









Condensed Interim
Financial Statements
for the period ended March 31, 2014



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The Bank of Khyber
for the Period Ended March 31, 2014

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

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

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, I am pleased to present the financial statements of the Bank of Khyber for the 1st quarter ended March 31, 2014. The results are inclusive of Islamic Banking Operations.

Financial Highlights

The financial results of the Bank of Khyber for the 1st quarter ended March 31, 2014 are as under:

	(Rs. in million)
Operating Profit	447
Provision against non-performing advances	(75)
Reversal/(Provision) against diminution in value of investments	2
Other Provisions/Write-off	(1)
Profit before taxation	373
Taxation	126
Profit after tax	247
Total Assets	95,072
Advances (Gross)	33,669
Investments (Net)	45,831
Deposits	70,737

Financial Overview

For the first quarter, the Bank recorded an operating profit of Rs.447 million as compared to Rs.443 million in the corresponding period of previous year. Profit after tax declined to Rs.247 million against Rs.310 million of the corresponding period. Net Mark-up / Interest Income witnessed increase from Rs.747 million to Rs.808 million being 8% above the corresponding period of previous year.

An increase of 19% has been witnessed in Administrative expenses which stood at Rs.548 million as compared to Rs.461 million of the corresponding period. This increase has been attributed to salaries of newly inducted staff and rent of newly opened branches.

The deposits grew by 24% from Rs.56,972 million to Rs.70,737 million whereas advances stood at Rs.33,669 million as compared to Rs.29,193 million in the corresponding period of the last year. Investments increased to Rs.45,831 million from Rs.39,473 million.

Future Outlook

The Bank would retain its strategy of concentrating on growth and would like to open further branches in the country while placing its customers as the pivotal point of its activities. The Bank continues to strengthen its presence in the market place, and is currently operating with 100 branches with existence in strategic locations to cater to the banking needs of the people. Among these, 56 branches are working on the Conventional side whereas 44 branches are functioning as

dedicated Islamic Banking Branches. Further, 2 sub branches and 2 booths are also providing basic banking facilities to the customers. The Bank is offering attractive deposit schemes which will help to enhance our deposit base and allow us to offer more and better asset based products to our customers.

In order to facilitate the Bank in its pursuit of excellence by moving forward, the State Bank of Pakistan has approved Bank's expansion plan and allowed 16 new branches to be opened in the country in the year 2014.

The Bank's paid-up capital for the quarter ended March 31, 2014 stood at Rs.10.00 billion. The Minimum Capital Requirements of the State Bank of Pakistan have been fully met however; the Bank is determined to meet any other requirements in this regard if announced by the central Bank.

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

Credit Rating

According to JCR-VIS Credit Rating Company Ltd. (JCR-VIS), the medium to long term entity rating of the Bank has been maintained at "A" (Single A) whereas the short term rating has been upgraded from "A2" (A Two) to "A1" (A One). Outlook on the assigned rating is "Stable".

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the long term entity rating of the Bank from "A-" (A Minus) to "A" (Single A). The short term entity rating has also been upgraded from "A2" (A Two) to "A1" (A One). Rating outlook is "Stable".

The 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. We are also grateful to our valued customers for their patronage and continued confidence in the Bank.

For and on behalf of the Board of Directors

Imran Samad
Managing Director (Acting)

Peshawar: April 24, 2014

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2014

	(Un-audited) March 31, 2014	(Audited) December 31, 2013
Note	Rupees in '000'	
ASSETS		
Cash and balances with treasury banks	5,003,463	4,068,678
Balances with other banks	4,207,171	3,813,251
Lendings to financial institutions	6 5,377,460	7,500,301
Investments	7 45,830,603	53,363,163
Advances	8 30,705,845	35,450,201
Operating fixed assets	9 1,624,896	1,604,464
Deferred tax asset - net	10 249,524	299,230
Other assets	2,073,255	2,070,880
	95,072,217	108,170,168
LIABILITIES		
Bills payable	413,366	521,035
Borrowings	11 8,102,849	15,157,773
Deposits and other accounts	12 70,736,668	77,217,733
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities	-	-
Other liabilities	2,917,986	2,716,830
	82,170,869	95,613,371
NET ASSETS	12,901,348	12,556,797
REPRESENTED BY		
Share capital	10,002,524	10,000,000
Reserves	1,217,721	1,170,871
Unappropriated profit	939,417	741,920
	12,159,662	11,912,791
Surplus on revaluation of assets-net of tax	13 741,686	644,006
	12,901,348	12,556,797
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 THREE MONTHS ENDED MARCH 31, 2014

Note	Three months ended March 31, 2014	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2013
	-----Rupees in '000'-----			
Mark-up / return / interest earned	2,182,223	2,182,223	1,785,767	1,785,767
Mark-up / return / interest expensed	1,373,863	1,373,863	1,038,421	1,038,421
Net mark-up / interest income	808,360	808,360	747,346	747,346
Provision / (reversal of provision) against non-performing loans and advances - net (Reversal of provision) for diminution in the value of investments - net Bad debts written off directly	74,766 (1,548) 747	74,766 (1,548) 747	(31,621) (2,457) -	(31,621) (2,457) -
	73,965	73,965	(34,078)	(34,078)
Net mark-up / interest income after provisions	734,395	734,395	781,424	781,424
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	46,024	46,024	54,263	54,263
Dividend income	35,946	35,946	23,016	23,016
Income from dealing in foreign currencies	49,567	49,567	62,949	62,949
Gain on sale of securities - net	56,363	56,363	9,955	9,955
Unrealised (loss) on revaluation of investments classified as held-for-trading	(10,227)	(10,227)	(4,451)	(4,451)
Other income	15,311	15,311	18,475	18,475
Total non mark-up / interest income	192,984	192,984	164,207	164,207
	927,379	927,379	945,631	945,631
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	548,150	548,150	460,804	460,804
Other provisions / write offs	139	139	-	-
Other charges	6,507	6,507	7,500	7,500
Total non mark-up / interest expenses	554,796	554,796	468,304	468,304
	372,583	372,583	477,327	477,327
Extra ordinary / unusual item	-	-	-	-
PROFIT BEFORE TAXATION	372,583	372,583	477,327	477,327
Taxation				
Current	129,182	129,182	164,972	164,972
Prior	-	-	-	-
Deferred	(3,470)	(3,470)	2,155	2,155
	125,712	125,712	167,127	167,127
PROFIT AFTER TAXATION	246,871	246,871	310,200	310,200
Unappropriated profit brought forward		741,920		836,654
Accumulated profit carried forward		988,791		1,146,854
Earnings per share - Basic and Diluted (in Rupees)	15	0.25	Restated	Restated 0.31

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 ENDED MARCH 31, 2014**

	Three months ended March 31, 2014	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2013
	-----Rupees in '000'-----			
Profit for the period	246,871	246,871	310,200	310,200
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	246,871	246,871	310,200	310,200

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 THREE MONTHS ENDED MARCH 31, 2014**

	Share capital	Statutory reserve	Reserve for issue of bonus shares	Unappropriated profit	Total
----- Rupees in '000' -----					
Balance as at January 1, 2013	9,001,433	937,541	-	836,654	10,775,628
Changes in equity during the three months ended March 31, 2013					
Total comprehensive income					
Profit after taxation for the three months ended March 31, 2013	-	-	-	310,200	310,200
Other comprehensive income - net of tax	-	-	-	-	-
	-	-	-	310,200	310,200
Transfer to statutory reserve	-	62,040	-	(62,040)	-
Balance as at March 31, 2013	9,001,433	999,581	-	1,084,814	11,085,828
Changes in equity during the nine months ended Dec 31, 2013					
Total comprehensive income					
Profit after taxation for the nine months ended December 31, 2013	-	-	-	843,829	843,829
Other comprehensive income - net of tax	-	-	-	(16,866)	(16,866)
	-	-	-	826,963	826,963
Transfer to statutory reserve	-	168,766	-	(168,766)	-
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	10,000,000	1,168,347	2,524	741,920	11,912,791
Changes in equity during the three months ended March 31, 2014					
Total comprehensive income					
Profit after taxation for the three months ended March 31, 2014	-	-	-	246,871	246,871
Other comprehensive income - net of tax	-	-	-	-	-
	-	-	-	246,871	246,871
Transfer to statutory reserve	-	49,374	-	(49,374)	-
Transactions with owners recorded directly in equity					
Transfer/adjustment from reserve to share capital	2,524	-	(2,524)	-	-
Balance as at March 31, 2014	10,002,524	1,217,721	-	939,417	12,159,662

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 THREE MONTHS ENDED MARCH 31, 2014

	Three months ended March 31, 2014	Three months ended March 31, 2013
Rupees in '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	372,583	477,327
Less: Dividend income	35,946	23,016
	336,637	454,311
Adjustments for non-cash charges		
Depreciation	31,187	24,778
Amortization	1,221	1,160
Provision / (Reversal) against non-performing advances - net	74,766	(31,621)
(Reversal of provision) for diminution in the value of investments - net	(1,548)	(2,457)
(Reversal) of provision against non-banking assets	139	-
Provision against other assets	22,797	4,451
Unrealized loss on revaluation of investments classified as held-for-trading	901	3
Loss on sale of operating fixed assets	129,463	(3,686)
	466,100	450,625
(Increase) / decrease in operating assets		
Lendings to financial institutions	2,122,841	(2,182,560)
Net investments in held-for-trading securities	12,660,515	669,803
Advances	4,669,590	442,643
Others assets (excluding advance taxation)	(2,514)	(567)
	19,450,432	(1,070,681)
Increase / (decrease) in operating liabilities		
Bills payable	(107,669)	(8,398)
Borrowings	(7,054,924)	(2,803,872)
Deposits and other accounts	(6,481,065)	(3,071,007)
Other liabilities (excluding current taxation)	219,247	99,337
	(13,424,411)	(5,783,940)
Net cash used in operating activities	6,492,121	(6,403,996)
Income tax paid - net	(138,192)	(84,935)
Net cash used in operating activities	6,353,929	(6,488,931)
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(5,050,648)	5,253,971
Net investments in held-to-maturity securities	43,219	40,218
Dividend received	35,946	23,016
Investments in operating fixed assets - net	(54,327)	(12,461)
Proceeds from sale of operating fixed assets	586	1,144
Net cash generated from investing activities	(5,025,224)	5,305,888
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in cash and cash equivalents	1,328,705	(1,183,043)
Cash and cash equivalents at beginning of the period	7,881,929	4,758,331
Cash and cash equivalents at end of the period	9,210,634	3,575,288

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 MARCH 31, 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 100 branches including 44 Islamic Banking Branches (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 'A-1' and 'A-1' 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 these financial statements 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 Division 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 Division are disclosed in note 16 to this condensed interim financial information.
- 2.3 These financial statements have been presented in Pakistani Rupee, which is the Bank's functional and presentation currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value, as disclosed in their respective notes.

4. STATEMENT OF COMPLIANCE

4.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by The Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the SECP and SBP shall prevail.

- 4.2 The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 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 these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through various circulars issued by the SBP.
- 4.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. Management believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

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, 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

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

Less: Provision against lendings to financial institutions

	(Un-audited) March 31, 2014	(Audited) December 31, 2013
	Rupees in '000'	
	500,000	2,000,000
	1,977,460	3,950,301
	3,138,944	1,788,944
	5,616,404	7,739,245
	(238,944)	(238,944)
	5,377,460	7,500,301

7. INVESTMENTS

Note	March 31, 2014 (Un-audited)			December 31, 2013 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
-----Rupees in '000'-----						
Held-for-trading securities						
Market Treasury Bills	2,971,821	-	2,971,821	3,674,355	11,713,209	15,387,564
Pakistan Investment Bonds	-	-	-	390,585	-	390,585
Units of open-ended mutual funds	100,000	-	100,000	300,000	-	300,000
Ordinary Shares in listed companies	364,113	-	364,113	28,548	-	28,548
	3,435,934	-	3,435,934	4,393,488	11,713,209	16,106,697
Available-for-sale securities						
Market Treasury Bills	11,849,325	3,336,228	15,185,553	12,647,991	1,973,740	14,621,731
Pakistan Investment Bonds	13,896,099	2,503,962	16,400,061	12,173,069	-	12,173,069
GOP Ijarah Sukuk	5,700,399	-	5,700,399	6,770,482	-	6,770,482
Ordinary shares in listed companies	1,268,774	-	1,268,774	1,093,317	-	1,093,317
Ordinary shares in unlisted companies	30,487	-	30,487	30,487	-	30,487
Unlisted ordinary shares of related parties	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	571,090	-	571,090	572,291	-	572,291
Unlisted term finance certificates	508,836	-	508,836	508,856	-	508,856
Units of open-end mutual funds	1,528,087	-	1,528,087	353,088	-	353,088
Units of closed-end mutual funds	118,674	-	118,674	118,673	-	118,673
Sukuk certificates	1,249,561	-	1,249,561	1,268,880	-	1,268,880
	37,285,256	5,840,190	43,125,446	36,101,058	1,973,740	38,074,798
Held-to-maturity securities						
Sukuk certificates	325,510	-	325,510	368,729	-	368,729
	325,510	-	325,510	368,729	-	368,729
Investment at cost						
	41,046,700	5,840,190	46,886,890	40,863,275	13,686,949	54,550,224
Less: Provision for diminution in value of investments	7.1 (946,642)	-	(946,642)	(948,190)	-	(948,190)
Investments (net of provisions)						
	40,100,058	5,840,190	45,940,248	39,915,085	13,686,949	53,602,034
Unrealised (loss) / gain on revaluation of held for trading securities - net	(22,797)	-	(22,797)	118	(10,366)	(10,248)
(Deficit)/Surplus on revaluation of available-for-sale securities - net	13 (87,040)	192	(86,848)	(226,939)	(1,684)	(228,623)
Total investments	39,990,221	5,840,382	45,830,603	39,688,264	13,674,899	53,363,163

		(Un-audited) March 31, 2014	(Audited) December 31, 2013
	Note	Rupees in '000'	
7.1 Provision for diminution in value of investments			
Opening balance		948,190	811,609
Charge for the period / year		158	5,699
Reversal on disposal of shares / mutual funds/ term finance certificates		(1,706)	(64,118)
		(1,548)	(58,419)
Transferred from advances	7.1.1	-	195,000
Closing balance		946,642	948,190

7.1.1 During the year ended December 31, 2013, an advance 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.

		(Un-audited) March 31, 2014	(Audited) December 31, 2013
	Note	Rupees in '000'	
8. ADVANCES			
Loans, cash credits, running finances, etc			
In Pakistan		29,367,649	32,541,757
Outside Pakistan		-	-
		29,367,649	32,541,757
Islamic financing and related assets		2,910,150	4,669,043
Net investment in Ijarah:			
In Pakistan		545,614	556,460
Outside Pakistan		-	-
		545,614	556,460
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		323,153	345,557
Payable outside Pakistan		522,875	226,214
		846,028	571,771
Advances - gross	8.1	33,669,441	38,339,031
Less: Provision against non-performing advances	8.2	(2,963,596)	(2,888,830)
Advances - net of provision		30,705,845	35,450,201

- 8.1 Advances include Rs. 4,487.148 million (December 31, 2013: Rs. 3,856.641 million) which have been placed under non-performing status as detailed below:

Category of classification	March 31, 2014 (Un-audited)				
	Classified Advances			Provision	Provision
	Domestic	Overseas	Total	Required	Held
	-----Rupees in '000'-----				
Other Assets Especially Mentioned*	23,295	-	23,295	371	371
Substandard	865,600	-	865,600	128,345	128,345
Doubtful	230,649	-	230,649	71,808	71,808
Loss	3,367,604	-	3,367,604	2,733,329	2,733,329
	4,487,148	-	4,487,148	2,933,853	2,933,853

Category of classification	December 31, 2013 (Audited)				
	Classified Advances			Provision	Provision
	Domestic	Overseas	Total	Required	Held
	-----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 March 31, 2014, the Bank has availed cumulative benefit of forced sale values of Rs. 762.593 million (December 31, 2013: Rs. 596.334 million). Increase in unappropriated profit net of tax amounting to Rs. 495.686 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

	March 31, 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 7.1.1)	-	-	-	(195,000)	-	(195,000)
Charge for the period / year	219,204	4,816	224,020	643,717	16,861	660,578
Reversals	(149,254)	-	(149,254)	(519,778)	-	(519,778)
	69,950	4,816	74,766	123,939	16,861	140,800
Amounts written off	-	-	-	(72,991)	-	(72,991)
Closing balance	2,933,853	29,743	2,963,596	2,863,903	24,927	2,888,830

9. OPERATING FIXED ASSETS	Note	(Un-audited)	(Audited)
		March 31, 2014	December 31, 2013
		Rupees in '000'	
Capital Work-in-progress		168,684	168,679
Property and equipment	9.1	1,450,858	1,429,210
Intangible assets		5,354	6,575
		1,624,896	1,604,464

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

	March 31, 2014 (Un-audited)		March 31, 2013 (Un-audited)	
	Additions	Disposals	Additions	Disposals
-----Rupees in '000'-----				
Furniture and fixtures	2,866	177	1,916	329
Office equipment	36,750	1,797	4,552	135
Vehicles	-	4	-	1,537
Renovations / Premises	14,706	2,431	804	-
Library Books	-	-	5	-
	54,322	4,409	7,277	2,001

10. DEFERRED TAX ASSET - NET	(Un-audited)	(Audited)
	March 31, 2014	December 31, 2013
Rupees in '000'		
Deferred tax asset arising in respect of:		
Provision for balances with other banks	3,510	3,510
Deficit on revaluation of investments	115,555	168,000
Provision for diminution in the value of investments	122,272	111,162
Provision for other assets	3,448	3,448
Provision for Workers Welfare Fund	46,417	44,142
Re-measurement of defined benefit plan	9,081	9,081
Stabilisation reserve	38,547	45,395
	338,830	384,738
Deferred tax liability arising in respect of:		
Accelerated tax depreciation	(20,335)	(23,985)
Surplus on revaluation of investment	(68,971)	(61,523)
	(89,306)	(85,508)
Deferred tax asset - net	249,524	299,230

	(Un-audited) March 31, 2014	(Audited) December 31, 2013
	Rupees in '000'	
11. BORROWINGS:		
Secured		
Borrowings form State Bank of Pakistan:		
Under export refinance scheme	1,243,782	1,402,183
Under long term financing for export oriented projects	78,432	84,034
Agriculture financing scheme	1,270	1,270
SME Financing scheme	5,920	6,981
	1,329,404	1,494,468
Repurchase agreement borrowings	5,840,190	13,663,305
	7,169,594	15,157,773
Call borrowings	933,255	-
	8,102,849	15,157,773
12. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	31,355,475	32,038,341
Savings deposits	21,948,362	25,612,144
Current accounts - non - remunerative	15,654,368	17,979,604
Call deposits	869,310	663,589
Margin and Sundry deposits	892,284	906,622
	70,719,799	77,200,300
Financial Institutions		
Remunerative deposits	16,641	16,601
Non-remunerative deposits	228	832
	16,869	17,433
	70,736,668	77,217,733
13. SURPLUS ON REVALUATION OF ASSETS-NET OF TAX		
(Deficit)/Surplus on revaluation of available-for-sale securities		
Federal government securities		
- Market Treasury Bills	(22,040)	(38,366)
- Pakistan Investment Bonds	(327,309)	(428,365)
	170,884	145,544
Fully paid up ordinary shares - Listed	(14,171)	(13,269)
Term finance certificates / Sukuk - Listed	98,231	91,279
Units in open end mutual funds	7,557	14,554
Units in close end mutual funds	(86,848)	(228,623)
	62,382	106,477
Deferred tax assets / liabilities	(24,466)	(122,146)
Surplus on revaluation of fixed assets		
Leasehold land	766,152	766,152
	741,686	644,006

Note

7

	(Un-audited) March 31, 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	425,186	420,577
	425,186	420,577
14.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favouring:		
Government	4,713,283	7,299,343
Others	2,274,284	340,038
14.2.1	6,987,567	7,639,381
14.2.1 The above amounts include expired letters of guarantee aggregating to Rs. 1,404.000 million as at March 31, 2014 (December 31, 2013: Rs. 1,683.900 million) for which the formalities relating to return of the original documents are in process.		
	(Un-audited) March 31, 2014	(Audited) December 31, 2013
	Rupees in '000'	
14.3 Trade-related contingent liabilities		
Letters of credit		
Sight	2,036,210	2,133,769
Usance	222,110	152,755
Acceptances	2,258,320	2,286,524
	380,747	324,655
	2,639,067	2,611,179
14.4 Commitments in respect of forward exchange contracts		
Purchase	1,123,443	457,729
Sale	1,794,427	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) March 31, 2014	(Audited) December 31, 2013
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Rupees in '000'

14.5 Other commitments

Bills for collection

Inland bills
Foreign bills

38,052	178,799
319,902	256,468
357,954	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 Commitments for the acquisition of operating fixed assets

Commitments as on reporting date amounts to Rs. 13.135 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. 308.900 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 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 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 six (6) cases have been adjusted whereas payment in one (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 March 31, 2014	Three months ended March 31, 2014	Three months ended March 31, 2013	Three months ended March 31, 2013
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-----Rupees in '000'-----

15. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation for the period attributable to ordinary shareholders

246,871	246,871	310,200	310,200
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-----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	1,000,252,400
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Earnings per share - basic and diluted for the period (in rupees)

15.1	0.25	0.25	0.31	0.31
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There is no dilution effect on basic earnings per share.

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

	(Un-audited) March 31, 2014	(Audited) December 31, 2013
Note	Rupees in '000'	
16. KEY FINANCIAL FIGURES OF ISLAMIC BANKING GROUP		
ASSETS		
Cash and balances with treasury banks	1,516,596	1,224,162
Balances with other banks	3,077,714	2,124,268
Due from financial institutions	3,400,000	2,050,000
Investments	7,179,907	8,234,854
Islamic Financing and related assets	3,335,562	5,176,707
Operating fixed assets	193,640	178,031
Deferred tax assets	-	-
Other assets	289,232	963,927
	18,992,651	19,951,949
LIABILITIES		
Bills payable	127,750	140,341
Deposits and other accounts		
Current accounts	6,091,207	6,890,741
Saving accounts	7,206,558	7,134,454
Term deposits	1,618,220	1,751,089
Others	673,307	636,183
Deposits from Financial Institutions - <i>Remunerative</i>	4,862	227,960
Deposits from Financial Institutions - <i>Non-Remunerative</i>	-	-
Other liabilities	524,577	458,168
	16,246,481	17,238,936
NET ASSETS	2,746,170	2,713,013
REPRESENTED BY		
Islamic Banking Fund	460,000	460,000
Reserves	-	-
Unappropriated profit	2,288,874	2,253,472
	2,748,874	2,713,472
Deficit on revaluation of assets	(2,704)	(459)
	2,746,170	2,713,013
Remuneration to Shariah Advisor during the period / year	599	1,886
CHARITY FUND		
Opening balance at the start of the period / year	-	-
Additions during the period / year	80	4,309
Payments during the period / year	(2)	(4,309)
	78	-

The profit and loss account of the Bank's Islamic Banking Branches for the three months ended March 31, 2014 is as

	Note	(Un-audited) March 31, 2014	(Un-audited) March 31, 2013
Rupees in '000'			
Income / return / profit earned		363,198	353,635
Income / return / profit expensed		126,966	123,404
		236,232	230,231
Reversal of provision against no-performing financing		61,777	(7,109)
Provision for diminution in the value of investments		-	-
		61,777	(7,109)
Net profit / return income after provision		174,455	237,340
OTHER INCOME			
Fee, commission and brokerage income		12,752	12,909
Dividend Income		2,470	923
Income from dealing in foreign currency		33,248	8,188
Unrealised loss on revaluation of held-for-trading securities		(3,578)	(384)
Gain on sale of securities		3,581	1,699
Other income		4,096	5,477
Total other income		52,569	28,812
		227,024	266,152
OTHER EXPENSES			
Administrative expenses		191,615	170,336
Other charges		7	-
Total Other Charges		191,622	170,336
Profit for the period		35,402	95,816
		(Un-audited) March 31, 2014	(Audited) December 31, 2013
Rupees in '000'			
A-1. Islamic Financing and Related Assets			
Murabaha Financings	A-1.1	1,961,180	3,833,784
Ijarah	A-1.2	552,362	566,089
Diminishing Musharika	A-1.3	767,916	720,953
Istisna work-in-progress		160,000	100,000
Qarza -e- Hasna		5,793	5,793
Other financings		8,513	8,513
		3,455,764	5,235,132
Less provision for non-performing facilities		(120,202)	(58,425)
		3,335,562	5,176,707
A-1.1 Murabaha			
Murabaha Receivable inventories		1,870,805	3,608,817
		90,375	224,967
		1,961,180	3,833,784
A-1.2 Ijarah			
Net Investment in Ijarah		15,253	24,097
Ijarah under IFAS-II		530,361	532,363
Advances		6,748	9,629
		552,362	566,089

(Un-audited) (Audited)
March 31, December 31,
2014 2013

Rupees in '000'

A-1.3 Diminishing Musharaka

Diminishing Musharaka
Advances

	762,916	715,953
	5,000	5,000
	767,916	720,953

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

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

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

	March 31, 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	18,601	-	18,601	16,296	-	16,296
Repaid during the period/ year	(16,718)	-	(16,718)	(22,896)	-	(22,896)
Balance as at March 31/December 31	143,898	-	143,898	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	63,767	84,171	147,938	195,636	500,180	695,816
Repaid during the period/ year	(57,703)	(26,986)	(84,689)	(201,073)	(622,324)	(823,397)
Balance as at March 31/December 31	17,114	84,603	101,717	11,050	27,418	38,468

	For the Three Months Ended March 31, 2014 (Un-audited)			For the Three Months Ended June 30, 2012 (Un-audited)		
	Directors and key management personnel	Other related parties	Total	Directors and key management personnel	Other related parties	Total
Rupees in '000'						

Transactions, income and expenditure

Mark-up/Return/interest markup earned	1,727	-	1,727	2,123	-	2,123
Return / interest expensed	239	2,025	2,264	234	3,302	3,536
Fee	330	-	330	420	-	420

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 Three Months Ended March 31, 2014 (Un-audited)				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	----- Rupees in '000' -----				
Total Income	1,371,876	149,530	207,041	646,760	2,375,207
Total Expenses	(1,309,380)	(136,615)	(181,801)	(500,540)	(2,128,336)
Profit after tax	62,496	12,915	25,240	146,220	246,871
	----- Rupees in '000' -----				
	For the Three Months Ended March 31, 2013 (Un-audited)				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	----- Rupees in '000' -----				
Total Income	725,526	147,625	160,447	916,376	1,949,974
Total Expenses	(633,287)	(108,809)	(116,656)	(781,022)	(1,639,774)
Profit after tax	92,239	38,816	43,791	135,354	310,200

19. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 24, 2014 by the Board of Directors of the Bank.