

# ANNUAL REPORT 2018



*Passion to Move Ahead*







# ANNUAL REPORT

2018





iconic **BOK** Tower





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

# Contents



Vision & Mission .....	06
Financial Highlights 2018 .....	13
Corporate Information .....	14
Products & Services .....	16
Board of Directors .....	18
Managing Director Message .....	20
Management Team .....	26
Notice of Twenty Eighth Annual General Meeting .....	30
Chairman's Review Report .....	34
Directors' Report to the Shareholders .....	35
Statement of Compliance .....	44
Review Report on the Statement of Compliance .....	47
Statement of Internal Controls .....	48
Report of the Shariah Board .....	49
Independent Auditor's Report .....	55
Statement of Financial Position .....	62
Profit and Loss Account .....	63
Statement of Changes in Equity .....	65
Cash Flow Statement .....	66
Notes to the Financial Statements .....	67
Pattern of Shareholding .....	144
Category of Shareholders .....	145
Branch Network Details .....	146
Foreign Correspondent Banks .....	150
Form of Proxy .....	153







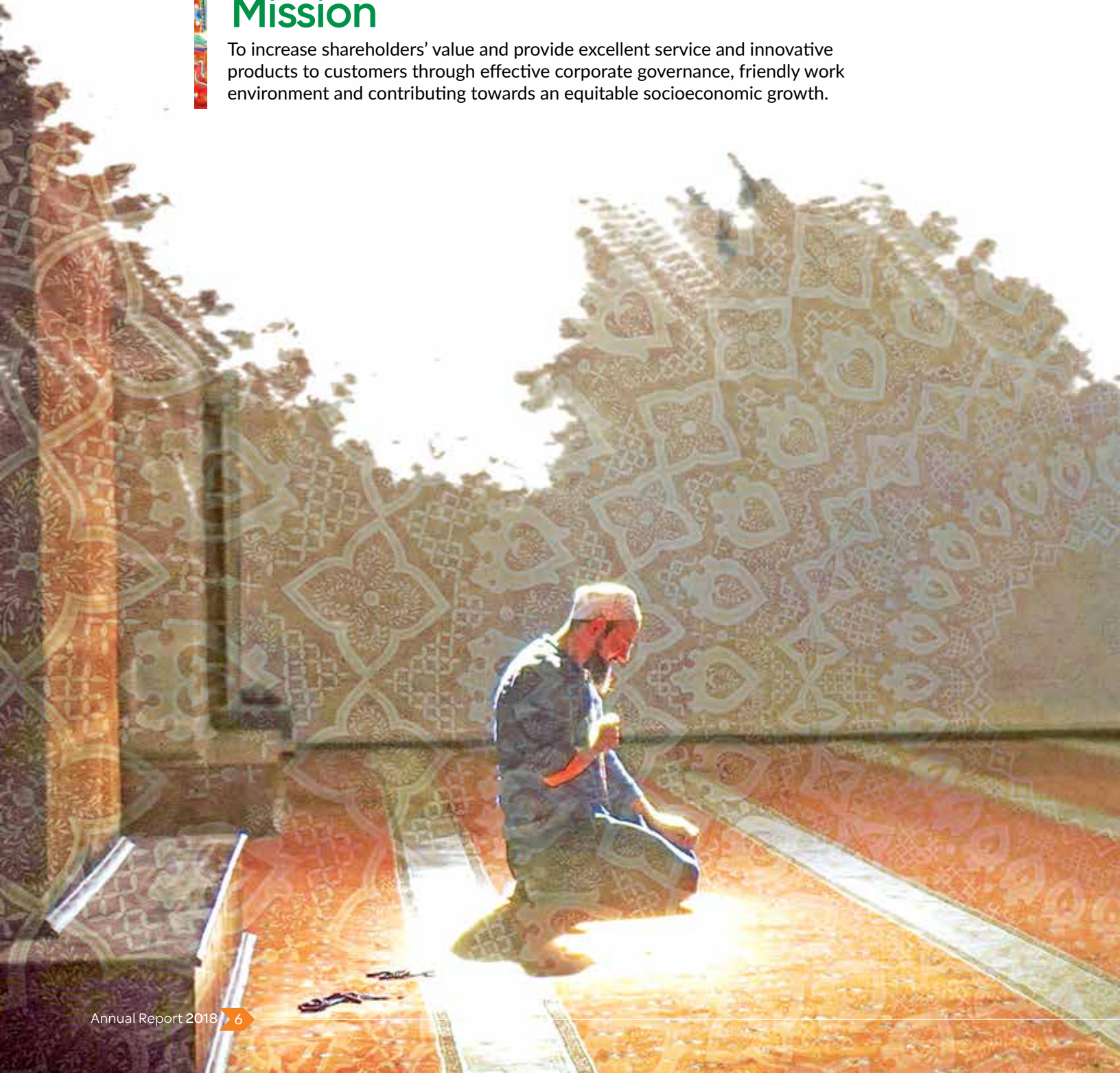


## Vision

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

## Mission

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

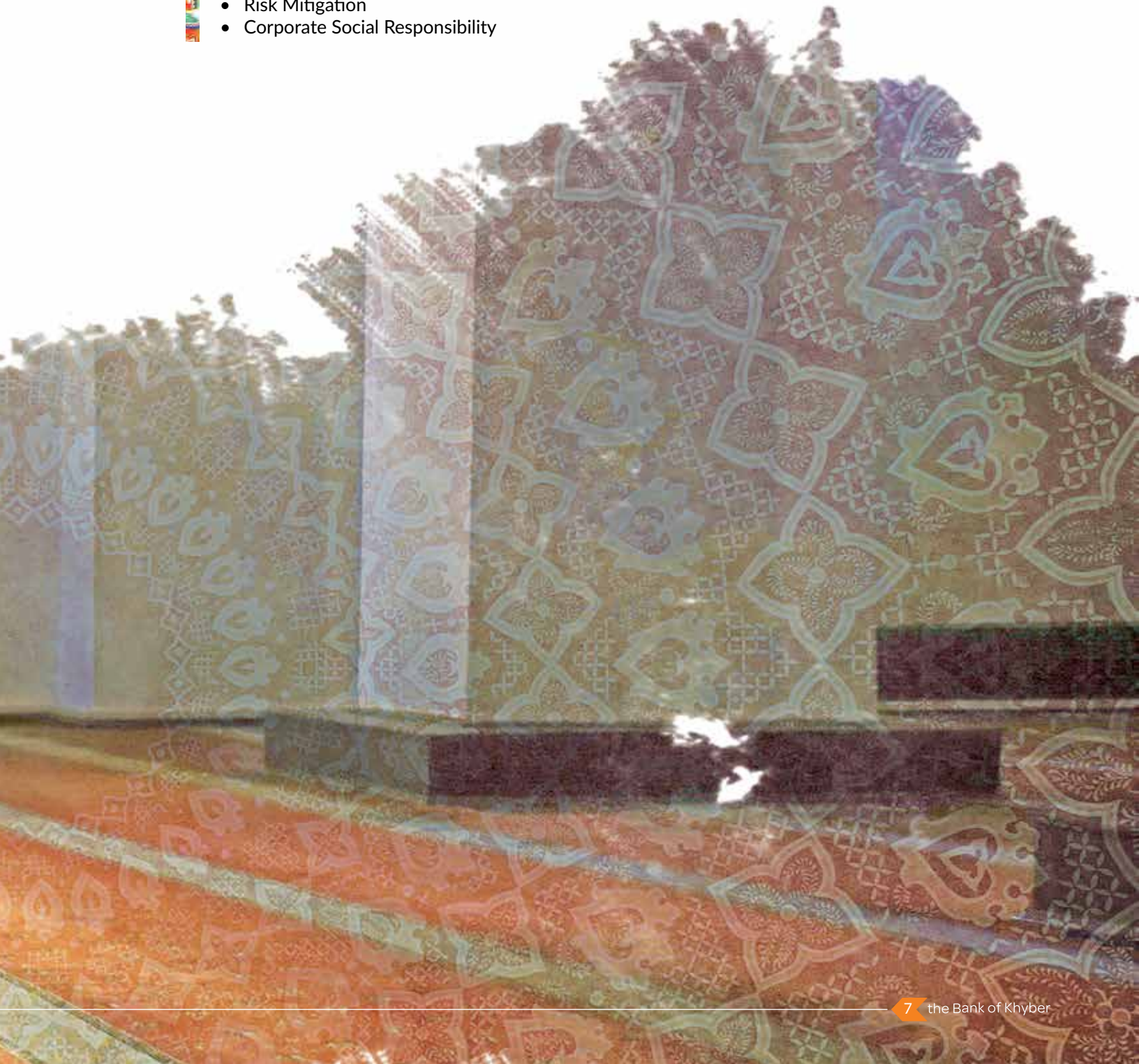






## Core Values

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







## BOK Taking Services to Another Level



**1991**  
THE BANK  
OF KHYBER  
ESTABLISHED



**A RATING**  
BANK BY  
JCR-VIS | PACRA



**SERVICES**  
ISLAMIC AND  
CONVENTIONAL  
BANKING



**RISING**  
PUBLIC SECTOR  
BANK OF THE  
COUNTRY



**MCR**  
SBP MCR  
COMPLIANT  
BANK



**169**  
BRANCHES  
NETWORK AND  
GROWING



**1300**  
Plus  
EMPLOYEES



**200 Plus**  
INTERNATIONAL  
CORRESPONDENTS

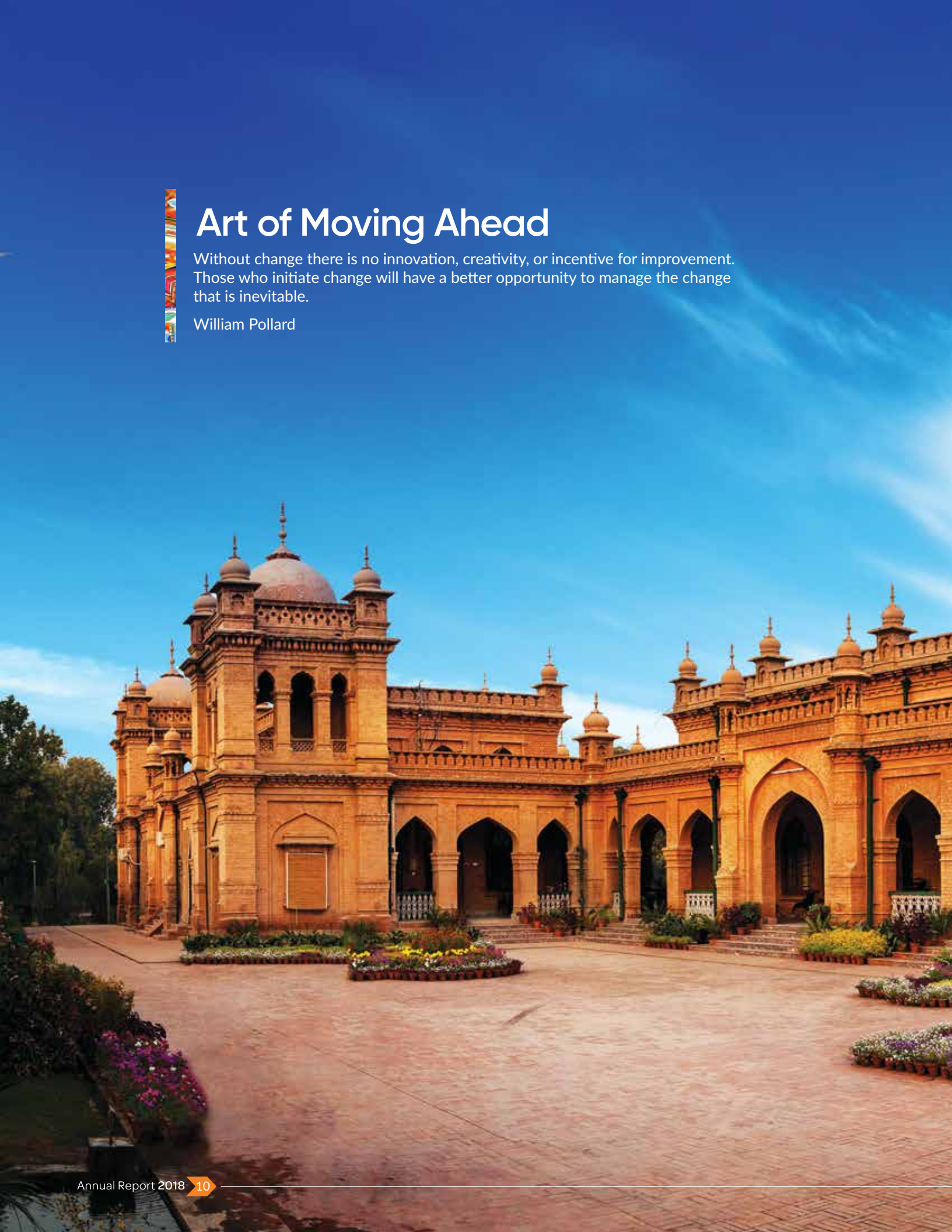




# Art of Moving Ahead

Without change there is no innovation, creativity, or incentive for improvement. Those who initiate change will have a better opportunity to manage the change that is inevitable.

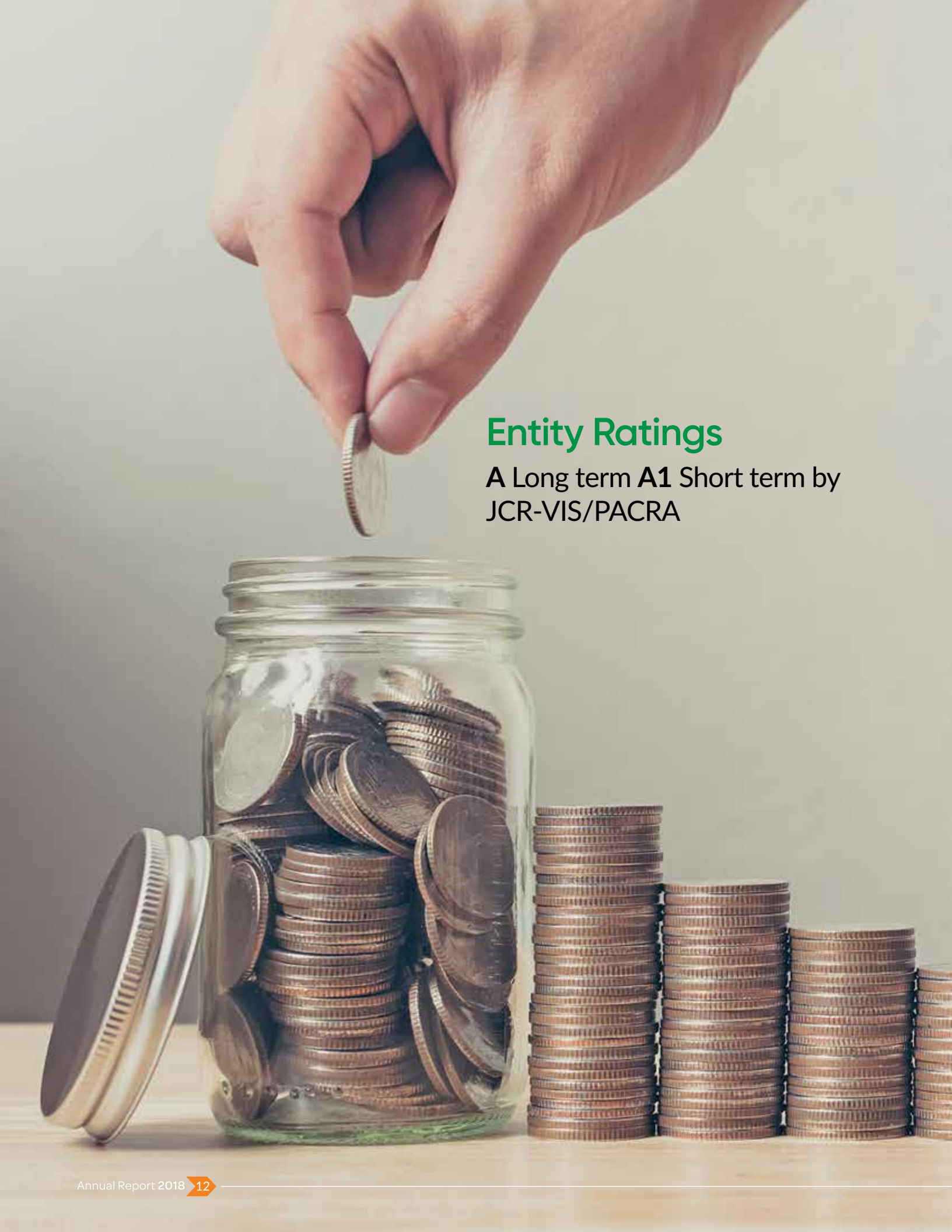
William Pollard











## Entity Ratings

A Long term A1 Short term by  
JCR-VIS/PACRA



# Financial Highlights 2018

(Rs. in Million)

Deposits	171,168	Capital and Reserves	13,809
Advances (net)	95,012	Profit before Tax	707
Investments	94,233	Profit after Taxation	466
Total Assets	223,095	Return on Equity	4%



# Corporate Information

## Board of Directors

Dr. Shahzad Khan Bangash  
Chairman / Non-Executive Director  
Shakeel Qadir Khan  
Non-Executive Director  
Maqsood Ismail Ahmad  
Non-Executive Director  
Asad Muhammad Iqbal  
Independent Director  
Javed Akhtar  
Independent Director  
Shaharyar Ahmad  
Independent Director

## Managing Director / CEO

Saif-ul-Islam

## Shariah Board

Mufti Muhammad Zahid  
Chairman Shariah Board  
Mufti Muhammad Ibrahim Essa  
Member Shariah Board  
Qazi Abdul Samad  
Resident Shariah Board Member

## Auditors

Grant Thornton Anjum Rahman  
Chartered Accountants

## Chief Financial Officer

Mahmood Ahmed Qureshi

## 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

## Registrar and Share Registration Office

THK Associates (Pvt) Ltd.  
1st Floor, 40-C, Block 6  
P.E.C.H.S, Karachi – 75400 Pakistan.  
Ph: (92-21) 111-000-322, Fax: (92-21) 34168271  
Email: secretariat@thk.com.pk  
Website: www.thk.com.pk

## Legal Advisors

Mr. Nisar Ahmed Khan, Advocate, Peshawar

M/s. Mohsin Tayebaly & Co., Karachi

## Contacts

PABX: (92-91) 111 95 95 95  
24/7 Call Centre: (92-21) 111 265 265  
Email: info@bok.com.pk  
Website: www.bok.com.pk

## Board Audit Committee

Asad Muhammad Iqbal  
Chairman  
Shakeel Qadir Khan  
Member  
Javed Akhtar  
Member  
Shaharyar Ahmad  
Member

## Board Human Resource & Remuneration Committee

Shaharyar Ahmad  
Chairman  
Maqsood Ismail Ahmad  
Member  
Asad Muhammad Iqbal  
Member  
The Managing Director  
Member

## Board Risk Management Committee

Maqsood Ismail Ahmad  
Chairman  
Javed Akhtar  
Member  
Shakeel Qadir Khan  
Member  
The Managing Director  
Member

## Board I.T Steering Committee

Shakeel Qadir Khan  
Chairman  
Shaharyar Ahmad  
Member  
Mr. Asad Muhammad Iqbal  
Member  
The Managing Director  
Member





# Products & Services

## Personal Banking

### Consumer Finance

- BOK Foree Car
- BOK Salary Sahara
- BOK Suhana Ghar
- BOK Roshan Ghar

### Deposit Products

- Kamal Current Account
- BOK Asaan Account
- BOK PLS Account
- BOK Special Deposit Account
- BOK FCY Premium Saving Account
- BOK Pensioner Account
- Bemisal Term Deposit
- Be-Baha Mahana Amdan
- Khyber Friendly scheme

### Microfinance

- Government Initiative Schemes

## BOK Services

- Saturday Nonstop Banking
- PRISM Transactions
- JCB Debit Card
- Online Branch Transaction
- Safe Deposit Lockers
- Home Remittances

## Business Banking

### SME Banking

- SE & ME Enterprises
- Term Financing
- Trade

### Investment Banking

### Corporate & Syndicate

## AGRI Finance

- Tractor Loan Scheme
- Sada Bahar Zarai Loan
- Livestock Scheme
- Dairy Storage Scheme
- Dairy Marketing Scheme
- Tube well Loan Scheme



# Raast Islamic Banking Products & Services

## Personal Banking

### Consumer Finance

- Raast Car Ijarah
- Raast Consumer Murabaha
- Raast Home Musharakah
- Raast Roshan Ghar

### Deposit Products

- Raast Current Account
- Raast Asaan Account
- Raast Saving Account
- Riba free Certificates

## Raast Islamic Banking Services

- PRISM Transactions
- JCB Debit Card
- Online Branch Transaction
- Safe Deposit Lockers
- Home Remittances
- Saturday Nonstop Banking

## Business Banking

### SME Banking

- Shariah Compliant financing facilities for Corporate and SME Sectors along with Trade services
- Diminishing Musharakah
- Ijarah Commercial
- Murabaha
- Istisna
- Salam
- Running Musharakah

## AGRI Finance

- Zarai Murabaha Scheme
- Zarai Ijara Scheme
- Istisnah



# Board of Directors



**Dr. Shahzad Khan Bangash**  
Chairman/Non Executive Director

Dr. Shahzad Khan Bangash is a senior civil servant with extensive national and international experience. Dr. Bangash has served on various positions abroad in United Nations Mission in Kosovo. Before appointment as Additional Chief Secretary, Government of Khyber Pakhtunkhwa, Dr. Bangash was Secretary Elementary & Secondary education.



**Shakeel Qadir**  
Non Executive Director

Mr. Shakeel Qadir Khan is a civil servant and presently, is heading the Finance Department, Government of Khyber Pakhtunkhwa. Prior to appointment as Secretary Finance, Mr. Shakeel Qadir Khan held position of Secretary, Home Department. He joined Civil Services in 1998 and has served on various important positions. Mr. Shakeel Qadir Khan holds Bachelor's of Engineering in Electronics from University of Engineering & Technology besides Post Graduate Diploma in Management from University of Surrey, UK and has also attended various national courses.



**Maqsood Ismail**  
Non Executive Director

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



**Asad Muhammad Iqbal**  
Independent Director

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



**Javed Akhtar**  
Independent Director

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



**Shaharyar Ahmad**  
Independent Director

Mr. Shaharyar Ahmad has been a professional banker for almost four decades with extensive national / international experience in Europe, the Middle East and Pakistan. Mr. Ahmad has remained President and Chief Executive of Askari Bank Limited and Pak-Kuwait Investment Company Ltd. besides holding senior positions in UBL and Prime Commercial Bank Ltd., National Commercial Bank (NCB), Saudi Arabia and Barclays Bank (Suisse) SA Geneva, Switzerland. Mr. Shaharyar Ahmad has also remained and is currently a Director on boards of several Financial and other commercial / educational institutions.



**Saif Ul Islam**  
Managing Director/CEO

Mr Saif Ul Islam is a MBA(E) in Banking & Finance and senior banking professional with multi facet experience of over four decades in the industry. He remained associated with Askari Bank as an Executive Vice President looking after Commercial and Retail Banking as Regional General Manager.

During his stint with Allied Bank he served as EVP/Group Head Commercial and Retail Bank, later on as SEVP / Group Chief Special Asset Management and Group Chief Operations. He has also served on the Board of 1-LINK and NIFT as a nominee Director.

He is an Associate of Institute of Bankers Pakistan, a certified Blue Ocean Strategist of INSEAD, Paris and has also attended various other domestic and international trainings and seminars organized by EUROMONY, LUMS, PIMS and NIBAF.



## Managing Director Message

Dear Stakeholders/Colleagues,

I was honored to be chosen by the Government of Khyber Pakhtunkhwa to lead The Bank of Khyber into the future as the Managing Director/CEO.

The year 2018 was tough year for the banking industry in Pakistan, full of macroeconomic instability, geo-political uncertainties and risks. A year of challenge and change in the political scenario of Pakistan, a smooth election process and transfer of power was seen as a positive economic indicator.

However, the sudden surge in the Discount Rate, PKR parity and the rising inflation impacted the banking industry in its core function of lending to the private sector. The slow down in economic activity could lead to lower advances demand in CY19.

Despite of adverse economic conditions and a challenging environment your bank has posted decent numbers during the year 2018, which was made possible due to the efforts of the dedicated team in the field, back offices and at the Head Office.

I take this opportunity to acknowledge the guidance of the Chairman and Board of Directors for their contributions and trust reposed in the team.

With the passion to move ahead, we pledge to meet and exceed the expectation of our shareowners, customers, employees and regulators.



**Saif Ul Islam**  
Managing Director





# Nationwide Branch Network





# Khyber Pakhtunkhwa









# Key Executives



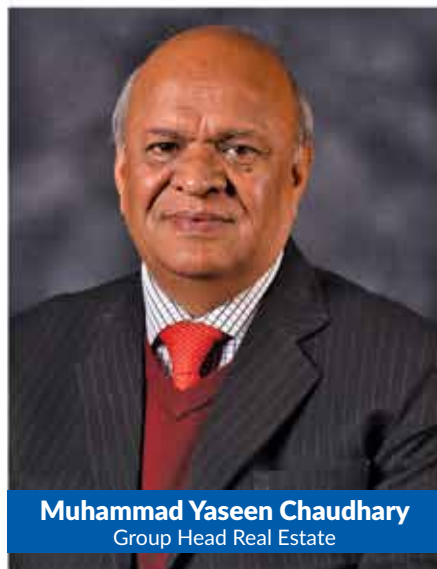
# Management Team



**Saif Ul Islam**  
Managing Director-CEO



**Muhammad Shahbaz Jameel**  
Group Head Corporate Banking



**Muhammad Yaseen Chaudhary**  
Group Head Real Estate



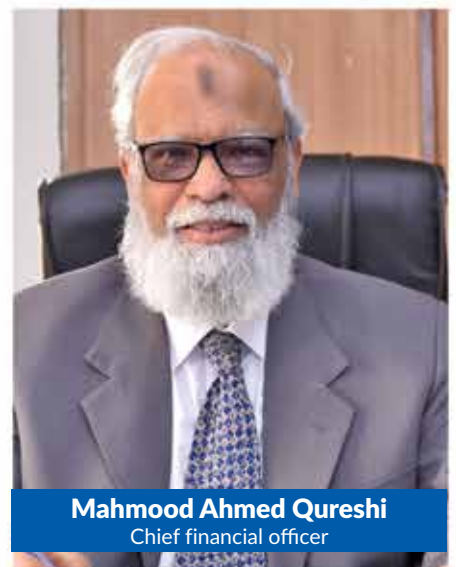
**Muhammad Atif Hanif**  
Group Head Islamic Banking



**Ihsan ullah Ihsan**  
Group Head Risk Management

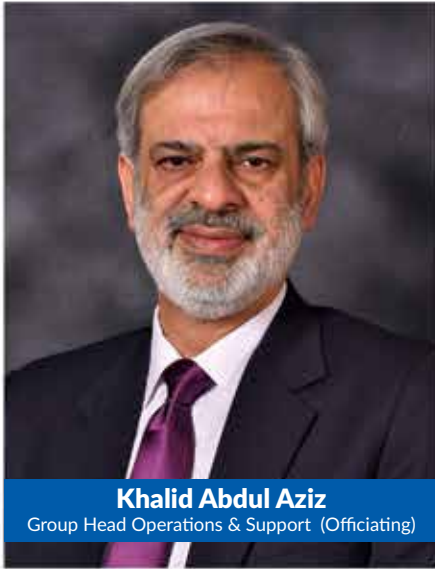


**Sher Muhammad**  
Group Head Human Resource

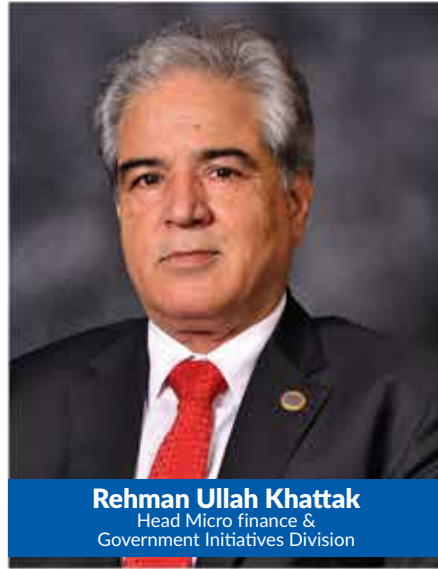


**Mahmood Ahmed Qureshi**  
Chief financial officer

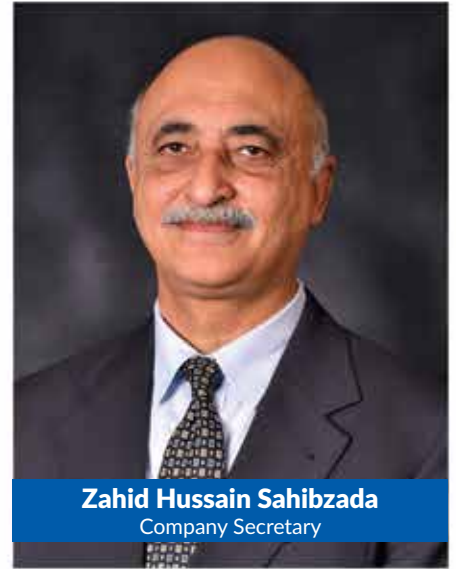




**Khalid Abdul Aziz**  
Group Head Operations & Support (Officiating)



**Rehman Ullah Khattak**  
Head Micro finance &  
Government Initiatives Division



**Zahid Hussain Sahibzada**  
Company Secretary



**Asif Naseem**  
Head Commercial & Retail Banking Division



**Muhammad Fawad Sadozai**  
Head Remedial Asset Management Division



**Azfar Latif**  
Head Information Technology



**Ali Shahryar Rizvi**  
Group Head -Treasury  
Investments & F.I. Group Officiating



**Mudassar Iqbal**  
Head Audit Division



**Arshad Nazir**  
Head Law Division



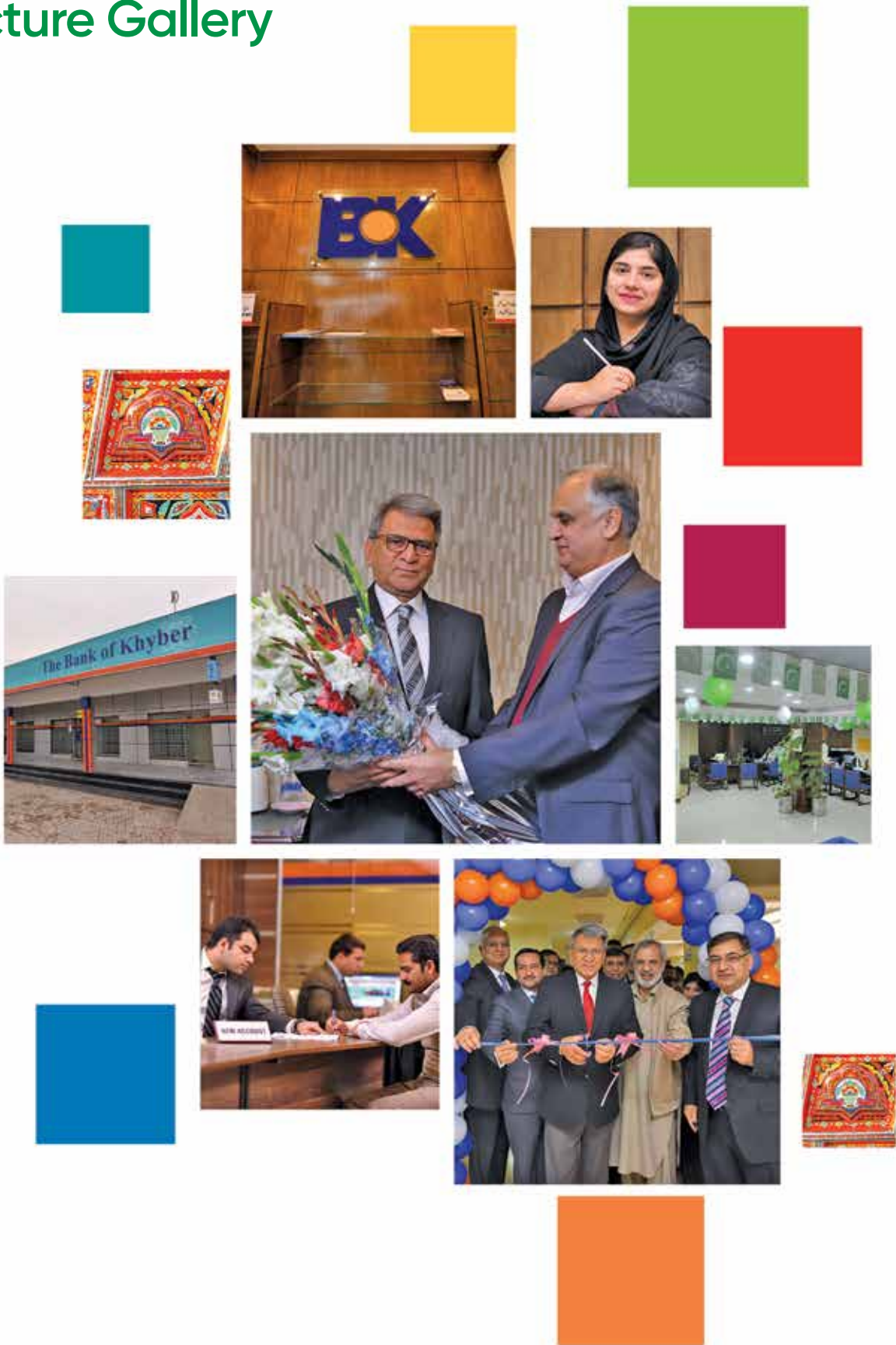
**Abid Hussain**  
Chief Compliance Officer Officiating



**Muhammad Hassan Tariq**  
Incharge Corporate  
Communication & Branding



# Picture Gallery









# Notice of Twenty Eighth Annual General Meeting

Notice is hereby given that the Twenty Eighth Annual General Meeting of the Shareholders of The Bank of Khyber will be held on Thursday, March 28, 2019 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 Extra Ordinary General Meeting (EOGM) held on June 1, 2018.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2018, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2019 and fix their remuneration. Bank's auditors Messrs. Grant Thornton Anjum Rahman, Chartered Accountants have completed their term of five years and are not eligible for reappointment. The Board of Directors on the recommendation of Board Audit Committee has proposed the name of Messrs. EY Ford Rhodes, Chartered Accountants for appointment as auditors for the year ending December 31, 2019.

## Other Business

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

By Order of the Board


Peshawar: March 7, 2019

**Zahid Sahibzada**  
Company Secretary





## Notes

- (i) Share Transfer Books of the Bank will remain closed from Friday, March 22, 2019 to Thursday, March 28, 2019 (both days inclusive). Transfers received in order at the office of our Share Registrar, M/s. THK Associates (Pvt) Limited, located at 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi – 75400 by the close of business on March 21, 2019 will be treated in time for the said purpose.
  - (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) Members are requested to promptly communicate any change in their addresses to our above-mentioned Share Registrar.
  - (viii) Form of Proxy, if required, should be signed on Rs.5/- Revenue Stamp.
- 









# Chairman's Review Report

I am pleased to present this report on the overall performance of the Board and effectiveness of the role played by the Board in achieving the Bank's objectives. The leadership and effectiveness of the Board are primarily the Chairman's responsibility. We, in the Board recognize the importance of, and are committed to, high standards of corporate governance, aligned with the needs of the Bank and the interests of all our stakeholders.

The Board of Directors of a company shall carry out its fiduciary duties with a sense of objective judgment and in good faith in the best interests of the company and its stakeholders. Accordingly, my fellow directors and I are fully aware of the role, responsibilities, applicable laws and regulations to effectively govern the affairs of the Bank. We fully appreciate the importance of sound governance in the efficient running of the Bank, and in particular to the effectiveness and independence of the Board and the management of risks being faced during the course of business.

The composition of the Board of Directors reflects mix of varied backgrounds and rich experience in the fields of Management, Business, IT and Banking. The Board provides strategic direction to the management and is available for guidance. The Board approves the budget and ensures that a competent and energetic team is in position to achieve the goals set. The Board ensures compliance of all regulatory requirements by the Management. The Board is ably assisted by its Committees viz. Audit Committee, Human Resource & Remuneration Committee, Risk Management Committee and IT Steering Committee.

As required under the Code of Corporate Governance, the Board has approved a formal process for its annual performance evaluation through an in-house mechanism based on Quantitative Technique with scored questionnaires. However, mandatory evaluation through external agency once in three years is being conducted through Pakistan Institute of Corporate Governance (PICG) in the year 2018. The exercise is on-going and expected to be completed in the first quarter of the current year.

In compliance to the Code of Corporate Governance, the Board has arranged Directors' Training Program for majority of its Directors so as to acquaint them with the regulations, applicable laws, their duties and responsibilities.

I take this opportunity to thank our stakeholders and customers for the trust they placed in the Board, the management team for its cooperation, the Board of Directors for their guidance and support and the employees for their sincere efforts throughout the year under review.



**Dr. Shahzad Khan Bangash**  
Chairman – Board of Directors

Peshawar: March 1, 2019





# Directors' Report to the Shareholders

## Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the 28th Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the financial year ended December 31, 2018.

## Financial Highlights

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

(Rs. in million)

<b>Operating Profit</b>	<b>878</b>
Reversal against non-performing advances, investments & others	(171)
Profit before taxation	707
Taxation	241
Profit after tax	466
Total Assets	223,095
Advances (Gross)	99,167
Investments (Net)	94,233
Deposits	171,168

## Economy Review

During the year 2018, Pakistan's economy remained under pressure. The rise in core inflation coupled with devaluation in rupee, against US dollar, in the domestic market made it difficult to take economic decisions freely. Incidentally, increasing trend in the discount rate during the year, gave rise to the manufacturing and transportation cost, resulting in price hike of all the commodities produced locally.

Moreover, our foreign exchange reserves eroded due to service of foreign debts and payments against import bills. However, stabilization measures taken by government, followed by steps taken to discourage imports, coupled with encouraging flow of foreign remittances, have served to reduce some economic uncertainties.

During the year under review, the SBP Policy Rate increased on a number of occasions and reached 10% in a bid to make borrowing expensive and apply brakes on the accelerating inflation in the country.


## Performance Review

The Bank of Khyber like other banks faced difficulties during the year 2018 due to increase in policy rate, which effected the overall banking industry. However, the Bank remained committed to providing efficient banking solutions to its customers through its technologically upgraded expanded branch network with enhanced risk management framework.

The Bank posted profit before tax of Rs.707 million as compared to Rs.2,795 million of the previous year. Accordingly, Profit after tax also decreased to Rs.466 million. The decrease is, mainly attributed to recording of loss on sale of securities.

The Net Mark-up / Interest Income after provisions increased by 7% and stood at Rs.5,143 million as compared to Rs.4,799 million in the corresponding period of 2017. Non-Markup / Interest Income excluding loss on sale of securities increased by 19%. During the year dividend income also reduced considerably.

An increase of 7% was recorded in Administrative Expenses which increased from Rs.3,775 million in 2017 to Rs.4,052 million in 2018. The increase is mainly due to opening of new branches, rent, renovation and staff salaries etc.



The total assets of the Bank decreased by 9% and reached Rs.223,095 million as compared to Rs.245,132 million at the year-end 2017. The decrease is attributed to reduction in Investment by 33% as the funds shifted to advances to augment core banking activities. An increase of 13% has been witnessed in the gross advances of the Bank which increased to Rs.99,166 million as compared to Rs.87,673 million of the previous year 2017. It was important to note that during the year, efforts were made to meet the financial needs of the Bank through low cost deposit mobilization. Accordingly, reliance on borrowings was reduced by 46% to save cost and to encourage cost effective channels.

The shareholders' equity with a slight decrease stood at Rs.13,809 million. Return on Assets (ROA) and Return on Equity (ROE) stood at 0.21% and 3.98% respectively.

On the liability side, the deposit base of the Bank witnessed consistent growth throughout the financial year 2018 and stood at Rs.171,168 million showing an increase of 7% over the year 2017. This deposit growth was mainly driven through new customer acquisition and deepening of the existing portfolio base. The Bank managed to reduce costly deposits and curtailed cost of funds.

The Bank at the end of the year under review, was operating with 169 branches and 3 sub-branches all over the country including Gilgit Baltistan, FATA and Azad Jammu & Kashmir. A total of 84 branches were functioning as dedicated Islamic Banking branches. Taking cognizance of the fact that the outreach of branch network has direct implications on the services, the Bank focused on concentrating and broadening its services through the extended branch network to provide efficient banking services to its valued customers. Efforts were made to offer better products and services in an efficient and professional manner.

## Future Outlook

In the year 2019, Pakistan would be entering into the second phase of China Pakistan Economic Corridor. This means that the government would focus on trade policies and industry development, moving on from infrastructure. Taking cognizance of the importance of the CPEC, different countries have shown their strong interest in investing in this multifaceted investment opportunity. Foreign investments are pouring in which will not only augment the investment climate but will pave the way for Pakistan to emerge as a key player in the region with massive growth in the near future.

The Bank being watchful of the economic conditions would focus on maintaining the growth momentum and asset quality. The cornerstone of Bank's philosophy would remain on improving service quality standards and providing state of the art banking services through leveraging technology and trained human resource. Efforts are also underway to target new market segments and to improve efficiency and productivity in Bank's overall performance.

The Bank would be focusing on enhancing revenue growth and profitability through cross selling various financial products, strengthening internal controls operational structure, capacity building, proficient customer services and optimizing branch banking platform. Emphasis will be on major cost rationalization initiatives through continuous improvement in automation and product innovations.

Further, more emphasis will be placed on increasing advances in all segments of economy with special focus on SME and agriculture sector to improve Bank's ADR and profitability.

The Bank is fully confident that the goals set for the ensuing year will be materialized and would contribute to working of the Bank.


## Risk Management Framework

The Bank emphasizes on maintaining high risk management standards to ensure that the risks being faced by the Bank are properly identified, assessed and appropriate mitigation tools are adopted keeping in view their nature and concentration. A robust governance structure exists at the Board and Management levels and comprehensive policies covering different risk areas including Credit, Market, Liquidity, Operational and Country Risks have been approved by the Board which provide guidance to the to the management in the conduct of business.

The Board has formed a specialized Board's Risk Management Committee ("BRMC") to oversee the risk management activities. The BRMC held regular meetings as per the given mandate and thoroughly reviewed primary risks including Credit, Market, Liquidity and Operational risks. In addition, the BRMC also took stock of other material items such as follow up and management of non-performing accounts, interest rate environment, and afforded guidance in the management of risk assets portfolio vis-à-vis capital. At the senior management level, the Bank has dedicated committees which include, inter-alia, the Head Office Credit Committees and Assets Liability Committee ("ALCO"). These committees discharge their responsibilities in accordance with their respective terms of reference.

Risk Management structure at the Bank has been founded in line with regulatory requirements and in line with banking practices. The structure fundamentally ensures to avoid conflict of interest amongst different functions and fosters better control environment. While the branches initiate business propositions for financing or investment and FI limits, the relevant support officials at the Head Office, conducts detailed analysis of these proposals before they are forwarded to Credit Risk Management Department for consideration. Credit Risk Department takes into account various factors such as borrowers' financial positions, industry dynamics and quality of collateral for evaluation and form the basis of onward recommendation to the approval authority.





Market and Liquidity risks are being looked after by the Market and Liquidity risk department where a reporting framework has been put in place for timely reporting to the ALCO members. The department is responsible for updation of Market Risk Management (MRM) Framework encompassing Asset Liability Management, Interest Rate Risk in Banking and Trading Book coupled with Treasury Investments and Equity portfolio monitoring against defined Risk tolerance limits.

Operational Risk is managed through a dedicated function within the risk management function with well defined framework. The function conducts Risk Control Self-Assessment (RCSA) workshops which assess documented process flows of various banking transactions taking place in day to day functioning of the Bank for inherent and residual risks. An Automated solution/software for Operational loss incident reporting is in place and can be accessed by every employee of the Bank for reporting of control breaches leading to losses. Operational Loss Data also helps the Bank in taking corrective measures for various control lapses identified in it.

The Bank continued to closely monitor market developments especially interest rate environment, and appropriately realigned business strategy to control downside on the bank's balance sheet. As a result of timely actions, the Bank remained fully compliant with regulatory requirements pertaining to capital adequacy and liquidity coverage as per Basel III guidelines. During the year, the Bank also reviewed Internal Capital Adequacy Assessment Process document as per guidelines of the State Bank of Pakistan.

## Internal Controls

An internal control system is designed to provide reasonable assurance that the company ensures compliance of policies, plans and laws, efficient use of resources, accomplishment of goals besides availability and integrity of financial and management information. The internal control system of the Bank is very comprehensive, effectively implemented and being monitored regularly. The Bank has increased its emphasis on control procedures to confirm that corporate policies are executed and corrections are applied as and when required.

## Board of Directors

The total number of Directors are seven (7) as per the following:

- i. Male: Seven (7)
- ii. Female : Nil

Appointment of a female director on the Board of the Bank is under consideration and in the year 2019 a suitable female director is expected to be inducted on the Board.

During the year 2018, details of Board and Board Committee meetings and their attendance by the Directors are as under:

S#	Directors	Board Meetings Total = 6	Audit Committee Total = 7	HR&R Committee Total = 5	Risk Management Committee Total = 6	IT Steering Committee Total = 5
1	Dr. Shahzad Khan Bangash Non-Executive Director	6	Non-Member	Non-Member	Non-Member	Non-Member
2	Mr. Shakeel Qadir Khan Non-Executive Director	6	7	Non-Member	2	2
3	Mr. Maqsood Ismail Ahmad Non-Executive Director	6	Non-Member	4	6	Non-Member
4	Mr. Asad Muhammad Iqbal Independent Director	6	7	4	Non-Member	5
5	Mr. Javed Akhtar Independent Director	6	7	Non-Member	6	Non-Member
6	Mr. Rashid Ali Khan * Independent Director	2	3	4	3	2
7	Mr. Shaharyar Ahmad ** Independent Director	6	7	1	Non-Member	3
8	Mr. Muhammad Shahbaz Jameel*** Executive Director	5	Non-Member	5	5	-
9	Mr. Saif-ul-Islam *** Executive Director	1	Non-Member	-	-	-

\* On completion of 3 years term, Mr. Rashid Ali Khan relinquished the office of Director on July 19, 2018.

\*\* Mr. Shaharyar Ahmad appointed member of the HR&R Committee after completion of term of Mr. Rashid Ali Khan.

\*\*\* Mr. Saif-ul-Islam took charge from Mr. Muhammad Shahbaz Jameel as Managing Director of the Bank on December 04, 2018.

## Directors' Training Program

In compliance with the Code of Corporate Governance, three Directors namely, Dr. Shahzad Khan Bangash, Mr. Shakeel Qadir Khan and Mr. Asad Muhammad Iqbal have already completed the Directors' Training Program through Pakistan Institute of Corporate Governance (PICG) however, Dr. Bangash certification is still awaited. Mr. Maqsood Ismail Ahmad has been granted exemption by Securities & Exchange Commission of Pakistan (SECP) on the basis of education and previous experience as Director of listed companies. Further, the Board has arranged Directors' Training Program for Mr. Shaharyar Ahmad during the year under review.

## Performance Evaluation

Third party evaluation of the Board and its committees was initiated during the year by engaging PICG for compliance to SBP BPRD Circular No. 11 of 2016. PICG sent evaluation links comprising questions with ranking scale to all directors. The exercise is on-going and expected to be completed in the first quarter of the current year.

The Bank has an in-house mechanism in place for annual evaluation of the Board's own performance and of its committees. The evaluation for the year 2018 shall be completed in the year 2019.

## Directors' Remuneration

The current remuneration of non-executive and independent directors had been approved by the shareholders in the 27th Annual General Meeting held on March 29, 2018. According to the approval, an amount of Rs.50,000/- per meeting (net of taxes) was approved for the non-executive and independent directors for attending Board and its committees' meetings. The draft of the Directors' Remuneration Policy has been prepared and to be presented in the Board meeting for review and approval.

## 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) respectively. Outlook on the assigned rating is "Stable".

The Pakistan Credit Rating Agency Limited (PACRA) has also maintained the long term and short term entity ratings of the Bank at "A" (Single A) and "A1" (A One). 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 entity, the Bank has always given due consideration to shoulder its social responsibilities. The Bank undertook several CSR initiatives in the areas of Education, Sports, Culture, Health Care, Woman Empowerment, Environment and Sanitation. Some of the activities during the year included:

- a. Sponsored Student Talent Expo Pesh-18
- b. Sponsored MTC's Charity Cricket Match
- c. Sponsored Peshawar Cricket Club for Blind
- d. Donated 120 lunch Boxes to Fatimid Foundation
- e. Sponsored PDA's Beautification of Ring Road Hayatabad drive
- f. Sponsored Beautification Project of TMA District Oghi
- g. Sponsored Beautification Project of Chitral District
- h. Sponsored Sports Kits distribution of Malik Saad Shaheed Memorial Trust
- i. Sponsored Botanical Conference on Digitization and Documentation of Plant Resources
- j. Sponsored Khyber Youth Event
- k. Sponsored Cultoor's Pakhtun Festival 2018
- l. Sponsoring Mardan Woman University Faculty Staff to visit China
- m. Sponsored Foot Ball Match Between Chinese Embassy and Pakistan Embassy
- n. Sponsored Punjab Veterans Cricket Association
- o. Sponsored 1st KP Women T20 Super League Tournament
- p. Sponsored Business Fest of IM-Sciences



## 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, 2018 are Rs.1,451.497 million and Rs.768.667 million respectively.

## Pattern of Shareholding

The pattern and category of shareholding as at December 31, 2018 is annexed with the Annual Report.

## Six Years Operating and Financial Data

The six years highlights of operating and financial data is appended below:

	2013	2014	2015	2016	2017	2018
Deposits	77,218	92,264	117,292	157,020	159,247	171,168
Advances (net)	35,450	40,057	36,454	31,644	83,369	95,012
Investments	53,363	72,431	88,296	141,602	140,474	94,233
Total Assets	108,170	126,106	155,159	206,400	245,132	223,095
Capital & Reserves	11,913	13,211	13,973	14,685	14,943	13,809
Profit before tax	1,669	1,901	2,959	3,240	2,795	707
Profit after tax	1,154	1,309	1,789	2,020	1,790	466
Return on Equity	10%	9%	13%	14%	12%	4%

## Earnings Per Share

Earnings per share for the year 2018 is Rs.0.47.

## Auditors

The present auditors Messrs. Grant Thornton Anjum Rahman, Chartered Accountants have completed their term of five years and are not eligible for reappointment. The Board of Directors on the recommendation of Board Audit Committee has proposed the name of Messrs. EY Ford Rhodes, Chartered Accountants along with their remuneration for appointment as auditors for the year ending December 31, 2019.

## Service Quality

To guarantee a culture of quality customer service within the Bank, a dedicated Service Quality Department (SQD) has been working with an objective to strengthen the Bank's service culture with an emphasis on achieving an overall customer satisfaction level. The Complaint Management Unit is also working under the said department with an emphasis to maintain high Treating Customer fairly (TCF) standards.

To resolve customers' complaints & disputes in more efficient manners, the Bank has launched its first ever Complaint Management Software UNISON during the year 2018. The Software has been designed according to the industry best practices and the policies / procedures of the Bank. The software gives a 360-degree view of complaint handling process and also equipped in dealing complaints end to end including automated complaint escalation to higher management. Furthermore, it has an enhanced reporting system which deals in all kinds of reports from root cause analysis of the complaints.

Moreover, it is important to note that with the efforts of Complaint Management Unit, the average Turn Around Time for resolution of complaints was maintained at 3.7 Days where as the approved TAT for complaint resolution is 7 days.

<b>Complaints</b>	<b>From 01-01-2018 to 31-12-2018</b>
<b>Number of Complaints</b>	<b>273</b>
<b>Average Time taken in settlement of a complaint</b>	<b>3.7 Days</b>

The Bank of Khyber in order to gauge its customer experience launched its first ever Mystery shopping exercise in 2017 which was continued in 2018. For an unbiased view the services were outsourced to renowned Mystery shopping companies of Pakistan based on the result/findings detailed training session for staff were carried out and suggestions for improvement of customer experience were shared with the management.

As Bankers it is our utmost responsibility to treat customers fairly, equally and be the custodian of their assets both (tangible & intangible). The Bank of Khyber in view of the changing Banking scenario, in order to safe guard customer assets and ensure responsible Banking has taken proactive steps to reinforce the concept of FAIR TREATMENT in the Bank i.e. has developed and approved a well-defined Fair Treatment Framework, has devised integrative team comprising of members from different departments looking in to matters and initiatives under the ambit of FTC.

The Service Quality Department has started releasing a magazine consisting variety of contents including short stories, events, photographs and achievements of employees that comes out regularly. It is a periodic publication that is shared throughout the Bank to promote the contribution of the employees and to encourage them.

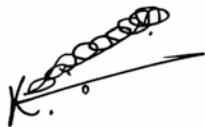
### Events after the Balance Sheet date

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.

### Acknowledgement

On behalf of the Board, we would like to thank the State Bank of Pakistan, Finance Department, Government of Khyber Pakhtunkhwa and other regulatory authorities for their continuous support and guidance. We would also like to thank our valued customers for their continued patronage. Most importantly, we would like to express our gratitude to our shareholders for their guidance and oversight. Finally, we would like to acknowledge the sincerity, dedication and hard work of all our staff members. The cooperation of local and foreign correspondents are also appreciated.

On behalf of the Board of Directors



**Saif-ul-Islam**  
Managing Director



**Shakeel Qadir Khan**  
Director

Peshawar: March 1, 2019

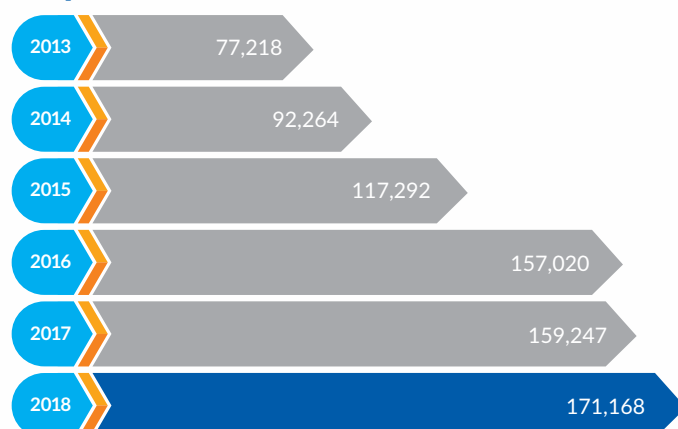


# 6 Years Financial Highlights

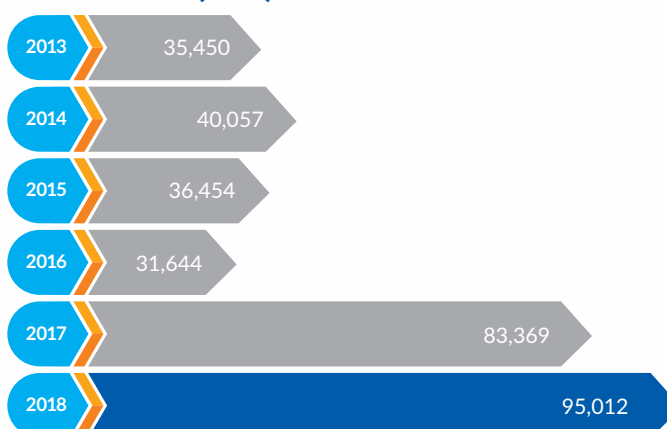
(Rs. in million)

	2013	2014	2015	2016	2017	2018
Deposits	77,218	92,264	117,292	157,020	159,247	171,168
Advances (net)	35,450	40,057	36,454	31,644	83,369	95,012
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Return on Equity	10%	9%	13%	14%	12%	4%

## Deposits



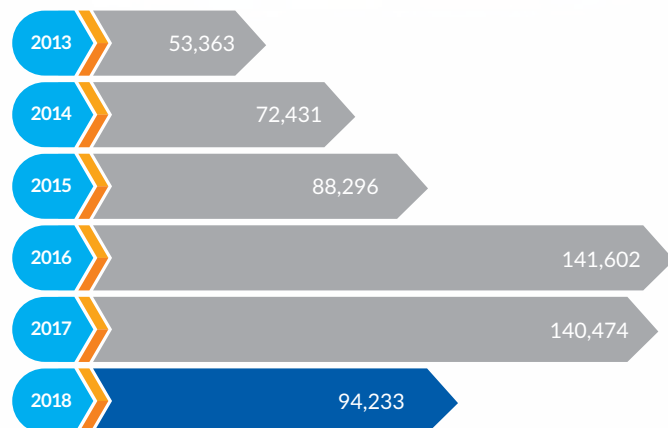
## Advances (net)



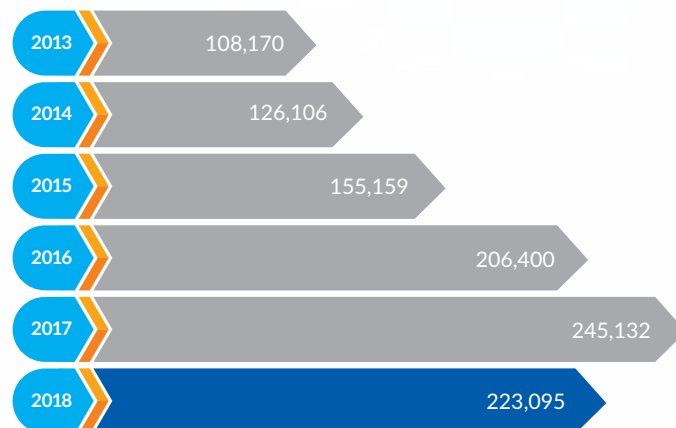


(Rs. in million)

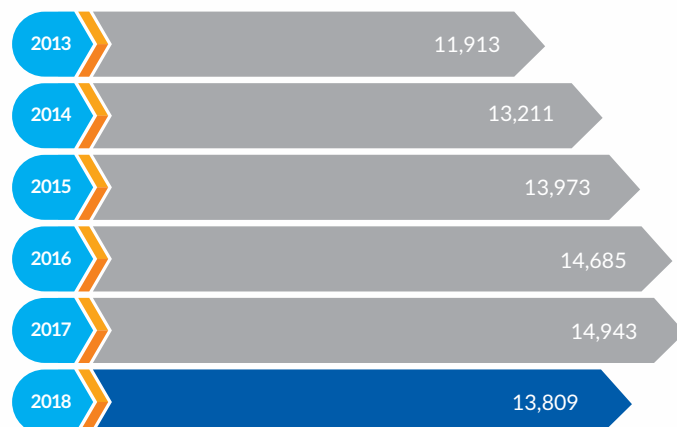
## Investments



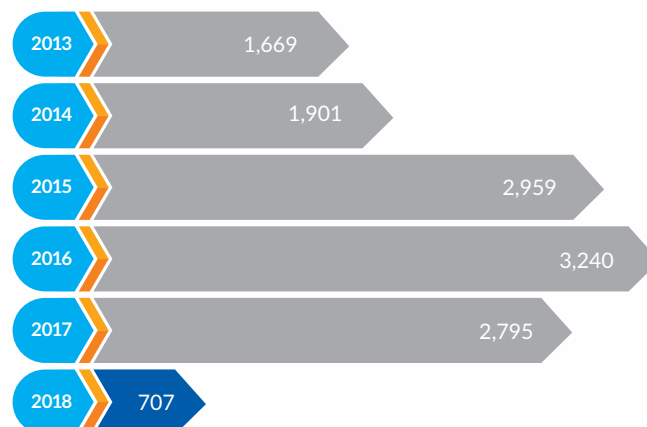
## Total Assets



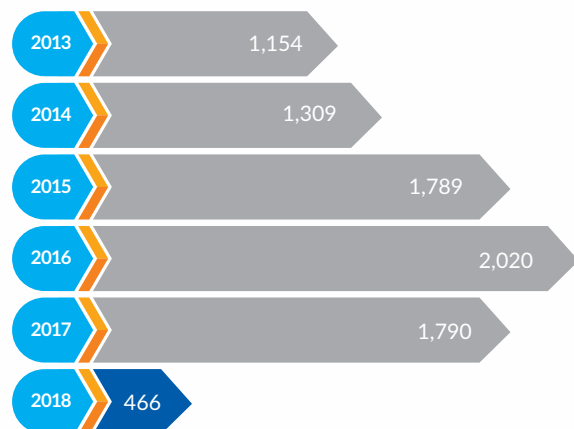
## Capital and Reserves



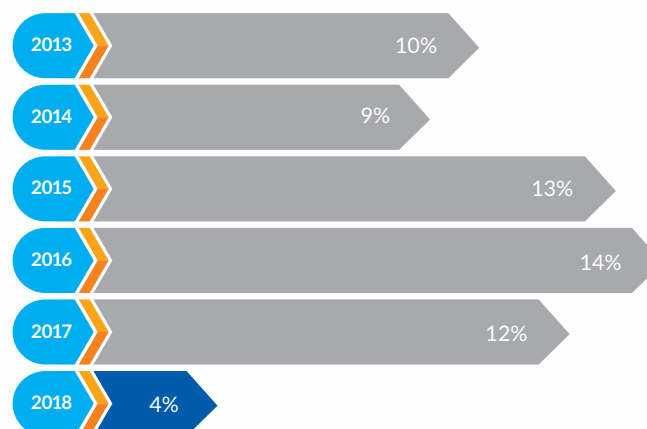
## Profit Before Tax



## Profit After Tax



## Return on Equity



# Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2017

This statement has been presented to comply with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) read with Regulation G-1 of the Prudential Regulations, for the purpose of establishing a framework of good governance.

The Bank has complied with the requirements of the Regulations in the following manner:

1. The total number of directors are seven (7) as per the following:
  - i. **Male: Seven (7)**
  - ii. **Female: Nil**
2. The composition of Board is as follows:

Category	Name
Independent Directors	Mr. Shaharyar Ahmad (Nominee) Mr. Javed Akhtar Mr. Asad Muhammad Iqbal
Other Non-executive Directors	Mr. Shahzad Khan Bangash Mr. Shakeel Qadir Khan Mr. Maqsood Ismail Ahmed
Executive Directors	Mr. Saif-ul-Islam (Managing Director)

The State Bank of Pakistan has raised observation on the independence status of nominee Directors. The Bank maintains the independence status of nominee Directors on the basis of clearance received from the State Bank of Pakistan under Fit and Proper Test (FPT) criteria and also these appointments are made under Section 11 of the Bank of Khyber Act, 1991, the said Act being special enactment prevails over other laws including the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Companies Act, 2017. The Bank is duly supported by legal advice on the matter. FPT documents for three directors re-elected in EOGM held in June 01, 2018 have been submitted to State Bank of Pakistan whose response is still awaited.

Appointment of a female director on the Board of the Bank is under consideration and in the year 2019 a suitable female director is expected to be inducted on the Board.

3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this Bank (excluding the listed subsidiaries of listed holding companies where applicable).
4. 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.
5. The Board 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.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Bank of Khyber Act, 1991 and these Regulations.
7. Prudential Regulation G-1 requires that roles, responsibilities and authorities of Directors (the Board) and the Management be specified. The powers of the Board and the Management have been enumerated in the Schedules of Financial and Administrative Powers of the Bank. Further, the same are also contained in various policies duly approved by the Board. The Bank is in the process of formulating a comprehensive document bifurcating these authorities and responsibilities.
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. The Board has complied with the requirements of the Bank of Khyber Act, 1991 and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
9. A formal policy containing transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and these Regulations has been drafted and needs approval of the Board.

10. Directors appointed on the Board are acquainted with the rules and regulations to execute their duties with a sense of objective judgement. Currently, at the beginning of term of each director, the Company Secretary provides copies of all applicable laws and regulations to the directors to acquaint them with their roles and responsibilities according to the Companies Act, 2017 and the Bank of Khyber Act, 1991.

However, as per requirement of the CCG regulations, the Chairman at the beginning of term of each director, shall issue letter to directors setting out their role, obligations, powers and responsibilities in accordance with the Act and the Bank of Khyber Act, 1991, their remuneration and entitlement.

11. The Board has arranged Directors' Training program for Mr. Shaharyar Ahmad during the current year: Further, two Directors have already completed the Directors' Training Program through Pakistan Institute of Corporate Governance (PICG) whereas one Director has been granted exemption by Securities & Exchange Commission of Pakistan (SECP) on the basis of education and previous experience as Director of listed companies.
12. The Bank shall make appropriate arrangements to carry out formal orientation courses for the directors to acquaint them with applicable laws and regulations.
13. The Board has approved the appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
14. CFO and CEO duly endorsed the financial statements before approval of the Board.
15. The Board has formed committees comprising of members given below:

**a) Audit Committee**

- |      |                         |   |          |
|------|-------------------------|---|----------|
| i.   | Mr. Asad Muhammad Iqbal | - | Chairman |
| ii.  | Secretary Finance       | - | Member   |
| iii. | Mr. Javed Akhtar        | - | Member   |
| iv.  | Mr. Shaharyar Ahmad     | - | Member   |

**b) HR and Remuneration Committee**

- |      |                          |   |          |
|------|--------------------------|---|----------|
| i.   | Mr. Shaharyar Ahmad      | - | Chairman |
| ii.  | Mr. Maqsood Ismail Ahmad | - | Member   |
| iii. | Mr. Asad Muhammad Iqbal  | - | Member   |
| iv.  | The Managing Director    | - | Member   |

**c) Risk Management Committee**

- |      |                          |   |          |
|------|--------------------------|---|----------|
| i.   | Mr. Maqsood Ismail Ahmad | - | Chairman |
| ii.  | Secretary Finance        | - | Member   |
| iii. | Mr. Javed Akhtar         | - | Member   |
| iv.  | The Managing Director    | - | Member   |

**d) I.T. Steering Committee**


- |      |                         |   |          |
|------|-------------------------|---|----------|
| i.   | Secretary Finance       | - | Chairman |
| ii.  | Mr. Shaharyar Ahmad     | - | Member   |
| iii. | Mr. Asad Muhammad Iqbal | - | Member   |
| iv.  | The Managing Director   | - | Member   |

16. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.

17. The frequency of meetings (quarterly / half yearly / yearly) of the committees were as per following:

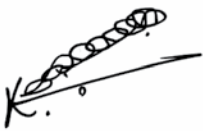
- |    |                               |                                  |
|----|-------------------------------|----------------------------------|
| a) | Audit Committee               | 7 meetings held in the year 2018 |
| b) | HR and Remuneration Committee | 5 meetings held in the year 2018 |
| c) | Risk Management Committee     | 6 meetings held in the year 2018 |
| d) | I.T. Steering Committee       | 5 meetings held in the year 2018 |



- 
18. The members of the Audit Committee possess adequate experience in the fields of banking, management and entrepreneurship, however, induction of a financially literate member on the committee is in process.
  19. The Board has set up an effective internal audit function. The staff members in Internal Audit function are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank.
  20. Third party evaluation of the Board and its committees was initiated during the year by engaging PICG for compliance to SBP BPRD Circular No. 11 of 2016. In pursuance of this evaluation, PICG sent evaluation links comprising questions with ranking scale to all directors. The exercise is on-going and expected to be completed in the first quarter of the current year.

Currently, the Bank has an effective mechanism in place for annual evaluation of the Board's own performance, members of Board and of its committees. The evaluation for the year 2018 shall be completed in the year 2019.

21. 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) and registered with Audit Oversight Board of Pakistan, 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.
22. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act 2017, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
23. We confirm that all other requirements of the Regulations have been complied with.



**Saif-ul-Islam**  
Managing Director / CEO



**Dr. Shahzad Khan Bangash**  
Chairman

## INDEPENDENT AUDITOR'S REVIEW REPORT

### To the members of "The Bank of Khyber"

#### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 (the Regulations) prepared by the Board of Directors of "The Bank of Khyber" for the year ended December 31, 2018 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the requirement of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

As a part of our audit of the 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 Director's 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.

The Regulations require 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for the identification of related parties and that 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 the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2018.

We draw attention to paragraph 2 to the statement of compliance which describes the reason for carrying the nominee director under independent category. Our conclusion is not modified in this respect.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Paragraph Reference	Description
2	The Bank has not appointed the female director.
9	A formal policy containing procedures for remuneration of directors is not approved by the Board.
10	Chairman of the Board, at the beginning of the term of each director, has not issued letters to directors setting out their role, obligations, powers, responsibilities, remuneration and entitlement.
12	The Bank has not carried out formal orientation courses for the directors to acquaint them with applicable laws and regulations.
18	The Audit Committee has no financially literate member.
20	The performance of the Board, its members and of its committees has not been evaluated.

*Grant Thornton Anjum Rahman*

**GRANT THORNTON ANJUM RAHMAN**

Chartered Accountants:

Audit Engagement Partner: Hassan Riaz

Place: Islamabad

Date: March 01, 2019



# Statement of Internal Controls

This statement is issued in compliance of the requirements of the State Bank of Pakistan, issued vide BSD Circular No. 7 of 2004, "Guidelines on Internal Controls" and OSED Circular No. 1 of 2014 "Instructions on Internal Controls Over Financial Reporting (ICFR)".

An internal control system is a set of procedures and activities designed to identify, evaluate and mitigate the risk in processes and operations in order to support the overall objectives and vision of the Bank. It is one of the prime responsibilities of the Bank's management to establish a system for adequate and reasonably effective internal control environment on ongoing basis. Management of the Bank is fully aware of its responsibility and has implemented and maintained system of internal control under the approved policy of the Board of Directors. It should be noted that internal control systems are designed to manage rather to eliminate the risks. Due to system limitations, human errors an absolute assurance is never possible however a reasonable and effective internal control system remain active throughout the year 2018.

The internal control structure of the Bank of Khyber (Bank) comprises the Board of Directors, Senior Management, Risk Management Group, Financial Control (Finance) Division, Operations & Support Group, Compliance & Controls Division, Internal Audit Division, Internal Control Units (ICUs) within various divisions and the controls & self-assessment including whistle blow SOPs implemented at various functions within the Bank. All significant policies and procedure manuals are in place and are updated on reasonable intervals to mitigate the threats.

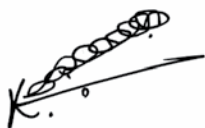
Internal Audit conducts audit of relevant activities and processes to evaluate the effectiveness of the control environment throughout the Bank. It is an independent division and reports directly to Board Audit Committee (BAC). Function also actively monitors implementation of corrective/remedial steps in coordination with management to ensure that identified risks are properly addressed and mitigated in the interest of the Bank. Moreover all process control exceptions and gaps/objections raised by internal/external auditors, controlling departments within management or regulatory bodies are dealt seriously for prompt remedial measures and are also discussed at highest possible forums like BoD, BAC and Management Committees.

The Bank follows the SBP's directives for Internal Controls over Financial Reporting (ICFR), under COSO framework and has complied with the SBP's stage wise implementation roadmap. As part of this exercise, the Bank has documented a comprehensive ICFR Framework which has been approved by the Board of Directors. As required under the SBP's guidelines, the Bank's external auditors are engaged annually to provide their Long Form Report (LFR) on ICFR, which is submitted to the SBP within the stipulated timelines. Submission of LFR for 2018 will be made in due course in accordance with the guidelines provided by SBP. A quarterly progress report on ICFR, duly approved by the BAC, is also submitted to the SBP.

During the year, the Bank conducted testing of financial reporting controls for ensuring the effectiveness of ICFR prevalent throughout the year. None of the deficiencies identified are expected to have a material impact on financial reporting. Management considers that the existing system of internal controls, including ICFR, is adequate and has been effectively implemented and monitored, although room for improvement always exists.

Bank's Board of Directors endorses the management efforts for implementation of internal controls.

On behalf of the Board of Directors



**Saif-ul-Islam**  
Managing Director



**Shakeel Qadir Khan**  
Director

Peshawar: March 1, 2019





# Report of The Shariah Board (for the year 2018)

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

By the Grace of Almighty Allah (S.W.T), Islamic Banking Group, being operated in The Bank of Khyber, has completed (15) years of successful operations. The Bank of Khyber has 84 standalone Islamic Banking Branches (IBBs) and 39 Islamic banking Windows (IBWs) working in conventional branches.

Islamic Banking Group (IBG) of the bank provides a wide range of Shariah compliant banking services both on Assets & Deposits side in order to serve banking needs of the customers keeping in view the business need of the bank. On Islamic assets side the main business units of BOK is comprising of corporate banking, investment banking, commercial banking, consumer banking, treasury and asset management. Islamic Banking Group of BOK provides all these services through following products:

1	Ijarah	2	Murabaha
3	Diminishing Musharakah	4	Running Musharakah
5	Mudarabah	6	Istisna
7	Salam	8	Import Export under Islamic Banking
9	Export Refinancing	10	Share Purchase
11	Process for Foreign Currency	12	Management of Treasury /FI Pool

On other side Islamic Banking Group offers a wide range of deposit products, current, saving and term deposit accounts which are designed with flexible features to meet the need of our customers in Shariah compliance manner. Presently BOK Islamic banking is offering following types of deposits accounts:

1	Current Accounts	2	Interest Free PLS Saving Accounts
3	Riba Free Certificates	4	Foreign Currency Account
5	Riba Free Special Deposit Pool for Mutual Funds	6	Riba Free Special Deposit Pool for Banks
7	Riba Free Special Deposit Pool Deposits/Certificate	8	Riba Free Special Deposit Pool corporate

## Shariah Compliance in IBG – BOK

Shariah compliance has always been the strength of Islamic banking group of BOK where no compromise is made on Shariah principles. Shariah Compliance Division is working under the supervision of Shariah Board with independent Shariah Compliance and Shariah research & Review units to ensure Shariah compliance through multiple cross functional checks.

During the year under review, Shariah Board conducted 4 meetings to review various products, structures, process flows/modus operandi, concepts, and transactions for opinion on Shariah compliance, referred by Islamic banking group of BOK to ensure adherence to Shariah requirements. Beside this there is a system for review of executed transactions which includes periodic testing and checking of sample transactions by Shariah compliance team and regular Shariah audit by Internal Shariah Audit team. These audits/reviews not only cover the transactions that the branches/divisions/departments undertake but also include an evaluation of the knowledge of staff pertaining to Islamic Finance. In this regard Shariah Review team has visited 80 % of total Islamic banking branches, Islamic treasury and number of departments in head office whereas internal Shariah Audit team has audited all Islamic branches and divisions/departments of IBG.



## Based on the above, we conclude

Each class of transactions with respect to the relevant documentation and procedures adopted by IBG-BOK has been examined on test check basis and we are of the view that:

- The Bank has complied with Shariah rules and principles in the light of fatawa, rulings and guidelines issued by its Shariah Board.
- The Bank has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Advisory Committee.
- The allocation of funds, weightages, profit sharing ratios, and profit relating to PLS accounts conform to the basis vetted by SB and in accordance with Shariah rules and principles.
- The Bank has complied with the SBP instructions on profit and loss distribution and pool management and approved profit and loss distribution policy of the bank.
- All sources of income of the bank are Shariah compliant and any earning which has been realized from sources or by means prohibited by Islamic rules and principles have been transferred to the Charity Account which will be distributed as per approved Charity policy of the bank. It is worth mentioning here that other than above some mistakes in documentation have been pointed out by the Shariah Audit Unit and Shariah Review unit which did not render the income to be non Shariah compliant and they have been addressed as per instructions issued by the Shariah Board.
- Product Development Department has been established to comply the requirement of SGF and this department is seeking SB guidance while developing products and documents.
- The level of awareness, capacity and sensitization of the staff, management and the BOD in appreciating the importance of Shariah compliance in the products and processes of the Bank is adequate and will be further improved through orientation sessions / trainings. This year, number of training sessions have been organized for staff members across Pakistan catering to more than 971 employees of the Bank. This number includes, training sessions, orientation sessions, refresher programs and certification programs in Islamic Financial Products from internal and external resources. Bank is also actively supporting capacity building activities of the industry by extending its support to institutions including National Institute of Banking and Finance (NIBAF), state bank of Pakistan and various other national and international institutions in conducting Islamic banking training sessions.
- Other than the training to internal staff, the Bank has also conducted 9 Ulama Conferences and Public Awareness Seminars in multiple cities of the country for promoting Islamic banking and awareness of general public which were attended by a large number of Shariah scholars, Muftis, business men, senior citizens, customers, general public, professionals and students of various universities.
- The Shariah Board has been provided adequate resources enabling it to discharge its duties, effectively.

## Conclusion

On that note, we, members of Shariah Board of Islamic Banking Group – the Bank of Khyber, do hereby confirm that, in our level best, the operations of the IBG- BOK for the year ended 31 December 2018 have been conducted in conformity with the Shariah rules and principles.

## Recommendation

Based on the review of various transactions, reports of Internal Shariah Audit and Shariah Compliance operations of the Bank, it is recommended that:

The bank may continue its policy of expansion and business growth of Islamic banking. This will further strengthen Islamic banking Group's ability to create awareness and deliver Islamic banking products and services widely.

- With the expansion in size and reach, the Bank may explore the possibility of offering Islamic banking services to the government and specially to provincial government which may include the shariah compliant treatment of all facilities of governments employees.
- We appreciate the focus of management on capacity building particularly regionalize advance level trainings for promotion of SME and corporate financing of the bank and recommend continuing its focus on employees' training related to Islamic banking products and services offered by the Bank with specific focus on front line staff.

May Allah (SWT) bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the life hereafter and forgive our mistakes.

“We bear witness only to what we know, and we could not well guard against the unseen!”

(Surah Yusuf, verse:81)

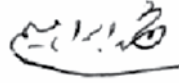
Allah knows best.

Wassalam Alaikum WaRahmat Allah Wa Barakatuh.



**Qazi Abdul Samad**

Resident Shariah Board Member



**Mufti Muhammad Ibrahim Essa**

Member Shariah Board



**Mufti Muhammad Zahid**

Chairman Shariah



علاوہ ملک میں اسلامی بینکاری کی ترویج و استحکام کے لئے کام کرنے والے دیگر اداروں مثلاً (STATE BANK OF PAKISTAN, NIBAF) وغیرہ کے تحت بھی اپنے ملازمین کو ٹریننگ کی سہولت فراہم کی۔

- اندرونی طور پر اپنی اسٹاف کی عملی اور عملی استعداد کو بڑھانے کے ساتھ ساتھ آئی بی جی نے عوام الناس اور دینی طبقے میں اسلامی بینکاری کی اہمیت اور شعور اجاگر کرنے کے لئے ملک بھر کے مختلف شہروں میں سیمینارز کا انعقاد کیا جس میں تجارت پیشہ حضرات، علماء کرام، مفتیان عظام، ائمہ و خطبائے مساجد، طلباء، پروفیسر حضرات اور بزرگ شہریوں سمیت مختلف افراد نے شرکت کی اور ان اجتماعات میں آئی بی جی کی اسلامی بینکاری کی خدمات کو سراہا گیا۔

### خلاصہ:

انٹرنل شریعہ آڈٹ ٹیم اور شریعہ کمپلائنس ڈویژن کی رپورٹس اور مختلف عقود کے تجزیہ کے نتیجہ میں شریعہ بورڈ یہ سمجھتا ہے کہ آئی بی جی کے مالی معاملات اسلامی معاشی اصولوں کے عین مطابق ہیں۔

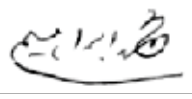
### شریعی بورڈ کی چند سفارشات:

- بینک کو چاہئے کہ اسلامی بینکاری کے بزنس کو بڑھانے کیلئے اپنے اقدامات جاری رکھے تاکہ زیادہ سے زیادہ لوگوں کو اسلامی بیکاری سے ملنے واپراڈکٹس کے بار میں شناسائی ہو اور اسلامی بینکاری کی اہمیت اجاگر ہو۔
- اب چونکہ آئی بی جی کی اسلامی شاخیں کافی بڑھ گئی ہیں اس لئے آئی بی جی، حکومت وقت اور خصوصاً خیبر پختون خواہ کی صوبائی حکومت کو اسلامی بینکاری کی سہولیات کی طرف راغب کرنے کیلئے اقدامات کرے تاکہ حکومت اور خصوصاً صوبائی حکومت کے ملازمین کو ان کے جی پی فنڈز، سی پی فنڈ وغیرہ پر حلال منافع دیا جاسکے اور اس کے علاوہ دیگر ضروریات مثلاً ہاؤس بلڈنگ، کار فنانس اور گھریلو اشیاء کی خرید و فروخت بھی شرعی اصولوں کے مطابق فراہم کی جاسکے۔
- ہم بینک کی انتظامیہ کو اپنے عمل کیلئے اسلامی بینکاری کی ٹریننگ کے بارے میں مثبت اقدامات کرنے پر خراج تحسین پیش کرتے ہیں اور مزید یہ سفارش کرتے ہیں کہ یہ سلسلہ بھر رکھا جائے کیونکہ اسلامی بینکاری کی ٹریننگ بڑھ حد تک اسلامی بینکاری کی شرعی اصولوں کے مطابق عملی تنفیذ اور اسکی اشاعت میں اپنا کردار ادا کرتی ہے جس سے نہ صرف اسلامی بیکاری کی آمدنی میں اضافہ ہوتا ہے بلکہ معاشرے میں بہت اچھا اور مثبت اثر پڑتا ہے۔ اللہ تبارک و تعالیٰ ہم سب کو صحیح کام کرنے کی توفیق عطا فرمائے اور ہماری ان تمام کاوشوں کو اپنی رضا کا ذریعہ بنا دے۔ (آمین)

وصلی اللہ علی خیر خلقہ محمد وعلی آلہ وصحبہ اجمعین و آخر دعوانا ان الحمد لله رب العالمین



مفتی محمد زاہد  
چئیرمین شریعی بورڈ



مفتی محمد ابراہیم عیسیٰ  
ممبر شریعی بورڈ



قاضی عبدالصمد  
کل وقتی شریعی بورڈ ممبر

اس سال آئی بی جی کے شریعہ بورڈ نے کل 4 میٹنگز کیں، ان میٹنگز میں ان تمام پراڈکٹس، اسٹریٹجیز، پروسیس فلوز اور مختلف عقود اور ایسوز کا جائزہ لیا گیا جو بینک کے انتظامیہ نے شرعی رہنمائی کے لئے شریعہ بورڈ کے سامنے پیش کئے۔ اس کے ساتھ شریعہ کمپلائنس ڈویژن کے فعال اور مربوط نظام نے وقتاً فوقتاً معاملات کی بھی جانچ پڑتال کی جو پایہ تکمیل کو پہنچ چکی تھیں۔ مزید یہ کہ آئی بی جی کے اندر کام کرنے والے عملے کی اسلامی مالیات کے لحاظ سے علمی معیار اور عملی صلاحیت کو بھی پرکھا گیا اور ان کو مزید بہتر بنانے کیلئے شریعہ بورڈ کی نگرانی میں حکمت عملی وضع کی گئی۔

سال 2018 میں شریعہ کمپلائنس ٹیم نے تقریباً 80 فیصد برانچوں، ڈیپارٹمنٹ اور ڈویژن کا شرعی اعتبار سے جائزہ لیا جبکہ شریعہ آڈٹ ٹیم نے تمام برانچوں کا شرعی آڈٹ کیا اور دونوں ٹیموں نے اپنی اپنی رپورٹیں مرتب کر کے شریعہ بورڈ کو واضح شرعی حکم بیان اور کرنے کیلئے ارسال کیں۔ اسی طرح شریعہ کمپلائنس ڈویژن نے آئی بی جی کے متعلقہ ڈیپارٹمنٹس اور ڈویژن کی پالیسیوں، مینولز اور دستاویزات پر نظر ثانی کی تاکہ متعلقہ ڈیپارٹمنٹس اور ڈویژن بہتر انداز میں کام کر سکیں چنانچہ یہ دستاویزات مزید بہتر اور قابل عمل بنانے کیلئے ترامیم و اضافہ کے بعد شریعہ بورڈ کے سامنے منظوری کیلئے پیش کی گئیں۔

شریعی کمپلائنس ڈویژن کی مختلف رپورٹس اور آئی بی جی کے معتد بہ عقود اور دستاویزات کا جائزہ لینے کے بعد ہماری رائے یہ ہے کہ:

- آئی بی جی نے اپنے معاملات میں شریعہ بورڈ کے جملہ اصول و ضوابط اور وقتاً فوقتاً جاری ہونے والے فتاویٰ کی تعمیل کی ہے۔
- آئی بی جی کی اسلامی بینکاری اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری کے متعلق جملہ فرامین، قوانین اور ہدایات کے عین مطابق ہے۔
- آئی بی جی نے اسلامی بینکاری کی پول پینجمنٹ، فنڈز کی منتقلی، ہر پول میں نفع و نقصان کے تناسب اور رکھتے داروں میں نفع و نقصان کی تقسیم، شرعی اصول و ضوابط اور شریعہ بورڈ کی ہدایات کے مطابق کی ہے۔
- دوران سال اسلامی بینکاری کے تحت بینک کو حاصل ہونی والی مجموعی آمدنی شرعاً حلال اور جائز ہے۔ تاہم وہ آمدنی جو شرعی نقطہ نظر سے حرام تھی، اس کو فوری طور پر خراتی اکاؤنٹ میں منتقل کر دیا گیا اور یہ آمدنی مستحقین میں تقسیم کر دی جائیگی۔ تاہم یہ واضح رہے ہے کہ شریعہ آڈٹ اور ریویو ٹیم نے بعض مالی دستاویزات اور معاملات میں ایسی غلطیوں کی بھی نشاندہی کی تھی جس سے معاملہ باطل یا فاسد نہیں ہو رہا تھا چنانچہ ان معاملات کی تصحیح کیلئے شریعہ بورڈ نے اپنی سفارشات نوٹ کرائیں جو متعلقہ ڈویژن یا ڈیپارٹمنٹ کو بتادی گئیں تاکہ ایسی غلطیوں کا آئندہ کیلئے تدارک کیا جاسکے۔

- اسٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک کے مطابق آئی بی جی کے تحت ایک نیا ڈیپارٹمنٹ پراڈکٹ ڈیولپمنٹ ڈیپارٹمنٹ کا قیام عمل میں لایا گیا۔ جو کہ نئی پراڈکٹس بنانے میں شریعہ بورڈ کی رہنمائی حاصل کرتا ہے۔
- آئی بی جی اسٹاف، انتظامیہ اور بورڈ آف ڈائریکٹرز کی اسلامی بینکاری کی اہمیت اور عملی نفاذ کے حوالے سے صلاحیت، قابلیت اور اسلامی بینکاری کے بارے میں شعور بہت حوصلہ افزاء ہے تاہم رفتہ رفتہ اس کی بہتری میں مزید پیش رفت بھی لائی جائے گی۔
- ہمارے لئے یہ امر قابل اطمینان ہے کہ اس سال آئی بی جی نے اپنے عملے کی عملی تربیت کے لئے کئی ٹریننگز، سیمینارز، ریفرنس کورسز، ورکشاپس اور سٹریٹجیک کورسز کا انعقاد کیا ہے جس میں ملک بھر سے 971 اسٹاف نے ٹریننگ حاصل کی۔ اس کے علاوہ آئی بی جی نے اپنی اندرونی ٹریننگز کے

## شریعی بورڈ رپورٹ

برائے مالیاتی سال 2018

اللہ تعالیٰ کے فضل و کرم سے خیبر بینک راست اسلامی بینکاری (جسے تحریر میں اب "آئی بی جی" کہا جائے) نے اپنا پندرہواں سال کامیابی کے ساتھ مکمل کر لیا۔ اس وقت پورے ملک میں آئی بی جی، 84 اسلامی شناخوں اور کنٹینٹل، برانچوں کے 39 اسلامی ڈیسکس کے ساتھ خدمات سرانجام دے رہا ہے۔ اگرچہ بینک کے بورڈ آف ڈائریکٹرز اور انتظامیہ اس بات کے حتمی طور پر مددگار ہیں کہ آئی بی جی کے جملہ معاملات شرعی اصولوں اور تعلیمات کے عین مطابق ہونے کا نظم قائم فرمائے تاہم شریعی بورڈ سے یہ مطلوب ہے کہ وہ لوگوں کے اطمینان کے لئے آئی بی جی کے تحت ہونے والے معاملات کی شرعی صورتحال کے متعلق رپورٹ پیش کرے۔

اس وقت آئی بی جی، ڈیپازٹ اور تمویل دونوں پہلوؤں سے اپنے کھاتہ داران گاہکوں کو شرعی اصولوں کے مطابق سہولیات فراہم کر رہا ہے۔ چنانچہ کاروباری ضروریات کو پورا کرنے کے لئے آئی بی جی مندرجہ ذیل تمویلی طریقوں سے خدمات فراہم کر رہا ہے:-

اجارہ	مراجہ	شرکت متناقصہ	رنگ مشارکہ
مضاربہ	استصناع	اسلامی بینکاری کے تحت درآمدات	سلم
ایکسپورٹ ری فائنانس	حصص کا کاروبار	پیرونی کرنسی کا معاملہ	ٹریڈری اپول منجمنٹ

ڈیپازٹ کی مد میں آئی بی جی مختلف ورائٹی کی پراڈکٹس، مثلاً جاری کھاتہ (کرنٹ اکاؤنٹ)، نفع و نقصان میں شرکت کی بنیاد پر پی ایل ایس اکاؤنٹ اور سود سے پاک نفع و نقصان کی بنیاد پر سٹیٹیکٹ فراہم کرتا ہے اور یہ تمام پراڈکٹس کھاتہ داروں کی ضروریات اور امنگوں کے حاصل ہوتے ہیں۔ اس وقت آئی بی جی اس مد میں ذیل خدمات فراہم کر رہا ہے:-

جاری / کرنٹ کھاتہ	ربا فری سٹیٹیکٹ	پیرونی کرنسی اکاؤنٹ
ربا فری سٹیٹیکٹ ڈیپازٹ پول برائے میچول فنڈز	بائیسٹیل ڈیپازٹ پول برائے بینک	ربا فری نفع و نقصان کی بنیاد پر بچت کھاتہ
ربا فری سٹیٹیکٹ ڈیپازٹ پول ڈیپازٹ / سٹیٹیکٹ		ربا فری سٹیٹیکٹ ڈیپازٹ پول کارپوریٹ

## شریعی کمپلائنس ڈویژن

شرعی احکامات کی تعمیل میں آئی بی جی ہمیشہ پیش پیش رہا ہے اور یہاں اس معاملہ میں اسلامی اصولوں کی پامالی پر کوئی سمجھوتہ نہیں کیا جاتا۔ شریعی کمپلائنس کا نظام (جو عملاً شریعی بورڈ کے ماتحت ہے) آئی بی جی کے اندر مختلف پہلوؤں سے اپنا کردار ادا کر رہا ہے۔ یہ نظام شریعی ریسرچ، ریویو اور شریعی کمپلائنس کے شعبوں پر مشتمل ہے، اس نظام کے تحت مستند مفتیان کرام و علماء دین اپنے علم اور تجربہ کی روشنی میں آئی بی جی کے تمام معاملات کا جائزہ لیتے رہتے ہیں۔





## Independent Auditor's Report

To the members of The Bank of Khyber

Report on the Audit of the Financial Statements Opinion

### Opinion

We have audited the annexed financial statements of The Bank of Khyber (the Bank), which comprise the statement of financial position as at December 31, 2018, and profit and loss account, statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, along with unaudited certified returns received from the branches except for thirteen branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information 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 the audit.

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 statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2018 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of the Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key audit matters	How the matter was addressed in our audit
01.	<p><b>Impairment of advances</b></p> <p>As disclosed in note 11 to the financial statements gross advances of the Bank are Rs. 99,167 million against which impairment provisioning of Rs. 4,155 million is maintained. We considered the impairment of advances as key audit matter since the determination of impairment provisioning involves management judgment in addition to time based criteria for classification of advances and this has material impact on the financial statements of the Bank.</p>	<p><b>For selected samples, we:</b></p> <ol style="list-style-type: none"> <li>obtained and updated our understanding of relevant controls to assess their effectiveness;</li> <li>evaluated borrowers through repayment, assessment of financial strength based on the available financial statements, adequacy of security/collateral, electronic credit information bureau (eCIB) reports and compliance with Prudential Regulations etc.;</li> <li>recomputed the provisioning of non-performing advances on the basis of time based criteria prescribed in Prudential Regulations and compared with the provision incorporated by the management of the Bank;</li> <li>In case of rescheduled/restructured non-performing advances, we tested, if declassification of such non-performing advances was in line with the requirements of Prudential Regulations; and</li> <li>Where the benefit of forced sale values (FSV) of collaterals held against non-performing advances has been taken for calculating the provisioning we tested if the benefit taken was in accordance with the requirements of Prudential Regulations.</li> </ol>
02.	<p><b>Valuation of available for sale investments</b></p> <p>As disclosed in note 10 to the financial statements, the Bank has significant available for sale (AFS) investments including Pakistan Investment Bonds (PIBs), Market Treasury Bills (MTBs), term finance certificates (TFCs), government and non-government sukus and equity shares. As per the Bank's policy AFS investments are measured at fair value using applicable valuation techniques as disclosed in the financial statement. Due to the significance of amount of AFS investment and the related impairment we considered this as a key audit matter.</p>	<p><b>On a sample basis, we have performed the following procedures:</b></p> <ol style="list-style-type: none"> <li>obtained and updated our understanding of relevant controls to assess their effectiveness;</li> <li>Recomputed the fair values of PIBs, MTBs, TFCs, government and non-government sukus and equity shares using applicable valuation techniques and compared the results with management's valuation; and</li> <li>In case of non-government debt securities and equity investment, we recomputed the impairment provision according to the Bank's policy including the assessment of investees financial health and compared the results with management's results.</li> </ol>



	<p><b>Application of the revised format for annual financial statements of the State Bank of Pakistan (SBP) and the Companies Act, 2017</b></p> <p>As referred in notes 2.1 and 6.21 to the financial statements the Companies Act 2017 has become effective and SBP has also revised its format for annual financial statements for banking companies. The above have significantly changed the nature and content of disclosures in relation to various elements of the financial statements as well as the presentation of reserves on revaluation of investments and fixed assets in statement of changes in equity and the balance sheet. We considered the above change as a key audit matter in view of extensive impacts on the financial statements of the Bank.</p>	<p>The matter was addressed in our audit by performing the audit procedures where by, the management's process to identify the necessary amendments required in the Bank's financial statements was considered and an evaluation was made of the results of management's analysis and key decisions taken in respect of the transition and an assessment was made on the adequacy and appropriateness of disclosures and presentation made in the financial statements arising from the changes.</p>
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### Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The board of directors is responsible for overseeing the Bank's financial reporting process.





## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



## Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank/branches as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
  - b) the statement of financial position, profit and loss account, the statement of comprehensive income, statement of changes in equity and statement of cash flows (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
  - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank/ branches and the transactions of the Bank/ branches which have come to our notice have been within the powers of the Bank/branches; and
  - d) 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.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

Engagement partner on the audit resulting in this independent auditor's report is Hassan Riaz

*Grant Thornton Anjum Rahman*

**Grant Thornton Anjum Rahman**

Chartered Accountants

Place: Islamabad

Date: March 01, 2019



# Financial Statements



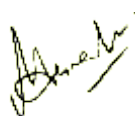




THE BANK OF KHYBER  
**STATEMENT OF FINANCIAL POSITION**  
AS AT DECEMBER 31, 2018

	Note	2018	2017	2016
		Rupees in '000		
<b>ASSETS</b>				
Cash and balances with treasury banks	7	12,351,453	8,916,018	8,636,526
Balances with other banks	8	3,705,360	3,257,351	9,980,928
Lendings to financial institutions	9	7,695,642	1,529,106	8,827,307
Investments	10	94,233,239	140,473,783	141,602,355
Advances	11	95,011,903	83,369,052	31,643,885
Fixed assets	12	2,216,422	2,233,549	1,969,655
Intangible assets	13	78,850	136,576	100,899
Deferred tax assets	14	1,757,451	379,751	-
Other assets	15	6,044,663	4,837,198	3,638,719
		<b>223,094,983</b>	<b>245,132,384</b>	<b>206,400,274</b>
<b>LIABILITIES</b>				
Bills payable	16	895,126	1,131,241	775,938
Borrowings	17	34,842,114	64,189,586	28,700,825
Deposits and other accounts	18	171,167,556	159,246,974	157,020,365
Liabilities against assets subject to finance lease		-	-	-
Subordinated debt		-	-	-
Deferred tax liabilities		-	-	151,745
Other liabilities	19	4,485,603	5,166,464	3,608,857
		<b>211,390,399</b>	<b>229,734,265</b>	<b>190,257,730</b>
<b>NET ASSETS</b>		<b>11,704,584</b>	<b>15,398,119</b>	<b>16,142,544</b>
<b>REPRESENTED BY</b>				
Share Capital	20	10,002,524	10,002,524	10,002,524
Reserves		2,643,483	2,550,263	2,192,169
(Deficit) / surplus on revaluation of assets	21	(2,104,692)	454,868	1,457,298
Unappropriated profit		1,163,269	2,390,464	2,490,553
		<b>11,704,584</b>	<b>15,398,119</b>	<b>16,142,544</b>
<b>CONTINGENCIES AND COMMITMENTS</b>				
	22			

The annexed notes 1 to 46 and annexures I and III form an integral part of these financial statements.



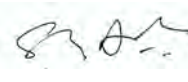
Chief Financial Officer



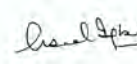
Managing Director



Director



Director

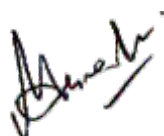


Director


**THE BANK OF KHYBER**  
**PROFIT AND LOSS ACCOUNT**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rupees in '000	2017
Mark-up/return/interest earned	23	14,686,465	14,375,382
Mark-up/return/interest expensed	24	9,547,084	9,576,349
Net mark-up/ interest Income		5,139,381	4,799,033
<b>NON MARK-UP/INTEREST INCOME</b>			
Fee and commission income	25	406,893	338,431
Dividend income		49,540	58,039
Foreign exchange income		139,225	87,305
(Loss)/gain on securities	26	(1,226,265)	1,061,172
Other income	27	104,262	105,872
Total non-markup/interest income		(526,345)	1,650,819
Total income		4,613,036	6,449,852
<b>NON MARK-UP/INTEREST EXPENSE</b>			
Operating expenses	28	4,052,247	3,774,878
Workers welfare fund		-	-
Other charges	29	25,150	2,776
Total non-markup/interest expenses		4,077,397	3,777,654
<b>PROFIT BEFORE PROVISIONS</b>		535,639	2,672,198
Provisions and write offs - net	30	170,962	123,201
<b>PROFIT BEFORE TAXATION</b>		706,601	2,795,398
Taxation	31	(240,502)	(1,004,927)
<b>PROFIT AFTER TAXATION</b>		466,099	1,790,471
		<b>Rupees</b>	
<b>Basic &amp; diluted earnings per share</b>	32	0.47	1.79

The annexed notes 1 to 46 and annexures I to III form an integral part of these financial statements.



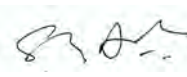
Chief Financial Officer



Managing Director



Director



Director



Director



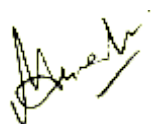
THE BANK OF KHYBER

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rupees in '000	2017
Profit after taxation for the year		466,099	1,790,471
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>			
Re-measurement loss of defined benefit obligations	35.1.8	(78,818)	(49,091)
Related deferred tax	14.1	(20,699)	17,182
		<b>(99,517)</b>	<b>(31,909)</b>
<b>Items that will be reclassified to profit and loss account in subsequent periods:</b>			
Net change in fair value of available for sale securities		(3,937,785)	(1,542,201)
Related deferred tax	14.1	1,378,225	539,771
		<b>(2,559,560)</b>	<b>(1,002,430)</b>
<b>Total other comprehensive income/(loss)</b>		<b>(2,659,077)</b>	<b>(1,034,339)</b>
<b>Total comprehensive income/(loss)</b>		<b>(2,192,978)</b>	<b>756,132</b>

The annexed notes 1 to 46 and annexures I to III form an integral part of these financial statements.



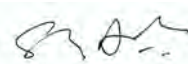
Chief Financial Officer



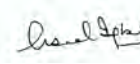
Managing Director



Director



Director



Director

**THE BANK OF KHYBER**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
			Assets			
			Investments	Rupees in '000		
Balance as at January 1, 2017	10,002,524	2,192,169	683,115	774,183	2,490,553	16,142,544
Profit after taxation for the year	-	-	-	-	1,790,471	1,790,471
Other comprehensive income - net of tax	-	-	(1,002,430)	-	(31,909)	(1,034,339)
Transfer to statutory reserve	-	358,094	-	-	(358,094)	-
<b>Transactions with owners, recorded directly in equity</b>						
Dividend for the year December 31, 2016 (Rs. 1.50 per share)	-	-	-	-	(1,500,557)	(1,500,557)
<b>Balance as at December 31, 2017</b>	<b>10,002,524</b>	<b>2,550,263</b>	<b>(319,315)</b>	<b>774,183</b>	<b>2,390,464</b>	<b>15,398,119</b>
Profit after taxation for the year	-	-	-	-	466,099	466,099
Other comprehensive income - net of tax	-	-	(2,559,560)	-	(99,517)	(2,659,077)
Transfer to statutory reserve	-	93,220	-	-	(93,220)	-
<b>Transactions with owners, recorded directly in equity</b>						
Dividend for the year December 31, 2017 (Rs. 1.50 per share)	-	-	-	-	(1,500,557)	(1,500,557)
<b>Balance as at December 31, 2018</b>	<b>10,002,524</b>	<b>2,643,483</b>	<b>(2,878,875)</b>	<b>774,183</b>	<b>1,163,269</b>	<b>11,704,584</b>

The annexed notes 1 to 46 and annexures I to III form an integral part of these financial statements.



Chief Financial Officer



Managing Director



Director



Director



Director

# THE BANK OF KHYBER

## CASH FLOW STATEMENT

### FOR THE YEAR ENDED DECEMBER 31, 2018


	Note	2018	2017
		Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit/(Loss) before taxation		706,601	2,795,398
Less: Dividend income		49,540	58,039
		<b>657,061</b>	<b>2,737,359</b>
<b>Adjustments:</b>			
Depreciation		288,936	236,933
Amortization		42,663	37,702
Provision against loans and advances		(148,449)	(107,073)
Provision for/(reversal) against diminution in value of investments-net		(23,171)	3,279
Loan write off		65	-
Loss/ gain on sale of fixed assets		566	(1,959)
Provision against other assets		593	(19,407)
		<b>161,203</b>	<b>149,475</b>
		<b>818,264</b>	<b>2,886,834</b>
(Increase)/ decrease in operating assets			
Lendings to financial institutions-Gross		(6,166,536)	7,298,201
Held-for-trading securities		-	360,797
Gross advances		(11,494,467)	(51,618,094)
Others assets		(643,804)	(1,072,498)
		<b>(18,304,807)</b>	<b>(45,031,594)</b>
Increase/ (decrease) in operating liabilities			
Bills payable		(236,115)	355,303
Borrowings from financial institutions		(29,347,472)	35,488,761
Deposits		11,920,582	2,226,609
Other liabilities		(759,305)	1,680,431
		<b>(18,422,310)</b>	<b>39,751,104</b>
Income tax paid		(824,930)	(1,269,656)
<b>Net cash flow used in operating activities</b>		<b>(36,733,783)</b>	<b>(3,663,312)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		43,394,289	15,809,352
Net investments in held-to-maturity securities		(1,068,361)	(16,587,057)
Dividends received		49,540	58,039
Investments in operating fixed assets		(258,038)	(576,667)
Proceeds from sale of fixed assets		726	4,420
<b>Net cash flow from investing activities</b>		<b>42,118,155</b>	<b>(1,291,913)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		(1,500,928)	(1,488,860)
<b>Net cash flow used in financing activities</b>		<b>(1,500,928)</b>	<b>(1,488,860)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>3,883,444</b>	<b>(6,444,085)</b>
Cash and cash equivalents at beginning of the year	33	12,173,369	18,617,454
Cash and cash equivalents at end of the year	33	16,056,813	12,173,369

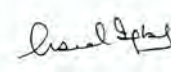
The annexed notes 1 to 46 and annexures I to III form an integral part of these financial statements.

  
Chief Financial Officer

  
Managing Director

  
Director

  
Director

  
Director





## THE BANK OF KHYBER

# NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

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#### 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. 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 169 branches including 84 Islamic banking branches (2017: 166 branches including 83 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** During the year the State Bank of Pakistan (SBP) has revised the format for annual financial Statements for banking sector under BPRD Circular No. 02 dated January 25, 2018. Companies Act, 2017 became applicable for the first time for the preparation of these financial statements. The above, being the integral part of Statutory financial reporting framework applicable to the Bank as mentioned in note 3.1, below prescribes the nature and contents of disclosures in relation to various elements of the financial statements.

**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 Group have been included in these financial statements for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Group are disclosed in Annexure "II" 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. STATEMENT OF COMPLIANCE

**3.1** These financial statements have been prepared in accordance with approved accounting and reporting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards IFRS issued by the International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017 provisions of and directives issued under the Banking Companies Ordinance, 1962, the Companies Act, 2017 and directives issued by the SBP and the Securities and Exchange Commission of Pakistan (SECP). Whenever the requirements of the Banking Companies Ordinance, 1962, Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

**3.2** 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.

**3.3** 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

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

BPRD Circular No. 02 dated January 25, 2018, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2018. 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.

**3.4** SBP through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities & Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for institutions offering Islamic Financial Services (IFS). The standard will result in certain new disclosures in the financial statements of the Bank as and when notified by SBP.

**3.5 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective in the current year.**

<b>Standard, Interpretation or Amendment</b>	<b>Effective date (annual periods beginning on or after)</b>
-IAS 28 - Long Term Interest in Associates and Joint Venture (Amendments to IAS-28)	January 1, 2019
-IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
-IFRS 15 - Revenue from contracts with customers	July 1, 2018
-IFRS 16- Leases	January 1, 2019
-Annual Improvements to IFRS Standards 2015-2017 Cycle	January 1, 2019
-IAS-19 Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (Employee Benefits)	January 1, 2019
-Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	N/A
-IFRS 17- Insurance Contracts	January 1, 2021
-IFRS 9 - Financial Instruments	"period ending on or after June 30, 2019"

**3.6** With respect to 'IFRS 15 - Revenue from contracts with customers' the Bank is currently in the process of assessing the potential impacts of changes required in revenue recognition policies upon adoption of the standard. Whereas on the application of "IFRS 9 - Financial Instruments", instructions of SBP are awaited.

**3.7** There are certain new and amended standards, interpretations and amendments that are mandatory for the accounting periods beginning on or after January 1, 2018 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.

**4 BASIS OF MEASUREMENT**  
**Accounting convention**

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

**5 SIGNIFICANT ESTIMATES AND JUDGEMENTS**

The preparation of financial statements in conformity with approved accounting and reporting 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 BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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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 and loans to small enterprises, 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 / intangible 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".

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 35.1. 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. The latest actuarial valuation has been carried out on December 31, 2018.

**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."





**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**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 the change explained in note 6.21.

**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 counter party liability is included in borrowings from financial institutions. The difference between sale and repurchase price is treated as mark-up/return/interest expense and accrued over the term of the repo agreement.

**b) Purchase under resale agreement**

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

**c) Other lendings**

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

**d) Other borrowings**

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

**6.3 Investments**

**6.3.1 Classification**

The Bank classifies its investments as follows:

**6.3.2 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.

**6.3.3 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.

**6.3.4 Available-for-sale**

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

**6.3.5 Associates**

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

**6.3.6 Regular way contracts**

All purchases and sales of investments that require delivery within the time frame 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.

**6.3.7 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.

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2018

---

**6.4 Subsequent measurement**

**6.4.1 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.

**6.4.2 Held-to-maturity**

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

**6.4.3 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.

**6.4.4 Impairment**

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

**6.5 Advances**

**6.5.1** Advances (including Islamic financings) 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.

**6.5.2 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.

**6.5.3 Ijarah financings**

Ijarah financings executed on or before December 31, 2008 have been accounted for under Finance method, there after 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.



**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

---

**6.5.4 Diminishing Musharakah**

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

**6.5.5 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.

**6.5.6 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.

**6.5.7 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.

**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 is 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 12.3. 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.

Revaluation of leasehold land is carried out with sufficient regularity to ensure that the carrying amount of the land does not differ materially from the fair value. Any revaluation increase in the carrying amount of land is recognized in other comprehensive income and presented as a separate component of equity as "revaluation surplus on fixed assets" except to the extent that it reverses a revaluation decrease / deficit for the same asset previously recognized in profit and loss account, in which case the increase is first recognized in profit and loss account to the extent of the decrease previously charged. Any decreases that reverse previous increases of the same asset are first recognized in other comprehensive income to the extent of the remaining surplus attributable to the asset, all other decreases are charged to profit and loss account. The revaluation reserve is not available for distribution to the Bank's shareholders.

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 13.2. Amortization





**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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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.

**6.7 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.

**6.8 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.

**6.8.1 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.

**6.8.2 Deferred**

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

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

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

**6.9 Employee Benefits**

**6.9.1 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, 2018 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.

**6.9.2 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.

**6.9.3 Compensated absences**

The Bank accounts for all accumulating compensated absences when employees render service that increases their entitlement to future compensated absences. The liability is determined based on actuarial valuation carried out using the Projected Unit Credit Method. The latest actuarial valuation has been carried out on December 31, 2018.



**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**6.10 Financial instruments**

**6.10.1 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.

**6.10.2 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.

**6.11 Revenue**

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.

"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. "

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.

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.

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.

Dividend income is recognized when the Bank's right to receive the dividend is established.

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.

Gain / loss on sale of investments is credited / charged to profit and loss account.

**6.12 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.



**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**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.

**6.13 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.

**6.13.1 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.

**6.13.2 Geographical segments**

The Bank conducts all its operations in Pakistan.

**6.14 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

**6.15 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.

**6.16 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.



## THE BANK OF KHYBER

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

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**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.

**6.21 Changes in accounting policies**

Previously, the Bank's accounting policy for surplus on revaluation of fixed assets was in accordance with the provisions of section 235 of the repealed Companies Ordinance, 1984 which required "a deficit arising on revaluation of a particular property to be adjusted against the total balance in the surplus account, or if no surplus existed, it is to be charged to the profit or loss account as an impairment loss. With the enactment of Companies Act, 2017 "deficit arising on revaluation of a particular property is now to be accounted for in accordance with the relevant standards (IAS/IFRSs) , which requires that such deficit cannot be adjusted against the surplus in another property, but is to be taken to the profit or loss account as an impairment loss. Consequently, the Bank has changed its policy for accounting of deficit arising on revaluation of fixed assets, however, the change has no impact on current and prior year's financial statements of the bank. The revised accounting policy is explained in note 6.6.2 above. Further, the requirements of the repealed Companies Ordinance, 1984 to present the surplus on revaluation of fixed assets as a separate item below equity has not been carried forwarded in the Companies Act, 2017. In view of the above and also in accordance with SBP's revised format of annual financial statements (note 2.1), the surplus on revaluation of fixed assets is now shown in the statement of financial position and the statement of changes in equity as a part of equity. Similarly, the SBP's revised format of annual financial statements (note 2.1) also requires the Bank to disclose surplus/deficit on revaluation of investments in statement of changes in equity whereas in the previous years, the same was disclosed in the balance sheet below equity.

THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		Rupees in '000	
<b>7 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		2,110,143	1,704,772
Foreign currency		247,451	261,795
		<b>2,357,594</b>	1,966,567
<b>With State Bank of Pakistan in</b>			
Local currency current account	7.1	9,051,401	6,171,976
Foreign currency current account	7.1	82,680	58,006
Foreign currency deposit account	7.2	73,760	87,311
		<b>9,207,841</b>	6,317,293
<b>With National Bank of Pakistan in</b>			
Local currency current account		767,556	578,779
Local currency saving account		6,658	4,682
Foreign currency deposit account		9,517	48,033
		<b>783,731</b>	631,494
Prize bonds		2,287	664
		<b>12,351,453</b>	8,916,018

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 carry mark up rate of 1.35 % (2017: 0.37%) per annum.

	Note	2018	2017
		Rupees in '000	
<b>8 BALANCES WITH OTHER BANKS</b>			
<b>In Pakistan</b>			
In current account	8.1	3,008,582	2,564,648
In deposit account		577,196	241,302
		<b>3,585,778</b>	2,805,950
<b>Outside Pakistan</b>			
In current account	8.2	18,785	32,225
In deposit account		110,825	429,204
		<b>129,610</b>	461,429
Provision for doubtful placement with the bank	8.3	(10,028)	(10,028)
		<b>3,705,360</b>	3,257,351

8.1 These represent short-term deposits with banks at mark-up rates ranging from 2 % to 10.59 % (2017: 0.10% to 5.67%) 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.

THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

**8.3 Particulars of provision for doubtful placement with a bank**

	Note	2018	2017
Rupees in '000			
Opening balance		(10,028)	(10,028)
Charge for the year		-	-
Reversals		-	-
		-	-
Closing balance		(10,028)	(10,028)

**9 LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	9.2	2,500,000	-
Repurchase agreement lendings (Reverse Repo)	9.3	5,195,642	-
Bai Muajjal receivable with State Bank of Pakistan	9.4	-	1,529,106
Placements with financial institutions		238,944	238,944
		7,934,586	1,768,050
Less: provision held against lending to financial institutions	9.5	(238,944)	(238,944)
Lending to financial institutions - net of provision		7,695,642	1,529,106

**9.1 Particulars of lendings**

In local currency		7,695,642	1,529,106
In foreign currencies		-	-
<b>Total</b>		<b>7,695,642</b>	<b>1,529,106</b>

**9.2** This represents unsecured lendings to commercial banks at the mark-up rate ranging from 9.50% to 10.50% (2017: Nil) with upto January 31, 2019.

**9.3** Repurchase agreement lendings (Reverse Repo) secured against government securities carrying mark-up rates ranging from 10.20% to 10.45% (2017: Nil) per annum with maturities up to January 02, 2019.

**9.4** Bai Muajjal secured lending with State Bank of Pakistan carried profit rate ranging Nil (2017: 5.5641% to 5.7641%) per annum.

**9.5 Particulars of provision against lendings to financial institutions**

		2018	2017
Rupees in '000			
Opening balance		(238,944)	(238,944)
Charge for the year		-	-
Reversals		-	-
		-	-
Closing balance		(238,944)	(238,944)

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

9.6	Securities held as collateral against lending to financial institutions	2018			2017						
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total				
		Rupees in '000									
	Market Treasury Bills	5,195,642	-	5,195,642	-	-	-				
9.7	Category of classification	2018		2017							
		Classified lending	Provision held	Classified lending	Provision held						
		Rupees in '000									
	Domestic										
	Other assets especially mentioned	-	-	-	-	-	-				
	Substandard	-	-	-	-	-	-				
	Doubtful	-	-	-	-	-	-				
	Loss	238,944	238,944	238,944	238,944	238,944	238,944				
		238,944	238,944	238,944	238,944	238,944	238,944				
	Overseas										
	Not past due but impaired	-	-	-	-	-	-				
	Overdue by:										
	Upto 90 days	-	-	-	-	-	-				
	91 to 180 days	-	-	-	-	-	-				
	181 to 365 days	-	-	-	-	-	-				
	365 days	-	-	-	-	-	-				
	Total	238,944	238,944	238,944	238,944	238,944	238,944				
10	INVESTMENTS	2018				2017					
10.1	Investments by type:	Cost/ amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/ amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value		
		Rupees in '000									
	Available-for-sale securities										
	Federal Government Securities	68,450,985	-	(4,524,391)	63,926,594	113,707,788	-	(468,706)	113,239,082		
	Shares	683,990	(566,126)	95,352	213,216	1,693,414	(585,542)	(22,548)	1,085,324		
	Non Government Debt Securities	7,233,909	(275,879)	-	6,958,030	4,361,974	(279,634)	-	4,082,340		
		76,368,884	(842,005)	(4,429,039)	71,097,840	119,763,176	(865,176)	(491,254)	118,406,746		
	Held-to-maturity securities										
	Federal Government Securities	23,094,895	-	-	23,094,895	22,026,533	-	-	22,026,533		
		23,094,895	-	-	23,094,895	22,026,533	-	-	22,026,533		
	Associate	40,504	-	-	40,504	40,504	-	-	40,504		
	Total	99,504,283	(842,005)	(4,429,039)	94,233,239	141,830,213	(865,176)	(491,254)	140,473,783		
10.2	Investment in associate - unlisted shares					Year ended	Number of shares	Percentage of holding	Cost Rupees in '000		
	Taurus Securities Limited - incorporated in Pakistan					2018	4,050,374	30%	40,504		
	Taurus Securities Limited - incorporated in Pakistan					2017	4,050,374	30%	40,504		
10.3	Summary of financial information of associate					Assets	Liabilities	Equity	Revenue	Net profit / (loss)	Total Comprehensive Income
						Rupees in '000					
	Based on the financial statements - December 31, 2017					1,251,226	902,355	348,871	107,974	38,274	67,018
10.4	Investments by segments	2018				2017					
		Cost/ amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/ amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value		
		Rupees in '000									
	Federal Government Securities:										
	Market Treasury Bills	16,048,382	-	(6,721)	16,041,661	46,643,343	-	(8,210)	46,635,133		
	Pakistan Investment Bonds	69,247,466	-	(4,483,238)	64,764,228	82,840,681	-	(508,174)	82,332,507		
	Ijarah Sukuks	6,250,032	-	(34,432)	6,215,600	6,250,297	-	47,678	6,297,975		
		91,545,880	-	(4,524,391)	87,021,489	135,734,321	-	(468,706)	135,265,615		
	Shares:										
	Listed Companies	345,996	(284,390)	95,352	156,958	1,355,420	(303,806)	(22,548)	1,029,067		
	Unlisted Companies	337,994	(281,736)	-	56,258	337,994	(281,737)	-	56,257		
		683,990	(566,126)	95,352	213,216	1,693,414	(585,543)	(22,548)	1,085,324		
	Non Government Debt Securities										
	Listed	1,738,385	(138,385)	-	1,600,000	338,305	(138,385)	-	199,921		
	Unlisted	5,495,524	(137,494)	-	5,358,030	4,023,669	(141,249)	-	3,882,420		
		7,233,909	(275,879)	-	6,958,030	4,361,974	(279,634)	-	4,082,341		
	Associate										
	Taurus Securities Limited	40,504	-	-	40,504	40,504	-	-	40,504		
	Total investments	99,504,283	(842,005)	(4,429,039)	94,233,239	141,830,213	(865,176)	(491,254)	140,473,783		
10.4.1	With changes in discount rate by State Bank of Pakistan during the year, it has affected the activity of investments of the Bank and return thereon during the year.										



THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

		2018	2017
		Rupees in '000	
<b>10.5</b>	<b>Investments given as collateral</b>		
	Market Treasury Bills	7,406,373	24,835,551
	Pakistan Investment Bonds	21,965,384	38,520,452
		<b>29,371,757</b>	<b>63,356,003</b>

These represent the market values of securities at year end.

		2018	2017
<b>10.6</b>	<b>Provision for diminution in value of investments</b>		
	Opening balance	865,176	861,897
	<b>Charge / reversals</b>		
	Charge for the year	-	18,771
	Reversals for the year	(3,755)	-
	Reversal on disposals	(19,416)	(15,492)
		<b>(23,171)</b>	<b>3,279</b>
	Closing balance	<b>842,005</b>	<b>865,176</b>

**10.7** This includes impairment reversal of Rs. 23.171 million (2017: Rs. 15.492 million) in respect of available-for-sale equity securities.

**10.8 Particulars of provision against debt securities**  
**Category of classification**

Category of classification	2018		2017	
	NPI	Provision	NPI	Provision
Rupees in '000				
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	275,879	275,879	279,634	279,634
	<b>275,879</b>	<b>275,879</b>	<b>279,634</b>	<b>279,634</b>
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
365 days	-	-	-	-
	-	-	-	-
<b>Total</b>	<b>275,879</b>	<b>275,879</b>	<b>279,634</b>	<b>279,634</b>

**10.9 Principal terms of investments in federal government securities**

	Yield / return per annum	Maturity	Redemption	Coupon
Market Treasury Bills	8.74 % to 10.29%	03-January-2019 to 28-February-2019	On maturity	At maturity
Pakistan Investment Bonds	7.00 % to 12.00%	21-April-2019 to 09-August-2028	On maturity	Half yearly
Government of Pakistan Sukuk	5.24 % to 6.10%	15-Feb-2019 to 30-Jun-2020	On maturity	Half yearly

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.

**10.9.1 Details of investment in preference shares - unlisted**

Name of company	Percentage of holding	No. of shares	Paid-up value per share	Total paid-up value	Total cost on December 31, 2018
Rupees in '000					
Saudi Pak Leasing Company Limited	37%	19,500,000	10	195,000	195,000

**10.9.2** 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.

**10.9.3 Quality of available for sale securities**

**Federal government securities - Government guaranteed**

Market treasury bills

Pakistan investment bonds

Ijarah sukuks

	2018	2017
	Cost	
	Rupees in '000	
	<b>16,048,382</b>	46,643,343
	<b>46,152,571</b>	60,814,148
	<b>6,250,032</b>	6,250,297
	<b>68,450,985</b>	113,707,788

**Non government debt securities - listed**

Categorised based on long term rating by credit rating agency

- AA+, AA, AA-

- A+, A, A-

- Unrated

	<b>1,200,000</b>	-
	<b>400,000</b>	199,920
	<b>138,385</b>	138,385
	<b>1,738,385</b>	338,305

**Non government debt securities - unlisted**

Categorised based on long term rating by credit rating agency

- AAA

- AA+, AA, AA-

- A+, A, A-

- Unrated

	<b>3,859,286</b>	2,745,715
	<b>1,000,000</b>	500,000
	<b>498,744</b>	586,705
	<b>137,494</b>	191,249
	<b>5,495,524</b>	4,023,669

**10.9.4** Information relating to investment in ordinary shares of listed and unlisted companies is disclosed in Annex III to these financial statements.

**10.9.5 Particulars relating to held to maturity securities are as follows:**

**Federal Government Securities - Government guaranteed**

Pakistan investment bonds

	2018	2017
	Cost	
	Rupees in '000	
	<b>23,094,895</b>	22,026,533

**10.9.6** The year end market value of securities classified as held-to-maturity was amounted to Rs.21,062 million (2017: Rs. 22,422 million).

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

**11 ADVANCES**

Loans, cash credits, running finances, etc.  
 Islamic financing and related assets  
 Bills discounted and purchased  
 Advances - gross

**Provision against advances**

- Specific  
 - General

Advances - net of provision

**11.1 Particulars of advances (gross)**

In local currency  
 In foreign currency

	Performing		Non performing		Total	
	2018	2017	2018	2017	2018	2017
	Rupees in '000					
	59,077,654	41,244,598	4,121,876	4,346,458	63,199,530	45,591,056
	35,294,489	41,397,898	313,506	218,827	35,607,995	41,616,725
	136,480	221,821	222,970	242,971	359,450	464,792
	94,508,623	82,864,317	4,658,352	4,808,256	99,166,975	87,672,573
	-	-	4,119,221	4,278,567	4,119,221	4,278,567
	35,851	24,954	-	-	35,851	24,954
	35,851	24,954	4,119,221	4,278,567	4,155,072	4,303,521
	94,472,772	82,839,363	539,131	529,689	95,011,903	83,369,052
					2018	2017
					Rupees in '000	
					99,166,975	87,672,573
					-	-
					99,166,975	87,672,573

THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

- 11.2 Advances include Rs.4,658.352 millions (2017: Rs. 4,808.257 million) which have been placed under non-performing status as detailed below:-

Category of classification	2018		2017	
	Non performing loans	Provision	Non performing loans	Provision
	Rupees in '000			
<b>Domestic</b>				
Other assets especially mentioned	10,308	-	19,207	400
Substandard	129,817	4,361	60,908	12,267
Doubtful	239,992	45,855	75,886	7,093
Loss	4,278,235	4,069,005	4,652,256	4,258,807
	<b>4,658,352</b>	<b>4,119,221</b>	4,808,257	4,278,567
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
<b>Overdue by:</b>				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
>365 days	-	-	-	-
<b>Total</b>	<b>4,658,352</b>	<b>4,119,221</b>	4,808,257	4,278,567

11.3 Particulars of provision against advances	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
Opening balance	4,278,567	24,954	4,303,521	4,379,722	30,872	4,410,594
Charge for the year	309,531	10,897	320,428	438,441	-	438,441
Reversals	(468,877)	-	(468,877)	(539,596)	(5,918)	(545,514)
	(159,346)	10,897	(148,449)	(101,155)	(5,918)	(107,073)
Amounts written off	-	-	-	-	-	-
Closing balance	<b>4,119,221</b>	<b>35,851</b>	<b>4,155,072</b>	4,278,567	24,954	4,303,521

11.4 Particulars of provision against advances	2018			2017		
	Specific	General	Total	Specific	General	Total
	Rupees in '000					
In local currency	4,119,221	35,851	4,155,072	4,278,567	24,954	4,303,521
In foreign currencies	-	-	-	-	-	-
	<b>4,119,221</b>	<b>35,851</b>	<b>4,155,072</b>	4,278,567	24,954	4,303,521



THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	Rupees in '000	
<b>11.5 PARTICULARS OF WRITE OFFS:</b>		
Against provisions	-	-
Directly charged to profit & loss account	65	-
	<b>65</b>	-
<b>11.5.1 Write offs of Rs. 500,000 and above</b>		
- Domestic	-	-
- Overseas	-	-
Write offs of below Rs. 500,000	65	-
	<b>65</b>	-

**DETAILS OF LOAN WRITE OFF 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, 2018 is given in Annexure 'I'. However, these write-offs do not affect the Bank's right to recover debts from these customers.

- 11.6** 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, 2018 the Bank has availed cumulative benefit of forced sale values of Rs. 285.790 million (2017: Rs. 422.657 million). Increase in unappropriated profit net of tax amounting to Rs. 185.764 million (2017: Rs. 274.727 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

	Note	2018	2017
		Rupees in '000	
<b>12 FIXED ASSETS</b>			
Capital work-in-progress	12.1	291,647	260,243
Property and equipment	12.3	1,924,775	1,973,306
		<b>2,216,422</b>	2,233,549
<b>12.1 Capital work-in-progress</b>			
Civil works		284,396	220,922
Equipment		7,251	17,519
Advances to suppliers		-	21,802
		<b>291,647</b>	260,243
<b>12.2 Movement in capital work-in-progress</b>			
Opening balance		260,243	372,434
Transfer in		194,027	281,068
Transfer out		(162,623)	(393,259)
Closing balance		<b>291,647</b>	<b>260,243</b>

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

12.3 Property and equipment

		2018							
		Rupees '000							
	Freehold land	Leasehold land	Building on freehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Renovation	Books	Total
At January 1, 2018									
Cost / Revalued amount	58,000	891,441	288,567	238,752	873,498	21,681	691,017	706	3,063,662
Accumulated depreciation	-	-	55,457	119,342	534,779	16,137	363,994	647	1,090,356
Net book value	58,000	891,441	233,110	119,410	338,719	5,544	327,023	59	1,973,306
Year ended December 31,									
Opening net book value	58,000	891,441	233,110	119,410	338,719	5,544	327,023	59	1,973,306
Additions	-	-	-	16,413	110,643	3,393	111,168	80	241,697
Disposals	-	-	-	309	10	-	973	-	1,292
Depreciation charge	-	-	28,661	24,058	124,559	2,158	109,469	31	288,936
Closing net book value	58,000	891,441	204,449	111,456	324,793	6,779	327,749	108	1,924,775
At December 31, 2018									
Cost / Revalued amount	58,000	891,441	288,567	251,601	980,253	25,068	790,655	786	3,286,371
Accumulated depreciation	-	-	84,118	140,145	655,460	18,289	462,906	678	1,361,596
Net book value	58,000	891,441	204,449	111,456	324,793	6,779	327,749	108	1,924,775
Rate of depreciation (percentage)	-	-	10.00%	10%-20%	10%-33.33%	20.00%	20.00%	20.00%	10.00%

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2017								
	Free hold land	Lease hold land	Building on free hold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Renovation	Books	Total
<b>At January 1, 2017</b>	Rupees '000								
Cost / Revalued amount	58,000	891,441	93,964	192,097	718,548	25,638	500,509	675	2,480,872
Accumulated depreciation	-	-	31,097	104,190	430,232	18,551	298,943	637	883,650
Net book value	58,000	891,441	62,867	87,907	288,316	7,087	201,566	38	1,597,222
<b>Year ended December 31,</b>									
Opening net book value	58,000	891,441	62,867	87,907	288,316	7,087	201,566	38	1,597,222
Additions	-	-	194,603	52,959	161,875	1,909	204,100	33	615,479
Disposals	-	-	-	256	62	1,552	591	-	2,461
Depreciation charge	-	-	24,360	21,200	111,410	1,900	78,052	12	236,934
Closing net book value	58,000	891,441	233,110	119,410	338,719	5,544	327,023	59	1,973,306
<b>At December 31, 2017</b>									
Cost / Revalued amount	58,000	891,441	288,567	238,752	873,498	21,681	691,017	706	3,063,662
Accumulated depreciation	-	-	55,457	119,342	534,779	16,137	363,994	647	1,090,356
Net book value	58,000	891,441	233,110	119,410	338,719	5,544	327,023	59	1,973,306
Rate of depreciation (percentage)	-	-	10.00%	10%-20%	10%-33.33%	20.00%	20.00%	10.00%	-

**12.4** The leasehold land of the Bank was last revalued on December 31, 2016 by an independent valuer. The revaluation was carried out on the basis of professional assessment of market value that resulted in surplus shown in note 2.1. The total revaluation surplus on land aggregating to Rs 774.183 million (2017: Rs 774.183 million) has been included in the carrying value of leasehold land. Had the land not been revalued, the total carrying amount of the land as at December 31, 2018 would have been Rs. 117.258 million (2017: Rs 117.258 million). The forced sale value of the leasehold land assessed as Rs. 802.293 million (2017: Rs 802.293 million).

**12.5** Particulars of lands are as follow:

S. No	Location	Nature	Area (sq. feet)
1	The Mall, Peshawar Cantt. Peshawar	Leased hold land	20,497
2	Faysal Town, Lahore	Free hold land with multi story building	20,398

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

12.6 Details of disposals of fixed assets

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particular of purchasers
Furniture and fixture	3,564	3,255	309	297	(12)	Auction	Mr. M. Nadir, Mr. M. Iqbal,
Office equipment	3,889	3,879	10	97	87	Auction	Mr. Zeeshan and
Bi-cycle	7	7	-	1	1	Auction	Mr. M. Shabeer
Renovation	11,527	10,554	973	331	(642)	Auction	M/S Shahbaz Scrap Dealers, Mr. Zeeshan and Mr. M. Shabeer
<b>2018</b>	<b>18,987</b>	<b>17,696</b>	<b>1,292</b>	<b>726</b>	<b>(566)</b>		
2017	32,687	30,226	2,461	4,420	1,959		

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

	2018	2017
Building on free hold land	1,964	1,964
Furniture & fixture	62,223	51,593
Office equipment	361,083	192,499
Vehicles	11,455	15,169
Library books	626	784
Renovation	207,156	140,387



THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

**13 INTANGIBLE ASSETS**

Capital work in progress  
 Intangibles

Note	2018	2017
Rupees in '000		
13.1	8,300	71,752
13.2	70,551	64,824
	<b>78,850</b>	<b>136,576</b>

**13.1 Movement in capital work-in-progress**

**Opening balance**  
 Transfer in  
 Transfer out  
 Write off  
**Closing balance**

	71,752	57,886
	22,126	21,610
	(37,681)	(7,744)
	(47,897)	-
	<b>8,300</b>	<b>71,752</b>

**13.2 INTANGIBLE ASSETS**

**At January 1, 2018**

Cost  
 Accumulated amortization and impairment  
 Net book value

License	Computer software	Total
Rupees in 000		
58,926	90,975	149,900
30,675	54,402	85,077
<b>28,251</b>	<b>36,573</b>	<b>64,824</b>

**Year ended December 31, 2018**

Opening net book value  
 Purchases  
 Amortization charge  
**Closing net book value**

28,251	36,573	64,824
467	47,923	48,390
15,680	26,983	42,663
<b>13,038</b>	<b>57,513</b>	<b>70,551</b>

**At December 31, 2018**

Cost  
 Accumulated amortization and impairment  
**Net book value**

59,393	138,898	198,291
46,355	81,385	127,740
<b>13,038</b>	<b>57,513</b>	<b>70,551</b>

Rate of amortization (percentage)

33.33%		
--------	--	--

Useful life-years

3		
---	--	--

Remaining amortization years

1-3		
-----	--	--

**At January 1, 2017**

Cost  
 Accumulated amortization and impairment  
 Net book value

License	Computer software	Total
Rupees in 000		
27,083	63,305	90,388
15,334	32,041	47,375
<b>11,749</b>	<b>31,264</b>	<b>43,013</b>

**Year ended December 31, 2017**

Opening net book value  
 Purchases  
 Amortization charge  
**Closing net book value**

11,749	31,264	43,013
31,843	27,670	59,513
15,341	22,361	37,702
<b>28,251</b>	<b>36,573</b>	<b>64,824</b>

**At December 31, 2017**

Cost  
 Accumulated amortization and impairment  
 Net book value

58,926	90,975	149,900
30,675	54,402	85,077
<b>28,251</b>	<b>36,573</b>	<b>64,824</b>

Rate of amortization (percentage)

33.33%		
--------	--	--

Useful life-Years

3		
---	--	--

Remaining amortization years

1-3		
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THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

13.3 Particulars of assets written-off	Note	2018	2017
		Rupees in '000	
Against provision		-	-
Directly charged to profit & loss		47,897	-
		<b>47,897</b>	-
<b>14 DEFERRED TAX ASSET / (LIABILITY) - NET</b>			
<b>Deferred tax asset arising in respect of:</b>			
Provision for balances with other banks		3,510	3,510
Provision for diminution in value of investments		78,157	87,203
(Reversal) / provision against loans and advances - net		-	22,221
Provision for other assets		3,448	3,448
Re-measurement of defined benefit plan		27,586	48,285
Accelerated tax depreciation		50,978	793
Islamic Pool Management reserve		49,899	42,352
Deficit / (surplus) on revaluation of investments		1,550,164	171,939
		<b>1,763,742</b>	<b>379,751</b>
<b>Deferred tax liability arising in respect of:</b>			
(Reversal) / provision against loans and advances - net		(6,291)	-
	14.1	<b>1,757,451</b>	<b>379,751</b>

**14.1 Reconciliation of deferred tax**

	As At January 1, 2017	Recognized in P&L A/C	Recognized in OCI	As At December 31, 2017	Recognized in P&L A/C	Recognized in OCI	As At December 31, 2018
	Rupees in '000						
Provision for balances with other banks	3,510	-	-	3,510	-	-	3,510
Provision for diminution in value of investments	87,203	-	-	87,203	(9,046)	-	78,157
Provision for other assets	3,448	-	-	3,448	-	-	3,448
Re-measurement of defined benefit obligations	31,103	-	17,182	48,285	-	(20,699)	27,586
Islamic pool management reserve	42,937	(585)	-	42,352	7,547	-	49,899
Accelerated tax depreciation	4,859	(4,066)	-	793	50,185	-	50,978
Deficit on revaluation of investments	(367,832)	-	539,771	171,939	-	1,378,225	1,550,164
Provision against loans and advances	43,027	(20,806)	-	22,221	(28,512)	-	(6,291)
<b>Deferred tax (liability) / asset - net</b>	<b>(151,745)</b>	<b>(25,457)</b>	<b>556,953</b>	<b>379,751</b>	<b>20,174</b>	<b>1,357,526</b>	<b>1,757,451</b>

The management of the Bank believes that it is highly probable that the Bank will be able to achieve the profits and consequently the deferred asset is fully realizable in future. The above assertion is based on financial projection for five years future taxable profits which is based on key assumptions that primarily include the growth of low cost deposits, growth in high yield customer advances, investment returns, branch expansion plans, potential provision against advances, interest rates, cost of funds and expected recoveries of classified advances.

**15 OTHER ASSETS**

	Note	2018	2017
		Rupees in '000	
Income/ mark-up accrued in local currency		4,386,767	3,978,166
Advances, deposits, advance rent and other prepayments		760,898	244,282
Advance taxation (payments less provisions)		670,828	106,574
Stationary and stamps on hand		18,863	10,305
Others		351,733	641,704
		<b>6,189,089</b>	4,981,031
Less: Provision held against other assets	15.1	(144,426)	(143,833)
<b>Total</b>		<b>6,044,663</b>	<b>4,837,198</b>

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		Rupees in '000	
<b>15.1 Provision held against other assets</b>			
Advances for Pre-IPO		(100,000)	(100,000)
Others		(44,426)	(43,833)
		<b>(144,426)</b>	<b>(143,833)</b>
<b>15.2 Movement in provision held against other assets</b>			
<b>Opening balance</b>		<b>(143,833)</b>	(163,240)
Charge for the year		593	-
Reversals		-	19,407
Closing balance		<b>(144,426)</b>	<b>(143,833)</b>
<b>16 BILLS PAYABLE</b>			
In Pakistan		895,126	1,131,241
Outside Pakistan		-	-
		<b>895,126</b>	<b>1,131,241</b>
<b>17 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan (SBP)			
Under export refinance scheme	17.1	3,299,000	2,014,300
Due to SBP LTFF	17.2	1,209,271	296,270
Due to SBP-Livestock Dairy		40,000	-
		<b>4,548,271</b>	2,310,570
Bai Muajjal Borrowing	17.3	10,478,171	19,956,313
Repurchase agreement borrowings	17.4	18,815,672	41,822,703
		<b>29,293,843</b>	61,779,016
<b>Unsecured</b>			
Call borrowings	17.5	1,000,000	100,000
<b>Total</b>		<b>34,842,114</b>	<b>64,189,586</b>

**17.1** The Bank has entered into agreements for financing with the State Bank of Pakistan for extending export finance to customers. As per the agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of finance by directly debiting the current account maintained by the Bank with the SBP. Against these facilities, State Bank of Pakistan charges mark-up of 3.00% (2017: 3.00%) per annum from the Bank. Currently the Bank earns a spread ranging from 1.00% to 2.00% (2017: 1.00% to 2.00%) per annum. The borrowings are repayable within six months from the deal date.

**17.2** These borrowings have been obtained from SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. Against these facilities, State Bank of Pakistan charges mark-up ranging from 3.00% to 4.5% (2017: 3.00% to 4.5%) per annum from the Bank. Currently the Bank earns a spread ranging from 1.50% to 3.00% (2017: 1.50% to 3.00%) per annum.

**17.3** This represents secured borrowing under Bai Muajjal carrying returns ranging from 6.04% to 10.06% (2017: 5.79% to 5.83%) per annum with maturities upto February 26, 2019 and are secured by way of government securities given as collateral as referred in note 10.5.

**17.4** Repurchase agreement with financial institution carries interest rate at 10.18% (2017: 5.80% to 6.05%) per annum with maturities upto January 4, 2019 and are secured by way of investments given as collateral as referred in note 10.5.

**17.5** Call borrowing from financial institutions carries interest rate of 9.00% (2017: 5.60%) per annum with maturities up to January 04, 2019.

THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	Rupees in '000	
<b>17.6 Particulars of borrowings with respect to currencies</b>		
In local currency	34,842,114	64,189,586
In foreign currency	-	-
	<b>34,842,114</b>	<b>64,189,586</b>

**18 DEPOSITS AND OTHER ACCOUNTS**

	2018			2017		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
	Rupees in '000					
<b>Customers</b>						
Current deposits	33,724,537	658,829	34,383,366	30,680,476	273,505	30,953,981
Saving deposits	56,316,293	134,854	56,451,147	47,551,707	261,154	47,812,861
Term deposits	74,575,968	-	74,575,968	74,987,400	-	74,987,400
Others	5,595,363	-	5,595,363	5,378,726	-	5,378,726
	<b>170,212,161</b>	<b>793,683</b>	<b>171,005,844</b>	158,598,309	534,659	159,132,968
<b>Financial Institutions</b>						
Current deposits	2,689	-	2,689	38,499	-	38,499
Saving deposits	159,023	-	159,023	75,507	-	75,507
	<b>161,712</b>	<b>-</b>	<b>161,712</b>	114,006	-	114,006
	<b>170,373,873</b>	<b>793,683</b>	<b>171,167,556</b>	158,712,315	534,659	159,246,974

	2018	2017
	Rupees in '000	
<b>18.1 Composition of deposits</b>		
Individuals	32,873,404	38,355,661
Government (Federal / provincial)	107,132,822	94,996,534
Public sector entities	12,926	27,825
Banking companies	36,073	40,547
Non-banking financial institutions	125,639	73,459
Private sector	30,986,692	25,752,948
	<b>171,167,556</b>	<b>159,246,974</b>

**18.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs 41,516.91 million as of December 31, 2018.



THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

19 OTHER LIABILITIES	Note	2018 Rupees in '000	2017
Mark-up/ return/ interest payable in local currency		2,331,098	3,640,560
Mark-up/ return/ interest payable in foreign currency		69	-
Unearned commission and income on bills discounted		119,605	65,639
Accrued expenses		180,357	140,796
Unclaimed dividends		29,060	29,433
Branch adjustment account		754,017	232,552
Employees benefits payable	35.1.3 & 35.2.2	276,373	200,789
Deferred income murabaha		117,499	85,889
Islamic pool management reserve	19.1	142,569	132,465
Payable against purchase of securities		-	102,086
Share subscription money refund	19.2	1,091	1,091
Retention money		24,903	24,367
Mark up in suspense		22,383	41,419
Un-earned bai maujjal sukuk		-	42,605
Charity fund		9,156	-
Security deposits against ijarah		340,901	212,659
Others	19.3	136,523	214,114
		<b>4,485,603</b>	<b>5,166,464</b>

**19.1** This includes equity portion of Profit Equalization Reserve amounting to Rs. 44.855 million (2017: Rs. 42.671 million), which has been presented as reserve in Annexure-II.

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

**19.3** This include Rs. 37.427 million (2017: Rs. 60.470 million) net of expenses, received from the Government of Khyber Pakhtunkhwa for meeting the expenses of Khud Kafalat scheme, Youth Challenge Fund, Long Term Financing facility for industrial development 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.

THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

**20 SHARE CAPITAL**

**20.1 Authorized capital**

<b>2018</b>	2017		<b>2018</b>	2017
<b>Number of shares</b>			<b>Rupees in '000</b>	
<b>1,500,000,000</b>	1,500,000,000	Ordinary shares of Rs. 10 each.	<b>15,000,000</b>	15,000,000

**20.2 Issued, subscribed and paid up**

<b>2018</b>	2017		<b>2018</b>	2017
<b>Number of shares</b>				
<b>Ordinary shares of Rs. 10 each</b>				
<b>722,698,448</b>	722,698,448	Fully paid in cash	<b>7,226,984</b>	7,226,984
<b>277,554,037</b>	277,554,037	Issued as fully paid bonus shares	<b>2,775,540</b>	2,775,540
<b>1,000,252,485</b>	1,000,252,485		<b>10,002,524</b>	10,002,524

**20.3** The Bank has only one class of shares and at reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 702,208,233 (2017: 702,208,233) and 241,639,031 (2017: 241,639,031) ordinary shares respectively. Moreover, the Bank has no reserved shares under options.

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018 Rupees in '000	2017
<b>21 (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS</b>			
(Deficit) / surplus on revaluation of			
- Available for sale (AFS) securities	10.1	(4,429,039)	(491,254)
- Deferred tax on AFS securities	14.1	1,550,164	171,939
		<u>(2,878,875)</u>	(319,315)
- Fixed assets	12.4	774,183	774,183
		<u>(2,104,692)</u>	454,868
<b>22 CONTINGENCIES AND COMMITMENTS</b>			
-Guarantees	22.1	15,959,908	14,494,958
-Commitments	22.2	13,545,311	6,446,477
		<u>29,505,219</u>	<u>20,941,435</u>
<b>22.1 Guarantees:</b>			
Financial guarantees		3,719,981	3,026,535
Performance guarantees		11,689,103	10,846,354
Other guarantees		550,824	622,069
		<u>15,959,908</u>	<u>14,494,958</u>
<b>22.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		10,334,256	4,071,727
<b>Commitments in respect of:</b>			
- forward foreign exchange contracts	22.3	3,206,101	2,180,584
<b>Commitments for acquisition of:</b>			
- operating fixed assets		4,954	194,166
- intangible assets		-	-
		<u>13,545,311</u>	<u>6,446,477</u>
<b>22.3 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		1,705,102	1,005,048
Sale		1,500,999	1,175,536
		<u>3,206,101</u>	<u>2,180,584</u>
<b>22.4</b>			
The income tax assessments of the Bank have been finalized up to tax year 2018. 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.			

THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		Rupees in '000	
<b>23 MARK-UP/RETURN/INTEREST EARNED</b>			
On:			
a) Loans and advances		6,868,962	3,842,699
b) Investments		7,439,461	10,250,640
c) Balances with banks		28,471	61,779
d) Lendings to Financial Institutions		349,571	220,264
		<b>14,686,465</b>	<b>14,375,382</b>
<b>24 MARK-UP/RETURN/INTEREST EXPENSED</b>			
Deposits		7,644,080	6,698,358
Borrowings		1,903,004	2,877,991
		<b>9,547,084</b>	<b>9,576,349</b>
<b>25 FEE &amp; COMMISSION INCOME</b>			
Branch banking customer fees		68,123	72,893
Consumer finance related fees		7,643	9,698
Debit card related fees		32,839	26,108
Credit related fees		67,231	37,756
Investment banking fees		16,653	11,245
Commission on trade		5,847	906
Commission on guarantees		173,715	141,668
Commission on cash management		-	4,772
Commission on remittances including home remittances		29,788	19,743
Others		5,054	13,642
		<b>406,893</b>	<b>338,431</b>
<b>26 (LOSS)/GAIN ON SECURITIES</b>			
Realised	26.1	(1,226,265)	1,061,172
Unrealised		-	-
		<b>(1,226,265)</b>	<b>1,061,172</b>
<b>26.1 Realised (loss) / gain on:</b>			
Federal Government Securities		(1,018,594)	852,245
Shares		(207,671)	208,927
		<b>(1,226,265)</b>	<b>1,061,172</b>
<b>27 OTHER INCOME</b>			
Postal, Swift and other services		70,753	73,738
Rent on property		2,579	4,324
Loss / gain on sale fixed assets		(563)	1,959
Service income on Government schemes		7,289	8,010
Rebate from financial institutions		24,204	17,841
		<b>104,262</b>	<b>105,872</b>



THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

28 OPERATING EXPENSES	Note	2018 Rupees in '000	2017
Total compensation expense	28.1	2,268,930	2,255,857
<b>Property expense</b>			
Rent & taxes		354,889	339,662
Utilities cost		123,054	109,948
Security (including guards)		120,119	120,650
Repair & Maintenance		3,577	5,296
Depreciation		138,130	102,412
		<b>739,768</b>	<b>677,968</b>
<b>Information technology expenses</b>			
Software maintenance		34,386	11,353
Hardware maintenance		31,221	30,528
Depreciation		124,559	111,410
Amortization		42,663	37,702
Network charges		11,645	9,559
ATM charges		120,653	90,803
Others		1,989	1,955
		<b>367,116</b>	<b>293,310</b>
<b>Other operating expenses</b>			
Directors' fees and allowances		10,941	9,464
Fees and allowances to Shariah Board		352	541
Legal and professional charges		34,782	46,370
Travelling & conveyance		65,837	55,698
Depreciation		26,247	23,112
Assets written off	13.3	47,897	-
Entertainment		27,542	29,523
Outsourced services cost	34.1	81,482	96,414
Postage & courier charges		23,890	14,068
Communication		63,031	52,039
Brokerage & Commission		22,078	23,663
Stationery and printing		48,778	43,898
Marketing, advertisement and publicity		34,306	32,625
Cash carriage charges		39,803	32,495
Donations	28.2	59	235
Insurance		37,916	27,393
Training & development		8,425	6,841
NIFT clearing charges		11,159	11,479
Auditors remuneration	28.3	13,164	9,655
Deposit protection premium		40,836	-
Others		37,909	32,231
		<b>676,433</b>	<b>547,743</b>
		<b>4,052,247</b>	<b>3,774,878</b>

Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 81.482 million (2017: Rs. 96.414 million) which pertains to the payment to companies incorporated in Pakistan. Outsourced activities mainly include janitorial services, cash sorters etc.

THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	2018	2017
		Rupees in '000	
<b>28.1 Total compensation expense</b>			
Managerial remuneration			
Fixed		867,417	821,247
Variable - cash bonus / awards etc.		81,322	140,608
Contribution to defined contribution plan		114,141	105,291
Charge for defined benefit plan	35.1.7	101,062	95,626
Charge for compensated absences	35.2.3	47,833	61,143
Rent & house maintenance		344,767	319,627
Fuel ceiling entitlement		215,862	201,809
Utilities		114,572	106,142
Voluntary separation scheme		114,963	150,808
Medical		115,418	107,458
Insurance		52,575	34,783
Special duty allowance		20,632	15,204
Conveyance		73,072	65,232
Others		5,293	30,880
<b>Grand total</b>		<b>2,268,930</b>	<b>2,255,857</b>
<b>28.2</b>	No donation individually exceeding Rs.0.5 million has been made during the year and none of the directors, executives or their spouses had any interest in the donee.		
	Note	2018	2017
		Rupees in '000	
<b>28.3 Auditors' remuneration</b>			
Audit fee		3,019	2,745
Fee for other statutory certifications		7,979	5,720
Out-of-pocket expenses		2,166	1,190
		<b>13,164</b>	<b>9,655</b>
<b>29 OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		25,150	2,776
		<b>25,150</b>	<b>2,776</b>
<b>30 PROVISIONS &amp; WRITE OFFS - NET</b>			
Reversal/provisions for diminution in value of investments	10.6	(23,171)	3,279
Reversal/provisions against loans & advances	11.3	(148,449)	(107,073)
Loans write offs		65	-
Reversal/provisions against other assets	15.2	593	(19,407)
		<b>(170,962)</b>	<b>(123,201)</b>
<b>31 TAXATION</b>			
Current		276,392	913,141
Prior years		(15,716)	66,329
Deferred		(20,174)	25,457
		<b>240,502</b>	<b>1,004,927</b>

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	<b>Rupees in '000</b>	
<b>31.1 Relationship between tax expense and accounting profit</b>		
Profit before tax	706,601	2,795,398
Profit at the applicable rate of 35% (2017: 35%)	247,310	978,389
Prior year tax	(15,716)	66,329
Others	8,908	(39,791)
	<b>240,502</b>	<b>1,004,927</b>

31.2 Management of the Bank has provided sufficient tax provision in the financial statements in accordance with Income Tax Ordinance 2001. Following is the comparison of the tax provision as per accounts vis a vis tax assessment for the last three years.

	Deemed assessment	Provision
	<b>Rupees in 000</b>	
Tax year 2018	897,425	913,141
Tax year 2017	1,246,757	1,180,880
Tax year 2016	1,100,112	1,014,620

	2018	2017
<b>32 BASIC &amp; DILUTED EARNING PER SHARE</b>		
Profit for the year - Rupees	466,099,368	1,790,470,920
Weighted average number of ordinary shares	1,000,252,485	1,000,252,485
Basic earnings per share - Rupee/share	0.47	1.79

	2018	2017
	<b>Rupees in '000</b>	
<b>33 CASH AND CASH EQUIVALENTS</b>		
Cash and balance with treasury banks	12,351,453	8,916,018
Balance with other banks	3,705,360	3,257,351
	<b>16,056,813</b>	<b>12,173,369</b>

	<b>Number</b>	
<b>34 STAFF STRENGTH</b>		
Permanent	1,373	1,366
On contractual basis	15	39
Bank's own staff strength at the end of the year	1,388	1,405
Bank's own average staff strength	1,366	1,322

34.1 In addition to the above, 841 (2017: 841) employees of outsourcing services companies were assigned to the Bank as at the end of the year. No staff was assigned by the Bank to perform activities outside Pakistan.

**35 EMPLOYEE BENEFITS**

**35.1 General description-gratuity fund**

General description of the type of defined benefit plan and the accounting policy for recognizing actuarial gains and losses are disclosed in notes 5.6 & 6.9 to these financial statements.

**35.1.1 Number of employees under the scheme**

The number of employees covered under the scheme are 1245 (2017: 1350).

THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

**35.1.2 Principal actuarial assumptions**

The actuarial valuation was carried out as at December 31, 2018 using the following significant assumptions:

	2018	2017
Note	Per annum	
Discount rate	13.25%	9.50%
Expected rate of return on plan assets	13.25%	9.50%
Expected rate of salary increase-long term	11.25%	7.50%
Expected rate of salary increase-short term	8.25%	4.50%

**35.1.3 Reconciliation of payable to defined benefit plan**

	2018	2017
	Rupees in '000	
Present value of obligation	(956,956)	(845,278)
Fair value of plan assets	792,299	714,264
Payable to outgoing employees	(15,223)	(12,203)
	<b>(179,880)</b>	<b>(143,217)</b>

**35.1.4 Movement in defined benefit obligation**

Obligations at the beginning of the year	(857,481)	(839,039)
Current service cost	(95,419)	(88,440)
Interest cost	(75,366)	(61,212)
Benefits paid	103,899	147,789
Benefits payable to outgoing employees	15,223	12,203
Re-measurement loss	35.1.8 (47,812)	(16,579)
Obligation at the end of the year	<b>(956,956)</b>	<b>(845,278)</b>

**35.1.5 Movement in fair value of plan assets**

Fair value at the beginning of the year	714,264	657,891
Expected return on plan assets	69,723	54,026
Benefits paid by the Fund	(103,899)	(147,789)
Contribution by the Bank	143,217	182,648
Re-measurements	35.1.8 (31,006)	(32,512)
Fair value at the end of the year	<b>792,299</b>	<b>714,264</b>

**35.1.6 Movement in payable under defined benefit scheme**

Opening balance	(143,217)	(181,148)
Charge for the year	(101,062)	(95,626)
Contribution by the Bank	143,217	182,648
Re-measurement loss recognised in OCI	35.1.8 (78,818)	(49,091)
Closing balance	<b>(179,880)</b>	<b>(143,217)</b>

**35.1.7 Cost recognised in profit and loss**

Current service cost	(95,419)	(88,440)
Net interest	(5,643)	(7,186)
	<b>(101,062)</b>	<b>(95,626)</b>



THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	Rupees in '000	
<b>35.1.8 Re-measurement recognised in OCI</b>		
Loss on obligation		
- Financial assumptions	12,550	(9,606)
Experience adjustment		
- Due to actual salary increase	11,099	(3,550)
- Due to actual withdrawal	9,261	(3,620)
- Due to other reasons	14,902	33,355
	47,812	16,579
Return on plan assets over interest income	31,006	32,512
<b>Total remeasurement recognized in OCI</b>	<b>78,818</b>	<b>49,091</b>
<b>35.1.9 Components of plan assets</b>		
Cash and cash equivalents	5,559	335
Investment in term deposit receipts (TDR)	728,072	650,300
Shares	20,261	20,310
Non-Government debt securities	58,407	63,319
	812,299	734,264
Less: provision against securities	(20,000)	(20,000)
	792,299	714,264

**35.1.10 Sensitivity analysis**

The sensitivity analysis is 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.

	2018
	Present Value of Defined Benefit Obligation
	Rupees in '000
<b>Current liability</b>	<b>972,179</b>
1% increase in discount rate	885,860
1% decrease in discount rate	1,071,939
1 % increase in expected rate of salary increase	1,075,467
1 % decrease in expected rate of salary increase	881,570
10% increase in withdrawal rates	973,363
10% decrease in withdrawal rates	970,379
1 Year Mortality age set back	971,092
1 Year Mortality age set forward	972,667
<b>35.1.11 Expected contribution to be paid to the Fund in the next financial year</b>	<b>179,880</b>
<b>35.1.12 Expected charge for the next financial year</b>	<b>123,496</b>

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

**35.1.13 Maturity profile**

**Particulars**

Year 1  
 Year 2  
 Year 3  
 Year 4  
 Year 5  
 Year 6 to 10  
 Year 11 and above

**2018**

**Undiscounted Payments  
 Rupees in '000**

**81,567**  
**47,630**  
**59,627**  
**49,757**  
**102,980**  
**660,035**  
**4,961,231**

**35.1.14 Funding policy**

Contributions to the Fund are made on the basis of actuarial recommendation.

**35.1.15 Significant risk associated**

Asset volatility	0.50%
Changes in TDR yields	3.50%
Inflation risk	6.17%
Life expectancy / Withdrawal rate	10.00%

**35.2 COMPENSATED ABSENCES**

**General description**

Employees can either avail encashment of un-availed leaves or leave preparatory to retirement (LPR), subject to the approval of the Bank's management. Employees are entitled to 30 days privilege leave in a calendar year after completion of one year of service that can be accumulated upto 180 days.

**35.2.1 Present value of benefit obligation**

**35.2.2 Movement in net liability recognized**

Opening liability  
 Expense for the year  
 Benefits paid  
 Closing liability

**35.2.3 Cost charged to profit & loss**

Current & past service cost  
 Interest  
 Actuarial loss  
 Negative past service cost-due to changes in rules

**35.2.4 Principal actuarial assumptions**

Valuation discount rate  
 Valuation discount rate-profit & loss  
 Salary increase rate-short term  
 Salary increase rate-long term  
 Duration-weighted average

**35.3 DEFINED CONTRIBUTION PLAN - EMPLOYEES' PROVIDENT FUND**

General description of the Fund is disclosed in note 6.9.2 to these financial statements. The number of employees covered under the scheme are 1373 (2017: 1366). During the year the Bank has contributed Rs. 114.140 million (2017: Rs. 105.290 million) to the fund.

Note	2018	2017
	Rupees in '000	
	<b>96,493</b>	57,572
	<b>57,572</b>	-
35.2.3	<b>47,833</b>	61,143
	<b>(8,912)</b>	(3,571)
	<b>96,493</b>	57,572
	<b>8,304</b>	61,143
	<b>598</b>	-
	<b>48,491</b>	-
	<b>(9,560)</b>	-
	<b>47,833</b>	61,143
	Per annum	
	<b>13.25%</b>	11.25%
	<b>11.25%</b>	0.00%
	<b>8.25%</b>	6.50%
	<b>11.25%</b>	6.50%
	<b>9.93 years</b>	11 years

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

**36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL**

**36.1 Total compensation expense**

Description	2018							
	Directors			Members shariah board	Managing director	Key management personnel	Other material risk takers/ controllers	Executives
	Chairman	Executive (other than CEO)	Non-executive					
	Rupees in 000							
Fees and allowances etc.	375	-	6,628	352	-	-	-	-
Managerial remuneration	-	-	-	-	-	-	-	-
Fixed	-	-	-	2,657	6,113	32,478	1,423	118,001
Variable - cash bonus / awards etc.	-	-	-	-	7,630	5,305	199	10,940
Charge for defined benefit plan	-	-	-	242	818	4,860	205	16,964
Contribution to defined contribution plan	-	-	-	252	781	3,783	213	17,700
Rent & house maintenance	-	-	-	756	2,435	14,279	640	53,100
Utilities	-	-	-	252	827	4,668	213	17,700
Medical	-	-	-	252	789	4,668	213	17,700
Additional allowances	-	-	-	-	3,323	5,720	-	2,259
Contractual allowances	-	-	-	-	-	1,020	-	-
Conveyance	82	-	2,754	873	1,278	12,821	873	53,958
Others	-	-	1,102	12	162	113	12	8,250
<b>Total</b>	<b>457</b>	<b>-</b>	<b>10,484</b>	<b>5,648</b>	<b>24,156</b>	<b>89,715</b>	<b>3,991</b>	<b>316,572</b>
Number of persons	1	-	6	3	3	13	1	72

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Description	2017				Members shariah board	Managing director	Key management personnel	Other material risk takers/ controllers	Executives
	Directors		Non-Executives	Rupees in 000					
	Chairman	Executives (other than CEO)							
Fees and allowances etc.	187	-	6,153	541	-	-	-	-	
Managerial remuneration	-	-	-	-	-	-	-	-	
Fixed	-	-	-	1,499	10,269	28,110	1,330	95,755	
Variable - cash bonus / awards etc.	-	-	-	237	7,868	2,708	216	13,127	
Charge for defined benefit plan	-	-	-	205	-	3,633	181	12,884	
Contribution to defined contribution plan	-	-	-	225	190	3,606	199	14,162	
Rent & house maintenance	-	-	-	675	1,471	11,716	598	42,635	
Utilities	-	-	-	225	640	3,869	199	14,162	
Medical	-	-	-	225	265	3,869	199	14,162	
Additional allowances	-	-	-	-	-	4,821	-	1,824	
Contractual allowances	-	-	-	-	-	1,692	-	978	
Conveyance	-	-	2,249	873	1,005	12,100	873	48,297	
Others	219	-	656	11	1,505	265	12	6,585	
Total	406	-	9,058	4,716	23,213	76,389	3,807	264,571	
Number of persons	1	-	7	1	1	12	1	61	



THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

36.2 Remuneration paid to directors for participation in board and committee meetings

Sr. No.	Name	Meeting Fees and Allowances Paid						Total amount paid
		For board meetings	For Board Committees				Risk management committee	
			Audit committee	HR&RC committee	IT Steering committee	Risk management committee		
2018								
		Rupees. in '000						
1	Mr. Shehzad Khan Bangash (Chairman)	375	-	-	-	-	-	375
2	Mr. Shakeel Qadir Khan	375	438	125	62	1,000		1,000
3	Mr. Javed Akhtar	375	375	-	313	1,063		1,063
4	Mr. Shehyar Ahmed	375	438	125	187	1,188		1,188
5	Mr. Rashid Ali Khan	250	188	125	188	939		939
6	Mr. Asad Muhammad Iqbal	375	438	313	124	1,500		1,500
7	Mr. Magsood Ismail Ahmad	375	-	250	313	938		938
	<b>Total amount paid</b>	<b>2,500</b>	<b>1,877</b>	<b>688</b>	<b>1,187</b>	<b>7,003</b>		<b>7,003</b>
2017								
Sr. No.	Name	Meeting Fees and Allowances Paid						Total amount paid
		For board meetings	For Board Committees				Risk management committee	
			Audit committee	HR&RC committee	IT steering committee	Risk management committee		
Rupees. in '000								
1	Mr. Shehzad Khan Bangash (Chairman)	187	-	-	-	-	-	187
2	Mr. Ali Raza Bhutta	187	125	94	-	406		406
3	Mr. Magsood Ismail Ahmad	375	-	437	306	1,118		1,118
4	Mr. Asad Muhammad Iqbal	312	250	437	406	1,405		1,405
5	Mr. Javed Akhtar	375	278	-	-	653		653
6	Mr. Rashid Ali Khan	375	222	563	229	1,945		1,945
7	Mr. Shakeel Qadir Khan	250	188	-	125	563		563
8	Mr. Shehyar Ahmed	63	-	-	-	63		63
	<b>Total amount paid</b>	<b>2,125</b>	<b>1,063</b>	<b>854</b>	<b>862</b>	<b>6,340</b>		<b>6,340</b>

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

**36.3 Remuneration paid to shariah board members**

Description	2018				2017			
	Chairman	Resident member	Non-resident members	Chairman	Resident member	Non-resident members	Resident member	Non-resident members
	Rupees. in '000							
a. Meeting fees and allowances	50	2,639	150	125	2,438	325		
b. Monthly remuneration	525	1,679	452	-	1,499	-		
c. Bonus	-	-	-	-	237	-		
d. Travelling and accommodation	119	-	33	58	-	33		
Total amount	694	4,318	635	183	4,174	358		
Total number of persons	2	1	3	1	1	2		

**37**

**FAIR VALUE MEASUREMENTS**

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 6.5.

The maturity and re-pricing profile and effective rates are stated in notes 42.4.1 and 42.2.5 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.

**37.1**

**Fair value of financial assets**

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 BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

37.2 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.

	2018			Total
	Level 1	Level 2	Level 3	
<b>Rupees in '000</b>				
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
<b>Investments</b>				
Federal Government Securities	-	63,926,594	-	63,926,594
Shares	156,958	-	-	156,958
Term Finance Certificates	-	1,600,000	-	1,600,000
<b>Financial assets - disclosed but not measured at fair value</b>				
<b>Investments</b>				
Federal Government Securities	-	23,094,895	-	23,094,895
Shares	-	56,258	-	56,258
Non-Government Debt Securities	-	5,358,030	-	5,358,030
Assciates	-	40,504	-	40,504
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	1,705,102	-	1,705,102
Forward sale of foreign exchange	-	1,500,999	-	1,500,999
<b>2017</b>				
	Level 1	Level 2	Level 3	Total
<b>Rupees in '000</b>				
<b>On balance sheet financial instruments</b>				
<b>Financial assets measured at fair value</b>				
<b>Available-for-sale securities</b>				
- Federal Government Securities	-	113,239,082	-	113,239,082
- Shares in listed companies	1,029,067	-	-	1,029,067
- Term Finance Certificates (TFCs)	-	199,921	-	199,921
<b>Financial assets - disclosed but not measured at fair value</b>				
<b>Investments</b>				
Federal Government Securities	-	22,026,533	-	22,026,533
Shares	-	56,257	-	56,257
Non-Government Debt Securities	-	3,882,420	-	3,882,420
Assciates	-	40,504	-	40,504
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	1,005,048	-	1,005,048
Forward sale of foreign exchange	-	1,175,536	-	1,175,536

The valuation techniques used for above assets are same as disclosed in note 6.3 & 6.4 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.

Leased hold land is carried at revalued amount as determined by professional valuer, based on their assessment of market value and has been classified under level-3 as the effect of changes in the unobservable inputs used in the valuation cannot be determined with certainty.



**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**(a) Financial instruments in level 1**

Financial instruments included in level 1 comprise of investments in listed ordinary shares.

**(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.

**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.

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

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.

**Valuation techniques and inputs used in determination of fair values within level 3**

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.



THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

**38 SEGMENT INFORMATION**

**38.1 Segment details with respect to business activities**

	2018				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
Rupees in 000					
<b>Profit &amp; loss</b>					
Net mark-up/return/profit	3,287,594	327,439	216,370	1,307,978	5,139,381
Non mark-up / return / interest income	353,550	(1,012,370)	24,283	108,192	(526,345)
<b>Total income</b>	<b>3,641,144</b>	<b>(684,931)</b>	<b>240,654</b>	<b>1,416,170</b>	<b>4,613,036</b>
Segment direct expenses	2,525,386	715,405	75,981	760,625	4,077,397
<b>Total expenses</b>	<b>2,525,386</b>	<b>715,405</b>	<b>75,981</b>	<b>760,625</b>	<b>4,077,397</b>
Provisions	(14,936)	(98,715)	43,149	(100,460)	(170,962)
<b>Profit before tax</b>	<b>1,130,694</b>	<b>(1,301,621)</b>	<b>121,524</b>	<b>756,005</b>	<b>706,601</b>
<b>Balance sheet</b>					
Cash & bank balances	9,051,401	688,021	6,298,606	18,785	16,056,813
Lendings to financial institutions	-	7,695,642	-	-	7,695,642
Investments	90,491,491	1,518,261	-	2,223,487	94,233,239
Advances - performing	54,109,118	1,977,368	4,253,967	34,671,450	95,011,903
Operating fixed assets/intangible assets	-	-	-	2,295,272	2,295,272
Deferred tax assets	1,640,876	(3,184)	3,448	116,311	1,757,451
Others	3,168,513	89,272	220,290	2,566,587	6,044,663
<b>Total assets</b>	<b>158,461,399</b>	<b>11,965,380</b>	<b>10,776,311</b>	<b>41,891,892</b>	<b>223,094,983</b>
Bills payable	-	-	895,126	-	895,126
Borrowings	-	30,293,843	-	4,548,271	34,842,114
Deposits & other accounts	128,375,667	6,846,702	1,711,676	34,233,511	171,167,556
Others	3,364,202	179,424	44,856	897,120	4,485,603
<b>Total liabilities</b>	<b>131,739,869</b>	<b>37,319,969</b>	<b>2,651,658</b>	<b>39,678,902</b>	<b>211,390,399</b>
Equity	26,721,530	(25,354,590)	8,124,654	2,212,990	11,704,584
<b>Total equity &amp; liabilities</b>	<b>158,461,399</b>	<b>11,965,379</b>	<b>10,776,312</b>	<b>41,891,892</b>	<b>223,094,983</b>
<b>Contingencies &amp; commitments</b>	<b>18,769,612</b>	<b>3,206,101</b>	<b>2,646,165</b>	<b>4,883,341</b>	<b>29,505,219</b>

THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

	2017				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	Rupees in 000				
<b>Profit &amp; loss</b>					
Net mark-up/return/profit	3,733,047	196,463	80,911	788,612	4,799,033
Non mark-up / return / interest income	335,685	1,218,519	15,709	80,907	1,650,819
<b>Total Income</b>	<b>4,068,732</b>	<b>1,414,982</b>	<b>96,620</b>	<b>869,518</b>	<b>6,449,852</b>
Segment direct expenses	2,026,169	1,124,827	48,380	578,278	3,777,654
<b>Total expenses</b>	<b>2,026,169</b>	<b>1,124,827</b>	<b>48,380</b>	<b>578,278</b>	<b>3,777,654</b>
Provisions	(95,104)	(64,845)	-	36,748	(123,201)
<b>Profit before tax</b>	<b>2,137,666</b>	<b>355,000</b>	<b>48,240</b>	<b>254,492</b>	<b>2,795,398</b>
<b>Balance sheet</b>					
Cash & bank balances	6,171,976	670,506	5,298,662	32,225	12,173,369
Investments	128,967,640	1,367,378	-	10,138,765	140,473,783
Lendings to financial institutions	-	1,529,106	-	-	1,529,106
Net advances	50,964,636	2,375,848	3,344,421	26,684,147	83,369,052
Operating fixed assets/intangible assets	-	-	-	2,370,125	2,370,125
Deferred tax assets	338,718	7,226	6,522	27,286	379,751
Others	2,799,074	110,805	169,846	1,757,473	4,837,198
<b>Total assets</b>	<b>189,242,044</b>	<b>6,060,869</b>	<b>8,819,451</b>	<b>41,010,021</b>	<b>245,132,384</b>
Bills payable	-	-	1,131,241	-	1,131,241
Borrowings	-	61,879,016	-	2,310,570	64,189,586
Deposits & other accounts	119,435,231	6,369,879	1,592,470	31,849,395	159,246,974
Others	3,874,848	206,659	51,665	1,033,293	5,166,464
<b>Total liabilities</b>	<b>123,310,079</b>	<b>68,455,554</b>	<b>2,775,375</b>	<b>35,193,258</b>	<b>229,734,265</b>
Equity	65,931,965	(62,394,685)	6,044,075	5,816,763	15,398,119
<b>Total equity &amp; liabilities</b>	<b>189,242,044</b>	<b>6,060,869</b>	<b>8,819,451</b>	<b>41,010,021</b>	<b>245,132,384</b>
<b>Contingencies &amp; commitments</b>	<b>15,617,554</b>	<b>2,180,584</b>	<b>27,000</b>	<b>3,116,297</b>	<b>20,941,435</b>

## 38.2 Segment details with respect to geographical locations

## Geographical segment analysis

	2018				Total
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	
	Rupees in 000				
<b>Profit before tax</b>					
In Pakistan	1,130,694	(1,301,621)	121,524	756,005	706,601
Outside Pakistan	-	-	-	-	-
	<b>1,130,694</b>	<b>(1,301,621)</b>	<b>121,524</b>	<b>756,005</b>	<b>706,601</b>
<b>Total assets</b>					
In Pakistan	158,461,399	11,965,380	10,776,311	41,891,892	223,094,983
Outside Pakistan	-	-	-	-	-
	<b>158,461,399</b>	<b>11,965,380</b>	<b>10,776,311</b>	<b>41,891,892</b>	<b>223,094,983</b>
<b>Net assets employed</b>					
In Pakistan	26,721,530	(25,354,590)	8,124,654	2,212,990	11,704,584
Outside Pakistan	-	-	-	-	-
	<b>26,721,530</b>	<b>(25,354,590)</b>	<b>8,124,654</b>	<b>2,212,990</b>	<b>11,704,584</b>
<b>Total equity &amp; liabilities</b>	<b>26,721,530</b>	<b>(25,354,590)</b>	<b>8,124,654</b>	<b>2,212,990</b>	<b>11,704,584</b>
<b>Contingencies &amp; commitments</b>	<b>18,769,612</b>	<b>3,206,101</b>	<b>2,646,165</b>	<b>4,883,341</b>	<b>29,505,219</b>
	2017				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
<b>Profit before tax</b>					
In Pakistan	2,137,666	355,000	48,240	254,493	2,795,398
Outside Pakistan	-	-	-	-	-
<b>Total Income</b>	<b>2,137,666</b>	<b>355,000</b>	<b>48,240</b>	<b>254,493</b>	<b>2,795,398</b>
<b>Total assets</b>					
In Pakistan	189,242,044	6,060,869	8,819,451	41,010,021	245,132,384
Outside Pakistan	-	-	-	-	-
	<b>189,242,044</b>	<b>6,060,869</b>	<b>8,819,451</b>	<b>41,010,021</b>	<b>245,132,384</b>
<b>Net assets employed</b>					
In Pakistan	65,931,965	(62,394,685)	6,044,075	5,816,764	15,398,119
Outside Pakistan	-	-	-	-	-
	<b>65,931,965</b>	<b>(62,394,685)</b>	<b>6,044,075</b>	<b>5,816,764</b>	<b>15,398,119</b>
<b>Contingencies &amp; commitments</b>	<b>15,617,554</b>	<b>2,180,584</b>	<b>27,000</b>	<b>3,116,297</b>	<b>20,941,435</b>

## 39 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**40 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. Remuneration to the executives, disclosed in note 36 to these financial statements are determined in accordance with terms of their appointments.

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

	2018				2017			
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
	Rupees in '000							
Advances								
Opening balance	-	260,785	-	-	-	193,406	-	-
Addition during the year	-	73,501	-	-	-	128,731	-	-
Repaid during the year	-	57,832	-	-	-	61,352	-	-
Closing balance	-	276,454	-	-	-	260,785	-	-
Provision held	-	-	-	-	-	-	-	-
Deposits and other accounts								
Opening balance	-	26,773	21,546	1,960,438	-	43,360	21,677	1,774,025
Received during the year	-	330,924	38,136	1,079,463	-	376,771	32,172	3,013,743
Withdrawn during the year	-	313,882	29,731	860,523	-	393,361	32,303	2,827,330
Closing balance	-	43,815	29,951	2,179,378	-	26,770	21,546	1,960,438
Other liabilities								
Accrued markup	-	1,119,447	842,314	1,524,050	-	579,089	381,300	2,452,610



THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	2018					2017						
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
	Rupees in '000											
<b>Income</b>												
Mark-up / return / interest earned	-	7,244	-	-	-	-	-	-	-	7,543	-	-
<b>Expense</b>												
Mark-up / return / interest paid	-	1,598	1,281	134,641	-	-	-	-	-	1,135	726	107,667
Operating expenses	35,096	410,279	-	-	32,677	344,768	-	-	-	-	-	-

**40.1** Government of Khyber Pakhtunkhwa (GoKP) holds 70.20% shareholding in the Bank and therefore entities which are owned and / or controlled by the GoKP, or where the GoKP may exercise significant influence, are also related parties of the Bank. The Bank in the ordinary course of its business enters into transaction with various departments of the GoKP and its related entities. However, it is impracticable to disclose these transactions. Such transactions include deposits from and provision of other banking services to such departments and entities.

	2018	2017
	<b>Rupees in '000</b>	
<b>41 CAPITAL ADEQUACY, LEVERAGE RATIO &amp; LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<b>10,002,524</b>	10,002,524
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible common equity tier 1 (CET 1) capital	<b>9,587,071</b>	14,806,674
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	<b>9,587,071</b>	14,806,674
Eligible tier 2 capital	<b>35,851</b>	394,662
Total eligible capital (Tier 1 + Tier 2)	<b>9,622,922</b>	15,201,336
<b>Risk weighted assets (RWAs):</b>		
Credit risk	<b>55,368,559</b>	45,912,499
Market risk	<b>12,766,137</b>	20,494,848
Operational risk	<b>10,259,721</b>	9,585,425
<b>Total</b>	<b>78,394,417</b>	75,992,772
Common equity tier 1 capital adequacy ratio	<b>12.23%</b>	19.48%
Tier 1 capital adequacy ratio	<b>12.23%</b>	19.48%
Total capital adequacy ratio	<b>12.28%</b>	20.00%
<b>National minimum capital requirements prescribed by SBP:</b>		
CET1 minimum ratio	<b>6.00%</b>	6.00%
ADT-1 minimum ratio	<b>1.50%</b>	1.50%
Tier 1 minimum ratio	<b>7.50%</b>	7.50%
Total capital minimum ratio	<b>10.00%</b>	10.00%
Capital conservation buffer (CCB- consisting of CET1 only)	<b>1.90%</b>	1.28%
Total capital plus CCB	<b>11.90%</b>	11.28%
<b>Leverage Ratio (LR):</b>		
Eligible tier-1 capital	<b>9,587,071</b>	14,806,674
Total exposures	<b>263,853,741</b>	253,660,000
Leverage ratio	<b>3.63%</b>	5.84%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	<b>60,817,347</b>	102,173,000
Total net cash outflow	<b>55,418,370</b>	52,212,000
Liquidity coverage ratio	<b>109.74%</b>	195.69%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	<b>116,343,436</b>	90,965,000
Total required stable funding	<b>97,573,326</b>	80,750,000
Net stable funding ratio	<b>119.24%</b>	112.65%

**41.1** The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time is also placed on Bank's website. Please follow the link <https://www.bok.com.pk/downloads> for detailed disclosures.

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

Market & Liquidity Risk Management (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 ensure 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 Portfolio-wise Management Action Triggers (MAT) are duly reported to the management. Similarly Operational risk management assess the impact of risk of loss due to an event or action causing failure of technology, process infrastructure, personnel and other external events. Their impact is assessed through Risk Control Self Assessment (RCSAs), Key risk indicators (KRIs) and loss data base. 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.

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED DECEMBER 31, 2018

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**42.1 Credit risk**

Credit risk is the potential that the counter party 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 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 counter parties and groups and to industries, where applicable. The Bank has adopted standardized approach to measure credit risk regulatory capital 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 counter party as well facility it has applied for by assessing various qualitative and quantitative 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.



**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**42.1.1 Lendings to financial institutions**

**Credit risk by public/private sector**

	Gross lendings		Non-performing lendings		Provision held	
	2018	2017	2018	2017	2018	2017
			Rupees in '000			
Public/ Government	-	-	-	-	-	-
Private	7,934,586	1,768,050	238,944	238,944	238,944	238,944
	<u>7,934,586</u>	<u>1,768,050</u>	<u>238,944</u>	<u>238,944</u>	<u>238,944</u>	<u>238,944</u>

**42.1.2 Investment in debt securities**

**Credit risk by industry sector**

Note	Gross investments		Non-performing investments		Provision held	
	2018	2017	2018	2017	2018	2017
			Rupees in '000			
Textile	44,658	48,413	44,658	48,413	44,658	48,413
Power (electricity), Gas, Water, Sanitary	3,935,114	301,169	-	-	-	-
Financial	2,815,384	915,304	40,384	40,384	40,384	40,384
Others	438,753	3,097,088	190,837	190,837	190,837	190,837
	<u>7,233,909</u>	<u>4,361,974</u>	<u>275,879</u>	<u>279,634</u>	<u>275,879</u>	<u>279,634</u>
<b>Credit risk by public / private sector</b>						
Public/ Government	92,270,376	137,468,239	-	-	-	-
Private	<u>7,233,909</u>	<u>4,361,974</u>	<u>275,879</u>	<u>279,634</u>	<u>275,879</u>	<u>279,634</u>
10	<u>99,504,285</u>	<u>141,830,213</u>	<u>275,879</u>	<u>279,634</u>	<u>275,879</u>	<u>279,634</u>

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

**42.1.3 Advances**

**Credit risk by industry sector**

	Gross advances		Non-performing advances		Provision held	
	2018	2017	2018	2017	2018	2017
			<b>Rupees in '000</b>			
Agriculture, Forestry, Hunting and Fishing	3,196,828	2,867,993	229,298	309,464	215,514	293,525
Mining and Quarrying	56,721	-	-	-	-	-
Textile	12,881,465	8,610,134	555,590	555,510	555,590	552,410
Chemical and Pharmaceuticals	1,648,067	625,901	125,199	125,199	125,199	125,199
Petro Chemical	1,093,009	647,294	22,627	-	3,000	-
Auto Loans	606,165	-	3,302	-	2,350	-
Cement	3,432,792	736,305	2,647	-	2,647	-
Sugar	2,837,309	3,842,570	657,699	-	650,476	-
Engineering	929	-	929	-	929	-
Footwear and Leather garments	110,122	-	106,704	106,704	106,704	106,704
CNG/Gas Stations	105,922	103,231	30,797	-	27,549	-
Automobile and transportation equipment	1,038,841	637,031	292,989	206,291	198,600	206,291
Trade	3,424,008	3,386,351	348,555	392,169	264,029	317,948
Construction	1,464,834	2,684,724	192,271	195,732	190,585	189,429
Communication	76,427	-	67,191	-	67,191	-
Ghee & Cooking oil	645,649	655,233	43,169	43,169	43,169	43,169
Food & Beverages	2,040,157	505,627	590,348	565,351	538,852	528,852
Power (electricity), Gas, Water, Sanitary	635,268	19,566,051	17,840	-	14,925	-
Financial	687,043	549,095	160,216	160,215	160,216	160,215
Services	1,895,581	2,707,458	111,467	124,252	32,830	39,027
Metal Products	3,242,617	-	24,583	-	24,583	-
Individuals/Personal	2,707,039	2,073,913	53,889	50,397	48,773	45,397
Misc. Manufacturing	4,193,956	5,151,353	823,485	1,642,967	683,138	1,421,835
Commodity	49,195,650	30,000,000	-	-	-	-
Others	1,950,576	2,322,309	197,557	330,837	162,372	248,566
	<b>99,166,975</b>	<b>87,672,573</b>	<b>4,658,352</b>	<b>4,808,257</b>	<b>4,119,221</b>	<b>4,278,567</b>

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	Gross advances		Non-performing advances		Provision held	
		2018	2017	2018	2017	2018	2017
		Rupees in '000					
<b>Credit risk by public / private sector</b>							
Public/ Government		49,595,309	49,271,538	-	-	-	-
Private		49,571,666	38,401,035	4,658,352	4,808,257	4,119,221	4,278,567
	9	99,166,975	87,672,573	4,658,352	4,808,257	4,119,221	4,278,567
<b>42.1.4 Contingencies and commitments</b>							
<b>Credit risk by industry sector</b>							
		2018	2017	2018	2017	2018	2017
		Rupees '000					
Agriculture, Forestry, Hunting and Fishing		253,791	68,069				
Engineering		644,406	875,015				
Petrochemicals		1,896,044	446,976				
Health		1,095,055	811,805				
Textile		261,859	745,447				
Information Technology		43,790	30,956				
Cement		122,810	318,944				
Automobile and transportation equipment		695,911	618,151				
CNG & Filling Stations		598,889	588,499				
Construction		5,395,545	5,589,783				
Power (electricity), Gas, Water, Sanitary		1,899,999	-				
Ghee & cooking Oil		97,328	181,026				
Trading & sales		3,426,192	2,282,742				
Services		216,016	29,700				
Other Private Sectors		4,485,894	3,527,345				
Government		1,201,156	92,109				
Others		7,165,580	4,540,702				
		<b>29,500,265</b>	<b>20,747,269</b>				
<b>Credit risk by public / private sector</b>							
Public/ Government		1,201,156	92,109				
Private		28,299,109	20,655,160				
		<b>29,500,265</b>	<b>20,747,269</b>				

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

**42.1.5 Concentration of advances**

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs 60,041 million (2017: 56,431 million) are as following:

	2018	2017
	Rupees in '000	
Funded	54,203,217	54,799,792
Non funded	5,838,126	1,631,552
Total exposure	60,041,343	56,431,344

The sanctioned limits against these top 10 exposures aggregated to Rs 62,971 million (2017: Rs 58,054 million).

**Total funded classified therein**

	2018	2017
	Rupees in 000	
Amount	-	-
Provision held	-	-
Amount	-	-
Provision held	-	-
Total	-	-

**42.1.6 Advances - Province/Region-wise disbursement & utilization**

Province/Region	2018					
	Disbursements			Utilization		
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000					
Punjab	60,496,281	59,611,690	884,590	-	-	-
Sindh	23,488,468	950,000	22,538,468	-	-	-
KPK including FATA	41,330,829	562,160	21,801,638	-	18,967,031	-
Balochistan	74,170	-	-	74,170	-	-
Islamabad	55,462,122	1,050,000	177,640	-	52,484,482	-
AJK including Gilgit-Baltistan	283,267	-	-	-	-	283,267
Total	181,135,137	62,173,850	23,600,698	74,170	71,451,513	283,267



**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Province/Region	Disbursements	2017				
		Utilization				
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad
		Rupees in '000				
Punjab	46,773,216	46,429,107	344,109	-	-	-
Sindh	8,658,139	1,050,000	7,608,139	-	-	-
KPK including FATA	20,368,865	562,160	-	19,761,478	-	45,227
Balochistan	54,582	-	-	54,582	-	-
Islamabad	43,656,410	50,000	177,640	-	-	41,584,053
AJK including Gilgit-Baltistan	191,371	-	-	-	-	-
Total	119,702,583	48,091,267	8,129,888	21,606,194	54,582	41,629,280
						191,371

#### 42.2 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.

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

**42.2.1 Balance sheet split by trading and banking books**

	2018		2017	
	Banking book	Trading book	Total	Total
	<b>Rupees in '000</b>			
Cash and balances with treasury banks	3,836,284	8,515,169	12,351,453	5,874,637
Balances with other banks	3,047,673	657,687	3,705,360	580,373
Lendings to financial institutions	-	7,695,642	7,695,642	1,529,106
Investments	-	94,233,239	94,233,239	140,473,783
Advances	95,011,903	-	95,011,903	83,369,052
Fixed assets	2,045,387	171,035	2,216,422	197,741
Intangible assets	74,375	4,475	78,850	4,185
Deferred tax assets	207,291	1,550,160	1,757,451	171,939
Other assets	3,625,023	2,419,640	6,044,663	2,772,659
	<b>107,847,936</b>	<b>115,247,046</b>	<b>223,094,983</b>	<b>151,604,423</b>
				<b>83,369,052</b>
				<b>2,233,549</b>
				<b>136,576</b>
				<b>379,751</b>
				<b>4,837,198</b>

**42.2.2 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 or supports its trade services and maintains overall foreign exchange risk positions to the extent of statutory foreign exchange exposure limit prescribed by SBP.

Exposure limits such as counter party, 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.

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018				2017			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000							
United States Dollar	959,515	993,659	7,272,716	7,238,572	814,156	332,889	4,488,385	4,969,652
Great Britain Pound Sterling	76,210	105,109	104,490	75,591	41,572	35,618	92,040	97,994
Japanese Yen	561	-	1,623	2,184	2,237	311,988	12,720	(297,031)
Euro	89,222	147,286	688,252	630,189	240,773	-	391,612	632,385
Other currencies	49,533	93,695	223,849	179,686	2,333	-	-	2,333
	<b>1,175,041</b>	<b>1,339,749</b>	<b>8,290,930</b>	<b>8,126,222</b>	<b>1,101,071</b>	<b>680,495</b>	<b>4,984,757</b>	<b>5,405,333</b>

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in foreign exchange rates on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	-	30	-	4,300

#### 42.2.3 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 as per Bank's BoD approved market risk management policy. Portfolio, sector and scrip wise limits are assigned by the ALCO to safeguard 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 its ratification and BRMC for their information."

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 5% change in equity prices on				
- Profit and loss account	-	-	-	-
- Other comprehensive income	4,675	3,174	2,378	49,076

# THE BANK OF KHYBER

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

#### 42.2.4 Yield /interest rate risk in the banking book (IRBB)-Base II Specific

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 monitor 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:

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

#### Impact of 1% change in interest rates on

- Profit and loss account
- Other comprehensive income

	2018		2017	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
	-	-	-	-
	4,346,414	-	3,782,283	-

#### 42.2.5 Mismatch of interest rate sensitive assets and liabilities

On-balance sheet financial instruments	Effective Yield/Interest rate	2018										Non-interest bearing financial instruments	
		Exposed to yield/ interest risk											
		Total	Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
<b>Assets</b>													
Cash and balances with treasury banks	0.30%	12,351,453	83,277	-	-	-	-	-	-	-	-	-	12,268,176
Balances with other banks	2.15%	3,705,360	688,021	-	-	-	-	-	-	-	-	-	3,017,339
Lendings to financial institutions	9.87%	7,695,642	5,695,642	-	-	-	-	-	-	-	-	-	2,000,000
Investments	7.75%	94,233,239	7,759,847	8,557,694	4,254,919	6,638,409	1,464,809	15,375,963	25,450,346	10,737,779	2,600,000	-	11,393,473
Advances	7.67%	95,011,903	14,183,720	17,999,900	6,349,973	37,317,292	2,357,078	1,582,025	3,891,695	8,220,658	3,109,562	-	6,044,663
Other assets		6,044,663	-	-	-	-	-	-	-	-	-	-	6,044,663
		219,042,260	28,410,507	26,557,594	10,604,892	43,955,701	3,821,887	16,957,988	29,342,041	18,958,437	5,709,562	-	34,723,651
<b>Liabilities</b>													
Bills payable		895,126	-	-	-	-	-	-	-	-	-	-	895,126
Borrowings	9.40%	34,842,114	25,870,014	7,472,100	-	-	-	-	-	-	-	-	1,500,000
Deposits and other accounts	4.74%	171,167,556	17,516,959	55,706,838	40,188,983	13,437,831	633,868	568,306	2,274,630	408,723	450,000	-	39,981,418
Other liabilities		4,485,603	-	-	-	-	-	-	-	-	-	-	4,485,603
		211,390,399	43,386,973	63,178,938	40,188,983	13,437,831	633,868	568,306	2,274,630	408,723	450,000	-	46,862,147
On-balance sheet gap		7,651,861	(14,976,466)	(36,621,344)	(29,584,091)	30,517,870	3,188,019	16,389,682	27,067,411	18,549,714	5,259,562	-	(12,138,496)
<b>Off-balance sheet financial instruments</b>													
Commitments in respect of:													
- forward foreign exchange contracts purchases		1,705,102	-	-	-	-	-	-	-	-	-	-	1,705,102
- forward foreign exchange contracts sales		1,500,999	-	-	-	-	-	-	-	-	-	-	1,500,999
Off-balance sheet gap		204,103	-	-	-	-	-	-	-	-	-	-	204,103
Total yield/interest risk sensitivity gap		(14,976,466)	(36,621,344)	(36,621,344)	(29,584,091)	30,517,870	3,188,019	16,389,682	27,067,411	18,549,714	5,259,562	-	(12,138,496)
Cumulative yield/interest risk sensitivity gap		(14,976,466)	(51,597,810)	(81,181,901)	(50,664,031)	(47,476,012)	(31,086,330)	(4,018,919)	14,530,795	19,790,357			



# THE BANK OF KHYBER

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED DECEMBER 31, 2018

	Effective Yield/Interest rate	2017										Non-interest bearing financial instruments
		Total	Exposed to Yield/Interest risk					Above 10 Years				
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
On-balance sheet financial instruments												
<b>Assets</b>												
Cash and balances with treasury banks	0.30%	91,993	-	-	-	-	-	-	-	-	-	8,824,025
Balances with other banks	0.58%	670,506	-	-	-	-	-	-	-	-	-	2,586,845
Lendings to financial institutions	4.88%	1,529,106	-	-	-	-	-	-	-	-	-	1,529,106
Investments	6.83%	25,748,892	28,748,869	2,930,469	3,241,386	10,888,270	1,572,530	44,024,432	11,427,174	500,000	-	11,391,761
Advances	7.05%	83,369,052	12,023,263	2,673,807	31,043,418	3,275,837	782,811	3,930,403	2,802,037	3,047,104	-	4,837,198
Other assets		4,837,198	-	-	-	-	-	-	-	-	-	29,168,935
		242,382,508	38,534,654	31,422,676	34,284,804	14,164,107	2,355,341	47,954,835	14,229,211	3,547,104	-	48,371,206
<b>Liabilities</b>												
Bills payable		1,131,241	-	-	-	-	-	-	-	-	-	1,131,241
Borrowings	5.29%	64,189,586	42,555,704	6,740,450	9,970,257	4,923,175	-	-	-	-	-	-
Deposits and other accounts	4.39%	159,246,974	32,735,699	11,285,281	65,483,664	756,523	289,556	4,637,402	1,149,648	450,000	-	36,371,206
Other liabilities		5,166,464	-	-	-	-	-	-	-	-	-	5,166,464
		229,734,265	75,291,403	18,025,731	75,453,921	756,523	289,556	4,637,402	1,149,648	450,000	-	42,688,911
On-balance sheet gap		12,648,243	(36,756,749)	13,396,945	(41,169,117)	13,407,584	2,065,785	43,317,433	13,079,563	3,097,104	-	(170,488)
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts purchases		1,005,048	-	-	-	-	-	-	-	-	-	1,005,048
- forward foreign exchange contracts sales		1,175,536	-	-	-	-	-	-	-	-	-	1,175,536
Off-balance sheet gap		(170,488)	-	-	-	-	-	-	-	-	-	(170,488)
<b>Total Yield/Interest Risk Sensitivity Gap</b>		(36,756,749)	13,396,945	15,709,671	(41,169,117)	13,407,584	2,065,785	43,317,433	13,079,563	3,097,104	-	26,148,219
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>		(36,756,749)	(23,359,804)	(7,650,133)	(48,819,250)	(35,411,666)	(33,345,881)	9,971,552	23,051,115	26,148,219	-	-

42.3

#### Operational risk

The Bank of Khyber, 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.

The Bank defines operational risks 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 to related operational risks.

Currently, the Bank uses the Basic Indicator Approach (BIA) for assessing its operational risk capital charge. The Bank also has an approved operational risk policy in terms of SBP BPRD circular 04 of 2014. As part of pro-active operational risk management, The Operational Risk Management Department (ORMD) has already completed RCSA's of Retail Banking, Treasury and Investment, and Information Technology Division. The processes 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 are also developed. An Automated solution for incident reporting is in place and can be accessed by every employee of the bank for reporting of control breaches leading to losses.

## THE BANK OF KHYBER NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

42.3.1 Operational risk-disclosures based on its specific Basic Indicator Approach (BIA) is used for Operational Risk under Basel III.

42.4 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 & 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, ALCO & BRMC are briefed about various Liquidity Risk standards like Liquidity Coverage Ratio and its monitoring tools 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 with various financial institutions 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.

The experience of Global Financial Crisis (GFC) has urged the banks to follow an aggressive approach regarding liquidity and funding risk. State Bank of Pakistan has re-defined the guidelines and mechanism for banks in terms of different disclosures and reports. This entire mechanism is directed by SBP Basel III liquidity standards referred by BRD Circular # 08 - 2016 is implemented to ensure the liquidity risk management within regulatory parameters. The main disclosures are consisted liquidity coverage ratio (LCR) and Net stable funding ratio (NSFR).

### 42.4.1 Maturities of assets and liabilities - based on contractual maturity of the assets and liabilities of the Bank

2018

	Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>														
Cash and balances with treasury banks	12,351,453	12,351,453	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3,705,360	3,705,360	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial institutions	7,695,642	-	7,195,642	-	-	-	-	-	-	-	-	-	-	-
Investments	94,233,239	253,721	4,995,807	2,488,158	10,808,144	500,000	2,492,000	4,254,919	1,165,030	6,391,211	2,937,959	15,485,249	25,848,263	17,112,778
Advances	95,011,903	8,574,501	32,266	543,351	270,540	2,161,085	30,541,416	1,496,311	3,733,670	5,286,285	2,290,971	1,648,848	22,056,541	16,386,118
Fixed assets	2,216,422	-	-	-	-	-	-	-	-	318,748	276,872	134,675	178,209	1,307,918
Intangible assets	78,850	-	-	-	-	-	-	-	-	-	-	78,850	-	-
Deferred tax assets	1,757,451	-	-	-	-	-	-	-	-	-	1,757,451	-	-	-
Other assets	6,044,663	5,830,103	-	-	-	-	214,560	-	-	-	-	-	-	-
	223,094,983	30,715,138	12,223,715	543,351	2,758,698	13,469,229	33,247,976	5,751,230	4,898,700	11,996,244	7,253,253	17,347,622	48,083,013	34,806,814
<b>Liabilities</b>														
Bills payable	895,126	895,126	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	34,842,114	17,300	19,837,172	-	2,079,848	8,721,123	2,901,971	1,284,700	-	-	-	-	-	-
Deposits and other accounts	171,167,556	282,029	42,471	2,448,371	15,989,687	1,025,782	64,928,034	21,199,254	5,239,305	13,988,587	14,239,543	16,052,155	11,154,633	4,577,705
Other liabilities	4,485,603	-	-	4,117,577	-	-	368,026	-	-	-	-	-	-	-
	211,390,399	1,194,455	19,879,643	2,448,371	22,187,112	9,746,905	68,198,031	22,483,954	5,239,305	13,988,587	14,239,543	16,052,155	11,154,633	4,577,705
Net assets	11,704,584	29,520,683	(7,655,928)	(1,905,020)	(19,428,414)	3,722,324	(34,950,055)	(16,732,724)	(340,605)	(1,992,343)	(6,986,290)	1,295,467	36,928,380	30,229,109
Share capital	10,002,524													
Reserves	2,643,483													
Unappropriated profit	1,163,269													
Deficit on revaluation of assets	(2,104,692)													
	11,704,584													

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

2017

Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>													
Cash and balances with treasury banks													
8,916,018	8,916,018	-	-	-	-	-	-	-	-	-	-	-	-
3,257,351	3,257,351	-	-	-	-	-	-	-	-	-	-	-	-
1,529,106	-	-	-	-	-	-	1,529,106	-	-	-	-	-	-
140,473,783	1,125,828	-	-	-	28,748,869	-	-	-	-	-	-	-	95,643,291
83,369,052	4,985,794	22,755	318,068	548,478	727,251	24,505,656	1,264,760	15,444,181	18,342,928	1,946,543	1,371,872	10,788,446	3,102,320
2,233,549	-	-	-	439,780	-	409,434	308,776	-	138,209	37,624	55,270	645,488	198,970
136,576	-	-	-	-	-	-	-	-	-	136,576	-	-	-
379,751	-	-	-	-	-	-	-	-	-	379,751	-	-	-
4,837,198	-	-	-	4,084,313	-	392,263	337,784	-	-	22,838	-	-	-
245,132,384	18,284,991	22,755	318,068	20,028,366	29,476,121	25,307,353	3,440,425	15,444,181	18,481,137	2,523,331	1,427,142	11,433,934	98,944,581
<b>Liabilities</b>													
Bills payable													
1,131,241	1,131,241	-	-	-	-	-	-	-	-	-	-	-	-
64,189,586	385,000	100,000	41,822,703	6,500	928,870	6,406,681	4,569,576	9,970,257	-	-	-	-	-
159,246,974	14,000	96,174	131,099	102,414,843	1,019,597	486,551	8,438,509	39,778,674	3,351,748	493,389	216,529	2,355,862	450,000
5,166,464	-	-	-	4,600,952	-	9,166	327,593	-	228,753	-	-	-	-
229,734,265	1,530,241	41,918,877	231,099	107,022,295	1,948,466	6,902,398	13,335,677	49,748,930	3,580,501	493,389	216,529	2,355,862	450,000
15,398,119	16,754,750	(41,896,122)	86,969	(86,993,929)	27,527,654	18,404,955	(9,895,252)	(34,304,750)	14,900,636	2,029,942	1,210,613	9,078,072	98,494,581
10,002,524	-	-	-	-	-	-	-	-	-	-	-	-	-
2,550,263	-	-	-	-	-	-	-	-	-	-	-	-	-
2,390,464	-	-	-	-	-	-	-	-	-	-	-	-	-
454,868	-	-	-	-	-	-	-	-	-	-	-	-	-
15,398,119	-	-	-	-	-	-	-	-	-	-	-	-	-

**42.4.2. Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank**

Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Above 10 Years
<b>Assets</b>								
Cash and balances with treasury banks								
12,351,453	12,351,453	-	-	-	-	-	-	-
3,705,360	3,705,360	-	-	-	-	-	-	-
7,695,642	7,695,642	-	-	-	-	-	-	-
94,233,239	7,715,186	13,300,144	4,299,577	7,804,158	2,243,929	16,047,834	25,559,632	2,600,000
95,011,903	11,123,450	10,608,639	2,899,040	24,910,314	1,152,868	1,185,313	22,647,864	19,328,902
2,216,422	-	-	-	-	276,872	134,923	178,209	80,957
78,850	-	-	-	-	-	78,850	-	-
1,757,451	-	-	-	-	1,757,451	-	-	-
6,044,663	5,124,125	178,221	412,176	318,500	11,641	-	-	-
223,094,983	47,715,216	24,087,004	7,610,793	33,032,972	5,442,761	17,446,920	48,385,705	34,072,638
5,000,974	-	-	-	-	-	-	-	-
<b>Liabilities</b>								
Bills payable								
895,126	895,126	-	-	-	-	-	-	-
34,842,114	26,870,014	4,430,929	2,291,900	-	-	-	40,000	1,209,271
171,167,556	57,498,376	55,706,838	40,188,983	13,437,831	633,868	568,306	2,274,630	408,724
4,485,603	4,117,624	367,979	-	-	-	-	-	-
211,390,390	89,381,140	60,505,746	42,480,883	13,437,831	633,868	568,306	2,314,630	1,617,995
11,704,584	(41,665,924)	(56,418,742)	(34,870,000)	19,595,141	4,808,893	16,876,614	46,071,075	32,454,648
10,002,524	-	-	-	-	-	-	-	-
2,643,483	-	-	-	-	-	-	-	-
1,163,269	-	-	-	-	-	-	-	-
(2,104,692)	-	-	-	-	-	-	-	-
11,704,584	-	-	-	-	-	-	-	-

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

2017

	Rupees in '000									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	8,916,018	8,916,018	-	-	-	-	-	-	-	-
Balances with other banks	3,257,351	3,257,351	-	-	-	-	-	-	-	-
Lending to financial institutions	1,529,106	-	-	1,529,106	-	-	-	-	-	-
Investments	140,473,783	15,187,013	39,262,332	2,930,469	3,291,386	17,232,706	3,697,557	44,170,146	14,202,174	500,000
Advances	83,369,052	14,899,956	3,358,917	23,212,616	11,228,263	1,043,947	1,924,781	22,758,401	2,724,710	2,217,461
Fixed assets	2,233,549	-	-	-	-	1,050	47,482	883,867	309,285	991,865
Intangible assets	136,576	-	-	-	-	-	136,576	-	-	-
Deferred tax assets	379,751	-	-	-	-	379,751	-	-	-	-
Other assets	4,837,198	3,976,278	392,263	444,358	-	24,299	-	-	-	-
	245,132,384	46,236,616	43,013,512	28,116,549	14,519,649	18,681,753	5,806,396	67,812,414	17,236,169	3,709,326
<b>Liabilities</b>										
Bills payable	1,131,241	1,131,241	-	-	-	-	-	-	-	-
Borrowings	64,189,586	42,555,704	6,444,180	4,923,175	9,970,257	-	-	-	296,270	-
Deposits and other accounts	159,246,974	69,106,905	11,285,281	6,087,995	65,483,664	756,523	289,556	4,637,402	1,149,648	450,000
Other liabilities	5,166,464	4,622,515	9,164	306,031	228,754	-	-	-	-	-
Net assets	229,734,265	117,416,365	17,738,625	11,317,201	75,682,675	756,523	289,556	4,637,402	1,445,918	450,000
Share capital	15,398,119	(71,179,749)	25,274,887	16,799,348	(61,163,026)	17,925,230	5,516,840	63,175,012	15,790,251	3,259,326
Reserves	10,002,524	-	-	-	-	-	-	-	-	-
Unappropriated profit	2,550,263	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	2,390,464	-	-	-	-	-	-	-	-	-
	454,868	-	-	-	-	-	-	-	-	-
	15,398,119	-	-	-	-	-	-	-	-	-

**42.5 Derivative risk**

Derivatives are type of financial contracts the value of which is determined by underlying one or more assets or benchmarks. Globally, derivatives are known and used to be very complex and risky financial instruments: however, in Pakistan, the banks usually operate in forwards, futures, swaps and options.

Currently, the Bank is not delicately involved in derivatives business or trading. However, it operates in foreign currency forwards and swaps, a type of financial derivatives.

In our banking industry, derivatives desk is operated within treasury business through competent resources in terms of adequate systems and qualified human resources. The responsibility to monitor and contain the risks in derivatives business resides with Treasury Middle Office. The Risks associated with Financial Derivatives business are

**Credit risk:**

Credit risk refers to any default by a party involved in derivatives transaction, resulting an adverse impact on the profitability of the Bank. The credit risk is further categorized into settlement and pre-settlement risks and are controlled via imposition of limits to derivatives transactions.



**THE BANK OF KHYBER  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Market risk:**

In Pakistan mainly derivatives products are used to hedge/cover interest rate risk and exchange rate risk by taking positions in interest rate swaps, cross currency swaps and foreign currency options. These risks are controlled through taking counter positions (back to back positions) and via limits in terms of DV01 (sensitivity limit) tenor limits and investment limits.

**Operational risk:**

The resources in terms of people and systems involved in the management of derivatives activities are required to be adequately qualified, trained and competent in order to avoid the losses generated through mis-handling of derivatives business.

**43 ENVIRONMENT & SOCIAL RISK MANAGEMENT / GREEN BANKING**

Social responsibility in the financial sector has evolved and its significance has increased considerably in the past couple of decades. In order to meet the evolved social obligations, the Bank has initiated various activities focusing on environmental preservation and energy conservation. For this purpose, the Bank aims to promote the concept of own impact reduction, paperless culture, carbon emissions reduction and encouraging plantation.

Being a socially responsible Bank, we are keen to provide our input in reduction of emissions, increase in awareness through environment friendly practices and reducing our own carbon footprint through establishment of Solar powered ATMs. Further, the Bank plans to introduce solar powered branches in the near future.

During the previous year, the Bank has provided renewable energy (Solar) financing facilities. Branches have been instructed to use energy efficiently through managing equipment, lesser use of paper, and encouraging plantation in the vicinity of the Branches. Branches are also advised to arrange meetings in order to raise awareness among the staff regarding conservation of energy and environmental protection. In addition to that, the Bank has also converted its ATMs from conventional energy to solar energy. Finally, marketing activities are to be carried out using digital medium such as social media. The Bank also aims to develop digital banking solutions in the near future in order to integrate paperless culture within the Bank as well as among the customers.

**44 EVENTS AFTER THE REPORTING DATE**

The board of directors in its meeting held on March 01, 2019 has proposed a cash dividend in respect of 2018 of Rs. Nil (2017: Rs. 1.50 per share) to be approved in the forthcoming annual general meeting.

**45 GENERAL**

- Significant transactions and events affecting the performance and financial position of the Bank are reflected in the relevant notes to the financial statements.
- Figures have been rounded up to the nearest one thousand unless otherwise stated.
- Comparative figures have been re-arranged and reclassified for comparison purposes. The significant re-classifications are explained in note 6.2


**46 DATE OF AUTHORIZATION FOR ISSUE**


The financial statements were authorized for issue on March 01, 2019 by the Board of Directors of the Bank.

  
Chief Financial Officer

  
Managing Director

  
Director

  
Director

  
Director



**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

Annexure - I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF  
 OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED  
 DURING THE YEAR ENDED DECEMBER 31, 2018**

S. No.	Name and address of the borrower	Name of individuals/partners/ directors (with CNIC No.)	Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal written-off	Interest/Mark-up written-off/waived	Other Financial Relief Provided	Total	
				Principal	Interest/Mark-up	Other than Interest/Mark-up	Total					
												Rs in Million
1	Pan Pacific (Pvt) Ltd. Plot # 12-M, Block-6, PECHS Shara-e-Faisal, Karachi	1. Syed Muhammad Adil Shah CNIC 42301-1069835-5	S/o S.M. Shakir Shah									
		2. Mrs. Aftreen Adil CNIC 42301-3125949-0	W/o S.M. Adil Shah									
		3. Mr. Moazzam Bilal CNIC 42201-8536638-1	S/o Riaz-ud-Din Bilal									
		4. S. Abdul Hameed Shah CNIC (Not Available)	S/o Wali Ahmad	20.001	4.131	-	24.132	-	-	75.839	75.839	
		5. Mr. Ijlal Razi CNIC 42201-2708622-7	S/o Akhtar Mehmood									
		6. Mr. Akhlaq Ahmad Mirza CNIC 42201-9527465-3	S/o M. Shafi Mirza									
2	Bilour International 7th Hospital Road, Peshawar Cantt.	1. Bashir Ahmad Bilour (Late) CNIC 17301-1507402-1	W/o Bashir Ahmad Bilour									
		2. Mrs. Nighat Bashir Bilour CNIC 17301-1335951-8	S/o Bashir Ahmad Bilour	30.00	17.562	-	47.562	-	18.379	18.379		
		3. Mr. Haroon Bashir Bilour CNIC 17301-1496812-7	W/o Haroon Bilour									
3	Al-Nafio Enterprises Main Campus, AIK University, Chahla Bandhi, Muzaffarabad, Azad Jammu & Kashmir	1. Mr. Abid Hussain CNIC 701-87-086026	S/o Muhammad Khan									
		2. Mr. Shoukat Hussain CNIC 82203-5963888-1	S/o Ali Bahadur (Mortgagor)	-	0.276		0.276	-	1.760	1.760		
4	Shah Particle Board (Pvt) Ltd Industrial Estate, Risalpur, District Nowshera	1. Mr. Muhammad Luqman Shah CNIC 17301-1382731-5	S/o Suleman Shah									
		2. M. Shehryar Shah CNIC 17301-2816671-5	S/o M. Luqman Shah	62.00	0.995		62.995	-	39.897	39.897		
		3. Mst. Nusrat CNIC 17301-1263930-8	W/o Muhammad Luqman Shah									

**ISLAMIC BANKING BUSINESS**

The Bank is operating 84 (2017: 83) Islamic banking branches and 39 (2017: 39) Islamic banking windows at the end of the year.

	Note	2018	2017
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		4,222,345	2,730,430
Balances with other banks		1,629,801	874,074
Due from financial institutions	1	2,000,000	1,529,106
Investments	2	10,573,630	9,680,394
Islamic financing and related assets - net	3	35,466,569	41,472,160
Fixed assets		280,407	337,968
Intangible assets		5,845	-
Other assets		867,929	796,780
<b>Total Assets</b>		<b>55,046,525</b>	<b>57,420,912</b>
<b>LIABILITIES</b>			
Bills payable		336,698	482,921
Due to financial institutions		1,500,000	550,000
Deposits and other accounts	4	45,894,040	36,515,753
Due to head office		1,078,829	14,674,193
Other liabilities	5	1,168,149	552,765
		<b>49,977,715</b>	<b>52,775,632</b>
<b>NET ASSETS</b>		<b>5,068,810</b>	<b>4,645,280</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		460,000	460,000
Reserves		44,855	42,671
(Deficit) / surplus on revaluation of assets		(34,432)	47,678
Unappropriated profit	6	4,598,387	4,094,931
		<b>5,068,810</b>	<b>4,645,280</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2018 is as follows:

		<b>2018</b>	2017
		<b>Rupees in '000</b>	
Profit / return earned	8	<b>3,354,422</b>	2,506,568
Profit / return expensed	9	<b>1,231,072</b>	810,332
Net profit / return		<b>2,123,350</b>	1,696,236
<b>OTHER INCOME</b>			
Fee and commission income		<b>97,988</b>	90,597
Dividend income		-	1,418
Foreign exchange income		<b>58,851</b>	46,280
Gain/(loss) on securities		-	(13,112)
Other income		<b>30,389</b>	31,964
		<b>187,228</b>	157,147
		<b>2,310,578</b>	1,853,383
<b>OTHER CHARGES</b>			
Operating expenses		<b>1,488,109</b>	1,321,735
Other charges		<b>270</b>	13
		<b>1,488,379</b>	1,321,748
Profit before provisions		<b>822,199</b>	531,635
Provisions and write offs		<b>3,139</b>	102,012
Profit before taxation		<b>825,338</b>	633,647
Taxation		<b>321,882</b>	247,122
Profit after taxation		<b>503,456</b>	386,525



**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	2018		2017		Total
	In local currency	In foreign currency	In local currency	In foreign currency	
<b>1 Due from financial institutions</b>	Rupees in '000				
Call lendings	2,000,000	-	-	-	-
Bai muajjal receivable from State Bank of Pakistan	-	-	1,529,106	-	1,529,106
	<b>2,000,000</b>	<b>-</b>	<b>1,529,106</b>	<b>-</b>	<b>1,529,106</b>

	2018				2017			
	Cost	Provision for diminution	(Deficit)	Carrying value	Cost	Provision for diminution	Surplus	Carrying value
'Rupees in '000								
	6,250,032	-	(34,432)	6,215,600	6,250,297	-	47,678	6,297,975
	4,358,030	-	-	4,358,030	3,382,420	-	-	3,382,420
	<b>10,608,062</b>	<b>-</b>	<b>(34,432)</b>	<b>10,573,630</b>	<b>9,632,717</b>	<b>-</b>	<b>47,678</b>	<b>9,680,394</b>

**2 Investments by segments:**

**Federal Government Securities:**

-GoP Ijarah Sukuks

**Other non-government debt securities**

-Power/gas and other sukuks

**3 Islamic financing and related assets**

	Note	2018		2017	
		Rupees in '000	Rupees in '000	Rupees in '000	Rupees in '000
Ijarah	3.1	1,138,904	761,525		
Murabaha	3.2	3,268,313	3,555,655		
Diminishing Musharaka		4,291,097	1,853,726		
Running Musharaka		23,026,000	33,000,000		
Qarze Hasna		33,688	69,777		
Istisna		3,849,993	2,376,042		
<b>Gross Islamic financing and related assets</b>		<b>35,607,995</b>	<b>41,616,725</b>		

**Less: provision against Islamic financings**

- Specific

- General

**Islamic financing and related assets - net of provision**

	125,439	133,544
	15,987	11,021
	<b>141,426</b>	<b>144,565</b>
	<b>35,466,569</b>	<b>41,472,160</b>

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

3.1 Ijarah	Note	Rupees in '000	
		2018	2017
Under IFAS-II			
Under finance method	3.1.1	1,124,538	742,077
Assets/inventory	3.1.2	5,631	6,155
<b>Ijarah under IFAS-2</b>		<b>1,130,169</b>	<b>748,232</b>
<b>Ijarah under IFAS-II</b>		<b>8,735</b>	<b>13,293</b>
		<b>1,138,904</b>	<b>761,525</b>

	2018				Book value as at December 31, 2018		
	Cost		Depreciation				
	As at January 01, 2018	As at December 31, 2018	As at January 01, 2018	Charge for the year			
	Rupees in '000						
Plant & Machinery	332,161	228,033	560,194	165,050	49,984	215,034	345,160
Vehicles	883,324	293,669	1,176,993	309,276	88,843	398,119	778,874
Housing	6,749	(1,855)	4,894	5,831	(1,441)	4,390	504
<b>Total</b>	<b>1,222,234</b>	<b>519,847</b>	<b>1,742,081</b>	<b>480,157</b>	<b>137,386</b>	<b>617,543</b>	<b>1,124,538</b>

	2017				Book value as at December 31, 2017		
	Cost		Depreciation				
	As at January 01, 2017	As at December 31, 2017	As at January 01, 2017	Charge for the year			
	Rupees in '000						
Plant & Machinery	302,067	30,094	332,161	116,370	48,680	165,050	167,111
Vehicles	581,822	301,502	883,324	216,761	92,515	309,276	574,048
Equipment	6,743	6	6,749	3,062	2,769	5,831	918
<b>Total</b>	<b>890,632</b>	<b>331,602</b>	<b>1,222,234</b>	<b>336,193</b>	<b>143,964</b>	<b>480,157</b>	<b>742,077</b>

**Future Ijarah rental receivable**  
 Ijarah assets under IFAS-2 are stated at cost of Rs. 1,742,081 million (2017: Rs. 1,222,234 million) less accumulated depreciation of Rs. 617,543 million (2017 Rs: 480,157 million) in accordance with the SBP letter no. BPRD/BRID-04/2008-6268.

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

**3.1.2 Net investment in Ijarah under finance method**

	2018		2017					
	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
	<b>2,792</b>	<b>3,820</b>	-	<b>6,612</b>	5,799	1,177	-	6,976
Ijarah rentals receivable	8	35	-	43	449	20	-	469
Residual value	2,800	3,855	-	6,655	6,248	1,197	-	7,445
Minimum Ijarah rentals	(594)	(430)	-	(1,024)	(857)	(433)	-	(1,290)
Profit for future periods	<b>2,206</b>	<b>3,425</b>	-	<b>5,631</b>	5,391	764	-	6,155
Ijarah under finance method								

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

Note	2018	2017
	Rupees in '000	
<b>3.2 Murabaha</b>		
Murabaha financing	2,762,738	2,672,826
Inventory for murabaha	184,134	134,356
Advances for Murabaha	2,946,872	2,807,182
	<b>321,441</b>	<b>748,473</b>
	<b>3,268,313</b>	<b>3,555,655</b>
<b>3.2.1</b>	2,946,872	2,807,182
<b>3.2.2</b>	2,946,872	2,807,182
<b>3.2.4</b>	117,499	85,888
	18,997	18,504
	<b>2,810,375</b>	<b>2,702,789</b>
<b>3.2.1</b> Murabaha receivable - gross		
Less: Deferred murabaha income		
Profit receivable shown in other assets		
Murabaha financings		
<b>3.2.2</b> The movement in Murabaha financing during the year is as follows:		
Opening balance	2,807,182	1,426,245
Sales during the year	6,481,991	5,267,159
Adjusted during the year	6,342,301	3,886,223
Closing balance	2,946,872	2,807,182
<b>3.2.3</b> Murabaha sale price	6,481,991	5,267,159
Murabaha purchase price	6,163,688	5,028,413
	<b>318,303</b>	<b>238,746</b>
<b>3.2.4</b> Deferred murabaha income		
Opening balance	85,888	49,465
Arising during the year	318,303	238,746
Less: Recognized during the year	286,692	202,323
Closing balance	117,499	85,888



**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

**4 Deposits**

	2018		2017		Total
	In local currency	In foreign currency	In local currency	In foreign currency	
<b>Customers</b>					
Current deposits	21,408,886	322,813	21,731,699	261,154	17,835,436
Savings deposits	21,761,903	-	16,388,580	-	16,388,580
Term deposits	2,309,946	-	2,253,400	-	2,253,400
	45,480,735	322,813	36,216,261	261,154	36,477,415
<b>Financial Institutions</b>					
Current deposits	1,494	-	1,494	-	37,984
Savings deposits	88,998	-	88,998	-	354
	45,571,227	322,813	45,894,040	261,154	36,515,753

**4.1 Composition of deposits**

- Individuals
- Government / public sector entities
- Non-banking financial institutions
- Private Sector

	2018	2017
	12,729,148	9,885,061
	17,956,913	11,971,775
	90,492	38,338
	15,117,487	14,620,579
	45,894,040	36,515,753

**4.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs 23,005.65 million as of December 31, 2018.

**5 Other liabilities**

- Profit payable in local currency
- Pool Management Reserves
- Un-earned commission and income
- Accrued expenses
- Deferred income murabaha
- Un-earned Bai Maujjal Sukuk
- Security deposit against ijarah
- Charity fund
- Tax payable
- Others

	2018	2017
	152,128	61,366
	97,714	89,794
	59,469	16,121
	47,186	41,507
	117,499	85,889
	-	42,605
	340,901	212,659
	9,156	-
	321,745	-
	22,351	2,824
	1,168,149	552,765

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

5.1 Charity fund	2018	2017
	Rupees in '000	
Opening Balance	-	-
<b>Additions during the year</b>		
Received from customers on account of delayed payment	6,431	16,417
Dividend purification amount	16	73
Other Non-Shariah compliant income	152	2,326
Others	2,557	18
	<b>9,156</b>	18,834
<b>Payments / utilization during the year</b>		
Welfare	-	7,734
Health	-	11,100
	-	18,834
Closing balance	<b>9,156</b>	-
<b>6 Islamic banking business unappropriated profit</b>		
Opening balance	4,094,931	3,461,284
Add: Islamic banking profit for the year	825,338	633,647
Less: Taxation	321,882	-
Closing balance	<b>4,598,387</b>	4,094,931
<b>7 Contingencies and commitments</b>		
-Guarantees	4,608,139	-
-Commitments	1,500,966	84,740
	<b>6,109,105</b>	84,740
<b>8 Profit/return earned of financing, investments and placement</b>		
<b>Profit earned on:</b>		
Financing	2,611,388	1,739,069
Investments	714,802	655,716
Placements	28,232	111,783
	<b>3,354,422</b>	2,506,568

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
<b>9 Profit on deposits and other dues expensed</b>		
Deposits and other accounts	729,516	550,746
Due to Financial Institutions	501,556	259,586
	<b>1,231,072</b>	<b>810,332</b>

**10 Pool management**  
 Islamic Banking Group of the Bank is operating following pools/sub-pools.

**General pool**

**Sub-pools**

- i. Riba free special deposit pool
- ii. Riba free special deposit pool - Treasury Interbank
- iii. Riba free special deposit pool - Corporate
- iv. Riba free special deposit pool - Corporate II
- v. Riba free special deposit pool - Mutual fund / FI
- vi. Riba free special deposit pool - Staff provident fund
- vii. Riba free special deposit pool - Islamic export finance security (IERS)
- viii. Riba free special deposit pool - Profit Equalization Reserves (PER)
- ix. 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, Running 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.

**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, Running 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.

## THE BANK OF KHYBER NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

### Risks of the special sub - pools

All special pools are created as sub-pools of the general pool. All administrative expenses of the pools are borne by the general pool as equity contributor. However, depositors bear the risk of all direct losses and expenses of the pool. All residual income of the pool is transferred to the general pool being equity holders.

### Profit sharing and weightages for distribution of profit

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

While considering weightages emphasis shall be given to the quantum, type and the period of risk assessed by following factors:

- i. Period of investment (number of months, years)
- ii. Profit payment option (monthly, quarterly, yearly/maturity)
- iii. Purpose of deposit (Hajj, Umrah etc.)
- iv. Type of customer (pensioners, widows, corporate, individual)

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 IBS are as under:

	2018	2017
	Rupees in '000	
<b>Gross profit earned</b>	3,541,650	2,663,715
<b>Administrative expenses</b>	1,488,379	1,321,748
<b>Distributable share</b>	2,053,271	1,341,967
<b>Profit paid to IAH/PLS depositors</b>	1,231,072	810,332

### 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.

Profit Equalization Reserve of Rs. 44,855 million (December 31, 2017: Rs. 42,671 million) is not available for the distribution of cash and stock dividend to the shareholders.

### 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:

**THE BANK OF KHYBER**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

	2018	2017
	Rupees in '000	
<b>Financings</b>		
Agribusiness	810,392	958,961
Marble & Mining	14,285	-
Chemical and Pharmaceuticals	951,369	138,336
Cement	4,692,143	637,681
Sugar	2,047,206	-
Textile	-	4,699,096
Automobile and transportation equipment	680,002	335,688
Petro Chemical	9,609	-
Housing	254,311	154,041
Misc. Manufacturing	1,741,007	923,893
Personal	804,735	359,199
Contractors	-	71,722
Tradings	919,343	2,084,058
Services	417,662	456,862
Consumer Financings	-	337,023
Auto Loans	516,629	245,309
Metal products	434,863	-
Commodity Finance	20,000,000	30,000,000
Telecommunication	-	11,256
CNG station/GAS	44,640	24,059
Consumer Finance	166,660	-
Others	1,103,139	179,541
	<b>35,607,995</b>	<b>41,616,725</b>
<b>Investments</b>		
GOP Ijarah Sukuk	6,215,600	6,297,975
Power /Electric/Gas	4,358,030	3,382,420
	<b>10,573,630</b>	<b>9,680,394</b>
	<b>46,181,625</b>	<b>51,297,119</b>



THE BANK OF KHYBER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018

Annexure - III

Quality of available for sale securities - Ordinary shares	2018		2017	
	Cost	Market Value	Cost	Market Value
	Rupees in '000'		Rupees in '000'	
<b>Listed Companies</b>				
Automobile Parts & Accessories	0.05	0.06	8,716	15,276
Cable & Electrical Goods	-	-	9,755	9,386
Cement	-	-	391,066	304,865
Chemical	231	184	46,193	42,544
Commercial Banks	-	-	70,622	70,381
Engineering	-	-	-	-
Fertilizer	-	-	82,152	78,296
Food & Personal Care Products	5	131	44,568	36,144
Insurance	5,627	618	73,582	103,219
Inv.Banks/Inv Cos/Invest Securities Cos	274,685	98,893	274,685	58,275
Leather & Tanneries	-	-	3,398	9,375
Oil & Gas Exploration Companies	-	-	7,598	8,140
Oil & Gas Marketing Companies	-	-	46,826	38,368
Paper & Board	-	53	40,331	34,227
Power Generation & Distribution	-	-	109,331	81,250
Pharmaceuticals	55,924	56,486	73,952	81,442
Refinery Ltd	-	-	12,985	10,554
Textile Composite	9,502	178	59,638	46,726
Textile Spinning	23	276	23	443
Textile Weaving	-	122	-	140
Vanaspati & Allied Industries	-	17	-	17
	<b>345,996</b>	<b>156,958</b>	<b>1,355,421</b>	<b>1,029,067</b>

Un-Listed Companies

Un-Listed Companies	2018		2017	
	Cost	Breakup Value	Cost	Breakup Value
	Rupees in '000'		Rupees in '000'	
Dawood Family Takaful	112,500	55,527	112,500	56,250
Saudi Pak Leasing -Preference Shares	195,000	-	195,000	-
Industrial Dev. Bank Ltd.	-	-	-	-
Mohib Textile Mills Ltd.	25,000	-	25,000	-
Mohib Exports Ltd.	487	-	487	-
Asian Housing Finance Ltd.	5,000	-	5,000	-
Syed Match Co. Ltd.	7	-	7	-
Pakistan Papersak Co Ltd.	-	-	-	-
Bela Engineering Ltd.	-	-	-	-
Taga Pakistan Ltd.	-	-	-	-
Sind Alkalis Ltd.	-	-	-	-
Fazal Vegetable Ghee Mills Ltd.	-	-	-	-
Mian Mohammed Sugar Mills Ltd.	-	-	-	-
Mubarik Dairies Ltd.	-	-	-	-
Pak Ghee Industries Ltd.	-	-	-	-
Uqab Breeding Farms Ltd.	-	-	-	-

THE BANK OF KHYBER

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2018

Annexure - III

	2018		2017	
	Cost	Market Value	Cost	Market Value
Accord Textile Ltd.	-	-	-	-
Alif Textile Mills Limited	-	-	-	-
Apex Fabrics Ltd.	-	-	-	-
Awan Textile Mills Ltd.	-	-	-	-
Bahawalpur Textile Mills Ltd.	-	-	-	-
Crescent Spinning Mills Ltd.	-	-	-	-
Junaid Cotton Mills Ltd.	-	-	-	-
Karim Silk Mills Ltd.	-	-	-	-
Kohinoor Looms Limited	-	-	-	-
Medi Glass Ltd.	-	-	-	-
Mehran Jute Mills Ltd.	-	-	-	-
Qayyum Spinning Mills Ltd.	-	-	-	-
Saitex Spinning Mills Ltd.	-	-	-	-
Siftaq International Ltd.	-	-	-	-
Sind Fine Textile Mills Ltd.	-	-	-	-
Tawakkal Garments Indust. Ltd.	-	-	-	-
Tawakkal Ltd.	-	-	-	-
Tariq Cotton Mills Ltd.	-	-	-	-
Zahoor Textile Mills Ltd.	-	-	-	-
Unim	-	-	-	-
Dadabhoy Leasing Co Ltd.	-	-	-	-
Tawakkal Modaraba 1St	-	-	-	-
Innovative Investment Bank	-	-	-	-
L.T.V Capital Modarba	-	-	-	-
Casspak Industries Ltd.	-	-	-	-
Al-Qaim Textile Mills Limited.	-	-	-	-
Karim Cotton Mills Ltd.	-	-	-	-
Mehr Dastgir Textile Mills Limited	-	-	-	-
Ayaz Textile Mills Limited.	-	-	-	-
Saleem Denim Industries Ltd.(Kapoor Tex)	-	-	-	-
Adamjee Floorings Ltd.	-	-	-	-
Adamjee Ind	-	-	-	-
Adamjee Paper & Board Mills Ltd.	-	-	-	-
Adil Polyproplene Ltd.	-	-	-	-
Arag Industries Ltd.	-	-	-	-
Aswan Tentage And Canvas Mills Ltd.	-	-	-	-
Afsar Textile Mills Ltd.	-	-	-	-
Bankers Equity Ltd.	-	-	-	-
Baluchistan Faundry Ltd.	-	-	-	-
Central Cotton Mills Ltd.	-	-	-	-
Chilya Corragated Board Ltd	-	-	-	-
Crescent Knitwear Ltd	-	-	-	-

THE BANK OF KHYBER  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED DECEMBER 31, 2018

Annexure - III

	2018		2017	
	Cost	Market Value	Cost	Market Value
Crown Textile Mills Ltd.	-	-	-	-
Charsada Sugar Mills Ltd	-	-	-	-
Dadabhoy Padube Ltd.	-	-	-	-
Ghafur Textile Mills Ltd.	-	-	-	-
Greavaes Aircondition Ltd.	-	-	-	-
Gypsum Corporation Ltd.	-	-	-	-
Hyderabad Electronic Ind Ltd	-	-	-	-
H. Sheikh M Hussain Co. Ltd.	-	-	-	-
Al-Husainy Industries Limited.	-	-	-	-
Itti Textile Mills Limited.	-	-	-	-
Karachi Pipe Mills Ltd.	-	-	-	-
Lafayette Industries Synthetics Ltd.	-	-	-	-
Marr Fabrics Limited	-	-	-	-
Mehran Bank Ltd.	-	-	-	-
Mohib Textile	-	-	-	-
Naveed Textile Mills Ltd.	-	-	-	-
Nowshera Engineering Co Ltd.	-	-	-	-
National Match Factory Ltd.	-	-	-	-
Nusrat Textile Mills Ltd.	-	-	-	-
Pan Islamic Steamship Co. Ltd.	-	-	-	-
Punjab Building Product	-	-	-	-
Pearl Fabrics Ltd.	-	-	-	-
Pak German Pre Fabs Ltd.	-	-	-	-
Punjab Cotton Mills Ltd.	-	-	-	-
Punjab Lamp Works Ltd.	-	-	-	-
Rex Baren Battries Ltd.	-	-	-	-
Rcd Ball Bearings Ltd.	-	-	-	-
Regal Ceramics Ltd.	-	-	-	-
Sunshine Cloth Mills Ltd.	-	-	-	-
Shahyar (O.E) Textile Mills Ltd.	-	-	-	-
Shahyar Textile Mills Ltd.	-	-	-	-
Syeed Saigol Ind. Ltd.	-	-	-	-
Sunrise Textile Mills Ltd.	-	-	-	-
Turbo Tubes Ltd.	-	-	-	-
Zafar Textile Mills Ltd.	-	-	-	-
Turbo tubes ltd.	-	-	-	-
Zafar textile mills ltd.	-	-	-	-
<b>Total</b>	<b>337,994</b>	<b>55,527</b>	<b>337,994</b>	<b>56,250</b>

\* Break-up values are not given as the same are not available.

THE BANK OF KHYBER  
**PATTERN OF SHAREHOLDING**  
AS ON 31 DECEMBER 2018

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
888	1	100	39561	0.0040
9941	101	500	1830635	0.1830
15193	501	1000	13808051	1.3803
2376	1001	5000	4999650	0.4998
140	5001	10000	992396	0.0992
53	10001	15000	646151	0.0646
43	15001	20000	728566	0.0728
19	20001	25000	423191	0.0423
6	25001	30000	165733	0.0166
8	30001	35000	262664	0.0263
1	35001	40000	37988	0.0038
2	40001	45000	84234	0.0084
6	45001	50000	290625	0.0291
4	50001	55000	217608	0.0218
1	55001	60000	55615	0.0056
1	60001	65000	62268	0.0062
3	65001	70000	201192	0.0201
2	70001	75000	149000	0.0149
2	75001	80000	159381	0.0159
2	80001	85000	166454	0.0166
1	90001	95000	94500	0.0094
1	105001	110000	109400	0.0109
1	135001	140000	136760	0.0137
1	165001	170000	165426	0.0165
1	220001	225000	223000	0.0223
2	230001	235000	463194	0.0463
1	240001	245000	243130	0.0243
1	255001	260000	258500	0.0258
1	275001	280000	278840	0.0279
1	695001	700000	700000	0.0700
1	865001	870000	870000	0.0870
1	1075001	1080000	1075172	0.1075
1	3420001	3425000	3421332	0.3420
1	3910001	3915000	3912815	0.3911
1	9250001	9255000	9250871	0.9247
1	9995001	10000000	10000000	0.9996
1	241635001	241640000	241639031	24.1549
1	702205001	702210000	702208233	70.1948
<b><u>28710</u></b>		<b>Company Total</b>	<b><u>1000371167</u></b>	<b><u>100.0000</u></b>

	No of shareholders	Shares Held	Percentage
Directors, CEO & Children	4	58,624	0.00
Associated Companies	1	241,639,031	24.16
Banks, DFI & NBFi	5	73,617	0.00
Insurance Companies	2	18,234	0.00
General Public (Local)	28,606	46,248,038	4.62
General Public (Foreign)	50	178,157	0.02
Others	39	5,655,901	0.57
Government of Khyber Pakhtunkhwa	1	702,208,233	70.20
Foreign Companies	2	4,291,332	0.43
<b>Total</b>	<b>28,710</b>	<b>1,000,371,167</b>	<b>100.00</b>

**Shareholding of Directors, CEO & Children**

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

**Shareholding of Banks, DFI & NBFi**

Pakistan Industrial & Commercial Leasing Ltd.	2,431
Prudential Discount & Guarantee House Ltd.	22,792
Soneri Bank Limited	15,279
Pakistan Industrial & Comm. Leasing Ltd.	21,881
Escorts Investment Bank Limited	11,234

**Shareholding of Insurance Companies**

T PL Direct Insurance Limited	15,195
The Pakistan General Ins. Co. Ltd	3,039

**Major Shareholders**

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



**THE BANK OF KHYBER**  
**COMPLETE LIST OF BRANCHES**  
**AS ON 31 DECEMBER 2018**

S.no	Branch Name	Complete Address of Branches	Br. Code	Branch Mode	Phone Number	Fax Number ATM	Onsite
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	Old GTS Chowk, Gowshala Road 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	
5	Bathkhela Branch	Near Government High School, Main Bazar, Bathkhela	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	Kumber, 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	Yes
18	Khawza 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	
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	
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,	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	Yes
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	Yes
44	Swari Branch (Buner)	Nisar Market, Pir Paba Road, Swari, Buner	0131	Islamic	0939-555289, 555279	0939-555229	Yes
45	Tank Branch	Gillani Market, Main Bazar Opposite DHQ Hospital, Tank.	0106	Islamic	0963-510068	0963-510400	Yes
46	Thall, Main Bazar	Al-Murtaza Market, Bannu Chowk, Main Bazar Thall District Hangu	0130	Islamic	0925-510740, 511741	0925-511741	Yes
47	Timergara Branch	Shaheed Plaza, Alam Zeb Shaheed Chowk, Timergara	0105	Islamic	0945-9250232, 822090	0945-822690	Yes
48	Topi Branch	Sher Khan Market, Main Bazar, Tarbela Road, Topi, Distt Swabi.	0135	Islamic	0938271546-8	0938-271547	Yes
49	Upper Dir	Shop No.1 to 6 Shafi Plaza, Saleem Market Main Bazar Upper Dir.	0126	Islamic	0944-890021	0944-890022	Yes
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.169&183, Main Bazar, Moza Saleh Khana, Tehsil Pubbi, Nowshera	0147	Islamic			Yes

# THE BANK OF KHYBER

## COMPLETE LIST OF BRANCHES

### AS ON 31 DECEMBER 2018

S.no	Branch Name	Complete Address of Branches	Br. Code	Branch Mode	Phone Number	Fax Number	ATM	Onsite
52	Peshawar, Chowk Nasir Khan	Al-Rehmat Plaza, Property No. CB/637/2027/755 & CB/637/2028/754/F-1 F-2, Ground Floor, Peepal Mandi, Chowk Nawaz Plaza, Taxation No. 4988 to 5008, Ground Floor, Dalazak Road, Peshawar.	0154	Islamic	091-22592014-15	091-2592014		Yes
53	Peshawar, Dalazak Road	Shop No.1 to 10, Zaman Market, Adjacent UBL & NBP, Main Bazar, Chakdara (Lower Dir)	0073	Conventional	091-2608215-17	091-2608218		Yes
54	Chakdara	Shop No.1 to 10, Zaman Market, Adjacent UBL & NBP, Main Bazar, Chakdara (Lower Dir)	0149	Islamic	0945-762532-33	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	091-2325225-3	091-2322815		Yes
56	Jehangira	Ground & 1st Floor, Behram Khan Centre, G.T. Road, Jehangira (Nowshera)	0151	Islamic	0923-510057	0923-510054		Yes
57	Takht Bhai	Khasra No.785, Shaukat Mansion, Ground & 1st Floor, Opposite Takht Bhai Mega Market, Takht Bhai, Mardan	0150	Islamic	0937-553682-4	0937-553683		Yes
58	Pabbi, G.T.Road	Ajun Market, G.T.Road, Pabbi (District Nowshera)	0159	Islamic	0931-527071-3	0931-527075		Yes
59	GulBahar Branch, Peshawar.	Plot # 4-A & 4-B, Sameer Square, Anam Sanam Chowk, Gulbahar Road, Hussainabad, Peshawar	0156	Islamic	091-2606391-3	091-2606394		Yes
60	Tangi Branch, Charsadda.	Khasra No. 1633, Malak Plaza, Sabqadar Road, Tangi, (District Charsadda)	0158	Islamic	091-6555527-8-30	(091)6555530.		Yes
61	Barikot Swat	Khasra No. 1333, Iqbal Khan Plaza, Pir Baba Road, Barikot Swat	0157	Islamic	0946-751781-2	0946-751783		Yes
62	Shangla	Islamic Banking Branch at Khasra No.1283, 84 & 86, Munir Plaza, Adjacent MCB, Basement & Ground Floor, Besham Road, Alpuri District Shangla.	0160	Islamic	0996-850140-1	0996-850142		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 0923-626071	091-2246683 (Fax)		Yes
65	Manki Sharif Branch, Nowshera.	Malak Jammam Market, Soorya Khel, Manki Sharif, Tehsil & District Nowshera.	0162	Islamic	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			Yes
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	0938-310705 (Fax)		Yes
71	Umarzai Branch, Charsadda.	Khasra No. 4011/3485 & 4012/3486, Major Saeed Khan Market, Main Bazar, Umarzai.	0078	Conventional	091-952506-07	091-952531 (Fax)		Yes
72	Sheikh Maltoon, Mardan	Shop No. 25,26,27,28,29 & 31, Commercial Plaza Sector-E, Sheik Maltoon Town, Mardan.	0079	Conventional	0937-843111 0937-843222	0937-843225 (Fax)		Yes
73	Kabal, Swat	Khasra No. 2271, Ground Floor, Wahab Market, Kabal, Mingora Road, Swat.	0170	Islamic	0946-755471 0946-755473	0946-755472 (Fax)		Yes
74	Yar Hussain Branch	Akbar Building, intiqal No. 3422, Main Bazar, Yar Hussain, Swabi.	0077	Conventional	0938-460028 0938-460047	0938-460029 (Fax)		Yes
75	Munda, Lower Dir	Ground Floor, Habib Jan Market, Adjacent Tehsildar Office Munda, Munda Lower Dir.	0169	Islamic	0945-830345 0945-830346	0945-530347 (Fax)		Yes
76	Shergarh, Mardan	Ground floor, Asghar Khan Market, Main Bazar, Shergarh, Mardan.	0080	Conventional	0937-820434 0937-820435	0937-820437 (Fax)		Yes
77	Katlang, Mardan	Inteqal No. 5038, Imam Shah Market, Main Bazar, Tehsil Katlang, District Mardan	0081	Conventional	0937-576005 0937-576006	0937-576004 (Fax)		Yes
78	Puran, Shangla	Khasra No.227, Aluch Bazar, Tehsil Puran, District Shangla.	0174	Islamic	0996-853026			Yes
79	Lakki Marwat	Shop No.1, Haji Jan Khan Market, Lakki City, Lakki Marwat.	0173	Islamic	0969-510059 0969-510359	0969-511059 (Fax)		Yes
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)		Yes
81	Hayatabad Phase-V, Peshawar.	Ground Floor. Plot No. 28, Sector B-1, Phase- V, Hayatabad Peshawar	0083	Conventional	091-5814820			Yes
82	Nathiagali Branch	Ground Floor, Hotel Ellites, Adjacent Civil Hospital, Nathiagali.	0171	Islamic	0992-355014-15 0922-580111	0992-355016 (Fax)		Yes
83	Sherkot, Kohat.	Khasra No. 315, Mujahid & Brothers Market, Sherkot Tehsil & District Kohat.	0082	Conventional	0922-580888 0922-580666			Yes
84	Chamkani, Peshawar.	Khasra No.156 & 157, Honey Market, Hidayatabad Chamkani, Peshawar.	0084	Conventional				Yes
85	Sakhakot Branch	Noor Market, Main Malakand Road, Sakhakot, District Malakand.	0176	Islamic	0932-311410 0932-311411 0932-311412	0932-311413 (Fax)		Yes
86	Tehkal Payan, Peshawar.	Haji Nazar Mohammad Building, Tehkal Payan, University Road, Peshawar.	0178	Islamic	091-5621220	091-5621222 (Fax)		Yes
87	Sugar Mill Bypass Road, Mardan	Sharif Khan Plaza, New Charsadda Chowk, Railway Patak, Sugar Mill Bypass Road, Mardan	0179	Islamic	0937-845696-97-98	0937-845699 (Fax)		Yes
88	Tordher, Swabi.	Khasra No.1751, Main Swabi Jehangira Road, Matani Changan Tordher, Swabi.	0085	Conventional	0938-537116-118	0938-537119		Yes
89	Darosh, Chitral.	Main Darosh Bazaar, Zero Point, Chitral	0086	Conventional	0943-480261-62-63	0943-480264		Yes
90	Sheikh Yousaf Adda, D.I.Khan.	Khasra No.1007/529, Sheikh Yousaf Adda, Opposite Punjab Collage, Bannu Road D.I.Khan.	0087	Conventional	0966-740316-317	0966-740318		Yes
91	Rashakai, Nowshera	Main Bazar Rashakai, Nowshera	0182	Islamic	0937-880369 0937-881369			Yes
92	Charbagh, Swat	Saad Tower, Main Bazar Charbagh, Tehsil & District Swat	0181	Islamic	0946-730493-94	0946-730495 (Fax)		Yes
93	Kohat Road, Peshawar	Marjan Hotel, Mauza Kotla Mohsin Khan, Kohat Road, Peshawar	0092	Conventional	091-2323635 091-2323695	091-2323696 (Fax)		Yes
94	Rustam, Mardan	Main Bazar Rustam, Mardan	0183	Islamic	0937-801909			Yes
95	Barawal Bandi, Swat	Al-Madina Market Shahi Road, Main Bazar Barawal Bandi, Upper Dir	0184	Islamic	0944-830019-20	0944-830021		Yes
96	Kuza Bandai, Swat	Hamas Khan Market, Matta Road, Kuza Bandai, Tehsil Kabal, District, Swat	0093	Conventional	0946-880411	0946-880445		Yes
97	Lundkhwar, Mardan	Ramora Lundkhwar, Tehsil Takht Bhai, District Mardan	0089	Conventional	0937-850131-32	0937-850134		Yes
98	Sardheri, Charsadda	Maroof Khel, Sardheri Bazar, Tehsil & District Charsadda	0088	Conventional	091-6644001-02	091-6644003		Yes
99	Judicial Complex Haripur	Judicial Complex Haripur	0097	Conventional	0995-321196-97			Yes
100	Nasir Baghh Branch Peshawar	Nasir Bagh Road, Near Police Colony peshawar	0096	Conventional	091-5710677-78			Yes
101	HMC Branch, Peshawar.	Hayatabad Medical Complex, Phase 4 Hayatabad, Peshawar	0185	Islamic	091-5811941-43	091-5811946		Yes

# THE BANK OF KHYBER

## COMPLETE LIST OF BRANCHES

### AS ON 31 DECEMBER 2018

S.no	Branch Name	Complete Address of Branches	Br. Code	Branch Mode	Phone Number	Fax Number	ATM	Onsite
<b>Province Sindh (12 Branches)</b>								
102	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
103	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
104	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
105	Karachi, DHA, Phase-II	Plot No.69-C, 11th Commercial Building, DHA, Phase II, Karachi	0063	Conventional	021-35890171-4	021-35890175		Yes
106	Karachi, Metroville	KDA Scheme, Project No.1, Metroville, SITE, Karachi.	0123	Islamic	0213-6754233-4	021-36754236		Yes
107	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
108	Karachi, Shireen Jinnah Colony	Block-1, Clifton, Shireen Jinnah Colony Karachi	0034	Conventional	0213-5873264-5	021-35873267		Yes
109	Karachi, SITE	B-78, Allied Plaza Estate Avenue, S.I.T.E., Karachi	0109	Islamic	0213-2565102 & 4	021-32565105		Yes
110	Karachi, Sohrab Goth	Shops No.A-7/A, A-7/B, A-8/A, A-8/B, Ground Floor, Block "A" Plot No.1-B-2, Sub Plot No.1-A, A1 Azam Plaza Scheme 33, Sohrab Goth, Super Market, Main Super Highway Karachi	0110	Islamic	021-36830070 & 2	021-36830067		Yes
111	Karachi, Stock Exchange Branch	1 <sup>st</sup> Floor, Karachi Stock Exchange, Karachi	0036	Conventional	021-32465804 & 7	021-32465805		
112	Sukkur	Property No.D-986, D-987, D-971, Hussaini Road, Sukkur	0058	Conventional	071-5617057-8-9	071-5617056		Yes
113	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	021-32601371-72-74-75	021-32601373		Yes
<b>Province Punjab (36 Branches)</b>								
114	Attock City	Plot No.178, Block-Y, DHA, Lahore Cantt.	0065	Conventional	057-2602378-9	057-2701378		Yes
115	Bahawalpur	Plot No.811, Block C, Faysal Town, Lahore	0050	Conventional	062-2887533, 2887532	062-2887532		Yes
116	Chiniot	Block -R-1, M.A. Johar Town, Lahore	0044	Conventional	047-6333394-6	047-6333397		Yes
117	D.G. Khan	Gulberg-III, M.M. Alam Road, Lahore	0056	Conventional	0642-470871-4	0642-470875		Yes
118	Faisalabad, Kotwali Road	Property No.82-84, Amarpak Building, Main Ravi Road, Lahore	0116	Islamic	041-2412116-7-8	041-2412120		Yes
119	Faisalabad, Sosaan Road	Shop #E/36, Alamgir Market, Inside Shah Alam Gate, Lahore.	0038	Conventional	041-8556200-1-2	041-8556203		Yes
120	Gujran Khan	Property No.17/24, Shadab Market, G.T. Road, Mian Channu, District Khanewal	0062	Conventional	051-3511822-3	051-3511824		Yes
121	Gujranwala, G.T. Road	Lower Ground, Khan Centre, Main Market, Abdali Road Multan Cantt.	0039	Conventional	055-3730917-8	055-3730918		Yes
122	Gujrat, G. T. Road	Plot No.12-B & 13-B, Haq Nawaz Plaza, Main Gate Shah Shams Colony, Vehari Road, Multan	0037	Conventional	053-3525555, 3530380	0533-520370, 530390		Yes
123	Jhelum	Ground Floor & 1st Floor, Iftikhar Children Hospital, M.A. Jinnah Road, Okara	0042	Conventional	0544-9270164 & 6	0544-9270165		Yes
124	Khanewal	Plot No.15, Opposite Town Hall, Model Town, Rahim Yar Khan	0060	Conventional	065-2556431-2	065-2556433		Yes
125	Lahore, New Gardan Town.	No.A/308- Jinnah Road (City Saddar Road) Rawalpindi	0114	Islamic	042-36304873, 36367407	042-36307079		Yes
126	Lahore, DHA	Adam Jee Road, Saddar, Rawalpindi	0052	Conventional	042-35741073 & 5	042-35741077		Yes
127	Lahore, Faysal Town	Shop No.10, Masood Plaza, Bank Road, Sadiqabad	0057	Conventional	042- 35160472, 35160474-8	042-35160473		Yes
128	Lahore, Johar Town	272/B-2 High Street, Sahiwal.	0031	Conventional	042-35316744-5	042-35316746		Yes
129	Lahore, M.M. Alam Road	63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha	0023	Conventional	042-35872013, 35752038	042-35872013		Yes
130	Lahore, Ravi Road	Industrial Area, Shahabpura, Ugoki Road, Near Masjid Mohajirin, Sialkot	0141	Islamic	042-37947581-2	042-37947583		Yes
131	Lahore, Shah Alam Gate	Plot No.119, Auto Market, Badami Bagh, Lahore	0124	Islamic	042-37641834 & 6	042-37641837		Yes
132	Mian Channu	Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road, Jhang	0061	Conventional	065-2661871-2	065-2661870		Yes
133	Multan, Abdali Road	Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot	0033	Conventional	061-4545139-40	061-4545143		Yes
134	Multan, Vehari Road	Khasra No.80, Adjacent Singer Branch, Sargodha Road, Sheikhpura	0142	Islamic	061-6241251-3	061-6241254		Yes
135	Okara, Jinnah Road	Khasra No.781, Geo Madina Tower, Main G.T. Road, Tarnol	0140	Islamic	0442-511079-80	0442-511081		Yes
136	Rahim Yar Khan	Gudwaal Plaza, Khewat No. 599, Khatooni No. 906-913, Ground & 1st Floor, Main Bazaar, Taxila.	0051	Conventional	068-5870182-3	068-5870185		Yes
137	Rawalpindi, City Saddar Road	Ballo Khel Road, Mianwali City, Punjab	0030	Conventional	051-5540420 & 2, 5540486	051-5540482		Yes
138	Rawalpindi, Saddar Adam Jee Road	Shop No.10, Masood Plaza, Bank Road, Sadiqabad	0115	Islamic	051-5120194-7	051-5120198		Yes
139	Sadiqabad	Shop No.10, Masood Plaza, Bank Road, Sadiqabad	0059	Conventional	068-5801261-2-3	068-5801264		Yes
140	Sahiwal Branch	272/B-2 High Street, Sahiwal.	0045	Conventional	040-4222404, 4222448	040-4222403		Yes
141	Sargodha	63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha	0041	Conventional	048-3740892-3	0483-7408912		Yes
142	Sialkot Branch	Industrial Area, Shahabpura, Ugoki Road, Near Masjid Mohajirin, Sialkot	0032	Conventional	052-3559225 & 7	052-3559224		Yes
143	Lahore, Badami Bagh	Plot No.119, Auto Market, Badami Bagh, Lahore	0069	Conventional	042-37731631-2-3	042-37731634		Yes
144	Jhang	Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road, Jhang	0070	Conventional	047-7622180-1, 7622183	047-7622182		Yes
145	Daska	Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot	0071	Conventional	052-6612324-6	052-6612327		Yes
146	Sheikhpura	Khasra No.80, Adjacent Singer Branch, Sargodha Road, Sheikhpura	0152	Islamic	056-3614182	056-3614184		Yes
147	Tarnol	Khasra No.781, Geo Madina Tower, Main G.T. Road, Tarnol	0146	Islamic	051-2226781-2	051-2226783		Yes
148	Taxila	Gudwaal Plaza, Khewat No. 599, Khatooni No. 906-913, Ground & 1st Floor, Main Bazaar, Taxila.	0153	Islamic	051-4545402-3	051-4545404		Yes
149	Mianwali	Ballo Khel Road, Mianwali City, Punjab	0090	Conventional	045-9230091-93	045-9230094		Yes
<b>Province Balochistan (6 Branches)</b>								
150	Chaman Branch	Khasra No.451, Old Mahal 404, Abdali Bazar, Chaman	0120	Islamic	0826-614012, 614027	0826-614012		
151	Quetta, Jinnah Road	Jinnah Road, Quetta.	0102	Islamic	081-2843203, 2822141	081-2829469		Yes
152	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
153	Quetta, Sirki Road	Khasra No.1807/16, Kaasi Building, Ground & 1st Floor, Sirki Road, Quetta.	0148	Islamic	081-2443637, 2447377	081-2447388		Yes
154	Zhob Branch	Shop No. C84-85, Main bazar, Thana Road Quetta, Zhob.	0177	Islamic	0822-412335			Yes
155	Gwadar	Main Bazar Airport Road. Adjacent to Sshil hotel Gwadar	0095	Conventional	0864210301-0302-303-304			

THE BANK OF KHYBER  
**COMPLETE LIST OF BRANCHES**  
 AS ON 31 DECEMBER 2018

S.no	Branch Name	Complete Address of Branches	Br. Code	Branch Mode	Phone Number	Fax Number	ATM	Onsite
<b>Capital Territory Area (4 Branches)</b>								
156	Islamabad, Blue area	Zahoor Plaza, Blue Area, Islamabad.	0022	Conventional	051-2824691, 2826111	051-2271139		
157	Islamabad, F-10 Markaz	Plot No.8. F-10 Markaz, Islamabad	0133	Islamic	051-2222994-5	051-222997		
158	Islamabad, PWD Society	Plot No.786-G, Block-C, PWD Society, Islamabad	0055	Conventional	051-5170901-2 & 4	051-5170903		
159	Bhara Kahu Branch, Islamabad.	Malak Shafait Plaza, Mauza Mahal Kot, Hathial Main Murree Road, Bhara Kahu, Islamabad	0180	Islamic	051-2303782-83-87	051-2303789		
<b>Gilgit Baltistan (1 Branch)</b>								
160	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
<b>FATA (06 Branch)</b>								
161	Jamrud Road Branch	Adjacent Caltex Petrol Pump, Jamrud Bazar, Jamrud (Khyber Agency)	0125	Islamic	091-5602013,5830147-8	091-5830149		Yes
162	Torkham	Groud Floor, Masoom Building, near PTDC and Tehsildar Office, Peshawar Torkham Road, Torkham.	0167	Islamic	0924-240044 0924-240045 0924-240046	0924-240047 (Fax)		
163	Parachinar	Shop No. 1 to 5 Ground Floor, Haji Safdar Market, School Road, Parachinar.	0076	Conventional	0926-3122720926- 3122730926-312374	0926-312275 (Fax)		Yes
164	Dara Adam Khel Branch	Ground floor, Nawab Shah Plaza Dara Bazaar Mohammad Zarghar Dara Adam Khel.	0175	Islamic	0922-811222	0922-811333		Yes
165	Khar Bajaur	Abid City Centre, Ground Floor, Lt.Sajjad Khan Shaheed Bypass Road Khar Bazaar, Bajaur Agency	0163	Islamic	0942-221263-4			
166	Sadda, Kurram Agency	Bangash Market, Main Bazar Sadda Tehsil Lower Kurram, District Kurram Agency	0091	Conventional	0926-520424-25	0926-520426 (Fax)		Yes
<b>Azad Jammu Kashmir (3 Branches)</b>								
167	Kotli (AJ&K)	Commercial Property, Khasra No.579, Bank Road, Kotli	0064	Conventional	05826-448673-4-5	05826-448679		Yes
168	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
169	Muzaffar Abad (AJ&K)	Secretariat Road, Muzaffarabad, Azad Jammu & Kashmir	0027	Conventional	05822-920492	05822-920499		Yes
<b>SUB-BRANCHES (3 Branches)</b>								
1	North West Hospital (Sub-Branch of University Road Peshawar)	North West Hospital Phase-V Hayatabad Peshawar		Conventional				Yes
2	Provincial Assembly (Sub-Branch of High Court Peshawar Branch)	Provincial Assembly KPK		Conventional				Yes
3	Lady Reading Hospital Peshawar (Sub-Branch of Khyber Bazar Peshawar Branch)	Lady Reading Hospital Rest House Opposite FC Block Lady Reading Hospital Peshawar		Conventional				Yes

**SUMMARY**

	Conventional	Islamic
KPK	40	61
Sindh	9	3
Punjab	26	10
Balochistan	2	4
Islamabad (ICT)	2	2
FATA	2	4
AJK	3	0
Gilgit	1	0
	<b>85</b>	<b>84</b>



## THE BANK OF KHYBER

### FOREIGN CORRESPONDENT BANKS

Sr#	Country	Name of Bank	Sr#	Country	Name of Bank
1	<b>AFGHANISTAN</b>	HABIB BANK LIMITED NATIONAL BANK OF PAKISTAN, KABUL BRANCH			JIANGSU JIANGNAN RURAL COMMERCIAL BANK CO.,LTD.(FORMALY JIANGSU WUJIN RURAL BANK) MIZUHO BANK (CHINA),LTD. (only when Applicant/Bene is customer of Mizuho Bank)
2	<b>AMERICAN SAMOA</b>	ANZ AMERIKA SAMOA BANK			MUFG BANK (CHINA), LTD. NANXUN BANK QILU BANK CO., LTD. RURAL COMMERCIAL BANK OF ZHANG-JIAGANG SHENGJING BANK CO.,LTD THE BANK OF NEW YORK MELLON, SHANGHAI BRANCH UNICREDIT SPA-SHANGHAI BRANCH WELLS FARGO BANK, NA, SHANGHAI BRANCH WOORI BANK (CHINA) LIMITED YANTAI BANK CO., LTD.
3	<b>ARGENTINA</b>	MUFG BANK, LTD. BUENOS AIRES BRANCH			
4	<b>AUSTRALIA</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED			
5	<b>BAHRAIN</b>	AL BARAKA ISLAMIC BANK B.S.C CLOSED ALUBAF ARAB INTERNATIONAL BANK B.S.C. (C) ARAB INVESTMENT COMPANY, THE ASKARI BANK LIMITED, BAHRAIN BRANCH BANK AL HABIB LIMITED HABIB BANK LTD. JS BANK LIMITED MUFG BANK, LTD. BAHRAIN BRANCH UNITED BANK LIMITED WOORI BANK, MANAMA	30	<b>JAPAN</b>	COMMERZBANK AG TOKYO MIZUHO BANK, LTD. (only when Applicant/Bene is customer of Mizuho Bank) MUFG BANK, LTD. NATIONAL BANK OF PAKISTAN THE BANK OF NEW YORK MELLON, TOKYO BRANCH U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES TOKYO BRANCH WELLS FARGO BANK, N.A., TOKYO BRANCH WOORI BANK, TOKYO
6	<b>BANGLADESH</b>	HABIB BANK LTD. NATIONAL BANK OF PAKISTAN SOCIAL ISLAMI BANK LIMITED WOORI BANK, DHAKA			
7	<b>BELGIUM</b>	COMMERZBANK AG,THE,BRUSSELS BRANCH HABIB BANK LTD. KBC BANK NV THE BANK OF NEW YORK MELLON SA/NV			
8	<b>CAMBODIA</b>	ANZ ROYAL BANK (CAMBODIA) LTD	31	<b>KUWAIT</b>	MASHREQBANK PSC.
9	<b>CANADA</b>	HABIB CANADIAN BANK	32	<b>KYRGYZSTAN</b>	NATIONAL BANK OF PAKISTAN BISHKEK BRANCH
10	<b>CAYMAN ISLANDS</b>	COMMERZBANK AG,CAYMAN ISLANDS BRANCH	33	<b>LEBANON</b>	HABIB BANK LIMITED
11	<b>CHILE</b>	MUFG BANK, LTD., SANTIAGO BRANCH	34	<b>LUXEMBOURG</b>	COMMERZBANK AG DANSKE BANK INTERNATIONAL S.A. (only when Applicant/Bene is customer of Danske Bank) THE BANK OF NEW YORK MELLON (LUXEMBOURG) SA, LUXEMBOURG
12	<b>CHINA</b>	AGRICULTURAL DEVELOPMENT BANK OF CHINA, THE AUSTRALIA AND NEW ZEALAND BANK (CHINA)COMPANY LIMITED BANK OF CHINA (only when Applicant/ Bene is customer of Bank of China) BANK OF JIANGSU CO LTD BANK OF SHANGHAI CHINA CITIC BANK COMMERZBANK AG EXPORT-IMPORT BANK OF CHINA, THE INDUSTRIAL AND COMMERCIAL BANK OF CHINA	35	<b>MACAO</b>	BANCO COMMERCIAL PORTUGUES
			36	<b>MALAYSIA</b>	BANK AL HABIB LIMITED CITIBANK BERHAD MIZUHO BANK (MALAYSIA) BERHAD (only when Applicant/Bene is customer of Mizuho Bank) MUFG BANK (MALAYSIA) BERHAD
			37	<b>MAURITIUS</b>	BANK OF BARODA



## THE BANK OF KHYBER

### FOREIGN CORRESPONDENT BANKS

Sr#	Country	Name of Bank	Sr#	Country	Name of Bank
38	<b>MONACO</b>	BANQUE J. SAFRA SARASIN (MONACO) SA	46	<b>POLAND</b>	DANSKE BANK A/S S.A. ODZIAL W POLSCE (only when Applicant/Bene is customer of Danske Bank)
39	<b>NETHERLANDS</b>	COMMERZBANK AG KANTOOR AMSTERDAM HABIB BANK LTD. ING BANK N.V. INTESA SANPAOLO BANK LUXEMBOURG	47	<b>QATAR</b>	DOHA BANK MASHREQ BANK UNITED BANK LIMITED, DOHA
40	<b>NEW ZEALAND</b>	ANZ BANK NEW ZEALAND LIMITED	48	<b>REPUBLIC OF KOREA</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED BUSAN BANK INDUSTRIAL BANK OF KOREA KEB HANA BANK KOOKMIN BANK
41	<b>NORWAY</b>	DANSKE BANK A/S (only when Applicant/Bene is customer of Danske Bank)			
42	<b>OMAN</b>	BANK SOHAR S.A.O.G HABIB BANK OMAN			MIZUHO BANK, LTD., SEOUL BRANCH (only when Applicant/Bene is customer of Mizuho Bank) MUFG BANK, LTD., SEOUL BRANCH NATIONAL BANK OF PAKISTAN, SEOUL BRANCH KOREA SHINHAN BANK SUHYUP BANK THE BANK OF NEW YORK MELLON, SEOUL BRANCH U.B.A.F.-UNION DE BANQUES ARABES ET FRANCAISES WELLS FARGO BANK, N.A., SEOUL BRANCH WOORI BANK, SEOUL
43	<b>PAKISTAN</b>	ALBARAKA BANK (PAKISTAN)LIMITED ALLIED BANK LIMITED ASKARIBANK LIMITED BANK AL HABIB LIMITED BANK ALFALAH LIMITED BANKISLAMI PAKISTAN LIMITED DEUTSCHE BANK AG, KARACHI BRANCH FAYSAL BANK LIMITED HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED INDUSTRIAL AND COMMERCIAL BANK OF CHINA, KARACHI BRANCH JS BANK LIMITED MCB BANK LIMITED MCB ISLAMIC BANK LIMITED MEEZAN BANK LIMITED NATIONAL BANK OF PAKISTAN SILKBANK LIMITED SINDH BANK LIMITED SONERI BANK LIMITED SUMMIT BANK LTD THE BANK OF PUNJAB UNITED BANK LIMITED	49	<b>RUSSIAN FEDERATION</b>	AO WOORI BANK COMMERZBANK (EURASIA) AO DANSKE BANK RUSSIA (only when Applicant/Bene is customer of Danske Bank)
			50	<b>SAMOA</b>	ANZ BANK (SAMOA) LTD
			51	<b>SAUDI ARABIA</b>	BANK AL-JAZIRA NATIONAL BANK OF PAKISTAN NATIONAL COMMERCIAL BANK, THE RIYAD BANK
			52	<b>SEYCHELLES</b>	BANK AL HABIB LIMITED
			53	<b>SINGAPORE</b>	ABN AMRO BANK N.V. SINGAPORE BRANCH AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED BANK MANDIRI (PERSERO)TBK. PT COMMERZBANK AG, SINGAPORE BRANCH HSH NORDBANK AG MIZUHO BANK, LTD. SINGAPORE BRANCH (only when Applicant/Bene is customer of Mizuho Bank) MUFG BANK, LTD. THE BANK OF NEW YORK MELLON, SINGAPORE BRANCH TORONTO DOMINION BANK
44	<b>PAPUA NEW GUINEA</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP (PNG) LTD.			
45	<b>PHILIPPINES</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED MIZUHO BANK, LTD., MANILA BRANCH (only when Applicant/Bene is customer of Mizuho Bank) MUFG BANK, LTD., MANILA BRANCH			

## THE BANK OF KHYBER

### FOREIGN CORRESPONDENT BANKS

Sr#	Country	Name of Bank	Sr#	Country	Name of Bank
		U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES			LLOYDS BANK PLC
		WELLS FARGO BANK, NA			MASHREQ BANK PSC
		WOORI BANK, SINGAPORE			MIZUHO BANK, LTD. LONDON BRANCH (only when Applicant/Bene is customer of Mizuho Bank)
54	<b>SLOVAKIA</b>	COMMERZBANK AG			NORTHERN BANK LIMITED (TRADING AS DANSKE BANK)
55	<b>SOLOMON ISLANDS</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED			SHINHAN BANK LONDON BRANCH
56	<b>SOUTH AFRICA</b>	HBZ BANK LIMITED			THE BANK OF NEW YORK MELLON
57	<b>SPAIN</b>	ABANCA CORPORACION BANCARIA, S.A. COMMERZBANK AG			WELLS FARGO BANK, N.A., LONDON BRANCH
58	<b>SRI LANKA</b>	HABIB BANK LTD.	68	<b>USA</b>	WOORI BANK, LONDON
		HATTON NATIONAL BANK PLC			AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD.
		SAMPATH BANK PLC			BRANCH BANKING AND TRUST COMPANY
59	<b>SWEDEN</b>	DANSKE BANK (only when Applicant/Bene is customer of Danske Bank)			COMMERZBANK AG
					DEUTSCHE BANK AG
60	<b>SWITZERLAND</b>	HABIB BANK AG ZURICH			DEUTSCHE BANK TRUST COMPANY AMERICAS
		UBL (SWITZERLAND) AG			FIRST TENNESSEE BANK N.A.
		ZUERCHER KANTONALBANK			GOLDEN BANK, N.A.
61	<b>TAIWAN</b>	ANZ BANK (TAIWAN) LIMITED			HABIB AMERICAN BANK
		MIZUHO BANK, LTD.,TAIPEI BRANCH			HABIB BANK LIMITED
		MUFG BANK, LTD., TAIPEI BRANCH			MASHREQBANK PSC., NEW YORK BRANCH
		THE BANK OF NEW YORK MELLON, TAIPEI BRANCH			MIZUHO BANK, LTD. NEW YORK BRANCH (only when Applicant/Bene is customer of Mizuho Bank)
		WELLS FARGO BANK, N.A., TAIPEI BRANCH			NATIONAL BANK OF PAKISTAN
62	<b>THAILAND</b>	BANK OF AYUDHYA PUBLIC COMPANY LIMITED, BANGKOK OFFICE			SHINHAN BANK
		MIZUHO BANK, LTD., BANGKOK BRANCH (only when Applicant/Bene is customer of Mizuho Bank)			SHINHAN BANK AMERICA
					THE BANK OF NEW YORK MELLON
63	<b>TIMOR-LESTE</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	69	<b>VANUATU</b>	WELLS FARGO ADVISORS, LLC
					WELLS FARGO BANK, N.A.
64	<b>TONGA</b>	ANZ BANKING GROUP LIMITED			WOORI AMERICA BANK, NEW YORK
65	<b>TURKEY</b>	AKBANK T.A.S.	70	<b>VIET NAM</b>	WOORI BANK, LOS ANGELES
		AKTIF YATIRIM BANKASI A.S.			WOORI BANK, NEW YORK
		HABIB BANK LTD.			ANZ BANK (VANUATU) LTD
66	<b>UAE</b>	ABU DHABI COMMERCIAL BANK			ANZ BANK(VIETNAM) LIMITED
		HABIB BANK AG ZURICH			MIZUHO BANK, LTD. (only when Applicant/Bene is customer of Mizuho Bank)
		HABIB BANK LIMITED			SHINHAN BANK VIETNAM LIMITED
		MASHREQBANK PSC.			WOORI BANK VIETNAM LIMITED
		MCB BANK LIMITED			
		UNITED BANK LTD.			
67	<b>UK</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED			
		BANK J. SAFRA SARASIN (GIBRALTAR) LTD			
		COMMERZBANK AG			
		DANSKE BANK (only when Applicant/Bene is customer of Danske Bank)			
		HABIB BANK UK			
		HABIB BANK ZURICH PLC			

## THE BANK OF KHYBER FORM OF PROXY

Folio No. \_\_\_\_\_ CDC Participant Identity card No. \_\_\_\_\_ CDCA/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 28th Annual General Meeting of the Bank to be held on Thursday  
March 28, 2019 at 10:30 a.m at Pearl Continental Hotel, Peshawar Cantt.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2019.

**Dated**

**Place:**

**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 of 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 entry, the Board of Director's resolution/power of attorney with specimen signature shall be submitted along with proxy to the Bank.

Signature  
Five-Rupees  
Revenue Stamp

The Signature should  
agree with the  
Specimen registered  
with the Bank





📍 24, The Mall, Peshawar Cantt.

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🌐 www.bok.com.pk