deferred tax liabilities	-	-
Other liabilities	916,148	949,674
	<b>49,600,999</b>	<b>36,706,741</b>
<b>NET ASSETS</b>	<b>4,462,452</b>	<b>4,241,139</b>
<b>REPRESENTED BY</b>		
Share capital	4,014,890	3,106,978
Subscription money received against proposed issue of right shares	-	907,912
Revenue reserves	185,602	170,038
Unappropriated profit / accumulated losses	339,438	(69,101)
Effect of fair value measurement of capital on amalgamation	13,775	13,775
	<b>4,553,705</b>	<b>4,129,602</b>
Minority interest	-	-
(Deficit)/Surplus on revaluation of securities - net of tax	(91,253)	111,537
	<b>4,462,452</b>	<b>4,241,139</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		

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

  
 President & Chief Executive

  
 Director

  
 Director

  
 Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2008**

	June 30, 2008	June 30, 2007
	(Rs. in '000)	
Mark-up / return / interest earned	2,120,588	1,171,812
Mark-up / return / interest expensed	<u>(1,705,570)</u>	<u>(949,784)</u>
Net mark-up / return / interest income	415,018	222,028
Provision against loans and advances - net	<b>(105,768)</b>	20,664
Provision for diminution in the value of investments - net	<b>(38,945)</b>	2,026
Bad debts written off directly	<b>(230)</b>	-
	<u><b>(144,943)</b></u>	<u>22,690</u>
Net mark-up / return / interest income after provisions	<b>270,075</b>	244,718
<b>Non mark-up / return / interest income</b>		
Fee, commission and brokerage income	<b>89,685</b>	437,046
Dividend income	<b>48,283</b>	4,606
Income from dealing in foreign currencies	<b>155,605</b>	15,633
Gain on sale of securities - net	<b>164,652</b>	109,590
Unrealised gain on revaluation of investments classified as held for trading - net	<b>4,615</b>	67,753
Other income	<b>69,065</b>	34,687
Total non mark-up / return / interest income	<u><b>531,905</b></u>	<u>669,315</u>
	<b>801,980</b>	914,033
<b>Non mark-up / interest expenses</b>		
Administrative expenses	<b>(679,913)</b>	(765,537)
Other provisions / write offs	<b>(5,182)</b>	(6,658)
Other charges	<b>(9,266)</b>	(12,571)
Total non mark-up / interest expenses	<u><b>(694,361)</b></u>	<u>(784,766)</u>
	<b>107,619</b>	129,267
Share of profit of associate	<b>346,674</b>	-
Extraordinary items / unusual items	-	-
<b>Profit before taxation</b>	<b>454,293</b>	129,267
Taxation		
- Current year	<b>(4,679)</b>	(45,943)
- Prior years	<b>(3,495)</b>	-
- Deferred	<b>(22,017)</b>	37,918
	<u><b>(30,191)</b></u>	<u>(8,025)</u>
<b>Profit after taxation</b>	<b>424,102</b>	121,242
Accumulated loss brought forward	<b>(69,101)</b>	(62,877)
<b>Unappropriated profit carried forward</b>	<u><b>355,001</b></u>	<u>58,365</u>
<b>Basic / Diluted Earnings per share</b>	<u><b>1.06</b></u>	<u>0.47</u>
<b>Basic / Diluted Earnings per share (annualised)</b>	<u><b>2.13</b></u>	<u>0.94</u>

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

  
 President & Chief Executive

  
 Director

  
 Director

  
 Director

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE HALF YEAR ENDED JUNE 30, 2008**

	June 30, 2008	June 30, 2007
<b>(Rs. in '000)</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	454,293	129,267
Less: Dividend income	<u>(48,283)</u>	<u>(4,606)</u>
	<b>406,010</b>	<b>124,661</b>
<b>Adjustments for non-cash and other items:</b>		
Depreciation	52,458	74,076
Gain on deemed disposal	-	-
Share of profit / (loss) from associate	(346,674)	-
Amortisation of intangible assets	2,739	1,438
Provision / (reversal) against loans and advances - net	105,768	(20,664)
Provision for compensated absences / (reversal of provision)	-	-
Provision for gratuity	(3,017)	-
Gain on disposal of operating fixed assets - net	(393)	(431)
Bad debts written off directly	230	-
Unrealised gain on revaluation of investments classified as held for trading	(4,615)	(67,753)
Gain on disposal of investment in subsidiary and associate	-	-
Reversal of provision for diminution in the value of investments	38,945	(2,026)
Amortisation of premium on investments	13,271	17,872
Finance charges on leased assets	60	1,448
	<u>(141,228)</u>	<u>3,960</u>
	<b>264,782</b>	<b>128,621</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(757,140)	30,679
Held for trading securities	(34,089)	85,026
Advances	(7,614,994)	(5,516,092)
Others assets (excluding advance taxation)	<u>(585,532)</u>	<u>(954,884)</u>
	<b>(8,991,755)</b>	<b>(6,355,271)</b>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	(377,281)	68,429
Borrowings	2,211,323	2,041,613
Deposits	11,194,842	5,642,288
Other liabilities (excluding current taxation)	<u>(30,508)</u>	<u>489,678</u>
	<b>12,998,376</b>	<b>8,242,008</b>
	<u>4,271,403</u>	<u>2,015,358</u>
	<b>(7,554)</b>	<b>(42,336)</b>
Income tax paid - net	-	-
Net cash flow from operating activities	<b>4,263,849</b>	<b>1,973,022</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available for sale securities	(1,401,906)	(2,066,883)
Net investments in held to maturity securities	(411,939)	-
Dividend income received	5,895	5,131
Investments in operating fixed assets	(402,571)	(171,914)
Sale proceeds realised on disposal of operating fixed assets	6,354	2,182
Cash inflow on acquisition of International Housing Finance Limited	-	-
Sale proceeds realised from disposal of investment in subsidiary and associate	-	-
Investment in associate	-	-
Net cash flow from investing activities	<u>(2,204,167)</u>	<u>(2,231,484)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payments against lease obligations - net	(546)	2,485
Sub-ordinated loan	-	617,000
Proceeds from issue of right shares	-	229,271
Shares issue costs	-	-
Subscription money received against proposed issue of right shares	-	-
Net cash flow from financing activities	<u>(546)</u>	<u>848,756</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>2,059,136</b>	<b>590,294</b>
Cash and cash equivalents at beginning of the period	<b>3,702,226</b>	<b>3,273,317</b>
<b>Cash and cash equivalents at end of the period</b>	<b>5,761,362</b>	<b>3,863,611</b>

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

  
**President & Chief Executive**

  
**Director**

  
**Director**

  
**Director**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
OR THE HALF YEAR ENDED JUNE 30, 2008**

	Share capital	Subscription towards issue of right shares	Statutory reserve	Revenue reserve	Total reserves	Unappropriated profit / accumulated losses	Effect of fair value measurement of capital on amalgamation	Sub total	Minority Interest	Total
	(Rs. in '000)									
Balance as at December 31, 2006	2,292,707	-	111,365	26,797	138,162	(62,876)	(79,240)	2,288,753	21,349	2,310,122
Right shares issued	229,271	-	-	-	-	-	-	229,271	-	229,271
Profit after taxation for the period from January 1, 2007 to June 30, 2007	-	-	-	-	-	121,242	-	121,242	-	121,242
Transfer to statutory reserve	-	-	41,066	-	41,066	(41,066)	-	-	-	-
Balance as at June 30, 2007	2,521,978	-	152,431	26,797	179,228	17,300	(79,240)	2,639,266	21,349	2,660,635
Subscription money received against proposed issue of right shares	-	907,912	-	-	-	-	-	907,912	-	907,912
Shares issued pursuant to amalgamation	585,000	-	-	-	-	-	93,015	678,015	-	678,015
Shares issue cost	-	-	-	-	-	(2,495)	-	(2,495)	-	(2,495)
Profit after taxation for the period from July 1, 2007 to December 31, 2007	-	-	-	-	-	(112,898)	-	(112,898)	-	(112,898)
Loss attributable to minority interest	-	-	-	-	-	19,803	-	19,803	19,803	-
Transfer from general reserve	-	-	-	(7,661)	(7,661)	7,661	-	-	-	-
Transfer to statutory reserve	-	-	(1,528)	-	(1,528)	1,528	-	-	-	-
Minority interest derecognised on a subsidiary	-	-	-	-	-	-	-	-	(41,172)	(41,172)
Balance as at December 31, 2007	3,106,978	907,912	150,903	19,136	170,039	(69,101)	13,775	4,129,603	-	4,089,997
Issue of right shares	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	-	166,466	19,136	185,602	339,438	13,775	4,553,705	-	4,514,099

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

  
President & Chief Executive

  
Director

  
Director

  
Director

## 1. STATUS AND NATURE OF BUSINESS

1.1 The group consists of:

- KASB Bank Limited (Holding company)
- KASB Technology Services Limited (wholly owned subsidiary company)
- KASB Capital Limited (associate - 27.5 percent holding of the bank)

1.2 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 Business and Finance Center, I.I. Chundrigar Road, Karachi. The bank obtained certificate of commencement of business on January 11, 1995 and is engaged in commercial banking, consumer banking and related services through 41 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 bank's long-term rating as A and the short-term rating as A1.

## 2. STATEMENT OF COMPLIANCE

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

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

## 3. 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.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4.1 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, 2007.

**5. GENERAL**

Figures have been rounded up to the nearest thousand rupees

**6. DATE OF AUTHORIZATION**

These financial statements were authorized for issue on August 27, 2008 by the Board of Directors of the holding company, KASB Bank Limited.

  
President & Chief Executive

  
Director

  
Director

  
Director

**KARACHI**

1. **Main Branch**  
Tel: 021-2446005-10, 2446772-77  
Fax: 021-2446781
2. **Karachi Stock Exchange Branch**  
Tel: 021-2473560-63  
Fax: 021-2473564
3. **Jodia Bazaar Branch**  
Tel: 021-2400322, 2400458, 2434805  
Fax: 021-2433519
4. **Shahrah-e-Faisal Branch**  
Tel: 021-4313236-38, 4538528  
Fax: 021-4538638
5. **Gulshan-e-Iqbal Branch**  
Tel: 021-4983900-4981330-31  
Fax: 021-4981334
6. **Clifton Branch**  
Tel: 021-5837941, 5878778  
Fax: 021-5878779
7. **Site Branch**  
Tel: 021-2550391-94  
Fax: 021-2550395
8. **Shaheed-e-Millat Branch**  
Tel: 021-4145183-85  
Fax: 021-4145186
9. **Dhoraji Sub-branch**  
Tel: 021-4860180-3  
Fax: 021-4860187
10. **Korangi Industrial Area Branch**  
Tel: 021-5078922-25  
Fax: 021-5078926
11. **Preedy Street Branch**  
Tel: 021-2724121, 2724135, 2724178  
Fax: 021-2725175
12. **North Karachi Branch**  
Tel: 021-6950194-97  
Fax: 021-6950198
13. **Gulistan-e-Jauhar Branch**  
Tel No: 021-4029901-4  
Fax: 021-4029903
14. **DHA - Shahbaz Branch**  
Tel No: 021-5349152-57  
Fax: 021-5349149
15. **DHA Phase-I Branch**  
Tel: 5314121-8

**LAHORE**

16. **Gulberg Branch**  
Tel: 042-5762146, 5764384  
Fax: 042-5782187
17. **Abbot Road Branch**  
Tel: 042-6305143-45  
Fax: 042-6305142
18. **Circular Road Branch**  
Tel: 042-7639040-42  
Fax: 042-7660694
19. **Defence Branch**  
Tel: 042-5731811, 5740083, 5692418-19  
Fax: 042-5722228
20. **Lahore Stock Exchange Branch**  
Tel: 042-6280801-03  
Fax: 042-6280804
21. **Raiwind Branch**  
Tel: 042-5437892-93 Fax: 042-5426926

22. **Peco Road Branch**  
Tel: 042-5144952-54 Fax: 042-5144955
23. **Shah Alam Branch**  
Tel: 042-765650 I, 042-7658221  
Fax: 042-7658275
24. **Johar Town Branch**  
Tel: 042-5220815-8 Fax: 042-5220819
25. **Allama Iqbal Town Branch**  
Tel: 042-5424951-2 Fax: 042-5424954

**GUJRAT**

26. **Gujrat City Branch**  
Tel: 053-3517966-67 Fax: 053-3517965

**ISLAMABAD**

27. **Islamabad Branch**  
Tel: 051-2826181-83 Fax: 051-2826184
28. **G/10 Markaz Sub-branch**  
Tel: 051-2819211-3

**RAWALPINDI**

29. **Rawalpindi Branch**  
Tel: 051-5701111-13 Fax: 051-5527844
30. **Bahria Town Branch**  
Tel: 051-5730371-73 Fax: 051-5730376
31. **Chandni Chowk Branch**  
Tel: 051-4417050

**FAISALABAD**

32. **Faisalabad Branch**  
Tel: 041-2649667-70 Fax: 041-2649672

**GUJRANWALA**

33. **Gujranwala Branch**  
Tel: 055-3254429, 3252358 Fax: 055-3254529

**MIRPUR (AK)**

34. **Mirpur Azad Kashmir Branch**  
Tel: 058610-44877, 42841, 44061  
Fax: 058610-42742

**PESHAWAR**

35. **Peshawar Branch**  
Tel: 091-5279432, 5279698 Fax: 091-5279838

**SIALKOT**

36. **Sialkot Branch**  
Tel: 052-3241671-4 Fax: 052-3241679

**MULTAN**

37. **Multan Branch**  
Tel: 061-4587701-04 Fax: 061-4587705

**SUKKUR**

38. **Sukkur Branch**  
Tel: 071-5619084-87 Fax: 071-5619088

**HYDERABAD**

39. **Hyderabad Branch**  
Tel: 022-2729917, 2729502 Fax: 022-2785977

**NAWABSHAH**

40. **Nawabshah Branch**  
Tel: 0244-330304-06 Fax: 0244-330307

**QUETTA**

41. **Quetta Branch**  
Tel: 081-2836518, 2836948 Fax: 081-2842531