









Condensed Interim  
**Financial Statements**  
for the period ended September 30, 2015



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**The Bank of Khyber**  
for the Period Ended September 30, 2015

## CORPORATE INFORMATION

### Board of Directors

Dr. Hammad Uwais Agha  
Ahmad Hanif Orakzai  
Maqsood Ismail Ahmad  
Asad Muhammad Iqbal  
Javed Akhtar  
Dr. Ihsanul Haq  
Rashid Ali Khan

Chairman

### Managing Director / CEO

Shams-ul-Qayyum

### Audit Committee

Asad Muhammad Iqbal  
Ahmad Hanif Orakzai  
Javed Akhtar  
Rashid Ali Khan

Chairman

### Chief Financial Officer

Rahat Gul

### Company Secretary

Zahid Sahibzada

### Registered Office / Head Office

The Bank of Khyber,  
24-The Mall, Peshawar Cantt.  
UAN# 00-92-91-111 95 95 95  
URL: [www.bok.com.pk](http://www.bok.com.pk)

1st Floor, State Life Building,  
34-The Mall, Peshawar Cantt.  
UAN# 00-92-91-111 95 95 95  
URL: [www.bok.com.pk](http://www.bok.com.pk)

### Auditors

Grant Thornton Anjum Rahman  
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  
2<sup>nd</sup> 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, 2015. The results are inclusive of Islamic Banking Operations.

### Financial Highlights

The financial results of the Bank of Khyber for the quarter ended September 30, 2015 are as under:

	(Rs. in Million)	
	September 30 2015	December 31 2014
Total Assets	148,496	126,106
Deposits	111,444	92,264
Advances (Gross)	41,915	43,243
Investments (Net)	89,679	72,431

	(Rs. in Million)	
	Period Ended September 30	
	2015	2014
Operating Profit	2,503	1,401
Provision against non-performing advances/others	(484)	(173)
Profit before taxation	2,019	1,228
Taxation	(817)	(402)
Profit after tax	1,202	826

### Performance Review

The Bank closed another quarter with good results. Net mark-up income increased by 30% over the corresponding period of 2014 whereas non mark-up income registered growth of 49% which mainly comprised of gain on sale of securities. This enabled the Bank to post a pre-tax profit of Rs.2,019 million against Rs.1,228 million of the corresponding period last year giving a substantial increase of 64%. Profit after tax with an increase of 46% stood at Rs.1,202 million against Rs.826 million of the same period last year.

Total assets registered an increase of 18% over the year ended December 31, 2014. An increase of 21% has been witnessed in deposits which increased from Rs.92,264 million as of year end 2014 to Rs.111,444 million. Advances decreased by lesser margin whereas Investments witnessed an increase of 24% and rose to Rs.89,679 million from Rs.72,431 million as of December 31, 2014.



## The Bank of Khyber

for the Period Ended September 30, 2015

The Bank has achieved the above results in spite of prevailing environment of law and order in the Province and limited business opportunities. The Bank has been through difficult times and uncertain market conditions, but we feel that the worst is behind us. We are especially thankful to the customers who stood by us in these trying times.

### Future Outlook

At the end of the quarter under review, the Bank was operating with 122 branches wherein 60 branches were working as Islamic Banking branches. Further, two sub-branches and two booths were also providing banking services 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. The Board is confident that the Bank will post good year end results.

### 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.

### Acknowledgment

The Board would like to thank the Provincial Government, State Bank of Pakistan and other regulatory authorities for their guidance and support. We acknowledge the dedication and hard work of our employees who have shown consistent performance in a challenging business environment. 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

**Shams ul Qayyum**

Managing Director

Peshawar: October 26, 2015



**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED)  
AS AT SEPTEMBER 30, 2015**

		(Un-audited) September 30, 2015	(Audited) December 31, 2014
		Rupees in '000'	
<b>ASSETS</b>			
		3,990,585	4,110,957
		5,188,320	2,509,508
	6	7,278,108	2,100,000
	7	89,679,312	72,431,445
	8	38,241,107	40,057,170
		2,284,307	3,256,121
	9	1,833,770	1,641,054
		-	-
		<b>148,495,509</b>	<b>126,106,255</b>
<b>LIABILITIES</b>			
		774,714	586,407
	10	17,050,646	14,192,181
	11	111,443,899	92,263,694
		-	-
		-	-
		2,835,639	3,829,241
	12	654,487	315,160
		<b>132,759,385</b>	<b>111,186,683</b>
		<b>15,736,124</b>	<b>14,919,572</b>
<b>NET ASSETS</b>			
<b>REPRESENTED BY</b>			
		10,002,524	10,002,524
		1,670,729	1,430,231
		1,739,676	1,778,056
		<b>13,412,929</b>	<b>13,210,811</b>
	13	2,323,195	1,708,761
		<b>15,736,124</b>	<b>14,919,572</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14		

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

  
Managing Director

  
Director

  
Director

  
Chairman

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2015**

Note	Three months ended	Nine months ended	Three months ended	Nine months ended
	September 30, 2015	September 30, 2015	September 30, 2014	September 30, 2014
	Rupees in '000'			
Mark-up / return / interest earned	2,736,297	8,165,776	2,507,503	6,894,919
Mark-up / return / interest expensed	1,668,672	4,877,213	1,633,513	4,361,757
Net mark-up / interest income	1,067,625	3,288,563	873,990	2,533,162
Provision / (reversal of provision) against non-performing loans and advances - net	(16,252)	488,474	156,242	197,912
Reversal of provision for diminution in the value of investments - net	-	-	-	-
Bad debts written off directly	(2,839)	(4,707)	(1,745)	(25,876)
	-	-	-	747
	(19,091)	483,767	154,497	172,783
Net mark-up / interest income after provisions	1,086,716	2,804,796	719,493	2,360,379
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	53,212	182,749	52,360	168,412
Dividend income	28,306	85,374	15,794	67,188
Income from dealing in foreign currencies	33,869	88,327	40,539	150,297
Gain on sale of securities - net	174,921	593,210	36,972	265,557
Unrealised (loss)/gain on revaluation of investments classified as held-for-trading - net	3,326	2,251	1,146	(7,687)
Other income	44,107	104,294	16,422	63,633
Total non mark-up / interest income	337,741	1,056,205	163,233	707,400
	1,424,457	3,861,001	882,726	3,067,779
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	693,655	2,014,024	612,720	1,791,969
(Reversals) / Provisions against other assets	-	(18,464)	-	139
(Reversal) / Provisions against Workers Welfare Fund	-	(164,120)	-	-
Other charges	8	9,766	11,002	47,446
Total non mark-up / interest expenses	693,663	1,841,206	623,722	1,839,554
	730,794	2,019,795	259,004	1,228,225
Extra ordinary / unusual item	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	730,794	2,019,795	259,004	1,228,225
Taxation				
Current	(233,963)	(656,560)	(83,435)	(401,953)
Prior	-	(124,428)	-	-
Deferred	(4,377)	(36,318)	16,882	(87)
	(238,340)	(817,306)	(66,553)	(402,040)
<b>PROFIT AFTER TAXATION</b>	492,454	1,202,489	192,451	826,185
Unappropriated profit brought forward	1,247,222	537,187	1,210,417	576,683
Accumulated profit carried forward	1,739,676	1,739,676	1,402,868	1,402,868
<b>Earnings per share - Basic and Diluted (in Rupees)</b>	0.49	1.20	0.19	0.83

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.



Managing Director



Director



Director



Chairman



**The Bank of Khyber**  
for the Period Ended September 30, 2015

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2015**

	Three months ended September 30, 2015	Nine months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2014
----- Rupees in '000' -----				
Profit after taxation	492,454	1,202,489	192,451	826,185
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>492,454</b>	<b>1,202,489</b>	<b>192,451</b>	<b>826,185</b>

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

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

  
Managing Director

  
Director


  
Director

  
Chairman

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

	Share capital	Statutory reserve	Reserve for issue of bonus shares	Un-appropriated profit	Total
	Rupees in '000'				
Balance as at January 1, 2014 - Audited	10,000,000	1,168,347	2,524	741,920	11,912,791
<b>Changes in equity during the nine months ended September 30, 2014</b>					
<b>Total comprehensive income</b>					
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
<b>Transfer to statutory reserve</b>	-	165,237	-	(165,237)	-
<b>Transactions with owners recorded directly in equity</b>					
Issue of shares against bonus share reserve	2,524	-	(2,524)	-	-
<b>Balance as at September 30, 2014 - Unaudited</b>	<b>10,002,524</b>	<b>1,333,584</b>	<b>-</b>	<b>1,402,868</b>	<b>12,738,976</b>
<b>Changes in equity during the three months ended December 31, 2014</b>					
<b>Total comprehensive income</b>					
Profit after taxation for the three months ended December 31, 2014	-	-	-	483,235	483,235
Other comprehensive income	-	-	-	(11,400)	(11,400)
	-	-	-	471,835	471,835
<b>Transfer to statutory reserve</b>	-	96,647	-	(96,647)	-
<b>Balance as at December 31, 2014 - Audited</b>	<b>10,002,524</b>	<b>1,430,231</b>	<b>-</b>	<b>1,778,056</b>	<b>13,210,811</b>
<b>Changes in equity during the nine months ended September 30, 2015</b>					
<b>Transactions with owners recorded directly in equity</b>					
Final dividend for the year ended December 31, 2014 declared at Re 1.00 per share	-	-	-	(1,000,371)	(1,000,371)
<b>Total comprehensive income</b>					
Profit after taxation for the nine months ended September 30, 2015	-	-	-	1,202,489	1,202,489
Other comprehensive income - net of tax	-	-	-	-	-
	-	-	-	1,202,489	1,202,489
<b>Transfer to statutory reserve</b>	-	240,498	-	(240,498)	-
<b>Balance as at September 30, 2015 - Unaudited</b>	<b>10,002,524</b>	<b>1,670,729</b>	<b>-</b>	<b>1,739,676</b>	<b>13,412,929</b>

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.



**Managing Director**



**Director**



**Director**



**Chairman**



**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Rupees in '000'		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,019,795	1,228,225
Less: Dividend income	85,374	67,188
	<b>1,934,421</b>	<b>1,161,037</b>
<b>Adjustments for non-cash charges</b>		
Depreciation	134,985	112,729
Amortisation	5,056	2,858
Provision against non-performing advances-net	488,474	197,912
Reversal of provision for diminution in the value of investments-net	(4,707)	(25,876)
Reversal of provision against non-banking assets	(18,464)	-
Provision for Workers Welfare Fund	-	22,500
Unrealised (Gain)/loss on revaluation of investments classified as held-for-trading	(2,251)	7,687
(Gain) / loss on sale of operating fixed assets	(1,589)	791
	<b>601,504</b>	<b>318,601</b>
	<b>2,535,925</b>	<b>1,479,638</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(5,178,108)	3,300,301
Net investments in held-for-trading securities	2,914,931	15,689,610
Advances	1,327,589	5,066,140
Others assets (excluding advance taxation)	990,278	13,105
	<b>54,690</b>	<b>24,069,156</b>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	188,307	59,653
Borrowings from financial institutions	2,858,465	(5,167,095)
Deposits and other accounts	19,180,205	6,579,549
Other liabilities (excluding current taxation)	(1,071,497)	670,850
	<b>21,155,480</b>	<b>2,142,957</b>
	<b>23,746,095</b>	<b>27,691,751</b>
Income tax paid - net	(711,012)	(579,169)
<b>Net cash generated from operating activities</b>	<b>23,035,083</b>	<b>27,112,582</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (investments) / deinvestments in available-for-sale securities	(19,290,456)	(21,882,988)
Net (investments) / deinvestments in held-to-maturity securities	112,020	(5,205,082)
Net (investments) / deinvestments in Associates	(59,961)	-
Dividend received	85,374	67,188
Investments in operating fixed assets - net	(332,970)	(84,217)
Sale proceeds of property and equipment disposed off	1,802	769
<b>Net cash used in investing activities</b>	<b>(19,484,191)</b>	<b>(27,104,330)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(992,452)	-
<b>Net cash used in financing activities</b>	<b>(992,452)</b>	<b>-</b>
<b>Increase in cash and cash equivalents</b>	<b>2,558,440</b>	<b>8,252</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>6,620,465</b>	<b>7,881,929</b>
<b>Cash and cash equivalents at end of the period</b>	<b>9,178,905</b>	<b>7,890,181</b>

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

  
Managing Director

  
Director

  
Director

  
Chairman

## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2015**

### **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 122 branches including 60 Islamic Banking Branches as at September 30, 2015 (December 31, 2014: 116 branches including 54 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' (A-One) and 'A-1' (A-One) respectively.

### **2 BASIS OF PRESENTATION**

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in this condensed interim financial information as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.2** The financial results of the Islamic Banking Group have been consolidated in these financial statements for reporting purpose, after eliminating the effects of intra-bank transactions and balances. Key financial figures of the Islamic Banking Group are disclosed in note 18 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 has been prepared in accordance with the requirements of International Accounting Standards (IAS - 34), Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), 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 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 No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standards (IAS) 40, "Investment Property" for banking companies till further instructions. Further, according to a notification of SECP dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 4.3 The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required for the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2014. 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, 2015.

## 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, 2014. 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, 2014.
- 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, 2014.

	(Un-audited) September 30, 2015	(Audited) December 31, 2014
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Rupees in '000'

## 6 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	2,600,000	850,000
Repurchase agreement lendings (Reverse Repo)	3,428,108	-
Placements with financial institutions	1,488,944	1,488,944
	<b>7,517,052</b>	<b>2,338,944</b>
Less: Provision against lendings to financial institutions	<b>(238,944)</b>	<b>(238,944)</b>
	<b>7,278,108</b>	<b>2,100,000</b>



**The Bank of Khyber**  
for the Period Ended September 30, 2015

**7 INVESTMENTS**

Note	September 30, 2015 (Un-audited)			December 31, 2014 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- Rupees in '000' -----						
<b>7.1 Investments by types</b>						
<b>Held-for-trading securities</b>						
Pakistan Investment Bonds	331,566	-	331,566	1,683,720	-	1,683,720
Ordinary shares in listed companies	-	-	-	29,743	-	29,743
GOP Ijarah Sukuk	-	-	-	1,503,072	-	1,503,072
	<b>331,566</b>	<b>-</b>	<b>331,566</b>	<b>3,216,535</b>	<b>-</b>	<b>3,216,535</b>
<b>Available-for-sale securities</b>						
Market Treasury Bills	39,431,478	-	39,431,478	17,381,028	9,860,095	27,241,123
Pakistan Investment Bonds	17,628,509	12,022,942	29,651,451	23,163,871	-	23,163,871
GOP Ijarah Sukuk	9,580,595	-	9,580,595	8,500,124	-	8,500,124
Ordinary shares in listed companies	1,642,442	-	1,642,442	1,458,640	-	1,458,640
Ordinary shares in unlisted companies	30,487	-	30,487	30,487	-	30,487
Ordinary shares of related parties - Unlisted	112,500	-	112,500	112,500	-	112,500
Preference shares in listed companies	270,000	-	270,000	410,920	-	410,920
Listed term finance certificates	138,769	-	138,769	288,469	-	288,469
Unlisted term finance certificates	269,500	-	269,500	269,500	-	269,500
Units of open-end mutual funds	290,237	-	290,237	340,237	-	340,237
Units of closed-end mutual funds	-	-	-	50,000	-	50,000
Sukuk certificates	887,647	-	887,647	1,148,779	-	1,148,779
	<b>70,282,164</b>	<b>12,022,942</b>	<b>82,305,106</b>	<b>53,154,555</b>	<b>9,860,095</b>	<b>63,014,650</b>
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	5,332,138	-	5,332,138	5,309,368	-	5,309,368
Sukuk certificates	133,333	-	133,333	268,123	-	268,123
	<b>5,465,471</b>	<b>-</b>	<b>5,465,471</b>	<b>5,577,491</b>	<b>-</b>	<b>5,577,491</b>
<b>Investments in associates</b>	<b>100,465</b>	<b>-</b>	<b>100,465</b>	<b>40,504</b>	<b>-</b>	<b>40,504</b>
<b>Investments at cost</b>	<b>76,179,666</b>	<b>12,022,942</b>	<b>88,202,608</b>	<b>61,989,085</b>	<b>9,860,095</b>	<b>71,849,180</b>
Less: Provision for diminution in the value of investment	7.2 (871,497)	-	(871,497)	(876,204)	-	(876,204)
<b>Investments (net of provisions)</b>	<b>75,308,169</b>	<b>12,022,942</b>	<b>87,331,111</b>	<b>61,112,881</b>	<b>9,860,095</b>	<b>70,972,976</b>
Unrealised gain/(loss) on revaluation of held-for-trading securities - net	2,251	-	2,251	29,962	-	29,962
Surplus on revaluation of available-for-sale securities - net	2,345,950	-	2,345,950	1,428,507	-	1,428,507
<b>Total investments</b>	<b>77,656,370</b>	<b>12,022,942</b>	<b>89,679,312</b>	<b>62,571,350</b>	<b>9,860,095</b>	<b>72,431,445</b>

	Note	(Un-audited)	(Audited)
		September 30, 2015	December 31, 2014
Rupees in '000'			
<b>7.2 Provision for diminution in the value of investments</b>			
Opening balance		876,204	948,190
Charge for the period / year		3,645	14,051
Reversal on disposal of shares / mutual funds / term finance certificates		(8,352)	(86,037)
		(4,707)	(71,986)
Closing balance		871,497	876,204
<b>8 ADVANCES</b>			
Loans, cash credits, running finances, etc.			
In Pakistan		30,745,661	32,930,963
Outside Pakistan		-	-
		30,745,661	32,930,963
Islamic financing and related assets		9,791,087	8,798,770
Net investment in Ijarah:			
In Pakistan		751,726	830,407
Outside Pakistan		-	-
		751,726	830,407
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		309,023	320,432
Payable outside Pakistan		317,488	362,002
		626,511	682,434
Advances - gross	8.1	41,914,985	43,242,574
Less: Provision against non-performing advances	8.2	(3,673,878)	(3,185,404)
Advances - net of provision		38,241,107	40,057,170

8.1 Advances include Rs. 5,087.564 million (December 31, 2014: Rs. 4,509.496 million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2015 (Un-audited)				
	Classified advances			Provision required	Provision held
	Domestic	Overseas	Total		
----- Rupees in '000' -----					
Other Assets Especially Mentioned *	11,189	-	11,189	251	251
Substandard	186,273	-	186,273	10,913	10,913
Doubtful	635,244	-	635,244	68,966	68,966
Loss	4,254,858	-	4,254,858	3,564,891	3,564,891
	<b>5,087,564</b>	<b>-</b>	<b>5,087,564</b>	<b>3,645,021</b>	<b>3,645,021</b>



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Category of classification	December 31, 2014 (Audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
----- Rupees in '000' -----					
Other Assets Especially Mentioned *	17,262	-	17,262	1,174	1,174
Substandard	235,286	-	235,286	25,352	25,352
Doubtful	787,975	-	787,975	204,355	204,355
Loss	3,468,973	-	3,468,973	2,912,042	2,912,042
	<b>4,509,496</b>	<b>-</b>	<b>4,509,496</b>	<b>3,142,923</b>	<b>3,142,923</b>

\* 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, 2015, the Bank has availed cumulative benefit of forced sale values of Rs. 964.954million (December 31, 2014:Rs. 770.151million). Increase in unappropriated profit net of tax amounting to Rs. 627.220 (December 31, 2014 :Rs.500.598) is not available for the distribution of cash and stock dividend to the share holders.

**8.2 Particulars of provision against non-performing advances**

	September 30, 2015 (Un-audited)			December 31, 2014 (Audited)		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000' -----						
Opening balance	<b>3,142,923</b>	<b>42,481</b>	<b>3,185,404</b>	2,863,903	24,927	2,888,830
Charge for the period / year	<b>662,582</b>	<b>-</b>	<b>662,582</b>	540,866	17,554	558,420
Reversals	<b>(160,484)</b>	<b>(13,624)</b>	<b>(174,108)</b>	(252,536)	-	(252,536)
	<b>502,098</b>	<b>(13,624)</b>	<b>488,474</b>	288,330	17,554	305,884
Amounts written off	-	-	-	(9,310)	-	(9,310)
Closing balance	<b>3,645,021</b>	<b>28,857</b>	<b>3,673,878</b>	3,142,923	42,481	3,185,404
					(Un-audited)	(Audited)
					<b>September 30,</b>	December 31,
				<b>Note</b>	<b>2015</b>	<b>2014</b>
					----- Rupees in '000' -----	

**9 OPERATING FIXED ASSETS**

Capital work-in-progress		<b>291,102</b>	108,901
Property and equipment	9.1 & 9.2	<b>1,499,015</b>	1,526,355
Intangible assets	9.3	<b>43,653</b>	5,798
		<b>1,833,770</b>	<b>1,641,054</b>

**9.1** During the nine months ended September 30, 2015, the bank arranged for revaluation of its lease hold land from an independent professional valuer M/S Amir Evaluators and Consultants on January 30, 2015 to assess the present market value yielding no increase in the carrying value.

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

	September 30, 2015 (Un-audited)		September 30, 2014 (Un-audited)	
	Additions	Disposals	Additions	Disposals
	----- Rs. in '000' -----			
Land	-	18,705	-	-
Building	-	37,303	-	-
Furniture and fixtures	14,404	1,434	14,028	590
Office equipment	65,503	3,277	93,300	2,704
Vehicles	89	70	100	84
Renovations / Premises	67,706	7,924	86,951	2,595
Library books			21	-
	<b>147,702</b>	<b>68,713</b>	<b>194,400</b>	<b>5,973</b>
9.3 Additions to intangible assets	<b>42,912</b>	-	<b>1,082</b>	-

(Un-audited) (Audited)  
September 30, December 31,  
Note 2015 2014  
Rupees in '000'

10 BORROWINGS FROM FINANCIAL INSTITUTIONS

Secured

**Borrowings from State Bank of Pakistan:**

Under export refinance scheme  
Long term financing for export oriented projects  
SME refinance scheme

	1,392,082	1,533,982
	44,820	61,626
	2,277	4,747
	1,439,179	1,600,355
Repurchase agreement borrowings	12,022,942	9,860,095
10.1		
	3,588,525	2,731,731
	<b>17,050,646</b>	<b>14,192,181</b>

Repurchase agreement borrowings

Unsecured

Call borrowings

10.1 Repurchase agreements with financial institutions carry interest rate ranging from 6.15% to 6.20% (2014: 9.60% to 10.00%) per annum with maturities up to October 02, 2015.

(Un-audited) (Audited)  
September 30, December 31,  
2015 2014  
Rupees in '000'

11 DEPOSITS AND OTHER ACCOUNTS

Customers

Fixed deposits  
Savings deposits  
Current accounts - non-remunerative  
Call deposits  
Margin and sundry deposits

	45,516,033	31,783,049
	43,895,443	39,982,105
	19,258,366	17,909,340
	1,211,561	1,073,632
	1,397,619	1,377,299
	<b>111,279,022</b>	<b>92,125,425</b>

Financial Institutions

Remunerative deposits  
Non-remunerative deposits

	164,489	136,440
	388	1,829
	<b>164,877</b>	<b>138,269</b>
	<b>111,443,899</b>	<b>92,263,694</b>

	Note	(Un-audited)	(Audited)
		September 30, 2015	December 31, 2014
Rupees in '000'			
<b>12 DEFERRED TAX LIABILITY</b>			
<b>Deferred tax asset arising in respect of:</b>			
Provision for balances with other banks		3,510	3,510
Deficit on revaluation of investments		12,511	4,724
Provision for non performing loans		(6,328)	-
Provision for diminution in the value of investments		90,126	90,126
Provision for other assets		3,448	3,448
Provision for Workers Welfare Fund		-	57,521
Stabilisation reserve		39,637	40,094
		<b>142,904</b>	199,423
<b>Deferred tax liability arising in respect of:</b>			
Accelerated tax depreciation		4,027	(23,961)
Surplus on revaluation of investment		(801,418)	(490,622)
		<b>(797,391)</b>	(514,583)
Deferred tax liabilities - net		<b>(654,487)</b>	(315,160)
<b>13 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
<b>Surplus / (Deficit) on revaluation of available-for-sale securities</b>			
Federal government securities			
- Market Treasury Bills		46,398	(4,169)
- Pakistan Investment Bonds		2,217,955	1,216,495
- Sukuk Certificates		28,395	(32,653)
Fully paid up ordinary shares - listed		(35,746)	159,862
Units in open-end mutual funds		88,948	88,972
		<b>2,345,950</b>	1,428,507
<b>Surplus on revaluation of fixed assets</b>			
Leasehold land		766,152	766,152
		<b>3,112,102</b>	2,194,659
Deferred tax liabilities - net		(788,907)	(485,898)
		<b>2,323,195</b>	1,708,761
<b>14 CONTINGENCIES AND COMMITMENTS</b>			
<b>14.1 Direct credit substitutes</b>			
Contingent liabilities in respect of guarantees given favouring:			
Banks		-	-
Others		456,978	442,206
		<b>456,978</b>	442,206
<b>14.2 Transaction-related contingent liabilities</b>			
Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favouring:			
Government		4,172,894	5,195,334
Others		4,895,174	3,218,568
	14.2.1	<b>9,068,068</b>	8,413,902



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**14.2.1** The above amounts include expired letters of guarantee aggregating to Rs.2,436.620 million as at September 30, 2015 (December 31, 2014:Rs. 1,824.489 million) for which the formalities relating to return of the original documents are in process.

(Un-audited)	(Audited)
September 30,	December 31,
2015	2014
Rupees in '000'	

**14.3 Trade-related contingent liabilities**

Letters of credit

Sight  
Usance

1,768,314	2,230,557
211,475	76,396

Acceptances

1,979,789	2,306,953
558,173	855,778

<b>2,537,962</b>	<b>3,162,731</b>
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**14.4 Commitments in respect of forward exchange contracts**

Purchase

2,122,669	1,657,105
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Sale

2,038,150	1,595,661
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**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)	(Audited)
September 30,	December 31,
2015	2014
Rupees in '000'	

**14.5 Other commitments**

Bills for collection

Inland bills

289,697	485,589
---------	---------

Foreign bills

488,925	368,513
---------	---------

<b>778,622</b>	<b>854,102</b>
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**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. 24.417 million (December 31, 2014: Rs. 45.861 million).

**14.8** The income tax assessments of the Bank have been finalized upto and including tax year 2014.

**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. During 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. Provision amounting to Rs 10 million has been made in respect of this amount in previous period. The Bank had filed an appeal against the order of the CIR (A) in respect of remaining additions. During the nine months ended September 30, 2015, Appellate Tribunal Inland Revenue (ATIR) has passed an order dated 16 June 2014 where in judicial member decided the issues involved in the case in favor of the Bank and annulled the orders of the below authorities. However, accountant member has raised question regarding the decision of the judicial member. Consequently, reference of difference of opinion between judicial and accounting member has been made to the Head quarter Bench, Islamabad, which is fixed for hearing and the outcome of which is still pending. Management believes that the reference will also be decided in the favor of the Bank. Consequently, no further provision has been provided in these interim financial information.

**14.10** For tax year 2011, the tax authorities have issued orders under sections 161 and 205 demanding the payment of withholding taxes on account of lack of evidence of tax deduction against the payments of certain expenditure amounting to Rs. 15.357 million along with default surcharge of Rs. 3.263 million respectively. The Bank has filed appeals before the Commissioner Inland Revenue (Appeals) for grant of relief against order for tax years 2011. [CIR(A)] remanded the case back to the assessing officer (RTO). However, the Bank has filed appeal against the order of the [CIR(A)] with the Appellate Tribunal Inland Revenue (ATIR). The management believes that the reference will be decided in favor of the Bank. Consequently, no provision has been made in respect of these amount in the financial information.

**14.11** For tax years 2012 and 2013, 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 expenditure amounting to Rs. 5.845 million and Rs. 4.060 million respectively along with default surcharge of Rs. 0.876 million and Rs. 1.776 million respectively. The Bank has filed appeals before the Commissioner Inland Revenue (Appeals) for grant of relief against order for tax years 2012 and 2013. Management believes that this matter will be decided in favor of the Bank. However, based on management view, provision of Rs. 2.999 million has been made in respect of tax year 2012 in previous period while no provision has been made in respect of tax year 2013.

## **15 WORKERS' WELFARE FUND**

During the period, the Bank appeal against the Workers Welfare Fund (WWF) imposition has been decided by Commissioner Inland Revenue (Appeals) [CIR(A)] in favor of the Bank, vide order dated March 6, 2015 on the grounds that the Bank being setup by the Government is duly covered by the exclusion clause 2 VI(A) of Workers Welfare Fund Ordinance, 1971. Previously, the Bank were providing for WWF based on the pending outcome of the case. However after the decision, the management is of the view that WWF is not applicable on the Bank under exemption proviso 2(F) of the WWF Ordinance, 1971. WWF Payable of Rs. 164.120 million has been reversed accordingly.

## **16 TAXATION**

The Finance Act 2015 has introduced certain amendments relating to taxation of banking





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companies. As per these amendments, bank's income from dividend and capital gains are now taxed at the normal tax rates instead of previously applicable reduced rates. In addition, one-time super tax at the rate of 4 percent of the taxable income has also been levied. These amendments apply retrospectively for the tax year 2015, i.e. year ended December 31, 2014. The effects of above amendments have been incorporated in this condensed interim financial statements based on revised estimates, an amount of Rs.124.428 million (Sept 30, 2014 : Nil) has been recognized as prior year tax charge.

	<b>Three months ended September 30, 2015</b>	<b>Nine months ended September 30, 2015</b>	<b>Three months ended September 30, 2014</b>	<b>Nine months ended September 30, 2014</b>
	----- Rupees in '000' -----			
<b>17 EARNINGS PER SHARE - BASIC AND DILUTED</b>				
Profit after taxation for the period attributable to ordinary shareholders	<b>492,454</b>	<b>1,202,489</b>	192,451	826,185
	----- Number of Shares -----			
Weighted average number of ordinary shares outstanding during the period	<b>1,000,252,400</b>	<b>1,000,252,400</b>	1,000,252,400	1,000,252,400
Earnings per share - basic and diluted for the period (in Rupees)	<b>0.49</b>	<b>1.20</b>	0.19	0.83
There is no dilution effect on basic earnings per share.				

	(Un-audited) September 30, 2015	(Audited) December 31, 2014
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Rupees in '000'

### 18 KEY FINANCIAL FIGURES OF ISLAMIC BANKING GROUP

#### ASSETS

Cash and balances with treasury banks	1,340,994	1,461,758
Balances with other banks	3,982,549	851,231
Due from financial institutions	1,250,000	2,100,000
Investments	10,535,580	10,828,036
Islamic financing and related assets - net	A-1 10,347,532	9,501,809
Operating fixed assets	203,639	205,306
Other assets	390,637	391,866
Deferred tax assets	-	-
	<b>28,050,931</b>	<b>25,340,006</b>

#### LIABILITIES

Bills payable	175,276	139,860
Deposits and other accounts		
- Current accounts	7,536,062	7,715,823
- Saving accounts	11,603,063	9,464,920
- Term deposits	2,887,944	2,148,936
- Others	1,132,681	882,621
Deposits from financial institutions - remunerative	154,288	111,927
Deposits from financial institutions - non-remunerative	-	-
Other liabilities	998,958	1,703,464
	<b>24,488,272</b>	<b>22,167,551</b>

#### NET ASSETS

	<b>3,562,659</b>	<b>3,172,455</b>
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#### REPRESENTED BY

Islamic banking fund	460,000	460,000
Profit equalization reserves	35,300	36,414
Unappropriated profit	3,046,111	2,712,586
	<b>3,541,411</b>	<b>3,209,000</b>
Deficit on revaluation of assets	21,248	(36,545)
	<b>3,562,659</b>	<b>3,172,455</b>

#### Remuneration to Shariah Advisor during the period / year

	<b>2,160</b>	<b>2,586</b>
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#### CHARITY FUND

Opening balance at the start of the period / year	-	-
Additions during the period / year	781	3,227
Payments during the period / year	(1)	(3,227)
Closing balance at the end of the period / year	<b>780</b>	<b>-</b>

The profit and loss account of the Islamic Banking Group for the nine months ended September 30, 2015 is

Note	(Un-audited) September 30, 2015	(Un-audited) September 30, 2014	
	Rupees in '000'		
Income / return / profit earned	1,408,650	1,184,491	
Income / return / profit expensed	(447,972)	(413,588)	
	960,678	770,903	
Provision against non-performing financing	67,913	72,753	
Reversal for diminution in the value of investments	-	(25,000)	
	67,913	47,753	
Net profit / return income after provisions	892,765	723,150	
<b>NON MARK-UP INCOME</b>			
Fee, commission and brokerage income	61,474	50,064	
Dividend income	5,301	5,472	
Income from dealing in foreign currencies	52,071	106,898	
Unrealised loss on revaluation of held-for-trading securities	-	(148)	
Gain on sale of securities	2,763	8,411	
Other income	41,069	27,869	
Total non-markup income	162,678	198,566	
	1,055,443	921,716	
<b>OTHER EXPENSES</b>			
Administrative expenses	721,910	628,540	
Other provision / write-off	-	-	
Other charges	8	14,659	
Total other charges	721,918	643,199	
Profit for the period	333,525	278,517	
	(Un-audited)	(Audited)	
	September 30, 2015	December 31, 2014	
	Rupees in '000'		
<b>A-1 Islamic Financing and Related Assets</b>			
Murabaha financings	A-1.1	2,628,566	2,639,484
Ijarah financings	A-1.2	751,726	830,407
Diminishing musharika	A-1.3	2,368,181	1,945,182
Istisna work-in-progress	A-1.4	700,000	199,950
Salam financing	A-1.5	4,080,186	4,000,000
Qarz-e-Hasna		5,641	5,641
Others		8,513	8,513
		10,542,813	9,629,177
Less: Provision for non-performing facilities		(195,281)	(127,368)
		10,347,532	9,501,809



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Note	(Un-audited)	(Audited)
	September 30, 2015	December 31, 2014
Rupees in '000'		
<b>A-1.1 Murabaha financings</b>		
Murabaha receivable	2,357,467	2,424,664
Assets / Inventories	271,099	214,820
	<b>2,628,566</b>	<b>2,639,484</b>
<b>A-1.2 Ijarah financings</b>		
Net investment in Ijarah	11,177	14,266
<b>Ijarah under IFAS-II</b>		
- Ijarah	739,081	811,943
- Advances	1,468	4,198
Assets/Inventories/Advances	740,549	816,141
	<b>751,726</b>	<b>830,407</b>
<b>A-1.3 Diminishing musharika</b>		
Diminishing musharika	2,351,257	1,820,442
Advances / Inventories	16,924	124,740
	<b>2,368,181</b>	<b>1,945,182</b>
<b>A-1.4 Istisna Work in process</b>		
Istisna work in process	700,000	199,950
	<b>700,000</b>	<b>199,950</b>
<b>A-1.5 Salam Financing</b>		
Salam financing	2,000,000	3,000,000
Advance against Salam	-	1,000,000
Salam sale receivable	2,080,186	-
	<b>4,080,186</b>	<b>4,000,000</b>

## 19 RELATED PARTY TRANSACTIONS

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

Banking transactions with related parties are carried out in the normal course of business at agreed terms. Contributions to and accruals in respect of staff retirement benefit plan are made in accordance with actuarial valuation. Refer to note No. 7.1 of the condensed interim financial statements for investment in related party.

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

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

	September 30, 2015 (Un-audited)			December 31, 2014 (Audited)		
	Directors and key management personnel	Associates	Employee Fund	Directors and key management personnel	Associates	Employee Fund
----- Rupees in '000' -----						
<b>Advances:</b>						
At January 1,	145,333	-	-	142,015	-	-
Disbursed during the period / year	35,536	-	-	33,057	-	-
Repaid during the period / year	(21,944)	-	-	(29,739)	-	-
Balance as at September 30 / December 31	158,925	-	-	145,333	-	-
<b>Deposits:</b>						
At January 1,	9,865	14,339	49,446	11,050	11,715	15,703
Deposited during the period / year	129,385	51,634	527,587	213,048	113,436	255,059
Repaid during the period / year	(123,223)	(50,441)	(456,183)	(214,233)	(110,812)	(221,316)
Balance as at September 30 / December 31	16,027	15,532	120,850	9,865	14,339	49,446
----- Rupees in '000' -----						
	For the Nine months ended September 30, 2015 (Un-audited)			For the Nine months ended September 30, 2014 (Un-audited)		
	Directors and key management personnel	Associates	Employee Fund	Directors and key management personnel	Associates	Employee Fund
----- Rupees in '000' -----						
<b>Transactions, income and expenditure</b>						
Mark-up / return / interest earned	2,468	-	-	2,348	-	-
Mark-up / return / interest expensed	408	1,611	1,616	765	-	6,338
Fee	1,106	-	-	780	-	-

19.2 Although the Government of Khyber Pakhtunkhwa holds 70.20% shares of the Bank (December 31, 2014:70.20%), the transactions with it have not been treated as related party transactions for the purpose of this disclosure.

**20 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, 2015 (Un-audited)				
	Corporate	Trading &	Retail	Commercial	Total
	Finance	Sales	Banking	Banking	
	Rupees in '000'				
Total income	4,259,801	848,841	424,965	3,688,374	9,221,981
Total expenses	(3,790,899)	(652,021)	(360,482)	(3,216,090)	(8,019,492)
Net income	468,902	196,820	64,483	472,284	1,202,489

	For the nine months ended September 30, 2014 (Un-audited)				
	Corporate	Trading &	Retail	Commercial	Total
	Finance	Sales	Banking	Banking	
	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

**21 GENERAL**

**21.1 Date of authorisation for issue**

This condensed interim financial information was authorised for issue on October 26, 2015 by the Board of Directors of the Bank.



Managing Director



Director



Director



Chairman