



Custodian of Rich Values

The Bank of Khyber









Condensed Interim

Financial Information

for the period ended
September 30, 2014

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

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CORPORATE INFORMATION

Board of Directors

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

Managing Director / CEO

Shams-ul-Qayyum

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

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.

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 for the quarter ended September 30, 2014. The results are inclusive of Islamic Banking Operations.

Financial Highlights

The financial results of the Bank of Khyber for the quarter ended September 30, 2014 are as under:

	(Rs. in million)	
	September 30	December 31
	<u>2014</u>	<u>2013</u>
Total Assets	110,954	108,170
Deposits	83,797	77,218
Advances (Gross)	33,264	38,339
Investments (Net)	64,705	53,363

	(Rs. in million)	
	Period Ended September 30	
	<u>2014</u>	<u>2013</u>
Operating Profit	1,401	1,253
Provision against non-performing advances/others	(173)	(106)
Profit before taxation	1,228	1,147
Taxation	(402)	(341)
Profit after tax	826	806

Performance Review

The Bank's results for the quarter under review remained encouraging. Mark-up based income increased to Rs.6,895 million from Rs.5,303 million of the corresponding period ended September 30, 2013 thus giving a substantial rise of 30%. This ultimately enabled the Bank to post a pre-tax profit of Rs.1,228 million against Rs.1,147 million of the corresponding period last year. Profit after tax of Rs.826 million was recorded against Rs.806 million of the same period last year.

Total assets increased to Rs.110,954 million from Rs.108,170 million of the year ended December 31, 2013. An increase of 9% has been witnessed in deposits which increased from Rs.77,218 million as of year end 2013 to Rs.83,797 million. Advances decreased by 15% mainly due to retirement of commodity financing allowed to Government of Khyber Pakhtunkhwa and Punjab for wheat procurement. With an increase of 21%, Investments rose to Rs.64,705 million from Rs.53,363 million as of December 31, 2013. The increase mainly attributed to investments in Government securities, Sukuks & Mutual Funds.

Future Outlook

The Bank will continue to provide unparalleled services to its customers through its expanding branch network 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. By close of the year in progress, 15 new branches will be

added in the fast expanding branch network of the Bank.

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

On behalf of the Board, I would like to thank the Provincial Government, State Bank of Pakistan and other regulatory authorities for their guidance and support. I am also grateful to our valued customers for their patronage and continued confidence in the Bank and the staff members for their dedicated services.

For and on behalf of the Board of Directors

Peshawar: October 30, 2014

Shams ul Qayyum
Managing Director

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2014

		(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Note	Rupees in '000'	
ASSETS			
Cash and balances with treasury banks		4,449,457	4,068,678
Balances with other banks		3,440,724	3,813,251
Lendings to financial institutions	6	4,200,000	7,500,301
Investments - net	7	64,705,040	53,363,163
Advances - net	8	30,186,149	35,450,201
Operating fixed assets	9	1,571,534	1,604,464
Deferred tax asset - net	10	343,151	299,230
Other assets		2,057,775	2,070,880
		110,953,830	108,170,168
LIABILITIES			
Bills payable		580,688	521,035
Borrowings from financial institutions	11	9,990,678	15,157,773
Deposits and other accounts	12	83,797,282	77,217,733
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities		-	-
Other liabilities		3,232,963	2,716,830
		97,601,611	95,613,371
NET ASSETS		13,352,219	12,556,797
REPRESENTED BY			
Share capital		10,002,524	10,000,000
Reserves		1,333,584	1,170,871
Unappropriated profit		1,402,868	741,920
		12,738,976	11,912,791
Surplus on revaluation of assets-net of tax	13	613,243	644,006
		13,352,219	12,556,797
CONTINGENCIES AND COMMITMENTS			
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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 NINE MONTHS ENDED SEPTEMBER 30, 2014

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Note	2014	2014	2013	2013
	-----Rupees in '000'-----			
Mark-up / return / interest earned	2,507,503	6,894,919	1,837,259	5,303,060
Mark-up / return / interest expensed	1,633,513	4,361,757	1,101,403	3,109,407
Net mark-up / interest income	873,990	2,533,162	735,856	2,193,653
Provision against non-performing loans and advances - net	156,242	197,912	74,879	173,439
Reversal of provision for diminution in the value of investments - net	(1,745)	(25,876)	(13,675)	(53,112)
Bad debts written off directly	-	747	-	-
	154,497	172,783	61,204	120,327
Net mark-up / interest income after provisions	719,493	2,360,379	674,652	2,073,326
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	52,360	168,412	60,067	181,661
Dividend income	15,794	67,188	28,174	61,263
Income from dealing in foreign currencies	40,539	150,297	41,186	155,425
Gain on sale of securities - net	36,972	265,557	30,246	65,261
Unrealized gain / (loss) on revaluation of investments classified as held-for-trading - net	1,146	(7,687)	(28,425)	(40,159)
Other income	16,422	63,633	14,734	72,549
Total non mark-up / interest income	163,233	707,400	145,982	496,000
	882,726	3,067,779	820,634	2,569,326
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	612,720	1,791,969	494,492	1,417,164
Other provisions / write offs	-	139	-	(14,047)
Other charges	11,002	47,446	2,256	19,157
Total non mark-up / interest expenses	623,722	1,839,554	496,748	1,422,274
	259,004	1,228,225	323,886	1,147,052
Extra ordinary / unusual item	-	-	-	-
PROFIT BEFORE TAXATION	259,004	1,228,225	323,886	1,147,052
Taxation				
Current	(83,435)	(401,953)	(72,530)	(359,012)
Prior	-	-	-	-
Deferred	16,882	(87)	2,136	18,372
	(66,553)	(402,040)	(70,394)	(340,640)
PROFIT AFTER TAXATION	192,451	826,185	253,492	806,412
			Restated	Restated
Earnings per share - Basic and Diluted (in Rupees)	15 0.19	0.83	0.25	0.81

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 NINE MONTHS ENDED
SEPTEMBER 30, 2014**

	Three months ended September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
	-----Rupees in '000'-----			
Profit after taxation	192,451	826,185	253,492	806,412
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	192,451	826,185	253,492	806,412

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 NINE MONTHS ENDED SEPTEMBER 30, 2014

	Share capital	Statutory reserve	Reserve for issue of bonus shares	Un- appropriated 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 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 - Unaudited	9,001,433	1,098,823	-	1,481,784	11,582,040
Changes in equity during the Three months ended December 31, 2013					
Total comprehensive income					
Profit after taxation for the three months ended December 31, 2013	-	-	-	347,617	347,617
Other comprehensive income - net of tax	-	-	-	(16,866)	(16,866)
	-	-	-	330,751	330,751
Transfer to statutory reserve	-	69,523	-	(69,523)	-
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 nine months ended September 30, 2014					
Total comprehensive income					
Profit after taxation for the nine months ended September 30, 2014	-	-	-	826,185	826,185
Other comprehensive income - net of tax	-	-	-	-	-
	-	-	-	826,185	826,185
Transfer to statutory reserve	-	165,237	-	(165,237)	-
Transactions with owners:					
Issuance of shares against bonus share reserve	2,524		(2,524)		
Balance as at September 30, 2014 - Un audited	10,002,524	1,333,584	-	1,402,868	12,738,976

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

Managing Director

Director

Director

Director



The Bank of Khyber
for the Period Ended September 30, 2014

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2014

Nine months ended September 30, 2014	Nine months ended September 30, 2013
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Rupees in '000

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	1,228,225	1,147,052
Less: Dividend income	67,188	61,263
	1,161,037	1,085,789

Adjustments for non-cash charges

Depreciation	112,729	79,384
Amortization	2,858	3,664
Provision against non-performing advances - net	197,912	173,439
Reversal of provision for diminution in the value of investments - net	(25,876)	(53,112)
Reversal of provision against non-banking assets	-	(19,256)
Provision for workers welfare fund	22,500	19,388
Unrealized loss on revaluation of investments classified as held-for-trading	7,687	40,159
Loss on sale of operating fixed assets	791	(871)
	318,601	242,795
	1,479,638	1,328,584

(Increase) / decrease in operating assets

Lendings to financial institutions	3,300,301	(6,189,696)
Net investments in held-for-trading securities	15,689,610	57,562
Advances	5,066,140	(6,360,293)
Others assets (excluding advance taxation)	13,105	135,040
	24,069,156	(2,357,387)

Increase / (decrease) in operating liabilities

Bills payable	59,653	(115,033)
Borrowings from financial institutions	(5,167,095)	(5,323,856)
Deposits and other accounts	6,579,549	8,080,097
Other liabilities (excluding current taxation)	670,850	339,082
	2,142,957	(2,980,290)

Income tax paid - net

27,691,751	(8,048,513)
(579,169)	(371,137)

Net cash generated / (used) in operating activities

27,112,582	(8,419,650)
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CASH FLOW FROM INVESTING ACTIVITIES

Net (investments) / deinvestments in available-for-sale securities	(21,882,988)	6,823,228
Net (investments) / deinvestments in held-to-maturity securities	(5,205,082)	602,588
Dividend received	67,188	61,263
Investments in operating fixed assets - net	(84,217)	(105,593)
Proceeds from sale of operating fixed assets disposed off	769	2,841
	(27,104,330)	7,384,327

Net cash generated / (used) from investing activities

-	-
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CASH FLOW FROM FINANCING ACTIVITIES

Increase in cash and cash equivalents	8,252	(1,035,323)
Cash and cash equivalents at beginning of the period	7,881,929	4,758,331
Cash and cash equivalents at end of the period	7,890,181	3,723,008

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 NINE MONTHS ENDED SEPTEMBER 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 September 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 State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in 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 branches have been included in these condensed interim financial information for reporting purpose, after eliminating the effects of intra-bank transactions and balances. Key financial figures of the Islamic Banking branches 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 and recognition of staff retirement benefits which is stated at present value.

4. STATEMENT OF COMPLIANCE

- 4.1 These unconsolidated condensed interim financial statements have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the 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 requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

4.2 The SBP vide BSD Circular letter No.10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to the notification of the SECP issued vide SRO411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated condensed interim financial statements. 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 till June 30, 2014.

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

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

5.2 The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed by the Bank for the purpose of preparation of financial statements for the year ending December 31, 2014 while accounting for transactions relating to 'Profit and Loss Sharing on Deposits' as defined by the said standard. The standard is effective from current period and has no material impact on this condensed interim financial information except for disclosure relating to deposits as noted in 16-B-1. The standard would result in certain new disclosures in the annual financial statements for the year ending December 31, 2014.

5.3 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

Call money lendings
Repurchase agreement lendings (Reverse Repo)
Placements with financial institutions

Less: Provision against lendings to financial institutions

	(Un-audited) September 30, 2014	(Audited) December 31, 2013
Rupees in '000'		
Call money lendings	2,600,000	2,000,000
Repurchase agreement lendings (Reverse Repo)	-	3,950,301
Placements with financial institutions	1,838,944	1,788,944
	4,438,944	7,739,245
	(238,944)	(238,944)
	4,200,000	7,500,301

7. INVESTMENTS

	September 30, 2014 (Un-audited)			December 31, 2013 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Note	Rupees in '000'					
7.1 Investments by types						
Held-for-trading securities						
Market Treasury Bills	-	-	-	3,674,355	11,713,209	15,387,564
Pakistan Investment Bonds	283,618	-	283,618	390,585	-	390,585
Units of open-end mutual funds	-	-	-	300,000	-	300,000
Ordinary shares in listed companies	123,221	-	123,221	28,548	-	28,548
	406,839	-	406,839	4,393,488	11,713,209	16,106,697
Available-for-sale securities						
Market Treasury Bills	23,593,356	3,295,156	26,888,512	12,647,991	1,973,740	14,621,731
Pakistan Investment Bonds	18,950,122	-	18,950,122	12,173,069	-	12,173,069
GOP Pak Ijarah Sukuk	7,550,183	-	7,550,183	6,770,482	-	6,770,482
Ordinary shares in listed companies	1,190,082	-	1,190,082	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	-	-	-
Unlisted	153,004	-	153,004	153,004	-	153,004
Preference shares in listed companies	410,920	-	410,920	410,920	-	410,920
Listed term finance certificates	545,981	-	545,981	572,291	-	572,291
Unlisted term finance certificates	373,400	-	373,400	508,856	-	508,856
Units of open-end mutual funds	2,493,068	-	2,493,068	353,088	-	353,088
Units of closed-end mutual funds	118,674	-	118,674	118,673	-	118,673
Sukuk certificates	1,193,392	-	1,193,392	1,268,880	-	1,268,880
	56,662,630	3,295,156	59,957,786	36,101,058	1,973,740	38,074,798
Held-to-maturity securities						
Pakistan Investment Bonds	5,302,683	-	5,302,683	-	-	-
Sukuk certificates	271,128	-	271,128	368,729	-	368,729
	5,573,811	-	5,573,811	368,729	-	368,729
Investments at cost	62,643,280	3,295,156	65,938,436	40,863,275	13,686,949	54,550,224
Less: Provision for diminution in the value of investments	7.2 (922,314)	-	(922,314)	(948,190)	-	(948,190)
Investments (net of provisions)	61,720,966	3,295,156	65,016,122	39,915,085	13,686,949	53,602,034
Unrealized (loss) / gain on revaluation of held for trading securities - net	(7,687)	-	(7,687)	118	(10,366)	(10,248)
Surplus on revaluation of available-for-sale securities - net	13 (303,395)	-	(303,395)	(226,939)	(1,684)	(228,623)
Total investments	61,409,884	3,295,156	64,705,040	39,688,264	13,674,899	53,363,163

		(Un-audited) September 30, 2014	(Audited) December 31, 2013
		Rupees in '000'	
Note			
7.2 Provision for diminution in the value of investments			
	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	(32,294)	(64,118)
		(25,876)	(58,419)
	Transferred from advances	-	195,000
	Closing balance	922,314	948,190
8. ADVANCES			
	Loans, cash credits, running finances, etc.		
	In Pakistan	24,271,246	32,541,757
	Outside Pakistan	-	-
		24,271,246	32,541,757
	Islamic financing and related assets	7,526,979	4,669,043
	Net investment in Ijarah:		
	In Pakistan	803,557	556,460
	Outside Pakistan	-	-
		803,557	556,460
	Net investment in finance lease	-	-
	Bills discounted and purchased (excluding treasury bills)		
	Payable in Pakistan	314,320	345,557
	Payable outside Pakistan	347,479	226,214
		661,799	571,771
	Advances - gross	33,263,581	38,339,031
	Less: Provision against non-performing advances	(3,077,432)	(2,888,830)
	Advances - net of provision	30,186,149	35,450,201

- 8.1 Advances include Rs. 4,555.910 million (December 31, 2013: Rs. 3,856.641 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2014 (Un-audited)				
	Classified advances			Provision required	Provision held
	Domestic	Overseas	Total		
----- Rupees in '000' -----					
Other Assets Especially Mentioned *	25,836	-	25,836	2,097	2,097
Substandard	661,194	-	661,194	79,986	79,986
Doubtful	404,694	-	404,694	118,209	118,209
Loss	3,464,186	-	3,464,186	2,836,831	2,836,831
	4,555,910	-	4,555,910	3,037,123	3,037,123

Category of classification	December 31, 2013 (Audited)				
	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 September 30, 2014, the Bank has availed cumulative benefit of forced sale values of Rs. 791.781 million (December 31, 2013: Rs. 596.334 million). Increase in un-appropriated profit net of tax amounting to Rs. 514.658 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, 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	407,543	15,382	422,925	643,717	16,861	660,578
Reversals	(225,013)	-	(225,013)	(519,778)	-	(519,778)
	182,530	15,382	197,912	123,939	16,861	140,800
Amounts written off	(9,310)	-	(9,310)	(72,991)	-	(72,991)
Closing balance	3,037,123	40,309	3,077,432	2,863,903	24,927	2,888,830

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

9. OPERATING FIXED ASSETS

Capital work-in-progress		57,414	168,679
Property and equipment	9.1 & 9.2	1,509,321	1,429,210
Intangible assets	9.3	4,799	6,575
		1,571,534	1,604,464

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;

	September 30, 2014 (Un-audited)		September 30, 2013 (Un-audited)	
	Additions	Disposals	Additions	Disposals
	Rs. in '000'			
Leasehold land	-	-	75,690	-
Furniture and fixtures	14,028	590	9,412	2,752
Office equipment	93,300	2,704	30,702	2,298
Vehicles	100	84	98	3,115
Renovations / Premises	86,951	2,595	28,655	70
Library Books	21	-	5	-
	194,400	5,973	144,562	8,235
9.3 Additions to intangible assets	1,082	-	6,950	-

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

10. DEFERRED TAX ASSET - NET

Deferred tax asset arising in respect of:

Provision for balances with other banks	3,510	3,510
Deficit on revaluation of investments	7,113	168,000
Provision for diminution in the value of investments	111,155	111,162
Provision for other assets	3,448	3,448
Provision for Workers Welfare Fund	48,167	44,142
Re-measurement of defined benefit plan	9,081	9,081
Stabilization / profit equalization reserve	41,472	45,395
	223,946	384,738

Deferred tax liability arising in respect of:

Accelerated tax depreciation	(24,167)	(23,985)
Surplus on revaluation of investment	143,372	(61,523)
	119,205	(85,508)
Deferred tax asset - net	343,151	299,230

Note	(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Rupees in '000'	
11. BORROWINGS FROM FINANCIAL INSTITUTIONS		
Secured		
Borrowings from State Bank of Pakistan:		
Under export refinance scheme	1,145,782	1,402,183
Long term financing (EOP) scheme	67,228	84,034
Agriculture financing scheme	350	1,270
SME financing scheme	3,797	6,981
	1,217,157	1,494,468
Repurchase agreement borrowings	3,295,156	13,663,305
Unsecured		
Call borrowings	5,478,365	-
	9,990,678	15,157,773
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	31,771,617	32,038,341
Savings deposits	33,003,520	25,385,251
Current accounts - non-remunerative	16,610,282	17,979,604
Call deposits	1,151,181	663,589
Margin and sundry deposits	1,187,495	906,622
	83,724,095	76,973,407
Financial Institutions		
Remunerative deposits	72,659	243,494
Non-remunerative deposits	528	832
	73,187	244,326
	83,797,282	77,217,733
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX		
Surplus / (Deficit) on revaluation of available-for-sale securities		
Federal government securities		
- Market Treasury Bills	(43,605)	(38,366)
- Pakistan Investment Bonds	(597,045)	(428,365)
Fully paid up ordinary shares - listed	133,064	145,544
Term finance certificates - listed	(20,324)	(13,269)
Sukuk certificates	47,331	-
Units in open-end mutual funds	139,482	91,279
Units in closed-end mutual funds	37,702	14,554
	(303,395)	(228,623)
Surplus on revaluation of fixed assets		
Leasehold land	766,152	766,152
	462,757	537,529
Deferred tax liabilities	150,486	106,477
	613,243	644,006

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		(Un-audited) September 30, 2014	(Audited) December 31, 2013
	Note	Rupees in '000'	
14. CONTINGENCIES AND COMMITMENTS			
14.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favouring:			
Banks		-	-
Others		442,205	420,577
		442,205	420,577
14.2 Transaction-related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds,			
Government		4,834,883	7,299,343
Others		3,031,975	340,038
	14.2.1	7,866,858	7,639,381
14.2.1 The above amounts include expired letters of guarantee aggregating to Rs. 1,986.486 million as at September 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) September 30, 2014	(Audited) December 31, 2013
		Rupees in '000'	
14.3 Trade-related contingent liabilities			
Letters of credit			
Sight		2,978,679	2,133,769
Usance		288,613	152,755
		3,267,292	2,286,524
Acceptances		494,342	324,655
		3,761,634	2,611,179
14.4 Commitments in respect of forward exchange contracts			
Purchase		731,082	457,729
Sale		976,098	1,090,592
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, 2014	(Audited) December 31, 2013
		Rupees in '000'	
14.5 Other commitments			
Bills for collection			
Inland bills		119,564	178,799
Foreign bills		369,915	256,468
		489,479	435,267
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 Commitment for the acquisition of operating fixed assets

Commitments as on reporting date amounts to Rs. 38.740 million (December 31, 2013: Rs. 34.040 million).

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

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. 308.900million. 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. 256.349million. The Bank again applied for the rectification order. During the year 2012, the Commissioner Inland Revenue (Appeals) [CIR (A)] through an order dated June 01, 2012 has deleted certain additions on account of disallowances except for the additions under certain heads of expenses having tax impact of approximately Rs. 23 million. The Bank had filed an appeal against the order of the CIR (A) in respect of remaining additions. Management believes that this matter will be decided in favour of the Bank. Consequently, no provision has been made in respect of this amount in the financial information.

14.10 For tax years 2011and 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. 15.357million and Rs. 5.845million respectively along with default surcharge of Rs. 3.263million and Rs.0.876million respectively. The Bank has filed appeals before the Commissioner Inland Revenue (Appeals) for grant of relief against order for tax years 2011and 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.

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 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. 8.058million 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 September 30, 2014	Nine months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2013
Note				
	----- Rupees in '000' -----			

15. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation for the period attributable
to ordinary shareholders

	192,451	826,185	253,492	806,412
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-----Number of Shares-----

			Restated	Restated
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	0.19	0.25	0.81

There is no dilution effect on basic earning per share.

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

		(Un-audited) September 30, 2014	(Audited) December 31, 2013
Note		Rupees in '000'	
16. KEY FINANCIAL FIGURES OF ISLAMIC BANKING GROUP			
ASSETS			
		1,168,531	1,224,162
		2,640,110	2,124,268
		4,200,000	2,050,000
		8,948,291	8,234,854
	A-1	8,199,358	5,176,707
		185,752	178,031
		-	-
		356,735	963,927
		25,698,777	19,951,949
LIABILITIES			
		118,309	140,341
	B-1		
- Current accounts		6,682,697	6,890,741
- Saving accounts		9,224,364	7,134,454
- Term deposits		1,974,370	1,751,089
- Others		932,235	636,183
Deposits from financial institutions - remunerative		10,096	227,960
Deposits from financial institutions - non-remunerative		-	-
Other liabilities		3,686,653	458,168
		22,628,724	17,238,936
		3,070,053	2,713,013
NET ASSETS			
REPRESENTED BY			
		460,000	460,000
Profit equalization reserve - fund		30,774	-
Un-appropriated profit		2,531,989	2,253,472
		3,022,763	2,713,472
Surplus/(deficit) on revaluation of assets		47,290	(459)
		3,070,053	2,713,013
		1,989	1,886
Remuneration to Shariah Advisor during the period / year			
CHARITY FUND			
Opening balance at the start of the period / year		-	-
Additions during the period / year		653	4,309
Payments during the period / year		(500)	(4,309)
Closing balance at the end of the period / year		153	-

The profit and loss account of the Islamic Banking Branches for the nine months ended September 30, 2014 is as

	Note	(Un-audited) September 30, 2014	(Un-audited) September 30, 2013
Rupees in '000'			
Income / return / profit earned		1,184,491	1,098,357
Income / return / profit expensed		413,588	396,437
		770,903	701,920
Provision against non-performing financing		72,753	8,950
Reversal of provision for diminution in the value of investments		(25,000)	-
		47,753	8,950
Net profit / return income after provision		723,150	692,970
OTHER INCOME			
Fee, commission and brokerage income		50,064	43,484
Dividend income		5,472	3,551
Income from dealing in foreign currencies		106,898	29,604
Unrealized loss on revaluation of held-for-trading securities		(148)	(11,231)
Gain on sale of securities		8,411	11,287
Other income		27,869	12,637
Total other income		198,566	89,332
		921,716	782,302
OTHER EXPENSES			
Administrative expenses		628,540	488,987
Other provision / write-off		-	5,209
Other charges		14,659	-
Total other expenses		643,199	494,196
Profit for the period		278,517	288,106
		(Un-audited) September 30, 2014	(Audited) December 31, 2013
Rupees in '000'			
A-1 Islamic Financing and Related Assets			
Murabaha financings	A-1.1	2,406,382	3,833,784
Ijarah	A-1.2	803,557	566,089
Diminishing musharika	A-1.3	926,493	720,953
Istisna work-in-progress	A-1.4	179,950	100,000
Salam	A-1.5	4,000,000	-
Qarz-e-Hasna		5,641	5,793
Others		8,513	8,513
		8,330,536	5,235,132
Less: provision for non-performing facilities		(131,178)	(58,425)
		8,199,358	5,176,707
A-1.1 Murabaha			
Murabaha receivable		2,066,944	3,608,817
Assets / Inventories		339,438	224,967
		2,406,382	3,833,784
A-1.2 Ijarah			
Net investment in Ijarah		14,506	24,097
Ijarah under IFAS-II		786,591	532,363
		801,097	556,460
Assets/Inventories/Advances		2,460	9,629
		803,557	566,089
A-1.3 Diminishing musharika			
Diminishing musharika		914,493	715,953
Assets / Inventories		12,000	5,000
		926,493	720,953
A-1.4 Istisna Financing			
Istisna work in progress		179,950	100,000
advances		-	-
		179,950	100,000
A-1.5 Salam Financing			
Advance against Salam		4,000,000	-
Salam Financing		-	-
		4,000,000	-
B-1. Deposits includes amounting to Rs. 11.522 billion (December 31, 2013: Rs. 9.163 billion) which are on Musharak basis (i.e. classifiable as redeemable capital as defined under IFAS 3)			

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 statement for investments 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:

	September 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'					
Advances:						
At January 1,	142,015	-	142,015	148,615	-	148,615
Disbursed during the period / year	30,821	-	30,821	16,296	-	16,296
Repaid during the period / year	(29,978)	-	(29,978)	(22,896)	-	(22,896)
Balance as at September 30/ December 31.	142,858	-	142,858	142,015	-	142,015
Deposits:						
At January 1,	11,050	27,418	38,468	16,487	149,562	166,049
Deposited during the period / year	195,446	277,270	472,716	195,636	500,180	695,816
Repaid during the period / year	(183,873)	(288,883)	(472,756)	(201,073)	(622,324)	(823,397)
Balance as at September 30/ December 31.	22,623	15,805	38,428	11,050	27,418	38,468
	For the nine months ended September 30, 2014 (Un-audited)			For the nine months ended September 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'					
Transactions, income and expenditure						
Mark-up / return / interest earned	2,348	-	2,348	2,557	-	2,557
Mark-up/return/interest expensed	765	6,338	7,103	603	5,045	5,648
Fee	780	-	780	860	-	860

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 nine months ended September 30, 2014 (Un-audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000'				
Total income	3,249,872	1,540,527	149,823	2,662,097	7,602,319
Total expenses	(2,895,066)	(1,295,099)	(83,506)	(2,502,463)	(6,776,134)
Net income	354,806	245,428	66,317	159,634	826,185

	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

19. GENERAL

19.1 Date of authorization for issue

This condensed interim financial information was authorized for issue on October 30, 2014 by the Board of Directors of the Bank.

19.2 Profit equalisation reserve.

The profit equalization reserve classified in other liabilities while consolidating these Financial statements.

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 reclassification has no other effects on corresponding figures.



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