Condensed Interim

Financial Statements

for the period ended September 30, 2013

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CORPORATE INFORMATION

Board of Directors

Khalid Pervez	Chairman
Syed Said Badshah Bukhari	
Maqsood Ismail	
Sajjad Ahmad	
Javed Akhtar	
Asad Muhammad Iqbal	

Acting Managing Director
Imran Samad

Audit Committee

Asad Muhammad Iqbal	Chairman
Syed Said Badshah Bukhari	
Sajjad Ahmad	
Javed Akhtar	

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 condensed financial statements of the Bank for the quarter ended September 30, 2013. The results are inclusive of Islamic Banking Operations.

Financial Highlights

The financial results of the Bank of Khyber for the quarter ended September 30, 2013 are as under:

	(Rs. in million)
Operating Profit	1,253
Provision against non- performing advances	(173)
Reversal of Provision against diminution in value of investments	53
Reversal of Provision for other assets	14
Profit before taxation	1,147
Taxation	341
Profit after tax	806
Total Assets	85,660
Advances (Gross)	35,996
Investments (Net)	37,492
Deposits	68,123

Financial Overview

Fundamental issues responsible for sluggish long-term economic growth in Pakistan, such as cost of doing business, inflation etc. has largely remained unaddressed. The economy has experienced bouts of growth and low interest rates but sustainable performance has remained largely elusive. An unprecedented global economic crisis together with escalating energy shortages and worsening security conditions in the domestic economy in recent years has not helped the situation either.

However, apart from the challenging business scenario, the Bank continues to post consistent financial results. For the quarter ended September 30, 2013, profit before tax was recorded at Rs.1,147 million whereas profit after tax stood at Rs.806 million. Total assets of the Bank rose to Rs.85,660 million giving an increase of 11% over the corresponding period last year. The deposits grew noticeably from Rs.58,493 million of the corresponding period of 2013 to Rs.68,123 million giving an increase of 16%. The advances as well as investments have maintained their growth.

Future Outlook

Post new elected government, political stability has been established in the country leading to cautioned optimism on the economic front. However, the country continues to face formidable challenges including energy shortage, security situation, weak capital inflows, fiscal imbalances and the external account deficit. Bringing the fiscal deficit down essentially requires increase in tax generation capacity. There is an urgent need to initiate and implement comprehensive tax reforms.

On the external front, while improving productivity and diversification of products and markets is an important medium term consideration for increasing exports, attracting financial inflows is a much more urgent requirement to make the external sector sustainable. This situation will definitely influence the overall business scenario and as a result the Banking industry will continue to face significant pressures.

The Bank's paid-up capital for the quarter ended September 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.

Acknowledgment

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

For and on behalf of the Board of Directors

Imran Samad
Managing Director

Peshawar: October 29, 2013

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

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
		Rupees in '000'	
ASSETS			
Cash and balances with treasury banks		**2,626,665**	3,108,819
Balances with other banks		**1,096,343**	1,649,512
Lendings to financial institutions	6	**7,690,696**	1,501,000
Investments	7	**37,492,063**	45,671,700
Advances	8	**33,074,620**	26,692,766
Operating fixed assets	9	**1,379,724**	1,359,149
Deferred tax asset - net	10	**355,184**	134,219
Other assets		**1,944,689**	2,060,473
		85,659,984	82,177,638
LIABILITIES			
Bills payable		**442,993**	558,026
Borrowings	11	**2,096,257**	7,420,113
Deposits and other accounts	12	**68,123,180**	60,043,083
Sub-ordinated loans		**-**	-
Liabilities against assets subject to finance lease		**-**	-
Deferred tax liabilities		**-**	-
Other liabilities		**2,775,962**	2,429,617
		73,438,392	70,450,839
NET ASSETS		**12,221,592**	11,726,799
REPRESENTED BY			
Share capital		**9,001,433**	9,001,433
Reserves		**1,098,823**	937,541
Unappropriated profit		**1,481,784**	836,654
		11,582,040	10,775,628
Surplus on revaluation of assets-net of tax	13	**639,552**	951,171
		12,221,592	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 PERIOD ENDED SEPTEMBER 30, 2013

	Note	Three months ended September 30, 2013	Nine months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2012
		Rupees in '000'			
Mark-up / return / interest earned		1,837,259	5,303,060	1,903,522	5,320,999
Mark-up / return / interest expensed		1,101,403	3,109,407	1,131,414	3,392,386
Net mark-up / interest income		735,856	2,193,653	772,108	1,928,613
Provision / (reversal of provision) against non-performing loans and advances - net		74,879	173,439	67,836	121,311
(Reversal of provision) / provision for diminution in the value of investments - net		(13,675)	(53,112)		83,650
Bad debts written off directly		-	-	-	-
		61,204	120,327	67,836	204,961
Net mark-up / interest income after provisions		674,652	2,073,326	704,272	1,723,652
NON MARK-UP / INTEREST INCOME					
Fee, commission and brokerage income		60,067	181,661	51,600	172,433
Dividend income		28,174	61,263	12,809	224,210
Income from dealing in foreign currencies		41,186	155,425	31,817	104,583
Gain / (loss) on sale of securities - net		30,246	65,261	41,194	53,293
Unrealised (loss) / gain on revaluation of investments classified as held-for-trading		(28,425)	(40,159)	75,056	72,773
Other income		14,734	72,549	14,590	45,431
Total non mark-up / interest income		145,982	496,000	227,066	672,723
		820,634	2,569,326	931,338	2,396,375
NON MARK-UP / INTEREST EXPENSES					
Administrative expenses		494,492	1,417,164	398,856	1,172,696
Other provisions / (reversals) / write offs		-	(14,047)	-	-
Other charges		2,256	19,157	27,384	42,394
Total non mark-up / interest expenses		496,748	1,422,274	426,240	1,215,090
		323,886	1,147,052	505,098	1,181,285
Extra ordinary / unusual item		-	-	-	-
PROFIT BEFORE TAXATION		323,886	1,147,052	505,098	1,181,285
Taxation					
Current		(72,530)	(359,012)	(144,490)	(347,033)
Prior		-	-	-	-
Deferred		2,136	18,372	(29,140)	(39,854)
		(70,394)	(340,640)	(173,630)	(386,887)
PROFIT AFTER TAXATION		253,492	806,412	331,468	794,398
				Restated	Restated
Earnings per share - Basic and Diluted (in Rupees)	15	0.28	0.90	0.37	0.88

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 PERIOD ENDED SEPTEMBER 30, 2013

	Three months ended September 30, 2013	**Nine months ended September 30, 2013**	Three months ended September 30, 2012	Nine months ended September 30, 2012
	----------Rupees in '000'----------			
Profit for the period	**253,492**	**806,412**	331,468	794,398
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**253,492**	**806,412**	331,468	794,398

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 PERIOD ENDED SEPTEMBER 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 Nine months ended September 30, 2012				
Total comprehensive income				
Profit after taxation for the nine months ended September 30, 2012	-	-	794,398	794,398
Other comprehensive income - net of tax	-	-	-	-
	-	-	794,398	794,398
Transfer to statutory reserve	-	158,880	(158,880)	-
Balance as at September 30, 2012	**8,228,001**	**881,381**	**1,385,443**	**10,494,825**
Changes in equity during the Three months ended Dec 31, 2012				
Total comprehensive income				
Profit after taxation for the three months ended December 31, 2012	-	-	280,803	280,803
Other comprehensive income - net of tax	-	-	-	-
	-	-	280,803	280,803
Transfer to statutory reserve	-	56,160	(56,160)	-
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 nine months ended September 30, 2013				
Total comprehensive income				
Profit after taxation for the nine months ended September 30, 2013	-	-	806,412	806,412
Other comprehensive income - net of tax	-	-	-	-
	-	-	806,412	806,412
Transfer to statutory reserve	-	161,282	(161,282)	-
Balance as at September 30, 2013	**9,001,433**	**1,098,823**	**1,481,784**	**11,582,040**

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 PERIOD ENDED SEPTEMBER 30, 2013

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**1,147,052**	1,181,285
Less: Dividend income	**61,263**	224,210
	1,085,789	957,075
Adjustments for non-cash charges		
Depreciation	**79,384**	63,818
Amortization	**3,664**	3,398
Provision against non-performing advances - net	**173,439**	121,311
(Reversal of provision) / Provision for diminution in the value of investments - net	**(53,112)**	83,650
(Reversal) of provision against non-banking assets	**(19,256)**	-
Amortization charge on held-to-maturity securities	**-**	107,186
Provision for Workers Welfare Fund	**19,388**	23,740
Unrealized loss on revaluation of investments classified as held-for-trading	**40,159**	(72,773)
Gain / (loss) on sale of operating fixed assets	**(871)**	(803)
	242,795	329,527
	1,328,584	1,286,602
(Increase) / decrease in operating assets		
Lendings to financial institutions	**(6,189,696)**	(2,047,730)
Net investments in held-for-trading securities	**57,562**	(2,825,876)
Advances	**(6,360,293)**	(4,288,005)
Others assets (excluding advance taxation)	**135,040**	(584,450)
	(12,357,387)	(9,746,061)
Increase / (decrease) in operating liabilities		
Bills payable	**(115,033)**	252,935
Borrowings	**(5,323,856)**	(6,924,016)
Deposits and other accounts	**8,080,097**	12,944,268
Other liabilities (excluding current taxation)	**339,082**	847,122
	2,980,290	7,120,309
Net cash used in operating activities	**(8,048,513)**	(1,339,150)
Income tax (paid) / refund - net	**(371,137)**	(6,059)
Net cash used in operating activities	**(8,419,650)**	(1,345,209)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	**6,823,228**	276,121
Net investments in held-to-maturity securities	**602,588**	-
Dividend received	**61,263**	224,210
Investments in operating fixed assets - net	**(105,593)**	(76,582)
Proceeds from sale of operating fixed assets	**2,841**	2,097
Net cash generated from investing activities	**7,384,327**	425,846
CASH FLOW FROM FINANCING ACTIVITIES	**-**	-
Increase in cash and cash equivalents	**(1,035,323)**	(919,363)
Cash and cash equivalents at beginning of the period	**4,758,331**	4,330,342
Cash and cash equivalents at end of the period	**3,723,008**	3,410,979

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 PERIOD ENDED SEPTEMBER 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 September 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 September 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 nine months ended September 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, 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 till June 30, 2013.

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

	(Un-audited) September 30, 2013	(Audited) December 31, 2012
	Rupees in '000'	
Call money lendings	**2,250,000**	900,000
Repurchase agreement lendings (Reverse Repo)	**5,440,696**	-
Placements with financial institutions	**238,944**	839,944
	7,929,640	1,739,944
Less: Provision against lendings to financial institutions	**(238,944)**	(238,944)
	7,690,696	1,501,000

7. INVESTMENTS

	Note	September 30, 2013 (Un-audited) Held by bank	Given as collateral	Total	December 31, 2012 (Audited) Held by bank	Given as collateral	Total
		----------Rupees in '000'----------					
Held-for-trading securities							
Market Treasury Bills		**498,100**	**-**	**498,100**	728,330	-	728,330
Pakistan Investment Bonds		**-**	**-**	**-**	204,775	-	204,775
Units of open-ended mutual funds		**100,000**	**-**	**100,000**			-
Ordinary Shares in listed companies		**302,332**	**-**	**302,332**	24,697	-	24,697
		900,432	**-**	**900,432**	957,802	-	957,802
Available-for-sale securities							
Market Treasury Bills		**11,427,476**	**1,079,956**	**12,507,432**	16,101,766	6,264,665	22,366,431
Pakistan Investment Bonds		**12,181,771**	**-**	**12,181,771**	9,311,902	-	9,311,902
Ordinary shares in listed companies		**796,819**	**-**	**796,819**	542,112	-	542,112
Ordinary shares in unlisted companies		**183,491**	**-**	**183,491**	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		**597,220**	**-**	**597,220**	744,821	-	744,821
Unlisted term finance certificates		**508,928**	**-**	**508,928**	692,026	-	692,026
Units of open-end mutual funds		**353,087**	**-**	**353,087**	517,994	-	517,994
Units of closed-end mutual funds		**118,673**	**-**	**118,673**	118,673	-	118,673
Sukuk certificates		**9,634,192**	**-**	**9,634,192**	9,412,895	-	9,412,895
		36,253,081	**1,079,956**	**37,333,037**	37,891,600	6,264,665	44,156,265
Held-to-maturity securities							
Pakistan Investment Bonds		**150,039**	**-**	**150,039**	661,475	-	661,475
Sukuk certificates		**386,149**	**-**	**386,149**	477,301	-	477,301
		536,188	**-**	**536,188**	1,138,776	-	1,138,776
Investment at cost		**37,689,701**	**1,079,956**	**38,769,657**	39,988,178	6,264,665	46,252,843
Less: Provision for diminution in value of investments	7.1	**(953,497)**	**-**	**(953,497)**	(811,609)	-	(811,609)
Investments (net of provisions)		**36,736,204**	**1,079,956**	**37,816,160**	39,176,569	6,264,665	45,441,234
Unrealised (loss) / gain on revaluation of held for trading securities - net		**(40,159)**	**-**	**(40,159)**	192	-	192
Surplus on revaluation of available-for-sale securities - net	13	**(283,938)**		**(283,938)**	196,683	33,591	230,274
Total investments		**36,412,107**	**1,079,956**	**37,492,063**	39,373,444	6,298,256	45,671,700

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
		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 certificates		**(58,811)**	(10,737)
		(53,112)	139,585
Transferred from advances	7.1.1	**195,000**	-
Closing balance		**953,497**	811,609

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

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
		Rupees in '000'	
8. ADVANCES			
Loans, cash credits, running finances, etc			
In Pakistan		**34,627,213**	27,454,164
Outside Pakistan		**-**	-
		34,627,213	27,454,164
Net investment in Ijarah:			
In Pakistan		**597,372**	808,859
Outside Pakistan		**-**	-
		597,372	808,859
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		**260,530**	272,910
Payable outside Pakistan		**510,974**	1,172,854
		771,504	1,445,764
Advances - gross	8.1	**35,996,089**	29,708,787
Less: Provision against non-performing advances	8.2	**(2,921,469)**	(3,016,021)
Advances - net of provision		**33,074,620**	26,692,766

8.1 Advances include Rs.3,898.894 million (December 31, 2012: Rs. 4,334.605 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2013 (Un-audited)				
	Classified Advances			Provision Required	Provision Held
	Domestic	Overseas	Total		
	Rupees in '000'				
Other Assets Especially Mentioned*	**42,843**	**-**	**42,843**	**3,905**	**3,905**
Substandard	**107,365**	**-**	**107,365**	**17,675**	**17,675**
Doubtful	**231,013**	**-**	**231,013**	**25,237**	**25,237**
Loss	**3,517,673**	**-**	**3,517,673**	**2,867,199**	**2,867,199**
	3,898,894	**-**	**3,898,894**	**2,914,016**	**2,914,016**

Category of classification	December 31, 2012 (Audited)				
	Classified Advances			Provision Required	Provision 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 September 30, 2013, the Bank has availed cumulative benefit of forced sale values of Rs. 719.654 million (December 31, 2012: Rs. 709.895 million). Increase in unappropriated profit net of tax amounting to Rs. 467.775 million (December 31, 2012 Rs.461.430 million is not available for the distribution of cash and stock dividend to the shareholders.

8.2 Particulars of provision against non-performing advances

	September 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	**434,459**	**-**	**434,459**	449,827	-	449,827
Reversals	**(260,407)**	**(613)**	**(261,020)**	(411,114)	(185)	(411,299)
	174,052	**(613)**	**173,439**	38,713	(185)	38,528
Amounts written off	**(72,991)**	**-**	**(72,991)**	(19,419)	-	(19,419)
Closing balance	**2,914,016**	**7,453**	**2,921,469**	3,007,955	8,066	3,016,021

		Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
			Rupees in '000'	
9.	OPERATING FIXED ASSETS			
	Capital Work-in-progress		98,181	114,100
	Properly and equipment	9.1 & 9.2	1,274,222	1,211,014
	Intangible assets	9.3	7,321	4,035
			1,379,724	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;

	September 30, 2013 (Un-audited)		September 30, 2012 (Un-audited)	
	Additions	Disposals	Additions	Disposals
	Rupees in '000'			
Leasehold land	75,690	-	-	-
Furniture and fixtures	9,412	2,752	8,295	1213
Office equipment	30,702	2,298	38,406	5152
Vehicles	98	3,115	226	1,681
Renovations / Premises	28,655	70	24,821	925
Library Books	5	-	-	-
	144,562	8,235	71,748	8,971
9.3 Additions to intangible assets	6,950	-	381	-

		(Un-audited) September 30, 2013	(Audited) December 31, 2012
10.	DEFERRED TAX ASSET - NET	Rupees in '000'	
	Deferred tax asset arising in respect of:		
	Provision for balances with other banks	3,510	3,510
	(Surplus)/Deficit on revaluation of investments	(23,350)	6,077
	Provision for diminution in the value of investments	96,784	112,196
	Provision for other assets	3,448	3,448
	Provision for Workers Welfare Fund	45,113	31,542
	Capital loss carried forward	17,888	16,855
	Stabilisation reserve	50,894	41,526
		194,287	215,154
	Deferred tax liability arising in respect of:		
	Accelerated tax depreciation	(20,203)	(30,015)
	Deficit /(Surplus) on revaluation of investment	181,100	(50,920)
		160,897	(80,935)
	Deferred tax asset - net	355,184	134,219

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
		Rupees in '000'	
11. BORROWINGS:			
Secured			
Borrowings form State Bank of Pakistan:			
Under export refinance scheme		**996,070**	1,097,684
Agriculture financing scheme		**10,665**	15,850
SME Financing scheme		**9,566**	13,307
Repurchase agreement borrowings		**1,016,301**	1,126,841
		1,079,956	6,293,272
		2,096,257	7,420,113
12. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		**32,172,402**	27,685,213
Savings deposits		**18,664,987**	16,800,810
Current accounts - non - remunerative		**15,557,233**	13,553,130
Call deposits		**452,242**	1,093,034
Margin and Sundry deposits		**967,169**	841,576
		67,814,033	59,973,763
Financial Insititutions			
Remunerative deposits		**308,612**	69,201
Non-remunerative deposits		**535**	119
		309,147	69,320
		68,123,180	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		**(19,472)**	104,627
- Pakistan Investment Bonds		**(479,612)**	(9,843)
Fully paid up ordinary shares - quoted		**120,854**	41,774
Units in open ended mutual funds		**(18,344)**	(7,519)
Units in open ended mutual funds		**92,475**	91,157
Units in close ended mutual funds		**20,161**	10,078
	7	**(283,938)**	230,274
Surplus on revaluation of fixed assets			
Leasehold land		**765,740**	765,740
		481,802	996,014
Deferred tax laibilities		**157,750**	(44,843)
		639,552	951,171

	Note	(Un-audited) September 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	24,074	12,135
	24,074	12,135

14.2 Transaction-related contingent liabilities

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

Government		5,132,281	4,728,553
Others		2,579,403	3,004,471
	14.2.1	7,711,684	7,733,024

14.2.1 The above amounts include expired letters of guarantee aggregating to Rs. 1,758.828 million as at September 30, 2013 (December 31, 2012: Rs. 1,729.600 million) for which the formalities relating to return of the original documents are in process.

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

14.3 Trade-related contingent liabilities

Letters of credit		
Sight	1,940,292	2,713,247
Usance	293,502	244,024
	2,233,794	2,957,271
Acceptances	489,926	462,117
	2,723,720	3,419,388

14.4 Commitments in respect of forward exchange contracts

Purchase	664,357	1,570,901
Sale	542,999	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) September 30, 2013	(Audited) December 31, 2012
	Rupees in '000'	
14.5 Other commitments		
Bills for collection		
Inland bills	**204,650**	118,463
Foreign bills	**296,164**	548,762
	500,814	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. 24.501 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 year 2011, the tax authorities has issued order 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 Rs. 15.357 million along with 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 this 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.

	Note	Three months ended September 30, 2013	Nine months ended September 30, 2013	Three months ended September 30, 2012	Nine mnonths ended September 30, 2012
		Rupees in '000'			
15. EARNINGS PER SHARE - BASIC AND DILUTED					
Profit after taxation for the period attributable to ordinary shareholders		**253,492**	**806,412**	331,468	794,398
		Numbers of Shares			
Weighted average number of ordinary shares outstanding during the period	15.1	**900,143,300**	**900,143,300**	Restated 900,143,300	Restated 900,143,300
Earnings per share - basic and diluted for the period (in Rupees)	15.1	0.28	0.90	Restated 0.37	Restated 0.88

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.

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

16. KEY FINANCIAL FIGURES OF ISLAMIC BANKING GROUP

	Note	(Un-audited) September 30, 2013	(Audited) December 31, 2012
ASSETS			
Cash and balances with treasury banks		**868,617**	1,099,279
Balances with other banks		**249,580**	505,487
Due from financial institutions		**750,000**	1,200,000
Investments		**9,870,936**	9,643,191
Islamic financing and related assets	A-1	**5,248,448**	3,211,717
Operating fixed assets		**191,317**	165,394
Deferred tax assets		**-**	-
Other assets		**441,817**	407,517
		17,620,715	16,232,585
LIABILITIES			
Bills payable		**151,617**	135,187
Deposits and other accounts			
Current accounts		**5,205,474**	4,635,304
Saving accounts		**6,644,584**	5,860,672
Term deposits		**1,732,978**	1,729,823
Others		**435,051**	735,268
Deposits from financial institutions - *remunerative*		**287,671**	363,298
Deposits from financial institutions - *non-remunerative*		**-**	-
Other liabilities		**544,943**	441,140
		15,002,318	13,900,692
NET ASSETS		**2,618,397**	2,331,893
REPRESENTED BY			
Islamic banking fund		**460,000**	460,000
Reserves		**-**	-
Unappropriated profit		**2,159,999**	1,871,893
		2,619,999	2,331,893
Deficit on revaluation of assets		**(1,602)**	-
		2,618,397	2,331,893
Remuneration to Shariah Advisor during the period / year		**1,424**	1,652
CHARITY FUND			
Opening balance at the start of the period / year		**-**	-
Additions during the period / year		**2,186**	345
Payments during the period / year		**(2)**	(345)
Closing balance at the end of the period / year		**2,184**	-

The profit and loss account of the Bank's Islamic Banking Branches for the nine months ended September 30, 2013 is as

	Note	(Un-audited) September 30, 2013	(Un- audited) September 30, 2012
		Rupees in '000'	
Income / return / profit earned		**1,098,357**	1,046,671
Income / return / profit expensed		**396,437**	347,735
		701,920	698,936
Provision against non-performing financing		**8,950**	4,256
Provision for diminution in the value of investments		**-**	-
Net profit / return income after provision		**8,950**	4,256
		692,970	694,680
NON MARK-UP INCOME			
Fee, commission and brokerage income		**43,484**	41,381
Dividend Income		**3,551**	19,167
Income from dealing in foreign currencies		**29,604**	21,048
Unrealised loss on revaluation of held-for-trading securities		**(11,231)**	14
Gain on sale of securities		**11,287**	1,837
Other income		**12,637**	12,447
Total non-mark-up income		**89,332**	95,894
		782,302	790,574
OTHER EXPENSES			
Administrative expenses		**488,987**	419,960
Other provision / write-off		**5,209**	-
Other Charges		**-**	14
Total Other Charges		**494,196**	419,974
Profit for the period		**288,106**	370,600

			(Un-audited) September 30, 2013	(Audited) December 31, 2012
			Rupees in '000'	
A-1.	**Islamic Financing and Related Assets**			
	Murabaha Financings		**3,927,101**	1,565,590
	Ijarah	**A-1.1**	**633,372**	825,861
	Diminishing Musharika		**609,730**	859,150
	Istisna work-in-progress		**100,000**	-
	Other financings		**26,079**	-
			5,296,282	3,250,601
	Less provision for non-performing facilities		**(47,834)**	(38,884)
			5,248,448	3,211,717
A-1.1	**Ijarah**			
	Net Investment in Ijarah		**33,966**	53,879
	Ijarah under IFAS-II		**563,406**	754,980
	Advances		**36,000**	17,002
			633,372	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:

	Septmeber 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	**6,450**	**-**	**6,450**	30,926	-	30,926
Repaid during the period/ year	**(16,831)**	**-**	**(16,831)**	(22,467)	(27,778)	(50,245)
Balance as at September 30/December 31	**138,234**	**-**	**138,234**	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	**156,638**	**301,781**	**458,419**	208,991	542,980	751,971
Repaid during the period/ year	**(159,309)**	**(347,654)**	**(506,963)**	(221,973)	(481,662)	(640,635)
Balance as at September 30/December 31	**13,816**	**103,689**	**117,505**	16,487	149,562	166,049

	For the Nine Months Ended September 30, 2013 (Un-audited)			For the Nine Months Ended September 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	**2,557**	**-**	**2,557**	2,264	-	2,264
Return on deposits expensed	**603**	**5,045**	**5,648**	383	13,614	13,997
Fee/remuneration	**860**	**-**	**860**	960	-	960

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 Nine Months Ended September 30, 2013 (Un-audited)				
	Corporate Finance	**Trading & Sales**	**Retail Banking**	**Commercial Banking**	**Total**
	Rupees in '000'				
Total Income	**1,923,613**	**800,407**	**438,483**	**2,636,557**	**5,799,060**
Total Expenses	**(1,714,726)**	**(393,991)**	**(406,503)**	**(2,477,428)**	**(4,992,648)**
Net income	**208,887**	**406,416**	**31,980**	**159,129**	**806,412**

	For the Nine Months Ended September 30, 2012 (Un-audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000'				
Total Income	2,267,979	1,282,545	442,488	2,000,710	5,993,722
Total Expenses	(2,031,896)	(901,171)	(374,842)	(1,891,415)	(5,199,324)
Net income	236,083	381,374	67,646	109,295	794,398

19. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 29,2013 by the Board of Directors of the Bank.

Managing Director **Director** **Director** **Director**