



Condensed Interim

FINANCIAL INFORMATION

For the Period Ended September 30, 2021

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CORPORATE INFORMATION

Board of Directors

Shahab Ali Shah	Chairman / Non-Executive Director
Atif Rehman	Non-Executive Director
Maqsood Ismail Ahmad	Non-Executive Director
Asad Muhammad Iqbal	Independent Director
Javed Akhtar	Independent Director
Rashid Ali Khan	Independent Director
Saleha Asif	Independent Director

Managing Director / CEO

Muhammad Ali Gulfaraz

Shariah Board

Mufti Muhammad Zahid	Chairman
Mufti Muhammad Arif Khan	Member
Mufti Abdul Wahab	Member
Qazi Abdul Samad	Resident Member (RSBM)

Board Audit Committee

Asad Muhammad Iqbal	Chairman
Atif Rehman	Member
Javed Akhtar	Member

Board Human Resource & Remuneration Committee

Saleha Asif	Chairperson
Maqsood Ismail Ahmad	Member
Rashid Ali Khan	Member
Managing Director	Member

Board Risk Management Committee

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

Board I.T Steering Committee

Javed Akhtar	Chairman
Asad Muhammad Iqbal	Member
Saleha Asif	Member

Board Compliance Committee

Rashid Ali Khan	Chairman
Javed Akhtar	Member
Saleha Asif	Member

Board Investment Committee

Atif Rehman	Chairman
Maqsood Ismail Ahmad	Member
Asad Muhammad Iqbal	Member
Managing Director	Member

Chief Financial Officer

Irfan Saleem Awan

Company Secretary

Zahid Sahibzada

Registered Office / Head Office

24 – The Mall, Peshawar Cantt.

1st Floor, State Life Building, 34 – The Mall,
Peshawar Cantt., Pakistan
UAN# 00-92-91-111 95 95 95
URL: www.bok.com.pk

Auditors

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.
Plot No.32-C, Jami Commercial Street 2
DHA, Phase VII, Karachi – 75500

Directors' Review

On behalf of the Board of Directors of the Bank of Khyber, I am pleased to present the condensed Interim Financial Statements of the Bank for the 3rd quarter ended September 30, 2021. The results are inclusive of Islamic Banking Operations:

Financial Highlights

The financial results of the Bank of Khyber for the 3rd quarter ended September 30, 2021 are as under:

	(Rs. in Million)	
	September 30 <u>2021</u>	December 31 <u>2020</u>
Total Assets	340,371	288,300
Deposits	239,308	203,072
Advances (Gross)	136,603	134,907
Investments (Net)	174,016	113,479

	(Rs. in Million)	
	Period Ended September 30	
	<u>2021</u>	<u>2020</u>
Operating Profit	1,948	4,208
Provision against non-performing advances/others	(721)	(1,413)
Profit before taxation	1,227	2,795
Taxation	(448)	(1,143)
Profit after tax	779	1,652

Performance Review

For the 3rd quarter of the year 2021, the Bank posted profit before tax of Rs.1,227 million whereas profit after tax stood at Rs.779 million as compared to Rs.1,652 million for the same period of 2020. The downward trend in the profitability mainly associated with the provisions made against non-performing loans as well as decline in capital gains as compared with the Q3 2020.

Total assets increased by 18% over the year end 2020 and stood at Rs.340,371 million. Deposits registered a growth of 18% and stood at Rs.239,308 million whereas advances reached Rs.136,603 million. Investments closed at Rs.174,016 million with an increase of 53% over the year end 2020.

At the end of the quarter under review, the Bank was operating with 193 branches and 12 sub-branches with 7 booths across the country wherein 98 branches were working as dedicated Islamic Banking Branches.

Future Outlook

In the backdrop of the current economic scenario where economy has shown momentum and many sectors have resumed activities, the Bank of Khyber is repositioning itself with better understanding of the circumstances and taking necessary measures to cope with the situation.

The Bank continues to strengthen its presence in the market through its expanded branch network by offering tailor made consumer friendly products and best services.

Credit Rating

VIS Credit Rating Company Limited (VIS) has upgraded the medium to long term entity rating of the Bank from ‘A’ (Single A) to ‘A+’ (Single A Plus) while maintaining short-term rating at ‘A-1’ (A-One). The medium to long-term rating of ‘A+’ denotes good credit quality, with adequate protection factors. Outlook on the assigned rating is ‘Stable’

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the medium to long term and short term entity rating of the Bank at “A” (Single A) and “A-1” (A One). Outlook on the assigned rating is “Stable”.

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

Acknowledgement

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

For and on behalf of the Board of Directors



Muhammad Ali Gulfaraz
Managing Director

Peshawar: October 27, 2021

**THE BANK OF KHYBER
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021**

		(Un-audited) September 30, 2021	(Audited) December 31, 2020
	Note	----- Rupees in '000 -----	
ASSETS			
Cash and balances with treasury banks	5	14,391,530	15,840,359
Balances with other banks	6	7,677,878	9,092,355
Lendings to financial institutions	7	-	7,297,519
Investments	8	174,016,525	113,478,994
Advances	9	129,993,341	129,063,377
Fixed assets	10	4,537,663	3,472,025
Intangible assets	11	469,176	532,167
Deferred tax assets	12	952,377	459,902
Other assets	13	8,332,756	9,063,193
		340,371,246	288,299,891
LIABILITIES			
Bills payable	14	954,579	944,140
Borrowings	15	73,102,671	57,063,018
Deposits and other accounts	16	239,308,456	203,071,658
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	17	10,368,093	9,449,525
		323,733,799	270,528,341
NET ASSETS		16,637,447	17,771,550
REPRESENTED BY			
Share capital	18	10,502,710	10,002,524
Reserves		3,490,789	3,335,048
Surplus on revaluation of assets	19	754,710	1,166,961
Unappropriated profit		1,889,238	3,267,017
		16,637,447	17,771,550
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.



MANAGING DIRECTOR



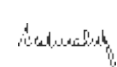
CHIEF FINANCIAL OFFICER



DIRECTOR



DIRECTOR



DIRECTOR



**THE BANK OF KHYBER
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

Note	Quarter ended		Period ended	
	July 01 to September 30, 2021	July 01 to September 30, 2020	January 01 to September 30, 2021	January 01 to September 30, 2020
	Rupees in '000			
21	5,652,396	6,004,996	16,007,298	20,831,364
22	3,901,285	4,127,725	11,009,177	15,787,954
	1,751,111	1,877,271	4,998,121	5,043,410
NON MARK-UP/INTEREST INCOME				
Fee and commission income	113,270	101,986	310,181	280,875
Dividend income	10,872	6,275	26,104	10,893
Foreign exchange income	45,473	125,370	367,651	384,637
Income / (loss) from derivatives	-	-	-	-
(Loss) / gain on securities	(17,275)	(44,467)	(105,914)	1,704,710
Other income	29,619	38,239	82,242	98,010
Total non-markup/interest income	181,959	227,403	680,264	2,459,125
Total income	1,933,070	2,104,674	5,678,385	7,502,535
NON MARK-UP/INTEREST EXPENSE				
Operating expenses	1,290,011	1,101,554	3,726,117	3,293,800
Workers Welfare Fund	-	-	-	-
Other charges	278	63	3,895	63
Total non-markup/interest expenses	1,290,289	1,101,617	3,730,012	3,293,863
PROFIT BEFORE PROVISIONS	642,781	1,003,057	1,948,373	4,208,672
Provisions and write offs - net	343,628	241,264	721,097	1,413,498
PROFIT BEFORE TAXATION	299,153	761,793	1,227,276	2,795,174
Taxation	128,625	315,666	448,571	1,142,875
PROFIT AFTER TAXATION	170,528	446,127	778,705	1,652,299
Basic and diluted earnings per share	0.16	0.42	0.74	1.57

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.

MANAGING DIRECTOR

CHIEF FINANCIAL OFFICER

DIRECTOR

DIRECTOR

**THE BANK OF KHYBER
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

	Quarter ended		Period ended	
	July 01 to September 30, 2021	July 01 to September 30, 2020	January 01 to September 30, 2021	January 01 to September 30, 2020
	Rupees in '000			
Profit after taxation	170,528	446,127	778,705	1,652,299
Other comprehensive income				
Items that may be reclassified to profit and loss account in subsequent periods:				
Net movement in fair value of available for sale securities - net of tax	(220,610)	(834,133)	(409,252)	2,017,198
Items that will not be reclassified to profit and loss account in subsequent periods:				
Movement in surplus on revaluation of non-banking assets - net of tax	-	-	(2,999)	-
Total comprehensive income	(50,082)	(388,006)	366,454	3,669,497

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.



MANAGING DIRECTOR



CHIEF FINANCIAL OFFICER



DIRECTOR



DIRECTOR



DIRECTOR

**THE BANK OF KHYBER
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of			Unappropriated profit	Total
			Investments	Fixed assets	Non-banking assets		
Rupees in '000							
Balance as at December 31, 2019 (audited)	10,002,524	2,904,691	(1,554,853)	774,183	-	2,074,808	14,201,353
Profit after taxation for the nine months ended September 30, 2020	-	-	-	-	-	1,652,299	1,652,299
Other comprehensive income - net of tax	-	-	2,017,198	-	-	(29,031)	2,017,198
Transfer to statutory reserve	-	330,460	2,017,198	-	-	(330,460)	3,669,497
Transactions with owners recorded directly in equity							
Final cash dividend for the year ended December 31, 2019 (Rs.0.50 per share)	-	-	-	-	-	-	-
Balance as at September 30, 2020 (un-audited)	10,002,524	3,235,151	462,345	774,183	-	2,896,461	17,370,664
Profit after taxation for the three months ended December 31, 2020	-	-	-	-	-	499,484	499,484
Other comprehensive income - net of tax	-	-	(130,220)	11,919	48,734	(29,031)	(96,598)
Transfer to statutory reserve	-	99,897	(130,220)	11,919	48,734	470,453	400,886
Balance as at December 31, 2020 (audited)	10,002,524	3,335,048	332,125	786,102	48,734	3,267,017	17,771,550
Profit after taxation for the nine months ended September 30, 2021	-	-	(409,252)	-	(2,999)	778,705	778,705
Other comprehensive income - net of tax	-	-	(409,252)	-	(2,999)	778,705	366,454
Transfer to statutory reserve	-	155,741	-	-	-	(155,741)	-
Transactions with owners recorded directly in equity							
Final cash dividend for the year ended December 31, 2020 (Rs. 1.50 per share)	-	-	-	-	-	-	-
Bonus shares issued for the year ended December 31, 2020 (Rs. 0.50 per share)	500,186	-	-	-	-	(1,500,557)	(1,500,557)
Balance as at September 30, 2021 (un-audited)	10,502,710	3,490,789	(77,127)	786,102	45,735	1,869,238	16,637,447

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.



MANAGING DIRECTOR



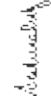
CHIEF FINANCIAL OFFICER



DIRECTOR



DIRECTOR



DIRECTOR

**THE BANK OF KHYBER
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

	January 01 to September 30, 2021	January 01 to September 30, 2020
	— Rupees in '000 —	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,227,276	2,795,174
Less: Dividend income	26,104	10,893
	<u>1,201,172</u>	<u>2,784,281</u>
Adjustments:		
Depreciation - Fixed assets	234,523	209,163
Depreciation - Non-banking assets acquired in satisfaction of claims	15,396	39,836
Depreciation - Right-of-use assets	323,676	233,893
Amortization	62,884	25,898
Provisions - net	721,097	1,413,498
Mark-up expense on lease liability against right-of-use assets	98,263	99,286
Unrealized loss on securities	16,687	19,370
Gain on early culmination of lease	(1,811)	(4,666)
Gain on sale of fixed assets	(264)	(72)
	<u>1,470,451</u>	<u>2,036,206</u>
	<u>2,671,623</u>	<u>4,820,487</u>
Decrease/ (Increase) in operating assets		
Lendings to financial institutions	7,297,519	13,063,917
Held-for-trading securities	(29,932)	(3,033,859)
Advances	(1,696,180)	(12,190,850)
Others assets (excluding advance taxation)	649,510	1,655,884
	<u>6,220,917</u>	<u>(504,908)</u>
Increase/ (Decrease) in operating liabilities		
Bills payable	10,439	(150,464)
Borrowings from financial institutions	16,039,653	(14,493,434)
Deposits	36,236,798	10,831,520
Other liabilities	1,742,639	(7,723,883)
	<u>54,029,529</u>	<u>(11,536,261)</u>
Income tax paid	(1,911,046)	(478,525)
Net cash flow generated from / (used in) operating activities	<u>61,011,023</u>	<u>(7,699,207)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	(63,064,877)	5,866,147
Net investments in held-to-maturity securities	1,965,003	2,039,724
Dividends received	26,104	10,893
Investments in operating fixed assets	(942,675)	(380,794)
Proceeds from sale of fixed assets	467	74
Net cash flow (used in) / generated from investing activities	<u>(62,015,978)</u>	<u>7,536,044</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(1,500,580)	(500,186)
Payment against lease liabilities	(357,771)	(319,533)
Net cash flow used in financing activities	<u>(1,858,351)</u>	<u>(819,719)</u>
Net decrease in cash and cash equivalents	(2,863,306)	(982,882)
Cash and cash equivalents at beginning of the period	24,932,714	20,367,877
Cash and cash equivalents at end of the period	<u>22,069,408</u>	<u>19,384,995</u>

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.



MANAGING DIRECTOR



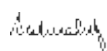
CHIEF FINANCIAL OFFICER



DIRECTOR



DIRECTOR



DIRECTOR

**THE BANK OF KHYBER
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

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 193 branches including 98 Islamic banking branches (December 31, 2020: 179 branches including 91 Islamic banking branches). The long term credit rating of the Bank assigned by The VIS Credit Rating Company Limited and Pakistan Credit Rating Agency Limited (PACRA) are 'A+' and 'A' respectively and the short-term credit ratings assigned are 'A-1' (A-One) and 'A-1' (A-One) respectively.

2 BASIS OF PREPARATION

- 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 profit 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 profit thereon.
- 2.2** 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.
- 2.3** The financial results of the Islamic Banking Branches have been included in these condensed interim financial statements for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Branches are disclosed in note 36 to these condensed interim financial statements.
- 2.4** These condensed interim 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** In these condensed interim financial statements, the investment in associates is 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 condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as 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;
 - Provisions of and directives issued under 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 the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.
- 3.2** The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 5 dated March 22, 2019 and IAS 34. These condensed interim financial statements do not include all the information and disclosures required for annual financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2020.
- 3.3** The SBP, vide BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of 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 condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements prescribed by SBP through its various circulars.
- 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. The standard will result in certain new disclosures in the financial statements of the Bank as and when notified by SBP.

**THE BANK OF KHYBER
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021**

4 SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS AND FINANCIAL RISK MANAGEMENT POLICIES

4.1 Significant Accounting Policies

The accounting policies, underlying estimates and judgments and method of computation followed in the preparation of these condensed interim financial statements are same as those applied in preparing the most recent annual financial statements of the Bank for the year ended December 31, 2020.

4.2 Standards, interpretations and amendments to approved accounting standards that are effective in the current period

There are certain new standards and interpretations of and amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 01, 2021. These are considered either not to be relevant or not to have any significant impact on the Bank's financial statements.

4.3 Standards, amendments to approved accounting standards that are not yet effective

State Bank of Pakistan, vide SBP BPRD circular no. 24, dated 05 July 2021, has further extended the applicable date of IFRS-9 implementation to annual periods beginning from January 01, 2022.

The impact of the application of IFRS 9 is being assessed and final instructions for its implementation are awaited from SBP.

4.4 Critical accounting estimates and judgements

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as that applied in the preparation of the financial statements for the year ended December 31, 2020.

4.5 Financial risk management

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the financial statements for the year ended 31 December 2020.

In prior year, the Bank had rescheduled / restructured / deferred facilities for certain borrowers under COVID-19 relief measures announced by State Bank of Pakistan. The Bank continues to monitor the financial and operational performance of such borrowers and has maintained the additional general provision amounting to Rs. 322 million (December 31, 2020: Rs. 1,135 million). This change in estimate in general provision resulted from increase in the specific provision upon classification of previously rescheduled / restructured / deferred facilities as well as the management's reasonable estimate of the risk profile of the borrowers who had availed COVID-19 relief.

Moreover, the Bank is regularly conducting assessment of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment.

THE BANK OF KHYBER
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

	(Un-audited) September 30, 2021	(Audited) December 31, 2020
	----- Rupees in '000 -----	
5 CASH AND BALANCES WITH TREASURY BANKS		
In hand		
Local currency	4,321,306	3,736,533
Foreign currency	237,465	331,742
	4,558,771	4,068,275
With State Bank of Pakistan in		
Local currency current account	8,458,818	10,940,891
Foreign currency current account	25,744	23,896
Foreign currency deposit account	111,012	84,792
	8,595,574	11,049,579
With National Bank of Pakistan in		
Local currency current account	1,212,390	676,909
Local currency deposit account	5,038	311
Foreign currency deposit account	-	1,230
	1,217,428	678,450
Prize bonds	19,757	44,055
	<u>14,391,530</u>	<u>15,840,359</u>
6 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	2,320,673	1,963,147
In deposit accounts	2,801,310	1,327,882
	5,121,983	3,291,029
Outside Pakistan		
In current accounts	2,565,923	5,811,354
In deposit accounts	-	-
	2,565,923	5,811,354
Provision for doubtful placement with the bank	(10,028)	(10,028)
	<u>7,677,878</u>	<u>9,092,355</u>
7 LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)	-	7,297,519
Placements with financial institutions	238,944	238,944
	238,944	7,536,463
Less: Provision held against Lending to Financial Institutions	(238,944)	(238,944)
Lendings to Financial Institutions - net of provision	<u>-</u>	<u>7,297,519</u>

THE BANK OF KHYBER
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021

	(Un-audited) September 30, 2021	(Audited) December 31, 2020
	— Rupees in '000 —	
8.3 Provision for diminution in value of investments		
Opening balance	742,125	742,125
Charge / (reversals)		
Charge for the period / year	-	-
Reversals for the period / year	-	-
Reversal on disposals / repayment	(45,119)	-
	(45,119)	-
Closing balance	697,006	742,125

8.4 Particulars of provision against debt securities

Category of classification	(Un-audited) September 30, 2021		(Audited) December 31, 2020	
	NPI	Provision	NPI	Provision
	— Rupees in '000 —			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	165,042	165,042	175,999	175,999
	165,042	165,042	175,999	175,999
Overseas				
Net past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	165,042	165,042	175,999	175,999

8.5 The market value of securities classified as held-to-maturity amounted to Rs. 13,897 million as at September 30, 2021 (December 31, 2020: Rs. 16,039 million).

9 ADVANCES

	Performing		Non performing		Total	
	Un-audited September 30, 2021	Audited December 31, 2020	Un-audited September 30, 2021	Audited December 31, 2020	Un-audited September 30, 2021	Audited December 31, 2020
	— Rupees in '000 —					
Loans, cash credits, running finances, etc.	75,732,353	77,881,509	6,947,155	6,232,468	82,679,508	84,113,977
Islamic financing and related assets	50,186,832	48,208,466	1,630,551	823,842	51,817,383	49,032,308
Bills discounted and purchased	565,167	1,541,327	1,541,364	219,630	2,106,531	1,760,957
Advances - gross	126,484,352	127,631,302	10,119,070	7,275,940	136,603,422	134,907,242
Provision against advances						
- Specific	-	-	6,235,530	4,662,740	6,235,530	4,662,740
- General	374,551	1,181,125	-	-	374,551	1,181,125
	374,551	1,181,125	6,235,530	4,662,740	6,610,081	5,843,865
Advances - net of provision	126,109,801	126,450,177	3,883,540	2,613,200	129,993,341	129,063,377

9.1 Particulars of advances (gross)

	(Un-audited) September 30, 2021	(Audited) December 31, 2020
	— Rupees in '000 —	
In local currency	136,603,422	134,907,242
In foreign currency	-	-
	136,603,422	134,907,242

9.2 Advances include Rs. 10,119,070 million (December 31, 2020: Rs. 7,275,940 million) which have been placed under non-performing status as detailed below:-

Category of classification	(Un-audited) September 30, 2021		(Audited) December 31, 2020	
	Non performing loans	Provision	Non performing loans	Provision
	— Rupees in '000 —			
Domestic				
Other assets especially mentioned	89,433	52	45,232	68
Substandard	1,035,976	31,099	352,950	9,975
Doubtful	2,893,078	1,514,917	1,615,105	225,044
Loss	6,100,583	4,689,462	5,262,653	4,427,653
	10,119,070	6,235,530	7,275,940	4,662,740
Overseas				
Net past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	10,119,070	6,235,530	7,275,940	4,662,740

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9.3	Particulars of provision against advances	(Un-audited) September 30, 2021			(Audited) December 31, 2020		
		Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----							
	Opening balance	4,662,740	1,181,125	5,843,865	4,190,185	43,675	4,233,860
	Charge for the period / year	1,740,164	6,426	1,746,590	567,889	1,139,838	1,707,727
	Reversals	(167,374)	(813,000)	(980,374)	(95,334)	(2,388)	(97,722)
		1,572,790	(806,574)	766,216	472,555	1,137,450	1,610,005
	Closing balance	6,235,530	374,551	6,610,081	4,662,740	1,181,125	5,843,865

9.3.1 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 September 30, 2021 the Bank has availed cumulative benefit of forced sales value of Rs. 1,967.827 million (December 31, 2020: Rs. 1,429.839 million). Increase in unappropriated profit amounting to Rs. 1,200.374 million (December 31, 2020: Rs. 929.395 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

9.3.2 General provision includes additional provision of Rs. 322 million (December 31, 2020: 1,135 million) prudently held as a buffer in view of COVID-19 as disclosed in note 4.5.

10	FIXED ASSETS	Note	(Un-audited)	(Audited)
			September 30, 2021	December 31, 2020
----- Rupees in '000 -----				
	Capital work-in-progress	10.1	1,174,011	928,839
	Property and equipment		2,122,633	1,665,483
	Right of use assets		1,241,019	877,703
	Total		4,537,663	3,472,025
10.1	Capital work-in-progress			
	Civil works		1,124,758	775,138
	Furniture and equipments		37,749	63,349
	Advances to suppliers		11,504	90,352
	Total	10.1.1	1,174,011	928,839

10.1.1 This also includes expenditure incurred on new head office building which is under construction.

10.2 Additions to fixed assets

Following additions have been made to fixed assets during the period ended September 30, 2021:

	(Un-audited)	(Audited)
	September 30, 2021	September 30, 2020
----- Rupees in '000 -----		
Capital work-in-progress - net	245,172	208,467
Property and equipment		
Electrical, office and computer equipments	422,157	24,866
Leasehold improvements	206,239	49,233
Furniture and fixtures	46,707	5,479
Vehicles	16,748	-
Books	26	35
Total	691,877	79,613
	937,049	288,080

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		(Un-audited)	
		September 30, 2021	September 30, 2020
		— Rupees in '000 —	
10.3	Disposal of fixed assets		
	The net book value of fixed assets disposed off during the period is as follows:		
	Furniture and fixtures	120	2
	Leasehold improvements	42	-
	Office equipments	41	-
	Total	203	2
		203	2
		(Un-audited) September 30, 2021	(Audited) December 31, 2020
		— Rupees in '000 —	
11	INTANGIBLE ASSETS		
	Capital work in progress	5,626	11,926
	Licenses and computer softwares	463,550	520,241
		469,176	532,167
		469,176	532,167
11.1	This amount of Rs. 11,926 million has been charged to operating expenses during the period ended September 30, 2021.		
		(Un-audited) September 30, 2021	September 30, 2020
		— Rupees in '000 —	
11.2	Additions to intangible assets		
	Following additions / transfers have been made to / from intangible assets during the period:		
	Directly purchased	-	9,085
	Additions to CWIP	5,626	83,629
	Transfers from CWIP	-	-
		5,626	92,714
		5,626	92,714
		(Un-audited) September 30, 2021	(Audited) September 31, 2020
		— Rupees in '000 —	
12	DEFERRED TAX ASSETS / (LIABILITIES) - NET		
	Deferred tax assets arising in respect of:		
	Provision for balances with other banks	3,911	3,510
	Provision for diminution in value of investments	30,344	43,023
	Deficit/ (surplus) on revaluation of investments	49,310	(178,832)
	Provision for other assets	3,842	14,648
	Accelerated accumulated tax depreciation	94,841	70,980
	Islamic Pool Management reserves	50,329	52,549
	Provision against loans and advances - net	749,041	480,266
		981,618	486,144
	Deferred tax liability arising in respect of:		
	Surplus on revaluation of non-banking assets	(29,241)	(26,242)
		952,377	459,902
		952,377	459,902
13	OTHER ASSETS		
	Income / mark-up accrued in local currency	3,930,428	4,343,829
	Profit receivable on Bai Muajjal	2,540,078	2,540,078
	Advances, deposits and prepayments	150,484	104,910
	Advance taxation	9,565	-
	Branch adjustment account	-	369,668
	Pre-IPO investment	104,607	350,000
	Stationary and stamps on hand	68,430	58,230
	Non-banking assets acquired in satisfaction of claims	311,733	310,329
	Mark to market gain on forward foreign exchange contracts	780,343	334,416
	Employees benefits	306,935	335,447
	Clearing and settlement accounts	-	254,164
	Acceptances	68,793	-
	Others	130,810	131,572
		8,402,206	9,132,643
	Less: Provision held against other assets	(144,426)	(144,426)
	Other Assets - net of provision	8,257,780	8,988,217
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	74,976	74,976
	Other assets - Total	8,332,756	9,063,193
		8,332,756	9,063,193
13.1	Provision held against other assets		
	Advances for Pre-IPO	100,000	100,000
	Others	44,426	44,426
		144,426	144,426
		144,426	144,426
14	BILLS PAYABLE		
	In Pakistan	954,579	944,140
	Outside Pakistan	-	-
		954,579	944,140
		954,579	944,140

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15 BORROWINGS	(Un-audited)	(Audited)
	September 30, 2021	December 31, 2020
	----- Rupees in '000 -----	
Secured		
Borrowings from State Bank of Pakistan under:		
- Export refinance scheme	2,444,500	4,071,206
- Long term financing facility	2,248,022	2,363,683
- Livestock dairy	-	79,096
- Refinance and credit guarantee scheme for women entrepreneurs	58,786	-
- Financing facility for renewable energy	56,349	-
- Refinance facility for modernization of Small and Medium Enterprises (SMEs)	35,936	-
- Refinance scheme for payment of wages and salaries	604,438	269,848
- Refinance facility for combating COVID-19	211,583	65,850
	5,659,614	6,849,683
Repurchase agreement borrowings	28,578,086	6,839,784
Bai Muajjal Borrowings	36,672,956	39,373,551
Call borrowings	992,015	1,000,000
	66,243,057	47,213,335
Unsecured		
Call borrowings	1,200,000	3,000,000
Total	73,102,671	57,063,018

16 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited)			(Audited)		
	September 30, 2021			December 31, 2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- Rupees in '000 -----					
Customers						
Current deposits	35,694,348	524,911	36,219,259	33,457,556	314,415	33,771,971
Saving deposits	110,860,752	103,546	110,964,298	87,112,806	81,919	87,194,725
Term deposits	77,462,781	38,172	77,500,953	71,942,281	83,701	72,025,982
Others	9,609,279	-	9,609,279	7,017,097	-	7,017,097
	233,627,160	666,629	234,293,789	199,529,740	480,035	200,009,775
Financial Institutions						
Current deposits	1,014,861	-	1,014,861	162,961	-	162,961
Saving deposits	3,999,806	-	3,999,806	2,898,922	-	2,898,922
	5,014,667	-	5,014,667	3,061,883	-	3,061,883
	238,641,827	666,629	239,308,456	202,591,623	480,035	203,071,658

17 OTHER LIABILITIES	(Un-audited)	(Audited)
	September 30, 2021	December 31, 2020
	----- Rupees in '000 -----	
Mark-up/ return/ interest payable in local currency	5,954,469	3,898,706
Mark-up/ return/ interest payable in foreign currencies	221	392
Unearned income - Bai Muajjal Sukuk	352,194	985,026
Tax payable	-	1,185,578
Lease liability against right-of-use assets	1,318,527	956,997
Branch adjustment account	106,387	-
Unearned commission and income on bills discounted	134,634	60,504
Deferred income on government schemes	14,017	15,949
Deferred income murabaha	-	98,239
Islamic pool management reserves	129,051	150,142
Accrued expenses and other payables	274,378	439,569
Unclaimed dividends	28,953	28,976
Share subscription money refund	1,091	1,091
Retention money	47,381	21,310
Bills payment system over the counter (BPS-OTC)	28,322	646,163
Charity fund	7,755	10,227
Security deposits against ijarah	279,632	294,956
Mark to market loss on forward foreign exchange contracts	999,893	436,049
Payable against purchase of securities	-	39,054
Clearing and settlement accounts	179,377	-
Acceptances	68,793	-
Levies and other taxes payable	78,992	29,560
Others	364,026	151,037
	10,368,093	9,449,525

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18 SHARE CAPITAL

18.1 Authorized capital			(Un-audited)	(Audited)
(Un-audited)	(Audited)		September 30,	December 31,
September 30,	December 31,		2021	2020
Number of shares			--- Rupees in '000 ---	
1,500,000,000	1,500,000,000	Ordinary shares of Rs. 10 each.	15,000,000	15,000,000
18.2 Issued, subscribed and paid up				
(Un-audited)	(Audited)		(Un-audited)	(Audited)
September 30,	December 31,		September 30,	December 31,
2021	2020		2021	2020
Number of shares		Ordinary shares of Rs. 10 each	--- Rupees in '000 ---	
722,698,448	722,698,448	Fully paid in cash	7,226,984	7,226,984
327,572,595	277,554,037	Issued as fully paid bonus shares	3,275,726	2,775,540
1,050,271,043	1,000,252,485		10,502,710	10,002,524

18.3 During the period, 50,018,558 shares were issued as fully paid bonus shares in respect of the year ended December 31, 2020.

18.4 The Bank has only one class of shares and at reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 737,318,644 (December 31, 2020: 702,208,233) and 256,555,982 (December 31, 2020: 244,339,031) ordinary shares respectively. Moreover, the Bank has no reserved shares under options.

19 SURPLUS ON REVALUATION OF ASSETS		(Un-audited)	(Audited)
		September 30,	December 31,
		2021	2020
Note		--- Rupees in '000 ---	
(Deficit) / surplus on revaluation of			
- Available for sale (AFS) securities		(126,437)	510,957
- Deferred tax on AFS securities		49,310	(178,832)
		(77,127)	332,125
- Fixed assets		786,102	786,102
- Non-banking assets		74,976	74,976
- Deferred tax on non-banking assets		(29,241)	(26,242)
		45,735	48,734
Suplus on revaluation of assets - net of tax		754,710	1,166,961

20 CONTINGENCIES AND COMMITMENTS

-Guarantees	20.1	20,612,434	16,312,941
-Commitments	20.2	68,703,371	44,403,735
		89,315,805	60,716,676
20.1 Guarantees:			
Financial guarantees		7,192,407	1,454,556
Performance guarantees		10,275,095	14,163,233
Other guarantees		3,144,932	695,152
		20,612,434	16,312,941

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		(Un-audited) September 30, 2021	(Audited) December 31, 2020
	Note	Rupees in '000	
20.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		7,456,929	5,222,843
Commitments in respect of:			
- Forward foreign exchange contracts	20.2.1	61,108,377	38,772,750
Commitments for acquisition of:			
- Operating fixed assets		62,974	241,912
- Intangible assets		75,091	166,230
		<u>68,703,371</u>	<u>44,403,735</u>
20.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		31,339,013	16,291,144
Sale		29,769,364	22,481,606
		<u>61,108,377</u>	<u>38,772,750</u>
20.3			

The income tax assessments of the Bank have been finalized up to tax year 2021.

During the year, Audit proceeding under section 177 for the tax year 2015 has been completed, whereby Deputy Commissioner Inland Revenue has passed an order dated September 30, 2021 and raised a tax demand of Rs. 64 million by disallowing certain expenses under section 21 (c). In this respect, the Bank has decided to file an appeal with Commissioner Inland Revenue (Appeals) Peshawar and correction application with Commissioner Inland Revenue Peshawar. The management is confident that matter will be decided in Bank's favor.

During financial year 2019, the Assistant Commissioner Inland Revenue (IR) Peshawar passed an impugned order dated September 30, 2019 for the tax year 2014 under section 122(1) of the Income Tax Ordinance, 2001, creating a demand of Rs. 1.73 billion, by disallowing the entire amount of mark-up expense and others under section 21 (C) and ignoring section 165(2), wherein, all required information was already submitted with the Income tax department. Being aggrieved, the Bank has filed appeal with Commissioner Inland Revenue (Appeals), which is pending adjudication. A writ petition has also been filed with the Honourable Peshawar High Court. Moreover, the management of the Bank is confident that the said demand has no lawful ground and justifications therein, therefore is not sustainable before the law being devoid of merit.

During financial year 2011, the tax authorities issued an amended order for the tax year 2009 disallowing certain expenditure on account of lack of evidence for such expenditure resulting in an additional tax demand of Rs. 308.9 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.

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		(Un-audited)	
		For the nine months ended	
		September 30, 2021	September 30, 2020
		Rupees in '000	
21	MARK-UP/RETURN/INTEREST EARNED	Note	
	On:		
	a) Loans and advances	7,044,917	9,118,710
	b) Investments	7,212,542	9,907,321
	c) Profit on Sukuk bonds	1,324,202	1,243,142
	d) Lendings to Financial Institutions	388,743	450,550
	e) Balances with banks	36,894	111,641
		<u>16,007,298</u>	<u>20,831,364</u>
22	MARK-UP/RETURN/INTEREST EXPENSED		
	On:		
	a) Deposits	8,312,898	9,564,369
	b) Borrowings	2,598,016	6,124,299
	c) Lease liability	98,263	99,286
		<u>11,009,177</u>	<u>15,787,954</u>
23	FEE AND COMMISSION INCOME		
	Branch banking customer fees	10,729	30,307
	Consumer finance related fees	1,773	2,970
	Card related fees	61,776	36,592
	Investment banking fees	8,310	15,178
	Commission on trade	67,239	39,583
	Commission on guarantees	124,506	101,524
	Commission on remittances including home remittances	18,709	19,603
	Commission on foreign currency bills	10,755	12,125
	Others	6,384	2,993
		<u>310,181</u>	<u>260,875</u>
24	(LOSS) / GAIN ON SECURITIES		
	Realised	24.1	1,724,080
	Unrealised - held-for-trading		(19,370)
			<u>(105,914)</u>
24.1	Realised (loss) / gain on:		
	Federal Government Securities	(147,101)	1,669,340
	Shares	61,713	35,457
	Non-Government Debt Securities	(10,956)	1,895
	Mutual Funds	7,117	17,388
		<u>(89,227)</u>	<u>1,724,080</u>
25	OTHER INCOME		
	Postal, swift and other services	69,324	75,737
	Rental income from property	2,198	2,266
	Gain on sale of fixed assets	264	72
	Service income on Government schemes	5,110	9,555
	Gain on early culmination of lease modification	1,811	4,666
	Rebate from financial institutions	3,535	5,714
		<u>82,242</u>	<u>98,010</u>

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		(Un-audited)	
		For the nine months ended	
		September 30, 2021	September 30, 2020
		Rupees in '000	
26	OPERATING EXPENSES		
	Total compensation expense	2,015,991	1,802,176
	Property expenses		
	Rent & taxes	1,087	587
	Utilities cost	124,661	110,259
	Security (including guards)	96,326	110,309
	Repair & Maintenance	4,530	2,525
	Depreciation - Right of use assets	323,676	233,893
	Depreciation - Non banking assets acquired in satisfaction of claims	15,396	39,836
	Depreciation	111,770	101,203
		677,446	598,612
	Information technology expenses		
	Software maintenance	71,486	76,485
	Hardware maintenance	16,513	22,964
	Depreciation	102,332	87,851
	Amortization	62,884	25,898
	Network charges	8,268	12,836
	ATM charges	100,419	112,262
		361,902	338,296
	Other operating expenses		
	Directors' fees and allowances	6,003	5,284
	Fees and allowances to Shariah Board	-	10
	Outsourced service cost	77,881	72,308
	Legal and professional charges	39,856	31,958
	Travelling and conveyance	45,360	37,352
	Cash carriage charges	40,075	32,799
	NIFT clearing charges	10,700	10,950
	Depreciation	20,421	20,109
	Communication	28,348	28,410
	Postage and courier charges	14,833	21,235
	Stationery and printing	38,065	37,725
	Advertisement and publicity	83,196	31,383
	Repair and maintenance	24,185	11,528
	Insurance expense	35,889	31,822
	Auditors' remuneration	8,020	9,006
	Brokerage and commission	51,412	45,522
	Rent and taxes	1,763	1,524
	Entertainment	22,049	21,685
	Donations	5,000	600
	Newspapers and periodicals	751	1,247
	Training and development	4,899	5,666
	Fees and subscriptions	6,750	5,055
	Deposit protection premium	71,612	67,150
	Others	33,710	24,388
		670,778	554,716
		3,726,117	3,293,800
27	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	3,895	63
		3,895	63

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		(Un-audited)	
		For the nine months ended	
		September 30, 2021	September 30, 2020
		----- Rupees in '000 -----	
28	PROVISIONS & WRITE OFFS - NET	Note	
	Reversal of diminution in value of investments	8.3	(45,119)
	Provisions against loans and advances	9.3	-
			<u>766,216</u>
			<u>721,097</u>
29	TAXATION		
	Current		715,903
	Prior periods		-
	Deferred		(267,332)
			<u>1,707,782</u>
			<u>19,875</u>
			<u>(584,782)</u>
			<u>1,142,875</u>
29.1	This includes the impact of Super Tax levied at the rate of 4%.	29.1	

		(Un-audited)	
		For the nine months ended	
		September 30, 2021	September 30, 2020
		----- Rupees in '000 -----	
30	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period	<u>778,705</u>	<u>1,652,299</u>
		----- (Number of shares) -----	
	Weighted average number of ordinary shares	<u>1,050,271,043</u>	<u>1,050,271,043</u>
		----- (Rupees) -----	
	Basic and diluted earnings per share	<u>0.74</u>	<u>1.57</u>

30.1 There were no dilutive potential ordinary shares outstanding as at September 30, 2021 and September 30, 2020.

31 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.

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.

31.1 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 inputs that are not based on observable market data (i.e. unobservable inputs).

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The table below analyzes financial instruments measured at the end of the reporting period by the level in the fair value hierarchy in to which the fair value measurement is categorized:

	(Un-audited) September 30, 2021			Total
	Level 1	Level 2	Level 3	
Rupees in '000				
31.2 On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Federal Government Securities	-	151,341,562	-	151,341,562
Shares in listed companies	424,194	-	-	424,194
Non-Government Debt Securities	-	4,227,430	-	4,227,430
Mutual funds	500,000	-	-	500,000
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	14,019,459	-	14,019,459
Shares	-	56,263	-	56,263
Non-Government Debt Securities	-	3,407,113	-	3,407,113
Associate	-	40,504	-	40,504
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	31,339,013	-	31,339,013
Forward sale of foreign exchange	-	29,769,364	-	29,769,364

	(Audited) December 31, 2020			Total
	Level 1	Level 2	Level 3	
Rupees in '000				
On balance sheet financial instruments				
Financial assets measured at fair value				
Available-for-sale securities				
Federal Government Securities	-	82,602,314	-	82,602,314
Shares in listed companies	332,761	-	-	332,761
Non-Government Debt Securities	-	3,918,128	-	3,918,128
Mutual funds	451,519	-	-	451,519
Financial assets - disclosed but not measured at fair value				
Investments				
Federal Government Securities	-	22,373,173	-	22,373,173
Shares	-	56,267	-	56,267
Non-Government Debt Securities	-	3,704,338	-	3,704,338
Associate	-	40,504	-	40,504
Off-balance sheet financial instruments - measured at fair value				
Forward purchase of foreign exchange	-	16,291,144	-	16,291,144
Forward sale of foreign exchange	-	22,481,606	-	22,481,606

The valuation techniques used for above assets are same as disclosed in the most recent annual financial statements.

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

Fully paid-up ordinary shares Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

Unit of mutual funds The fair value of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day.

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

Pakistan Investment Bonds / Market Treasury Bills Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates 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) and non-banking assets acquired in satisfaction of claims

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.

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32 SEGMENT INFORMATION

32.1 Segment details with respect to business activities

	For the nine months ended September 30, 2021 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Profit and loss					
Net mark-up / return / profit	1,315,664	2,851,772	108,371	722,314	4,998,121
Non mark-up / return / interest income	5,365	357,199	63,548	254,152	680,264
Total income	1,321,029	3,208,971	171,919	976,466	5,678,385
Segment direct expenses	1,170,022	1,944,202	69,557	546,231	3,730,012
Total expenses	1,170,022	1,944,202	69,557	546,231	3,730,012
Provisions	-	(45,120)	3,243	762,974	721,097
Profit before tax	151,007	1,309,889	99,119	(332,739)	1,227,276
	As at September 30, 2021 (Un-audited)				
Balance sheet					
Cash and bank balances	4,497,846	7,647,805	258,465	9,665,292	22,069,408
Lendings to financial institutions	-	-	-	-	-
Investments	14,019,459	159,956,562	-	40,504	174,016,525
Advances - performing	79,641,363	-	5,353,428	41,115,010	126,109,801
Advances - non performing	-	-	133,595	3,749,945	3,883,540
Operating fixed assets/intangible assets	1,560,077	2,664,343	90,044	692,375	5,006,839
Deferred tax assets	29,318	130,476	1,692	790,891	952,377
Others	1,320,316	5,585,133	76,206	1,351,101	8,332,756
Total assets	101,068,379	175,984,319	5,913,430	57,405,118	340,371,246
Bills payable	636,985	7,329	179,268	130,997	954,579
Borrowings	5,659,614	28,578,086	-	38,864,971	73,102,671
Deposits and other accounts	159,689,242	1,837,268	44,941,522	32,840,424	239,308,456
Others	4,958,977	2,286,286	1,246,083	1,876,747	10,368,093
Total liabilities	170,944,818	32,708,969	46,366,873	73,713,139	323,733,799
Equity / Inter-segment (lending) / borrowing	(69,876,439)	143,275,350	(40,453,443)	(16,308,021)	16,637,447
Total equity and liabilities	101,068,379	175,984,319	5,913,430	57,405,118	340,371,246
Contingencies and commitments	5,134,495	61,129,087	72,085	22,980,138	89,315,805
	For the nine months ended September 30, 2020 (Un-audited)				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	Rupees in 000				
Profit and loss					
Net mark-up / return / profit	1,246,311	2,209,841	195,266	1,391,992	5,043,410
Non mark-up / return / interest income	21,216	2,071,607	73,684	292,618	2,459,125
Total income	1,267,527	4,281,448	268,950	1,684,610	7,502,535
Segment direct expenses	1,090,789	1,660,641	61,695	480,738	3,293,863
Total expenses	1,090,789	1,660,641	61,695	480,738	3,293,863
Provisions	-	-	60,527	1,352,971	1,413,498
Profit before tax	176,738	2,620,807	146,728	(149,099)	2,795,174
	As at December 31, 2020 (Audited)				
Balance sheet					
Cash and bank balances	6,375,161	6,862,166	306,644	11,388,743	24,932,714
Lendings to financial institutions	-	7,297,519	-	-	7,297,519
Investments	15,984,462	97,454,028	-	40,504	113,478,994
Advances - performing	80,660,394	-	4,680,875	41,108,908	126,450,177
Advances - non performing	-	-	116,214	2,496,986	2,613,200
Operating fixed assets/intangible assets	1,604,866	1,739,485	77,731	582,110	4,004,192
Deferred tax assets	28,392	535,378	1,420	-	565,190
Others	1,875,438	5,162,489	90,837	1,934,429	9,063,193
Total assets	106,528,713	119,051,065	5,273,721	57,551,680	288,405,179
Bills payable	623,133	9,441	141,621	169,945	944,140
Borrowings	7,849,683	6,839,784	-	42,373,551	57,063,018
Deposits and other accounts	134,027,293	2,030,717	30,460,749	36,552,899	203,071,658
Deferred tax liability	-	-	-	105,288	105,288
Others	4,440,822	2,585,140	862,398	1,561,165	9,449,525
Total liabilities	146,940,931	11,465,082	31,464,768	80,762,848	270,633,629
Equity / Inter-segment (lending) / borrowing	(40,412,218)	107,585,983	(26,191,047)	(23,211,168)	17,771,550
Total equity and liabilities	106,528,713	119,051,065	5,273,721	57,551,680	288,405,179
Contingencies and commitments	7,153,648	38,833,971	132,037	14,597,200	60,716,676

32.1.1 Geographical segment

The Bank conducts all its operations in Pakistan.

32.2 Comparative figures have been re-arranged during the period.

33 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

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34 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 are determined in accordance with terms of their appointments.

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

	(Un-Audited)				(Audited)			
	As at September 30, 2021		As at December 31, 2020		As at September 30, 2021		As at December 31, 2020	
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
	Rupees in '000							
Advances								
Opening balance	-	125,001	-	-	-	-	-	154,486
Addition during the period / year	-	108,034	-	-	-	-	-	41,810
Repaid during the period / year	-	21,696	-	-	-	-	-	56,354
Transfer (out) / in - net	-	4,526	-	-	-	-	-	(14,941)
Closing balance	-	212,865	-	-	-	-	-	125,001
Deposits and other accounts								
Opening balance	-	6,225	34,003	2,534,982	-	-	25,661	28,659
Received during the period / year	-	118,850	45,262	652,795	-	-	119,145	44,212
Withdrawn during the period / year	-	112,729	43,618	646,607	-	-	119,290	38,868
Transfer in / (out) - net	-	16	-	-	-	-	(19,291)	-
Closing balance	-	12,362	35,647	2,541,170	-	-	6,225	34,003
Other liabilities	-	-	-	-	-	-	-	-
Accrued markup	-	-	-	108,818	-	-	182	915
	(Un-audited)				(Un-audited)			
	For the nine months ended September 30, 2021				For the nine months ended September 30, 2020			
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
	Rupees in '000							
Income								
Mark-up / return / interest earned	-	3,279	-	-	-	-	-	2,185
Expense								
Mark-up / return / interest expensed	-	400	2,781	133,740	-	-	-	394
Operating expenses	6,003	126,646	-	-	-	5,284	-	118,270

34.1 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 completely disclose such detailed related party disclosure for being government entity is disclosed under IAS-24 "Related Party Disclosures". Relevant details are referred in the following notes:

Particulars

Investments
Shareholding

Note

8.1
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	(Un-audited) September 30, 2021	(Audited) December 31, 2020
35 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS	-- Rupees in '000 --	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>10,502,710</u>	<u>10,002,524</u>
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	<u>14,923,369</u>	15,550,165
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	<u>14,923,369</u>	15,550,165
Eligible tier 2 capital	<u>1,072,577</u>	1,814,447
Total eligible capital (Tier 1 + Tier 2)	<u>15,995,946</u>	17,364,612
Risk weighted assets (RWAs):		
Credit risk	<u>64,526,195</u>	61,803,516
Market risk	<u>12,523,175</u>	15,868,243
Operational risk	<u>12,082,254</u>	12,082,254
Total	<u>89,131,624</u>	<u>89,754,013</u>
Common equity tier 1 capital adequacy ratio	<u>16.74%</u>	17.33%
Tier 1 capital adequacy ratio	<u>16.74%</u>	17.33%
Total capital adequacy ratio	<u>17.95%</u>	19.35%
National minimum capital requirements prescribed by SBP		
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)	1.50%	1.50%
Total capital plus CCB	11.50%	11.50%
Leverage Ratio (LR):		
Eligible tier-1 capital	14,923,369	15,550,165
Total exposures	<u>364,958,826</u>	308,964,487
Leverage ratio	<u>4.09%</u>	5.03%
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	<u>106,616,333</u>	72,827,275
Total net cash outflow	<u>64,604,000</u>	55,801,680
Liquidity coverage ratio	<u>165.03%</u>	130.51%
Net Stable Funding Ratio (NSFR):		
Total available stable funding	<u>192,444,191</u>	144,132,642
Total required stable funding	<u>144,358,544</u>	133,253,371
Net stable funding ratio	<u>133.31%</u>	108.16%

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ISLAMIC BANKING BUSINESS

The Bank is operating 98 (December 31, 2020: 91) Islamic banking branches and 39 (December 31, 2020: 39) Islamic banking windows as at September 30, 2021.


		(Un-audited) September 30, 2021	(Audited) December 31, 2020
--- Rupees in '000 ---			
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Cash and balances with treasury banks		6,421,072	4,472,537
Balances with other banks		3,153,304	4,220,835
Due from financial institutions		-	-
Investments	36.1	19,459,227	18,981,353
Islamic financing and related assets - net	36.2	51,375,552	48,422,578
Fixed assets		734,945	511,040
Intangible assets		-	1,007
Due from head office		1,246,961	-
Other assets		4,295,905	3,733,109
Total Assets		86,686,966	80,342,459
LIABILITIES			
Bills payable		325,560	302,807
Due to financial institutions		1,928,250	10,427,385
Deposits and other accounts	36.3	75,884,685	58,999,639
Due to head office		-	148,459
Other liabilities		2,825,454	3,867,398
Total Liabilities		80,963,949	73,745,688
NET ASSETS		5,723,017	6,596,771
REPRESENTED BY			
Islamic banking fund		1,000,000	1,000,000
Reserves		35,403	46,698
Surplus on revaluation of assets		111,964	10,364
Unappropriated profit	36.4	4,575,650	5,539,709
		5,723,017	6,596,771
CONTINGENCIES AND COMMITMENTS			
	36.5		
The profit and loss account of the Bank's Islamic banking branches for the nine months ended September 30, 2021 is as follows:			
		(Un-audited) January 01 to September 30, 2021	(Un-audited) January 01 to September 30, 2020
--- Rupees in '000 ---			
PROFIT AND LOSS ACCOUNT			
Profit / return earned	36.6	4,299,332	5,039,706
Profit / return expensed	36.7	1,855,397	2,319,631
Net profit / return		2,443,935	2,720,075
OTHER INCOME			
Fee and commission income		83,018	66,593
Dividend income		10,034	-
Foreign exchange income		120,852	159,409
Gain on securities		7,117	20,299
Other income		40,243	49,004
		261,264	295,305
		2,705,199	3,015,380
OTHER CHARGES			
Operating expenses		1,720,138	1,467,849
Other charges		105	8
		1,720,243	1,467,857
Profit before provisions (Reversals) / provisions - net		984,956	1,547,523
Profit before taxation		(167,902)	483,322
Taxation		1,152,858	1,064,201
Profit after taxation		449,615	415,038
		703,243	649,163

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36.3 Deposits	(Un-audited) September 30, 2021			(Audited) December 31, 2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
----- Rupees in '000 -----						
Customers						
Current deposits	17,771,149	47,465	17,818,614	17,032,205	49,082	17,081,287
Savings deposits	46,980,679	599	46,981,278	33,133,849	-	33,133,849
Term deposits	4,864,817	-	4,864,817	4,862,236	-	4,862,236
Others	2,111,498	-	2,111,498	1,853,437	-	1,853,437
	<u>71,728,143</u>	<u>48,064</u>	<u>71,776,207</u>	<u>56,881,727</u>	<u>49,082</u>	<u>56,930,809</u>
Financial Institutions						
Current Deposits	820,566	-	820,566	481	-	481
Savings deposits	3,287,912	-	3,287,912	2,068,349	-	2,068,349
	<u>75,836,621</u>	<u>48,064</u>	<u>75,884,685</u>	<u>58,950,557</u>	<u>49,082</u>	<u>58,999,639</u>
				(Un-audited) September 30, 2021	(Audited) December 31, 2020	
36.4 Islamic banking business unappropriated profit				----- Rupees in '000 -----		
Opening balance				5,539,709	6,033,117	
Add: Islamic banking profit for the period/year				1,152,858	1,391,703	
Less: Transfer to head office				(2,116,917)	(1,885,111)	
Closing balance				<u>4,575,650</u>	<u>5,539,709</u>	
36.5 Contingencies and commitments						
Guarantees				5,210,531	3,765,062	
Commitments				1,168,639	864,538	
				<u>6,379,170</u>	<u>4,629,600</u>	
				(Un-audited) For the nine months ended September 30, 2021	September 30, 2020	
36.6 Profit/return earned on financing, investments and placements				----- Rupees in '000 -----		
Financing				2,880,603	3,718,259	
Investments				1,324,202	1,243,142	
Placements				94,527	78,305	
				<u>4,299,332</u>	<u>5,039,706</u>	
36.7 Profit on deposits and other dues expensed						
Deposits and other accounts				1,365,587	1,667,711	
Due to Financial Institutions				460,280	617,391	
Lease liability				29,530	34,529	
				<u>1,855,397</u>	<u>2,319,631</u>	
37 Profit equalization reserve						
The profit equalization reserves amounting to Rs. 35,403 million (2020: Rs. 46,698 million) classified in other liabilities, which has been presented as reserves in note 36.						
38 GENERAL						
Comparative information has been re-classified, re-arranged or additionally incorporated in these condensed interim financial statements for the purpose of better presentation. The significant reclassification is as follows:						
				(Un - audited) January 01 to September 30, 2020		
				----- Rupees in '000 -----		
From		To				
Other charges		Mark-up / return / interest expensed				99,286
Mark up on lease liability		Mark up on lease liability				
39 DATE OF AUTHORIZATION FOR ISSUE						
These condensed interim financial statements were authorised for issue in the Board of Directors meeting of the Bank held on October 27, 2021.						



MANAGING DIRECTOR



CHIEF FINANCIAL OFFICER




DIRECTOR



DIRECTOR



DIRECTOR

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