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Board of Directors	<i>Chairman :</i> H. U. Beg <i>Directors :</i> Nasir Ali Shah Bukhari Sohail Wajahat H. Siddiqui Tariq M. Rangoonwala Anif Ali Shah Bukhari William Knight Muneer Kamal
President / Chief Executive Officer	Muneer Kamal
Audit Committee	<i>Chairman :</i> H. U. Beg Tariq M. Rangoonwala Anif Ali Shah Bukhari
Human Resource & Remuneration Committee	<i>Chairman :</i> H. U. Beg Nasir Ali Shah Bukhari Muneer Kamal
Risk Management Committee	<i>Chairman :</i> Nasir Ali Shah Bukhari Tariq M. Rangoonwala Muneer Kamal
Auditors	A. F. Ferguson & co.
Legal Advisors	Ghulam Ali & Co.
Registered Office and Head Office	Business & Finance Centre, 11 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 Kamimabad, Block-4, Federal 'B' Area, Karachi. Tel : (92-21) 6801880-2 Fax : (92-21) 6801129

I have the privilege to present before you, on behalf of the Board of Directors of the Bank, the quarterly unaudited financial statements of the Bank along with consolidated financial statements of the Bank and its subsidiaries for the nine months period and quarter ended September 30, 2006.

Operating and Financial Review

- Growth in deposits and assets is higher than the comparable average for the corresponding period of last year. Deposits registered increase of 68.6% over the deposits of the corresponding period of year 2005. However, the growth over the position of June has not been significant.
- Investment portfolio reflected increase of 27.9% over the position of December 31, 2005.
- Focus of the management was to go for stable deposits through innovative deposit schemes. In the given circumstances the management has been concentrating on enhancing the quality of the loans portfolio hence disbursements have been selective.
- Impact of substantial investment in strategically essential service quality initiatives and technology and the increased Human Resource cost beside further provisions against the non performing assets, has had bearing on the overall profitability. Notwithstanding these unavoidable expenditures, the Bank managed to show profit before tax of 92.045 million.
- Net Mark-up income increased substantially by 69.2%. However, the higher cost of deposits negated the impact of this increase and over-all net mark-up income declined by 12%. On the other hand non-mark-up income reflected sharp increase of 144.5% when compared with the position of last year's corresponding period.

Future Prospects

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

With the advent of new set up of Information Technology infrastructure and applications provided by the internationally renowned software house MSYS International, scope of e-banking services is being further widened.

Memill Lynch Investment Managers of United Kingdom have joined hands with KASB Group through their equity participation in KASB Funds Limited whose capital stands restructured.

The service quality processes through a well established Service Quality Division are gaining momentum with focus on providing quality service to the customer on modern lines.

In order to broaden the balance sheet spectrum the Bank is contemplating acquisition and merger with the Bank of one of the oldest housing finance companies in the private sector. Formalities and modalities are being worked out in that respect.

Process of 32% Right Issue has commenced on consummation of which the Paid up Capital will exceed Rupees three billion by the end of December, 2006.

Pursuing the policy of providing quality customer services, the Bank has come out with a number of innovative products namely 'Mahana Khazana', 'Business Flex' and 'Education Assan'. These products are now gaining marketing momentum. Another product 'Cash Assan' is in the offing. In addition Bank's Consumer Banking segment is going to launch certain other products in near future, thus meeting prevalent needs of the consumers.

Break-through has been made in respect of certain chronic non performing loans through intervention of NAB and the management expects sizeable recoveries in near future which will have positive impact on the balance sheet of the Bank.

Credit Rating

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

Acknowledgment

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

On behalf of the Board of Directors



H.U Beg
Chairman

Karachi
October 27, 2006

Balance Sheet As at September 30, 2006

	Note	Unaudited September 30, 2006	Audited December 31, 2005
(Rs. in '000)			
ASSETS			
Cash and balances with treasury banks		1,973,715	1,082,524
Balances with other banks		365,384	817,078
Lendings to financial institutions		2,605,663	1,077,546
Investments	4	4,887,784	3,821,943
Advances	5	11,945,810	10,739,337
Other assets		741,202	733,845
Operating fixed assets		532,316	447,513
Deferred tax assets - net		409,324	383,201
		<u>23,461,198</u>	<u>19,102,987</u>
LIABILITIES			
Bills payable		364,670	127,446
Borrowings from financial institutions		1,466,233	1,931,448
Deposits and other accounts		19,051,363	14,828,110
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		5,285	9,493
Other liabilities		503,266	470,528
Deferred tax liabilities - net		-	-
		<u>21,390,817</u>	<u>17,367,025</u>
NET ASSETS		<u><u>2,070,381</u></u>	<u><u>1,735,962</u></u>
REPRESENTED BY			
Share capital		2,292,707	2,014,707
Reserves		104,866	84,279
Effect of fair value measurement of capital on amalgamation		(79,240)	(79,240)
Accumulated loss		(190,686)	(273,034)
		<u>2,127,647</u>	<u>1,746,712</u>
Surplus / (deficit) on revaluation of securities - net of tax	6	<u>(57,266)</u>	<u>(10,750)</u>
		<u><u>2,070,381</u></u>	<u><u>1,735,962</u></u>
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The annexed notes 1 to 10 form an integral part of these financial statements.


President & Chief Executive


Director


Director


Director



Profit And Loss Account For the nine months ended September 30, 2006 (Unaudited)

	From July 1, to September 30, 2006	From July 1, to September 30, 2005	From January 1, to September 30, 2006	From January 1, to September 30, 2005
----- (Rs. in '000) -----				
Mark-up / return / interest earned	429,743	279,776	1,284,647	759,186
Mark-up / return / interest expensed	(346,743)	(168,271)	(997,989)	(433,388)
Net mark-up / interest income	83,000	111,505	286,658	325,798
(Provision)/reversal of provision against loans and advances - net	(56,537)	4,000	(109,658)	(6,413)
Reversal of provision for diminution in the value of investments	-	-	26,862	-
Bad debts written off directly	-	-	-	-
	(56,537)	4,000	(82,796)	(6,413)
Net mark-up / interest income after provisions	26,463	115,505	203,862	319,385
Non mark-up / interest income				
Fee, commission and brokerage income	23,221	14,431	69,110	82,492
Dividend income	6,429	9,467	120,975	30,085
Income from dealing in foreign currencies	6,695	10,269	36,255	34,048
Income from / (loss on) trading in government securities	-	-	-	-
Gain / (loss) on sale of investments (other than government securities)	14,630	7,277	36,760	60,867
(Unrealised loss) / gain on revaluation of investments classified as held for trading	194,359	(325)	177,926	(36,069)
Other income	3,992	7,509	11,974	13,836
Total non mark-up / interest income	249,326	48,628	453,000	185,259
	275,789	164,133	656,862	504,644
Non mark-up / interest expenses				
Administrative expenses	(206,031)	(152,173)	(559,754)	(415,607)
Other provisions / write offs	-	-	(105)	-
Other changes	-	(271)	(4,958)	(4,044)
Total non mark-up / interest expenses	(206,031)	(152,444)	(564,817)	(419,651)
Profit / (loss) before taxation	69,758	11,689	92,045	84,993
Taxation - Current	(3,102)	-	(14,375)	(4,599)
- Prior years	-	-	-	-
- Deferred	-	-	25,265	(7,680)
	(3,102)	-	10,890	(12,279)
Profit / (loss) after taxation	66,656	11,689	102,935	72,714
(Accumulated loss) / unappropriated profit	(244,011)	48,820	(273,034)	-
	(177,355)	60,509	(170,099)	72,714
APPROPRIATIONS:				
Transfer to statutory reserve	(13,331)	(2,338)	(20,587)	(14,543)
	(190,686)	58,171	(190,686)	58,171
Basic and diluted earnings per share (annualised) (Rs.)	1.16	0.27	0.61	0.57

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


President & Chief Executive


Director


Director


Director



Cash Flow Statement For the nine months ended September 30, 2006 (Unaudited)

	September 30, 2006	September 30, 2005
	(Rs. in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	92,045	84,993
Less: Dividend Income	(120,975)	(30,085)
	<u>(28,930)</u>	<u>54,908</u>
Adjustments for non-cash charges and other items		
Depreciation	51,067	42,437
Amortisation	19,138	19,226
Provision for compensated absences	-	-
Provision / (reversal) against non-performing advances - net	109,658	6,413
Gain on sale of fixed assets	(389)	(3,658)
Fixed assets written off	105	22
Unrealized gain on revaluation of investments classified as held for trading	(177,926)	-
Reversal of provision for diminution in value of investments	(26,862)	-
Amortisation of premium on investments	26,986	26,175
Finance charges on leased assets	404	1,411
	<u>2,181</u>	<u>92,026</u>
	(26,749)	146,934
(Increase) / Decrease in operating assets		
Lendings to financial institutions and others	(1,528,117)	(48,560)
Held-for-trading securities	18,883	(136,517)
Advances	(1,316,131)	(784,778)
Others assets (excluding advance taxation)	(1,682)	(227,299)
	<u>(2,827,047)</u>	<u>(1,197,154)</u>
Increase / (Decrease) in operating liabilities		
Bills payable	237,224	24,535
Borrowings from financial institutions	(129,808)	(446,197)
Deposits	4,223,253	96,516
Other liabilities (excluding current taxation)	32,738	(26,675)
	<u>4,363,407</u>	<u>(351,821)</u>
	1,509,611	(1,402,041)
Income tax (paid) / refund	(31,927)	68,738
Net cash (outflow) / inflow from operating activities	<u>1,477,684</u>	<u>(1,333,303)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in held to maturity securities	(3,621)	119,854
Net investments in available for sale securities	(950,673)	56,303
Dividend received	114,546	30,085
Investments in operating fixed assets	(139,007)	(100,935)
Investment in subsidiaries	-	(180,000)
Sale proceeds of property and equipment disposed-off	2,587	3,685
Net cash outflow from investing activities	<u>(976,168)</u>	<u>(71,008)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Subordinated loan	-	-
Payments of lease obligations (net)	(4,612)	(11,774)
Issue of Share capital	278,000	-
Net cash outflow from financing activities	<u>273,388</u>	<u>(11,774)</u>
Net increase / (decrease) in cash and cash equivalents	774,904	(1,416,085)
Cash and cash equivalents at beginning of the period	<u>1,564,188</u>	<u>3,036,260</u>
Cash and cash equivalents at the end of the period	<u>2,339,092</u>	<u>1,620,175</u>

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


President & Chief Executive


Director


Director


Director



Statement of Changes in Equity For the nine months ended September 30, 2006 (Unaudited)

	Share capital	Statutory reserve	Revenue reserve	Total Reserves	Effect of fair value measurement of capital on amalgamation	Accumulated (loss) / unappropriated profit	Total
	(Rs. in '000)						
Balance as at December 31, 2004 as restated	1,707,379	83,895	384	84,279	(79,240)	-	1,712,418
Profit after taxation for the period from January 1, 2005 to September 30, 2005	-	-	-	-	-	72,714	72,714
Transfer to statutory reserve	-	14,543	-	14,543	-	(14,543)	-
Balance as at September 30, 2005	1,707,379	98,438	384	98,822	(79,240)	58,171	1,785,132
Right shares subscribed during the period	307,328	-	-	-	-	-	307,328
Loss after taxation for the period from October 1, 2005 to December 31, 2005	-	-	-	-	-	(345,748)	(345,748)
Transfer from statutory reserve	-	(14,543)	-	(14,543)	-	14,543	-
Balance as at December 31, 2005	2,014,707	83,895	384	84,279	(79,240)	(273,034)	1,746,712
Right shares issued during the period	278,000	-	-	-	-	-	278,000
Profit for the period from January 1, 2006 to September 30, 2006	-	-	-	-	-	102,935	102,935
Transfer to statutory reserve	-	20,587	-	20,587	-	(20,587)	-
	<u>2,292,707</u>	<u>104,482</u>	<u>384</u>	<u>104,866</u>	<u>(79,240)</u>	<u>(190,686)</u>	<u>2,127,647</u>

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


President & Chief Executive


Director


Director


Director

1. STATUS AND NATURE OF BUSINESS

KASB Bank Limited was incorporated in Lahore, Pakistan on October 13, 1994 as a public limited company under the Companies' Ordinance, 1984 and received a banking license from the State Bank of Pakistan on January 9, 1995. The registered office of the bank is situated at Business and Finance Center, I.I Chundigar Road, Karachi. The bank obtained its Certificate of Commencement of Business on January 11, 1995 and is engaged in commercial banking and related services through 35 branches operating in different cities. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges.

2. STATEMENT OF COMPLIANCE

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the bank for the year ended December 31, 2005.

4. INVESTMENTS

4.1 Investment by types

	September 30, 2006			December 31, 2005		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
	(Rs. in '000)					
Held-for-trading						
Ordinary Shares of listed companies	262,668	-	262,668	103,625	-	103,625
Available-for-sale securities						
Pakistan Investment Bonds	156,642	-	156,642	108,025	53,960	161,985
Market Treasury Bills	1,573,345	-	1,573,345	1,380,482	299,643	1,680,125
Term Finance Certificates	375,974	-	375,974	395,995	-	395,995
Ordinary Shares of listed companies	1,322,951	-	1,322,951	287,506	-	287,506
Ordinary Shares of unlisted companies	15,680	-	15,680	15,680	-	15,680
	3,444,592	-	3,444,592	2,187,688	353,603	2,541,291
Held-to-maturity						
Federal Investment Bonds	119,372	-	119,372	127,048	-	127,048
Pakistan Investment Bonds	736,566	-	736,566	616,984	135,271	752,255
	855,938	-	855,938	744,032	135,271	879,303
Associates						
KASB Funds Limited	30,000	-	30,000	-	-	-
Subsidiaries						
KASB Securities Limited	300,000	-	300,000	300,000	-	300,000
KASB Technology Services Limited	4,771	-	4,771	4,771	-	4,771
KASB Funds Limited	-	-	-	30,000	-	30,000
	304,771	-	304,771	334,771	-	334,771
Less: Provision for diminution in value of Investments	(10,185)	-	(10,185)	(37,047)	-	(37,047)
	4,887,784	-	4,887,784	3,333,069	488,874	3,821,943

	September 30,	December 31,
	2006	2005
	(Rupees in '000)	
4.2 Investments by segments		
Federal Government Securities		
- Market Treasury Bills	1,573,345	1,680,125
- Pakistan Investment Bonds	893,208	914,240
- Federal Investment Bonds	119,372	127,048
	2,585,925	2,721,413
Fully Paid up Ordinary Shares		
- Listed Companies	1,585,619	391,131
- Unlisted Companies	15,680	15,680
	1,601,299	406,811
Term Finance Certificates and commercial papers		
- Term Finance Certificates - Quoted	214,124	149,124
- Term Finance Certificates - Unquoted	161,850	246,871
	375,974	395,995
Associates		
KASB Funds Limited	30,000	-
Subsidiaries		
- KASB Securities Limited	300,000	300,000
- KASB Technology Services Limited	4,771	4,771
- KASB Funds Limited	-	30,000
	304,771	334,771
Less: Provision for diminution in value of Investments	(10,185)	(37,047)
Investments (net of provisions)	4,887,784	3,821,943

	September 30, 2006	December 31, 2005
	(Rs. in '000)	
5. ADVANCES		
Loans, cash credits, running finances, etc.-in Pakistan	10,356,172	8,609,909
Net Investment in finance lease in Pakistan	1,661,210	1,740,662
Bills discounted and purchased (excluding government treasury bills)		
Payable in Pakistan	362,917	82,808
Payable outside Pakistan	321,724	172,456
	684,641	255,264
Financing in respect of continuous funding system	-	791,835
	12,702,023	11,397,670
Provision for non-performing advances		
- Specific	(754,636)	(654,463)
- General	(1,577)	(3,870)
	(756,213)	(658,333)
	11,945,810	10,739,337

5.1 Advances include Rs.1,113.094 million (2005: Rs. 1,070.433 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2006				
	Domestic	Oversease	Total	Provision required	Provision held
	------(Rupees in '000)-----				
Substandard	23,036	-	23,036	5,763	5,763
Doubtful	386,873	-	386,873	151,829	151,829
Loss	703,185	-	703,185	597,044	597,044
	1,113,094	-	1,113,094	754,636	754,636

	September 30, 2006		
	Specific	General	Total
5.2 Particulars of provision against loans and advances			
Opening balance	654,463	3,870	658,333
Charge for the period	262,964	-	262,964
Reversals	(151,013)	(2,293)	(153,306)
Net charge	111,951	(2,293)	109,658
Amount written off	(11,778)	-	(11,778)
	754,636	1,577	756,213

Notes to the Financial Statements For the nine months ended September 30, 2006 (Unaudited)

	September 30, 2006	December 31, 2005
	(Rs. in '000)	
6. SURPLUS / (DEFICIT) ON REVALUATION OF SECURITIES NET OFF DEFERRED TAX		
Federal Government Securities	(23,953)	(21,509)
Listed Term Finance Certificates	729	(5,837)
Fully Paid up Ordinary Shares	(42,426)	9,068
	(65,650)	(18,278)
Related deferred tax liability	8,384	7,528
	<u>(57,266)</u>	<u>(10,750)</u>
7. CONTINGENCIES AND COMMITMENTS		
7.1 Direct credit substitutes		
Acceptances	2,049,345	1,114,890
7.2 Transaction-related contingent liabilities		
Guarantees issued favouring:		
- Government	47,879	36,367
- Others	2,474,816	1,806,035
	2,522,695	1,842,402
7.3 Trade-related contingent liabilities		
Letters of credit	2,569,459	2,236,350
7.4 Commitments in respect of forward exchange contracts		
Purchase		
From the State Bank of Pakistan	8,605	9,005
From other banks	342,020	1,170,709
From other customers	46,514	26,247
	397,139	1,205,961
Sale		
To banks	372,586	1,446,224
To customers	-	3,192
	<u>372,586</u>	<u>1,449,416</u>
	769,725	2,655,377
Maturities of above contracts fall within 3 months		
7.5 Commitments for the acquisition of operating fixed assets	47,524	1,960

8. RELATED PARTY TRANSACTIONS

The bank has a related party relationship with its associated undertakings, subsidiary companies, employee benefit plans, and its key management personnel (including their associates).

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:

	September 30, 2006				December 31, 2005			
	Subsidi- aries	Directors	Key manage- ment personnel	Associ- ates	Subsidi- aries	Directors	Key manage- ment personnel	Associ- ates
Rupees in '000								
Balances outstanding as at the period end								
Loans and advances	23,092	-	30,505	3,400	46,162	-	21,059	-
Deposit accounts	344,949	87,779	10,611	14,280	137,162	3,801	7,683	534
Investments	304,771	-	-	280,000	334,771	-	-	-
Security Deposit against lease advances	-	-	-	442	476	-	-	-
Receivable against expenses	1,907	-	-	-	6,067	-	-	-
Commission income receivable	10,760	-	-	-	10,969	-	-	-
Creditors - Trading	-	-	-	-	13,923	-	-	-
Bank profit payable	131	2	52	1	334	-	-	-
Receivables - Trading	-	-	-	-	63,519	-	-	-
Receivable - Markup	-	-	-	-	2,470	-	-	-
Prepaid Rent	300	-	-	-	-	-	-	-
Advance against disposal of property	8,000	-	-	-	-	-	-	-

	September 30, 2006				September 30, 2005			
	Subsidi- aries	Directors	Key manage- ment personnel	Associ- ates	Subsidi- aries	Directors	Key manage- ment personnel	Associ- ates
Rupees in '000								
Profit / Expense for the period								
Brokerage commission paid	6,003	-	-	-	2,188	-	-	-
Interest income on advances	3,377	-	544	224	12,060	-	-	-
Interest expense on deposits	5,368	14	108	947	1,869	-	-	-
Rent Income	390	-	-	-	504	-	-	-
Rent Expense	1,981	-	-	-	2,260	-	-	-
IT Service charges	1,090	-	-	-	607	-	-	-
Communication expenses	6,185	-	-	-	343	-	-	-
Advertisement sponsorship	-	-	-	1,969	-	-	-	557
Dividend income	100,500	-	-	-	-	-	-	-
Remuneration paid	-	8,775	22,187	-	-	-	-	-

September 30, September 30,
2006 2005
(Rs. in '000)

Contribution to staff provident fund 8,879 1,935

9. GENERAL

Figures have been rounded up to the nearest thousand rupees.

10. DATE OF AUTHORIZATION

These financial statements were authorised for issue on October 27, 2006 by the Board of Directors of the Bank.


President & Chief Executive


Director


Director


Director



Consolidated Balance Sheet As at September 30, 2006

	Unaudited September 30, 2006	Audited December 31, 2005
	(Rs. in '000)	
ASSETS		
Cash and balances with treasury banks	1,629,031	1,082,856
Balances with other banks	770,139	876,446
Lendings to financial institutions	2,605,663	1,077,546
Investments	4,836,350	3,635,037
Advances	11,922,718	10,695,320
Other assets	2,452,702	2,055,172
Operating fixed assets	776,576	665,071
Deferred tax assets - net	411,400	383,746
	<u>25,404,579</u>	<u>20,471,194</u>
LIABILITIES		
Bills payable	364,670	127,446
Borrowings from financial institutions	1,869,368	2,126,141
Deposits and other accounts	18,706,414	14,700,257
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	22,925	18,836
Other liabilities	2,206,962	1,678,680
Deferred tax liabilities	-	-
	<u>23,170,339</u>	<u>18,651,360</u>
NET ASSETS	<u><u>2,234,240</u></u>	<u><u>1,819,834</u></u>
REPRESENTED BY		
Share capital	2,292,707	2,014,707
Subscription money	-	-
Reserves	122,185	84,279
Effect of fair value measurement of capital on amalgamation	(79,240)	(79,240)
Accumulated loss	(124,407)	(210,794)
	<u>2,211,245</u>	<u>1,808,952</u>
Surplus on revaluation of securities - net of tax	22,995	10,882
	<u><u>2,234,240</u></u>	<u><u>1,819,834</u></u>

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


President & Chief Executive


Director


Director


Director



Consolidated Profit And Loss Account For the nine months ended September 30, 2006 (Unaudited)

	September 30, 2006	September 30, 2005
	(Rs. in '000)	
Mark-up / return / interest earned	1,281,270	748,511
Mark-up / return / interest expensed	(992,621)	(431,518)
Net mark-up / interest income	<u>288,649</u>	<u>316,993</u>
Provision against loans and advances - net	(109,658)	(6,413)
Provision for diminution in the value of investments	26,862	-
Bad debts written off directly	-	-
	<u>(82,796)</u>	<u>(6,413)</u>
Net mark-up / interest income after provisions	205,853	310,580
Non mark-up / interest income		
Fee, commission and brokerage income	388,856	358,994
Dividend income	20,475	15,084
Income from dealing in foreign currencies	36,255	34,048
Income / (loss) on trading in government securities	-	-
Gain on sale of investments (other than government securities)	76,384	92,301
Unrealised loss on revaluation of investments classified as held for trading	177,098	(40,789)
Other income	75,707	40,334
Total non mark-up / interest income	<u>774,775</u>	<u>499,972</u>
	980,628	810,552
Non mark-up / interest expenses		
Administrative expenses	(820,110)	(678,280)
Other provisions / write offs	(105)	-
Other charges	(4,958)	(4,044)
Total non mark-up / interest expenses	<u>(825,173)</u>	<u>(682,324)</u>
Share of loss from associates	(3,487)	-
Profit before taxation	151,968	128,228
Taxation - current year	(58,381)	(33,367)
- prior year	1,826	4,031
- defered	28,880	(6,593)
	<u>(27,675)</u>	<u>(35,929)</u>
Profit after taxation	124,293	92,299
Accumulated loss brought forward	(210,794)	(5,618)
	<u>(86,501)</u>	<u>86,681</u>
APPROPRIATION		
Transfer to statutory reserve	(37,906)	(14,543)
	<u>(124,407)</u>	<u>72,138</u>
Basic /diluted earnings per share (annualised) (Rs.)	<u>0.74</u>	<u>0.72</u>

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


President & Chief Executive


Director


Director


Director



Consolidated Cash Flow Statement For the nine months ended September 30, 2006 (Unaudited)

	September 30, 2006	September 30, 2005
	(Rs. in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	151,968	128,228
Less: Dividend Income	<u>(20,475)</u>	<u>(15,945)</u>
	131,493	112,283
Adjustments for non-cash charges and other items		
Depreciation	51,067	60,361
Amortisation	19,138	19,226
Provision against non-performing advances - net	109,658	6,413
Loss on held for trading securities	(177,098)	4,720
Profit on sale of fixed assets	(389)	(5,344)
Fixed assets written off	-	22
Provision for diminution in value of investments	(26,862)	-
Amortisation of premium on investments	26,986	26,175
Finance charges on leased assets	404	8,652
	<u>2,904</u>	<u>120,225</u>
	134,397	232,508
(Increase) / Decrease in operating assets		
Lendings to financial institutions	(1,528,117)	(48,560)
Held-for-trading securities	38,565	(161,073)
Advances	(1,337,056)	(621,913)
Others assets (excluding advance taxation)	(404,437)	(1,614,289)
	<u>(3,231,045)</u>	<u>(2,445,835)</u>
Increase / (Decrease) in operating liabilities		
Bills payable	237,224	24,535
Borrowings from financial institutions	(55,912)	(446,197)
Deposits	4,006,157	251,516
Other liabilities (excluding current taxation)	543,859	522,316
	<u>4,731,328</u>	<u>352,170</u>
	1,634,680	(1,861,157)
Income tax refund / (paid)	<u>(61,815)</u>	<u>44,257</u>
Net cash (outflow) / inflow from operating activities	1,572,865	(1,816,900)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in held to maturity securities	(3,621)	119,854
Net investments in available for sale securities	(1,043,758)	55,427
Dividend received	13,997	30,715
Investments in operating fixed assets	(184,303)	(111,867)
Long term deposits and advances	-	895
Financial and other income net	-	1,312
Sale proceeds of property and equipment disposed-off	3,864	5,371
Net cash (outflow) / inflow from investing activities	<u>(1,213,821)</u>	<u>101,707</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Subordinated loan	-	-
Issue of share capital	278,000	-
Investment in associates	-	(29,825)
Payments of lease obligations (net)	3,685	(16,560)
Net cash (outflow) / inflow from financing activities	<u>281,685</u>	<u>(46,385)</u>
Net increase / (decrease) in cash and cash equivalents	640,729	(1,761,578)
Cash and cash equivalents at beginning of the period	<u>1,429,195</u>	<u>3,196,984</u>
Cash and cash equivalents at the end of the period	<u>2,069,924</u>	<u>1,435,406</u>

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


President & Chief Executive


Director


Director


Director



Consolidated Statement of Changes in Equity
For the nine months ended September 30, 2006 (Unaudited)

	Share capital	Statutory reserve	Revenue reserve	Total Reserves	Effect of fair value measurement of capital on amalgamation	Accumulated (loss) / unappropriated profit	Total
	(Rs. in '000)						
Balance as at December 31, 2004 as restated	1,707,379	83,895	384	84,279	(79,240)	(5,618)	1,706,800
Profit after taxation for the period from January 1, 2005 to September 30, 2005	-	-	-	-	-	92,299	92,299
Transfer to statutory reserve	-	14,543	-	14,543	-	(14,543)	-
Balance as at September 30, 2005	1,707,379	98,438	384	98,822	(79,240)	72,138	1,799,099
Right shares subscribed during the period	307,328	-	-	-	-	-	307,328
Loss for the period from October 1, 2005 to December 31, 2005	-	-	-	-	-	(297,475)	(297,475)
Transfer to statutory reserve	-	(14,543)	-	(14,543)	-	14,543	-
Balance as at December 31, 2005	2,014,707	83,895	384	84,279	(79,240)	(210,794)	1,808,952
Right shares issued during the period	278,000	-	-	-	-	-	278,000
Profit for the period from January 1, 2006 to September 30, 2006	-	-	-	-	-	124,293	124,293
Transfer to statutory reserve	-	37,906	-	37,906	-	(37,906)	-
	<u>2,292,707</u>	<u>121,801</u>	<u>384</u>	<u>122,185</u>	<u>(79,240)</u>	<u>(124,407)</u>	<u>2,211,245</u>

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


President & Chief Executive


Director


Director


Director

1. STATUS AND NATURE OF BUSINESS

The group consists of:

- KASB Bank Limited (Holding company)
- KASB Securities Limited (Subsidiary company)
- KASB Technology Services Limited (Subsidiary company)

KASB Bank Limited was incorporated in Lahore, Pakistan on October 13, 1994 as a public limited company under the Companies' Ordinance, 1984 and received banking license from the State Bank of Pakistan on January 9, 1995. The registered office of the bank is situated at Business and Finance Center, II Chundrigar Road, Karachi. The bank obtained Certificate of Commencement of Business on January 11, 1995 and is engaged in commercial banking and related services through 35 branches operating in different cities. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The consolidated financial statements of the bank for the nine months ended September 30, 2006 comprise the bank and its subsidiaries (together referred as the 'group'). The group is primarily engaged in the financial sector and has seven major businesses; (a) commercial banking, (b) lease financing, (c) equity sales and trading, (d) securities and economic research, (e) investment advisory, (f) investment banking and (g) information technology services.

The financial statements of the holding company and the subsidiary companies have been consolidated based on their un-audited financial statements for the nine months ended September 30, 2006.

2. STATEMENT OF COMPLIANCE

2.1. These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.

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

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

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

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

2.3 The State Bank of Pakistan has deferred the applicability of International Accounting Standard (IAS) 39: "Financial Instruments: Recognition and Measurement" and International Accounting Standard (IAS) 40: "Investment Property" for banking companies through BSD Circular No. 10 dated August 26, 2002. Accordingly, the requirements of these Standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by the SBP through various circulars.

3. BASIS OF CONSOLIDATION

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

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

Due to issue of share capital by KASB Funds Limited, KASB Bank share in KASB Funds Limited reduced to 30%. Therefore KASB Funds is no more subsidiary of KASB Bank Limited.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the bank for the year ended December 31, 2005.

5. GENERAL

Figures have been rounded up to the nearest thousand rupees.

6. DATE OF AUTHORIZATION

These financial statements were authorized for issue in the Board of Directors' meeting held on October 27, 2006.


President & Chief Executive


Director


Director


Director

Branches Network

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

