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Board of Directors	<p><i>Chairman :</i> H. U. Beg</p> <p><i>Directors :</i> Nasir Ali Shah Bukhari Sohail Wajahat H. Siddiqui Tariq M. Rangoonwala Irfiza Husain N.K. Shahani Muneer Kamal</p>
President / Chief Executive Officer	Muneer Kamal
Audit Committee	<p><i>Chairman :</i> H. U. Beg Tariq M. Rangoonwala Irfiza Husain N.K. Shahani</p>
Human Resource & Remuneration Committee	<p><i>Chairman :</i> H. U. Beg Nasir Ali Shah Bukhari Muneer Kamal</p>
Risk Management Committee	<p><i>Chairman :</i> Nasir Ali Shah Bukhari Tariq M. Rangoonwala N.K. Shahani Muneer Kamal</p>
Auditors	A. F. Ferguson & co.
Legal Advisors	Ghulam Ali & Co.
Registered Office and Head Office	<p>Business & Finance Centre, I.I. Chundrigar Road, Karachi Tel : (92-21) 2446772-77 Fax : (92-21) 2446828 & 2446865</p>
Regional Office, Lahore	<p>76-B, E-1, Main Boulevard, (Next to Hafeez Centre,) Gulberg-III, Lahore-54000. Tel : (92-42) 5764288-9 Fax : (92-42) 5755358 & 5760079</p>
Registrar and Share Transfer Office	<p>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</p>

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 subsidiaries, for the half year ended June 30, 2007.

Operating and Financial Review

The Bank remained focused on maintaining steady growth in assets, investments, Advances and Deposits during the period. Summarized financial performance of the Bank for the half year ended June 30, 2007 as compared to the corresponding period of last year is as follows:

	Rupees in million	
	June 30, 2007	June 30, 2006
Profit before taxation	183.64	22.29
Taxation	21.69	13.99
Profit after taxation	205.33	36.28
Total assets	34,911.23	23,531.62
Investments	6,252.18	5,515.48
Advances	20,109.62	12,189.26
Deposits	26,838.63	18,695.91
Basic Earning per share (half year) Rs.	1.67	0.35

The Bank made significant inroads to area of pre-tax profitability during the period under review which increased more than seven times of the pre-tax profit of the position of June 30, 2006. Basic earning per share also registered significant increase for Re.0.35 per share as on June 30, 2006 to Rs.1.67 per share as on June 30, 2007. However, on consolidation of accounts with Bank's subsidiaries this earning comes to Re.1/- per share on overall basis.

On the other hand prudent approach to clean the books of infected portfolios continued to provide for the non performing assets in line with regulatory requirements. Besides, the Bank also continued to cope with the challenge of cleaning up the inherited Non Performing Loans (NPL).

Nevertheless, substantial addition has been made to the assets by booking advances of sound quality, strictly in line with the established risk management criteria, which increased 64.98% over the position of 30th June, 2006 and by 38.57% over 31st December, 2006.

Net mark-up income went up by 16.02 % as compared to the position of 30th June, 2006. On the other hand the non mark-up income went up by 116 % when compared with the corresponding period of last year.

Non-mark-up and other charges during the period increased by 43.62% resulting mainly due to business related administrative expenses in the wake of additional steps taken to improve administrative efficiency.

Management's continued efforts paved way for substantial increase in deposits which registered significant rise of 43.55 % as compared to the position of corresponding period of last year and by 26.15 % over the position of December 31, 2006. Sustained focus remains on to establish strong and core deposit base of the Bank with new and innovative deposit mobilization schemes.

The Bank remained focused on increasing its deposit base through the customary means as well as through launching of branded products. While the deposit products Business Flex, Mahana Khazana and Maheena Aasan - One Year are doing well, asset products namely Education Aasan, Cash Aasan and Karobar Aasan have also taken off significantly, showing satisfactory results.

To compete and remain in the mainstream of the top ranking banks, the Bank has to presently go along with investments in technology, service quality and human resource development. This has again been a reason for the subdued profitability.

The Bank has successfully implemented most of the solutions provided by MISYS International, an internationally renowned software house, thus setting up the platform for the management of the Corporate, Middle Market, SME, Consumer and Retail Banking products.

After going through the major process of Human Resource development by escalating appropriate salary scales of bottom level staff to bring them reasonably in line with prevalent market trend, the management is constantly taking necessary steps to further strengthen this vital area of operation. On the other hand the functions of the well-defined service quality department of the Bank are also being stepped up under a professional set-up.

Future Prospects

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.

In order to comply with the directives of State Bank of Pakistan for further increase of the Capital to the level of Rupees Four billion by December 31, 2007, the Bank is in the process of considering available options including the offer of Right shares.

Credit rating

There is significant break-through in the credit rating which has been upgraded by PACRA from BBB+ (Triple B Plus) to A- (A Minus) besides maintaining short term rating of A-2 (A Two). The Bank is now in the 'A' rating group and the management will strive to take steps to have the same improved further.

Acknowledgment

The Board of Directors records its gratitude to the valued customers, shareholders, business partners and other stakeholders for their continued support and confidence reposed in the Bank. We also place on record our thanks to the State Bank of Pakistan for its continued guidance and support extended to the Bank. We also wish to thank our staff members for their hard work and commitment.

On behalf of the Board of Directors



H.U Beg
Chairman

Karachi
August 28, 2007



Introduction

We have reviewed the accompanying condensed interim balance sheet of KASB Bank Limited as at June 30, 2007, and the related condensed interim profit and loss account, condensed cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-inafter referred to as the 'financial statements'), for the half year then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended June 30, 2007 and 2006 have not been reviewed, as we are required to review only the cumulative figures for the half year ended June 30, 2007.

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 interim financial information as of and for the half year ended June 30, 2007 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Without qualifying our conclusion we draw attention to note 9.1 to the financial statements which highlights that the bank has not met the minimum paid-up capital requirement (net of losses) of Rs 3, billion applicable as at December 31, 2006. The State Bank of Pakistan had granted extension to the bank in meeting the aforementioned minimum capital requirement uptill June 30, 2007 in view of the fact that in order to achieve compliance with the above minimum capital requirement the bank has decided to merge with International Housing Finance Limited (IHFL), a company in which a sponsor/director of the bank has a significant shareholding. The merger with IHFL has been approved by the shareholders in the Extra Ordinary General Meeting of the bank held on June 28, 2007 and the application for merger with IHFL is currently pending with the State Bank of Pakistan for approval.

A.F. Ferguson & Co.
Chartered Accountants
Karachi

Dated : August 28, 2007



Condensed Interim Balance Sheet
As at June 30, 2007

	Note	Unaudited June 30, 2007	Audited December 31, 2006
(Rs. in '000)			
ASSETS			
Cash and balances with treasury banks		2,787,526	2,305,082
Balances with other banks		1,098,507	799,731
Lendings to financial institutions		2,274,553	2,305,232
Investments including investments classified as 'held for sale' amounting to Rs 330 million	5	6,252,182	4,694,312
Advances	6	20,109,621	14,512,718
Operating fixed assets		754,495	673,064
Deferred tax assets - net	7	528,010	488,621
Other assets		1,106,332	759,975
		34,911,226	26,538,735
LIABILITIES			
Bills payable		268,099	199,670
Borrowings		3,772,696	2,176,032
Deposits and other accounts		26,838,625	21,275,570
Sub-ordinated loans	8	617,000	-
Liabilities against assets subject to finance lease		2,462	3,775
Other liabilities		699,795	754,891
Deferred tax liabilities		-	-
		32,198,677	24,409,938
NET ASSETS		2,712,549	2,128,797
REPRESENTED BY:			
Share capital	9	2,521,978	2,292,707
Reserves		152,814	111,748
Effect of fair value measurement of capital on amalgamation		(79,240)	(79,240)
Unappropriated profit / (accumulated loss)		1,109	(163,156)
		2,596,661	2,162,059
Surplus / (deficit) on revaluation of securities - net of tax	10	115,888	(33,262)
		2,712,549	2,128,797
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The annexed notes 1 to 20 form an integral part of these financial statements.


President & Chief Executive


Director


Director


Director



Condensed Interim Profit And Loss Account
 For the quarter and half year ended June 30, 2007 (Unaudited)

		April 1, to June 30, 2007	April 1, to June 30, 2006	January 1, to June 30, 2007	January 1, to June 30, 2006
------(Rs. in '000)-----					
Mark-up / return / interest earned	12	636,270	445,894	1,177,849	854,904
Mark-up / return / interest expensed	13	(509,803)	(342,359)	(941,568)	(651,246)
Net mark-up / return / interest income		<u>126,467</u>	<u>103,535</u>	<u>236,281</u>	<u>203,658</u>
Reversal / (charge) of provision against loans and advances - net		<u>(10,463)</u>	<u>(125,285)</u>	<u>20,664</u>	<u>(53,121)</u>
Reversal of provision for diminution in the value of investments		<u>2,026</u>	<u>26,862</u>	<u>2,026</u>	<u>26,862</u>
Bad debts written off directly		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>(8,437)</u>	<u>(98,423)</u>	<u>22,690</u>	<u>(26,259)</u>
Net mark-up / interest income after provisions		<u>118,030</u>	<u>5,112</u>	<u>258,971</u>	<u>177,399</u>
Non mark-up / interest income					
Fee, commission and brokerage income		<u>31,042</u>	<u>28,944</u>	<u>56,350</u>	<u>45,889</u>
Dividend income		<u>200,100</u>	<u>105,150</u>	<u>204,444</u>	<u>114,546</u>
Income from dealing in foreign currencies		<u>5,035</u>	<u>16,246</u>	<u>15,633</u>	<u>29,560</u>
Income on trading in government securities		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Gain on sale of investments (other than government securities)		<u>63,889</u>	<u>5,763</u>	<u>98,751</u>	<u>22,130</u>
Unrealised gain / (loss) on revaluation of investments classified as held for trading		<u>6,770</u>	<u>(16,954)</u>	<u>44,084</u>	<u>(16,433)</u>
Other income		<u>10,289</u>	<u>4,327</u>	<u>20,699</u>	<u>7,982</u>
Total non mark-up / interest income		<u>317,125</u>	<u>143,476</u>	<u>439,961</u>	<u>203,674</u>
		<u>435,155</u>	<u>148,588</u>	<u>698,932</u>	<u>381,073</u>
Non mark-up / interest expenses					
Administrative expenses	14	<u>(268,732)</u>	<u>(197,711)</u>	<u>(502,953)</u>	<u>(353,723)</u>
Other provisions / write offs		<u>(3)</u>	<u>(105)</u>	<u>(3)</u>	<u>(105)</u>
Other charges	15	<u>(12,251)</u>	<u>(6,656)</u>	<u>(12,332)</u>	<u>(4,958)</u>
Total non mark-up / interest expenses		<u>(280,986)</u>	<u>(204,472)</u>	<u>(515,288)</u>	<u>(358,786)</u>
Profit / (Loss) before taxation		<u>154,169</u>	<u>(55,884)</u>	<u>183,644</u>	<u>22,287</u>
Taxation - Current		<u>(14,159)</u>	<u>(8,134)</u>	<u>(17,719)</u>	<u>(11,273)</u>
- Prior		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
- Deferred		<u>35,088</u>	<u>40,199</u>	<u>39,406</u>	<u>25,265</u>
		<u>20,929</u>	<u>32,065</u>	<u>21,687</u>	<u>13,992</u>
Profit / (loss) after taxation		<u>175,098</u>	<u>(23,819)</u>	<u>205,331</u>	<u>36,279</u>
Accumulated loss brought forward		<u>(138,970)</u>	<u>(224,956)</u>	<u>(163,156)</u>	<u>(273,034)</u>
		<u>36,128</u>	<u>(248,775)</u>	<u>42,175</u>	<u>(236,755)</u>
Appropriation					
Transfer to statutory reserve		<u>(35,019)</u>	<u>4,764</u>	<u>(41,066)</u>	<u>(7,256)</u>
		<u>1,109</u>	<u>(244,011)</u>	<u>1,109</u>	<u>(244,011)</u>
-----Rupees-----					
Basic earnings / (loss) per share (annualised)	16	<u>2.78</u>	<u>(0.45)</u>	<u>1.67</u>	<u>0.35</u>
Diluted earnings / (loss) per share (annualised)	16	<u>2.46</u>	<u>(0.45)</u>	<u>1.57</u>	<u>0.31</u>

The annexed notes 1 to 20 form an integral part of these financial statements.


 President & Chief Executive


 Director


 Director


 Director



Condensed Interim Cash Flow Statement
 For the quarter and half year ended June 30, 2007 (Unaudited)

	Half year ended June 30, 2007	Half year ended June 30, 2006
	------(Rs. in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	183,644	22,287
Less: Dividend income	<u>(204,444)</u>	<u>(114,546)</u>
	(20,800)	(92,259)
Adjustments for non-cash charges and other items:		
Depreciation	40,314	32,054
Amortisation	4,523	12,637
(Reversal of provision) / provision made against non-performing loans and advances - net	(20,664)	53,121
Loss / (gain) on sale of fixed assets - net	199	(388)
(Unrealised gain) / loss on revaluation of investments classified as held for trading	(44,084)	16,433
Reversal of provision for diminution in the value of investments	(2,026)	(26,862)
Fixed assets written off	3	105
Finance charges on leased assets	187	308
Amortisation of premium on investments	17,872	17,566
	<u>(3,676)</u>	<u>104,974</u>
	(24,476)	12,715
(Increase) / decrease in operating assets		
Lendings to financial institutions	30,679	(891,044)
Held for trading securities	184,448	(147,299)
Advances	(5,576,239)	(1,503,043)
Others assets (excluding advance taxation)	(200,275)	63,000
	<u>(5,561,387)</u>	<u>(2,478,386)</u>
Increase / (decrease) in operating liabilities		
Bills payable	68,429	59,183
Borrowings from financial institutions	1,604,852	439,697
Deposits	5,563,055	3,867,797
Other liabilities	(55,096)	38,587
	<u>7,181,240</u>	<u>4,405,264</u>
	1,595,377	1,939,593
Income tax paid	(14,326)	(18,829)
Net cash inflow from operating activities	<u>1,581,051</u>	<u>1,920,764</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in held to maturity securities	-	(2,626)
Net investments in available for sale securities	(1,564,913)	(1,503,702)
Dividend received	54,969	9,396
Investments in operating fixed assets	(126,852)	(111,497)
Sale proceeds realised on disposal of fixed assets	382	2,877
Net cash outflow on investing activities	<u>(1,636,414)</u>	<u>(1,605,552)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from sub-ordinated loans	617,000	-
Issue of right shares	229,271	278,000
Payments against lease obligations	(1,500)	(3,565)
Net cash inflow from financing activities	<u>844,771</u>	<u>274,435</u>
Net increase in cash and cash equivalents	<u>789,408</u>	<u>589,647</u>
Cash and cash equivalents at beginning of the period	3,096,625	1,564,188
Cash and cash equivalents at the end of the period	<u>3,886,033</u>	<u>2,153,835</u>

The annexed notes 1 to 20 form an integral part of these financial statements.


 President & Chief Executive


 Director


 Director


 Director



Condensed Interim Statement of Changes in Equity
For the half year ended June 30, 2007 (Unaudited)

	Share capital	Subscription towards issue of right shares	Statutory reserve	Revenue reserve	Total reserves	Effect of fair value measurement of capital on amalgamation	Unappropriated profit / (accumulated loss)	Total
----- (Rupees in '000) -----								
Balance as at December 31, 2005	2,014,707	-	83,895	384	84,279	(79,240)	(273,034)	1,746,712
Subscription money received against right shares to be issued	-	278,000	-	-	-	-	-	278,000
Profit after taxation for the period from January 1, 2006 to June 30, 2006	-	-	-	-	-	-	36,279	36,279
Transfer to statutory reserve	-	-	7,256	-	7,256	-	(7,256)	-
Balance as at June 30, 2006	2,014,707	278,000	91,151	384	91,535	(79,240)	(244,011)	2,060,991
Right shares issued during the period	278,000	(278,000)	-	-	-	-	-	-
Profit after taxation for the period from July 1, 2006 to December 31, 2006	-	-	-	-	-	-	101,068	101,068
Transfer to statutory reserve	-	-	20,213	-	20,213	-	(20,213)	-
Balance as at December 31, 2006	2,292,707	-	111,364	384	111,748	(79,240)	(163,156)	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	(79,240)	1,109	2,596,661

The annexed notes 1 to 20 form an integral part of these 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 Center, I.I. Chundrigar Road, Karachi. The bank obtained Certificate of Commencement of Business on January 11, 1995 and is engaged in commercial banking and related services through 35 branches operating in different cities. Its shares are listed on the Karachi, Lahore and Islamabad Stock Exchanges.
- 1.2** In order to comply with the minimum capital requirements prescribed by the State Bank of Pakistan (SBP), the bank has decided to merge with International Housing Finance Limited (IHFL), a company in which Mr. Nasir Ali Shah Bukhari, sponsor / director of the bank holds 55.93 percent shares. The proposal for the merger with IHFL was approved by the Board of Directors in their meeting held on October 27, 2006 and "In Principle Approval (IPA)" was granted by SBP vide letter No. BPRD (LCGD-02)/625-79-1316/RK/2006/11977 dated December 22, 2006. Accordingly, SBP vide its letter No. BSD/SU-1/608/221/2007 dated January 26, 2007 and further through letter No. BSD/SU-1/608/928/2007 dated April 2, 2007 granted extension to the bank till June 30, 2007 to meet the minimum capital requirement of Rs 3 billion applicable as at December 31, 2006. The proposed merger with IHFL has been approved in the Extra Ordinary General Meeting of the shareholders of the bank held on June 28, 2007 and the bank has applied to the SBP to process and sanction the merger in terms of the Banking Companies Ordinance, 1962.

2 STATEMENT OF COMPLIANCE

- 2.1** These condensed interim financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and 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 Financial Reporting 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 SECP and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.
- 2.2** 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 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.
- 2.3** 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 No. 2 dated May 12, 2004 and International Accounting Standard 34: 'Interim Financial Reporting' (IAS 34). They do not include all of the information required for full annual financial statements, and these financial statements should be read in conjunction with the financial statements of the bank for the year ended December 31, 2006.

3 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, 2006, except for the change as stated in note 4 to these condensed interim financial statements.

4 CHANGE IN ACCOUNTING POLICY

During the current period the bank has changed its accounting policy relating to subsequent measurement of goodwill, acquired in a business combination, in order to comply with the requirements set out in the International Financial Reporting Standard (IFRS) 3: 'Business Combinations' which is applicable to the financial statements of the bank covering accounting periods beginning on or after January 1, 2007. As per the revised accounting policy, goodwill acquired in a business combination is measured, subsequent to initial recognition, at its cost less any accumulated impairment losses. Goodwill is not amortised. Instead, goodwill is tested for impairment annually in accordance with International Accounting Standard 36: 'Impairment of Assets' and whenever there is an indication that it may be impaired. Previously, goodwill was amortised on a straight line basis over its life estimated at 10 years. In addition, at each balance sheet date, goodwill was reviewed for indication of impairment or changes in estimated future benefits. If such indication existed, an analysis was performed to assess whether the carrying amount of goodwill was fully recoverable or not. A write-down was made if the carrying amount exceeded the recoverable amount.

In accordance with the transitional provisions prescribed in IFRS 3, the change in accounting policy has been applied prospectively from the current period. The effect of this change in accounting policy on the condensed interim financial statements of the bank is given below:

	January 1 to June 30, 2007 (Rupees in '000)
Decrease in amortisation of goodwill	12,828
Effect on tax expense	-
Increase in profit after taxation	12,828
	June 30, 2007 (Rupees in '000)
Increase in carrying amount of goodwill	12,828

5 INVESTMENTS

5.1 Investments by type

		June 30, 2007			December 31, 2006		
		Note	Held by bank	Given as collateral	Total	Held by bank	Given as collateral
(Rs. in '000)							
Held for trading							
Ordinary shares of listed companies		58,506	-	58,506	198,870	-	198,870
Available for sale							
Pakistan Investment Bonds		157,965	-	157,965	156,315	-	156,315
Market Treasury Bills		3,217,739	-	3,217,739	1,322,482	-	1,322,482
Term Finance Certificates		829,643	-	829,643	362,727	-	362,727
Commercial paper		93,138	-	93,138	-	-	-
Units of mutual funds		412,991	-	412,991	1,216,199	-	1,216,199
Ordinary shares of listed companies		306,679	-	306,679	248,581	-	248,581
Ordinary shares of unlisted companies		15,680	-	15,680	15,680	-	15,680
		5,033,835	-	5,033,835	3,321,984	-	3,321,984
Held to maturity							
Federal Investment Bonds		111,479	-	111,479	116,751	-	116,751
Pakistan Investment Bonds		721,750	-	721,750	732,121	-	732,121
		833,229	-	833,229	848,872	-	848,872
Associate							
KASB Funds Limited - held for sale	5.3	30,000	-	30,000	30,000	-	30,000
Subsidiaries							
KASB Securities Limited - held for sale	5.3	300,000	-	300,000	300,000	-	300,000
KASB Technology Services Limited		4,771	-	4,771	4,771	-	4,771
		304,771	-	304,771	304,771	-	304,771
		6,260,341	-	6,260,341	4,704,497	-	4,704,497
Less: Provision for diminution in the value of investments	5.4	(8,159)	-	(8,159)	(10,185)	-	(10,185)
Investments (net of provision)		6,252,182	-	6,252,182	4,694,312	-	4,694,312

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the half year ended June 30, 2007 (Unaudited)

	June 30, 2007	December 31, 2006
Note	(Rs. in '000)	
5.2 Investments by segment		
Federal Government Securities		
- Market Treasury Bills	3,217,739	1,322,482
- Pakistan Investment Bonds	879,715	888,436
- Federal Investment Bonds	111,479	116,751
	4,208,933	2,327,669
Term Finance Certificates		
- Listed	134,212	152,155
- Unlisted	695,431	210,572
	829,643	362,727
Fully Paid-up Ordinary Shares		
- Listed Companies	365,185	447,451
- Unlisted Companies	15,680	15,680
	380,865	463,131
Units of Mutual Funds	412,991	1,216,199
Commercial Paper	93,138	-
Associate		
- KASB Funds Limited - held for sale	5.3 30,000	30,000
Subsidiaries		
- KASB Securities Limited - held for sale	5.3 300,000	300,000
- KASB Technology Services Limited	4,771	4,771
	304,771	304,771
Less: Provision for diminution in the value of investments	5.4 (8,159)	(10,185)
Investments (net of provision)	6,252,182	4,694,312

5.3 These investments have been classified as 'held for sale' in accordance with the requirements of International Financial Reporting Standard (IFRS) 5: 'Non-current assets held for sale and discontinued operations', following the decision of the management to dispose of these investments to KASB Capital Limited. Under IFRS 5, 'held for sale' investments are valued at the lower of cost and fair value less costs to sell.

	June 30, 2007	December 31, 2006
	(Rs. in '000)	
5.4 Particulars of provision for diminution in the value of investments		
Opening balance	10,185	37,047
Charge for the period / year	1,270	310
Reversals for the period / year	(3,296)	(27,172)
Net (reversals) / charge	(2,026)	(26,862)
Closing balance	8,159	10,185

	Note	June 30, 2007	December 31, 2006
		(Rs. in '000)	
6	ADVANCES		
	Loans, cash credits, running finances, etc.- in Pakistan	18,355,620	12,170,125
	Net investment in finance lease - in Pakistan	1,829,839	1,643,279
	Bills discounted and purchased (excluding government treasury bills)		
	- Payable in Pakistan	391,640	168,093
	- Payable outside Pakistan	156,460	210,845
		548,100	378,938
		20,733,559	14,192,342
	Financing in respect of Continuous Funding System (CFS)	44,300	1,015,437
		20,777,859	15,207,779
	Provision against advances:		
	- Specific	6.2 (661,629)	(693,484)
	- General	6.2 (6,609)	(1,577)
		(668,238)	(695,061)
		20,109,621	14,512,718

6.1 Advances include Rs 884.666 million (December 31, 2006: Rs 1,016.710 million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2007			Provision required	Provision held
	Domestic	Overseas	Total		
----- Rupees in '000 -----					
Substandard	4,513	-	4,513	1,137	1,137
Doubtful	107,201	-	107,201	42,065	42,065
Loss	772,952	-	772,952	618,427	618,427
	<u>884,666</u>	<u>-</u>	<u>884,666</u>	<u>661,629</u>	<u>661,629</u>

Specific	General	Total
----- Rupees in '000 -----		

6.2 Particulars of provision against loans and advances

Opening balance	693,484	1,577	695,061
Charge for the period	47,824	5,032	52,856
Reversals for the period	(73,520)	-	(73,520)
Net charge / (reversals)	(25,696)	5,032	(20,664)
Amounts written off	(6,159)	-	(6,159)
Closing balance	<u>661,629</u>	<u>6,609</u>	<u>668,238</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, 2007	December 31, 2006
(Rs. in '000)		
7 DEFERRED TAX ASSETS - NET		
Deferred debits arising due to :		
Deficit on revaluation of available-for-sale investments	8,511	8,528
Provision for diminution in the value of investments	2,856	3,565
Provision against non-performing loans and advances and mark-up in suspense	17,698	18,914
Provision for compensated absences	2,905	2,905
Provision against other assets	1,647	1,647
Minimum tax	26,757	19,260
Unused tax losses (including unabsorbed depreciation)	716,770	679,654
	777,144	734,473
Deferred credits arising due to:		
Accelerated tax depreciation	(69,130)	(69,053)
Liabilities against assets subject to finance lease	(330)	(55)
Net investment in finance leases	(179,674)	(176,744)
	(249,134)	(245,852)
	528,010	488,621

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 the current period and prior years.

8 SUB-ORDINATED LOANS

This represents unsecured interest free subordinated loan granted by Mr. Nasir Ali Shah Bukhari (lender), a sponsor / director of the bank, amounting to Rs 320 million in his own capacity and Rs 297 million on behalf of KASB Capital Limited.

The liability in respect of the loan is subordinated to all other indebtedness of the bank including the liability towards other shareholders in case of winding up. The outstanding loan may, at the option of the bank, be refunded, be written off by the lender or be converted into share capital of the bank. Prior approval of the State Bank of Pakistan is required for refund of the loan or conversion of loan into share capital.

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, 2006 was Rs 3 billion. The paid-up capital of the bank as at June 30, 2007 amounts to Rs 2,521.978 million which includes a right issue of 10% made during the current period.

As mentioned in note 1.2 to the financial statements, in order to comply with the minimum capital requirements prescribed by the State Bank of Pakistan (SBP), the bank has decided to merge with International Housing Finance Limited (IHFL), a company in which Mr. Nasir Ali Shah Bukhari, sponsor / director of the bank holds 55.93 percent shares. In this connection, SBP had granted an extension to the bank till June 30, 2007 to meet the minimum capital requirement (net of losses) of Rs 3 billion as at December 31, 2006. The merger with IHFL has been approved in the Extra Ordinary General Meeting of the shareholders of the bank held on June 28, 2007 and the bank has applied to SBP to process and sanction the merger in terms of the Banking Companies Ordinance, 1962.

- 9.2 The bank has established an Employee Stock Option Plan ("Plan") for the benefit of certain employees of the bank and its affiliates, KASB Securities Limited and KASB Funds Limited. The Plan has 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 also not yet determined the grant date, vesting period and other conditions relating to the Plan. This Plan has not been accounted for in the condensed interim financial statements of the bank for the period ended June 30, 2007 as the grant date, vesting period and other conditions related thereto will be determined subsequent to receipt of approval from SECP and will not relate to the period of six months ended on June 30, 2007.

	Note	June 30, 2007	December 31, 2006
		(Rs. in '000)	
10 SURPLUS / (DEFICIT) ON REVALUATION OF SECURITIES - net of tax			
Federal Government Securities		(24,316)	(24,367)
Listed Term Finance Certificates		1,795	1,611
Fully paid - up ordinary shares and units of mutual funds		129,898	(19,034)
		107,377	(41,790)
Related deferred tax asset		8,511	8,528
		<u>115,888</u>	<u>(33,262)</u>
11 CONTINGENCIES AND COMMITMENTS			
11.1 Direct credit substitutes			
Acceptances		2,588,249	2,116,691
11.2 Transaction-related contingent liabilities			
Guarantees issued favouring:			
- Government		2,014,664	1,228,769
- Others	11.4	1,504,684	1,805,015
		<u>3,519,348</u>	<u>3,033,784</u>
11.3 Trade-related contingent liabilities			
Letters of credit		3,991,705	2,822,946
11.4 This includes guarantee amounting to Rs. 291,933 thousand (2006: nil) issued in favour of New Horizon Exploration and Production Limited which is a related party of the bank.			

	June 30, 2007	December 31, 2006
	(Rs. in '000)	
11.5 Commitments in respect of forward exchange contracts		
Purchase		
From the State Bank of Pakistan	7,296	8,585
From other banks	298,971	30,440
From other customers	23,581	24,822
	329,848	63,847
Sale		
To banks	725,437	291,285
To other customers	-	12,620
	725,437	303,905
	1,055,285	367,752

11.6 Commitments for the acquisition of operating fixed assets	21,506	28,639
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11.7 Taxation

11.7.1 The income tax assessments of the bank have been finalised upto and including the tax year 2006. The assessment for the tax year 2004 has been amended by the Taxation Officer resulting in an additional tax liability of Rs. 68.456 million. The Commissioner of Income Tax Appeals (CIT – Appeals) through its order dated May 15, 2006 has also decided the matter against the bank and has maintained the disallowances made by the Taxation Officer. In this regard, the bank has filed an appeal before the Income Tax Appellate Tribunal (ITAT) which is pending till date. Further, during the current year the Taxation Officer, while amending the assessment for the tax year 2006, has assessed minimum tax amounting to Rs. 6.245 million.

11.7.2 The management is hopeful of a favourable decision in appeals. However, on a prudent basis, in connection with the above, tax impact of Rs. 23.172 million has been incorporated in these financial statements. Full provision for any implication arising out of the above disallowances has not been made in these financial statements in respect of the current period or other Tax years including those which are deemed to be assessed under the Income Tax Ordinance, 2001. Further, the income tax assessment years 1999-2000 to 2002-2003 are pending at various appellate stages.

	January 1, to June 30, 2007	January 1, to June 30, 2006
	(Rs. in '000)	
12 MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to customers	886,433	561,171
On investments in securities	194,358	162,109
On deposits with financial institutions and the State Bank of Pakistan	40,753	46,268
On securities purchased under resale agreements	33,166	15,550
On call money lendings	2,407	2,570
On listed equity securities purchased under resale agreements	20,732	67,236
	1,177,849	854,904

January 1, to June 30, 2007 **January 1, to June 30, 2006**
 (Rs. in '000)

13 MARK-UP / RETURN / INTEREST EXPENSED

Deposits	831,903	544,160
Securities sold under repurchase agreements	950	39,466
Borrowings from the State Bank of Pakistan under export refinance	65,713	45,987
Call borrowings	23,225	3,905
Morabaha financing	1,775	-
Forward cover fee	130	162
Amortisation of premium on securities	17,872	17,566
	941,568	651,246

14 ADMINISTRATIVE EXPENSES

Administrative expenses include Rs. 8,510 thousand (2006: nil) in respect of marketing expenses incurred on behalf of the bank by International Housing Finance Limited, which is a related party of the bank.

15 OTHER CHARGES

Other charges include Rs 12,133 thousand (2006: Rs 4,958 thousand) in respect of penalties imposed by the State Bank of Pakistan.

16 BASIC / DILUTED EARNINGS PER SHARE

	April 1, to June 30, 2007	April 1, to June 30, 2006	January 1, to June 30, 2007	January 1, to June 30, 2006
	----- Rupees in '000 -----			
Profit / (loss) for the period after taxation	175,098	(23,819)	205,331	36,279
	----- Number of Shares -----			
Weighted average number of ordinary shares outstanding during the period - basic	252,197,878	209,529,528	245,585,758	209,529,528
Weighted average number of ordinary shares outstanding during the period - diluted	284,064,911	209,529,528	261,607,305	230,933,992
	----- Rupees -----			
Earnings / (loss) per share - basic (annualised)	2.78	(0.45)	1.67	0.35
Earnings / (loss) per share - diluted (annualised)	2.46	(0.45)	1.57	0.31

17 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). The particulars of investments in subsidiary companies and associated company is mentioned in note 5.1 to these condensed 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the half year ended June 30, 2007 (Unaudited)

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

	June 30, 2007				December 31, 2006			
	Subsidiaries	Directors	Key management personnel	Associates	Subsidiaries	Directors	Key management personnel	Associates
----- Rupees in '000 -----								
Balances outstanding as at the period end								
Loans and advances	83,239	-	27,040	6,256	23,091	-	25,904	5,129
Deposit accounts	4,857	3,887	8,796	7,340	83,054	4,109	6,485	2,424
Un-earned markup	-	-	-	-	-	-	-	678
Investments	-	-	-	412,991	-	-	-	250,000
Security deposit against lease advances	-	-	-	889	-	-	-	593
Receivable against expenses	367	-	-	168	881	-	-	-
Commission income receivable	-	-	-	-	341	-	-	-
Creditors - trading	48	-	-	-	5,488	-	-	-
Bank profit payable	114	26	25	10	176	367	42	-
Receivables - trading	-	-	-	-	-	-	-	-
Receivable - mark up	1,350	-	-	-	466	-	-	-
Dividend receivable	200,100	-	-	-	50,100	-	-	-
Administrative expenses payable	352	-	-	8,510	1,045	-	-	-
Prepayments	390	-	-	-	2,354	-	-	-
Mark-up suspense	-	-	-	-	1,397	-	-	-
Distribution income receivable	-	-	-	198	-	-	-	114
Rent receivable	90	-	-	-	-	-	-	-
Rent payable	331	-	-	-	-	-	-	-
Sub-ordinated loans	-	320,000	-	297,000	-	-	-	-

	June 30, 2007				June 30, 2006			
	Subsidiaries	Directors	Key management personnel	Associates	Subsidiaries	Directors	Key management personnel	Associates
----- Rupees in '000 -----								
Profit / expense for the period								
Brokerage commission paid	799	-	-	-	5,022	-	-	-
Interest income on advances	10,945	-	-	-	2,765	-	353	-
Interest expense on deposits	1,979	65	97	38	4,054	12	57	6
Rent income	222	-	-	-	258	-	-	-
Rent expense	1,877	-	-	-	1,373	-	-	-
IT service charges	534	-	-	-	1,048	-	-	-
Communication expenses	2,115	-	-	-	5,826	-	-	-
Advertisement sponsorship	-	-	-	1,220	-	-	-	928
Dividend Income	200,100	-	-	-	100,500	-	-	-
Remuneration paid	-	534	23,487	-	-	5,850	13,921	-
Administrative expense	494	-	-	8,510	-	-	-	-
Directors fees	-	2,199	-	-	-	-	-	-
Lease income	-	-	-	808	-	-	-	-
Distribution commission income	-	-	-	198	-	-	-	-
Contingency								
Letter of guarantee	291,933	-	-	-	-	-	-	-

January 1, to January 1, to
June 30, 2007 June 30, 2006
(Rs. in '000)

Contribution to recognised staff provident fund 7,716 5,734

18 SEGMENT INFORMATION

The bank is in the process of upgrading its system and implementing a new information system which will appropriately cater to the information requirement for presentation of disclosures in respect of segment information in the annual financial statements.

19 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on August 28, 2007 by the Board of Directors of the bank.

20 GENERAL

Corresponding information has been re-classified in these condensed interim financial statements, wherever necessary, to facilitate comparison and to conform with changes in presentation in the current period. Significant reclassifications include:

- Contingent liabilities arising on guarantees issued in favour of Government have been reclassified from 'others' to letters of guarantees issued in favour of 'Government'.
- Deferred tax on provision against non-performing leases has been reclassified to deferred tax on 'unused tax losses' to deferred tax from 'net investment in finance lease'.


President & Chief Executive


Director


Director


Director

Consolidated Balance Sheet As at June 30, 2007

	Unaudited June 30, 2007	Audited December 31, 2006
	(Rs. in '000)	
ASSETS		
Cash and balances with treasury banks	2,787,755	2,305,248
Balances with other banks	1,200,369	976,257
Lendings to financial institutions	2,274,553	2,305,232
Investments	6,872,751	4,635,204
Advances	20,026,382	14,489,626
Operating fixed assets	1,010,048	915,397
Deferred tax assets - net	576,168	538,267
Other assets	2,558,972	1,608,221
	37,306,998	27,773,452
LIABILITIES		
Bills payable	268,099	199,670
Borrowings	4,333,970	2,176,032
Deposits and other accounts	26,833,768	21,191,480
Sub-ordinated loans	617,000	-
Liabilities against assets subject to finance lease	22,912	18,979
Deferred tax liabilities	-	-
Other liabilities	2,314,505	1,824,827
	34,390,254	25,410,988
NET ASSETS	2,916,744	2,362,464
REPRESENTED BY		
Share capital	2,521,978	2,292,707
Revenue reserves	179,227	138,161
Unappropriated profit/(Accumulated loss)	17,299	(62,876)
Effect of fair value measurement of capital on amalgamation	(79,240)	(79,240)
	2,639,264	2,288,752
Minority Interest	21,369	21,369
Surplus on revaluation of securities - net of tax	256,111	52,343
	2,916,744	2,362,464
CONTINGENCIES AND COMMITMENTS		

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 half year ended June 30, 2007 (Unaudited)

	June 30, 2007	June 30, 2006
	(Rs. in '000)	
Mark-up / return / interest earned	1,171,812	853,832
Mark-up / return / interest expensed	<u>949,784</u>	<u>664,891</u>
Net mark-up / interest income	<u>222,028</u>	188,941
(Reversal) / charge of provision against non-performing loans and advances - net	<u>(20,664)</u>	53,121
Reversal of provision for diminution in the value of investments	<u>(2,026)</u>	(26,862)
Bad debts written off directly	-	-
	<u>(22,690)</u>	26,259
Net mark-up / return / interest after provisions	<u>244,718</u>	162,682
Non mark-up / interest income		
Fee, commission and brokerage income	<u>437,046</u>	280,682
Dividend income	<u>4,606</u>	14,046
Income from dealing in foreign currencies	<u>15,633</u>	29,560
Gain on sale of securities - net	<u>109,590</u>	55,386
Unrealised gain / (loss) on revaluation of investments classified as held for trading	<u>67,753</u>	(16,832)
Other income	<u>34,687</u>	59,023
Total non mark-up / interest income	<u>669,315</u>	421,865
	<u>914,033</u>	584,547
Non mark-up / interest expenses		
Administrative expenses	<u>765,537</u>	539,995
Other provisions / write offs	<u>6,658</u>	105
Other charges	<u>12,571</u>	4,958
Total non mark-up / interest expenses	<u>784,766</u>	545,058
Profit before taxation	<u>129,267</u>	39,489
Taxation - Current year	<u>45,943</u>	44,855
- Prior years	-	(1,826)
- Deferred	<u>(37,918)</u>	(29,758)
	<u>8,025</u>	13,271
Profit after taxation	<u>121,242</u>	26,218
Accumulated loss brought forward	<u>(62,877)</u>	(210,794)
	<u>58,365</u>	(184,576)
APPROPRIATIONS:		
Transfer to revenue reserve	-	-
Transfer to statutory reserve	<u>(41,066)</u>	(25,776)
	<u>(41,066)</u>	(25,776)
Accumulated profit / (loss) carried forward	<u>17,299</u>	(210,352)
Basic earnings per share (annualised)	<u>1.00</u>	<u>0.26</u>
Diluted earnings per share (annualised)	<u>0.93</u>	<u>0.24</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 half year ended June 30, 2007 (Unaudited)

	June 30, 2007	June 30, 2006
	(Rs. in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	129,267	39,489
Less: Dividend income	(4,606)	(14,046)
	<u>124,661</u>	<u>25,443</u>
Adjustments for non-cash and other items :		
Depreciation	74,076	32,492
Amortisation	1,438	12,911
(Reversal of provision) / provision made against non-performing loans and advances - net	(20,664)	53,121
Gain on sale of fixed assets - net	(431)	(388)
Provision for compensated absences	-	362
Unrealised (gain) / loss on revaluation of investments classified as held for trading	(67,753)	16,832
Reversal of provision for diminution in the value of investments	(2,026)	(26,862)
Amortisation of premium on investments	17,872	17,566
Finance charges on leased assets	1,448	460
	<u>3,960</u>	<u>106,494</u>
	<u>128,621</u>	<u>131,937</u>
(Increase) / decrease in operating assets		
Lendings to financial institutions	30,679	(891,044)
Held for trading securities	85,026	(127,188)
Advances	(5,516,092)	(1,521,295)
Others assets (excluding advance taxation)	(954,884)	561,322
	<u>(6,355,271)</u>	<u>(1,978,205)</u>
Increase / (decrease) in operating liabilities		
Bills payable	68,429	59,183
Borrowings from financial institutions	2,041,613	439,697
Deposits	5,642,288	3,778,100
Other liabilities	489,678	(322,402)
	<u>8,242,008</u>	<u>3,954,578</u>
	<u>2,015,358</u>	<u>2,108,310</u>
Income tax paid	(42,336)	(58,563)
Net cash flow from operating activities	<u>1,973,022</u>	<u>2,049,747</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available for sale securities	(2,066,883)	(1,565,160)
Net investments in held to maturity securities	-	(2,626)
Dividends received	5,131	9,396
Investments in operating fixed assets	(171,914)	(160,203)
Sale proceeds from disposal of fixed assets	2,182	3,864
Net cash flow from investing activities	<u>(2,231,484)</u>	<u>(1,714,729)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments against lease obligations	2,485	752
Sub-ordinated loan	617,000	-
Issue of share capital	-	65,000
Issue of right shares	229,271	-
Cash received as advance against future subscription of right issue	-	278,000
Net cash flow from financing activities	<u>848,756</u>	<u>343,752</u>
Increase / (decrease) in cash and cash equivalents	<u>590,294</u>	<u>678,770</u>
Cash and cash equivalents at beginning of the period	<u>3,273,317</u>	<u>1,429,195</u>
Cash and cash equivalents at end of the period	<u>3,863,611</u>	<u>2,107,965</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 half year ended June 30, 2007 (Unaudited)

	Share capital	Statutory reserve	General reserve	Revenue reserve	Accumulated loss	Effect of fair value measurement of capital on amalgamation	Total
	(Rs. in '000)						
Balance as at December 31, 2004	1,707,379	83,895	384	84,279	(5,618)	(79,240)	1,706,800
Right shares subscribed	307,328	-	-	-	-	-	307,328
Loss after taxation for the year ended December 31, 2005	-	-	-	-	(205,176)	-	(205,176)
Transfer to statutory reserve	-	-	-	-	-	-	-
Balance as at December 31, 2005	2,014,707	83,895	384	84,279	(210,794)	(79,240)	1,808,952
Issue of right shares	278,000	-	-	-	-	-	278,000
Profit after taxation for the year ended December 31, 2006	-	-	-	-	201,799	-	201,799
Transfer to general reserve	-	-	26,413	26,413	(26,413)	-	-
Transfer to statutory reserve	-	27,469	-	27,469	(27,469)	-	-
Balance as at December 31, 2006	2,292,707	111,364	26,797	138,161	(62,877)	(79,240)	2,288,751
Issue of right shares	229,271	-	-	-	-	-	229,271
Profit for the period from January 1, 2007 to June 30, 2007	-	-	-	-	121,242	-	121,242
Transfer to statutory reserve	-	41,066	-	41,066	(41,066)	-	-
	<u>2,521,978</u>	<u>152,430</u>	<u>26,797</u>	<u>179,227</u>	<u>17,299</u>	<u>(79,240)</u>	<u>2,639,264</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)
- New Horizon Exploration & Production Limited (Indirect subsidiary company in which KASB Securities Limited holds 50 percent shareholding)

KASB Bank Limited was incorporated in Lahore, Pakistan on October 13, 1994 as a public limited company under the Companies' Ordinance, 1984 and received banking license from the State Bank of Pakistan on January 9, 1995. The registered office of the bank is situated at Business and Finance Center, I.I. Chundrigar Road, Karachi. The bank obtained Certificate of Commencement of Business on January 11, 1995 and is engaged in commercial banking and related services through 35 branches operating in different cities. Its shares are listed on Karachi, Lahore and Islamabad Stock Exchanges. The consolidated financial statements of the bank for the six months ended June 30, 2007 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 six months ended June 30, 2007.

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



3. BASIS OF CONSOLIDATION

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the annual financial statements of the bank for the year ended December 31, 2006.

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 August 28, 2007.


President & Chief Executive


Director


Director


Director

KARACHI

- Main Branch** - Business & Finance Centre, Ground Floor, I.I Chundrigar Road, Karachi. Tel (021) 2446005-10, 2446772-77 Fax: (021) 2446781
- Jodia Bazar Branch** - Suleman Street, Behind Lal Masjid, Near Achi Qabar, Jodia Bazar, Karachi. Tel (021) 2400322, 2400458, 2400328 Fax (021) 2433519
- Shahrah-e-Faisal Branch** - 1/1-A, Block-VI, P.E.C.H.S., Main Shahrah-e-Faisal, Karachi. Tel (021) 4313236-38 Fax (021) 4538638
- Gulshan-e-Iqbal Branch** - Friends Paradise, SB-36, Block No. 13-B, Main University Road, Gulshan-e-Iqbal, Karachi. Tel. (021) 4981330-31, 4983900 Fax: (021) 4981334
- Clifton Branch** - Plot No. DC4, Block - 9, KDA Scheme No.5, Merchant-Centre, Clifton, Karachi. Tel: (021) 5878778, 5861615 Fax: (021) 5878779
- S.I.T.E. Branch** - Plot No. B/9-B-1, SITE Commerce Park, SITE, Karachi. Tel: (021) 2550391-4 Fax: (021) 2550396
- 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 619, 6th Floor, L.S.E. Building, 19, Khayaban-e-Awan-e-Iqbal, Lahore. Tel: (042) 6280801-3 Fax: (042) 6280804
- 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 Kotla Kalan Commercial Area, Phase-1 Bahria Town, Rawalpindi Tel: (051) 5730375-76 Fax: (051) 5730373

FAISALABAD

- Faisalabad Branch** - 14-P, Kotwalli 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



Branches Network

MULTAN	
Multan Branch	- 76-Holiday Inn, Abdali Road, Multan. Tel: (061) 4587701-04 Fax: (061) 4587705
GUJRAT	
Gujrat Branch	- G.T. Road, Near Eid Gah Gujrat Tel: (053) 3517966-69 Fax: (053) 3517965
SIALKOT	
Sialkot Branch	- 2/139, Abbot Road, Sialkot. Tel: (052) 4604991-92 Fax: (052) 4589044
PESHAWAR	
Peshawar Branch	- AYS Centre, Arbab Road, Peshawar Cantt., Peshawar. Tel/PABX: (091) 5279432, 5279217 Fax: (091) 5279838
MIRPUR (AZAD KASHMIR)	
Mirpur (A.K.) Branch	- 629, Sector B/1, Bank Square Nangi, Allama Iqbal Road, Mirpur (Azad Kashmir). Tel: (058610) 42841, 44877 Fax: (058610) 42742
QUETTA	
Quetta Branch	- 2-10/29, Shahrah-e-Iqbal, Quetta. Tel: (081) 2842531, 2836518 Fax: (081) 2836948
HYDERABAD	
Hyderabad Branch	- 194/29-30, Saddar Cantt., Hyderabad. Tel:(0222) 729917-18, 729502-03 Fax: (0222) 785977
NAWABSHAH	
Nawabshah Branch	- Kutchery Chowk, Press Club Road, Nawabshah. Tel: (0244) 330304-5 Fax: (0244) 331307
SUKKUR	
Sukkur Branch	- Rafique-ul-Millat Moulana Muhammad Rafique Qadri Road (Old Race Course Road), Sukkur. Tel: (071) 5619083-86 Fax: (071) 5619088