



The Bank of Khyber

ENVISIONING SUCCESS TOGETHER



ANNUAL REPORT 2019

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## **Vision**

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

## **Mission**

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

## **Core Values**

Highest quality of service  
Professionalism  
Integrity  
Team work  
Innovation and utilization of latest technology  
Risk Mitigation  
Corporate Social Responsibilities

## CORPORATE INFORMATION

### Board of Directors

Shakeel Qadir Khan	Chairman / Non - Executive Director
Atif Rehman	Non - Executive Director
Maqsood Ismail Ahmad	Non - Executive Director
Asad Muhammad Iqbal	Independent Director
Javed Akhtar	Independent Director
Shaharyar Ahmad	Independent Director
Rashid Ali Khan	Independent Director

### Managing Director / CEO (Acting)

Ihsan Ullah Ihsan

### Shariah Board

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

### Board Audit Committee

Asad Muhammad Iqbal	Chairman
Atif Rehman	Member
Javed Akhtar	Member
Shaharyar Ahmad	Member
Rashid Ali Khan	Member

### Board Human Resource & Remuneration Committee

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

### Board Risk Management Committee

Maqsood Ismail Ahmad	Chairman
Javed Akhtar	Member
Atif Rehman	Member
Rashid Ali Khan	Member
Managing Director	Member

### **Board I.T Steering Committee**

Atif Rehman	Chairman
Shaharyar Ahmad	Member
Asad Muhammad Iqbal	Member
Rashid Ali Khan	Member
Managing Director	Member

### **Board Compliance Committee**

Rashid Ali Khan	Chairman
Shaharyar Ahmad	Member
Javed Akhtar	Member

### **Chief Financial Officer**

Mahmood Ahmed Qureshi

### **Company Secretary**

Zahid Sahibzada

### **Registered Office / Head Office**

#### **The Bank of Khyber**

24 – The Mall, Peshawar Cantt.

1<sup>st</sup> Floor, State Life Building , 34 – The Mall,  
Peshawar Cantt. , Pakistan  
UAN# 00-92-91-111 95 95 95  
URL: [www.bok.com.pk](http://www.bok.com.pk)

### **Auditors**

EY Ford Rhodes  
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.  
1<sup>st</sup> Floor, 40 -C, Block 6  
P.E.C.H.S, Karachi – 75530  
Pakistan .

## NOTICE OF TWENTY NINTH ANNUAL GENERAL MEETING

Notice is hereby given that the Twenty Ninth Annual General Meeting of the Shareholders of The Bank of Khyber will be held on Friday, March 27, 2020 at 10:00 a.m. at Pearl Continental Hotel, Peshawar Cantt to transact the following business:

### Ordinary Business

1. To confirm the minutes of the Twenty Eight Annual General Meeting (AGM) held on March 27, 2019.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2019, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2020 and fix their remuneration. Bank's auditors Messrs. EY Ford Rhodes, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.
4. To consider, and if thought fit, approve as recommended by the Board of Directors, final cash dividend for the year 2019 @ Rupees 0.50 per share i.e. 5% to the shareholders of the Bank.

### Special Business

5. To approve transmission of annual audited financial statements, auditor's report and directors' report etc. (Annual Audited Accounts) along with notice of general meeting to the shareholders of The Bank of Khyber through CD/DVD/USB at their registered addresses as allowed by the Securities and Exchange Commission of Pakistan (SECP) and if thought fit to pass the following resolution as ordinary resolution:

**"RESOLVED THAT** transmission of annual audited financial statements, auditor's report and directors' report etc. (Annual Audited Accounts) along with notice of general meeting to the shareholders of The Bank of Khyber through CD/DVD/USB at their registered addresses in soft form i.e. CD/DVD/USB as notified by SECP vide its SRO No. 470(I)2016 dated May 31, 2016 be and is hereby approved."

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

### Other Business

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

By Order of the Board

**Zahid Sahibzada**  
Company Secretary

Peshawar: March 6, 2020

**Notes:**

- (i) Share Transfer Books of the Bank will remain closed from Saturday, March 21, 2020 to Friday, March 27, 2020 (both days inclusive) to determine the names of members entitled to receive the 5% Cash Dividend and attend and vote in the meeting.

Transfers received in order at the office of our Share Registrar, M/s. THK Associates (Pvt) Limited, located at 1st Floor, 40-C, Block-6, P.E.C.H.S., Karachi – 75400 by the close of business on Friday, March 20, 2020 will be treated in time for the said purpose.

- (ii) All members are entitled to attend and vote at the meeting.
- (iii) A member entitled to attend and vote at the Meeting, is entitled to appoint another member as a proxy to attend, speak and vote for him/her.
- (iv) An instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy, if required, may be obtained from the Registered Office of the Bank during normal office hours.
- (v) An instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
- (vi) In case of Proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's NIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he/she should bring the usual documents required for such purpose.
- (vii) Members are requested to promptly communicate any change in their addresses to our above-mentioned Share Registrar.
- (viii) Form of Proxy, if required, should be signed on Rs.5/- Revenue Stamp. Statement of Material Facts under Section 134 (3) of the Companies Act, 2017

**Item No. 5**

The SECP through SRO 470(I)2016 dated May 31, 2017 has allowed companies to circulate the annual balance sheet and profit and loss account, auditor's report and directors' report etc. (annual audited accounts) along with notice of general meeting to its shareholders in electronic form through CD/DVD/USB at their registered addresses. This would result in timely delivery of Annual Audited Accounts to the shareholders. The Bank has placed a standard request form on its website i.e. [www.bok.com.pk](http://www.bok.com.pk) containing postal and email addresses of Company Secretary / Share Registrar, so that shareholders may request a hard copy, which will be dispatched to the requesting shareholders at their registered addresses, free of cost within one week of the request.

## CHAIRMAN’S REVIEW REPORT

I am pleased to present this report on the overall performance and effectiveness of the Board in achieving the Bank’s objectives. We, in the Board recognize the importance of, and are committed to, high standards of corporate governance, aligned with the needs of the Bank and the interests of all our stakeholders.

My fellow Directors and I are fully aware of the role, responsibilities, applicable laws and regulations to effectively govern the affairs of the Bank. We fully appreciate the importance of sound governance in the efficient running of the Bank, and in particular the effectiveness and independence of the Board, which provides policy guidelines for the Management to follow.

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

As required under the Code of Corporate Governance, the Board has approved a formal process for its annual performance evaluation through an in-house mechanism based on scored questionnaires. However, mandatory evaluation through external agency once in three years is being conducted through Pakistan Institute of Corporate Governance (PICG).

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

I take this opportunity to thank our shareholders and customers for the trust they placed in the Board of Directors and the Management team and the employees for their sincere efforts throughout the year under review.



**Shakeel Qadir Khan**  
Chairman – Board of Directors

Peshawar – March 4, 2020

## Directors' Report to the Shareholders

Dear Shareholders

On behalf of the Board of Directors, we are pleased to present the 29th Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the financial year ended December 31, 2019.

### Financial Highlights

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

	(Rs. in millions)
Operating Profit	2,240
Reversal against non-performing advances, investments & others	21
Profit before taxation	2261
Taxation	(955)
Profit after tax	1,306
Total Assets	306,305
Advances (Gross)	113,976
Investments (Net)	146,911
Deposits	182,168

### Economy Review

Overall macroeconomic performance remained weak during the year as reflected by depressed GDP growth, high inflation and weaker PKR against other major currencies. In this backdrop, the State Bank of Pakistan (SBP) gradually raised policy rate to 13.25% to control inflation. All these actions were aimed to stabilize economy, contain demand, encourage exports and discourage imports resulting into lower trade deficit compared to the previous year. Nonetheless, with slowed down activity, GDP growth is expected to further go down below 3% during the current fiscal year. During the year, the market value of a predominant portion of the bank's investment came under tremendous pressure due to difficult macroeconomic environment, however, the bank has remained compliant with the regulatory requirements.

In addition, in view of less than targeted revenue collection and high cost of borrowing, fiscal deficit remained high which left very little or no room with the government for developmental spending. Hence, businesses were constrained to operate in not very benign environment. Nonetheless, the SBP has maintained Policy Rate at the current level during the last three reviews. The trend of other major economic indicators suggest that interest rate have peaked out and the likelihood of further raise is very remote.

## Performance Review

Despite various challenges, the bank has performed well against all major balance sheet and profitability indicators in the year 2019. While the bank's gross mark-up income increased from Rs.14,686 million to Rs.24,657 million, Net Interest Income slightly decreased from Rs.5,139 million to Rs.4,918 million. This is primarily due to lag effect whereby the bank's assets were repriced upward with delay whereas depositors were paid a higher return as soon as the rates moved up.

Non Mark-up income recorded a commendable to Rs.1,112 million against loss of Rs.526 million in the last year. This increase was primarily due to capital gain of Rs.290 million during the year. Administrative and other expenses remained under control as the same decreased by around 8% and stood at Rs.3,790 million. The bank recorded a pre-tax profit of Rs.2,261 million increasing from Rs.707 million of a year ago whereas net profit after tax was recorded at Rs.1,306 million against Rs.466 million of last year.

The bank recorded a healthy increase of 37% in its total assets increasing from Rs.223,094 million to Rs.306,305 million. This increase was predominantly led by increase in investment book which increased from Rs.94,233 million to Rs.146,911 million, an increase of 56%. This was followed by an increase of 16% in Net Loans and Advances which increased from Rs.95,012 million to Rs.109,742 million. The bank's strategy during the year has been to preserve asset quality and book high quality credit exposures on selective basis. The growth in investment was funded by mobilizing liability from the interbank market whereas deposit growth has been primarily channeled for funding the advances book. This deposit growth was mainly driven through new customer acquisition and deepening of the existing customer base.

With reduction in deficit on account of mark to market valuation of AFS portfolio and recording of profit during the current year, the shareholders' equity clocked in at Rs.14,201 million against Rs.11,705 million last year. Return on Assets (ROA) and Return on Equity (ROE) stood at 0.43% and 9.20% respectively.

The bank consolidated its branch network at 169 branches and 3 sub-branches all over the country including Gilgit Baltistan, and Azad Jammu & Kashmir. In order to cater to the banking needs of public in the newly merged districts of the erstwhile FATA, the bank relocated four branches to areas where it was not present previously. During the year, a total of 84 branches were functioning as dedicated Islamic Banking branches.

## Future Outlook

Overall stabilization efforts of the Govt. have started to yield results with the expectations that inflation will be contained during 2020. Any cut in policy rate may come only after noticeable decline in inflation numbers is recorded, the possibility of which is high towards second half the year.

Moreover, after heavy downward adjustment last year, the exchange rate has stabilized which will encourage foreign investment in the country. Nonetheless, unfavorable balance of trade, high

current account deficit, high borrowing cost of the Govt. and low tax collection still continue to pose risks.

Now when the economic stability has been somewhat achieved, the Government must take steps to stimulate economic activity which should spur growth and help in (a) increasing supply of goods and services for import substitution and creating exportable surplus (b) creation of jobs, and resultantly enhancing disposable incomes and (c) eventually reduce or eliminate fiscal deficit. This will also need to be supplemented by higher developmental spending for which fiscal space is required to be created.

The bank has prepared a comprehensive plan for the year 2020 with renewed vigor for business while remaining cognizant of the market dynamics. The bank's target will be to generate deposit growth driven primarily through CASA from the private sector. Special attention will be given to Home Remittance business for channeling in forex through the formal sector. This will be aided through broadening of product suite and further supported through the bank's digital banking platform which is expected to be functional during the year. The bank plans to manage the liquidity impact if the Treasury Single Account mechanism is implemented during the year.

On the asset side, the bank intends to diversify financing portfolio by gradually moving from Government backed lending to private sector for fresh loans with potential of ancillary business and trade finance opportunities. Besides, other target areas remain Consumer Financing, Agriculture and SMEs to foster development and generate economic activity. The bank will also execute different Government Initiatives which include Insaf Rozgar Scheme of the provincial govt. for the economic uplift of the newly merged districts and efficient execution of the PM's Kamyab Jawan Scheme across the country. It is expected that the bank will also facilitate execution of a few more such schemes.

### **Risk Management Framework**

The Bank emphasizes on maintaining high risk management standards to ensure that the risks being faced by the Bank are properly identified, assessed and appropriate mitigation tools are adopted keeping in view their nature and concentration. Since an effective risk management framework demands active involvement of Board of Directors (BoD) and senior management in the formulation and oversight of risk management process, a robust governance structure exists at the Board and Management levels which provide strategic direction and has approved overall business strategies and significant policies including those related to managing and taking risks. BoD also ensures that senior management is fully capable of managing activities that they undertake during course of business.

The Board has also formed a specialized Board's Risk Management Committee ("BRMC") to oversee the risk management activities. The BRMC held regular meetings as per the given mandate and thoroughly reviewed primary risks including Credit, Market, Liquidity, Operational, Environmental and Country risks. In addition, the BRMC also took stock of other material items such as follow up and

management of non-performing accounts, interest rate environment, and afforded guidance in the management of risk assets portfolio vis-à-vis capital. At the senior management level, the Bank has dedicated committees which include, inter-alia, the Head Office Credit Committees and Assets Liability Committee (“ALCO”). These committees discharge their responsibilities in accordance with their respective terms of reference.

Risk Management structure at the Bank has been formed in line with regulatory requirements and in line with industry best practices. The structure fundamentally ensures independence of risk from business functions to avoid conflict of interest and fosters better control environment. While the branches initiate business propositions for financing or investment and FI limits, the relevant support officials at the Head Office, conducts detailed analysis of these proposals before they are forwarded to Credit Risk Management Department for consideration. Credit Risk Management Department takes into account various factors such as borrowers' financial positions, industry dynamics and quality of collateral for evaluation and form the basis of onward recommendation to the approval authority. Under credit risk management policy, adequate procedures and limits are defined for ensuring that risk remains within the boundaries set by the Board. Active monitoring of key risk exposures have helped the bank to avoid increase in Non-Performing Loans (NPLs) due to adverse economic conditions coupled with higher interest rates.

Market, Liquidity, Operational, Environmental, and Country risks are being looked after by the Enterprise Risk Management Division (ERMD). A proper reporting framework has been put in place for timely reporting various market and liquidity risks to ALCO members. ERMD is also responsible for updation of Market Risk Management (MRM) Framework encompassing Asset Liability Management, Interest Rate Risk in Banking and Trading Book coupled with Treasury Investments and Equity portfolio monitoring against defined Risk tolerance limits.

There is also a specified reporting framework which has been put in place for reporting of Operational Risk. ERMD conducts Risk Control Self-Assessment (RCSA) workshops which assess documented process flows of various banking transactions taking place in day to day functioning of the Bank for inherent and residual risks. An Automated solution/software for Operational loss incident reporting is in place and can be accessed by every employee of the Bank for reporting of control breaches leading to losses. Operational Loss Data also helps the Bank in taking corrective measures for various control lapses identified in it. Due to ever increasing importance of environmental hazards and its related impact on overall ecosystem, bank has established a dedicated environmental risk management desk for minimizing effluents, emissions, wastes, resource depletion, etc., arising out of its own activities or that of its customers in line with SBP requirements. The bank is also planning to develop a robust environmental risk management system including but not limited to development of environmental risk avoidance list, categorization of environmental risks of different industries, environmental due diligence checklists and environmental risk covenants. .

The Bank continued to closely monitor market developments, especially interest rate environment, and appropriately realigned its business strategy to control downside on the bank's balance sheet.

The bank has applied a multi-pronged strategy whereby resources were deployed for ensuring financial stability and protection of stakeholders' interest which has led the Bank to remain well above various regulatory requirements pertaining to capital adequacy and liquidity coverage as per Basel III guidelines.

### **Internal Controls**

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

### **Board of Directors**

The total number of Directors are eight as per the following:

- i. Male : Eight (8)
- ii. Female : Nil

Appointment of a female director on the Board of the Bank is under consideration and in the year 2020 a suitable female director is expected to be inducted on the Board.

During the year 2019, details of Board and Board Committee meetings and their attendance by the Directors are as under:

S#	Directors	Board Meetings Total= 5	Audit Committee Total =6	HR&R Committee Total =6	Risk Management Committee Total =5	Compliance Committee Total =3	I.T Committee Total = 4
1	Dr. Shahzad Khan Bangash Non-Executive Director	5	Non- Member	Non- Member	Non-Member	Non- Member	Non-Member
2	Mr. Shakeel Qadir Khan * Non-Executive Director	4	4	Non- Member	2	Non- Member	4
3	Mr. Maqsood Ismail Ahmad Non-Executive Director	4	Non- Member	5	5	Non- Member	Non-Member
4	Mr. Asad Muhammad Iqbal Independent Director	4	6	4	Non-Member	Non- Member	4
5	Mr. Javed Akhtar Independent Director	4	6	Non-Member	5	3	Non-Member
6	Mr. Shaharyar Ahmad Independent Director	5	6	6	3	3	4
7	Mr. Rashid Ali Khan ** Independent Director	4	4	Non-Member	4	3	3
8	Mr. Atif Rehman *** Non-Executive Director	-	-	-	-	-	-
8	Mr. Saif ul Islam *** * Executive Director	4	Non- Member	4	3	Non- Member	
9	Mr. Ihsan ullah Ihsan ***** Managing Director (Acting)	-	Non- Member	-	-	Non- Member	-

\* Mr. Shakeel Qadir Khan assumed office of Chairman on December 23, 2019 replacing Dr. Shahzad Khan Bangash.

\*\* Mr. Rashid Ali Khan rejoined the Board on March 4, 2019.

\*\*\* Mr. Atif Rehman assumed office of Director on his appointment as Secretary Finance on December 23, 2019.

\*\*\*\* Mr. Saif-ul-Islam relinquished position of Managing Director on September 26, 2019.

\*\*\*\*\* Mr. Ihsan Ullah Ihsan was appointed Acting Managing Director on December 6, 2019.

### Directors' Training Program

In compliance with the Code of Corporate Governance, four Directors namely Mr. Shakeel Qadir Khan, Mr. Rashid Ali Khan, Mr. Asad Muhammad Iqbal and Mr. Shaharyar Ahmed have completed the Directors' Training Program through Pakistan Institute of Corporate Governance (PICG). Dr. Shahzad Khan Bangash, Chairman has attended the Director's Training Program, however, his certificate is awaited.

Mr. Maqsood Ismail Ahmad has been granted exemption by Securities & Exchange Commission of Pakistan (SECP) on the basis of education and previous experience as Director of listed companies.

Further, Mr. Saif-ul-Islam had attended Directors' Training Program arranged by PICG and acquired certification during the year under review. The Chief Financial Officer, also acquired certification in 2019. Additionally, the Head Treasury and Company Secretary have also completed Director's Training Program.

### **Performance Evaluation**

The Bank has an in-house mechanism in place for Annual Evaluation of the Board's performance. In-house evaluation exercise was conducted and completed for 2019.

A third party evaluation of the Board's performance was conducted through Pakistan Institute of Corporate Governance (PICG) which was started in 2018 and concluded in 2019.

### **Directors' Remuneration**

The current remuneration of non-executive and independent directors had been approved by the shareholders in the 27th Annual General Meeting held on March 29, 2018. According to the approval, an amount of Rs.50,000/- per meeting (net of taxes) was approved for the non-executive and independent directors for attending Board and its committees' meetings. A Director's Travel, Accommodation and Remuneration Policy was approved during the year outlining entitlements and remuneration of Non-Executive Directors.

### **Credit Rating**

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

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

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

### **Corporate Social Responsibility**

Being a socially responsible corporate entity, the Bank gives due consideration to shoulder its responsibilities to the society in which it operates. The Bank aims to foster a relationship with civil society based on mutual respect, care, consideration and cooperation. Towards this end the Bank undertook various CSR activities during the year to support education, sports, culture & heritage,

tourism, women empowerment and environment. Activities during the year included:

- a. Sponsored University of Engineering & Technology Mardan's Sports Festival.
- b. Sponsored Culture Connect's, Cultural Exchange event.
- c. Sponsored University of Peshawar, CDC, Career Fair.
- d. Sponsored Khyber Medical College Peshawar Sports Gala.
- e. Sponsored KP Golf association for 27th KP Open Golf Championship 2019
- f. Sponsored KPK Squash Association for National Women Squash Championship.
- g. Sponsored Beacon House FC Campus Peshawar's Olympiad.
- h. Sponsored University of Malakand, Job Fair.
- i. Sponsored KP Kabaddi Association participation in World Championship/Cup, Malaysia.
- j. Sponsored Plantation & Gardening at Lady reading Hospital, Peshawar.
- k. Sponsored Sarhad Chamber of Commerce Business Excellence Awards.
- l. Sponsored Imsciences, Career Development Centre.
- m. Sponsored Hazara University.
- n. Sponsored The Mirror of Society, University of Peshawar.
- o. Sponsored Jashan-E-Kumrat Sports Festival 2019.
- p. Sponsored Idara-e-Taleem-o-Aagahi (ITA), Children's Literature Festival (CLF) 2019.
- q. Sponsored 3rd Nur Khan Open Golf Championship, PAF Golf Club.
- r. Sponsored KPK Table Tennis Association Participation in 33rd National Games
- s. Sponsored Balouchistan 1st Livestock Expo-19.
- t. Sponsored KP Squash Association for 1st BOK Junior squash Championship.
- u. Sponsored KP Board of Investment and Trade.
- v. Sponsored Tree Plantation Drive of SBP Peshawar.
- w. Sponsored Hult Prize Challenge 2019-20 held at Imsciences Peshawar

### **Value of Investments in Employees Retirement Benefit Funds**

Book Value of Investments of Provident and Gratuity Funds as per un-audited accounts of these funds for the year ended December 31, 2019 are Rs. 1,563.928 million and Rs. 831.993 million respectively.

### **Pattern of Shareholding**

The pattern and category of shareholding as at December 31, 2019 is annexed with the Annual Report.

### **Six Years Operating and Financial Data**

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

	2014	2015	2016	2017	2018	2019
Deposits	92,264	117,292	157,020	159,247	171,168	182,168
Advances (net)	40,057	36,454	31,644	83,369	95,012	109,742
Investments	72,431	88,296	141,602	140,474	94,233	146,911
Total Assets	126,106	155,159	206,400	245,132	223,095	306,305
Capital & Reserves	13,211	13,973	14,685	14,943	13,809	14,982
Profit before tax	1,901	2,959	3,240	2,795	707	2,261
Profit after tax	1,309	1,789	2,020	1,790	466	1,306
Return on Equity	9%	13%	14%	12%	4%	9%

### Earnings Per Share

Earnings per share for the year 2019 is Rs.1.31

### Auditors

The present Auditors M/s. EY Ford Rhodes being eligible for reappointment offered themselves for reappointment. The Board Audit Committee has recommended the appointment of M/s. EY Ford Rhodes, Chartered Accountants as Statutory Auditors of the Bank for the year ending December 31, 2020.

### Service Quality

The Bank endeavors to provide a standard of service quality that is in line with Bank standards and as per expectation of the customer. The Bank has set up a Service Quality Department to ensure continuous maintenance and improvement of the Bank's service to its customers.

Customer's feedback is always important in formulating strategies and planning for improving services. In addition, in order to gauge the level of customer services of the Bank, satisfaction surveys are carried out regularly, which are further shared with the management for improving the overall services. Customer Satisfaction Survey was also carried out in 2019 through an External Vendor to have unbiased views / opinions and the results of which are further shared with the Management.

The Bank of Khyber is committed to create a service culture in the Bank based on Consumer Protection and Fair Treatment. The Fair Treatment of Consumer at the Bank strives to educate the customers where they can make informed choices amongst a variety of products and services, understand their rights, have a high level of trust and have smooth recourse of their grievances.

Service Quality Department releases effective information for consumers through its publications through Website, Social Media, SMS and other platforms. Objective of the publications is to keep the consumer informed about the Products, Services, Rights and Responsibilities and other useful obligations, which are as per Fair Treatment of Consumer initiatives.

The Complaint Management Unit, which works under the umbrella of the Service Quality Department, gives utmost importance to every single complaint and tries to resolve these within the shortest possible time by keeping the customers informed about the complaint escalation levels.

<b>Complaints Period</b>	<b>From 01-01-2019 to 31-12-2019</b>
Number of complaints	320
Average Time taken in settlement of a complaint	03 Days

It is pertinent to mention here that with the efforts of Complaint Management Unit the average Turn Around Time for resolution of complaints in 2019 has reduced to 03 working Days which was 3.7 days in 2018, whereas the approved TAT for complaint resolution is 7/15 days.

#### **Events after the Balance Sheet date**

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

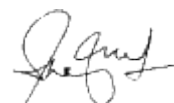
#### **Acknowledgement**

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

On behalf of the Board of Directors



**Ihsan Ullah Ihsan**  
Managing Director (Acting)



**Shakeel Qadir Khan**  
Chairman

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

**Name of company: The Bank of Khyber**

**Year ending: December 31, 2019**

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

1. The total number of directors are 8 as per the following:-

a. Male: Eight (8)

b. Female: Nil

2. The composition of the Board is as follows:

Category	Name
Independent Directors	Mr. Shaharyar Ahmed (Nominee) Mr. Javed Akhtar Mr. Asad Muhammad Iqbal Mr. Rashid Ali Khan (Nominee)
Other Non-Executive Directors	Dr. Shahzad Khan Bangash Mr. Shakeel Qadir Khan Mr. Maqsood Ismail Ahmad Mr. Atif Rehman
Executive Directors	Mr. Ihsan Ullah Ihsan (Acting Managing Director)

The State Bank of Pakistan has raised observation on the independence status of nominee Directors. The Bank maintains the independence status of nominee Directors on the basis of clearance received from the State Bank of Pakistan under Fit and Proper Test (FPT) criteria and also that these appointments are made under Section 11 of the Bank of Khyber Act, 1991, the said Act being special enactment prevails over other laws including the Listed Companies (Code of Corporate Governance) Regulations, 2017 and the Companies Act, 2017. The Bank is duly supported by legal advice on the matter.

Further, with respect to the re-election of three Directors in EOGM held on June 01, 2018, FPT documents have been duly submitted to State Bank of Pakistan (SBP) and SBP has not responded requiring any change in the status.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of

the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017, the Bank of Khyber Act, 1991 and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of The Companies Act, 2017, The Bank of Khyber Act, 1991 and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Bank of Khyber Act, 1991 and these Regulations;
9. During the year Mr. Saif-ul-Islam, Managing Director and Mr. Mehmood Ahmed Qureshi, Chief Financial Officer attended and completed Director's Training Program. Further, Mr. Shakeel Qadir Khan, Mr. Rashid Ali Khan, Mr. Shaharyar Ahmed and Mr. Asad Muhammad Iqbal have already completed the Director's Training Program through Pakistan Institute of Corporate Governance.
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration, terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below.-

S.No	Name Of Committee	Current Membership
1	<b>Audit Committee</b>	1. Mr. Asad Muhammad Iqbal - Chairman 2. Secretary Finance - Member 3. Mr. Javed Akhtar - Member 4. Mr. Shaharyar Ahmad - Member 5. Mr. Rashid Ali Khan - Member
2	<b>Human Resource &amp; Remuneration Committee</b>	1. Mr. Shaharyar Ahmad - Chairman 2. Mr. Maqsood Ismail Ahmad - Member 3. Mr. Asad Muhammad Iqbal - Member 4. The Managing Director - Member
3	<b>Risk Management Committee</b>	1. Mr. Maqsood Ismail Ahmad - Chairman 2. The Secretary Finance - Member 3. Mr. Javed Akhtar - Member 4. Mr. Rashid Ali Khan - Member 5. The Managing Director - Member

4	<b>I.T Steering Committee</b>	1. The Secretary Finance - Chairman 2. Mr. Shaharyar Ahmad - Member 3. Mr. Asad Muhammad Iqbal - Member 4. Mr. Rashid Ali Khan - Member 5. The Managing Director - Member
5.	<b>Compliance Committee</b>	1. Mr. Rashid Ali Khan - Chairman 2. Mr. Shaharyar Ahmad - Member 3. Mr. Javed Akhtar - Member

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

14. Every Board Committee met at least once in a quarter and meetings held during the year were as follows:

Audit Committee	6 meetings held in the year 2019
HR & Remuneration Committee	6 meetings held in the year 2019
Risk Management Committee	5 meetings held in the year 2019
I.T Steering Committee	4 meetings held in the year 2019
Compliance Committee	3 meetings held in the year 2019 (constituted on August 22,2019)

15. The Board has set up an effective internal audit function/ the staff members of internal audit has outsourced the internal audit function are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company;

16. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;

18. We confirm that all requirements of regulations 3, 6, 8, 27,32, 33 and 36 of the Regulations have been complied with except for following matters:

Appointment of a female Director on the Board of the Bank is under consideration and a suitable female Director is expected to be inducted on the Board in 2020.

The Audit Committee of the Board is comprised of Directors having requisite education and experience in Banking and Finance and Management. Mr. Rashid Ali Khan holds a Master of Business Administration degree from Cornell University with concentration in finance which should qualify him as financially literate member.

19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

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

However, as per requirement of the new CCG regulations, the Chairman at the beginning of term of each Director shall issue letter to Directors setting out their role, obligations, powers and responsibilities in accordance with the Act and the Bank of Khyber Act, 1991, their remuneration and entitlement. The Chairman has provided regulations setting out role and responsibilities to new Director inducted in 2019.

Although, the Bank provides relevant regulations to the Directors, the Bank shall arrange formal orientation courses for the Directors to better acquaint them with responsibilities of Directors.



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**Ihsan Ullah Ihsan**  
**Managing Director (Acting)**



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**Shakeel Qadir Khan**  
**Chairman**



EY Ford Rhodes  
Chartered Accountants  
Eagle Plaza 75-West, Fazlul Haq Road  
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## To the members of The Bank of Khyber

### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of The Bank of Khyber (the Bank) for the year ended 31 December 2019 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

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

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2019.

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

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

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Paragraph Reference	Description
1 & 18 (Mandatory)	The Bank has not appointed the female director.
18 (Mandatory)	The Audit Committee has no financially literate member.
19	Chairman of the Board, at the beginning of the term of each director, has not issued letters to directors setting out their role, obligations, powers, responsibilities, remunerations and entitlements.
19	The Bank has not carried out formal orientation courses for the directors to acquaint them with applicable laws and regulations.



Chartered Accountants  
Place: Islamabad  
Date: 6 March 2020

## Statement of Internal Controls

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

The Bank follows SBP’s directives for Internal Controls over Financial Reporting (ICFR), under COSO framework and has complied with the SBP’s stage wise implementation roadmap. As part of this exercise, the Bank has documented a comprehensive ICFR Framework which has been approved by the Board of Directors. As required under the SBP’s guidelines, the Bank’s external auditors are engaged annually to provide their Long Form Report (LFR) on ICFR, which is then submitted to SBP.

An internal control system is a set of procedures and activities designed to identify, evaluate mitigate risks in processes and operations in order to support the overall objectives and vision of the Bank. The Board of Directors is ultimately responsible for the internal control system. It is the responsibility of the Bank’s management to establish a system for adequate and reasonably effective internal control environment on an ongoing basis. Management of the Bank is fully aware of its responsibility and has implemented and maintained system of internal control under the approved policy of the Board of Directors.

The internal control structure of the Bank comprise of the Board of Directors (BOD), Senior Management, Risk Management Group, Material Risk Controllers, Financial Control Department, Operations & Support Group, Compliance & Controls Division, Internal Audit Division, Internal Control Unit (ICFR) and the controls & self-assessment including whistle blowing standard operating procedures implemented at various functions within the Bank. All significant policies and procedure manuals are in place and are updated on reasonable intervals to mitigate the threats.

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

### **Management’s Evaluation on Effectiveness of Control Framework**

The system of Internal Control is designed to manage rather than to eliminate the risk of failure to

achieve the Bank's business strategies and policies. It can therefore only provide reasonable assurance and not absolute assurance against material misstatement and loss.

The management believes that the Bank's existing system of Internal Control is considered reasonable in design and is being effectively implemented and monitored. Based on the work performed, the management identifies areas for process improvements as well as additional controls required to be put in place, and areas requiring strengthening of existing controls. The management takes all reasonable steps to ensure that the timelines and priorities assigned to the same are adhered to.

The Bank shall continue its endeavor to further enhance its Internal Control design and assessment process in accordance with industry best practices.

Bank's Board of Directors endorses the management's evaluation of effectiveness of control framework including ICFR.

On behalf of the Board of Directors



**Managing Director**

Date: March 4, 2020  
Peshawar



**Director**

## Report of Shariah Board

(For the year 2019)

In the name of Allah, the Beneficent, the Merciful

The worldwide success of Islamic Banking is now an open fact. The main attraction for the establishment of an Islamic Banks in Pakistan is to safeguard the Muslims from indulging into non Shariah transactions especially in their financial affairs. Therefore, strict adherence to Shariah compliance is the backbone of Islamic banking and financing and gives legitimacy to the practices of Islamic banks. Considering this status of Shariah compliance in Islamic banking, Shariah Governance Framework of State Bank of Pakistan consider the Board of Directors (BOD) and Executive Management (EM) of the bank solely responsible to ensure that the operations of Islamic banking are conducted in manner that comply with Shariah principles at all times. However, we (Shariah Board) are required to submit a report on the overall Shariah compliance of the Islamic banking of BOK.

The year under review was the 16th year of Islamic Banking being operated in The Bank of Khyber, under the brand name of 'Raast Islamic Banking'. The Bank of Khyber has 84 standalone Islamic Banking Branches (IBBs) and 39 Islamic Banking Windows (IBWs) operating in conventional Branches.

To maintain the public confidence, there is a proper check and balance mechanism in the Bank of Khyber (BOK) to ensure that all activities of the bank are in line with the Islamic principles. In this regard, BOD has appointed us as members Shariah Board (SB) to consider, decide and supervise all Shariah related matters of the bank. During the year 2019, we held four meetings to review various products, policies, standard operating procedures, financing transactions and Shariah procedures of the transactions and met with the BOD twice to discuss issues relevant to Shariah. We have also attended all internal/external Shariah audit/review reports, Shariah compliance inspection report and designate one of our members as Resident Shariah Board Member (RSBM) who remains full time available, to oversee the procedures to be adopted for implementation of the resolutions, pronouncements and fatwas of the SB and provide guidance thereon.

Beside us (SB), Shariah Compliance Division, has performed their functions under our guidance and supervision to ensure that the Bank's business units, branches, IBWs and other Head Office departments had complied to approved policies and Shariah guidelines issued by us (SB) & SBP. During the year under review, Shariah Review Unit of SCD has also conducted Shariah compliance /control review of Islamic banking businesses and their alignment with the Shariah guidelines on test check basis and major findings of the review have been presented to Shariah Board regularly. In the supervision of RSBM, they have also reviewed Profit and Loss Distribution and Pool Management before declaration and disbursement of profit to investment account holders.



Qazi Abdul Samad  
Resident Shariah Board Member



Mufti Muhammad Ibrahim Essa  
Member Shariah Board



Mufti Muhammad Zahid  
Chairman Shariah Board

Apart from Shariah Review, Internal Shariah Audit Department has conducted Shariah Audit of almost all IBBs. Beside internal Shariah audit, to have an independent assessment of the Shariah governance and compliance environment an external Shariah audit has also been conducted. The reports of both external and internal audit are submitted to us (SB) for Shariah Comments and determination of corrective actions. The SCD has ensured, on ongoing basis, the compliance and implementation of the SB decisions on internal/ external Shariah review/audit whereas we (SB) has submitted Quarterly Shariah Review reports to BOD to bring the Shariah Compliance environment status in their notice as required under BOK Act 1991.

Islamic Banking Trainings were held on-site as well as off-site for the staff of IBG-BOK. The Training Division of HRD Group has arranged various trainings in Training academy and other premises of the bank where we (SB members) conducted sessions, Group discussions and case studies. Also a Executive Management (EM) are solely responsible to ensure that the operations of The Bank of Khyber, Islamic Banking are conducted in a manner that comply with the Shariah principles at all times, therefore special session has been arranged for those EM members who are not directly working in IBG. Public awareness programs for bank's client and general public in various part of the country during the year were also organized.

To establish our opinion as expressed in this report, based on our personal involvements in the Islamic banking of BOK, the activates of Shariah Compliance Division in our supervision, our review of the work carried out by Internal / External Shariah Audit / Shariah Review Unit and verification of the different compliance reports, to the best of our knowledge we are of the view that:

- I. The above-mentioned mechanism is of high level in Shariah Compliance and bank level of Shariah compliance is to the highest standards. Therefore, in our opinion the affairs of Islamic Banking have been carried out in accordance with the rules and principles of Shariah.
- ii. The IBG-BOK has complied with Shariah rules and principles in the light of Fatawa (decisions), rulings and guidelines issued by the Shariah Board.
- iii. The IBG-BOK has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah committee.
- iv. BOK has a comprehensive mechanism in place to ensure Shariah compliance in its overall operations. The mechanism comprising of Internal Shariah Audit Department, a Shariah Compliance Division, full time Resident Shariah Board Member (RSBM) in the bank and regular / frequent in-house and external trainings for Islamic Banking staff in line with Shariah Governance Framework of SBP is in place.
- v. IBG-BOK has a well-defined system in the shape of Shariah Compliance Review and Internal Shariah Audit in place which is sound enough to ensure that any earnings realized from sources or

by means prohibited by the Shariah have been credited to charity account and are being properly utilized. During the year 2019, an amount of Rs. 32.554 Million has been transfer to Charity account in which a very minor portion has been created from sources or by means prohibited by Shariah Rules & Principles and major portion recovered as default obligation amount due to late payments.

- vi. Islamic Banking deposits are accepted on Musharakah basis and the Bank has acquired software "Al-Qist" for Profit Distribution and Pool Management. SCD has monthly reviewed Profits distribution before its disbursement and post disbursement Shariah Audit has been conducted quarterly.
- vii. The level of awareness, capacity and sensitization of the staff, management and BOD for Shariah Compliance remained excellent an acceptable.
- viii. The Shariah Board appreciates the vision of the Board of Directors and Management regarding Shariah compliance in Islamic banking and declare that we have been provided adequate resources enabling us to discharge our duties effectively. Recommendations:

To continue the high level of Shariah compliance in all aspects, Shariah Board recommend the ensures of Shariah compliance in all cases to achieve Islam's socio-economic objectives and values.

As the SB is committed to guide the bank towards a comprehensive Shariah compliance environment, therefore Shariah Board give following recommendations for further improvement.

- o SB appreciate the approach of management regarding public awareness programs and recommend to continue the Islamic Banking awareness campaign through coordination with Ulama'a & Shariah Scholars in the coming years also as it will definitely help to reduce the misconceptions among the general public and boost not only Islamic Banking of BOK but also overall Islamic Banking concept in the society.
- o Shariah Board also appreciate strong approach of the management towards increase in Islamic banking business, efforts for promotion and marketing of Islamic Banking products, introduction of new products and recommend that the same may be continued in future.

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



Qazi Abdul Samad  
Resident Shariah Board Member



Mufti Muhammad Ibrahim Essa  
Member Shariah Board



Mufti Muhammad Zahid  
Chairman Shariah Board

**شریہ بورڈ رپورٹ**

**برائے سال 2019**

دنیا میں درپیش معاشی مسائل کے باوجود اسلامی بینکاری کی ترویج و ترقی ایک مسلم حقیقت ہے اور اس کی مسلسل کامیابی اس کا منہ بولتا ثبوت ہے۔ پاکستان میں اس کے انعقاد کا مقصد لوگوں کے سرمائے کی حفاظت اور ان کی بینکاری سے متعلقہ ضروریات کو شرعی اصولوں کے مطابق پورا کرنا ہے۔ یہی وجہ ہے کہ اسلامی بینکاری کے لیے شریہ کے اصولوں کی پابندی روضہ کی ہڈی کی حیثیت رکھتی ہے، اس بات کو یقینی بنانے کے لیے اسٹیٹ بینک آف پاکستان نے شریہ گورننس فریم ورک میں بورڈ آف ڈائریکٹرز اور بینک کی اعلیٰ انتظامیہ کو اس بات کا ذمہ دار بنایا ہے کہ وہ بینک کے تمام معاملات میں شرعی اصولوں پر عمل کو یقینی بنائیں اور شریہ بورڈ، بینک کی سالانہ کارروائی رپورٹ میں بینک کے مجموعی نظام میں شریہ کی پاسداری کے حوالے سے اپنی رائے کا اظہار کرے۔

سال 2019، بینک آف خیبر میں اسلامی بینکاری کا سولہواں سال تھا اس وقت بینک آف خیبر پورے ملک میں 84 مخصوص دفین (فلیج) اسلامی بینکاری شاخوں اور 39 روایتی بینکاری شاخوں میں "اسلامک ڈیپازٹرز" کے ذریعے "راست اسلامی بینکاری" کے نام سے خدمات سرانجام دے رہا ہے۔

عوامی اعتماد رکھنے کیلئے بینک آف خیبر کے پاس ایک ایسا سٹراٹجی اور فعال نظام موجود ہے جو اس بات کو یقینی بناتا ہے کہ بینک کے جملہ معاملات اسلامی اصولوں کے عین مطابق ہوں، اس سلسلے میں بینک کے بورڈ آف ڈائریکٹرز نے تمام افعال کو احسن طریقے سے نبھانے کے لیے ایک "شریہ بورڈ" کا تقرر کیا ہے (جس کے ہم ممبر ہیں) تاکہ اسلامی بینکاری سے متعلق تمام امور کا شرعی جائزہ، تحقیق اور نگرانی کرے۔ سال 2019 میں شریہ بورڈ نے بینک کی مختلف اسلامی پروڈکٹس، پالیسیاں، مالی عقود اور ان کے متعلقہ معاملات کے عملی طریقہ کار کا جائزہ لینے کے لیے چار میٹنگز منعقد کیں، اس سلسلے میں بورڈ آف ڈائریکٹرز سے دو مرتبہ ملاقاتیں بھی ہوئیں، اس کے علاوہ شریہ بورڈ نے تمام داخلی و خارجی آڈٹ رپورٹس، ریویو رپورٹس، شریہ کیمپلائنس کی انسپشن رپورٹس وغیرہ کا بھی جائزہ لیا، تاکہ اس بات کو یقینی بنایا جاسکے کہ بینک کے تمام معاملات، شریہ بورڈ کے جملہ قراردادوں، اعلانات، فنانسی اور فیصلوں کے عین مطابق ہوں۔

اس کے ساتھ ساتھ شریہ کیمپلائنس ڈویژن شریہ بورڈ کی نگرانی میں اس بات کو یقینی بنانے کے لیے سرگرم عمل رہا کہ بینک کے تمام معاملات شریہ بورڈ اور اسٹیٹ بینک آف پاکستان کے اسلامک بینکنگ ڈویژن کے جاری کردہ احکامات کے مطابق ہوں۔ اس سلسلے میں شریہ کیمپلائنس ڈویژن کے شریہ ریویویونٹ نے اسلامی بینکاری کے جملہ امور کے اکثر حصے کی شرعی نظر ثانی کی اور جدید جدید نکات شریہ بورڈ کو حتمی فیصلے کے لیے پیش کیے جن پر شریہ بورڈ نے اپنی رائے کا اظہار کیا۔ مزید برآں اس ڈویژن نے ہماری نگرانی میں کھاتا داروں کو منافع، عقدہ مشارکہ میں ملے شدہ شرح منافع کے مطابق بروقت ادا کیلگی کو یقینی بنایا۔

شرعی نظر ثانی کے علاوہ بینک کے اپنے شریہ آڈٹ ڈیپارٹمنٹ اور ایکسٹرنل شریہ آڈٹ کے ادارے نے تمام اسلامی شاخوں اور دیگر ڈیپارٹمنٹس اوڈیٹرز کا شریہ آڈٹ بھی کیا تاکہ بینک کے تمام معاملات کا شرعی اصولوں پر پابندی کے بارے میں آزادانہ جائزہ لیا جاسکے، اس



  
 چیئرمین شریہ بورڈ      ممبر شریہ بورڈ      علی ہاشمی شریہ بورڈ ممبر

سلسلے کی تمام رپورٹس نظر ثانی اور اصلاحات کے لیے ہمارے سامنے پیش کی گئیں، جس پر ہم نے اپنی رائے کا اظہار کیا، جس پر شریعہ کپلائنس ڈیپارٹمنٹ نے اس پر موصول ہونے والے شریعہ بورڈ کے احکامات اور تجاویز پر عمل درآمد کو یقینی بنایا، اس کے ساتھ شریعہ بورڈ نے بینک کے شریعہ کپلائنس ڈیپارٹمنٹ کی کیفیت پر بورڈ آف ڈائریکٹرز کے علم میں لانے کے لیے سہ ماہی بنیادوں پر رپورٹس ارسال کیں۔

اسلامک بینکنگ کے عملے کی کارکردگی میں عمدگی کے لیے بیومن ریسورس ڈیپارٹمنٹ نے مختلف ٹریننگز کا انعقاد کیا، اس طرح بینک کے وہ ملازمین جن کا اسلامک بینکنگ کے ساتھ بالواسطہ تعلق رہا، ان کو اسلامی بینکاری کے اصولوں سے روشناس کرانے کے لیے مخصوص نشستوں کا انعقاد کیا گیا تاکہ وہ اپنی ذمہ داریوں کو احسن طریقے سے نبھاسکیں۔

شریعی کپلائنس ڈویژن کی مختلف رپورٹس اور آئی بی جی کے جملہ مکتوبات اور دستاویز کا بطور نمونہ جائزہ لینے کے بعد ہماری رائے یہ ہے کہ:

- آئی بی جی نے جملہ معاملات میں شریعہ بورڈ کے جملہ اصول و ضوابط اور وقتاً فوقتاً جاری ہونے والے فتاویٰ کی تعمیل کی ہے۔
- آئی بی جی کی اسلامی بینکاری اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری کے متعلق جملہ فرامین، قوانین اور ہدایات کے عین مطابق ہے۔
- آئی بی جی نے اسلامی بینکاری کے پول جنیشن، فنڈز کی منتقلی، مہربوں میں نفع و نقصان کے تناسب اور کھاتہ داروں میں نفع و نقصان کی تقسیم شرعی اصول و ضوابط اور شریعہ بورڈ کے متعدد سفارشات کے عین مطابق کی ہے۔
- دوران سال بینک کو حاصل ہونے والی آمدنی شرعاً حاصل اور جائز تھی، تاہم اگر کوئی آمدنی شرعی نقطہ نظر سے حرام یا مشتبہ تھی، اس کو فوری طور پر خیراتی اکاؤنٹ میں منتقل کر دیا گیا، جس کو مستحقین کے سپرد کر دیا جائے گا، تاہم یہ امر قابل ملاحظہ ہے کہ شریعہ آڈٹ اور ریویو ٹیم نے بعض مالی دستاویز میں غلطیوں کی نشاندہی کی تھی جس سے معاملہ باطل یا فاسد نہیں ہو رہا تھا اس لیے اس کی تصحیح کے لیے شریعہ بورڈ نے اپنی سفارشات لوٹ کیں اور متعلقہ ڈیپارٹمنٹ کو جاری کر دیں، تاکہ آئندہ ایسی غلطیوں کا تدارک کیا جاسکے۔
- بینک کے پاس شریعہ کپلائنس ڈویژن اور انٹرنل آڈٹ کی صورت میں ایک ایسا منظم نظام موجود ہے جو غیر شرعی طریقہ کار اور ذرائع سے ہونے والی آمدنی کی بروقت شناخت کر کے نہ صرف چھینٹی اکاؤنٹ میں منتقل کرتا ہے، بلکہ منظور شدہ پالیسی کی رو سے اس کے درست استعمال کو بھی یقینی بناتا ہے۔ سال 2019 میں کل تین کروڑ پچیس لاکھ چوبیس ہزار روپے چھینٹی کی مدت میں موصول ہوئے، جن میں غیر شرعی مکتوبات کی وجہ سے حاصل ہونے والی چھینٹی کا حصہ اہتجائی قلیل تھا، جبکہ ایک بڑا حصہ تاخیر سے ادا ہونے والی ادائیگیوں کا تھا۔
- آئی بی جی سٹاف، انتظامیہ اور بورڈ آف ڈائریکٹرز کی اسلامی بینکاری کی اہمیت اور عملی نفاذ کے حوالے سے صلاحیت، قابلیت اور اسلامی بینکاری کے بارے میں شعور جو صلہ اقرار ہے تاہم رفتہ رفتہ اس کی بہتری میں مزید پیش رفت بھی لائی جائے گی۔
- ہمارے لیے یہ بات قابل اطمینان ہے کہ اس سال آئی بی جی نے اپنے عملے کی عملی تربیت کے لیے کافی ٹریننگ، سیمینارز، ریفرنسز اور ورکشاپس اور سرٹیفیکیشن کورسز کا انعقاد کیا، جس میں ملک بھر سے ایک بڑی تعداد میں اسٹاف نے ٹریننگ حاصل کی۔ ان ٹریننگز کے علاوہ بینک آف خیبر نے ملک میں اسلامی بینکاری کی ترویج و استحکام کے لیے سرگرم دیگر اداروں مثلاً اسٹیٹ بینک آف پاکستان کے (NIBAF) وغیرہ کے تحت بھی اپنے ملازمین کو ٹریننگ کی سہولت فراہم کی۔

محمد عزیز  
صدر شریعہ بورڈ

محمد عزیز  
صدر شریعہ بورڈ

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صدر شریعہ بورڈ

- اپنے اسٹاف کی عملی اور علمی استعداد کو بڑھانے کے ساتھ ساتھ آئی بی جی نے عوام الناس اور وقتی طبقے میں اسلامی بینکاری کی اہمیت اور شعور اجاگر کرنے کے لیے ملک بھر میں مختلف شہروں میں سیمینارز کا انعقاد کیا گیا، جس میں تجارت پیشہ حضرات، طلبائے کرام، مفتیان نظام، ائمہ و خطبائے مساجد، طلباء، پروفیسر حضرات اور بزرگ شہریوں سمیت مختلف شعبہ ہائے زندگی سے تعلق رکھنے والے افراد نے شرکت کی اور آئی بی جی کی اسلامی بینکاری کو سراہا گیا۔

#### خلاصہ :

ان تمام مثبت اقدامات کی بنیاد پر شریعہ بورڈ اس بات کا اقرار کرتا ہے کہ آئی بی جی کے معاملات اسلامی معاشی اصولوں کے مطابق ہیں۔ تاہم یہ بینک کی انتظامیہ اور مالکان کی اخلاقی، شرعی اور قانونی ذمہ داری ہے کہ وہ اسلامی بینکاری کے جملہ آپدیشز، معاملات اور قوانین میں شریعت کے ذریعہ اصولوں کو ہمیشہ ملحوظ خاطر رکھے اور جہاں پر اسلامی اصولوں سے روگردانی محسوس ہو اس پر فوری ترمیمات اور سرزنش جاری کرے، تاکہ اسلامی بینکاری اور معاشی نظام معاشرہ میں حقیقتاً کاروبار و حمار کے۔

#### سفارشات:

- اسلامی بینکاری نظام کی بنیاد کے لیے یہ ضروری ہے کہ اس کے جملہ امور شریعت کی ذریعہ اصولوں کے مطابق ہوں جس کے ذریعے اسلامی معاشرتی اور معاشی مقاصد اور فوائد حاصل ہو سکیں۔ اس لیے شریعہ بورڈ موجودہ نظام میں مزید بہتری لانے کے لئے مندرجہ ذیل سفارشات تجویز کرتا ہے۔
  - شریعہ بورڈ یا انتظامیہ کی طرف سے "اسلامی بینکاری آگہی مہم" سے متعلق سیمینارز کے انعقاد کا خیر مقدم کرتا ہے اور آئندہ بھی اس سلسلہ کو جاری رکھنے کی تاکید کرتا ہے، اس سے نہ صرف بینک آف خیبر کی اسلامی بینکاری کے بارے میں غلط فہمیاں دور ہوں گی، بلکہ تمام تر اسلامی بینکاری کے نظام کو تقویت ملے گی۔
  - شریعہ بورڈ یا انتظامیہ کی اس سوچ کو بھی خراج تحسین پیش کرتا ہے کہ وہ اسلامی بینکاری سے متعلقہ رزلٹس، اس کی ترویج و اشتہار اور اس سے متعلقہ تنویلی پروڈکٹس کے بارے میں سرگرم عمل ہیں اور مستقبل میں اس جذبہ کو جاری رکھنے کی سفارش کرتا ہے۔
- اللہ تبارک و تعالیٰ ہمیں دنیاوی و اخروی کامیابیوں سے نوازے اور ہماری جملہ تھمیرات کو قلم عنق سے سناوے جو ہم سے جانے ان جاننے میں سرزد ہوئی ہیں۔ آمین

محمد عیوب  
صدر مجلس شریعہ بورڈ

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صدر مجلس شریعہ بورڈ

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## INDEPENDENT AUDITOR'S REPORT

To the members of The Bank of Khyber

Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of The Bank of Khyber, which comprise the statement of financial position as at 31 December 2019, and the profit and loss account and the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 16 branches which have been audited by us and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit and loss and the statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at 31 December 2019 and of the profit, and the comprehensive income, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Key Audit Matters

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

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Following are the key audit matters:

Key audit matters	How the matter was addressed in our audit
<p><b>1. Initial Audit Engagement - Opening balances</b></p>	
<p>The audit of the financial statements of the Bank for the year ended 31 December 2019 is an initial audit engagement.</p> <p>As this is an initial audit engagement, additional considerations, as required by ISA 510 "Initial Audit Engagements - Opening balances", are applicable which are not relevant to recurring audits. Additional planning activities and considerations become necessary in order to establish a suitable audit strategy and audit plan, including;</p> <ul style="list-style-type: none"> <li>• Obtaining sufficient understanding of the Bank and its business including control environment in order to make a risk assessment and develop an audit strategy and audit plan;</li> <li>• Obtaining audit evidence regarding the opening balances, communicating with the predecessor auditors and performing a file review on prior period audit files;</li> <li>• Review and discussion with the Bank on the key audit matters disclosed by the predecessor auditors;</li> <li>• Assessment about whether the opening balances contain misstatements that materially affect the financial statements for the current period</li> <li>• Assessment about whether the accounting policies applied to the opening balance were applied continuously in the preparation of financial statements for the current period, or whether the changes made therein were correctly accounted for and properly presented in accordance with the applicable financial reporting framework; and</li> <li>• Perform walkthroughs and tests of the major IT applications supporting the operations.</li> </ul> <p>The aforesaid activities required considerable audit efforts and accordingly our first-year audit was identified as a key audit matter.</p>	<p>Our audit procedures in respect of first year audit, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Met the predecessor auditors, reviewed their audit file and had detailed discussions with them specifically focusing on the key audit matters, estimates, significant risks, misstatements, if any, identified by them and their observations reported in their communication to those charged with governance;</li> <li>• Met with key management personnel responsible for financial reporting as well as heads of other key departments in order to understand their roles and the Bank's operations, financial reporting process and key risk areas;</li> <li>• Obtained an understanding of and evaluated appropriateness and consistency of accounting policies used in the prior years in the preparation of the financial statements;</li> <li>• Traced the account balances from the trial balance for the previous year to the audited financial statements and traced the balance sheet account balances to the opening trial balance of the current year; and</li> <li>• Obtained, inspected and tested management's processes and controls in order to assist us in obtaining an understanding of the Bank's financial reporting, business and IT processes including control environment.</li> </ul> <p>Our audit strategy has been discussed with the management and Board Audit Committee in order to know their expectations and discuss key reporting and auditing issues.</p>

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Key audit matters	How the matter was addressed in our audit
<b>2. Provision against Non-Performing loans and advances</b>	
<p>The Banks advances include fund based and non-funded financing facilities. The portfolio is spread across various domestic branches and includes corporate financing to public sector entities and private sector businesses as well as consumer financing to individuals.</p> <p>As per the Bank's accounting policy (refer note 6.5.1 to the financial statements), the Bank determines provisions against non-performing financing exposures in accordance with the requirements of Prudential Regulations (PR) of State Bank of Pakistan (SBP) and also maintains general provision in respect of potential credit losses in the portfolio. The Prudential Regulations require specific provisioning against financing losses on the basis of an age-based criteria which should be supplemented by a subjective evaluation of Bank's credit portfolio. The determination of financing loss provision against certain corporate financing, therefore, involves use of management judgment, on a case to case basis, taking into account factors such as the economic and business conditions, borrowers' repayment behaviors and realizability of collateral held by the Bank.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall balance sheet of the Bank, we considered the area of provision against advances as a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against advances are included in note 6.5.1 and 11 respectively to the financial statements.</p>	<p>Our audit procedures in respect of impairment of advances, amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• We reviewed the Bank's process for identification and classification of non-performing advances. As part of such review we performed an analysis of the changes within the different categories of classified non-performing accounts from last year to the current reporting date. This analysis was used to gather audit evidence regarding downgrading of impaired advances and declassification of accounts from non-performing to regular and vice versa, as the case may be.</li> <li>• We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations;</li> <li>• Involved third party valuation experts to assess the reasonableness of the valuation of collaterals performed by the experts appointed by the Bank;</li> <li>• In addition, we selected a representative sample of borrowers from the advances portfolios including individually significant corporate financing and performed tests and procedures such as review of financing documentation, repayment history and past due status, financial condition as depicted by the borrowers' financial statements, nature of collateral held by the Bank and status of litigation, if any, with the borrower;</li> <li>• In respect of the level of general provision maintained by the Bank, we discussed the approach and policy followed by the Bank with the management and the approvals in place for such policy; and</li> <li>• We also assessed the adequacy of disclosures as included in note 11 to the financial statements regarding non-performing financing and provisions made for the same in accordance with the requirements of the applicable financial reporting framework.</li> </ul>



Key audit matters	How the matter was addressed in our audit
<p><b>3. Initial adoption of IFRS 16 "Leases"</b></p>	
<p>The Bank has adopted IFRS 16 "Leases" effective from 01 January 2019 in accordance with the applicable statutory requirements. IFRS 16 has replaced IAS 17 "Leases" and introduces a new lease accounting model, where lessees are required to recognize a right-of-use (ROU) asset and a lease liability arising from a lease on its balance sheet.</p> <p>The impacts of adoption of the standard are disclosed in note 3.5.2 to the financial statements.</p> <p>We have identified the initial adoption of IFRS 16 as a key audit matter as significant judgements are required in the assumptions and estimates made in order to determine the ROU asset and lease liability. The assumptions and estimates include determination of appropriate discount rates and assessment of lease terms.</p>	<p>Our procedures in respect of initial adoption of IFRS 16 amongst others, included the following:</p> <ul style="list-style-type: none"> <li>• Evaluated the appropriateness of the new accounting policies for recognition of lease contracts and their measurement in the financial statements;</li> <li>• Obtained an understanding of the process and controls in place for identification of in-scope and material lease contracts and capturing of relevant data regarding the terms and condition of the lease contracts;</li> <li>• Corroborated the completeness of the leases identified by the management by reviewing the reconciliations of leases with the list of branch properties in the use of the Bank and reviewing the rent expense ledgers for the year;</li> <li>• Performed independent checks of lease accounting computations for a sample of lease contracts through reperformance of such computations and tracing the terms with the relevant contracts</li> <li>• Evaluated the appropriateness of the assumptions used by the management in measuring the lease liabilities such as discount rate and lease term; and</li> <li>• Evaluated the adequacy of the disclosures made regarding the application of the standard and its impact on the financial statements of the Bank for the year.</li> </ul>

**Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



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

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

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

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

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

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

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

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



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

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

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

#### **Report on Other Legal and Regulatory Requirements**

1. Based on our audit, we further report that in our opinion:
  - a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
  - b) the statement of financial position, the statement of profit and loss and the statement of comprehensive income, statement of changes in equity and cash flow statement (together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;
  - c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
  - d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.
2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

#### **Other Matter:**

The financial statements of the Bank for the year ended 31 December 2018 were audited by another firm of chartered accountants who expressed an unmodified opinion thereon in the audit report dated 01 March 2019.

The engagement partner on the audit resulting in this independent auditor's report is Ahsan Shahzad.



Chartered Accountants  
Place: Islamabad  
Date: 6 March 2020

A member firm of Ernst & Young Global Limited

**STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2019**

	2019	2018
Note	----- Rupees in '000 -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	7 <b>12,137,805</b>	12,351,453
Balances with other banks	8 <b>8,230,072</b>	3,705,360
Lendings to financial institutions	9 <b>13,863,449</b>	7,695,642
Investments	10 <b>146,911,102</b>	94,233,239
Advances	11 <b>109,742,292</b>	95,011,903
Fixed assets	12 <b>3,334,670</b>	2,216,422
Intangible assets	13 <b>286,255</b>	78,850
Deferred tax assets	14 <b>1,031,154</b>	1,757,451
Other assets	15 <b>10,768,453</b>	6,044,663
	<b>306,305,252</b>	223,094,983
<b>LIABILITIES</b>		
Bills payable	16 <b>1,172,155</b>	895,126
Borrowings	17 <b>94,656,461</b>	34,842,114
Deposits and other accounts	18 <b>182,167,572</b>	171,167,556
Liabilities against assets subject to finance lease	-	-
Subordinated debt	-	-
Deferred tax liabilities	-	-
Other liabilities	19 <b>14,107,711</b>	4,485,603
	<b>292,103,899</b>	211,390,399
<b>NET ASSETS</b>	<b>14,201,353</b>	11,704,584
<b>REPRESENTED BY</b>		
Share capital	20 <b>10,002,524</b>	10,002,524
Reserves	<b>2,904,691</b>	2,643,483
Deficit on revaluation of assets	21 <b>(780,670)</b>	(2,104,692)
Unappropriated profit	<b>2,074,808</b>	1,163,269
	<b>14,201,353</b>	11,704,584
<b>CONTINGENCIES AND COMMITMENTS</b>	22	

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



Managing Director



Chief Financial Officer



Director



Director



Director

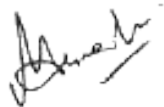
**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
	----- Rupees in '000 -----	
Mark-up / return / interest earned	23 <b>24,656,535</b>	14,686,465
Mark-up / return / interest expensed	24 <b>19,739,030</b>	9,547,084
Net mark-up / interest income	<b>4,917,505</b>	5,139,381
<b>NON MARK-UP / INTEREST INCOME</b>		
Fee and commission income	25 <b>397,634</b>	406,893
Dividend income	<b>13,393</b>	49,540
Foreign exchange income	<b>284,734</b>	139,225
Gain / (loss) on securities	26 <b>289,764</b>	(1,226,265)
Other income	27 <b>126,957</b>	104,262
Total non-markup / interest income	<b>1,112,482</b>	(526,345)
Total income	<b>6,029,987</b>	4,613,036
<b>NON MARK-UP / INTEREST EXPENSE</b>		
Operating expenses	28 <b>3,620,419</b>	4,052,247
Workers welfare fund	-	-
Other charges	29 <b>169,349</b>	25,150
Total non-markup / interest expenses	<b>3,789,768</b>	4,077,397
<b>PROFIT BEFORE PROVISIONS</b>	<b>2,240,219</b>	535,639
Provisions and write offs - net	30 <b>21,092</b>	170,962
Extra ordinary / unusual items	-	-
<b>PROFIT BEFORE TAXATION</b>	<b>2,261,311</b>	706,601
Taxation	31 <b>(955,272)</b>	(240,502)
<b>PROFIT AFTER TAXATION</b>	<b>1,306,039</b>	466,099
	----- Rupees -----	
<b>Basic and diluted earnings per share</b>	32 <b>1.31</b>	0.47

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



Managing Director



Chief Financial Officer



Director



Director



Director

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
	----- Rupees in '000 -----	
Profit after taxation for the year	1,306,039	466,099
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to profit and loss account in subsequent periods:</b>		
Net change in fair value of available for sale securities	21 2,036,953	(3,937,785)
Related deferred tax	14.1 (712,931)	1,378,225
	1,324,022	(2,559,560)
<b>Items that will not be reclassified to profit and loss account in subsequent periods:</b>		
Re-measurement loss of defined benefit obligation	35.1.8 (162,624)	(78,818)
Related current tax	56,918	-
Related deferred tax	14.1 (27,586)	(20,699)
	(133,292)	(99,517)
<b>Total other comprehensive income / (loss)</b>	<u>1,190,730</u>	<u>(2,659,077)</u>
<b>Total comprehensive income / (loss)</b>	<u><u>2,496,769</u></u>	<u><u>(2,192,978)</u></u>

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



Managing Director



Chief Financial Officer



Director



Director



Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
			Investments	Assets		
Rupees in '000						
Balance as at January 01, 2018	10,002,524	2,550,263	(319,315)	774,183	2,390,464	15,398,119
Profit after taxation	-	-	-	-	466,099	466,099
Other comprehensive income - net of tax	-	-	(2,559,560)	-	(99,517)	(2,659,077)
Transfer to statutory reserve	-	93,220	-	-	(93,220)	-
Total comprehensive income	-	93,220	(2,559,560)	-	(192,737)	(2,659,077)
<b>Transactions with owners, recorded directly in equity</b>						
Cash dividend (Rs. 1.50 per share)	-	-	-	-	(1,500,557)	(1,500,557)
<b>Balance as at December 31, 2018</b>	<b>10,002,524</b>	<b>2,643,483</b>	<b>(2,878,875)</b>	<b>774,183</b>	<b>1,163,269</b>	<b>11,704,584</b>
Profit after taxation	-	-	-	-	1,306,039	1,306,039
Other comprehensive income - net of tax	-	-	1,324,022	-	(133,292)	1,190,730
Total comprehensive income	-	-	1,324,022	-	1,172,747	2,496,769
Transfer to statutory reserve	-	261,208	-	-	(261,208)	-
<b>Transactions with owners, recorded directly in equity</b>						
Cash dividend	-	-	-	-	-	-
<b>Balance as at December 31, 2019</b>	<b>10,002,524</b>	<b>2,904,691</b>	<b>(1,554,853)</b>	<b>774,183</b>	<b>2,074,808</b>	<b>14,201,353</b>

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



Managing Director



Chief Financial Officer



Director



Director



Director

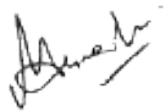
**CASH FLOW STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
Note	----- Rupees in '000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	2,261,311	706,601
Less: Dividend income	13,393	49,540
	<u>2,247,918</u>	<u>657,061</u>
<b>Adjustments:</b>		
Depreciation - Property and equipment	317,333	288,936
Depreciation - Non banking assets acquired in satisfaction of claims	2,461	-
Depreciation - Right-of-use assets	329,381	-
Amortization	43,450	42,663
Provisions and write offs-net	(21,092)	(170,962)
Mark-up expense on lease liability against right-of-use assets	151,587	-
Net loss on termination of lease	1,469	-
Unrealized exchange gain on cash and cash equivalent	(234,651)	(140,920)
(Gain) / loss on sale of fixed assets	(506)	566
	<u>589,432</u>	<u>20,283</u>
	<u>2,837,350</u>	<u>677,344</u>
<b>Increase in operating assets</b>		
Lendings to financial institutions	(6,167,807)	(6,166,536)
Held-for-trading securities	(15,499)	-
Advances	(14,809,177)	(11,494,467)
Others assets (excluding advance taxation)	(5,274,431)	(643,804)
	<u>(26,266,914)</u>	<u>(18,304,807)</u>
<b>Increase/ (decrease) in operating liabilities</b>		
Bills payable	277,029	(236,115)
Borrowings from financial institutions	59,814,347	(29,347,472)
Deposits	11,000,016	11,920,582
Other liabilities	8,368,794	(759,305)
	<u>79,460,186</u>	<u>(18,422,310)</u>
Income tax paid	(477,001)	(824,930)
<b>Net cash flow from / (used in) operating activities</b>	<u>55,553,621</u>	<u>(36,874,703)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net investments in available-for-sale securities	(55,529,197)	43,394,289
Net investments in held-to-maturity securities	5,003,666	(1,068,362)
Dividends received	13,393	49,540
Investments in operating fixed assets	(614,650)	(258,038)
Proceeds from sale of fixed assets	666	726
<b>Net cash flow (used in) / from investing activities</b>	<u>(51,126,122)</u>	<u>42,118,155</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividend paid	(57)	(1,500,928)
Payment against lease liabilities	(351,029)	-
<b>Net cash flow used in financing activities</b>	<u>(351,086)</u>	<u>(1,500,928)</u>
Net Increase in cash and cash equivalents	<u>4,076,413</u>	<u>3,742,524</u>
Net foreign exchange difference	<u>234,651</u>	<u>140,920</u>
<b>Increase in cash and cash equivalents</b>	<u>4,311,064</u>	<u>3,883,444</u>
Cash and cash equivalents at beginning of the year	33 <u>16,056,813</u>	12,173,369
Cash and cash equivalents at end of the year	33 <u>20,367,877</u>	<u>16,056,813</u>
<b>Additional information on operational cash flows from interest</b>		
Interest paid	<u>(12,695,435)</u>	<u>(10,856,477)</u>
Interest received	<u>23,167,848</u>	<u>14,277,864</u>

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



Managing Director



Chief Financial Officer



Director



Director



Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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### 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. The registered office of the Bank is situated at 24 - The Mall, Peshawar Cantt, Peshawar and it has been temporarily shifted to 1st Floor, State Life Building, 34 - The Mall, Peshawar Cantt. The Bank operates 169 branches including 84 Islamic banking branches (2018: 169 branches including 84 Islamic banking branches). The long term credit ratings of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS are 'A' and 'A' respectively and the short-term credit ratings assigned are 'A1' (A-One) and 'A-1' (A-One) respectively.

### 2. BASIS OF PRESENTATION

- 2.1 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 mark-up thereon. However, the Islamic banking branches of the Bank have complied with the requirements as set out in the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.
- 2.2 These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated January 25, 2018.
- 2.3 The financial results of the Islamic Banking Group have been included in these financial statements for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Group are disclosed in Annexure "II" to these financial statements.
- 2.4 These financial statements have been presented in Pakistani Rupee, which is the Bank's functional and presentation currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.
- 2.5 These are separate financial statements of the Bank in which investments in associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

### 3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards comprise of:
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;
  - Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, as are notified under the Companies Act, 2017;
  - Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
  - Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by SBP and SECP differ with the requirements of the IFRS or IFAS, requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

- 3.2 The SBP, vide BPRD Circular No. 4, dated October 23, 2019, has deferred the applicability of IFRS 9, Financial Instruments until January 01, 2021. The SBP, vide BSD Circular No. 10, dated August 26, 2002 has also deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (before its replacement by IFRS 9) and International Accounting Standard 40, Investment Property for banking companies till further instructions. Further, according to a notification of SECP dated April 28, 2008, IFRS 7 "Financial Instruments: Disclosure" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through its various circulars.
- 3.3 IFRS 8, 'Operating Segments' is effective for the Bank's accounting period beginning on or after January 1, 2009. All banking companies in Pakistan are required to prepare their annual financial statements in line with the format prescribed under BPRD Circular No. 02 dated January 25, 2018, 'Revised Forms of Annual Financial Statements', effective from the accounting year ended December 31, 2018. Management believes that as the SBP has defined the segment categorization in the above mentioned circular, the SBP requirements prevail over the requirements specified in IFRS 8. Accordingly, segment information disclosed in these financial statements is based on the requirements laid down by the SBP.
- 3.4 SBP through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for Institutions offering Islamic Financial Services (IIFS). The standard will result in certain new disclosures in the financial statements of the Bank as and when notified by SBP.

**3.5 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.**

The Bank has adopted the following accounting standards and amendments of IFRSs and the improvements to accounting standards which became effective for the current year:

- 3.5.1 May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers which replaces all existing revenue requirements and related interpretations and is effective for annual periods beginning on or after July 01, 2018. IFRS 15 redefined the principles for recognising revenue and is applicable to all contracts with customers other than contracts in the scope of other standards (such as interest and fee income integral to financial instruments which would be in the scope of IFRS 9 and Lease Income). Certain requirements in IFRS 15 are also relevant for the recognition and measurement of gains or losses on disposal of non-financial assets that are not in the ordinary course of business.

IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled to in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Bank's revenue streams that are within the scope of IFRS 15 relate to certain fee and commission income. The accounting policy for recognition of such income is disclosed in Note 6.13 to these financial statements. The application of this standard did not have any material impact on these financial statements, except for change in description of accounting policy.

- 3.5.2 IFRS 16 Leases supersedes IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases on statement of financial position.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

The Bank has lease contracts for various properties. Before the adoption of IFRS 16, the Bank classified each of its leases (as lessee) at the inception date as an operating lease. In an operating lease, the leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other asset and other liabilities, respectively.

Upon adoption of IFRS 16, the Bank applied the recognition and measurement approach of IFRS 16 for all leases, except for short-term leases and leases of low-value assets. The standard also provides practical expedients, which have been applied by the Bank.

The Bank adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 01, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Bank elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at January 01, 2019. Instead, the Bank applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Accordingly, the Bank recognised right-of-use assets and lease liabilities for those leases where the Bank is the lessee and which were previously accounted for as operating leases. The right-of-use assets and lease liabilities were recognised on the present value of future cash flows, discounted using the incremental borrowing rate at the date of initial application.

**Impact on Statement of Financial Position**

	As at December 31, 2019	As at January 01, 2019
	----- 'Rupees in '000 -----	
Increase in fixed assets - right-of-use assets	1,071,946	1,410,383
Other liabilities - accrued rent	1,879	-
Decrease in other assets - advances, deposits, advance rent and other prepayments	(99,632)	(112,607)
Increase in total assets	974,193	1,297,776
Increase in other liabilities - lease liability against right-of-use assets	(1,090,747)	(1,297,776)
Decrease in net assets	(116,554)	-

**Impact on Profit and Loss Account**

	For the year ended December 31, 2019 ---(Rupees in '000)---
Increase in mark-up expense - lease liability against right-of-use assets	(151,587)
Loss on termination during the year	(1,469)
(Increase) / decrease in operating expenses	
- Depreciation on right-of-use assets	(329,381)
- Rent expense	365,883
Decrease in profit	36,502
Reduction in earning per share	(116,554)
	(0.12)

There was no difference between present value of the operating lease commitments discounted using incremental borrowing rate at the year end preceding the date of initial application and lease liabilities recognised in statement of financial position at the date of initial application of IFRS 16.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**3.5.3 IFRIC 23 - Uncertainty over Income Tax**

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit / (loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The interpretation did not have any material impact on the financial statements of the Bank.

**3.6 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective**

The following IFRS as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after January 01, 2020:

- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with IFRS.

- Amendment in IFRS 3 "Business Combination" - Definition of a Business (effective for business combinations for which acquisition date is on and after the beginning of annual period beginning on and after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.

- IFRS 9 'Financial Instruments' - SBP vide its BPRD Circular No. 04 of 2019 dated October 23, 2019 directed the banks in Pakistan to implement IFRS 9 with effect from January 01, 2021. IFRS 9 replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. SBP has directed the Bank to conduct an impact assessment as at December 31, 2019 which is due to be submitted to SBP by April 30, 2020.

- IFRS 14 'Regulatory Deferral Accounts' permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous reporting framework, both on initial adoption of IFRS and in subsequent financial statements. Regulatory deferral account balances and movements in them, are presented separately in the statement of financial position, profit and loss account, statement of other comprehensive income, and specific disclosures are required. IFRS 14 was originally issued by IASB in January 2014 with Initial application date for a period beginning on or after January 01, 2016. During November 2019, the SECP modified the effective date for applicability of IFRS 14 for the annual reporting periods beginning on or after July 01, 2019.

- The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after January 01, 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

Furthermore, following new standards have been issued by IASB which are yet to be notified by SECP for the purpose of applicability in Pakistan.

Standard	IASB effective date (annual periods beginning on or after)
IFRS 1 - First time adoption of IFRSs	January 01, 2014
IFRS 17 - Insurance Contracts	January 01, 2021

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

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

**5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

**5.1 Classification of investments**

- In classifying investments the Bank follows the guidance provided in SBP circulars.
- Investments classified as 'held for trading', are securities which are acquired with an intention to trade by taking advantage of short term market / interest rate movements and are to be sold within 90 days of acquisition.
- Investments classified as 'held to maturity' are non-derivative financial assets with fixed or determinable payments and fixed maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investment to maturity.
- The investments which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

**5.2 Impairment of available-for-sale equity investments**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**5.4 Income taxes**

While making the estimates for income taxes currently payable by the Bank, management looks at the current income tax laws and the decisions of appellate authorities on certain issues in the past. In making provision for deferred taxes, estimates of the Bank's future taxable profits and expected reversal of deductible temporary differences are taken into account.

**5.5 Depreciation, amortization and revaluation of operating fixed assets**

In making estimates of the depreciation / amortization, management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard - 8: Accounting Policies, Changes in Accounting Estimates and Errors.

Further, the Bank estimates the revalued amount of leasehold land on a regular basis. The estimates are based on valuations carried out by independent professional valuers under the current market conditions.

**5.6 Defined benefit plan**

The liability of the defined benefit plan (gratuity) is determined using actuarial advice using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets and future salary increases, which have been disclosed in note 35.1. Actuarial assumptions are entity's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits. Changes in these assumptions in future years may affect the liability / asset under the plan in those years. The latest actuarial valuation has been carried out on December 31, 2019.

**5.7 Leases**

**5.7.1 Estimating the incremental borrowing rate**

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ('IBR') to measure lease liabilities. The IBR is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

**5.7.2 Determination of the lease term for lease contracts with renewal and termination options**

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has several lease contracts that include extension and termination options. The Bank applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

**6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except the change explained in note 3.5.

**6.1 Cash and cash equivalents**

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

**6.2 Lendings to / borrowings from financial institutions**

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

**NOTES TO THE FINANCIAL STATEMENTS  
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**a) Sale under repurchase agreements**

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

**b) Purchase under resale agreements**

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

**c) Other lendings**

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

**d) Other borrowings**

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

**6.3 Investments**

**6.3.1 Classification**

The Bank classifies its investments as follows:

**6.3.2 Held-for-trading**

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

**6.3.3 Held-to-maturity**

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

In Bai Muajjal, the Bank sells Sukuk on credit to Government of Pakistan. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

**6.3.4 Available-for-sale**

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

**6.3.5 Associates**

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

**6.3.6 Regular way contracts**

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

**6.3.7 Initial measurement**

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

**NOTES TO THE FINANCIAL STATEMENTS  
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**6.4 Subsequent measurement**

**6.4.1 Held-for-trading**

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

**6.4.2 Held-to-maturity**

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

**6.4.3 Available-for-sale**

Quoted-securities classified as available-for-sale investments are measured at subsequent reporting dates at fair value. Surplus / (deficit) arising on revaluation of quoted securities which are classified as 'available for sale', is included in the statement of comprehensive income and is shown in the statement of financial position as part of equity. The surplus / (deficit) arising on these securities is taken to the profit and loss account when actually realised upon disposal or in case of impairment of securities. The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

Premium or discount on debt securities classified as available for sale and held to maturity is amortised using effective interest method and taken to the profit and loss account.

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

**6.4.4 Impairment**

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

**6.5 Advances**

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

**Receivables against lease finance where Bank is a lessor (other than Ijarah)**

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments including any guaranteed residual value.

**6.5.2 Murabaha**

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

**6.5.3 Ijarah financings**

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

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

**6.5.4 Diminishing Musharakah**

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

**6.5.5 Salam**

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

**6.5.6 Istisna**

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

**6.5.7 Inventories**

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

**6.5.8 Provision against non-performing advances:**

Provision for non-performing advances is determined in accordance with the requirements of the Prudential Regulations. The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank is allowed to consider the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken in determining the provisioning amount.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant Prudential Regulations and SBP directives.

Advances are written-off when there are no realistic prospects of recovery.

**6.6 Operating fixed assets and depreciation**

**6.6.1 Capital-work-in progress**

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

**6.6.2 Tangible fixed assets**

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

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019**

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

Depreciation on fixed assets is charged to income over the useful life of the asset on a systematic basis by using the straight line method at the rates stated in note 12.3. Depreciation charge commences from the month when the asset is available for use and continues till the month the asset is discontinued either through disposal or retirement.

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposal of fixed assets are included in the profit and loss account, except that the related surplus on revaluation of fixed assets (net of deferred tax) is directly transferred to un-appropriated profit.

### **6.6.3 Intangible assets**

Intangible assets having finite useful life are stated at cost less accumulated amortization and impairment losses, if any. Intangible assets are being amortized using the straight-line method over their useful lives as stated in note 13.2. Amortization is charged from the month of acquisition and up to the month of deletion. The useful lives and amortization method are reviewed and adjusted, if appropriate, at each reporting date. Costs associated with maintaining computer software are recognized as an expense when incurred.

### **6.6.4 Leases**

The Bank assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### **Bank as a lessee**

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Bank recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

#### **Right-of-use assets**

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within note 12 fixed assets and are subject to impairment in line with the Bank's policy as described in note 6.8 Impairment of non-financial assets.

#### **Lease liabilities**

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

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On adoption of IFRS 16, the Bank has recognised liabilities in respect of leases which had previously been classified as operating leases under IAS 17. These liabilities are now measured as the present value of the remaining lease payments, discounted using the weighted average rate from January 01, 2019 the respective lease rates ranging from 10.17% to 13.40% per annum. The associated right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of prepaid lease payments.

**6.7 Assets acquired in satisfaction of claims**

Non - banking assets acquired in satisfaction of claims are initially measured at settlement amount and upon revaluation, are carried at revalued amounts less accumulated depreciation and impairment, if any. The useful lives and depreciation method are reviewed annually and adjusted, if appropriate. These assets are revalued as per SBP's requirement by independent professionally qualified valuers to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation of assets is credited to the 'surplus on revaluation of Non-banking assets acquired in satisfaction of claims' account and any deficit arising on revaluation is taken to profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title of assets is charged to profit and loss account and not capitalized.

**6.8 Impairment of non-financial assets**

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

**6.9 Provisions against off - balance sheet obligations**

The Bank, in the ordinary course of business, issues letters of credit, guarantees, bid bonds, performance bonds etc. The commission against such contracts is recognised in the profit and loss account under "fee and commission income" over the period of contracts. The Bank's liability under such contracts is measured at the higher of the amount representing unearned commission income at the reporting date and the best estimate of the amount expected to settle any financial obligation arising under such contracts.

**6.10 Taxation**

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

**6.10.1 Current**

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

**6.10.2 Deferred**

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

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

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

The carrying amount of deferred income tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit or taxable temporary differences will be available to allow all or

**NOTES TO THE FINANCIAL STATEMENTS  
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part of the deferred income tax asset to be utilised.

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

**6.11 Employee benefits**

**6.11.1 Defined benefit plan**

The Bank operates a funded gratuity scheme for all its permanent employees. Contributions are made to the fund by the Bank in accordance with the rules of the scheme. Employees are entitled to the benefits under the scheme which comprises of one last drawn basic salary for each completed year of service. Contributions to the fund are made on the basis of actuarial recommendations. Actuarial valuation was carried out on December 31, 2019 using the Projected Unit Credit Method. Actuarial gains / losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in other comprehensive income.

Previously, the bank's policy was to pay gratuity equal to two months basic pay for each completed year of service which has now been revised. Effective January 01, 2019, the gratuity equal to one month basic pay for each completed year shall be payable to permanent employees on retirement or discharge by the Bank or if he / she leaves the Bank's service voluntarily, other than those dismissed for misconduct. The Board of Directors of the Bank approved that gratuity at the rate of two months basic pay shall be paid upto the year ended December 31, 2018 and the new policy shall be applicable from January 01, 2019 onwards.

**6.11.2 Defined contribution plan**

The Bank operates a recognized contributory provident fund covering all its permanent employees. Equal monthly contributions are made by the Bank and the employees to the fund at a rate of 8.33% (2018: 15%) of basic salary.

**6.12 Financial instruments**

**6.12.1 Financial assets and liabilities**

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

**6.12.2 Derivative financial instruments**

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

**6.13 Revenue**

- (a) Income on Murabaha is accounted for on culmination of Murabaha transaction and is recognized as revenue on a time proportionate basis. Unearned profit is accounted for by crediting deferred Murabaha income, which is recorded as a liability.
- (b) Interest / return / mark-up on regular loans / advances (other than Murabaha) and debt securities investments is recognized on time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.
- (c) Interest / return / mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.

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- (d) For Ijarah contracts written up to December 31, 2008, the Bank follows finance method in recognizing income. Under this method the unearned finance income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility, is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognized as income on receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the Mustajir.
- (e) Rentals on Ijarah contracts written subsequent to December 31, 2008 are recognized as income on accrual basis as and when the rentals become due. Income is recognized net of depreciation charged in the profit and loss account.
- (f) Dividend income is recognized when the Bank's right to receive the dividend is established.
- (g) Fee, commission, liquidated damages etc. are recorded on accrual basis when the service has been provided. Fee and commission which in substance amount to an additional interest charge, are recognized over the life of the underlying transaction on a level yield basis.
- (h) Gain / loss on sale of investments is credited / charged to profit and loss account.
- (i) The Bank earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.  
The Bank recognises fees earned on transaction-based arrangements at a point in time when the Bank has provided the service to the customer. Where the contract requires services to be provided over time, income is recognised on a systematic basis over the life of the agreement.

**6.14 Foreign currencies**

**a) Foreign currency transactions and balances**

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

**b) Translation gains and losses**

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

**c) Commitments**

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

**6.15 Segment reporting**

A segment is a distinguishable component of the Bank that is engaged in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risk and rewards that are different from those of other segments. The Bank's primary format of reporting is based on business segments.

**6.15.1 Business segments**

The Bank comprises of following main business segments:

**a) Corporate finance**

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

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**b) Trading and sales**

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

**c) Retail banking**

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

**d) Commercial banking**

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

**6.15.2 Geographical segments**

The Bank conducts all its operations in Pakistan.

**6.16 Provisions**

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

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

**6.17 Borrowings / deposits and their cost**

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

**6.18 Off setting**

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

**6.19 Earnings per share**

The Bank presents earnings per share (EPS) data for its ordinary shares. EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year

**6.20 Dividends and appropriations to reserves**

Dividend and appropriation to reserves, except appropriations which are required under the law, after the reporting date, are recognized in the Bank's financial statements in the year in which these are approved.

**6.21 Fiduciary assets**

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

**6.22 Statutory reserve**

Every Bank incorporated in Pakistan is required to transfer 20% of their profit to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit of the Bank is to be transferred to this reserve.

**6.23 Acceptances**

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as financial assets and financial liabilities.

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7 CASH AND BALANCES WITH TREASURY BANKS	Note	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
<b>In hand:</b>			
Local currency		2,157,981	2,110,143
Foreign currency		356,957	247,451
		<b>2,514,938</b>	2,357,594
<b>With State Bank of Pakistan in:</b>			
Local currency current account	7.1	5,894,936	9,051,401
Foreign currency current account	7.2	42,353	82,680
Foreign currency deposit account	7.3	90,458	73,760
		<b>6,027,747</b>	9,207,841
<b>With National Bank of Pakistan in:</b>			
Local currency current account		571,912	767,556
Local currency deposit account	7.4	3,002,591	6,658
Foreign currency deposit account		13,385	9,517
		<b>3,587,888</b>	783,731
Prize bonds		7,232	2,287
		<b>12,137,805</b>	12,351,453

- 7.1 The current accounts are maintained under the requirements of section 22 of the Banking Companies Ordinance, 1962 as amended from time to time.
- 7.2 This represents mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 7.3 These represent accounts maintained for mandatory reserve requirements with the SBP. These accounts carry mark up rate of 2019: 0.70% (2018: 1.35 %) per annum.
- 7.4 These accounts carry mark up rate of 2019: 10.25% to 12.5% (2018: 7.00%) per annum.

8 BALANCES WITH OTHER BANKS	Note	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
<b>In Pakistan:</b>			
In current account		2,427,921	3,008,582
In deposit account	8.1	4,683,413	577,196
		<b>7,111,334</b>	3,585,778
<b>Outside Pakistan:</b>			
In current account		935,782	18,785
In deposit account	8.2	192,984	110,825
		<b>1,128,766</b>	129,610
Provision for doubtful placement with the bank	8.3	(10,028)	(10,028)
		<b>8,230,072</b>	3,705,360

- 8.1 These represent short-term deposits with banks at mark-up rates ranging from 2019: 2.00% to 13.75% (2018: 2.00 % to 10.59%) per annum.
- 8.2 These represent placements of funds with banks outside Pakistan, which have been generated through the foreign currency deposit scheme (FE-25). These placements carry no mark-up.

8.3 Particulars of provision for doubtful placement with a bank	2019 ----- Rupees in '000 -----	2018 ----- Rupees in '000 -----
Opening balance	(10,028)	(10,028)
Charge for the year	-	-
Reversals	-	-
	-	-
Closing balance	<b>(10,028)</b>	(10,028)

**NOTES TO THE FINANCIAL STATEMENTS  
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		2019 Rupees in '000	2018 Rupees in '000
<b>9</b>	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>		
	Call money lendings	-	2,500,000
	Repurchase agreement lendings (Reverse Repo)	9,032,102	5,195,642
	Bai Muajjal receivable with State Bank of Pakistan	2,831,347	-
	Placements with financial institutions	2,238,944	238,944
	Less: provision held against lending to financial institutions	14,102,393	7,934,586
	Lending to financial institutions - net of provision	(238,944)	(238,944)
		<b>13,863,449</b>	<b>7,695,642</b>
<b>9.1</b>	<b>Particulars of lendings</b>		
	In local currency	13,863,449	7,695,642
	In foreign currencies	-	-
	<b>Total</b>	<b>13,863,449</b>	<b>7,695,642</b>
<b>9.2</b>	This represents unsecured lendings to commercial banks at the mark-up rate Nil (2018: 9.50% to 10.50%).		
<b>9.3</b>	These are secured against government securities carrying mark-up rates ranging from 13.20% to 13.75% (2018: 10.20% to 10.45%) per annum with maturities up to January 06, 2020.		
<b>9.4</b>	This carries profit at the rate of 10.40% (2018: Nil) per annum with maturities up to February 07, 2020.		
<b>9.5</b>	<b>Particulars of provision against lendings to financial institutions</b>		
	Opening balance	-	-
	Charge for the year	-	-
	Reversals	-	-
	Closing balance	(238,944)	(238,944)
<b>9.6</b>	<b>Securities held as collateral against lending to financial institutions</b>		
		2019	2018
		Further given as collateral	Further given as collateral
		Held by Bank	Total
		Rupees in '000	
	Market Treasury Bills	1,823,670	4,450,905
	Pakistan Investment bonds	2,757,527	6,274,575
	<b>Total</b>	<b>4,581,197</b>	<b>2,757,527</b>
		<b>4,450,905</b>	<b>9,032,102</b>

Market value of securities held as collateral as at December 31, 2019 amounted to Rs. 9,013.30 million (2018: Rs. 5,195.64 million). These carry mark-up at rate ranging from 13.20% to 13.75% (2018: 10.20% to 10.45%) per annum with maturities up to January 02, 2020.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

10.1.1 Market treasury bills and Pakistan Investment Bonds are eligible for re-discounting with SBP.

10.2 Investment in associate - unlisted shares

Taurus Securities Limited - incorporated in Pakistan  
Taurus Securities Limited - incorporated in Pakistan

10.3 Summary of financial information of associate

Based on the financial statements - December 31, 2018

Investments by segments	2019		2018		Surplus / (deficit)	Provision for diminution	Cost/ amortized cost	Carrying value	Surplus / (deficit)	Provision for diminution	Revenue	Net lost	Total Comprehensive loss
	Cost/ amortized cost	Surplus / (deficit)	Cost/ amortized cost	Carrying value									
	Rupees in '000												
<b>Federal Government Securities:</b>													
Market Treasury Bills	69,253,781	-	17,684	69,271,465	16,048,382	-	-	-	(6,721)	-	-	-	16,041,661
Pakistan Investment Bonds	66,207,581	-	(2,481,456)	63,726,125	69,247,466	-	-	-	(4,483,238)	-	-	-	64,764,228
Ijarah Sukuks	7,888,711	-	(15,000)	7,873,711	6,250,032	-	-	-	(34,432)	-	-	-	6,215,600
	143,350,073	-	(2,478,772)	140,871,301	91,545,880	-	-	-	(4,524,391)	-	-	-	87,021,489
<b>Shares:</b>													
Listed Companies	462,258	(284,390)	92,686	270,554	345,996	(284,390)	(284,390)	270,554	95,352	(284,390)	(284,390)	-	156,958
Unlisted Companies	337,994	(281,736)	-	56,258	337,994	(281,736)	(281,736)	56,258	-	(281,736)	-	-	56,258
	800,252	(566,126)	92,686	326,812	683,990	(566,126)	(566,126)	326,812	95,352	(566,126)	-	-	213,216
<b>Non Government Debt Securities</b>													
Listed	1,420,505	(38,505)	(6,000)	1,376,000	1,738,385	(38,505)	(38,505)	1,376,000	-	(38,505)	-	-	1,600,000
Unlisted	4,433,979	(137,494)	(6,000)	4,296,485	5,495,524	(137,494)	(137,494)	4,296,485	-	(137,494)	-	-	5,358,030
	5,854,484	(175,999)	(6,000)	5,672,485	7,233,909	(175,999)	(175,999)	5,672,485	-	(275,879)	-	-	6,958,030
<b>Associate</b>													
Taurus Securities Limited	40,504	-	-	40,504	40,504	-	-	40,504	-	-	-	-	40,504
<b>Total Investments</b>	<b>150,045,313</b>	<b>(742,125)</b>	<b>(2,392,086)</b>	<b>146,911,102</b>	<b>99,504,283</b>	<b>(742,125)</b>	<b>(742,125)</b>	<b>146,911,102</b>	<b>(4,429,039)</b>	<b>(842,005)</b>	<b>(842,005)</b>	<b>(4,429,039)</b>	<b>94,233,239</b>

10.4.1 Ijarah Sukuks includes Bai-Muajjal Sukuks with Government of Pakistan amounting to Rs.6,388,711 million (2018: Nil) carrying profit at the rate of 13.11% to 13.44% (2018: Nil).

10.5 Investments given as collateral

Market Treasury Bills  
Pakistan Investment Bonds

This represents market values of securities at year end.

	2019	2018
	58,760,128	7,406,373
	29,191,565	21,965,384
	87,951,693	29,371,757

**NOTES TO THE FINANCIAL STATEMENTS  
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10.6 Provision for diminution in value of investments	Note	2019	2018
		----- Rupees in '000 -----	
Opening balance		842,005	865,176
<b>Charge / reversals</b>			
Charge for the year		-	-
Reversals for the year	30	(99,880)	(3,755)
Reversal on disposals		-	(19,416)
		<b>(99,880)</b>	<b>(23,171)</b>
Closing balance	10.7	<b>742,125</b>	<b>842,005</b>

10.7 This includes impairment reversal of Rs. 99.88 million (2018: 23.171 million) in respect of available-for-sale debt securities.

10.8 Particulars of provision against debt securities Category of classification	2019		2018	
	NPI	Provision	NPI	Provision
	----- Rupees in '000 -----			
<b>Domestic</b>				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	<b>175,999</b>	<b>175,999</b>	<b>275,879</b>	<b>275,879</b>
	<b>175,999</b>	<b>175,999</b>	<b>275,879</b>	<b>275,879</b>
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
<b>Total</b>	<b>175,999</b>	<b>175,999</b>	<b>275,879</b>	<b>275,879</b>

10.9 Principal terms of investments in Federal Government securities	Yield / return per annum	Maturity	Redemption	Coupon
Market Treasury Bills	12.75% to 14.22%	January 16, 2020 to December 17, 2020	On maturity	At maturity
Pakistan Investment Bonds	7.25% to 12.00%	March 26, 2020 to August 09, 2028	On maturity	Half yearly
Government of Pakistan Sukuk	5.24% to 13.44%	June 30, 2020 to March 25, 2022	On maturity	Half yearly

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

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

Name of company	Percentage of holding	No. of shares	Paid-up value per share	Total paid-up value	Total cost on December 31, 2019
				----- Rupees in '000 -----	
Saudi Pak Leasing Company Limited	37%	19,500,000	10	195,000	195,000

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

**NOTES TO THE FINANCIAL STATEMENTS  
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10.9.3 Quality of available for sale securities	2019	2018
	Cost	
	----- Rupees in '000 -----	
<b>Federal Government securities - Government guaranteed</b>		
Market treasury bills	69,253,781	16,048,382
Pakistan investment bonds	48,116,352	46,152,571
Ijarah sukuks	7,888,711	6,250,032
	<b>125,258,844</b>	<b>68,450,985</b>
<b>Non Government debt securities - listed</b>		
Categorised based on long term rating by credit rating agency		
- AA+, AA, AA-	1,257,000	1,200,000
- A+, A, A-	125,000	400,000
- Unrated	38,505	138,385
	<b>1,420,505</b>	<b>1,738,385</b>
<b>Non Government debt securities - unlisted</b>		
Categorised based on long term rating by credit rating agency		
- AAA	3,322,857	3,859,286
- AA+, AA, AA-	568,031	1,000,000
- A+, A, A-	405,597	498,744
- Unrated	137,494	137,494
	<b>4,433,979</b>	<b>5,495,524</b>

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

10.9.5 Particulars relating to held to maturity securities are as follows:	2019	2018
	Cost	
	----- Rupees in '000 -----	
<b>Federal Government Securities - Government guaranteed</b>		
Pakistan investment bonds	<b>18,091,229</b>	23,094,895

10.9.6 The year end market value of securities classified as held-to-maturity amounted to Rs. 17,036 million (2018: Rs. 21,062 million).

11 ADVANCES	Performing		Non performing		Total	
	2019	2018	2019	2018	2019	2018
	----- Rupees in '000 -----					
Loans, cash credits, running finances, etc	63,059,355	59,077,654	4,546,955	4,121,876	67,606,310	63,199,530
Islamic financing and related assets	45,669,716	35,294,489	260,133	313,506	45,929,849	35,607,995
Bills discounted and purchased	220,363	136,480	219,630	222,970	439,993	359,450
Advances - gross	<b>108,949,434</b>	94,508,623	<b>5,026,718</b>	4,658,352	<b>113,976,152</b>	99,166,975
<b>Provision against advances</b>						
- Specific	-	-	4,190,185	4,119,221	4,190,185	4,119,221
- General	43,675	35,851	-	-	43,675	35,851
	<b>43,675</b>	35,851	<b>4,190,185</b>	4,119,221	<b>4,233,860</b>	4,155,072
Advances - net of provision	<b>108,905,759</b>	94,472,772	<b>836,533</b>	539,131	<b>109,742,292</b>	95,011,903

11.1 Particulars of advances (gross)	2019	2018
	----- Rupees in '000 -----	
In local currency	113,976,152	99,166,975
In foreign currency	-	-
	<b>113,976,152</b>	<b>99,166,975</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

11.2 Advances include Rs. 5,026,718 millions (2018: Rs.4,658.352 millions) which have been placed under non-performing status as detailed below:

Category of classification	2019		2018	
	Non performing loans	Provision	Non performing loans	Provision
	Rupees in '000			
<b>Domestic:</b>				
Other assets especially mentioned	31,358	-	10,308	-
Substandard	96,415	3,676	129,817	4,361
Doubtful	220,469	22,501	239,992	45,855
Loss	4,678,476	4,164,008	4,278,235	4,069,005
	<b>5,026,718</b>	<b>4,190,185</b>	<b>4,658,352</b>	<b>4,119,221</b>
<b>Overseas:</b>				
Not past due but impaired	-	-	-	-
<b>Overdue by:</b>				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
<b>Total</b>	<b>5,026,718</b>	<b>4,190,185</b>	<b>4,658,352</b>	<b>4,119,221</b>

11.3 Particulars of provision against advances

	2019		2018	
	Specific	General	Specific	General
	Rupees in '000			
Opening balance	4,119,221	35,851	4,155,072	24,954
Charge for the year	404,232	7,824	412,056	309,531
Reversals	(333,268)	-	(333,268)	(468,877)
	70,964	7,824	78,788	(159,346)
Amounts written off	-	-	-	-
Closing balance	<b>4,190,185</b>	<b>43,675</b>	<b>4,233,860</b>	<b>35,851</b>

11.4 Particulars of provision against advances

	2019		2018	
	Specific	General	Specific	General
	Rupees in '000			
In local currency	4,190,185	43,675	4,233,860	35,851
In foreign currencies	-	-	-	-
	<b>4,190,185</b>	<b>43,675</b>	<b>4,233,860</b>	<b>35,851</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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	2019	2018
	----- Rupees in '000 -----	
<b>11.5 PARTICULARS OF WRITE OFFS:</b>		
Against provisions	-	-
Directly charged to profit & loss account	-	65
	<u>-</u>	<u>65</u>
<b>11.5.1</b> Write offs of Rs. 500,000 and above		
- Domestic	-	-
- Overseas	-	-
Write offs of below Rs. 500,000	-	65
	<u>-</u>	<u>65</u>

**DETAILS OF LOAN WRITE OFF OF RS. 500,000/- AND ABOVE**

In terms of sub-section (3) of section 33A of the Banking Companies Ordinance, 1962, a statement in respect of written off loans or financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2019 is given in Annexure 'I'. However, these write-offs do not affect the Bank's right to recover debts from these customers.

- 11.6** State Bank of Pakistan through BSD Circular No.1 dated October 21, 2011 has allowed benefit of the forced sales value (FSV) of plant & machinery under charge, pledged stocks & mortgaged residential, commercial and industrial properties (land and building only) held as collateral against Non-Performing Loans (NPLs) for a maximum of five years from the date of classification. As at December 31, 2019 the Bank has availed cumulative benefit of forced sale values of Rs. 572.478 million (2018: Rs. 285.790 million). Increase in unappropriated profit net of tax amounting to Rs. 372.11 million (2018: Rs. 185.764 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

		2019	2018
	Note	----- Rupees in '000 -----	
<b>12 FIXED ASSETS</b>			
Capital work-in-progress	12.1	503,430	291,647
Property and equipment	12.3	1,759,294	1,924,775
Right-of-use asset	12.8	1,071,946	-
		<u>3,334,670</u>	<u>2,216,422</u>
<b>12.1 Capital work-in-progress</b>			
Civil works		389,264	284,396
Equipment		8,080	7,251
Advances to suppliers		106,086	-
		<u>503,430</u>	<u>291,647</u>
<b>12.2 Movement in capital work-in-progress</b>			
Opening balance		291,647	260,243
Additions		225,462	194,027
Transfers		(13,679)	(162,623)
Closing balance		<u>503,430</u>	<u>291,647</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**12.3 Property and equipment**

	2019							Total
	Freehold land	Leasehold land	Building on freehold land	Furniture and fixture	Electrical, office and computer equipment	Vehicles	Leashold improvement	
----- Rupees '000 -----								
<b>At January 01, 2019</b>								
Cost / Revalued amount	58,000	891,441	288,567	251,601	980,253	25,068	790,655	786
Accumulated depreciation	-	-	84,118	140,145	655,460	18,289	462,906	678
Net book value	58,000	891,441	204,449	111,456	324,793	6,779	327,749	108
<b>Year ended December 31, 2019</b>								
Opening net book value	58,000	891,441	204,449	111,456	324,793	6,779	327,749	108
Additions	-	-	-	10,264	96,641	121	44,947	39
Disposals	-	-	-	87	73	-	-	-
Depreciation charge	-	-	28,660	25,842	148,118	2,606	112,075	32
Closing net book value	58,000	891,441	175,789	95,791	273,243	4,294	260,621	115
<b>At December 31, 2019</b>								
Cost / Revalued amount	58,000	891,441	288,567	260,289	1,066,522	25,189	835,599	825
Accumulated depreciation	-	-	112,778	164,498	793,279	20,895	574,978	710
Net book value	58,000	891,441	175,789	95,791	273,243	4,294	260,621	115
Rate of depreciation (percentage)			10%	10% - 20%	10% - 33.33%	20%	10 - 20%	10 %

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

**12.4** The leasehold land of the Bank was last revalued on February 10, 2017 by an independent valuer. The revaluation was carried out on the basis of professional assessment of market value that resulted in surplus shown in note 21. The total revaluation surplus on land aggregating to Rs 774.183 million (2018: Rs 774.183 million) has been included in the carrying value of leasehold land. Had the land not been revalued, the total carrying amount of the land as at December 31, 2019 would have been Rs. 117.258 million (2018: Rs 117.258 million). The forced sale value of the leasehold land assessed as Rs. 802.293 million (2018: Rs 802.293 million).

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

S. No	Location	Nature	Area (sq. feet)
1	The Mall, Peshawar Cantt. Peshawar	Leased hold land	20,497
2	Faysal Town, Lahore	Free hold land with multi story building	20,398
3	Phase V, Hayatabad, Peshawar	Free hold land with multi story building	10,880

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**12.6 Details of disposals of fixed assets**

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particular of purchasers
----- Rupees in '000 -----							
Furniture and fixture	1,576	1,489	87	144	57	Auction	Shafiq Electronics
Office equipment	10,372	10,299	73	520	447	Auction	Shabir Ahmad
Leasehold improvement	3	3	-	2	2	Auction	Yousaf Khan
<b>2019</b>	<b>11,951</b>	<b>11,791</b>	<b>160</b>	<b>666</b>	<b>506</b>		
2018	18,987	17,696	1,292	726	(566)		

**12.6.1** This amount also represents disposal made to employees during the year having net book value of Rs.72.226 thousand.

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

	2019	2018
	----- Rupees in '000 -----	
Building on free hold land	1,964	1,964
Furniture and fixture	62,603	62,223
Office equipment	517,831	361,083
Vehicles	18,742	11,455
Library books	649	626
leasehold improvement	299,296	207,156
	<b>901,085</b>	<b>644,507</b>

**12.8 Right of use assets:**

This has arisen due to adoption of IFRS 16 as detailed in note 3.5.2. Movement in right-of-use assets is as follows:

	2019	2018
	----- Rupees in '000 -----	
Effect of initial application of IFRS	1,410,383	-
- Additions	6,890	-
- Termination of lease	(15,946)	-
- Depreciation charge	(329,381)	-
Closing net book value	<b>1,071,946</b>	-

For information regarding cash outflow refer to statement of cash flows.

**12.9 Lease obligation against right-of-use assets:**

This has arisen due to adoption of IFRS 16 as detailed in note 3.5.2. Movement in right-of-use assets is as follows:

	2019	2018
	----- Rupees in '000 -----	
Effect of initial application of IFRS 16 as at January 01, 2019	1,297,776	-
- Additions	6,890	-
- Termination of lease	(14,477)	-
- Interest	151,587	-
- Payment	(351,029)	-
Closing net book value	<b>1,090,747</b>	-

The Bank has lease contracts for real estate that are used in its operations including Branches, Head office and other offices. Leases generally have lease terms between 1.5 years to 5 years. The Bank's obligations correspond to the lessor's title to the leased assets. Generally, the Bank is restricted from assigning and subleasing the leased assets.

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13	INTANGIBLE ASSETS	Note	2019	2018
			----- Rupees in '000 -----	
	Capital work in progress	13.1	226,693	8,299
	Licenses and computer softwares	13.2	59,562	70,551
			<b>286,255</b>	<b>78,850</b>
<b>13.1</b>	<b>Movement in capital work-in-progress</b>			
	Opening balance		8,299	71,752
	Transfer in	13.1.1	226,693	22,125
	Transfer out		(8,299)	(37,681)
	Write off		-	(47,897)
	Closing balance		<b>226,693</b>	<b>8,299</b>
<b>13.1.1</b>	The outstanding balance represents the cost of underdevelopment core banking software Temenos (T-24). Addition includes an amount of Rs.18.424 million (2018: NIL) in respect of payroll cost of employees working on implementation of T-24.			
<b>13.2</b>	<b>Licenses and computer softwares</b>			
			<b>Licenses</b>	<b>Computer software</b>
				<b>Total</b>
			----- Rupees in '000 -----	
	<b>At January 01, 2019</b>			
	Cost		59,393	138,898
	Accumulated amortization and impairment		46,355	81,385
	Net book value		13,038	57,513
	<b>Year ended December 31, 2019</b>			
	Opening net book value		13,038	57,513
	Purchases		17,370	15,091
	Amortization charge		14,287	29,163
	Closing net book value		16,121	43,441
	<b>At December 31, 2019</b>			
	Cost		76,763	153,989
	Accumulated amortization and impairment		60,642	110,548
	Net book value		16,121	43,441
	Rate of amortization (percentage)		33.33%	
	Useful life - years		3	
	Remaining amortization years		0-3	
			<b>Licenses</b>	<b>Computer software</b>
				<b>Total</b>
			----- Rupees in '000 -----	
	<b>At January 01, 2018</b>			
	Cost		58,926	90,975
	Accumulated amortization and impairment		30,675	54,402
	Net book value		28,251	36,573
	<b>Year ended December 31, 2018</b>			
	Opening net book value		28,251	36,573
	Purchases		467	47,923
	Amortization charge		15,680	26,983
	Closing net book value		13,038	57,513
	<b>At December 31, 2018</b>			
	Cost		59,393	138,898
	Accumulated amortization and impairment		46,355	81,385
	Net book value		13,038	57,513
	Rate of amortization (percentage)		33.33%	
	Useful life - years		3	
	Remaining amortization years		0-3	
<b>13.3</b>	<b>Particulars of assets written-off</b>			
			<b>2019</b>	<b>2018</b>
			----- Rupees in '000 -----	
	Against provision		-	-
	Directly charged to profit and loss		-	47,897
			<b>-</b>	<b>47,897</b>



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

15 OTHER ASSETS	Note	2019	2018
		Rupees in '000	
Income/ mark-up accrued in local currency		5,875,454	4,386,767
Profit receivable on Bai Muajjal		2,833,733	-
Advances, deposits, advance rent and other prepayments		51,940	160,898
Advance taxation (payments less provisions)		235,255	670,828
Branch adjustment account		280,825	-
Pre-IPO investment		600,000	600,000
Stationary and stamps on hand		36,590	18,863
Assets acquired in satisfaction of claims	15.1	369,339	-
Mark to market gain on forward foreign exchange contracts		88,606	47,685
Employees benefits	35.1.3	407,700	-
Others		133,437	304,048
		<b>10,912,879</b>	<b>6,189,089</b>
Less: Provision held against other assets	15.2	<b>(144,426)</b>	<b>(144,426)</b>
<b>Total</b>		<b>10,768,453</b>	<b>6,044,663</b>
<b>15.1 Non-banking assets acquired in satisfaction of claims</b>			
Opening Balance		-	-
Additions		371,800	-
Revaluation		-	-
Disposals		-	-
Depreciation		(2,461)	-
Impairment		-	-
Closing Balance		-	-
		<b>369,339</b>	<b>-</b>
<b>15.2 Provision held against other assets</b>			
Advances for Pre-IPO		(100,000)	(100,000)
Others		(44,426)	(44,426)
		<b>(144,426)</b>	<b>(144,426)</b>
<b>15.3 Movement in provision held against other assets</b>			
<b>Opening balance</b>		<b>(144,426)</b>	<b>(143,833)</b>
Charge for the year		-	593
Reversals		-	-
Closing balance		<b>(144,426)</b>	<b>(144,426)</b>
<b>16 BILLS PAYABLE</b>			
In Pakistan		1,172,155	895,126
Outside Pakistan		-	-
		<b>1,172,155</b>	<b>895,126</b>
<b>17 BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan (SBP)			
- Under Export Refinance Scheme	17.1	3,165,914	3,299,000
- Long Term Financing Facility	17.2	1,531,984	1,209,271
- Livestock Dairy		75,966	40,000
		<b>4,773,864</b>	<b>4,548,271</b>
Bai Muajjal Borrowing	17.3	26,668,034	10,478,171
Repurchase agreement borrowings	17.4	60,714,563	18,815,672
		<b>87,382,597</b>	<b>29,293,843</b>
<b>Unsecured</b>			
Call borrowings	17.5	2,500,000	1,000,000
<b>Total</b>		<b>94,656,461</b>	<b>34,842,114</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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- 17.1** The Bank has entered into agreements for financing with the State Bank of Pakistan for extending export finance to customers. As per the agreements, the Bank has granted to SBP the right to recover the outstanding amount from the Bank at the date of maturity of finance by directly debiting the current account maintained by the Bank with the SBP. Against these facilities, State Bank of Pakistan charges mark-up of 3.00% (2018: 3.00%) per annum from the Bank. Currently the Bank earns a spread ranging from 1.00% to 2.00% (2018: 1.00% to 2.00%) per annum. The borrowings are repayable within six months from the deal date.
- 17.2** These borrowings have been obtained from SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings are repayable within a period ranging from 3 years to 10 years. Against these facilities, State Bank of Pakistan charges mark-up ranging from 3.00% to 4.5% (2018: 3.00% to 4.5%) per annum from the Bank. Currently the Bank earns a spread ranging from 1.50% to 3.00% (2018: 1.50% to 3.00%) per annum.
- 17.3** This represents secured borrowing under Bai Muajjal carrying profit ranging from 12.70% to 13.70% (2018: 6.04% to 10.06%) per annum with maturities up to July 27, 2020 and are secured by way of government securities given as collateral as referred in note 10.5.
- 17.4** Repurchase agreement with financial institution carries interest rate ranging from 12.00% to 13.50% (2018: 10.18%) per annum with maturities up to January 03, 2020 and are secured by way of investments given as collateral as referred in note 10.5.
- 17.5** Call borrowing from financial institutions carries interest rate of 5.00% (2018: 9.00%) per annum with maturities up to January 02, 2020.

	2019	2018
	----- Rupees in '000 -----	
<b>17.6 Particulars of borrowings with respect to currencies</b>		
In local currency	94,656,461	34,842,114
In foreign currency	-	-
	<b>94,656,461</b>	<b>34,842,114</b>

**18 DEPOSITS AND OTHER ACCOUNTS**

	2019			2018		
	In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
	----- Rupees in '000 -----					
<b>Customers</b>						
Current deposits	34,537,778	349,580	34,887,358	33,724,537	658,829	34,383,366
Saving deposits	69,985,691	215,904	70,201,595	56,316,293	134,854	56,451,147
Term deposits	67,682,671	-	67,682,671	74,575,968	-	74,575,968
Others	8,319,314	-	8,319,314	5,595,363	-	5,595,363
	<b>180,525,454</b>	<b>565,484</b>	<b>181,090,938</b>	170,212,161	793,683	171,005,844
<b>Financial Institutions</b>						
Current deposits	114,724	-	114,724	2,689	-	2,689
Saving deposits	961,910	-	961,910	159,023	-	159,023
	<b>1,076,634</b>	-	<b>1,076,634</b>	161,712	-	161,712
	<b>181,602,088</b>	<b>565,484</b>	<b>182,167,572</b>	170,373,873	793,683	171,167,556

	2019	2018
	----- Rupees in '000 -----	
<b>18.1 Composition of deposits</b>		
Individuals	35,118,180	32,873,404
Government (Federal / Provincial)	113,654,808	107,132,822
Public sector entities	4,444,771	12,926
Banking companies	52,044	36,073
Non-banking financial institutions	1,024,591	125,639
Private sector	<b>27,873,178</b>	30,986,692
	<b>182,167,572</b>	171,167,556

- 18.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs.55,958.31 million as of December 31, 2019 (2018: Rs. 41,516.91 million).

**NOTES TO THE FINANCIAL STATEMENTS  
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19 OTHER LIABILITIES	Note	2019	2018
		----- Rupees in '000 -----	
Mark-up/ return/ interest payable in local currency		9,374,207	2,331,098
Mark-up/ return/ interest payable in foreign currency		555	69
Unearned income - Bai Muajjal Sukuk		1,872,952	-
Unearned commission and income on bills discounted		68,810	119,605
Deferred income on government schemes		33,790	37,427
Deferred income murabaha		151,809	117,499
Income reserve		14,009	4,389
Islamic pool management reserve	19.1	136,602	142,569
Accrued expenses		210,364	180,357
Unclaimed dividends		29,003	29,060
Share subscription money refund	19.2	1,091	1,091
Lease liability against right-of-use assets	19.3	1,090,747	-
Retention money		25,164	24,903
Bills payment system over the counter (BPS-OTC)		442,718	-
Mark up in suspense		38,927	22,383
Charity fund		21,593	9,156
Security deposits against ijarah		345,116	340,901
Branch adjustment account		-	754,017
Employees benefits	35.1.3	-	276,373
Mark to market loss on forward foreign exchange contracts		162,430	-
Others		87,824	94,706
		<b>14,107,711</b>	<b>4,485,603</b>

**19.1** This includes equity portion of Profit Equalization - Reserve amounting to Rs. 42.141 million (2018: Rs. 44.855 million), which has been presented as reserve in Annexure-II.

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

**19.3** This represents lease liability recognised due to adoption of IFRS 16 as detailed in note 3.5.2.

**20 SHARE CAPITAL**

**20.1 Authorized capital**

2019	2018		2019	2018
Number of shares			----- Rupees in '000 -----	
<b>1,500,000,000</b>	1,500,000,000	Ordinary shares of Rs. 10 each.	<b>15,000,000</b>	15,000,000

**20.2 Issued, subscribed and paid up**

2019	2018		2019	2018
Number of shares			----- Rupees in '000 -----	
<b>722,698,448</b>	722,698,448	<b>Ordinary shares of Rs. 10 each</b>	<b>7,226,984</b>	7,226,984
<b>277,554,037</b>	277,554,037	Fully paid in cash	<b>2,775,540</b>	2,775,540
<b>1,000,252,485</b>	1,000,252,485	Issued as fully paid bonus shares	<b>10,002,524</b>	10,002,524

**20.3** The Bank has only one class of shares and at reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 702,208,233 (2018: 702,208,233) and 244,339,031 (2018: 241,639,031) ordinary shares respectively. Moreover, the Bank has no reserved shares under options.

**NOTES TO THE FINANCIAL STATEMENTS  
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		2019	2018
		----- Rupees in '000 -----	
<b>21</b>	<b>DEFICIT ON REVALUATION OF ASSETS</b>		
	Deficit on revaluation of:		
	- Available for sale (AFS) securities	10.1 (2,392,086)	(4,429,039)
	- Deferred tax on AFS securities	14.1 837,233	1,550,164
		<u>(1,554,853)</u>	<u>(2,878,875)</u>
	- Fixed assets	12.4 774,183	774,183
		<u>(780,670)</u>	<u>(2,104,692)</u>
<b>22</b>	<b>CONTINGENCIES AND COMMITMENTS</b>		
	- Guarantees	22.1 15,054,505	15,959,908
	- Commitments	22.2 36,682,215	13,545,311
		<u>51,736,720</u>	<u>29,505,219</u>
<b>22.1</b>	<b>Guarantees:</b>		
	Financial guarantees	2,030,105	3,719,981
	Performance guarantees	12,820,129	11,689,103
	Other guarantees	204,271	550,824
		<u>15,054,505</u>	<u>15,959,908</u>
<b>22.2</b>	<b>Commitments:</b>		
	Documentary credits and short-term trade-related transactions		
	- Letters of credit	6,920,481	10,334,256
	<b>Commitments in respect of:</b>		
	- Forward government securities transactions	22.3 10,000,000	-
	- Forward foreign exchange contracts	22.4 19,026,323	3,206,101
	<b>Commitments for acquisition of:</b>		
	- Operating fixed assets	416,496	4,954
	- Intangible assets	318,915	-
		<u>36,682,215</u>	<u>13,545,311</u>
<b>22.3</b>	<b>Commitments in respect of forward government securities transactions</b>		
	Forward purchase - Pakistan Investment Bonds (PIBs)	10,000,000	-
		<u>10,000,000</u>	<u>-</u>
<b>22.4</b>	<b>Commitments in respect of forward foreign exchange contracts</b>		
	Purchase	9,069,099	1,705,102
	Sale	9,957,224	1,500,999
		<u>19,026,323</u>	<u>3,206,101</u>
<b>22.5</b>	The income tax assessments of the Bank have been finalized up to tax year 2019.		
	During financial year 2011, the tax authorities issued an amended order for the tax year 2009 disallowing certain expenditures on account of lack of evidence for such expenditure resulting in an additional tax demand of Rs. 308.9 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 favour of the Bank. Subsequently, CIR went in to appeal in Peshawar High Court. The management is confident that matter will be decided in Bank's favour.		
<b>23</b>	<b>MARK-UP / RETURN / INTEREST EARNED</b>	2019	2018
		----- Rupees in '000 -----	
	On:		
	a) Loans and advances	12,782,497	6,868,962
	b) Investments	9,434,051	6,724,660
	c) Balances with banks	126,796	28,471
	d) Lendings to financial institutions	943,337	349,571
	e) Sukuk bonds	1,369,854	714,801
		<u>24,656,535</u>	<u>14,686,465</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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		2019	2018
	Note	----- Rupees in '000 -----	
<b>24 MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		15,340,577	7,644,080
Borrowings		4,398,453	1,903,004
		<u>19,739,030</u>	<u>9,547,084</u>
<b>25 FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		42,450	68,123
Consumer finance related fees		5,298	7,643
Debit card related fees		39,954	32,839
Credit related fees		64,108	67,231
Investment banking fees		29,739	16,653
Commission on trade		12,838	5,847
Commission on guarantees		170,444	173,715
Commission on cash management		55	-
Commission on remittances including home remittances		28,210	29,788
Others		4,538	5,054
		<u>397,634</u>	<u>406,893</u>
<b>26 GAIN / (LOSS) ON SECURITIES</b>			
Realised	26.1	291,583	(1,226,265)
Unrealised		(1,819)	-
		<u>289,764</u>	<u>(1,226,265)</u>
<b>26.1 Realised gain / (loss) on:</b>			
Federal Government Securities		258,612	(1,018,594)
Shares		34,892	(207,671)
Non Government Debt Securities		(1,921)	-
		<u>291,583</u>	<u>(1,226,265)</u>
<b>27 OTHER INCOME</b>			
Postal, swift and other services		100,169	70,753
Rent on property		2,791	2,579
Service income on Government schemes		18,038	7,289
Rebate from financial institutions		5,453	24,204
Gain / (Loss) on sale fixed assets		506	(563)
		<u>126,957</u>	<u>104,262</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

28	OPERATING EXPENSES	Note	2019	2018
			Rupees in '000	
	Total compensation expense	28.2	1,729,028	2,268,930
	<b>Property expense</b>			
	Rent and taxes		5,609	354,889
	Utilities cost		145,921	123,054
	Security (including guards)		136,559	120,118
	Repair and maintenance		3,841	3,577
	Depreciation - Right of use assets		329,381	-
	Depreciation - Non banking assets acquired in satisfaction of claims		2,461	-
	Depreciation		140,735	138,130
			<b>764,507</b>	<b>739,768</b>
	<b>Information technology expenses</b>			
	Software maintenance		80,020	34,386
	Hardware maintenance		23,949	31,221
	Depreciation		148,031	124,559
	Amortization		43,450	42,663
	Network charges		12,735	11,645
	ATM charges		131,192	120,653
	Others		-	1,989
			<b>439,377</b>	<b>367,116</b>
	<b>Other operating expenses</b>			
	Directors' fees and allowances		9,213	10,941
	Fees and allowances to Shariah Board		320	352
	Legal and professional charges		23,385	34,782
	Travelling and conveyance		66,882	65,837
	Depreciation		28,567	26,247
	Assets written off	13.3	-	47,897
	Entertainment		28,840	27,542
	Newspapers and periodicals		1,728	1,533
	Outsourced services cost	34.1	79,059	81,482
	Postage and courier charges		24,806	23,890
	Communication		51,144	63,031
	Brokerage and commission		51,732	22,078
	Rent and taxes		1,587	1,621
	Stationery and printing		45,068	48,778
	Marketing, advertisement and publicity		40,846	34,306
	Cash carriage charges		44,442	39,803
	Donations		-	59
	Repair and maintenance		11,606	5,112
	Insurance		40,167	37,916
	Training and development		8,775	8,425
	NIFT clearing charges		13,644	11,159
	Auditors remuneration	28.3	11,375	13,164
	Fee and subscription		6,615	3,291
	Deposit protection premium		66,427	40,836
	Others		31,279	26,351
			<b>687,507</b>	<b>676,433</b>
			<b>3,620,419</b>	<b>4,052,247</b>

**28.1** Total cost for the year included in other operating expenses relating to outsourced activities is Rs.80.109 million (2018: Rs. 81.482 million) which pertains to the payment to companies incorporated in Pakistan. Outsourced activities mainly include janitorial services, cash sorters etc.

**NOTES TO THE FINANCIAL STATEMENTS  
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		2019	2018
	Note	----- Rupees in '000 -----	
<b>28.2 Total compensation expense</b>			
Managerial remuneration			
Fixed		932,007	867,417
Variable - cash bonus / awards etc.		65,485	81,322
Contribution to defined contribution plan		69,217	114,141
Charge for defined benefit plan	35.1.7	(570,324)	101,062
Charge for compensated absences		5,427	47,833
Rent and house maintenance		367,946	344,767
Fuel ceiling entitlement		223,697	215,862
Utilities		122,481	114,572
Voluntary separation scheme		195,573	114,963
Medical		148,460	115,418
Insurance		47,162	52,575
Special duty allowance		23,177	20,632
Conveyance		82,080	73,072
Others		16,640	5,293
<b>Grand total</b>		<b>1,729,028</b>	<b>2,268,929</b>
<b>28.3 Auditors' remuneration</b>			
Audit fee		3,019	3,019
Fee for other statutory certifications		5,886	7,979
Out-of-pocket expenses		2,470	2,166
		<b>11,375</b>	<b>13,164</b>
<b>29 OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		17,762	25,150
Others - mark-up expense on lease liability against right-of-use assets		151,587	-
		<b>169,349</b>	<b>25,150</b>
<b>30 PROVISIONS AND WRITE OFFS - NET</b>			
Reversal for diminution in value of investments	10.6	99,880	23,171
(Provisions)/reversal against loans and advances	11.3	(78,788)	148,449
Loans write offs		-	(65)
Provisions against other assets	15.3	-	(593)
		<b>21,092</b>	<b>170,962</b>
<b>31 TAXATION</b>			
Current		889,822	276,392
Prior years		79,670	(15,716)
Deferred		(14,220)	(20,174)
	31.1	<b>955,272</b>	<b>240,502</b>
<b>31.1 Relationship between tax expense and accounting profit</b>			
Profit before tax		2,261,311	706,601
Profit at the applicable rate of 35% (2018: 35%)		791,459	247,310
Prior year tax	31.1.1	79,670	(15,716)
Super tax		87,919	28,370
Permanent difference		40,794	-
Others		(44,570)	(19,462)
		<b>955,272</b>	<b>240,502</b>

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**31.1.1** This includes super tax of Rs. 102 million, in respect of accounting year 2017. The Finance Supplementary (Second Amendment) Act, 2019 has reversed the phase-wise reduction in rate of super tax for banking companies from 4% to 3% and further levied additional super tax charge at 4% for tax year 2018 (accounting year 2017) which was previously not chargeable.

<b>32 BASIC AND DILUTED EARNING PER SHARE</b>	<b>2019</b>	<b>2018</b>
Profit for the year - Rupees	<u>1,306,039,000</u>	<u>466,099,000</u>
Weighted average number of ordinary shares	<u>1,000,252,485</u>	<u>1,000,252,485</u>
Basic earnings per share - rupee/share	<u>1.31</u>	<u>0.47</u>

**32.1** There is no dilution effect on basic earnings per share

<b>33 CASH AND CASH EQUIVALENTS</b>	<b>2019</b>	<b>2018</b>
	----- Rupees in '000 -----	
Cash and balance with treasury banks	<u>12,137,805</u>	<u>12,351,453</u>
Balance with other banks	<u>8,230,072</u>	<u>3,705,360</u>
	<u>20,367,877</u>	<u>16,056,813</u>

**33.1** Cash and cash equivalents are carried at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances and short-term investments that are highly liquid and readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

<b>34 STAFF STRENGTH</b>	<b>Number</b>	
Permanent	<u>1,334</u>	<u>1,373</u>
On contractual basis	<u>8</u>	<u>15</u>
Bank's own staff strength at the end of the year	<u>1,342</u>	<u>1,388</u>
Bank's own average staff strength	<u>1,365</u>	<u>1,366</u>

**34.1** In addition to the above, 883 (2018: 841) employees of outsourcing services companies were assigned to the Bank as at the end of the year. No staff was assigned by the Bank to perform activities outside Pakistan.

**35 EMPLOYEE BENEFITS**

**35.1 General description-gratuity fund**

General description of the type of defined benefit plan and the accounting policy for recognizing actuarial gains and losses are disclosed in notes 5.6 and 6.11 to these financial statements.

**35.1.1 Number of employees under the scheme**

The number of employees covered under the scheme are 1,334 (2018: 1,245).

**35.1.2 Principal actuarial assumptions**

The actuarial valuation was carried out as at December 31, 2019 using the following significant assumptions:

	<b>2019</b>	<b>2018</b>
	----- Per annum -----	
Discount rate	<u>11.25%</u>	<u>13.25%</u>
Expected rate of return on plan assets	<u>11.25%</u>	<u>13.25%</u>
Expected rate of salary increase-long term	<u>9.25%</u>	<u>11.25%</u>
Expected rate of salary increase-short term	<u>9.25%</u>	<u>8.25%</u>
Average expected remaining working life (years)	<u>8.81</u>	<u>9.73</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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		2019	2018
		----- Rupees in '000 -----	
<b>35.1.3</b>	<b>Reconciliation of payable to defined benefit plan</b>		
		<b>Note</b>	
	Present value of obligation	<b>35.1.4</b>	(457,349)
	Fair value of plan assets	<b>35.1.5</b>	865,049
			<u>407,700</u>
<b>35.1.4</b>	<b>Movement in defined benefit obligation</b>		
	Obligations at the beginning of the year		972,179
	Current service cost		52,500
	Interest cost		40,144
	Past service cost (benefit rule changes)	<b>35.1.4.2</b>	(562,374)
	Past service cost (late joiners)		4,964
	Benefits paid		(184,898)
	Re-measurement loss	<b>35.1.8</b>	134,834
	Obligation at the end of the year	<b>35.1.4.1</b>	<u>457,349</u>
<b>35.1.4.1</b>	This includes Rs.1.478 million (2018: Rs.15.223 million) payable to outgoing employees.		
<b>35.1.4.2</b>	The negative past service cost is due to the amendment in the gratuity plan as approved by Board of Directors in the meeting held on May 24, 2019. The change in the HR policy has been disclosed in note 6.11.1.		
<b>35.1.5</b>	<b>Movement in fair value of plan assets</b>		
		<b>Note</b>	
	Fair value at the beginning of the year		792,299
	Expected return on plan assets		105,558
	Contribution by the Bank		179,880
	Benefits paid by the Fund		(184,898)
	Re-measurements	<b>35.1.8</b>	(27,790)
	Fair value at the end of the year		<u>865,049</u>
<b>35.1.6</b>	<b>Movement in payable/receivable under defined benefit scheme</b>		
	Opening balance		(179,880)
	Charge for the year		570,324
	Contribution by the Bank		179,880
	Re-measurement loss recognised in OCI	<b>35.1.8</b>	(162,624)
	Closing balance		<u>407,700</u>
<b>35.1.7</b>	<b>Cost recognised in profit and loss</b>		
	Current service cost		(52,500)
	Past service cost		557,410
	Net interest		65,414
			<u>570,324</u>
<b>35.1.8</b>	<b>Re-measurement recognised in OCI</b>		
	Loss on obligation		
	- Financial assumptions		40,659
	Experience adjustment		
	- Due to actual salary increase		-
	- Due to actual withdrawal		94,175
	- Due to other reasons		-
			<u>134,834</u>
	Return on plan assets over interest income		27,790
	<b>Total remeasurement recognized in OCI</b>		<u>162,624</u>
<b>35.1.9</b>	<b>Components of plan assets</b>		
	Cash and cash equivalents		1,892
	Investment in term deposit receipts (TDR)		803,164
	Shares		20,257
	Non-Government debt securities		59,736
			<u>885,049</u>
	Less: provision against securities		(20,000)
			<u>865,049</u>

**NOTES TO THE FINANCIAL STATEMENTS  
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**35.1.10 Sensitivity analysis**

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

	2019	2018
	<b>Present Value of Defined Benefit Obligation</b>	
	----- Rupees in '000 -----	
<b>Current liability</b>	<b>457,349</b>	972,179
1% increase in discount rate	426,212	885,860
1% decrease in discount rate	489,528	1,071,939
1 % increase in expected rate of salary increase	463,262	1,075,467
1 % decrease in expected rate of salary increase	449,572	881,570
10% increase in withdrawal rates	457,477	973,363
10% decrease in withdrawal rates	454,257	970,379
1 Year Mortality age set back	458,828	971,092
1 Year Mortality age set forward	452,886	972,667
<b>35.1.11 Expected contribution to be paid to the Fund in the next financial year</b>	-	179,880
<b>35.1.12 Expected charge for the next financial year</b>	<b>22,261</b>	123,496

	2019	2018
	<b>Undiscounted Payments</b>	
	----- Rupees in '000 -----	
<b>35.1.13 Maturity profile</b>		
Particulars		
Year 1	62,029	81,567
Year 2	38,455	47,630
Year 3	35,726	59,627
Year 4	65,928	49,757
Year 5	38,025	102,980
Year 6 to 10	295,360	660,035
Year 11 and above	847,893	4,961,231

**35.1.14 Funding policy**

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

**35.1.15 Significant risk associated**

	2019	2018
Asset volatility	1.57%	0.50%
Changes in TDR yields	-1.50%	3.50%
Inflation risk	9.50%	6.17%
Life expectancy / withdrawal rate	8.50%	10.00%

**35.2 COMPENSATED ABSENCES**

During the year the bank discontinued the leave encashment policy by paying off outstanding liability in respect of leave encashment hence no liability is outstanding as at December 31, 2019 (2018: 96.493 million).

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

General description of the Fund is disclosed in note 6.11.2 to these financial statements. The number of employees covered under the scheme are 1,334 (2018: 1,373). During the year the Bank has contributed Rs. 69.217 million (2018: Rs. 114.140 million) to the Fund.

**NOTES TO THE FINANCIAL STATEMENTS  
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**36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL**

**36.1 Total compensation expense**

Description	2019						
	Directors		Members shariah board	Managing Director	Key management personnel	Other material risk takers / controllers	Executives
	Chairman	Executive (other than Managing Director)					
	313	-	6,689	-	-	-	-
Fees and allowances etc.	-	-	-	-	-	-	-
Managerial remuneration	-	-	-	8,000	40,763	22,989	137,250
Fixed	-	-	-	-	-	-	-
Variable - cash bonus / awards etc.	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	-	-	-
Rent & house maintenance	-	-	-	800	17,172	1,947	11,500
Utilities	-	-	-	400	5,486	10,345	62,034
Medical	-	-	-	282	5,486	3,448	20,587
Conveyance	-	-	-	67	5,486	3,448	20,587
Additional allowances	-	-	-	600	13,365	8,555	59,714
Contractual allowances	-	-	1,171	-	5,842	2,165	6,651
Other allowances	-	-	-	-	3,143	-	-
Others	132	-	908	1,333	-	-	-
<b>Total</b>	<b>445</b>	<b>-</b>	<b>8,768</b>	<b>11,201</b>	<b>94,212</b>	<b>53,068</b>	<b>326,093</b>
Number of persons	1	1	6	3	13	9	86

**NOTES TO THE FINANCIAL STATEMENTS  
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2018

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

Rupees in 000

- For the purpose of this disclosure means officers, other than the chief executive and directors, whose basic salary exceeds twelve hundred thousand rupees in the financial year.

**NOTES TO THE FINANCIAL STATEMENTS  
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**36.2 Remuneration paid to directors for participation in board and committee meetings**

**2019**

Sr. No.	Name	For board meetings	Meeting Fees and Allowances Paid					Total amount paid
			Audit committee	HR&RC committee	IT Steering committee	Compliance committee	Risk management committee	
1	Mr. Shehzad Khan Bangash (Chairman)	445	-	-	-	-	-	445
2	Mr. Shakeel Qadir Khan	268	250	-	250	-	138	906
3	Mr. Javed Akhtar	358	473	-	-	172	455	1,458
4	Mr. Shehyar Ahmed	515	533	422	217	167	230	2,084
5	Mr. Rashid Ali Khan	247	222	288	167	172	222	1,318
6	Mr. Asad Muhammad Iqbal	499	549	238	250	-	-	1,536
7	Mr. Maqsood Ismail Ahmad	398	216	363	-	-	491	1,468
	<b>Total amount paid</b>	<b>2,730</b>	<b>2,243</b>	<b>1,311</b>	<b>884</b>	<b>511</b>	<b>1,536</b>	<b>9,215</b>

**2018**

Sr. No.	Name	For board meetings	Meeting Fees and Allowances Paid					Total amount paid
			Audit committee	HR&RC committee	IT steering committee	Compliance Committee	Risk management committee	
1	Mr. Shehzad Khan Bangash (Chairman)	375	-	-	-	-	-	375
2	Mr. Shakeel Qadir Khan	375	438	-	125	-	62	1,000
3	Mr. Javed Akhtar	375	375	-	-	-	313	1,063
4	Mr. Shehyar Ahmed	375	438	63	125	-	187	1,188
5	Mr. Rashid Ali Khan	250	188	188	125	-	188	939
6	Mr. Asad Muhammad Iqbal	375	438	250	313	-	124	1,500
7	Mr. Maqsood Ismail Ahmad	375	-	250	-	-	313	938
	<b>Total amount paid</b>	<b>2,500</b>	<b>1,877</b>	<b>751</b>	<b>688</b>	<b>-</b>	<b>1,187</b>	<b>7,003</b>

**NOTES TO THE FINANCIAL STATEMENTS  
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**36.3 Remuneration paid to shariah board members**

Description	2019			2018		
	Chairman	Resident member	Non-resident members	Chairman	Resident member	Non-resident member
Rupees in '000						
a. Meeting fees and allowances	-	-	-	50	2,639	150
b. Monthly remuneration	2,100	4,340	1,980	525	1,679	452
c. Bonus	-	-	-	-	-	-
d. Travelling and accommodation	157	162	-	119	-	33
Total amount	2,257	4,502	1,980	694	4,318	635
Total number of persons	1	1	1	2	1	3

**37**

**FAIR VALUE MEASUREMENTS**

The fair value of quoted investments other than those classified as held to maturity is based on quoted market prices. The fair value of unquoted equity investments is determined on the basis of break-up value of these investments as per their latest available audited financial statements. The fair value of fixed term loans, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.3.

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

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

**37.1**

**Fair value of financial assets**

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

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

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

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

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

	2019			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>On balance sheet financial instruments</b>				
<b>Financial assets - measured at fair value</b>				
<b>Investments</b>				
Federal Government Securities	-	116,391,361	-	116,391,361
Shares	270,554	-	-	270,554
Term Finance Certificates	-	1,376,000	-	1,376,000
<b>Financial assets - disclosed but not measured at fair value</b>				
<b>Investments</b>				
Federal Government Securities	-	24,479,940	-	24,479,940
Shares	-	56,258	-	56,258
Non-Government Debt Securities	-	4,296,485	-	4,296,485
Associates	-	40,504	-	40,504
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	9,069,099	-	9,069,099
Forward sale of foreign exchange	-	9,957,224	-	9,957,224
<b>On balance sheet financial instruments</b>				
<b>Financial assets measured at fair value</b>				
<b>Available-for-sale securities</b>				
- Federal Government Securities	-	63,926,594	-	63,926,594
- Shares in listed companies	156,958	-	-	156,958
- Term Finance Certificates (TFCs)	-	1,600,000	-	1,600,000
<b>Financial assets - disclosed but not measured at fair value</b>				
<b>Investments</b>				
Federal Government Securities	-	23,094,895	-	23,094,895
Shares	-	56,258	-	56,258
Non-Government Debt Securities	-	5,358,030	-	5,358,030
Associates	-	40,504	-	40,504
<b>Off-balance sheet financial instruments - measured at fair value</b>				
Forward purchase of foreign exchange	-	1,705,102	-	1,705,102
Forward sale of foreign exchange	-	1,500,999	-	1,500,999

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

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

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

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

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

**(b) Financial instruments in level 2**

Financial instruments included in level 2 comprise of Sukuk Bonds, Pakistan Investment Bonds, Market Treasury Bills, Term Finance certificates, FX options and Forward Exchange Contracts.

**NOTES TO THE FINANCIAL STATEMENTS  
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**(c) Financial instruments in level 3**

Currently, no financial instruments are classified in level 3.

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

**Fully paid-up ordinary shares**

Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

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

Pakistan Investment Bonds / Market Treasury Bills

Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates for fixed rate securities and PKFRV rates for floating rate PIB's. (Reuters page).

Government of Pakistan (GoP) - Ijarah Sukuks

Fair values of GoP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers.

Term Finance, Bonds and Sukuk certificates

Investments in debt securities (comprising term finance certificates, bonds, Sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. In the determination of the rates, the MUFAP takes into account the holding pattern of these securities and categorises these as traded, thinly traded and non-traded securities.

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

Operating fixed assets (Leasehold land)

Leasehold land are revalued on regular basis using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.

**NOTES TO THE FINANCIAL STATEMENTS  
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**38 SEGMENT INFORMATION**

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

	2019				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
----- Rupees in 000 -----					
<b>Profit and loss</b>					
Net mark-up/return/profit	3,014,563	791,016	555,400	556,526	4,917,505
Non mark-up / return / interest income	163,299	866,308	23,437	59,437	1,112,482
<b>Total income</b>	<b>3,177,862</b>	<b>1,657,324</b>	<b>578,837</b>	<b>615,963</b>	<b>6,029,987</b>
Segment direct expenses	1,021,731	2,186,361	183,877	397,799	3,789,768
<b>Total expenses</b>	<b>1,021,731</b>	<b>2,186,361</b>	<b>183,877</b>	<b>397,799</b>	<b>3,789,768</b>
Provisions / (reversals)	41,658	1,206,160	18,362	(1,287,272)	(21,092)
<b>Profit before tax</b>	<b>2,114,473</b>	<b>(1,735,197)</b>	<b>376,598</b>	<b>1,505,436</b>	<b>2,261,311</b>
<b>Balance sheet</b>					
Cash and bank balances	5,894,936	4,876,397	8,660,762	935,782	20,367,877
Lendings to financial institutions	-	13,863,449	-	-	13,863,449
Investments	13,546,197	133,364,905	-	-	146,911,102
Advances - performing	71,792,054	7,909,726	4,647,170	20,366,624	104,715,574
Advances - non performing	263,510	1,755,876	58,329	2,949,003	5,026,718
Operating fixed assets/intangible assets	-	-	-	3,620,925	3,620,925
Deferred tax assets	885,286	26,109	3,448	116,311	1,031,154
Others	5,964,368	496,990	291,879	4,015,216	10,768,453
<b>Total assets</b>	<b>98,346,351</b>	<b>162,293,452</b>	<b>13,661,588</b>	<b>32,003,861</b>	<b>306,305,252</b>
Bills payable	-	-	1,172,155	-	1,172,155
Borrowings	-	89,882,597	-	4,773,864	94,656,461
Deposits and other accounts	76,510,380	80,299,466	-	25,357,726	182,167,572
Others	5,925,239	6,218,679	-	1,963,793	14,107,711
<b>Total liabilities</b>	<b>82,435,619</b>	<b>176,400,742</b>	<b>1,172,155</b>	<b>32,095,383</b>	<b>292,103,899</b>
Equity	15,910,732	(14,107,290)	12,489,433	(91,522)	14,201,353
<b>Total equity and liabilities</b>	<b>98,346,351</b>	<b>162,293,452</b>	<b>13,661,588</b>	<b>32,003,861</b>	<b>306,305,252</b>
<b>Contingencies and commitments</b>	<b>14,600,793</b>	<b>31,243,663</b>	<b>207,609</b>	<b>5,684,655</b>	<b>51,736,720</b>
<b>Additions- Operating fixed assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152,012</b>	<b>152,012</b>
----- Rupees in 000 -----					
	2018				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
<b>Profit and loss</b>					
Net mark-up/return/profit	3,287,594	327,439	216,370	1,307,978	5,139,381
Non mark-up / return / interest income	353,550	(1,012,370)	24,283	108,192	(526,345)
<b>Total Income</b>	<b>3,641,144</b>	<b>(684,931)</b>	<b>240,654</b>	<b>1,416,170</b>	<b>4,613,036</b>
Segment direct expenses	2,525,386	715,405	75,981	760,625	4,077,397
<b>Total expenses</b>	<b>2,525,386</b>	<b>715,405</b>	<b>75,981</b>	<b>760,625</b>	<b>4,077,397</b>
Provisions / (reversals)	(14,936)	(98,715)	43,149	(100,460)	(170,962)
<b>Profit before tax</b>	<b>1,130,694</b>	<b>(1,301,621)</b>	<b>121,524</b>	<b>756,005</b>	<b>706,601</b>
<b>Balance sheet</b>					
Cash and bank balances	9,051,401	688,021	6,298,606	18,785	16,056,813
Investments	-	7,695,642	-	-	7,695,642
Lendings to financial institutions	90,491,491	1,518,261	-	2,223,487	94,233,239
Advances - performing	53,927,972	1,864,977	4,212,236	30,348,366	90,353,551
Advances - non performing	181,146	112,391	41,731	4,323,084	4,658,352
Operating fixed assets/intangible assets	-	-	-	2,295,272	2,295,272
Deferred tax assets	1,640,876	(3,184)	3,448	116,311	1,757,451
Others	3,168,513	89,272	220,290	2,566,587	6,044,663
<b>Total assets</b>	<b>158,461,399</b>	<b>11,965,380</b>	<b>10,776,311</b>	<b>41,891,892</b>	<b>223,094,983</b>
Bills payable	-	-	895,126	-	895,126
Borrowings	-	30,293,843	-	4,548,271	34,842,114
Deposits and other accounts	128,375,667	6,846,702	1,711,676	34,233,511	171,167,556
Others	3,364,202	179,424	44,856	897,120	4,485,603
<b>Total liabilities</b>	<b>131,739,869</b>	<b>37,319,969</b>	<b>2,651,658</b>	<b>39,678,902</b>	<b>211,390,399</b>
Equity	26,721,530	(25,354,590)	8,124,654	2,212,990	11,704,584
<b>Total equity and liabilities</b>	<b>158,461,399</b>	<b>11,965,379</b>	<b>10,776,312</b>	<b>41,891,892</b>	<b>223,094,983</b>
<b>Contingencies and commitments</b>	<b>18,769,612</b>	<b>3,206,101</b>	<b>2,646,165</b>	<b>4,883,341</b>	<b>29,505,219</b>
<b>Additions- Operating fixed assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>241,697</b>	<b>241,697</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**
**38.2 Segment details with respect to geographical locations**
**Geographical segment analysis**

	2019				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
----- Rupees in 000 -----					
<b>Profit before tax</b>					
In Pakistan	2,114,473	(1,735,197)	376,599	1,505,436	2,261,311
Outside Pakistan	-	-	-	-	-
	<u>2,114,473</u>	<u>(1,735,197)</u>	<u>376,599</u>	<u>1,505,436</u>	<u>2,261,311</u>
<b>Total assets</b>					
In Pakistan	98,346,351	162,293,452	13,661,588	32,003,861	306,305,252
Outside Pakistan	-	-	-	-	-
	<u>98,346,351</u>	<u>162,293,452</u>	<u>13,661,588</u>	<u>32,003,861</u>	<u>306,305,252</u>
<b>Net assets employed</b>					
In Pakistan	15,910,732	(14,107,290)	12,489,433	(91,522)	14,201,353
Outside Pakistan	-	-	-	-	-
	<u>15,910,732</u>	<u>(14,107,290)</u>	<u>12,489,433</u>	<u>(91,522)</u>	<u>14,201,353</u>
<b>Total equity and liabilities</b>	<u>15,910,732</u>	<u>(14,107,290)</u>	<u>12,489,433</u>	<u>(91,522)</u>	<u>14,201,353</u>
<b>Contingencies and commitments</b>	<u>14,600,793</u>	<u>31,243,663</u>	<u>207,609</u>	<u>5,684,655</u>	<u>51,736,720</u>
	2018				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
----- Rupees in 000 -----					
<b>Profit before tax</b>					
In Pakistan	1,130,694	(1,301,621)	121,524	756,005	706,602
Outside Pakistan	-	-	-	-	-
Total Income	1,130,694	(1,301,621)	121,524	756,005	706,602
<b>Total assets</b>					
In Pakistan	158,461,399	11,965,380	10,776,311	41,891,892	223,094,983
Outside Pakistan	-	-	-	-	-
	<u>158,461,399</u>	<u>11,965,380</u>	<u>10,776,311</u>	<u>41,891,892</u>	<u>223,094,983</u>
<b>Net assets employed</b>					
In Pakistan	26,721,530	(25,354,590)	8,124,654	2,212,990	11,704,584
Outside Pakistan	-	-	-	-	-
	<u>26,721,530</u>	<u>(25,354,590)</u>	<u>8,124,654</u>	<u>2,212,990</u>	<u>11,704,584</u>
Contingencies and commitments	<u>18,769,612</u>	<u>3,206,101</u>	<u>2,646,165</u>	<u>4,883,341</u>	<u>29,505,219</u>

**39 TRUST ACTIVITIES**

The Bank is not engaged in any significant trust activities.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 40 RELATED PARTY TRANSACTIONS

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

Banking transactions with related parties are carried out in the normal course of business at agreed terms. Contribution to and accruals in respect of staff retirement benefit plan are made in accordance with actuarial valuations. Remuneration to the executives, disclosed in note 36 to these financial statements are determined in accordance with terms of their appointments.

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

	2019					2018						
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
<b>Advances</b>												
Opening balance	-	123,598	-	-	-	-	260,785	-	-	-	-	-
Addition during the year	-	39,859	-	-	-	-	67,771	-	-	-	-	-
Repaid during the year	-	19,112	-	-	-	-	13,894	-	-	-	-	-
Transfer in / (out) - net	-	10,281	-	-	-	-	(191,064)	-	-	-	-	-
<b>Closing balance</b>	-	<b>154,626</b>	-	-	-	-	<b>123,598</b>	-	-	-	-	-
Provision held	-	-	-	-	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>												
Opening balance	-	24,081	30,067	2,185,683	-	26,773	21,546	1,960,438	-	-	-	-
Received during the year	-	128,446	39,564	845,046	-	183,589	38,136	1,079,463	-	-	-	-
Withdrawn during the year	-	127,389	40,972	688,321	-	160,808	29,731	860,523	-	-	-	-
Transfer in / (out) - net	-	(117)	-	-	-	(25,473)	116	6,305	-	-	-	-
<b>Closing balance</b>	-	<b>25,021</b>	<b>28,659</b>	<b>2,342,408</b>	-	<b>24,081</b>	<b>30,067</b>	<b>2,185,683</b>	-	-	-	-
<b>Other liabilities</b>												
Accrued mark-up	-	288	1,718	58,716	-	788	842	1,524	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019				2018			
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
<b>Income</b>								
Mark-up / return / interest earned	-	2,949	-	-	-	1,809	-	-
<b>Expense</b>								
Mark-up / return / interest expensed	-	810	2,948	226,917	-	824	1,281	134,641
Operating expenses	20,414	94,212	-	-	35,097	89,715	-	-

Rupees in '000

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
	----- Rupees in '000 -----	
<b>41 CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS</b>		
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	<u>10,002,524</u>	<u>10,002,524</u>
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible common equity tier 1 (CET 1) capital	<u>13,204,421</u>	9,587,071
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	<u>13,204,421</u>	9,587,071
Eligible tier 2 capital	-	35,851
Total eligible capital (Tier 1 + Tier 2)	<u>13,204,421</u>	9,622,922
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	<u>58,970,352</u>	55,368,559
Market risk	<u>16,711,426</u>	12,766,137
Operational risk	<u>10,642,475</u>	10,259,721
<b>Total</b>	<u>86,324,253</u>	78,394,417
Common equity tier 1 capital adequacy ratio	<u>15.30%</u>	12.23%
Tier 1 capital adequacy ratio	<u>15.30%</u>	12.23%
Total capital adequacy ratio	<u>15.30%</u>	12.28%
<b>National minimum capital requirements prescribed by SBP</b>		
CET1 minimum ratio	6.00%	6.00%
ADT-1 minimum ratio	1.50%	1.50%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
Capital conservation buffer (CCB- consisting of CET1 only)	2.50%	1.90%
Total capital plus CCB	12.50%	11.90%
<b>Leverage Ratio (LR):</b>		
Eligible tier-1 capital	13,204,421	9,587,071
Total exposures	<u>305,453,822</u>	263,853,741
Leverage ratio	<u>4.32%</u>	3.63%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	60,536,707	60,817,347
Total net cash outflow	<u>48,785,693</u>	55,418,370
Liquidity coverage ratio	<u>124.09%</u>	109.74%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	132,085,894	116,343,436
Total required stable funding	<u>111,614,902</u>	97,573,326
Net stable funding ratio	<u>118.34%</u>	119.24%

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**42 RISK MANAGEMENT**

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

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

Enterprise Risk Management Division (ERMD) is responsible for Market and Liquidity Risk policy formulation, procedures development, controlling of market and liquidity related various risks including monitoring of exposures against limits and assessment of risks in new businesses. ERMD ensures that the bank's position in Money Market, Foreign exchange, and Capital Market transactions remain within the assigned internal and regulatory limits. Market and liquidity Early Warning Indicators (EWI) and Portfolio-wise Management Action Triggers (MAT) are duly reported to the management. Similarly ERMD also assess the impact of operational risk of loss due to an event or action causing failure of technology, process infrastructure, personnel and other external events. Their impact is assessed through Risk Control Self Assessment (RCSAs), Key risk indicators (KRIs) and loss data base. Owing to growing importance of regulatory reporting, a Basel II and Regulatory reporting department has also been established to keep the Bank in line with various regulatory requirements, and Enterprise Risk Management Division works in liaison with it for capital adequacy ratio, Liquidity Coverage Ratio, and Net Stable Funding Ratio calculation and reporting to SBP.

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



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**42.1.3 Advances**

**Credit risk by industry sector**

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Agriculture, forestry, hunting and fishing	3,270,390	3,196,828	239,246	229,298	211,497	215,514
Mining and quarrying	43,151	56,721	-	-	-	-
Textile	9,575,994	12,881,465	555,590	555,590	555,590	555,590
Chemical and pharmaceuticals	1,330,907	1,648,067	89,093	125,199	89,093	125,199
Petro chemical	827,565	1,093,009	19,729	22,627	7,179	3,000
Auto loans	665,593	606,165	3,247	3,302	3,247	2,350
Cement	4,649,505	3,432,792	2,532	2,647	2,532	2,647
Sugar	2,259,199	2,837,309	849,199	657,699	848,351	650,476
Engineering	929	929	929	929	929	929
Footwear and leather garments	120,443	110,122	106,704	106,704	106,704	106,704
CNG / gas stations	106,509	105,922	27,056	30,797	19,904	27,549
Automobile and transportation equipment	1,044,481	1,038,841	268,449	292,989	192,151	198,600
Trade	3,548,078	3,424,008	493,068	348,555	260,338	264,029
Construction	1,870,177	1,464,834	215,106	192,271	187,675	190,585
Communication	71,191	76,427	67,191	67,191	67,191	67,191
Ghee and cooking oil	737,547	645,649	43,169	43,169	43,169	43,169
Food and beverages	1,579,451	2,040,157	609,848	590,348	553,461	538,852
Power (electricity), gas, water, sanitary	98,431	635,268	17,840	17,840	17,840	14,925
Financial	353,289	687,043	160,216	160,216	160,215	160,216
Services	1,803,272	1,895,581	92,083	111,467	36,730	32,830
Metal products	4,286,756	3,242,617	187,010	24,583	140,541	24,583
Individuals / personal	2,346,886	2,707,039	50,312	53,889	45,312	48,773
Miscellaneous manufacturing	5,307,823	4,193,956	658,551	823,485	398,014	683,138
Commodity	35,000,000	49,195,650	-	-	-	-
Others	33,078,585	1,950,576	270,550	197,557	242,522	162,372
	<b>113,976,152</b>	<b>99,166,975</b>	<b>5,026,718</b>	<b>4,658,352</b>	<b>4,190,185</b>	<b>4,119,221</b>

**Credit risk by public / private sector**

	Gross advances		Non-performing advances		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Public/ Government	65,338,834	49,595,309	-	-	-	-
Private	48,637,318	49,571,666	5,026,718	4,658,352	4,190,185	4,119,221
	<b>113,976,152</b>	<b>99,166,975</b>	<b>5,026,718</b>	<b>4,658,352</b>	<b>4,190,185</b>	<b>4,119,221</b>

Note

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019	2018
	Rupees '000	
<b>42.1.4 Contingencies and commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, forestry, hunting and fishing	559,027	253,791
Engineering	5,034	644,406
Petrochemicals	2,670,291	1,896,044
Health	-	1,095,055
Textile	619,715	261,859
Information technology	-	43,790
Cement	999,605	122,810
Automobile and transportation equipment	426,694	695,911
CNG and filling stations	1,053,366	598,889
Construction	8,690,727	5,395,545
Power (electricity), gas, water, sanitary	397,417	1,899,999
Ghee and cooking oil	348,139	97,328
Trading and sales	547,863	3,426,192
Services	316,266	216,016
Other private sectors	-	4,485,894
Government	1,496,167	1,201,156
Others	3,844,675	7,165,580
	<b>21,974,986</b>	<b>29,500,265</b>
<b>Credit risk by public / private sector</b>		
Public / Government	1,496,167	1,201,156
Private	20,478,819	28,299,109
	<b>21,974,986</b>	<b>29,500,265</b>

**42.1.5 Concentration of advances**

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 78,538 million (2018: Rs. 60,041 million) are as following:

	2019	2018
	Rupees '000	
Funded	71,375,583	54,203,217
Non funded	7,162,346	5,838,126
Total exposure	<b>78,537,929</b>	<b>60,041,343</b>

The sanctioned limits against these top 10 exposures aggregated to Rs. 82,745 million (2018: Rs 62,971 million).

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Total funded classified therein**

	2019		2018	
	Amount	Provision held	Amount	Provision held
	Rupees in '000			
OAEM	31,358	-	10,308	-
Substandard	96,415	3,676	129,817	4,361
Doubtful	220,469	22,501	239,992	45,855
Loss	4,678,476	4,164,008	4,278,235	4,069,005
<b>Total</b>	<b>5,026,718</b>	<b>4,190,185</b>	<b>4,658,352</b>	<b>4,119,221</b>

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

Province / Region	2019					AJK including Gilgit-Baltistan
	Utilization					
	Disbursements	Punjab	Sindh	KPK	Balochistan	
	Rupees in '000					
Punjab	64,842,766	63,230,606	500,000	62,160	-	1,050,000
Sindh	11,372,246	733,588	10,461,018	-	-	177,640
KPK including FATA	21,451,975	-	-	21,001,975	-	450,000
Balochistan	24,815	-	-	-	24,815	-
Islamabad	32,264,417	-	-	18,957,079	-	13,307,338
AJK including Gilgit-Baltistan	327,228	-	-	-	-	-
<b>Total</b>	<b>130,283,447</b>	<b>63,964,194</b>	<b>10,961,018</b>	<b>40,021,214</b>	<b>24,815</b>	<b>14,984,978</b>
						<b>327,228</b>
						<b>327,228</b>

Province / Region	2018					AJK including Gilgit-Baltistan
	Utilization					
	Disbursements	Punjab	Sindh	KPK	Balochistan	
	Rupees in '000					
Punjab	60,496,281	59,611,690	884,590	-	-	-
Sindh	23,488,468	950,000	22,538,468	-	-	-
KPK including FATA	41,330,829	562,160	-	21,801,638	-	18,967,031
Balochistan	74,170	-	-	-	74,170	-
Islamabad	55,462,122	1,050,000	177,640	-	-	52,484,482
AJK including Gilgit-Baltistan	283,267	-	-	-	-	-
<b>Total</b>	<b>181,135,137</b>	<b>62,173,850</b>	<b>23,600,698</b>	<b>23,551,638</b>	<b>74,170</b>	<b>71,451,513</b>
						<b>283,267</b>
						<b>283,267</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 42.2 Market risk

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

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

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

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

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

	2019		2018	
	Banking book	Trading book	Total	Total
	Rupees in '000			
Cash and balances with treasury banks	12,137,805	-	12,137,805	12,351,453
Balances with other banks	8,230,072	-	8,230,072	3,705,360
Lendings to financial institutions	13,863,449	-	13,863,449	7,695,642
Investments	18,091,229	128,819,873	146,911,102	94,233,239
Advances	109,742,292	-	109,742,292	95,011,903
Fixed assets	3,334,670	-	3,334,670	2,216,422
Intangible assets	286,255	-	286,255	78,850
Deferred tax assets	1,031,154	-	1,031,154	1,757,451
Other assets	10,768,453	-	10,768,453	6,044,663
	<b>177,485,379</b>	<b>128,819,873</b>	<b>306,305,252</b>	<b>223,094,983</b>

### 42.2.2 Foreign exchange risk

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2019				2018			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	<b>Rupees in '000</b>							
United States Dollar	1,585,601	505,045	14,142,060	15,222,616	959,515	993,659	7,272,716	7,238,572
Great Britain Pound Sterling	64,248	81,769	9,590	(7,930)	76,210	105,109	104,490	75,591
Japanese Yen	175	-	11,051	11,225	561	-	1,623	2,184
Euro	123,729	226,181	519,575	417,122	89,222	147,286	688,252	630,189
Other currencies	69,236	101,866	50,811	18,181	49,533	93,695	223,849	179,686
	<b>1,842,989</b>	<b>914,861</b>	<b>14,733,087</b>	<b>15,661,214</b>	<b>1,175,041</b>	<b>1,339,749</b>	<b>8,290,930</b>	<b>8,126,222</b>

2019		2018	
Banking book	Trading book	Banking book	Trading book
<b>Rupees in '000</b>			
-	946	-	30

**Impact of 1% change in foreign exchange rates on:**

- Profit and loss account
- Other comprehensive income

**42.2.3 Equity position risk**

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

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

2019		2018	
Banking book	Trading book	Banking book	Trading book
<b>Rupees in '000</b>			
-	775	-	-
<b>5,187</b>	<b>7,566</b>	<b>4,675</b>	<b>3,174</b>

**Impact of 5% change in equity prices on:**

- Profit and loss account
- Other comprehensive income

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 42.2.4

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

Yield/ Interest rate sensitivity position for on-balance sheet instruments is based on the earlier of contractual re-pricing or maturity date and for off-balance sheet instruments is based on settlement date. This also refers to the non-trading market risk. Bok has adopted simple GAP analysis method to execute this analysis to estimate the impact on capital by an assumed change (decline by 1 basis point) in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement.

-All assets and liabilities across the Yield interest rate risk sensitive GAPs are assumed to be in unique classification since the all risk sensitive assets and liabilities are considered to be affected through change in yield curve.

#### Major sources of interest rate risk are:

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

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

- Profit and loss account
- Other comprehensive income

	2019	2018
Banking book	Trading book	Banking book
		Trading book
		Rupees in '000
	4,828,088	4,346,414

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

On-balance sheet financial instruments	Effective Yield / Interest rate	Exposed to yield / interest risk										Non-interest bearing financial instruments	
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
													Rupees in '000
<b>Assets</b>													
Cash and balances with treasury banks	0.30%	12,137,805	3,106,434	-	-	-	-	-	-	-	-	-	9,031,371
Balances with other banks	4.92%	8,230,072	4,876,397	-	-	-	-	-	-	-	-	-	3,353,675
Lending to financial institutions	12.47%	13,863,449	11,032,102	2,831,347	-	-	-	-	-	-	-	-	-
Investments	11.29%	146,911,102	10,920,486	8,865,200	5,247,910	47,321,377	26,332,472	27,794,997	12,187,928	6,129,416	1,744,000	367,316	
Advances	11.57%	109,742,292	21,037,592	38,020,278	3,376,286	3,063,496	1,188,836	20,737,259	12,956,218	7,809,629	1,552,697	-	
Other assets		10,768,453	-	-	-	-	-	-	-	-	-	-	10,768,454
		301,653,173	50,973,011	49,716,825	8,624,196	50,384,873	27,521,308	48,532,256	25,144,146	13,939,045	3,296,697	23,520,815	
<b>Liabilities</b>													
Bills payable	1.172,155	1,172,155	-	-	-	-	-	-	-	-	-	-	1,172,155
Borrowings	13.02%	94,656,461	69,756,439	14,060,411	3,695,855	3,035,806	-	-	75,966	1,531,984	-	-	2,500,000
Deposits and other accounts	8.39%	182,167,572	20,655,100	16,063,870	40,585,176	49,895,171	8,648,760	251,095	2,609,490	1,37,514	-	-	43,321,396
Other liabilities		14,107,711	-	-	-	-	-	-	-	-	-	-	14,107,710
		292,103,899	90,411,539	30,124,281	44,281,031	52,930,977	8,648,760	251,095	2,685,456	1,669,498	-	-	61,101,261
		9,549,274	(39,438,528)	19,592,544	(35,656,835)	(2,546,104)	18,872,548	48,281,161	22,458,690	12,263,547	3,296,697	(37,580,446)	
<b>On-balance sheet gap</b>													
		9,549,274	(39,438,528)	19,592,544	(35,656,835)	(2,546,104)	18,872,548	48,281,161	22,458,690	12,263,547	3,296,697	(37,580,446)	
<b>Off-balance sheet financial instruments</b>													
Commitments in respect of:		9,069,099	-	-	-	-	-	-	-	-	-	-	9,069,099
- forward foreign exchange contracts purchases		9,957,224	-	-	-	-	-	-	-	-	-	-	9,957,224
- forward foreign exchange contracts sales		(888,125)	-	-	-	-	-	-	-	-	-	-	(888,125)
<b>Off-balance sheet gap</b>													
		9,069,099	-	-	-	-	-	-	-	-	-	-	9,069,099
		9,957,224	-	-	-	-	-	-	-	-	-	-	9,957,224
		(888,125)	-	-	-	-	-	-	-	-	-	-	(888,125)
<b>Total yield/interest risk sensitivity gap</b>													
		(39,438,528)	19,592,544	(35,656,835)	(2,546,104)	18,872,548	48,281,161	22,458,690	12,263,547	3,296,697	(37,580,446)		
<b>Cumulative yield / interest risk sensitivity gap</b>													
		(39,438,528)	(19,845,984)	(55,502,819)	(58,048,923)	(39,176,375)	43,833,023	47,129,720	9,549,274				



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 42.3.1 Operational risk-disclosures Basel II specific

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

### 42.4 Liquidity risk

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

The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset and liability function. ALCO monitors the maintenance of liquidity ratios, both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. The BOD has approved comprehensive Liquidity Risk Management Policy which stipulates the early warning indicators (EWI) of liquidity risk and maintenance of various ratios according to comfortable, acceptable, warning, and stress zones. Moreover, Bank also has Contingency Funding Plan (CFP) in place to address liquidity issues in times of stress / crisis situation. In addition, ALCO and BRMC are briefed about various Liquidity Risk standards like Liquidity Coverage Ratio and its monitoring tools on periodic basis. Further the Bank has designed different scenarios of cash outflows to stress test efficiency of its liquid assets and its impact on profit and loss. Bank performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. The results are regularly reviewed by ALCO for taking appropriate measures.

Bank's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure. The Bank's large and stable base of customer deposits, along with Bank's strong capital base supplemented underlying strength and strong liquidity position during the year. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. The level of liquidity reserves as per regulatory requirements also mitigates liquidity risk.

As a part of liquidity management, the Bank maintains borrowing relationships with various financial institutions to ensure the continued access to diverse market of funding sources. The Bank's credit rating together with market reputation has enabled it to secure ample call lines with local and foreign Banks and can fulfill its liquidity gap if a need arises.

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

	2019								
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months
Rupees in '000									
<b>Assets</b>									
Cash and balances with treasury banks	12,137,805	10,137,805	2,000,000	-	1,800,000	-	-	-	-
Balances with other banks	8,230,072	3,580,072	2,850,000	-	750,000	-	-	-	-
Lending to financial institutions	13,863,449	-	9,032,102	1,250,000	10,920,486	2,831,347	-	-	-
Investments	146,911,102	367,316	-	-	1,066,851	7,380,563	1,484,637	5,247,910	27,846,725
Advances	109,742,292	19,726,397	110,058	134,286	1,066,851	635,900	37,384,377	3,376,287	1,278,919
Fixed assets	3,334,670	1,793	10,755	12,548	28,681	53,777	53,777	161,331	161,331
Intangible assets	286,255	-	-	-	-	884	30	1,212	2,007
Deferred tax assets	1,031,154	-	-	-	-	-	-	-	-
Other assets	10,768,453	744,695	1,132,537	1,642,589	2,277,614	2,350	138,284	1,258,024	9,196
	306,305,252	34,558,078	15,135,452	3,039,423	16,843,632	10,904,821	39,061,105	10,044,764	29,298,178
<b>Liabilities</b>									
Bills payable	1,172,155	1,172,155	-	-	-	-	-	-	-
Borrowings	94,656,461	-	70,760,520	1,495,919	-	14,060,410	-	3,695,856	3,035,806
Deposits and other accounts	182,167,572	116,185,884	107,110	1,591,685	1,022,723	1,183,340	32,651,692	14,709,655	7,127,253
Other liabilities	14,107,711	371,199	2,227,191	2,598,390	5,939,177	4,452	4,452	381,258	71,511
	292,103,899	117,729,238	73,094,821	5,685,994	6,961,900	15,248,202	32,656,144	18,786,769	10,234,570
<b>Net assets</b>	14,201,353	(83,171,160)	(57,959,369)	(2,646,571)	9,881,732	(4,343,381)	6,404,961	(8,742,005)	19,063,608
Share capital	10,002,524								
Reserves	2,904,691								
Unappropriated profit	2,074,808								
Surplus/(deficit) on revaluation of assets	(780,670)								
	14,201,353								

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### 42.3.1 Operational risk-disclosures Basel II specific

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

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The Bank's Asset and Liability Committee (ALCO) manages the liquidity position on a regular basis and is primarily responsible for the formulation of the overall strategy and oversight of the asset and liability function. ALCO monitors the maintenance of liquidity ratios, both in terms of the overall funding mix and avoidance of undue reliance on large individual deposits. The BOD has approved comprehensive Liquidity Risk Management Policy which stipulates the early warning indicators (EWI) of liquidity risk and maintenance of various ratios according to comfortable, acceptable, warning, and stress zones. Moreover, Bank also has Contingency Funding Plan (CFP) in place to address liquidity issues in times of stress / crisis situation. In addition, ALCO and BRMC are briefed about various Liquidity Risk standards like Liquidity Coverage Ratio and its monitoring tools on periodic basis. Further the Bank has designed different scenarios of cash outflows to stress test efficiency of its liquid assets and its impact on profit and loss. Bank performs regular liquidity stress tests as part of its liquidity monitoring activities. The purpose of the liquidity stress tests is intended to ensure sufficient liquidity for the Bank under both idiosyncratic and systemic market stress conditions. The results are regularly reviewed by ALCO for taking appropriate measures.

Bank's liquidity risk management approach involves intraday liquidity management, managing funding sources and evaluation of structural imbalances in balance sheet structure. The Bank's large and stable base of customer deposits, along with Bank's strong capital base supplemented underlying strength and strong liquidity position during the year. Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. The level of liquidity reserves as per regulatory requirements also mitigates liquidity risk.

As a part of liquidity management, the Bank maintains borrowing relationships with various financial institutions to ensure the continued access to diverse market of funding sources. The Bank's credit rating together with market reputation has enabled it to secure ample call lines with local and foreign Banks and can fulfil its liquidity gap if a need arises.

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

	Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>														
Cash and balances with treasury banks	12,137,805	10,137,805	2,000,000	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	8,230,072	5,380,072	2,850,000	-	1,800,000	-	-	-	-	-	-	-	-	-
Lending to financial institutions	13,863,449	-	9,032,102	-	750,000	2,831,347	-	-	-	-	-	-	-	-
Investments	146,911,402	367,316	-	1,250,000	10,920,486	7,380,563	1,484,637	5,247,910	27,846,725	19,360,782	20,057,629	33,819,125	9,302,534	11,123,415
Advances	109,742,292	19,726,397	110,058	134,286	1,066,851	635,900	37,384,377	3,376,287	1,278,919	1,784,577	1,188,835	20,737,260	12,956,218	9,362,327
Fixed assets	3,334,670	1,793	10,755	12,548	28,681	53,777	161,331	1,212	2,007	161,331	609,600	311,297	286,280	1,482,169
Intangible assets	286,255	-	-	-	-	884	30	-	-	2,275,822	25,835	28,705	-	-
Deferred tax assets	1,031,154	744,695	1,132,537	1,642,589	2,277,614	-	-	1,258,024	9,196	1,031,154	36,153	3,203,072	-	314,743
Other assets	10,768,453	34,558,078	15,135,452	3,039,423	16,843,632	10,904,821	39,061,105	10,044,764	29,298,178	21,543,468	22,949,206	58,099,459	22,545,012	22,282,654
<b>Liabilities</b>														
Bills payable	1,172,155	1,172,155	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	94,656,461	116,185,884	70,760,520	1,495,919	1,022,723	14,060,410	32,651,692	3,695,956	3,035,806	3,297,169	2,755,915	280,595	75,966	1,531,984
Deposits and other accounts	182,167,572	371,199	107,110	1,991,685	5,939,177	1,185,340	14,709,653	14,709,653	7,127,253	71,511	-	2,438,970	804,551	450,000
Other liabilities	19,107,711	117,729,238	75,094,821	2,227,181	2,998,990	4,452	4,452	381,258	71,511	-	-	-	2,719,165	-
<b>Net assets</b>	<b>14,201,353</b>	<b>(83,171,160)</b>	<b>(57,959,369)</b>	<b>(2,646,571)</b>	<b>9,881,732</b>	<b>6,004,961</b>	<b>(8,742,009)</b>	<b>18,174,788</b>	<b>19,063,608</b>	<b>20,193,291</b>	<b>20,193,291</b>	<b>55,380,294</b>	<b>21,664,495</b>	<b>20,300,670</b>
Share capital	10,002,524	-	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	2,904,691	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	2,074,808	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on revaluation of assets	(780,670)	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>14,201,353</b>													

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

2018

Total	Rupees in '000												
	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>													
Cash and balances with treasury banks	12,351,453	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3,705,360	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	7,695,642	7,195,642	-	-	500,000	-	-	-	-	-	-	-	-
Investments	94,233,239	253,721	4,995,807	2,488,158	10,808,144	2,492,000	4,254,919	1,165,030	6,391,211	2,937,959	15,485,249	25,848,263	17,112,778
Advances	95,011,903	8,574,501	32,266	270,540	2,161,085	30,941,415	1,496,311	3,733,670	5,286,285	2,280,971	1,648,848	22,056,541	16,386,118
Fixed assets	2,216,432	-	-	-	-	-	-	-	318,748	276,872	134,675	178,209	1,307,918
Intangible assets	78,850	-	-	-	-	-	-	-	-	-	78,850	-	-
Deferred tax assets	1,757,451	-	-	-	-	214,560	-	-	-	1,757,451	-	-	-
Other assets	6,044,663	-	-	-	-	-	-	-	-	-	-	-	-
	223,094,983	30,715,138	12,223,715	2,758,698	13,489,229	33,247,975	5,751,230	4,898,700	11,996,244	7,253,253	17,347,622	48,083,013	34,806,814
<b>Liabilities</b>													
Bills payable	895,126	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	34,842,114	17,300	-	2,079,848	8,721,123	2,901,971	1,284,700	-	-	-	-	-	-
Deposits and other accounts	171,167,556	282,029	2,448,371	15,989,687	1,025,782	64,928,034	21,199,254	5,239,305	13,988,587	14,239,543	16,052,155	11,154,633	4,577,705
Other liabilities	4,485,603	42,471	-	4,117,577	-	368,026	-	-	-	-	-	-	-
	211,390,399	1,194,455	19,879,643	22,187,112	9,746,905	68,998,031	22,483,954	5,239,305	13,988,587	14,239,543	16,052,155	11,154,633	4,577,705
<b>Net assets</b>	<b>29,520,683</b>	<b>(7,655,928)</b>	<b>(1,905,020)</b>	<b>(19,428,414)</b>	<b>3,722,324</b>	<b>(34,950,056)</b>	<b>(16,732,724)</b>	<b>(340,605)</b>	<b>(1,992,343)</b>	<b>(6,986,290)</b>	<b>1,295,467</b>	<b>36,928,380</b>	<b>30,225,109</b>
Share capital	10,002,524	-	-	-	-	-	-	-	-	-	-	-	-
Reserves	2,643,483	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,163,269	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit) on revaluation of assets	(2,104,692)	-	-	-	-	-	-	-	-	-	-	-	-
	11,704,584	-	-	-	-	-	-	-	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

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

	2019									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
<b>Assets</b>										
Cash and balances with treasury banks	12,137,805	12,137,805	-	-	-	-	-	-	-	-
Balances with other banks	8,230,072	8,230,072	-	-	-	-	-	-	-	-
Lending to financial institutions	13,863,449	11,032,102	2,831,347	-	-	-	-	-	-	-
Investments	146,911,102	8,129,215	11,832,470	3,778,408	47,950,383	20,361,263	34,433,434	9,302,514	9,379,415	1,744,000
Advances	109,742,292	14,926,055	36,448,979	3,382,312	19,523,445	1,097,406	1,097,269	22,288,280	8,253,166	2,725,380
Fixed assets	3,334,670	508,566	-	-	280,051	372,093	501,586	368,160	326,274	977,939
Intangible assets	286,255	-	914	1,212	229,589	25,835	28,705	-	-	-
Deferred tax assets	1,031,154	-	-	-	-	1,031,154	-	-	-	-
Other assets	10,768,453	5,797,436	140,633	1,258,023	18,392	36,154	3,203,072	-	314,743	-
	<b>306,305,252</b>	<b>60,761,251</b>	<b>51,254,343</b>	<b>8,419,955</b>	<b>68,001,860</b>	<b>22,923,905</b>	<b>39,264,066</b>	<b>31,958,954</b>	<b>18,273,598</b>	<b>5,447,319</b>
<b>Liabilities</b>										
Bills payable	1,172,155	1,172,155	-	-	-	-	-	-	-	-
Borrowings	94,656,461	72,269,480	14,060,410	3,708,899	3,061,975	52,172	52,172	180,226	1,271,127	-
Deposits and other accounts	182,167,572	63,976,496	16,063,870	40,585,176	49,895,171	8,648,760	251,095	2,609,490	137,514	-
Other liabilities	14,107,711	11,135,956	8,904	381,258	143,021	-	2,438,572	-	-	-
Net assets	292,103,899	148,554,087	30,133,184	44,675,333	53,100,167	8,700,932	2,741,839	2,789,716	1,408,641	-
	<b>14,201,353</b>	<b>(87,792,836)</b>	<b>21,121,159</b>	<b>(36,255,378)</b>	<b>14,901,693</b>	<b>14,222,973</b>	<b>36,522,227</b>	<b>29,169,238</b>	<b>16,864,957</b>	<b>5,447,319</b>
Share capital	10,002,524									
Reserves	2,904,691									
Unappropriated profit	2,074,808									
Surplus/(Deficit) on revaluation of assets	(780,670)									
	<b>14,201,353</b>									

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	2018									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
Rupees in '000										
<b>Assets</b>										
Cash and balances with treasury banks	12,351,453	12,351,453	-	-	-	-	-	-	-	-
Balances with other banks	3,705,360	3,705,360	-	-	-	-	-	-	-	-
Lending to financial institutions	7,695,642	7,695,642	-	-	-	-	-	-	-	-
Investments	94,233,239	7,715,186	13,300,144	4,299,577	7,804,158	2,243,929	16,047,834	25,559,632	14,662,779	2,600,000
Advances	95,011,903	11,123,450	10,608,639	2,899,040	24,910,314	1,152,868	1,185,313	22,647,864	19,328,902	1,155,513
Fixed assets	2,216,422	-	-	-	-	276,872	134,923	178,209	80,957	1,545,461
Intangible assets	78,850	-	-	-	-	-	78,850	-	-	-
Deferred tax assets	1,757,451	-	-	-	-	1,757,451	-	-	-	-
Other assets	6,044,663	5,124,125	178,221	412,176	318,500	11,641	-	-	-	-
	223,094,983	47,715,216	24,087,004	7,610,793	33,032,972	5,442,761	17,446,920	48,385,705	34,072,638	5,300,974
<b>Liabilities</b>										
Bills payable	895,126	895,126	-	-	-	-	-	-	-	-
Borrowings	34,842,114	26,870,014	4,430,929	2,291,900	-	-	-	40,000	1,209,271	-
Deposits and other accounts	171,167,556	57,498,376	55,706,838	40,188,983	13,437,831	633,868	568,306	2,274,630	408,724	450,000
Other liabilities	4,485,603	4,117,624	367,979	-	-	-	-	-	-	-
Net assets	211,390,399	89,381,140	60,505,746	42,480,883	13,437,831	633,868	568,306	2,314,630	1,617,995	450,000
	11,704,584	(41,665,924)	(36,418,742)	(34,870,090)	19,595,141	4,808,893	16,878,614	46,071,075	32,454,643	4,850,974
Share capital	10,002,524	-	-	-	-	-	-	-	-	-
Reserves	2,643,483	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,163,269	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	(2,104,692)	-	-	-	-	-	-	-	-	-
	11,704,584	-	-	-	-	-	-	-	-	-

**42.5 Derivative risk**

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

- Currently Bank of Khyber is not dedicatedly involved in Derivatives business or trading however it operates in foreign currency forwards and swaps, a type of financial derivatives. The risk/return attributes of financial derivatives are discussed.

- In our banking industry derivatives desk is operated within treasury business through competent resources in terms of adequate systems and qualified human resources.

- The responsibility to monitor and contain the risks in derivatives business resides with Enterprise Risk Management Division. The Risks associated with Financial Derivatives business are:

**Credit Risk:**

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Market Risk:**

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

**Operational Risk:**

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

**43 Environment and social risk management / green banking**

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

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

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

**44 EVENTS AFTER THE REPORTING DATE**

The board of directors in its meeting held on March 04, 2020 has proposed a cash dividend of Re. 0.50 per share (5%) in respect of 2019 (2018: Nil) to be approved in the forthcoming Annual General Meeting.

**45 GENERAL**

- Comparative figures have been re-arranged and reclassified for comparison purposes.

**46 DATE OF AUTHORIZATION FOR ISSUE**

The financial statements were authorized for issue on March 04, 2020 by the Board of Directors of the Bank.



Managing Director



Chief Financial Officer



Director



Director



Director

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

Annexure - I

**STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF  
OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED  
DURING THE YEAR ENDED DECEMBER 31, 2019**

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's/Husband's Name	Outstanding Liabilities at Beginning of Year				Principal written-off	Interest / Mark-up written-off/waived	Other Financial Relief Provided	Total
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total				
1	Noorani Industries (Pvt) Ltd P-209, Samundari Road, Faisalabad	1. Mr. Zeeshan Noorani CNIC 33100-0755574-7 2. Mr. Abbas Ali Noorani CNIC 33100-6458315-1 3. Mrs. Sajida Sultan Noorani CNIC 33100-0707715-1	S/o Sultan Mahmood S/o Sultan Mahmood W/o Sultan Mahmood	24,999	1,399	-	26,398	-	4,234*	4,234	
2	Frontier Pharmaceutical (Pvt) Ltd W-10, Industrial Estate, Jamrud Road, Peshawar	1. Mr. Aman Ullah Khan CNIC 17301-54945571-5 2. Mr. Riaz Ahmad CNIC 17301-7394957-9 3. Mrs. Qamar Ijaz Ahmed CNIC 61101-2367941-8	S/o Muhammad Ahmad S/o Muhammad Ahmad W/o Ejaz Ahmed	36,106	1,135	-	37,241	-	6,923**	6,923	

\* Includes overdue mark-up Rs.3,245 Million, Penalty Rs.0,989 Million (total Rs. 4,234 Million)

\*\* Cost of Fund.

**ISLAMIC BANKING BUSINESS**

The Bank is operating 84 (2018: 84) Islamic banking branches and 39 (2018: 39) Islamic banking windows at the end of the year.

	2019	2018
Note	----- Rupees in '000 -----	
<b>ASSETS</b>		
Cash and balances with treasury banks	6,807,574	4,222,345
Balances with other banks	6,289,995	1,629,801
Due from financial institutions	1 4,831,347	2,000,000
Investments	2 11,602,166	10,573,630
Islamic financing and related assets - net	3 45,791,558	35,466,569
Fixed assets	610,038	280,407
Intangible assets	3,426	5,845
Due from head office	325,575	-
Other assets	4,410,288	867,929
<b>Total Assets</b>	<b>80,671,967</b>	<b>55,046,526</b>
<b>LIABILITIES</b>		
Bills payable	285,589	336,698
Due to financial institutions	18,891,848	1,500,000
Deposits and other accounts	4 50,079,326	45,894,040
Due to head office	-	1,078,829
Other liabilities	5 4,894,946	1,168,149
	<u>74,151,709</u>	<u>49,977,716</u>
<b>NET ASSETS</b>	<b><u>6,520,258</u></b>	<b><u>5,068,810</u></b>
<b>REPRESENTED BY</b>		
Islamic banking fund	460,000	460,000
Reserves	42,141	44,855
(Deficit) / surplus on revaluation of assets	(15,000)	(34,432)
Unappropriated profit	6 6,033,117	4,598,387
	<u>6,520,258</u>	<u>5,068,810</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	7	

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2019 is as follows:

	Note	2019 ----- Rupees in '000 -----	2018
Profit / return earned	8	6,591,437	3,354,422
Profit / return expensed	9	2,839,587	1,231,072
Net profit / return		3,751,850	2,123,350
<b>OTHER INCOME</b>			
Fee and commission income		100,509	97,988
Dividend income		-	-
Foreign exchange income		120,103	58,851
Gain / (loss) on securities		4,334	-
Other income		49,550	30,389
		274,496	187,228
		4,026,346	2,310,578
<b>OTHER CHARGES</b>			
Operating expenses		1,618,499	1,488,109
Other charges		55,133	270
		1,673,632	1,488,379
Profit before provisions		2,352,714	822,199
Provisions and write offs		3,134	3,139
Profit before taxation		2,355,848	825,338
Taxation		921,118	321,882
Profit after taxation		1,434,730	503,456





**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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

	2019					2018				
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total		
Ijarah rentals receivable	4,969	1,178	-	6,147	2,792	3,820	-	6,612		
Residual value	441	20	-	461	8	35	-	43		
Minimum Ijarah rentals	5,410	1,198	-	6,608	2,800	3,855	-	6,655		
Profit for future periods	(801)	(291)	-	(1,092)	(594)	(430)	-	(1,024)		
Ijarah under finance method	4,609	907	-	5,516	2,206	3,425	-	5,631		

**3.2 Murabaha**

Murabaha financing  
Advances for Murabaha

	2019	2018
	2,755,468	2,946,872
	514,639	321,441
	3,270,107	3,268,313

**3.2.1 Murabaha receivable - gross**

Less: Deferred Murabaha income  
Profit receivable shown in other assets  
Murabaha financings

	2019	2018
	2,755,468	2,946,872
	134,309	117,499
	4,286	18,997
	2,625,445	2,848,370

**3.2.2 The movement in Murabaha financing during the year is as follows:**

Opening balance  
Sales during the year  
Adjusted during the year  
Closing balance

	2,946,872	2,807,182
	5,661,873	6,481,991
	5,853,277	6,342,301
	2,755,468	2,946,872

**3.2.3 Murabaha sale price**

Murabaha purchase price

	5,661,873	6,481,991
	5,306,014	6,163,688
	355,859	318,303

**3.2.4 Deferred murabaha income**

Opening balance  
Arising during the year  
Less: Recognized during the year  
Closing balance

	117,498	85,888
	355,870	318,303
	339,059	286,692
	134,309	117,499

**3.3**

Istisna  
Advance against Istisna  
Istisna Inventory  
Istisna sales receivable

	4,061,792	3,149,993
	350,000	50,000
	200,000	650,000
	4,611,792	3,849,993

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

4	Deposits	2019			2018		
		In local currency	In foreign currency	Total	In local currency	In foreign currency	Total
----- Rupees in '000 -----							
	<b>Customers</b>						
	Current deposits	17,920,864	57,675	17,978,539	19,196,004	322,813	19,518,817
	Savings deposits	26,336,004	-	26,336,004	21,761,903	-	21,761,903
	Term deposits	3,087,502	-	3,087,502	2,309,946	-	2,309,946
	Others	2,490,098	-	2,490,098	2,212,882	-	2,212,882
		49,834,468	57,675	49,892,143	45,480,735	322,813	45,803,548
	<b>Financial Institutions</b>						
	Current deposits	499	-	499	1,494	-	1,494
	Savings deposits	186,684	-	186,684	88,998	-	88,998
		50,021,651	57,675	50,079,326	45,571,227	322,813	45,894,040

4.1	Composition of deposits	2019	2018
		----- Rupees in '000 -----	
	- Individuals	16,221,670	12,729,148
	- Government / public sector entities	21,096,099	17,956,913
	- Non-banking financial institutions	186,937	90,492
	- Private Sector	12,574,620	15,117,487
		50,079,326	45,894,040

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs.25,248.34 (2018: Rs 23,005.65 million) as of December 31, 2019.

5	Other liabilities	Note	2019	2018
			----- Rupees in '000 -----	
	Profit payable in local currency		249,141	152,128
	Pool Management Reserves		94,461	97,714
	Un-earned commission and income		23,233	59,469
	Accrued expenses		38,932	47,186
	Deferred income murabaha		151,809	117,499
	Un-earned Bai Muajjal Sukuk		1,872,952	3,185
	Security deposit against Ijarah		345,116	340,901
	Charity fund	5.1	21,594	9,156
	Tax payable		1,242,993	321,745
	Lease liability		416,714	-
	Bills payment system over the counter (BPS-OTC)		411,715	-
	Income reserve		14,009	4,389
	Others		12,277	14,777
			4,894,946	1,168,149

5.1	Charity fund	2019	2018
		----- Rupees in '000 -----	
	Opening balance	9,156	-
	<b>Additions during the year</b>		
	Received from customers on account of delayed payment	30,752	6,431
	Dividend purification amount	-	16
	Other Non-Shariah compliant income	174	152
	Others	1,629	2,557
		32,555	9,156
	<b>Payments / utilization during the year</b>		
	Welfare	20,117	-
	Health	-	-
		20,117	-
	Closing balance	21,594	9,156

6	Islamic banking business unappropriated profit	2019	2018
		----- Rupees in '000 -----	
	Opening balance	4,598,387	4,094,931
	Add: Islamic banking profit for the year	2,355,848	825,338
	Less: Taxation	(921,118)	(321,882)
	Closing balance	6,033,117	4,598,387

7	Contingencies and commitments	2019	2018
		----- Rupees in '000 -----	
	-Guarantees	5,270,767	4,608,139
	-Commitments	1,028,102	1,500,966
		6,298,869	6,109,105

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

8	Profit/return earned of financing, investments and placement	Note	2019	2018
			----- Rupees in '000 -----	
	<b>Profit earned on:</b>			
	Financing		4,800,688	2,611,388
	Investments		1,369,854	714,802
	Placements		420,895	28,232
			<u>6,591,437</u>	<u>3,354,422</u>
9	<b>Profit on deposits and other dues expensed</b>			
	Deposits and other accounts		2,104,426	729,516
	Due to Financial Institutions		735,161	501,556
			<u>2,839,587</u>	<u>1,231,072</u>

### 10 Pool management

Islamic Banking Group of the Bank is operating following pools/sub-pools.

#### General pool

##### Sub-pools

- i. Riba Free Special Deposit POOL-1
- ii. Riba free special deposit pools - Treasury Interbank
- iii. Riba Free Special Deposit POOL-Corporate- i
- iv. Riba Free Special Deposit POOL-Corporate- ii
- v. Riba Free Special Deposit POOL-Corporate- iii
- vi. Riba Free Special Deposit POOL-Corporate- iv
- vii. Riba Free Special Deposit POOL-Mutual Fund / FI
- viii. RFSD-Daily Product-1 Pool
- ix. RFSD-Daily Product-3 Pool
- x. RFSD-Daily Product-4 Pool
- xi. RFSD-Daily Product-5 Pool
- xii. Khyber Islamic Investment Certificates-1
- xiii. Khyber Islamic Investment Certificates-2
- xiv. RFSD-ITMINAN MAHANA CERTIFICATE-POOL
- xv. Riba free special deposit pool - Islamic export refinance security (IERS)
- xvi. Riba free special deposit pool - Profit Equalization Reserves (PER)
- xvii. Riba free special deposit pool - Investment Risk Reserves (IRR)

#### Features of general pool

In this pool all types of deposits are accepted on Musharakah basis against all types of assets and income from all types of assets. Certificates can also be issued for a fixed period.

Deposits received in this Pool are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharakah, Running Musharakah, Istisna, Islamic Sukuks and any other Shariah Compliant Investment which are duly approved by the Shariah Advisor. Deposits are accepted through all BOK Islamic branches, as well as, Islamic desks established in Conventional branches of the Bank.

#### Features of sub-pools

In sub pools, deposits are accepted on Musharakah basis against specific assets and are offered expected profit rates. Certificates can also be issued for a fixed period.

Deposits received in this pool are invested in Islamic assets like Ijarah, Diminishing Musharakah, Running Musharakah, Islamic Sukuks and any other Shariah Compliant investment which are duly approved by the Shariah Advisor. Deposits are accepted through all Islamic branches of the Bank as well as Islamic desks established in conventional branches of the Bank.

These deposits are tagged with specific assets and deposits are accepted only when there is some opportunity of investment. These deposits require approval before acceptance.

#### Key features

- Minimum investment is prescribed by the Bank for each sub-pool.
- Profit payment on monthly basis.
- Profit calculated on daily average balance for the month.
- Investment as deposit and certificate for 1 month, 3 months and 6 months etc.
- Pre-mature termination is allowed without any adjustment if expected profit reduces for the coming months.

#### Risks of the special sub - pools

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

### Profit sharing and weightages for distribution of profit

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

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

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

Weightages are declared five days before start of each month.

As per policy of the Bank, No gift (Hiba) is given in favour of any particular customer or a particular class or category of customers/investors. However, bank reduced its own share of the bank's additional profit which is less than 60% of the Bank's additional profit ratio.

Brief highlights of profit earned and distributed to depositors and retained by IBG are as under:

	2019	2018
	----- Rupees in '000 -----	
<b>Gross profit earned</b>	<b>6,865,933</b>	3,541,650
<b>Administrative expenses</b>	<b>1,673,632</b>	1,488,379
<b>Distributable share</b>	<b>5,192,301</b>	2,053,271
<b>Profit paid to IAH/PLS depositors</b>	<b>2,839,587</b>	1,231,072

### Charging expenses

All types of administrative expenses are shared with the depositors. However, equity holders have the option to absorb all or part of administrative expenses.

All general and specific provisions created against non-performing financing and diminution in the value of investment as under prudential regulations and other SBP directives have not been passed on to the PLS deposits as expense. However, income reversals due to classification of assets and losses due to actual write-off of any facility have been considered expenses of the pool.

Profit Equalization Reserve of Rs. 42.141 million (December 31, 2018:Rs. 44.855 million) is not available for the distribution of cash and stock dividend to the shareholders.

### Classification of assets, revenues, expenses, gain and loss on the basis of sources of finance:

All earning assets of Islamic banking group are jointly financed by unrestricted investments/PLS deposits account holders and the Bank. Detail of jointly financed earning assets is:

	2019	2018
	----- Rupees in '000 -----	
<b>Financings</b>		
Agribusiness	1,019,877	810,392
Marble and mining	10,710	14,285
Chemical and pharmaceuticals	667,738	951,369
Cement	3,222,372	4,692,143
Sugar		2,047,206
Textile	2,317,796	-
Automobile and transportation equipment	409,526	680,002
Petro chemical	4,905	9,609
Housing	378,658	254,311
Miscellaneous manufacturing	2,403,675	1,741,007
Personal	427,192	804,735
Contractors	403,974	-
Tradings	632,435	919,343
Services	204,814	417,662
Auto loans	480,027	516,629
Metal products	771,186	434,863
Commodity finance	30,000,000	20,000,000
Telecommunication	-	-
CNG station / gas	41,689	44,640
Consumer finance	175,991	166,660
Others	2,357,283	1,103,139
	<b>45,929,848</b>	<b>35,607,995</b>
<b>Investments</b>		
GOP Ijarah Sukuk	1,485,000	6,215,600
Power / electric / gas	3,728,455	4,358,030
	<b>5,213,455</b>	<b>10,573,630</b>
	<b>51,143,303</b>	<b>46,181,625</b>

	2019		2018	
	Cost	Market value	Cost	Market value
<b>Quality of available for sale securities - Ordinary shares</b>				
<b>Listed Companies</b>				
----- Rupees in '000 -----				
Automobile parts and accessories	-	-	-	-
Cement	6,211	5,785	-	-
Chemical	6	72	231	184
Commercial Banks	15,478	14,935	-	-
Fertilizer	8,243	8,445	-	-
Food and personal care products	5	131	5	131
Insurance	5,000	-	5,627	618
Investment banks / Investment Companies / Investment Security Companies	274,685	111,021	274,685	98,893
Oil and gas marketing companies	63,526	61,179	-	-
Paper and board	-	99	-	53
Pharmaceuticals	64,082	52,847	55,924	56,486
Textile composite	9,502	182	9,502	178
Textile spinning	23	228	23	276
Textile weaving	-	79	-	122
Vanaspati and allied industries	-	17	-	17
	<b>446,761</b>	<b>255,020</b>	<b>345,997</b>	<b>156,958</b>
<b>Un-Listed Companies</b>				
----- Rupees in '000 -----				
	Cost	Breakup value	Cost	Breakup value
Dawood Family Takaful	112,500	56,526	112,500	56,526
Saudi Pak Leasing - Preference Shares	195,000	-	195,000	-
Mohib Textile Mills Limited	25,000	-	25,000	-
Mohib Exports Limited	487	-	487	-
Asian Housing Finance Limited	5,000	-	5,000	-
Syed Match Company Limited	7	7	7	7
<b>Total</b>	<b>337,994</b>	<b>56,533</b>	<b>337,994</b>	<b>56,533</b>

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

## Pattern of Shareholding

As On 31/12/2019

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
861	1	100	38709	0.0039
9907	101	500	1824112	0.1823
15091	501	1000	13713993	1.3709
2296	1001	5000	4806274	0.4804
136	5001	10000	957517	0.0957
46	10001	15000	559689	0.0559
39	15001	20000	655500	0.0655
18	20001	25000	396524	0.0396
6	25001	30000	166289	0.0166
6	30001	35000	195496	0.0195
2	35001	40000	77988	0.0078
2	40001	45000	84234	0.0084
4	45001	50000	189125	0.0189
4	50001	55000	217608	0.0218
1	55001	60000	55615	0.0056
1	60001	65000	62268	0.0062
2	65001	70000	134192	0.0134
1	70001	75000	74000	0.0074
2	75001	80000	159381	0.0159
3	80001	85000	250954	0.0251
2	95001	100000	198426	0.0198
1	105001	110000	109400	0.0109
1	135001	140000	136760	0.0137
1	240001	245000	243130	0.0243
1	275001	280000	278840	0.0279
1	295001	300000	295021	0.0295
1	695001	700000	700000	0.0700
1	865001	870000	870000	0.0870
1	1075001	1080000	1075172	0.1075
1	6045001	6050000	6046815	0.6045
1	19250001	19255000	19250871	1.9244
1	244335001	244340000	244339031	24.4248
1	702205001	702210000	702208233	70.1948
<u>28442</u>		<i>Company Total</i>	<u>1000371167</u>	<u>100.0000</u>

## Category of Shareholders

### As of 31.12.2019

	No of shareholders	Shares Held	Percentage
Directors, CEO & Children	4	58,624	0.00
Associated Companies	1	244,339,031	24.42
Banks, DFI & NBFi	5	73,617	0.00
Insurance Companies	2	18,234	0.00
General Public (Local)	28,344	45,215,924	4.52
General Public (Foreign)	47	149,314	0.02
Others	37	7,438,190	0.74
Government of Khyber Pakhtunkhwa	1	702,208,233	70.20
Foreign Companies	1	870,000	0.09
<b>TOTAL</b>	<b>28,442</b>	<b>1,000,371,167</b>	<b>100.00</b>

#### Shareholding of Directors, CEO & Children

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

#### Shareholding of Banks, DFI & NBFi

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

#### Shareholding of Insurance Companies

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

#### Major Shareholders

Government of Khyber Pakhtunkhwa	702,208,233
Ismail Industries Ltd.	244,339,031

## Complete List of Branches as on 31-12-2019

### Khyber Pakhtunkhwa (106 Branches)

S.No	Branch Name	Complete Address of Branches	Br. Code	Branch Mode	Phone Number	Fax Number	ATM Onsite
1	Abbottabad, Jinnah Road	Jinnah Road, Abbottabad	0113	Islamic	0992-341444, 341431	0992-341430	Yes
2	Abbottabad, Mansehra Road	934-A, Mansehra Road, Abbottabad	0043	Conventional	0992-331913, 331914	0992-331916	Yes
3	Bannu Branch	Old GTS Chowk, Gowshala Road Bannu.	0103	Islamic	0928-613394, 612202	0928-620039	Yes
4	Batagram	Khasra No.3149/971, Haji Nazir Plaza, Shahrah-e-Qaraqurum, Batagram	0134	Islamic	0997-310154-5	0997-310156	
5	Bathkhela Branch	Near Government High School, Main Bazar, Bathkhela	0108	Islamic	0932-414851 & 3	0932-414853	Yes
6	Charsadda Branch	Main Bazar Charsadda Mardan Road, Charsadda	0111	Islamic	091-9220100-1	091-9220102	Yes
7	Chitral Ataliq Bazar	Ataliq Bazar, Chitral.	0011	Conventional	0943-412473	0943-412220	Yes
8	Chitral Chew Bazar,	Shop No.1-4, Qazafi Market, Chew Bazar, Chitral	0137	Islamic	0943-414571-2	0943-414573	Yes
9	D. I. Khan Circular Road	Circular Road, D.I.Khan	0004	Conventional	0966-719017	0966-718099	Yes
10	D. I. Khan, Tank Adda	Shop No.01-10, Block 13, Tank Adda, Dera Ismail Khan	0129	Islamic	0966-850724-5	0966-850727	Yes
11	Dargai Branch	Amin Plaza, Main Bazar, Dargai.	0136	Islamic	0932-331447-8	0936-331449	Yes
12	Hangu Branch	Opposite DCO Office, Main Bazar, Kohat Road Hangu	0107	Islamic	0925-620744	0925-623744	Yes
13	Haripur Branch	Shahrah-e-Hazara, Haripur.	0019	Conventional	0995-616800, 610728, 612292	0995-611285	Yes
14	Hattar Branch	Industrial Estate Hattar, Haripur	0014	Conventional	0995-617231	0995-617631	Yes
15	Havelian, Bank Square	Property # 4242, Bank Square Havelian	0040	Conventional	0992-810732-3	0992-810736	Yes
16	Kumber, Lower Dir	City Market, Main Road, Kambur, Lower Dir	0144	Islamic	0945-885322	0945-886322	Yes
17	Karak Branch	Khasra No. 1327/1364, Mian Muqadess Gul Market, Main Bazar, Karak	0049	Conventional	0927-211810 & 2	0997-211813	Yes
18	Khwaza Khela, Swat	Irfan Plaza, Main Bazaar, Khwaza Khela, Swat	0143	Islamic	0946-744661-64	0946-744662	Yes
19	Kohat, Bannu Road	Cantonment Plaza Bannu Road, Kohat	0003	Conventional	0922-9260146	0922-9260156	Yes
20	Kohat, Main Bazaar	Shop No.T-147, T-148, Main Bazaar, Kohat	0138	Islamic	0922-522013-4	0922-522015	Yes
21	Mansehra, Abbottabad Road	Main Bazar, Opposite GTS Stand Mansehra.	0117	Islamic	0997-920181 & 4	0997-920182	Yes
22	Mansehra, Shahrah-e-Resham	Opposite Grid Station, Near Pakhwal Chowk, Shahra-e-Resham, Mansehra.	0122	Islamic	0997-303271, 303273	0997-303272	Yes
23	Mardan, Khwaja Gunj Bazaar	Property No.26/591-592, 27593-628, Haji Khan Gul Trunk House, Khwaja Gunj Bazaar, Mardan	0139	Islamic	0937-870823-4	0937-870825	Yes
24	Mardan, Chamber House	Grund floor, Chamber House, Aiwan-e-Sanat-o-Tijarat Road, Collage Chowk, Mardan.	0007	Conventional	0937-9230505 & 7, 874899	0937-9230606	Yes
25	Mingora, Main Bazar	Shop No. 01, Bank Square, Main Bazar, Mingora, Swat.	0132	Islamic	0946-9240460,62	0946-9240461	
26	Mingora, Saidu Sharif Road	Basement & Ground Floor, Yousaf Plaza, Khasra No.318, Makan Bagh, Saidu Sharif Road, Mingora, Swat.	0012	Conventional	0946-9240045 & 7	0946-9240046	Yes
27	Nowshera Branch	Saad Plaza, Saddar Road, Nowshera Cantt.	0104	Islamic	0923-9220035 & 38	0923-9220035	Yes
28	Peshawar, Asamai Gate (LHR)	Tariq Sultan Building, Asamai Gate, Lady Reading Hospital Road Peshawar	0119	Islamic	091-2561511	091-2561512	Yes
29	Peshawar, Ashraf Road	New Rampura Gate, Ashraf Road, Peshawar.	0025	Conventional	091-2593262, 2553007	091-2552497	Yes
30	Peshawar, Civil Secretariat	Civil Secretariat , Peshawar	0015	Conventional	091-9211710	091-9212680	Yes
31	Peshawar, G. T. Road	Ground floor, Afandi Tower, Bilal Town, G.T. Road, Peshawar	0010	Conventional	091-2263409	091-2263410	Yes
32	Peshawar, Hayat Abad Chowk	Saif Shopping Mall, Hayatabad Chowk, Jamrud Road, Peshawar	0128	Islamic	091-5853283-4	091-5853285	Yes
33	Peshawar, High Court Branch	High Court Branch Peshawar	0048	Conventional	091-5274368,5274168	091-5274168	Yes
34	Peshawar, Kharkhano Market Hayat Abad	Royal Plaza, Hayatabad Kharkhano Market, Jamrud Road, Peshawar	0101	Islamic	091-5824927, 5825430	091-5815194	Yes
35	Peshawar, Khyber Bazar	Abbasin Hotel, Khyber Bazar, Peshawar	0016	Conventional	091-2593705, 2568782	091-2211170	Yes
36	Peshawar, KTH Branch	Khyber Teaching Hospital (University Road) Peshawar	0121	Islamic	091-9218016	091-9218016	
37	Peshawar, Main Corporate Branch	Shop No. 1 to 6 (Ground Floor) and Office No. 1 to 3 (First Floor), Olympic Plaza, Qayyum Stadium, Bara Road, Peshawar Cantt.	0001	Conventional	091-5271758,5278284	091-5279791	Yes
38	Peshawar, Saddar Road	Shop No.9,10 & 11, at Super Market, Adjacent State Bank of Pakistan Peshawar,	0013	Conventional	091-5273912, 5276485	091-5277278	Yes
39	Peshawar, University Road	Ghaffar Plaza, Adjacent to Sheraz Restaurant, University Road, Peshawar	0002	Conventional	091-5700227, 9216951	091-9216959	Yes
40	Peshawar, Warsak Road	Khasra No.6184/2893, Shop No.1, Sabir Business Center, Warsak Road, Peshawar	0066	Conventional	091-5201301-2	091-5201341	Yes
41	Serai Naurang Branch	Khasra No 438, Sahibzada Kabir Plaza GT Road , Serai Naurang, Lakki Marwat	0127	Islamic	0969-352963	0969-352964	Yes
42	Shabqadar	Khasra No.4244/159-162, Opposite Shabqadar Fort Gate, Shabqadar	0145	Islamic	091-6281101-2	091-6289333	Yes
43	Swabi Branch	Jamil Khan Market, Mardan Road, Swabi	0118	Islamic	0938-222513, 223423	0938-222512	Yes
44	Swari Branch (Buner)	Nisar Market, Pir Paba Road, Swari, Buner	0131	Islamic	0939-555289, 555279	0939-555229	Yes
45	Tank Branch	Gillani Market, Main Bazar Opposite DHQ Hospital, Tank.	0106	Islamic	0963-510068	0963-510400	Yes
46	Thall, Main Bazar	Al-Murtaza Market, Bannu Chowk, Main Bazar Thall District Hangu	0130	Islamic	0925-510740, 511741	0925-511741	Yes
47	Timergara Branch	Shaheed Plaza, Alam Zeb Shaheed Chowk, Timergara	0105	Islamic	0945-9250232, 822090	0945-822690	Yes
48	Topi Branch	Sher Khan Market, Main Bazar, Tarbela Road, Topi, Distt Swabi.	0135	Islamic	0938271546-8	0938-271547	Yes
49	Upper Dir	Shop No.1 to 6 Shafi Plaza, Saleem Market Main Bazar Upper Dir.	0126	Islamic	0944-890021	0944-890022	Yes
50	Peshawar, Shami Road	Shop No.6-10, Garrison Park, Shami Road, Peshawar	0068	Conventional	091-5270270-71	091-5613913	Yes
51	Saleh Khan (Pubbi)	Khasra No.169&183, Main Bazar, Moza Saleh Khana, Tehsil Pubbi, Nowshera	0147	Islamic			Yes

S.no	Branch Name	Complete Address of Branches	Br. Code	Branch Mode	Phone Number	Fax Number	ATM Onsite
52	Peshawar, Chowk Nasir Khan	Al-Rehmat Plaza, Property No. CB/637/2027/755 & CB/637/2028/754/F-1 F-2, Ground Floor, Peepal Mandi, Chowk	0154	Islamic	091-22592014-15	091-2592014	Yes
53	Peshawar, Dalazak Road	Nawaz Plaza, Taxation No. 4988 to 5008, Ground Floor, Dalazak Road, Peshawar.	0073	Conventional	091-2608215-17	091-2608218	Yes
54	Chakdara	Shop No.1 to 10, Zaman Market, Adjacent UBL & NBP, Main Bazar, Chakdara (Lower Dir)	0149	Islamic	0945-762532-33	0945-762534	Yes
55	Peshawar, Garhi Qamar Din	Khata Khatoni No.418/ 915 to 937, Khasra No.Qata (41), Ground Floor, Arbab Maket, Garhi Qamar Din, Near Mujaddad CNG station, North side Ring Road, Peshawar.	0155	Islamic	091-2325225-3	091-2322815	Yes
56	Jehangira	Ground & 1st Floor, Behram Khan Centre, G.T. Road, Jehangira (Nowshera)	0151	Islamic	0923-510057	0923-510054	Yes
57	Takht Bhai	Khasra No.785, Shaikat Mansion, Ground & 1st Floor, Opposite Takht Bhai Mega Market, Takht Bhai, Mardan	0150	Islamic	0937-553682-4	0937-553683	Yes
58	Pabbi, G.T.Road	Ajun Market, G.T.Road, Pabbi (District Nowshera)	0159	Islamic	0931-527071-3	0931-527075	Yes
59	GulBahar Branch, Peshawar.	Plot # 4-A & 4-B, Sameer Square, Anam Sanam Chowk, Gulbahar Road, Hussainabad, Peshawar	0156	Islamic	091-2606391-3	091-2606394	Yes
60	Tangi Branch, Charsadda.	Khasra No. 1633, Malak Plaza, Sabqadar Road, Tangi,(District Charsadda)	0158	Islamic	091-6555527-8-30	(091)6555530.	Yes
61	Barikot Swat	Khasra No. 1333, Iqbal Khan Plaza, Pir Baba Road, Barikot Swat	0157	Islamic	0946-751781-2	0946-751783	Yes
62	Shangla	Islamic Banking Branch at Khasra No.1283, 84 & 86, Munir Plaza, Adjacent MCB, Basement & Ground Floor, Besham Road, Alpuri District Shangla.	0160	Islamic	0996-850140-1	0996-850142	Yes
63	Wari Dir	Ittehad Plaza, Lower basement and Ground floor,Wari Bazaar, Dir Chitral Road, Upper Dir.	0161	Islamic	0944-841511 0944-841611	0944-841711 (Fax)	Yes
64	Charsadda Road Branch, Peshawar.	Khasra No. 1615/832, Adjacent Khayali CNG Station, Shero Jhangi, Charsadda Road, Peshawar.	0074	Conventional	091-2246684-5 0923-626071	091-2246683 (Fax)	Yes
65	Manki Sharif Branch, Nowshera.	Malak Jammen Market, Soorya Khel, Manki Sharif, Tehsil & District Nowshera.	0162	Islamic	0923-626072 0923-626074	0923-626073 (Fax)	Yes
66	Torghar	Quarter No.1, District Head Quarter Torghar Judba, District Torghar, KPK	0165	Islamic	0997-209705 0997-209706		Yes
67	Achini Payan Branch, Peshawar.	Muhammad Arcade, Achini Payan, Ring Road near Hayatabad Peshawar.	0166	Islamic	091-5622545		Yes
68	D.I.Khan Road Branch, Bannu.	University Plaza, D.I.Khan Road, Bannu.	0075	Conventional	0928-611172-5	0928-611174 (Fax)	Yes
69	Matta Branch	Malak Tahir Market, Mouza Main Bazar, Matta, Mingora, Swat.	0164	Islamic	0946-790840 0946-790841	0946790842 (Fax)	Yes
70	Sheva Adda Swabi	Office No. 1, Ground Floor, Sardar Khan Malak Plaza, Mardan Swabi Road, Sheva Adda, Swabi.	0168	Islamic	0938-310703 0938-310704	0938-310705 (Fax)	Yes
71	Umarzai Branch, Charsadda.	Khasra No. 4011/3485 & 4012/3486, Major Saeed Khan Market, Main Bazar, Umarzai.	0078	Conventional	091-952506-07	091-952531 (Fax)	Yes
72	Sheikh Maltoon, Mardan	Shop No. 25,26,27,28,29 & 31, Commercial Plaza Sector-E, Sheik Maltoon Town, Mardan.	0079	Conventional	0937-843111 0937-843222	0937-843225 (Fax)	Yes
73	Kabal, Swat	Khasra No. 2271, Ground Floor, Wahab Market, Kabal, Mingora Road, Swat.	0170	Islamic	0946-755471 0946-755473	0946-755472 (Fax)	Yes
74	Yar Hussain Branch	Akbar Building, intiqal No. 3422, Main Bazar, Yar Hussain, Swabi.	0077	Conventional	0938-460028 0938-460047	0938-460029 (Fax)	Yes
75	Munda, Lower Dir	Groud Floor, Habib Jan Market, Adjacent Tehsildar Office Munda, Munda Lower Dir.	0169	Islamic	0945-830345 0945-830346	0945-530347 (Fax)	Yes
76	Shergarh, Mardan	Groud floor, Asghar Khan Market, Main Bazar, Shergarh, Mardan.	0080	Conventional	0937-820434 0937-820435	0937-820437 (Fax)	Yes
77	Katlang, Mardan	Inteqal No. 5038, Imam Shah Market, Main Bazar, Tehsil Katlang, District Mardan	0081	Conventional	0937-576005 0937-576006	0937-576004 (Fax)	Yes
78	Puran, Shangla	Khasra No.227, Aluch Bazar, Tehsil Puran, Distruct Shangla.	0174	Islamic	0996-853026		Yes
79	Lakki Marwat	Shop No.1, Haji Jan Khan Market, Lakki City, Lakki Marwat.	0173	Islamic	0969-510059 0969-510359	0969-511059 (Fax)	Yes
80	Mall Road Branch, Peshawar	Office No.1, Ground Floor, Khanis Plaza, The Mall Road, Peshawar Cantt.	0172	Islamic	091-5284212 091-5284214	091-5284213 (Fax)	Yes
81	Hayatabad Phase-V, Peshawar.	Ground Floor. Plot No. 28, Sector B-1, Phase- V, Hayatabad Peshawar	0083	Conventional	091-5814820		Yes
83	Sherkot, Kohat.	Khasra No. 315, Mujahid & Brothers Market, Sherkot Tehsil & District Kohat.	0082	Conventional	0922-580888 0922-580666		Yes
84	Chamkani, Peshawar.	Khasra No.156 & 157, Honey Market, Hidayatabad Chamkani, Peshawar.	0084	Conventional	0932-311410		Yes
85	Sakhakot Branch	Noor Market, Main Malakand Road, Sakhakot, District Malakand.	0176	Islamic	0932-311411 0932-311412	0932-311413 (Fax)	Yes
86	Tehkal Payan, Peshawar.	Haji Nazar Mohammad Building, Tehkal Payan, University Road, Peshawar.	0178	Islamic	091-5621220	091-5621222 (Fax)	Yes
87	Sugar Mill Bypass Road, Mardan	Sharif Khan Plaza, New Charsadda Chowk, Railway Patak, Sugar Mill Bypass Road, Mardan	0179	Islamic	0937-845696-97-98	0937-845699 (Fax)	Yes
88	Tordher, Swabi.	Khasra No.1751, Main Swabi Jehangira Road, Matani Changan Tordher, Swabi.	0085	Conventional	0938-537116-118	0938-537119	Yes
89	Darosh, Chitral.	Main Darosh Bazaar, Zero Point, Chitral	0086	Conventional	0943-480261-62-63	0943-480264	Yes
90	Sheikh Yousaf Adda, D.I.Khan.	Khasra No.1007/529, Sheikh Yousaf Adda, OppositePunjab Collage, Bannu Road D.I.Khan.	0087	Conventional	0966-740316-317	0966-740318	
91	Rashakai, Nowshera	Main Bazar Rashakai, Nowshera	0182	Islamic	0937-880369 0937-881369		Yes
92	Charbagh, Swat	Saad Tower, Main Bazar Charbagh, Tehsil & District Swat	0181	Islamic	0946-730493-94	0946-730495 (Fax)	Yes
93	Kohat Road, Peshawar	Marjan Hotel, Mauza Kotla Mohsin Khan, Kohat Road, Peshawar	0092	Conventional	091-2323635 091-2323695	091-2323696 (Fax)	Yes
94	Rustam, Mardan	Main Bazar Rustam, Mardan	0183	Islamic	0937-801909		Yes
95	Barawal Bandi, Swat	Al-Madina Market Shahi Road, Main Bazar Barawal Bandi, Upper Dir	0184	Islamic	0944-830019-20	0944-830021	
96	Kuza Bandai, Swat	Hamas Khan Market, Matta Road, Kuza Bandai, Tehsil Kabal, District, Swat	0093	Conventional	0946-880411	0946-880445	Yes
97	Lundkhar, Mardan	Ramora Lundkhar, Tehsil Takht Bhai, District Mardan	0089	Conventional	0937-850131-32	0937-850134	Yes
98	Sardheri, Charsadda	Maroof Khel, Sardheri Bazar, Tehsil & District Charsadda	0088	Conventional	091-6644001-02	091-6644003	Yes
99	Judicial Complex Haripur	Judicial Complex Haripur	0097	Conventional	0995-321196-97		
100	Nasir Baghh Branch Peshawar	Nasir Bagh Road, Near Police Colony peshawar	0096	Conventional	091-5710677-78		Yes
101	HMC Branch, Peshawar.	Hayatabad Medical Complex, Phase 4 Hayatabad, Peshawar	0185	Islamic	091-5811941-43	091-5811946	

S.no	Branch Name	Complete Address of Branches	Br. Code	Branch Mode	Phone Number	Fax Number	ATM Onsite
102	Jamrud Road Branch	Adjacent Caltex Petrol Pump, Jamrud Bazar, Jamrud (Khyber Agency)	0125	Islamic	091-5602013,5830147-8	091-5830149	Yes
103	Torkham	Ground Floor, Masoom Building, near PTDC and Tehsildar Office, Peshawar Torkham Road, Torkham.	0167	Islamic	0924-240044 0924-240045 0924-240046	0924-240047 (Fax)	
104	Parachinar	Shop No. 1 to 5 Ground Floor, Haji Safdar Market, School Road, Parachinar.	0076	Conventional	0926-3122720926- 3122730926- 312374	0926-312275 (Fax)	Yes
105	Dara Adam Khel Branch	Ground floor, Nawab Shah Plaza Dara Bazaar Mohammad Zarghar Dara Adam Khel.	0175	Islamic	0922-811222	0922-811333	Yes
106	Khar Bajaur	Abid City Centre, Ground Floor, Lt.Sajjad Khan Shaheed Bypass Road Khar Bazaar, Bajaur Agency	0163	Islamic	0942-221263-4		
107	Sadda, Kurram Agency	Bangash Market, Main Bazar Sadda Tehsil Lower Kurram, District Kurram Agency	0091	Conventional	0926-520424-25	0926-520426 (Fax)	Yes
103	Miran Shah	Syed Gul Market, Main Bannu-Miran Shah Road, Miran Shah, District North Waziristan	0141	Islamic	0300-5839362		
104	WANA	South Waziristan Scouts Camp Wana, District South Waziristan	0152	Islamic	(0965) 210006		
105	Ghalani	Opposite Civil Colony Ghalani, District Mohmand	0153	Islamic	(0924) 290280		
106	Kalaya	Sub Divisional Head Quarters Compound, Kalaya, District Orakzai	0171	Islamic	(0925) 650009, 650010		

#### Province Sindh (12 Branches)

102	Hyderabad Branch	Plot No.41/444,445,446,447,448 & 449, Main Bohri Bazar, Near Blair Hospital, Saddar Cantt., Hyderabad.	0047	Conventional	022-2731200, 2731209-10	022-2731211	Yes
103	Karachi, Bahadurabad	Shop No.4 & Flat No.2, Survery No.SNCC/30, Qazi Court, Karachi Cooperative Housing Society, Bahadurabad, Karachi	0067	Conventional	021-34946751-2-4-5	021-34946753	Yes
104	Karachi, Clifton Branch	Shop No.7,8 & 9 Plot # G-10, Garnet Centre, Block-8, Main Road, KDA Scheme # 5, Clifton Cantonment, Karachi	0046	Conventional	021-35296291-98	021-35296291	Yes
105	Karachi, DHA, Phase-II	Plot No.69-C, 11th Commercial Building, DHA, Phase II, Karachi	0063	Conventional	021-35890171-4	021-35890175	Yes
106	Karachi, Metroville	KDA Scheme, Project No.1, Metroville, SITE, Karachi.	0123	Islamic	0213-6754233-4	021-36754236	Yes
107	Karachi, Shahrah-e-Faisal	Ebrahim Alibhai Tower, Shop No.02, Plot No.03, Block-7/8 Modern Cooperative Housing Society (MCHS), Shahrah-e-Faisal, Karachi	0024	Conventional	0213-4389037-8	021-34389039	Yes
108	Karachi, Shireen Jinnah Colony	Block-1, Clifton, Shireen Jinnah Colony Karachi	0034	Conventional	0213-5873264-5	021-35873267	Yes
109	Karachi, SITE	B-78, Allied Plaza Estate Avenue, S.I.T.E., Karachi	0109	Islamic	0213-2565102 & 4	021-32565105	Yes
110	Karachi, Sohrab Goth	Shops No.A-7/A, A-7/B, A-8/A, A-8/B, Ground Floor, Block "A" Plot No.1-B-2, Sub Plot No.1-A, A1 Azam Plaza Scheme 33, Sohrab Goth, Super Market, Main Super Highway Karachi	0110	Islamic	021-36830070 & 2	021-36830067	Yes
111	Karachi, Stock Exchange Branch	1 <sup>st</sup> Floor, Karachi Stock Exchange, Karachi	0036	Conventional	021-32465804 & 7	021-32465805	
112	Sukkur	Property No.D-986, D-987, D-971, Hussaini Road, Sukkur	0058	Conventional	071-5617057-8-9	071-5617056	Yes
113	Karachi, Napier Road	Shop No.07 & Office No.117, Yousuf Trader Centre, Plot No.26, SR-7, Ground & 1st Floor, Napier Road, Karachi	0072	Conventional	021-32601371- 72-74-75	021-32601373	Yes

#### Province Punjab (34 Branches)

114	Attock City	Plot No.178, Block-Y, DHA, Lahore Cantt.	0065	Conventional	057-2602378-9	057-2701378	Yes
115	Bahawalpur	Plot No.811, Block C, Faysal Town, Lahore	0050	Conventional	062-2887533, 2887532	062-2887532	Yes
116	Chiniot	Block -R-1, M.A. Johar Town, Lahore	0044	Conventional	047-6333394-6	047-6333397	Yes
117	D.G. Khan	Gulberg-III, M.M. Alam Road, Lahore	0056	Conventional	0642-470871-4	0642-470875	Yes
118	Faisalabad, Kotwali Road	Property No.82-84, Amarpak Building, Main Ravi Road, Lahore	0116	Islamic	041-2412116-7-8	041-2412120	Yes
119	Faisalabad, Sosaan Road	Shop #E/36, Alamgir Market, Inside Shah Alam Gate, Lahore.	0038	Conventional	041-8556200-1-2	041-8556203	Yes
120	Gujar Khan	Property No.17/24, Shadab Market, G.T. Road, Mian Channu, District Khanewal	0062	Conventional	051-3511822-3	051-3511824	Yes
121	Gujranwala, G.T. Road	Lower Ground, Khan Centre, Main Market, Abdali Road Multan Cantt.	0039	Conventional	055-3730917-8	055-3730918	Yes
122	Gujrat, G. T. Road	Plot No.12-B & 13-B, Haq Nawaz Plaza, Main Gate Shah Shams Colony, Vehari Road, Multan	0037	Conventional	053-3525555, 3530380	0533-520370, 530390	Yes
123	Jhelum	Ground Floor & 1st Floor, Iftikhar Children Hospital, M.A. Jinnah Road, Okara	0042	Conventional	0544-9270164 & 6	0544-9270165	Yes
124	Khanewal	Plot No.15, Opposite Town Hall, Model Town, Rahim Yar Khan	0060	Conventional	065-2556431-2	065-2556433	Yes
125	Lahore, New Gardan Town.	No.A/308- Jinnah Road (City Saddar Road) Rawalpindi	0114	Islamic	042-36304873, 36367407	042-36307079	Yes
126	Lahore, DHA	Adam Jee Road, Saddar, Rawalpindi	0052	Conventional	042-35741073 & 5	042-35741077	Yes
127	Lahore, Faysal Town	Shop No.10, Masood Plaza, Bank Road, Sadiqabad	0057	Conventional	042- 35160472, 35160474-8	042-35160473	Yes
128	Lahore, Johar Town	272/B-2 High Street, Sahiwal.	0031	Conventional	042-35316744-5	042-35316746	Yes
129	Lahore, M.M. Alam Road	63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha	0023	Conventional	042-35872013, 35752038	042-35872013	Yes
130	Lahore, Shah Alam Gate	Plot No.119, Auto Market, Badami Bagh, Lahore	0124	Islamic	042-37641834 & 6	042-37641837	Yes
131	Mian Channu	Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road, Jhang	0061	Conventional	065-2661871-2	065-2661870	Yes
132	Multan, Abdali Road	Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot	0033	Conventional	061-4545139-40	061-4545143	Yes
133	Multan, Vehari Road	Khasra No.80, Adjacent Singer Branch, Sargodha Road, Sheikhpura	0142	Islamic	061-6241251-3	061-6241254	Yes
134	Okara, Jinnah Road	Khasra No.781, Geo Madina Tower, Main G.T. Road, Tarnol	0140	Islamic	0442-511079-80	0442-511081	Yes
135	Rahim Yar Khan	Gudwaal Plaza, Khewat No. 599,Khatooni No. 906-913, Ground & 1st Floor,Main Bazaar, Taxila.	0051	Conventional	068-5870182-3	068-5870185	Yes
136	Rawalpindi, City Saddar Road	Ballo Khel Road, Mianwali City, Punjab	0030	Conventional	051-5540420 & 2, 5540486	051-5540482	Yes
137	Rawalpindi, Saddar Adam Jee Road	Shop No.10, Masood Plaza, Bank Road, Sadiqabad	0115	Islamic	051-5120194-7	051-5120198	Yes
138	Sadiqabad	Shop No.10, Masood Plaza, Bank Road, Sadiqabad	0059	Conventional	068-5801261-2-3	068-5801264	Yes
139	Sahiwal Branch	272/B-2 High Street, Sahiwal.	0045	Conventional	040-4222404, 4222448	040-4222403	Yes
140	Sargodha	63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha	0041	Conventional	048-3740892-3	0483-7408912	Yes
141	Sialkot Branch	Industrial Area, Shahabpura, Ugoki Road, Near Masjid Mohajirin, Sialkot	0032	Conventional	052-3559225 & 7	052-3559224	Yes

S.no	Branch Name	Complete Address of Branches	Br. Code	Branch Mode	Phone Number	Fax Number	ATM Onsite
142	Sialkot Branch	Industrial Area, Shahabpura, Ugoki Road, Near Masjid Mohajirin, Sialkot	0032	Conventional	052-3559225 & 7	052-3559224	Yes
143	Lahore, Badami Bagh	Plot No.119, Auto Market, Badami Bagh, Lahore	0069	Conventional	042-37731631-2-3	042-37731634	Yes
144	Jhang	Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road, Jhang	0070	Conventional	047-7622180-1, 7622183	047-7622182	Yes
145	Daska	Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot	0071	Conventional	052-6612324-6	052-6612327	Yes
146	Tarnol	Khasra No.781, Geo Madina Tower, Main G.T. Road, Tarnol	0146	Islamic	051-2226781-2	051-2226783	Yes
147	Mianwali	Ballo Khel Road, Mianwali City, Punjab	0090	Conventional	045-9230091-93	045-9230094	Yes

#### Province Balochistan (6 Branches)

148	Chaman Branch	Khasra No.451, Old Mahal 404, Abdali Bazar, Chaman	0120	Islamic	0826-614012, 614027	0826-614012	
149	Quetta, Jinnah Road	Jinnah Road, Quetta.	0102	Islamic	081-2843203, 2822141	081-2829469	Yes
150	Quetta, Shahrah-e-Iqbal	Shop No.2-7/35, Khyber Plaza, Shahra-e-Iqbal (Qandhari Bazar) Quetta	0054	Conventional	081-2834950-55	081-2834952	Yes
151	Quetta, Sirki Road	Khasra No.1807/16, Kaasi Building, Ground & 1st Floor, Sirki Road, Quetta.	0148	Islamic	081-2443637, 2447377	081-2447388	Yes
152	Zhob Branch	Shop No. C84-85, Main bazar, Thana Road Quetta, Zhob.	0177	Islamic	0822-412335		Yes
153	Gwadar	Main Bazar Airport Road. Adjacent to Sshil hotel Gwadar	0095	Conventional	0864210301-0302-303-304		

#### Capital Territory Area (4 Branches)

154	Islamabad, Blue area	Zahoor Plaza, Blue Area, Islamabad.	0022	Conventional	051-2824691, 2826111	051-2271139	
155	Islamabad, F-10 Markaz	Plot No.8. F-10 Markaz, Islamabad	0133	Islamic	051-2222994-5	051-222997	
156	Islamabad, PWD Society	Plot No.786-G, Block-C, PWD Society, Islamabad	0055	Conventional	051-5170901-2 & 4	051-5170903	
157	Bhara Kahu Branch, Islamabad.	Malak Shafait Plaza, Mauza Mahal Kot, Hathial Main Murree Road, Bhara Kahu, Islamabad	0180	Islamic	051-2303782-83-87	051-2303789	

#### Gilgit Baltistan (1 Branch)

158	Gilgit, Jutial Cantt.	Shop No.1 to 6, ZS Plaza, Opposite Radio Pakistan, Shahrah-e-Quaid-e-Azam, Jutial Cantt. Gilgit	0053	Conventional	05811-922082-3	05811-922084	Yes
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#### Azad Jammu Kashmir (3 Branches)

159	Kotli (AJ&K)	Commercial Property, Khasra No.579, Bank Road, Kotli	0064	Conventional	05826-448673-4-5	05826-448679	Yes
160	Mirpur Branch (AJ&K)	Plot No.3, Sector B/3, Allama Iqbal Road, Mirpur, Azad Jammu Kashmir	0035	Conventional	05827-447686-8	05827-447685	Yes
161	Muzaffar Abad (AJ&K)	Secretariat Road, Muzaffarabad, Azad Jammu & Kashmir	0027	Conventional	05822-920492	05822-920499	Yes

#### SUB-BRANCHES (3 Branches)

1	North West Hospital (Sub-Branch of University Road Peshawar)	North West Hospital Phase-V Hayatabad Peshawar		Conventional			Yes
2	Provincial Assembly (Sub-Branch of High Court Peshawar Branch)	Provincial Assembly KPK		Conventional			Yes
3	Lady Reading Hospital Peshawar (Sub-Branch of Khyber Bazar Peshawar Branch)	Lady Reading Hospital Rest House Opposite FC Block Lady Reading Hospital Peshawar		Conventional			Yes

## Foreign Correspondent Banks

Sr#	Country	Name of Bank	Sr#	Country	Name of Bank
1	<b>AFGHANISTAN</b>	HABIB BANK LIMITED NATIONAL BANK OF PAKISTAN, KABUL BRANCH			JIANGSU JIANGNAN RURAL COMMERCIAL BANK CO.,LTD.(FORMALY JIANGSU WUJIN RURAL BANK)
2	<b>AMERICAN SAMOA</b>	ANZ AMERIKA SAMOA BANK			MIZUHO BANK (CHINA),LTD. (only when Applicant/Bene is customer of Mizuho Bank)
3	<b>ARGENTINA</b>	MUFG BANK, LTD. BUENOS AIRES BRANCH			MUFG BANK (CHINA), LTD. NANXUN BANK QILU BANK CO., LTD.
4	<b>AUSTRALIA</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED			RURAL COMMERCIAL BANK OF ZHANG-JIAGANG SHENGJING BANK CO.,LTD
5	<b>BAHRAIN</b>	AL BARAKA ISLAMIC BANK B.S.C CLOSED ALUBAF ARAB INTERNATIONAL BANK B.S.C. (C) ARAB INVESTMENT COMPANY, THE ASKARI BANK LIMITED, BAHRAIN BRANCH BANK AL HABIB LIMITED HABIB BANK LTD. JS BANK LIMITED MUFG BANK, LTD. BAHRAIN BRANCH UNITED BANK LIMITED WOORI BANK, MANAMA			THE BANK OF NEW YORK MELLON, SHANGHAI BRANCH UNICREDIT SPA-SHANGHAI BRANCH WELLS FARGO BANK, NA, SHANGHAI BRANCH WOORI BANK (CHINA) LIMITED YANTAI BANK CO., LTD. Zhejiang Nanyun Rural Comercial Bank CO LTD
6	<b>BANGLADESH</b>	HABIB BANK LTD. NATIONAL BANK OF PAKISTAN SOCIAL ISLAMI BANK LIMITED WOORI BANK, DHAKA	13	<b>COOK ISLANDS</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
7	<b>BELGIUM</b>	COMMERZBANK AG,THE,BRUSSELS BRANCH HABIB BANK LTD. KBC BANK NV THE BANK OF NEW YORK MELLON SA/NV	14	<b>CZECH REPUBLIC</b>	COMMERZBANK AG
8	<b>CANADA</b>	HABIB CANADIAN BANK	15	<b>DENMARK</b>	DANSKE BANK A/S (ONLY WHEN APPLICANT/BENE IS CUSTOMER OF DANSKE BANK)
9	<b>CAYMAN ISLANDS</b>	COMMERZBANK AG,CAYMAN ISLANDS BRANCH	16	<b>EGYPT</b>	MASHREQBANK PSC
10	<b>CHILE</b>	MUFG BANK, LTD., SANTIAGO BRANCH	17	<b>ETHIOPIA</b>	DASHEN BANK SC
12	<b>CHINA</b>	AGRICULTURAL DEVELOPMENT BANK OF CHINA AUSTRALIA AND NEW ZEALAND BANK (CHINA)COMPANY LIMITED BANK OF CHINA (only when Applicant/Bene is customer of Bank of China) BANK OF JIANGSU CO LTD BANK OF SHANGHAI CO LTD CHINA CITIC BANK COMMERZBANK AG INDUSTRIAL AND COMMERCIAL BANK OF CHINA ZHEJIANG TAILONG COMMERCIAL BANK CO. LTD ZHEJIANG XIAOSHAN RURAL COOPERATIVE BANK	18	<b>FIJI</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
			19	<b>FINLAND</b>	DANSKE BANK PLC (ONLY WHEN APPLICANT/BENE ISCUSTOMER OF DANSKE BANK)
			20	<b>FRANCE</b>	COMMERZBANK AG CREDIT MUTUEL ARKEA NATIONAL BANK OF PAKISTAN UNION DE BANQUES ARABES ET FRANCAISES (U.B.A.F)
			21	<b>GERMANY</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED COMDIRECT BANK AG COMMERZBANK AG COMMERZBANK AG COMMERZBANK AG COMMERZBANK AG COMMERZBANK AG EUROPEAN BANK FOR FINANCIAL SERVICES GMBH (EBASE) NATIONAL BANK OF PAKISTAN SPARKASSE WEST MUNSTERLAND THE BANK OF NEW YORK MELLON COMMERZBANK AG (DANSKE BANK A/S (ONLY WHEN APPLICANT/BENE IS CUSTOMER OF DANSKE BANK

Sr#	Country	Name of Bank	Sr#	Country	Name of Bank
22	GIBRALTAR	BANK J SAFRA SARASIN (GIBRALTAR) LTD	33	MACAO	BANCO COMMERCIAL PORTUGUES
23	GREECE	ATTICA BANK SA	34	MALAYSIA	BANK AL HABIB LIMITED CITIBANK BERHAD MIZUHO BANK (MALAYSIA) BERHAD (only when Applicant/Bene is customer of Mizuho Bank) MUFG BANK (MALAYSIA) BERHAD
24	HONG KONG	ABN AMRO BANK NV BANK OF AMERICA NA COMMERZBANK AG MASHREQBANK PSC NATIONAL BANK OF PAKISTAN THE BANK OF NEW YORK MELLON WELLS FARGO BANK NA	35	MAURITIUS	BANK OF BARODA
24	HUNGARY	COMMERZBANK ZRT	36	MONACO	BANQUE J. SAFRA SARASIN (MONACO) SA
25	INDIA	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED MASHREQBANK PSC SHINHAN BANKMIZUHO BANK LTD (ONLY WHEN APPLICANT/BENE IS CUSTOMER OF MIZUHO BANK) MUFG BANK (FORMERLY: THE BANK OF TOKYO MITSUBISHI UFJ LTD) MUFG BANK (FORMERLY: THE BANK OF TOKYO MITSUBISHI UFJ LTD) SHINHAN BANK	37	NETHERLANDS	COMMERZBANK AG KANTOOR AMSTERDAM HABIB BANK LTD. ING BANK N.V. INTESA SANPAOLO BANK LUXEMBOURG
26	INDONESIA	PT BANK ANZ INDONESIA PT BANK WOORI INDONESIA PT PAN INDONESIA BANK TBK MUFG BANK (FORMERLY: THE BANK OF TOKYO MITSUBISHI UFJ LTD)	38	NEW ZEALAND	ANZ BANK NEW ZEALAND LIMITED
26	IRELAND	DANSKE BANK A/S (ONLY WHEN APPLICANT/BENE IS CUSTOMER OF DANSKE BANK)	39	NORWAY	DANSKE BANK A/S (only when Applicant/Bene is customer of Danske Bank)
27	ITALY	BANCO DI DESIO E DELLA BRIANZA SPA COMMERZBANK AG MIZUHO BANK LTD (ONLY WHEN APPLICANT/BENE IS CUSTOMER OF MIZUHO BANK) MUFG BANK (Formerly: The Bank of Tokyo Mitsubishi UFJ Ltd) The Bank of New York Mellon (Luxembourg) SA	40	OMAN	BANK SOHAR S.A.O.G HABIB BANK OMAN
28	JAPAN	COMMERZBANK AG TOKYO MIZUHO BANK, LTD. (only when Applicant/Bene is customer of Mizuho Bank) MUFG BANK, LTD. NATIONAL BANK OF PAKISTAN THE BANK OF NEW YORK MELLON, TOKYO BRANCH U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES TOKYO BRANCH WELLS FARGO BANK, N.A., TOKYO BRANCH WOORI BANK, TOKYO	41	PAKISTAN	ALBARAKA BANK (PAKISTAN)LIMITED ALLIED BANK LIMITED ASKARIBANK LIMITED BANK AL HABIB LIMITED BANK ALFALAH LIMITED BANKISLAMI PAKISTAN LIMITED DEUTSCHE BANK AG, KARACHI BRANCH FAYSAL BANK LIMITED HABIB BANK LIMITED HABIB METROPOLITAN BANK LIMITED INDUSTRIAL AND COMMERCIAL BANK OF CHINA, KARACHI BRANCH JS BANK LIMITED MCB BANK LIMITED MCB ISLAMIC BANK LIMITED MEEZAN BANK LIMITED NATIONAL BANK OF PAKISTAN SILKBANK LIMITED SINDH BANK LIMITED SONERI BANK LIMITED SUMMIT BANK LTD THE BANK OF PUNJAB UNITED BANK LIMITED
29	KUWAIT	MASHREQBANK PSC.			
30	KYRGYZSTAN	NATIONAL BANK OF PAKISTAN BISHKEK BRANCH			
31	LEBANON	HABIB BANK LIMITED			
32	LUXEMBOURG	COMMERZBANK AG DANSKE BANK INTERNATIONAL S.A. (only when Applicant/Bene is customer of Danske Bank) THE BANK OF NEW YORK MELLON (LUXEMBOURG) SA, LUXEMBOURG			

Sr#	Country	Name of Bank	Sr#	Country	Name of Bank
42	<b>PAPUA NEW GUINEA</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP (PNG) LTD.	51	<b>SINGAPORE</b>	ABN AMRO BANK N.V. SINGAPORE BRANCH
43	<b>PHILIPPINES</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED MIZUHO BANK, LTD., MANILA BRANCH (only when Applicant/Bene is customer of Mizuho Bank) MUFG BANK, LTD., MANILA BRANCH			AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED BANK MANDIRI (PERSERO)TBK. PT COMMERZBANK AG, SINGAPORE BRANCH HSH NORDBANK AG MIZUHO BANK, LTD. SINGAPORE BRANCH (only when Applicant/Bene is customer of Mizuho Bank) MUFG BANK, LTD. THE BANK OF NEW YORK MELLON, SINGAPORE BRANCH TORONTO DOMINION BANK U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES WELLS FARGO BANK, NA WOORI BANK, SINGAPORE
44	<b>POLAND</b>	DANSKE BANK A/S S.A. ODZIAL W POLSCE (only when Applicant/Bene is customer of Danske Bank)	52	<b>SLOVAKIA</b>	COMMERZBANK AG
45	<b>QATAR</b>	DOHA BANK MASHREQ BANK UNITED BANK LIMITED, DOHA	53	<b>SOLOMON ISLANDS</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
46	<b>REPUBLIC OF KOREA</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED BUSAN BANK INDUSTRIAL BANK OF KOREA KEB HANA BANK KOOKMIN BANK MIZUHO BANK, LTD., SEOUL BRANCH (only when Applicant/Bene is customer of Mizuho Bank) MUFG BANK, LTD., SEOUL BRANCH NATIONAL BANK OF PAKISTAN, SEOUL BRANCH KOREA SHINHAN BANK SUHYUP BANK THE BANK OF NEW YORK MELLON, SEOUL BRANCH U.B.A.F.-UNION DE BANQUES ARABES ET FRANCAISES WELLS FARGO BANK, N.A., SEOUL BRANCH WOORI BANK, SEOUL	54	<b>SOUTH AFRICA</b>	HBZ BANK LIMITED
			55	<b>SPAIN</b>	ABANCA CORPORACION BANCARIA, S.A. COMMERZBANK AG
			56	<b>SRI LANKA</b>	HABIB BANK LTD. HATTON NATIONAL BANK PLC SAMPATH BANK PLC
			57	<b>SWEDEN</b>	DANSKE BANK (only when Applicant/Bene is customer of Danske Bank)
			58	<b>SWITZERLAND</b>	HABIB BANK AG ZURICH UBL (SWITZERLAND) AG ZUERCHER KANTONALBANK
47	<b>RUSSIAN FEDERATION</b>	AO WOORI BANK COMMERZBANK (EURASIJA) AO DANSKE BANK RUSSIA (only when Applicant/Bene is customer of Danske Bank)	59	<b>TAIWAN</b>	ANZ BANK (TAIWAN) LIMITED MIZUHO BANK, LTD.,TAIPEI BRANCH MUFG BANK, LTD., TAIPEI BRANCH THE BANK OF NEW YORK MELLON, TAIPEI BRANCH WELLS FARGO BANK, N.A., TAIPEI BRANCH
48	<b>SAMOA</b>	ANZ BANK (SAMOA) LTD	60	<b>THAILAND</b>	BANK OF AYUDHYA PUBLIC COMPANY LIMITED, BANGKOK OFFICE MIZUHO BANK, LTD., BANGKOK BRANCH (only when Applicant/Bene is customer of Mizuho Bank)
49	<b>SAUDI ARABIA</b>	BANK AL-JAZIRA NATIONAL BANK OF PAKISTAN NATIONAL COMMERCIAL BANK, THE RIYAD BANK	61	<b>TIMOR-LESTE</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD
50	<b>SEYCHELLES</b>	BANK AL HABIB LIMITED	62	<b>TONGA</b>	ANZ BANKING GROUP LIMITED

Sr#	Country	Name of Bank	Sr#	Country	Name of Bank
63	<b>TURKEY</b>	AKBANK T.A.S. AKTIF YATIRIM BANKASI A.S. HABIB BANK LTD.	67	<b>VANUATU</b>	ANZ BANK (VANUATU) LTD
64	<b>UAE</b>	ABU DHABI COMMERCIAL BANK HABIB BANK AG ZURICH HABIB BANK LIMITED MASHREQBANK PSC. MCB BANK LIMITED UNITED BANK LTD.	68	<b>VIET NAM</b>	ANZ BANK(VIETNAM) LIMITED MIZUHO BANK, LTD. (only when Applicant/Bene is customer of Mizuho Bank) SHINHAN BANK VIETNAM LIMITED WOORI BANK VIETNAM LIMITED
65	<b>UK</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED BANK J. SAFRA SARASIN (GIBRALTAR) LTD COMMERZBANK AG DANSKE BANK (only when Applicant/Bene is customer of Danske Bank) HABIB BANK UK HABIB BANK ZURICH PLC LLOYDS BANK PLC MASHREQ BANK PSC MIZUHO BANK, LTD. LONDON BRANCH (only when Applicant/Bene is customer of Mizuho Bank) NORTHERN BANK LIMITED (TRADING AS DANSKE BANK) SHINHAN BANK LONDON BRANCH THE BANK OF NEW YORK MELLON WELLS FARGO BANK, N.A., LONDON BRANCH WOORI BANK, LONDON			
66	<b>USA</b>	AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD. BRANCH BANKING AND TRUST COMPANY COMMERZBANK AG DEUTSCHE BANK AG DEUTSCHE BANK TRUST COMPANY AMERICAS FIRST TENNESSEE BANK N.A. GOLDEN BANK, N.A. HABIB AMERICAN BANK HABIB BANK LIMITED MASHREQBANK PSC., NEW YORK BRANCH MIZUHO BANK, LTD. NEW YORK BRANCH (only when Applicant/Bene is customer of Mizuho Bank) NATIONAL BANK OF PAKISTAN SHINHAN BANK SHINHAN BANK AMERICA THE BANK OF NEW YORK MELLON WELLS FARGO ADVISORS, LLC WELLS FARGO BANK, N.A. WOORI AMERICA BANK, NEW YORK WOORI BANK, LOS ANGELES WOORI BANK, NEW YORK			

## Form of proxy

Folio No. \_\_\_\_\_ CDC Participant Identity card No. \_\_\_\_\_ CDC A/C No. \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_ a member/  
 members of The Bank of khyber, and holder of \_\_\_\_\_ shares do hereby  
 appoint- \_\_\_\_\_ of \_\_\_\_\_ or failing him /  
 her \_\_\_\_\_ of \_\_\_\_\_ who is also  
 a member of the company, vide Registered Folio No. \_\_\_\_\_ as my/ our proxy to attend,  
 speak and vote for me /us and on my/our behalf at the 29th Annual General Meeting of the Bank to be held on Friday  
 March 27, 2020 at 10:00 a.m at Pearl Continental Hotel, Peshawar Cantt.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2020.

**Dated**

**Place:**

**Notes**

### A. General

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead him/her. No person shall act as a proxy, who is not a member of the bank except that Government of Pakistan /Provincial Government/State Bank of Pakistan/Corporation may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member of his/ her attorney duly authorized in writing. If the member is a corporation(other that Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a nationally certified copy thereof, should be deposited, with our Registrar/Transfer Agents, Messrs THK Associates (Pvt) Ltd. 1st Floor, 40-C, Block-6, P.E.C.H.S.Karachi-75400 Pakistan, not less than 48 hours before the time of holding meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

### B. For CDC Account Holders

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

Signature  
 Five-Rupees  
 Revenue Stamp

The Signature should  
 agree with the  
 Specimen registered  
 with the Bank

 24, The Mall, Peshawar Cantt.

 +92-91-111 95 95 95

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