










Condensed Interim
Financial Statements
for the period ended June 30, 2013

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CORPORATE INFORMATION

Board of Directors

Khalid Pervez
Sahibzada Saeed Ahmad
Maqsood Ismail Ahmad
Sajjad Ahmad
Javed Akhtar
Asad Muhammad Iqbal

Chairman

Acting Managing Director

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 half year ended June 30, 2013. The results are inclusive of Islamic Banking Operations.

Financial Highlights

The financial results of the Bank of Khyber for the half year ended June 30, 2013 are as under:

	(Rs. in million)
Operating Profit	868
Provision against non- performing advances	(98)
Reversal of Provision against diminution in value of investments	39
Reversal of Provision for other assets	14
Profit before taxation	823
Taxation	(270)
Profit after tax	553
Total Assets	85,560
Advances (Gross)	29,946
Investments (Net)	40,513
Deposits	68,788

Financial Overview

There has been a perceptible positive change in sentiments post May 2013 elections because of clarity on the political front. Importantly, there has been a considerable improvement in SBP conducted surveys of consumer confidence, expected economic conditions, and inflation expectations. The absence of foreign financial inflows and high fiscal borrowings from the banking system, however, remain formidable economic challenges, especially for monetary policy. Similarly, power shortages and security conditions continue to be strong impediments to growth. However, despite all odds, the Bank has prudently managed to register Profit before tax of Rs. 823 million whereas after tax Profit stood at Rs. 553 million. The deposits grew noticeably from the last quarter of Rs. 56,972 million to Rs. 68,788 million giving an increase of 21%. The advances as well as investments maintained their growth. Overall asset base has been increased by 12% from Rs. 76,620 million as on March 31, 2013 to Rs. 85,560 million as on June 30, 2013.

Future Outlook

A reflection of the current declining trend in inflation can be seen in the muted real economic activity. Beset by energy shortages and law and order conditions, the GDP growth has struggled to improve in the last few years and this year was no exception. Although there has been an encouraging upward trend in the growth of Large Scale Manufacturing sector however, this is too early to consider it as an emerging trend. In this context, a lot depends on the fiscal outlook. The fiscal deficit for FY13 has been estimated to reach 8.8 percent of GDP, which is considerably higher than earlier projections. The source of deviation is structural and well known – low tax revenues due to absence of meaningful tax reforms and continuation of untargeted subsidies without comprehensively addressing the energy sector problems. For FY14, the federal government has

announced a provisional estimate of 6.3 percent of GDP.

It is however, observed that if the economy is to reap the benefits of evolving positive sentiments and lure the domestic as well as foreign investors then implementation of a reform oriented and credible medium term fiscal outlook is essential.

At the end of the half year under review, the Bank is operating with 79 branches and 3 booths throughout the country out of which 36 branches are functioning as dedicated Islamic Banking Branches. In order to further strengthen its customer relationship and for maximum and effective outreach, the Bank after having permission of the central bank, is in the process of opening new branches in the country which will take the tally to 100 branches for the year ending 2013. The branch expansion is likely to translate into increase in profitability and growth of the Bank.

As disclosed in the financial statements, the Bank's paid-up capital for the half year ended June 30, 2013 stood at Rs.9.0 billion. To meet the Minimum Capital Requirements of the State Bank of Pakistan for the year ending 2013, the Bank is exploring different available options to meet the requirement of Rs.10.0 billion by the year end.

Credit Rating

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has maintained the medium to long term entity rating of the Bank at 'A' (Single A). Short term rating has been upgraded from 'A-2' (A-Two) to 'A-1' (A-One). Outlook on the assigned rating is "Stable".

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the long-term and short term entity ratings of the Bank to "A"(Single A) [previous: A-] and "A1" (A One) [previous: A2] respectively. These ratings denote a low expectation of credit risk emanating from strong capacity for timely payment of financial commitments.

Acknowledgement

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

For and on behalf of the Board of Directors

Peshawar: August 27, 2013

Khalid Pervez
Chairman

AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of financial position of THE BANK OF KHYBER (the Bank) as at June 30, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the six months then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarters ended June 30, 2013 and 2012 have not been reviewed and we do not express a conclusion them, as we are required to review only the cumulative figures for the six months ended June 30, 2013.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended June 30, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner
Syed Asad Ali Shah

Place: Karachi
Date: August 27, 2013

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2013

		(Un-audited) June 30, 2013	(Audited) December 31, 2012
	Note	Rupees in '000'	
ASSETS			
Cash and balances with treasury banks		4,197,057	3,108,819
Balances with other banks		1,302,936	1,649,512
Lendings to financial institutions	6	9,074,911	1,501,000
Investments	7	40,512,870	45,671,700
Advances	8	27,099,261	26,692,766
Operating fixed assets	9	1,354,577	1,359,149
Deferred tax asset - net	10	74,560	134,219
Other assets		1,943,592	2,060,473
		85,559,764	82,177,638
LIABILITIES			
Bills payable		472,382	558,026
Borrowings	11	1,141,192	7,420,113
Deposits and other accounts	12	68,787,545	60,043,083
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,691,633	2,429,617
		73,092,752	70,450,839
NET ASSETS		12,467,012	11,726,799
REPRESENTED BY			
Share capital		9,001,433	9,001,433
Reserves		1,048,125	937,541
Unappropriated profit		1,278,990	836,654
		11,328,548	10,775,628
Surplus on revaluation of assets-net of tax	13	1,138,464	951,171
		12,467,012	11,726,799
CONTINGENCIES AND COMMITMENTS	14		

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Managing Director

Director

Director

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2013

	Three months ended June 30, 2013	Six months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2012
Note				
-----Rupees in '000'-----				
Mark-up / return / interest earned	1,680,034	3,465,801	1,713,431	3,417,477
Mark-up / return / interest expensed	968,583	2,008,004	1,107,899	2,260,972
Net mark-up / interest income	710,451	1,457,797	605,532	1,156,505
Provision / (reversal of provision) against non-performing loans and advances - net	130,181	98,560	(48,123)	23,500
(Reversal of provision) / provision for diminution in the value of investments - net	(36,980)	(39,437)	70,597	84,714
Bad debts written off directly	-	-	-	-
	93,201	59,123	22,474	108,214
Net mark-up / interest income after provisions	617,250	1,398,674	583,058	1,048,291
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	67,331	121,594	69,886	120,833
Dividend income	10,073	33,089	60,284	211,401
Income from dealing in foreign currencies	51,290	114,239	51,553	72,766
Gain / (loss) on sale of securities - net	25,060	35,015	(825)	12,099
Unrealised (loss) / gain on revaluation of investments classified as held-for-trading	(7,283)	(11,734)	7,991	(2,283)
Other income	39,340	57,815	15,458	30,841
Total non mark-up / interest income	185,811	350,018	204,347	445,657
	803,061	1,748,692	787,405	1,493,948
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	461,868	922,672	399,876	773,840
Other provisions / (reversals) / write offs	(14,047)	(14,047)	-	-
Other charges	9,401	16,901	8,486	15,010
Total non mark-up / interest expenses	457,222	925,526	408,362	788,850
	345,839	823,166	379,043	705,098
Extra ordinary / unusual item	-	-	-	-
PROFIT BEFORE TAXATION	345,839	823,166	379,043	705,098
Taxation				
Current	(121,510)	(286,482)	(138,801)	(202,543)
Prior	-	-	-	-
Deferred	18,391	16,236	643	(10,714)
	(103,119)	(270,246)	(138,158)	(213,257)
PROFIT AFTER TAXATION	242,720	552,920	240,885	491,841
			Restated	Restated
Earnings per share - Basic and Diluted (in Rupees)	15 0.27	0.61	0.27	0.55

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Managing Director

Director

Director

Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2013

	Three months ended June 30, 2013	Six months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2012
-----Rupees in '000'-----				
Profit for the period	242,720	552,920	240,885	491,841
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	242,720	552,920	240,885	491,841

Surplus / (deficit) on revaluation of 'Available for sale' securities and 'Fixed assets' are presented under a separate head below equity as 'surplus / (deficit) on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated August 04, 2000 and BSD Circular No. 10 dated July 13, 2004 respectively and Companies Ordinance, 1984.

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Managing Director

Director

Director

Director

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2013

	Share capital	Statutory reserve	Unappropriated profit	Total
-----Rupees in '000'-----				
Balance as at January 1, 2012	8,228,001	722,501	749,925	9,700,427
Changes in equity during the six months ended June 30, 2012				
Total comprehensive income				
Profit after taxation for the six months ended June 30, 2012	-	-	491,841	491,841
Other comprehensive income - net of tax	-	-	-	-
	-	-	491,841	491,841
Transfer to statutory reserve	-	98,368	(98,368)	-
Balance as at June 30, 2012	8,228,001	820,869	1,143,398	10,192,268
Changes in equity during the six months ended Dec 31, 2012				
Total comprehensive income				
Profit after taxation for the six months ended December 31, 2012	-	-	583,360	583,360
Other comprehensive income - net of tax	-	-	-	-
	-	-	583,360	583,360
Transfer to statutory reserve	-	116,672	(116,672)	-
Issue of bonus shares during the period	773,432	-	(773,432)	
Balance as at December 31, 2012	9,001,433	937,541	836,654	10,775,628
Changes in equity during the six months ended June 30, 2013				
Total comprehensive income				
Profit after taxation for the six months ended June 30, 2013	-	-	552,920	552,920
Other comprehensive income - net of tax	-	-	-	-
	-	-	552,920	552,920
Transfer to statutory reserve	-	110,584	(110,584)	-
Balance as at June 30, 2013	9,001,433	1,048,125	1,278,990	11,328,548

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Managing Director

Director

Director

Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2013

	Six months ended June 30, 2013	Six months ended June 30, 2012
	Rupees in '000	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	823,166	705,098
Less: Dividend income	33,089	211,401
	790,077	493,697
Adjustments for non-cash charges:		
Depreciation	58,443	40,345
Amortization	2,664	2,232
Provision against non-performing advances - net	98,560	23,500
(Reversal of provision) / Provision for diminution in the value of investments - net	(39,437)	84,714
(Reversal) of provision against non-banking assets	(19,256)	-
Provision for Workers Welfare Fund	17,206	15,000
Unrealized loss on revaluation of investments classified as held-for-trading	11,734	2,283
Gain / (loss) on sale of operating fixed asset	11	(387)
	129,925	167,687
	920,002	661,384
(Increase) / decrease in operating assets:		
Lendings to financial institutions	(7,573,911)	(383,682)
Net investments in held-for-trading securities	718,182	1,471,303
Advances	(505,055)	(5,143,617)
Others assets (excluding advance taxation)	136,137	(148,694)
	(7,224,647)	(4,204,690)
Increase / (decrease) in operating liabilities:		
Bills payable	(85,644)	75,982
Borrowings	(6,278,921)	(8,795,590)
Deposits and other accounts	8,744,462	8,996,409
Other liabilities (excluding current taxation)	271,285	562,918
	2,651,182	839,719
Net cash used in operating activities	(3,653,463)	(2,703,587)
Income tax (paid) / refund - net	(312,957)	(5,528)
Net cash cased in operating activities	(3,966,420)	(2,709,115)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	4,669,813	4,992,303
Net investments in held-to-maturity securities	61,304	70,692
Dividend received	33,089	211,401
Investments in operating fixed assets - net	(57,380)	(48,321)
proceeds from sale of operating fixed assets	1,256	1,678
Net cash generated from investing activities	4,708,082	5,227,753
CASH FLOW FROM FINANCING ACTIVITIES	-	-
Increase in cash and cash equivalents	741,662	2,518,638
Cash and cash equivalents at beginning of the period	4,758,331	4,330,342
Cash and cash equivalents at end of the period	5,499,993	6,848,980

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

Managing Director

Director

Director

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 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 79 branches including 36 Islamic Banking Branches as at June 30, 2013 (December 31, 2012: 77 branches including 35 Islamic Banking Branches). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency (PACRA) and JCR-VIS are 'A' and 'A' respectively and the short-term credit ratings assigned are 'A-1' and 'A-1' respectively.
- 1.2 The State Bank of Pakistan (SBP) through its BSD Circular No. 7 dated April 15, 2009 has prescribed that the minimum paid up capital (net of losses) for Banks shall be raised to Rs. 10 billion by the year ending December 31, 2013. The paid-up capital (free of losses) of the Bank as at June 30, 2013 stood at Rs. 9.001 billion. The Bank is planning to increase paid up capital through further issue of capital and is in the process of evaluation of different available options.

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 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 this condensed interim financial information as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.2 The financial results of the Islamic Banking Group have been consolidated in these financial statements for reporting purpose, after eliminating the effects of intra-bank transactions and balances. Key financial figures of the Islamic Banking Group are disclosed in note 16 to this condensed interim financial information.
- 2.3 This condensed interim financial information has 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

This condensed interim financial information has been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts and certain investments, commitments in respect of forward exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

4. STATEMENT OF COMPLIANCE

- 4.1 This condensed interim financial information for the six months ended June 30, 2013, has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved

accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the Companies Ordinance, 1984, provisions and directives issued under the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the SBP. In case the requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the directives issued by the SECP and the SBP shall prevail.

- 4.2 The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standards (IAS) 40, "Investment Property" 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 this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 4.3 The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required for the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2012. This condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and is un-audited but subject to limited scope review by the statutory auditors.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS AND RISK MANAGEMENT POLICIES

- 5.1 The accounting policies, underlying estimates and judgments and methods of computation followed in the preparation of this condensed interim financial information are same as those applied in preparing the most recent annual financial statements of the Bank for the year ended December 31, 2012 except for the change in accounting policy due to adoption of amendments to IAS 19 "Employee Benefits" as explained in note 5.1.1.

5.1.1 Adoption of Amendments to IAS 19 - Employee Benefits

With effect from January 1, 2013, the Bank has adopted amendments to IAS 19 "Employee Benefits". 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 was previously 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 recognized in the profit and loss account. However, there is no impact of this change on Bank's equity.

- 5.2 The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in the financial statements of the Bank for the year ended December 31, 2012.

6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings

Repurchase agreement lendings (Reverse Repo)

Placements with financial institutions

Less: Provision for doubtful placements with financial institutions

(Un-audited) June 30, 2013	(Audited) December 31, 2012
Rupees in '000'	
1,250,000	900,000
7,824,911	-
238,944	839,944
9,313,855	1,739,944
(238,944)	(238,944)
9,074,911	1,501,000

7. INVESTMENTS

Note	June 30, 2013 (Un-audited)			December 31, 2012 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000'-----						
Held-for-trading securities						
Market Treasury Bills	29,813	-	29,813	728,330	-	728,330
Pakistan Investment Bonds	-	-	-	204,775	-	204,775
Ordinary Shares in listed companies	209,999	-	209,999	24,697	-	24,697
	239,812	-	239,812	957,802	-	957,802
Available-for-sale securities						
Market Treasury Bills	18,710,293	-	18,710,293	16,101,766	6,264,665	22,366,431
Pakistan Investment Bonds	8,624,143	-	8,624,143	9,311,902	-	9,311,902
Ordinary shares in listed companies	809,911	-	809,911	542,112	-	542,112
Ordinary shares in unlisted companies	142,987	-	142,987	192,987	-	192,987
Unlisted ordinary shares of related parties	40,504	-	40,504	40,504	-	40,504
Preference shares in listed companies	410,920	-	410,920	215,920	-	215,920
Listed term finance certificates	705,905	-	705,905	744,821	-	744,821
Unlisted term finance certificates	508,949	-	508,949	692,026	-	692,026
Units of open-end mutual funds	353,086	-	353,086	517,994	-	517,994
Units of closed-end mutual funds	118,673	-	118,673	118,673	-	118,673
Sukuk certificates	9,256,081	-	9,256,081	9,412,895	-	9,412,895
	39,681,452	-	39,681,452	37,891,600	6,264,665	44,156,265
Held-to-maturity securities						
Pakistan Investment Bonds	652,581	-	652,581	661,475	-	661,475
Sukuk certificates	424,891	-	424,891	477,301	-	477,301
	1,077,472	-	1,077,472	1,138,776	-	1,138,776
Investment at cost						
	40,998,736	-	40,998,736	39,988,178	6,264,665	46,252,843
Less: Provision for diminution in value of investments	7.1 (967,172)	-	(967,172)	(811,609)	-	(811,609)
Investments (net of provisions)	40,031,564	-	40,031,564	39,176,569	6,264,665	45,441,234
Unrealised (loss) / gain on revaluation of held for trading securities - net	(11,734)	-	(11,734)	192	-	192
Surplus on revaluation of available-for-sale securities - net	13 493,040	-	493,040	196,683	33,591	230,274
Total investments	40,512,870	-	40,512,870	39,373,444	6,298,256	45,671,700

		(Un-audited) June 30, 2013	(Audited) December 31, 2012
	Note	Rupees in '000'	
7.1 Provision for diminution in value of investments			
Opening balance		811,609	672,024
Charge for the period / year		5,699	150,322
Reversal on disposal of shares / mutual funds/ term finance certificate		(45,136)	(10,737)
		(39,437)	139,585
Transferred from advances	7.1.1	195,000	-
Closing balance		967,172	811,609

7.1.1 During the period, advance was restructured and the Bank received preference shares under restructure agreement with the counterparty. Consequently, the advance along with provision thereon has been reclassified to investments.

		(Un-audited) June 30, 2013	(Audited) December 31, 2012
	Note	Rupees in '000'	
8. ADVANCES			
Loans, cash credits, running finances, etc			
In Pakistan		27,276,719	27,454,164
Outside Pakistan		-	-
		27,276,719	27,454,164
Net investment in ijarah:			
In Pakistan		709,249	808,859
Outside Pakistan		-	-
		709,249	808,859
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		207,253	272,910
Payable outside Pakistan		1,752,630	1,172,854
		1,959,883	1,445,787
Advances - gross	8.1	29,945,851	29,708,787
Less: Provision for non-performing advances	8.2	(2,846,590)	(3,016,021)
Advances - net of provision		27,099,261	26,692,766

- 8.1** Advances include Rs. 3,844.224 million (December 31, 2012: Rs. 4,334.605 million) which have been placed under non-performing status as detailed below:

June 30, 2013 (Un-audited)					
Category of classification	Classified Advances			Provision	Provision
				Required	Held
	Domestic	Overseas	Total		
-----Rupees in '000'-----					
Other assets especially mentioned*	10,944	-	10,944	1,052	1,052
Substandard	240,681	-	240,681	11,702	11,702
Doubtful	399,330	-	399,330	270,536	270,536
Loss	3,193,269	-	3,193,269	2,555,741	2,555,741
	3,844,224	-	3,844,224	2,839,031	2,839,031

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

* Other assets especially mentioned category pertains to agricultural finance and small enterprise finance.

- 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 June 30, 2013, the Bank has availed cumulative benefit of forced sale values of Rs. 691.275 million (December 31, 2012: Rs. 709.895 million). Increase in unappropriated profit net of tax amounting to Rs. 449.329 is not available for the distribution of cash and stock dividend to the shareholders.

8.2 Particulars of provision against non-performing advances

	June 30, 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
Transferred to investments (Note 7.1.1)	(195,000)	-	(195,000)	-	-	-
Charge for the period / year	315,534	-	315,534	449,827	-	449,827
Reversals	(216,467)	(507)	(216,974)	(411,114)	(185)	(411,299)
	99,067	(507)	98,560	38,713	(185)	38,528
Amounts written off	(72,991)	-	(72,991)	(19,419)	-	(19,419)
Closing balance	2,839,031	7,559	2,846,590	3,007,955	8,066	3,016,021

		(Un-audited) June 30, 2013	(Audited) December 31, 2012
9. OPERATING FIXED ASSETS - NET	Note	Rupees in '000'	
Capital Work-in-progress		59,532	114,100
Properly and equipment	9.1 & 9.2	1,286,640	1,211,014
Intangible assets	9.3	8,405	4,035
		1,354,577	1,359,149

9.1 During the period, the Bank arranged for revaluation of its leasehold land from an independent professional valuer M/S Amir Evaluators and Consultants on April 22, 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.0.442 million. Had there been no revaluation, the carrying amount of revalued land would have been Rs. 117.24 million.

9.2 Following additions / disposals have been made to / from property and equipments;

	June 30, 2013 (Un-audited)		June 30, 2012 (Un-audited)	
	Additions	Disposals	Additions	Disposals
	-----Rupees in '000'			
Leasehold land	75,690	-	-	-
Furniture and fixtures	7,098	823	5,978	970
Office equipment	28,969	658	32,166	2,185
Vehicles	98	1,538	158	1,681
Renovations / Premises	23,088	70	21,612	889
	134,943	3,089	59,914	5,725
9.3 Additions to intangible assets	7,034	-	381	-

	(Un-audited) June 30, 2013	(Audited) December 31, 2012
	Rupees in '000'	
10. DEFERRED TAX ASSET - NET		
Deferred tax asset arising in respect of:		
Provision for balances with other banks	3,510	3,510
Deficit on revaluation of investments	5,418	6,077
Provision for diminution in the value of investments	119,480	112,196
Provision for other assets	3,448	3,448
Provision for Workers Welfare Fund	37,564	31,542
Capital loss carried forward	11,405	16,855
Stabilisation reserve	41,931	41,526
	222,756	215,154
Deferred tax liability arising in respect of:		
Accelerated tax depreciation	(22,041)	(30,015)
Surplus on revaluation of investment	(126,155)	(50,920)
	(148,196)	(80,935)
Deferred tax asset - net	74,560	134,219

		(Un-audited) June 30, 2013	(Audited) December 31, 2012
	Note	Rupees in '000'	
11. BORROWINGS:			
Secured			
BORROWINGS from State Bank of Pakistan:			
Under export refinance scheme		1,114,589	1,097,684
Agriculture financing scheme		15,790	15,850
SME Financing scheme		10,813	13,307
Repurchase agreement borrowings		1,141,192	1,126,841
		-	6,293,272
		1,141,192	7,420,113
12. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		27,188,365	27,685,213
Savings deposits		22,541,364	16,800,810
Current accounts - non - remunerative		17,237,876	13,553,130
Call deposits		646,138	1,093,034
Margin and Sundry deposits		1,165,935	841,576
		68,752,678	59,973,763
Financial Institutions			
Remunerative deposits		34,682	69,201
Non-remunerative deposits		185	119
		34,867	69,320
		68,787,545	60,043,083
13. SURPLUS ON REVALUATION OF ASSETS-NET OF TAX			
Surplus / (deficit) on revaluation of available-for-sale securities			
Federal government securities			
- Market Treasury Bills		11,490	104,627
- Pakistan Investment Bonds		289,720	(9,843)
Fully paid up ordinary shares - quoted		81,976	41,774
Units in open ended mutual funds		(15,480)	(7,519)
Units in open ended mutual funds		94,918	91,157
Units in close ended mutual funds		30,416	10,078
	7	493,040	230,274
Surplus on revaluation of fixed assets			
Leasehold land		766,162	765,740
		1,259,202	996,014
Deferred tax liabilities		(120,738)	(44,843)
		1,138,464	951,171

(Un-audited) June 30, 2013	(Audited) December 31, 2012
Rupees in '000'	

14. CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring:

Banks	-	-
Others	19,074	12,135
	19,074	12,135

14.2 Transaction-related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favouring:

Government	5,155,573	4,728,553
Others	2,860,376	3,004,471
14.2.1	8,015,949	7,733,024

14.2.1 The above amounts include expired letters of guarantee aggregating to Rs. 1,843.33 million as at June 30, 2013 (December 31, 2012: Rs. 1,729.60 million) for which the formalities relating to return of the original documents are in process.

(Un-audited) June 30, 2013	(Audited) December 31, 2012
Rupees in '000'	

14.3 Trade-related contingent liabilities

Letters of credit		
Sight	2,294,675	2,713,247
Usance	510,406	244,024
	2,805,081	2,957,271
Acceptances	465,969	462,117
	3,271,050	3,419,388

14.4 Commitments in respect of forward exchange contracts

Purchase	1,993,366	1,570,901
Sale	1,834,923	1,587,389

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

(Un-audited) June 30, 2013	(Audited) December 31, 2012
Rupees in '000'	

14.5 Other commitments

Bills for collection

Inland bills

Foreign bills

122,861	118,463
266,921	548,762
389,782	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 Commitments for the acquisition of operating fixed assets

Commitments as on reporting date amounts to Rs. 9.45 million (December 31, 2012: Rs. 30.781 million).

14.8 The income tax assessments of the Bank have been finalized upto and including tax year 2012

14.9 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 the year 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 had 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 information.

14.10 For tax years 2010 and 2011, the tax authorities have issued orders under sections 161 and 205 demanding the payment of withholding taxes on account of lack of evidence of tax deduction against the payments of certain expenditures amounting to Rs. 4.223 million and Rs. 15.357 million respectively along with default surcharge of Rs. 1.473 million and Rs. 3.263 million respectively. The Bank has filed appeals before the Commissioner Inland Revenue (Appeals) for grant of relief against order for both tax years. Management believes that this matter will be decided in favor of the Bank. Consequently, no provision has been made in respect of these amount in the financial statements.

14.11 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 outstanding of Rs.364.401 million and overdue markup 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 "no choice" basis. Accordingly 6 cases have been adjusted whereas payment in 1 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.

Three months ended June 30, 2013	Six months ended June 30, 2013	Three months ended June 30, 2012	Six months ended June 30, 2012
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Rupees in '000'

15. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation for the period attributable to ordinary shareholders

242,720	552,920	240,885	491,841
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Numbers of Shares

Weighted average number of ordinary shares outstanding during the period

15.1	900,143,300	900,143,300	900,143,300	900,143,300
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Earnings per share - basic and diluted for the period (in rupees)

15.1	0.27	0.61	Restated 0.27	Restated 0.55
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There is no diluted effect on basic earnings per share.

15.1 The corresponding figures of weighted average number of shares outstanding and earning per share have been restated to include the effect of bonus shares issued by the Bank during the period.

	(Un-audited) June 30, 2013	(Audited) December 31, 2012
Note		
	Rupees in '000'	

16. KEY FINANCIAL FIGURES OF ISLAMIC BANKING GROUP

ASSETS

Cash and balances with treasury banks	1,538,193	1,099,279
Balances with other banks	384,274	505,487
Due from financial institutions	-	1,200,000
Investments	9,513,639	9,643,191
Islamic Financing and related assets	5,649,846	3,211,717
Operating fixed assets	161,412	165,394
Deferred tax assets	-	-
Other assets	1,956,238	407,517
	19,203,602	16,232,585

A-1

LIABILITIES

Bills payable	149,989	135,187
Deposits and other accounts		
Current accounts	6,351,114	4,635,304
Savings accounts	7,026,790	5,860,672
Term deposits	1,667,198	1,729,823
Others	574,980	735,268
Deposits from Financial Institutions - <i>Remunerative</i>	299,707	363,298
Deposits from Financial Institutions - <i>Non-Remunerative</i>	-	-
Other liabilities	605,207	441,140
	16,674,985	13,900,692

NET ASSETS

REPRESENTED BY

Islamic Banking Fund	460,000	460,000
Reserves	-	-
Unappropriated profit	2,069,178	1,871,893

Deficit on revaluation of assets

	2,529,178	2,331,893
	(561)	-
	2,528,617	2,331,893

Remuneration to Shariah Advisor during the period/ year

	911	1,652
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CHARITY FUND

Opening balance at the start of the period / year	-	-
Additions during the period / year	687	345
Payments during the period / year	(1)	(345)

Closing balance at the end of the period / year

	686	-
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The profit and loss account of the Bank's Islamic Banking Branches for the six months ended June 30, 2013 is as

	Note	(Un-audited) June 30, 2013	(Un- audited) June 30, 2012
		Rupees in '000'	
Income / return / profit earned		713,997	676,682
Income / return / profit expensed		(257,844)	(218,051)
		456,153	458,631
Reversal of provision against no-performing financing		(4,230)	(4,263)
Provision for diminution in the value of investments		-	-
Net mark-up/ return income after provision		(4,230)	(4,263)
		460,383	462,894
NON MARK-UP/INTEREST INCOME			
Fee, commission and brokerage income		31,082	29,764
Dividend Income		1,622	18,991
Income from dealing in foreign currency		14,131	13,395
Unrealised loss on revaluation of held-for-trading securities		(1,230)	(1,888)
Gain on sale of securities		6,007	2,101
Other income		8,992	8,481
Total non-markup income		60,604	70,844
		520,987	533,738
OTHER EXPENSES			
Administrative expenses		318,893	275,431
Other provision / write-off		4,809	-
Other Charges		-	14
Total Other Charges		323,702	275,445
Profit for the period		197,285	258,293
		(Un-audited) June 30, 2013	(Audited) December 31, 2012
		Rupees in '000'	
A-1. Islamic Financing and Related Assets			
Murabaha Financings		3,855,205	1,565,590
Ijarah	A-1.1	716,226	825,861
Diminishing Musharika		586,990	859,150
Istisna work-in-progress		500,000	-
Other financings		26,079	-
Less provision for non-performing facilities		5,684,500 (34,654)	3,250,601 (38,884)
		5,649,846	3,211,717
A-1.1 Ijarah			
Net Investment in Ijarah		39,027	53,879
Ijarah under IFAS-II		670,222	754,980
Advances		6,977	17,002
		716,226	825,861

17. RELATED PARTY TRANSACTIONS

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

Banking transactions with related parties are carried out in the normal course of business at agreed terms. Contributions to and accruals in respect of staff retirement benefit plan are made in accordance with actuarial valuation.

Transactions with key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

17.1 Details of transactions with related parties as at the period / year end are as follows:

	June 30, 2013 (Un-audited)			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	500	-	500	30,926	-	30,926
Repaid during the period/ year	(13,975)	-	(13,975)	(22,467)	(27,778)	(50,245)
Balance as at June 30/December 31	135,140	-	135,140	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	90,554	142,933	233,487	208,991	542,980	751,971
Repaid during the period/ year	(96,051)	(267,463)	(363,514)	(221,973)	(481,662)	(640,635)
Balance as at June 30/December 31	10,990	25,032	36,022	16,487	149,562	166,049
	----- "Rupees in '000'"					
	For the Six Months Ended June 30, 2013 (Un-audited)			For the Six Months Ended June 30, 2012(Un-audited)		
	Directors and key management personnel	Other related parties	Total	Directors and key management personnel	Other related parties	Total
	----- "Rupees in '000'"					
Transactions, income and expenditure						
Mark-up/Return/interest earned	2,259	-	2,259	1,813	-	1,813
Return on deposits expensed	325	3,307	3,632	230	9,076	9,306
Fee/remuneration	500	-	500	710	-	710

17.2 Although the Government of Khyber Pakhtunkhwa holds 70.20% shares of the Bank (December 31, 2012: 70.20%), the transactions with it have not been treated as related party transactions for the purpose of this disclosure.

18. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	For the Six Months Ended June 30, 2013 (Un-audited)				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	Rupees in '000'				
Total Income	1,248,282	498,753	330,376	1,738,408	3,815,819
Total Expenses	(1,088,396)	(256,592)	(262,466)	(1,655,445)	(3,262,899)
Net income	159,886	242,161	67,910	82,963	552,920
	For the Six Months Ended June 30, 2012 (Un-audited)				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	Rupees in '000'				
Total Income	1,486,336	670,033	394,131	1,312,634	3,863,134
Total Expenses	(1,360,345)	(392,122)	(339,166)	(1,279,660)	(3,371,293)
Profit / (loss) after tax	125,991	277,911	54,965	32,974	491,841

19. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue on August 27, 2013 by the Board of Directors of the Bank.