










Condensed Interim  
**Financial Statements**  
for the six months June 30, 2016



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## CORPORATE INFORMATION

### Board of Directors

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

### Managing Director / CEO

Shams-ul-Qayyum

### Audit Committee

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

### HR&R Committee

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

### Risk Management Committee

Mr. Maqsood Ismail Ahmad	Chairman
Mr. Rashid Ali Khan	
The Managing Director	

### Chief Financial Officer

Rahat Gul

### Company Secretary

Zahid Sahibzada

### Registered Office / Head Office

The Bank of Khyber,  
24-The Mall, Peshawar Cantt.

1st Floor, State Life Building  
34-The Mall, Peshawar Cantt.  
UAN#00-92-91-111 95 95 95  
URL: [www.bok.com.pk](http://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  
2nd Floor, State Life Building No. 3  
Dr. Ziauddin Ahmed Road  
Karachi – 75530. Pakistan.

## DIRECTORS' REVIEW

On behalf of the Board of Directors of the Bank of Khyber, I am pleased to present the condensed interim financial information of the Bank along with Auditors' Review Report for the half year ended June 30, 2016. The results are inclusive of Islamic Banking Operations.

### Financial Highlights

The financial results of the Bank of Khyber for the half year ended June 30, 2016 are as under:

	(Rs. in Million)	
	June 30 2016	December 31 2015
Total Assets	174,743	155,159
Deposits	146,020	117,292
Advances (Gross)	29,556	40,137
Investments (Net)	105,854	95,512

	(Rs. in Million)	
	Period Ended June 30 2016	2015
Operating Profit	2,109	1,609
Provision against non-performing advances/Others	(365)	(503)
Reversal against WWF/other assets	2	183
Profit before taxation	1,746	1,289
Taxation	(725)	(579)
Profit after tax	1,021	710

### Financial Overview

During the period under review, the performance of the Bank continued to be satisfactory. Bank managed to post a pre-tax profit of Rs. 1,746 million against Rs. 1,289 million of the corresponding period of 2015 showing an increase of 35%. After tax profit with an increase of 44% stood at Rs. 1,021 million.

The balance sheet size reached Rs. 174,743 million as at June 30, 2016, an increase of 13% over December 31, 2015. Deposits growth maintain its momentum and stood at Rs. 146,020 million showing an increase of 24% over the last year closing figure. Advances settled at Rs. 29,556 million due to adjustment of commodity financing. Investments increased by 11% to Rs. 105,854 million as compared to Rs. 95,512 million at the close of 31.12.2015.

### Future Outlook

The economy has shown improvement in the wake of State Bank of Pakistan strict monetary measures. The country bourse has shown remarkable performance and has been inducted by Morgan Stanley Capital International (MSCI) in Emerging Market Index. This step coupled with increased foreign exchange reserves and lower policy rate will further augment the economic activities which will pave the way for further foreign investment in the country.

In the backdrop of the country's positive financial indicators, the Bank is making steady progress in all operational areas. Different products on the assets and liabilities side are being offered to meet the requirement of the customers. Further, deposit schemes are being offered with attractive terms and efforts are being made to maximize core deposits so as to enhance the deposit base. The Bank is vigorously pursuing a strategy to reduce reliance on government and costly deposits and enhance its low cost deposit base.

The Bank now has a network of 130 branches including 66 dedicated Islamic Banking Branches. Continuing with our branch expansion policy, the Bank intends to open already approved 20 more branches in the year 2016. The Bank is well placed to record appropriate growth and profitability in 2016.

#### **Credit Rating**

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed the medium to long term and short term entity ratings of the Bank at "A" (Single A) and "A-1" (A One) respectively. Outlook on the assigned rating is "Stable".

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the long term and short term entity ratings of the Bank at "A" (Single A) and "A1" (A One) respectively. Rating outlook is "Stable". These ratings denote low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

#### **Acknowledgment**

The Board would like to thank the Provincial Government, State Bank of Pakistan and other regulatory authorities for their guidance and support. We are also grateful to our valued customers for their patronage and continued confidence in the Bank.

For and on behalf of the Board of Directors



**Shams ul Qayyum**  
Managing Director

Peshawar: August 23, 2016

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

## Introduction

We have reviewed the accompanying condensed interim financial position of The Bank of Khyber (the bank) as at June 30, 2016 and the related condensed interim profit and loss account, Condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the six months then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account and the condensed statement of comprehensive income for the three months ended June 30, 2016 and 2015 have not been reviewed and we do not express a conclusion on them, as we are required to review only the cumulative figures for the half year ended June 30, 2016.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended June 30, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

  
**GRANT THORNTON AYAZ ALI**  
Chartered Accountants

**Engagement Partner: Nadeem Tirmizi**  
Islamabad

Date:

## CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION (UN-AUDITED) AS AT JUNE 30, 2016

		(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Note		
		Rupees in '000'	
ASSETS			
Cash and balances with treasury banks		6,555,995	5,546,796
Balances with other banks		5,785,736	6,513,497
Lendings to financial institutions	6	25,359,101	5,988,824
Investments - net	7	105,854,441	95,512,456
Advances - net	8	25,451,027	36,453,611
Other assets		3,813,948	3,218,724
Operating fixed assets	9	1,922,449	1,924,825
Deferred tax asset - net		-	-
		174,742,697	155,158,733
LIABILITIES			
Bills payable		737,402	504,884
Borrowings from financial institutions	10	5,948,298	17,130,194
Deposits and other accounts	11	146,019,795	117,292,012
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		3,711,933	3,844,944
Deferred tax liabilities - net	12	1,227,544	469,123
		157,644,972	139,241,157
NET ASSETS		17,097,725	15,917,576
REPRESENTED BY			
Share capital		10,002,524	10,002,524
Reserves		1,992,277	1,788,074
Un-appropriated profit		1,748,746	2,182,400
		13,743,547	13,972,998
Surplus on revaluation of assets - net of tax	13	3,354,178	1,944,578
		17,097,725	15,917,576
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The annexed notes 1 to 19 form an integral part of this condensed interim financial information.

  
**Managing Director**
  
**Director**
  
**Director**
  
**Director**



## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2016

Note	Three months ended June 30, 2016	Six months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2015
	Rupees in '000'			
Mark-up / return / interest earned	2,792,844	5,587,822	2,573,408	5,429,479
Mark-up / return / interest expensed	1,637,222	3,348,163	1,514,221	3,208,541
Net mark-up / interest income	1,155,622	2,239,659	1,059,187	2,220,938
Provision against non-performing loans and advances - net	338,199	421,891	197,055	504,726
Provision/ (Reversal) of provision for diminution in the value of investments - net	24,078	(57,169)	(1,722)	(1,868)
Bad debts written off directly	111	111	-	-
	362,388	364,833	195,333	502,858
Net mark-up / interest income after provisions	793,234	1,874,826	863,854	1,718,080
<b>NON MARK-UP / INTEREST INCOME</b>				
Fee, commission and brokerage income	65,471	124,568	67,058	129,537
Dividend income	10,426	86,055	25,293	57,068
Income from dealing in foreign currencies	21,346	44,626	23,952	54,458
Gain on sale of securities - net	717,558	1,093,657	340,907	418,289
Unrealised gain/ (loss) on revaluation of investments classified as held-for-trading - net	255	-	(18,191)	(1,075)
Other income	16,451	40,774	39,134	60,187
Total non mark-up / interest income	831,507	1,389,680	478,153	718,464
	1,624,741	3,264,506	1,342,007	2,436,544
<b>NON MARK-UP / INTEREST EXPENSES</b>				
Administrative expenses	805,233	1,520,812	684,251	1,320,369
Provisions/ (Reversals) against other assets	14,065	(2,299)	(18,464)	(18,464)
Reversal against Workers Welfare Fund	-	-	(164,120)	(164,120)
Other charges	20	28	1,746	9,758
Total non mark-up / interest expenses	819,318	1,518,541	503,413	1,147,543
	805,423	1,745,965	838,594	1,289,001
Extra ordinary / unusual item	-	-	-	-
<b>PROFIT BEFORE TAXATION</b>	805,423	1,745,965	838,594	1,289,001
Taxation				
Current	(327,991)	(634,904)	(276,780)	(422,597)
Prior	(90,643)	(90,643)	(124,428)	(124,428)
Deferred	29,529	595	(35,956)	(31,941)
	(389,105)	(724,952)	(437,164)	(578,966)
<b>PROFIT AFTER TAXATION</b>	416,318	1,021,013	401,430	710,035
Unappropriated profit brought forward	1,332,428	727,733	944,283	635,678
Accumulated profit carried forward	1,748,746	1,748,746	1,345,713	1,345,713
<b>Earnings per share - Basic and Diluted (in Rupees)</b>	0.42	1.02	0.40	0.71

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

  
**Managing Director**
  
**Director**
  
**Director**
  
**Director**

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE SIX MONTHS ENDED JUNE 30, 2016**

	Three months ended June 30, 2016	Six months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2015
----- Rupees in '000' -----				
<b>Profit after taxation</b>	<b>416,318</b>	<b>1,021,013</b>	401,430	710,035
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>416,318</b>	<b>1,021,013</b>	401,430	710,035

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

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

  
**Managing Director**
  
**Director**
  
**Director**
  
**Director**

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2016

	Share capital	Statutory reserve	Reserve for issue of bonus shares	Un- appropriated profit	Total
	----- Rupees in '000' -----				
Balance as at January 1, 2015 - Audited	10,002,524	1,430,231	-	1,778,056	13,210,811
<b>Changes in equity during the six months ended June 30, 2015</b>					
Transactions with owners recorded directly in equity					
Final dividend for the year ended December 31, 2014 declared at Re 1.00 per share	-	-	-	(1,000,371)	(1,000,371)
<b>Total comprehensive income</b>					
Profit after taxation for the six months ended June 30, 2015	-	-	-	710,035	710,035
Other comprehensive income - net of tax	-	-	-	-	-
	-	-	-	710,035	710,035
<b>Transfer to statutory reserve</b>	-	142,007	-	(142,007)	-
<b>Balance as at June 30, 2015 - Unaudited</b>	<b>10,002,524</b>	<b>1,572,238</b>	<b>-</b>	<b>1,345,713</b>	<b>12,920,475</b>
<b>Changes in equity during the six months ended December 31, 2015</b>					
<b>Total comprehensive income</b>					
Profit after taxation for the six months ended December 31, 2015	-	-	-	1,079,179	1,079,179
Other comprehensive income	-	-	-	(26,656)	(26,656)
	-	-	-	1,052,523	1,052,523
<b>Transfer to statutory reserve</b>	-	215,836	-	(215,836)	-
<b>Balance as at December 31, 2015 - Audited</b>	<b>10,002,524</b>	<b>1,788,074</b>	<b>-</b>	<b>2,182,400</b>	<b>13,972,998</b>
<b>Changes in equity during the six months ended June 30, 2016</b>					
Transactions with owners recorded directly in equity					
Final dividend for the year ended December 31, 2015 declared at Rs. 1.25 per share	-	-	-	(1,250,464)	(1,250,464)
<b>Total comprehensive income</b>					
Profit after taxation for the six months ended June 30, 2016	-	-	-	1,021,013	1,021,013
Other comprehensive income - net of tax	-	-	-	-	-
	-	-	-	1,021,013	1,021,013
<b>Transfer to statutory reserve</b>	-	204,203	-	(204,203)	-
<b>Balance as at June 30, 2016 - Unaudited</b>	<b>10,002,524</b>	<b>1,992,277</b>	<b>-</b>	<b>1,748,746</b>	<b>13,743,547</b>

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

  
**Managing Director**
  
**Director**
  
**Director**
  
**Director**

## CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2016

	Six months ended June 30, 2016	Six months ended June 30, 2015
	Rupees in '000'	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,745,965	1,289,001
Less: Dividend income	86,055	57,068
	<b>1,659,910</b>	<b>1,231,933</b>
<b>Adjustments for non-cash charges</b>		
Depreciation	97,160	88,506
Amortisation	9,537	1,742
Provision against non-performing advances-net	421,891	504,726
Reversal of provision for diminution in the value of investments-net	(57,169)	(1,868)
Reversal of provision against non-banking assets	(2,299)	(18,464)
Unrealised loss on revaluation of investments classified as held-for-trading	-	1,075
Gain on sale of operating fixed assets	(394)	(1,186)
Loan direct Write off	111	-
	<b>468,837</b>	<b>574,531</b>
	<b>2,128,747</b>	<b>1,806,464</b>
<b>(Increase) / decrease in operating assets</b>		
Lendings to financial institutions	(19,370,277)	(2,682,207)
Net deinvestment/ (investments) in held-for-trading securities	1,028,528	(2,034,006)
Advances	10,580,582	394,421
Others assets (excluding advance taxation)	(572,925)	96,908
	<b>(8,334,092)</b>	<b>(4,224,884)</b>
<b>Increase / (decrease) in operating liabilities</b>		
Bills payable	232,518	16,466
Borrowings from financial institutions	(11,181,896)	1,286,025
Deposits and other accounts	28,727,783	15,440,027
Other liabilities (excluding current taxation)	(115,511)	(647,207)
	<b>17,662,894</b>	<b>16,095,311</b>
	<b>11,457,549</b>	<b>13,676,891</b>
Income tax paid - net	(773,852)	(555,666)
<b>Net cash generated from operating activities</b>	<b>10,683,697</b>	<b>13,121,225</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(9,161,418)	(7,788,443)
Net deinvestments in held-to-maturity securities	16,690	86,073
Dividend received	86,055	57,068
Investments in operating fixed assets - net	(106,599)	(265,866)
Sale proceeds of property and equipment disposed off	2,672	1,402
<b>Net cash used in investing activities</b>	<b>(9,162,600)</b>	<b>(7,909,766)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(1,239,659)	(991,865)
<b>Net cash used in financing activities</b>	<b>(1,239,659)</b>	<b>(991,865)</b>
<b>Increase in cash and cash equivalents</b>	<b>281,438</b>	<b>4,219,594</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>12,060,293</b>	<b>6,620,465</b>
<b>Cash and cash equivalents at end of the period</b>	<b>12,341,731</b>	<b>10,840,059</b>

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

  
**Managing Director**
  
**Director**
  
**Director**
  
**Director**

## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE SIX MONTHS ENDED JUNE 30, 2016**

### **1 STATUS AND NATURE OF BUSINESS**

- 1.1** The Bank of Khyber ("The Bank") was established under The Bank of Khyber Act, 1991 and is principally engaged in the business of commercial banking and related services. The Bank acquired the status of a scheduled bank in 1994 and is listed on the Pakistan Stock Exchange (formerly Karachi Stock Exchange Limited). The registered office of the Bank is situated at 24 The Mall, Peshawar Cantt, Peshawar. The Bank operates 130 branches including 66 Islamic Banking Branches as at June 30, 2016 (December 31, 2015: 130 branches including 66 Islamic banking branches). The long term credit ratings of the Bank assigned by The Pakistan Credit Rating Agency (PACRA) and JCR-VIS are 'A' and 'A' respectively and the short-term credit ratings assigned are 'A1' (A-One) and 'A-1' (A-One) respectively.

### **2 BASIS OF PRESENTATION**

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the 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 this condensed interim financial information as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.
- 2.2** The financial results of the Islamic Banking Group have been consolidated in these financial statements for reporting purpose, after eliminating the effects of intra-bank transactions and balances. Key financial figures of the Islamic Banking Group are disclosed in note 16 to this condensed interim financial information.
- 2.3** This condensed interim financial information has been presented in Pakistani Rupee, which is the Bank's functional and reporting currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

### **3 BASIS OF MEASUREMENT**

This condensed interim financial information has been prepared under the historical cost convention except that certain fixed assets are stated at revalued amounts and certain investments, commitments in respect of forward exchange contracts and derivative financial instruments have been marked to market and are carried at fair value.

### **4 STATEMENT OF COMPLIANCE**

- 4.1** This condensed interim financial information has been prepared in accordance with the requirements of International Accounting Standards (IAS - 34), Interim Financial Reporting, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan (ICAP), Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the requirements differ, the requirements of the Companies Ordinance, 1984, the Banking Companies Ordinance, 1962 and the said directives have been followed.

- 4.2** The SBP vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard (IAS) 39, "Financial Instruments: Recognition and Measurement" and International Accounting Standards (IAS) 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 this condensed interim financial information. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.
- 4.3** The disclosures made in this condensed interim financial information have been limited based on the format prescribed by the SBP vide BSD Circular Letter No. 2, dated May 12, 2004 and IAS 34 "Interim Financial Reporting" and do not include all the information required for the annual financial statements. Accordingly, this condensed interim financial information should be read in conjunction with the annual financial statements of the Bank for the year ended December 31, 2015. This condensed interim financial information is being submitted to the shareholders in accordance with section 245 of the Companies Ordinance, 1984 and is un-audited but subject to limited scope review by the statutory auditors.
- 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS AND RISK MANAGEMENT POLICIES**
- 5.1** The accounting policies, underlying estimates and judgments and methods of computation followed in the preparation of this condensed interim financial information are same as those applied in preparing the most recent annual financial statements of the Bank for the year ended December 31, 2015.
- 5.2** The financial risk management objectives and policies adopted by the Bank are consistent with that disclosed in the financial statements of the Bank for the year ended December 31, 2015.

<b>(Un-audited)</b>	<b>(Audited)</b>
<b>June 30,</b>	<b>December 31,</b>
<b>2016</b>	<b>2015</b>
<b>Rupees in '000'</b>	

**6 LENDINGS TO FINANCIAL INSTITUTIONS**

Call money lendings	<b>4,025,000</b>	500,000
Repurchase agreement lendings (Reverse Repo)	<b>15,909,101</b>	1,288,824
Placements with financial institutions	<b>5,663,944</b>	4,438,944
	<b>25,598,045</b>	6,227,768
Less: Provision against lendings to financial institutions	<b>(238,944)</b>	(238,944)
	<b>25,359,101</b>	5,988,824

**7 INVESTMENTS**

Note	June 30, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- Rupees in '000' -----						
<b>7.1 Investments by types</b>						
<b>Held-for-trading securities</b>						
Market Treasury Bills	-	-	-	981,181	-	981,181
Ordinary shares in listed companies	-	-	-	53,525	-	53,525
	-	-	-	1,034,706	-	1,034,706
<b>Available-for-sale securities</b>						
Market Treasury Bills	34,695,917	287,752	34,983,669	42,535,742	-	42,535,742
Pakistan Investment Bonds	43,588,525	100,000	43,688,525	18,419,685	13,710,642	32,130,327
GOP Ijarah Sukuk	14,467,013	-	14,467,013	9,716,332	-	9,716,332
Ordinary shares in listed companies	1,538,585	-	1,538,585	1,944,646	-	1,944,646
Ordinary shares in unlisted companies	30,487	-	30,487	30,487	-	30,487
Ordinary shares of related parties - Unlisted	112,500	-	112,500	112,500	-	112,500
Preference shares in listed companies	195,000	-	195,000	195,000	-	195,000
Listed term finance certificates	138,550	-	138,550	138,550	-	138,550
Unlisted term finance certificates	250,644	-	250,644	269,394	-	269,394
Units of open-end mutual funds	-	-	-	290,237	-	290,237
Sukuk certificates	1,909,729	-	1,909,729	790,069	-	790,069
	96,926,950	387,752	97,314,702	74,442,642	13,710,642	88,153,284
<b>Held-to-maturity securities</b>						
Pakistan Investment Bonds	5,356,167	-	5,356,167	5,339,524	-	5,339,524
Sukuk certificates	100,000	-	100,000	133,333	-	133,333
	5,456,167	-	5,456,167	5,472,857	-	5,472,857
<b>Investments in associates</b>						
Investments at cost	40,504	-	40,504	40,504	-	40,504
Less: Provision for diminution in the value of investment	102,423,621	387,752	102,811,373	80,990,709	13,710,642	94,701,351
	(901,445)	-	(901,445)	(958,614)	-	(958,614)
<b>Investments (net of provisions)</b>						
Unrealised (loss) on revaluation of held-for-trading securities - Surplus on revaluation of available-for-sale securities - net	101,522,176	387,752	101,909,928	80,032,095	13,710,642	93,742,737
	-	-	-	(6,178)	-	(6,178)
	3,944,513	-	3,944,513	1,775,897	-	1,775,897
<b>Total investments</b>	<b>105,466,689</b>	<b>387,752</b>	<b>105,854,441</b>	<b>81,801,814</b>	<b>13,710,642</b>	<b>95,512,456</b>

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
Note	Rupees in '000'	

## 7.2 Provision for diminution in the value of investments

Opening balance	958,614	876,204
Charge for the period / year	39,707	90,762
Reversal on disposals	(96,876)	(8,352)
	(57,169)	82,410
Closing balance	901,445	958,614

## 8 ADVANCES

Loans, cash credits, running finances, etc.

In Pakistan	23,240,820	29,390,670
Outside Pakistan	-	-
	23,240,820	29,390,670

Islamic financing and related assets

Net investment in Ijarah:

In Pakistan	646,810	730,165
Outside Pakistan	-	-
	646,810	730,165

Bills discounted and purchased (excluding treasury bills)

Payable in Pakistan	338,399	189,373
Payable outside Pakistan	183,928	164,740
	522,327	354,113

Advances - gross	8.1	29,556,454	40,137,147
Less: Provision against non-performing advances	8.2	(4,105,427)	(3,683,536)
Advances - net of provision		25,451,027	36,453,611

8.1 Advances include Rs. 5,736.692million (December 31, 2015: Rs. 5,132.863million) which have been placed under non-performing status as detailed below:

Category of classification	June 30, 2016 (Un-audited)				
	Classified advances			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000' -----				
Other Assets Especially Mentioned *	30,777	-	30,777	2,587	2,587
Substandard	858,224	-	858,224	165,417	165,417
Doubtful	144,092	-	144,092	133,190	133,190
Loss	4,703,599	-	4,703,599	3,774,946	3,774,946
	5,736,692	-	5,736,692	4,076,140	4,076,140



Category of classification	December 31, 2015 (Audited)				
	Classified Advances			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000' -----				
Other Assets Especially Mentioned *	12,636	-	12,636	-	-
Substandard	334,439	-	334,439	53,221	53,221
Doubtful	641,712	-	641,712	73,888	73,888
Loss	4,144,076	-	4,144,076	3,528,381	3,528,381
	5,132,863	-	5,132,863	3,655,490	3,655,490

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

**8.1.1** State Bank of Pakistan through various circulars has allowed benefit of the forced sales value (FSV) of Plant & Machinery under charge, pledged stock and mortgaged residential, commercial and industrial properties (land and building only) held as collateral against Non-Performing Loans (NPLs) for five years from the date of classification. As at June 30, 2016, the Bank has availed cumulative benefit of forced sale values of Rs. 911.610 million (December 31, 2015:Rs. 888.139 million). Increase in unappropriated profit net of tax amounting to Rs. 592.547 million (December 31, 2015 :Rs. 577.290 million) is not available for the distribution of cash and stock dividend to the share holders.

## 8.2 Particulars of provision against non-performing advances

	June 30, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000' -----						
Opening balance	3,655,490	28,046	3,683,536	3,142,923	42,481	3,185,404
Charge for the period / year	638,516	1,241	639,757	707,546	-	707,546
Reversals	(217,866)	-	(217,866)	(194,979)	(14,435)	(209,414)
	420,650	1,241	421,891	512,567	(14,435)	498,132
Amounts written off	-	-	-	-	-	-
Closing balance	4,076,140	29,287	4,105,427	3,655,490	28,046	3,683,536
					(Un-audited)	(Audited)
					June 30,	December 31,
					2016	2015
					Rupees in '000'	

Note

## 9 OPERATING FIXED ASSETS

Capital work-in-progress		297,624	308,367
Property and equipment	9.1	1,579,333	1,578,902
Intangible assets	9.2	45,492	37,556
		<b>1,922,449</b>	<b>1,924,825</b>

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

	June 30, 2016 (Un-audited)		June 30, 2015 (Un-audited)	
	Additions	Disposals	Additions	Disposals
	Rs. in '000'			
Building on leasehold	-	11,620	-	-
Furniture and fixtures	11,033	3,435	7,600	1,434
Office equipment	53,562	8,556	55,254	1,575
Vehicles	766	1,370	25	70
Renovations / Premises	34,507	11,072	46,305	7,924
	<b>99,868</b>	<b>36,053</b>	<b>109,184</b>	<b>11,003</b>
9.2 Additions to intangible assets	<b>17,474</b>	-	<b>714</b>	-

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
Note	Rupees in '000'	

10 BORROWINGS FROM FINANCIAL INSTITUTIONS

Secured

Borrowings from State Bank of Pakistan:

Under export refinance scheme  
Long term financing for export oriented projects  
SME refinance scheme

1,655,481	1,550,582
-	39,218
1,724	1,929
1,657,205	1,591,729
387,751	13,710,642
3,903,342	1,827,823
5,948,298	17,130,194

Repurchase agreement borrowings

10.1

Unsecured

Call borrowings

10.1 Repurchase agreements with financial institutions carry interest rate ranging from 5.90% to 6.50% (2015: 6.50%) per annum with maturities up to July 14, 2016.

(Un-audited) June 30, 2016	(Audited) December 31, 2015
Rupees in '000'	

11 DEPOSITS AND OTHER ACCOUNTS

Customers

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

48,905,796	47,775,041
62,750,736	42,552,127
30,197,175	24,117,056
2,547,994	1,326,927
1,592,178	1,493,353
145,993,879	117,264,504
25,107	26,822
809	686
25,916	27,508
146,019,795	117,292,012

Financial Institutions

Remunerative deposits  
Non-remunerative deposits

		(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Note	Rupees in '000'	
<b>12 DEFERRED TAX LIABILITY</b>			
<b>Deferred tax asset arising in respect of:</b>			
Provision for balances with other banks		3,510	3,510
Deficit on revaluation of investments		-	-
Provision for non performing loans		39,269	9,754
Provision for diminution in the value of investments		53,296	87,203
Provision for other assets		3,448	3,448
Re-measurement of defined benefit plan		14,354	14,354
Islamic Pool Management reserve		42,222	40,530
		156,099	158,799
<b>Deferred tax liability arising in respect of:</b>			
Accelerated tax depreciation		(3,063)	(6,358)
Surplus on revaluation of investment		(1,380,580)	(621,564)
		(1,383,643)	(627,922)
Deferred tax liabilities - net		(1,227,544)	(469,123)
<b>13 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX</b>			
<b>Surplus on revaluation of available-for-sale securities</b>			
Federal government securities:			
- Market Treasury Bills		11,423	16,596
- Pakistan Investment Bonds		3,829,139	1,631,884
- Sukuk Certificates		14,094	-
Fully paid up ordinary shares - listed		89,857	38,469
Units in open-end mutual funds		-	88,948
		3,944,513	1,775,897
<b>Surplus on revaluation of fixed assets</b>			
Leasehold land		790,245	790,245
		4,734,758	2,566,142
Deferred tax liabilities - net		(1,380,580)	(621,564)
		3,354,178	1,944,578
<b>14 CONTINGENCIES AND COMMITMENTS</b>			
<b>14.1 Direct credit substitutes</b>			
Contingent liabilities in respect of guarantees given favouring:			
Banks		-	-
Others		520,260	468,909
		520,260	468,909
<b>14.2 Transaction-related contingent liabilities</b>			
Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favouring:			
Government		5,930,365	5,601,096
Others	14.2.1	4,800,200	3,873,179
		10,730,565	9,474,275

**14.2.1** This includes expired letters of guarantee aggregating to Rs.2,862.425 million as at June 30, 2016 (December 31, 2015: Rs. 2,923.683 million) for which the formalities relating to return of the original documents are in process

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Rupees in '000'	
<b>14.3 Trade-related contingent liabilities</b>		
Letters of credit		
Sight	1,464,529	2,105,938
Usance	54,404	229,324
	1,518,933	2,335,262
Acceptances	612,274	591,321
	2,131,207	2,926,583
<b>14.4 Commitments in respect of forward exchange contracts</b>		
Purchase	797,089	1,412,483
Sale	1,384,432	2,447,314

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

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Rupees in '000'	
<b>14.5 Other commitments</b>		
Bills for collection		
Inland bills	195,598	159,665
Foreign bills	349,786	310,657
	545,384	470,322

#### **14.6 Commitments to extend credit**

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

#### **14.7 Commitment for the acquisition of operating fixed assets**

Commitments as on reporting date amounts to Rs. 346.945 million (December 31, 2015 : Rs. 25.581 million).

#### **14.8 The income tax assessments of the Bank have been finalized upto tax year 2015.**

#### **14.9 During financial year 2011, the tax authorities issued an amended order for the tax year 2009 disallowing certain expenditure on account of lack of evidence for such expenditure resulting in an additional tax demand of Rs. 308.900 million. The Bank filed an appeal as well as rectification application against the said order. Based on rectification application, the order was amended and accordingly the additional demand was reduced to Rs. 256.349 million. During 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, and the hearing is fixed on December 01, 2016. Management expects a favorable outcome.

	Three months ended June 30, 2016	Six months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2015
<b>Rupees in '000'</b>				
<b>15 EARNINGS PER SHARE - BASIC AND DILUTED</b>				
Profit after taxation for the period attributable to ordinary shareholders	<b>416,318</b>	<b>1,021,013</b>	401,430	710,035
<b>Number of Shares</b>				
Weighted average number of ordinary shares outstanding during the period	<b>1,000,252,485</b>	<b>1,000,252,485</b>	1,000,252,485	1,000,252,485
Earnings per share - basic and diluted for the period (in Rupees)	<b>0.42</b>	<b>1.02</b>	0.40	0.71

There is no dilution effect on basic earnings per share.

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
Note		
	Rupees in '000'	

## 16 KEY FINANCIAL FIGURES OF ISLAMIC BANKING GROUP

### ASSETS

Cash and balances with treasury banks	2,412,061	1,958,691
Balances with other banks	3,616,860	3,541,824
Due from financial institutions	6,850,000	4,700,000
Investments	16,377,060	10,575,019
Islamic financing and related assets - net	5,571,243	10,195,524
Operating fixed assets	250,755	249,149
Other assets	804,492	623,301
Deferred tax assets	-	-
	35,882,471	31,843,508

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### LIABILITIES

Bills payable	202,659	148,025
Due to Financial Institutions		300,000
Deposits and other accounts		
- Current accounts	14,224,963	9,565,471
- Saving accounts	12,278,310	11,770,298
- Term deposits	3,253,789	2,871,111
- Others	1,441,870	1,244,035
Deposits from financial institutions - remunerative	7,154	283
Deposits from financial institutions - non-remunerative	-	-
Other liabilities	673,538	2,308,600
	32,082,283	28,207,823

### NET ASSETS

3,800,188 3,635,685

### REPRESENTED BY

Islamic banking fund	460,000	460,000
Profit equalization reserves	37,454	36,271
Unappropriated profit	3,293,921	3,147,440
	3,791,375	3,643,711
Surplus/ (deficit) on revaluation of assets	8,813	(8,026)
	3,800,188	3,635,685

### Remuneration to Shariah Advisor during the period / year

1,445 2,821

### CHARITY FUND

Opening balance at the start of the period / year	-	-
Additions during the period / year	3,003	1,255
Payments during the period / year	-	(1,255)
Closing balance at the end of the period / year	3,003	-

The profit and loss account of the Islamic Banking Group for the six months ended June 30, 2016 is as

	<b>Note</b>	<b>(Un-audited) June 30, 2016</b>	<b>(Un-audited) June 30, 2015</b>
		<b>Rupees in '000'</b>	
Income / return / profit earned		<b>892,857</b>	965,922
Income / return / profit expensed		<b>(258,016)</b>	(300,084)
		<b>634,841</b>	665,838
Provision against non-performing financing		<b>25,224</b>	63,345
Provision for diminution in the value of investments		<b>7,951</b>	-
		<b>33,175</b>	63,345
Net profit / return income after provisions		<b>601,666</b>	602,493
<b>NON MARK-UP INCOME</b>			
Fee, commission and brokerage income		<b>40,709</b>	41,901
Dividend income		<b>1,585</b>	3,559
Income from dealing in foreign currencies		<b>25,752</b>	30,270
Unrealised loss on revaluation of held-for-trading securities		-	(667)
Gain on sale of securities		<b>218</b>	3,072
Other income		<b>12,823</b>	13,403
Total non-markup income		<b>81,087</b>	91,538
		<b>682,753</b>	694,031
<b>OTHER EXPENSES</b>			
Administrative expenses		<b>536,260</b>	475,813
Other provision / write-off		-	-
Other charges		<b>12</b>	-
Total other charges		<b>536,272</b>	475,813
Profit for the period		<b>146,481</b>	218,218

	<b>(Un-audited) June 30, 2016</b>	<b>(Audited) December 31, 2015</b>
	<b>Rupees in '000'</b>	

#### **A-1 Islamic Financing and Related Assets**

Murabaha financings	A-1.1	<b>1,522,823</b>	2,480,780
Ijarah financings	A-1.2	<b>646,810</b>	730,165
Diminishing musharaka	A-1.3	<b>2,416,730</b>	2,467,265
Istisna work-in-progress	A-1.4	<b>1,200,000</b>	700,000
Salam financing	A-1.5	-	4,000,000
Qarz-e-Hasna		<b>5,641</b>	5,641
Others		<b>1,303</b>	8,513
		<b>5,793,307</b>	10,392,364
Less: Provision for non-performing facilities		<b>(222,064)</b>	(196,840)
		<b>5,571,243</b>	10,195,524

	(Un-audited) June 30, 2016	(Audited) December 31, 2015
	Rupees in '000'	
<b>A-1.1 Murabaha financings</b>		
Murabaha receivable	1,291,030	2,229,091
Assets / Inventories	231,793	251,689
	<b>1,522,823</b>	<b>2,480,780</b>
<b>A-1.2 Ijarah financings</b>		
Net investment in Ijarah	9,965	12,253
<b>Ijarah under IFAS-II</b>		
- Ijarah	633,336	717,207
- Advances	3,509	705
	<b>636,845</b>	<b>717,912</b>
	<b>646,810</b>	<b>730,165</b>
<b>A-1.3 Diminishing musharaka</b>		
Diminishing musharaka	2,279,519	2,410,137
Advances / Inventories	137,211	57,128
	<b>2,416,730</b>	<b>2,467,265</b>
<b>A-1.4 Istisna Work in process</b>		
Istisna work in process	1,200,000	700,000
	<b>1,200,000</b>	<b>700,000</b>
<b>A-1.5 Salam Financing</b>		
Salam financing	-	4,000,000
Advance against Salam	-	-
Salam sale receivable	-	-
	<b>-</b>	<b>4,000,000</b>



## 17 RELATED PARTY TRANSACTIONS

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

Banking transactions with related parties are carried out in the normal course of business at agreed terms. Contributions to and accruals in respect of staff retirement benefit plan are made in accordance with actuarial valuation. Refer to note No. 7.1 of the condensed interim financial statements for investment in related party.

Transactions with key management personnel are in accordance with the terms of their employment. Other transactions are at agreed terms.

### 17.1 Details of transactions with related parties as at the period / year end are as follows:

	June 30, 2016 (Un-audited)			December 31, 2015 (Audited)		
	Directors and key management personnel	Associates	Employee Fund	Directors and key management personnel	Associates	Employee Fund
	Rupees in '000'					
<b>Advances:</b>						
At January 1,	157,795	-	-	145,333	-	-
Disbursed during the period / year	16,827	-	-	39,712	-	-
Repaid during the period / year	(28,554)	-	-	(27,250)	-	-
Balance as at June 30 / December 31	146,068	-	-	157,795	-	-
<b>Deposits:</b>						
At January 1,	18,216	15,852	74,963	9,865	14,339	49,446
Deposited during the period / year	124,203	25,358	444,551	179,358	69,878	540,368
Repaid during the period / year	(124,880)	(23,505)	(269,624)	(171,007)	(68,365)	(514,851)
Balance as at June 30 / December 31	17,539	17,705	249,890	18,216	15,852	74,963
	For the six months ended June 30, 2016 (Un-audited)			For the six months ended June 30, 2015 (Un-audited)		
	Directors and key management personnel	Associates	Employee Fund	Directors and key management personnel	Associates	Employee Fund
	Rupees in '000'					
<b>Transactions, income and expenditure</b>						
Mark-up / return / interest earned	1,614	-	-	1,853	-	-
Mark-up / return / interest expensed	280	347	1,193	341	369	1,253
Fee	2,406	-	-	560	-	-

17.2 Although the Government of Khyber Pakhtunkhwa holds 70.20% shares of the Bank (December 31, 2015: 70.20%), the transactions with it have not been treated as related party transactions for the purpose of this disclosure.

## 18 SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

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

	For the six months ended June 30, 2016 (Un-audited)				
	Corporate	Trading &	Retail	Commercial	Total
	Finance	Sales	Banking	Banking	
	Rupees in '000'				
Total income	3,560,988	1,415,270	127,918	1,873,326	6,977,502
Total expenses	(3,424,971)	(737,341)	(100,249)	(1,693,928)	(5,956,489)
Net income	136,017	677,929	27,669	179,398	1,021,013

	For the six months ended June 30, 2015 (Un-audited)				
	Corporate	Trading &	Retail	Commercial	Total
	Finance	Sales	Banking	Banking	
	Rupees in '000'				
Total income	2,867,942	535,426	354,889	2,389,686	6,147,943
Total expenses	(2,646,997)	(284,782)	(277,350)	(2,228,779)	(5,437,908)
Net income	220,945	250,644	77,539	160,907	710,035

## 19 GENERAL

### 19.1 Date of authorisation for issue

This condensed interim financial information was authorised for issue on August 23, 2016 by the Board of Directors of the Bank.

### 19.2 Compatives

According to SBP Circular, Bai Muajjal of Rs. 7,216.332million has been reclassified from Lending to financial institutions to Investments.

  
**Managing Director**
  
**Director**
  
**Director**
  
**Director**