

Contents

Vision	1
Mission	1
Core Values	1
Corporate Information	2
Notice Of Nineteenth Annual General Meeting	3
● Notes to the Notice Of Nineteenth Annual General Meeting	4
Directors' Report to the Shareholders	5
6 Years Financial Highlights	9
Statement of Compliance	10
Review Report to the Members	12
Statement of Internal Control	13
Report of Shariah Advisor	14
Auditors' Report to the Members	15
Financial Statements	16
● Balance Sheet	16
● Profit and Loss Account	17
● Statement of Comprehensive Income	18
● Statement of Changes in Equity	19
● Cash Flow Statement	20
● Notes to the Financial Statements	21
Pattern of Shareholding	81
Branch Network	83
Foreign Correspondent Banks	85
Form of Proxy	89

Vision

To become a leading Bank providing efficient and dynamic services in both Islamic and Conventional banking through expanded nationwide network.

Mission

To increase shareholders' value and provide excellent service & innovative products to customers through effective corporate governance, friendly work environment and contributing towards an equitable socioeconomic growth.

Core Values

Highest quality of Service, Professionalism, Integrity, Team Work, Innovation & Utilization of latest technology, risk mitigation, Corporate Social Responsibility

Corporate Information

Board of Directors

Ghulam Dastgir Akhtar	Chairman
Sahibzada Saeed Ahmad	Member
Muhammad Asif	Member
Muhammad Maqsood Khan	Member
Maqsood Ismail	Member
Mir Javed Hashmat	Member
Amjad Pervez	Member

Managing Director / CEO

Bilal Mustafa

Audit Committee

Muhammad Asif (Chairman)
Sahibzada Saeed Ahmad
Muhammad Maqsood Khan
Mir Javed Hashmat
Amjad Pervez

Chief Financial Officer

Rahat Gul

Company Secretary

Zahid Sahibzada

Registered Office / Head Office

The Bank of Khyber,
24-The Mall, Peshawar Cantt.
UAN# + 92-91-111 95 95 95
URL: www.bok.com.pk

Auditors

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Legal Advisors

Mr. Nisar Ahmed Khan
Advocate, Peshawar

M/s. Mohsin Tayebaly & Co.,
Karachi

Registrar & Share Registration Office

THK Associates (Pvt) Ltd
Ground Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road
Karachi – 75530. Pakistan.

Notice Of Nineteenth Annual General Meeting

Notice is hereby given that the 19th Annual General Meeting of the Shareholders of The Bank of Khyber will be held on Monday, March 29, 2010 at 11:00 a.m. at Head Office, 24 – The Mall, Peshawar Cantt. to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extra Ordinary General Meeting held on May 28, 2009.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended 31st December, 2009, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending 31st December, 2010 and fix their remuneration. Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants being eligible offer themselves for re-appointment.

Other Business

4. Any other business with the permission of the Chair.

By Order of the Board

Zahid Sahibzada
Company Secretary

Peshawar: March 08, 2010

Notes:

- (i) Share Transfer Books of the Bank will remain closed from Monday, March 22, 2010 to Monday, March 29, 2010 (both days inclusive).
- (ii) All members are entitled to attend and vote at the meeting.
- (iii) A member entitled to attend and vote at the Meeting, is entitled to appoint another member as a proxy to attend, speak and vote for him/her.
- (iv) An instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy, if required, may be obtained from the Registered Office of the Bank during normal office hours.
- (v) An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
- (vi) In case of Proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he/she should bring the usual documents required for such purpose.
- (vii) Shareholders are requested to notify immediately for any change in their addresses.
- (viii) Form of Proxy is attached in the Annual Report and, if required, should be signed on Rs.5/- Revenue Stamp.

Directors' Report to the Shareholders

On behalf of the Board of Directors, I am pleased to present the 19th Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the year ended December 31, 2009.

Financial Highlights

The operating results and appropriations, as recommended by the Board, are placed as under:

	(Rs. in millions)
Operating Profit	648.549
Provision against non-performing advances, investments & others	(1,447.319)
(Loss) / Profit before taxation	(798.770)
Taxation	161.587
(Loss) / Profit after tax	(637.183)
Total Assets	38,810.570
Advances (Gross)	14,820.746
Investments	17,925.911
Deposits	26,285.794

Economic Overview

In the aftermath of the international economic setback as well as political and domestic economical turmoil, the economy of Pakistan has witnessed financial crises during the year 2009. The macroeconomic indicators presented a mixed picture. While inflation (YoY) and balance of payment position has improved, fiscal and real sector performance remains fragile. The average CPI inflation for the year under review stands at 10.3 percent as compared to 24.4 percent of the corresponding year. The balance of payment position depend significantly on the timing and scale of projected foreign inflows, especially the official flows pledged by the FoDP however, the Government managed to close the year end with Liquid Foreign Exchange Reserves at US\$15,070 Million. Strict Monetary Policy by the State Bank of Pakistan helped contain the financial crisis to restore shareholders' confidence.

Financial Overview

The Bank of Khyber is headquartered in Peshawar with majority of its branches operating in the NWFP as a result the organization has suffered due to the menace of militancy. However, the Bank remained conscious of the challenges being faced by the economy and the business conditions in the country and particularly in the province. Following a consolidated and consistent approach towards improving asset quality and achieving a better deposit mix, the Bank remained vigilant on extending fresh loans and reduced reliance on costly deposits.

Throughout the year 2009, the Bank's main focus remained on core banking activities and consequently the markup based income grew to Rs.3,390 Million in 2009 from Rs.2,959 Million in 2008 indicating an increase of 15%. Resultantly, the Bank posted an operating profit of Rs.649 Million. However, after providing for diminution in value of investments and non-performing loans, the Bank had to book before tax loss of Rs.799 Million. The Bank was able to maintain the size of advances which stood at Rs.14,821 Million with a marginal decrease from last year. Deposits however,

grew from Rs.24,732 Million to Rs.26,286 Million.

During the year, the Bank embarked upon a strategy of expanding its network nationwide in the economic hubs of the Country. We are glad to inform that the Bank is currently offering customized services through its expanded network of 41 branches nationwide wherein seven new branches including 5 conventional branches viz. Karachi, Lahore, Multan, Sialkot, Rawalpindi and 2 Islamic branches viz. Peshawar and Swabi have been opened in 2009. The State Bank of Pakistan has further approved opening of 9 new branches for the year 2010 in Karachi, Faisalabad, Gujrat, Gujranwala, Mirpur (AJK), Lakki Marwat, Havelian, Tall and Chaman. This will invariably strengthen the Bank's presence in these strategic locations which will not only enhance its outreach but will also ensure availability of banking services and linkages to the clients in these areas.

The Bank's paid-up capital for the year ended December 31, 2009 stood at Rs.5 billion. The Bank plans to issue Right Shares to the existing shareholders so as to raise the paid-up capital to Rs.6 billion to meet the Minimum Capital Requirements for the year 2009. I am confident that the same will be achieved by June 30, 2010.

Risk Management Framework

The Bank manages risk through a framework of sound risk principles which include an optimum organizational structure, risk review and monitoring process that are closely aligned with our long term strategy. In order to mitigate risks associated with the banking sector, the Bank has adopted measures to monitor and alleviate risks under the SBP Risk Management Guidelines. The Board of Directors of the Bank has approved the Risk Management Policy which incorporates all the important aspects in light of the guidelines provided by the State Bank of Pakistan on the issue.

Further, the Bank has initiated the Basel II Implementation phase to implement the Standardized Approach for credit, market and operation risks whereas development of Market Risk Management Framework has been started so that the Bank can effectively manage liquidity and market risk.

The Bank is committed to allocate considerable resources in managing the material risks to which it is exposed. The momentum attained so far will be continued in identifying, controlling and managing risk through significant investments in human resource, technology and training.

Internal Control

Existence of effective internal controls in the Bank ensures smooth operations in a multi-faceted organizational structure. Internal Control Policy and Procedures have been approved by the Board of Directors and are being effectively implemented. The management feels confident that all Internal Controls procedures are adequate to effectively and efficiently meet the operational requirements while Review and Gap Analysis of Internal Control Policies and Procedures are underway, for improvement in systems and controls.

Statement under Section XIX of the Code of Corporate Governance

The Bank's Board and management are committed to the standards defined in the Code of Corporate Governance and continuous organizational improvement. In this regard, the following statements are duly confirmed:

1. The financial statements prepared by the management of The Bank of Khyber present fairly its state of affairs, the results of its operations, cash flow and changes in equity.

2. Proper books of accounts of The Bank of Khyber have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements except as disclosed.
4. International Accounting Standards as applicable have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is satisfactory in design and has been effectively implemented and monitored however, review and gap analysis is underway for further improvement.
6. There are no doubts upon the Bank's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

Board Meetings

During the year 2009, eight meetings of the Board of Directors were held and attended by Directors as under:

		Board Meetings attended
1.	Mr. Javed Iqbal, Chairman *	3
2.	Mr. Ghulam Dastgir Akhtar, Chairman	4
3.	Mr. Bilal Mustafa, Managing Director	7
4.	Mr. Zia-ur-Rehman **	1
5.	Mr. Fahimullah Khattak ***	3
6.	Mr. Abdus Samad Khan ****	1
7.	Sahibzada Saeed Ahmad	1
8.	Mr. Muhammad Asif	8
9.	Mr. Muhammad Maqsood Khan	7
10.	Mr. Maqsood Ismail	5
11.	Mir Javed Hashmat	8
12.	Mr. Amjad Pervez *****	1

* Mr. Javed Iqbal was replaced by Mr. Ghulam Dastgir Akhtar on March 28, 2009 on assuming office of Additional Chief Secretary, Government of NWFP.

** Mr. Zia-ur-Rehman was replaced by Mr. Fahimullah Khattak on February 9, 2009 on assuming office of the Secretary Finance.

*** Mr. Fahimullah Khattak was replaced by Mr. Abdus Samad Khan on May 21, 2009 on assuming office of the Secretary Finance.

**** Mr. Abdus Samad Khan was replaced by Sahibzada Saeed Ahmad on September 26, 2009 on assuming office of the Secretary Finance.

***** Mr. Amjad Pervez was elected by the shareholders in Extra Ordinary General Meeting held on May 28, 2009 and subsequently cleared by the SBP on August 26, 2009.

Credit Rating

The JCR-VIS has maintained the Bank's credit ratings of 'BBB+' (Triple B plus) for long term whereas short term rating has been revised to 'A-3' (A-Three) from 'A-2' (A-Two). Outlook on the ratings is 'Stable'.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 'BBB' (Triple B) for long term rating whereas 'A2' has been given for short term rating.

Pattern of Share Holding

The pattern of share holding as at December 31, 2009 is annexed with the report.

(Loss) / Earnings Per Share

After tax (Loss) / Earnings per share for the year 2009 is (Rs.1.27).

Auditors

The retiring auditors, M/s. M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible, have offered themselves to act as auditors of the Bank for the year ending December 31, 2010.

Acknowledgement

The Board is grateful to the Government of NWFP for its enduring support, the State Bank of Pakistan for its worthy guidance, the valued customers for their continued patronage and trust and the staff for their untiring efforts to make the organization a success.

On behalf of the Board of Directors



Bilal Mustafa
Managing Director

March 06, 2010

The Bank of Khyber - 2009 6 Years Financial Highlights

(Rs. in Million)

	2004	2005	2006	2007	2008	2009
Deposits	15,831	17,452	19,077	21,411	24,732	26,286
Advances (Net)	9,001	10,590	9,189	10,086	12,644	11,836
Investments	6,927	7,698	8,565	8,903	8,985	17,926
Total Assets	23,824	25,074	27,183	29,712	31,339	38,811
Capital and Reserves	1,828	2,047	2,796	5,540	5,678	5,041
Profit/(Loss) before Tax	299	234	203	77	206	(799)
Profit/(Loss) after Tax	264	219	203	213	137	(637)
Return on Equity	15.57%	11.30%	8.38%	5.11%	2.44%	-12.04%

Statement of Compliance

with best Practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) framed by the Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, to manage a company in compliance with best practices of corporate governance, which has been made applicable to banks by the State Bank of Pakistan (SBP) through regulation G-1 of Prudential Regulations for Corporate/ Commercial Banking and to listed entities through Regulation No.35 of the Listing Regulations of the Karachi Stock Exchange.


The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of non-executive Directors on its Board of Directors (the Board). At present, all the members of the Board are independent non-executive Directors except for the Managing Director (MD) and the Executive Director.
2. The Directors have confirmed that none of them is serving as a Director in more than ten listed companies.
3. All the Directors have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs.
4. The Bank has prepared a 'Statement of Ethics and Business Practices' which has been signed by the Directors and the employees of the Bank.
5. The Board has developed a vision and mission statement and an overall corporate strategy. The Board has approved major significant policies of the Bank. A complete record of particulars of the significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and necessary administrative, financial and credit discretionary powers have been delegated to the management. In accordance with section 12 of The Bank of Khyber Act, 1991 (as amended) the powers of appointment of the Managing Director and determination of the terms and conditions of such appointment rest with the Government of N.W.F.P.
7. The meetings of the Board were presided over by the Chairman. The Board met at least once in every quarter during the year ended December 31, 2009. A total of eight meetings were held during the year. Written notices of the Board meetings along with agenda and working papers, were circulated to the directors at least seven days before the meetings.
8. The Directors of the Bank have been apprised about the responsibilities relating to the Code of Corporate Governance. Four Directors attended the Board Development Series Program of the Pakistan Institute of Corporate Governance (PICG) out of whom three have obtained certification. The remaining Directors are expected to participate in the program during the coming year.
9. The Human Resource Committee of the Board approved the appointment of the Chief Financial Officer (CFO). The appointment of the Company Secretary was made by the Board. The Appointment of Head Internal Audit was approved by the Board on recommendation of the Audit Committee.

10. The Directors' report for this year has been prepared in compliance with the requirement of the Code and fully describes the salient matters required to be discussed.
11. The Financial Statements of the Bank were duly endorsed by the MD and the CFO before approval of the Board.
12. The Directors and the MD do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
13. The Board has formed an Audit Committee. It comprises of five members. Majority of the members of the Committee including the Chairman are non-executive Directors.
14. The meetings of the Audit Committee were held at least once every quarter and prior to approval of interim and final results as required by the Code. A total of 15 meetings of the Committee were held during the year. The terms of reference of the Committee have been formulated and approved by the Board.
15. The Board has set up an internal audit function, the members of which are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank and they are involved in the internal audit function on a full-time basis.
16. The system of Internal Control is sound in design and is being effectively implemented and monitored. However, gap analysis is underway to further improve the Internal Control Procedures.
17. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code ethics as adopted by The Institute of Chartered Accountants of Pakistan.
18. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditor have confirmed that they have observed IFAC guidelines in this regard.
19. This Statement of Compliance with best practice of corporate governance is being published and circulated along with the annual report of the Bank.
20. The State Bank of Pakistan through its circular letter No. 2 dated January 7, 2005 has required the Banks to include in their Directors' Report information on Risk Management Framework. Accordingly, the required information has been included in the Directors' Report to comply with the aforementioned requirement.
21. All related party transactions for the year have been reviewed by the Audit Committee and approved by the Board. These transactions are carried out on agreed terms and conditions.
22. We confirm that the Bank has also implemented the remaining provisions of the Code applicable to the Bank.

On behalf of the Board of Directors

March 6, 2010



Bilal Mustafa
Managing Director

Review Report to the Members on Statement of Compliance with best practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices (the “Statement”) contained in the Code of Corporate Governance prepared by the Board of Directors of The Bank of Khyber (the Bank) to comply with Regulation G-1 of the Prudential Regulations for Corporate/Commercial Banking issued by the State Bank of Pakistan and Listing Regulation No. 35 of the Karachi Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi Stock Exchange require the Bank to place before the Board of Directors for their consideration and approval related party transactions, distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price while recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Bank for the year ended December 31, 2009.

Chartered Accountants

Dated: March 6, 2010

Place: Karachi

Statement of Internal Control

Internal Control System

It is the responsibility of the Bank's Management to establish and maintain an adequate system of Internal Control. The Management makes every effort to implement the guidelines on Internal Controls to ensure that all significant risks are identified, evaluated and managed. The Internal Control System comprises of control procedures and control environment.

The system of Internal Control is carried out with the active participation of Senior Management and the Board's Audit Committee with support from the Internal Audit, Compliance and Risk Management Division.

The Management ensures the efficiency and effectiveness of the Internal Control System by extending Internal Control to cover all activities, identifying control objectives and instituting segregation of duties, providing pertinent training and communicating the importance of Internal Controls down the line to every one involved.

The accounting information and communication system of the Bank have been built with a view to carry out operations within the policy guidelines approved by the Board of Directors.

The ultimate responsibility for the integrity and reliability of the Internal Control System rests with the Board of Directors. The Board has approved an Internal Control Policy to ensure effective Internal Controls. However, it may be understood that, Internal Control System is designed to manage rather than eliminate the risk of failure inherent in the desired business transactions and can only provide reasonable and not absolute assurance against material misstatement or loss.

Evaluation of Existing Internal Control System

The Bank endeavors to follow the guidelines on Internal Control. The system of Internal Control is being evaluated and improved as an ongoing process of identification, evaluation and management of significant risks inherent in the overall operations of the Bank.

The observations of weakness pointed out by the internal and external auditors are reviewed regularly and necessary steps taken to correct the weakness and further measures are instituted to ensure that instances are not repeated. It is also ensured that timely and satisfactory action is taken on the recommendations of the auditors both internal and external.

We understand that the existing system of Internal Controls needs improvement for which efforts are being made to identify gaps and correct them. During the year, the Bank hired the services of a consultant to undertake a Gap Analysis in terms of Internal Control over Financial Reporting (ICFR). Due attention is also being given to formalizing systems and enhancing the competence and knowledge of the staff.

On behalf of the Board of Directors



Bilal Mustafa
Managing Director

March 6, 2010

Report of Shariah Advisor

With the grace of almighty Allah, the Islamic Banking at the Bank of Khyber is flourishing and developing day by day. Islamic Banking is functioning under the supervision and guidance of a Shariah Supervisory Committee comprising of Dr. Shahid Hassan Siddiqui as Chairman, Mufti Muhammad Zahid, Dr. Dost Muhammad Khan, Dr. Shahzad Iqbal Sham and Syed Muhammad Abbas as Members.

Based on review performed by me which includes examination of each class of transaction on test check basis along with its procedure with documentation, specially on the financing side, I am of the opinion that the affairs of Islamic Banking have generally been carried out in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah Compliance as well as the advice given by me or the Shariah Supervisory Committee.

Allocation of funds, weightages, profit sharing ratios, profit and charging of losses (if any) related to PLS accounts are in accordance with rules and principles of Shariah, SBP regulations and guidelines related to Shariah Compliance as well as the advice given by me or the Shariah Supervisory Committee.

All earnings realized relating to transactions declared prohibited during Shariah Reviews have been credited to Charity Account.

In my opinion, the approved system is of high level in Shariah Compliance and the Bank is gradually increasing the level of compliance to the highest standards.

May Allah guide us in this great mission and vision. Ameen

March 06, 2010

Mufti Zakir Hassan Nomani
Shariah Advisor

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of The Bank of Khyber ("the Bank") as at December 31, 2009 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 8 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting amounts and disclosures in the financial statements. An audit also includes assessing accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in the case of loans and advances covered more than 60% of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes mentioned in note 6.1, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and;
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2009 and its true balance of the loss, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Bank for the year ended December 31, 2008 were audited by another firm of Chartered Accountants who had expressed an unqualified opinion on those financial statements vide their report dated March 3, 2009.

Date: March 6, 2010
Place: Karachi

Chartered Accountants
Engagement Partner: Asad Ali Shah

BALANCE SHEET AS AT DECEMBER 31, 2009

December 31, 2009 December 31, 2008

Note Rupees in '000

ASSETS

Cash and balances with treasury banks	7	1,542,102	1,557,715
Balances with other banks	8	2,403,698	3,362,946
Lendings to financial institutions	9	1,810,846	2,282,494
Investments	10	17,925,911	8,985,441
Advances	11	11,835,962	12,643,814
Operating fixed assets	12	1,013,670	187,589
Deferred tax asset - net	13	456,420	396,673
Other assets	14	1,821,961	1,922,317
		38,810,570	31,338,989

LIABILITIES

Bills payable	15	229,973	122,516
Borrowings	16	5,147,036	910,691
Deposits and other accounts	17	26,285,794	24,732,195
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	1,185,470	892,371
		32,848,273	26,657,773
NET ASSETS		5,962,297	4,681,216

REPRESENTED BY

Share capital	19	5,004,001	4,002,984
Reserves		435,342	1,436,359
(Accumulated loss) / unappropriated profit		(398,710)	238,473
		5,040,633	5,677,816
Advance against shares subscription	19.3	224,000	-
		5,264,633	5,677,816
Surplus / (deficit) on revaluation of assets	20	697,664	(996,600)
		5,962,297	4,681,216

CONTINGENCIES AND COMMITMENTS

21

The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.



Managing Director



Director



Director




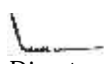
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2009

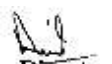
	Note	December 31, 2009	December 31, 2008
		Rupees in '000	
Mark-up / Return / Interest earned	22	3,390,014	2,958,865
Mark-up / Return / Interest expensed	23	2,390,388	1,897,816
Net mark-up / Interest income		999,626	1,061,049
Provision against non-performing loans and advances - net	11.4	659,758	192,919
Provision for diminution in the value of investments - net	10.3	602,061	45,674
Bad debts written off directly		-	-
		1,261,819	238,593
Net Mark-up / Interest income after provisions		(262,193)	822,456
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		127,123	96,413
Dividend income		117,458	150,360
Income from dealing in foreign currencies		3,371	32,926
Gain / (loss) on sale of securities - net	24	67,148	(570)
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net	10.7	(1,294)	-
Other income	25	69,896	60,626
Total non-markup / Interest income		383,702	339,755
		121,509	1,162,211
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	719,453	654,869
Other provisions / write offs	27	185,500	264,324
Other charges	28	15,326	37,122
Total non-markup / Interest expenses		920,279	956,315
		(798,770)	205,896
Extra ordinary / unusual items		-	-
(LOSS) / PROFIT BEFORE TAXATION		(798,770)	205,896
Taxation	29		
- Current		75,292	18,975
- Prior years		-	-
- Deferred		(236,879)	49,573
		(161,587)	68,548
(LOSS) / PROFIT AFTER TAXATION		(637,183)	137,348
Unappropriated profit brought forward		238,473	128,595
(Accumulated loss) / unappropriated profit carried forward		(398,710)	265,943
(Loss) / earnings per share - Basic and Diluted (in Rupees)	30	(1.27)	0.27

The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.


Managing Director


Director


Director


Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	December 31, 2009	December 31, 2008
	Rupees in '000	
(Loss) / profit after taxation for the year	(637,183)	137,348
Other comprehensive income	-	-
Total comprehensive income for the year	(637,183)	137,348

The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.



Managing Director



Director



Director



Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2009

	Share capital	Share premium	Bonus issue reserve	Statutory reserve	Revenue reserve	(Accumulated loss) / Unappropriated profit	Total
	Rupees in '000						
Balance as at January 01, 2008	4,002,984	755,517	-	407,872	154,131	219,964	5,540,468
Changes in equity during the year ended December 31, 2008							
Total comprehensive income for the year ended December 31, 2008	-	-	-	-	-	137,348	137,348
Transactions with owners							
Transfer to reserve for issue of bonus shares for the year ended December 31, 2008 @ 25%	-	(755,517)	1,001,017	-	(245,500)	-	-
Transfer to revenue reserve	-	-	-	-	91,369	(91,369)	-
Transfer to statutory reserve	-	-	-	27,470	-	(27,470)	-
Balance as at December 31, 2008	4,002,984	-	1,001,017	435,342	-	238,473	5,677,816
Changes in equity during the year ended December 31, 2009							
Total comprehensive income for the year ended December 31, 2009	-	-	-	-	-	(637,183)	(637,183)
Transfer to statutory reserve	-	-	-	-	-	-	-
Transactions with owners							
Issue of bonus shares	1,001,017	-	(1,001,017)	-	-	-	-
Balance as at December 31, 2009	5,004,001	-	-	435,342	-	(398,710)	5,040,633

The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.



Managing Director



Director



Director




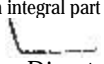
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009

Note	December 31, 2009	December 31, 2008 (Restated)
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before taxation	(798,770)	205,896
Less: Dividend income	117,458	150,360
	<u>(916,228)</u>	<u>55,536</u>
Adjustments for non-cash changes		
Depreciation	23,998	17,705
Amortization	-	476
Provision against non-performing advances - net	659,758	192,919
Unrealized gain on revaluation of investments classified as held-for-trading - net	1,294	-
Provision for diminution in the value of investments - net	602,061	45,674
Loss on reclassification of held-for-trading investment	-	77,184
Other provisions / write offs	185,500	264,324
Bad debts written off directly	-	-
Gain on sale of operating fixed assets	(2,853)	(3,717)
	<u>1,469,758</u>	<u>594,565</u>
	553,530	650,101
(Increase) / decrease in operating assets :		
Lendings to financial institutions	336,148	392,432
Net investments in held-for-trading securities	(757,740)	67,917
Advances - net	148,094	(2,751,093)
Others assets (excluding advance taxation)	(65,426)	479,652
	<u>(338,924)</u>	<u>(1,811,092)</u>
Increase / (decrease) in operating liabilities :		
Bills payable	107,457	(226,436)
Borrowings	4,236,345	(410,705)
Deposits and other accounts	1,553,599	3,321,367
Other liabilities	293,099	110,060
	<u>6,190,500</u>	<u>2,794,286</u>
	6,405,106	1,633,295
Income tax refunded / (paid)	40,490	(6,550)
Net cash flows from operating activities	<u>6,445,596</u>	<u>1,626,745</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(7,726,709)	(1,323,997)
Net investments in held-to-maturity securities	41,784	(552,117)
Net investment in associates	4,496	-
Dividend received	117,458	150,252
Investments in operating fixed assets	(86,362)	(81,342)
Proceeds from sale of operating fixed assets	4,876	8,251
Net cash used in investing activities	<u>(7,644,457)</u>	<u>(1,798,953)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance against shares subscription	224,000	-
Net cash flows from financing activities	<u>224,000</u>	<u>-</u>
(Decrease) in cash and cash equivalents	(974,861)	(172,208)
Cash and cash equivalents at beginning of the year	4,920,661	5,092,869
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at end of the year	<u>3,945,800</u>	<u>4,920,661</u>

The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.


Managing Director


Director


Director


Director

Notes to the Financial Statements for the Year Ended December 31, 2009

1. STATUS AND NATURE OF BUSINESS

- 1.1 The Bank of Khyber ("The Bank") was established under The Bank of Khyber Act, 1991 (N.W.F.P. Act No. XIV of 1991) and is principally engaged in the business of commercial, investment and development banking. The Bank acquired the status of a scheduled bank in 1994. The Bank is listed on the Karachi Stock Exchange (KSE). The registered office of the Bank is situated at 24-The Mall, Peshawar Cantt, Peshawar. The Bank is operating 41 branches as at December 31, 2009 (2008: 34 branches). The long term credit ratings of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS are 'BBB' and 'BBB' respectively and the short-term credit ratings assigned are 'A2' and 'A-1+' respectively.
- 1.2 As at December 31, 2009, the paid-up capital (net of losses) of the Bank amounts to Rs. 4,605.291 million which is below the minimum regulatory capital requirement of Rs. 6,000 million as prescribed by State Bank of Pakistan (SBP) vide BSD Circular No. 07 dated April 15, 2009. The management is working on a plan to raise additional funds from Government/Shareholders for meeting Minimum Capital Requirement (MCR) of Rs. 6 billion and in this regard the Bank has received Rs. 224 million from the Government of NWFP as advance against share subscription. Further, the management approached the State Bank of Pakistan (SBP) for relaxation in minimum capital requirement as at December 31, 2009. SBP through their letter dated January 6, 2010 has granted the said extension till June 30, 2010.

2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the 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 the respective arrangements (except for murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental / profit thereon. Following the setting up of the Islamic Banking Division, the Bank also provides financing through Shariah compliant modes of financing.
- 2.2 The financial results of the Islamic Banking Division have been consolidated in these financial statements for reporting purpose, after eliminating the effects of intra-bank transactions and balances. The Bank is conducting Islamic Banking in 18 (2008:16) of its branches. Key financial figures of the Islamic Banking Division are disclosed in Annexure "A" to these financial statements.
- 2.3 These financial statements have been presented in Pakistani Rupee, which is the Bank's functional and reporting currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that

certain assets and derivative financial instruments are stated at revalued amounts / fair values as disclosed in their respective notes.

4. STATEMENT OF COMPLIANCE

4.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, 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. 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 IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives prevail.

4.2 The SBP, vide 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) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan dated April 28, 2008, International Financial Reporting Standard (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. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after January 1, 2010. These standards are either not relevant to the Bank's operations or are not expected to have a significant impact on the Bank's financial statements other than increase in disclosures in certain cases:

- Revised IFRS 3 - Business Combinations (applicable for annual periods beginning on or after July 1, 2009) broadens among other things the definition of business resulting in more acquisitions being treated as business combinations, contingent consideration to be measured at fair value, transaction costs other than share and debt issue costs to be expensed, any pre-existing interest in an acquire to be measured at fair value, with the related gain or loss recognised in profit or loss and any non-controlling (minority) interest to be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of an acquire, on a transaction-by-transaction basis.
- Amended IAS 27 - Consolidated and Separate Financial Statements (effective for annual periods beginning on or after July 1, 2009) requires accounting for changes in ownership interest by the group in a subsidiary, while maintaining control, to be recognized as an equity transaction. When the group loses control of subsidiary, any interest retained in the former subsidiary will be measured at fair value with the gain or loss recognized in the profit or loss.
- IFRIC 15 - Agreement for the Construction of Real Estate (effective for annual periods beginning on or

after October 1, 2009) clarifies the recognition of revenue by real estate developers for sale of units, such as apartments or houses, 'off-plan', that is, before construction is complete.

- IFRIC – 17 - Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after July 1, 2009) states that when a Bank distributes non cash assets to its shareholders as dividend, the liability for the dividend is measured at fair value. If there are subsequent changes in the fair value before the liability is discharged, this is recognised in equity. When the non-cash asset is distributed, the difference between the carrying amount and fair value is recognised in the income statement.
- The International Accounting Standards Board made certain amendments to existing standards as part of its Second annual improvements project. The effective dates for these amendments vary by standard and most will be applicable to the Bank's 2010 financial statements. These amendments are either not relevant to the Bank's operations or are not expected to have a significant impact on the Bank's financial statements other than increase in disclosures in certain cases.
- Amendment to IFRS 2 - Share-Based Payment - Group Cash-settled Share-Based payment Transactions (effective for annual periods beginning on or after January 1, 2010). Currently effective IFRS require attribution of group share-based payment transactions only if they are equity settled. The amendments resolve diversity in practice regarding attribution of cash-settled share-based payment transactions and require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate or individual financial statements.
- Amendment to IAS 32 - Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after February 1, 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- IAS 24 - Related Party Disclosures revised 2009 (effective for annual periods beginning on or after January 1, 2011). The revision amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The amendment would result in certain changes in disclosures.
- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2011). These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement. These amendments result in prepayments of contributions in certain circumstances being recognised as an asset rather than an expense.
- Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after July 1, 2009). The amendments specify that if an entity is committed to a plan to sell a subsidiary, then it would classify all of that subsidiary's assets and liabilities as held for sale when the held for sale criteria in IFRS 5 are met. This applies regardless of the entity retaining an interest (other than control) in the subsidiary; and disclosures for discontinued operations are required by the parent when a subsidiary meets the definition of a discontinued operation.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form

the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment, complexity or areas where assumptions and estimates are significant to the financial statements are disclosed below:

5.1 Classification of investments

In classifying investments as "held-for-trading" the Bank has determined securities which are acquired with the intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days.

In classifying investments as "held-to-maturity" the Bank follows the guidance provided in SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity.

The investments which are not classified as held for trading or held to maturity are classified as available for sale.

5.2 Impairment of available-for-sale investments

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

5.3 Provision against non-performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and advances and provision required there-against on a quarterly basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced value of securities and requirements of the Prudential Regulations are considered.

For portfolio impairment provision on consumer advances, the Bank follows the general provision requirement set out in Prudential Regulations.

5.4 Income taxes

While making the estimates for income taxes currently payable by the Bank, management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are various matters where bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability. In making provision for deferred taxes, estimates of the Bank's future taxable profits and expected

reversal of deductible temporary differences are taken into account.

The Finance Act, 2009, has made significant amendments in the Seventh Schedule to Income Tax Ordinance, 2001. The deduction for provisions for doubtful and loss categories of advances and off balance sheet items is allowed upto a maximum of 1% of total advances. The amount of bad debts classified as OAEM (in agriculture) and Substandard under Prudential Regulation issued by State Bank of Pakistan would not be allowed as an expense. Provisioning in excess of 1% of total advances would be allowed to be carried over to succeeding years. Therefore, the management has carried out an exercise at period end and concluded that they would be able to get deduction of provision in excess of 1% of total advances and have recognised deferred tax asset on such provision amounting to Rs. 279.070 million.

5.5 Fixed assets, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, "Changes in Accounting Estimates and Errors".

5.6 Defined benefit plan

The liability of the defined benefit plan (gratuity) is determined using actuarial advice using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets, future salary increases and mortality rates.

6. 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 financial statements of the Bank for the year ended December 31, 2008 (except for the changes mentioned in note 6.1 below) and are enumerated as follows:

6.1 Changes in accounting policies

6.1.1 Presentation of financial statements

Starting January 01, 2009, the Bank has changed its accounting policy in respect of 'Presentation of financial statements'.

IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after January 1, 2009) – The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. Further, under revised standard, an entity may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Bank has opted to present the

components of profit or loss in a separate statement while a statement of comprehensive income is presented separately as permitted under revised IAS 1. As surplus on revaluation of assets does not form part of the equity under the local laws and is presented below the equity in the balance sheet, accordingly changes in equity arising from surplus on revaluation of assets have not been considered part of comprehensive income and accordingly these are not included in the statement of comprehensive income presented in these financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

6.1.2 Cash and cash equivalents

During the year, the Bank has changed its accounting policy of cash and cash equivalents for the purpose of cash flow statement. Previously call lendings and placements with financial institutions having maturities of three months or less were included in cash and cash equivalents which have now been excluded. The previously reported cash and cash equivalents amount of Rs. 6,713,911 thousand as at December 31, 2008, has been restated to Rs. 4,920,661 thousand. There is no impact of such change in policy on profit and loss account and equity.

6.1.3 Change in accounting policy in respect of operating fixed assets

During the year, the Bank changed its accounting policy in respect of recording of freehold land from cost to revalued amount (refer note 12.2). Surplus recorded on revaluation of freehold land is Rs. 765.740 million. Had there been no change in accounting policy, the carrying value of operating fixed assets would have been lower by Rs. 765.740 million and 'surplus on revaluation of assets - net of tax' would have been converted into deficit of Rs. 68.076 million.

6.1.4 Accounting for Ijarah contracts

Pursuant to IBD circular No.1 dated January 27, 2009, the Bank has adopted IFAS-2 "Ijarah" for all ijarah contracts entered on or after January 1, 2009. The policy is stated in note 6.5.3. As per the policy applied for all future contracts, the adoption of this standard did not require any restatement.

6.2 Cash and cash equivalents

For purposes of the cash flow statement cash and cash equivalents comprise of cash and balances with treasury banks and balances with other banks in current and deposit accounts.

6.3 Lending to / borrowings from financial institutions

The Bank enters into transactions of repos and reverse repos at contracted rates for a specified period of time. These are recorded as under:

a) Sale under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investment securities. The counterparty liability

for amounts received under these agreements is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as mark-up/return/interest expense and accrued over the term of the related repo agreement.

b) Purchase under resale agreements

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the balance sheet, as the bank does not obtain control over the assets. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up/return/interest income and accrued over the term of the related reverse repo agreement.

Other borrowings including borrowings from SBP are recorded at proceeds received. Mark-up on such borrowings is charged to the profit and loss account on time proportion basis.

6.4 Investments

Investments in securities, other than investment in associate are classified as follows

(a) Held for trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists.

(b) Held-to-maturity

These are securities with fixed or determinable payments and maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

(c) Available-for-sale

These represents securities, which do not fall under the held for trading or held to maturity categories.

Investments other than those classified as held for trading and investments in associates are initially recognised at fair value including transaction costs associated with such investments. Investment classified as held for trading are initially recognised at fair value. Subsequently, aforesaid quoted securities are stated at market value. Held to maturity investments are carried at amortised cost. As per SBP directives, the surplus / deficit arising on revaluation is taken to the profit and loss account for held for trading securities, while for available for sale securities, it is reported below equity.

Investments in associates, as defined in approved accounting standards are stated at cost less impairment loss (if any) and are not subject to mark to market.

All purchase and sale of investments that require delivery within the time frame established by regulation or market convention are recognised at the trade date, which is the date the Bank commits to purchase or sell the investment.

Premium or discount on acquisition of investments is amortised through the profit and loss account over the remaining period till maturity using effective interest method.

Unquoted equity securities are valued at the lower of cost and break-up value. Subsequent increases or decreases in the carrying value is recognised in the profit and loss account. Break-up value of equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements.

Provision for diminution in the value of securities (except for debentures, participation term certificates and term finance certificates) is made after considering impairment, if any, in their value. Provision for diminution in value of debentures, participation term certificates and term finance certificates are made in accordance with the requirements of Prudential Regulations issued by SBP.

6.5 Advances

6.5.1 Conventional

Advances are stated net of specific and general provisions. Specific and general provision against advances is determined on the basis of Prudential Regulations and other directives issued by the State Bank of Pakistan and charged to the profit and loss account. Advances are written-off when there are no realistic prospects of recovery.

6.5.2 Murabaha

Funds disbursed for purchase of goods are recorded as 'Advance for Murabaha'. On culmination of murabaha i.e. sale of goods to customers, murabaha financings are recorded at the invoiced amount. Goods that have been purchased but remained unsold are recorded as inventories. Profit is recorded at the time of sale of goods under murabaha as deferred income and is included in the amount of murabaha financings. Profit is taken to the profit and loss account over the period of the murabaha.

6.5.3 Ijarah financings

Ijarah financings executed on or before December 31, 2008 has been accounted for under Finance method, thereafter all Ijarah financings are accounted for under IFAS-2.

- (a) Under finance method, the present value of minimum ijarah payments have been recognised and shown under financings. The unearned income i.e., the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on a receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir (lessee).
- (b) Under IFAS-2 method, assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment, if any, and are shown under financing. Rentals accrued from Ijarah financings net of depreciation charged have been taken to profit and loss account. Depreciation on ijarah assets is charged by applying the straight line method over the ijarah period which is from the date of delivery of respective assets to mustajir upto the date of maturity / termination of ijarah agreement.

6.6 Inventories

The Bank values its inventories at the lower of cost and net realizable value. Cost of inventories represent the actual purchase made by the customer as an agent on behalf of the Bank from the funds disbursed for the purposes of culmination of murabaha. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

6.7 Operating fixed assets and depreciation

6.7.1 Tangible fixed assets

Property and equipment, except land and CWIP which are not depreciated, are stated at cost less accumulated depreciation and accumulated impairment, if any. Land is carried at revalued amount. Depreciation on fixed assets is charged to income over the useful life of the asset on a systematic basis by using the reducing balance method at the rates stated in Note 12.2.

Depreciation charge commences from the month when the asset is available for use and continues till the month the asset is discontinued either through disposal or retirement.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account when incurred.

Gains and losses on disposal of fixed assets are included in income currently.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

6.7.2 Intangible assets

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. Intangible assets comprise of cost of computer software, which are being amortized using the straight-line method over their useful lives but restricted to a maximum period of five years (note 12.3). Costs associated with maintaining computer software are recognized as an expense when incurred.

6.7.3 Capital work in progress

Capital work in progress is stated at cost. These are transferred to operating fixed assets as and when the assets are available for use.

6.7.4 Impairment

The carrying amount of assets are reviewed at each balance sheet date for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. The resulting impairment loss is taken to the profit and loss account.

6.8 Taxation

6.8.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned. The charge for the current taxation is calculated using prevailing tax rates or tax rates expected to apply to the profits for the year at enacted rates. The charge for the current year also includes adjustments, where considered necessary relating to prior years, arising from assessments finalized during the year for such years.

6.8.2 Deferred

Deferred income tax is recognised, using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax asset is recognised for all deductible temporary differences, carry-forward of unused tax assets and any unused tax losses, to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply to the periods when the differences are expected to reverse based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

6.9 Staff retirement benefits

6.9.1 Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees. Contributions are made to the fund in accordance with the rules of the scheme by the Bank. Employees are entitled to the benefits under the scheme which comprise of two last drawn basic salaries for each completed year of service. Contributions to the fund are made on the basis of actuarial recommendations. Actuarial valuation was carried out on December 31, 2009 using the Projected Unit Credit Method. Actuarial gains and losses, if any, arising during the year are fully charged to the profit and loss account.

6.9.2 Defined contribution plan

The Bank operates a recognized contributory provident fund covering all its permanent employees. Equal monthly contributions are made by the Bank and the employees to the fund at a rate of fifteen percent of basic salary.

6.10 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using

appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.11 Revenue recognition

Income on murabaha is accounted for with effect from culmination of murabaha transaction and is recognized as revenue on a time proportionate basis. Unearned profit is accounted for by crediting deferred murabaha income which is recorded as a liability.

Return / markup on advances (other than murabaha) and investments is recognized on time proportion basis, except in case of advances and investments classified as non performing under the Prudential Regulations on which mark-up is recognized on receipt basis.

Ijarah income is recognized over the term of the ijarah using the net investment method (before tax), which reflects a constant periodic rate of return. Under this method the unearned income i.e. the excess of aggregate ijarah rentals over the cost of the asset under ijarah facility is deferred and then amortized over the term of the ijarah, so as to produce a constant rate of return on net investment in the ijarah. Gains / losses on termination of ijarah contracts, documentation charge, front-end fees and other ijarah income are recognized as income on receipt basis.

Dividend income is recognized when the right to receive the dividend is established.

Fee, commission, liquidated damages etc., are recorded on receipt basis except guarantee commission, which is recognized on time proportion basis.

6.12 Foreign currencies

a) Foreign currency transactions and balances

Transactions in foreign currencies are translated into rupees at the foreign exchange rates ruling on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date. Foreign bills purchased and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

c) Translation gains and losses

Translation gains and losses are included in profit and loss account.

d) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in these financial statements are translated at contracted rates. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in rupee terms at the rates of exchange ruling on the balance sheet date.

6.13 Segment Reporting

A segment is a distinguishable component of the Bank that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are

different from those of other segments. Segment information is presented as per the guidance of State Bank of Pakistan.

Business Segments

The Bank comprises of following main business segments.

a) Corporate finance

This includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (government, high yield), equity, syndication, IPO and secondary private placements.

b) Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.

c) Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking service, trust and estates investment advice, merchant / commercial / corporate cards and private labels and retail.

d) Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

Geographical segments

The Bank conducts all its operations, including the operations of EPZ Karachi branch, in Pakistan.

6.14 Provisions

Provisions are recognised when the Bank has a legal or constructive obligation arising as a result of past events: it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

6.15 Deposits

Deposits are initially recorded at the amount of proceeds received. Mark-up accrued on deposits is recognised separately as part of other liabilities and is charged to the profit and loss account on a time proportion basis.

6.16 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

6.17 Earnings per share

The Bank present earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

6.18 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to the balance sheet date are considered as non-adjusting event and are not recorded in financial statements of the current year. These are recognised in the period in which in these are approved.

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand :			
Local currency		309,370	266,957
Foreign currencies		66,175	60,625
National prize bonds		91	292
		375,636	327,874
With State Bank of Pakistan in :			
Local currency current accounts	7.1	864,465	1,052,420
Foreign currency clearance accounts	7.2	17,943	10,362
Foreign currency deposit accounts	7.3	49,103	27,112
		931,511	1,089,894
With National Bank of Pakistan in :			
Local currency current accounts		234,955	139,947
		1,542,102	1,557,715

7.1 The current account is maintained under the requirements of section 22 of the Banking Companies Ordinance, 1962 as amended from time to time.

7.2 This represent account maintained for clearance and settlement of foreign currency transactions.

7.3 These represent accounts maintained for mandatory reserve requirements and such balances are not available for use in the Bank's operations. The rate of return on these deposits is Nil (2008: 0.90%) per annum.

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		909,853	989,309
On deposit account	8.1	1,332,932	2,288,953
		2,242,785	3,278,262
Outside Pakistan			
On current account		159,480	64,059
On deposit account	8.2	11,461	30,653
		170,941	94,712
		2,413,726	3,372,974
Less: Provision for doubtful placement with a bank	8.3	10,028	10,028
		2,403,698	3,362,946

- 8.1 These represents short-term deposits with banks and carry mark-up at the rates ranging from 0.50% to 8.00% (2008: 1% to 21% per annum).
- 8.2 These represents placement of funds with banks outside Pakistan, which has been generated through the foreign currency deposit scheme (FE-25). The placement has been made at the rate of 0.45% per annum (2008: 2.83% per annum).

	Note	December 31, 2009	December 31, 2008
		Rupees in '000	
8.3	Particulars of provision		
	Opening balance	10,028	10,028
	Charge for the year	-	-
	Reversals	-	-
	Closing balance	<u>10,028</u>	<u>10,028</u>
9.	LENDINGS TO FINANCIAL INSTITUTIONS		
	Call money lendings	9.2 20,000	325,000
	Repurchase agreement lendings (Reverse Repo)	9.3 1,311,846	489,244
	Placements with financial institutions	9.4 & 9.5.1 760,324	1,662,324
		<u>2,092,170</u>	<u>2,476,568</u>
	Less: Provision against lendings to financial institutions	9.5 281,324	194,074
		<u>1,810,846</u>	<u>2,282,494</u>
9.1	Particulars of lending		
	In local currency	1,810,846	2,282,494
	In foreign currencies	-	-
		<u>1,810,846</u>	<u>2,282,494</u>

- 9.2 This unsecured lending carries interest at the rate of 9% (2008: 13%) per annum and will mature on January 2, 2010.
- 9.3 Repurchase agreement lendings (Reverse Repo) are secured against government securities and carries interest at the rates ranging from 12.05% to 12.40% (2008: 12.95% to 14.10%) per annum and will mature on various dates latest by January 4, 2010.
- 9.4 These unsecured placements with non banking financial institutions carry interest at the rates ranging from 1.5% to 15.35% (2008: 1.5% to 20%) per annum on performing lendings and will mature on various dates, latest by February 15, 2011.

9.5 Particulars of provision	Note	December 31,	December 31,
		2009	2008
		Rupees in '000	
Opening balance		194,074	11,000
Charge for the year		135,500	194,074
Reversals		-	(11,000)
	27	135,500	183,074
Transferred to advances	9.5.1	(48,250)	-
Closing balance		281,324	194,074

9.5.1 During the current year, certain lendings to financial institutions have been restructured and the Bank has received securities against outstanding amount under restructuring arrangements with the counter parties. Consequently, these lendings alongwith the provision have been reclassified from "Lendings to financial institutions" to "Advances".

9.6 Securities held as collateral against lending to financial institutions

Note	December 31, 2009			December 31, 2008		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
Rupees in '000						
Pakistan Investment Bonds	645,815	-	645,815	-	-	-
Market Treasury Bills	666,031	-	666,031	529,000	-	529,000
9.7	1,311,846	-	1,311,846	529,000	-	529,000

9.7 Aggregate market value of securities held as collateral is Rs. 1,314.640 million as on December 31, 2009 (2008: Rs. 494.971 million).

10 INVESTMENTS	Note	December 31, 2009			December 31, 2008		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000							
10.1 Investments by types							
Held for trading securities							
Pakistan Investment Bonds	10.2.1	333,980	48,760	382,740	-	-	-
Term Finance Certificates-listed	Annexure C-note 3	150,000	-	150,000	-	-	-
Term Finance Certificates-unlisted	Annexure C-note 4	200,000	-	200,000	-	-	-
Units in open ended mutual funds	Annexure C-note 5	25,000	-	25,000	-	-	-
		708,980	48,760	757,740	-	-	-
Available-for-sale securities							
Market Treasury Bills	10.2.1	4,126,216	2,170,364	6,296,580	2,155,594	-	2,155,594
Pakistan Investment Bonds	10.2.1	1,391,619	1,549,991	2,941,610	2,126,338	300,000	2,426,338
National Investment Trust Units	10.5 & Annexure C-note 6	437,842	-	437,842	403,617	-	403,617
Ordinary shares in listed companies	Annexure C-note 1	786,230	-	786,230	701,174	-	701,174
Ordinary shares in unlisted companies	Annexure C-note 2	80,487	-	80,487	80,487	-	80,487
Listed Term Finance Certificates	Annexure C-note 3	638,285	-	638,285	480,028	-	480,028
Unlisted Term Finance Certificates	Annexure C-note 4	943,464	-	943,464	450,750	-	450,750
Units in open ended mutual funds	Annexure C-note 5	1,344,818	-	1,344,818	854,818	-	854,818
Units in close ended mutual funds	Annexure C-note 5	124,056	-	124,056	124,056	-	124,056
Sukuk Certificates	Annexure C-note 7	2,198,937	-	2,198,937	388,741	-	388,741
		12,071,954	3,720,355	15,792,309	7,765,603	300,000	8,065,603
Held-to-maturity securities							
Pakistan Investment Bonds		793,024	160,150	953,174	981,293	-	981,293
Sukuk Certificates	Annexure C-note 7	1,240,267	-	1,240,267	1,253,932	-	1,253,932
		2,033,291	160,150	2,193,441	2,235,225	-	2,235,225
Associates							
Ordinary shares in unlisted companies	10.6	40,504	-	40,504	45,000	-	45,000
Investment at cost		14,854,729	3,929,265	18,783,994	10,045,828	300,000	10,345,828
Less: Provision for diminution in value of investments	10.3	690,189	-	690,189	88,128	-	88,128
Investments - net of provisions		14,164,540	3,929,265	18,093,805	9,957,700	300,000	10,257,700
Unrealised loss on revaluation of held for trading securities	10.7	(792)	(502)	(1,294)	-	-	-
Deficit on revaluation of available-for-sale securities	20	(13,992)	(152,608)	(166,600)	(1,200,354)	(71,905)	(1,272,259)
Total investments at market value		14,149,756	3,776,155	17,925,911	8,757,346	228,095	8,985,441

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
10.2 Investments by segments			
Federal Government Securities:			
- Market Treasury Bills	10.2.1	6,296,580	2,155,594
- Pakistan Investment Bonds (PIBs)	10.2.1	4,277,524	3,407,631
- Sukuk Certificates	10.2.1	1,630,024	94,991
		12,204,128	5,658,216
Fully paid up ordinary shares:			
- Listed companies	Annexure C-note 1	786,230	701,174
- Unlisted companies	Annexure C-note 2	80,487	80,487
		866,717	781,661
Term finance certificates:			
- Listed TFCs	Annexure C-note 3	788,285	480,028
- Unlisted TFCs	Annexure C-note 4	1,143,464	450,750
		1,931,749	930,778
Mutual funds:			
- Open ended	Annexure C-note 5	1,369,818	854,818
- Close ended	Annexure C-note 5	124,056	124,056
		1,493,874	978,874
Other Investments:			
- National Investment Trust Units	10.5 & Annexure C-note 6	437,842	403,617
- Sukuk Certificates	Annexure C-note 7	1,809,180	1,547,682
		2,247,022	1,951,299
Associated undertaking	10.6	40,504	45,000
Total investments at cost		18,783,994	10,345,828
Less: Provision for diminution in value of investments	10.3	690,189	88,128
Investments - net of provisions		18,093,805	10,257,700
Unrealised loss on revaluation of held for trading securities		(1,294)	-
Deficit on revaluation of available-for-sale securities	20	(166,600)	(1,272,259)
Total investments at market value		17,925,911	8,985,441

10.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Yield / Return	Maturity	Redemption	Coupon
Market Treasury Bills	11.75% to 13.31%	February 25, 2010 to September 9, 2010	On maturity	At maturity
Pakistan Investment Bonds (PIBs)	8% to 14%	August 16, 2011 to October 31, 2021	On maturity	Half yearly
Sukuk Certificates	11.46%	September 26, 2011	On maturity	Half yearly

10.2.2 Federal Government Securities other than those further offered as collateral, are held by the Bank to meet Statutory Liquidity Requirements (SLR) of the SBP calculated on the basis of time and demand liabilities.

10.2.3 Market Treasury Bills have a market value of Rs. 6,292.440 million (2008: Rs. 2,152.380 million).

10.2.4 PIBs under 'available-for-sale' category have a market value of Rs. 2,643.362 million (2008: Rs. 1,845.194 million).

	Note	December 31, 2009	December 31, 2008
		Rupees in '000	
10.3 Particulars of provision for diminution in the value of investment			
Opening balance		88,128	42,454
Charge for the year	10.3.1	602,061	45,674
Closing Balance	10.3.2	690,189	88,128

10.3.1 This includes impairment charge of Rs. 558.180 million in respect of listed equity securities / mutual funds held under available for sale category deferred as at December 31, 2008, in accordance with the BSD Circular No. 4 dated February 13, 2009. The said impairment loss is charged to the profit and loss account after taking into effects of quarterly price movements during the year.

		December 31, 2009	December 31, 2008
		Rupees in '000	
10.3.2 Particulars of provision in respect of type and segment			
By Type			
Available-for-sale securities			
Ordinary shares in listed companies		353,591	12,693
Ordinary shares in unlisted companies		55,487	31,606
Units in open ended mutual funds		169,250	-
Units in close ended mutual funds		48,032	-
Term finance certificates / Sukuks		38,829	18,829
Held-to-maturity			
Sukuk certificates		25,000	25,000
		690,189	88,128
By Segment			
Fully Paid up Ordinary Shares			
Listed companies		353,591	12,693
Unlisted companies		55,487	31,606
Units of open ended mutual funds		169,250	-
Units of close ended mutual funds		48,032	-
Term Finance Certificates and Sukuk Certificates			
Term finance certificates / Sukuks		63,829	43,829
		690,189	88,128

10.4 Information relating to investment in ordinary shares / certificates of listed and unlisted companies / mutual funds, term finance certificates, sukuk and bonds, which is required to be disclosed as part of the financial statements under State Bank of Pakistan's BSD Circular No. 04 dated February 17, 2006, is disclosed in Annexure "C" to these financial statements. Information relating to quality of available-for-sale securities is given in Annexure "D".

10.5 The cost of investment in 21,822,695 (2008: 20,371,879) units of NIT as of December 31, 2009 aggregates to Rs. 437.842 million (2008: 403.617 million). The Government of Pakistan

through a letter of comfort (LOC) dated August 8, 2001 had undertaken to facilitate National Investment Trust Limited ("NITL") in redeeming 14,950,300 units at Rs. 13.70 per unit on the condition that the Bank shall continue to hold all the units for a minimum period of five years from the date of the letter of comfort. A surplus of Rs. 167.737 million is included in surplus / deficit on revaluation of securities as at December 31, 2009 (2008: Rs. 88.363 million) which represents the difference between the repurchase price of NIT units and their cost.

National Investment Unit Trust Letter of Comfort; NI(U)T-LOC emerged as result of split of NI(U)T. It represents unit holders who have been given the Letter of Comfort, in response to their commitment of not to redeem their unit holdings to support capital markets of the country in troublesome time, by Government of Pakistan. Its units' holders are National Bank of Pakistan, Bank of Punjab, Faysal Bank and Bank of Khyber. Their holdings break up which represents assets which are being transferred on the values of December 31, 2009.

The matter was outstanding for long time. During the year, the GoP communicated a methodology to settle the long outstanding issue of the LOC to NITL, the details and draft agreements of which were intimated to the LOC holders and discussed during the Extra Ordinary General Meetings of NI(U)T - LOC Holders' Fund. Subsequent to these deliberations and in line with the methodology approved by the GoP to settle the issue of LOC, an agreement was executed between the NITL and the Bank which will be effective as of January 02, 2010. As per this agreement it has been agreed that:

- "All underlying assets and liabilities of the LOC Holders' Fund would be apportioned between the investors of the NI(U)T - LOC Holders' Fund by dividing such net assets into distinct segments according to the ratio of units held by each investor. Each segment would in turn be bifurcated into two distinct asset categories, namely "Strategic Assets" and "Balance Assets";
- The Strategic Assets would comprise of frozen shares of Pakistan State Oil and Sui Northern Gas Pipeline Limited and cash and other receivables held in the portfolio of NI(U)T - LOC Holders' Fund. The Balance Assets would essentially constitute the remaining portfolio of NI(U)T - LOC Holders' Fund. The strategic portfolio will be transferred to National Bank of Pakistan (NBP) at an agreed rate and NBP will pay the Bank for its proportionate share in such assets.
- The Balance Assets would be transferred in specie to the LOC holders at the market value appearing in the books of the NI(U)T - LOC Holders' Fund. This would constitute the full and final settlement of units held by the LOC holders. The transfer date in relation to the bank will be January 2, 2010.

After the implementation of the settlement mechanism outlined above the NI(U)T - LOC Holders' Fund would stand terminated / dissolved.

		December 31, 2009	December 31, 2008
10.6	Investment in associate		
	Taurus Securities Limited		
	Number of shares held - (<i>number</i>)	4,050,374	4,500,001
	Value of investment at cost- (<i>rupees in thousands</i>)	40,504	45,000
	Percentage of investment - (<i>percentage</i>)	30.00	33.33
	Break-up value per share - (<i>rupees</i>)	19.71	18.85
	Latest available financial statements*	31-Dec-09	31-Dec-08
	Name of Chief Executive	Mr. Zain Hussain	Mr. Zain Hussain
	* The financial statements for the year ended December 31, 2009 are unaudited.		
		December 31, 2009	December 31, 2008
10.6.1	Associate key information	Rupees in '000	
	Assets	<u>376,021</u>	<u>378,694</u>
	Liabilities	<u>109,874</u>	<u>124,152</u>
	Revenue for the year	<u>78,015</u>	<u>85,697</u>
	Profit before taxation for the year	<u>14,965</u>	<u>12,768</u>
	Profit after taxation for the year	<u>9,529</u>	<u>7,125</u>
10.7	Unrealised gain / (loss) on revaluation of held for trading securities		
	Pakistan Investment Bonds	3,545	-
	Units in open ended mutual funds	125	-
	Term Finance Certificates - listed	(3,964)	-
	Term Finance Certificates - unlisted	(1,000)	-
		<u>(1,294)</u>	<u>-</u>
		December 31, 2009	December 31, 2008
		Rupees in '000	
11.	ADVANCES		
	Loans, cash credits, running finances, etc.		
	In Pakistan	13,939,028	13,769,978
	Outside Pakistan	-	-
		<u>13,939,028</u>	<u>13,769,978</u>
	Net investment in ijarah :		
	In Pakistan	582,678	589,089
	Outside Pakistan	-	-
		<u>582,678</u>	<u>589,089</u>
	Bills discounted and purchased (excluding treasury bills)		
	Payable in Pakistan	180,418	439,900
	Payable outside Pakistan	118,622	126,152
		<u>299,040</u>	<u>566,052</u>
	Advances - gross	14,820,746	14,925,119
	Less: Provision for non-performing advances	2,984,784	2,281,305
	Advances - net of provision	<u>11,835,962</u>	<u>12,643,814</u>
11.1	Particulars of advances - gross		
11.1.1	In local currency	14,820,746	14,925,119
	In foreign currencies	-	-
		<u>14,820,746</u>	<u>14,925,119</u>
11.1.2	Short term (for upto one year)	5,666,169	6,595,889
	Long term (for over one year)	9,154,577	8,329,230
		<u>14,820,746</u>	<u>14,925,119</u>

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
11.2 Net investment in Ijarah			
Ijarah under finance method	11.2.1	404,211	589,089
Ijarah under IFAS-2	11.2.2	178,467	-
		<u>582,678</u>	<u>589,089</u>

11.2.1 Ijarah under finance method

	December 31, 2009				December 31, 2008			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Rupees in '000								
Ijarah rentals receivable	82,829	201,991	102,990	387,810	214,196	326,377	72,270	612,843
Residual value	1,383	80,127	6,527	88,037	75	107,983	1,624	109,682
Minimum Ijarah rentals	84,212	282,118	109,517	475,847	214,271	434,360	73,894	722,525
Profit for future periods	2,152	35,074	34,410	71,636	29,426	87,093	16,917	133,436
Net investment in Ijarah	<u>82,060</u>	<u>247,044</u>	<u>75,107</u>	<u>404,211</u>	<u>184,845</u>	<u>347,267</u>	<u>56,977</u>	<u>589,089</u>

11.2.2 Ijarah under IFAS-2

Ijarah assets under IFAS-2 are stated at cost of Rs. 201.878 million less accumulated depreciation of Rs. 23.411 million.

11.3 Advances include amounts aggregating to Rs. 4,457.159 million (2008: Rs. 3,331.487 million) which have been placed under non-performing status as detailed below:

Category of classification	December 31, 2009								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets -									
Especially Mentioned*	6,765	-	6,765	-	-	-	-	-	-
Substandard	626,842	-	626,842	106,220	-	106,220	106,220	-	106,220
Doubtful	775,308	-	775,308	300,033	-	300,033	300,033	-	300,033
Loss	3,048,244	-	3,048,244	2,566,525	-	2,566,525	2,566,525	-	2,566,525
	<u>4,457,159</u>	<u>-</u>	<u>4,457,159</u>	<u>2,972,778</u>	<u>-</u>	<u>2,972,778</u>	<u>2,972,778</u>	<u>-</u>	<u>2,972,778</u>
December 31, 2008									
Category of classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets -									
Especially Mentioned*	3,580	-	3,580	-	-	-	-	-	-
Substandard	900,615	-	900,615	191,893	-	191,893	191,893	-	191,893
Doubtful	375,779	-	375,779	194,561	-	194,561	194,561	-	194,561
Loss	2,051,513	-	2,051,513	1,874,710	-	1,874,710	1,874,710	-	1,874,710
	<u>3,331,487</u>	<u>-</u>	<u>3,331,487</u>	<u>2,261,164</u>	<u>-</u>	<u>2,261,164</u>	<u>2,261,164</u>	<u>-</u>	<u>2,261,164</u>

* Other Assets Especially Mentioned category pertains to agricultural finance only.

11.3.1 The SBP vide BSD Circular No. 10 dated October 20, 2009 amended Prudential Regulations in respect of provisioning against non-performing advances. The revised regulations allow the benefit of 40 percent of Forced Sale Value (FSV) of pledged stocks and mortgaged residential, commercial and industrial properties (land and building only) held as collateral by the Bank in determining the amount of provision against non-performing advances. Had there been no such relaxation from SBP, the provision would have been higher by Rs. 605.138 million. However, the impact on profit due to the benefit of FSV is not available for payment of cash or stock dividend.

11.4 Particulars of provision against non-performing advances

	Note	December 31, 2009			December 31, 2008		Total
		Specific	General	Total	Specific	General	
-----Rupees in '000-----							
Opening balance		2,261,164	20,141	2,281,305	2,066,853	21,533	2,088,386
Transferred from lendings to financial institutions	9.5.1	48,250		48,250			
Charge for the year		945,549	-	945,549	422,430		422,430
Reversals		(277,656)	(8,135)	(285,791)	(228,119)	(1,392)	(229,511)
		667,893	(8,135)	659,758	194,311	(1,392)	192,919
Amounts written off	11.5	(4,529)	-	(4,529)	-	-	-
Closing balance		2,972,778	12,006	2,984,784	2,261,164	20,141	2,281,305

December 31, 2009 December 31, 2008
Rupees in '000

11.5 Particulars of write-offs

11.5.1 Against provisions
Directly charged to profit and loss account

	4,529	-
	-	-
	4,529	-

11.5.2 Write-offs of Rs. 500,000 and above
Write-offs of Rs. below Rs. 500,000

	4,529	-
	-	-
	4,529	-

11.5.3 Details of loan write-off of Rs 500,000 and above:

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 a Statement in respect of written off loans or financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2009 is given in Annexure 'B'. However, these write-offs do not affect the Bank's right to recover debts from these customers.

	Note	December 31, 2009	December 31, 2008
		Rupees in '000	
11.6	Particulars of loans and advances to directors, related parties, etc.		
	Debts due by directors, executives or officers of the bank or any of them either severally or jointly with any other persons		
	Balance at beginning of year	543,378	386,754
	Loans granted during the year	132,752	176,724
	Repayments	(121,950)	(20,100)
	Balance at end of year	<u>554,180</u>	<u>543,378</u>
12.	OPERATING FIXED ASSETS		
	Capital work-in-progress	12.1 67,661	35,203
	Property and equipment	12.2 946,008	152,385
	Intangible assets	12.3 1	1
		<u>1,013,670</u>	<u>187,589</u>
12.1	Capital work-in-progress		
	Leasehold improvements	41,382	19,919
	Office equipments	23,447	5,020
	Advances to suppliers and contractors	2,832	10,264
		<u>67,661</u>	<u>35,203</u>

12.2 Property and equipment

Description	COST / REVALUATION			ACCUMULATED DEPRECIATION			Book Value as at December 31, 2009	Depreciation Rate (%)
	As at January 1, 2009	Additions / (Disposals) / Revaluation	As at December 31, 2009	As at January 1, 2009	Charge for the year/ Adjustment/ Depreciation on Disposals	As at December 31, 2009		
Rupees in '000								
Free hold land*	41,558	765,740	807,298	-	-	-	807,298	-
Building on free hold land	11,620	-	11,620	8,655	297	8,952	2,668	10
Building on other land	1,964	-	1,964	1,595	37	1,632	332	10
Furniture and fixture	77,007	20,476 (1,951)	95,532	43,157	8,825 (1,500)	50,482	45,050	10 - 20
Office equipment	124,912	11,596 (1,034)	135,474	77,538	7,887 (953)	84,472	51,002	10 - 20
Vehicles	50,065	21,806 (7,382)	64,489	24,048	6,924 (5,891)	25,081	39,408	20
Library books	581	26	607	329	28	357	250	10
	<u>307,707</u>	<u>819,644 (10,367)</u>	<u>1,116,984</u>	<u>155,322</u>	<u>23,998 (8,344)</u>	<u>170,976</u>	<u>946,008</u>	

Description	COST			ACCUMULATED DEPRECIATION			Book Value as at December 31, 2008	Depreciation Rate (%)
	As at January 1, 2008	Additions / (Deletions)	As at December 31, 2008	As at January 1, 2008	Charge for the year/ Adjustment/ Depreciation on disposals	As at December 31, 2008		
Rupees in '000								
Free hold land	41,558	-	41,558	-	-	-	41,558	-
Building on free hold land	11,620	-	11,620	8,326	329	8,655	2,965	10
Building on other land	1,964	-	1,964	1,554	41	1,595	369	10
Furniture and fixture	77,929	7,120 (8,042)	77,007	43,202	5,302 (5,347)	43,157	33,850	10 - 20
Office equipment	109,763	16,553 (1,404)	124,912	70,128	8,416 (1,006)	77,538	47,374	10 - 20
Vehicles	40,848	16,267 (7,050)	50,065	26,068	3,589 (5,609)	24,048	26,017	20
Library books	551	30	581	301	28	329	252	10
	<u>284,233</u>	<u>39,970 (16,496)</u>	<u>307,707</u>	<u>149,579</u>	<u>17,705 (11,962)</u>	<u>155,322</u>	<u>152,385</u>	

* During the year, the Bank changed its accounting policy in respect of freehold land from cost to revalued amount. The freehold land was revalued by the independent professional valuer M/s Amir Evaluators and Consultants on June 20, 2009. Surplus recorded on revaluation of freehold land is Rs. 765,740 million. Had there been no change in the above mentioned policy, the carrying value of operating fixed assets would have been lower by Rs. 765,740 million and 'surplus on revaluation of assets - net of tax would have been converted into deficit of Rs. 68,076 million.

12.2.1 Details of disposals of fixed assets

During the year, no assets were disposed off having original cost or the book value exceeding Rs. 1 million or Rs. 0.250 million, whichever is lower.

12.3 Intangible assets

The gross carrying amount of fully amortized assets that are still in use is Rs. 1,000.

December 31, December 31,
Note 2009 2008
Rupees in '000

13. DEFERRED TAX ASSET - NET

Deferred tax asset arising in respect of:

Provision for balances with other banks	3,510	3,510
Deficit on revaluation of investment	70,806	14,859
Provision for diminution in the value of investments	117,531	282,615
Provision for non performing loans	279,070	-
Provision for other assets	4,367	4,367
Tax losses	-	99,560
Losses on reclassification of held for trading investments	-	7,718
Stabilization reserve	17,703	9,378
	492,987	422,007

Deferred tax liability arising in respect of:

Accelerated tax depreciation	(17,560)	(18,375)
Surplus on revaluation of investment	(19,007)	(6,959)
	(36,567)	(25,334)
Net deferred tax asset	456,420	396,673

13.1 Deferred tax asset-net

	Balance as at Recognised in			Balance as at Recognised in			Balance as at
	January 1, 2008	Profit and Loss Account	Recognised in Equity	December 31, 2008	Profit and Loss Account	Recognised in Equity	
Deferred tax asset arising in respect of							
Provision for balances with other banks	3,510	-	-	3,510	-	-	3,510
Provision for lendings to financial institutions	3,850	(3,850)	-	-	-	-	-
Deficit on revaluation of investment of investments	14,642	217	-	14,859	55,947	-	70,806
Provision for non performing loans	65,803	-	216,812	282,615	-	(165,084)	117,531
Provision for other assets	-	-	-	-	279,070	-	279,070
Tax losses	4,367	-	-	4,367	-	-	4,367
Losses on reclassification of held for trading investments	149,183	(49,623)	-	99,560	(99,560)	-	-
Stabilization reserve	2,447	5,271	-	7,718	(7,718)	-	-
	3,755	5,623	-	9,378	8,325	-	17,703
	247,557	(42,362)	216,812	422,007	236,064	(165,084)	492,987
Deferred tax liability arising in respect of:							
Accelerated tax depreciation	(11,230)	(7,145)	-	(18,375)	815	-	(17,560)
Surplus on revaluation of investment	(172,683)	-	165,724	(6,959)	-	(12,048)	(19,007)
Adjustment	-	(66)	66	-	-	-	-
	(183,913)	(7,211)	165,790	(25,334)	815	(12,048)	(36,567)
Deferred tax asset - net	63,644	(49,573)	382,602	396,673	236,879	(177,132)	456,420

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
14. OTHER ASSETS			
Income / Mark-up accrued in local currency		654,321	610,282
Advances, deposits, advance rent and other prepayments		195,427	216,236
Advance taxation (payments less provisions)		584,879	700,661
Receivable from gratuity fund	33.2	18,054	39,020
Prepaid exchange risk fee		-	49
Non - banking assets acquired in satisfaction of claims	14.1	408,398	408,398
Stationery and stamps on hand		3,831	3,955
Inventories	14.2 & 22.2	38,990	10,277
Receivables against sale of securities		34,334	-
Others		23,574	27,167
		1,961,808	2,016,045
Less: Provision held against other assets	14.3	139,847	93,728
		1,821,961	1,922,317

14.1 The market value of non-banking assets approximates to their carrying value net of provision i.e. amounting to Rs. 377.148 million (2008: Rs. 377.148 million).

14.2 The amount represents the cost of goods purchased by the agents of the Bank under agency agreements to be sold under murhaba arrangements.

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
14.3 Provision held against other assets			
Opening balance		93,728	12,478
Charge for the year	27	50,000	81,250
Amounts written off		(3,881)	-
Closing balance		139,847	93,728

15. BILLS PAYABLE

In Pakistan	229,973	122,516
Outside Pakistan	-	-
	229,973	122,516

16. BORROWINGS

In Pakistan	5,131,842	885,368
Outside Pakistan	15,194	25,323
	5,147,036	910,691

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
16.1 Particulars of borrowings with respect to currencies			
In local currency		5,147,036	910,691
In foreign currencies		-	-
		5,147,036	910,691
16.2 Details of borrowings Secured / Unsecured			
Secured			
Borrowings from State Bank of Pakistan:			
Under export refinance scheme	16.2.1	501,346	456,776
Long-term financing - export oriented project scheme	16.2.2	3,592	3,592
		504,938	460,368
Repurchase agreement borrowings	16.2.3	4,176,904	300,000
		4,681,842	760,368
Unsecured			
Call borrowings	16.3	450,000	125,000
Foreign credit line	16.4	15,194	25,323
		465,194	150,323
		5,147,036	910,691

16.2.1 The Bank has entered into agreements for financing with the State Bank of Pakistan for extending export finance to customers. As per the agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of finance by directly debiting the current account maintained by the Bank with the SBP. These carry mark-up at the rate of 7% (2008:7.5%) per annum. The borrowings are repayable within six months from the deal date.

16.2.2 This represents Long-term Finance against Export Oriented Projects (LTF-EOP) availed by the Bank for further extending the same to its customers for export oriented projects, for a minimum period of 7.5 years. The loan repayments to SBP correspond the respective repayment from customers. The loan carries mark-up at the rate of 7% (2008: 7%) per annum.

16.2.3 Repurchase agreement with financial institution carries interest rate ranging from 11.95% to 12.20% per annum (2008: 13%) with maturities upto January 16, 2010 and are secured by way of investments given as collateral as referred in note 10.1.

16.3 Call borrowings carry interest rates ranging between 11.55% and 12.25% (2008: 15%) per annum maturing on various dates latest by March 18, 2010.

	December 31, 2009	December 31, 2008
Rupees in '000		
16.4 Foreign credit line		
Opening balance	25,323	35,453
Repaid during the year	(10,129)	(10,130)
Closing balance	15,194	25,323

- 16.4.1 The amount of facility granted by Kreditanstalt für Wiederaufbau (KfW) is DM 5 million which was fully availed upto December 31, 1999. The facility from KfW has been received through the Government of N.W.F.P., at an annual interest rate of 11% in accordance with the Subsidiary Loan Agreement dated August 20, 1996 entered into between the Bank and the Government of N.W.F.P. The principal shall be repaid in Pakistan rupees to the Government of N.W.F.P., over a period not exceeding fifteen (15) years including a grace period of two (2) years from the date of the Subsidiary Loan Agreement.

December 31, December 31,
2009 2008
Rupees in '000

17. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	11,832,378	13,087,986
Savings deposits	9,247,831	7,416,467
Current accounts - Non-remunerative	3,907,114	3,535,091
Call deposits	409,980	257,442
Margin and sundry deposits	618,405	427,129
	26,015,708	24,724,115

Financial Institutions

Remunerative deposits	269,500	7,453
Non-remunerative deposits	586	627
	270,086	8,080
	26,285,794	24,732,195

17.1 Particulars of deposits

In local currency	25,970,991	24,541,202
In foreign currencies	314,803	190,993
	26,285,794	24,732,195

18. OTHER LIABILITIES

Mark-up / Return / Interest payable in local currency	799,930	525,543
Mark-up / Return / Interest payable in foreign currency	485	139
Unearned commission and income on bills discounted	28,665	23,556
Accrued expenses	43,997	26,225
Branch adjustment account	30,105	41,151
Share subscription money refund	885	1,140
Mark-up in suspense	93,553	93,019
Deferred income on murabaha	37,489	44,828
Security deposits against ijarah	111,387	109,813
Worker's Welfare Fund	15,870	4,209
Others	23,104	22,748
	1,185,470	892,371

19. SHARE CAPITAL

19.1 Authorized capital

December 31, 2009	December 31, 2008	Note	December 31, 2009	December 31, 2008
Number of shares			Rupees in '000	
<u>800,000,000</u>	<u>800,000,000</u>	Ordinary shares of Rs.10 each	<u>8,000,000</u>	<u>8,000,000</u>

19.2 Issued, subscribed and paid up capital Fully paid ordinary shares of Rs. 10/- each

		Ordinary shares		
400,298,448	400,298,448	Fully paid in cash	4,002,984	4,002,984
100,101,700	-	Issued as fully paid bonus shares	1,001,017	-
<u>500,400,148</u>	<u>400,298,448</u>	19.2.1 & 19.2.2	<u>5,004,001</u>	<u>4,002,984</u>

19.2.1 As at December 31, 2009, the paid-up capital (net of losses) of the Bank amounts to Rs. 4,605.291 million which is below the minimum regulatory capital requirement of Rs. 6,000 million as prescribed by State Bank of Pakistan (SBP) vide BSD Circular No. 07 dated April 15, 2009. The management is working on a plan to raise additional funds for meeting the Minimum Capital Requirement (MCR) as explained in note 1.2 of these financial statements. The Bank has also obtained extension to comply with the regulatory requirement for capital until June 30, 2010 from State Bank of Pakistan.

19.2.2 At December 31, 2009, the Government of N.W.F.P., held 255,259,396 (2008: 204,207,517) ordinary shares of Rs. 10 each.

19.3 The Bank has received advance against shares subscription from the Government of N.W.F.P. as financial assistance to support the Bank to meet the Minimum Capital Requirement (MCR).

20. SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

(Deficit) / Surplus on revaluation of available-for-sale securities

Federal government securities

- Market Treasury Bills

- Pakistan Investment Bonds

Fully paid up ordinary shares - *quoted*

Term Finance Certificates - listed

Sukuk Certificates

Units in open ended mutual funds

Units in close ended mutual funds

Note	December 31, 2009	December 31, 2008
	Rupees in '000	
	(4,140)	(3,214)
	(298,248)	(581,144)
	(29,200)	(431,676)
	(28,442)	-
	3,500	-
	197,990	(256,222)
	(8,060)	-
10.1 & 10.2	(166,600)	(1,272,256)
Surplus on revaluation of fixed assets		
Freehold land	12.2	765,740
		-
	599,140	(1,272,256)
Deferred tax asset	98,524	275,656
	<u>697,664</u>	<u>(996,600)</u>

21. CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

Includes general guarantee of indebtedness, bank acceptance guarantee and standby letters of credit serving as financial guarantees for loans and securities issued in favour of:

	December 31, 2009	December 31, 2008
	Rupees in '000	
Banks	-	269,671
Others	163,812	4,332
	<u>163,812</u>	<u>274,003</u>

21.2 Transaction-related contingent liabilities

Includes performance bonds, bid bonds, warranties, advance payment guarantees, shipping guarantees and standby letter of credits related to particular transactions issued in favour of:

	Note	December 31, 2009	December 31, 2008
		Rupees in '000	
Government		2,495,029	2,167,658
Others		2,497,713	1,796,046
	21.2.1	<u>4,992,742</u>	<u>3,963,704</u>

21.2.1 The above amount includes expired letters of guarantee aggregating to Rs. 785.307 million as at December 31, 2009 (2008: Rs. 645.951 million) for which the formalities relating to return of the original documents are in process.

	December 31, 2009	December 31, 2008
	Rupees in '000	
21.3 Trade-related contingent liabilities		
Letters of credit		
Sight	829,811	564,916
Usance	322,824	63,892
	<u>1,152,635</u>	<u>628,808</u>
Acceptances	201,587	100,738
	<u>1,354,222</u>	<u>729,546</u>
21.4 Commitments in respect of forward exchange contracts		
Purchase	211,076	54,318
Sale	52,924	79,476

21.4.1 All forward exchange contracts are backed by trade related transactions to meet the needs of the Bank's clients to generate trading revenues and, as part of its asset and liability management activity, to hedge its own exposure to currency risk. At the year end, all foreign exchange contracts have a remaining maturity of less than one year.

	December 31, 2009	December 31, 2008
	Rupees in '000	
21.5 Other commitments		
Bills for collection		
Inland bills	46,461	60,751
Foreign bills	145,105	46,686
	<u>191,566</u>	<u>107,437</u>

21.6 Commitments to extend credit

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

21.7 Commitment for the acquisition of operating fixed assets

Commitments as on balance sheet date amounts to Rs. Nil (2008: Rs. Nil).

21.8 Assessments of the Bank have been finalized upto and including the assessment year 2002-2003 (accounting year ended December 31, 2001). While finalizing the assessments for the assessment years 1998-99 and 1999-2000 the Deputy Commissioner of Income Tax (DCIT) has made additions to income on account of mark-up taken to reserve in accordance with the requirements of Prudential Regulations amounting to Rs. 59.602 million and on account of provisions against non-performing advances charged to income amounting to Rs. 71.369 million resulting in additional tax demands of Rs. 34.569 million and Rs. 41.394 million respectively. Further, additional tax demands aggregating Rs. 639.786 million may arise in respect of disallowance of provisions against non-performing advances for the tax years 2004, 2005, 2006, 2007 and 2008 [accounting years ended December 31, 2003, 2004, 2005, 2006 and 2007.

The management of the Bank, based on the advice of its tax consultant, is confident that the appeals filed in respect of the aforementioned assessment years will be decided in the Bank's favour. Accordingly, no provision has been made in the financial statements of the Bank in respect of the aggregate amount of Rs. 50.390 million referred above.

21.9 There are a number of legal proceedings outstanding against the Bank which include counter claims and counter suits filed by the borrowers as at December 31, 2009. No provision has been made in respect of these as the management of the Bank is confident that it is unlikely that any significant loss will arise.

21.10 The State Bank of Pakistan's Committee for Resolution of Cases (CRC) and Committee for Revival of Sick Industrial Units (CRSIU) had finalised the settlement of certain non performing loans of the Bank having principal amounting to Rs. 364.401 million and overdue markup amounting to Rs. 132.916 million for an aggregate amount of Rs. 165.781 million. During the year 2007, the Board of Directors had allowed implementation of CRC / CRSIU decisions on the "no choice" basis. Accordingly, 3 (2008: 2) cases have been adjusted whereas repayments in 4 (2008: 3) cases are being regularly received as per CRC / CRSIU decisions. The remaining 1 case decided by CRC/ CRSIUS to be settled for the net amount of Rs. 8.058 million resulted in the default of payment as per CRC/ CRSIU decision after paying Rs. 1.610 million and the Bank has gone into litigation against party for the recovery of the remaining amount of Rs. 6.450 million.

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
22. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to :			
Customers			
- Profit on murabaha financing	22.1	79,011	104,944
- Mark-up / Return / Interest earned on other facilities		1,466,146	1,313,885
		1,545,157	1,418,829
Financial Institutions		-	38,626
		1,545,157	1,457,455
On Investments in :			
Held-for-trading		11,703	-
Available-for-sale securities		1,250,036	577,255
Held-to-Maturity securities		136,460	186,336
		1,398,199	763,591
On deposits with financial institutions		382,623	627,932
On securities purchased under resale agreements		64,035	109,887
		3,390,014	2,958,865
22.1 Profit on murabaha financing			
Murabaha sale price		1,081,160	1,273,683
Less: purchase price	22.2	997,549	1,165,498
		83,611	108,185
Less: deferred murabaha income		4,600	3,241
		79,011	104,944
22.2 Purchase price			
Opening stock		10,277	1,390
Purchase price		1,026,262	1,174,385
Less: Closing stock	14	38,990	10,277
		997,549	1,165,498
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		1,921,501	1,669,432
Securities sold under repurchase agreement borrowings		421,470	188,670
Other short-term borrowings		44,601	35,341
Long-term borrowings		2,507	3,621
Others		309	752
		2,390,388	1,897,816

The Bank of Khyber



Annual Report
2009

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
24. GAIN / (LOSS) ON SALE OF SECURITIES			
Federal Govt. Securities		16,409	170
Shares		33,658	(57,288)
Term finance certificates		8,122	703
Mutual funds		8,959	55,845
		67,148	(570)
25. OTHER INCOME			
Gain on sale of operating fixed assets		2,853	3,717
Others		67,043	56,909
		69,896	60,626
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		362,703	302,177
Charge for defined benefit plan	33.6	20,966	58,147
Contribution to defined contribution plan - Provident Fund	34	17,362	12,988
Rent, taxes, insurance, electricity, etc.		85,174	74,253
Legal and professional charges		19,146	14,168
Communications		33,298	27,887
Repairs and maintenance		10,801	11,323
Stationery and printing		14,117	12,438
Advertisement and publicity		13,717	15,646
Donations	26.1	2,643	621
Auditors' remuneration	26.2	3,402	3,373
Depreciation	12.2	23,998	17,705
Amortization		-	476
Public offer expenses		4,998	1,848
Brokerage and commission		3,510	2,453
Entertainment		9,641	8,756
Traveling, boarding and lodging		20,328	16,245
Vehicle expenses		18,662	23,792
Newspapers and periodicals		717	659
Training		4,447	4,187
Sports		211	703
Others		49,612	45,024
		719,453	654,869

26.1 Donations include following amounts exceeding Rs. 100,000

None of the directors, executives and their spouses have any interest in the donations during the year. Donations paid in excess of Rs. 100,000 to a single party are as follows:

Note	December 31, 2009	December 31, 2008
	Rupees in '000	
Abasin Arts Council Peshawar	225	212
Malakand IDP	2,190	-
Malik Saad Sports Trust	100	-
Third World Pushto Conference	-	200
	<u>2,515</u>	<u>412</u>

None of the directors or their spouses had any interest in the donee.

26.2 Auditors' remuneration

	December 31, 2009	December 31, 2008
	Rupees in '000	
Audit fee	1,300	1,000
Fee for half-yearly review	560	430
Special certifications and sundry advisory services	1,130	1,570
Out-of-pocket expenses	412	373
	<u>3,402</u>	<u>3,373</u>

Special certifications and sundry advisory services includes fees paid to predecessor auditors M/s. Ford Rhodes Sidat Hyder and Co. on account of review of Minimum Capital Requirement (MCR) amounting to Rs. 160,000.

Note	December 31, 2009	December 31, 2008
	Rupees in '000	
27. OTHER PROVISIONS / WRITE OFFS		
Provision against lendings to financial institutions	9.5	135,500
Provision against other assets	14.3	50,000
		<u>185,500</u>
		<u>264,324</u>
28. OTHER CHARGES		
Penalties imposed by State Bank of Pakistan		3,665
Workers welfare fund		11,661
		<u>15,326</u>
		<u>37,122</u>
29. TAXATION		
Current - for the year		75,292
- for the prior years		-
Deferred tax		(236,879)
		<u>(161,587)</u>
		<u>68,548</u>

The Bank of Khyber



Annual Report
2009

Note	December 31, 2009	December 31, 2008
	Rupees in '000	
29.1 Relationship between tax expense and accounting profit		
(Loss) / profit before taxation	<u>(798,770)</u>	<u>205,896</u>
Tax at the applicable rate of 35% (2008: 35%)	(279,570)	72,064
Tax effect of dividend income taxed at different rate	(29,365)	(35,613)
Tax effect of impairment loss taxed at different rate	139,545	-
Tax effect of surplus on held-for-trading investment taxed at different rate	324	-
Losses on reclassification of held for trading investments	7,718	-
Effect of different tax rates used for current and deferred taxation	-	27,013
Tax effect of capital gain	-	4,730
Tax effect of unused tax losses	5,674	(49,219)
Others	(5,913)	-
	<u>(161,587)</u>	<u>18,975</u>

30. (LOSS) / EARNINGS PER SHARE - BASIC AND DILUTED

(Loss) / profit for the year	<u>(637,183)</u>	<u>137,348</u>
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Number of shares
(Restated)

Weighted average number of ordinary shares	19.2	<u>500,400,148</u>	<u>500,400,148</u>
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Rupees
(Restated)

(Loss) / earnings per share - Basic and Diluted		<u>(1.27)</u>	<u>0.27</u>
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There is no dilution effect on basic earnings per share.

The corresponding figure of weighted average number of shares outstanding and earnings per share have been restated to include the effect of bonus shares issued by the Bank during the year.

	December 31, 2009	December 31, 2008
	Rupees in '000 (Restated)	
31. CASH AND CASH EQUIVALENTS		
Cash and balance with treasury banks	1,542,102	1,557,715
Balance with other banks	2,403,698	3,362,946
	<u>3,945,800</u>	<u>4,920,661</u>

December 31, December 31,
2009 2008
Rupees in '000

32. STAFF STRENGTH

Permanent	637	376
Temporary / on contractual basis	119	154
Daily wagers	6	156
	<u>762</u>	<u>686</u>

33. DEFINED BENEFIT PLAN

33.1 General description of the type of defined benefit plan and the accounting policy for recognizing actuarial gains and losses are disclosed in note 6.9.1 to these financial statements.

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
33.2 Reconciliation of receivable from defined benefit plan			
Present value of defined benefit obligations	33.3	154,302	135,724
Fair value of plan assets	33.4	(172,356)	(174,744)
Net actuarial gains or losses not recognized		-	-
		<u>(18,054)</u>	<u>(39,020)</u>
33.3 Movement in payable to defined benefit obligation			
Opening balance		135,724	77,976
Current service cost		15,144	14,485
Interest cost		10,625	7,083
Actuarial losses		5,370	43,073
Benefits paid during the year		(12,561)	(6,893)
Closing balance		<u>154,302</u>	<u>135,724</u>
33.4 Movement in fair value of plan assets			
Fair value at the beginning of the year		(174,744)	(175,143)
Expected return on plan assets		(26,212)	(17,514)
Contribution by the bank		-	-
Benefits paid by the fund		12,561	6,893
Actuarial loss on plan assets		16,039	11,020
Fair value at the end of the year		<u>(172,356)</u>	<u>(174,744)</u>

	Note	December 31, 2009	December 31, 2008
Rupees in '000			
33.5 Movement in payable to defined benefit plan			
Opening balance		(39,020)	(97,167)
Charge for the year	33.6	20,966	58,147
Contribution to fund made during the year		-	-
Closing balance		<u>(18,054)</u>	<u>(39,020)</u>
33.6 Amount charged to profit and loss			
Current service cost		15,144	14,485
Interest cost		10,625	7,083
Expected return on plan assets		(26,212)	(17,514)
Actuarial losses recognized in the year		21,409	54,093
		<u>20,966</u>	<u>58,147</u>
33.7 Actual return on plan assets			
The actual return earned on the assets during the year are:			
Expected return on plan assets		(26,212)	(17,514)
Actuarial loss on plan assets		16,039	11,020
		<u>(10,173)</u>	<u>(6,494)</u>
33.8 Components of plan assets as a percentage of total plan assets			
Government securities		12.46%	15.30%
Units of mutual funds		14.14%	20.82%
Placements with other financial institutions		7.06%	49.16%
Others (including bank balances)		66.34%	14.72%
		<u>100.00%</u>	<u>100.00%</u>

As per actuarial recommendations the expected return on plan assets was taken as 10% per annum. The expected return on plan assets was determined by considering the expected return available on the assets underlying the current investment policy.

33.9 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2009. Projected Unit Credit Method, using following significant assumptions was used for the valuation of the gratuity fund.

	December 31, 2009	December 31, 2008
Discount rate	12%	15%
Expected rate of return on plan assets	15%	10%
Expected rate of salary increase	11%	14%
Number of employees covered under retirement benefit plan	630	377
Average expected remaining working life of employees (years)	14	14

33.10 Expected contribution to be paid to the fund in the next financial year

The Bank contributes to the gratuity fund according to the actuary's advice. Based on actuarial advice, the management estimate that the charge in respect of defined benefit plan for the year ending December 31, 2010 would be as follows:

Expected charge for the year 2010 (Rupees in ' 000) 17,295

Five year data of defined benefit plan and experience adjustments

	Rupees in '000				
	2009	2008	2007	2006	2005
Present value of defined obligations	154,302	135,725	77,977	70,832	N/A
Fair value of plan assets	(172,356)	(174,745)	(175,143)	(151,903)	N/A
Surplus	18,054	39,020	97,166	81,071	N/A

	Rupees in '000				
	2009	2008	2007	2006	2005
Experience adjustment arising on plan liabilities	5,370	43,073	(2,147)	4,624	N/A
Experience adjustment arising on plan assets	(16,039)	(11,020)	Nil	Nil	N/A

34. DEFINED CONTRIBUTION PLAN

During the year, the Bank has contributed Rs. 17.362 million (2008: Rs. 12.988 million) to the provident fund.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Directors		Executives	
	2009	2008	2009	2008	2009	2008
	Rupees in '000					
Fees	-	-	1,522	1,065	-	-
Managerial remuneration	4,545	4,647	2,250	-	14,774	4,546
Charge for defined benefit plan	-	-	-	-	2,462	854
Contribution to defined contribution plan	-	-	-	-	2,216	710
Rent and house maintenance	520	395	322	-	6,648	2,242
Utilities	65	28	225	-	2,216	643
Medical	74	101	-	-	2,216	1,106
Bonus	-	-	-	-	14,774	213
Conveyance	479	-	303	-	504	1,950
Others	440	31	210	-	14,774	407
	6,123	5,202	4,832	1,065	60,584	12,671
Number of persons	1	1	7	6	24	8

- 35.1 In addition to above, the Managing Director, an executive director and certain executives have been provided with Bank's maintained car in accordance with the terms of their employment.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments is based on quoted market prices. Fair value of unquoted equity investments is determined on the basis of these investments as per their latest financial statements.

Fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 6.5.

The maturity and repricing profile and effective rates are stated in notes 41.5.1 and 41.4.3 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits are frequently repriced.

36.1 Derivative financial instruments

The Bank does not offer structured derivative products. However, the Bank's treasury buys / sells foreign exchange financial instruments namely forward exchange contracts with the principle view of hedging the risks arising from its trade business.

As per the Bank's policy, these contracts are reported on their fair value at the balance sheet date. The gains and losses from revaluation of these contracts are included under "income from dealing in foreign currencies". Unrealised gain and losses on these contracts are recorded on the balance sheet under "Other Assets / Other Liabilities".

These products are offered to the Bank's customers to protect from unfavorable movements in foreign currencies. Such contracts are entered with only those obligors whose credit worthiness has been assessed as per the Bank's credit / risk assessment framework. The Bank effectively hedges such exposures in the inter-bank foreign exchange market.

In the above contracts, both parties must fulfill their contractual obligations at the time of settlement. These contracts are primarily based on the imports / exports, market expectations, economic / political circumstances and the Bank's inflow / outflow position.

These positions are reviewed on a regular basis by the Bank's Asset and Liability Committee (ALCO).

37. Segment details with respect to business activities

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

December 31, 2009					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
------(Rupees in '000)-----					
Total income	589,504	1,587,349	294,795	1,302,068	3,773,716
Total expenses	1,291,094	1,654,808	85,153	1,541,432	4,572,487
Net income (loss)	(701,590)	(67,459)	209,642	(239,364)	(798,771)
Segment Assets	6,755,909	16,213,078	1,065,061	14,776,522	38,810,570
Segment non performing loans	1,128,554	110,389	91,366	3,126,850	4,457,159
Segment provision required	314,776	18,730	65,952	2,585,326	2,984,784
Segment liabilities	11,101,524	6,467,155	370,520	14,909,074	32,848,273
Segment return on net assets (ROA) (%)	-10.38%	-0.42%	19.68%	-2%	
Segment cost of funds (%)	11.63%	25.59%	22.98%	10.34%	

December 31, 2008					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
------(Rupees in '000)-----					
Total income	429,634	581,310	243,322	2,044,354	3,298,620
Total expenses	299,035	566,131	188,570	2,038,988	3,092,724
Net income (loss)	130,599	15,179	54,752	5,366	205,896
Segment Assets	7,731,227	1,021,796	1,914,111	20,671,855	31,338,989
Segment non performing loans	458,004	31,015	57,081	2,785,387	3,331,487
Segment provision required	212,339	15,374	42,271	2,011,321	2,281,305
Segment liabilities	11,973,587	1,141,316	320,568	13,222,302	26,657,773
Segment return on net assets (ROA) (%)	1.69%	1.49%	2.86%	0.03%	
Segment cost of funds (%)	2.50%	49.60%	58.82%	15.42%	

38. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

39. RELATED PARTY TRANSACTIONS

- 39.1 The Bank has related party relationship with its majority shareholder (Government of N.W.F.P), associate, directors, key management personnel and staff retirement benefit plan.

Banking transactions with related parties are carried out at the agreed terms. Contribution to and accruals in respect of staff retirement benefit plan are made in accordance with actuarial valuations (refer note 33 to these financial statements for the details of plan). Remuneration to the executives, disclosed in note 35 to these financial statements are determined in accordance with their terms of appointment.

- 39.2 The details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows:

	December 31, 2009			December 31, 2008		
	Directors and key management personnel	Associated company	Other related parties	Directors and key management personnel	Associated company	Other related parties
(Rupees in '000)						
Advances						
At the beginning of the year	29,590	-	-	9,733	-	-
Disbursed during the year	66,475	-	-	26,723	-	-
Repaid during the year	(4,670)	-	-	(6,866)	-	-
At the end of the year	<u>91,395</u>	<u>-</u>	<u>-</u>	<u>29,590</u>	<u>-</u>	<u>-</u>
Deposits						
At the beginning of the year	2,823	10,864	12,919	79	8,301	6,976
Deposited during the year	85,213	170,783	335,422	44,898	109,177	166,257
Repaid during the year	(83,504)	(169,100)	(249,948)	(42,154)	(106,614)	(160,314)
At the end of the year	<u>4,532</u>	<u>12,547</u>	<u>98,393</u>	<u>2,823</u>	<u>10,864</u>	<u>12,919</u>
Transactions, income and expenditure						
Profit earned on Financings	440	-	-	135	-	-
Return on deposits expensed	319	191	3,357	76	263	2,505
Fees / Remuneration	1,522	-	-	1,065	-	-

39.3 Although the Government of N.W.F.P. holds 51% shares of the Bank (2008: 51%), the transactions with it has not been treated as related party transactions for the purpose of this disclosure.

40. CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

40.1 Capital management

Basel II capital adequacy framework applies to all Banks and DFIs on stand-alone as well consolidated basis.

The Bank's objectives when managing its capital are

- To comply with the capital requirements set by the SBP;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

Capital adequacy is monitored periodically by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and as mandated by the SBP for supervisory purposes. The required information is submitted to the SBP on a quarterly basis. The disclosure given is based on the Basel II Standardized Approach for credit and market risk and Basic Indicator Approach for operational risk.

The SBP requires each Bank or Banking group to: (a) hold the minimum level of the paid up capital and (b) maintain a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum of 10% as prescribed for the year 2009 (9% for 2008).

The Bank's regulatory capital is divided into two tiers:

- Tier 1 capital: share capital, unappropriated profit (net of losses) and reserves created by appropriations of unappropriated profits;
- Tier 2 capital: general provisions for loan losses (up to a maximum of 1.25 % of risk weighted

assets) and reserves on the revaluation of fixed assets and equity investments (up to a maximum of 45% of the balance in the related revaluation reserves); and

c) Tier 3 capital: the Bank has no eligible Tier 3 capital.

Book value of Goodwill (if any), other intangible assets including software, brand value etc are deducted from Tier 1 capital whereas investments in associate, as disclosed in note 10.1 is deducted from Tier 1 and Tier 2 capital to arrive at the regulatory capital.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operational risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of potential future exposure.

The Bank will continue to maintain the required regulatory capital either through its risk management strategies or by increasing the capital requirements in line with the business and capital needs.

The State Bank has prescribed a minimum paid-up capital requirement (net of losses) of Rs. 6 billion for all Banks to be achieved by December 31, 2009 (refer note 1.2). The required minimum Capital Adequacy Ratio (CAR), on consolidated as well as on stand-alone basis is 10%.

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy is as follows:-

40.2 Capital Structure

Bank's regulatory capital is analyzed into tiers:

Tier I Capital

Fully paid up capital

Reserves for bonus issue

General reserve

Advance against share subscription

(Accumulated loss) / unappropriated profit

Deductions

Deficit on account of revaluation of available for sale investments

Investments in associate at cost (50%)

Tier II Capital

General Provisions subject to 1.25% of Total Risk Weighted Assets

Revaluation Reserve (upto 45%)

Investments in associate at cost (50%)

Eligible Tier III Capital

Total regulatory capital base

December 31, 2009 December 31, 2008
Rupees in '000

	5,004,001	4,002,984
	-	1,001,017
	435,342	435,342
	224,000	-
	(398,710)	238,473
	5,264,633	5,677,816
	-	(1,272,259)
	(20,250)	(22,500)
	5,244,383	4,383,057
	12,006	20,141
	269,669	-
	(20,250)	(22,500)
	261,425	(2,359)
	-	-
	5,505,808	4,380,698

40.3 Capital Adequacy

	Capital Requirements		Risk Weighted Assets	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
(Rupees in '000)				
Credit Risk				
Portfolio subject to standardized approach (simple or comprehensive)				
<u>On-balance sheet</u>				
(a) Cash and Cash Equivalents	-	-	-	-
(b) Claims on Government of Pakistan (Federal or Provincial Governments) and SBP denominated in PKR	-	-	-	-
(c) Foreign Currency claims on SBP arising out of statutory obligations of banks in Pakistan	-	-	-	-
(d) Claims on other sovereigns and on Government of Pakistan or provincial governments or SBP denominated in currencies other than PKR	-	-	-	-
(e) Claims on Bank for International Settlements, International Monetary Fund, European Central Bank, and European Community	-	-	-	-
(f) Claims on Multilateral Development Banks	-	-	-	-
(g) Claims on Public Sector Entities in Pakistan	75,836	90,678	758,355	1,007,538
(h) Claims on Banks	124,382	100,990	1,243,817	1,122,107
(i) Claims, denominated in foreign currency, on banks with original maturity of 3 months or	229	1,701	2,292	18,899
(j) Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	13,659	19,800	136,586	220,000
(k) Claims on Corporate (excluding equity exposures)	870,343	918,878	8,703,433	10,209,761
(l) Claims categorized as retail portfolio	33,886	42,821	338,858	475,790
(m) Claims fully secured by residential property	23,303	22,032	233,032	244,799
(n) Past Due loans:				
1. The unsecured portion of any claim (other than loans and claims secured against eligible residential mortgages as defined in section 2.1 of circular 8 of 2006) that is past due for more than 90 days and/or impaired:				
1.1 where specific provisions are less than 20 per cent of the outstanding amount of the past due claim.	114,150	54,303	1,141,498	603,364
1.2 where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	64,351	56,729	643,510	630,320
1.3 where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	3,231	1,440	32,312	15,999
2. Loans and claims fully secured against eligible residential mortgages that are past due for more than 90 days and/or impaired	-	-	-	-
3. Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and/or impaired and specific provision held there against is more than 20% of outstanding amount.	762	259	7,625	2,881
(o) Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	180	-	1,800	-
(p) Unlisted equity investments (other than that deducted from capital) held in banking book	9,826	81,366	98,256	904,070
(q) Investments in venture capital	-	-	-	-
(r) Investments in premises, plant and equipment and all other fixed assets	-	-	-	-
(s) Claims on all fixed assets under operating lease	-	-	-	-
(t) All other assets	329,205	225,592	3,292,051	2,506,579
	1,663,342	1,616,590	16,633,425	17,962,107
<u>Off-Balance Sheet - Non Market related Exposures</u>				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	246,811	58,716	2,468,112	652,395
Performance related Contingencies	175,452	131,738	1,754,522	1,463,751
Trade Related contingencies / Other Commitments with original maturity of one year or	13,085	8,438	130,848	93,755
	435,348	198,892	4,353,482	2,209,901
<u>Off-Balance Sheet - Market related Exposures</u>				
Foreign Exchange Contracts with SBP	-	-	-	-
Foreign Exchange Contract (with original maturity of less than 14 days)	-	-	-	-
Foreign Exchange Contracts*	65	47	653	525
	65	47	653	525
Total Credit Risk (A)	2,098,755	1,815,529	20,987,560	20,172,533
<u>Market Risk</u>				
<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
Interest rate risk	550,144	227,505	5,501,436	2,527,838
Equity position risk etc.	463,498	156,552	4,634,980	1,739,463
Foreign exchange risk etc.	13,110	3,884	131,104	43,153
Total Market Risk (B)	1,026,752	387,941	10,267,520	4,310,453
<u>Operational Risk</u>				
Basic Indicator Approach-Total of operational risk (C)	194,359	137,421	1,943,593	1,526,904
Total (A + B + C)	3,319,866	2,340,891	33,198,673	26,009,890
	December 31, 2009	December 31, 2008		
Capital Adequacy Ratio				
Total eligible regulatory capital held	(a) 5,505,808	4,380,698		
Total Risk Weighted Assets	(b) 33,198,673	26,009,890		
Capital Adequacy Ratio	(a) / (b) 16.58%	16.84%		

41. RISK MANAGEMENT

In accordance with the guidance from SBP, the Bank has established a separate Risk Management Division (RMD) to identify and monitor the potential risks and establish mitigating policies against these risks along with advising the relevant divisions and ensuring the implementation of these policies by other divisions of the Bank. The Bank's risk management infrastructure is being strengthened to provide sound management principles and practices to maintain appropriate asset quality across the Bank and an action plan for strengthening the risk management in the Bank has been approved by the Management Committee and Risk Management Committee of the Board. The Bank is primarily subject to credit risk, market risk, liquidity risk and operational risk as mentioned below:

41.1 Credit risk

Credit risk is the risk that arises from the potential that the obligor is either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in economic loss to the Bank. The Bank is exposed to credit risk through its lending and investment activities. The Bank attempts to control risk by monitoring credit exposure, limiting transaction with specific counter parties and continually assessing the credit worthiness of the borrowers.

Credit risk is managed through the Bank's lending policy approved by its Board of Directors (the Board) and other laid down procedures outlined in the credit manual and related circulars. The Head Office Credit Committee is responsible for the effective operation and implementation of these policies including the establishment of credit limits for all counter-parties after evaluation of their credit worthiness, pre-sanction evaluations of credit proposals, adequacy of security documents, pre-disbursement examination of charge documents and security of advances through adequate collaterals with an acceptable security margin. This multi tiered credit approving system, at branch and head office level, ensures at each stage that each transaction is analyzed keeping in view the risk factors as well as the stipulation of the Prudential Regulations.

The Bank has also established a separate recovery division (RRMC) to monitor stuck-up facilities along with negotiations with borrowers as well as undertaking legal actions against the delinquent borrowers. Further, to strengthen the portfolio and as a matter of prudence, adequate provision against non-performing loans is maintained in compliance with the prudential regulations. Investments and other assets, doubtful of recovery are also adequately provided.

41.1.1 SEGMENTAL INFORMATION

41.1.1.1 Segments by class of business

	December 31, 2009					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Acrylic fabrics	-	-	-	-	128,500	1.84
Agriculture, forestry, hunting and fishing	129,358	0.87	238,422	0.91	34,290	0.49
Automobile and transportation equipment	902,618	6.09	-	-	134,055	1.92
Cement	663,770	4.48	-	-	34,523	0.50
Chemical and pharmaceuticals	471,267	3.18	-	-	5,846	0.084
Contractors / Construction	2,222,726	15.00	2,285,238	8.69	2,561,692	36.77
CNG stations	364,749	2.46	-	-	515,882	7.41
Education and health	-	-	74,591	0.28	-	-
Financial	837,975	5.65	942,078	3.58	-	-
Fisheries	295,224	1.99	-	-	-	-
Food and beverages	332,508	2.24	-	-	7,615	0.11
Ghee / cooking oil	687,582	4.64	-	-	27,134	0.39
Individuals	995,657	6.72	4,449,091	16.93	65,472	0.94
Manufacturing of match	296,880	2.00	-	-	-	-
Miscellaneous manufacturing	834,136	5.63	210,325	0.80	553,571	7.95
Petrochemicals	174,464	1.18	-	-	6,290	0.09
Production and transmission of energy	1,472,036	9.93	55,312	0.21	695,150	9.98
Services	1,002,411	6.76	392,383	1.49	395,994	5.68
Sugar	413,524	2.79	-	-	2,364	0.03
Textile	712,051	4.80	-	-	184,206	2.64
Trading	976,487	6.59	-	-	277,131	3.98
Others	1,035,323	6.99	17,638,354	67.10	1,336,627	19.19
	<u>14,820,746</u>	<u>100</u>	<u>26,285,794</u>	<u>100</u>	<u>6,966,342</u>	<u>100</u>

	December 31, 2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Acrylic fabrics	-	-	-	-	256,500	4.92
Agriculture, forestry, hunting and fishing	81,330	0.54	344,471	1.39	30,090	0.58
Automobile and transportation equipment	678,648	4.55	-	-	61,835	1.19
Cement	646,483	4.33	-	-	34,523	0.66
Chemical and pharmaceuticals	425,257	2.85	-	-	35	-
Contractors / Construction	1,798,598	12.05	2,099,871	8.49	2,425,902	46.58
CNG stations	477,925	3.20	-	-	319,957	6.14
Education and health	-	-	57,164	0.23	-	-
Financial	59,125	0.40	909,661	3.68	-	-
Fisheries	300,079	2.01	-	-	-	-
Food and beverages	410,478	2.75	-	-	7,970	0.15
Ghee / cooking oil	794,963	5.33	-	-	21,630	0.42
Individuals	1,372,825	9.20	4,078,716	16.49	59,303	1.14
Manufacturing of match	314,185	2.11	-	-	40,167	0.77
Miscellaneous manufacturing	966,075	6.47	73,865	0.30	196,169	3.77
Petrochemicals	512,122	3.43	-	-	7,040	0.14
Production and transmission of energy	1,407,315	9.43	12,463	0.05	363,287	6.97
Services	1,181,905	7.92	1,657,141	6.70	345,102	6.63
Sugar	528,584	3.54	127,668	0.52	2,364	0.05
Textile	625,123	4.19	-	-	306,486	5.88
Trading	1,338,247	8.97	-	-	4,926	0.09
Others	1,005,852	6.74	15,371,175	62.15	725,198	13.92
	<u>14,925,119</u>	<u>100</u>	<u>24,732,195</u>	<u>100</u>	<u>5,208,484</u>	<u>100</u>

41.1.1.2 Segment by sector

	December 31, 2009					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	526,786	3.55	12,671,533	48.21	692,634	9.94
Private	14,293,960	96.45	13,614,262	51.79	6,273,708	90.06
	<u>14,820,746</u>	<u>100</u>	<u>26,285,795</u>	<u>100</u>	<u>6,966,342</u>	<u>100</u>

	December 31, 2008					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	1,290,076	8.64	12,653,899	51.16	421,202	8.09
Private	13,635,043	91.36	12,078,296	48.84	4,787,282	91.91
	<u>14,925,119</u>	<u>100</u>	<u>24,732,195</u>	<u>100</u>	<u>5,208,484</u>	<u>100</u>

41.1.1.3 Details of non-performing advances and specific provisions by class of business segment

	December 31, 2009		December 31, 2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Agriculture, Forestry, Hunting and Fishing	20,926	10,871	15,651	10,781
Automobile and transportation equipment	177,557	177,714	78,766	78,603
Cement	150,000	125,466	150,000	37,500
Chemical and Pharmaceuticals	111,894	111,894	119,731	119,731
Contractors / Construction	423,296	164,214	736,537	321,150
Financial	850,898	344,508	40,000	40,000
Fisheries	281,856	281,856	281,855	281,855
Food and beverages	204,498	162,065	164,774	164,774
Footwear and Leather garments	258,199	258,199	137,814	137,780
Ghee / cooking oil	240,380	225,381	240,614	240,614
Individuals	85,375	59,923	64,882	49,497
Miscellaneous manufacturing	515,462	400,644	437,928	323,844
Services	268,101	88,571	190,965	88,485
Textile	59,348	48,717	112,072	112,072
Trading	449,015	299,239	345,311	204,998
Others	360,354	213,516	214,587	49,480
	<u>4,457,159</u>	<u>2,972,778</u>	<u>3,331,487</u>	<u>2,261,164</u>

41.1.1.4 The comparatives of classified advances and specific provisions held have been reclassified.

	December 31, 2009		December 31, 2008	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Public / Government	-	-	-	-
Private	4,457,159	2,972,778	3,331,487	2,261,164
	<u>4,457,159</u>	<u>2,972,778</u>	<u>3,331,487</u>	<u>2,261,164</u>

41.1.1.5 Details of non-performing advances and specific provisions by sector

Public / Government	-	-	-	-
Private	4,457,159	2,972,778	3,331,487	2,261,164
	<u>4,457,159</u>	<u>2,972,778</u>	<u>3,331,487</u>	<u>2,261,164</u>

41.2 Credit Risk - General Disclosures

The Bank is following standardized approach for all its Credit Risk Exposures.

41.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach-Basel II Specific

Exposures	Rating Category Number	Credit Exposures subject to Standardised approach					
		2009			2008		
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
Rupees in '000							
Corporate	1	134,169	-	134,169	50,750	-	50,750
	2	650,235	-	650,235	860,375	-	860,375
	3 & 4	201,000	-	201,000	758,000	-	758,000
	5 & 6	150,000	-	150,000	9,000	-	9,000
	Unrated	13,808,967	883,753	12,925,214	14,481,682	985,851	13,495,831
Banks	1	2,910,906	-	2,910,906	1,392,892	-	1,392,892
	2 & 3	718,525	-	718,525	1,741,050	-	1,741,050
	6	271,000	-	271,000	-	-	-
With maturity 3 months or less (PKR)		682,932	-	682,932	1,100,000	-	1,100,000
With maturity 3 months or less (FCY)	1,2,3	11,461	-	11,461	63,842	-	63,842
	Unrated	3,588,623	-	3,588,623	96,661	-	96,661
Retail		487,078	26,725	460,354	675,162	8,022	667,140
Claims subject to Residential Mortgage		665,806	-	665,806	699,427	-	699,427
Public Sector Entities	1	-	-	-	500,000	-	500,000
	2 & 3	45,000	-	45,000	50,000	-	50,000
	Unrated	2,165,453	71,442	2,094,011	2,186,278	44,842	2,141,436
Past Due		1,484,383	-	1,484,383	1,070,322	-	1,070,322
Others		3,578,339	-	3,578,339	3,243,087	-	3,243,087

CRM = Credit Risk Mitigation

41.2.2 Credit Risk: Disclosures for portfolio subject to Standardized Approach Basel II specific

Under standardized approach, the capital requirement is based on the credit rating assigned to the counter parties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, the Bank utilizes the credit ratings assigned by ECAIs and has recognized agencies such as PACRA (Pakistan Credit Rating Agency), JCR-VIS (Japan Credit Rating Company - Vital Information Systems), Fitch which are also recognized by the SBP.

The Standardised Approach to credit risk sets out fixed risk weights corresponding, where appropriate, to external credit assessment levels or for unrated claims.

41.2.3 Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardised Approach-Basel II Specific

Eligible Cash collaterals under standardised approach are used for credit risk mitigation. The forms of collateral that are deemed to be eligible collateral under the 'Simple Approach' to Credit Risk Mitigation (CRM) as per SBP guidelines are used by the Bank and primarily includes cash, government and rated debt securities. A standard credit granting procedure exists which has been well-disseminated down the line, ensuring proper pre-sanction evaluation, adequacy of security, pre-examination of charge/control documents and monitoring of each exposure on an ongoing basis.

41.2.4 Equity position risk in the banking book-Basel II Specific

Investments in equity were classified as trading book as Market related exposure.

41.3 Geographical segment analysis

	December 31, 2009			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	(798,770)	38,810,570	5,962,297	6,966,342
Outside Pakistan	-	-	-	-
	<u>(798,770)</u>	<u>38,810,570</u>	<u>5,962,297</u>	<u>6,966,342</u>

	December 31, 2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	205,896	31,338,989	4,681,216	5,208,484
Outside Pakistan	-	-	-	-
	<u>205,896</u>	<u>31,338,989</u>	<u>4,681,216</u>	<u>5,208,484</u>

41.4 Market risk

Market Risk is the risk that the value of on and off balance sheet positions of the group will be adversely affected by the movements in interest rate, foreign exchange rates and equity prices resulting in the loss of earnings and capital. Assets and Liabilities Committee (ALCO) of the Bank monitors and manages the interest rate with the objective of limiting the potential adverse effect on the profitability of the Bank. Each Branch and Credit Division evaluates market risk at the time of sanction of facilities. The Bank distinguishes three types of market risks i.e. foreign exchange risk, equity position risk and interest rate risk.

41.4.1 Foreign exchange risk

Foreign Exchange Risk is the risk of loss resulting from changes in exchange rates. Foreign exchange positions are reported on consolidated basis and limits are used to monitor exposure in individual currencies.

The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash-in-hand, balances with banks abroad, foreign currency placements with SBP and foreign currency deposits. The Bank manages its foreign currency exposure by matching foreign currency assets and liabilities. The net open position and the nostro balances are managed within the statutory limit fixed by SBP.

December 31, 2009				
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	
Rupees in '000				
Pakistan rupee	38,423,418	32,592,225	(1,463,125)	5,831,193
United States dollar	299,103	181,954	1,172,464	117,149
Great Britain pound	54,221	47,040	1,860	7,181
Japanese yen	1,443	-	131,551	1,443
Euro	30,861	27,054	157,250	3,807
Other currencies	1,524	-	-	1,524
	38,810,570	32,848,273	-	5,962,297

December 31, 2008				
Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure	
Rupees in '000				
Pakistan rupee	31,077,799	26,466,780	(564,584)	4,611,019
United States dollar	123,233	75,220	385,861	48,013
Great Britain pound	48,008	44,936	275	3,072
Japanese yen	3,250	477	55,199	2,773
Euro	85,340	70,360	116,652	14,980
Other currencies	1,359	-	6,597	1,359
	31,338,989	26,657,773	-	4,681,216

41.4.2 Equity position risk

The risk that may result in potential losses for the financial institutions because of frequent changes in market value of its tradable assets due to adverse variation in the prices of equity investments. The Bank's equity position is governed by SBP limits for overall investment and per scrip exposure. In addition, ALCO keeps a vigilant eye on the price fluctuation of the shares and takes corrective measures to reduce the losses.

The Bank of Khyber



Effective Yield/ Interest rate	Total	December 31, 2009								Non-Interest bearing financial instruments	
		Exposed to Yield/ Interest risk									
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks		1,542,102	49,103	-	-	-	-	-	-	-	1,492,999
Balances with other banks	7.00%	2,403,698	1,334,365	-	-	-	-	-	-	-	1,069,333
Lending to financial institutions	9.50%	1,810,846	1,331,846	-	-	-	479,000	-	-	-	-
Investments	8.00%	17,925,911	-	896,432	4,106,094	899,254	428,614	344,866	3,181,017	2,279,110	5,748,717
Advances	10.42%	11,835,962	1,401,573	375,775	326,803	2,206,846	1,842,689	1,441,036	2,612,756	835,888	792,596
Other assets		771,640	-	-	-	-	-	-	-	-	771,640
		36,290,159	4,116,887	1,272,207	4,432,897	3,106,100	2,750,303	1,785,902	5,793,773	3,114,998	834,403
Liabilities											
Bills payable		229,973	-	-	-	-	-	-	-	-	229,973
Borrowings	11.67%	5,147,036	4,697,036	450,000	-	-	-	-	-	-	-
Deposits and other accounts	9.10%	26,285,794	7,057,810	1,565,056	2,751,745	7,180,710	1,397,182	1,014,991	339,949	42,268	4,936,083
Other liabilities		1,103,446	-	-	-	-	-	-	-	-	1,103,446
		32,766,249	11,754,846	2,015,056	2,751,745	7,180,710	1,397,182	1,014,991	339,949	42,268	6,269,502
On-balance sheet gap		3,523,910	(7,637,959)	(742,849)	1,681,152	(4,074,610)	1,353,121	770,911	5,453,824	3,072,730	834,403
Off-balance sheet financial instruments											
Commitments in respect of forward exchange contracts - purchase		211,076	-	-	-	-	-	-	-	-	211,076
Commitments in respect of forward exchange contracts - sale		52,924	-	-	-	-	-	-	-	-	52,924
Off-balance sheet gap		158,152	-	-	-	-	-	-	-	-	158,152
Total Yield/Interest Risk Sensitivity Gap			(7,637,959)	(742,849)	1,681,152	(4,074,610)	1,353,121	770,911	5,453,824	3,072,730	834,403
Cumulative Yield/Interest Risk Sensitivity Gap			(7,637,959)	(8,380,808)	(6,699,656)	(10,774,266)	(9,421,145)	(8,650,234)	(3,196,410)	(123,680)	710,723

Effective Yield/ Interest rate	Total	December 31, 2008								Non-Interest bearing financial instruments	
		Exposed to Yield/ Interest risk									
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
Rupees in '000											
On-balance sheet financial instruments											
Assets											
Cash and balances with treasury banks	0.04%	1,557,715	1,326,022	-	-	-	-	-	-	-	231,693
Balances with other banks	16.64%	3,362,946	1,336,460	600,000	-	-	-	-	-	-	1,426,486
Lending to financial institutions	18.34%	2,282,494	2,168,952	113,542	-	-	-	-	-	-	-
Investments	10.38%	8,385,441	874,193	1,278,188	51,156	507,495	811,270	657,291	2,165,752	1,255,793	1,350,908
Advances	9.67%	12,643,814	2,028,368	608,390	549,782	2,621,595	2,348,711	781,096	2,023,070	1,197,026	485,776
Other assets		1,922,317	610,282	-	-	-	-	-	-	-	1,312,035
		30,754,727	8,344,277	2,600,120	600,938	3,129,090	3,159,981	1,438,387	4,188,822	2,452,819	519,171
Liabilities											
Bills payable		122,516	-	-	-	-	-	-	-	-	122,516
Borrowings	13.50%	910,691	910,691	-	-	-	-	-	-	-	-
Deposits and other accounts	5.45%	24,732,195	7,839,206	2,067,543	5,691,987	2,039,419	408,608	1,686,328	665,089	3,916	4,330,099
Other liabilities		819,778	525,682	-	-	-	-	-	-	-	294,096
		26,585,180	9,275,579	2,067,543	5,691,987	2,039,419	408,608	1,686,328	665,089	3,916	4,746,711
On-balance sheet gap		4,169,547	(931,302)	532,577	(5,091,049)	1,089,671	2,751,373	(247,941)	3,523,733	2,448,903	519,171
Off-balance sheet financial instruments											
Commitments in respect of forward exchange contracts - purchase		54,318	-	-	-	-	-	-	-	-	54,318
Commitments in respect of forward exchange contracts - sale		79,476	-	-	-	-	-	-	-	-	79,476
Off-balance sheet gap		(25,158)	-	-	-	-	-	-	-	-	(25,158)
Total Yield/Interest Risk Sensitivity Gap			(931,302)	532,577	(5,091,049)	1,089,671	2,751,373	(247,941)	3,523,733	2,448,903	519,171
Cumulative Yield/Interest Risk Sensitivity Gap			(931,302)	(398,725)	(5,489,774)	(4,400,103)	(1,648,730)	(1,896,671)	1,627,062	4,075,965	4,595,136

41.4.4 Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities

	December 31, 2009		December 31, 2008	
	Rupees in '000			
Reconciliation of total assets				
Total financial assets	36,290,159	29,596,371		
Less: Non financial assets				
Operating fixed assets	1,013,670	187,589		
Deferred tax asset	456,420	396,673		
Other assets	1,050,321	1,158,356		
	2,520,411	1,742,618		
Balance as per balance sheet	38,810,570	31,338,989		
Reconciliation of total liabilities				
Total financial liabilities	32,766,249	26,585,180		
Less: Non financial liabilities				
Deferred tax liabilities	-	-		
Other liabilities	82,024	72,593		
	82,024	72,593		
Balance as per balance sheet	32,848,273	26,657,773		

41.4.5 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest sensitive assets, liabilities and off-balance sheet items-repricing analysis is done by ALCO. ALCO also monitors and manages the interest rate risk and takes on exposure to the effects of fluctuations in the prevailing levels of interest rates on Bank's financial position and cash flows. Interest margin may increase as a result of such changes but may reduce or create losses in the event of unexpected movements.

41.5 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its current and future financial obligations as they fall due at acceptable cost, and includes (a) the operational ability of the Bank to meet refinancing requirement, (b) concentration risk i.e. the ability of the Bank to diversify its funding sources to prevent undue reliance on a single or related counterparties, and (c) tenor risk i.e. the ability of the Bank to raise adequate longer term funds (maturity at issue in excess of 12)

The Bank's liquidity position is managed by ALCO. The Committee monitors the maintenance of Balance Sheet liquidity ratios on monthly basis using duration and convexity analysis at the Middle Office. The core object is to avoid undue reliance on individual deposits and extending advances for long periods. Thus on the whole the Bank manages liquidity and funding risk through a combination of positive cash flow management, the maintenance of portfolio containing high quality liquid assets, maintenance of a prudent fundings strategy and diversification of its funding base.

41.5.1 Maturities of assets and liabilities

		December 31, 2009									
		Upto 1	Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5	Above	
		Month	to 3	to 6	Months to 1	to 2	to 3	to 5	to 10	10 Years	
		Total	Months	Months	Year	Years	Years	Years	Years	10 Years	
		Rupees in '000									
Assets											
Cash and balances with treasury banks	1,542,102	1,542,102	-	-	-	-	-	-	-	-	
Balances with other banks	2,403,698	2,403,698	-	-	-	-	-	-	-	-	
Lending to financial institutions	1,810,846	1,331,846	-	-	-	479,000	-	-	-	-	
Investments	17,925,911	-	896,432	4,606,094	846,645	921,554	2,743,544	5,108,603	2,761,232	41,807	
Advances	11,835,962	1,401,573	375,775	326,803	2,206,846	1,842,689	1,441,036	2,612,756	835,888	792,596	
Operating fixed assets	1,013,670	-	-	-	-	-	-	158,908	47,464	807,298	
Deferred tax assets	456,420	-	-	-	-	456,420	-	-	-	-	
Other assets	1,821,961	606,735	31,837	21,864	295,919	486,909	-	-	378,697	-	
Total	38,810,570	7,285,954	1,304,044	4,954,761	3,349,410	4,186,572	4,184,580	7,880,267	4,023,281	1,641,701	
Liabilities											
Bills payable	229,973	229,973	-	-	-	-	-	-	-	-	
Borrowings	5,147,036	4,697,036	450,000	-	-	-	-	-	-	-	
Deposits and other accounts	26,285,794	11,097,991	2,460,958	2,751,745	7,180,710	1,397,182	1,014,991	339,949	42,268	-	
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	
Other liabilities	1,185,470	920,909	67,586	66,154	14,754	116,067	-	-	-	-	
Total	32,848,273	16,945,909	2,978,544	2,817,899	7,195,464	1,513,249	1,014,991	339,949	42,268	-	
Net assets / (liabilities)	5,962,297	(9,659,955)	(1,674,500)	2,136,862	(3,846,054)	2,673,323	3,169,589	7,540,318	3,981,013	1,641,701	
Represented by:											
Share capital	5,004,001	-	-	-	-	-	-	-	-	-	
Reserves	435,342	-	-	-	-	-	-	-	-	-	
Share subscription money	224,000	-	-	-	-	-	-	-	-	-	
Unappropriated profit	(398,710)	-	-	-	-	-	-	-	-	-	
Surplus on revaluation of assets	697,664	-	-	-	-	-	-	-	-	-	
Total	5,962,297	-	-	-	-	-	-	-	-	-	
		December 31, 2008									
		Upto 1	Over 1	Over 3	Over 6	Over 1	Over 2	Over 3	Over 5	Above	
		Month	to 3	to 6	Months to 1	to 2	to 3	to 5	to 10	10 Years	
		Total	Months	Months	Year	Years	Years	Years	Years	10 Years	
		Rupees in '000									
Assets											
Cash and balances with treasury banks	1,557,715	1,557,715	-	-	-	-	-	-	-	-	
Balances with other banks	3,362,946	2,762,946	600,000	-	-	-	-	-	-	-	
Lending to financial institutions	2,282,494	2,168,952	113,542	-	-	-	-	-	-	-	
Investments	8,985,441	829,894	1,278,188	51,156	507,500	811,270	797,342	3,415,752	1,260,944	33,395	
Advances	12,643,814	2,028,368	608,390	549,782	2,621,595	2,348,711	781,096	2,023,070	1,197,026	485,776	
Operating fixed assets	187,589	-	-	-	-	-	-	87,685	99,904	-	
Deferred tax assets	396,673	-	-	-	-	396,673	-	-	-	-	
Other assets	1,922,317	610,283	15,945	78,223	148,448	597,471	112,040	359,907	-	-	
Total	31,338,989	9,958,158	2,616,065	679,161	3,277,543	4,154,125	1,690,478	5,886,414	2,557,874	519,171	
Liabilities											
Bills payable	122,516	122,516	-	-	-	-	-	-	-	-	
Borrowings	910,691	910,691	-	-	-	-	-	-	-	-	
Deposits and other accounts	24,732,195	10,745,544	5,291,125	2,844,394	2,442,529	280,204	1,744,712	1,383,339	348	-	
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-	
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-	
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	
Other liabilities	892,371	680,820	21,215	7,626	106,673	75,515	522	-	-	-	
Total	26,657,773	12,459,571	5,312,340	2,852,020	2,549,202	355,719	1,745,234	1,383,339	348	-	
Net assets / (liabilities)	4,681,216	(2,501,413)	(2,696,275)	(2,172,859)	728,341	3,798,406	(54,756)	4,503,075	2,557,526	519,171	
Represented by:											
Share capital	4,002,984	-	-	-	-	-	-	-	-	-	
Reserves	1,436,359	-	-	-	-	-	-	-	-	-	
Unappropriated	238,473	-	-	-	-	-	-	-	-	-	
Deficit on revaluation of assets	(996,600)	-	-	-	-	-	-	-	-	-	
Total	4,681,216	-	-	-	-	-	-	-	-	-	

41.6 Operational risk

Operational risk has been defined as the potential of incurring losses in relation to employees project management, contractual specifications, documentation, technology, infrastructure failure and disaster, external influences and customer relationship. This includes legal and regulation but excludes business risk. Various reports are produced at management, Board Committee and Board level to assist with their oversight and monitoring obligations. This incorporates reporting of risk profiles, key operational risk events, as well as consideration of external events and their relevance to the Bank. This process generates visibility and understanding of the Bank's overall operational risk profile. The Operational Risk Framework is based on a set of core principles and defines the Bank's standards for operational risk management. Its design recognizes the importance of embedding operational risk into 'business-as-usual' activities. It has particular focus on defining and implementing the right behaviors and incorporating risk considerations into the Bank's systems and processes.

41.6.1 Operational Risk-Disclosures Basel II Specific

Basic Indicator Approach (BIA) is used for Operational Risk under Basel II.

42. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 6, 2010 by the Board of Directors of the Bank.

43. GENERAL

These financial statements have been prepared in accordance with the revised format for the financial statements of banks issued by the State Bank of Pakistan through BSD Circular No.4 dated February 17, 2006.



Managing Director



Director



Director



Director

ANNEXURE 'A' TO THE FINANCIAL STATEMENTS AS REFERED TO IN NOTE 2.2

The Bank is operating eighteen (18) Islamic banking branches at the end of current year as compared to sixteen (16) Islamic banking branches at the end of prior year.

	December 31, 2009	December 31, 2008 (Restated)
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	534,375	419,988
Balances with and due from financial Institutions	1,377,610	1,626,989
Lending to financial institutions	20,000	325,000
Investments	3,040,878	1,325,908
Financing and receivables		
Murahaba	635,353	671,615
Ijarah	404,211	589,090
Ijarah under IFAS-2	178,467	-
Musharaka	31,025	22,998
Diminishing musharaka	700,975	606,079
Others	3,000	5,710
	1,953,031	1,895,492
Less: Provision against non-performing facilities	65,968	78,301
	1,887,063	1,817,191
Operating fixed assets	67,947	53,856
Other assets	508,876	473,763
	7,436,749	6,042,695
LIABILITIES		
Bills payable	74,134	34,843
Due to financial institutions		-
Deposits and other accounts		
Current accounts	1,711,853	1,712,079
Saving accounts	3,560,648	3,005,010
Term deposits	473,606	383,267
Others	81,815	82,180
	5,827,922	5,182,536
Deposits from financial institutions - Remunerative	263,825	
Deposits from financial institutions - Non-Remunerative	1	107
Other liabilities	323,889	290,055
	6,489,771	5,507,541
NET ASSETS	946,978	535,154
REPRESENTED BY		
Islamic Banking Fund	460,000	350,000
Reserves	-	-
Unappropriated profit	486,853	188,169
	946,853	538,169
Surplus / (deficit) on revaluation of assets	125	(3,015)
	946,978	535,154
REMUNERATION TO SHARIAH ADVISOR	594	571
CHARITY FUND		
Opening balance at the start of the year	-	-
Additions during the year	583	5,698
Payments during the year	-	(5,698)
Closing balance at the end of the year	583	-

Comparative information has been restated, reclassified, rearranged or additionally incorporated wherever necessary to facilitate comparison and to confirm with changes in presentation in the current year.



PROFIT AND LOSS ACCOUNT - ISLAMIC OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2009

	December 31, 2009	December 31, 2008
	Rupees in '000	
Mark-up / Return earned	676,489	490,745
Return on deposits and other dues	241,993	193,160
Net Mark-up / Return earned	434,496	297,585
Provision against non-performing loans and financing	(13,127)	67,533
Provision for diminution in the value of investments	1,950	25,000
Bad debts written off directly	-	-
	(11,177)	92,533
Net Mark-up / Return income after provisions	445,673	205,052
NON MARK-UP INCOME		
Fee, Commission and brokerage income	20,554	4,536
Dividend Income	-	8,404
Income from dealing in foreign currencies	169	66
Gain on sale of securities	-	2,140
Other income	14,470	21,617
Total non-markup / interest Income	35,193	36,763
	480,866	241,815
OTHER EXPENSES		
Administrative expenses	181,963	154,808
Other charges	219	379
Total non-markup/interest expenses	182,182	155,187
	298,684	86,628
Unappropriated profit brought forward	188,169	101,541
Profit available for appropriation	486,853	188,169

ANNEXURE 'B' TO THE FINANCIAL STATEMENTS AS REFERED TO IN NOTE 11.5.3
STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF
RS. 500,000 OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2009

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at the beginning of the year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+ 10+ 11)
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
1.	M/s Lincon Industries (Pvt.) Ltd. Plot # 118, Industrial Estate, Jamrud Road, Peshawar	1. Torsam Khan Malik	Malik Naveed Khan								
		2. Ismat Khalid Malik	Khalid Latif Bangash								
		3. Aziz-ur- Rehman 135-57-147415	Haji Gul Saeed Khan	15,029	10,321	-	25,350	4,529	10,321	-	14,850
		4. Farhad Nasreen	Aziz-ur-Rehman								
		5. Majeeda Begum 143-26-199619	Malik Muhammad Yousuf								
TOTAL:				15,029	10,321	-	25,350	4,529	10,321	-	14,850

ANNEXURE 'C' TO THE FINANCIAL STATEMENTS AS REFERED TO IN NOTE 10.4

1. Particulars of investments held in shares of listed companies	December 31,	December 31,	December 31,	December 31,
	2009	2008	2009	2008
	Number of shares		Cost (Rupees in '000)	
Investee				
Available for sale				
Allied Bank Limited	-	18,000	-	1,520
Attock Refinery Limited	425,700	180,000	73,246	36,828
Arif Habib Securities Limited	62,500	62,500	7,940	7,940
Azam Textile	1,000	1,000	8	8
Bank Alfalah Limited	905,578	305,350	18,339	12,180
Bank of Punjab Limited	77,500	77,500	2,365	2,365
Bosicor Pakistan Limited	10,000	10,000	131	131
Business and Industrial Insurance Company Limited	500,000	500,000	5,000	5,000
D.G Khan Cement Company Limited	334,000	195,000	16,999	12,833
ECO Pack Limited	515,700	515,700	14,692	14,692
Engro Chemical Pakistan Limited	400,000	235,000	74,180	65,332
Fauji Cement Company Limited	1,479,170	1,479,170	33,671	33,671
Fauji Fertilizer Bin Qasim (FFC-Jordan) Company Ltd	550,000	550,000	26,253	26,253
Jahangir Siddiqui & Company Limited	63,598	63,598	9,613	9,613
Jahangir Siddiqui Investments Limited	55,000	55,000	5,125	5,125
KASB Securities Limited	3,215,771	3,215,771	217,065	217,065
Lucky Cement Limited	183,000	183,000	17,568	17,568
MCB Bank Limited	-	50,000	-	15,995
National Bank of Pakistan	534,622	133,019	50,717	19,231
Netsol Limited	6,000	6,000	482	482
United Bank Limited	133,100	121,000	19,507	19,507
Oil and Gas Development Company Limited	695,000	420,000	83,740	58,568
Pakistan Petroleum Limited	125,000	320,320	22,111	68,944
Pakistan State Oil Company Limited	-	15,000	-	6,339
Pakistan Telecommunication Company Limited	125,000	125,000	4,735	4,735
Pakistan Oilfields Limited	296,000	96,000	71,832	28,338
Saudi Pak Commercial Bank Limited	11,576	11,576	176	176
* Carvan East Fabrics Limited	948,700	948,700	9,487	9,487
Telecard Limited	200,000	200,000	1,248	1,248
			<u>786,230</u>	<u>701,174</u>

The paid-up value of each share in listed companies was Rs. 10 per share (2008: Rs. 10 per share).

As at December 31, 2009, the aggregate market value of listed shares was Rs. 450.272 million (2008: Rs. 418.989 million).

* This is marked as strategic investment of the Bank.

2. Particulars of investments held in shares of unlisted companies (other than associates):	December 31,	December 31,	December 31,	December 31,
	2009	2008	2009	2008
	Number of shares		Cost(Rupees in '000)	
Investee				
Al-Hamra Hills (Private) Limited	5,000,000	5,000,000	50,000	50,000
Asian Housing Finance Limited	500,000	500,000	5,000	5,000
Mohib Textile Mills Limited	1,190,500	1,190,500	25,000	25,000
Mohib Exports Limited	25,300	25,300	487	487
			<u>80,487</u>	<u>80,487</u>

The paid-up value of each share in unlisted companies was Rs. 10 per share (2008: Rs. 10 per share).

ANNEXURE 'C' (Continued)

3.	Particulars of investments held in listed term finance certificates (TFC)	Date of Maturity	December 31,	December 31,	December 31,	December 31,	
			2009	2008	2009	2008	
			Number of shares /	Number of shares /	Cost	Cost	
			certificates held	certificates held	(Rupees in '000)	(Rupees in '000)	
Investee							
Held for trading							
	Askari Bank Limited	Fixed	28-Sep-19	30,000	-	150,000	-
Available-for-sale							
	Bank Al-Falah Limited (2 nd issue)	Average 6 Month KIBOR (Ask Side) + 150 BPS	23-Nov-12	-	7,732	-	38,661
	Telecard Limited	6 month KIBOR + 375 BPS	26-Apr-11	3,190	4,051	15,950	20,255
	United Bank Limited	7 to 8 years PIB + 100 BPS	10-Aug-12	13,973	13,978	69,864	69,892
	Jahangir Siddiqui and Company Limited	Average 6 Month KIBOR + 250 BPS	21-May-12	9,988	9,992	49,940	49,960
	Standard Chartered Bank Limited	5 year PIB Cut off Yield + 75 BPS	1-Feb-13	-	4,737	-	23,686
	Faysal Bank Limited	Average 6 month KIBOR + 140 BPS	12-Nov-14	5,511	5,513	27,553	27,564
	Engro Chemicals Limited	Average 6 month KIBOR + 150 BPS	30-Nov-15	46,808	14,839	230,676	74,195
	Pak Arab Fertilizers Limited	Average 6 month KIBOR+150 BPS	28-Feb-13	5,167	25,165	25,834	25,845
	Pace Pakistan Limited	Average 6 month KIBOR + 150 BPS	15-Feb-13	19,988	19,996	99,940	99,980
	Saudi Pak Leasing	Average 6 month KIBOR + 150 BPS	13-Mar-14	8,747	9,998	43,733	49,990
	Orix Leasing	6M KIBOR + 150bps	8-May-14	16,070	-	74,795	-
						788,285	480,028

The paid-up value of each TFC held was Rs. 5,000 per certificate (2008: Rs. 5,000 per certificate).

The market value of these listed TFCs amounted to Rs. 759.843 million (2008: Rs. 757.804 million) as at December 31, 2009.

ANNEXURE 'C' (Continued)

4.	Particulars of investments held in unlisted term finance certificates (TFCs)	Date of Maturity	December 31,	December 31,	December 31,	December 31,	
			2009	2008	2009	2008	
			Number of shares /	Number of shares /	Cost	Cost	
			certificates held	certificates held	(Rupees in '000)	(Rupees in '000)	
Investee							
Held for trading							
	Bank Alfalah-IV	Fixed	29-Oct-17	40,000	-	200,000	-
Available-for-sale							
	Dewan Farooq Spinning Mills Limited	Average 6 month KIBOR + 375 BPS	20-Dec-09	1,000	1,500	5,000	7,500
	Avari Hotel Limited	Average 6 month KIBOR+ 325 BP	1-Nov-14	75,000	55,267	375,000	276,333
	Trakker (Private) Limited	Average 6 month KIBOR + 350 BPS	15-Sep-11	150	4,500	15,000	22,500
	Kashaf Foundation	Average 3 month KIBOR + 245 BPS	31-Mar-11	2,143	5,000	10,714	25,000
	Orix Leasing	Average 6 month KIBOR + 150 BPS	31-Dec-12	-	5,000	-	25,000
	House Building Finance Corporation	Average 6 month KIBOR + 100 BPS	22-Apr-14	-	10,000	-	50,000
	Pakistan International Airlines Corporation	SBP Discount rate + 50 BPS	20-Feb-11	-	1,133	-	5,667
	Grays Leasing	Average 6 month KIBOR + 250 BPS	01-Jul-11	4,750	7,750	23,750	38,750
	Orix Leasing	Average 6 month KIBOR + 150 BPS	15-Jan-13	250	-	25,000	-
	Power Holding Co	6M KIBOR + 200bps	18-Sep-14	97,800	-	489,000	-
						1,143,464	450,750

The paid-up value of each TFC held was Rs. 5,000 per certificate (2008: Rs. 5,000 per certificate) except for Orix leasing and Trakker (private) Limited having face value of Rs. 100,000 (2008: Rs. 100,000).

ANNEXURE 'C' (Continued)

5. Particulars of investments held in units of mutual funds	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	Number of units held		Cost (Rupees in '000)	
Open ended mutual funds				
Held-for-trading				
IGI Islamic Income Fund	249,426	-	25,000	-
			25,000	-
Available-for-sale				
* Alfalah GHP Value Fund	136,076	130,961	5,000	5,000
AKD Opportunity Fund	771,235	771,235	47,863	47,863
AKD Income Fund	2,046,881	2,017,235	101,955	101,955
Crosby Dragon Fund	896,240	896,240	150,000	150,000
Dawood Money Market Fund	2,896,195	2,896,195	300,000	300,000
First Habib Income Fund	-	989,489	-	100,000
MCB Dynamic Allocation	1,480,582	1,480,582	150,000	150,000
IGI Income Fund	973,994	-	100,000	-
MCB Dynamic Cash Fund	2,068,414	-	200,000	-
ABL Income Fund	4,921,260	-	50,000	-
Crosby Phoenix Fund	187,864	-	20,000	-
JS Income Fund	2,050,802	-	200,000	-
HBL Income Fund	204,624	-	20,000	-
			<u>1,369,818</u>	<u>854,818</u>
Close ended mutual funds				
Al-Meezan Balanced Growth Fund	500,000	500,000	5,000	5,000
* NAMCO Fund	6,867,333	6,867,333	69,056	69,056
Pak Oman Advantage Fund	5,000,000	5,000,000	50,000	50,000
			<u>124,056</u>	<u>124,056</u>

The market value of these mutual funds amounts to Rs. 1,321.200 million (2008: Rs. 715.864 million) as at December 31, 2009.

* These are marked as strategic investments of the Bank.

6. Particulars of investments held in NIT units	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	Number of units held		Cost (Rupees in '000)	
NIT units	21,822,695	20,371,879	437,842	403,617

The market value of NIT units amounts to Rs. 605.579 million (2008: Rs. 491.981 million) as at December 31, 2009.

ANNEXURE 'C' (Continued)

7. Particulars of investments held in Sukuks			December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
		Date of Maturity	Number of certificates held		Cost (Rupees in '000)	
Available for sale						
Government of Pakistan Ijarah Sukuks	Base Rate + 45 BPS	26-Sep-11	950	950	<u>1,630,024</u>	<u>94,991</u>
Security Leasing Sukuk	Average 6 month KIBOR+ 200 BPS	31-May-12	6,250	8,750	31,250	43,750
House Building Finance Corporation	6 month KIBOR + 100bps	8-May-14	44,750	-	205,541	-
JDW Sugar Mills Limited	3 month KIBOR + 125bps	20-Jun-14	15,000	15,000	75,000	75,000
Quetta Textile Mill Ltd	Average 6 month KIBOR + 150 BPS	27-Sep-15	20,000	20,000	100,000	100,000
Three Star Hoisery	Average 3 months KIBOR + 325bps	5-Aug-13	15,000	15,000	75,000	75,000
Liberty Power Tech Limited	3 month KIBOR + 300bps	19-Mar-19	7,804	-	39,021	-
Liberty Power Tech Limited	3 month KIBOR + 300bps	1-Apr-19	481	-	2,404	-
Liberty Power Tech Limited	3 month KIBOR + 300bps	5-May-19	915	-	4,573	-
Liberty Power Tech Limited	3 month KIBOR + 300bps	29-Jun-19	777	-	3,884	-
Liberty Power Tech Limited	3 month KIBOR + 300bps	30-Sep-19	875	-	4,377	-
Liberty Power Tech Limited	3 month KIBOR + 300bps	14-Oct-19	1,588	-	7,942	-
Liberty Power Tech Limited	3 month KIBOR + 300bps	10-Dec-19	1,963	-	9,813	-
Liberty Power Tech Limited	3 month KIBOR + 300bps	14-Dec-19	2,022	-	10,108	-
					<u>568,913</u>	<u>293,750</u>
Held to maturity						
WAPDA Sukuks (1)	6 month KIBOR + 35 BPS	22-Oct-12	15,000	15,000	75,000	75,000
WAPDA Sukuks (2)	6 month KIBOR + 25 BPS	22-Oct-17	80,000	80,000	400,000	400,000
Orix Leasing Sukuks	6 month KIBOR + 125 BPS	30-Jun-12	10,000	10,000	42,085	50,750
Lahore Electric Supply Company Sukuks	6 month KIBOR	22-Apr-09	50	50	500,000	500,000
Sitara Energy Sukuks	6 month KIBOR + 115 BPS	28-May-12	880	880	28,182	28,182
House Building Finance Corporation Sukuks	6 month KIBOR + 100 BPS	22-Apr-14	10,000	10,000	45,000	50,000
BRR Guardian Sukuks	6 month KIBOR + 130 BPS	30-Jun-12	20,000	20,000	100,000	100,000
JDW Sukuks	6 month KIBOR + 125 BPS	20-Jun-14	10,000	10,000	50,000	50,000
					<u>1,240,267</u>	<u>1,253,932</u>
					<u>1,809,180</u>	<u>1,547,682</u>

ANNEXURE 'D' TO THE FINANCIAL STATEMENTS AS REFERED TO IN NOTE 10.4

Quality of Available for Sale Securities

	Amount	Rating	Credit rating Agency	Amount	Rating	Credit rating Agency
	Rupees in '000			Rupees in '000		
Government Securities						
Market Treasury Bills	2,643,361	Unrated		2,223,038	Unrated	
Pakistan Investment Bonds	6,292,382	Unrated		1,845,240	Unrated	
Term Finance Certificates						
Askari Bank Limited	150,000	AA-	PACRA	-	-	-
Avari Hotel	375,000	A-	JCR	276,333	A-	JCR
Bank Al-Falah Limited	-	AA-	PACRA	37,350	AA-	PACRA
Dewan Farooq Spinning Mills Limited	5,000	N/A	-	7,500	BBB+	PACRA
Engro Chemical Limited	217,655	AA	PACRA	74,640	AA	PACRA
Faysal Bank Limited	25,973	AA-	PACRA	28,027	AA	JCR
Grays Leasing	23,750	A-	JCR	38,750	BBB+	JCR
Jahangir Siddiqui and Company	49,940	AA+	PACRA	50,225	AA+	PACRA
Kashaf Foundation	10,715	A-	JCR	25,078	A	JCR
Orix Leasing	103,745	AA-	PACRA	25,078	AA+	PACRA
Pak Arab Fertilizer Limited	25,576	AA	JCR	24,612	AA	JCR
Pace Pakistan Limited	99,940	A+	PACRA	101,160	AA-	PACRA
Pakistan International Airlines Corporation	-	-	-	5,635	Unrated	-
Power Holding Company	489,000	-	-	-	0	-
Pakistan Mobile Communication (Private) Limited	0	-	-	12,000	AA-	PACRA
Pakistan Service Limited	-	-	-	1,300	A	JCR
Quetta Textile Mills Limited	100,000	BBB+	JCR	100,000	A-	JCR
Saudi Pak Leasing	35,687	BB+	JCR	50,425	A-	JCR
Security Leasing Corporation	31,250	BBB-	JCR	-	0	-
Standard Chartered Bank Limited	-	AA	PACRA	24,972	AAA	PACRA
Telecard Limited	12,748	BBB	JCR	16,487	BBB	JCR
Tracker (Private) Limited	15,000	A-	PACRA	22,500	N/A	-
United Bank Limited	63,578	AA	JCR	61,156	AA	JCR
Mutual Funds						
ABL Income Fund	49,258	A+ (f)	JCR	-	-	-
AKD Income Fund	94,639	BBB(f)	JCR	88,182	A(-f)	JCR
AKD Opportunity Fund	33,811	-	-	32,237	N/A	-
Alfalah GHP Value Fund	8,326	-	PACRA	5,423	5-Star	PACRA
Crosby Dragon Fund	96,722	-	-	81,692	N/A	-
Crosby Pheonix Fund	20,137	-	JCR	-	-	-
Dawood Money Market Fund	237,711	5-Star	PACRA	123,783	5-Star	PACRA
First Habib Income Fund	-	-	-	96,010	N/A	-
HBL Income Fund	20,121	A(f)	JCR	-	-	-
IGI Income Fund	102,766	N/A	PACRA	-	-	-
IGI Islamic Income Fund	25,000	-	-	-	-	-
JS Income Fund	200,000	5-Star	PACRA	-	-	-
MCB Dynamic Allocation Fund	119,470	-	-	81,501	-	-
MCB Dynamic Cash Fund	213,928	-	-	-	-	-
Meezan Balanced Growth Fund	3,050	5-Star	JCR	1,985	AM2	JCR
NAMCO Fund	32,414	-	-	64,896	AM3-	JCR
National Investment Trust Units	605,580	5 Star	PACRA	491,981	5 Star	PACRA
Pak Oman Advantage Fund	52,500	AA- (F)	JCR	42,100	AA- (F)	JCR

Fully paid ordinary Shares

Allied Bank	-	AA	PACRA	564	AA	PACRA
Arif Habib Securities Limited	3079	-	JCR	2,629	A+	JCR
Attock Refinery Limited	58717	AA	PACRA	10,780	AA	PACRA
Azam Textile	1	-	-	2	N/A	-
Bank Alfalah Limited	12470	AA	PACRA	5,108	AA	PACRA
Bank of Punjab	1511	AA-	PACRA	1,023	AA-	PACRA
Bosicor Pakistan Limited	95	-	-	47	N/A	-
Business and Industrial Insurance Company Limited	1800	-	-	1,800	N/A	-
DG Khan Cement Company Limited	10,875	-	-	4,148	N/A	-
ECO Pack	2429	-	-	2,527	N/A	-
Engro Chemicals Pakistan Limited	73308	AA	PACRA	22,668	AA	PACRA
Fauji Cement Company Limited	9112	N/A	-	6,952	N/A	-
Fauji Fertilizer Bin Qasim (FFC-Jorden) Company Limited	14372	-	-	7,095	N/A	-
Jahangir Siddiqui and Company Limited	1912	AA+	PACRA	3,325	AA+	PACRA
JS Investment Limited	790	AA-	PACRA	2,265	AA-	PACRA

ANNEXURE 'D' (Continued)

	Amount	Rating	Credit rating Agency	40,178	Rating	Credit rating Agency	39,813
	Rupees in '000			Rupees in '000			
Fully paid ordinary Shares							
KASB Securities	30,100	A+	PACRA	94,476	A+	PACRA	
Lucky Cement Limited	12,122	-	-	5,722	N/A	-	
MCB Bank Limited	-	-	-	6,290	AA+	PACRA	
National Bank of Pakistan	39,760	AAA	JCR	6,693	AAA	JCR	
Netsol Limited	171	-	-	152	N/A	-	
Oil and Gas Development Company Limited	76,874	AAA	JCR	20,996	AAA	JCR	
Pakistan Petroleum Limited	23,699	-	-	32,231	N/A	-	
Pakistan State Oil Company Limited	-	AA+	PACRA	2,169	AAA	PACRA	
Pakistan Oil Fields Limited	68308	-	-	9,839	N/A	-	
Pakistan Telecommunication Company Limited	2,206	-	-	2,111	N/A	-	
Silk Bank Limited (Saudi Pak Commercial Bank)	55	A-	JCR	58	A-	JCR	
Telecard Limited	526	-	-	398	N/A	-	
United Bank Limited	7,780	AA+	JCR	4,466	AA+	JCR	
Sukuk Bonds							
BRR Guardian Sukuk	100,000	A-	JCR				
Government of Pakistan Ijarah Sukuks	1,630,024	N/A	-	94,991	N/A	-	
House Building Finance Corporation	209,041	-	PACRA	50,000	A+	PACRA	
JDW Sugar Mills	75,000	A	JCR	-	-	-	
Liberty Power Tech Limited	82,122	-	-	-	-	-	
Lahore Electric Supply Company	500,000	-	-	-	-	-	
Security Leasing Sukuk	31,250	BBB-	JCR	43,833	N/A	-	
Sitara Energy Sukuk	28,182	-	-	-	-	-	
Three Star Hoisery	75,000	N/A	-	75,000	N/A	-	
Ordinary shares in unlisted companies							
Al-Hamra Hills (Private) limited	50,000	Unrated	-	50,000	Unrated	-	
Asian Housing Finance Limited	5,000	Unrated	-	-	Unrated	-	
Mohib Textile Mills Limited	25,000	Unrated	-	-	Unrated	-	
Mohib Exports Limited	487	Unrated	-	-	Unrated	-	

Pattern of Shareholding as of December 31, 2009

NO. OF SHAREHOLDERS	<-- HAVING SHARES-->		SHARES HELD	PERCENTAGE
	FROM	TO		
683	1	100	21508	0.0043
11068	101	500	1744040	0.3485
19331	501	1000	14549923	2.9070
4425	1001	5000	8700501	1.7383
393	5001	10000	2823494	0.5641
125	10001	15000	1551451	0.3100
58	15001	20000	1022555	0.2043
33	20001	25000	757714	0.1514
20	25001	30000	546115	0.1091
19	30001	35000	617960	0.1235
15	35001	40000	569868	0.1139
14	40001	45000	596860	0.1193
18	45001	50000	883821	0.1766
4	50001	55000	207261	0.0414
3	55001	60000	168847	0.0337
5	60001	65000	311261	0.0622
6	65001	70000	408715	0.0817
1	70001	75000	73492	0.0147
4	75001	80000	310164	0.0620
2	80001	85000	167488	0.0335
4	95001	100000	393493	0.0786
1	100001	105000	101136	0.0202
1	110001	115000	112500	0.0225
2	120001	125000	250000	0.0499
3	125001	130000	384521	0.0768
1	145001	150000	150000	0.0300
1	155001	160000	157000	0.0314
1	170001	175000	175000	0.0350

The Bank of Khyber



Annual Report
2009

NO. OF SHAREHOLDERS	<-- HAVING SHARES--> FROM	SHARES HELD TO	PERCENTAGE	
2	220001	225000	445863	0.0891
1	225001	230000	229375	0.0458
1	315001	320000	317361	0.0634
1	440001	445000	442500	0.0884
1	445001	450000	448946	0.0897
1	475001	480000	475505	0.0950
1	620001	625000	625000	0.1249
1	995001	1000000	1000000	0.1998
1	1195001	1200000	1200000	0.2398
1	1225001	1230000	1226875	0.2451
1	1410001	1415000	1413063	0.2823
1	1460001	1465000	1464000	0.2925
1	1470001	1475000	1474878	0.2947
1	1545001	1550000	1547338	0.3092
1	1915001	1920000	1916875	0.3830
1	2165001	2170000	2166499	0.4329
1	2355001	2360000	2357479	0.4710
1	3915001	3920000	3918938	0.7830
1	4295001	4300000	4300000	0.8591
1	4410001	4415000	4413383	0.8818
2	4995001	5000000	10000000	1.9980
1	5120001	5125000	5120622	1.0231
1	6030001	6035000	6033125	1.2054
1	9975001	9980000	9976742	1.9933
1	10115001	10120000	10115972	2.0211
1	10580001	10585000	10582146	2.1143
1	13495001	13500000	13498000	2.6969
1	18410001	18415000	18411016	3.6785
1	21500001	21505000	21503922	4.2964
1	70865001	70870000	70867113	14.1590
1	25525500	25526000	255259396	51.0000
36274		500508620	100.0000	

Branch Network

Addresses of all branches with Branch Code

HEAD OFFICE
The Bank of Khyber
24-The Mall, Peshawar Cantt.
00-92-91 111 95 95 95
www.bok.com.pk
swift: khybpkka

No.	Branch Name	Complete Address of Branches	Branch Code	DIRECT	Fax
1	Main Corporate Branch	Main Corporate Branch, 24th The Mall, Peshawar Cantt.	0001	5271758-5278284	5279791
2	University Road	Opposite Spinzer Plaza, University Road, Peshawar	0002	9216951-2	9216959
3	Hayat Abad, (IBB)	Royal Plaza , Hayatabad Bara Market, Jamrud Road, Peshawar	0101	5829370-5283711	5815194
4	G. T. Road	Rahim Medical Centre G. T. Road, Peshawar	0010	2220275-2590669	2220275
5	Saddar Road	Saddar Road, Peshawar Cantt.	0013	5273912-5276485	5277278
6	Civil Secretariat	Civil Secretariat , Peshawar	0015	9212680-9211710	9212680
7	Khyber Bazar	Khyber Bazar, Peshawar	0016	2569174-2593705	2211170
8	Ashraf Road	Ashraf Road, Peshawar.	0025	2553007-2553989	2552497
9	Asamai Gate (IBB)	Tariq Sultan Building, Asamai Gate, Hospital Road Peshawar	0119	091-2561511	091-2561510
10	Abbottabad (IBB)	Jinnah Road, Abbottabad	0113	0992-9310314-9310157	0992-9310158
11	Mansehra (IBB)	Main Bazar, Opposite GTS Stand Mansehra.	0117	0997-920181-920183-4	0997-920182
12	Mingora	Makan Bagh. Saidu Sharif Road, Mingora.	0012	0946-9240045-7	0946-9240046
13	Hattar	Industrial Estate Hattar, Haripur	0014	0995-617231-617631	0995-623744
14	Timergara (IBB)	Balambat Road, Timergara	0105	0945-822090-9250232	0945-822690
15	Bannu (IBB)	Outside Lakki Gate Bannu	0103	0928-612202-613394	0928-621429
16	Haripur	Shahrah-e-Hazara, Haripur.	0019	0995-610728-616800	0995-611285
17	Hangu (IBB)	Main Bazar , Hangu.	0107	0925-620744-613394	0925-623744
18	Kohat	Cantonment Plaza Bannu Road, Kohat	0003	0922-9260146	0922-9260156
19	Tank (IBB)	Adda Bazar, Tank	0106	0963-510068-713368	0963-510063
20	Nowshera (IBB)	Saad Plaza, Saddar Road, Nowshera Cantt.	0104	0923-9220038-9220035	0923-9220038
21	Mardan	Cantonment Plaza, Shakra-e-Qazi Bashir, Mardan	0007	0937-9230505-9230606	0937-9230606
22	Charsadda (IBB)	Main Bazar Charsadda Mardan Road, Charsadda	0111	9220101-2	9220102
23	D. I. Khan	Circular Road, D.I.Khan	0004	0966-719017-718098	0966-718099
24	Chitral	Ataliq Bazar, Chitral.	0011	0943-414567-412473-4141511	0943-41220
25	Bathkhela (IBB)	Near Government High School, Main Bazar, Bathkhela	0108	0932-414851-3	0932-914854
26	Swabi (IBB)	Jamil Khan Market, Mardan Road, Swabi	0118	0938-222513	0938-222512
27	Islamabad	Zahoor Plaza, Blue Area, Islamabad.	0022	051-2206687-2277397	051-2825434
28	Lahore	Davis Hytes, Davis Road, Lahore	0023	042-36304873-36313809	042-36307079

No.	Branch Name	Complete Address of Branches	Branch Code	DIRECT	Fax
29	Karachi	White House Plaze, 15-A, Block-6, P.E.C.H.S , Opposite Fortune Centre, Shahrah-e-Faisal, Karachi.	0024	021-34389036-38	021-34389039
30	Muzaffar Abad (AJ&K)	Secretariat Road, Muzaffarabad, Azad Jammu & Kashmir	0027	05822-920492-444018	05822-920499
31	Quetta (IBB)	Jinnah Road, Quetta.	0102	081-2822141-2, 2843203	081-829469
32	Karachi (IBB)	B-78, Allied Plaza Estate Avenue, S.I.T.E , Karachi	0109	021-32565102-3, 32570832-32550211	021-32565105
33	Karachi (IBB)	New Cloth Market, M.A. Jinnah Road, Karachi	0110	021-32463698-32463693-5	021-32463696
34	Lahore (IBB)	Gulberg-III, M.M. Alam Road, Lahore	0114	042-35785528-9	042-35785530
35	Rawalpindi (IBB)	369/18 Zaman Center Opp. Singapore Plaza Bank Road, Rawalpindi	0115	051-5120194-7	051-5120198
36	Faisalabad (IBB)	Opposite M.C. College, Kotwali Road Faisalabad,	0116	041-2412116-9	041-2412120
37	Multan	Lower Ground, Khan Centre, Main Market, Abdali Road Multan Cantt.	0033	061-4545141-42	061-4545143
38	Sialkot	Industrial Area, Shahabpura, Ugopi Road, Near Masjid Mohajirin, Sialkot	0032	052-3559225	052-3559224
39	Rawalpindi	NO.A/308- Jinnah Road (City Saddar Road) Rawalpindi	0030	051-5540486-0515540422	051-5540482
40	Lahore	Block -R-1, M.A. johar Town, Lahore	0031	042-5316744-5	042-5316744
41	Karachi	Block-1, Clifton, Shireen Jinnah Colony Karachi	0034	02135873265-26	021-35873267

SUB-BRANCHES

42	Mansehra (Sub-Branch)	The Bank of Khyber, Resham, Abbottabad Road, Mansehra	-	0997-303271-3	
43	Khyber Teaching Hospital (Sub Branch)	The Bank of Khyber, Khyber Teaching Hospital, University Road, Peshawar	-	9218016	

BOOTHS

44	University of Science & Technology Bannu (Booth)	The Bank of Khyber, University of Science & Technology Booth, Bannu	-		
45	North West Hospital Hayatabad Peshawar (Booth)	The Bank of Khyber, North West Hospital Hayatabad Peshawar	-	5822612-6	
46	Hazara University (Booth)	The Bank of Khyber, Hazara University Aalai, Mansehra	-		

* IBB (Islamic Banking Branch)

Foreign Correspondent Banks

1. AFGHANISTAN
 - HABIB BANK LIMITED
2. ARGENTINA
 - DEUTSCHE BANK SA
 - BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
3. AUSTRALIA
 - AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
 - MIZUHO CORPORATE BANK, LTD. SYDNEY BRANCH
4. AUSTRIA
 - INTESA SANPAOLO S.P.A. (FORMER SANPAOLO IMI), VIENNA BRANCH, VIENNA
 - UNICREDIT BANK AUSTRIA AG
5. BAHRAIN
 - HABIB BANK LTD.
 - UNITED BANK LIMITED
6. BANGLADESH
 - STANDARD CHARTERED BANK
7. BELGIUM
 - THE BANK OF NEW YORK MELLON, BRUSSELS BRANCH
 - HABIB BANK LTD
 - COMMERZBANK AG, THE BRUSSELS BRANCH
8. BRAZIL
 - DEUTSCHE BANK S.A. - BANCO ALEMAO
9. CANADA
 - HABIB CANADIAN BANK
10. CAYMAN ISLAND
 - COMMERZBANK AG, CAYMAN
- ISLANDS BRANC H
11. CHILE
 - DEUTSCHE BANK (CHILE) S.A.
12. CHINA
 - AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, SHANGHAI BRANCH
 - BANK OF TOKYO-MITSUBISHI UFJ (CHINA), LTD.
 - BANCA DI ROMA, SHANGHAI BRANCH
 - CHINA CITIC BANK
 - COMMERZBANK AG
12. COOK ISLANDS
 - AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD.
13. CZECH REPUBLIC
 - COMMERZBANK AG
14. DENMARK
 - DANSKE BANK A/S
 - DEUTSCHE BANK AG
15. EGYPT
 - MASHREQ BANK
16. ESTONIA
 - NORDEA BANK FINLAND PLC ESTONIA BRANCH
17. FIJI
 - AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
18. FINLAND
 - DANSKE BANK
 - NORDEA BANK FINLAND PLC
19. FRANCE

- COMMERZBANK AG
 - HABIB BANK LIMITED
 - MIZUHO CORPORATE BANK LTD. PARIS BRANCH (FORMERLY THE FUJI BANK LTD. PARIS BRANCH)
 - UNION DE BANQUES ARABES ET FRANCAISES
20. GERMANY
- COMMERZBANK AG
 - DEUTSCHE BANK AG
 - DRESDNER BANK AG
21. GREECE
- ATTICA BANK SA
22. HONG KONG
- HABIB FINANCE INTERNATIONAL LIMITED
 - UBAF (HONG KONG) LIMITED
 - COMMERZBANK AG
 - HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED, THE
23. HUNGARY
- COMMERZBANK (BUDAPEST) RT.
24. INDIA
- MASHREQ BANK
 - STANDARD CHARTERED BANK
25. INDONESIA
- BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
 - STANDARD CHARTERED BANK
26. IRAN
- EXPORT DEVELOPMENT BANK OF IRAN
27. IRELAND
- COMMERZBANK EUROPE
- (IRELAND)
28. ITALY
- COMMERZBANK AG
 - BANCA UBAE SPA
 - UNICREDIT BANCA SPA
 - UNICREDIT PRIVATE BANKING SPA
29. JAPAN
- BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
 - COMMERZBANK AG TOKYO
 - U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES TOKYO BRANCH
30. JORDAN
- HSBC BANK MIDDLE EAST
31. KENYA
- HABIB BANK LIMITED
 - STANDARD CHARTERED BANK KENYA LIMITED
32. KOREA
- KOREA EXCHANGE BANK
 - WACHOVIA BANK, NA
 - PUSAN BANK
 - BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
 - U.B.A.F.-UNION DE BANQUES ARABES ET FRANCAISES
33. KUWAIT
- HSBC BANK MIDDLE EAST
34. LATVIA
- NORDEA BANK FINLAND PLC LATVIA BRANCH
35. LEBANON
- HABIB BANK LIMITED

36. LITHUANIA
 - NORDEA BANK FINLAND PLC
LITHUANIA BRANCH
37. LUXEMBOURG
 - COMMERZBANK AG
38. MALAYSIA
 - STANDARD CHARTERED BANK
MALAYSIA BERHAD
39. MAURITIUS
 - MAURITIUS COMMERCIAL BANK
LTD., THE
40. MONACO
 - BANQUE J. SAFRA (MONACO)
41. NETHERLANDS
 - COMMERZBANK AG
 - HABIB BANK LTD.
42. NEW ZEALAND
 - ANZ NATIONAL BANK LIMITED
(FORMERLY KNOWN AS: ANZ
BANKING GROUP (NEW ZEALAND)
LTD)
43. NORWAY
 - DNB NOR BANK ASA
44. OMAN
 - HABIB BANK OMAN
45. PAPUA NEW GUINEA
 - AUSTRALIA AND NEW ZEALAND
BANKING GROUP (PNG) LTD.
46. PHILIPPINES
 - MIZUHO CORPORATE BANK, LTD.,
MANILA BRANCH
 - ASIAN DEVELOPMENT BANK
47. POLAND
 - DANSKE BANK A/S S.A. ODZIAL W
 - POLSCE
48. QATAR
 - DOHA BANK
 - MASHREQ BANK
49. ROMANIA
 - UNICREDIT TIRIAC BANK SA
50. RUSSIA
 - COMMERZBANK
51. SAMOA
 - ANZ BANK (SAMOA) LTD
52. SAUDI ARABIA
 - NATIONAL COMMERCIAL BANK
 - SAUDI HOLLANDI BANK
53. SERBIA
 - UNICREDIT BANK SRBIJA A.D.
54. SINGAPORE
 - COMMERZBANK AG, SINGAPORE
BRANCH
 - MIZUHO CORPORATE BANK LTD.
SINGAPORE BRANCH
 - NORDEA BANK FINLAND PLC,
SINGAPORE (FORMERLY MERITA
BANK PLC, SINGAPORE)
 - U.B.A.F - UNION DE BANQUES
ARABES ET FRANCAISES
 - HABIB BANK LIMITED
 - THE HONGKONG AND SHANGHAI
BANKING CORPORATION LIMITED,
SINGAPORE
55. SLOVAKIA
 - COMMERZBANK AG
56. SLOVENIA
 - UNICREDIT BANKA SLOVENIJA D.D.

- 57. SOLOMON ISLANDS
 - AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
- 58. SOUTH AFRICA
 - COMMERZBANK A.G.
- 59. SPAIN
 - COMMERZBANK AG
 - BANCO DE ANDALUCIA
- 60. SRI LANKA
 - HABIB BANK LTD.
- 61. SWEDEN
 - DANSKE BANK AS, SVERIGE FILIAL
 - NORDEA BANK AB (PUBL)
- 62. SWITZERLAND
 - COMMERZBANK (SCHWEIZ) AG
 - HABIB BANK AG ZURICH
 - UNITED BANK A.G., ZURICH
- 63. TAIWAN
 - HSBC BANK
 - STANDARD CHARTERED BANK(TAIWAN)
- 64. THAILAND
 - MIZUHO CORPORATE BANK, LTD., BANGKOK BRANCH (FORMERLY THE DAI-ICHI KANGYO BANK, LTD., BANGKOK BRANCH)
- 65. TIMOR-LESTE
 - AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD
- 66. TONGA
 - ANZ BANKING GROUP LIMITED
- 67. TURKEY
 - HABIB BANK LTD.
- 68. UNITED ARAB EMIRATES
 - MASHREQBANK PSC.
 - HABIB BANK AG ZURICH
 - HABIB BANK LIMITED
 - STANDARD CHARTERED BANK
- 69. UNITED KINGDOM
 - COMMERZBANK AG
 - HABIB-UK PLC
 - HABIB BANK AG ZURICH
 - HABIBSONS BANK LIMITED
 - LLOYDS TSB BANK PLC.
 - MASHREQ BANK PSC
 - UNITED NATIONAL BANK
- 70. UNITED STATES
 - JPMORGAN CHASE BANK, N.A.
 - COMMERZBANK AG
 - DOHA BANK
 - HABIB BANK LIMITED
 - HABIB AMERICAN BANK
 - HSBC BANK USA, N.A.
 - MASHREQBANK PSC., NEW YORK BRANCH
 - STANDARD CHARTERED BANK
 - UNITED BANK LTD.
- 71. VANUATU
 - ANZ BANK (VANUATU) LTD
- 72. VIETNAM
 - MIZUHO CORPORATE BANK LTD

Form of Proxy

Folio No. _____ CDC Participant Identity Card No. _____ CDC A/C No. _____

I/We _____ of _____ a member / members of The Bank of Khyber, and holder of _____ shares do hereby appoint _____ of _____ or failing him / her _____ of _____ who is also a member of the Company, vide Registered Folio No. _____ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 19th Annual General Meeting of the Bank to be held on Monday March 29, 2010 at 11:00am at The Bank of Khyber, Head Office, 24-The Mall. Peshawar Cantt. and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2010.

Signature on
Five-Rupees
Revenue Stamp

The Signature should
agree with the
Specimen registered
with the Bank

Dated:

Place:

Notes

A. General

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead him/her. No person shall act as a proxy, who is not a member of the bank except that Government of Pakistan/Provincial Government/State Bank of Pakistan/ Corporation may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a nationally certified copy thereof, should be deposited, with our Registrar/Transfer Agents, Messrs THK Associates (Pvt) Ltd. Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi 75530 Pakistan, not less than 48 hours before the time of holding meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and proxy shall be furnished with the proxy form.
3. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
4. In case of Government of Pakistan/Provincial Government/State Bank of Pakistan/Corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted along with proxy to the Bank.