



## CONTENTS

# QUARTERLY REPORT MARCH 2014

	PAGE NO.
CORPORATE INFORMATION	2
DIRECTORS' REPORT TO THE SHAREHOLDERS	3
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION	5
CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT	6
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	7
CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT	8
CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
NOTES TO CONDENSED INTERIM UNCONSOLIDATED FINANCIAL STATEMENTS	10
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION	18
CONDENSED INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT	19
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	20
CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT	21
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	22
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	23
BRANCHES NETWORK	27

## CORPORATE INFORMATION

# QUARTERLY REPORT MARCH 2014

### Board of Directors

#### Chairman

Tariq M. Rangoonwala

#### President & Chief Executive Officer

Bilal Mustafa

#### Directors

Ashraf M. Hayat  
Leon Seynave  
Muzaffar Ali Shah Bukhari  
Syed Tariq Hussain Gilani  
Sun Shui  
Zia Khaleeli

### Chief Financial Officer

Syed Liaquat Ali

### Company Secretary

Muhammad Hamidullah

### Auditors

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

### Legal Advisors

Mandviwalla & Zafar  
Advocates & Legal Consultants

### Audit Committee

Ashraf M. Hayat  
Leon Seynave  
Syed Tariq Hussain Gilani (Chairman)  
Tariq M. Rangoonwala

### Human Resource and Remuneration Committee

Ashraf M. Hayat (Chairman)  
Bilal Mustafa  
Leon Seynave  
Muzaffar Ali Shah Bukhari  
Tariq M. Rangoonwala

### Risk Management and Recovery Committee

Ashraf M. Hayat  
Bilal Mustafa  
Muzaffar Ali Shah Bukhari  
Syed Tariq Hussain Gilani  
Tariq M. Rangoonwala (Chairman)  
Zia Khaleeli

*(All names in alphabetical order)*

### Registered Office

Razia Sharif Plaza,  
Jinnah Avenue, 90-Blue Area, Islamabad  
Tel: (92-51) 2270725, 2276828-30  
Fax: (92-51) 2270727

### Principal Office

Business & Finance Centre  
I.I. Chundrigar Road, Karachi  
Tel: (92-21) 32446772-77  
Fax: (92-21) 32446828 & 32446865

### Website

<http://www.kasb.com/bank>

### Regional Office, Lahore

KASB House  
14-C, Jail Road, Gulberg,  
Lahore.  
Tel: (92-42) 35776723-4  
Fax: (92-42) 35762192

### Registrar and Share Transfer Office

M/s. THK Associates (Private) Limited  
2nd Floor, State Life Building No. 3,  
Dr. Ziauddin Ahmed Road, Karachi-75530.  
Tel: (92-21) 111-000-322  
Fax: (92-21) 35655595  
Website: [www.thk.com.pk](http://www.thk.com.pk)  
Email: [secretariat@thk.com.pk](mailto:secretariat@thk.com.pk),  
[info@thk.com.pk](mailto:info@thk.com.pk)

## DIRECTORS' REPORT TO THE SHAREHOLDERS

### QUARTERLY REPORT MARCH 2014

We are pleased to present the Directors review report for the first quarter ended March 31, 2014 along with the Bank's un-audited standalone and consolidated financial statements.

#### Financial Performance

Summarized financial performance of the Bank as at March 31, 2014 was as under:

	Rs in Million
Loss before provisions against NPLs and impairments	(2)
Provisions and impairment (net of recovery)	<u>(163)</u>
Loss after provisions and impairment	<u>(165)</u>
Earnings per share (Rupee)	<u>(0.06)</u>

#### Business review Q1 2014

Total deposits aggregated Rs. 63.4 billion as at March 31, 2014 with current and saving accounts (CASA) constituting 82% of the deposits. 97% deposits are denominated in local currency. The deposits cost has been monitored well. The Surplus liquidity position at March 31, 2014 was Rs. 14.9 billion. The surplus liquidity remained invested in the GOP securities.

The Bank continued to manage its non-performing loans (NPLs) with the highest priority. As at March 31, 2014, the net NPLs after provisions decreased to Rs. 3 billion (Rs 3.1 billion at the last quarter end).

The launching of business branches with the aim of providing business solutions to our customers at their door steps in branches across the country was very well received by the customers. Twenty branches have already been converted into business branches.

The administrative cost has continued to be monitored by the management. The cost of the quarter was Rs. 584 million compared to average cost of Rs 622 million per quarter in 2013.

#### Shareholders' Equity

As part of the capital plan of the Bank, the sponsor shareholders have placed, so far, US dollar fifty (50) million towards capital and advance against issue of future rights in 2011/2013.

In order to address the capital deficiency and financial condition, the Board of Directors has approved a restructuring and recapitalization plan of the Bank which envisages the following:

## DIRECTORS' REPORT TO THE SHAREHOLDERS

### QUARTERLY REPORT MARCH 2014

- Reshaping the Bank through a demerger process between core Banking assets and operations and the non-core business and assets.
- The recapitalization of the demerged core banking operations either through a direct equity investment or by way of amalgamation with another bank.
- The Bank and its sponsors are engaged in discussions with various potential investors who have shown their interest in the Bank subject to the restructuring as referred above. However, successful completion of the recapitalization process remain subject to finalization of the transaction structure, obtaining necessary regulatory and shareholder's approvals and the completion of other legal requirements.

Until the proposed restructuring and recapitalization plan of the Bank is complete, the sponsors stand fully committed to provide the necessary financial support to enable the Bank to continue its business.

#### **Going concern basis**

Considering the position as explained in the preceding paragraph, the assessment of the appropriateness of using the going concern basis of accounting has been subject to a due governance process involving the Audit Committee and Board of Directors of the Bank. In making such assessments, the Directors have taken into account all facts and circumstances and have concluded that the current situation along with the risks and uncertainties and their consequential effects, represents a material uncertainty. Nevertheless, after considering the financial projections, the Directors have reasonable expectation that the Bank will have adequate resources to continue its business. For these reasons, the Board of Directors and the management of the Bank continued to adopt the going concern basis in preparing these financial statements.

The position has been more fully explained in note 1.2 to the financial statements.

#### **Credit Rating**

The re-assessment of the credit rating is currently in progress. PACRA has last assigned long term rating of BBB and short term rating of A 3.

#### **Future Prospects**

The Bank's goal is to convert itself into a profitable institution. For this purpose, the bank plans to grow its business operations at a steady pace. The Board and the management will continue to review and adjust the bank's medium to long term plan as and when needed to ensure achievement of entity's goal to be a profitable institution.

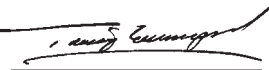
#### **Board of Directors**

There were no changes in the Board composition during the quarter.

#### **Acknowledgment**

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

For and on behalf of the Board of Directors.



**Chairman**

Karachi  
Dated: 21 May 2014

## CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION

# QUARTERLY REPORT MARCH 2014

As at 31 March 2014	Note	31 March 2014 (Un-audited) (Rs. in '000)	31 December 2013 (Audited)
<b>ASSETS</b>			
Cash and balances with treasury banks		4,411,363	4,944,273
Balances with other banks		301,889	323,818
Lendings to financial institutions		32,400	1,062,992
Investments	4	30,315,236	27,693,892
Advances	5	23,170,883	24,265,211
Operating fixed assets		2,518,878	2,571,470
Deferred tax assets		4,876,202	4,818,322
Other assets		2,728,419	2,609,539
		<b>68,355,270</b>	68,289,517
<b>LIABILITIES</b>			
Bills payable		1,092,770	870,760
Borrowings		2,669,695	1,860,960
Deposits and other accounts		62,266,969	63,072,958
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		1,032,233	1,127,237
		<b>67,061,667</b>	66,931,915
<b>NET ASSETS</b>		<b>1,293,603</b>	1,357,602
<b>REPRESENTED BY</b>			
Share capital		19,508,617	19,508,617
Reserves		384	384
Accumulated losses		(12,510,005)	(12,397,439)
Discount on issue of right shares		(6,976,276)	(6,976,276)
Advance against future issue of rights shares		981,410	981,410
		<b>1,004,130</b>	1,116,696
Surplus on revaluation of assets - net of tax	6	289,473	240,906
		<b>1,293,603</b>	1,357,602
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7		

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

  
President  
& Chief Executive

  
Director

  
Director

  
Director

## CONDENSED INTERIM UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)

# QUARTERLY REPORT MARCH 2014

For the quarter ended 31 March 2014

	Note	31 March 2014 (Rs. in '000)	31 March 2013 (Restated)
Mark-up / return / interest earned		1,135,130	1,590,174
Mark-up / return / interest expensed		<u>(685,555)</u>	<u>(861,007)</u>
Net mark-up / return / interest income		449,575	729,167
Provision against non-performing loans and advances	5.5	<u>(73,356)</u>	<u>(335,785)</u>
Provision for diminution in the value of investments		<u>(89,431)</u>	<u>(149,706)</u>
Bad debts written off directly		<u>(208)</u>	<u>(305)</u>
		<u>(162,995)</u>	<u>(485,796)</u>
Net mark-up / return / interest income after provisions		286,580	243,371
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee, commission and brokerage income		<u>63,439</u>	<u>77,615</u>
Dividend income		<u>28,354</u>	<u>1,366</u>
Income from dealing in foreign currencies		<u>4,879</u>	<u>4,565</u>
Gain on sale / redemption of securities		<u>73</u>	<u>47,111</u>
Unrealised gain / (loss) on revaluation of investments classified as held-for- trading		<u>-</u>	<u>-</u>
Other income		<u>35,714</u>	<u>20,317</u>
Total non mark-up / interest income		<u>132,459</u>	<u>150,974</u>
		419,039	394,345
<b>NON MARK-UP / INTEREST EXPENSES</b>			
Administrative expenses		<u>(584,410)</u>	<u>(593,644)</u>
Other provisions / write offs		<u>-</u>	<u>-</u>
Other charges		<u>-</u>	<u>(44)</u>
Total non mark-up / interest expenses		<u>(584,410)</u>	<u>(593,688)</u>
<b>LOSS BEFORE TAXATION</b>		<b>(165,371)</b>	<b>(199,343)</b>
Taxation - Current		<u>(12,034)</u>	<u>(8,362)</u>
- Prior years		<u>-</u>	<u>-</u>
- Deferred		<u>57,880</u>	<u>-</u>
		<u>45,846</u>	<u>(8,362)</u>
<b>LOSS AFTER TAXATION</b>		<b>(119,525)</b>	<b>(207,705)</b>
<b>Basic and diluted loss per share (Rupees)</b>		<b>(0.06)</b>	<b>(0.55)</b>

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

  
President  
& Chief Executive

  
Director

  
Director

  
Director

**CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**

**QUARTERLY REPORT MARCH 2014**

For the quarter ended 31 March 2014

	<b>31 March 2014</b>	31 March 2013
	<b>(Rs. in '000)</b>	
		(Restated)
Net loss for the period	<b>(119,525)</b>	(207,705)
<i>Items not to be realised to profit or loss in subsequent periods</i>		
Acturial gain on defined benefit plans	-	401
Income Tax	-	-
	-	401
Total comprehensive loss for the period	<u><b>(119,525)</b></u>	<u>(207,304)</u>

Surplus / deficit arising on revaluation of fixed assets and available-for-sale investments is required to be shown separately below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan (SBP). Accordingly, these have not been included in comprehensive income which has been shown as part of equity.

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

  
President  
& Chief Executive

  
Director

  
Director

  
Director



## CONDENSED INTERIM UNCONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)

QUARTERLY REPORT MARCH 2014

For the quarter ended 31 March 2014	31 March 2014	31 March 2013
	------(Rs. in '000)-----	
		(Restated)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(165,371)	(199,343)
Less: dividend income	(28,354)	(1,366)
	(193,725)	(200,709)
<b>Adjustments</b>		
Depreciation	45,084	53,264
Amortisation	3,547	4,409
Provision against non-performing loans and advances	73,356	335,785
Bad debts written-off directly	208	305
Provision for diminution in the value of investments	89,431	149,706
Provision for gratuity	3,750	13,419
Gain on disposal of operating fixed assets	(13,306)	(1,136)
Gain on sale / redemption of securities	(73)	(47,111)
	201,997	508,641
	8,272	307,932
<b>Decrease / (increase) in operating assets</b>		
Lendings to financial institutions	1,030,592	20,547
Advances	1,020,764	1,177,228
Others assets	(118,979)	357,478
	1,932,377	1,555,253
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	222,010	33,475
Borrowings	822,787	(14,641,518)
Deposits and other accounts	(805,989)	(1,894,644)
Other liabilities	(72,382)	(675,277)
	166,426	(17,177,964)
	2,107,075	(15,314,779)
Income tax (paid)/ refund	(875)	7,943
Gratuity paid	(37,531)	(7,409)
<b>Net cash used in operating activities</b>	2,068,669	(15,314,245)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from / (Investments in) available-for-sale securities	(2,656,936)	13,086,963
Proceeds from held to maturity securities	12,500	7,949
Dividend received	28,454	2,152
Investments in operating fixed assets	(12,574)	(15,020)
Sale proceeds of operating fixed assets	19,101	7,169
<b>Net cash (used in) / inflow from investing activities</b>	(2,609,455)	13,089,213
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Advance against future issue of right shares	-	99,371
<b>Net cash inflow from financing activities</b>	-	99,371
<b>Decrease in cash and cash equivalents</b>	(540,786)	(2,125,661)
Cash and cash equivalents at beginning of the period	5,219,430	6,693,107
<b>Cash and cash equivalents at the end of the period</b>	4,678,644	4,567,446

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

  
President  
& Chief Executive

  
Director

  
Director

  
Director

## CONDENSED INTERIM UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

For the quarter ended 31 March 2014

	Share capital	Advance against future issue of shares	Statutory reserve	General reserves	Discount on issue of shares	Accumulated losses	Total
----- (Rupees in '000) -----							
<b>Balance as at 31 December 2012</b>	19,508,617	291,449	-	384	(6,976,276)	(10,843,780)	1,980,394
Issuance of right shares	-	99,371	-	-	-	-	99,371
Total comprehensive loss for the period	-	-	-	-	-	(207,304)	(207,304)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	6,959	6,959
<b>Balance as at 31 March 2013</b>	<u>19,508,617</u>	<u>390,820</u>	<u>-</u>	<u>384</u>	<u>(6,976,276)</u>	<u>(11,044,125)</u>	<u>1,879,420</u>
Issuance of right shares	-	590,590	-	-	-	-	590,590
Total comprehensive loss for the period	-	-	-	-	-	(1,374,194)	(1,374,194)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	20,880	20,880
<b>Balance as at 31 December 2013</b>	<u>19,508,617</u>	<u>981,410</u>	<u>-</u>	<u>384</u>	<u>(6,976,276)</u>	<u>(12,397,439)</u>	<u>1,116,696</u>
Total comprehensive loss for the period	-	-	-	-	-	(119,525)	(119,525)
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	6,959	6,959
<b>Balance as at 31 March 2014</b>	<u>19,508,617</u>	<u>981,410</u>	<u>-</u>	<u>384</u>	<u>(6,976,276)</u>	<u>(12,510,005)</u>	<u>1,004,130</u>

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

QUARTERLY REPORT MARCH 2014

  
President  
& Chief Executive

  
Director

  
Director

  
Director

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the quarter ended 31 March 2014

### 1. LEGAL STATUS AND NATURE OF BUSINESS

**1.1** KASB Bank Limited (the Bank) was incorporated in Pakistan on 13 October 1994 as a public limited company under the Companies Ordinance, 1984. The Bank received banking license from the State Bank of Pakistan (SBP) on 9 January 1995 and obtained certificate of commencement of business from Securities and Exchange Commission of Pakistan (SECP) on 11 January 1995. The Bank is engaged in commercial banking, consumer banking, corporate and investment banking and related services through 105 branches (including 34 sub branches & 1 HRPC) [2013: 105 branches (including 34 sub branches & 1 HRPC)] operating in 45 cities. The Bank is listed on all the Stock Exchanges in Pakistan. KASB Corporation Limited (formerly Sigma Corporation Limited) is the holding company of the Bank.

### 1.2 Proposed recapitalization of the Bank and its impact on the going concern status

**1.2.1.** As of 31 March 2014 the paid up capital of the Bank (net of losses) amounts to Rs 1,003.746 million and its Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%.

These factors indicates the existence of the material uncertainties regarding sustainability of the Bank, however, these financial statements have been prepared on a going concern basis as the Directors have reasonable expectation that the Bank will have the resources to continue its business taking into the account the matters detailed below.

#### 1.2.2 Restructuring plan

In order to address the capital deficiency and financial condition and performance of the Bank, the Board of Directors have approved a restructuring and recapitalization plan of the Bank which envisages the following:

- i. Reshaping the Bank through a demerger process between core Banking assets and operations and the non-core business and assets.
- ii. The recapitalization of the demerged core banking operations either through a direct equity investments or by way of amalgamation with another bank.
- iii. The Bank and its sponsors are engaged in discussions with various potential investors who have shown their interest in the Bank subject to the restructuring as referred above. However, successful completion of the recapitalization process remain subject to finalization of the transaction structure, obtaining necessary regulatory and shareholder's approvals and the completion of other legal requirements.

#### 1.2.3 Financial projection for future periods

The management of the Bank has prepared a set of financial projections for the period of five years to analyze the Bank's sustainability in the future periods with a particular focus on the twelve months period ending 31 December 2014. The financial projections are based on various assumptions such as maintainability of Bank's significant deposit base, future loan losses and recoveries, interest rates, cost of funds etc.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

These financial projections have been approved by the Board of Directors of the Bank and has been subjected to stressed scenarios which the Board considered to be reasonable and appropriate.

**1.2.4 Financial commitment from sponsors**

The sponsors of the Bank have made an equity injection of over Rs. 4 billion during the years 2011 to 2013 including Rs.689.961 million injected during the year. The sponsors of the Bank have also explicitly provided a commitment to provide the necessary financial support to the Bank, if the need arises, to address any liquidity and solvency issues to enable the Bank to continue its business.

**1.2.5 Liquidity**

The Bank has continued to maintain an acceptable liquidity position in line with the regulatory requirements with the liquidity ratio of 50% at the quarter end. The deposit base have broadly remained stable during the last three years.

**1.2.6 Key risks and uncertainties**

The key risks and uncertainties associated with the above referred matters are as under:

- The ability of the Bank to raise the additional capital as envisaged under the proposed restructuring remain subject to various uncertainties including finalization of transaction structure, the potential investor's commitment to the capital raising and its timing, obtaining of requisite legal and regulatory approvals and the execution of the scheme of proposed restructuring as planned. Further, the completion of the said restructuring and capital raising process may extend beyond the anticipated timeframe due to the above uncertain factors.
- The ability of Bank to achieve the results set out in the financial projections for the years 2014 to 2018. In this respect particular challenges includes (but are not limited to) ability to achieve the planned improvements in the asset's quality, ability to retain customers and deposits, timing and quantum of impacts on capital from the divestment of certain strategic investments, meeting its planned improvements in net interest margins, a possible further deterioration in the quality of the Bank's assets portfolio and the ability to maintain Bank's access to liquidity and funding at an appropriate cost.
- Currently, the Bank is in violation of the applicable regulatory capital requirements which exposes the Bank to regulatory actions under the Banking laws. While the Bank has regularly updated SBP on its plans and proposals regarding the recapitalization and restructuring of the Bank, it needs an explicit support of the SBP in accepting and moving forward with its recapitalization and restructuring plan.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### QUARTERLY REPORT MARCH 2014

**1.2.7** The assessment of the appropriateness of using the going concern basis of accounting has been subject to a due governance process involving the Audit Committee and Board of Directors of the Bank. In making such assessments, the Directors have taken into account all facts and circumstances as referred to in above paragraphs and have concluded that the current situation along with the risks and uncertainties set out above and their consequential effects, represents a material uncertainty which may cast significant doubt upon the Bank's ability to continue as a going concern. The Bank may, therefore, be unable to continue realizing its assets and discharging its liabilities in the normal course of business. Nevertheless, after considering the financial projections, in particular, those for the period up to 31 December 2014, the Directors have reasonable expectation that the Bank will have adequate resources to continue its business over this period. For these reasons, the Board of Directors and the management of the Bank continued to adopt the going concern basis in preparing these financial statements.

### **2. BASIS OF PRESENTATION**

**2.1** These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BSD Circular No. 04, dated 17 February 2006.

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

**2.3** These are separate financials statements of the Bank in which investment in subsidiaries and associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

### **3. STATEMENT OF COMPLIANCE**

**3.1** These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and regulations / directives issued by the SECP and the SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or regulations / directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said regulations / directives shall prevail.

**3.2** The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosure" has not been made applicable for Banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

QUARTERLY REPORT MARCH 2014

### 4. INVESTMENTS

	31 March 2014 (Un-audited)			31 December 2013 (Audited)		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rs. in '000) -----						
<b>Available-for-sale securities</b>						
Market Treasury Bills	19,297,811	696,792	19,994,603	21,180,651	-	21,180,651
Pakistan Investment Bonds	4,808,333	-	4,808,333	952,682	-	952,682
Ordinary Shares of listed companies	750,255	-	750,255	750,255	-	750,255
Ordinary Shares of unlisted companies	1,161,029	-	1,161,029	1,161,029	-	1,161,029
Listed Term Finance Certificates	177,334	-	177,334	177,897	-	177,897
Unlisted Term Finance Certificates	551,155	-	551,155	563,186	-	563,186
	<b>26,745,917</b>	<b>696,792</b>	<b>27,442,709</b>	<b>24,785,700</b>	<b>-</b>	<b>24,785,700</b>
<b>Held-to-maturity securities</b>						
Unlisted Term Finance Certificates	620,791	-	620,791	633,291	-	633,291
	<b>620,791</b>	<b>-</b>	<b>620,791</b>	<b>633,291</b>	<b>-</b>	<b>633,291</b>
<b>Associates</b>						
<i>Listed</i>						
KASB Asset Allocation Fund	298,424	-	298,424	298,424	-	298,424
KASB Cash Fund	113,389	-	113,389	113,389	-	113,389
KASB Income Opportunity Fund	328,794	-	328,794	328,794	-	328,794
KASB Islamic Income Opportunity Fund	103,525	-	103,525	103,525	-	103,525
Crosby Dragon Fund	110,777	-	110,777	110,777	-	110,777
<i>Unlisted</i>						
KASB Capital Limited (formerly KASB International Limited)	41,867	-	41,867	41,867	-	41,867
KASB Funds Limited	432,302	-	432,302	432,302	-	432,302
New Horizon Exploration & Production Limited	558,000	-	558,000	558,000	-	558,000
Shakarganj Food Products Limited	627,942	-	627,942	627,942	-	627,942
	<b>2,615,020</b>	<b>-</b>	<b>2,615,020</b>	<b>2,615,020</b>	<b>-</b>	<b>2,615,020</b>
<b>Subsidiaries</b>						
<i>Listed</i>						
KASB Securities Limited	2,394,937	-	2,394,937	2,394,937	-	2,394,937
KASB Modaraba	91,675	-	91,675	91,675	-	91,675
<i>Unlisted</i>						
My Solutions Corporation Limited	104,771	-	104,771	104,771	-	104,771
KASB Invest (Pvt) Ltd.	28,000	-	28,000	28,000	-	28,000
	<b>2,619,383</b>	<b>-</b>	<b>2,619,383</b>	<b>2,619,383</b>	<b>-</b>	<b>2,619,383</b>
Investment at cost	<b>32,601,111</b>	<b>696,792</b>	<b>33,297,903</b>	<b>30,653,394</b>	<b>-</b>	<b>30,653,394</b>
Less: Provision for diminution in the value of investments	<b>(2,674,887)</b>	<b>-</b>	<b>(2,674,887)</b>	<b>(2,585,456)</b>	<b>-</b>	<b>(2,585,456)</b>
<b>Investments net of provisions</b>	<b>29,926,224</b>	<b>696,792</b>	<b>30,623,016</b>	<b>28,067,938</b>	<b>-</b>	<b>28,067,938</b>
Deficit on revaluation of available for sale investments - net	<b>(307,495)</b>	<b>(285)</b>	<b>(307,780)</b>	<b>(374,046)</b>	<b>-</b>	<b>(374,046)</b>
<b>Total Investments</b>	<b>29,618,729</b>	<b>696,507</b>	<b>30,315,236</b>	<b>27,693,892</b>	<b>-</b>	<b>27,693,892</b>

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

	31 March 2014 (Un-audited)	31 December 2013 (Audited)
	----- (Rs. in '000) -----	
<b>5. ADVANCES</b>		
Loans, cash credits, running finances, etc. - in Pakistan	<b>28,752,476</b>	29,803,888
Net investment in finance lease - in Pakistan	<b>877,642</b>	899,804
Bills discounted and purchased (excluding market treasury bills)		
Payable in Pakistan	<b>1,796,659</b>	1,787,981
Payable outside Pakistan	<b>212,253</b>	168,329
	<b>2,008,912</b>	1,956,310
Advances - gross	<b>31,639,030</b>	32,660,002
Provision against non-performing advances		
- Specific provision	<b>(8,458,257)</b>	(8,384,534)
- General provision against consumer advances	<b>(9,890)</b>	(10,257)
	<b>(8,468,147)</b>	(8,394,791)
Advances - net of provisions	<b>23,170,883</b>	24,265,211

**5.3. Particulars of non-performing loans and advances**

Advances include Rs 11,487.562 million (31 December 2013: Rs. 11,573.084 million) which have been placed under non-performing status as detailed below:

Category of classification	31 March 2014 (Un-audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	----- (Rs. in '000) -----				
OAEM	21,305	-	21,305	-	-
Substandard	24,044	-	24,044	559	559
Doubtful	70,970	-	70,970	4,300	4,300
Loss	11,371,243	-	11,371,243	8,453,398	8,453,398
	<b>11,487,562</b>	<b>-</b>	<b>11,487,562</b>	<b>8,458,257</b>	<b>8,458,257</b>

Category of classification	31 December 2013 (Audited)				
	Domestic	Overseas	Total	Provision required	Provision held
	----- (Rs. in '000) -----				
OAEM	20,738	-	20,738	-	-
Substandard	37,012	-	37,012	821	821
Doubtful	179,040	-	179,040	18,336	18,336
Loss	11,336,294	-	11,336,294	8,365,377	8,365,377
	<b>11,573,084</b>	<b>-</b>	<b>11,573,084</b>	<b>8,384,534</b>	<b>8,384,534</b>

**5.4.** General provision has been determined at the rate of 1.5% on fully secured regular portfolio of consumer loans and 5% on unsecured regular portfolio of consumer loans in accordance with the requirements of the Prudential Regulations.

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### QUARTERLY REPORT MARCH 2014

#### 5.5 Particulars of provision against non-performing advances

	31 March 2014 (Un-audited)			31 December 2013 (Audited)		
	Specific	General	Total	Specific	General	Total
	------(Rs. in '000)-----					
Opening balance	8,384,534	10,257	8,394,791	7,282,458	8,057	7,290,515
Charge for the period	162,168	292	162,460	1,746,949	3,973	1,750,922
Reversals	(88,445)	(659)	(89,104)	(632,855)	(1,773)	(634,628)
Net charge	73,723	(367)	73,356	1,114,094	2,200	1,116,294
Amounts written off	-	-	-	(12,018)	-	(12,018)
Closing balance	8,458,257	9,890	8,468,147	8,384,534	10,257	8,394,791

	31 March 2014 (Un-audited)	31 December 2013 (Audited)
	----- (Rs. in '000) -----	
	Note	
<b>6. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>		
Operating fixed assets	6.1 511,181	528,880
Available for sale investments	6.2 (221,708)	(287,974)
	<u>289,473</u>	<u>240,906</u>
<b>6.1. Operating fixed assets</b>		
Balance at the beginning of the period	710,386	753,214
Reversal of surplus on disposal of properties	(10,740)	-
Transfer to accumulated loss in respect of incremental depreciation charged during the period	(10,707)	(42,828)
	<u>688,939</u>	<u>710,386</u>
<b>Related deferred tax liability:</b>		
Balance at the beginning of the period	181,506	196,495
Transfer to accumulated loss in respect of incremental depreciation charged during the period	(3,748)	(14,989)
	<u>177,758</u>	<u>181,506</u>
	<u>511,181</u>	<u>528,880</u>
<b>6.2. Available for sale investments</b>		
Federal Government Securities	(68,540)	(134,299)
Ordinary shares of listed companies	(239,331)	(239,331)
Listed Term Finance Certificates	91	(416)
	<u>(307,780)</u>	<u>(374,046)</u>
Related deferred tax asset - Investments	86,072	86,072
	<u>(221,708)</u>	<u>(287,974)</u>
<b>7. CONTINGENCIES AND COMMITMENTS</b>		
<b>7.1 Transaction-related contingent liabilities</b>		
Includes performance bonds, bid bonds, warranties advance payment guarantees and shipping guarantees related to particular transactions issued in favour of:		
- Government	8,823,238	9,213,558
- Others	2,444,836	2,827,673
	<u>11,268,074</u>	<u>12,041,231</u>



**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

	31 March 2014 (Un-audited)	31 December 2013 (Audited)
	----- (Rs. in '000) -----	
<b>7.2 Trade-related contingent liabilities</b>		
Letters of credit	2,035,010	1,595,963
Acceptances	1,501,524	1,888,667
	<u>3,536,534</u>	<u>3,484,630</u>
<b>7.3 Commitments in respect of forward exchange contracts</b>		
Purchase	<u>2,381,132</u>	<u>2,087,490</u>
Sale	<u>1,449,464</u>	<u>997,699</u>
<b>7.4 Commitments for the acquisition of operating fixed assets</b>	<u>230,935</u>	<u>234,185</u>

**7.5 Commitment to extend credits**

The Bank makes commitments to extend credit in the normal course of its business but these being irrevocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

**8 RELATED PARTY TRANSACTIONS**

The management has determined related party relationships in accordance with approved accounting standards which include holding company, subsidiaries, associates, retirement benefit funds, major share holders, directors and key management personnel and their close family members.

Transaction with related parties, other than those disclosed elsewhere in financial statements, are summarized as follows:

	31 March 2014 (Un-audited)					
	Subsidiaries	Holding Company / Associates	Directors	Key Management Personnel	Other Related Parties	Total
	----- Rupees in '000 -----					
<b>Deposits</b>						
As at 01 January 2014	553,293	335,325	25,304	9,787	293,500	1,217,209
Received during the period	29,558,334	1,263,579	9,536	32,375	662,045	31,525,869
Withdrawals during the period	(29,842,342)	(1,327,824)	(11,976)	(33,629)	(768,275)	(31,984,046)
As at 31 March 2014	<u>269,285</u>	<u>271,080</u>	<u>22,864</u>	<u>8,533</u>	<u>187,270</u>	<u>759,032</u>
<b>Loan and advances</b>						
As at 01 January 2014	100,000	218,621	-	43,681	-	362,302
Disbursements during the period	-	-	-	4,959	-	4,959
Repayments during the period	-	(26,828)	-	(15,502)	-	(42,330)
As at 31 March 2014	<u>100,000</u>	<u>191,793</u>	<u>-</u>	<u>33,138</u>	<u>-</u>	<u>324,931</u>
Other assets	24,958	7,445	-	8	-	32,411
Other liabilities	-	28	1	102	1,311	1,442
Contingencies and commitments	-	370,964	-	-	12,316	383,280

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**31 December 2012 (Audited)**

	Subsidiaries	Holding Company / Associates	Directors	Key Management Personnel	Other Related Parties	Total
----- Rupees in '000 -----						
<b>Deposits</b>						
As at 01 January 2013	392,594	43,653	10,139	15,061	116,078	577,525
Received during the year	123,243,639	4,622,634	157,850	163,785	2,141,333	130,329,241
Withdrawals during the year	(123,082,940)	(4,330,962)	(142,685)	(169,059)	(1,963,911)	(129,689,557)
As at 31 December 2013	<u>553,293</u>	<u>335,325</u>	<u>25,304</u>	<u>9,787</u>	<u>293,500</u>	<u>1,217,209</u>
<b>Loan and advances</b>						
As at 01 January 2013	337,924	189,031	17,041	58,533	-	602,529
Disbursements during the year	100,000	61,551	-	57,838	-	219,389
Repayments during the year	(337,924)	(31,961)	(17,041)	(72,690)	-	(459,616)
As at 31 December 2013	<u>100,000</u>	<u>218,621</u>	<u>-</u>	<u>43,681</u>	<u>-</u>	<u>362,302</u>
Other assets	24,806	7,485	-	-	-	32,291
Other liabilities	-	63	-	46	2,277	2,386
Contingencies and commitments	51,000	396,547	-	-	13,166	460,713

**Quarter ended 31 March 2014 (Un-Audited)**

Mark-up earned	3,158	6,663	-	694	-	10,515
Mark-up expensed	7,974	6,160	5	138	6,130	20,407
Other administrative Expenses	2,032	-	4,800	23,376	42	30,250
Contribution to staff provident fund	-	-	-	-	8,157	8,157
Other income	563	28,354	-	-	-	28,917
Others	3,607	-	-	-	-	3,607

**Quarter ended 31 March 2013 (Un-Audited)**

Mark-up earned	1,163	6,069	285	1,056	-	8,573
Mark-up expensed	1,297	1,720	56	74	657	3,804
Other administrative Expenses	1,242	-	5,535	33,861	1	40,639
Contribution to staff provident fund	-	-	-	-	8,940	8,940
Other income	449	6,246	-	-	-	6,695
Others	294	-	-	-	-	294

**9. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**10. DATE OF AUTHORISATION**

These financial statements were authorized for issue in the Board of Directors' meeting held on 21 May 2014.

  
President  
& Chief Executive

  
Director

  
Director

  
Director

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

# QUARTERLY REPORT MARCH 2014

As at 31 March 2014

	31 March 2014 (Un-audited)	31 December 2013 (Audited)
<b>(Rs. in '000)</b>		
<b>ASSETS</b>		
Cash and balances with treasury banks	4,411,725	4,944,415
Balances with other banks	454,149	607,943
Lendings to financial institutions	32,400	1,062,992
Investments	29,711,722	26,860,538
Advances	24,017,455	25,265,878
Operating fixed assets	3,100,039	3,150,952
Deferred tax assets	4,713,268	4,655,333
Other assets	4,263,118	3,996,238
	<b>70,703,876</b>	<b>70,544,289</b>
<b>LIABILITIES</b>		
Bills payable	1,092,770	870,760
Borrowings	2,692,520	1,883,310
Deposits and other accounts	62,861,782	63,534,598
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	2,282,260	2,551,639
	<b>68,929,332</b>	<b>68,840,307</b>
<b>NET ASSETS</b>	<b>1,774,544</b>	<b>1,703,982</b>
<b>REPRESENTED BY</b>		
Share capital	19,508,617	19,508,617
Reserves	53,116	53,116
Accumulated losses	(12,479,716)	(12,499,695)
Discount on issue of right shares	(6,976,276)	(6,976,276)
Advance against future issue of rights shares	981,410	981,410
	<b>1,087,151</b>	<b>1,067,172</b>
Non-controlling interests	385,286	377,841
	<b>1,472,437</b>	<b>1,445,013</b>
Surplus on revaluation of assets - net of tax	302,107	258,969
	<b>1,774,544</b>	<b>1,703,982</b>

### CONTINGENCIES AND COMMITMENTS

The annexed notes form an integral part of these consolidated financial statements.

  
President  
& Chief Executive

  
Director

  
Director

  
Director

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

# QUARTERLY REPORT MARCH 2014

For the quarter ended 31 March 2014	31 March 2014	31 March 2013
	(Rs. in '000)	
Mark-up / return / interest earned	1,188,234	1,638,499
Mark-up / return / interest expensed	<u>(701,859)</u>	<u>(892,003)</u>
Net mark-up / return / interest income	486,375	746,496
Provision against non-performing loans and advances	<b>(73,356)</b>	(335,785)
Provision for diminution in the value of investments	<b>(89,431)</b>	(149,706)
Bad debts written off directly	<b>(208)</b>	(305)
	<u><b>(162,995)</b></u>	<u>(485,796)</u>
Net mark-up / return / interest income after provisions	<b>323,380</b>	260,700
<b>NON MARK-UP / INTEREST INCOME</b>		
Fee, commission and brokerage income	<b>205,621</b>	163,858
Dividend income	<b>347</b>	3,100
Income from dealing in foreign currencies	<b>4,879</b>	4,565
(Loss) / gain on sale / redemption of securities	<b>(128)</b>	50,559
Unrealised gain / (loss) on revaluation of investments classified as held for trading	<b>14,319</b>	1,755
Other income	<b>37,204</b>	32,223
Total non mark-up / interest income	<u><b>262,242</b></u>	<u>256,060</u>
	<b>585,622</b>	516,760
<b>NON MARK-UP / INTEREST EXPENSES</b>		
Administrative expenses	<b>(723,178)</b>	(698,748)
Other provisions / write offs	<b>775</b>	(46,034)
Other charges	<b>(145)</b>	(361)
Total non mark-up / interest expenses	<u><b>(722,548)</b></u>	<u>(745,143)</u>
	<b>(136,926)</b>	(228,383)
Share of profit from associates	<b>130,473</b>	55,039
<b>LOSS BEFORE TAXATION</b>	<u><b>(6,453)</b></u>	<u>(173,344)</u>
Taxation - Current	<b>(31,016)</b>	(9,137)
- Prior years	<b>-</b>	-
- Deferred	<b>57,934</b>	(3,671)
	<u><b>26,918</b></u>	<u>(12,808)</u>
<b>PROFIT / (LOSS) AFTER TAXATION</b>	<u><b>20,465</b></u>	<u>(186,152)</u>
<b>Profit / (loss) after taxation attributable to:</b>		
Equity holders of the Holding Company	<b>13,020</b>	(167,843)
Non-controlling interests	<b>7,445</b>	(18,309)
	<u><b>20,465</b></u>	<u>(186,152)</u>
<b>Basic and diluted loss per share (Rupees)</b>	<u><b>0.01</b></u>	<u>(0.09)</u>

The annexed notes form an integral part of these consolidated financial statements.

  
President  
& Chief Executive

  
Director

  
Director

  
Director

**CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

**QUARTERLY REPORT MARCH 2014**

For the quarter ended 31 March 2014

	31 March 2014	31 March 2013
	(Rs. in '000)	
Net profit / (loss) for the period	20,465	(186,152)
Other comprehensive income	-	-
Actuarial loss on defined benefit plans	-	401
Income Tax	-	-
	-	401
Total comprehensive profit / (loss) for the period	<u>20,465</u>	<u>(185,751)</u>

Surplus / deficit arising on revaluation of fixed assets and available-for-sale investments is required to be shown separately below equity as 'surplus / deficit on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan (SBP). Accordingly, these have not been included in comprehensive income which has been shown as part of equity.

The annexed notes form an integral part of these consolidated financial statements.

  
President  
& Chief Executive

  
Director

  
Director

  
Director

## CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

QUARTERLY REPORT MARCH 2014

For the quarter ended 31 March 2014

	31 March 2014	31 March 2013
	(Rs. in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(6,453)	(173,344)
Less: dividend income	(347)	(3,100)
	<u>(6,800)</u>	<u>(176,444)</u>
<b>Adjustments:</b>		
Depreciation	48,069	55,954
Amortisation	3,547	4,579
Provision against non-performing loans and advances	73,356	335,785
Share of profit from associates	(130,473)	(55,039)
Provision for gratuity	(33,937)	6,499
Provision for diminution in the value of investments	89,431	149,706
Bad debts written off directly	208	305
Unrealised gain on revaluation of investments classified as held for trading	(14,319)	(1,755)
Gain on sale of fixed assets	-	(2,227)
(Loss) / gain on sale / redemption of securities	128	(50,559)
Other provisions / write offs	(775)	46,034
	<u>35,235</u>	<u>489,282</u>
	<b>28,435</b>	<b>312,838</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	1,030,592	20,547
Investments in held for trading securities	1,854	(61,031)
Advances	1,174,859	1,206,263
Other assets	(275,436)	(79,392)
	<u>1,931,869</u>	<u>1,086,387</u>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	222,010	33,475
Borrowings	809,210	(14,643,345)
Deposits and other accounts	(672,816)	(1,614,704)
Other liabilities	(269,379)	(533,755)
	<u>89,025</u>	<u>(16,758,329)</u>
	<b>2,049,329</b>	<b>(15,359,104)</b>
Income tax (paid) / refund	(18,037)	4,211
Gratuity paid	33,937	(6,499)
<b>Net cash inflow from / (used in) operating activities</b>	<u><b>2,065,229</b></u>	<u><b>(15,361,392)</b></u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
(Investments in) / proceeds from available for sale securities	(2,660,587)	13,095,044
Proceeds from held to maturity securities	13,543	8,693
Investments in associates	(89,923)	(8,188)
Dividend income received	447	3,886
Investments in operating fixed assets	(34,312)	(26,242)
Sale proceeds on disposal of fixed assets	19,119	12,338
<b>Net cash inflow from / (used in) investing activities</b>	<u><b>(2,751,713)</b></u>	<u><b>13,085,531</b></u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Advance against future issue of rights shares	-	99,371
<b>Net cash inflow from / (used in) financing activities</b>	<u><b>-</b></u>	<u><b>99,371</b></u>
<b>Net increase in cash and cash equivalents</b>	<u><b>(686,484)</b></u>	<u><b>(2,176,490)</b></u>
Cash and cash equivalents at the beginning of the period	<u><b>5,503,698</b></u>	<u><b>6,785,486</b></u>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>4,817,214</b></u>	<u><b>4,608,996</b></u>

The annexed notes form an integral part of these consolidated financial statements.

  
President  
& Chief Executive

  
Director

  
Director

  
Director

## CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the quarter ended 31 March 2014

	Share capital	Advance against future issue of rights shares	Statutory reserve	General reserves	Discount on issue of shares	Accumulated losses	Total	Non-controlling interests	Total
(Rupees in '000)									
<b>Balance as at 31 December 2012</b>	19,508,617	291,449	52,732	384	(6,976,276)	(10,926,027)	1,950,879	411,516	2,362,395
Total comprehensive loss for the period	-	-	-	-	-	(167,442)	(167,442)	(18,309)	(185,751)
Transferred to statutory reserve	-	-	(5,395)	-	-	5,395	-	-	-
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	6,959	6,959	-	6,959
Advance against future issue of rights shares	-	99,371	-	-	-	-	99,371	-	99,371
<b>Balance as at 31 March 2013</b>	19,508,617	390,820	47,337	384	(6,976,276)	(11,081,115)	1,889,767	393,207	2,282,974
Total comprehensive loss for the period	-	-	-	-	-	(1,434,065)	(1,434,065)	(3,925)	(1,437,990)
Transferred to statutory reserve	-	-	5,395	-	-	(5,395)	-	-	-
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	20,880	20,880	-	20,880
Dividends	-	-	-	-	-	-	-	(11,441)	(11,441)
Advance against future issue of rights shares	-	590,590	-	-	-	-	590,590	-	590,590
<b>Balance as at 31 December 2013</b>	19,508,617	981,410	52,732	384	(6,976,276)	(12,499,695)	1,067,172	377,841	1,445,013
Total comprehensive loss for the period	-	-	-	-	-	13,020	13,020	7,445	20,465
Transferred from surplus on revaluation of fixed assets - net of tax	-	-	-	-	-	6,959	6,959	-	6,959
<b>Balance as at 31 March 2014</b>	19,508,617	981,410	52,732	384	(6,976,276)	(12,479,716)	1,087,151	385,286	1,472,437

The annexed notes form an integral part of these consolidated financial statements.

QUARTERLY REPORT MARCH 2014

  
President  
& Chief Executive

  
Director

  
Director

  
Director

## NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

### QUARTERLY REPORT MARCH 2014

For the quarter ended 31 March 2014

#### 1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 KASB Bank Limited (Holding Company) was incorporated in Pakistan on 13 October 1994 as a public limited company under the Companies Ordinance, 1984. The Holding Company received Banking license from the State Bank of Pakistan (SBP) on 9 January 1995 and obtained certificate of commencement of business from Securities and Exchange Commission of Pakistan (SECP) on 11 January 1995. The Holding Company is engaged in commercial Banking, consumer Banking, corporate and investment Banking and related services through 105 branches [including 34 sub branches & 1 Home Remittance Payment Center (HRPC)] [2012: 105 branches (including 34 sub branches & 1 HRPC)] operating in 45 cities. The Holding Company is listed on all the Stock Exchanges in Pakistan. KASB Corporation Limited (formerly Sigma Corporation Limited) is the holding company of the Group with over 83.62 percentage of the shares of the Holding Company.

1.2 The Group comprises of:

##### Holding Company

KASB Bank Limited

##### Name of subsidiaries

My Solutions Corporation Limited	100.00%
KASB Securities Limited	77.12%
KASB Invest (Private) Limited	96.02%
KASB Modaraba	51.60%
Structured Venture (Private) Limited (Indirect Subsidiary)	77.12%

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

##### Name of associates

New Horizon Exploration and Production Limited	36.65%
KASB Funds Limited	43.89%
Shakarganj Food Products Limited	40.20%
KASB Capital Limited (formerly KASB International Limited)	21.78%
KASB Asset Allocation Fund	94.62%
Crosby Dragon Fund	88.18%
KASB Income Opportunity Fund	49.74%
KASB Islamic Income Opportunity Fund	25.12%
KASB Cash Fund	28.31%

#### 1.3 Proposed recapitalization of the Bank and its impact on the going concern status

1.3.1. As of 31 March 2014 the paid up capital of the Holding Company (net of losses) amounts to Rs 1,003.746 million and its Capital Adequacy Ratio (CAR) remained below the prescribed level of 10%.

These factors indicates the existence of the material uncertainties regarding sustainability of the Holding Company, however, these financial statements have been prepared on a going concern basis as the Directors have reasonable expectation that the Holding Company will have the resources to continue its business taking into the account the matters detailed below.



**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**1.3.2 Restructuring plan**

In order to address the capital deficiency and financial condition and performance of the Holding Company, the Board of Directors have approved a restructuring and recapitalization plan of the Holding Company which envisages the following:

- i. Reshaping the Holding Company through a demerger process between core Banking assets and operations and the non-core business and assets.
- ii. The recapitalization of the demerged core Banking operations either through a direct equity investments or by way of amalgamation with another Bank.
- iii. The Holding Company and its sponsors are engaged in discussions with various potential investors who have shown their interest in the Holding Company subject to the restructuring as referred above. However, successful completion of the recapitalization process remain subject to finalization of the transaction structure, obtaining necessary regulatory and shareholder's approvals and the completion of other legal requirements.

**1.3.3 Financial projection for future periods**

The management of the Holding Company has prepared a set of financial projections for the period of five years to analyze the Holding Company's sustainability in the future periods with a particular focus on the twelve months period ending 31 December 2014. The financial projections are based on various assumptions such as maintainability of Holding Company's significant deposit base, future loan losses and recoveries, interest rates, cost of funds etc.

These financial projections have been approved by the Board of Directors of the Holding Company and has been subjected to stressed scenarios which the Board considered to be reasonable and appropriate.

**1.3.4 Financial commitment from sponsors**

The sponsors of the Holding Company have made an equity injection of over Rs. 4 billion during the years 2011 to 2013 including Rs.689.961 million injected during the year. The sponsors of the Holding Company have also explicitly provided a commitment to provide the necessary financial support to the Holding Company, if the need arises, to address any liquidity and solvency issues to enable the Holding Company to continue its business.

**1.3.5 Liquidity**

The Holding Company has continued to maintain an acceptable liquidity position in line with the regulatory requirements with the liquidity ratio of 50% at the year end. The deposit base have broadly remained stable during the last three years.

**1.3.6 Key risks and uncertainties**

The key risks and uncertainties associated with the above referred matters are as under:

- The ability of the Holding Company to raise the additional capital as envisaged under the proposed restructuring remain subject to various uncertainties including finalization of transaction structure, the potential investor's commitment to the capital raising and its timing, obtaining of requisite legal and regulatory approvals and the execution of the scheme of proposed restructuring as planned. Further, the completion of the said restructuring and capital raising process may extend beyond the anticipated timeframe due to the above uncertain factors.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

- The ability of Holding Company to achieve the results set out in the financial projections for the years 2014 to 2018. In this respect particular challenges includes (but are not limited to) ability to achieve the planned improvements in the asset's quality, ability to retain customers and deposits, timing and quantum of impacts on capital from the divestment of certain strategic investments, meeting its planned improvements in net interest margins, a possible further deterioration in the quality of the Holding Company's assets portfolio and the ability to maintain Holding Company's access to liquidity and funding at an appropriate cost.
- Currently, the Holding Company is in violation of the applicable regulatory capital requirements which exposes the Holding Company to regulatory actions under the Banking laws. While the Holding Company has regularly updated SBP on its plans and proposals regarding the recapitalization and restructuring of the Holding Company, it needs an explicit support of the SBP in accepting and moving forward with its recapitalization and restructuring plan.

**1.3.7** The assessment of the appropriateness of using the going concern basis of accounting has been subject to a due governance process involving the Audit Committee and Board of Directors of the Holding Company. In making such assessments, the Directors have taken into account all facts and circumstances as referred to in above paragraphs and have concluded that the current situation along with the risks and uncertainties set out above and their consequential effects, represents a material uncertainty which may cast significant doubt upon the Holding Company's ability to continue as a going concern. The Holding Company may, therefore, be unable to continue realizing its assets and discharging its liabilities in the normal course of business. Nevertheless, after considering the financial projections, in particular, those for the period up to 31 December 2014, the Directors have reasonable expectation that the Holding Company will have adequate resources to continue its business over this period. For these reasons, the Board of Directors and the management of the Holding Company continued to adopt the going concern basis in preparing these financial statements.

**2. BASIS OF PRESENTATION**

- 2.1** These condensed interim consolidated financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide BSD Circular No. 04, dated 17 February 2006.
- 2.2** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these condensed interim consolidated financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

**3. STATEMENT OF COMPLIANCE**

- 3.1** These condensed interim consolidated financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and regulations / directives issued by the SECP and the SBP. Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or regulations / directives issued by the SECP and the SBP differ with the requirements of IFRS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said regulations / directives shall prevail.

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**3.2** The SBP vide BSD Circular No. 10, dated 26 August 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and IAS 40, "Investment Property" for Banking companies till further instructions. Further, according to the notification of SECP dated 28 April 2008, IFRS - 7 "Financial Instruments: Disclosure" has not been made applicable for Banks. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim consolidated financial statements.

**3.3** The disclosures made in these condensed interim consolidated financial statements have been limited based on the format prescribed by the SBP vide BSD Circular No. 2, dated 12 May 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required in the annual financial statements. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2013.

**4. BASIS OF MEASUREMENT**

**4.1** These condensed interim consolidated financial statements have been prepared under the historical cost convention except for, certain investments, land and buildings and derivative financial instruments which are revalued.

**4.2** These condensed interim consolidated financial statements are presented in Pak Rupees which is the Holding Company's functional currency and presentation currency.

**5. SIGNIFICANT ACCOUNTING POLICIES**

**5.1** The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied in the preparation of the annual financial statements of the Group for the year ended 31 December 2013.

**5. BASIS OF CONSOLIDATION**

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

**6. DATE OF AUTHORIZATION**

These consolidated condensed interim financial statements were authorised for issue on 21 May 2014 by the Board of Directors of the holding company, KASB Bank Limited.

**7. GENERAL**

**7.1** Figures have been rounded off to the nearest thousand rupees.

  
President  
& Chief Executive

  
Director

  
Director

  
Director

## BRANCHES NETWORK

### KARACHI BRANCHES

<p><b>Main Branch</b> Tel: (021) 32446005-10 / 32446772-77 Fax: (021) 32446781 UAN: 111 555 666</p>	<p><b>Gulshan-e-Iqbal Branch</b> Tel: (021) 34981330-31 Fax: (021) 34981334</p>	
<p><b>Jodia Bazar Branch</b> Tel: (021) 32521351-4 Fax: (021) 32521357 Cochinwala Branch (Sub Branch) PABX No. (021) 32462703-5 FAX No. (021) 32467643</p>	<p><b>Gulshan Chowranghi Branch (Sub Branch)</b> PABX No. (021) 34832541-3 FAX No.</p>	<p><b>Hyderi Branch</b> PABX (021) 36724281-3-4 Fax No. (021) 36724282</p>
<p><b>Korangi Branch</b> Tel: (021) 35115001-2 Fax (021) 35115004</p>	<p><b>New Challi Branch</b> PABX No. (021) 32601231-33 Fax No. (021) 32601337</p>	<p><b>Nazimabad (Sub Branch)</b> PABX No. (021) 36611946-47 Fax (021) 36611977</p>
<p><b>Preedy Street Branch</b> PABX No (021) 32724121, 32724135, 32724178 Fax (021) 32725175</p>	<p><b>Shaheed-e-Millat Road Branch</b> PABX No (021) 34145183-86-87 Fax No. (021) 34145184</p>	<p><b>F.B. Area Karimabad Branch (Sub Branch)</b> PABX No. (021) 36826728/31/35 FAX No. (021) 36826805</p>
<p><b>Electronic Market Sadar Branch (Sub Branch)</b> PABX No. (021) 32700561-63 Fax No. (021) 32700567</p>	<p><b>Dohraji Branch (Sub Branch)</b> PABX No. (021) 34860181-5-6 Fax No. (021) 34860184</p>	<p><b>Karachi Stock Exchange Branch</b> Tel: (021) 32473561-63 Fax (021) 32473564</p>
<p><b>DHA Shahbaz Branch</b> PABX No. (021) 35349154-7 Fax No. (021) 35349149</p>	<p><b>Khalid Bin Waleed Branch (Sub Branch)</b> PABX (021) 34302807-8 Fax No.</p>	<p><b>DHA Phase 1 Branch</b> PABX No. (021) 35314121-3 Fax No. (021) 35314127</p>
<p><b>DHA Phase VI Branch (Sub Branch)</b> PABX (021) 35242734-37 FAX No. (021) 35242739</p>	<p><b>Shahrah-e-Faisal Branch</b> Tel: (021) 34313236-38 Fax: (021) 34538638</p>	<p><b>Gulistan-e-Johar Branch</b> PABX No. 34029901-2 Fax No. 34029903</p>
<p><b>Defence Phase IV Branch (Sub Branch)</b> PABX (021) 35312961-4 Fax No. (021) 35312966</p>	<p><b>Muhammad Ali Society Branch (Sub Branch)</b> PABX No. (021) 34306061-3 FAX No. (021) 34306066</p>	<p><b>Malir City Branch</b> PABX No. (021) 34117381, 34110812 / 82 FAX No. (021) 34117452</p>
<p><b>Garden Branch</b> PABX No. (021) 32292041-43 FAX No. (021) 32292046</p>	<p><b>Manzoor Colony Branch (Sub Branch)</b> PABX No. (021) 35392805-7 FAX No. (021) 35392810</p>	<p><b>Clifton Branch</b> PABX No.: (021) 35879207-35879215 Fax: (021) 35879134</p>
		<p><b>Shireen Jinnah (Clifton) (Sub Branch)</b> PABX No. (021) 35305581-3 FAX No. (021) 35374579</p>

### LAHORE BRANCHES

<p><b>Defence Branch</b> PABX No: (042) 35692418-9 Fax: (042) 35722228</p>	<p><b>Raiwind Road Branch</b> PABX No:(042) 35963370-75 Fax:</p>	<p><b>Allama Iqbal Town Branch</b> PABX (042) 37811723-4 Fax No.</p>
<p><b>DHA-G Branch (Sub Branch)</b> PABX (042) 35690987-8 Fax No. (042) 35690986</p>	<p><b>Abbot Road Branch</b> PABX No: (042) 36305143-44 Fax: (042) 36305142</p>	<p><b>Wahdat Raod Branch (Sub Branch)</b> PABX (042) 35912863-4 Fax No. (042) 35912862</p>
<p><b>Johar Town Branch</b> PABX (042) 35220815-20 Fax No. 042 35220819</p>	<p><b>Mozang Branch (Sub Branch)</b> PABX No. (042) 36371254-6 Fax No. (042) 36371504</p>	<p><b>Circular Road Branch</b> PABX No: (042) 37639040-42 Fax: (042) 37660649</p>
<p><b>Baghbanpura Branch</b> PABX No. (042) 36820435-6 FAX No. 042-36820447</p>	<p><b>Shadman Town Branch (Sub Branch)</b> PABX No. (042) 37569488-9-91 Fax 042 37569487</p>	<p><b>Shadbagh Branch (Sub Branch)</b> PABX No. (042) 37600986 Fax: (042) 37660649</p>
<p><b>Mughalpur Branch (Sub Branch)</b> PABX No. (042) 36524880-3 FAX No. (042) 36524887</p>	<p><b>Lahore Stock Exchange Branch</b> PABX No: (042) 36280801-3 Fax No : (042) 36280804</p>	<p><b>Gulberg Branch</b> PABX No: (042) 35790343 - 6 Fax No: (042) 35782589</p>
<p><b>Gulshan-e-Ravi Branch</b> PABX No. (042) 37415089-37410186 Fax: 042-37414892</p>	<p><b>Peco Road Branch</b> PABX No:(042) 35144951-4 FAX NO:(042) 35144955</p>	<p><b>Jail Road (KASB House) (Sub Branch)</b> PABX No. (042) 35776723-5 FAX No. (042) 35875013</p>
	<p><b>Shah Alam Branch</b> PABX No: (042) 37656501, 37658221 FAX NO:(042) 37658275</p>	<p><b>Model Town Branch (Sub Branch)</b> PABX No. (042) 35915673-6 FAX No. (042) 35915677</p>

### ISLAMABAD BRANCHES

<p><b>Islamabad Branch</b> PABX No: (051) 2826181- 83 Fax: (051) 2826184 UAN: 111 555 666</p>	<p><b>F-11 Markaz Branch</b> PABX No. (051) 2111533-4 Fax No. 051 2111532</p>	<p><b>Rawat Branch</b> PABX No. (051) 4612413-5 FAX No. 051-4612418</p>
<p><b>G-10 Markaz Branch (Sub Branch)</b> PABX No. (051) 2352658-40-71 Fax No. 051 2819214</p>		
<p><b>I-9 Markaz Branch (Sub Branch)</b> PABX No. (051) 4858395-97 FAX No. 051-4858401</p>		

## BRANCHES NETWORK

SIALKOT BRANCH	MULTAN BRANCH	GUJRANWALA
<b>Sialkot Branch</b> PABX No: (052) 3241671-74 Fax (052) 3241679	<b>Multan Branch</b> PABX No: (061) 4587701-3 Fax No: (061) 4587705	<b>Gujranwala Branch</b> PABX No: (055) 3252348 / 3252353 Fax: (055) 3254529
<b>Kashmir Road (Sialkot) (Sub Branch)</b> PABX No. (052) 3242653-4 Fax No. 052-3242650	<b>Bosan Road Multan Branch (Sub Branch)</b> PABX No. (061) 6210223-4 Fax No. 061-6210219	<b>Gujranwala G.T. Road Branch (Sub Branch)</b> PABX No. (055) 4294014-6 FAX No. (055) 4274016

RAWALPINDI BRANCHES		
<b>Rawalpindi Branch</b> PABX No: (051) 5701111-13, 5527842, 5527840 Fax: (051) 5527844	<b>Chandni Chowk Branch</b> PABX No. (051) 4417049-50 Fax No. 051 4417051	<b>Bahria Town Rawalpindi Branch</b> PABX No: (051) 5730371-3 Fax: (051) 5730376
<b>Raja Bazar Branch (Sub Branch)</b> PABX No. (051) 5777451-2 Fax No. 051 5777453		<b>Bahria Town Phase VIII Branch (Sub Branch)</b> PABX No. (051) 5705651-5705652-5705653 FAX No. (051) 5705658

PESHAWAR BRANCHES		
<b>Peshawar Branch</b> PABX No: (091) 5279432 / 5279425 Fax: (091) 5279838	<b>Hayatabad Branch</b> PABX No. (091) 5830024-8 Fax No. 091 5830025	<b>Sowari (Home Remittance Payment Centre)</b> Tel: 0345-8266441, 0345-8266442
<b>University Road Branch (Sub Branch)</b> PABX No. (091) 5711526-7 Fax No. 091 5711529		

HYDERABAD BRANCH	MIRPUR (AJK)	GUJRAT BRANCHES
<b>Hyderabad Branch</b> Tel: (022) 2729917-18 Fax: (022) 2785977 UAN: 111 555 666	<b>Mirpur (A.K.) Branch</b> PABX No: (058610) 42841 / 44877 Fax: (058610) 42742 UAN: 111 555 666	<b>Gujrat Branch</b> PABX:(053)-3517966-69 Fax (053) 3517965
<b>Hyderabad Market Branch (Sub Branch)</b> PABX (022) 2636660-2 Fax 022 2636275	<b>Chaksawari Branch</b> PABX No. 05827-454810-11 FAX No. 05827-454814	<b>Lala Musa (Sub branch)</b> PABX No. (053) 751905-8

OTHER CITIES		
<b>Faisalabad Branch</b> PABX NO (041) 2649667-70 Fax: (041) 2649672	<b>Jhelum Branch</b> PABX No. (0544) 622385/6 Fax No. 0544-622938	<b>Sargodha Branch</b> PABX No. (048) 3768121-3 Fax No. 048 3768122
<b>Sukkur Branch</b> Tel: (071) 5619083-4 Fax No. (071) 5619088	<b>Kharian (Sub Branch)</b> PABX No. (053) 7610629-36	<b>Jacobabad Branch</b> PABX No. (0722) 654804/5 FAX No. (0722)654801
<b>Quetta Branch</b> Tel: (081) 2842531, 2836518 Fax: (081) 2842531 UAN: 111 555 666	<b>Dina (Sub Branch)</b> PABX No. (0544) 631171-3 / 80	<b>Rahimiyarkhan Branch</b> PABX No. (068) 5871901-3 Fax No. 068 5871908
<b>Fateh Jang Branch</b> PABX No. (051) 2210244-6 Fax No. 051-2210249	<b>Dinga (Sub Branch)</b> PABX No 0537-405063 & 0537-405064 FAX No 0537-405061	<b>D.G.Khan Branch</b> PABX No. (064) 2471560-2 FAX No. (064) 2471566
<b>Nawabshah Branch</b> PABX No (024) 4330304-5 FAX No (024)-4330307	<b>Kamoki Branch</b> PABX No. (055) 6814580-2 FAX No. (055) 6814584	<b>Mirpurkhas Branch</b> PABX (0233) 874612-4 Fax No. (0233) 874615
<b>Sadiqabad Branch</b> PABX No. (068) 5800067-69 FAX No. (068) 5709114	<b>Jhang Branch</b> PABX No. (047) 7651670-2 FAX No. (047) 7651676	<b>Gujjar Khan Branch</b> PABX No. (0571) 3511903-5 FAX No. (0571) 3511913
<b>Mandi Bahaudin Branch</b> PABX No. (054) 6507207-9 FAX No. (054) 6507210	<b>Kandhkot Branch</b> PABX No. (0722) 570041-43 FAX No. (0722) 570044	<b>Sambriyal Branch</b> PABX No. (052) 6521003-5 FAX No. (052) 6521006
<b>Bahawalpur Branch</b> PABX No. (062) 2880701-3 FAX No. (062) 2880704	<b>Ghourghashti Branch</b> PABX No. 057-2871291-2871292 FAX No. 057-2871393	<b>Sheikhupura Branch</b> PABX No. (056) 3780984-6 FAX No. (056) 3780987
<b>Kasur Branch</b> PABX No. (049) 2720697-98-2763823 FAX No. (049) 2763824	<b>Mehar Branch</b> PABX No. (0254) 730375 FAX No. (0254) 730376	<b>Okara Branch</b> PABX No. (044) 2520526-8 FAX No. (044) 2520590
	<b>Vehari Branch</b> PABX No. (067) 3360515-7 FAX No. (067) 3360519	<b>Sahiwal (Sub Branch)</b> PABX No. (040) 4228801
	<b>Sanghar Branch</b> PABX No. (023) 5541479-80-5541478 FAX No.	

