









Condensed Interim
Financial Statements
for the three months ended March 31, 2017

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CORPORATE INFORMATION

Board of Directors

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

Chairman

Managing Director / CEO

Shams-ul-Qayyum

Board Audit Committee

Asad Muhammad Iqbal
Ali Raza Bhutta
Javed Akhtar
Rashid Ali Khan

Chairman

Board Human Resource & Remuneration Committee

Rashid Ali Khan
Maqsood Ismail Ahmad
Asad Muhammad Iqbal
Managing Director

Chairman

Board Risk Management Committee

Maqsood Ismail Ahmad
Rashid Ali Khan
Managing Director

Chairman

Chief Financial Officer

Rahat Gul

Company Secretary

Zahid Sahibzada

Registered Office / Head Office

The Bank of Khyber,

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

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 for the 1st quarter ended March 31, 2017. The results are inclusive of Islamic Banking Operations.

Financial Highlights

The financial results of the Bank of Khyber for the 1st quarter ended March 31, 2017 are as under:

	(Rs. in Million)	
	March 31 2017	December 31 2016
Total Assets	191,086	206,400
Deposits	150,281	157,020
Advances (Gross)	56,691	36,054
Investments (Net)	121,447	141,602

	(Rs. in Million)	
	Period Ended March 31	
	2017	2016
Operating Profit	571	927
Reversal/(Provision) against non-performing advances / others	(20)	14
Profit before taxation	551	941
Taxation	(193)	(336)
Profit after tax	358	605

Performance Review

For the first quarter, the Bank showed an abridged profitability due to reduced policy rate, diluted earnings in gain on sale of securities and dividend income coupled with uncertainty on the political front. Further, the administrative cost has been increased due to opening of new branches which also affected the profitability. The Bank however, managed to record profit before tax of Rs. 551 million as compared to Rs. 941 million of the corresponding period. Profit after tax declined to Rs. 358 million against Rs. 605 million of the period ended March 31, 2016.

The deposits with a slight decrease stood at Rs. 150,281 million whereas advances surged to Rs. 56,691 million from Rs. 36,054 million as on December 31, 2016 giving an increase of 57%. Investments settled at Rs. 121,447 million from Rs. 141,602 million.

Future Outlook

Notwithstanding the challenges, the Bank would retain its strategy of concentrating on growth and remains on a positive course. The Bank is making steady progress on various issues including administrative and operational matters. Apart from Human Resource restructuring, up-gradation of technology platform and better systems and controls, the Bank is also focusing on lowering cost of deposits and offering new and better products in consumer financing and gaining a foothold in new sectors such as energy and power. The Bank is also looking at more participation in corporate lending and syndicate financing. As always the Bank remains mindful of its social obligations and development needs of the province.

In pursuit of providing best services to the customers in meeting their banking needs, the Bank continues to strengthen its presence across the country. Currently, the Bank is operating with 150 branches and 2 sub-branches throughout the country out of which 77 branches are functioning as dedicated Islamic Banking Branches.

In order to facilitate the Bank in its quest for excellence by moving forward, the State Bank of Pakistan has approved Bank's expansion plan and allowed 25 new branches to be opened in the country in the year 2017.

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.

Acknowledgment

On behalf of the Board, I would like to thank the Provincial Government, State Bank of Pakistan and other regulatory authorities for their guidance and support. I am also grateful to our valued customers for their patronage and the staff members for their dedicated performance.

For and on behalf of the Board of Directors



Shams ul Qayyum
Managing Director

Islamabad: April 21, 2017

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2017

			(Un-audited) March 31, 2017	(Audited) December 31, 2016
Note			Rupees in '000'	
ASSETS				
			5,632,723	8,636,526
			2,745,061	9,980,928
			4,619,763	8,827,307
	6		121,447,455	141,602,355
	7		52,260,224	31,643,885
	8		2,147,053	2,070,554
	9		-	-
			2,233,964	3,638,719
			191,086,243	206,400,274
LIABILITIES				
			840,827	775,938
			19,049,709	28,700,825
	10		150,280,992	157,020,365
	11		-	-
			-	-
			270,523	151,745
	12		5,430,148	3,608,857
			175,872,199	190,257,730
NET ASSETS				
			15,214,044	16,142,544
REPRESENTED BY :				
			10,002,524	10,002,524
			2,263,812	2,192,169
			1,276,568	2,490,553
			13,542,904	14,685,246
			1,671,140	1,457,298
	13		15,214,044	16,142,544
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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 THREE MONTHS ENDED MARCH 31, 2017**

Note	Three months ended March 31, 2017	Three months ended March 31, 2017	Three months ended March 31, 2016	Three months ended March 31, 2016
----- Rupees in '000' -----				
Mark-up / return / interest earned	3,067,096	3,067,096	2,794,978	2,794,978
Mark-up / return / interest expensed	2,037,056	2,037,056	1,710,941	1,710,941
Net mark-up / return / interest income	1,030,040	1,030,040	1,084,037	1,084,037
Provision against loans and advances - net	19,995	19,995	83,692	83,692
Reversal of provision for diminution in value of investments - net	(165)	(165)	(81,247)	(81,247)
Bad debts written off directly	-	-	-	-
	19,830	19,830	2,445	2,445
Net mark-up / return / interest income after provisions	1,010,210	1,010,210	1,081,592	1,081,592
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	56,133	56,133	59,097	59,097
Dividend income	19,253	19,253	75,629	75,629
Income from dealing in foreign currencies	19,563	19,563	23,280	23,280
Gain on sale of securities - net	240,748	240,748	376,099	376,099
Unrealised gain / (loss) on revaluation of investments classified as held-for-trading	156	156	(255)	(255)
Other income	30,369	30,369	24,323	24,323
Total non mark-up / interest income	366,222	366,222	558,173	558,173
	1,376,432	1,376,432	1,639,765	1,639,765
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	825,318	825,318	715,579	715,579
Reversal of other provisions / write offs	-	-	(16,364)	(16,364)
Other charges	13	13	8	8
Total non mark-up / interest expenses	825,331	825,331	699,223	699,223
PROFIT BEFORE TAXATION	551,101	551,101	940,542	940,542
Taxation				
- Current	189,252	189,252	306,913	306,913
- Deferred	3,634	3,634	28,934	28,934
	192,886	192,886	335,847	335,847
PROFIT AFTER TAXATION	358,215	358,215	604,695	604,695
Earnings per share - Basic and Diluted (in Rupee) 15		<u>0.36</u>		<u>0.60</u>

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 THREE MONTHS ENDED MARCH 31, 2017**

	Three months ended March 31, 2017	Three months ended March 31, 2017	Three months ended March 31, 2016	Three months ended March 31, 2016
	----- Rupees in '000' -----			
Profit after taxation	358,215	358,215	604,695	604,695
Other comprehensive income	-	-	-	-
Total comprehensive income during the period	358,215	358,215	604,695	604,695

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 THREE MONTHS ENDED MARCH 31, 2017

	Share capital	Statutory reserve	Unappropriated profit	Total
----- Rupees in '000' -----				
Balance as at January 1, 2016 (Audited)	10,002,524	1,788,074	2,182,400	13,972,998
Changes in equity during the three months ended March 31, 2016				
Total comprehensive income				
Profit after taxation for the three months ended March 31, 2016	-	-	604,695	604,695
Other comprehensive income - net of tax	-	-	-	-
	-	-	604,695	604,695
Transfer to statutory reserve	-	120,939	(120,939)	-
Transactions with owners recorded directly in equity				
Final dividend for the year ended December 31, 2015 (Rs.1.25 per share)	-	-	(1,250,464)	(1,250,464)
Balance as at March 31, 2016 (Un-audited)	10,002,524	1,909,013	1,415,692	13,327,229
Changes in equity during the nine months ended December 31, 2016				
Total comprehensive income				
Profit after taxation for the nine months ended December 31, 2016	-	-	1,415,781	1,415,781
Other comprehensive income - net of tax	-	-	(57,764)	(57,764)
	-	-	1,358,017	1,358,017
Transfer to statutory reserve	-	283,156	(283,156)	-
Balance as at December 31, 2016 (Audited)	10,002,524	2,192,169	2,490,553	14,685,246
Changes in equity during the three months ended March 31, 2017				
Total comprehensive income				
Profit after taxation for the three months ended March 31, 2017	-	-	358,215	358,215
Other comprehensive income - net of tax	-	-	-	-
	-	-	358,215	358,215
Transfer to statutory reserve	-	71,643	(71,643)	-
Transactions with owners recorded directly in equity				
Final dividend for the year ended December 31, 2016 (Rs.1.5 per share)	-	-	(1,500,557)	(1,500,557)
Balance as at March 31, 2017 (Un-audited)	10,002,524	2,263,812	1,276,568	13,542,904

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 THREE MONTHS ENDED MARCH 31, 2017

	Three months ended March 31, 2017	Three months ended March 31, 2016
Rupees in '000		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	551,101	940,542
Less: Dividend income	19,253	75,629
	531,848	864,913
Adjustments :		
Depreciation	54,942	48,398
Amortisation	7,561	4,703
Provision against loans and advances - net	19,995	83,692
(Reversal of provision) for diminution in value of investments-net	(165)	(81,247)
(Reversal of provision) against other assets	-	(16,364)
Unrealised (gain) / loss on revaluation of investments classified as held-for-trading	(156)	255
Loss / (gain) on sale of operating fixed assets	406	(296)
	82,583	39,141
	614,431	904,054
(Increase) / decrease in operating assets		
Lendings to financial institutions	4,207,544	(2,774,056)
Held-for-trading securities	(18,944)	(497,552)
Advances	(20,636,334)	870,564
Others assets (excluding advance taxation)	1,404,755	601,865
	(15,042,979)	(1,799,179)
Increase / (decrease) in operating liabilities		
Bills payable	64,889	55,772
Borrowings	(9,651,116)	(811,764)
Deposits and other accounts	(6,739,373)	15,664,501
Other liabilities (excluding current taxation)	499,739	(134,863)
	(15,825,861)	14,773,646
	(30,254,409)	13,878,521
Income taxes paid - net	(368,188)	(407,763)
Net cash (used in) / generated from operating activities	(30,622,597)	13,470,758
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	20,479,192	(17,302,964)
Net investments in held-to-maturity securities	23,960	25,011
Dividend income received	19,253	75,629
Investments in operating fixed assets - net	(139,813)	(55,015)
Proceeds from sale of operating fixed assets	405	2,061
Net cash generated from / (used in) investing activities	20,382,997	(17,255,278)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(70)	(45)
	(70)	(45)
Decrease in cash and cash equivalents	(10,239,670)	(3,784,565)
Cash and cash equivalents at beginning of the period	18,617,454	12,060,293
Cash and cash equivalents at end of the period	8,377,784	8,275,728

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 THREE MONTHS ENDED MARCH 31, 2017**

1. STATUS AND NATURE OF BUSINESS

The Bank of Khyber ("the Bank") was established under The Bank of Khyber Act, 1991 and is principally engaged in the business of commercial banking and related services. The Bank acquired the status of a scheduled bank in 1994 and is listed on the Pakistan Stock Exchange limited (formerly Karachi Stock Exchange limited). The registered office of the Bank is situated at 24-The Mall, Peshawar Cantt, Peshawar and it has been temporarily shifted to 1st Floor, State Life Building, 34 - The Mall, Peshawar Cantt. The Bank operates 150 branches including 77 Islamic banking branches (2016: 150 branches including 77 Islamic banking branches). The long term credit rating of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS are 'A' and 'A' respectively and the short-term credit ratings assigned are 'A-1' (A one) and 'A1' (A one) respectively.

2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for Murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of markup thereon.
- 2.2 The financial results of the Islamic Banking Group have been included in these financial statements for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Group are disclosed in note 16 to these condensed interim financial statements.
- 2.3 These financial statements have been presented in Pakistani Rupee, which is the Bank's functional and presentation currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

3. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention except that certain operating fixed assets have been stated at revalued amounts and certain investments and derivative financial instruments have been stated at fair value.

4. STATEMENT OF COMPLIANCE

- 4.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFASs) issued by The Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962, and the directives issued by the Securities and Exchange Commission of Pakistan (SECP) and the State Bank of Pakistan (SBP). In case the

requirements differ, the provisions of and directives issued under the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 and the directives issued by the SECP and SBP shall prevail.

- 4.2 The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to a notification of SECP dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through its various circulars.
- 4.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BSD Circular No. 4 dated February 17, 2006, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2006. Management believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.

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, 2016.
- 5.2 The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the financial statements of the Bank for the year ended December 31, 2016.

	(Un-audited) March 31, 2017	(Audited) December 31, 2016
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Rupees in '000'

6. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lending	2,425,003	5,475,000
Repurchase agreement lendings (Reverse Repo)	2,194,760	192,307
Placements with financial institution	238,944	3,398,944
	4,858,707	9,066,251
Provision against lendings to financial institution	(238,944)	(238,944)
	4,619,763	8,827,307

7. INVESTMENTS

	March 31, 2017 (Un-audited)			December 31, 2016 (Audited)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
----- Rupees in '000 -----						
Held-for-trading securities						
Pakistan Investment Bonds	379,741	-	379,741	360,081	-	360,081
Available-for-sale securities						
Market Treasury Bills	47,938,840	-	47,938,840	43,620,749	14,420,352	58,041,101
Pakistan Investment Bonds	39,334,042	15,304,574	54,638,616	55,822,793	9,695,393	65,518,186
GOP Ijarah Sukuk	7,250,506	-	7,250,506	7,250,546	-	7,250,546
Ordinary shares of listed companies	873,286	-	873,286	888,612	-	888,612
Ordinary shares of unlisted companies	30,487	-	30,487	30,487	-	30,487
Unlisted ordinary shares of related parties	112,500	-	112,500	112,500	-	112,500
Preference shares of unlisted company	195,000	-	195,000	195,000	-	195,000
Listed term finance certificates	338,385	-	338,385	138,550	-	138,550
Unlisted term finance certificates	168,762	-	168,762	168,762	-	168,762
Sukuk certificates	3,546,954	-	3,546,954	3,228,784	-	3,228,784
	99,788,762	15,304,574	115,093,336	111,456,783	24,115,745	135,572,528
Held-to-maturity securities						
Pakistan Investment Bonds	5,382,183	-	5,382,183	5,372,809	-	5,372,809
Sukuk certificates	33,333	-	33,333	66,667	-	66,667
	5,415,516	-	5,415,516	5,439,476	-	5,439,476
Investment in associate	40,504	-	40,504	40,504	-	40,504
Investments at cost	105,624,523	15,304,574	120,929,097	117,296,844	24,115,745	141,412,589
Provision for diminution in value of investments (Note 7.1)	(861,732)	-	(861,732)	(861,897)	-	(861,897)
Investments - net of provisions	104,762,791	15,304,574	120,067,365	116,434,947	24,115,745	140,550,692
Surplus on revaluation of held-for-trading securities - net	156	-	156	716	-	716
Surplus on revaluation of available-for-sale securities - net (Note 13)	1,379,934	-	1,379,934	1,050,947	-	1,050,947
Total investments	106,142,881	15,304,574	121,447,455	117,486,610	24,115,745	141,602,355

	(Un-audited) March 31, 2017	(Audited) December 31, 2016
	Rupees in '000'	
7.1 Provision for diminution in value of investments		
Opening balance	861,897	958,614
Charge for the period / year	-	46,820
Reversal on disposals	(165)	(143,537)
	(165)	(96,717)
Closing balance	861,732	861,897
8. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	31,547,407	29,845,102
Outside Pakistan	-	-
	31,547,407	29,845,102
Islamic financing and related assets	24,074,066	5,275,801
Net investment in Ijarah:		
In Pakistan	670,606	581,858
Outside Pakistan	-	-
	670,606	581,858
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	277,267	204,902
Payable outside Pakistan	121,467	146,816
	398,734	351,718
Advances - gross	56,690,813	36,054,479
Provision against loans and advances (Note 8.2)	(4,430,589)	(4,410,594)
Advances - net of provision	52,260,224	31,643,885

8.1 Advances include Rs. 5,417.075 million (2016: Rs. 5,456.524 million) which have been placed under non-performing status as detailed below:

Category of classification	March 31, 2017 (Un-audited)					
	Classified advances			Provision required		Provision held
	Domestic	Overseas	Total	Domestic	Overseas	
Rupees in '000'						
Other Assets Especially Mentioned *	109,256	-	109,256	-	-	-
Substandard	225,406	-	225,406	56,330	-	56,330
Doubtful	692,245	-	692,245	303,829	-	303,829
Loss	4,390,168	-	4,390,168	4,036,000	-	4,036,000
	5,417,075	-	5,417,075	4,396,159	-	4,396,159

Category of classification	December 31, 2016 (Audited)					
	Classified Advances			Provision required		Provision held
	Domestic	Overseas	Total	Domestic	Overseas	
Rupees in '000'						
Other Assets Especially Mentioned *	87,643	-	87,643	-	-	-
Substandard	288,582	-	288,582	55,851	-	55,851
Doubtful	627,585	-	627,585	302,838	-	302,838
Loss	4,452,714	-	4,452,714	4,021,033	-	4,021,033
	5,456,524	-	5,456,524	4,379,722	-	4,379,722

* 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 a maximum of five years from the date of classification. As at March 31, 2017, the Bank has availed cumulative benefit of forced sale values of Rs. 392.504 million (2016: Rs. 453.778 million). Increase in unappropriated profit net of tax amounting to Rs. 255.128 million (2016: Rs.294.956 million) is not available for the distribution of cash or stock dividend to the shareholders.

8.2 Particulars of provision against loans and advances

	March 31, 2017 (Un-audited)			December 31, 2016 (Audited)		
	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 period / year	75,172	3,558	78,730	1,060,047	2,826	1,062,873
Reversals	(58,735)	-	(58,735)	(335,815)	-	(335,815)
	16,437	3,558	19,995	724,232	2,826	727,058
Amounts written off	-	-	-	-	-	-
Closing balance	4,396,159	34,430	4,430,589	4,379,722	30,872	4,410,594

(Un-audited)	(Audited)
March 31,	December 31,
2017	2016
Rupees in '000'	

9. OPERATING FIXED ASSETS

Capital work-in-progress		459,486	430,319
Property and equipment	(Note 9.1)	1,619,863	1,597,222
Intangible assets		67,704	43,013
		2,147,053	2,070,554

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

	March 31, 2017		March 31, 2016	
	(Un-audited)		(Un-audited)	
	Additions	Disposals	Additions	Disposals
	Rs. in '000'			
Building on leasehold land	-	-	-	11,620
Furniture and fixtures	13,454	2,841	6,129	2,800
Office equipment	28,849	4,540	15,639	7,288
Vehicles	63	67	5	-
Renovations / Premises	36,026	9,914	19,378	7,126
	78,392	17,362	41,151	28,834

(Un-audited)	(Audited)
March 31,	December 31,
2017	2016
Rupees in '000'	

10. BORROWINGS
Secured

Borrowings from State Bank of Pakistan under:

Export refinance scheme	1,344,200	1,698,000
Long term financing for export oriented projects	100,073	13,805
SME financing scheme	862	1,006
	1,445,135	1,712,811

Repurchase agreement borrowings

Borrowing from financial institution under Bai Muajjal	15,304,574	14,420,352
	15,304,574	9,695,393
	15,304,574	24,115,745

Unsecured

Call borrowing	2,300,000	2,872,269
	19,049,709	28,700,825

(Un-audited) March 31, 2017	(Audited) December 31, 2016
Rupees in '000'	

11. DEPOSITS AND OTHER ACCOUNTS
Customers

Fixed deposits	77,202,334	61,494,660
Savings deposits	42,927,597	60,140,991
Current accounts - non-remunerative	25,942,151	28,280,085
Call deposits	2,125,363	5,316,386
Margin and sundry deposits	2,073,263	1,754,950
	150,270,708	156,987,072

Financial Institutions

Remunerative deposits	9,149	32,224
Non-remunerative deposits	1,135	1,069
	10,284	33,293
	150,280,992	157,020,365

12. DEFERRED TAX 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
Provision against loans and advances	43,195	43,027
Provision for other assets	3,448	3,448
Re-measurement of defined benefit plan	31,103	31,103
Accelerated tax depreciation	11,443	4,859
Islamic pool management reserve	32,552	42,937
	212,454	216,087

Deferred tax liability arising in respect of:

(Surplus) on revaluation of investments	(482,977)	(367,832)
	(482,977)	(367,832)
Deferred tax liability - net	(270,523)	(151,745)

13. SURPLUS ON REVALUATION OF ASSETS - NET OF DEFERRED TAX
Surplus / (deficit) on revaluation of available-for-sale securities

Federal government securities		
- Market Treasury Bills	(19,688)	(19,676)
- Pakistan Investment Bonds	841,607	495,268
- Sukuk Certificates	78,732	124,554
Fully paid up ordinary shares - listed	479,283	450,801
	1,379,934	1,050,947
Related deferred tax liability	(482,977)	(367,832)
	896,957	683,115
Surplus on revaluation of fixed assets		
Leasehold land	774,183	774,183
	1,671,140	1,457,298

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.

	(Un-audited) March 31, 2017	(Audited) December 31, 2016
	Rupees in '000'	
14. CONTINGENCIES AND COMMITMENTS		
14.1 Direct credit substitutes		
Contingent liabilities in respect of guarantees given favouring:		
Banks	-	-
Others	533,473	539,084
	533,473	539,084
14.2 Transaction-related contingent liabilities		
Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favouring:		
Government	6,684,668	6,935,508
Others	4,907,107	4,211,008
	11,591,775	11,146,516
<p>This includes expired letters of guarantee aggregating to Rs. 2,786.160 million (2016: Rs. 3,496.433 million) for which the formalities for return of the original documents are in process.</p>		
	(Un-audited) March 31, 2017	(Audited) December 31, 2016
	Rupees in '000'	
14.3 Trade-related contingent liabilities		
Letters of credit		
Sight	1,759,513	1,790,467
Usance	310,512	360,776
	2,070,025	2,151,243
Acceptances	752,331	848,219
	2,822,356	2,999,462
14.4 Commitments in respect of forward exchange contracts		
Purchase	1,978,196	3,368,458
Sale	2,748,940	3,655,998
<p>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.</p>		
	(Un-audited) March 31, 2017	(Audited) December 31, 2016
	Rupees in '000'	
14.5 Other commitments		
Bills for collection		
Inland bills	72,428	117,019
Foreign bills	613,678	659,128
	686,106	776,147

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 or expense if the facility is unilaterally withdrawn.

14.7 Commitment for the acquisition of operating fixed assets

Commitments as on reporting date amounts to Rs.259.494 million (2016: Rs. 256.979 million).

14.8 The income tax assessments of the Bank have been finalized upto and including tax year 2016

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 filed an appeal against the order of the ATIR before Peshawar High Court. The management is confident that matter will be decided in the Bank's favor and the possibility of any outcome against the Bank is remote and accordingly no provision has been made in these financial statements.

14.10 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 for in these financial statements.

Three months ended March 31 2017	Three months ended March 31 2017	Three months ended March 31 2016	Three months ended March 31 2016
----- Rupees in '000' -----			

15. EARNINGS PER SHARE - BASIC AND DILUTED (UN-AUDITED)

Profit after taxation for the period attributable to ordinary shareholders

358,215	358,215	604,695	604,695
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-----Number of Shares-----

Weighted average number of ordinary shares outstanding during the period

1,000,252,485	1,000,252,485	1,000,252,485	1,000,252,485
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Earnings per share - basic and diluted for the period (in Rupee)

0.36	0.36	0.60	0.60
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There is no dilution effect on basic earnings per share.

	(Un-audited) March 31, 2017	(Audited) December 31, 2016
Note	Rupees in '000'	
16. KEY FINANCIAL FIGURES OF ISLAMIC BANKING GROUP		
ASSETS		
Cash and balances with treasury banks	2,242,035	2,480,843
Balances with other banks	895,912	7,964,712
Due from financial institutions	2,425,000	8,635,000
Investments	10,779,969	10,541,155
Islamic financing and related assets	24,509,945	5,626,934
Operating fixed assets	309,393	280,468
Other assets	395,439	107,985
	41,557,693	35,637,097
LIABILITIES		
Bills payable	214,756	312,720
Due to financial institutions	2,300,000	-
Deposits and other accounts		
- Current accounts	13,782,427	13,647,809
- Saving accounts	12,731,833	12,665,688
- Term deposits	3,027,453	2,982,985
- Others	1,330,141	1,534,628
Deposits from financial institutions <i>remunerative</i>	30	30
Deposits from financial institutions <i>non-remunerative</i>	-	-
Other liabilities	4,111,679	416,387
	37,498,319	31,560,247
NET ASSETS	4,059,374	4,076,850
REPRESENTED BY :		
Islamic banking fund	460,000	460,000
Profit equalization reserves	24,125	38,125
Accumulated profit	3,503,791	3,461,284
	3,987,916	3,959,409
Surplus on revaluation of available-for-sale securities	71,458	117,441
	4,059,374	4,076,850
REMUNERATION TO SHARIAH BOARD AND ADVISOR	1,086	3,713
CHARITY FUND		
Opening balance	-	-
Additions during the period / year		
Default obligations amount (on delay payments)	985	4,755
Income from transactions declared in Non-Shariah Compliance	-	280
Purification of dividend/Income from shares	-	120
Others	16	94
	1,001	5,249
Distribution of charity		
Welfare	-	(1,749)
Health	2	(3,500)
Payments during the period / year	2	(5,249)
Closing balance	999	-

The profit and loss account of the Islamic Banking Group for the three months ended March 31, 2017 is as under:

	(Un-audited) March 31, 2017	(Un-audited) March 31, 2016
	Rupees in '000'	
Income / return / profit earned	437,704	401,081
Income / return / profit expensed	130,112	114,752
	307,592	286,329
Provision against Islamic financing and related assets - net	4,002	12,425
Net income / return after provision	303,590	273,904
OTHER INCOME		
Fee, commission and brokerage income	18,232	18,811
Dividend income	578	1,197
Income from dealing in foreign currencies	7,103	14,854
Unrealised loss on revaluation of held-for-trading securities	-	(4)
Gain on sale of securities - net	-	50
Other income	10,512	7,709
Total other income	36,425	42,617
	340,015	316,521
OTHER EXPENSES		
Administrative expenses	297,495	265,562
Other charges	13	-
Total other expenses	297,508	265,562
Net profit for the period	42,507	50,959
	(Un-audited) March 31, 2017	(Audited) December 31, 2016
	Note	
	Rupees in '000'	
A-1 Islamic Financing and Related Assets		
Murabaha	A-1.1 1,870,655	1,643,500
Ijarah	A-1.2 670,605	581,858
Diminishing musharaka	A-1.3 1,974,140	2,426,660
Istisna work-in-progress	1,174,410	1,200,000
Salam	A-1.4 9,000,000	-
Running musharaka financings	10,000,000	-
Qarza -e- Hasna	54,862	5,641
	24,744,672	5,857,659
Provision against Islamic financing and related assets	(234,727)	(230,725)
	24,509,945	5,626,934

(Un-audited) March 31, 2017	(Audited) December 31, 2016
Rupees in '000'	

A-1.1 Murabaha

Murabaha Receivable	1,370,997	1,426,245
Advances / Inventories	499,658	217,255
	1,870,655	1,643,500

A-1.2 Ijarah

Net investment in Ijarah	6,430	6,785
Ijarah under IFAS-II	643,678	554,439
Advances	20,497	20,634
	664,175	575,073
	670,605	581,858

A-1.3 Diminishing musharaka

Diminishing musharaka	1,931,190	2,385,860
Advances	42,950	40,800
	1,974,140	2,426,660

A-1.4 Salam Financing

Salam financing - inventory	4,000,000	-
Salam financing - advances	5,000,000	-
	9,000,000	-

17. RELATED PARTY TRANSACTIONS

The Bank has related party relationship with Government of Khyber Pakhtunkhwa (majority shareholder), associate, 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. Contribution to and accruals in respect of staff retirement benefit plan are made in accordance with actuarial valuation.

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:

	March 31, 2017 (Un-audited)			December 31, 2016 (Audited)		
	Directors and key management personnel	Associate	Employee funds	Directors and key management personnel	Associate	Employee funds
----- Rupees in '000' -----						
Advances:						
At January 1,	193,406	-	-	157,795	-	-
Disbursed during the period / year	50,353	-	-	91,027	-	-
Repaid during the period / year	(8,437)	-	-	(55,416)	-	-
Balance as at March 31 / December 31	235,322	-	-	193,406	-	-
Deposits:						
At January 1,	43,360	21,677	281,325	18,216	15,852	74,963
Deposited during the period / year	90,989	4,619	31,907	241,700	37,685	555,817
Repaid during the period / year	(97,807)	(6,991)	(23,381)	(216,556)	(31,860)	(349,455)
Balance as at March 31 / December 31	36,542	19,305	289,851	43,360	21,677	281,325

	For the three months ended March 31, 2017 (Un-audited)			For the three months ended March 31, 2016 (Un-audited)		
	Directors and key management personnel	Associate	Employee funds	Directors and key management personnel	Associate	Employee funds
----- Rupees in '000' -----						
Transactions, income and expenditure						
Mark-up / return / interest earned	1,602	-	-	3,298	-	-
Mark-up / return / interest expensed	849	363	17,532	279	347	8,670
Fee	1,726	-	-	1,153	-	-

17.2 Although the Government of Khyber Pakhtunkhwa holds 70.20% shares of the Bank (2016 : 70.20%), the transactions with it has 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 three months ended March 31, 2017 (Un-audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000'				
Total income	1,640,105	392,085	45,663	1,355,465	3,433,318
Total expenses	(1,419,870)	(282,998)	(37,408)	(1,334,827)	(3,075,103)
Net income	220,235	109,087	8,255	20,638	358,215

	For the three months ended March 31, 2016 (Un-audited)				
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
	Rupees in '000'				
Total income	2,109,118	509,037	63,115	671,880	3,353,150
Total expenses	(1,908,846)	(194,722)	(30,546)	(614,341)	(2,748,455)
Net income	200,272	314,315	32,569	57,539	604,695

19. **GENERAL**

19.1 **Date of authorization for issue**

This condensed interim financial information was authorised for issue on April 21, 2017 by the Board of Directors of the Bank.

19.2 **Profit Equalization reserve**

The profit equalization reserve amounting Rs. 24.125 million (2016 Rs: 38.125 million) classified in other liabilities, which has been presented as reserve in note 16.



Managing Director



Director



Director



Director

