



The Bank of Khyber

HEAD OFFICE

24, The Mall, Peshawar Cantt.
Pakistan.

www.bok.com.pk
111 95 95 95

BOK Annual Report 2010

Rising to newer heights



The Bank of Khyber



why **celebrate 20** years

Established in 1991, we will be completing 20 years in banking during the current year. What makes us celebrate this unique moment is not only owing to the journey of 20 years we have traveled as a Bank but it is much more than that.

Just like the name of our Bank that is synonymous with the name of Khyber Pakhtunkhwa, we represent and reflect the aspirations of the people of our province. What fascinates us the most is the virtual beginning of a new journey of our Bank – from a Bank confined just to one province to a Bank that is now growing to each province of Pakistan and beyond. The fact that today we are expanding at a breath-taking pace adds another feather to our cap.

The BoK was able to establish less than 30 branches in the first 18 years, however, in a brief span of last two years we have almost doubled this tally. Our renewed vigor comes from our past experience that is helping us charter a new course for our Bank in the days to come. We ask our patrons as well as customers to hold their breath to be part of our journey of rising to newer heights and newer destinations.



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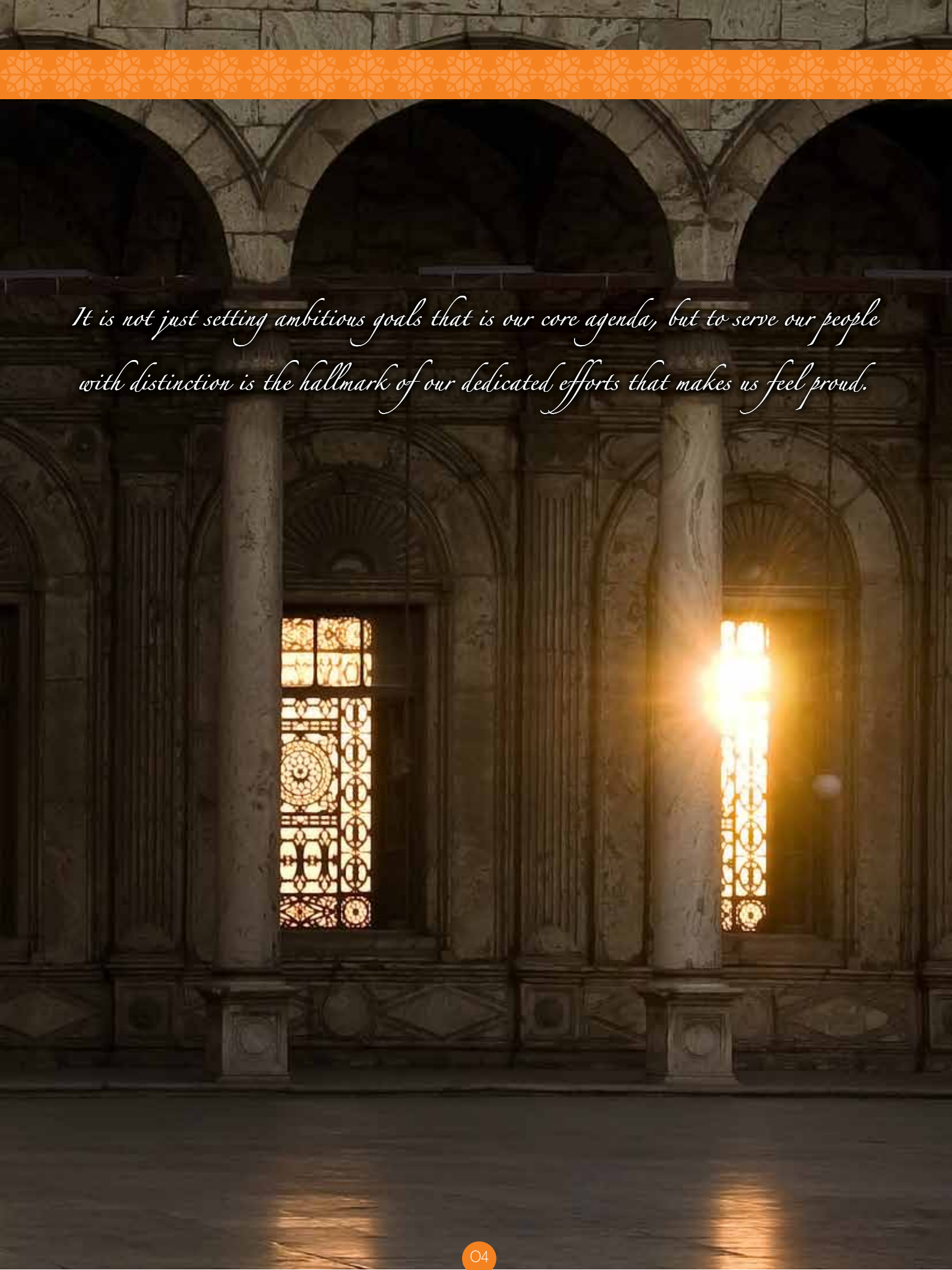
*Emanating from Khyber Pakhtunkhwa's rich cultural heritage,
BoK is all set to offer the best of Islamic & Conventional banking*

BoK embarks onto a **new journey**

Rising from a challenging but most exciting and culturally rich part of the country, we are all set to move ahead with greater vigor and enthusiasm to expand, and to offer unique services to our customers, and to represent Khyber Pakhtunkhwa in every part of Pakistan.

As a mainstream Bank now, we have the unique distinction of offering the best of Islamic as well as Conventional banking at our entire network of branches. No doubt Khyber Pakhtunkhwa is our bastion but we have successfully outgrown to the other areas of the country like Federal Capital, Punjab, Sindh, Azad Kashmir and Baluchistan.

It is indeed a beginning of a new journey, as we do not confine ourselves only to Pakistan. Our Bank's immediate plan to be present throughout Pakistan and beyond as our immediate destinations include extending our network to Kabul and then Dubai where there is largest concentration of Pakhtun's. We aim to play a role in streamlining transfer of funds of the Pakistani Diaspora through official means to bolster our national foreign reserves.



It is not just setting ambitious goals that is our core agenda, but to serve our people with distinction is the hallmark of our dedicated efforts that makes us feel proud.

our **vision**

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

our **mission**

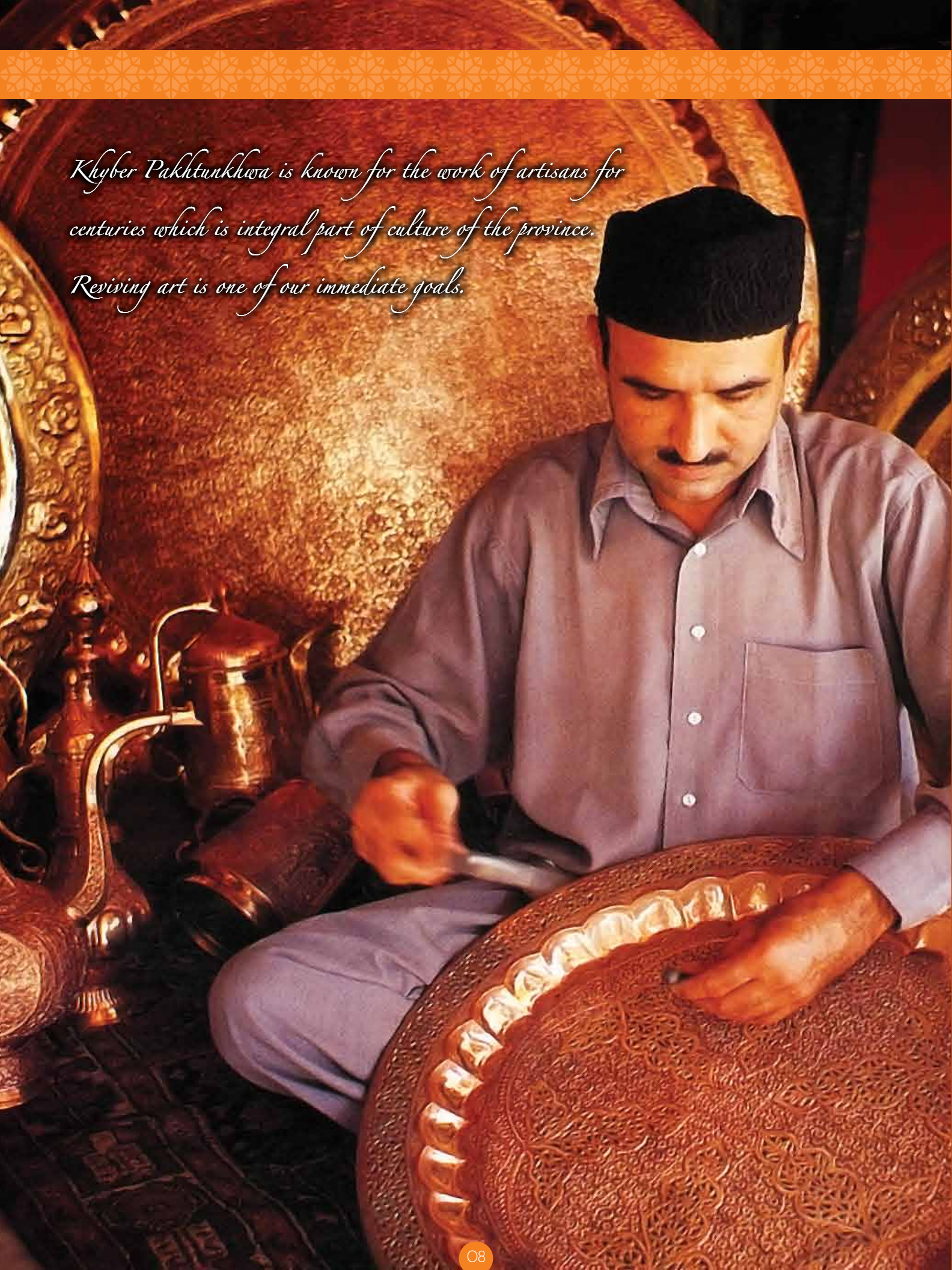
To increase shareholders' value and provide excellent service and innovative products to customers through effective corporate governance, friendly work environment and contributing towards an equitable socioeconomic growth.



*In the recent past, Khyber Pakhtunkhwa has been through challenging time.
These challenges have made us stronger and more resilient.*



Khyber Pakhtunkhwa is known for the work of artisans for centuries which is integral part of culture of the province. Reviving art is one of our immediate goals.



our core values

- ▶ Highest quality of service ◀
- ▶ Professionalism ◀
- ▶ Integrity ◀
- ▶ Team Work ◀
- ▶ Innovation & utilization of latest technology ◀
- ▶ Risk Mitigation ◀
- ▶ Corporate Social Responsibility ◀

our objectives

- ▶ Build and manage a diversified equity portfolio promising optimum return ◀
- ▶ Mobilize funds in a cost effective manner to meet our financing needs ◀
- ▶ Achieve sustainable growth and be competitive in our commercial operations ◀
- ▶ Undertake Islamic & Conventional banking services & formation/ participation in financing syndicates ◀



corporate information

Board of Directors

Mr. Attaullah Khan
Chairman

Mr. Bilal Mustafa
Managing Director / CEO

Mir Javed Hashmat
Executive Director

Sahibzada Saeed Ahmad
Director

Mr. Muhammad Asif
Director

Mr. Muhammad Maqsood Khan
Director

Mr. Maqsood Ismail
Director

Mr. Amjad Pervez
Director

Audit Committee

Muhammad Asif
Chairman

Sahibzada Saeed Ahmad
Muhammad Maqsood Khan
Mir Javed Hashmat
Amjad Pervez

Chief Financial Officer

Rahat Gul
Tel: (091) 526 0920
Fax: (091) 528 7401

Company Secretary

Zahid Sahibzada
Tel: (091) 527 0982
Fax: (091) 525 3977
E-mail: companysecretary@bok.com.pk

Registered Office / Head Office

The Bank of Khyber 24, The Mall
Peshawar Cantt.
UAN# 00-92-91-111 95 95 95
URL: www.bok.com.pk

Auditors

Deloitte 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.

board profile



Mr. Attaullah Khan

Chairman

Mr. Attaullah Khan is a senior civil servant belonging to the District Management Group. Mr. Khan has vast experience of 31 years in management, administration and planning to his credit which includes various top hierarchy positions at provincial and federal governments level. He is a law graduate and has attended various national and international courses. He currently holds the office of Additional Chief Secretary of the Government of Khyber Pakhtunkhwa.



Mr. Bilal Mustafa

Managing Director / CEO

Mr. Bilal Mustafa is a career banker having over 38 years of professional banking experience. He joined Habib Bank Ltd. in 1968 as an officer and later on associated himself with Allied Bank (then Australasia Bank) in 1973. He rose to the position of SEVP (Group Chief) and retired in year 2007. He attended various national and international courses. Mr. Bilal Mustafa is currently holding the office of Managing Director / Chief Executive Officer of the Bank.



Mir Javed Hashmat

Executive Director

Mir Javed Hashmat is a Mechanical Engineer having 29 years of rich banking experience. He started his career with the Industrial Development Bank of Pakistan in 1974 and left the Bank in 1999 as Senior Vice President. Mr. Hashmat has attended number of national and international courses. Mr. Hashmat has also received certification in Project Evaluation, Implementation & Supervision from Manila, Phillipines. He has been certified as Director by Pakistan Institute of Corporate Governance. He is currently working as Executive Director of the Bank.



Sahibzada Saeed Ahmad

Director

Sahibzada Saeed Ahmad has extensive experience of 36 years of public sector institutions ranging from Pakistan Navy to Civil Service and from District Administration to Education sector. He has done his masters in Business Administration with specialization in Project Management and Finance & Accounts. He is presently serving as Secretary Finance, Government of Khyber Pakhtunkhwa.



Mr. Muhammad Asif
Director

Mr. Muhammad Asif is a seasoned banker having 37 years of commercial banking experience. During the period, he has held different managerial positions the last was that of Executive Vice President/Provincial Chief in Habib Bank Ltd. and Soneri Bank Ltd. Mr. Asif is a commerce graduate from Karachi University and Fellow Associate of the Institute of Bankers in Pakistan. Keeping in view his professionalism and banking expertise, Mr. Asif has been appointed Chairman of Audit Committee of the Board of the Bank. He is a certified Director from Pakistan Institute of Corporate Governance.



Mr. Muhammad Maqsood Khan
Director

Mr. Muhammad Maqsood Khan is a qualified and experienced banker whose career span spread over 36 years. He started his career with United Bank Ltd. as an officer in 1961 and left the banking sector as Executive Vice President/Provincial Chief of Allied Bank in 1995. He then joined NATOVER Lease & Refinance Ltd. in 1997 and currently working in the capacity of Provincial Chief, Khyber Pakhtunkhwa. Mr. Maqsood has done his masters in Economics from Peshawar University and is an Associate Member of Institute of Bankers in Pakistan. Mr. Maqsood has received certification as Director from Pakistan Institute of Corporate Governance.



Mr. Maqsood Ismail
Director

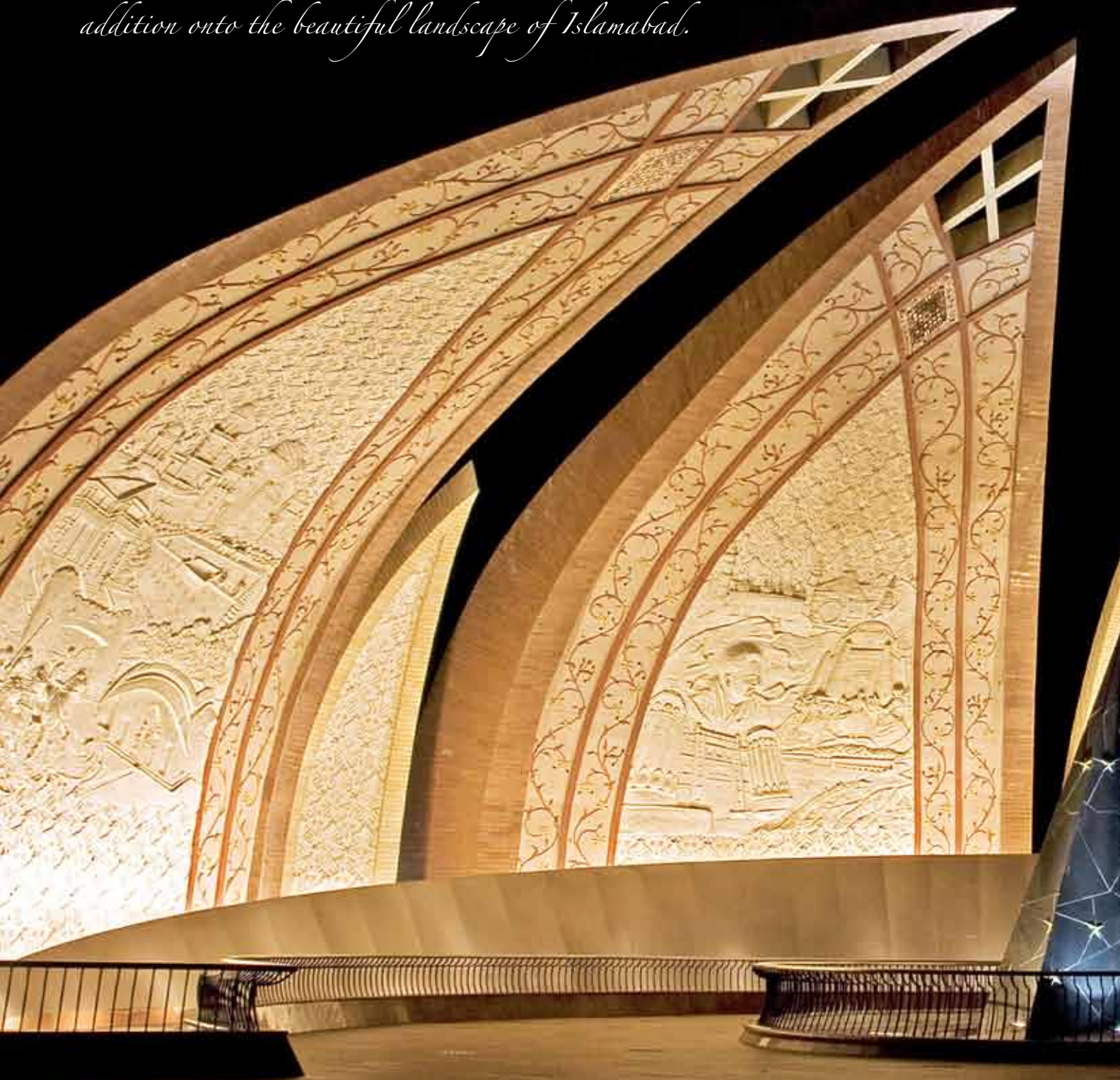
Mr. Maqsood Ismail is a professional businessman of the Country having diversified experience from manufacturing to power generation and commodities business. He is on the boards of different companies and remained Chairman/Presidents of different business forums viz. Federation of Pakistan Chambers of Commerce & Industry, Export Processing Zones Authority, Pakistan Yarn Merchants Association. He also represented Pakistan as its businessman in official delegations to different countries. Mr. Ismail is a Bachelor of Science in Economics and Political Science from University of Delaware, United States of America.



Mr. Amjad Pervez
Director

Mr. Amjad Pervez possess 30 years of diversified experience with exposure to treasury, banking, accounts, budgeting, project implementation, money market, forex and investments. He joined the Bank of Khyber in 1992 as Deputy Director and ascended to the position of Senior Vice President. He left the Bank and joined a well known trading house as its Chief Executive. Currently, he is the Financial Advisor to the Government of Khyber Pakhtunkhwa Pension & Provident Funds and also rendering consultant services to a foreign bank. Mr. Pervez holds masters degree in Business Administration. He has on his credit attendance to several national and international courses.

The bastion of power, Islamabad is Pakistan's most charming and organized city. With the passage of time, this city has not only emerged as a good business center but also a city that thrives with activity. Pakistan Monument is the recent addition onto the beautiful landscape of Islamabad.



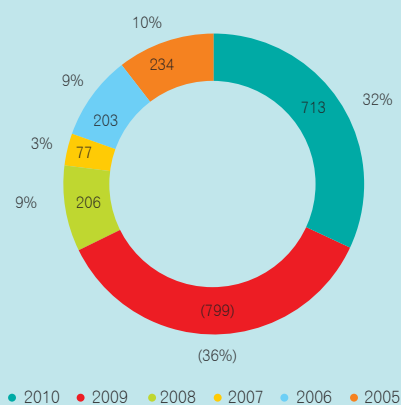


6 Years Financial Highlights

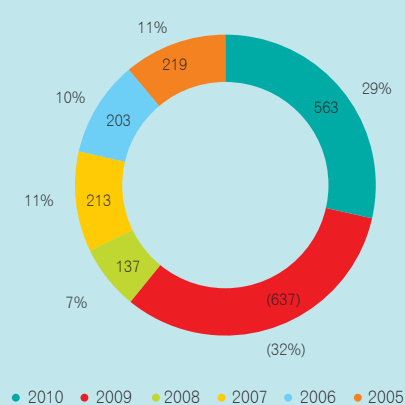
Rs in Million

	2010	2009	2008	2007	2006	2005
Deposits	36,981	26,286	24,732	21,411	19,077	17,452
Advances (net)	18,238	11,836	12,644	10,086	9,189	10,590
Investments	19,853	17,926	8,985	8,903	8,565	7,698
Total Assets	50,794	38,811	31,339	29,712	27,183	25,074
Capital and Reserves	5,604	5,041	5,678	5,540	2,796	2,047
Return on Equity	10.05%	(12.04%)	2.44%	5.11%	8.38%	11.30%
Profit/(Loss) before Tax	713	(799)	206	77	203	234
Profit/(Loss) after Tax	563	(637)	137	213	203	219

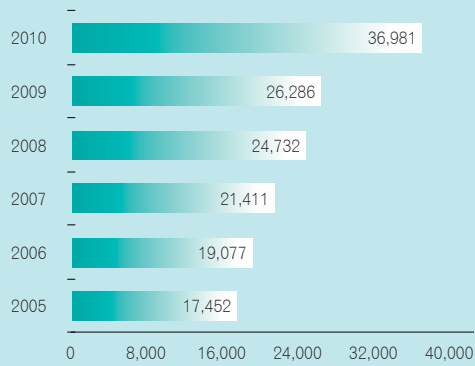
Profit/(Loss) before tax



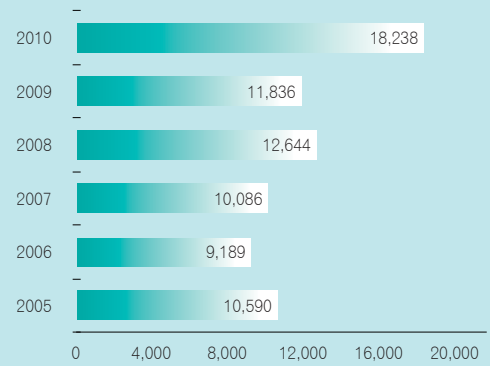
Profit/(Loss) after tax



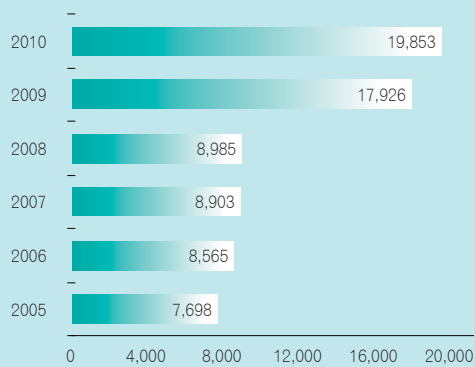
Deposits



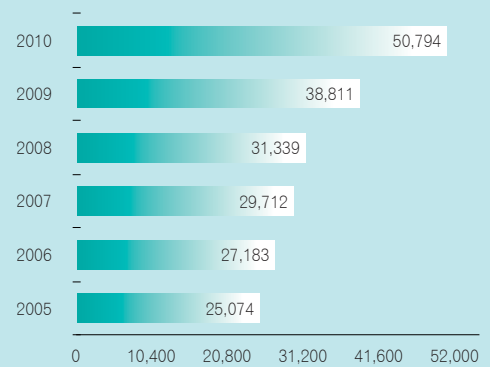
Advances (net) Rs in Million



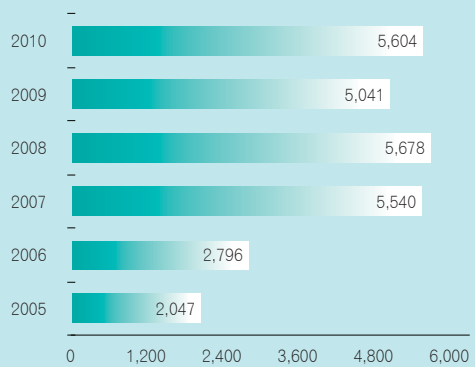
Investments



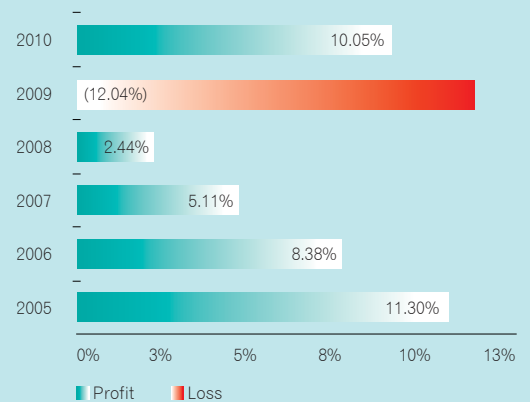
Total Assets



Capital and Reserves



Return on Equity





from the **managing director**

Progress
and growth of the Bank is our top most
priority and my team is very passionate about it. By the grace
of Almighty, already the BoK has changed its image. It has grown
dynamically and has set for itself a new direction. All this is quite encouraging for
me.

Just to give you a look into the past of the BoK, when it was established, I may say it did not
have a very progressive mandate. Since 1992, it was able to establish 34 branches, with only 8
branches outside the Khyber Pakhtunkhwa. It had an impression of being a localized bank just
confined to the province. After taking the charge, the first thing I realized was that unless we outreach to
mainstream market of the country, we'll not achieve optimal growth. There are limits for being confined just
to one province. So we decided to break the shackles and to spread our network to all provinces of Pakistan
and beyond.

Shares wise, the BoK has 51% shareholding from Government and 49 % belongs to the private investors. In
2004, an amendment was made in the charter of BoK to convert it into an Islamic Bank. After taking
responsibilities as its MD, I found it to be not a suitable decision. I requested SBP, instead of converting all
branches into Islamic branches; the BoK may be permitted to practice in both systems, Islamic &
conventional banking. The SBP agreed to our request. We also requested SBP for allowing us to open more
branches nationwide, and we got the permission in 2009. As a result our Branch network has grown to
54 branches. So expansion wise it was a good progress. This year, we are all set to add up another 21
branches to our network.

By adding to the branch network, BoK is now enjoying greater outreach. Above all, it has
helped in improving the image of the Bank and it is quite visible in our financial
results as well. At this point in time, very few banks are in expansion mode.

We are by the grace of Almighty expanding – something which in
the current economic situation appears unthinkable
in the banking sector.

Bilal Mustafa
Managing Director / CEO

NOTICE OF TWENTIETH ANNUAL GENERAL MEETING

Notice is hereby given that the Twentieth Annual General Meeting of the Shareholders of The Bank of Khyber will be held on Tuesday, March 29, 2011 at 10:00 a.m. at Head Office, 24 – The Mall, Peshawar Cantt. to transact the following business:

Ordinary Business

1. To confirm the minutes of the Nineteenth Annual General Meeting held on March 29, 2010.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2010, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2011 and fix their remuneration. Messrs Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountants, being eligible, offer themselves for re-appointment.

Special Business

1. To approve increase in Bank's Authorized Capital from Rs.8.0 Billion (divided into 800 Million Ordinary Shares of Rs.10/- each) to Rs.10.0 Billion (divided into 1 Billion Ordinary Shares of Rs.10/- each) by passing the following resolution:

Resolved

1. "That in terms of Section 5(4) of the Bank of Khyber Act, 1991, the increase in Bank's Authorized Capital from Rs.8.0 Billion (divided into 800 Million Ordinary Shares of Rs.10/- each) to Rs.10.0 Billion (divided into 1 Billion Ordinary Shares of Rs.10/- each) is approved."
2. To grant approval for increase in fee to the non-executive Directors for attending the Board and Board Committees meetings.

Other Business

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

A Statement of Material Facts under Section 160 (1) (b) of the Companies Ordinance, 1984 relating to said Special Business is given hereunder.

By Order of the Board

Peshawar: March 3, 2011

Zahid Sahibzada
Company Secretary

Notes:

- (i) Share Transfer Books of the Bank will remain closed from Wednesday, March 23, 2011 to Tuesday, March 29, 2011 (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, if required, should be signed on Rs.5/- Revenue Stamp.

Statement of Material Facts under Section 160 (1)(b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the Special Business, given in Agenda Item No. 2 of the Notice, to be transacted at the Twentieth Annual General Meeting of the Bank of Khyber.

Item No. 2

The Bye-Laws of the Bank authorize the Board to approve remuneration, fees, allowances etc. payable to Directors as provided in Section 191 of the Companies Ordinance, 1984. The Board in its 104th meeting held on December 21, 2010 has approved increase fee to the non-executive Directors at the rate of Rs.20,000/- for meetings of the Board of Directors and Rs.10,000/- for meetings of the Committees of the Board. The fee shall be payable on a per meeting basis to the non-executive Directors for actual attendance. Further the fee to be paid to the non-executive Directors shall not exceed a total sum of Rs.1,000,000/- (Rupees one million only) per annum.

Post-facto approval of the shareholders of the Bank is sought in terms of Para C.2 of Regulation G-1 of the Prudential Regulations of the State Bank of Pakistan for the above mentioned fee.

The following resolution is therefore, being proposed to be passed by the shareholders:

"RESOLVED that increase in fee of Rs.20,000/- for meetings of the Board of Directors and Rs.10,000/- for meetings of the Committees of the Board payable to the non-executive Directors on a per meeting basis for actual attendance is approved."

"FURTHER RESOLVED that the fee to be paid to the non-executive Directors shall not exceed a total sum of Rs.1,000,000/- (Rupees one million only) per annum."



*Karachi is the largest metropolitan and business lifeline of Pakistan.
No business concern can claim to be completed without its presence in this city.
By the grace of God, the BoK has made its presence felt in this mega city.*



directors' report

On behalf of the Board of Directors, I am pleased to present the 20th Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the year ended December 31, 2010.

Financial Highlights

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

Rs. in Millions	
Operating Profit	385
Reversal of provision against non-performing advances, investments & others	328
Profit before tax	713
Taxation	(150)
Profit after tax	563
Total Assets	50,794
Advances (Gross)	21,272
Investments	19,853
Deposits	36,981

Economic Review

The recent historic floods in the Country had huge bearing for the economy mid-year onwards. This catastrophe poses economic challenges for the Country as a whole, especially the agriculture sector, and would trickle down to all sectors whereas the banking sector may face issues in terms of both asset creation and deterioration of asset quality. Coupled with aftershocks of the international economic setback as well as political instability, the economy of Pakistan has witnessed

financial crises during the year 2010. Lower revenue collection, weakening of balance of payments, unconvincing exports and current account deficit mounted pressure on budget. However, the higher trade deficit was compensated to a certain extent by rising remittances. The foreign reserves also continued to cross record levels with foreign loans under rehabilitation and emergency aids packages.

The average CPI inflation for the year under review stands at 15.68 percent

as compared to 10.3 percent of the corresponding year. The energy crises badly hampered the production activities on a large scale thus lowering the export targets to a significant level. The huge support extended by the foreign countries against the fear of economic collapse helped Pakistan to remain a controlled state whereas strict monetary measures adopted by the State Bank of Pakistan helped contain the financial crisis to restore shareholders' confidence.

Performance Review

Having major presence in Khyber Pakhtunkhwa where the menace of militancy hit hard, the banking activities have suffered however; the Bank of Khyber through its dedicated efforts has managed to revitalize the core banking activities and posted an operating profit of Rs.385 million. The markup based income grew to Rs.4,207 million from Rs.3,390 million in 2009 indicating an increase of 24%. Resultantly, the Bank achieved profit before tax of Rs.713 million as against loss of Rs.799 million for last year. Profit after tax amounted to Rs.563 million translating into an EPS of Rs.1.13 against (Rs.1.27) for 2009.

Total deposits presented a robust increase of 41% reaching Rs.36.981 billion from Rs.26.286 billion at December 2009. The advances of the

Bank also showed tremendous increase of 30% increasing to Rs.21.272 billion from Rs.14.821 billion at year end 2009. The Bank also able to increase the size of investments from Rs.17.926 billion to Rs.19.853 billion with an increase of 11% from the last year.

The total asset base of the Bank grew up to Rs.50.794 billion from Rs.38.811 billion registering growth of 31%.

During the year, the Bank retained its strategy of concentrating on growth while placing its customers as the pivotal point of its activities. Currently, the Bank is providing customized services through its expanded network of 50 branches nationwide wherein nine new branches in the cities of Karachi, Faisalabad, Gujrat, Gujranwala, Mirpur (AJK), Upper Dir,

Havelian, Chaman and Jamrod Road (Khyber Agency) have been opened in 2010.

The Bank's paid-up capital for the year ended December 31, 2010 stood at Rs.5 billion. Fresh injection of funds to the tune of Rs.3 billion has been made by the Government of Khyber Pakhtunkhwa as advance share deposit money. To increase its paid-up capital, the Bank plans to issue Right Shares to its existing shareholders whereas the Government being the major shareholder will subscribe its entitlement of right shares against the funds stated above. After the right issue, the Bank will be fully compliant with the Minimum Capital Requirements upto year end 2011. The right issue is expected to be offered before June 30, 2011.







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. The Risk Management Division is mandated to implement this framework as a function independent of commercial lines of business, working under the guidance of Board's Risk Management Committee. In addition, a Management Risk Management Committee comprising members of senior management deliberates on major risk issues and also recommends risk policies prepared by the division following review in its periodic meetings to the Board Committee and the Board for approval.

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

The system of effective Internal Control is sound in design and is being effectively implemented and monitored. Internal Control Policy and Procedures have been approved by the Board of Directors and are being efficiently implemented. The

management feels confident that all Internal Controls procedures are adequate to effectively and efficiently meet the operational requirements while efforts are underway to further improve the Internal Control Procedures.

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, for further improvement gap analysis exercise was carried out.
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 2010, six meetings of the Board of Directors were held and attended by Directors as under:

Board Meetings Attended	
Mr. Ghulam Dastgir Akhtar Chairman*	4
Mr. Attaullah Khan Chairman*	1
Mr. Bilal Mustafa Managing Director	6
Sahibzada Saeed Ahmad	5
Mr. Muhammad Asif	4
Mr. Muhammad Maqsood Khan	5
Mr. Maqsood Ismail	4
Mir Javed Hashmat	6
Mr. Amjad Pervez	5

*Mr. Ghulam Dastgir Akhtar was replaced by Mr. Attaullah Khan on November 10, 2010 on assuming office of Additional Chief Secretary, Government of Khyber Pakhtunkhwa.



Credit Rating

The JCR-VIS Credit Rating Company Limited has upgraded the long term and the short term ratings of the Bank to "A-" (Single A Minus) and "A-2" (A-Two) from "BBB+" (Triple B Plus) and "A-3" (A Three) respectively. Outlook on the ratings is "Stable".

The Pakistan Credit Rating Agency Limited (PACRA) has also upgraded long term entity rating of the Bank to "A-" (Single A Minus) from previous "BBB+" (Triple B plus) while maintaining short term entity rating at "A2" (A Two). The ratings denote low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

Pattern of Share Holding

The pattern of share holding as at December 31, 2010 is annexed with the report.

Earnings Per Share

After tax Earnings per share for the year 2010 is Rs.1.13.

Auditors

The retiring auditors, M/s. Deloitte 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, 2011.

Acknowledgement

The Board would like to thank all shareholders and customers for their enduring support and trust, our staff for their continuous hard work and dedication and the Government of Khyber Pakhtunkhwa and the State Bank of Pakistan for its worthy guidance, patronage and support for making the organization a success.

On behalf of the Board of Directors

Bilal Mustafa
Managing Director

March 3, 2011

The Bank of Khyber has also made its presence felt in Lahore, the provincial capital of Punjab. It is the city which is soaked with history and tradition and which is cultural as well as emerging business hub of Pakistan.





Picture Gallery 2010



Statement of Compliance

with the 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 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 Khyber Pakhtunkhwa.
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, 2010. A total of six 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. The Bank endeavors to arrange orientation courses for the directors of the Bank. Four directors have so far obtained certification under the "Board Development Series" program at the Pakistan Institute of Corporate Governance.
9. The Human Resource Committee of the Board had approved the appointment of the Chief Financial Officer (CFO). The appointment of the Company Secretary had been made by the Board. The Appointment of Head Internal Audit had been approved by the Board on recommendation of the Audit Committee. No changes were made during the year.
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 six 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, efforts are 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 and 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 of 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



Bilal Mustafa
Managing Director

March 3, 2011

Review Report to the Members on Statement of Compliance with the Best Practices of the Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) 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 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 have not carried any special review of the internal control system to enable us to express an opinion as to whether the Board's statement of internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulations (xiii a) of Listing Regulations 35 notified by the Karachi Stock Exchange (Guarantee) Limited requires 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 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, 2010.

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 a gap analysis exercise was carried out. 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 3, 2011

Shariah Advisor Report

The worldwide success of Islamic Banking is now an open fact. The main attraction for the establishment of an Islamic Bank is to safeguard the Muslims from indulging into non Shariah transactions especially in their financial affairs. Therefore, strict adherence to Shariah compliance is the backbone of Islamic banking and financing which gives legitimacy to the practices of Islamic banks.

To maintain public confidence there is proper check and balance mechanism in BOK to ensure that all activities of the Bank are in line with the Islamic principles for which purpose the Shariah Advisor confirms that all operations are conducted in conformity with Shariah principles. Besides, we have separate Shariah Audit and Compliance units for full and transparent disclosures as we are accountable before Allah. The Bank has also a strong Shariah Supervisory Committee (SSC) of the following well known scholars to examine and approve all agreements, policies and other relevant documents for services offered by Islamic Banking Group of BOK:

- | | | |
|---|-------------------------------|-----------------|
| • | Mufti Muhammad Zahid | Chairman |
| • | Syed Muhammad Abbass | Member |
| • | Dr. Dost Muhammad Khan | Member |
| • | Dr. Shahzad Iqbal Sham | Member |
| • | Mr. Muhammad Ayub | Member |

I have reviewed policies and operations of Islamic banking group and Islamic banking branches during the year ended to firm up an opinion as to whether they have complied with the Shariah rules & principles and also with the specific Fatwas issued by SSC/Shariah Advisor along with instructions and guidelines issued by SBP from time to time. Keeping in view the above scenario, I am of the opinion that;

1. The products, polices, agreements and all operations entered into by the Islamic banking Group during the year ended 2010 are in compliance with Shariah and guidelines given by the SSC and SBP.
2. Profit Distribution Mechanism and allocation of funds, expenses, weightages and other affairs of the Bank are in conformity with the basis that have been approved by SSC in accordance with Islamic rules and principles.
3. All sources of income of the Bank are Shariah compliant and any earning which has been realized from sources or by means prohibited by Islamic rules and principles have been transferred to the Charity Account and distributed as per approved guidelines of SSC. Omissions in documentation which did not rendered the income Haram have been addressed as per instructions issued by the Shariah Department.

In the end, it is stated that it is the responsibility of the management to inculcate Shariah compliance culture within the organization i.e. IBBs and should consistently remind the frontline staff of the importance of Shariah and its impact on the Islamic Banking and to always place Shariah as the overcharge requirement in the formulation of any procedures and activities of Islamic banking.

May Allah forgive us and keep us on the straight path. Ameen.

March 3, 2011

Qazi Abdul Samad
Shariah Advisor

Auditors' Report to the Members

We have audited the annexed statement of financial position of The Bank of Khyber ("the Bank") as at December 31, 2010 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 10 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 statement of financial position 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;
 - 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 statement of financial position, 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, 2010 and its true balance of the profit, 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.

Date: March 3, 2011.
Place: Karachi

Chartered Accountants
Engagement Partner: Asad Ali Shah

Financial Statements 2010



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STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
ASSETS			
Cash and balances with treasury banks	7	5,079,720	1,542,102
Balances with other banks	8	1,502,684	2,403,698
Lendings to financial institutions	9	2,562,093	1,810,846
Investments	10	19,852,730	17,925,911
Advances	11	18,238,333	11,835,962
Operating fixed assets	12	1,121,554	1,013,670
Deferred tax asset - net	13	443,320	456,420
Other assets	14	1,993,869	1,821,961
		50,794,303	38,810,570
LIABILITIES			
Bills payable	15	280,665	229,973
Borrowings	16	2,894,759	5,147,036
Deposits and other accounts	17	36,981,351	26,285,794
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	1,237,155	1,185,470
		41,393,930	32,848,273
NET ASSETS		9,400,373	5,962,297
REPRESENTED BY			
Share capital	19	5,004,001	5,004,001
Reserves		548,039	435,342
Unappropriated profit / (accumulated loss)		52,079	(398,710)
		5,604,119	5,040,633
Advance against shares subscription	19.3	3,224,000	224,000
		8,828,119	5,264,633
Surplus on revaluation of assets	20	572,254	697,664
		9,400,373	5,962,297
CONTINGENCIES AND COMMITMENTS	21		

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



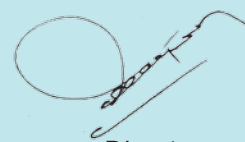
Managing Director



Director



Director



Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2010

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
Mark-up / return / interest earned	22	4,207,155	3,390,014
Mark-up / return / interest expensed	23	2,925,066	2,390,388
Net mark-up / interest income		1,282,089	999,626
Provision against non-performing loans and advances - net	11.4	48,916	659,758
(Reversal of provision) / provision for diminution in the value of investments - net	10.3	(371,682)	602,061
Bad debts written off directly		-	-
		(322,766)	1,261,819
Net mark-up / interest income after provisions		1,604,855	(262,193)
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		172,565	127,123
Dividend income		74,848	117,458
Income from dealing in foreign currencies		30,761	3,371
(Loss) / gain on sale of securities - net	24	(285,934)	67,148
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net	10.7	1,431	(1,294)
Other income	25	66,006	69,896
Total non-mark-up / interest income		59,677	383,702
		1,664,532	121,509
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	943,680	719,453
Other (reversals) / provisions / write offs	27	(5,705)	185,500
Other charges	28	13,416	15,326
Total non-mark-up / interest expenses		951,391	920,279
		713,141	(798,770)
Extra ordinary / unusual items		-	-
PROFIT / (LOSS) BEFORE TAXATION		713,141	(798,770)
Taxation	29		
- Current		89,631	75,292
- Prior years		2,040	-
- Deferred		57,984	(236,879)
		149,655	(161,587)
PROFIT / (LOSS) AFTER TAXATION		563,486	(637,183)
(Accumulated loss) / unappropriated profit brought forward		(398,710)	238,473
Unappropriated profit / (accumulated loss) carried forward		164,776	(398,710)
Earnings per share - Basic and Diluted (in Rupees)	30	1.13	(1.27)

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, 2010

	December 31, 2010	December 31, 2009
	Rupees in '000	
Profit / (loss) after taxation for the year	563,486	(637,183)
Other comprehensive income	-	-
Total comprehensive income for the year	563,486	(637,183)

Surplus / (deficit) arising on revaluation of assets has been reported in accordance with the requirements of the Companies Ordinance, 1984, and the directives of the SBP in separate account below equity.

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, 2010

	Share capital	Bonus issue reserve	Statutory reserve	Unappropriated profit / (Accumulated loss)	Total
-----Rupees in '000-----					
Balance as at January 01, 2009	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
Changes in equity during the year ended December 31, 2010					
Total comprehensive income for the year ended December 31, 2010	-	-	-	563,486	563,486
Transfer to statutory reserve	-	-	112,697	(112,697)	-
Balance as at December 31, 2010	5,004,001	-	548,039	52,079	5,604,119

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, 2010

Note	December 31, 2010	December 31, 2009
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) before taxation	713,141	(798,770)
Less: dividend income	74,848	117,458
	<u>638,293</u>	<u>(916,228)</u>
Adjustments for non-cash changes		
Depreciation	39,039	23,998
Amortization	1,940	-
Provision against non-performing advances - net	48,916	659,758
Unrealized (gain) / loss on revaluation of investments classified as held-for-trading - net	(1,431)	1,294
(Reversal) / Provision for diminution in the value of investments - net	(371,682)	602,061
Other (reversals) / provisions / write offs	(5,705)	185,500
Gain on sale of operating fixed assets	(12,013)	(2,853)
	<u>(300,936)</u>	<u>1,469,758</u>
	337,357	553,530
(Increase) / decrease in operating assets :		
Lendings to financial institutions	(745,542)	336,148
Net investments in held-for-trading securities	384,220	(757,740)
Advances - net	(6,451,287)	148,094
Others assets (excluding advance taxation)	(357,432)	(65,426)
	<u>(7,170,041)</u>	<u>(338,924)</u>
Increase / (decrease) in operating liabilities:		
Bills payable	50,692	107,457
Borrowings	(2,252,277)	4,236,345
Deposits and other accounts	10,695,557	1,553,599
Other liabilities	51,685	293,099
	<u>8,545,657</u>	<u>6,190,500</u>
	1,712,973	6,405,106
Income tax refunded	91,129	40,490
	<u>1,804,102</u>	<u>6,445,596</u>
Net cash flows from operating activities	1,804,102	6,445,596
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(2,676,458)	(7,726,709)
Net investments in held-to-maturity securities	570,963	41,784
Net investment in related party	-	4,496
Dividend received	74,848	117,458
Investments in operating fixed assets	(172,915)	(86,362)
Proceeds from sale of operating fixed assets	36,064	4,876
Net cash used in investing activities	(2,167,498)	(7,644,457)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advance against shares subscription	3,000,000	224,000
Net cash flows from financing activities	3,000,000	224,000
Increase / (decrease) in cash and cash equivalents	2,636,604	(974,861)
Cash and cash equivalents at beginning of the year	3,945,800	4,920,661
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at end of the year	31 <u>6,582,404</u>	<u>3,945,800</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, 2010

1. STATUS AND NATURE OF BUSINESS

- 1.1 The Bank of Khyber ("The Bank") was established under The Bank of Khyber Act, 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 50 branches as at December 31, 2010 (2009: 41 branches). The long term credit ratings of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS are 'A-' and 'A-' respectively and the short-term credit ratings assigned are 'A2' and 'A2' respectively.
- 1.2 As at December 31, 2010, the paid-up capital (net of losses) of the Bank amounts to Rs. 5,004.001 million which is below the minimum regulatory capital requirement of Rs. 7,000 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. 7,000 million and in this regard the Bank has received Rs. 3,224 million from the Government of Khyber Pakhtunkhwa as advance against shares subscription. Further, the management approached the State Bank of Pakistan (SBP) for relaxation in minimum capital requirement as at December 31, 2010. The SBP through their letter dated July 20, 2010 has granted the said extension till December 31, 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 markup 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 Group 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 21 (2009:18) of its branches. Key financial figures of the Islamic Banking Group 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.
- 2.4 With effect from current year, 'statements of financial position' has been renamed as 'Statement of Financial Position' keeping in view the requirements of BSD Circular letter No. 7 of 2010 dated April 20, 2010 issued by SBP.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain operating fixed assets and derivative financial instruments have been 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 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 **New / revised standards and interpretations to published accounting standards that are issued but not yet effective**

The following standards (revised or amended) and interpretations became effective from the current year, but are either not relevant or do not have any material effect on the financial statements of the Bank:

IFRS 2 (Amendments) 'Share-based Payments' - 'Group cash-settled share-based payment transactions'
IFRS 3 (Revised) 'Business Combinations'
IFRS 5 (Amendments) 'Non-current Assets Held for Sale and Discontinued Operations'
IAS 1 (Amendment) 'Presentation of financial statements'
IAS 23 (Revised) 'Borrowing Costs'
IAS 27 (Amended) 'Consolidated and Separate Financial Statements'
IFRIC 16 'Hedges of a net investment in a foreign operation'
IFRIC 17 'Distributions of Non-cash Assets to Owners'
IFRIC 18 'Transfers of Assets from Customers'
IAS 38 (Amendment) 'Intangible assets'
IAS 36 (Amendment) 'Impairment of assets'

4.4 **Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The following standards, amendments and interpretations to existing standards have been published and are mandatory for accounting periods beginning on or after January 1, 2011 or later periods:

IAS 12 (Amendment), 'Income Taxes' (effective for annual periods beginning on or after January 1, 2012) - 'Deferred tax on investment property' - The amendment provides an exception to the management principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment property. The amendment has no impact on financial statements of the Bank.

IAS 24 (Revised), 'Related party disclosures' (effective for annual periods beginning on or after January 1, 2011) - The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities.

IAS 32 (Amendment) 'Financial Instruments: Presentation' (effective for annual periods beginning on or after February 1, 2010) – 'Classification of rights issues' - The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

IAS 34 (Amendment) 'Interim Financial Reporting' (effective from annual periods on or after January 1, 2011). It adds further examples to the list of events or transactions that require disclosure under IAS 34 and remove references to materiality that describe other minimum disclosures.

IFRIC Interpretation 14 – IAS 19 (Amendment) 'The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction' (effective for annual periods beginning on or after January 1, 2011) - 'Prepayments of a minimum funding requirement'. The amendments correct an unintended consequence of IFRIC 14. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this.

IFRIC 13 (Amendment) 'Customer Loyalty Programmes' (effective from annual periods on or after January 1, 2011). The amendment clarifies that the fair value of award credits take into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for annual periods beginning on or after July 1, 2010) – This Interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished.

The above mentioned new / revised standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than increase in disclosures in certain cases.

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 the amount of non-performing loans and advances and provision required there-against on a regular basis. While assessing this requirement various factors including the delinquency in the account, financial position of the borrowers, the forced sale 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.

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 is 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". Further, the Bank estimates the revalued amount of land on a regular basis. The estimate is based on the valuation carried out by independent professional valuer under the market conditions.

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, 2009:

6.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents includes cash and balances with treasury banks and balances with other banks in current and deposit accounts.

6.2 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 statement of financial position 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 statement of financial position, 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.

6.3 Investments

Investments of the Bank are classified as held for trading, held-to-maturity and available for sale.

Held for trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements, dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity

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

Available-for-sale

These are investments that do not fall under the "held for trading" or "held to maturity" categories.

Initial measurement

All "regular way" purchases and sales of investments are recognized on the trade date, i.e., the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of investments that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Investments are initially recognized at fair value which, in the case of investments other than held-for-trading, includes transaction costs associated with the investments.

Subsequent measurement

Held for trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Held to maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Available for sale

Quoted-securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and taken to the profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost and break-up value. A decline in the carrying value is charged to the profit and loss account. The break-up value of these equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses.

Provision for diminution in the value of securities (except term finance certificates) is made for impairment, if any. Provision for diminution in the value of term finance certificates is made as per the aging criteria prescribed by the Prudential Regulations issued by the SBP.

6.4 Advances

6.4.1 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.

6.4.2 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.

6.4.3 Ijarah financings

Ijarah financings executed on or before December 31, 2008 have 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 under Ijarah financing have been carried at cost less accumulated depreciation and impairment losses, 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.

6.5 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.

6.6 Operating fixed assets and depreciation

6.6.1 Tangible fixed assets

Property and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation and accumulated impairment losses, 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 except for the renovation / impairment on building, which is depreciated on straight line over five years.

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

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.

Surplus arising on revaluation of land is credited in the surplus on revaluation of fixed assets account. Deficit (if any) arising on subsequent revaluation of fixed assets is adjusted against abovementioned surplus account as allowed under the provisions of the Companies Ordinance, 1984.

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

6.6.2 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.

6.6.3 Capital work in progress

Capital work in progress is stated at cost less accumulated impairment losses (if any). These are transferred to operating fixed assets as and when the assets are available for use.

6.6.4 Impairment

The carrying amount of assets are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be 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 except for the impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of the revalued assets.

6.7 Taxation

6.7.1 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.

6.7.2 Deferred

Deferred income tax is recognised using the liability method on all temporary differences at the reporting 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 reporting date.

The carrying amount of deferred income tax assets is reviewed at each reporting 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.

6.8 Staff retirement benefits

6.8.1 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, 2010 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.

6.8.2 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.

6.9 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.

6.10 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 / mark-up 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 accrual basis.

Ijarah income under IFAS 2 method (note 6.4.3b) is recognised on an accrual basis as and when the rental becomes due.

6.11 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 reporting date. Foreign bills purchased and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

b) Translation gains and losses

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

c) 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 reporting date.

6.12 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 SBP.

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 services, and retail offered to its retail customers.

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 in Pakistan.

6.13 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 reporting date and are adjusted to reflect the current best estimate.

6.14 Borrowings / deposits and their cost

- a) Borrowings / deposits are recorded at the proceeds received.
- b) Borrowings / deposits cost are recognised as expense in the period in which these are incurred.

6.15 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.

6.16 Earnings per share

The Bank presents 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.

6.17 Dividend distribution and appropriations

Bonus and cash dividend and other appropriations (except for the appropriations required by law), declared / approved subsequent to the reporting 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, 2010	December 31, 2009
Rupees in '000			
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand :			
Local currency		418,037	309,370
Foreign currencies		61,767	66,175
National prize bonds		216	91
		480,020	375,636
With State Bank of Pakistan in:			
Local currency current accounts	7.1	4,318,292	864,465
Foreign currency clearance accounts	7.2	17,898	17,943
Foreign currency deposit accounts	7.3	40,663	49,103
		4,376,853	931,511
With National Bank of Pakistan in:			
Local currency current accounts		175,486	234,955
Foreign currency deposit accounts	7.4	47,361	-
		222,847	234,955
		5,079,720	1,542,102

- 7.1 The current accounts are 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 (2009: Nil) per annum.
- 7.4 This represents placement of funds under foreign currency deposit scheme (FE-25). The mark up rate ranges from 0.45% to 0.85% per annum with maturity on various dates latest by January 10, 2011.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
8. BALANCES WITH OTHER BANKS			
In Pakistan			
On current account		1,031,133	909,853
On deposit account	8.1	206,512	1,332,932
		1,237,645	2,242,785
Outside Pakistan			
On current account		257,936	159,480
On deposit account	8.2	17,131	11,461
		275,067	170,941
		1,512,712	2,413,726
Less: Provision for doubtful placement with a bank	8.3	(10,028)	(10,028)
		1,502,684	2,403,698

8.1 These represents short-term deposits with banks and carry mark-up at the rates ranging from 0.50% to 12.00% (2009: 0.50% to 8.00% 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 Nil per annum (2009: 0.45% per annum).

	Note	December 31, 2010	December 31, 2009
8.3	Particulars of provision	Rupees in '000	
	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	175,000	20,000
	Repurchase agreement lendings (Reverse Repo)	2,095,317	1,311,846
	Placements with financial institutions	416,410	760,324
		<u>2,686,727</u>	<u>2,092,170</u>
	Less: Provision against lendings to financial institutions	(124,634)	(281,324)
		<u>2,562,093</u>	<u>1,810,846</u>
9.1	Particulars of lending		
	In local currency	2,562,093	1,810,846
	In foreign currencies	-	-
		<u>2,562,093</u>	<u>1,810,846</u>

9.2 This unsecured lending carries interest at the rate of 11% (2009: 9%) per annum and will mature on January 3, 2011.

9.3 Repurchase agreement lendings (Reverse Repo) are secured against government securities and carries interest at the rates ranging from 12.77% to 13.25% (2009: 12.05% to 12.40%) per annum and will mature on various dates latest by March 01, 2011.

9.4 These unsecured placements with non banking financial institutions carry interest at various rates on performing / restructured lendings and will mature on various dates, latest by April 12, 2015.

	Note	December 31, 2010	December 31, 2009	
Rupees in '000				
9.5	Particulars of provision			
	Opening balance	281,324	194,074	
	Charge for the year	-	135,500	
	Reversals	(5,705)	-	
		27	135,500	
	Transferred to investments / advances	9.5.1, 10.3 & 11.4	(150,985)	(48,250)
	Closing balance	124,634	281,324	

9.5.1 During the year, lending to a financial institution was restructured and the Bank received securities against partial amount under restructuring arrangements with the counter party. Consequently, the lending along with the provision thereon has been reclassified to investments. In prior year, restructuring agreement entered into with other counter parties and the balances were transferred to advances.

9.6 **Securities held as collateral against lending to financial institutions**

Note	December 31, 2010			December 31, 2009		
	Held bybank	Further given as collateral	Total	Held bybank	Further given as collateral	Total
-----Rupees in '000-----						
	-	714,039	714,039	645,815	-	645,815
	1,381,278	-	1,381,278	666,031	-	666,031
9.7	<u>1,381,278</u>	<u>714,039</u>	<u>2,095,317</u>	<u>1,311,846</u>	<u>-</u>	<u>1,311,846</u>

9.7 Aggregate market value of securities held as collateral is Rs. 2,044.700 million as on December 31, 2010 (2009: Rs. 1,314.640 million).



		December 31, 2010			December 31, 2009		
	Note	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
10.	INVESTMENTS						
10.1	Investments by types						
		-----Rupees in '000-----					
	Held for trading securities						
	Pakistan Investment Bonds	-	-	-	333,980	48,760	382,740
	Term Finance Certificates-listed	-	-	-	150,000	-	150,000
	Term Finance Certificates-unlisted	-	-	-	200,000	-	200,000
	Mutual Funds-units-open ended	-	-	-	25,000	-	25,000
	Shares in listed companies	374,951	-	374,951	-	-	-
		<u>374,951</u>	<u>-</u>	<u>374,951</u>	<u>708,980</u>	<u>48,760</u>	<u>757,740</u>
	Available-for-sale securities						
	Market Treasury Bills	6,666,273	914,822	7,581,095	4,126,216	2,170,364	6,296,580
	Pakistan Investment Bonds	2,480,311	635,082	3,115,393	1,391,619	1,549,991	2,941,610
	National Investment Trust Units	54,246	-	54,246	437,842	-	437,842
	Ordinary shares in listed companies	341,689	-	341,689	786,230	-	786,230
	Ordinary shares in unlisted companies	80,487	-	80,487	80,487	-	80,487
	Ordinary Shares of related parties						
	- Listed shares	59,961	-	59,961	-	-	-
	- Unlisted shares	153,004	-	153,004	40,504	-	40,504
	Preference shares	215,920	-	215,920	-	-	-
	Listed Term Finance Certificates	972,366	-	972,366	638,285	-	638,285
	Unlisted Term Finance Certificates	1,215,565	-	1,215,565	943,464	-	943,464
	Mutual Funds-units-open ended	477,447	-	477,447	1,344,818	-	1,344,818
	Mutual Funds-units-close ended	119,057	-	119,057	124,056	-	124,056
	Sukuk Certificates	4,274,026	-	4,274,026	2,198,937	-	2,198,937
		<u>17,110,352</u>	<u>1,549,904</u>	<u>18,660,256</u>	<u>12,112,458</u>	<u>3,720,355</u>	<u>15,832,813</u>
	Held-to-maturity securities						
	Pakistan Investment Bonds	923,677	-	923,677	793,024	160,150	953,174
	Sukuk Certificates	698,801	-	698,801	1,240,267	-	1,240,267
		<u>1,622,478</u>	<u>-</u>	<u>1,622,478</u>	<u>2,033,291</u>	<u>160,150</u>	<u>2,193,441</u>
	Investment at cost	<u>19,107,781</u>	<u>1,549,904</u>	<u>20,657,685</u>	<u>14,854,729</u>	<u>3,929,265</u>	<u>18,783,994</u>
	Less: Provision for diminution in value of investments	(469,492)	-	(469,492)	(690,189)	-	(690,189)
	Investments - net of provisions	<u>18,638,289</u>	<u>1,549,904</u>	<u>20,188,193</u>	<u>14,164,540</u>	<u>3,929,265</u>	<u>18,093,805</u>
	Unrealised loss gain / (loss) on revaluation of held for trading securities	1,431	-	1,431	(792)	(502)	(1,294)
	Deficit on revaluation of available-for-sale securities	(277,635)	(59,259)	(336,894)	(13,992)	(152,608)	(166,600)
	Total investments	<u>18,362,085</u>	<u>1,490,645</u>	<u>19,852,730</u>	<u>14,149,756</u>	<u>3,776,155</u>	<u>17,925,911</u>

		December 31, 2010	December 31, 2009
10.2	Investments by segments		
		Rupees in '000	
	Federal Government Securities:		
	- Market Treasury Bills	7,581,095	6,296,580
	- Pakistan Investment Bonds (PIBs)	4,039,070	4,277,524
	- Sukuk Certificates	3,428,455	1,630,024
		15,048,620	12,204,128
	Fully paid up ordinary shares:		
	- Listed companies	716,640	786,230
	- Unlisted companies	80,487	80,487
		797,127	866,717
	Related Parties		
	- Ordinary Shares in Listed Companies	59,961	-
	- Ordinary Shares in Unlisted Companies	153,004	40,504
		212,965	40,504
	Term finance certificates:		
	- Listed TFCs	972,366	788,285
	- Unlisted TFCs	1,215,565	1,143,464
		2,187,931	1,931,749
	Mutual funds:		
	- Open ended	477,447	1,369,818
	- Close ended	119,057	124,056
		596,504	1,493,874
	Other Investments:		
	- Preference shares	215,920	-
	- National Investment Trust Units	54,246	437,842
	- Sukuk Certificates	1,544,372	1,809,180
		1,814,538	2,247,022
	Total investments at cost	20,657,685	18,783,994
	Less: Provision for diminution in value of investments	469,492	690,189
	Investments - net of provisions	20,188,193	18,093,805
	Unrealised gain / (loss) on revaluation of held for trading	1,431	(1,294)
	Deficit on revaluation of available-for-sale securities	(336,894)	(166,600)
	Total investments	19,852,730	17,925,911

10.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Yield / Return	Maturity	Redemption	Coupon
Market Treasury Bills	12.23% to 13.39%	13-January-2011 to 16-June-2011	On maturity	At maturity
Pakistan Investment Bonds (PIBs)	8% to 14%	16-August-2011 to 31-October-2021	On maturity	Half yearly
Sukuk Certificates	12.64% to 13.39%	26-September-2011 to 20-December-2013	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. 7,548.209 million (2009: Rs. 6,292.440 million).

10.2.4 PIBs under 'Available-for-sale' category have a market value of Rs. 2,732.180 million (2009: Rs. 2,643.362 million).



	Note	December 31, 2010	December 31, 2009
		Rupees in '000	
10.3	Particulars of provision for diminution in the value of investment		
	Opening balance	690,189	88,128
	Charge for the year	215,341	602,061
	Reversal on disposal of shares / mutual funds	(587,023)	-
		(371,682)	602,061
	Transferred from lending to financial institutions	150,985	-
	Closing Balance	469,492	690,189

10.3.1 This includes impairment charge of Rs. 157.291 million (2009: 558.180 million) in respect of 'available-for-sale' listed equity securities / mutual funds.

		December 31, 2010	December 31, 2009
		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	15,010	353,591
	Ordinary shares in unlisted companies	55,487	55,487
	Ordinary shares in listed companies - related parties	48,006	-
	Ordinary shares in unlisted companies - related parties	6,300	-
	Preference shares	96,678	-
	Units in open ended mutual funds	91,429	169,250
	Units in close ended mutual funds	46,582	48,032
	Term finance certificates / Sukuks	85,000	38,829
	Held-to-maturity		
	Sukuk certificates	25,000	25,000
		469,492	690,189
	By Segment		
	Fully Paid up Ordinary Shares		
	Listed companies	15,010	353,591
	Unlisted companies	55,487	55,487
	Ordinary shares in listed companies - related parties	48,006	-
	Ordinary shares in unlisted companies - related parties	6,300	-
	Units of open ended mutual funds	91,429	169,250
	Units of close ended mutual funds	46,582	48,032
	Preference shares	96,678	-
	Term Finance Certificates and Sukuk Certificates	110,000	63,829
		469,492	690,189

- 10.4 Information relating to investment in ordinary shares / certificates of listed and unlisted companies / mutual funds, term finance certificates, sukuks 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 Bank had invested in 21,822,695 NI(U)T units under Letter of Comfort ("LOC"). The LOC holding represented those units in respect of which the Government of Pakistan ("GoP") had issued a LOC to the Bank and three other banks (here-in-after collectively referred to as LOC Holder's) promising that in the event the redemption price of units of NI(U)T LOC Holders' Fund fell below Rs. 13.70 per unit and the Bank desired to redeem its holding of units, the GoP would facilitate National Investment Trust Limited (NITL) in the redemption of such holding at the rate of Rs. 13.70 per unit. The LOC had been extended from time to time and expired on December 31, 2009.

On January 13, 2010, the Bank entered into a settlement agreement (the Agreement) with NITL to settle the issue of units held under LOC. By virtue of this Agreement, the effective date of settlement in relation to transfer of assets to the Bank is January 2, 2010 and it was 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 ("PSO") and Sui Northern Gas Pipeline Limited ("SNGPL") 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 Assets shall be purchased by and transferred to National Bank of Pakistan in accordance with the GoP decision at the rate to be determined. Such sale proceeds shall be apportioned to the Strategic Assets category of each segment in accordance with the ratio set out in the Agreement.
- 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 was January 2, 2010.
- 5% of the Balance Assets of each segment would be transferred to NITL and 5% of net cash realized pursuant to transfer of Strategic Assets would be paid to NITL. However, on request of the Bank to revise its decision to the extent of this 5% transfer to be made to NITL. The GoP made a decision, conveyed under cover of Investment & PMSP wing, Finance Division letter no. F.4-2/2000-Inv III dated February 12, 2010, that the discount of 5% shall be reduced to 2.5% in case of NIT from all LOC holders.
- Consequent to the implementation of the settlement mechanism outlined above the NI(U)T – LOC Holders' Fund would stand terminated / dissolved.

In accordance with the aforementioned methodology, the Bank has recorded the redemption / disposal of 19,118,973 units which were attributable to the Balance Assets and in consideration of those units the Bank has recorded its share of Balance Assets. The Bank's share of Balance Assets comprise of the shares of both listed and unlisted companies having market value of Rs. 521 million as of January 2, 2010. Accordingly, there is a capital gain of Rs. 139 million on redemption / disposal of units attributable to Balance Assets. Remaining 2,703,723 units are attributable to Strategic Assets and such units are continued to be recognized as investment in NI(U)T – Unit holders Fund, as settlement of such units is yet to be finalized. The Bank has agreed to the redemption price of Rs. 25.80 per unit based on October 13, 2010 net assets position of the fund and as such recorded the investment on the basis of such rate at year end.



		December 31, 2010	December 31, 2009
		Rupees in '000	
10.6	Unrealised gain / (loss) on revaluation of held for trading securities		
	Ordinary shares in listed companies	1,431	-
	Pakistan Investment Bonds	-	3,545
	Units in open ended mutual funds	-	125
	Term Finance Certificates - listed	-	(3,964)
	Term Finance Certificates - unlisted	-	(1,000)
		1,431	(1,294)

10.7 Detail of Investment in Preference Shares - Unlisted

Name of Company	Note	Percentage of Holding	No. of shares	Paid-up Value per share	Total paid-up value	Breakup value per share	Total Cost December 31, 2010	Based on audited accounts as at	Name of Chief Executive / Managing Agent	Terms of redemption
					Rupees in '000		Rupees in '000			
Trust Investment Bank - Limited	10.7.1	-	7,500,000	10	75,000	10	75,000	June 30, 2010	Humayun Nabi Jan	Preference shares are convertible / redeemable at the option of the investor/issuer into listed common shares of Trust Investment Bank Limited from the third anniversary till the fifth anniversary of the issue.
First Dawood Investment Bank Limited	10.7.2	-	14,092,000	10	140,920	10	140,920	June 30, 2010	Abdus Samad Khan	Preference shares are convertible / redeemable at the option of the investor/issuer into listed common shares of First Dawood Investment Bank Limited from the 2nd anniversary till the fifth anniversary of the issue.
							215,920			

10.7.1 This represents KIBOR plus 1% cumulative, convertible, redeemable and non-voting preference shares with call option available to the issuer and conversion option available to the Bank, after completion of three years from the date of issue, i.e., June 10, 2010.

10.7.2 This represents 4% Cumulative Preference Shares having redemption terms at any time after issuance of Preference shares, i.e., June 29, 2010.

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
11. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		20,404,151	13,939,028
Outside Pakistan		-	-
		<u>20,404,151</u>	<u>13,939,028</u>
Net investment in ijarah :			
In Pakistan	11.2	538,307	582,678
Outside Pakistan		-	-
		<u>538,307</u>	<u>582,678</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		219,408	180,418
Payable outside Pakistan		110,167	118,622
		<u>329,575</u>	<u>299,040</u>
Advances - gross	11.1	21,272,033	14,820,746
Less: Provision for non-performing advances	11.4	(3,033,700)	(2,984,784)
Advances - net of provision		<u>18,238,333</u>	<u>11,835,962</u>
11.1 Particulars of advances - gross			
11.1.1 In local currency		21,272,033	14,820,746
In foreign currencies		-	-
		<u>21,272,033</u>	<u>14,820,746</u>
11.1.2 Short term (for up to one year)		10,300,266	5,666,169
Long term (for over one year)		10,971,767	9,154,577
		<u>21,272,033</u>	<u>14,820,746</u>
11.2 Net investment in Ijarah			
Ijarah under finance method	11.2.1	267,207	404,211
Ijarah under IFAS-2	11.2.2	271,100	178,467
		<u>538,307</u>	<u>582,678</u>



		December 31, 2010				December 31, 2009			
11.2.1	Ijarah under finance method	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	61,331	180,283	17,794	259,408	82,829	4 201,991	102,990	387,810
	Residual value	435	31,095	135	31,665	1,383	80,127	6,527	88,037
	Minimum ijarah rentals	61,766	211,378	17,929	291,073	84,212	282,118	109,517	475,847
	Profit for future periods	(7,166)	(11,211)	(5,489)	(23,866)	(2,152)	(35,074)	(34,410)	(71,636)
	Net investment in ijarah	<u>54,600</u>	<u>200,167</u>	<u>12,440</u>	<u>267,207</u>	<u>82,060</u>	<u>247,044</u>	<u>75,107</u>	<u>404,211</u>

11.2.2 Ijarah under IFAS-2

Ijarah assets under IFAS-2 are stated at cost of Rs. 366.15 million (2009: Rs 201.878) less accumulated depreciation of Rs. 95.05 million (2009: Rs. 23.411) in accordance with the SBP letter No. BPRD/BLRD-04/2008-6268.

11.3 Advances include amounts aggregating to Rs. 4,117.581 million (2009: Rs. 4,457.159 million) which have been placed under non-performing status as detailed below:

		December 31, 2010								
		Classified Advances			Provision Required			Provision Held		
Category of classification		Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
-----Rupees in '000-----										
	Other Assets - Especially Mentioned*	5,416	-	5,416	-	-	-	-	-	-
	Substandard	412,813	-	412,813	31,543	-	31,543	31,543	-	31,543
	Doubtful	178,492	-	178,492	57,031	-	57,031	57,031	-	57,031
	Loss	3,520,860	-	3,520,860	2,936,109	-	2,936,109	2,936,109	-	2,936,109
		<u>4,117,581</u>	<u>-</u>	<u>4,117,581</u>	<u>3,024,683</u>	<u>-</u>	<u>3,024,683</u>	<u>3,024,683</u>	<u>-</u>	<u>3,024,683</u>

		December 31, 2009								
		Classified Advances			Provision Required			Provision Held		
Category of classification		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>

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

11.3.1 The SBP through various circulars 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. 604.65 million (2009: 608.198 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, 2010			December 31, 2009		
		Specific	General	Total	Specific	Total	General
-----Rupees in '000-----							
Opening balance		2,972,778	12,006	2,984,784	2,261,164	2,281,305	20,141
Transferred from lendings to financials institutions	9.5.1	-	-	-	48,250	48,250	-
Charge for the year		334,067	1,248	335,315	945,549	945,549	-
Reversals		(282,162)	(4,237)	(286,399)	(277,656)	(285,791)	(8,135)
		51,905	(2,989)	48,916	667,893	659,758	(8,135)
Amounts written off	11.5	-	-	-	(4,529)	(4,529)	-
Closing balance		<u>3,024,683</u>	<u>9,017</u>	<u>3,033,700</u>	<u>2,972,778</u>	<u>2,984,784</u>	<u>12,006</u>

		December 31, 2010	December 31, 2009
		Rupees in '000	
11.5 Particulars of write-offs			
11.5.1	Against provisions	-	4,529
	Directly charged to profit and loss account	-	-
		-	4,529
11.5.2	Write-offs of Rs. 500,000 and above	-	4,529
	Write-offs of Rs. below Rs. 500,000	-	-
		-	4,529

11.5.3 Details of loan write-off or other financial relief 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, 2010 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, 2010	December 31, 2009
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	554,180	543,378
	Loans granted during the year	129,109	132,752
	Repayments	(62,891)	(121,950)
	Balance at end of year	620,398	554,180
12.	OPERATING FIXED ASSETS		
	Capital work-in-progress	85,392	67,661
	Property and equipment	1,028,122	946,008
	Intangible assets	8,040	1
		1,121,554	1,013,670
12.1	Capital work-in-progress		
	Leasehold improvements	45,801	41,382
	Office equipments	38,020	23,447
	Advances to suppliers and contractors	1,571	2,832
		85,392	67,661

12.2 Property and equipment

Description	COST / REVALUATION			ACCUMULATED DEPRECIATION				Depreciation Rate (%)
	As at January 1, 2010	Additions / (Disposals)/ Adjustment	As at December 31, 2010	As at January 1, 2010	Charge for the year/ Adjustment/ Depreciation on disposals	As at December 31, 2010	Book Value as at December 31, 2010	
-----Rupees in '000-----								
Free hold land (12.2.1)	807,298	-	807,298	-	-	-	807,298	-
Building on free hold land	11,620	-	11,620	8,952	268	9,220	2,400	10
Building on other land	1,964	-	1,964	1,632	33	1,665	299	10
Furniture and fixture	95,532	30,741 (2,841)	123,432	50,482	8,554 (2,124)	56,912	66,520	10 - 20
Office equipment	135,474	50,692 (2,272)	183,894	84,472	15,234 (360)	99,346	84,548	10 - 20
Vehicles	64,489	2,966 (41,047)	26,408	25,081	5,437 (19,625)	10,893	15,515	20
Library books	607	84	691	357	30	387	304	10
Renovation / Premesis	-	60,721	60,721	-	9,483	9,483	51,238	20
	1,116,984	145,204 (46,160)	1,216,028	170,976	39,039 (22,109)	187,906	1,028,122	

Description	COST / REVALUATION			ACCUMULATED DEPRECIATION				Depreciation Rate (%)
	As at January 1, 2009	Additions / (Disposals)/ Adjustment	As at December 31, 2009	As at January 1, 2009	Charge for the year/ Adjustment/ Depreciation on disposals	As at December 31, 2009	Book Value as at December 31, 2009	
-----Rupees in '000-----								
Free hold land (12.2.1)	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
	307,707	819,644 (10,367)	1,116,984	155,322	23,998 (8,344)	170,976	946,008	

12.2.1 Revaluation of freehold land

The freehold land was revalued by an independent professional valuer M/s Amir Evaluators and Consultants on June 20, 2009. The valuation was carried out on the basis of professional assessment of present market values and resulted in a surplus of Rs. 765.740 million. Had there been no revaluation, the carrying amount of revalued land would have been Rs. 41.558 million.

12.2.2 Details of disposals of fixed assets

The details of assets disposed off during the year, having original cost or the book value exceeding Rs. 1 million or Rs. 0.250 million, (whichever is lower) are as follows:

Description	Cost	Accumulated Depreciation	Net Book Value	Sale proceeds	Mode of Disposal	Particulars of Purchaser
Rupees in '000						
Furniture and fixtures						
Furniture and fixtures	1,140	1,051	89	43	Auction	M/s National Traders Mardan
Vehicles						
Honda City	853	269	584	812	Auction	Mr. Shabbir A. Sheikh
Honda City	878	277	601	812	Auction	Mr. Khursheed Alam
Honda City	994	204	790	875	Auction	Mr. Jahanzaib Khan
Honda City	994	204	790	852	Auction	Mr. Zahoor Khan
Honda City	994	204	790	891	Auction	Mr. Suleman Akhtar
Honda City	846	463	383	741	Auction	Mr. Masood A. Wahedna
Honda City	853	269	584	825	Auction	Mr. Tamsil Rashid
Honda City	853	269	584	825	Auction	Mr. Naushad Ahmad
Honda City	878	277	601	825	Auction	Mr. Sohail Khan
Honda City	878	277	601	825	Auction	Mr. Rahat Gul
Honda City	853	269	584	825	Auction	Mr. Muhammad Tariq Naseem
Suzuki Cultus	590	192	398	600	Auction	Mr. Shakir ur Rehman
Suzuki Cultus	758	76	682	696	Auction	Mr. Farooq Sattar
Suzuki Cultus	758	76	682	725	Auction	Mr. Abid Qureshi
Suzuki Cultus	758	76	682	725	Auction	Mr. Shaukat Ali
Suzuki Cultus	772	77	695	750	Auction	Mr. Muhammad Saleh
Suzuki Alto	596	60	536	580	Auction	Mr. Muhammad Imtiaz
Suzuki Alto	596	60	536	552	Auction	Mr. Mehboob ur Rashid
Suzuki Alto	480	152	328	530	Auction	Mr. Inayat Ullah
Suzuki Alto	617	126	491	533	Auction	Mr. Abid Saleem Kundi
Suzuki Alto	596	60	536	570	Auction	Mr. Sami ur Rehman
Suzuki Alto	595	95	500	570	Auction	Mr. Saleem Ullah Khan
Toyota Corolla	999	205	794	1,025	Auction	Mr. Arbab Riaz Ahmad
Honda City	994	204	790	875	Auction	Mr. Dilawar Khan
Suzuki Cultus	590	172	418	630	Auction	Mr. Jamshed Khan
Suzuki Cultus	585	146	439	552	Auction	Mr. Laiq ur Rehman
Suzuki Alto	480	152	328	502	Auction	M/s Muhammad Builders
Suzuki Cultus	590	186	404	643	Auction	Mr. Tariq Iqbal
Suzuki Cultus	590	186	404	608	Auction	Mr. Yasir Khan
Suzuki Cultus	590	186	404	640	Auction	Mr. Muhammad Kaif
Suzuki Alto	613	61	552	529	Auction	Mr. Ikramullah
Suzuki Alto	595	95	500	536	Auction	Mr. Farmanullah Khan
Suzuki Alto	480	156	324	511	Auction	M/s Muhammad Builders
Suzuki Alto	596	60	536	560	Auction	Mr. Ghulam Server
	24,692	5,841	18,851	23,550		

12.3 Intangible assets

Description	COST			ACCUMULATED AMORTISATION				Amortization Rate (%)
	As at January 1	Additions / (Disposals)/ Adjustments	As at December 31	As at January 1	Charge for the year	As at December 31	Book Value as at December 31	
-----Rupees in '000-----								
Software 2010	-	9,980	9,980	-	1,940	1,940	8,040	33.33%
Software 2009	-	-	-	-	-	-	-	33.33%

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 investments	153,605	117,531
Provision for diminution in the value of investments	62,845	70,806
Provision for non performing loans	180,681	279,070
Provision for other assets	3,448	4,367
Provision for Workers Welfare Fund	9,947	-
Capital loss carried forward	26,459	-
Stabilization reserve	32,528	17,703
	473,023	492,987

Deferred tax liability arising in respect of:

Accelerated tax depreciation	(19,506)	(17,560)
Surplus on revaluation of investment	(10,197)	(19,007)
	(29,703)	(36,567)

Deferred tax asset - net

	December 31, 2010	December 31, 2009
	Rupees in '000	
	443,320	456,420

13.1 Deferred tax asset-net

	Balance as at January 1, 2009	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2009	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2010
Deferred tax asset arising in respect of							
Provision for balances with other banks	3,510	-	-	3,510	-	-	3,510
Deficit on revaluation of investments	282,615	-	(165,084)	117,531	-	36,074	153,605
Provision for diminution in the value of investments	14,859	55,947	-	70,806	(7,961)	-	62,845
Provision for non performing loans	-	279,070	-	279,070	(98,389)	-	180,681
Provision for other assets	4,367	-	-	4,367	(919)	-	3,448
Tax losses	99,560	(99,560)	-	-	-	-	-
Capital loss carried forward	-	-	-	-	26,459	-	26,459
Provision for Workers Welfare Fund	-	-	-	-	9,947	-	9,947
Losses on reclassification of held for trading investments	7,718	(7,718)	-	-	-	-	-
Stabilization reserve	9,378	8,325	-	17,703	14,825	-	32,528
	<u>422,007</u>	<u>236,064</u>	<u>(165,084)</u>	<u>492,987</u>	<u>(56,038)</u>	<u>36,074</u>	<u>473,023</u>
Deferred tax liability arising in respect of:							
Accelerated tax depreciation	(18,375)	815	-	(17,560)	(1,946)	-	(19,506)
Surplus on revaluation of investment	(6,959)	-	(12,048)	(19,007)	-	8,810	(10,197)
	<u>(25,334)</u>	<u>815</u>	<u>(12,048)</u>	<u>(36,567)</u>	<u>(1,946)</u>	<u>8,810</u>	<u>(29,703)</u>
Deferred tax asset - net	<u><u>396,673</u></u>	<u><u>236,879</u></u>	<u><u>(177,132)</u></u>	<u><u>456,420</u></u>	<u><u>(57,984)</u></u>	<u><u>44,884</u></u>	<u><u>443,320</u></u>

	Note	December 31, 2010	December 31, 2009
14. OTHER ASSETS		Rupees in '000	
Income / Mark-up accrued in local currency		897,912	654,321
Advances, deposits, advance rent and other prepayments		186,847	195,427
Advance taxation (payments less provisions)		402,079	584,879
Receivable from gratuity fund	33.2	-	18,054
Non - banking assets acquired in satisfaction of claims	14.1	408,398	408,398
Stationery and stamps on hand		7,892	3,831
Inventories	14.2 & 22.2	130,584	38,990
Receivables against sale of securities		32,523	34,334
Others		64,854	23,574
		2,131,089	1,961,808
Less: Provision held against other assets	14.3	137,220	139,847
		1,993,869	1,821,961

14.1 The market value of non-banking assets approximates to their carrying value net of provision, i.e., amounting to Rs. 380.96 million (2009: 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, 2010	December 31, 2009
14.3 Provision held against other assets		Rupees in '000	
Opening balance		139,847	93,728
Charge for the year	27	-	50,000
Amounts written off		(2,627)	(3,881)
Closing balance		137,220	139,847
15. BILLS PAYABLE			
In Pakistan		280,665	229,973
Outside Pakistan		-	-
		280,665	229,973
16. BORROWINGS			
In Pakistan		2,889,694	5,131,842
Outside Pakistan		5,065	15,194
		2,894,759	5,147,036



	Note	December 31, 2010	December 31, 2009	
		Rupees in '000		
16.1	Particulars of borrowings with respect to currencies			
	In local currency	2,894,759	5,147,036	
	In foreign currencies	-	-	
		<u>2,894,759</u>	<u>5,147,036</u>	
16.2	Details of borrowings Secured / Unsecured			
	Secured			
	Borrowings from State Bank of Pakistan:			
	Under export refinance scheme	16.2.1	616,720	501,346
	Long-term financing - export oriented project scheme	16.2.2	500	3,592
			<u>617,220</u>	<u>504,938</u>
	Repurchase agreement borrowings	16.2.3	2,272,474	4,176,904
			<u>2,889,694</u>	<u>4,681,842</u>
	Unsecured			
	Call borrowings		-	450,000
	Foreign credit line	16.3	5,065	15,194
			<u>5,065</u>	<u>465,194</u>
			<u>2,894,759</u>	<u>5,147,036</u>

16.2.1 The Bank has entered into agreements for financing with the SBP 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% (2009: 7%) 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 loans carries markup at the rate of 7% (2009: 7%) per annum.

16.2.3 Repurchase agreements with financial institutions carries interest rate ranging from 12.70% to 13.90% per annum (2009: 11.95% to 12.20%) with maturities upto March 1, 2011 and are secured by way of investments given as collateral as referred in note 10.1.

		December 31, 2010	December 31, 2009
		Rupees in '000	
16.3	Foreign credit line		
	Opening balance	15,194	25,323
	Repaid during the year	(10,129)	(10,129)
	Closing balance	<u>5,065</u>	<u>15,194</u>

16.3.1 The amount of facility granted by Kreditanstalt für Wiederaufbau (KfW) is DM 5 million which was fully availed up to December 31, 1999. The facility from KfW has been received through the Government of Khyber Pakhtunkhwa, 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 Khyber Pakhtunkhwa. The principal shall be repaid in Pakistan Rupees to the Government of Khyber Pakhtunkhwa, 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, 2010	December 31, 2009
	Rupees in '000	
17. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	15,973,975	11,832,378
Savings deposits	13,528,160	9,247,831
Current accounts - Non-remunerative	5,610,251	3,907,114
Call deposits	443,888	409,980
Margin and sundry deposits	675,025	618,405
	36,231,299	26,015,708
Financial Institutions		
Remunerative deposits	750,025	269,500
Non-remunerative deposits	27	586
	750,052	270,086
	36,981,351	26,285,794
17.1 Particulars of deposits		
In local currency	36,692,539	25,970,991
In foreign currencies	288,812	314,803
	36,981,351	26,285,794
18. OTHER LIABILITIES		
Mark-up / Return / Interest payable in local currency	602,817	799,930
Mark-up / Return / Interest payable in foreign currency	542	485
Unearned commission and income on bills discounted	20,099	28,665
Accrued expenses	24,535	43,997
Branch adjustment account	74,461	30,105
Payable to gratuity fund	936	-
Share subscription money refund	885	885
Mark-up in suspense	80,572	93,553
Deferred income on murabaha	56,380	37,489
Security deposits against ijarah	102,749	111,387
Payable to Worker's Welfare Fund	28,421	15,870
Payable against purchase of security	199,650	-
Others	45,108	23,104
	1,237,155	1,185,470

19. SHARE CAPITAL

19.1 Authorized capital

December 31, 2010	December 31, 2009	Note	December 31, 2010	December 31, 2009
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	100,101,700	Issued as fully paid bonus shares	1,001,017	1,001,017
<u>500,400,148</u>	<u>500,400,148</u>	19.2.1 & 19.2.2	<u>5,004,001</u>	<u>5,004,001</u>

19.2.1 As at December 31, 2010, the paid-up capital (net of losses) of the Bank amounts to Rs. 5,004.001 million which is below the minimum regulatory capital requirement of Rs. 7,000 million as prescribed by the 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 December 31, 2010 from the SBP.

19.2.2 At December 31, 2010, the Government of Khyber Pakhtunkhwa, held 255,259,396 (2009: 255,259,396) ordinary shares of Rs. 10 each.

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

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
20.			
SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS			
(Deficit) / Surplus on revaluation of available-for-sale securities			
Federal government securities			
		(32,887)	(4,140)
		(382,592)	(298,248)
		38,062	(29,200)
		(26,744)	(28,442)
		3,353	3,500
		55,893	197,990
		8,021	(8,060)
	10.1 & 10.2	<u>(336,894)</u>	<u>(166,600)</u>
Surplus on revaluation of fixed assets			
	12.2.1	765,740	765,740
		428,846	599,140
		143,408	98,524
		<u>572,254</u>	<u>697,664</u>
21.			
CONTINGENCIES AND COMMITMENTS			
21.1			
Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring;			
		-	-
		142,251	163,812
		<u>142,251</u>	<u>163,812</u>
21.2			
Transaction-related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favouring;			
	Note	December 31, 2010	December 31, 2009
Rupees in '000			
		3,133,843	2,495,029
		2,106,312	2,497,713
	21.2.1	<u>5,240,155</u>	<u>4,992,742</u>

21.2.1 The above amount includes expired letters of guarantee aggregating to Rs. 318.180 million as at December 31, 2010 (2009: Rs. 785.307 million) for which the formalities relating to return of the original documents are in process.

	December 31, 2010	December 31, 2009
	Rupees in '000	
21.3 Trade-related contingent liabilities		
Letters of credit		
Sight	1,471,027	829,811
Usance	193,198	322,824
	1,664,225	1,152,635
Acceptances	101,176	201,587
	<u>1,765,401</u>	<u>1,354,222</u>
21.4 Commitments in respect of forward exchange contracts		
Purchase	<u>79,792</u>	<u>211,076</u>
Sale	<u>80,717</u>	<u>52,924</u>

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, 2010	December 31, 2009
	Rupees in '000	
21.5 Other commitments		
Bills for collection		
Inland bills	29,627	46,461
Foreign bills	222,358	145,105
	<u>251,985</u>	<u>191,566</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 or expense if the facility is unilaterally withdrawn.

21.7 Commitment for the acquisition of operating fixed assets

Commitments as on reporting date amounts to Rs. 15.068 million (2009: 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. 607.700 million may arise in respect of disallowance of provisions against non-performing advances for the tax years 2005, 2006, 2007, 2008 and 2009, [accounting years ended December 31, 2004, 2005, 2006, 2007 and 2008.

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, 2010. 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 mark-up 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 cases have been adjusted whereas payments in 4 cases are being received in terms of settlement agreement. The remaining one case, decided by CRC, against payment of Rs 8.058 million could not be implemented by the customer and the Bank, after cancellation of settlement, has gone into litigation against the party for recovery of the balance decretal amount.



	Note	December 31, 2010	December 31, 2009
		Rupees in '000	
22. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers			
- Profit on murabaha financing	22.1	170,080	79,011
- Mark-up / return / interest earned on other facilities		1,929,251	1,466,146
		2,099,331	1,545,157
On investments in:			
Held-for-trading		49,959	11,703
Available-for-sale securities		1,669,939	1,250,036
Held-to-maturity securities		191,824	136,460
		1,911,722	1,398,199
On deposits with financial institutions		158,911	382,623
On securities purchased under resale agreements		37,191	64,035
		4,207,155	3,390,014
22.1 Profit on murabaha financing			
Murabaha sale price		2,168,364	1,081,160
Less: purchase price	22.2	1,979,394	997,549
		188,970	83,611
Less: deferred murabaha income		18,890	4,600
		170,080	79,011
22.2 Purchase price			
Opening stock		38,990	10,277
Purchase price		2,070,988	1,026,262
Less: Closing stock	14	130,584	38,990
		1,979,394	997,549
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		2,253,440	1,921,501
Securities sold under repurchase agreement borrowings		596,133	421,470
Other short-term borrowings		73,891	44,601
Long-term borrowings		1,393	2,507
Others		209	309
		2,925,066	2,390,388

	Note	December 31, 2010	December 31, 2009
Rupees in '000			
24. (LOSS) / GAIN ON SALE OF SECURITIES			
Federal Govt. Securities		(10,541)	16,409
Shares		(327,748)	33,658
Term finance certificates		(9,393)	8,122
Mutual funds		61,748	8,959
		(285,934)	67,148
25. OTHER INCOME			
Gain on sale of operating fixed assets		12,013	2,853
Others		53,993	67,043
		66,006	69,896
26. ADMINISTRATIVE EXPENSES			
Salaries and allowances		500,752	362,703
Charge for defined benefit plan	33.6	18,990	20,966
Contribution to defined contribution plan - Provident Fund	34	22,833	17,362
Rent, taxes, insurance, electricity, etc.		121,484	85,174
Legal and professional charges		18,349	19,146
Communications		34,187	33,298
Repairs and maintenance		14,614	10,801
Stationery and printing		14,869	14,117
Advertisement and publicity		20,303	13,717
Donations	26.1	123	2,643
Auditors' remuneration	26.2	3,856	3,402
Depreciation	12.2	39,039	23,998
Amortisation		1,940	-
Public offer expenses		1,233	4,998
Brokerage and commission		6,647	3,510
Entertainment		11,152	9,641
Travelling, boarding and lodging		26,472	20,328
Vehicle expenses		16,491	18,662
Newspapers and periodicals		907	717
Training		4,981	4,447
Sports		27	211
Others		64,431	49,612
		943,680	719,453

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. No donations in excess of Rs. 100,000 were paid to a single party during the year.



	Note	December 31, 2010	December 31, 2009
Rupees in '000			
26.2	Auditors' remuneration		
	Audit fee	1,500	1,300
	Fee for half-yearly review	646	560
	Special certifications and sundry advisory services	1,075	1,130
	Out-of-pocket expenses	635	412
		3,856	3,402
27.	OTHER PROVISIONS / (REVERSALS) / WRITE OFFS		
	(Reversal) / provision against lendings to financial institutions	9.5 (5,705)	135,500
	Provision against other assets	14.3 -	50,000
		(5,705)	185,500
28.	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	599	3,665
	Workers welfare fund	12,817	11,661
		13,416	15,326
29.	TAXATION		
	Current - for the year	89,631	75,292
	- for the prior years	2,040	-
	Deferred tax	57,984	(236,879)
		149,655	(161,587)
29.1	Relationship between tax expense and accounting profit		
	Profit / (Loss) before taxation	713,141	(798,770)
	Tax at the applicable rate of 35% (2009: 35%)	249,599	(279,570)
	Tax effect of dividend income taxed at different rate	(18,712)	(29,365)
	Effect of different tax rates used	(139,545)	139,869
	Loss on reclassification of held for trading investments	-	7,718
	Tax effect of capital loss carried forward	66,147	-
	Prior year tax	2,040	-
	Tax effect of unused tax losses	-	5,674
	Others	(9,874)	(5,913)
		149,655	(161,587)

	Note	December 31, 2010	December 31, 2009
30. EARNINGS PER SHARE - BASIC AND DILUTED			
		Rupees in '000	
Profit for the year		563,486	(637,183)
		Number of shares	
Weighted average number of ordinary shares	19.2	500,400,148	500,400,148
		Rupees	
Earnings per share - Basic and Diluted		1.13	(1.27)
There is no dilution effect on basic earnings per share.			
31. CASH AND CASH EQUIVALENTS			
		Rupees in '000	
Cash and balance with treasury banks		5,079,720	1,542,102
Balance with other banks		1,502,684	2,403,698
		6,582,404	3,945,800
32. STAFF STRENGTH			
Permanent		795	637
Temporary / on contractual basis		398	119
Daily wagers		5	6
		1,198	762
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 6.8.1 to these financial statements.		
33.2			
		Rupees in '000	
Reconciliation of (payable) / receivable from defined benefit plan			
Present value of defined benefit obligations	33.3	(173,454)	(154,302)
Fair value of plan assets	33.4	172,518	172,356
		(936)	18,054



	Note	December 31, 2010	December 31, 2009
Rupees in '000			
33.3	Movement in payable to defined benefit obligation		
	Opening balance	(154,302)	(135,724)
	Current service cost	(20,334)	(15,144)
	Interest cost	(18,516)	(10,625)
	Actuarial gains / losses	9,216	(5,370)
	Benefits paid during the year	10,482	12,561
	Closing balance	<u>(173,454)</u>	<u>(154,302)</u>
33.4	Movement in fair value of plan assets		
	Fair value at the beginning of the year	172,356	174,744
	Expected return on plan assets	20,682	26,212
	Benefits paid by the fund	(10,482)	(12,561)
	Actuarial loss on plan assets	(10,038)	(16,039)
	Fair value at the end of the year	<u>172,518</u>	<u>172,356</u>
33.5	Movement in (payable) / receivable to defined benefit plan		
	Opening balance	18,054	39,020
	Charge for the year	33.6 (18,990)	(20,966)
	Closing balance	<u>(936)</u>	<u>18,054</u>
33.6	Amount charged to profit and loss		
	Current service cost	(20,334)	(15,144)
	Interest cost	(18,516)	(10,625)
	Expected return on plan assets	20,682	26,212
	Actuarial losses recognized in the year	(822)	(21,409)
		<u>(18,990)</u>	<u>(20,966)</u>
33.7	Actual return on plan assets		
	The actual return earned on the assets during the year are:		
	Expected return on plan assets	20,682	26,212
	Actuarial loss on plan assets	(10,038)	(16,039)
		<u>10,644</u>	<u>10,173</u>

	December 31, 2010	December 31, 2009
33.8 Components of plan assets as a percentage of total plan assets		
Government securities	14.91%	12.46%
Units of mutual funds	17.39%	14.14%
Placements with other financial institutions	22.58%	7.06%
Others (including bank balances)	45.12%	66.34%
	100%	100%

33.9 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2010. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the gratuity fund.

	December 31, 2010	December 31, 2009
Discount rate	13%	12%
Expected rate of return on plan assets	12%	15%
Expected rate of salary increase	12%	11%
Number of employees covered under retirement benefit plan	795	630
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, 2011 would be Rs. 23.522 million.

33.11 Five year data of defined benefit plan and experience adjustments

	Rupees in '000				
	2010	2009	2008	2007	2006
Present value of defined obligations	(173,454)	(154,302)	(135,725)	(77,977)	(70,832)
Fair value of plan assets	172,518	172,356	174,745	175,143	151,903
(Deficit) / surplus	(936)	18,054	39,020	97,166	81,071

	Rupees in '000				
	2010	2009	2008	2007	2006
Experience adjustment arising on plan liabilities (gain/loss)	9,216	(5,370)	(43,073)	2,147	(4,624)
Experience adjustment arising on plan assets (loss/gain)	(10,038)	(16,039)	(11,020)	Nil	Nil

34. DEFINED CONTRIBUTION PLAN

During the year, the Bank has contributed Rs. 22.833 million (2009: Rs. 17.362 million) to the provident fund.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Directors		Executives	
	2010	2009	2010	2009	2010	2009
-----Rupees in '000-----						
Fees	-	-	575	1,522	-	-
Managerial remuneration	4,620	4,545	2,520	2,250	30,541	14,774
Charge for defined benefit plan	-	-	-	-	5,090	2,462
Contribution to defined contribution plan	-	-	-	-	4,581	2,216
Rent and house maintenance	528	520	360	322	9,305	6,648
Utilities	185	65	252	225	3,102	2,216
Medical	197	74	56	-	3,102	2,216
Bonus	193	-	105	-	15,271	14,774
Conveyance / car benefit allowance / fuel	577	479	455	303	20,907	504
Others	645	440	296	210	11,133	14,774
	6,945	6,123	4,619	4,832	103,032	60,584
Number of persons	1	1	8	7	45	24

35.1 The Managing Director, an executive director and certain executives have been provided with Bank maintained car in accordance with the terms of their employment.

35.2 The fee is paid to non-executive directors for attending meetings.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of traded investments other than those classified as held to maturity is based on quoted market prices. Fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per their latest available audited 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 6.4.

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 statements of financial position 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 statements of financial position 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, 2010				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	-----Rupees in '000-----				
Total income	448,551	2,209,504	205,513	1,403,264	4,266,832
Total expenses	1,299,936	451,901	408,279	1,543,230	3,703,346
Net income (loss)	(851,385)	1,757,603	(202,766)	(139,966)	563,486
Segment assets	13,994,672	19,797,341	2,176,707	18,670,326	54,639,046
Segment non performing loans	506,378	47,365	95,605	3,468,233	4,117,581
Segment provision required	342,477	18,325	87,344	2,585,554	3,033,700
Segment liabilities	14,319,144	2,885,089	5,044,214	19,145,483	41,393,930
Segment return on net assets (ROA) (%)	(6.08%)	8.88%	(9.32%)	(0.75%)	
Segment cost of funds (%)	9.08%	15.66%	8.09%	8.06%	

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	1,129,507	1,654,808	85,153	1,541,431	4,410,899
Net income (loss)	(540,003)	(67,459)	209,642	(239,363)	(637,183)
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) (%)	(7.99%)	(0.42%)	19.68%	(2.00%)	
Segment cost of funds (%)	10.17%	25.59%	22.98%	10.34%	

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 Khyber Pakhtunkhwa), associate, directors, key management personnel, staff retirement benefit plan and other related parties.

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, 2010		December 31, 2009	
	Directors and key management personnel	Other related parties	Directors and key management personnel	Other related parties
-----Rupees in '000-----				
Advances				
At the beginning of the year	91,395	-	29,590	-
Disbursed during the year	36,855	-	66,475	-
Repaid during the year	(5,464)	-	(4,670)	-
At the end of the year	<u>122,786</u>	<u>-</u>	<u>91,395</u>	<u>-</u>
Deposits				
At the beginning of the year	4,532	110,940	2,823	23,783
Deposited during the year	121,761	250,419	85,213	506,205
Repaid during the year	(119,260)	(339,211)	(83,504)	(419,048)
At the end of the year	<u>7,033</u>	<u>22,148</u>	<u>4,532</u>	<u>110,940</u>
Transactions, income and expenditure				
Profit earned on Financings	1,898	-	440	-
Return on deposits expensed	285	5,121	319	3,548
Fee	575	-	1,522	-


- 39.3 Although the Government of Khyber Pakhtunkhwa holds 51% shares of the Bank (2009: 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

The Basel II Framework is applicable to the Bank whereby the Standardized Approach for reporting Capital Adequacy is currently implemented. Under the said approach, credit risk and market risk exposures are measured using the Standardized Approach and operational risk is measured using the Basic Indicator Approach.

The Bank's capital adequacy is reported using the rules and ratios provided by the State Bank of Pakistan.

The capital adequacy ratio is a measure of the amount of a Bank's capital expressed as a percentage of its risk weighted assets. Measuring capital adequacy requires risk mitigants to be applied to the amount of assets shown on a Bank's statement of financial position. These assets are then applied weightages according to the degree of inherent risk. The capital adequacy ratios compare the amount of eligible capital with the total of risk-weighted assets (RWAs).



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%. The required capital adequacy ratio (10% of the risk-weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and settlement and composition of asset mix with low risk.

40.1 Capital management

The Bank's objectives when managing its capital are:

- a) To comply with the capital requirements set by the SBP;
- b) 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
- c) To maintain a strong capital base to support the development of its business.

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

- a) Tier 1 capital: share capital, unappropriated profit (net of losses) and reserves created by appropriations of unappropriated profits; and
- b) 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).

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 significant minority investment 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 State Bank has prescribed a minimum paid-up capital requirement (net of losses) of Rs. 7 billion for all Banks to be achieved by December 31, 2010. The Bank is not currently meeting the aforesaid requirement and is in the process of enhancing the capital (refer note 1.2).

Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the SBP that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures. The total risk-weighted exposures comprise of credit risk, market risk and operational risk.

	December 31, 2010	December 31, 2009
40.2 Capital structure	Rupees in '000	
Bank's regulatory capital is analyzed into tiers:		
Tier I Capital		
Fully paid up capital	5,004,001	5,004,001
General reserve	548,039	435,342
Unappropriated profit / (accumulated loss)	52,079	(398,710)
	5,604,119	5,040,633
Deductions		
Significant minority investment (50%)	(20,252)	(20,252)
	5,583,867	5,020,381
Tier II Capital		
General Provisions subject to 1.25% of Total Risk Weighted Assets	9,017	12,006
Significant minority investment (50%)	(20,252)	(20,252)
Revaluation Reserve (upto 45%)	192,981	269,669
	181,746	261,423
Eligible Tier III Capital	-	-
Total regulatory capital base	5,765,613	5,281,804

40.2.1 Advance against subscription of money

The Bank has not included the amount of Advance against shares subscription of Rs. 3,224 million (2009: Rs. 224 million) in the calculation of Capital Adequacy Ratio (CAR) below, as the shares have not been issued. Had the amount was included, the CAR would have been 29.85%.



40.3	Capital Adequacy	Capital Requirements		Risk Weighted Assets	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	Credit Risk	-----Rupees in '000-----			
	Portfolio subject to standardized approach (simple or comprehensive)				
	<u>On-balance sheet</u>				
	Claims on Public Sector Entities in Pakistan	60,795	75,836	607,949	758,355
	Claims on Banks	106,790	124,382	1,067,901	1,243,817
	Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	343	229	3,426	2,292
	Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	4,130	13,659	41,302	136,586
	Claims on Corporate (excluding equity exposures)	1,088,370	870,343	10,883,702	8,703,433
	Claims categorized as retail portfolio	58,036	33,886	580,363	338,858
	Claims fully secured by residential property	23,127	23,303	231,266	233,032
	Past Due loans:				
	where specific provisions are less than 20 per cent of the outstanding amount of the past due claim	123,650	114,150	1,236,502	1,141,498
	where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	18,557	64,351	185,566	643,510
	where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	3,584	3,231	35,841	32,312
	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.	566	762	5,658	7,625
	Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	481	180	4,807	1,800
	Unlisted equity investments (other than that deducted from capital) held in banking book	27,261	9,826	272,613	98,256
	All other assets	355,873	329,205	3,558,743	3,292,051
		1,871,563	1,663,342	18,715,639	16,633,425
	<u>Off- Balance Sheet - Non Market related Exposures</u>				
	Direct Credit Substitutes / Lending of securities or posting of securities as collateral	13,999	246,811	139,980	2,468,112
	Performance related Contingencies	174,211	175,452	1,742,112	1,754,522
	Trade Related contingencies / Other Commitments with original maturity of one year or less	14,882	13,085	148,833	130,848
		203,092	435,348	2,030,925	4,353,482
	<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*	132	65	1,317	653
		132	65	1,317	653
	Total Credit Risk (A)	2,074,787	2,098,755	20,747,882	20,987,560
	Market Risk				
	<u>Capital Requirement for portfolios subject to Standardized Approach</u>				
	Interest rate risk	419,830	550,144	4,198,295	5,501,436
	Equity position risk etc.	278,725	463,498	2,787,249	4,634,980
	Foreign exchange risk etc.	15,235	13,110	152,345	131,104
	Total Market Risk (B)	713,790	1,026,752	7,137,889	10,267,520
	Operational Risk	222,800	194,359	2,227,996	1,943,593
	Basic Indicator Approach-Total of operational risk (C)	222,800	194,359	2,227,996	1,943,593
	Total (A + B + C)	3,011,377	3,319,866	30,113,766	33,198,673
	Capital Adequacy Ratio	December 31, 2010	December 31, 2009		
	Total eligible regulatory capital held	(a) 5,765,613	5,281,804		
	Total Risk Weighted Assets	(b) 30,113,766	33,198,673		
	Capital Adequacy Ratio	(a) / (b) 19.15%	15.91%		

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 special asset management division (SAMD) 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.



		December 31, 2010					
41.1.1 SEGMENTAL INFORMATION		Advances (Gross)		Deposits		Contingencies and Commitments	
41.1.1.1 Segments by class of business		Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
	Acrylic fabrics	-	-	-	-	128,500	1.70
	Agriculture, forestry, hunting and fishing	456,226	2.14	776,749	2.10	81,490	1.08
	Automobile and transportation equipment	838,124	3.94	-	-	86,647	1.15
	Cement	767,357	3.61	-	-	226,029	2.99
	Chemical and pharmaceuticals	767,610	3.61	-	-	96,329	1.27
	Contractors / construction	2,330,317	10.95	3,188,245	8.62	2,271,592	30.05
	CNG stations	406,940	1.91	-	-	334,965	4.43
	Education and health	40,381	0.19	208,135	0.56	328,543	4.35
	Financial	673,277	3.17	1,266,518	3.42	-	-
	Fisheries	295,224	1.39	-	-	-	-
	Food and beverages	337,777	1.59	-	-	4,204	0.06
	Ghee / cooking oil	689,064	3.24	-	-	511,912	6.77
	Individuals	1,526,573	7.18	4,797,667	12.97	52,955	0.70
	Manufacturing of match	317,584	1.49	-	-	50,861	0.67
	Miscellaneous manufacturing	1,104,841	5.19	518,332	1.40	448,384	5.93
	Petrochemicals	165,692	0.78	-	-	114,485	1.51
	Production and transmission of energy	2,023,166	9.51	79,122	0.21	714,000	9.44
	Services	939,370	4.42	57,004	0.15	369,765	4.89
	Sugar	654,187	3.08	-	-	-	-
	Textile	1,450,326	6.82	-	-	249,252	3.30
	Trading	1,061,082	4.99	1,884,667	5.10	201,250	2.66
	Commodity Operation	3,574,992	16.81	-	-	-	-
	Others	851,923	4.00	24,204,912	65.45	1,289,153	17.05
		21,272,033	100.00	36,981,351	100.00	7,560,316	100.00

		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	0.08
	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
		14,820,746	100.00	26,285,794	100.00	6,966,342	100.00

		December 31, 2010					
		Advances (Gross)		Deposits		Contingencies and Commitments	
41.1.1.2 Segment by sector		Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government		4,406,515	20.72	18,457,882	49.91	720,843	9.53
Private		16,865,518	79.28	18,523,469	50.09	6,839,473	90.47
		21,272,033	100.00	36,981,351	100.00	7,560,316	100.00

		December 31, 2009					
		Advances (Gross)		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
		14,820,746	100.00	26,285,794	100.00	6,966,342	100.00

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

	December 31, 2010		December 31, 2009	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	-----Rupees in '000-----			
Agriculture, Forestry, Hunting and Fishing	17,619	9,179	20,926	10,871
Automobile and transportation equipment	237,806	177,976	177,557	177,714
Cement	206,249	151,716	150,000	125,466
Chemical and pharmaceuticals	109,414	109,414	111,894	111,894
Contractors / construction	406,039	130,002	423,296	164,214
Financial	466,000	466,000	850,898	344,508
Fisheries	281,856	281,856	281,856	281,856
Food and beverages	169,077	150,231	204,498	162,065
Footwear and leather garments	134,883	134,883	258,199	258,199
Ghee / cooking oil	204,275	204,275	240,380	225,381
Individuals	105,266	81,020	85,375	59,923
Miscellaneous manufacturing	436,270	200,659	515,462	400,644
Services	246,046	90,017	268,101	88,571
Textile	170,933	162,593	59,348	48,717
Trading	417,304	301,384	449,015	299,239
Others	508,544	373,478	360,354	213,516
	4,117,581	3,024,683	4,457,159	2,972,778

		December 31, 2010		December 31, 2009	
		Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
		-----Rupees in '000-----			
41.1.1.4 Details of non-performing advances and specific provisions by sector					
Public / Government		30,076	-	-	-
Private		4,087,505	3,024,683	4,457,159	2,972,778
		4,117,581	3,024,683	4,457,159	2,972,778

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

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, ECAIs recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) were used for domestic claims. The SBP allows to use Fitch, S&P & Moody's ratings in case of claims on foreign entities but the Bank currently does not have any such claim.

Type of exposures for which each agency is used in the year ended 2010 is presented below:

Exposures	JCR - VIS	PACRA
Corporate	✓	✓
Banks	✓	✓
Sovereigns	✓	✓
SME's	✓	✓
Securitisation	N/A	N/A
Others	N/A	N/A

Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

Eligible cash collaterals under standardized 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.

Exposures	Rating Category Number	Credit Exposures subject to Standardised approach					
		2010			2009		
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
-----Rupees in '000'-----							
Corporate	1	-	-	-	134,169	-	134,169
	2	100,000	-	100,000	650,235	-	650,235
	3 & 4	68,024	-	68,024	201,000	-	201,000
	5 & 6	291,000	-	291,000	150,000	-	150,000
	Unrated	11,225,677	869,499	10,356,178	13,808,967	883,753	12,925,214
Banks	1	2,927,474	-	2,927,474	2,910,906	-	2,910,906
	2 & 3	363,947	-	363,947	718,525	-	718,525
	6	114,310	-	114,310	271,000	-	271,000
With maturity 3 months or less (PKR)		206,512	-	206,512	682,932	-	682,932
With maturity 3 months or less (FCY)	1,2,3	-	-	-	11,461	-	11,461
	Unrated	17,131	-	17,131	3,588,623	-	3,588,623
Retail		773,817	-	773,817	487,078	26,725	460,354
Claims subject to Residential Mortgage		660,760	-	660,760	665,806	-	665,806
Public Sector Entities	1	-	-	-	-	-	-
	2 & 3	-	-	-	45,000	-	45,000
	Unrated	1,215,898	-	1,215,898	2,165,453	71,442	2,094,011
Past Due		1,092,899	-	1,092,899	1,484,383	-	1,484,383
Others		3,558,743	-	3,558,743	3,578,339	-	3,578,339

CRM = Credit Risk Mitigation

41.2.2 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, 2010			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
-----Rupees in '000'-----				
Pakistan	713,141	50,794,303	9,400,373	7,560,316
Outside Pakistan	-	-	-	-
	<u>713,141</u>	<u>50,794,303</u>	<u>9,400,373</u>	<u>7,560,316</u>
	December 31, 2009			
	Loss 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>

41.4 Market risk

Market Risk is the risk of loss due to on and off balance sheet positions arising out of changes in market prices such as 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. Treasury Middle Office is responsible to evaluate market risk in general activities of treasury operations and risks due market factor changes impacting trading book positions. 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, 2010			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	-----Rupees in '000-----			
Pakistan rupee	50,352,337	41,104,576	(1,792,561)	7,455,200
United States dollar	332,208	210,468	1,637,419	1,759,159
Great Britain pound	61,294	42,847	274	18,721
Japanese yen	3,641	-	17,288	20,929
Euro	42,302	36,039	137,580	143,843
Other currencies	2,521	-	-	2,521
	50,794,303	41,393,930	-	9,400,373

	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)	4,368,068
United States dollar	299,103	181,954	1,172,464	1,289,613
Great Britain pound	54,221	47,040	1,860	9,041
Japanese yen	1,443	-	131,551	132,994
Euro	30,861	27,054	157,250	161,057
Other currencies	1,524	-	-	1,524
	38,810,570	32,848,273	-	5,962,297

41.4.2 Equity position risk

The risk of potential losses for the financial institutions because of frequent changes in market value of its Equity and Trading Book. The Bank's equity position is governed by SBP limits for overall investment and per scrip exposure. In addition, ALCO keep a vigilant eye on the price fluctuation of the shares and take corrective measures to reduce the losses.

41.4.3 Mismatch of interest rate sensitive assets and liabilities

Yield risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Bank is exposed to yield / interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off balance sheet instruments that mature or re-price in a given period. The Bank manages this risk by matching the re-pricing of assets and liabilities and off-balances sheet instruments. The Bank's yield / interest rate sensitivity position, based on the maturity date, is as follows:

		December 31, 2010										
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments	
		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												
Financial assets												
	Cash and balances with treasury banks	5,079,720	222,847	-	-	-	-	-	-	-	-	4,856,873
5.25%	Balances with other banks	1,502,684	223,643	-	-	-	-	-	-	-	-	1,279,041
9.56%	Lending to financial institutions	2,562,093	1,967,397	366,076	-	-	-	-	-	-	-	-
6.96%	Investments	19,852,730	1,111,412	1,253,199	7,210,133	700,707	2,663,794	3,596,277	762,242	2,010,119	38,321	506,526
13.77%	Advances	18,238,333	3,794,316	1,663,377	1,011,079	3,200,381	2,808,761	1,423,154	1,711,900	1,513,917	1,111,448	-
	Other assets	1,052,808	-	-	-	-	-	-	-	-	-	1,052,808
	48,288,368	7,319,615	3,282,652	8,221,212	3,901,088	5,472,555	5,019,431	2,702,762	3,524,036	1,149,769	7,695,248	
Financial liabilities												
	Bills payable	280,665	-	-	-	-	-	-	-	-	-	280,665
7.55%	Borrowings	2,894,759	1,638,580	1,011,076	245,103	-	-	-	-	-	-	-
	Deposits and other accounts	36,981,351	12,372,229	3,044,716	3,412,832	9,446,776	1,635,268	729,911	217,579	11,656	56,218	6,054,166
	Other liabilities	1,131,321	-	-	-	-	-	-	-	-	-	1,131,321
	41,288,096	14,010,809	4,055,792	3,657,935	9,446,776	1,635,268	729,911	217,579	11,656	56,218	7,466,152	
	7,000,272	(6,691,194)	(773,140)	4,563,277	(5,545,688)	3,837,287	4,289,520	2,485,183	3,512,380	1,093,551	229,096	
Off-balance sheet financial instruments												
	Commitments in respect of forward exchange contracts - purchase	79,792	-	-	-	-	-	-	-	-	-	79,792
	Commitments in respect of forward exchange contracts - sale	80,717	-	-	-	-	-	-	-	-	-	80,717
	(925)	-	-	-	-	-	-	-	-	-	(925)	
	Total Yield/Interest Risk Sensitivity Gap	(6,691,194)	(773,140)	4,563,277	(5,545,688)	3,837,287	4,289,520	2,485,183	3,512,380	1,093,551	-	
	Cumulative Yield/Interest Risk Sensitivity Gap	(6,691,194)	(7,464,334)	(2,901,057)	(8,446,745)	(4,609,458)	(319,938)	2,165,246	5,677,626	6,771,177	-	

		December 31, 2009										
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments	
		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												
Financial assets												
	Cash and balances with treasury banks	1,542,102	49,103	-	-	-	-	-	-	-	-	1,492,999
7.00%	Balances with other banks	2,403,698	1,334,365	-	-	-	-	-	-	-	-	1,069,333
9.50%	Lending to financial institutions	1,810,846	1,331,846	-	-	-	479,000	-	-	-	-	-
8.00%	Investments	17,925,911	-	896,432	4,106,094	899,254	428,614	344,866	3,181,017	2,279,110	41,807	5,748,717
10.42%	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	-
	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	9,082,689	
Financial liabilities												
	Bills payable	229,973	-	-	-	-	-	-	-	-	-	229,973
11.67%	Borrowings	5,147,036	4,697,036	450,000	-	-	-	-	-	-	-	-
9.10%	Deposits and other accounts	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	
	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	2,813,187	
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
	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	-	

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

	December 31, 2010	December 31, 2009
	Rupees in '000	
Reconciliation of total assets		
Total financial assets	48,288,368	36,290,159
Add: Non financial assets		
Operating fixed assets	1,121,554	1,013,670
Deferred tax asset	443,320	456,420
Other assets	941,061	1,050,321
	<u>2,505,935</u>	<u>2,520,411</u>
Balance as per statement of financial position	<u>50,794,303</u>	<u>38,810,570</u>
Reconciliation of total liabilities		
Total financial liabilities	41,288,096	32,766,249
Add: Non financial liabilities		
Deferred tax liabilities	-	-
Other liabilities	105,834	82,024
	<u>105,834</u>	<u>82,024</u>
Balance as per statement of financial position	<u>41,393,930</u>	<u>32,848,273</u>

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 months).

The Bank's liquidity position is managed by ALCO. The Committee monitors the maintenance of Statement of Financial Position 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 funding strategy and diversification of its funding base.

41.5.1 Maturities of assets and liabilities

December 31, 2010										
Total	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-----										
Assets										
Cash and balances with treasury banks	5,079,720	5,079,720	-	-	-	-	-	-	-	
Balances with other banks	1,502,684	1,502,684	-	-	-	-	-	-	-	
Lending to financial institutions	2,562,093	1,967,397	366,076	-	-	-	228,620	-	-	
Investments	19,852,730	1,563,692	1,253,199	7,210,133	700,707	2,718,040	762,242	2,010,119	38,321	
Advances	18,238,333	3,794,316	1,663,377	1,011,079	3,200,381	2,808,761	1,423,154	1,711,900	1,111,448	
Operating fixed assets	1,121,554	-	-	-	-	-	270,212	44,044	807,298	
Deferred tax assets	443,320	-	-	-	-	443,320	-	-	-	
Other assets	1,993,869	791,942	97,377	130,584	186,847	409,971	-	377,148	-	
	<u>50,794,303</u>	<u>14,699,751</u>	<u>3,380,029</u>	<u>8,351,796</u>	<u>4,087,935</u>	<u>6,380,092</u>	<u>5,019,431</u>	<u>2,972,974</u>	<u>3,945,228</u>	<u>1,957,067</u>
Liabilities										
Bills payable	280,665	279,478	1,184	3	-	-	-	-	-	
Borrowings	2,894,759	1,638,580	1,011,076	245,103	-	-	-	-	-	
Deposits and other accounts	36,981,351	18,426,395	3,044,716	3,412,832	9,446,776	1,635,268	729,911	217,579	11,656	
Other liabilities	1,237,155	677,818	183,321	345,774	936	29,306	-	-	-	
	<u>41,393,930</u>	<u>21,022,271</u>	<u>4,240,297</u>	<u>4,003,712</u>	<u>9,447,712</u>	<u>1,664,574</u>	<u>729,911</u>	<u>217,579</u>	<u>11,656</u>	<u>56,218</u>
Net assets / (liabilities)	<u>9,400,373</u>	<u>(6,322,520)</u>	<u>(860,268)</u>	<u>4,348,084</u>	<u>(5,359,777)</u>	<u>4,715,518</u>	<u>4,289,520</u>	<u>2,755,395</u>	<u>3,933,572</u>	<u>1,900,849</u>
Represented by:										
Share capital	5,004,001									
Reserves	548,039									
Share subscription money	3,224,000									
Unappropriated profit	52,079									
Surplus on revaluation of assets	572,254									
	<u>9,400,373</u>									

December 31, 2009										
Total	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-----										
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	
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	
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	-	
	<u>38,810,570</u>	<u>7,285,954</u>	<u>1,304,044</u>	<u>4,954,761</u>	<u>3,349,410</u>	<u>4,186,572</u>	<u>4,184,580</u>	<u>7,880,267</u>	<u>4,023,281</u>	<u>1,641,701</u>
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	
Other liabilities	1,185,470	920,909	67,586	66,154	14,754	116,067	-	-	-	
	<u>32,848,273</u>	<u>16,945,909</u>	<u>2,978,544</u>	<u>2,817,899</u>	<u>7,195,464</u>	<u>1,513,249</u>	<u>1,014,991</u>	<u>339,949</u>	<u>42,268</u>	<u>-</u>
Net assets / (liabilities)	<u>5,962,297</u>	<u>(9,659,955)</u>	<u>(1,674,500)</u>	<u>2,136,862</u>	<u>(3,846,054)</u>	<u>2,673,323</u>	<u>3,169,589</u>	<u>7,540,318</u>	<u>3,981,013</u>	<u>1,641,701</u>
Represented by:										
Share capital	5,004,001									
Reserves	435,342									
Share Subscription money	224,000									
Accumulated losses	(398,710)									
Surplus on revaluation of assets	697,664									
	<u>5,962,297</u>									

41.6 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This Definition includes legal risk but excludes reputational and strategic risks. 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 03, 2011 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

STATEMENT OF FINANCIAL POSITION - ISLAMIC OPERATIONS

AS AT DECEMBER 31, 2010

ANNEXURE 'A' TO THE FINANCIAL STATEMENT AS REFERRED TO IN NOTE 2.2

The Bank is operating 21 (2009: 18) Islamic banking branches at the end of current year.

	December 31, 2010	December 31, 2009
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	740,522	534,375
Balances with and due from financial Institutions	554,970	1,377,610
Lending to financial institutions	-	20,000
Investments	4,612,539	3,040,878
Financing and receivables		
Murahaba	1,579,798	635,353
Ijarah	267,208	404,211
Ijarah under IFAS-2	271,100	178,467
Musharaka	31,091	31,025
Diminishing musharaka	800,391	700,975
Others	-	3,000
	2,949,588	1,953,031
Less: Provision against non-performing facilities	(37,444)	(65,968)
	2,912,144	1,887,063
Operating fixed assets	86,453	67,947
Other assets	499,076	508,876
	9,405,704	7,436,749
LIABILITIES		
Bills payable	40,525	74,134
Deposits and other accounts		
Current accounts	882,325	1,711,853
Saving accounts	4,181,593	3,560,648
Term deposits	2,218,634	473,606
Others	132,860	81,815
	7,415,413	5,827,922
Deposits from financial institutions - remunerative	281,416	263,825
Deposits from financial institutions - non remunerative	1	1
Other liabilities	310,020	323,889
	8,047,374	6,489,771
NET ASSETS	1,358,330	946,978
REPRESENTED BY		
Islamic Banking Fund	460,000	460,000
Reserves	-	-
Unappropriated profit	898,330	486,853
	1,358,330	946,853
Surplus on revaluation of assets	-	125
	1,358,330	946,978
REMUNERATION TO SHARIAH ADVISOR	850	594
CHARITY FUND		
Opening balance at the start of the year	583	-
Additions during the year	28	583
Payments during the year	(611)	-
Closing balance at the end of the year	-	583

PROFIT AND LOSS ACCOUNT - ISLAMIC OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2010

ANNEXURE 'A' TO THE FINANCIAL STATEMENT AS REFERRED TO IN NOTE 2.2

	December 31, 2010	December 31, 2009
	Rupees in '000	
Markup / return earned	858,664	676,489
Return on deposits and other dues	295,702	241,993
Net markup / return earned	<u>562,962</u>	<u>434,496</u>
Provision against non-performing financing	(28,524)	(13,127)
Provision for diminution in the value of investments	(1,950)	1,950
Bad debts written off directly	-	-
	<u>(30,474)</u>	<u>(11,177)</u>
Net markup / return income after provisions	593,436	445,673
NON MARK-UP INCOME		
Fee, commission and brokerage income	36,718	20,554
Dividend income	-	-
Income from dealing in foreign currencies	7,225	169
Gain on sale of securities	-	-
Other income	12,897	14,470
Total non-markup / interest income	<u>56,840</u>	<u>35,193</u>
	650,276	480,866
OTHER EXPENSES		
Administrative expenses	238,737	181,963
Other charges	62	219
Total non-markup / interest expenses	<u>238,799</u>	<u>182,182</u>
	411,477	298,684
Unappropriated profit brought forward	<u>486,853</u>	<u>188,169</u>
Profit available for appropriation	<u><u>898,330</u></u>	<u><u>486,853</u></u>

**ANNEXURE 'B' TO THE FINANCIAL STATEMENTS AS REFERRED 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 31 DECEMBER 2010**

Rupees in '000'

S. No.	Name and address of the borrower	Name of individual / partners / directors (with NIC number)	Father's / husband's name	Outstanding liabilities at beginning of year				Principal Written-off	"Interest Mark-up Written-off"	"Other Financial Relief Provided"	Total (9+10+11)
				Principal	Interest/ Markup	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1.	G.K. Construction Co Safdar Building G.T. Road, Haripur	1. Gul Faraz Khan 61101-8330082-7	"1. Muhammad Safdar Khan"	2,996	845	-	3,841	-	592	-	592
2.	Deans Industries 115-116, Industrial Estate Jamrud Road, Peshawar.	1. Shiraz-ud-Din 21406-4972340-7 2. Habib-ur-Rehman 17301-5767778-5	1. Taj-ud-Din 2. Taj-ud-Din	9,167	1,635	60	10,862	-	818	-	818
3.	Javed Iqbal Food Grain Dealer New Rampura Gate, Peshawar	1. Javed Iqbal 17301-9997582-9	1. Sheikh M. Saleem	3,800	1,582	67	5,449	-	1,382	-	1,382
4.	Gul Cooking Oil & Vegetable Ghee (Pvt) Ltd. Dargai Malakand Agency	1. Badri Zaman 17301-9011694-1 2. Malik Khan Mast 17301-1232955-5	1. Haji Kabal Khan 2. Malik Zarmash	14,999	3,829	-	18,828	-	4,543	-	4,543
5.	Shobra Silk Center Central City Shaheen Bazar, Peshawar.	1. Haji Wahid Gul 17301-3695322-1	1. Meher Gul	3,500	792	-	4,292	-	1,051	-	1,051
6.	Saspak International 63, Hazrat Shah Plaza, 2nd Floor, Shoba Chowk, Khyber Bazar Peshawar.	1. Shahid Munir 17301-1169685-3	1. Abdur Rauf	15,500	1,836	-	17,336	-	2,216	-	2,216
7.	Shah Particle Board (Pvt) Ltd 101 Amin Mansion G.T. Road, Peshawar	1. Muhammad Luqman Shah 17301-1382731-5 2. Muhammad Sheheryar Shah 17301-2816671-5	1. Suleman Shah 2. Luqman Shah	92,000	7,669	-	99,669	-	8,070	-	8,070
8.	Aamir & Co / Aamir Gillani 17-Gul Mohar Lane, University Town, Peshawar.	1. Aamir Gillani 17301-1433045-9	"1. Iftikhar Hussain Gillani"	1,752	2,470	24	4,246	-	1,236	12	1,248

This annexure does not contain Fiscal Relief to the borrowers in pursuance of Prime Minister's announcement of Fiscal Relief Package to rehabilitate the economic life in Khyber Pakhtunkwa, Federally Administered Tribal Area (FATA) and Provincial Administered Tribal Area (PATA).

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

1. Particulars of investments held in shares of listed companies	December	December	December	December
	31, 2010	31, 2009	31, 2010	31, 2009
Investee	Number of shares		Cost	
Available for sale	Rupees in '000			
Attock Refinery Limited	210,000	425,700	25,810	73,246
Arif Habib Securities Limited	-	62,500	-	7,940
Azam Textile	-	1,000	-	8
Bank Alfalah Limited	570,804	905,578	5,836	18,339
Bank of Punjab Limited	-	77,500	-	2,365
Bosicor Pakistan Limited	-	10,000	-	131
Business and Industrial Insurance Company Limited	500,000	500,000	5,000	5,000
D.G Khan Cement Company Limited	283,559	334,000	8,796	16,999
ECO Pack Limited	-	515,700	-	14,692
Engro Chemical Pakistan Limited	-	400,000	-	74,180
Fauji Cement Company Limited	-	1,479,170	-	33,671
Fauji Fertilizer Bin Qasim (FFC-Jorden) Company Ltd	-	550,000	-	26,253
Jahangir Siddiqui & Company Limited	-	63,598	-	9,613
Jahangir Siddiqui Investments Limited	-	55,000	-	5,125
KASB Securities Limited	3,215,771	3,215,771	14,481	217,065
Lucky Cement Limited	-	183,000	-	17,568
National Bank of Pakistan	123,188	534,622	8,952	50,717
Netsol Limited	-	6,000	-	482
United Bank Limited	43,784	133,100	2,760	19,507
Oil and Gas Development Company Limited	140,500	695,000	16,074	83,740
Pakistan Petroleum Limited	35,142	125,000	7,106	22,111
Pakistan Telecommunication Company Limited	58,278	125,000	1,029	4,735
Pakistan Oilfields Limited	-	296,000	-	71,832
Saudi Pak Commercial Bank Limited	-	11,576	-	176
* Carvan East Fabrics Limited	948,700	948,700	9,487	9,487
Telecard Limited	-	200,000	-	1,248
Pak Suzuki Motor Company Limited	39,333	-	2,895	-
Rex Barren Batteries Limited	1,200	-	-	-
Saif Nadeem Kawasaki Motors Limited	100	-	-	-
Taga Pakistan Limited	2,900	-	-	-
Bela Engineering Limited	5,500	-	-	-
Hinopak Motors Limited	11,665	-	1,624	-
Pak Elektron Limited	2,173	-	34	-
Pujab Lamps Works Limited	2,500	-	-	-
Siemens Pakistan Engineering Company Limited	21,630	-	28,123	-
Casspak Industries Limited	1,800	-	-	-
Hyderabad Electronic Industries Limited	2,300	-	-	-
Johnson & Phillips Pakistan Limited	10,255	-	77	-
Sardar Chemical Industries Limited	3,000	-	6	-
Sind Alkalis Limited	15,500	-	-	-
Wyeth Pak Limited	2,557	-	2,812	-
Abbot Laboratories Pakistan Limited	56,986	-	5,691	-
Clariant Pakistan Limited	31,768	-	5,052	-
Data Agro Limited	2,400	-	-	-
Ferozsons Laboratories Limited	32,002	-	2,716	-
Gypsum Corporation Limited	3,600	-	-	-
ICI Pakistan Limited	75,000	-	10,516	-
Pak German Pre-Fabs Limited	1,500	-	-	-
Nowshera Engineering Company Limited	600	-	-	-
Quality Steel Works Limited	26	-	-	-
Thall Limited	10,626	-	170	-

ANNEXURE 'C' (Continued)

	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	Number of shares		Cost	
			Rupees in '000	
International Industries Limited	201,101	-	9,834	-
Karachi Pipe Milss Limited	3,400	-	-	-
Mubarik Dairies Limited	1,000	-	-	-
Shezan International Limited	25,285	-	2,677	-
Uqab Breeding Farms limited	3,400	-	-	-
Pakistan Refinery Limited	36,581	-	3,733	-
Hub Power Company Limited	75,000	-	2,551	-
Regal Ceramics Limited	2,600	-	-	-
Dadabhoy Padube Limited	1,200	-	-	-
Medi Glass Limited	7,400	-	-	-
Searle Pakistan Limited	20,715	-	1,292	-
Soneri Bank Limited	1,538,180	-	11,090	-
Bank Alhabib Limited	1,376,217	-	37,571	-
Bankers Equity Limited	66,707	-	-	-
Habib Bank Limited	250,500	-	30,508	-
Habib Metropolitan Bank Limited	1,333,376	-	33,808	-
Innovative Investment Bank Limited	807	-	-	-
Mehran Bank Limited	16,900	-	-	-
Mehran Jute Mills Limited	2,500	-	-	-
Dadabhoy Leasing Company Limited	8,500	-	-	-
Service Industries	38,537	-	10,518	-
Fateh Industries Limited	600	-	-	-
National Match Factory Limited	600	-	-	-
Punjab Building Product	10,298	-	-	-
Pakistan Services Limited	18,744	-	3,175	-
RCD Ball Bearing Limited	500	-	-	-
Syeed Saigol Industries Limited	1,300	-	-	-
Syed Match Company Limited	500	-	7	-
Tawakkal Limited	2,637	-	-	-
Treet Corporation Limited	51,877	-	427	-
Turbo Tubes Limited	4,000	-	-	-
Adamjee Flooring s Limited	1,300	-	-	-
Arag Industries Limited	4,300	-	-	-
Balochistan Faundry Limited	1,600	-	-	-
BOC Pakistan Limited	16,457	-	1,417	-
Greaves Air conditioing Limited	1,300	-	-	-
Glaxosmith kline Pak Limited	138,648	-	10,399	-
Hashmi Can Co. Limited	3,800	-	-	-
H,Sheikh M. Hussain Co. Limited	2,516	-	-	-
Unicap Modaraba	7,500	-	-	-
Tawakkal Modaraba 1st	11,200	-	-	-
LTV Capital Modaraba	300	-	-	-
Packages Limited	70,000	-	7,503	-
Pakistan Papersck Co. Limited	2,450	-	-	-
Adamjee Paper and Board Mills Limited	6,100	-	-	-
Baluchistan Particle Board Limited	17,129	-	-	-
Chilya Corrugated Board Limited	900	-	-	-
Al-Abbas Sugar Mills Limited	32,698	-	3,123	-
Charsada Sugar Mills Limited	20	-	-	-
Habib Sugar Mills Limited	75,000	-	2,551	-
Sunshine Cloth Mills Limited	10,000	-	-	-

ANNEXURE 'C' (Continued)

	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	Number of shares		Cost	
			Rupees in '000	
Adil Polypropylene Limited	3,800	-	-	-
Karim Silk Mills Limited	300	-	-	-
Redco Textiles Limited	17,700	-	-	-
Schon Textiles Limited	5,800	-	-	-
Tawakkal Garment Industries Limited	3,000	-	-	-
Taj Textile Mills Limited	32,363	-	12	-
Zahoor Cotton Mills Limited	10,500	-	-	-
Zahoor Textile Mills Limited	9,500	-	-	-
Adamjee Industries	26	-	-	-
Alif Textile Mills Limited	7,500	-	-	-
Aswan Tentage and Canvas Mills Limited	3,700	-	-	-
Bahawalpur Textile Mills Limited	1,000	-	-	-
Crescent Knitwear Limited	1,500	-	-	-
Colony Sarhad Textile Mills Limited	7,273	-	3	-
Fateh Sports Wear Limited	1,000	-	-	-
Fateh Textile Mills Limited	33	-	12	-
Ghafur Textile Mills Limited	1,000	-	-	-
Hafiz Textile Mills Limited	315	-	5	-
Kaiser Art and Kraft Mills Limited	500	-	-	-
Marr Fabrics Limited	2,700	-	-	-
Naveed Textile Mills Limited	1,500	-	-	-
Nusrat Textile Mills Limited	6,900	-	-	-
Punjab Cotton Mills Limited	1,000	-	-	-
Qayyum Spinning Mills Limited	2,300	-	-	-
Ruby Textile Mills Limited	13,991	-	154	-
Saitex Spinning Mills Limited	8,400	-	-	-
Service Textile Industries Limited	3,800	-	-	-
Siftaq International Limited	2,900	-	-	-
Sind Fine Textile Mills Limited	2,000	-	-	-
Shahyar (O.E) Textile Mills Limited	1,700	-	-	-
Shahyar Textile Mills Limited	5,000	-	-	-
Sunshine Cotton Mills Limited	10,352	-	-	-
Tariq Cotton Mills Limited	1,400	-	-	-
Zafar Textile Mills Limited	1,550	-	-	-
Accord Textile Limited	10,391	-	-	-
Afsar Textile Mills Limited	1,400	-	-	-
Al-Qaim Textile Mills Limited	8,000	-	-	-
Asim Textile Mills Limited	26,500	-	-	-
Awan Textile Mills Limited	5,300	-	-	-
Central Cotton Mills Limited	700	-	-	-
Crescent Spinning Mills Limited	16,400	-	-	-
Globe Textile Mills Limited	1,458	-	23	-
Indus Dyeing Manufacturing Co. Limited	2,394	-	465	-
Junaid Cotton Mills Limited	1,000	-	-	-
Karim Cotton Mills Limited	2,550	-	-	-
Lafayette Industries Synthetics Limited	2,600	-	-	-
Mehr Dastagir Textile Mills Limited	1,200	-	-	-
Mohib Textile	3,500	-	-	-
Pearl Fabrics Limited	5,200	-	-	-
Saleem Denim Ind. Limited	3,600	-	-	-
Service Fabrics Limited	31,000	-	-	-

ANNEXURE 'C' (Continued)

	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	Number of shares		Cost	
			Rupees in '000	
Sunrise Textile Mills Limited	300	-	-	-
Apex Fabrics Limited	6,500	-	-	-
Ayaz Textile Mills Limited	5,000	-	-	-
Crown Textile Mills Limited	7,200	-	-	-
Itti Textile Mills Limited	3,500	-	-	-
Kohinoor Looms Limited	3,500	-	-	-
Pakistan Tobacco Co. Limited	36,081	-	3,784	-
Pan Islamic Steamship Co. Limited	172	-	-	-
Morafco Industries Limited	1,631	-	-	-
Pak Ghee Industries Limited	1,300	-	-	-
Suraj Ghee Industries Limited	1,459	-	-	-
Al-Husaniy Industries Limited	1,300	-	-	-
Fazal Vegetable Ghee Mills Limited	500	-	-	-
			341,689	786,230
Held for Trading				
Nishat Power Limited	200,000	-	3,095	-
Pakistan Oilfields Limited	85,000	-	24,881	-
Pakistan Petroleum Limited	35,000	-	7,584	-
Pakistan State Oil Company Limited	65,497	-	19,415	-
Sui Southern Gas Company Limited	7,275,942	-	152,795	-
Hub Power Company Limited	3,889,585	-	147,804	-
National Bank of Pakistan	75,000	-	5,464	-
United Bank Limited	100,000	-	6,789	-
Nishat Mills Limited	35,000	-	2,215	-
Pakistan Telecommunication Company Limited	250,000	-	4,909	-
			374,951	-
Total			716,640	786,230

The paid-up value of each share in listed companies was Rs. 10 per share (2009: Rs. 10 per share).

As at December 31, 2010, the aggregate market value of listed shares was Rs. 741.969 million (2009: Rs. 450.272 million).

* This is marked as strategic investment of the Bank.

ANNEXURE 'C' (Continued)

2. Particulars of investments held in shares of unlisted companies (other than associates):	December	December	December	December
	31, 2010	31, 2009	31, 2010	31, 2009
	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
Industrial Development Bank of Pakistan	20	-	-	-
			80,487	80,487

The paid-up value of each share in unlisted companies was Rs. 10 per share (2009: Rs. 10 per share)

3. Particulars of investments held in shares of related parties :	December	December	December	December
	31, 2010	31, 2009	31, 2010	31, 2009
	Number of shares		Cost	
	Rupees in '000			
Listed shares				
Dawood Capital Management Limited	2,246,055	-	22,461	-
Dawood Equities Limited	3,750,000	-	37,500	-
			59,961	-
Unlisted shares				
Taurus Securities Limited	4,050,374	4,050,374	40,504	40,504
Dawood Family Takaful Limited	11,250,000	-	112,500	-
			153,004	40,504
Total			212,965	40,504

The paid-up value of each share in related parties was Rs. 10 per share (2009: Rs. 10 per share).

ANNEXURE 'C' (Continued)

4. Particulars of investments held in listed term finance certificates (TFC)	Terms of Interest	Date of Maturity	December	December	December	December
			31, 2010	31, 2009	31, 2010	31, 2009
Investee			Number of shares / certificates held		Cost Rupees in '000	
Held for trading						
Askari Bank Limited	Fixed	September 28, 2019	-	30,000	-	150,000
Available-for-sale						
Bank Al-Falah Limited (2nd issue)	6 months KIBOR + 150 BPS	November 23, 2012	7,726	-	38,631	-
Telecard Limited	6 months KIBOR + 375 BPS	April 26, 2011	2,573	3,190	12,863	15,950
United Bank Limited	7 to 8 years PIB + 100 BPS	August 10, 2012	13,968	13,973	69,839	69,864
United Bank Limited	6 months KIBOR + 85 BPS	February 14, 2016	8,991	-	44,955	-
Allied Bank Limited	6 months KIBOR + 190 BPS	December 12, 2014	13,978	-	69,888	-
NIB Bank Limited	6 months KIBOR + 150 BPS	May 25, 2012	12,990	-	60,826	-
Askari Bank Limited	6 months KIBOR + 250 BPS	November 18, 2019	29,988	-	149,940	-
Jahangir Siddiqui and Company Limited	6 months KIBOR + 250 BPS	May 21, 2012	9,984	9,988	49,920	49,940
Standard Chartered Bank Limited	5 year PIB Cut off Yield + 75 BPS	February 1, 2013	4,497	-	22,487	-
Faysal Bank Limited	6 months KIBOR + 140 BPS	November 12, 2014	5,508	5,511	27,542	27,553
Engro Chemicals Limited	6 months KIBOR + 150 BPS	November 30, 2015	46,789	46,808	231,090	230,676
Pak Arab Fertilizers Limited	6 months KIBOR + 150 BPS	February 28, 2013	4,860	5,167	24,299	25,834
Pace Pakistan Limited	6 months KIBOR + 200 BPS	February 15, 2017	19,984	19,988	99,920	99,940
Saudi Pak Leasing	3%	March 13, 2017	7,323	8,747	36,615	43,733
Orix Leasing	6 months KIBOR + 150 BPS	May 25, 2012	7,144	16,070	33,553	74,795
					972,366	788,285

The paid-up value of each TFC held was Rs. 5,000 per certificate (2009: Rs. 5,000 per certificate).

The market value of these listed TFCs amounted to Rs. 941.523 million (2009: Rs. 759.843 million) as at December 31, 2010.

5. Particulars of investments held in unlisted term finance certificates (TFCs)	Terms of Interest	Date of Maturity	December	December	December	December
			31, 2010	31, 2009	31, 2010	31, 2009
Investee			Number of shares / certificates held		Cost (Rupees in '000)	
Held for trading						
Bank Alfalah-IV	Fixed	October 29, 2017	-	40,000	-	200,000
Available-for-sale						
Dewan Farooq Spinning Mills Limited	Non-performing	Over due	1,000	1,000	5,000	5,000
Avari Hotel Limited	6 months KIBOR + 325 BPS	October 30, 2014	63,686	75,000	318,428	375,000
Tracker (Private) Limited	6 months KIBOR + 350 BPS	September 15, 2011	75	150	7,500	15,000
Kashaf Foundation	3 months KIBOR + 245 BPS	March 31, 2011	-	2,143	-	10,714
Bank-Alhabib	15.5%	June 12, 2017	19,976	-	99,880	-
Bank-Alfalah	15%	December 2, 2017	37,985	-	189,924	-
Grays Leasing	6 months KIBOR + 250 BPS	July 1, 2011	2,000	4,750	10,000	23,750
Orix Leasing	6 months KIBOR + 150 BPS	January 15, 2013	208	250	20,833	25,000
Faysal Bank Limited	6 months KIBOR + 225 BPS	October 11, 2017	15,000	-	75,000	-
Power Holding Co	6 months KIBOR + 200 BPS	September 18, 2014	97,800	97,800	489,000	489,000
					1,215,565	1,143,464

The paid-up value of each TFC held was Rs. 5,000 per certificate (2009: Rs. 5,000 per certificate) except for Orix leasing and Tracker (private) Limited having face value of Rs. 100,000 (2009: Rs. 100,000).

ANNEXURE 'C' (Continued)

6.	Particulars of investments held in units of mutual funds	December	December	December	December
		31, 2010	31, 2009	31, 2010	31, 2009
		Number of units held		Cost	
				Rupees in '000	
	Open ended mutual funds				
	Held-for-trading				
	IGI Islamic Income Fund	-	249,426	-	25,000
	Available-for-sale				
*	Alfalah GHP Value Fund	162,928	136,076	5,000	5,000
	AKD Opportunity Fund	-	771,235	-	47,863
	AKD Income Fund	2,049,342	2,046,881	102,447	101,955
	Crosby Dragon Fund	-	896,240	-	150,000
	Dawood Money Market Fund	3,520,238	2,896,195	300,000	300,000
	MCB Dynamic Allocation	-	1,480,582	-	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
	Faysal Money Market Fund	500,000	-	50,000	-
	Askari Islamic Income Fund	190,081	-	20,000	-
				477,447	1,369,818
	Close ended mutual funds				
	Al-Meezan Balanced Growth Fund	-	500,000	-	5,000
*	NAMCO Fund	6,867,333	6,867,333	69,057	69,056
	Pak Oman Advantage Fund	5,000,000	5,000,000	50,000	50,000
				119,057	124,056
	Total			596,504	1,493,874

The Marked values if these mutual funds amount to Rs. 506,134 million (2009: Rs 1,312,200 million) (as at December 31, 2010)

* These are marked as strategic investments of the Bank.

7.	Particulars of investments held in NIT units	December	December	December	December
		31, 2010	31, 2009	31, 2010	31, 2009
		Number of units held		Cost	
				Rupees in '000	
	NIT units	2,703,723	21,822,695	54,246	437,842

The market value of NIT units amounts to Rs. 69.756 million based on redemption price as on October 13, 2010.

ANNEXURE 'C' (Continued)

8.	Particulars of investments held in Sukuks			December	December	December	December
				31, 2010	31, 2009	31, 2010	31, 2009
Available for sale				Number of shares / certificates held		Cost Rupees in '000	
			Date of Maturity				
	Security Leasing	3%	March 19, 2014	5,078	6,250	25,391	31,250
	House Building Finance Corporation	6 month KIBOR + 100 BPS	May 8, 2014	34,650	44,750	166,515	205,541
	JDW Sugar Mills Limited	3 month KIBOR + 125 BPS	June 20, 2014	11,667	15,000	58,333	75,000
	Quetta Textile Mill Ltd	6 months KIBOR + 150 BPS	September 27, 2015	19,333	20,000	96,667	100,000
	Three Star Hoisery	3 months KIBOR + 325 BPS	August 5, 2013	15,000	15,000	75,000	75,000
	Liberty Power Tech Limited	3 months KIBOR + 300 BPS	Various dates latest by December 21, 2020	40,439	16,425	202,193	82,122
	AIRazi Health Care	6 months KIBOR + 400 BPS	January 15, 2016	10,000	-	50,000	-
	Engro Sukuk	6 months KIBOR + 150 BPS	September 6, 2015	19,900	-	96,471	-
	Engro Sukuk	6 months KIBOR + 211 BPS	June 30, 2017	15,000	-	75,000	-
						845,570	568,913
	Held to maturity						
	WAPDA (1)	6 months KIBOR + 35 BPS	October 22, 2012	15,000	15,000	75,000	75,000
	WAPDA (2)	6 months KIBOR - 25 BPS	October 22, 2017	80,000	80,000	400,000	400,000
	Orix Leasing	6 months KIBOR + 125 BPS	June 30, 2012	10,000	10,000	25,253	42,085
	Lahore Electric Supply Company	6 months KIBOR	April 22, 2009	-	50	-	500,000
	Sitara Energy	6 months KIBOR + 115 BPS	May 28, 2012	4,932	5,636	24,660	28,182
	House Building Finance Corporation	6 months KIBOR + 100 BPS	April 22, 2014	10,000	10,000	35,000	45,000
	BRR Guardian	6 months KIBOR + 130 BPS	June 30, 2012	20,000	20,000	100,000	100,000
	JDW	6 months KIBOR + 125 BPS	June 20, 2014	10,000	10,000	38,889	50,000
						698,801	1,240,267
						1,544,372	1,809,180

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

Quality of Available for Sale Securities	December 31, 2010			December 31, 2009		
	Amount	Rating	Credit rating Agency	Amount	Rating	Credit rating Agency
Government Securities						
	-----Rupees in '000-----					
Market Treasury Bills	7,548,208	Unrated	-	6,292,382	Unrated	-
Pakistan Investment Bonds	2,732,801	Unrated	-	2,643,361	Unrated	-
Government of Pakistan Ijarah Sukuks	3,428,455	N/A	-	1,630,024	N/A	-
Term Finance Certificates						
Askari Bank Limited	149,940	AA-	PACRA	150,000	AA-	PACRA
Avari Hotel	318,428	A-	JCR	375,000	A-	JCR
Bank Al-Falah Limited	189,924	AA-	PACRA	-	AA-	PACRA
Bank Al-Falah Limited	38,631	AA-	PACRA	-	-	-
Dewan Farooq Spinning Mills Limited	5,000	N/A	-	5,000	N/A	-
Engro Chemical Limited	217,567	AA	PACRA	217,655	AA	PACRA
Faysal Bank Limited	25,963	AA-	JCR	25,973	AA-	PACRA
Grays Leasing	10,000	A-	JCR	23,750	A-	JCR
Jahangir Siddiqui and Company	49,920	A	PACRA	49,940	AA+	PACRA
Kashaf Foundation	-	A-	JCR	10,715	A-	JCR
Orix Leasing	35,364	AA+	PACRA	103,745	AA-	PACRA
Orix Leasing	20,833	AA+	PACRA	-	-	-
Standard Chartered Bank Limited	22,366	AAA	PACRA	-	-	-
Pak Arab Fertilizer Limited	23,935	AA	JCR	25,576	AA	JCR
Pace Pakistan Limited	99,920	A+	PACRA	99,940	A+	PACRA
Power Holding Company	489,000	-	-	489,000	-	-
Saudi Pak Leasing Limited	29,879	D	JCR	35,687	BB+	JCR
Telecard Limited	10,281	BBB	JCR	12,748	BBB	JCR
Tracker (Private) Limited	7,500	A	PACRA	15,000	A-	PACRA
United Bank Limited	104,013	AA	JCR	63,578	AA	JCR
Allied Bank Limited	69,771	AA-	JCR	-	-	-
Bank Al-Habib Limited	99,880	AA	PACRA	-	-	-
NIB Bank Limited	63,974	A+	PACRA	-	-	-
Faysal Bank Limited	75,000	AA-	JCR	-	-	-
Mutual Funds						
ABL Income Fund	-	-	-	49,258	A+(f)	-
AKD Income Fund	97,951	BBB(f)	JCR	94,639	BBB(f)	JCR
AKD Opportunity Fund	-	-	-	33,811	-	-
Askari Islamic Income Fund	20,000	-	-	-	-	-
Alfalah GHP Value Fund	8,557	4-Star	PACRA	8,326	-	PACRA
Crosby Dragon Fund	-	-	-	96,722	-	-
Crosby Pheonix Fund	-	-	-	20,137	-	JCR
Dawood Money Market Fund	249,250	-	-	237,711	5-Star	PACRA
HBL Income Fund	-	-	-	20,121	A(f)	JCR
IGI Income Fund	-	-	-	102,766	N/A	-
IGI Islamic Income Fund	-	-	-	25,000	-	-
JS Income Fund	-	-	-	200,000	5-Star	PACRA
MCB Dynamic Allocation Fund	-	-	-	119,470	-	-
MCB Dynamic Cash Fund	-	-	-	213,928	-	-
Meezan Balanced Growth Fund	-	-	-	3,050	5-Star	JCR
NAMCO Fund	28,362	A(f)	JCR	32,414	-	-
National Investment Trust Units	69,756	3-Star	PACRA	605,580	5-Star	PACRA
Pak Oman Advantage Fund	51,750	AA-(F)	JCR	52,500	AA-(F)	JCR
Faysal Money Market Fund	50,265	AA+(f)	JCR	-	-	-

ANNEXURE 'D' (Continued)

Fully paid ordinary Shares	December 31, 2010			December 31, 2009		
	Amount	Rating	Credit rating Agency	Amount	Rating	Credit rating Agency
	-----Rupees in '000-----					
Arif Habib Securities Limited	-	-	-	3,079	-	JCR
Attock Refinery Limited	26,183	AA	PACRA	58,717	AA	PACRA
Azam Textile	-	-	-	1	-	-
Bank Alfalah Limited	6,399	AA	PACRA	12,470	AA	PACRA
Bank of Punjab	-	-	-	1,511	AA-	PACRA
Bosicor Pakistan Limited	-	-	-	95	-	-
Business and Industrial Insurance Company Limited	-	-	-	1,800	-	-
DG Khan Cement Company Limited	8,555	-	-	10,875	-	-
ECO Pack	-	-	-	2,429	-	-
Engro Chemicals Pakistan Limited	-	AA	PACRA	73,308	AA	PACRA
Fauji Cement Company Limited	-	-	-	9,112	N/A	-
Fauji Fertilizer Bin Qasim (FFC-Jorden) Company Limited	-	-	-	14,372	-	-
Jahangir Siddiqui and Company Limited	-	-	-	1,912	AA+	PACRA
JS Investment Limited	-	-	-	790	AA-	PACRA
KASB Securities	14,374	A	PACRA	30,100	A+	PACRA
Lucky Cement Limited	-	-	-	12,122	-	-
MCB Bank Limited	-	-	-	-	-	-
National Bank of Pakistan	9,463	AAA	JCR	39,760	AAA	JCR
Netsol Limited	-	-	-	171	-	-
Oil and Gas Development Company Limited	24,002	AAA	JCR	76,874	AAA	JCR
Pakistan Petroleum Limited	7,631	N/A	-	23,699	-	-
Pakistan State Oil Company Limited	-	AA+	PACRA	-	AA+	PACRA
Pakistan Oil Fields Limited	-	N/A	-	68,308	-	-
Pakistan Telecommunication Company Limited	1,132	N/A	-	2,206	-	-
Silk Bank Limited (Saudi Pak Commercial Bank)	-	A-	JCR	55	A-	JCR
Telecard Limited	-	-	-	526	-	-
United Bank Limited	2,987	AA+	JCR	7,780	AA+	JCR
Pak Suzuki Motors	2,746	N/A	-	-	-	-
Saif Nadeem Kawasaki Motors Limited	-	N/A	-	-	-	-
Hinopak Motors Limited	1,539	N/A	-	-	-	-
Pak Elektron Limited	31	A	PACRA	-	-	-
Siemens Pakistan Engineering Co. Limited	27,113	N/A	-	-	-	-
Johnson & Phillips (Pakistan) Limited	97	N/A	-	-	-	-
Sardar Chemical Industries Limited	3	N/A	-	-	-	-
Wyeth Pak Limited	2,689	N/A	-	-	-	-
Abbot Laboratories Pakistan Limited	6,254	N/A	-	-	-	-
Clariant Pakistan Limited	5,814	N/A	-	-	-	-
Ferozsons Laboratories Limited	2,788	N/A	-	-	-	-
I.C.I. Pakistan Limited	10,818	N/A	-	-	-	-
Thall Limited	1,384	N/A	-	-	-	-
International Industries Limited	12,036	N/A	-	-	-	-
Shezan International Limited	2,941	N/A	-	-	-	-
Pakistan Refinery Limited	3,941	N/A	-	-	-	-
Hub Power Company Limited	2,806	AA+	PACRA	-	-	-
Searle Pakistan Limited	1,243	BBB+	JCR	-	-	-
Bank Alhabib Limited	49,902	AA+	PACRA	-	-	-
Habib Bank Limited	30,546	AA+	JCR	-	-	-
Habib Metropolitan Bank Limited	38,655	AA+	PACRA	-	-	-
Innovative Investment Bank Limited	3	N/A	-	-	-	-
Service Industries	9,250	N/A	-	-	-	-
Pakistan Services Limited	3,154	A	JCR	-	-	-
Syed Match Company Limited	7	N/A	-	-	-	-
Treet Corporation Limited	3,115	AA-	JCR	-	-	-
BOC Pakistan Limited	1,499	N/A	-	-	-	-

ANNEXURE 'D' (Continued)

	December 31, 2010			December 31, 2009		
	Amount	Rating	Credit rating Agency	Amount	Rating	Credit rating Agency
	-----Rupees in '000-----					
Glaxosmith Kline Pak Limited	12,227	N/A	-	-	-	-
Packages Limited	9,003	AA	PACRA	-	-	-
Al-Abbas Sugar Mills Limited	3,103	A	PACRA	-	-	-
Habib Sugar Mills Limited	2,498	N/A	-	-	-	-
Taj Textile Mills Limited	12	N/A	-	-	-	-
Colony Sarhad Textile Mills Limited	4	N/A	-	-	-	-
Fateh Textile Mills Limited	4	N/A	-	-	-	-
Hafiz Textile Mills Limited	6	N/A	-	-	-	-
Ruby Textile Mills Limited	70	N/A	-	-	-	-
Globe Textile Mills Limited	16	N/A	-	-	-	-
Indus Dyeing Manufacturing Company Limited	786	A	JCR	-	-	-
Pakistan Tobacco Company Limited	3,977	N/A	-	-	-	-
Business & Industrial Insurance Company	-	-	-	-	-	-
Carvan East Fabrics Ltd.	-	-	-	-	-	-
Sukuk Bonds						
House Building Finance Corporation	169,869	-	-	209,041	-	PACRA
Quetta Textile Mills Limited	96,667	-	-	100,000	BBB+	JCR
JDW Sugar Mills	58,333	-	-	75,000	A	JCR
Liberty Power Tech Limited	202,193	AA-	JCR	82,122	-	-
Security Leasing Sukuk	25,391	-	-	31,250	BBB-	JCR
Sitara energy Sukuk	24,659	-	-	-	-	-
Three Star Hoisery	75,000	-	-	75,000	N/A	-
Al-Razi Health Care	50,000	-	-	-	-	-
Engro Chemical Ltd - Sukuk	96,472	-	-	-	-	-
Engro Fertilizer Ltd - Sukuk	75,000	-	-	-	-	-
Ordinary shares in unlisted companies						
Al-Hamra Hills (Private) limited	-	N/A	-	50,000	N/A	-
Asian Housing Finance Limited	-	N/A	-	5,000	N/A	-
Mohib Textile Mills Limited	-	N/A	-	25,000	N/A	-
Mohib Exports Limited	-	N/A	-	487	N/A	-
Industrial Development Bank of Pakistan	-	N/A	-	-	-	-
Preference shares						
First Dawood Investment Bank Limited	140,920	D	PACRA	-	-	-
Trust Investment Bank Limited	75,000	N/A	-	-	-	-
Related Parties						
Dawood Capital Management Limited	4,357	AM4+	PACRA	-	-	-
Dawood Equities Limited.	6,750	-	-	-	-	-
Taurus Securities Limited	40,504	-	-	-	-	-
Dawood Family Takaful Limited	112,500	A-	PACRA	-	-	-

Pattern of Shareholding

AS OF DECEMBER 31, 2010

NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE
650	1	100	19129	0.0038
10743	101	500	1679616	0.3356
18616	501	1000	14012187	2.7996
4110	1001	5000	8043072	1.6070
355	5001	10000	2519383	0.5034
104	10001	15000	1287714	0.2573
55	15001	20000	970125	0.1938
24	20001	25000	546413	0.1092
16	25001	30000	445119	0.0889
13	30001	35000	422222	0.0844
9	35001	40000	340949	0.0681
8	40001	45000	343813	0.0687
11	45001	50000	532235	0.1063
2	50001	55000	101950	0.0204
3	55001	60000	169114	0.0338
4	60001	65000	246958	0.0493
5	65001	70000	340686	0.0681
1	70001	75000	70900	0.0142
1	75001	80000	76250	0.0152
3	95001	100000	300000	0.0599
1	110001	115000	112500	0.0225
1	115001	120000	116001	0.0232
1	125001	130000	125840	0.0251
1	155001	160000	155226	0.0310
1	165001	170000	166200	0.0332
1	180001	185000	183683	0.0367
2	225001	230000	459375	0.0918
1	235001	240000	236501	0.0473
1	310001	315000	312872	0.0625



NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE
1	440001	445000	442500	0.0884
1	620001	625000	625000	0.1249
1	650001	655000	652032	0.1303
1	880001	885000	884441	0.1767
1	1195001	1200000	1200000	0.2398
1	1225001	1230000	1226875	0.2451
1	1410001	1415000	1413063	0.2823
1	1515001	1520000	1518448	0.3034
1	1545001	1550000	1547338	0.3092
1	1915001	1920000	1916875	0.3830
1	2275001	2280000	2275802	0.4547
1	2295001	2300000	2300000	0.4595
1	2405001	2410000	2406425	0.4808
1	3445001	3450000	3445106	0.6883
1	4995001	5000000	5000000	0.9990
1	5120001	5125000	5120622	1.0231
1	5445001	5450000	5447881	1.0885
1	6030001	6035000	6033125	1.2054
1	6035001	6040000	6036875	1.2061
1	8500001	8505000	8502200	1.6987
1	9895001	9900000	9900000	1.9780
1	13495001	13500000	13498000	2.6969
1	17980001	17985000	17983016	3.5929
1	19300001	19305000	19300332	3.8561
1	21370001	21375000	21370122	4.2697
1	70865001	70870000	70867113	14.1590
1	255255001	255260000	255259396	51.0000
34770	Company Total		500508620	100.0000

Branch Network

Khyber Pakhtunkhwa

Branch Name	Address	Telephone Number	Fax Number	Email Address	ATM Status
Abbottabad	Jinnah Road, Abbottabad	(0992)9310157, 9310314	0992-9310158	abbottabad@bok.com.pk	Yes
Ashraf Road	Ashraf Road, Peshawar City	(091)2553007, 2553989	(091)252497	ashrafrd@bok.com.pk	No
Bannu	Outside Lakki Gate, Bannu	(0928)612202, 613394	(0928)621429	bannu@bok.com.pk	No
Batkhela	Main Bazar Batkhela	(0932)-414851-3	(0932)-414854	batkhela@bok.com.pk	No
Civil Secretariat	Police Lines Road, Peshawar	(091)9211710	(091)9212680	secretariate@bok.com.pk	Yes
Charsadda	Main Bazar, Mardan Road, Charsadda	(091)9220100-1	(091)9220102	charsadda@bok.com.pk	No
Chitral	Ataleeq Bazar, Chitral	(0943)414567, 412473, 414511	(0943)412220	chitral@bok.com.pk	No
DIKhan	Circular Road, D.I.Khan	(0966)718098, 719017	(0966)718099	dikhan@bok.com.pk	Yes
Upper Dir	Main Bazaar, Upper Dir.	(0944)890021	(0944)890022	upperdir@bok.com.pk	No
GT Road	Ground Floor, Afandi Tower, Bilal Town, G.T. Road, Peshawar.	(091)2263409 to 414	(091)2263411	gtrd@bok.com.pk	Yes
Hangu	Opposite DCO Office, Main Bazar, Kohat Road, Hangu	(0925) 620744, 613394	(0925)623744	hangu@bok.com.pk	No
Haripur	Shahra-i-Hazara, Haripur	(0995) 610728, 616800	(0995)611285	haripur@bok.com.pk	No
Hattar	Khurshid Plaza, Industrial Estate Hattar, Distt. Haripur	(0995) 617231, 617631	(0995)617631	hattar@bok.com.pk	Yes
Havelian	Property #4242, Bank Square, Havelian	(0992) 810733	(0992) 810736	havelian@bok.com.pk	No
Hayatabad	Royal Plaza, Hayatabad, Bara Market, Jamrud Road, Peshawar.	(091) 5823711, 5829369-70	(091)5815194	hayatabad@bok.com.pk	Yes
Hazara University (Booth)	Hazara University, Dadhyal, Mansehra	(0997)414016			No
Jamrud	Main Bazaar, (Next to Caltex Petrol Station), Jamrud, Khyber Agency.	(091)5830147, (091)5830148	(091)5830149	jamrud@bok.com.pk	No
KTH Peshawar(Sub-Branch)	Khyber Teaching Hospital, University Road, Peshawar	(091)9218016	(091)9218016	pew9@bok.com.pk	No
Khyber Bazar	Balagh Hotel Khyber Bazar Peshawar	(091) 2569174	(091)2211170	khyberbz@bok.com.pk	No
Kohat	Cantonment Plaza, Bannu Road, Kohat	(0922) 9260146, 111959595	(0922)9260156	kohat@bok.com.pk	Yes
Main	24-The Mall, Peshawar Cantt.	(091) 5278284, 5271758	(091)5279791	main@bok.com.pk	Yes
Mansehra Branch	Opposite GTS Stand, Abbottabad Road, Mansehra City, Mansehra	(0997) 920181, 920183, 920184	(0997) 920182	mansehra@bok.com.pk	Yes
Mansehra(Sub-Branch)	Main Shahra-e-Resham, Near Government Commerce College, Opposite Attock Petrol Station, Mansehra	(0997)303271, 303273	(0997) 303272		No
Mardan	Opposite Cantonment Plaza, Shahra-e-Qazi Bashir, Mardan	(0937)9230505, 9230707, 874899	(0937)9230606	mardan@bok.com.pk	Yes
Mingora	Makanbagh, Saidur Sharif Road, Mingora, Swat	(0946) 9240045-7	(0946)9240046	mingora@bok.com.pk	Yes
Nowshera	Saad Plaza, Saddar Bazar, Nowshera	(0923) 9220035, 9220038	(0923)613530	nowshera@bok.com.pk	No
North West Hospital, Hayatabad, Peshawar (Booth) Saddar Road	North West Hospital, Phase-V, Hayatabad, Peshawar.	(091)5822614-9(Ext-1950)			No
	Opposite G.P.O. Near Green Hotel, Saddar Road, Peshawar.	(091) 5276485, 5284686	(091)5277278	saddarrd@bok.com.pk	Yes
Tank	Adda Bazar, Tank	(0963) 510068	(0963)510068	tank@bok.com.pk	No
Timergarah	Balambat Road, Timergara	0945-9250232	(0945)822690	timergara@bok.com.pk	No
University of Science & Technology Bannu (Booth)	University of Science & Technology, Mirshah Road, Bannu	(0928)621123(Ext-05)			No
University Road	Ghafar Plaza, Near Shiraz Restaurant, University Road, Peshawar	(091) 9216952, 9216951	(091)9216959	university@bok.com.pk	Yes
City Branch	Tariq Sultan Building Hospital Road, Peshawar	(091)2561511-13	(091) 2561511	citybr@bok.com.pk	No
Swabi Branch	Jamil Khan Market Mardan Road, Swabi	(0938)222513	(0938) 222512	swabi@bok.com.pk	No

Punjab

Branch Name	Address	Telephone Number	Fax Number	Email Address	ATM Status
Faisalabad	Opposite M.C College Kotli Road Faisalabad	(041)-2412116-9	(041)2412120	faisalabad@bok.com.pk	Yes
Faisalabad 2	Ground & First Floor, Madina Tower, Sossan Road, Faisalabad.	(041)- 8556200 (041)-8556202	(041)-8556203	faisalabad2@bok.com.pk	No
Davis Road	Davis Hytes, Davis Road, Lahore	(042) 6304873, 6315463	(042)6307079	lahore2@bok.com.pk	No
Gujrat	Property No. 1157/527, Ground Floor, Empire Center, G.T. Road Gujrat.	(0533)-525555 (0533)-530380	(0533)-520370	gujrat@bok.com.pk	No
Gujranwala	Near General Bus Stand, G.T.Road, Gujranwala.	(055)3730916-18, 3820917	(055)3820918	gujranwala@bok.com.pk	No
Islamabad	38 - Zahoor Plaza, Blue Area, Islamabad	(051) 2824691, 2277397	(051)28253434	islamabad@bok.com.pk	Yes
M.M Alam Road	Gulberg -III M.M Alam Road Lahore	(042)-5785528-9	(042)5785530	lahore@bok.com.pk	Yes
Rawalpindi	369-18, Zaman Centre Bank Road Rawalpindi	(051)-5120194-7	(051)5120198	rawalpindi@bok.com.pk	Yes
Rawalpindi Lahore	Jinnah Road, Rawalpindi M.A. Johar Town, Lahore	(051)5540486 (042)35316744-45	(051) 5540468 (042) 5316746	rawalpindi2@bok.com.pk Lahore3@bok.com.pk	Yes Yes
Shah Alam (Sub- Branch)	Shop #E/36, Alamgir Market, Inside Shan Alam Gate, Lahore.	(042)37641834-5	(042)37641837	lahore4@bok.com.pk	Yes
Sialkot	Industrial Area Shahabpura, Ugoki Road, Opposite Masjid Mohajirin, Sialkot	(052)3559225-27	(052)3559224	sialkot@bok.com.pk	Yes
Multan	Lower Ground Khan Centre,Main Market Abdali Road, Multan	(061)4545141-42	(061) 4545143	multan@bok.com.pk	Yes

Sindh

Branch Name	Address	Telephone Number	Fax Number	Email Address	ATM Status
Sohrab Goth Branch	Superhighway,Karachi (0110)	(021) 36830070, 36830072.	(021)36830067	karachi4@bok.com.pk	No
Shahrah-e-Faisal	White house plaza,15- A,Block-6,P.E.C.H.S Opp Fortune centre,Shahrah-e-faisal Karachi	(021) 4389031-3 4389036-8	(021)4389039	karachi1@bok.com.pk	Yes
S.I.T.E	B-78 Allied Plaza Estate Avenue Karachi	(021)-2565102-4, 2570832, 2550211	(021)2565105	karachi3@bok.com.pk	No
Shireen Jinnah Colony	Clifton, Shireen Jinnah Colony, Karachi	(021)35873264-66	(021)35873267	karachi5@bok.com.pk	Yes
Karachi Stock Exchange	Karachi Stock Exchange, Karachi.	(021)32465807, 32465804, 32465806	(021)32465805	karachi6@bok.com.pk	No
Metroville (Sub Branch)	Plot No. E-5, Block-I, KDA Scheme, Project# 1, Metroville, S.I.T.E Karachi.	(021)36754233,(021)36754325	(021)36754234	karachi.metroville@bok.com.pk	No

Balochistan

Branch Name	Address	Telephone Number	Fax Number	Email Address	ATM Status
Quetta	Jinnah Road, Quetta	(081) 2822141, 2843203	(081)2829469	quetta@bok.com.pk	Yes
Chaman	Trunch Road, Chaman.	(0826)614027-28	(0826)614014	chaman@bok.com.pk	No

Azad Kashmir

Branch Name	Address	Telephone Number	Fax Number	Email Address	ATM Status
Muzaffarabad	Secretariat Road, Muzaffarabad, AJ & K	(058810) 44018	(058810)44018	muzaffarabad@bok.com.pk	No
Mirpur	Plot No.3, Sector B/3, Allama Iqbal Road, Mirpur, AJ & K	(05827) 447687	(05827) 447685	mirpur@bok.com.pk	No

Foreign Correspondent Banks

AFGHANISTAN

HABIB BANK LIMITED

ARGENTINA

DEUTSCHE BANK SA
BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE

AUSTRALIA

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
MIZUHO CORPORATE BANK, LTD. SYDNEY BRANCH

AUSTRIA

INTESA SANPAOLO S.P.A. (FORMER SANPAOLO IMI), VIENNA
BRANCH, VIENNA
UNICREDIT BANK AUSTRIA AG

BAHRAIN

HABIB BANK LTD.
UNITED BANK LIMITED

BANGLADESH

STANDARD CHARTERED BANK

BELGIUM

THE BANK OF NEW YORK MELLON, BRUSSELS BRANCH
HABIB BANK LTD
COMMERZBANK AG, THE, BRUSSELS BRANCH

BRAZIL

DEUTSCHE BANK S.A. - BANCO ALEMAO

CANADA

HABIB CANADIAN BANK

CAYMAN ISLAND

COMMERZBANK AG, CAYMAN ISLANDS BRANCH

CHILE

DEUTSCHE BANK (CHILE) S.A.

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

COOK ISLANDS

AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD.

CZECH REPUBLIC

COMMERZBANK AG

DENMARK

DANSKE BANK A/S
DEUTSCHE BANK AG

EGYPT

MASHREQ BANK

ESTONIA

NORDEA BANK FINLAND PLC ESTONIA BRANCH

FIJI

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

FINLAND

DANSKE BANK
NORDEA BANK FINLAND PLC

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

GERMANY

COMMERZBANK AG
DEUTSCHE BANK AG
DRESDNER BANK AG

GREECE

ATTICA BANK SA

HONG KONG

HABIB FINANCE INTERNATIONAL LIMITED
UBAF (HONG KONG) LIMITED
COMMERZBANK AG
HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED,
THE

HUNGARY

COMMERZBANK (BUDAPEST) RT.

INDIA

MASHREQ BANK
STANDARD CHARTERED BANK

INDONESIA

BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
STANDARD CHARTERED BANK

IRAN

EXPORT DEVELOPMENT BANK OF IRAN

IRELAND

COMMERZBANK EUROPE (IRELAND)

ITALY

COMMERZBANK AG
BANCA UBAE SPA
UNICREDIT BANCA SPA
UNICREDIT PRIVATE BANKING SPA

JAPAN

BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
COMMERZBANK AG TOKYO
U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES TOKYO
BRANCH

JORDAN

HSBC BANK MIDDLE EAST

KENYA

HABIB BANK LIMITED
STANDARD CHARTERED BANK KENYA LIMITED

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

KUWAIT

HSBC BANK MIDDLE EAST

LATVIA

NORDEA BANK FINLAND PLC LATVIA BRANCH

LEBANON

HABIB BANK LIMITED

LITHUANIA

NORDEA BANK FINLAND PLC LITHUANIA BRANCH

LUXEMBOURG

COMMERZBANK AG

MALAYSIA

STANDARD CHARTERED BANK MALAYSIA BERHAD

MAURITIUS

MAURITIUS COMMERCIAL BANK LTD., THE

MONACO

BANQUE J. SAFRA (MONACO)

NETHERLANDSCOMMERZBANK AG
HABIB BANK LTD.**NEW ZEALAND**ANZ NATIONAL BANK LIMITED (FORMERLY KNOWN AS: ANZ
BANKING GROUP (NEW ZEALAND) LTD)**NORWAY**

DNB NOR BANK ASA

OMAN

HABIB BANK OMAN

PAPUA NEW GUINEA

AUSTRALIA AND NEW ZEALAND BANKING GROUP (PNG) LTD.

PHILIPPINESMIZUHO CORPORATE BANK, LTD., MANILA BRANCH
ASIAN DEVELOPMENT BANK**POLAND**

DANSKE BANK A/S S.A. ODZIAL W POLSCE

QATARDOHA BANK
MASHREQ BANK**ROMANIA**

UNICREDIT TIRIAC BANK SA

RUSSIA

COMMERZBANK

SAMOA

ANZ BANK (SAMOA) LTD

SAUDI ARABIANATIONAL COMMERCIAL BANK
SAUDI HOLLANDI BANK**SERBIA**

UNICREDIT BANK SRBIJA A.D.

SINGAPORECOMMERZBANK 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**SLOVAKIA**

COMMERZBANK AG

SLOVENIA

UNICREDIT BANKA SLOVENIJA D.D.

SOLOMON ISLANDS

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

SOUTH AFRICA

COMMERZBANK A.G.

SPAINCOMMERZBANK AG
BANCO DE ANDALUCIA**SRI LANKA**

HABIB BANK LTD.

SWEDENDANSKE BANK AS, SVERIGE FILIAL
NORDEA BANK AB (PUBL)**SWITZERLAND**COMMERZBANK (SCHWEIZ) AG
HABIB BANK AG ZURICH
UNITED BANK A.G., ZURICH**TAIWAN**HSBC BANK
STANDARD CHARTERED BANK(TAIWAN)**THAILAND**MIZUHO CORPORATE BANK, LTD., BANGKOK BRANCH
(FORMERLY THE DAI-ICHI KANGYO BANK, LTD., BANGKOK
BRANCH)**TIMOR-LESTE**

AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD

TONGA

ANZ BANKING GROUP LIMITED

TURKEY

HABIB BANK LTD.

UNITED ARAB EMIRATESMASHREQBANK PSC.
HABIB BANK AG ZURICH
HABIB BANK LIMITED
STANDARD CHARTERED BANK**UNITED KINGDOM**COMMERZBANK AG
HABIB-UK PLC
HABIB BANK AG ZURICH
HABIBSONS BANK LIMITED
LLOYDS TSB BANK PLC.
MASHREQ BANK PSC
UNITED NATIONAL BANK**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.**VANUATU**

ANZ BANK (VANUATU) LTD

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 20th Annual General Meeting of the Bank to be held on Tuesday March 29, 2011 at 10:00am 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 _____ 2011.

Signature on
Five-Rupees
Revenue Stamp

Date:

Place:

Notes:

The Signature should
agree with the
Specimen registered
with the Bank

A. General

1. A member entitled to attend and vote in General Meeting is entitled to appoint a proxy to attend and vote instead him/her. No person shall act as proxy, who is not a member of the bank except that Government of Pakistan/Provisional 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 meeting.
4. In case of Pakistan/Provisional Government/State Bank of Pakistan/Corporation entity, the Board of Director's resolution/ power of attorney with specimen signature shall be submitted along with proxy to the Bank.