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 www.bok.com.pk

Designed by Adetude (Pty) Ltd.

BOK Annual Report 2017

"TRANSFORMING CHALLENGES INTO OPPORTUNITIES"

Annual Report 2017



" TRANSFORMING CHALLENGES INTO OPPORTUNITIES"

After a year of excellent results and having solidified our foundation we now aim to transform challenges in to opportunities.

The Banks process of transformation continues while focusing on improvements in internal controls, upgradation of information technology and most importantly investing in Human resources.



Annual Report 2017

"Transforming challenges into opportunities"

ICONIC BOK TOWER

With the grace of Allah Almighty, we stand strong and tall leaving an impact on the landmark. The BOK Tower under Construction will be one of the most finest and iconic building enhancing the architectural beauty of the historic city of Peshawar.



BOK



CONTENTS

Vision, Mission, Core Values	02
BOK taking services to another level	03
Art of moving ahead	05
Financial Highlights 2017	07
Corporate Information	10
Products & Services	11
Board of Directors	13
Managing Director BOK	15
Nationwide Branch Network	17
Notice of Twenty Seventh Annual General Meeting	21
Directors' Report to the Shareholders	25
Board and Board Committee Meetings	31
Six Years Financial Highlights	37
Statement of Compliance	39
Review Report to the Members	42
Statement of Internal Controls	43
Report of Shariah Board	44
Auditors' Report to the Members	51
Financial Statements	53
■ Statement of Financial Position	55
■ Profit and Loss Account	56
■ Statement of Comprehensive Income	57
■ Statement of Changes in Equity	58
■ Cash Flow Statement	59
■ Notes to the Financial Statements	60
Pattern of Shareholding	141
Category of Shareholders	142
Branch Network	143
Form of Proxy	152



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



RISING

PUBLIC SECTOR
BANK OF THE
COUNTRY



SERVICES

ISLAMIC AND
CONVENTIONAL
BANKING



MCR

SBP MCR
COMPLIANT BANK



166

BRANCHES
NETWORK AND
GROWING



1400

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







FINANCIAL HIGHLIGHTS 2017

(Rs. in Million)

Deposits 159,247	Advances (net) 83,369	Investments 140,474
Total Assets 245,132	Capital and Reserves 14,943	Profit before Tax 2,795
Profit after taxation 1,790	Return on Equity 12%	



ENTITY RATINGS

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





CORPORATE INFORMATION

Board of Directors

Dr. Shahzad Khan Bangash Chairman

Shakeel Qadir Khan

Maqsood Ismail Ahmad

Asad Muhammad Iqbal

Javed Akhtar

Rashid Ali Khan

Shaharyar Ahmad

Managing Director / CEO (Acting)

Muhammad Shahbaz Jameel

Board Audit Committee

Asad Muhammad Iqbal Chairman

Shakeel Qadir Khan

Javed Akhtar

Rashid Ali Khan

Shaharyar Ahmad

Board Human Resource & Remuneration Committee

Rashid Ali Khan Chairman

Maqsood Ismail Ahmad

Asad Muhammad Iqbal

Managing Director

Board Risk Management Committee

Maqsood Ismail Ahmad Chairman

Rashid Ali Khan

Javed Akhtar

Managing Director

Board I.T. Steering Committee

Rashid Ali Khan Chairman

Shakeel Qadir Khan

Asad Muhammad Iqbal

Chief Financial Officer

Rahat Gul

Company Secretary

Zahid Sahibzada

Registered Office / Head Office

24 - The Mall, Peshawar Cantt.

Pakistan.

1st Floor, State Life Building

34 - The Mall, Peshawar Cantt.

Pakistan.

UAN# 00-92-91-111 95 95 95

URL: www.bok.com.pk

Auditors

Grant Thornton Anjum Rahman

Chartered Accountants

Legal Advisors

Mr. Nisar Ahmed Khan, Advocate

Peshawar.

M/s. Mohsin Tayebaly & Co.

Karachi.

Registrar and Share Registration Office

THK Associates (Pvt) Ltd

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

Karachi - 75400,

Pakistan.

PRODUCTS & SERVICES

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 Savings Account
- ▶ BOK Special Deposit Account
- ▶ BOK FCY Premium Saving Account
- ▶ BOK Foreign Currency Account
- ▶ BOK Pensioner Account
- ▶ Bemisal Term Deposit
- ▶ Be-Baha Mahana Amdan
- ▶ Khyber Friendly scheme

Microfinance

- ▶ Khudkafalat scheme

BOK Services:



- ▶ Saturday Nonstop Banking
- ▶ PRISM Transactions
- ▶ JCB Debit Card
- ▶ Free 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



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 KPK, Dr. Bangash was Secretary Elementary & Secondary education.



Muhammad Shahbaz Jameel
Managing Director (Acting)

Mr. ShahbazJameel has done Specialist Master of science in internal Business & Management from Manchester Business School, University of Manchester (former UMIST), UK. He has also done Master of Business Administration in finance from University of Toledo, Ohio, USA. He is a seasoned Banker with twenty four (24) years of diverse experience at leading multinational financial institutions. He has remained associated with NIB bank as Director (G4) Regional Corporate Head North, United Bank Limited as Executive vice president-Regional Corporate Head. Beside this he has also worked at Privatization Commission, Government of Pakistan as Consultant (Banking & Capital markets).



Shakeel Qadir Khan
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 Ahmad
Non Executive Director

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



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., and 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.



Rashid Ali Khan
Independent Director

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



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.

MANAGING DIRECTOR MESSAGE

Dear Stake holders/Colleagues,

The last few years have brought both challenge and change for the Bank. The results achieved in 2017 are in line with the industry standards and are quite satisfactory, given the size and outreach of the Bank. Reorganizing and restructuring initiatives helped the Bank to transform in to a vibrant and healthy corporate entity.

Customer satisfaction always has been our first priority for which we have unlocked the new opportunities in the banking sector. Making easy and accessible banking possible in every way. Moreover, integrity and transparency are the key factors of our vision, which reflects from customers trust and confidence in our services.

To improve overall efficiency under the prevailing low interest rate regime, significant emphasis was also placed on branch level productivity improvements. A number of new initiatives are underway to allow the Bank to realize the true potential of the branch network. These actions, along with an overall control on costs, allowed the Bank to meet its business objectives, despite the challenging business environment.

The Bank is focusing on building its core banking operation while moving away from its reliance on high cost Government deposits. At the same time the Bank faces various constraints due to its thin I.T infrastructure. The Board of Directors as well as the Management believes that in order to get the bank to the next level, quality human resource is the Key.

The Bank with active interest and participation of the Board of Directors is making every effort to implement the Banks long term Strategic Business Plan. We are hopeful that most of the Banks objectives for the coming year will be met.



NATIONWIDE BRANCH NETWORK

Khyber Pakhtunkhwa

99
Branches



PUNJAB



36
Branches

SINDH



12
Branches

BALUCHISTAN



05
Branches

FATA



06
Branches

CAPITAL AREA



04
Branches

AZAD KASHMIR



03
Branches

GILGIT BALTISTAN



01
Branches

PICTURE GALLERY





NOTICE OF TWENTY SEVENTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Shareholders of The Bank of Khyber will be held on Thursday, March 29, 2018 at 10:30 a.m. at Pearl Continental Hotel, Peshawar Cantt. to transact the following business:

Ordinary Business

1. To confirm the minutes of the Twenty Sixth Annual General Meeting (AGM) held on March 30, 2017.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2017, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2018 and fix their remuneration. The present auditors, Messrs. Grant Thornton Anjum Rahman, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. To consider, and if thought fit, approve as recommended by the Board of Directors, final cash dividend for the year 2017 @ Rupees 1.50 per share i.e. 15% to the shareholders of the Bank.

Special Business

5. To grant approval for increase in fee to the non-executive Directors for attending the Board Committees / Special Committees meetings.

Other Business

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

A Statement of Material Facts under Section 134 (3) of the Companies Act, 2017 relating to said Special Business is given hereunder.

By Order of the Board

Zahid Sahibzada

Company Secretary

Peshawar: March 7, 2018





NOTES

- (i) Share Transfer Books of the Bank will remain closed from Friday, March 23, 2018 to Thursday, March 29, 2018 (both days inclusive) to determine the names of members entitled to receive the 15% Cash Dividend and attend and vote in the meeting.
- (ii) All members are entitled to attend and vote at the meeting.
- (iii) A member entitled to attend and vote at the Meeting, is entitled to appoint another member as a proxy to attend, speak and vote for him/her.
- (iv) An instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy, if required, may be obtained from the Registered Office of the Bank during normal office hours.
- (v) An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
- (vi) In case of Proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he/she should bring the usual documents required for such purpose.
- (vii) Shareholders are requested to notify immediately for any change in their addresses.
- (viii) Form of Proxy, if required, should be signed on Rs.5/- Revenue Stamp.

Statement of Material Facts under Section 134 (3) of the Companies Act, 2017

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

Item No. 5

In term of Section 170 of the Companies Act, 2017 and as per Para C-2 of Regulation G-1 of the Prudential Regulations of the State Bank of Pakistan, the scale of remuneration to be paid to the non-executive Directors and Chairman for attending the Board and/or Committee meetings shall be approved by the shareholders on a pre or post facto basis in the Annual General Meeting (AGM).

Previously, on the recommendation of the Board, the shareholders in Twenty Fifth Annual General Meeting held on April 5, 2016 had approved increase in Directors' fee for attending Board and Committees' meetings to Rs.50,000/- and Rs.25,000/- respectively.

The Board in its 143rd meeting held on April 21, 2017 discussed Directors' fees and was of the opinion that non-executive Directors need to be compensated appropriately for their time and efforts involved in the Board / Committees' meetings. The Board decided to increase the Directors' fee for attending Board Committee/Special Committee meetings to Rs.50,000/- (net of taxes).

In terms of Para C-2 of Regulation G-1 of the Prudential Regulations of the State Bank of Pakistan, Post-facto approval of the shareholders of the Bank is sought for the above mentioned increase in fee. The following resolution is therefore, being proposed to be passed as an Ordinary Resolution by the shareholders:

"RESOLVED that Directors' fee for attending meetings of Board Committees / Board Special Committees shall be Rs.50,000/- (net of taxes) and shall be paid to non-executive Directors on actual attendance on per meeting basis."

A close-up photograph of a pair of weathered, brown hands holding a large, dark, textured ceramic vessel. The vessel has a bulbous body and a narrow neck with a small, rounded stopper. The lighting is warm and dramatic, highlighting the textures of the hands and the vessel. The background is blurred, showing a person in a white shirt.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the 27th Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the financial year ended December 31, 2017.

Financial Highlights

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

	(Rs. in millions)
Operating Profit	2,899
Reversal against non-performing advances, investments & others	104
Profit before taxation	2,795
Taxation	1,005
Profit after tax	1,790
Total Assets	245,132
Advances (Gross)	87,673
Investments (Net)	140,474
Deposits	159,247

Performance Review

The Bank managed to achieve satisfactory results in a challenging environment. The Bank continued to provide banking solutions to its customers through its expanded branch network with technology up-gradation and enhanced risk management framework.

The Bank managed to get operating profit of Rs.2,899 million against Rs.3,868 million last year. Profit before tax decreased by 16% and recorded at Rs.2,795 million as against Rs.3,240 million of the previous year. Profit after tax for the same year also decreased by 13% to reach at Rs.1,790 million against Rs.2,020 million of the last year. Earnings per share stood at Rs.1.79 against Rs.2.02 in 2016.

The Net Mark-up / Interest Income after provisions/reversal increased by 30% and stood at Rs.4,903 million as compared to Rs.3,776 million in the corresponding period of 2016. Non-Markup / Interest Income decreased by 62% to reach Rs.1,651 million from Rs.2,673 million of the previous year. The downward trend was mainly due to decrease in capital gains.

Associated costs like staff salaries, rent and renovation being startup expenses of new branches along with Voluntarily Separation Schemes (VSS) were considered to be the base for increase in Administrative Expenses which were increased by 18% from Rs.3,211 million to Rs.3,775 million.

On the liabilities side, the deposits increased to Rs.159,247 million from Rs.157,020 million as at December 31, 2016. This growth was based on new customer acquisitions and deepening of the existing portfolio base. With a slight decrease from the previous year end, the size of Investments stood at Rs.140,474 million. A commendable increase of 143% has been witnessed in the gross advances of the Bank which soared to Rs.87,673 million as compared to Rs.36,054 million of the previous year 2016. This increase was mainly attributed to commodity financing.

An increase of 19% has been reflected in the overall balance sheet size which stood at Rs.245,132 million in comparison to Rs.206,400 million at the year-end 2016. The shareholders' equity with a slight increase stood at Rs.14,943 million. Return on Assets (ROA) and Return of Equity (ROE) stood at 0.73% and 12% respectively.

At the close of the financial year 2017, the Bank was providing services through its expanded network of 166 branches and 3 sub-branches throughout the country

including Gilgit Baltistan, FATA and Azad Jammu & Kashmir with 82 branches working on the Conventional side and 84 branches were functioning as dedicated Islamic Banking Branches. The Bank is cognizant of the fact that the outreach of its branch network has direct implications on the services that it provides to its valued customers. Therefore, the growth in branch network is being consolidated and issue of loss making branches is being addressed. Accordingly, only three branches will be opened during the year 2018 so as to enable the Bank to offer better wide range customer oriented products and services in an efficient and professional manner.

Future Outlook

In the year 2018, the economy will continue to benefit mostly from the investments related to the China-Pakistan Economic Corridor. Improved security conditions, strong credit growth and investments associated with several energy and infrastructure projects in the pipeline will fuel growth in the near future.

Taking cognizance of the perplexing business environment and stands committed to its strategy of steady growth, the Bank is focusing to make transition from a small sized bank to a robust medium sized bank. Its prime focus is to further augment human resource and improve systems and controls for which appropriate measures are being taken. The Bank emphasis is to build and maintain quality advances portfolio and to shed costly deposits with a reliance on current / saving accounts from the private and corporate sectors. Further, more emphasis is being placed on increasing advances in the corporate sector to improve the Bank's ADR and profitability.

The Bank is fully confident that the goals set for the ensuing year will be materialized and our expanding network of branches would impressively contribute to meet the targets accordingly.

Risk Management Framework

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



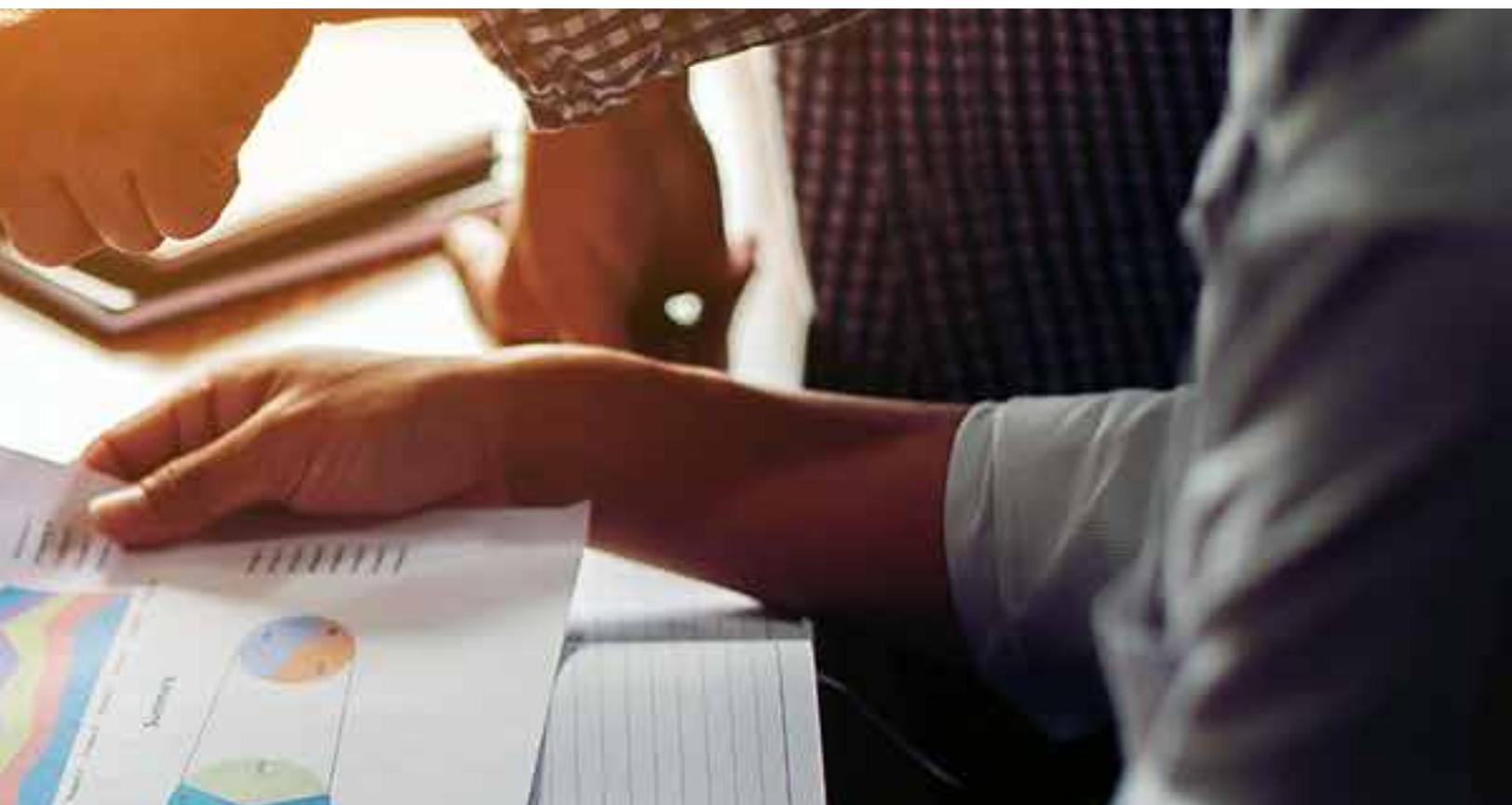
Credit Risk in Banking Book is effectively managed by Credit Risk Management Department (CRMD) within Risk Management Division through analyzing each credit proposal sent by business units. Factors such as borrowers' financial positions, its industry dynamics and quality of collateral are thoroughly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

Market & Liquidity Risk Management Department (MRMD) works in close liaison with Treasury & Investment Banking to ensure that the Market and Liquidity Risks are identified, measured, monitored in accordance with the regulatory requirements and internal policies of the Bank. Broadly, it is responsible for formulation / proposition of Market Risk Management (MRM) Framework (which includes Asset Liability Management (ALM), Interest Rate Risk Management in Banking and Trading Book, Treasury Investment and Equity portfolio monitoring, assessment / development of Market and Liquidity Risk limits, monitoring of exposures against limits and assessment of risks in new businesses, overview of various policies and procedure manuals from Market & liquidity Risk perspective. MRMD analyses each trading / Investment and Syndicate Financing proposal to ensure effective fund utilization and risk analysis.

Market & Liquidity Risk Management Department is also responsible to coordinate with other departments for Market Risk Capital Charge, ICAAP, Stress Testing, Liquidity Coverage Ratio & Net Stable Funding Ratio frameworks implementation, and other Market and Liquidity Risk regulatory assigned functions. It has developed a dedicated Financial Institutions (FIs) model for setting limits to different financial institutions.

Operational Risk is also proactively managed and controlled through Risk Control Self Assessments (RCSAs) that analyze various documented process flows of various banking transactions taking place in day to day functioning of the Bank for inherent and residual risks. 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 has dedicated policies duly approved by BoD for measuring & managing Credit, Market, Liquidity, Country and Operational Risks. Implementation of these policies would further strengthen risk management framework in the Bank. The bank has also successfully met various regulatory requirements like Capital Adequacy Ratio (CAR), Leverage Ratio, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) as per Basel III guidelines.





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

Internal Controls

This Board is pleased to endorse the statement made by the management relating to internal controls. The management's statement on internal controls is included in this Annual Report.

Statement under Clause 5.19.11 of the Code of Corporate Governance

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

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



A photograph of a conference table with several black gooseneck microphones. The microphones are arranged in a row, with their heads pointing towards the center of the table. The background is bright and out of focus, showing a white wall and some office equipment. The lighting is soft, creating a professional atmosphere.

BOARD AND BOARD COMMITTEE MEETINGS

During the year 2017, 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 = 7	Risk Management Committee Total = 5
1	Mr. Muhammad Azam Khan *	4	Non-Member	Non-Member	Non-Member
2	Dr. Shahzad Khan Bangash *	2	Non-Member	Non-Member	Non-Member
3	Mr. Ali Raza Bhutta **	2	3	Non-Member	Non-Member
4	Mr. Shakeel Qadir Khan **	4	2	Non-Member	Non-Member
5	Mr. Maqsood Ismail Ahmad	6	Non-Member	7	5
6	Mr. Asad Muhammad Iqbal	5	7	7	Non-Member
7	Mr. Javed Akhtar	6	6	Non-Member	-
8	Mr. Rashid Ali Khan	6	7	7	5
9	Mr. Shams-ul-Qayyum ***	4	Non-Member	4	3
10	Mr. Muhammad Shahbaz Jameel ***	1	Non-Member	1	2
11	Mr. Shaharyar Ahmad ****	1	-	Non-Member	Non-Member

* Mr. Muhammad Azam Khan was replaced by Dr. Shahzad Khan Bangash as Chairman on September 28, 2017.

** Mr. Ali Raza Bhutta was replaced by Mr. Shakeel Qadir Khan as Director on May 4, 2017.

*** On completion of 3 years term, Mr. Shams-ul-Qayyum, Managing Director relinquished the charge of Managing Director on October 1, 2017.

*** Mr. Muhammad Shahbaz Jameel took charge of Acting Managing Director on November 29, 2017.

**** Mr. Shaharyar Ahmad assumed office of Director on November 16, 2017.

The Board I.T. Steering Committee was constituted in 147th meeting of the Board of Directors held on December 14, 2017 and no meeting was conducted during the remaining year 2017.

Dividend

The Board has recommended final Cash Dividend of Rs.1.50 per share i.e. 15% for the year 2017 to the shareholders of the Bank.

Credit Rating

JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has reaffirmed the medium to long term and short term

entity ratings of the Bank at "A" (Single A) and "A-1" (A One). Outlook on the assigned rating is "Stable". The Pakistan Credit Rating Agency Limited (PACRA) has also maintained the long term and short term entity ratings of the Bank at "A" (Single A) and "A1" (A One). Rating outlook is "Stable".

The ratings denote low expectation of credit risk emanating from strong capacity for timely payment of financial commitments.

Corporate Social Responsibilities

Being a diligent socially responsible corporate entity, the Bank has always given due weightage to shoulder its social responsibilities so as to help to create a society having mutual respect, care and cooperation. The Bank undertook several CSR initiatives in the areas like Education, Health Care, Sports, Culture, Women Empowerment, Environment and Sanitation. Activities during the year included:

- a. Support Centre of Excellence in Islamic Finance at IM Sciences, Peshawar
- b. Sponsored KP IT Board Digital Youth summit, 2017
- c. Sponsored Tech Valley Conference, KP, Abbottabad
- d. Donation to Welfare Hand Organization, Peshawar for providing Blood Transfusion Services to poor Thalassaemia patients
- e. Donation to Foundation for Fighting Blindness
- f. Donation to Frontier Foundation Welfare Hospital and Blood Transfusion Services which provide blood transfusion services free of charge to the vulnerable patients suffering from deadly blood diseases.
- g. Sponsored event "Made in KP Exhibition" organized by Sarhad Chamber of Commerce
- h. Sponsored "BOK Awards - 2017" given in the fields of art and culture by Abaseen Arts Council
- i. Sponsored "Food Fusion - 2017"
- j. Sponsored "Spring Fiesta" at Peshawar Garrison Services Club
- k. Sponsored "KPK National Women Cricket Gold Cup" organized by Malik Saad Memorial Sports Trust
- l. Sponsored "50th PAF Amateur Golf Championship - 2017"
- m. Sponsored "Dir Cultural and Sports Festival - 2017"
- n. Sponsored "Women Business Summit - 2017"
- o. Sponsored "WSSP Clean Peshawar Campaign through Interactive Session"
- p. Donation for "Water and Hygiene Promotion for Public Awareness" initiated by Local Government

Fair Treatment of Customers Initiatives

In wake of the global financial turmoil faced by the Banking industry, The Bank of Khyber has taken visible steps to safeguard customers from financial risks and to address their insecurities by adopting a more customer centric way of banking by taking following initiatives:

- To deal customers in a fairly manner and to address customer grievances, a Fair Treatment of Customer (FTC) Framework has been developed and duly approved by the Bank's Board of Directors in its 148th meeting held on 02 March, 2018. The FTC Framework highlights the goals & objectives of the Bank towards more responsible and customer friendly banking by providing better services to all.
- To ensure integration among the relevant divisions and departments of the Bank, an FTC team has been established. The said team has representation from all the major functional areas of the Bank and is responsible for the implementation of bank wide FTC Framework to achieve the core objectives of the initiative.
- The Bank has under taken several initiatives and awareness programs like the National Financial Literacy Program, Financial Inclusion Strategy Implementation Initiatives, BoK Islami Bankari Muhim, Independence Week celebrations with customers nationwide, organizing Customer Service Week, etc. The Bank also keeps on participating in different promotional and awareness activities, Expos, etc organized by the State Bank of Pakistan from time to time.

- BOK is also investing in training programs aimed at service quality improvement and providing fair treatment to all customers irrespective of class, creed, colour, etc. The said trainings are being organized as a regular feature for all freshly hired as well as existing staff of the Bank.
- In order to help the customers remain well aware and make informed decisions regarding the product/service they are availing from the Bank, a summary known as KEY FACT STATEMENT has been developed for all products. The Key Fact Statement of a product contains all the relevant and important information about that product like salient features, terms & conditions and the charges applicable.
- The Bank keeps on conducting various periodical surveys both in-house and through independent external parties to have an insight about customers' opinion and views regarding different services/products offered by the Bank, so that continuous improvements in product design and services are made.

Further more, the Bank with the claim of being “*custodian of rich values*” looks for ward to build a strong relationship with its existing customers as well as exploring new relationships and avenues by introducing unique and customer centric products for the untapped market segments and cater to the financial needs of all.

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, 2017 are Rs.1,304.31 million and Rs.698.63 million respectively.

Pattern of Shareholding

The pattern and category of shareholding as at December 31, 2017 is annexed with the report.

Six Years Operating and Financial Data

The necessary information is presented in the report.

Earnings Per Share

Earnings per share for the year 2017 is Rs.1.79.

Auditors

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

As required under the Code of Corporate Governance, the Board Audit Committee has recommended the appointment of M/s. Grant Thornton Anjum Rahman, Chartered Accountants as statutory auditors of the Bank for the year ending December 31, 2018.

Events after the Balance Sheet date

No material events occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

Disclosures

1. State Bank of Pakistan guidelines on performance evaluation of the Board requires that performance evaluation of the Board, its Committees and individual Board members shall be carried out annually. Furthermore, at least once every three years, the evaluation shall be facilitated by an external independent evaluator.

To fulfill the above requirement, the Bank has engaged Pakistan Institute of Corporate Governance (PICG) in January 2018 to carry out the performance evaluations as required. PICG has commenced the evaluation and it is expected that final report from PICG will be received shortly."

2. Improved service quality increases profitability and long term economic competitiveness. To guarantee a culture of Quality Customer Service within the Bank, a dedicated Service Quality Department 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 umbrella of Service Quality Department so as to address complaints in more effective manner. The vision for Complaint Resolution at BOK is to ensure due diligent complaint closures while maintaining high TCF (Treating Customers Fairly) standards.

To resolve customers' complaints and disputes in a more efficient manner, the Bank executed a purchase agreement in 2017 regarding procurement of Centralized Complaint Management software which will automate the process of complaint registration, investigation, closure and monitoring via system generated reports. The system is expected to go live in 2018 and will be implemented at all customer areas and relevant support units for effective management of complaints.

During the year the Bank has taken steps to make its complaint handling more effective by carrying out Root cause analysis of complaints. In root cause analysis, complaints of recurring nature were analyzed and remedial steps were taken by CMU to decrease the level of complaints of recurring nature. Summary of Complaints during 2017 is as under:

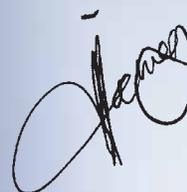
Complaints	From 01-01-2017 To 31-12-2017
Number of Complaints	112
Average time taken in Settlement of a Complaint	2.7 Days

ACKNOWLEDGEMENT

The Board 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. Our valued customers are also appreciated for their continued patronage and our gratitude to the shareholders for their guidance, oversight and for entrusting their confidence in us.

The dedication and hard work of our employees across the Bank are also acknowledged who continue to contribute to the organization and hence enable us to perform consistently in a challenging business environment. The cooperation of local and foreign correspondents are also appreciated.

On behalf of the Board of Directors



Managing Director (Acting)

March 02, 2018



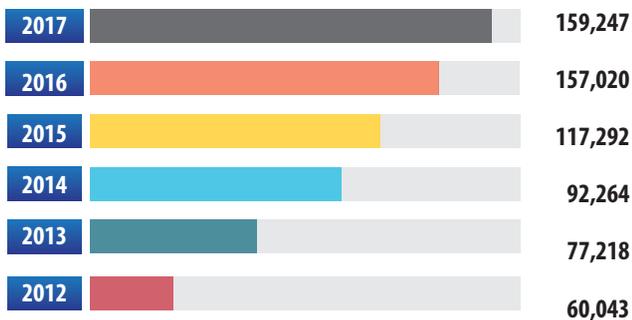
6 YEARS

FINANCIAL HIGHLIGHTS

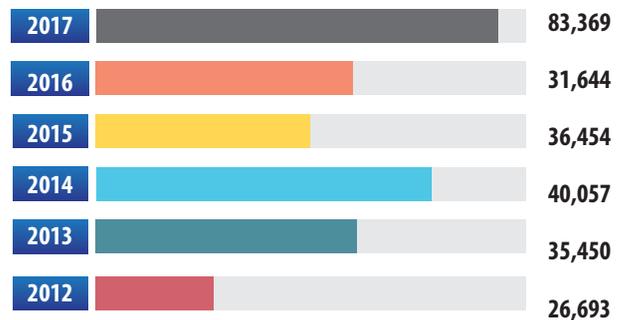
Rs. in Millions

	2012	2013	2014	2015	2016	2017
Deposit	60,043	77,218	92,264	117,292	157,020	159,247
Advances(net)	26,693	35,450	40,057	36,454	31,644	83,369
Investments	45,672	53,363	72,431	88,296	141,602	140,474
Total Assets	82,178	108,170	126,106	155,159	206,400	245,132
CAPITAL AND RESERVES	10,776	11,913	13,211	13,973	14,685	14,943
Profit before Tax	1,569	1,669	1,901	2,959	3,240	2,795
Profit after Tax	1,078	1,154	1,309	1,789	2,020	1,790
Return on Equity	10%	10%	9%	13%	14%	12%

Deposit

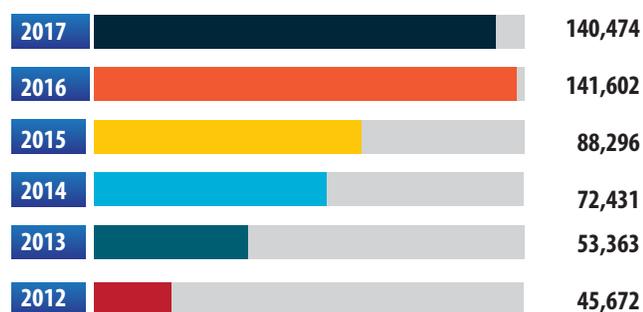


Advances(net)

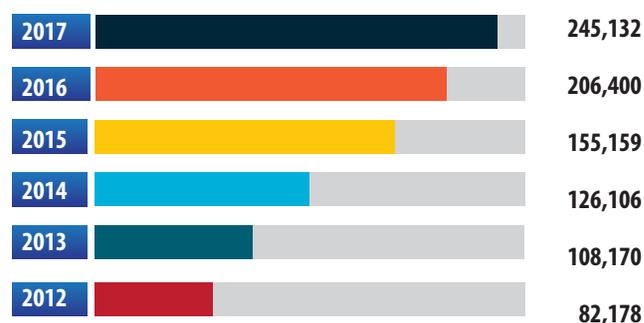


Rs. in Millions

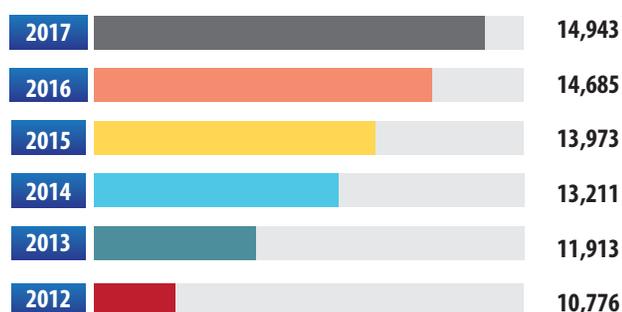
Investments



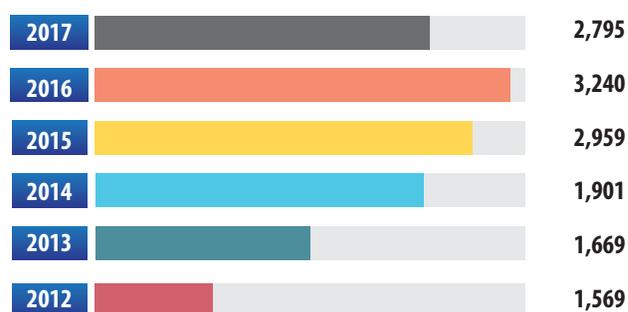
Total Assets



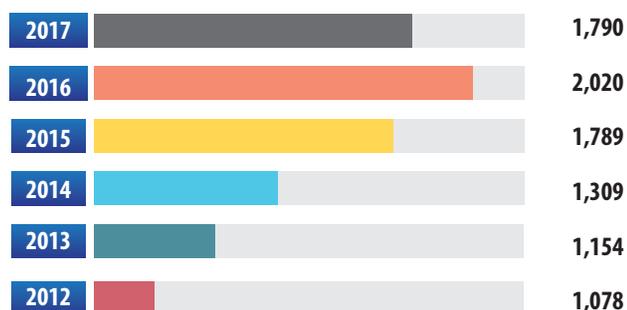
Capital and Reserves



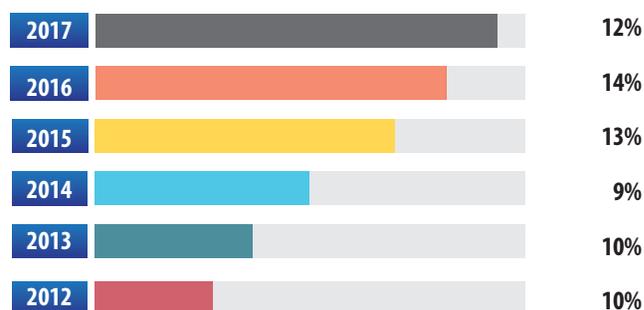
Profit before Tax



Profit after Tax



Return on Equity





Statement of Compliance with the Code of Corporate Governance for the year ended December 31, 2017

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

The Bank of Khyber ("the Bank") has applied the principles contained in the CCG in the following manner:

1. The Bank encourages representation of independent non-executive Directors and Directors representing minority interests on its Board of Directors (the Board). At year ended December 31, 2017, the Board includes:

Category	Names
Non-Executive Directors	Dr. Shahzad Khan Bangash (Chairman) Mr. Shakeel Qadir Khan Mr. Maqsood Ismail Ahmad
Executive Director	Mr. Muhammad Shahbaz Jameel (Acting Managing Director)
Independent Directors	Mr. Asad Muhammad Iqbal Mr. Javed Akhtar Mr. Rashid Ali Khan (Nominee) Mr. Shaharyar Ahmad (Nominee)

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank.
3. All the resident directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange(s), has been declared a defaulter by that stock exchange(s).
4. No casual vacancy occurred on the Board during the year under review.
5. The Bank has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
6. The Board of the Bank has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and necessary administrative, financial and credit discretionary powers have been delegated to the management. In accordance with Section 12 of The Bank of Khyber Act, 1991 (as amended), the powers of appointment of the Managing Director and determination of the terms and conditions of such appointment rest with the Government of Khyber Pakhtunkhwa.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. A total of six (6) meetings were held during the year. Every endeavour is made to circulate written notices of the Board meetings, along with agenda and working papers, at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. Directors have familiarized themselves with their duties and responsibilities. During the year under review, Dr. Shahzad Khan Bangash, Chairman, Mr. Shakeel Qadir Khan, Director, Mr. Rashid Ali Khan, Director and Mr. Muhammad Shahbaz Jameel, Acting Managing Director have attended Directors' Training Program offered by PICG in December, 2017. Among the above gentlemen, Mr. Shakeel Qadir Khan and Mr. Rashid Ali Khan have obtained certification whereas the remaining Directors have completed the program but their certification is still awaited. Due to his pressing engagements, Mr. Javed Akhtar has not attended the said training program however, he will complete the certification in 2018.

Mr. Asad Muhammad Iqbal is already a certified Director on the Board. Mr. Maqsood Ismail Ahmad has been exempted from Directors' Training Program based on his education and experience by the Securities & Exchange Commission of Pakistan (SECP). Mr. Shaharyar Ahmad joined the Board in December, 2017 and will complete his training program during the course of his first year term.

The Bank will however, endeavour to arrange further training programs and orientation courses in the year 2018 for its directors to acquaint them with the CCG, applicable laws and their duties and responsibilities.

10. The Board approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Managing Director and CFO before approval by the Board.
13. The Directors, the Managing Director and executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding. At the reporting date the independent directors had no material interest in the capital of strategic shareholders of the Bank.
14. The Bank has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It comprises of five members, of whom one is a non-executive Director and four of the members including the Chairman are independent Directors.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Bank as required by the CCG. A total of seven (7) meetings of the Audit Committee were held during the year. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of four members. Two of whom are Independent Directors including the Chairman of the Committee and one member is a non-executive Director. The fourth member is the Managing Director.
18. The Board has set up an effective internal audit function. The staff in Internal Audit function is experienced and suitably qualified for the purpose and are conversant with the policies and procedures of the Bank.
19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim / final results, and business decisions, which may materially affect the market price of Bank's securities, was determined and intimated to directors, employees and the Pakistan Stock Exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Bank has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior

management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

24. State Bank of Pakistan's guidelines on performance evaluation of the Board requires that performance evaluation of the Board, its Committees and individual Board members shall be carried out annually. Furthermore, at least once every three years, the evaluation shall be facilitated by an external independent evaluator.

To fulfill the above requirement, the Bank has engaged Pakistan Institute of Corporate Governance (PICG) in January 2018 to carry out the performance evaluations as required.

PICG has commenced the evaluation and it is expected that final report from PICG will be received shortly. Moreover, the Bank is in the process of adopting a mechanism for internal evaluation of the performance of the Board, its Committees and individual Board members.

25. We confirm that all other material principles enshrined in the CCG have been complied.

On behalf of the Board of Directors

Managing Director (Acting)

March 02, 2018





Grant Thornton Anjum Rahman

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Sir Agha Khan Road F-5/1
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Review report to the members on statement of compliance with the code of corporate governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") prepared by the Board of Directors of The Bank of Khyber ("the Bank") for the year ended December 31, 2017 to comply with the Regulation G-1 of the Prudential Regulation for Corporate/Commercial Banking issued by the State Bank of Pakistan and requirements of Regulations contained in the Rule Book of the Pakistan Stock Exchange where the Bank is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2017.

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

GRANT THORNTON ANJUM RAHMAN

Chartered Accountants

Audit Engagement Partner: Nadeem Tirmizi
Islamabad

March 02, 2018

Chartered Accountants

Member of Grant Thornton International Ltd

Other offices in Lahore and Karachi



Statement of Internal Controls

This statement is issued in compliance of requirements of the State Bank of Pakistan (SBP) issued vide BSD Circular No. 07 dated May 27, 2004 "Guidelines on Internal Controls" and OSED Circular No. 01 of 2014 dated February 07, 2014 "Instructions on Internal Controls over Financial Reporting (ICFR)".

Internal Control is based on an ongoing process designed to identify the significant risks in achieving the Bank's aims and objectives and to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been continuously in place throughout the year 2017.

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

Management understands that the effective maintenance of the internal controls system is an ongoing process under the ownership of the management. All significant policies and procedural manuals are in place; updated on reasonable intervals and communicated to the appropriate level of operational hierarchy. The Bank's internal control system involves different levels of monitoring activities i.e. line management, Compliance and Internal Controls, Risk Management and Internal Audit. The Bank's Internal Audit is independent from Management and regularly reviews the adequacy and effectiveness of control activities across the Bank functions and reports the exceptions to the Management and Board Audit Committee on regular basis. The function also actively monitors the implementation of the corrective / remedial steps in co-ordination with the Management to ensure that identified risks are mitigated to safeguarding the interest of the Bank. Moreover, material process control exceptions/gaps raised by internal and external audit and other controlling functions within Management, are dealt seriously for immediate remedial measures.

While an internal controls program is effectively implemented and monitored; however, due to inherent limitations in the effectiveness of any system, including the possibility of human error or system failure, circumvention and overriding of controls. Accordingly, even an effective internal control system can provide reasonable but not absolute assurance that the system's objective will be achieved.

In compliance with the SBP's directives, the Bank had completed the implementation of Road map regarding Internal Controls over Financial Reporting (ICFR) under COSO framework involving process documentation, risk assessment, gap analysis, controls testing and controls implementation. The documentation including the testing results has been reviewed by the external auditors and a Long Form Report (LFR) for the year ended December 31, 2016 was submitted to State Bank of Pakistan (SBP) in compliance with the regulatory requirement. Next submission of Long form report for the year 2017 will be made in due course of time.

The Bank Board of Directors (BOD) also endorses the Management efforts for implementation of internal controls.

On behalf of the Board of Directors

Managing Director (Acting)

March 02, 2018

Report of Shariah Board

(For the Year 2017)

In the name of Allah, the Beneficent, the Merciful

By the Grace of Almighty Allah, the year under review was the 14th year of Islamic Banking being operated in The Bank of Khyber, under the brand name of 'Raast Islami Bankari'. The Bank of Khyber has 84 standalone Islamic Banking Branches (IBBs) and 39 Islamic banking Windows (IBWs) working in conventional branches. The scope of this report is to cover the affairs of the bank from Shariah perspective as required under the Shariah Governance Framework of State Bank of Pakistan.

The main business units of Islamic Banking Group (IBG) of BOK comprise the corporate banking, investment banking, commercial banking, consumer banking, treasury and asset management. IBG provides Islamic finance services through following products:

1. Ijarah
2. Murabaha
3. Diminishing Musharakah
4. Running Musharakah
5. Mudarabah
6. Istisna
7. Salam
8. Wakalah
9. Shares / Stocks trading
10. Import Export under Islamic Banking
11. Export Refinancing
12. Foreign Currency (FCY)
13. Management of Treasury / FI Pool

On deposits side, IBG offers a wide range of deposits products - current, saving and term deposit accounts, which are designed with flexible features to meet the needs of our customers in Shariah compliant manners. Presently IBG is offering the following types of deposits accounts:

1. Current Accounts
2. Interest Free PLS Saving Accounts
3. Riba Free Certificates
4. Call Deposits
5. Riba Free Special Deposit Pool Deposits/Certificate
6. Riba Free Special Deposit Pool for Banks
7. Riba Free Special Deposit Pool for Mutual Funds

Shariah Compliance Mechanism

Bank's Shariah compliance mechanism consists of many measures and tools. The bank has Shariah Board (SB) and full time Resident Shariah Board Member (RSBM) of well-known, qualified and reliable scholars to examine and approve all products, policies, agreements and other relevant documents of all type of services offered by Islamic Banking Group of BOK. During the year, the Shariah Board held four meetings to review various products, policies, standard operating procedures, transactions, processes and their Shariah-compliance. The SB also met with the BOD once this year to discuss issues related to Shariah.



Shariah Compliance and Shariah Audit

Shariah compliance has always been the strength of IBG of BOK. Shariah compliance mechanism at IBG operates at different levels ranging from approval of the products by the SB, designing of specific process flows for financing customers, random transaction reviews, customer visits to formal Shariah Audit. Shariah Compliance Division (SCD) and Shariah Audit Unit perform their functions under the guidance and supervision of Shariah Board. SCD conducted Shariah Compliance / Control Review, under the supervision of RSBM, of the Bank's business units, branches, IBWs and other Head Office departments to determine compliance to policies and Shariah guidelines issued by the Shariah Board & SBP. The Profit Distribution and Pool Management were reviewed regularly on monthly basis before each disbursement.

While the SCD reviewed all the Charge / Security documents, some new documents as required were developed by it. Various changes in the approved documents proposed by SCD were reviewed and approved by SB. All the financing facilities were reviewed and Shariah clearances granted before approvals. The Shariah process flows were prepared and made part of the Sanction Advices in all financing cases.

Internal Shariah Audit Department conducted Shariah Audit of almost all IBBs and submitted their reports for Shariah Comments and determination of corrective actions. The SCD has ensured, on ongoing basis, the compliance and implementation of the RSBM/SB decisions. SB submitted Quarterly Shariah Review reports to BOD to bring the Shariah Compliance environment status in the notice of BOD as required under BOK Act 1991.

Training and Capacity Building

During the year, SB remained focused on training of human resources and recommended to the management to develop the skills of Islamic banking staff. The Training Division of HRD Group has arranged various trainings in Training academy of the bank. The SCD also conducted sessions, Group discussions with IBBs & IBWs staff during visits for Shariah Compliance Reviews/Inspections.

Conclusion

To establish our opinion as expressed in this report, the Shariah Compliance Division carried out Shariah Compliance Reviews, on test check basis, of each class of transactions, the relevant documentation and process flows etc. Further, we have also reviewed the work carried out by Internal / External Shariah Audit and verified the compliance reports.

Based on above and to the best of our knowledge we are of the view that in the year 2017:

- i. The IBG-BOK has complied with Shariah rules and principles in the light of Shariah opinions (decisions), rulings and guidelines issued by the Shariah Board.
- ii. The IBG-BOK has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah Board.
- iii. BOK has a comprehensive mechanism in place to ensure Shariah compliance in its overall operations. The mechanism comprising of Internal Shariah Audit Department, a Shariah Compliance Division headed by RSBM, full time RSBM in the bank and regular / frequent in-house and external trainings for Islamic Banking staff in line with Shariah Governance Framework of SBP are in place.
- iv. Profit Distribution Mechanism and allocation of funds, expenses, weightages and other affairs of the IBG of the bank are in conformity with the bases that have been approved by the SB in accordance with Islamic rules and principles.
- v. IBG-BOK has a well-defined system in the shape of Shariah Compliance Review and Internal Shariah Audit in place sound enough to ensure that any earnings realized from sources or by means prohibited by the Shariah have been credited to charity account and are being properly utilized. In the year under review, Shariah Compliance Review and Internal Shariah Audit pointed out various cases where profit amount of Rs. 1,959,904/- has been declared by SB as charity amount. It is worth mentioning here that some mistakes in documentation were pointed out by the Shariah Audit Unit, which did not render the income to be non Shariah compliant, and these have been addressed as per instructions issued by the Shariah Department.
- vi. Islamic Banking investment deposits are accepted on Musharakah basis as approved by the Bank's Shariah Board. The Bank has acquired software "Al-Qist" for Profit Distribution and Pool Management. The SCD reviewed the Profit Distribution on monthly basis before disbursement. The bank has complied with the SBP instructions and guidelines on profit and loss distribution and pool management.
- vii. The level of awareness, capacity and sensitization of the staff, and the management for Shariah Compliance remained satisfactory / acceptable.
- viii. The Shariah Board has been provided adequate resources enabling it to discharge its duties effectively. The Bank may need to strengthen its Shariah Compliance Division in future in line with increase in the businesses and operations of the bank.

Recommendations :

It is acknowledged that as per Shariah Governance Framework it is responsibility of the of the BOD and the management to inculcate Shariah compliance culture within the organization as well as IBBs and should consistently remind the frontline staff about the importance of Shariah and reputation risk for Islamic banking if Shariah principles and practices are not observed.

The Shariah Board recommends that more efforts are needed to ensure Shariah compliance in all cases and to achieve Islam's socio-economic objectives and values. As the SB is committed to guide the bank towards a comprehensive Shariah compliance environment, therefore following pending recommendations of SB are expected to be implemented.

- i. The management should ensure implementation of the rulings and directives of the Shariah Board to further improve Shariah compliance environment at all areas in the bank.
- ii. The Bank should continue to focus on Islamic Banking trainings for its staff to carry out all the operations as per the Shariah guidelines and instructions issued by SBP & Shariah Board.
- iii. The management should continue the Islamic Banking awareness campaign through coordination with Ulama & Shariah scholars that will definitely help to reduce the misconceptions among the general public and boost not only Islamic Banking of BOK but also overall Islamic Banking concept in the society.
- iv. In consideration of increase in Islamic banking business, efforts for promotion and marketing of Islamic Banking products for financing the commodity sectors and business services should be enhanced.
- v. During the hiring process of new staff, care should be taken with regards to applicants' Islamic banking knowledge, experiences, and approach and commitment towards the cause of Islamic Banking.
- vi. Islamic Assets Division-IBG is looking after the Product and Business Development; no proper business and product development department is there yet. It is recommended that IBG-BOK should have a dedicated trained Product & Business Development staff to develop products and businesses of IBG-BOK which are all in conformity with Shariah principles.
- vii. It has been noticed in the Shariah audit reports & Shariah Compliance Review reports that same kind of Shariah mistakes are being repeated by the branches. Therefore, it is advised that
 - Shariah rating system of the Islamic Banking Branches should be introduced.
 - While rating a branch, Shariah rating of the branch shall be kept in view; and
 - Rewards, placements and promotions may be linked to the rating for the level of Shariah compliance.

May Almighty Allah grant us success in this world and the hereafter, and on the Day of Judgment, and forgive our mistakes that we may have committed willingly or unwillingly.



Muhammad Ayub
Member



Dr. Shams ul Haq Hanif
Member



Qazi Abdul Samad
Member



Syed Muhammad Abbas
Member



Dr. Dost Muhammad
Member



Dr. Shahzad Iqbal Sham
Member



Mufti Muhammad Zahid
Chairman

Date of Report: 24/02/2018

شریعی بورڈ رپورٹ

برائے سال ۱۴۳۹ھ بمطابق ۲۰۱۷ء

اللہ کے فضل و کرم سے یہ راست اسلامی بینکاری کے برانڈ نام کے ساتھ خیبر بینک میں اسلامی بینکاری کا چودھواں سال تھا۔ بینک آف خیبر میں کل ۸۴ مستقل اسلامی برانچز جبکہ روایتی بینکاری برانچز کے اندر ۳۹ ونڈوز اسلامی بینکاری کے خدمات سرانجام دے رہی ہیں۔ شریعی بورڈ کی اس رپورٹ کو پیش کرنے کا مطمح نظر بینک آف خیبر کی اسلامی بینکاری اور اس کے اندر ہونے والے عقود اور معاملات کا شرعی جائزہ پیش کرنا ہے جو کہ سٹیٹ بینک آف پاکستان کے جاری کردہ شریعی فریم ورک کے ہدایات کے مطابق لازمی امر ہے۔

خیبر بینک کا اسلامک بینکنگ گروپ (آئی۔بی۔جی) کے بزنس یونٹس کارپوریٹ بینکنگ، انویسمنٹ بینکنگ، کمرشل بینکنگ، کنزیومر بینکنگ، ٹریڈری اور ایسٹ مینجمنٹ پر مشتمل ہے۔ آئی۔بی۔جی مندرجہ ذیل طریقوں سے اسلامی تجارتی خدمات فراہم کر رہا ہے۔

1. اجارہ منتبہ بالتملیک
2. بینکنگ مراہمہ
3. مشارکہ متناقصہ
4. رنگ مشارکہ (مشارکہ جاریہ / مشارکہ متوالیہ)
5. مضاربہ
6. استصناع
7. سلم
8. وکالہ
9. حصص / اسٹاک ٹریڈز
10. اسلامی بینکاری کے تحت درآمدات و برآمدات
11. ایکسپورٹ ری فائننس
12. غیر ملکی کرنسیوں کی لین دین
13. ٹریڈری کی منصوبہ بندی۔ فنڈ مینجمنٹ وغیرہ۔

دوسری جانب خیبر بینک راست اسلامی بینکاری مختلف انواع کی خدمات / مواقع بینک میں ڈپازٹس جمع کرنے کے لئے آفر کرتا ہے۔ مثلاً جاری کھاتہ، نفع و نقصان میں شراکت کی بنیاد پر مشتمل مشارکہ کھاتہ اور مشارکہ مقیدہ کی بنیاد پر مختلف میعاد کے سرٹیفیکیٹس جو شرعی اصولوں کو مد نظر رکھ کر کسٹمرز کی امنگوں کے مطابق مرتب ہو کر اہم اور جاذب خصوصیات کے حامل ہوتے ہیں۔

1. کرنٹ اکاؤنٹ یا جاری کھاتہ
2. سود سے پاک مشارکہ کھاتہ
3. سود سے پاک سرٹیفیکیٹس

4. کال ڈپازٹس
5. سود سے پاک خصوصی ڈپازٹس فنڈز سرٹیفیکیٹس
6. بینکوں کیلئے سود سے پاک خصوصی فنڈز
7. مچھول فنڈز کیلئے سود سے پاک خصوصی فنڈز

شریہ کپلائنس میکانزم:

خیبر بینک راست اسلامی بینکاری کا شریہ میکانزم متعدد لوازم اور پرکھنے کا ایک فعال نظام ہے۔ بینک کا شریہ بورڈ اور کل وقتی شریہ بورڈ ممبر جو مشہور، کوالیفائیڈ اور قابل اعتماد سکارلز پر مشتمل ہے جو تمام منصوبوں، معاہدوں اور متعلقہ خدمات کے دفتری و تحریری مواد کا شریعت کی روشنی میں باریک بینی سے تجزیہ کر کے ان کی تصدیق کراتے ہیں۔ دوران سال مختلف تمویلی منصوبوں، عقود، پالیسیوں، معیاری عملی کارکردگیوں اور تمام مراحل کو شرعی اصولوں کے مطابق بنانے اور پرکھنے کے لئے شریہ بورڈ کے ۱۵ اجلاس منعقد ہوئے۔ اس کے ساتھ ساتھ بینک کے شریہ بورڈ نے بینک کے بورڈ آف ڈائریکٹرز کے ساتھ شرعی امور پر ایک مشترکہ میٹنگ کی۔

شریہ کپلائنس (نفاذ) اور آڈٹ (محاسبہ):

شرعی عملی نفاذ خیبر بینک کا اسلامک بینکنگ گروپ کا ہمیشہ سے طرہ امتیاز رہا ہے۔ شریہ کپلائنس نظام آئی بی جی میں تمام عملی اور تربیتی مراحل شریہ بورڈ کے ذریعے آئی بی جی میں مختلف طرق تمویل پراڈکٹس، مختلف گاہک کیلئے منفرد مرحلہ وار تمویلی جدول، عقود کے عمومی نظر ثانی اور کسٹمرز کی مفاہمتی آمدورفت وغیرہ سے شریہ آڈٹ تک ہر عملی اور تربیتی مرحلے میں شرعی نظام کی نگہداشت رکھی جاتی ہے۔ شریہ کپلائنس ڈویژن اور شریہ آڈٹ ڈیپارٹمنٹ شریہ بورڈ کے زیر نگرانی اور راہنمائی میں کام کرتی ہیں۔ شریہ کپلائنس ڈویژن نے کل وقتی شریہ بورڈ ممبر کے زیر نگرانی بینک کے تمام بزنس یونٹوں، برانچوں، روایتی برانچوں کے اندر ڈیسک اور دیگر ہیڈ آفس ڈیپارٹمنٹس اور ڈویژن کا شریہ بورڈ اور سٹیٹ بینک سے منظور شدہ اور جاری شدہ پالیسیوں اور شرعی احکامات کی نفاذ کو یقینی بنانے کے لئے تجزیہ (ریویو) کیا۔ تمویلی فنڈز اور ماہانہ منافع کی تقسیم ہونے سے قبل دقیق شرعی نظر سے جائزہ لیا گیا۔

زید برآں شریہ کپلائنس ڈویژن نے تمام چارج اور سیکورٹی دستاویزات کا بخظر غائر جائزہ لیا اور کچھ ضروری کاغذات جو موجود نہ تھے وہ تیار کیے۔ شریہ کپلائنس ڈویژن نے پہلے سے منظور شدہ دستاویزات میں چند امور کی نشان دہی کی ان کو بھی تحقیق کے بعد شریہ بورڈ نے منظور کیا۔ بینک کے اپنے شریہ آڈٹ ڈیپارٹمنٹ نے تمام اسلامی برانچوں کا آڈٹ کیا اور رپورٹیں شرعی حکم معلوم کرنے اور تدبیری و تادیبی کارروائی کے لئے شریہ بورڈ کو پیش کیے۔ شریہ کپلائنس ڈویژن شریہ بورڈ اور کل وقتی شریہ بورڈ ممبر کے فیصلوں کو عملی طور پر نافذ کرنے اور نظام کا حصہ بنانے میں مصروف عمل رہی۔ شریہ بورڈ نے بینک کے شرعی صورت حال کو سہ ماہی جائزہ رپورٹس میں بینک کے بورڈ آف ڈائریکٹرز کو پیش کیا جو بینک آف خیبر ایکٹ ۱۹۹۱ کے تحت لازمی ہے۔

ٹریڈنگ اور پیشہ ورانہ مہارت / صلاحیت:

دوران سال شریہ بورڈ نے بار بار اسلامی بینکاری کے عملے کو اسلامی بینکاری کے بنیادی معلومات اور پیشہ ورانہ صلاحیتوں کو بہتر سے بہتر بنانے کے لئے بینک کے انتظامیہ پر زور دیا۔ بینک کے ٹریڈنگ ڈویژن نے اس سلسلے میں کئی ٹریڈنگز کا انعقاد کیا۔ اس کے علاوہ شریہ کپلائنس ڈویژن کے عملے نے اسلامی بینکاری برانچز اور اسلامی بینکاری و ٹرڈوز کا جائزہ (ریویو) لیتے وقت ٹریڈنگ سیشنز اور گروپ ڈسکشنز کا انعقاد کیا۔

خلاصہ کلام:

ہماری رائے کے مطابق جیسے کہ اوپر ذکر ہوا، شریعہ کپلائنس ڈویژن نے شرعی احکام کے بجا آوری کا تجرباتی بنیادوں پر ہر قسم کے ٹرانزیکشنز، اس سے متعلقہ مرحلہ وار کاغذات کا استعمال اور اس کے مناسب وقت وغیرہ کا جائزہ لیا۔ مزید برآں ہم نے اندرونی و بیرونی آڈٹ رپورٹس کا مطالعہ کیا اور اس کو شرعی نقطہ نظر سے کلیئر کیا۔

ان تمام صورت حال اور ہماری ذاتی علم کے بنیاد پر بینک آف خیبر راست اسلامی بینکاری کا سال ۲۰۱۷ کے بارے میں ہماری رائے یہ ہے کہ:

1. اسلامک بینکنگ گروپ شرعی اصولوں اور قواعد و ضوابط اور شریعہ بورڈ سے جاری کردہ احکام، فیصلوں اور ہدایات کے موافق ہے۔
2. اسلامک بینکنگ گروپ سٹیٹ بینک آف پاکستان کے شریعہ بورڈ سے جاری کئے گئے فتووں، اصولوں، ہدایات اور احکام کے عین مطابق ہے۔
3. بینک آف خیبر کے پاس شرعی نظام کو عملی میدان میں نافذ کرنے کے لئے ایک منظم اور مربوط نظام موجود ہے۔ یہ نظام اندرونی شریعہ آڈٹ ڈیپارٹمنٹ، شریعہ کپلائنس ڈویژن (جس کا سربراہ کل وقتی شریعہ بورڈ ممبر ہوتا ہے) اور مسلسل ٹریننگ دینے والا ذاتی ادارہ (جو اندرونی و بیرونی طور سے سٹیٹ بینک آف پاکستان کے شریعہ گورننس فریم ورک کے عین مطابق اپنی عملہ کی تربیت کرتی ہے) پر مشتمل ہے۔
4. نفع و نقصان کی تقسیم کا طریق کار، اس میں رقوم کی سرمایہ کاری، اخراجات ریکارڈ کرنے، شرح منافع اور نقصان کے تناسب اور دیگر تمام معاملات اسلامی اصولوں و ضوابط اور شریعہ بورڈ کے فیصلوں کے عین مطابق ہے۔
5. اسلامک بینکنگ گروپ کے پاس شریعہ آڈٹ اور شریعہ کپلائنس ریویو کی صورت میں شفاف نظام موجود ہے جو اتنا فعال اور موثر ہے کہ وہ یہ یقین دہانی کر سکتی ہے کہ اگر کسی بھی ذریعہ یا طریقہ سے کوئی آمدن / منافع شامل ہو جائے جو شرعاً ممنوع ہوں تو وہ فوری طور پر فلاحی فنڈ کو منتقل کیا جاتا ہے اور مستحقین میں تقسیم کیا جاتا ہے۔ اس سال بھی شریعہ کپلائنس ریویو اور شریعہ آڈٹ نے مختلف عقود میں ایسے ۱۱،۹۵۹،۹۰۳ روپے منافع کی نشان دہی کی جو شریعہ بورڈ کے ہدایت پر چیرٹی فنڈ میں ڈالے گئے۔ یہاں یہ بات سمجھنا اہم ہے کہ شریعہ آڈٹ نے عقود میں کچھ اعتراضات پیش کئے تھے جو شرعی نقطہ نظر سے عقد کو باطل یا فاسد نہیں کر داتی تھی اس کو شریعہ کپلائنس ڈیپارٹمنٹ نے ٹھیک کر دیا۔
6. بینک آف خیبر شریعہ بورڈ کی اجازت سے سرمایہ شراکت کے بنیاد پر قبول کرتا ہے۔ بینک نے اس مقصد کے لئے منافع کی تقسیم اور سرمایہ کی انتظام و انصرام کے لئے القسط نامی سوفٹ وئر خریدی۔ شریعہ کپلائنس ڈویژن نے ہر ماہ تقسیم سے پہلے مجموعی منافع کا جائزہ لیا۔ بینک آف خیبر اسلامک بینکنگ گروپ سٹیٹ بینک آف پاکستان کے نفع و نقصان کی تقسیم اور فنڈز کے انتظام کے حوالے سے شائع کردہ جملہ ہدایات و احکام کے عین موافق ہے۔
7. مجموعی طور پر بینک کے عملہ و انتظامیہ کا اسلامی بینکاری کی بنیادی معلومات اور اس کے متعلقہ حساسیت کے حوالے سے آگاہی کا درجہ قابل اطمینان رہا۔
8. شریعہ بورڈ کو اپنی ذمہ داریاں انجام دینے کے لئے بینک کے انتظامیہ نے مناسب افراد کا مہیا کئے ہیں جو ان ذمہ داریوں کی ادائیگی کے لئے موثر ہیں۔ بینک کے بزنس اور اپریشنز میں اضافے کو مد نظر رکھتے ہوئے شریعہ کپلائنس ڈویژن کو مستقبل میں مزید مضبوط کرنے کی ضرورت ہے۔

تجاویز / سفارشات:

شریعی گورننس فریم ورک کے ہدایات کے موافق اس بات کا صراحت کرنا انتہائی اہم ہے کہ یہ بینک کے بورڈ آف ڈائریکٹرز اور بینک کی انتظامیہ کی فرائض منصبی میں شامل ہے کہ وہ شرعی فریمن کی بجا آوری کی نفاذ کو مجموعی ادارہ اور اس کے تمام شاخوں میں یقینی بنائے اور وقتاً فوقتاً اپنے عملے کو شریعہ کپلائنس کی اہمیت اور اسلامی بینکاری کے سناکھ کے خطرے (اگر شرعی اصولوں اور احکام کی روگردانی برتی گئی یا شرعی احکام و ہدایات کو نہیں اپنایا گیا جس سے اسلامی بینکاری کا جائزہ خراب ہو رہا ہو) کے بارے میں یاد دہانی کرائے۔ لہذا شریعہ بورڈ سفارش کرتا ہے کہ اسلامی سماجی اور معاشی اقدار کے حصول کے لئے مزید انتھک محنت اور اقدامات کی ضرورت ہے چونکہ شریعہ بورڈ کی ذمہ داری ہے کہ وہ تمام شرعی محاذ پر بینک کی راہنمائی کرے اس لئے امید ہے کہ شریعہ بورڈ کے ذیل میں مذکورہ ہدایات کو فوری نافذ کیا جائے گا۔

1. بینک انتظامیہ کو چاہیے کہ وہ شریعہ بورڈ کے صادر شدہ تمام احکام بینک کے تمام متعلقہ حدود میں اس سے بھی احسن طریقے سے نافذ کر لیں۔

2. بینک اپنی تمام عملہ کو اسلامی بینکاری سے متعلقہ تمام قسم کے ٹریننگ کے بروقت مواقع یقینی بنائے تاکہ سٹیٹ بینک اور شریعہ بورڈ کے متوقع معیار پر پورا اتر سکے۔
3. بینک انتظامیہ کو چاہیے کہ وہ علماء کرام اور شریعہ سکالر کی وساطت سے اسلامی بینکاری آگاہی مہم کے بارے میں مستقل اقدامات کریں تاکہ عوام کے درمیان اسلامی بینکاری کے حوالے سے موجود شکوک و شبہات کا ازالہ ہو سکے۔ اس سے نہ صرف خیبر بینک کے اسلامی بینکاری کو تقویت ملی گی بلکہ معاشرے میں اسلامی بینکاری کا تصور مزید واضح ہوتا جائیگا۔
4. اسلامی بینکاری کے ذریعے تجارت کو ترویج اور استحکام دینے کے لئے یہ ضروری ہے کہ اسلامی بینکاری کے ذریعے ملنے والے اشیاء و خدمات کی مارکیٹنگ کی جائے اور اس کے حوالے سے مزید اقدامات کئے جائے۔
5. نئے عملے کو بینک میں ملازم رکھنے کے لئے یہ بات ملحوظ رہے کہ ملازم کا تعلیم، تجربہ، سوچ اور ارادے اسلامی بینکاری کے عین موافق ہو تاکہ اسلامی بینکاری کو دوام ملے۔
6. آی بی جی کے اسلامک ایسٹ ڈویژن بینک کے پراڈکٹس اور بزنس ڈیولپمنٹ کی دیکھ بھال کرتے ہیں لیکن کوئی مستقل پراڈکٹ اور بزنس ڈیولپمنٹ ڈیپارٹمنٹ موجود نہیں اس لئے یہ تاکید کی جاتی ہے کہ ایک فعال اور باصلاحیت ڈیپارٹمنٹ ہو جو کہ شرعی اصولوں کے مطابق پراڈکٹس بنا سکے۔
7. شریعہ اڈٹ رپورٹوں اور شریعہ کمپلائنس رپورٹوں میں یہ دیکھا گیا کہ یکساں قسم کی غلطیاں مختلف برانچز میں ریکارڈ کی گئیں اس لئے یہ تجویز کی گئی ہے کہ

- اسلامی بینکاری کے برانچز کی ریٹنگ سسٹم کو متعارف کیا جائے
- برانچ ریٹنگ کے وقت شریعہ ریٹنگ کو مد نظر رکھا جائے
- جزا و سزا، تبدیلی و ترقی کو شریعہ کمپلائنس کے ساتھ وابستہ کیا جائے

اللہ تعالیٰ سے دعا ہے کہ ہمیں دونوں جہانوں میں کامیابیوں سے ہمکنار فرمائے اور ہمارے خطاؤں پر درگزر فرمائے جو ہم سے جانے ان جانے میں سرزد ہوئی ہیں۔

آمین

ڈاکٹر شمس الحق حنیف

سید محمد عباس

ممبر

ڈاکٹر شہزاد اقبال شام

ممبر

محمد ایوب

ممبر

قاضی عبدالصمد

کل وقتی شریعہ بورڈ ممبر

ڈاکٹر دوست محمد خان

ممبر

مفتی محمد زاہد

چیئرمین



Grant Thornton Anjum Rahman

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

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F: +92 51 2273874
www.gtpak.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed statement of financial position of The Bank of Khyber (the "Bank") as at December 31, 2017 and the related profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, which include the unaudited certified returns from the branches and other offices except for thirteen branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the above financial statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the repealed Companies Ordinance, 1984 (XLVII of 1984) as directed by Securities and Exchange Commission of Pakistan (SECP) vide circular no. 23 dated October 04, 2017. Our responsibility is to express an opinion on these statements based on our audit.

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

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

Grant Thornton Anjum Rahman

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- c) in our opinion and to the best of our information and according to the explanations given to us the statement of financial position, profit and loss account, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962) and the repealed Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2017 and its true balance of the profit, its comprehensive income, its changes in equity and cash flows for the year then ended; and
- d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



GRANT THORNTON ANJUM RAHMAN

Chartered Accountants

Audit Engagement Partner: Nadeem Tirmizi
Islamabad

March 02, 2018

Chartered Accountants

Member of Grant Thornton International Ltd

Other offices in Lahore and Karachi



FINANCIAL STATEMENTS

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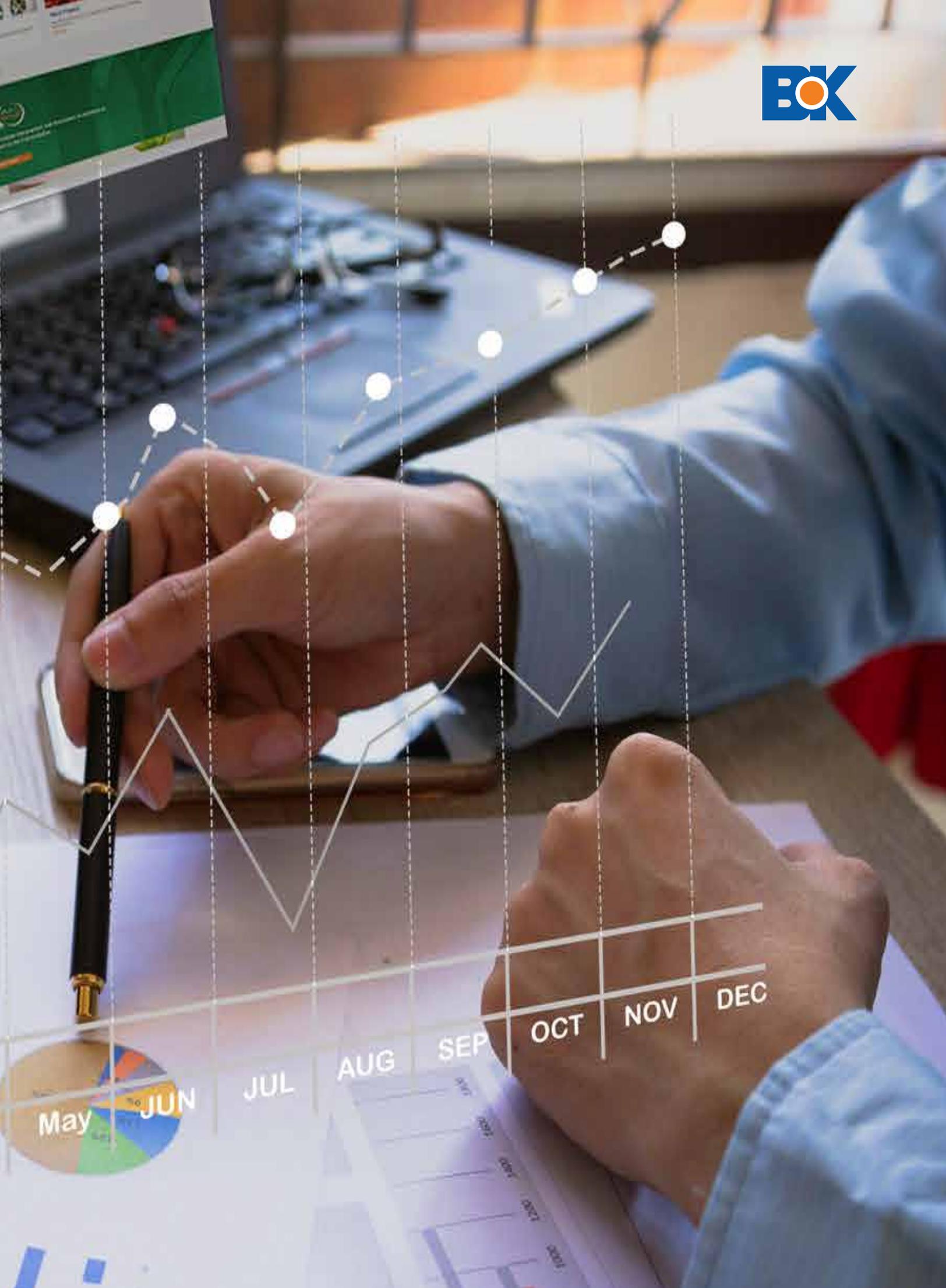
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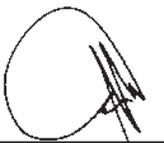


Statement of Financial Position

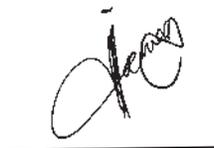
As at December 31, 2017

	Note	2017 ----- (Rupees in '000) -----	2016
ASSETS			
Cash and balances with treasury banks	7	8,916,018	8,636,526
Balances with other banks	8	3,257,351	9,980,928
Lendings to financial institutions	9	1,529,106	8,827,307
Investments	10	140,473,783	141,602,355
Advances	11	83,369,052	31,643,885
Operating fixed assets	12	2,370,125	2,070,554
Deferred tax assets - net	17	379,751	-
Other assets	13	4,837,198	3,638,719
		245,132,384	206,400,274
LIABILITIES			
Bills payable	14	1,131,241	775,938
Borrowings	15	64,189,586	28,700,825
Deposits and other accounts	16	159,246,974	157,020,365
Sub-ordinated loan		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	17	-	151,745
Other liabilities	18	5,166,464	3,608,857
		229,734,265	190,257,730
NET ASSETS		15,398,119	16,142,544
REPRESENTED BY			
Share capital	19	10,002,524	10,002,524
Reserves		2,550,263	2,192,169
Unappropriated profit		2,390,464	2,490,553
		14,943,251	14,685,246
Surplus on revaluation of assets - net of tax	20	454,868	1,457,298
		15,398,119	16,142,544
CONTINGENCIES AND COMMITMENTS	21		

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



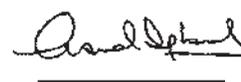
Chief Financial
Officer



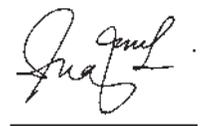
Acting Managing
Director



Director



Director



Director

Profit and Loss Account

For the year ended December 31, 2017

	Note	2017 ----- (Rupees in '000) -----	2016
Mark-up / return / interest earned	22	14,375,382	12,049,052
Mark-up / return / interest expensed	23	9,576,349	7,642,575
Net mark-up / return / interest income		4,799,033	4,406,477
(Reversal) / provision against loans and advances - net	11.5	(107,073)	727,058
Provision for / (reversal) against diminution in value of investments - net	10.3	3,279	(96,717)
Bad debts written off directly		-	438
		(103,794)	630,779
Net mark-up / return / interest income after provisions		4,902,827	3,775,698
NON MARK-UP / RETURN / INTEREST INCOME			
Fee, commission and brokerage income		325,138	252,781
Dividend income		58,039	102,190
Income from dealing in foreign currencies		87,305	88,475
Gain on sale of securities - net	24	1,061,172	2,139,484
Unrealized gain on revaluation of investments classified as held for trading - net	10.5	-	716
Other income	25	119,164	89,342
Total non-mark-up / return / interest income		1,650,818	2,672,988
		6,553,645	6,448,686
NON MARK-UP / RETURN / INTEREST EXPENSES			
Administrative expenses	26	3,774,878	3,210,806
Other (reversals) / provisions - net	27	(19,407)	(2,299)
Other charges	28	2,776	228
Total non-mark-up / return / interest expenses		3,758,247	3,208,735
PROFIT BEFORE TAXATION		2,795,398	3,239,951
Taxation	29		
- Current		913,141	1,180,880
- Prior year		66,329	85,492
- Deferred		25,457	(46,897)
		1,004,927	1,219,475
PROFIT AFTER TAXATION		1,790,471	2,020,476
Earnings per share - Basic and Diluted (in Rupees)	30	1.79	2.02

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



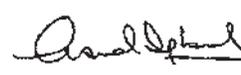
**Chief Financial
Officer**



**Acting Managing
Director**



Director



Director



Director

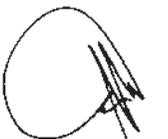


Statement of Comprehensive Income

For the year ended December 31, 2017

	Note	2017 ----- (Rupees in '000) -----	2016
Profit after taxation		1,790,471	2,020,476
Other comprehensive income			
Items that are not to be reclassified to profit and loss account in subsequent periods			
Re-measurement loss of defined benefit obligations - net of tax	33.7	(31,909)	(57,764)
Other comprehensive income transferred to equity		1,758,562	1,962,712
Components of comprehensive income not reflected in equity			
Items that will not be reclassified to profit and loss account (Decrease) in surplus on revaluation of fixed assets		-	(16,062)
Items that may be reclassified to profit and loss account in subsequent periods			
Net change in fair value of available for sale securities		(1,542,201)	1,050,947
Related deferred tax reversal		539,771	(367,832)
		(1,002,430)	683,115
		(1,002,430)	667,053

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



Chief Financial
Officer



Acting Managing
Director



Director



Director



Director

Statement of Changes in Equity

For the year ended December 31, 2017

	Share capital	Statutory reserve	Unappropriated profit	Total
	----- (Rupees in '000') -----			
Balance as at January 1, 2016	10,002,524	1,788,074	2,182,400	13,972,998
Transactions with owners recorded directly in equity				
Final cash dividend for the year ended December 31, 2015 (Rs. 1.25 per share)	-	-	(1,250,464)	(1,250,464)
Total comprehensive income for the year ended December 31, 2016				
Profit after taxation for the year ended December 31, 2016	-	-	2,020,476	2,020,476
Other comprehensive income	-	-	(57,764)	(57,764)
	-	-	1,962,712	1,962,712
Transfer to statutory reserve	-	404,095	(404,095)	-
Balance as at December 31, 2016	10,002,524	2,192,169	2,490,553	14,685,246
Transactions with owners recorded directly in equity				
Final cash dividend for the year ended December 31, 2016 (Rs. 1.50 per share)	-	-	(1,500,557)	(1,500,557)
Total comprehensive income for the year ended December 31, 2017				
Profit after taxation for the year ended December 31, 2017	-	-	1,790,471	1,790,471
Other comprehensive income	-	-	(31,909)	(31,909)
	-	-	1,758,562	1,758,562
Transfer to statutory reserve	-	358,094	(358,094)	-
Balance as at December 31, 2017	10,002,524	2,550,263	2,390,463	14,943,251

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



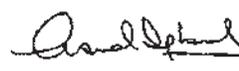
Chief Financial Officer



Acting Managing Director



Director



Director



Director

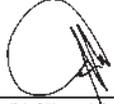


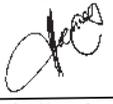
Cash Flow Statement

For the year ended december 31, 2017

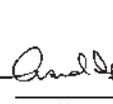
CASH FLOWS FROM OPERATING ACTIVITIES	Note	2017 ----- (Rupees in '000) -----	2016
Profit before taxation		2,795,398	3,239,951
Less: Dividend income		58,039	102,190
		2,737,359	3,137,761
Adjustments for non-cash charges			
Depreciation		236,933	206,055
Amortization		37,702	19,998
(Reversal) / provision against loans and advances - net		(107,073)	727,058
Provision for / (reversal) against diminution in value of investments - net		3,279	(96,717)
Unrealized (gain) on revaluation of investments classified as held for trading - net		-	(716)
Gain on sale of operating fixed assets		(1,959)	(458)
Other (reversals) / provisions - net		(19,407)	(2,299)
		149,475	852,921
		2,886,834	3,990,682
(Increase) / decrease in operating assets:			
Lendings to financial institutions		7,298,201	(2,838,483)
Held-for-trading securities		360,797	668,447
Advances		(51,618,094)	4,082,668
Others assets		(1,072,498)	(417,696)
		(45,031,594)	1,494,936
Increase / (decrease) in operating liabilities:			
Bills payable		355,303	271,054
Borrowings		35,488,761	11,570,631
Deposits and other accounts		2,226,609	39,728,353
Other liabilities (excluding current taxation)		1,680,431	(254,881)
		39,751,104	51,315,157
		(2,393,656)	56,800,775
		(1,269,656)	(1,332,022)
Income tax paid		(1,269,656)	(1,332,022)
Net cash (used)/generated from operating activities		(3,663,312)	55,468,753
CASH FLOWS FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		15,809,352	(47,419,243)
Net investments in held-to-maturity securities		(16,587,057)	33,381
Dividend income received		58,039	102,190
Investment in operating fixed assets		(576,667)	(390,226)
Sale proceeds from disposal of operating fixed assets		4,420	2,840
		(1,291,913)	(47,671,058)
Net cash used in investing activities		(1,291,913)	(47,671,058)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(1,488,860)	(1,240,534)
Net cash used in financing activities		(1,488,860)	(1,240,534)
		(6,444,085)	6,557,161
(Decrease) / increase in cash and cash equivalents		(6,444,085)	6,557,161
Cash and cash equivalents at the beginning of the year		18,617,454	12,060,293
Cash and cash equivalents at the end of the year	31	12,173,369	18,617,454

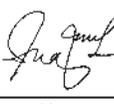
The annexed notes 1 to 43 and annexures A to D form an integral part of these financial statements.


Chief Financial
Officer


Acting Managing
Director


Director


Director


Director

Notes to the Financial Statements

For the year ended December 31, 2017

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 166 branches including 83 Islamic banking branches (2016: 150 branches including 77 Islamic banking branches). The long term credit ratings of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS are 'A' and 'A' respectively and the short-term credit ratings assigned are 'A1' (A-One) and 'A-1' (A-One) respectively.

2. BASIS OF PRESENTATION

- 2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by the SBP vide circular No. 4 of 2006 dated February 17, 2006.
- 2.2 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for Murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of markup thereon. However, the Islamic banking branches of the Bank have complied with the requirements as set out in the Islamic Financial Accounting Standards (IFAS).
- 2.3 The financial results of the Islamic Banking Group have been included in these financial statements for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Group are disclosed in Annexure "A" to these financial statements.
- 2.4 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 standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan as are notified under the repealed Companies Ordinance, 1984, the provisions of and directives issued under the repealed Companies Ordinance, 1984, Banking Companies Ordinance, 1962, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). Wherever the requirements of the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or regulations / directives issued by SECP and SBP differ with the requirements of IFRS or IFAS, the requirements of the repealed Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 or the requirements of the said regulations / 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** The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by the SECP vide its circular number 23/2017 dated October 4, 2017, these unconsolidated financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 3.4** IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. Management believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.
- 3.5** IFRS-10 Consolidated Financial Statements was made applicable from period beginning on or after 1 January 2015 vide S.R.O 633(I)/2014 dated July 10, 2014 by SECP. However, SECP has directed that the requirements of consolidation under section 237 of the Companies Ordinance, 1984 and IFRS-10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust structure, through S.R.O 56(I)/2016 dated January 28, 2016. Accordingly, the requirements of this standard has not been considered in the preparation of these financial statements.
- 3.6** 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 (IIFS). The standard will result in certain new disclosures in the financial statements of the Bank as and when notified by SBP.
- 3.7** Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following revised standards, amendments and interpretations with respect to the approved accounting standards would be effective from the dates mentioned below against the respective standard or interpretation:

Standard, Interpretation or Amendment	Effective date (annual periods beginning on or after)
- IFRS 2 - Share-based Payments - (Amendments)	January 01, 2018
- IAS 28 - Investments in Associates and Joint Ventures - (Improvement)	January 01, 2018
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 01, 2018
- IFRIC 23 - Uncertainty over Income Tax Treatments	January 01, 2018
- IFRS 3 - Business Consideration - (Amendments)	January 01, 2018
- IFRS 11 - Joint Venture- (Amendments)	January 01, 2018
- IAS 12 - Income Taxes - (Amendments)	July 01, 2018
- IFRS 15 - Revenue from contracts with customers	July 01, 2018
- IFRS 9 - Financial Instruments: Classification and Measurement	July 01, 2018
- IFRS 9 - Financial Instruments: Classification and Measurement - (Amendments)	January 01, 2018
- 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	
- IFRS 9 - Financial Instruments - The Bank is currently awaiting instructions from SBP as 1 applicability of IAS 39 was deferred by SBP till further instructions.	

The Bank expects that the adoption of remaining amendments, improvements and interpretations will not affect its financial statements in the period of initial application.

In addition to above, the Companies Act 2017 has been enacted on May 31, 2017 and according to the circular referred to in note number 3.3 of these financial statements, the Act would be applicable on the Financial statements of the Bank effective from January 1, 2018. This would result in additional disclosures and certain changes in financial statements presentation.

The SBP vide BPRD circular no. 2 dated January 25, 2018 has specified the new reporting format for the financial statements of banking companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the year ending December 31, 2018.

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

There are certain new and amended standards, interpretations and amendments that are mandatory for the Bank's accounting periods beginning on or after January 1, 2017 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

4.1 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 ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

5.1 Classification of investments

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

-Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.

-Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.

-The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

5.2 Impairment of available-for-sale equity investments

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

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

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

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

5.7 Fair value of derivatives

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

6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year.

6.1 Cash and cash equivalents

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

6.2 Lendings to / borrowings from financial institutions

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

a) Sale under repurchase agreements

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

b) Purchase under resale agreement

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

c) Other lendings

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

d) Other borrowings

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

6.3 Investments

6.3.1 Classification

The Bank classifies its investments as follows:

Held-for-trading

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

Held-to-maturity

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

Available-for-sale

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

Associates

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

6.3.2 Regular way contracts

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

6.3.3 Initial measurement

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

6.3.4 Subsequent measurement**Held-for-trading**

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

Held-to-maturity

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

Available-for-sale

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

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

6.3.5 Impairment

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

6.4 Advances**6.4.1 Conventional**

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

6.4.2 Murabaha

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

6.4.3 Ijarah financings

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

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

Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to Mustajir up to the date of maturity / termination of Ijarah agre

6.4.4 Diminishing Musharakah

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

6.4.5 Salam

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

6.4.6 Istisna

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

6.5 Inventories

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

6.6 Operating fixed assets and depreciation

6.6.1 Capital-work-in progress

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

6.6.2 Tangible fixed assets

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

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

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

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

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

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

6.6.3 Intangible assets

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

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

6.6.4 Impairment of non-financial assets

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

6.7 Taxation

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

6.7.1 Current

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

6.7.2 Deferred

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

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

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

6.8 Staff retirement benefits

6.8.1 Defined benefit plan

The Bank operates a funded gratuity scheme for all its permanent employees. Contributions are made to the fund by the Bank in accordance with the rules of the scheme. Employees are entitled to the benefits under the scheme which comprise of two last drawn basic salaries for each completed year of service. Contributions to the fund are made on the basis of actuarial recommendations. Actuarial valuation was carried out on December 31, 2017 using the Projected Unit Credit Method. Actuarial gains/losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in other comprehensive income.

6.8.2 Defined contribution plan

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

6.9 Financial instruments

6.9.1 Financial assets and liabilities

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

6.9.2 Derivative financial instruments

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

6.10 Revenue recognition

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

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

6.10.3 Interest / return / mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

6.10.4 For Ijarah contracts written up to December 31, 2008, the Bank follows finance method in recognizing income. Under this method the unearned finance income, i.e., the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility, is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognized as income on receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the Mustajir.

6.10.5 Rentals on Ijarah contracts written subsequent to December 31, 2008 are recognized as income on accrual basis as and when the rentals become due. Income is recognized net of depreciation charged in the profit and loss account.

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

6.10.7 Fee, commission, liquidated damages etc. are recorded on accrual basis when the service has been provided. Fees and commission which in substance amount to an additional interest charge, are recognized over the life of the underlying transaction on a level yield basis.

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

6.11 Foreign currencies

a) Foreign currency transactions and balances

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

b) Translation gains and losses

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

c) Commitments

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

6.12 Segment Reporting

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

Business Segments

The Bank comprises of following main business segments:

a) Corporate finance

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

b) Trading and sales

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

c) Retail banking

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

d) Commercial banking

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

Geographical segments

The Bank conducts all its operations in Pakistan.

6.13 Provisions

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

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

6.14 Borrowings / deposits and their cost

a) Borrowings / deposits are recorded at the proceeds received.

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

6.15 Off setting

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

6.16 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.

6.17 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.

6.18 Fiduciary assets

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

6.19 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.

	Note	2017 ------(Rupees in '000')-----	2016
7 CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		1,704,772	1,314,614
Foreign currencies		261,795	133,954
National prize bonds		664	414
		<u>1,967,231</u>	<u>1,448,982</u>
With State Bank of Pakistan in:			
Local currency current accounts	7.1	6,171,976	6,099,010
Foreign currency current accounts	7.1	58,006	30,961
Foreign currency deposit accounts	7.2	87,311	65,458
		<u>6,317,293</u>	<u>6,195,429</u>
With National Bank of Pakistan in:			
Local currency current accounts		578,779	955,469
Local currency deposit accounts		4,682	4,931
Foreign currency current accounts		48,033	31,715
		<u>631,494</u>	<u>992,115</u>
		<u><u>8,916,018</u></u>	<u><u>8,636,526</u></u>

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

7.2 These represent accounts maintained for mandatory reserve requirements with the SBP. These accounts carry mark up rate of 0.37 % (2016: Nil) per annum.

	Note	2017 ------(Rupees in '000')-----	2016
8 BALANCES WITH OTHER BANKS			
In Pakistan			
On current accounts		2,564,648	2,314,254
On deposit accounts	8.1	241,302	7,145,218
		<u>2,805,950</u>	<u>9,459,472</u>
Outside Pakistan			
On current accounts		32,225	171,450
On deposit accounts	8.2	429,204	360,034
		<u>461,429</u>	<u>531,484</u>
		<u>3,267,379</u>	<u>9,990,956</u>
Provision for doubtful placement with the bank	8.3	(10,028)	(10,028)
		<u><u>3,257,351</u></u>	<u><u>9,980,928</u></u>

8.1 These represent short-term deposits with banks at mark-up rates ranging from 0.10 % to 5.67 % (2016: 2.00% to 5.80%) 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.

	Note	2017 ----- (Rupees in '000) -----	2016
8.3 Particulars of provision for doubtful placement with a bank			
Opening balance	21.9	10,028	10,028
Charge for the year		-	-
Reversals		-	-
Closing balance		<u>10,028</u>	<u>10,028</u>
9 LENDINGS TO FINANCIAL INSTITUTIONS			
Call money lending	9.2	-	5,475,000
Repurchase agreement lendings (Reverse repo)	9.3 & 9.7	-	192,307
Bai Muajjal receivable from SBP	9.4	1,529,106	-
Placements with financial institutions	9.5	<u>238,944</u>	3,398,944
		<u>1,768,050</u>	9,066,251
Provision against placements with financial institutions	9.6	<u>(238,944)</u>	(238,944)
		<u>1,529,106</u>	<u>8,827,307</u>
9.1 Particulars of lendings			
In local currency		1,529,106	8,827,307
In foreign currency		-	-
		<u>1,529,106</u>	<u>8,827,307</u>

9.2 This represents unsecured lending to commercial bank at the mark-up rate of Nil (2016: 4.50% to 5.25 %) per annum.

9.3 This represents repurchase agreement lendings (reverse repo) secured against government securities carrying mark-up rate of Nil (2016: 6.25 %) per annum.

9.4 This represents Bai Muajjal agreement entered into with SBP, whereby the Bank sold sukuk on deferred payment basis. The return on these transactions is from 5.641 % to 5.7641 % per annum. The balances are due to mature on June 21, 2018.

9.5 This represents / includes Rs. 238.944 million (2016: Rs 238.944 million) that is overdue and fully provided for.

	Note	2017 ----- (Rupees in '000) -----	2016
9.6 Particulars of provision against lendings to financial institutions			
Opening balance		238,944	238,944
Charge for the year		-	-
Reversals		-	-
		-	-
Closing balance		<u>238,944</u>	<u>238,944</u>

9.7 Securities held as collateral against lendings to financial institutions

	2017			2016		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
(Rupees in '000')						
Market Treasury Bills	-	-	-	192,307	-	192,307
	-	-	-	192,307	-	192,307

10 INVESTMENTS

10.1 Investments by types

		2017			2016		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
(Rupees in '000')							
Note							
Held-for-trading securities							
Pakistan Investment Bonds		-	-	-	360,081	-	360,081
		-	-	-	360,081	-	360,081
Available-for-sale securities							
Market Treasury Bills	10.2.1	21,815,852	24,827,491	46,643,343	43,620,749	14,420,352	58,041,101
Pakistan Investment Bonds	10.2.1	23,862,623	36,951,525	60,814,148	55,822,793	9,695,393	65,518,186
Government of Pakistan Sukuk	10.2.1	6,250,297	-	6,250,297	7,250,546	-	7,250,546
Ordinary shares of listed companies		1,355,427	-	1,355,427	888,612	-	888,612
Ordinary shares of unlisted companies		30,487	-	30,487	30,487	-	30,487
Ordinary shares of related party - Unlisted shares		112,500	-	112,500	112,500	-	112,500
Preference shares of unlisted company	10.6	195,000	-	195,000	195,000	-	195,000
Listed term finance certificates		338,305	-	338,305	138,550	-	138,550
Unlisted term finance certificates		505,000	-	505,000	168,762	-	168,762
Sukuks		3,518,669	-	3,518,669	3,228,784	-	3,228,784
		57,984,160	61,779,016	119,763,176	111,456,783	24,115,745	135,572,528
Held-to-maturity securities							
Pakistan Investment Bonds	10.2.1	22,026,533	-	22,026,533	5,372,809	-	5,372,809
Sukuks		-	-	-	66,667	-	66,667
		22,026,533	-	22,026,533	5,439,476	-	5,439,476
Investment in associate	10.1.1	40,504	-	40,504	40,504	-	40,504
		80,051,197	61,779,016	141,830,213	117,296,844	24,115,745	141,412,589
Provision for diminution in value of investments	10.3	(865,176)	-	(865,176)	(861,897)	-	(861,897)
Investments - net of provision		79,186,021	61,779,016	140,965,037	116,434,947	24,115,745	140,550,692
Surplus on revaluation of held-for-trading securities - net	10.5	-	-	-	716	-	716
(Deficit) / surplus on revaluation of available-for-sale securities - net	20	(491,254)	-	(491,254)	1,050,947	-	1,050,947
Total investments		78,694,767	61,779,016	140,473,783	117,486,610	24,115,745	141,602,355

10.1.1 Investment in associate - unlisted shares

	Number of shares	Percentage of holding	2017 (Rupees in '000')	2016
Taurus Securities Limited	4,050,374	30%	40,504	40,504

10.1.2 Summary of financial information of associate

Based on the financials

Taurus Securities Limited

December 31, 2016

	Assets	Liabilities	Equity	Revenue	Profit
	Rupees in '000				
	1,169,263	873,908	295,355	114,195	(848)

2017
(Rupees in '000')

10.2 Investments by segments

Federal Government Securities:

- Market Treasury Bills
- Pakistan Investment Bonds
- Government of Pakistan - Sukuk

10.2.2

	46,643,343	58,041,101
	82,840,681	71,251,076
	6,250,297	7,250,546
	135,734,321	136,542,723

Fully paid up ordinary shares:

- Listed companies
- Unlisted companies

	1,355,427	888,612
	30,487	30,487
	1,385,914	919,099

Related party:

- Ordinary shares of unlisted company

	112,500	112,500
--	----------------	---------

Term finance certificates:

- Listed term finance certificates
- Unlisted term finance certificates

	338,305	138,550
	505,000	168,762
	843,305	307,312

Other investments:

- Preference shares of unlisted company
- Sukuks

10.6

	195,000	195,000
	3,518,669	3,295,451
	3,713,669	3,490,451

Investment in associate

	40,504	40,504
--	---------------	--------

Provision for diminution in value of investments

10.3

	(865,176)	(861,897)
--	------------------	-----------

Investments - net of provision

	140,965,037	140,550,692
--	--------------------	-------------

Surplus on revaluation of held-for-trading securities - net

10.5

	-	716
--	---	-----

(Deficit) /surplus on revaluation of available-for-sale securities - net

20

	(491,254)	1,050,947
--	------------------	-----------

Total investments

	140,473,783	141,602,355
--	--------------------	-------------



10.2.1 Principal terms of investments in Federal Government Securities

Name of investment	Yield / Return	Maturity	Redemption	Coupon
Market Treasury Bills	5.991 % to 6.013 %	18-January-2018 to 24-May-2018	On maturity	At maturity
Pakistan Investment Bonds	7.00 % to 12.00%	26-March-2018 to 21-April-2026	On maturity	Half yearly
Government of Pakistan Sukuk	5.24% to 6.10%	15-February-2019 to 30-June-2020	On maturity	Half yearly

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

	Note	2017 ----- (Rupees in '000') -----	2016
10.3 Particulars of provision for diminution in value of investments			
Opening balance		861,897	958,614
Charge for the year	10.3.1	18,771	46,820
Reversal on disposals		(15,492)	(143,537)
		3,279	(96,717)
Closing balance		865,176	861,897

10.3.1 This includes impairment charge of Rs. 18.77 million (2016: Rs. 15.28 million) in respect of available-for-sale equity securities.

10.3.2 Particulars of provision in respect of type and segment

By type

Available-for-sale securities

Ordinary shares of listed companies		303,806	295,085
Ordinary shares of unlisted companies		30,486	30,486
Ordinary shares of unlisted company - related party		56,250	53,576
Preference shares of unlisted company	10.6	195,000	195,000
Term finance certificates / Sukuks		279,634	287,750
		865,176	861,897

By segment

Fully paid up ordinary shares

Listed companies		303,806	295,085
Unlisted companies		30,486	30,486
Unlisted company - related party		56,250	53,576
Preference shares of unlisted company	10.6	195,000	195,000
Term finance certificates / Sukuks		279,634	287,750
		865,176	861,897

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

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

Pakistan Investment Bonds		-	716
		-	716

10.6 Details of investment in preference shares - unlisted

Name of company	Note	Percentage of Holding	No. of shares	Paid-up Value per share	Total paid-up value	Total Cost December 31, 2017	Based on audited accounts as at	Name of Chief Executive/ Managing Agent
				----- (Rupees in '000') -----				
Saudi Pak Leasing Company Limited	10.6.1	37%	19,500,000	10	195,000	195,000	December 31, 2015	Kamal Uddin Khan

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

	Note	2017 ----- (Rupees in '000') -----	2016
11 ADVANCES			
Loans, cash credits & running finances, etc.			
In Pakistan		45,591,055	29,845,102
Outside Pakistan		-	-
		<u>45,591,055</u>	<u>29,845,102</u>
Islamic financing and related assets	11.2	40,855,200	5,275,801
Net investment in Ijarah:			
In Pakistan	11.3	761,525	581,858
Outside Pakistan		-	-
		<u>761,525</u>	<u>581,858</u>
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		331,582	204,902
Payable outside Pakistan		133,211	146,816
		<u>464,793</u>	<u>351,718</u>
Advances - gross		<u>87,672,573</u>	<u>36,054,479</u>
Provision against loans and advances	11.5	(4,303,521)	(4,410,594)
Advances - net of provision		<u>83,369,052</u>	<u>31,643,885</u>
11.1 Particulars of advances - gross			
11.1.1 In local currency		87,672,573	36,054,479
In foreign currencies		-	-
		<u>87,672,573</u>	<u>36,054,479</u>
11.1.2 Short term (for up to one year)		57,003,275	22,660,761
Long term (for over one year)		30,669,298	13,393,718
		<u>87,672,573</u>	<u>36,054,479</u>

	Note	2017 ----- (Rupees in '000') -----	2016
11.2 Islamic financing and related assets (Annexure)			
Murabaha financing		3,555,655	1,643,500
Diminishing Musharakah		1,853,726	2,426,660
Istisna work in progress		2,376,042	1,200,000
Qarz-e-Hasna		69,777	5,641
Running Musharakah		33,000,000	-
		40,855,200	5,275,801
11.3 Net investment in Ijarah			
Ijarah under finance method	11.3.1	6,155	6,785
Ijarah under IFAS-2	11.3.2	742,077	554,439
		748,232	561,224
Assets/inventory		13,293	20,634
		761,525	581,858

11.3.1 Ijarah under finance method

	2017				2016			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	----- (Rupees in '000') -----							
Ijarah rentals receivable	5,799	1,177	-	6,976	4,743	4,021	-	8,764
Residual value	449	20	-	469	444	35	-	479
Minimum Ijarah rentals	6,248	1,197	-	7,445	5,187	4,056	-	9,243
Profit for future periods	(857)	(433)	-	(1,290)	(753)	(1,705)	-	(2,458)
Ijarah under finance method	5,391	764	-	6,155	4,434	2,351	-	6,785

11.3.2 Ijarah under IFAS-2

Ijarah assets under IFAS-2 are stated at cost of Rs. 1,222.234 million (2016: Rs. 890.632 million) less accumulated depreciation of Rs. 480.157 million (2016: Rs. 336.193 million) in accordance with the SBP letter No. BPRD/BLRD-04/2008-6268.

11.3.3 Ijarah Assets

	2017				2016			
	Vehicles	Plant & Machinery	Housing	Total	Vehicles	Plant & Machinery	Housing	Total
	Rupees in '000							
Cost of Ijarah	883,324	332,161	6,749	1,222,234	581,822	302,067	6,743	890,632
Accumulated Depreciation	(309,276)	(165,050)	(5,831)	(480,157)	(216,761)	(116,370)	(3,062)	(336,193)
Net book value	574,048	167,111	918	742,077	365,061	185,697	3,681	554,439

11.4 Advances aggregating to Rs. 4,808.257 million (2016: Rs. 5,456.524 million) have been placed under non-performing status as detailed below:

Category of classification	2017								
	Classified advances			Provision required			Provision held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	(Rupees in '000')								
Other Assets - Especially Mentioned *	19,207	-	19,207	400	-	400	400	-	400
Substandard	60,908	-	60,908	12,267	-	12,267	12,267	-	12,267
Doubtful	75,886	-	75,886	7,093	-	7,093	7,093	-	7,093
Loss	4,652,256	-	4,652,256	4,258,807	-	4,258,807	4,258,807	-	4,258,807
	4,808,257		4,808,257	4,278,567		4,278,567	4,278,567		4,278,567

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

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

11.4.1 State Bank of Pakistan through various circulars has allowed benefit of the forced sales value (FSV) of plant & machinery under charge, pledged stocks & mortgaged residential, commercial and industrial properties (land and building only) held as collateral against Non-Performing Loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2017, the Bank has availed cumulative benefit of forced sale values of Rs. 422.657 million (2016: Rs. 453.778 million). Increase in unappropriated profit net of tax amounting to Rs. 274.727 million (2016: Rs. 294.956 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

11.5 Particulars of provision against loans and advances

	2017			2016		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000')					
Opening balance	4,379,722	30,872	4,410,594	3,655,490	28,046	3,683,536
Charge for the year	438,441	-	438,441	1,060,047	2,826	1,062,873
Reversals	(539,596)	(5,918)	(545,514)	(335,815)	-	(335,815)
	(101,155)	(5,918)	(107,073)	724,232	2,826	727,058
Amounts written off	-	-	-	-	-	-
Closing balance	4,278,567	24,954	4,303,521	4,379,722	30,872	4,410,594

11.5.1 Particulars of provision against loans and advances

	2017			2016		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000')					
In local currency	4,278,567	24,954	4,303,521	4,379,722	30,872	4,410,594
In foreign currencies	-	-	-	-	-	-
	4,278,567	24,954	4,303,521	4,379,722	30,872	4,410,594

	Note	2017 ------(Rupees in '000')-----	2016
11.6 Particulars of write-offs			
11.6.1 Against provisions		-	-
Directly charged to profit and loss account		-	438
		<u>-</u>	<u>438</u>
11.6.2 Write-offs of Rs. 500,000 and above	11.6.3	-	-
Write-offs below Rs. 500,000		-	438
		<u>-</u>	<u>438</u>

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

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, a Statement in respect of written off loans or financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2017 is given in Annexure 'B'. However, these write-offs do not affect the Bank's right to recover debts from these customers.

	Note	2017 ------(Rupees in '000')-----	2016
11.7 Particulars of loans and advances to directors, executives, associated companies etc.			
Debts due by directors, executives or officers of the Bank or any of them either severally or jointly with any other persons			
Balance at beginning of year		1,739,399	1,563,867
Loans granted during the year		351,400	471,914
Repayments/ adjustments		(175,304)	(296,382)
Balance at end of year		<u>1,915,495</u>	<u>1,739,399</u>
12 OPERATING FIXED ASSETS			
Capital work-in-progress	12.1	331,996	430,319
Property and equipment	12.2	1,973,306	1,597,222
Intangible assets	12.3	64,824	43,013
		<u>2,370,125</u>	<u>2,070,554</u>
12.1 Capital work-in-progress			
Civil work		220,922	285,391
Intangibles		71,753	57,886
Office equipment		17,519	17,964
Advances to suppliers and contractors		21,802	69,078
		<u>331,996</u>	<u>430,319</u>
12.2 Property and equipment			

Description	2017							
	COST / REVALUATION			ACCUMULATED DEPRECIATION			Book value as at December 31, 2017	Useful life (Number of years)
	As at January 1, 2017	Additions / (Disposals) / (Adjustments)	As at December 31, 2017	As at January 1, 2017	Charge for the year / (depreciation on disposals) / (Adjustments)	As at December 31, 2017		
	------(Rupees in '000')-----							
Leasehold land (Note 12.2.1)	891,441	-	891,441	-	-	-	891,441	-
Freehold land	58,000	-	58,000	-	-	-	58,000	-
Building on leasehold land	-	-	-	-	-	-	-	10
Building on freehold land	93,964	194,603	288,567	31,097	24,360	55,457	233,110	10
Furniture and fixture	192,097	52,959 (6,304)	238,752	104,190	21,200 (6,048)	119,342	119,410	05 - 10
Office equipment	718,548	161,875 (6,925)	873,498	430,232	111,410 (6,863)	534,779	338,719	03 - 10
Vehicles	25,638	1,909 (5,866)	21,681	18,551	1,900 (4,314)	16,137	5,544	05
Library books	675	31	706	637	12	649	57	10
Leasehold Improvements	500,509	204,100 (13,592)	691,017	298,943	78,051 (13,001)	363,993	327,024	05
	<u>2,480,872</u>	<u>615,477</u> <u>(32,687)</u>	<u>3,063,662</u>	<u>883,650</u>	<u>236,933</u> <u>(30,226)</u>	<u>1,090,357</u>	<u>1,973,305</u>	

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

12.2.1 Revaluation of leasehold land

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

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

	(Rupees in '000')
Building on free hold land	1,964
Furniture & fixture	51,593
Office equipment	192,499
Vehicles	15,169
Library books	784
Renovation	140,387
Intangibles	23,522

12.2.3 Details of disposals of operating fixed assets

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

Description	Cost	Accumulated Depreciation	Net Book Value	Sale Proceeds	Mode of Disposal	Particular of Purchasers
	(Rupees in '000')					
Furniture and fixture	6,304	6,048	256			M/s Pamir Cable TV Network, M/s Asim Disposal centre karachi, M/s Syed battery & Solar system Shabqader, M/s Farhan & Company Lahore, M/s Zamir Plastic godown, M/s Subidar Govt Contractor, Mr Umra Khan, M/s Ibrar Nailam ghar, Mr.Afzal Tauni, Mr. Shabir Ahmed, M/s Sami building material, Mr. Muhammad Yousaf, M/s Rizwan Kabari & Second hand shop, M/s Malik Refrigeration air conditioner
Office equipment	6,926	6,864	62			Mr. Aftab Ahmed
Vehicle	67	67	-			Mr. Inayat Ur Rehman
Renovation	13,592	13,001	591			Mr. Muhammad Illyas
	26,889	25,980	909	836	Auction	Mr. Shams Ul Qayyum
Honda City	994	994	-	514	Auction	Muhammad Haris
Toyota Corolla	1,114	1,114	-	748	Auction	Syed Batteries and Technologies
Toyota Corolla	984	984	-	752	Auction	
Honda Civic	2,586	1,034	1,552	1,552	Final Settlement	
Motorcycle	70	70	-	6	Auction	
Motorcycle	50	50	-	12	Auction	
	5,798	4,246	1,552	3,584		
2017	32,687	30,226	2,461	4,420		
2016	39,868	37,486	2,382	2,840		



12.3 Intangible assets

Description	COST			ACCUMULATED AMORTIZATION				Amortization Rate (%)
	As at 1 January 2017	Additions	As at 31 December 2017	As at 1 January 2017	Charge for the year	As at 31 December 2017	Book Value as at 31 December 2017	
	(Rupees in '000')							
Software 2017	90,388	59,513	149,901	47,375	37,702	85,077	64,824	33.33%
Software 2016	64,933	25,455	90,388	27,377	19,998	47,375	43,013	33.33%

	Note	2017 ----- (Rupees in '000) -----	2016
13 OTHER ASSETS			
Income / mark-up accrued in local currency		3,978,166	3,142,629
Advances, deposits, advance rent and other prepayments		244,282	458,819
Non-banking assets acquired in satisfaction of claims - at cost		-	-
Stationery and stamps on hand		10,305	13,635
Advance income tax - net		106,574	-
Others		641,704	186,876
		4,981,031	3,801,959
Provision held against other assets	13.1	(143,833)	(163,240)
		4,837,198	3,638,719
13.1 Provision held against other assets			
Opening balance		163,240	165,539
Charge for the year		-	20,000
Reversal for the year		(19,407)	(22,299)
		(19,407)	(2,299)
Amounts written off		-	-
Closing balance		143,833	163,240
14 BILLS PAYABLE			
In Pakistan		1,131,241	775,938
Outside Pakistan		-	-
		1,131,241	775,938
15 BORROWINGS			
In Pakistan		64,189,586	28,700,825
Outside Pakistan		-	-
		64,189,586	28,700,825
15.1 Particulars of borrowings with respect to currencies			
In local currency		64,189,586	28,700,825
In foreign currencies		-	-
		64,189,586	28,700,825

	Note	2017 ----- (Rupees in '000') -----	2016
15.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan under:			
Export refinance scheme	15.2.1	2,014,300	1,698,000
Long term financing facility	15.2.2	296,270	13,805
SME refinance scheme	15.2.3	-	1,006
		2,310,570	1,712,811
Repurchase agreement borrowings	15.2.4	41,822,703	14,420,352
Bai Muajjal payable to other financial institutions	15.2.5	19,956,313	9,695,393
		61,779,016	24,115,745
Unsecured			
Call borrowing	15.2.6	100,000	2,872,269
		64,189,586	28,700,825

15.2.1 The Bank has entered into agreements for financing with the SBP for extending export finance to customers. As per terms of the agreement, the Bank has granted right to SBP to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These carry mark-up at the rate of 3 % (2016: 3 %) per annum. The borrowings are repayable within 180 days from the deal date.

15.2.2 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernisation of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. These carry mark-up at a rate of 6.00 % (2016: 6.00%) per annum.

15.2.3 This represents SBP refinance scheme for the modernization of SME's. Under this scheme the loan is refinanced up to 100% by SBP. It carries mark-up at a rate Nil (2016: 6.00%) per annum.

15.2.4 Repurchase agreements with State Bank of Pakistan and with various parties carries interest rate of 5.80 % to 6.05 % (2016: 5.96 %) per annum with maturities up to January 05, 2018 and are secured by way of investments given as collateral as referred in note 10.1.

15.2.5 This represents secured borrowing under Bai Muajjal carrying returns ranging from 5.79 % to 5.83 % per annum (2016: 5.80 % to 5.81 %) with maturities upto September 12, 2018 and are secured by way of government securities given as collateral as referred in note 10.1.

15.2.6 Call borrowing from financial institutions carries interest rate of 5.60 % (2016: 5.60 % to 5.95 %) per annum with maturities up to January 12, 2018.

	Note	2017 ----- (Rupees in '000') -----	2016				
16 DEPOSITS AND OTHER ACCOUNTS							
Customers							
Fixed deposits		75,022,400	61,494,660				
Savings deposits		47,813,215	60,140,991				
Current accounts - Non-remunerative		30,992,085	28,280,085				
Call deposits		2,814,930	5,316,386				
Margin and sundry deposits		2,563,796	1,754,950				
		<u>159,206,426</u>	<u>156,987,072</u>				
Financial Institutions							
Remunerative deposits		40,153	32,224				
Non-remunerative deposits		395	1,069				
		<u>40,548</u>	<u>33,293</u>				
		<u>159,246,974</u>	<u>157,020,365</u>				
16.1 Particulars of deposits							
In local currency		158,712,315	156,654,861				
In foreign currencies		534,659	365,504				
		<u>159,246,974</u>	<u>157,020,365</u>				
17 DEFERRED TAX ASSET / (LIABILITY) - NET							
Deferred tax asset arising in respect of:							
Provision for balances with other banks		3,510	3,510				
Provision for diminution in value of investments		87,203	87,203				
(Reversal) / provision against loans and advances - net		22,221	43,027				
Provision for other assets		3,448	3,448				
Re-measurement of defined benefit plan		48,285	31,103				
Accelerated tax depreciation		793	4,859				
Islamic Pool Management Reserve		42,352	42,937				
		<u>207,812</u>	<u>216,087</u>				
Deferred tax asset / (liability) arising in respect of:							
Deficit / (surplus) on revaluation of investments		171,939	(367,832)				
		<u>171,939</u>	<u>(367,832)</u>				
	17.1	<u>379,751</u>	<u>(151,745)</u>				
17.1 Reconciliation of deferred tax							
	Balance at January 1, 2016	Recognized in Profit and Loss Account	Recognized in Equity	Balance at December 31, 2016	Recognized in Profit and Loss Account	Recognized in Equity	Balance at December 31, 2017
	----- (Rupees in '000') -----						
Deferred tax asset arising in respect of:							
Provision for balances with other banks	3,510	-	-	3,510	-	-	3,510
Provision for diminution in value of investments	87,203	-	-	87,203	-	-	87,203
Provision against loans and advances	9,754	33,273	-	43,027	(20,806)	-	22,221
Provision for other assets	3,448	-	-	3,448	-	-	3,448
Re-measurement of defined benefit obligations	14,354	-	16,749	31,103	-	17,182	48,285
Islamic pool management reserve	40,530	2,407	-	42,937	(585)	-	42,352
Accelerated tax depreciation	-	11,217	-	4,859	(4,066)	-	793
Deficit on revaluation of investments	-	-	-	-	-	539,771	171,939
	<u>158,799</u>	<u>46,897</u>	<u>16,749</u>	<u>216,087</u>	<u>(25,457)</u>	<u>556,953</u>	<u>379,751</u>
Deferred tax liability arising in respect of:							
Accelerated tax depreciation	(6,358)	-	-	-	-	-	-
Surplus on revaluation of investments	(621,564)	-	253,732	(367,832)	-	-	-
	<u>(627,922)</u>	<u>-</u>	<u>253,732</u>	<u>(367,832)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax (liability) / asset - net	<u>(469,123)</u>	<u>46,897</u>	<u>270,481</u>	<u>(151,745)</u>	<u>(25,457)</u>	<u>556,953</u>	<u>379,751</u>

	Note	2017 ----- (Rupees in '000') -----	2016
18 OTHER LIABILITIES			
Mark-up / return / interest payable in local currency		3,640,560	2,255,706
Unearned commission and income on bills discounted		65,639	39,696
Accrued expenses		134,368	132,518
Branch adjustment account		232,552	229,766
Payable to gratuity fund	33.2	143,217	181,148
Share subscription money refund	18.1	1,091	1,091
Mark-up in suspense		41,419	25,800
Deferred income on murabaha		85,889	49,465
Security deposits against Ijarah		212,659	161,235
Islamic Pool Management Reserve	18.2	132,465	122,678
Payable against purchase of securities		102,086	-
Un-earned Bai Maujjal sukuk		42,605	-
Unclaimed dividends		29,432	17,735
Current taxation (provision less payments)		-	183,612
Others	18.3	302,482	208,407
		5,166,464	3,608,857

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

18.2 This includes equity portion of Profit Equalization Reserve amounting to Rs. 42.671 million (2016: Rs. 38.125 million), which has been presented as reserve in Annexure-A.

18.3 This includes Rs. 60.470 million (2016 : Rs. 99.172 million) net of expenses, received from the Government of Khyber Pakhtunkhwa for meeting the expenses of poverty reduction schemes initiated by the Government. The Bank being agent of the Government is administering the referred schemes and responsible for disbursement and collection of loans under such schemes.

19 SHARE CAPITAL

19.1 Authorized capital

2017	2016		2017	2016
Number of shares			(Rupees in '000')	
1,500,000,000	1,500,000,000	Ordinary shares of Rs.10/- each	15,000,000	15,000,000

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

2017	2016		2017	2016
Number of shares			(Rupees in '000')	
Ordinary shares				
722,698,448	722,698,448	Fully paid in cash	7,226,984	7,226,984
277,554,037	277,554,037	Issued as fully paid bonus	2,775,540	2,775,540
1,000,252,485	1,000,252,485		10,002,524	10,002,524

19.3 At reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 702,208,233 (2016: 702,208,233) and 241,639,031 (2016: 241,639,031) ordinary shares respectively.

	Note	2017 ----- (Rupees in '000') -----	2016
20 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX			
(Deficit) /surplus on revaluation of available-for-sale securities			
Federal Government securities			
- Market Treasury Bills		(8,210)	(19,676)
- Pakistan Investment Bonds		(508,174)	495,268
- Government of Pakistan - Sukuk		47,678	124,554
Fully paid up ordinary shares - listed		(22,548)	450,801
		(491,254)	1,050,947
Deferred tax asset / (liability)	10.1, 10.2 & 20.1	171,939	(367,832)
		(319,315)	683,115
Surplus on revaluation of fixed assets			
Leasehold land	12.2.1	774,183	774,183
		454,868	1,457,298

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

21 CONTINGENCIES AND COMMITMENTS

	Note	2017 ----- (Rupees in '000') -----	2016
21.1 Direct credit substitutes			
Contingent liabilities in respect of guarantees given favoring:			
Banks		-	-
Others		622,070	539,084
		622,070	539,084
21.2 Transaction - related contingent liabilities			
Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favoring:			
Government		10,404,667	6,935,508
Others		3,468,222	4,211,008
	21.2.1	13,872,889	11,146,516

21.2.1 This includes expired letters of guarantee aggregating to Rs. 2,980.699 million (2016: Rs. 3,496.433 million) for which formalities for return of original documents are in process.

	Note	2017 ----- (Rupees in '000') -----	2016
21.3 Trade-related contingent liabilities			
Letters of credit			
Sight		2,806,338	1,790,467
Usance		523,914	360,776
		3,330,252	2,151,243
Acceptances		741,477	848,219
		4,071,729	2,999,462
21.4 Commitments in respect of forward exchange contracts			
Purchase		1,005,048	3,368,458
Sale		1,175,536	3,655,998

21.4.1 All forward exchange contracts are backed by trade related transactions to meet the needs of the Bank's clients to generate trading revenues and, as part of its asset and liability management activity, to hedge its own exposure to currency risk. At the year end, all foreign exchange contracts have a remaining maturity of less than one year.

	Note	2017 ----- (Rupees in '000') -----	2016
21.5 Other commitments			
Bills for collection			
Inland bills		57,559	117,019
Foreign bills		584,101	659,128
		641,660	776,147

21.6 Commitments to extend credit

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

21.7 Commitment for the acquisition of operating fixed assets

On reporting date the Bank was Committed to Rs. 194.166 million (2016: Rs. 256.979 million).

21.8 The income tax assessments of the Bank have been finalized up to tax year 2017.

21.8.1 During financial year 2011, the tax authorities issued an amended order for the tax year 2009 disallowing certain expenditure on account of lack of evidence for such expenditure resulting in an additional tax demand of Rs. 308.900 million. The Bank filed an appeal as well as rectification application against the said order. Based on rectification application, the order was amended and accordingly the additional demand was reduced to Rs. 256.349 million. During 2012, the Commissioner Inland Revenue (Appeals) [CIR (A)] through an order dated June 01, 2012 has deleted certain additions on account of disallowances except for the additions under certain heads of expenses having tax impact of approximately Rs. 23 million. The Bank had filed an appeal against the order of the Appellate Tribunal Inland Revenue (ATIR) in respect of remaining additions which also decided in favor of the Bank. Subsequently, CIR went in to appeal in Peshawar High Court. The management is confident that matter will be decided in Bank's favor.

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

	2017	2016
Note	----- (Rupees in '000) -----	
22 MARK-UP / RETURN / INTEREST EARNED		
On loans and advances to:		
Customers		
Mark-up / return / interest earned	3,842,699	2,192,742
On investments in		
Held-for-trading securities	135,696	79,793
Available-for-sale securities	9,087,598	8,459,885
Held-to-maturity securities	1,073,515	588,478
	10,296,809	9,128,156
On deposits with financial institutions	160,294	473,719
On securities purchased under resale agreements	75,580	254,435
	14,375,382	12,049,052
23 MARK-UP / RETURN / INTEREST EXPENSED		
Deposits	6,698,358	6,905,997
Securities sold under repurchase agreement borrowings	1,530,425	505,485
Other short-term borrowings	1,347,159	230,279
Others	407	814
	9,576,349	7,642,575
24 GAIN ON SALE OF SECURITIES - NET		
Federal Government Securities	852,245	2,086,996
Ordinary shares	208,927	26,867
Units in mutual funds	-	25,621
	1,061,172	2,139,484
25 OTHER INCOME		
Postal, SWIFT, service and other charges	64,971	35,782
Rent on lockers	2,522	2,068
Gain on sale of operating fixed assets	1,959	458
(Loss) /gain on sale of non-banking assets acquired in satisfaction of claim	-	(4,267)
Miscellaneous income	49,712	55,301
	119,164	89,342

	Note	2017 ------(Rupees in '000)-----	2016
26 ADMINISTRATIVE EXPENSES			
Salaries and allowances, etc.		1,974,128	1,645,466
Charge for defined benefit plan	33.6	95,626	92,281
Contribution to defined contribution plan - Provident Fund	34	105,290	88,330
Voluntary Separation Scheme (VSS) benefits		150,808	64,346
Non-executive directors' fee, allowances and other expenses		9,886	6,645
Rent, taxes, insurance, electricity, etc.		500,238	419,741
Legal and professional charges		46,370	52,030
Communications		149,020	145,571
Repairs and maintenance		41,444	35,377
Stationery and printing		39,900	38,650
Advertisement and publicity		32,625	72,658
Auditors' remuneration	26.1	9,655	6,599
Depreciation	12.2	236,933	206,055
Amortization	12.3	37,702	19,998
Brokerage and commission		14,669	18,408
Entertainment		29,522	32,679
Travelling, boarding and lodging		54,774	54,916
Vehicle expenses		3,087	4,556
Newspapers and periodicals		1,591	2,335
Donations	26.2	235	280
Training		6,840	4,610
Sports		50	413
Software maintenance charges		11,353	5,101
Security charges		120,650	105,335
Cash transportations charges		32,495	23,836
Others		69,987	64,590
		3,774,878	3,210,806
26.1 Auditors' remuneration			
Audit fee		1,915	1,915
Fee for half-yearly review		830	830
Special certifications and sundry advisory services		5,720	3,200
Out-of-pocket expenses		1,190	654
		9,655	6,599
26.2	No donation individually exceeding Rs.0.1 million has been made during the year and none of the directors, executives or their spouses had any interest in the donee.		



		2017	2016
		----- (Rupees in '000') -----	
	Note		
27	OTHER (REVERSALS)/PROVISIONS		
	Reversal of provision against other assets	(19,407)	(22,299)
	Provision against fraud and forgery cases	-	20,000
	13.1	(19,407)	(2,299)
28	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	2,776	228
		2,776	228
		2017	2016
		----- (Rupees in '000') -----	
	Note		
29	TAXATION		
	Current - for the year	913,141	1,180,880
	- for prior year	66,329	85,492
	Deferred tax	25,457	(46,897)
		1,004,927	1,219,475
29.1	Relationship between tax expense and accounting profit		
	Profit before taxation	2,795,398	3,239,951
	Tax at the applicable rate of 35% (2016: 35%)	978,389	1,133,983
	Prior year tax	66,329	85,492
	Others	(39,791)	-
		1,004,927	1,219,475
30	EARNINGS PER SHARE - BASIC AND DILUTED		
	Profit for the year	1,790,471	2,020,476
	Weighted average number of ordinary shares	Number 1,000,252,485	1,000,252,485
	Earnings per share - Basic and diluted	Rupees 1.79	2.02
	There is no dilution effect on basic earnings per share.		
		2017	2016
		----- (Rupees in '000') -----	
	Note		
31	CASH AND CASH EQUIVALENTS		
	Cash and balances with treasury banks	7 8,916,018	8,636,526
	Balances with other banks	8 3,257,351	9,980,928
		12,173,369	18,617,454
32	STAFF STRENGTH	Number of persons	
	Permanent	1,366	1,307
	On contractual basis	39	59
	Bank's own staff strength at the end of the year	1,405	1,366

33 DEFINED BENEFIT PLAN

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

	Note	2017 ----- (Rupees in '000) -----	2016			
33.2 Reconciliation of payable to defined benefit plan						
Present value of defined benefit obligations	33.3	(845,278)	(839,039)			
Fair value of plan assets	33.4	714,264	657,891			
Benefit payable to outgoing employees		(12,203)	-			
		<u>(143,217)</u>	<u>(181,148)</u>			
33.3 Movement in payable to defined benefit obligation						
Opening balance		(839,039)	(704,742)			
Current service cost		(88,440)	(79,775)			
Interest cost		(61,212)	(59,220)			
Benefits paid during the year		147,789	93,492			
Benefit payable to outgoing employees		12,203	-			
Actuarial losses						
- Experience adjustments		(16,579)	(88,794)			
Closing balance		<u>(845,278)</u>	<u>(839,039)</u>			
33.4 Movement in fair value of plan assets						
Opening balance		657,891	426,837			
Expected return on plan assets		54,026	46,714			
Contribution by the bank		182,648	277,905			
Benefits paid by the fund		(147,789)	(93,492)			
Actuarial loss on plan assets		(32,512)	(73)			
Closing balance		<u>714,264</u>	<u>657,891</u>			
33.5 Movement in payable to defined benefit plan						
Opening balance		(181,148)	(277,905)			
Charge for the year	33.6	(95,626)	(92,281)			
Contribution by the bank		182,648	277,905			
Other comprehensive income	33.7	(49,091)	(88,867)			
Closing balance		<u>(143,217)</u>	<u>(181,148)</u>			
33.6 Amount charged to profit and loss						
Current service cost		(88,440)	(79,775)			
Net interest cost		(7,186)	(12,506)			
		<u>(95,626)</u>	<u>(92,281)</u>			
33.7 Amount charged to other comprehensive income						
Actuarial loss on obligation		(16,579)	(88,794)			
Actuarial loss on plan assets		(32,512)	(73)			
		(49,091)	(88,867)			
Related deferred tax (charge) / reversal		17,182	31,103			
		<u>(31,909)</u>	<u>(57,764)</u>			
33.8 Details of present value (PV) of employees' benefit obligation:						
		2017	2016	2015	2014	2013
		(Rupees in '000')				
PV of defined benefit obligation		<u>845,278</u>	<u>839,039</u>	<u>704,742</u>	<u>559,684</u>	<u>444,411</u>

Estimated charge to profit and loss for the next year is Rs. 104.967 million.

	Note	2017 ----- (Rupees in '000') -----	2016
33.9 Actual return on plan assets			
The actual return earned on the assets during the year are:			
Expected return on plan assets		54,026	46,714
Actuarial loss on plan assets		(32,512)	(73)
		<u>21,514</u>	<u>46,641</u>
33.10 Components of plan assets as a percentage of total plan assets			
Debt instruments		91.04%	52.83%
Equity instruments		8.91%	10.90%
Others (including bank balances)		0.05%	36.27%
33.11 Principal actuarial assumptions			
The latest actuarial valuation was carried out as at December 31, 2017. Projected unit credit actuarial cost method, using following significant assumptions was used for the valuation of the gratuity fund.			
Discount rate		9.50%	8.00%
Expected rate of return on plan assets		9.50%	8.00%
Expected rate of salary increase		7.50%	6.00%
Number of employees covered under retirement benefit plan		1,350	1,294

33.12 Sensitivity analysis	Note	Impact on defined benefit obligation	
		2017 ----- (Rupees in '000') -----	2016
Description			
Current liability		845,278	839,039
+1% Discount Rate		766,297	746,565
-1% Discount Rate		937,632	926,225
+1% Salary Increase Rate		938,678	926,918
-1% Salary Increase Rate		764,140	762,758
+10% Withdrawal Rates		846,689	840,405
-10% Withdrawal Rates		843,845	837,652
1 Year Mortality age set back		844,551	838,406
1 Year Mortality age set forward		846,000	839,669

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

34 DEFINED CONTRIBUTION PLAN - EMPLOYEES' PROVIDENT FUND

34.1 During the year, the Bank has contributed Rs. 105.290 million (2016: Rs. 88.330 million) to the provident fund.

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

	Note	Un-audited 2017 ----- (Rupees in '000') -----	2016
34.2.1 Employees provident fund			
Size of the fund		1,341,689	1,278,465
Investments made (cost)		1,306,720	1,165,420
Percentage of investments made		97%	91%
Fair value of investments		1,304,311	1,164,274
34.2.2 Breakup of investments			
Investment in shares (listed securities)		6,365	6,365
Term deposits receipts		886,000	306,000
Riba free certificates		413,000	700,000
Others		1,355	153,055
		<u>1,306,720</u>	<u>1,165,420</u>

	Note	Un-audited	
		2017	2016
		(Rupees in '000')	
34.2.3 Number of employees - Employees provident fund			
Number of employees at the year end		1366	1307
Average number of employees during the year		1322	1304

35 COMPENSATION OF DIRECTORS AND EXECUTIVES

	Managing Director		Non Executive Directors		Executives	
	2017	2016	2017	2016	2017	2016
----- (Rupees in '000') -----						
Fees	-	-	6,340	3,750	-	-
Managerial remuneration	9,000	12,000	-	-	105,487	75,582
Charge for defined benefit plan	-	-	-	-	16,374	11,597
Contribution to defined contribution plan	-	-	-	-	15,011	9,993
Rent and house maintenance	900	1,200	-	-	45,972	30,725
Utilities	450	600	-	-	15,275	9,993
Medical	284	568	-	-	15,275	9,993
Bonus	7,600	2,000	-	-	13,233	9,579
Conveyance/Car benefit allowance/Fuel	1,033	1,685	-	-	54,716	43,721
Voluntary Separation Scheme	-	-	-	-	121,589	33,804
Others	2,625	2,036	3,546	2,895	12,348	19,479
	21,892	20,089	9,886	6,645	415,280	254,466
Number of persons	1	1	7	6	65	67

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

36 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The maturity and re-pricing profile and effective rates are stated in notes 41.5.1 and 41.4.4 respectively.

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

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

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

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

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

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



2017				
Fair Value				
Level 1	Level 2	Level 3	Total	
(Rupees in '000')				
On balance sheet financial instruments				
Financial assets measured at fair value				
Held for trading securities				
- Shares in listed companies	-	-	-	-
- Pakistan Investment Bonds	-	-	-	-
Available-for-sale securities				
- Market Treasury Bills	-	46,635,133	-	46,635,133
- Pakistan Investment Bonds	-	60,305,974	-	60,305,974
- Shares in listed companies	1,332,879	-	-	1,332,879
- GOP Ijarah Sukuk	6,297,975	-	-	6,297,975
- Term Finance Certificates (TFCs)	-	338,305	-	338,305
	7,630,854	107,279,412	-	114,910,266
Non - Financial Assets measured at fair value				
Operating fixed assets (Leasehold land)	-	891,441	-	891,441
Off balance sheet financial instruments				
Foreign exchange contracts purchase	-	1,005,048	-	1,005,048
Foreign exchange contracts sale	-	1,175,536	-	1,175,536

2016				
Fair Value				
Level 1	Level 2	Level 3	Total	
(Rupees in '000')				
On balance sheet financial instruments				
Financial assets measured at fair value				
Held for trading securities				
- Shares in listed companies	-	-	-	-
- Pakistan Investment Bonds	-	360,081	-	360,081
Available-for-sale securities				
- Market Treasury Bills	-	58,021,425	-	58,021,425
- Pakistan Investment Bonds	-	66,013,454	-	66,013,454
- Shares in listed companies	1,339,413	-	-	1,339,413
- GOP Ijarah Sukuk	7,375,100	-	-	7,375,100
- Term Finance Certificates (TFCs)	-	138,550	-	138,550
	8,714,513	124,173,429	-	133,056,704
Non - Financial Assets measured at fair value				
Operating fixed assets (Leasehold land)	-	891,441	-	891,441
Off balance sheet financial instruments				
Foreign exchange contracts purchase	-	3,368,458	-	3,368,458
Foreign exchange contracts sale	-	3,655,998	-	3,655,998

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

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuku 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.
Units of mutual funds	Fair values of investments in units of mutual funds are determined based on redemption prices as at the close of the business day.

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

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

37 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	2017				Total
	Corporate finance	Trading and sales	Retail Banking	Commercial Banking	
	----- (Rupees in '000') -----				
Total income	11,970,433	1,682,763	163,786	2,209,218	16,026,200
Total expenses	10,600,973	1,455,775	132,791	2,046,190	14,235,729
Net income	1,369,460	226,988	30,995	163,028	1,790,471
Segment assets - Gross	189,326,918	6,676,069	8,953,337	45,599,886	250,556,210
Segment non performing loans	200,641	119,525	43,759	4,444,332	4,808,257
Segment provision required	115,977	708,876	40,210	4,696,439	5,561,502
Segment liabilities	123,310,079	68,455,554	2,775,375	35,193,258	229,734,265
Segment return on net assets (ROA) (%)	0.72%	3.80%	0.35%	0.40%	0.73%
Segment cost of funds (%)	8.60%	2.13%	4.78%	5.81%	6.20%



	2016				
	Corporate finance	Trading and sales	Retail Banking	Commercial Banking	Total
	(Rupees in '000')				
Total income	7,033,129	1,681,953	195,810	5,811,148	14,722,040
Total expenses	6,019,871	907,788	138,933	5,634,972	12,701,564
Net income	1,013,259	774,165	56,876	176,176	2,020,476
Segment assets - Gross	150,125,494	18,606,358	7,420,060	35,933,066	212,084,978
Segment non performing loans	211,082	183,188	30,597	5,031,657	5,456,524
Segment provision required	211,082	1,245,119	47,396	4,181,107	5,684,704
Segment liabilities	73,016,262	22,866,670	1,718,473	92,656,325	190,257,730
Segment return on net assets (ROA) (%)	0.68%	4.46%	0.77%	0.55%	0.98%
Segment cost of funds (%)	8.24%	3.97%	8.08%	6.08%	6.68%

38 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

39 RELATED PARTY TRANSACTIONS

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

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

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

	2017			2016		
	Key management personnel	Associate	Employee funds	Key management personnel	Associate	Employee funds
	(Rupees in '000')					
Advances						
At the beginning of the year	193,406	-	-	157,795	-	-
Disbursed during the year	128,731	-	-	91,027	-	-
Repaid / adjusted during the year	(61,352)	-	-	(55,416)	-	-
At end of the year	260,785	-	-	193,406	-	-
Deposits						
At the beginning of the year	43,360	21,677	281,325	18,216	15,852	74,963
Placements made during the period	376,771	32,172	1,864,743	241,700	37,685	555,817
Withdrawals during the period	(393,361)	(32,303)	(2,119,630)	(216,556)	(31,860)	(349,455)
At end of the year	26,770	21,546	26,438	43,360	21,677	281,325
Placements	-	-	1,934,000	-	-	1,492,700
Lease Liabilities	-	-	-	-	-	-
Transactions during the year						
Mark-up / return / interest earned	7,543	-	-	5,111	-	-
Mark-up / return / interest expensed	1,668	363	130,017	347	668	176,213

39. Although the Government of Khyber Pakhtunkhwa holds 70.20% shares of the Bank (2016: 70.20%), the transactions with it have not been treated as related party transactions for the purpose of this disclosure.
39. The Bank of Khyber is exempted from detailed related parties disclosure for being Government entity, and disclosed as required under IAS-24 "Related Party Disclosures". Relevant details are referred in the following notes:

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

40. CAPITAL - ASSESSMENT AND ADEQUACY BASEL III SPECIFIC

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

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

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

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

The overall capital adequacy ratio (CAR) remains at the level of 10.00% , However, Banks are required to raise the capital adequacy ratio to 12.5% by year end 2019. The additional 2.5% capital is termed as Capital Conservation Buffer (CCB) to be kept in the form of Common Equity Tier I. At the end of the current year i-e 2017, Banks are required to hold 1.275 % of Capital Conservation Buffer (CCB) in shape of Common Equity Tier I (CET1) bringing the overall Capital Adequacy Ratio (CAR) to 11.275 %.

The SBP requires each Bank or Banking group to: (a) hold the minimum level of the paid up capital and (b) maintains a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum of 10.00%. The required Capital Adequacy Ratio (10.00% of the risk weighted assets) is achieved by the Bank through improvement in the asset quality at the existing volume level, raising Common Equity Tier I (CET1), ensuring better recovery management and striking compromise proposal and composition of asset mix with low risk.

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

Leverage ratio of The Bank of Khyber for the year ended December 31, 2017 is 5.84% (2016: 6.60 %) with Tier 1 Capital amounting to Rs. 14.81 Billion and total exposure amounting to Rs. 253.66 Billion. The reason for decrease in Leverage ratio for the current year remains increase in exposure amount from Rs.221.06 Billion to Rs. 253.66 Billion. However, the Bank is still comfortably meeting the minimum requirement of 3%.



40.1 Capital management

The Bank's objectives when managing its capital are:

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

Bank's regulatory capital is analyzed into two tiers:

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

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

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

Tier II capital, which includes subordinated debt/Instruments, share premium for issuance of Subordinated debt/Instruments, general provisions for loan losses (up to a maximum of 1.25% of credit risk weighted assets), net of tax reserves on revaluation of fixed assets and equity investments up to a maximum of 45% (In Basel III guidelines of SBP, Bank's are allowed to take extra benefit of remaining 55% in tranches of 20% per annum from year ending 2014 and recognizing the full benefit by the year end 2018) of the balance and foreign exchange translation reserves after all regulatory adjustments applicable on Tier-II.

Deduction from the Capital

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

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

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

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

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

	2017	2016
	----- (Rupees in '000) -----	
40.2 CAPITAL STRUCTURE		
Common Equity Tier 1 capital (CET1): Instruments and reserves		
1 Fully Paid-up Capital/ Capital deposited with SBP	10,002,524	10,002,524
2 Balance in Share Premium Account	-	-
3 Reserve for issue of Bonus Shares	-	-
4 Discount on Issue of shares	-	-
5 General/ Statutory Reserves	2,550,263	2,192,169
6 Gain/(Losses) on derivatives held as Cash Flow Hedge	-	-
7 Unappropriated/unremitted profits/ (losses)	2,390,464	2,490,553
8 Minority Interests arising from CET1 capital instruments issued to third parties by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	-
9 CET 1 before Regulatory Adjustments	14,943,251	14,685,246
10 Total regulatory adjustments applied to CET1 (Note 40.2.1)	136,577	100,899
11 Common Equity Tier 1	14,806,674	14,584,347
Additional Tier 1 (AT 1) Capital		
12 Qualifying Additional Tier-1 capital instruments plus any related share premium	-	-
13 of which: Classified as equity	-	-
14 of which: Classified as liabilities	-	-
15 Additional Tier-1 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group AT 1)	-	-
16 of which: instrument issued by subsidiaries subject to phase out	-	-
17 AT1 before regulatory adjustments	-	-
18 Total regulatory adjustment applied to AT1 capital (Note 40.2.2)	-	-
19 Additional Tier 1 capital after regulatory adjustments	-	-
20 Additional Tier 1 capital recognized for capital adequacy	-	-
21 Tier 1 Capital (CET1 + admissible AT1) (11+20)	14,806,674	14,584,347
Tier 2 Capital		
22 Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-	-
23 Tier 2 capital instruments subject to phaseout arrangement issued under pre-Basel 3	-	-
24 Tier 2 capital instruments issued to third parties by consolidated subsidiaries (amount allowed in group tier 2)	-	-
25 of which: instruments issued by subsidiaries subject to phase out	-	-
26 General provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	24,954	30,872
27 Revaluation Reserves (net of taxes)	369,708	1,136,693
28 of which: Revaluation reserves on fixed assets	689,023	603,863
29 of which: Unrealized gains/losses on AFS	(319,315)	532,830
30 Foreign Exchange Translation Reserves	-	-
31 Undisclosed/Other Reserves (if any)	-	-
32 T2 before regulatory adjustments	394,662	1,167,565
33 Total regulatory adjustment applied to T2 capital (Note 40.2.3)	-	-
34 Tier 2 capital (T2) after regulatory adjustments	394,662	1,167,565
35 Tier 2 capital recognized for capital adequacy	394,662	1,167,565
36 Portion of Additional Tier 1 capital recognized in Tier 2 capital	-	-
37 Total Tier 2 capital admissible for capital adequacy	394,662	1,167,565
38 TOTAL CAPITAL (T1 + admissible T2) (21+37)	15,201,336	15,751,912
39 Total Risk Weighted Assets (RWA) {for details refer Note 40.5}	75,992,772	73,811,741



	2017	2016
	----- (Rupees in '000') -----	
Capital Ratios and buffers (in percentage of risk weighted assets)		
40 CET1 to total RWA	19.48%	19.76%
41 Tier-1 capital to total RWA	19.48%	19.76%
42 Total capital to total RWA	20.00%	21.34%
43 Bank specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus any other buffer requirement)	-	-
44 of which: capital conservation buffer requirement	-	-
45 of which: countercyclical buffer requirement	-	-
46 of which: D-SIB or G-SIB buffer requirement	-	-
47 CET1 available to meet buffers (as a percentage of risk weighted assets)	-	-
National minimum capital requirements prescribed by SBP		
48 CET1 minimum ratio	6.00%	6.00%
49 ADT-1 minimum ratio	1.50%	1.50%
50 Tier 1 minimum ratio	7.50%	7.50%
51 Total capital minimum ratio	10.00%	10.00%
52 CCB (Consisting of CET1 only)	1.275%	0.65%
Total Capital plus CCB	11.275%	10.65%

2017 2016
----- (Rupees in '000') -----

Regulatory Adjustments and Additional Information

Amounts subject to Pre-
Basel III treatment

40.2.1 Common Equity Tier 1 capital: Regulatory adjustments

1	Goodwill (net of related deferred tax liability)	-	-
2	All other intangibles (net of any associated deferred tax liability)	136,577	100,899
3	Shortfall in provisions against classified assets	-	-
4	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
5	Defined-benefit pension fund net assets	-	-
6	Reciprocal cross holdings in CET1 capital instruments of banking, financial and insurance entities	-	-
7	Cash flow hedge reserve	-	-
8	Investment in own shares/ CET1 instruments	-	-
9	Securitization gain on sale	-	-
10	Capital shortfall of regulated subsidiaries	-	-
11	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	-
12	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
13	Significant investments in the common stocks of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	-
14	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	-
15	Amount exceeding 15% threshold	-	-
16	of which: significant investments in the common stocks of financial entities	-	-
17	of which: deferred tax assets arising from temporary differences	-	-
18	National specific regulatory adjustments applied to CET1 capital	-	-
19	Investments in TFCs of other banks exceeding the prescribed limit	-	-
20	Any other deduction specified by SBP (mention details)	-	-
21	Adjustment to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	-
22	Total regulatory adjustments applied to CET1 (sum of 1 to 21)	136,577	100,899

40.2.2 Additional Tier-1 & Tier-1 Capital: regulatory adjustments

23	Investment in mutual funds exceeding the prescribed limit [SBP specific adjustment]	-	-
24	Investment in own AT1 capital instruments	-	-
25	Reciprocal cross holdings in Additional Tier 1 capital instruments of banking, financial and insurance entities	-	-
26	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	-
27	Significant investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation	-	-
28	Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from additional tier-1 capital	-	-
29	Adjustments to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
30	Total regulatory adjustment applied to AT1 capital (sum of 23 to 29)	-	-



40.2.3 Tier 2 Capital: regulatory adjustments

- 31 Portion of deduction applied 50:50 to Tier-1 and Tier-2 capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital
- 32 Reciprocal cross holdings in Tier 2 instruments of banking, financial and insurance entities
- 33 Investment in own Tier 2 capital instrument
- 34 Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)
- 35 Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation
- 36 **Total regulatory adjustment applied to T2 capital (sum of 31 to 35) Additional Information**

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

Risk Weighted Assets subject to pre-Basel III treatment

- 37 Risk weighted assets in respect of deduction items (which during the transitional period will be risk weighted subject to Pre-Basel III Treatment)
 - (i) of which: deferred tax assets
 - (ii) of which: Defined-benefit pension fund net assets
 - (iii) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is less than 10% of the issued common share capital of the entity
 - (iv) of which: Recognized portion of investment in capital of banking, financial and insurance entities where holding is more than 10% of the issued common share capital of the entity

-	-
-	-
-	-
-	-
-	-

Amounts below the thresholds for deduction (before risk weighting)

- 38 Non-significant investments in the capital of other financial entities
- 39 Significant investments in the common stock of financial entities
- 40 Deferred tax assets arising from temporary differences (net of related tax liability)

184,328	439,602
144,315	189,965
379,751	-

Applicable caps on the inclusion of provisions in Tier 2

- 41 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardized approach (prior to application of cap)
- 42 Cap on inclusion of provisions in Tier 2 under standardized approach
- 43 Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)
- 44 Cap for inclusion of provisions in Tier 2 under internal ratings-based approach

24,954	30,872
573,906	462,974
-	-
-	-

40.3 CAPITAL STRUCTURE RECONCILIATION

STEP-1	As per published financial statement	Under regulatory scope of consolidation
	2017 ----- (Rupees in '000')	2017 -----
Assets		
Cash and balances with treasury banks	8,916,018	8,916,018
Balanced with other banks	3,257,351	3,257,351
Lending to financial institutions	1,529,106	1,529,106
Investments	140,473,783	140,473,783
Advances	83,369,052	83,369,052
Operating fixed assets	2,370,125	2,370,125
Deferred tax assets - net	379,751	379,751
Other assets	4,837,198	4,837,198
Total assets	245,132,384	245,132,384
Liabilities & Equity		
Bills payable	1,131,241	1,131,241
Borrowings	64,189,586	64,189,586
Deposits and other accounts	159,246,974	159,246,974
Sub-ordinated loans	-	-
Liabilities against assets subject to finance lease	-	-
Deferred tax liabilities - net	-	-
Other liabilities	5,166,464	5,166,464
Total liabilities	229,734,265	229,734,265
Share capital/ Head office capital account	10,002,524	10,002,524
Reserves	2,550,263	2,550,263
Unappropriated/ Unremitted profit/ (losses)	2,390,464	2,390,464
Minority Interest	-	-
Surplus on revaluation of assets - net of tax	454,868	454,868
Total liabilities & equity	245,132,384	245,132,384



	As per published financial statement	Under regulatory scope of consolidation	Reference
STEP-2	2017	2017	
	----- (Rupees in '000') -----	----- (Rupees in '000') -----	
Assets			
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	140,473,783	
of which: Non-significant investments in the capital instruments of banking, financial and insurance entities exceeding 10% threshold	-	-	a
of which: significant investments in the capital instruments issued by banking, financial and insurance entities exceeding regulatory threshold	-	-	b
of which: Mutual Funds exceeding regulatory threshold	-	-	c
of which: reciprocal crossholding of capital instrument (separate for CET1, AT1, T2)	-	-	d
of which: others (mention details)	-	-	e
Advances	83,369,052	83,369,052	
shortfall in provisions/ excess of total EL amount over eligible provisions under IRB	-	-	f
general provisions reflected in Tier 2 capital	24,954	24,954	g
Fixed Assets	2,370,125	2,370,125	
Deferred Tax Assets	379,751	379,751	
of which: DTAs that rely on future profitability excluding those arising from temporary differences	-	-	h
of which: DTAs arising from temporary differences exceeding regulatory threshold	-	-	i
Other assets	4,837,198	4,837,198	
of which: Goodwill	-	-	j
of which: Intangibles	136,577	136,577	k
of which: Defined-benefit pension fund net assets	-	-	l
Total assets	245,132,384	245,132,384	
Liabilities & Equity			
Bills payable	1,131,241	1,131,241	
Borrowings	64,189,586	64,189,586	
Deposits and other accounts	159,246,974	159,246,974	
Sub-ordinated loans	-	-	
of which: eligible for inclusion in AT1	-	-	m
of which: eligible for inclusion in Tier 2	-	-	n
Liabilities against assets subject to finance lease	-	-	
Deferred tax liabilities	-	-	
of which: DTLs related to goodwill	-	-	o
of which: DTLs related to intangible assets	-	-	p
of which: DTLs related to defined pension fund net assets	-	-	q
of which: other deferred tax liabilities	-	-	r
Other liabilities	5,166,464	5,166,464	
Total liabilities	229,734,265	229,734,265	

STEP-2	As per published financial statement	Under regulatory scope of consolidation	Reference
	2017	2017	
----- (Rupees in '000') -----			
Share capital	10,002,524	10,002,524	
of which: amount eligible for CET1	10,002,524	10,002,524	s
of which: amount eligible for AT1	-	-	t
Reserves	2,550,263	2,550,263	
of which: portion eligible for inclusion in CET1 (provide breakup)	2,550,263	2,550,263	u
of which: portion eligible for inclusion in Tier 2	-	-	v
Unappropriated profit/ (losses)	2,390,464	2,390,464	w
Minority Interest	-	-	
of which: portion eligible for inclusion in CET1	-	-	x
of which: portion eligible for inclusion in AT1	-	-	y
of which: portion eligible for inclusion in Tier 2	-	-	z
Surplus on revaluation of assets	454,868	454,868	
of which: Revaluation reserves on Fixed Assets	774,183	774,183	aa
of which: Unrealized Gains/Losses on AFS	(319,315)	(319,315)	
In case of Deficit on revaluation (deduction from CET1)	-	-	ab
Total liabilities & Equity	245,132,384	245,132,384	



Component of
regulatory capital
reported by bank

Source based on
reference number
from step 2

STEP-3

2017
(Rupees in '000')

Common Equity Tier 1 capital (CET1):

Instruments and reserves

1	Fully Paid-up Capital/ Capital deposited with SBP	10,002,524	(s)
2	Balance in Share Premium Account	-	
3	Reserve for issue of Bonus Shares	-	
4	General/ Statutory Reserves	2,550,263	(u)
5	Gain/(Losses) on derivatives held as Cash Flow Hedge	-	
6	Unappropriated/unremitted profits/ (losses)	2,390,464	(w)
7	Minority Interests arising from CET1 capital instruments issued to third party by consolidated bank subsidiaries (amount allowed in CET1 capital of the consolidation group)	-	(x)

8 CET 1 before Regulatory Adjustments

14,943,251

Common Equity Tier 1 capital: Regulatory adjustments

9	Goodwill (net of related deferred tax liability)	-	(j) - (o)
10	All other intangibles (net of any associated deferred tax liability)	136,577	(k) - (p)
11	Shortfall of provisions against classified assets	-	(f)
12	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	{{(h) - (r)} * x%
13	Defined-benefit pension fund net assets	-	{{(l) - (q)} * x%
14	Reciprocal cross holdings in CET1 capital instruments	-	(d)
15	Cash flow hedge reserve	-	
16	Investment in own shares/ CET1 instruments	-	
17	Securitization gain on sale	-	
18	Capital shortfall of regulated subsidiaries	-	
19	Deficit on account of revaluation from bank's holdings of fixed assets/ AFS	-	(ab)
20	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	-	(a) - (ac) - (ae)
21	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	(b) - (ad) - (af)
22	Deferred Tax Assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	(i)
23	Amount exceeding 15% threshold	-	
24	of which: significant investments in the common stocks of financial entities	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments applied to CET1 capital	-	
27	of which: Investment in TFCs of other banks exceeding the prescribed limit	-	
28	of which: Any other deduction specified by SBP (mention details)	-	
29	Regulatory adjustment applied to CET1 due to insufficient AT1 and Tier 2 to cover deductions	-	
30	Total regulatory adjustments applied to CET1 (sum of 9 to 29)	136,577	

31 Common Equity Tier 1

14,806,674

Additional Tier 1 (AT 1) Capital

32	Qualifying Additional Tier-1 instruments plus any related share premium	-	
33	of which: Classified as equity	-	(t)
34	of which: Classified as liabilities	-	(m)
35	Additional Tier-1 capital instruments issued by consolidated subsidiaries and held by third parties (amount allowed in group AT 1)	-	(y)
36	of which: instrument issued by subsidiaries subject to phase out	-	
37	AT1 before regulatory adjustments	-	

STEP-3

2017
(Rupees in '000')

	Component of regulatory capital reported by bank	Source based on reference number from step 2
Additional Tier 1 Capital: regulatory adjustments		
38	Investment in mutual funds exceeding the prescribed limit (SBP specific adjustment)	-
39	Investment in own AT1 capital instruments	-
40	Reciprocal cross holdings in Additional Tier 1 capital instruments	-
41	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	- (ac)
42	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	- (ad)
43	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-1 capital	-
44	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-
45	Total of Regulatory Adjustment applied to AT1 capital (sum of 38 to 44)	-
46	Additional Tier 1 capital	-
47	Additional Tier 1 capital recognized for capital adequacy	-
48	Tier 1 Capital (CET1 + admissible AT1) (31+47)	14,806,674
Tier 2 Capital		
49	Qualifying Tier 2 capital instruments under Basel III plus any related share premium	-
50	Capital instruments subject to phase out arrangement from tier 2 (Pre-Basel III instruments)	- (n)
51	Tier 2 capital instruments issued to third party by consolidated subsidiaries (amount allowed in group tier 2)	- (z)
52	of which: instruments issued by subsidiaries subject to phase out	-
53	General Provisions or general reserves for loan losses-up to maximum of 1.25% of Credit Risk Weighted Assets	24,954 (g)
54	Revaluation Reserves	369,708
55	of which: Revaluation reserves on fixed assets	689,023
56	of which: Unrealized Gains/Losses on AFS	(319,315) portion of (aa)
57	Foreign Exchange Translation Reserves	- (v)
58	Undisclosed/Other Reserves (if any)	-
59	T2 before regulatory adjustments	394,662
Tier 2 Capital: regulatory adjustments		
60	Portion of deduction applied 50:50 to core capital and supplementary capital based on pre-Basel III treatment which, during transitional period, remain subject to deduction from tier-2 capital	-
61	Reciprocal cross holdings in Tier 2 instruments	-
62	Investment in own Tier 2 capital instrument	-
63	Investments in the capital instruments of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	- (ae)
64	Significant investments in the capital instruments issued by banking, financial and insurance entities that are outside the scope of regulatory consolidation	- (af)
65	Amount of Regulatory Adjustment applied to T2 capital (sum of 60 to 64)	-
66	Tier 2 capital (T2)	394,662
67	Tier 2 capital recognized for capital adequacy	394,662
68	Excess Additional Tier 1 capital recognized in Tier 2 capital	-
69	Total Tier 2 capital admissible for capital adequacy	394,662
70	TOTAL CAPITAL (T1 + admissible T2) (48+69)	15,201,336



40.4 Main Features of Regulatory Capital Instruments

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

40.5 Capital Adequacy

Credit Risk

Portfolio subject to standardized approach (simple or comprehensive)

On-balance sheet

Claims on other Sovereigns and on Government of Pakistan or Provincial Government or SBP denominated in currencies other than PKR

Claims on Public Sector Entities in Pakistan

Claims on Banks

Claims, denominated in foreign currency, on banks with original maturity of 3 months or less

Claims on banks with original maturity of 3 months or less denominated in PKR and funded in PKR

Claims on Corporate (excluding equity exposures)

Claims categorized as retail portfolio

Claims fully secured by residential property

Capital Requirements		Risk Weighted Assets	
2017	2016	2017	2016

(Rupees in '000')

Past Due loans:

where specific provisions are less than 20 per cent of the outstanding amount of the past due claim

where specific provisions are no less than 20 per cent of the outstanding amount of the past due claim.

where specific provisions are more than 50 per cent of the outstanding amount of the past due claim.

Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired.

Loans and claims fully secured against eligible residential mortgage that are past due by 90 days and /or impaired and specific provision held there against is more than 20% of outstanding amount.

Investment in the equity of commercial entities (which exceeds 10% of the issued common share capital of the issuing entity) or where the entity is an unconsolidated affiliate.

Significant investment and DTAs above 15% threshold (refer to Section 2.4.10 of Basel III instructions)

2,076	1,189	20,759	11,894
21,524	25,290	215,236	252,897
-	-	-	-
28,960	15,773	289,597	157,733
67,632	381,551	676,318	3,815,507
2,671,928	1,877,145	26,719,275	18,771,453
352,423	191,926	3,524,230	1,919,260
77,561	60,913	775,609	609,132
47,549	70,667	475,493	706,670
18,067	21,566	180,671	215,655
5,168	21,130	51,683	211,300
9	192	86	1,918
648	93	6,476	934
-	-	-	-
94,938	-	949,377	-



**Capital Adequacy
(Continued)**

	Capital Requirements		Risk Weighted Assets	
	2017	2016	2017	2016
	----- (Rupees in '000') -----			
Listed Equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in the banking book.	4,755	9,053	47,550	90,526
Unlisted equity investments (other than that deducted from capital) held in banking book	14,513	14,914	145,131	149,142
All other assets	437,455	383,800	4,374,545	3,838,002
	<u>3,845,206</u>	<u>3,075,202</u>	<u>38,452,036</u>	<u>30,752,023</u>
Off- Balance Sheet - Non Market related Exposures				
Direct Credit Substitutes / Lending of securities or posting of securities as collateral	253,180	290,545	2,531,802	2,905,454
Performance related Contingencies	440,937	306,663	4,409,365	3,066,631
Trade Related contingencies / Other Commitments with original maturity of one year or less	48,708	27,928	487,082	279,280
	<u>742,825</u>	<u>625,136</u>	<u>7,428,249</u>	<u>6,251,365</u>
Off- Balance Sheet - Market related Exposures				
Foreign Exchange Contracts with SBP	-	-	-	-
Foreign Exchange Contract (with original maturity of less than 14 days)	-	-	-	-
Foreign Exchange Contracts	3,221	3,457	32,214	34,567
	<u>3,221</u>	<u>3,457</u>	<u>32,214</u>	<u>34,567</u>
Total Credit Risk (A)	<u>4,591,252</u>	<u>3,703,795</u>	<u>45,912,499</u>	<u>37,037,955</u>
Market Risk				
Capital Requirement for portfolios subject to Standardized Approach				
Interest rate risk	1,831,559	2,603,744	18,315,591	26,037,440
Equity position risk etc.	196,305	190,760	1,963,048	1,907,602
Foreign exchange risk etc.	21,621	1,799	216,209	17,989
	<u>2,049,485</u>	<u>2,796,303</u>	<u>20,494,848</u>	<u>27,963,031</u>
Total Market Risk (B)	<u>2,049,485</u>	<u>2,796,303</u>	<u>20,494,848</u>	<u>27,963,031</u>
Operational Risk	<u>958,543</u>	<u>881,076</u>	<u>9,585,425</u>	<u>8,810,755</u>
Basic Indicator Approach-Total of operational risk (C)	<u>958,543</u>	<u>881,076</u>	<u>9,585,425</u>	<u>8,810,755</u>
Total (A + B + C)	<u>7,599,280</u>	<u>7,381,174</u>	<u>75,992,772</u>	<u>73,811,741</u>
Capital Adequacy Ratio				
Total eligible regulatory capital held			15,201,336	15,751,912
Total Risk Weighted Assets			75,992,772	73,811,741
Capital Adequacy Ratio			20.00%	21.34%

41. RISK MANAGEMENT

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

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

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

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

41.1 Credit risk

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

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

Credit risk management is governed by the Board Risk Management Committee, the Board of Directors and other instructions and guidelines outline by SBP. The Bank attempts to control risk by monitoring credit exposure, limiting non performing counter parties and continually assessing the credit worthiness of the borrowers. The Bank manages limits and controls concentrations of credit risk to individual counterparties and groups and to industries, where applicable. The Bank has adopted standardized approach to measure credit risk regulatory charge in compliance with Basel-II requirements. The approach relies upon the assessment of external credit rating agencies. The Bank is in the process of continuously improving the system and bringing it in line with the Basel framework requirements.

The Bank has dedicated Customer Risk Rating (CRR) and Facility Risk Rating (FRR) Models for various customer types. The models aim to measure credit risk posed by a counterparty as well facility it has applied for by 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.



41.1.1 SEGMENTAL INFORMATION

41.1.1.1 Segments by class of business

	2017					
	Advances (gross)		Deposits		Contingencies and commitments	
	(Rupees in '000')	Percent %	(Rupees in '000')	Percent %	(Rupees in '000')	Percent %
Agriculture, forestry, hunting and fishing	2,572,769	2.93	1,062,869	0.67	603,468	3.25
Automobile and transportation equipment	637,031	0.73	3,758,130	2.36	92,699	0.50
Cement	736,305	0.84	-	-	298,008	1.61
Chemical and pharmaceuticals	625,901	0.71	-	-	90,605	0.49
Contractors / construction	2,684,724	3.06	10,633,190	6.68	1,419,512	7.65
CNG stations	103,231	0.12	-	-	556,516	3.00
Education and health	-	-	560,752	0.35	-	-
Financial	549,095	0.63	73,458	0.05	-	-
Fisheries	295,224	0.34	-	-	-	-
Food and beverages	505,627	0.58	-	-	1,411	0.01
Ghee / cooking oil	655,233	0.75	-	-	385,091	2.07
Individuals	2,073,913	2.37	28,355,661	17.81	58	0.00
Manufacturing of match	66,524	0.08	-	-	377,802	2.03
Miscellaneous manufacturing	5,084,829	5.80	2,356,109	1.48	953,412	5.14
Petrochemicals	647,294	0.74	-	-	436,036	2.35
Production and transmission of energy	19,566,051	22.32	128,303	0.08	432,518	2.33
Services	2,707,458	3.09	1,766,314	1.11	237,462	1.28
Sugar	3,842,570	4.38	-	-	1,390	0.01
Textile	8,610,134	9.82	-	-	10,306,705	55.51
Trading	3,386,351	3.86	3,704,809	2.33	1,061,724	5.72
Commodity operation	30,000,000	34.22	-	-	138,278	0.74
Others	2,322,309	2.65	106,847,379	67.10	1,173,993	6.32
	87,672,573	100.00	159,246,974	100.00	18,566,688	100.00

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

41.1.1.2 Segment by sector

	2017					
	Advances		Deposits		Contingencies and commitments	
	Rupees in '000'	Percent	Rupees in '000'	Percent	Rupees in '000'	Percent
Public / Government	49,271,538	56.20	98,256,303	61.70	138,278	0.74
Private	38,401,035	43.80	60,990,671	38.30	18,428,410	99.26
	87,672,573	100.00	159,246,974	100.00	18,566,688	100.00

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

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

	2017		2016	
	Classified advances	Specific provision held	Classified advances	Specific provision held
	(Rupees in '000')			
Agriculture, forestry, hunting and fishing	27,608	11,669	95,469	5,749
Automobile and transportation equipment	206,291	206,291	215,076	213,138
Cement	-	-	-	-
Chemical and Pharmaceuticals	125,199	125,199	125,856	125,200
Contractors / Construction	195,732	189,429	252,222	185,951
Financial	160,215	160,215	164,790	162,290
Fisheries	281,856	281,856	281,856	281,856
Food and beverages	565,351	528,852	516,567	378,950
Footwear and Leather garments	106,704	106,704	108,684	108,684
Ghee / cooking oil	43,169	43,169	43,169	43,169
Individuals	50,397	45,397	52,623	46,991
Miscellaneous manufacturing	1,642,967	1,421,835	1,830,083	1,292,008
Services	124,252	39,027	35,333	34,777
Textile	555,510	552,410	700,133	694,463
Trading	392,169	317,948	448,732	363,936
Others	330,837	248,566	585,931	442,560
	4,808,257	4,267,567	5,456,524	4,379,722

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

Public / Government	-	-	-	-
Private	4,808,257	4,278,567	5,456,524	4,379,722
	4,808,257	4,278,567	5,456,524	4,379,722

41.2 Credit Risk - General Disclosures

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

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

Under standardized approach, the capital requirement is based on the credit rating assigned to the counter parties by the External Credit Assessment Institutions (ECAIs) duly recognized by SBP for capital adequacy purposes. In this connection, ECAIs recommended by the State Bank of Pakistan (SBP), namely Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS Credit Rating Company Limited (JCR-VIS) were used for domestic claims. The SBP allows to use Fitch, S&P & Moody's ratings in case of claims on foreign entities and the Bank is using such ratings using bankers' Almanac web directory of external rating for its balances with other banks outside Pakistan.

Type of exposures for which each agency is used in the year ended 2017 is presented below:

Exposures	2017				
	JCR - VIS	PACRA	Moody's	Fitch	S & P
Corporate	✓	✓	-	-	-
Banks	✓	✓	✓	✓	✓
Sovereigns other than PKR claims	-	-	✓	-	-
PSEs	✓	✓	-	-	-
Securitisation	-	-	-	-	-
Others	-	-	-	-	-

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

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

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

Exposures	Rating Category Number	Credit Exposures subject to Standardised approach					
		2017			2016		
		Amount Outstanding	Deduction CRM*	Net Amount	Amount Outstanding	Deduction CRM*	Net Amount
----- (Rupees in '000') -----							
Corporate	1	872,187	1,000	871,187	1,592,441	-	1,592,441
	2	1,213,187	19,051	1,194,136	2,408,372	-	2,408,372
	3 & 4	337,500	-	337,500	452,550	-	452,550
	5 & 6	-	-	-	-	-	-
	Unrated-I	31,555,895	1,641,546	29,914,349	20,329,091	1,403,065	18,926,026
	Unrated-II	26,451,058	18,909,829	7,541,229	5,530,438	33,520	5,496,918
Banks	1	-	-	-	-	-	-
	2 & 3	-	-	-	-	-	-
	6	-	-	-	-	-	-
	Unrated	-	-	-	-	-	-
With maturity 3 months or less (PKR)		7,329,342	3,946,364	3,382,978	19,237,153	159,616	19,077,537
With maturity 3 months or less (FCY)	1,2,3	162,055	-	162,055	268,337	-	268,337
	4,5	-	-	-	-	-	-
	6	144,728	-	144,728	34,687	-	34,687
	Unrated	200,472	-	200,472	260,173	-	260,173
Retail		7,611,327	561,687	7,049,640	6,493,903	559,678	5,934,225
Claims subject to Residential		2,216,026	-	2,216,026	1,740,378	-	1,740,378
Public Sector Entities	1	-	-	-	-	-	-
	2 & 3	-	-	-	-	-	-
	Unrated	20,877,995	20,043,252	834,743	1,074,149	62,608	1,011,541
Past Due		614,071	-	614,071	1,113,155	-	1,113,155
Others		88,072,864	-	88,072,864	39,714,350	-	39,714,350

*CRM = Credit Risk Mitigation



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

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

41.3 Geographical segment analysis

	2017			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000')			
Pakistan	2,795,398	245,132,384	15,398,119	18,566,688
Outside Pakistan	-	-	-	-
	<u>2,795,398</u>	<u>245,132,384</u>	<u>15,398,119</u>	<u>18,566,688</u>
	2016			
	Profit before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	(Rupees in '000')			
Pakistan	3,239,951	206,400,274	16,142,544	14,685,062
Outside Pakistan	-	-	-	-
	<u>3,239,951</u>	<u>206,400,274</u>	<u>16,142,544</u>	<u>14,685,062</u>

41.4 Market risk

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

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

The Bank seeks to mitigate market risk by employing strategies that correlate price, rate and spread movements of its earning assets, liabilities and trading activities. Various broad limits are set and recommended by ALCO to BRMC approval for proper management of Market risk. MRMD has developed a dedicated Financial Institutions (FIs) model for inter-bank lines setting to different financial institutions. The intra-day positions are managed by treasury division through Management Action Trigger (MAT)/Dealers limits. Stress testing is carried out for both Banking and trading books as per SBP guidelines.

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

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

41.4.1 Foreign exchange risk

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

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

2017				
	Assets	Liabilities	Off-balance sheet items	Net foreign currency exposure
(Rupees in '000')				
Pakistan rupee	244,031,313	229,053,770	(4,984,757)	9,992,786
US Dollar	814,156	332,889	4,488,385	4,969,652
Pound Sterling	41,572	35,618	92,040	97,994
Japanese Yen	2,237	-	12,720	14,957
Euro	240,773	311,988	391,612	320,397
Other Currencies	2,333	-	-	2,333
	245,132,384	229,734,265	-	15,398,119
2016				
	Assets	Liabilities	Off-Balance sheet items	Net foreign currency exposure
(Rupees in '000')				
Pakistan rupee	205,422,423	189,964,302	(6,093,243)	9,364,878
US Dollar	743,496	205,540	5,252,865	5,790,821
Pound Sterling	51,352	36,832	95,290	109,810
Japanese Yen	3,825	-	311,411	315,236
Euro	178,632	51,056	401,322	528,898
Other Currencies	546	-	32,355	32,901
	206,400,274	190,257,730	-	16,142,544

41.4.2 Equity position risk

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

ALCO (Asset Liability Committee) is responsible for making investment decisions in the capital market and setting limits as per BRMC approved criteria as per banks BOD approved market risk management policy. Portfolio, sector and scrip wise limits are assigned by the ALCO to safe guard against concentration risk and these limits are reviewed and revised periodically along with results of different stress tests. The treasury division ensures compliance of concentration limits set by ALCO. Limit breaches if any are promptly reported to ALCO for its ratification and BRMC for their information.

41.4.3 Yield / interest rate risk

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

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

Major sources of Interest rate risk are:

- 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).

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

41.4.4 Mismatch of interest rate sensitive assets and liabilities

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

Effective Yield/Interest Rate	2017										Non-interest bearing financial instruments
	Exposed to Yield/Interest risk										
	Upto 1 Month	Over 1 Month to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 5 Years	Over 5 Years to 10 Years	Over 10 Years		
	------(Rupees in '000')-----										
On-balance sheet financial instruments											
Financial assets											
Cash and balances with treasury banks	8,916,018	91,993	-	-	-	-	-	-	-	-	8,824,025
Balances with other banks	3,257,351	670,506	-	-	-	-	-	-	-	-	2,586,845
Lending to financial institutions	1,529,106	-	-	-	-	-	-	-	-	-	1,529,106
Investments	140,473,783	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	83,369,052	12,023,263	2,673,807	23,790,372	31,043,418	3,275,837	782,811	3,930,403	2,802,037	3,047,104	-
Other assets	4,837,198	-	-	-	-	-	-	-	-	-	4,837,198
	242,382,508	38,534,654	31,422,676	26,720,841	34,284,804	14,164,107	2,355,341	47,954,835	14,229,211	3,547,104	29,168,935
Financial liabilities											
Bills payable	1,131,241	-	-	-	-	-	-	-	-	-	1,131,241
Borrowings	64,189,586	42,555,704	6,740,450	4,923,175	9,970,257	-	-	-	-	-	-
Deposits and other accounts	159,246,974	32,735,699	11,285,281	6,087,995	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	11,011,170	75,453,921	756,523	289,556	4,637,402	1,149,648	450,000	42,668,911
On-balance sheet gap	12,648,243	(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	(13,499,976)
Off-balance sheet financial instruments											
Commitments in respect of forward exchange contracts - purchase	1,005,048	-	-	-	-	-	-	-	-	-	1,005,048
Commitments in respect of forward exchange contracts - sale	1,175,536	-	-	-	-	-	-	-	-	-	1,175,536
Off-balance sheet gap	(170,488)	-	-	-	-	-	-	-	-	-	(170,488)
Total Yield/Interest Risk Sensitivity Gap	(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		
Cumulative Yield/Interest Risk Sensitivity Gap	(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		

2016

Effective Yield/ Interest Rate	Exposed to Yield/Interest risk										Non-interest bearing financial instruments	
	Upto 1 Month	Over 1 Month to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 5 Years	Over 5 Years to 10 Years	Over 10 Years			
Total	(Rupees in '000')											
	8,636,526	97,173	-	-	-	-	-	-	-	-	-	8,539,353
	9,980,928	7,505,252	-	-	-	-	-	-	-	-	-	2,475,676
	8,827,307	192,307	-	-	-	-	-	-	-	-	-	8,635,000
	141,602,355	2,223,465	45,620,807	12,262,547	18,138,886	1,687,673	8,521,814	39,671,104	-	-	-	13,476,059
	31,643,885	1,477,274	3,268,085	10,878,091	2,419,955	1,554,375	2,664,358	2,228,195	4,526,835	-	-	-
	3,638,719	-	-	-	-	-	-	-	-	-	-	3,638,719
	204,329,720	11,495,471	48,888,892	23,140,638	20,558,841	3,242,048	11,186,172	41,899,299	4,526,835	36,764,807	-	-
	775,938	-	-	-	-	-	-	-	-	-	-	775,938
	28,700,825	15,916,852	2,536,074	551,500	9,696,399	-	-	-	-	-	-	-
	157,020,365	50,448,088	8,307,565	4,489,597	1,163,736	6,033,987	5,477,596	1,038,299	450,000	35,352,490	-	-
	3,608,857	-	-	-	-	-	-	-	-	-	-	3,608,857
	190,105,985	66,364,940	10,843,639	5,041,097	53,955,406	6,033,987	5,477,596	1,038,299	450,000	39,737,285	-	-
	14,223,735	(54,869,469)	38,045,253	(2,414,380)	(30,814,768)	19,395,105	(2,791,939)	5,708,576	40,861,000	4,076,835	(2,972,478)	-
	3,368,458	-	-	-	-	-	-	-	-	-	-	3,368,458
	3,655,998	-	-	-	-	-	-	-	-	-	-	3,655,998
	(287,540)	-	-	-	-	-	-	-	-	-	-	(287,540)
	(54,869,469)	38,045,253	(2,414,380)	(30,814,768)	19,395,105	(2,791,939)	5,708,576	40,861,000	4,076,835	-	-	-
	(54,869,469)	(16,824,216)	(19,238,596)	(50,053,364)	(30,658,259)	(33,450,198)	(27,741,622)	13,119,378	17,196,213	-	-	-



41.5 Liquidity risk

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

The Bank's Asset & Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset and liability function. ALCO monitors the maintenance of liquidity ratios, both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. The BOD has approved comprehensive Liquidity Risk Management Policy which stipulates the early warning indicators (EWI) of liquidity risk and maintenance of various ratios according to comfortable, acceptable, warning, and stress zones. Moreover, Bank also has Contingency Funding Plan (CFP) in place to address liquidity issues in times of stress / crisis situation. In addition ALCO and BRMC are briefed about various liquidity risk standereds 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 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.

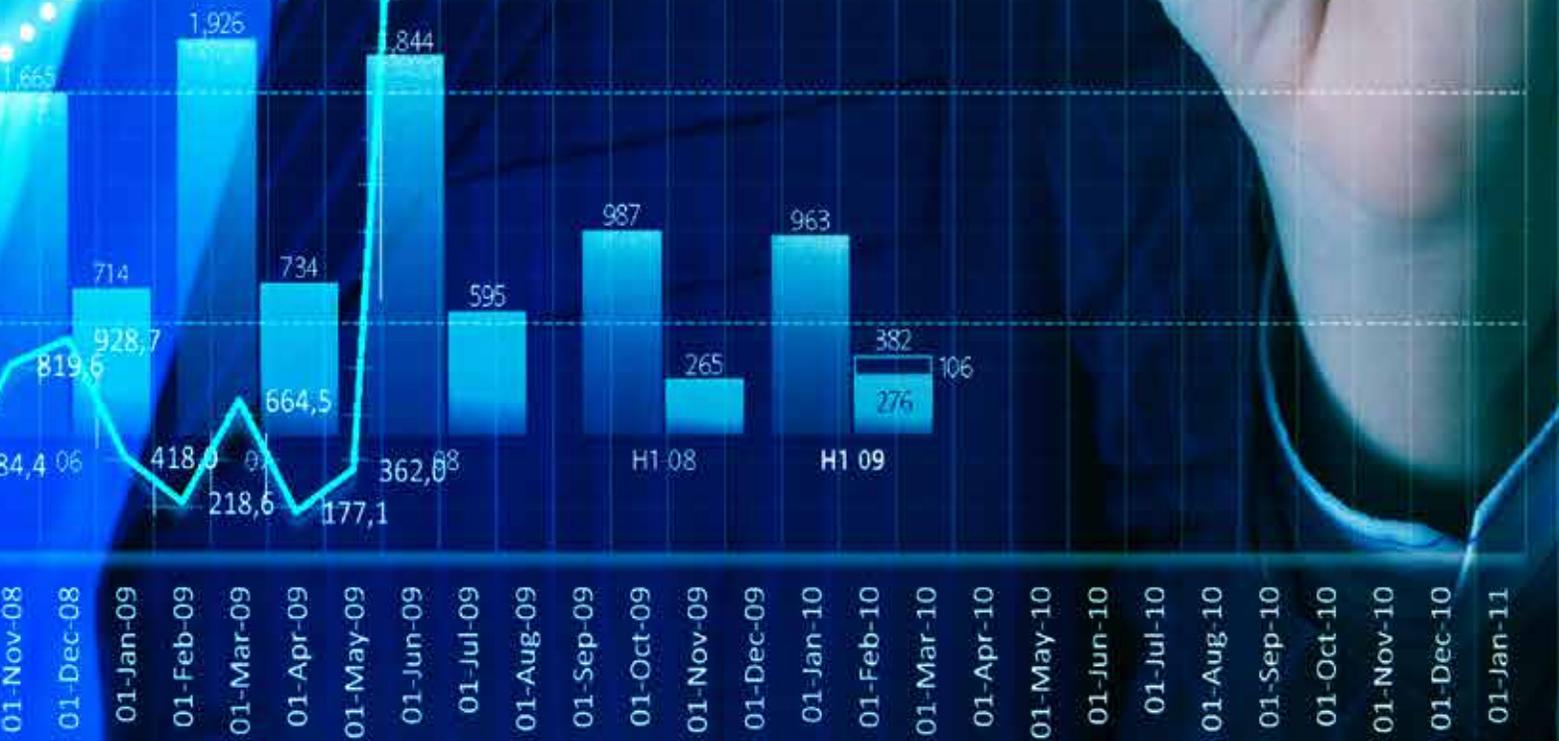
The experience of Global Financial Crises (GFC) has urged the banks to follow an aggressive approach regarding liquidity and funding risk. State Bank of Pakistan has re-defined the guidelines and mechanism for liquidity risk management for banks in terms of different disclosures and reports. This entire mechanism as directed by SBP Basel III liquidity standards referred by BPRD 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 ration (NSFR).



delivered solid results in a challenging market

CAGR (04-08)
Revenue 20%
EBT 15%

H1 09 v H1 08
Revenue (2%)
EBT 4%



41.5.1 Maturities of assets and liabilities - based on expected maturity

2017

Assets	Total	Upto 1 Month	Over 1 Month to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 5 Years	Over 5 to 10 Years	Over 10 Years
Cash and balances with treasury banks	8,916,018	-	-	-	-	-	-	-	-	-
Balances with other banks	3,257,351	-	-	-	-	-	-	-	-	-
Lendings 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
Operating fixed assets	2,370,125	-	-	-	-	1,050	184,058	883,867	309,285	991,865
Deferred tax assets	379,751	-	-	-	-	379,751	-	-	-	-
Other assets	4,837,198	4,082,852	392,263	337,784	-	24,299	-	-	-	-
	245,132,384	46,343,190	43,013,512	28,009,975	14,519,649	18,681,753	5,806,396	67,812,414	17,236,169	3,709,326
Liabilities										
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	-	-	-	-	-
	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
Net assets / (liabilities)	15,398,119	(71,073,175)	25,274,887	16,692,774	(61,163,026)	17,925,230	5,516,840	63,175,012	15,790,251	3,259,326
Represented by:										
Share capital	10,007,524									
Reserves	2,550,263									
Unappropriated profit	2,390,464									
Surplus on revaluation of assets	454,868									
	15,398,119									

2016

Assets	(Rupees in ' 000')									
	Upto 1 Month	Over 1 Month to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 5 Years	Over 5 Years to 10 Years	Over 10 Years	
Cash and balances with treasury banks	8,636,526	-	-	-	-	-	-	-	-	-
Balances with other banks	9,980,928	-	-	-	-	-	-	-	-	-
Lendings to financial - institutions	8,827,307	5,135,000	-	-	-	-	-	-	-	-
Investments	2,102,366	46,844,412	-	16,116,411	15,760,318	6,547,361	9,413,435	44,818,052	-	-
Advances	690,056	2,574,967	701,051	14,763,788	2,009,653	2,537,725	3,809,783	3,489,403	1,067,459	-
Operating fixed assets	-	-	-	-	1,413	96,333	874,859	148,508	949,441	-
Deferred tax assets	2,469,605	1,096,177	-	72,937	-	-	-	-	-	-
Other assets	27,571,788	55,650,556	701,051	30,953,136	17,771,384	9,181,419	14,098,077	48,455,963	2,016,900	-
Liabilities	206,400,274	27,571,788	701,051	30,953,136	17,771,384	9,181,419	14,098,077	48,455,963	2,016,900	-
Bills payable	775,938	-	-	-	-	-	-	-	-	-
Borrowings	15,916,852	2,522,269	551,500	9,696,399	-	-	-	13,805	-	-
Deposits and other accounts	85,800,578	8,307,565	4,489,597	44,259,007	1,163,736	6,033,987	5,477,596	1,038,299	450,000	-
Deferred tax Liabilities	-	-	-	-	151,745	-	-	-	-	-
Other liabilities	3,407,304	-	201,553	-	-	-	-	-	-	-
Net assets / (liabilities)	190,257,730	105,900,672	5,242,650	53,955,406	1,315,481	6,033,987	5,477,596	1,052,104	450,000	-
Represented by:	16,142,544	(78,328,884)	44,820,722	(4,541,599)	16,455,903	3,147,432	8,620,481	47,403,859	1,566,900	-
Share capital	10,002,524	-	-	-	-	-	-	-	-	-
Reserves	2,192,169	-	-	-	-	-	-	-	-	-
Unappropriated profit	2,490,553	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	1,457,298	-	-	-	-	-	-	-	-	-
	16,142,544	-	-	-	-	-	-	-	-	-

41.5.2 Maturities of assets and liabilities - based on contractual maturity



	2017																			
	Upto 1 Month	Over 1 Month to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 5 Years	Over 5 to 10 Years	Over 10 Years											
Total	8,916,018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets																				
Cash and balances with treasury banks	8,916,018	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3,257,351	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lendings to financial - institutions	1,529,106	-	1,529,106	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	140,473,783	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	3,358,917	23,212,616	11,228,263	1,043,947	1,924,781	22,758,401	2,724,710	2,217,461											
Operating fixed assets	2,370,125	-	-	-	1,050	184,058	883,867	309,285	991,865											
Deferred tax assets	379,751	-	-	-	379,751	-	-	-	-											
Other assets	4,837,198	392,263	337,784	-	24,299	-	-	-	-											
	245,132,384	46,343,190	28,009,975	14,519,649	18,681,753	5,806,396	67,812,414	17,236,169	3,709,326											
Liabilities																				
Bills payable	1,131,241	-	-	-	-	-	-	-	-											
Borrowings	64,189,586	6,444,180	4,923,175	9,970,257	-	-	-	296,270	-											
Deposits and other accounts	159,246,974	11,285,281	6,087,995	65,483,664	756,523	289,556	4,637,402	1,149,648	450,000											
Deferred tax Liabilities	-	-	-	-	-	-	-	-	-											
Other liabilities	5,166,464	9,164	306,031	228,754	-	-	-	-	-											
	229,734,265	17,738,625	11,317,201	75,682,675	756,523	289,556	4,637,402	1,445,918	450,000											
Net assets / (liabilities)	15,398,119	(71,073,175)	25,274,887	(61,163,026)	17,925,230	5,516,840	63,175,012	15,790,251	3,259,326											
Represented by:																				
Share capital	10,002,524																			
Reserves	2,550,263																			
Unappropriated profit	2,390,464																			
Surplus on revaluation of assets	454,868																			
	15,398,119																			

2016

	Upto 1 Month	Over 1 Month to 3 Months	Over 3 Months to 6 Months	Over 6 Months to 1 Year	Over 1 Year to 2 Years	Over 2 Years to 3 Years	Over 3 Years to 5 Years	Over 5 to 10 Years	Over 10 Years
----- (Rupees in ' 000') -----									
Assets									
Cash and balances with treasury banks	8,636,526	-	-	-	-	-	-	-	-
Balances with other banks	9,980,928	-	-	-	-	-	-	-	-
Lendings to financial - institutions	8,827,307	5,135,000	-	-	-	-	-	-	-
Investments	1,41,602,355	46,844,412	-	16,116,411	15,760,318	6,547,361	9,413,435	44,818,052	-
Advances	31,643,885	2,574,967	701,051	14,763,788	2,009,653	2,537,725	3,809,783	3,489,403	1,067,459
Operating fixed assets	2,070,554	-	-	-	1,413	96,333	874,859	148,508	949,441
Deferred tax assets	-	-	-	-	-	-	-	-	-
Other assets	3,638,719	1,096,177	-	72,937	-	-	-	-	-
	206,400,274	27,571,788	701,051	30,953,136	17,771,384	9,181,419	14,098,077	48,455,963	2,016,900
Liabilities									
Bills payable	775,938	-	-	-	-	-	-	-	-
Borrowings	28,700,825	2,522,269	551,500	9,696,399	-	-	-	13,805	-
Deposits and other accounts	157,020,365	8,307,565	4,489,597	44,259,007	1,163,736	6,033,987	5,477,596	1,038,299	450,000
Deferred tax liabilities	151,745	-	-	-	151,745	-	-	-	-
Other liabilities	3,608,857	3,407,304	201,553	-	-	-	-	-	-
	190,257,730	105,900,672	5,242,650	53,955,406	1,315,481	6,033,987	5,477,596	1,052,104	450,000
Net assets / (liabilities)	16,142,544	(78,328,884)	(4,541,599)	(23,002,270)	16,455,903	3,147,432	8,620,481	47,403,859	1,566,900
Represented by:									
Share capital	10,002,524								
Reserves	2,192,169								
Unappropriated profit	2,490,553								
Surplus on revaluation of assets	1,457,298								
	16,142,544								





41.5.3 Liquidity Coverage Ratio (LCR)

The objective of LCR is focus on short-term liquidity risk measurement and management of the bank by ensuring the preservation of adequate unencumbered High Quality Liquid Assets (HQLA) to survive total cash out flows over the horizon of 30 days. Liquidity Coverage Ratio (LCR) is a quantitative requirement which aims to ensure that a bank maintains an adequate level of unencumbered high quality liquid assets which can easily be converted into cash at little or no loss of value in private markets, to withstand an acute liquidity stress scenario over a 30-day horizon. Minimum requirement for LCR stands at 100%. Main drivers of LCR for the bank remains un-encumbered assets (Tbills, PIBs, Govt sukuks etc) on assets side whereas deposits generated from sovereigns, PSE, Non financial corporates on liability side.

	2017	
	TOTAL UNWEIGHTED VALUE (average)*-a	TOTAL WEIGHTED VALUE (average)*-b
	----- (Rupees in '000') -----	
HIGH QUALITY LIQUID ASSETS		
1 Total high quality liquid assets (HQLA)	102,494	102,173
CASH OUTFLOWS		
2 Retail deposits and deposits from small business customers		
2.1 stable deposit		
2.2 Less stable deposit	31,935	3,194
3 Unsecured wholesale funding of which:	11,396	1,140
3.1 Operational deposits (all counterparties)	837	209
3.2 Non-operational deposits (all counterparties)	-	-
3.3 Unsecured debt	110,409	48,136
4 Secured wholesale funding	10,481	-
5 Additional requirements of which:	-	-
5.1 Outflows related to derivative exposures and other	294	294
5.2 Outflows related to loss of funding on debt products	-	-
5.3 Credit and Liquidity facilities	-	-
6 Other contractual funding obligations	-	-
7 Other contingent funding obligations	39,232	764
8 TOTAL CASH OUTFLOWS	204,584	53,737
CASH INFLOWS		
9 Secured lending	-	-
10 Inflows from fully performing exposures	697	423
11 Other Cash inflows	4,029	1,101
12 TOTAL CASH INFLOWS	4,726	1,525
TOTAL ADJUSTED VALUE		
21 TOTAL HQLA		(Rupees in '000') 102,173
22 TOTAL NET CASH OUTFLOWS		52,212
23 LIQUIDITY COVERAGE RATIO		195.69%

* The averages are for the four quarters from March 31, 2017 to December 31, 2017.

41.5.4 "Net Stable Funding Ratio (NSFR):

It focuses on long-term measurement and management of funding risk by creating additional incentives for banks to fund their activities with more stable sources of funding on an ongoing structural basis. The Net Stable Funding Ratio has been developed to capture structural issues related to funding choices.

2017					
Un-Weighted Value By Residual Maturity					Weighted Value
ASF ITEMS					
----- (Rupees in '000') -----					
	No Maturity	Less Than 6 months	6 months to Less Than 1 Year	Greater Than or Equal to 1Year	
1 Capital:					
2 Regulatory capital	14,943	-	-	-	14,943
3 Other capital instruments	480	-	-	-	480
4 Retail deposits and deposit from small business customers:	-	-	-	-	-
5 Stable deposits	-	-	-	-	-
6 Less stable deposits	42,599	-	-	-	38,339
7 Wholesale funding:	-	-	-	-	-
8 Operational deposits	969	-	-	-	485
9 Other wholesale funding	-	-	54,798	-	27,399
10 Other liabilities:	-	-	-	-	-
11 NSFR derivative liabilities	-	-	-	1,030	-
12 All other liabilities and equity not included in other categories	116,246	-	11,605	3,517	9,320
Total					<u>90,965</u>
RSF ITEMS					
14 Total NSFR high-quality liquid assets (HQLA)	-	-	-	121,920	-
15 Deposits held at other financial institutions for operational purposes	3,257	-	-	-	1,629
16 Performing loans and securities:	-	-	-	-	-
17 Performing loans to financial institutions secured by Level 1 HQLA	-	-	-	-	-
18 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	-	-	-	-
19 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	-	-	-	14,609	12,418
20 With a risk weight of less than or equal to 35% under the Basel II Standardized Approach for credit risk	-	-	-	2,378	1,546
21 Securities that are not in default and do not qualify as HQLA including exchange-traded equities.	-	-	-	4,933	4,193
Other Assets					
23 Physical traded commodities, including gold	-	-	-	-	-
24 Assets posted as initial margin for derivative contracts	-	-	-	-	-
25 NSFR derivative assets	-	-	-	1,054	-
26 NSFR derivative liabilities before deduction of variation margin posted	-	-	-	230	230
27 All other assets not included in the above categories	-	8,426	77,262	12,468	59,526
Off-balance sheet items	-	24,169	-	-	1,208
29 Total RSF					<u>80,750</u>
30 Net Stable Funding Ratio (%)					<u>113%</u>



41.6 Country risk

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

41.7 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.

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

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

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

Currently the Bank uses the Basic Indicator Approach (BIA) for assessing its operational risk capital charge. However, migration to Standardized Approach is planned for future. In this regard, the Bank has already in place an approved Operational Risk Policy. As part of pro-active operational risk management, the Operational Risk Management Department (ORMD) has already reviewed process flow pertaining to General Banking Operations & Consumer Financing. Developed under the exercise of Business Process Improvement. The process were thoroughly discussed with relevant stakeholders for any control failures/lapses. Based on the results of RCSAs, adequate Key Risk Indicators (KRIs) for various business lines would be developed.

41.7.1 Operational Risk-Disclosures Basel II Specific

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

42 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The board of directors in its meeting held on March 02, 2018 has proposed a cash dividend in respect of 2017 of Rs. 1.50 per share (2016: Rs.1.50 per share) to be approved in the forthcoming Annual General Meeting. These financial statements for the year ended December 31, 2017 do not include the effect of referred appropriation which will be accounted for in the financial statements for the year ending December 31, 2018.

43 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 02, 2018 by the Board of Directors of the Bank.

Chief Financial
Officer

Acting Managing
Director

Director

Director

Director

Statement of Financial Position - Islamic Operation

As at December 31, 2017

Annexure 'A' to the financial statements as referred to in note 2.3

The Bank is operating 83 (2016: 77) Islamic banking branches at the end of current year.

	Note	2017	2016
		----- (Rupees in '000') -----	
ASSETS			
Cash and balances with treasury banks		2,730,430	2,480,843
Balances with other banks		874,074	7,964,712
Due from financial institutions		1,529,106	8,635,000
Investments		9,680,394	10,541,155
Islamic financing and related assets - net	A-2.1	41,472,160	5,626,934
Operating fixed assets		337,968	280,468
Deferred tax asset		-	-
Other assets		796,780	327,289
		57,420,912	35,856,401
LIABILITIES			
Bills payable		482,921	312,720
Due to financial institutions		550,000	-
Deposits and other accounts			
- Current accounts		16,183,766	13,647,809
- Saving accounts		16,388,903	12,665,688
- Term deposits		2,253,399	2,982,985
- Others		1,689,654	1,534,628
Deposit from financial institutions - remunerative		31	30
Deposit from financial institutions - non - remunerative		-	-
Other liabilities		552,765	416,387
Due to Head Office		14,674,193	219,304
		52,775,632	31,779,551
NET ASSETS			
REPRESENTED BY			
Islamic banking fund		460,000	460,000
Profit equalization reserves	A-2.2	42,671	38,125
Unappropriated profit		4,094,931	3,461,284
		4,597,602	3,959,409
Surplus / (deficit) on revaluation of assets		47,678	117,441
		4,645,280	4,076,850
REMUNERATION TO SHARIAH BOARD AND ADVISOR			
		3,733	3,713
CHARITY FUND			
Opening balance		-	-
Additions during the year			
Default obligations amount (on delay payments)		16,417	4,755
Income from transactions declared in Non-Shariah Compliance		2,326	280
Purification of dividend/Income from shares		73	120
Others		18	94
		18,834	5,249
Distribution of charity			
Welfare		(7,734)	(1,749)
Health		(11,100)	(3,500)
Payments during the year		(18,834)	(5,249)
Closing balance		-	-



Profit and Loss Account - Islamic Operations

For the year ended December 31, 2017

Annexure 'A' to the financial statements as referred to in note 2.3

	2017	2016
	----- (Rupees in '000') -----	-----
Income / return / profit earned	2,506,568	1,845,821
Income / return / profit expensed	(810,332)	(517,658)
	1,696,236	1,328,163
(Reversal) / provision against loans and advances - net	(86,159)	33,884
(Reversal) / provision for diminution in value of investments - net	(15,064)	15,064
	(101,223)	48,948
Net Income / return / profit after provisions	1,797,459	1,279,215
OTHER INCOME		
Fee, commission and brokerage income	75,144	75,820
Dividend income	1,418	2,278
Income from dealing of foreign currency	46,280	45,677
Net gain on stock exchange operations (capital gain)	(13,112)	335
Capital gain on sale of investment	-	50
Loss on trading shares	-	-
Other income	47,417	30,729
	157,147	154,889
OTHER EXPENSES		
Administrative expenses	1,321,735	1,120,248
Other provision / write offs	(789)	-
Other charges	13	12
Total other expenses	1,320,959	1,120,260
Profit before taxation	633,647	313,844
Unappropriated profit brought forward	3,461,284	3,147,440
Unappropriated profit carry forward	4,094,931	3,461,284

Notes to the Annexre 'A'

For the year ended December 31, 2017

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

General pool

Sub-pools

- i. Riba free special deposit pool
- ii. Riba free special deposit pool - 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 refinance 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

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 IBG are as under:

	Note	2017 ----- (Rupees in '000') -----	2016
Gross profit earned		2,663,715	2,000,710
Administrative expenses		1,320,959	1,120,260
Distributable share		1,342,756	880,450
Profit paid to IAH/PLS depositors		810,332	517,658
Bank's equity share - net		203,893	111,965
Bank's additional profit		454,413	201,879
Total		658,306	313,844
Return on average earning assets		6.05%	7.11%
Return on average PLS deposits		3.85%	3.52%

Charging Expenses

Il 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.

A-2.1 Islamic Financing and Related Assets - net

Murabaha financings	A-2.1.1	3,555,655	1,643,500
Net investment in Ijarah	A-2.1.2	6,155	6,785
Ijarah under IFAS-II	A-2.1.2	755,370	575,073
Diminishing Musharakah	A-2.1.3	1,853,726	2,426,660
Istisna work in progress		2,376,042	1,200,000
Salam		-	-
Qarz-e-Hasna		69,777	5,641
Running Musharakah		33,000,000	-
		41,616,725	5,857,659
Provision held against non-performing facilities		(144,565)	(230,725)
		41,472,160	5,626,934

	Note	2017 (Rupees in '000')	2016
A-2.1.1 Murabaha			
Murabaha receivable		2,807,180	1,426,245
Advances / Inventories		748,475	217,255
		3,555,655	1,643,500
A-2.1.2 Ijarah			
Net investment in Ijarah		6,155	6,785
Ijarah under IFAS-II:			
- Ijarah		742,077	554,439
- Advances		13,293	20,634
		755,370	575,073
		761,525	581,858
A-2.1.3 Diminishing Musharakah			
Diminishing musharakah		1,766,682	2,385,860
Advances		87,044	40,800
		1,853,726	2,426,660

A.2.2 Profit Equalization Reserve of Rs. 42.671 million (December 31, 2016: Rs. 38.125 million) is not available for the distribution of cash and stock dividend to the shareholders.

A.2.3 Classification of assets, revenues, expenses, gain and loss on the basis of sources of finance:

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

Financings

Agribusiness	958,961	670,286
Chemical and Pharmaceuticals	138,336	108,563
Cement	637,681	-
Textile	4,699,096	216,428
Automobile and transportation equipment	335,688	112,283
Petro Chemical	-	9
Housing	154,041	111,935
Misc. Manufacturing	923,893	1,363,476
Personal	359,199	329,312
Contractors	71,722	275,881
Tradings	2,084,058	656,209
Services	456,862	214,105
Consumer Financings	337,023	54,849
Auto Loans	245,309	464,169
Commodity Finance	30,000,000	-
Telecommunication	11,256	-
CNG station/GAS	24,059	274,400
Others	179,541	1,005,754
	41,616,725	5,857,659

Investments

GOP Ijarah Sukuk	6,297,974	7,375,100
Power /Electric/Gas	3,382,420	3,129,479
Chemical	-	21,918
Others	-	29,722
	9,680,394	10,556,219
	51,297,119	16,413,878



Annexure 'B' to the financial statements as referred to in note 11.6.3
Statement showing written-off loans or any other financial relief of Rs.500,000
or above provided during the year ended december 31, 2017

(Rs. in million)

S. No.	Name and address of the borrower	Name of individual/ partners/ directors (with NIC No.)	Father's/ Husband's name	Outstanding Liabilities at beginning of the year				Principal Written-off	Interest/ Mark-up Written-off	Other Financial Relief/ Waiver of Undebited Markup	Total (9+10+11)
				Principal	Interest/ Mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Chaudhary Karam Ilahi (Abdul Aziz) 3-Arbab Road, Peshawar Cantt	Chaudhary Shahid Ghafoor CNIC 17301-6941313-9	S/o Chaudhary Abdul Ghafoor	æ	0.814	æ	0.814	æ	0.814	0.792	1.606
2	Makk Beverages (Pvt) Ltd P.O. Makk Beverages Charsadda Road, Peshawar	Mrs. Mamoni K. Mohsin Ali Khan CNIC 17301-1352025-4 Dr. Shehr Bano Ali Khan CNIC 17301-1414209-4	W/o Nawabzada Mohsin Ali Khan D/o Nawabzada Mohsin Ali Khan	æ	9.486	æ	9.486	æ	9.486	39.15	48.636
3	Mamoni Industries (Pvt) Ltd P.O. Makk Beverages Charsadda Road, Peshawar	Mrs. Mamoni K. Mohsin Ali Khan CNIC 17301-1352025-4 Dr. Shehr Bano Ali Khan CNIC 17301-1414209-4	W/o Nawabzada Mohsin Ali Khan D/o Nawabzada Mohsin Ali Khan	æ	0.748	æ	0.748	æ	0.748	æ	0.748
4	Shahi Beverages (Pvt) Ltd Office at Jhangji Syedan Peshawar Road, Islamabad	Mrs. Mamoni K. Mohsin Ali Khan CNIC 17301-1352025-4 Dr. Shehr Bano Ali Khan CNIC 17301-1414209-4	W/o Nawabzada Mohsin Ali Khan D/o Nawabzada Mohsin Ali Khan	æ	69.992	æ	69.992	æ	æ	25.758	25.758
5	Shah's 3 CNG Station (Pvt) Ltd. Plot # 144/A, Opposite Sector-L, Phase-3, Hayatabad, Peshawar.	Mr. Muhammad Luqman Shah CNIC 17301-1382731-5 Mst. Nusrat Luqman CNIC 17301-1263930-8	S/o Suleman Shah W/o Muhammad Luqman Shah					æ	æ	9.497	9.497
6	Seher Spinning Mills (Pvt) Ltd 8-KM, Manag Raiwand Road, Lahore	Mr. Faryad Malik CNIC 34601-4949170-5 Mr. Mujeeb-ur-Rehman CNIC 15602-1962884-1 Mst. Khatoon Faryad Malik CNIC 34601-2772028-4 Mr. Asad ur Rehman CNIC 15602-2890591-5 Mr. Muhammad Ashfaq CNIC 35404-6932418-3	S/o Malik Abdul Hameed S/o Hamid ur Rehman W/o Faryad Malik S/o Hamid ur Rehman S/o Malik Abdul Hameed	99.395	14.614	æ	114.009	æ	14.409	æ	14.409
7	Mansehra Textile Mills (Pvt) Ltd. Industrial Estate, Shelia Road, Mansehra	Mr. Abdul Sattar Khan CNIC 13503-5602329-7 Mrs. Bibi Sughran Sattar CNIC 123-42-220161 Mr. Tausif Anjum Khan CNIC 123-90-220165	S/o Mir Zaman Khan W/o Abdul Sattar Khan S/o Abdul Sattar Khan	46.074	5.539	æ	51.613	æ	æ	49.981	49.981
8	Arshad Iqbal Crockery Store Talaab Road, Nouthia Qadeem Peshawar Cantt.	Mr. Arshad Iqbal CNIC 17301-2032048-2	S/o Aftab Gul	0.837	0.119	æ	0.956	æ	0.119	0.461	0.58
9	Kamalia Sugar Mills Ltd. Rajana Road, Kamalia District Toba Tek Singh	Mr. Farooq Ahmad Khan CNIC 35201-4848795-7 Omer Farooq Khan CNIC 35201-3225587-3 Mst. Nuzhat Farooq Khan CNIC 35201-4415206-6 Mst. Ayesha Farooq Khan CNIC 35201-1302205-4 Mst. Amna Junaid Khan CNIC 35201-7574835-2	S/o Abdul Majeed Khan S/o Farooq Ahmad Khan W/o Farooq Ahmad Khan D/o Farooq Ahmad Khan W/o Junaid Ashraf Khawaja	300	13.307	æ	313.307	æ	æ	4.652	4.652

Annexure 'C' to the financial statements as referred to in note 10.4

1. Particulars of investments held in ordinary shares of listed companies	2017	2016	2017	2016
 Number of shares.....		Cost(Rupees in '000').....	
Available for sale				
Accord Textile Limited	10,391	10,391	-	-
Adamjee Floorings Limited	1,300	1,300	-	-
Adamjee Industries	26	26	-	-
Adamjee Paper and Board Mills Limited	6,100	6,100	-	-
Adil Polypropylene Limited	3,800	3,800	-	-
Afsar Textile Mills Limited	1,400	1,400	-	-
Al-Husaniy Industries Limited	1,300	1,300	-	-
Alif Textile Mills Limited	7,500	7,500	-	-
Allied Bank Limited	216,000	150,000	21,877	16,736
Al-Qaim Textile Mills Limited	8,000	8,000	-	-
Apex Fabrics Limited	6,500	6,500	-	-
Arag Industries Limited	4,300	4,300	-	-
Asim Textile Mills Limited	26,500	26,500	-	-
Aswan Tentage and Canvas Mills Limited	3,700	3,700	-	-
Attock Petroleum Limited	-	100,000	-	56,801
Atlas Battery Ltd	-	25,000	-	21,961
Awan Textile Mills Limited	5,300	5,300	-	-
Ayaz Textile Mills Limited	5,000	5,000	-	-
Bahawalpur Textile Mills Limited	1,000	1,000	-	-
Balochistan Faundry Limited	1,600	1,600	-	-
Balochistan Particle Board Limited	17,129	17,129	-	-
Bank Al-Habib Limited	-	2,500,000	-	67,039
Begers Paints Pakistan Ltd	50,000	-	10,123	-
Bankers Equity Limited	66,707	66,707	-	-
Bela Engineering Limited	5,500	5,500	-	-
Business and Industrial Insurance Company Limited	500,000	500,000	5,000	5,000
CASSPAK INDUSTRIES LTD.	1,800	1,800	-	-
Carvan East Fabrics Limited	948,700	948,700	9,487	9,487
Central Cotton Mills Limited	700	700	-	-
Charsada Sugar Mills Limited	20	20	-	-
Chilya Corrugated Board Limited	900	900	-	-
Colony Sarhad Textile Mills Limited	7,273	7,273	3	3
Crescent Knitwear Limited	1,500	1,500	-	-
Century Paper and Board Mills Ltd	-	200,000	-	13,511
Crescent Spinning Mills Limited	16,400	16,400	-	-
Crown Textile Mills Limited	7,200	7,200	-	-
Dadabhoy Leasing Company Limited	8,500	8,500	-	-
DG Khan Cement Co.Ltd	800,000	-	136,473	-
Dadabhoy Padube Limited	1,200	1,200	-	-
Data Agro Limited	2,400	2,400	-	-
Dawood Capital Management Limited	2,246,055	2,246,055	22,461	22,461
Dawood Equities Limited	3,750,000	3,750,000	37,500	37,500
Engro Corporation Limited	100,000	-	31,862	-
EFU General	675,075	731,075	68,582	74,271
Engro Fertilizer Ltd	400,000	-	22,516	-
Fateh Industries Limited	600	600	-	-
Fateh Sports Wear Limited	1,000	1,000	-	-
First Dawood Inv Bank Ltd	16,768,444	16,768,444	139,724	139,724
Fauji Cement Company Ltd	1,700,000	-	61,900	-
Fauji Fertilizer Company Limited	300,000	210,000	27,772	29,030
Fazal Vegetable Ghee Mills Limited	500	500	-	-
Ghafur Textile Mills Limited	1,000	1,000	-	-
Glaxo Smithkline pak Ltd	35,000	24,700	7,350	5,733
Globe Textile Mills Limited	1,458	1,458	23	23



	2017	2016	2017	2016
	Number of shares		Cost (Rupees in '000')	
Greaves Air conditioning Limited	1,300	1,300	-	-
Gypsum Corporation Limited	3,600	3,600	-	-
H. Sheikh, M. Hussain Company Limited	2,516	2,516	-	-
Habib Metropolitan Bank Limited	500,000	1,200,000	10,564	25,355
Habib Bank Limited	150,000	-	27,747	-
Hub Power Company Ltd	250,000	-	28,391	-
Hafiz Textile Mills Limited	315	315	5	5
Hyderabad Electronic Industries Limited	2,300	2,300	-	-
ICI Pakistan Limited	44,860	90,000	36,064	44,785
Indus Dyeing Manufacturing Company Limited	-	-	-	-
Innovative Investment Bank Limited	807	807	-	-
International Industries Limited	-	-	-	-
Itti Textile Mills Limited	3,500	3,500	-	-
Junaid Cotton Mills Limited	1,000	1,000	-	-
Kaiser Art and Kraft Mills Limited	500	500	-	-
Karachi Pipe Mills Limited	3,400	3,400	-	-
K-Electric Ltd	5,000,000	-	37,893	-
Karim Cotton Mills Limited	2,550	2,550	-	-
Karim Silk Mills Limited	300	300	-	-
Kohinoor Looms Limited	3,500	3,500	-	-
Kohat Cement Limited	179,400	-	31,085	-
Kot Addu Power Company Limited	500,000	500,000	43,047	43,047
Lafayette Industries Synthetics Limited	2,600	2,600	-	-
LTV Capital Modaraba	300	300	-	-
Lucky Cement Limitd	159,400	-	102,175	-
Maple Cement Factory Ltd	693,000	-	59,432	-
Marr Fabrics Limited	2,700	2,700	-	-
Medi Glass Limited	7,400	7,400	-	-
Mehr Dastagir Textile Mills Limited	1,200	1,200	-	-
Mehran Bank Limited	16,900	16,900	-	-
Mehran Jute Mills Limited	2,500	2,500	-	-
Mian Mohammed Sugar Mills Limited	4,000	4,000	-	-
Mohib Textile Mills Limited	3,500	3,500	-	-
Morafco Industries Limited	1,631	1,631	-	-
Mubarak Dairies Limited	1,000	1,000	-	-
National Bank of Pakistan	200,000	-	10,432	-
National Match Factory Limited	600	600	-	-
Naveed Textile Mills Limited	1,500	1,500	-	-
Nishat Chunain Limited	200,000	-	9,915	-
Nishat Mills Ltd	250,000	-	40,221	-
Nowshera Engineering Company Limited	600	600	-	-
Nusrat Textile Mills Limited	6,900	6,900	-	-
Oil & Gas Dev. Co	50,000	-	7,598	-
Packages Ltd	67,000	70,000	40,331	42,137
Pak German Pre-Fabs Limited	1,500	1,500	-	-
Pak Ghee Industries Limited	1,300	1,300	-	-
Pakistan Papersck Company Limited	2,450	2,450	-	-

	2017	2016	2017	2016
	Number of shares		Cost (Rupees in '000')	
Pan Islamic Steamship Company Limited	172	172	-	-
Pearl Fabrics Limited	5,200	5,200	-	-
Punjab Lamps Works Limited	2,500	2,500	-	-
Punjab Building Product Limited	10,298	10,298	-	-
Pakistan State Oil Co. Ltd	130,900	-	46,826	-
Pakistan Refinery Ltd	300,000	-	12,985	-
Punjab Cotton Mills Limited	1,000	1,000	-	-
Qayyum Spinning Mills Limited	2,300	2,300	-	-
Quality Steel Works Limited	26	26	-	-
RCD Ball Bearing Limited	500	500	-	-
Redco Textiles Limited	17,700	17,700	-	-
Regal Ceramics Limited	2,600	2,600	-	-
Rex Barren Batteries Limited	1,200	1,200	-	-
Saif Nadeem Kawasaki Motors Limited	100	100	-	-
Saitex Spinning Mills Limited	8,400	8,400	-	-
Saleem Denim Industries Limited	3,600	3,600	-	-
Sardar Chemical Industries Limited	3,000	3,000	6	6
Schon Textiles Limited	5,800	5,800	-	-
Searle Pakistan Limited	240,000	169,950	66,602	36,593
Service Fabrics Limited	31,000	31,000	-	-
Service Industries Limited	12,500	15,000	3,398	4,078
Service Textile Industries Limited	3,800	3,800	-	-
Shahyar (O.E) Textile Mills Limited	1,700	1,700	-	-
Shahyar Textile Mills Limited	5,000	5,000	-	-
Siemens Pakistan Engineering Company Limited	10,000	10,000	9,755	9,755
Siftaq International Limited	2,900	2,900	-	-
Sind Alkalis Limited	15,500	15,500	-	-
Sind Fine Textile Mills Limited	2,000	2,000	-	-
Sunrise Textile Mills Limited	300	300	-	-
Sunshine Cloth Mills Limited	10,000	10,000	-	-
Sunshine Cotton Mills Limited	10,352	10,352	-	-
Suraj Ghee Industries Limited	1,459	1,459	-	-
Syed Match Company Limited	500	500	7	7
Syeed Saigol Industries Limited	1,300	1,300	-	-
Taga Pakistan Limited	2,900	2,900	-	-
Taj Textile Mills Limited	32,363	32,363	12	12
Trust Inv Bank Ltd	7,500,000	7,500,000	75,000	75,000
Tariq Cotton Mills Limited	1,400	1,400	-	-
Tawakkal Garment Industries Limited	3,000	3,000	-	-
Tawakkal Limited	2,637	2,637	-	-
Tawakkal Modaraba 1st	11,200	11,200	-	-
Thal Limited	29,900	40,000	8,716	11,660
Treet Corporation Limited	972,000	100,000	44,563	6,393
Turbo Tubes Limited	4,000	4,000	-	-
Unicap Modaraba	7,500	7,500	-	-
United Bank Limited	-	500,000	-	90,499
Uqab Breeding Farms limited	3,400	3,400	-	-
Zafar Textile Mills Limited	1,550	1,550	-	-
Zahoor Cotton Mills Limited	10,500	10,500	-	-
Zahoor Textile Mills Limited	9,500	9,500	-	-
	46,488,064		1,355,423	888,611

The paid-up value of each share in listed companies was Rs. 10 per share (2016: Rs. 10 per share).

As at December 31, 2017, the aggregate market value of listed shares was Rs. 1,332.880 million (2016: Rs. 1,339.412 million).



	2017	2016	2017	2016
	Number of shares		(Rupees in '000')	
Particulars of investments held in ordinary shares of unlisted companies				
Al-Hamra Hills (Private) Limited	-	-	-	-
Asian Housing Finance Limited	500,000	500,000	5,000	5,000
GLAXMO SMITH CONSUMER	-	7,500	-	-
Mohib Textile Mills Limited	1,194,500	1,190,500	25,000	25,000
Mohib Exports Limited	25,300	25,300	487	487
Industrial Development Bank of Pakistan	20	20	-	-
	1,719,820		30,487	30,487

The paid-up value of each share in unlisted companies is Rs. 10 per share (2012: Rs. 10 per share).

	2017	2016	2017	2016
	Number of shares		(Rupees in '000')	
Particulars of investments held in ordinary shares of related parties:				
Unlisted shares				
Taurus Securities Limited	4,050,374	4,050,374	40,504	40,504
Dawood Family Takaful Limited	11,250,000	11,250,000	112,500	112,500
	15,300,374		153,004	153,004

The paid-up value of each share in unlisted companies is Rs. 10 per share (2016: Rs. 10 per share).

ANNEXURE 'C' (continued)

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

Available for sale	Terms of Interest	Date of Maturity	2017	2016	2017	2016
			Number of certificates held		Cost (Rupees in '000)	
Pace Pakistan Limited *	6 months KIBOR + 150 BPS	February 15, 2017	20,000	20,000	99,880	99,880
Saudi Pak Leasing Company *	Fixed at 3%	March 13, 2017	10,000	10,000	27,548	27,548
Telecara Limited *	6 months KIBOR + 375 BPS	May 27, 2015	7,000	7,000	10,957	11,341
JS BANK LTD	6 months KIBOR + 1.45 BPS	December 14, 2023	40,000	40,000	199,920	-
			77,002		338,307	138,771

The paid-up value of each TFC held was Rs. 5,000 per certificate (2016: Rs. 5,000 per certificate).

The market value of these listed TFCs amounted to Rs. 338.307 million as at December 31, 2017 (2016: Rs. 138.550 million).

* These have been classified as non performing.

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

Available for sale	Terms of Interest	Date of Maturity	2017		2016	
			Number of certificates held	Cost (Rupees in '000)	Number of certificates held	Cost (Rupees in '000)
Bank AL-falah Ltd	6 months KIBOR + 1. BPS	December 2, 2017	-	38,000	-	126,337
Dewan Farooq Spinning Mills	Non-performing	Over due	4,000	4,000	5,000	5,000
Faysal Bank Limited	6 months KIBOR + 225 BPS	October 11, 2017	-	15,000	-	37,425
Bank AL-Habib Ltd	6 months KIBOR + 1.5 BPS		100,000		500,000	-
					505,000	168,762

The paid-up value of each TFC held was Rs. 5,000 per certificate (2016: Rs. 5,000 per certificate)

6. Particulars of investments held in units of mutual funds

	2017		2016	
	Number of certificates held	Cost (Rupees in '000)	Number of certificates held	Cost (Rupees in '000)
Open-ended mutual funds				
Dawood Money Market Fund	-	4,194,990	-	290,237

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

7. Particulars of investments held in Sukuks

Available for sale	Terms of Interest	Date of Maturity	2017		2016	
			Number of certificates held	Cost (Rupees in '000)	Number of certificates held	Cost (Rupees in '000)
Al-Razi Health Care Limited	3 months KIBOR + 250 BPS	November 4, 2017	-	10,000	-	29,722
NJHPC Sukuk	6 months KIBOR + 175 BPS	July 1, 2026	26,000	12,000	2,600,000	2,600,000
AlBaraka TIER-II Sukuk	6M KIBOR Plus 75bps	August 21, 2024	175	-	175,000	-
Ghani Gases Ltd	3M KIBOR Plus 100bps	February 3, 2023	3,500		306,250	
			-	-	-	-
Liberty Power Tech Limited	3 months KIBOR + 300 BPS	Various dates latest by January 13, 2021	2,198,840	2,198,840	105,455	130,669
Quetta Textile Mill Ltd	Non-performing	Over due	20,000	20,000	48,413	48,413
Security Leasing Company Limited	Non-performing	Over due	10,000	10,000	12,836	12,836
Sui Southern Gas Company	3 months KIBOR + 70 BPS	May 28, 2018	60,000	60,000	50,000	150,000
Three Star Hoisery Limited	Non-performing	Over due	15,000	15,000	75,000	75,000
WAPDA III	3 months KIBOR + 175 BPS	October 14, 2021	51,000	51,000	145,714	182,143
					3,518,668	3,228,783
Held to maturity						
WAPDA II	6 months KIBOR + 25 BPS	June 12, 2017	-	80,000	-	66,667
					-	66,667
					3,518,668	3,295,450

The paid-up value of each Sukuk certificate held was Rs. 5,000 per certificate (2016: Rs. 5,000 per certificate).



Annexure 'd' to the Financial Statements as Referred to in Note 10.4 Quality of Available for Sale Securities

Quality of available for sale securities	2017			2016		
	Market Value/ Cost (Rs in '000')	Rating	Credit rating Agency	Market Value/ Cost (Rs in '000')	Rating	Credit rating Agency
Government Securities						
Market Treasury Bills	46,635,133	Unrated	-	58,021,426	Unrated	-
Pakistan Investment Bonds	60,305,974	Unrated	-	66,013,453	Unrated	-
Government of Pakistan Ijarah Sukuks	6,297,975	Unrated	-	7,375,100	Unrated	-
Ordinary shares in listed companies						
Abbot Laboratories Pakistan Limited	-	N/A	-	-	N/A	-
Accord Textile Limited	4	N/A	-	4	N/A	-
Akzo Nobel Pak Limited	-	N/A	-	-	N/A	-
Allied Bank Limited	18,356	AA+	PACRA	17,882	AA+	PACRA
Al-Qaim Textile Mills Limited	5	N/A	-	5	N/A	-
Asim Textile Mills Limited	371	N/A	-	371	N/A	-
Attock Petroleum Limited	-	N/A	-	-	N/A	-
Atlas Battery Ltd	-	N/A	-	-	N/A	-
Berger Paints Pakistan Ltd	8,039	N/A	-	-	N/A	-
Bank Al-Habib Limited	-	-	-	147,475	AA+	PACRA
Baluchistan particle Board Ltd	69	-	-	69	N/A	-
Business & Industrial Insurance Company	5,000	N/A	-	5,000	AA+	PACRA
Carvan East Fabrics Limited	9,487	N/A	-	9,487	N/A	-
Centuray Paper Board Ltd	-	N/A	-	12,410	N/A	-
Colony Sarhad Textile Mills Limited	16	N/A	-	16	N/A	-
Data Agro Limited	30	N/A	-	45	N/A	-
DG KHAN Cement	106,976	-	-	-	-	-
Dawood Capital Management Limited	25,830	AM3-	PACRA	25,830	-	-
Dawood Equities Limited.	48,712	BB+	JCR	59,325	AM3-	PACRA
EFUG	103,219	AA+	PACRA	110,392	A+	JCR
First Dawood Inv Bank Ltd	167,895	AA-	PACRA	200,258	AA-	PACRA
Fauji Cement Company Ltd	42,517	N/A	-	-	N/A	-
Engro Chemicals Pakistan Limited	27,475	A	PACRA	-	N/A	-
Engro Fertilizer Ltd	27,088	AA-	PACRA	-	-	-
Fauji Fertilizer Company Limited	23,733	AA	PACRA	21,918	AA	PACRA
Glaxo Smithkline pak Ltd	5,876	N/A	-	5,763	-	-
Globe Textile Mills Limited	23.18	N/A	-	23	-	-
Habib Metropolitan Bank Limited	17,250	AA+	PACRA	44,400	AA	PACRA
Habib Bank Ltd	25,064	-	-	-	-	-
Fateh Industriest Ltd	112	N/A	-	112	-	-
Fateh Sports Ltd	58	N/A	-	85	-	-
Hafiz Textile Mills Limited	20	N/A	-	20	N/A	-
Hub Power Company Limited	22,750	AA+	PACRA	-	N/A	-
I.C.I. Pakistan Limited	34,450	N/A	-	89,436	AA+	PACRA
Innovative Investment Bank Limited	3	N/A	-	3	N/A	-
KASB Securities Limited	-	N/A	-	-	N/A	-
Kohat Cement Co Ltd	25,468	A	PACRA	-	-	-
Kot Addu Power Co. Limited	43,047	AA+	JCR	39,400	AA+	PACRA
K-Electric Ltd	31,550	AA	JCR	-	-	-
Lucky Cement Limited	82,475	N/A	-	-	N/A	-
Maple Leaf Cement Factory Ltd	47,429	A+	PACRA	-	-	-
Meher Dastgir Textile Mills Limited	2	N/A	-	2	N/A	-
Morafo Industries Limited	17	N/A	-	18	AA+	JCR
Mubarik Dairies Limited	1	N/A	-	1	-	-
National Bank of Pakistan	9,712	AAA	PACRA	-	N/A	-
nishat Chunei Ltd	9,154	N/A	-	-	-	-
Nishat Mills Ltd	37,375	AA	PACRA	-	-	-
OGDC	8,140	A	PACRA	-	N/A	-
Packages Ltd	34,159	AA	PACRA	59,504	AA	PACRA
Pakistan Refinery Ltd	10,554	A-	PACRA	-	-	-
Pakistan State Oil Company Limited	38,368	AA+	PACRA	-	-	-

Annexure 'd' to the Financial Statements as Referred to in Note 10.4 Quality of Available for Sale Securities

	2017			2016		
	Market Value/ Cost (Rs in '000')	Rating	Credit rating Agency	Market Value/ Cost (Rs in '000')	Rating	Credit rating Agency
Redco Textile Limited	73	N/A	-	200	N/A	-
Sardar Chemical Industries Limited	26	N/A	-	46	N/A	-
Searle Pakistan Limited	75,570	N/A	-	111,117	N/A	-
Service Industries Limited	10,686	N/A	-	24,029	N/A	-
Services Fabrics Limited	140	N/A	-	24	N/A	-
Services Textile Industries Limited	60	N/A	-	34	N/A	-
Shell Pak Ltd	-	-	-	-	-	-
Siemens Pakistan Engineering Co. Limited	11,394	N/A	-	16,154	N/A	-
Sind Fine Textile Mills Limited	8	N/A	-	8	N/A	-
Syed Match Company Limited	7	N/A	-	7	N/A	-
Taj Textextile Mills Limited	13	N/A	-	13	N/A	-
Trust Inv BANK Ltd	85,725	N/A	-	103,050	-	-
Thall Limited	15,276	N/A	-	20,341	N/A	-
Treet Corporation Limited	36,013	AA-	JCR	6,538	AA-	JCR
Unicap Modaraba	11	N/A	-	11	N/A	-
United Bank Limited	-	-	-	119,450	AA+	JCR
Wyeth Pak Limited	-	N/A	-	-	N/A	-
Zahoor Cotton Mills Limited	3	N/A	-	3	N/A	-
Ordinary shares in unlisted companies						
Asian Housing Finance Limited	5,000	N/A	-	5,000	N/A	-
Mohib Textile Mills Limited	25,000	N/A	-	25,000	N/A	-
Mohib Exports Limited	487	N/A	-	487	N/A	-
Ordinary shares in unlisted companies related parties						
Dawood Family Takaful Limited	112,500	A-	PACRA	112,500	A-	PACRA
Taurus Securities Limited	40,504	A	JCR	40,504	A	JCR
Term Finance Certificates - Listed						
Pace Pakistan Limited *	99,880	N/A	-	99,880	N/A	-
Saudi Pak Leasing Company *	27,548	N/A	-	27,548	N/A	-
Telecard Limited *	10,957	N/A	-	10,957	N/A	-
JS BANK LTD	199,920	A+	PACRA	200,000	-	-
Term Finance Certificates - Unlisted						
Bank AL-falah Ltd	-	AA-	PACRA	126,337	AA-	PACRA
Dewan Farooq Spinning Mills	5,000	N/A	-	5,000	N/A	-
Faysal Bank Limited	-	AA-	JCR	37,425	AA-	JCR
Bank AL-Habib Ltd	500,000	AA	JCR	-	-	-



Annexure 'd' to the Financial Statements as Referred to in Note 10.4 Quality of Available for Sale Securities

	2017			2016		
	Market Value/ Cost (Rs in '000')	Rating	Credit rating Agency	Market Value/ Cost (Rs in '000')	Rating	Credit rating Agency
Closed end mutual funds						
Sukuk certificates						
Quetta Textile Mills Limited	48,413	N/A	-	48,413	N/A	-
	-	N/A	-	-	N/A	-
Liberty Power Tech Limited	105,455	A+	PACRA	130,669	A+	PACRA
Security Leasing Sukuk	12,836	N/A	-	12,836	N/A	-
Ghani Gases	306,250	A	PACRA	N/A	-	-
Three Star Hoisery	75,000	N/A	-	75,000	N/A	-
Al Razi Health Care	-	N/A	-	29,722	N/A	-
	-	N/A	-	-	N/A	-
SSGC SUKUK	50,000	N/A	-	150,000	N/A	-
WAPDA III	145,714	AAA	PACRA	182,143	N/A	-
NJHPC Sukuk	2,600,000	N/A	-	2,600,000	N/A	-
AlBaraka TIER-II Sukuk	175,000	A	JCR-VIS	-	N/A	-
WAPDA - II	-	N/A	-	66,667	N/A	-





Pattern of Shareholding

As of December 31, 2017

NO. OF SHAREHOLDERS	HAVING SHARES		SHARES HELD	PERCENTAGE
	FROM	TO		
893	1	100	38423	0.0038
9977	101	500	1837981	0.1837
15353	501	1000	13956028	1.3951
2432	1001	5000	5082913	0.5081
148	5001	10000	1049874	0.1049
51	10001	15000	615952	0.0616
40	15001	20000	667761	0.0668
19	20001	25000	421442	0.0421
8	25001	30000	221585	0.0222
6	30001	35000	194572	0.0194
1	35001	40000	37988	0.0038
3	40001	45000	125067	0.0125
5	45001	50000	244941	0.0245
5	50001	55000	270792	0.0271
1	55001	60000	55615	0.0056
1	60001	65000	62268	0.0062
2	65001	70000	134192	0.0134
2	70001	75000	145762	0.0146
2	75001	80000	159381	0.0159
2	80001	85000	166454	0.0166
1	85001	90000	90000	0.0090
1	90001	95000	94500	0.0094
1	95001	100000	99996	0.0100
1	105001	110000	109400	0.0109
1	135001	140000	136760	0.0137
1	150001	155000	152976	0.0153
1	170001	175000	170426	0.0170
1	190001	195000	194021	0.0194
1	200001	205000	201000	0.0201
1	240001	245000	243130	0.0243
1	255001	260000	259500	0.0259
1	275001	280000	278840	0.0279
1	310001	315000	313173	0.0313
1	695001	700000	700000	0.0700
1	1075001	1080000	1075172	0.1075
1	3290001	3295000	3294815	0.3294
1	4370001	4375000	4370332	0.4369
1	7750001	7755000	7750871	0.7748
1	11495001	11500000	11500000	1.1496
1	241635001	241640000	241639031	24.1549
1	702205001	702210000	702208233	70.1948
<u>28972</u>		Company Total	<u>1000371167</u>	<u>100.0000</u>

Category of Shareholders

As of 31.12.2017

	No of Shareholders	Share Held	Percentage
Directors, CEO & Children	4	58,624	0.00
Associated Companies	1	241,639,031	24.16
Banks, DFI & NBF	4	50,825	0.00
Insurance Companies	2	18,234	0.00
General Public (Local)	28,879	46,810,787	4.68
General Public (Foreign)	42	169,386	0.02
Others	38	5,045,715	0.50
Government of Khyber Pakhtunkhwa	1	702,208,233	70.20
Foreign Companies	1	4,370,332	0.44
Total	28,972	1,000,371,167	100.00

Shareholding of Directors, CEO & Children

Maqsood Ismail Ahmad	12,156
Asad Muhammad Iqbal	18,234
Javed Akhtar	18,234
Rashid Ali Khan	10,000

Shareholding of Banks, DFI & NBF

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

Shareholding of Insurance Companies

TPL 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



Branch Network

Sr. No.	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Phone Number	Fax Number	ATM Installed
Province Khyber Pakhtunkhwa (99 Branches)							
1	Abbottabad, Jinnah Road	Jinnah Road, Abbottabad	0113	Islamic	0992-341444, 341431	0992-341430	Yes
2	Abbottabad, Mansehra Road	934-A, Mansehra Road, Abbottabad	0043	Conventional	0992-331913, 331914	0992-331916	Yes
3	Bannu Branch	Old GTS Chowk, Gowshala Road Bannu.	0103	Islamic	0928-613222, 613394	0928-621429	Yes
4	Batagram	Khasra No.3149/971, Haji Nazir Plaza, Shahrah-e-Qaraqurum, Batagram	0134	Islamic	0997-310154-5	0997-310156	No
5	Bathkela Branch	Near Government High School, Main Bazar, Bathkela	0108	Islamic	0932-414851 & 3	0932-414853	Yes
6	Charsadda Branch	Main Bazar Charsadda Mardan Road, Charsadda	0111	Islamic	091-9220100-1	091-9220102	Yes
7	Chitral Ataliq Bazar	Ataliq Bazar, Chitral.	0011	Conventional	0943-412473	0943-412220	Yes
8	Chitral Chew Bazar,	Shop No.I-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, 0966-718098	0966-718099	Yes
10	D. I. Khan, Tank Adda	Shop No.01-I0, 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	0992-810731, 810732, 810733	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	0927-211813	Yes
18	Khwaza Khela, Swat	Irfan Plaza, Main Bazaar, Khwaza Khela, Swat	0143	Islamic	0946-744661-64	0946-744662	Yes
19	Kohat, Bannu Road	Cantonment Plaza Bannu Road, Kohat	0003	Conventional	0922-9260146 , 511290	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, Shahra-e-Resham, Mansehra.	0122	Islamic	0997-303271, 303273	0997-303272	Yes
23	Mardan, Khwaja Gunj Bazaar	Property No.26/591-592, 27593-628, Haji Khan Gul Trunk House, Khwaja Gunj Bazaar, Mardan	0139	Islamic	0937-870823-4	0937-870825	Yes
24	Mardan, Chamber House	Grund floor, Chamber House, Aiwan-e-Sanat-o-Tijarat Road, Collage Chowk, Mardan.	0007	Conventional	0937-9230505 & 7, 874899	0937-9230606	Yes
25	Mingora, Main Bazar	Shop No. 01, Bank Square, Main Bazar, Mingora, Swat.	0132	Islamic	0946-9240460, 62	0946-9240461	No
26	Mingora, Saidu Sharif Road	Basement & Ground Floor, Yousaf Plaza, Khasra No.318, Makan Bagh, Saidu Sharif Road, Mingora, Swat.	0012	Conventional	0946-9240045 & 7	0946-9240046	Yes
27	Nowshera Branch	Saad Plaza, Saddar Road, Nowshera Cantt.	0104	Islamic	0923-9220035 & 38	0923-9220035	Yes
28	Peshawar, Asamai Gate (LHR)	Tariq Sultan Building, Asamai Gate, Lady Reading Hospital Road Peshawar	0119	Islamic	091-2561511	091-2561512	Yes
29	Peshawar, Ashraf Road	New Rampura Gate, Ashraf Road, Peshawar.	0025	Conventional	091-2593262, 2553007 , 2591682, 2553989	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	091-2263414 -2612129-2612050	091-2263411	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	Peshawar High Court Branch Peshawar; Khyber Road Peshawar.	0048	Conventional	091-5274368, 5275368	091-5274168	Yes
34	Peshawar, Kharkhano Market Hayat Abad	Royal Plaza, Hayatabad Kharkhano Market, Jamrud Road, Peshawar	0101	Islamic	091-5824927, 5825430	091-5815194	Yes
35	Peshawar, Khyber Bazar	Abbasin Hotel, Khyber Bazar, Peshawar	0016	Conventional	091-2593705, 2568782	091-2211170	Yes
36	Peshawar, KTH Branch	Khyber Teaching Hospital (University Road) Peshawar	0121	Islamic	091-9218016	091-9218016	No
37	Peshawar, Main Corporate Branch	Shop No. I to 6 (Ground Floor) and Office No. I to 3 (First Floor), Olympic Plaza, Qayyum Stadium, Bara Road, Peshawar Cantt.	0001	Conventional	091-5252142, 5252060	091-5252140	Yes
38	Peshawar, Saddar Road	Shop No.9,10 & 11, at Super Market, Adjacent State Bank of Pakistan Peshawar, Saddar Road, Peshawar	0013	Conventional	091-5273912, 5276485	091-5277278	Yes
39	Peshawar, University Road	Ghaffar Plaza, Adjacent to Sheraz Restaurant, University Road, Peshawar	0002	Conventional	091-5701741-43	091-5701742	Yes
40	Peshawar, Warsak Road	Khasra No.6184/2893, Shop No. I, Sabir Business Center, Warsak Road, Peshawar	0066	Conventional	091-5201300-1-2-3	091-5201341	Yes
41	Serai Naurang Branch	Khasra No 438, Sahibzada Kabir Plaza GT Road , Serai Naurang, Lakki Marwat	0127	Islamic	0969-352963	0969-352964	No
42	Shabqadar	Khasra No.4244/159-162, Opposite Shabqadar Fort Gate, Shabqadar	0145	Islamic	091-6281101-2	091-6289333	Yes
43	Swabi Branch	Jamil Khan Market, Mardan Road, Swabi	0118	Islamic	0938-222513, 223423	0938-222512	No

Sr. No.	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Phone Number	Fax Number	ATM Installed
44	Swari Branch (Buner)	Nisar Market, Pir Paba Road, Swari, Buner	0131	Islamic	0939-555289, 555279	0939-555229	No
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	No
47	Timergara Branch	Shaheed Plaza, Alam Zeb Shaheed Chowk, Timergara	0105	Islamic	0945-9250232, 822090	0945-9250232, 822690	Yes
48	Topi Branch	Sher Khan Market, Main Bazar, Tarbela Road, Topi, Distt Swabi.	0135	Islamic	0938271546-8	0938-271547	Yes
49	Upper Dir	Shop No.1 to 6 Shafi Plaza, Saleem Market Main Bazar Upper Dir.	0126	Islamic	0944-890020 & 1	0944-890022	No
50	Peshawar, Shami Road	Shop No.6-10, Garrison Park, Shami Road, Peshawar	0068	Conventional	091-5270270-71	091-5613913	Yes
51	Saleh Khan (Pubbi)	Khasra No.1698/183, Main Bazar, Moza Saleh Khana, Tehsil Pubbi, Nowshera	0147	Islamic	0823-651094-5	0923-651091	Yes
52	Peshawar, Chowk Nasir Khan	Al-Rehmat Plaza, Property No. CB/637/2027/755 & CB/637/2028/754/F-I F-2, Ground Floor, Peepal Mandi, Chowk Nasir Khan, Peshawar.	0154	Islamic	091-8592015	091-2592014	Yes
53	Peshawar, Dalazak Road	Nawaz Plaza, Taxation No. 4988 to 5008, Ground Floor, Dalazak Road, Peshawar.	0073	Conventional	091-2608216, 2608217	091-2608218	Yes
54	Chakdara	Shop No.1 to 10, Zaman Market, Adjacent UBL & NBP Main Bazar, Chakdara (Lower Dir)	0149	Islamic	0945-762532-3	0945-762534	Yes
55	Peshawar, Garhi Qamar Din	Khata Khatoni No.418/ 915 to 937, Khasra No.Qata (41), Ground Floor, Arbab Maket, Garhi Qamar Din, Near Mujaddad CNG station, North side Ring Road, Peshawar.	0155	Islamic	091-2322815, 2325223, 2325225	091-2322715	Yes
56	Jehangira	Ground & 1st Floor, Behram Khan Centre, G.T. Road, Jehangira (Nowshera)	0151	Islamic	0923-510056	0923-510045	Yes
57	Takht Bhai	Khasra No.785, Shaukat Mansion, Ground & 1st Floor, Opposite Takht Bhai Mega Market, Takht Bhai, Mardan	0150	Islamic	0937-553682, 553684	0937-553683	Yes
58	Pabbi, G.T.Road	Ajun Market, G.T.Road, Pabbi (District Nowshera)	0159	Islamic	0931-527071-527073-527075		Yes
59	GulBahar Branch, Peshawar.	Plot # 4-A & 4-B, Sameer Square, Anam Sanam Chowk, Gulbahar Road, Hussainabad, Peshawar	0156	Islamic	091-2606391, 2606393-4		Yes
60	Tangi Branch, Charsadda.	Khasra No. 1633, Malak Plaza, Sabqadar Road, Tangi, (District Charsadda)	0158	Islamic	091-6555527-8, 6555530		Yes
61	Barikot Swat	Khasra No. 1333, Iqbal Khan Plaza, Pir Baba Road, Barikot Swat	0157	Islamic	0946-751781-2		Yes
62	Shangla	Islamic Banking Branch at Khasra No.1283, 84 & 86, Munir Plaza, Adjacent MCB, Basement & Ground Floor, Besham Road, Alpuri District Shangla.	0160 0161	Islamic Islamic	0996-850140-1 0944-841511		Yes
63	Wari Dir	Ittehad Plaza, Lower basement and Ground floor, Wari Bazaar, Dir Chitral Road, Upper Dir.			0944-841611	0944-841711 (Fax)	Yes
64	Charsadda Road Branch, Peshawar.	Khasra No. 1615/832, Adjacent Khayali CNG Station, Shero Jhangi, Charsadda Road, Peshawar.	0074	Conventional	091-2246684-5	091-2246683 (Fax)	Yes
65	Manki Sharif Branch, Nowshera.	Malak Jammen Market, Soorya Khel, Manki Sharif, Tehsil & District Nowshera.	0162	Islamic	0923-626071, 0923-626072 0923-626074	0923-626073 (Fax)	Yes
66	Torghar	Quarter No.1, District Head Quarter Torghar Judba, District Torghar, KPK	0165	Islamic	0997-209705 0997-209706		No
67	Achini Payan Branch, Peshawar.	Muhammad Arcade, Achini Payan, Ring Road near Hayatabad Peshawar.	0166	Islamic	091-5622545		Yes
68	D.I.Khan Road Branch, Bannu.	University Plaza, D.I.Khan Road, Bannu.	0075	Conventional	0928-611172-5	0928-611174 (Fax)	Yes
69	Matta Branch	Malak Tahir Market, Mouza Main Bazar, Matta, Mingora, Swat.	0164	Islamic	0946-790840, 0946-790841	0946790842 (Fax)	Yes
70	Sheva Adda Swabi	Office No. 1, Ground Floor, Sardar Khan Malak Plaza, Mardan Swabi Road, Sheva Adda, Swabi.	0168	Islamic	0938-310703 0938-310704	0938-310705 (Fax)	Yes
71	Umarzai Branch, Charsadda.	Khasra No. 4011/3485 & 4012/3486, Major Saeed Khan Market, OPP Zai CNG Main Bazar, Umarzai.	0078	Conventional	091-6952506-07	091-6952531 (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	0938-460029, 0938-460047	0938-460028 (Fax)	Yes
75	Munda, Lower Dir	Groud Floor, Habib Jan Market, Adjacent Tehsildar Office Munda, Munda Lower Dir.	0169	Islamic	0945-830345, 0945-830346	0945-530347 (Fax)	Yes



Sr. No.	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Phone Number	Fax Number	ATM Installed
76	Shergarh, Mardan	Ground floor, Asghar Khan Market, Main Bazar, Shergarh, Mardan.	0080	Conventional	0937-830510-12-62	0937-820437 (Fax)	Yes
77	Katang, Mardan	Inteqal No. 5038, Imam Shah Market, Main Bazar, Tehsil Katang, 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-I, Phase-V, Hayatabad Peshawar	0083	Conventional	091-5814846-47	091-5814833	Yes
82	Nathiagali Branch	Ground Floor, Hotel Ellites, Adjunct Civil Hospital, Nathiagali.	0171	Islamic	0992-355014-15	0992-355016 (Fax)	Yes
83	Sherkot, Kohat.	Khasra No. 315, Mujahid & Brothers Market, Sherkot Tehsil & District Kohat.	0082	Conventional	0922-580111, 0922-580888"	0922-580666 (fax)	Yes
84	Chamkani, Peshawar.	Khasra No. 156 & 157, Honey Market, Hidayatabad Chamkani, Peshawar.	0084	Conventional	091-2604922 091-2604751		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	0938-537116-121	0938-537119	Yes
89	Darosh, Chitral.	Main Darosh Bazaar, Zero Point, Chitral	0086	Conventional	0943-480261-62-63	0943-480264	No
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	No
91	Rashakai, Nowshera	Main Bazar Rashakai, Nowshera	0182	Islamic	0937-880369 0937-881369		No
92	Charbagh, Swat	Saad Tower, Main Bazar Charbagh, Tehsil & District Swat	0181	Islamic	0946-730493-94	0946-730495 (Fax)	No
93	Kohat Road, Peshawar	Marjan Hotel, Mauza Koda Mohsin Khan, Kohat Road, Peshawar	0092	Conventional	091-2323696 & 091-2323695	091-2324671	No
94	Rustam, Mardan	Main Bazar Rustam, Mardan	0183	Islamic	0937-801909		No
95	Barawal Bandi, Swat	Al-Madina Market Shahi Road, Main Bazar Barawal Bandi, Upper Dir	0184	Islamic	0944-830019-20	0944-830021	No
96	Kuza Bandai, Swat	Hamas Khan Market, Matta Road, Kuza Bandai, Tehsil Kabal, District, Swat	0093	Conventional	0946-880411	0946-880445	No
97	Lundkhwar, Mardan	Ramora Lundkhwar, Tehsil Takht Bhai, District Mardan	0089	Conventional	0937-850131-32	0937-850134	No
98	Sardheri, Charsadda	Maroof Khel, Sardheri Bazar, Tehsil & District Charsadda	0088	Conventional	091-6644001-02	091-6644003	No
99	HMC Branch, Peshawar.	Hayatabad Medical Complex, Phase 4 Hayatabad, Peshawar	0185	Islamic	091-5811941-43	091-5811946	No

Province Sindh (12 Branches)

100	Hyderabad Branch	Plot No.41/444,445,446,447,448 & 449, Main Bohri Bazar, Near Blair Hospital, Saddar Cantt., Hyderabad.	0047	Conventional	022-2731200, 022-2731198	022-2731211	Yes
101	Karachi, Bahadurabad	Shop No.4 & Flat No.2, Survey No.SNCC/30, Qazi Court, Karachi Cooperative Housing Society, Bahadurabad, Karachi	0067	Conventional	021-34946751-2-4-5	021-34946753	Yes
102	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
103	Karachi, DHA, Phase-II	Plot No.69-C, 11th Commercial Building DHA, Phase II, Karachi	0063	Conventional	021-35890171-4	021-35890175	Yes
104	Karachi, Metroville	KDA Scheme, Project No.1, Metroville, SITE, Karachi.	0123	Islamic	0213-6754233-4	021-36754236	Yes
105	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
106	Karachi, Shireen Jinnah Colony	Block-I, Clifton, Shireen Jinnah Colony Karachi	0034	Conventional	0213-5873264-5	021-35873267	Yes
107	Karachi, SITE	B-78, Allied Plaza Estate Avenue, S.I.T.E , Karachi	0109	Islamic	0213-2565102 & 4	021-32565105	Yes
108	Karachi, Korangi	Plot No. ST-6/4, Sector 24, Korangi Industrial Area, chamma chowrangi, Karachi	0110	Islamic	021-35110204 & 5	021-35110203	Yes
109	Karachi, Stock Exchange Branch	1st Floor, Pakistan Stock Exchange, Karachi	0036	Conventional	021-32465804, 021-32465807, 021-32465808	021-32465805	No
110	Sukkur	Property No.D-986, D-987, D-971, Hussaini Road, Sukkur	0058	Conventional	071-5617057-8-9	071-5617056	Yes
111	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	021-32601371-72-75	021-32601373 -FAX 021-32601374 -ATM	Yes

Sr. No.	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Phone Number	Fax Number	ATM Installed
Province Punjab (36 Branches)							
112	Attock City	Property No.B-V-99, Committee No.E-3, Railway Park Chowk, Attock City	0065	Conventional	057-2602378-9	057-2701378	Yes
113	Bahawalpur	Property No.1605/15, Circular Road, Library Chowk, Bahawalpur	0050	Conventional	062-2887533, 2887531	062-2887531	Yes
114	Chiniot	Khasra No.12104/9423, Ehsan Plaza, Shahrah-e-Quaid-e-Azam, Chiniot	0044	Conventional	047-6333394-6	047-6333397	Yes
115	D.G. Khan	Plot No.5, Dawood Plaza, Railway Road, Dera Ghazi Khan	0056	Conventional	0642-470871-4	0642-470875	Yes
116	Faisalabad, Kotwali Road	Opposite M.C. College, Kotwali Road Faisalabad	0116	Islamic	041-2412116-7-8	041-2412120	Yes
117	Faisalabad, Sosaan Road	Plot No.245-C, Ground & 1st Floor, Madina Town, Sosaan Road, Faisalabad	0038	Conventional	041-8556200-1-2	041-8556203	Yes
118	Gujar Khan	Shop No.6-8, Ward No.5, Near Ali Hospital, Main G.T. Road, Gujar Khan	0062	Conventional	051-3511822-3	051-3511824	Yes
119	Gujranwala, G.T. Road	Property No.BXII-75-157, Main G.T. Road Gujranwala	0039	Conventional	055-3730916-8 & 3820916-17	055-3820918	Yes
120	Gujrat, G.T. Road	Property No.1157/527, Ground Floor, Empire Centre, G.T. Road Gujrat	0037	Conventional	053-3525555, 3530380, 3707902, 3530370	0533-520380	Yes
121	Jhelum	225/226, Koh-i-Noor Plaza, Old GTS Road, Jhelum Cantt.	0042	Conventional	0544-9270164 & 6	0544-9270165	Yes
122	Khanewal	Property No.32, Paracha Hospital, Adjacent JS Bank, College Road, Khanewal	0060	Conventional	065-2556431-2	065-2556435	Yes
123	Lahore, New Garden Town.	28-A, Ali Block, New Garden Town Lahore.	0114	Islamic	042-99232151 & 2	042-99232158	Yes
124	Lahore, DHA	Plot No.178, Block-Y, DHA, Lahore Cantt.	0052	Conventional	042-35741073 & 5 & 042-35741076	042-35741077	Yes
125	Lahore, Faysal Town	Plot No.811, Block C, Faysal Town, Lahore	0057	Conventional	042-35160472 & 042-35160475	042-35160473	Yes
126	Lahore, Johar Town	Block -R-I, M.A. Johar Town, Lahore	0031	Conventional	042-35316744-5	042-35316746	Yes
127	Lahore, M.M. Alam Road	Gulberg-III, M.M. Alam Road, Lahore	0023	Conventional	042-99332383-89	042-35872013	Yes
128	Lahore, Ravi Road	Property No.82-84, Amarpak Building, Main Ravi Road, Lahore	0141	Islamic	042-37947581-2	042-37947583	Yes
129	Lahore, Shah Alam Gate	Shop #E/36, Alamgir Market, Inside Shah Alam Gate, Lahore.	0124	Islamic	042-37641834 & 6	042-37641837	Yes
130	Mian Channu	Property No.17/24, Shadab Market, G.T. Road, Mian Channu, District Khanewal	0061	Conventional	065-2661871-2	065-2661870	Yes
131	Multan, Abdali Road	Lower Ground, Khan Centre, Main Market, Abdali Road Multan Cantt.	0033	Conventional	061-4545141-2	061-4545143	Yes
132	Multan, Vehari Road	Plot No.12-B & 13-B, Haq Nawaz Plaza, Main Gate Shah Shams Colony, Vehari Road, Multan	0142	Islamic	061-6241251-3	061-6241254	Yes
133	Okara, Jinnah Road	Ground Floor & 1st Floor, Itikhar Children Hospital, M.A. Jinnah Road, Okara	0140	Islamic	0442-511079-80	0442-511081	No
134	Rahim Yar Khan	Plot No.15, Opposite Town Hall, Model Town, Rahim Yar Khan	0051	Conventional	068-5870182-3	068-5870185	Yes
135	Rawalpindi, City Saddar Road	No.A/308- Jinnah Road (City Saddar Road) Rawalpindi	0030	Conventional	051-5540420 & 5540486	051-5540482	Yes
136	Rawalpindi, Saddar Adam Jee Road	Adam Jee Road, Saddar, Rawalpindi	0115	Islamic	051-5120194-7	068-5801264	Yes
137	Sadiqabad	Shop No.10, Masood Plaza, Bank Road, Sadiqabad	0059	Conventional	068-5801261-2-3	051-5120198	Yes
138	Sahiwal Branch	272/B-2 High Street, Sahiwal.	0045	Conventional	040-4222404, 4222448	040-4222403	Yes
139	Sargodha	63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha	0041	Conventional	048-3740892-93-94	0483-740891	Yes
140	Sialkot Branch	Industrial Area, Shahabpura, Ugoki Road, Near Masjid Mohajirin, Sialkot	0032	Conventional	052-3559225 & 7	052-3559224	Yes
141	Lahore, Badami Bagh	Plot No.119, Auto Market, Badami Bagh, Lahore	0069	Conventional	042-37731631-2-3	042-37731634	Yes
142	Jhang	Khata No.710, Yousaf Shah Building, Ground Floor, Kachary Road, Jhang	0070	Conventional	047-7622180-1, 7622183	047-7622182	Yes
143	Daska	Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot	0071	Conventional	052-6612324-6	052-6612327	Yes
144	Sheikhpura	Khasra No.80, Adjacent Singer Branch, Sargodha Road, Sheikhpura	0152	Islamic	056-3614182	056-3614184	Yes
145	Tarnol	Khasra No.781, Geo Madina Tower, Main G.T. Road, Tarnol	0146	Islamic	051-2226781-2	051-2226783	Yes
146	Taxila	Gudwaal Plaza, Khewat No.599, Khatooni No.906-913, Ground & 1st Floor, Main Bazaar, Taxila.	0153	Islamic	051-4545402-3	051-4545404	Yes
147	Mianwali	Ballo Khel Road, Mianwali City, Punjab	0090	Conventional	0459-230091-92-93	045-9230094	No
Province Balochistan (5 Branches)							
148	Chaman Branch	Khasra No.451, Old Mahal 404, Abdali Bazar, Chaman	0120	Islamic	0826-614012, 614027	0826-614012	No
149	Quetta, Jinnah Road	Jinnah Road, Quetta.	0102	Islamic	081-2843203, 2822141	081-2829469	Yes
150	Quetta, Shahrah-e-Iqbal	Shop No.2-7/35, Khyber Plaza, Shahrah-e-Iqbal (Qandhari Bazar) Quetta	0054	Conventional	081-2834950-55	081-2834952	Yes
151	Quetta, Sirki Road	Khasra No.1807/16, Kaasi Building, Ground & 1st Floor, Sirki Road, Quetta.	0148	Islamic	081-2443637, 2447377	081-2447388	Yes
152	Zhob Branch	Shop No. C84-85, Main bazar, Thana Road Quetta, Zhob.	0177	Islamic	0822-412335		Yes
Capital Territory Area (4 Branches)							
153	Islamabad, Blue area	Zahoor Plaza, Blue Area, Islamabad.	0022	Conventional	051-2824691, 2826111	051-2271139	Yes
154	Islamabad, F-10 Markaz	Plot No.8, F-10 Markaz, Islamabad	0133	Islamic	051-2222994-5	051-222997	Yes
155	Islamabad, PWD Society	Plot No.786-G, Block-C, PWD Society, Islamabad	0055	Conventional	051-5170901-2 & 4	051-5170903	Yes
156	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	Yes



Sr. No.	Branch Name	Complete Address of Branch	Branch Code	Branch Mode	Phone Number	Fax Number	ATM Installed
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Gilgit Baltistan

157	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
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FATA (6 Branches)

158	Jamrud Road Branch	Adjacent Caltex Petrol Pump, Jamrud Bazar, Jamrud (Khyber Agency)	0125	Islamic	091-5602013,5830147-8	091-5830149	Yes
159	Torkham	Ground Floor, Masoom Building, near PTDC and Tehsildar Office, Peshawar Torkham Road, Torkham.	0167	Islamic	0924-240044, 0924-240045 0924-240046	0924-240047 (Fax)	No
160	Parachinar	Shop No. 1 to 5 Ground Floor, Haji Safdar Market, School Road, Parachinar.	0076	Conventional	0926-312272, 0926-312273 0926-312374	0926-312275 (Fax)	Yes
161	Dara Adam Khel Branch	Ground floor, Nawab Shah Plaza Dara Bazaar Mohammad Zarghar Dara Adam Khel.	0175	Islamic	0922-811222	0922-811333	Yes
162	Khar Bajaur	Abid City Centre, Ground Floor, Lt.Sajjad Khan Shaheed Bypass Road Khar Bazaar, Bajaur Agency	0163	Islamic	0942-221263-4		No
163	Sadda, Kurram Agency	Bangash Market, Main Bazar Sadda Tehsil Lower Kurram, District Kurram Agency	0091	Conventional	0926-520425-26	0926-520426 (Fax)	No

Azad Jammu Kashmir (3 Branches)

164	Kotli (AJ&K)	Commercial Property, Khasra No.579, Bank Road, Kotli	0064	Conventional	05826-448673-4-5	05826-448679	Yes
165	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
166	Muzaffar Abad (AJ&K)	Secretariat Road, Muzaffarabad, Azad Jammu & Kashmir	0027	Conventional	05822-920492	05822-920499	Yes

Sub Branches

NorthWest Hospital	North West Hospital, Phase-V, Hayatabad, Peshawar.	Conventional	(091)5822614-9(Ext-1950)	Yes
Provincial Assembly	Provincial Assembly, Peshawar, Khyber Pukhtunkhwa.	Conventional	(091) 5270592 03009178745	Yes
LRH Peshawar	LRH Rest House, Opposite FC Block, Lady Reading Hospital Peshawar.	Conventional	091-2564411-12-13	No

Province-wise Summary of Branches

Province Name	Conventional	Islamic	Total Branches
Khyber Pakhtunkhwa	38	61	99
Sindh	9	3	12
Punjab	26	10	36
Balochistan	1	4	5
Capital Area	2	2	4
FATA	2	4	6
Azad Jammu & Kashmir	3	0	3
Gilgit Baltistan	1	0	1
Total Number of Branches	82	84	166

Province-wise Summary of Sub-Branches

Khyber Pakhtunkhwa	3	0	3
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Foreign Correspondent Bank

S.#.	COUNTRY	NAME OF BANK	S.#.	COUNTRY	NAME OF BANK
1	Afghanistan	Habib Bank Limited National Bank of Pakistan			Jiangsu Jiangnan Rural Commercial Bank Co. Limited Jiangsu Zhangjiagang Rural Commercial Bank Co. Limited Mizuho Bank (China) Limited QiLu Bank Co Limited Shengjing Bank The Bank of New York Mellon The Export Import Bank of China UniCredit SpA Wells Fargo Bank NA Woori Bank (China) Limited Yantai Bank Company Limited Zhejiang Naxun Rural Commercial Bank Co Ltd Zhejiang Pinghu Rural Cooperative Bank Zhejiang Tailong Commercial Bank Co. Limited Zhejiang Xiaoshan Rural Cooperative Bank
2	American Samoa	ANZ Guam Inc			
3	Argentina	Bank of Tokyo Mitsubishi UFJ Ltd, The Deutsche Bank SA			
4	Australia	Australia and New Zealand Banking Group Limited			
5	Bahrain	Al Baraka Islamic Bank BSC Arab Investment Company, The Alubaf Arab International Bank B.S.C. (c) Askari Bank Limited Bank Al Habib Limited Bank of Tokyo Mitsubishi UFJ Ltd, The Habib Bank Limited JS Bank Limited United Bank Limited Woori Bank	14	Cook Islands	Australia and New Zealand Banking Group Limited
6	Bangladesh	Habib Bank Limited National Bank of Pakistan Social Islami Bank Limited Woori Bank	15	Czech Republic	Commerzbank AG
7	Belgium	Commerzbank AG Habib Bank Limited KBC Bank NV The Bank of New York Mellon SA/NV	16	Denmark	Danske Bank A/S Sparekassen S jaelland
8	Brazil	Deutsche Bank SA – Banco Alemao	17	Egypt	Mashreqbank PSC
9	Cambodia	ANZ Royal Bank (Cambodia) Limited Shinhan Khmer Bank Limited	18	Ethiopia	Dashen Bank SC
10	Canada	Deutsche Bank AG Habib Canadian Bank	19	Fiji	Australia and New Zealand Banking Group Limited
11	Cayman Islands	Commerzbank AG Deutsche Bank AG	20	Finland	Danske Bank A/S
12	Chile	Bank of Tokyo Mitsubishi UFJ Ltd, The Deutsche Bank Chile	21	France	Commerzbank AG Credit Mutuel Arkea Habib Bank Limited Mizuho Bank Limited National Bank of Pakistan Union de Banques Arabes et Francaises (U.B.A.F)
13	China	Agricultural Development Bank of China Australia and New Zealand (China) Company Limited Bank of China Limited Bank of Jiangsu Co. Limited Bank of Shanghai Co. Limited Bank of Tokyo Mitsubishi UFJ (China), The China Citic Bank Corporation Limited CNCB Commerzbank AG Industrial and Commercial Bank of China	22	Germany	Australia and New Zealand Banking Group Limited Commerzbank AG Danske Bank A/S Deutsche Bank AG Deutsche Bank Privat-und Geschäftskunden Aktiengesellschaft European Bank for Financial Services GmbH (ebase) National Bank of Pakistan Shinhan Bank Europe GmbH Sparkasse Westmunsterland The Bank of New York Mellon



S.#.	COUNTRY	NAME OF BANK	S.#.	COUNTRY	NAME OF BANK
23	Gibraltar	Bank J Safra Sarasin (Gibraltar) Limited	33	Korea (South)	Australia and New Zealand Banking Group Limited
24	Greece	Attica Bank SA			Bank of Tokyo Mitsubishi UFJ Ltd, The Busan Bank
25	Hong Kong	ABN AMRO Bank NV Bank of America NA Commerzbank AG Habib Finance International Limited Mashreqbank PSC National Bank of Pakistan The Bank of New York Mellon Wells Fargo Bank NA Woori Bank			Industrial Bank of Korea KB Kookmin Bank Korea Exchange Bank Mizuho Bank Limited National Bank of Pakistan National Federation of Fisheries Cooperatives Shinhan Bank The Bank of New York Mellon Union de Banques Arabes et Francaises (U.B.A.F) Wells Fargo Bank NA Woori Bank
26	Hungary	Commerzbank ZRT			
27	India	Australia and New Zealand Banking Group Limited Bank of Tokyo Mitsubishi UFJ Ltd, Mashreqbank PSC Mizuho Bank Limited Shinhan Bank	34	Kuwait	Mashreqbank PSC
			35	Kyrgyzstan	National Bank of Pakistan
			36	Lebanon	Habib Bank Limited
28	Indonesia	Bank of Tokyo Mitsubishi UFJ Ltd, The PT Bank ANZ Indonesia PT Bank Woori Indonesia PT Pan Indonesia Bank TBK	37	Luxembourg	Commerzbank AG Danske Bank International SA The Bank of New York Mellon (Luxembourg) SA
29	Ireland	Danske Bank A/S	38	Macau	Banco Comercial Portugues SA
30	Italy	Banca Popolare dell'Emilia Romagna Societa' Cooperativa Banca UBAE SpA Banco di Desio e della Brianza SpA Bank of Tokyo Mitsubishi UFJ Ltd, The Commerzbank AG Mizuho Bank Limited The Bank of New York Mellon (Luxembourg) SA	39	Malaysia	Bank Al Habib Limited Bank of Tokyo Mitsubishi UFJ (Malaysia) Berhad Citibank Berhad Mizuho Bank (Malaysia) Berhad
			40	Mauritius	Bank of Baroda The Mauritius Commercial Bank Limited
31	Japan	Bank of Tokyo Mitsubishi UFJ Ltd, The Commerzbank AG Deutsche Bank AG Mizuho Bank Limited National Bank of Pakistan Shinhan Bank The Bank of New York Mellon Union de Banques Arabes et Francaises (U.B.A.F) Wells Fargo Bank NA Woori Bank	41	Monaco	Banque J Safra Sarasin (Monaco) SA
			42	Netherlands	Commerzbank AG Deutsche Bank AG Habib Bank Limited ING Bank NV Intesa Sanpaolo SpA
32	Kenya	Habib Bank Limited	43	New Zealand	ANZ Bank New Zealand Limited
			44	Norway	Danske Bank A/S
			45	Oman	Bank Sohar SAOG Habib Bank Limited

S.#.	COUNTRY	NAME OF BANK	S.#.	COUNTRY	NAME OF BANK
46	Pakistan	Al Baraka Bank (Pakistan) Limited Allied Bank Limited Askari Bank Limited Bank Al Habib Limited Bank Alfalah Limited Bank of Punjab (The) BankIslami Pakistan Limited Deutsche Bank AG Faysal Bank Limited Habib Bank Limited Habib Metropolitan Bank Limited Industrial and Commercial Bank of China JS Bank Limited MCB Bank Limited MCB Islamic Bank Limited Meezan Bank Limited National Bank of Pakistan Silk Bank Limited Sindh Bank Limited Soneri Bank Limited Summit Bank Limited United Bank Limited			Commerzbank AG Habib Bank Limited HSH Nordbank AG Mizuho Bank Limited PT Bank Mandiri (Persero) TBK The Bank of New York Mellon Union de Banques Arabes et Francaises (U.B.A.F) Wells Fargo Bank NA Woori Bank
47	Papua New Guinea	Australia and New Zealand Banking Group (PNG) Limited	56	Slovakia	Commerzbank AG
48	Philippines	Australia and New Zealand Banking Group Limited Bank of Tokyo Mitsubishi UFJ Ltd, The Mizuho Bank Limited	57	Solomon Islands	Australia and New Zealand Banking Group Limited
49	Poland	Danske Bank A/S	58	South Africa	HBZ Bank Limited
50	Qatar	Doha Bank Mashreqbank PSC United Bank Limited	59	Spain	Banco Popular Espanol S.A Commerzbank AG NCG Banco SA
51	Russia	Commerzbank (Eurasija) SAO ZAO Danske Bank ZAO Woori Bank	60	Sri Lanka	Habib Bank Limited Hatton National Bank Sampath Bank PLC
52	Samoa	ANZ Bank (Samoa) Limited	61	Sweden	Danske Bank A/S
53	Saudi Arabia	Bank Al-Jazira National Bank of Pakistan National Commercial Bank, The	62	Switzerland	Habib Bank AG Zurich UBL (Switzerland) AG Zürcher Kantonalbank
54	Seychelles	Bank Al Habib Limited	63	Taiwan	ANZ Bank (Taiwan) Limited Bank of Tokyo Mitsubishi UFJ Ltd, The Mizuho Bank Limited The Bank of New York Mellon Wells Fargo Bank NA
55	Singapore	ABN AMRO Bank NV Australia and New Zealand Banking Group Limited Bank of Tokyo Mitsubishi UFJ Ltd, The	64	Thailand	Bank of Tokyo Mitsubishi UFJ Ltd, The Mizuho Bank Limited
			65	Timor-Leste	Australia and New Zealand Banking Group Limited
			66	Tonga	Australia and New Zealand Banking Group Limited
			67	Turkey	Akbank TAS Habib Bank Limited HSBC Bank AS
			68	UAE	Abu Dhabi Commercial Bank Habib Bank AG Zurich Habib Bank Limited Mashreqbank PSC MCB Bank Limited United Bank Limited

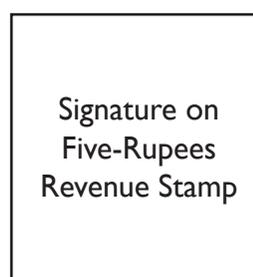


S.#.	COUNTRY	NAME OF BANK	S.#.	COUNTRY	NAME OF BANK
69	UK	Australia and New Zealand Banking Group Limited Bank J Safra Sarasin (Gibraltar) Limited Commerzbank AG Danske Bank A/S Habib Bank AG Zurich Habib Bank UK PLC Lloyds Bank PLC Mashreqbank PSC Mizuho Bank Limited Northern Bank Limited Shinhan Bank The Bank of New York Mellon Wells Fargo Bank NA Woori Bank	71	Vanuatu	ANZ Bank (Vanuatu) Limited
			72	Vietnam	ANZ Bank (Vietnam) Limited Mizuho Bank Limited Shinhan Bank Vietnam Limited Woori Bank
70	USA	Australia and New Zealand Banking Group Limited Branch Banking and Trust Company Commerzbank AG Deutsche Bank AG Deutsche Bank Trust Company Americas First Tennessee Bank National Association Golden Bank National Association Habib American Bank Habib Bank Limited Manufacturers and Traders Trust Company Mashreqbank PSC Mizuho Bank Limited National Bank of Pakistan Shinhan Bank Stifel Nicolaus & Company Incorporated The Bank of New York Mellon The Royal Bank of Scotland Plc United Bank Limited Wells Fargo Bank NA Woori Bank			

Form of Proxy

Folio No. _____ CDC Participant Identity Card No. _____ CDC A/C No. _____
 I/We _____ of _____ a member /
 members of The Bank of Khyber, and holder of _____ shares do hereby
 appoint _____ of _____ or failing him /
 her _____ of _____ who is also a
 member of the Company, vide Registered Folio No. _____ as my/our proxy to
 attend, speak and vote for me/us and on my/our behalf at the 27th Annual General Meeting of the Bank to be held on
 Thursday, March 29, 2018 at 10:30 a.m. at Pearl Continental Hotel, Peshawar Cantt.

As witness my/our hand this _____ day of _____ 2018.



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 or his/her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a nationally certified copy thereof, should be deposited, with our Registrar/Transfer Agents, Messrs THK Associates (Pvt) Ltd. 1st Floor, 40-C, Block-6, P.E.C.H.S. Karachi - 75400 Pakistan, not less than 48 hours before the time of holding meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders

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

The Signature should
 agree with the
 Specimen registered
 with the Bank