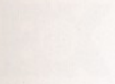


A large, golden hourglass is the central focus, with its narrow neck pointing downwards. A stream of gold coins is falling from the bottom of the hourglass, forming a small pile at the bottom right. The background is a warm, golden-brown gradient.

# Condensed Interim Financial Information

for the period ended  
June 30<sup>th</sup>, 2014





Hydrex of Kyrgyzstan

for the period ended June 30, 2014

## Contents

### Condensed Interim **Financial Statements** for the period ended June 30, 2014



Condensed Interim  
Financial Statements  
for the period ended June 30, 2014



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## CORPORATE INFORMATION

### Board of Directors

Khalid Pervez  
Syed Said Badshah Bukhari  
Maqsood Ismail Ahmad  
Sajjad Ahmad  
Javed Akhtar  
Asad Muhammad Iqbal  
Dr. Ihsanul Haq

Chairman

### Managing Director / CEO

Imran Samad

### Audit Committee

Asad Muhammad Iqbal  
Syed Said Badshah Bukhari  
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](http://www.bok.com.pk)

### Auditors

Anjum Asim Shahid Rehman (Grant Thornton)  
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.





**The Bank of Khyber**  
for the Period Ended June 30, 2014

## DIRECTORS' REVIEW

On behalf of the Board of Directors of the Bank of Khyber, I am pleased to present the condensed interim financial information of the Bank along with Auditors' Review Report for the half year ended June 30, 2014. 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, 2014 are as under:

	(Rs. in Million)	
	June 30 2014	December 31 2013
Total Assets	108,192	108,170
Deposits	84,349	77,218
Advances (Gross)	29,827	38,339
Investments (Net)	60,493	53,363

	(Rs. in Million)	
	Period Ended June 30	
	2014	2013
Operating Profit	987	868
Provision against non-performing advances/Others	(18)	(45)
Profit before taxation	969	823
Taxation	335	270
Profit after tax	634	553

### Financial Overview

During the period under review, the performance of the Bank continued to be generally satisfactory. Due to prudent management of the affairs, the Bank managed to post a pre-tax profit of Rs.969 million against Rs.823 million of the corresponding period of 2013 showing an increase of 18%. After tax profit stood at Rs.634 million thus showing an increase of 15% over the corresponding period.

Deposits increased by 9% to Rs.84,349 million as compared to Rs.77,218 million as on 31.12.2013 whereas advances settled at Rs.29,827 million against Rs.38,339 million as of year ended December 31, 2013. Investments increased by 13% to position at Rs.60,493 million as compared to Rs.53,363 million as on 31.12.2013.

### Future Outlook

In pursuit of providing best services to the customers in meeting their banking needs, the Bank continues to strengthen its presence across the country. Currently, the Bank is operating with 101 branches, 2 sub-branches and 2 booths throughout the country out of which 44 branches are functioning as dedicated Islamic Banking Branches. After having permission of the State Bank of Pakistan for opening of 16 new branches in the year 2014, the Bank is in the process to materialize the consent of the central bank accordingly.

As on June 30, 2014, the Bank's paid-up capital stood at Rs.10.00 billion. The Minimum Capital





**The Bank of Khyber**  
for the Period Ended June 30, 2014

Requirements of the State Bank of Pakistan have been fully met in the year 2013 and the Bank is now fully compliant with the MCR requirements.

#### **Credit Rating**

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed the medium to long term and short term entity ratings of the Bank at "A" (Single A) and "A1" (A One) respectively. Outlook on the assigned rating is "Stable".

The Pakistan Credit Rating Agency Limited (PACRA) has also maintained the long term and short term entity ratings of the Bank at "A" (Single A) and "A1" (A One) respectively. Rating outlook is "Stable". These ratings denote low expectation of credit risk emanating from 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, the valued customers for their patronage and continued confidence in the Bank and the staff members for their sincere and dedicated services.

For and on behalf of the Board of Directors

**Imran Samad**  
Managing Director (Acting)

Peshawar: August 27, 2014



**INDEPENDENT AUDITORS REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION**

**Introduction**

We have reviewed the accompanying condensed interim financial position of the Bank of Khyber (the bank) as at June 30, 2014 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 statement of comprehensive income for the three months ended June 30, 2014 and 2013 have not been reviewed and we do not express a conclusion on them, as we are required to review only the cumulative figures for the half year ended June 30, 2014.

**Scope of Review**

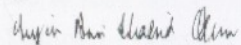
We conducted our review in accordance with international Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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, 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**Other Matter**

The financial statements of the Bank for the six months ended June 30, 2013 and for the year ended December 31, 2013 were reviewed/audited by another firm of Chartered Accountants who have expressed un-modified opinion dated August 27, 2013 and March 04, 2014 thereon respectively.

  
ANJUM ASIM SHAHID RAHMAN  
Chartered Accountants

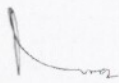
Engagement Partner: Nadeem Tirmizi  
Islamabad  
Date August 27, 2014




**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)  
AS AT JUNE 30, 2014**

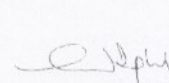
	Note	(Un-audited) June 30, 2014	(Audited) December 31, 2013
Rupees in '000'			
<b>ASSETS</b>			
Cash and balances with treasury banks		4,256,111	4,068,678
Balances with other banks		4,021,484	3,813,251
Lendings to financial institutions	6	7,840,050	7,500,301
Investments - net	7	60,492,867	53,363,163
Advances - net	8	26,905,749	35,450,201
Operating fixed assets	9	1,588,733	1,604,464
Deferred tax asset - net	10	296,758	299,230
Other assets		2,790,693	2,070,880
		<b>108,192,445</b>	<b>108,170,168</b>
<b>LIABILITIES</b>			
Bills payable		632,155	521,035
Borrowings from financial Institutions	11	7,159,263	15,157,773
Deposits and other accounts	12	84,348,674	77,217,733
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		2,754,877	2,716,830
		<b>94,894,969</b>	<b>95,613,371</b>
<b>NET ASSETS</b>		<b>13,297,476</b>	<b>12,556,797</b>
<b>REPRESENTED BY</b>			
Share capital		10,002,524	10,000,000
Reserves		1,295,094	1,170,871
Un-appropriated profit		1,248,907	741,920
		<b>12,546,525</b>	<b>11,912,791</b>
Surplus on revaluation of assets-net of tax	13	750,951	644,006
		<b>13,297,476</b>	<b>12,556,797</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	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 THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014**

	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Note				
	Rupees in '000'			
Mark-up / return / interest earned	2,205,193	4,387,416	1,680,034	3,465,801
Mark-up / return / interest expensed	1,354,381	2,728,244	969,583	2,008,004
Net mark-up / interest income	850,812	1,659,172	710,451	1,457,797
Provision / (reversal of provision) against non-performing loans and advances - net	(33,096)	41,670	130,181	98,560
Reversal of provision for diminution in the value of investments - net	(22,583)	(24,131)	(36,980)	(39,437)
Bad debts written off directly	-	747	-	-
	(55,679)	18,286	93,201	59,123
Net mark-up / interest income after provisions	906,491	1,640,886	617,250	1,398,674
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	70,028	116,052	67,331	121,594
Dividend income	15,448	51,394	10,073	33,089
Income from dealing in foreign currencies	60,191	109,758	51,290	114,239
Gain on sale of securities - net	172,222	228,585	25,060	35,015
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading - net	1,394	(8,833)	(7,283)	(11,734)
Other income	31,900	47,211	39,340	57,815
Total non mark-up / interest income	351,183	544,167	185,811	350,018
	1,257,674	2,185,053	803,061	1,748,692
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	631,099	1,179,249	461,868	922,672
Provisions against other assets	-	139	(14,047)	(14,047)
Other charges	29,937	36,444	9,401	16,901
Total non mark-up / interest expenses	661,036	1,215,832	457,222	925,526
	596,638	969,221	345,839	823,166
Extra ordinary / unusual item	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	596,638	969,221	345,839	823,166
Taxation				
Current	(189,336)	(318,518)	(121,510)	(286,482)
Prior	-	-	-	-
Deferred	(20,439)	(16,969)	18,391	16,236
	(209,775)	(335,487)	(103,119)	(270,246)
<b>PROFIT AFTER TAXATION</b>	386,863	633,734	242,720	552,920
Earnings per share - Basic and Diluted (in Rupees)	15	0.39	0.63	Restated 0.24 Restated 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 THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2014**


	Three months ended June 30, 2014	Six months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2013
Rupees in '000'				
Profit for after taxation	386,863	633,734	242,720	552,920
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>386,863</b>	<b>633,734</b>	<b>242,720</b>	<b>552,920</b>

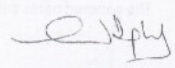
Surplus / (deficit) on revaluation of 'Available for sale' securities and 'Fixed assets' are presented under a separate head below equity as 'surplus / (deficit) on revaluation of assets' in accordance with the requirements specified by the State Bank of Pakistan vide its BSD Circular No. 20 dated August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

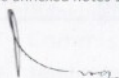
  
Director

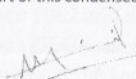


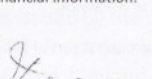
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

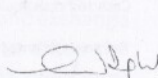
	Share capital	Statutory reserve	Reserve for issue of bonus shares	Unappropriated profit	Total
Rupees in '000'					
Balance as at January 1, 2013 - Audited	9,001,433	937,541	-	836,654	10,775,628
Changes in equity during the Six months ended June 30, 2013					
Total comprehensive income					
Profit after 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 - Unaudited	9,001,433	1,048,125	-	1,278,990	11,328,548
Changes in equity during the six months ended Dec 31, 2013					
Total comprehensive income					
Profit after taxation for the six months ended December 31, 2013	-	-	-	601,109	601,109
Other comprehensive income - net of tax	-	-	-	(16,866)	(16,866)
	-	-	-	584,243	584,243
Transfer to statutory reserve	-	120,222	-	(120,222)	-
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 - Audited	10,000,000	1,168,347	2,524	741,920	11,912,791
Changes in equity during the six months ended June 30, 2014					
Total comprehensive income					
Profit after taxation for the six months ended June 30, 2014	-	-	-	633,734	633,734
Other comprehensive income - net of tax	-	-	-	-	-
	-	-	-	633,734	633,734
Transfer to statutory reserve	-	126,747	-	(126,747)	-
Transactions with Owners:					
Issuance of Shares against bonus share reserve	2,524	-	(2,524)	-	-
Balance as at June 30, 2014 - unaudited	10,002,524	1,295,094	-	1,248,907	12,546,525

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, 2014**

	Six months ended June 30, 2014	Six months ended June 30, 2013
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	969,221	823,166
Less: Dividend income	51,394	33,089
	917,827	790,077
<b>Adjustments for non-cash charges</b>		
Depreciation	74,009	58,443
Amortization	1,857	2,664
Provision against non-performing advances - net	41,670	98,560
Reversal of provision for diminution in the value of investments - net	(24,131)	(39,437)
Reversal of provision against non-banking assets	-	(19,256)
Provision for Workers Welfare Fund	11,500	17,206
Unrealized loss on revaluation of investments classified as held-for-trading	8,833	11,734
Loss on sale of operating fixed assets	858	11
	114,596	129,925
	1,032,423	920,002
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(339,749)	(7,573,911)
Net investments in held-for-trading securities	14,507,008	718,182
Advances	8,502,782	(505,055)
Others assets (excluding advance taxation)	(719,813)	136,137
	21,950,228	(7,224,647)
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	111,120	(85,644)
Borrowings from financial institutions	(7,998,510)	(6,278,921)
Deposits and other accounts	7,130,941	8,744,462
Other liabilities (excluding current taxation)	146,156	271,285
	(610,293)	2,651,182
	22,372,358	(3,653,463)
Income tax paid - net	(438,127)	(312,957)
	21,934,231	(3,966,420)
<b>Net cash generated / (used) in operating activities</b>		
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net (investments) / deinvestments in available-for-sale securities	(16,290,358)	4,669,813
Net (investments) / deinvestments in held-to-maturity securities	(5,238,609)	61,304
Dividend received	51,394	33,089
Investments in operating fixed assets - net	(61,671)	(57,380)
Proceeds from sale of operating fixed assets disposed off	679	1,256
	(21,538,565)	4,708,082
<b>Net cash generated / (used) from investing activities</b>		
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
<b>Increase in cash and cash equivalents</b>	395,666	741,662
Cash and cash equivalents at beginning of the period	7,881,929	4,758,331
Cash and cash equivalents at end of the period	8,277,595	5,499,993

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, 2014**

**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 101 branches including 44 Islamic Banking Branches as at June 30, 2014 (December 31, 2013: 100 branches including 44 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 '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 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 These unconsolidated interim financial statements have been prepared in accordance with requirement of international accounting standard (IAS)34, Interim Financial Reporting, Islamic Financial Accounting Standard (IFAS) Issued by institute of chartered accountants of Pakistan, the requirements of the companies ordinance 1984, the Banking companies ordinance 1962 and directives issued by the securities and exchange Commission of Pakistan (SECP) and the SBP. In case requirements differ the requirement of the companies ordinance, 1984, the banking companies ordinance, 1962 and the said directives have been followed.



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, 2013. 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 of policies adopted in the preparation of these unconsolidated condensed interim financial statements are consistent with those applied the preparation of the unconsolidated financial statement of the Bank for the year ended December 31, 2013. The financial risk management objective and policies are consistent with those disclosed in the financial statements of the Bank for the year ended December 31, 2013.

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, 2013.

## 6. LENDINGS TO FINANCIAL INSTITUTIONS

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Rupees in '000'	
Call money lendings	2,400,000	2,000,000
Repurchase agreement lendings (Reverse Repo)	1,940,050	3,950,301
Placements with financial institutions	3,738,944	1,788,944
	8,078,994	7,739,245
Less: Provision against lendings to financial institutions	(238,944)	(238,944)
	7,840,050	7,500,301



## 7. INVESTMENTS

7.1	Investments by types	Note	June 30, 2014 (Un-audited)			December 31, 2013 (Audited)		
			Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
			-----Rupees in '000'-----					
	<b>Held-for-trading securities</b>							
	Market Treasury Bills		485,823	-	485,823	3,674,355	11,713,209	15,387,564
	Pakistan Investment Bonds		528,192	-	528,192	390,585	-	390,585
	Units of open-ended mutual funds		-	-	529,142	300,000	-	300,000
	Ordinary Shares in listed companies		125,426	-	125,426	28,548	-	28,548
	GOP Pak Ijarah Sukuk		450,000	-	450,000	-	-	-
			1,589,441	-	1,589,441	4,393,488	11,713,209	16,106,697
	<b>Available-for-sale securities</b>							
	Market Treasury Bills		18,642,469	2,797,956	21,440,425	12,647,991	1,973,740	12,647,991
	Pakistan Investment Bonds		18,878,737	-	18,878,737	12,173,069	-	12,173,069
	GOP Ijarah Sukuk		7,550,182	-	7,550,182	6,770,482	-	6,770,482
	Ordinary shares in listed companies		1,005,281	-	1,005,281	1,093,317	-	1,093,317
	Ordinary shares in unlisted companies		30,487	-	30,487	30,487	-	30,487
	Ordinary shares of related parties							
	Listed		59,961	-	59,961	153,004	-	153,004
	Unlisted		153,004	-	153,004	410,920	-	410,920
	Preference shares in listed companies		410,920	-	410,920	-	-	-
	Listed term finance certificates		545,981	-	545,981	572,291	-	572,291
	Unlisted term finance certificates		539,206	-	539,206	508,856	-	508,856
	Units of open-end mutual funds		2,493,076	-	2,493,076	353,088	-	353,088
	Units of closed-end mutual funds		118,674	-	118,674	118,673	-	118,673
	Sukuk certificates		1,139,222	-	1,139,222	1,268,880	-	1,268,880
			51,567,200	2,797,956	54,365,156	36,101,058	1,973,740	38,074,798
	<b>Held-to-maturity securities</b>							
	Pakistan Investment Bonds		5,295,917	-	5,295,917	-	-	-
	Sukuk certificates		311,421	-	311,421	368,729	-	368,729
			5,607,338	-	5,607,338	368,729	-	368,729
	<b>Investment at cost</b>		58,763,979	2,797,956	61,561,935	40,863,275	13,686,949	54,550,224
	Less: Provision for diminution in value of investments	7.2	(924,059)	-	(924,059)	(948,190)	-	(948,190)
	<b>Investments (net of provisions)</b>		57,839,920	2,797,956	60,637,876	39,915,085	13,686,949	53,602,034
	Unrealised (loss) / gain on revaluation of held for trading securities - net		(8,833)	-	(8,833)	118	(10,366)	(10,248)
	(Deficit)/Surplus on revaluation of available-for-sale securities - net	13	(143,264)	7,088	(136,176)	(226,939)	(1,684)	(228,623)
	<b>Total investments</b>		57,687,823	2,805,044	60,492,867	39,688,264	13,674,899	53,363,163



		(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Note	Rupees in '000'	
<b>7.2 Provision for diminution in value of investments</b>			
Opening balance		948,190	811,609
Charge for the period / year		6,418	5,699
Reversal on disposal of shares / mutual funds/ term finance certificates		(30,549)	(64,118)
		(24,131)	(58,419)
Transferred from advances		-	195,000
Closing balance		924,059	948,190
<b>8. ADVANCES</b>			
Loans, cash credits, running finances, etc			
In Pakistan		25,351,184	32,541,757
Outside Pakistan		-	-
		25,351,184	32,541,757
Islamic financing and related assets		3,186,123	4,669,043
Net investment in Ijarah:			
In Pakistan		783,183	556,460
Outside Pakistan		-	-
		783,183	556,460
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		258,728	345,557
Payable outside Pakistan		247,721	226,214
		506,449	571,771
Advances - gross	8.1	29,826,939	38,339,031
Less: Provision against non-performing advances	8.2	(2,921,190)	(2,888,830)
Advances - net of provision		26,905,749	35,450,201





## The Bank of Khyber

for the Period Ended June 30, 2014

- 8.1** Advances include Rs. 4,148,079 million (December 31, 2013: Rs. 3,856,641 million) which have been placed under non-performing status as detailed below:

	June 30, 2014 (Un-audited)				
Category of classification	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	-----Rupees in '000'-----				
Other Assets Especially Mentioned*	1,557	-	1,557	70	70
Substandard	678,627	-	678,627	91,831	91,831
Doubtful	148,398	-	148,398	33,730	33,730
Loss	3,319,497	-	3,319,497	2,761,160	2,761,160
	4,148,079	-	4,148,079	2,886,791	2,886,791

	December 31, 2013 (Audited)				
Category of classification	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	-----Rupees in '000'-----				
Other Assets Especially mentioned*	15,446	-	15,446	1,441	1,441
Substandard	306,911	-	306,911	53,591	53,591
Doubtful	294,579	-	294,579	44,218	44,218
Loss	3,239,705	-	3,239,705	2,764,653	2,764,653
	3,856,641	-	3,856,641	2,863,903	2,863,903

\* 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, 2014, the Bank has availed cumulative benefit of forced sale values of Rs. 671.611 million (December 31, 2013: Rs. 596.334 million). Increase in unappropriated profit net of tax amounting to Rs. 436.547 million (December 31, 2013: Rs. 387.617 million) 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, 2014 (Un-audited)			December 31, 2013 (Audited)		
	Specific	General	Total	Specific	General	Total
Rupees in '000'						
Opening balance	2,863,903	24,927	2,888,830	3,007,955	8,066	3,016,021
Transferred to investments (Note 7.2)	-	-	-	(195,000)	-	(195,000)
Charge for the period / year	251,027	9,472	260,499	643,717	16,861	660,578
Reversals	(218,829)	-	(218,829)	(519,778)	-	(519,778)
	32,198	9,472	41,670	123,939	16,861	140,800
Amounts written off	(9,310)	-	(9,310)	(72,991)	-	(72,991)
Closing balance	2,886,791	34,399	2,921,190	2,863,903	24,927	2,888,830



		(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Note	Rupees in '000'	
<b>9. OPERATING FIXED ASSETS</b>			
Capital Work-in-progress		45,871	168,679
Property and equipment	9.1 & 9.2	1,537,210	1,429,210
Intangible assets	9.3	5,652	6,575
		<b>1,588,733</b>	<b>1,604,464</b>

**9.1** During the year ended December 31, 2013, 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, 2014 (Un-audited)		June 30, 2013 (Un-audited)	
	Additions	Disposals	Additions	Disposals
	Rupees in '000'			
Leasehold land	-	-	75,690	-
Furniture and fixtures	12,253	227	7,098	823
Office equipment	87,733	2,305	28,969	658
Vehicles	3	84	98	1,538
Renovations / Premises	83,557	2,595	23,088	70
	<b>183,546</b>	<b>5,211</b>	<b>134,943</b>	<b>3,089</b>
<b>9.3</b> Additions to intangible assets	<b>934</b>	<b>-</b>	<b>7,034</b>	<b>-</b>

	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Rupees in '000'	
<b>10. DEFERRED TAX ASSET - NET</b>		
<b>Deferred tax asset arising in respect of:</b>		
Provision for balances with other banks	3,510	3,510
Deficit on revaluation of investments	7,320	168,000
Provision for diminution in the value of investments	102,716	111,162
Provision for non-performing loan	-	-
Provision for other assets	3,448	3,448
Provision for Workers Welfare Fund	48,167	44,142
Capital loss carried forward	-	-
Re-measurement of defined benefit plan	9,081	9,081
Stabilisation reserve	35,714	45,395
	<b>209,956</b>	<b>384,738</b>
<b>Deferred tax liability arising in respect of:</b>		
Accelerated tax depreciation	(26,852)	(23,985)
Surplus on revaluation of investment	113,654	(61,523)
	<b>86,802</b>	<b>(85,508)</b>
Deferred tax asset - net	<b>296,758</b>	<b>299,230</b>



		(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Note	Rupees in '000'	
<b>11. BORROWING From Financial Institutions</b>			
Secured			
Borrowings form State Bank of Pakistan:			
Under export refinance scheme		1,272,782	1,402,183
Long term financing for (EOP) scheme		72,830	84,034
Agriculture financing scheme		470	1,270
SME Financing scheme		4,859	6,981
Repurchase agreement borrowings		1,350,941	1,494,468
Unsecured		2,797,956	13,663,305
Call borrowings		3,010,366	-
		<b>7,159,263</b>	<b>15,157,773</b>
<b>12. DEPOSITS AND OTHER ACCOUNTS</b>			
Customers			
Fixed deposits		31,052,076	32,038,341
Savings deposits		29,515,375	25,385,251
Current accounts - non - remunerative		20,361,059	17,979,604
Call deposits		2,163,047	663,589
Margin and Sundry deposits		1,078,258	906,622
		<b>84,169,815</b>	<b>76,973,407</b>
Financial Institutions			
Remunerative deposits		178,505	243,494
Non-remunerative deposits		354	832
		<b>178,859</b>	<b>244,326</b>
		<b>84,348,674</b>	<b>77,217,733</b>
<b>13. SURPLUS ON REVALUATION OF ASSETS-NET OF TAX</b>			
(Deficit)/Surplus on revaluation of available-for-sale securities			
Federal government securities			
- Market Treasury Bills		(19,741)	(38,366)
- Pakistan Investment Bonds		(478,266)	(428,365)
Fully paid up ordinary shares - Listed		137,686	145,544
Term finance certificates - Listed		(20,913)	(13,269)
Sukuk certificates		120,482	-
Units in open end mutual funds		105,157	91,279
Units in close end mutual funds		19,419	14,554
		<b>(136,176)</b>	<b>(228,623)</b>
Surplus on revaluation of fixed assets	7		
Leasehold land		766,152	766,152
		<b>629,976</b>	<b>537,529</b>
Deferred tax assets / liabilities		<b>120,975</b>	<b>106,477</b>
		<b>750,951</b>	<b>644,006</b>



		(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Note	Rupees in '000'	
<b>14. CONTINGENCIES AND COMMITMENTS</b>			
<b>14.1 Direct credit substitutes</b>			
Contingent liabilities in respect of guarantees given favouring:			
Banks		-	-
Others		444,416	420,577
		<u>444,416</u>	<u>420,577</u>
<b>14.2 Transaction-related contingent liabilities</b>			
Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favouring:			
Government		5,124,683	7,299,343
Others		2,850,382	340,038
	14.2.1	<u>7,975,065</u>	<u>7,639,381</u>
<b>14.2.1</b> The above amounts include expired letters of guarantee aggregating to Rs.1,731.929 million as at June 30, 2014 (December 31, 2013: Rs. 1,683.90 million) for which the formalities relating to return of the original documents are in process.			
		(Un-audited) June 30, 2014	(Audited) December 31, 2013
		Rupees in '000'	
<b>14.3 Trade-related contingent liabilities</b>			
Letters of credit			
Sight		2,134,478	2,133,769
Usance		411,166	152,755
		<u>2,545,644</u>	<u>2,286,524</u>
Acceptances		450,517	324,655
		<u>2,996,161</u>	<u>2,611,179</u>
<b>14.4 Commitments in respect of forward exchange contracts</b>			
Purchase		3,527,650	457,729
Sale		<u>3,556,717</u>	<u>1,090,592</u>
<b>14.4.1</b> 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, 2014	(Audited) December 31, 2013
		Rupees in '000'	
<b>14.5</b>	<b>Other commitments</b>		
	Bills for collection		
	Inland bills	98,227	178,799
	Foreign bills	264,718	256,468
		<b>362,945</b>	<b>435,267</b>
<b>14.6</b>	<b>Commitments to extend credit</b>		
	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.		
<b>14.7</b>	<b>Commitments for the acquisition of operating fixed assets</b>		
	Commitments as on reporting date amounts to Rs. 15.562 million (December 31, 2013: Rs. 34.040 million).		
<b>14.8</b>	The income tax assessments of the Bank have been finalized upto and including tax year 2013.		
<b>14.9</b>	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.		
<b>14.10</b>	For tax years 2011 and 2012, 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. 15.357 million and Rs. 5.845 million respectively along with default surcharge of Rs. 3.263 million and Rs.0.876 million respectively. The Bank has filed appeals before the Commissioner Inland Revenue (Appeals) for grant of relief against order for tax years 2011 and is in the process of filing an appeal against the order for the 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 amount in the financial statements.		
<b>14.11</b>	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 7 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, 2014	Six months ended June 30, 2014
	Note		
-----Rupees in '000'-----			
<b>15.</b>	<b>EARNINGS PER SHARE - BASIC AND DILUTED</b>		
	Profit after taxation for the period attributable to ordinary shareholders	385,977	633,734
		242,720	552,920
		Numbers of Shares	
	Weighted average number of ordinary shares outstanding during the period	15.1	1,000,252,400
		1,000,252,400	1,000,252,400
	Earnings per share - basic and diluted for the period (in rupees)	15.1	0.39
		0.63	0.24
			0.55
There is no dilution effect on basic earnings per share.			
<b>15.1</b>	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) (Audited)  
June 30, December 31,  
Note 2014 2013  
Rupees in '000'

16. KEY FINANCIAL FIGURES OF ISLAMIC BANKING GROUP

ASSETS

Cash and balances with treasury banks	1,349,239	1,224,162
Balances with other banks	2,340,709	2,124,268
Due from financial institutions	5,900,000	2,050,000
Investments	9,627,258	8,234,854
Islamic Financing and related assets	3,860,172	5,176,707
Operating fixed assets	190,083	178,031
Deferred tax assets	-	-
Other assets	504,155	963,927
	<b>23,771,616</b>	<b>19,951,949</b>

A-1

LIABILITIES

Bills payable	225,672	140,341
Deposits and other accounts		
Current accounts	8,590,973	6,890,741
Savings accounts	8,394,727	7,134,454
Term deposits	1,686,296	1,751,089
Others	1,120,186	636,183
Deposits from Financial Institutions - Remunerative	164,660	227,960
Deposits from Financial Institutions - Non-Remunerative	-	-
Other liabilities	560,524	458,168
	<b>20,743,038</b>	<b>17,238,936</b>

NET ASSETS

	<b>3,028,578</b>	<b>2,713,013</b>
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REPRESENTED BY

Islamic Banking Fund	460,000	460,000
Reserves	-	-
Unappropriated profit	2,448,590	2,253,472
	<b>2,908,590</b>	<b>2,713,472</b>
Deficit on revaluation of assets	119,988	(459)
	<b>3,028,578</b>	<b>2,713,013</b>

Remuneration to Shariah Advisor during the period / year

	<b>1,272</b>	<b>1,886</b>
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CHARITY FUND

Opening balance at the start of the period / year	-	-
Additions during the period / year	499	4,309
Payments during the period / year	(2)	(4,309)
	<b>497</b>	<b>-</b>



The profit and loss account of the Bank's Islamic Banking Branches for the six months ended June 30, 2014 is as

Note	(Un-audited) June 30, 2014	(Un-audited) June 30, 2013
	Rupees in '000'	
Income / return / profit earned	738,068	713,997
Income / return / profit expensed	(243,059)	(257,844)
	495,009	456,153
Provision / reversal against no-performing financing	51,452	(4,230)
Reversal for diminution in the value of investments	(25,000)	-
	26,452	(4,230)
Net profit / return income after provision	468,557	460,383
<b>OTHER INCOME</b>		
Fee, commission and brokerage income	34,544	31,082
Dividend Income	4,333	1,622
Income from dealing in foreign currency	83,853	14,131
Unrealised loss on revaluation of held-for-trading securities	(785)	(1,230)
Gain on sale of securities	6,634	6,007
Other income	22,766	8,992
Total other income	151,345	60,604
<b>OTHER EXPENSES</b>	619,902	520,987
Administrative expenses	410,127	318,893
Other provision / write-off	-	4,809
Other charges	14,657	-
Total Other Charges	424,784	323,702
Profit for the period	195,118	197,285
	(Un-audited) June 30, 2014	(Audited) December 31, 2013
	Rupees in '000'	
<b>A-1. Islamic Financing and Related Assets</b>		
Murabaha Financings	A-1.1 2,131,030	3,833,784
Ijarah	A-1.2 783,926	566,089
Diminishing Musharika	A-1.3 880,787	720,953
Istisna work-in-progress	160,000	100,000
Qarza -e- Hasna	5,793	5,793
Other financings	8,513	8,513
	3,970,049	5,235,132
Less provision for non-performing facilities	(109,877)	(58,425)
	3,860,172	5,176,707
<b>A-1.1 Murabaha</b>		
Murabaha Receivable	2,011,695	3,608,817
Inventories	119,335	224,967
	2,131,030	3,833,784
<b>A-1.2 Ijarah</b>		
Net Investment in Ijarah	14,869	24,097
Ijarah under IFAS-II	768,314	532,363
Assets/Inventories/Advances	743	9,629
	783,926	566,089



(Un-audited) (Audited)  
June 30, December 31,  
2014 2013  
Rupees in '000'

**A-1.3 Diminishing Musharaka**

Diminishing Musharaka  
Assets / Inventories

880,787	715,953
-	5,000
<b>880,787</b>	<b>720,953</b>

**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. Refer to note No. 7.1 of the condensed interim financial statements for investment in related party.

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, 2014 (Un-audited)			December 31, 2013 (Audited)		
	Directors and key management personnel	Other related parties	Total	Directors and key management personnel	Other related parties	Total
	Rupees in '000'			Rupees in '000'		
<b>Advances:</b>						
At January 1,	142,015	-	142,015	148,615	-	148,615
Disbursed during the period/ year	13,081	-	13,081	16,296	-	16,296
Repaid during the period/ year	(19,360)	-	(19,360)	(22,896)	-	(22,896)
Balance as at June 30 / December 31	135,736	-	135,736	142,015	-	142,015
<b>Deposits:</b>						
At January 1,	11,050	27,418	38,468	16,487	149,562	166,049
Deposited during the period/ year	105,071	135,825	240,896	195,636	500,180	695,816
Repaid during the period/ year	(93,474)	(137,243)	(230,717)	(201,073)	(622,324)	(823,397)
Balance as at June 30 / December 31	22,647	26,000	48,647	11,050	27,418	38,468
	For the six months ended June 30, 2014 (Un-audited)			For the six months ended June 30, 2013 (Un-audited)		
	Directors and key management personnel	Other related parties	Total	Directors and key management personnel	Other related parties	Total
	Rupees in '000'			Rupees in '000'		
<b>Transactions, income and expenditure</b>						
Mark-up/Return/interest markup earned	1,884	-	1,884	2,259	-	2,259
Return / interest expensed	248	3,557	3,805	325	3,307	3,632
Fee	590	-	590	500	-	500

**17.2** Although the Government of Khyber Pakhtunkhwa holds 70.20% shares of the Bank (December 31, 2013: 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, 2014 (Un-audited)				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	Rupees in '000'				
Total Income	1,729,569	831,767	176,697	2,193,550	4,931,583
Total Expenses	(1,565,558)	(572,992)	(104,786)	(2,054,513)	(4,297,849)
Net income	164,011	258,775	71,911	139,037	633,734


	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

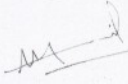
**19. DATE OF AUTHORIZATION FOR ISSUE**


This condensed interim financial information was authorised for issue on August 27, 2014 by the Board of Directors of the Bank.

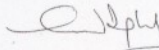
**19.2 Reclassification**

Corresponding figures in note # 12 have been reclassified for the effect of Rs. 226.893 million from saving deposits to remunerative deposits. The classification has no other effects on corresponding figures.

  
Managing Director

  
Director

  
Director

  
Director