

Annual Report
2008



The Bank of Khyber



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The Bank of Khyber

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Vision

To become a Leading Bank providing efficient and dynamic Banking services in both Islamic and Conventional Sectors



Mission

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



Core Values

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





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Corporate Information

Board of Directors



Mr. Javed Iqbal
Chairman



Mr. Bilal Mustafa
Managing Director



Mr. Zia-ur-Rehman
Director



Mir Javed Hashmat
Director



Mr. Muhammad Asif
Director



Mr. Maqsood Ismail
Director



Mr. Muhammad Maqsood Khan
Director

Managing Director / CEO

Bilal Mustafa

Audit Committee

Mir Javed Hashmat Chairman
Zia-ur-Rehman
Muhammad Maqsood Khan
Muhammad Asif

Chief Financial Officer

Rahat Gul

Company Secretary

Zahid Sahibzada

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

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisors

Mr. Nisar Ahmed Khan
Advocate, Peshawar

M/s Mohsin Tayebaly & Co., Karachi

Registrar and Share Registration Office

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



Notice of Eighteenth Annual General Meeting

Notice is hereby given that the 18th Annual General Meeting of the Shareholders of The Bank of Khyber will be held on Monday, March 30, 2009 at 11:00 a.m. at Head Office, 24 – The Mall, Peshawar Cantt. to transact the following business:

Ordinary Business

1. To confirm the minutes of the 17th Annual General Meeting held on March 29, 2008.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended 31st December, 2008, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending 31st December, 2009 and fix their remuneration.

Special Business

4. To grant approval of payment of fee to the non-executive Directors for attending the Board and Board Committees meetings.

Other Business

5. 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

Zahid Sahibzada
Company Secretary

Peshawar: March 07, 2009



Notes:

- (i) Share Transfer Books of the Bank will remain closed from Monday, March 23, 2009 to Monday, March 30, 2009 (both days inclusive).
- (ii) All members are entitled to attend and vote at the meeting.
- (iii) A member entitled to attend and vote at the Meeting, is entitled to appoint another member as a proxy to attend, speak and vote for him/her.
- (iv) An instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy, if required, may be obtained from the Registered Office of the Bank during normal office hours.
- (v) An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
- (vi) In case of Proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he/she should bring the usual documents required for such purpose.
- (vii) Shareholders are requested to notify immediately for any change in their addresses.
- (viii) Form of Proxy is attached in the Annual Report and, if required, should be signed on Rs.5/- Revenue Stamp.

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

Item No.4

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 has approved a fee of Rs.10,000/- for meetings of the Board of Directors and Rs.5,000/- 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 fees 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.

Pre / 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 fees.

It is therefore, intended to propose the following resolution to be passed as an Ordinary Resolution:

“RESOLVED that payment of fee of Rs.10,000/- for meetings of the Board of Directors and Rs.5,000/- for meetings of the Committees of the Board payable to the non-executive Directors on a per meeting basis for actual attendance be and is hereby approved.”

“FURTHER RESOLVED that the fees 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.”



Directors' Report to the Shareholders

On behalf of the Board of Directors, I am pleased to present the 18th Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the year ended December 31, 2008.

Financial Highlights

The operating results and appropriations, as recommended by the Board, are placed as under: (Rs. in millions)

Operating Profit	708.813
Provision against non-performing advances, investments and others	502.917
Profit before taxation	205.896
Taxation	68.548
Profit after tax	137.348
Total Assets	31,338.989
Advances (Gross)	14,925.119
Investments	8,985.441
Deposits	24,732.195

Financial Review

2008 was a year of recession throughout the industrialized world. Contributors to this downturn included high oil prices, high food prices and a substantial credit crises leading to the bankruptcy of large and well established financial institutions in many nations around the globe. The impact of world recession also hit Pakistan's economy specially the financial markets which were evidenced by steep decline of the Karachi bourse once considered as the best bourse of the world's emerging stock markets. However, due to strict monetary measures adopted by the State Bank of Pakistan, the economic system showed buoyancy whereas financial sector also announced good corporate results which helped to restore stakeholders' confidence to some extent.

Alhamdulillah, despite all odds, the performance of your Bank continued to be satisfactory during the year in review. Deposits rose to Rs.24,732 million against Rs.21,411 million a year earlier, while advances increased from Rs.10,086 million to Rs.12,644 million. Profit before tax for the year increased to Rs.206 million as compared to Rs.77 million for 2007 while after tax profit closed at Rs.137 million against Rs.213 million of last year.

The Bank of Khyber enjoys a unique position by enjoying the full support of the Government of NWFP and being among the four banks in the public sector. Currently the Bank has a total branch network of 34 branches throughout the country. At present, 16 of its branches functioning as dedicated Islamic Banking Branches whereas 18 branches are doing conventional banking business.

The Bank's paid-up capital for the year ended December 31, 2007 stood at Rs.4 billion whereas in order to comply with the Minimum Capital Requirements of the State Bank of

Pakistan for the year 2008, the issuance of bonus shares, as allowed by SECP was approved to the tune of Rs.1.001 billion in December, 2008 which ultimately enhanced the Tier I capital of the Bank. However, its impact on the capital was taken into books in the first week of January, 2009 due to closure of share transfer books from January 5, 2009 to January 11, 2009. Issuance of such pay out have not only augmented shareholders' confidence in the Bank but also helped to enhance the capital base.

Amount Transferred to Statutory Reserve

During the year Rs. 27.470 million has been transferred to statutory reserve.

Credit Rating

The JCR-VIS has maintained the Bank's credit ratings of BBB+ (Tripple B plus) for long term and A-2 (A minus Two) for short term.

Risk Management Framework

In order to mitigate risks associated with the banking sector, the Bank has professionally adopted measures to monitor and alleviate risks under the SBP Risk Management Guidelines. Development of effective Risk management system is an ongoing process which requires continuous assessment however, the Bank is steadfast in its commitment to follow the timelines given by the State Bank of Pakistan in its Roadmap for implementation of recommendations of Basel-II Committee. The Bank has effectively implemented Risk Rating System duly approved by the Board so as to address the risks associated with the disbursement of loans accordingly.

Internal Control

Existence of effective internal controls in the Bank ensures smooth operations in a multi facet organizational structure. Internal Control policies and procedures are being finalized for implementation. The management feels confident that all internal controls procedures are adequate to effectively and efficiently meet the operational requirements.

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, it needs further improvement.



6. There are no doubts upon the Bank's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.

Board Meetings

During the year 2008, eight meetings of the Board of Directors were held and attended by Directors as under:

	Board Meetings attended
1. Mr. Javed Iqbal, Chairman *	6
2. Mr. Ghulam Dastgir Akhtar, Chairman *	1
3. Mr. Bilal Mustafa, Managing Director **	7
4. Qazi Munir-ul-Haq, Acting Managing Director **	1
5. Mr. Zia-ur-Rehman, Director ***	7
6. Mr. Abdul Khaliq, Director ***	1
7. Mr. Muhammad Asif, Director	8
8. Mr. Muhammad Shakir Siddiqui ****	3
9. Mr. Maqsood Ismail ****	2
10. Mr. Muhammad Maqsood Khan, Director	8
11. Mr. Etrat Hussain Rizvi *****	3
12. Mir Javed Hashmat *****	4

* Mr. Ghulam Dastgir Akhtar was replaced by Mr. Javed Iqbal on April 3, 2008 on assuming office of Additional Chief Secretary, Government of NWFP.

** Qazi Munir-ul-Haq was replaced by Mr. Bilal Mustafa as Managing Director on March 4, 2008.

*** Mr. Abdul Khaliq was replaced by Mr. Zia-ur-Rehman on April 3, 2008 on assuming office of the Secretary Finance.

**** Resignation of Mr. Shakir Siddiqui was accepted on October 13, 2008. Mr. Maqsood Ismail was co-opted as Director in place of Mr. Shakir Siddiqui on October 21, 2008.

***** Mr. Etrat Hussain Rizvi resigned from the Board on August 26, 2008

***** Mir Javed Hashmat has been nominated as Director on the Board by the Government of NWFP on September 15, 2008.

Value of Investments in Employees Retirement Benefit Funds

Value of Investment of provident and gratuity funds maintained by the Bank based on latest audited financial statements as at December 31, 2008 are as follows:

	Amount in '000'
Employee's Provident Fund	272,941
Employees' Gratuity Fund	153,983

Pattern of Share Holding

The pattern of share holding as at December 31, 2008 is annexed with the report.

Earnings Per Share

After tax earnings per share for the year 2008 is Rs. 0.27.

Auditors

The retiring auditors, M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, being eligible, have offered themselves to act as auditors of the Bank for the year ending December 31, 2009.

Future Outlook 2009

Recent uncertainties in the global and domestic economic environments indicate the need for continued prudence in the years ahead. Key challenges include rising energy prices and high food commodity prices, and their impact on trade balance, fiscal balance and inflation. However, keeping in view the past track-record and resilience of our economy, we believe that these challenges will be successfully overcome. Accordingly, we are optimistic for the Bank's future. Relying on our fundamental strategic strengths, improvements in systems and procedures, new strategies and policies together with induction of key professional staff and continued support from the Provincial Government will ensure significant improvement in the coming year and beyond.

Acknowledgement

The Board duly acknowledges and appreciates the State Bank of Pakistan for its worthy guidance and the Government of NWFP for its enduring support. We would also like to thank our valued customers for their continued patronage and trust and the staff for their untiring efforts to achieve the Bank's goals and objectives.

On behalf of the Board of Directors

March 03, 2009

Bilal Mustafa
Managing Director



The Bank of Khyber - 2008 6 Years Financial Highlights

(Rs. in Million)

	2003	2004	2005	2006	2007	2008
Deposits	15,367	15,831	17,452	19,077	21,411	24,732
Advances (Net)	5,382	9,001	10,590	9,189	10,086	12,644
Investments	9,544	6,927	7,698	8,565	8,903	8,985
Total Assets	18,992	23,824	25,074	27,183	29,712	31,339
Capital and Reserves	1,563	1,828	2,047	2,796	5,540	5,678
Profit/(Loss) before Tax	397	299	234	203	77	206
Profit/(Loss) after Tax	305	264	219	203	213	137
Return on Equity	21.76%	15.57%	11.30%	8.38%	5.11%	2.44%

Statement of Compliance

with best Practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (the Code) framed by the Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, to manage a company in compliance with best practices of corporate governance, which has been made applicable to banks by the State Bank of Pakistan (SBP) through regulation G-1 of Prudential Regulations for Corporate/ Commercial Banking and to listed entities through Regulation No.37 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 independent non-executive Directors on its Board of Directors (the Board). At present all the members of the Board are independent non-executive Directors except for the Managing Director (MD).
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 of Khyber Act, 1991, Section 11 defines the composition of the Board of Directors and accordingly Nomination / Elections of Directors have been made as required under the Act.
5. The Bank has prepared a 'Statement of Ethics and Business Practices' which has been signed by the Directors and the employees of the Bank.
6. The Board has developed a vision and mission statement and an overall corporate strategy is under preparation. 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. The Bank hired the services of a consultant firm to formulate the remaining required policies and also update the existing policies where required. The remaining policies have been finalized and await approval of the Board.
7. All the powers of the Board have been duly exercised and necessary administrative, financial and credit discretionary powers have been delegated to the management. In accordance with section 12 of The Bank of Khyber Act, 1991 (as amended) the powers of appointment of the Managing Director and determination of the terms and conditions of such appointment rest with the Government of N.W.F.P.
8. 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, 2008. A total of eight meetings were held during the year. Written notices of the Board meetings along with agenda and working papers, were circulated to the directors at least seven days before the meetings except for emergency meetings.



9. The Directors of the Bank have been apprised about the responsibilities relating to the Code of Corporate Governance. Four Directors are attending the Board Development Series Program of the Pakistan Institute of Corporate Governance (PICG). The remaining Directors are expected to attend the program when it offered again during the year.
10. The Human Resource Committee of the Board approved the appointment of the Chief Financial Officer (CFO). The appointment of the Company Secretary was made by the Board. The Appointment of Head Internal Audit was made by the Managing Director with approval of the Audit Committee.
11. 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.
12. The Financial statements of the Bank were duly endorsed by the MD and the CFO before approval of the Board.
13. 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.
14. The Bank has complied with all the requirements of The Bank of Khyber Act, 1991 and the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members. All members of the Committee including the Chairman are non-executive Directors.
16. 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 12 meetings of the Committee were held during the year. The terms of reference of the Committee have been formulated and approved by the Board.
17. 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.
18. The system of Internal Control is sound in design and is being effectively implemented and monitored.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program of the Institute of Chartered Accountants of Pakistan that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code ethics as adopted by The Institute of Chartered Accountants of Pakistan.
20. 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.
21. This Statement of Compliance with best practice of corporate governance is being

- published and circulated along with the annual report of the Bank.
22. 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.
 23. We confirm that the Bank has also implemented the remaining provisions of the Code applicable to the Bank.

On behalf of The Board of Directors

March 3, 2009

Bilal Mustafa
Managing Director



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

We have reviewed the Statement of compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of The Bank of Khyber to comply with Regulation G-1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan and Listing Regulation No. 37 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 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 out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance 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 31 December 2008.

Lahore: 03 March 2009

Chartered Accountants

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. However, it may be understood that, Internal Control System is designed to manage rather than eliminate the risk of failure inherent in the desired business transactions and can only provide reasonable and not absolute assurance against material misstatement or loss.

Evaluation of Existing Internal Control System

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

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

We understand that the existing system of Internal Controls needs improvement for which efforts are being made to identify gaps and correct them. 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

March 3, 2009

Bilal Mustafa
Managing Director



Report of Shariah Advisor

Islamic Banking of Bank of Khyber is functioning under supervision and guidance of a very strong Shariah Supervisory Committee comprising of Professor Khursheed Ahmed as Chairman, Justice (R) Mufti Muhammad Taqi Usmani, Dr. Mahmood Ahmad Ghazi, Mufti Ghulam- ur- Rehman, Dr. Shahid Hassan Siddiqui and Syed Muhammad Abbas as Members.

In view of very dedicated Shariah Compliance Team for implementation and compliance of the approved Systems, it is ensured that each class of transaction has been examined on test check basis along with its procedure and documentation especially on the financing side.

As such the approved system is of high level in Shariah Compliance and bank is gradually increasing the level of compliance to the highest standards. Therefore, in my opinion the affair of Islamic Banking have been carried out in accordance with the rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance as well as the advice of the Shariah Supervisory Committee.

Allocation of funds, weightages, profit, sharing ratios, profits and charging of losses (if any) related to PLS accounts are in accordance with Shariah Rules and Principles as approved by Shariah Supervisory Committee.

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

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

March 03, 2009

Mufti Zakir Hassan Nomani
Shariah Advisor

Auditors' Report

to the shareholders and the Government of N.W.F.P

We have audited the annexed balance sheet of The Bank of Khyber (the Bank) as at 31 December 2008 and the related profit and loss account, 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 5 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 the 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 case of loans and advances covered more than sixty per cent of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except of the change referred to in note 6 to the financial statements with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objectives of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

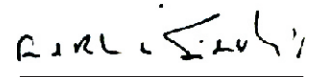


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- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform 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 31 December 2008 and its true balance of the profit, 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.

Lahore : 03 March 2009


Chartered Accountants

Balance Sheet as at December, 31 2008

	Note	2008 Rupees in '000	2007 (Restated)
ASSETS			
Cash and balances with treasury banks	7	1,557,715	1,364,853
Balances with other banks	8	3,362,946	3,728,016
Lendings to financial institutions	9	2,282,494	2,858,000
Investments	10	8,985,441	8,903,110
Advances	11	12,643,814	10,085,640
Operating fixed assets	12	187,589	213,025
Deferred tax assets	13	396,673	63,644
Other assets	14	1,922,317	2,495,644
		31,338,989	29,711,932
LIABILITIES			
Bills payable	15	122,516	348,952
Borrowings	16	910,691	1,321,396
Deposits and other accounts	17	24,732,195	21,410,828
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	892,371	782,311
		26,657,773	23,863,487
NET ASSETS			
		4,681,216	5,848,445
REPRESENTED BY			
Share capital	19	4,002,984	4,002,984
Reserves		1,436,359	1,317,520
Unappropriated profit		238,473	219,964
		5,677,816	5,540,468
*(Deficit) / surplus on revaluation of assets	20	(996,600)	307,977
		4,681,216	5,848,445

CONTINGENCIES AND COMMITMENTS

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* The above deficit on revaluation of assets include an impairment loss (net of tax) of Rs. 706.065 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as allowed under BSD Circular No. 04 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net asset value as of December 31, 2008. Had the impairment loss been charged to profit and loss account, the deficit on revaluation of assets - net of tax would have been lower by Rs. 706.065 million and unappropriated profit would have been converted to loss amounting to Rs. 451.421 million (See note 20.1).

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


Managing Director


Director


Director


Director



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Profit and Loss Account for the Year Ended December, 31 2008

Note	2008	2007	
	Rupees in '000		
		(Restated)	
Mark-up / return / interest earned	22	2,958,865	2,380,380
Mark-up / return / interest expensed	23	1,897,816	1,845,360
Net mark-up / interest income		1,061,049	535,020
Provision against non-performing loans and advances	11.4	192,919	655,624
Provision for diminution in the value of investments	10.3	45,674	3,700
Bad debts written off directly		-	60
		238,593	659,384
Net Mark-up / interest income after provisions		822,456	(124,364)
NON MARK-UP/INTEREST INCOME			
Fee, Commission and brokerage income		96,413	78,790
Dividend Income		150,360	126,878
Income from dealing in foreign currencies		32,926	14,856
(Loss) / gain on sale of securities	24	(570)	433,333
Unrealized gain / (loss) on revaluation of investments classified as held for trading		-	(6,990)
Other income	25	60,626	98,685
Total non-markup/interest Income		339,755	745,552
		1,162,211	621,188
NON MARK-UP/INTEREST EXPENSES			
Administrative expenses	26	654,869	522,723
Other provisions / write offs	27	264,324	-
Other charges	28	37,122	21,040
Total non-markup/interest expenses		956,315	543,763
		205,896	77,425
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		205,896	77,425
Taxation			
Current	29	18,975	18,246
Prior years		-	-
Deferred		49,573	(154,072)
		68,548	(135,826)
* PROFIT AFTER TAXATION		137,348	213,251
Unappropriated profit brought forward		128,595	49,363
Profit available for appropriation		265,943	262,614
Basic earnings per share	30	0.27	0.43
Diluted earnings per share		0.27	0.43

* The profit for the year does not include impairment loss (net of tax) of Rs. 706.065 million in respect of listed equity securities / mutual funds held under 'Available-for-sale' category of investments in accordance with the treatment allowed under BSD Circular No. 04 dated February 13, 2009 of the SBP. The said impairment loss has been determined on the basis of valuation of such listed equity securities / mutual funds using the market prices quoted on the stock exchange / net asset values as of December 31, 2008 and has been taken to 'deficit on revaluation of assets' account as shown in the balance sheet. Had the impairment loss been charged to profit and loss account, profit after tax for the year would have been lower by Rs. 706.065 million and earning per share would have been lower by Rs. 1.41 (See note 20.1).

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

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Managing Director


Director


Director


Director

Statement of Changes in Equity
for the year Ended December, 31 2008

Note	Share capital	Reserves					Total	Unappropriated profit	TOTAL
		Capital		Statutory reserve	Revenue				
		Reserve for bonus issue	Share premium		Revenue reserve	Reserve for contingencies			
Rupees in '000'									
	2,000,949	-	204,958	369,542	54,131	100,000	728,631	66,642	2,796,222
Effect of change in accounting policy (6.1)	-	-	-	(4,320)	-	-	(4,320)	(17,279)	(21,599)
	2,000,949	-	204,958	365,222	54,131	100,000	724,311	49,363	2,774,623
Right issue of share capital	2,002,035	-	-	-	-	-	-	-	2,002,035
Share premium	-	-	550,559	-	-	-	550,559	-	550,559
Transfer to revenue reserve	-	-	-	-	100,000	(100,000)	-	-	-
Profit after taxation for the year - restated	-	-	-	-	-	-	-	213,251	213,251
Transfer to statutory reserve	-	-	-	42,650	-	-	42,650	(42,650)	-
	4,002,984	-	755,517	407,872	154,131	-	1,317,520	219,964	5,540,468
Transfer from un-appropriated profit	-	-	-	-	91,369	-	91,369	(91,369)	-
Transfer to reserve for issue of bonus shares	-	1,001,017	(755,517)	-	(245,500)	-	-	-	-
Profit after taxation for the year	-	-	-	-	-	-	-	137,348	137,348
Transfer to statutory reserve	-	-	-	27,470	-	-	27,470	(27,470)	-
	4,002,984	1,001,017	-	435,342	-	-	1,436,359	238,473	5,677,816

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



Managing Director



Director



Director



Director



The Bank of Khyber

Annual Report
2008

Cash Flow Statement for the Year Ended December, 31 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation
Less: Dividend income

Adjustments:

Depreciation
Amortization
Provision against non-performing advances
Unrealized gain on revaluation of investments
classified as held for trading
Provision for diminution in the value of investments
Loss on reclassification of held-for-trading investment
Other provisions / write offs
Bad debts written off directly
(Gain) on sale of fixed assets

(Increase) / decrease in operating assets :

Lendings to financial institutions
Net investments in held for trading securities
Advances
Others assets (excluding advance taxation)

Increase / (decrease) in operating liabilities :

Bills payable
Borrowings
Deposits and other accounts
Other liabilities (excluding current taxation)

Cash generated from / (used in) operations

Income tax paid

Net cash flows from / (used in) operating activities

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities
Net investments in held-to-maturity securities
Dividend received
Investments in operating fixed assets
Sale proceeds of property and equipment disposed-off

Net cash used in investing activities

CASH FLOWS FROM FINANCING ACTIVITIES

Issue of right shares
Share premium received against issuance of shares

Net cash flows from financing activities

(Decrease) / Increase in cash and cash equivalents

Cash and cash equivalents at beginning of the year

Cash and cash equivalents at end of the year

Note	2008 Rupees in '000	2007 (Restated)
	205,896	77,425
	150,360	126,878
	55,536	(49,453)
	17,705	18,214
	476	1,758
	192,919	655,624
	-	6,990
	45,674	3,700
	77,184	-
	81,250	-
	-	60
	(3,717)	(407)
	411,491	685,939
	467,027	636,486
	(166,244)	(13,000)
	67,917	(17,917)
	(2,751,093)	(1,551,877)
	479,652	(1,036,076)
	(2,369,768)	(2,618,870)
	(226,436)	198,517
	(410,705)	(3,004,413)
	3,321,367	2,334,264
	110,060	152,815
	2,794,286	(318,817)
	891,545	(2,301,201)
	(6,550)	(89,225)
	884,995	(2,390,426)
	(1,323,997)	291,150
	(552,117)	(374,447)
	150,252	126,092
	(81,342)	(91,033)
	8,251	827
	(1,798,953)	(47,411)
	-	2,002,035
	-	550,559
	-	2,552,594
	(913,958)	114,757
(31)	7,627,869	7,513,112
(31)	6,713,911	7,627,869

The annexed notes from 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 2008

1. STATUS AND NATURE OF BUSINESS

The Bank was established under The Bank of Khyber Act, 1991 (N.W.F.P. Act No. XIV of 1991) and is principally engaged in the business of commercial, investment and development Banking. The Bank acquired the status of a scheduled bank in 1994. The Bank is listed on the Karachi Stock Exchange (KSE). The registered office of the Bank is situated at 24 The Mall, Peshawar Cantt, Peshawar. The Bank was operating 34 branches as at December 31, 2008 (2007: 34 branches).

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. One permissible form of trade related mode of financing comprises of purchase of goods by the banks from their customers and resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of rental/profit thereon. Following the setting up of the Islamic Banking Division, the Bank also provides financing through Shariah compliant modes of financing.
- 2.2 The financial results of the Islamic Banking Division have been consolidated in these financial statements for reporting purpose, after eliminating the effects of intra-bank transactions and balances. The bank is conducting Islamic Banking in sixteen (2007: sixteen) of its branches. Key financial figures of the Islamic Banking Division are disclosed in annexure "A" to these financial statements.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984, the directives issued by SBP including format for the financial statements of banks issued by SBP through BSD Circular No. 04 dated February 17, 2006, and the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), interpretations issued by the Standing Interpretation Committee of IASB (the interpretations) and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, as adopted in Pakistan. However, the requirements of the Banking Companies Ordinance, 1962, the Companies Ordinance, 1984 and the directives of the SBP have been followed in case where their requirements are not consistent with the requirements of the IFRSs and the interpretations.
- 3.2 The Securities and Exchange Commission of Pakistan (SECP) has approved the

adoption of IAS 39 "Financial Instruments: Recognition and Measurement" and IAS 40 "Investment Property". However, SBP through its BSD Circular letter No.10 dated August 26, 2002 has deferred the implementation of these standards for banks in Pakistan till further instructions. Accordingly, the requirements of these standards have not been considered in preparation of these financial statements for the year ended December 31, 2008. However, investments have been classified in accordance with the requirements of various circulars issued by SBP.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except for certain investments and derivative financial instruments which have been marked to market and are carried at fair value.

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 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 prices and interest rates. 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.

5.2 Held-to-maturity investments

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

5.3 Provision against non-performing loans and advances

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

5.4 Income taxes

While making the estimates for income taxes currently payable by the Bank, the management looks at the current income tax law 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.

5.5 Defined benefit plan

The cost of the defined benefit plan (gratuity) is determined using actuarial valuations. 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

6.1 Change in accounting policy

Pursuant to the directives issued by State Bank of Pakistan, the Bank has changed its accounting policy for measurement of investment in associate at cost. Previously, such investments were accounted for by using equity accounting method as prescribed by the International Accounting Standard 28 "Investments in Associates". This change has been accounted for as change in accounting policy with retrospective effects in accordance with the requirements of International Accounting Standard-8 " Accounting Policies, Changes in Accounting Estimates and Errors. The effects of said change in accounting policy are summarized below:

	2008	2007
	Rupees in '000	
Decrease in unappropriated profit - opening	22,228	17,279
Decrease in unappropriated profit - closing	23,292	22,228
Decrease in statutory reserves	5,823	5,557
Decrease in investments	44,792	42,746
Increase in deferred tax assets	15,677	14,961
Decrease in profit after tax	1,330	6,187
Decrease in earning per share	0.003	0.012

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

The following revised standards and interpretations with respect to approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standards or interpretations.

Standard or Interpretation	Effective date (accounting periods beginning on or after
IAS 1 - Presentation of Financial Statements (Revised)	January 1, 2009
IAS 23 - Borrowing Costs (Revised)	January 1, 2009
IAS 27 - Consolidated and Separate Financial Statements (Revised)	January 1, 2009
IFRS 3 - Business Combinations (Revised)	July 1, 2009
IFRS 4 - Insurance Contracts	January 1, 2009
IFRS 8 - Operating Segments	January 1, 2009
IFRIC 13 - Customer Loyalty Programmes	July 1, 2008
IFRIC 15 - Agreements for the Construction of Real Estate	January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	October 1, 2008
IFRIC 17 - Distributions of Non-cash Assets to Owners	July 1, 2009
IFRIC 18 - Transfers of Assets from Customers	July 1, 2009
IFAS 2 - Ijarah	January 1, 2009

The Securities and Exchange Commission of Pakistan has notified for adoption "Islamic Financial Accounting Standard 2 - Ijarah (IFAS - 2)" issued by the Institute of Chartered Accountants of Pakistan (ICAP) which is applicable for accounting periods beginning January 1, 2008. However, subsequent to the year end, SBP has issued IBD Circular No. 01 dated January 27, 2009 with regard to implementation of IFAS - 2.

The circular states that due to practical issues in implementation of this standard the SBP has decided to implement this standard w.e.f. January 1, 2009. Accordingly, this standard will be applicable on the financial statements of the Bank for the year ending December 31, 2009. This standard requires that the 'Ijarah' transactions should be accounted for as operating leases in the books whereby assets leased out by the Bank under Ijarah should be recorded as fixed assets in the books of the Bank and be classified separately according to the nature of such assets distinguished from the assets in the use of the Bank. These assets should be depreciated over the term of the 'Ijarah'. Rental income should be recognized on accrual basis as and when the rental becomes due.

Currently, Ijarah transactions are accounted for as a finance lease in the books of the Bank whereby assets under Ijarah arrangements are presented as a receivable at an amount equal to net investment in Ijarah. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the Ijarah and is amortized over the terms of the Ijarah so as to produce a constant rate of return on net investment in Ijarah.

Except for the above, the Bank expects that the adoption of the above standards and interpretations will have no material impact on the Bank's financial statements in the period of initial application other than to the extent of certain changes or enhancements in the presentation and disclosures in the financial statements.

6.3 Investments

6.3.1 All investments acquired by The Bank are initially recognized at cost, being the fair value of consideration given including acquisition cost except in the case of investment classified as held-for-trading where acquisition costs are charged to profit and loss account. In accordance with the directives of the SBP, quoted and government securities, excluding investments categorized as 'held-to-maturity' securities, are stated at revalued amounts. Investment in unquoted securities (excluding investments in an associate and government securities) are stated at the lower of cost and break-up value. Break-up value is calculated on the basis of net assets of the investee companies according to their latest available audited financial statements.

6.3.2 The Bank classifies its investments as follows:

Held-to-maturity

These are the securities with fixed or determinable payments and fixed maturity that are held with the intention or ability to hold till maturity. These are carried at amortized cost.

Held-for-trading

These are investments acquired principally for the purpose of generating profit from short-term fluctuation in prices or dealers' margins. These are carried at market value and are not held for more than ninety (90) days. Surplus/(deficit) arising on revaluation of 'held-for-trading' securities is credited / charged to the profit and loss account.

Available for sale

These are investments that do not fall under the 'held-for-trading' or 'held-to-maturity' categories. These are carried at market value with surplus/(deficit) taken to 'surplus/(deficit) on revaluation account' below equity, except that available-for-sale investments in unquoted shares and term finance certificates are stated at cost less provision for impairment, if any. Provision in respect of unquoted shares is calculated with reference to break-up value. Provision for unquoted debt securities is calculated with reference to the time-based criteria as per the SBP's Prudential

Regulation. The surplus/(deficit) arising on these securities is taken to the profit and loss account when realized.

Premium or discount on debt securities classified as available-for-sale and held-to-maturity is amortized over the tenure of debt securities and taken to profit and loss account.

On derecognition of quoted available-for-sale investments, the cumulative gain or loss previously reported as "surplus/(deficit) on revaluation of assets" below equity is included in the profit and loss account for the period in which it is derecognized.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page (PKRV) or the stock exchanges.

Investment in associated undertaking is stated at cost. Provision is made for any impairment in value.

Gains and losses on disposal of investments are dealt with through the profit and loss account in the year in which they arise.

The carrying value of investments are reviewed for impairment at each balance sheet date. Where any such indications exist that the carrying values exceed the estimated recoverable amounts, the related impairment is recognized in profit and loss account. However, in current year impairment loss on listed equity securities / mutual funds has been treated as described in note 20.1.

6.4 Lending to / borrowings from financial institutions

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

a) Sale under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the balance sheet and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as mark- up/return/interest expense and accrued over the term of the related repo agreement.

b) Purchase under resale agreements

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

6.5 Advances

Advances are stated net of specific and general provisions. Specific 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. General provision against consumer loans is made in accordance with the requirements of the Prudential Regulations issued by the State Bank of Pakistan. Advances are written-off when there are no realistic prospects of recovery.

6.5.1 *Murabaha*

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

6.5.2 *Ijarah*

In case of ijarah financing, the present value of the ijarah rental is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned ijarah income.

6.6 *Inventories*

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

6.7 *Operating fixed assets and depreciation*

6.7.1 *Tangible fixed assets*

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

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Minor renewals, replacements, maintenance, repairs and gains and losses on disposal of fixed assets are charged to the profit and loss account when incurred.

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

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

6.7.2 Intangible fixed assets

Intangible fixed assets comprise of cost of computer software, which are being amortized using the straight-line method over their useful lives but restricted to a maximum period of five years (Note 12.3). Costs associated with maintaining computer software are recognized as an expense when incurred.

6.7.3 Capital work in progress

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

6.7.4 Impairment

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

6.8 Taxation

6.8.1 Current

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

6.8.2 Deferred

"Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are 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 taxable profits will be available against which the deductible temporary differences, carry forward of unused tax assets and unused tax losses can be utilised. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is

settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date."

Income tax relating to the items recognized directly in equity are recognized in equity.

6.9 Staff retirement benefits

6.9.1 Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees. Contributions are made to the fund in accordance with the rules of the scheme by the Bank. Employees are entitled to the benefits under the scheme which comprise of 2 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 as on December 31, 2008 using the projected unit credit actuarial cost method. Actuarial gains and losses, if any, arising during the year are fully charged to the profit and loss account.

6.9.2 Defined contribution plan

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

6.10 Revenue recognition

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

Return / markup on advances (other than murabaha) and investments is recognized on time proportion basis accrual 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.

Dividends are recognized as income when the right to receive is established.

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

6.11 Foreign currencies

a) **Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the bank operates. The financial statements are presented in Pakistani Rupees, which is the bank's functional and presentation currency.

b) **Foreign currency assets and liabilities**

The assets and liabilities of foreign currency are translated to rupees at exchange rate prevailing at the balance sheet date except those covered by forward exchange contracts, which are valued at rates applicable to their respective maturities.

c) **Translation gains and losses**

Translation gains and losses are included in the profit and loss currently. Gains or losses on forward exchange contracts outstanding as at the year end are recognized currently.

d) **Commitments**

Commitments for outstanding forward foreign exchange contracts are disclosed in the financial statements at the rates approximates to their maturities

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.

Business Segments

a) **Corporate finance**

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

b) **Trading and sales**

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

c) **Retail banking**

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

d) Commercial banking

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

6.13 Cash and cash equivalents

For purposes of the cash flow statement the cash and cash equivalents comprise of cash and balances with treasury banks, balances with other banks and call lendings and placements with financial institutions having maturities of three (3) months or less.

6.14 Provisions and contingent assets and liabilities

Provisions for guarantees, claims and other off balance sheet obligations are made when the Bank has a present legal or constructive obligation arising as a result of past events and 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.

Contingent assets are not recognized, and are also not disclosed unless the realization of the asset is virtually certain and contingent liabilities are not recognized, and are disclosed unless the probability of outflow of resources embodying economic benefits is remote.

6.15 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the bank becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

6.16 Derivatives

Derivative financial instruments include forward foreign exchange contracts and swaps.. Derivative financial instruments are initially recognized at their fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. All derivative financial instruments are carried as asset when fair value is positive and liabilities when fair value is negative. Any change in the value of derivative financial instruments is taken to the profit and loss account.

6.17 Trade date accounting

All regular way purchases/sales of investment are recognized on the trade date, i.e. the date the Bank commits to purchase/sell the investments. Regular way purchases of sales of investment require delivery of securities within three days after the transaction date as required by stock exchange regulations.

6.18 Off-Setting

Financial assets and financial liabilities are only 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 either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

	Note	2008	2007
		Rupees in '000	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand :			
Local currency		266,957	207,502
Foreign currency		60,625	55,236
National prize bonds		292	695
		327,874	263,433
With State Bank of Pakistan in :			
Local currency current account	(7.1)	1,052,420	1,034,476
Foreign currency clearance account	(7.2)	10,362	734
Foreign currency deposit accounts	(7.3)	27,112	16,616
		1,089,894	1,051,826
With National Bank of Pakistan in :			
Local currency current account		139,947	49,594
		1,557,715	1,364,853

7.1 The current account is maintained under the requirements of section 29 of the Banking Companies Ordinance, 1962 as amended from time to time by the State Bank of Pakistan.

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 balance held in the foreign currency deposit accounts with the SBP represents the 11% reserve requirement for islamic and 20% for conventional branches (2007: 10%) for holding FE-25 deposits. These balances comprises of 6% and 15% remunerative deposits for islamic and conventional branches respectively and the remaining deposits are non-remunerative (2007: 5% remunerative and 5% non-remunerative). The rate of return on remunerative deposits is 0.90% (2007: 4.24%) per annum.

8. BALANCES WITH OTHER BANKS

In Pakistan			
On current account		989,309	765,267
On deposit account	(8.1)	2,288,953	2,803,795
		3,278,262	3,569,062
Outside Pakistan			
On current account		64,059	64,209
On deposit account	(8.2)	30,653	104,773
		94,712	168,982
		3,372,974	3,738,044
Less: Provision for doubtful placement with a bank	(8.3)	10,028	10,028
		3,362,946	3,728,016

- 8.1 These represent short-term deposits with banks and carry mark-up at the rates ranging from 1% to 21% per annum (2007: 9.75% to 11.25% per annum) and having maturities upto March 30, 2009 (2007: March 31, 2008).
- 8.2 This represents placement of funds with bank outside Pakistan, which has been generated through the foreign currency deposit scheme (FE-25). The placement has been made at the rate of 2.83% per annum (2007: 4% to 4.81% per annum) and has maturity upto January 16, 2009 (2007: February 13, 2008).

	Note	2008	2007
Rupees in '000			
8.3 Provision for doubtful placement with a bank			
Balance as at January 01		10,028	10,028
Charge for the year		-	-
Reversals		-	-
Balance as at December 31		10,028	10,028
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lendings	(9.2)	325,000	200,000
Repurchase agreement lendings (Reverse Repo)	(9.3)	489,244	123,000
Placements with financial institutions	(9.4) & (9.5)	1,662,324	2,546,000
		2,476,568	2,869,000
Less: Provision for doubtful placements with financial institutions	(9.5)	194,074	11,000
		2,282,494	2,858,000
9.1 Particulars of lending			
In local currency		2,476,568	2,869,000
In foreign currencies		-	-
		2,476,568	2,869,000

- 9.2 This unsecured lending carry interest at the rate 13% per annum (2007: 10.15% per annum) and has maturity upto January 1, 2009 (2007: April 19, 2008).
- 9.3 Repurchase agreement lendings (reverse repos) carry interest at the rates ranging from 12.95% to 14.10% (2007: 9.80% to 9.85%) per annum and have maturities upto February 23, 2009 (2007: January 24, 2008).
- 9.4 These unsecured placements with non banking financial institutions carry interest at the rates ranging from 1.5% to 20% per annum (2007: 9.75% to 13% per annum) and have maturities upto March 31, 2009 (2007: April 9, 2008).

9.5 Provision for doubtful placements with financial institutions

Balance as at January 01	11,000	11,000
Charge for the year	194,074	-
Reversals	(11,000)	-
Balance as at December 31	194,074	11,000

9.6 Securities held as collateral against lending to financial institutions

Note

	2008			2007		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
-----Rupees in '000-----						
Pakistan Investment Bonds	-	-	-	43,000	80,000	123,000
Market Treasury Bills	529,000	-	529,000	-	-	-
	529,000	-	529,000	43,000	80,000	123,000

9.7 Aggregate market value of securities held as collateral is Rs. 494.971 million as on December 31, 2008 (2007: Rs. Rs.128.313 million).

10. INVESTMENTS

10.1 Investments by types

Held for trading securities

Fully paid ordinary shares in listed companies

(Annexure C-note 1)

	2008			2007		
	Held by bank	Further given as collateral	Total	Held by bank	Further given as collateral	Total
-----Rupees in '000-----						
	-	-	-	67,917	-	67,917
	-	-	-	67,917	-	67,917

Available-for-sale securities

Market Treasury Bills

(10.2.1 & 10.2.2)

Pakistan Investment Bonds

(10.2.1 & 10.2.3)

National Investment Trust Units

(10.5 & Annexure C-note 6)

Shares in listed companies

(Annexure C-note 1)

Shares in unlisted companies

(Annexure C-note 2)

Listed Term Finance Certificates

(Annexure C-note 3)

Unlisted Term Finance Certificates

(Annexure C-note 4)

Units in open ended mutual funds

(Annexure C-note 5)

Units in close ended mutual funds

(Annexure C-note 5)

Sukuk Certificates

(Annexure C-note 7)

2,155,594	-	2,155,594	2,189,125	194,787	2,383,912
2,126,338	300,000	2,426,338	1,433,057	782,763	2,215,820
403,617	-	403,617	219,131	-	219,131
701,174	-	701,174	230,518	-	230,518
80,487	-	80,487	80,487	-	80,487
768,778	-	768,778	414,330	-	414,330
412,000	-	412,000	160,333	-	160,333
854,818	-	854,818	863,402	-	863,402
124,056	-	124,056	123,673	-	123,673
138,741	-	138,741	50,000	-	50,000
7,765,603	300,000	8,065,603	5,764,056	977,550	6,741,606

Held-to-maturity securities

Pakistan Investment Bonds

Sukuk Certificates

Bonds

(Annexure C-note 7)

(Annexure C-note 8)

981,293	-	981,293	1,008,098	-	1,008,098
1,253,932	-	1,253,932	475,000	-	475,000
-	-	-	200,010	-	200,010
2,235,225	-	2,235,225	1,683,108	-	1,683,108

Associates

Ordinary shares in unlisted companies

(10.6)

45,000	-	45,000	45,000	-	45,000
10,045,828	300,000	10,345,828	7,560,081	977,550	8,537,631

Investment at cost

Less: Provision for diminution in value of investments

(10.3)

88,128	-	88,128	42,454	-	42,454
9,957,700	300,000	10,257,700	7,517,627	977,550	8,495,177

Investments (net of provisions)

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

(20)

-	-	-	(6,990)	-	(6,990)
(1,200,354)	(71,905)	(1,272,259)	485,974	(71,051)	414,923
8,757,346	228,095	8,985,441	7,996,611	906,499	8,903,110

Total investments at market value

10.2 Investments by segments	Note	2008	2007
Rupees in '000			
Federal Government Securities:			
Market Treasury Bills	(10.2.1 & 10.2.2)	2,155,594	2,383,912
Pakistan Investment Bonds (PIBs)	(10.2.1 & 10.2.3)	3,407,631	3,223,918
Sukuk certificates		94,991	-
		5,658,216	5,607,830
Fully paid up ordinary shares:			
Listed companies	(Annexure C-note 1)	701,174	298,435
Unlisted companies	(Annexure C-note 2)	80,487	80,487
		781,661	378,922
Term finance certificates:			
Listed TFCs	(Annexure C-note 3)	768,778	414,330
Unlisted TFCs	(Annexure C-note 4)	412,000	160,333
		1,180,778	574,663
Mutual funds:			
Open ended	(Annexure C-note 5)	854,818	863,402
Close ended	(Annexure C-note 5)	124,056	123,673
		978,874	987,075
Other Investments:			
National Investment Trust Units	(Annexure C-note 6)	403,617	219,131
Sukuk certificates	(Annexure C-note 7)	1,297,682	525,000
Bonds	(Annexure C-note 8)	-	200,010
		1,701,299	944,141
Associated undertaking	(10.6)	45,000	45,000
Total investment at cost		10,345,828	8,537,631
Less: Provision for diminution in value of investments	(10.3)	88,128	42,454
Investments (Net of Provisions)		10,257,700	8,495,177
(Deficit) on revaluation of held for trading securities		-	(6,990)
(Deficit)/Surplus on revaluation of Available-for-sale securities (20)		(1,272,259)	414,923
Total investments at market value		8,985,441	8,903,110

- 10.2.1 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.
- 10.2.2 Market Treasury Bills have a market value of Rs. 2,152.380 million (2007: Rs. 2,528.840 million). These carry returns ranging from 11.13% to 13.31% per annum (2007: 9.0% to 9.39% per annum) and have maturity periods ranging between January 2009 to March 2009 (2007: January 2008 to December 2008). These are held with the SBP and are eligible for rediscounting.
- 10.2.3 PIBs under 'available- for- sale' category have a market value of Rs. 1,845.194 million (2007: Rs. 2,044.312 million). These PIBs carry returns ranging from 13.72% to 16.23% per annum (2007: 7% to 14% per annum) and have maturity periods ranging between May 2009 to October 2021 (2007: October 2008 to August 2017). These are held with the SBP and are eligible for rediscounting.

	Note	2008	2007
		Rupees in '000	
10.3 Particulars of provision			
Opening balance		42,454	38,754
Charge for the year		45,674	3,700
Reversals		-	-
Closing Balance	(10.3.1)	88,128	42,454
10.3.1 Particulars of provision in respect of type and segment			
Available-for-sale securities			
Ordinary shares in listed companies		12,693	11,967
Ordinary shares in unlisted companies		31,606	30,487
Term finance certificates / Sukuks		43,829	-
		88,128	42,454

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 cost of investment in 20,371,879 units of NIT as of December 31, 2008 aggregates to Rs. 403.617 million (2007: 219.131 million). The Government of Pakistan through a letter of comfort (LOC) dated August 8, 2001 had undertaken to facilitate NIT in redeeming 14,950,300 units at Rs. 13.70 per unit on the condition that the Bank shall continue to hold all the units for a minimum period of five years from the date of the letter of comfort. A surplus of Rs. 88.363 million is included in deficit on revaluation of securities as at December 31, 2008 (2007: Rs. 644.274 million) which represents the difference between the repurchase price of NIT units and their cost.

The Government of Pakistan (Ministry of Privitisation) through its letter ref. 2(10)Bkg/PC/97 dated November 27, 2005 had given options to the LOC holders to either acquire proportionate management rights and manage its portion of funds as a separate split fund or to continue with the existing arrangement wherein the funds continue to be managed by National Investment Trust Limited (NITL). In response, the Bank's management requested to the Government of Pakistan (Ministry of Privitisation) to waive off the LOC status on its NIT units and conveyed that accordingly its holding may be split and privatised in accordance with the terms mentioned in the aforementioned instructions for Non-LOC holders. A response from the Government of Pakistan (Ministry of Privitisation) was awaited but meanwhile, the Government of Pakistan vide its letter dated December 22, 2006 had extended the LOC status upto June 30, 2007. After this, NIT through its letter dated February 23, 2007 had given following options to LOC holders :

Option (a): LOC holders might exercise their option of acquiring the right to manage their funds at same terms as determined by a competitive bidding process for auction of the non-LOC management rights with

no discount.

Option (b): In the event the above option was not acceptable the LOC holders might either choose:

- i) to enter into an agreement with NIT for a staged redemption spread over period of several years with an initial payment from proceeds of sale of PICIC and PSO shares.
- ii) to exercise the redemption option before the expiry of current LOC date with immediate payment at a discount of 10% over and above the normal procedure.

The Bank had not conveyed its concurrence to any of the above referred options as the matter was under consideration by the management till December 14, 2007. On December 14, 2007, Government had given another option to redeem its 10% units on the prices prevailing on the date of such redemption before December 31, 2007, subject to the extension of LOC limit upto December 31, 2008, which was opted by the management and as a result of which LOC status was extended upto December 31, 2008. Currently, the Government has extended the LOC status upto June 30, 2009 provided the Bank intends to hold such units upto June 30, 2009.



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10.6 Investment in associate Taurus Securities Limited

	Note	2008	2007
Number of shares held - <i>number</i>		4,500,001	4,500,001
Value of investment at cost- <i>rupees in thousands</i>		45,000	45,000
Percentage of investment - <i>percentage</i>		33.33	33.33
Break-up value per share - <i>rupees</i>		18.85	19.50
Latest available financial statements		31-Dec-08	31-Dec-07
Name of Chief Executive		Mr. Zain Hussain	Mr. Zain Hussain

10.6.1 Associate key information

	2008	2007
	Rupees in '000	
Assets	378,694	557,937
Liabilities	124,152	294,672
Revenue for the year	79,232	100,332
Profit before taxation for the year	12,768	40,770
Profit after taxation for the year	7,125	28,554

11. ADVANCES

Loans, cash credits, running finances, etc. :		
In Pakistan		10,879,331
Outside Pakistan		-
	13,769,978	10,879,331
Net investment in ijarah :		
In Pakistan	(11.2)	439,674
Outside Pakistan		-
	589,089	439,674
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan		136,850
Payable outside Pakistan		110,167
	566,052	247,017
Financing in respect of continuous funding system		608,004
Advances - gross	(11.1)	12,174,026
Less: Provision for non-performing advances	(11.4)	2,088,386
Advances - net of provision		10,085,640

11.1 Particulars of advances - gross

11.1.1 In local currency		12,174,026
In foreign currencies		-
		12,174,026
11.1.2 Short term (for upto one year)		5,652,980
Long term (for over one year)		6,521,046
		12,174,026

11.2 Net investment in Ijarah

	2008				2007			
	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	214,196	326,377	72,270	612,843	203,509	218,964	2,029	424,502
Residual value	75	107,983	1,624	109,682	-	82,817	-	82,817
Minimum ijarah rentals	214,271	434,360	73,894	722,525	203,509	301,781	2,029	507,319
Profit for future periods	29,426	87,093	16,917	133,436	22,358	44,947	340	67,645
Net investment in ijarah	184,845	347,267	56,977	589,089	181,151	256,834	1,689	439,674

11.3 Advances include amounts aggregating to Rs. 3,331.487 million (2007: Rs. 2,301.268 million) which have been placed under non-performing status as detailed below:

Category of classification	2008								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other assets especially mentioned*	3,580	-	3,580	-	-	-	-	-	-
Substandard	900,615	-	900,615	191,893	-	191,893	191,893	-	191,893
Doubtful	375,779	-	375,779	194,561	-	194,561	194,561	-	194,561
Loss	2,051,513	-	2,051,513	1,874,710	-	1,874,710	1,874,710	-	1,874,710
	3,331,487	-	3,331,487	2,261,164	-	2,261,164	2,261,164	-	2,261,164

Category of classification	2007								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Other assets especially mentioned*	252	-	252	-	-	-	-	-	-
Substandard	208,601	-	208,601	52,107	-	52,107	52,107	-	52,107
Doubtful	110,603	-	110,603	55,302	-	55,302	55,302	-	55,302
Loss	1,981,812	-	1,981,812	1,959,444	-	1,959,444	1,959,444	-	1,959,444
	2,301,268	-	2,301,268	2,066,853	-	2,066,853	2,066,853	-	2,066,853

* Other assets especially mentioned category pertains to agricultural finance only.

11.3.1 The SBP vide BSD Circular No. 02 dated January 02, 2009 amended Prudential Regulations in respect of provisioning against non-performing advances. The revised regulations that are effective from December 31, 2008, allow the benefit of 30 percent of Forced Sale Value (FSV) of pledged stocks and mortgaged commercial and residential property 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. 209 million. However, the additional 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	2008			2007		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	2,066,853	21,533	2,088,386	1,889,324	29,944	1,919,268
Charge for the year	422,430	-	422,430	950,229	-	950,229
Amounts written off	(11.5)	-	-	(486,506)	-	(486,506)
Reversals	(228,119)	(1,392)	(229,511)	(286,194)	(8,411)	(294,605)
Closing balance	2,261,164	20,141	2,281,305	2,066,853	21,533	2,088,386

11.4.1 Particulars of provisions against non-performing advances	2008			2007		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	2,261,164	20,141	2,281,305	2,066,853	21,533	2,088,386
	-	-	-	-	-	-
	2,261,164	20,141	2,281,305	2,066,853	21,533	2,088,386

11.5 Particulars of write-offs

	2008		2007	
	Rupees in '000			
11.5.1 Against provision	-	-	-	486,506
Directly charged to profit and loss account	-	-	60	-
	-	-	-	486,566
11.5.2 Write-off of Rs. 500,000 and above	-	-	-	486,506
Write-off of Rs. Below Rs. 500,000	-	-	60	-
	-	-	-	486,566

11.5.3 Details of loans amounting to Rs 500,000 and above written off:

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962 a statement in respect of write off of loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) in Pakistan during the year ended December 31, 2008 is enclosed as annexure 'B' to the notes to these financial statements.



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11.6 Particulars of loans and advances to directors, associated companies, 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
Loans granted during the year
Repayments
Balance at end of year

Note	2008 Rupees in '000	2007
	386,754	353,317
	176,724	66,794
	(20,100)	(33,357)
	543,378	386,754

12. OPERATING FIXED ASSETS

Capital work-in-progress
Property and equipment
Intangible assets

(12.1)	35,204	77,895
(12.2)	152,385	134,654
(12.3)	-	476
	187,589	213,025

12.1 Capital work-in-progress

Leasehold improvements
Office equipments
Advances to suppliers and contractors

	19,919	42,009
	5,020	19,362
	10,265	16,524
	35,204	77,895

12.2 Property and equipment

	COST			DEPRECIATION			Book Value	Depreciation Rate (%)
	As at 01 January 2008	Additions / (Deletions)	As at 31 December 2008	As at 01 January 2008	Charge for the year / (Adjustment)	As at 31 December 2008		
	Rupees in '000							
Free hold land	41,558	-	41,558	-	-	-	41,558	-
Building on free hold land	11,620	-	11,620	8,326	329	8,655	2,965	10
Building on other land	1,964	-	1,964	1,554	41	1,595	369	10
Furniture and fixture	77,929	7,120 (8,042)	77,007	43,202	5,302 (5,347)	43,157	33,850	10 - 20
Office equipment	109,763	16,553 (1,404)	124,912	70,128	8,416 (1,006)	77,538	47,374	10 - 20
Vehicles	40,848	16,267 (7,050)	50,065	26,068	3,589 (5,609)	24,048	26,017	20
Library books	551	30	581	301	28	329	252	10
	284,233	39,970 (16,496)	307,707	149,579	17,705 (11,962)	155,322	152,385	

	COST			DEPRECIATION			Book Value	Depreciation Rate (%)
	As at 01 January 2007	Additions / (Deletions)	As at 31 December 2007	As at 01 January 2007	Charge for the year / (Adjustment)	As at 31 December 2007		
	Rupees in '000							
Free hold land	41,558	-	41,558	-	-	-	41,558	-
Building on free hold land	11,620	-	11,620	7,960	366	8,326	3,294	10
Building on other land	1,964	-	1,964	1,508	46	1,554	410	10
Furniture and fixture	70,309	7,692 (72)	77,929	38,011	5,235 (44)	43,202	34,727	10 - 20
Office equipment	102,670	7,302 (209)	109,763	60,993	9,325 (190)	70,128	39,635	10 - 20
Vehicles	38,471	4,440 (2,063)	40,848	24,545	3,213 (1,690)	26,068	14,780	20
Library books	547	4	551	272	29	301	250	10
	267,139	19,438 (2,344)	284,233	133,289	18,214 (1,924)	149,579	134,654	

12.2.1 Reconciliation of net book values

	Free hold land	Building on free hold land	Building on other land	Furniture and fixture	Office equipment	Vehicles	Library books	Total
	-----Rupees in '000-----							
Net book value as at 01 January 2007	41,558	3,660	456	32,298	41,677	13,926	275	133,850
Additions - cost	-	-	-	7,692	7,302	4,440	4	19,438
Deletions:								
Cost	-	-	-	(72)	(209)	(2,063)	-	(2,344)
Depreciation	-	-	-	44	190	1,690	-	1,924
Depreciation charge	-	(366)	(46)	(5,235)	(9,325)	(3,213)	(29)	(18,214)
Net book value as at 31 December 2007	41,558	3,294	410	34,727	39,635	14,780	250	134,654
Additions - cost	-	-	-	7,120	16,553	16,267	30	39,970
Deletions:								
Cost	-	-	-	(8,042)	(1,404)	(7,050)	-	(16,496)
Depreciation	-	-	-	5,347	1,006	5,609	-	11,962
Depreciation charge	-	(329)	(41)	(5,302)	(8,416)	(3,589)	(28)	(17,705)
Net book value as at 31 December 2008	41,558	2,965	369	33,850	47,374	26,017	252	152,385

12.2.2 Details of disposals of fixed assets

Details of assets whose original cost or the book value exceeds Rs. 1 million or Rs. 0.250 million, whichever is lower are given below:

Asset	Cost	Net Book Value	Sale Price	Mode of Disposal	Particular of Purchaser
	-----Rupees in '000-----				
Furniture and fixtures	1,000	383	444	Insurance claim	National Insurance Company Limited
Furniture and fixtures	732	432	55	Tender	Mr. Muhammad Younus Pasta, Karachi
Furniture and fixtures	6,224	1,789	3,022	Insurance claim	National Insurance Company Limited
Motor Vehicle	1,439	124	858	Tender	Mr. Tufail Ahmad, Peshawar

12.2.3 Building on other land represents the cost of building constructed on a plot of land which is owned by the Government of N.W.F.P

12.2.4 The fair values of operating fixed assets according to estimates of the management are not materially different from their carrying amounts.

12.3 Intangible assets

	COST			AMORTIZATION			Book Value	Amortization Rate (%)
	As at 01 January 2008	Additions / (Deletions)	As at 31 December 2008	As at 01 January 2008	Charge for the year	As at 31 December 2008		
	Rupees in '000							
Computer software	11,759	-	11,759	11,283	476	11,759	-	20
	11,759	-	11,759	11,283	476	11,759	-	

	COST			AMORTIZATION			Book Value	Amortization Rate (%)
	As at 01 January 2007	Additions / (Deletions)	As at 31 December 2007	As at 01 January 2007	Charge for the year	As at 31 December 2007		
	Rupees in '000							
Computer software	11,759	-	11,759	9,525	1,758	11,283	476	20
	11,759	-	11,759	9,525	1,758	11,283	476	

12.3.1 Reconciliation of net book values

	Net book value as at 01 January 2007	Amortization charge	Net book value as at 31 December 2007	Amortization charge	Net book value as at 31 December 2008
	Rupees in '000				
Computer Software	2,234	(1,758)	476	(476)	-

12.3.2 The cost of computer software includes the cost of fully amortized software amounting to Rs. 11.759 million (2007: Rs. 5.780 million) which is still in use.

	Note	2008	2007
Rupees in '000			
13. DEFERRED TAX ASSETS			
Taxable temporary differences			
Accelerated depreciation for tax purposes		(18,375)	(11,230)
Revaluation of investment		(6,959)	(172,683)
		(25,334)	(183,913)
Deductible temporary differences			
Provision for balances with other banks		3,510	3,510
Provision for placements with financial institutions		-	350
Provision for lendings to financial institutions		-	3,500
Provision for investments		14,859	14,642
Revaluation of investment		282,615	65,803
Provision for other assets		4,367	4,367
Taxable losses		99,560	149,183
Losses on reclassification of held for trading investments		7,718	2,447
Stabilization reserve		9,378	3,755
		422,007	247,557
Net deferred tax asset as at December 31		396,673	63,644
14. OTHER ASSETS			
Income / Mark-up accrued			
In local currency		610,282	511,012
In foreign currency		-	-
Advances, deposits, advance rent and other prepayments	(14.1)	216,236	362,329
Advance taxation (payments less provisions)		700,661	713,086
Receivable from gratuity fund	(33.2)	39,020	97,167
Prepaid exchange risk fee	(14.2)	49	39
Non - banking assets acquired in satisfaction of claims	(14.3)	408,398	348,398
Stationery and stamps on hand		3,955	3,868
Inventories	(14.4)	10,277	1,390
Receivables on redemption of TFC's	(14.5)	-	431,250
Others		27,167	39,583
		2,016,045	2,508,122
Less: Provision held against other assets	(14.6)	93,728	12,478
		1,922,317	2,495,644

14.1 The amount includes Rs. Nil (2007: Rs. 1.950 million) on account of funds disbursed under agency agreements for purchase of goods to be sold under murabaha arrangements.

14.2 Exchange Risk Fee is being amortized over the terms of the respective forward exchange contracts. According to the SBP's Foreign Exchange (FE) Circular No. 7 dated March 18, 2002, effective April 1, 2002 no fresh forward covers or their rollovers will be provided for foreign currency deposits under FE Circular No. 31.

14.3 The market value of non-banking assets approximates to their carrying value net of

provision i.e. amounting to Rs. 377.148 million (2007: Rs. 348.398 million).

- 14.4 The amount represents the cost of goods purchased by the agents of the Bank under agency agreements to be sold under murabaha arrangements.
- 14.5 This comprised of amount receivable on account of redemption of Term Finance Certificates (TFC's) on December 31, 2007.

	Note	2008	2007
Rupees in '000			
14.6 Provision held against other assets			
Opening balance		12,478	12,478
Charge for the year		81,250	-
Reversal for the year		-	-
Closing balance		93,728	12,478
15. BILLS PAYABLE			
In Pakistan		122,516	348,952
Outside Pakistan		-	-
		122,516	348,952
16. BORROWINGS			
In Pakistan		885,368	1,285,943
Outside Pakistan		25,323	35,453
		910,691	1,321,396
16.1 Particulars of borrowings with respect to currencies			
In local currency		910,691	1,321,396
In foreign currencies		-	-
		910,691	1,321,396
16.2 Details of borrowings Secured / Unsecured			
Secured			
Borrowings from State Bank of Pakistan:			
under export refinance scheme	(16.2.1 & 16.2.3)	456,776	292,301
long term financing - export oriented project scheme	(16.2.2 & 16.2.3)	3,592	16,092
		460,368	308,393
Repurchase agreement borrowings	(16.2.4)	300,000	977,550
		760,368	1,285,943
Unsecured			
Call borrowings	(16.3)	125,000	-
Foreign credit lines	(16.4)	25,323	35,453
		150,323	35,453
		910,691	1,321,396

- 16.2.1 The Bank has entered into agreements for financing with the State Bank of Pakistan for extending export finance to customers. As per the agreements, the Bank has granted 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.
- 16.2.2 The amount is due to SBP and have been obtained for providing long term finance to customers for export oriented projects. As per agreements with SBP, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of the finance by directly debiting the current account maintained by the Bank with the SBP.
- 16.2.3 Borrowing from SBP under the export refinance and long term financing for export oriented projects schemes are secured against the Bank's cash and security balances held by the SBP.
- 16.2.4 Repurchase agreement with financial institution carries interest rate of 13% per annum (2007: 9.25% to 10% per annum) and have maturity upto January 22, 2009 (2007: March 06, 2008) and are secured by way of investments held as collateral as referred in Note 10.1.
- 16.3 Call borrowing carry interest rate of 15% per annum (2007: Nil) and has maturity upto January 2, 2009 (2007: Nil).

	Note	2008	2007
Rupees in '000			
Opening balance		35,453	45,582
Repaid during the year		(10,130)	(10,129)
Closing balance	(16.4.1)	25,323	35,453

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

17. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits	13,087,986	8,817,017
Savings deposits	7,416,467	9,038,665
Current accounts - <i>Non-remunerative</i>	3,535,091	2,984,583
Call deposits	257,442	166,321
Margin and sundry deposits	427,129	396,311
	24,724,115	21,402,897

Financial Institutions

Remunerative deposits	7,453	7,033
Non-remunerative deposits	627	898
	8,080	7,931
	24,732,195	21,410,828

17.1 Particulars of deposits

In local currency	24,541,202	21,242,356
In foreign currencies	190,993	168,472
	24,732,195	21,410,828

18. OTHER LIABILITIES

Mark-up / return / interest payable		
In local currency	525,543	344,926
In foreign currency	139	51
Unearned commission and income on bills discounted	23,556	20,010
Accrued expenses	26,225	45,198
Branch adjustment account	41,151	24,603
Share subscription money refund	1,140	1,148
Mark-up in suspense	93,019	77,987
Deferred income on murabaha	44,828	44,968
Security deposits against ijarah	109,813	86,317
Worker's Welfare Fund (28.1)	4,209	-
Others	22,748	137,103
	892,371	782,311

19. SHARE CAPITAL

19.1 Authorized Capital

2008	2007	Note	2008	2007
Number of shares			Rupees in '000	
800,000,000	800,000,000	Ordinary shares of Rs.10 each	8,000,000	8,000,000

19.2 Issued, subscribed and paid up

		Ordinary shares		
400,298,448	115,991,500	Fully paid in cash	4,002,984	1,159,915
-	200,203,500	Opening balance	-	2,002,035
400,298,448	316,195,000	Issued during the year	4,002,984	3,161,950
-	84,103,448	Issued as fully paid bonus shares	-	841,034
400,298,448	400,298,448	(19.2.1 & 19.2.2)	4,002,984	4,002,984

19.2.1 The Bank is required to raise its paid up capital (net of losses) at Rs. 5 billion by the close of financial year 2008 in accordance with the requirements of BSD Circular No. 19 dated September 05, 2008. In order to comply with such requirements of the SBP, the Board of Directors in their meeting held on November 14, 2008 decided to increase the share capital of the Bank through issuance of 100,000,000 bonus shares of Rs. 10 each subject to Securities Exchange Commission of Pakistan (SECP)'s approval for relaxation of Rule 6 of the Companies (Issue of Capital) Rules, 1996. SECP vide its order dated December 05, 2008 relaxed such conditions for issuance of bonus shares and accordingly, Board of Directors in their meeting held on December 26, 2008 has resolved to transfer an amount of Rs. 1,001,017,000 to 'Reserve for issue of bonus shares'. However, such shares were not issued by the close of financial year and were issued subsequently. In this regard, vide letter dated January 17, 2009, SBP has given relaxation to the Bank to complete all requisite formalities by March 31, 2009, to meet minimum capital requirements.

19.2.2 At December 31, 2008, the Government of N.W.F.P., held 204,207,517 (2007: 204,207,517) ordinary shares of Rs. 10 each.

20. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS

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

(Deficit) / Surplus on revaluation of:

Federal government securities		(584,358)	(174,134)
Fully paid up ordinary shares - <i>quoted</i>		(431,676)	(38,271)
Other investments (mutual funds/ sukuks/ bonds/ TFCs)		(256,222)	627,328
	20.1	(1,272,256)	414,923
Deferred tax assets / (liabilities)		275,656	(106,946)
		(996,600)	307,977

20.1 During the year, the stock exchange introduced 'floor mechanism' in respect of prices of equity securities based on the closing price as prevailing on August 27, 2008. Under the "floor mechanism", the individual security price of equity securities could vary within normal circuit breaker limit, but not below the floor price level. The mechanism was effective from August 28, 2008 and remained in place until December 15, 2008. During this period trading of securities effectively remained suspended on the stock exchanges. The trading resumed on December 15, 2008, however, the trading volumes upto December 31, 2008 were significantly low as compared to the volumes before the institution of floor mechanism. However, pursuant to the BSD Circular Letter No. 2 dated January 27, 2009 issued by the SBP, the equity securities held by the Bank have been valued at the prices quoted on the stock exchanges as of December 31, 2008 and the mutual fund units has been valued on the basis of the net asset values as of that date.

Furthermore, pursuant to the BSD Circular No. 4 dated February 13, 2009 of the SBP, the impairment loss amounting to Rs. 784.517 million and the related deferred tax impact of Rs. 78.452 million resulting from the valuation of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as of December 31, 2008 has not been recognized in the profit and loss account and have been taken to 'Deficit on revaluation of asset' account as shown on the balance sheet. The said impairment loss is required to be taken to the profit and loss account in the year 2009 on quarterly basis after adjustment for the effects of price movements in that year. However, for the purposes of distribution of dividend, the impairment loss as referred above shall be treated as a charge to the profit and loss for the year.

The recognition of impairment loss in accordance with the requirement of accounting standards would have had the following effect on these financial statements.

	2008 Rupees in '000
Increase in provision of diminution in the value of investments	784,517
Decrease in tax charge for the year	78,452
Decrease in profit for the year	706,065
Decrease in earning per share (EPS)	1.41
Decrease in deficit on revaluation of assets – net of tax	706,065

21. CONTINGENCIES AND COMMITMENTS

21.1 Direct credit substitutes

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

	2008 Rupees in '000	2007
Government	-	49,204
Banks	269,671	-
Others	4,332	76,608
	274,003	125,812

21.2 Transaction-related contingent liabilities

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

	2008	2007
Guarantees favouring:		
Government	2,167,658	1,455,381
Banks	-	4,582
Others	1,796,046	1,613,622
	3,963,704	3,073,585

(21.2.1)

21.2.1 The above amount includes expired letters of guarantee aggregating to Rs. 645.951 million as at December 31, 2008 (2007: Rs. 636.787 million) for which the formalities relating to return of the original documents are in process.

21.3 Trade-related contingent liabilities

Letters of credit		
Sight	564,916	446,275
Usance	63,892	107,438
	628,808	553,713
Acceptances	100,738	719,751
	729,546	1,273,464

21.4 Commitments in respect of forward exchange contracts

Purchase	54,318	4,951
Sale	79,476	36,792

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.

21.5 Other commitments	Note	2008	2007
		Rupees in '000	
Bills for collection			
Inland bills		60,751	70,907
Foreign bills		46,686	60,603
		107,437	131,510

21.6 Commitments to extend credit

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

21.7 Commitment for the acquisition of operating fixed assets

Commitments as on balance sheet date amounts to Rs. Nil (2007: 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. 762.719 million may

arise in respect of disallowance of provisions against non-performing advances for the tax years 2003, 2004, 2005, 2006, 2007 and 2008 [accounting years ended December 31, 2002, 2003, 2004, 2005, 2006 and 2007.

- 21.10 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.
- 21.11 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, 2008. 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.
- 21.12 The State Bank of Pakistan's Committee for Resolution of Cases (CRC) and Committee for Revival of Sick Industrial Units (CRSIU) had finalised the settlement of certain non performing loans of the Bank having principal amounting to Rs. 364.401 million and overdue markup amounting to Rs. 132.916 million for an aggregate amount of Rs. 165.781 million. In past, the bank had opted for litigation as per directives of the Board against CRC / CRSIU decisions. During the year 2007, the Board of Directors had allowed implementation of CRC / CRSIU decisions on the "no choice" basis. Accordingly, two cases have been adjusted whereas repayments in three (2007: two) cases are being regularly received as per CRC / CRSIU decisions. The remaining three cases having principal amounting to Rs. 176.940 million (2007: Rs. 272.856 million) and overdue mark up amounting to Rs. 40.546 million (2007: Rs. 99.428 million) for an aggregate amount of Rs. 84.051 million (2007: Rs. 128.593 million) are being pursued for implementation.

22. MARK-UP / RETURN / INTEREST EARNED

	Note	2008	2007
Rupees in '000			
On Loans and advances to :			
Customers			
Profit on murabaha financing	(22.1)	104,944	78,759
Mark-up/Return/Interest earned on other facilities		1,313,885	947,845
		1,418,829	1,026,604
Financial Institutions		38,626	46,169
		1,457,455	1,072,773
On Investments in :			
Available for sale Securities		577,255	644,302
Held to Maturity Securities		186,336	97,488
		763,591	741,790
On Deposits with financial institutions		627,932	512,628
On Securities purchased under resale agreements		109,887	53,189
		2,958,865	2,380,380

	Note	2008	2007
		Rupees in '000	
22.1 Profit on murabaha financing			
Murabaha sale price		1,273,683	936,466
Less: purchase price	(22.2)	1,165,498	835,576
		108,185	100,890
Less: deferred murabaha income		3,241	22,131
		104,944	78,759
22.2 Purchase price			
Opening stock		1,390	7,101
Purchase price		1,174,385	829,865
Less: Closing stock		10,277	1,390
		1,165,498	835,576
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		1,669,432	1,515,129
Securities sold under repurchase agreements		188,670	297,018
Other short term borrowings		35,341	27,562
Long term borrowings		3,621	4,735
Others		752	916
		1,897,816	1,845,360
24. (LOSS) / GAIN ON SALE OF SECURITIES			
Federal Govt. Securities		170	660
Shares	(24.1)	(57,288)	87,417
Term finance certificates		703	191
Mutual funds		55,845	345,065
		(570)	433,333
24.1	This includes an amount of Rs. 77.182 million (2007: Nil) representing unrealized loss on revaluation of held for trading investments as on the date of reclassification of such investments into available for sale investments which has been charged to profit and loss account on reclassification, in accordance with the requirements of BSD Circular No. 10 dated July 13, 2004.		
25. OTHER INCOME			
Profit on sale of property and equipment		3,717	407
Effect of change in defined benefit plan		-	59,119
Others		56,909	39,159
		60,626	98,685

	Note	2008	2007
Rupees in '000			
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		360,324	219,313
Contribution to defined contribution plan - Provident Fund		12,988	8,106
Rent, taxes, insurance, electricity, etc.		74,253	45,509
Legal and professional charges		14,168	32,120
Communications		27,887	21,480
Repairs and maintenance		11,323	8,716
Stationery and printing		12,438	9,336
Advertisement and publicity		15,646	10,157
Donations	(26.1)	621	590
Auditors' remuneration	(26.2)	3,373	3,216
Depreciation	(12.2)	17,705	18,214
Amortization	(12.3)	476	1,758
Public offer expenses		1,848	43,965
Brokerage and commission		2,453	3,025
Entertainment		8,756	5,394
Traveling, boarding and lodging		16,245	11,510
Vehicle expenses		23,792	21,215
Newspapers and periodicals		659	542
Training		4,187	2,980
Sports		703	579
Others		45,024	54,998
		654,869	522,723
26.1 Donations include following amounts exceeding Rs. 100,000			
Abasin Arts Council Peshawar		212	-
Third World Pushto Conference		200	-
Peshawar Press Club		-	450
		412	450
None of the directors or their spouses had any interest in the donee.			
26.2 Auditors' remuneration			
Audit fee		1,000	825
Fee for half-yearly review		430	357
Special certifications and sundry advisory services		1,570	1,645
Out-of-pocket expenses		373	389
		3,373	3,216
27. OTHER PROVISIONS / WRITE OFFS			
Provision for doubtful placements with financial institutions	(9.5)	183,074	-
Provision held against other assets	(14.6)	81,250	-
		264,324	-
28. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		32,913	21,040
Workers welfare fund	(28.1)	4,209	-
		37,122	21,040
28.1			

The Worker's Welfare Ordinance, 1971 has been amended vide Finance Act, 2008 by virtue of which, the Bank is now liable to pay workers' welfare fund @ 2% of accounting profit before tax or declared income as per income tax return, whichever is higher.

29. TAXATION

	Note	2008	2007
		Rupees in '000	
Current tax	(29.1)	18,975	18,246
Deferred tax		49,573	(150,741)
		68,548	(132,495)
29.1 Relationship between tax expense and accounting profit			
Profit before taxation	(29.2)	205,896	-
Tax at the applicable rate of 35% (2007: 35%)		72,064	-
Tax effect of dividend income taxed at different rate		(35,613)	-
Effect of different tax rates used for current and deferred taxation		27,013	-
Tax effect of capital gain		4,730	-
Tax effect of unused tax losses		(49,219)	-
		18,975	-
29.2	The reconciliation of tax expense and product of accounting profit of corresponding year multiplied by the applicable tax rate cannot be made in view of minimum taxation and final tax on dividend income.		

30. BASIC AND DILUTED EARNINGS PER SHARE

Profit for the year - rupees		137,348	213,251
			(Restated)
Weighted average number of ordinary shares	(19.2.1)	500,400,148	500,400,148
Basic earnings per share - rupees		0.27	0.43
Diluted earnings per share - rupees		0.27	0.43

31. CASH AND CASH EQUIVALENTS

Cash and Balance with Treasury Banks		1,557,715	1,364,853
Balance with other banks		3,362,946	3,728,016
Lendings to financial institutions		1,793,250	2,535,000
		6,713,911	7,627,869

32. STAFF STRENGTH

	2008	2007
-----Numbers-----		
Permanent	376	339
Temporary/on contractual basis	154	159
Daily wagers	156	162
	686	660

33. DEFINED BENEFIT PLAN

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

		2008	2007
		Rupees in '000	
33.2 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligations	(33.3)	135,724	77,976
Fair value of any plan assets	(33.4)	(174,744)	(175,143)
Net actuarial gains or losses not recognized		-	-
Past service cost not yet recognized		-	-
Any amount not recognized as an asset		-	-
		(39,020)	(97,167)

	2008	2007
	Rupees in '000	
33.3 Movement in payable to defined benefit obligation		
Opening balance	77,976	129,951
Current service cost	14,485	7,725
Negative past service cost	-	(59,119)
Interest cost	7,083	7,083
Actuarial losses / (gains)	43,073	(2,147)
Benefits paid during the year	(6,893)	(5,517)
Closing balance	135,724	77,976
33.4 Movement in fair value of plan assets		
Fair value at the beginning of the year	(175,143)	(151,903)
Expected return on plan assets	(17,514)	(22,090)
Contribution by the bank		(6,667)
Benefits paid by the fund	6,893	5,517
Actuarial loss on plan assets	11,020	-
Fair value at the end of the year	(174,744)	(175,143)
33.5 Movement in payable to defined benefit plan		
Opening balance	(97,167)	(21,952)
Charge/ (reversal) for the year	58,147	(68,548)
Contribution to fund made during the year	-	(6,667)
Closing balance	(39,020)	(97,167)
33.6 Amount charged to profit and loss		
Current service cost	14,485	7,725
Negative past service cost	-	(59,119)
Interest on obligation	7,083	7,083
Expected return on plan assets	(17,514)	(22,090)
Actuarial losses / (gains) recognized in the year	54,093	(2,147)
	58,147	(68,548)
33.7 Actual return on plan assets		
The actual return earned on the assets during the year are:		
Expected return on plan assets	(17,514)	(22,090)
Actuarial loss on plan assets	11,020	-
	(6,494)	(22,090)
33.8 Data on (surplus) / deficit of the plans and expenditure adjustments		
Present value of defined benefit obligation	135,724	77,976
Fair value of plan assets	(174,744)	(175,143)
(Surplus)	(39,020)	(97,167)
33.9 Components of plan assets as a percentage of total plan assets		
Government securities	15.30%	17.94%
Units of mutual funds	20.82%	20.55%
Placements with other financial institutions	49.16%	47.96%
Others (including bank balances)	14.72%	13.55%
	100.00%	100.00%

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

33.10 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2008. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the gratuity fund.

Discount rate	15%	10%
Expected rate of return on plan assets	10%	10%
Expected rate of salary increase	14%	9%
Number of employees covered under retirement benefit plan	377	341
Average expected remaining working life of employees (years)	14	14

33.11 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, 2009 would be as follows:

Expected charge for the year 2009 (Rupees' 000)	<u>28,276</u>
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34. DEFINED CONTRIBUTION PLAN

During the year, the Bank has contributed Rs. 12.988 million (2007: Rs. 8.106 million) to the provident fund.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Directors		Executives	
	2008	2007	2008	2007	2008	2007
	Rupees in '000					
Fees	-	-	1,065	425	-	-
Managerial remuneration	4,647	5,598	-	100	4,546	-
Charge for defined benefit plan	-	-	-	-	854	-
Contribution to defined contribution plan	-	23	-	-	710	-
Rent and house maintenance	395	646	-	-	2,242	-
Utilities	28	192	-	-	643	-
Medical	101	231	-	-	1,106	-
Bonus	-	38	-	-	213	-
Conveyance	-	189	-	-	1,950	-
Others	31	323	-	-	407	-
	<u>5,202</u>	<u>7,240</u>	<u>1,065</u>	<u>525</u>	<u>12,671</u>	<u>-</u>
Number of persons	<u>1</u>	<u>2</u>	<u>6</u>	<u>1</u>	<u>8</u>	<u>-</u>

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

35.2 Corresponding year figures for remuneration of the Managing Director include remuneration of the Acting Managing Director from October 01, 2007 to December 31, 2007.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

36.1 On-balance sheet financial instruments

Assets

	2008		2007	
	Book value	Fair value	Book value	Fair value
	-----Rupees in '000-----			
Cash balances with treasury banks	1,557,715	1,557,715	1,364,853	1,364,853
Balances with other banks	3,362,946	3,362,946	3,728,016	3,728,016
Lending to financial institutions	2,282,494	2,282,494	2,858,000	2,858,000
Investments	8,985,441	8,985,441	8,903,110	8,903,110
Advances	12,643,814	12,643,814	10,085,640	10,085,640
Other assets	1,095,144	1,095,144	1,428,800	1,428,800
	<u>29,927,554</u>	<u>29,927,554</u>	<u>28,368,419</u>	<u>28,368,419</u>

	2008		2007	
	Book value	Fair value	Book value	Fair value
	-----Rupees in '000-----			
Liabilities				
Bills payable	122,516	122,516	348,952	348,952
Borrowings	910,691	910,691	1,321,396	1,321,396
Deposits and other accounts	24,732,195	24,732,195	21,410,828	21,410,828
Sub-ordinated loans	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	710,973	710,973	626,193	626,193
	26,476,375	26,476,375	23,707,369	23,707,369
	54,318	48,278	4,951	5,235
	-	-	-	-
	79,476	80,634	36,792	37,193

36.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	54,318	48,278	4,951	5,235
Forward agreements for borrowing	-	-	-	-
Forward sale of foreign exchange	79,476	80,634	36,792	37,193

All quoted investments have been stated at their market value. All unquoted investments have been stated at lower of cost or realizable value, being their estimated fair values.

Fair value of loan and advances cannot be determined with reasonable accuracy due to absence of current and active market. Loans and advances are repriced frequently on market rates and are reduced for an impairment against non performing advances determined in accordance with Prudential Regulations.

Fair value of all other assets and liabilities including long term deposits cannot be calculated with sufficient accuracy as active market does not exist for these instruments. In the option of management, fair value of these 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 deposits are frequently repriced.

36.3 Derivative financial instruments

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

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

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

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

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

37. Segment details with respect to business activities

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

	2008				2007			
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking
	(Rupees in '000)							
Total income	429,634	581,310	243,322	2,044,354	542,990	477,581	90,859	2,014,502
Total expenses	299,035	566,131	188,570	2,038,988	390,016	468,429	72,482	2,117,580
Net income (loss)	130,599	15,179	54,752	5,366	152,974	9,152	18,377	(103,078)
Segment Assets (gross)	7,731,227	1,021,796	1,914,111	20,671,855	11,397,183	889,086	885,105	16,540,558
Segment non performing loans	458,004	31,015	57,081	2,785,387	50,000	9,145	45,157	1,962,551
Segment provision required	212,339	15,374	42,271	2,011,321	50,000	4,711	34,146	1,977,996
Segment liabilities	11,973,587	1,141,316	320,568	13,222,302	12,784,440	1,013,003	130,035	9,936,009
Segment return on net assets (ROA) (%)	1.69%	1.49%	2.86%	0.03%	1.34%	1.03%	2.08%	-0.62%
Segment cost of funds (%)	2.50%	49.60%	58.82%	15.42%	3.05%	46.24%	55.74%	21.31%

38. TRUST ACTIVITIES

The bank is not engaged in any significant trust activities.

39. RELATED PARTY TRANSACTIONS

39.1 Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions and include the Government of N.W.F.P., an associated company, retirement funds, directors and key management personnel. The details of investment in associate are stated in note 10.6 to these financial statements.

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 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:

	2008				2007			
	Directors and key management personnel	Associated company	Other related parties	Total	Directors and key management personnel	Associated company	Other related parties	Total
	(Rupees in '000)							
Advances								
At January 1,	9,733	-	-	9,733	10,669	-	-	10,669
Disbursed during the year	26,723	-	-	26,723	1,600	-	-	1,600
Repaid during the year	(6,866)	-	-	(6,866)	(2,536)	-	-	(2,536)
At December 31,	29,590	-	-	29,590	9,733	-	-	9,733
Deposits								
At January 1,	79	8,301	6,976	15,356	44	18,176	4,242	22,462
Deposited during the year	44,898	109,177	166,257	320,332	10,029	461,389	236,943	708,361
Repaid during the year	(42,154)	(106,614)	(160,314)	(309,082)	(9,994)	(471,264)	(234,209)	(715,467)
At December 31,	2,823	10,864	12,919	26,606	79	8,301	6,976	15,356
	Rupees in '000				Rupees in '000			
Transactions, income and expenditure								
Profit earned on Financings	135	-	-	135	191	-	-	191
Return on deposits expensed	76	263	2,505	2,844	4	146	2,342	2,492

39.3 Although the Government of N.W.F.P. holds 51% shares of the bank (2007: 51%), the transactions with it has not been treated as related party transactions for the purpose of this disclosure.

40. CAPITAL-ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

40.1 Scope of applications

The Bank has implemented the Basel II framework according to SBP guidelines to meet the capital requirements by adopting the least sophisticated approaches. Currently Bank has adopted the standardized approach for calculating the credit, market and operation risk capital charge.

40.2 Capital structure

Tier I Capital

Shareholders equity /Assigned Capital	
Share premium	
Reserves for bonus issue	
General Reserve	
Unappropriated / unremitted profits (Net of Losses)	
Minority in the equity of the subsidiaries	
Innovative and other capital instruments (if any)	

Deductions:

Goodwill, investment in commercial entities (50%) etc.	
Deficit / (surplus) on account of revaluation of available-for-sale investments	
Total Tier I Capital	

Tier II Capital

Subordinated Debt (upto 50% of total Tier 1 Capital)	
General Provisions subject to 1.25% of Total Risk Weighted Assets	
Revaluation Reserve (upto 50%)	
Less: Calculation difference (expected losses vs eligible provisions)	
Investment in commercial entities (50%)	
Total Tier II Capital	

Eligible Tier III Capital

Total regulatory capital base

2008 2007
Rupees in '000
(unaudited)

	2008	2007
Shareholders equity /Assigned Capital	4,002,984	4,002,984
Share premium	-	755,517
Reserves for bonus issue	1,001,017	-
General Reserve	435,342	562,003
Unappropriated / unremitted profits (Net of Losses)	238,473	219,964
Minority in the equity of the subsidiaries	-	-
Innovative and other capital instruments (if any)	-	-
	5,677,816	5,540,468
Goodwill, investment in commercial entities (50%) etc.	-	-
Deficit / (surplus) on account of revaluation of available-for-sale investments	1,272,259	(414,923)
Total Tier I Capital	4,405,557	5,955,391
Subordinated Debt (upto 50% of total Tier 1 Capital)	-	-
General Provisions subject to 1.25% of Total Risk Weighted Assets	20,141	21,533
Revaluation Reserve (upto 50%)	-	-
Less: Calculation difference (expected losses vs eligible provisions)	-	-
Investment in commercial entities (50%)	-	-
Total Tier II Capital	20,141	21,533
Eligible Tier III Capital	-	-
Total regulatory capital base	4,425,698	5,976,924

40.3 Capital adequacy

It is the Bank's policy that the level of capital maintained by it should be such that it maximize the return to shareholders while providing sufficient buffer to absorb risks, including those from any unexpected events. Therefore the Bank carefully monitors its capital adequacy ratio and endeavours to maintain it at a level sufficiently higher than the minimum capital requirement. Bank's growth prospects and capital needs thereon are accounted for in annual budget and monitored periodically. Bank has adequate risk management framework to identify and manage the current and potential risk exposures. Bank is in the process of establishing the framework for Internal Capital Adequacy Assessment Process in terms of Pillar II of Basel II.

	Capital Requirements		Risk Weighted Assets	
	2008	2007	2008	2007
	----- (Rupees in '000) -----			
Credit risk		(unaudited)		(unaudited)
Portfolio subject to on balance sheet exposure (Simple approach)				
Banks	4,920,661	5,292,885	995,256	890,778
Corporate portfolio	13,970,824	7,813,942	11,725,129	6,008,554
Retail	634,387	1,285,095	475,790	846,610
Residential mortgage	699,427	554,868	244,799	194,204
Past due loans	513,813	239,161	512,722	218,321
Investment	2,645,214	821,609	1,520,882	588,525
Fixed assets	187,589	213,025	187,589	213,025
All other Assets	2,862,479	2,757,352	2,862,479	2,757,352
	26,434,394	18,977,937	18,524,646	11,717,369
Portfolio subject to off balance sheet exposure non market related (simple approach)				
Banks	300,000	-	60,000	-
Corporate portfolio	2,089,442	3,975,398	2,089,442	1,430,075
Public sector entities	102,370	497,462	51,185	52,619
Retail	12,366	-	9,274	-
Others	-	-	-	-
	2,504,178	4,472,860	2,209,901	1,482,694
Portfolio subject to off Balance sheet exposure market related (Simple approach)				
Banks	26,190	-	-	-
Customers	109,123	-	525	-
	135,313	-	525	-
Market risk				
Capital requirement for portfolios subject to standardized approach				
Interest rate risk	202,527	181,704	2,531,588	2,271,300
Equity position risk	139,157	186,207	1,739,463	2,327,586
Foreign exchange risk	3,452	5,807	43,150	72,586
	345,136	373,718	4,314,201	4,671,472
Operational risk				
Capital Requirement for operational risks	122,152	123,352	1,526,900	1,541,904
	122,152	123,352	1,526,900	1,541,904
TOTAL	29,541,173	23,947,867	26,576,173	19,413,439
Capital adequacy ratio				
Total eligible regulatory capital held [a]	4,425,698		5,976,924	
Total Risk Weighted Assets [b]	26,576,173		19,413,439	
Capital Adequacy Ratio [(a) / (b)]	16.65%		30.79%	

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

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

Out of the total financial assets of Rs.29,927.554 million (2007: Rs.28,368.419 million), the financial assets which were subject to credit risk amounted to Rs.23,735.708 million (2007: Rs.21,978.763 million). The major credit risk in respect of advances is concentrated in construction, services, manufacturing, production and transmission of energy, trading and micro finance.

41.1.1 SEGMENTAL INFORMATION

41.1.1.1 Segments by class of business

	2008					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Acrylic fabrics	-	-	-	-	256,500	4.92
Agriculture, forestry, hunting and fishing	81,330	0.54	344,471	1.39	30,090	0.58
Automobile and transportation equipment	678,648	4.55	-	-	61,835	1.19
Cement	646,483	4.33	-	-	34,523	0.66
Chemical and pharmaceuticals	425,257	2.85	-	-	35	0.001
Contractors / Construction	1,798,598	12.05	2,099,871	8.49	2,425,902	46.58
CNG stations	477,925	3.20	-	-	319,957	6.14
Education and health	-	-	57,164	0.23	-	-
Financial	59,125	0.40	909,661	3.68	-	-
Fisheries	300,079	2.01	-	-	-	-
Food and beverages	410,478	2.75	-	-	7,970	0.15
Ghee / cooking oil	794,963	5.33	-	-	21,630	0.42
Individuals	1,372,825	9.20	4,078,716	16.49	59,303	1.14
Manufacturing of match	314,185	2.11	-	-	40,167	0.77
Miscellaneous manufacturing	966,075	6.47	73,865	0.30	196,169	3.77
Petrochemicals	512,122	3.43	-	-	7,040	0.14
Production and transmission of energy	1,407,315	9.43	12,463	0.05	363,287	6.97
Services	1,181,905	7.92	1,657,141	6.70	345,102	6.63
Sugar	528,584	3.54	127,668	0.52	2,364	0.05
Textile	625,123	4.19	-	-	306,486	5.88
Trading	1,338,247	8.97	-	-	4,926	0.09
Others	1,005,852	6.74	15,371,175	62.15	725,198	13.92
	14,925,119	100	24,732,195	100	5,208,484	100

	2007					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Acrylic fabrics	-	-	-	-	-	-
Agriculture, forestry, hunting and fishing	160,616	1.32	407,581	1.90	31,807	0.68
Automobile and transportation equipment	261,754	2.15	-	-	547,025	11.77
Cement	495,000	4.07	-	-	34,522	0.74
Chemical and pharmaceuticals	308,320	2.53	-	-	37,659	0.81
Contractors / Construction	1,585,120	13.02	1,954,006	9.13	2,037,014	43.84
CNG stations	244,310	2.01	-	-	286,381	6.16
Education and health	-	-	12,467	0.06	-	-
Financial	61,090	0.50	855,056	3.99	-	-
Fisheries	317,491	2.61	-	-	-	-
Food and beverages	366,188	3.01	-	-	8,969	0.19
Ghee / cooking oil	620,050	5.09	-	-	135,698	2.92
Individuals	1,447,068	11.89	3,619,502	16.91	68,558	1.48
Manufacturing of match	186,815	1.53	-	-	33,720	0.73
Miscellaneous manufacturing	791,310	6.50	93,806	0.44	71,158	1.53
Petrochemicals	252,470	2.07	-	-	6,287	0.14
Production and transmission of energy	554,237	4.55	11,868	0.06	49,203	1.06
Services	744,131	6.11	1,348,975	6.30	233,807	5.03
Sugar	489,983	4.02	-	-	202,361	4.36
Textile	525,477	4.32	-	-	57,983	1.25
Trading	988,446	8.12	-	-	17,881	0.38
Others	1,774,150	14.57	13,107,567	61.22	786,081	16.92
	12,174,026	100	21,410,828	100	4,646,114	100

41.1.1.2 The comparatives of gross advances, deposits and contingencies and commitments have been reclassified for better presentation.

41.1.1.3 Segment by sector

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

	2007					
	Advances		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public/ Government	643,889	5.29	7,932,082	37.05	263,715	5.68
Private	11,530,137	94.71	13,478,746	62.95	4,382,399	94.32
	12,174,026	100	21,410,828	100	4,646,114	100

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

	2008		2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Agriculture, Forestry, Hunting and Fishing	15,651	10,781	14,557	11,929
Automobile and transportation equipment	78,766	78,603	420	420
Cement	150,000	37,500	150,000	37,500
Chemical and Pharmaceuticals	119,731	119,731	119,781	119,744
Contractors / Construction	736,537	321,150	248,337	235,876
Financial	40,000	40,000	40,000	40,000
Fisheries	281,855	281,855	307,602	285,233
Food and beverages	164,774	164,774	180,993	179,493
Footwear and Leather garments	137,814	137,780	143,894	143,894
Ghee / cooking oil	240,614	240,614	259,159	255,242
Individuals	64,882	49,497	50,377	39,351
Metal products	122,111	73,547	37,265	37,132
Miscellaneous manufacturing	315,817	250,297	185,358	167,164
Services	190,965	88,485	35,824	29,731
Textile	112,072	112,072	114,916	114,916
Trading	345,311	204,998	275,730	254,525
Others	214,587	49,480	137,055	114,703
	3,331,487	2,261,164	2,301,268	2,066,853

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

	2008		2007	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rupees in '000			
Public/ Government	-	-	-	-
Private	3,331,487	2,261,164	2,301,268	2,066,853
	3,331,487	2,261,164	2,301,268	2,066,853

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

Public/ Government
Private

41.2 Credit Risk-General Disclosures Basel II Specific

Bank has not adopted the foundation or advanced approaches and instead use standardised approach.

41.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach & supervisory risk weights in the IRB Approach-Basel II Specific

Exposures	Rating Category Number	Credit Exposures subject to Standardised approach					
		2008			2007		
		Amount Outstanding	Deduction CRM	Net Amount	Amount Outstanding	Deduction CRM	Net Amount
-----Rupees in '000-----							
Corporate	1	550,750	-	550,750	200,000	-	200,000
	2	1,850,625	-	1,850,625	1,925,000	-	1,925,000
	3 & 4	758,000	-	758,000	410,000	-	410,000
	5 & 6	9,000	-	9,000	10,000	-	10,000
	Unrated	10,802,994	489,244	10,313,750	5,268,942	687,888	4,581,054
Banks	1	2,168,450	-	2,168,450	1,083,844	-	1,083,844
	2 & 3	1,009,550	-	1,009,550	350,587	-	350,587
	Unrated	66,008	-	66,008	-	-	-
3 months or less (PKR)		1,100,000	-	1,100,000	2,324,600	-	2,324,600
3 months or less (FCY)	1,2,3	63,842	-	63,842	168,981	-	168,981
	Unrated	30,653	-	30,653	-	-	-
Sovereigns		-	-	-	-	-	-
Unrated		8,119,330	-	8,119,330	6,592,074	-	6,592,074

CRM = Credit Risk Mitigation

41.2.2 Credit Risk: Disclosures for portfolio subject to IRB Approach-Basel II Specific

NIL (IRB approach has not been adopted.)

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

Eligible Cash collaterals under standardised approach are used for credit risk mitigation.

41.2.4 Credit Risk: Disclosures with respect to Securitization -Basel II Specific

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

41.2.5 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

	2008			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	205,896	31,338,989	4,681,216	5,208,484
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	205,896	31,338,989	4,681,216	5,208,484
	2007			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in '000			
Pakistan	77,425	29,711,932	5,848,445	4,646,114
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	77,425	29,711,932	5,848,445	4,646,114

41.4 Market risk

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

41.4.1 Foreign exchange risk

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

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

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

2007				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
Rupees in '000				
Pakistan rupee	29,470,366	23,695,017	(7,095,975)	5,775,349
United States dollar	162,157	100,580	6,849,991	61,577
Great Britain pound	25,829	16,733	548	9,096
Japanese yen	956	6	98,609	950
Euro	51,180	51,151	142,662	29
Other currencies	1,444	-	4,165	1,444
	29,711,932	23,863,487	-	5,848,445

41.4.2 Equity position risk

The risk that may result in potential losses for the financial institutions because of frequent changes in market value of its tradable assets due to adverse variation in the rate of equity investments. ALCO keeps a vigilant eye on the price fluctuation of the shares and takes 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 yields 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:



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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												
Assets												
Cash and balances with treasury banks	0.04%	1,557,715	1,326,022	-	-	-	-	-	-	-	-	231,693
Balances with other banks	16.64%	3,362,946	1,336,460	600,000	-	-	-	-	-	-	-	1,426,486
Lending to financial institutions	18.34%	2,282,494	2,168,952	113,542	-	-	-	-	-	-	-	-
Investments	10.38%	8,985,441	874,193	1,278,188	51,156	507,495	811,270	657,291	2,165,752	1,255,793	33,395	1,350,908
Advances	9.67%	12,643,814	2,028,368	608,390	549,782	2,621,595	2,348,711	781,096	2,023,070	1,197,026	485,776	-
Other assets	0.00%	1,922,317	610,282	-	-	-	-	-	-	-	-	1,312,035
		30,754,727	8,344,277	2,600,120	600,938	3,129,090	3,159,981	1,438,387	4,188,822	2,452,819	519,171	4,321,122
Liabilities												
Bills payable	0.00%	122,516	-	-	-	-	-	-	-	-	-	122,516
Borrowings	13.50%	910,691	910,691	-	-	-	-	-	-	-	-	-
Deposits and other accounts	5.45%	24,732,195	7,839,206	2,067,543	5,691,987	2,039,419	408,608	1,686,328	665,089	3,916	-	4,330,099
Sub-ordinated loans	0.00%	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	0.00%	892,371	-	-	-	-	-	-	-	-	-	-
Other liabilities	0.00%	-	525,682	-	-	-	-	-	-	-	-	366,689
		26,657,773	9,275,579	2,067,543	5,691,987	2,039,419	408,608	1,686,328	665,089	3,916	-	4,819,304
On-balance sheet gap		4,096,954	(931,302)	532,577	(5,091,049)	1,089,671	2,751,373	(247,941)	3,523,733	2,448,903	519,171	(498,182)
Off-balance sheet financial instruments												
Forward Lending		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(931,302)	532,577	(5,091,049)	1,089,671	2,751,373	(247,941)	3,523,733	2,448,903	519,171	
Cumulative Yield/Interest Risk Sensitivity Gap			(931,302)	(398,725)	(5,489,774)	(4,400,103)	(1,648,730)	(1,896,671)	1,627,062	4,075,965	4,595,136	

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		
2007 Rupees in '000												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.07%	1,364,853	809,060	-	-	-	-	-	-	-	-	555,793
Balances with other banks	9.81%	3,728,016	2,095,466	1,632,550	-	-	-	-	-	-	-	-
Lending to financial institutions	10.15%	2,858,000	823,000	1,625,000	410,000	-	-	-	-	-	-	-
Investments	10.52%	8,903,110	706,432	869,882	841,249	915,214	59,601	-	779,969	3,088,300	-	1,642,463
Advances	7.62%	10,085,640	1,107,344	461,640	507,744	855,464	2,396,390	1,115,749	1,765,318	1,589,901	286,090	-
Other assets	0.00%	2,495,644	-	-	-	-	-	-	-	-	-	2,495,644
		29,435,263	5,541,302	4,589,072	1,758,993	1,770,678	2,455,991	1,115,749	2,545,287	4,678,201	286,090	4,693,900
Liabilities												
Bills payable	0.00%	348,952	-	-	-	-	-	-	-	-	-	348,952
Borrowings	7.78%	1,321,396	787,454	200,000	278,082	4,315	16,092	-	-	-	35,453	-
Deposits and other accounts	6.36%	21,410,828	6,841,806	2,067,543	5,691,987	2,039,419	408,608	1,686,328	665,089	3,916	-	2,006,132
Sub-ordinated loans	0.00%	-	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	0.00%	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	0.00%	782,311	-	-	-	-	-	-	-	-	-	782,311
		23,863,487	7,629,260	2,267,543	5,970,069	2,043,734	424,700	1,686,328	665,089	3,916	35,453	3,137,395
On-balance sheet gap		5,571,776	(2,087,958)	2,321,529	(4,211,076)	(273,056)	2,031,291	(570,579)	1,880,198	4,674,285	250,637	1,556,505
Off-balance sheet financial instruments												
Forward Lendings		-	-	-	-	-	-	-	-	-	-	-
Forward borrowings		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-	-	-	-	-	-	-
Total Yield/Interest Risk Sensitivity Gap			(2,087,958)	2,321,529	(4,211,076)	(273,056)	2,031,291	(570,579)	1,880,198	4,674,285	250,637	
Cumulative Yield/Interest Risk Sensitivity Gap			(2,087,958)	233,571	(3,977,505)	(4,250,561)	(2,219,270)	(2,789,849)	(909,651)	3,764,634	4,015,271	

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

41.5.1 Maturities of assets and liabilities

	Total	2008								
		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	1,557,715	1,557,715	-	-	-	-	-	-	-	-
Balances with other banks	3,362,946	2,762,946	600,000	-	-	-	-	-	-	-
Lending to financial institutions	2,282,494	2,168,952	113,542	-	-	-	-	-	-	-
Investments	8,985,441	829,894	1,278,188	51,156	507,500	811,270	797,342	3,415,752	1,260,944	33,395
Advances	12,643,814	2,028,368	608,390	549,782	2,621,595	2,348,711	781,096	2,023,070	1,197,026	485,776
Operating fixed assets	187,589	-	-	-	-	-	-	87,685	99,904	-
Deferred tax assets	396,673	-	-	-	-	396,673	-	-	-	-
Other assets	1,922,317	610,283	15,945	78,223	148,448	597,471	112,040	359,907	-	-
	31,338,989	9,958,158	2,616,065	679,161	3,277,543	4,154,125	1,690,478	5,886,414	2,557,874	519,171
Liabilities										
Bills payable	122,516	122,516	-	-	-	-	-	-	-	-
Borrowings	910,691	910,691	-	-	-	-	-	-	-	-
Deposits and other accounts	24,732,195	10,745,544	5,291,125	2,844,394	2,442,529	280,204	1,744,712	1,383,339	348	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	892,371	680,820	21,215	7,626	106,673	75,515	522	-	-	-
	26,657,773	12,459,571	5,312,340	2,852,020	2,549,202	355,719	1,745,234	1,383,339	348	-
Net assets	4,681,216	(2,501,413)	(2,696,275)	(2,172,859)	728,341	3,798,406	(54,756)	4,503,075	2,557,526	519,171
Represented by:										
Share capital	4,002,984	-	-	-	-	-	-	-	-	-
Reserves	1,436,359	-	-	-	-	-	-	-	-	-
Unappropriated profit	238,473	-	-	-	-	-	-	-	-	-
Deficit on revaluation of assets	(996,600)	-	-	-	-	-	-	-	-	-
	4,681,216	-	-	-	-	-	-	-	-	-

	Total	2007								
		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	1,364,853	1,364,853	-	-	-	-	-	-	-	-
Balances with other banks	3,728,016	2,095,466	1,632,550	-	-	-	-	-	-	-
Lending to financial institutions	2,858,000	823,000	1,625,000	410,000	-	-	-	-	-	-
Investments	8,903,110	706,432	930,782	1,334,927	915,214	1,147,488	-	779,969	3,088,298	-
Advances	10,085,640	1,107,344	461,640	507,744	855,464	2,396,390	1,115,749	1,765,318	1,589,901	286,090
Operating fixed assets	213,025	-	-	-	-	-	-	25,376	187,649	-
Deferred tax assets	63,644	-	-	-	-	63,644	-	-	-	-
Other assets	2,495,644	255,056	178,168	392,526	262,564	694,936	712,394	-	-	-
	29,711,932	6,352,151	4,828,140	2,645,197	2,033,242	4,302,458	1,828,143	2,570,663	4,865,848	286,090
Liabilities										
Bills payable	348,952	348,952	-	-	-	-	-	-	-	-
Borrowings	1,321,396	787,454	200,000	278,082	4,315	16,092	-	-	-	35,453
Deposits and other accounts	21,410,828	8,847,938	2,067,543	5,691,987	2,039,419	408,608	1,686,328	665,089	3,916	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	782,311	424,891	185,495	74,109	17,755	4,841	75,220	-	-	-
	23,863,487	10,409,235	2,453,038	6,044,178	2,061,489	429,541	1,761,548	665,089	3,916	35,453
Net assets	5,848,445	(4,057,084)	2,375,102	(3,398,981)	(28,247)	3,872,917	66,595	1,905,574	4,861,932	250,637
Represented by:										
Share capital	4,002,984	-	-	-	-	-	-	-	-	-
Reserves	1,317,520	-	-	-	-	-	-	-	-	-
Unappropriated	219,964	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	307,977	-	-	-	-	-	-	-	-	-
	5,848,445	-	-	-	-	-	-	-	-	-

41.6 Operational risk

Operational risk has been defined as the potential of incurring losses in relation to employees project management, contractual specifications, documentation, technology, infrastructure failure and disaster, external influences and customer relationship. This includes legal and regulation but excludes business risk. Various reports are produced at management, Board Committee and Board level to assist with their oversight and monitoring obligations. This incorporates reporting of risk profiles, key operational risk events, as well as consideration of external events and their relevance to the Bank. This process generates visibility and understanding of the Bank's overall operational risk profile. The Operational Risk Framework is based on a set of core principles and defines the Bank's standards for operational risk management. Its design recognizes the importance of embedding operational risk into 'business-as-usual' activities. It has particular focus on defining and implementing the right behaviours 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, 2009 by the Board of Directors of the Bank.

43. GENERAL

- 43.1 Captions as prescribed by the aforementioned circular, in respect of which there are no amounts, have not been reproduced in these financial statements except for balance sheet and the profit and loss account
- 43.2 Figures have been rounded off to the nearest thousand of rupees, unless otherwise stated.
- 43.3 Corresponding figures have been reclassified, wherever necessary. However, no significant re-classifications have been made except as stated in note 6.1 in these financial statements.

Annexure 'A' to the Financial Statements as referred to in Note 2.2

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

	2008	2007
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	419,988	410,514
Balances with and due from Financial Institutions	1,951,989	1,444,487
Investments	1,350,908	1,102,338
Financing and receivables		
Murahaba	671,615	805,081
Ijarah	589,090	439,673
Musharaka	22,998	12,342
Diminishing musharaka	606,079	153,064
Others	5,710	4,247
	1,895,492	1,414,407
Less: Provision against non-performing facilities	78,301	10,768
	1,817,191	1,403,639
Operating fixed assets	53,856	25,376
Other assets	476,434	388,908
	6,070,366	4,775,262
LIABILITIES		
Bills payable	34,843	33,552
Due to Financial Institutions		-
Deposits and other accounts		
Current Accounts	1,712,079	1,091,334
Saving Accounts	3,005,010	2,495,774
Term Deposits	383,267	358,911
Others	82,180	213,118
	5,182,536	4,159,137
Deposits from Financial Institutions - <i>Non-Remunerative</i>	107	492
Due to Head Office	-	71,596
Other liabilities	298,947	114,812
	5,516,433	4,379,589
	553,933	395,673
NET ASSETS		
REPRESENTED BY		
Islamic Banking Fund	350,000	300,000
Reserves	-	2,517
Unappropriated profit	206,948	99,024
	556,948	401,541
Deficit on revaluation of assets	(3,015)	(5,868)
	553,933	395,673
REMUNERATION TO SHARIAH ADVISOR	571	500
CHARITY FUND		
Opening Balance	-	126
Additions during the period	5,698	-
Payments during the period	(5,698)	(126)
Closing Balance	-	-

Annexure 'B' to the Financial Statements as referred to in Note 11.5 Statement showing written-off Loans or any other Financial relief of Rs. 500,000 or above provided during the year Ended 31 December 2008

S. No	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at the beginning of the year				Principal written-off	Interest/ Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
Rupees in '000											
1.	Frontier Industries (Pvt.) Ltd. Factory: Street # 9, Gulbahar colony # 2, Peshawar city.	1. Faiz Muhammad NIC # 136-90-063565 2. Masood Gul NIC # 136-50-019600	S/O Taj Muhammad (Late) S/O Gul Muhammad (Late)	5	2.062	-	7.062	-	2.062	-	2.062
2.	Zorair Engineering Factory: Army Flat # 37-B, Bridge Colony, Lahore Cantt.	1. Ajaz Hussain NIC # 271-85-409609 2. Sabahat Alamgir NIC # 270-85-409609 3. Zafaf Hussain Ansari NIC # 199-93-076957	S/O Ahmed Hussain Ansari D/O Major Alamgir S/O Ahmed Hussain Ansari	2.954	0.055	-	3.009	-	1.416	-	1.416
3.	Rasheed Flour Mills (Pvt.) Ltd. Factory: Village Pishongri, near Pabbi, G.T. road, Peshawar. Head Office: 32-Rashid Town, near Ishrat cinema, Gulbahar, Peshawar city.	1. Javed Masood NIC # 135-44-383146 2. Arshad Sohail CNIC # 17301-1375646-9	S/O Haji Abdul Rasheed S/O Haji Abdul Rasheed	3	0.420	-	3.420	-	0.582	-	0.582
TOTAL:				11	2.537	-	13.491	-	4.060	-	4.060

Annexure 'C' to the Financial Statements
as referred to in Note 10.4

1. Particulars of investments held in shares of listed companies	2008		2007	
	Number of shares / certificates held		Cost (Rupees in '000)	
Investee				
Held for trading				
Lucky cement Limited	-	85,000	-	10,660
Pioneer Cement Limited	-	75,500	-	3,220
National Bank of Pakistan	-	40,000	-	9,837
My Bank Limited	-	343,750	-	9,065
Saudi Pak Commercial Bank Limited	-	165,000	-	3,972
Nishat Mills Limited	-	175,000	-	20,872
Pakistan Telecommunication Company Limited	-	150,000	-	7,764
Telecard Limited	-	200,000	-	2,527
				<u>67,917</u>
Available for sale				
Allied Bank Limited	18,000	-	1,520	-
Attock Refinery Limited	180,000	-	36,828	-
Arif Habib Securities Limited	62,500	-	7,940	-
Azam Textile	1,000	1,000	8	8
Bank Alfalah Limited	305,350	50,000	12,180	2,352
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	195,000	-	12,833	-
ECO Pack Limited	515,700	515,700	14,692	14,692
Engro Chemical Pakistan Limited	235,000	-	65,332	-
Fauji Cement Company Limited	1,479,170	796,000	33,671	22,766
Fauji Fertilizer Bin Qasim (FFC-Jordan) Company Ltd	550,000	502,500	26,253	24,187
Fauji Fertilizer Company Limited	-	2,000	-	248
Jahangir Siddiqui & Company Limited	63,598	-	9,613	-
Jahangir Siddiqui Investments Limited	55,000	-	5,125	-
KASB Securities Limited	3,215,771	-	217,065	-
Lucky Cement Limited	183,000	-	17,568	-
MCB Bank Limited	50,000	-	15,995	-
National Bank of Pakistan	133,019	-	19,231	-
Netsol Limited	6,000	-	482	-
United Bank Limited	121,000	167,600	19,507	34,123
Nishat Mill Limited	-	16,500	-	1,728
Oil and Gas Development Company Limited	420,000	420,000	58,568	58,568
Pakistan Petroleum Limited	320,320	46,200	68,944	9,870
Pakistan State Oil Company Limited	15,000	96,700	6,339	44,245
Pakistan Telecommunication Company Limited	125,000	-	4,735	-
Pakistan Oilfields Limited	96,000	10,000	28,338	3,244
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	-
			<u>701,174</u>	<u>230,518</u>

The paid-up value of each share in listed companies was Rs. 10 per share (2007: Rs. 10 per share).

As at December 31, 2008, the aggregate market value of listed shares was Rs. 418.989 million (2007: Rs. 241.208 million).

2. Particulars of investments held in shares of unlisted companies (other than associates):	2008		2007		Name of Chief Executive
	Number of shares		Carrying amount (Rupees in '000)		
Investee					
* Al-Hamra Hills (Private) Limited	5,000,000	5,000,000	50,000	50,000	Mr. Habib Ahmed
Asian Housing Finance Limited	500,000	500,000	5,000	5,000	Mr. Junaid Khan Khakwani
Mohib Textile Mills Limited	1,190,500	1,190,500	25,000	25,000	Mr. M. Asif Saigol
Mohib Exports Limited	25,300	25,300	487	487	Mr. M. Abid Saigol
			<u>80,487</u>	<u>80,487</u>	

The paid-up value of each share in unlisted companies was Rs. 10 per share (2007: Rs. 10 per share).

3. Particulars of investments held in listed term finance certificates (TFC) Investee			Date of Maturity	2008 Number of shares / certificates held	2007	2008 Cost (Rupees in '000)	2007	Security
Bank Al-Falah Limited (1 st issue)	Last 5 years PIB cut off + 135 BPS			-	11,872	-	59,359	Unsecured /Subordinated Loan
Bank Al-Falah Limited (2 nd issue)	Average 6 Month KIBOR (Ask Side) + 150 BPS	23-Nov-12	7,732	-	-	38,661	-	Unsecured /Subordinated Loan
Pakistan Service Limited	SBP Discount rate + 225 BPS		-	256	-	-	1,281	First equitable Mortgage on all immovable assets of the Pearl Continental Hotel with 25% margin. First Part passu charge by way of Hypothecation over current & future moveable assets of PC with 25% margin.
Telecard Limited	6 month KIBOR + 375 BPS	26-Apr-11	4,051	5,101	20,255	25,505	25,505	First exclusive charge over specific future fixed assets of Telecard to be imported by the company and on Local loop Licenses together with assigned frequency spectrum.
United Bank Limited	7 to 8 years PIB + 100 BPS	10-Aug-12	13,978	13,984	69,892	69,919	69,919	Unsecured /Subordinated Loan
Jahangir Siddiqui and Company Limited	Average 6 Month KIBOR + 250 BPS	21-May-12	9,992	9,996	49,960	49,980	49,980	First ranking floating charge on all present and future moveable assets including book debts, receivables and investments.
Standard Chartered Bank Limited	5 year PIB Cut off Yield + 75 BPS	1-Feb-13	4,737	4,739	23,686	23,696	23,696	Unsecured /Subordinated Loan
Faysal Bank Limited	Average 6 month KIBOR + 140 BPS	12-Nov-14	5,513	5,515	27,564	27,575	27,575	Unsecured /Subordinated Loan
Three Star Cement	6 month KIBOR + 250 BPS	-	-	20,000	-	100,000	100,000	Bank Guarantee of The Bank of Punjab for PKR 1,300,000,000
Engro Chemicals Limited	Average 6 month KIBOR + 150 BPS	30-Nov-15	14,839	11,403	74,195	57,015	57,015	First part passu charge on all present & future fixed assets and properties of Engro. First part passu charge on immovable properties of Engro
Pak Arab Fertilizers Limited	Average 6 month KIBOR+150 BPS	28-Feb-13	25,165	-	25,845	-	-	Ranking Part Passu charge over all present and future plant and machinery of PAFL amounting to issue amount plus 25% margin
Pace Pakistan Limited	Average 6 month KIBOR + 150 BPS	15-Feb-13	19,996	-	99,980	-	-	1 st part passu charge on present and future assets by way of equitable mortgage of immovable properties and hypothecation of moveable assets of pace with 25% margin.
Saudi Pak Leasing	Average 6 month KIBOR + 150 BPS	13-Mar-14	9,998	-	49,990	-	-	First charge on specific leases together with lease rental receivable from these leases with 25% margin
JDW Sugar Mills Limited	Average 6 month KIBOR + 125 BPS	20-Jun-14	15,000	-	75,000	-	-	First part passu hypothecation charge over all present & future fixed assets of JDW and United Sugar Mills Ltd along with 25% Margin. First part passu mortgage over land and building of JDW and United Sugar Mills Ltd along with 25% margin. Personal Guarantees of Sponsor directors of the company.
Quetta Textile Mills	Average 6 month KIBOR + 150 BPS	27-Sep-15	20,000	-	100,000	-	-	First part passu charge on all present & future fixed assets and properties of QTML with a margin of 25%. Guarantee of Rs 200 M from an 'A' rated financial institution.
Three Star Hoisery	Average 3 month KIBOR + 325 BPS	25-Jul-13	15,000	-	75,000	-	-	Ranking charge over all present and future fixed assets of the company excluding land & Building plus 25% margin. Bank guarantee of First Dawood Investment Bank Ltd of the total financing amount including profit & rentals payment.
Grays Leasing	Average 3 month KIBOR + 250 BPS	1-Jul-11	7,750	-	38,750	-	-	First part passu charge on all present & future receivables of GLL with atleast 25% margin
						768,778	414,330	

The paid-up value of each TFC held was Rs. 5,000 per certificate (2007: Rs. 5,000 per certificate).

The market value of these listed TFCs amounted to Rs. 757.804 million (2007: Rs. 629.445 million) as at December 31, 2008.

4. Particulars of investments held in unlisted term finance certificates (TFCs)

Investee	Date of Maturity	2008		2007		Name of Chief Executive	Security	
		Number of shares / certificates held	Carrying amount (Rupees in '000)	Number of shares / certificates held	Carrying amount (Rupees in '000)			
Dewan Farooq Spinning Mills Limited	Average 6 month KIBOR + 375 BPS	20-Dec-09	1,500	2,000	7,500	10,000	Mr. Dewan Muhammad Yousaf Farooqi	Unsecured
Pakistan Mobile Communication (Private) Limited	Average of Last Three, Six month T-Bill + 225 BPS	-	-	2,400	-	12,000	Mr. Zohaib Abdul Khaliq	Ranking first pari passu hypothecated charge over Receivables.
Awari Hotel Limited	Average 6 month KIBOR + 325 BP	1-Nov-14	55,267	20,267	276,333	101,333	Mr. Byram Dinshawji Awari	Personal Guarantee from the sponsor shareholders, First ranking Hypothecation over all moveable properties including receivable of the Project Assets, creation of a lien over Collection account
Trakker (Private) Limited	Average 6 month KIBOR + 350 BPS	15-Sep-11	4,500	6,000	22,500	30,000	Mr. Ali Jameel	Ranking first pari passu hypothecated charge over Receivables and Moveable Assets. Also exclusive Mortgage Charge on Property by way of deposit of title deeds over the mortgaged property.
Kashaf Foundation	Average 3 month KIBOR + 245 BPS	31-Mar-11	5,000	-	25,000	-	Mr. Khalid Kabeer	Pari passu hypothecation charge over all Kashaf's Foundation rights, benefits and interest over its present and future current assets, carving out some assets in favour of existing stakeholders. - 25% of the principal outstanding will be secured through first demand irrevocable unconditional first loss guarantee from Citibank N.A.
Orix Leasing	Average 6 month KIBOR + 150 BPS	31-Dec-12	5,000	-	25,000	-	Mr. Humayun Murad	Registered charge over specific leased assets and associated lease receivables with 25% security margin
House Building Finance Corporation	Average 6 month KIBOR + 100 BPS	22-Apr-14	10,000	-	50,000	-	Mr. Azhar A. Jaffri	First charge over specific assets with 25% security margin
Pakistan International Airlines Corporation	SBP Discount rate +50 BPS	20-Feb-11	1,133	1,400	5,667	7,000	Mr. Tariq Karmani	Govt of Pakistan guarantee covering Principal & Profit
					412,000	160,333		

The paid-up value of each TFC held was Rs. 5,000 per certificate (2007: Rs. 5,000 per certificate).

5. Particulars of investments held in units of mutual funds

	2008		2007	
	Number of units held	Carrying amount (Rupees in '000)	Number of units held	Carrying amount (Rupees in '000)
Open ended mutual funds				
* Alfalah GHP Value Fund	130,961	5,000	130,961	5,000
AKD Opportunity Fund	771,235	47,863	-	-
AKD Income Fund	2,017,235	101,955	-	-
Crosby Dragon Fund	896,240	150,000	-	-
Dawood Money Market Fund	2,896,195	300,000	-	-
First Habib Income Fund	989,489	100,000	-	-
HBL Multi Asset Fund	-	-	500,000	50,000
MCB Dynamic Allocation	1,480,582	150,000	-	-
Meezan Islamic Fund	-	-	7,688,086	400,000
NAFA Islamic Income Fund	-	-	2,500,000	50,000
NAFA Islamic Multi Asset Fund	-	-	2,500,000	25,000
Pak Oman Bank of Punjab Advantage Fund	-	-	394,087	200,000
Pakistan International Element Islamic Fund	-	-	240,314	13,402
United Islamic Fund	-	-	987,459	100,000
UTP AAA Fund	-	-	177,804	20,000
		854,818		863,402
Close ended mutual funds				
Al-Meezan Balanced Growth Fund	500,000	5,000	500,000	5,000
* NAMCO Fund	6,867,333	69,056	6,867,333	68,673
Pak Oman Advantage Fund	5,000,000	50,000	5,000,000	50,000
		124,056		123,673

The market value of these mutual funds amounts to Rs. 715.864 million (2007: Rs. 935.959 million) as at December 31, 2008.

6. Particulars of investments held in NIT units

	2008		2007	
	Number of units held	Carrying amount (Rupees in '000)	Number of units held	Carrying amount (Rupees in '000)
* NIT units	20,371,879	403,617	14,450,300	219,131

The market value of NIT units amounts to Rs. 491.981 million (2007: Rs. 894 million) as at December 31, 2008.



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7. Particulars of investments held in Sukuks

		Date of Maturity	Number of certificates held		Carrying amount (Rupees in '000)		Security	Rating
			2008	2007	2008	2007		
Available for sale								
Government of Pakistan Ijarah Sukuks	Base Rate + 45 BPS	26-Sep-11	950	-	94,991	-	Unconditional & irrevocable First Demand Guarantee covering Purchase Price and Lease Rentals from the Ministry of Finance GoP.	Unrated
Security Leasing Sukkuks	Average 6 month KIBOR + 200 BPS	31-May-12	8,750	10,000	43,750	50,000	Charge on specific leased assets and related lease rentals receivables with a 25% margin.	BBB+
					<u>138,741</u>	<u>50,000</u>		
Held to maturity								
WAPDA Sukuks (1)	6 month KIBOR + 35 BPS	22-Oct-12	15,000	15,000	75,000	75,000	Unconditional & irrevocable First Demand Guarantee covering Purchase Price and Lease Rentals from the Ministry of Finance GoP.	Unrated
WAPDA Sukuks (2)	6 month KIBOR - 25 BPS	22-Oct-17	80,000	80,000	400,000	400,000	Unconditional & irrevocable First Demand Guarantee covering Purchase Price and Lease Rentals from the Ministry of Finance GoP.	Unrated
Orix Leasing Sukuks	6 month KIBOR + 125 BPS	30-Jun-12	10,000	-	50,750	-	- Registered charge over specific leased assets and associated lease receivables with 25% security margin.	Not available
Lahore Electric Supply Company Sukuks	6 month KIBOR	22-Apr-09	50	-	500,000	-	- Letter of Comfort	Unrated
Sitara Energy Sukuks	6 month KIBOR + 115 BPS	28-May-12	880	-	28,182	-	- First charge present and future fixed assets with the company with a 25% margin	Unrated
House Building Finance Corporation Sukuks	6 month KIBOR + 100 BPS	22-Apr-14	10,000	-	50,000	-	- First charge over specific assets with 25% security margin.	A+
BRR Guardian Sukuks	6 month KIBOR + 130 BPS	30-Jun-12	20,000	-	100,000	-	- First exclusive charge on Land in favor of the Trustee; First exclusive charge on Rented properties with 25% margin.	Not available
JDW Sukuks	6 month KIBOR + 125 BPS	20-Jun-14	10,000	-	50,000	-	- First pari passu hypothecation charge over all present & future fixed assets of JDW and United Sugar Mills Ltd along with 25% Margin. First pari passu mortgage over land and building of JDW and United Sugar Mills Ltd along with 25% margin. Personal Guarantees of Sponsor directors of the company.	Not available
					<u>1,253,932</u>	<u>475,000</u>		

8. Particulars of investments held in Bonds

		Date of Maturity	Number of bonds held		Carrying amount (Rupees in '000)	
			2008	2007	2008	2007
WAPDA Bonds	8.75% per annum	-	-	2,000	-	200,010

Annexure 'D' to the Financial Statements as referred to in Note 10.4

Quality of Available for Sale Securities

	2008			2007		
	Amount Rupees in '000	Rating	Credit rating Agency	Amount Rupees in '000	Rating	Credit rating Agency
Government Securities						
Market Treasury Bills	2,223,038		Government Security-Unrated	2,378,349		Government Security-Unrated
Pakistan Investment Bonds	1,845,240		Government Security-Unrated	2,045,603		Government Security-Unrated
Term Finance Certificates						
Avani Hotel	276,333	A-	JCR	101,333	A	JCR
Bank Al-Falah Limited	37,350	AA-	PACRA	61,333	AA-	PACRA
Dewan Farooq Spinning Mills Limited	7,500	N/A	-	10,000	BBB+	PACRA
Engro Chemical Limited	74,640	AA	PACRA	58,440	AA	PACRA
Faysal Bank Limited	28,027	AA-	JCR	28,195	AA	JCR
Grays Leasing	38,750	BBB+	JCR	-	-	-
House Building Finance Corporation	50,000	A+	PACRA	-	-	-
Jahangir Siddiqui and Company	50,225	AA+	PACRA	51,979	AA+	PACRA
JDW Sugar Mills	75,000	A	JCR	-	-	-
Kashaf Foundation	25,078	A	JCR	-	-	-
Orix Leasing	25,078	AA+	PACRA	-	-	-
Pak Arab Fertilizer Limited	24,612	AA	JCR	-	-	-
Pace Pakistan Limited	101,160	AA-	PACRA	-	-	-
Pakistan International Airlines Corporation	5,635	Unrated	-	7,000	Unrated	-
Pakistan Mobile Communication (Private) Limited	-	-	-	12,000	AA-	PACRA
Pakistan Service Limited	-	-	-	1,300	A	PACRA
Quetta Textile Mills Limited	100,000	A-	JCR	-	-	-
Saudi Pak Leasing	50,425	A-	JCR	-	-	-
Standard Chartered Bank Limited (Union Bank Limited)	24,972	AAA	PACRA	25,236	AA	PACRA
Telecard Limited	16,487	BBB	JCR	22,955	BBB	JCR
Three Star Cement Limited	-	-	-	102,750	-	-
Three Star Hoisery	75,000	N/A	-	-	N/A	-
Tracker (Private) Limited	22,500	N/A	-	30,000	N/A	-
United Bank Limited	61,156	AA	JCR	66,423	AA+	PACRA
Mutual Funds						
AKD Income Fund	88,182	A(-f)	JCR	-	-	-
AKD Opportunity Fund	32,237	N/A	-	-	-	-
Alfalah GHP Value Fund	5,423	5-Star	PACRA	6,944	5-Star	PACRA
Crosby Dragon Fund	81,692	N/A	-	-	-	-
Dawood Money Market Fund	123,783	5-Star	PACRA	-	N/A	PACRA
First Habib Income Fund	96,010	N/A	-	-	-	-
Habib Multi Asset Fund	-	-	-	50,000	N/A	-
MCB Dynamic Allocation Fund	81,501	-	-	-	-	-
Meezan Balanced Growth Fund	1,985	AM2	JCR	4,200	AM2	JCR
Meezan Islamic Fund	-	-	-	401,395	AM2	JCR
NAMCO Fund	64,896	AM3-	JCR	57,342	AM3-	JCR
National Investment Trust Units	491,981	5 Star	PACRA	863,405	4 Star	PACRA
NAFA Islamic Income Fund	-	-	-	50,130	-	-
NAFA Multi Asset Fund	-	-	-	24,341	-	-
Pakistan International Element Islamic Fund	-	-	-	13,330	AM2	JCR
Pakistan Strategic Allocation Fund	-	-	-	-	N/A	PACRA
Pak Oman Advantage Fund	42,100	AA-(F)	JCR	41,250	AA-(F)	JCR
Pak Oman BOP Fund	-	-	-	200,000	A(F)	JCR
UBL Islamic Fund	-	-	-	100,306	-	-
UTP AAA Fund	-	-	-	17,316	5-Star	PACRA
UTP Islamic Fund	-	-	-	-	N/A	-
Fully paid ordinary Shares						
Allied Bank	564	AA	PACRA	-	-	-
Arif Habib Securities Limited	2,629	A+	JCR	-	-	-
Attock Refinery Limited	10,780	AA	PACRA	-	-	-
Azam Textile	2	N/A	-	4	Unrated	-
Bank Alfalah Limited	5,108	AA	PACRA	2,685	AA+	PACRA
Bosicor Pakistan Limited	47	N/A	-	-	-	-
Business and Industrial Insurance Company Limited	1,800	N/A	-	2,175	Unrated	-
DG Khan Cement Company Limited	4,148	N/A	-	-	-	-
ECO Pack	2,527	N/A	-	7,323	Unrated	-
Engro Chemicals Pakistan Limited	22,668	AA	PACRA	-	-	-
Fauji Cement Company Limited	6,952	N/A	-	11,860	Unrated	-
Fauji Fertilizer Bin Qasim (FFC-Jordan) Company Limited	7,095	N/A	-	21,130	Unrated	-
Fauji Fertilizer Company Limited	-	-	-	238	Unrated	-
Jahangir Siddiqui and Company Limited	3,325	AA+	PACRA	-	-	-
JS Investment Limited	2,265	AA-	PACRA	-	-	-
KASB Securities	94,476	A+	PACRA	-	-	-
Lucky Cement Limited	5,722	N/A	-	-	-	-
MCB Bank Limited	6,290	AA+	PACRA	-	-	-
National Bank of Pakistan	6,693	AAA	JCR	-	-	-
Netsol Limited	152	N/A	-	-	-	-
Nishat Mill Limited	-	-	-	1,736	A+	PACRA
Oil and Gas Development Company Limited	20,996	AAA	JCR	50,169	AAA	JCR
Pakistan Petroleum Limited	32,231	N/A	-	11,321	Unrated	-
Pakistan State Oil Company Limited	2,169	AAA	PACRA	39,318	Unrated	-
Pakistan Oil Fields Limited	9,839	N/A	-	3,344	-	-
Pakistan Telecommunication Company Limited	2,111	N/A	-	-	N/A	-
Saudi Pak Commercial Bank	58	A-	JCR	-	-	-
The Bank of Punjab Limited	1,023	AA-	PACRA	-	-	-
Telecard Limited	398	N/A	-	-	-	-
United Bank Limited	4,466	AA+	JCR	28,978	AA+	PACRA
Sukuk Bonds						
Government of Pakistan Ijarah Sukuks	94,991	N/A	-	-	-	-
Security Leasing Sukuk	43,833	N/A	-	50,500	N/A	-
Ordinary shares in unlisted companies						
Al-Hamra Hills (Private) limited	50,000	Unrated	-	48,801	Unrated	-
Asian Housing Finance Limited	-	Unrated	-	-	Unrated	-
Mohib Textile Mills Limited	-	Unrated	-	-	Unrated	-
Mohib Exports Limited	-	Unrated	-	-	Unrated	-



Pattern of Shareholding
as of December 31, 2008

NO. OF SHAREHOLDERS	<-- HAVING SHARES--> FROM	TO	SHARES HELD	PERCENTAGE
646	1	100	20900	.0052
12741	101	500	2202533	.5500
18787	501	1000	11752095	2.9350
3921	1001	5000	7194129	1.7967
281	5001	10000	2070449	.5170
78	10001	15000	952117	.2377
45	15001	20000	805301	.2011
24	20001	25000	554286	.1384
7	25001	30000	203201	.0507
10	30001	35000	327922	.0818
19	35001	40000	721741	.1802
2	40001	45000	83000	.0207
7	45001	50000	339952	.0849
4	50001	55000	205265	.0512
3	55001	60000	171270	.0427
2	60001	65000	123500	.0308
5	65001	70000	342988	.0856
2	75001	80000	157970	.0394
1	85001	90000	87769	.0219
2	95001	100000	200000	.0499
2	100001	105000	203672	.0508
1	110001	115000	114814	.0286
1	115001	120000	116837	.0291
2	135001	140000	274500	.0685
1	145001	150000	150000	.0374
1	155001	160000	157500	.0393
2	180001	185000	367257	.0917
1	240001	245000	242356	.0605
1	350001	355000	354000	.0884
1	495001	500000	500000	.1248

NO. OF SHAREHOLDERS	<-- HAVING SHARES-->		SHARES HELD PERCENTAGE	
	FROM	TO		
1	550001	555000	554500	.1384
1	665001	670000	670000	.1673
1	955001	960000	960000	.2397
1	980001	985000	981500	.2451
1	995001	1000000	1000000	.2497
1	1095001	1100000	1099000	.2744
1	1130001	1135000	1130451	.2823
1	1165001	1170000	1170000	.2922
1	1265001	1270000	1268000	.3166
1	1530001	1535000	1533500	.3829
1	1905001	1910000	1906000	.4760
1	3085001	3090000	3090000	.7717
1	4295001	4300000	4300000	1.0739
1	5065001	5070000	5066500	1.2653
1	9525001	9530000	9528000	2.3795
1	9550001	9555000	9550500	2.3851
1	12695001	12700000	12700000	3.1717
1	14005001	14010000	14007600	3.4983
1	37990001	37995000	37992813	9.4885
1	56690001	56695000	56693691	14.1590
1	204205001	204210000	204207517	51.0000
36621			400406896	100.0000



Branch Network

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NWFP

Peshawar

Main Branch
24 The Mall, Peshawar Cantt.
Tel: (091) 5273456, 5273587,
5279289, 5270768
Fax: (091) 5279791

University Road

Opp. Spinzer Plaza
University Road
Tel: (091) 9216952
Fax: (091) 9216951

G.T Road

Rahim Medical Centre,
G.T. Road.
Tel: (091) 220278
Fax: (091) 220275

Saddar Road

Saddar Road, Peshawar Cantt.
Tel: (091) 5284686, 5276848, 5276485
Fax: (091) 5277278

Civil Secretariate

Opp. Civil Secretariate
Tel: (091) 9211710
Fax: (091) 9212680

Khyber Bazar

Khyber Bazar, Peshawar City.
Tel: (091) 2569174
Fax: (091) 211170

Ashraf Road

Ashraf Road, Peshawar City
Tel: (091) 253007
Fax: (091) 252497

D.I. Khan

Circular Road
Tel: (0966) 719017
Fax: (0966) 718099

Mardan

Cantonment Plaza,
Shahrah-e-Qazi Bashir
Tel: (0937) 9230606
Fax: (0937) 9230707
UAN: 111-95-95-95

Kohat

Cantonment Plaza, Bannu Road
Tel: (0922) 9260145
UAN: 111-95-95-95
Fax: (0922) 9260156

Chitral

Ataliq Bazar
Tel: (0943) 412473
Fax: (0943) 412220

Mingora

Makan Bagh, Siadu Sharif Road
Tel: (0946) 9240045-47
Fax: (0946) 9240046

Hattar

Industrial Estate
Tel: (0995) 617631
UAN: 111-95-95-95
Fax: (0995) 617231

Haripur

Shahrah-e-Hazara,
Tel/Fax: (0992) 610728

AZAD JAMMU & KASHMIR

Muzaffarabad

Secretariate Road.
Tel/Fax: (058810) 44018

FEDERAL CAPITAL

Islamabad

Zahoo Plaza, Blue Area.
Tel: (051) 2824691, 2826111, 2825434
UAN: 111-95-95-95
Fax: (051) 2206687

PUNJAB

Lahore

Davis Hytes, Davis Road
Tel: (042) 6315463, 6313809, 6304873
UAN: 111-95-95-95
Fax: (042) 6307079

SINDH

Karachi

White House Plaza:
15-A, Block 6, P.E.C.H.S,
Opp. Fortune Centre
Shahrah-e-Faisal.
Tel: (021) 4389031-3, 4389035-7
UAN: 111-95-95-95
Fax: (021) 4389039

ISLAMIC BANKING BRANCHES

NWFP

Hayatabad

Royal Plaza, Hayatabad,
Bara Market, Jamrud Road,
Peshawar
Tel: (091) 5829369-70
Fax: (091) 5815194

Bannu

Outside Lakki Gate
Tel: (0928) 621429
Fax: (0928) 612202

Nowshera

Saad Plaza, Saddar Road,
Nowshera Cantt.
Tel: (0923) 9220035
Fax: (0923) 613530

Timergara

Balambat Road,
Tel/Fax: (0945) 822090, 825999

Abbottabad

Jinnah Road,
Tel/Fax: (0992) 9310157-58
UAN: 111-95-95-95

Mansehra

Main Bazar,
Tel: (0997) 305339, 307339
Fax: (0997) 300839

Hangu

Main Bazar,
Tel: (0925) 620744
Fax: (0925) 623744

Charsadda

Main Bazar, Mardan Road.
Tel: (091) 6511329
Fax: (091) 6513748

Tank

Adda Bazar
Tel/Fax: (0963) 510068

Karachi

B-78, Allied Plaza:
Estate Avenue S.I.T.E
Tel: (021) 2565102-4
Fax: (021) 2565105

New Cloth Market,
M.A. Jinnah Road, Karachi.
Tel: (021) 2463693-5
Fax: (0231) 2463698

Rawalpindi

Bank Road.
Tel: (051) 5120194-7
Fax: (051) 5122198



The Bank of Khyber

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Lahore

M.M. Alam Road.

Tel: (042) 5785528-9

Fax: (042) 5785530

Batkhela

Ph: (0932) 414851-3

Fax: (0932) 414854

Faisalabad

Kotwali Road.

Ph: (041) 2412116-19

Fax: (041) 2412120

Baluchistan

Quetta

Jinnah Road.

Tel: (081) 822141, 843203

Fax: (081) 829469

Foreign Correspondent Banks

1 ARGENTINA

- BANK OF TOKYO MITSUBISHI

2 AUSTRALIA

- AUSTRALIA & NEW-ZEALAND BAKING CO.
- HABIB BANK LTD.
- HSBC, AUSTRALIA LTD.

3 ANDORA

- CIAXA D'ESTALVIS I PENSIONS DE

4 AUSTRIA

- CREDITANSTALT AG
- BANK AUSTRIA, AG
- ING BANK N.V VIENNA BRANCH

5 BANGLADESH

- STANDARD CHARTERED BANK

6 BAHRAIN

- THE BANK OF TOKYO
- UNITED BANK LIMITED

7 BELGIUM

- HABIB BANK LIMITED
- COMMERZ BANK AG
- BANCO BILBAO VIZCAYA ARGETARIA S.A
- FORTIS BANK S.A/N.V BRUSSELS

8 CHINA

- STANDARD CHARTERED BANK
- AUSTRALIA & NEW-ZEALAND BAKING CO.
- BANK OF TOKYO MITSUBISHI

- COMMERZ BANK AG
- EXPORT-IMPORT BANK OF CHINA
- BANK OF CHINA
- UFJ BANK LTD.

9 CHILE

- BANK OF TOKYO MITSUBISHI

10 CZECH REPUBLIC

- COMMERZ BANK AG

11 COOK ISLANDS

- AUSTRALIA & NEW-ZEALAND BAKING CO.

12 CAYMAN ISLAND

- COMMERZ BANK AG
- DEN NORSKE BANK
- NORDEA BANK FINLAND PLC

13 DENMARK

- SPAREKASSEN VESTSJAELLAND
- NORDEN BANK FINLAND PLC
- DEN NORSKE BANK

14 EGYPT

- MASHREQ BANK
- HSBC

15 EAST TOMOR

- AUSTRALIA & NEW-ZEALAND BAKING CO.

16 ESTONIA

- NORDEA BANK



17 FRANCE

- UBAF (UNION BANK ARABS FRANCEAISES)
- AUSTRALIA & NEW-ZEALAND BAKING CO.
- COMMERZ BANK AG
- CIAXA D'ESTALVIS I PENSIONS DE
- BELGOLAISE

18 FIJI

- AUSTRALIA & NEW-ZEALAND BAKING CO.

19 FINLAND

- NORDEA BANK

20 GERMANY

- COMMERZ BANK AG
- DEN NORSKE BANK
- AUSTRALIA & NEW-ZEALAND BAKING CO.
- NORDEA BANK FINLAND PLC
- PARAEUS BANK AE. ATHEN ZWEIGNIEDER
- DRESDNER BANK FRANKFURT
- UFJ BANK LIMITED

21 GREECE

- BANK OF ATTICA S.A.

22 GUERNSEY, C.I

- AUSTRALIA & NEW-ZEALAND BAKING CO.

23 HONG KONG

- HONG KONG & SHANGHAI BANKING CORP.LT. *HSBC*
- AUSTRALIA & NEW-ZEALAND BAKING CO.
- ANZ ASIA LIMITED

- BANK OF TOKYO MITSUBISHI
- FIRST UNION NATIONAL BANK
- COMMERZ BANK AG
- STANDARD CHARTERED BANK
- PARAEUS BANK AE

24 HUNGARY

- COMMERZ BANK AG

25 INDIA

- STANDARD CHARTERED BANK
- MASHREQ BANK PSC
- BANK OF TOKYO MITSUBISHI
- COMMERCE BANK AG
- UFJ BANK LTD.

26 ITALY

- BANK OF TOKYO MITSUBISHI
- COMMERZ BANK AG
- BANCA DI ROMA S.P.A
- COMDIRECT BANK S.P.A

27 INDONESIA

- BANK OF TOKYO MITSUBISHI
- STANDARD CHARTERED BANK
- AUSTRALIA & NEW-ZEALAND BAKING CO.

28 IRELAND

- COMMERZ BANK INTERNATIONAL
- COMMERZ BANK EUROP

29 IRAN

- BANK OF SEPAH TEHRAN

30 JAPAN

- BANK OF TOKYO MITSUBISHI

- AUSTRALIA & NEW-ZEALAND BAKING CO.
- BANCA DI ROMA S.PA
- FIRST UNION NATIONAL BANK
- COMMERZ BANK
- STANDARD CHARTERED BANK U.B.A.F

31 JERSEY, C.I

- AUSTRALIA & NEW-ZEALAND BAKING CO.

32 KOREA

- BANK OF TOKYO MITSUBISHI
- STANDARD CHARTERED BANK
- AUSTRALIA & NEW-ZEALAND BAKING CO.
- FIRST UNION NATIONAL BANK
- HONG KONG & SHANGHAI CORP. LTD. *HSBC*
- U.B.A.F UNION BANK ARABS FRANCAISES

33 KENYA

- STANDARD CHARTERED BANK

34 LUXEMBOURG

- COMMERZ BANK AG
- NORDEA BANK S.A

35 LEBANON

- BANCA DI ROMA S.PA

36 LATVIA

- NORDEA BANK FINLAND PLC LATVIA BR

37 LITHUANIA

- NORDEA BANK FINLAND PLC

38 MALAYSIA

- COMMERZ BANK AG
- HSBC BANK MALAYSIA
- STANDARD CHARTERED BANK

39 MAURITIUS

- MAURITIUS COMMERCIAL BANK LTD.

40 MONACO (MC)

- CAIXA D'ESTALVIS I PENSIONS DE MERG.
- BANCA DI ROMA S.P.A

41 NETHERLANDS

- HABIB BANK LIMITED
- COMMERZ BANK AG
- ING BANK N.V
- HOLLANDSCHE BNAK UNIE N.V

42 NORWAY

- DEN NORSKE BANK
- BORDEA BANK NORGE ASA

43 NEW ZEALAND

- AUSTRALIA & NEW-ZEALAND BANKING CO.

44 PHILIPPINE

- BANK OF TOKYO MITSUBISHI
- AUSTRALIA & NEW-ZEALAND BANKING CO.
- STANDAR CHARTERED BANK

45 PANAMA

- BANK OF TOKYO MITSUBISHI

46 PAPUA NEW GUINEA

- AUSTRALIA & NEW-ZEALAND BANKING CO.

47 QATAR

- MASHREQ BANK
- UNITED BANK LIMITED.

48 RUSSIAN FEDERATION

- COMMERZ BANK AG

49 SAUDI ARABIA

- SAUDI HOLLANDI BANK
- NATIONAL COMMERCIAL BANK THE

50 SPAIN

- CAIXA D'ESTAL VIS I PENSIONS DE
- COMMERZ BANK AG

51 SRI LANKA

- MASHREQ BANK
- HABIB BANK LIMITED
- SAMPATH BANK

52 SAMOA

- AUSTRALIA & NEW-ZEALAND BANKING CO.

53 SINGAPORE

- HABIB BANK LIMITED
- AUSTRALIA & NEW-ZEALAND BANKING CO.
- HONG KONG & SHANGHAI BANKING CORP. LTD. *HSBC*
- BANCA DI ROMA S.P.A
- COMMERZ BANK AG

- HAMBURGISCHE LANDESBER GIROZENTAL
- NORDEA BANK
- STANDARD CHARTERED BANK
- UFJ BANK LTD

54 SOLOMON ISLAND

- AUSTRALIA & NEW-ZEALAND BANKING CO.

55 SWITZERLAND

- COMMERZ BANK
- NORDEA BANK S.A LUXEMBURG, ZWE.
- HABIB BANK A.G. ZURICH
- NITED BANK LIMITED

56 SOUTH AFRICA

- COMMERZ BANK AG

57 SWEDEN

- DEN NORSKE BANK
- NORDEA BANK SWEEDEN AB. (PUBL)

58 THAILAND

- BANK OF TOKYO MITSUBISHI
- AUSTRALIA & NEW-ZEALAND BANKING CO.
- UFJ BANK LTD.

59 TAIWAN

- HONG KONG & SHANGHAI BANKING GROUPO LTD. *HSBC*
- STANDARD CHARTERED BANK
- AUSTRALIA & NEW-ZEALAND BANKING CO.
- BANK OF TOKYO MITSUBISHI
- UFJ BANK LTD.

60 TONGA

- AUSTRALIA & NEW-ZEALAND BANKING CO.

61 TURKEY

- AUSTRALIA & NEW-ZEALAND BANKING CO.
- HSBC

62 UNITED STATES

- HABIB BANK LIMITED
- HABIB AMERICAN BANK
- HONG KONG & SHANGHAI BANKING CORP. LTD. *HSBC*
- STANDARD CHARTERED BANK
- UNITED BANK LIMITED
- MASHRIQ BANK PSC
- UFJ BANK LTD.
- FIRST UNION NATIONAL BANK
- NORDERA BANK PLC
- FIRST TENNESSEE BANK N.A.
- TEXAS FIRST NATIONAL BANK
- METRO BANK N.A
- JP MORGAN CHASE BANK

63 UAE

- HABIB BANK LIMITED
- HABIB BANK AG ZURICH
- MASHREQ BANK PSC
- UNITED BANK LIMITED
- STANDARD CHARTERED BANK

64 UNITED KINGDOM

- HABIB BANK AG ZURICH
- STANDARD CHARTERED BANK
- MASHREQ BANK PSC
- UNITED BANK LIMITED

- FIRST UNION NATIONAL BANK
- NORDEA BANK
- UFJ BANK

64 VIETNAM

- AUSTRALIA & NEW-ZEALAND BANKING CO.

67. YEMEN

- INTERNATIONAL BANK OF YEMEN Y.S.C



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 18th Annual General Meeting of the Bank to be held on Monday March 30, 2009 at 11:00am at The Bank of Khyber, Head Office, 24-The Mall. Peshawar Cantt. and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2009.

Signature on
Five-Rupees
Revenue Stamp

The Signature should
agree with the
Specimen registered
with the Bank

Dated:

Place:

Notes

A. General

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

B. For CDC Account Holders

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