



The Bank of Khyber

YEAR OF EXCELLENCE

ANNUAL REPORT 2016

BOK ANNUAL REPORT 2016

COVER CONCEPT

YEAR OF EXCELLENCE

After bracing new milestone of success, our next passion is achieving excellence in whatever we do. *Alhamdulillah*, our outgoing year has been the year of highest profitability. Our Branch network is fast expanding, and we are introducing new products & services for our valued customers.

Now we are fully focused to transform our Customers' banking experience with our Bank. It is the beginning of a new journey with our complete focus in achieving excellence. This is what makes us humbled and to bow before Lord Almighty in sheer gratitude and thankfulness.

🏠 24, The Mall, Peshawar Cantt.

☎ 111 . 95 . 95 . 95

✉ info@bok.com.pk

🌐 www.bok.com.pk



THE BANK OF KHYBER

YEAR OF EXCELLENCE

ANNUAL REPORT 2016





ICONIC BOK TOWER

Alhamdulillah, our Bank's Head Office Building - The BOK Tower is under construction. It will be an ICONIC building all set to add new landmark to adorn the historic city of Peshawar.

FINANCIAL HIGHLIGHTS 2016

(Rs. in Million)

Operating Profit

3,868

Total Assets

206,400

Provision against non-performing advances, investments & others

(628)

Advances (Gross)

36,054

Profit before taxation

3,240

Investments (Net)

141,602

Taxation

(1,220)

Deposits

157,020

Profit after tax

2,020



ENTITY RATINGS



A LONG TERM

A1 SHORT TERM

By JCR-VIS / PACRA

BOK AT A GLANCE





1991
THE BANK OF KHYBER
ESTABLISHED



A RATING
BANK
BY JCR-VIS | PACRA



SERVICES
ISLAMIC AND
CONVENTIONAL BANKING



MCR
SBP MCR COMPLIANT
BANK



150
BRANCHES NETWORK
AND GROWING



RISING
PUBLIC SECTOR BANK
OF THE COUNTRY



1300 PLUS
EMPLOYEES



200 PLUS
INTERNATIONAL
CORRESPONDENTS

DISCOVER INSIDE

Milestones Achieved	12
Vision & Mission	16
Corporate Information	18
Products & Services	20
Board of Directors	22
From The Managing Director	24
Six Years Financial Highlights	26
Notice of 26th Annual General Meeting	28
Directors' Report	30
Picture Gallery	44
Statement of Compliance	46
Review Report to the Members	48
Statement of Internal Controls	49
Report of Shariah Board	50
Auditors' Report to the Members	54
Financial Highlights	57

“ The will to win, the desire to succeed, the urge to reach your full potential... these are the keys that will unlock the door to personal excellence. ”
- Confucius



ART OF EXCELLENCE

“ Excellence is an art won by training and habituation. We do not act rightly because we have virtue or excellence, but we rather have those because we have acted rightly. We are what we repeatedly do. Excellence, then, is not an act but a habit. ”
-Aristotle





FINANCIAL ACHIEVEMENTS 2016

INVESTMENTS RS.

142 BILLION

ADVANCES (GROSS) RS.

36 BILLION

DEPOSITS RS.

157 BILLION





SHAREHOLDERS' EQUITY RS.

15 BILLION

ASSETS RS.

206 BILLION

PROFIT AFTER TAX

TWO BILLION

OUR JOURNEY OF EXCELLENCE

ROBUST OUTREACH PROGRAM

AS A FAST GROWING BANK, THE BANK OF KHYBER'S BRANCH NETWORK OF CONVENTIONAL AND ISLAMIC BRANCHES HAS GROWN TO 150 BRANCHES ACROSS PAKISTAN.

OUR CONSUMER FINANCING

BOK OFFERS SPECIAL FINANCE OPTIONS FOR THE COMMON MAN AS WE BELIEVE IN BANKING TO SERVE OUR PEOPLE. WE OFFER THE BEST DEAL FOR CAR LOANS, HOUSE LOANS, LOANS AGAINST SALARY AND MUCH MORE.

ALTERNATIVE DELIVERY CHANNELS

THE BANK NOT ONLY PROVIDES ATM SERVICES ACROSS PAKISTAN BUT BOK DEBIT CARD BACKED BY JAPAN CREDIT BUREAU (JCB) IS ALSO ACCEPTABLE OUTSIDE PAKISTAN IN MORE THAN 90 COUNTRIES AT APPROXIMATELY 15 MILLION LOCATIONS.

BOK TOWER

AN ICONIC BOK TOWER AT THE HEART OF MALL PESHAWAR CANTT, IS BEING BUILT AS A LANDMARK TO ADORN THE CITY.

INVESTMENT IN HUMAN CAPITAL

OUR PEOPLE MATTER THE MOST FOR US. STATE OF THE ART TRAINING CENTER OF THE BANK, ALMOST NEARS COMPLETION AT HAYATABAD PESHAWAR.

FACILITATING REMITTANCES

A LARGE NUMBER OF PAKISTANIS WORK IN THE MIDDLE EAST. THE BOK IS PROUD FOR OFFERING BEST SERVICES TO REPATRIATE THE HARD EARNED FOREIGN EXCHANGE TO THE COUNTRY.

SILVER JUBILEE CELEBRATIONS

WE HAVE RECENTLY COMPLETED 25 YEARS OF OUR SUCCESSFUL JOURNEY.

HIGHEST PROFITABILITY

THE BANK IS TOUCHING NEW HIGHS OF GLORY AS WE PRESENT OUR REPORT WITH THE HIGHEST PROFIT.





VISION/MISSION STATEMENT

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 & contributing towards an equitable socioeconomic growth.

A wide-angle aerial photograph of a vast, hazy landscape. The sky is a mix of blue and orange, suggesting a sunset or sunrise. The ground below is a mix of brown and orange, with some mountain ranges visible in the distance. The overall atmosphere is serene and expansive.

CORE VALUES

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





CORPORATE INFORMATION

Board of Directors

Muhammad Azam Khan	Chairman
Ali Raza Bhutta	
Maqsood Ismail Ahmad	
Asad Muhammad Iqbal	
Javed Akhtar	
Rashid Ali Khan	

Managing Director / CEO

Shams-ul-Qayyum

Board Audit Committee

Asad Muhammad Iqbal	Chairman
Ali Raza Bhutta	
Javed Akhtar	
Rashid Ali Khan	

Board Human Resource & Remuneration Committee

Rashid Ali Khan	Chairman
Maqsood Ismail Ahmad	
Asad Muhammad Iqbal	
Managing Director	

Board Risk Management Committee

Maqsood Ismail Ahmad	Chairman
Rashid Ali Khan	
Managing Director	

Chief Financial Officer

Rahat Gul

Company Secretary

Zahid Sahibzada

Registered Office / Head Office

24 - The Mall, Peshawar Cantt. Pakistan.

1st Floor, State Life Building
34 - The Mall, Peshawar Cantt. Pakistan.

UAN # 00-92-91-111 95 95 95
URL: www.bok.com.pk

Auditors

Grant Thornton Anjum Rahman
Chartered Accountants

Legal Advisors

Mr. Nisar Ahmed Khan, Advocate
Peshawar.

M/s. Mohsin Tayebaly & Co.
Karachi.

Registrar and Share Registration Office

THK Associates (Pvt) Ltd
1st Floor, 40-C, Block-6
P.E.C.H.S.
Karachi - 75400
Pakistan.

PRODUCTS & SERVICES



Advances

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



Agriculture Credit Schemes

- Sada Bahar Zarai Loan Scheme
- Livestock Loan Scheme
- Dairy Storage Loan Scheme
- Dairy Marketing Loan Scheme
- Tractor Loan Scheme
- Farm Machinery Loan Scheme
- Tube Well / Solar Tube Well Loan Scheme



Products

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



Islamic Banking

- Murabaha
- Musharaka
- Mudaraba
- Ijara
- Istisna
- Salam
- Deposit Schemes
- Bill collection



Deposit Schemes

- Khyber Friendly Term Deposit
- Be-Baha Mahana Amadani
- Foreign Currency Deposit
- Bemisal Term Deposit



Online Banking

The Bank of Khyber offers Online Banking Facility to its customers at branches all over Pakistan.

CUSTOMER SERVICE

“At the Bank of Khyber, we go beyond from merely communicating to 'connecting' with our customers.”



BOARD OF DIRECTORS



Mr. Muhammad Azam Khan 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, Mr. Azam Khan held position of Secretary, Sports & Tourism, Government of Khyber Pakhtunkhwa. Mr. Azam Khan holds Masters of Science degree in I.R and has also attended various national and international courses.

MUHAMMAD AZAM KHAN

CHAIRMAN /NON-EXECUTIVE DIRECTOR

Mr. Shams-ul-Qayyum has been associated with banking profession for the last 40 years. He has done his MSc Economic from University of Peshawar. He started his career with Habib Bank Limited 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 segment of Banking in Habib Bank Limited. From 2005 to 2010, he was posted in Afghanistan, as Country Manager, Habib Bank Limited. His last posting in Habib Bank Limited was as General Manager/Senior Regional Chief and has overseen 198 branches in the Region. He remained with Habib Bank Limited till 1st October, 2014. During his service career with Habib Bank Limited, he attended various National and International courses. Due to his extra ordinary performance, he received appreciations, rewards and promotions during his tenure in Habib Bank Limited. Government of Khyber Pakhtunkhwa has appointed him as Managing Director of the Bank of Khyber and he assumed his duties from 2nd October, 2014.



SHAMS UL QAYYUM
MANAGING DIRECTOR



Mr. Ali Raza Bhutta is a civil servant having served on various important positions in the Province. Presently, he is heading Finance Department, Government of Khyber Pakhtunkhwa as Secretary. Prior to appointment as Secretary Finance, Mr. Ali Raza Bhutta held position of Secretary, Energy & Power. Mr. Ali Raza Bhutta holds M.Phil degree in Economic Development from University of Glasgow, UK, besides Masters in Business Administration and has also attended various national and international courses. He has been certified as Director by Pakistan Institute of Corporate Governance.

ALI RAZA BHUTTA

NON-EXECUTIVE DIRECTOR



Mr. Maqsood Ismail Ahmad 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.

MAQSOOD ISMAIL AHMAD
NON-EXECUTIVE 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.



ASAD MUHAMMAD IQBAL
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 Bachelor Degree from the University of Karachi.

JAVED AKHTAR
INDEPENDENT DIRECTOR

Mr. Rashid Ali Khan possesses multi-tiered professional background in Banking, Finance, Consumer Marketing and Corporate Restructuring at Senior Executive level. He has vast experience in Global Finance Management and Business Development. Mr. Rashid Ali Khan has worked with Citibank as Regional Business Head (Europe / London), remained Chief Executive at Al-Faysal Investment Bank and Senior Executive Vice President at Habib Bank Limited. Mr. Rashid Ali Khan holds Masters degree in Business Administration from University of Cornell, USA, and has attended various national and international courses. Presently, he is Chairman, NayaTel & Micro Net Ltd. (Telecom Companies involved in broadband wireless delivery and optical fiber connectivity). He is also a Member/Director on the Boards of NRSP Microfinance Bank and Pakistan Engineering Company.



RASHID ALI KHAN
INDEPENDENT DIRECTOR

FROM THE MANAGING DIRECTOR

Dear Stakeholders / Colleagues

It is a moment of great joy and thankfulness that our Bank has successfully completed 25 years of its history. This makes us humbled in sheer gratitude to the Almighty. We are also indebted to our customers for trust and confidence in our services.

During these initial years of institution building & learning, the Bank has been quite successful in contributing to promote trade, business & industry as well as to play a role in the overall economy of the country. With the passage of time, we remain dedicated in serving our customers and for taking every measure to transform the quality of our services.

To continue with an upbeat mood, we have opted to mention on the title of this annual report as the YEAR OF EXCELLENCE of our Bank. There are many factors behind this celebratory mood. The year under review has been the year of achievements on many fronts. This year, the Bank has declared highest profit and announced handsome payout for the shareholders. Similarly all other indicators



are showing an upward trend. After having these achievements, our next passion is bracing excellence in whatever we do.

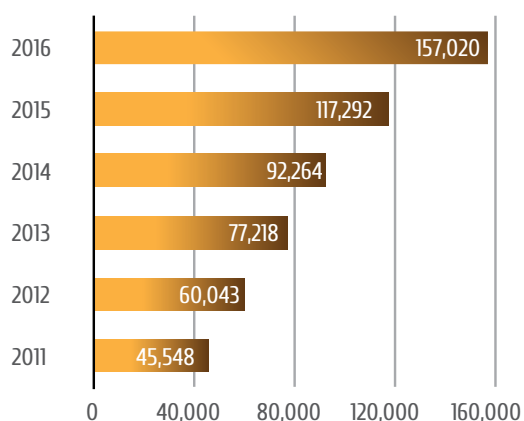
It is a matter of great satisfaction that after successfully getting out of most challenging times, our country is all set to move ahead successfully. The economic indicators of our country are very encouraging. The great projects like CPEC is likely to give great boost to our national economy.

I am also thankful to our customers for their trust and confidence in our services. Last but not the least, I am indebted to my entire team. Be it our people at the Head Office in Peshawar or our team members working in our branches spread in different parts of the country, each and every member has played role in making our Bank successful. As they say, success is a journey and not a destination. Therefore, all of us will have to continue to play our respective roles to enable our Bank to continue with this pace of achievements. I thank you all.

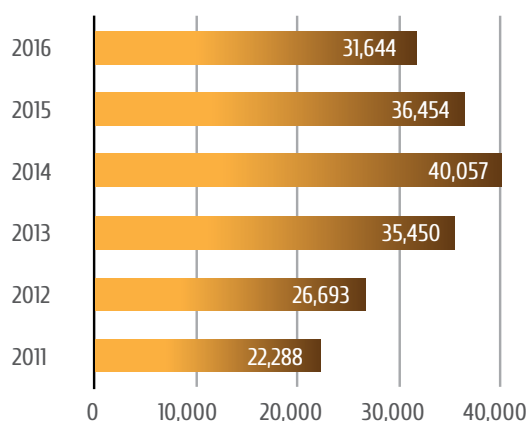
SIX YEARS FINANCIAL HIGHLIGHTS

	2011	2012	2013	2014	2015	2016
						(Rs. in Million)
DEPOSITS	45,548	60,043	77,218	92,264	117,292	157,020
ADVANCES (NET)	22,288	26,693	35,450	40,057	36,454	31,644
INVESTMENTS	36,685	45,672	53,363	72,431	88,296	141,602
TOTAL ASSETS	68,424	82,178	108,170	126,106	155,159	206,400
CAPITAL AND RESERVES	9,700	10,776	11,913	13,211	13,973	14,685
PROFIT BEFORE TAX	1,285	1,569	1,669	1,901	2,959	3,240
PROFIT AFTER TAX	872	1,078	1,154	1,309	1,789	2,020
RETURN ON EQUITY	9%	10%	10%	9%	13%	14%

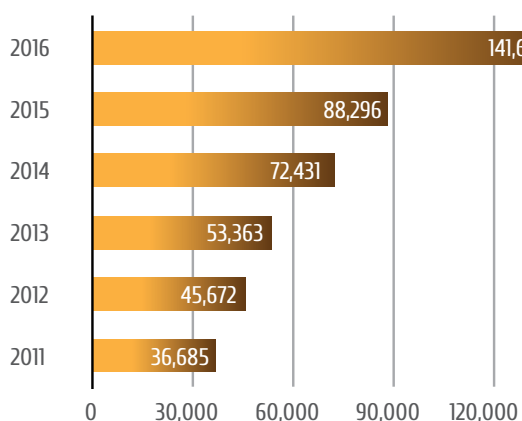
DEPOSITS



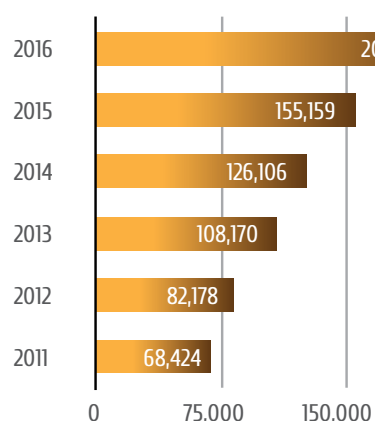
ADVANCES (NET)



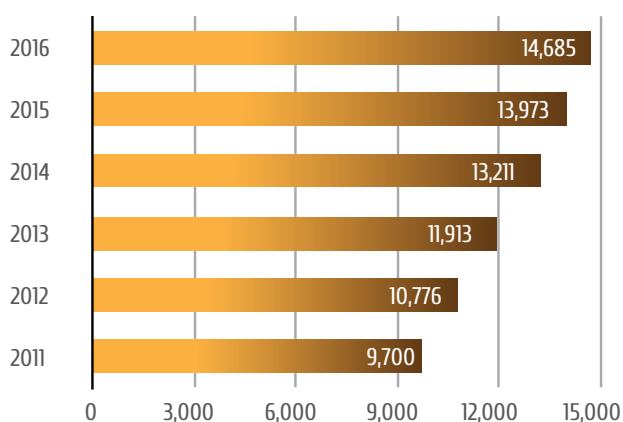
INVESTMENTS



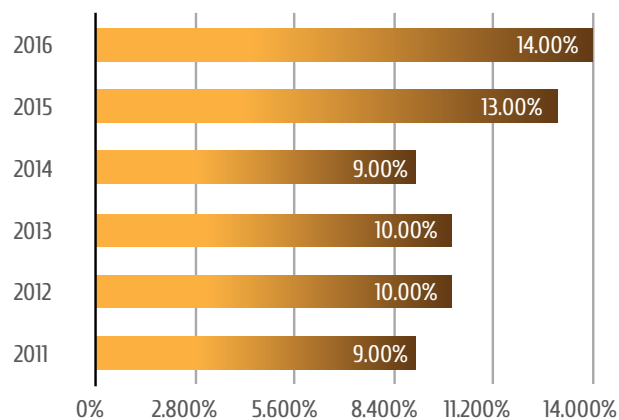
TOTAL ASSETS



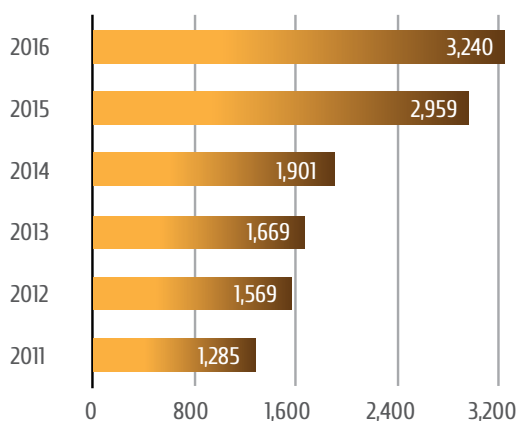
CAPITAL AND RESERVES



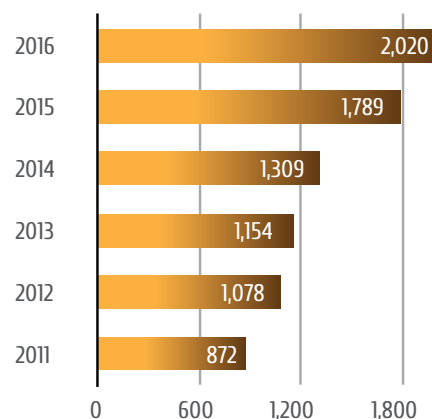
RETURN ON EQUITY



PROFIT BEFORE TAX



PROFIT AFTER TAX



NOTICE OF TWENTY SIXTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Shareholders of The Bank of Khyber will be held on Thursday, March 30, 2017 at 10:30 a.m. at Pearl Continental Hotel, Peshawar Cantt. to transact the following business:

Ordinary Business

1. To confirm the minutes of the Twenty Fifth Annual General Meeting (AGM) held on April 5, 2016.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2016, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2017 and fix their remuneration. The present auditors, Messrs. Grant Thornton Anjum Rahman, Chartered Accountants, retire and 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 2016 @Rupees 1.50 per share i.e. 15% to the shareholders of the Bank.

Other Business

5. Any other business with the permission of the Chair.

Peshawar: March 9, 2017

By Order of the Board
Zahid Sahibzada
Company Secretary



Notes:

- (i) Share Transfer Books of the Bank will remain closed from Thursday, March 23, 2017 to Thursday, March 30, 2017 (both days inclusive) to determine the names of members entitled to receive the 15% 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.





DIRECTORS' REPORT

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the 26th Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the financial year ended December 31, 2016.

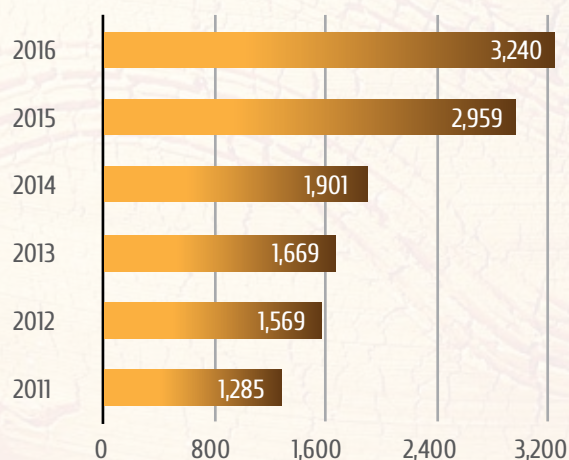
On the landmark occasion of completion of 25 years of successful operations, we bow before the Almighty Allah with all humility and gratitude for His blessings. The Bank is all set to embark upon a journey to explore new vistas and excel in services so as to achieve its objectives of growth and profitability.

Financial Highlights

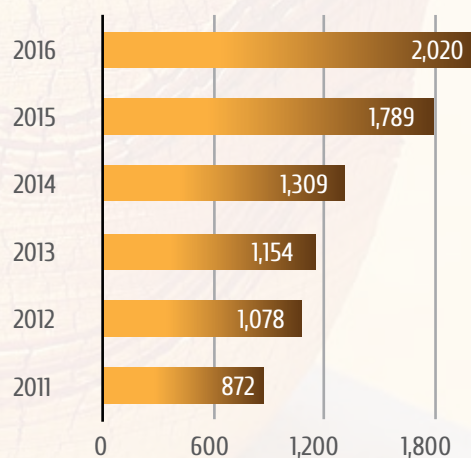
The operating results and appropriations, as recommended by the Board, are placed as under:

	(Rs. in Million)
Operating Profit	3,868
Provision against non-performing advances, investments & others	(628)
Profit before taxation	3,240
Taxation	(1,220)
Profit after tax	2,020
Total Assets	206,400
Advances (Gross)	36,054
Investments (Net)	141,602
Deposits	157,020

PROFIT BEFORE TAX



PROFIT AFTER TAX



DIRECTORS' REPORT

Performance Review

Notwithstanding the challenging economic and business environment, the Bank performed well in the year under review. The focus remains on strengthening the Bank's balance sheet by managing risk, diversifying business and extending geographic outreach so as to maintain quality growth momentum. The Bank was not only able to prudently manage the assets side but also maintained low cost funds to achieve a better level of profitability.

This year has been another year of success for the Bank with an operating profit of Rs.3,868 million against Rs.3,559 million last year. Profit before tax was recorded at Rs.3,240 million as against Rs.2,958 million of the previous year giving increase of 10%. Profit after tax for the same year grew by 13% to reach at Rs.2,020 million over Rs.1,789 million of the last year that translates into earnings per share of Rs.2.02 against Rs.1.79 in 2015.

The Net Mark-up / Interest Income after provisions stood at Rs.3,776 million as compared to Rs.3,847 million in the corresponding period of 2015. Non-Markup / Interest Income increased by 49% to reach at Rs.2,673 million as compared to Rs.1,799 million of the previous year. The increase was mainly attributed to rise in capital gains.

Administrative Expenses increased by 14% mostly due to startup expenses of new branches added to branch network and prevailing inflationary trend.

On the liabilities side, the deposits increased to Rs.157,020 million in comparison with Rs.117,292 million as at December 31, 2015 showing an increase of 34%. This growth was mainly driven through new customer acquisitions and deepening of the existing portfolio base. A substantial increase of 48% has been witnessed in the size of Investments which soared to Rs.141,602 million in comparison with Rs.95,512 million as at December 31, 2015. Furthermore, the gross advances of the Bank stood at Rs.36,054 million.

A healthy increase of 33% has been reflected in the overall balance sheet size which stood at Rs.206,400 million in comparison to Rs.155,159 million of the year 2015. The shareholders' equity showed an increase of 5% over 2015 and stood at Rs.14,685 million. The ROE and ROA of the Bank stood at 14% and 1% respectively.

At the close of the financial year 2016, the Bank was providing services through its expanded network of 150 branches throughout the country with 73 branches working on the Conventional side whereas 77 branches were functioning as dedicated Islamic Banking Branches. Further, 2 sub branches were also catering to the basic banking needs of the customers. The State Bank of Pakistan has granted its approval for opening of 27 new branches (including 2 sub-branches) throughout the country in the year 2017. The Bank through this network will be able to offer better wide range customer oriented products and services in an efficient and professional manner.



Future Outlook

Despite challenges on multiple fronts, country's major economic indicators are showing gradual positive signs. The Pakistan Stock Exchange was calculated to have provided total return of 46% for the year 2016 and termed as best performing market in Asia. Its reclassification in MSCI Emerging Market Index has further boost the confidence of shareholders. The Foreign Exchange liquid reserves stood at record high of US\$ 23 billion. Further, China-Pakistan Economic Corridor is beginning to show greater momentum with several energy and infrastructure projects in the pipeline, which will fuel growth in the near future. CPEC will also attract foreign investment to Pakistan and enhance its status as a regional manufacturing hub.

The Bank remains cognizant of the challenging business environment and stands committed to its strategy of steady growth by continuously focusing on diversification in products and services; expansion in outreach to increase customer base and mobilizing cost effective deposit mix and to maintain stable profitability trend.

We are confident that our expanding network of branches would impressively contribute to meet our customers' expectations.

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 major risk issues and also recommends risk policies prepared by the RMD to the Board Risk Management Committee and Full Board for approval.

Credit Risk in Banking Book is effectively managed by Credit Risk Management Department (CRMD) within Risk Management Division through analyzing each credit proposal sent by business units. Factors such as borrowers' financial positions, its industry dynamics and quality of collateral are thoroughly evaluated and shortfall if any is communicated to the relevant stakeholder. The Bank has also kept in place an effective Customer & Facility Rating Frameworks that further refine the prudent credit risk management activities.

Market & Liquidity Risk Management Department (MRMD) works in close lesion with Treasury & Investment Banking to ensure that the Market and Liquidity Risks are identified, measured, monitored in accordance with the regulatory requirements and internal policies of the Bank. Broadly, it is responsible for formulation / proposition of Market Risk Management (MRM) Framework (which includes Asset Liability Management (ALM), Interest Rate Risk Management in Banking and Trading Book, Treasury Investment and Equity portfolio monitoring, assessment / development of Market and Liquidity Risk limits, monitoring of exposures against

“Excellence lets us take pride in our accomplishments. We are guided by a vision or an ideal, and we do our best to make it a reality”



DIRECTORS' REPORT

limits and assessment of risks in new businesses, overview of various policies and procedure manuals from Market & Liquidity Risk perspective. MRMD analyses each trading / Investment and Syndicate Financing proposal to ensure effective fund utilization and risk analysis.

Market & Liquidity Risk Management Department is also responsible to coordinate with other departments for Market Risk Capital Charge, ICAAP, Stress Testing, Liquidity Coverage Ratio & Net Stable Funding Ratio frameworks implementation, and other Market and Liquidity Risk regulatory assigned functions. It has developed a dedicated Financial Institutions (FIs) model for inter-bank lines setting to different financial institutions. Operational Risk is also proactively managed and controlled through Risk Control Self Assessments (RCSAs) that analyze various documented process flows of various banking transactions taking place in day to day functioning of the Bank for inherent and residual risks. Operational Loss Data also helps the bank in taking corrective measures for various control lapses identified in it.

The Bank has dedicated policies duly approved by BoD for measuring & managing Credit, Market, Liquidity, Country and Operational Risks. Implementation of these policies have further strengthened risk management framework of the Bank. The bank has also successfully met the Capital Adequacy Ratio (CAR) and Leverage Ratio requirements as per 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.

Internal Controls

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 Clause 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.





“ Our Bank offers special finance options for the common man, as we believe in banking to serve our people. We offer the best deal for car loans, house loans, loans against salary. ”

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.

DIRECTORS' REPORT

Board and Board Committee Meetings

During the year 2016, details of Board and Board Committee meetings and their attendance by the Directors are as under:

S#	Directors	Board Meetings Total = 7	Audit Committee Total = 5	HR&R Committee Total = 4	Risk Management Committee Total = 2
1	Mr. Muhammad Azam Khan	6	Non-Member	Non-Member	Non-Member
2	Mr. Ali Raza Bhutta	7	5	Non-Member	Non-Member
3	Mr. Shams-ul-Qayyum	7	Non-Member	3	1
4	Mr. Maqsood Ismail Ahmad	7	Non-Member	3	1
5	Mr. Asad Muhammad Iqbal	6	4	3	Non-Member
6	Mr. Javed Akhtar	7	3	Non-Member	Non-Member
7	Mr. Rashid Ali Khan	7	5	4	2

The Directors have familiarized themselves with their duties and responsibilities. The Bank will however, endeavour to arrange further directors' training program and orientation courses in the year 2017 for its directors to acquaint them with the CCG, applicable laws and their duties and responsibilities

Dividend

The Board has recommended final Cash Dividend of Rs. 1.50 per share i.e. 15% for the year 2016 to the shareholders of the Bank.

Credit Rating

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has reaffirmed the medium to long term and short term entity ratings of the Bank at "A" (Single A) and "A-1" (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.



Corporate Social Responsibilities

Being a socially responsible corporate institution, the Bank undertook several CSR initiatives for socio-economic uplift and basic health facilities. Activities during the year included:

- a. Donation to IDA RIEU Welfare Association working for the Blind, Deaf and Dumb and children with other disabilities. The Association is providing high quality education and vocational skills training to the disabled children.
- b. Donation to District Tuberculosis Association, Peshawar for treatment of poor T.B. patients.
- c. Donation to Frontier Foundation Welfare Hospital and Blood Transfusion Services which provide blood transfusion services free of charge to the vulnerable patients suffering from deadly blood diseases.
- d. Donation to Welfare Hand Organization, Peshawar for providing health facilities to poor Thalassaemia patients.
- e. 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.
- f. Played active role by providing services in Khud Kafalat Scheme of the provincial government to enable the masses to start new or enhance their already established businesses by availing interest free small loans. The very essence of these initiatives is to enable the people to participate and share in the economic uplift of the region.

Further, the Bank being conscious of its responsibility to participate in the economic development of the province continued to be one of the leading taxpayers of the province by paying Rs.1.3 billion as Income Tax during the year 2016 to the Government apart from collection of other taxes.

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, 2016 are Rs.1,164.27 million and Rs.406.73 million respectively.

Pattern of Shareholding

The pattern and category of shareholding as at December 31, 2016 is annexed with the report.

Six Years Operating and Financial Data

The necessary information is presented in the report.



DIRECTORS' REPORT

Earnings Per Share

An Earnings per share for the year 2016 is Rs.2.02.

Auditors

The present auditors M/s. Grant Thornton Anjum Rahman, Chartered Accountants have been retired and being eligible, offer themselves for reappointment.

As required under the Code of Corporate Governance, the Board Audit Committee has recommended the appointment of M/s. Grant Thornton Anjum Rahman, Chartered Accountants as statutory auditors of the Bank for the year ending December 31, 2017.

Events after the Balance Sheet date

No material events 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.

Disclosures

1. The Bank was engaged in Board and its Committees evaluation as per Board approved mechanism. However, the Bank is considering the newly introduced techniques and approaches envisaged in the SBP circular issued in the third quarter of 2016 for proper implementation after approval of the Board. The evaluation under the said Circular will be implemented in the year 2017 effectively.
2. To ensure a culture of Quality Customer Service within the Bank, a dedicated Service Quality Department has been established. The objective of this Department is to strengthen the Bank's Service culture with an emphasis on achieving an overall Customer Satisfaction level. The already established Complaint Management Unit has been moved under the umbrella of Service Quality Department so as to address complaints in more effective manner.

In order to monitor and resolve customers' complaints and disputes in a more efficient manner, the Bank intends to procure Centralized Complaint Management System which will automate the process of complaint registration, investigation, closure and monitoring via system generated reports. The system is expected to go live in 2017 and later on it will be implemented at all customer areas and relevant support units for effective management of complaints.

Service Quality Department has been focusing on Bank's service culture by capturing the voice of customers, continuous trainings to the staff and turnaround time monitoring to ensure timely and accurate services.

During the year the Bank has taken steps to make its complaint handling more visible by sending out SMS to customers on Complaint Handling, Installation of Complaint Boards in branches and displaying Customers' Complaints details on the Bank's website. The status of complaints during the year 2016 is as under:

Number of Complaints	158
Average time taken in settlement of a complaint	3.5 Days

Acknowledgement

The Board would like to thank the Provincial Government, State Bank of Pakistan, Securities & Exchange Commission of Pakistan, Pakistan Stock Exchange Ltd. and other regulatory authorities for their continuous guidance and support, our shareholders and valued customers for their counsel and patronage. The cooperation of local and foreign correspondents are also appreciated.

We also acknowledge and value the persistent efforts and dedication of our staff. With continued level of motivation and diligent work of our employees, we are sure that the Bank shall be able to sustain growth in the years to come.

On behalf of the Board of Directors

March 07, 2017



Shams-ul-Qayyum
Managing Director



THE LANDMARKS

BOK's Modest Beginning - 1991

We embarked upon our journey 25 years ago, as one of the public sector Bank, primarily catering to the banking needs of domestic customers of our Province as this was the urgent need at that time. Today, we are serving at the local as well as at the national level with equal passion and commitment.

Conventional & Islamic Banking

From a humble beginning as a provincial Bank, today we are a mainstream bank and today we offer a blend of the best of Islamic as well as Conventional banking at our network of branches spread at the national level.

Nation-wide Presence

No doubt Khyber Pakhtunkhwa has been our forte as in the beginning the BOK was established to cater to the banking needs of the local populace. However we have successfully outgrown to other areas of the country like Federal Capital, Punjab, Sindh, Azad Kashmir, Baluchistan and Gilgit Baltistan. We aspire to go beyond Pakistan.

Surmounting all Challenges

After our initial journey, now it is the beginning of a new journey of achievements for our Bank. The recent past has been quite challenging for our home base Khyber Pakhtunkhwa, due to the law & order situation. However, these challenges only helped us to become more resilient. Despite all kind of challenges, we are an expanding and moving forward with success and great achievements.

Highest Profitability

In our most recent history, our Banks has touched new milestone of success and achievements. The year under review has been our year of highest profitability which makes us glad as well as humbled. With this mood of achievement, we are setting lofty ideals for our Bank to achieve.

Year of Excellence

For us the measure of success is not just profitability. We believe it is an important milestone in our journey, but we aspire to rise above. Excellence is our newest passion to serve our customers, and above all to serve our country by playing most dynamic role in boosting the national economy of our country.



“As a relatively younger Bank, we are successfully emerging from most challenging times of our nation's history. This has reinforced our resolve as well as our confidence to moving ahead and now our next destination is EXCELLENCE in whatever we do.”



NATIONWIDE BRANCH NETWORK

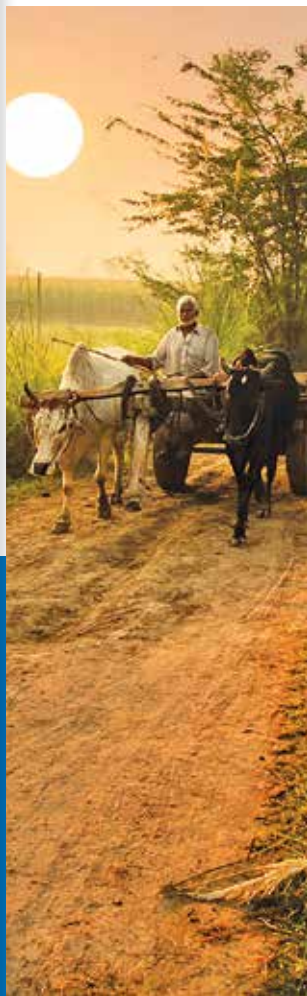
KHYBER PAKHTUNKHWA



86

BRANCHES

PUNJAB



34

BRANCHES

SINDH



12

BRANCHES

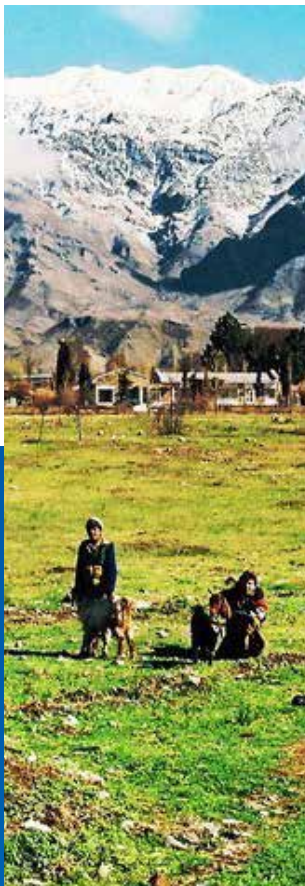
BALUCHISTAN



05

BRANCHES

FATA



05

BRANCHES

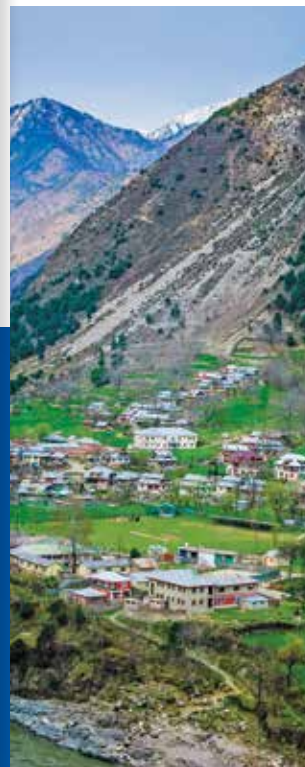
CAPITAL AREA



04

BRANCHES

AZAD KASHMIR



03

BRANCHES

GILGIT BALTISTAN



01

BRANCHES

PICTURE GALLERY





STATEMENT OF COMPLIANCE

with the Code of Corporate Governance For the year ended December 31, 2016

This statement is being presented to comply with the Code of Corporate Governance ("the CCG") contained in Regulation No. 5.19 of listing regulations of Rule Book of Pakistan Stock Exchange Limited read with regulation G-1 of the Prudential Regulations, for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank of Khyber ("the Bank") has applied the principles contained in the CCG 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 year ended December 31, 2016, the Board includes:

Category	Names
Non-Executive Directors	Mr. Muhammad Azam Khan (Chairman) Mr. Ali Raza Bhutta Mr. Maqsood Ismail Ahmad
Executive Director	Mr. Shams-ul-Qayyum (Managing Director)
Independent Directors	Mr. Asad Muhammad Iqbal Mr. Javed Akhtar Mr. Rashid Ali Khan (Nominee)

The independent directors meet the criteria of independence under clause 5.19.1.(b) of the CCG. The inspection team of State Bank of Pakistan has raised observation on the independence status of the nominee director. The bank is maintaining the independence status of the nominee director on the basis of clearance received from State Bank of Pakistan under the fit and proper test criteria and also that the appointment is made under section 11 of the Bank of Khyber Act, the act being a special enactment prevails over other laws including the requirements of CCG. The bank is duly supported by legal advice on the matter.

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 a defaulter by that stock exchange(s).
4. A single position of a Government nominee director is vacant due to resignation. According to The Bank of Khyber Act 1991 the vacancy shall be filled only by appointment by the Government. The matter has been referred to the Government and nomination of another director is in process. Except for the above no other vacancy occurred on the Board during the year under review.
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 seven (7) 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 duties and responsibilities. During the current year one director of the Bank has attended Fast Track Directors' Training Program offered by PICG. The Bank will however, endeavour to arrange directors' training program and orientation courses in the year 2017 for its directors to acquaint them with the CCG, 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. During the year under review, Head Internal Audit was appointed whose appointment was duly recommended by the Board Audit Committee and was approved by the Board.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG 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 by 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. At the reporting date the independent directors had no material interest in the capital of strategic shareholders of the Bank.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of four members, of whom one is a non-executive Director and three 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 as required by the CCG. A total of five (5) 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 four members. Two of whom are Independent Directors including the Chairman of the Committee and one member is a non-executive Director. The fourth 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 Pakistan 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 CCG have been complied with except that the Bank is in the process of restructuring the performance evaluation mechanism of its board of directors to carry out the performance evaluation according to the requirements of BPRD Circular No. 11 dated August 22, 2016 of the State Bank of Pakistan.

On behalf of the Board of Directors

March 7, 2017



Shams-ul-Qayyum
Managing Director



Grant Thornton Anjum Rahman
302 B, 3rd Floor Evacuee Trust Complex,
Sir Agha Khan Road F-5/1,
Islamabad Pakistan

T: +92 51 227 1906, 2274665
F: +92 51 2273874
www.gtpak.com

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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 office The Bank of Khyber ("the Bank") for the year ended December 31, 2016 to comply with the Regulation G-1 of the Prudential Regulation for Corporate / Commercial Banking issued by the State Bank of Pakistan and requirements of Regulations contained in the Rule Book of the Pakistan Stock Exchange 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 transactions 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, 2016.

We draw attention to paragraph 1 to the statement of compliance which describes me reason for carrying the nominee director under independent category. Our conclusion is not qualified in this respect.


GRANT THORNTON ANJUM RAHMAN
Chartered Accountants

Audit Engagement Partner: Nadeem Tirmizi
Islamabad
March 07, 2017

Chartered Accountants
Member of Grant Thornton International Ltd

Other offices in Lahore and Karachi

STATEMENT ON INTERNAL CONTROLS

This Statement of Internal Controls is based on an ongoing process designed to identify the significant risks in achieving the Bank's policies, aims and objectives and to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been continuously in place for the year ended December 31, 2016.

The Management of The Bank of Khyber (the Bank) assumes full responsibility for establishing and maintaining effective system of internal controls throughout the Bank to ensure reliable, accurate and fair financial reporting, effectiveness of operations and compliance with applicable laws and regulations.

Management understands that the effective maintenance of the internal controls system is an ongoing process under the ownership of the management. All significant policies and procedural manuals are in place; and the review, revision, and improvement to keep them updated to cope with latest challenges is actively pursued by the management.

The Bank's internal control system involves different levels of monitoring activities i.e. line management, Compliance, Risk Management and Internal Audit. The Bank's IAD is independent from line management and reviews the adequacy and implementation of control activities inbuilt in policies and processes across the Bank functions and reports the exceptions to the Board Audit Committee on regular basis. The function also actively monitors the implementation of the corrective / remedial steps in co-ordination with the Management to ensure that identified risks are mitigated to safeguarding the interest of the Bank.

While an internal controls system is effectively implemented and monitored; however, due to inherent limitations, internal controls system is designed to manage rather than eliminate the risk of failure to achieve the Bank's business strategies and policies and can only provide reasonable and not absolute assurance against material misstatement or loss.

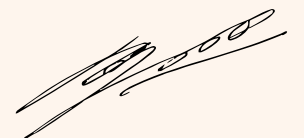
During the year under review, we have endeavored to follow the guidelines issued by SBP on internal controls for evaluation and management of significant risks and we will continue to endeavor for further improvements in Internal Controls System.

In compliance with the SBP's directives, the Bank had completed the implementation of Road map regarding Internal Controls over Financial Reporting (ICFR). This included detailed documentation of the existing processes, comprehensive evaluation of controls both at entity as well as activity level, development of detailed remedial action plans for the gaps identified as a result of such evaluation and devising comprehensive testing plans of the controls of all processes. The documentation including the testing results has been reviewed by the external auditors and a Long Form Report (LFR) for the year ended December 31, 2015 was submitted to State Bank of Pakistan (SBP) on April 30, 2016 in compliance with the regulatory requirement.

Next submission of Long Form Report for the year 2016 will be made in due course of time.

On behalf of the Board of Directors

March 7, 2017



Shams-ul-Qayyum
Managing Director



Report of Shariah Board

(For the Year 2016)

In the name of Allah, the Beneficent, the Merciful,

By the grace of Allah Almighty, The Bank of Khyber has completed its 13 years of Islamic Banking under the guidance of its Shariah Board since its inception.

While The Board of Directors and Executive Management are solely responsible to ensure that the operations of Islamic Banking Group of The Bank of Khyber (IBG-BOK) are conducted in a manner that complies with the Shariah principles at all times, Shariah Board is required to submit a report on the overall Shariah compliance environment of IBG-BOK.

During the year 2016, the Shariah Board held four meetings and reviewed various products, concepts, transactions, processes besides personal visits of Islamic Banking Branches and personal meetings with the staff. Based on the reviews of sample cases for each class of transaction, related documentation, processes, profit distribution mechanism, review of Internal Shariah Audit Reports and management's representation made in this regard, result of Shariah Reviews conducted by Shariah Compliance Division, training imparted to the staff on Islamic Banking and to the best of our knowledge we are of the view that:

- i. IBG-BOK has a comprehensive mechanism in place to ensure Shariah compliance in its overall operations. The mechanism comprises of Shariah Compliance Division headed by full time RSBM, Internal Shariah Audit conducted by Internal Shariah Audit Department, frequent Shariah Compliance Reviews by Shariah Compliance Division and regular inhouse and external trainings for Islamic Banking staff in line with Shariah Governance Framework of SBP.
- ii. IBG-BOK has by and large complied with Shariah rules and principles in the light of Fatawas (decisions), rulings and guidelines issued by the Shariah Board and instructions and guidelines related to Shariah compliance issued by SBP including instructions on Profit and Loss Distribution and Pool Management.
- iii. Islamic Banking deposits are accepted on Musharakah basis as approved by its Shariah Board as well as SBP and instructions on Profit & Loss Distribution and Pool Management are being followed.
- iv. Improvement is required in level of awareness, capacity and sensitization of the staff, Executive Management and the BOD.
- v. During the year an Amount of Rs. 5.25 million was received for the Charity fund. This included Rs. 0.28 million to eliminate the non-compliant income portion, Rs. 0.12 million to purify the dividend income earned from the investment made in the Shariah compliant stocks and Rs. 4.75 million as Default Obligation Amount on delay in payments. Whole amount of Rs. 5.25 million was paid from the Charity Account as per approved Charity Policy.
- vi. The management has been providing adequate resources to SB to discharge its functions and perform its duties.
- vii. There is no significant issue specifically related to Shariah which is to be resolved.



Recommendations:

- a) Shariah Governance Framework introduced by State Bank of Pakistan should be implemented in letter and spirit by taking all actions required under its provisions including software for Profit and Loss Distribution and Pool Management.
- b) Human force trained and experienced in Islamic Banking is one of the most important requirement and catalyst of effective operations of Islamic Banking. Recruitment of staff at responsible positions such as Division / Department Head without any knowledge and experience of Islamic Banking is matter of great concern which may lead to Shariah Compliance as well as Reputation Risks for Islamic Banking. Therefore, due care regarding the experience, knowledge, training, mindset and commitment towards the cause of Islamic Banking should be taken during the process of recruitment of new staff - which should serve the basis for selection. Employees so recruited specifically for Islamic Banking and trained for it should be retained / rotated within Islamic Banking.
- c) To align with practices of other Islamic Banks in Pakistan deposit system may be converted from Musharakah to Mudarabah model.
- d) The Bank should give more importance to Islamic Banking awareness sessions for public including Ulama's and customers.

May Allah guide us on the right path and forgive our mistakes.



Muhammad Ayub
Member



Dr. Sharif ul-Haq Hanif
Member



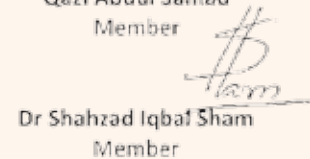
Qazi Abdul Samad
Member



Syed Muhammad Abbas
Member



Dr. Dost Muhammad
Member



Dr. Shahzad Iqbal Sham
Member



Mufti Muhammad Zahid
Chairman



بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

رپورٹ آف شریعہ بورڈ

برائے سال 2016

اللہ تعالیٰ کے فضل و کرم سے بینک آف خیبر شریعہ بورڈ کی رہنمائی میں اسلامی بینکاری کے 13 سال مکمل کر چکا ہے۔

جبکہ بینک کا بورڈ آف ڈائریکٹرز اور بینک کی اعلیٰ انتظامیہ بینک آف خیبر کی اسلامک بینکنگ کے کام کو شریعت کے اصولوں کے مطابق بنانے کے مشترکہ طور پر ذمہ دار ہیں، شریعہ بورڈ کی ذمہ داری ہے کہ بینک آف خیبر کے اسلامک بینکنگ گروپ کی مجموعی شرعی احکامات کی تعمیل پر رپورٹ پیش کرے۔

2016 کے دوران، شریعہ بورڈ کے چار اجلاس منعقد ہوئے جس میں مختلف تمویلی پروڈکٹس، تصورات اور عقود کو جانچا گیا اسکے علاوہ شریعہ بورڈ کے ممبران حضرات نے اسلامی بینکاری کی شاخوں کے دورے اور عملے کے ساتھ ذاتی ملاقاتیں کیں۔ مختلف عقود کی نوعیت کے جائزے، اس کی متعلقہ دستاویزات، مراحل، نفع و نقصان کے تقسیم کا طریقہ کار، داخلی شریعہ آڈٹ رپورٹ اور اس سے متعلق کی جانے والی انتظامیہ کی رائے، شریعہ کمپلائنس ڈویژن کی طرف سے کئے جانے والے شرعی جانچ پڑتال کے نتائج، برانچوں کے عملے کو دی جانے والی اسلامی بینکاری کی تربیت اور ذاتی مشاہدات کو مد نظر رکھتے ہوئے ہمارا نقطہ نظر یہ ہے کہ:

(1) بینک آف خیبر اسلامک بینکنگ گروپ کے پاس تمام عملی کارروائیوں کو شریعت کے مطابق رکھنے کے لئے ایک جامع نظام موجود ہے۔ یہ نظام کل وقتی شریعہ بورڈ ممبر کی سربراہی میں قائم شریعہ کمپلائنس ڈویژن، اندرونی شریعہ آڈٹ ڈیپارٹمنٹ کی جانب سے اندرونی شریعہ آڈٹ، شریعہ کمپلائنس ڈویژن کا برانچوں کی شریعہ کمپلائنس کا جائزہ اور شرعی گورننس فریم ورک کے تحت اسلامک بینکنگ عملے کے لیے باقاعدگی سے تربیت کے انعقاد پر مشتمل ہے۔

(2) بینک آف خیبر کے اسلامک بینکنگ گروپ کا تمام نظام عمومی طور پر شرعی قوانین، اصولوں اور احکام، شریعہ بورڈ کی طرف سے جاری کی گئی ہدایات اور اسٹیٹ بینک کی طرف سے جاری کردہ شریعہ کمپلائنس سے متعلق ہدایات و ضوابط، بشمول نفع و نقصان کی تقسیم کار اور پول مینجمنٹ کی ہدایات کے مطابق چلایا جاتا ہے۔

(3) بینک آف خیبر اسلامک بینکنگ گروپ پی ایل ایس ڈپازٹس مشارکہ کی بنیاد پر وصول کرتا ہے اور یہ نظام شریعہ بورڈ کے احکامات اور اسٹیٹ بینک کی جانب سے نفع و نقصان کی تقسیم اور پول مینجمنٹ کی ہدایات کی روشنی میں چلایا جاتا ہے۔

(4) بینک آف خیبر کی اعلیٰ انتظامیہ اور بورڈ آف ڈائریکٹرز میں اسلامی بینکاری کے معاملات کی حساسیت اور صلاحیتوں میں اضافے کیلئے مزید اقدامات کی ضرورت ہے۔

(5) 2016 کے دوران 5.25 ملین روپے کی رقم خیراتی فنڈ کے لیے وصول ہوئی، اس میں 0.28 ملین روپے مشتبہ عقود کی مد میں، 0.12 ملین روپے حصص سے حاصل ہونے والے منافع کو پاک کرنے کی مد میں، جبکہ 4.75 ملین روپے ادائیگیوں میں تاخیر پر واجب الادا صدقے کیلئے وصول ہوئے۔ 5.25 ملین روپے کی پوری رقم منظور شدہ چیریٹی پالیسی کے مطابق خیراتی فنڈ سے ادا کی گئی۔

Signature



6) بینک آف خیبر کے اسلامک بینکنگ گروپ کی انتظامیہ شریعہ بورڈ کو اس کے ذمہ داریاں اور اس کے فرائض احسن طریقے سے انجام دینے کے لئے درکار وسائل فراہم کر رہا ہے۔

7) تاحال کوئی قابل لحاظ شرعی مسئلہ لاپیدائش نہیں۔

سفارشات:

1) اسٹیٹ بینک آف پاکستان کی طرف سے پیش کیے گئے شریعہ گورننس فریم ورک کو لاگو کیا جانا چاہئے اور اس کی دفعات کے مطابق تمام تراکدات اٹھائے جائیں۔
 ب) اسلامی بینکاری میں تربیت یافتہ اور تجربہ کار افرادی قوت عملی کام کو بروقت اور موثر طریقے سے انجام دینے کیلئے اہم ترین ضرورت ہیں۔ اسلامی بینکاری سے لاعلم اور ناتجربہ کار افرادی اسلامی بینکاری کے مختلف ڈویژن / سیکشن کے سربراہ جیسے ذمہ دار عہدوں پر بھرتی اسلامی بینکاری کی بدنامی اور شرعی مسائل کا سبب بھی بن سکتا ہے جو کہ انتہائی تشویش ناک ہے۔ لہذا ملازمین کے انتخاب میں اسلامی بینکاری کا علم، تجربہ، تربیت اور اسلامی بینکاری کے مقاصد حاصل کرنے کے لئے عزم کو انتہائی اہمیت دینی چاہئے۔ اس طرح ملازمین کے فرانسفرز میں ایسے افراد کو اسلامی بینکاری کے دائرہ کار کے اندر ہی رکھنا چاہئے۔

ت) دوسروں بینکوں کی طرح ڈپازٹ نظام کو مشارکہ سے مضاربہ ماڈل میں تبدیل کیا جائے۔

ث) بینک آف خیبر اسلامک بینکنگ گروپ علماء اور کسٹرز سمیت عوام کی اسلامی بینکاری کے بارے میں آگاہی کیلئے پروگرامات کے انعقاد کو ترجیح دے۔

اللہ تعالیٰ ہم سب کو صحیح فہم و عمل کی توفیق عطا فرمائے۔ آمین۔

ڈاکٹر شمس الحق حنیف
 ممبر
 سید محمد عباس
 ممبر
 ڈاکٹر شہزاد اقبال شام
 ممبر

محمد ایوب
 ممبر
 قاضی عبدالصمد
 کل وقتی شریعہ بورڈ ممبر
 ڈاکٹر دوست محمد خان
 ممبر

منفق محمد زاہد
 چیئر مین



Grant Thornton Anjum Rahman
302 B, 3rd Floor Evacuee Trust Complex,
Sir Agha Khan Road F-5/1,
Islamabad Pakistan

T: +92 51 227 1906, 2274665
F: +92 51 2273874
www.gtpak.com

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, 2016 and the related profit and loss account, statement of 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 except for thirteen branches 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 above 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 amounts and disclosures in the financial statements. An audit also includes assessing 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 except for the change disclosed in note 6.16 to the accompanying financial statements, with which we concur;
 - (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;



Grant Thornton Anjum Rahman
302 B, 3rd Floor Evacuee Trust Complex,
Sir Agha Khan Road F-5/1,
Islamabad Pakistan

T: +92 51 227 1906, 2274665
F: +92 51 2273874
www.gtpak.com

- 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 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 give a true and fair view of the state of the Bank's affairs as at December 31, 2016 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.



GRANT THORNTON ANJUM RAHMAN
Chartered Accountants
Audit Engagement Partner: Nadeem Tirmizi
Islamabad
March 07, 2017

Chartered Accountants
Member of Grant Thornton International Ltd

Other offices in Lahore and Karachi





FINANCIAL HIGHLIGHTS

Statement of Financial Position.....	58
Profit and Loss Account.....	59
Statement of Comprehensive Income.....	60
Statement of Changes in Equity.....	61
Cash Flow Statement.....	62
Notes to the Financial Statements.....	63
Statement of Financial Position - Islamic Operations.....	126
Profit and Loss Account - Islamic Operations.....	127
Notes to the Annexure 'A'.....	128
Annexure 'B'.....	131
Annexure 'C'.....	132
Annexure 'D'.....	135
Pattern of Shareholding.....	137
Branch Network.....	139
Foreign Correspondent Banks.....	143
Form of Proxy.....	147

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

		2016	2015	2014
	Note	Rupees in '000		
ASSETS				
Cash and balances with treasury banks	7	8,636,526	5,546,796	4,110,957
Balances with other banks	8	9,980,928	6,513,497	2,509,508
Lendings to financial institutions	9	8,827,307	5,988,824	2,100,000
Investments	10	141,602,355	95,512,456	72,431,445
Advances	11	31,643,885	36,453,611	40,057,170
Operating fixed assets	12	2,070,554	1,924,825	1,641,054
Deferred tax assets - net		-	-	-
Other assets	13	3,638,719	3,218,724	3,256,121
		206,400,274	155,158,733	126,106,255
LIABILITIES				
Bills payable	14	775,938	504,884	586,407
Borrowings	15	28,700,825	17,130,194	14,192,181
Deposits and other accounts	16	157,020,365	117,292,012	92,263,694
Sub-ordinated loan		-	-	-
Liabilities against assets subject to finance lease		-	-	-
Deferred tax liabilities - net	17	151,745	469,123	315,160
Other liabilities	18	3,608,857	3,844,944	3,829,241
		190,257,730	139,241,157	111,186,683
NET ASSETS		16,142,544	15,917,576	14,919,572
REPRESENTED BY				
Share capital	19	10,002,524	10,002,524	10,002,524
Reserves		2,192,169	1,788,074	1,430,231
Unappropriated profit		2,490,553	2,182,400	1,778,056
		14,685,246	13,972,998	13,210,811
Surplus on revaluation of assets - net of tax	20	1,457,298	1,944,578	1,708,761
		16,142,544	15,917,576	14,919,572
CONTINGENCIES AND COMMITMENTS	21			

The annexed notes 1 to 44 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, 2016

		2016	2015
	Note	Rupees in '000	
Mark-up / return / interest earned	22	12,049,052	10,869,473
Mark-up / return / interest expensed	23	7,642,575	6,441,550
Net mark-up / return / interest income		4,406,477	4,427,923
Provision against loans and advances - net	11.5	727,058	498,132
(Reversal) / provision for diminution in the value of investments - net	10.3	(96,717)	82,410
Bad debts written off directly		438	-
		630,779	580,542
Net mark-up / return / interest income after provisions		3,775,698	3,847,381
NON MARK-UP / RETURN / INTEREST INCOME			
Fee, commission and brokerage income		252,781	257,522
Dividend income		102,190	100,136
Income from dealing in foreign currencies		88,475	138,862
Gain on sale of securities - net	24	2,139,484	1,189,397
Unrealized gain / (loss) on revaluation of investments classified as held for trading - net	10.5	716	(6,178)
Other income	25	89,342	119,683
Total non-mark-up / return / interest income		2,672,988	1,799,422
		6,448,686	5,646,803
NON MARK-UP / RETURN / INTEREST EXPENSES			
Administrative expenses	26	3,210,806	2,821,196
Other (reversals) / provisions / write offs	27	(2,299)	21,207
Reversal of provision for WWF		-	(164,120)
Other charges	28	228	9,888
Total non-mark-up / return / interest expenses		3,208,735	2,688,171
		3,239,951	2,958,632
Extra-ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		3,239,951	2,958,632
Taxation	29		
- Current		1,180,880	1,014,620
- Prior year		85,492	122,147
- Deferred		(46,897)	32,651
		1,219,475	1,169,418
PROFIT AFTER TAXATION		2,020,476	1,789,214
Unappropriated profit brought forward		2,182,400	1,778,056
Profit available for appropriation		4,202,876	3,567,270
Earnings per share - Basic and Diluted (in Rupees)	30	2.02	1.79

The annexed notes 1 to 44 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, 2016

		2016	2015
	Note	Rupees in '000	
Profit after taxation for the year		2,020,476	1,789,214
Other comprehensive income			
Items that will not be reclassified to profit and loss account			
Re-measurement of defined benefit plan - net of tax	33.7	(57,764)	(26,656)
Comprehensive income transferred to equity		<u>1,962,712</u>	<u>1,762,558</u>
Components of comprehensive income not reflected in equity			
Items that will not be reclassified to profit and loss account (Decrease)/increase in surplus on revaluation of fixed assets		(16,062)	24,093
Items that may be reclassified to profit and loss account			
Net change in fair value of available for sale securities		1,050,947	1,775,897
Related deferred tax charge		(367,832)	(621,564)
		683,115	1,154,333
		<u>667,053</u>	<u>1,178,426</u>

The annexed notes 1 to 44 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, 2016

	Share capital	Statutory reserve	Un-appropriated profit	Total
Rupees in '000				
Balance as at January 1, 2015	10,002,524	1,430,231	1,778,056	13,210,811
Transactions with owners recorded directly in equity				
Dividend for the year ended December 31, 2014 (Re.1.00 per share)	-	-	(1,000,371)	(1,000,371)
Total comprehensive income for the year ended December 31, 2015				
Profit after taxation	-	-	1,789,214	1,789,214
Other comprehensive income	-	-	(26,656)	(26,656)
	-	-	1,762,558	1,762,558
Transfer to statutory reserve	-	357,843	(357,843)	-
Balance as at December 31, 2015	10,002,524	1,788,074	2,182,400	13,972,998
Transactions with owners recorded directly in equity				
Dividend for the year ended December 31, 2015 (Rs.1.25 per share)	-	-	(1,250,464)	(1,250,464)
Total comprehensive income for the year ended December 31, 2016				
Profit after taxation	-	-	2,020,476	2,020,476
Other comprehensive income	-	-	(57,764)	(57,764)
	-	-	1,962,712	1,962,712
Transfer to statutory reserve	-	404,095	(404,095)	-
Balance as at December 31, 2016	10,002,524	2,192,169	2,490,553	14,685,246

The annexed notes 1 to 44 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, 2016

	2016	2015
Note	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,239,951	2,958,632
Less: Dividend income	102,190	100,136
	3,137,761	2,858,496
Adjustments for non-cash charges		
Depreciation	206,055	182,317
Amortization	19,998	9,143
Provision against loans and advances - net	727,058	498,132
(Reversal) / provision for diminution in the value of investments - net	(96,717)	82,410
Unrealized (gain) / loss on revaluation of investments classified as held for trading - net	(716)	6,178
Gain on sale of operating fixed assets	(458)	(22,729)
Other (reversals) / provisions / write offs	(2,299)	21,207
	852,921	776,658
	3,990,682	3,635,154
(Increase) / decrease in operating assets:		
Lendings to financial institutions	(2,838,483)	(3,888,824)
Proceeds from sale of investments in held-for-trading securities	668,447	2,211,791
Advances	4,082,668	3,105,427
Others assets	(417,696)	16,190
	1,494,936	1,444,584
Increase / (decrease) in operating liabilities:		
Bills payable	271,054	(81,523)
Borrowings	11,570,631	2,938,013
Deposits and other accounts	39,728,353	25,028,318
Other liabilities (excluding current taxation)	(254,881)	(146,099)
	51,315,157	27,738,709
	56,800,775	25,602,115
Income tax paid	(1,332,022)	(1,023,780)
	55,468,753	24,578,335
Net cash generated from operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(47,419,243)	(25,138,634)
Proceeds from sale of investments in held-to-maturity securities	33,381	104,634
Dividend income received	102,190	100,136
Investments in operating fixed assets	(390,226)	(491,314)
Proceeds from sale of operating fixed assets	2,840	62,905
	(47,671,058)	(25,362,273)
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(1,240,534)	(992,566)
Net cash used in financing activities	(1,240,534)	(992,566)
Increase in cash and cash equivalents	6,557,161	5,439,828
Cash and cash equivalents at beginning of the year	12,060,293	6,620,465
Cash and cash equivalents at end of the year	18,617,454	12,060,293

31

The annexed notes 1 to 44 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, 2016

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 Pakistan Stock Exchange Limited (formerly Karachi Stock Exchange Limited). The registered office of the Bank is situated at 24-the Mall, Peshawar Cantt, Peshawar and it has been temporarily shifted to 1st Floor, State Life Building, 34 - The Mall, Peshawar Cantt. The Bank operates 150 branches including 77 Islamic banking branches (2015: 130 branches including 66 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 'A1' (A-One) and 'A-1' (A-One) respectively.

2 BASIS OF PRESENTATION

- 2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide circular No. 4 of 2006 dated February 17, 2006.
- 2.2 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. However, the Islamic banking branches of the Bank have complied with the requirements as set out in the Islamic Financial Accounting Standards (IFAS).
- 2.3 The financial results of the Islamic Banking Division 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 Division are disclosed in Annexure "A" to these financial statements.
- 2.4 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.
- 2.5 These are separate financial statements of the Bank in which investments in associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

3 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain operating fixed assets stated at revalued amounts, certain investments and derivative financial instruments stated at fair value and the recognition of certain employee benefits at present 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). Wherever the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or regulations / directives issued by SECP and SBP differ with the requirements of IFRS or IFAS, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said regulations / directives shall prevail.



Managing Director



Director



Director



Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

- 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 its various circulars.
- 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 IFRS-10 Consolidated Financial Statements was made applicable from period beginning on or after 1 January 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the Companies Ordinance, 1984 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure, through S.R.O 56(I) /2016 dated January 28, 2016. Accordingly, the requirements of this standard has not been considered in the preparation of these financial statements.
- 4.5 SBP through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit Et Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities Et Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the financial statements of the Bank as and when notified by SBP.
- 4.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are effective for accounting periods, beginning on or after January 01, 2017:

	Effective date (accounting periods beginning on or after)
- IFRS 2 - Share Based Payments - Amendments	January 01, 2018
- IFRS 16 - Leases	January 01, 2019
- IAS 7 - Statement of Cash Flows - Amendments	January 01, 2017
- IAS 12 - Income Taxes - Amendments	January 01, 2017
- IAS 40 - Investment Property - Amendments	January 01, 2018
- Annual improvements:	
- IAS 28 - Investments in Associates and Joint Ventures - Amendments	January 01, 2018
- IFRS 12 - Disclosure of Interest in Other Entities - Amendments	January 01, 2018
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration - Amendments	January 01, 2018

The above mentioned standards, amendments and interpretations 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 and are under consideration of relevant committee of the Institute of Chartered Accountants of Pakistan (ICAP):

- IFRS 1 - First Time Adoption of International Financial Reporting Standards
- IFRS 9 - Financial Instruments
- IFRS 14 - Regulatory deferral accounts
- IFRS 15 - Revenue from Contract with Customers

Implementation of IFRS 7 has been held in abeyance for Banks and non-banking finance companies engaged in investment finance services, discounting services and housing finance services. The Implementation of IAS 39 and IAS 40 has been held in abeyance by the SBP for banks and DFIs.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

There are certain other and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2016 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, 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".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Further, the Bank estimates the revalued amount of leasehold land 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 of the previous financial year, except for the change enacted by State Bank of Pakistan vide BPRD Circular No.1 of 2016 dated January 1, 2016 as described in note 6.16.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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.

6.4.5 Salam

Salam is a sale transaction where the seller undertakes to supply some specific goods/commodities to the buyer at a future date against an advance price fully paid on spot. In Salam Bank financing, the Bank purchase some specific goods / commodities from its customers to be delivered to within an agreed time. The goods are then sold and the amount hence financed is received back to Bank.

6.4.6 Istisna

In Istisna financing, the Bank places an order to client (seller/manufacturer) to manufacture and deliver specific goods/commodities at an agreed price. The goods are then sold and the amount hence financed is received back to the Bank.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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. Leasehold land is carried at revalued amount while freehold land carried at cost less accumulated impairment losses, if any.

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 the profit and loss account, except that the related surplus on revaluation of fixed assets (net of deferred tax) is directly transferred to un-appropriated profit.

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 asset, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016 using the Projected Unit Credit Method. Actuarial gains/losses arising from experience adjustments and changes in actuarial assumptions 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 "Interest / 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

During the year the Bank has changed its accounting policy for recording of non - banking assets acquired in satisfaction of claims to comply with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated 1 January 2016. In line with the guidance provided in the Regulations, the non - banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of property is credited to the 'surplus on revaluation of fixed assets' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalized. Previously, non - banking assets acquired in satisfaction of claims were carried at lower of carrying amount and the fair value less costs to sell less impairment, if any. This policy change has no financial impact on financial statements as the Bank has no acquired non - banking asset as at reporting date.

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.

6.20 Statutory Reserve

Every Bank incorporated in Pakistan is required to transfer 20% of their profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the Bank is to be transferred to this reserve.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
	Note	Rupees in '000	
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		1,314,614	1,190,483
Foreign currencies		133,954	114,259
National prize bonds		414	896
		1,448,982	1,305,638
With State Bank of Pakistan in:			
Local currency current accounts	7.1	6,099,010	3,352,027
Foreign currency current accounts	7.1	30,961	43,048
Foreign currency deposit accounts	7.2	65,458	107,875
		6,195,429	3,502,950
With National Bank of Pakistan in:			
Local currency current accounts		955,469	727,566
Local currency deposit accounts		4,931	10,414
Foreign currency current accounts		31,715	228
		992,115	738,208
		8,636,526	5,546,796

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.

		2016	2015
	Note	Rupees in '000	
8 BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		2,314,254	2,109,014
On deposit accounts	8.1	7,145,218	2,985,128
		9,459,472	5,094,142
Outside Pakistan			
On current accounts		171,450	41,636
On deposit accounts	8.2	360,034	1,387,747
		531,484	1,429,383
Provision for doubtful placement with the bank	8.3	9,990,956	6,523,525
		(10,028)	(10,028)
		9,980,928	6,513,497

8.1 These represent short-term deposits with banks at mark-up rates ranging from 2.00% to 5.80 % (2015: 0.25% to 6.40%) per annum.

8.2 These represent 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.

Managing Director

Director

Director

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
	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	5,475,000	500,000
Repurchase agreement lendings (Reverse repo)	9.3 & 9.6	192,307	1,288,824
Placements with financial institutions	9.4	3,398,944	4,438,944
		9,066,251	6,227,768
Provision against lendings to financial institutions	9.5	(238,944)	(238,944)
		8,827,307	5,988,824
9.1 Particulars of lendings			
In local currency		8,827,307	5,988,824
In foreign currency		-	-
		8,827,307	5,988,824
9.2 These represent unsecured lendings to commercial bank at the mark-up rate of 4.50 % to 5.25 % (2015: 6.05 %) per annum maturing on February 07, 2017.			
9.3 These represent repurchase agreement lendings (reverse repo) secured against government securities carrying mark-up rate of 6.25 % (2015: 6.50 %) per annum maturing on various dates, latest by January 16, 2017.			
9.4 This includes Rs. 238.944 million (2015: Rs 238.944 million) that is overdue and fully provided. The remaining balance with commercial banks carries interest rates ranging between 4.50 % to 5.85 % (2015: 6.00% to 6.25%) per annum and matureable on various dates, upto March 21, 2017.			

		2016	2015
	Note	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



Managing Director



Director



Director



Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

9.6 Securities held as collateral against lendings to financial institutions

	2016			2015		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Note	Rupees in '000					
Pakistan Investment Bonds	-	-	-	1,000,000	-	1,000,000
Market Treasury Bills	192,307	-	192,307	288,824	-	288,824
	<u>192,307</u>	<u>-</u>	<u>192,307</u>	<u>1,288,824</u>	<u>-</u>	<u>1,288,824</u>

10. INVESTMENTS

		2016			2015		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
10.1 Investments by types		Rupees in '000					
Held-for-trading securities		Rupees in '000					
Pakistan Investment Bonds	10.2.1	360,081	-	360,081	981,181	-	981,181
Ordinary shares of listed companies		-	-	-	53,525	-	53,525
		<u>360,081</u>	<u>-</u>	<u>360,081</u>	<u>1,034,706</u>	<u>-</u>	<u>1,034,706</u>
Available-for-sale securities							
Market Treasury Bills	10.2.1	43,620,749	14,420,352	58,041,101	42,535,742	-	42,535,742
Pakistan Investment Bonds	10.2.1	55,822,793	9,695,393	65,518,186	18,419,685	13,710,642	32,130,327
GOP Ijarah Sukuk	10.2.1 & 44.1	7,250,546	-	7,250,546	9,716,332	-	9,716,332
Ordinary shares of listed companies		888,612	-	888,612	1,944,646	-	1,944,646
Ordinary shares of 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 of unlisted company	10.6	195,000	-	195,000	195,000	-	195,000
Listed term finance certificates		138,550	-	138,550	138,550	-	138,550
Unlisted term finance certificates		168,762	-	168,762	269,394	-	269,394
Units of open-end mutual funds		-	-	-	290,237	-	290,237
Sukuk certificates		3,228,784	-	3,228,784	790,069	-	790,069
		<u>111,456,783</u>	<u>24,115,745</u>	<u>135,572,528</u>	<u>74,442,642</u>	<u>13,710,642</u>	<u>88,153,284</u>
Held-to-maturity securities							
Pakistan Investment Bonds	10.2.1	5,372,809	-	5,372,809	5,339,524	-	5,339,524
Sukuk certificates		66,667	-	66,667	133,333	-	133,333
		<u>5,439,476</u>	<u>-</u>	<u>5,439,476</u>	<u>5,472,857</u>	<u>-</u>	<u>5,472,857</u>
Investment in associate	10.1.1	40,504	-	40,504	40,504	-	40,504
Investments at cost		<u>117,296,844</u>	<u>24,115,745</u>	<u>141,412,589</u>	<u>80,990,709</u>	<u>13,710,642</u>	<u>94,701,351</u>
Provision for diminution in value of investments	10.3	(861,897)	-	(861,897)	(958,614)	-	(958,614)
Investments (net of provisions)		<u>116,434,947</u>	<u>24,115,745</u>	<u>140,550,692</u>	<u>80,032,095</u>	<u>13,710,642</u>	<u>93,742,737</u>
Surplus / (deficit) on revaluation of held							
-for-trading securities - net	10.5	716	-	716	(6,178)	-	(6,178)
Surplus on revaluation of available		<u>1,050,947</u>	<u>-</u>	<u>1,050,947</u>	<u>1,775,897</u>	<u>-</u>	<u>1,775,897</u>
-for-sale securities - net	20						
Total investments		<u>117,486,610</u>	<u>24,115,745</u>	<u>141,602,355</u>	<u>81,801,814</u>	<u>13,710,642</u>	<u>95,512,456</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

10.1 .1 Investment in associate – unlisted shares

Number of shares	Percentage of holding 2016	2016 Rupees in '000	2015	
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
	Rupees in '000				
Taurus Securities Limited December 31, 2015	455,836	158,935	296,901	112,728	18,954

	Note	2016 Rupees in '000	2015
10.2 Investments by segments			
Federal Government Securities:	10.2.2		
- Market Treasury Bills	10.2.1	58,041,101	42,535,742
- Pakistan Investment Bonds	10.2.1	71,251,076	38,451,032
- Government of Pakistan – Sukuks	10.2.1	7,250,546	9,716,332
		136,542,723	90,703,106
Fully paid up ordinary shares:			
- Listed companies		888,612	1,998,171
- Unlisted companies		30,487	30,487
		919,099	2,028,658
Related parties:			
- Ordinary shares of unlisted companies		112,500	112,500
Term finance certificates:			
- Listed term finance certificates		138,550	138,550
- Unlisted term finance certificates		168,762	269,394
		307,312	407,944
Units of mutual funds:			
- Open-end mutual funds		-	290,237
Other investments:			
- Preference shares of unlisted company	10.6	195,000	195,000
- Sukuk certificates		3,295,451	923,402
		3,490,451	1,118,402
Investment in associate		40,504	40,504
Total investments at cost		141,412,589	94,701,351
Provision for diminution in value of investments	10.3	(861,897)	(958,614)
Investments – net of provisions		140,550,692	93,742,737
Surplus / (deficit) on revaluation of held-for-trading securities – net	10.5	716	(6,178)
Surplus on revaluation of available-for-sale securities – net	20	1,050,947	1,775,897
Total investments		141,602,355	95,512,456

10.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Yield / Return	Maturity	Redemption	Coupon
Market Treasury Bills	5.84 % to 6.21%	05-January-2017 to 14-Sep-2017	On maturity	At maturity
Pakistan Investment Bonds	7.75 % to 12.00%	17-January-2017 to 21-April-2026	On maturity	Half yearly
GoP – Sukuks	3.9792 % to 9.04%	25-June-2017 to 01-Jul-2026	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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
	Note	Rupees in '000	
10.3 Particulars of provision for diminution in value of investments			
Opening balance		958,614	876,204
Charge for the year	10.3.1	46,820	90,762
Reversal on disposals		(143,537)	(8,352)
		(96,717)	82,410
Closing balance		861,897	958,614

10.3.1 This includes impairment charge of Rs. 15.28 million (2015: Rs. 65.934 million) in respect of available-for-sale equity securities.

		2016	2015
	Note	Rupees in '000	
10.3.2 Particulars of provision in respect of type and segment			
By type			
Available-for-sale securities			
Ordinary shares of listed companies		295,085	351,458
Ordinary shares of unlisted companies		30,486	30,487
Ordinary shares of unlisted companies - related parties		53,576	45,405
Preference shares of unlisted company	10.6	195,000	195,000
Units in open-end mutual funds		-	80,050
Term finance certificates / Sukuk certificates		287,750	256,214
		861,897	958,614
By segment			
Fully paid up ordinary shares			
Listed companies		295,085	351,458
Unlisted companies		30,486	30,487
Unlisted companies - related parties		53,576	45,405
Units of open-end mutual funds		-	80,050
Preference shares of unlisted company	10.6	195,000	195,000
Term finance certificates / Sukuk certificates		287,750	256,214
		861,897	958,614

10.4 Information relating to investment in ordinary shares / certificates of listed and unlisted companies / mutual funds, term finance certificates, sukuks and bonds is disclosed in Annexure "C" to these financial statements. Information relating to quality of available-for-sale securities is given in Annexure "D".

		2016	2015
		Rupees in '000	
10.5 Unrealized gain / (loss) on revaluation of investments classified as held-for-trading			
Pakistan Investment Bonds		716	(2,755)
Ordinary shares of listed companies		-	(3,423)
		716	(6,178)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

10.6 Details of investment in preference shares – unlisted

Name of company	Note	Percentage of holding	No. of shares	Paid-up value per share	Total paid-up value	Total cost on December 31, 2016	Based on audited accounts as at	Name of Chief Executive / Managing Agent
Rupees in '000								
Saudi Pak Leasing Company Limited	10.6.1	37%	19,500,000	10	195,000	195,000	June 30, 2015	M. Tariq Masud

10.6.1 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	2016	2015
			Rupees in '000	
11	ADVANCES			
	Loans, cash credits & running finances, etc.			
	In Pakistan		29,845,102	29,390,670
	Outside Pakistan		-	-
			29,845,102	29,390,670
	Islamic financing and related assets	11.2	5,275,801	9,662,199
	Net investment in Ijarah:			
	In Pakistan	11.3	581,858	730,165
	Outside Pakistan		-	-
			581,858	730,165
	Bills discounted and purchased (excluding treasury bills)			
	Payable in Pakistan		204,902	189,373
	Payable outside Pakistan		146,816	164,740
			351,718	354,113
	Advances – gross	11.1	36,054,479	40,137,147
	Provision against loans and advances	11.5	(4,410,594)	(3,683,536)
	Advances – net of provision		31,643,885	36,453,611
11.1	Particulars of advances – gross			
11.1.1	In local currency		36,054,479	40,137,147
	In foreign currencies		-	-
			36,054,479	40,137,147
11.1.2	Short term (for up to one year)		22,660,761	29,626,670
	Long term (for over one year)		13,393,718	10,510,477
			36,054,479	40,137,147
11.2	Islamic financing and related assets (Annexure 'A')			
	Murabaha financing		1,643,500	2,480,780
	Diminishing Musharakah		2,426,660	2,467,265
	Istisna work in progress		1,200,000	700,000
	Qarz-e-Hasna		5,641	5,641
	Salam		-	4,000,000
	Others		-	8,513
			5,275,801	9,662,199
11.3	Net investment in Ijarah			
	Ijarah under finance method	11.3.1	6,785	12,253
	Ijarah under IFAS-2	11.3.2	554,439	717,207
			561,224	729,460
	Assets/inventory		20,634	705
			581,858	730,165

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

11.3.1 Ijarah under finance method

	2016				2015			
	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	4,743	4,021	-	8,764	8,436	2,836	-	11,272
Residual value	444	35	-	479	502	1,278	-	1,780
Minimum Ijarah rentals	5,187	4,056	-	-	9,243	8,938	4,114	13,052
Profit for future periods	(753)	(1,705)	-	(2,458)	(430)	(369)	-	(799)
Ijarah under finance method	4,434	2,351	-	6,785	8,508	3,745	-	12,253

11.3.2 Ijarah under IFAS-2

Ijarah assets under IFAS-2 are stated at cost of Rs. 890.632 million (2015: Rs. 1,076.874 million) less accumulated depreciation of Rs. 336.193 million (2015: Rs. 359.667 million) in accordance with the SBP letter No. BPRD/BLRD-04/2008-6268.

11.3.3 Ijarah Assets

	December 31, 2016				December 31, 2015			
	Vehicles	Plant & Machinery	Housing	Total	Vehicles	Plant & Machinery	Housing	Total
Rupees in '000								
Cost of Ijarah	581,822	302,067	6,743	890,632	575,496	494,639	6,739	1,076,874
Accumulated Depreciation	(216,761)	(116,370)	(3,062)	(336,193)	(137,301)	(219,074)	(3,292)	(359,667)
Net book value	365,061	185,697	3,681	554,439	438,195	275,565	3,447	717,207

11.4 Advances aggregating to Rs. 5,456.524 million (2015: Rs. 5,132.863 million) have been placed under non-performing status as detailed below:

Category of classification	2016								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
Rupees in '000									
Other Assets -									
Especially Mentioned *	87,643	-	87,643	-	-	-	-	-	-
Substandard	288,582	-	288,582	55,851	-	55,851	55,851	-	55,851
Doubtful	627,585	-	627,585	302,838	-	302,838	302,838	-	302,838
Loss	4,452,714	-	4,452,714	4,021,033	-	4,021,033	4,021,033	-	4,021,033
	5,456,524	-	5,456,524	4,379,722	-	4,379,722	4,379,722	-	4,379,722

Managing Director

Director

Director

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

"Category of classification"	2015								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	Rupees in '000								
Other Assets – Especially Mentioned *	12,636	-	12,636	-	-	-	-	-	-
Substandard	334,439	-	334,439	53,221	-	53,221	53,221	-	53,221
Doubtful	641,712	-	641,712	73,888	-	73,888	73,888	-	73,888
Loss	4,144,076	-	4,144,076	3,528,381	-	3,528,381	3,528,381	-	3,528,381
	<u>5,132,863</u>	<u>-</u>	<u>5,132,863</u>	<u>3,655,490</u>	<u>-</u>	<u>3,655,490</u>	<u>3,655,490</u>	<u>-</u>	<u>3,655,490</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 stocks & 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, 2016, the Bank has availed cumulative benefit of forced sale values of Rs. 453.778 million (2015: Rs. 888.139 million). Increase in unappropriated profit net of tax amounting to Rs. 294.956 million (2015: Rs. 577.290 million) is not available for the distribution of cash and stock dividend to the shareholders and bonus to employees.

11.5 Particulars of provision against loans and advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	3,655,490	28,046	3,683,536	3,142,923	42,481	3,185,404
Charge for the year	1,060,047	2,826	1,062,873	707,546	-	707,546
Reversals	(335,815)	-	(335,815)	(194,979)	(14,435)	(209,414)
	724,232	2,826	727,058	512,567	(14,435)	498,132
Amounts written off	11.6	-	-	-	-	-
Closing balance	4,379,722	30,872	4,410,594	3,655,490	28,046	3,683,536

11.5.1 Particulars of provision against loans and advances

	2016			2015		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	4,379,722	30,872	4,410,594	3,655,490	28,046	3,683,536
In foreign currencies	-	-	-	-	-	-
	<u>4,379,722</u>	<u>30,872</u>	<u>4,410,594</u>	<u>3,655,490</u>	<u>28,046</u>	<u>3,683,536</u>

	Note	2016	2015
		Rupees in '000	
11.6 Particulars of write-offs			
11.6.1 Against provisions		-	-
Directly charged to profit and loss account		438	-
		<u>438</u>	<u>-</u>
11.6.2 Write-offs of Rs. 500,000 and above	11.6.3	-	-
Write-offs below Rs. 500,000		438	-
		<u>438</u>	<u>-</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, 2016 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, 2016

		2016	2015
	Note	Rupees in '000	
11.7 Particulars of loans and advances to directors, executives, associated companies 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		1,563,867	1,399,353
Loans granted during the year		471,914	353,698
Repayments/ adjustments		(296,382)	(189,184)
Balance at end of year		1,739,399	1,563,867
12 OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	430,319	308,367
Property and equipment	12.2	1,597,222	1,578,902
Intangible assets	12.3	43,013	37,556
		2,070,554	1,924,825
12.1 Capital work-in-progress			
Civil work		285,391	222,477
Intangibles		57,886	40,500
Office equipment		17,964	29,928
Advances to suppliers and contractors		69,078	15,462
		430,319	308,367
12.2 Property and equipment			

Description	COST / REVALUATION			ACCUMULATED DEPRECIATION				
	As at January 1, 2016	Additions / (Disposals) / (Adjustments)	As at December 31, 2016	As at January 1, 2016	Charge for the year / (depreciation on disposals) / (Adjustments)	As at December 31, 2016	Book value as at December 31, 2016	Useful life (Number of years)
Rupees in '000								
Leasehold land (Note 12.2.1)	907,503	-	891,441	-	-	-	891,441	-
		(16,062)						
Freehold land	58,000	-	58,000	-	-	-	58,000	-
Building on leasehold land	11,620	(11,620)	-	11,620	(11,620)	-	-	10
Building on freehold land	93,964	-	93,964	21,897	9,200	31,097	62,867	10
Furniture and fixture	170,022	26,731	192,097	84,417	24,140	104,190	87,907	05 - 10
		(4,656)			(4,367)			
Office equipment	595,346	132,630	718,548	340,219	99,329	430,232	288,316	03 - 10
		(9,428)			(9,316)			
Vehicles	26,243	765	25,638	16,760	2,844	18,551	7,087	05
		(1,370)			(1,053)			
Library books	652	23	675	625	12	637	38	10
Leasehold Improvements	430,633	82,670	500,509	239,543	70,530	298,943	201,566	05
		(12,794)			(11,130)			
	2,293,983	242,819	2,480,872	715,081	206,055	883,650	1,597,222	
		(39,868)			(37,486)			
		(16,062)						

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

Description	COST / REVALUATION			ACCUMULATED DEPRECIATION			Book value as at December 31, 2015	Useful life (Number of years)
	As at January 1, 2015	Additions / (Disposals) / (Adjustments)	As at December 31, 2015	As at January 1, 2015	Charge for the year / (depreciation on disposals) / (Adjustments)	As at December 31, 2015		
	Rupees in '000							
Leasehold land (Note 12.2.1)	883,410	24,093	907,503	-	-	-	907,503	-
Freehold land	76,705	-	58,000	-	-	-	58,000	-
		(18,705)						
Building on leasehold land	11,620	-	11,620	11,620	-	11,620	-	10
Building on freehold land	131,267	-	93,964	26,375	11,687	21,897	72,067	10
		(37,303)			(16,165)			
Furniture and fixture	149,168	23,307	170,022	70,245	16,726	84,417	85,605	05 - 10
		(2,853)			(2,714)			
		400			160			
Office equipment	470,169	130,749	595,346	258,865	86,746	340,219	255,127	03 - 10
		(5,572)			(5,392)			
Vehicles	24,463	2,844	26,243	14,230	3,594	16,760	9,483	05
		(1,064)			(1,064)			
Library books	652	-	652	614	11	625	27	10
Leasehold Improvements	344,911	94,046	430,633	184,060	63,553	239,543	191,090	05
		(7,924)			(7,910)			
		(400)			(160)			
	2,092,365	275,039	2,293,983	566,009	182,317	715,081	1,578,902	
		(73,421)			(33,245)			

12.2.1 Revaluation of leasehold land

The land of the Bank was revalued on December 31, 2016 (vide report dated February 10, 2017), April 22, 2013, January 30, 2015 and February 25, 2016 by independent valuer. The revaluation was carried out on the basis of professional assessment of market value that resulted in surplus shown in note 20. The total revaluation surplus on land aggregating to Rs 774.183 million (2015: Rs 790.245 million) has been included in the carrying value of land. Had the land not been revalued, the total carrying amount of the land as at December 31, 2016 would have been Rs. 117.258 million.

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 free hold land	1,964
Furniture & fixture	49,689
Office equipment	218,312
Vehicles	12,487
Library books	598
Renovation	142,561
Intangibles	20,965

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

12.2.3 Details of disposals of operating fixed assets

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

Description	Cost	Accumulated Depreciation	Net Book	Sale	Mode of Disposal	Particular of Purchasers
----- Rupees in '000 -----						
Building material	11,620	11,620	-			Mr. Umra Khan, Shokat Ali, Shakeeb Shah, M/s HA
Furniture and fixture	4,656	4,365	291			Adventure, Mr. Muhammad Yusaf
	16,276	15,985	291	434	Auction	
Office equipment	9,428	9,316	112	155	Auction	Mr. Shakir Rehman, Zameer Gul , M/s OAG Karachi, Tariq Naseem, Abdul Wahab
Renovation	12,794	11,132	1,662	1,934	Auction	Mr. Umra Khan, Shakeeb Ali, Shoukat Ali, Zameer Gul
Vehicles	1,370	1,053	317	317	Final settlement	Mr. Imran Samad (Ex-Group Head CMD Conventional)
2016	<u>39,868</u>	<u>37,486</u>	<u>2,382</u>	<u>2,840</u>		
2015	<u>73,421</u>	<u>33,245</u>	<u>40,176</u>	<u>62,903</u>		

12.3 Intangible assets

Description	COST			ACCUMULATED AMORTIZATION			Book Value as at December 31 2016	Amortization Rate (%)
	As at January 01 2016	Additions	As at December 31 2016	As at January 01 2016	Charge for the year	As at December 31 2016		
----- Rupees in '000 -----								
Software 2016	64,933	25,455	90,388	27,377	19,998	47,375	43,013	33.33%
Software 2015	24,032	40,901	64,933	18,234	9,143	27,377	37,556	33.33%
						2016	2015	
						Rupees in '000		

13 OTHER ASSETS

Income / mark-up accrued in local currency		3,142,629	2,988,434
Advances, deposits, advance rent and other prepayments		458,819	224,248
Non-banking assets acquired in satisfaction of claims - at cost	13.1	-	57,267
Stationery and stamps on hand		13,635	7,775
Receivables against sale of securities		-	101
Suspense account		-	1,130
Others		186,876	105,308
		<u>3,801,959</u>	<u>3,384,263</u>
Provision held against other assets	13.2	<u>(163,240)</u>	<u>(165,539)</u>
		<u>3,638,719</u>	<u>3,218,724</u>

13.1 The market value of non-banking assets with carrying book value nil (2015: Rs. 40.903 million) amounted to nil (2015: Rs. 46.016 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
		Rupees in '000	
13.2 Provision held against other assets	Note		
Opening balance		165,539	144,332
Charge for the year		20,000	39,671
Reversal for the year		(22,299)	(18,464)
		(2,299)	21,207
Amounts written off		-	-
Closing balance		163,240	165,539
14 BILLS PAYABLE			
In Pakistan		775,938	504,884
Outside Pakistan		-	-
		775,938	504,884
15 BORROWINGS			
In Pakistan		28,700,825	17,130,194
Outside Pakistan		-	-
		28,700,825	17,130,194
15.1 Particulars of borrowings with respect to currencies			
In local currency		28,700,825	17,130,194
In foreign currencies		-	-
		28,700,825	17,130,194
15.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan:			
Under export refinance scheme	15.2.1	1,698,000	1,550,582
Under long term financing for export oriented projects	15.2.2	13,805	39,218
SME refinance scheme	15.2.3	1,006	1,929
		1,712,811	1,591,729
Repurchase agreement borrowings	15.2.4	14,420,352	13,710,642
Borrowing from financial institution	15.2.5	9,695,393	-
		24,115,745	13,710,642
Unsecured			
Call borrowing	15.2.6	2,872,269	1,827,823
		28,700,825	17,130,194

15.2.1 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 right to SBP 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 3 % (2015: 4.50%) per annum. The borrowings are repayable within 180 days from the deal date.

15.2.2 This represents long term financing against export oriented project availed by the Bank for further extending the same to its customers for export oriented project, 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 6.00 % (2015: 10.90%) per annum.

15.2.3 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 6.00% (2015: 6.00%) per annum.

15.2.4 Repurchase agreements with State Bank of Pakistan carries interest rate of 5.96 % (2015: 6.15%) per annum with maturities up to January 06, 2017 and are secured by way of investments given as collateral as referred in note 10.1.

15.2.5 This represents secured borrowing under Bai Muajjal carrying returns ranging from 5.80% to 5.81% per annum (2015: Nil) with maturities upto December 08, 2017 and are secured by way of government securities given as collateral as referred in note 10.1.

15.2.6 Call borrowing from financial institutions carries interest rate ranging from 5.60 % to 5.95 % (2015: 4.50 % to 6.75%) per annum with maturities up to March 30, 2017.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
	Note	Rupees in '000	
16 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		61,494,660	47,775,041
Savings deposits		60,140,991	42,552,127
Current accounts - Non-remunerative		28,280,085	24,117,056
Call deposits		5,316,386	1,326,927
Margin and sundry deposits		1,754,950	1,493,353
		<u>156,987,072</u>	<u>117,264,504</u>
Financial Institutions			
Remunerative deposits		32,224	26,822
Non-remunerative deposits		1,069	686
		<u>33,293</u>	<u>27,508</u>
		<u>157,020,365</u>	<u>117,292,012</u>
16.1 Particulars of deposits			
In local currency		156,654,861	116,734,369
In foreign currencies		365,504	557,643
		<u>157,020,365</u>	<u>117,292,012</u>
17 DEFERRED TAX LIABILITIES - NET			
Deferred tax asset arising in respect of:			
Provision for balances with other banks		3,510	3,510
Provision for diminution in value of investments		87,203	87,203
Provision against loans and advances - net		43,027	9,754
Provision for other assets		3,448	3,448
Re-measurement of defined benefit plan		31,103	14,354
Accelerated tax depreciation		4,859	-
Islamic Pool Management Reserve		42,937	40,530
		<u>216,087</u>	<u>158,799</u>
Deferred tax liability arising in respect of:			
Accelerated tax depreciation		-	(6,358)
Surplus on revaluation of investment		(367,832)	(621,564)
		<u>(367,832)</u>	<u>(627,922)</u>
	17.1	<u>(151,745)</u>	<u>(469,123)</u>

Managing Director

Director

Director

Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

17.1 Reconciliation of deferred tax

	Balance at January 1, 2015	Recognized in Profit and Loss Account	Recognized in Equity	Balance at December 31, 2015	Recognized in Profit and Loss Account	Recognized in Equity	Balance at December 31, 2016
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	4,724	-	(4,724)	-	-	-	-
Provision for diminution in value of investments	90,126	(2,923)	-	87,203	-	-	87,203
Provision against non performing loans	-	9,754	-	9,754	33,273	-	43,027
Provision for other assets	3,448	-	-	3,448	-	-	3,448
Provision for Workers Welfare Fund	57,521	(57,521)	-	-	-	-	-
Re-measurement of defined benefit plan	-	-	14,354	14,354	-	16,749	31,103
Islamic Pool Management Reserve	40,094	436	-	40,530	2,407	-	42,937
Accelerated tax depreciation	-	-	-	-	11,217	-	4,859
	199,423	(50,254)	9,630	158,799	46,897	16,749	216,087
Deferred tax liability arising in respect of:							
Accelerated tax depreciation	(23,961)	17,603	-	(6,358)	-	-	-
Surplus on revaluation of investment	(490,622)	-	(130,942)	(621,564)	-	253,732	(367,832)
	(514,583)	17,603	(130,942)	(627,922)	-	253,732	(367,832)
Deferred tax (liability) / asset - net	(315,160)	(32,651)	(121,312)	(469,123)	46,897	270,481	(151,745)

18 OTHER LIABILITIES	Note	2016	2015
		Rupees in '000	
Mark-up / return / interest payable in local currency		2,255,706	1,963,496
Unearned commission and income on bills discounted		39,696	39,311
Accrued expenses		132,518	96,104
Branch adjustment account		229,766	221,599
Payable to gratuity fund	33.2	181,148	277,905
Share subscription money refund	18.1	1,091	1,091
Mark-up in suspense		25,800	67,671
Deferred income on murabaha		49,465	63,854
Security deposits against Ijarah		161,235	175,256
Islamic Pool Management Reserve	18.2	122,678	115,801
Un-earned Bai Maujjal sukuk		-	380,499
Unclaimed dividend		17,735	7,805
Current taxation (provision less payments)		183,612	249,262
Others	18.3	208,407	185,290
		3,608,857	3,844,944

18.1 Share subscriptions pertaining to disputed cases pending for decisions with Securities and Exchange Commission of Pakistan.

18.2 This includes equity portion of Profit Equalization Reserve amounting to Rs. 38.125 million (2015: Rs. 36.271 million), which has been presented as reserve in Annexure-A.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

18.3 This includes Rs. 99.172 million (2015 : Rs. 82.173 million) net of expenses, received from the Government of Khyber Pakhtunkhwa for meeting the expenses of poverty reduction schemes initiated by the Government. The Bank being agent of the Government is administering the referred schemes and responsible for disbursement and collection of loans under such schemes.

19 SHARE CAPITAL

19.1 Authorized capital

2016	2015		2016	2015
Number of shares			Rupees in '000	
1,500,000,000	1,500,000,000	Ordinary shares of Rs.10 each	15,000,000	15,000,000

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

2016	2015		2016	2015
Number of shares			Rupees in '000	
722,698,448	722,698,448	Fully paid in cash Issued as fully paid bonus shares	7,226,984	7,226,984
277,554,037	277,554,037		2,775,540	2,775,540
1,000,252,485	1,000,252,485		10,002,524	10,002,524

19.3 At reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 702,208,233 (2015: 702,208,233) and 241,639,031 (2015: 241,639,031) ordinary shares respectively.

	Note	2016	2015
		Rupees in '000	
20 SURPLUS ON REVALUATION OF ASSETS – NET OF TAX			
Surplus / (Deficit) on revaluation of available-for-sale securities			
Federal Government securities			
- Market Treasury Bills		(19,676)	16,596
- Pakistan Investment Bonds		495,268	1,631,884
- Government of Pakistan - Sukuks		124,554	-
Fully paid up ordinary shares - listed		450,801	38,469
Units in open-end mutual funds		-	88,948
	10.1, 10.2 & 20.1	1,050,947	1,775,897
Deferred tax liability		(367,832)	(621,564)
		683,115	1,154,333
Surplus on revaluation of fixed assets			
Leasehold land	12.2.1	774,183	790,245
		1,457,298	1,944,578

20.1 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

21 CONTINGENCIES AND COMMITMENTS	2016	2015
	Rupees in '000	
21.1 Direct credit substitutes	Note	
Contingent liabilities in respect of guarantees given favoring:		
Banks	-	-
Others	539,084	468,909
	<u>539,084</u>	<u>468,909</u>
21.2 Transaction – related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favoring:		
Government	6,935,508	5,601,096
Others	4,211,008	3,873,179
	<u>11,146,516</u>	<u>9,474,275</u>
21.2.1	21.2.1	21.2.1
This includes expired letters of guarantee aggregating to Rs. 3,496.433 million (2015: Rs. 2,923.683 million) for which formalities for return of original documents are in process.		
	2016	2015
	Rupees in '000	
21.3 Trade-related contingent liabilities		
Letters of credit		
Sight	1,790,467	2,105,938
Usance	360,776	229,324
	<u>2,151,243</u>	<u>2,335,262</u>
Acceptances		
	848,219	591,321
	<u>2,999,462</u>	<u>2,926,583</u>
	2016	2015
	Rupees in '000	
21.4 Commitments in respect of forward exchange contracts		
Purchase		
	3,368,458	1,412,483
Sale		
	3,655,998	2,447,314
	<u>3,368,458</u>	<u>1,412,483</u>
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.	
	2016	2015
	Rupees in '000	
21.5 Other commitments		
Bills for collection		
Inland bills	117,019	159,665
Foreign bills	659,128	310,657
	<u>776,147</u>	<u>470,322</u>
21.6 Commitments to extend credit		
The Bank makes commitments to extend credit in the normal course of its business but these being revocable commitments do not attract any significant penalty or expense if the facility is unilaterally withdrawn.		
21.7 Commitment for the acquisition of operating fixed assets		
On reporting date the Bank was Committed to Rs. 256.979 million (2015: Rs. 25.581 million).		
21.8 The income tax assessments of the Bank have been finalized up to tax year 2016.		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 had filed an appeal against the order of the Appellate Tribunal Inland Revenue (ATIR) in respect of remaining additions which also decided in favor of the Bank. Subsequently, CIR went in to appeal in Peshawar High Court. The management is confident that matter will be decided in Bank's favor.

21.9 The liquidator of the Indus Bank Limited (IBL), which is under liquidation since January 29, 2001, has lodged a claim of Rs. 11.518 million against the Bank in relation to a reverse repo transaction of Rs. 100 million with a maturity of February 08, 2001 secured against Federal Investment Bonds. The management of the Bank is confident that the above will have no financial impact as IBL is a defaulter of the Bank to the tune of Rs. 10.028 which is already provided in these financial statements.

	2016	2015
	Rupees in '000	
22 MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers		
Mark-up / return / interest earned	2,192,742	3,285,462
On investments in		
Held-for-trading securities	79,793	120,845
Available-for-sale securities	8,459,885	6,560,418
Held-to-maturity securities	588,478	586,600
	9,128,156	7,267,863
On deposits with financial institutions	473,719	269,592
On securities purchased under resale agreements	254,435	46,556
	12,049,052	10,869,473
23 MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	6,905,997	5,455,814
Securities sold under repurchase agreement borrowings	505,485	661,749
Other short-term borrowings	230,279	322,468
Others	814	1,519
	7,642,575	6,441,550
24 GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities	2,086,996	1,020,308
Ordinary shares	26,867	165,378
Units in mutual funds	25,621	3,711
	2,139,484	1,189,397
25 OTHER INCOME		
Postal, SWIFT, service and other charges	35,782	51,862
Rent on lockers	2,068	3,830
Gain on sale of operating fixed assets	458	22,729
(Loss) / gain on sale of non-banking assets acquired in satisfaction of claim	(4,267)	16,143
Miscellaneous income	55,301	25,119
	89,342	119,683

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
26 ADMINISTRATIVE EXPENSES	Note	Rupees in '000	
Salaries and allowances, etc.		1,645,466	1,525,015
Charge for defined benefit plan	33.6	92,281	82,920
Contribution to defined contribution plan – Provident Fund	34	88,330	74,297
Voluntary Separation Scheme (VSS) benefits		64,346	-
Non-executive directors' fee, allowances and other expenses		6,645	4,874
Rent, taxes, insurance, electricity, etc.		419,741	375,746
Legal and professional charges		52,030	49,788
Communications		145,571	97,348
Repairs and maintenance		35,377	38,391
Stationery and printing		38,650	35,030
Advertisement and publicity		72,658	56,938
Auditors' remuneration	26.1	6,599	6,321
Depreciation	12.2	206,055	182,317
Amortization	12.3	19,998	9,143
Brokerage and commission		18,408	16,992
Entertainment		32,679	29,732
Travelling, boarding and lodging		54,916	56,724
Vehicle expenses		4,556	5,845
Newspapers and periodicals		2,335	1,586
Donations	26.2	280	190
Training		4,610	7,746
Sports		413	30
Software maintenance charges		5,101	2,064
Security charges		105,335	93,727
Cash transportations charges		23,836	35,304
Others		64,590	33,128
		3,210,806	2,821,196

		2016	2015
	Note	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		3,200	3,009
Out-of-pocket expenses		654	567
		6,599	6,321

26.2 No donation individually exceeding Rs.0.1 million has been made during the year and none of the directors, executives or their spouses had any interest in the donee.

		2016	2015
	Note	Rupees in '000	
27 OTHER (REVERSALS)/PROVISIONS / WRITE OFFS			
Reversal of provision against other assets		(22,299)	(18,464)
Provision against fraud and forgery cases		20,000	39,671
		(2,299)	21,207
28 OTHER CHARGES	13.2		
Penalties imposed by State Bank of Pakistan		228	9,888
		228	9,888

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015
	Note	Rupees in '000	
29 TAXATION			
Current - for the year		1,180,880	1,014,620
- for prior year		85,492	122,147
Deferred tax	17.1	(46,897)	32,651
		<u>1,219,475</u>	<u>1,169,418</u>
29.1 Relationship between tax expense and accounting profit			
Profit before taxation		3,239,951	2,958,632
Tax at the applicable rate of 35% (2015: 35%)		1,133,983	1,035,521
Effect of different tax rates used		-	(10,753)
Prior year tax		85,492	122,147
Tax effect of permanent differences		-	43,941
Others		-	(21,438)
		<u>1,219,475</u>	<u>1,169,418</u>
		2016	2015
30 EARNINGS PER SHARE - BASIC AND DILUTED		Rupees in '000	
Profit for the year		2,020,476	1,789,214
		Number of shares	
Weighted average number of ordinary shares		1,000,252,485	1,000,252,485
		(Rupees)	
Earnings per share - Basic and diluted		2.02	1.79
There is no dilution effect on basic earnings per share.			
		2016	2015
31 CASH AND CASH EQUIVALENTS	Note	Rupees in '000	
Cash and balances with treasury banks	7	8,636,526	5,546,796
Balances with other banks	8	9,980,928	6,513,497
		<u>18,617,454</u>	<u>12,060,293</u>
32 STAFF STRENGTH		Number of persons	
Permanent		1,307	1,301
Temporary / on contractual basis		59	83
Daily wager		-	1
Bank's own staff strength at the end of the year		<u>1,366</u>	<u>1,385</u>
Outsourced		896	930
Total staff strength		<u>2,262</u>	<u>2,315</u>
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.		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

		2016	2015			
33.2 Reconciliation of payable to defined benefit plan	Note	Rupees in '000				
Present value of defined benefit obligations	33.3	(839,039)	(704,742)			
Fair value of plan assets	33.4	657,891	426,837			
	18	(181,148)	(277,905)			
33.3 Movement in payable to defined benefit obligation						
Opening balance		(704,742)	(559,684)			
Current service cost		(79,775)	(66,533)			
Interest cost		(59,220)	(62,029)			
Benefits paid during the year		93,492	16,625			
Actuarial losses						
- Experience adjustments		(88,794)	(33,121)			
Closing balance		(839,039)	(704,742)			
33.4 Movement in fair value of plan assets						
Opening balance		426,837	405,709			
Expected return on plan assets		46,714	45,642			
Contribution by the bank		277,905	-			
Benefits paid by the fund		(93,492)	(16,625)			
Actuarial loss on plan assets		(73)	(7,889)			
Closing balance		657,891	426,837			
33.5 Movement in payable to defined benefit plan						
Opening balance		(277,905)	(153,975)			
Charge for the year	33.6	(92,281)	(82,920)			
Contribution by the bank		277,905	-			
Other comprehensive income	33.7	(88,867)	(41,010)			
Closing balance		(181,148)	(277,905)			
33.6 Amount charged to profit and loss						
Current service cost		(79,775)	(66,533)			
Net interest cost		(12,506)	(16,387)			
		(92,281)	(82,920)			
33.7 Amount charged to other comprehensive income						
Actuarial loss on obligation		(88,794)	(33,121)			
Actuarial loss on plan assets		(73)	(7,889)			
		(88,867)	(41,010)			
Deferred tax liability		31,103	14,354			
		(57,764)	(26,656)			
33.8 Details of present value (PV) of employees' benefit obligation:						
		2016	2015	2014	2013	2012
		Rupees in '000				
PV of defined benefit obligation		839,039	704,742	559,684	444,411	331,201

Estimated charge to profit and loss for the next year is Rs. 98.695 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
33.9 Actual return on plan assets	Rupees in '000	
The actual return earned on the assets during the year are:		
Expected return on plan assets	46,714	45,642
Actuarial loss on plan assets	(73)	(7,889)
	46,641	37,753
33.10 Components of plan assets as a percentage of total plan assets		
Debt instruments	52.83%	80.60%
Equity instruments	10.90%	12.37%
Others (including bank balances)	36.27%	7.03%

33.11 Principal actuarial assumptions

The latest actuarial valuation was carried out as at December 31, 2016. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the gratuity fund.

	2016	2015
Discount rate	8.00%	9.00%
Expected rate of return on plan assets	8.00%	9.00%
Expected rate of salary increase	6.00%	7.00%
Number of employees covered under retirement benefit plan	1,294	1,280

33.12 Sensitivity analysis

Description	Impact on defined benefit obligation	
	2016	2015
	Rupees in '000	
Current liability	839,039	704,742
+1% Discount Rate	746,565	643,055
-1% Discount Rate	926,225	776,663
+1% Salary Increase Rate	926,918	780,609
-1% Salary Increase Rate	762,758	638,780
+10% Withdrawal Rates	840,405	705,839
-10% Withdrawal Rates	837,652	703,626
1 Year Mortality age set back	838,406	704,742
1 Year Mortality age set forward	839,669	704,742

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.

34 DEFINED CONTRIBUTION PLAN – EMPLOYEES' PROVIDENT FUND

34.1 During the year, the Bank has contributed Rs. 88.330 million (2015: Rs. 74.297 million) to the provident fund.

34.2 Financial information about the employees' provident fund of the Bank is as under:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

	Note	Un-audited	
		2016	2015
		Rupees in '000	
34.2.1 Employees provident fund			
Size of the fund		1,278,465	1,192,338
Investments made (cost)		1,165,420	1,072,120
Percentage of investment made		91%	90%
Fair value of investment		1,164,274	1,068,080
34.2.2 Breakup of investment			
Investment in shares (listed securities)		6,365	20,065
Term deposits receipts		306,000	259,000
Riba free certificates		700,000	640,000
Others		153,055	153,055
		<u>1,165,420</u>	<u>1,072,120</u>
34.2.3 Number of employees-Employees provident fund			
		2016	2015
		Numbers	
Number of employees at the year end		1,307	1,301
Average number of employees during the year		<u>1,304</u>	<u>1,211</u>

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Non Executive Director		Executives	
	2016	2015	2016	2015	2016	2015
Rupees in '000						
Fees	-	-	3,750	2,188	-	-
Managerial remuneration	12,000	12,000	-	-	75,582	59,985
Charge for defined benefit plan	-	-	-	-	11,597	8,920
Contribution to defined contribution plan	-	-	-	-	9,993	7,437
Rent and house maintenance	1,200	1,200	-	-	30,725	23,045
Utilities	600	611	-	-	9,993	7,437
Medical	568	154	-	-	9,993	7,437
Bonus	2,000	3,467	-	-	9,579	9,798
Conveyance/Car benefit allowance/Fuel	1,685	1,305	-	-	43,721	37,913
Voluntary Separation Scheme	-	-	-	-	33,804	-
Others	2,036	2,756	2,895	2,686	19,479	16,130
	<u>20,089</u>	<u>21,493</u>	<u>6,645</u>	<u>4,874</u>	<u>254,466</u>	<u>178,102</u>
Number of persons	1	1	6	7	67	60

35.1 The directors were mainly paid fee for attending meetings and related travelling and lodging cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 41.4.4 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.

36.1 The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses the financial and non-financial assets carried at fair values, by valuation methods. For financial assets, the Bank essentially carries its investments in debt and equity securities at fair values. Valuation of investments is carried out as per guidelines specified by the SBP. In case of non-financial assets, the Bank has adopted revaluation model (as per IAS 16) in respect of leasehold land.

	2016 Fair Value			Total
	Level 1	Level 2	Level 3	
	Rupees in '000.....			
On balance sheet financial instruments				
Financial assets measured at fair value				
Held for trading securities				
- Shares in listed companies	-	-	-	-
- Pakistan Investment Bonds	-	360,081	-	360,081
	-	360,081	-	360,081
Available-for-sale securities				
- Market Treasury Bills	-	58,021,425	-	58,021,425
- Pakistan Investment Bonds	-	66,013,454	-	66,013,454
- Shares in listed companies	1,339,413	-	-	1,339,413
- GOP Ijarah Sukuk	7,375,100	-	-	7,375,100
- Term Finance Certificates (TFCs)	-	307,312	-	307,312
	8,714,513	124,342,191	-	133,056,704
Non - Financial Assets measured at fair value				
Operating fixed assets (Leasehold land)	-	891,441	-	891,441
Off balance sheet financial instruments				
Foreign exchange contracts purchase	-	3,368,458	-	3,368,458
Foreign exchange contracts sale	-	3,655,998	-	3,655,998

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2015			
	Fair Value			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
On balance sheet financial instruments				
Financial assets measured at fair value				
Held for trading securities				
- Shares in listed companies	50,102	-	-	50,102
- Pakistan Investment Bonds	-	978,426	-	978,426
	50,102	978,426	-	1,028,528
Available-for-sale securities				
- Market Treasury Bills	-	42,552,338	-	42,552,338
- Pakistan Investment Bonds	-	33,762,211	-	33,762,211
- Shares in listed companies	1,906,177	-	-	1,906,177
- GOP Ijarah Sukuk	299,134	-	-	299,134
- Term Finance Certificates (TFCs)	-	428,302	-	428,302
	2,205,311	76,742,851	-	78,948,162
Non - Financial Assets measured at fair value				
Operating fixed assets (Leasehold land)	-	907,503	-	907,503
Off balance sheet financial instruments				
Foreign exchange contracts purchase	-	1,412,483	-	1,412,483
Foreign exchange contracts sale	-	2,447,314	-	2,447,314

The valuation techniques used for above assets are same as disclosed in note 6.3 & 6.6 of these financial statements.

The Bank's policy is to recognize transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

Financial instruments included in level 1 comprise of investments in listed ordinary shares and units of mutual funds.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuks Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

Valuation techniques and inputs used in determination of fair values within level 1

Fully paid-up ordinary shares	Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day.

Valuation techniques and inputs used in determination of fair values within level 2

Pakistan Investment Bonds / Market Treasury Bills	Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates (Reuters page).
Government of Pakistan (GoP) - Ijarah Sukuks	Fair values of GoP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.
Term Finance, Bonds and Sukuk certificates	Investments in debt securities (comprising term finance certificates, bonds, Sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. In the determination of the rates, the MUFAP takes into account the holding pattern of these securities and categorises these as traded, thinly traded and non-traded securities.
Operating fixed assets (Leasehold land)	Leasehold land are revalued on regular basis using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2016				Total
	Corporate finance	Trading and sales	Retail banking	Commercial banking	
	Rupees in '000				
Total income	7,033,129	1,681,953	195,810	5,811,148	14,722,040
Total expenses	6,019,871	907,788	138,933	5,634,972	12,701,564
Net income	1,013,259	774,165	56,876	176,176	2,020,476
Segment assets - Gross	150,125,494	18,606,358	7,420,060	35,933,066	212,084,978
Segment non performing loans	211,082	183,188	30,597	5,031,657	5,456,524
Segment provision required	211,082	1,245,119	47,396	4,181,107	5,684,704
Segment liabilities	73,016,262	22,866,670	1,718,473	92,646,325	190,257,730
Segment return on net assets (ROA)(%)	0.68%	4.46%	0.77%	0.55%	0.98%
Segment cost of funds (%)	8.24%	3.97%	8.08%	6.08%	6.68%
	2015				
	Corporate finance	Trading and sales	Retail banking	Commercial banking	Total
Total income	6,661,828	1,931,344	197,164	3,878,559	12,668,895
Total expenses	5,854,090	1,202,390	112,905	3,710,296	10,879,681
Net income	807,738	728,954	84,259	168,263	1,789,214
Segment assets - Gross	100,039,160	19,407,014	6,838,458	33,930,762	160,215,394
Segment non performing loans	211,082	183,188	30,597	4,707,996	5,132,863
Segment provision required	211,082	1,341,836	44,932	3,458,811	5,056,661
Segment liabilities	73,669,005	23,600,898	1,486,521	40,484,733	139,241,157
Segment return on net assets (ROA) (%)	0.81%	4.04%	1.24%	0.55%	1.15%
Segment cost of funds (%)	7.95%	5.09%	7.60%	9.16%	7.81%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 shareholders (Government of Khyber Pakhtunkhwa and Ismail Industries Limited), 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:

	2016			2015		
	Key management personnel	Associate	Employee funds	Key management personnel	Associate	Employee funds
	Rupees in '000					
Advances						
At the beginning of the year	157,795	-	-	145,333	-	-
Disbursed during the year	91,027	-	-	39,712	-	-
Repaid/adjusted during the year	(55,416)	-	-	(27,250)	-	-
At end of the year	193,406	-	-	157,795	-	-
Deposits						
At the beginning of the year	18,216	15,852	74,963	9,865	14,339	49,446
Placements made during the period	241,700	37,685	555,817	179,358	69,878	540,368
Withdrawals during the period	(216,556)	(31,860)	(349,455)	(171,007)	(68,365)	(514,851)
At end of the year	43,360	21,677	281,325	18,216	15,852	74,963
Placements	-	-	-	-	-	-
Lease Liabilities	-	-	-	-	-	-
Transactions during the year						
Mark-up / return / interest earned	5,111	-	-	3,688	-	-
Mark-up / return / interest expensed	347	668	71,399	306	1,171	71,900

39.2 Although the Government of Khyber Pakhtunkhwa holds 70.20% shares of the Bank (2015: 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

40. CAPITAL – ASSESSMENT AND ADEQUACY BASEL III 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 weights 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 BASELIII 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 10.00% , 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 Tier I. At the end of the current year i-e 2016, Banks are required to hold 0.65% of Capital Conservation Buffer (CCB) in shape of Common Equity Tier I (CET1) bringing the overall Capital Adequacy Ratio (CAR) to 10.65%.

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 10.00%. The required Capital Adequacy Ratio (10.00% of the risk weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, raising Common Equity Tier I (CET1), ensuring better recovery management and striking compromise proposal and composition of asset mix with low risk.

SBP also requires Banks/DFIs to calculate quarterly leverage ratio with an aim to constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and reinforce the risk based requirements with an easy to understand and a non-risk based measure. It is a ratio of Bank's Tier 1 Capital (after deductions) to Total exposure (including On-Balance Sheet, Derivatives and off-Balance sheet Items without taking benefit of any Credit Risk Mitigation (CRM)). Minimum requirement for Leverage Ratio is 3% as per BPRD circular # 06 dated August 15, 2013.

Leverage Ratio of The Bank of Khyber for the period ended December 31, 2016 is 6.60% (December 31, 2015: 7.43%) with Tier 1 Capital amounting to Rs. 14.58 Billion and total exposure amounting to Rs. 221.06 Billion. The reason for decrease in Leverage Ratio for the current year remains increase in exposure amount from Rs.178.99 Billion to Rs. 221.06 Billion. However, the Bank is still comfortably meeting the minimum requirement of 3%.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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% (In Basel III guidelines of SBP, Bank's are allowed to take extra benefit of remaining 55% in tranches of 20% per annum from year ending 2014 and recognizing the full benefit by the year end 2018) 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.

	Note	2016	2015
		Rupees in '000	
40.2 CAPITAL STRUCTURE			
Common Equity Tier 1 capital (CET1): Instruments and reserves			
1 Fully Paid-up Capital/ Capital deposited with SBP		10,002,524	10,002,524
2 Balance in Share Premium Account		-	-
3 Reserve for issue of Bonus Shares		-	-
4 Discount on Issue of shares		-	-
5 General/ Statutory Reserves		2,192,169	1,788,074
6 Gain/(Losses) on derivatives held as Cash Flow Hedge		-	-
7 Unappropriated/unremitted profits/ (losses)		2,490,553	2,182,400
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		14,685,246	13,972,998
10 Total regulatory adjustments applied to CET1 (Note 40.2.1)		100,899	264,655
11 Common Equity Tier 1		14,584,347	13,708,343
Additional Tier 1 (AT 1) Capital			
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)		14,584,347	13,708,343
Tier 2 Capital			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	Rupees in '000	
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	30,872	28,046
27 Revaluation Reserves (net of taxes)	1,136,693	1,302,867
28 of which: Revaluation reserves on fixed assets	603,863	529,464
29 of which: Unrealized gains/losses on AFS	532,830	773,403
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	1,167,565	1,330,913
33 Total regulatory adjustment applied to T2 capital (Note 40.2.3)	-	-
34 Tier 2 capital (T2) after regulatory adjustments	1,167,565	1,330,913
35 Tier 2 capital recognized for capital adequacy	1,167,565	1,330,913
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	1,167,565	1,330,913
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	15,751,912	15,039,256
39 Total Risk Weighted Assets (RWA) {for details refer Note 40.5}	73,811,741	63,324,709
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	19.76%	21.65%
41 Tier-1 capital to total RWA	19.76%	21.65%
42 Total capital to total RWA	21.34%	23.75%
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	6.00%	6.00%
49 ADT-1 minimum ratio	1.50%	1.50%
50 Tier 1 minimum ratio	7.50%	7.50%
51 Total capital minimum ratio	10.00%	10.00%
52 CCB (Consisting of CET1 only)	0.65%	0.25%
Total Capital plus CCB	10.65%	10.25%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	Rupees in '000	
	Amounts subject to Pre- Basel III treatment	
Regulatory Adjustments and Additional Information		
40.2.1 Common Equity Tier 1 capital: Regulatory adjustments		
1	-	-
2	100,899	78,056
3	-	-
4	-	-
5	-	-
6	-	-
7	-	-
8	-	-
9	-	-
10	-	-
11	-	-
12	-	-
13	-	-
14	-	-
15	-	-
16	-	-
17	-	-
18	-	-
19	-	-
20	-	-
21	-	186,599
22	100,899	264,655
40.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments		
23	-	-
24	-	-
25	-	-
26	-	-
27	-	-
28	-	-
29	-	-
30	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
	Rupees in '000	
	Amounts subject to Pre- Basel III treatment	
40.2.3 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	439,602	498,668
39 Significant investments in the common stock of financial entities	189,965	146,661
40 Deferred tax assets arising from temporary differences (net of related tax liability)	-	-
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)	30,872	28,046
42 Cap on inclusion of provisions in Tier 2 under standardized approach	462,974	470,987
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, 2016

40.3 CAPITAL STRUCTURE RECONCILIATION

STEP-1	As per published financial statements	Under regulatory scope of consolidation
	2016	2016
	Rupees in '000	
Assets		
Cash and balances with treasury banks	8,636,526	8,636,526
Balances with other banks	9,980,928	9,980,928
Lending to financial institutions	8,827,307	8,827,307
Investments	141,602,355	141,602,355
Advances	31,643,885	31,643,885
Operating fixed assets	2,070,554	2,070,554
Deferred tax assets - net	-	-
Other assets	3,638,719	3,638,719
Total assets	206,400,274	206,400,274
Liabilities & Equity		
Bills payable	775,938	775,938
Borrowings	28,700,825	28,700,825
Deposits and other accounts	157,020,365	157,020,365
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	151,745	151,745
Other liabilities	3,608,857	3,608,857
Total liabilities	190,257,730	190,257,730
Share capital/ Head office capital account	10,002,524	10,002,524
Reserves	2,192,169	2,192,169
Unappropriated/ Unremitted profit/ (losses)	2,490,553	2,490,553
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	1,457,298	1,457,298
	16,142,544	16,142,544
Total liabilities & equity	206,400,274	206,400,274

STEP-2	As per published financial statements	Under regulatory scope of consolidation	Reference
	2016	2016	
	Rupees in '000		
Assets			
Cash and balances with treasury banks	8,636,526	8,636,526	
Balances with other banks	9,980,928	9,980,928	
Lending to financial institutions	8,827,307	8,827,307	
Investments	141,602,355	141,602,355	
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	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others (mention details)	-	-	e

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

STEP-2 (Continued)	As per published financial statements	Under regulatory scope of consolidation	Reference
	2016	2016	
	Rupees in '000		
Advances	31,643,885	31,643,885	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	30,872	30,872	g
Fixed Assets	2,070,554	2,070,554	
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	3,638,719	3,638,719	
of which: Goodwill	-	-	j
of which: Intangibles	100,899	100,899	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	206,400,274	206,400,274	
Liabilities & Equity			
Bills payable	775,938	775,938	
Borrowings	28,700,825	28,700,825	
Deposits and other accounts	157,020,365	157,020,365	
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	151,745	151,745	
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	3,608,857	3,608,857	
Total liabilities	190,257,730	190,257,730	
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	2,192,169	2,192,169	
of which: portion eligible for inclusion in CET1 (provide breakup)	2,192,169	2,192,169	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	2,490,553	2,490,553	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	1,457,298	1,457,298	
of which: Revaluation reserves on Fixed Assets	774,183	790,245	aa
of which: Unrealized Gains/Losses on AFS	683,115	683,115	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	206,400,274	206,400,274	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

STEP-3	Component of regulatory capital reported by bank	Source based on reference number from step 2
	2016	
	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	2,192,169 (u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-
6	Unappropriated/unremitted profits/ (losses)	2,490,553 (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	14,685,246
	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)	100,899 (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)	-
13	Defined-benefit pension fund net assets	{ (h) - (r) } * x%
14	Reciprocal cross holdings in CET1 capital instruments	-
		{ (l) - (q) } * x%
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	-
		-
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	100,899
31	Common Equity Tier 1	14,584,347
	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, 2016

STEP-3		Component of regulatory capital reported by bank	Source based on reference number from step 2
		2016	
		Rupees in '000	
Additional Tier 1 Capital: regulatory adjustments			
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-	
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)	-	(ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(ad)
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)	-	
46	Additional Tier 1 capital	-	
47	Additional Tier 1 capital recognized for capital adequacy	-	
48	Tier 1 Capital (CET1 + admissible AT1) (31+ 47)	14,584,347	
Tier 2 Capital			
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	(n)
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)	-	(z)
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	30,872	(g)
54	Revaluation Reserves	1,136,693	
55	of which: Revaluation reserves on fixed assets	603,863	portion of (aa)
56	of which: Unrealized Gains/Losses on AFS	532,830	
57	Foreign Exchange Translation Reserves	-	(v)
58	Undisclosed/Other Reserves (if any)	-	-
59	T2 before regulatory adjustments	1,167,565	
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)	-	(ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	(af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-	
66	Tier 2 capital (T2)	1,167,565	
67	Tier 2 capital recognized for capital adequacy	1,167,565	
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-	
69	Total Tier 2 capital admissible for capital adequacy	1,167,565	
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	15,751,912	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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, PSX 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-cummulative	
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, 2016

40.5 Capital Adequacy	Capital Requirements		Risk Weighted Assets	
	2016	2015	2016	2015
	Rupees in 000			
Credit Risk				
Portfolio subject to standardized approach (simple or comprehensive)				
<u>On-balance sheet</u>				
Claims on other Sovereigns and on Government of Pakistan or Provincial Government or SBP denominated in currencies other than PKR	1,189	1,361	11,894	13,608
Claims on Public Sector Entities in Pakistan	25,290	227,946	252,897	2,279,461
Claims on Banks	-	45,000	-	450,000
Claims, denominated in foreign currency, on banks with original maturity of 3 months or less	15,773	30,921	157,733	309,214
Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR	381,551	185,433	3,815,507	1,854,334
Claims on Corporate (excluding equity exposures)	1,877,145	1,849,954	18,771,453	18,499,544
Claims categorized as retail portfolio	191,926	300,987	1,919,260	3,009,873
Claims fully secured by residential property	60,913	54,137	609,132	541,373
Past Due loans:				
where specific provisions are less than 20 per cent of the outstanding amount of the past due claim	70,667	113,627	706,670	1,136,267
where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.	21,566	66,508	215,655	665,077
where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.	21,130	4,431	211,300	44,311
Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired.	192	-	1,918	-
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.	93	94	934	939
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)	-	36,665	-	366,654
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	9,053	-	90,526	-
Unlisted equity investments (other than that deducted from capital) held in banking book	14,914	-	149,142	-
All other assets	383,800	362,199	3,838,002	3,621,988
	3,075,202	3,279,263	30,752,023	32,792,643
<u>Off- Balance Sheet – Non Market related Exposures</u>				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	290,545	191,304	2,905,454	1,913,041
Performance related Contingencies	306,663	259,147	3,066,631	2,591,468
Trade Related contingencies / Other Commitments with original maturity of one year or less	27,928	34,964	279,280	349,637
	625,136	485,415	6,251,365	4,854,146
<u>Off- Balance Sheet – Market related Exposures</u>				
Foreign Exchange Contracts with SBP	-	-	-	-
Foreign Exchange Contract (with original maturity of less than 14 days)	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Capital Requirements		Risk Weighted Assets	
	2016	2015	2016	2015
	Rupees in 000			
Foreign Exchange Contracts	3,457	2,036	34,567	20,362
	3,457	2,036	34,567	20,362
Total Credit Risk (A)	3,703,795	3,766,714	37,037,955	37,667,151
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	2,603,744	1,404,145	26,037,440	14,041,447
Equity position risk etc.	190,760	351,047	1,907,602	3,510,470
Foreign exchange risk etc.	1,799	10,579	17,989	105,786
Total Market Risk (B)	2,796,303	1,765,771	27,963,031	17,657,703
Operational Risk	881,076	799,986	8,810,755	7,999,855
Basic Indicator Approach–Total of operational risk (C)	881,076	799,986	8,810,755	7,999,855
Total (A + B + C)	7,381,174	6,332,471	73,811,741	63,324,709
CAPITAL ADEQUACY RATIO			2016	2015
Total eligible regulatory capital held			15,751,912	15,039,256
Total Risk Weighted Assets			73,811,741	63,324,709
Capital Adequacy Ratio			21.34%	23.75%

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, Risk Management Division (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 in a loan proposal.

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 assesses 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 has dedicated Customer Risk Rating (CRR) and Facility Risk Rating (FRR) Models for various customer types. The models aim to measure credit risk posed by a counterparty as well facility it has applied for by asseesseing various qualitative and quantitive attributes keeping in view best industry practices in the field of credit risk management. Each risk rating model covers a dedicated procedural guidelines for its consistent implementation within the Bank. The Bank has also approved a dedicated risk rating policy providing broad policy guidelines for minimum acceptable risk for various borrowers of the Bank.

41.1.1 SEGMENT INFORMATION

41.1.1.1 Segments by class of business

	2016					
	Advances (gross)		Deposits		Contingencies and commitments	
	Rupees in '000	Percent %	Rupees in '000	Percent %	Rupees in '000	Percent %
Agriculture, forestry, hunting	2,308,228	6.40	792,338	0.50	328,498	2.24
Automobile and transportation equipment	433,395	1.20	480,152	0.31	141,501	0.96
Cement	56,999	0.16	-	-	-	-
Chemical and pharmaceuticals	691,759	1.92	-	-	462,438	3.15
Contractors / construction	1,412,394	3.92	7,632,567	4.86	8,774,460	59.75
CNG stations	335,192	0.93	-	-	566,497	3.86
Education and health	-	-	588,089	0.37	-	-
Financial	377,416	1.05	45,285	0.03	-	-
Fisheries	295,224	0.82	-	-	-	-
Food and beverages	639,171	1.77	-	-	13,209	0.09
Ghee / cooking oil	363,542	1.01	-	-	317,940	2.17
Individuals	1,935,743	5.37	25,065,247	15.96	33,097	0.23
Manufacturing of match	75,400	0.21	-	-	16,779	0.11
Miscellaneous manufacturing	3,921,493	10.88	2,419,545	1.54	207,561	1.41
Petrochemicals	555,889	1.54	-	-	475,321	3.24
Production and transmission of energy	1,291,194	3.58	109,198	0.07	491,425	3.35
Services	1,470,661	4.08	1,556,533	0.99	242,266	1.65
Sugar	3,373,930	9.36	-	-	15,620	0.11
Textile	3,948,515	10.95	-	-	357,113	2.43
Trading	2,576,556	7.15	3,263,954	2.08	700,947	4.77
Commodity operation	6,000,000	16.64	-	-	-	-
Others	3,991,778	11.07	115,067,457	73.28	1,540,390	10.49
	36,054,479	100.00	157,020,365	100.00	14,685,062	100.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

	Advances (gross)		2015 Deposits		Contingencies and commitments	
	Rupees in	Percent	Rupees in	Percent	Rupees in	Percent
	'000	%	'000	%	'000	%
	2,720,991	6.78	1,443,985	1.23	135,817	1.06
Automobile and transportation equipment	945,330	2.36	-	-	306,623	2.38
Cement	78,469	0.20	-	-	-	-
Chemical and pharmaceuticals	652,219	1.62	-	-	329,085	2.56
Contractors / construction	1,614,349	4.02	8,678,788	7.40	6,786,133	52.73
CNG stations	177,408	0.44	-	-	624,069	4.85
Education and health	-	-	1,704,561	1.45	-	-
Financial	281,915	0.70	388,576	0.33	-	-
Fisheries	295,224	0.74	-	-	138,095	1.07
Food and beverages	726,009	1.81	-	-	63,848	0.50
Ghee / cooking oil	305,361	0.76	-	-	243,597	1.89
Individuals	2,028,212	5.05	18,657,371	15.91	9,718	0.08
Manufacturing of match	-	-	-	-	35,160	0.27
Miscellaneous manufacturing	4,141,012	10.32	1,625,060	1.39	783,242	6.09
Petrochemicals	207,603	0.52	-	-	30,935	0.24
Production and transmission of energy	1,013,473	2.53	202,382	0.17	335,538	2.61
Services	1,717,704	4.28	2,525,008	2.15	395,862	3.08
Sugar	2,862,969	7.13	-	-	14,916	0.12
Textile	4,446,389	11.08	-	-	411,389	3.20
Trading	3,429,512	8.54	-	-	849,115	6.60
Commodity operation	11,110,388	27.68	-	-	-	-
Others	1,382,610	3.44	82,066,281	69.97	1,376,625	10.70
	<u>40,137,147</u>	<u>100.00</u>	<u>117,292,012</u>	<u>100.00</u>	<u>12,869,767</u>	<u>100.00</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

41.1.1.2 Segment by sector

	2016					
	Advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	6,398,133	17.75	97,359,478	62.00	201,287	1.37
Private	29,656,346	82.25	59,660,887	38.00	14,483,775	98.63
	<u>36,054,479</u>	<u>100.00</u>	<u>157,020,365</u>	<u>100.00</u>	<u>14,685,062</u>	<u>100.00</u>

	2015					
	Advances		Deposits		Contingencies and commitments	
	Rupees in '000	Percent	Rupees in '000	Percent	Rupees in '000	Percent
Public / Government	11,469,588	28.58	71,262,273	60.76	490,150	3.81
Private	28,667,559	71.42	46,029,739	39.24	12,379,617	96.19
	<u>40,137,147</u>	<u>100.00</u>	<u>117,292,012</u>	<u>100.00</u>	<u>12,869,767</u>	<u>100.00</u>

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

	2016		2015	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	Rupees in 000			
Agriculture, forestry, hunting and fishing	95,469	5,749	16,906	4,035
Automobile and transportation equipment	215,076	213,138	179,760	179,573
Chemical and Pharmaceuticals	125,856	125,200	454,947	243,778
Contractors / Construction	252,222	185,951	198,700	185,066
Financial	164,790	162,290	164,790	164,790
Fisheries	281,856	281,856	281,856	281,856
Food and beverages	516,567	378,950	186,272	186,272
Footwear and Leather garments	108,684	108,684	108,684	108,684
Ghee / cooking oil	43,169	43,169	43,169	43,169
Individuals	52,623	46,991	77,185	71,767
Miscellaneous manufacturing	1,830,083	1,292,008	1,792,239	1,059,161
Services	35,333	34,777	38,224	23,814
Textile	700,133	694,463	700,663	677,630
Trading	448,732	363,936	504,743	326,125
Others	585,931	442,560	384,725	99,770
	<u>5,456,524</u>	<u>4,379,722</u>	<u>5,132,863</u>	<u>3,655,490</u>

41.1.14 Details of non-performing advances and specific provisions by sector

Public / Government	-	-	-	-
Private	5,456,524	4,379,722	5,132,863	3,655,490
	<u>5,456,524</u>	<u>4,379,722</u>	<u>5,132,863</u>	<u>3,655,490</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 and the Bank is using such ratings using bankers' Almanac web directory of external rating for its balances with other banks outside Pakistan.

Type of exposures for which each agency is used in the year ended 2016 is presented below:

Exposures	2016				
	JCR – VIS	PACRA	Moody's	Fitch	S & P
Corporate	√	√	-	-	-
Banks	√	√	√	√	√
Sovereigns other than PKR claims	-	-	√	-	-
PSEs	√	√	-	-	-
Securitisation	-	-	-	-	-
Others	-	-	-	-	-
Exposures	2015				
	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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

		Credit Exposures subject to Standardised approach					
		2016			2015		
Exposures	Rating Category Number	Amount Outstanding	Deduction CRM*	Net Amount	Amount Outstanding	Deduction CRM*	Net Amount
Rupees in 000							
Corporate	1	1,592,441	-	1,592,441	53,292	-	53,292
	2	2,408,372	-	2,408,372	1,601,306	-	1,601,306
	3 & 4	452,550	-	452,550	-	-	-
	5 & 6	-	-	-	-	-	-
	Unrated-I	20,329,091	1,403,065	18,926,026	19,525,477	975,857	18,549,620
	Unrated-II	5,530,438	33,520	5,496,918	5,667,793	20,173	5,647,620
Banks	1	-	-	-	1,000,000	-	1,000,000
	2 & 3	-	-	-	500,000	-	500,000
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
With maturity 3 months or less (PKR)		19,237,153	159,616	19,077,537	10,310,918	1,039,249	9,271,669
With maturity 3 months or less (FCY)		1,2,3	268,337	-	268,337	294,796	-
	4,5	-	-	-	77,641	-	77,641
	6	34,687	-	34,687	-	-	-
	Unrated	260,173	-	260,173	1,057,174	-	1,057,174
Retail		6,493,903	559,678	5,934,225	7,494,905	752,999	6,741,906
Claims subject to Residential Mortgage		1,740,378	-	1,740,378	1,546,781	-	1,546,781
Public Sector Entities	1	-	-	-	-	-	-
	2 & 3	-	-	-	-	-	-
	Unrated	1,074,149	62,608	1,011,541	5,340,154	33,336	5,306,818
Past Due		1,113,155	-	1,113,155	1,513,086	-	1,513,086
Others		39,714,350	-	39,714,350	41,605,675	-	41,605,675

*CRM = Credit Risk Mitigation

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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

	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in 000			
Pakistan	3,239,951	206,400,274	16,142,544	14,685,062
Outside Pakistan	-	-	-	-
	<u>3,239,951</u>	<u>206,400,274</u>	<u>16,142,544</u>	<u>14,685,062</u>
	2015			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees in 000			
Pakistan	2,958,632	155,158,733	15,917,576	12,869,767
Outside Pakistan	-	-	-	-
	<u>2,958,632</u>	<u>155,158,733</u>	<u>15,917,576</u>	<u>12,869,767</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 & Liquidity 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 risk in new businesses. Market risk authority, including both approval of market risk limits and approval of market risks is vested in BRMC and 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 broad limits are set and recommended by ALCO to BRMC approval for proper management of Market risk. MRMD has developed a dedicated Financial Institutions (FIs) model for inter-bank lines setting to different financial institutions. The intra-day positions are managed by treasury division through Management Action Trigger (MAT)/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 & III requirements. MRMD is preparing stress testing report and market risk capital charge on quarterly basis. Market Risk Management Department is also responsible for Internal Capital Adequacy Assessment Process (ICAAP), Stress Testing, Liquidity Coverage Ratio & Net Stable Funding Ratio frameworks implementation.

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, portfolio-wise management action triggers, 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2016			
	Assets	Liabilities	Off-Balance sheet items	Net foreign currency exposure
	Rupees in 000			
Pakistan rupee	205,422,423	189,964,302	(6,093,243)	9,364,878
US Dollar	743,496	205,540	5,252,865	5,790,821
Pound Sterling	51,352	36,832	95,290	109,810
Japanese Yen	3,825	-	311,411	315,236
Euro	178,632	51,056	401,322	528,898
Other Currencies	546	-	32,355	32,901
	<u>206,400,274</u>	<u>190,257,730</u>	<u>-</u>	<u>16,142,544</u>
	2015			
	Assets	Liabilities	Off-Balance sheet items	Net foreign currency exposure
	Rupees in 000			
Pakistan rupee	153,516,020	139,630,064	(4,071,084)	9,814,872
US Dollar	1,510,437	(677,027)	3,056,770	5,244,234
Pound Sterling	69,308	77,578	146,244	137,974
Japanese Yen	284	-	459,260	459,544
Euro	61,043	210,542	408,810	259,311
Other Currencies	1,641	-	-	1,641
	<u>155,158,733</u>	<u>139,241,157</u>	<u>-</u>	<u>15,917,576</u>

41.4.2 Equity position risk

"It is the risk of loss to earning 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 (Asset Liability Committee) is responsible for making investment decisions in the capital market and setting limits as per BRMC approved criteria 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 recommendation and BRMC approval.

41.4.3 Yield / interest rate risk

Yield Curve risk is the risk that a financial instrument will suffer either a decline because future changes in prevailing interest rates impact assets more or less than they impact liabilities.

The Interest rate risk of the Bank arises when there is a mismatch between contractual maturities, which are subject to interest rate adjustment within a specified period or re-pricing of on- and off-balance sheet assets and liabilities. The bank's ALCO is primarily responsible for the oversight of the interest rate risk. In order to ensure risk is managed within acceptable limits, Market & Liquidity Risk Management Department of RMD and ALCO monitors various gap limits, portfolio-wise management action triggers and re-pricing of the assets and liabilities on a regular basis.

Major sources of Interest rate risk are:

- i) differences between the timing of rate changes and the timing of cash flows (re-pricing risk);
- ii) changing rate relationships among different yield curves affecting bank activities (basis risk);
- iii) changing rate relationships across the range of maturities (yield curve risk); and
- iv) interest-related options embedded in bank products (options risk).

Yield Curve Risk is addressed by ALCO that reviews trading and banking 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

41.4.4 Mismatch of interest rate sensitive assets and liabilities

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

Effective Yield/ Interest rate	2016										Non-interest bearing financial instruments	
	Total	Exposed to Yield/ Interest risk										
		Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years		
Rupees in '000												
On-balance sheet financial instruments												
Financial assets												
Cash and balances with treasury banks	8,636,526	97,173	-	-	-	-	-	-	-	-	-	8,539,353
Balances with other banks	9,980,928	7,505,252	-	-	-	-	-	-	-	-	-	2,475,676
Lending to financial institutions	8,827,307	192,307	-	-	-	-	-	-	-	-	-	8,635,000
Investments	141,602,355	2,223,465	45,620,807	12,262,547	18,138,886	1,687,673	8,521,814	39,671,104	-	-	-	13,476,059
Advances	31,643,885	1,477,274	3,268,085	10,878,091	2,419,955	1,554,375	2,664,358	2,228,195	4,526,835	-	-	3,638,719
Other assets	3,638,719	-	2,626,717	-	-	-	-	-	-	-	-	-
	204,329,720	11,495,471	48,888,892	23,140,638	20,558,841	3,242,048	11,186,172	41,889,299	4,526,835	-	-	36,764,807
Financial liabilities												
Bills payable	775,938	-	-	-	-	-	-	-	-	-	-	775,938
Borrowings	28,700,825	15,916,852	2,536,074	9,696,399	-	-	-	-	-	-	-	-
Deposits and other accounts	157,020,365	50,448,088	4,489,597	44,259,007	1,163,736	6,033,987	5,477,596	1,038,299	450,000	-	-	35,352,490
Other liabilities	3,608,857	-	5,041,097	53,955,406	19,395,105	6,033,987	5,477,596	1,038,299	450,000	-	-	3,608,857
	190,105,985	66,364,940	10,843,639	(30,814,768)	19,395,105	(2,791,939)	5,477,596	40,861,000	4,076,835	-	-	39,737,285
On-balance sheet gap	14,223,735	(54,869,469)	(2,414,380)	(30,814,768)	19,395,105	(2,791,939)	5,708,576	40,861,000	4,076,835	-	-	(2,972,478)
Off-balance sheet financial instruments												
Commitments in respect of forward exchange contracts - purchase	3,368,458	-	-	-	-	-	-	-	-	-	-	3,368,458
Commitments in respect of forward exchange contracts - sale	3,655,998	-	-	-	-	-	-	-	-	-	-	3,655,998
Off-balance sheet gap	(287,540)	-	-	-	-	-	-	-	-	-	-	(287,540)
Total Yield/Interest Risk Sensitivity Gap	(54,869,469)	(54,869,469)	(2,414,380)	(30,814,768)	19,395,105	(2,791,939)	5,708,576	40,861,000	4,076,835	-	-	(287,540)
Cumulative Yield/Interest Risk Sensitivity Gap	(54,869,469)	(16,824,216)	(19,238,596)	(50,053,364)	(30,658,259)	(33,450,198)	(27,741,622)	13,119,378	17,196,213	-	-	(287,540)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

	2015										
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk							Non-interest bearing financial instruments	
			Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years		Over 5 years to 10 years
Rupees in '000											
On-balance sheet financial instruments											
Financial assets											
Cash and balances with treasury banks	0.00%	5,546,796	108,103	-	-	-	-	-	-	-	5,438,693
Balances with other banks	2.32%	6,513,497	4,372,875	-	-	-	-	-	-	-	2,140,622
Lending to financial institutions	6.18%	5,988,824	1,288,824	-	-	-	-	-	-	-	4,700,000
Investments	6.49%	95,512,456	7,443,008	24,395,881	13,173,379	6,741,086	3,832,606	5,315,432	2,786,680	24,624,498	
Advances	8.26%	36,453,611	3,525,567	2,579,442	20,363,664	2,815,363	1,681,780	954,815	733,764	1,902,999	
Other assets	0.00%	3,218,724	-	-	-	-	-	-	-	-	3,218,724
		153,233,908	16,738,377	26,975,323	33,537,043	9,556,449	5,514,386	6,270,247	3,520,444	26,527,497	1,896,217
Financial liabilities											
Bills payable	0.00%	504,884	-	-	-	-	-	-	-	-	504,884
Borrowings	6.15%	171,130,194	16,077,669	541,896	211,929	298,700	-	-	-	-	2,140,622
Deposits and other accounts	5.44%	117,292,012	30,227,080	4,504,413	40,046,629	4,242,927	814,918	1,461,956	8,319,259	736,608	26,938,022
Other liabilities	0.00%	3,844,944	-	-	-	-	-	-	-	-	3,844,944
		138,772,034	46,304,749	5,046,309	40,258,558	4,541,627	814,918	1,461,956	8,319,259	736,608	31,287,850
On-balance sheet gap											
		14,461,874	(29,566,372)	21,929,014	(6,721,515)	5,014,822	(4,699,468)	4,808,291	(4,798,815)	25,790,689	1,896,217
Off-balance sheet financial instruments											
Commitments in respect of forward exchange contracts - purchase		1,412,483	-	-	-	-	-	-	-	-	-
Commitments in respect of forward exchange contracts - sale		2,447,314	-	-	-	-	-	-	-	-	2,447,314
Off-balance sheet gap											
		(1,034,831)	-	-	-	-	-	-	-	-	(1,034,831)
Total Yield/Interest Risk Sensitivity Gap											
		(29,566,372)	21,929,014	5,014,822	(6,721,515)	4,699,468	4,808,291	(4,798,815)	25,790,689	1,896,217	
Cumulative Yield/Interest Risk Sensitivity Gap											
		(29,566,372)	(7,637,358)	(2,622,536)	(9,344,051)	(4,644,583)	163,708	(4,635,107)	21,155,582	23,051,799	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 and Liquidity 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. In addition to that the calculation of Liquidity Coverage Ratio, and Liquidity Management five monitoring tools duly shared with ALCO and BRMC on periodic basis. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

41.5.1 Maturities of assets and liabilities – based on expected maturity

	2016									
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Assets										
Cash and balances with treasury banks	8,636,526	8,636,526	-	-	-	-	-	-	-	-
Balances with other banks	9,980,928	9,980,928	-	-	-	-	-	-	-	-
Lendings to financial - institutions	8,827,307	3,692,307	5,135,000	-	-	-	-	-	-	-
Investments	141,602,355	2,102,366	46,844,412	-	16,116,411	15,760,318	9,413,435	44,818,052	-	-
Advances	31,643,885	690,056	2,574,967	701,051	14,763,788	2,009,653	3,809,783	3,489,403	-	-
Operating fixed assets	2,070,554	-	-	-	-	1,413	2,537,725	874,859	148,508	1,067,459
Deferred tax assets	-	-	-	-	-	-	96,333	-	-	949,441
Other assets	3,638,719	2,469,605	1,096,177	-	72,937	-	-	-	-	-
Liabilities	206,400,274	27,571,788	55,650,556	701,051	30,953,136	17,771,384	9,181,419	14,098,077	48,455,963	2,016,900
Bills payable	775,938	775,938	-	-	-	-	-	-	-	-
Borrowings	26,700,825	15,916,852	2,522,269	-	551,500	-	-	-	-	-
Deposits and other accounts	157,020,365	85,800,578	8,307,565	4,489,597	9,696,399	1,163,736	6,033,987	5,477,596	13,805	450,000
Deferred tax liabilities	151,745	-	-	201,553	44,259,007	151,745	-	-	1,038,299	-
Other liabilities	3,608,857	3,407,304	-	-	-	-	-	-	-	-
Net assets / (liabilities)	190,257,730	105,900,672	10,829,834	524,265	53,955,406	1,315,481	6,033,987	5,477,596	1,052,104	450,000
Represented by:	16,142,544	(78,328,884)	44,820,722	(4,541,599)	(23,002,270)	16,455,903	3,147,432	8,620,481	47,403,859	1,566,900
Share capital	10,002,524									
Reserves	2,192,169									
Unappropriated profit	2,490,553									
Surplus on revaluation of assets	1,457,298									
	16,142,544									

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2015

	2015								
	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Rupees '000									
Assets									
Cash and balances with treasury banks	5,546,796	-	-	-	-	-	-	-	-
Balances with other banks	6,513,497	-	-	-	-	-	-	-	-
Lendings to financial - institutions	4,988,824	1,000,000	-	-	-	-	-	-	-
Investments	95,512,456	25,918,568	5,703,434	15,016,578	6,857,761	6,563,249	2,029,782	25,833,628	-
Advances	36,453,611	2,579,442	2,815,363	20,363,664	1,681,780	954,815	733,764	1,902,999	-
Operating fixed assets	1,924,825	-	-	246,255	213,280	164,199	250,173	1,050,918	-
Deferred tax assets	-	-	-	-	-	-	-	-	-
Other assets	3,218,724	504,042	195,285	100,227	-	-	-	-	-
	155,158,733	30,002,052	8,714,082	35,726,724	8,752,821	7,682,263	3,013,719	28,787,545	1,896,217
Liabilities									
Bills payable	504,884	-	-	-	-	-	-	-	-
Borrowings	17,130,194	502,678	298,700	211,929	-	-	-	39,218	-
Deposits and other accounts	117,292,012	4,504,413	4,242,927	40,046,629	814,918	1,461,956	8,319,259	736,808	-
Deferred tax liabilities	469,123	-	-	-	469,123	-	-	-	-
Other liabilities	3,844,944	-	277,905	424,538	-	-	-	-	-
	139,241,157	5,007,091	4,819,532	40,683,096	1,284,041	1,461,956	8,319,259	776,026	-
Net assets / (liabilities)	15,917,576	24,994,961	3,894,550	(4,956,372)	7,468,780	6,220,307	(5,305,540)	28,011,519	1,896,217
Represented by:									
Share capital	10,002,524	-	-	-	-	-	-	-	-
Reserves	1,788,074	-	-	-	-	-	-	-	-
Unappropriated profit	2,182,400	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,944,578	-	-	-	-	-	-	-	-
	15,917,576	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

41.52 Maturities of assets and liabilities – based on contractual maturity

	2016									
	Total	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Rupees '000										
Assets										
Cash and balances with treasury banks	8,636,526	8,636,526	-	-	-	-	-	-	-	-
Balances with other banks	9,980,928	9,980,928	-	-	-	-	-	-	-	-
Lendings to financial - institutions	8,827,307	3,692,307	5,135,000	-	-	-	-	-	-	-
Investments	141,602,355	2,102,366	46,844,412	-	16,116,411	15,760,318	9,413,435	44,818,052	-	-
Advances	31,643,885	690,056	2,574,967	701,051	14,763,788	2,009,653	3,809,783	3,489,403	-	-
Operating fixed assets	2,070,554	-	-	-	-	1,413	874,859	148,508	1,067,459	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	949,441
Other assets	3,638,719	2,469,605	1,096,177	-	72,937	-	-	-	-	-
Liabilities	206,400,274	27,571,788	55,650,556	701,051	30,953,136	17,771,384	9,181,419	14,098,077	48,455,963	2,016,900
Bills payable	775,938	775,938	-	-	-	-	-	-	-	-
Borrowings	28,700,825	15,916,852	2,522,269	551,500	9,696,399	-	-	-	13,805	-
Deposits and other accounts	157,020,365	85,800,578	8,307,565	4,489,597	44,259,007	1,163,736	6,033,987	5,477,596	1,038,299	450,000
Deferred tax liabilities	151,745	-	-	201,553	-	151,745	-	-	-	-
Other liabilities	3,608,857	3,407,304	-	53,955,406	-	-	-	-	-	-
Net assets / (liabilities)	190,257,730	105,900,672	10,829,834	5,242,650	53,955,406	1,315,481	6,033,987	5,477,596	1,052,104	450,000
	16,142,544	(78,328,884)	44,820,722	(4,541,599)	(23,002,270)	16,455,903	3,147,432	8,620,481	47,403,859	1,566,900
Represented by:										
Share capital	10,002,524									
Reserves	2,192,169									
Unappropriated profit	2,490,553									
Surplus on revaluation of assets	1,457,298									
	16,142,544									

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

2015

	2015								
	Up to 1 month	Over 1 month to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 2 years	Over 2 years to 3 years	Over 3 years to 5 years	Over 5 years to 10 years	Over 10 years
Rupees '000									
Assets									
Cash and balances with treasury banks	5,546,796	-	-	-	-	-	-	-	-
Balances with other banks	6,513,497	-	-	-	-	-	-	-	-
Lendings to financial - institutions	4,988,824	1,000,000	-	-	-	-	-	-	-
Investments	95,512,456	25,918,568	5,703,434	15,016,578	6,857,761	6,563,249	2,029,782	25,833,628	-
Advances	36,453,611	2,579,442	2,815,363	20,363,664	1,681,780	954,815	733,764	1,902,999	-
Operating fixed assets	1,924,825	-	-	246,255	213,280	164,199	250,173	1,050,918	-
Deferred tax assets	-	-	-	-	-	-	-	-	-
Other assets	3,218,724	504,042	195,285	100,227	-	-	-	-	-
	155,158,733	30,002,052	8,714,082	35,726,724	8,752,821	7,682,263	3,013,719	28,787,545	1,896,217
Liabilities									
Bills payable	504,884	-	-	-	-	-	-	-	-
Borrowings	17,130,194	502,678	298,700	211,929	-	-	-	39,218	-
Deposits and other accounts	117,292,012	4,504,413	4,242,927	40,046,629	814,918	1,461,956	8,319,259	736,808	-
Deferred tax liabilities	469,123	-	-	-	469,123	-	-	-	-
Other liabilities	3,844,944	-	277,905	424,538	-	-	-	-	-
	139,241,157	5,007,091	4,819,532	40,683,096	1,284,041	1,461,956	8,319,259	776,026	-
Net assets / (liabilities)	15,917,576	24,994,961	3,894,550	(4,956,372)	7,468,780	6,220,307	(5,305,540)	28,011,519	1,896,217
Represented by:									
Share capital	10,002,524	-	-	-	-	-	-	-	-
Reserves	1,788,074	-	-	-	-	-	-	-	-
Unappropriated profit	2,182,400	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,944,578	-	-	-	-	-	-	-	-
	15,917,576	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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 and Liquidity 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. As part of pro-active operational risk management, the Operational Risk Management Department (ORMD) has already reviewed process flow pertaining to General Banking Operations & Consumer Financing. Developed under the exercise of Business Process Improvement. The process were thoroughly discussed with relevant stakeholders for any control failures/lapses. Based on the results of RCSAs, adequate Key Risk Indicators (KRIs) for various business lines would be developed.

41.7.1 Operational Risk-Disclosures Basel II Specific

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

42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The board of directors in its meeting held on March 7, 2017 has proposed a cash dividend in respect of 2016 of Rs. 1.50 per share (2015: Rs.1.25 per share) to be approved in the forthcoming Annual General Meeting. These financial statements for the year ended December 31, 2016 do not include the effect of referred appropriation which will be accounted for in the financial statements for the year ending December 31, 2017.

43 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 7, 2017 by the Board of Directors of the Bank.

44 GENERAL

- 44.1 Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation. No major reclassifications were made during the year, except reclassification of GoP Ijarah Sukuk under Bai Muajjal basis of Rs. 7,216.332 million, which has been reclassified from 'Lending to financial institution' to 'Investments'.



Managing Director



Director



Director



Director

STATEMENT OF FINANCIAL POSITION – ISLAMIC OPERATIONS

AS AT DECEMBER 31, 2016

ANNEXURE 'A' TO THE FINANCIAL STATEMENTS AS REFERRED TO IN NOTE 2.3

The Bank is operating 77 (2015: 66) Islamic banking branches at the end of current year.

	2016	2015
	Rupees in '000	
ASSETS		
Cash and balances with treasury banks	2,480,843	1,958,691
Balances with other banks	7,964,712	3,541,824
Due from financial institutions	8,635,000	4,700,000
Investments	10,541,155	10,575,019
Islamic financing and related assets - net	5,626,934	10,195,524
Operating fixed assets	280,468	249,149
Deferred tax asset	-	-
Other assets	107,985	623,301
	35,637,097	31,843,508
LIABILITIES		
Bills payable	312,720	148,025
Due to financial institutions	-	300,000
Deposits and other accounts		
- Current accounts	13,647,809	9,565,471
- Saving accounts	12,665,688	11,770,298
- Term deposits	2,982,985	2,871,111
- Others	1,534,628	1,244,035
Deposit from financial institutions - remunerative	30	283
Deposit from financial institutions - non - remunerative	-	-
Other liabilities	416,387	2,308,600
	31,560,247	28,207,823
NET ASSETS	4,076,850	3,635,685
REPRESENTED BY		
Islamic banking fund	460,000	460,000
Profit equalization reserves	38,125	36,271
Unappropriated profit	3,461,284	3,147,440
	3,959,409	3,643,711
Surplus / (deficit) on revaluation of assets	117,441	(8,026)
	4,076,850	3,635,685
REMUNERATION TO SHARIAH BOARD AND ADVISOR	3,713	3,200
CHARITY FUND		
Opening balance	-	-
Additions during the year		
Default obligations amount (on delay payments)	4,755	845
Income from transactions declared in Non-Shariah Compliance	280	-
Purification of dividend/Income from shares	120	389
Others	94	21
	5,249	1,255
Distribution of charity		
Welfare	(1,749)	(628)
Health	(3,500)	(627)
Payments during the year	(5,249)	(1,255)
Closing balance	-	-

PROFIT AND LOSS ACCOUNT – ISLAMIC OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2016

ANNEXURE 'A' TO THE FINANCIAL STATEMENTS AS REFERRED TO IN NOTE 2.3

	2016	2015
	Rupees in '000	
Income / return / profit earned	1,845,821	1,870,237
Income / return / profit expensed	(517,658)	(583,195)
	1,328,163	1,287,042
Provision against non-performing financing	33,884	69,472
Provision for diminution in value of investments	15,064	-
	48,948	69,472
Net Income / return / profit after provisions	1,279,215	1,217,570
OTHER INCOME		
Fee, commission and brokerage income	75,820	83,620
Dividend income	2,278	5,851
Income from dealing of foreign currency	45,677	90,340
Net gain on stock exchange operations (capital gain)	335	2,543
Capital gain on sale of investment	50	379
Loss on trading shares	-	(1,560)
Other income	30,729	32,467
	154,889	213,640
OTHER EXPENSES		
Administrative expenses	1,120,248	996,348
Other provision / write offs	-	-
Other charges	12	8
Total other expenses	1,120,260	996,356
Profit before taxation	313,844	434,854
Unappropriated profit brought forward	3,147,440	2,712,586
Unappropriated profit carry forward	3,461,284	3,147,440

NOTES TO THE ANNEXURE 'A' FOR THE YEAR ENDED DECEMBER 31, 2016

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
- vi. Riba free special deposit pool - Profit Equalization Reserves (PER)
- vii. Riba free special deposit pool - Investment Risk Reserves (IRR)

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

NOTES TO THE ANNEXURE 'A' FOR THE YEAR ENDED DECEMBER 31, 2016

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:

	2016	2015
	Rupees in '000	
Gross profit earned	2,000,710	2,083,877
Administrative expenses	1,120,260	996,356
Distributable share	880,450	1,087,521
Profit paid to IAH/PLS depositors	517,658	583,195
Bank's equity share - net	111,965	143,720
Bank's additional profit	201,879	291,134
Total	313,844	434,854
Return on average earning assets	7.11%	9.38%
Return on average PLS deposits	3.52%	4.36%

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.

	2016	2015	
	Rupees in '000		
A-2.1 Islamic Financing and Related Assets - net			
Murabaha financings	A-2.1.1	1,643,500	2,480,780
Net investment in Ijarah	A-2.1.2	6,785	12,253
Ijarah under IFAS-II	A-2.1.2	575,073	717,912
Diminishing Musharakah	A-2.1.3	2,426,660	2,467,265
Istisna work in progress		1,200,000	700,000
Salam		-	4,000,000
Qarz-e-Hasna		5,641	5,641
Others		-	8,513
		5,857,659	10,392,364
Less: Provision held against non-performing facilities		(230,725)	(196,840)
		5,626,934	10,195,524
A-2.1.1 Murabaha			
Murabaha receivable		1,426,245	2,229,091
Advances / Inventories		217,255	251,689
		1,643,500	2,480,780
A-2.1.2 Ijarah			
Net investment in Ijarah		6,785	12,253
Ijarah under IFAS-II:			
- Ijarah		554,439	717,207
- Advances		20,634	705
		575,073	717,912
		581,858	730,165

NOTES TO THE ANNEXURE 'A' FOR THE YEAR ENDED DECEMBER 31, 2016

A-2.1.3 Diminishing Musharakah

Diminishing musharakah	2,385,860	2,410,137
Advances	40,800	57,128
	<u>2,426,660</u>	<u>2,467,265</u>

A.2.2 Profit Equalization Reserve of Rs. 38.126 million (December 31, 2015:Rs. 36.271 million) is not available for the distribution of cash and stock dividend to the shareholders.

A.2.3 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:

	2016	2015
	Rupees in '000	
Financings		
Agribusiness	670,286	403,592
Chemical and Pharmaceuticals	108,563	126,880
Textile	216,428	140,616
Automobile and transportation equipment	112,283	173,048
Petro Chemical	9	9
Housing	111,935	64,845
Misc. Manufacturing	1,363,476	796,370
Personal	329,312	343,827
Contractors	275,881	133,571
Tradings	656,209	1,013,170
Services	214,105	509,665
Consumer Financings	54,849	173,542
Auto Loans	464,169	473,868
Commodity Finance	-	5,110,388
Telecommunication	-	80,126
CNG station/GAS	274,400	105,927
Others	1,005,754	742,920
	<u>5,857,659</u>	<u>10,392,364</u>
Investments		
GOP Ijarah Sukuk	7,375,100	9,716,332
Power /Electric/Gas	3,129,479	774,609
Chemical	21,918	24,776
Others	29,722	59,302
	<u>10,556,219</u>	<u>10,575,019</u>
	<u>16,413,878</u>	<u>13,751,051</u>

A.2.4 Comparative information has been reclassified, rearranged or additionally incorporated in these financial statements for the purposes of better presentation. No major reclassifications were made during the year, except reclassification of Bai Muajjal of Rs. 7,216.332 million, which has been reclassified from 'Lending to financial instituion' to 'Investments'.

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 DECEMBER 31, 2016

S. No.	Name and address of the borrower	Name of individual / partners / directors (with NIC number)	Father's / husband's name	Outstanding liabilities at beginning of year				Principal Writ-ten-off	Interest Mark-up Writ-ten-off	Other Financial Relief / Waiver of Undebited Markup	Total (9+10+11)
				Principal	Interest/ Markup	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	M/s Ahmad Et Brothers P-204, 1st Floor, new Grain Market, Faisal-abad.	1. Mr. Abdul Razzaq CNIC 33100-0580449-3 2. Muhammad Ashfaq CNIC 33100-0586624-9 3. Perveen Akhtar CNiC 33100-0567133-8	1. S/o Fazal muhammad 2. S/o Abdul Razzaq 3. W/o Abdul Razzaq	8.513	-	-	8.513	-	-	2.08	2.08
2	M/s Smooth Pharmaceutical (Pvt) Ltd. 51-A, Canal View Housing Society, Multan Road, Lahore	1. Syed M.Shah Bukhari (deceased) CNIC 35202-8135999-3 2. Mr. Zulfiqar Ali CNIC 35202-0652047-1 3. Syed Hassan Raza Bukhari CNIC 35202-2738439-1	1. S/o Syed Abdul Sattar Bukhari 2. S/o Syed M. Shah Bukhari 3. S/o Syed M. Shah Bukhari	0.229	-	-	0.229	-	-	0.946	0.946
3	M/s Jan Sons Book Seller Qissa Khawani Bazar, Peshawar	Mr. Sajjad Gul CNIC 17301-1680806-7	S/o Jan Muhammad	1.325	0.278	-	1.603	-	0.064	0.682	0.746
4	M/s Information Edge Flat No.230, 2nd Floor, Gul Haji Plaza, University Road, Peshawar.	Azhar Kamal CNIC 135-88-163176 Pervez Mehmood (Deceased) CNIC 135-55-227621 Nasreen Bano CNIC 135-55-099644	S/o Muhammad Younas S/o Fazal Mehmood W/o Abdul Salaam	-	0.066	-	0.066	-	-	0.671	0.671
5	M/s Asmin CNG Budhni Pul Charsadda Road Peshawar	Ajmal Khan CNIC 17301-1478166-7	S/o Naseeb Khan	0.566	0.868	-	1.434	-	0.813	-	0.813
6	M/s Asim Et Co. Budhni Pul Charsadda Road Peshawar	Ajmal Khan CNIC 17301-1478166-7	S/o Naseeb Khan	1.699	0.95	-	2.649	-	0.8	-	0.8

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

1. Particulars of investments held in ordinary shares of listed companies	2016		2015	
	Number of shares		Cost Rupees in '000	
Available for sale				
AL-Ghazi Tractors Ltd	-	18,100	-	8,029
Allied Bank Limited	150,000	300,000	16,736	33,473
Askari Bank Limited	-	1,000,000	-	23,528
Attock Cement Pak Limited	-	300,000	-	64,366
Attock Petroleum Limited	100,000	125,000	56,801	71,002
Atlas Battery Ltd	25,000	73,950	21,961	64,960
Bank Al-Habib Limited	2,500,000	2,500,000	67,039	67,039
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
Cherat Cement Pak Ltd	-	250,000	-	23,589
Colony Sarhad Textile Mills Limited	7,273	7,273	3	3
Century Paper and Board Mills Ltd	200,000	752,000	13,511	50,801
DG Khan Cement Co.Ltd	-	175,000	-	24,645
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
Engro Chemical Pakistan Limited	-	75,000	-	20,790
EFU General	731,075	1,000,000	74,271	125,720
Engro Fertilizer Ltd	-	225,000	-	18,430
First Dawood Inv Bank Ltd	16,768,444	16,911,944	139,724	140,920
Fauji Cement Company Ltd	-	1,600,000	-	57,718
Fauji Fertilizer Company Limited	210,000	360,000	29,030	46,268
Glaxos Laboratories Pakistan Limited	24,700	-	5,733	-
Globe Textile Mills Limited	1,458	1,458	23	23
Habib Metropolitan Bank Limited	1,200,000	1,200,000	25,355	25,355
Hafiz Textile Mills Limited	315	315	5	5
ICI Pakistan Limited	90,000	140,000	44,785	69,666
Kot Addu Power Company Limited	500,000	500,000	43,047	43,047
Lotte Chemical	-	1,100,000	-	9,349
Lucky Cement Limitd	-	50,000	-	24,500
Meezan Bank	-	149,000	-	6,674
National Bank of Pakistan	-	250,000	-	13,730
Nishat Mills Ltd	-	500,000	-	56,478
OGDC	-	225,000	-	49,877
Packages Ltd	70,000	100,000	42,137	60,196
Pakistan Oil fields Limited	-	185,000	-	81,669
Pakistan Petroleum Limited	-	355,000	-	55,570
Pak Suzuki Motors Co Ltd	-	200,000	-	90,403
Sardar Chemical Industries Limited	3,000	3,000	5	5
Searle Pakistan Limited	169,950	193,500	36,593	51,926
Service Industries Limited	15,000	15,000	4,078	4,078
Shell Pak Ltd	-	100,000	-	26,653
Siemens Pakistan Engineering Company Limited	10,000	10,000	9,755	9,755
Sui Southeren Gas Co. Ltd	-	1,000,000	-	39,291
Syed Match Company Limited	500	500	7	7
Taj Textile Mills Limited	32,363	32,363	12	12
Trust Inv Bank Ltd	7,500,000	7,500,000	75,000	75,000
Thal Limited	40,000	85,000	11,660	24,777
Treet Corporation Limited	100,000	200,000	6,393	12,785
United Bank Limited	500,000	975,000	90,499	176,473
Wyeth Pak Limited	-	6,417	-	21,616
			888,611	1,944,646

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

ANNEXURE 'C' (continued)

	2016	2015	2016	2015
	Number of shares		Cost Rupees in '000	
Held for Trading				
Lucky Cement Limited	-	85,000	-	44,216
Pakistan Telecommunication Company Limited	-	195,000	-	3,220
Sui Notheren Gas CO Ltd	-	200,000	-	6,089
			-	53,525
			888,611	1,998,171

The paid-up value of each share in listed companies was Rs. 10 per share (2015: Rs. 10 per share).

As at December 31, 2016, the aggregate market value of listed shares is Rs. 1,339.412 million (2015: Rs. 1,956.279 million).

	2016	2015	2016	2015
	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	20	0.2	0.2
			30,487	30,487

The paid-up value of each share in unlisted companies is Rs. 10 per share (2015: Rs. 10 per share).

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
			112,500	112,500

The paid-up value of each share in unlisted companies is Rs. 10 per share (2015: Rs. 10 per share).

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

ANNEXURE 'C' (Continued)

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

Available-for-sale	Terms of Interest	Date of Maturity	2016	2015	2016	2015
			Number of certificates held	Number of certificates held	Cost Rupees in '000	Cost Rupees in '000
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	27,548
Telecard Limited *	6 months KIBOR + 375 BPS	May 27, 2015	7,000	7,000	11,122	11,122
					<u>138,550</u>	<u>138,550</u>

The paid-up value of each TFC held was Rs. 5,000 per certificate (2015: Rs. 5,000 per certificate).

The market value of these listed TFCs amounted to Rs. 138.550 million as at December 31, 2016 (2015: Rs. 138.550 million).

These have been classified as non performing.

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

Available-for-sale	Terms of Interest	Date of Maturity	2016	2015	2016	2015
			Number of certificates held	Number of certificates held	Cost Rupees in '000	Cost Rupees in '000
Available for sale						
Bank Al-Falah Limited	Fixed at 15%	December 2, 2017	38,000	38,000	126,337	189,544
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	37,425	74,850
					<u>168,762</u>	<u>269,394</u>

The paid-up value of each TFC held was Rs. 5,000 per certificate (2015: Rs. 5,000 per certificate)

6. Particulars of investments held in units of mutual funds

	2016	2015	2016	2015
	Number of units held	Number of units held	Cost Rupees in '000	Cost Rupees in '000
Open-ended mutual funds				
Dawood Money Market Fund	-	4,194,990	-	290,237

The market value of these mutual funds NILL December 31, 2016 (2015: Rs. 290.237 million).

7. Particulars of investments held in Sukuks

Available-for-sale	Terms of Interest	Date of Maturity	2016	2015	2016	2015
			Number of certificates held	Number of certificates held	Cost Rupees in '000	Cost Rupees in '000
Al-Razi Health Care Limited	3 months KIBOR + 250 BPS	February 4, 2021	10,000	10,000	29,722	31,945
NJHPC - Sukuk	6 months KIBOR + 175 BPS	July 1, 2026	12,000	-	2,600,000	-
Liberty Power Tech Limited	3 months KIBOR + 300 BPS	Various dates latest by January 13, 2021	2,198,840	2,198,840	130,669	152,062
Quetta Textile Mill Ltd	6 months KIBOR + 150 BPS	June 26, 2019	20,000	20,000	48,413	49,655
Security Leasing Company Limited	Fixed at 0%	Over due	10,000	10,000	12,836	12,836
Sui Southern Gas Company	3 months KIBOR + 70 BPS	May 28, 2018	60,000	60,000	150,000	250,000
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	182,143	218,571
					<u>3,228,783</u>	<u>790,069</u>
Held to maturity						
WAPDA II	6 months KIBOR - 25 BPS	June 12, 2017	80,000	80,000	66,667	133,333
					<u>3,295,450</u>	<u>923,402</u>

The paid-up value of each Sukuk certificate held was Rs. 5,000 per certificate (2015: Rs. 5,000 per certificate).

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

Quality of available for sale securities

	2016			2015		
	Market Value / Cost	Rating	Credit Rating Agency	Market Value / Cost	Rating	Credit Rating Agency
	Rupees'000			Rupees'000		
Government Securities						
Market Treasury Bills	58,021,426	Unrated	-	42,552,338	Unrated	-
Pakistan Investment Bonds	66,013,453	Unrated	-	33,762,211	Unrated	-
Government of Pakistan Ijarah Sukuks	7,375,100	Unrated	-	2,500,000	Unrated	-
Ordinary shares in listed companies						
Accord Textile Limited	4	N/A	-	-	N/A	-
Allied Bank Limited	17,882	AA+	PACRA	28,278	AA+	PACRA
Alghazi Tractor	N/A	-	7,475	N/A	-	-
Al-Qaim Textile Mills Limited	5	N/A	-	5	N/A	-
Asim Textile Mills Limited	239	N/A	-	162	N/A	-
Askari Commercial Bank Limited	-	AA	JCR	21,740	AA	JCR
Attock Cement Co Limited	-	N/A	-	50,325	N/A	-
Attock Petroleum Limited	68,462	N/A	-	63,140	N/A	-
Atlas Battery Ltd	20,875	N/A	-	56,424	N/A	-
Bank Al-Habib Limited	147,475	AA+	PACRA	104,000	AA+	PACRA
Business & Industrial Insurance Company	5,000	N/A	-	5,000	N/A	-
Carvan East Fabrics Limited	9,487	N/A	-	9,487	N/A	-
Centuray Paper Board Ltd	12,410	N/A	-	38,495	N/A	-
Cherat Cement Pak Ltd	-	-	-	22,545	-	-
Colony Sarhad Textile Mills Limited	16	N/A	-	16	N/A	-
Data Agro Limited	45	N/A	-	-	N/A	-
DG KHAN Cement	-	-	-	26,159	-	-
Dawood Capital Management Limited	25,830	AM3-	PACRA	4,829	AM3-	PACRA
Dawood Equities Limited.	59,325	BB+	JCR	11,738	BB+	JCR
EFUG	110,392	AA+	PACRA	143,500	AA+	PACRA
Engro Fertilizer	-	AA-	PACRA	18,929	AA-	PACRA
Engro Chemicals Pakistan Limited	-	N/A	-	20,954	A	PACRA
Fateh Industries Limited	112	N/A	-	112	N/A	-
Fateh Sports Limited	85	-	-	-	-	-
First Dawood Inv Bank Ltd	200,258	-	-	-	22,493	-
Fauji Cement Company Ltd	-	-	-	58,912	-	-
Fauji Fertilizer Company Limited	21,918	AA	PACRA	42,473	N/A	-
Glaxos Laboratories Pakistan Limited	5,763	N/A	-	-	N/A	-
Globe Textile Mills Limited	23	N/A	-	13	N/A	-
Habib Metropolitan Bank Limited	44,400	AA+	PACRA	36,564	AA+	PACRA
Hafiz Textile Mills Limited	20	N/A	-	22	N/A	-
I.C.I. Pakistan Limited	89,436	N/A	-	67,763	N/A	-
Innovative Investment Bank Limited	3	N/A	-	-	N/A	-
Kot Addu Power Co. Limited	39,400	AA+	JCR	40,500	AA+	JCR
Lotte Chemical	-	-	-	-	7,150	-
Lucky Cement Limited	-	N/A	-	24,752	N/A	-
Meher Dastgir Textile Mills Limited	2	N/A	-	-	N/A	-
Meezan Bank Limited	6,817	AA	JCR	-	-	-
Morafo Industries Limited	18	N/A	-	-	N/A	-
National Bank of Pakistan	-	AAA	PACRA	13,510	AAA	PACRA
Nishat Mills Ltd	-	-	-	47,435	-	-
OGDC	-	-	-	26,402	-	-
Packages Ltd	59,504	-	-	58,211	-	-
Pakistan Oil Limited	-	N/A	-	49,584	N/A	-
Pakistan Petroleum Limited	-	N/A	-	43,243	N/A	-
Pakistan Suzuki Motors Co Ltd	-	N/A	-	99,060	N/A	-
Redco Textile Limited	200	N/A	-	-	N/A	-
Sardar Chemical Industries Limited	46	N/A	-	22	N/A	-

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

Sardar textile Mills Limited	16	N/A	-	-	-	-
Searle Pakistan Limited	111,117	N/A	-	76,574	N/A	-
Service Industries Limited	24,029	N/A	-	12,750	N/A	-
Services Fabrics Limited	24	N/A	-	-	N/A	-
Services Textile Industries Limited	34	N/A	-	-	N/A	-
Shell Pak Ltd	-	-	-	22,824	-	-
Siemens Pakistan Engineering Co. Limited	16,154	N/A	-	9,000	N/A	-
Sind Fine Textile Mills Limited	8	N/A	-	-	N/A	-
Syed Saigol Ind. Ltd.	7					
Sui Southern Gas Co Ltd	-	A+	PACRA	37,350	AA-	PACRA
Syed Match Company Limited	7	N/A	-	7	N/A	-
Taj Textile Mills Limited	13	N/A	-	13	N/A	-
Trust Inv BANK Ltd	103,050	-	-	93,000	-	-
Thall Limited	20,341	N/A	-	21,533	N/A	-
Treet Corporation Limited	6,538	AA-	JCR	12,592	AA-	JCR
Unicap Modaraba	11	N/A	-	-	N/A	-
United Bank Limited	119,450	AA+	JCR	151,076	AA+	JCR
Wyeth Pak Limited	-	N/A	-	14,887	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	77,158	A-	PACRA
Taurus Securities Limited	40,504	A	JCR	40,504	A	JCR

Term Finance Certificates – Listed

Pace Pakistan Limited	99,880	N/A	-	99,880	N/A	-
Saudi Pak Leasing Limited	27,548	N/A	-	27,548	N/A	-
Telecard Limited	11,122	N/A	-	11,122	N/A	-

Term Finance Certificates – Unlisted

Bank Al-Falah Limited	126,337	AA-	PACRA	189,544	AA-	PACRA
Dewan Farooq Spinning Mills Limited	5,000	N/A	-	5,000	N/A	-
Faysal Bank Limited	37,425	AA-	JCR	74,850	AA-	JCR

Open ended mutual funds

Dawood Money Market Fund	-		PACRA	290,237		PACRA
--------------------------	---	--	-------	---------	--	-------

Sukuk certificates

Quetta Textile Mills Limited	48,413	N/A	-	49,655	N/A	-
Liberty Power Tech Limited	130,669	A+	PACRA	152,061	A+	PACRA
Security Leasing Sukuk	12,836	N/A	-	12,836	N/A	-
NJHPC – Sukuk	2,600,000	N/A	-	-	N/A	-
Three Star Hoisery	75,000	N/A	-	75,000	N/A	-
Al Razi Health Care	29,722	N/A	-	31,944	N/A	-
SSGC SUKUK	150,000	N/A	-	250,000	N/A	-
WAPDA III	182,143	N/A	-	218,571	N/A	-
WAPDA – II	66,667	N/A	-	133,333	N/A	-

Preference shares

Saudi Pak Leasing	195,000	N/A	-	195,000	N/A	-
-------------------	---------	-----	---	---------	-----	---

PATTERN OF SHAREHOLDING AS ON DECEMBER 31, 2016

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
871	1	100	37089	0.0037
10018	101	500	1832852	0.1832
15653	501	1000	14225503	1.422
2567	1001	5000	5405017	0.5403
180	5001	10000	1291861	0.1291
52	10001	15000	628880	0.0629
42	15001	20000	706256	0.0706
18	20001	25000	401102	0.0401
7	25001	30000	192949	0.0193
5	30001	35000	166861	0.0167
2	35001	40000	73321	0.0073
3	40001	45000	126234	0.0126
7	45001	50000	341941	0.0342
5	50001	55000	270792	0.0271
2	55001	60000	114877	0.0115
1	60001	65000	62268	0.0062
1	65001	70000	67692	0.0068
1	70001	75000	73000	0.0073
4	75001	80000	314881	0.0315
2	80001	85000	166454	0.0166
1	90001	95000	94157	0.0094
1	100001	105000	101500	0.0101
1	105001	110000	109400	0.0109
1	135001	140000	136760	0.0137
2	150001	155000	302997	0.0303
1	170001	175000	170426	0.0170
1	180001	185000	185000	0.0185
1	195001	200000	196173	0.0196
1	240001	245000	243130	0.0243
1	275001	280000	278840	0.0279
1	695001	700000	700000	0.0700
1	1075001	1080000	1075172	0.1075
1	2805001	2810000	2809315	0.2808
1	4370001	4375000	4370332	0.4369
1	19250001	19255000	19250871	1.9244
1	241635001	241640000	241639031	24.1549
1	702205001	702210000	702208233	70.1948
29459		Company Total	1000371167	100.0000

CATEGORY OF SHAREHOLDERS

As of 31.12.2016

	No of shareholders	Shares Held	Percentage
Directors, CEO & Children	4	58,624	0.00
Associated Companies	1	241,639,031	24.16
Banks, DFI & NBF	5	61,325	0.00
Insurance Companies	2	18,234	0.00
Modarabas & Mutual Funds	1	15,195	0.00
General Public (Local)	29,361	47,264,668	4.73
General Public (Foreign)	40	158,132	0.02
Others	42	4,499,893	0.45
Government of Khyber Pakhtunkhwa	1	702,208,233	70.19
Foreign Companies	2	4,447,832	0.45
Total	29,459	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
Rashid Ali Khan	10,000

Shareholding of Banks, DFI & NBF

Pakistan Industrial & Commercial Leasing Ltd.	2,431
Soneri Bank Limited	15,279
Pakistan Industrial & Comm. Leasing Ltd.	21,881
Pakistan Industrial and Commercial Leasing Ltd.	10,500
Escorts Investment Bank Limited	11,234

Shareholding of Insurance Companies

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
-----------------------------	--------

Major Shareholders

Government of Khyber Pakhtunkhwa	702,208,233
Ismail Industries Ltd.	241,639,031

THE BANK OF KHYBER BRANCH NETWORK

S. No.	Branch Name	Address	Branch Code	Branch Mode	Phone Number	Fax Number	ATM
PROVINCE KHYBER PAKHTUNKHWA (86 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	Yes
3	Bannu Branch	Outside Lakki Gate Bannu	0103	Islamic	0928-613394, 612202	0928-620039	Yes
4	Batagram	Khasra No.3149/971, Haji Nazir Plaza, Shahrah-e-Qaraqurum, Batagram	0134	Islamic	0997-310154-5	0997-310156	No
5	Bathkela Branch	Near Government High School, Main Bazar, Bathkela	0108	Islamic	0932-414851 - 3	0932-414853	Yes
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	Yes
8	Chitral Chew Bazar,	Shop No.1-4, Qazafi Market, Chew Bazar, Chitral	0137	Islamic	0943-414571-2	0943-414573	Yes
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	Yes
11	Dargai Branch	Amin Plaza, Main Bazar, Dargai.	0136	Islamic	0932-331447-8	0936-331449	Yes
12	Hangu Branch	Opposite DCO Office, Main Bazar, Kohat Road Hangu	0107	Islamic	0925-620744	0925-623744	Yes
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	Yes
16	Kambur, Lower Dir	City Market, Main Road, Kambur, Lower Dir	0144	Islamic	0945-885322	0945-886322	Yes
17	Karak Branch	Khasra No. 1327/1364, Mian Muqadess Gul Market, Main Bazar, Karak	0049	Conventional	0927-211810 & 2	0997-211813	No
18	Khwaza Khela, Swat	Irfan Plaza, Main Bazaar, Khwaza Khela, Swat	0143	Islamic	0946-744661-64	0946-744662	Yes
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	Yes
21	Mansehra, Abbottabad Road	Main Bazar, Opposite GTS Stand Mansehra.	0117	Islamic	0997-920181 & 4	0997-920182	Yes
22	Mansehra, Shahrah-e-Resham	Opposite Grid Station, Near Pakhwal Chowk, Shakra-e-Resham, Mansehra.	0122	Islamic	0997-303271, 303273, 0997-303272		Yes
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	Yes
24	Mardan, Chamber House	Grund floor, Chamber House, Aiwan-e-Sanat-o-Tijarat Road, Collage Chowk, 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	No
26	Mingora, Saidu Sharif Road	Basement & Ground Floor, Yousaf Plaza, Khasra No.318, Makan Bagh, Saidu Sharif Road, 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	Yes
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	Yes
36	Peshawar, KTH Branch	Khyber Teaching Hospital (University Road) Peshawar	0121	Islamic	091-9218016	091-9218016	No
37	Peshawar, Main Corporate Branch	Shop No. 1 to 6 (Ground Floor) and Office No. 1 to 3 (First Floor), Olympic Plaza, Qayyum Stadium, Bara Road, 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	Yes
41	Serai Naurang Branch	Khasra No 438, Sahibzada Kabir Plaza GT Road, Serai Naurang, Lakki Marwat	0127	Islamic	0969-352963	0969-352964	No
42	Shabqadar	Khasra No.4244/159-162, Opposite Shabqadar Fort Gate, Shabqadar	0145	Islamic	091-6281101-2	091-6289333	Yes
43	Swabi Branch	Jamil Khan Market, Mardan Road, Swabi	0118	Islamic	0938-222513, 223423	0938-222512	No
44	Swari Branch (Buner)	Nisar Market, Pir Paba Road, Swari, Buner	0131	Islamic	0939-555289, 555279	0939-555229	No
45	Tank Branch	Adda Bazar, Tank	0106	Islamic	0963-510068	0963-510400	No

THE BANK OF KHYBER BRANCH NETWORK

S. No.	Branch Name	Address	Branch Code	Branch Mode	Phone Number	Fax Number	ATM
46	Thall, Main Bazar	Al-Murtaza Market, Bannu Chowk, Main Bazar Thall District Hangu	0130	Islamic	0925-510740, 511741	0925-511741	No
47	Timergara Branch	Shaheed Plaza, Alam Zeb Shaheed Chowk, Timergara	0105	Islamic	0945-9250232, 822090	0945-9250232,822690	Yes
48	Topi Branch	Sher Khan Market, Main Bazar, Tarbela Road, Topi, Distt Swabi.	0135	Islamic	0938271546-8	0938-271547	Yes
49	Upper Dir	Main Bazar , Upper Dir	0126	Islamic	0944-890021	0944-890022	No
50	Peshawar, Shami Road	Shop No.6-10, Garrison Park, Shami Road, Peshawar	0068	Conventional	091-5270270-71	091-5613913	Yes
51	Saleh Khan (Pubbi)	Khasra No.1698183, Main Bazar, Moza Saleh Khana, Tehsil Pubbi, Nowshera	0147	Islamic	0823-651094-5	0923-651091	Yes
52	Peshawar, Chowk Nasir Khan	Al-Rehmat Plaza, Property No. CB/637/2027/755 Et CB/637/2028/754/F-1 F-2, Ground Floor, Peepal Mandi, Chowk Nasir Khan, Peshawar.	0154	Islamic	091-8592015	091-2592014	Yes
53	Peshawar, Dalazak Road	Nawaz Plaza, Taxation No. 4988 to 5008, Ground Floor, Dalazak Road, Peshawar.	0073	Conventional		091-2608216, 2608217,091-2608218	Yes
54	Chakdara	Shop No.1 to 10, Zaman Market, Adjacent UBL Et NBP, Main Bazar, Chakdara (Lower Dir)	0149	Islamic	0945-762532-3	0945-762534	Yes
55	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	091-2322815, 2325223, 2325225	091-2322715	Yes
56	Jehangira	Ground Et 1st Floor, Behram Khan Centre, G.T. Road, Jehangira (Nowshera)	0151	Islamic	0923-510056	0923-510045	Yes
57	Takht Bhai	Khasra No.785, Shaukat Mansion, Ground Et 1st Floor, Opposite Takht Bhai Mega Market, Takht Bhai, Mardan	0150	Islamic	0937-553682, 553684	0937-553683	Yes
58	Pabbi, G.T.Road	Ajun Market, G.T.Road, Pabbi (District Nowshera)	0159	Islamic	0931-527071-527073-527075		Yes
59	GulBahar Branch, Peshawar.	Plot # 4-A Et 4-B, Sameer Square, Anam Sanam Chowk, Gulbahar Road, Hussainabad, Peshawar	0156	Islamic	091-2606391, 2606393-4		Yes
60	Tangi Branch, Charsadda.	Khasra No. 1633, Malak Plaza, Sabqadar Road, Tangi,(District Charsadda)	0158	Islamic	091-6555527-8, 6555530		Yes
61	Barikot Swat	Khasra No. 1333, Iqbal Khan Plaza, Pir Baba Road, Barikot Swat	0157	Islamic	0946-751781-2		Yes
62	Shangla	Islamic Banking Branch at Khasra No.1283, 84 Et 86, Munir Plaza, Adjacent MCB, Basement Et Ground Floor, Besham Road, Alपुरi District Shangla.	0160	Islamic		0996-850140-1	Yes
63	Wari Dir	Ittehad Plaza, Lower basement and Ground floor,Wari Bazaar, Dir Chitral Road, Upper Dir.	0161	Islamic	*0944-841511	0944-841611, 0944-841711 (Fax)	Yes
64	Charsadda Road Branch, Peshawar.	Khasra No. 1615/832, Adjacent Khayali CNG Station, Shero Jhangi, Charsadda Road, Peshawar.	0074	Conventional	*091-2246684-5	091-2246683 (Fax)	Yes
65	Manki Sharif Branch, Nowshera.	Malak Jammen Market, Soorya Khel, Manki Sharif, Tehsil Et District Nowshera.	0162	Islamic	0923-626071,0923-626072,0923-626074,0923-626073 (Fax)		Yes
66	Torghar	Quarter No.1, District Head Quarter Torghar Judba, District Torghar, KPK	0165	Islamic	*0997-209705	0997-209706	No
67	Achini Payan Branch, Peshawar.	Muhammad Arcade, Achini Payan, Ring Road near Hayatabad Peshawar.	0166	Islamic	091-5622545		Yes
68	D.I.Khan Road Branch, Bannu.	University Plaza , D.I.Khan Road, Bannu.	0075	Conventional	*0928-611172-5	0928-611174 (Fax)	Yes
69	Matta Branch	Malak Tahir Market, Mouza Main Bazar, Matta, Mingora, Swat.	0164	Islamic	*0946-790840,0946-790841	0946790842 (Fax)	Yes
70	Sheva Adda Swabi	Office No. 1 , Ground Floor, Sardar Khan Malak Plaza, Mardan Swabi Road, Sheva Adda , Swabi.	0168	Islamic	*0938-310703,0938-310704	938-310705 (Fax)	No
71	Umarzai Branch, Charsadda.	Khasra No. 4011/3485 Et 4012/3486, Major Saeed Khan Market, Main Bazar, Umarzai.	0078	Conventional	091-952506-07	091-952531 (Fax)	No
72	Sheikh Maltoon, Mardan	Shop No. 25,26,27,28,29 Et 31, Commercial Plaza Sector-E, Sheikh Maltoon Town, Mardan.	0079	Conventional	*0937-843111,0937-843222	0937-843225 (Fax)	No
73	Kabal, Swat	Khasra No. 2271, Ground Floor, Wahab Market, Kabal, Mingora Road, Swat.	0170	Islamic	*0946-755471, 0946-755473	0946-755472 (Fax)	No
74	Yar Hussain Branch	Akbar Building, intiqaal No. 3422, Main Bazar, Yar Hussain, Swabi.	0077	Conventional	*0938-460027,0938-460028	0938-460029 (Fax)	No
75	Munda, Lower Dir	Groud Floor, Habib Jan Market, Adjacent Tehsildar Office Munda, Munda Lower Dir.	0169	Islamic	*0945-830345,0945-830346	0945-530347 (Fax)	No
76	Shergarh, Mardan	Groud floor, Asghar Khan Market, Main Bazar, Shergarh, Mardan.	0080	Conventional	*0937-820436,0937-820434	0937-820437 (Fax)	No
77	Katlang, Mardan	Inteqal No. 5038, Imam Shah Market, Main Bazar, Tehsil Katlang, District Mardan	0081	Conventional	*0937-576005,0937-576006	0937-576004 (Fax)	No
78	Puran, Shangla	Khasra No.227, Aluch Bazar, Tehsil Puran, Distruct Shangla.	0174	Islamic	0996-853026		No
79	Lakki Marwat	Shop No.1, Haji Jan Khan Market, Lakki City, Lakki Marwat.	0173	Islamic	*0969-510059,0969-510359	0969-511059 (Fax)	No
80	Mall Road Branch, Peshawar	Office No.1, Ground Floor, Khanis Plaza, The Mall Road, Peshawar Cantt.	0172	Islamic	*091-5284212,091-5284214"	091-5284213 (Fax)	No
81	Hayatabad Phase-V, Peshawar.	Ground Floor. Plot No. 28, Sector B-1, Phase- V, Hayatabad Peshawar	0083	Conventional	091-5814820		No
82	Nathiagali Branch	Ground Floor, Hotel Ellites, Adjucent Civil Hospital, Nathiagali.	0171	Islamic	0992-355014-15	0992-355016 (Fax)	No
83	Sherkot, Kohat.	Khasra No. 315, Mujahid Et Brothers Market, Sherkot Tehsil Et District Kohat.	0082	Conventional	*0922-580111,0922-58088	0922-580666	No
84	Chamkani, Peshawar.	Khasra No.156 Et 157, Honey Market, Hidayatabad Chamkani, Peshawar.	0084	Conventional	091-2604922		No

THE BANK OF KHYBER BRANCH NETWORK

S. No.	Branch Name	Address	Branch Code	Branch Mode	Phone Number	Fax Number	ATM
85	Sakhakot Branch	Noor Market, Main Malakand Road, Sakhakot, District Malakand.	0176	Islamic	*0932-311410,0932-311411	0932-311413 (Fax)	No
86	Tehkal Payan, Peshawar.	Haji Nazar Mohammad Building, Tehkal Payan, University Road, Peshawar.	0178	Islamic	091-5621220	091-5621222 (Fax)	No
PROVINCE SINDH (12 BRANCHES)							
87	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	Yes
88	Karachi, Bahadurabad	Shop No.4 & Flat No.2, Survery No.SNCC/30, Qazi Court, Karachi Cooperative Housing Society, Bahadurabad, Karachi	0067	Conventional	021-34946751-2-4-5	021-34946753	Yes
89	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
90	Karachi, DHA, Phase-II	Plot No.69-C, 11th Commercial Building, DHA, Phase II, Karachi	0063	Conventional	021-35890171-4	021-35890175	Yes
91	Karachi, Metroville	KDA Scheme, Project No.1, Metroville, SITE, Karachi.	0123	Islamic	0213-6754233-4	021-36754236	Yes
92	Karachi, Shahrah-e-Faisal	Ebrahim Alibhai Tower, Shop No.02, Plot No.03, Block-7/8 Modern Cooperative Housing Society (MCHS), Shahrah-e-Faisal, Karachi	0024	Conventional	0213-4389037-8	021-34389039	Yes
93	Karachi, Shireen Jinnah Colony	Block-1, Clifton, Shireen Jinnah Colony Karachi	0034	Conventional	0213-5873264-5	021-35873267	Yes
94	Karachi, SITE	B-78, Allied Plaza Estate Avenue, S.I.T.E , Karachi	0109	Islamic	0213-2565102 & 4	021-32565105	Yes
95	Karachi, Sohrah 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 Plaza Scheme 33, Sohrah Goth, Super Market, Main Super Highway Karachi	0110	Islamic	021-36830070 & 2	021-36830067	Yes
96	Karachi, Stock Exchange Branch	1st Floor, Karachi Stock Exchange, Karachi	0036	Conventional	021-32465804 & 7	021-32465805	No
97	Sukkur	Property No.D-986, D-987, D-971, Hussaini Road, Sukkur	0058	Conventional	071-5617057-8-9	071-5617056	Yes
98	Karachi, Napier Road	Shop No.07 & Office No.117, Yousuf Trader Centre, Plot No.26, SR-7, Ground & 1st Floor, Napier Road, Karachi	0072	Conventional	021-32601371-2, 32601374-5	021-32601373	Yes
PROVINCE PUNJAB (34 BRANCHES)							
99	Attock City	Property No.B-V-99, Committee No.E-3, Railway Park Chowk, Attock City	0065	Conventional	057-2602378-9	057-2701378	Yes
100	Bahawalpur	Property No.1605/15, Circular Road, Library Chowk, Bahawalpur	0050	Conventional	062-2887533, 2887532	062-2887532	Yes
101	Chiniot	Khasra No.12104/9423, Ehsan Plaza, Shahrah-e-Quaid-e-Azam, Chiniot	0044	Conventional	047-6333394-6	047-6333397	Yes
102	D.G. Khan	Plot No.5, Dawood Plaza, Railway Road, Dera Ghazi Khan	0056	Conventional	0642-470871-4	0642-470875	Yes
103	Faisalabad, Kotwali Road	Opposite M.C. College, Kotwali Road Faisalabad	0116	Islamic	041-2412116-7-8	041-2412120	Yes
104	Faisalabad, Sosaan Road	Plot No.245-C, Ground & 1st Floor, Madina Town, Sosaan Road, Faisalabad	0038	Conventional	041-8556200-1-2	041-8556203	Yes
105	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	Yes
106	Gujranwala, G.T. Road	Property No.BXII-75-157, Bank Square, Main G. T. Road Gujranwala	0039	Conventional	055-3730917-8	055-3730918	Yes
107	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
108	Jhelum	225/226, Koh-i-Noor Plaza, Old GTS Road, Jhelum Cantt.	0042	Conventional	0544-9270164 & 6	0544-9270165	Yes
109	Khanewal	Property No.32, Paracha Hospital, Adjacent JS Bank, College Road, Khanewal	0060	Conventional	065-2556431-2	065-2556433	Yes
110	Lahore, New Gardan Town.	28-A, Ali Block, New Gardan Town Lahore.	0114	Islamic	042-36304873, 36367407	042-36307079	Yes
111	Lahore, DHA	Plot No.178, Block-Y, DHA, Lahore Cantt.	0052	Conventional	042-35741073 & 5	042-35741077	Yes
112	Lahore, Faysal Town	Plot No.811, Block C, Faysal Town, Lahore	0057	Conventional	042- 35160472, 35160474-8	042-35160473	Yes
113	Lahore, Johar Town	Block -R-1, M.A. Johar Town, Lahore	0031	Conventional	042-35316744-5	042-35316746	Yes
114	Lahore, M.M. Alam Road	Gulberg-III, M.M. Alam Road, Lahore	0023	Conventional	042-35872013, 35752038	042-35872013	Yes
115	Lahore, Ravi Road	Property No.82-84, Amarpak Building, Main Ravi Road, Lahore	0141	Islamic	042-37947581-2	042-37947583	Yes
116	Lahore, Shah Alam Gate	Shop #E/36, Alamgir Market, Inside Shah Alam Gate, Lahore.	0124	Islamic	042-37641834 & 6	042-37641837	Yes
117	Mian Channu	Property No.17/24, Shadab Market, G.T. Road, Mian Channu, District Khanewal	0061	Conventional	065-2661871-2	065-2661870	Yes
118	Multan, Abdali Road	Lower Ground, Khan Centre, Main Market, Abdali Road Multan Cantt.	0033	Conventional	061-4545139-40	061-4545143	Yes
119	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	Yes
120	Okara, Jinnah Road	Ground Floor & 1st Floor, Iftikhar Children Hospital, M.A. Jinnah Road, Okara	0140	Islamic	0442-511079-80	0442-511081	No
121	Rahim Yar Khan	Plot No.15, Opposite Town Hall, Model Town, Rahim Yar Khan	0051	Conventional	068-5870182-3	068-5870185	Yes
122	Rawalpindi, City Saddar Road	No.A/308- Jinnah Road (City Saddar Road) Rawalpindi	0030	Conventional	051-5540420 & 2, 5540486	051-5540482	Yes
123	Rawalpindi, Saddar	Adam Jee Road	0115	Islamic	051-5120194-7	051-5120198	Yes
124	Sadiqabad	Shop No.10, Masood Plaza, Bank Road, Sadiqabad	0059	Conventional	068-5801261-2-3	068-5801264	Yes
125	Sahiwal Branch	272/B-2 High Street, Sahiwal.	0045	Conventional	040-4222404, 4222448	040-4222403	Yes
126	Sargodha	63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha	0041	Conventional	048-3740892-3	0483-7408912	Yes

THE BANK OF KHYBER BRANCH NETWORK

S. No.	Branch Name	Address	Branch Code	Branch Mode	Phone Number	Fax Number	ATM
127	Sialkot Branch	Industrial Area, Shahabpura, Ugoki Road, Near Masjid Mohajirin, Sialkot	0032	Conventional	052-3559225 Et 7	052-3559224	Yes
128	Lahore, Badami Bagh	Plot No.119, Auto Market, Badami Bagh, Lahore	0069	Conventional	042-37731631-2-3	042-37731634	Yes
129	Jhang	Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road, Jhang	0070	Conventional	047-7622180-1, 7622183	047-7622182	Yes
130	Daska	Property No.8.9.90, Ground Et 1st Floor, Bank Road, Daska, Sialkot	0071	Conventional	052-6612324-6	052-6612327	Yes
131	Sheikupura	Khasra No.80, Adjacent Singer Branch, Sargodha Road, Sheikupura	0152	Islamic	056-3614182	056-3614184	Yes
132	Taxila	Gudwaal Plaza, Khewat No. 599, Khatooni No. 906-913, Ground Et 1st Floor, Main Bazaar, Taxila.	0153	Islamic	051-4545402-3	051-4545404	Yes
PROVINCE BALOCHISTAN (5 BRANCHES)							
133	Chaman Branch	Khasra No.451, Old Mahal 404, Abdali Bazar, Chaman	0120	Islamic	0826-614012, 614027	0826-614012	No
134	Quetta, Jinnah Road	Jinnah Road, Quetta.	0102	Islamic	081-2843203, 2822141	081-2829469	Yes
135	Quetta, Shahrah-e-Iqbal	Shop No.2-7/35, Khyber Plaza, Shahra-e-Iqbal (Qandhari Bazar) Quetta	0054	Conventional	081-2834950-55	081-2834952	Yes
136	Quetta, Sirki Road	Khasra No.1807/16, Kaasi Building, Ground Et 1st Floor, Sirki Road, Quetta.	0148	Islamic	081-2443637, 2447377	081-2447388	Yes
137	Zhob Branch	Shop No. C84-85, Main bazar, Thana Road Quetta, Zhob.	0177	Islamic	0822-412335		No
CAPITAL TERRITORY AREA (4 BRANCHES)							
138	Islamabad, Blue area	Zahoor Plaza, Blue Area, Islamabad.	0022	Conventional	051-2824691, 2826111	051-2271139	Yes
139	Islamabad, F-10 Markaz	Plot No.8, F-10 Markaz, Islamabad	0133	Islamic	051-2222994-5	051-222997	Yes
140	Islamabad, PWD Society	Plot No.786-G, Block-C, PWD Society, Islamabad	0055	Conventional	051-5170901-2 Et 4	051-5170903	Yes
141	Tarnol	Khasra No.781, Geo Madina Tower, Main G.T. Road, Tarnol	0146	Islamic	051-2226781-2	051-2226783	Yes
GILGIT BALTISTAN (1 BRANCH)							
142	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	Yes
FATA (05 Branch)							
143	Jamrud Road Branch	Adjacent Caltex Petrol Pump, Jamrud Bazar, Jamrud (Khyber Agency)	0125	Islamic	091-5602013, 5830147-8	091-5830149	Yes
144	Torkham	Ground Floor, Masoom Building, near PTDC and Tehsildar Office, Peshawar Torkham Road, Torkham.	0167	Islamic	0924-240044, 0924-240045	0924-240047 (Fax)	No
145	Parachinar	Shop No. 1 to 5 Ground Floor, Haji Safdar Market, School Road, Parachinar.	0076	Conventional	0926-312272, 0926-312273	0926-312275 (Fax)	No
146	Dara Adam Khel Branch	Ground floor, Nawab Shah Plaza Dara Bazaar Mohammad Zarghar Dara Adam Khel.	0175	Islamic	0922-811222	0922-811333	No
147	Khar Bajaur	Abid City Centre, Ground Floor, Lt.Sajjad Khan Shaheed Bypass Road Khar Bazaar, Bajaur Agency	0163	Islamic	0942-221263-4		No
AZAD JAMMU KASHMIR (3 BRANCHES)							
148	Kotli (AJ&K)	Commercial Property, Khasra No.579, Bank Road, Kotli	0064	Conventional	05826-448673-4-5	05826-448679	Yes
149	Mirpur Branch (AJ&K)	Plot No.3, Sector B/3, Allama Iqbal Road, Mirpur, Azad Jammu Kashmir	0035	Conventional	05827-447686-8	05827-447685	Yes
150	Muzaffar Abad (AJ&K)	Secretariat Road, Muzaffarabad, Azad Jammu Et Kashmir	0027	Conventional	05822-920492	05822-920499	Yes
SUB BRANCHES							
151	North West Hospital	North West Hospital, Phase-V, Hayatabad, Peshawar.		Conventional	(091)5822614-9(Ext-1950)		Yes
152	Provincial Assembly	Provincial Assembly, Peshawar, Khyber Pukhtunkhwa.		Conventional	(091) 5270592 03009178745		Yes

Province / Area	Conventional Branches	Islamic Branches	Total Number of Branches
KPK	31	55	86
Sindh	9	3	12
Punjab	24	10	34
Balochistan	1	4	5
Capital Area	3	1	4
FATA	1	4	5
Azad Jammu Et Kashmir	3	0	3
Gilgit Baltistan	1	0	1
Total	73	77	150

FOREIGN CORRESPONDENT BANKS

COUNTRY	NAME OF BANK	
		Bank of Jiangsu Co. Limited
		Bank of Shanghai Co. Limited
Afghanistan	Habib Bank Limited	The Bank of Tokyo Mitsubishi UFJ (China)
	National Bank of Pakistan	China Citic Bank Corporation Limited CNCB
American Samoa	ANZ Guam Inc	Commerzbank AG
		Industrial and Commercial Bank of China
Argentina	The Bank of Tokyo Mitsubishi UFJ Limited	Jiangsu Jiangnan Rural Commercial Bank Co. Limited
	Deutsche Bank SA	Jiangsu Zhangjiagang Rural Commercial Bank Co. Limited
Australia	Australia and New Zealand Banking Group Limited	Mizuho Bank (China) Limited
		QiLu Bank Co Limited
Bahrain	Al Baraka Islamic Bank BSC	Shengjing Bank
	Alubaf Arab International Bank B.S.C. (c)	The Bank of New York Mellon
	The Arab Investment Company	The Export Import Bank of China
	Bank Al Habib Limited	UniCredit SpA
	The Bank of Tokyo Mitsubishi UFJ Limited	Wells Fargo Bank NA
	Habib Bank Limited	Woori Bank (China) Limited
	United Bank Limited	Yantai Bank Company Limited
	Woori Bank	Zhejiang Nanxun Rural Commercial Bank Co Limited
Bangladesh	Habib Bank Limited	Zhejiang Pinghu Rural Cooperative Bank
	National Bank of Pakistan	Zhejiang Tailong Commercial Bank Co. Limited
	Social Islami Bank Limited	Zhejiang Xiaoshan Rural Cooperative Bank
	Woori Bank	
		Cook Islands
		Australia and New Zealand Banking Group Limited
		Czech Republic
Belgium	Commerzbank AG	Commerzbank AG
	Habib Bank Limited	UniCredit Bank Czech Republic and Slovakia as
	KBC Bank NV	
	The Bank of New York Mellon SA/NV	Denmark
		Danske Bank A/S
Brazil	Deutsche Bank SA – Banco Alemao	Sparekassen S jaelland
		Egypt
		Mashreqbank PSC
Cambodia	ANZ Royal Bank (Cambodia) Limited	Ethiopia
	Shinhan Khmer Bank Limited	Dashen Bank SC
		Fiji
		Australia and New Zealand Banking Group Limited
Canada	Deutsche Bank AG	Finland
	Habib Canadian Bank	Danske Bank A/S (Branch office, for Settlement)
		Danske Bank PLC
Cayman Islands	Commerzbank AG	Pohjola Bank PLC
	Deutsche Bank AG	
		France
Chile	The Bank of Tokyo Mitsubishi UFJ Limited	Commerzbank AG
	Deutsche Bank Chile	Credit Mutuel Arkea
		Habib Bank Limited
		Mizuho Bank Limited
China	Agricultural Development Bank of China	National Bank of Pakistan
	Australia and New Zealand (China) Company Limited	Union de Banques Arabes et Francaises (U.B.A.F)
	Bank of China Limited	

FOREIGN CORRESPONDENT BANKS

Germany	Australia and New Zealand Banking Group Limited Comdirect Bank AG Commerzbank AG Danske Bank A/S Deutsche Bank AG European Bank for Financial Services GmbH (ebase) National Bank of Pakistan Shinhan Bank Europe GmbH Sparkasse Westmunsterland The Bank of New York Mellon	Japan	The Bank of Tokyo Mitsubishi UFJ Limited Commerzbank AG Deutsche Bank AG Mizuho Bank Limited National Bank of Pakistan Shinhan Bank The Bank of New York Mellon Union de Banques Arabes et Francaises (U.B.A.F) Wells Fargo Bank NA Woori Bank
Gibraltar	Bank J Safra Sarasin (Gibraltar) Limited	Kenya	Habib Bank Limited
Greece	Attica Bank SA	Korea (South)	Australia and New Zealand Banking Group Limited The Bank of Tokyo Mitsubishi UFJ Limited Busan Bank Industrial Bank of Korea KB Kookmin Bank Korea Exchange Bank Mizuho Bank Limited 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
Hong Kong	ABN AMRO Bank NV Bank of America NA Commerzbank AG Habib Finance International Limited Mashreqbank PSC National Bank of Pakistan The Bank of New York Mellon Wells Fargo Bank NA Woori Bank	Kuwait	Mashreqbank PSC
Hungary	Commerzbank ZRT	Kyrgyzstan	National Bank of Pakistan
India	Australia and New Zealand Banking Group Limited The Bank of Tokyo Mitsubishi UFJ Limited Mashreqbank PSC Mizuho Bank Limited Shinhan Bank	Lebanon	Habib Bank Limited
Indonesia	The Bank of Tokyo Mitsubishi UFJ Limited PT Bank ANZ Indonesia PT Bank Woori Indonesia PT Pan Indonesia Bank TBK	Luxembourg	Commerzbank AG Danske Bank International SA The Bank of New York Mellon (Luxembourg) SA
Ireland	Danske Bank A/S	Macau	Banco Comercial Portugues SA
Italy Cooperativa	Banca Popolare dell'Emilia Romagna Società Banca Popolare Di Vicenza Società Per Azioni (SCPA) Banca UBAE SpA Banco di Desio e della Brianza SpA The Bank of Tokyo Mitsubishi UFJ Limited Commerzbank AG Mizuho Bank Limited The Bank of New York Mellon (Luxembourg) SA	Malaysia	Bank Al Habib Limited Bank of Tokyo Mitsubishi UFJ (Malaysia) Berhad CIMB Bank Berhad Citibank Berhad Mizuho Bank (Malaysia) Berhad
		Mauritius	Bank of Baroda

FOREIGN CORRESPONDENT BANKS

	The Mauritius Commercial Bank Limited	Qatar	Doha Bank Mashreqbank PSC United Bank Limited
Monaco	Banque J Safra Sarasin (Monaco) SA		
Netherlands	Commerzbank AG Deutsche Bank AG Habib Bank Limited ING Bank NV Intesa Sanpaolo SpA	Romania	UniCredit Tiriac Bank SA
		Russia	Commerzbank (Eurasija) SAO ZAO Danske Bank ZAO Woori Bank
New Zealand	ANZ Bank New Zealand Limited	Samoa	ANZ Bank (Samoa) Limited
Norway	Danske Bank A/S	Saudi Arabia	Bank Al-Jazira National Bank of Pakistan The National Commercial Bank Saudi Hollandi Bank
Oman	Bank Sohar SAOG Habib Bank Limited		
Pakistan	Al Baraka Bank (Pakistan) Limited Allied Bank Limited Askari Bank Limited Bank Al Habib Limited Bank Alfalah Limited The Bank of Punjab BankIslami Pakistan Limited Deutsche Bank AG Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited Industrial and Commercial Bank of China JS 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	Serbia	UniCredit Bank Serbia ad Beograd
		Seychelles	Bank Al Habib Limited
		Singapore	ABN AMRO Bank NV Australia and New Zealand Banking Group Limited The Bank of Tokyo Mitsubishi UFJ Limited Commerzbank AG Habib Bank Limited HSH Nordbank AG Mizuho Bank Limited PT Bank Mandiri (Persero) TBK Shinhan Bank The Bank of New York Mellon Union de Banques Arabes et Francaises (U.B.A.F) Wells Fargo Bank NA Woori Bank
		Slovakia	Commerzbank AG
		Slovenia	UniCredit Banka Slovenija dd
Papua New Guinea Limited	Australia and New Zealand Banking Group (PNG) Limited	Solomon Islands	Australia and New Zealand Banking Group Limited
		South Africa	HBZ Bank Limited
Philippines	Australia and New Zealand Banking Group Limited The Bank of Tokyo Mitsubishi UFJ Limited Mizuho Bank Limited	Spain	Banco Popular Espanol S.A Commerzbank AG NCG Banco SA
Poland	Danske Bank A/S	Sri Lanka	Habib Bank Limited Sampath Bank PLC

FOREIGN CORRESPONDENT BANKS

Sweden	Danske Bank A/S Svenska Handelsbanken AB (publ)		Mashreqbank PSC Mizuho Bank Limited Northern Bank Limited Shinhan Bank
Switzerland	Bank J Safra Sarasin Limited Habib Bank AG Zurich UBL (Switzerland) AG		Svenska Handelsbanken AB (publ) The Bank of New York Mellon United Bank UK Wells Fargo Bank NA Woori Bank
Taiwan	ANZ Bank (Taiwan) Limited The Bank of Tokyo Mitsubishi UFJ Limited Mizuho Bank Limited The Bank of New York Mellon Wells Fargo Bank NA	USA	Australia and New Zealand Banking Group Limited Branch Banking and Trust Company Commerzbank AG Deutsche Bank AG Deutsche Bank Trust Company Americas First Tennessee Bank National Association Golden Bank National Association HAB Bank (Habib American Bank) Habib Bank Limited Manufacturers and Traders Trust Company Mashreqbank PSC Mizuho Bank Limited 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
Thailand	The Bank of Tokyo Mitsubishi UFJ Limited Mizuho Bank Limited		
Timor-Leste	Australia and New Zealand Banking Group Limited		
Tonga	Australia and New Zealand Banking Group Limited		
Turkey	Akbank TAS Habib Bank Limited HSBC Bank AS		
UAE	Habib Bank AG Zurich Habib Bank Limited Mashreqbank PSC MCB Bank Limited United Bank Limited		
UK	Australia and New Zealand Banking Group Limited Bank J Safra Sarasin (Gibraltar) Limited Commerzbank AG Danske Bank A/S Habib Bank AG Zurich Habib Bank UK PLC Lloyds Bank PLC	Vanuatu	ANZ Bank (Vanuatu) Limited
		Vietnam	ANZ Bank (Vietnam) Limited Mizuho Bank Limited Shinhan Bank Vietnam Limited Woori Bank

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 26th
Annual General Meeting of the Bank to be held on Thursday, March 30, 2017 at 10:30 a.m. at Pearl Continental Hotel, Peshawar Cantt.
As witness my/our hand this _____ day of _____ 2017.

Signature on
Five-Rupees
Revenue Stamp

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. 1st Floor, 40-C, Block -6, P.E.C.H.S, Karachi -75400. 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.