



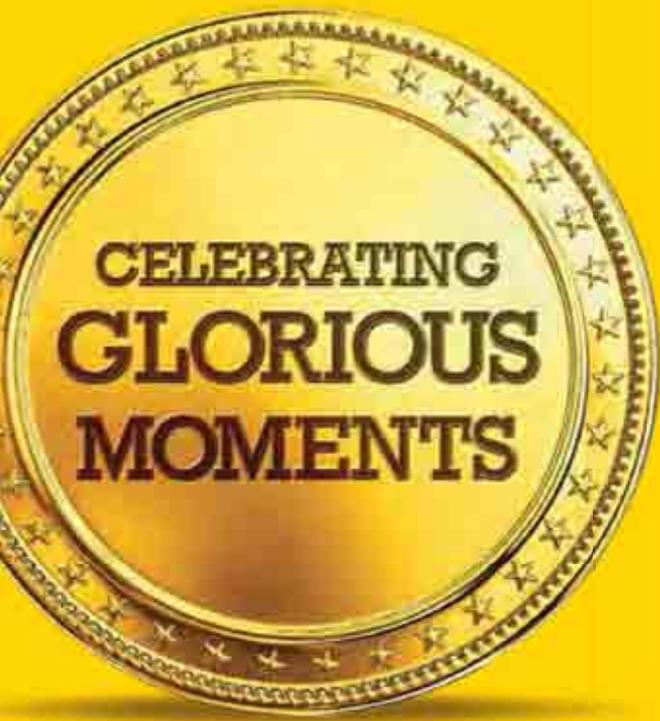
The Bank of Khyber

10 Billion
RUPEE CAPITAL

100
BRANCHES

1000
Million+
RUPEE PROFIT

Annual Report 2013



At this moment of our Bank's glory, every member of the Bank of Khyber bows before Allah SWT for bestowing our Bank with success and historic achievements. At a time when our country is facing daunting challenges, undeterred, our Bank is writing a new history of success & achievements by showing historic performance.

This feeling of ecstasy makes us eager to share this big news with every Pakistani and every stakeholder of our Bank. This is how we have decided to showcase the bricks of precious metal of gold at the cover page of our annual report to say we are adding to the nation's wealth which will translate into prosperity and wellbeing of our people.

We consider our success as a wind of hope for every one of us!

Milestones Achieved



1000
Million+
RUPEE PROFIT



100
BRANCHES

10 Billion
RUPEE CAPITAL

Entity Ratings

Long Term **A**

Short Term **A1**



Rated by

JCR-VIS Credit Rating Company Ltd. (JCR-VIS)
Pakistan Credit Rating Agency Ltd. (PACRA)

Contents

Milestones Achieved	01
Highlights 2013	05
We Serve to Excel	07
Our Vision, Mission & Core Values	09
Corporate Information	11
Products & Services	13
Board Profile	14
A Word From the Managing Director	17
Six Years Financial Highlights	18
Notice of 23rd Annual General Meeting	20
Financial Spectrum	22
Directors' Report	24
Statement of Compliance	40
Review Report to the Members	44
Statement of Internal Control	45
Shariah Advisor Report	46
Auditors' Report to the Members	49
Financial Highlights	51



Highlights 2013

PROFIT AFTER TAX
ONE
BILLION+
UP BY 7% OVER 2012

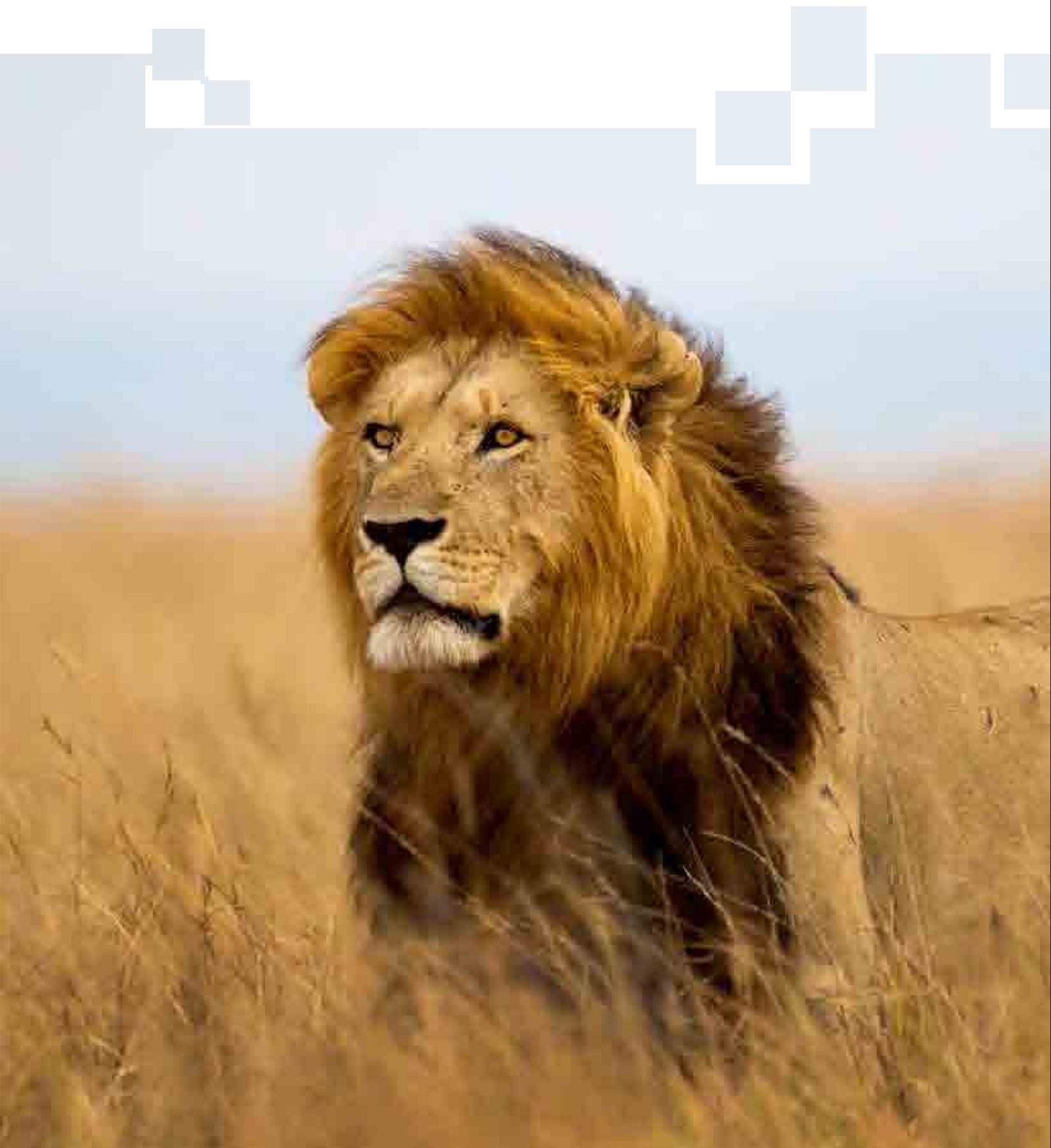
ADVANCES
(Gross)
RS. **38**
BILLION
UP BY 29% OVER 2012

DEPOSITS
RS. **77**
BILLION
UP BY 29% OVER 2012



INVESTMENTS
RS. **53**
BILLION
UP BY 17% OVER 2012

ASSETS
RS. **108**
BILLION
UP BY 32% OVER 2012



We Serve to Excel

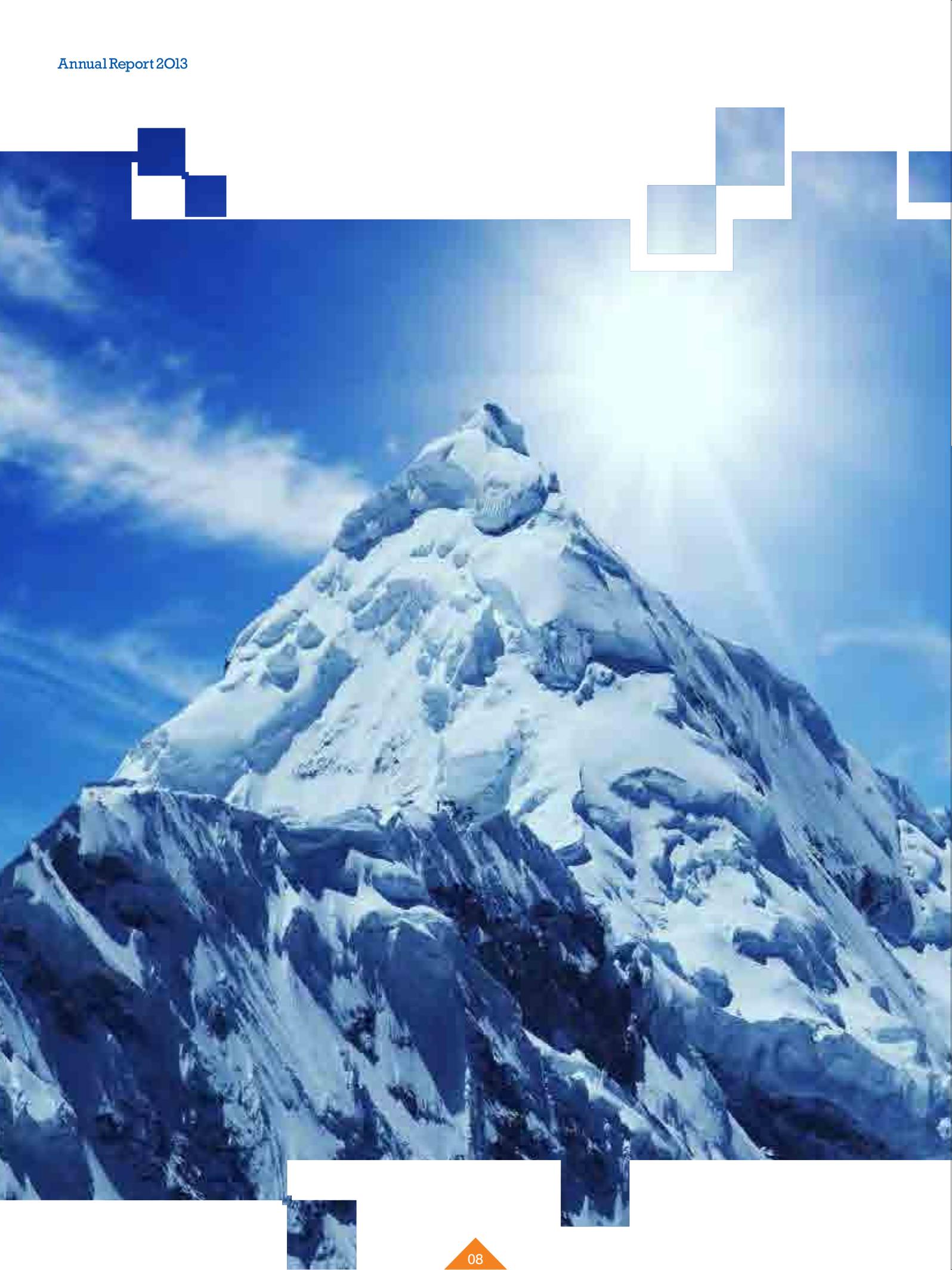
Our Bank takes great pride for being a public sector bank that accords highest priority to serving the people, by offering solutions that are tuned to local needs. Our primary focus is to play a leading role in accelerating the economic activity be it offering capital to small businesses or to the larger industries, and at the same time, by being a viable as well as successful Bank.

As we complete 23 years of our journey, our entire team feels excited for extending our presence throughout the country. By the grace of God, we have successfully emerged as a mainstream bank, and we enjoy the unique distinction of offering the Islamic as well as Conventional banking at our

entire network of branches.

No doubt Khyber Pakhtunkhwa is our bastion, but we have successfully outgrown to other areas of the country like Federal Capital Islamabad, Punjab, Sindh, Azad Kashmir and Baluchistan.

After passing through all kind of circumstances, now it is the beginning of a new journey for our Bank as we have entered an era wherein we are all set to rise with excellence. As a pulsating bank, we rely on new initiatives with key focus to provide novel solutions to our customers. Our ultimate aim is to serve by passing on the benefit of our success to our people. We strongly believe in the dictum that success follows good performance.



Our Vision, Mission and Core Values

Vision

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

Mission

To increase shareholders' value and provide excellent service and 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 and utilization of latest technology
- > Risk Mitigation
- > Corporate Social Responsibility



Corporate Information

Board of Directors

- > Khalid Pervez (Chairman)
- > Syed Said Badshah Bukhari
- > Maqsood Ismail Ahmad
- > Sajjad Ahmad
- > Javed Akhtar
- > Asad Muhammad Iqbal
- > Dr. Ihsanul Haq

Managing Director / CEO (Acting)

- > Imran Samad

Audit Committee

- > Asad Muhammad Iqbal (Chairman)
- > Syed Said Badshah Bukhari
- > Sajjad Ahmad
- > Javed Akhtar

Human Resource & Remuneration Committee

- > Sajjad Ahmad (Chairman)
- > Syed Said Badshah Bukhari
- > Asad Muhammad Iqbal
- > Javed Akhtar
- > Managing Director

Risk Management Committee

- > Javed Akhtar (Chairman)
- > Maqsood Ismail Ahmad
- > Sajjad Ahmad
- > Managing Director

Credit Monitoring & Settlement Committee

- > Maqsood Ismail Ahmad (Chairman)
- > Syed Said Badshah Bukhari
- > Sajjad Ahmad
- > Managing Director

Investment Committee

- > Syed Said Badshah Bukhari (Chairman)
- > Maqsood Ismail Ahmad
- > Asad Muhammad Iqbal
- > Managing Director

I.T Committee

- > Asad Muhammad Iqbal (Chairman)
- > Syed Said Badshah Bukhari
- > Managing Director

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

- > M. Yousaf Adil Saleem & 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.
2nd Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road
Karachi - 75530. Pakistan.



Products and Services



Deposit Schemes

Khyber Friendly Munafa Scheme
Current Benefit Account
Be-Baha Mahana Amadani
Cent CASA Plus Account
Foriegn Currency Deposit



Advances

Financing Options
Corporate Financing
Commercial Financing
SME Financing
Consumer Financing
Micro Financing
Agriculture Financing
Project Financing

Products

Cash Finance
Running Finance
Demand Finance
Trade Finance
Export Refinance
House / Auto / Salary Loans
Letter of Credit
Letter of Guarantee



Agriculture Credit Schemes

Sada Bahar Zarai Loan Scheme
Credit Guarantee Scheme
Agriculture Refinance Loan Schem
Livestock Loan Scheme
Dairy Storage Loan Scheme
Dairy Marketing Loan Scheme
Tractor Loan Scheme
Farm Machinery Loan Scheme
Tube Well Loan Scheme
Agri Ijarah & Agri Murabaha



Islamic Banking

Murabaha
Musharaka
Mudaraba
Ijarah wa Iqtana
Istisna
Deposit Schemes
Bill collection under Wakala



Online Banking

The Bank of Khyber offers Online Banking Facility to its customers at branches all over Pakistan.



SMS Alerts

On Deposits and withdrawals

Board Profile



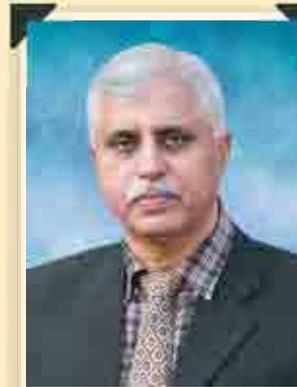
Khalid Pervez
Chairman

Mr. Khalid Pervez is a senior civil servant belonging to the District Management Group. Mr. Pervez has vast experience of 30 years in management, administration and planning to his credit which includes various top hierarchy administrative positions. He holds a masters degree in business administration and has attended various national and international trainings / courses on management and administration. He currently holds the office of Additional Chief Secretary of the Government of Khyber Pakhtunkhwa



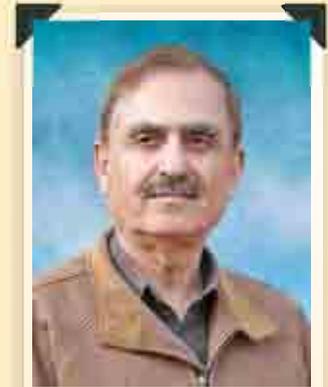
Imran Samad
Managing Director (Acting)

Mr. Imran Samad has been associated with banking profession for the last 30 years. After his MBA, he started his career with PICIC as a financial analyst and worked in various capacities dealing with industry and finance. He has rich experience of dealing with local and multilateral agencies. His expertise in Corporate and Retail Banking over the years in various banks has earned him a repute in areas of business development and organizational turnaround. Recognized as an effective team leader, he is author of various articles and also known as leading resource person on banking and finance. He is associated with Bank of Khyber for the last few years and is currently serving as Acting Managing Director of the bank.



Syed Said Badshah Bukhari
Director

Syed Said Badshah Bukhari is Secretary to the Government of Khyber Pakhtunkhwa, heading the Finance Department. He started his carrier in academics and later joined the Civil Services. He has served on various important positions. Syed Said Badshah Bukhari actively pursued expanding his knowledge base while in service. He has a numbers of Master's Degrees from reputable institutions to his credit. He also holds an MBA in Finance & Accounting as well as an M.A in Economics.



Dr. Ihsanul Haq
Director

Dr. Ihsanul Haq is a retired civil servant having served on various important positions in the Province. His experience includes Public Health and Finance besides Public Administration. Dr. Ihsanul Haq has remained a Fulbright scholar with a distinguished educational background. He holds a Master's Degree (MPH) in Health Services Management from the University of California, Los Angeles, USA, where he subsequently was a visiting scholar. Besides, Dr. Ihsanul Haq has participated in number of International conferences both at home and abroad.



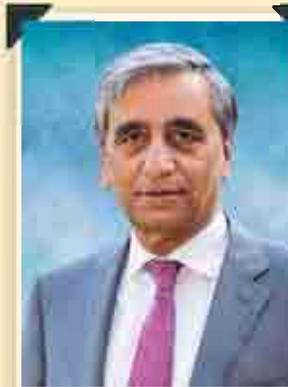
Maqsood Ismail Ahmad
 Director

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



Sajjad Ahmad
 Director

A businessman by profession, Mr. Sajjad Ahmad has an experience of 27 years in the field of manufacturing of lamps & fluorescent tube lights and energy savers. Currently, he is holding the position of Group Chief Executive. Mr. Sajjad has done his graduation from Peshawar University and is a member of different social organizations.



Javed Akhtar
 Director

Mr. Javed Akhtar is associated with the textile industry. Apart from managing his own group of companies, he is also the Chairman, Fashion Apparel Designing and Training Institute (FADIN), Member Managing Committee and currently member General Body of the Federation of Pakistan Chamber of Commerce & Industry (FPCCI). He also remained Director of Karachi Cotton Association and held the position of Chairman, Pakistan Cotton Fashion Apparel Exporters Association during 1997 – 1998 and 2001 – 2003. Mr. Javed Akhtar holds a Bachelors Degree from the University of Karachi.



Asad Muhammad Iqbal
 Director

Mr. Asad holds a Bachelor Degree in Computer Science from Carnegie Mellon University, USA. He has diversified experience in equities, asset management and software development. He served as Vice President, Equities Division at Goldman Sachs & Company, N.Y., USA. He has also remained a Director of the Karachi Stock Exchange. Presently, he is executing his duties as Chief Executive of Streetware Systems, a software development company engaged in developing solutions for the financial institutions.



A Word From Managing Director

Notwithstanding overall challenging economic conditions globally as well as domestically, the overall performance of our Bank has been extremely outstanding. It will be not an exaggeration to claim that our Bank is writing new history by outperforming all of our own past benchmarks.

For this we feel humbled in gratitude to Almighty Allah SWT for his blessings and for giving us courage to serve the country by adding yet another story of success of our nation, despite daunting odds. Hence creating another ripple of hope that our country needs at this point of time to bounce back.

All this was made possible with the support and untiring efforts of each and every member of our Bank's team. Here I wish to extend my fullest appreciation to the entire team of our Bank, be it the people working in our Head Office or in the branches, for their devotion and commitment that has enabled us to continue with the momentum of moving forward with success and to set new

landmarks of achievements.

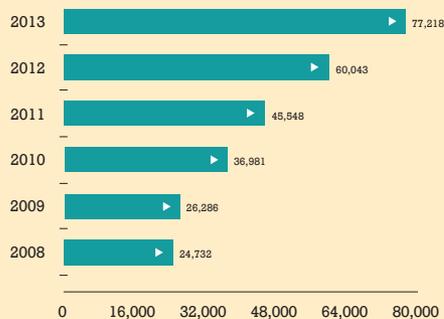
It is with this mood of euphoria that we successfully continued to move ahead with breathtaking pace during the outgoing year of 2013. Our presence at the national level has gone further higher with our continued branch network expansion. By adding 23 new branches last year, we braced new milestones for our Bank by increasing the total number of our branch network to 100 nationwide. Further, compliance with the SBP Minimum Capital Requirement for the year 2013 has also made us prominent in the banking fraternity whereby our paid-up capital stands at Rs. 10 billion.

Not to forget here that all this was made possible with the continued and conducive policies of the State Bank of Pakistan, which was a big help for us. Above all, we are indebted to the Provincial Government for providing us all kind of necessary space in continuation of our journey, aiming to rise to newer heights of glory.

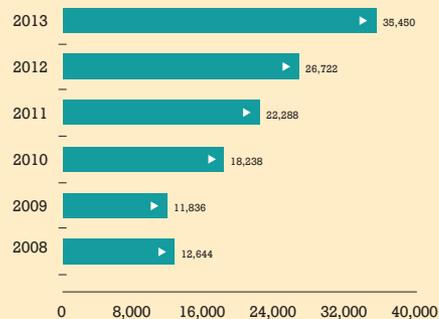
Six Year Financial Highlights

	2013	(Rs. in Million)				
		2012	2011	2010	2009	2008
DEPOSIT	77,218	60,043	45,548	36,981	26,286	24,732
ADVANCES (NET)	35,450	26,722	22,288	18,238	11,836	12,644
INVESTMENTS	53,363	45,672	36,685	19,853	17,926	8,985
TOTAL ASSETS	108,170	82,178	68,424	50,794	38,811	31,339
CAPITAL AND RESERVES	11,913	10,776	9,700	5,604	5,041	5,678
PROFIT/(LOSS) BEFORE TAX	1,669	1,572	1,285	713	(799)	206
PROFIT/(LOSS) AFTER TAX	1,154	1,078	872	563	(637)	137
RETURN ON EQUITY	10%	10%	9%	10%	-12%	2.4%

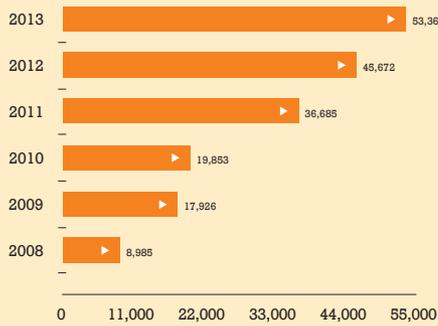
DEPOSITS



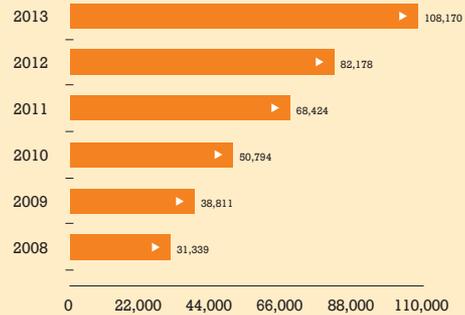
ADVANCES (NET)



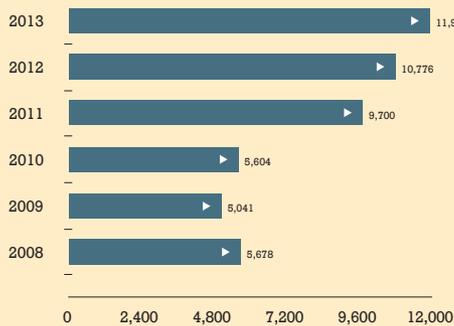
INVESTMENTS



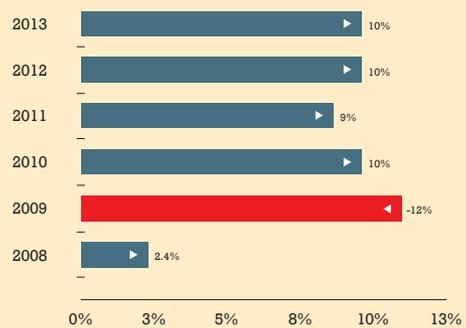
TOTAL ASSETS



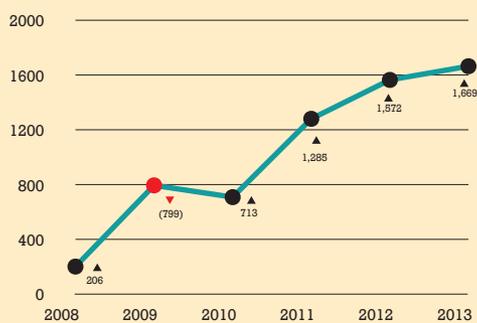
CAPITAL AND RESERVES



RETURN ON EQUITY



PROFIT/(LOSS) BEFORE TAX



PROFIT/(LOSS) AFTER TAX



Notice of 23rd Annual General Meeting



Notice is hereby given that the Twenty Third Annual General Meeting of the Shareholders of The Bank of Khyber will be held on Friday, March 28, 2014 at 10:00 a.m. at Head Office, 24 - The Mall, Peshawar Cantt. to transact the following business:

> Ordinary Business

- 1 To confirm the minutes of the Annual General Meeting held on March 29, 2013.
- 2 To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2013, together with the Directors' and Auditors' Reports thereon.
- 3 To appoint auditors for the year ending December 31, 2014 and fix their remuneration. Bank's auditors Messrs. Deloitte M. Yousuf Adil Saleem & Company, Chartered Accountants have completed their term of five years and are not eligible for reappointment. The Board of Directors on the recommendation of Board Audit Committee has proposed the name of Messrs. Anjum Asim Shahid Rehman (Grant Thornton), Chartered Accountants for appointment as auditors for the year ending December 31, 2014.

> Special Business

- 4 To approve increase in Bank's Authorized Capital from Rs.10 Billion (divided into 1 Billion Ordinary Shares of Rs.10/- each) to Rs.15 Billion (divided into 1 Billion Five Hundred Million Ordinary Shares of Rs.10/- each) by passing the following resolution:

Resolved

"That in terms of Section 5(4) of the Bank of Khyber Act, 1991, the increase in Bank's Authorized Capital from Rs.10 Billion (divided into 1 Billion Ordinary Shares of Rs.10/- each) to Rs.15 Billion (divided into 1 Billion Five Hundred Million Ordinary Shares of Rs.10/- each) is approved."

> Other Business

- 5 Any other business with the permission of the Chair.

By Order of the Board

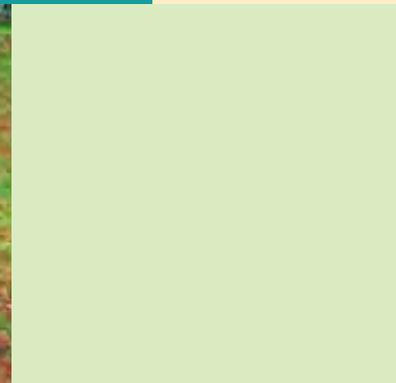
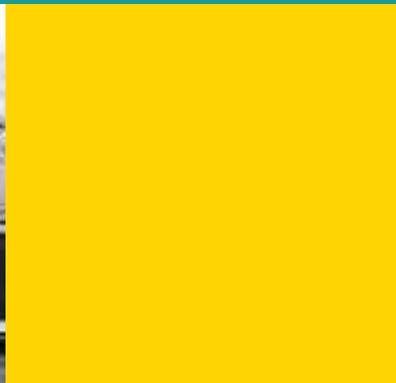
Zahid Sahibzada
Company Secretary

Peshawar: March 07, 2014

> Notes:

- i Share Transfer Books of the Bank will remain closed from Saturday, March 22, 2014 to Friday, March 28, 2014 (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 CNIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he/she should bring the usual documents required for such purpose.
- vii Shareholders are requested to notify immediately for any change in their addresses.
- viii Form of Proxy, if required, should be signed on Rs.5/- Revenue Stamp.

Financial Spectrum



The Bank of Khyber feels proud in extending financial services in a broad spectrum of our economy. Be it industry, housing, agriculture, automobile, construction, education, health-care or

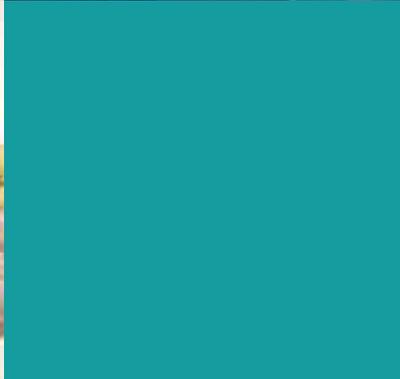
pharmaceuticals, our Bank remains in the forefront and plays an active role in the nation's economy. We hope to further enhance our role in every sphere of economic activity aimed at facilitating our people.



- Acrylic Fabrics
- Agriculture, Forestry, Hunting & Fishing
- Automobile & transportation equipment
- Cement
- Chemical & Pharmaceuticals
- Contractors / Construction
- CNG Stations
- Education & Health
- Financial
- Fisheries

- Food and Beverages
- Ghee / Cooking Oil
- Individuals
- Manufacturing
- Petrochemicals
- Services
- Sugar
- Textile
- Trading
- Commodity Operations
- Others





Directors' Report

Directors' Report to the Shareholders

On behalf of the Board of Directors, I am pleased to present the 23rd Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the financial year ended December 31, 2013.

I am also delighted to share with you that by the grace of Almighty Allah SWT, our Bank has achieved the historic landmarks of 100 fully functional branches in the country along with compliance with the State Bank of Pakistan Minimum Capital Requirement for the year 2013 whereby the paid-up capital of the Bank stands at Rs.10 billion.

Financial Highlights

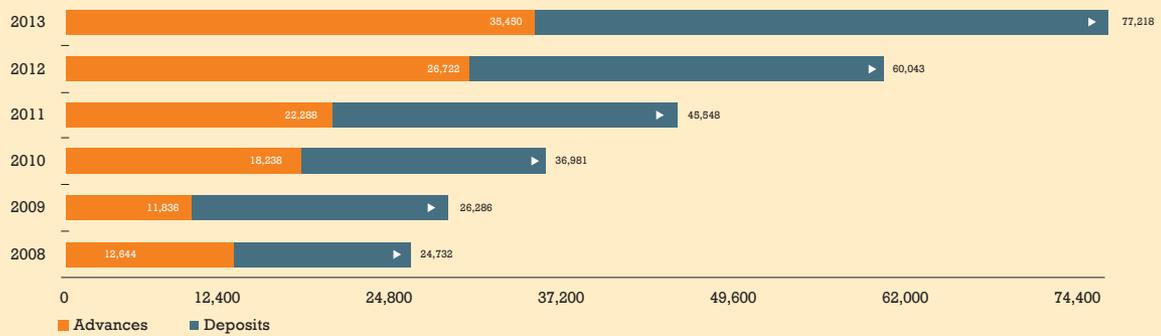
The operating results and appropriations, as recommended by the Board, are placed as under:

	RS. IN MILLIONS
Operating Profit	1,756
Provision against non-performing advances, investments & others	(87)
Profit before taxation	1,669
Taxation	515
Profit after tax	1,154
Total Assets	108,170
Advances (Gross)	38,339
Investments (Net)	53,363
Deposits	77,218





ADVANCES & DEPOSITS



Directors' Report

Economic Overview

In the year under review, global economic recovery remains weak and continues to face uncertainty due to slowing growth in emerging economies, persistent fiscal issues in the US and financial imbalances in the euro area. This has diminished the prospects of any positive impact on global economic growth. This is reflected in downward revision of global economic growth estimates by the IMF in October 2013.

While economic activity remained subdued for yet another year in Pakistan, headline inflation fell to single-digits for the first time since FY07. Soft global commodity prices and a relatively stable exchange rate allowed the average inflation rate to fall to 7.4 percent in FY13 (from 11.0 percent in FY12). Robust growth in construction activity and capacity enhancement in a few sub-sectors, supported the industrial sector during FY13, but this growth was slightly below target. Global prices helped contain Pakistan's import bill, and there was some improvement in exports. Furthermore, higher than anticipated Coalition Support Fund (CSF) inflows, and modest growth in worker

remittances, reduced the current account deficit to 1.0 percent of GDP in FY13, from 2.4 percent in the previous year.

The SBP increased the policy rate by 50 basis points each in September and November 2013 mainly on account of two concerns. One was the continued deterioration in the balance of payments position while the other was worsening of inflation outlook. Nevertheless, due to earlier reductions in the policy rate and settlement of energy sector circular debt, credit to private businesses and economic activity has shown early signs of recovery. Similarly, fiscal consolidation efforts have been initiated, which are expected to gradually alleviate pressure on monetary aggregates.

Despite these favorable developments, growing security concerns and persistent structural weaknesses continue to hamper economic growth. While CSF is essentially a reimbursement for services provided in the war on terror however, the actual economic cost of this war on Pakistan is significantly higher than CSF inflows. In addition to the loss of human lives, this war has further deteriorated law &

order in the country, which in turn has adversely impacted the investment climate; caused production losses due to frequent interruption in economic activities; diverted resources to enhance security; encouraged manpower and some businesses to migrate out of the country; and adversely impacted revenue collection by the fiscal authorities.

At the same time, challenges in managing public sector enterprises; the need to expand the tax net to untaxed or under-taxed areas; to contain untargeted subsidies; to tackle theft and leakages in the energy sector; to revitalize the private sector; and to increase documentation, were largely unaddressed during FY13. As a result, the country's fiscal performance did not improve during the year.

However, on the other side Pakistan's equity market (KSE) remained the 10th best stock market in 2013 with its benchmark index posting an annual return of 49.4%.

*Source: SBP Monetary Policy Statement Jan. 2014
SBP Annual Report FY13*





Performance Review

Despite numerous challenges both on economic as well as political fronts, year 2013 was a significant year for the Bank.

During 2013, the Bank closed its full year profit before tax at Rs. 1,669 million against Rs. 1,572 million in 2012, a growth of 6%. Profit after tax for the same year grew by 7% to reach at Rs. 1,154 million over Rs. 1,078 million in the corresponding year that translates into earnings per share of Rs. 1.15 against Rs. 1.08

in 2012. This was achieved while growing the balance sheet size, managing cost of deposits, improving operational efficiencies and without compromising on asset quality. ROA and ROE almost remained at the same level of last year and stood at 1.07% and 9.69%, respectively.

The Bank ended the year 2013 with widened asset base, improved equity and profitability, stronger capital base and

sustained returns. The total asset base of the Bank grew up to Rs. 108,170 million from Rs. 82,178 million registering a momentous growth of 32% whereas the shareholders' equity showed an increase of 11% over 2012 and stood at Rs. 11,913 million.

On the liability side, the deposit base of the Bank witnessed consistent growth throughout the financial year 2013 and was reported at Rs. 77,218 million

Directors' Report



showing healthy increase of 29% over the year 2012. The gross advances of the Bank also showed increase of 29% and stood at Rs.38,339 million from Rs.29,738 million of the year 2012. An increase of 17% has been witnessed in the size of investments which showed an amount of Rs.53,363 million as compared to Rs.45,672 million of the last year.

The net markup based income grew by 18% from Rs.2,594 million in 2012 to Rs.3,071 million for the year 2013. The Administrative Expenses increased by 19% to Rs.1,970 million in 2013 as compared to Rs.1,655 million in 2012. The rise in expenses is primarily due to

staff expenses, rent and costs associated with branch expansion - an investment which has borne fruit for the Bank, as evident from strong growth in deposits and profits over the years.

The Bank is fully aware that the outreach of its branch network has direct implications on the services that it provides to its valued customers. During the year, your bank opened 23 new branches in pivotal locations of the country wherein 14 branches were conventional and 9 branches were Islamic. At the end of the year, the Bank achieved the historic landmark of 100 fully functional branches in the country. Among these, 56 branches are working on

the Conventional side whereas 44 branches are functioning as dedicated Islamic Banking Branches. Further, 2 sub branches and 2 booths are also providing basic banking facilities to the customers. Through this network, the Bank is able to offer wide range of products and services to the valuable customers.

Having another feather in the cap, your Bank has achieved the milestone of being MCR compliant Bank with a paid-up capital of Rs.10 billion. The Bank of Khyber issued Bonus Shares of Rs.1 billion during the year 2013 to its existing shareholders which enhanced the paid-up capital to the desired level of Rs.10 billion.



Future Outlook

Going towards 2014, there are considerable economic, political and social challenges surrounding Pakistan. The external account pressures, high ratio of unemployment and illiteracy, severe energy crisis, worsening law and order situation had an extremely adverse impact on short term growth prospects, revival of the business environment in particular and overall economy in general. However, positive economic factors like continuous rise in foreign remittances, reduction in Consumer Price Inflation (CPI) and thriving agrarian economy,

signify that there is no doubt that Pakistan has tremendous economic potential and its economy can turn around quickly in the future.

Tough economic decisions would be required in order to put the economy on the growing path so as to generate employment, corrects the structural imbalances and improves the macroeconomic indicators. Most important for the breakout is to fundamentally improve the country's fiscal deficit and to broaden the tax base to raise one of the lowest tax participation rates in the region,

promote equity, and provide the revenues needed to fund necessary government functions. Given the challenges on hand, 2014 is expected to be yet another difficult year.

Considering the overall macroeconomic and geo-political outlook, significant pressure is expected on banking sector margins in the wake of low benchmark rates and limited financing opportunities. Accordingly, our Bank intends to focus on building and maintaining quality advances portfolio and to enhance its focus on customer

Directors' Report

service quality and major cost rationalization initiatives through continuous improvement in automation and product innovations. Efforts are also underway to target new market segments and to improve efficiency and productivity in Bank's overall performance.

Keeping the pace of moving forward, the State Bank of Pakistan has approved Bank's expansion plan and allowed 16 new branches to be opened in the country in the year 2014.

In order to play its due role under the corporate social responsibility,

the Bank has provided services to the Provincial Government to successfully launch Khud Kafalat Scheme in Khyber Pakhtunkhwa so as to enable the people to start new or enhance their already established businesses by availing interest free small loans.





Risk Management Framework

The Bank manages risk through a framework of sound risk management principles which include an optimum organizational structure, risk review procedures and monitoring process. The Risk Management Division (RMD) is mandated to implement this framework as a function independent of commercial lines of business, working under the guidance of Board's Risk Management Committee. In addition, a Management Risk Management Committee comprising members of senior management deliberates on major risk issues and also recommends risk policies prepared by the RMD

to the Board Risk Management Committee and Full Board for approval.

During 2013, the major achievement of the Bank in the area of Risk management includes successful revision and updation of credit risk score cards for its consumer portfolio. The Bank has also developed a scoring card for its agriculture portfolio. All these score cards are developed under the norms of best industry practice and regulatory guidelines. The Bank has also revised its ICAAP (Internal Capital Adequacy Assessment Process) in line with SBP instructions issued in the year 2013. The Bank has also

successfully met the Capital Adequacy Ratio (CAR) requirements as per newly introduced Basel III Guidelines. In addition, the Bank has also started working on Probability of Default (PD) modeling for its SME portfolio so as to move towards advance approaches of Basel II.

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

Directors' Report



Internal Control

The Board is pleased to endorse the statement made by management relating to internal controls.

The Management's

Statement on Internal Controls is included in the Annual Report.

Statement under Section XVI of the Code of Corporate Governance

The Bank's Board of Directors and the management are fully mindful of their responsibility under the Code of Corporate Governance. The following statements are a manifestation of their commitment towards high standards of Corporate Governance and continuous organizational

improvement:

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 and accounting estimates are based on reasonable and prudent judgment except as disclosed.
4. International Financial Reporting Standards as applicable

in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.

5. The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An

Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and

monitored throughout the year to indicate and evaluate the variances from the budget.

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 other than those pointed out in the Statement of Compliance.

Board Meetings

The Board of Directors of the Bank met on 7 occasions in the year under review and its meetings were attended by Directors as under:

Meetings Attended:	
Mr. Attaullah Khan, Chairman *	4
Mr. Khalid Pervez, Chairman *	3
Mr. Bilal Mustafa, Managing Director **	3
Mr. Imran Samad **	1
Sahibzada Saeed Ahmad ***	6
Syed Said Badshah Bukhari ***	1
Mir Javed Hashmat ****	5
Mr. Maqsood Ismail Ahmad	3
Mr. Sajjad Ahmad	7
Mr. Asad Muhammad Iqbal	5
Mr. Javed Akhtar	2
Dr. Ihsanul Haq *****	0

* Mr. Attaullah Khan was replaced by Mr. Khalid Pervez as Chairman

** Mr. Imran Samad took the charge of Acting Managing Director on completion of tenure of Mr. Bilal Mustafa

*** Sahibzada Saeed Ahmad was replaced by Syed Said Badshah Bukhari as Director

**** Mir Javed Hashmat resigned on 13.08.2013

***** Dr. Ihsanul Haq joined the Board on 19.12.2013. No meetings were held from the date of his joining till end of the year.

Directors' Report

Dividend

The Bank has issued Bonus Shares (B-8) at the rate of 11.12% to the shareholders of the Bank during

the year 2013. This has increased the Bank's paid-up capital to Rs.10 billion hence complied with the

Minimum Capital Requirement of the SBP for the year 2013.

Credit Rating

To provide maximum information about the entity to the stakeholders for arriving at a calculated decision for investment and to encourage healthy competition with an emphasis to improve the financial matters of the entities, the State Bank of Pakistan required that all banks/DFIs should get themselves credit rated with effect from June 30, 2001.

Credit rating is an independent view of the professional bodies i.e. credit rating agencies that states about the capacity of an entity to meet its obligations and is based on various quantitative and qualitative aspects. The Bank of Khyber has been rated by two different credit rating companies.

According to JCR-VIS Credit Rating Company Ltd. (JCR-VIS), the medium to long term entity rating of the Bank has been maintained at "A" (Single A) whereas the short term rating has

been upgraded from "A2" (A Two) to "A1" (A One). Outlook on the assigned rating is "Stable".

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the long term entity rating of the Bank from "A-" (A Minus) to "A" (Single A). The short term entity rating has also been upgraded from "A2" (A Two) to "A1" (A One). Rating outlook is "Stable".

The ratings denote low expectation of credit risk emanating from strong capacity for timely payment of financial commitments.

According to the rating scales used by the above two companies and circulated by the State Bank of Pakistan, the Bank's ratings means:

JCR-VIS (Medium to Long term)

A+, A, A- : Good credit quality. Protection factors are adequate. Risk factors may vary with the

possible changes in the economy.

JCR-VIS (Short Term)

A-1 : High certainty of payment. Liquidity factors are excellent and supported by good fundamental protection factors. Risk factors are minor.

PACRA (Long Term)

A - High Credit Quality

'A' ratings denote a low expectation of credit risk. This capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

PACRA (Short Term)

A1 : Obligations supported by a strong capacity for timely repayment.

Value of Investments in Employees Retirement Benefit Funds

Book Value of Investments of Provident and Gratuity Funds as per un-audited accounts of these funds for the year ended December 31, 2013 are Rs.714.60 million and Rs.343.95 million respectively.



Pattern of Shareholding

The pattern and category of shareholding as at December 31, 2013 is annexed with the report.

Six Years Operating & Financial Data

The necessary information is presented in the report.

Earnings Per Share

Earnings per share for the year 2013 is Rs.1.15.

Auditors

The present auditors Messrs. Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountants have completed their term of five years in pursuance of the Code of Corporate Governance and hence declared retired.

The Board of Directors on the recommendation of the Audit Committee has recommended Messrs. Anjum Asim Shahid Rehman (Grant Thornton), Chartered Accountants, as statutory auditors for the next

term; i.e. for the year ending December 31, 2014 in place of retiring auditors Messrs. Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountants.

Directors' Report



Events after the Balance Sheet date

There have not been any material events that occurred subsequent to the date of the

Balance Sheet that require adjustments to the enclosed financial statements, except

those which have already been made or disclosed.

Acknowledgement

On behalf of the Board, I would like to thank the State Bank of Pakistan, Finance Department - Government of Khyber Pakhtunkhwa and other regulatory authorities for their continuous support and guidance. We would

also like to thank our valued customers for their continued patronage. Most importantly, we would like to express our gratitude to our shareholders for their guidance and oversight. Finally, we would like to

acknowledge the dedication and hard work of our employees across the Bank, who continue to contribute to the organization and hence enable us to perform consistently in a challenging business environment.

March 04, 2014

On behalf of the Board of Directors


Imran Samad
Managing Director (Acting)

Team Management



Muhammad Tariq Nasim
Group Head (Acting)
Human Resource Development



Shabeer Ahmad Sheikh
Group Head - Operations



M. Yaseen Chaudhary
Group Head
Special Assets Management



Masood A.S. Wahedna
Group Head
Treasury & Investment



Rahat Gul
Chief Financial Officer



Hermond Javed Bhatti
Head Internal Audit



Hassan Afzal Tauni
Head Credit Administration



Lal Nawaz Khattak
Head Business Development
(Conventional)



Saeed Iqbal Khattak
Chief Compliance Officer



M. Naveed Qureshi
Head Business
Development (Islamic)



Muhammad Asad
Head Operations &
Compliance (Islamic)



Sher Mohammad Mohmand
Head of Risk Management Division

Picture Gallery





Statement of Compliance

with the Code of Corporate Governance for the year ended December 31, 2013

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

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

1. The Bank encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

Category	Names
Non-Executive Directors	Mr. Khalid Pervez (Chairman) Syed Said Badshah Bukhari Mr. Maqsood Ismail Ahmad Mr. Sajjad Ahmad Dr. Ihsanul Haq
Executive Directors	Mr. Imran Samad (Managing Director-Acting)
Independent Directors	Mr. Asad Muhammad Iqbal Mr. Javed Akhtar

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange(s), has been declared as a defaulter by that stock exchange(s).
4. No casual vacancy occurred on the Board during the year. However, three directors namely Mr. Attaullah Khan (Chairman), Sahibzada Saeed Ahmad and Mir Javed Hashmat were replaced by Mr. Khalid Pervez (Chairman), Syed Said Badshah Bukhari and Dr. Ihsanul Haq by the Government of Khyber Pakhtunkhwa. Further, during the year, term of Managing Director Mr. Bilal Mustafa was completed and currently Mr. Imran Samad is the Acting Managing Director..

5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board of the Bank has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
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 Khyber Pakhtunkhwa.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. A total of seven meetings were held during the year. Every endeavour is made to circulate written notices of the Board meetings, along with agenda and working papers, at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors have familiarized themselves with their responsibilities under the Code. The Code requires that every year a minimum of one director on the Board shall acquire the certification under directors' training program. During the year, Mr. Asad Muhammad Iqbal has attended directors' training courses and the certification is pending. Mr. Maqsood Ismail Ahmad is exempt from directors' training program based on his education and experience however, none of the other directors have completed the above mentioned certification requirement during the year. The Bank will endeavour to arrange directors' training program and orientation course next year for their Directors to acquaint them with the Code, applicable laws and their duties and responsibilities.
10. The Board approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. No new appointment has been made in the financial year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Managing Director (Acting) and CFO before approval of the Board.

Statement of Compliance

with the Code of Corporate Governance for the year ended December 31, 2013

13. The Directors, the Managing Director (Acting) and executives 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 corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, of whom two are non-executive Directors and two of the members including the Chairman are independent directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the Code. A total of six meetings of the Audit Committee were held during the year. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of five members. Two of whom are non-executive directors including the Chairman of the committee and two members are independent directors. The fifth member is the Managing Director (Acting).
18. The Board has set up an Internal Audit function. The staff in Internal Audit function has the experience for the purpose and are conversant with the policies and procedures of the Bank. Currently, the Head of Internal Audit does not meet the qualification requirements as described in the Code.
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 (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
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 auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and the Karachi Stock Exchange.

22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the Code have been complied with.

March 04, 2014

On behalf of the Board of Directors

A handwritten signature in black ink, appearing to read 'Imran Samad', written in a cursive style.

Imran Samad
Managing Director (Acting)



M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
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REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of The Bank of Khyber (the Bank) for the year ended December 31, 2013 to comply with the Regulation G - 1 of the Prudential Regulations for Corporate / Commercial Banking issued by the State Bank of Pakistan and Listing Regulation No. 35 of the Karachi Stock Exchange Limited, where the Bank is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Code.

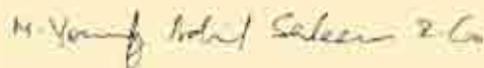
As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control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

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2013.

Further, we have highlighted below instances of non-compliance with the requirements of the Code as reflected in the paragraph references where these are stated in the enclosed Statement of Compliance:

Paragraph reference	Description
i. 9	Non-compliance regarding requirements in respect of directors' training program introduced by the revised Code of Corporate Governance 2012; and
ii. 18	Non-compliance regarding the qualification requirements in respect of the Head of Internal Audit introduced by the revised Code of Corporate Governance 2012.



Chartered Accountants
Karachi
March 4, 2014

Statement of Internal Control

Our Internal Control System comprises of control environment and control procedures. The management assumes the responsibility of establishing and maintaining adequate internal controls and procedures under the policies approved by the Board. The Bank has documented procedures and manuals, which incorporate the internal controls applicable while conducting any banking transactions. The system of internal control is designed to minimize the risk of failure to achieve the organization's aims and objectives. The management is also responsible for evaluating the effectiveness of the bank's internal control system that covers material matters by reviewing control objective, significant policies and procedures. The system of internal control being followed by the Bank is considered adequate in design and is being effectively implemented and monitored. These procedures are revised and updated as and when required and all the updations are appropriately approved by the competent authorities. Due attention is also being given to formalizing systems and enhancing the competence and knowledge of the staff.

The Internal Audit Division (IAD) of the Bank reviews the adequacy and implementation of internal controls on a regular basis and deficiencies if any are followed up until they are rectified. 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 misstatements in financial statement or prevention of business loss. BOK is duly observing compliance with the requirements and timelines of Staged roadmap for implementation of the State Bank of Pakistan (SBP) Internal Control Guidelines.

The Bank has adopted internationally accepted COSO Internal Control - Integrated Framework for overall set of Internal Controls for ensuring compliance with SBP Guidelines. The external auditors have submitted the "Long-Form Review Report" as of September 30, 2012 on January 23, 2013 which was later on submitted to SBP. The next due date for the "Long-Form Review Report" is June 30, 2014 which would be shared accordingly with SBP.

On behalf of the Board of Directors



Imran Samad
Managing Director (Acting)

March 4, 2014

Shariah Advisor Report

Alhamdulillah, all praises and thanks to Allah (SWT).

It gives me immense pleasure to comment on the performance of the Islamic Banking of Bank of Khyber (BOK) for the year ended December 31, 2013. This year marks the achievement of a number of significant milestones in the history of BOK that is a testimony of blessings of Allah (SWT).

Review of Assets

Total financing portfolio of Islamic Banking Group (IBG) of BOK reached Rs. 4.996 billion as of December 31, 2013. All transactions were executed using Shariah-compliant financing agreements. Islamic Banking Group provides financing through the following products:

- | | |
|--|------------------------|
| 1. Ijarah | 2. Murabaha |
| 3. Diminishing Musharakah | 4. Musharakah |
| 5. Mudarabah | 6. Istisna |
| 7. Collection of bills under Wakala | 8. Share Purchase |
| 9. Import & Export finance under Islamic Banking | 10. Export Refinancing |

Review of Liabilities

On the liability side, Islamic banking of BOK offered different Shariah-compliant deposit products based on the mode of 'Musharakah' and 'Qard'. Total deposits of the Islamic Banking Group reached a sum of Rs. 16.64 billion as at December 31, 2013. During the year, IBG accepted deposits on the mode of Musharakah/Wakala for short-term liquidity management from inter-bank market and corporate clients. It is heartening to observe that the improved profit payment mechanism for Certificates of Islamic Investments and other Term Deposits has been successfully implemented as directed by the Shariah Supervisory Committee of the Bank.

Throughout the year, the process of allocation of assets to various deposit pools, announcement of weightages (profit sharing ratios) for Musharakah based deposits and distribution of income to deposit accounts was monitored and reviewed in accordance with Shariah rules and principles. Presently IBG is offering the following types of deposit accounts:

1. Current Accounts
2. Interest Free PLS Saving Accounts
3. Riba Free Certificates
4. Call Deposits
5. Riba Free Special Deposit Pool Deposits/Certificate
6. Riba Free Special Deposit Poll for Banks
7. Riba Free Special Deposit Poll for Mutual Funds

Islamic Banking Group continued with its aggressive branch expansion plan during 2013 and expanded to 44 Islamic banking branches in over 30 cities of the country. This has further strengthened Islamic banking group's ability to create awareness and deliver Islamic banking products and services throughout the country. IBG also continued its support for development of Islamic banking to institutions including State Bank, National Institute of Banking and Finance (NIBAF), Chamber of Commerce, International Islamic University, Islamabad, Sheikh Zayed Islamic Center, Peshawar, City University Peshawar, Iqra University, Peshawar, Al-Huda Center of Islamic Banking & Finance and Institute of Management Sciences, Peshawar.

Main attraction for the establishment of an Islamic Bank is to safeguard the Muslims from indulging into non Shariah Complaint transactions in their financial affairs. Therefore, Islamic banking and adherence to the Shariah rules go hand in hand. IBG of BOK ensures strict devotion to Shariah through following proper check and balance mechanism:

Shariah Supervisory Committee and Shariah Advisor

The bank has a full time Shariah Advisor and Shariah Supervisory Committee (SSC) comprising of well known scholars to examine and approve all agreements policies and other relevant documents of all types, related to services offered by Islamic Banking Group of BOK. The Shariah Supervisory Committee of The Bank of Khyber Comprises of following Scholars.

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

Shariah Compliance and Shariah Audit

Shariah compliance has always been the strength of IBG of BOK where no compromise is made on Shariah principles. Shariah compliance mechanism at IBG operates at different levels ranging from customer visits, designing of specific process flows for financing products, random transaction reviews for formal Shariah Audit. Shariah Compliance and Shariah Audit work in close liaison with Shariah Advisor, Internal Audit and Compliance dept of the bank to ensure Shariah compliance through multiple cross functional checks.

In the year 2013 the Shariah Audit Unit has conducted Shariah Audit of all Islamic banking branches and submitted their detail branch-wise report to Shariah Department for advising appropriate action. Based on the Shariah Advisor comments, Shariah Compliance Unit has taken corrective measures and where deemed necessary, income is classified as charity.

Apart from above, as Shariah Advisor, I have reviewed policies and operations of Islamic banking group and Islamic banking branches during the year 2013 to firm up an opinion as to whether they have complied with the Shariah rules & principles and also with the specific Fatwas issued by SSC/Shariah Advisor along-with instructions and guidelines issued by SBP from time to time. Keeping in view the above scenario, I am of the opinion that;

1. The business affairs of IBG (BOK) have been generally carried out in accordance with the rules and principles of Shariah. The products, polices, agreements and all operations conducted by the Islamic banking Group during the year ended 2013 are in compliance with Shariah guidelines given by the SSC and SBP.
2. Profit Distribution Mechanism and allocation of funds, expenses, weightages and other affairs of the bank conform to the basis vetted by SSC in accordance with Islamic rules and principles.
3. All sources of income of the bank are Shariah compliant and any earning which has been realized from sources not Compliant with Shariah Guidelines, Islamic rules and principles have been transferred to the Charity Account and distributed as per approved guidelines of SBP/SSC. It is worth mentioning here that other than above a few mistakes in documentation had also been pointed out by the Shariah Audit Unit which did not render the income to be non Shariah compliant were addressed as per instructions issued by the Shariah Department.
4. An amount of Rs. 4.29 million was transferred to the Charity Payable Account and an amount of Rs. 3.429 million was disbursed from the account after approval of the Shariah Advisor.

Shariah Advisor Report

In the end it is stated that it is the responsibility of management to inculcate Shariah compliance culture within the organization and should regularly remind the frontline staff about the importance of Shariah and its impact on the Islamic Banking spirit if Shariah principles and practices are not observed, and to always place Shariah as the utmost requirement in the formulation of all procedures and activities of Islamic banking.

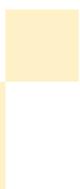
Recommendations

Based on the observations pointed out by Shariah Audit Unit, my visits to the branches and feedback from several areas to inculcate Shariah compliance culture within the organization, I recommend the following:

1. Knowledge deficiency is found as the main cause behind mistakes. Adequate Training on Islamic Banking has not been imparted to the staff during the year. Specially designed training covering various areas of Islamic banking should be arranged on Regular basis to improve the knowledge and skills of the Islamic banking staff.
2. Due care should be given to the mindset, Islamic banking knowledge and commitment towards the cause of Islamic banking during the process of hiring of new staff for Islamic banking. Moreover, a proper testing system should also be introduced whereby every Islamic banking branch manager, operations Incharge, credit Incharge and Departmental head have to qualify to hold/maintain his position.
3. In the areas where IBBs have more female clients, separate Women Banking Counters should be established to facilitate female customers.
4. Additional checks and balances should be put in place to mitigate the risk of loss of income due to non Shariah compliance.
5. In order to have strong systems and controls for profit distribution and pool management, the Bank should accelerate the implementation process of IT-based pool management, asset allocation and profit distribution system.
6. The Bank needs to take immediate measures to improve the percentage of direct payments in Murabaha transactions.

May Allah bless us with the best Tawfeeq and keep us on the right way and forgive our mistakes. Ameen

Qazi Abdul Samad
Shariah Advisor


Deloitte.

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of The Bank of Khyber (the Bank) as at December 31, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 8 branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of 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 statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the change as disclosed in note 4.4 to the financial statements;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants

- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2013 and its true balance of the profit, its comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

M. Yousuf Adil Saleem & Co

Chartered Accountants
Engagement Partner:
Asad Ali Shah

Date: March 04, 2014
Place: Karachi

Financial Highlights

Statement of Financial Position	52
Profit and Loss Account	53
Statement of Comprehensive Income	54
Statement of Changes in Equity	55
Cash Flow Statement	56
Notes to the Financial Statements	57
Statement of Financial Position - Islamic Operations	123
Profit and Loss Account - Islamic Operations	124
Notes to the Annexure 'A'	125
Annexure 'B'	128
Annexure 'C'	130
Annexure 'D'	136
Pattern of Shareholding	139
Branch Network	141
Foreign Correspondent Banks	144
Form of Proxy	153

Statement of Financial Position

As at December 31, 2013

		2013	2012
	Note	(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks	7	4,068,676	3,108,819
Balances with other banks	8	3,813,251	1,649,512
Lendings to financial institutions	9	7,500,301	1,501,000
Investments	10	53,363,163	45,671,700
Advances	11	35,450,201	26,721,733
Operating fixed assets	12	1,604,464	1,359,149
Deferred tax assets	13	299,230	134,219
Other assets	14	2,070,880	2,031,506
		<u>108,170,168</u>	<u>82,177,638</u>
LIABILITIES			
Bills payable	15	521,038	558,026
Borrowings	16	15,157,773	7,420,113
Deposits and other accounts	17	77,217,733	60,043,083
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities	18	2,716,830	2,429,617
		<u>95,613,371</u>	<u>70,450,839</u>
NET ASSETS		<u>12,556,797</u>	<u>11,726,799</u>
REPRESENTED BY			
Share capital	19	10,000,000	9,001,433
Reserves		1,170,871	937,541
Unappropriated profit		741,920	836,654
		<u>11,912,791</u>	<u>10,775,628</u>
Surplus on revaluation of assets - net of tax	20	644,006	951,171
		<u>12,556,797</u>	<u>11,726,799</u>
CONTINGENCIES AND COMMITMENTS	21		

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



Managing Director



Director



Director



Director

Profit and Loss Account

For the year ended December 31, 2013

	Note	2013 (Rupees in '000)	2012 (Restated)
Mark-up / return / interest earned	23	7,406,787	7,204,937
Mark-up / return / interest expensed	23	4,335,682	4,611,172
Net mark-up / interest income		3,071,105	2,593,765
Provision against non-performing loans and advances - net	11.5	140,800	38,528
(Reversal) / provision for diminution in the value of investments - net	10.3	(58,419)	139,585
Bad debts written off directly		-	-
Net mark-up / interest income after provisions		82,381	178,113
		2,988,724	2,415,652
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		221,209	241,008
Dividend income		74,402	236,354
Income from dealing in foreign currencies		181,012	141,969
Gain on sale of securities - net	24	138,006	295,317
Unrealized (loss) / gain on revaluation of investments classified as held for trading - net	10.5	(10,248)	192
Other income	25	87,291	61,276
Total non-mark-up / interest income		691,672	976,115
		3,680,396	3,391,767
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	1,970,355	1,654,702
Other provisions / write offs	27	4,677	114,310
Other charges	28	36,134	50,679
Total non-mark-up / interest expenses		2,011,166	1,819,691
		1,669,230	1,572,076
Extra-ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,669,230	1,572,076
Taxation	29		
- Current		581,854	496,234
- Prior years		(62,043)	(7,772)
- Deferred		(4,610)	5,855
		515,201	494,317
PROFIT AFTER TAXATION		1,154,029	1,078,059
Unappropriated profit brought forward		836,854	749,925
Profit available for appropriation		1,990,883	1,827,984
Earnings per share - Basic and Diluted (in Rupees)	30	1.15	1.08

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

Managing Director

Director

Director

Director

Statement of Comprehensive Income

For the year ended December 31, 2013

		2013	2012
	Note	(Rupees in '000)	(Restated)
Profit after taxation		1,154,029	1,078,059
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Re-measurement of defined benefit plan - net of tax	33.7	(16,866)	(2,858)
Total comprehensive income for the year		<u>1,137,163</u>	<u>1,075,201</u>

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

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



Managing Director



Director



Director



Director

Statement of Changes in Equity

For the year ended December 31, 2013

	Share Capital	Statutory Reserve	Reserve for issue of bonus shares (Rupees in '000)	Unappropriated profit	Total
Balance as at January 01, 2012	8,228,001	722,501	-	749,925	8,700,427
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2012 - Restated (note 4.4)	-	-	-	1,078,059	1,078,059
Other comprehensive income - Restated	-	-	-	(2,858)	(2,858)
	-	-	-	1,075,201	1,075,201
Transfer to statutory reserve	-	218,040	-	(218,040)	-
Transactions with owners recorded directly in equity					
Issue of shares during the year	773,432	-	-	(773,432)	-
Balance as at December 31, 2012	9,001,433	937,541	-	836,654	10,775,628
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2013	-	-	-	1,154,029	1,154,029
Other comprehensive income	-	-	-	(16,866)	(16,866)
	-	-	-	1,137,163	1,137,163
Transfer to statutory reserve	-	230,806	-	(230,806)	-
Transactions with owners recorded directly in equity					
Issue of bonus shares during the year	998,567	-	-	(998,567)	-
Transfer to reserve for issue of bonus shares	-	-	2,524	(2,524)	-
Balance as at December 31, 2013	10,000,000	1,168,347	2,524	741,920	11,912,791

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



Managing Director



Director



Director



Director

Cash Flow Statement

For the year ended December 31, 2013

		2013	2012
			(Restated)
	Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		1,669,230	1,572,076
Less: Dividend income		74,402	236,364
		1,594,828	1,335,722
Adjustments for non-cash charges			
Depreciation		124,004	91,977
Amortization		4,494	4,587
Provision against non-performing loans and advances - net		140,600	38,528
(Reversal) of provision / provision for diminution in the value of investments - net		(58,419)	139,585
Unrealized loss / (gain) on revaluation of investments classified as held-for-trading - net		10,348	(192)
Other provisions / write offs		4,677	114,310
Gain on sale of operating fixed assets		(1,874)	(829)
		223,930	387,966
		1,818,758	1,723,688
(Increase) / decrease in operating assets:			
Lendings to financial institutions		(5,999,301)	185,266
Net investments in held-for-trading securities		(15,148,703)	792,323
Advances - net		(8,869,268)	(4,443,495)
Others assets (excluding advance taxation) - net		(194,051)	(379,599)
		(30,211,323)	(3,845,514)
Increase / (decrease) in operating liabilities:			
Bills payable		(36,991)	276,734
Borrowings		7,737,660	(2,971,619)
Deposits and other accounts		17,174,650	14,494,660
Other liabilities (excluding current taxation)		231,939	249,719
		25,107,258	13,048,494
		(3,285,307)	9,926,668
Income tax paid		(490,484)	(64,664)
Net cash flows from operating activities		(3,775,791)	9,862,004
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		6,276,467	(9,927,029)
Net investments in held-to-maturity securities		770,047	499,722
Dividend income received		74,402	236,364
Investments in operating fixed assets		(226,161)	(158,942)
Proceeds from sale of operating fixed assets		4,634	2,880
Net cash flows from investing activities		6,899,389	(9,434,015)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flows from financing activities		-	-
Increase in cash and cash equivalents		3,123,598	427,989
Cash and cash equivalents at beginning of the year		4,758,331	4,330,342
Cash and cash equivalents at end of the year	31	7,881,929	4,758,331

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



Managing Director



Director



Director



Director

Notes to the Financial Statements

For the year ended December 31, 2013

1. STATUS AND NATURE OF BUSINESS

- 1.1 The Bank of Khyber ("the Bank") was established under The Bank of Khyber Act, 1991 and is principally engaged in the business of commercial banking and related services. The Bank acquired the status of a scheduled bank in 1994 and 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 operates 100 branches including 44 Islamic banking branches (2012: 77 branches including 35 Islamic banking branches). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS are 'A' and 'A' respectively and the short-term credit ratings assigned are 'A1' and 'A1' respectively.

2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for Murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of markup thereon.
- 2.2 The financial results of the Islamic Banking Division have been included in these financial statements for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Division are disclosed in Annexure "A" to these financial statements.
- 2.3 These financial statements have been presented in Pakistani Rupee, which is the Bank's functional and presentation currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value, as disclosed in their respective notes.

4. STATEMENT OF COMPLIANCE

- 4.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by The Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the SECP and SBP shall prevail.

Notes to the Financial Statements

For the year ended December 31, 2013

4.2 The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to a notification of SECP dated April 28, 2006, IFRS 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars issued by the SBP.

4.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. Management believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

4.4 Adoption of amended standards

During the year, amendments to following standards and interpretation became effective, however, these amendments and the new interpretation are either not relevant to the Bank's operations or are not expected to have significant impact on the financial statements of the Bank:

- Amendments to IAS 1 – Presentations of Financial Statements – Clarification of Requirements for Comparative information
- Amendments to IAS 16 - Property, Plant and Equipment – Classification of servicing equipment
- Amendments to IAS 32 Financial Instruments: Presentation - Tax effects of distributions to holders of an equity instrument, and transaction costs of an equity transaction
- Amendments to IAS 34 - Interim Financial Reporting - Interim reporting of segment information for total assets and total liabilities
- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine

In addition to above, amendments to following standards are also effective from accounting period beginning on or after January 1, 2013 that have an impact on the Bank's financial statements for the year as discussed in the ensuing paragraphs. These changes are considered as change in accounting policy.

IAS 1 – Presentations of Financial Statements – Presentation of items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net

Notes to the Financial Statements

For the year ended December 31, 2013

gains on hedges of net investments, exchange differences on translation of foreign operations, net movements on cash flow hedges and net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans). Income tax on items of other comprehensive income is required to be allocated on the same basis, i.e., the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments require retrospective application. The Bank has modified the presentation of the item of OCI in its Statement of Comprehensive Income.

IAS 19 - Employee Benefits (as revised in 2011)

The amendments require actuarial gains and losses to be recognized immediately in other comprehensive income; to immediately recognize all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. This change has removed the corridor method and eliminated the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19.

As a result of adoption of this amendment, the Bank will recognize the actuarial gains and losses in other comprehensive income, which were previously being recognized in the profit and loss account.

Specific transitional provisions are applicable to first-time application of IAS 19. The Bank has applied the relevant transitional provisions and restated the comparatives on the retrospective basis in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. However, there is no impact on Bank's equity. The Bank has not presented third year balance sheet due to above changes as the impact on third year is immaterial. The effect of retrospective application of change in accounting policy is as follows:

	As per audited financial statements	Prior period effect	Restated amounts
	—————(Rupees in '000)—————		
Effect of change in accounting policy on financial statements for the year ended December 31, 2012			
Restatement in profit and loss account			
Administrative expenses	1,657,560	(3,858)	1,654,702
Profit after taxation	1,075,201	3,858	1,078,059
Impact of statement of comprehensive income			
Re-measurement of defined benefit plan - net of tax	-	(3,858)	(3,858)

4.5 Amendments to published standards and new interpretation to existing standard that are not yet effective and have not been early adopted by the Bank

The following amendments to published standards and new interpretation to existing standard are effective for annual periods, beginning on or after January 01, 2014-

Notes to the Financial Statements

For the year ended December 31, 2013

- IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities
- IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
- IFRIC 31 - Levies

The above mentioned amendments to published standards and new interpretation to existing standard are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than increase in disclosure in certain cases.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards, which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 9 - Financial Instruments
- IFRS 10 - Consolidated Financial Statements
- IFRS 11 - Joint Arrangements
- IFRS 12 - Disclosure of Interests in Other Entities
- IFRS 13 - Fair Value Measurement
- IAS 27 (Revised 2011) - Separate Financial Statements due to non-adoption of IFRS 10 and IFRS 11
- IAS 28 (Revised 2011) - Investments in Associates and Joint Ventures due to non- adoption of IFRS 10 and IFRS 11

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 accounting 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. 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 where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

Notes to the Financial Statements

For the year ended December 31, 2013

5.1 Classification of investments

In classifying investments the Bank follows the guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

5.2 Impairment of available-for-sale equity 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 management to exercise judgment. In making this judgment, the Bank evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

5.3 Provision against non-performing loans and advances and debt securities classified as investments

The Bank reviews its loan portfolio and debt securities classified as investments to assess the amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Bank follows the general provision requirement set out in Prudential Regulations.

5.4 Income taxes

While making the estimates for income taxes currently payable by the Bank, management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making provision for deferred taxes, estimates of the Bank's future taxable profits and expected reversal of deductible temporary differences are taken into account.

5.5 Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors". During the year, the Bank has changed its depreciation method from reducing balance method to straight line method as disclosed in note 12.3.1.

Foreign Correspondent Banks

		ZEALAND BANKING GROUP LTD.		VIETNAM	
S. No.	SWIFT CODE	BANK NAME	S. No.	SWIFT CODE	BANK NAME
2	HVBKUS3N	WOORI AMERICA BANK, NEW YORK	1	MHCBVNVX	MIZUHO CORPORATE BANK LTD
3	HVBKUS6L	WOORI BANK, LOS ANGELES	2	HVBKVNXX	WOORI BANK, HANOI
4	ANZBUS33	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD.	3	SHBKVNXX	SHINHAN BANK, HO CHI MINH BRANCH
5	BCTTUS33	INTESA SANPAOLO SPA (FORMERLY BANCA INTESA SPA NEW YORK)	4	ANZBVNVX	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
6	BETRUS33	DEUTSCHE BANK TRUST COMPANY AMERICAS			
7	ERBTUS33	ERANCH BANKING AND TRUST COMPANY			
8	CHASUS33	JPMORGAN CHASE BANK, N.A.			
9	COBAUS3X	COMMERZBANK AG			
10	DEUTUS33	DEUTSCHE BANK AG			
11	DNBAUS33	DNB NOR BANK ASA, NEW YORK BRANCH			
12	DOHBUS33	DOHA BANK			
13	FTBMUS44	FIRST TENNESSEE BANK N.A.			
14	HABBUS33	HABIB BANK LIMITED			
15	HANYUS33	HABIB AMERICAN BANK			
16	HVBKUS33	WOORI BANK, NEW YORK			
17	HVBKUS3N	WOORI AMERICA BANK, NEW YORK			
18	HVBKUS6L	WOORI BANK, LOS ANGELES			
19	IRVTUS3N	THE BANK OF NEW YORK MELLON			
20	MBHOUS4H	METROBANK N.A.			
21	MHCBUS33	MIZUHO CORPORATE BANK LTD, NEW YORK BRANCH			
22	MRMDUS33	HSBC BANK USA, N.A.			
23	MSHQUS33	MASHREQBANK PSC., NEW YORK BRANCH			
24	PNEPUS33	WELLS FARGO BANK, N.A.			
25	SSCLUS33	SCUDDER KEMPER INVESTMENTS, INC.			
26	TFNBUS4H	GOLDEN BANK, NATIONAL ASSOCIATION (FORMERLY TEXAS FIRST NATIONAL BANK)			
27	UNILUS33	UNITED BANK LTD.			
28	MANTUS33	M AND T BANK			
29	NBPAUS33	NATIONAL BANK OF PAKISTAN			
30	SHBKUS33	SHINHAN BANK			
31	SNCRUS44	STIFEL, NICOLAUS AND COMPANY, INCORPORATED			

VANUATU

S. No.	SWIFT CODE	BANK NAME
1	ANZBVUVX	ANZ BANK (VANUATU) LTD

Notes to the Financial Statements

For the year ended December 31, 2013

Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the current market conditions.

5.6 Defined benefit plan

The liability of the defined benefit plan (gratuity) is determined using actuarial advice using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets and future salary increases, which have been disclosed in note 33.9. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Changes in these assumptions in future years may affect the liability / asset under the plan in those years.

5.7 Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in-effect at the date of statement of financial position and the rates contracted.

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2012, except for the change in accounting policies as disclosed in note 4.4. These are enumerated as follows:

6.1 Cash and cash equivalents

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

6.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

a) Sale under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position and are measured in accordance with accounting policies for investment and counterparty liability 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 repo agreement.

b) Purchase under resale agreement

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the statement of financial position and instead amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is

Notes to the Financial Statements

For the year ended December 31, 2013

treated as mark-up/return/interest income and accrued over the term of the reverse repo agreement.

c) **Other lendings**

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Mark-up / interest income on such lendings is recorded on time proportion basis using effective interest rate method except mark-up on impaired/delinquent lendings, which are recognized on receipt basis.

d) **Other borrowings**

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

6.3 **Investments**

6.3.1 **Classification**

The Bank classifies its investments as follows:

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

6.3.2 **Regular way contracts**

All purchases and sales of investments that require delivery within the timeframe established by regulation or market convention are recognized at trade date, which is the date at which the Bank commits to purchase or sell the investments.

6.3.3 **Initial measurement**

Investments other than those categorized as "held-for-trading" are initially recognized at fair value, which includes transaction costs associated with investments. Investments classified as "held-for-trading" are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

Notes to the Financial Statements

For the year ended December 31, 2013

6.3.4 Subsequent measurement

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

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

6.3.5 Impairment

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account. Impairment is recognized when there is an objective evidence of significant or prolonged decline in the value of such securities. Provision for impairment against debt securities is made as per the aging criteria prescribed by the Prudential Regulations of SBP.

6.4 Advances

6.4.1 Conventional

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

6.4.2 Murabaha

Funds disbursed for purchase of goods are recorded as 'Advance for Murabaha'. On culmination of Murabaha, i.e., sale of goods to customers, Murabaha financings are recorded at the deferred sale price net of profit. 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.

Notes to the Financial Statements

For the year ended December 31, 2013

6.4.3 Ijarah financings

Ijarah financings executed on or before December 31, 2008 have been accounted for under Finance method, thereafter all Ijarah financings are accounted for under IFAS-3.

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

6.4.4 Diminishing Musharakah

Diminishing Musharaka represents an asset in joint ownership whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Bank). Profit on Diminishing Musharakah financings is recognized on accrual basis.

6.5 Inventories

The Bank values its inventories at the lower of cost and net realizable value. Cost of inventories represents the actual purchase made by the Bank / customers as an agent on behalf of the Bank for subsequent sale. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

6.6 Operating fixed assets and depreciation

6.6.1 Tangible fixed assets

Property and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of fixed assets. Land is carried at revalued amount.

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

Notes to the Financial Statements

For the year ended December 31, 2013

Depreciation on fixed assets is charged to income over the useful life of the asset on a systematic basis by using the straight line method at the rates stated in note 13.2. 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.

Surplus arising on revaluation of land is credited to the 'surplus on revaluation of fixed assets' account. Deficit (if any) arising on subsequent revaluation of fixed assets is adjusted against abovementioned surplus account as allowed under the provisions of the Companies Ordinance, 1964.

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

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

6.6.2 Intangible assets

Intangible assets having finite useful life are stated at cost less accumulated amortization and impairment losses, if any. Such Intangible assets are being amortized using the straight-line method over their useful lives as stated in note 13.3. Amortization is charged from the month of acquisition and up to the month of deletion. The useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Costs associated with maintaining computer software are recognized as an expense when incurred.

6.6.3 Capital-work-in progress

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

6.6.4 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.7 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

6.7.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for the current year also includes adjustments,

Notes to the Financial Statements

For the year ended December 31, 2013

where considered necessary relating to prior years, arising from assessments finalized during the year for such years.

6.7.2 Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the periods when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax, if any, on revaluation of fixed asset and investments is recognized as an adjustment to surplus / (deficit) arising on revaluation in accordance with the requirements of IAS-12 "Income Taxes".

6.8 Staff retirement benefits

6.8.1 Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees. Contributions are made to the fund by the Bank in accordance with the rules of the scheme. Employees are entitled to the benefits under the scheme which comprise of two last drawn basic salaries for each completed year of service. Contributions to the fund are made on the basis of actuarial recommendations. Actuarial valuation was carried out on December 31, 2013 using the Projected Unit Credit Method. Actuarial gains and losses, if any, arising during the year are recognized immediately in other comprehensive income.

6.8.2 Defined contribution plan

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

6.9 Financial instruments

6.9.1 Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.9.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract

Notes to the Financial Statements

For the year ended December 31, 2013

is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.10 Revenue recognition

6.10.1 Income on murabaha is accounted for on 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.

6.10.2 Return / mark-up on regular loans / advances (other than murabaha) and debt securities investments is recognized on time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

6.10.3 Interest / return / mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

6.10.4 For Ijarah contracts written up to December 31, 2008, the Bank follows finance method in recognizing income. Under this method the unearned finance income, i.e., the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility, is deferred and then 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 are recognized as income on receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the Mustajir.

6.10.5 Rentals on Ijarah contracts written subsequent to December 31, 2008 are recognized as income on accrual basis as and when the rentals become due. Income is recognized net of depreciation charged in the profit and loss account.

6.10.6 Dividend income is recognized when the Bank's right to receive the dividend is established.

6.10.7 Fee, commission, liquidated damages etc. are recorded on accrual basis when the service has been provided. Fees and commission which in substance amount to an additional interest charge, are recognized over the life of the underlying transaction on a level yield basis.

6.10.8 Gain / loss on sale of investments is credited / charged to profit and loss account.

6.11 Foreign currencies

a) Foreign currency transactions and balances

Transactions in foreign currencies are translated into Pakistani Rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing on the reporting date. Foreign bills purchased and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

b) Translation gains and losses

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

Notes to the Financial Statements

For the year ended December 31, 2013

c) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in the financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing on the reporting date.

6.12 Segment Reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented as per the guidance of SBP.

Business Segments

The Bank comprises of following main business segments:

a) Corporate finance

This includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts instruments, equity, syndication, IPO and secondary private placements.

b) Trading and sales

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

c) Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking services, and retail offered to its retail customers.

d) Commercial banking

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

Geographical segments

The Bank conducts all its operations in Pakistan.

6.13 Provisions

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

Notes to the Financial Statements

For the year ended December 31, 2013

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

6.14 Borrowings / deposits and their cost

- a) Borrowings / deposits are recorded at the proceeds received.
- b) Borrowings / deposits cost are recognized as expense in the period in which these are incurred using effective mark-up / interest rate method.

6.15 Off setting

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

6.16 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognized through profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognized to the extent they do not exceed the cumulative impairment losses previously recorded.

6.17 Earnings per share

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

6.18 Dividends and appropriations to reserves

Dividend and appropriation to reserves, except appropriations which are required under the law, after the reporting date, are recognized in the Bank's financial statements in the year in which these are approved.

6.19 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in statement of financial position.

Notes to the Financial Statements

For the year ended December 31, 2013

		2013	2012
		(Rupees in '000)	
7. CASH AND BALANCES WITH TREASURY BANKS	Note		
In hand:			
Local currency		685,755	630,104
Foreign currencies		69,459	155,969
National prize bonds		1,161	280
		756,375	786,353
With State Bank of Pakistan in:			
Local currency current accounts	7.1	2,905,027	1,842,263
Foreign currency current accounts	7.1	26,647	34,100
Foreign currency deposit accounts	7.2	65,196	104,694
		2,996,870	1,981,057
With National Bank of Pakistan in:			
Local currency current accounts		98,053	85,366
Local currency deposit accounts		181,780	252,680
Foreign currency current accounts		35,600	3,281
		315,433	341,429
		4,068,678	3,108,819

7.1 The current accounts are maintained under the requirements of section 23 of the Banking Companies Ordinance, 1963 as amended from time to time.

7.2 These represent accounts maintained for mandatory reserve requirements with the SBP. These accounts currently carry no mark-up.

		2013	2012
		(Rupees in '000)	
8. BALANCES WITH OTHER BANKS	Note		
In Pakistan			
On current account		1,840,274	1,123,332
On deposit account	8.1	1,077,031	75,608
		2,917,305	1,198,940
Outside Pakistan			
On current account		-	-
On deposit account	8.2	905,974	460,600
		905,974	460,600
		3,823,279	1,659,540
Less: Provision for doubtful placement with a bank	8.3	(10,028)	(10,028)
		3,813,251	1,649,512

8.1 These represent short-term deposits with banks at mark-up rates ranging from 0.05% to 9.12% (2012: 0.05% to 6.00%) per annum.

8.2 These represents placements of funds with banks outside Pakistan, which have been generated through the foreign currency deposit scheme (FE-25). These placements currently carry no mark-up.

Notes to the Financial Statements

For the year ended December 31, 2013

		2013	2012
		(Rupees in '000)	
8.3	Particulars of provision		
	Opening balance	10,026	10,026
	Charge for the year	-	-
	Reversals	-	-
	Closing balance	10,026	10,026
9.	LENDINGS TO FINANCIAL INSTITUTIONS		
	Call money lending	2,000,000	900,000
	Repurchase agreement lendings (Reverse Repo)	3,950,301	-
	Placements with financial institutions	1,788,944	639,944
		7,739,245	1,739,944
	Less: Provision against lendings to financial institutions	(338,944)	(238,944)
		7,500,301	1,501,000
9.1	Particulars of lendings		
	In local currency	7,500,301	1,501,000
	In foreign currencies	-	-
		7,500,301	1,501,000
9.2	These represent unsecured lendings to commercial banks at mark-up rates ranging between 7.00% and 10.40% (2012: 9.40% and 9.50%) per annum. These will mature on various dates, latest by January 18, 2014.		
9.3	These represent repurchase agreement lendings (reverse repo) secured against government securities carrying mark-up rate ranging from 9.65% to 10.00% and will mature on various dates, latest by January 28, 2014.		
9.4	This includes Rs. 238,944 million that is overdue and fully provided. The remaining balance with commercial banks and carries interest at mark-up rate ranging between 7.5% and 9.5% (2012: 1.5% and 9.5%) and will mature on various dates, latest by January 31, 2014.		
9.5	Particulars of provision		
	Opening balance	238,944	124,634
	Charge for the year	-	114,310
	Reversals	-	114,310
	Closing balance	238,944	238,944

Notes to the Financial Statements

For the year ended December 31, 2013

9.6 Securities held as collateral against lending to financial institutions

	Note	2013			2012		
		Held by bank	Further Given as collateral	Total	Held by bank	Further Given as collateral	Total
Rupees in '000							
Market Treasury Bills		2,988,451	-	2,988,451	-	-	
Pakistan Investment Bonds		961,850	-	961,850	-	-	
		3,950,301	-	3,950,301	-	-	

10. INVESTMENTS

10.1 Investments by types

	Note	2013			2012		
		Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000							
Held-for-trading securities							
Market Treasury Bills	10.2.1	3,674,388	11,713,209	15,387,594	208,330	-	208,330
Pakistan Investment Bonds	10.2.1	390,585	-	390,585	204,773	-	204,773
Units of open-end mutual funds		300,000	-	300,000	-	-	-
Ordinary shares in listed companies		28,548	-	28,548	24,697	-	24,697
		4,393,488	11,713,209	16,106,697	967,800	-	967,800
Available-for-sale securities							
Market Treasury Bills	10.2.1	12,647,991	1,973,740	14,621,731	16,101,766	8,264,665	24,366,431
Pakistan Investment Bonds	10.2.1	12,173,069	-	12,173,069	9,311,906	-	9,311,906
GOP Ijarah Sukuk		6,770,482	-	6,770,482	8,570,818	-	8,570,818
Ordinary shares in listed companies		1,093,317	-	1,093,317	642,112	-	642,112
Ordinary shares in unlisted companies		30,487	-	30,487	192,987	-	192,987
Ordinary shares of related parties		-	-	-	-	-	-
- Unlisted shares		183,004	-	183,004	40,504	-	40,504
Preference shares in listed companies	10.6	410,920	-	410,920	215,920	-	215,920
Listed term finance certificates		572,291	-	572,291	744,921	-	744,921
Unlisted term finance certificates		808,856	-	808,856	692,026	-	692,026
Units of open-end mutual funds	10.7	383,088	-	383,088	517,994	-	517,994
Units of closed-end mutual funds		118,673	-	118,673	118,673	-	118,673
Sukuk certificates		1,268,680	-	1,268,680	842,077	-	842,077
		36,101,088	1,973,740	38,074,798	37,891,600	8,264,665	46,156,265
Held-to-maturity securities							
Pakistan Investment Bonds		-	-	-	661,475	-	661,475
Sukuk certificates		368,729	-	368,729	477,301	-	477,301
		368,729	-	368,729	1,138,776	-	1,138,776
Investments at cost		40,863,278	13,686,949	54,550,224	39,983,178	8,264,665	48,247,843
Less: Provision for diminution in value of investments	10.3	(945,190)	-	(945,190)	(511,609)	-	(511,609)
Investments (net of provisions)		39,918,088	13,686,949	53,602,034	39,471,569	8,264,665	47,736,234
Unrealized (Cost) / gain on revaluation of held-for-trading securities - net	10.5	118	(10,365)	(10,248)	192	-	192
(Deficit) / surplus on revaluation of available-for-sale securities - net	10	(236,939)	(1,684)	(238,623)	198,683	33,591	232,274
Total investments		39,688,264	13,674,899	53,363,163	39,373,444	8,398,256	47,771,700

Notes to the Financial Statements

For the year ended December 31, 2013

		2013	2012
	Note	(Rupees in '000)	
10.2 Investments by segments			
Federal Government Securities:	10.2.2		
- Market Treasury Bills	10.2.1	30,009,295	23,094,761
- Pakistan Investment Bonds	10.2.1	12,563,654	10,178,152
- Government of Pakistan - Sukuk	10.2.1	6,770,482	8,570,818
		49,343,431	41,843,731
Fully paid up ordinary shares:			
- Listed companies		1,121,865	566,809
- Unlisted companies		30,487	193,987
		1,152,352	759,796
Related parties:			
- Ordinary shares in unlisted companies		153,004	40,504
Term finance certificates:			
- Listed term finance certificates		572,291	744,821
- Unlisted term finance certificates		508,856	692,026
		1,081,147	1,436,847
Units of mutual funds:			
- Open-end mutual funds	10.7	653,088	517,994
- Closed-end mutual funds		118,673	118,673
		771,761	636,667
Other investments:			
- Preference shares in listed companies	10.6	410,920	215,920
- Sukuk certificates		1,637,609	1,319,378
		2,048,529	1,535,388
Total investments at cost		54,550,224	46,352,843
Less: Provision for diminution in value of investments	10.3	(948,190)	(811,609)
Investments - net of provisions		53,602,034	45,541,234
Unrealized (loss) / gain on revaluation of held-for-trading securities - net	10.5	(10,248)	192
(Deficit) / surplus on revaluation of available-for-sale securities - net	20	(228,623)	230,274
Total investments		53,363,163	45,671,700

10.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Yield / Return	Maturity	Redemption	Coupon
Market Treasury Bills	9.12% to 10.36%	January 23, 2014 to June 12, 2014	On maturity	At maturity
Pakistan Investment Bonds	9.24% to 12.58%	April 29, 2014 to July 19, 2022	On maturity	Half yearly
Sukuk Certificates	8.99% to 9.96%	March 7, 2014 to September 18, 2016	On maturity	Half yearly

10.2.2 Federal Government Securities other than those 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.

Notes to the Financial Statements

For the year ended December 31, 2013

		2013	2012
	Note	(Rupees in '000)	
10.3 Particulars of provision for diminution in value of investments			
Opening balance		811,609	672,024
Charge for the year		5,699	150,322
Reversal on disposals		(64,118)	(10,737)
		(58,419)	139,585
Transferred from loans and advances	10.3.1	195,000	-
Closing balance	10.3.2	948,190	811,609

10.3.1 During the year, a customer advance was restructured and the Bank received preference shares under restructuring agreement from the counter party. Consequently, the advance along with the provision there of has been reclassified to investments.

10.3.2 Particulars of provision in respect of type and segment

By type		2013	2012
		(Rupees in '000)	
Available-for-sale securities			
Ordinary shares in listed companies		79,343	65,694
Ordinary shares in unlisted companies		30,487	110,129
Ordinary shares in unlisted companies - related parties		35,342	-
Preference shares in listed companies	10.6	410,920	315,920
Units in open-end mutual funds		95,399	86,668
Units in closed-end mutual funds		46,582	46,582
Term finance certificates / Sukuk certificates		235,117	241,616
Held-to-maturity securities			
Sukuk certificates		25,000	25,000
		948,190	811,609
By segment			
Fully paid up ordinary shares			
Listed companies		79,343	65,694
Unlisted companies		30,487	110,129
Unlisted companies - related parties		35,342	-
Units of open-end mutual funds		95,399	86,668
Units of closed-end mutual funds		46,582	46,582
Preference shares in listed companies	10.6	410,920	315,920
Term finance certificates / Sukuk certificates		260,117	266,616
		948,190	811,609

10.4 Information relating to investment in ordinary shares / certificates of listed and unlisted companies / mutual funds, term finance certificates, sukukes 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".

Notes to the Financial Statements

For the year ended December 31, 2013

	2013	2012
	(Rupees in '000)	
10.5 Unrealized (loss) / gain on revaluation of investments classified as held-for-trading		
Market Treasury Bills	(11,939)	(653)
Pakistan Investment Bonds	634	246
Units in open-ended mutual funds	1,875	-
Ordinary shares in listed companies	(818)	628
	(10,248)	192

10.6 Details of investment in preference shares - unlisted

Name of Company	Note	Percentage of Holding	No. of shares	Paid-up Value per share	Total paid-up value	Breakup value per share	Total Cost December 31, 2013	Based on audited accounts as at	Name of Chief Executive / Managing Agent
(Rupees in '000)									
Past Dawood Investment Bank Limited (D.I.B.)		3%	14,092,000	10	140,920	-	140,920	June 30, 2013	Mr. Raheed Y. Chishti
Trust Investment Bank Limited	10.6.1	24%	7,500,000	10	75,000	-	75,000	June 30, 2013	Mr. Ahsan Faraz
Bank Pak Leasing Company Limited	10.6.2	37%	18,500,000	10	185,000	-	185,000	June 30, 2013	Mr. Basimullah Khan
							400,920		

10.6.1 This represents 4% cumulative preference shares redeemable at par after five years. The preference shares are non-voting, non-participatory and have a call option exercisable after two years of issue (i.e., June 9, 2010), available to the issuer and Conversion Option available to the Bank at par value, any time after issue.

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

10.6.3 This represents 2.5% non-cumulative, non-voting and non-redeemable preference shares convertible at any time from the date of issue. The Bank has received these preference shares against the settlement of a debt (note 10.3.1)

10.7 This includes investment in Dawood Income Fund (DIF) amounting to Rs. 290.238 million. During the calendar year 2013, Securities and Exchange Commission of Pakistan (SECP) cancelled the license of Dawood Capital Management Limited (the Asset Management Company) and directed the trustees to revoke / extinguish mutual fund in the interest of unit holders. The Bank expects to recover the substantial amount of investment in DIF once winding up proceedings are completed by the trustees.

Notes to the Financial Statements

For the year ended December 31, 2013

	Note	2013	2012
		(Rupees in '000)	
11. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		32,541,757	25,058,391
Outside Pakistan		-	-
		<u>32,541,757</u>	<u>25,058,391</u>
Islamic financing and related assets	11.2	4,669,043	2,424,740
Net investment in Ijarah:			
In Pakistan	11.3	556,460	808,859
Outside Pakistan		-	-
		<u>556,460</u>	<u>808,859</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		345,557	372,910
Payable outside Pakistan		226,214	1,172,854
		<u>571,771</u>	<u>1,445,764</u>
Advances - gross	11.1	38,339,031	39,737,754
Less: Provision for non-performing advances	11.5	(2,888,830)	(3,016,021)
Advances - net of provision		<u>35,450,201</u>	<u>36,721,733</u>
11.1 Particulars of advances - gross			
11.1.1 in local currency		38,339,031	39,737,754
in foreign currencies		-	-
		<u>38,339,031</u>	<u>39,737,754</u>
11.1.2 Short term (for up to one year)		29,225,306	30,853,530
Long term (for over one year)		9,113,725	8,884,224
		<u>38,339,031</u>	<u>39,737,754</u>
11.2 Islamic financing and related assets (Annexure 'A')			
Murabaha financing		3,833,784	1,565,590
Diminishing Musharakah		720,953	859,150
Istisna financing		100,000	-
Qarz-e-Hasna		5,793	-
Others		8,513	-
		<u>4,669,043</u>	<u>2,424,740</u>
11.3 Net investment in Ijarah			
Ijarah under finance method	11.3.1	24,097	59,879
Ijarah under IFAS-2	11.3.2	532,363	754,980
		<u>556,460</u>	<u>808,859</u>

Notes to the Financial Statements

For the year ended December 31, 2013

11.3.1 Ijarah under finance method

	2013				2012			
	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	12,180	10,582	1,037	23,779	24,308	15,751	3,138	43,187
Residual value	4,477	1,273	10	5,760	17,898	2,618	40	20,556
Minimum Ijarah rentals	16,637	17,855	1,047	29,539	43,306	18,269	2,158	63,743
Profit for future periods	(2,515)	(3,927)	-	(5,442)	(4,327)	(4,678)	(859)	(9,864)
Ijarah under finance method	14,122	8,928	1,047	24,097	37,879	13,591	2,308	53,878

11.3.2 Ijarah under IFAS-2

Ijarah assets under IFAS-2 are stated at cost of Rs. 937,646 million (2012: Rs. 893,355 million) less accumulated depreciation of Rs. 405,283 million (2012: Rs. 138,378 million) in accordance with the SEP letter No. BPRD/BLRD-04/2008-8268.

11.4 Advances include amounts aggregating to Rs. 3,856,641 million (2012: Rs. 4,334,605 million) which have been placed under non-performing status as detailed below:

Category of classification	2013								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets - Especially Mentioned*	15,446	-	15,446	1,441	-	1,441	1,441	-	1,441
Substandard	308,911	-	308,911	83,891	-	83,891	83,891	-	83,891
Doubtful	294,579	-	294,579	44,218	-	44,218	44,218	-	44,218
Loss	3,238,705	-	3,238,705	2,784,653	-	2,784,653	2,784,653	-	2,784,653
	3,856,641	-	3,856,641	2,863,903	-	2,863,903	2,863,903	-	2,863,903
	2012								
Category of classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets - Especially Mentioned*	1,818	-	1,818	-	-	-	-	-	-
Substandard**	632,568	-	632,568	69,256	-	69,256	69,256	-	69,256
Doubtful	262,798	-	262,798	10,578	-	10,578	10,578	-	10,578
Loss	3,437,421	-	3,437,421	2,928,121	-	2,928,121	2,928,121	-	2,928,121
	4,334,605	-	4,334,605	3,007,955	-	3,007,955	3,007,955	-	3,007,955

* Other Assets Especially Mentioned category pertains to agricultural finance and small enterprise.

11.4.1 State Bank of Pakistan through various circulars has allowed benefit of the forced sales value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against Non-Performing Loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2013, the Bank has availed cumulative benefit of forced sale values of Rs. 596,394 million (2012: Rs. 709,895 million). Increase in unappropriated profit net of tax amounting to Rs. 357,617 is not available for the distribution of cash and stock dividend to the shareholders.

Notes to the Financial Statements

For the year ended December 31, 2013

11.5 Particulars of provision against non-performing loans and advances

	Note	2013			2012		
		Specific	General	Total	Specific	General	Total
(Rupees in '000)							
Opening balance		3,007,855	8,068	3,016,021	2,988,661	8,251	2,996,913
Transferred to investments	10.3.1	(195,000)	-	(195,000)	-	-	-
Charge for the year		843,717	18,861	862,578	449,827	-	449,827
Reversals		(519,778)	-	(519,778)	(411,114)	(185)	(411,299)
		123,939	18,861	142,800	38,713	(185)	38,528
Amounts written off	11.6	(72,991)	-	(72,991)	(19,419)	-	(19,419)
Closing balance		2,863,903	24,921	2,888,830	3,007,855	8,068	3,016,021

11.6 Particulars of write-offs

11.6.1 Against provisions Directly charged to profit and loss account

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

Note	2013 (Rupees in '000)	2012
	72,991	19,419
	-	-
	<u>72,991</u>	<u>19,419</u>
11.6.3	72,991	13,653
	-	5,766
	<u>72,991</u>	<u>19,419</u>

11.6.3 Details of loan write-off or other financial relief of Rs. 500,000 and above:

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, a Statement in respect of written off loans or financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2013 is given in Annexure 'B'. However, these write-offs do not affect the Bank's right to recover debts from these customers.

Notes to the Financial Statements

For the year ended December 31, 2013

		2013	2012
11.7 Particulars of loans and advances to directors, related parties, etc.		(Rupees in '000)	
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		982,084	835,013
Loans granted during the year		261,992	236,817
Repayments		(114,455)	(79,746)
Balance at end of year		1,129,621	982,084
12. OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	166,679	144,100
Property and equipment	12.2	1,439,210	1,211,014
Intangible assets	12.3	6,575	4,035
		1,604,464	1,359,149
12.1 Capital work-in-progress			
Intangibles		17,784	13,500
Office equipment		46,631	19,367
Lease conversion charges paid to Cantonment Board		-	75,700
Advances to suppliers and contractors		102,264	35,533
		168,679	144,100
12.2 Property and equipment			

Description	COST / REVALUATION			ACCUMULATED DEPRECIATION			Book value as at December 31, 2013	Useful life (Number of Years)
	As at January 1, 2013	Additions / (Disposals) / (Adjustments)	As at December 31, 2013	As at January 1, 2013	Charge for the year / (depreciation on disposals) / (Adjustments)	As at December 31, 2013		
	(Rupees in '000)							
Leasehold land (12.2.3)	807,288	76,112	883,410	-	-	-	883,410	-
Freehold land	18,705	58,000*	76,705	-	-	-	76,705	-
Building on leasehold land	11,820	-	11,820	9,678	1,944	11,820	-	10
Building on freehold land	39,267	92,000*	131,267	7,939	5,506	13,445	117,822	10
Furniture and fixtures	102,624	20,810	124,798	45,884	14,065	58,898	67,902	5-10
		(4,083)			(3,573)			
		5,447			530			
Office equipment	289,006	55,779	349,499	151,332	94,918	200,955	148,544	3-10
		(3,486)			(5,395)			
Vehicles	34,211	335	19,682	12,255	3,936	13,363	6,319	5
		(4,884)			(2,825)			
Library books	823	8	631	458	187	805	26	10
Renovation / Premises	219,564	41,916	285,965	84,563	43,488	127,481	128,482	5
		(70)			(50)			
		(5,447)			(520)			
	1,823,118	344,960	1,883,875	312,104	154,004	484,365	1,439,210	
		(14,903)			(11,743)			

Notes to the Financial Statements

For the year ended December 31, 2013

Description	COST / REVALUATION			ACCUMULATED DEPRECIATION			Depreciation Rate (%)	
	As at January 1, 2013	Additions (Deductions) / Adjustments	As at December 31, 2013	As at January 01, 2013	Change for the year: Depreciation on disposals / (Reversals)	As at December 31, 2013		
	(Rupees in '000)							
Leasehold land (12.2.2)	807,298	-	807,298	-	-	807,298	-	
Freehold land	18,708	-	18,708	-	-	18,708	-	
Building on leasehold land	11,890	-	11,890	9,490	316	9,806	10	
Building on freehold land	38,267	-	38,267	4,183	3,751	7,934	10	
Furniture and fixtures	89,583	12,830 (1,312) 1,723	101,024	38,458	8,600 (1,009) (118)	48,884	58,745	10 - 20
Office equipment	242,312	82,430 (8,373) 838	399,306	114,570	41,801 (5,894) 835	157,383	147,874	10 - 20
Vehicles	81,583	2,338 (1,881)	84,111	10,618	2,850 (1,010)	12,283	11,959	
Library books	823	-	823	418	23	438	188	20
Recreation / Premises	166,474	58,377 (932) (8,262)	219,584	50,871	34,310 (879) (518)	84,583	134,881	10
	1,385,648	(33,868) (10,492)	1,333,118	238,588	81,877 (8,440)	318,104	1,311,014	

* This represents property transferred during the year from Non-banking assets acquired under satisfaction of claims.

12.2.1 Change in accounting estimate

Effective from January 1, 2013, the Bank has changed its method of computing depreciation from diminishing balance method to straight-line method and useful life of property and equipment has also been reassessed. These changes in accounting estimates have an impact on depreciation expense for the current year. Had there been no change in depreciation method and useful life of assets, depreciation expense for the year would have been lower by Rs. 18.166 million.

12.2.2 Revaluation of leasehold land

During the year, the Bank arranged for revaluation of its leasehold land from an independent professional valuer M/s. Amir Evaluators and Consultants on April 23, 2013. Revaluation was carried out on the basis of professional assessment of present market value and resulted in a net increase in carrying value by Rs. 0.412 million. Had there been no revaluation, the carrying amount of revalued land would have been Rs. 117.24 million.

Notes to the Financial Statements

For the year ended December 31, 2013

12.2.3 Details of disposals of fixed assets

The details of assets disposed off during the year, having original cost or book value exceeding Rs. 1,000 million or Rs. 0.250 million respectively, whichever is lower, are as follows:

Description	Cost	Accumulated Depreciation	Net Book Value	Sale proceeds	Mode of Disposal	Particular of Purchaser
(Rupees in '000)						
Furniture and fixtures and office equipment						
Furniture and Fixtures	1,145	1,076	89	99	Auction	Umra Khan, Peshawar
Office equipment	1,841	1,840	1	15	Auction	Imtiaz Kabari, Davis Road, Lahore
Office equipment	1,950	1,875	75	80	Auction	M/s. Insaaf Merchant, Karachi
Vehicles						
Toyota Corolla	1,470	502	968	968	Board approval	Mr. Bilal Mustafa (Managing Director)
Honda City	907	628	279	736	Auction	Mr. Insaq Nadeem
Honda City	878	599	279	734	Auction	Mr. Hafiz Zia

12.3 Intangible assets

Description	COST		ACCUMULATED AMORTIZATION					
	As at January 1,	Additions	As at December 31,	As at January 01,	Charge for the year	As at December 31,	Book Value as at December 31,	Amortization Rate (%)
(Rupees in '000)								
Software 2013	13,931	7,034	20,965	9,896	4,494	14,390	6,575	33.33%
Software 2012	13,293	541	13,834	5,309	4,587	9,896	4,035	33.33%

13. DEFERRED TAX ASSETS

Deferred tax asset arising in respect of:

Provision for balances with other banks
 Deficit on revaluation of investments
 Provision for diminution in the value of investments
 Provision for other assets
 Provision for Workers Welfare Fund
 Capital loss carried forward
 Re-measurement of defined benefit plan
 Stabilization reserve

	2013	2012
(Rupees in '000)		
	3,510	3,510
	168,000	6,077
	111,162	112,196
	3,448	3,448
	44,142	31,542
	-	16,855
	9,081	-
	45,395	41,526
	364,738	215,154

Deferred tax liability arising in respect of:

Accelerated tax depreciation
 Surplus on revaluation of investment

	(23,985)	(30,015)
	(61,523)	(50,920)
	(85,506)	(80,935)
	299,230	134,219

Notes to the Financial Statements

For the year ended December 31, 2013

13.1 Deferred tax asset-net

	Balance as at March 31, 2012	Recognized in Profit and Loss Account	Recognized in Equity	Balance as at December 31, 2012	Recognized in Profit and Loss Account	Recognized in Equity	Balance as at December 31, 2013
Deferred tax asset arising in respect of:							
Provision for balances with other banks	3,510	-	-	3,510	-	-	3,510
Deficit on revaluation of investments	85,923	-	(79,846)	6,077	-	161,923	168,000
Provision for diminution in the value							
of investments	106,840	5,356	-	112,196	(7,034)	-	111,162
Provision for non performing loans	18,230	(16,230)	-	-	-	-	-
Provision for other assets	3,448	-	-	3,448	-	-	3,448
Provision for Workers Welfare Fund	20,333	11,209	-	31,542	12,600	-	44,142
Capital loss carried forward	24,630	(7,775)	-	16,855	(16,855)	-	-
Re-measurement of defined benefit plan	-	-	-	-	-	9,081	9,081
Stabilisation reserve	40,066	1,460	-	41,526	3,869	-	45,395
	302,980	(7,960)	(79,846)	215,134	(1,420)	171,004	384,738
Deferred tax liability arising in respect of:							
Accelerated tax depreciation	(32,440)	2,425	-	(30,015)	6,030	-	(23,985)
Surplus on revaluation of investment	(15,450)	-	(35,470)	(50,920)	-	(10,603)	(61,523)
	(47,890)	2,425	(35,470)	(80,935)	6,030	(10,603)	(85,508)
Deferred tax asset - net	255,090	(5,535)	(115,316)	134,219	4,610	160,401	299,230

14. OTHER ASSETS	Note	2013	2012
		(Rupees in '000)	
Income / mark-up accrued in local currency		1,650,942	1,381,648
Advances, deposits, advance rent and other prepayments		224,412	189,698
Non-banking assets acquired in satisfaction of claims - at cost	14.1	271,124	481,124
Stationery and stamps on hand		7,738	9,918
Receivables against sale of securities		2,240	65,807
Others		58,616	48,035
		2,215,072	2,176,230
Less: Provision held against other assets	14.2	(144,192)	(144,724)
		2,070,880	2,031,506

14.1 The market value of non-banking assets with carrying amounts of Rs. 236.296 million (2012: Rs. 436.709 million) amounted to Rs. 241.056 million (2012: Rs. 490.643 million).

Notes to the Financial Statements

For the year ended December 31, 2013

		2013	2012
	Note	(Rupees in '000)	
14.2 Provision held against other assets			
Opening balance		144,724	144,724
Charge for the year		18,734	-
Reversal for the year		(19,256)	-
Amounts written off	27	(532)	-
Closing balance		144,192	144,724
15. BILLS PAYABLE			
In Pakistan		521,035	558,028
Outside Pakistan		-	-
		521,035	558,028
16. BORROWINGS			
In Pakistan		15,157,773	7,420,113
Outside Pakistan		-	-
		15,157,773	7,420,113
16.1 Particulars of borrowings with respect to currencies			
In local currency		15,157,773	7,420,113
In foreign currencies		-	-
		15,157,773	7,420,113
16.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan:			
Under export refinance scheme	16.2.1	1,402,183	1,097,684
Under long term financing for export oriented projects	16.2.2	84,034	-
Agriculture refinance scheme	16.2.3	1,270	15,850
SME refinance scheme	16.2.4	6,981	13,307
		1,494,468	1,126,841
Repurchase agreement borrowings	16.2.5	13,663,305	6,293,272
		15,157,773	7,420,113

16.2.1 The Bank has entered into agreements for financing with the SBP for extending export finance to customers. As per the agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of finance by directly debiting the current account maintained by the Bank with the SBP. These carry mark-up at the rate of 8.4% (2012: 8.0%) per annum. The borrowings are repayable within 180 days from the deal date.

16.2.2 This represents long term financing against export oriented projects availed by the Bank for further extending the same to its customers for export oriented projects, for a maximum period of 10 years. The loan repayments to SBP correspond the respective repayment from customers. The loan carries mark-up at the rate of 5% per annum.

Notes to the Financial Statements

For the year ended December 31, 2013

- 16.2.3 The Bank adopted the Agriculture refinance scheme for flood affected areas launched by the SBP for rehabilitation of agricultural sector. During the year, SBP refinanced facilities under this scheme at the rate of 5% per annum (2012: 5% per annum).
- 16.2.4 This represents SBP refinance scheme for the Modernization of SME's. Under this scheme the loan is refinanced up to 100% by SBP. It carries mark-up at the rate 6.25% per annum (2012: 6.25% per annum).
- 16.2.5 Repurchase agreements with financial institutions carries interest rate ranging from 9.85% to 10.40% (2012: 7.75% to 8.85%) per annum with maturities upto January 23, 2013 and are secured by way of investments given as collateral as referred in note 10.1.

17. DEPOSITS AND OTHER ACCOUNTS

Customers	Note	2013 (Rupees in '000)	2012
Fixed deposits		32,038,341	27,685,213
Savings deposits		25,812,144	18,300,810
Current accounts - Non-remunerative		17,979,604	13,553,130
Call deposits		663,589	1,093,034
Margin and sundry deposits		906,823	841,576
		77,300,300	59,973,763
Financial Institutions			
Remunerative deposits		16,601	69,201
Non-remunerative deposits		832	119
		17,433	69,320
		77,217,733	60,043,083
17.1 Particulars of deposits			
In local currency		76,816,533	59,638,730
In foreign currencies		401,200	404,353
		77,217,733	60,043,083
18. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		1,435,106	1,268,026
Unearned commission and income on bills discounted		29,599	36,992
Accrued expenses		89,560	49,428
Branch adjustment account		128,051	107,350
Payable to gratuity fund	33.2	82,104	57,641
Share subscription money refund		1,091	1,091
Mark-up in suspense		53,179	112,203
Deferred income on murabaha		86,388	44,423
Security deposits against Ijarah		136,724	163,579
Payable to Worker's Welfare Fund		126,120	90,130
Current taxation (provision less payments)		369,842	340,515
Others	18.1	179,066	156,249
		2,716,830	2,429,617

Notes to the Financial Statements

For the year ended December 31, 2013

- 18.1 This includes Rs. 92,149 million (2012: Rs. 86,426 million) net of expenses incurred received in advance from the Government of Khyber Pakhtunkhwa against the service fee with respect to various poverty reduction schemes launched by the Provincial Government through the Bank to overcome the unemployment in the province resulting from the "War on Terror" and to facilitate and promote entrepreneurship. The Bank acts as an agent and has been made responsible to disburse and subsequently collect the loan from borrowers and charges service fee to the Government of Khyber Pakhtunkhwa for acting as an agent.

19. SHARE CAPITAL

19.1 Authorized capital

2013	2012	Note	2013	2012
Number of shares			(Rupees in '000)	
1,000,000,000	1,000,000,000	Ordinary shares of Rs. 10 each	10,000,000	10,000,000

19.2 Issued, subscribed and paid up capital

Fully paid ordinary shares of Rs. 10/- each

2013	2012	Ordinary shares	2013	2012
Number of shares			(Rupees in '000)	
722,698,448	722,698,448	Fully paid in cash	7,226,984	7,226,984
277,301,552	177,444,900	Issued as fully paid bonus shares	2,773,016	1,774,449
1,000,000,000	900,143,348	19.3 & 19.4	10,000,000	9,001,433

- 19.3 At December 31, 2013, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 701,988,833 (2012: 631,936,856) and 86,149,603 (2012: 77,526,622) ordinary shares of Rs. 10 each respectively.

19.4 Reconciliation of number of ordinary shares of Rs 10/- each.

	2013	2012
	Number of shares	
Shares at the beginning of the year	900,143,348	822,800,148
Add: Issued during the year	89,856,652	77,343,200
Shares at the end of the year	1,000,000,000	900,143,348

Notes to the Financial Statements

For the year ended December 31, 2013

		2013	2012
	Note	Rupees in '000	
20. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
(Deficit) / Surplus on revaluation of available-for-sale securities			
Federal Government securities			
- Market Treasury Bills		(38,366)	104,827
- Pakistan Investment Bonds		(428,385)	(9,843)
Fully paid up ordinary shares - listed		145,544	41,774
Term finance certificates / Sukuk - listed		(13,289)	(7,519)
Units in open-end mutual funds		81,278	81,157
Units in closed-end mutual funds		14,554	10,078
Deferred tax asset / (liability)	10.1 & 10.2	(228,623)	230,274
		106,477	(44,843)
		(122,146)	185,431
Surplus on revaluation of fixed assets			
- Leasehold land	12.3.2	766,182	785,740
		644,006	951,171
21. CONTINGENCIES AND COMMITMENTS			
21.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring:			
Banks		-	-
Others		420,577	12,135
		420,577	12,135
21.2 Transaction - related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favouring:			
Government		7,299,343	4,728,583
Others		340,038	3,004,471
	21.2.1	7,639,381	7,733,054

21.2.1 The above amount includes expired letters of guarantee aggregating to Rs. 1,683.9 million as at December 31, 2013 (2012: Rs. 1,729.6 million) for which the formalities relating to return of the original documents are in process.

Notes to the Financial Statements

For the year ended December 31, 2013

		2013	2012
		(Rupees in '000)	
21.3 Trade-related contingent liabilities	Note		
Letters of credit			
Sight		2,133,769	2,713,247
Usance		152,755	244,024
		<u>2,386,524</u>	<u>2,957,271</u>
Acceptances		334,655	462,117
		<u>2,611,179</u>	<u>3,419,388</u>
21.4 Commitments in respect of forward exchange contracts			
Purchase		457,729	1,570,901
Sale		1,090,592	1,587,389
		<u>1,548,321</u>	<u>3,158,290</u>
21.4.1			
All forward exchange contracts are backed by trade related transactions to meet the needs of the Bank's clients to generate trading revenues and, as part of its asset and liability management activity, to hedge its own exposure to currency risk. At the year end, all foreign exchange contracts have a remaining maturity of less than one year.			
21.5 Other commitments	Note	2013	2012
		(Rupees in '000)	
Bills for collection			
Inland bills		178,799	118,463
Foreign bills		256,468	549,762
		<u>435,267</u>	<u>668,225</u>
21.6 Commitments to extend credit:			

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

21.7 Commitment for the acquisition of operating fixed assets

Commitments as on reporting date amounts to Rs. 34,040 million (2012: Rs. 30,781 million).

21.8 The income tax assessments of the Bank have been finalized upto and including tax year 2013.

21.8.1 During financial year 2011, the tax authorities issued an amended order for the tax year 2009 disallowing certain expenditure on account of lack of evidence for such expenditure resulting in an additional tax demand of Rs. 308,900 million. The Bank filed an appeal as well as rectification application against the said order. Based on rectification application, the order was amended and accordingly the additional demand was reduced to Rs. 256,349 million. The Bank again applied for the rectification order. During 2012, the Commissioner Inland Revenue (Appeals) [CIR (A)] through an order dated June 01, 2012 has deleted certain additions on account of disallowances except for the additions under certain heads of expenses having tax impact of approximately Rs. 23 million. The Bank has filed an appeal against the order of the CIR (A) in respect of remaining additions. Management believes that this matter will be decided in favour of the Bank. Consequently, no provision has been made in respect of this amount in the financial statements.

21.8.2 For the tax year 2011 and 2012, the tax authorities have issued orders under section 161 and 205 demanding the payment of withholding taxes amounting to Rs. 15,357 million and Rs. 5,848 million respectively along with default surcharge of Rs. 3,263 million and Rs. 0,876 million respectively. The demand was made on account of lack of evidence of tax deduction against the payment of certain expenditures. The Bank has filed an appeal before the Commissioner Inland Revenue (Appeals) for grant of relief against the order for tax year 2011 and is in the process of filing an appeal against the order for tax year 2012. Management believes that this matter will be decided in favor of the Bank. Consequently, no provision has been made in respect of these amounts in the financial statements.

Notes to the Financial Statements

For the year ended December 31, 2013

21.9 The State Bank of Pakistan's Committee for Resolution of Cases (CRC) and Committee for Revival of Sick Industrial Units (CRSIU) had finalized the settlement of eight non-performing loans of the Bank having principal amounting to Rs. 364.401 million and overdue mark-up amounting to Rs. 132.916 million for an aggregate amount of Rs. 165.781 million. During the year 2007, the Board of Directors had allowed implementation of CRC / CRSIU decisions on the "no choice" basis. Accordingly, six cases have been adjusted whereas payments in one case is being received in terms of settlement agreement. The remaining one case, decided by CRC, against payment of Rs. 8.058 million could not be implemented by the customer and the Bank, after cancellation of settlement, has gone into litigation against the party for recovery of the balance decretal amount.

	Note	2013 (Rupees in '000)	2012
22. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
Customers			
- Mark-up / return / interest earned on other facilities		2,919,248	3,022,353
On investments in:			
Held-for-trading securities		99,210	322,524
Available-for-sale securities		3,746,528	3,529,778
Held-to-maturity securities		71,014	105,310
		3,916,752	3,857,612
On deposits with financial institutions		170,622	134,433
On securities purchased under resale agreements		400,165	190,639
		7,406,787	7,304,937
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		4,090,562	4,255,339
Securities sold under repurchase agreement borrowings		162,250	372,275
Other short-term borrowings		82,040	83,519
Others		830	39
		4,335,682	4,611,172
24. GAIN ON SALE OF SECURITIES			
Federal Government Securities		2,820	317,525
Ordinary shares		128,937	95,166
Term finance certificates		-	31
Units in mutual funds		6,249	(17,405)
		138,006	295,317
25. OTHER INCOME			
Postal, SWIFT, service and other charges		43,464	38,568
Rent on lockers		2,356	1,820
Gain on sale of operating fixed assets		1,874	839
Gain on sale of non-banking assets acquired in satisfaction of claim		23,999	-
Miscellaneous income		15,598	20,069
		87,291	61,276

Notes to the Financial Statements

For the year ended December 31, 2013

		2013	2012
		(Rupees in '000)	
26. ADMINISTRATIVE EXPENSES	Note		
Salaries and allowances		1,078,888	870,782
Charge for defined benefit plan	33.6	56,156	54,782
Contribution to defined contribution plan - Provident Fund	34	49,563	41,042
Rent, taxes, insurance, electricity, etc.		257,814	321,395
Legal and professional charges		45,518	35,745
Communications		70,977	44,954
Repairs and maintenance		26,175	14,702
Stationery and printing		26,766	22,715
Advertisement and publicity		31,758	70,792
Auditors' remuneration	26.1	4,622	5,945
Depreciation	12.2	124,004	81,977
Amortization	12.3	4,494	4,587
Brokerage and commission		12,639	12,181
Entertainment		21,141	18,279
Travelling, boarding and lodging		49,681	43,776
Vehicle expenses		5,169	5,797
Newspapers and periodicals		1,279	1,457
Training		3,002	2,453
Sports		176	1,470
Software maintenance charges		717	532
Security charges		49,353	34,566
Others		50,664	53,762
		1,970,355	1,654,702
26.1 Auditors' remuneration		(Rupees in '000)	
Audit fee		1,915	1,815
Fee for half-yearly review		830	787
Special certifications and sundry advisory services		1,227	2,637
Out-of-pocket expenses		650	706
		4,622	5,945
27. OTHER PROVISIONS / WRITE OFFS			
Provision against lendings to financial institutions	8.5	-	114,310
Reversal of provision against other assets - net	14.2	(532)	-
Write offs against fraud and forgery cases		5,209	-
		4,677	114,310

Notes to the Financial Statements

For the year ended December 31, 2013

		2013	2012
28. OTHER CHARGES	Note	(Rupees in '000)	
Penalties imposed by State Bank of Pakistan		134	18,654
Workers Welfare Fund		36,000	33,035
		<u>36,134</u>	<u>50,679</u>
29. TAXATION			
Current - for the year		581,854	496,234
- for prior years		(62,043)	(7,772)
Deferred tax		(4,610)	5,555
		<u>515,201</u>	<u>494,017</u>
29.1 Relationship between tax expense and accounting profit		(Rupees in '000)	
Profit before taxation		1,669,230	1,572,076
Tax at the applicable rate of 38% (2012: 38%)		584,231	580,227
Effect of different tax rates used		(17,384)	(61,185)
Prior year tax		(62,043)	(7,772)
Tax effect of permanent differences		47	(2,705)
Others		10,350	5,462
		<u>515,201</u>	<u>494,017</u>
30. EARNINGS PER SHARE - BASIC AND DILUTED			
Profit for the year		1,154,039	1,078,059
		Number of shares	
		2013	2012
			(Restated)
Weighted average number of ordinary shares		1,000,000,000	1,000,000,000
		Rupees	
		2013	2012
			(Restated)
Earnings per share - Basic and Diluted		1.15	1.08
There is no dilution effect on basic earnings per share.			
31. CASH AND CASH EQUIVALENTS		(Rupees in '000)	
Cash and balance with treasury banks	7	4,068,678	3,108,819
Balance with other banks	8	3,813,251	1,649,512
		<u>7,881,929</u>	<u>4,758,331</u>

Notes to the Financial Statements

For the year ended December 31, 2013

		2013	2012
32. STAFF STRENGTH		Number of persons	
Permanent		991	927
Temporary / on contractual basis		499	501
Daily wagers		11	2
		1,501	1,430
33. DEFINED BENEFIT PLAN			
33.1	General description of the type of defined benefit plan and the accounting policy for recognizing actuarial gains and losses are disclosed in note 6.8.1 to these financial statements.		
33.2	Note	2013	2012 (Restated)
		(Rupees in '000)	
Present value of defined benefit obligations	33.3	(444,411)	(331,201)
Fair value of plan assets	33.4	362,307	273,560
	18	(82,104)	(57,641)
33.3	Movement in payable to defined benefit obligation		
Opening balance		(331,201)	(269,845)
Current service cost		(49,816)	(40,632)
Interest cost		(36,432)	(33,731)
Benefits paid during the year		14,756	12,677
Actuarial (losses) / gain			
- Gain / (loss) from change in demographic assumptions		735	-
- Gain / (loss) from change in financial assumptions		46,835	-
- Experience (losses) / gains		(89,388)	330
		(41,718)	330
Closing balance		(444,411)	(331,201)
33.4	Movement in fair value of plan assets		
Opening balance		273,560	156,647
Expected return on plan assets		30,092	19,581
Contribution during the year		57,840	113,197
Benefits paid by the fund		(14,756)	(12,677)
Actuarial gain / (loss) on plan assets		15,771	(3,188)
Closing balance		362,307	273,560
33.5	Movement in payable to defined benefit plan		
Opening balance		(57,641)	(113,198)
Charge for the year	33.6	(56,156)	(54,782)
Other comprehensive income	33.7	(35,947)	(3,858)
Contribution during the year		57,840	113,197
Closing balance		(82,104)	(57,641)

Notes to the Financial Statements

For the year ended December 31, 2013

	2013	2012
33.6 Amount charged to profit and loss		(Restated)
	(Rupees in '000)	
Current service cost	(49,816)	(40,632)
Net interest cost	(6,340)	(14,150)
	<u>(56,156)</u>	<u>(54,782)</u>
33.7 Amount charged to other comprehensive income		
Actuarial (loss) / gain on obligation	(41,718)	330
Actuarial gain / (loss) on plan assets	15,771	(3,188)
	(25,947)	(2,858)
Tax impact	9,081	-
	<u>(16,866)</u>	<u>(2,858)</u>
33.8 Actual return on plan assets		
The actual return earned on the assets during the year are:		
Expected return on plan assets	(6,340)	19,581
Actuarial gain / (loss) on plan assets	15,771	(3,188)
	<u>9,431</u>	<u>16,393</u>
33.9 Components of plan assets as a percentage of total plan assets		
Debt instruments	88.30%	41.67%
Equity instruments	11.00%	8.98%
Others (including bank balances)	0.70%	49.35%
	<u>100%</u>	<u>100%</u>
33.10 Principal actuarial assumptions		

The latest actuarial valuation was carried out as at December 31, 2013. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the gratuity fund.

	2013	2012
Discount rate	13.0%	11.0%
Expected rate of return on plan assets	13.0%	11.0%
Expected rate of salary increase	11.0%	10.0%
Number of employees covered under retirement benefit plan	989	927
Weighted Average expected remaining working life of employees (years)	16	14

33.11 Sensitivity analysis	Rupees in '000			
	+0.5% Discount Rate	-0.5% Discount Rate	+0.5% Salary Increase Rate	-0.5% Salary Increase Rate
Impact on defined benefit obligation	(20,964)	22,204	23,564	22,069

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

Notes to the Financial Statements

For the year ended December 31, 2013

34. DEFINED CONTRIBUTION PLAN

During the year, the Bank has contributed Rs. 49,582 million (2012: Rs. 41,042 million) to the provident fund.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Directors		Executives	
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Fees (note 35.1)	-	-	1,330	1,160	-	-
Managerial remuneration	1,108	6,452	2,240	3,518	47,722	45,389
Charge for defined benefit plan	-	-	-	-	6,268	5,401
Contribution to defined contribution plan	-	-	-	-	5,194	5,009
Rent and house maintenance	150	834	408	807	16,396	14,900
Utilities	28	90	155	252	5,254	5,009
Medical	224	48	54	59	5,254	5,009
Bonuses	2,544	554	1,070	302	9,523	3,503
Conveyance / Car benefit allowance / Fuel	268	554	378	590	43,398	42,815
Others	488	1,574	1,352	1,580	15,212	13,869
35.2	4,810	10,106	5,987	8,068	154,221	140,584
Number of persons	1	1	8	8	48	50

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

35.2 This includes remuneration paid to ex-managing director of the Bank till March 5, 2013. Remuneration paid to acting managing directors during the year is included in remuneration to directors and executives.

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 6.4.

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

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

Notes to the Financial Statements

For the year ended December 31, 2013

37. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2013				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	(Rupees in '000)				
Total income	4,365,719	516,283	659,384	2,557,073	8,098,459
Total expenses	3,879,171	323,124	546,788	2,198,347	6,944,430
Net income	486,548	193,159	112,596	361,726	1,154,029
Segment assets- Gross	59,257,870	11,177,406	6,508,488	34,456,588	112,400,352
Segment non performing loans	-	-	789,627	3,067,014	3,856,641
Segment provision required	-	1,197,162	329,551	2,703,471	4,230,184
Segment liabilities	48,378,119	13,663,305	6,743,362	26,828,585	95,613,371
Segment return on assets (ROA) (%)	0.84%	1.73%	1.32%	1.05%	
Segment cost of funds (%)	8.02%	2.36%	8.11%	8.16%	

	2012				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	(Rupees in '000)				
Total income	3,662,329	1,051,710	233,241	3,234,872	8,181,052
Total expenses	3,361,950	873,570	195,083	2,673,391	7,103,993
Net income	300,379	178,140	37,159	561,481	1,078,059
Segment assets- Gross	40,326,187	8,189,392	4,600,480	37,503,891	90,620,390
Segment non performing loans	-	-	551,856	3,782,749	4,334,605
Segment provision required	-	1,060,831	22,567	3,138,178	4,221,576
Segment liabilities	32,929,759	6,408,085	1,896,670	39,218,325	70,450,839
Segment return on assets (ROA) (%)	0.74%	2.19%	0.81%	1.50%	
Segment cost of funds (%)	10.21%	13.62%	10.29%	9.15%	

38. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

39. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with its majority shareholder (Government of Khyber Pakhtunkhwa), associates, directors, key management personnel, staff retirement benefit plan and other related parties.

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

39.1 Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Notes to the Financial Statements

For the year ended December 31, 2013

Notes	2013		2012	
	Directors and key management personnel	Other related parties	Directors and key management personnel	Other related parties
	(Rupees in '000)			
Advances				
At the beginning of the year	148,615	-	140,156	27,778
Disbursed during the year	18,296	-	30,928	-
Repaid / adjusted during the year	(22,896)	-	(22,487)	(27,778)
At end of the year	143,015	-	148,596	-
Deposits				
At the beginning of the year	16,487	149,583	29,469	25,244
Deposited during the year	195,638	500,180	208,991	542,980
Repaid during the year	(201,073)	(622,324)	(221,973)	(418,682)
At end of the year	11,050	27,439	16,487	149,583
Transactions, income and expenditure				
Mark-up / return / interest earned	3,343	-	3,079	-
Mark-up / return / interest expensed	688	5,025	410	4,533

39.2 Although the Government of Khyber Pakhtunkhwa holds 70.20% shares of the Bank (2012: 70.20%), the transactions with it have not been treated as related party transactions for the purpose of this disclosure.

40. CAPITAL – ASSESSMENT AND ADEQUACY

The Basel III Framework is applicable to the Bank whereby the Standardized approach for reporting Capital Adequacy is currently implemented. Under the said approach, Credit risk and Market risk exposures are measured using the Standardized Approach and Operational risk is measured using the Basic Indicator Approach.

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

The capital adequacy ratio is a measure of the amount of a Bank's capital expressed as percentage of its risk weighted assets. Measuring risk weighted assets requires risk mitigants to be applied to the amount of assets shown on a Bank's balance sheet. These assets are then applied weightages according to the degree of inherent risk.

State Bank of Pakistan vide its BPRD circular 06 of 2013 has decided to implement the BASEL III reforms issued by the Basel Committee on Banking Supervision (BCBS) to further strengthen the capital related rules. These instructions form part of transitional arrangement leading to full implementation of Basel III in 2019.

The overall capital adequacy ratio (CAR) remains at the level of 10%. However, Banks are required to raise the capital adequacy ratio to 12.5% by year end 2019. The additional 2.5% capital is termed as capital conservation buffer (CCB) to be kept in the form of Common equity.

The SBP requires each Bank or Banking group to: (a) hold the minimum level of the paid up capital and (b) maintain a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum of 10%. The required capital adequacy ratio (10% of the risk weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and composition of asset mix with low risk.

Notes to the Financial Statements

For the year ended December 31, 2013

40.1 CAPITAL MANAGEMENT

The Bank's objectives when managing its capital are:

- to comply with the capital requirements set by the regulators and comparable to the peers;
- to actively manage the supply of capital costs and increase capital velocity;
- to improve the liquidity of the Bank's assets to allow for an optimal deployment of the Bank's resources;
- to protect the Bank against unexpected events and maintain strong ratings;
- to achieve low overall cost of capital with appropriate mix of capital elements; and
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide adequate return to shareholders.

Bank's regulatory capital is analyzed into two tiers:

Tier 1 Capital, which is further divided into two tiers:

Common Equity Tier 1 capital (CET1), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per the financial statements, minority interest and net unappropriated profits after all regulatory adjustments applicable on CET1.

Additional Tier 1 Capital (AT1), which includes perpetual non-cumulative preference shares and Share premium resulting from the issuance of preference shares balance in share premium account after all regulatory adjustments applicable on AT1

Tier 2 capital, which includes Subordinated debt/ Instruments, share premium of issuance of Subordinated debt/ Instruments, general provisions for loan losses (up to a maximum of 1.25 % of credit risk weighted assets), net of tax reserves on revaluation of fixed assets and equity investments up to a maximum of 45 % of the balance and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-2.

Applicability of minimum requirements for the current year:

Capital Ratios	Minimum Requirements (%age of RWAs)
Common Equity Tier 1 (CET-1)	5.00%
Additional Tier 1 (ADT-1)	1.50%
Tier 1	6.50%
Total Capital	10.00%
Capital Conservation Buffer (CCB-Consisting of CET-1 only)	0%
Total Capital Plus CCB	10.00%

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

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

Notes to the Financial Statements

For the year ended December 31, 2013

	December 31, 2013	December 31, 2012
	----- (Rupees in '000) -----	
40.2 CAPITAL STRUCTURE	Amount	Amounts subject to Pro - Based III treatment ^a
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital	10,000,000	9,001,433
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 General/ Statutory Reserves	1,170,671	937,341
5 Gain/ (Losses) on derivatives held as Cash Flow Hedge	-	-
6 Unappropriated/unretained profits/ (losses)	741,920	836,654
7 Minority interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
8 CET 1 before Regulatory Adjustments	11,912,791	10,775,638
Common Equity Tier 1 capital: Regulatory adjustments		
9 Goodwill (net of related deferred tax liability)	24,359	17,538
10 All other intangibles (net of any associated deferred tax liability)	-	-
11 Shortfall of provisions against classified assets	-	-
12 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
13 Defined-benefit pension fund net assets	-	-
14 Reciprocal cross holdings in CET1 capital instruments	-	-
15 Cash flow hedge reserve	-	-
16 Investment in own shares/ CET1 instruments	-	-
17 Securitization gain on sale	-	-
18 Capital shortfall of regulated subsidiaries	-	-
19 Deficit on account of revaluation from bank's holdings of property/ AFS	-	-
20 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
21 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
22 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
23 Amount exceeding 10% threshold	-	-
24 of which: significant investments in the common stocks of financial entities	-	-
25 of which: deferred tax assets arising from temporary differences	-	-
26 National specific regulatory adjustments applied to CET1 capital	-	-
27 Investment in TFCs of other banks exceeding the prescribed limit	-	-
28 Any other deduction specified by SRP (mention details)	-	-
29 Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions ^b	182,481	30,252
30 Total regulatory adjustments applied to CET1 (sum of 9 to 29)	205,840	37,787
Common Equity Tier 1 (a)	11,705,951	10,737,841
Additional Tier 1 (AT 1) Capital		
31 Qualifying Additional Tier-1 instruments plus any related share premium	-	-
32 of which: Classified as equity	-	-
33 of which: Classified as liabilities	-	-
34 Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	-

Notes to the Financial Statements

For the year ended December 31, 2013

	December 31, 2013	December 31, 2013
	----- (Rupees in '000) -----	
	Amount	Amount subject to Pre-Basel III treatment ^a
35 of which: instrument issued by subsidiaries subject to phase out	-	-
36 AT1 before regulatory adjustments	-	-
Additional Tier 1 Capital: regulatory adjustments		
37 Investment in mutual funds exceeding the prescribed limit (SIF specific adjustment)	183,481	-
38 Investment in own AT1 capital instruments	-	-
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	-
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital ^a	-	20,352
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
44 Total of Regulatory Adjustment applied to AT1 capital ^a	183,481	20,352
45 Additional Tier 1 capital	-	-
46 Additional Tier 1 capital recognized for capital adequacy	-	-
Tier 1 Capital (CET1 + admissible AT1)	(b)	-
Tier 2 Capital	(c=2+h)	10,737,841
47 Qualifying Tier 2 capital instruments under Basel III	-	-
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-	-
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	-
50 of which: instruments issued by subsidiaries subject to phase out	-	-
51 General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	34,927	8,068
52 Revaluation Reserves	289,803	405,554
53 of which: Revaluation reserves on Property	344,768	344,583
54 of which: Unrealized Gains/Losses on AFS	(54,965)	60,971
55 Foreign Exchange Translation Reserves	-	-
56 Undisclosed/Other Reserves (if any)	-	-
57 T2 before regulatory adjustments	314,730	413,620
Tier 2 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	20,352
59 Reciprocal cross holdings in Tier 2 instruments	-	-
60 Investment in own Tier 2 capital instrument	-	-
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-

Notes to the Financial Statements

For the year ended December 31, 2013

		December 31, 2013	December 31, 2012
		----- (Rupees in '000) -----	
		Amount	Amounts subject to Pre-Base III treatment*
52	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
53	Amount of Regulatory Adjustment applied to T2 capital	-	20,253
54	Tier 2 capital (T2)	314,730	413,620
55	Tier 2 capital recognized for capital adequacy	314,730	393,368
56	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	-
57	Total Tier 2 capital admissible for capital adequacy (d)	314,730	393,368
	TOTAL CAPITAL (T1 + admissible T2) (e=c+d)	12,020,681	11,131,209
	Total Risk Weighted Assets (j=f+g+h)	50,013,732	44,409,208
58	Total Credit Risk Weighted Assets (f)	33,596,184	29,474,039
59	Risk weighted assets in respect of amounts subject to Pre-Base III Treatment		
70	of which: recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	328,275	-
71	of which: deferred tax assets	748,076	-
72	of which: Defined-benefit pension fund net assets	-	-
73	of which: Others	-	-
74	Total Market Risk Weighted Assets (g)	10,258,294	10,034,056
75	Total Operational Risk Weighted Assets (h)	6,159,275	4,911,113
	Capital Ratios and buffers (in percentage of risk weighted assets)		
76	CET1 to total RWA (a/i)	23.41%	24.18%
77	Tier-1 capital to total RWA (c/i)	23.41%	24.18%
78	Total capital to RWA (e/i)	24.03%	25.07%
79	Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
80	of which: capital conservation buffer requirement	-	-
81	of which: countercyclical buffer requirement	-	-
82	of which: D-SIB or G-SIB buffer requirement	-	-
83	CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
	National minimum capital requirements prescribed by SBP		
84	CET1 minimum ratio	5.00%	-
85	Tier 1 minimum ratio	6.50%	-
86	Total capital minimum ratio	10.00%	10.00%
	Amounts below the thresholds for deduction (before risk weighting)		
87	Non-significant investments in the capital of other financial entities	897,198	-
88	Significant investments in the common stock of financial entities	131,310	-
89	Deferred tax assets arising from temporary differences (net of related tax liability)	299,230	-
	Applicable caps on the inclusion of provisions in Tier 2		
90	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	34,927	-
91	Cap on inclusion of provisions in Tier 2 under standardized approach	419,952	-
92	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
93	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

* As the Bank has no Additional Tier 1 capital, deduction is made from CET1.

** 2012 based on BASEL II Framework.

Notes to the Financial Statements

For the year ended December 31, 2013

40.3 CAPITAL STRUCTURE RECONCILIATION

	Note	As per published financial statements	Under regulatory scope of consolidation
		December 31, 2013	December 31, 2013
(Rupees in '000)			
Step 1			
Assets			
Cash and balances with treasury banks		4,068,678	4,068,678
Balances with other banks		3,813,251	3,813,251
Lending to financial institutions		7,500,301	7,500,301
Investments		53,363,163	53,363,163
Advances		35,450,201	35,450,201
Operating fixed assets		1,604,484	1,604,484
Deferred tax assets		299,230	299,230
Other assets		2,070,880	2,070,880
Total assets		106,170,168	106,170,168
Liabilities & Equity			
Bills payable		521,035	521,035
Borrowings		15,157,773	15,157,773
Deposits and other accounts		77,217,733	77,217,733
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,716,830	2,716,830
Total liabilities		95,613,371	95,613,371
Share capital/ Head office capital account		10,000,000	10,000,000
Reserves		1,170,871	1,170,871
Unappropriated/ Unremitted profit/ (losses)		741,920	741,920
Minority Interest		-	-
Surplus on revaluation of assets		644,006	644,006
Total Equity		12,556,797	12,556,797
Total liabilities & equity		106,170,168	106,170,168

Notes to the Financial Statements

For the year ended December 31, 2013

Step 2	As per published financial statements	Under regulatory scope of consolidation	Reference
	December 31, 2013	December 31, 2013	
(Rupees in '000)			
Assets			
Cash and balances with treasury banks	4,068,676	4,068,676	
Balances with other banks	3,813,251	3,813,251	
Lending to financial institutions	7,500,301	7,500,301	
Investments	53,363,163	53,363,163	
of which: Non-significant capital investments in capital of other financial institutions exceeding 10% threshold	-	-	a
of which: significant capital investments in financial sector entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	163,481	163,481	c
of which: reciprocal crossholding of capital instrument	-	-	d
of which: others (mention details)	-	-	e
Advances	35,450,201	35,450,201	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	24,927	24,927	g
Fixed Assets	1,604,464	1,604,464	
of which: Goodwill	-	-	j
of which: Intangibles	24,359	24,359	k
Deferred Tax Assets	299,230	299,230	
of which: DTAs excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	2,070,680	2,070,680	
of which: Goodwill	-	-	
of which: Intangibles	-	-	
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	108,170,168	108,170,168	

Notes to the Financial Statements

For the year ended December 31, 2013

Step 2	As per published financial statements	Under regulatory scope of consolidation	Reference
	(Rupees in '000)		
Liabilities & Equity	December 31, 2013	December 31, 2013	
Bills payable	521,035	521,035	
Borrowings	18,157,773	18,157,773	
Deposits and other accounts	77,217,733	77,217,733	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	2,716,830	2,716,830	
Total liabilities	95,613,371	95,613,371	
Share capital	10,000,000	10,000,000	
of which: amount eligible for CET1	10,000,000	10,000,000	x
of which: amount eligible for AT1	-	-	t
Reserves	1,170,871	1,170,871	
of which: portion eligible for inclusion in CET1 (provide breakup)	1,170,871	1,170,871	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	741,920	741,920	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	644,006	644,006	
of which: Revaluation reserves on Property	766,152	766,152	aa
of which: Unrealized Gains/Losses on AFS	(122,146)	(122,146)	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total Equity	12,556,797	12,556,797	
Total Liabilities & Equity	108,170,168	108,170,168	

Notes to the Financial Statements

For the year ended December 31, 2013

Step 3	Component of regulatory capital reported by bank	Source based on reference number from step 2 (Rupees in '000)
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1	10,000,000	(x)
2	-	
3	-	
4	1,170,871	(v)
5	-	
6	741,920	(w)
7	-	(z)
8	11,912,791	
Common Equity Tier 1 capital: Regulatory adjustments		
9	-	(j) - (o)
10	24,359	(k) - (p)
11	-	(f)
12	-	(h) - (z) * x%
13	-	(i) - (q) * x%
14	-	(d)
15	-	
16	-	
17	-	
18	-	
19	-	(ab)
20	-	
21	-	(a) - (ac) - (ad)
22	-	(b) - (ad) - (af)
23	-	(i)
24	-	
25	-	
26	-	
27	-	
28	-	
29	182,481	
30	206,840	
	11,705,951	
Additional Tier 1 (AT 1) Capital		
31	-	
32	-	(n)
33	-	(m)
34	-	
35	-	(y)
36	-	

Notes to the Financial Statements

For the year ended December 31, 2013

	Component of regulatory capital reported by bank	Source based on reference number from step 2
Additional Tier 1 Capital: regulatory adjustments		
37 Investment in mutual funds exceeding the prescribed limit (SEF specific adjustment)	182,481	
38 Investment in own AT1 capital instruments	-	
39 Reciprocal cross holdings in Additional Tier 1 capital instruments	-	
40 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ac)
41 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
42 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Base1 III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-	
43 Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
44 Total of Regulatory Adjustment applied to AT1 capital	182,481	
45 Additional Tier 1 capital	-	
46 Additional Tier 1 capital recognized for capital adequacy	-	
Tier 1 Capital (CET1 + admissible AT1)	11,705,931	
Tier 2 Capital		
47 Qualifying Tier 2 capital instruments under Basel III	-	
48 Capital instruments subject to phase out arrangement from tier 2 (Pre-Base1 III instruments)	-	(b)
49 Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-	(c)
50 of which: instruments issued by subsidiaries subject to phase out	-	
51 General Provisions or general reserves for loan losses up to maximum of 1.25% of Credit Risk Weighted Assets	24,827	(g)
52 Revaluation Reserves eligible for Tier 2	289,803	
53 of which: portion pertaining to Property	344,768	portion of (aa)
54 of which: portion pertaining to AFS securities	(34,866)	
55 Foreign Exchange Translation Reserves	-	(v)
56 Undisclosed/Other Reserves (if any)	-	
57 T2 before regulatory adjustments	314,730	
Tier 3 Capital: regulatory adjustments		
58 Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Base1 III treatment which, during transitional period, remain subject to deduction from tier-3 capital	-	
59 Reciprocal cross holdings in Tier 2 instruments	-	
60 Investment in own Tier 2 capital instrument	-	
61 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(ee)
62 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ef)
63 Amount of Regulatory Adjustment applied to T2 capital	-	
64 Tier 2 capital (T2)	314,730	
65 Tier 2 capital recognized for capital adequacy	314,730	
66 Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
67 Total Tier 2 capital admissible for capital adequacy	314,730	
TOTAL CAPITAL (T1 + admissible T2)	12,020,661	

Notes to the Financial Statements

For the year ended December 31, 2013

40.4 MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Main Features	Common Shares
1 Issuer	The Bank of Khyber
2 Unique identifier (eg ESE Symbol or Bloomberg identifier etc.)	BOE
3 Governing law(s) of the instrument	Companies Ordinance 1984, ESE Regulations, The Bank of Khyber Act, 1991
Regulatory treatment	
4 Transitional Basel III rules	Common Equity Tier I
5 Post-transitional Basel III rules	Common Equity Tier I
6 Eligible at solo/ group/ group&solo	Solo
7 Instrument type	Ordinary Shares
8 Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	Rs. 10,000,000
9 Par value of instrument	Rs. 10/-
10 Accounting classification	Shareholders' equity
11 Original date of issuance	25.02.2006
12 Perpetual or dated	Perpetual
13 Original maturity date	No maturity
14 Issuer call subject to prior supervisory approval	No
15 Optional call date, contingent call dates and redemption amount	N/A
16 Subsequent call dates, if applicable	N/A
Coupons / dividends	
17 Fixed or floating dividend/ coupon	N/A
18 coupon rate and any related index/ benchmark	N/A
19 Existence of a dividend stopper	No
20 Fully discretionary, partially discretionary or mandatory	Fully discretionary
21 Existence of step up or other incentive to redeem	No
22 Non-cumulative or cumulative	Noncumulative
23 Convertible or non-convertible	N/A
24 If convertible, conversion trigger (s)	N/A
25 If convertible, fully or partially	N/A
26 If convertible, conversion rate	N/A
27 If convertible, mandatory or optional conversion	N/A
28 If convertible, specify instrument type convertible into	N/A
29 If convertible, specify issuer of instrument it converts into	N/A
30 Write-down feature	N/A
31 If write-down, write-down trigger(s)	N/A
32 If write-down, full or partial	N/A
33 If write-down, permanent or temporary	N/A
34 If temporary write-down, description of write-up mechanism	N/A
35 Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36 Non-compliant transitioned features	No
37 If yes, specify non-compliant features	N/A

Notes to the Financial Statements

For the year ended December 31, 2013

40.5 Capital Adequacy

Credit Risk

Portfolio subject to standardized approach (single or comprehensive)

On-balance sheet

Claims on other Sovereigns and on Governments of Pakistan or Provincial Governments or SDF (distributed in categories other than PGR)
 Claims on Public Sector Entities in Pakistan
 Claims on Banks
 Claims (distributed in foreign currency) on banks with original maturity of 3 months or less (submitted in PGR and funded in PGR)
 Claims on banks with original maturity of 3 months or less (submitted in PGR and funded in PGR)
 Claims on Corporate (including equity exposures)
 Claims reorganized in asset portfolio
 Claims fully secured by residential property

Past Due loans

where specific provisions are less than 20 per cent of the outstanding amount of the past due claim

where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim

where specific provisions are more than 20 per cent of the outstanding amount of the past due claim

Loans and claims fully secured against eligible residential mortgages that are past due by 90 days and for which specific provisions held there against is more than 20% of outstanding amount

Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an associated/linked affiliate

Significant investments and UFGs above 10% threshold (refer to Section 2.8.10 of Basel III instructions)

Issued Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book

Outright equity investments (other than those deducted from capital) held in banking book

All other assets

Off-Balance Sheet - Non Market related Exposures

Direct Credit Substitutes / Lending of accounts or posting of borrower as collateral

Performance related Contingencies

Trade Related contingencies / Other Commitments with original maturity of one year or less

Off-Balance Sheet - Market related Exposures

Foreign Exchange Contracts with SDF

Foreign Exchange Contract (with original maturity of less than 14 days)

Foreign Exchange Contracts

Total Credit Risk (A)

Market Risk

Capital Requirement for portfolio subject to Standardized Approach

Interest rate risk

Equity position risk- on

Foreign exchange risk on

Total Market Risk (B)

Operational Risk

Basel Indicator Approach- Total of operational risk (C)

Total (A + B + C)

	Capital Requirements		Risk Weighted Assets	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Rupees in '000)			
Claims on other Sovereigns and on Governments of Pakistan or Provincial Governments or SDF (distributed in categories other than PGR)	300	4,531	2,002	42,360
Claims on Public Sector Entities in Pakistan	27,075	35,363	270,731	363,535
Claims on Banks	37,559	45,854	279,567	408,526
Claims (distributed in foreign currency) on banks with original maturity of 3 months or less (submitted in PGR and funded in PGR)	18,110	-	181,195	-
Claims on banks with original maturity of 3 months or less (submitted in PGR and funded in PGR)	134,710	81,300	1,247,000	312,497
Claims on Corporate (including equity exposures)	1,773,970	1,596,300	17,739,698	10,963,001
Claims reorganized in asset portfolio	179,498	101,088	1,794,864	1,313,293
Claims fully secured by residential property	33,960	31,688	336,500	318,352
Past Due loans				
where specific provisions are less than 20 per cent of the outstanding amount of the past due claim	67,411	168,202	674,106	1,600,218
where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim	30,013	32,269	300,138	300,892
where specific provisions are more than 20 per cent of the outstanding amount of the past due claim	2,025	-	20,349	-
Loans and claims fully secured against eligible residential mortgages that are past due by 90 days and for which specific provisions held there against is more than 20% of outstanding amount	88	76	888	716
Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an associated/linked affiliate	-	-	-	-
Significant investments and UFGs above 10% threshold (refer to Section 2.8.10 of Basel III instructions)	107,635	-	1,076,351	-
Issued Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book	-	1,546	-	19,451
Outright equity investments (other than those deducted from capital) held in banking book	-	13,364	-	138,576
All other assets	265,009	242,200	2,650,009	2,401,002
	2,797,270	2,461,134	21,974,696	24,011,243
Off-Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes / Lending of accounts or posting of borrower as collateral	289,120	353,074	2,081,000	2,000,744
Performance related Contingencies	242,906	239,793	2,425,056	2,367,303
Trade Related contingencies / Other Commitments with original maturity of one year or less	29,183	29,183	291,825	291,801
	560,909	622,050	4,800,000	4,660,000
Off-Balance Sheet - Market related Exposures				
Foreign Exchange Contracts with SDF	-	-	-	-
Foreign Exchange Contract (with original maturity of less than 14 days)	-	-	-	-
Foreign Exchange Contracts	1,335	2,865	13,379	29,840
	1,335	2,865	13,379	29,840
Total Credit Risk (A)	2,359,814	2,847,464	23,596,164	29,471,038
Market Risk				
Interest rate risk	669,693	770,962	6,688,523	7,590,630
Equity position risk- on	347,619	220,644	3,478,189	2,206,440
Foreign exchange risk on	8,107	31,788	61,071	307,366
Total Market Risk (B)	1,025,420	1,023,400	10,228,294	10,104,436
Operational Risk	615,928	491,111	6,139,275	4,911,112
Basel Indicator Approach- Total of operational risk (C)	615,928	491,111	6,139,275	4,911,112
Total (A + B + C)	3,991,172	4,361,975	39,973,732	44,486,586

Capital adequacy ratio

Total eligible regulatory capital held

Total Risk Weighted Assets

Capital Adequacy Ratio

(a)

(b)

(a) / (b)

December 31, 2013

December 31, 2012

12,020,681

50,013,732

24.03%

11,131,209

44,409,208

25.07%

Notes to the Financial Statements

For the year ended December 31, 2013

41. RISK MANAGEMENT

Banks are in business of taking risk in order to earn acceptable required return. Risk management in The Bank of Khyber is performed at each level of authority and is managed through an ongoing process of identification, measurement and monitoring subject to risk limits and other controls.

The Bank is exposed to credit, market, operational and liquidity risk. For mitigation of these risks, RMD is equipped with dedicated resources having expertise in various areas of risk. Credit Risk Management department is responsible to assess credit risk present in a loan proposal and makes its recommendations for rectification / management of various credit risk accordingly.

Market and Liquidity Risk Management Department (MRMD) is responsible for policy formulation, procedures development, controlling of market and liquidity related various risks including monitoring of exposures against limits and assessment of risks in new businesses. MRMD ensures that the Bank's position in Money Market, Foreign exchange, and Capital Market transactions remain within the assigned internal and regulatory limits. Market and liquidity Early Warning Indicators (EWI) and stop loss limits are duly reported to the management. Similarly, Operational Risk Management assesses the impact of risk of loss due to an event or action causing failure of technology, process infrastructure, personnel and other external events. Their impact is assessed through Risk Control Self Assessment (RCSAs), Key Risk Indicators (KRIs) and loss database, which are in the development phase. Owing to growing importance of regulatory reporting, a Basel II and Regulatory Reporting Department has also been established to keep the Bank in line with various regulatory requirements.

The Bank is fully aware that risk management could not be solely performed by a dedicated centralized department but instead to have an effective risk management framework, front line staff of the Bank, senior management and Board oversight is needed to aid in implementation of the framework. The Bank has a dedicated Management Risk Management Committee (MRMC) and Board Risk Management Committee (BRMC). BRMC is also responsible to review the extent of design and adequacy of risk management framework. The Bank also has a management level Risk Management Committee which is responsible for the smooth implementation of risk management framework within the entire Bank.

41.1 Credit Risk

Credit risk is the potential that the counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligations. The Bank is exposed to credit risk through its lending and investment activities as well as from contingent liabilities.

The main objective of the credit risk management process is to identify, assess, measure and monitor credit risk in all the financial exposures of the Bank. The Bank has established a credit risk management framework to manage credit risk on relationship as well as at portfolio level.

Credit risk management is governed by Board Risk Management Committee, the Board of Directors and other instructions and guidelines outlined by SBP. The Bank attempts to control risk by monitoring credit exposure, limiting non performing counter parties and continually assessing the credit worthiness of the borrowers. The Bank manages limits and controls concentrations of credit risk to individual counterparties and groups, and to industries, where applicable.

The Bank has adopted standardized approach to measure credit risk regulatory charge in compliance with Basel-II requirements. The approach relies upon the assessment of external credit rating agencies. The Bank is in the process of continuously improving the system and bringing it in line with the Basel framework requirements.

Notes to the Financial Statements

For the year ended December 31, 2013

The Bank also plans to move towards advance approaches of Basel II whereby capital requirements will be based upon the probability of default (PD) assigned to various rating grades assigned internally by the Bank.

A comprehensive data set of last five years, for both regular and classified portfolio of SME has been consolidated to arrive at a probability of default model for SME sector. The Bank has also revised its score card model for Consumer portfolio including Mortgage Loans, Personal Loans and auto loans to effectively measure the risk posed by these consumer loans. The Bank has developed credit risk score card for its agriculture portfolio to measure the risk posed by agricultural borrowers. The formal implementation of these score cards is pending till their approval by Board Risk Management Committee. Going forward, the Bank intends to develop PD model for its corporate portfolio as required by Basel Framework.

41.1.1 SEGMENTAL INFORMATION

41.1.1.1 Segments by class of business

	2013					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Acrylic fabrics	-	-	-	-	128,500	1.21
Agriculture, forestry, hunting and fishing	770,696	2.01	517,627	0.67	185,583	1.74
Automobile and transportation equipment	462,026	1.21	-	-	282,641	2.65
Cement	431,733	1.13	-	-	34,523	0.32
Chemical and pharmaceuticals	766,783	2.00	-	-	64,454	0.60
Contractors / construction	1,423,328	3.71	4,177,419	5.41	5,483,058	51.48
CNG stations	228,219	0.60	-	-	486,869	4.57
Education and health	-	-	435,933	0.56	-	-
Financial	306,310	0.80	423,901	0.55	-	-
Fisheries	295,223	0.77	-	-	-	-
Food and beverages	363,808	0.95	-	-	9,174	0.09
Ghee / cooking oil	627,072	1.64	-	-	427,125	4.01
Individuals	1,788,768	4.67	10,404,893	13.47	357	0.00
Manufacturing of match	268,893	0.69	-	-	-	-
Miscellaneous manufacturing	4,084,920	10.68	836,123	1.08	1,060,742	9.95
Petrochemicals	426,657	1.11	-	-	17,290	0.16
Production and transmission of energy	1,064,802	2.78	91,306	0.12	808,391	5.71
Services	967,688	2.52	76,776	0.10	139,111	1.31
Sugar	2,648,341	6.91	-	-	66,293	0.62
Textile	3,836,028	10.01	-	-	353,991	3.32
Trading	2,940,600	7.67	3,069,768	3.98	806,807	7.57
Commodity operation	12,616,320	32.88	-	-	-	-
Others	2,023,189	5.28	57,183,977	74.06	502,052	4.72
	38,339,091	100.00	77,217,733	100.00	10,656,750	100.00

Notes to the Financial Statements

For the year ended December 31, 2013

	2012					
	Advances (Gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Acrylic fabrics	-	-	-	-	128,500	0.94
Agriculture, forestry, hunting and fishing	1,031,370	3.47	901,248	1.50	175,661	1.39
Automobile and transportation equipment	555,726	1.87	-	0.00	147,019	1.08
Cement	674,871	2.07	-	0.00	93,541	0.68
Chemical and pharmaceuticals	839,888	2.79	-	0.00	58,373	0.43
Contractors / construction	1,954,116	6.00	3,905,363	6.50	7,113,304	52.11
CNG stations	311,338	0.71	-	0.00	1,118,478	8.18
Education and health	52,124	0.18	443,430	0.74	231,850	1.53
Financial	568,002	1.91	1,848,090	3.08	-	0.00
Fisheries	295,224	0.99	-	0.00	-	0.00
Food and beverages	477,307	1.61	-	0.00	37,164	0.28
Ghee / cooking oil	796,347	2.69	-	0.00	440,300	3.22
Individuals	1,266,662	4.36	8,510,495	14.17	9,844	0.07
Manufacturing of match	308,432	1.03	-	0.00	345,025	2.53
Miscellaneous manufacturing	2,554,735	8.59	380,553	0.63	684,367	5.01
Petrochemicals	352,494	1.19	-	0.00	58,198	0.41
Production and transmission of energy	1,036,615	3.49	203,231	0.34	810,388	4.47
Services	1,186,523	3.95	51,838	0.09	424,574	3.11
Sugar	1,654,106	5.66	-	0.00	86,570	0.69
Textile	3,423,163	11.51	107,377	0.18	437,708	3.20
Trading	2,374,924	7.89	3,534,600	5.89	1,049,808	7.89
Commodity operation	6,392,821	21.50	-	0.00	-	0.00
Others	1,673,055	5.61	40,155,553	66.88	446,962	3.38
	39,737,754	100.00	80,043,083	100.00	13,660,432	100.00

4.1.1.2 Segment by sector

	2013					
	Advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	15,886,055	33.61	46,353,908	60.03	1,093,575	10.26
Private	25,452,976	66.39	30,863,825	39.97	9,563,178	89.74
	38,339,031	100.00	77,217,733	100.00	10,656,753	100.00

	2012					
	Advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	6,392,821	31.50	31,713,358	52.83	-	-
Private	23,344,833	78.50	28,329,726	47.16	13,660,432	100.00
	39,737,754	100.00	60,043,083	100.00	13,660,432	100.00

Notes to the Financial Statements

For the year ended December 31, 2013

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

	2013		2012	
	Classified advances	Specific provisions held	Classified advances	Specific provisions held
	(Rupees in '000)			
Agriculture, forestry, hunting and fishing	20,522	811	23,295	16,588
Automobile and transportation equipment	187,213	178,156	180,698	179,749
Cement	131,124	121,124	209,816	142,499
Chemical and Pharmaceuticals	135,391	94,908	116,103	104,533
Contractors / Construction	314,544	182,776	307,942	253,635
Financial	67,777	67,777	423,428	423,428
Fisheries	281,855	281,855	281,856	281,856
Food and beverages	247,582	115,600	78,733	18,740
Footwear and Leather garments	108,684	108,684	108,684	108,684
Ghee / cooking oil	43,168	43,168	125,749	125,749
Individuals	69,007	12,023	9,419	9,419
Miscellaneous manufacturing	710,041	366,955	397,371	266,073
Services	42,563	40,025	99,612	36,339
Textile	650,241	534,801	424,243	41,720
Trading	485,840	366,397	687,422	458,920
Others	371,090	348,844	680,296	640,047
	<u>3,856,641</u>	<u>2,863,903</u>	<u>4,334,805</u>	<u>3,007,955</u>

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

Public / Government				
Private	3,856,641	2,863,903	4,334,805	3,007,955
	<u>3,856,641</u>	<u>2,863,903</u>	<u>4,334,805</u>	<u>3,007,955</u>

Notes to the Financial Statements

For the year ended December 31, 2013

41.2 Credit Risk - General Disclosures

The Bank is following Standardized Approach for all its Credit Risk Exposures.

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

Under Standardized Approach, the capital requirement is based on the credit rating assigned to the counter parties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, ECAIs recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) were used for domestic claims. The SBP allows to use Fitch, S&P & Moody's ratings in case of claims on foreign entities but the Bank currently does not have any such claim.

Type of exposures for which each agency is used in the year ended 2013 is presented below:

Exposures	JCR - VIS	PACRA	Others (S&P / Moody's / Fitch)
Corporate	✓	✓	-
Banks	✓	✓	-
Sovereigns other than PKR claims	-	-	-
PSEs	✓	✓	-

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

Eligible cash collaterals under Standardized Approach are used for credit risk mitigation. The forms of collateral that are deemed to be eligible collateral under the 'Simple Approach' to Credit Risk Mitigation (CRM) as per SBP guidelines are used by the Bank and primarily includes cash, government and rated debt securities.

Credit Exposures subject to Standardised approach

Exposures	Rating Category Number	2013			2012		
		Amount Outstanding	Deduction CRM*	Net Amount	Amount Outstanding	Deduction CRM*	Net Amount
Rupees in 000							
Corporate	1 2 3 & 4 5 & 6 Unrated	441,967 550,413 29,992 26,749,514	- - - 742,404	441,967 550,413 29,992 26,007,111	- - - 18,530,735	- - - 18,530,735	
Banks	1 2 & 3 6 Unrated	958,078 320,525 15,805 -	- - - -	958,078 320,525 15,805 -	- - - 480,000	- - - 480,000	
With maturity 3 months or less (F&R)		20,289,151	13,923,078	6,366,074	1,362,467	1,362,467	
With maturity 3 months or less (F&T)	1, 2, 3 6 Unrated	- 905,973 -	- - -	- 905,973 -	- 13,121 -	- 13,121 -	
Retail		4,245,590	326,771	3,918,819	1,620,790	1,620,790	
Claims subject to Residential Mortgage		970,658	-	970,658	910,449	910,449	
Public Sector Entities	1 2 & 3 Unrated	- 1,118,549 -	- - -	- 1,118,549 -	- 507,066 -	- 507,066 -	
Past Due		991,990	-	991,990	1,326,844	1,326,844	
Others		23,453,394	-	23,453,394	3,402,097	3,402,097	

*CRM = Credit Risk Mitigation

Notes to the Financial Statements

For the year ended December 31, 2013

41.2.2 Equity position risk in the banking book

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

41.3 Geographical segment analysis

	2013			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	1,669,330	108,170,168	12,556,797	10,658,750
Outside Pakistan	-	-	-	-
	1,669,330	108,170,168	12,556,797	10,658,750
	2012			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000)			
Pakistan	1,512,076	92,177,638	11,728,799	12,660,432
Outside Pakistan	-	-	-	-
	1,512,076	92,177,638	11,728,799	12,660,432

41.4 Market risk:

It is the risk that the value of the on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, equity prices and / or commodity prices resulting in a loss of earnings and capital. Market risks arise generally from trading activities, open foreign currency positions, holding common equity, and other products. All such instruments and transactions are exposed to general and specific market movements.

The Bank's Market Risk Management structure consists of BRMC for Board oversight, MRMC and Asset and Liabilities Committee (ALCO) at the senior management level and dedicated Market Risk Management Department (MRMD) reporting directly to Head Risk Management Division. MRMD is responsible for policy formulation, procedures development, controlling of market risks including monitoring of exposures against limits and assessment of risks in new businesses. Market risk authority, including both approval of market risk limits and approval of market risks is vested in ALCO.

The Bank seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Various relevant limits are set and approved by ALCO for proper management of Market risk. The intra-day positions are managed by treasury division through stop loss / dealers limits. Stress testing is carried out for both banking and trading books as per SBP guidelines.

The Bank has adopted standardized approach to measure market risk regulatory charge in compliance with Basel-II requirements. MRMD is preparing Stress testing report and market risk capital charge on quarterly basis.

The market risk is further divided into various sub-categories, which are defined as follows:

41.4.1 Foreign exchange risk

Foreign exchange risk / currency risk is defined as risk of loss to earnings and capital arising from adverse movements in currency exchange rates. The Bank undertakes currency risk mostly to support its trade services and maintains overall foreign exchange risk position to the extent of statutory foreign exchange exposure limit prescribed by SBP.

Exposure limits such as counterparty, gsp, currency-wise net open position, dealer and product limits are also in place in accordance with the Bank's approved policies to limit risk and concentration to the acceptable tolerance levels. ALCO is regularly informed through reports issued on regular frequencies for required monitoring. Hedging strategies and mark-to-market valuations are used to mitigate exchange risk resulting from open positions, where required.

Notes to the Financial Statements

For the year ended December 31, 2013

	2013			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan rupee	106,824,315	95,195,356	(3,542,344)	8,086,611
US Dollar	1,144,126	318,700	3,121,030	3,949,456
Pound Sterling	84,797	49,552	36,343	71,587
Japanese Yen	1,094	-	331,372	532,456
Euro	98,535	52,761	18,613	64,387
Other Currencies	17,313	-	34,987	52,300
	108,170,168	95,613,371	-	12,556,797

	2012			
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)			
Pakistan rupee	60,248,872	70,004,161	(5,131,536)	5,113,155
US Dollar	1,686,885	378,795	4,745,508	6,054,596
Pound Sterling	134,928	50,174	16,021	90,775
Japanese Yen	4,827	-	48,770	53,997
Euro	90,799	17,689	320,237	393,347
Other Currencies	21,327	-	-	21,327
	62,177,638	70,450,839	-	11,726,799

41.4.2 Equity position risk

It is the risk of loss to earnings or capital as a result from unfavorable fluctuations in prices of shares in which the Bank carries long and / or short positions, in its trading book.

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Portfolio, Sector and Scrip wise limits are assigned by the ALCO to guard against concentration risk and these limits are reviewed and revised periodically along with results of different stress tests. The Treasury division ensures compliance of concentration limits set by ALCO. Limit breaches if any are promptly reported to ALCO for approval.

41.4.3 Yield / interest rate risk

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Portfolio, Sector and Scrip wise limits are assigned by the ALCO to guard against concentration risk and these limits are reviewed and revised periodically along with results of different stress tests. The Treasury division ensures compliance of concentration limits set by ALCO. Limit breaches, if any, are promptly reported to ALCO for approval.

Risk is addressed by ALCO that reviews the interest rate dynamics at regular intervals and decides re-pricing of assets and liabilities to ensure that the spread of the Bank remains at an acceptable level.

Notes to the Financial Statements

For the year ended December 31, 2013

41.4.4 Mismatch of interest rate sensitive assets and liabilities

The Bank's yield / interest rate sensitivity position, based on the maturity date is as follows:

Effective Yield/ Interest Rate	Total	Exposure to Yield / Interest Rate						New Interest Bearing Financial Instruments	
		Response in CCO							
		Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years		
0.00%	4,055,879	-	-	-	-	-	-	4,055,879	
0.00%	3,873,281	1,353,004	-	-	-	-	-	1,353,004	
0.11%	7,500,301	7,203,301	300,000	-	-	-	-	7,503,301	
0.00%	80,363,140	5,243,311	13,271,398	1,310,190	1,970,340	1,879,437	6,441,702	80,363,140	
10.01%	26,405,007	10,352,850	13,871,617	2,053,363	1,340,897	1,959,815	1,020,000	26,405,007	
Other assets	1,813,743	-	-	-	-	-	-	1,813,743	
Debit	100,006,308	20,010,279	28,553,238	3,593,306	3,311,366	3,839,250	7,466,200	100,006,308	
0.00%	83,033	-	-	-	-	-	-	83,033	
0.04%	26,157,779	14,479,087	277,400	32,100	5,144	-	81,004	26,157,779	
0.00%	27,277,200	176,000	8,512,142	17,379,261	359,332	381,874	2,136,137	27,277,200	
Other liabilities	3,023,777	-	-	-	-	-	-	3,023,777	
Credit	116,491,891	14,655,914	23,661,542	17,791,704	374,680	371,874	84,004	116,491,891	
Debit - Credit	-16,485,583	5,354,365	5,891,696	13,801,602	2,936,686	3,467,376	7,682,171	-16,485,583	
0.00%	457,209	-	-	-	-	-	-	457,209	
1,000,000%	1,000,000	-	-	-	-	-	-	1,000,000	
Other	1,457,209	-	-	-	-	-	-	1,457,209	
Debit - Credit	-1,457,209	-	-	-	-	-	-	-1,457,209	
Bank Yield - Interest Rate Sensitivity Gap	18,204,108	(18,240,208)	(6,874,320)	(13,899,396)	6,879,000	(3,744,176)	1,800,420	7,000,171	855,204
Debit - Credit	16,746,900	20,248,988	22,222,461	6,922,267	11,001,347	13,140,223	13,001,340	22,244,139	23,433,473

Notes to the Financial Statements

For the year ended December 31, 2013

Effective Date Interest Rate	Exposure by Period/Instrument										Risk-Adjusted Interest Income (7 Years Instrument)
	Over 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years	Other Instruments	
	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
On-balance sheet financial instruments											
Financial assets											
Credit and balances with treasury bills	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Balances with other banks	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Interest to financial instruments	0.00%	0.40%	0.64%	1.12%	1.41%	1.68%	1.91%	2.11%	2.28%	2.42%	2.55%
Other assets	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Financial liabilities											
Bank deposits	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Deposits with other accounts	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other liabilities	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
On-balance sheet gap											
Off-balance sheet financial instruments											
Commitments in respect of forward exchange contracts - purchase	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Commitments in respect of forward exchange contracts - sale	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Off-balance sheet gap											
Total/Net/Interest Rate Sensitivity Gap											
Cumulative Yield/Inflow Risk Sensitivity Gap											

Notes to the Financial Statements

For the year ended December 31, 2013

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

	2013	2012
	(Rupees in '000)	
Reconciliation of total assets		
Total financial assets	106,006,336	80,253,390
Add: Non financial assets		
Operating fixed assets	1,604,464	1,359,149
Deferred tax asset	299,230	134,219
Other assets	260,138	430,880
	2,163,832	1,924,248
Balance as per balance sheet	108,170,168	82,177,637
Reconciliation of total liabilities		
Total financial liabilities	94,919,316	69,881,148
Add: Non financial liabilities		
Deferred tax liabilities	-	-
Other liabilities	694,053	569,691
	694,053	569,691
Balance as per balance sheet	95,613,371	70,450,839

41.5 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. Liquidity risk is governed by the liquidity management policy of the Bank and is managed by Market Risk Management Department under the supervision of ALCO.

Efficient and accurate planning plays a critical role in liquidity management. ALCO has devised the liquidity management policy to maintain sufficient liquidity to deal with any possible catastrophe. The level of liquidity reserves as per regulatory requirements also mitigates liquidity risk.

As a part of liquidity management the Bank maintains borrowing relationships to ensure the continued access to diverse market of funding sources. The Bank's credit rating together with market reputation has enabled it to secure ample call lines with local and foreign banks and can fulfill its liquidity gap if need so arises.

41.5.1 Maturities of assets and liabilities - based on expected maturity

2013

Figures in '000

Assets	Total	0 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years
Quick and intangible assets	4,368,279	-	-	-	-	-	-	-
treasury funds	3,373,281	-	-	-	-	-	-	-
Balances with other banks	7,000,361	300,000	-	-	-	-	-	-
Loans to financial institutions	33,363,181	4,830,001	18,124,179	12,310,941	1,279,779	6,294,046	300,000	-
Investments	39,490,201	10,083,961	12,713,112	2,263,208	1,341,071	2,294,027	1,028,202	394,229
Operating lease assets	1,364,614	18,547	36,000	148,014	204,039	301,101	490,000	152,000
Deferred tax assets	689,236	-	-	-	399,236	-	-	-
Other assets	2,070,582	1,719	58,618	2,242	1,273,204	-	129,232	-
Total	108,170,149	28,337,254	32,314,938	14,944,846	3,070,229	9,794,337	2,153,202	699,549
Liabilities								
Equity funds	81,120	-	-	-	-	-	-	-
Borrowings	18,181,773	14,470,087	377,400	312,109	6,144	-	84,019	-
Deposits and other accounts	17,217,232	9,351,120	23,246,209	16,882,222	652,609	314,130	119,261	490,000
Other liabilities	2,719,200	7,462,107	11,694	187,608	349,327	-	-	-
Total	99,138,325	31,360,614	33,899,538	17,231,938	1,095,180	314,130	303,280	490,000
Excess / (Deficit)	12,031,824	(1,023,360)	(1,584,600)	(2,287,092)	1,975,049	2,480,207	1,849,922	209,549
Appropriated								
Share capital	10,000,000	-	-	-	-	-	-	-
Reserves	1,170,871	-	-	-	-	-	-	-
Disappropriated	41,125							
Surplus/(shortfall) of assets	844,008							
Total	12,031,824							

Notes to the Financial Statements

For the year ended December 31, 2013

2012

(\$ in 000)

Item	Year / 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	Over 10 Years
Assets									
Cash and equivalents	3,028,119	-	-	-	-	-	-	-	-
and treasury bills	1,661,273	-	-	-	-	-	-	-	-
Receivables with other banks	1,300,300	-	1,000	-	-	-	-	-	-
Loans to financial institutions	45,071,208	6,033,347	2,787,287	39,905,612	3,403,630	6,147,789	3,633,647	6,130,699	-
Investments	20,011,210	6,481,200	2,553,310	11,222,115	2,268,277	2,218,611	3,969,222	2,333,122	552,390
Advances	1,195,145	11,621	68,222	228,495	194,617	170,293	295,419	395,452	175,170
Operating lease assets	94,221	-	-	-	178,179	-	-	-	-
Deferred tax assets	1,021,366	138,399	-	119,682	-	-	-	436,472	-
Other assets	22,289,214	11,281,473	8,370,790	18,116,783	8,318,660	8,329,137	8,462,688	8,270,688	988,140
Liabilities									
Accounts payable	198,829	-	607,300	10,000	-	-	6,128	-	-
Accruals	2,091,113	-	607,300	10,000	8,261	-	6,128	-	-
Deposits and other accounts	65,043,288	13,191,273	6,168,673	20,804,600	1,277,236	261,371	3,010,664	24,831	485,700
Other liabilities	3,028,119	1,300,300	68,222	411,894	134,779	112,301	87,472	-	-
	70,969,349	14,699,876	6,843,525	29,237,294	1,491,346	462,172	3,104,393	24,832	492,500
244 assets / (liabilities)	11,221,299	11,221,425	8,289,264	18,286,077	6,827,314	8,359,878	5,357,296	8,049,856	218,110
Represented by									
State capital	1,000,000	-	-	-	-	-	-	-	-
Reserve	672,981	-	-	-	-	-	-	-	-
Supplementary funds	98,089	-	-	-	-	-	-	-	-
Capital on issuance of shares	61,121	-	-	-	-	-	-	-	-
	<u>1,732,191</u>								

41.5.2 Maturities of assets and liabilities - based on contractual maturity

2013

Asset	Response in '000								
	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years
Assets									
Cash and balances with financial institutions	4,056,828	-	-	-	-	-	-	-	-
Receivables from other banks	3,813,261	-	-	-	-	-	-	-	-
Loans to financial institutions	1,500,301	300,000	-	-	-	-	-	-	-
Investments	53,383,163	5,013,079	15,204,073	12,513,942	4,927,339	1,253,732	6,894,346	940,079	-
Advances	35,466,871	11,983,963	1,993,746	4,263,381	1,943,987	1,259,412	1,534,462	1,205,262	538,208
Operating fixed assets	1,804,044	18,347	36,282	78,262	148,314	204,328	267,103	282,424	440,000
Deferred tax assets	299,237	-	-	-	299,200	-	-	-	-
Other assets	4,073,982	7,729	93,618	2,516	1,973,262	-	-	2,80,332	-
	108,170,188	28,207,288	9,817,132	20,314,268	14,940,960	8,670,328	8,534,782	4,130,704	688,209
Liabilities									
Bank deposits	561,002	-	-	-	-	-	-	-	-
Reservings	13,157,773	14,479,267	-	277,400	313,108	-	-	94,085	-
Deposits with other banks	77,317,753	63,170,394	9,891,119	3,498,394	15,998,023	903,609	314,180	119,039	480,000
Other liabilities	3,714,630	1,983,137	94,201	175,947	870,038	245,628	-	-	-
	98,815,358	88,753,862	3,895,349	4,146,741	17,646,868	1,187,179	314,180	243,294	480,000
Net assets / liabilities	12,056,937	(61,793,308)	(698,217)	(22,266,248)	(2,705,908)	(3,035,052)	(2,003,094)	(2,093,742)	(209,594)
Represented by:									
Share capital	10,000,000	-	-	-	-	-	-	-	-
Reserves	1,170,811	-	-	-	-	-	-	-	-
Disappreciated parts	741,307	-	-	-	-	-	-	-	-
Surplus or equivalents of assets	844,208	-	-	-	-	-	-	-	-
	12,856,326	-	-	-	-	-	-	-	-

Notes to the Financial Statements

For the year ended December 31, 2013

41.6 Country risk

Typically, it is defined as the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country. Country risk is governed by the Country Risk management policy of the Bank and is managed by Market Risk Management Department under the supervision of ALCO.

41.7 Operational risk

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

SBK defines Operational Risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk."

The Bank maintains a system of internal controls designed to keep operational risk at appropriate levels keeping in view the Bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated and tested.

The Bank has also in place the Business Continuity Plan and appropriate outsourcing measures to cater related operational risks.

Currently the Bank uses the Basic Indicator Approach (BIA) for assessing its operational risk capital charge. However, migration to Standardized Approach is planned for future. In this regard, the Bank has already in place an approved Operational Risk Policy.

42. DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 04, 2014 by the Board of Directors of the Bank.

43. GENERAL

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

43.2 Reclassification

Comparative information has been reclassified and rearranged in these financial statements for the purpose of better presentation. No significant reclassification have been made except as follows:

Description	Amount Rupees in '000	Reclassified	
		From	To
Inventories	28,967	Other assets	Loans and advances
 Managing Director	 Director	 Director	 Director

STATEMENT OF FINANCIAL POSITION - ISLAMIC OPERATIONS
AS AT DECEMBER 31, 2013
ANNEXURE 'A' TO THE FINANCIAL STATEMENTS AS REFERRED TO IN NOTE 2.2

The Bank is operating 44 Islamic banking branches at the end of current year (2012: 35).

	Note	2013 (Rupees in '000)	2012
ASSETS			
Cash and balances with treasury banks		1,224,162	1,099,279
Balances with other banks		2,124,268	505,487
Due from Financial Institutions		2,050,000	1,200,000
Investments		8,234,854	9,643,191
Islamic Financing and Related Assets	A-2	5,176,707	3,211,717
Operating fixed assets		178,031	165,394
Deferred tax assets		-	-
Other assets		963,927	407,517
		19,951,949	16,232,588
LIABILITIES			
Bills payable		140,341	135,187
Due to Financial Institutions		-	-
Deposits and other accounts			
- Current accounts		6,890,741	4,635,304
- Saving accounts		7,134,454	5,860,672
- Term deposits		1,751,069	1,729,823
- Others		636,183	735,268
Deposit from financial Institutions - Remunerative		227,960	363,296
Other liabilities		458,168	441,140
		17,238,936	13,900,692
NET ASSETS		2,713,013	2,331,893
REPRESENTED BY			
Islamic Banking Fund		460,000	460,000
Unappropriated profit		2,253,472	1,871,893
		2,713,472	2,331,893
(Deficit) on revaluation of assets		(459)	-
		2,713,013	2,331,893
REMUNERATION TO SHARIAH ADVISOR		1,886	1,652
CHARITY FUND			
Opening balance		-	-
Additions during the year		4,309	345
Payments during the year		(4,309)	(345)
Closing balance		-	-

THE BANK OF KHYBER
 PROFIT AND LOSS ACCOUNT - ISLAMIC OPERATIONS
 FOR THE YEAR ENDED DECEMBER 31, 2013

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

	2013	2012
	(Rupees in '000)	
Income / return / profit earned	1,484,828	1,420,741
Income / return / profit expensed	(536,459)	(481,526)
	948,369	939,215
Provision / (Reversal of provision) against non-performing financing	19,541	(5,787)
Provision for diminution in value of investments	-	-
	19,541	(5,787)
Net Income / return / profit after provisions	928,828	945,002
OTHER INCOME		
Fee, commission and brokerage income	60,444	57,814
Dividend income	5,067	19,584
Income from dealing in foreign currencies	39,137	35,819
Unrealized (loss) / gain on revaluation of held-for-trading securities	(118)	340
Gain on sale of securities	6,529	4,624
Other income	16,333	16,936
Total other income	127,392	125,117
	1,056,220	1,070,119
OTHER EXPENSES		
Administrative expenses	668,119	588,347
Other provision / write offs	6,492	-
Other charges	30	14
Total other expenses	674,641	588,361
Profit before taxation	381,579	481,758
Unappropriated profit brought forward	1,871,893	1,390,135
Profit available for appropriation	2,253,472	1,871,893

THE BANK OF KHYBER
NOTES TO THE ANNEXURE 'A'
 FOR THE YEAR ENDED DECEMBER 31, 2013

A-1 The Bank of Khyber, Islamic Banking Group is operating following Pools / Sub-pools.

A. General pool

Sub-pools

- B. Riba free special deposit pool - I
- C. Riba free special deposit pool - Banks
- D. Riba free special deposit pool - Corporate
- E. Riba free special deposit pool - Mutual fund / FI
- F. Riba free special deposit pool - Staff provident fund

Features of General Pool

In this pool all types of deposits are accepted on Musharakah basis. Certificates can also be issued for a fixed period.

Deposits received in this Pool are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharakah, Istisna, Islamic Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. Deposits are accepted through Bank's Islamic branches, as well as, Islamic desks established in Conventional branches of the Bank.

Key features

- No restriction on minimum deposit to share profit. However, nominal minimum amount may be required to open account.
- Profit payment on monthly / six monthly / annually / at maturity.
- Profit calculated on daily average balance for the month.
- Investment for six months to five years.
- Pre-mature termination allowed subject to adjustment of profit.

Features of Sub-pools

In sub pools, deposits are accepted on Musharakah basis against specific assets and are offered expected profit rates. Certificates can also be issued for a fixed period.

Deposits received in this Pool are invested in Islamic assets like Ijarah, Diminishing Musharakah, Islamic Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. Deposits are accepted through all Islamic branches of the Bank as well as Islamic desks established in conventional branches of the Bank.

These deposits are tagged with specific assets and deposits are accepted only when there is some opportunity of investment. These are restricted deposits and require approval before acceptance.

Key features

- Minimum investment is proscribed by the Bank for each sub-pool.
- Profit payment on monthly basis.
- Profit calculated on daily average balance for the month.
- Investment as deposit and certificate for 1month, 3 months and 6 months etc.
- Pre-mature termination is allowed without any adjustment if expected profit reduces for the coming months.
- All Special Pools are created as Sub Pools of the General Pool. All administrative expenses of the pools are borne by the General Pool as equity contributor. However, depositors bear the risk of all provisions, direct losses, expenses or diminution in value or earning of the assets of the pool. All residual income of the Pool is transferred to the General Pool being equity holders.

THE BANK OF KHYBER
NOTES TO THE ANNEXURE 'A'
 FOR THE YEAR ENDED DECEMBER 31, 2013

Profit sharing and weightages for distribution of profit

Assignment of weightage for profit distribution to different types of profit bearing sources of funds is as follows:

- "While considering weight-ages emphasis shall be given to the quantum, type and the period of risk assessed by following factors:"
 1. Period of investment (number of months, years etc.)
 2. Profit payment option (monthly, quarterly, maturity etc.)
 3. Purpose of Deposit (Hajj, Umra etc.)
 4. Type of customer (pensioners, widows, corporate, individual etc.)
- Weightages are declared five days before start of each month.
- As per policy of the Bank, no Riba is given to any specific customer. However, Bank can reduce its own share of Bank's Additional Profit and can even reduce the weightage of its own equity in order to distribute the same to all Depositors as per their weightages.

	December 31, 2013	December 31, 2012
	-----Rupees-----	
Modarib Shares		
Distributable shares	918,038	963,284
Bank's shares	381,579	481,758
Percentage	42%	50%

Brief highlights of profit rate earned and distributed to Depositors and retained by IBG are as under:

Profit Rate Earned *	11.03%	12.48%
Profit Rate Distributed to Depositors	6.51%	6.96%

* Profit rate earned means the return on earning assets

Charging expenses

All types of administrative expenses are shared with the depositors. However, equity holders have the option to absorb all or part of administrative expenses.

THE BANK OF KHYBER
NOTES TO THE ANNEXURE 'A'
 FOR THE YEAR ENDED DECEMBER 31, 2013

		2013	2012
	Note	Rupees in '000	
A-2 Islamic Financing and Related Assets			
Murabaha financings	A-2.1	3,833,784	1,565,590
Ijarah	A-2.2	566,089	825,861
Diminishing Musharaka	A-2.3	720,953	859,150
Istisna financings		100,000	-
Qarz-e-Haana		5,793	-
Others		8,513	-
		<u>5,235,132</u>	<u>3,250,601</u>
Less: Provision held against non-performing facilities		(58,425)	(38,884)
		<u>5,176,707</u>	<u>3,211,717</u>
A-2.1 Murabaha			
Murabaha receivable		3,608,817	1,536,623
Assets / Inventories		224,967	28,967
		<u>3,833,784</u>	<u>1,565,590</u>
A-2.2 Ijarah			
Net Investment in Ijarah		24,097	53,679
Ijarah under IFAS-II		532,363	754,980
		<u>556,460</u>	<u>808,659</u>
Assets / Inventories / Advance		9,629	17,002
		<u>566,089</u>	<u>825,661</u>
A-2.3 Diminishing Musharaka			
Diminishing musharaka		715,953	859,150
Assets / Inventories		5,000	-
		<u>720,953</u>	<u>859,150</u>

ANNEXURE 'B'

TO THE FINANCIAL STATEMENTS AS REFERRED TO IN NOTE 11.8.3

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RS. 500,000 OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2013.

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
1	Bhandus Filling Station Polo Ground Road Chitral	1. Muhammad Anwar Khan 17301-355388-7	1. Sheraza Khan	8,302	1,130	-	10,032	-	0,532	0,000	0,532
2	Al-Azbaa Total Petro Filling Station Near Bakshi Pd, Charasadda Road,	1. Shehr Bano 17301-1414208-4	1. Dr. Asad Ali Khan	2,357	6,898	-	2,982	-	0,294	-	0,294
3	Peshawar Imam Ghani Mills Limited Factory: 95-1.E, Jamrud Road, Peshawar Off Saleem Group of Industries, Far Han, Mardan	1. Maj(R) Wazir Muhammad Khan 128-85-992077 2. Jawad Ahmad Khan 128-84-010860 3. Haji Nazim-ur-Retman 128-84-010821	1. Abdul Malik 2. Abdul Fehman 3. Anwar-ud-Dehman	78,851	28,115	-	100,946	72,991	25,115	78,032	177,138
4	Motilokhai CNG Station 29 - Industrial Estate, Jamrud Road, Peshawar	1. Arbab Fayaz Ahmad 17301-9906485-8 2. Arbab Kamal Khan 17301-9711100-8	1. Arbab Amanullah Khan 2. Arbab Nasrullah Khan	0,840	1,607	-	2,247	-	1,607	-	1,607
5	Shabbaz Gul Shinwari House # 19, Street # 3, Sector G-5, Phase-2, Hayatabad, Peshawar	1. Shabbaz Gul Shinwari 17301-0208784-7	1. Kab Nawaz Khan Shinwari	42,000	10,730	-	52,730	-	12,356	-	12,356
6	Bashir Awan & Sons Shop No. 33, Anam Mansion Market, Near Mayo Hospital, Lahore	1. Qaiser Bashir 35202-3190060-3	1. Bashir Awan	0,294	0,044	-	0,338	-	0,037	0,551	0,588
7	Global Connection Company 4-Elnesham Chambers, Shabir-e-Millar, Paper Market, Circular Road, Lahore	1. Salman Nazir 35202-068790-7 2. Aliya Salman 35202-3735844-8 3. Senan Nazir 35202-358705-7 4. Subhan Nazir 35202-8319403-1	1. Nazir Javed 2. Salman Nazir 3. Nazir Javed 4. Nazir Javed	12,072	0,825	-	13,097	-	-	3,077	3,077

ANNEXURE 'B'

TO THE FINANCIAL STATEMENTS AS REFERRED TO IN NOTE 11.6.3

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RS. 500,000 OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2013

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	Other	Total				
1	2	3	4	5	6	7	8	9	10	11	12
8.	Frontier Match Industry (Pvt) Ltd. 15-A, Industrial Estate, Jamrud Road, Peshawar	1. Abdul Rashid 37405-3336454-7 2. Mian Moham-ud-Din 17301-7347487-1	1. Ghulam Habib Khan 2. Hamid ud Din	23,000	13,317	-	36,317	-	11,334	1,706	18,032
9.	Sheenagar Flour Mills (Pvt) Ltd. Takhli Nazrat, Distt. Karak	1. Nadra K. Mohsin Ali Khan 17301-1320025-4 2. Sheer Bano 17301-1414008-4	1. Nawalzada Mohsin Ali Khan 2. Dr. Asad Ali Khan.	11,000	7,546	-	18,546	-	5,640	-	3,546
10.	Bashir Umerazi Filling Station Umerazi Charasadda	1. Khalid Bashir 17101-2400555-3 2. Shahzad Bashir 17101-4780144-7 3. Manzoor Bashir 17101-0380719-7 4. Afzal Bashir 17101-3880752-7	1. Bashir Khan 2. Bashir Khan 3. Bashir Khan 4. Bashir Khan	12,061	3,115	-	15,104	-	2,444	2,793	5,237
11.	Franko Shahzad Surgoo (Pvt) Ltd. Industrial Estate, Sialkot	1. Shahzad Islam Malik 34603-8000085-5 2. Salma Begum 34603-1126225-0 3. Rabeen Shahzad 34603-7705634-0	1. Malik Muhammad Aslam 2. Malik Muhammad Islam 3. Shahzad Islam Malik	-	2,500	-	2,500	-	6,608	-	6,608
12.	Ahmad Nawaz Swmi Upper Chandi, Mansehra	1. Ahmad Nawaz 13303-8800038-2	1. Mianad Khan	0,420	0,540	-	0,960	-	0,540	-	0,840
				188,797	27,112	-	215,909	72,391	26,998	87,161	219,079

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

ANNEXURE 'C'

TO THE FINANCIAL STATEMENTS AS REFERRED TO IN NOTE 10.4

1. Particulars of investments held in ordinary shares of listed companies	2013	2012	2013	2012
	Number of shares		Cost Rupees in '000	
Available for sale				
Accord Textile Limited	10,391	10,391	-	-
Adamjee Floorings Limited	1,300	1,300	-	-
Adamjee Industries	26	26	-	-
Adamjee Paper and Board Mills Limited	6,100	6,100	-	-
Adil Polypropylene Limited	3,800	3,800	-	-
Aisar Textile Mills Limited	1,400	1,400	-	-
Akzo Nobel Pak Limited	13,420	13,420	2,004	2,004
Al-Husainy Industries Limited	1,300	1,300	-	-
Alif Textile Mills Limited	7,500	7,500	-	-
Allied Bank Limited	500,000	-	43,420	-
Al-Qaim Textile Mills Limited	8,000	8,000	-	-
Apex Fabrics Limited	6,500	6,500	-	-
Arag Industries Limited	4,300	4,300	-	-
Aam Textile Mills Limited	26,500	26,500	-	-
Askari Bank Limited	-	350,000	-	5,535
Aswan Tentage and Canvas Mills Limited	3,700	3,700	-	-
Attock Cement Pak Limited	250,000	-	36,938	-
Attock Petroleum Limited	300,000	-	144,402	-
Awan Textile Mills Limited	5,300	5,300	-	-
Ayar Textile Mills Limited	5,000	5,000	-	-
Bahawalpur Textile Mills Limited	1,000	1,000	-	-
Balochistan Faundry Limited	1,600	1,600	-	-
Balochistan Particle Board Limited	17,129	17,129	-	-
Bank Al-Habib Limited	3,750,000	2,000,000	110,614	45,987
Bankers Equity Limited	66,707	66,707	-	-
Bela Engineering Limited	5,500	5,500	-	-
Business and Industrial Insurance Company Limited	500,000	500,000	5,000	5,000
Carvan East Fabrics Limited	948,700	948,700	9,487	9,487
Central Cotton Mills Limited	700	700	-	-
Charsada Sugar Mills Limited	20	20	-	-
Chulya Corrugated Board Limited	900	900	-	-
Colony Sarhad Textile Mills Limited	7,273	7,273	3	3
Crescent Knitwear Limited	1,500	1,500	-	-
Crescent Spinning Mills Limited	16,400	16,400	-	-
Crown Textile Mills Limited	7,200	7,200	-	-
Dadabhoy Leasing Company Limited	8,500	8,500	-	-
Dadabhoy Padube Limited	1,200	1,200	-	-
Data Agro Limited	2,400	2,400	-	-
Dawood Capital Management Limited	2,246,055	2,246,055	22,461	22,461
Dawood Equities Limited	3,750,000	3,750,000	37,500	37,500
Engro Chemical Pakistan Limited	200,000	-	27,632	-
Fateh Industries Limited	600	600	-	-
Fateh Sports Wear Limited	1,000	1,000	-	-
Fauji Fertilizer Bin Qasim Limited	-	350,000	-	13,692
Fauji Fertilizer Company Limited	1,193,000	189,999	135,277	21,599
Fazal Vegetable Ghee Mills Limited	500	500	-	-
Forozsons Laboratories Limited	-	33,085	-	2,326
Ghafur Textile Mills Limited	1,000	1,000	-	-
Glaxosmith Kline Pakistan Limited	425,000	-	59,348	-
Globe Textile Mills Limited	1,458	1,458	23	23

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

ANNEXURE 'C' (continued)	2013	2012	2013	2012
	Number of shares		Cost Rupees in '000	
Greaves Air conditioning Limited	1,300	1,300	-	-
Gypsum Corporation Limited	3,600	3,600	-	-
H. Sheikh, M. Hussain Company Limited	2,516	2,516	-	-
Habib Bank Limited	-	300,000	-	33,572
Habib Metropolitan Bank Limited	1,600,000	1,600,000	33,808	33,808
Hafiz Textile Mills Limited	315	315	5	5
Hashmi Can Co. Limited	3,800	3,800	-	-
Hinopak Motors Limited	-	11,665	-	1,579
Hub Power Company Limited	1,177,000	-	61,268	-
Hyderabad Electronic Industries Limited	1,800	1,800	-	-
Hyderabad Electronic Industries Limited	2,300	2,300	-	-
ICI Pakistan Limited	26,689	26,689	3,987	3,987
Indus Dyeing Manufacturing Company Limited	-	-	-	-
Indus Motors Company Limited	100,000	-	34,540	-
Innovative Investment Bank Limited	807	807	-	-
International Industries Limited	201,101	201,101	9,833	9,833
Iti Textile Mills Limited	3,500	3,500	-	-
Junaid Cotton Mills Limited	1,000	1,000	-	-
Kaiser Art and Kraft Mills Limited	500	500	-	-
Karachi Pipe Mills Limited	3,400	3,400	-	-
Karim Cotton Mills Limited	2,550	2,550	-	-
Karim Silk Mills Limited	300	300	-	-
KASB Securities Limited	-	2,779,591	-	11,989
Kohinoot Looms Limited	3,500	3,500	-	-
Kot Addu Power Company Limited	750,000	-	46,180	-
Lafayette Industries Synthetics Limited	2,600	2,600	-	-
LTV Capital Modaraba	300	-	-	-
Lucky Cement Limited	-	250,000	-	34,831
Marr Fabrics Limited	2,700	2,700	-	-
Medi Glass Limited	7,400	7,400	-	-
Mehr Dastagir Textile Mills Limited	1,200	1,200	-	-
Mehran Bank Limited	16,900	16,900	-	-
Mehran Jute Mills Limited	2,500	2,500	-	-
Mian Mohammed Sugar Mills Limited	4,000	4,000	-	-
Mohub Textile Mills Limited	3,500	3,500	-	-
Moraleo Industries Limited	1,631	1,631	-	-
Mubarik Dairies Limited	1,000	1,000	-	-
National Bank of Pakistan	1,200,000	1,078,000	72,178	52,584
National Match Factory Limited	600	600	-	-
National Refinery Limited	100,000	-	19,957	-
Naveed Textile Mills Limited	1,500	1,500	-	-
Nishat Power Limited	-	120,000	-	1,974
Nowshera Engineering Company Limited	600	600	-	-
Nuzrat Textile Mills Limited	6,900	6,900	-	-
Pak German Pre-Fabs Limited	1,500	1,500	-	-
Pak Chee Industries Limited	1,300	1,300	-	-
Pakistan Oil fields Limited	50,000	-	24,283	-
Pakistan Papersack Company Limited	2,450	2,450	-	-
Pakistan Petroleum Limited	150,000	312,500	22,631	56,664
Pakistan Refinery Limited	-	24,781	-	2,510
Pakistan Services Limited	-	18,544	-	3,141
Pakistan State Oil Company Limited	125,000	230,000	28,178	53,913
Pakistan Telecommunication Company Limited	500,000	-	10,028	-

ANNEXURE 'C'

TO THE FINANCIAL STATEMENTS AS REFERRED TO IN NOTE 10.4

ANNEXURE 'C' (continued)	2013	2012	2013	2012
	Number of shares		Cost Rupees in '000	
Pakistan Tobacco Company Limited	-	36,081	-	3,727
Pan Islamic Steamship Company Limited	172	172	-	-
Pearl Fabrics Limited	5,200	5,200	-	-
Punjab Lamps Works Limited	2,500	2,500	-	-
Punjab Building Product Limited	10,298	10,298	-	-
Punjab Cotton Mills Limited	1,000	1,000	-	-
Qayyum Spinning Mills Limited	2,300	2,300	-	-
Quality Steel Works Limited	26	26	-	-
RCD Ball Bearing Limited	500	500	-	-
Redco Textiles Limited	17,700	17,700	-	-
Regal Ceramics Limited	2,600	2,600	-	-
Rex Barron Batteries Limited	1,200	1,200	-	-
Saif Nadeem Kawasaki Motors Limited	100	100	-	-
Saitex Spinning Mills Limited	8,400	8,400	-	-
Saleem Denim Industries Limited	3,600	3,600	-	-
Sardar Chemical Industries Limited	3,000	3,000	5	8
Schon Textiles Limited	5,800	5,800	-	-
Searle Pakistan Limited	41,470	31,900	1,281	1,281
Service Fabrics Limited	31,000	31,000	-	-
Service Industries Limited	28,500	38,637	7,747	10,488
Service Textile Industries Limited	3,800	3,800	-	-
Shahyar (O.E) Textile Mills Limited	1,700	1,700	-	-
Shahyar Textile Mills Limited	5,000	5,000	-	-
Siemens Pakistan Engineering Company Limited	10,630	21,630	10,369	31,100
Siftaq International Limited	2,900	2,900	-	-
Sind Alkalis Limited	15,500	15,500	-	-
Sind Fine Textile Mills Limited	2,000	2,000	-	-
Sui Northern Gas Pipelines Limited	300,000	80,500	6,528	2,238
Sunrise Textile Mills Limited	300	300	-	-
Sunshine Cloth Mills Limited	10,000	10,000	-	-
Sunshine Cotton Mills Limited	10,352	10,352	-	-
Suraj Ghee Industries Limited	1,458	1,458	-	-
Syed Match Company Limited	500	500	7	7
Syed Saigol Industries Limited	1,300	1,300	-	-
Taga Pakistan Limited	2,900	2,900	-	-
Taj Textile Mills Limited	32,363	32,363	12	12
Tariq Cotton Mills Limited	1,400	1,400	-	-
Tawakkal Garment Industries Limited	3,000	3,000	-	-
Tawakkal Limited	2,637	2,637	-	-
Tawakkal Modaraba 1st	11,200	11,200	-	-
Thal Limited	14,026	14,026	169	169
Treet Corporation Limited	11,877	61,877	97	437
Turbo Tubes Limited	4,000	4,000	-	-
Unucap Modaraba	7,500	7,500	-	-
United Bank Limited	500,000	450,000	63,239	33,994
Uqab Breeding Farms limited	3,400	3,400	-	-
Wyeth Pak Limited	2,557	2,557	2,690	2,690
Zafar Textile Mills Limited	1,550	1,550	-	-
Zahoor Cotton Mills Limited	10,500	10,500	-	-
Zahoor Textile Mills Limited	9,500	9,500	-	-
			1,093,317	542,112

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

ANNEXURE 'C' (continued)	2013	2012	2013	2012
	Number of shares		Cost Rupees in '000	
Held for Trading				
Askari Bank Limited	-	507,000	-	8,442
D.G.Khan Cement Company Limited	-	36,500	-	1,941
Engro Foods Limited	50,000	13,000	5,294	1,186
Fauji Fertilizer Bin Qasim	-	30,000	-	762
Fauji Fertilizer Company Limited	-	25,500	-	2,903
Glaxosmithkline Pakistan	-	7,000	-	518
Hub Power Company Limited	-	38,500	-	1,271
Kohat Cement Limited	-	15,000	-	1,024
Lucky Cement Limited	-	8,000	-	1,172
National Bank of Pakistan	300,000	-	17,945	-
Pak Petroleum Limited	10,000	9,950	2,180	1,737
Pakistan State Oil Company Limited	-	7,880	-	1,785
Pakistan Telecommunication Company Limited	85,000	95,000	2,567	1,697
Sui Southern Gas Pipe Line Limited	25,000	11,000	562	359
			<u>28,548</u>	<u>24,697</u>
			<u>1,121,865</u>	<u>568,809</u>

The paid-up value of each share in listed companies was Rs. 10 per share (2012: Rs. 10 per share).

As at December 31, 2013, the aggregate market value of listed shares was Rs. 1,187,230 million (2012: Rs. 523,517 million).

2. Particulars of investments held in ordinary shares of unlisted companies	2013	2012	2013	2012
	Number of shares		Cost Rupees in '000	
Al-Hamra Hills (Private) Limited	-	5,000,000	-	50,000
Asian Housing Finance Limited	500,000	500,000	5,000	5,000
Dawood Family Takaful Limited	-	11,250,000	-	112,500
Mohib Textile Mills Limited	1,190,500	1,190,500	25,000	25,000
Mohib Exports Limited	25,300	25,300	487	487
Industrial Development Bank of Pakistan	20	20	-	-
			<u>30,487</u>	<u>192,987</u>

The paid-up value of each share in unlisted companies is Rs. 10 per share (2013: Rs. 10 per share).

3. Particulars of investments held in ordinary shares of related parties:	2013	2012	2013	2012
	Number of shares		Cost Rupees in '000	
Unlisted shares				
Taurus Securities Limited	4,050,374	4,050,374	40,504	40,504
Dawood Family Takaful Limited	11,250,000	-	112,500	-
			<u>153,004</u>	<u>40,504</u>

The paid-up value of each share in unlisted companies is Rs. 10 per share (2013: Rs. 10 per share).

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

ANNEXURE 'C' (continued)

4. Particulars of investments held in listed term finance certificates (TFC)

Terms of Interest	Date of Maturity	2013	2012	Cost		
				Number of shares / certificates held	Rs/crore in '000	
Available-for-sale						
Allied Bank Limited	6 months KIBOR + 100 BPS	December 12, 2014	14,000	14,000	64,916	66,822
Arabi Bank Limited	6 months KIBOR + 200 BPS	November 15, 2014	30,000	30,000	149,790	149,619
SBH Bank Limited	6 months KIBOR + 110 BPS	March 5, 2016	-	12,000	-	62,403
Empire Facilities Limited	6 months KIBOR + 150 BPS	November 30, 2015	46,845	46,845	222,421	231,856
Fayyat Bank Limited	6 months KIBOR + 140 BPS	November 12, 2014	3,515	3,515	12,790	21,320
Farm Pakistan Limited *	6 months KIBOR + 200 BPS	February 13, 2017	30,000	30,000	89,886	89,560
Pak Air Finance Limited	6 months KIBOR + 100 BPS	February 26, 2013	-	1,170	-	7,750
Bank For Leasing Company *	Fixed at 5%	March 12, 2017	10,000	10,000	28,740	31,990
Standard Chartered Bank Limited	6 months LIBOR + 200 BPS	February 1, 2013	-	1,743	-	6,828
Telcofund Limited *	6 months KIBOR + 275 BPS	May 23, 2013	2,000	2,000	12,968	12,634
United Bank Limited	6 months KIBOR + 30 BPS	February 14, 2014	-	9,000	-	44,919
					<u>572,291</u>	<u>744,291</u>

The paid-up value of each TFC held was Rs. 5,000 per certificate (2012: Rs. 5,000 per certificate)

The market value of these listed TFCs amounted to Rs. 356.49 million as at December 31, 2013 (2012: Rs. 737.30 million). These have been classified as non performing.

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

Terms of Interest	Date of Maturity	2013	2012	Cost		
				Number of certificates held	Rs/crore in '000	
Available-for-sale						
Arabi Hotel Limited	1 Year KIBOR + 200 BPS	October 30, 2014	75,000	22,000	129,810	318,428
Bank Al-Falah Limited	Fixed at 15%	December 8, 2017	38,000	35,000	189,696	189,722
Bank Al-Habib Limited	Fixed at 15.5%	June 12, 2017	30,000	30,000	99,640	99,720
Deewan Farooq Spanning Mills	Non-performing	Over due	4,000	4,000	5,000	5,000
Fayyat Bank Limited	6 months KIBOR + 250 BPS	October 11, 2017	15,000	13,000	74,910	74,540
Oriz Leasing Pakistan Limited	6 months KIBOR + 100 BPS	January 15, 2013	-	290	-	4,168
					<u>505,056</u>	<u>592,578</u>

The paid-up value of each TFC held was Rs. 5,000 per certificate (2012: Rs. 5,000 per certificate) except for Oriz Leasing having face value of Rs. 100,000 (2012: Rs. 100,000).

6. Particulars of investments held in units of mutual funds

Held-for-trading	2013	2012	Cost	
			Number of units held	Rs/crore in '000
Open-ended mutual funds				
FFIC Cash Fund	1,991,302	-	600,000	-
ERBF Cash Fund	881,692	-	100,000	-
			<u>300,000</u>	
Available-for-sale				
Open-ended mutual funds				
AKD Income Fund	1,261,908	1,693,205	62,800	77,287
Deemed Money Market Fund	4,194,500	4,194,390	690,200	880,277
SAIF Money Market Fund	-	4,884,349	-	50,000
Mutual Fund Pakistan Securities Fund	-	2,000,064	-	100,000
			<u>383,680</u>	<u>1,117,964</u>

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

	2013	2012	2013	2012
	— Number of shares —		— Cost —	
			Rupees in '000	
Closed-end mutual funds				
NAMCO Balanced Fund*	1,073,470	1,067,333	60,623	60,622
Pak Open Advantage Fund	1,000,000	1,000,000	30,000	30,000
			<u>118,623</u>	<u>118,622</u>
			<u>171,763</u>	<u>186,147</u>

The market value of these mutual funds amounts to Rs. 140,193 million as at December 31, 2013 (2012: Rs. 904,828 million).

* These are marked as strategic investments of the Bank.

2. Particulars of investments held in Sukuk

	Tenor of Interest	Date of Maturity	2013	2012	2013	2012
			Number of shares / certificates held		Cost (Rupees in '000)	
Available for sale						
Al-Ban Health Care Limited	3 months EIBOR + 250 BPS	November 2, 2017	10,000	10,000	43,333	30,000
Digita Fertilizers Limited	6 months EIBOR + 100 BPS	September 6, 2015	19,000	19,000	90,098	97,414
Digita Fertilizers Limited	6 months EIBOR + 211 BPS	June 30, 2017	15,000	15,000	67,500	75,000
Chana Glass Limited	2 months EIBOR + 175 BPS	December 27, 2017	30,000	30,000	128,207	100,000
House Building Finance Corporation	3 months EIBOR + 100 BPS	May 5, 2014	48,000	48,000	24,117	73,184
JNW Sugar Mills Limited	3 months EIBOR + 120 BPS	June 30, 2014	15,000	15,000	8,333	33,000
Liberty Power Tech Limited	3 months EIBOR + 300 BPS	Various dates listed by January 13, 2021	1,190,840	1,190,840	183,882	202,034
Quetta Textile Mill Ltd	6 months EIBOR + 180 BPS	September 27, 2018	40,000	40,000	71,734	61,000
Security Leasing Company Limited	Fixed at 0%	March 12, 2014	10,000	10,000	15,882	15,375
Sui Southern Gas Company	3 months EIBOR + 70 BPS	May 28, 2018	60,000	-	300,000	-
Three Star Hosiery Limited	Non-performing	Over due	15,000	15,000	20,000	20,000
WAFDA III	3 months EIBOR + 170 BPS	October 14, 2021	51,000	-	203,000	-
					<u>1,268,888</u>	<u>642,071</u>
Held to maturity						
BEK Canadian Medicine	6 months EIBOR + 150 BPS	December 7, 2018	20,000	20,000	63,938	64,866
House Building Finance Corporation	6 months EIBOR + 100 BPS	August 5, 2014	10,000	10,000	5,000	15,000
JNW Sugar Mills Limited	6 months EIBOR + 120 BPS	June 30, 2014	10,000	10,000	5,333	18,888
Shaan Energy	6 months EIBOR + 110 BPS	May 10, 2015	10,000	10,000	10,566	17,814
WAFDA II	6 months EIBOR + 25 BPS	June 12, 2017	40,000	40,000	295,666	320,324
					<u>360,733</u>	<u>477,092</u>
					<u>1,629,621</u>	<u>1,119,163</u>

The paid-up value of each Sukuk certificate held was Rs. 1,000 per certificate (2012: Rs. 1,000 per certificate).

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

Quality of Available for Sale Securities

	2013			2012		
	Market Value/ Cost Rs in '000	Rating	Credit rating Agency	Market Value/ Book Value Rs in '000	Rating	Credit rating Agency
Government Securities						
Market Treasury Bills	29,606,647	Unrated	--	29,471,007	Unrated	--
Pakistan Investment Bonds	12,138,922	Unrated	--	9,342,098	Unrated	--
Government of Pakistan (jarah khirka)	9,770,422	Unrated	--	8,070,918	Unrated	--
Ordinary shares in listed companies						
Alibel Laboratories Pakistan Limited	-	N/A	--	8,687	N/A	--
Accord Textile Limited	4	N/A	--	4	N/A	--
Alno Nobel Pak Limited	1,633	N/A	--	1,181	N/A	--
Allied Bank Limited	48,000	AA+	PACRA	-	N/A	--
Al-Qura Textile Mills Limited	5	N/A	--	5	N/A	--
Aam Textile Mills Limited	843	N/A	--	248	N/A	--
Askari Commercial Bank Limited	-	N/A	--	8,002	AA	PACRA
Attock Cement Co Limited	38,658	N/A	--	-	N/A	--
Attock Petroleum Limited	146,907	N/A	--	-	N/A	--
Bank Al-Habib Limited	188,613	AA+	PACRA	83,489	AA+	PACRA
Business & Industrial Insurance Company	-	N/A	--	3,000	N/A	--
Carvan East Fabrics Limited	-	N/A	--	3,487	N/A	--
Colony Sarhad Textile Mills Limited	16	N/A	--	16	N/A	--
Datta Agro Limited	47	N/A	--	17	N/A	--
Dawood Capital Management Limited	8,211	AMS-	PACRA	8,648	AMS-	PACRA
Dawood Express Limited	8,438	N/A	--	8,812	N/A	--
Elgry's Foods Limited	8,228	A+	JCR	1,028	A+	JCR
Elgry's Chemicals Pakistan Limited	31,676	A	PACRA	-	N/A	--
Engg Ferriments Company Limited	132,888	N/A	--	22,286	N/A	--
Peromona Laboratories Limited	-	N/A	--	2,850	N/A	--
FTC Jordan Petroleum Limited	-	N/A	--	10,907	N/A	--
Glaxosmith Kline Pak Limited	57,889	N/A	--	-	N/A	--
Globe Textile Mills Limited	13	N/A	--	18	N/A	--
Habib Bank Limited	-	N/A	--	28,348	AAA	JCR
Hatch Metropolitan Bank Limited	40,112	AA+	PACRA	90,160	AA+	PACRA
Hahn Textile Mills Limited	16	N/A	--	8	N/A	--
Hafsa Can Company Limited	31	N/A	--	31	N/A	--
Hub Power Company Limited	71,467	AA+	PACRA	1,093	AA+	PACRA
ICI Pakistan Limited	8,783	N/A	--	4,641	N/A	--
Indus Motors Co Limited	33,300	N/A	--	-	N/A	--
Investment Investment Bank Limited	5	N/A	--	4	N/A	--
International Industries Limited	9,328	N/A	--	8,818	N/A	--
KASB Securities Limited	-	N/A	--	14,585	N/A	--
Kot Addu Power Co. Limited	46,313	AA+	JCR	-	N/A	--
Lucky Cement Limited	-	N/A	--	77,088	N/A	--
Mehar Design Textile Mills Limited	2	N/A	--	2	N/A	--
Morad Industries Limited	17	N/A	--	17	N/A	--
Mufrik Dairies Limited	1	N/A	--	1	N/A	--
National Bank of Pakistan	87,090	AAA	JCR	83,243	AAA	JCR
National Refinery Limited	21,582	N/A	--	-	N/A	--
Nisat Power Limited	-	N/A	--	2,349	AA	PACRA
Pakistan Oil Limited	24,898	N/A	--	-	N/A	--
Pakistan Petroleum Limited	34,234	N/A	--	88,247	N/A	--
Pakistan Refinery Limited	-	N/A	--	1,717	N/A	--
Pakistan Services Limited	-	N/A	--	3,004	N/A	--
Pakistan State Oil Company Limited	41,328	AA+	PACRA	83,406	AA+	PACRA
Pakistan Telecommunication Company Limited	16,637	N/A	--	-	N/A	--
Pakistan Tobacco Company Limited	-	N/A	--	8,438	N/A	--
Reddy Textile Limited	83	N/A	--	103	N/A	--
Sadar Chemical Industries Limited	21	N/A	--	26	N/A	--

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

ANNEXURE 'D' (Continued)

	2013			2012		
	Market Value/ Cost Rs in '000	Rating	Credit rating Agency	Market Value/ Book Value Rs in '000	Rating	Credit rating Agency
Securic Pakistan Limited	8,134	N/A	-	1,372	N/A	-
Service Industries Limited	18,520	N/A	-	8,438	N/A	-
Services Pakistan Limited	24	N/A	-	24	N/A	-
Services Textile Industries Limited	3	N/A	-	3	N/A	-
Siemens Pakistan Engineering Co. Limited	14,082	N/A	-	16,780	N/A	-
Sunl Fine Textile Mills Limited	8	N/A	-	8	N/A	-
Sui Northern Gas Pipeline Limited	6,923	AA	PACRA	1,918	AA	PACRA
Syed Match Company Limited	7	N/A	-	2	N/A	-
Taj Textile Mills Limited	13	N/A	-	13	N/A	-
Thalif Limited	1,929	N/A	-	1,489	N/A	-
Tree Corporation Limited	1,161	N/A	-	3,405	N/A	-
Unicap Modarato	11	N/A	-	11	N/A	-
United Bank Limited	58,278	AA+	JCR	87,858	AA+	JCR
Wyeth Pak Limited	11,007	N/A	-	3,442	N/A	-
Zahoor Cotton Mills Limited	3	N/A	-	3	N/A	-
Ordinary shares in unlisted companies						
Al-Hanra Mills (Private) Limited	-	N/A	-	80,000	N/A	-
Asian Housing Finance Limited	5,000	N/A	-	0,000	N/A	-
Mohib Textile Mills Limited	25,000	N/A	-	25,000	N/A	-
Molih Export Limited	487	N/A	-	487	N/A	-
Industrial Development Bank of Pakistan	-	N/A	-	-	N/A	-
Dawood Family Takaful	-	N/A	-	82,957	A-	PACRA
Ordinary shares in unlisted companies related parties						
Dawood Family Takaful Limited	77,158	A-	PACRA	-	N/A	-
Taurus Securities Limited	40,804	A	PACRA	40,804	N/A	-
Term Finance Certificates - Listed						
Askari Bank Limited	148,760	AA-	PACRA	140,880	AA-	PACRA
Engro Fertilizers Limited	233,839	A+	PACRA	209,077	AA	PACRA
Fayval Bank Limited	13,931	AA-	JCR	27,884	AA	JCR
Standard Chartered Bank Limited	-	N/A	-	6,089	AAA	PACRA
Pak Arab Fertilizer Limited	-	N/A	-	7,763	AA	JCR
Face Pakistan Limited	89,880	N/A	-	89,880	D	PACRA
Saudi Pak Leasing Limited	14,374	N/A	-	26,073	D	JCR
Telecard Limited	9,807	N/A	-	10,288	D	JCR
United Bank Limited	-	N/A	-	46,888	AA	JCR
Allied Bank Limited	36,304	AA+	JCR	70,959	AA	JCR
NIB Bank Limited	-	N/A	-	60,052	A+	PACRA
Term Finance Certificates - Unlisted						
Arari Hotel Limited	138,376	A-	JCR	118,427	A-	JCR
Bank Al-Falah Limited	189,696	AA-	PACRA	189,772	AA-	JCR
Bank Al-Hafiz Limited	89,840	AA	PACRA	89,720	AA	PACRA
Dewan Ferooz Spinning Mills Limited	5,000	N/A	-	5,000	N/A	-
Fayval Bank Limited	74,910	AA-	JCR	14,979	AA-	JCR
Over Leasing Pakistan Limited	-	N/A	-	4,167	AA+	PACRA
Open ended mutual funds						
AKD Income Fund	81,529	BBB(-)	JCR	76,088	BBB(-)	JCR
Dawood Money Market Fund	298,132	A+(f)	PACRA	286,841	A+(f)	PACRA
NAFA Money Market Fund	-	N/A	-	80,013	AA(f)	PACRA
Metrobank Pak Sovereign Fund	-	N/A	-	109,434	AA(f)	PACRA
PIIC Cash Fund	300,458	AA(f)	JCR	-	N/A	-
KASB-CASH FUND	101,434	AA(f)	JCR	-	N/A	-

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

ANNEXURE 'D' (Continued)

	2013			2012		
	Market Value/ Cost Rs in '000	Rating	Credit rating Agency	Market Value/ Cost Rs in '000	Rating	Credit rating Agency
Closed end mutual funds						
NAMCO Fund	49,145	A-(f)	JCR	35,969	A-(f)	JCR
Pak Oman Advantage Fund	37,500	A+(f)	PACRA	46,200	A+(f)	PACRA
Sukuk certificates						
House Building Finance Company Limited	29,770	N/A	-	72,194	N/A	-
Queets Textile Mills Limited	71,724	N/A	-	80,000	N/A	-
JDW Sugar Mills	13,868	N/A	-	25,000	N/A	-
Liberty Power Tech Limited	185,882	A+	PACRA	202,034	A+	PACRA
Security Leasing Sukuk	13,683	N/A	-	15,375	N/A	-
Ghani Glass	126,208	N/A	-	150,000	N/A	-
Three Star Hosiery	75,000	N/A	-	75,000	N/A	-
Al Razi Health Care	43,333	N/A	-	50,000	N/A	-
Engro Fertilizer Ltd - Sukuk	166,280	N/A	-	172,473	N/A	-
SSGC SUKUK	300,000	N/A	-	-	N/A	-
WAPDA III	255,000	N/A	-	-	N/A	-
BRR Guardian Modarba	80,937	N/A	-	-	N/A	-
Sitara Energy Limited	10,568	N/A	-	-	N/A	-
WAPDA - II	266,666	N/A	-	-	N/A	-
Preference shares						
First Dawood Investment Bank Limited	140,920	N/A	-	140,920	N/A	-
Trust Investment Bank Limited	75,000	N/A	-	75,000	N/A	-
Saudi Pak Leasing	195,000	N/A	-	-	N/A	-

Pattern of Shareholding

As of December 31, 2013

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
693	1	100	24887	0.0029
10115	101	500	1818379	0.1816
17167	501	1000	18548568	1.8543
3398	1001	5000	7162068	0.7159
278	5001	10000	1908991	0.1908
78	10001	15000	940383	0.0940
81	15001	20000	1027884	0.1027
26	20001	25000	584130	0.0584
10	25001	30000	367678	0.0368
8	30001	35000	253705	0.0253
7	35001	40000	288294	0.0288
1	40001	45000	43091	0.0043
9	45001	50000	236386	0.0236
4	50001	55000	217296	0.0217
3	55001	60000	114877	0.0115
5	60001	65000	306388	0.0306
2	65001	70000	132922	0.0133
1	70001	75000	73000	0.0073
1	75001	80000	79381	0.0079
3	80001	85000	249794	0.0250
2	85001	90000	178347	0.0178
3	90001	95000	276882	0.0277
1	105001	110000	106674	0.0107
1	120001	135000	121565	0.0122
2	135001	140000	275660	0.0276
1	150001	155000	152876	0.0153
1	180001	185000	162347	0.0162
1	240001	245000	243130	0.0243
2	275001	280000	555420	0.0555
1	535001	540000	537996	0.0538
1	1075001	1080000	1079172	0.1079
1	2330001	2335000	2330254	0.2330
1	4370001	4375000	4370332	0.4369
1	27700001	27705000	27701871	2.7682
1	27795001	27800000	27795472	2.7785
1	28400001	28405000	28404072	2.8394
1	28635001	28640000	28639454	2.8629
1	28790001	28795000	28794955	2.8784
1	29015001	29020000	29018540	2.9008
1	86145001	86150000	86149803	8.6118
1	702205001	702210000	702208233	70.1948
<u>31891</u>	Company Total		<u>1000371167</u>	<u>100.0000</u>

Category of Shareholders

As of 31/12/2013

	No of Shareholders	Share Held	Percentage
Directors, CEO & Children	3	48,624	0.00
Banks, DFI & NBFIs	5	51,890	0.01
Insurance Companies	5	207,169	0.02
Modarabas & Mutual Funds	3	64,826	0.00
General Public (Local)	31,779	202,726,669	20.27
General Public (Foreign)	34	143,057	0.01
Others	60	90,548,357	9.05
Government of Khyber Pakhtunkhwa	1	702,208,233	70.20
Foreign Companies	1	4,370,332	0.44
	31,891	1,000,371,167	100.00

Shareholding of Directors, CEO & Children

Maqsood Ismail Ahmad	12,156
Asad Muhammad Iqbal	18,234
Javed Akhtar	18,234

Shareholding of Banks, DFI & NBFIs

Pakistan Industrial & Commercial Leasing Ltd.	2,431
NIB Bank Limited	184
Sonari Bank Limited	15,279
Pakistan Industrial & Comm. Leasing Ltd.	21,861
Escorts Investment Bank Limited	12,105

Shareholding of Insurance Companies

East West Insurance Co. Ltd	92,917
The Pakistan General Insurance Co. Limited	6,667
TPL Direct Insurance Limited	15,165
The Pakistan General Ins. Co. Ltd	3,039
The Pakistan General Insurance Company Limited	89,451

Shareholding of Modaraba & Mutual Funds

Providence Modaraba Ltd.	1,850
Prudential Stocks Fund Ltd	15,198
CDC - Trustee AKD Index Tracker Fund	47,781

Major Shareholders

Ismail Industries Ltd.	86,149,803
Government of Khyber Pakhtunkhwa	702,208,233

Branch Network

No	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Telephone Number	Fax Number	ATM
Province of West Kalimantan (43 Branches) (2 Sub-Branches) (3 Booths)							
1	Makassar, Jember Road	Jember Road, Makassar	3113	Main	0850-331444, 331431	0850-331450	Yes
2	Abbotabad, Mentawai Road	334-A, Mentawai Road, Abbotabad	3643	Conventional	0850-331915, 331914	0850-331910	-
3	Samud Branch	Outside Lakei Gate Bypass	3103	Main	0702-413004, 413006	0702-430000	-
4	Harapan	Klanta No 318/971, Hajj Near Plaza, Bontotek - Oesungutan, Harapan	3134	Main	0881-310254-0	0881-310138	Yes
5	Bukitaba Branch	New Government High School, Main Bazar, Bukitaba	3108	Main	0850-414931 & 2	0850-414923	-
6	Cherashah Branch	Main Bazar, Cherashah Market Road, Cherashah	3111	Main	081-3083100-1	081-3083100	Yes
7	Central Abang Bazar	Abang Bazar, Central	3011	Conventional	0943-412973	0943-412920	-
8	Central Cham Bazar	Shop No. 1-4, Quasi Market, Cham Bazar, Central	3135	Main	0943-414871 &	0943-414873	-
9	D.I. Khan Circular Road	Circular Road, D.I. Khan	3004	Conventional	0686-710017	0686-710009	Yes
10	D.I. Khan, Tick Aids	Shop No.01-10, Block 13, Tick Aids, Dara Jemel Khan	3129	Main	0686-800331-8	0686-800327	-
11	Daraga Branch	Ameri Plaza, Main Bazar, Daraga	3130	Main	0833-321447-8	0833-321449	-
12	Haraga Branch	Opposite DCO Office, Main Bazar, Kaban Road Haraga	3105	Main	0625-400144	0625-400144	-
13	Haraga Branch	Bontotek - Simata, Haraga	3018	Conventional	0850-610800, 610700, 612200	0850-611285	Yes
14	Harau Branch	Ichsanul Ummah Mall, Harau	3014	Conventional	0605-617821	0605-617831	Yes
15	Harau, Bank Square	Property # 4342, Bank Square-Harau	3040	Conventional	0683-010230-2	0683-010236	-
16	Kendak, Lower Di	City Market, Main Road, Kendak, Lower Di	3144	Main	0645-280102	0645-280102	-
17	Karak Branch	Klanta No. 1327/1304, Main Masjidin Old Market, Main Bazar, Karak	3090	Conventional	0857-311812 & 3	0857-311812	-
18	Krayas Karia, West	Star Plaza, Main Bazar, Krayas Karia West	3142	Main	0248-244961-94	0248-244960	-
19	Kubai, Bazar Road	Government Plaza Bazar Road, Kubai	3005	Conventional	0322-5200140	0322-5200130	Yes
20	Kubai, Main Bazar	Shop No Y. 147, 7-146, Main Bazar, Kubai	3138	Main	0883-828713-4	0883-828716	-
21	Mamontia, Abbotabad Road	Main Bazar, Opposite GTB Road Mamontia	3117	Main	0887-600187 & 4	0887-538188	Yes
22	Mamontia, Bontotek - Paduan	Bontotek - Paduan, Opposite Premium Filling Station Mamontia	3102	Main	0897-300271, 300272	0897-300273	-
23	Martau, Kibaya Giri Bazar	Property No. 26-281, 282, 27200-628, 1564, Kibaya Giri Old Trunk House, Kibaya Giri Bazar, Martau	3130	Main	0833-833883-4	0833-833882	-
24	Martau, Shatra - Qad Bazar	Opposite Commission Plaza Shatra - Qad Bazar, Martau	3103	Conventional	0337-823023 & 7, 874888	0337-823023	-
25	Mengora, Main Bazar	Shop No. 01, Bank Square, Main Bazar, Mengora, West	3119	Main	0946-344040/42	0946-344041	-
26	Mengora, Bank Square Bazar	Bakar Bagh, Bank Square Road, Mengora	3012	Conventional	0946-324015 & 7	0946-324016	Yes
27	Northara Branch	Head Plaza, Backlot Road, Northara Court	3104	Main	3033-830000 & 30	3033-830000	Yes
28	Pedamar, Assam Gari (MFB)	Teng Sihar Building, Assam Gari, Lada Bontong	3118	Main	081-5581011	081-5581012	Yes
29	Pedamar, Arifal Road	New Kampora Club, Arifal Road, Pedamar	3002	Conventional	081-8500852, 8500803	081-8500807	Yes
30	Pedamar, Civil Servants	Civil Servants, Pedamar	3071	Conventional	081-8211710	081-8210880	Yes
31	Pedamar, G.T. Road	General Road, Alauk Tower, Mal Yoni, G.T. Road, Pedamar	3110	Conventional	081-8282400	081-8282400	-
32	Pedamar, Hajar Alauk Chowk	Sul Shopping Mall, Hajar Alauk Chowk	3130	Main	081-8252863-4	081-8252860	-
33	Pedamar, High Court Bazar	High Court Branch, Pedamar	3046	Conventional	081-5279389, 5279346	081-5279356	Yes
34	Pedamar, Khutbah	Royal Plaza, Hajar Alauk Khutbah Market	3101	Main	081-5284827, 5285430	081-5285134	Yes
35	Pedamar, Market Bazar	General Road, Pedamar	3101	Main	081-5284827, 5285430	081-5285134	Yes
36	Pedamar, Oybet Bazar	Alhassan Hotel, Oybet Bazar, Pedamar	3016	Conventional	081-8283700, 3080032	081-8211170	-
37	Pedamar, RTH Branch	Kayalar Teaching Hospital (Demeray Road), Pedamar	3121	Main	081-8278010	081-8278016	-
38	Pedamar, Main Corporate Branch	Main Corporate Branch, 34 The Mall, Pedamar Court	3001	Conventional	081-8278010	081-8278016	-
39	Pedamar, Saklat Road	Shop No.2, (7 & 1), at Super Market, Adjacent Bank Bank of Pedamar Pedamar, Saklat Road, Pedamar	3113	Conventional	081-5278912, 5278940	081-5277270	Yes
40	Pedamar, University Road	Cliffstar Plaza, Adjacent to Shell at Restaurant	3006	Conventional	081-2190007, 3116051	081-8210880	Yes
41	Pedamar, Wazari Road	Wazari Road, Pedamar	3009	Conventional	081-5281201-2	081-5281241	-
42	Perai Nanzang Branch	Klanta No. 478, Soliminda Kaba Plaza OT Road, Perai Nanzang, Lada Mergat	3121	Main	0886-303863	0886-303864	-
43	Shahpaku	Klanta No. 644/128-121, Opposite Shahpaku Post Office Shahpaku	3140	Main	081-6281101-2	081-6288533	-
44	Sengk Bazar	Jendal Khan Market, Sengk Road, Sengk	3118	Main	0636-208013, 208040	0636-208012	-
45	Sengk Bazar (Bazar)	Sengk Market, Pk Fala Road, Sengk, Bazar	3121	Main	0759-200008, 200007	0759-200008	-
46	Tarik Branch	Acid Bazar, Tarik	3106	Main	0963-210088	0963-210100	-

Branch Network

Sr No.	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Telephone Number	Fax Number	ATM
46	Thal, Main Branch	Al Mustafa Market, Bazaar Chowk, Main Bazar Thal District Range	0130	Islamic	0995-517140, 511741	0995-511741	-
47	Timergara Branch	Subdard Plaza, Akbar Jamb Subdard Chowk, Timergara	0105	Islamic	0945-329234, 329235	0945-329234, 329235	-
48	Topi Branch	Wazir Khan Market, Main Bazar, Topi Road, Topi, Dist. Swat	0138	Islamic	0938871946	0938-871947	-
49	Upper Dir	Main Bazar, Upper Dir	0136	Islamic	0944-850031	0944-850032	-
Province-Sindh (11 Branches)							
50	Hyderabad Branch	Plot No 11/444, 445, 446, 447, 448 & 449, Main Bazar Bazar, Near Shah Hospital, Swaha Cantt., Hyderabad	0047	Conventional	022-2731330, 2731331-40	022-8731311	-
51	Karachi, Balakrishna	Shop No 4 & Plot No 3, Survey No BRCC/20, Qasr Court, Karachi Cooperative Housing Society, Balakrishna, Karachi (007)	0007	Conventional	021-3846270-8-4-5	021-3846273	-
52	Karachi, Clifton Branch	Shop No 7, 8 & 9 Plot # G-10, Garden Centre, Block B, Main Road, KDA Scheme # 5, Clifton Cantonment, Karachi(004)	0004	Conventional	021-3598031-39	021-3598041	Yes
53	Karachi, DHA, Phase II	Plot No 28 C, 116 Commercial Building, DHA, Phase II, Karachi (002)	0002	Conventional	021-3599773-4	021-3599713	-
54	Karachi, Metimble	KDA Scheme, Project No 1, Metimble, S.T.U, Karachi (012)	012	Islamic	0213-8794233-4	021-3873428	-
55	Karachi, Shaheed-e-Firdaus	White House Plaza, 15-A, Block R, P.E.C.H.R Opposite Fortson Centre, Shaheed-e-Firdaus, Karachi	0024	Conventional	0213-4399337-8	021-3439933	Yes
56	Karachi, Shaukat Jinnah Colony	Block - I, Clifton, Shaukat Jinnah Colony Karachi	0054	Conventional	0213-3573804-2	021-3573807	Yes
57	Karachi, S.T.U	F-78, Alford Plaza Entry Avenue, S.T.U., Karachi	0128	Islamic	0213-2987132 & 9	021-32987135	Yes
58	Karachi, Subash Qasr	Shop No A-17A, A-17B, A-17C, A-17D, Ground Floor, Block 'A' Plot No 1-8-B, Sub Plot No 1-A, A1, Aam Plaza Scheme 22, Subash Qasr, Karpur Market, Main Super Highway Karachi	0110	Islamic	021-3863070 & 2	021-3863067	Yes
59	Karachi, Stock Exchange Branch	1st Floor, Karachi Stock Exchange, Karachi	0008	Conventional	021-3246304 & 7	021-3246305	-
60	Sukkur	Property No. D-086, D-087, D-071, Hassan Road, Sukkur	0009	Conventional	071-3617022 & 4	071-3617030	-
Province-Punjab (22 Branches)							
61	Attock City	Property No. B-V-38, Claverston No. 2 S, Rafiq Park Chowk, Attock City	0060	Conventional	027-2602276-9	027-2701330	-
62	Bahawalpur	Property No. 1985/19, Comber Road, Railway Chowk, Bahawalpur	0050	Conventional	060-8807021, 8807022	060-8807029	-
63	Chand	Khanda No 12104/9403, Dahan Plaza Shaheed-e-Quaid-e-Azam, Chand	0044	Conventional	041-6333364-6	041-6333393	-
64	D.D Khan	Plot No. 3, Darnood Plaza, Railway Road, Dera Dikan Khan	0056	Conventional	0998-476071-4	0998-476075	-
65	Faisalabad, Kereck Road	Opposite M.C. College, Kereck Road Faisalabad	0116	Islamic	041-3432116-7-8	041-3432130	Yes
66	Faisalabad, Soman Road	Plot No 345-C, Ground & 1st Floor, Medina Tower, Soman Road Faisalabad	0036	Conventional	041-8026000-1-8	041-8026002	-
67	Gujar Khan	Shop No 6-6, Ward No-5, Near Al Hospital, Main G.T. Road, Gujar Khan	0008	Conventional	061-3511885-3	061-3511884	-
68	Gujranwala, G.T Road	Property No 832-75-127, Bank Square, Main G.T. Road Gujranwala	0029	Conventional	099-0729917-8	099-0729916	Yes
69	Gujar, G.T Road	Property No 1101/047, Ground Floor, Daryapur Canton, G.T. Road Gujar	0007	Conventional	055-3520255, 3520256	0553-3520270, 3520290	Yes
70	Jhelum	225/226, Kohli Door Plaza, Old LTB Road, Jhelum Cantt	0043	Conventional	0544-9270144 & 5	0544-9270165	-
71	Kasowal	Property No. 30, Pancha Hospital, Adjacent B Bank, College Road, Kasowal	0065	Conventional	065-2096431-8	065-2096432	-
72	Lahore, Darya Road	Darya Hyatt, Darya Road, Lahore	0174	Islamic	042-38304032, 38304037	042-38302020	-
73	Lahore, DHA	Plot No 178, Block Y, DHA, Lahore Cantt	0055	Conventional	042-35741073-4-5	042-35741077	Yes
74	Lahore, Faisal Town	Plot No 111, Block C, Faisal Town, Lahore	0057	Conventional	042-35180423, 35180474-6	042-35180423	-
75	Lahore, Jhar Town	Block - 2-1, M.A. Jhar Town, Lahore	0051	Conventional	042-3518744-5	042-3518746	Yes
76	Lahore, M.M. Khan Road	Oldway-III, M.M. Khan Road, Lahore	0062	Conventional	042-35572013, 35572030	042-35572015	Yes
77	Lahore, Park Road	Property No. 50-54, Anwar-ul-Baqiyah Building, Main Park Road, Lahore	0141	Islamic	042-37947301-2	042-37947300	-
78	Lahore, Shah Alam Gate	Shop #E/28, Namag Market, Inside Shah Alam Gate, Lahore	0124	Islamic	042-37641834 & 5	042-37641833	Yes
79	Mian Channu	Property No. 17/24, Shalabi Market, G.T. Road, Mian Channu, District Kasowal	0061	Conventional	065-3891871-3	065-3891870	-
80	Multan, Abidali Road	Lower Ground, Khan Centre, Main Market, Abidali Road Multan Cantt	0003	Conventional	061-4541239-40	061-4541243	Yes
81	Multan, Vohra Road	Plot No 12-B & 13-B, Hajj Bazaar Plaza, Main Gate Bazar, Bazaar Colony, Vohra Road, Multan	0149	Islamic	061-4241201-3	061-4241254	-

Branch Network

Br. No.	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Telephone Number	Fax Number	ATM
02	Okeas, Jinnah Road	Ground Floor & 1st Floor, Bikhari Children Hospital, M.A. Jinnah Road, Okeas	0140	Main	0443-211075-01	0443-211081	-
03	Ashraf Yar Khan	Floor No. 12, Opposite Town Hall, Model Town, Ashraf Yar Khan	0001	Commercial	999-9270100-3	999-9270190	-
04	Swatpind, Bank Road	203/15 Zafar Center Opp. Singapore Plaza Bank Road, Swatpind	0113	Main	051-3120194-1	051-3120190	Yes
05	Swatpind, City Sudder Road	No. A-208, Jinnah Road (City Sudder Road) Swatpind	0000	Commercial	051-2540400 & 2, 2540408	051-2540402	Yes
06	Swatpind	Shop No. 10, Masood Plaza, Bank Road, Swatpind	0003	Commercial	055-2901381-3-5	055-2901384	-
07	Nahawal Branch	22/28-2 High Street, Nahawal	0045	Commercial	040-4322424, 4322444	040-4322423	-
08	Bergoche	63/2/1 VP Complex, Main Square, Chini Road, Bergoche(M)		Commercial	048-2760880-3	0482-7628012	-
09	Baluch Branch	Industrial Area, Bahawalpur, (Kadir) Road, Near Masjid Muhammadi, Kulleri	0002	Commercial	052-3292025 & 7	052-3292024	Yes
Permanently Discontinued (3 Branches)							
10	Chaman Branch	House No-471, Old Model 674, Alkhalid Bazar, Chaman	0720	Main	9208-414613, 019027	9208-414612	-
11	Qambar, Jinnah Road	Jinnah Road, Qambar	0102	Main	061-6040201, 6032141	061-6032400	Yes
12	Qambar, Bahawal-e-Iqbal	Shop No 2-7-35, Elyahar Plaza Bahawal-e-Iqbal (Daudkhani Bazar) Qambar	0004	Commercial	061-2024020-25	061-2024022	-
Capital Territory Area (3 Branches)							
13	Islamabad, Blue area	Labour Plaza, Blue Area, Islamabad	0006	Commercial	051-9928891, 9928711	051-9927125	Yes
14	Islamabad, F-10 Market	Floor No 5, F-10 Market, Islamabad	0133	Main	051-2222994-9	051-2222977	Yes
15	Islamabad, PWD Society	Floor No 206-C Block-C, PWD Society, Islamabad	0005	Commercial	061-5170901-8 & 4	061-5170903	Yes
Gilgit Baltistan (1 Branch)							
16	Gilgit, Jinnah Cantt.	Shop No 1 to 8, 2F Phase, Opposite Radio Pakistan, Bahawal-e-Qadir-e-Azam, Jinnah Cantt. Gilgit	0007	Commercial	09911-922080-3	09911-922088	-
FATA (1 Branch)							
17	Jinnah Road Branch	Adjacent Caltex Petrol Pump, Jinnah Road, Jinnah (Deylwan Agency)	0226	Main	091-9992723, 9992142-5	091-9992144	-
Asst Jinnah Kantar (3 Branches)							
18	Kohli (AJAK)	Commercial Property, House No. 377, Bank Road, Kohli	0069	Commercial	02026-448025-4-5	02026-448026	-
19	Mirpur Branch (AJAK)	Floor No. 3, Sector B-7, Allama Iqbal Road, Mirpur, Asst Jinnah Kantar	0008	Commercial	02027-441699-4	02027-441780	-
100	Muzaffar Road (AJAK)	Secretariat Road, Manzilabad, Asst Jinnah & Keenwa	0037	Commercial	02023-320492	02023-320490	Yes
Sub-Branches							
		Controlling Branch					
1	North West Hospital, Phase-V, Hayatabad Faisalabad	Ground Floor, Adjacent to Bazaar Restaurant, Theresia Road Branch, Faisalabad (Code-0038)		Commercial	041-3228114-4 (Ext. 1253)	-	Yes
2	Provincial Assembly, Elyahar, Bahawalpur	High Court Branch, Bahawalpur (Code-0048)		Commercial	061-5810200	-	Yes
		Controlling Branch					
1	Islamia University Dabiyat, Islamabad	Main Bazar, Opposite GTS Road Marwaha, (G11)	-	Main	011-7-414010	-	-
2	Cells Laboratory, Cardiology Unit, Government Lady Seeding Hospital Faisalabad	Elyahar Bazar Branch, Bahawalpur (0018)	-	Commercial	-	-	-

Foreign Correspondent Banks

AFGHANISTAN

SWIFT CODE

1	HABSAFEA
2	NBPAAFKA

BANK NAME

HABIB BANK LIMITED
NATIONAL BANK OF PAKISTAN

S. No.

ARGENTINA

S. No. SWIFT CODE

1	DEUTARBA
2	BOTKARBA

BANK NAME

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

AUSTRALIA

S. No. SWIFT CODE

1	ANZBAU3C
2	MHCBAU2S

BANK NAME

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

BAHRAIN

S. No. SWIFT CODE

1	HABBBHBM
2	HVBKBHBM
3	TAIQBHBM
4	UNILBHBM
5	BOTKBHBM

BANK NAME

HABIB BANK LTD.
WOOPI BANK, MANAMA
ARAB INVESTMENT COMPANY, THE
UNITED BANK LIMITED
BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE

BANGLADESH

SWIFT CODE

1	HVBKEDDHXXX
2	NBPABDDH
3	SOIVBDDH

BANK NAME

WOORI BANK, DHAKA
NATIONAL BANK OF PAKISTAN
SOCIAL ISLAMI BANK LIMITED

S. No.

BELGIUM

SWIFT CODE

1	IRVTBEBB
2	HABBEEBB
3	CEBABEBB
4	COBABEBX
5	KREDBEBB

BANK NAME

THE BANK OF NEW YORK MELLON, BRUSSELS BRANCH
HABIB BANK LTD
PORTIS BANK S.A./N.V. BRUSSELS
COMMERZBANK AG, THE BRUSSELS BRANCH
KBC BANK NV

S. No.

BRAZIL

S. No. SWIFT CODE

1	DEUTERSP
---	----------

BANK NAME

DEUTSCHE BANK S.A. - BANCO ALEMAO

CANADA

S. No.

S. No.

SWIFT CODE

1	DEUTCATT
2	HBZUCATT

BANK NAME

DEUTSCHE BANK AG, CANADA BRANCH
HABIB CANADIAN BANK

CAYMAN ISLAND

S. No. SWIFT CODE

1	COBAXYKX
2	DEUTKYKX
3	DNBAXYKX

BANK NAME

COMMERZBANK AG, CAYMAN ISLANDS BRANCH H
DEUTSCHE BANK AG
DNB NOR BANK ASA, CAYMAN ISLAND BRANCH

CHILE

S. No. SWIFT CODE

1	DEUTCIRM
2	BKTRCLRM

BANK NAME

DEUTSCHE BANK (CHILE) S.A. BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
--

CHINA

S. No. SWIFT CODE

1	ANZBCNSH
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BANK NAME

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, SHANGHAI BRANCH
INTESA SANPAOLO SPA SHANGHAI
BANK OF TOKYO-MITSUBISHI UFJ (CHINA), LTD.
UNICREDIT SPA-SHANGHAI BRANCH

S. No.

SWIFT CODE

5	CIBKCNBJXXX
6	COBACNSX
7	DNBACNSHXXX
8	EIBCCNBjXXX

BANK NAME

CHINA CITIC BANK
COMMERZBANK AG
DNB NOR BANK ASA
EXPORT-IMPORT BANK OF CHINA, THE

S. No.

SWIFT CODE

9	HVBKCNBJXXX
10	IRVTCNSH

BANK NAME

WOORI BANK (CHINA) LIMITED
THE BANK OF NEW YORK MELLON, SHANGHAI BRANCH
JINAN CITY COMMERCIAL BANK
MIZUHO CORPORATE BANK (CHINA) LTD.

S. No.

SWIFT CODE

11	JNSHCNSH
12	MHCBCNSH

BANK NAME

ZHEJIANG NANYUN RURAL COOPERATIVE BANK
WACHOVIA BANK, NA
JIANGSU WUJIN RURAL COMMERCIAL BANK CO., LTD

S. No.

SWIFT CODE

13	NYBKCNSH
14	PHBPCNSH
15	RCWJCMSH

BANK NAME

YANTAI CITY COMMERCIAL BANK
ZHEJIANG TAILONG COMMERCIAL BANK

S. No.

SWIFT CODE

16	YTCBCNSD
17	ZJTLCSBH

BANK NAME

THE BANK OF CHINA
ZHEJIANG XIAOSHAN RURAL COOPERATIVE BANK

S. No.

SWIFT CODE

18	BEHCNSBJ
19	HXBCNS2H
20	BOJSCNSB
21	BOSHCNSH

BANK NAME

BANK OF JIANGSU CO LTD
BANK OF SHANGHAI

Foreign Correspondent Banks

22	PHRCCNSH	ZHEJIANG PINGHU RURAL COOPERATIVE BANK	2	DNBAFIHX	DNB NOR BANK ASA, FILIAL FINLAND
23	RCEZCNSH	RURAL COMMERCIAL BANK OF ZHANGJIAGANG	3	DEOYFIHH	
24	SYCBCNBY	SHENGJING BANK CO.,LTD		FRANCE	
CHILE			S. No.	SWIFT CODE	BANK NAME
S. No.	SWIFT CODE	BANK NAME	1	BCITFRPP	BANCA INTESA FRANCE
1	DEUTCLFM	DEUTSCHE BANK (CHILE) S.A. BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE	2	COBAPFPX	COMMERZBANK AG
2	BKTRCLEM		3	CMBPFR2B	CREDIT MUTUEL
COOK ISLANDS			4	HABRFPFP	HABIB BANK LIMITED
S. No.	SWIFT CODE	BANK NAME	5	MHCBFRPP	MIZUHO CORPORATE BANK LTD. PARIS BRANCH (FORMERLY THE FUJI BANK LTD. PARIS BRANCH)
1	ANZBCKCR	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD.	6	UBAFRFPF	UNION DE BANQUES ARABES ET FRANCAISES
CZECH REPUBLIC			7	UNCRFRPP	UNICREDITO ITALIANO SPA - SUCCURSALE DE PARIS
S. No.	SWIFT CODE	BANK NAME			
1	BACXCZPP	UNICREDIT BANK CZECH REPUBLIC A.S.			
2	COBACZPX	COMMERZBANK AG			
DENMARK			GERMANY		
S. No.	SWIFT CODE	BANK NAME	S. No.	SWIFT CODE	BANK NAME
1	DABADKKK	DANSKE BANK A/S	1	COBADEFF	COMMERZBANK AG
2	DEUTDEDE	DEUTSCHE BANK AG	2	DNBDEHX	DNB NOR BANK ASA, FILIALE DEUTSCHLAND
3	DNBDEKKX	DNB NOR BANK ASA, FILIAL DANMARK	3	ANZBDEFF	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD. FRANKFURT
4	SWESDE22	SPAREKASSEN SJAELLAND	4	BANDESSS	BANCO DE ANDALUCIA
EGYPT			5	BCITDEFF	INTESA SANPAOLO S.P.A. - FRANKFURT
S. No.	SWIFT CODE	BANK NAME	6	BANDESSS	BANCO DE ANDALUCIA
1	MSHOEGCA	MASHREQ BANK	7	DABADEHH	DANSKE BANK
FJI			8	DEUTDE2H	DEUTSCHE BANK AG
S. No.	SWIFT CODE	BANK NAME	9	IRVTDEFX	THE BANK OF NEW YORK MELLON, FRANKFURT BRANCH
1	ANZBHFYX	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	10	NOLADE2H	NORDDEUTSCHE LANDESBANK GIROZENTRALE
FINLAND			11	SHBKDEFF	SHINHAN BANK EUROPE GMBH
SWIFT CODE		BANK NAME	12	DRESDEFF	COMMERZBANK AG (FORMERLY DRESDNER BANK AG)
1	DABAFIHX	DANSKE BANK	13	NBPADEFF	NATIONAL BANK OF PAKISTAN, FRANKFURT
			14	WELADE3W	SPARKASSE WESTMUNSTERLAND

Foreign Correspondent Banks

GREECE

S. No.	SWIFT CODE	BANK NAME
1	BCITGRAA	INTESA SANPAOLO S.P.A.
2	ATTIGRAA	ATTICA BANK SA

HONG KONG

S. No.	SWIFT CODE	BANK NAME
1	BCITHKHH	INTESA SANPAOLO SPA HONG KONG
2	HABBEKHH	HABIB FINANCE INTERNATIONAL LIMITED
3	HVBEKHH	WOORI BANK, HONG KONG
4	IRVTHKHX	THE BANK OF NEW YORK MELLON, HONG KONG BRANCH
5	MSHQEHKH	MASHREQBANK PSC., HONG KONG BRANCH
6	UBAFHKHX	UBAF (HONG KONG) LIMITED
7	COBAKHHX	COMMERZBANK AG
8	ABNAHLLA	ABN AMRO BANK N.V. HONG KONG BRANCH
9	BOFAHKHX	BANK OF AMERICA, N.A. HONG KONG
10	NBPAHKHH	NATIONAL BANK OF PAKISTAN HONG KONG
11	PNBPHEKH	WELLS FARGO BANK, N.A., HONG KONG BRANCH (FORMERLY KNOWN AS WACHOVIA)

HUNGARY

S. No.	SWIFT CODE	BANK NAME
1	COBAHUHX	COMMERZBANK (BUDAPEST) RT.

INDIA

S. No.	SWIFT CODE	BANK NAME
1	ANZBUNEX	ANZ BANKING GROUP LTD.
2	MHCIBNBB	MIZUHO CORPORATE BANK LTD
3	BOTKINBB	BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
4	MSHQINBB	MASHREQ BANK

INDONESIA

S. No.	SWIFT CODE	BANK NAME
1	ANZBIDJX	ANZ PANIN BANK, P.T.
2	BOTKIDJX	BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
3	HVBEIDJA	WOORI BANK, INDONESIA P.T. JAKARTA
4	PINBIDJA	PAN INDONESIA BANK PT

IRELAND

S. No.	SWIFT CODE	BANK NAME
1	BCITIE2D	INTESA SANPAOLO BANK IRELAND PLC
2	COBAIE2X	COMMERZBANK EUROPE (IRELAND)
3	DABAIE2D	NATIONAL IRISH BANK (PART OF DANESKE BANK GROUP)
4	IBSPIE2D	NATIONAL IRISH BANK (PART OF DANESKE BANK GROUP)

ITALY

S. No.	SWIFT CODE	BANK NAME
1	BCITIT3C	BANCA CIS SPA
2	BCITITMM	INTESA SANPAOLO SPA
3	COBAITMM	COMMERZBANK AG
4	BLOPIT22	UNIONE DI BANCHE ITALIANE S.C.P.A. (FORMERLY BANCA LOMBARDA E PIEMONTESE)
5	BOTKITMX	BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE
6	IBSPIT3P	BANCA DELL'ADRIATICO SPA
7	IBSPITNA	BANCO DI NAPOLI SPA
8	IRVITIMM	THE BANK OF NEW YORK (LUXEMBOURG) S.A., MILAN BRANCH
9	MHCBITMM	MIZUHO CORPORATE BANK LTD MILAN BRANCH
10	UBAUITRR	BANCA UAE SPA
11	UNCRIT2B	UNICREDIT BANCA SPA
12	UNCRIT2T	UNICREDIT PRIVATE BANKING SPA
13	UNCRIT3V	UNICREDIT CORPORATE BANKING SPA
14	UNCRITMM	UNICREDIT S.P.A.
15	IBSPIT2F	CASSA DEI RISPARMI DI FORLÌ E DELLA ROMAGNA SPA
16	BDBDIT22	BANCO DI DESIO E DELLA BRIANZA S.P.A.

JAPAN

S. No.	SWIFT CODE	BANK NAME
1	DEUTJPJT	AMERICAN EXPRESS BANK LTD
2	BCITJPJT	INTESA SANPAOLO SPA TOKYO
3	HVBEJPJT	WOORI BANK, TOKYO
4	IRVJJPJX	THE BANK OF NEW YORK MELLON, TOKYO BRANCH
5	MHCBJPJT	MIZUHO CORPORATE BANK LTD.
6	NBPAJPJT	NATIONAL BANK OF PAKISTAN TOKYO JAPAN
7	PNBPJPJX	WACHOVIA BANK, NA
8	BOTKJPJT	BANK OF TOKYO-MITSUBISHI

Foreign Correspondent Banks

9	COBAJPTX	UFJ, LTD.	14	UBAFKRSX	U.B.A.F.-UNION DE BANQUES ARABES ET FRANCAISES
10	UBAFJPHX	THE COMMERZBANK AG TOKYO			
		U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES TOKYO BRANCH	15	IBKOKRSE	INDUSTRIAL BANK OF KOREA
KENYA			KUWAIT		
S. No.	SWIFT CODE	BANK NAME	S. No.	SWIFT CODE	BANK NAME
1	HABBEENX	HABIB BANK LIMITED	1	MSHQKWEW	MASHREQBANK PSC.
KOREA			KYRGYZSTAN		
S. No.	SWIFT CODE	BANK NAME	S. No.	SWIFT CODE	BANK NAME
1	CZNBKRSE	KOOKMIN BANK	1	NBPAKQ22	NATIONAL BANK OF PAKISTAN BISHEEK BRANCH
2	HVBEKRSE	WOORI BANK, SEOUL	LEBANON		
3	IRVTKRSX	THE BANK OF NEW YORK MELLON, SEOUL BRANCH	S. No.	SWIFT CODE	BANK NAME
4	KOEXKRSE	KOREA EXCHANGE BANK	1	HABLBRE	HABIB BANK LIMITED
5	MHCBERSE	MIZUHO CORPORATE BANK, LTD., SEOUL BRANCH (FORMERLY THE DAI-ICHI KANGYO BANK, LTD., SEOUL BRANCH)	LUXEMBOURG		
6	NBPAZRSI	NATIONAL BANK OF PAKISTAN, SEOUL BRANCH KOREA	S. No.	SWIFT CODE	BANK NAME
7	NFFCERSE	SUHYUP BANK (FORMERLY NATIONAL FEDERATION OF FISHERIES COOPERATIVES)	1	COBALULL	COMINVEST ASSET MANAGEMENT S.A.
8	FNEPKRSX	WACHOVIA BANK, NA	2	DABALULL	DANSKE BANK INTERNATIONAL S.A.
9	FUSEKRIF	FUSAN BANK	3	IRVTLULX	BANK OF NEW YORK (LUXEMBOURG) S.A., THE
10	SHBEKRSE	SHINHAN BANK	4	COBALULU	COMMERZBANK AG
11	SCBLKRSE	STANDARD CHARTERED BANK KOREA LIMITED	MALAYSIA		
12	ANZBKRSX	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	S. No.	SWIFT CODE	BANK NAME
13	BOTKRSX	BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE	1	CITIMYKL	CITIBANK BERHAD
			2	MHCBSMYKA	MIZUHO CORPORATE BANK, LTD., LABUAN BRANCH
			3	BOTEMYKX	BANK OF TOKYO-MITSUBISHI UFJ (MALAYSIA) BERHAD
			4	CIBBMYKL	CIMB BANK BERHAD
			MAURITIUS		
			S. No.	SWIFT CODE	BANK NAME
			1	BARBMUMU	BANK OF BARODA
			2	MCBLMUMU	MAURITIUS COMMERCIAL BANK LTD., THE

Foreign Correspondent Banks

MONACO

S.No.	SWIFT CODE	BANK NAME
1	BJSBMCMX	BANQUE J. SAFRA (MONACO)

NETHERLANDS

S.No.	SWIFT CODE	BANK NAME
1	BCITNL2A	INTESA SANPAOLO S.P.A. (FORMER SANPAOLO IMI), AMSTERDAM BRANCH, AMSTERDAM
2	COBANL2X	COMMERZBANK AG
3	HABBNL2R	HABIB BANK LTD.
4	INGBNL2A	ING BANK N.V.
5	DEUTNL2A	DEUTSCHE BANK A.G. AMSTERDAM

NEW ZEALAND

S.No.	SWIFT CODE	BANK NAME
1	ANZBNZ33	ANZ NATIONAL BANK LIMITED (FORMERLY KNOWN AS: ANZ BANKING GROUP (NEW ZEALAND) LTD)

NORWAY

S.No.	SWIFT CODE	BANK NAME
1	DABANO23	FOKUS BANK, PART OF DANSKE BANK GROUP
2	DNBANOEK	DNB NOR BANK ASA

OMAN

S.No.	SWIFT CODE	BANK NAME
1	BSHROMRU	BANK SOHAR
2	HABBOMEX	HABIB BANK OMAN
3	OIBAOMMX	OMAN INTERNATIONAL BANK S.A.O.G.

PAPUA NEW GUINEA

S.No.	SWIFT CODE	BANK NAME
1	ANZBGPX	AUSTRALIA AND NEW ZEALAND BANKING GROUP (PNG) LTD.

PHILIPPINES

S.No.	SWIFT CODE	BANK NAME
1	MHCBPMM	MIZUHO CORPORATE BANK,

S.No.	SWIFT CODE	BANK NAME
2	ASDBPHMM	LTD., MANILA BRANCH
3	ANZBPHMX	ASIAN DEVELOPMENT BANK
		AUSTRALIA AND NEW
		ZEALAND BANKING GROUP
		LIMITED
		BANK OF TOKYO-MITSUBISHI
		UFJ, LTD., THE

POLAND

S.No.	SWIFT CODE	BANK NAME
1	DABAPLPW	DANSKE BANK A/S S.A. ODZIAL W POLSCE

QATAR

S.No.	SWIFT CODE	BANK NAME
1	DOHBQAQA	DOHA BANK
2	MSHQQAQA	MASHREQ BANK
3	UNILQAQA	UNITED BANK LIMITED, DOHA

ROMANIA

S.No.	SWIFT CODE	BANK NAME
1	BACXROBU	UNICREDIT TIRIAC BANK SA
2	CAIXROBX	LA CAIXA, SUCURSALA ROMANIA

RUSSIA

S.No.	SWIFT CODE	BANK NAME
1	HVEKRU22	WOORI BANK MOSCOW
2	YUGKRU22	URALSIB-YUG BANK
3	BCITRUMM	BANCA INTESA ZAO MOSCOW
4	COBARUMM	COMMERZBANK
5	DABARU2P	ZAO DANSKE BANK

SAMOA

S.No.	SWIFT CODE	BANK NAME
1	ANZBWSWW	ANZ BANK (SAMOA) LTD

SAUDI ARABIA

S.No.	SWIFT CODE	BANK NAME
1	NCBKSAJE	NATIONAL COMMERCIAL BANK
2	AAALSARI	SAUDI HOLLANDI BANK
3	NBPASARI	NATIONAL BANK OF PAKISTAN

SERBIA

S.No.	SWIFT CODE	BANK NAME
1	BACXRSBG	UNICREDIT BANK SRBIJA A.D.

Foreign Correspondent Banks

SINGAPORE			SWIFT CODE		BANK NAME		
S. No.	SWIFT CODE	BANK NAME	S. No.	SWIFT CODE	BANK NAME	S. No.	
			1	BACXSI22	UNICREDIT BANCA SLOVENIJA D.D.		
1	BEIISGSO	BANK MANDIRI (PERSERO) PT	SOLOMON ISLANDS				
2	BCTISGSG	INTESA SANPAOLO S.P.A. (FORMER SANPAOLO IMI), SINGAPORE BRANCH, SINGAPORE	1	ANZBSBSB	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED		
3	BOTESGSX	BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE	SOUTH AFRICA				
4	COBASGSX	COMMERZBANK AG, SINGAPORE BRANCH	1	HBZHZAJJ	HBZ BANK LIMITED		
5	DNBASGSG	DNB NOR BANE ASA, SINGAPORE BRANCH	SPAIN				
6	HSNNSGSO	HSB NORDBANK AG (FORMERLY HAMBURGISCHE LANDESBANK GIROZENTRALE SINGAPORE BRANCH)	1	COBAESMX	COMMERZBANK AG		
7	HVBESGSG	WOORI BANK, SINGAPORE	2	CAIXESBB	CAIXA D'ESTALVIS I PENSIONS DE BARCELONA (LA CAIXA)- CAJA DE AHORROS Y PENSIONES DE BARCELONA		
8	IRVTSGSX	THE BANK OF NEW YORK MELLON, SINGAPORE BRANCH	3	BALEES22	BANCO DE CREDITO BALEAR		
9	MHCBSGSG	MIZUHO CORPORATE BANK LTD, SINGAPORE BRANCH	4	UNCRESMM	BANCA DI ROMA, S.P.A. - SUCURSAL EN ESPANA		
10	SHBESGSG	SHINHAN BANK, SINGAPORE BRANCH	5	BANDESS	BANCO DE ANDALUCIA		
11	UBAFSGSX	U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES	6	BCITESMM	INTESA SANPAOLO S.P.A. (FORMER SANPAOLO IMI), MADRID BRANCH, MADRID		
12	ANZBSGSX	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	7	CAGLESMM	CAJA DE AHORROS DE GALICIA		
13	HABBSGSG	HABIB BANK LIMITED	SRI LANKA				
14	ABNASG2A	ABN AMRO BANK N.V. SINGAPORE BRANCH	1	HABBLELC	HABIB BANK LTD		
16	BMRISGSG	BANK MANDIRI (PERSERO) TBE PT	2	BSAMLELY	SAMPATH BANK PLC-COMPANY NO. PO 144		
SLOVAKIA			SWEDEN				
SWIFT CODE			S. No.	SWIFT CODE	BANK NAME		
1	COBASEBX	COMMERZBANK AG	1	DABASESX	DANSKE BANK AS, SVERIGE FILIAL		
SLOVENIA			2	DNBASESS	SKANDIA KAPITALFORVALTHING AB		

Foreign Correspondent Banks

3	DNBASESX	DNB NOR BANK ASA, FILIAL SVERIGE	1	ANZBT0NN	ANZ BANKING GROUP LIMITED
SWITZERLAND			TURKEY		
S. No.	SWIFT CODE	BANK NAME	S. No.	SWIFT CODE	BANK NAME
1	BJSBCHGG	BANQUE JACOB SAFRA (SUISSE) S.A.	1	AKBKTRIS	AKBANK T.A.S.
2	HBZUCHZZ	HABIB BANK AG ZURICH	2	HABTRIS	HABIB BANK LTD.
3	UNILCHZZ	UNITED BANK A.G., ZURICH	UNITED ARAB EMIRATES		
TAIWAN			S. No.	SWIFT CODE	BANK NAME
SWIFT CODE			1	BOMLAEAD	MASHREQBANK PSC.
1	IRVTTWTX	THE BANK OF NEW YORK MELLON, TAIPEI BRANCH	2	HBZUAEAD	HABIB BANK AG ZURICH
2	MHCBTWTP	MIZUHO CORPORATE BANK, LTD., TAIPEI BRANCH (FORMERLY THE DAI-ICHI KANGYO BANK, LTD., TAIPEI BRANCH)	3	HABBAEAD	HABIB BANK LIMITED
3	PNBPTWTF	WELLS FARGO BANK, N.A., TAIPEI BRANCH	4	UNILAead	UNITED BANK LTD.
4	BOTETWTX	BANK OF TOKYO-MITSUBISHI	UNITED KINGDOM		
5	ANZSTWTP	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, TAIPEI BRANCH	S. No.	SWIFT CODE	BANK NAME
THAILAND			1	CHASGB3L	JPMORGAN CHASE BANK, N.A.
S. No.	SWIFT CODE	BANK NAME	2	ANZGB3L	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
1	MHCBTBKK	MIZUHO CORPORATE BANK, LTD., BANGKOK BRANCH (FORMERLY THE DAI-ICHI KANGYO BANK, LTD., BANGKOK BRANCH)	3	BCITGB3L	INTESA SANPAOLO SPA LONDON (FORMERLY BANCA INTESA S.P.A. LONDON)
2	BOTKTHBX	BANK OF TOKYO-MITSUBISHI UFJ, LTD., THE	4	BJSBGB2X	BANK J. SAFRA (GIBRALTAR) LIMITED, LONDON BRANCH
TIMOR-LESTE			5	COBAGB2X	COMMERZBANK AG
S. No.	SWIFT CODE	BANK NAME	6	DABAGB2B	NORTHERN BANK (PART OF DANSKE BANK GROUP)
1	ANZSTLDI	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	7	DABAGB2L	DANSKE BANK
TONGA			8	DNBAGB3L	DNB NOR BANK ASA, LONDON BRANCH
S. No.	SWIFT CODE	BANK NAME	9	HABBCB3L	HABIB-UK PLC
1	ANZSTLDI	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	10	HBZUGB2L	HABIB BANK AG ZURICH
UNITED STATES			11	HSBLCB2L	HABIBSONS BANK LIMITED
S. No.	SWIFT CODE	BANK NAME	12	HVEKGB3L	WOORI BANK, LONDON
1	ANZBUS33	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	13	IRVTTB2X	THE BANK OF NEW YORK MELLON
UNITED STATES			14	LOYDGB3L	LLOYDS TSB BANK PLC
S. No.	SWIFT CODE	BANK NAME	15	MHCBCB2L	MIZUHO CORPORATE BANK, LTD. LONDON BRANCH
1	ANZBUS33	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	16	MSHOCB2L	MASHREQ BANK PSC
UNITED STATES			17	NBPACB3L	UNITED NATIONAL BANK
S. No.	SWIFT CODE	BANK NAME	18	PNBPCB3L	WELLS FARGO BANK, N.A., LONDON BRANCH
1	ANZBUS33	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	19	SHBKGB3L	SHINHAN BANK LONDON BRANCH

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 23rd Annual General
Meeting of the Bank to be held on Friday, March 28, 2014 at 10:00 am 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 _____ 2014.

Signature on
Five-Rupees
Revenue
Stamp

Dated:

Place:

The Signature should
agree with the
Specimen registered
with the Bank

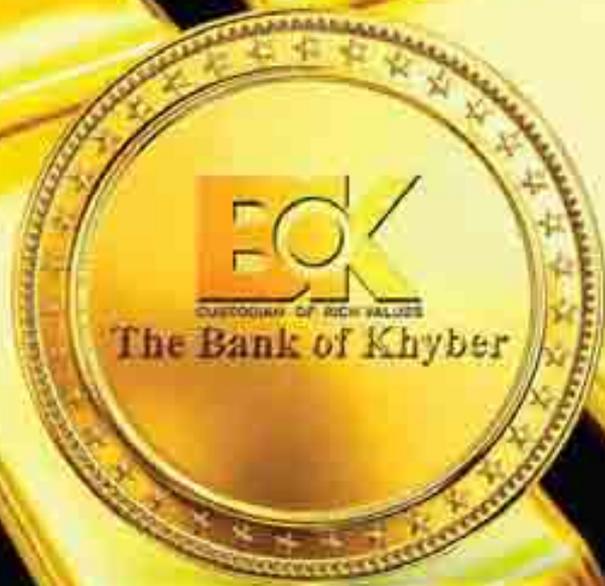
Notes

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. 2nd 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.



34 The Mall, Peshawar Cantt



111-86-36-36



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