











Condensed Interim

Financial Information

for the period ended March 31, 2013

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CORPORATE INFORMATION

Board of Directors

Attaullah Khan
Sahibzada Saeed Ahmad
Maqsood Ismail Ahmad
Sajjad Ahmad
Javed Akhtar
Asad Muhammad Iqbal

Chairman

Managing Director / CEO

Mir Javed Hashmat

Audit Committee

Asad Muhammad Iqbal
Sahibzada Saeed Ahmad
Sajjad Ahmad
Javed Akhtar

Chairman

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
Ground Floor, State Life Building No. 3
Dr. Ziauddin Ahmed Road
Karachi – 75530. Pakistan.

DIRECTORS' REVIEW

On behalf of the Board of Directors, I am pleased to present the financial statements of the Bank for the first quarter ended March 31, 2013. The results are inclusive of Islamic Banking Operations.

Financial Highlights

The financial results of the Bank of Khyber for the first quarter ended March 31, 2013 are as under:

	(Rs. in million)
Operating Profit	443
Reversal / (Provision) against non- performing advances – Net	31
Reversal / (Provision) against diminution in value of investments – Net	3
Profit before taxation	477
Taxation	167
Profit after tax	310
Total Assets	76,620
Advances (Gross)	29,193
Investments (Net)	39,473
Deposits	56,972

Financial Overview

The macroeconomic conditions weakened during H1-FY13 despite improvement in some key indicators. The State Bank of Pakistan, in the wake of rising risks to macroeconomic stability and in the absence of structural reforms that could have supported price stability and growth in medium term, found it difficult to continue with the same monetary policy stance. The two main challenges, from the point of view of SBP, are managing the balance of payment position and containing the resurgence of inflationary pressures.

Although the security conditions coupled with price hike, energy crises and political uncertainty due to the incoming general election have marred the economy during the quarter under review however, the Bank has shown encouraging results for the quarter and was able to close the quarter with profit after tax of Rs.310 million. Other major areas viz. advances, investments, deposits have also improved as compared to the results of the corresponding period.

Future Outlook

The economy is confronted with multiple challenges at the moment: slowing growth, growing energy shortages, drying investment, soaring budget deficit and public debt, rising unemployment and poverty, etc. In terms of solutions, the economy needs deep and decisive fiscal and energy sector reforms and an early realization of planned foreign financial inflows to mitigate uncertainty.

In the monetary policy statement of February 2013, the SBP highlighted two main challenges for monetary policy: to manage the balance of payment position and to contain the possible increase in inflation. Since then, SBP's foreign exchange reserves have declined by another \$2 billion; from 8.7 billion at end-January 2013 to \$6.7 billion as of

5th April 2013, mainly due to debt payments. Contrary to expectations, however, year-on-year inflation has come down by 1.5 percentage points; from 8.1 percent in January 2013 to 6.6 percent in March 2013. Further, due to certain monetary measures adopted by the State Bank of Pakistan, the economy has shown signs of improvement and relative stability. The banking system continued to show resilience against major risk factors. However, heightened credit risk remains a major source of concern for banks but prudent lending and strict vigilance may avert realization of the risk.

Currently, the Bank's paid-up capital stands at Rs.9 billion and in compliance with MCR requirements of the SBP, it will be increased to Rs.10 billion by the year ending 2013.

The Bank would retain its strategy of concentrating on growth and expansion and as approved by the SBP, will open further branches in the country while placing its customers as the pivotal point of its activities.

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

Credit Rating

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has upgraded the medium to long term entity rating of the Bank from 'A-' (Single A Minus) to 'A' (Single A) while maintaining the short term rating at 'A-2' (A Two). Outlook on the assigned rating is "Stable".

The Pakistan Credit Rating Agency Limited (PACRA) has maintained long term entity rating of the Bank to "A-" (Single A Minus) and short term entity rating at "A2" (A Two). Rating outlook is "Positive".

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

Acknowledgement

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

For and on behalf of the Board of Directors

Peshawar: April 22, 2013

Mir Javed Hashmat
Managing Director

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2013

	NOTE	(Un-audited) March 31, 2013	(Audited) December 31, 2012
Rupees in '000'			
ASSETS			
Cash and balances with treasury banks		2,517,226	3,108,819
Balances with other banks		1,058,062	1,649,512
Lendings to financial institutions	6	3,683,560	1,501,000
Investments	7	39,472,650	45,671,700
Advances	8	26,281,744	26,692,766
Operating fixed assets	9	1,344,526	1,359,149
Deferred tax assets	10	201,430	134,219
Other assets		2,061,040	2,060,473
		76,620,238	82,177,638
LIABILITIES			
Bills payable		549,628	558,026
Borrowings from financial institutions		4,616,241	7,420,113
Deposits and other accounts	11	56,972,076	60,043,083
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,608,991	2,429,617
		64,746,936	70,450,839
		11,873,302	11,726,799
NET ASSETS			
REPRESENTED BY			
Share capital	12	9,001,433	9,001,433
Reserves		999,581	937,541
Unappropriated profit		1,084,814	836,654
		11,085,828	10,775,628
Surplus on revaluation of assets-net of tax	13	787,474	951,171
		11,873,302	11,726,799
CONTINGENCIES AND COMMITMENTS			
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The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Managing Director

Director

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2013

	Three months period March 31, 2013	Three months period ended March 31, 2013	Three months period ended March 31, 2012	Three months period ended March 31, 2012
Mark-up/return /interest earned	1,785,767	1,785,767	1,704,046	1,704,046
Mark-up/return /interest expensed	1,038,421	1,038,421	1,153,073	1,153,073
Net mark-up/interest income	747,346	747,346	550,973	550,973
(Reversal)/provision for diminution in the value of investments	(2,457)	(2,457)	14,117	14,117
(Reversal of provision) / provision against non-performing loans and advances-net	(31,621)	(31,621)	71,623	71,623
Bed debts written off directly	-	-	-	-
	(34,078)	(34,078)	85,740	85,740
Net mark-up/interest income after provisions	781,424	781,424	465,233	465,233
NON MARK-UP/INTEREST INCOME				
Fee, commission and brokerage income	54,263	54,263	50,947	50,947
Dividend income	23,016	23,016	151,117	151,117
Income from dealing in foreign currencies	62,949	62,949	21,213	21,213
Gain on sale of securities	9,955	9,955	12,924	12,924
Unrealised (loss)/gain on revaluation of investments classified as held for trading-net	(4,451)	(4,451)	(10,274)	(10,274)
Other income	18,475	18,475	15,383	15,383
Total non mark-up/interest income	164,207	164,207	241,310	241,310
	945,631	945,631	706,543	706,543
NON MARK-UP/INTEREST EXPENSES				
Administrative expenses	460,804	460,804	373,964	373,964
Other provision	-	-	-	-
Other charges	7,500	7,500	6,524	6,524
Total non mark-up/interest expenses	468,304	468,304	380,488	380,488
	477,327	477,327	326,055	326,055
Extra ordinary/unusual item	-	-	-	-
PROFIT BEFORE TAXATION	477,327	477,327	326,055	326,055
Taxation				
Current	164,972	164,972	63,742	63,742
Prior years	-	-	-	-
Deferred	2,155	2,155	11,357	11,357
	167,127	167,127	75,099	75,099
PROFIT AFTER TAXATION	310,200	310,200	250,956	250,956
Unappropriated profit/(loss) brought forward		836,654		749,925
Unappropriated profit/(loss) carried forward		1,146,854		1,000,881
Earnings per share- Basic and Diluted (in Rupees) *		0.34		0.31

* There is no dilution effect on basic earnings per share

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Managing Director

Director

Director

Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2013**

	March 31,	March 31,
	2013	2012
	Rupees in '000	
Profit after taxation for the period	310,200	250,956
Other comprehensive income	-	-
Total comprehensive income for the period	310,200	250,956

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2013**

	Share Capital	Statutory Reserve	Unappropriated Profit/ (Accumulated loss)	TOTAL
-----Rupees in '000'-----				
Balance as at January 01, 2012	8,228,001	722,501	749,925	9,700,427
Change in equity during the three months ended March 31, 2012				
Total comprehensive income for the three months ended March 31, 2012			250,956	250,956
Transfer to statutory reserve		50,191	(50,191)	
Transactions with owners				
Issue of bonus shares during the period				
Balance as at March 31, 2012	8,228,001	772,692	950,690	9,951,383
Change in equity during the nine months ended December 31, 2012	-	-	-	-
Total comprehensive income for the nine month ended December 31, 2012	-	-	824,245	824,245
Transfer to statutory reserve	-	164,849	(164,849)	-
Transactions with owners				
Issue of bonus shares during the year	773,432	-	(773,432)	-
Balance as at December 31, 2012	9,001,433	937,541	836,654	10,775,628
Change in equity during the three months ended March 31, 2013	-	-	-	-
Total comprehensive income for the three months ended March 31, 2013	-	-	310,200	310,200
Transfer to statutory reserve	-	62,040	(62,040)	-
Transactions with owners				
	-	-	-	-
Balance as at March 31, 2013	9,001,433	999,581	1,084,814	11,085,828

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Managing Director

Director

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2013

	Three months period ended March 31, 2013	Three months period ended March 31, 2012
Note	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	477,327	326,055
Less: Dividend income	23,016	151,117
	454,311	174,938
Adjustments for non-cash charges:		
Depreciation	24,778	20,416
Amortization	1,160	1,121
(Reversal)/provision for diminution in the value of investments	(2,457)	14,117
(Reversal of provision)/provision against non-performing loans and advances-net	(31,621)	71,623
Provision against other assets	-	-
Unrealized loss/(gain) on revaluation of investments classified as held for trading	4,451	(6,468)
Loss/(gain) on sale of fixed assets	3	112
	(3,686)	100,921
	450,625	275,859
(Increase) / decrease in operating assets :		
Lendings to financial institutions	(2,182,560)	1,683,756
Net investments in held for trading securities	669,803	(2,245,372)
Advances - net	442,643	2,992,028
Others assets (excluding advance taxation)	(567)	(338,406)
	(1,070,681)	2,092,006
Increase/ (decrease) in operating liabilities :		
Bills payable	(8,398)	95,110
Borrowings	(2,803,872)	(8,533,335)
Deposits and other accounts	(3,071,007)	4,376,309
Other liabilities (excluding current taxation)	99,337	606,264
	(5,783,940)	(3,455,652)
Cash generated from operations	(6,403,996)	(1,087,787)
Income tax paid	(84,935)	(214)
Net cash generated from operating activities	(6,488,931)	(1,088,001)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	5,253,971	1,111,672
Net investments in held-to-maturity securities	40,218	37,606
Net investments in associates	-	-
Dividend received	23,016	151,117
Investments in operating fixed assets	(12,461)	(25,220)
Sale proceeds of property and equipment disposed-off	1,144	136
Net cash used in investing activities	5,305,888	1,275,311
(Decrease)/ increase in cash and cash equivalents	(1,183,043)	187,310
Cash and cash equivalents at beginning of the period	4,758,331	4,330,342
Cash and cash equivalents at end of the period	3,575,288	4,517,652

The annexed notes 1 to 21 form an integral part of these condensed interim financial statements.

Managing Director

Director

Director

Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS PERIOD ENDED MARCH 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, investment and development banking. The Bank acquired the status of a scheduled bank in 1994. The Bank is listed on the Karachi Stock Exchange (KSE). The registered office of the Bank is situated at 24-The Mall, Peshawar Cantt, Peshawar. The Bank is operating 79 branches as at March 31, 2013 (2012: 62 branches). The long term credit ratings of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS are 'A-' and 'A' respectively and the short-term credit ratings assigned are 'A2' and 'A2' respectively.

2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for murabaha financings accounted for under Islamic Financial Accounting Standard-1 "Murabaha") are not reflected in these financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of markup thereon. Following the setting up of the Islamic Banking Division, the Bank also provides financing through Shariah compliant modes of financing.
- 2.2 The financial results of the Islamic Banking Division have been included in these financial statements for reporting purpose, after eliminating the effects of intra-bank transactions and balances. Key financial figures of the Islamic Banking Division are disclosed in note "16" to these financial statements.
- 2.3 These financial statements have been presented in Pakistani Rupee, which is the Bank's functional and reporting currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain 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 (IFRS) and interpretations issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan. Wherever, the requirements of the Companies

Ordinance, 1984, Banking Companies Ordinance, 1962, or directives issued by the Securities and Exchange Commission of Pakistan and the State Bank of Pakistan differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, or the requirements of the said directives prevail.

- 4.2 The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for banking companies till further instructions. Further, according to a notification of SECP dated April 28, 2008, 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2012.

		(Un-audited)	(Audited)
		March 31,	December 31,
		2013	2012
		Rupees in '000'	
Call money lendings		1,100,000	900,000
Repurchase agreement lendings (Reverse Repo)		833,060	-
Placements with financial institutions		1,989,444	839,944
		3,922,504	1,739,944
Less: Provision for doubtful placements with financial institutions	6.1	238,944	238,944
		3,683,560	1,501,000
6.1 Particulars of provision for doubtful placement with financial institutions			
Opening balance		238,944	124,634
Charge for the period/ year		-	114,310
Reversal during the period/ year		-	-
Transferred to Investments/Advances		-	-
Closing balance		238,944	238,944

7. INVESTMENTS

	Note	Held by bank	Given as Collateral	Total
Rupees in '000'				
As at March 31, 2013	7.1	36,055,837	3,416,813	39,472,650
As at December 31, 2012	7.1	39,373,444	6,298,256	45,671,700

7.1 Investments by types	Note	March 31, 2013 (Un-audited)			December 31, 2012 (Audited)		
		Held by bank	Given as collaterals	Total	Held by bank	Given as collaterals	Total
-----Rupees in '000'-----							
Held for trading securities							
Market Treasury Bills		-	-	-	728,330	-	728,330
Pakistan Investment Bonds		100,446	-	100,446	204,775	-	204,775
Units of open-ended mutual funds		-	-	-	-	-	-
Ordinary shares in listed companies		187,745	-	187,745	24,697	-	24,697
		-	-	-	-	-	-
		288,191	-	288,191	957,802	-	957,802
Available-for-sale securities							
Market Treasury Bills		13,381,323	3,423,564	16,804,887	16,101,766	6,264,665	22,366,431
Pakistan Investment Bonds		9,512,388	-	9,512,388	9,311,902	-	9,311,902
National Investment Trust Units		-	-	-	-	-	-
Ordinary shares in listed companies		633,947	-	633,947	542,112	-	542,112
Ordinary shares in unlisted companies		192,987	-	192,987	192,987	-	192,987
Ordinary shares of related parties							
- Listed shares		-	-	-	-	-	-
- Unlisted shares		40,504	-	40,504	40,504	-	40,504
Preference shares in listed company		215,920	-	215,920	215,920	-	215,920
Preference shares in listed company - related party		-	-	-	-	-	-
Listed term finance certificates		730,316	-	730,316	744,821	-	744,821
Unlisted term finance certificates		687,840	-	687,840	692,026	-	692,026
Units of open-ended mutual funds		567,994	-	567,994	517,994	-	517,994
Units of closed-end mutual funds		118,673	-	118,673	118,673	-	118,673
Sukuk certificates		9,396,838	-	9,396,838	9,412,895	-	9,412,895
		35,478,730	3,423,564	38,902,294	37,891,600	6,264,665	44,156,265

8. ADVANCES	Note	(Un-audited) March 31, 2013	(Audited) December 31, 2012
		Rupees in '000'	
Loans, cash credits, running finances, etc. :			
In Pakistan		26,063,100	27,454,164
Outside Pakistan		-	-
		26,063,100	27,454,164
Net investment in ijarah :			
In Pakistan	8.3	754,780	808,859
Outside Pakistan		-	-
		754,780	808,859
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		278,757	272,910
Payable outside Pakistan		2,096,516	1,172,854
		2,375,273	1,445,764
Advances - gross		29,193,153	29,708,787
Less: Provision for non-performing advances	8.2	2,911,409	3,016,021
Advances - net of provision		26,281,744	26,692,766

8.1 Advances include amounts aggregating to Rs. 4,014,959 (December 31, 2012: 4,334,605) thousands which have been placed under non-performing status as detailed below:-

March 31, 2013 (Un-audited)				
Rupees in '000'				
Category of classification	Classified Advances			Provision Held
	Domestic	Overseas	Total	
Other assets especially mentioned*	1,653	-	1,653	-
Substandard	37,817	-	37,817	9,345
Doubtful	712,464	-	712,464	123,912
Loss	3,263,025	-	3,263,025	2,770,789
	4,014,959	-	4,014,959	2,904,046

December 31, 2012 (Audited)				
Rupees in '000'				
Category of classification	Classified Advances			Provision Held
	Domestic	Overseas	Total	
Other assets especially mentioned*	1,818	-	1,818	-
Substandard	632,568	-	632,568	69,256
Doubtful	262,798	-	262,798	10,578
Loss	3,437,421	-	3,437,421	2,928,121
	4,334,605	-	4,334,605	3,007,955

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

8.1.1 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 five years from the date of classification. As at March 31, 2013, the Bank has availed cumulative benefit of forced sale values of Rs. 719,555 million (December 31, 2012: Rs. 709,895 million). Increase in unappropriated profit net of tax amounting to Rs.467,710 (December 31, 2012 Rs. 461,430) is not available for the distribution of cash and stock dividend to the shareholders.

8.2 Particulars of provision against non-performing advances

	March 31, 2013 (Un-audited)			December 31, 2012 (Audited)		
	Specific	General	Total	Specific	General	Total
Rupees in '000'						
Opening balance	3,007,955	8,066	3,016,021	2,988,661	8,251	2,996,912
Charge for the period / year	108,253	-	108,253	449,827	-	449,827
Reversals	(139,171)	(703)	(139,874)	(411,114)	(185)	(411,299)
	(30,918)	(703)	(31,621)	38,713	(185)	38,528
Amounts written off	(72,991)	-	(72,991)	(19,419)	-	(19,419)
Closing balance	2,904,046	7,363	2,911,409	3,007,955	8,066	3,016,021

	Note	(Un-audited) March 31, 2013	(Audited) December 31, 2012
8.3 Net investment in Ijarah			
Ijarah under finance method	8.3.1	44,096	53,879
Ijarah under IFAS-2	8.3.2	710,684	754,980
		<u>754,780</u>	<u>808,859</u>

8.3.1 Ijarah under finance method

Ijarah under finance method	March 31, 2013 (Un-audited)			
	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000			
Ijarah rentals receivable	19,843	16,943	2,343	39,129
Residual value	8,335	3,696	82	12,113
Minimum Ijarah rentals	28,178	20,639	2,425	51,242
Profit for future periods	(2,125)	(4,183)	(838)	(7,146)
Net investment in Ijarah	26,053	16,456	1,587	44,096

	December 31, 2012 (Audited)			
	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000			
Ijarah rentals receivable	24,308	15,751	3,128	43,187
Residual value	17,998	2,518	40	20,556
Minimum Ijarah rentals	42,306	18,269	3,168	63,743
Profit for future periods	(4,327)	(4,678)	(859)	(9,864)
Net investment in Ijarah	37,979	13,591	2,309	53,879

8.3.2 Ijarah under IFAS-2

Ijarah assets under IFAS-2 are stated at cost of Rs.894.789 million (December 31, 2012: Rs893.355 million) less accumulated depreciation of Rs.184.105 million (December 31, 2012: Rs. 138.375 million) in accordance with the SBP letter No. BPRD/BLRD-04/2008-6268.

9. OPERATING FIXED ASSETS

During the current period, additions and disposals in operating fixed assets amounted to Rs 12,462 thousand (March 31, 2012: Rs. 25,220 thousand) and Rs. 1,147 thousand (March 31, 2012: Rs. 1,600), respectively.

10. DEFERRED TAX ASSET

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 against NPL
Provision for other assets
Provision for Worker Welfare Fund
Capital loss carried forward
Stabilization reserve

Taxable temporary differences
Accelerated depreciation for tax purposes
Surplus on revaluation of investment

(Un-audited) March 31, 2013	(Audited) December 31, 2012
Rupees in '000'	
3,510	3,510
33,942	6,077
112,263	112,196
-	-
3,448	3,448
34,167	31,542
15,860	16,855
41,553	41,526
<u>244,743</u>	<u>215,154</u>
(33,894)	(30,015)
(9,419)	(50,920)
(43,313)	(80,935)
<u>201,430</u>	<u>134,219</u>

11. DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits
Savings deposits
Current accounts - Non-remunerative
Call deposits
Margin and sundry deposits

Financial Institutions

Remunerative deposits
Non-remunerative deposits

(Un-audited) March 31, 2013	(Audited) December 31, 2012
Rupees in '000'	
26,267,434	27,685,213
14,437,989	16,800,810
14,453,627	13,553,130
634,585	1,093,034
1,148,776	841,576
<u>56,942,411</u>	<u>59,973,763</u>
29,129	69,201
536	119
<u>29,665</u>	<u>69,320</u>
<u>56,972,076</u>	<u>60,043,083</u>

12. **SHARE CAPITAL**

12.1 **Authorized Capital**

			Note	(Un-audited) March 31, 2013	(Audited) December 31, 2012
	2013	2012		Rupees in '000'	
	Number of shares				
	<u>1,000,000,000</u>	<u>1,000,000,000</u>	Ordinary shares of Rs.10 each	<u>10,000,000</u>	<u>10,000,000</u>
12.2	Issued, subscribed and paid up capital				
	Fully paid ordinary shares of Rs. 10/- each				
			Ordinary shares		
	<u>722,698,448</u>	<u>722,698,448</u>	Fully paid in cash	<u>7,226,984</u>	<u>7,226,984</u>
	<u>177,444,900</u>	<u>177,444,900</u>	Issued as fully paid bonus shares	<u>1,774,449</u>	<u>1,774,449</u>
	<u>900,143,348</u>	<u>900,143,348</u>	12.2.2	<u>9,001,433</u>	<u>9,001,433</u>

12.2.2 At March 31, 2013, the Government of Khyber Pakhtunkhwa and Ismail Industries limited held 631,936,856 (December 31, 2012: 631,936,856) and 77,528,622 (December 31, 2012: 77,528,622) ordinary shares of Rs. 10 each respectively.

13. **SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS**

Deficit on revaluation of available for sale securities

Deficit on revaluation of:

Federal government securities

- Market Treasury Bills

- Pakistan Investment Bonds

Fully paid up ordinary shares - quoted

Term Finance Certificates - listed

Sukuk Certificates

Units in open ended mutual funds

Units in close ended mutual funds

	March 31, 2013	December 31, 2012
	Rupees in '000'	
	33,672	104,627
	(130,647)	(9,843)
	8,711	41,774
	(22,169)	(7,519)
	-	-
	98,466	91,157
	9,178	10,078
	(2,789)	230,274
Surplus on revaluation of fixed assets		
Freehold land	765,740	765,740
	762,951	996,014
Deferred tax assets	24,523	(44,843)
	<u>787,474</u>	<u>951,171</u>

14. **CONTINGENCIES AND COMMITMENTS**

14.1 **Direct credit substitutes**

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

	(Un-audited) March 31, 2013	(Audited) December 31, 2012
	Rupees in '000'	
Banks	-	-
Others	16,074	12,135
	<u>16,074</u>	<u>12,135</u>

14.2 Transaction-related contingent liabilities

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

		(Un-audited) March 31, 2013	(Audited) December 31, 2012
	Note	Rupees in '000'	
Guarantees favoring:			
Government		4,941,704	4,728,553
Others		3,138,889	3,004,471
	14.2.1	8,080,593	7,733,024

- 14.2.1 The above amounts include expired letters of guarantee aggregating to Rs.1,831.503 million as at March 31, 2013 (December 31, 2012: Rs. 1,729.600 million) for which the formalities relating to return of the original documents are in process.

		(Un-audited) March 31, 2013	(Audited) December 31, 2012
		Rupees in '000'	
14.3 Trade-related contingent liabilities			
Letters of credit			
Sight		2,473,516	2,713,247
Usance		352,485	244,024
		2,826,001	2,957,271
Acceptances		792,654	462,117
		3,618,655	3,419,388
14.4 Commitments in respect of forward exchange contracts			
Purchase		2,403,412	1,570,901
Sale		2,161,617	1,587,389

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 period end, all foreign exchange contracts have a remaining maturity of less than one year.

		(Un-audited) March 31, 2013	(Audited) December 31, 2012
		Rupees in '000'	
14.5 Other commitments			
Bills for collection			
Inland bills		174,688	118,463
Foreign bills		243,349	548,762
		418,037	667,225

14.6 Commitments to extend credit

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

- 14.7 There has been no change in the status of other contingencies as disclosed in notes 21.8 and 21.9 to annual financial statements of the Bank for the year ended December 31, 2012.

		(Un-audited) March 31, 2013	(Un-Audited) March 31, 2012
		Rupees in '000'	
15. CASH AND CASH EQUIVALENTS			
Cash and Balance with Treasury Banks		2,517,226	2,764,695
Balance with other banks		1,058,062	1,752,957
		3,575,288	4,517,652

		(Un-audited) March 31, 2013	(Audited) December 31, 2012
	Note	Rupees in '000	
16. KEY FINANCIAL FIGURES OF ISLAMIC BANKING DIVISION			
ASSETS			
Cash and balances with treasury banks		900,648	1,099,279
Balances with other banks		296,147	505,487
Due from Financial Institutions		2,350,000	1,200,000
Investments		9,614,040	9,643,191
Islamic Financing and Related Assets	16.1	3,285,501	3,211,717
Operating fixed assets		170,437	165,394
Deferred tax assets		-	-
Other assets		327,756	407,517
		16,944,529	16,232,585
LIABILITIES			
Bills payable		183,166	135,187
Due to Financial Institutions		-	-
Deposits and other accounts			
-Current Accounts		4,731,715	4,635,304
-Saving Accounts		6,146,915	5,860,672
-Term Deposits		1,748,004	1,729,823
-Others		557,108	735,268
-Deposit from Financial Institutions -Remunerative		10,599	363,298
Other liabilities		1,139,817	441,140
		14,517,324	13,900,692
NET ASSETS		2,427,205	2,331,893
REPRESENTED BY			
Islamic Banking Fund		460,000	460,000
Unappropriated profit		1,967,709	1,871,893
		2,427,709	2,331,893
(Deficit) / Surplus on revaluation of assets		(504)	-
		2,427,205	2,331,893
REMUNERATION TO SHARIAH ADVISOR		516	1,652
CHARITY FUND			
Opening balance		-	-
Additions during the period / year		172	345
Payments during the period / year		-	(345)
Closing balance		172	-

	Note	(Un-audited) March 31, 2013	(Audited) December 31, 2012
Rupees in '000			
16.1 Islamic Financing and Related Assets			
Murabaha financings	16.1.1	1,221,824	1,565,590
Ijarah	16.1.2	754,780	825,861
Diminishing Musharika	16.1.3	840,672	859,150
Istisna Financing	16.1.4	500,000	-
		3,317,276	3,250,601
Less provision for Non-Performing Facilities		31,775	38,884
		3,285,501	3,211,717
16.1.1 Murabaha			
Murabaha Receivable		1,122,360	1,536,623
Inventories		99,464	28,967
		1,221,824	1,565,590
16.1.2 Ijarah			
Net Investment in Ijarah		44,096	53,879
Ijarah under IFAS-II		710,684	754,980
Advances		-	17,002
		754,780	825,861
16.1.3 Diminishing Musharaka			
Diminishing musharaka		834,672	859,150
Advances		6,000	-
		840,672	859,150
16.1.4 Istisna Financing			
istisna Work in progress		500,000	-
Advances		-	-
		500,000	-

The profit and loss account of the Bank's Islamic Banking Branches for the period ended March 31, 2013 is as follows;

	(Un-audited) March 2013	(Un-audited) March 2012
Rupees in '000		
Income / return / profit earned	353,635	332,514
Income / return / profit expensed	123,404	94,254
	230,231	238,260
(Reversal of provision) / provision against non-performing financing	(7,109)	6,612
Provision for diminution in value of investments	-	-
	(7,109)	6,612
Net Income / return / profit after provisions	237,340	231,648
OTHER INCOME		
Fee, commission and brokerage income	12,909	11,361
Dividend income	923	11,181
Income from dealing in foreign currencies	8,188	6,157
Unrealized gain / (loss) on revaluation of held-for-trading securities	1,699	1,470
(Loss)/gain on sale of securities	(384)	(568)
Other income	5,477	4,813
Total other income	28,812	34,414
	266,152	266,062
OTHER EXPENSES		
Administrative expenses	170,336	132,621
Other charges	-	14
Total other expenses	170,336	132,635
Profit before taxation	95,816	133,427
Unappropriated profit brought forward	1,871,893	1,390,135
Profit available for appropriation	1,967,709	1,523,562

17. RELATED PARTY TRANSACTIONS

The Bank has related party relationships with its majority shareholder (Government of Khyber Pakhtunkhwa), an associate, directors, key management personnel and staff retirement benefit plans.

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

	For the Period Ended March 31, 2013 (Un-audited)			For The Year Ended December 31, 2012 (Audited)		
	Directors and key management personnel	Other related parties	Total	Directors and key management personnel	Other related parties	Total
	----- 'Rupees in '000 -----					
Advances:						
At January 1,	148,615	-	148,615	140,156	27,778	167,934
Disbursed during the period/ year	15,222	-	15,222	30,926	-	30,926
Repayments received during the period/ year	(21,013)	-	(21,013)	(22,467)	(27,778)	(50,245)
Balance as at	142,824	-	142,824	148,615	-	148,615
Deposits:						
At January 1,	16,487	149,562	166,049	29,469	25,244	54,713
Deposited during the period/ year	47,900	100,180	148,080	208,991	542,980	751,971
Repaid during the period/ year	(50,258)	(227,144)	(277,402)	(221,973)	(418,662)	(640,635)
Balance as at	14,129	22,598	36,727	16,487	149,562	166,049
	For the Period Ended March 31, 2013 (Un-audited)			For the Period Ended March 31, 2012 (Un-audited)		
	Directors and key management personnel	Other related parties	Total	Directors and key management personnel	Other related parties	Total
	----- 'Rupees in '000 -----					
Mark-up/return /interest earned	2,123	-	2,123	926	-	926
Mark-up/return /interest expensed	234	3,302	3,536	200	22,225	22,425
Fee	420	-	420	410	-	410

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	For the Period Ended March 31, 2013 (Un-audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000				
Total income	725,526	147,625	160,447	916,375	1,949,974
Total expenses	633,287	108,809	116,656	781,021	1,639,774
Net income	92,239	38,816	43,791	135,355	310,200

	For the Period Ended March 31, 2012 (Un-audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000				
Total income	616,302	95,927	164,895	1,068,232	1,945,356
Total expenses	582,556	76,245	100,923	934,677	1,694,400
Net income (loss)	33,746	19,682	63,972	133,556	250,956

19. CORRESPONDING FIGURES

Corresponding figures have been reclassified to reflect more appropriate presentation of transactions for the purposes of comparison.

20. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue on April 22, 2013 by the Board of Directors of the Bank .

21. GENERAL

Figures have been rounded off to nearest thousands of rupees, unless otherwise stated.