THE KARACHI STOCK EXCHANGE (GUARANTEE) LIMITED

KSE/N-154 **NOTICE** ***January 09, 2009***

Reproduced hereunder letter received from ***KASB BANK LIMITED****, for information of members of the Exchange*

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KASB Bank

KSE/2008
January 6, 2009

Mr. Haroon Askari
General Manager Operations
Karachi Stock Exchange (Guarantee) Ltd.
Stock Exchange Building
Stock Exchange Road
Karachi.

Dear Sir,

SHOW CAUSE NOTICE

This refers to your Show Cause notice through letter No. KSE/Gen-11507 dated December 17, 2008 concerning failure to declare dividend and/or bonus certificates for five years. In response we submit as under:

1. We assure you that we have complete regard to the Listing Regulations of the Exchange.

   Unfortunately, the circumstances under which we operated during last few years did not permit us to declare any dividend etc. for the shareholders. In this respect we have to state that the Bank had last declared bonus shares to the shareholders for the year ended December 31, 2000. The KASB Group took over management of the Bank in October, 2002 when its overall stature was in a very depleted condition with almost over 78% stuck up asset portfolio. The new management strived hard to plug the holes as well as expand the business canvas. On the other hand, the minimum capital requirement aspect had also to be addressed. The efforts materialized to a great extent by reducing the portfolio of non-performing assets, substantial increase in deposits and reduction in the accumulated losses. Comparative position is as under:

   (Rupees in million)

	31.12.2002	31.12.2005	31.12.2006	31.12.2007
Deposits	2,639.698	14,828	21,276	33,132
Advances-net	490.025	10,739	14,514	25,143
Profit before Tax	(102)	(511.421)	52.795	65.562

   Despite above achievements, the Bank could not manage to have required surplus funds in accordance with requirements of rules 6 of Companies (Issue of Capital) Rules 1996 to consider declaration of any bonus entitlement etc. This aspect remained under constant review of the Board of Directors of the Bank and was discussed in a number of Board meetings.

2. Another important factor by way of which substantial benefit has been provided to the shareholders on regular basis has also to be kept in view i.e. offer of four Right Issues from year 2004 till year, 2007 as under:

   32 % Right Issue in year 2004
   18 % Right Issue in year 2005
   10 % Right Issue in year 2006
   36 % Right Issue in year 2007

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