



Cover Concept

Emanating from the most challenging environment, the Bank of Khyber is poised to emerge as an **Icon of Pride** not only for the Khyber Pakhtunkhwa, but also for our country, Pakistan.

After 24 years of struggle, we are all set to embark on a new journey of transforming our Bank as a shining Icon of Pride by upholding & strengthening the values of hard work, meritocracy, team work, integrity, culture of learning as well as professionalism.

Action speaks louder than words, and here we are speaking through the strength of our performance wherein we are challenging all our own past records. This year, our Bank has posted historic financial performance not only in terms of profitability, but also, in serving the people in the most befitting manner.

AN ICON OF PRIDE



Annual Report 2014



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Milestones Achieved





1,309

MILLION
RUPEE PROFIT



116

BRANCHES
NETWORK



10 Billion

RUPEE
CAPITAL

Entity Ratings

Rated by

Pakistan Credit Rating Agency Limited (PACRA)

JCR-VIS Credit Rating Company Ltd. (JCR-VIS)

A LONG
TERM

A1 SHORT
TERM

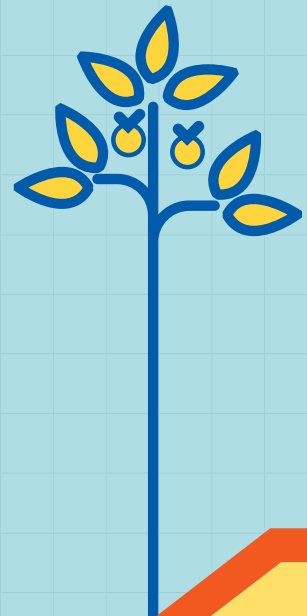
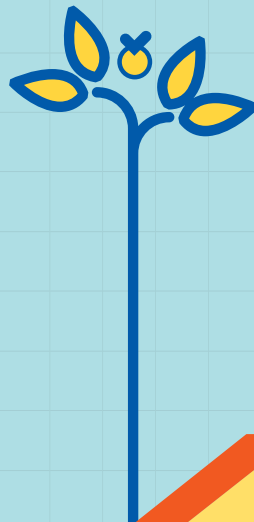
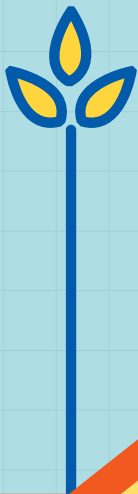
2014

Highlights

ADVANCES RS.
BILLION 40
UP BY 13% OVER 2013

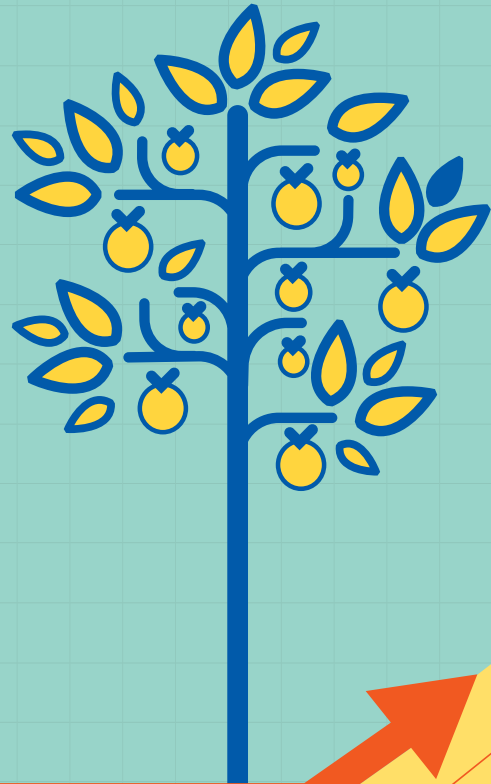
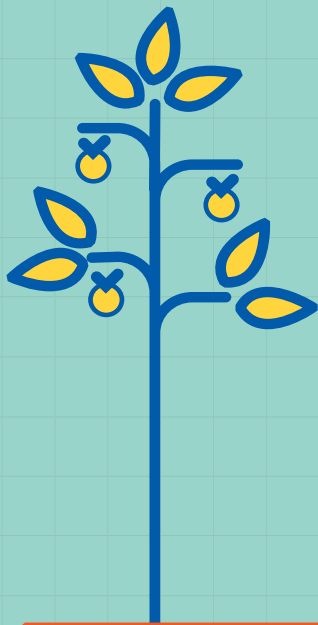
INVESTMENTS RS.
BILLION 72
UP BY 36% OVER 2013

DEPOSITS RS.
BILLION 92
UP BY 19% OVER 2013



ASSETS RS.
BILLION 126
UP BY 17% OVER 2013

PROFIT AFTER TAX
ONE BILLION+
UP BY 13% OVER 2013





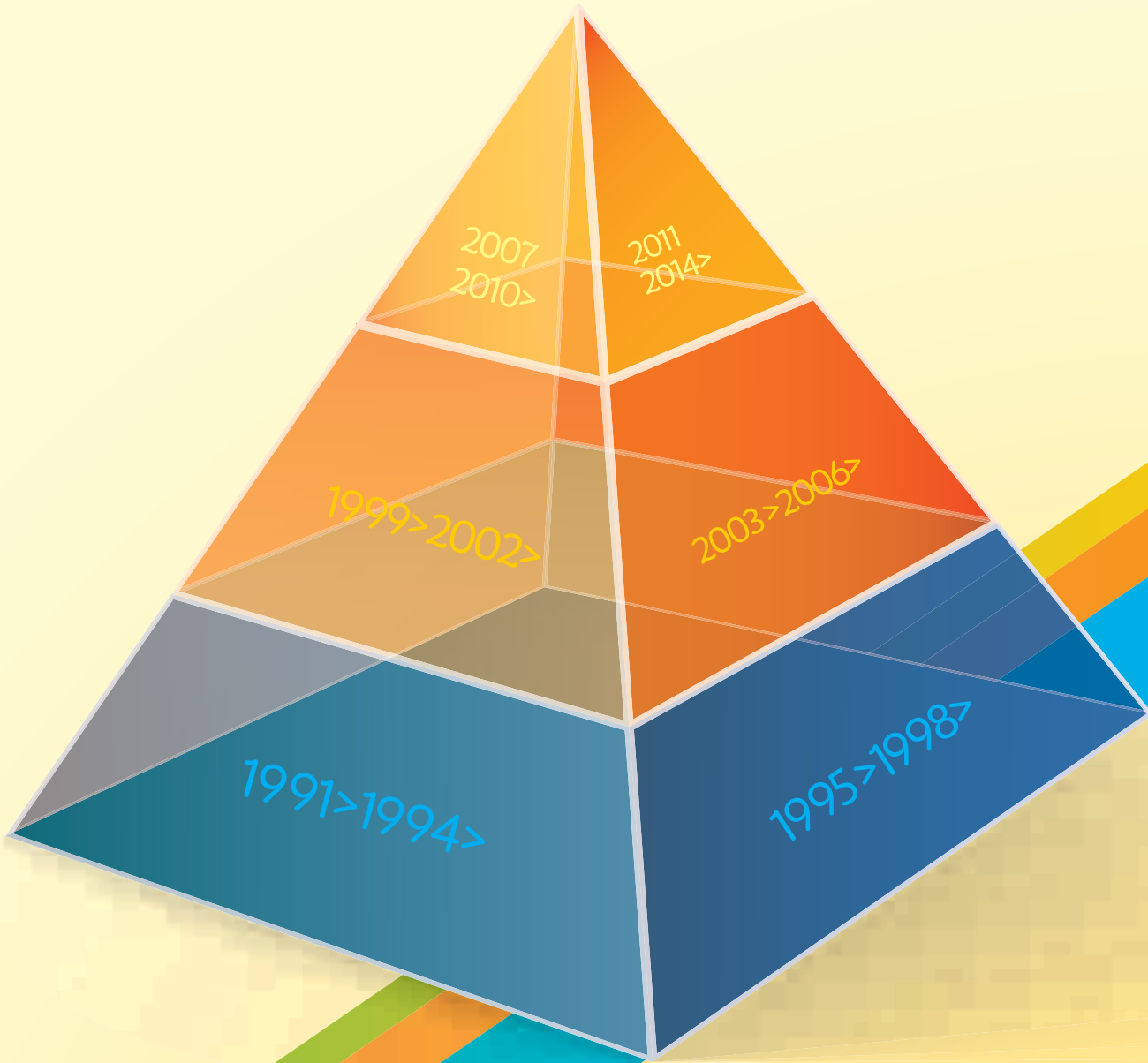
Meritocracy

Meritocracy is going to be the most cherished quality in our Bank. It is a system in which the talented are chosen and moved ahead on the basis of their achievements. We are building a culture of meritocracy and it will be reflected in our each and every act at the BOK.

Team Work

At the BOK, we have strong belief in working as a well-knit team. Teamwork is work done by several associates with each doing a part but all subordinating personal prominence to the efficiency of the whole. The journey that we are all set to embark now onwards, will be through a strong team.





An Icon of of Pride



Pakistan is passing through the most challenging moments of its history. In the ongoing fight against terror, our brave soldiers are fighting and sacrificing their lives to make Pakistan a peaceful country. Our hats off to them!

The province of Khyber Pakhtunkhwa is at the forefront of this conflict. This situation has badly affected the national economy and especially that of Khyber Pakhtunkhwa. Amid this most challenging and extraordinary situation, undeterred from every challenge posed by the harsh circumstances, The Bank of Khyber is writing a new story of success, resilience and achievements.

Not only that the Bank is showing remarkable performance on the profitability side, but also, it is serving the people in the most distinguished manner. In Khyber Pakhtunkhwa, the Bank is playing its effective role in accelerating the overall economic activities.

Being a public sector Bank, BOK's story of success is a ripple of hope not only for the people of Khyber Pakhtunkhwa but also for the entire

country. Pakistan is a country that is hungry for such stories of success. BOK's success is a clear message for every one that with strong will, dedication, integrity and professionalism every institution can succeed and thrive - be it a public or a private sector organization.

The successful rise of The Bank of Khyber become much more significant owing to the fact that many large-scale public sector entities of our country are struggling to merely survive despite losing billions of rupee of the national exchequer.

In this sort of situation, the story of the Bank of Khyber becomes unique and inspiring. We believe that the BOK is making great national service by setting such a role model of success for all other organizations to emulate.

The story of resilient rise of BOK makes it a shining Icon of Pride not only for the people of Khyber Pakhtunkhwa but also for each and every Pakistani.



Vision, Mission & Core Values

Vision

To become a leading Bank providing efficient and dynamic services in both Islamic and Conventional banking through expanded nationwide network.

Mission

To increase shareholders' value and provide excellent service and innovative products to customers through effective corporate governance, friendly work environment and contributing towards an equitable socioeconomic growth.

Core Values

- > Highest quality of service
- > Professionalism
- > Integrity
- > Team Work
- > Innovation and utilization of latest technology
- > Risk Mitigation
- > Corporate Social Responsibility

About the Company



› **Board of Directors**

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

› **Managing Director / CEO**

Shams-ul-Qayyum

› **Audit Committee**

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

› **Human Resource & Remuneration Committee**

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

› **Risk Management Committee**

Dr. Ihsanul Haq, Chairman
Javed Akhtar
Maqsood Ismail Ahmad
Sajjad Ahmad
Managing Director

› **Credit Monitoring & Settlement Committee**

Maqsood Ismail Ahmad, Chairman
Syed Said Badshah Bukhari
Sajjad Ahmad
Managing Director

› **Investment Committee**

Syed Said Badshah Bukhari, Chairman
Maqsood Ismail Ahmad
Asad Muhammad Iqbal
Dr. Ihsanul Haq
Managing Director

› **I.T. Committee**

Asad Muhammad Iqbal, Chairman
Dr. Ihsanul Haq
Managing Director

› **Chief Financial Officer**

Rahat Gul

› **Company Secretary**

Zahid Sahibzada

› **Registered Office / Head Office**

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 Rahman (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.



Products & Services



Deposit Schemes

Khyber Friendly Munafa Scheme
Be-Baha Mahana Amadani
Foreign Currency Deposit



Advances

Financing Options
Corporate Financing
Commercial Financing
SME Financing
Consumer Financing
Micro Financing
Agriculture Financing
Project Financing



Products

Cash Finance
Running Finance
Demand Finance
Trade Finance
Export Refinance
House / Auto / Salary Loans
Letter of Credit
Letter of Guarantee



Agriculture Credit Schemes

Sada Bahar Zarai Loan Scheme
Credit Guarantee Scheme
Agri-Murabaha
Agri-Ijara
Livestock Loan Scheme
Dairy Storage Loan Scheme
Dairy Marketing Loan Scheme
Tractor Loan Scheme
Farm Machinery Loan Scheme
Tube Well Loan Scheme



Islamic Banking

Murabaha
Musharaka
Mudaraba
Ijara wa Iqtana
Istisna
Deposit Schemes
Bill collection under Wakala



Online Banking

The Bank of Khyber offers Online Banking Facility to its customers at branches all over Pakistan. Cash may be accepted at a branch for crediting accounts at another branch.

Integrity

It is said that without the distinguishing quality of integrity at the helm of a company, a business is usually short-lived. In fact, when business integrity is present throughout the deepest layers of a company and not just at its surface, it becomes the heart and soul of the company's culture and can mean the difference between a company that succeeds and a company that falters.

Culture of Learning

“At the BOK, we believe that to stay relevant in today's business world requires a fierce desire to learn, to improve, and to adapt. Perpetual learning allows you to understand not just the topic at hand, but also the interconnections of other issues that may have gone unnoticed otherwise. At the end of the day, people are the defining element of success—or failure—for an organization, and striving for constant and never ending improvement should be just another business function.”



Board Profile



DR. HAMMAD UWAIS AGHA
CHAIRMAN / DIRECTOR

Dr. Hammad Uwais Agha is a senior civil servant. He has diverse management experience having held positions in district administration and headed important Government Departments. Prior to appointment as Additional Chief Secretary, Dr. Agha held position of Secretary Environment, Government of Khyber Pakhtunkhwa. Dr. Hammad Uwais Agha holds qualification of MBBS and has also attended various national and international courses



SHAMS-UL-QAYYUM
MANAGING DIRECTOR

Mr. Shams-ul-Qayyum has been associated with banking profession for the last 40 years. He has done his MSc Economics from University of Peshawar. He started his career with Habib Bank Ltd. in 1974. Till 1997 he was posted at various areas of Khyber Pakhtunkhwa as Chief Manager. From 1998 to 2005 he was posted in UAE and headed various segments of HBL. where as from 2005 to 2010, he was posted in Afghanistan, as Country Manager. His last posting in HBL was General Manager/Senior Regional Chief, overseeing 198 branches in the Region. He remained with HBL till October, 2014. During his service career, he attended various National and International courses. Due to his extra ordinary performance, he received appreciations, rewards and promotions.



**SYED SAID
BADSHAH BUKHARI**
NON-EXECUTIVE DIRECTOR

Syed Said Badshah Bukhari is Secretary to the Government of Khyber Pakhtunkhwa, heading the Finance Department. He started his career in academics and later joined the Civil Services. He has served on various important positions. Syed Said Badshah Bukhari actively pursued expanding his knowledge base while in service. He has a number of Master Degrees from reputable institutions to his credit. He also holds an MBA in Finance & Accounting as well as an M.A in Economics.



DR. IHSANUL HAQ
INDEPENDENT DIRECTOR

Dr. Ihsanul Haq is a retired civil servant having served on various important positions in the Province. His experience includes Public Health and Finance besides Public Administration. Dr. Ihsanul Haq has remained a Fulbright scholar with a distinguished educational background. He holds a Master Degree (MPH) in Health Services Management from the University of California, Los Angeles, USA, where he subsequently was a visiting scholar. Besides, Dr. Ihsanul Haq has participated in number of International conferences both at home and abroad.



MAQSOOD ISMAIL AHMAD

NON-EXECUTIVE DIRECTOR

Mr. Maqsood Ismail is a professional businessman of the Country having diversified experience from manufacturing to power generation and commodities business. He is on the boards of different companies and remained Chairman/Presidents of different business forums viz. Federation of Pakistan Chambers of Commerce & Industry, Export Processing Zones Authority, Pakistan Yarn Merchants Association. He also represented Pakistan as a businessman in official delegations to different countries. Mr. Ismail is a Bachelor of Science in Economics and Political Science from University of Delaware, United States of America.



SAJJAD AHMAD

NON-EXECUTIVE DIRECTOR

A businessman by profession, Mr. Sajjad Ahmad has an experience of 27 years in the field of manufacturing of lamps & fluorescent tube lights and energy savers. Currently, he is holding the position of Group Chief Executive. Mr. Sajjad has done his graduation from Peshawar University and is a member of different social organizations.



JAVED AKHTAR

INDEPENDENT DIRECTOR

Mr. Javed Akhtar is associated with the textile industry. Apart from managing his own group of companies, he is also the Chairman, Fashion Apparel Designing and Training Institute (FADIN), Member Managing Committee and currently member General Body of the Federation of Pakistan Chamber of Commerce & Industry (FPCCI). He also remained Director of Karachi Cotton Association and held the position of Chairman, Pakistan Cotton Fashion Apparel Exporters Association during 1997 - 1998 and 2001 - 2003. Mr. Javed Akhtar holds a Bachelors Degree from the University of Karachi.



ASAD MUHAMMAD IQBAL

INDEPENDENT DIRECTOR

Mr. Asad holds a Bachelor Degree in Computer Science from Carnegie Mellon University, USA. He has diversified experience in equities, asset management and software development. He served as Vice President, Equities Division at Goldman Sacks & Company, N.Y., USA. He has also remained a Director of the Karachi Stock Exchange. Presently, he is executing his duties as Chief Executive of Streetware Systems, a software development company engaged in developing solutions for the financial institutions.



Shams-ul-Qayyum
Managing Director



A Word From the Managing Director

The outgoing year was a historic year for our Bank. It is a matter of great satisfaction that our Bank's operational performance demonstrated record improvement in all areas for the year 2014.

We are determined to beat all of our own previous records in the years and months ahead. In this pursuit, our team is making relentless efforts to completely transform the outlook as well as the ethos of the Bank. As we brace the 24th milestone of our history, the Bank is all set to introduce a new culture of learning, meritocracy, professionalism, integrity and teamwork. We are taking every initiative to not only consolidate the already achieved gains, but also to take our bank to new heights of success and glory -- vertically as well as horizontally. The expansion of the network continues with the same momentum, with increase of our Branch network to 116 Branches, countrywide. This is how we have embarked onto a new journey of converting the Bank into an Icon of Pride, in letter and spirit.

The year has been exceptional for

the Bank as it has created history by posting an operating profit of Rs. 2,135 million as against Rs.1,751 million in the corresponding period last year. Profit before tax was recorded at Rs.1,900 million as against Rs.1,669 million in the corresponding period giving increase of 14%. Profit after tax for the same year grew by 13% to reach at Rs. 1,309 million over Rs.1,154 million in the corresponding year that translates into earnings per share of Rs.1.31 against Rs.1.15 in 2013.

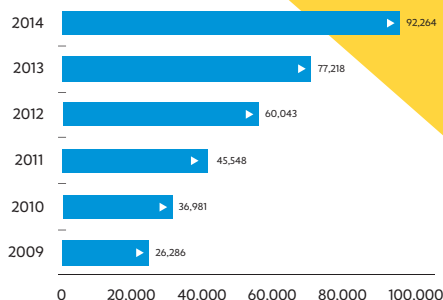
The achievements for the year 2014 were substantial increase in the assets base, improved equity and profitability, stronger capital base and sustained earnings. The total asset base of the Bank grew up to Rs.126,106 million from Rs.108,170 million registering healthy growth of 17% whereas the shareholders' equity showed an increase of 11% over 2013 and stood at Rs.13,211 million.

The performance of our Bank is a result of contribution of each and every member of our team. We hope the Bank will be able to play even a far bigger role in serving the nation in the months and years ahead.

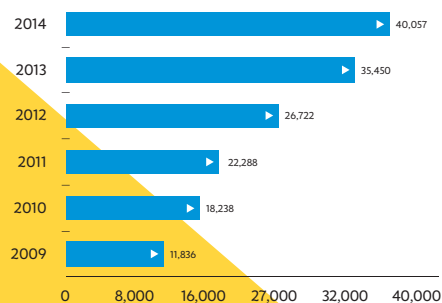
6 Years Financial Highlights

	2009	2010	2011	2012	2013	(Rs. in Million) 2014
DEPOSIT	26,286	36,981	45,548	60,043	77,218	92,264
ADVANCES (NET)	11,836	18,238	22,288	26,722	35,450	40,057
INVESTMENTS	17,926	19,853	36,685	45,672	53,363	72,431
TOTAL ASSETS	38,811	50,794	68,424	82,178	108,170	126,106
CAPITAL AND RESERVES	5,041	5,604	9,700	10,776	11,913	13,211
PROFIT/(LOSS) BEFORE TAX	-799	713	1,285	1,572	1,669	1,901
PROFIT/(LOSS) AFTER TAX	-637	563	872	1,078	1,154	1,309
RETURN ON EQUITY	-12%	10%	9%	10%	10%	10%

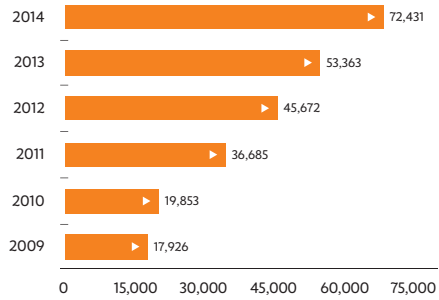
DEPOSITS



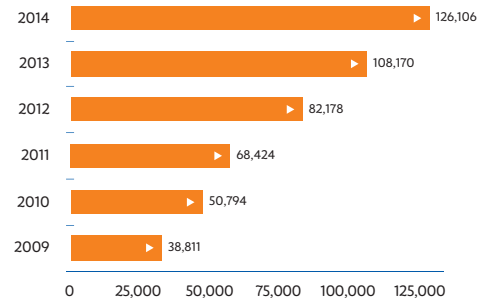
ADVANCES (NET)



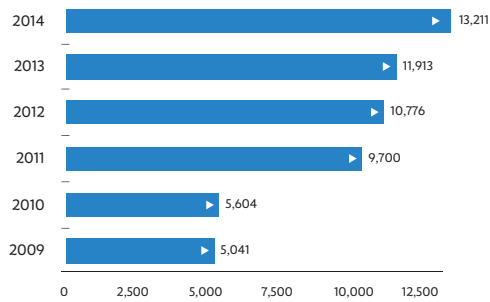
INVESTMENTS



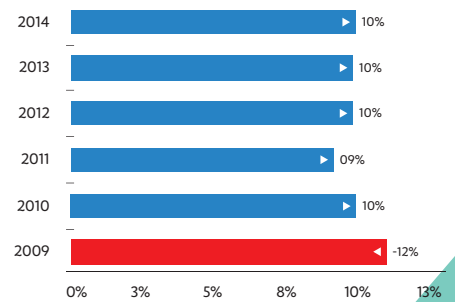
TOTAL ASSETS



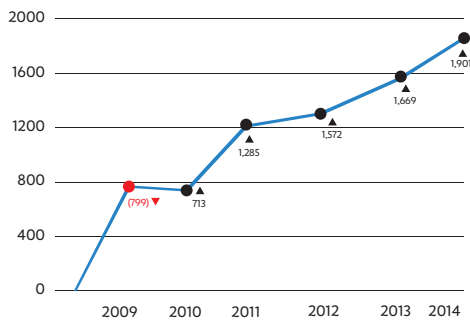
CAPITAL AND RESERVES



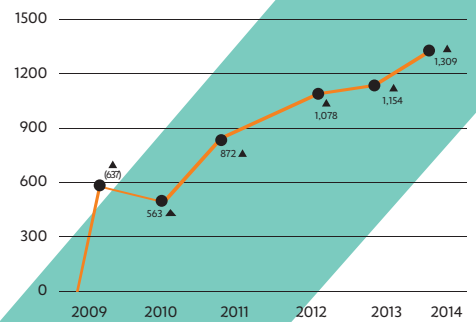
RETURN ON EQUITY



PROFIT/(LOSS) BEFORE TAX



PROFIT/(LOSS) AFTER TAX



Notice of 24th Annual General Meeting



Notice is hereby given that the Twenty Fourth Annual General Meeting of the Shareholders of The Bank of Khyber will be held on Friday, April 10, 2015 at 11:00 a.m. at Head Office, 24 - The Mall, Peshawar Cantt. to transact the following business:

Ordinary Business

- 1 To confirm the minutes of the 23rd Annual General Meeting held on March 28, 2014.
- 2 To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2014, together with the Directors' and Auditors' Reports thereon.
- 3 To appoint auditors for the year ending December 31, 2015 and fix their remuneration. Messrs. Anjum Asim Shahid Rehman (Grant Thornton), Chartered Accountants, being eligible, offer themselves for re-appointment.
- 4 To consider, and if thought fit, approve as recommended by the Board of Directors, final cash dividend for the year 2014

@ Rupees 1.00 per share i.e. 10% to the shareholders of the Bank.

Special Business

- 5 To grant approval of payment of fee to the non-executive Directors for attending the meetings of Sub-Committees / Special Committees constituted by the Board for any specific purpose.

Other Business

- 6 Any other business with the permission of the Chair.

A Statement of Material Facts under Section 160 (1) (b) of the Companies Ordinance, 1984 relating to said Special Business is given hereunder.

By Order of the Board

Zahid Sahibzada
Company Secretary

Peshawar: March 20, 2015



Notes:

- (i) Share Transfer Books of the Bank will remain closed from Saturday, April 04, 2015 to Friday, April 10, 2015 (both days inclusive) to determine the names of members entitled to receive the 10% Cash Dividend and attend and vote in the meeting.
- (ii) All members are entitled to attend and vote at the meeting.
- (iii) A member entitled to attend and vote at the Meeting, is entitled to appoint another member as a proxy to attend, speak and vote for him/her.
- (iv) An instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy, if required, may be obtained from the Registered Office of the Bank during normal office hours.
- (v) An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
- (vi) In case of Proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he/she should bring the usual documents required for such purpose.
- (vii) Shareholders are requested to notify immediately for any change in their addresses.
- (viii) Form of Proxy, if required, should be signed on Rs.5/- Revenue Stamp.

Statement of Material Facts under Section 160 (1) (b) of the Companies Ordinance, 1984

This statement sets out the material facts concerning the Special Business, given in Agenda Item No. 5 of the Notice, to be transacted at the Twenty Fourth Annual General Meeting of the Bank of Khyber.

Item No. 5

The Bye-Laws of the Bank authorize the Board to

approve remuneration, fees, allowances etc. payable to Directors as provided in Section 191 of the Companies Ordinance, 1984. Further, as per Para C-2 of Regulation G-1 of the Prudential Regulations of the State Bank of Pakistan, the scale of remuneration to be paid to the non-executive Directors and Chairman for attending the Board and/or Committee meetings shall be approved by the shareholders on a pre or post facto basis in the Annual General Meeting (AGM).

The shareholders of the Bank in the 18th Annual General Meeting held on March 30, 2009 gave their post-facto approval for fee of Rs.10,000/- and Rs.5,000/- paid to Directors for attending the meetings of the Board of Directors and Committees of the Board respectively.

Later on, the Board in its 104th meeting held on December 21, 2010 had approved increase in fee to the non-executive Directors at the rate of Rs.20,000/- for meetings of the Board of Directors and Rs.10,000/- for meetings of the Committees of the Board. The fee was payable on a per meeting basis to the non-executive Directors for actual attendance. Further the fee to be paid to the non-executive Directors was capped at Rs.1,000,000/- (Rupees one million only) per annum. Post-facto approval of increase in fee was given by the shareholders of the Bank in the 20th Annual General Meeting held on March 29, 2011.

The Board in its 127th meeting held on August 27, 2014 further approved payment of fee to the non-executive Directors for attending meetings of Sub-Committees / Special Committees constituted by the Board for any specific purpose.

In terms of Para C-2 of Regulation G-1 of the Prudential Regulations of the State Bank of Pakistan, Post-facto approval of the shareholders of the Bank is sought for the above mentioned fee.

The following resolution is therefore, being proposed to be passed as an Ordinary Resolution by the shareholders:

"RESOLVED that a fee of Rs.10,000/- per meeting payable to non-executive Directors for meetings of any Sub-Committees / Special Committees constituted by the Board on a per meeting basis for actual attendance, be and is hereby approved."

"FURTHER RESOLVED that the total fees may be paid to the non-executive Directors for attending meetings of Board, Board Committees and Sub/Special Committees on actual attendance basis, as per requirement, without restriction on total fees paid per annum."

Professionalism

The Bank of Khyber accords highest importance to professionalism. Needless to say that professional workplace behavior is necessary for the long-term success of a business. Employee interactions and relationships with customers are of vital importance to ensure that company goals and objectives are met. A professional work place attitude and appearance allow employees to take pride in their work and improve worker performance. Managers who behave professionally set an appropriate example by encouraging their people to conduct themselves in a manner that supports success of our Bank.



Dynamism

It is the quality of being characterized by vigorous activity and progress -- the energy and a strong desire to make something happen. Dynamism is the hallmark of our team at our Bank.



The Bank of Khyber offers financial services to a large number of sectors of the economy. The Bank is fully committed to accelerate the national economy by financing viable projects to a diverse array of sectoral spectrum.

- Acrylic Fabrics
- Agriculture, Forestry, Hunting & Fishing Equipment
- Cement
- Chemical & Pharmaceuticals
- Contractors / Construction
- CNG Stations
- Education & Health
- Financial
- Fisheries
- Food & Beverages
- Ghee / Cooking Oil
- Individuals
- Manufacturing of Match
- Miscellaneous Manufacturing
- Petrochemicals
- Production & Transmission of energy Services
- Sugar
- Textile
- Trading
- Commodity operation
- Others



Directors'

Report 2014

> Directors' Report to the Shareholders

On behalf of the Board of Directors, I am pleased to present the 24th Annual Report of The Bank of Khyber along with audited financial statements

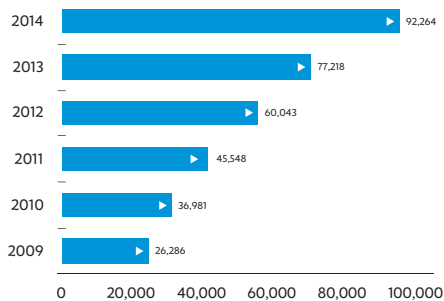
and auditors' report for the financial year ended December 31, 2014.

> Financial Highlights

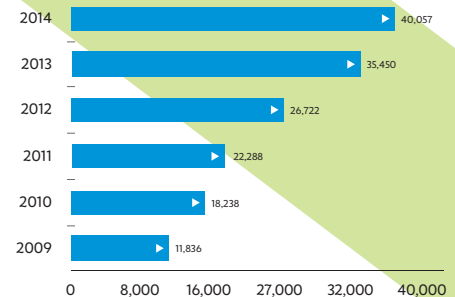
The operating results and appropriations, as recommended by the Board, are placed as under:

	RS. IN MILLIONS
Operating Profit	2,135
Provision against non-performing advances, investments & others	(235)
Profit before taxation	1,900
Taxation	(591)
Profit after tax	1,309
Total Assets	126,106
Advances (Gross)	43,243
Investments	72,431
Deposits	92,264

DEPOSITS



ADVANCES (NET)



Directors' Report

Performance Review

Alhamdulillah, the Bank's operational performance demonstrated record improvement in all areas for the year 2014. This year has been exceptional for the Bank as it has created history by posted an operating profit of Rs.2,135 million as against Rs.1,751 million in the corresponding period last year. Profit before tax was recorded at Rs.1,900 million as against Rs.1,669 million in the corresponding period giving increase of 14%. Profit after tax for the same year grew by 13% to reach at Rs. 1,309 million over Rs.1,154 million in the



corresponding year that translates into earnings per share of Rs.1.31 against Rs.1.15 in 2013.

The achievements for the year 2014 were widened assets base, improved equity and profitability, stronger capital base and sustained returns. The total asset base of the Bank grew up to Rs.126,106 million from Rs.108,170 million registering healthy growth of 17% whereas the shareholders' equity showed an increase of 11% over 2013 and stood at Rs.13,211 million.

On the liability side of the Bank's financial position, the deposit base of the Bank witnessed consistent growth throughout the financial year 2014 and was reported at Rs.92,264 million showing healthy

increase of 19% over the year 2013. The gross advances of the Bank also showed increase of 13% and stood at Rs.43,243 million from Rs.38,339 million of the year 2013. A commendable increase of 36% has been witnessed in the size of investments which showed an amount of Rs.72,431 million as compared to Rs.53,363 million of the last year.

An increase of 15% was recorded in net markup based income which stood at Rs.3,541 million in 2014 as compared to Rs.3,071 million for the year 2013. Total Non mark-up / interest income registered increase of 54% and stood at Rs.1,066 million as compared to Rs.692 million of the corresponding period last year. This increase mainly attributed to Gain on sale of Shares and Mutual Funds.

Administrative Expenses witnessed an increase of 23%. The rise in expenses is primarily due to staff expenses, rent and costs associated with branch expansion - an investment which has borne fruit for the Bank, as evident from strong growth in deposits and profits over the years. However, cost rationalization remained one of the primary objectives of the management and measures were taken to control it without affecting service quality and operational efficiency.

These encouraging results were achieved without making compromise on growth of the balance sheet size, management of cost of deposits, improvement in operational efficiencies

and without ignoring the asset quality. The Return on Assets (ROA) and Return on Equity (ROE) stood at 1.04% and 10% respectively.

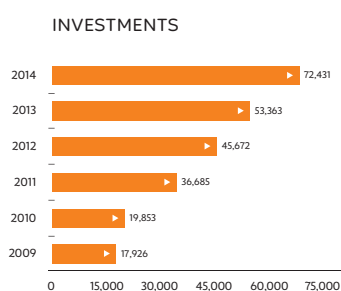
At the end of the year 2014, the Bank was operating with 116 branches with 62 branches working on the Conventional side whereas 54 branches were functioning as dedicated Islamic Banking Branches. Further, 2 sub branches and 2 booths were also providing basic banking facilities to the customers. The Bank has also received approval from the State Bank of Pakistan for opening of 14 new branches in the year 2015. Through this network, the Bank is able to offer wide range of products and services to its valuable customers.

While the year end results are encouraging, the Bank still needs to strengthen its human resource base and improve systems and controls for which appropriate measures are being taken. The growth in branch network is being consolidated and issue of loss making branches is being addressed. At the same time costly deposits are being shed and efforts are underway to reduce reliance on Government deposits and build the deposit base on current/saving accounts from the private and corporate sectors. More emphasis is being placed on increasing advances in the corporate sector to improve the Bank's ADR and profitability. Considerable progress has been made on implementation of the new core banking software which once operational will facilitate an effective MIS for better monitoring of operational activities.



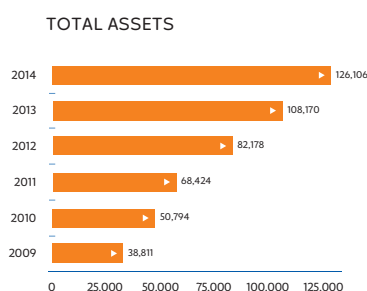
Directors' Report

Future Outlook



The Bank is focusing on building and maintaining quality advances portfolio and to enhance its focus on customer service quality and major cost rationalization initiatives through continuous improvement in automation and product innovations. Efforts are also underway to target new market segments and to improve efficiency and productivity in Bank's overall performance. The Bank is taking the following initiatives to provide efficient services to the customers:

- Implementation of New Core Banking Software
- Issuance of BOK Debit Card with Co-Branding of Japanese Credit Card Company which will enable the Bank to transform its ATM Cards into Debit Cards. The BOK Debit Card backed by Japan Credit Bureau (JCB) will be acceptable outside Pakistan in more than 90 countries at approximately 15 million locations.
- Inter Bank Funds Transfer



- Utility Bill Payments (UBPs) through BOK ATMs
- Construction of Head Office Building so as to house all the operational activities under one roof and to have a focused and steady approach towards decision making
- Construction of Training Institute

Being a socially responsible corporate institution, the Bank has offered its services to the Provincial Government for complete assistance in granting interest free loans to Pakistani Youth having technical education to establish their new businesses under Youth Challenge Fund.

Risk Management Framework

The Bank manages risk through a framework of sound risk management principles which include an optimum organizational structure, risk review procedures and monitoring process. The Risk Management Division (RMD) is mandated to implement this framework as a function independent of commercial lines of business, working under the guidance of Board's Risk Management Committee. In addition, a Management Risk Management Committee comprising members of senior management deliberates on risk related issues.

During 2014, the major achievements

of the Bank in the area of Risk management include successful revision and updation of Customer Risk Rating (CRR) & Facility Risk Rating (FRR) Models for Small Enterprises (SE) & Medium Enterprises (ME) portfolio. The Bank also conducted an exercise in year 2013 to calculate Probability of Default (PD) for its SME portfolio; however, it faced major data limitations hindering the Bank to effectively establish statistical significance among various explanatory variables. In order to cope with data limitation and start building reliable data for future requirements of PD, the existing risk rating models are re-designed in such a way so as to capture all



information required for PD modeling. In addition to above, the Bank has also revised the basic credit proposal formats for its SME & Corporate portfolios so that data required for PD modeling is effectively captured at transaction level. All these steps would help the Bank in future to effectively move towards advance approaches of Basel. Similarly, the Bank has also

revised its operational risk policy and procedural guidelines in light of revised guidelines by State Bank of Pakistan. The Bank has also successfully met the Capital Adequacy Ratio (CAR) & Leverage Ratio requirements as per newly introduced Basel III guidelines.

The Bank is committed to allocate considerable efforts and resources

in managing the material risks to which it is exposed. The momentum attained so far will be continued in identifying, controlling and managing risk through significant investments in experienced human resource, innovative technology and required trainings.

Directors' Report



Internal Control

The Board is pleased to endorse the statement made by management relating to internal controls. The Management's Statement on Internal Controls is included in the Annual Report.

Statement under Section XVI of the Code of Corporate Governance

The Bank's Board of Directors and the management are fully mindful of their responsibility under the Code of Corporate Governance. The following statements are a manifestation of their commitment towards high standards of Corporate Governance and continuous organizational improvement:

1. The financial statements prepared by the management of The Bank of Khyber present fairly its state of affairs, the results of its operations, cash flow and changes in equity.
2. Proper books of accounts of The Bank of Khyber have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment except as disclosed.
4. International Financial Reporting Standards as applicable in Pakistan have been followed in preparation of financial statements and any departure there from has been adequately disclosed.
5. The system of internal control is sound in design and has been effectively implemented and monitored. The ultimate responsibility of the effectiveness of internal control system and its monitoring lies with the Board. An Audit Committee has been formed for the purpose that meets periodically and independently throughout the year with the management and also the internal and external auditors to discuss the effectiveness of internal control system and other financial reporting matters. In addition, there are financial forecasts and budgetary control procedures in place, which are reviewed and monitored throughout the year to indicate and evaluate the variances from the budget.
6. There are no doubts upon the Bank's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance other than those pointed out in the Statement of Compliance.

Board Meetings

The Board of Directors of the Bank met on five occasions during the year under review whereas the individual attendance was recorded as under:

Name of Directors	Meetings attended
Mr. Khalid Pervez, Chairman	5
Syed Said Badshah Bukhari	4
Mr. Maqsood Ismail Ahmad	4
Mr. Sajjad Ahmad	5
Mr. Javed Akhtar	3
Mr. Asad Muhammad Iqbal	4
Dr. Ihsanul Haq	5
Mr. Imran Samad, Managing Director (Acting) *	4
Mr. Shams-ul-Qayyum, Managing Director *	1

* Mr. Imran Samad was replaced by Mr. Shams-ul-Qayyum as Managing Director on October 01, 2014.

Dividend

The Board has recommended the Cash Dividend of Rs.1.00 per share i.e. 10% for the year 2014 to the shareholders of 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.

Value of Investments in Employees Retirement Benefit Funds

Book Value of Investments of Provident and Gratuity Funds as per un-audited accounts of these funds for the year ended December 31, 2014 are Rs.905.06 million and Rs.386.20 million respectively.

Pattern of Shareholding

The pattern and category of shareholding as at December 31, 2014 is annexed with the report.

Six Years Operating & Financial Data

The necessary information is presented in the report.

Earnings Per Share

Earnings per share for the year 2014 is Rs.1.31.

Directors' Report

Auditors

On the recommendation of the Board of Directors, the shareholders in their 23rd Annual General Meeting held on March 28, 2014 approved appointment of Messrs. Anjum Asim Shahid Rahman (Grant Thornton), Chartered Accountants as statutory auditors of the Bank for the year ending December 31, 2014 in place of retiring auditors Messrs. Deloitte M. Yousuf Adil Saleem & Co., Chartered Accountants.

Events after the Balance Sheet date

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

Acknowledgement

On behalf of the Board, I would like to thank the State Bank of Pakistan, Finance Department, Government of Khyber Pakhtunkhwa and other regulatory authorities for their continuous support and guidance. I would also like to thank our valued customers for their continued patronage. Most importantly, we would like to express our gratitude to our shareholders for their guidance, oversight and for entrusting their confidence in us. We assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors.

Finally, I would like to acknowledge the dedication and hard work of our employees across the Bank, who continue to contribute to the organization and hence enable us to perform consistently in a challenging business environment.

On behalf of the Board of Directors



Shams-ul-Qayyum
Managing Director

March 12, 2015





Pictorial Review 2014





Statement of Compliance

with the Code of Corporate Governance for the year ended December 31, 2014

This statement is being presented to comply with the Code of Corporate Governance (the Code) framed by the Securities and Exchange Commission of Pakistan for the purpose of establishing a framework of good governance, to manage a company in compliance with best practices of corporate governance, which has been made applicable to banks by the State Bank of Pakistan (SBP) through regulation G-1 of Prudential Regulations for Corporate / Commercial Banking and to listed entities through Regulation No. 35 of the Listing Regulations of the Karachi Stock Exchange.

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors (the Board). At present the Board includes:

Category	Names
Non-Executive Directors	Mr. Khalid Pervez (Chairman)
	Syed Said Badshah Bukhari
	Mr. Maqsood Ismail Ahmad
	Mr. Sajjad Ahmad
	Dr. Ihsanul Haq
Executive Director	Mr. Shams-ul-Qayyum (Managing Director)
Independent Directors	Mr. Asad Muhammad Iqbal
	Mr. Javed Akhtar

The independent directors meet the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange(s), has been declared as a defaulter by that stock exchange(s).
4. No casual vacancy occurred on the Board during the year under review. However, during the year, Mr. Imran Samad, Acting Managing Director was replaced by Mr. Shams-ul-Qayyum, Managing Director.
5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board of the Bank has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and necessary administrative, financial and credit discretionary powers have been delegated to the management. In accordance with Section 12 of The Bank of Khyber Act, 1991 (as amended), the powers of appointment of the Managing Director and determination of the terms and conditions of such appointment rest with the Government of Khyber Pakhtunkhwa.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. A total of five meetings were held during the year. Every endeavour is made to circulate written notices of the Board meetings, along with agenda and working papers, at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Directors have familiarized themselves with their responsibilities under the Code. The Code requires that every year a minimum of one director on the Board shall acquire the certification under directors' training program. During the year, Dr. Ihsanul Haq has obtained certification under Directors' Training Program. Mr. Maqsood Ismail Ahmad is exempt from directors' training program based on his education and experience

however, none of the other directors have completed the above mentioned certification requirement during the year. The Bank will endeavour to arrange directors' training program and orientation course next year for their Directors to acquaint them with the code, applicable laws and their duties and responsibilities.

10. The Board approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. No new appointment has been made in the financial year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Managing Director and CFO before approval of the Board.
13. The Directors, the Managing Director and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, of whom two are non-executive Directors and two of the members including the Chairman are independent directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank and as required by the Code. A total of five meetings of the Audit Committee were held during the year. The terms of reference of the Committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of five members. Two of whom are non-executive directors including the Chairman of the committee and two members are independent directors. The fifth member is the Managing Director.
18. The Board has set up an effective internal audit function. The staff in Internal Audit function is experienced and suitably qualified for the purpose and are conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and the Karachi Stock Exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of The Board of Directors



Shams-ul-Qayyum
Managing Director

Peshawar: March 12, 2015





Review Report

To The Members On Statement Of Compliance
With Best Practices Of Code Of Corporate Governance

Anjum Asim Shahid Rahman
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We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of The Bank of Khyber ("the Bank") for the year ended December 31, 2014 to comply with the Regulation G-1 of the Prudential Regulation for Corporate/Commercial Banking issued by the State Bank of Pakistan and Listing Regulation No. 35 of the Karachi Stock Exchange Limited, where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's Compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirement of the Code. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transaction by the Board of Directors upon recommendation of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2014.

Anjum Asim Shahid Rahman
Chartered Accountants
Audit Engagement Partner: Nadeem Tirmizi

Date: March 12, 2015
Islamabad

Chartered Accountants
Member of Grant Thornton International Ltd

Other offices in Lahore and Karachi



Statement of Internal Control

Our Internal Control System comprises of control environment and control procedures. The management assumes the responsibility of establishing and maintaining adequate internal controls and procedures under the policies approved by the Board. The Bank has documented procedures and manuals, which incorporate the internal controls applicable while conducting any banking transactions. The system of internal control is designed to minimize the risk of failure to achieve the organization's aims and objectives. The management is also responsible for evaluating the effectiveness of the bank's internal control system that covers material matters by reviewing control objective, significant policies and procedures. The system of internal control being followed by the Bank is considered adequate in design and is being effectively implemented and monitored. These procedures are revised and updated as and when required and all the updates are appropriately approved by the competent authorities. Due attention is also being given to formalizing systems and enhancing the competence and knowledge of the staff.

The Internal Audit Division (IAD) of the Bank reviews the adequacy and implementation of internal controls on a regular basis and deficiencies if any are followed up until they are rectified. However, it may be understood that, Internal Control System is designed to manage rather than eliminate the risk of failure inherent in the desired business transactions and can only provide reasonable and not absolute assurance against material misstatements in financial statement or prevention of business loss. BOK is duly observing compliance with the requirements of the State Bank of Pakistan's Internal Control Guidelines.

The Bank has adopted internationally accepted COSO Internal Control - Integrated Framework for overall set of Internal Controls for ensuring compliance with SBP Guidelines. The external auditors have submitted the "Long-Form Review Report" as of June 30, 2014 which has been submitted to SBP. The next due date for the "Long-Form Review Report" is March 31, 2015 which would be shared accordingly with SBP.

On behalf of the Board of Directors



Shams-ul-Qayyum
Managing Director

March 12, 2015

Shariah Advisor Report

Alhamdulillah, all praises and thanks be to Allah.

The worldwide success of Islamic Banking is now an accepted fact. The main attraction for the establishment of Islamic Banks is to safeguard the Muslims from indulging into non Shariah transactions especially in their financial affairs. Therefore strict adherence to Shariah compliance is the backbone of Islamic banking and financing which gives legitimacy to the practices of Islamic banks.

To maintain the public confidence there is proper check and balance mechanism in the Bank of Khyber (BOK) to ensure that all activities of the bank are in line with the Islamic principles for which purpose we have full time Shariah Advisor to confirm that all operations are conducted in conformity with Shariah principles. Besides we have separate Shariah Audit and compliance units as it is important in Islamic banking to ensure full and transparent disclosure. The Bank also has a strong Shariah Supervisory Committee (SSC) of the following well known scholars to examine and approve all agreements and policies for services offered by Islamic Banking Group of BOK:

Mufti Muhammad Zahid	Chairman
Syed Muhammad Abbass	Member
Dr. Dost Muhammad Khan	Member
Dr. Shahzad Iqbal Sham	Member
Mr. Muhammad Ayub	Member

Review of Assets

By the Grace of Allah, the year under review is the 10th year of Islamic banking for the Bank of Khyber. During this year, the Bank developed and executed a variety of new as well as established Islamic banking products and transactions after due approval from the SSC and/or Shariah Advisor. During the year, the SSC held 3 meetings to review various products, concepts, transactions, processes and their Shariah-compliance, referred to them by the Shariah Advisor. The main business units of Islamic Banking Group (IBG) of BOK comprise of corporate banking, investment banking, commercial banking, consumer banking, treasury and asset management. Total financing portfolio of IBG reached Rs. 9.5 billion as of December 31, 2014. IBG provides services through following Shariah compliant products:

- I. Ijarah
- II. Murabaha
- III. Diminishing Musharakah
- IV. Musharakah
- V. Mudarabah
- VI. Istisna
- VII. Salam
- VIII. Wakala
- IX. Share Purchase
- X. Import Export under Islamic Banking
- XI. Export Refinancing
- XII. Process for Foreign Currency (FCY)
- XIII. Management of Treasury / FI Pool

Review of Deposit Side

On deposit side IBG offers a wide range of deposits products, current, saving and term deposit accounts which are designed with flexible features to meet the need of our customers in Shariah compliant manner. Total deposits of IBG increased by 22.14 % and reached a sum of Rs. 20.32 billion as at December 31, 2014. Presently IBG is offering the following types of deposits accounts:

1. Current Accounts
2. Interest Free PLS Saving Accounts
3. Haj Account
4. Umrah Account
5. Riba Free Certificates

6. Call Deposits
7. Riba Free Special Deposit Pool Deposits/Certificate
8. Riba Free Special Deposit Pool for Banks
9. Riba Free Special Deposit Pool for Mutual Funds
10. Kafalah Certificate
11. Sahara Certificate

The bank continued with its aggressive branch expansion plan during 2014 and expanded to 54 Islamic banking branches in almost all big cities of the country. This has further strengthened Islamic banking group's ability to create awareness and deliver Islamic banking products and services throughout the country. IBG also participated in development of Islamic banking products with institutions including State Bank, National Institute of Banking and Finance (NIBAF), Chamber of Commerce, International Islamic University, Sheikh Zayed Islamic Center Peshawar, City University Peshawar, Iqra University Peshawar, Al-huda Center of Islamic Banking and Institute of Management Sciences Peshawar.

Shariah Compliance and Shariah Audit

The Shariah Audit function plays a vital role in achieving the objective of ensuring Shariah compliance by evaluating the adherence to Shariah guidelines in each and every activity undertaken by the Bank. The Shariah Audit function keeps a continuous check on all activities starting right from the time of opening of a branch and at each step of product offering till the stage of final profit distribution to the customers. Shariah Audit of 36 branches and departments was conducted as a part of the Bank's efforts to strengthen the internal Shariah controls mechanism. These audits not only cover the transactions that the branches/departments undertake but also include an evaluation of the Shariah knowledge of staff.

Besides above, as Shariah Advisor, I also review all products and services, related polices and agreements. During the year, credit approvals, restructuring of financing facilities, customer-specific transaction process flows, text of LGs and security documents were reviewed to ensure Shariah compliance while offering financing products to the customers. I also visited to check and review operations of Islamic banking Group, Islamic banking branches and Islamic banking deposit booths in conventional branches of BOK to confirm that all operations are conducted in conformity with Shariah principles.

In this regard I have reviewed each class of transaction on test check basis along with its procedure and documentation especially on the financing side during the year ended to firm up an opinion as to whether they have complied with the Shariah rules & principles and also with the specific Fatwas issued by SSC/Shariah Advisor along-with instructions and guidelines issued by SBP from time to time. Keeping in the above scenario I am of the opinion that;

1. The approved system is of high level in Shariah Compliance and bank is gradually increasing the level of compliance to the highest standards. Therefore, in my opinion the affair of Islamic Banking have been carried out in accordance with the rules and principles of Shariah, SBP regulations and guidelines related to Shariah compliance as well as the advice of the Shariah Supervisory Committee.
2. The products, polices, agreements and all operations entered into by the Islamic banking Group during the year ended 2014 are in compliance with Shariah and guidelines given by the SSC and SBP.
3. Profit Distribution Mechanism and allocation of funds, expenses, weightages and other affairs of the bank are in conformity with the basis that have been approved by SSC in accordance with Islamic rules and principles.
4. All sources of income of the Bank are Shariah compliant and any earning which has been realized from sources or by means prohibited by Islamic rules and principles have been transferred to the Charity Account and distributed as per approved guidelines of SSC. It is worth mentioning here that other than above some mistakes in documentation have been pointed out by the Shariah Audit Unit which did not render the income to be non Shariah compliant and they have been addressed as per instructions issued by the Shariah Department.
5. All earnings realized relating to transactions declared prohibited during Shariah Reviews have been credited to charity Account. An amount of Rs. 3.22 million was transferred to charity Payable Account and distributed in the needy people of Thar (Sindh) after the approval of Sub-Committee of SSC.

Recommendation

Based on the review of various transactions and operations of the Bank, I recommend that:

- l The Bank's IT system must be strengthened to facilitate internal as well as external customers. In this regard, asset side product modules should be given immediate priority.
- l With the expansion in size and reach, the Bank should explore the possibility of offering unconventional Islamic banking services which may include the development of warehouses and showrooms for trading purpose.
- l Due care regarding the mindset and commitment towards the cause of Islamic banking should be taken during the process of hiring of new staff. Moreover, it is recommended to increase the scope of Islamic banking knowledge assessment process already implemented for new Branch and Operations Managers to Area Managers and department heads.
- l The Bank should continue its policy of expansion to promote Islamic banking and in this regard continue its focus on employees' training related to Islamic banking products and services offered by the Bank with specific focus on front line staff.

In the end it is stated that it is the responsibility of the management to inculcate Shariah compliance culture within the organization and should consistently remind the frontline staff the importance of Shariah and its impact on the Islamic Banking if Shariah principles and practices are not observed, and to always place Shariah as the overcharge requirement in the formulation of any procedures and activities of Islamic banking.

May Allah forgive us and keep us on the straight path. Ameen

Qazi Abdul Samad
Shariah Advisor



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Auditors' Report

To The Members

We have audited the annexed statement of financial position of The Bank of Khyber (the "Bank") as at December 31, 2014 and the related profit and loss account, statement of other comprehensive income, statement of changes in equity and cash flow statement, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, which include the unaudited certified returns from the branches and other offices except for fourteen branches and one treasury office which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984) and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;



Anjum Asim Shahid Rahman

- c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of other comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962) and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2014 and its true balance of the profit, its comprehensive income, its changes in equity and cash flows for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Bank for the year ended December 31, 2013 were audited by another firm of Chartered Accountants who have expressed un-modified opinion dated March 04, 2014.

ANJUM ASIM SHAHID RAHMAN
Chartered Accountants
Audit Engagement Partner: Nadeem Tirmizi

Date: March 12, 2015
Islamabad

Chartered Accountants
Member of Grant Thornton International Ltd

Other offices in Lahore and Karachi

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Statement of Financial Position

As at December 31, 2014

Note **2014** 2013

(Rupees in '000)

ASSETS

Cash and balances with treasury banks	7	4,110,957	4,068,678
Balances with other banks	8	2,509,508	3,813,251
Lendings to financial institutions	9	2,100,000	7,500,301
Investments	10	72,431,445	53,363,163
Advances	11	40,057,170	35,450,201
Operating fixed assets	12	1,641,054	1,604,464
Deferred tax assets	13	-	299,230
Other assets	14	3,256,121	2,070,880
		126,106,255	108,170,168

LIABILITIES

Bills payable	15	586,407	521,035
Borrowings	16	14,192,181	15,157,773
Deposits and other accounts	17	92,263,694	77,217,733
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities	13	315,160	-
Other liabilities	18	3,829,241	2,716,830
		111,186,683	95,613,371
		14,919,572	12,556,797

NET ASSETS

REPRESENTED BY

Share capital	19	10,002,524	10,000,000
Reserves		1,430,231	1,170,871
Unappropriated profit		1,778,056	741,920
		13,210,811	11,912,791
Surplus on revaluation of assets - net of tax	20	1,708,761	644,006
		14,919,572	12,556,797

CONTINGENCIES AND COMMITMENTS

21

The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.


Managing Director


Director


Director


Director

Profit and Loss Account

For the year ended December 31, 2014

	Note	2014	2013
(Rupees in '000)			
Mark-up / return / interest earned	22	9,750,676	7,406,787
Mark-up / return / interest expensed	23	6,210,111	4,335,682
Net mark-up / interest income		3,540,565	3,071,105
Provision against non-performing loans and advances - net	11.5	305,884	140,800
Reversal for diminution in the value of investments - net	10.3	(71,986)	(58,419)
Bad debts written off directly		747	-
		234,645	82,381
Net mark-up / interest income after provisions		3,305,920	2,988,724
NON MARK-UP / INTEREST INCOME			
Fee, commission and brokerage income		233,055	221,209
Dividend income		83,629	74,402
Income from dealing in foreign currencies		179,002	181,012
Gain on sale of securities - net	24	469,586	138,006
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net	10.5	29,962	(10,248)
Other income	25	70,836	87,291
Total non-mark-up / interest income		1,066,070	691,672
		4,371,990	3,680,396
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	2,420,493	1,970,355
Other provisions / write offs	27	140	4,677
Other charges	28	50,834	36,134
Total non-mark-up / interest expenses		2,471,467	2,011,166
		1,900,523	1,669,230
Extra-ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		1,900,523	1,669,230
Taxation	29		
- Current		602,720	581,854
- Prior years		(24,551)	(62,043)
- Deferred		12,934	(4,610)
		591,103	515,201
PROFIT AFTER TAXATION		1,309,420	1,154,029
Unappropriated profit brought forward		741,920	836,654
Profit available for appropriation		2,051,340	1,990,683
Earnings per share - Basic and Diluted (in Rupees)	30	1.31	1.15

The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.


Managing Director


Director


Director


Director

Statement of Comprehensive Income

For the year ended December 31, 2014


	Note	2014	2013
		(Rupees in '000)	
Profit after taxation		1,309,420	1,154,029
Other comprehensive income			
Re-measurement of defined benefit plan	33.7	(11,400)	(16,866)
Total comprehensive income for the year		1,298,020	1,137,163

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 43 and annexures A to D form an integral part of these financial statements.



 Managing Director



 Director



 Director



 Director

Statement of Changes in Equity

For the year ended December 31, 2014

	Share Capital	Statutory Reserve	Reserve for issue of bonus shares	Unappropriated profit	Total
	----- (Rupees in ' 000) -----				
Balance as at January 01, 2013	9,001,433	937,541	-	836,654	10,775,628
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2013	-	-	-	1,154,029	1,154,029
Other comprehensive income / (loss)	-	-	-	(16,866)	(16,866)
	-	-	-	1,137,163	1,137,163
Transfer to statutory reserve	-	230,806	-	(230,806)	-
Transactions with owners recorded directly in equity					
Issue of 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
Total comprehensive income for the year					
Profit after taxation for the year ended December 31, 2014	-	-	-	1,309,420	1,309,420
Other comprehensive income / (loss)	-	-	-	(11,400)	(11,400)
	-	-	-	1,298,020	1,298,020
Transfer to statutory reserve	-	261,884	-	(261,884)	-
Transactions with owners recorded directly in equity					
Transfer to reserve for issue of bonus shares	-	-	-	-	-
Issue of bonus shares during the year	2,524	-	(2,524)	-	-
Balance as at December 31, 2014	10,002,524	1,430,231	-	1,778,056	13,210,811

The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.


Managing Director


Director


Director


Director

Cash Flow Statement

For the year ended December 31, 2014

Note **2014** 2013

(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before taxation	1,900,523	1,669,230
Less: Dividend income	83,629	74,402
	1,816,894	1,594,828

Adjustments for non-cash charges

Depreciation	157,039	124,004
Amortization	3,844	4,494
Provision against non-performing loans and advances - net	305,884	140,800
Reversal of provision for diminution in the value of investments - net	(71,986)	(58,419)
Unrealized (gain) / loss on revaluation of investments classified as held-for-trading - net	(29,962)	10,248
Gain on sale of operating fixed assets	(2,001)	(1,874)
Provision for Workers Welfare Fund	38,000	36,000
Other provisions / write offs	140	4,677
	400,958	259,930
	2,217,852	1,854,758

(Increase) / decrease in operating assets:

Lendings to financial institutions	5,400,301	(5,999,301)
Net investments in held-for-trading securities	12,879,914	(15,148,703)
Advances - net	(4,912,853)	(8,869,268)
Others assets (excluding advance taxation) - net	(1,176,300)	(194,051)
	12,191,062	(30,211,323)

Increase / (decrease) in operating liabilities:

Bills payable	65,372	(36,991)
Borrowings	(965,592)	7,737,660
Deposits and other accounts	15,045,961	17,174,650
Other liabilities (excluding current taxation)	1,296,578	195,939
	15,442,319	25,071,258
Income tax paid	29,851,233	(3,285,307)
	(811,736)	(490,484)

Net cash generated from/(used in) operating activities

29,039,497 (3,775,791)

CASH FLOWS FROM INVESTING ACTIVITIES

Net investments in available-for-sale securities	(24,980,356)	6,276,467
Net investments in held-to-maturity securities	(5,208,762)	770,047
Dividend income received	83,629	74,402
Investments in operating fixed assets	(199,274)	(226,161)
Proceeds from sale of operating fixed assets	3,802	4,634
Net cash (used in) / generated from investing activities	(30,300,961)	6,899,389

CASH FLOWS FROM FINANCING ACTIVITIES

Net cash flows from financing activities	-	-
Increase/(Decrease) in cash and cash equivalents	(1,261,464)	3,123,598

Cash and cash equivalents at beginning of the year

7,881,929 4,758,331

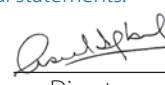
Cash and cash equivalents at end of the year

31 6,620,465 7,881,929

The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.


Managing Director


Director


Director


Director



Notes to the Financial Statements

For the year ended December 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 116 branches including 54 Islamic banking branches (2013: 100 branches including 44 Islamic banking branches). The long term credit ratings 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 'A-1' (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 Annexure "A" to these 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.

Notes to the Financial Statements

For the year ended December 31, 2014

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.

4.4 Amendments to published standards and new interpretation to existing standard that are not yet effective and have not been early adopted by the Bank

The following amendments to published standards and new interpretation to existing standard are effective for annual periods, beginning on or after January 01, 2015:

- IFRS 10 – Consolidated Financial Statements
- IFRS 11 – Joint Arrangements
- IFRS 12 – Disclosure of Interests in Other Entities
- IFRS 13 – Fair Value Measurement
- IAS 27 – Separate Financial Statements

The above mentioned amendments to published standards and new interpretation to existing standard are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's financial statements other than increase in disclosure in certain cases.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards, which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 7 – Financial Instruments Disclosures
- IFRS 9 – Financial Instruments
- IAS 39 – Financial Instruments Recognition and Measurement
- IAS 40 – Investment Property

4.5 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The Securities and Exchange Commission of Pakistan (SECP) has notified Islamic Financial Accounting Standard (IFAS) 3, 'Profit and Loss Sharing on Deposits' issued by the Institute of Chartered Accountants of Pakistan. IFAS 3 shall be followed with effect from the financial periods beginning after January 1, 2014 in respect of accounting for transactions relating to Profit and Loss Sharing on Deposits as defined by the said standard. The standard has resulted in certain new disclosures in the financial statements of the Bank as disclosed in Annexure A to these Financial Statements.

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or do not have any significant effect on the Bank's operations and therefore not detailed in these financial statements.

5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas where various assumptions and estimates are significant to the Bank's financial statements or where judgment was exercised in application of accounting policies are as follows:

5.1 Classification of investments

In classifying investments the Bank follows the guidance provided in SBP circulars:

- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

5.2 Impairment of available-for-sale equity investments

The Bank determines that "available-for-sale" equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolong requires management to exercise judgment. In making this judgment, the Bank evaluates among other factors, the volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

5.3 Provision against non-performing loans and advances and debt securities classified as investments

The Bank reviews its loan portfolio and debt securities classified as investments to assess the amount of non-performing loans and advances and debt securities and provision required there-against. While assessing this requirement various factors including the delinquency in the account, financial position of the borrower, the forced sale value of securities and requirements of the Prudential Regulations are considered. For portfolio impairment provision on consumer advances, the Bank follows the general provision requirement set out in Prudential Regulations.

5.4 Income taxes

While making the estimates for income taxes currently payable by the Bank, management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making provision for deferred taxes, estimates of the Bank's future taxable profits and expected reversal of deductible temporary differences are taken into account.

5.5 Depreciation, amortization and revaluation of operating fixed assets

In making estimates of the depreciation / amortization method, management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8, "Accounting Policies, Changes in Accounting Estimates and Errors".

Further, the Bank estimates the revalued amount of land and buildings on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the current market conditions.

5.6 Defined benefit plan

The liability of the defined benefit plan (gratuity) is determined using actuarial advice using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets and future salary increases, which have been disclosed in note 33.10. Actuarial assumptions

are entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Changes in these assumptions in future years may affect the liability / asset under the plan in those years.

5.7 Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest rates in-effect at the date of statement of financial position and the rates contracted.

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the financial statements of the Bank for the year ended December 31, 2014, except for the change in accounting policies as disclosed in note 4.4. These are enumerated as follows:

6.1 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts.

6.2 Lendings to / borrowings from financial institutions

The Bank enters into transactions of borrowing (re-purchase) from and lending (reverse re-purchase) to financial institutions, at contracted rates for a specified period of time. These are recorded as under:

a) Sale under repurchase agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognized in the statement of financial position and are measured in accordance with accounting policies for investment and counterparty liability is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as mark-up/return/interest expense and accrued over the term of the repo agreement.

b) Purchase under resale agreement

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognized in the statement of financial position, instead amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up/return/interest income and accrued over the term of the reverse repo agreement.

c) Other lendings

Other lendings include term lendings and unsecured lendings to financial institutions. These are stated net of provision. Mark-up / interest income on such lendings is recorded on time proportion basis using effective interest rate method except mark-up on impaired/delinquent lendings, which are recognized on receipt basis.

d) Other borrowings

Other borrowings including borrowings from SBP are recorded at proceeds received. Mark-up expense on such borrowings is charged to the profit and loss account on time proportion basis using effective interest method.

6.3 Investments

6.3.1 Classification

The Bank classifies its investments as follows:

Held-for-trading

These are securities which are either acquired for generating a profit from short-term fluctuations in market prices, interest rate movements & dealer's margin or are securities included in a portfolio in which a pattern of short-term profit taking exists.

Held-to-maturity

These are securities with fixed or determinable payments and fixed maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

Available-for-sale

These are investments that do not fall under the "held for trading" or "held-to-maturity" categories.

Associates

Investments in associated companies are stated at cost. Provision is made for impairment in value, if any.

6.3.2 Regular way contracts

All purchases and sales of investments that require delivery within the timeframe established by regulation or market convention are recognized at trade date, which is the date at which the Bank commits to purchase or sell the investments.

6.3.3 Initial measurement

Investments other than those categorized as "held-for-trading" are initially recognized at fair value, which includes transaction costs associated with investments. Investments classified as "held-for-trading" are initially recognized at fair value and transaction costs are expensed in the profit and loss account.

6.3.4 Subsequent measurement

Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account.

Held-to-maturity

These are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts.

Available-for-sale

Quoted-securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Any surplus / deficit arising thereon is kept in a separate account shown in the statement of financial position below equity and taken to the profit and loss account when actually realized upon disposal or when the investment is considered to be impaired.

Unquoted equity securities are valued at the lower of cost or break-up value. A decline in the carrying value is charged to the profit and loss account. The break-up value of these equity securities is calculated with reference to the net assets of the investee company as per the latest available audited financial statements. Investments in other unquoted securities are valued at cost less impairment losses.

6.3.5 Impairment

Provision for diminution in the value of securities is made after considering impairment, if any, in their value and charged to profit and loss account. Impairment is recognized when there is an objective evidence of significant or prolonged decline in the value of such securities. Provision for impairment against debt securities is made as per the aging criteria prescribed by the Prudential Regulations of SBP.

6.4 Advances

6.4.1 Conventional

Advances are stated net of specific and general provisions. Specific and general provision against advances is determined on the basis of Prudential Regulations and other directives issued by the SBP and charged to the profit and loss account. Advances are written-off when there are no realistic prospects of recovery.

6.4.2 Murabaha

Funds disbursed for purchase of goods are recorded as 'Advance for Murabaha'. On culmination of Murabaha, i.e. sale of goods to customers, Murabaha financings are recorded at the deferred sale price net of profit. Goods that have been purchased but remained unsold are recorded as inventories. Profit is recorded at the time of sale of goods under Murabaha as deferred income and is included in the amount of murabaha financings. Profit is taken to the profit and loss account over the period of the murabaha.

6.4.3 Ijarah financings

Ijarah financings executed on or before December 31, 2008 have been accounted for under Finance method, thereafter all Ijarah financings are accounted for under IFAS-2.

- (a) Under Finance method, the present value of minimum Ijarah payments have been recognized and shown under financings. The unearned income, i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognized as income on a receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the Mustajir (lessee).
- (b) Under IFAS-2 method, assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment losses, if any, and are shown under financing. Rentals accrued from Ijarah financings net of depreciation charged are taken to profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to Mustajir up to the date of maturity / termination of Ijarah agreement.

6.4.4 Diminishing Musharakah

Diminishing Musharakah represents an asset in joint ownership, whereby a partner promises to buy the equity share of the other partner until the title to the equity is totally transferred to him. The partner using the asset pays the proportionate rental of such asset to the other partner (the Bank). Profit on Diminishing Musharakah financings is recognized on accrual basis.

6.5 Inventories

The Bank values its inventories at the lower of cost or net realizable value. Cost of inventories represents the actual purchase made by the Bank / customers as an agent on behalf of the Bank for subsequent sale. The net realizable value is the estimated selling price in the ordinary course of business less the estimated cost necessary to make the sale.

Notes to the Financial Statements

For the year ended December 31, 2014

6.6 Operating fixed assets and depreciation

6.6.1 Capital-work-in progress

Capital-work-in progress is stated at cost less accumulated impairment losses, if any. These are transferred to operating fixed assets as and when the assets are available for use.

6.6.2 Tangible fixed assets

Property and equipment, except land which is not depreciated, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of fixed assets. Land is carried at revalued amount.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account when incurred.

Depreciation on fixed assets is charged to income over the useful life of the asset on a systematic basis by using the straight line method at the rates stated in note 12.2. Depreciation charge commences from the month when the asset is available for use and continues till the month the asset is discontinued either through disposal or retirement.

Surplus arising on revaluation of land is credited to the 'surplus on revaluation of fixed assets' account. Deficit (if any) arising on subsequent revaluation of fixed assets is adjusted against above mentioned surplus account as allowed under the provisions of the Companies Ordinance, 1984.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal of fixed assets are included in income currently.

6.6.3 Intangible assets

Intangible assets having finite useful life are stated at cost less accumulated amortization and impairment losses, if any. Such Intangible assets are being amortized using the straight-line method over their useful lives as stated in note 12.3. Amortization is charged from the month of acquisition and up to the month of deletion. The useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Costs associated with maintaining computer software are recognized as an expense when incurred.

6.6.4 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax assets, are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. Recoverable amount is the greater of net selling price and value in use. The resulting impairment loss is taken to the profit and loss account except for the impairment loss on revalued assets, which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of that asset.

6.7 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

6.7.1 Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profits for the year. The charge for the current year also includes adjustments, where considered necessary relating to prior years, arising from assessments finalized during the year for such years.



6.7.2 Deferred

Deferred tax is recognized using the balance sheet liability method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is calculated at the tax rates that are expected to apply to the periods when the differences are expected to reverse, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax, if any, on revaluation of fixed asset and investments is recognized as an adjustment to surplus / (deficit) arising on revaluation in accordance with the requirements of IAS-12 "Income Taxes".

6.8 Staff retirement benefits

6.8.1 Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees. Contributions are made to the fund by the Bank in accordance with the rules of the scheme. Employees are entitled to the benefits under the scheme which comprise of two last drawn basic salaries for each completed year of service. Contributions to the fund are made on the basis of actuarial recommendations. Actuarial valuation was carried out on December 31, 2014 using the Projected Unit Credit Method. Actuarial gains and losses, if any, arising during the year are recognized immediately in other comprehensive income.

6.8.2 Defined contribution plan

The Bank operates a recognized contributory provident fund covering all its permanent employees. Equal monthly contributions are made by the Bank and the employees to the fund at a rate of fifteen percent of basic salary.

6.9 Financial instruments

6.9.1 Financial assets and liabilities

Financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provision of the instrument. Financial assets are de-recognized when the contractual right to future cash flows from the asset expires or is transferred along with the risk and reward of the asset. Financial liabilities are de-recognized when obligation specific in the contract is discharged, cancelled or expired. Any gain or loss on de-recognition of the financial asset and liability is recognized in the profit and loss account of the current period. The particular recognition and subsequent measurement methods adopted for significant financial assets and financial liabilities are disclosed in the individual policy statements associated with them.

6.9.2 Derivative financial instruments

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative financial instruments is taken to the profit and loss account.

6.10 Revenue recognition

6.10.1 Income on murabaha is accounted for on culmination of murabaha transaction and is recognized as revenue on a time proportionate basis. Unearned profit is accounted for by crediting deferred murabaha income, which is recorded as a liability.

6.10.2 Return / mark-up on regular loans / advances (other than murabaha) and debt securities investments is recognized on time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.

Notes to the Financial Statements

For the year ended December 31, 2014

- 6.10.3** Interest / return / mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.
- 6.10.4** For Ijarah contracts written up to December 31, 2008, the Bank follows finance method in recognizing income. Under this method the unearned finance income, i.e., the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility, is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognized as income on receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the Mustajir.
- 6.10.5** Rentals on Ijarah contracts written subsequent to December 31, 2008 are recognized as income on accrual basis as and when the rentals become due. Income is recognized net of depreciation charged in the profit and loss account.
- 6.10.6** Dividend income is recognized when the Bank's right to receive the dividend is established.
- 6.10.7** Fee, commission, liquidated damages etc. are recorded on accrual basis when the service has been provided. Fees and commission which in substance amount to an additional interest charge, are recognized over the life of the underlying transaction on a level yield basis.
- 6.10.8** Gain / loss on sale of investments is credited / charged to profit and loss account.

6.11 Foreign currencies

a) Foreign currency transactions and balances

Transactions in foreign currencies are translated into Pakistani Rupees at the exchange rates prevailing on the transaction date. Monetary assets and liabilities in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing on the reporting date. Foreign bills purchased and forward foreign exchange contracts are valued at forward rates applicable to their respective maturities.

b) Translation gains and losses

Translation gains and losses are included in profit and loss account.

c) Commitments

Commitments for outstanding forward foreign exchange contracts disclosed in the financial statements are translated at forward rates applicable to their respective maturities. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing on the reporting date.

6.12 Segment Reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segment information is presented as per the guidance of SBP.

Business Segments

The Bank comprises of following main business segments:

a) Corporate finance

This includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts instruments, equity, syndication, IPO and secondary private placements.

b) Trading and sales

It includes fixed income, equity, foreign exchanges, commodities, credit, funding, own position securities, lending and repos, brokerage debt and prime brokerage.



c) Retail banking

It includes retail lending and deposits, banking services, trust and estates, private lending and deposits, banking services, and retail offered to its retail customers.

d) Commercial banking

Commercial banking includes project finance, real estate, export finance, trade finance, factoring, leasing, lending, guarantees, bills of exchange and deposits.

Geographical segments

The Bank conducts all its operations in Pakistan.

6.13 Provisions

Provisions are recognized when the Bank has a legal or constructive obligation arising as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are reviewed at each reporting date and are adjusted to reflect the current best estimate.

Provision against identified non-funded losses is recognized when intimated and reasonable certainty exists for the Bank to settle the obligation. The loss is charged to the profit and loss account net of expected recovery and is classified under other liabilities.

6.14 Borrowings / deposits and their cost

- a) Borrowings / deposits are recorded at the proceeds received.
- b) Borrowings / deposits cost are recognized as expense in the period in which these are incurred using effective mark-up / interest rate method.

6.15 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Bank intends to either settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

6.16 Assets acquired in satisfaction of claims

The Bank occasionally acquires assets in settlement of certain advances. These are stated at lower of its carrying amount and the fair value less costs to sell. Impairment losses are recognized through profit and loss account for any initial or subsequent write down of the asset to fair value less costs to sell. Subsequent gains in fair value less costs to sell are recognized to the extent they do not exceed the cumulative impairment losses previously recorded.

6.17 Earnings per share

The Bank presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year.

6.18 Dividends and appropriations to reserves

Dividend and appropriation to reserves, except appropriations which are required under the law, after the reporting date, are recognized in the Bank's financial statements in the year in which these are approved.

6.19 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in statement of financial position.

Notes to the Financial Statements

For the year ended December 31, 2014

		2014	2013
7 CASH AND BALANCES WITH TREASURY BANKS	Note	(Rupees in '000)	
In hand:			
Local currency		818,961	685,755
Foreign currencies		166,196	69,459
National prize bonds		937	1,161
		<u>986,094</u>	<u>756,375</u>
With State Bank of Pakistan in:			
Local currency current accounts	7.1	2,625,829	2,905,027
Foreign currency current accounts	7.1	24,921	26,647
Foreign currency deposit accounts	7.2	70,353	65,196
		<u>2,721,103</u>	<u>2,996,870</u>
With National Bank of Pakistan in:			
Local currency current accounts		353,747	98,053
Local currency deposit accounts		15,451	181,780
Foreign currency current accounts		34,562	35,600
		<u>403,760</u>	<u>315,433</u>
		<u>4,110,957</u>	<u>4,068,678</u>

7.1 The current accounts are maintained under the requirements of section 22 of the Banking Companies Ordinance, 1962 as amended from time to time.

7.2 These represent accounts maintained for mandatory reserve requirements with the SBP. These accounts currently carry no mark-up.

		2014	2013
8 BALANCES WITH OTHER BANKS	Note	(Rupees in '000)	
In Pakistan			
On current account		2,036,090	1,840,274
On deposit account	8.1	351,341	1,077,031
		<u>2,387,431</u>	<u>2,917,305</u>
Outside Pakistan			
On current account		-	-
On deposit account	8.2	132,105	905,974
		<u>132,105</u>	<u>905,974</u>
		<u>2,519,536</u>	<u>3,823,279</u>
Less: Provision for doubtful placement with a bank	8.3	(10,028)	(10,028)
		<u>2,509,508</u>	<u>3,813,251</u>

8.1 These represent short-term deposits with banks at mark-up rates ranging from 4.12% to 9.00% (2013: 0.05% to 9.12%) per annum.

8.2 These represents placements of funds with banks outside Pakistan, which have been generated through the foreign currency deposit scheme (FE-25). These placements carry no mark-up.



Notes to the Financial Statements

For the year ended December 31, 2014

2014

2013

	Note	(Rupees in '000)	
8.3 Particulars of provision for doubtful placement with a bank			
Opening balance		10,028	10,028
Charge for the year		-	-
Reversals		-	-
Closing balance		10,028	10,028
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending	9.2	850,000	2,000,000
Repurchase agreement lendings (Reverse repo)	9.3 & 9.6	-	3,950,301
Placements with financial institutions	9.4	1,488,944	1,788,944
		2,338,944	7,739,245
Less: Provision against lendings to financial institutions	9.5	(238,944)	(238,944)
		2,100,000	7,500,301
9.1 Particulars of lendings			
In local currency		2,100,000	7,500,301
In foreign currencies		-	-
		2,100,000	7,500,301
9.2	These represent unsecured lendings to commercial banks at mark-up rates ranging from 9.25% to 9.50% (2013: 7.00% to 10.40%) per annum. These will mature on various dates, latest by January 12, 2015.		
9.3	These represent repurchase agreement lendings (reverse repo) secured against government securities carrying mark-up rate ranging nil as on December 31, 2014 (2013: 9.65 % to 10%) per annum.		
9.4	This includes Rs. 238.944 million that is overdue and fully provided. The remaining balance with commercial banks carries interest at mark-up rate ranging between 9.25% and 9.42% (2013: 7.5% and 9.5%) and will mature on various dates, latest by March 30, 2015.		

2014

2013

(Rupees in '000)

9.5 Particulars of provision against lendings to financial institutions			
Opening balance		238,944	238,944
Charge for the year		-	-
Reversals		-	-
Closing balance		238,944	238,944

Notes to the Financial Statements

For the year ended December 31, 2014

9.6 Securities held as collateral against lending to financial institutions

	2014			2013		
	Held by bank	Further Given as collateral	Total	Held by bank	Further Given as collateral	Total
	----- Rupees in '000 -----					
Market Treasury Bills	-	-	-	2,988,451	-	2,988,451
Pakistan Investment Bonds	-	-	-	961,850	-	961,850
	-	-	-	3,950,301	-	3,950,301

10 INVESTMENTS

10.1 Investments by types

Held-for-trading securities

	Note	2014			2013		
		Held by bank	Further Given as collateral	Total	Held by bank	Further Given as collateral	Total
		----- Rupees in '000 -----					
Market Treasury Bills	10.2.1	-	-	-	3,674,355	11,713,209	15,387,564
Pakistan Investment Bonds	10.2.1	1,683,720	-	1,683,720	390,585	-	390,585
Units of open-end mutual funds		-	-	-	300,000	-	300,000
Ordinary shares in listed companies		29,743	-	29,743	28,548	-	28,548
GOP Ijarah Sukuk	10.2.1	1,503,072	-	1,503,072	-	-	-
		3,216,535	-	3,216,535	4,393,488	11,713,209	16,106,697

Available-for-sale securities

Market Treasury Bills	10.2.1	17,381,028	9,860,095	27,241,123	12,647,991	1,973,740	14,621,731
Pakistan Investment Bonds	10.2.1	23,163,871	-	23,163,871	12,173,069	-	12,173,069
GOP Ijarah Sukuk	10.2.1	8,500,124	-	8,500,124	6,770,482	-	6,770,482
Ordinary shares in listed companies		1,458,640	-	1,458,640	1,093,317	-	1,093,317
Ordinary shares in unlisted companies		30,487	-	30,487	30,487	-	30,487
Ordinary shares of related parties - Unlisted shares		112,500	-	112,500	112,500	-	112,500
Preference shares in listed companies	10.6	410,920	-	410,920	410,920	-	410,920
Listed term finance certificates		288,469	-	288,469	572,291	-	572,291
Unlisted term finance certificates		269,500	-	269,500	508,856	-	508,856
Units of open-end mutual funds	10.7	340,237	-	340,237	353,088	-	353,088
Units of closed-end mutual funds		50,000	-	50,000	118,673	-	118,673
Sukuk certificates		1,148,779	-	1,148,779	1,268,880	-	1,268,880
		53,154,555	9,860,095	63,014,650	36,060,554	1,973,740	38,034,294

Held-to-maturity securities

Pakistan Investment Bonds	10.2.1	5,309,368	-	5,309,368	-	-	-
Sukuk certificates		268,123	-	268,123	368,729	-	368,729
		5,577,491	-	5,577,491	368,729	-	368,729

Investment in associate

	10.1.1	40,504	-	40,504	40,504	-	40,504
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Investments at cost

		61,989,085	9,860,095	71,849,180	40,863,275	13,686,949	54,550,224
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Less: Provision for diminution in value of investments

	10.3	(876,204)	-	(876,204)	(948,190)	-	(948,190)
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Investments (net of provisions)

		61,112,881	9,860,095	70,972,976	39,915,085	13,686,949	53,602,034
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Unrealized gain/ (loss) on revaluation of held-for-trading securities - net

	10.5	29,962	-	29,962	118	(10,366)	(10,248)
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Surplus / (deficit) on revaluation of available-for-sale securities - net

	20	1,428,507	-	1,428,507	(226,939)	(1,684)	(228,623)
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Total investments

		62,571,350	9,860,095	72,431,445	39,688,264	13,674,899	53,363,163
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Notes to the Financial Statements

For the year ended December 31, 2014

10.1.1 Investment in associate - unlisted shares

	Number of shares	Percentage of holding	2014 ----- Rupees in '000 -----	2013 ----- Rupees in '000 -----
Taurus Securities Limited	4,050,374	30%	40,504	40,504

10.1.2 Summary of financial information of associate

Based on the financials	Assets	Liabilities	Equity	Revenue	Profit / (loss)
	----- Rupees in '000 -----				
Taurus Securities Limited 31 December, 2013	845,535	536,532	309,003	118,399	26,334

10.2 Investments by segments

	Note	2014 (Rupees in '000)	2013 (Rupees in '000)
Federal Government Securities:	10.2.2		
- Market Treasury Bills	10.2.1	27,241,123	30,009,295
- Pakistan Investment Bonds	10.2.1	30,156,959	12,563,654
- Government of Pakistan - Sukuks	10.2.1	10,003,196	6,770,482
		67,401,278	49,343,431
Fully paid up ordinary shares:			
- Listed companies		1,488,383	1,121,865
- Unlisted companies		30,487	30,487
		1,518,870	1,152,352
Related parties:			
- Ordinary shares in unlisted companies		112,500	112,500
Term finance certificates:			
- Listed term finance certificates		288,469	572,291
- Unlisted term finance certificates		269,500	508,856
		557,969	1,081,147
Units of mutual funds:			
- Open-end mutual funds	10.7	340,237	653,088
- Closed-end mutual funds		50,000	118,673
		390,237	771,761
Other investments:			
- Preference shares in listed companies	10.6	410,920	410,920
- Sukuk certificates		1,416,902	1,637,609
		1,827,822	2,048,529
Investment in associate		40,504	40,504
Total investments at cost		71,849,180	54,550,224
Less: Provision for diminution in value of investments	10.3	(876,204)	(948,190)
Investments - net of provisions		70,972,976	53,602,034
Unrealized gain/ (loss) on revaluation of held-for-trading securities - net	10.5	29,962	(10,248)
Surplus / (Deficit) on revaluation of available-for-sale securities - net	20	1,428,507	(228,623)
Total investments		72,431,445	53,363,163

Notes to the Financial Statements

For the year ended December 31, 2014

10.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Yield / Return	Maturity	Redemption	Coupon
Market Treasury Bills	9.99 % to 10.10%	06-Feb-2015 to 14-May-2015	On maturity	At maturity
Pakistan Investment Bonds	9.60 % to 12.00%	19-May-2016 to 17-Jul-2024	On maturity	Half yearly
Sukuk Certificates	7.49 % to 9.98%	25-Nov-2015 to 25-June-2017	On maturity	Half yearly

10.2.2 Federal Government Securities other than those offered as collateral, are held by the Bank to meet Statutory Liquidity Requirements (SLR) of the SBP calculated on the basis of time and demand liabilities.

	Note	2014 (Rupees in '000)	2013
10.3 Particulars of provision for diminution in value of investments			
Opening balance		948,190	811,609
Charge for the year	10.3.1	14,051	5,699
Reversal on disposals		(86,037)	(64,118)
		(71,986)	(58,419)
Transferred from loans and advances	10.3.2	-	195,000
Closing balance		876,204	948,190

10.3.1 This includes impairment charge of Rs. 14.051 million (2013: 5.699 million) in respect of available-for-sale equity securities.

10.3.2 During the prior year ended December 2013, a customer advance was restructured and the bank received preference shares under restructuring agreement from the counter party. Consequently, the advance along with the provision there of has been reclassified to investments.

10.3.3 Particulars of provision in respect of type and segment

By type

	Note	2014 (Rupees in '000)	2013
Available-for-sale securities			
Ordinary shares in listed companies		80,882	79,343
Ordinary shares in unlisted companies		30,487	30,487
Ordinary shares in unlisted companies - related parties		41,760	35,342
Preference shares in listed companies	10.6	410,920	410,920
Units in open-end mutual funds		80,050	85,399
Units in closed-end mutual funds		500	46,582
Term finance certificates / Sukuk certificates		231,605	235,117
Held-to-maturity securities			
Sukuk certificates		-	25,000
		876,204	948,190

Notes to the Financial Statements

For the year ended December 31, 2014

By segment

Fully paid up ordinary shares

		2014	2013
(Rupees in '000)			
Listed companies		80,882	79,343
Unlisted companies		30,487	30,487
Unlisted companies - related parties		41,760	35,342
Units of open-end mutual funds		80,050	85,399
Units of closed-end mutual funds		500	46,582
Preference shares in listed companies	10.6	410,920	410,920
Term finance certificates / Sukuk certificates		231,605	260,117
		876,204	948,190

10.4 Information relating to investment in ordinary shares / certificates of listed and unlisted companies / mutual funds, term finance certificates, sukus and bonds, which is required to be disclosed as part of the financial statements under State Bank of Pakistan's BSD Circular No. 04 dated February 17, 2006, is disclosed in Annexure "C" to these financial statements. Information relating to quality of available-for-sale securities is given in Annexure "D".

10.5 Unrealized gain / (loss) on revaluation of investments classified as held-for-trading

	2014	2013
(Rupees in '000)		
Market Treasury Bills	-	(11,939)
Pakistan Investment Bonds	31,513	634
Units in open-ended mutual funds	-	1,875
Ordinary shares in listed companies	(1,029)	(818)
GOP Ijarah Sukuk	(522)	-
	29,962	(10,248)

10.6 Details of investment in preference shares - listed

Name of Company	Note	Percentage of Holding	No. of shares	Paid-up Value per certificate	Total paid-up value	Breakup value per Share	Total Cost December 31, 2014	Based on audited accounts as at	Name of Chief Executive / Managing Agent
(Rupees in '000)									
First Dawood Investment Bank Limited	10.6.1	20%	14,092,000	10	140,920	-	140,920	June 30, 2014	Mr. Rasheed Y. Chinoy
Trust Investment Bank Limited	10.6.2	24%	7,500,000	10	75,000	-	75,000	June 30, 2014	Mr. Ahsan Rafiq
Saudi Pak Leasing Company Limited	10.6.3	37%	19,500,000	10	195,000	-	195,000	June 30, 2014	Muhammad Tariq Masood
							410,920		

10.6.1 This represents 4% cumulative preference shares redeemable at par after five years. The preference shares are non-voting, non-participatory and have a call option exercisable after two years of issue (i.e. June 9, 2010), available to the issuer and conversion option available to the Bank at par value, any time after issue.

10.6.2 This represents KIBOR plus 1% cumulative, convertible, redeemable and non-voting preference shares with call option available to the issuer and conversion option available to the Bank, after completion of three years from the date of issue i.e. June 10, 2010.

10.6.3 This represents 2.5% non-cumulative, non voting and non redeemable preference shares convertible at any time from the date of issue. The Bank has received these preference shares against the settlement of a debt (note 10.3.2)

10.7 This includes investment in Dawood Income Fund (DIF) amounting to Rs. 290.236 million. SECP has allowed Dawood Capital Management to carry on business in the best interest of unit holders in their decision dated January 22, 2015.

Notes to the Financial Statements

For the year ended December 31, 2014

		2014	2013
11 ADVANCES	Note	(Rupees in '000)	
Loans, cash credits & running finances, etc.			
In Pakistan		32,930,963	32,541,757
Outside Pakistan		-	-
		<u>32,930,963</u>	<u>32,541,757</u>
Islamic financing and related assets	11.2	8,798,770	4,669,043
Net investment in Ijarah:			
In Pakistan	11.3	830,407	556,460
Outside Pakistan		-	-
		<u>830,407</u>	<u>556,460</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		320,432	345,557
Payable outside Pakistan		362,002	226,214
		<u>682,434</u>	<u>571,771</u>
Advances - gross	11.1	43,242,574	38,339,031
Less: Provision for non-performing advances	11.5	(3,185,404)	(2,888,830)
Advances - net of provision		<u>40,057,170</u>	<u>35,450,201</u>
11.1 Particulars of advances - gross			
11.1.1 In local currency		43,242,574	38,339,031
In foreign currencies		-	-
		<u>43,242,574</u>	<u>38,339,031</u>
11.1.2 Short term (for up to one year)		32,478,892	29,225,306
Long term (for over one year)		10,763,682	9,113,725
		<u>43,242,574</u>	<u>38,339,031</u>
11.2 Islamic financing and related assets (Annexure 'A')			
Murabaha financing		2,639,484	3,833,784
Diminishing Musharakah		1,945,182	720,953
Istisna financing		199,950	100,000
Qarz-e-Hasna		5,641	5,793
Salam		4,000,000	-
Others		8,513	8,513
		<u>8,798,770</u>	<u>4,669,043</u>
11.3 Net investment in Ijarah			
Ijarah under finance method	11.3.1	14,266	24,097
Ijarah under IFAS-2	11.3.2	811,943	532,363
		<u>826,209</u>	<u>556,460</u>
Assets/inventory		4,198	-
		<u>830,407</u>	<u>556,460</u>

Notes to the Financial Statements

For the year ended December 31, 2014

11.3.1 Ijarah under finance method

	2014				2013			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)							
Ijarah rentals receivable	9,799	5,075	706	15,580	12,160	10,582	1,037	23,779
Residual value	502	1,268	10	1,780	4,477	1,273	10	5,760
Minimum Ijarah rentals	10,301	6,343	716	17,360	16,637	11,855	1,047	29,539
Profit for future periods	(1,614)	(1,387)	(93)	(3,094)	(2,515)	(2,927)	-	(5,442)
Ijarah under finance method	<u>8,687</u>	<u>4,956</u>	<u>623</u>	<u>14,266</u>	<u>14,122</u>	<u>8,928</u>	<u>1,047</u>	<u>24,097</u>

11.3.2 Ijarah under IFAS-2

Ijarah assets under IFAS-2 are stated at cost of Rs. 1,059.012 million (2013: Rs. 937.646 million) less accumulated depreciation of Rs. 247.069 million (2013: Rs. 405.283 million) in accordance with the SBP letter No. BPRD/BLRD-04/2008-6268.

11.4 Advances include amounts aggregating to Rs. 4,509.496 million (2013: Rs. 3,856.641 million) which have been placed under non-performing status as detailed below:

Category of classification	2014								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets - Especially Mentioned *	17,262	-	17,262	1,174	-	1,174	1,174	-	1,174
Substandard	235,286	-	235,286	25,352	-	25,352	25,352	-	25,352
Doubtful	787,975	-	787,975	204,355	-	204,355	204,355	-	204,355
Loss	3,468,973	-	3,468,973	2,912,042	-	2,912,042	2,912,042	-	2,912,042
	<u>4,509,496</u>	<u>-</u>	<u>4,509,496</u>	<u>3,142,923</u>	<u>-</u>	<u>3,142,923</u>	<u>3,142,923</u>	<u>-</u>	<u>3,142,923</u>
	2013								
Category of classification	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000)								
Other Assets - Especially Mentioned *	15,446	-	15,446	1,441	-	1,441	1,441	-	1,441
Substandard	306,911	-	306,911	53,591	-	53,591	53,591	-	53,591
Doubtful	294,579	-	294,579	44,218	-	44,218	44,218	-	44,218
Loss	3,239,705	-	3,239,705	2,764,653	-	2,764,653	2,764,653	-	2,764,653
	<u>3,856,641</u>	<u>-</u>	<u>3,856,641</u>	<u>2,863,903</u>	<u>-</u>	<u>2,863,903</u>	<u>2,863,903</u>	<u>-</u>	<u>2,863,903</u>

* Other Assets Especially Mentioned category pertains to agricultural finance and small enterprise.

11.4.1 State Bank of Pakistan through various circulars has allowed benefit of the forced sales value (FSV) of Plant & Machinery under charge, pledged stock & mortgaged residential, commercial and industrial properties (land and building only) held as collateral against Non-Performing Loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2014, the Bank has availed cumulative benefit of forced sale values of Rs. 770.151 million (2013: Rs. 596.334 million). Increase in unappropriated profit net of tax amounting to Rs. 500.598 million is not available for the distribution of cash and stock dividend to the shareholders.

Notes to the Financial Statements

For the year ended December 31, 2014

11.5 Particulars of provision against non-performing loans and advances

Note	2014			2013		
	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	-	-	-	(195,000)	-	(195,000)
Charge for the year	540,866	17,554	558,420	643,717	16,861	660,578
Reversals	(252,536)	-	(252,536)	(519,778)	-	(519,778)
	288,330	17,554	305,884	123,939	16,861	140,800
Amounts written off	(9,310)	-	(9,310)	(72,991)	-	(72,991)
Closing balance	<u>3,142,923</u>	<u>42,481</u>	<u>3,185,404</u>	<u>2,863,903</u>	<u>24,927</u>	<u>2,888,830</u>

11.5.1 Particulars of provision against non-performing loans and advances

	2014			2013		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
In local currency	3,142,923	42,481	3,185,404	2,863,903	24,927	2,888,830
In foreign currencies	-	-	-	-	-	-
	<u>3,142,923</u>	<u>42,481</u>	<u>3,185,404</u>	<u>2,863,903</u>	<u>24,927</u>	<u>2,888,830</u>

11.5.2 The State Bank of Pakistan vide his letter No. BPRD/BRD-Policy/2014-19618 dated October 17, 2014 has provided relaxation to M/s Wateen Telecom Limited for payment of outstanding loan amounting to Rs 67.513 million up to October 31, 2014. Further more the bank has restructured the case before expiry of said period, hence no provision has been made in these financial statements.

Note	2014		2013	
	(Rupees in '000)			
11.6 Particulars of write-offs				
11.6.1 Against provisions		9,310		72,991
Directly charged to profit and loss account		-		-
		<u>9,310</u>		<u>72,991</u>
11.6.2 Write-offs of Rs. 500,000 and above	11.6.3	9,310		72,991
Write-offs below Rs. 500,000		-		-
		<u>9,310</u>		<u>72,991</u>

11.6.3 Details of loan write-off or other financial relief of Rs. 500,000 and above:

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, a Statement in respect of written off loans or financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2014 is given in Annexure 'B'. However, these write-offs do not affect the Bank's right to recover debts from these customers.

Notes to the Financial Statements

For the year ended December 31, 2014

2014

2013

(Rupees in '000)

11.7 Particulars of loans and advances to directors, related parties, etc.

Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons

Balance at beginning of year	1,129,621	982,084
Loans granted during the year	377,338	261,992
Repayments	(107,606)	(114,455)
Balance at end of year	1,399,353	1,129,621

12 OPERATING FIXED ASSETS

Capital work-in-progress	12.1	108,901	168,679
Property and equipment	12.2	1,526,355	1,429,210
Intangible assets	12.3	5,798	6,575
		1,641,054	1,604,464

12.1 Capital work-in-progress

Intangibles	23,167	17,784
Office equipment	15,529	48,631
Advances to suppliers and contractors	70,205	102,264
	108,901	168,679

12.2 Property and equipment

Description	COST / REVALUATION			ACCUMULATED DEPRECIATION			Book value as at December 31, 2014	Useful Life (Number of Years)
	As at January 1, 2014	Additions / (Disposals) / (Adjustments)	As at December 31, 2014	As at January 1, 2014	Charge for the year / (depreciation on disposals) / (Adjustments)	As at December 31, 2014		
------(Rupees in '000)-----								
Leasehold land (12.2.1)	883,410	-	883,410	-	-	-	883,410	-
Freehold land	76,705	-	76,705	-	-	-	76,705	-
Building on leasehold land	11,620	-	11,620	11,620	-	11,620	-	10
Building on freehold land	131,267	-	131,267	13,445	12,930	26,375	104,892	10
Furniture and fixture	124,798	25,164 (988) 194	149,168	56,896	14,209 (946) 86	70,245	78,923	05 - 10
Office equipment	349,499	131,309 (10,639)	470,169	200,955	68,447 (10,537)	258,865	211,304	03 - 10
Vehicles	19,682	6,735 (1,954)	24,463	13,363	2,653 (1,786)	14,230	10,233	05
Library books	631	21	652	605	9	614	38	10
Renovation / Premises	255,963	92,756 (3,614) (194)	344,911	127,481	58,790 (2,125) (86)	184,060	160,851	05
	1,853,575	255,985 (17,195)	2,092,365	424,365	157,039 (15,394)	566,010	1,526,355	

Notes to the Financial Statements

For the year ended December 31, 2014

Description	COST / REVALUATION			ACCUMULATED DEPRECIATION			Book value as at December 31, 2013	Useful Life (Number of Years)
	As at January 1, 2013	Additions / (Disposals) / (Adjustments)	As at December 31, 2013	As at January 1, 2013	Charge for the year / (depreciation on disposals) / (Adjustments)	As at December 31, 2013		
(Rupees in '000)								
Leasehold land (12.2.2)	807,298	76,112	883,410	-	-	-	883,410	-
Freehold land	18,705	58,000	76,705	-	-	-	76,705	-
Building on leasehold land	11,620	-	11,620	9,676	1,944	11,620	-	10
Building on freehold land	39,267	92,000	131,267	7,939	5,506	13,445	117,822	10
Furniture and fixture	102,624	20,810	124,798	45,884	14,065	56,896	67,902	05 - 10
		(4,083)			(3,573)			
		5,447			520			
Office equipment	299,206	55,779	349,499	151,332	54,918	200,955	148,544	03-10
		(5,486)			(5,295)			
Vehicles	24,211	335	19,682	12,252	3,936	13,363	6,319	05
		(4,864)			(2,825)			
Library books	623	8	631	438	167	605	26	10
Renovation / Premises	219,564	41,916	255,963	84,583	43,468	127,481	128,482	05
		(70)			(50)			
		(5,447)			(520)			
	1,523,118	344,960	1,853,575	312,104	124,004	424,365	1,429,210	
		(14,503)			(11,743)			

12.2.1 Revaluation of leasehold land

During the financial year ended 2013, the Bank arranged for revaluation of its leasehold land from an independent professional valuer M/s. Amir Evaluators and Consultants on April 22, 2013. Revaluation was carried out on the basis of professional assessment of present market value and resulted in an increase in carrying value as on balance sheet date. However, the management subsequent to the current year ended December 31, 2014, 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.

12.2.2 The gross carrying amount (cost) of fully depreciated assets, that are still in use are as follows:

	Rupees in '000'
Building on leasehold land	11,620
Building on free hold land	1,964
Furniture & fixture	25,920
Office equipment	93,110
Vehicles	4,516
Library books	401
Renovation	41,935
Intangibles	12,880

Notes to the Financial Statements

For the year ended December 31, 2014

12.2.3 Details of disposals of fixed assets

The details of assets disposed off during the year are as follows:

Description	Cost	Accumulated Depreciation	Net Book Value	Sale proceeds	Mode of Disposal	Particular of Purchaser
----- (Rupees in '000) -----						
Furniture & fixture	988	946	42	142	Auction	M/s. Suvastu Building Centre Mingora, Mr. Gul Wali Khan
Office equipment	10,639	10,537	102	1,428	Auction/ buy back	M/s. Suvastu Building Centre Mingora, M/s Innovative (Pvt) Ltd
Renovation	3,614	2,125	1,489	519	Auction/ adjustment	M/s. Suvastu Building Centre Mingora, M/s Planam Project, KHI
Vehicles	1,954	1,786	168	1,713	Auction	Mr. Liaquat Zaman, Mr. Anjum Nisar
	<u>17,195</u>	<u>15,394</u>	<u>1,801</u>	<u>3,802</u>		

12.3 Intangible assets

Description	COST		ACCUMULATED AMORTIZATION				Book Value as at December 31, 2014	Amortization Rate (%)
	As at January 1, 2014	Additions	As at December 31, 2014	As at January 1, 2014	Charge for the year	As at December 31, 2014		
----- (Rupees in '000) -----								
Software 2014	<u>20,965</u>	<u>3,067</u>	<u>24,032</u>	<u>14,390</u>	<u>3,844</u>	<u>18,234</u>	<u>5,798</u>	33.33%
Software 2013	<u>13,931</u>	<u>7,034</u>	<u>20,965</u>	<u>9,896</u>	<u>4,494</u>	<u>14,390</u>	<u>6,575</u>	33.33%

13 DEFERRED TAXATION

Note **2014** 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	4,724	168,000
Provision for diminution in the value of investments	90,126	111,162
Provision for other assets	3,448	3,448
Provision for Workers Welfare Fund	57,521	44,142
Re-measurement of defined benefit plan	-	9,081
Stabilization reserve	40,094	45,395
	<u>199,423</u>	<u>384,738</u>

Deferred tax liability arising in respect of:

Accelerated tax depreciation	(23,961)	(23,985)
Surplus on revaluation of investment	(490,622)	(61,523)
	<u>(514,583)</u>	<u>(85,508)</u>
Deferred tax asset/ (liability) - net	13.1 <u>(315,160)</u>	<u>299,230</u>

Notes to the Financial Statements

For the year ended December 31, 2014

13.1 Deferred tax asset-net

	Balance as at January 1, 2013	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2013	Recognised in Profit and Loss Account	Recognised in Equity	Balance as at December 31, 2014
----- (Rupees in '000) -----							
Deferred tax asset arising in respect of:							
Provision for balances with other banks	3,510	-	-	3,510	-	-	3,510
Deficit on revaluation of investments	6,077	-	161,923	168,000	-	(163,276)	4,724
Provision for diminution in the value of investments	112,196	(1,034)	-	111,162	(21,036)	-	90,126
Provision for non performing loans	-	-	-	-	-	-	-
Provision for other assets	3,448	-	-	3,448	-	-	3,448
Provision for Workers Welfare Fund	31,542	12,600	-	44,142	13,379	-	57,521
Capital loss carried forward	16,855	(16,855)	-	-	-	-	-
Re-measurement of defined benefit plan	-	-	9,081	9,081	-	(9,081)	-
Stabilization reserve	41,526	3,869	-	45,395	(5,301)	-	40,094
	215,154	(1,420)	171,004	384,738	(12,958)	(172,357)	199,423
Deferred tax liability arising in respect of:							
Accelerated tax depreciation	(30,015)	6,030	-	(23,985)	24	-	(23,961)
Surplus on revaluation of investment	(50,920)	-	(10,603)	(61,523)	-	(429,099)	(490,622)
	(80,935)	6,030	(10,603)	(85,508)	24	(429,099)	(514,583)
Deferred tax (liability) / asset - net	134,219	4,610	160,401	299,230	(12,934)	(601,456)	(315,160)

	Note	2014 (Rupees in '000)	2013
14 OTHER ASSETS			
Income / mark-up accrued in local currency		2,740,102	1,650,942
Advances, deposits, advance rent and other prepayments		242,246	224,412
Non-banking assets acquired in satisfaction of claims - at cost	14.1	271,124	271,124
Stationery and stamps on hand		6,342	7,738
Receivables against sale of securities		46,742	2,240
Others		93,897	58,616
		3,400,453	2,215,072
Less: Provision held against other assets	14.2	(144,332)	(144,192)
		3,256,121	2,070,880

14.1 The market value of non-banking assets with carrying amounts of Rs. 236.296 million (2013: Rs. 236.296 million) amounted to Rs. 243.230 million (2013: Rs. 241.056 million).

Notes to the Financial Statements

For the year ended December 31, 2014

		2014	2013
14.2 Provision held against other assets	Note	(Rupees in '000)	
Opening balance		144,192	144,724
Charge for the year	27	140	18,724
Reversal for the year		-	(19,256)
		140	(532)
Amounts written off		-	-
Closing balance		144,332	144,192
15 BILLS PAYABLE			
In Pakistan		586,407	521,035
Outside Pakistan		-	-
		586,407	521,035
16 BORROWINGS			
In Pakistan		14,192,181	15,157,773
Outside Pakistan		-	-
		14,192,181	15,157,773
16.1 Particulars of borrowings with respect to currencies			
In local currency		14,192,181	15,157,773
In foreign currencies		-	-
		14,192,181	15,157,773
16.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan:			
Under export refinance scheme	16.2.1	1,533,982	1,402,183
Under long term financing for export oriented projects	16.2.2	61,626	84,034
Agriculture refinance scheme	16.2.3	-	1,270
SME refinance scheme	16.2.4	4,747	6,981
		1,600,355	1,494,468
Repurchase agreement borrowings	16.2.5	9,860,095	13,663,305
		11,460,450	15,157,773
Unsecured			
Call borrowing	16.2.6	2,731,731	-
Foreign credit line		-	-
		2,731,731	-
		14,192,181	15,157,773

16.2.1 The Bank has entered into agreements for financing with the SBP for extending export finance to customers. As per the agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of finance by directly debiting the current account maintained by the Bank with the SBP. These carry mark-up at the rate of 7.5% (2013: 8.40%) per annum. The borrowings are repayable within 180 days from the deal date.

Notes to the Financial Statements

For the year ended December 31, 2014

- 16.2.2** This represents long term financing against export oriented projects availed by the Bank for further extending the same to its customers for export oriented projects, for a maximum period of 10 years. The loan repayments to SBP correspond the respective repayment from customers. The loan carries mark-up at the rate of 11.90% (2013: 5%) per annum.
- 16.2.3** The Bank adopted the Agriculture refinance scheme for flood affected areas launched by the SBP for rehabilitation of agricultural sector. During the year, SBP refinanced facilities under this scheme at the rate of 5% per annum (2013: 5% per annum).
- 16.2.4** This represents SBP refinance scheme for the Modernization of SME's. Under this scheme the loan is refinanced up to 100% by SBP. It carries mark-up at the rate 6.25% per annum (2013: 6.25% per annum).
- 16.2.5** Repurchase agreements with financial institutions carries interest rate ranging from 9.60% to 10.00% (2013: 9.85% to 10.40%) per annum with maturities up to January 2, 2015 and are secured by way of investments given as collateral as referred in note 10.1.
- 16.2.6** Call borrowings from financial institutions carries interest rate ranging from 9.55% to 9.60% (2013: nil) per annum with maturities up to April 15, 2015.

17 DEPOSITS AND OTHER ACCOUNTS

Customers

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

	2014	2013
Note	(Rupees in '000)	
	31,783,049	32,038,341
	39,982,105	25,385,251
	17,909,340	17,979,604
	1,073,632	663,589
	1,377,299	906,622
	<u>92,125,425</u>	<u>76,973,407</u>

Financial Institutions

Remunerative deposits
Non-remunerative deposits

136,440	243,494
1,829	832
<u>138,269</u>	<u>244,326</u>
<u>92,263,694</u>	<u>77,217,733</u>

17.1 Particulars of deposits

In local currency
In foreign currencies

91,857,056	76,816,533
406,638	401,200

<u>92,263,694</u>	<u>77,217,733</u>
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18 OTHER LIABILITIES

Mark-up / return / interest payable in local currency
Unearned commission and income on bills discounted
Accrued expenses
Branch adjustment account
Payable to gratuity fund
Share subscription money refund
Mark-up in suspense
Deferred income on murabaha
Security deposits against Ijarah
Islamic Pool Management Reserve
Payable to Worker's Welfare Fund
Current taxation (provision less payments)
Others

	1,995,285	1,305,407
	38,718	29,599
	43,801	89,560
	547,716	128,051
33.2	153,975	82,104
	1,091	1,091
	61,859	53,179
	106,548	86,388
	184,144	136,724
18.1	114,555	129,699
	164,120	126,120
	136,275	369,842
18.2	281,154	179,066
	<u>3,829,241</u>	<u>2,716,830</u>

Notes to the Financial Statements

For the year ended December 31, 2014

- 18.1** This includes equity portion of Profit Equalization Reserve amounting to Rs. 36.414 million (2013: nil), which has been presented as reserve in Annexure-A.
- 18.2** This includes Rs. 167.109 million (2013: Rs. 92.149 million) net of expenses incurred received in advance from the Government of Khyber Pakhtunkhwa against the service fee with respect to various poverty reduction schemes launched by the Provincial Government through the Bank to overcome the unemployment in the province resulting from the "War on Terror" and to facilitate and promote entrepreneurship. The Bank acts as an agent and has been made responsible to disburse and subsequently collect the loan from borrowers and charges service fee to the Government of Khyber Pakhtunkhwa for acting as an agent.

19. SHARE CAPITAL

19.1 Authorized capital

2014	2013		2014	2013	
		Number of shares			(Rupees in '000)
15,000,000,000	1,000,000,000	Ordinary shares of Rs.10 each	150,000,000	10,000,000	

19.2 Issued, subscribed and paid up capital Fully paid ordinary shares of Rs. 10/- each

2014	2013	Ordinary shares	Note	2014	2013
					(Rupees in '000)
722,698,448	722,698,448	Fully paid in cash		7,226,984	7,226,984
277,554,037	277,301,552	Issued as fully paid bonus shares	19.3 & 19.4	2,775,540	2,773,016
1,000,252,485	1,000,000,000			10,002,524	10,000,000

- 19.3** At December 31, 2014, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 702,208,233 (2013: 702,208,233) and 86,149,803 (2013: 86,149,803) ordinary shares of Rs. 10 each respectively.

19.4 Reconciliation of number of ordinary shares of Rs 10/- each.

	2014	2013
		Number of shares
Shares at the beginning of the year	1,000,000,000	900,143,348
Add: Issued during the year	252,485	99,856,652
Shares at the end of the year	1,000,252,485	1,000,000,000

Notes to the Financial Statements

For the year ended December 31, 2014

		2014	2013
20	SURPLUS ON REVALUATION OF ASSETS - NET OF TAX	Note	Rupees in '000
	Surplus / (Deficit) on revaluation of available-for-sale securities		
	Federal Government securities		
	- Market Treasury Bills	(4,169)	(38,366)
	- Pakistan Investment Bonds	1,216,495	(428,365)
	- Sukuk Certificates	(32,653)	-
	Fully paid up ordinary shares - listed	159,862	145,544
	Term finance certificates / Sukuk - listed	-	(13,269)
	Units in open-end mutual funds	88,972	91,279
	Units in closed-end mutual funds	-	14,554
	Deferred tax asset / (liability)	10.1 & 10.2 1,428,507 (485,898)	(228,623) 106,477
		942,609	(122,146)
	Surplus on revaluation of fixed assets		
	- Leasehold land	12.2.1 766,152	766,152
		1,708,761	644,006
21	CONTINGENCIES AND COMMITMENTS		
21.1	Direct credit substitutes		
	Contingent liabilities in respect of guarantees given favoring;		
	Banks	-	-
	Others	442,206	420,577
		442,206	420,577
21.2	Transaction - related contingent liabilities		
	Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favoring;		
	Government	5,195,334	7,299,343
	Others	3,218,568	340,038
		21.2.1 8,413,902	7,639,381

21.2.1 The above amount includes expired letters of guarantee aggregating to Rs. 1,824.489 million as at December 31, 2014 (2013: Rs. 1,683.9 million) for which the formalities relating to return of the original documents are in process.

Notes to the Financial Statements

For the year ended December 31, 2014

2014

2013

(Rupees in '000)

21.3 Trade-related contingent liabilities

Letters of credit		
Sight	2,230,557	2,133,769
Usance	76,396	152,755
	2,306,953	2,286,524
Acceptances	855,778	324,655
	3,162,731	2,611,179

21.4 Commitments in respect of forward exchange contracts

Purchase	1,657,105	457,729
Sale	1,595,661	1,090,592

21.4.1 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 year end, all foreign exchange contracts have a remaining maturity of less than one year.

21.5 Other commitments

2014

2013

(Rupees in '000)

Bills for collection		
Inland bills	485,589	178,799
Foreign bills	368,513	256,468
	854,102	435,267

21.6 Commitments to extend credit

The Bank makes commitments to extend credit in the normal course of its business but these being revokable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.

21.7 Commitment for the acquisition of operating fixed assets

Commitments as on reporting date amounts to Rs. 45.861 million (2013: Rs. 34.040 million).

21.8 The income tax assessments of the Bank have been finalized up to and including tax year 2014.

21.8.1 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. The Bank has filed an appeal against the order of the CIR (A) in respect of remaining additions. Management believes that this matter will be decided partially in favor of the Bank. Consequently, provision amounting to Rs. 10 million has been made in respect of this amount in the financial statements.

Notes to the Financial Statements

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
22 MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers		
Mark-up / return / interest earned on other facilities	3,312,174	2,919,248
On investments in		
Held-for-trading securities	290,952	99,210
Available-for-sale securities	5,266,354	3,746,528
Held-to-maturity securities	160,678	71,014
	5,717,984	3,916,752
On deposits with financial institutions	437,173	170,622
On securities purchased under resale agreements	283,345	400,165
	<u>9,750,676</u>	<u>7,406,787</u>
23 MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	5,342,731	4,090,562
Securities sold under repurchase agreement borrowings	386,378	162,250
Other short-term borrowings	478,193	82,040
Others	2,809	830
	<u>6,210,111</u>	<u>4,335,682</u>
24 GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities	14,209	2,820
Ordinary shares	297,076	128,937
Units in mutual funds	158,301	6,249
	<u>469,586</u>	<u>138,006</u>
25 OTHER INCOME		
Postal, SWIFT, service and other charges	38,004	43,464
Rent on lockers	2,332	2,356
Gain on sale of operating fixed assets	2,001	1,874
Gain on sale of non-banking assets acquired in satisfaction of claim	-	23,999
Miscellaneous income	28,499	15,598
	<u>70,836</u>	<u>87,291</u>

Notes to the Financial Statements

For the year ended December 31, 2014

		2014	2013
	Note	(Rupees in '000)	
26 ADMINISTRATIVE EXPENSES			
Salaries and allowances, etc.		1,309,858	1,078,888
Charge for defined benefit plan	33.6	60,471	56,156
Contribution to defined contribution plan - Provident Fund	34	63,755	49,563
Rent, taxes, insurance, electricity, etc.		343,037	257,614
Legal and professional charges		43,170	45,518
Communications		87,731	70,977
Repairs and maintenance		25,369	26,175
Stationery and printing		34,698	26,766
Advertisement and publicity		49,319	31,758
Auditors' remuneration	26.1	8,290	4,622
Depreciation	12.2	157,039	124,004
Amortization	12.3	3,844	4,494
Brokerage and commission		17,834	12,639
Entertainment		27,098	21,141
Travelling, boarding and lodging		48,335	49,681
Vehicle expenses		7,287	5,169
Newspapers and periodicals		1,427	1,279
Training		6,387	3,002
Sports		200	176
Software maintenance charges		3,752	717
Security charges		64,901	49,352
Others		56,691	50,664
		2,420,493	1,970,355

		2014	2013
		(Rupees in '000)	
26.1 Auditors' remuneration			
Audit fee		1,915	1,915
Fee for half-yearly review		830	830
Special certifications and sundry advisory services		4,978	1,227
Out-of-pocket expenses		567	650
		8,290	4,622
27 OTHER PROVISIONS / WRITE OFFS			
Reversal of provision against other assets - net		-	(532)
Write offs against fraud and forgery cases		140	5,209
	14.2	140	4,677

Notes to the Financial Statements

For the year ended December 31, 2014

	2014	2013
	(Rupees in '000)	
28 OTHER CHARGES		
Penalties imposed by State Bank of Pakistan	12,834	134
Workers Welfare Fund	38,000	36,000
	<u>50,834</u>	<u>36,134</u>
29 TAXATION		
Current - for the year	602,720	581,854
- for prior years	(24,551)	(62,043)
Deferred tax	12,934	(4,610)
	<u>591,103</u>	<u>515,201</u>
29.1 Relationship between tax expense and accounting profit		
Profit before taxation	1,900,523	1,669,230
Tax at the applicable rate of 35% (2013: 35%)	665,183	584,231
Effect of different tax rates used	(49,849)	(17,384)
Prior year tax	(24,551)	(62,043)
Tax effect of permanent differences	4,492	47
Others	(4,172)	10,350
	<u>591,103</u>	<u>515,201</u>
30 EARNINGS PER SHARE - BASIC AND DILUTED		
Profit for the year	<u>1,309,420</u>	<u>1,154,029</u>
	2014	2013
		(Restated)
	Number of shares	
Weighted average number of ordinary shares	<u>1,000,252,485</u>	<u>1,000,252,485</u>
	2014	2013
		(Rupees)
Earnings per share - Basic and Diluted	<u>1.31</u>	<u>1.15</u>
There is no dilution effect on basic earnings per share.	2014	2013
		(Rupees in '000)
	Note	
31 CASH AND CASH EQUIVALENTS		
Cash and balance with treasury banks	7 4,110,957	4,068,678
Balances with other banks	8 2,509,508	3,813,251
	<u>6,620,465</u>	<u>7,881,929</u>

Notes to the Financial Statements

For the year ended December 31, 2014

2014 2013

32 STAFF STRENGTH

Number of persons

Permanent	1,121	991
Temporary / on contractual basis	126	133
Daily wagers	1	11
Bank's own staff strength at the end of the year	1,248	1,135
Outsourced	835	366
Total staff strength	2,083	1,501

33 DEFINED BENEFIT PLAN

33.1 General description of the type of defined benefit plan and the accounting policy for recognizing actuarial gains and losses are disclosed in note 6.8.1 to these financial statements.

	Note	2014	2013
(Rupees in '000)			
33.2 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligations	33.3	(559,684)	(444,411)
Fair value of plan assets	33.4	405,709	362,307
	18	(153,975)	(82,104)

33.3 Movement in payable to defined benefit obligation

Opening balance	(444,411)	(331,201)
Current service cost	(50,276)	(49,816)
Interest cost	(57,295)	(36,432)
Benefits paid during the year	7,356	14,756
Actuarial (losses) / gain		
- Gain / (loss) from change in demographic assumptions	-	735
- Gain / (loss) from change in financial assumptions	-	46,835
- Experience (losses) / gains	(15,058)	(89,288)
	(15,058)	(41,718)
Closing balance	(559,684)	(444,411)

33.4 Movement in fair value of plan assets

Opening balance	362,307	273,560
Expected return on plan assets	47,100	30,092
Contribution during the year	-	57,640
Benefits paid by the fund	(7,356)	(14,756)
Actuarial gain / (loss) on plan assets	3,658	15,771
Closing balance	405,709	362,307

33.5 Movement in payable to defined benefit plan

Opening balance	(82,104)	(57,641)
Charge for the year	33.6 (60,471)	(56,156)
Other comprehensive income	33.7 (11,400)	(25,947)
Contribution during the year	-	57,640
Closing balance	(153,975)	(82,104)

Notes to the Financial Statements

For the year ended December 31, 2014

	2014	2013
(Rupees in '000)		
33.6 Amount charged to profit and loss		
Current service cost	(50,276)	(49,816)
Net interest cost	(10,195)	(6,340)
	<u>(60,471)</u>	<u>(56,156)</u>
33.7 Amount charged to other comprehensive income		
Actuarial (loss) / gain on obligation	(15,058)	(41,718)
Actuarial gain / (loss) on plan assets	3,658	15,771
	(11,400)	(25,947)
Tax impact	-	9,081
	<u>(11,400)</u>	<u>(16,866)</u>
33.8 Actual return on plan assets		
The actual return earned on the assets during the year are:		
Expected return on plan assets	(10,195)	(6,340)
Actuarial gain on plan assets	3,658	15,771
	<u>(6,537)</u>	<u>9,431</u>
33.9 Components of plan assets as a percentage of total plan assets	2014	2013
Debt instruments	86.32%	88.30%
Equity instruments	12.62%	11.00%
Others (including bank balances)	1.06%	0.70%
	<u>100%</u>	<u>100%</u>

33.10 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2014. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the gratuity fund.

	2014	2013
Discount rate	11.25%	13.00%
Expected rate of return on plan assets	11.25%	13.00%
Expected rate of salary increase	9.25%	11.00%
Number of employees covered under retirement benefit plan	1121	989
Weighted Average expected remaining working life of employees (years)	16	16

33.11 Sensitivity analysis

	Rupees in '000			
	+1 % Discount Rate	-1 % Discount Rate	+1 % Salary Increase Rate	-1 % Salary Increase Rate
Impact on defined benefit obligation	<u>558,604</u>	<u>680,895</u>	<u>684,261</u>	<u>554,880</u>

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied, as applied when calculating the gratuity liability recognized within the statement of financial position.



Notes to the Financial Statements

For the year ended December 31, 2014

34. DEFINED CONTRIBUTION PLAN

During the year, the Bank has contributed Rs. 63.755 million (2013: Rs. 49.562 million) to the provident fund.

35. COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Directors		Executives	
	2014	2013	2014	2013	2014	2013
	----- (Rupees in '000) -----					
Fees (note 35.1)	-	-	1,180	1,330	-	-
Managerial remuneration	2,968	1,108	-	2,240	51,116	47,722
Charge for defined benefit plan	-	-	-	-	7,544	6,268
Contribution to defined contribution plan	-	-	-	-	6,104	5,194
Rent and house maintenance	297	150	-	408	19,063	16,396
Utilities	36	28	-	155	6,252	5,254
Medical	185	224	-	54	6,104	5,254
Bonus	-	2,544	-	1,070	8,532	9,523
Conveyance / Car benefit allowance / Fuel	1,115	268	47	378	41,314	43,398
Others	2,691	488	10	1,352	12,898	15,212
	<u>7,292</u>	<u>4,810</u>	<u>1,237</u>	<u>6,987</u>	<u>158,927</u>	<u>154,221</u>
Number of persons	<u>1</u>	<u>1</u>	<u>8</u>	<u>8</u>	<u>51</u>	<u>48</u>

35.1 The fee is paid to non-executive directors for attending meetings.

35.2 This includes Special duty allowance of Rs. 2.055 million paid to Mr. Imran Samad being performing duties as on Acting Managing Director of the Bank from January 2014 to September 30, 2014. Remuneration paid to acting managing directors during the year is included in remuneration to executives.

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of quoted investments other than those classified as held to maturity is based on quoted market prices. The fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per their latest available audited financial statements.

The fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 6.4.

The maturity and re-pricing profile and effective rates are stated in notes 41.5.1 and 41.4.3 respectively.

In the opinion of the management, the fair value of the remaining financial assets and liabilities are not significantly different from their carrying values since assets and liabilities are either short-term in nature or in the case of customer loans and deposits, are frequently re-priced.

Notes to the Financial Statements

For the year ended December 31, 2014

37. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

The segment analysis with respect to business activity is as follows:

	2014				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	(Rupees in '000)				
Total income	5,684,110	1,057,813	690,302	3,384,521	10,816,746
Total expenses	5,137,030	767,542	604,760	2,997,994	9,507,326
Net income	547,080	290,271	85,542	386,527	1,309,420
Segment assets- Gross	58,557,687	25,757,568	8,628,721	37,617,191	130,561,167
Segment non performing loans	211,082	121,365	36,530	4,140,519	4,509,496
Segment provision required	211,082	1,171,348	47,023	3,017,826	4,447,279
Segment liabilities	55,724,948	11,868,818	6,834,938	36,757,979	111,186,683
Segment return on net assets (ROA) (%)	0.94%	1.18%	1.00%	1.12%	
Segment cost of funds (%)	9.22%	6.47%	8.85%	8.16%	

	2013				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	(Rupees in '000)				
Total income	4,365,719	516,283	659,384	2,557,073	8,098,459
Total expenses	3,879,171	323,124	546,788	2,195,347	6,944,430
Net income	486,548	193,159	112,596	361,726	1,154,029
Segment assets- Gross	58,257,870	11,177,406	8,508,488	34,456,588	112,400,352
Segment non performing loans	-	-	789,627	3,067,014	3,856,641
Segment provision required	-	1,197,162	329,551	2,703,471	4,230,184
Segment liabilities	48,378,119	13,663,305	6,743,362	26,828,585	95,613,371
Segment return on assets (ROA) (%)	0.84%	1.94%	1.38%	1.14%	
Segment cost of funds (%)	8.02%	2.36%	8.11%	8.18%	

38. TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

39. RELATED PARTY TRANSACTIONS

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

Banking transactions with related parties are carried out in the normal course of business at agreed terms. Contribution to and accruals in respect of staff retirement benefit plan are made in accordance with actuarial valuations (refer note 33 to these financial statements for the details of plan). Remuneration to the executives, disclosed in note 35 to these financial statements are determined in accordance with terms of their appointments.

39.1 Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these financial statements, are as follows:



Notes to the Financial Statements

For the year ended December 31, 2014

	2014			2013		
	Key management personnel	Associates	Employee fund	Key management personnel	Associates	Employee fund
	------(Rupees in '000)-----					
Advances						
At the beginning of the year	142,015	-	-	148,615	-	-
Disbursed during the year	33,057	-	-	16,296	-	-
Repaid / adjusted during the year	(29,739)	-	-	(22,896)	-	-
At end of the year	<u>145,333</u>	<u>-</u>	<u>-</u>	<u>142,015</u>	<u>-</u>	<u>-</u>
Deposits						
At the beginning of the year	11,050	11,715	15,703	16,487	10,220	139,343
Placements made during the period	213,048	113,436	255,059	195,636	91,323	408,856
Withdrawals during the period	(214,233)	(110,812)	(221,316)	(201,073)	(89,828)	(532,496)
At end of the year	<u>9,865</u>	<u>14,339</u>	<u>49,446</u>	<u>11,050</u>	<u>11,715</u>	<u>15,703</u>
Placements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Lease Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transactions during the year						
Mark-up / return / interest earned	3,362	6,886	-	3,342	-	-
Mark-up / return / interest expensed	<u>472</u>	<u>1,681</u>	<u>6,856</u>	<u>668</u>	<u>550</u>	<u>4,475</u>

39.2 Although the Government of Khyber Pakhtunkhwa holds 70.20% shares of the Bank (2013: 70.20%), the transactions with it have not been treated as related party transactions for the purpose of this disclosure.

39.3 The Bank of Khyber is exempted from detailed related parties disclosure for being Government entity, and disclosed as required under IAS-24 "Related Party Disclosures". Relevant details are referred in the following notes:

Particulars	Note #
Loans & advances to directors & related parties	11.7
Share Holding	19.3
Compensation of directors & executives	35
Advances & deposits (by sector)	41.1.1.2
Detail of non-performing advances & other provisions (by sector)	41.1.1.4

40. CAPITAL - ASSESSMENT AND ADEQUACY BASEL II SPECIFIC

The Basel III Framework is applicable to the Bank whereby the Standardized approach for reporting Capital Adequacy is currently implemented. Under the said approach, Credit risk and Market risk exposure are measured using the Standardized Approach and Operational risk is measured using the Basic Indicator Approach.

The Bank's Capital Adequacy is reported using the rules and ratios provided by the State Bank of Pakistan.

The Capital Adequacy Ratio is a measure of the amount of a Bank's capital expressed as percentage of its risk weighted assets. Measuring risk weighted assets requires risk mitigants to be applied to the amount of assets shown on a Bank's balance sheet. These assets are then applied weightages according to the degrees of inherent risk.

State Bank of Pakistan vide its BPRD circular 06 of 2013 has decided to implement the BASEL III reforms issued by the Basel Committee on Banking Supervision (BCBS) to further strengthen the capital related rules. These instructions form part of transitional arrangement leading to full implementation of Basel III in 2019.

The overall capital adequacy ratio (CAR) remains at the level of 10% however, Banks are required to raise the capital adequacy ratio to 12.5% by year end 2019. The additional 2.5% capital is termed as capital conservation buffer (CCB) to be kept in the form of common equity.

Notes to the Financial Statements

For the year ended December 31, 2014

The SBP requires each Bank or Banking group to: (a) hold the minimum level of the paid up capital and (b) maintains a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum of 10%. The required capital adequacy ratio (10% of the risk weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, ensuring better recovery management and striking compromise proposal and composition of asset mix with low risk.

40.1 Capital management

The Bank's objectives when managing its capital are:

- a) To comply with the capital requirements set by the regulators and comparable to the peers;
- b) To actively manage the supply of capital costs and increase capital velocity;
- c) To improve the liquidity of the Bank's assets to allow for an optimal deployment of the Bank's resources;
- d) To protect the Bank against unexpected events and maintain strong ratings;
- e) To achieve low overall cost of capital with appropriate mix of capital elements; and
- f) To safeguard the Bank's ability to continue as a going concern so that it can continue to provide adequate return to shareholders;

Bank's regulatory capital is analyzed into two tiers:

Tier 1 Capital, which is further divided into two tiers:

Common Equity Tier I capital (CETI), which includes fully paid up capital (including the bonus shares), balance in share premium account, general reserves, statutory reserves as per financial statements, minority interest and net unappropriated profits after all regulatory adjustments applicable on CETI.

Additional Tier I Capital (ATI), which includes perpetual non-cumulative preference shares and share regulatory adjustments applicable on ATI.

Tier II capital, which includes subordinated debt/Instruments, share premium for issuance of Subordinated debt/Instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), net of tax reserves on revaluation of fixed assets and equity investments up to a maximum of 45% of the balance and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-II.

Deduction from the Capital.

Under the revised instructions, calculation of Basel eligible capital has been changed adding few additional deductions from capital including Bank's investments in the capital of Banking, Financial and insurance entities beyond a certain threshold from corresponding Tier of Bank's capital. Similarly, SBP has also revised treatment of Bank's investment in the units of mutual funds. Now Bank will deduct from their Common Equity Tier I amount of investment in a single mutual fund if it exceeds a certain level.

In addition to above, Goodwill & intangibles, Shortfall in provisioning, excess investment in the TFCs of other Banks, Deficit on account of revaluation are also deducted from Common Equity Tier I.

The Bank is comfortably meeting all the capital ratios as per revised Basel III guidelines. This shows strong capital base of the Bank and management commitment to meet all the regulatory requirements well above the required level.

This risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and operational risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of potential future exposure.

Banking operations are categorized as either trading book or banking book and risk-weighted assets are determined according to specified requirements of the SBP that seek to reflect the varying levels of risk attached to assets and off balance sheet exposures. The total risk-weighted exposures comprise of credit risk, market risk and operational risk.

Notes to the Financial Statements

For the year ended December 31, 2014

40.2 CAPITAL STRUCTURE

2014

2013

------(Rupees in '000)-----

	2014	2013
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	10,002,524	10,000,000
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	1,430,231	1,170,871
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	1,778,056	741,920
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before Regulatory Adjustments	13,210,811	11,912,791
10 Total regulatory adjustments applied to CET1 (Note 40.2.1)	215,564	206,840
11 Common Equity Tier 1 Additional Tier 1 (AT 1) Capital	12,995,247	11,705,951
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 40.2.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	12,995,247	11,705,951
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3 rules	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	42,481	24,927
27 Revaluation Reserves (net of taxes)	872,629	289,803
28 of which: Revaluation reserves on fixed assets	344,768	344,768
29 of which: Unrealized gains/losses on AFS	527,861	(54,965)
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	915,110	314,730
33 Total regulatory adjustment applied to T2 capital (Note 40.2.3)	-	-
34 Tier 2 capital (T2) after regulatory adjustments	915,110	314,730
35 Tier 2 capital recognized for capital adequacy	915,110	314,730
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	915,110	314,730
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	13,910,358	12,020,681
39 Total Risk Weighted Assets (RWA) (for details refer Note 40.5)	61,424,984	50,013,732

Notes to the Financial Statements

For the year ended December 31, 2014

	2014	2013
	------(Rupees in '000)-----	
40 Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	21.16%	23.41%
41 Tier-1 capital to total RWA	21.16%	23.41%
42 Total capital to total RWA	22.65%	24.03%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44 of which: capital conservation buffer requirement	-	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	5.00%	5.00%
49 Tier 1 minimum ratio	6.50%	6.50%
50 Total capital minimum ratio	10.00%	10.00%

Regulatory Adjustments and Additional Information

	2014	2013
	------(Rupees in '000)-----	
	Amounts subject to Pre-Basel III treatment*	
Common Equity Tier 1 capital: Regulatory adjustments		
1 Goodwill (net of related deferred tax liability)	28,965	24,359
2 All other intangibles (net of any associated deferred tax liability)	-	-
3 Shortfall in provisions against classified assets	-	-
4 Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
5 Defined-benefit pension fund net assets	-	-
6 Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-
7 Cash flow hedge reserve	-	-
8 Investment in own shares/ CET1 instruments	-	-
9 Securitization gain on sale	-	-
10 Capital shortfall of regulated subsidiaries	-	-
11 Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-
12 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
13 Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
14 Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
15 Amount exceeding 15% threshold	-	-
16 of which: significant investments in the common stocks of financial entities	-	-
17 of which: deferred tax assets arising from temporary differences	-	-
18 National specific regulatory adjustments applied to CET1 capital	-	-
19 Investments in TFCs of other banks exceeding the prescribed limit	-	-
20 Any other deduction specified by SBP (mention details)	-	-
21 Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	186,599	182,481
22 Total regulatory adjustments applied to CET1 (sum of 1 to 21)	215,564	206,840



Notes to the Financial Statements

For the year ended December 31, 2014

2014

2013

----- (Rupees in '000) -----

Amounts subject to Pre-Basel III treatment*

Additional Tier-1 & Tier-1 Capital: regulatory adjustments			
23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	186,599	182,481
24	Investment in own AT1 capital instruments	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	186,599	182,481
Tier 2 Capital: regulatory adjustments			
31	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-	-
32	Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities	-	-
33	Investment in own Tier 2 capital instrument	-	-
34	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
35	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
36	Total regulatory adjustment applied to T2 capital (sum of 31 to 35)	-	-
Additional Information			
Risk Weighted Assets subject to pre-Basel III treatment			
37	Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)	-	-
(i)	of which: deferred tax assets	-	-
(ii)	of which: Defined-benefit pension fund net assets	-	-
(iii)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity	-	-
(iv)	of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity	-	-
Amounts below the thresholds for deduction (before risk weighting)			
38	Non-significant investments in the capital of other financial entities	615,913	897,198
39	Significant investments in the common stock of financial entities	125,939	131,310
40	Deferred tax assets arising from temporary differences (net of related tax liability)	-	299,230
Applicable caps on the inclusion of provisions in Tier 2			
41	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)	42,481	24,927
42	Cap on inclusion of provisions in Tier 2 under standardized approach	499,761	419,952
43	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	-
44	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	-

Notes to the Financial Statements

For the year ended December 31, 2014

40.3 CAPITAL STRUCTURE RECONCILIATION

Step 1

Assets

Cash and balances with treasury banks
Balanced with other banks
Lending to financial institutions
Investments
Advances
Operating fixed assets
Deferred tax assets
Other assets

Total assets

Liabilities & Equity

Bills payable
Borrowings
Deposits and other accounts
Sub-ordinated loans
Liabilities against assets subject to finance lease
Deferred tax liabilities
Other liabilities

Total liabilities

Share capital/ Head office capital account
Reserves
Unappropriated/ Unremitted profit/ (losses)
Minority Interest
Surplus on revaluation of assets

Total liabilities & equity

As per published financial statements Under regulatory scope of consolidation

(Rupees in '000)

2014

2014

4,110,957	4,110,957
2,509,508	2,509,508
2,100,000	2,100,000
72,431,445	72,431,445
40,057,170	40,057,170
1,641,054	1,641,054
-	-
3,256,121	3,256,121
126,106,255	126,106,255
586,407	586,407
14,192,181	14,192,181
92,263,694	92,263,694
-	-
-	-
315,160	315,160
3,829,241	3,829,241
111,186,683	111,186,683
10,002,524	10,002,524
1,430,231	1,430,231
1,778,056	1,778,056
-	-
1,708,761	1,708,761
14,919,572	14,919,572
126,106,255	126,106,255

Notes to the Financial Statements

For the year ended December 31, 2014

Step 2	As per published financial statements	Under regulatory scope of consolidation	Reference
	2014	2014	
Assets	(Rupees in '000)		
Cash and balances with treasury banks	4,110,957	4,110,957	
Balances with other banks	2,509,508	2,509,508	
Lending to financial institutions	2,100,000	2,100,000	
Investments	72,431,445	72,431,445	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	186,599	186,599	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others (mention details)	-	-	e
Advances	40,057,170	40,057,170	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	42,481	42,481	g
Fixed Assets	1,641,054	1,641,054	
Deferred Tax Assets	-	-	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	3,256,121	3,256,121	
of which: Goodwill	-	-	j
of which: Intangibles	28,965	28,965	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	126,106,255	126,106,255	

Notes to the Financial Statements

For the year ended December 31, 2014

	As per published financial statements	Under regulatory scope of consolidation	Reference
	2014	2014	
(Rupees in '000)			
STEP-2			
(Continued)			
Liabilities & Equity			
Bills payable	586,407	586,407	
Borrowings	14,192,181	14,192,181	
Deposits and other accounts	92,263,694	92,263,694	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	315,160	315,160	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	3,829,241	3,829,241	
Total liabilities	111,186,683	111,186,683	
Share capital	10,002,524	10,002,524	
of which: amount eligible for CET1	10,002,524	10,002,524	s
of which: amount eligible for AT1	-	-	t
Reserves	1,430,231	1,430,231	
of which: portion eligible for inclusion in CET1 (provide breakup)	1,430,231	1,430,231	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	1,778,056	1,778,056	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	1,708,761	1,708,761	
of which: Revaluation reserves on Fixed Assets	766,152	766,152	aa
of which: Unrealized Gains/Losses on AFS	1,551,330	1,551,330	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	126,106,255	126,106,255	

Notes to the Financial Statements

For the year ended December 31, 2014

Component of
regulatory capital
reported by bank

Source based on
reference
number from step 2

Step 3

2014

(Rupees in '000)

Common Equity Tier 1 capital (CET1): Instruments and reserves

1	Fully Paid-up Capital/ Capital deposited with SBP	10,002,524	(s)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	1,430,231	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	1,778,056	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)
8	CET 1 before Regulatory Adjustments	13,210,811	
	Common Equity Tier 1 capital: Regulatory adjustments		
9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	28,965	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{{(h) - (r)} * x%
13	Defined-benefit pension fund net assets	-	{{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	-	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	186,599	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	215,564	
31	Common Equity Tier 1	12,995,247	
	Additional Tier 1 (AT 1) Capital		
32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	AT1 before regulatory adjustments	-	

Notes to the Financial Statements

For the year ended December 31, 2014

STEP-3 (Continued)

	Component of regulatory capital reported by bank	Source based on reference number from step 2
	2014 (Rupees in '000)	
	Additional Tier 1 Capital: regulatory adjustments	
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	186,599
39	Investment in own AT1 capital instruments	-
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	186,599
46	Additional Tier 1 capital	
47	Additional Tier 1 capital recognized for capital adequacy	-
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	12,995,247
	Tier 2 Capital	
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	-
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	-
52	of which: instruments issued by subsidiaries subject to phase out	-
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	42,481
54	Revaluation Reserves	872,629
55	of which: Revaluation reserves on fixed assets	344,768
56	of which: Unrealized Gains/Losses on AFS	527,861
57	Foreign Exchange Translation Reserves	-
58	Undisclosed/Other Reserves (if any)	-
59	T2 before regulatory adjustments	915,110
	Tier 2 Capital: regulatory adjustments	
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-
61	Reciprocal cross holdings in Tier 2 instruments	-
62	Investment in own Tier 2 capital instrument	-
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-
66	Tier 2 capital (T2)	915,110
67	Tier 2 capital recognized for capital adequacy	915,110
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-
69	Total Tier 2 capital admissible for capital adequacy	915,110
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	13,910,358



Notes to the Financial Statements

For the year ended December 31, 2014

40.4 MAIN FEATURES OF REGULATORY CAPITAL INSTRUMENTS

Main Features		Common Shares
1	Issuer	The Bank of Khyber
2	Unique identifier	BOK
3	Governing law(s) of the instrument	Companies Ordinance 1984, KSE Regulations, The Bank of Khyber Act, 1991"
Regulatory treatment		
4	Transitional Basel III rules	Common Equity Tier I
5	Post-transitional Basel III rules	Common Equity Tier I
6	Eligible at solo/ group/ group&solo	Solo
7	Instrument type	Ordinary Shares
8	Amount recognized in regulatory capital (Currency in PKR thousands, as of reporting date)	10,002,524
9	Par value of instrument	Rs. 10/-
10	Accounting classification	Shareholders' equity
11	Original date of issuance	25.02.2006
12	Perpetual or dated	Perpetual
13	Original maturity date	No Maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N-A
16	Subsequent call dates, if applicable	N-A
Coupons / dividends		
17	Fixed or floating dividend/ coupon	Floating
18	Coupon rate and any related index/ benchmark	N-A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible:	Non-Convertible
24	If convertible, conversion trigger (s)	N-A
25	If convertible, fully or partially	N-A
26	If convertible, conversion rate	N-A
27	If convertible, mandatory or optional conversion	N-A
28	If convertible, specify instrument type convertible into	N-A
29	If convertible, specify issuer of instrument it converts into	N-A
30	Write-down feature	N-A
31	If write-down, write-down trigger(s)	N-A
32	If write-down, full or partial	N-A
33	If write-down, permanent or temporary	N-A
34	If temporary write-down, description of write-up mechanism	N-A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument	N-A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N-A

Notes to the Financial Statements

For the year ended December 31, 2014

40.5 Capital Adequacy

Credit Risk	Capital Requirements		Risk Weighted Assets	
	2014	2013	2014	2013
Portfolio subject to standardized approach (simple or comprehensive)				
On-balance sheet	------(Rupees in '000)-----			
Claims on other Sovereigns and on Government of Pakistan or Provincial Government or SBP denominated in currencies other than PKR	1,509	300	15,095	3,002
Claims on Public Sector Entities in Pakistan	227,430	27,075	2,274,299	270,751
Claims on Banks	-	37,559	-	375,587
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	11,818	18,119	118,179	181,195
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	96,932	124,700	969,320	1,247,002
Claims on Corporate (excluding equity exposures)	1,922,112	1,773,970	19,221,117	17,739,698
Claims categorized as retail portfolio	391,604	179,486	3,916,041	1,794,864
Claims fully secured by residential property	40,983	33,980	409,834	339,800
Past Due loans:				
where specific provisions are less than 20 per cent of the outstanding amount of the past due claim	137,403	97,411	1,374,026	974,108
where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	24,282	30,013	242,823	300,126
where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	11,772	2,035	117,723	20,345
Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held there against is more than 20% of outstanding amount.	110	88	1,097	885
Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.	-	-	-	-
Significant investment and DTAs above 15% threshold (refer to Section 2.4.10 of Basel III instructions)	31,485	107,635	314,847	1,076,351
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book	-	-	-	-
Unlisted equity investments (other than that deducted from capital) held in banking book	-	-	-	-
All other assets	369,328	365,099	3,693,279	3,650,985
	3,266,768	2,797,469	32,667,680	27,974,700
Off-Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	448,889	289,120	4,488,888	2,891,205
Performance related Contingencies	234,199	242,506	2,341,994	2,425,056
Trade Related contingencies / Other Commitments with original maturity of one year or less	42,817	29,183	428,165	291,825
	725,905	560,808	7,259,047	5,608,086
Off-Balance Sheet - Market related Exposures				
Foreign Exchange Contracts with SBP	-	-	-	-
Foreign Exchange Contract (with original maturity of less than 14 days)	-	-	-	-
Foreign Exchange Contracts*	5,413	1,338	54,126	13,379
	5,413	1,338	54,126	13,379
Total Credit Risk (A)	3,998,085	3,359,616	39,980,853	33,596,164
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	1,095,233	669,853	10,952,333	6,698,533
Equity position risk etc.	352,741	347,819	3,527,405	3,478,189
Foreign exchange risk etc.	6,665	8,157	66,654	81,571
Total Market Risk (B)	1,454,639	1,025,829	14,546,392	10,258,294
Operational Risk	689,774	615,928	6,897,739	6,159,275
Basic Indicator Approach-Total of operational risk (c)	689,774	615,928	6,897,739	6,159,275
Total (A + B + C)	6,142,498	5,001,373	61,424,984	50,013,732

Capital adequacy ratio

Total eligible regulatory capital held
Total Risk Weighted Assets
Capital Adequacy Ratio

2014

13,910,358
61,424,984
22.65%

2013

12,020,681
50,013,732
24.03%



41. RISK MANAGEMENT

Banks are in business of taking risk in order to earn acceptable required return. Risk management in Bank of Khyber is performed at each level of authority and is managed through an ongoing process of identification, measurement and monitoring subject to risk limits and other controls.

The Bank is exposed to credit, market, operational and liquidity risk. For mitigation of these risks, RMD is equipped with dedicated resources having expertise in various areas of risk. Credit Risk management department is responsible to assess credit risk present in a loan proposal and makes its recommendations for rectification/management of various credit risk accordingly.

Market & Liquidity Risk Management Department (MRMD) is responsible for policy formulation, procedures development, controlling of market and liquidity related various risks including monitoring of exposures against limits and assessment of risks in new businesses. MRMD ensures that the bank's position in Money Market, Foreign Exchange, and Capital Market transactions remain within the assigned internal and regulatory limits. Market and liquidity Early Warning Indicators (EWI) and stop loss limits are duly reported to the management. Similarly Operational risk management assess the impact of risk of loss due to an event or action causing failure of technology, process infrastructure, personnel and other external events. Their impact is assessed through Risk Control Self Assessment (RCSAs), Key Risk Indicators (KRIs) and loss data base which are in the development phase. Owing to growing importance of regulatory reporting, a Basel II and Regulatory reporting department has also been established to keep the Bank in line with various regulatory requirements.

The Bank is fully aware that risk management could not be solely performed by a dedicated centralized department but instead to have an effective risk management framework, front line staff of the Bank, senior management and Board oversight is needed to aid in Implementation of the framework. The Bank has a dedicated Management Risk Management Committee (MRMC) and Board Risk Management Committee (BRMC). BRMC is also responsible to review the extent of design and adequacy of risk management framework. The Bank also has a management level Risk Management Committee which is responsible for the smooth implementation of risk management framework within the entire Bank.

41.1 Credit risk

Credit risk is the potential that the counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligations. The Bank is exposed to credit risk through its lending and investment activities as well as from contingent liabilities.

The main objective of the credit risk management process is to identify, assess, measure and monitor credit risk in all the financial exposure of the Bank. The Bank has established a credit risk management framework to manage credit risk on relationship as well as at portfolio level.

Credit risk management is governed by the Board Risk Management Committee, The Board of Directors and other instructions and guidelines outline by SBP. The Bank attempts to control risk by monitoring credit exposure, limiting non performing counter parties and continually assessing the credit worthiness of the borrowers. The Bank manages limits and controls concentrations of credit risk to individual counterparties and groups and to industries, where applicable.

The Bank has adopted standardized approach to measure credit risk regulatory charge in compliance with Basel-II requirements. The approach relies upon the assessment of external credit rating agencies. The Bank is in the process of continuously improving the system and bringing it in line with the Basel framework requirements.

The Bank also plans to move towards advance approaches of Basel II whereby capital requirements will be based upon the probability of default (PD) assigned to various rating grades assigned internally by the Bank.

Keeping in view the data requirements for PD modeling, credit proposal formats for SME and Corporate clients has been updated to capture the data required for PD modeling. The Bank has also revised its previous SME risk rating model into SE & ME risk rating model based on revised Prudential regulations issued by SBP vide IH&SMFED Circular No. 08 of 2013. The Bank has revised its facility risk rating model as part of exercise of revising entire risk rating score cards/ models for effective and efficient risk rating structure. In the year 2014, the Bank has revised almost all risk rating models/scorecards to have an effective and efficient rating structure. The Bank has developed a behavior score card for its consumer portfolio which is currently under testing and will be implemented accordingly after testing.

Notes to the Financial Statements

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41.1.1 SEGMENTAL INFORMATION

41.1.1.1 Segments by class of business

	2014					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Acrylic fabrics	-	-	-	-	-	-
Agriculture, forestry, hunting and fishing	829,125	1.92	881,966	0.96	102,812	0.86
Automobile and transportation equipment	1,263,085	2.92	-	-	517,590	4.31
Cement	220,263	0.51	-	-	43,348	0.36
Chemical and pharmaceuticals	728,462	1.68	-	-	287,711	2.39
Contractors / construction	1,895,267	4.38	6,307,577	6.84	5,400,144	44.93
CNG stations	361,152	0.84	-	-	518,258	4.31
Education and health	7,929	0.02	70,854	0.08	463,769	3.86
Financial	221,387	0.51	1,428,973	1.55	-	-
Fisheries	295,224	0.68	-	-	138,095	1.15
Food and beverages	724,692	1.68	-	-	224,325	1.87
Ghee / cooking oil	253,728	0.59	-	-	166,624	1.39
Individuals	1,772,650	4.10	15,391,560	16.68	1,107	0.01
Manufacturing of match	118,295	0.27	-	-	48,690	0.41
Miscellaneous manufacturing	3,497,273	8.09	1,503,974	1.63	1,183,008	9.84
Petrochemicals	319,781	0.74	-	-	357,819	2.98
Production and transmission of energy	1,084,128	2.51	185,263	0.20	878,597	7.31
Services	1,702,998	3.94	4,445,735	4.82	311,062	2.59
Sugar	3,971,092	9.18	-	-	12,253	0.10
Textile	4,888,171	11.30	-	-	349,317	2.91
Trading	3,390,968	7.84	-	-	500,822	4.17
Commodity operation	12,451,534	28.79	-	-	-	-
Others	3,245,370	7.51	62,047,792	67.25	513,488	4.27
	<u>43,242,574</u>	<u>100.00</u>	<u>92,263,694</u>	<u>100.00</u>	<u>12,018,839</u>	<u>100.00</u>
	2013					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Acrylic fabrics	-	-	-	-	128,500	1.21
Agriculture, forestry, hunting and fishing	770,696	2.01	517,627	0.67	185,582	1.74
Automobile and transportation equipment	462,026	1.21	-	-	282,641	2.65
Cement	431,733	1.13	-	-	34,523	0.32
Chemical and pharmaceuticals	766,753	2.00	-	-	64,454	0.60
Contractors / construction	1,423,325	3.71	4,177,419	5.41	5,483,058	51.45
CNG stations	229,219	0.60	-	-	486,869	4.57
Education and health	-	-	435,933	0.56	-	-
Financial	306,310	0.80	423,901	0.55	-	-
Fisheries	295,223	0.77	-	-	-	-
Food and beverages	363,808	0.95	-	-	9,174	0.09
Ghee / cooking oil	627,072	1.64	-	-	427,125	4.01
Individuals	1,788,758	4.67	10,404,893	13.47	357	0.00
Manufacturing of match	265,693	0.69	-	-	-	-
Miscellaneous manufacturing	4,084,920	10.65	836,132	1.08	1,060,742	9.95
Petrochemicals	426,657	1.11	-	-	17,290	0.16
Production and transmission of energy	1,064,802	2.78	91,308	0.12	608,391	5.71
Services	967,658	2.52	76,775	0.10	139,111	1.31
Sugar	2,648,341	6.91	-	-	66,293	0.62
Textile	3,836,028	10.01	-	-	353,981	3.32
Trading	2,940,600	7.67	3,069,768	3.98	806,607	7.57
Commodity operation	12,616,220	32.91	-	-	-	-
Others	2,023,189	5.28	57,183,977	74.06	502,052	4.72
	<u>38,339,031</u>	<u>100.00</u>	<u>77,217,733</u>	<u>100.00</u>	<u>10,656,750</u>	<u>100.00</u>

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41.1.1.2 Segment by sector

		2014					
		Advances		Deposits		Contingencies and Commitments	
		Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government		12,800,132	29.60	55,337,100	59.98	1,595,661	13.28
Private		30,442,442	70.40	36,926,594	40.02	10,423,178	86.72
		<u>43,242,574</u>	<u>100.00</u>	<u>92,263,694</u>	<u>100.00</u>	<u>12,018,839</u>	<u>100.00</u>
		2013					
		Advances		Deposits		Contingencies and Commitments	
		Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Public / Government		12,886,055	33.61	46,353,908	60.03	1,093,575	10.26
Private		25,452,976	66.39	30,863,825	39.97	9,563,178	89.74
		<u>38,339,031</u>	<u>100.00</u>	<u>77,217,733</u>	<u>100.00</u>	<u>10,656,753</u>	<u>100.00</u>

41.1.1.3 Details of non-performing advances and specific provisions by class of business segment

		2014		2013	
		Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
		------(Rupees in '000)-----			
Agriculture, forestry, hunting and fishing		23,069	18,788	20,522	811
Automobile and transportation equipment		180,007	180,007	187,212	178,156
Cement		-	-	121,124	121,124
Chemical and Pharmaceuticals		647,730	191,692	135,391	94,908
Contractors / Construction		254,492	206,593	314,544	182,776
Financial		164,790	116,284	67,777	67,777
Fisheries		281,856	281,856	281,855	281,855
Food and beverages		247,502	203,532	247,582	115,600
Footwear and Leather garments		108,684	108,684	108,684	108,684
Ghee / cooking oil		43,169	43,169	43,168	43,168
Individuals		76,789	16,344	69,007	12,022
Miscellaneous manufacturing		1,175,892	796,675	710,041	366,955
Services		50,326	14,664	42,563	40,025
Textile		678,906	570,049	650,241	534,801
Trading		463,264	338,088	485,840	366,397
Others		113,020	56,495	371,090	348,844
		<u>4,509,496</u>	<u>3,142,923</u>	<u>3,856,641</u>	<u>2,863,903</u>
41.1.1.4 Details of non-performing advances and specific provisions by sector					
Public / Government		-	-	-	-
Private		4,509,496	3,142,923	3,856,641	2,863,903
		<u>4,509,496</u>	<u>3,142,923</u>	<u>3,856,641</u>	<u>2,863,903</u>

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41.2 Credit Risk - General Disclosures

The Bank is following standardized approach for all its Credit Risk Exposures.

41.2.1 Credit Risk: Disclosures for portfolio subject to the Standardised Approach-Basel II Specific

Under standardized approach, the capital requirement is based on the credit rating assigned to the counter parties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, ECAIs recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) were used for domestic claims. The SBP allows to use Fitch, S&P & Moody's ratings in case of claims on foreign entities but the Bank currently does not have any such claim.

Type of exposures for which each agency is used in the year ended 2014 is presented below:

Exposures	2014				
	JCR - VIS	PACRA	Moody's	Fitch	S & P
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
Sovereigns other than PKR claims	-	-	✓	-	-
PSEs	✓	✓	-	-	-
Securitisation	-	-	-	-	-
Others	-	-	-	-	-

Credit Risk: Disclosures with respect to Credit Risk Mitigation for Standardized Approach

Eligible cash collaterals under standardized approach are used for credit risk mitigation. The forms of collateral that are deemed to be eligible collateral under the 'Simple Approach' to Credit Risk Mitigation (CRM) as per SBP guidelines are used by the Bank and primarily includes cash, government and rated debt securities.

Exposures	Rating Category Number	Credit Exposures subject to Standardised approach					
		2014			2013		
		Amount Outstanding	Deduction CRM*	Net Amount	Amount Outstanding	Deduction CRM *	Net Amount
-----Rupees in '000-----							
Corporate	1	68,012	-	68,012	441,967	-	441,967
	2	1,747,805	-	1,747,805	580,413	-	580,413
	3 & 4	29,999	-	29,999	29,992	-	29,992
	5 & 6	-	-	-	-	-	-
	Unrated-I	17,488,574	55,959	17,432,615	26,682,328	742,404	25,939,924
	Unrated-II	3,475,027	-	3,475,027	-	-	-
Banks	1	-	-	-	958,078	-	958,078
	2 & 3	-	-	-	320,528	-	320,528
	6	-	-	-	15,805	-	15,805
	Unrated	-	-	-	-	-	-
With maturity 3 months or less (PKR)		5,846,337	966,676	4,879,661	20,289,151	13,923,078	6,366,073
With maturity 3 months or less (FCY)	1,2,3	89,948	-	89,948	-	-	-
	6	65,266	-	65,266	-	-	-
	Unrated	11,453	-	11,453	905,973	-	905,973
Retail		7,449,132	1,273	7,447,859	4,248,590	326,771	3,921,819
Claims subject to Residential Mortgage		5,221,387	-	5,221,387	970,858	-	970,858
Public Sector Entities	1	-	-	-	-	-	-
	2 & 3	-	-	-	-	-	-
	Unrated	5,348,725	-	5,348,725	1,118,549	-	1,118,549
Past Due		1,396,479	-	1,396,479	991,990	-	991,990
Others		33,856,521	14,113	33,842,408	23,483,394	-	23,483,394

*CRM = Credit Risk Mitigation



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41.2.2 Equity position risk in the banking book - Basel II specific

Investments in equity were classified as trading book as Market related exposure.

41.3 Geographical segment analysis

		2014			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
		------(Rupees in '000)-----			
Pakistan		1,900,523	126,106,255	14,919,572	12,018,839
Outside Pakistan		-	-	-	-
		<u>1,900,523</u>	<u>126,106,255</u>	<u>14,919,572</u>	<u>12,018,839</u>
		2013			
		Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
		------(Rupees in '000)-----			
Pakistan		1,669,230	108,170,168	12,556,797	10,656,750
Outside Pakistan		-	-	-	-
		<u>1,669,230</u>	<u>108,170,168</u>	<u>12,556,797</u>	<u>10,656,750</u>

41.4 Market risk

It is the risk that the value of the on and off-balance sheet positions of the Bank will be adversely affected by movements in market rates or prices such as interest rates, equity prices and / or commodity prices resulting in a loss of earnings and capital. Market risks arise generally from trading activities, open foreign currency positions, holding common equity, and other products. All such instruments and transactions are exposed to general and specific market movements.

The Bank's Market Risk Management structure consists of BRMC for Board oversight, MRMC and Asset and Liabilities Committee (ALCO) at the senior management level and dedicated Market Risk Management Department (MRMD) reporting directly to Head Risk Management Division. MRMD is responsible for policy formulation, procedures development, controlling of market risks including monitoring of exposures against limits and assessment of risks in new businesses. Market risk authority, including both approval of market risk limits and approval of market risks is vested in ALCO.

The Bank seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Various relevant limits are set and approved by ALCO for proper management of Market risk. The intra-day positions are managed by treasury division through stop loss / dealers limits. Stress testing is carried out for both banking and trading books as per SBP guidelines.

The Bank has adopted standardized approach to measure market risk regulatory charge in compliance with Basel-II requirements. MRMD is preparing Stress testing report and market risk capital charge on quarterly basis.

The market risk is further divided into various sub-categories, which are defined as follows:

41.4.1 Foreign exchange risk

Foreign exchange risk / currency risk is defined as risk of loss to earnings and capital arising from adverse movements in currency exchange rates. The Bank undertakes currency risk mostly to support its trade services and maintains overall foreign exchange risk position to the extent of statutory foreign exchange exposure limit prescribed by SBP.

Exposure limits such as counterparty, gap, currency-wise net open position, dealer and product limits are also in place in accordance with the Bank's approved policies to limit risk and concentration to the acceptable tolerance levels. ALCO is regularly informed through reports issued on regular frequencies for required monitoring. Hedging strategies and mark-to-market valuations are used to mitigate exchange risk resulting from open positions, where required.

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For the year ended December 31, 2014

	2014			
	Assets	Liabilities	Off-Balance sheet items	Net foreign currency exposure
	------(Rupees in '000)-----			
Pakistan rupee	125,216,630	110,614,707	(4,012,177)	10,589,746
US Dollar	632,315	462,679	2,837,337	3,006,973
Pound Sterling	77,803	64,894	47,980	60,889
Japanese Yen	3,496	-	645,157	648,653
Euro	170,868	44,403	481,703	608,168
Other Currencies	5,143	-	-	5,143
	<u>126,106,255</u>	<u>111,186,683</u>	<u>-</u>	<u>14,919,572</u>

	2013			
	Assets	Liabilities	Off-Balance sheet items	Net foreign currency exposure
	------(Rupees in '000)-----			
Pakistan rupee	106,824,313	95,195,358	(3,542,344)	8,086,611
US Dollar	1,144,126	315,700	3,121,030	3,949,456
Pound Sterling	84,797	49,552	36,342	71,587
Japanese Yen	1,084	-	331,372	332,456
Euro	98,535	52,761	18,613	64,387
Other Currencies	17,313	-	34,987	52,300
	<u>108,170,168</u>	<u>95,613,371</u>	<u>-</u>	<u>12,556,797</u>

41.4.2 Equity position risk

It is the risk of loss to earnings or capital as a result from unfavorable fluctuations in prices of shares in which the Bank carries long and / or short positions, in its trading book.

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Portfolio, Sector and Scrip wise limits are assigned by the ALCO to guard against concentration risk and these limits are reviewed and revised periodically along with results of different stress tests. The Treasury division ensures compliance of concentration limits set by ALCO. Limit breaches if any are promptly reported to ALCO for approval.

41.4.3 Yield / interest rate risk

ALCO is responsible for making investment decisions in the capital market and setting limits that are a component of the risk management framework. Portfolio, Sector and Scrip wise limits are assigned by the ALCO to guard against concentration risk and these limits are reviewed and revised periodically along with results of different stress tests. The Treasury division ensures compliance of concentration limits set by ALCO. Limit breaches, if any, are promptly reported to ALCO for approval.

Risk is addressed by ALCO that reviews the interest rate dynamics at regular intervals and decides re-pricing of assets and liabilities to ensure that the spread of the Bank remains at an acceptable level.



The Bank's yield / interest rate sensitivity position based on the maturity date is as follows:

Effective Yield/ Interest Rate	2014										Non-interest bearing financial instruments	
	Total	Exposed to Yield/Interest risk					Over 5 to 10 Years	Over 10 Years				
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years			Over 2 to 3 Years	Over 3 to 5 Years		
Rupees in '000												
On-balance sheet financial instruments												
<u>Financial assets</u>												
Cash and balances with treasury banks	4,110,957	10,4915	-	-	-	-	-	-	-	-	-	4,006,042
Balances with other banks	2,509,508	483,446	-	-	-	-	-	-	-	-	-	2,026,062
Lending to financial institutions	2,100,000	-	-	-	-	-	-	-	-	-	-	2,100,000
Investments	72,431,445	231,605	8,769,665	19,443,429	-	2,819,758	6,347,585	9,820,138	11,548,913	-	-	13,450,352
Advances	4,005,717	3,033,942	4,156,356	5,220,717	15,467,349	1,909,772	1,577,038	4,672,505	1,237,878	-	2,781,613	-
Other assets	32,561,21	-	-	-	-	-	-	-	-	-	-	32,561,21
	124,465,201	3,853,908	12,92,6021	24,664,146	15,467,349	4,729,530	7,924,623	14,492,643	12,786,791	-	2,781,613	24,838,577
<u>Financial liabilities</u>												
Bills payable	586,407	-	-	-	-	-	-	-	-	-	-	586,407
Borrowings	14,192,181	11,869,772	1,732,837	209,000	317,233	1,714	-	-	61,625	-	-	-
Deposits and other accounts	92,263,694	39,324,785	3,609,118	5,546,345	18,788,107	9,52,657	24,7435	2,663,463	150,963	618,721	20,362,100	3,829,241
Other liabilities	3,829,241	-	-	-	-	-	-	-	-	-	-	3,829,241
	11,087,1523	51,194,557	5,341,955	5,755,345	19,105,340	954,371	24,7435	2,663,463	212,588	618,721	24,777,748	60,829
On-balance sheet gap	13,593,678	(47,340,649)	7,584,066	18,908,801	(3,637,991)	3,775,159	7,677,188	11,829,180	12,574,203	2,162,892	-	-
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase	1,657,105	-	-	-	-	-	-	-	-	-	-	1,657,105
Commitments in respect of forward exchange contracts - sale	1,595,661	-	-	-	-	-	-	-	-	-	-	1,595,661
Off-balance sheet gap	61,444	-	-	-	-	-	-	-	-	-	-	61,444
Total Yield/Interest Risk Sensitivity Gap		(47,340,649)	7,584,066	18,908,801	(3,637,991)	3,775,159	7,677,188	11,829,180	12,574,203	2,162,892	-	-
Cumulative Yield/Interest Risk Sensitivity Gap		(47,340,649)	(39,756,583)	(20,847,782)	(24,485,773)	(20,710,614)	(13,033,426)	(1,204,246)	11,369,957	13,532,849	-	-

2013

Effective Yield/Interest Rate	Exposed to Yield/Interest risk										Non-interest bearing financial instruments			
	Total	Over 1 to 3 Months			Over 3 to 6 Months		Over 6 to 1 Year		Over 1 to 2 Years			Over 2 to 5 Years		Over 5 to 10 Years
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 3 to 6 Months	Over 6 to 1 Year	Over 1 to 2 Years	Over 2 to 5 Years	Over 2 to 5 Years	Over 5 to 10 Years		Over 5 to 10 Years		
	Rupees in '000													
On-balance sheet financial instruments														
Financial assets														
0.00%	4,068,678	-	-	-	-	-	-	-	-	-	-	-	4,068,678	
0.00%	3,813,251	1,983,004	-	-	-	-	-	-	-	-	-	-	1,830,247	
8.71%	75,000,301	7,000,301	500,000	-	-	-	-	-	-	-	-	-	-	
9.98%	53,363,163	5,943,211	13,370,198	1,210,120	1,970,249	1,576,437	1,497,872	6,441,152	-	-	-	-	2,052,398	
10.71%	35,450,201	10,083,563	3,952,040	12,512,017	2,383,385	1,059,413	2,554,687	1,025,053	536,356	-	-	-	-	
0.00%	1,810,742	-	-	-	-	-	-	-	-	-	-	-	1,810,742	
	106,006,336	25,010,079	23,753,566	25,882,215	3,593,505	3,313,936	4,052,559	7,466,205	536,356	-	-	-	9,762,065	
Financial liabilities														
0.00%	521,035	-	-	-	-	-	-	-	-	-	-	-	521,035	
8.94%	15,157,773	14,479,087	-	277,400	312,108	51,444	-	-	-	-	-	84,034	-	
8.08%	77,217,733	17,682,7	8,512,742	28,279,343	17,279,601	329,702	891,674	2,196,137	-	-	-	-	1,951,707	
0.00%	2,022,777	-	-	-	-	-	-	-	-	-	-	-	2,022,777	
	94,919,318	14,655,914	8,512,742	28,556,743	17,591,709	334,846	891,674	2,196,137	84,034	-	-	-	22,095,519	
	11,087,018	10,354,165	15,240,824	(2,674,528)	(13,998,204)	2,979,090	1,744,176	1,856,422	7,382,171	536,356	-	-	(12,333,454)	
On-balance sheet gap														
Off-balance sheet financial instruments														
Commitments in respect of forward exchange contracts - purchase														
	457,729	-	-	-	-	-	-	-	-	-	-	-	457,729	
Commitments in respect of forward exchange contracts - sale														
	1,090,592	-	-	-	-	-	-	-	-	-	-	-	1,090,592	
	(632,863)	-	-	-	-	-	-	-	-	-	-	-	(632,863)	
	10,354,165	15,240,824	(2,674,528)	(13,998,204)	2,979,090	1,744,176	1,856,422	7,382,171	536,356	-	-	-	536,356	
Total Yield/Interest Risk Sensitivity Gap														
	10,354,165	25,594,989	22,920,461	8,922,257	11,901,347	13,645,523	15,501,945	22,884,116	23,420,472	-	-	-	23,420,472	

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41.4.5 Reconciliation of assets and liabilities exposed to yield / interest rate risk with total assets and liabilities

	2014	2013
	(Rupees in '000)	
Reconciliation of total assets		
Total financial assets	124,465,201	106,006,336
Add: Non financial assets		
Operating fixed assets	1,641,054	1,604,464
Deferred tax asset	-	299,230
Other assets	-	260,138
	1,641,054	2,163,832
Balance as per balance sheet	126,106,255	108,170,168
Reconciliation of total liabilities		
Total financial liabilities	110,871,523	94,919,318
Add: Non financial liabilities		
Deferred tax liabilities	-	-
Other liabilities	-	694,053
	-	694,053
Balance as per balance sheet	110,871,523	95,613,371

41.5 Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due, and to replace funds when they are withdrawn. Liquidity risk is governed by the liquidity management policy of the Bank and is managed by Market risk management department under the supervision of ALCO.

The Bank's Asset & Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset and liability function. ALCO monitors the maintenance of liquidity ratios, both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. The BOD has approved comprehensive Liquidity Risk Management Policy which stipulates the early warning indicators (EWI) of liquidity risk and maintenance of various ratios according to comfortable, acceptable, warning, and stress zones. Moreover, Bank also has Contingency Funding Plan (CFP) in place to address liquidity issues in times of stress / crisis situation. Further the Bank has designed different scenarios of cash outflows to stress test efficiency of its liquid assets and its impact on profit and loss. Bank performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions.

The results are regularly reviewed by ALCO for taking appropriate measures.

Bank's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure. The Bank's large and stable base of customer deposits, along with Bank's strong capital base supplemented underlying strength and strong liquidity position during the year. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. The level of liquidity reserves as per regulatory requirements also mitigates liquidity risk.

As a part of liquidity management the Bank maintains borrowing relationships to ensure the continued access to diverse market of funding sources. The Bank's credit rating together with market reputation has enabled it to secure ample call lines with local and foreign Banks and can fulfill its liquidity gap if a need arises.

41.5.1 Maturities of assets and liabilities - based on expected maturity

2014

Rupees in '000

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years
Assets										
Cash and balances with treasury banks	4,110,957	4,110,957	-	-	-	-	-	-	-	-
Balances with other banks	2,509,508	2,509,508	-	-	-	-	-	-	-	-
Lendings to financial - institutions	2,100,000	2,100,000	-	-	-	-	-	-	-	-
Investments	72,431,445	131,725	9,326,443	19,238,311	6,420,196	4,791,694	10,174,718	10,770,388	11,577,970	-
Advances	40,057,170	4,016,210	2,400,821	9,291,296	13,404,189	2,209,979	2,360,945	3,659,070	844,260	1,870,400
Operating fixed assets	1,641,054	-	-	-	-	506	3,077	330,937	346,419	960,115
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	3,256,121	3,256,121	-	-	-	-	-	-	-	-
	126,106,255	16,124,521	11,727,264	28,529,607	19,824,385	7,002,179	12,538,740	14,760,395	12,768,649	2,830,515
Liabilities										
Bills payable	586,407	586,407	-	-	-	-	-	-	-	-
Borrowings	14,192,181	11,869,772	1,732,837	209,000	317,233	1,714	-	-	61,625	-
Deposits and other accounts	92,263,694	59,686,885	3,609,118	5,546,345	18,788,107	952,657	247,435	2,663,463	150,963	618,721
Deferred tax liabilities	315,160	-	-	-	-	315,160	-	-	-	-
Other liabilities	3,829,241	3,829,241	-	-	-	-	-	-	-	-
	111,186,683	75,972,305	5,341,955	5,755,345	19,105,340	1,269,531	247,435	2,663,463	212,588	618,721
Net assets / (liabilities)	14,919,572	(59,847,784)	6,385,309	22,774,262	719,045	5,732,648	12,291,305	12,096,932	12,556,061	2,211,794
Represented by:										
Share capital	10,002,524	-	-	-	-	-	-	-	-	-
Reserves	1,430,231	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,778,056	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,708,761	-	-	-	-	-	-	-	-	-
	14,919,572	-	-	-	-	-	-	-	-	-

Total	Rupees in '000									
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years	

Assets

Cash and balances with treasury banks	4,068,678	-	-	-	-	-	-	-	-	-
Balances with other banks	3,813,251	-	-	-	-	-	-	-	-	-
Lendings to financial - institutions	7,500,301	500,000	-	-	-	-	-	-	-	-
Investments	53,363,163	3,015,678	19,724,479	12,310,947	4,927,334	1,278,718	6,894,646	540,980	-	-
Advances	35,450,201	10,083,561	3,952,040	2,383,385	1,343,687	1,059,413	2,554,687	1,025,053	536,358	-
Operating fixed assets	1,604,464	18,047	36,095	148,514	224,628	201,103	285,424	460,800	153,600	-
Deferred tax assets	299,230	-	-	-	299,230	-	-	-	-	-
Other assets	2,070,880	7,738	2,240	-	1,875,354	-	-	126,932	-	-
	108,170,168	28,007,254	9,217,132	14,842,846	8,670,233	2,539,234	9,734,757	2,153,765	689,958	-

Liabilities

Bills payable	521,035	-	-	-	-	-	-	-	-	-
Borrowings	15,157,773	14,479,087	277,400	312,108	51,144	-	-	84,034	-	-
Deposits and other accounts	77,217,733	23,619,657	9,881,120	16,662,723	933,609	314,150	2,041,414	119,021	450,000	-
Other liabilities	2,716,830	1,563,157	71,694	657,605	248,427	-	-	-	-	-
	95,613,371	40,182,936	9,902,814	17,632,436	1,187,180	314,150	2,041,414	203,055	450,000	-
Net assets / (liabilities)	12,556,797	(12,175,682)	(685,682)	(2,789,590)	7,483,053	2,225,084	7,693,343	1,950,710	239,958	-

Represented by:

Share capital	10,000,000
Reserves	1,170,871
Unappropriated profit	741,920
Surplus on revaluation of assets	644,006
	<u>12,556,797</u>

41.5.2 Maturities of assets and liabilities - based on contractual maturity

2014

	Total	Rupees in '000										
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years		
Assets												
Cash and balances with treasury banks	4,110,957	4,110,957	-	-	-	-	-	-	-	-	-	-
Balances with other banks	2,509,508	2,509,508	-	-	-	-	-	-	-	-	-	-
Lendings to financial - institutions	2,100,000	2,100,000	-	-	-	-	-	-	-	-	-	-
Investments	72,431,445	131,725	9,326,443	19,238,311	6,420,196	4,791,694	10,174,718	10,770,388	11,577,970	1,870,400		
Advances	40,057,170	4,016,210	2,400,821	9,291,296	13,404,189	2,209,979	2,360,945	3,659,070	844,260	1,870,400		
Operating fixed assets	1,641,054	-	-	-	-	506	3,077	330,937	346,419	960,115		
Deferred tax assets	-	-	-	-	-	-	-	-	-	-		
Other assets	3,256,121	2,736,409	-	-	6,342	513,370	-	-	-	-		
	1,26,106,255	15,604,809	11,727,264	28,529,607	19,830,727	7,515,549	12,538,740	14,760,395	12,768,649	2,830,515		
Liabilities												
Bills payable	586,407	586,407	-	-	-	-	-	-	-	-	-	
Borrowings	14,192,181	11,869,772	1,732,837	209,000	317,233	1,714	-	-	61,625	-		
Deposits and other accounts	92,283,694	60,602,262	3,609,118	4,630,968	18,788,107	952,657	247,635	2,663,463	150,963	618,721		
Deferred tax liabilities	315,160	-	-	-	-	315,160	-	-	-	-		
Other liabilities	3,829,241	2,854,123	-	153,975	-	-	353,699	167,109	300,395	-		
	1,11,186,683	75,912,564	5,341,955	4,993,943	19,105,340	1,269,531	601,074	2,830,572	512,983	618,721		
Net assets / (liabilities)	14,919,572	(60,307,755)	6,385,309	23,535,664	725,387	6,246,018	11,937,666	11,929,823	12,255,666	2,211,794		
Represented by:												
Share capital	10,002,524											
Reserves	1,430,231											
Unappropriated profit	1,778,056											
Surplus on revaluation of assets	1,708,761											
	14,919,572											

Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Over 10 Years

Assets

Cash and balances with treasury banks	4,068,678	-	-	-	-	-	-	-	-	-
Balances with other banks	3,813,251	-	-	-	-	-	-	-	-	-
Lendings to financial - institutions	7,500,301	500,000	-	-	-	-	-	-	-	-
Investments	53,363,163	4,670,381	19,724,479	12,310,947	4,927,334	1,278,718	6,894,446	540,979	-	-
Advances	35,450,201	10,083,563	3,952,040	2,383,385	1,343,687	1,059,413	2,554,687	1,025,053	536,356	-
Operating fixed assets	1,604,464	18,047	36,095	148,514	224,628	201,103	285,424	460,800	153,600	-
Deferred tax assets	299,230	-	-	-	299,230	-	-	-	-	-
Other assets	2,070,880	7,739	2,240	-	1,875,353	-	-	1,26,932	-	-
	108,170,168	28,007,258	32,314,989	14,842,846	8,670,232	2,539,234	9,734,757	2,153,764	689,956	-

Liabilities

Bills payable	521,035	-	-	-	-	-	-	-	-	-
Borrowings	15,157,773	-	277,400	312,108	5,144	-	-	84,035	-	-
Deposits and other accounts	77,217,733	43,170,304	3,695,394	16,662,723	933,609	314,150	2,041,414	119,019	450,000	-
Other liabilities	2,716,830	1,563,157	54,270	675,029	248,426	-	-	-	-	-
	95,613,371	59,733,583	4,148,741	17,649,860	1,187,179	314,150	2,041,414	203,054	450,000	-
Net assets / (liabilities)	12,556,797	(31,726,325)	(668,257)	(2,807,014)	7,483,053	2,225,084	7,693,343	1,950,710	239,956	-

Represented by:

Share capital	10,000,000
Reserves	1,170,871
Unappropriated profit	741,920
Surplus on revaluation of assets	644,006
	<u>12,556,797</u>

41.6 Country risk

Typically, it is defined as the risks that counterparty is unable to meet its foreign currency obligations as a result of adverse economic conditions or actions taken by governments in the relevant country. Country risk is governed by the Country Risk management policy of the Bank and is managed by Market Risk Management Department under the supervision of ALCO.

41.7 Operational risk

The Bank, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

BOK defines Operational Risk as “the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk

The Bank maintains a system of internal controls designed to keep operational risk at appropriate levels keeping in view the Bank's financial strength and the characteristics of the activities and market in which it operates. These internal controls are periodically updated and tested.

The Bank has also in place the Business Continuity Plan and appropriate outsourcing measures to cater related operational risks.

Currently the Bank uses the Basic Indicator Approach (BIA) for assessing its operational risk capital charge. However, migration to Standardized Approach is planned for future. In this regard, the Bank has already in place an approved Operational Risk Policy.

41.7.1 Operational Risk-Disclosures Basel II Specific

Basic Indicator Approach (BIA) is used for Operational Risk under Basel II.

42 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 12, 2015 by the Board of Directors of the Bank.

43 GENERAL

43.1 These financial statements have been prepared in accordance with the revised format for the financial statements of banks issued by the State Bank of Pakistan through BSD Circular No. 4 dated February 17, 2006.

43.2 Reclassification

Comparative information has been reclassified and rearranged in these financial statements for the purpose of better presentation. No significant reclassification have been made except as follows:

Notes to the Financial Statements

For the year ended December 31, 2014

Description	Amount Rupees in '000'	From	Reclassified To
Statement of Financial Position			
Financial Institution - Remunerative	226,893	Saving Deposits	Financial Institution - Remunerative
Islamic reserves PER & IRR	129,699	Mark-up/return/interest payable in local currency	Pool Management Reserve
Investment in Associate	40,504	Available-for-sale securities	Investment in Associates
Cash Flow Statement			
Provision for Worker Welfare Fund	36,000	Other liabilities	Provision for Worker Welfare Fund

43.3 Non Adjusting Event

The Board of Directors in its meeting held on March 12, 2015 has announced final cash dividend of Rs. 1.00 per share (10%). The Bank financial statements for the year ended December 31, 2014 do not include the effect of this appropriation which will be accounted for the financial statements for the year ending December 31, 2015.



Managing Director



Director



Director



Director

ANNEXURE 'A' TO THE FINANCIAL STATEMENTS AS REFERRED TO IN NOTE 2.2

The Bank is operating 54 Islamic banking branches at the end of current year (2013: 44).

	Note	2014 (Rupees in '000)	2013
ASSETS			
Cash and balances with treasury banks		1,461,758	1,224,162
Balances with other banks		851,231	2,124,268
Due from Financial Institutions		2,100,000	2,050,000
Investments		10,828,036	8,234,854
Islamic Financing and Related Assets - net	A-2.1	9,501,809	5,176,707
Operating fixed assets		205,306	178,031
Deferred tax assets		-	-
Other assets		391,866	963,927
		25,340,006	19,951,949
LIABILITIES			
Bills payable		139,860	140,341
Due to Financial Institutions		-	-
Deposits and other accounts	A-2.2		
- Current accounts		7,715,823	6,890,741
- Saving accounts		9,464,920	7,134,454
- Term deposits		2,148,936	1,751,089
- Others		882,621	636,183
Deposit from Financial Institutions - Remunerative		111,927	227,960
Deposit from Financial Institutions - Non - Remunerative		-	-
Other liabilities		1,703,464	458,168
		22,167,551	17,238,936
		3,172,455	2,713,013
NET ASSETS			
REPRESENTED BY			
Islamic Banking Fund		460,000	460,000
Profit equalization reserves	A-2.3	36,414	-
Unappropriated profit		2,712,586	2,253,472
		3,209,000	2,713,472
(Deficit) on revaluation of assets		(36,545)	(459)
		3,172,455	2,713,013
REMUNERATION TO SHARIAH ADVISOR			
		2,586	1,886
CHARITY FUND			
Opening balance		-	-
Additions during the year		3,227	4,309
Payments during the year		(3,227)	(4,309)
Closing balance		-	-

ANNEXURE 'A' (continued)

	2014	2013
	(Rupees in '000)	
Income / return / profit earned	1,719,574	1,484,828
Income / return / profit expensed	(592,737)	(536,459)
	<u>1,126,837</u>	<u>948,369</u>
Provision against non-performing financing	68,943	19,541
Reversal of provision for diminution in value of investments	(25,000)	-
	<u>43,943</u>	<u>19,541</u>
Net Income / return / profit after provisions	<u>1,082,894</u>	<u>928,828</u>
OTHER INCOME		
Fee, commission and brokerage income	67,762	60,444
Dividend income	6,651	5,067
Income from dealing of foreign currency	119,533	39,137
Net gain on stock exchange operations (capital gain)	8,767	6,229
Capital gain on sale of investment	3,500	300
Gain / (loss) on trading shares	639	(118)
Other income	17,308	16,333
	<u>224,160</u>	<u>127,392</u>
OTHER EXPENSES		
Administrative expenses	845,241	668,119
Other provision / write offs	-	6,492
Other charges	2,699	30
Total other expenses	<u>847,940</u>	<u>674,641</u>
Profit before taxation	459,114	381,579
Unappropriated profit brought forward	2,253,472	1,871,893
Profit available for appropriation	<u>2,712,586</u>	<u>2,253,472</u>

A-1 The Bank of Khyber, Islamic Banking Group is operating following Pools / Sub-pools.

General pool

Sub-pools

- i. Riba free special deposit pool
- ii. Riba free special deposit pool - Banks
- iii. Riba free special deposit pool - Corporate
- iv. Riba free special deposit pool - Mutual fund / FI
- v. Riba free special deposit pool - Staff provident fund

Features of General Pool

In this pool all types of deposits are accepted on Musharakah basis against all types of assets and income from all types of assets. Certificates can also be issued for a fixed period.

Deposits received in this Pool are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharakah, Istisna, Islamic Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. Deposits are accepted through all BOK Islamic branches, as well as, Islamic desks established in Conventional branches of the Bank.

Key features

- No restriction on minimum deposit to share profit. However, nominal minimum amount may be required to open account.
- Profit payment on monthly / six monthly / annually / at maturity.
- Profit calculated on daily average balance for the month.
- Investment for six months to five years.
- Pre-mature termination allowed subject to adjustment of profit.

Features of Sub-pools

In sub pools, deposits are accepted on Musharakah basis against specific assets and are offered expected profit rates. Certificates can also be issued for a fixed period.

Deposits received in this Pool are invested in Islamic assets like Ijarah, Diminishing Musharakah, Islamic Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. Deposits are accepted through all Islamic branches of the Bank as well as Islamic desks established in conventional branches of the Bank.

These deposits are tagged with specific assets and deposits are accepted only when there is some opportunity of investment. These deposits require approval before acceptance.

Key features

- Minimum investment is prescribed by the Bank for each sub-pool.
- Profit payment on monthly basis.
- Profit calculated on daily average balance for the month.
- Investment as deposit and certificate for 1 month, 3 months and 6 months etc.
- Pre-mature termination is allowed without any adjustment if expected profit reduces for the coming months.

Risks of the Special Sub - Pools

All Special Pools are created as Sub Pools of the General Pool. All administrative expenses of the pools are borne by the General Pool as equity contributor. However, depositors bear the risk of all direct losses and expenses of the pool. All residual income of the Pool is transferred to the General Pool being equity holders.

Profit sharing and weightages for distribution of profit

Assignment of weightage for profit distribution to different types of profit bearing sources of funds is as follows:

- While considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by following factors:
 - i. Period of investment (number of months, years etc.)
 - ii. Profit payment option (monthly, quarterly, maturity etc.)
 - iii. Purpose of Deposit (Hajj, Umrah etc.)
 - iv. Type of customer (pensioners, widows, corporate, individual etc.)
- Weightages are declared five days before start of each month.
- As per policy of the Bank, No gift (Hiba) is given in favor of any particular customer or a particular class or category of customers/investors. However, bank reduced its own share of the bank's additional profit which is less than 60% of the Bank's additional profit ratio.

Brief highlights of profit earned and distributed to depositors and retained by IBG are as under:

	2014	2013
	-----Rupees '000'-----	
Gross profit earned	1,943,734	1,612,220
Administrative expenses	847,940	674,641
Distributable share	1,095,794	918,038
Profit paid to IAH/PLS depositors	592,737	536,459
Bank's equity share - net	308,013	344,524
Bank's additional profit	151,101	37,055
Total	459,114	381,579
Return on average earning assets	11.23%	11.03%
Return on average PLS deposits	6.37%	6.51%

Charging Expenses

All types of administrative expenses are shared with the depositors. However, equity holders have the option to absorb all or part of administrative expenses.

All general and specific provisions created against non-performing financing and diminution in the value of investment as under prudential regulations and other SBP directives have not been passed on to the PLS deposits as expense. However, income reversals due to classification of assets and losses due to actual write-off of any facility have been considered expenses of the pool.

	Note	2014	2013
		-----Rupees '000'-----	
A-2.1 Islamic Financing and Related Assets - net			
Murabaha financings	A-2.1.1	2,639,484	3,833,784
Net investment in Ijarah	A-2.1.2	14,266	24,097
Ijarah under IFAS-II	A-2.1.2	816,141	541,992
Diminishing Musharakah	A-2.1.3	1,945,182	720,953
Istisna work in progress	A-2.1.4	199,950	100,000
Salam	A-2.1.5	4,000,000	-
Qarz-e-Hasna		5,641	5,793
Others		8,513	8,513
		9,629,177	5,235,132
Less: Provision held against non-performing facilities		(127,368)	(58,425)
		9,501,809	5,176,707

2014

2013

		-----Rupees '000'-----	
A-2.1.1 Murabaha			
Murabaha receivable	2,424,664	3,608,817	
Advances / Inventories	214,820	224,967	
	2,639,484	3,833,784	
A-2.1.2 Ijarah			
Net investment in Ijarah	14,266	24,097	
Ijarah under IFAS-II:			
- Ijarah	811,943	532,363	
- Advances	4,198	9,629	
	816,141	541,992	
	830,407	566,089	
A-2.1.3 Diminishing Musharakah			
Diminishing musharakah	1,820,442	715,953	
Advances	124,740	5,000	
	1,945,182	720,953	
A-2.1.4 Istisna Financing			
Istisna work in progress	199,950	100,000	
Advances	-	-	
	199,950	100,000	
A-2.1.5 Salam Financing			
Advance against salam	1,000,000	-	
Salam financing	3,000,000	-	
	4,000,000	-	
A-2.2.1 Types of Unrestricted Investment/ PLS Deposits			
In local Currency			
Savings	9,576,847	7,362,414	
Terms Deposits	2,148,936	1,751,089	
Other / Placements	-	-	
	11,725,783	9,113,503	
In foreign Currency			
Savings	-	-	
Terms Deposits	-	-	
Other / Placements	-	-	
	-	-	
	11,725,783	9,113,503	

A.2.2.2 Funds of unrestricted investment / PLS deposit account holders and their equivalent which are accepted on Musharakah basis have been considered as redeemable capital for the purpose of financial accounting and reporting whereas the current deposits are taken up by the Pool on qarz basis and profit from deployment of such current deposits as well as the risk of loss be borne by the Pool. As such return of current deposits are virtually guaranteed before payment to any PLS Deposit or equity holder.

A.2.3 Profit Equalization Reserve of Rs. 36.414 Million is not available for the distribution of cash and stock dividend to the shareholders.

A.2.4 Classification of assets , revenues, expenses , gain and loss on the basis of sources of finance:

All earning assets of Islamic banking group are jointly financed by Unrestricted Investments/PLS deposits account holders and the bank. Detail of jointly financed earning assets is:

2014

2013

-----Rupees '000'-----

Financings (Gross)

Agribusiness	102,510	10,717
Chemical and Pharmaceuticals	92,751	106,393
Textile	138,616	144,649
Salary Loan	153	94
Automobile and transportation equipment	155,406	93,993
Petro Chemical	259	9,140
Housing	133,344	14,442
Misc. Manufacturing	347,797	217,813
Personal	252,157	116,458
Contractors	169,001	67,470
Tradings	1,085,458	870,957
Services	792,639	337,185
Consumer Financings	201,482	65,952
Auto Loans	507,169	189,948
Commodity Finance	4,651,934	2,588,132
Metal Product	-	6,070
Telecommunication	101,013	-
CNG station/GAS	277,297	35,584
Others	620,191	360,135
	<u>9,629,177</u>	<u>5,235,132</u>

Investments

GOP Ijarah Sukuk	9,468,771	6,770,482
Power /Electric/Gas	976,484	1,028,865
Fertilizer	143,609	165,598
Chemical	22,450	21,607
Others	216,722	273,302
	<u>10,828,036</u>	<u>8,259,854</u>
	<u>20,457,213</u>	<u>13,494,986</u>

A.2.5 Contractual Maturity of unrestricted Investments/PLS deposit accounts

December 31, 2014

Types of Deposits	Total	Upto 1 Month	Over 1 Month To 3 Months	Over 3 Months To 6 Months	Over 6 Months To 1 Year	Over 1 Year
-----Rupees '000'-----						
Savings	9,576,847	9,576,847	-	-	-	-
Term Deposits	2,148,936	135,000	37,400	442,324	69,531	1,464,681
	<u>11,725,783</u>	<u>9,711,847</u>	<u>37,400</u>	<u>442,324</u>	<u>69,531</u>	<u>1,464,681</u>

ANNEXURE 'B' TO THE FINANCIAL STATEMENTS AS REFERRED TO IN NOTE 11.6.3
STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RS. 500,000 OR
ABOVE PROVIDED DURING THE YEAR ENDED 31 DECEMBER 2014

Rs. in Million

S. No.	Name and address of the borrower	Name of individuals/ partners/ directors (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at the beginning of the year				Principal written-off	Interest/Mark-up written-off	Other financial relief provided	Total (9+10+11)
				Principal	Interest/Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1.	Haji Malang Jan & Sons Godam No.2, Pajagi Road, Saeed Abad, Peshawar City.	Haji Malang Jan 17301-7219168-9	Mr. Zaidi Gul	0.069	0.543		0.612		0.502	0.329	0.831
2.	Khattak Medical Center Mohallah Ganga Ram Lakar Mandi Bazaar, Dabgari Garden, Peshawar	1. Zar Alam Khan 16102-2273269-7 2. Shazia 16102-2209893-4"	1. Said Alam Khan 2. W/o Zar Alam Khan	18.096	4.53		22.626		2.53	4.493	7.023
3.	Zai Apartments Opposite Fata Secretariat, Warsak Road, Peshawar	1. Fayyaz Ahmed Khan 17101-8937036-1	Muhammad Ehsanullah Khan 1. Jaffar Khan	10	9.688		19.688		7.266	1.514	8.78
4.	Sunny Enterprises (Pvt) Ltd. 27, Amin Mansion, G.T. Road, Peshawar.	1. Ghulam Sarwar Khan 135-46-229196 2. Dr. Sultana Sarwar 135-48-229197	2. W/o Ghulam Sarwar Khan Syed Munawar Shah	13.243	10.405		23.648		10.405	20.491	40.206
5.	Gillani Construction Company Datsun Adda Phandu Road Peshawar	Syed Mukarram Ali Shah Gillani 17301-3478216-9 Arbab Naveed Akbar	 Arbab Noor Akbar	2.702	0.719		3.421		0.719	4.146	4.865
6.	Noor Plaza Warsak Road Peshawar"	17301-8786126-9 Zafar Ali Shah	Mian Ameer	0.617	0.762		1.379		0.896		0.896
7.	Azhar Property Dealer Bilal Market, Sector D-1, Phase-I, Hayatabad Peshawar	17301-0439041-9 1. Mr. Arif M. Malik	 1. Manzoor Ahmad Malik	0.075	0.658		0.733		0.672		0.672
8.	Manzoor Enterprises DD16, FF-III, Defence View Near Express way Extension, Main Korangi Karachi.	121-57-732236 2. Mr. Manzoor A. Malik 137-85-085352 3. Mrs. Khursheed Manzoor 137-90-035869 4. Mrs. Samira Arif 121-59-732237 5. Mr. Gibran Malik 42000-9022760-5 1. Habibullah Khan	2. Malik M. Ibrahim 3. W/o Manzoor A Malik 4. D/o Arif M. Malik 5. S/o Arif M. Malik 1. Asadullah Khan	2.687	0.596		3.283	931	0.596	1.031	1.627
9.	Imperial Developer & Builders (Pvt) Ltd. GF-7-10, KDLB Building West Wharf Road, Karachi. Kaghan Ceramics (Pvt) Ltd	42301-0827893-5 2. Mrs. Nusrat Khan 42301-0781154-0 1. Syed Zakir Hussain Shah	2. W/o Habibullah Khan 1. Syed Rahim Shah	54.311	7.177		61.488			9.515	9.515
10.	Small Industrial Estate, Mansehra Amanat Khan & Co. Fazal Ganj, Risalpur Cantt	13101-3466664-9 2. Syed Azhar Hussain Shah 13101-4131810-9 Amanat Khan	2. Zakir Hussain Ghulam Nabi	4	0.153		4.153			1.533	1.533
11.		17201-2316099-1		0.75	0.434		1.184		0.434	0.312	0.746
				106.550	35.665		142.215	9310	24.020	43.364	76.694

This annexure does not contain Fiscal Relief to the borrowers in pursuance of Prime Minister's announcement of Fiscal Relief Package to rehabilitate the economic life in Khyber Pakhtunkwa, Federally Administered Tribal Area (FATA) and Provincially Administered Tribal Area (PATA).

ANNEXURE 'C' TO THE FINANCIAL STATEMENTS AS REFERRED TO IN NOTE 10.4

	2014	2013	2014	2013
	— Number of shares —		— Cost Rupees in '000 —	
1. Particulars of investments held in ordinary shares of listed companies				
Available for sale				
Accord Textile Limited	10,391	10,391	-	-
Adamjee Floorings Limited	1,300	1,300	-	-
Adam Jee Insurance Company Limited	100,000	-	4,772	-
Adamjee Industries	26	26	-	-
Adamjee Paper and Board Mills Limited	6,100	6,100	-	-
Adil Polypropylene Limited	3,800	3,800	-	-
Afsar Textile Mills Limited	1,400	1,400	-	-
Akzo Nobel Pak Limited	-	13,420	-	2,004
Al-Hussain Industries Limited	1,300	1,300	-	-
Alif Textile Mills Limited	7,500	7,500	-	-
Allied Bank Limited	779,545	500,000	86,979	43,420
Al-Qaim Textile Mills Limited	8,000	8,000	-	-
Apex Fabrics Limited	6,500	6,500	-	-
Arag Industries Limited	4,300	4,300	-	-
Asim Textile Mills Limited	26,500	26,500	-	-
Askari Bank Limited	1,500,000	-	33,534	-
Aswan Tentage and Canvas Mills Limited	3,700	3,700	-	-
Attock Cement Pak Limited	-	250,000	-	36,938
Atlas Battery Limited	60,000	-	55,727	-
Attock Petroleum Limited	90,000	300,000	50,489	144,402
Awan Textile Mills Limited	5,300	5,300	-	-
Ayaz Textile Mills Limited	5,000	5,000	-	-
Bahawalpur Textile Mills Limited	1,000	1,000	-	-
Balochistan Faundry Limited	1,600	1,600	-	-
Balochistan Particle Board Limited	17,129	17,129	-	-
Bank Al-Habib Limited	2,500,000	3,750,000	67,039	110,614
Bankers Equity Limited	66,707	66,707	-	-
Bela Engineering Limited	5,500	5,500	-	-
Business and Industrial Insurance Company Limited	500,000	500,000	5,000	5,000
Carvan East Fabrics Limited	948,700	948,700	9,487	9,487
Central Cotton Mills Limited	700	700	-	-
Charsada Sugar Mills Limited	20	20	-	-
Chilya Corrugated Board Limited	900	900	-	-
Colony Sarhad Textile Mills Limited	7,273	7,273	3	3
Crescent Knitwear Limited	1,500	1,500	-	-
Crescent Spinning Mills Limited	16,400	16,400	-	-
Crown Textile Mills Limited	7,200	7,200	-	-
Dadabhoy Leasing Company Limited	8,500	8,500	-	-
Dadabhoy Padube Limited	1,200	1,200	-	-
Data Agro Limited	2,400	2,400	-	-
Dawood Capital Management Limited	2,246,055	2,246,055	22,461	22,461
Dawood Equities Limited	3,750,000	3,750,000	37,500	37,500
Eastern Federal Union Insurance	1,000,000	-	125,720	-
Engro Chemical Pakistan Limited	50,000	200,000	6,958	27,832
Engro Fertilizer Limited	20,000	-	-	-
Fateh Industries Limited	600	600	-	-
Fateh Sports Wear Limited	1,000	1,000	-	-
Fauji Fertilizer Bin Qasim Limited	100,000	-	4,353	-
Fauji Fertilizer Company Limited	600,000	1,193,000	68,608	135,277
Fazal Vegetable Ghee Mills Limited	500	500	-	-
Ghafur Textile Mills Limited	1,000	1,000	-	-
Glaxosmith Kline Pakistan Limited	-	425,000	-	59,348
Globe Textile Mills Limited	1,458	1,458	23	23
Greaves Air conditioning Limited	-	1,300	-	-
Gypsum Corporation Limited	-	3,600	-	-
H. Sheikh, M. Hussain Company Limited	-	2,516	-	-



ANNEXURE 'C' (continued)

	2014	2013	2014	2013
	Number of shares		Cost Rupees in '000	
Habib Bank Limited	350,000	-	75,384	-
Habib Metropolitan Bank Limited	1,200,000	1,600,000	25,355	33,806
Hafiz Textile Mills Limited	315	315	5	5
Hashmi Can Company Limited	3,800	3,800	-	-
Hub Power Company Limited	125,000	1,177,000	9,435	61,268
Hyderabad Electronic Industries Limited	1,800	1,800	-	-
Hyderabad Electronic Industries Limited	2,300	2,300	-	-
ICI Pakistan Limited	50,000	26,689	27,200	3,987
Indus Motors Company Limited	80,000	100,000	69,717	34,540
Innovative Investment Bank Limited	807	807	-	-
International Industries Limited	-	201,101	-	9,833
Itti Textile Mills Limited	3,500	3,500	-	-
Junaid Cotton Mills Limited	1,000	1,000	-	-
Kaiser Art and Kraft Mills Limited	500	500	-	-
Karachi Pipe Mills Limited	3,400	3,400	-	-
Karim Cotton Mills Limited	2,550	2,550	-	-
Karim Silk Mills Limited	300	300	-	-
Kohinoor Looms Limited	3,500	3,500	-	-
Kot Addu Power Company Limited	-	750,000	-	46,160
Lafayette Industries Synthetics Limited	2,600	2,600	-	-
LTV Capital Modaraba	300	300	-	-
Khohat Cement Company Limited	300,000	-	38,158	-
Lafarge Cement Limited	1,750,000	-	26,953	-
Lucky Cement Limited	100,000	-	41,870	-
Marr Fabrics Limited	2,700	2,700	-	-
Medi Glass Limited	7,400	7,400	-	-
Mehr Dastagir Textile Mills Limited	1,200	1,200	-	-
Mehran Bank Limited	16,900	16,900	-	-
Mehran Jute Mills Limited	2,500	2,500	-	-
Meezan Bank Limited	207,500	-	10,319	-
Mian Mohammed Sugar Mills Limited	4,000	4,000	-	-
Mohib Textile Mills Limited	3,500	3,500	-	-
Morafco Industries Limited	1,631	1,631	-	-
Millat Tractors Limited	105,000	-	67,779	-
Mubarak Dairies Limited	1,000	1,000	-	-
National Bank of Pakistan	-	1,200,000	-	72,178
National Match Factory Limited	600	600	-	-
National Refinery Limited	310,000	100,000	70,874	19,957
Naveed Textile Mills Limited	1,500	1,500	-	-
Nishat Mills Limited	260,000	-	30,854	-
Nowshera Engineering Company Limited	600	600	-	-
Nusrat Textile Mills Limited	6,900	6,900	-	-
Packages Limited	38,000	-	17,415	-
Oil & Gas Development Limited	207,300	-	53,840	-
Pak Suzuki Motors	150,000	-	44,691	-
Pak Reinsurance Limited	100,000	-	33,165	-
Pak German Pre-Fabs Limited	1,500	1,500	-	-
Pak Ghee Industries Limited	1,300	1,300	-	-
Pakistan Oil fields Limited	125,000	50,000	62,315	24,283
Packages Power	250,000	-	6,744	-
Pakistan Papersck Company Limited	2,450	2,450	-	-
Pakistan Petroleum Limited	121,900	150,000	24,991	22,631
Pakistan State Oil Company Limited	90,000	125,000	31,094	28,178

ANNEXURE 'C' (continued)

	2014	2013	2014	2013
	Number of shares		Cost Rupees in '000	
Pakistan Telecommunication Company Limited	-	500,000	-	10,028
Pan Islamic Steamship Company Limited	172	172	-	-
Pearl Fabrics Limited	5,200	5,200	-	-
Punjab Lamps Works Limited	2,500	2,500	-	-
Punjab Building Product Limited	10,298	10,298	-	-
Punjab Cotton Mills Limited	1,000	1,000	-	-
Qayyum Spinning Mills Limited	2,300	2,300	-	-
Quality Steel Works Limited	26	26	-	-
RCD Ball Bearing Limited	500	500	-	-
Redco Textiles Limited	17,700	17,700	-	-
Regal Ceramics Limited	2,600	2,600	-	-
Rex Barren Batteries Limited	1,200	1,200	-	-
Saif Nadeem Kawasaki Motors Limited	100	100	-	-
Saitex Spinning Mills Limited	8,400	8,400	-	-
Saleem Denim Industries Limited	3,600	3,600	-	-
Sardar Chemical Industries Limited	3,000	3,000	5	5
Schon Textiles Limited	5,800	5,800	-	-
Searle Pakistan Limited	50,000	41,470	1,128	1,291
Security Paper Limited	12,540	-	845	-
Service Fabrics Limited	31,000	31,000	-	-
Service Industries Limited	15,000	28,500	4,078	7,747
Service Textile Industries Limited	3,800	3,800	-	-
Shahyar (O.E) Textile Mills Limited	1,700	1,700	-	-
Shahyar Textile Mills Limited	5,000	5,000	-	-
Siemens Pakistan Engineering Company Limited	10,000	10,630	9,755	10,369
Siftaq International Limited	2,900	2,900	-	-
Sind Alkalis Limited	15,500	15,500	-	-
Sind Fine Textile Mills Limited	2,000	2,000	-	-
Sui Nothern Gas Pipelines Limited	200,000	300,000	4,677	6,528
Sunrise Textile Mills Limited	300	300	-	-
Sunshine Cloth Mills Limited	10,000	10,000	-	-
Sunshine Cotton Mills Limited	10,352	10,352	-	-
Suraj Ghee Industries Limited	1,459	1,459	-	-
Syed Match Company Limited	500	500	7	7
Syeed Saigol Industries Limited	1,300	1,300	-	-
Taga Pakistan Limited	2,900	2,900	-	-
Taj Textile Mills Limited	32,363	32,363	12	12
Tariq Cotton Mills Limited	1,400	1,400	-	-
Tawakkal Garment Industries Limited	3,000	3,000	-	-
Tawakkal Limited	2,637	2,637	-	-
First Tawakkal Modaraba	11,200	11,200	-	-
Thal Limited	50,000	14,026	11,374	169
Treet Corporation Limited	11,877	11,877	97	97
Turbo Tubes Limited	4,000	4,000	-	-
Unicap Modaraba	7,500	7,500	-	-
United Bank Limited	300,000	500,000	58,239	63,239
Uqab Breeding Farms limited	3,400	3,400	-	-
Wyeth Pakistan Limited	6,417	2,557	21,616	2,690
Zafar Textile Mills Limited	1,550	1,550	-	-
Zahoor Cotton Mills Limited	10,500	10,500	-	-
Zahoor Textile Mills Limited	9,500	9,500	-	-
			<u>1,458,640</u>	<u>1,093,317</u>



	2014	2013	2014	2013
	Number of shares		Cost Rupees in '000	
Held for Trading				
Millat Tractors Limited	22,700	-	15,269	-
Engro Foods Limited	-	50,000	-	5,294
Fauji Fertilizer Company Limited	53,100	-	6,346	-
Attock Refinery	32,200	-	6,258	-
National Bank of Pakistan	-	300,000	-	17,945
Pak Petroleum Limited	10,000	10,000	1,870	2,180
Pakistan Telecommunication Company Limited	-	85,000	-	2,567
Sui Southern Gas Pipe Line Limited	-	25,000	-	562
			<u>29,743</u>	<u>28,548</u>
			<u>1,488,383</u>	<u>1,121,865</u>

The paid-up value of each share in listed companies was Rs. 10 per share (2013: Rs. 10 per share).

As at December 31, 2014, the aggregate market value of listed shares was Rs. 1,460.756 million (2013: Rs. 1,187.250 million).

	2014	2013	2014	2013
	Number of shares		Cost Rupees in '000	
2. Particulars of investments held in ordinary shares of unlisted companies				
Asian Housing Finance Limited	500,000	500,000	5,000	5,000
Mohib Textile Mills Limited	1,190,500	1,190,500	25,000	25,000
Mohib Exports Limited	25,300	25,300	487	487
Industrial Development Bank of Pakistan	-	20	-	0.20
			<u>30,487</u>	<u>30,487</u>

The paid-up value of each share in unlisted companies is Rs. 10 per share (2013: Rs. 10 per share).

	2014	2013	2014	2013
	Number of shares		Cost Rupees in '000	
3. Particulars of investments held in ordinary shares of related parties:				
Unlisted shares				
Dawood Family Takaful Limited	11,250,000	11,250,000	112,500	112,500
			<u>112,500</u>	<u>112,500</u>

The paid-up value of each share in unlisted companies is Rs. 10 per share (2013: Rs. 10 per share).

4. Particulars of investments held in listed term finance certificates (TFC)

	Terms of Interest	Date of Maturity	2014	2013	2014	2013
			Number of certificates held	Number of certificates held	Cost (Rupees in '000)	Cost (Rupees in '000)
Available for sale						
Allied Bank Limited	6 months KIBOR + 190 BPS	December 12, 2014	-	14,000	-	34,916
Askari Bank Limited	6 months KIBOR + 250 BPS	November 18, 2019	30,000	30,000	149,700	149,760
Engro Fertilizer Limited	6 months KIBOR + 155 BPS	November 30, 2015	-	46,845	-	232,421
Faysal Bank Limited	6 months KIBOR + 140 BPS	November 12, 2014	-	5,515	-	13,760
Pace Pakistan Limited *	6 months KIBOR + 200 BPS	February 15, 2017	20,000	20,000	99,880	99,880
Saudi Pak Leasing Company *	Fixed at 3%	March 13, 2017	10,000	10,000	27,548	28,749
Telecard Limited *	6 months KIBOR + 375 BPS	May 27, 2015	7,000	7,000	11,341	12,805
					<u>288,469</u>	<u>572,291</u>

The paid-up value of each TFC held was Rs. 5,000 per certificate (2013: Rs. 5,000 per certificate).
The market value of these listed TFCs amounted to Rs. 288,468 million as at December 31, 2014 (2013: Rs. 556.69 million).

* These have been classified as non performing.

5. Particulars of investments held in unlisted term finance certificates (TFCs)

	Terms of Interest	Date of Maturity	2014	2013	2014	2013
			Number of certificates held	Number of certificates held	Cost (Rupees in '000)	Cost (Rupees in '000)
Available for sale						
Avari Hotel Limited	1 Year KIBOR + 250 BPS	October 30, 2014	-	75,000	-	139,610
Bank Al-Falah Limited	Fixed at 15%	December 2, 2017	38,000	38,000	189,620	189,696
Bank Al-Habib Limited	Fixed at 15.5%	June 12, 2017	-	20,000	-	99,640
Dewan Farooq Spinning Mills	Non-performing	Over due	4,000	4,000	5,000	5,000
Faysal Bank Limited	6 months KIBOR + 225 BPS	October 11, 2017	15,000	15,000	74,880	74,910
					<u>269,500</u>	<u>508,856</u>

The paid-up value of each TFC held was Rs. 5,000 per certificate (2013: Rs. 5,000 per certificate).

6. Particulars of investments held in units of mutual funds

		2014	2013	2014	2013
		Number of units held	Number of units held	Cost Rupees in '000	Cost Rupees in '000
Held-for-trading					
Open-ended mutual funds					
PICIC Cash Fund		-	1,991,302	-	200,000
KASB Cash Fund		-	991,692	-	100,000
				<u>-</u>	<u>300,000</u>
Available-for-sale					
Open-ended mutual funds					
AKD Income Fund		-	1,261,903	-	62,850
Dawood Money Market Fund		4,194,990	4,194,990	290,237	290,238
NAFA Money Market Fund		4,784,048	-	50,000	-
		<u>8,979,038</u>	<u>5,456,893</u>	<u>340,237</u>	<u>353,088</u>
Closed-end mutual funds					
		--- Number of shares ---	--- Number of shares ---	-----Cost-----	-----Cost-----
NAMCO Balanced Fund *		-	7,572,470	-	68,673
Pak Oman Advantage Fund		5,000,000	5,000,000	50,000	50,000
		<u>5,000,000</u>	<u>12,572,470</u>	<u>50,000</u>	<u>118,673</u>
				<u>390,237</u>	<u>771,761</u>

The market value of these mutual funds amounts to Rs. 398.658 million as at December 31, 2014 (2013: Rs. 749.193 million).

* These are marked as strategic investments of the Bank.

7. Particulars of investments held in Sukuks

			2014	2013	2014	2013
	Terms of Interest	Date of Maturity	Number of certificates held		Cost Rupees in '000	
Available for sale						
Al-Razi Health Care Limited	3 months KIBOR + 250 BPS	November 4, 2017	10,000	10,000	35,333	43,333
Engro Fertilizers Limited	6 months KIBOR + 150 BPS	September 6, 2015	19,900	19,900	98,781	98,098
Engro Fertilizers Limited	6 months KIBOR + 211 BPS	June 30, 2017	15,000	15,000	44,828	67,500
Ghani Glass Limited	3 months KIBOR + 175 BPS	December 27, 2017	30,000	30,000	91,914	126,207
House Building Finance Corporation	6 month KIBOR + 100 BPS	May 8, 2014	-	49,500	-	24,117
JDW Sugar Mills Limited	3 month KIBOR + 125 BPS	June 20, 2014	-	15,000	-	8,337
Liberty Power Tech Limited	3 months KIBOR + 300 BPS	Various dates latest by January 13, 2021	2,198,840	2,198,840	174,397	185,882
Quetta Textile Mill Ltd	6 months KIBOR + 150 BPS	June 26, 2019	20,000	20,000	60,690	71,724
Security Leasing Company Limited	Fixed at 0%	Over due	10,000	10,000	12,836	13,682
Sui Southern Gas Company	3 months KIBOR + 70 BPS	May 28, 2018	60,000	60,000	300,000	300,000
Three Star Hoisery Limited	Non-performing	Over due	15,000	15,000	75,000	75,000
WAPDA III	3 months KIBOR + 175 BPS	October 14, 2021	51,000	51,000	255,000	255,000
					<u>1,148,779</u>	<u>1,268,880</u>
Held to maturity						
BRR Guardian Modarba	6 months KIBOR + 130 BPS	December 7, 2016	20,000	20,000	68,125	80,938
House Building Finance Corporation	6 months KIBOR + 100 BPS	August 5, 2014	-	10,000	-	5,000
JDW Sugar Mills Limited	6 months KIBOR + 125 BPS	June 20, 2014	-	10,000	-	5,555
Sitara Energy	6 months KIBOR + 115 BPS	May 15, 2013	-	10,000	-	10,568
WAPDA II	6 months KIBOR - 25 BPS	June 12, 2017	80,000	80,000	200,000	266,668
					<u>268,125</u>	<u>368,729</u>
					<u>1,416,904</u>	<u>1,637,609</u>

The paid-up value of each Sukuk certificate held was Rs. 5,000 per certificate (2013: Rs. 5,000 per certificate).

Quality of Available for Sale Securities

	2014			2013		
	Market Value/ Cost Rs in '000	Rating	Credit rating Agency	Market Value/ Cost Rs in '000	Rating	Credit rating Agency
Government Securities						
Market Treasury Bills	27,236,954	Unrated	-	29,606,547	Unrated	-
Pakistan Investment Bonds	24,380,366	Unrated	-	12,135,922	Unrated	-
Government of Pakistan Ijarah Sukuks	8,500,124	Unrated	-	6,770,422	Unrated	-
Ordinary shares in listed companies						
Attock Refinery Limited	6,046	N/A	-	-	N/A	-
Accord Textile Limited	4	N/A	-	4	N/A	-
Adam Jee Insurance Company Limited	4,946	N/A	-	-	N/A	-
Akzo Nobel Pak Limited	-	N/A	-	1,673	N/A	-
Allied Bank Limited	88,541	AA+	PACRA	45,000	N/A	-
Al-Qaim Textile Mills Limited	5	N/A	-	5	N/A	-
Asim Textile Mills Limited	276	N/A	-	643	N/A	-
Askari Commercial Bank Limited	34,605	N/A	-	-	AA	PACRA
Atlas Battery Ltd	54,000	N/A	-	-	N/A	-
Attock Cement Company Limited	-	N/A	-	35,658	N/A	-
Attock Petroleum Limited	48,562	N/A	-	149,907	N/A	-
Bank Al-Habib Limited	121,375	AA+	PACRA	155,813	AA+	PACRA
Colony Sarhad Textile Mills Limited	16	N/A	-	16	N/A	-
Data Agro Limited	29	N/A	-	47	N/A	-
Dawood Capital Management Limited	4,829	AM3-	PACRA	5,211	AM3-	PACRA
Dawood Equities Limited.	9,863	N/A	-	8,438	N/A	-
Eastern Federal Union Insurance	152,890	N/A	-	-	N/A	-
Engro Foods Limited	-	A+	JCR	5,222	A+	JCR
Engro Chemicals Pakistan Limited	11,076	A	PACRA	31,676	N/A	-
Engro Fertilizer	1,562	N/A	-	-	N/A	-
Fauji Fertilizer Company Limited	76,485	N/A	-	133,568	N/A	-
Fauji Fertilizer Bin Qasim Limited	4,521	N/A	-	-	N/A	-
Glaxosmith Kline Pak Limited	-	N/A	-	57,889	N/A	-
Globe Textile Mills Limited	13	N/A	-	13	N/A	-
Habib Bank Limited	75,691	AAA	JCR	-	AAA	JCR
Habib Metropolitan Bank Limited	44,760	AA+	PACRA	40,112	AA+	PACRA
Hafiz Textile Mills Limited	26	N/A	-	16	N/A	-
Hashmi Can Company Limited	31	N/A	-	31	N/A	-
Hub Power Company Limited	9,795	AA+	PACRA	71,467	AA+	PACRA
ICI Pakistan Limited	23,123	N/A	-	6,753	N/A	-
Indus Motors Company Limited	70,426	N/A	-	33,300	N/A	-
Innovative Investment Bank Limited	3	N/A	-	3	N/A	-
International Industries Limited	-	N/A	-	9,325	N/A	-
Kot Addu Power Company Limited	-	AA+	JCR	46,313	N/A	-
Khohat Cement Limited	57,261	N/A	-	-	N/A	-
Lafarge Pakistan Cement Limited	30,363	N/A	-	-	N/A	-
Lucky Cement Limited	50,028	N/A	-	-	N/A	-
Meher Dastgir Textile Mills Limited	2	N/A	-	2	N/A	-
Morafco Industries Limited	17	N/A	-	17	N/A	-
Millat Tractors Limited	67,920	N/A	-	-	N/A	-
Mubarak Dairies Limited	1	N/A	-	1	N/A	-
National Bank of Pakistan	-	AAA	JCR	87,090	AAA	JCR
National Refinery Limited	57,304	N/A	-	21,552	N/A	-
Nishat Mills Limited	31,457	AA	PACRA	-	N/A	-
Pakistan Oil Limited	47,420	N/A	-	24,886	N/A	-
Pakistan Petroleum Limited	21,518	N/A	-	34,234	N/A	-
Pakistan State Oil Company Limited	32,212	AA+	PACRA	41,528	AA+	PACRA
Pakistan Telecommunication Company Limited	-	N/A	-	16,637	N/A	-
Packages Limited	32,533	AA	PACRA	-	N/A	-
Pak Suzuki Motors	55,668	N/A	-	-	N/A	-
Pak Reinsurance Company	30,340	N/A	-	-	N/A	-

	2014			2013		
	Market Value/ Cost Rs in '000	Rating	Credit rating Agency	Market Value/ Cost Rs in '000	Rating	Credit rating Agency
Redco Textile Limited	79	N/A	-	82	N/A	-
Sardar Chemical Industries Limited	26	N/A	-	21	N/A	-
Oil & Gas Development Company Limited	42,677	AAA	JCR	-	N/A	-
Meezan Bank Limited	9,754	AA	JCR	-	N/A	-
Searle Pakistan Limited	12,092	N/A	-	5,124	N/A	-
Service Industries Limited	14,618	N/A	-	15,520	N/A	-
Services Fabrics Limited	24	N/A	-	24	N/A	-
Services Textile Industries Limited	3	N/A	-	3	N/A	-
Siemens Pakistan Engineering Company Limited	11,145	N/A	-	14,552	N/A	-
Sind Fine Textile Mills Limited	8	N/A	-	8	N/A	-
Sui Northern Gas Pipelines Limited	5,742	AA	PACRA	6,923	AA	PACRA
Syeed Saigol Industries Limited	7	N/A	-	7	N/A	-
Taj Textile Mills Limited	13	N/A	-	13	N/A	-
Thall Limited	13,452	N/A	-	1,939	N/A	-
Treet Corporation Limited	1,567	N/A	-	1,161	N/A	-
Unicap Modaraba	11	N/A	-	11	N/A	-
United Bank Limited	53,013	AA+	JCR	66,275	AA+	JCR
Wyeth Pakistan Limited	26,945	N/A	-	11,507	N/A	-
Zahoor Cotton Mills Limited	3	N/A	-	3	N/A	-
Ordinary shares in unlisted companies						
Asian Housing Finance Limited	5,000	N/A	-	5,000	N/A	-
Mohib Textile Mills Limited	25,000	N/A	-	25,000	N/A	-
Mohib Exports Limited	487	N/A	-	487	N/A	-
Ordinary shares in unlisted companies related parties						
Dawood Family Takaful Limited	112,500	A-	PACRA	112,500	N/A	-
Term Finance Certificates - Listed						
Askari Bank Limited	149,700	AA-	JCR	149,760	AA-	PACRA
Engro Fertilizers Limited	-	-	-	233,639	AA	PACRA
Faysal Bank Limited	-	-	-	13,931	AA-	JCR
Pace Pakistan Limited	99,880	N/A	-	99,880	D	PACRA
Saudi Pak Leasing Limited	10,192	N/A	-	14,374	D	JCR
Telecard Limited	8,669	N/A	-	9,807	D	JCR
Allied Bank Limited	-	-	JCR	35,304	AA-	JCR
Term Finance Certificates - Unlisted						
Avari Hotel Limited	-	-	JCR	139,575	A-	JCR
Bank Al-Falah Limited	189,620	AA-	PACRA	189,696	AA-	JCR
Bank Al-Habib Limited	-	-	PACRA	99,640	AA	PACRA
Dewan Farooq Spinning Mills Limited	5,000	N/A	-	5,000	N/A	-
Faysal Bank Limited	74,880	AA-	JCR	74,910	AA-	JCR
Open ended mutual funds						
AKD Income Fund	-	-	-	61,539	BBB(f)	JCR
Dawood Money Market Fund	299,134	N/A	-	299,132	A+(f)	PACRA
PICIC Cash Fund	-	-	-	200,452	N/A	-
KASB Cash Fund	-	-	-	101,424	-	N/A

ANNEXURE 'D' (continued)

	2014			2013		
	Market Value/ Cost Rs in '000	Rating	Credit rating Agency	Market Value/ Cost Rs in '000	Rating	Credit rating Agency
Closed end mutual funds						
NAMCO Fund	-	-	-	49,145	A-(f)	JCR
Pak Oman Advantage Fund	49,500		PACRA	37,500	A+(f)	PACRA
Sukuk certificates						
House Building Finance Company Limited	-	N/A	-	29,770	N/A	-
Quetta Textile Mills Limited	60,690	N/A	-	71,724	N/A	-
JDW Sugar Mills	-	N/A	-	13,868	N/A	-
Liberty Power Tech Limited	174,397	A+	PACRA	185,882	A+	PACRA
Security Leasing Sukuk	12,836	N/A	-	13,683	N/A	-
Ghani Glass	91,914	N/A	-	126,208	N/A	-
Three Star Hoisery	75,000	N/A	-	75,000	N/A	-
Al Razi Health Care	35,333	N/A	-	43,333	N/A	-
Engro Fertilizer Ltd - Sukuk	-	N/A	-	166,280	N/A	-
SSGC Sukuk	300,000	N/A	-	300,000	N/A	-
WAPDA III	255,000	N/A	-	255,000	N/A	-
BRR Guardian Modarba	68,125	N/A	-	80,937	N/A	-
Sitara Energy Limited	-	N/A	-	10,568	N/A	-
WAPDA - II	200,000	N/A	-	266,666	N/A	-
Preference shares						
First Dawood Investment Bank Limited	140,920	N/A	-	140,920	N/A	-
Trust Investment Bank Limited	75,000	N/A	-	75,000	N/A	-
Saudi Pak Leasing	195,000	N/A	-	195,000	N/A	-

Pattern of Shareholding

As of December 31, 2014

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
809	1	100	31680	0.0032
10102	101	500	1829420	0.1829
16640	501	1000	15093492	1.5088
3032	1001	5000	6418923	0.6417
218	5001	10000	1538634	0.1538
64	10001	15000	770104	0.0770
50	15001	20000	850696	0.0850
22	20001	25000	494403	0.0494
10	25001	30000	266709	0.0267
8	30001	35000	250135	0.0250
7	35001	40000	271482	0.0271
2	45001	50000	94941	0.0095
6	50001	55000	325496	0.0325
2	55001	60000	114877	0.0115
2	60001	65000	121616	0.0122
1	65001	70000	67268	0.0067
1	70001	75000	73000	0.0073
3	75001	80000	233881	0.0234
3	80001	85000	247954	0.0248
2	90001	95000	186588	0.0187
1	100001	105000	100021	0.0100
1	105001	110000	109400	0.0109
1	110001	115000	112673	0.0113
1	120001	125000	121565	0.0122
1	135001	140000	136760	0.0137
1	145001	150000	150000	0.0150
1	150001	155000	152976	0.0153
1	240001	245000	243130	0.0243
1	275001	280000	278840	0.0279
1	340001	345000	340926	0.0341
1	985001	990000	987500	0.0987
1	1075001	1080000	1075172	0.1075
1	4370001	4375000	4370332	0.4369
1	27795001	27800000	27795472	2.7785
1	28400001	28405000	28404072	2.8394
1	28635001	28640000	28639454	2.8629
1	28790001	28795000	28794955	2.8784
1	29015001	29020000	29018540	2.9008
1	31900001	31905000	31900044	3.1888
1	86145001	86150000	86149803	8.6118
1	702205001	702210000	702208233	70.1948
31005		Company Total	1000371167	100.0000

Category of Shareholders

As of 31.12.2014

	No of Shareholders	Share Held	Percentage
Directors, CEO & Children	3	48,624	0.00
Banks, DFI & NBF1	5	51,219	0.00
Insurance Companies	3	24,901	0.00
Modarabas & Mutual Funds	1	15,195	0.00
General Public (Local)	30,901	204,378,635	20.43
General Public (Foreign)	38	106,827	0.01
Others	51	89,089,701	8.91
Government of Khyber Pakhtunkhwa	1	702,208,233	70.20
Foreign Companies	2	4,447,832	0.45
Total	31,005	1,000,371,167	100.00

Shareholding of Directors, CEO & Children

Maqsood Ismail Ahmad	12,156
Asad Muhammad Iqbal	18,234
Javed Akhtar	18,234

Shareholding of Banks, DFI & NBF1

Pakistan Industrial & Commercial Leasing Ltd.	2,431
NIB Bank Limited	184
Soneri Bank Limited	15,279
Pakistan Industrial & Comm. Leasing Ltd.	21,881
Escorts Investment Bank Limited	11,444

Shareholding of Insurance Companies

The Pakistan General Insurance Co. Limited	6,667
TPL Direct Insurance Limited	15,195
The Pakistan General Ins. Co. Ltd	3,039

Shareholding of Modarabas & Mutual Funds

Prudential Stocks Fund Ltd	15,195
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Major Shareholders

Government of Khyber Pakhtunkhwa	702,208,233
Ismail Industries Ltd.	86,149,803



Branch Network

Sr. No.	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Telephone Number	Fax Number	ATM Installed
Province Khyber Pakhtunkhwa (57 Branches)							
1	Abbottabad, Jinnah Road	Jinnah Road, Abbottabad	0113	Islamic	0992-341444, 341431	0992-341430	Yes
2	Abbottabad, Mansehra Road	934-A, Mansehra Road, Abbottabad	0043	Conventional	0992-331913, 331914	0992-331916	-
3	Bannu Branch	Outside Lakki Gate Bannu	0103	Islamic	0928-613394, 612202	0928-620039	-
4	Batagram	Khasra No.3149/971, Haji Nazir Plaza, Shahrah-e-Qaraqurum, Batagram	0134	Islamic	0997-310154-5	0997-310156	Yes
5	Bathkhela Branch	Near Government High School, Main Bazar, Bathkhela	0108	Islamic	0932-414851 & 3	0932-414853	-
6	Charsadda Branch	Main Bazar Charsadda Mardan Road, Charsadda	0111	Islamic	091-9220100-1	091-9220102	Yes
7	Chitral Ataliq Bazar	Ataliq Bazar, Chitral.	0011	Conventional	0943-412473	0943-412220	-
8	Chitral Chew Bazar,	Shop No.1-4, Qazafi Market, Chew Bazar, Chitral	0137	Islamic	0943-414571-2	0943-414573	-
9	D. I. Khan Circular Road	Circular Road, D.I.Khan	0004	Conventional	0966-719017	0966-718099	Yes
10	D. I. Khan, Tank Adda	Shop No.01-10, Block 13, Tank Adda, Dera Ismail Khan	0129	Islamic	0966-850724-5	0966-850727	-
11	Dargai Branch	Amin Plaza, Main Bazar, Dargai.	0136	Islamic	0932-331447-8	0936-331449	-
12	Hangu Branch	Opposite DCO Office, Main Bazar, Kohat Road Hangu	0107	Islamic	0925-620744	0925-623744	-
13	Haripur Branch	Shahrah-e-Hazara, Haripur.	0019	Conventional	0995-616800,610728, 612292	0995-611285	Yes
14	Hattar Branch	Industrial Estate Hattar, Haripur	0014	Conventional	0995-617231	0995-617631	Yes
15	Havelian, Bank Square	Property # 4242, Bank Square Havelian	0040	Conventional	0992-810732-3	0992-810736	-
16	Kambur, Lower Dir	City Market, Main Road, Kambur, Lower Dir	0144	Islamic	0945-885322	0945-886322	-
17	Karak Branch	Khasra No. 1327/1364, Mian Muqadess Gul Market, Main Bazar, Karak	0049	Conventional	0927-211810 & 2	0997-211813	-
18	Khwaza Khela, Swat	Irfan Plaza, Main Bazaar, Khwaza Khela, Swat	0143	Islamic	0946-744661-64	0946-744662	-
19	Kohat, Bannu Road	Cantonment Plaza Bannu Road, Kohat	0003	Conventional	0922-9260146	0922-9260156	Yes
20	Kohat, Main Bazaar	Shop No.T-147, T-148, Main Bazaar, Kohat	0138	Islamic	0922-522013-4	0922-522015	-
21	Mansehra, Abbottabad Road	Main Bazar, Opposite GTS Stand Mansehra.	0117	Islamic	0997-920181 & 4	0997-920182	Yes
22	Mansehra, Shahrah-e-Resham	Shahrah-e-Resham, Opposite Petroleum Filling Stations Mansehra	0122	Islamic	0997-303271, 303273	0997-303272	-
23	Mardan, Khwaja Gunj Bazaar	Property No.26/591-592, 27593-628, Haji Khan Gul Trunk House, Khwaja Gunj Bazaar, Mardan	0139	Islamic	0937-870823-4	0937-870825	-
24	Mardan, Shahra-e-Qazi Bashir	Opposite Cantonment Plaza, Shahra-e-Qazi Bashir, Mardan	0007	Conventional	0937-9230505 & 7, 874899	0937-9230606	Yes
25	Mingora, Main Bazar	Shop No. 01, Bank Square, Main Bazar, Mingora, Swat.	0132	Islamic	0946-9240460,62	0946-9240461	-
26	Mingora, Saidu Sharif Road	Basement and Ground Floor, Yousaf Plaza, Khasra No. 318, Makan Bagh Saidu Sharif, Mingora Swat.	0012	Conventional	0946-9240045 & 7	0946-9240046	Yes
27	Nowshera Branch	Saad Plaza, Saddar Road, Nowshera Cantt.	0104	Islamic	0923-9220035 & 38	0923-9220035	Yes
28	Peshawar, Asamai Gate (LHR)	Tariq Sultan Building, Asamai Gate, Lady Reading Hospital Road Peshawar	0119	Islamic	091-2561511	091-2561512	Yes
29	Peshawar, Ashraf Road	New Rampura Gate, Ashraf Road, Peshawar.	0025	Conventional	091-2593262, 2553007	091-2552497	Yes
30	Peshawar, Civil Secretariat	Civil Secretariat , Peshawar	0015	Conventional	091-9211710	091-9212680	Yes
31	Peshawar, G. T. Road	Ground floor, Afandi Tower, Bilal Town, G.T. Road, Peshawar	0010	Conventional	091-2263409	091-2263410	Yes
32	Peshawar, Hayat Abad Chowk	Saif Shopping Mall, Hayatabad Chowk, Jamrud Road, Peshawar	0128	Islamic	091-5853283-4	091-5853285	-
33	Peshawar, High Court Branch	High Court Branch Peshawar	0048	Conventional	091-5274368,5274168	091-5274168	Yes
34	Peshawar, Kharkhano Market Hayat Abad	Royal Plaza, Hayatabad Kharkhano Market, Jamrud Road, Peshawar	0101	Islamic	091-5824927, 5825430	091-5815194	Yes
35	Peshawar, Khyber Bazar	Abbasin Hotel, Khyber Bazar, Peshawar	0016	Conventional	091-2593705, 2568782	091-2211170	-
36	Peshawar, KTH Branch	Khyber Teaching Hospital (University Road) Peshawar	0121	Islamic	091-9218016	091-9218016	-
37	Peshawar, Main Corporate Branch	Main Corporate Branch, 24-The Mall, Peshawar Cantt.	0001	Conventional	091-5271758,5278284	091-5279791	Yes
38	Peshawar, Saddar Road	Shop No.9,10 & 11, at Super Market, Adjacent State Bank of Pakistan Peshawar, Saddar Road, Peshawar	0013	Conventional	091-5273912, 5276485	091-5277278	Yes
39	Peshawar, University Road	Ghaffar Plaza, Adjacent to Sheraz Restaurant, University Road, Peshawar	0002	Conventional	091-5700227, 9216951	091-9216959	Yes
40	Peshawar, Warsak Road	Khasra No.6184/2893, Shop No.1, Sabir Business Center, Warsak Road, Peshawar	0066	Conventional	091-5201301-2	091-5201341	-
41	Serai Naurang Branch	Khasra No 438, Sahibzada Kabir Plaza GT Road , Serai Naurang, Lakki Marwat	0127	Islamic	0969-352963	0969-352964	-
42	Shabqadar	Khasra No.4244/159-162, Opposite Shabqadar Fort Gate, Shabqadar	0145	Islamic	091-6281101-2	091-6289333	-
43	Swabi Branch	Jamil Khan Market, Mardan Road, Swabi	0118	Islamic	0938-222513, 223423	0938-222512	-
44	Swari Branch (Buner)	Nisar Market, Pir Paba Road, Swari, Buner	0131	Islamic	0939-555289, 555279	0939-555229	-
45	Tank Branch	Adda Bazar, Tank	0106	Islamic	0963-510068	0963-510400	-
46	Thall, Main Bazar	Al-Murtaza Market, Bannu Chowk, Main Bazar Thall District Hangu	0130	Islamic	0925-510740, 511741	0925-511741	-
47	Timergara Branch	Shaheed Plaza, Alam Zeb Shaheed Chowk, Timergara	0105	Islamic	0945-9250232, 822090	0945-9250232, 822690	-
48	Topi Branch	Sher Khan Market, Main Bazar, Tarbela Road, Topi, Distt Swabi.	0135	Islamic	0938271546-8	0938-271547	-
49	Upper Dir	Main Bazar , Upper Dir	0126	Islamic	0944-890021	0944-890022	-

Branch Network

50	Saleh Khan (Pubbi)	Khasra No.169&183, Main Bazar, Moza Saleh Khana, Tehsil Pubbi, Nowshera	0147	Islamic	(0923) 651094-95	(0923) 651091	-
51	Jehangira	Ground & 1st Floor, Behram Khan Centre, G.T. Road, Jehangira (Nowshera)	0151	Islamic	(0923)510056	(0923)510045	-
52	Takht Bhai	Khasra No.785, Shaukat Mansion, Ground & 1st Floor, Opposite Takht Bhai Mega Market, Takht Bhai, Mardan	0150	Islamic	(0937)553682-84	(0937)553683	YES
53	Chakdara	Shop No.1 to 10, Zaman Market, Adjacent UBL & NBP, Main Bazar, Chakdara (Lower Dir)	0149	Islamic	(0945)762532, 762533	(0945)762534	YES
54	Peshawar, Dalazak Road	Nawaz Plaza, Taxation No. 4988 to 5008, Ground Floor, Dalazak Road, Peshawar.	0073	Conventional	(091)2608216,	(091) 2608218	-
55	Peshawar, Chowk Nasir Khan	Al-Rehmat Plaza, Property No. CB/637/2027/755 & CB/637/2028/754/F-1 F-2, Ground Floor, Peepal Mandi, Chowk Nasir Khan, Peshawar.	0154	Islamic	(091) 2592015	(091)2592014	-
56	Peshawar, Garhi Qamar Din	Khata Khatoni No.418/ 915 to 937, Khasra No.Qata (41), Ground Floor, Arbab Maket, Garhi Qamar Din, Near Mujaddad CNG station, North side Ring Road, Peshawar.	0155	Islamic	(091) 2325225	(091)2322715	-
57	Peshawar, Shami Road	Shop No.6-10, Garrison Park, Shami Road, Peshawar	0068	Conventional	(091)5270270-71	(091)5613913	YES
Province Sindh (12 Branches)							
58	Hyderabad Branch	Plot No.41/444,445,446,447,448 & 449, Main Bohri Bazar Near Blair Hospital, Saddar Cantt., Hyderabad.	0047	Conventional	022-2731200, 2731209-10	022-2731211	-
59	Karachi, Bahadurabad	Shop No.4 & Flat No.2, Survey No.SNCC/30, Qazi Court, Karachi Cooperative Housing Society, Bahadurabad, Karachi	0067	Conventional	021-34946751-2-4-5	021-34946753	-
60	Karachi, Clifton Branch	Shop No.7,8 & 9 Plot # G-10, Garnet Centre, Block-8, Main Road, KDA Scheme # 5, Clifton Cantonment, Karachi	0046	Conventional	021-35296291-98	021-35296291	Yes
61	Karachi, DHA, Phase-II	Plot No.69-C, 11th Commercial Building, DHA, Phase II, Karachi	0063	Conventional	021-35890171-4	021-35890175	-
62	Karachi, Metroville	KDA Scheme, Project No.1, Metroville, SITE, Karachi.	0123	Islamic	0213-6754233-4	021-36754236	-
63	Karachi, Shahrah-e-Faisal	White House Plaza, 15-A, Block-6, P.E.C.H.S., Opposite Fortune Centre, Shahrah-e-Faisal, Karachi.	0024	Conventional	0213-4389037-8	021-34389039	Yes
64	Karachi, Shireen Jinnah Colony	Block-1, Clifton, Shireen Jinnah Colony Karachi	0034	Conventional	0213-5873264-5	021-35873267	Yes
65	Karachi, SITE	B-78, Allied Plaza Estate Avenue, S.I.T.E., Karachi	0109	Islamic	0213-2565102 & 4	021-32565105	Yes
66	Karachi, Sohrab Goth	Shops No.A-7/A, A-7/B, A-8/A, A-8/B, Ground Floor, Block "A" Plot No.1-B-2, Sub Plot No.1-A, A1 Azam PlazaScheme 33, Sohrab Goth, Super Market, Main Super Highway Karachi	0110	Islamic	021-36830070 & 2	021-36830067	Yes
67	Karachi, Stock Exchange Branch	1st Floor, Karachi Stock Exchange, Karachi	0036	Conventional	021-32465804 & 7	021-32465805	-
68	Sukkur	Property No.D-986, D-987, D-971, Hussaini Road, Sukkur	0058	Conventional	071-5617057-8-9	071-5617056	-
69	Karachi, Napier Road	Shop No.07 & Office No.117, Yousof Trader Centre, Plot No.26, SR-7, Ground & 1st Floor, Napier Road, Karachi	0072	Conventional	(021)32601371-2, 32601374-5	(021)32601373	-
Province Punjab (35 Branches)							
70	Attock City	Property No.B-V-99, Committee No.E-3, Railway Park Chowk, Attock City	0065	Conventional	057-2602378-9	057-2701378	-
71	Bahawalpur	Property No.1605/15, Circular Road, Library Chowk, Bahawalpur	0050	Conventional	062-2887533, 2887532	062-2887532	-
72	Chiniot	Khasra No.12104/9423, Ehsan Plaza, Shahrah-e-Quaid-e-Azam, Chiniot	0044	Conventional	047-6333394-6	047-6333397	-
73	D.G. Khan	Plot No.5, Dawood Plaza, Railway Road, Dera Ghazi Khan	0056	Conventional	0642-470871-4	0642-470875	-
74	Faisalabad, Kotwali Road	Opposite M.C. College, Kotwali Road Faisalabad	0116	Islamic	041-2412116-7-8	041-2412120	Yes
75	Faisalabad, Sosaan Road	Plot No.245-C,Ground & 1st Floor, Madina Town, Sosaan Road, Faisalabad	0038	Conventional	041-8556200-1-2	041-8556203	-
76	Gujar Khan	Shop No.6-8, Ward No.5, Near Ali Hospital, Main G.T. Road, Gujar Khan	0062	Conventional	051-3511822-3	051-3511824	-
77	Gujranwala, G.T. Road	Property No.BXII-75-157, Bank Square, Main G. T. Road Gujranwala	0039	Conventional	055-3730917-8	055-3730918	Yes
78	Gujrat, G.T. Road	Property No.1157/527,Ground Floor, Empire Centre, G.T. Road Gujrat	0037	Conventional	053-3525555, 3530380	0533-520370, 530390	Yes
79	Jhelum	225/226, Koh-i-Noor Plaza, Old GTS Road, Jhelum Cantt.	0042	Conventional	0544-9270164 & 6	0544-9270165	-
80	Khanewal	Property No.32, Paracha Hospital, Adjacent JS Bank, College Road, Khanewal	0060	Conventional	065-2556431-2	065-2556433	-
81	Lahore, Davis Road	Davis Hytes, Davis Road, Lahore	0114	Islamic	042-36304873, 36367407	042-36307079	-
82	Lahore, DHA	Plot No.178, Block-Y, DHA, Lahore Cantt.	0052	Conventional	042-35741073 & 5	042-35741077	Yes
83	Lahore, Faysal Town	Plot No.811, Block C, Faysal Town, Lahore	0057	Conventional	042-35160472, 35160474-8	042-35160473	-
84	Lahore, Johar Town	Block -R-1, M.A. Johar Town, Lahore	0031	Conventional	042-35316744-5	042-35316746	Yes
85	Lahore, M.M. Alam Road	Gulberg-III, M.M. Alam Road, Lahore	0023	Conventional	042-35872013, 35752038	042-35872013	Yes
86	Lahore, Ravi Road	Property No.82-84, Amarpak Building, Main Ravi Road, Lahore	0141	Islamic	042-37947581-2	042-37947583	-
87	Lahore, Shah Alam Gate	Shop #E/36, Alamgir Market, Inside Shah Alam Gate, Lahore.	0124	Islamic	042-37641834 & 6	042-37641837	Yes
88	Mian Channu	Property No.17/24, Shadab Market, G.T. Road, Mian Channu, District Khanewal	0061	Conventional	065-2661871-2	065-2661870	-
89	Multan, Abdali Road	Lower Ground, Khan Centre, Main Market, Abdali Road Multan Cantt.	0033	Conventional	061-4545139-40	061-4545143	Yes

Branch Network

90	Multan, Vehari Road	Plot No.12-B & 13-B, Haq Nawaz Plaza, Main Gate Shah Shams Colony, Vehari Road, Multan	0142	Islamic	061-6241251-3	061-6241254	-
91	Okara, Jinnah Road	Ground Floor & 1st Floor, Iftikhar Children Hospital, M.A. Jinnah Road, Okara	0140	Islamic	0442-511079-80	0442-511081	-
92	Rahim Yar Khan	Plot No.15, Opposite Town Hall, Model Town, Rahim Yar Khan	0051	Conventional	068-5870182-3	068-5870185	-
93	Rawalpindi, Bank Road	369/18 Zaman Center Opp. Singapore Plaza Bank Road, Rawalpindi	0115	Islamic	051-5120194-7	051-5120198	Yes
94	Rawalpindi, City Saddar Road	No.A/308- Jinnah Road (City Saddar Road) Rawalpindi	0030	Conventional	051-5540420 & 2, 5540486	051-5540482	Yes
95	Sadiqabad	Shop No.10, Masood Plaza, Bank Road, Sadiqabad	0059	Conventional	068-5801261-2-3	068-5801264	-
96	Sahiwal Branch	272/B-2 High Street, Sahiwal.	0045	Conventional	040-4222404, 4222448	040-4222403	-
97	Sargodha	63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha	0041	Conventional	048-3740892-3	0483-7408912	-
98	Sialkot Branch	Industrial Area, Shahabpura, Ugoki Road, Near Masjid Mohajirin, Sialkot	0032	Conventional	052-3559225 & 7	052-3559224	Yes
99	Lahore, Badami Bagh	Plot No.119, Auto Market, Badami Bagh, Lahore	0069	Conventional	(042) 37731631-2-3	(042) 37731634	-
100	Jhang	Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road, Jhang	0070	Conventional	(047) 7622180 - 181 - 183	(047) 7622182	-
101	Sheikhpura	Khasra No.80, Adjacent Singer Branch, Sargodha Road, Sheikhpura	0152	Islamic	(056)3614182	(056)3614184	-
102	Tarnol	Khasra No.781, Geo Madina Tower, Main G.T. Road, Tarnol	0146	Islamic	(051)2226781-82	(051)2226783	YES
103	Taxila	Gudwaal Plaza, Khewat No. 599,Khatooni No. 906-913, Ground & 1st Floor, Main Bazaar, Taxila.	0153	Islamic	(051)4545402-3	(051)4545404	-
104	Daska	Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot	0071	Conventional	(052) 6612324-6	(052) 6612327	-
Province Balochistan (4 Branches)							
105	Chaman Branch	Khasra No.451, Old Mahal 404, Abdali Bazar, Chaman	0120	Islamic	0826-614012, 614027	0826-614012	-
106	Quetta, Jinnah Road	Jinnah Road, Quetta.	0102	Islamic	081-2843203,2822141	081-2829469	Yes
107	Quetta, Shahrah-e-Iqbal	Shop No.2-7/35, Khyber Plaza, Shahrah-e-Iqbal (Qandhari Bazar) Quetta	0054	Conventional	081-2834950-55	081-2834952	-
108	Quetta, Sirki Road	Khasra No.1807/16, Kaasi Building, Ground & 1st Floor, Sirki Road, Quetta.	0148	Islamic	(081) 2443637, 2447377	(081) 2447388	-
Capital Territory Area (3 Branches)							
109	Islamabad, Blue area	Zahoor Plaza, Blue Area, Islamabad.	0022	Conventional	051-2824691, 2826111	051-2271139	Yes
110	Islamabad, F-10 Markaz	Plot No.8. F-10 Markaz, Islamabad	0133	Islamic	051-2222994-5	051-222997	Yes
111	Islamabad, PWD Society	Plot No.786-G, Block-C, PWD Society, Islamabad	0055	Conventional	051-5170901-2 & 4	051-5170903	Yes
Gilgit Baltistan (1 Branch)							
112	Gilgit, Jutial Cantt.	Shop No.1 to 6, ZS Plaza, Opposite Radio Pakistan, Shahrah-e-Quaid-e-Azam, Jutial Cantt. Gilgit	0053	Conventional	05811-922082-3	05811-922084	-
FATA (1 Branch)							
113	Jamrud Road Branch	Adjacent Caltex Petrol Pump, Jamrud Bazar, Jamrud (Khyber Agency)	0125	Islamic	091-5602013,5830147-8	091-5830149	-
Azad Jammu Kashmir (3 Branches)							
114	05826-448673-4-5	Kotli (AJ&K) Commercial Property, Khasra No.579, Bank Road, Kotli			0064	Conventional	
115	05822-920492	Mirpur Branch (AJ&K) Plot No.3, Sector B/3, Allama Iqbal Road, Mirpur, Azad Jammu Kashmir	0035	Conventional	05827-447686-8	05827-447685	-
116	05822-920492	Muzaffar Abad (AJ&K) Secretariat Road, Muzaffarabad, Azad Jammu & Kashmir			0027	Conventional	
Sub-Branches							
		Controlling Branch					
1	North West Hospital Phase-V, Hayatabad Peshawar	Ghaffar Plaza, Adjacent to Sheraz Restaurant, University Road Branch, Peshawar (Code-0002)	-	Conventional	091-5822614-9 (Ext: 1950)*	-	Yes
2	Provincial Assembly, Khyber Pakhtunkhwa, Peshawar	High Court Branch Peshawar (Code-0048)	-	Conventional	091-5270592	-	Yes
Booths							
		Controlling Branch					
1	Hazara University Dadhyaal, Mansehra	Main Bazar, Opposite GTS Stand Mansehra.(0117)	-	Islamic	0997-414016	-	-
2	Cath Laboratory, Cardiology Unit, Government Lady Reading Hospital Peshawar	Khyber Bazar Branch Peshawar (0016)	-	Conventional	-	-	-
Off Site ATMs							
		Controlling Branch					
1	Bacha Khan, Airport Peshawar	Main Corporate Branch, Peshawar Cantt	-	Conventional			
2	Corps Head Quarters, Peshawar Cantt	Main Corporate Branch, Peshawar Cantt	-	Conventional			

Foreign Correspondent Banks

Afghanistan	Habib Bank Limited National Bank of Pakistan		Intesa Sanpaolo SpA Jiangsu Jiangnan Rural Commercial Bank Co. Ltd Jiangsu Zhangjiagang Rural Commercial Bank Co. Ltd Mizuho Bank (China) Ltd Qilu Bank Co Ltd Shengjing Bank The Bank of New York Mellon The Export Import Bank of China UniCredit SpA Wells Fargo Bank NA Woori Bank (China) Ltd Yantai Bank Company Limited Zhejiang Nanxun Rural Commercial
American Samoa	ANZ Guam Inc		
Argentina	Bank of Tokyo Mitsubishi UFJ Ltd, The Deutsche Bank SA		
Australia	Australia and New Zealand Banking Group Limited Mizuho Bank Ltd		
Bahrain	Arab Investment Company, The Bank of Tokyo Mitsubishi UFJ Ltd, The Habib Bank Limited United Bank Limited Woori Bank	Bank Co Ltd	Zhejiang Pinghu Rural Cooperative
Bangladesh	Habib Bank Limited National Bank of Pakistan Social Islami Bank Limited Woori Bank	Bank Co. Ltd	Zhejiang Tailong Commercial Bank Zhejiang Xiaoshan Rural Cooperative Bank
Belgium	BNP Paribas Fortis S.A./N.V. Commerzbank AG Habib Bank Limited KBC Bank NV The Bank of New York Mellon SA/NV	Cook Islands Group Limited Czech Republic	Australia and New Zealand Banking Commerzbank AG UniCredit Bank Czech Republic and Slovakia as
Brazil	Deutsche Bank SA – Banco Alemão	Denmark	Danske Bank A/S DNB Bank ASA Sparekassen S jaelland
Cambodia	ANZ Royal Bank (Cambodia) Limited	Egypt	Mashreqbank PSC
Canada	Deutsche Bank AG Habib Canadian Bank	Ethiopia	Dashen Bank SC
Cayman Islands	Commerzbank AG Deutsche Bank AG DNB Bank ASA	Fiji	Australia and New Zealand Banking Group Limited
Chile	Bank of Tokyo Mitsubishi UFJ Ltd, The Deutsche Bank Chile	Finland	Danske Bank PLC DNB Bank ASA Pohjola Bank PLC
China	Australia and New Zealand (China) Company Limited Bank of China Limited Bank of Jiangsu Co. Ltd Bank of Shanghai Co. Ltd Bank of Tokyo Mitsubishi UFJ (China), The China Citic Bank Corporation Limited CNCB Commerzbank AG DNB Bank ASA Industrial & Commercial Bank of China	France	Commerzbank AG Credit Mutuel Arkea Habib Bank Limited Intesa Sanpaolo SpA Mizuho Bank Ltd National Bank of Pakistan UniCredit SpA Union de Banques Arabes et Francaises (U.B.A.F)

Foreign Correspondent Banks

Germany Australia and New Zealand Banking Group Limited	Comdirect Bank AG Commerzbank AG Danske Bank A/S Deutsche Bank AG Deutsche Bank Privat-und Geschäftskunden Aktiengesellschaft DNB Bank ASA European Bank for Financial Services GmbH (ebase) Intesa Sanpaolo SpA National Bank of Pakistan Norddeutsche Landesbank Girozentrale Shinhan Bank Europe GmbH Sparkasse Westmunsterland The Bank of New York Mellon		The Cassa dei Risparmi di Forlì e della Romagna SpA Cassa di Risparmio del Friuli Venezia Giulia SpA Cassa di Risparmio del Veneto SpA Cassa di Risparmio di Venezia SpA Cassa di Risparmio in Bologna SpA Commerzbank AG Intesa Sanpaolo SpA Mizuho Bank Ltd The Bank of New York Mellon (Luxembourg) SA Unione di Banche Italiane ScpA
Gibraltar	Bank J Safra Sarasin (Gibraltar) Ltd	Japan	Bank of Tokyo Mitsubishi UFJ Ltd, The Commerzbank AG Deutsche Bank AG Intesa Sanpaolo SpA Mizuho Bank Ltd National Bank of Pakistan The Bank of New York Mellon Union de Banques Arabes et Francaises (U.B.A.F) Wells Fargo Bank NA Woori Bank
Greece	Attica Bank SA		
Hong Kong	ABN AMRO Bank NV Bank of America NA Commerzbank AG Habib Finance International Ltd Intesa Sanpaolo SpA Mashreqbank PSC National Bank of Pakistan The Bank of New York Mellon UBAF (Hong Kong) Limited Wells Fargo Bank NA Woori Bank	Kenya	Habib Bank Limited
		Korea (South)	Australia and New Zealand Banking Group Limited Bank of Tokyo Mitsubishi UFJ Ltd, The Busan Bank Industrial Bank of Korea KB Kookmin Bank Korea Exchange Bank Mizuho Bank Ltd National Bank of Pakistan National Federation of Fisheries Cooperatives Shinhan Bank Standard Chartered Bank Korea Limited The Bank of New York Mellon Union de Banques Arabes et Francaises (U.B.A.F) Wells Fargo Bank NA Woori Bank
Hungary	Commerzbank ZRT		
India	Australia and New Zealand Banking Group Limited Bank of Tokyo Mitsubishi UFJ Ltd, The Mashreqbank PSC Mizuho Bank Ltd		
Indonesia	Bank of Tokyo Mitsubishi UFJ Ltd, The PT Bank ANZ Indonesia PT Bank Woori Indonesia PT Pan Indonesia Bank TBK		
Ireland	Commerz Europe (Ireland) Danske Bank A/S Intesa Sanpaolo Bank Ireland PLC	Kuwait	Mashreqbank PSC
		Kyrgyzstan	National Bank of Pakistan
Italy	Banca Dell' Adriatico SpA Banca Di Credito Sardo SpA Banca UBAE SpA Banco di Desio e della Brianza SpA Banco di Napoli SpA	Lebanon	Habib Bank Limited
		Luxembourg	Commerzbank AG Commerzbank International SA Danske Bank International SA The Bank of New York Mellon (Luxembourg) SA
Bank of Tokyo	Mitsubishi UFJ Ltd,		

Foreign Correspondent Banks

Macau	Banco Comercial Portugues SA	Poland	Danske Bank A/S
Malaysia	Bank of Tokyo Mitsubishi UFJ (Malaysia) Berhad CIMB Bank Berhad Citibank Berhad Mizuho Bank (Malaysia) Berhad	Qatar	Doha Bank Mashreqbank PSC United Bank Limited
Mauritius	Bank of Baroda The Mauritius Commercial Bank Ltd	Romania	UniCredit Tiriac Bank SA
Monaco	Banque J Safra Sarasin (Monaco) SA	Russia	Commerzbank (Eurasija) SAO ZAO Danske Bank ZAO Woori Bank
Netherlands	Commerzbank AG Deutsche Bank AG Habib Bank Limited ING Bank NV Intesa Sanpaolo SpA	Samoa	ANZ Bank (Samoa) Ltd
New Zealand	ANZ Bank New Zealand Limited	Saudi Arabia	National Bank of Pakistan National Commercial Bank, The Saudi Hollandi Bank
Norway	Danske Bank A/S DNB Bank ASA	Serbia	UniCredit Bank Serbia ad Beograd
Oman	Bank Sohar SAOG Habib Bank Limited	Singapore	ABN AMRO Bank NV Australia and New Zealand Banking Group Limited Bank of Tokyo Mitsubishi UFJ Ltd, The Commerzbank AG DNB Bank ASA Habib Bank Limited HSH Nordbank AG Intesa Sanpaolo SpA Mizuho Bank Ltd PT Bank Mandiri (Persero) TBK Shinhan Bank The Bank of New York Mellon Union de Banques Arabes et Francaises (U.B.A.F) Woori Bank
Pakistan	Al Baraka Bank (Pakistan) Limited Allied Bank Limited Askari Bank Limited Bank Al Habib Limited Bank Alfalah Limited Bank of Punjab (The) BankIslami Pakistan Limited Deutsche Bank AG Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited JS Bank Limited KASB Bank Limited MCB Bank Limited Meezan Bank Limited National Bank of Pakistan NIB Bank Limited Silk Bank Limited Sindh Bank Limited Soneri Bank Limited Summit Bank Limited United Bank Limited	Slovakia	Commerzbank AG
Papua New Guinea Group (PNG) Limited	Australia and New Zealand Banking Group (PNG) Limited	Slovenia	UniCredit Banka Slovenija dd
Philippines	Asian Development Bank Australia and New Zealand Banking Group Limited Bank of Tokyo Mitsubishi UFJ Ltd, The Mizuho Bank Ltd	Solomon Islands	Australia and New Zealand Banking Group Limited
		South Africa	HBZ Bank Ltd
		Spain	CaixaBank SA Commerzbank AG Intesa Sanpaolo SpA NCG Banco SA
		Sri Lanka	Habib Bank Limited Sampath Bank PLC
		Sweden	Danske Bank A/S DNB Bank ASA

Foreign Correspondent Banks

Switzerland	Bank J Safra Sarasin Ltd Habib Bank AG Zurich UBL (Switzerland) AG		Deutsche Bank AG Deutsche Bank Trust Company Americas DNB Bank ASA First Tennessee Bank National Association Golden Bank National Association Habib American Bank Habib Bank Limited HSBC Bank USA NA Intesa Sanpaolo SpA Manufacturers and Traders Trust Company Mashreqbank PSC Mizuho Bank Ltd National Bank of Pakistan Shinhan Bank Stifel Nicolaus & Company Incorporated The Bank of New York Mellon The Royal Bank of Scotland Plc United Bank Limited Wells Fargo Bank NA Woori Bank
Taiwan	ANZ Bank (Taiwan) Limited Bank of Tokyo Mitsubishi UFJ Ltd, The Mizuho Bank Ltd The Bank of New York Mellon Wells Fargo Bank NA		
Thailand	Bank of Tokyo Mitsubishi UFJ Ltd, The Mizuho Bank Ltd		
Timor-Leste Group Limited	Australia and New Zealand Banking Group Limited		
Tonga	Australia and New Zealand Banking Group Limited		
Turkey	Akbank TAS Habib Bank Limited HSBC Bank AS		
U.A.E	Habib Bank Limited Habib Bank AG Zurich Mashreqbank PSC United Bank Limited	Vanuatu	ANZ Bank (Vanuatu) Ltd
U.K.	Australia and New Zealand Banking Group Limited Bank J Safra Sarasin (Gibraltar) Ltd Commerzbank AG Danske Bank A/S DNB Bank ASA Habib Bank AG Zurich Habib Bank UK PLC Habib Sons Bank Limited Intesa Sanpaolo SpA Lloyds Bank PLC Mashreqbank PSC Mizuho Bank Ltd Northern Bank Limited Shinhan Bank The Bank of New York Mellon United Bank UK Wells Fargo Bank NA Woori Bank	Vietnam	ANZ Bank (Vietnam) Ltd Mizuho Bank Ltd Shinhan Bank Vietnam Limited Woori Bank
Ukraine	Public Joint Stock Company 'Kontrakt Bank'		
USA	Australia and New Zealand Banking Group Limited Branch Banking and Trust Company Commerzbank AG		

Form of Proxy

Folio No. _____ CDC Participant Identity Card No. _____ CDC A/C No. _____

I/We _____ of _____ a member / members of The Bank of Khyber, and holder of _____ shares do hereby appoint _____ of _____ or failing him / her _____ of _____ who is also a member of the Company, vide Registered Folio No. _____ as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the 24th Annual General Meeting of the Bank to be held on Friday, April 10, 2015 at 11:00 am at The Bank of Khyber, Head Office, 24-The Mall, Peshawar Cantt. and at any adjournment thereof.

As witness my/our hand this _____ day of _____ 2015.



Dated:

Place:

The Signature should agree with the Specimen registered with the Bank

Notes

A. General

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead him/her. No person shall act as a proxy, who is not a member of the bank except that Government of Pakistan/Provincial Government/State Bank of Pakistan/ Corporation may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a nationally certified copy thereof, should be deposited, with our Registrar/Transfer Agents, Messrs THK Associates (Pvt) Ltd. 2nd Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi 75530 Pakistan, not less than 48 hours before the time of holding meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and proxy shall be furnished with the proxy form.
3. The proxy shall produce his/her original CNIC or original passport at the time of the meeting.
4. In case of Government of Pakistan/Provincial Government/State Bank of Pakistan/Corporate entity, the Board of Director's resolution/power of attorney with specimen signature shall be submitted along with proxy to the Bank.

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