









Condensed Interim
Financial Statements
for the nine months ended September 30, 2016

Contents

	Corporate Information-----	1
	Directors' Review -----	2
	Condensed Interim Statement of Financial Position -----	4
	Condensed Interim Profit and Loss Account -----	5
	Condensed Interim Statement of Comprehensive Income-----	6
	Condensed Interim Statement of Changes in Equity -----	7
	Condensed Interim Cash Flow Statement-----	8
	Notes to the Condensed Interim Financial Information-----	9

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

Audit Committee

Asad Muhammad Iqbal
Ali Raza Bhutta
Javed Akhtar
Rashid Ali Khan

Chairman

HR&R Committee

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

Chairman

Risk Management Committee

Maqsood Ismail Ahmad
Rashid Ali Khan
The 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.

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

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

URL: www.bok.com.pk

Auditors

Grant Thornton Anjum Rahman
Chartered Accountants

Legal Advisors

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 for the 3rd quarter ended September 30, 2016. The results are inclusive of Islamic Banking Operations.

Financial Highlights

The financial results of the Bank of Khyber for the 3rd quarter ended September 30, 2016 are as under:

	(Rs. in Million)	
	September 30 2016	December 31 2015
Total Assets	192,086	155,159
Deposits	154,808	117,292
Advances (Gross)	28,257	40,137
Investments (Net)	141,858	95,512

	(Rs. in Million)	
	Period Ended September 30 2016	2015
Operating Profit	2,827	2,503
Provision against non-performing advances/others	(425)	(484)
Profit before taxation	2,402	2,019
Taxation	(932)	(817)
Profit after tax	1,470	1,202

Performance Review

Alhamdulillah, during the nine months period ended September 30, 2016; the performance of the Bank continued to be satisfactory. Profit Before Tax increased by 19% to reach Rs.2,402 million as compared to Rs.2,019 million in the corresponding period of previous year. Profit after Tax rose by 22% to Rs.1,470 million as compared to Rs.1,202 million in the corresponding period of 2015.

With the total assets stood at Rs. 192,086 million, the deposits of the Bank increased to Rs. 154,808 million from Rs. 117,292 million as on December 31, 2015 registering an increase of 32%. Net Investments stood at Rs.141,858 million in comparison with Rs.95,512 million as at December 31, 2015. Furthermore, Advances decreased to Rs.28,257 million from Rs.40,137 million mostly due to adjustments of commodity financing.

Future Outlook

At the end of 3rd quarter ended September 30, 2016, the Bank was operating with 133 branches wherein 67 branches were working as dedicated Islamic Banking branches. As per approval given by the State Bank of Pakistan, further 17 new branches will be opened by the end of the year 2016. The Bank remains cognizant of the challenging business environment and stands committed to its strategy of steady growth through diversification in products, services and outreach. The Bank is

also focusing on increasing its customer base and mobilizing cost effective deposit mix with an emphasis on prudent lending to maintain trend of stable profitability.

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

We take this opportunity to thank our valued customers for their patronage, to our employees for their continued commitment, our shareholders for their trust and confidence and the Provincial Government, State Bank of Pakistan and other regulatory bodies for their continued guidance and support.

For and on behalf of the Board of Directors



Shams ul Qayyum

Managing Director

Peshawar: October 24, 2016

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2016**

		(Un-audited) September 30, 2016	(Audited) December 31, 2015
	Note	Rupees in '000'	
ASSETS			
Cash and balances with treasury banks		7,494,992	5,546,796
Balances with other banks		4,832,814	6,513,497
Lendings to financial institutions	6 & 19.2	8,527,194	5,988,824
Investments - net	7 & 19.2	141,858,474	95,512,456
Advances - net	8	24,052,074	36,453,611
Other assets		3,328,547	3,218,724
Operating fixed assets	9	1,991,715	1,924,825
Deferred tax asset - net		-	-
		192,085,810	155,158,733
LIABILITIES			
Bills payable		666,308	504,884
Borrowings from financial institutions	10	14,449,023	17,130,194
Deposits and other accounts	11	154,808,201	117,292,012
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Other liabilities		3,751,483	3,844,944
Deferred tax liability - net	12	1,120,752	469,123
		174,795,767	139,241,157
NET ASSETS		17,290,043	15,917,576
REPRESENTED BY			
Share capital		10,002,524	10,002,524
Reserves		2,082,076	1,788,074
Un-appropriated profit		2,107,944	2,182,400
		14,192,544	13,972,998
Surplus on revaluation of assets - net of tax	13	3,097,499	1,944,578
		17,290,043	15,917,576
CONTINGENCIES AND COMMITMENTS	14		

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 NINE MONTHS ENDED SEPTEMBER 30, 2016

Note	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
	Rupees in '000'			
Mark-up / return / interest earned	3,280,628	8,868,450	2,736,297	8,165,776
Mark-up / return / interest expensed	2,178,165	5,526,328	1,668,672	4,877,213
Net mark-up / interest income	1,102,463	3,342,122	1,067,625	3,288,563
Provision/(reversal) against non-performing loans and advances - net	99,309	521,200	(16,252)	488,474
Reversal of provision for diminution in the value of investments - net	(39,932)	(97,101)	(2,839)	(4,707)
Bad debts written off directly	327	438	-	-
	59,704	424,537	(19,091)	483,767
Net mark-up / interest income after provisions	1,042,759	2,917,585	1,086,716	2,804,796
NON MARK-UP / INTEREST INCOME				
Fee, commission and brokerage income	59,163	183,731	53,212	182,749
Dividend income	9,239	95,294	28,306	85,374
Income from dealing in foreign currencies	21,879	66,505	33,869	88,327
Gain on sale of securities - net	303,595	1,397,252	174,921	593,210
Unrealised gain on revaluation of investments classified as held-for-trading - net	48	48	3,326	2,251
Other income	25,832	66,606	44,107	104,294
Total non mark-up / interest income	419,756	1,809,436	337,741	1,056,205
	1,462,515	4,727,021	1,424,457	3,861,001
NON MARK-UP / INTEREST EXPENSES				
Administrative expenses	806,772	2,327,584	693,655	2,014,024
Reversals against other assets	-	(2,299)	-	(18,464)
Reversal against Workers Welfare Fund	-	-	-	(164,120)
Other charges	-	28	8	9,766
Total non mark-up / interest expenses	806,772	2,325,313	693,663	1,841,206
	655,743	2,401,708	730,794	2,019,795
Extra ordinary / unusual item	-	-	-	-
PROFIT BEFORE TAXATION	655,743	2,401,708	730,794	2,019,795
Taxation				
Current	(175,323)	(810,227)	(233,963)	(656,560)
Prior	-	(90,643)	-	(124,428)
Deferred	(31,423)	(30,828)	(4,377)	(36,318)
	(206,746)	(931,698)	(238,340)	(817,306)
PROFIT AFTER TAXATION	448,997	1,470,010	492,454	1,202,489
Unappropriated profit brought forward	1,658,947	637,934	1,247,222	537,187
Accumulated profit carried forward	2,107,944	2,107,944	1,739,676	1,739,676
Earnings per share - Basic and Diluted (in Rupees) 15	0.45	1.47	0.49	1.20

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 NINE MONTHS ENDED SEPTEMBER 30, 2016

	Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
----- Rupees in '000' -----				
Profit after taxation	448,997	1,470,010	492,454	1,202,489
Other comprehensive income	-	-	-	-
Comprehensive income transferred to equity	448,997	1,470,010	492,454	1,202,489
Comprehensive income not reflected in equity				
Items that may be reclassified to profit or loss account in subsequent periods				
Net change in fair value of available for sale securities	(394,894)	3,549,619	403,287	2,345,950
Related deferred tax benefit / (charge)	138,213	(1,249,734)	(141,150)	(788,907)
	(256,681)	2,299,885	262,137	1,557,043

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 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016

	Share capital	Statutory reserve	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

Changes in equity during the nine months ended September 30, 2015

Transactions with owners recorded directly in equity

Final cash dividend for the year ended December 31, 2014 declared at Re 1.00 per share	-	-	(1,000,371)	(1,000,371)
--	---	---	-------------	-------------

Total comprehensive income

Profit after taxation for the nine months

ended September 30, 2015

Other comprehensive income - net of tax

-	-	1,202,489	1,202,489
-	-	-	-

Transfer to statutory reserve

-	240,498	(240,498)	-
---	---------	-----------	---

Balance as at September 30, 2015 - Unaudited

10,002,524	1,670,729	1,739,676	13,412,929
------------	-----------	-----------	------------

Changes in equity during the three months ended December 31, 2015

Total comprehensive income

Profit after taxation for the three months

ended December 31, 2015

Other comprehensive income

-	-	586,725	586,725
-	-	(26,656)	(26,656)

Transfer to statutory reserve

-	117,345	(117,345)	-
---	---------	-----------	---

Balance as at December 31, 2015 - Audited

10,002,524	1,788,074	2,182,400	13,972,998
------------	-----------	-----------	------------

Changes in equity during the nine months ended September 30, 2016

Transactions with owners recorded directly in equity

Final cash dividend for the year ended December 31, 2015 declared at Rs. 1.25 per share

-	-	(1,250,464)	(1,250,464)
---	---	-------------	-------------

Total comprehensive income

Profit after taxation for the nine months

ended September 30, 2016

Other comprehensive income - net of tax

-	-	1,470,010	1,470,010
-	-	-	-

Transfer to statutory reserve

-	294,002	(294,002)	-
---	---------	-----------	---

Balance as at September 30, 2016 - Unaudited

10,002,524	2,082,076	2,107,944	14,192,544
------------	-----------	-----------	------------

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 NINE MONTHS ENDED SEPTEMBER 30, 2016

	Nine months ended September 30, 2016	Nine months ended September 30, 2015
	Rupees in '000'	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,401,708	2,019,795
Less: Dividend income	95,294	85,374
	2,306,414	1,934,421
Adjustments for non-cash charges		
Depreciation	148,105	134,985
Amortisation	14,657	5,056
Provision against non-performing advances-net	521,200	488,474
Reversal of provision for diminution in the value of investments-net	(97,101)	(4,707)
Reversal of provision against other assets	(2,299)	(18,464)
Unrealised gain on revaluation of investments classified as held-for-trading	(48)	(2,251)
Gain on sale of operating fixed assets	(416)	(1,589)
Bad debts written off directly	438	-
	584,536	601,504
	2,890,950	2,535,925
(Increase) / decrease in operating assets		
Lendings to financial institutions	(2,538,370)	(5,178,108)
Net deinvestment in held-for-trading securities	57,152	2,914,931
Advances	11,879,899	1,327,589
Others assets (excluding advance taxation)	(107,524)	990,278
	9,291,157	54,690
Increase / (decrease) in operating liabilities		
Bills payable	161,424	188,307
Borrowings from financial institutions	(2,681,171)	2,858,465
Deposits and other accounts	37,516,189	19,180,205
Other liabilities (excluding current taxation)	3,217	(1,071,497)
	34,999,659	21,155,480
	47,181,766	23,746,095
Income tax paid - net	(1,007,751)	(711,012)
Net cash generated from operating activities	46,174,015	23,035,083
CASH FLOWS FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(44,574,001)	(19,290,456)
Net deinvestments in held-to-maturity securities	41,702	112,020
Net investments in Associates	-	(59,961)
Dividend received	95,294	85,374
Investments in operating fixed assets - net	(231,930)	(332,970)
Sale proceeds of property and equipment disposed off	2,694	1,802
Net cash used in investing activities	(44,666,241)	(19,484,191)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(1,240,261)	(992,452)
Net cash used in financing activities	(1,240,261)	(992,452)
Increase in cash and cash equivalents	267,513	2,558,440
Cash and cash equivalents at beginning of the period	12,060,293	6,620,465
Cash and cash equivalents at end of the period	12,327,806	9,178,905

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 NINE MONTHS ENDED SEPTEMBER 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 Karachi Stock Exchange (KSE). The registered office of the Bank is situated at 24 The Mall, Peshawar Cantt, Peshawar. The Bank operates 133 branches including 67 Islamic Banking Branches as at September 30, 2016 (December 31, 2015: 130 branches including 66 Islamic banking branches). The long term credit rating 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.
- 5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS AND FINANCIAL 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 those disclosed in the financial statements of the Bank for the year ended December 31, 2015.

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

6 LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings	6,260,000	500,000
Repurchase agreement lendings (Reverse Repo)	287,194	1,288,824
Placements with financial institutions	2,218,944	4,438,944
	8,766,138	6,227,768
Provision against lendings to financial institutions	(238,944)	(238,944)
	8,527,194	5,988,824

7 INVESTMENTS

Note	September 30, 2016 (Un-audited)			December 31, 2015 (Audited) (Re - stated)		
	Held by bank	Given as collateral	Total	Held by bank	Given as collateral	Total
Rupees in '000'						
7.1 Investments by types						
Held-for-trading securities						
Market Treasury Bills	497,759	-	497,759	-	-	-
Pakistan Investment Bonds	473,617	-	473,617	981,181	-	981,181
Ordinary shares of listed companies	-	-	-	53,525	-	53,525
	971,376	-	971,376	1,034,706	-	1,034,706
Available-for-sale securities						
Market Treasury Bills	51,018,477	980,129	51,998,606	42,535,742	-	42,535,742
Pakistan Investment Bonds	55,284,755	7,428,438	62,713,193	18,419,685	13,710,642	32,130,327
GOP Ijarah Sukuk	14,466,946	-	14,466,946	9,716,332	-	9,716,332
Ordinary shares of listed companies	942,883	-	942,883	1,944,646	-	1,944,646
Ordinary shares of unlisted companies	30,487	-	30,487	30,487	-	30,487
Ordinary shares of related parties - Unlisted	112,500	-	112,500	112,500	-	112,500
Preference shares of 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	1,878,476	-	1,878,476	790,069	-	790,069
	124,318,718	8,408,567	132,727,285	74,442,642	13,710,642	88,153,284
Held-to-maturity securities						
Pakistan Investment Bonds	5,364,488	-	5,364,488	5,339,524	-	5,339,524
Sukuk certificates	66,667	-	66,667	133,333	-	133,333
	5,431,155	-	5,431,155	5,472,857	-	5,472,857
Investments in associates	40,504	-	40,504	40,504	-	40,504
Investments at cost	130,761,753	8,408,567	139,170,320	80,990,709	13,710,642	94,701,351
Provision for diminution in the value of investments	7.2 (861,513)	-	(861,513)	(958,614)	-	(958,614)
Investments (net of provision)	129,900,240	8,408,567	138,308,807	80,032,095	13,710,642	93,742,737
Unrealised gain/(loss) on revaluation of held-for-trading securities -	48	-	48	(6,178)	-	(6,178)
Surplus on revaluation of available-for-sale securities - net	13 3,549,619	-	3,549,619	1,775,897	-	1,775,897
Total investments	133,449,907	8,408,567	141,858,474	81,801,814	13,710,642	95,512,456

		(Un-audited) September 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		(136,808)	(8,352)
		(97,101)	82,410
Closing balance		861,513	958,614
8 ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		22,024,968	29,390,670
Outside Pakistan		-	-
		22,024,968	29,390,670
Islamic financing and related assets		5,055,559	9,662,199
Net investment in Ijarah:			
In Pakistan		593,948	730,165
Outside Pakistan		-	-
		593,948	730,165
Bills discounted and purchased (excluding treasury bills)			
Payable in Pakistan		340,342	189,373
Payable outside Pakistan		241,993	164,740
		582,335	354,113
Advances - gross	8.1	28,256,810	40,137,147
Less: Provision against non-performing advances	8.2	(4,204,736)	(3,683,536)
Advances - net of provision		24,052,074	36,453,611

8.1 Advances include Rs. 5,787.833million (December 31, 2015: Rs. 5,132.863million) which have been placed under non-performing status as detailed below:

Category of classification	September 30, 2016 (Un-audited)				
	Classified advances			Provision required	Provision held
	Domestic	Overseas	Total		
	----- Rupees in '000' -----				
Other Assets Especially Mentioned *	114,031	-	114,031	2,850	2,850
Substandard	294,432	-	294,432	60,965	60,965
Doubtful	688,866	-	688,866	264,852	264,852
Loss	4,690,504	-	4,690,504	3,843,360	3,843,360
	5,787,833	-	5,787,833	4,172,027	4,172,027

Category of classification	December 31, 2015 (Audited)				
	Classified Advances			Provision	Provision
	Domestic	Overseas	Total	required	held
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 undercharge, 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 September 30, 2016, the Bank has availed cumulative benefit of forced sale values of Rs. 934.226 million (December 31, 2015: Rs. 888.139 million). Increase in unappropriated profit net of tax amounting to Rs. 607.247 million (December 31, 2015 : Rs 577.290 million) is not available for the distribution of cash and stock dividend to the shareholders.

8.2 Particulars of provision against non-performing advances

	September 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	764,574	4,663	769,237	707,546	-	707,546
Reversals	(248,037)	-	(248,037)	(194,979)	(14,435)	(209,414)
	516,537	4,663	521,200	512,567	(14,435)	498,132
Amounts written off	-	-	-	-	-	-
Closing balance	4,172,027	32,709	4,204,736	3,655,490	28,046	3,683,536
				(Un-audited)		
				September 30, 2016		
				(Audited)		
				December 31, 2015		
				Rupees in '000'		

9 OPERATING FIXED ASSETS

Capital work-in-progress		382,032	308,367
Property and equipment	9.1	1,569,311	1,578,902
Intangible assets	9.2	40,372	37,556
		1,991,715	1,924,825

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

	September 30, 2016 (Un-audited)		September 30, 2015 (Un-audited)	
	Additions	Disposals	Additions	Disposals
	Rs. in '000'			
Land	-	-	-	18,705
Building on leasehold	-	11,620	-	37,303
Furniture and fixtures	16,610	3,435	14,404	1,434
Office equipment	68,055	9,339	65,503	3,277
Vehicles	766	1,370	89	70
Renovations / Premises	55,359	11,072	67,706	7,924
	140,790	36,836	147,702	68,713
9.2 Additions to intangible assets	17,474	-	42,912	-

		(Un-audited) September 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		1,140,300	1,550,582
Long term financing for export oriented projects		-	39,218
SME refinance scheme		1,581	1,929
		1,141,881	1,591,729
Repurchase agreement borrowings	10.1	8,408,567	13,710,642
Unsecured			
Call borrowings		4,898,575	1,827,823
		14,449,023	17,130,194
10.1 Repurchase agreement with financial institutions carry interest rate of 6.25 % (2015: 6.50%) per annum with maturities up to November 07, 2016.			
		(Un-audited) September 30, 2016	(Audited) December 31, 2015
		Rupees in '000'	
11 DEPOSITS AND OTHER ACCOUNTS			
Customers			
Fixed deposits		79,064,543	47,775,041
Savings deposits		47,425,174	42,552,127
Current accounts - non-remunerative		24,815,705	24,117,056
Call deposits		1,907,477	1,326,927
Margin and sundry deposits		1,588,729	1,493,353
		154,801,628	117,264,504
Financial Institutions			
Remunerative deposits		5,626	26,822
Non-remunerative deposits		947	686
		6,573	27,508
		154,808,201	117,292,012
12 DEFERRED TAX LIABILITY			
Deferred tax asset arising in respect of:			
Provision for balances with other banks		3,510	3,510
Deficit on revaluation of investments		7,369	-
Provision for non performing loans		2,710	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		42,214	40,530
		126,901	158,799
Deferred tax liability arising in respect of:			
Accelerated tax depreciation		2,081	(6,358)
Surplus on revaluation of investment		(1,249,734)	(621,564)
		(1,247,653)	(627,922)
Deferred tax liability - net		(1,120,752)	(469,123)

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

13 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

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

Federal government securities:

- Market Treasury Bills

- Pakistan Investment Bonds

- Sukuk Certificates

Fully paid up ordinary shares - listed

Units in open-end mutual funds

(21,054)	16,596
3,246,126	1,631,884
59,262	-
265,285	38,469
-	88,948
3,549,619	1,775,897
790,245	790,245
4,339,864	2,566,142
(1,242,365)	(621,564)
3,097,499	1,944,578

Surplus on revaluation of fixed assets

Leasehold land

Deferred tax liability - net

14 CONTINGENCIES AND COMMITMENTS

14.1 Direct credit substitutes

Contingent liabilities in respect of guarantees given favouring:

Banks

Others

-	-
548,367	468,909
548,367	468,909

14.2 Transaction-related contingent liabilities

Contingent liabilities in respect of performance bonds, bid bonds, warranties etc. given favouring:

Government

Others

14.2.1

5,830,365	5,601,096
4,750,618	3,873,179
10,580,983	9,474,275

14.2.1 This includes expired letters of guarantee aggregating to Rs. 2,787,540 million as at September 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) September 30, 2016	(Audited) December 31, 2015
Rupees in '000'	

14.3 Trade-related contingent liabilities

Letters of credit

Sight

Usance

Acceptances

1,674,381	2,105,938
408,024	229,324
2,082,405	2,335,262
260,399	591,321
2,342,804	2,926,583

14.4 Commitments in respect of forward exchange contracts

Purchase

Sale

1,675,821	1,412,483
1,821,013	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) September 30, 2016	(Audited) December 31, 2015
Rupees in '000'		

14.5 Other commitments

Bills for collection

Inland bills

Foreign bills

	365,823	159,665
	517,056	310,657
	882,879	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. 324.064 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 before 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 for December 01, 2016. Management expects a favorable outcome.

Three months ended September 30, 2016	Nine months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2015
Rupees in '000'			

15 EARNINGS PER SHARE - BASIC AND DILUTED

Profit after taxation for the period attributable
to ordinary shareholders

448,997	1,470,010	492,454	1,202,489
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
---------------	---------------	---------------	---------------

Earnings per share - basic and diluted
for the period (in Rupees)

0.45	1.47	0.49	1.20
------	------	------	------

There is no dilution effect on basic earnings per share.

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

16 KEY FINANCIAL FIGURES OF ISLAMIC BANKING GROUP

ASSETS

Cash and balances with treasury banks	1,920,309	1,958,691
Balances with other banks	3,270,439	3,541,824
Due from financial institutions	6,240,000	4,700,000
Investments	16,348,986	10,575,019
Islamic financing and related assets - net	5,425,071	10,195,524
Operating fixed assets	246,044	249,149
Other assets	927,679	623,301
Deferred tax assets	-	-
	34,378,528	31,843,508

LIABILITIES

Bills payable	217,603	148,025
Due to financial institutions	-	300,000
Deposits and other accounts		
- Current accounts	12,321,947	9,565,471
- Saving accounts	12,476,349	11,770,298
- Term deposits	2,995,474	2,871,111
- Others	1,505,529	1,244,035
Deposits from financial institutions - <i>remunerative</i>	30	283
Deposits from financial institutions - <i>non-remunerative</i>	-	-
Other liabilities	920,642	2,308,600
	30,437,574	28,207,823

NET ASSETS

3,940,954	3,635,685
------------------	------------------

REPRESENTED BY

Islamic banking fund	460,000	460,000
Profit equalization reserves	37,455	36,271
Unappropriated profit	3,391,433	3,147,440
	3,888,888	3,643,711
Surplus/ (deficit) on revaluation of assets	52,066	(8,026)
	3,940,954	3,635,685

Remuneration to Shariah Advisor during the period / year

2,307	2,821
--------------	--------------

CHARITY FUND

Opening balance at the start of the period / year	-	-
Additions during the period / year	4,609	1,255
Payments during the period / year	-	(1,255)
Closing balance at the end of the period / year	4,609	-

The profit and loss account of the Islamic Banking Group for the nine months ended September 30, 2016 is as under:

		(Un-audited) September 30, 2016	(Un-audited) September 30, 2015
	Note	Rupees in '000'	
Income / return / profit earned		1,372,481	1,408,650
Income / return / profit expensed		(388,608)	(447,972)
		983,873	960,678
Provision against non-performing financing		27,596	67,913
Provision for diminution in the value of investments		7,951	-
		35,547	67,913
Net profit / return income after provisions		948,326	892,765
NON MARK-UP INCOME			
Fee, commission and brokerage income		58,011	61,474
Dividend income		1,911	5,301
Income from dealing in foreign currencies		34,794	52,071
Gain on sale of securities		385	2,763
Other income		21,371	41,069
Total non-markup income		116,472	162,678
		1,064,798	1,055,443
OTHER EXPENSES			
Administrative expenses		820,793	721,910
Other provision / write-off		-	-
Other charges		12	8
Total other charges		820,805	721,918
Profit for the period		243,993	333,525
		(Un-audited)	(Audited)
		September 30, 2016	December 31, 2015
		Rupees in '000'	
A-1 Islamic Financing and Related Assets			
Murabaha financings	A-1.1	1,457,113	2,480,780
Ijarah financings	A-1.2	593,948	730,165
Diminishing musharaka	A-1.3	2,392,805	2,467,265
Istisna work-in-progress		1,200,000	700,000
Salam financing		-	4,000,000
Qarz-e-Hasna		5,641	5,641
Others		-	8,513
		5,649,507	10,392,364
Provision for non-performing facilities		(224,436)	(196,840)
		5,425,071	10,195,524

Note	(Un-audited) September 30, 2016	(Audited) December 31, 2015
	Rupees in '000'	
A-1.1 Murabaha financings		
Murabaha receivable	1,298,017	2,229,091
Assets / Inventories	159,096	251,689
	1,457,113	2,480,780
A-1.2 Ijarah financings		
Net investment in Ijarah	9,333	12,253
Ijarah under IFAS-II		
- Ijarah	577,387	717,207
- Advances	7,228	705
Assets/Inventories/Advances	584,615	717,912
	593,948	730,165
A-1.3 Diminishing musharaka		
Diminishing musharaka	2,358,894	2,410,137
Advances / Inventories	33,911	57,128
	2,392,805	2,467,265

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:

	September 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' -----						
Advances:						
At January 1,	157,795	-	-	145,333	-	-
Disbursed during the period / year	71,553	-	-	39,712	-	-
Repaid during the period / year	(31,203)	-	-	(27,250)	-	-
Balance as at June 30 / December 31	198,145	-	-	157,795	-	-
Deposits:						
At January 1,	18,216	15,852	74,963	9,865	14,339	49,446
Deposited during the period / year	210,715	20,648	677,386	179,358	69,878	540,368
Repaid during the period / year	(196,365)	(16,559)	(443,510)	(171,007)	(68,365)	(514,851)
Balance as at June 30 / December 31	32,566	19,941	308,839	18,216	15,852	74,963

	For the nine months ended September 30, 2016 (Un-audited)			For the nine months ended September 30, 2015 (Un-audited)		
	Directors and key management personnel	Associates	Employee Fund	Directors and key management personnel	Associates	Employee Fund
----- Rupees in '000' -----						

Transactions, income and expenditure

Mark-up / return / interest earned	2,485	-	-	1,853	-	-
Mark-up / return / interest expensed	606	322	63,160	341	369	1,253
Fees and other expenses	4,813	-	-	2,654	-	-

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 nine months ended September 30, 2016 (Un-audited)					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
Rupees in '000'					
Total income	5,458,779	1,681,129	178,886	3,359,092	10,677,886
Total expenses	(5,054,114)	(1,098,058)	(115,384)	(2,940,320)	(9,207,876)
Net income	404,665	583,071	63,502	418,772	1,470,010

For the nine months ended September 30, 2015 (Un-audited)					
	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Total
Rupees in '000'					
Total Income	4,259,801	848,841	424,965	3,688,374	9,221,981
Total expenses	(3,790,899)	(652,021)	(360,482)	(3,216,090)	(8,019,492)
Net income	468,902	196,820	64,483	472,284	1,202,489

19 GENERAL

19.1 Date of authorisation for issue

This condensed interim financial information was authorised for issue on October 24, 2016 by the Board of Directors of the Bank.

19.2 Comparatives

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