









Condensed Interim
Financial Statements
for the period ended March 31, 2015



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The Bank of Khyber
for the Period Ended March 31, 2015

CORPORATE INFORMATION

Board of Directors

Dr. Hammad Uwais Agha 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.

1st Floor, State Life Building,
34-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 1st quarter ended March 31, 2015. 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, 2015 are as under:

	(Rs. in Million)	
	March 31	December 31
	<u>2015</u>	<u>2014</u>
Total Assets	121,200	126,106
Deposits	88,751	92,264
Advances (Gross)	36,352	43,243
Investments (Net)	75,219	72,431

	(Rs. in Million)	
	Period Ended March 31	2014
	<u>2015</u>	<u>2014</u>
Operating Profit	758	447
Provision against non-performing advances/others	308	74
Profit before taxation	450	373
Taxation	142	126
Profit after tax	308	247

Performance Review

For the first quarter of the year 2015, the Bank posted an operating profit of Rs.758 million as compared to Rs. 447 million in the corresponding period of previous year. Profit after tax increased by 25% over the corresponding period and stood at Rs.308 million. Net Mark-up / Interest Income witnessed increase from Rs. 808 million to Rs. 1,162 million being 44% above the corresponding period of previous year.

An increase of 16% has been witnessed in Administrative expenses which stood at Rs. 636 million as compared to Rs.548 million of the corresponding period. This increase has been attributed to salaries of newly inducted staff and rent of newly opened branches.

The deposits with a slight post year end decrease stood at Rs.88,751 million whereas advances decreased by 19% and stood at Rs. 36,352 million. Investments increased to Rs.75,219 million from Rs. 72,431 million.

Future Outlook

The Bank continues to strengthen its presence in the market through its expanded branch network. By the end of the first quarter of the current year, the Bank is operating with 116 branches with existence in strategic locations to cater to the banking needs of its customers. Among these, 62 branches are working on the Conventional side whereas 54 branches are functioning as dedicated Islamic Banking Branches. Further, 2 sub branches and 2 booths are also providing basic banking facilities to the customers. While demand for advances remains low



The Bank of Khyber
for the Period Ended March 31, 2015

due to slow economic growth, all efforts will be made to increase the Advances to Deposit (ADR) ratio. For the year 2015, the Bank will develop its deposit base on low cost non-government funds through attractive deposit schemes. These funds will help us to offer more and better asset based products to our customers.

By the close of the year in progress, 14 new branches will be added to the fast expanding branch network of the Bank which will enhance our outreach to maximum areas of the country providing banking services where needed.

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

Credit Rating

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has maintained the medium to long term and short term entity ratings of the Bank at "A" (Single A) and "A1" (A One). 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). Rating outlook is "Stable".

The 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 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: April 27, 2015



**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015**

	Note	(Un-audited) March 31, 2015	(Audited) December 31, 2014
Rupees in '000'			
ASSETS			
Cash and balances with treasury banks		3,856,574	4,110,957
Balances with other banks		2,681,538	2,509,508
Lendings to financial institutions	6	2,398,000	2,100,000
Investments	7	75,219,064	72,431,445
Advances	8	32,858,474	40,057,170
Operating fixed assets	9	1,811,820	1,641,054
Deferred tax asset - net	10	-	-
Other assets		2,374,942	3,256,121
		121,200,412	126,106,255
LIABILITIES			
Bills payable		522,217	586,407
Borrowings	11	12,484,844	14,192,181
Deposits and other accounts	12	88,750,844	92,263,694
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	10	677,907	315,160
Other liabilities		2,832,482	3,829,241
		105,268,294	111,186,683
NET ASSETS			
		15,932,118	14,919,572
REPRESENTED BY			
Share capital		10,002,524	10,002,524
Reserves		2,492,204	1,430,231
Unappropriated profit		1,024,688	1,778,056
		13,519,416	13,210,811
Surplus on revaluation of assets - net of tax	13	2,412,702	1,708,761
		15,932,118	14,919,572
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



The Bank of Khyber
for the Period Ended March 31, 2015

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015**

Note	Three months ended	Three months ended	Three months ended	Three months ended
	March 31, 2015	March 31, 2015	March 31, 2014	March 31, 2014
Rupees in '000'				
Mark-up / return / interest earned	2,856,071	2,856,071	2,182,223	2,182,223
Mark-up / return / interest expensed	1,694,320	1,694,320	1,373,863	1,373,863
Net mark-up / interest income	1,161,751	1,161,751	808,360	808,360
Provision against non-performing loans and advances - net	307,671	307,671	74,766	74,766
Reversal of provision for diminution in the value of investments - net	(146)	(146)	(1,548)	(1,548)
Bad debts written off directly	-	-	747	747
Net mark-up / interest income after provisions	307,525	307,525	73,965	73,965
	854,226	854,226	734,395	734,395
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	62,479	62,479	46,024	46,024
Dividend income	31,775	31,775	35,946	35,946
Income from dealing in foreign currencies	30,506	30,506	49,567	49,567
Gain on sale of securities - net	77,382	77,382	56,363	56,363
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading	17,116	17,116	(10,227)	(10,227)
Other income	21,053	21,053	15,311	15,311
Total non mark-up / interest income	240,311	240,311	192,984	192,984
	1,094,537	1,094,537	927,379	927,379
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	636,118	636,118	548,150	548,150
Other provisions / write offs	-	-	139	139
Other charges	8,012	8,012	6,507	6,507
Total non mark-up / interest expenses	644,130	644,130	554,796	554,796
Extra ordinary / unusual item	450,407	450,407	372,583	372,583
	-	-	-	-
PROFIT BEFORE TAXATION	450,407	450,407	372,583	372,583
Taxation				
Current	145,817	145,817	129,182	129,182
Prior	-	-	-	-
Deferred	(4,015)	(4,015)	(3,470)	(3,470)
	141,802	141,802	125,712	125,712
PROFIT AFTER TAXATION	308,605	308,605	246,871	246,871
Unappropriated profit brought forward		1,778,056		741,920
Accumulated profit carried forward		2,086,661		988,791
Earnings per share - Basic and Diluted (in Rupees)	15	0.31		0.25

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


Managing Director


Director


Director


Director



**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015**

	Three months ended March 31, 2015	Three months ended March 31, 2015	Three months ended March 2014	Three months ended March 2014
----- Rupees in '000' -----				
Profit for the period	308,605	308,605	246,871	246,871
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	308,605	308,605	246,871	246,871

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

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


Managing Director


Director


Director


Director



**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015**

	Share capital	Statutory reserve	Reserve for issue of Dividend	Reserve for issue of bonus shares	Unappropriated profit	Total
----- Rupees in '000' -----						
Balance as at January 1, 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	-	-	-	-	-	-
Transfer to statutory reserve					246,871	246,871
Transfer to reserve for issue of bonus shares		49,374			(49,374)	
	2,524	-	-	(2,524)	-	
Balance as at March 31, 2014	10,002,524	1,217,721	-	-	939,417	12,159,662
Changes in equity during the nine months ended December 31, 2014						
Total comprehensive income						
Profit after taxation for the nine months ended December 31, 2014	-	-	-	-	1,062,549	1,062,549
Other comprehensive income - net of tax	-	-	-	-	(11,400)	(11,400)
Transfer to statutory reserve		212,510			(212,510)	
Issue of bonus shares during the year	-	-	-	-	-	-
Transfer to reserve for issue of bonus shares	-	-	-	-	-	-
Balance as at December 31, 2014	10,002,524	1,430,231	-	-	1,778,056	13,210,811
Changes in equity during the three months ended March 31, 2015						
Total comprehensive income						
Profit after taxation for the three months ended March 31, 2015	-	-	-	-	308,605	308,605
Other comprehensive income - net of tax	-	-	-	-	-	-
Transfer to statutory reserve		61,721			(61,721)	
Transactions with owners recorded directly in equity						
Reserve for issue of dividend @10%	-	-	1,000,252	-	(1,000,252)	-
Balance as at March 31, 2015	10,002,524	1,491,952	1,000,252	-	1,024,688	13,519,416

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 March 31, 2015

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2015**

	Three months ended March 31 2015	Three months ended March 31 2014
Rupees in '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	450,407	372,583
Less: Dividend income	31,775	35,946
	418,632	336,637
Adjustments for non-cash charges		
Depreciation	43,381	31,187
Amortisation	868	1,221
Provision against non-performing advances-net	307,671	74,766
(Reversal of provision) for diminution in the value of investments-net	(146)	(1,548)
Provision against other assets	-	139
Unrealised (gain) / loss on revaluation of investments classified as held-for-trading	(17,116)	22,797
(Gain)/Loss on sale of operating fixed assets	(322)	901
	334,336	129,463
	752,968	466,100
(Increase) / decrease in operating assets		
Lendings to financial institutions	(298,000)	2,122,841
Net investments in held-for-trading securities	1,664,133	12,660,515
Advances	6,891,025	4,669,590
Others assets (excluding advance taxation)	881,179	(2,514)
	9,138,337	19,450,432
Increase / (decrease) in operating liabilities		
Bills payable	(64,190)	(107,669)
Borrowings	(1,707,337)	(7,054,924)
Deposits and other accounts	(3,512,850)	(6,481,065)
Other liabilities (excluding current taxation)	(908,200)	219,247
	(6,192,577)	(13,424,411)
	3,698,728	6,492,121
Income tax paid - net	(234,376)	(138,192)
Net cash used in operating activities	3,464,352	6,353,929
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(3,458,166)	(5,050,648)
Net investments in held-to-maturity securities	94,379	43,219
Dividend received	31,775	35,946
Investments in operating fixed assets - net	(215,172)	(54,327)
Proceeds from sale of operating fixed assets	479	586
Net cash generated from investing activities	(3,546,705)	(5,025,224)
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Increase in cash and cash equivalents	(82,353)	1,328,705
Cash and cash equivalents at beginning of the period	6,620,465	7,881,929
Cash and cash equivalents at end of the period	6,538,112	9,210,634

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, 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 116 branches including 54 Islamic banking branches (2014: 116 branches including 54 Islamic banking branches). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (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 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 these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of markup thereon.
- 2.2 The financial results of the Islamic Banking Group have been included in these financial statements for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Group are disclosed in note 16 to these condensed interim financial statements.
- 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, 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) March 31, 2015	(Audited) December 31, 2014
	Rupees in '000'	

6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lending	750,000	850,000
Repurchase agreement lendings (Reverse Repo)	-	-
Placements with financial institutions	1,886,944	1,488,944
	2,636,944	2,338,944
Less: Provision against lendings to financial institutions	(238,944)	(238,944)
	2,398,000	2,100,000



The Bank of Khyber
for the Period Ended March 31, 2015

7. INVESTMENTS

Note	March 31, 2015 (Un-audited)			December 31, 2014 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- Rupees in '000' -----						
Held-for-trading securities						
Pakistan Investment Bonds	1,573,684	-	1,573,684	1,683,720	-	1,683,720
Ordinary shares in listed companies	8,680	-	8,680	29,743	-	29,743
GOP Ijarah Sukuk				1,503,072		1,503,072
	1,582,364	-	1,582,364	3,216,535	-	3,216,535
Available-for-sale securities						
Market Treasury Bills	19,649,283	8,174,994	27,824,277	17,381,028	9,860,095	27,241,123
Pakistan Investment Bonds	24,832,351	-	24,832,351	23,163,871	-	23,163,871
GOP Ijarah Sukuk	9,581,504	-	9,581,504	8,500,124	-	8,500,124
Ordinary shares in listed companies	1,696,187	-	1,696,187	1,458,640	-	1,458,640
Ordinary shares in unlisted companies	30,487	-	30,487	30,487	-	30,487
Unlisted ordinary shares of related parties	112,500	-	112,500	112,500	-	112,500
Preference shares in listed companies	410,920	-	410,920	410,920	-	410,920
Listed term finance certificates	288,250	-	288,250	288,469	-	288,469
Unlisted term finance certificates	269,500	-	269,500	269,500	-	269,500
Units of open-end mutual funds	340,237	-	340,237	340,237	-	340,237
Units of closed-end mutual funds	50,000	-	50,000	50,000	-	50,000
Sukuk certificates	1,036,603	-	1,036,603	1,148,779	-	1,148,779
	58,297,822	8,174,994	66,472,816	53,154,555	9,860,095	63,014,650
Held-to-maturity securities						
Pakistan Investment Bonds	5,316,445	-	5,316,445	5,309,368	-	5,309,368
Sukuk certificates	166,667	-	166,667	268,123	-	268,123
	5,483,112	-	5,483,112	5,577,491	-	5,577,491
Investment in associate	40,504	-	40,504	40,504	-	40,504
Investments at cost	65,403,802	8,174,994	73,578,796	61,989,085	9,860,095	71,849,180
Less: Provision for diminution in the value of investments	7.1 (876,058)	-	(876,058)	(876,204)	-	(876,204)
Investments (net of provisions)	64,527,744	8,174,994	72,702,738	61,112,881	9,860,095	70,972,976
Unrealised gain / (loss) on revaluation of held-for-trading securities - net	17,116	-	17,116	29,962	-	29,962
Surplus/(Deficit) on revaluation of available-for-sale securities - net	13 2,499,210	-	2,499,210	1,428,507	-	1,428,507
Total investments	67,044,070	8,174,994	75,219,064	62,571,350	9,860,095	72,431,445

	Note	(Un-audited)	(Audited)
		March 31,	December 31,
		2015	2014
		Rupees in '000'	
7.1 Provision for diminution in the value of investments			
Opening balance		876,204	948,190
Charge for the period / year		-	14,051
Reversal on disposal of shares / mutual funds / term finance certificates		(146)	(86,037)
		(146)	(71,986)
Closing balance		876,058	876,204
8. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		30,765,132	32,930,963
Outside Pakistan		-	-
		30,765,132	32,930,963
Islamic financing and related assets		4,138,681	8,798,770
Net investment in Ijarah:			
In Pakistan		820,067	830,407
Outside Pakistan		-	-
		820,067	830,407
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		292,548	320,432
Payable outside Pakistan		335,121	362,002
		627,669	682,434
Advances - gross	8.1	36,351,549	43,242,574
Less: Provision against non-performing advances	8.2	(3,493,075)	(3,185,404)
Advances - net of provision		32,858,474	40,057,170



The Bank of Khyber
for the Period Ended March 31, 2015

8.1 Advances include Rs. 4,635.014 million (December 31, 2014: Rs. 4,509.496 million) which have been placed under non-performing status as detailed below:

Category of classification	March 31, 2015 (Un-audited)				
	Classified advances			Provision required	Provision held
	Domestic	Overseas	Total		
----- Rupees in '000' -----					
Other Assets Especially Mentioned *	6,678	-	6,678	91	91
Substandard	257,488	-	257,488	21,736	21,736
Doubtful	415,708	-	415,708	93,691	93,691
Loss	3,955,140	-	3,955,140	3,342,655	3,342,655
	4,635,014	-	4,635,014	3,458,173	3,458,173

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
	4,509,496	-	4,509,496	3,142,923	3,142,923

* 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, 2015, the Bank has availed cumulative benefit of forced sale values of Rs. 758.844 million (December 31, 2014: Rs. 770.151 million). Increase in unappropriated profit net of tax amounting to Rs. 493.248 million (December 31, 2014 Rs.500.598 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, 2015 (Un-audited)			December 31, 2014 (Audited)		
	Specific	General	Total	Specific	General	Total
	----- Rupees in '000' -----					
Opening balance	3,142,923	42,481	3,185,404	2,863,903	24,927	2,888,830
Charge for the period / year	389,782	8,726	398,508	540,866	17,554	558,420
Reversals	(74,532)	(16,305)	(90,837)	(252,536)	-	(252,536)
	315,250	(7,579)	307,671	288,330	17,554	305,884
Amounts written off	-	-	-	(9,310)	-	(9,310)
Closing balance	3,458,173	34,902	3,493,075	3,142,923	42,481	3,185,404



The Bank of Khyber
for the Period Ended March 31, 2015

	Note	(Un-audited)	(Audited)
		March 31, 2015	December 31, 2014
Rupees in '000'			
9. OPERATING FIXED ASSETS			
Capital work-in-progress		264,781	108,901
Property and equipment	9.1	1,542,110	1,526,355
Intangible assets		4,929	5,798
		1,811,820	1,641,054

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

	March 31, 2015 (Un-audited)		March 31, 2014 (Un-audited)	
	Additions	Disposals	Additions	Disposals
Rs. in '000'				
Furniture and fixtures	3,675	766	2,866	177
Office equipment	36,800	824	36,750	1,797
Vehicles	-	-	-	4
Renovations / Premises	18,819	4,676	14,711	2,431
	59,294	6,266	54,327	4,409

	(Un-audited)	(Audited)
	March 31, 2015	December 31, 2014
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	7,279	4,724
Provision for diminution in the value of investments	89,799	90,126
Provision for other assets	3,448	3,448
Provision for Workers Welfare Fund	60,089	57,521
Stabilisation reserve	40,094	40,094
	204,219	199,423

Deferred tax liability arising in respect of:

Accelerated tax depreciation	(22,187)	(23,961)
(Surplus) on revaluation of investment	(859,939)	(490,622)
	(882,126)	(514,583)
Deferred tax asset - net	(677,907)	(315,160)



The Bank of Khyber
for the Period Ended March 31, 2015

	Note	(Un-audited)	(Audited)
		March 31,	December 31,
		2015	2014
Rupees in '000'			
11. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan:			
Under export refinance scheme		1,558,082	1,533,982
Under long term financing for export oriented projects		56,024	61,626
SME financing scheme		3,686	4,747
		1,617,792	1,600,355
Repurchase agreement borrowings		8,174,994	9,860,095
		9,792,786	11,460,450
Call borrowings		2,692,058	2,731,731
		12,484,844	14,192,181
12. DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		30,284,637	31,783,049
Savings deposits		38,956,939	39,982,105
Current accounts - non-remunerative		16,782,992	17,909,340
Call deposits		1,372,580	1,073,632
Margin and sundry deposits		1,234,131	1,377,299
		88,631,279	92,125,425
Financial Institutions			
Remunerative deposits		115,598	136,440
Non-remunerative deposits		3,967	1,829
		119,565	138,269
		88,750,844	92,263,694
13. SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
Surplus / (Deficit) on revaluation of available-for-sale securities			
Federal government securities			
- Market Treasury Bills		25,292	(4,169)
- Pakistan Investment Bonds		2,382,811	1,216,495
- Sukuk Certificates		23,647	(32,653)
Fully paid up ordinary shares - listed		(20,797)	159,862
Units in open-end mutual funds		88,257	88,972
		2,499,210	1,428,507
Deferred tax assets/liabilities	7	(852,660)	(485,898)
		1,646,550	942,609
Surplus on revaluation of fixed assets			
Leasehold land		766,152	766,152
		2,412,702	1,708,761

	(Un-audited) March 31, 2015	(Audited) December 31, 2014
Note	Rupees in '000'	
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Banks	-	-
Others	446,150	442,206
	446,150	442,206
14.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favouring:		
Government	5,205,896	5,195,334
Others	4,023,568	3,218,568
14.2.1	9,229,464	8,413,902
14.2.1 The above amounts include expired letters of guarantee aggregating to Rs.2,375.984 million as at March 31, 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) March 31, 2015	(Audited) December 31, 2014
	Rupees in '000'	
14.3 Trade-related contingent liabilities		
Letters of credit		
Sight	2,133,355	2,230,557
Usance	50,642	76,396
	2,183,997	2,306,953
Acceptances	906,748	855,778
	3,090,745	3,162,731
14.4 Commitments in respect of forward exchange contracts		
Purchase	3,708,939	1,657,105
Sale	4,354,024	1,595,661
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, 2015	(Audited) December 31, 2014
	Rupees in '000'	
14.5 Other commitments		
Bills for collection		
Inland bills	156,868	485,589
Foreign bills	326,137	368,513
	483,005	854,102



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. 39.082 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 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, provision accounting to Rs. 10 million has been made in this respect in the financial information.

Three months ended March 31 2015	Three months ended March 31 2015	Three months ended March 31 2014	Three months ended March 31 2014
----- Rupees in '000' -----			

15. EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation for the period attributable to ordinary shareholders

308,605	308,605	246,871	246,871
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-----Number of Shares-----

Weighted average number of ordinary shares outstanding during the period

1,000,252,485	1,000,252,485	1,000,252,485	1,000,252,485
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Earnings per share - basic and diluted for the period (in Rupees)

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



The Bank of Khyber
for the Period Ended March 31, 2015

Note	(Un-audited)	(Audited)
	March 31, 2015	December 31, 2014

Rupees in '000'

16. KEY FINANCIAL FIGURES OF ISLAMIC BANKING GROUP

ASSETS

Cash and balances with treasury banks	1,240,261	1,461,758
Balances with other banks	1,600,750	851,231
Due from financial institutions	2,398,000	2,100,000
Investments	10,808,817	10,828,036
Islamic financing and related assets	4,825,035	9,501,809
Operating fixed assets	217,148	205,306
Deferred tax assets	-	-
Other assets	3,001,131	391,866
	24,091,142	25,340,006

LIABILITIES

Bills payable	125,453	139,860
Deposits and other accounts		
- Current accounts	6,618,788	7,715,823
- Saving accounts	9,718,071	9,464,920
- Term deposits	2,466,393	2,148,936
- Others	1,153,971	882,621
Deposits from financial institutions - remunerative	106,571	111,927
Deposits from financial institutions - non-remunerative	-	-
Other liabilities	536,748	1,703,464
	20,725,995	22,167,551

NET ASSETS

	3,365,147	3,172,455
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REPRESENTED BY

Islamic banking fund	460,000	460,000
Profit equalization reserves	35,760	36,414
Unappropriated profit	2,852,652	2,712,586
	3,348,412	3,209,000
Surplus/(Deficit) on revaluation of assets	16,735	(36,545)
	3,365,147	3,172,455

Remuneration to Shariah Advisor during the period / year

	731	2,586
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CHARITY FUND

Opening balance at the start of the period / year	-	-
Additions during the period / year	320	3,227
Payments during the period / year	(1)	(3,227)
	319	-

The profit and loss account of the Islamic Banking Group for the three months ended March 31, 2015 is as under:

	Note	(Un-audited)	(Un-audited)
		March 31, 2015	March 31, 2014
Rupees in '000'			
Income / return / profit earned		494,625	363,198
Income / return / profit expensed		149,269	126,966
		345,356	236,232
Provision against non-performing financing		6,345	61,777
		6,345	61,777
Net profit / return income after provision		339,011	174,455
NON MARK-UP INCOME			
Fee, commission and brokerage income		18,801	12,752
Dividend income		3,362	2,470
Income from dealing in foreign currencies		11,371	33,248
Unrealised loss on revaluation of held-for-trading securities		(644)	(3,578)
Gain on sale of securities		(5,199)	3,581
Other income		5,190	4,096
Total non-markup income		32,881	52,569
		371,892	227,024
OTHER EXPENSES			
Administrative expenses		231,826	191,615
Other charges		-	7
Total other charges		231,826	191,622
Profit for the period		140,066	35,402
		(Un-audited)	(Audited)
		March 31, 2015	December 31, 2014
Rupees in '000'			
A-1 Islamic Financing and Related Assets			
Murabaha financings	A-1.1	1,864,148	2,639,484
Ijarah	A-1.2	820,067	830,407
Diminishing musharika	A-1.3	2,060,379	1,945,182
Istisna work-in-progress	A-1.4	200,000	199,950
Salam	A-1.5	-	4,000,000
Qarza -e- Hasna		5,641	5,641
Other financings		8,513	8,513
		4,958,748	9,629,177
Less provision for non-performing facilities		(133,713)	(127,368)
		4,825,035	9,501,809
A-1.1 Murabaha			
Murabaha Receivable		1,676,122	2,424,664
Advances / Inventories		188,026	214,820
		1,864,148	2,639,484
A-1.2 Ijarah			
Net investment in Ijarah		14,043	14,266
Ijarah under IFAS-II		797,939	811,943
Advances		8,085	4,198
		806,024	816,141
		820,067	830,407
A-1.3 Diminishing musharika			
Diminishing musharika		1,896,000	1,820,442
Advances		164,379	124,740
		2,060,379	1,945,182
A-1.4 Istisna Financing			
Istisna work-in-progress		200,000	199,950
Advances		-	-
		200,000	199,950
A-1.5 Salam Financing			
Salam financing		-	3,000,000
Advance against salam		-	1,000,000
		-	4,000,000



The Bank of Khyber
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17.2 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.

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, 2015 (Un-audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	----- Rupees in '000' -----				
Total income	1,699,336	200,652	197,243	999,151	3,096,382
Total expenses	(1,584,379)	(131,909)	(172,351)	(899,138)	(2,787,777)
Net income	114,957	68,743	24,892	100,013	308,605

	For the three months ended March 31, 2014 (Un-audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	----- 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)
Net income	62,496	12,915	25,240	146,220	246,871

19. GENERAL

19.1 Date of authorization for issue

This condensed interim financial information was authorised for issue on April 27, 2015 by the Board of Directors of the Bank.

19.2 Profit Equalization reserve

The profit equalization reserve amounting Rs. 35.760 million (2014 : 36.414 million) classified in other liabilities, which has been presented as reserve in Annexure - A.


Managing Director


Director


Director


Director