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CORPORATE INFORMATION FOR 1st QUARTER ACCOUNTS, 2009

BOARD OF DIRECTORS

Ghulam Dastgir Akhtar	Chairman
Fahimullah Khattak	Director
Muhammad Maqsood Khan	Director
Muhammad Asif	Director
Mir Javed Hashmat	Director
Maqsood Ismail	Director

MANAGING DIRECTOR / CEO

Bilal Mustafa	Managing Director
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AUDIT COMMITTEE

Muhammad Asif	Chairman
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Mir Javed Hashmat

Fahimullah Khattak

Muhammad Maqsood Khan

CHIEF FINANCIAL OFFICER

Rahat Gul

COMPANY SECRETARY

Zahid Sahibzada

AUDITORS

Deloitte, M. Yousaf Adil Saleem & Co.

Chartered Accountants

LEGAL ADVISORS

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

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

Directors' Review

On behalf of the Board of Directors, I am pleased to present the financial statements of the Bank for the 1st quarter ended March 31, 2009. The results are inclusive of Islamic Banking Operations.

Financial Highlights

The financial results of the Bank of Khyber for the 1st quarter ended March 31, 2009 are as under:

	(Rs. in million)
Operating Profit	156
Provision against non- performing advances	(131)
Provision against diminution in value of investments	(176)
Profit / (Loss) before taxation	(151)
Taxation	-
Profit / (Loss) after tax	(151)
Total Assets	29,935
Advances (Gross)	13,689
Investments (Net)	10,678
Deposits	21,765

Due to downturn / plunge in the equity market, the market price of shares held in "Available for Sale" category had to be adjusted downward and provision for diminution in value of investments had to be taken into account. However, as the condition of equity market improves significantly, the Bank may be able to reverse these provisions. Needless to say that majority of the Bank's branches are located in N.W.F.P province which has been badly hit by law and order situation. Resultantly business activities have suffered tremendously and banking activities have seen a recession which is reflected in the reduction in demand for banking services.

Future Outlook

In the 1st quarter of the FY09, the country's overall economy has shown buoyancy. The economy has finally started to show some signs of relative stability by achieving the first set of targets set by International Monetary Fund (IMF), which happens to be the prerequisite for the second tranche from IMF.

Implementation of Basel - II and Risk Management framework is an ongoing process and the Bank is continuously engaged in its implementation in all spheres of banking activities. Major policies pertaining to Liquidity, Investments and Contingency funding have been approved recently whereas, other required policies are in the process of completion for approval. The Bank is operating with 34 branches in the country with existence in strategic locations and providing tailor made solutions to customer needs both in the Islamic and conventional banking modes. The Bank is offering deposit schemes with attractive terms, which will enhance our deposit base allowing us to offer more and better asset based products to our customers. The cost of funds has been reduced by shedding costly deposits and emphasis is being shifted to core business activities.

Currently, the Bank's paid-up capital stands at Rs.5 billion and in compliance with MCR requirements of the SBP, it will be increased to Rs.6 billion by year end.

We are confident to achieve our targets and believe that the year in progress will prove to be a successful year for the Bank.

Credit Rating

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

Acknowledgment

The Board would like to thank the Bank's valued customers for their patronage and continued confidence in the Bank. We are also grateful to the State Bank of Pakistan and other regulatory authorities for their support and guidance.

For and on behalf of the Board of Directors



Ghulam Dastgir Akhtar
Chairman

Peshawar: April 24, 2009

INTERIM CONDENSED BALANCE SHEET AS AT MARCH 31, 2009

	Notes	(Un Audited)	(Audited)
		March 31, 2009	December 31, 2008
Rupees in '000			
ASSETS			
Cash and balances with treasury banks		1,233,655	1,557,715
Balances with other banks		2,101,004	3,362,946
Lendings to financial institutions		2,019,168	2,282,494
Investments	6	10,677,610	8,985,441
Advances	7	11,276,409	12,643,814
Operating fixed assets		194,602	187,589
Deferred tax assets		298,662	396,673
Other assets		2,133,745	1,922,317
		<u>29,934,855</u>	<u>31,338,989</u>
LIABILITIES			
Bills payable		138,988	122,516
Borrowings from financial institutions		2,162,754	910,691
Deposits and other accounts		21,765,417	24,732,195
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		993,024	892,371
Deferred tax liabilities		-	-
		<u>25,060,183</u>	<u>26,657,773</u>
NET ASSETS		<u><u>4,874,672</u></u>	<u><u>4,681,216</u></u>
REPRESENTED BY			
Share Capital		5,004,001	4,002,984
Reserves		435,342	1,436,359
Unappropriated Profit / (Loss)		86,846	238,473
		<u>5,526,189</u>	<u>5,677,816</u>
* Deficit on revaluation of Securities		(651,517)	(996,600)
		<u><u>4,874,672</u></u>	<u><u>4,681,216</u></u>

CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 12 form an integral part of these financial statements.


* The above deficit on revaluation of assets include an impairment loss (net of tax) of Rs. 476.193 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 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 assets value as of March 31, 2009. 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. 476.193 million and unappropriated profit would have been converted to loss amounting to Rs. 457.295 million.



Director



Director



Director

**INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009**

	(Un Audited) Three months ended March 31, 2009	(Un Audited) Three months ended March 31, 2009	(Un Audited) Three months ended March 31, 2008	(Un Audited) Three months ended March 31, 2008
----- Rupees in '000 -----				
Mark-up/return/interest earned	857,764	857,764	632,262	632,262
Mark-up/return/interest expensed	595,404	595,404	405,385	405,385
Net mark-up/interest income	262,360	262,360	226,877	226,877
Provision against non-performing loans and advances	131,325	131,325	(16,627)	(16,627)
Provision against diminution in the value of investments	176,368	176,368	-	-
	307,693	307,693	(16,627)	(16,627)
Net mark-up/interest income after provisions	(45,333)	(45,333)	243,504	243,504
NON MARK-UP/ INTEREST INCOME				
Fee, commission and brokerage income	24,108	24,108	18,988	18,988
Dividend income	2,359	2,359	1,413	1,413
Income from dealing in foreign currencies	287	287	5,267	5,267
Income from trading in government Securities	-	-	(2,473)	(2,473)
Gain/ (Loss) on stock exchange operation	8,941	8,941	16,030	16,030
Other Income	16,587	16,587	9,190	9,190
Total non mark-up/interest income	52,282	52,282	48,415	48,415
	6,949	6,949	291,919	291,919
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	158,155	158,155	122,366	122,366
Other provisions/write offs	-	-	-	-
Other charges	185	185	42,319	42,319
Total non-markup/interest expenses	158,340	158,340	164,685	164,685
PROFIT/(LOSS) BEFORE TAXATION	(151,391)	(151,391)	127,234	127,234
Taxation - Current	236	236	44,192	44,192
- Prior years	-	-	-	-
- Deferred	-	-	-	-
	236	236	44,192	44,192
PROFIT/(LOSS) AFTER TAXATION	(151,627)	(151,627)	83,042	83,042
Unappropriated profit brought forward		238,473		242,192
Profit available for appropriation		86,846		325,234
Basic/Diluted earnings per share Rupees		(0.30)		0.21

The annexed notes 1 to 12 form an integral part of these financial statements.

* The profit for the year does not include impairment loss (net of tax) of Rs. 476.193 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 March 31, 2009 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. 476.193 million and earning per share would have been lower by Rs. 1.06.

Director

Director

Director

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009**

Share capital	Reserves						Un-appropriated profit	Total
	Capital		Statutory reserve	Revenue				
	Reserve for issue of bonus shares	Share premium		Revenue reserve	Reserve for contingencies	Total		

----- 'Rupees in '000 -----

Opening balance January 01, 2008 (Audited)	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 reserves	-	-	-	27,470	-	-	27,470	(27,470)	-
Opening balance January 01, 2009 (Audited)	4,002,984	1,001,017	-	435,342	-	-	1,436,359	238,473	5,677,816
Transfer to bonus shares of Capital	1,001,017	(1,001,017)	-	-	-	-	(1,001,017)	-	-
Profit/(Loss) after taxation for the Three months period ended March 31, 2009	-	-	-	-	-	-	-	(151,627)	(151,627)
Closing balance March 31, 2009 (UnAudited)	5,004,001	-	-	435,342	-	-	435,342	86,846	5,526,189

The annexed notes 1 to 12 form an integral part of these financial statements.


Director


Director


Director

**INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009**

	FOR THE PERIOD JAN-March 2009	FOR THE PERIOD JAN-March 2008
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation	(151,391)	127,234
Less : Dividend Income	2,359	1,413
	<u>(153,750)</u>	<u>125,821</u>
Adjustment for non cash charges		
Depreciation	5,284	4,136
Amortization of intangible assets	-	147
Provision (net) against non-performing financings	131,325	(16,627)
Provision against diminution in the value of investments	176,368	-
	<u>312,977</u>	<u>(12,344)</u>
	159,227	113,477
(Increase) in operating assets		
Lendings to financial institutions	16,826	(619,500)
Advances	1,236,080	(610,782)
Other assets (excluding advance taxation)	(211,599)	(78,953)
	<u>1,041,307</u>	<u>(1,309,235)</u>
	1,200,534	(1,195,758)
Increase/(Decrease) in operating liabilities		
Bills payable	16,472	(155,828)
Borrowings from financial institutions	1,252,063	1,329,709
Deposits and other accounts	(2,966,778)	1,356,261
Other liabilities	100,653	51,859
	<u>(1,597,590)</u>	<u>2,582,001</u>
	(397,056)	1,386,243
Income tax paid / refund	65	26,726
Net cash flow from operating activities	<u>(397,121)</u>	<u>1,359,517</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in held for trading securities	(71,094)	(112,134)
Net investment in available-for-sale securities	(1,354,349)	(1,911,970)
Net investment in held-to-maturity securities	-	(50,750)
Dividend received	2,359	1,413
Investment in operating fixed assets	(12,297)	(5,286)
Sale proceeds of operating fixed assets disposed of	-	-
Net cash flow from investing activities	<u>(1,435,381)</u>	<u>(2,078,727)</u>
Increase in cash and cash equivalents	<u>(1,832,502)</u>	<u>(719,210)</u>
Cash and cash equivalents at beginning of the period	6,713,911	7,627,869
Cash and cash equivalents at end of the period	<u><u>4,881,409</u></u>	<u><u>6,908,659</u></u>

The annexed notes 1 to 12 form an integral part of these financial statements.


Director


Director


Director

**INTERIM CONDENSED NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2009**

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 March 31, 2009 (December 31, 2008: 34).

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 (December 2008: Sixteen) of its branches. Key financial figures of the Islamic Banking Division are disclosed in note "10" 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 period ended March 31, 2009. 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 investments classified as 'available for sale' securities which have been stated at revalued amounts. All amounts are in Pakistani Rupees unless stated otherwise.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as applied in the preparation of financial statements of the bank for the year ended December 31, 2008.

6. INVESTMENTS

	Held by bank	Given as Collateral	Total
As at March 31, 2009	<u>9,097,501</u>	<u>1,580,109</u>	<u>10,677,610</u>
As at March 31, 2008	<u>9,031,238</u>	<u>2,019,978</u>	<u>11,051,216</u>

March 31, 2009			December 31, 2008		
Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- Rupees in '000 -----			----- Rupees in '000 -----		

6.1 Investments by types

'Held for trading securities

Fully paid shares in listed companies	71,094		71,094	-	-	-
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'Available for sale' securities

Market treasury bills	2,444,271	199,549	2,643,820	2,155,594	-	2,155,594
Pakistan investment bonds	976,398	1,449,940	2,426,338	2,126,338	300,000	2,426,338
NIT Units	403,617	-	403,617	403,617	-	403,617
Term Finance Certificates	1,386,485	-	1,386,485	1,180,778	-	1,180,778
Al-Falah GHP Value Fund	5,000	-	5,000	5,000	-	5,000
Al-Meezan Bal. Growth Fund	5,000	-	5,000	5,000	-	5,000
Meezan Islamic Fund	200,000	-	200,000	-	-	-
NAMCO Fund	69,056	-	69,056	69,056	-	69,056
Dawood Money MKT Fund	300,000	-	300,000	300,000	-	300,000
AKD Income Fund	101,955	-	101,955	101,955	-	101,955
Crosby Dragon Fund	150,000	-	150,000	150,000	-	150,000
IGI Income Fund	100,000	-	100,000	-	-	-
United Islamic Income Fund	200,000	-	200,000	-	-	-
Pak Oman Advantage Fund	50,000	-	50,000	50,000	-	50,000
MCB Dynamic Cash Fund	200,000	-	200,000	-	-	-
First Habib Income Fund	100,000	-	100,000	100,000	-	100,000
MCB Dynamic Allocation Fund	150,000	-	150,000	150,000	-	150,000
AKD Opportunity Fund	47,863	-	47,863	47,863	-	47,863
Sukuk Certificates	94,991	-	94,991	138,741	-	138,741
Fully paid up ordinary shares (listed)	701,174	-	701,174	701,174	-	701,174
Fully paid up ordinary shares (un-listed)	80,487	-	80,487	80,487	-	80,487
	7,837,391	1,649,489	9,486,880	7,765,603	300,000	8,065,603

'Held to maturity' securities

Pakistan investment bonds	981,293	-	981,293	981,293	-	981,293
Wapda First Sukuk Bonds (1&2)	475,000	-	475,000	475,000	-	475,000
Orix Leasing Sukuks	50,750	-	50,750	50,750	-	50,750
Sitara Energy Sukuks	28,182	-	28,182	28,182	-	28,182
Lesco Sukuks	500,000	-	500,000	500,000	-	500,000
BHFC Sukuks	50,000	-	50,000	50,000	-	50,000
BRR Guardian Sukuks	100,000	-	100,000	100,000	-	100,000
JDW Sukuk	50,000	-	50,000	50,000	-	50,000
	<u>2,235,225</u>	<u>-</u>	<u>2,235,225</u>	<u>2,235,225</u>	<u>-</u>	<u>2,235,225</u>

Associates

Fully paid up ordinary shares

- Listed companies	-	-	-	-	-	-
- Un-Listed companies	45,000	-	45,000	45,000	-	45,000
	<u>45,000</u>	<u>-</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>45,000</u>
	10,117,616	1,649,489	11,767,105	10,045,828	300,000	10,345,828

Investments at Cost

Less: Provision for diminution in value of investments

	264,496	-	264,496	88,128	-	88,128
Investments (net of provision)	9,853,120	1,649,489	11,502,609	9,957,700	300,000	10,257,700
Add/(less): surplus / deficit on revaluation of Available-for-Sale securities	(755,619)	(73,543)	(829,162)	(1,200,354)	(71,905)	(1,272,259)
Add/(less): Surplus / (Defecit) on revaluation of held for trading securities	-	4,163	4,163	-	-	-
Total investments (net of provision)	<u>9,097,501</u>	<u>1,580,109</u>	<u>10,677,610</u>	<u>8,757,346</u>	<u>228,095</u>	<u>8,985,441</u>

6.2 Investments by segments

	Notes	March 31, 2009	December 31, 2008
Rupees in '000'			
Federal Government Securities			
Market Treasury Bills		2,643,820	2,155,594
Pakistan Investment Bonds		3,407,631	3,407,631
Sukuk Certificates		94,991	94,991
Fully paid up ordinary shares			
Listed companies		772,268	701,174
Un-listed companies		125,487	125,487
Term Finance Certificates			
Listed		704,973	768,778
Un-listed		681,512	412,000
Other Investments			
National Investment Trust Units		403,617	403,617
Sukuks Certificates		1,253,932	1,297,682
Al-Meezan Bal. Growth Fund		5,000	5,000
Meezan Islamic Fund		200,000	-
Al-Falah GHP Value Fund		5,000	5,000
NAMCO Fund		69,056	69,056
Dawood Money MKT Fund		300,000	300,000

AKD Income Fund	101,955	101,955
Crosby Dragon Fund	150,000	150,000
IGI Income Fund	100,000	-
United Islamic Income Fund	200,000	-
Pak Oman Advantage Fund	50,000	50,000
MCB Dynamic Cash Fund	200,000	-
First Habib Income Fund	100,000	100,000
MCB Dynamic Allocation Fund	150,000	150,000
AKD Opportunity Fund	47,863	47,863
Investments at Cost	11,767,105	10,345,828
Less: Provision for diminution in value of securities	264,496	88,128
Investments (net of provision)	11,502,609	10,257,700
Add/(less): Surplus/(Defecit) on revaluation of Available-for-Sale securities	(829,162)	(1,272,259)
Add/(less): Surplus/(Defecit) on revaluation of held for trading securities	4,163	-
Total investments (net of provision)	<u>10,677,610</u>	<u>8,985,441</u>

6.3 Particulars of provision for diminution in value of investments

Opening balance	88,128	42,454
Charge for the period	176,368	45,674
Reversals	-	-
	176,368	45,674
Closing balance	<u>264,496</u>	<u>88,128</u>

- 6.4. Pursuant to the BSD Circular No. 4 dated February 13, 2009 of SBP, the impairment loss amounting to Rs. 529.103 million and the related deferred tax impact of Rs. 52.910 million resulting from the valuation of listed equity securities / mutual funds held under 'Available-for-sale' category of investments as of March 31, 2009 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 in the profit and loss account in the year 2009 on quarterly basis after adjustment for the effects of price movements in that period. Impairment loss for the quarter ended March 31, 2009 amounting to Rs 176.368 million has been charged in these financial statements.

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

	March 31, 2009	December 31, 2008
	Rupees in '000'	
Increase in provision of diminution in the value of investments	529,103	784,517
Decrease in tax charge for the year	52,910	78,452
Decrease in profit for the year	476,193	706,065
Decrease in earning per share (EPS)	1.06	1.41
Decrease in deficit on revaluation of assets – net of tax	476,193	706,065

Notes March 31, December
2009 31, 2008

7. ADVANCES

Rupees in '000'

Loans, cash credits, running finances, etc.

- In Pakistan

12,371,103	13,769,978
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-Outside Pakistan

-	-
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12,371,103	13,769,978
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Net investment in Ijarah

- In Pakistan

784,930	589,089
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-Outside Pakistan

-	-
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784,930	589,089
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Bills discounted and purchased (excluding treasury bills)

-Payable in Pakistan

422,840	439,900
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-Payable outside Pakistan

110,167	126,152
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533,007	566,052
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13,689,040	14,925,119
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Financings in respect of Continuous funding system

-	-
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13,689,040	14,925,119
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Less: Provision for non-performing advances

2,412,631	2,281,305
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11,276,409	12,643,814
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7.1 Particulars of classification

Advances include Rs. 3,581.467 million (December 31, 2008: RS. 2,301.268 million) which have been placed under non-performing status as detailed below:-

Category of Classification	Domestic	Overseas	Total	Provision	Provision Held
				Required	
Rupees in '000'					
Other Assets especially mentioned*	2,971	-	2,971	-	-
Substandard	565,006	-	565,006	105,574	105,574
Doubtful	870,518	-	870,518	385,224	385,224
Loss	2,142,972	-	2,142,972	1,903,645	1,903,645
	<u>3,581,467</u>	<u>-</u>	<u>3,581,467</u>	<u>2,394,443</u>	<u>2,394,443</u>

*Other Assets especially mentioned category pertains to agricultural finance only

7.2 Particulars of provision against non-performing advances

	March 31, 2009			December 31, 2008		
	Specific	General	Total	Specific	General	Total
Rupees in '000'						
Opening Balance	2,261,165	20,141	2,281,306	2,066,853	21,533	2,088,386
Charge for the period	233,376	-	233,376	422,430	-	422,430
Amounts written off	-	-	-	-	-	-
Reversals	(100,098)	(1,953)	(102,051)	(228,119)	(1,392)	(229,511)
	<u>133,278</u>	<u>(1,953)</u>	<u>131,325</u>	<u>194,311</u>	<u>(1,392)</u>	<u>192,919</u>
Closing balance	<u>2,394,443</u>	<u>18,188</u>	<u>2,412,631</u>	<u>2,261,164</u>	<u>20,141</u>	<u>2,281,305</u>

8. CONTINGENCIES AND COMMITMENTS	Note	March 31, 2009	December 31, 2008
		Rupees in '000'	
8.1 Direct credit substitutes			
Governments		-	-
Banks		235,996	269,671
Others		4,332	4,332
		<u>240,328</u>	<u>274,003</u>
8.2 Transaction-related contingent liabilities			
Governments		2,020,445	2,167,658
Banks		-	-
Others		2,083,906	1,796,046
		<u>4,104,351</u>	<u>3,963,704</u>
8.3 Trade related contingent liabilities			
Sight		536,299	564,916
Usance		116,023	63,892
Acceptances		112,315	100,738
		<u>7,646,37</u>	<u>729,546</u>
8.4 Taxation			
8.4.1 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.

8.4.2 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.

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

8.5 Commitments in respect of forward lending

The bank makes commitments to extend credit in the normal course of its business but none of these commitments are irrevocable and do not attract any significant penalty or expense if the facility is unilaterally withdraw.

Note	March 31, 2009	December 31, 2008
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Rupees in '000		
8.6	Commitments in respect of forward exchange contracts	
	Purchases	54,318
	Sales	79,476
		<u> </u>
8.7	Commitments in respect of acquisition of fixed assets	<u> </u>
		<u> </u>
8.8	Other commitments	
	Sale of mutual fund	-
	Bills for Collection (inland)	60,751
	Bills for Collection (foreign)	46,686
		<u> </u>
		<u>94,708</u>
		<u>107,437</u>

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

8.10 The State Bank of Pakistan's Committee for Resolution of Cases (CRC) and Committee for Revival of Sick Industrial Units (CRSIU) had finalised the settlement of certain non performing loans of the Bank having principal amounting to Rs. 364.401 million and overdue markup amounting to Rs. 132.916 million for an aggregate amount of Rs. 165.781 million. 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 five (2008: three) cases are being received as per CRC / CRSIU decisions. The remaining one case was also implemented but after payment of few installments defaulted. The party has been informed of cancellation of settlement under SBP Circular 29 and execution has been reopened through court of law.

			March 31, 2009	December 31, 2008
			Rupees in '000	
9	CASH AND CASH EQUIVALENTS			
	Cash and balances with treasury banks		1,233,655	1,787,769
	Balances with other banks		2,101,004	3,111,890
	Lendings to financial institutions		1,546,750	2,009,000
			<u>4,881,409</u>	<u>6,908,659</u>

10. KEY FINANCIAL FIGURES OF THE ISLAMIC BANKING DIVISION

	Note	March 31, 2009	December 31, 2008
		Rupees in '000	
ASSETS			
Cash and balances with treasury banks		355,337	419,988
Balances with other banks		1,437,120	1,951,989
Lending to Financial Institutions		100,000	-
Investments		1,526,725	1,350,908
Murabaha financing		595,522	671,615
Mudrabaha financing		3,000	-
Ijarah financing		784,930	589,090
Musharka		23,648	22,998
Diminishing Musharka		651,096	606,079
Others		2,530	5,710
		2,060,726	1,895,492
Less Provision against Non-Performing Facilities		90,213	78,301
		1,970,513	1,817,191
Operating fixed assets		59,223	53,856
Other assets		326,191	476,434
		<u>5,775,109</u>	<u>6,070,366</u>
LIABILITIES			
Bills payable		35,409	34,843
Due to Financial Institutions		-	-
Deposits and other accounts			
Current Accounts		1,270,740	1,712,079
Saving Accounts		2,813,271	3,005,010
Term Deposits		413,566	383,267
Others		182,039	82,180
		4,679,616	5,182,536
Deposits from Financial Institutions - Non-Remunerative		5,001	107
Due to Head Office		30,073	-
Other liabilities		433,145	298,947
		<u>5,183,244</u>	<u>5,516,433</u>
NET ASSETS		<u>591,865</u>	<u>553,933</u>
REPRESENTED BY			
Islamic banking fund		350,000	350,000
Reserves		-	-
Unappropriated profit		243,565	206,948
Deficit on revaluation of securities		(1,700)	(3,015)
		<u>591,865</u>	<u>553,933</u>
REMUNERATION TO SHARIAH ADVISOR		<u>149</u>	<u>571</u>
CHARITY FUND			
Opening Balance		-	-
Additions during the period		162	5,698
Payments during the period		-	(5,698)
Closing Balance		<u>162</u>	<u>-</u>

11. RELATED PARTY TRANSACTION

11.1 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 an associated company, directors and key management personnel.

11.2 The volumes of related party transactions, outstanding balances at the period end, and related income and expenditure for the period ended are as follows:

	March 31, 2009				December 31, 2008			
	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,	29,590	-	-	29,590	9,733	-	-	9,733
Disbursed during the Quarter	11,592	-	-	11,592	26,723	-	-	26,723
Repaid during the Quarter	(1,474)	-	-	(1,474)	(6,866)	-	-	(6,866)
Balance as at	<u>39,708</u>	<u>-</u>	<u>-</u>	<u>39,708</u>	<u>29,590</u>	<u>-</u>	<u>-</u>	<u>29,590</u>
Deposits								
At January 1,	2,823	10,864	12,919	26,606	79	8,301	6,976	15,356
Deposited during the Quarter	9,221	30,524	136,268	176,013	44,898	109,177	166,257	320,332
Repaid during the Quarter	(10,342)	(23,593)	(101,459)	(135,394)	(42,154)	(106,614)	(160,314)	(309,082)
Balance as at	<u>1,702</u>	<u>17,795</u>	<u>47,728</u>	<u>67,225</u>	<u>2,823</u>	<u>10,864</u>	<u>12,919</u>	<u>26,606</u>
Transactions, income and expenditure								
Profit earned on Financings	<u>181</u>	<u>-</u>	<u>-</u>	<u>181</u>	<u>135</u>	<u>-</u>	<u>-</u>	<u>135</u>
Return on deposits expensed	<u>19</u>	<u>66</u>	<u>626</u>	<u>711</u>	<u>76</u>	<u>263</u>	<u>2,505</u>	<u>2,844</u>

12. DATE OF AUTHORIZATION FOR ISSUE

These accounts are authorized for issue on April 24, 2009 by the Board of Directors of the Bank.



Director



Director



Director



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**Interim Condensed Financial
Statements for the Quarter
Ended March 31, 2009**



The Bank of Khyber