



The Bank of Khyber

2022 ANNUAL  
REPORT

**Bracing** challenges  
through **Resilience**



# Bracing challenges through Resilience

Bracing Challenges through Resilience: Bank of Khyber's Journey Towards Sustainable Growth

The year 2022 was a challenging year for the banking industry, with various economic headwinds affecting business performance. Despite these challenges, Bank of Khyber stayed resilient and focused on building a foundation for sustainable growth in the future.

Bank of Khyber's investment in building a stronger foundation for sustainable growth is starting to bear fruit. With a focus on digital transformation, non-markup income, and expanding its branch network, the Bank is well-positioned to continue its growth trajectory in 2023 and beyond. Bank of Khyber's resilience in the face of challenges serves as an inspiration for the banking industry as a whole.

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## Financial Statements

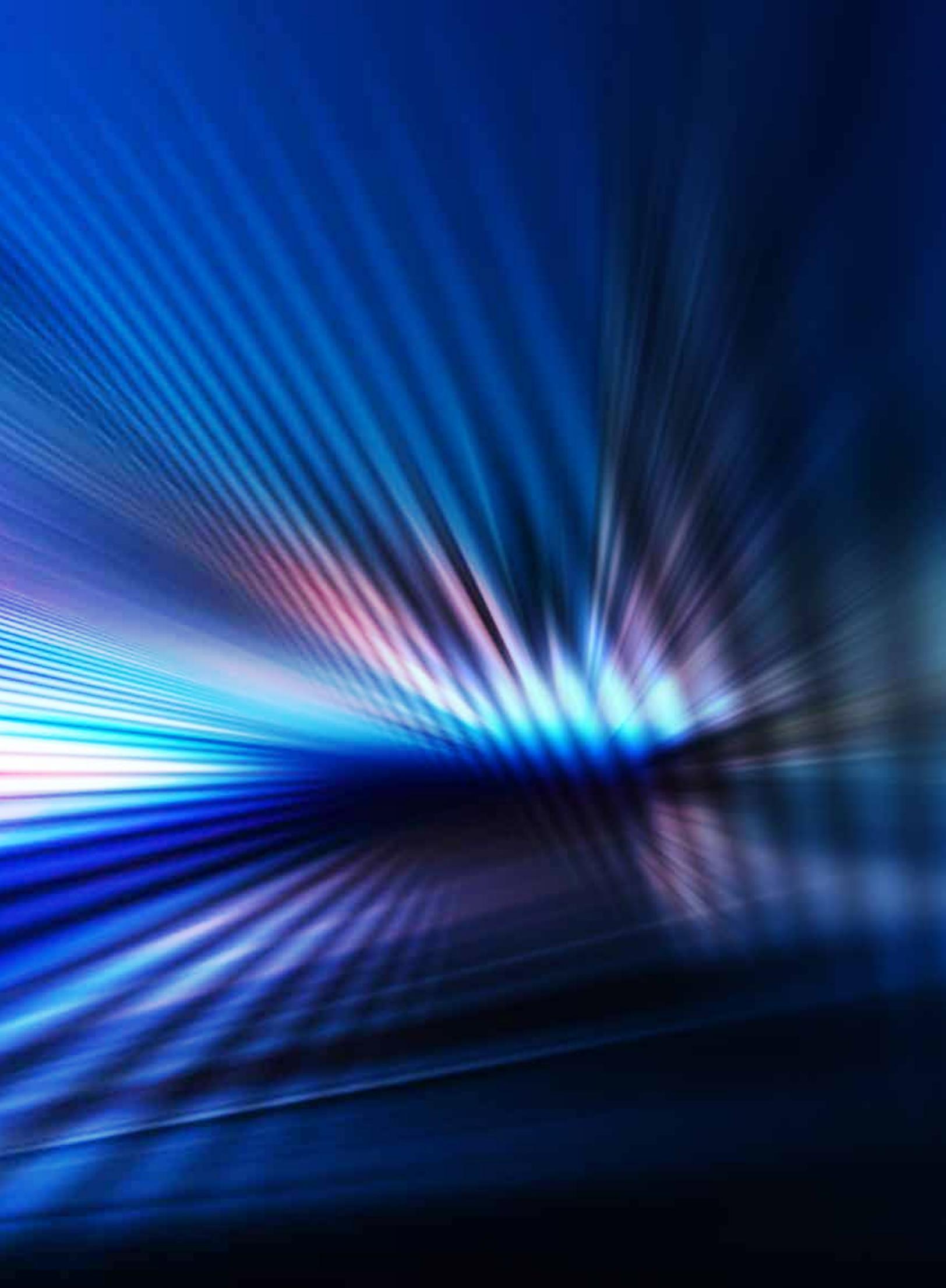
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# Organizational Overview



# About this Report

## Responsibility Statement for the Annual Integrated Report

This Annual Integrated Report is the Bank's primary publication for its stakeholders, potential investors, and the public at large. The purpose of this Annual Report is to provide an overview of the Bank's philosophy, value creation business model, connection between its financial and non-financial information, overall performance and outlook of the Bank; which would enhance user's understanding as to how Bank is continuously adapting to improve its performance keeping in view the various stakeholders' interest.

The Bank is aware of its responsibility towards the preparation and presentation of the Integrated Annual Report and is prepared in accordance with the following regulations, frameworks and guidelines:

- International Financial Reporting Standards (IFRS) and Interpretations 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 (ICAP) 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
- The Listed Companies (Code of Corporate Governance) Regulations, 2019 issued by the Securities and Exchange Commission of Pakistan (SECP).
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Companies of Pakistan (SECP).

In addition to that, Bank has voluntarily made disclosures in line with the Best Corporate Report (BCR) Evaluation Criteria 2022 issued by the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan.

## Scope and Boundary of Reporting

The Bank has disclosed following key categories of information as required:

### Reporting Boundary

### Contents

Integrated Reporting	<ul style="list-style-type: none"><li>• Organizational overview and external environment</li><li>• Governance</li><li>• Business Model</li><li>• Strategy and resource allocation</li><li>• Risks and Opportunities</li><li>• Performance</li><li>• Outlook</li><li>• Basis of Preparation and Presentation</li></ul>
Financial Reporting	Financial Statements

## Reporting Period and Dissemination modes

The Bank's Annual Report covers the period from January 01, 2022 to December 31, 2022 and is consistent with our annual reporting cycle for financial reporting. Subsequent events up to the issuance of this report have also been explained in various sections of the Annual Report, as may be applicable.

This report is available in three mediums to cater the need of our various readers.

- A soft copy (PDF) version of the report in USB format.
- A limited number of printed reports produced and available on demand.
- Readers who prefer viewing our report online can access through <https://www.bok.com.pk/annual-financial-statement>



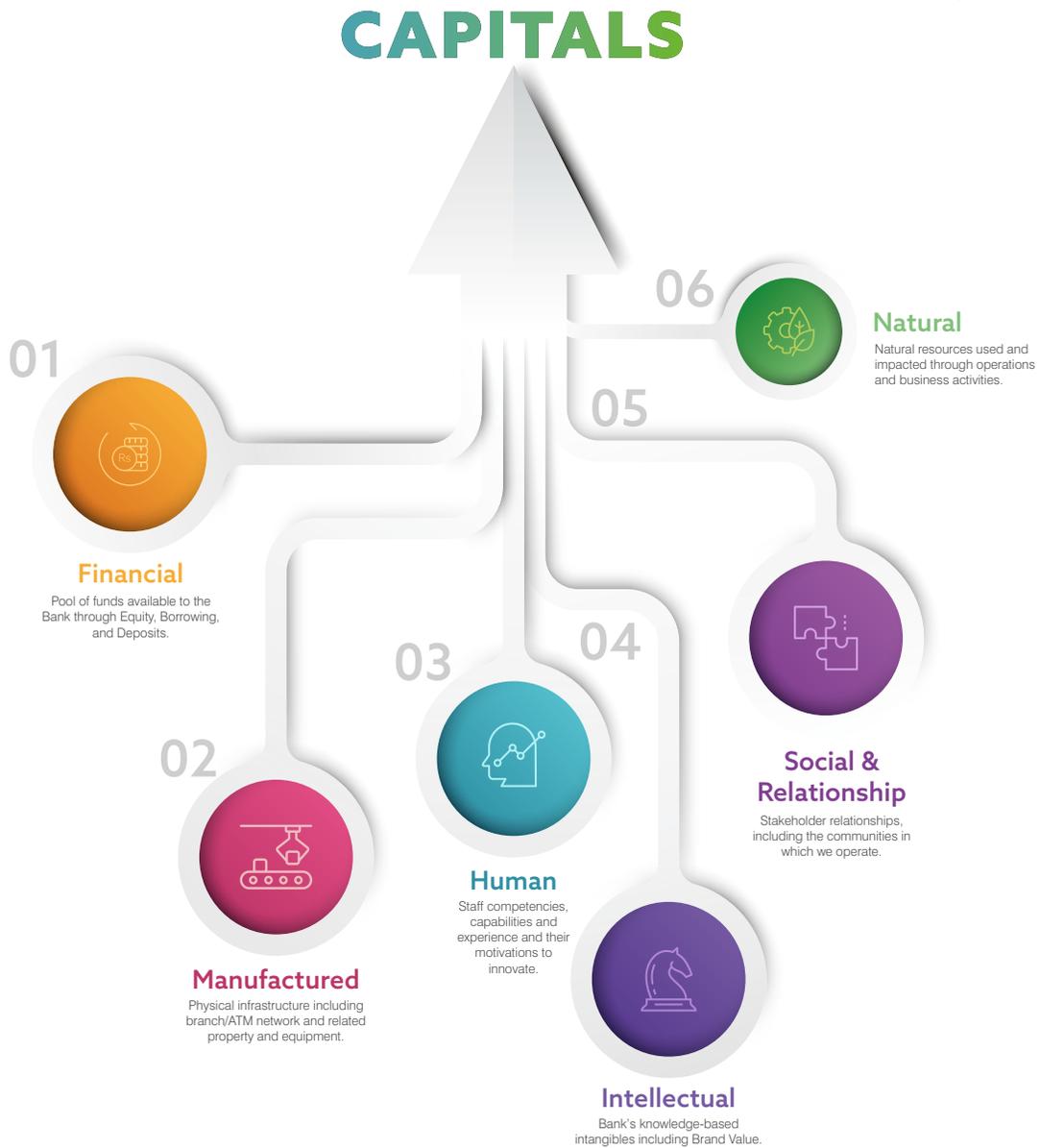
# External Assurance

Independent External Auditors, M/s PwC A. F. Ferguson & Co. Chartered Accountants have provided assurance on the Bank's financial statements and their report is included in the Annual Report.

# Key Concepts

There are three fundamental concepts underpinning Integrated Reporting:

- Value creation and preservation for the Bank and its stakeholders.
- Process, through which value is created and preserved.
- The capitals, which are identified in the Framework as financial, manufactured, human, intellectual, social & relationship, and natural capital.



# BCR Criteria Cross Referred With Page Numbers

Information disclosed in accordance with BCR criteria as well as beyond BCR criteria is part of this report.

# Our Journey



**1991**

Established and formally launched on November 01, 1991 under The Bank of Khyber Act, 1991

1st branch at University Road, Peshawar

**1994**

Acquired Status of a Scheduled bank

1st branch outside KPK

**1997**

Equity investment by DEG (German institution)

**2001**

Membership of SWIFT (Society for worldwide Interbank Financial Communication)

**2006**

Listing on Stock Exchange

**2008**

Equity investment by Ismail Industries Ltd.

# Celebrating Over 30 Years of Excellence

## 2013

Rs. 10 billion paid-up  
capital  
100th Branch landmark

## 2015

Rs. 100 billion  
deposit landmark

## 2020

- Rs. 200 billion  
deposit landmark
- State of the art core  
banking system (T-24)  
implementation kick off

## 2021

- Completion of T-24  
implementation
- Launch of mobile  
banking app
- A+ Long term credit  
rating by VIS

200th Branch landmark

## 2003

Started Islamic banking  
operations

1st Islamic banking  
branch

## 2022

- A+ Long term credit  
rating by PACRA
- Inauguration of new  
Head Office building



## Vision

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

## Mission

To increase shareholders' value and provide excellent service and innovative products to customers through effective corporate governance, friendly work environment and contributing towards an equitable socio-economic growth.

# Core Values



Highest Quality of Service



Professionalism



Integrity



Innovation & Utilization of Latest Technology



Risk Mitigation



Corporate Social Responsibilities



# About Bank of Khyber

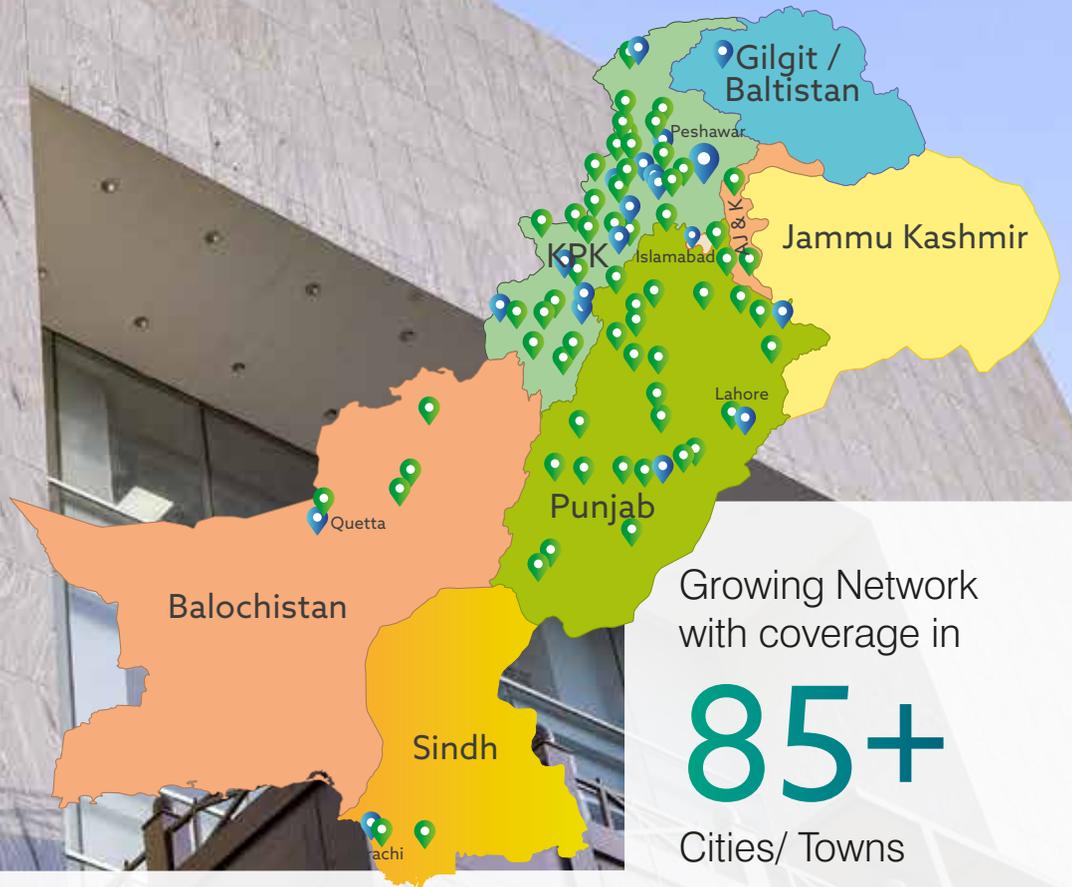
The Bank of Khyber (BoK) was established in 1991 through the Bank of Khyber Act, 1991 passed by the Provincial Assembly of Khyber Pakhtunkhwa (KP). BoK acquired the status of a scheduled bank in 1994 and is listed on the Pakistan Stock Exchange Limited (PSX). Primary business of the Bank is commercial banking and related services. BoK was established with a vision to gradually promote Islamic banking. At December 31, 2022, 119 of its branches function as dedicated Islamic banking branches, whereas 112 cater to conventional banking. BOK has a countrywide branch network with main concentration in the province of KP.

Government of Khyber Pakhtunkhwa (GoKP) holds the majority shares i.e. 70.20% while Ismail Industries Limited hold 24.43%. The strong shareholding structure adds to the financial muscle of the Bank. BoK is one of the three Provincial Public Sector Commercial Banks of the country. Over last 30 years, BoK has played a pivotal role in the development of KP and also participated in overall economic development of the country. While holding on its rich legacy, BoK has embarked on a transformation journey, with significant strides of innovation.

## Associated Company

Taurus Securities Limited (30% shareholding)





Province	Islamic Banking Branches	Conventional Banking Branches	Total Branches
Khyber Pakhtunkhwa (KP)	100	60	160
Punjab	7	30	37
Islamabad Capital Territory (ICT)	4	9	13
Sindh	3	8	11
Baluchistan	5	2	7
Azad Jammu & Kashmir (AJ&K)	-	2	2
Gilgit Baltistan (GB)	-	1	1
<b>Total</b>	<b>119</b>	<b>112</b>	<b>231</b>

# Corporate Information

## Board of Directors

**Shahab Ali Shah**  
Chairman / Non-Executive Director

**Ikramullah Khan**  
Non-Executive Director

**Syed Asad Ali Shah**  
Independent Director

**Tahir Jawaid**  
Independent Director

**Mir Javed Hashmat**  
Independent Director

\* Ms. Saleha Asif, Director tendered her resignation, which was accepted on December 21, 2022. Subsequent to the year end, her casual vacancy was filled by Dr. Aliya Hashmi Khan.

## Managing Director / CEO

**Muhammad Ali Gulfaraz**

## Shariah Board

**Mufti Muhammad Zahid**  
Chairman Shariah Board

**Mufti Muhammad Arif Khan**  
Member Shariah Board

**Mufti Abdul Wahab**  
Member Shariah Board

**Qazi Abdul Samad**  
Resident Shariah Board Member (RSBM)

## Board Audit Committee

**Syed Asad Ali Shah**  
Chairman

**Ikramullah Khan**  
Member

**Mir Javed Hashmat**  
Member

## Board Human Resource & Remuneration Committee

**Tahir Jawaid**  
Member

**Ikramullah Khan**  
Member

## Board Risk Management Committee

**Ikramullah Khan**  
Chairman

**Syed Asad Ali Shah**  
Member

**Managing Director**  
Member

## Board I.T Steering Committee

Syed Asad Ali Shah  
Chairman

Tahir Jawaid  
Member

Managing Director  
Member

## Board Compliance Committee

Tahir Jawaid  
Chairman

Syed Asad Ali Shah  
Member

Mir Javed Hashmat  
Member

Managing Director  
Member

## Chief Financial Officer

Irfan Saleem Awan

## Company Secretary

Muhammad Ali



## Registered Office / Head Office

The Bank of Khyber  
24 – The Mall, Peshawar Cantt.  
UAN# +92-91-111 265 265  
URL: [www.bok.com.pk](http://www.bok.com.pk)



## Auditors

M/s PwC A.F. Ferguson & Co.  
Chartered Accountants



## Legal Advisors

M/s. Mohsin Tayebaly & Co., Karachi



## Registrar and Share Registration Office

THK Associates (Pvt) Ltd.  
Plot # 32-C, Jami Commercial Street 2  
D.H.A, Phase-VII,  
Karachi-75500.



# Awards & Accolades



**Bronze Award (Public Sector Banks Category) Best Presented Report Award 2021 by South Asian Federation of Accountants (SAFA)**

**Third position (Banking Sector Category) in Best Corporate Report Award for the year 2021 by ICAP & ICMA**



**PACRA upgraded Long Term rating from A to A+**

**Top Performing Bank in the National Financial Literacy Program (2017-2022) by SBP Banking Services Corporation (Peshawar)**

# Entity Credit Rating

**VIS**

Long Term

**A+**

Short Term

**A-1**

**PACRA**

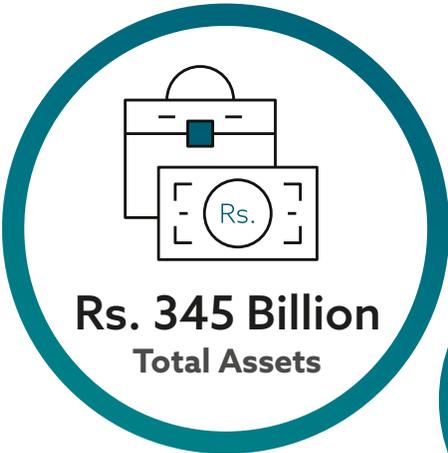
Long Term

**A+**

Short Term

**A1**

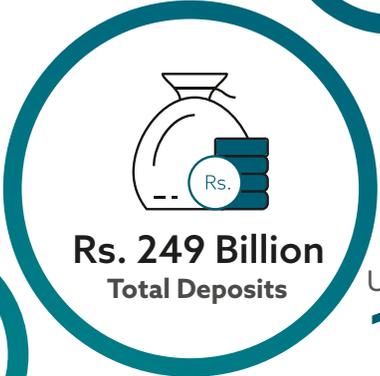
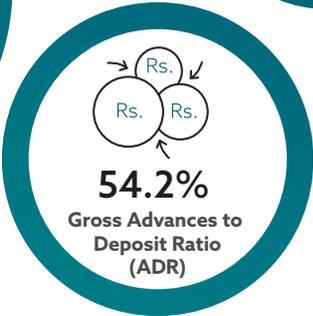
# Financial Highlights - 2022



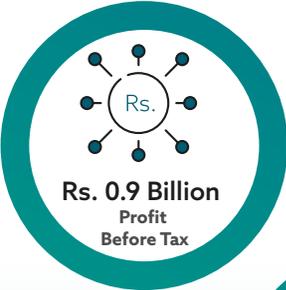
Up by **63%**



Up by **23%**



Up by **12%**



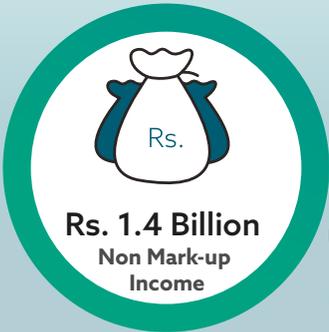
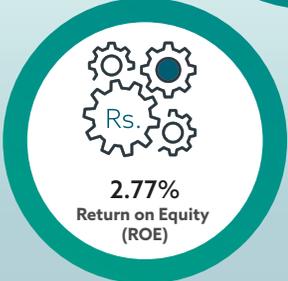
Up by **21%**



Up by **3%**



Up by **5%**



Up by **35%**

# Non-Financial Highlights - 2022

## Manufactured Capital (Network Outreach)



# Non-Financial Highlights - 2022

## Intellectual & Social Capital

145,651

New to Bank Accounts

216,270

Up by **64%**  
Total Issued Cards

32,709

Up by **202%**  
Digital App Users

674,000

Up by **329%**  
No. of Digital Transactions

Rs. 15 Billion

Up by **448%**  
Volume of Digital Transactions

101,596

Social Media Followers (Cumulative)

94%

ATM Uptime

99%

Customer Complaint Resolution

95%

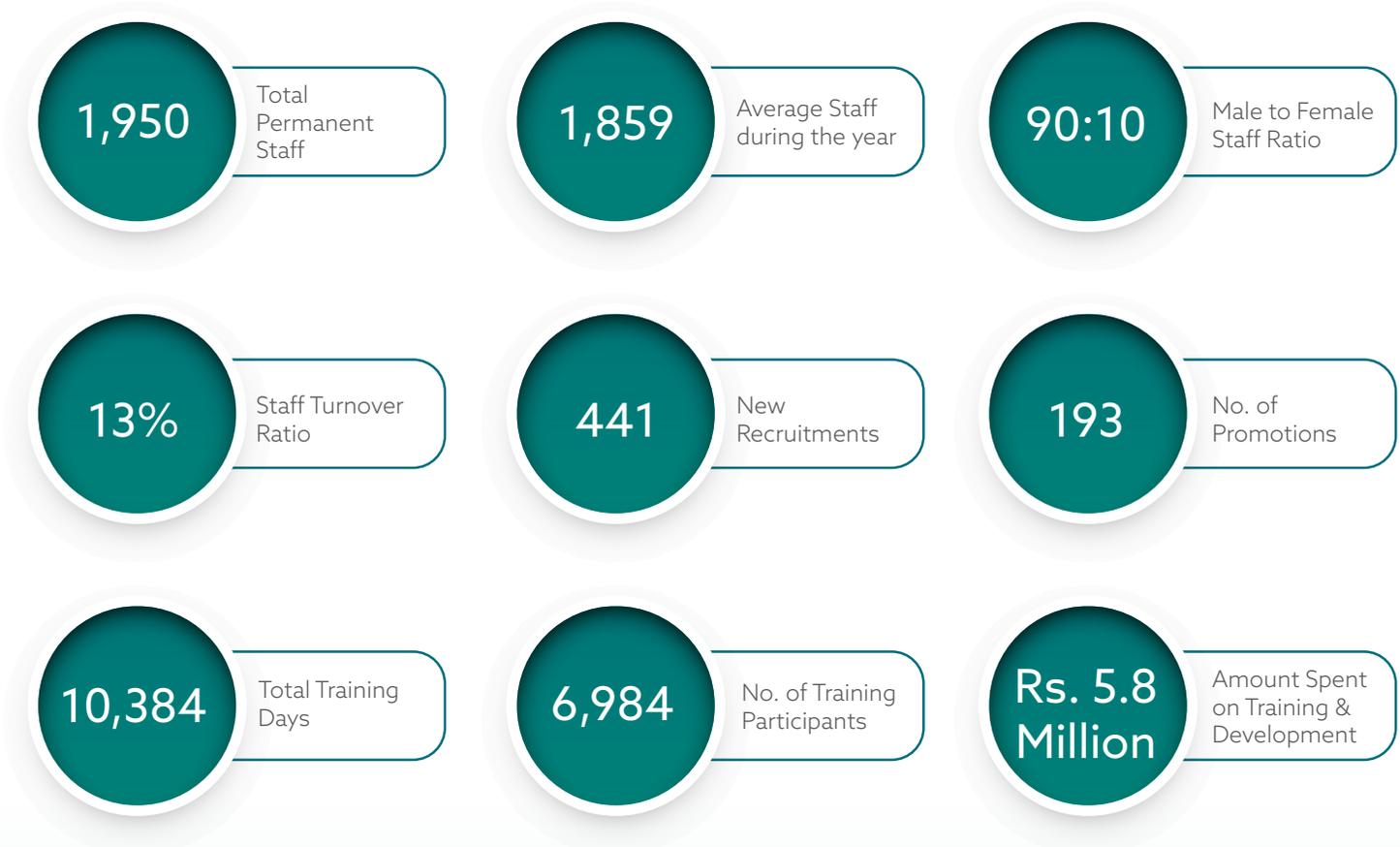
Customer Satisfaction Index

4 Days

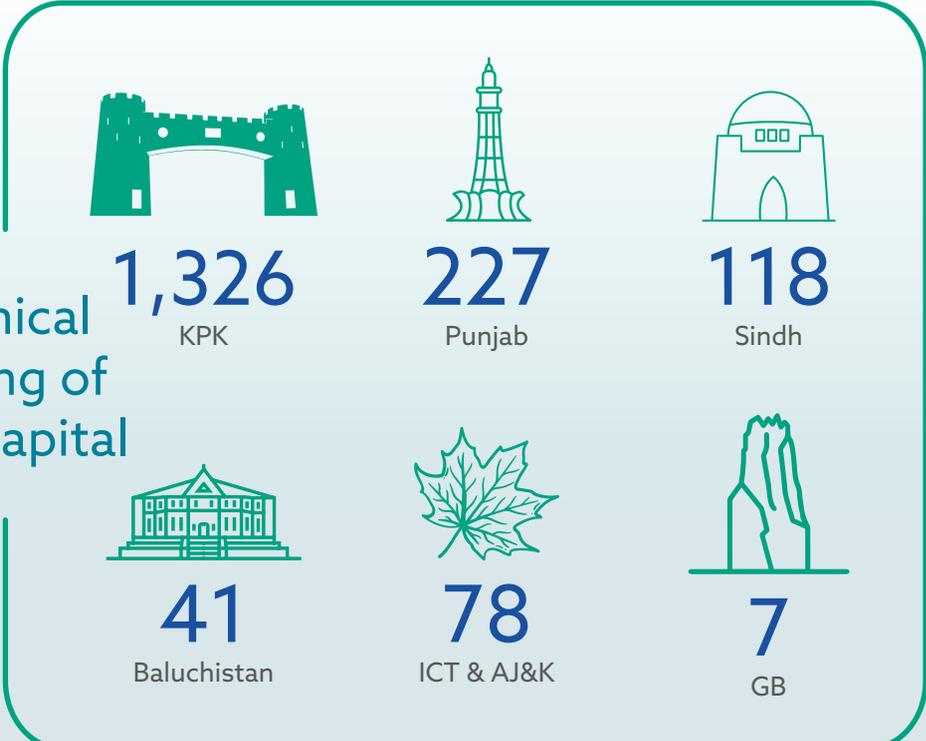
Average Turnaround Time (TAT) for Complaints Resolution

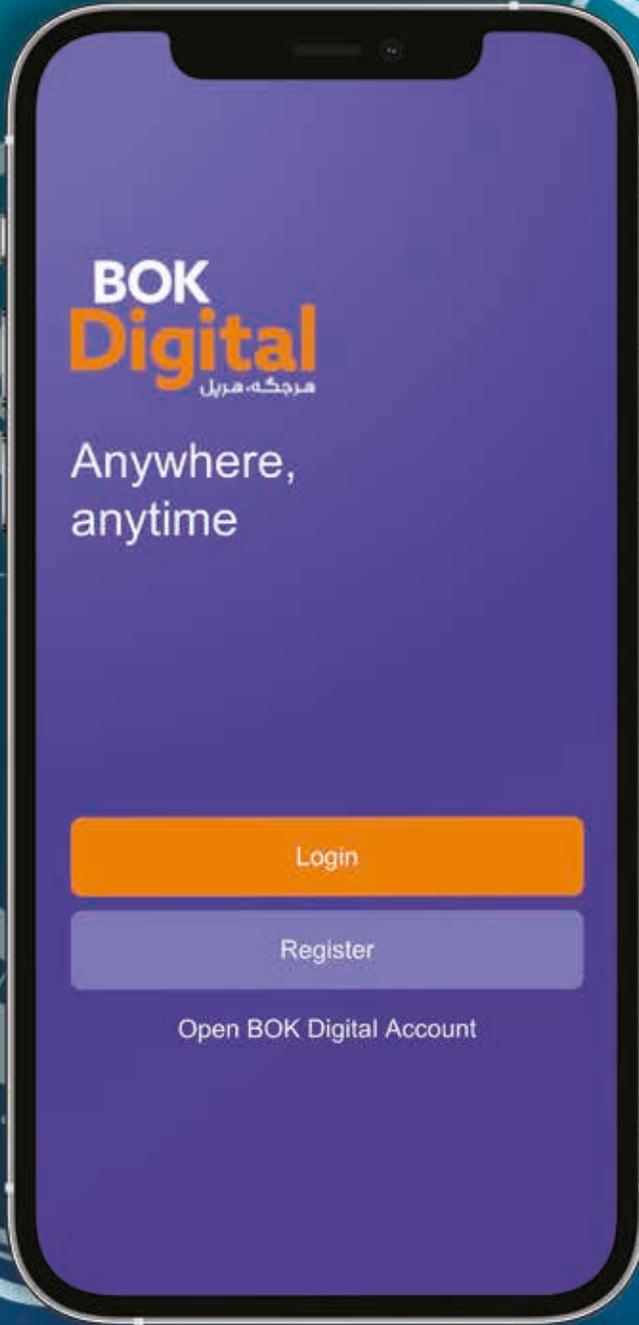
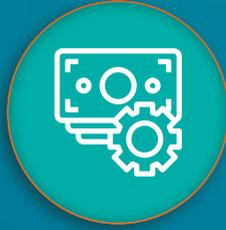


## Human Capital



### Geographical Positioning of Human Capital





# Products & Services

## The Bank of Khyber Liability Products

The Bank of Khyber provides variety of products and services to individuals as well as Corporate customers through a nationwide branch network. Here is an overview of few products and services being offered by the Bank:

### BOK Current Accounts

Current Accounts are non-profit bearing accounts primarily meant for those Customers whose utilization is high and transactions are frequent on daily basis. Customers can deposit and withdraw any amount from such accounts as many times as they require. Current Accounts are available in local (PKR) as well as foreign currencies (USD, EURO and GBP).

### BOK Asaan Account

The Asaan Account is targeted at common people and is open to all low income unbanked/under-banked masses that face difficulties in account opening due to normal account opening requirements or lesser means. These segments of society may include but are not limited to skilled/unskilled work force, farmers, less educated/uneducated people, laborers/daily wagers, women/housewives, self-employed individuals, pensioners, young adult population, students, Zakat Mustahqueen, widows, pensioners, benevolent fund grants, etc.

### BOK Pay Plus Current Account and BOK Pay Plus at Work

Both these accounts are unique salary products maintained as current accounts. BOK Pay Plus Current Account is targeted at Government Employees while BOK Pay Plus at Work targets the payroll management of corporates and private organizations employees. The product offers a number of exciting and unique features including Temporary Advance Salary facility which is markup free and available from 16th day of each month in order to meet any urgent needs of the customers. Other features include Free Pay Continuity facility and Tax Returns Filing facilitation on discounted rates through

BeFiler Pvt Ltd for BOK customers. Other features include free debit card, free cheque book and unlimited free SMS alerts (on all transactions).

### BOK FemPower Account

FemPower Account is a specially designed banking account that caters to the unique financial needs of women. This account is available in both current and saving modes, with an initial deposit requirement of just Rs. 100/-. The BOK FemPower Account offers a range of features, including a free ATM/Debit Card, 25 leaves cheque book, and online transactions within the bank. Additionally, this account provides free internet banking and mobile app services, along with free SMS alerts on all transactions. Moreover, customers can avail a 1% lower concessional profit rate on consumer financing products for Car, House, and Personal finance facility. Eligibility criteria for this account is for individual females with valid CNIC. However, in the case of a joint account, the primary account holder must be a female. This account is available in both Conventional & Islamic Banking

### BOK PLS Account

PLS Saving Accounts are profit-bearing accounts meant to promote the habit of savings among customers while allowing them to use their funds when required. Customers can deposit any amount of money any number of times. However, fund withdrawals are subject to certain restrictions. The profit is calculated on the basis of average monthly balance maintained by the customer and is credited semi-annually. Overdraft facility is not available. PLS Savings Accounts are available in local currency (PKR) and foreign currencies (USD, EURO and GBP).

### BOK Special Deposit Account

This is a profit bearing and checking account. This product is available in PKR and the profit is calculated on daily actual deposits basis.

### Foreign Currency Account

The Bank is authorized to open Foreign Currency Accounts of Customers without prior approval of SBP. All the Foreign

# Products & Services

Currency Accounts are governed by the SBP's Foreign Exchange Regulations issued from time to time.

For fulfilling the requirement and needs of the customer, Bank of Khyber has designed foreign currency deposit scheme. Currently, the Bank is authorized to open Foreign Currency Accounts of the Customers under various schemes introduced by SBP from time to time. These schemes are as follows:

- Foreign Currency Accounts under FE-25 scheme
- Special Foreign Currency Accounts

## BOK FCY Premium Saving Account

Presently available in US Dollar only. Deposit slabs having different profit rates available based on higher the deposit, higher the profit rate. Profit rates are reviewed monthly by the Bank and the Bank reserves the right to revise the rates at any point of time. Minimum Balance Requirement of USD 500 to be always maintained in account. In case minimum balance is not maintained on average during the month then service charges will be levied as USD1 per month. Up to 90% financing in PKR against maintained FCY deposit. All Other Conditions of Savings Account apply.

## BOK Pensioner Account

In pursuance of the Orders of the Supreme Court of Pakistan;

Government has approved disbursement of pension through any scheduled banks, by direct credit to pensioner's account maintained in Bank.

The salient features of BOK pensioner account include:

- No Minimum Balance requirement
- Option of opening Current or Saving account.

## Services

### Saturday Nonstop Banking

The Bank of Khyber strives to make banking services more convenient and accessible to its customers.

Our services reflect our commitment of continually providing better financial solutions and tailored services centered on our customer requirements, which will enable them to do banking at convenience whilst suiting their life cycle needs. Selected BOK branches provide Non-Stop Banking Services to the customers on Saturday at the stipulated timings.

### PRISM Transaction

Funds to any third party (Beneficiary) holding an account with a bank other than BOK, if the beneficiary bank participates in Pakistan Real time Gross settlement. (Prism) With RTGS/PRISM, transferring money becomes an easier, faster process. Pakistan Real time Interbank Settlement

Mechanism/PRISM/RTGS is the fastest possible money transfer system through the banking channel. Because settlements are made in real time, transactions are not subject to any waiting periods. The minimum amount that can be transfer via this channel is Rs:100,000/-

## Safe Deposit Lockers

Customers can get peace of mind with The Bank of Khyber safe deposit lockers. This service provide security to your precious jewellery, documents and other valuables. Lockers are available for all our account holders with single as well as joint operating instructions.

### Features & Benefits:

- Convenient locker sizes: Choose from a range of options - small, medium, and large.
- Dual key security: Two keys required at once, to open the locker. One stays with you and the other with the Bank.
- Safety: Branches are equipped with security features like, burglar alarm, iron-gated vault & electronic surveillance via CCTV.
- Multiple accesses: Customers can add or remove individuals who can operate the locker on your behalf.
- Ease of payment: Customers can instruct the branch to debit the annual locker rent from your savings/current account.

- Nomination facility: Customers can nominate their close ones for Safe Deposit Lockers.

## Business Banking

### SE & ME Enterprises

Small Enterprises (SE) & Medium Enterprises (ME) play a very important role in the economic growth of any country. This has been proven worldwide that 85% contribution in economic growth and employment generation is made by both sectors. Realizing its importance, BOK has established a full fledged separate department to meet their financial requirements.

## Term Financing

### Short Term Financing

Short-term loans offer individuals and/or businesses borrowing options to meet its financial obligations scheduled to be repaid in a period less than a year.

### Running Finance

It is a short-term fund-based facility provided to capital deficit businesses for a short-term period, i.e., for a year or less. This facility is usually for businesses to run their day-to-day operations including payment of wages to employees, raw material/ inventory procurement and supplies.

### Cash Finance

It is a short term, fund-based facility where an amount is disbursed against pledge of locally procured goods, merchandise, stocks. The amount after retaining the prescribed percentage of margin on stocks is transferred in a separate C/F account of the customer. Delivery of pledged stocks is allowed against payment(s) by the borrower.

### Demand Finance

It is a short term, fund-based facility where an amount is disbursed in bullet payment to cater to his business needs scheduled to be repaid in a period less than a year in lump sum or installments.

### Medium /Long Term Financing

Long-term loans offers, businesses borrowing options to meet financial obligations for capital expenditure, project financing, consortium lending, structured finance etc scheduled to be repaid in more than a year but not exceeding seven years preferably.

### Demand Finance

This facility can range from medium to long term. It is a fund-based facility allowed to commercial enterprises, corporations, industrial groups, or joint ventures for financing their capital expenditures or fixed assets like purchase of plant & equipment or machinery, construction of site premises, installation of machinery

and fixtures, etc, for expansion of production facilities or BMR.

## Investment Banking Products and Services

### Investment Banking

BOK's Investment Banking focuses on origination and execution of a range of capital raising and financial advisory services to corporate and institutional clients besides actively managing the Bank's proprietary investments in the local equity and debt markets. Investment Banking provides its clients with a unique combination of expertise, broad range of investment banking/ financial services. With its team of seasoned professionals, BOK offers its specialized services across the spectrum of Investment Banking activities, which includes arranging/ participating in syndicate, structured and project investment transactions..

## Corporate & Syndicate (C&S)

The Corporate & Syndicate Finance department deals with valued corporate and commercial clients, ranging from industrial clients, corporations, banks, and sovereign organizations including public sector enterprises to cater their financial

# Products & Services

requirements by offering them tailor made products along with superior and prompt services, at competitive pricing. BOK's Strategy is to build strong customer relationships for mutual benefits and providing solutions through diversified product portfolios with focus to achieve a strong market position in all the segments of the economy. The C&S finance department also pools in syndicated financing to viable projects of renowned corporate and institutional customers with the primary objective of enhancing customer service by offering finance facilities to their new projects (Green Field) or existing projects (Brown Field).

## Agri Finance

### Sada Bahar Zarai Loan

Revolving Finance Facility to finance short term On and Off Farm activities of the farmer. On Farm financing includes financing for Farm Working capital requirements i.e. purchase of seeds, fertilizer, pesticides, for irrigation, labor and plough charges. Off Farm activities include working capital requirements for Dairy Farming, Poultry Farming, Fish Farming and Apiculture etc. Loan period/ tenure is 3 years. Markup rate is linked with 6 Months KIBOR + 500 BPs and Markup is recoverable on half yearly and annual basis.

### Tractor Loan Scheme

Tractor Loan Scheme Demand Finance Facility for purchase of tractors of all makes and models of brand-new tractors for agriculture and haulage purposes. Loan period is up to 5 years with quarterly installments. Down payment is at least 10% of the limit. Tractor will be jointly registered on the names of the Bank and the borrower and will be comprehensively insured from A rated insurance company.

Markup rate is linked with 3 Months KIBOR + 500 BPs. Eligibility Criteria: Same as for Sada Bahar Zarai Loan Scheme.

### Livestock Schemes

Demand Finance Facilities are available for purchase of dairy animals for milking and fattening purposes, purchase of farm machinery/ equipment etc. Loan period is up to 5 years with monthly/ quarterly/ half yearly installments. Markup rate is linked with 3 Months KIBOR + 500 BPs. Eligibility Criteria: Same as for Sada Bahar Zarai Loan Scheme and adequate experience in the concerned field is required.

Dairy Storage Scheme: Demand Finance Facility for Purchase of machinery/utensils/ chilling tanks etc for storage of Dairy produce and construction of godowns/cold storage etc. Loan period is up to 5 years with Monthly or Quarterly installments.

Down payment is at least 10%.

Markup rate is linked with 3 Months KIBOR + 500 BPs. Eligibility Criteria: Same as for Sada Bahar Zarai Loan Scheme and adequate experience in the concerned field is required.

### Dairy Marketing Loan Scheme

Demand Finance Facility for purchase of dairy marketing items such as motorcycles, delivery vans, pickups, mini trucks, etc. Loan period is up to 5 years with repayment in Monthly or Quarterly installments. Down payment will be 10% and the vehicle will be jointly registered in the names of the Bank and the borrower. The vehicle will be comprehensively insured from A rated insurance company. Markup rate is linked with 3 Months KIBOR + 500 BPs. Eligibility Criteria: Same as for Sada Bahar Zarai Loan Scheme and adequate experience in the concerned field is required.

### Tube Well Loan Scheme

Demand Finance Facility for Installation of Tube Wells/ Turbine for utilizing underground water for agriculture purposes, including cost of machine/generators/pipes/ accessories/civil works etc. Facility is also available for conversion of existing tube wells to solar energy. Loan period is up to 5 years with monthly, quarterly or half yearly installments. Down payment is at least 10% of the limit amount.

Machinery and accessories will be comprehensively insured from A rated insurance company. Markup rate is linked with 3 Months KIBOR + 500 BPs. Eligibility Criteria: Same as for Sada Bahar Zarai Loan Scheme. In addition, minimum own development area requirement is 5 acres.

## Islamic Banking

### Current Account

Deposits in current accounts are accepted on Qard-e-Hasana basis where payment of the similar is guaranteed. Bank can use the deposit received in Current Accounts in shariah permissible banking activities.

Presently in Raast Islamic banking of BOK we offer the following categories of Current Account.

- Raast Current Account
- Asaan Current Account
- Basic Banking Account
- Asaan Current Remittance Account
- Pensioner Current Account
- Raast FCY Current Account

### Saving Accounts

Deposit in Saving Accounts are accepted on Musharakah (Profit and Loss Sharing basis) strictly in conformity with the principles of Islamic Shariah. These deposits

are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharakah, Salam, Istisna Islamic Sukuks etc which are duly approved by Shariah Board. The profit earned from this Shariah compliant business is distributed between the saving account holders and the Bank as per ratios agreed in the Musharakah agreement on monthly basis.

Saving Accounts are offered in two categories:

#### 1. General Saving Account

Depositors with small amounts of savings, particularly with variable amounts generally prefer savings accounts. These depositors are usually allowed to withdraw money from the account at any time. The following are the product being offered in General Saving Category:

- Raast Savings Account
- Asaan Saving Account
- Asaan Saving Remittance Account
- Pensioner Saving Account
- Raast Youth Savings Account
- Raast Tarseel Account
- Raast Sahulat Account
- Raast Pay Plus Account
- Raast Umrah Account
- Raast Hajj Account
- Raast Fempower Account

#### 2. Riba Free Certificates/ Special Certificates

The depositors keep their money for a fixed period of time. The period is fixed at the time of opening a bank account. The following are investment certificates offered by BOK-IBG:

- Riba Free Certificates
- Riba Free Special Certificates
- Raast Itminan Mahana Certificates
- Khyber Islamic Investment Certificates

### Consumer Financing

Raast Islamic Banking offers several products to cater the needs of their customers under the Shariah Compliant products

- Raast Consumer Murabaha
- Raast Car Diminishing Musharakah
- Raast Car Ijarah
- Raast Home Musharakah
- Raast Roshan Ghar
- Raast Salary In Advance Scheme

## SME's/Corporate Banking

### Short Term Financing

Raast Islamic Banking offers wide range of Shariah compliant products

# Products & Services

and services to cater the business/customer needs of working capital requirements. Following are the suitable financing products to meet business demands.

## Murabaha

Murabaha is best suited for customers to meet the short-term working capital requirements of any business for purchase of raw material, goods and merchandising as well as export financing and Import financing etc. Murabaha means a sale of goods by a person to another under an arrangement whereby the seller is obliged to disclose to the buyer the cost of goods sold either on cash basis or deferred payment basis and a margin of profit included in the sale price of goods agreed to be sold. Murabaha may be transacted in both tangible and intangible assets. It shall not be transacted in respect of any debt instrument including receivables. Being a sale transaction, it is essential that the commodities which are the subject of sale in a Murabaha transaction must exist.

## Salam

Salam (advance payment against deferred delivery of goods) means a kind of sale whereby the seller undertakes to supply specific goods to a buyer at a future date in

consideration of a price fully paid in advance at the time the contract of sale is made. The specifications, quality and quantity of the commodity must be determined to avoid any ambiguity which could become a cause of dispute. Date and place of delivery must be agreed upon but can be changed with mutual consent of the parties.

## Istisna

Istisna is a mode of sale, at an agreed price, whereby the buyer places an order to manufacture, assemble or construct, or cause so to do anything to be delivered at a future date. The commodity must be known and specified to the extent of removing any ambiguity regarding its specifications including kind, type, quality and quantity etc. Price of the goods to be manufactured must be fixed in absolute and unambiguous terms. The agreed price may be paid in lump sum or in installments in the matter mutually agreed by the parties. Providing of material required for manufacture of commodity is not the responsibility of the buyer.

## Tijarah

Tijarah Finance is a Sale (Musawama basis) + agency (Wakeel) based financing facility where the interested client intends to sell their finished good on credit basis. The core aim of

the Tijarah is to facilitate the customer to sell their existing owned Assets to cash for meeting their working capital requirements and take advantages of cash sales.

In Tijarah, the Bank will buy finished goods of the sellers (clients) and then appoint those customer agent(s) of the Bank through restricted agency agreement to sale out the same in open market not less than a minimum price determined in agency agreement to be returned to the Bank as per agreed schedule.

## Running Musharakah

The Bank and the Customer will enter into Musharakah, based on Shirkat-ul-Aqd wherein (a) the Bank and the Customer will invest in the identified primary Operating Activities (or any identifiable segment thereof) of the Customer's business and (b) participate in the profits/(loss) generated by the Musharakah in proportion to their respective Investment ratio.

## Long Term Financing

In order to meet long term financing of infrastructure and industrial projects requirements or to expand the Business operations, following modes are available to our valued customers under bilateral and syndicate arrangement.

## Ijarah (Leasing)

Ijarah is a contract whereby the owner of an asset, other than consumables, transfers its usufruct (benefits) to another person for an agreed period for an agreed consideration. In Ijarah/leasing, the corpus of leased commodity remains in the ownership of the lessor (Bank) and only its usufruct (benefits) is transferred to the lessee (customer). Anything which cannot be used without consuming the same cannot be leased out like money, edibles, fuel, etc. During the entire term of the Ijarah, Bank being the owner of the assets retains the title of ownership and also bears all risks and rewards pertaining to ownership. All the risks related to usage of the assets are borne by the lessee (customer). Ijarah facility can be availed for financing of plant, machinery, buildings and all the other fixed assets.

## Diminishing Musharaka:

Diminishing Musharaka (DM) is commonly used for financing the fixed assets. It is a form of co-ownership in which two or more persons share the ownership of a tangible asset in an agreed proportion and one of the co-owners undertakes to buy in periodic installments the proportionate

share of the other co-owner until the title to such tangible asset is completely transferred to the purchasing co-owner. Diminishing Musharaka can be created only in tangible assets. It shall be limited to the specified Asset(s) and not to the whole enterprise or business. In Diminishing Musharaka incidental expenses related to ownership may be borne jointly by the co-owners in the proportion of their co-ownership. Loss, if any, shall be borne by the co-owners in the proportion of their respective investments. The amount of periodic payment would go on decreasing with purchase of ownership units by the purchasing co-owner.

## Corporate & Trade Finance

Based on various Islamic modes of finance, following is a complete range of products and services that are available for importers and exporters:

- Letter of Credit (LC) (Inland/ Foreign)
- Letter of Bank Guarantee (LG)
- Export/Import financing
- Islamic Export Refinance Scheme

# Products & Services

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**HOME REMITTANCE**

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Say No to Hundi

**For More Information**  
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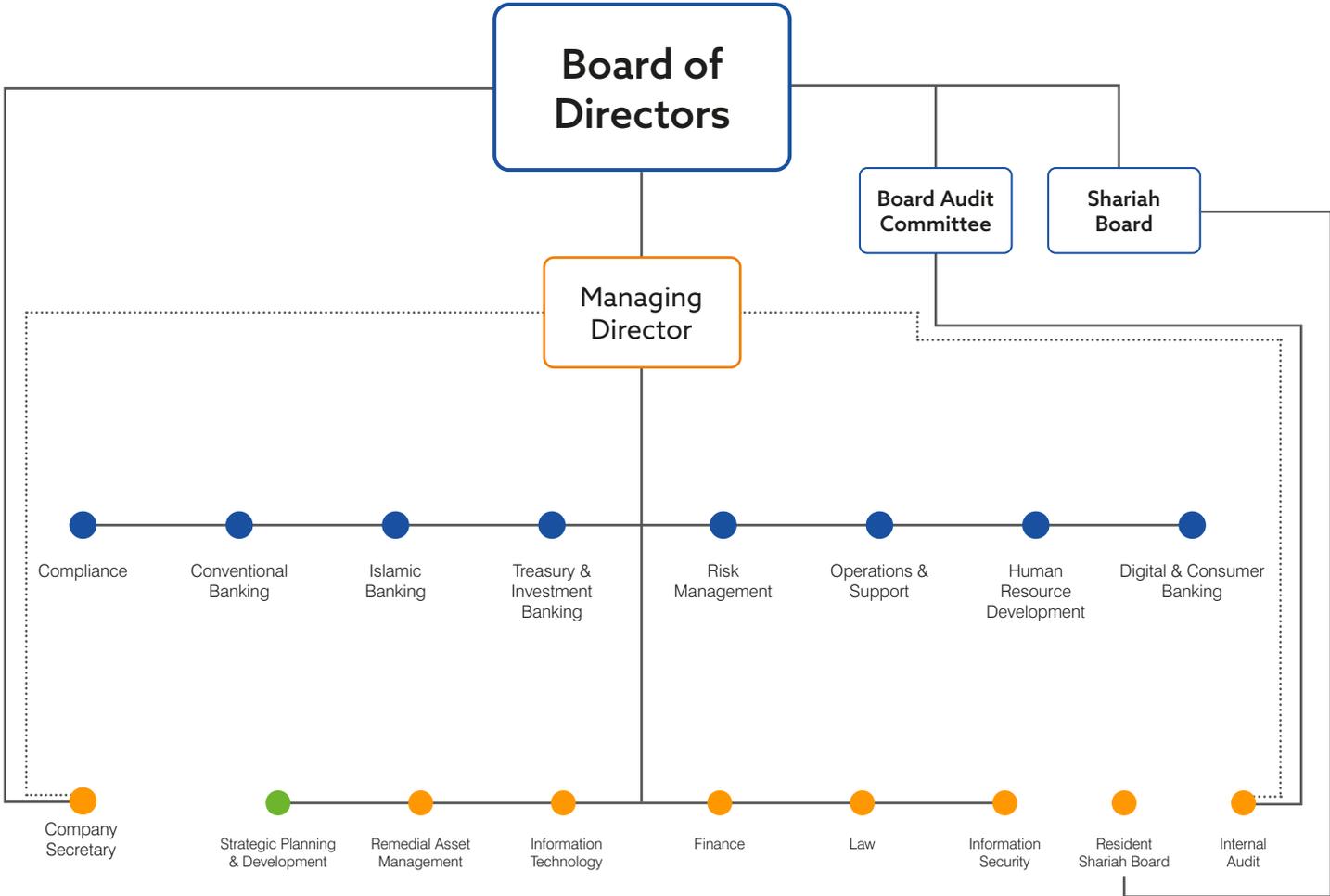
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# Year at a Glance

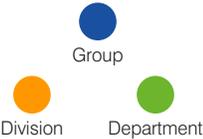




# Organizational Structure



### Indicators



# Profile of Board of Directors



**Shahab Ali Shah**

Chairman / Non-Executive Director

Mr. Shahab Ali Shah is a senior civil servant, serving as Additional Chief Secretary, Government of Khyber Pakhtunkhwa.

Mr. Shahab Ali Shah joined Pakistan Administrative Service (PAS) in 1991 and has served on various important administrative positions including Chief Economist, P&D Department, Secretary Planning & Development Department and Principal Secretary to the Chief Minister Khyber Pakhtunkhwa.

\*Mr. Shahab Ali Shah by virtue of cessation as Additional Chief Secretary, ceased to be Chairman/ director on January 11, 2023.



**Ikram Ullah Khan**

Non-Executive Director

Mr. Ikram Ullah Khan is a civil servant of the Pakistan Administrative Service (PAS) group. He has been appointed as Director on the Board of the Bank by virtue of his position as Secretary, Finance Department, Government of Khyber Pakhtunkhwa.

Mr. Ikram Ullah Khan holds Master degree in International Relations and has authored a number of research papers. He has remained on different administrative positions and has also attended various national and international courses.

#### Other Directorships:

- Pakhtunkhwa Energy Development Organization (PEDO)
- KP Economic Zone Development & Management Company (KP EZDMC)
- Water Supply & Sanitation Services Program (WSSP)
- KP Oil & Gas Company Ltd. (KPOGCL)
- Flying Club, Peshawar
- KP Tourism Corporation
- KP Revenue Authority (KPRA)
- KP Public Procurement Regulatory Authority (KPPRA)
- Technical Education & Vocational Training Authority (TEVTA)

\*Mr. Ikram Ullah Khan by virtue of posting as Additional Chief Secretary, became Chairman of the Board on January 11, 2023.

# Profile of Board of Directors



**Syed Asad Ali Shah**

Independent Director

Syed Asad Ali Shah, a Chartered Accountant by profession has an impeccable career of over 35 years serving most of Pakistan's prominent corporate and financial sector entities in private and public sector.

Mr. Shah remained country Managing Partner of Deloitte Yusuf Adil, Chartered Accountants – a member firm of world's largest professional services firm, President of the Institute of Chartered Accountants of Pakistan and Board member of International Federation of Accountants. He also remained Chairman of Inter-governmental working group on accounting & financial reporting (ISAR), Unctad, United Nations Geneva – one of the largest global forums on financial reporting and also performed as member of Prime Minister's Task Force on government restructuring.

Mr. Shah is a commerce graduate from the University of Karachi and holds the status of FCA and FCMA of ICAP and ICMAP respectively.

#### Other Directorships:

- M/s Asad Ali Shah Associates, Chartered Accountants (CEO)
- K-Electric
- Naymat Colletral Management Company Limited
- Befiler Private Limited
- Securities & Exchange Commission of Pakistan (Member Policy Board)



**Tahir Jawaid**

Independent Director

An engineer by profession, Mr. Tahir Jawaid has over 40 years of vast experience and expertise in Fertilizer, Petrochemical, Power Sectors & Human Resource Management.

He remained associated as Chief Executive Officer with HPSL, a subsidiary of The Hub Power Company Limited (HUBCO) and Senior Vice President (Corporate Services & New Ventures (HUBCO). He also spearheaded the Human Resource and Public Affairs of Engro Corporation Limited where he managed the development of HR Processes in light of international norms.

Mr. Jawaid also worked in the United States in various capacities for system and design engineering companies.

During his professional career, he held key roles in HR Management, Planning, Materials Warehouse Management and Maintenance Management Systems. Presently, he is Chief Capability Officer & Advising Partner, August Leadership, Executive Search & HR Consulting, Pakistan.

Mr. Jawaid obtained MS in Industrial Engineering from the University of Houston, USA, and BS in Mechanical Engineering from the University of Engineering & Technology, Lahore.

#### Other Directorships:

- Rafhan Maize Products Company Limited



## Mir Javed Hashmat

Independent Director

A development/ commercial banker, Mir Javed Hashmat has over 30 years of diversified experience of management and operations of private and public sector organizations including Banks, Non-banking Financial Institutions and Government Entities.

During his professional career, he remained associated as Provincial Chief, Industrial Development Bank of Pakistan, Member Board/ Executive Director and Acting Managing Director of the Bank of Khyber, Chief Executive Officer of KP Board of Investment & Trade and SME Leasing Limited.

Mr. Hashmat holds a bachelor degree in Mechanical Engineering from University of Engineering & Technology, Peshawar and has received different certifications from IBA, Karachi and PDCP, Manila, Philippines. He is a certified Board member by Pakistan Institute of Corporate Governance (PICG). He has attended number of national and international courses and workshops during his career.



## Muhammad Ali Gulfaraz

Managing Director/ CEO

Mr. Muhammad Ali Gulfaraz has joined the Bank of Khyber as Managing Director & CEO on 12th August, 2021.

Mr. Ali Gulfaraz bring with him an extensive professional experience of 25 years in global corporate and investment banking. He started his career with Bank of America in Pakistan and later moved to Bank of America, London. Mr. Ali Gulfaraz left Bank of America to join Mizuho Corporate Bank, London and rose to the position of Managing Director – Head of Corporate & Investment Banking for UK, Ireland and Nordic countries. Before joining the Bank of Khyber, he remained associated with Fauji Foundation as Member, Board of Directors.

Mr. Ali Gulfaraz received his Bachelor of Arts (BA) in Applied Economics and Masters of Science in Managerial Economics from University of California, Davis. In addition to academic qualifications, he also possesses in depth professional skills in Corporate Finance, Financial Analysis, Credit Risk and Capital Markets.

\*\*Ms. Saleha Asif, Nominee Director of the Government of KP tendered her resignation, which was accepted on December 21, 2022.

\*\*\*Mr. Muhammad Ayaz by virtue of his posting as Secretary, Finance Department assumed Office of Director on January 16, 2023.

\*\*\*\*Mr. Abid Sattar and Dr. Aliya Hashmi Khan assumed office of Directors as Nominee Directors of Government of KP on January 30, 2023.

# Management Team



**Muhammad Ali Gulfaraz**  
Managing Director / CEO



**Ihsan Ullah Ihsan**  
Chief Risk Officer /  
Group Head Risk Management



**Syed Furrukh Zaeem**  
Group Head Treasury &  
Investment Banking



**Moin Rana**  
Group Head  
Operations & Support



**Sher Muhammad Mohmand**  
Group Head Conventional Banking



**Irfan Saleem Awan**  
Chief Financial Officer



**Khalid Abdul Aziz**  
Chief Compliance Officer



**Muhammad Asif**  
Group Head HRDG



**Asim Bashir**  
Group Head Digital &  
Consumer Banking



**M. Fawad Sadozai**  
Head Remedial Asset  
Management Division



**Ali Khan Arbab**  
Group Head Islamic Banking  
(Officiating)



**Mudassar Iqbal**  
Head Internal Audit Division



**Azfar Latif**  
Chief Information Officer



**Muhammad Ali**  
Company Secretary (Officiating)



**Asif Naseem**  
Head Consumer Finance  
Division



**Tariq Masroor**  
Head Credit Administration  
Division



**Jawad Tajik**  
Head Training & Development,  
Micro Finance Division



**Shabeer Ahmed**  
Head Banking Operation  
Division



**Sadia Bukhari**  
Head Enterprise Risk  
Management Division



**Shahid Sultan**  
Head SME Finance Division



**Imran Shehzad**  
Head Human Resourcing  
Division



**Zarak Khan**  
Head, Liability & Business  
Development Division



**Muhammad Maqbool**  
Head Law Division (Officiating)



**Abdul Aleem Khan**  
Head Shariah Compliance  
Division



**Muhammad Imran Yaqub**  
Head Agriculture Finance Division



**Muhammad Jawad Zia**  
Head HR & Admin Division



**Allah Bakhsh**  
Head Procurement Division



**Abid Hussain**  
Head Policy Procedure & FRM  
Division



**Muhammad Sameer**  
Head Centralized Liability  
Operation Division



**Arbab Irfanullah**  
Head Islamic SME Assets



**Basharat Khan**  
Head Compliance Division



**Manzar Habib**  
Head Information Security  
Division/ Chief Information  
Security Officer



**Asim Hayat**  
Head Islamic Asset Corporate  
Division



**Abid Shah**  
Head Basel II &  
Regulatory Reporting



**Irfan Nisar**  
Head Islamic Asset Consumer  
Division

# Management Level Committees

1	Head Office Credit Committee (HOCC) Conventional
1.1	HOCC Sub Committee (Conventional)
2	Head Office Credit Committee (HOCC) Islamic
2.1	HOCC Sub Committee (Islamic)
3	Asset Liability Committee (ALCO)
4	Management Committee (MC)
5	Management Risk Management Committee (MRMC)
6	IT Steering Committee (ITSC)
7	Disciplinary Action Committee (DAC)
8	Staff Relationship Committee
9	Expenses Approval Committee
10	Staff Expenses Approval Committee
11	NPL Review & Settlement Committee
12	Compliance Committee of Management
13	IFRS-9 Steering Committee of the Management
14	Management Image Building & Branding Committee
15	Banking on Equality Committee
16	ICFR Steering Committee
17	Assets Disposal Committee





# Chairman's Review

## On behalf of the Board of Directors, I am pleased to present the Annual Report of the Bank of Khyber for the year ended December 31, 2022.

In the year 2022, the Global growth remained relatively slow as the key impediments to growth remained higher than expected inflation worldwide, global output contraction, climate change impact, tighter financial conditions and spillovers from the war in Ukraine. These challenges continue to impact global economies as well as Pakistan.

Apart from above, the year 2022 remained volatile for the country, with damage and disruption caused by catastrophic floods, a tight monetary stance, high inflation, and negative impacts of global economic conditions and challenges. The floods had a significant adverse impact on Pakistan's economy mostly through the disruption of agricultural produce.

In this challenging scenario, the Bank of Khyber remained committed to its role of a progressive Bank by providing customers with innovative and value-added financial products and services in Conventional and Islamic banking. Emphasis remained on the efforts to enhance capacities in the digital banking area through which the customers were carrying out banking transactions through their mobile phones and internet.

During the year, the Bank achieved a major milestone by winning third position in the Best Corporate Report Awards jointly conducted by ICAP & ICMA for the year 2021. For the same year, the Bank also won Bronze Award (third position) in the Public Sector Banks category for the Best Presented Report Annual Report Awards held by SAFA, which was another great achievement by the Bank.

The Board of Directors of the Bank is committed to ensure good corporate governance through ethical and professional business conduct as well as effective risk and audit management. In this respect, The Board continually reviews the Bank's financial and operational soundness, and significant policies in-line with regulatory requirements. The Board has constituted its subcommittees for oversight of all key areas of the Bank covering risk management, audit related matters, information technology and human resources for achieving the Bank's strategic objectives.

The Board has approved an effective in-house mechanism for yearly performance evaluation of the Board and its committees based on quantitative technique with scored questionnaires. The last performance evaluation of the Board and its Committees was conducted in 2020 as per approved mechanism. It was transpired that the overall performance of the Board and its committees, including effectiveness of the role played by the Board in achieving the Bank's objectives remained generally satisfactory. As required under the Code, the third party evaluation of the Board and its Committees have also been conducted through Pakistan Institute of Corporate Governance for the year 2021.

Despite the challenges, we will remain focused on the way forward, and will put in our best efforts to achieve new milestones in the coming years. We will stay devoted to our customers and their needs and will continue to serve them with innovative products and services.

On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to our customers and shareholders for their trust, the State Bank and other regulators for their continued guidance and support. I would also like to acknowledge the supervisory and steering role played by the Board and appreciate the hard work of the employees.



Ikramullah Khan  
Chairman

Peshawar: March 7, 2023

# CEO's Review

## Assalam Alaikum! I am pleased to share with you an overview of Bank of Khyber's progress and financial performance in 2022.

Last year was marked by our continued focus on building a foundation for sustainable growth in the future. I would like to highlight some of the key measures we took towards this objective.

Firstly, we expanded our branch network to 231 branches, with 52% of them being Islamic and 48% conventional. Our high proportion of Islamic banking branches is a testament to our strong performance history in this area compared to other banks operating in both formats.

Secondly, we worked on expanding our non-markup income (excl. gain on securities and share of profit of associate) by focusing on trade finance, FX, and transaction banking. This has already yielded results, with our non-markup income growing 26% to Rs 1.37 Billion in 2022.

Thirdly, we revamped our mobile banking app with a new look and improved user interface. This has resulted in a significant increase in digital users and transaction volumes, with the value of transactions conducted through digital channels growing by almost 450%.

Fourthly, we introduced a new payment scheme based on MasterCard to bring universal acceptability of our debit card in physical as well as electronic channels in both domestic and international markets.

Additionally, we focused on strengthening our marketing and corporate communications capabilities to develop a consistent communication strategy with our existing and target customer base, primarily focusing on digital media.

These measures have already started making an impact on our business. Our deposits grew faster than the overall industry, registering 12.2% growth compared to the industry's 7.1%. We have also improved the composition of our deposits, with the share of current deposits growing from 20% to 23%. Private sector deposits grew at 22%, nearly 4x the rate of our government deposits.

We also witnessed a sharp increase in new account openings, with almost 2.5x more accounts being opened in 2022 compared to the previous year.

While our profits before tax declined from Rs1.68 Billion to Rs920 Million, this was due in part to the investment we made in expanding our network and capabilities. The larger reason for the decline was the impact of the sharp increase in SBP policy rate during 2022 on our fixed income portfolio, which had a lower yield. However, we have substantially reduced this portfolio and are well-positioned to produce much higher profits in 2023.

I am also proud to share that we achieved a credit rating upgrade from PACRA, bringing both our long-term credit ratings to A+. Our efforts to improve the quality of disclosure in our annual report were recognized, and we won the third prize in Best Corporate Report Awards conducted jointly by ICAP & ICMA in September 2022. We also won the Bronze award in the public sector banks category in the whole region from the South Asian Federation of Accountants in Kathmandu in December 2022.

In conclusion, our investment in building a stronger foundation for sustainable growth is starting to bear fruit. Despite challenging economic conditions, we are off to a good start in 2023 and hope to maintain momentum going forward.

Thank you.



# Directors' Report to the Shareholders

Dear Shareholders

On behalf of the Board of Directors, we are pleased to present the 32nd Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the financial year ended December 31, 2022.

## Financial Highlights

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

	(Rs. in Millions)
Operating Profit	1,822
Provision against non-performing advances, investments & others	902
Profit before taxation	920
Taxation	465
Profit after tax	455
Total Assets	344,984
Advances (Gross)	134,913
Investments (Net)	173,669
Deposits	248,906

## Economy Review

Global economic challenges have been compounded by the advent of Russia-Ukraine war whose spillovers had an adverse effect on the energy supply-chain across Europe with repercussions across the globe.

In the domestic economy, political instability, high international fuel & commodity prices and bludgeoning trade deficit exerted immense pressure on foreign exchange reserves resulting in significant depreciation of PKR against USD which in turn contributed towards high inflation. Delay in reaching an agreement with IMF for release of next tranche resulted in major uncertainty about Pakistan's ability to meet its foreign financial obligations.

Apart from above, the year 2022 remained volatile for the country, with damage and disruption caused by catastrophic floods, a tight monetary stance, high inflation, and a less conducive global environment. The floods had a significant adverse impact on Pakistan's economy mostly through the disruption of agricultural production.

In the backdrop of this scenario, the Bank of Khyber remained committed to its role of a progressive bank by providing customers with innovative and value-added financial products and services in Conventional and Islamic banking. The Government took several important policy measures including monetary and fiscal measures to mitigate the economic fallout.

## Performance Review

Under the challenging and competitive operating environment owing to the delicate economic activities, the Bank sustained its

focus towards long-term multi-pronged strategy, driven towards continuous augmentation of innovative technology-based service offerings to customers through enhancing digital platforms, strengthening risk management and optimizing operating efficiencies.

Profitability during the year has been impacted by investments in expanding the branch network and the impact of significant increase in the policy rate on the bank's fixed rate investment portfolio. Under these fragile economic conditions subdued business activities resulted in impaired repayment capacity of businesses and obligors. However, the Bank has been investing in building its capacity to grow its business which should enable a sustainable increase in profitability in the coming year.

The Bank's profit before tax was recorded at Rs.920 million as against Rs.1,680 million of the previous year. Despite achieving progress in number of areas during the year, the Bank's net profit squeezed to Rs. 455 million. This was mainly due to the negative impact of sharp rise in policy rates on Bank's investment portfolio coupled with the impact of increase of operating cost due to ongoing branch expansion and capacity building measures for Bank's better future prospects. To weather the impacts of prevailing unprecedented economic challenges and high interest rate outlook for 2023, the Bank has done major repositioning of its investment portfolio. The earnings

per share was recorded at Rs. 0.41 against Rs. 1.00 in 2021.

With a slight increase, the Net Mark-up / Interest Income stood at Rs.7,149 million as compared to Rs.6,789 million in the corresponding year of 2021. Non-Markup / Interest Income increased due to foreign exchange business during the year and stood at Rs.1,385 million as compared to Rs.1,023 million of the previous year.

Total deposits with an increase of 12% stood at Rs.248,906 million in comparison with Rs.221,876 million as at December 31, 2021. This growth was mainly driven through new customer acquisitions and deepening of the existing portfolio base whereas CASA deposits mobilization remained a pivotal point of the whole drive. Investments have been consolidated and stood at Rs.173,669 million as compared with Rs.184,399 million as at December 31, 2021. Furthermore, the gross advances of the Bank stood at Rs.134,913 million from Rs.131,166 million in 2021.

The asset base of the Bank slightly reduced as compared to previous year amount of Rs.358,606 million and stood at Rs.344,984 million as on December 31, 2022 due to consolidation in investment portfolio. The shareholders' equity was recorded at Rs.16,427 million as compared to Rs.16,570 million for the corresponding period of 2021.

The Bank at the end of the year under review, was operating with 231 branches and 24 sub-branches

# Directors' Report to the Shareholders

all over the country including Gilgit Baltistan, erstwhile FATA and Azad Jammu & Kashmir. A total of 119 branches were functioning as dedicated Islamic Banking branches.

Taking cognizance of the fact that the outreach of branch network has direct implications on the services, the Bank focused on concentrating and broadening its services through the extended branch network to provide efficient banking services to its valued customers. Our branch network is also catering to the banking needs of the people in the merged districts of the erstwhile FATA as well.

To satisfy the needs of diverse range of clientele, the Bank has also taken concrete measures through augmentation of digital banking and conventional banking services all across Pakistan.

## Future Outlook

The Bank being watchful of the economic conditions would focus on maintaining the growth momentum and asset quality. The cornerstone of Bank's philosophy would remain on improving service quality standards and providing state of the art banking services through leveraging technology and trained human resource. Efforts are also underway to target new market segments and to improve efficiency and productivity in Bank's overall performance.

The Bank would be focusing on enhancing revenue growth and profitability through cross selling various financial products,

strengthening internal controls operational structure, capacity building, proficient customer services and optimizing branch banking platform. Emphasis will be on major cost rationalization initiatives through continuous improvement in automation and product innovations.

The Bank is fully confident that the goals set for the ensuing year will be materialized and would contribute to working of the Bank.

The Bank is ready to give special attention to Home Remittance business for channeling forex through the formal sector. This will be aided through broadening of product suite and further supported through the bank's digital banking platform.

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. Emphasis will be on boosting trade volumes, increasing penetration in cash management with a focus on SME / commercial lending. Simultaneously, investing in human capital and creating a caring culture, will remain a key priority.

To save energy for the future, the Bank of Khyber has adopted renewable energy options. A total of 13 branches have successfully been converted to Solar energy whereas

remaining branches will be converted accordingly.

The Bank continues to play an active role in all Government and SBP initiatives aimed at improving the economic activities in the country. The Bank also continues to play an active role in the housing initiative and also financially empowering the young population under the PM Kamyab Jawan program.

The Bank supports gender diversity and offers equal employment opportunities to females and candidates belonging to minority groups across the country. The Bank has already inducted a batch of female Management Training Officers (MTOs) and further inductions will be made in the future as well.

The Bank remains cognizant of the challenging business environment and stands committed to its strategy of steady growth through diversification in products, services and outreach. The Bank is also focusing on increasing its customer base and mobilizing cost effective deposit mix with an emphasis on prudent lending to maintain trend of stable profitability.

## 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, degree 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. The BoD has approved overall business strategies and 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 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, inter-alia, Credit, Market, Liquidity and Operational. 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 the Head Office Credit Committees, Management Risk Management Committee (MRMC) 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 founded 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' business dynamics, financial position, industry outlook and quality of collateral for evaluation and form the basis of onward recommendation to the approving authority. Under credit risk management policy, adequate procedures and limits are defined for ensuring that risk remains within the boundaries set by the BoD.

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 of 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 well defined reporting framework which has been put in place for reporting of Operational

# Directors' Report to the Shareholders

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, the environmental risk management desk is working 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 has also developed a robust environmental risk management system including but not limited to 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, volatility of FX rates and appropriately realigned business strategy to control downside on the bank's balance sheet. The bank has applied a multi-pronged strategy whereby resources are deployed for ensuring financial stability and protection of stakeholders' interest.

## Internal Controls

The Board of Directors has fiduciary responsibility to ensure existence of an adequate and effective system

of internal controls for management and mitigation of multiple risks the Bank has to encounter. A Statement on Internal Controls is separately attached as part of the Annual Report which has been endorsed by the Board of Directors.

## Board of Directors

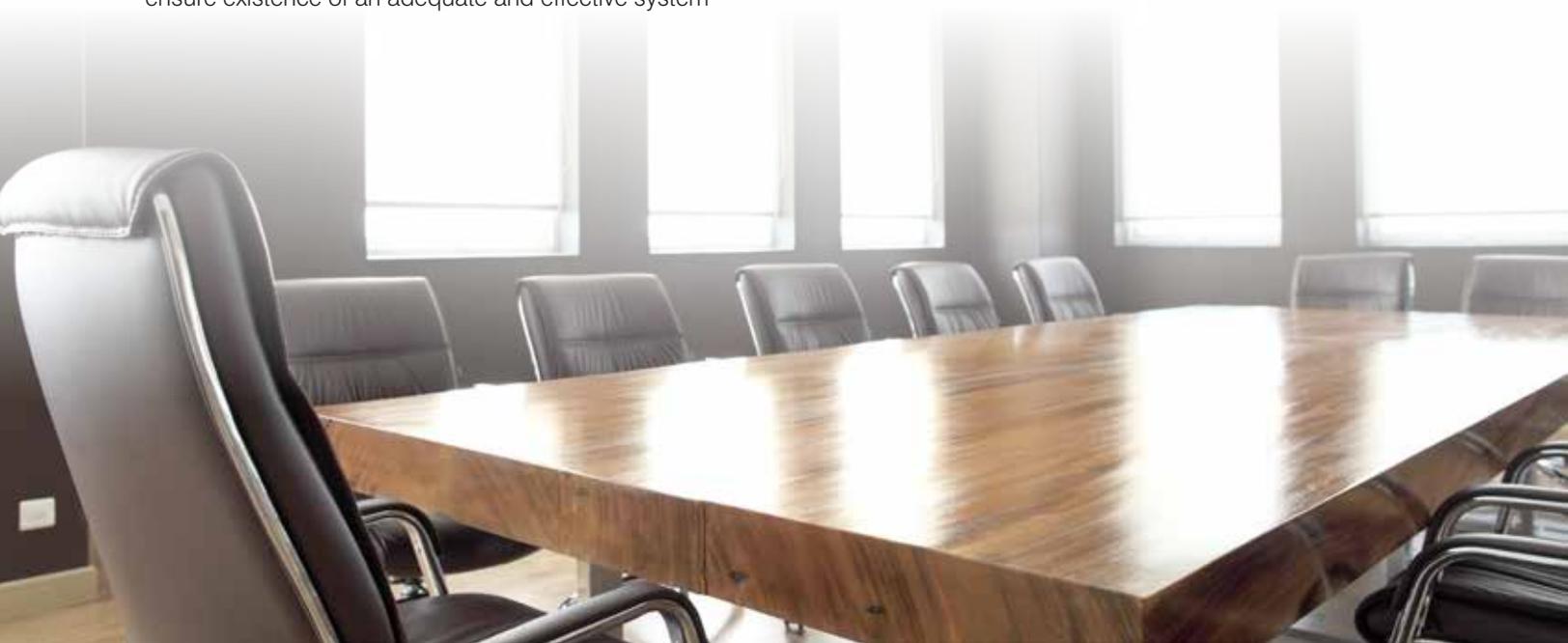
The composition and profile of all members of the Board of Directors are disclosed separately in the Statement of Compliance and Corporate Information respectively. The composition of Board Committees is also disclosed in the relevant section of the report.

The Board of Directors comprises of seven (6) Directors as per the following:

- i. Male: Six (6)
- ii. Female : Nil (0)\*

During the year 2022, Mr. Rashid Ali Khan had completed the maximum term allowed under the regulations whereas Mir Javed Hashmat was co-opted by the Board against the vacant seat available after the resignation of previous Directors. Mir Javed Hashmat joined the Board on May 6, 2022 after getting clearance from State Bank of Pakistan and made part of different Board Committees. The Committees have the required diversity, experience and skills to function effectively.

\* Ms. Saleha Asif, Director tendered her resignation, which was accepted on December 21, 2022. Subsequent to the year end, her casual vacancy was filled by Dr. Aliya Hashmi Khan.





During the year 2022, details of Board and Board Committee meetings and their attendance by the Directors are as under:

S#	Directors	Board Meetings Total = 6	Audit Committee Total = 8	HR&R Committee Total = 8	Risk Management Committee Total = 4	Compliance Committee Total = 7	I.T Committee Total = 5
1	Mr. Shahab Ali Shah Non-Executive Director (Chairman)	6	-	-	-	-	-
2	Mr. Ikramullah Khan Non-Executive Director	6	8	3	4	-	1
3	Mr. Rashid Ali Khan Independent Director	1	1	1	1	4	1
4	Ms. Saleha Asif * Independent Director	5	1	7	-	-	-
5	Syed Asad Ali Shah Independent Director	6	7	-	3	4	4
6	Mr. Tahir Jawaid Independent Director	6	-	7	-	4	3
7	Mir Javed Hashmat Independent Director	4	4	-	-	4	3
8	Mr. Muhammad Ali Gulfaraz Managing Director	6	-	7	4	7	5

# Directors' Report to the Shareholders

## Directors' Training Program

During the year, owing to post COVID-19 situation, Director's Training Program could not be arranged. However, the Bank intends to arrange Director's Training Program for the new Directors at the earliest.

It is to be noted that Mr. Tahir Jawaid and Mir Javed Hashmat have already completed the Director's Training Program through Pakistan Institute of Corporate Governance.

## Annual Evaluation of the Board of Directors

The role of the Board of Directors along with its responsibilities and functions are clearly enumerated in the relevant laws, rules and regulations. The State Bank of Pakistan issued detailed guidelines on performance evaluation of the Board of Directors wherein it was required that the board shall evaluate performance of overall Board, its committees and individual directors on yearly basis whereas the same shall be undertaken by an external independent evaluator every three years.

In light of these guidelines, the Board of Directors put in place an effective in-house mechanism for annual evaluation of the Board, Committees

and individual directors in 2013 by adopting quantitative techniques. In-house evaluation exercise for the year 2022 will be conducted and completed in 2023.

Under the Code of Corporate Governance, a third party evaluation of the Board's performance for the year 2021 was conducted through Pakistan Institute of Corporate Governance (PICG) in 2022. The next such independent evaluation will be conducted in 2025.

## Directors' Remuneration

The current Directors' remuneration of Rs.100,000/- (net of taxes) being paid to non-executive and independent directors for attending meetings of Board/Board Committees/ Board Special Committee had been recommended by the Board of Directors in its 174th meeting for post-facto approval of the shareholders in the forthcoming Thirty Second Annual General Meeting scheduled to be held on March 30, 2023.

A Directors' Travel, Accommodation and Remuneration Policy duly approved by the Board of Directors outlining entitlements and remuneration of Non-Executive and Independent Directors is in place. In light of the SBP Corporate Governance Regulatory Framework, the said Policy had been approved on post facto basis by the shareholders in 31st Annual General Meeting.

## Entity Rating

The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the medium to long term entity rating of the Bank at 'A+' (Single A Plus) on October 04, 2022 and maintained short term entity rating of the Bank at "A1" (Single A One). Outlook on the assigned rating is "Stable".

VIS Credit Rating Company Limited (VIS) has reaffirmed the medium to long term entity rating of the Bank at 'A+' (Single A Plus) and 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 ratings denote low expectation of credit risk emanating from strong capacity for timely payment of financial commitments.

## Corporate Social Responsibility

At the Bank of Khyber, we firmly believe in our duty towards social responsibility, which is demonstrated through our endeavors to make a meaningful contribution to the welfare of the community and the larger society. We acknowledged that our commercial pursuits are not limited to financial gains only; rather, we bear a responsibility to positively impact society as a whole. Thus, our Corporate Social Responsibility (CSR) initiatives are given utmost importance, as we endeavor to

establish a harmonious, cooperative and respectful society.

During the year 2022, the bank undertook several CSR initiatives spanning diverse areas such as education, sports, culture & heritage, tourism, agriculture, women's empowerment, and the environment.

These CSR programs have enabled us to work towards the betterment of society, and we take great pride in highlighting some of the following significant initiatives we undertook during the said period:

- Sponsored the Khyber Medical University Plantation Drive, contributing to the greening of the environment and promoting sustainable practices.
- Sponsored the SBBWU Women Employability Summit 2022, supporting the empowerment of women and promoting gender equality.
- Sponsored the Interfaith Minority Rashan Bags, providing food assistance to vulnerable communities during the pandemic.
- Sponsored the Chinar Festival, celebrating the cultural heritage of our region and promoting tourism.
- Sponsored Shayan Ali, a talented tennis player, as Raast youth sports Ambassador, encouraging youth participation in sports and promoting a healthy lifestyle.
- Sponsored the International Seerah Conference
- Sponsored the DC Gilgit Jashne Azadi Sports Gala 2022, supporting community engagement and promoting a sense of national pride.
- Sponsored the BOK Junior Badminton Championship, encouraging youth participation in sports and promoting healthy competition.
- Sponsored the Abasin Arts Council for BOK awards, recognizing and promoting local talent and cultural heritage.
- Sponsored the Women Chamber of Commerce & Industry Peshawar, Exhibition on Youth Start-up & Women Entrepreneurs, supporting women's economic empowerment and promoting entrepreneurship.
- Sponsored the BOK Squash Talent Hunt Program, goal was to establish a robust financial support system for the new Squash talent of KP, which helped in reviving the past glory of squash.
- Sponsored the Pakistan Corporate Conference ACCA, promoting business and financial literacy.
- Sponsored the Peshawar Football League, encouraging youth participation in sports and promoting healthy competition.
- Sponsored the Women Chamber of Commerce & Industry Peshawar for Excellence Awards, recognizing and promoting the achievements of women entrepreneurs
- Moreover, the bank also provided a grant to the Khpal Kor Foundation for the construction of an auditorium and need cum merit-based scholarships to students schooling at Khpal Kor Foundation School System, thus resulting in supporting education and providing opportunities to underprivileged children.

## Go Green Initiatives

As a socially responsible financial institution, we are committed to play our due role in the efforts to the reduction of emissions and promoting awareness through environment friendly practices and social media outreach on significant occasions related to environment protection. At BOK, we prioritize activities related to Corporate Social Responsibility, which encompasses social, economic, and environmental concerns.

Throughout 2022, we placed considerable emphasis on promoting important social media campaigns for various international events, including World Water Day, Earth Day, World Biodiversity Day, World Environment Day, Global Wind Day, Water and Mangroves Conservation Day, World Nature Conservation Day, No Tobacco Day, Women's International Day, and International Men's Day.

In line with our commitment to environmental protection, BOK has launched a Global Warming and Green Awareness campaign aimed at educating our employees and customers on the importance of environmental and climate protection.

## Value of Investments in Employees Retirement Benefit Funds

Book Value of Investment of Provident Fund & Gratuity Fund as per un-audited accounts of these funds for the year ended December 31, 2022 was Rs.2,035.435 million and Rs.814.487 million respectively.

## Pattern of Shareholding

The pattern and category of shareholding as at December 31, 2022 is annexed with the Annual Report.

## Six Years Operating and Financial Data

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

	2017	2018	2019	2020	2021	2022
Deposits	159,247	171,168	182,168	203,072	221,876	248,906
Advances (net)	83,369	95,012	109,742	129,063	124,549	127,515
Investments	140,474	94,233	146,911	113,479	184,399	173,669
Total Assets	245,132	223,095	306,305	288,300	358,606	344,984
Capital & Reserves	14,943	13,809	14,982	16,605	16,219	16,657
Profit before Tax	2,795	707	2,261	3,806	1,680	920
Profit after Tax	1,790	466	1,306	2,152	1,104	455
Return on Equity	12.09%	3.24%	9.07%	13.62%	6.72%	2.77%

## Earnings Per Share

Earnings per share for the year 2022 is Rs.0.41.

## External Auditors

The present Auditors M/s. PwC A.F. Ferguson & Co., Chartered Accountants, being eligible for reappointment offered themselves for reappointment. The Board Audit Committee has recommended the appointment of M/s. PwC A.F. Ferguson & Co., Chartered Accountants as Statutory Auditors of the Bank for the year ending December 31, 2023.

The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan. Further, that the firm 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 meet the requirements for appointment under all applicable laws.

## Service Quality

Service Quality at The Bank of Khyber is aimed at improving the overall Customer Service Experience. To further improve the image of the Bank, Service Quality Department is in continuous progression to increase the Level of Trust by providing the preferred services to the 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 2022 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, under the guidance 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.

Complaint Management is working to always improve the image of the Bank by taking complaints as a chance to improve the services of the Bank. The objective of the complaint resolution at BOK is to have a smooth delivery of service through efficient complaint closures with increased customer's satisfaction.

Complaints Period	From 01-01-2022 to 31-12-2022
Number of complaints	763
Average Time taken in settlement of a complaint	04 Days

# Directors' Report to the Shareholders

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

On behalf of the Board of Directors



Muhammad Ali Gulfaraz  
Managing Director



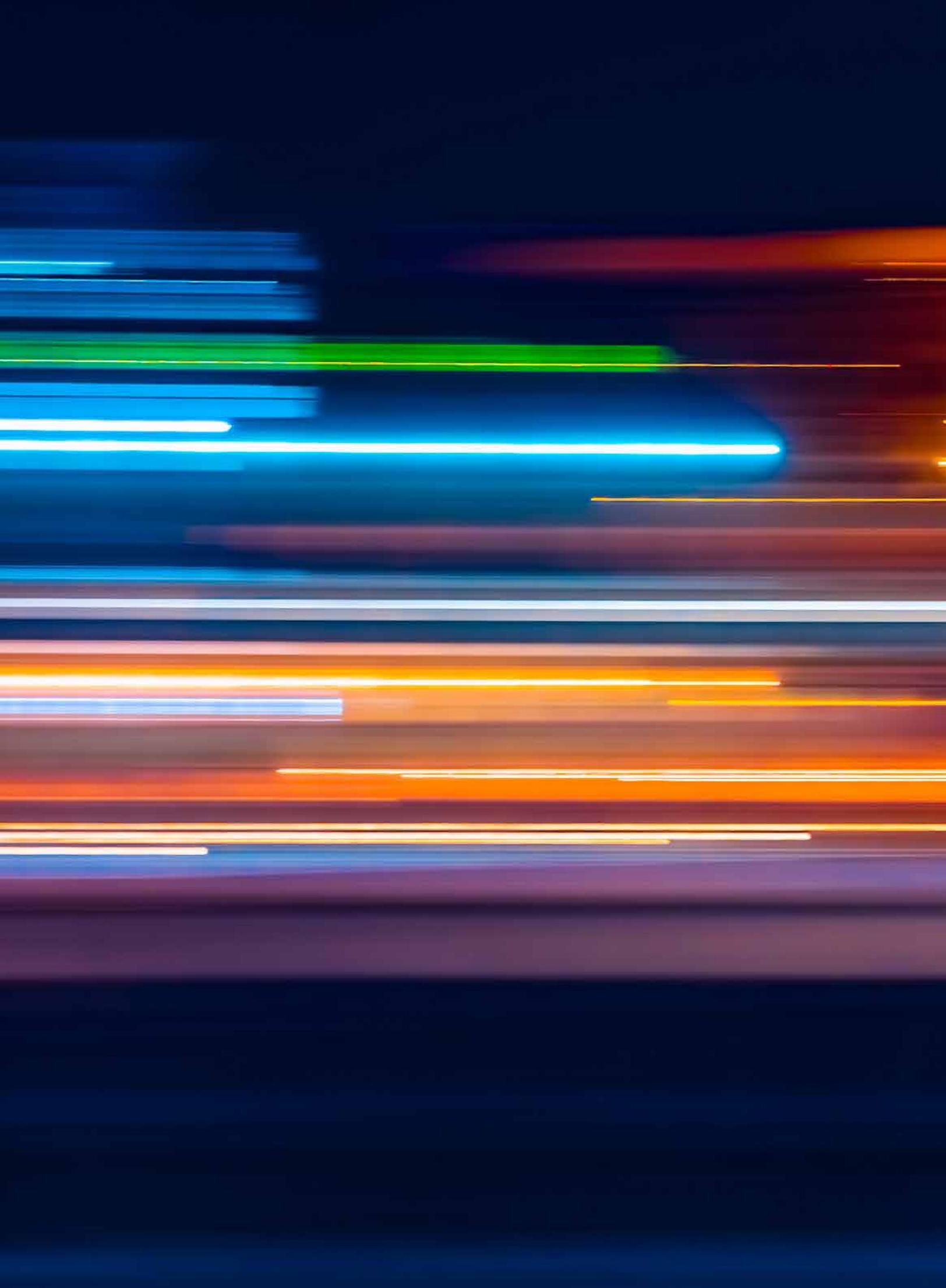
Ikramullah Khan  
Chairman

Peshawar: March 07, 2023





# Business Model



# Our Value Creation Business Model

CAPITAL INPUTS	
Financial Capital	<ul style="list-style-type: none"> <li>Share Capital: Rs. 11 Billion</li> <li>Total Equity: Rs. 16 Billion</li> <li>Capital Adequacy Ratio: 14.88%</li> <li>Deposits: Rs. 249 Billion</li> <li>Borrowings: Rs. 66 Billion</li> </ul>
Manufactured Capital	<ul style="list-style-type: none"> <li>Branches and Sub-branches: 255</li> <li>ATM Network: 243</li> <li>Digital Touch points: 07</li> <li>Modern Head Office Building</li> <li>State of the art Training Center</li> <li>Other Fixed Assets</li> </ul>
Human Capital	<ul style="list-style-type: none"> <li>Competent and People centric Employees</li> <li>Total Employee: 1,950</li> <li>Professional Development and training</li> <li>Strong Organizational culture</li> </ul>
Intellectual Capital	<ul style="list-style-type: none"> <li>Diversified &amp; Experienced Board</li> <li>5 year rolling Strategic Plan</li> <li>Strong IT Infrastructure</li> <li>Intangibles</li> <li>Robust Risk Management</li> <li>Effective Internal Controls</li> </ul>
Social & Relationship Capital	<ul style="list-style-type: none"> <li>Increasing Client Base</li> <li>Dedicated Complaint Handling mechanism</li> <li>Membership with Professional bodies</li> <li>Strong Social Media Presence</li> <li>Healthy relationship with our stakeholders</li> </ul>
Natural Capital	<ul style="list-style-type: none"> <li>Green Banking Initiative</li> <li>Solar Branches/ATMs</li> <li>Compliance with Safety &amp; Environmental Laws</li> </ul>





<ul style="list-style-type: none"> <li>• Profit Before Tax: Rs. 1 Billion</li> <li>• Earnings per Share – Rs. 0.41</li> <li>• Return on (Avg.) Assets: 0.13%</li> <li>• Return on (Avg.) Equity: 2.76%</li> <li>• Market Capitalization: Rs. 14 Billion</li> <li>• Regular Investor/ Corporate briefing sessions</li> <li>• Improvement in Corporate Reporting</li> </ul>	Shareholders / Investors
<ul style="list-style-type: none"> <li>• Customer Deposit Protection</li> <li>• Advances growth: 3%</li> <li>• Branch Network outreach</li> <li>• New to Bank Accounts: 145,651</li> <li>• Cards Issued: 216,270</li> <li>• Digital App users: 32,709</li> <li>• Increase in Digital/ Card based Transactions</li> <li>• Customer Complaint Resolution: 99%</li> </ul>	Customers
<ul style="list-style-type: none"> <li>• Salaries and Benefits: Rs. 3 Billion</li> <li>• Employee retention ratio: 87%</li> <li>• Employee Recreational Activities</li> <li>• Training Cost: Rs. 6 Million</li> <li>• No. of Training participants: 6,984</li> <li>• No. of Training Days: 10,384</li> <li>• No. of promotions: 193</li> <li>• Female Staff ratio: 10%</li> <li>• New Recruitments: 441</li> </ul>	Employees
<ul style="list-style-type: none"> <li>• A+ (A-Plus) Entity Credit Ratings</li> <li>• Compliance with Regulatory requirements</li> <li>• Contribution to National Exchequer</li> <li>• Supported Government policies aimed at fostering economic Development</li> </ul>	Regulators/ Government
<ul style="list-style-type: none"> <li>• Donations</li> <li>• Tree Plantation initiatives</li> <li>• Sponsored various community service initiatives</li> <li>• National Financial Literacy drive</li> <li>• Responsible/ Green Financing</li> <li>• Job Creation</li> </ul>	Society

VALUE CREATION FOR STAKEHOLDERS



# Strategy & Resource Allocation



# Strategic Objectives

<b>Short Term</b>	Strengthen the foundations on which to scale up for future growth.
	Leverage new core banking system to extract operational efficiencies through process re-engineering.
	Improve and expand digital financial service.
<b>Medium Term</b>	Grow transaction banking to increase share of non-interest income.
	Leverage increased branch network to grow deposit base.
	Improve credit quality of asset portfolio through a clear client selection strategy.
<b>Long Term</b>	Develop strong brand awareness through digital communication and marketing.
	Gain market share to up-tier competitive positioning versus peers.
	Significantly grow profit base on a sustainable basis.
	Continuously innovate and improve to maintain pace with the latest developments in financial Services.
	Be an admired banking company for maintaining very high standards of corporate governance, environmental and social responsibility, community relations and employee welfare.

To significantly grow the asset and profit base on a sustainable basis from core business activities, the Bank follows a structured approach to map itself in the industry / operating environment through detailed competitive position assessment, peer group analysis, macro-economic reviews and identification of relevant Key Performance indicators:



The Bank's objectives and strategies are well calibrated with its vision and are implemented through policies, procedures and processes. No significant change occurred during the year to affect the objectives and business strategies of the Bank.

# SWOT Analysis



## Strengths

- Strong sponsor support with 70.2% ownership by Government of KPK and 24.4% by Ismail Industries.
- Extensive presence in KPK.
- State of the art core banking software (T-24).
- Continuous improvements in BOK Mobile Banking App.
- Long term Credit rating upgraded by PACRA & VIS Credit Rating from A to A+.
- Fully compliant with the applicable capital & liquidity standards/ requirements.
- Offering services with good balance between Conventional & Islamic banking business.
- Strong Board and Management team.



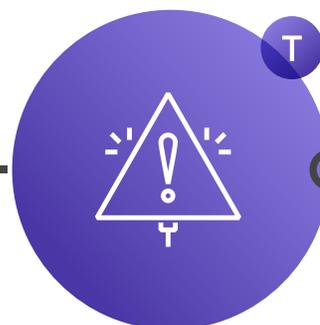
## Opportunities

- Growth potential in the high quality Conventional & Islamic banking segments.
- Potential for growth in lower risk based consumer financing avenues.
- Private sector business growth.
- Potential for increase in trade & remittances business.
- Digital banking platform to minimize the Bank's operational cost and reduce the turn-around time with customer convenience.
- Partnering in Government initiatives and program lending etc.



## Weaknesses

- Low private sector deposit share.
- Relatively High NPLs/ Infection ratio.
- Young Digital Banking Platform.
- Low Network Density and Branch recognition outside KP.
- Room for diversification in assets & liabilities portfolio.
- Lower credit rating in comparison with other market players
- Areas for improvement in service quality.
- Comparatively low Non-Markup Income.



## Threats

- Strong market competition.
- Risk of Asset deterioration due to restricted economic conditions.
- Treasury Single Account (TSA) implementation.
- Impacts of \*IFRS-9.
- Adverse changes in banking laws especially w.r.t. minimum deposit rates for Islamic banking, liquidity & capital requirements etc.
- Adverse changes in the tax and other laws.
- Any other unforeseen challenges (like COVID etc.)

\*The Impact of IFRS-9 is being regularly analyzed by the Bank as per the applicable SBP circulars. Implementation date of IFRS-9 for BOK is Jan 01, 2024.

# Strategic Thrusts

- Strengthen the foundations on which to scale up for future growth.
- Address key product/ capability gaps vs leading banks in the industry.
- Leverage core banking system to extract operational efficiencies through process re-engineering.
- Improve and expand digital financial services.
- Grow transaction banking to increase share of non-interest income.
- Leverage increased branch network to grow deposit base.
- Improve credit quality of asset portfolio through a clear client selection strategy.
- Develop strong brand awareness through digital communication and marketing.
- Gain market share to up-tier competitive positioning versus peers.
- Continuously innovate and improve to maintain pace with the latest developments in financial services
- Be an admired banking company for maintaining very high standards of corporate governance, environmental and social responsibility, community relations and employee welfare.

## Resource Allocation Plan and Key Performance Indicators (KPIs)

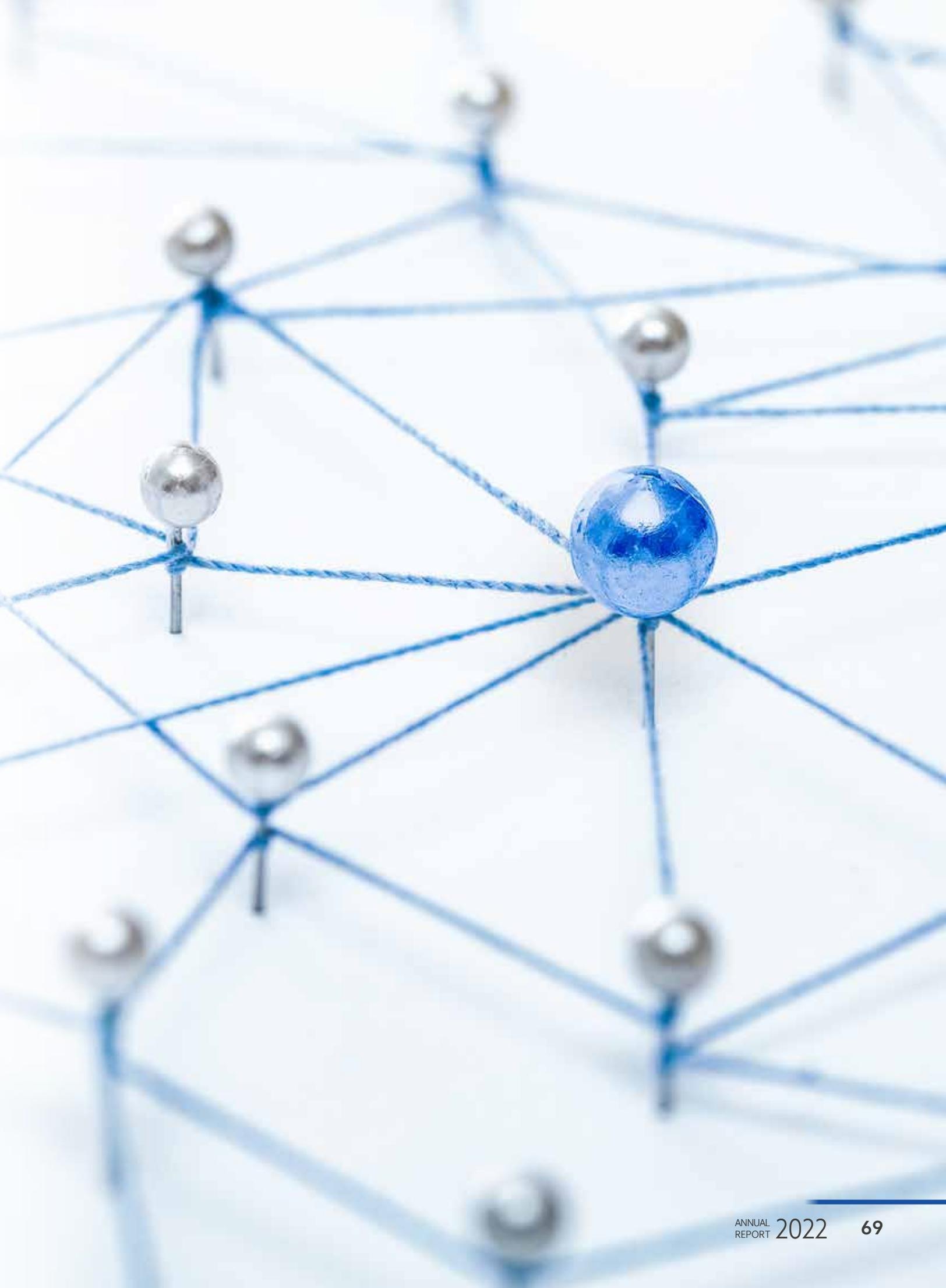
Strategic Objectives	Key Strategies in Place	KPIs	Future Relevance	Capital Inputs
Leverage new core banking system to extract operational efficiencies through process reengineering.	<ul style="list-style-type: none"> <li>• Continuous improvements/ upgrades in technology platform.</li> <li>• Prudently plan for migration from physical data centers to cloud.</li> <li>• Incorporate modular design in key applications to enable quick feature/ capability enhancements.</li> </ul>	Effective and efficient cost control while investing for growth	Shall remain relevant in future	<ul style="list-style-type: none"> <li>• Intellectual</li> </ul>
Grow transaction banking to increase share of non-interest income.	<ul style="list-style-type: none"> <li>• Grow Forex income through greater focus on trade and remittances.</li> <li>• Enhance relationship with Financial Institutions to increase business volumes:                             <ul style="list-style-type: none"> <li>◦ Trade</li> <li>◦ Guarantees</li> <li>◦ Digital banking transactions</li> <li>◦ Public Sector projects</li> </ul> </li> </ul>	Approved Growth targets	Shall remain relevant in future	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Social &amp; Relationship</li> </ul>

# Resource Allocation Plan and Key Performance Indicators (KPIs)

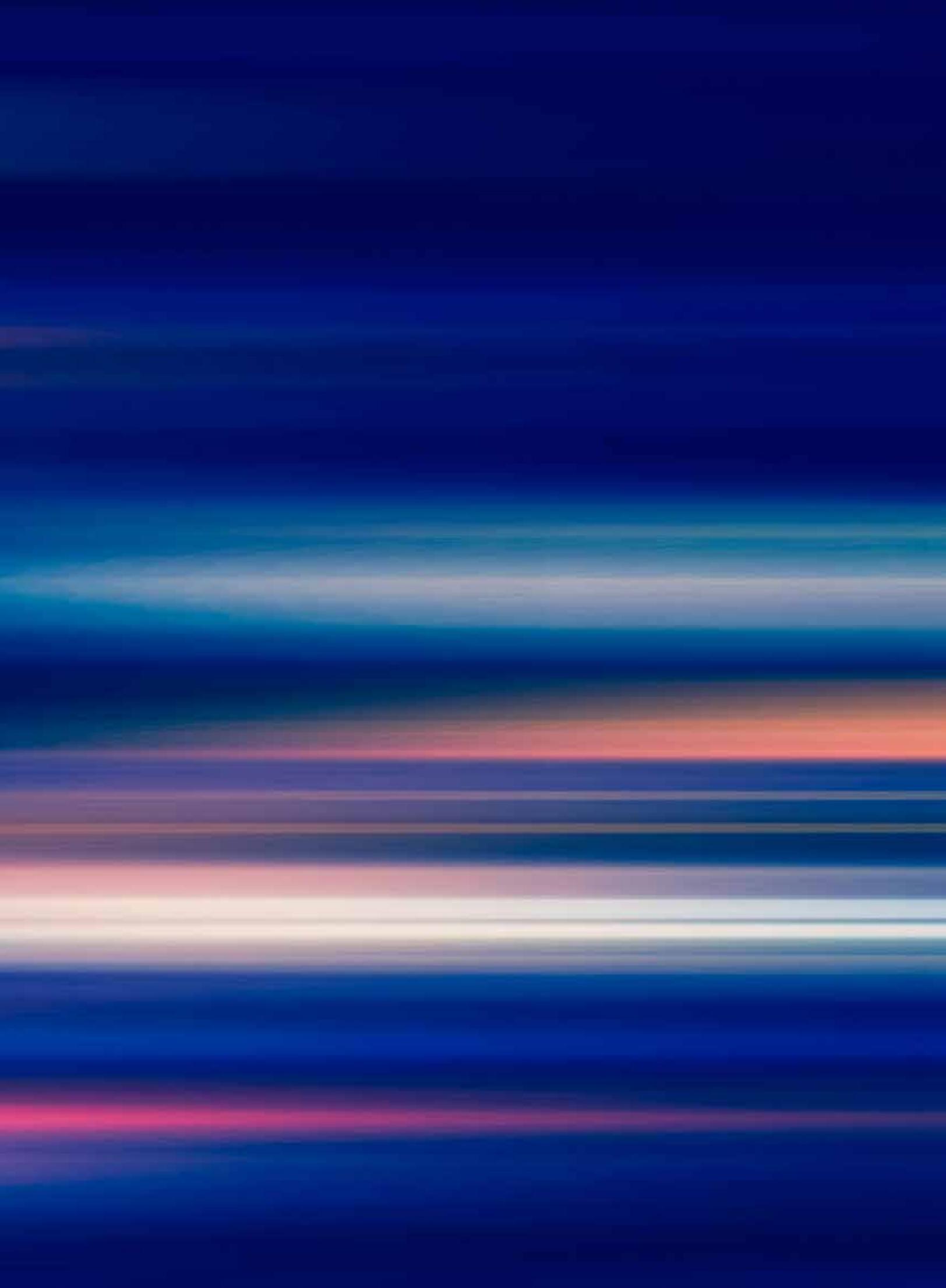
Strategic Objectives	Key Strategies in Place	KPIs	Future Relevance	Capital Inputs
Leverage increased branch network to grow deposit base.	<ul style="list-style-type: none"> <li>• After implementing the branch expansion strategy for the year 2022 (including the spill over in 2023) the Bank will focus on consolidation. Further branch expansion from 2024 onwards will be focused on Islamic branches more than conventional.</li> <li>• Continuous focus on digital banking solutions to further expand the business.</li> <li>• Reduce reliance on Govt. deposits by focus on private deposit growth.</li> <li>• Strong focus on acquiring public sector salary accounts in KP.</li> <li>• Target accounts for overseas migrant workers to capture bigger share of home remittances.</li> </ul>	Annual Branch Expansion Plan execution Deposit generation growth and mix	Shall remain relevant in future	<ul style="list-style-type: none"> <li>• Manufactured</li> <li>• Financial</li> </ul>
Improve credit quality of asset portfolio through a clear client selection strategy.	<ul style="list-style-type: none"> <li>• Strengthen risk management framework to:               <ul style="list-style-type: none"> <li>◦ Improve credit portfolio quality of the Bank</li> <li>◦ Stronger credit risk analysis and anticipation of problems</li> <li>◦ Reduce NPL ratio</li> <li>◦ Market/ liquidity risk management</li> <li>◦ Grow Asset portfolio in line with credit strategy</li> </ul> </li> <li>• Focus on adding new names/ deepening business with high quality corporates.</li> <li>• Grow consumer financing vis low risk strategy of cross-sell to public sector employees maintaining salary account at BOK.</li> <li>• Controlled SME portfolio with focus on Govt. supported program-based lending for lower infection.</li> <li>• Agriculture Financing will be through targeted initiatives.</li> <li>• Public Sector Commodity lending will be kept at optimum level.</li> <li>• Depending upon the market conditions, the Bank will maintain the optimal advances to deposit ratio (ADR) while available surplus funds will be deployed through treasury.</li> <li>• Increasing good quality private sector advances proportion.</li> </ul>	Asset Quality Low Infection ratio High Coverage ratio	Shall remain relevant in future	Intellectual

# Resource Allocation Plan and Key Performance Indicators (KPIs)

Strategic Objectives	Key Strategies in Place	KPIs	Future Relevance	Capital Inputs
Develop strong brand awareness through digital communication and marketing.	Address key capability gaps through in-house solutions or external partnerships: <ul style="list-style-type: none"> <li>• Integrate billing aggregators</li> <li>• MasterCard</li> <li>• Multi-channel contact center</li> <li>• High volume Government Payment projects Consumer</li> <li>• Consumer financing automation</li> <li>• Digital onboarding</li> <li>• In-house card production</li> <li>• Comprehensive features in Mobile App</li> <li>• Corporate Cash Management Solutions</li> </ul>	Customer Satisfaction and Retention	Shall remain relevant in future	Social & Relationship
Significantly grow profit base on a sustainable basis.	<ul style="list-style-type: none"> <li>• Improve deposit mix: more Current &amp; less TDRs</li> <li>• Gradually reduce cost of deposits to match industry benchmarks.</li> <li>• Close monitoring will be done for interest rate expectations and movements.</li> <li>• Gradually re-profile the investment portfolio.</li> <li>• Keeping in view the interest rate scenario, Treasury will mainly focus to earn consistent interest income for which it will invest in floating rate / short duration portfolio and remain within risk limits.</li> <li>• Digital banking platform will be utilized for achieving operational effectiveness and efficiency specially for the consumer financing.</li> <li>• Intensify efforts for maximum recoveries.</li> <li>• Detailed account wise plan with short, medium and long term priorities</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholder return (EPS/ Return on Assets/ Return on Equity)</li> <li>• Expense ratio</li> <li>• Efficiency ratio</li> <li>• Core and Gross Spreads</li> </ul>	Shall remain relevant in future	<ul style="list-style-type: none"> <li>• Financial</li> <li>• Manufactured</li> <li>• Intellectual</li> </ul>
Be an admired banking company for maintaining very high standards of corporate governance, environmental and social responsibility, community relations and employee welfare.	<ul style="list-style-type: none"> <li>• Focus on maintaining up-to-date compliance with regulatory requirements.</li> <li>• Continuously evaluate internal controls to identify vulnerabilities.</li> <li>• Upgrade talent pool</li> <li>• Gender diversification</li> <li>• Special focus on strengthening of centralized functions, digital banking, information security, risk, compliance, finance etc.</li> <li>• Continuous training and development of the staff.</li> <li>• Bring continuous improvement in HR policies and procedures, in line with the industry trends.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Social responsibility</li> <li>• Organizational sentiment</li> <li>• Staff productivity</li> <li>• Staff turnover</li> </ul>	Shall remain relevant in future	<ul style="list-style-type: none"> <li>• Social &amp; Relationship</li> <li>• Human</li> <li>• Natural</li> </ul>



# Stakeholders Relationship & its Management



# Stakeholders' Engagement Policy of the Bank

Development of sustained stakeholder engagement policy is paramount to the performance of any institution. Conscious to the need of creating a culture of clear and open communication with stakeholders and to follow a disciplined and professional approach for managing the information flow, the Bank is following the framework that articulates necessary tools, processes and guiding principles of communication to be adopted for engaging various stakeholders.

The key goals of the framework are:

- Pursuing strong corporate reputation through high transparency and consistency in communication with stakeholders; and
- Considering all stakeholders as partners and making every effort to ensure that they are abreast with necessary disclosures, aware of forums to provide valuable feedback
- Timely dissemination of information through formal communication channels; with clarity, coherence and credibility

## Stakeholders' Identification & Engagement Process

Stakeholders	Identification of Stakeholder	Needs and Expectations	Mode of Engagement	Frequency
Shareholders/ Investors	<ul style="list-style-type: none"> <li>• Sponsors</li> <li>• Minority Shareholders</li> <li>• Individual Investors</li> <li>• Institutional Investors</li> <li>• Analysts</li> </ul>	<ul style="list-style-type: none"> <li>• Share price appreciation and dividends</li> <li>• Sustainable growth in earnings</li> <li>• Strong Balance sheet to protect against downside Risk</li> <li>• Transparent reporting and disclosures</li> </ul> <p><b>Capitals impacted:</b> Financial   Intellectual   Social &amp; relationship   Natural</p>	Corporate Reporting	Periodically (Annual)
			Financial Reporting	Periodically (Quarter)
			Extra ordinary General Meetings	Occasionally
			Annual General Meeting	Periodically (Annual)
			Analyst/ Corporate Briefings	Periodically
			Corporate Website (Investor Relations)	Continuously
Customers	<ul style="list-style-type: none"> <li>• Individuals</li> <li>• Institutions</li> <li>• Corporates</li> <li>• Entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>• Innovative &amp; responsible banking product &amp; services</li> <li>• Safe and convenient access (Increasingly through digital channels)</li> <li>• Excellence in Customer Service</li> <li>• Value for Money</li> </ul> <p><b>Capitals impacted:</b> Manufactured   Intellectual   Social &amp; relationship   Natural</p>	Physical Access Points	Continuously
			Digital Access Points	Continuously
			Social Media/ Advertisement	Continuously
			Corporate Website	Continuously
			Customer Awareness Seminars	Occasionally
			SMS/ Email alerts	Continuously
			Call Centre	Continuously

# Stakeholders' Identification & Engagement Process

Stakeholders	Identification of Stakeholder	Needs and Expectations	Mode of Engagement	Frequency
Employees	<ul style="list-style-type: none"> <li>Permanent Employees</li> <li>Contractual Employees</li> </ul>	<ul style="list-style-type: none"> <li>Safe &amp; Healthy work environment</li> <li>Fair remuneration, Effective performance management and recognition</li> <li>Enabling environment that embraces diversity and inclusivity</li> <li>Career development and advancement</li> </ul> <p><b>Capitals impacted:</b> Human   Intellectual   Social &amp; relationship</p>	Employee Self-service Portal	Continuously
			Training Programs	Regularly
			Formal meetings	Regularly
			Informal sessions	Regularly
			Internal circulars	Regularly
			Social events & gatherings	Occasionally
			Emails	Regularly
Regulators/ Government	<ul style="list-style-type: none"> <li>Federal Government</li> <li>Provincial Governments</li> <li>State Bank of Pakistan</li> <li>Securities &amp; Exchange Commission of Pakistan</li> <li>Pakistan Stock Exchange</li> <li>Credit Rating Agencies</li> </ul>	<ul style="list-style-type: none"> <li>Timely &amp; Effective Compliances</li> <li>Capital Adequacy</li> <li>Cash &amp; Liquidity reserve requirements</li> <li>Direct &amp; Indirect tax contributions</li> </ul> <p><b>Capitals impacted:</b> Financial   Intellectual   Social &amp; relationship</p>	Directives & Circulars	Regularly
			Regulatory reporting	Regularly
			Statutory reviews & examination	Regularly
			Meeting and Regular discussions	Regularly
			Tax Returns	Periodically
Society	<ul style="list-style-type: none"> <li>Non Profit Organizations</li> <li>Non-Government Organizations</li> <li>Press &amp; Media</li> <li>Public at large</li> </ul>	<ul style="list-style-type: none"> <li>Financial Inclusion</li> <li>Sponsorship events</li> <li>Support in social &amp; Environmental issues</li> </ul> <p><b>Capitals impacted:</b> Human   Intellectual   Social &amp; relationship   Natural</p>	Sponsorships	Regularly
			Press releases, Conference & media campaigns	Regularly
			Public relation activities	Regularly

# Notice of 32nd Annual General Meeting

Notice is hereby given that the Thirty Second Annual General Meeting of the Shareholders of the Bank of Khyber will be held on Thursday, March 30, 2023 at 11:00 a.m. at the Bank of Khyber, Head Office, BOK Tower, Peshawar to transact the following business:

## Ordinary Business

1. To confirm the minutes of Thirty First Annual General Meeting held on March 29, 2022.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2022, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2023 and fix their remuneration. Bank's auditors Messrs. PwC A.F. Ferguson & Co., Chartered Accountants, retired and being eligible, offer themselves for re-appointment.

## Special Business

4. To grant approval for increase in fee to the non-executive Directors for attending the Board and Board Committees / Special Committees meetings.
5. The Provincial Assembly of Khyber Pakhtunkhwa passed the Bank of Khyber (Amendment) Act, 2022 wherein the following amendment have also been made:

(a.) In Section 4 sub-section (1) of the Bank of Khyber Act, 1991, for the words "the Bank of Khyber", the words "Bank of Khyber" shall be substituted.

The following resolution is required to be passed:

**RESOLVED**

"That in terms of Section 4(1) of the Bank of Khyber Act, 1991, for the words "the Bank of Khyber", the words "Bank of Khyber" are approved.

## Other Business

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

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

By Order of the Board

Muhammad Ali  
Company Secretary

Peshawar: March 9, 2023

## Notes

- i.** Share Transfer Books of the Bank will remain closed from Thursday, March 23, 2023 to Thursday, March 30, 2023 (both days inclusive) to determine the names of members entitled to receive pay outs, if any, and attend and vote in the meeting.
- ii.** Transfers received in order at the office of our Share Registrar, M/s. THK Associates (Pvt.) Limited, located at Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase-VII, Karachi-75500 by the close of business on Wednesday, March 22, 2023 will be treated in time for the said purpose.
- iii.** All members are entitled to attend and vote at the meeting.
- iv.** 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. The proxy appointed should be a member of the Bank of Khyber.
- v.** The 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.
- vi.** The 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.
- vii.** In case of Proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's CNIC 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.
- viii.** In case of corporate entity, the resolution of Board of Directors / Power of Attorney with specimen signature of the nominee shall be produced along with the proxy form at the time of attending the meeting.
- ix.** The proxy shall produce his / her original CNIC or passport at the time of the meeting.
- x.** Members are requested to immediately communicate changes in their registered addresses, if any, to the Bank's Shares Registrar before start of the book closure period.
- xi.** Form of Proxy, if required, should be signed on Rs.5/- Revenue Stamp.



# Notice of 32nd Annual General Meeting

## For Shareholders' Attention

### Transmission of Annual Report 2022

In accordance with the Shareholders' approval accorded in 29th Annual General Meeting held on March 27, 2020, USBs have been dispatched to shareholders at their registered addresses available with the Shares Registrar. However, the Bank would provide hard copies of the Annual Report to the shareholders on their demand at their registered addresses, free of cost, within one week of such request.

### Payment of Cash Dividend Electronically (e-Dividend) / Dividend Mandate

As per Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, any dividend payable in cash by a listed company shall ONLY be paid through electronic mode directly into the bank account of the entitled shareholder(s) which must be in their own name. In this regard, the Bank had already sent letters & Bank Mandate Forms to the shareholders and issued various notices through publication in newspapers requesting the shareholders to comply with the requirement of providing Bank Mandate urgently.

Under the provisions of the said laws, the Bank is required to withhold cash dividend payment of those shareholders whose dividend mandate information and/or CNIC

detail is not available at the time of payment of cash dividend.

All the shareholders are hereby once again requested to provide the Bank Mandate details including International Bank Account Number (IBAN) immediately along with a copy of valid CNIC, if not provided earlier to their respective Participants / Brokers (if shares are held electronically) or to the Share Registrar (if shares are held in physical form) for credit of cash dividends directly into their designated bank accounts through electronic modes.

In case of non-provision of Bank Mandate & copy of valid CNIC, cash dividend(s) will be withheld according to SECP directives. For providing the Bank Mandate details to CDC / Share Registrar, the IBAN Form may be downloaded from the Bank's website under Investor Relations.

### Deduction of Withholding Tax

Please note that withholding tax will be deducted on the basis of latest "Active Taxpayers List" (ATL) available at FBR website as per following rates:

1. Persons appearing in ATL: 15%
2. Persons not appearing in ATL: 30%

Further, in respect of joint shareholders, tax will be deducted as per their respective ratio / share (if any) intimated by the shareholder to the Bank's Share Registrar, otherwise their shareholding will be treated as equal.

Valid Tax Exemption Certificate is required for claim of Exemption U/s 150 of the Income Tax Ordinance, 2001.

### Unclaimed / Unpaid Dividends and Share Certificates

Shareholders are once again requested that who have not yet received / collected their previous dividends / physical shares to contact our Share Registrar for the needful.

### Deposit / Conversion of Physical Shares into Book Entry Form

As per Section 72 of the Companies Act, 2017, every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the Commission, within a period not exceeding four years from the commencement of Companies Act 2017 i.e. May 31, 2017 according to which the deadline was May 31, 2021.

The shareholders had been informed about the requirement through notice on the Pakistan Stock Exchange Ltd. dated August 11, 2021 as well as individual letters were dispatched to the shareholders followed by publication in English and Urdu newspapers on August 20, 2021. Further, the shareholders are kept informed of the requirement through notices of annual general meetings.

The shareholders having physical shareholding may open CDC Sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form. This will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of

physical shares is not permitted as per existing regulations of the Stock Exchange.

#### **Video Conference Facility for Attending General Meetings**

If the Bank receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 07 days prior to date of meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city.

To avail this facility a request to be submitted on registered address of the Bank 07 days before holding of the Annual General Meeting.

#### **Statement of Material Facts under Section 134 (3) of the Companies Act, 2017**

This statement sets out the material facts concerning the Special Business at item No.4 and 5 of the notice to be transacted at the Annual General Meeting of the Bank to be held on March 30, 2023.

#### **Item No. 4 – Increase in Directors' Attendance Fee**

In term of Section 170 of the Companies Act, 2017 and as per Para C-2 of Regulation G-1 of the Prudential Regulations of the State Bank of Pakistan, the bank may pay a reasonable and appropriate remuneration to the non-executive directors and Chairman for attending the Board and/or Committee meetings. The scale of remuneration

to be paid to the non-executive Directors and Chairman for attending the Board and / or Committee meetings shall be approved by the shareholders on a pre or post facto basis in the Annual General Meeting (AGM).

Previously, on the recommendation of the Board, the shareholders in 25th AGM held on April 5, 2016 and 27th AGM held on March 29, 2018 had approved increase in Directors' fee for attending Board and Committee/ Special Committee meetings to Rs.50,000/- (net of taxes).

Since workload of Directors has been increased manifold after introduction of the Code of Corporate Governance and other regulatory frameworks which require their time and efforts. Therefore, the Board was of the opinion that the non-executive Directors and Chairman need to be compensated accordingly.

After due consideration, the Board of Directors in its 174th meeting held on October 26, 2022 recommended increase in Directors' fee for attending Board/Board Committee/ Board Special Committee's meeting to Rs.100,000/- (net of taxes) to be paid to non-executive Directors, Independent Directors and Chairman on per meeting basis. of in Fee structure by keeping into consideration other banks including peer banks. After increase in fee, the Bank of Khyber still remained the lowest in Directors' attendance fee.

In terms of Para C-2 of Regulation G-1 of the Prudential Regulations of the State Bank of Pakistan, Post-

facto approval of the shareholders of the Bank is sought for the above mentioned increase in fee.

The following resolution is therefore, being proposed to be passed as an Ordinary Resolution by the shareholders:

***“RESOLVED that Directors' fee for attending meetings of Board / Board Committees / Board Special Committees shall be Rs.100,000/- (net of taxes) and shall be paid to non-executive Directors, independent directors and chairman on actual attendance on per meeting basis.”***

#### **Item No. 5 – Change of Name as per Bank of Khyber (Amendment) Act, 2022**

The Provincial Assembly of Khyber Pakhtunkhwa passed the Bank of Khyber (Amendment) Act, 2022 wherein different changes/ amendments/substitutions have been approved. The following resolution is therefore, being presented for information and approval of the shareholders of the Bank:

***“That in terms of Section 4(1) of the Bank of Khyber (Amendment) Act, 2022, for the words “the Bank of Khyber”, the words “Bank of Khyber” are approved.***

# Steps to Encourage Minority Shareholders Participation

The Bank ensures equitable treatment of all shareholders including minority shareholders to attend, contribute and vote at the General Meetings. The Bank takes following measures to ensure maximum participation of minority shareholders in Annual General Meeting and in election of Board of Directors;

- Notice of General Meetings is sent to every member of the Bank at least 21 days before the meeting. The notice is also published in newspapers (both English & Urdu) having nationwide circulation.
- The Bank timely updates its website with respect to all notices of general meetings.
- Annual Report of the Bank is sent to each member of the Bank 21 days before Annual General Meeting (AGM).
- All members are entitled to appoint proxy to attend, speak and vote at the meeting on his/her behalf.
- Members can attend and participate in the AGM through video-link.
- The shareholders are encouraged to raise queries and give suggestions relating to the Bank's operations.

## Investors' Grievance Handling

Investors complaints and grievances are duly addressed, and appropriate solution is provided on a timely basis. The Bank has designated its Shares Department within the Company Secretariat Office to handle such matters effectively and efficiently in consultation with the share registrar. Investors can lodge complaints by contacting the shares registrar, or write a letter or send an email to the Shares Department of the Bank. A designated e-mail address, (complaints@bok.com.pk) has been created for this purpose and duly communicated through annual report and Bank's website.

Furthermore, in compliance with the regulatory requirements, the Bank has duly disclosed the link (<https://sdms.secp.gov.pk/>) to SECP's Service Desk Managements System on its website; which provides the investors with an additional mode for lodging their unresolved grievances and complaints in line with the Bank's core values.

## Business at Last AGM

The 31st Annual General Meeting of the Bank of Khyber was held on March 29, 2022 at 11:00 a.m. at Pearl Continental Hotel, Peshawar wherein the following resolutions were approved unanimously:

### Ordinary Business:

1. The minutes of the Extra Ordinary General Meeting are approved.
2. The audited accounts of the Bank of Khyber for the year ended December 31, 2021 together with the Directors' and Auditors' Reports thereon are approved.
3. M/s. PwC A.F Ferguson & Co., Chartered Accountants are appointed as External Auditors of the bank of Khyber for the year ending December 31, 2022.

### Special Business:

4. Issuance of Bonus Shares for the year 2021 in proportion of 5 ordinary shares for every 100 ordinary shares i.e. 5% to the shareholders of the Bank is approved.
5. Board of Directors Travel, Accommodation and Remuneration policy, 2019 is approved.

# Financial Calendar

Recommendation of Annual Results 2021 by the Board of Directors	March 04, 2022
31st Annual General Meeting held for approval of Annual Results 2021	March 29, 2022
1st Quarter Results Issued	April 27, 2022
2nd Quarter Results Issued	August 26, 2022
3rd Quarter Results Issued	October 26, 2022
Recommendation of Annual Results 2022 by the Board of Directors	March 07, 2023
32nd Annual General Meeting scheduled for approval of Annual Results 2022	March 30, 2023

## Summary of the Analyst/ Corporate Briefings

Analyst / Corporate briefings provide an interactive forum for engaging with the Bank's stakeholders to apprise them about:

- Brief about the Bank;
- Financial Highlights/ Review;
- Operational Goals & Achievements;
- Future outlook.

Corporate Briefing Session is generally conducted, following the announcements of annual, quarterly and half-yearly financial results, once a year to enlighten the shareholders and analysts with the Bank's strategic, operational and financial developments.

### Investors' Relations section on the corporate website

The website is updated regularly to provide detailed and latest Bank information including but not limited to financial highlights, investor information, dividend and other requisite information under the regulatory framework.

Related information and presentations are available at the following Bank's website link:

<https://www.bok.com.pk/investor-relations>



A sunset over the ocean with a semi-transparent white box containing the text "Risk Management". The sky is filled with dramatic, colorful clouds in shades of orange, red, and purple, with the sun low on the horizon. The ocean is calm, reflecting the warm colors of the sky. The foreground shows a sandy beach with gentle waves lapping at the shore.

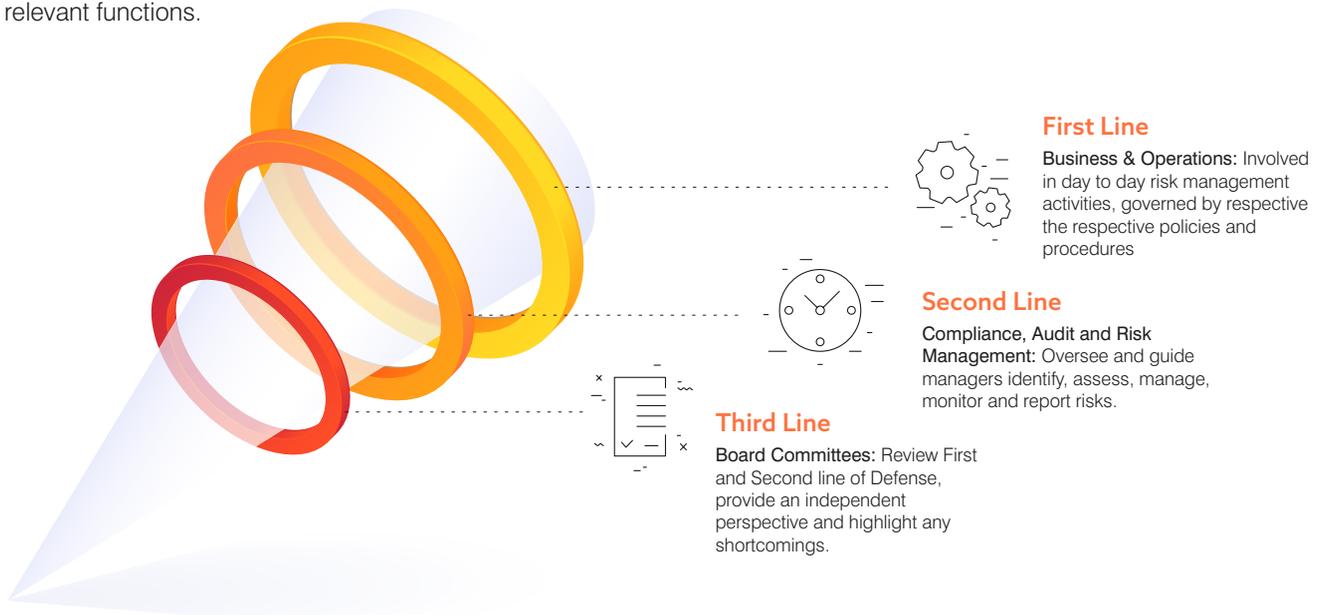
# Risk Management



# Risk Management Framework

The Bank emphasizes to maintain high risk management standards for ensuring that the risks being faced by the Bank are properly identified, assessed and appropriate mitigation tools are adopted keeping in view their nature and intensity. A robust governance structure exists at the board and management levels and comprehensive policies covering different risk areas including Credit, Market, Liquidity, Operational, Environmental and Country Risks have been approved by the Board which provide guidance to the to the management in the conduct of business.

The Board has formed a specialized Board's Risk Management Committee ("BRMC") to oversee the risk management activities. The BRMC holds frequent meetings as per the given mandate and thoroughly reviews primary risks including Credit, Market, Liquidity and Operational risks. In addition, the BRMC also takes stock of other material items such as interest rate environment, and affords 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 Management Risk Committee ("MRC"), Head Office Credit Committees ("HOCC") and Assets Liability Committee ("ALCO"). These committees discharge their responsibilities in accordance with their respective terms of reference and are duly supported by the relevant functions.



Risk Management structure of the Bank has been founded in line with regulatory requirements and in line with banking practices. The structure fundamentally ensures to avoid conflict of interest amongst different functions and fosters better control environment.



# PESTLE

## Assessment of the principal risks facing the Bank

### Principal Risks Facing the Bank

The Management has carried out an assessment of both internal and external risks facing the organization. The Bank has identified the following external and internal factors and the risks that emanate from these factors:

Factors	Source	Risks
<b>Economic</b>	External	Market Risk: The risk of loss arising from potential adverse changes in the value of the Bank's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, foreign exchange, equity prices, commodity Prices, credit spreads implied volatilities and asset correlations.
	Internal / External	Credit Risk: The risk of counterparty regarding not timely fulfilling the financial obligations as assured due to any impaired condition of business/industry or either willfully.
	Internal / External	Liquidity Risk: The risk that the Bank is unable to meet its contractual or contingent obligations or that it does not have the appropriate amount, tenor and composition of funding and liquidity to support its assets.
<b>Technology/ Systems</b>	Internal / External	Technology/ Information Security Risk: Any potential technology failures such as unavailability of the system, cyber threats that undermines confidentiality, integrity and availability of the information systems due to malicious attacks and data breaches that negatively impact BOK's business operations.
		Operational Risk: The risk of loss to the Bank from failed or inadequate processes, systems, people or due to internal/external events (e.g., fraud, natural disaster etc.). It includes legal risk and excludes strategic and reputational risk.
<b>Political</b>	External	Country Risk: Country risk broadly refers to the possibility economic and political conditions, or an event in a foreign country, could adversely affect institution's exposure in that country. Since the Bank is engaged in transactions leading to cross border exposure, it is exposed to country risk in addition to the customary credit risk.
<b>Social</b>	Internal / External	Reputational Risk: The risk that an action, transaction, investment or event will reduce trust in the Bank's integrity and competence by clients, counterparties, investors, regulators, employees or the public.
<b>Environmental</b>	Internal / External	Environmental Risk: Actual or potential threats of adverse effects on the environment and living organism by effluents, emissions, wastes, chemical releases, resource depletion, etc., arising out of the Bank or its clients' operational activities.

# Risk and Opportunity Report

Risk and opportunities and the related mitigating factors are summarized below:

## Risks

Risk Type	Source of Risk	Probability of Risk Occurrence	Strategy	Impact Type
Market	Risk associated with fluctuations in interest rates, foreign currency rates, credit spreads, equity prices and commodity prices.	High	Oversight is kept through guidance of Board of Directors and its sub-committee "Board Risk Management Committee" as well as through management committee Asset & Liability Committee (ALCO). Comprehensive structure is in place aimed at ensuring that Bank does not exceed its qualitative and quantitative tolerance for market risk. Balanced approach towards risk taking in the market risk area while keeping exposures within the defined risk acceptance criteria. Tools like at VAR methodologies, sensitivity measures, intraday exposure limits, notional limits and Management Action Triggers (MAT) are monitored at a detailed portfolio level. Periodic repricing gap analysis to reprofile the earning asset mix in accordance with interest rate expectations	Financial Capital
Capital Adequacy	Internal / External.	Medium	SBP guidelines vis-à-vis Bank's internal procedures are meticulously complied while measuring/calculating CAR for ensuring authenticity and accuracy of the ratio. On-going review and monitoring of the regulatory ratios are performed through proper analysis of risk weighted assets. Material changes in underlying factors leading to increase/(decrease) in the ratio along with comparison of current ratio with that of previous period is also performed to ensure that the ratio stands well above the minimum threshold prescribed by the regulator. Strong capital base and CAR of well above the minimum regulatory threshold provides an inbuilt and inherent comfort/flexibility to the management to book fresh exposures. Normally, strength of CAR enables management at achieving a targeted bottom line profitability while maintaining a balance between risk & reward trade-off.	Financial Capital

Risk Type	Source of Risk	Probability of Risk Occurrence	Strategy	Impact Type
Credit	Internal/External.	Medium to Low	<p>One of the major risks faced by commercial banks is credit risk. Credit risk is measured through a well-defined policy approved by the Board of Directors (BoD). The Bank carries a three lines of defense structure (Strategic, Macro &amp; Micro levels) so that culture of credit risk management is well inculcated uniformly within the organization including credit processing and approving hierarchies.</p> <p>Monitoring of credit risk is performed at both transactional and portfolio levels. Bank has set various concentration limits/thresholds which are actively monitored and reported to BRMC/Management so that risk remains within the borders defined by the Board. Active monitoring of the portfolio enables the Bank for taking corrective measures/steps to avoid pilling/scaling-up of issues which may expose the Bank to easily avoidable credit losses.</p> <p>Management of credit risk is carried out at various credit approving levels delegated specific approving powers by the Board. Bank has kept a clear and distinct differentiation between risk takers and approvers. Credit proposals duly recommended by the concerned business units are presented to the concerned credit committees/individuals which are approved/declined based on proper assessment/rational.</p>	Financial Capital
Liquidity	<p>Risks emanating from nature of the Banking business.</p> <p>From the macro factors exogenous to the Bank as well as from internal financing and operational policies.</p>	Medium	<p>Oversight kept through Board of Directors and its sub- committee "Board Risk Management Committee" as well as through management committee - "Asset and Liability Committee (ALCO). ALCO oversees the activities of treasury, which operates in terms of an approved Liquidity risk policy. Well-defined Contingency Funding Plan (CFP) triggers and limits, exposures against which are regularly monitored by ALCO.</p> <p>Detailed CFP is in place, which highlights the strategy and critical tools for effective monitoring, escalation, planning, and execution of recovery actions in the event of a liquidity crisis.</p> <p>Periodic maturity gap analysis is performed to keep asset and liability mismatch within acceptable limits. Maintenance of appropriate marketable securities portfolio that can be realized in the event of liquidity stress.</p>	Financial Capital

# Risk and Opportunity Report

Risk Type	Source of Risk	Probability of Risk Occurrence	Strategy	Impact Type
Operational	Inadequate or failed processes, systems, human factor or any external event.	Medium	<p>A system for reporting and collecting data related to losses, control breaches, near misses &amp; KRIs is in place.</p> <p>Operational risk assessment is done by using the Risk &amp; Control Self-Assessment (RCSA) process.</p> <p>Quarterly updates on operational risk events are presented to senior management, and the BRMC.</p> <p>A culture of active risk management is promoted in the Bank. An Operational Risk awareness program is in place under which branches, and Head office staff are trained to detect and report any significant operational risk events.</p> <p>A BoD approved operational risk policy is in place.</p> <p>Products and processes are reviewed for emerging operational risks.</p>	Financial Capital
Technology and Information Risk	Technology Failure due to Force Majeure and Cyber Threats.	Medium	<p>IS/IT oversight is performed through Board IT Committee and IT Steering Committee.</p> <p>IS Awareness is provided to employees through various channels regarding existing and emerging threats.</p> <p>IS/IT Audits are conducted externally as well as internally. VA/PT &amp; Risk Assessments are conducted annually and as and when required.</p> <p>24x7 SOC is in place that utilizes SIEM solution for monitoring, detecting, analyzing and responding to cyber threats.</p> <p>There is a continuously improving IT security posture through investment in enterprise security controls solutions.</p>	Financial , Reputational, Regulatory Capital
Country Risk	Risk arise from three main sources Transfer / Convertibility risk, Sovereign risk and Contagion risk.	Medium	<p>Measurement: Bank's Country Risk exposure is assessed against Bank's cross border trade and treasury activities.</p> <p>Monitoring of risk exposure is a regular activity. Country exposure limits both for trade and treasury exposures are in place, which broadly capture direct exposure on sovereigns and foreign domiciled counterparties.</p>	Financial, Intellectual Capital

Risk Type	Source of Risk	Probability of Risk Occurrence	Strategy	Impact Type
Regulatory Risk	Risk arising from changes in Legislative and Regulatory requirements.	Medium	The Bank reviews key regulatory developments in Management Committee meetings to predict and assess the impact any regulatory change. The Bank continues to monitor its implementation of regulatory requirements and continues to maintain a supportive relationship with the regulators	Financial Capital
Reputational Risk	Risk arising from any action or inaction perceived by any stakeholders to be inappropriate, unethical or inconsistent with the Bank's values and beliefs.	Low	Oversight kept through Board of Directors' sub committees "Board Risk Management Committee" Formal customer grievance policy, including policy and procedures on receiving customer complaints and resolution mechanism. Timely and efficient communications among all stakeholders.	Social and Relational Capital
Environmental and Social Risk	Climate Change. Noncompliance of Environmental Regulations. Effluents, emissions, wastes.	Low	The Bank has adopted integrated sustainable finance approach in its lending activities. In this regard, Green Banking Policy and Environmental Risk Management System (ERMS) have been put in place. This framework is an integral part of the credit approval process, and all relevant credit proposals require review of the Environmental Risk department prior to approval by the competent authority.	Financial & Social Capital

## Opportunities

External	Internal
SME and consumer sector market opportunities will be explored. Focus will be on program-based lending for lower infection.	The Bank will maintain the advances with optimal ADR while surplus funds will be deployed through treasury function.
The Bank will aim for diversification in assets and liability portfolio. Good quality private sector advances and low cost deposits will be targeted with a focus on improvement in overall CASA ratio and low infection ratio.	Digital banking platform will be utilized to minimize Bank's operating cost and reduce the turnaround time with customer convenience.
To tap women population through new deposit products and various financing opportunities.	The existing and new customers with potential for providing fee-based income for the Bank will be targeted.
The Bank will take maximum benefit from the growth potential available in the conventional and Islamic banking industry.	The Bank will focus on Increasing the trade and remittance business.

# Capital and Liquidity Management

Capital structure of the Bank is mainly comprised of Common Equity Tier I (CET I), a clear manifestation of strength, stability, and resilience of equity side of the balance sheet. The Bank always strives and adhere to achieving various regulatory ratios especially Capital Adequacy Ratio (CAR), Leverage, Net Stable Funding and Liquidity Coverage Ratios well above their minimum threshold.

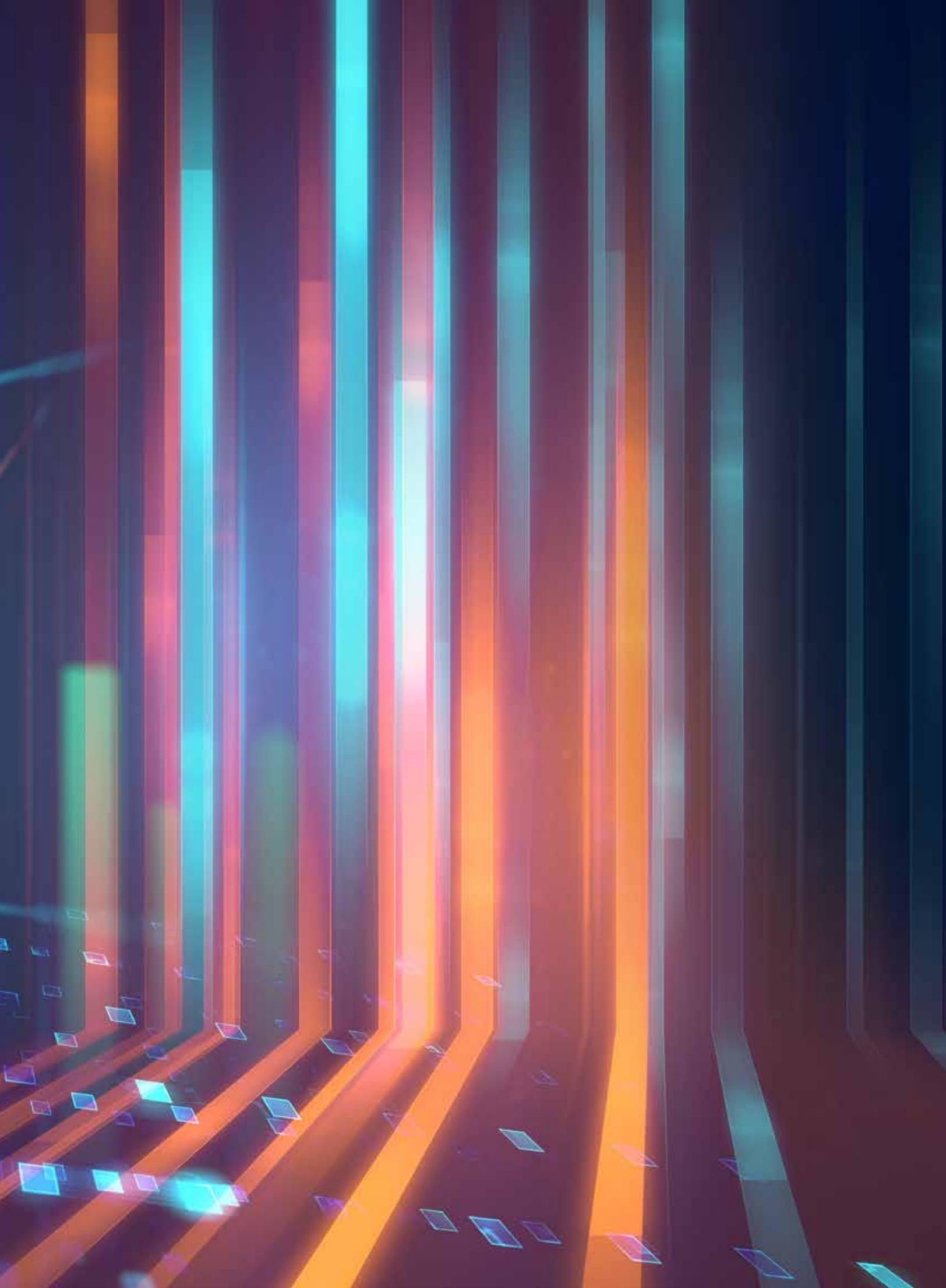
The Bank comfortably meets Minimum Capital Requirements (MCR) of SBP requiring Banks/DFIs to hold at least PKR 10B of Paid-Up Capital. CAR of the Bank stands at around 14.88% against minimum requirements of 11.50% maintaining a strong position well above the minimum required threshold.

Strength of Bank's capital structure can also be gauged from the fact that it is maintaining CET I ratio of 14.80% against minimum required level of 6% as of December 31, 2022. This provides an ample cushion with the Bank to further grow its balance sheet while remaining well above the minimum standards defined by the regulator. Leverage Ratio (LR), another regulatory standard which links total funded & non-funded exposure, is 4.02% against minimum benchmark of 3% leaving sufficient cushion for further growth on & off balance sheet exposures.

The Asset Liability Management Committee of the Bank has the responsibility for formulation of overall strategy and oversight of the Asset Liability Management (ALM) function. BOD has approved a comprehensive Liquidity Risk Policy which stipulates policies regarding maintenance of various ratios, funding preferences and evaluation of Banks' liquidity under normal and stress scenarios. The underlying policies and procedures are reviewed and approved at the senior management and BOD levels covering Stress Test scenarios and Liquidity Strategy including Contingency Funding Plan. In addition, ALCO & BRMC are briefed about various Liquidity Risk standards like Liquidity Coverage Ratio and its monitoring tools on periodic basis. Bank performs regular liquidity stress tests as part of its liquidity monitoring activities. The results are regularly reviewed by ALCO for responding appropriately.

Bank's comprehensive liquidity management framework assists it to closely watch the liquidity position through monitoring of early warning indicators and stress testing in order to ensure effective and timely decision making.

The liquidity risk management approach at the Bank involves intra-day liquidity management, managing funding sources and evaluation of structural imbalances in the statement of financial position. The Bank's customer deposits base, along with a strong capital base provides strength and support for maintenance of a strong liquidity position. The Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. Further, in line with SBP's directives, the Bank has fully implemented BASEL III required liquidity standards and maintains liquidity ratios. The Bank's Reported Liquidity Coverage Ratio (LCR) is 146.17% (as of December 31, 2022) and Net Stable Funding Ratio (NSFR) of 149.83% (as of December 31, 2022) against a requirement of 100%.





# Governance



# Our Governance Philosophy

## Governance Structure

BOK is governed by a Board of Directors which as per the Act has the following composition:

- Additional Chief Secretary (Chairman)
- Secretary Finance (Director)
- Managing Director and two nominee Directors appointed by the KP Government
- Three Directors elected by the Private Sector shareholders
- One Director, to be nominated by the Institutional investor. Provided that the KP Government can nominate an independent director until such director is nominated by the institutional investor (Bank of Khyber (Amendment) Act, 2022)

## Board Composition

Category	Name	Appointment by virtue of
Non-Executive Director	Shahab Ali Shah (Chairman)	KP Government (Additional Chief Secretary)
	Ikramullah Khan	KP Government (Secretary Finance)
Independent Director	Syed Asad Ali Shah	Private Sector Shareholders
	Mir Javed Hashmat	Private Sector Shareholders
	Tahir Jawaid	Private Sector Shareholders
Executive Director	Muhammad Ali Gulfaraz (MD/ CEO)	KP Government

## Casual vacancies on the Board of Directors

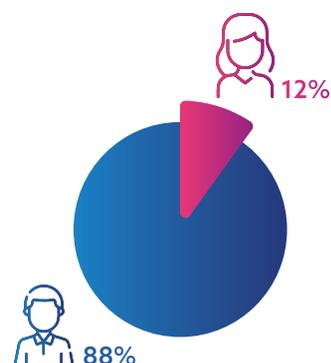
Ms. Saleha Asif, a Nominee Director of KP Government, tendered her resignation, which was accepted on December 21, 2022. Subsequent to the year-end, her casual vacancy was filled by Dr. Aliya Hashmi Khan as a Nominee Director of KP Government.

Mr. Rashid Ali Khan, a Nominee Director of KP Government, on completing the maximum term allowed under the Regulations, left the Board on March 7, 2022. Subsequent to the year-end, his casual vacancy was filled by Mr. Abid Sattar as a Nominee Director of KP Government.

Profile of each Director including engagement in other entities is presented in detail under Organizational Overview Section of this report.

The Board of Directors has formed five committees of the Board to assist the Board in discharging its fiduciary responsibilities. The details of committees of the Board including the members and terms of references are disclosed in the following Board Committees section.

## Gender Diversity in the Board of Directors



## Functioning of the Board of Directors

The Bank duly recognizes that an effective Board is a key to good corporate governance. The Board of Directors of the Bank exercises its powers and carry out its fiduciary duties in compliance with the regulatory requirements and Articles of Association of the Bank, with a sense of objective judgment and independence in the best interest of the Bank and its stakeholders. The Board takes decisions for good governance, financial performance and sustainability of the Bank.

The Board has a major role in ensuring appropriate corporate governance and oversight of the Bank, its assets, and activities. The Board ensures necessary oversight to strengthen Bank's corporate governance practices, control for financial reporting, internal control system, risk-management systems, and the internal and external audit functions.

In pursuing its key purpose, the Board is meeting the responsibilities and challenges to:

- Ensure the Bank's prosperity.
- Collectively direct the Bank's affairs.

- Monitor and control executive management through a framework of prudent and effective controls.
- Ensure the Board's moral and ethical commitment in various aspects.

The Board has the ultimate decision-making authority and is responsible for:

- Vision and Mission statement
- Giving Policy directions
- Strategy & Business Plan
- Standing accountable to shareholders
- Appointment of key executives – based on FPT criteria
- Defining powers and responsibilities of senior management
- Determine and pay dividends
- Issue additional shares
- Ensuring disclosure to promote transparency and market discipline

As part of the overall stewardship responsibility, the Board and its Committees do not take part in the Bank's day-to-day affairs which is mandate of the Management.

## Roles & Responsibilities of the Chairman of the Board of Directors

The Chairman's responsibilities in brief are:

- To steer, regulate and give policy direction to the Bank through the Board of Directors
- To set the agenda of Board meetings and decide venue and schedule of the meetings.
- To chair meetings of the Board and have the minutes appropriately recorded.
- To ensure that responsibilities of the Board under different regulations are complied with.
- To ensure that interests of the Shareholders are protected and the Bank creates value for the Shareholders.
- To ensure that the Board focuses on the policy matters while the Managing Director as Chief Executive Officer is given responsibility for smooth operations of the Bank.

# Our Governance Philosophy

## Roles & Responsibilities of the Chief Executive Officer/ Managing Director

The Managing Director / CEO's key role is to assume the lead in putting the long-term strategy into operation. Brief responsibilities of the Managing Director are to:

- Execute strategic operating plans that reflect the long term objectives and priorities established by the Board
- Coordinate with the Chairman of the Board in matters pertaining to Board agenda items
- Put in place adequate operational planning and financial control systems
- Closely monitor the operating and financial results against plans and budgets
- Be responsible for the Bank's operational performance

## Governance Practices Exceeding Legal Requirements

The Bank adheres to the applicable laws, rules & regulations and always makes its best efforts to provide information and disclosures beyond the minimum regulatory requirements.

The Management takes various steps to avoid any sort of non-compliance and takes it as a reputational risk for the Bank. The Management also regularly updates the Board with the latest development in the regulatory environment and maintains stringent control over regulatory compliance through designated resources.

Following are some of the voluntary practices of the Bank which exceed the minimum legal requirements:

- The Bank has only one Executive Director (MD/ CEO) though two executive directors are permitted by SBP and three (one third of the Board as executive directors) under the Listed Companies (Code of Corporate Governance) Regulations, 2019;
- Making disclosures in line with the best reporting practices as prescribed by ICAP/ICMA with a view of making more transparent disclosures; and
- The Bank reports certain additional information in the Annual Report for various stakeholders.

## Significant Board Policies/ Statements

### Security clearance of foreign directors

There are no foreign Directors on the Board of the Bank.

### Board meetings held outside Pakistan

All the board meetings during the year were held in Pakistan.

### Policy for Related Party Transactions

The Related Party Policy is intended to ensure that every Related Party Transaction is conducted in a manner that will protect the Bank from conflict of interest which may arise between the Bank and its Related Parties and ensure proper review, approval, ratification and disclosure of transactions between the Bank and any of its Related Party as required in compliance with legal and regulatory requirements.

As defined in the relevant laws and regulations, related Parties of the Bank are:

- a. A person or a close member of that person's family is related to the Bank if that person:
  - i. has control or joint control of the Bank;
  - ii. has significant influence over the Bank; or
  - iii. is a member of the Key Management Personnel of the Bank.
- b. An entity is related to the Bank if:
  - i. The entity and the Bank are members of same group;
  - ii. One entity is an associate or joint venture of the other entity;

- iii. Both entities are joint ventures of the same third entity;
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- v. The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank;
- vi. The entity is controlled or jointly controlled by a person identified in (a).
- vii. A person identified in (a(i)) has significant influence over the entity or is a member of the Key Management personnel of the entity.
- viii. The entity, or any member of a group which it is a part, provides Key Management Personnel services to the Bank.

The essence of this Policy is that all the transactions executed with related parties defined above are at arm's length, which means on the same terms and conditions as that extended to clients in general and shall not grant any special favors or terms.

The Bank has made detailed disclosures about related party transactions in its financial statements annexed with this annual report under the applicable reporting requirements.

## Safety of records of the Bank

The Bank ensures safety of its records and retention of the same in line with the applicable laws and regulations. For certain very old records/ documents/ registers, which lose their validity and utility with the passage of time, are transferred to old record unit for storage or destruction as per the approved "Old Record Policy" of the Bank. Salient Features of the policy are as follows:

- All branches/ concerned offices are required to transfer their old record to the "Old Record Unit: located at Head Office, Peshawar through "Old record Transfer Advice" mentioning related details i.e. Transfer unit code, brief description, period of preservation, due date of its destruction etc.
- The custodian on receiving the record would check and update the information in the "Old Record Register" and thereafter keep in shelves earmarked for each branch/ office.
- Records, which require permanent retention, would be transferred to a secured and safe corner of the record unit with an appropriate entry in securities ledger related to bank documents.
- Any old record borrowed from the "Old Record Unit" would be only released against an "Old Record Requisition Slip"

- Old records will be destroyed at regular intervals and the "Old Record Unit" is required to prepare a list of destroyable records at least 15 days in advance. After destroying, either by burning or by shredding, the "Old Record Register" is also updated accordingly.

## Whistle Blowing Policy

The policy has been developed with a view to encourage the employees of the Bank to voice their concerns about suspected fraudulent activities and malpractices that may have an adverse impact on the business or goodwill of the Bank or in some cases, even on the society at large.

According to the policy a formal whistle blowing function is established under direct supervision of Audit Committee of the Board for attending the concerns/ information raised by the employees of the Bank (Whistle Blowers). A concern might not only be of a financial nature but it could also be illegal conduct posing a danger to the reputation of the Bank.

### Protection against victimization

The management of the Bank is committed to its Whistle Blowing Policy and all information / concerns provided / raised by a whistle blower will be dealt with in confidence and the identification of the whistle blower will be kept secret, except the BoD and Audit Committee of the Board

If an employee raises a concern under this policy he / she will not be at risk of losing his / her job or

# Our Governance Philosophy

suffering any form of retribution, provided he / she is acting in good faith.

For obvious and practical reasons, a concern raised anonymously is difficult to investigate, as such, this policy concentrates on what happens when the person citing a concern comes forward. However, concerns expressed anonymously will be considered only at the discretion of the management.

## Incentive

On the recommendation of the BAC, The Whistle blower may be suitably awarded according to the significance of the information he/she has provided and impact of losses averted as a result.

## Reporting Procedure

- The employees, who have information about suspected fraudulent activities or malpractices, should communicate such information on a dedicated email address of the Group Head Compliance.
- All such mails should be marked “confidential” on the outer envelope and “whistle blowing” on the inside envelope for maximum confidentiality.
- Group Head Compliance will forward the case to Audit Committee of the Board with ensured confidentiality. Audit Committee after inquiring into the matter will send back its findings

and recommendations to Group Head Compliance for onward submission to Human Resource Development Group (HRDG). In light of the Audit Report an appropriate Disciplinary Action will be taken by HRDG, upon approval of the Managing Director.

- In case the Whistle Blower is working in Compliance, the report shall be made to Group Head HRD, who will then forward it to Audit Committee with ensured confidentiality. In light of the Audit Report an appropriate Disciplinary Action will be taken by HRDG, upon approval of the Managing Director.

## Number of instances reported to Board Audit Committee (BAC)

Number of Whistle Blowing reported to BAC in year 2022: One (01).

## Enterprise Resource Planning (ERP)/ Core Banking Software

Investments in Information Technology are significant and increasingly critical to the success of any organization. BOK is continuously improving its technological frameworks. With a goal to align our business processes into a state of the art technological platform, BOK successfully completed the implementation of T24 Core banking software in the year 2021.

In order to ensure an exceptional customer experience, regular staff trainings are conducted by the Management for core users and new recruiters on the proper usage of Bank’s systems and associated risk controls/ access prevention policies. A centralized helpdesk is accessible to employees for instant resolution of user complaints.

The Bank has in place a dedicated team that monitors IT operation to highlight necessary changes to be prioritized the development, alongside any major software upgrades to be provided by service providers. The Bank’s IT Budget aims to invest in new IT solutions is aligned with the overall strategy of the Bank.

The Bank has well defined system for upgradation/ modifications as well as new system requirements and has in place the procedure for access controls in order to mitigate various data related risk for various projects and activities. Banks Assessment of system Security, access to Sensitive Data and segregation of duties is discussed in detail in the IT Governance & Cybersecurity section of this annual report.

## Human Resource Management

### Anti-Discrimination and Equal Opportunity

The Bank of Khyber is an equal opportunity employer/organization. Human resource Development

Group (HRDG) ensures that all employees (including permanent / contractual/outsourced/third party), directors, contractors, agents and/ or any other person representing or acting on behalf of the Bank of Khyber, are treated equally and shall not be discriminated based on his age, gender, marital status, disability, religion, color, language, race and ethnic origin. Further, the Bank also seeks to ensure a diverse pool of employees and candidates, and encourages women, disabled persons and minorities to apply for the positions for which they are eligible.

### **Succession Planning Policy**

It is the Bank's approved policy to ensure that, for each key and critical position, there is a documented succession plan to cover the eventuality of the individual that holds position no longer being employed by the Bank. The Bank identifies key and critical positions for the succession planning to meet the future human capital requirements. The critical and key employees are analyzed to identify retirements due in at least five (5) years. An annual review of the Succession Plan is conducted as part of Employee's Development Program for identification and/or replacing the potential candidates (successors) for the critical and key positions. Succession planning is also supported by the key HR initiatives including employee development through job rotations, job enlargement/enrichment and

specialized training & development programs. Line Managers identify the responsibilities, skills and competencies that will be needed by their replacements.

### **Health & Safety**

The Bank seeks to maintain a work environment in which physical and environmental conditions are such that work-related accidents or illnesses are minimized by complying with the applicable Health & Safety laws and regulations. The Bank promotes safety at work through risk analysis, institution of precautionary measures, and expedited medical care facilities.

Key areas covered under the policy are:

- Fire Safety
- First Aid Kits
- Emergency Treatment
- Cleanliness
- Non-Smoking and Chewing Betel Leaves at the Office Premises
- Prohibition of certain items at the Office Premises
- Periodic Health and Safety Trainings/Awareness Sessions
- Reporting of Work-Related Injuries/Illnesses
- Adherence of Code of Conduct & Ethics
- Availability of Guidance / Support by Senior Management and HRDG
- Complaint Mechanism against Non-Compliance

# Board Committees & TORs

## Board Audit Committee

### Composition:

Committee shall have at least three members comprising of non-executive directors and at least one independent director. At least one member of the committee should be a “financially literate” person. The chairman of the committee shall be an independent director. The chairman of the committee shall not be the chairman of the BOD.

### Terms of Reference

Primary responsibility of the Board Audit Committee is to facilitate BOD in establishing an unambiguous and observable ‘tone at the top’ for strong and effective system of internal controls based on and supported by strong ethical practices, culture, comprehensive policies, procedures, processes and technological systems. The Committee recommends the appointment of external auditors, their removal, audit fees, the provision of any other services. The Committee is inter-alia responsible for the review of annual and interim financial statements, review of management letter issued by the external auditors, review of the Bank’s statement on Internal Controls, ascertaining the effectiveness of the Internal Control System including financial and operational controls. The Committee is also responsible to periodically review the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the Bank. The other function of the Committee includes review effectiveness of whistle blowing procedure, consideration of major findings of internal investigations and report to BoD on any Significant matters identified by the Internal Audit Function/ external auditors or as assigned by the BOD.

## Board Human Resource & Remuneration Committee

### Composition:

Committee shall consist of three members. However, Managing Director shall be called by invitation.

### Terms of Reference

Human Resource & Remuneration Committee defines the organizational structure, terms and conditions of service structure including the standard of ethics and business practices to establish a standard of conduct for the employees. The Committee recommend Human Resource Policy of the Bank which includes but is not limited to policy on recruitment, pay & compensation, performance evaluation, promotion, training & development and succession planning; Manpower Planning & Budgeting; Key Executives appointment; and schemes for employee’s welfare, motivation & retention. The Committee also reviews the Remuneration Policy at least once in three years, in order to ensure its effectiveness. The Committee also monitors the utilization of training and development budget and implementation of approved training and development policy. In addition to the above, the Committee also consider appeals against disciplinary actions where the committee is the appellate authority as per Service Rules.

## Board Risk Management Committee

### Composition:

Committee shall have at least three members.

### Terms of Reference

The primary functions of Board Risk Management Committee include development of a comprehensive risk management strategy and framework to effectively manage credit, market, liquidity and operational risk; determining risk appetite; and tolerance limits at the entity level. The Committee also review and key risk exposures, concentrations, trends and quality in the Bank's overall portfolio and communicate the planned/ executed corrective actions to the respective stakeholders. The Committee also monitors the resource allocation for the risk management to ensure that they are adequate and appropriate to measure, monitor and manage all the significant risks. It also oversees the Bank's transition to IFRS-9.

## Board IT Steering Committee

### Composition:

Committee shall consist of at least three members including the Managing Director.

### Terms of Reference

Major functions and responsibilities of the IT Steering Committee are to review and recommend IT Policies, Process and Framework to the BoD for approval and to ensure that an effective IT Strategy, Digital Strategy and IT Governance Framework is in place to support and enable bank corporate strategy and roadmap. The Committee also reviews information security policies, associated risks, IT security awareness programs, materiality thresholds for IT Risk and latest developments in cyber-security and potential IS threats, attacks and their impacts on the Bank. Besides the above, the Committee also prioritize and review progress of high impact projects based on business requirements, changing regulatory practices and organizational issues.

## Board Compliance Committee

### Composition:

Committee shall have at least three members comprising of Independent directors.

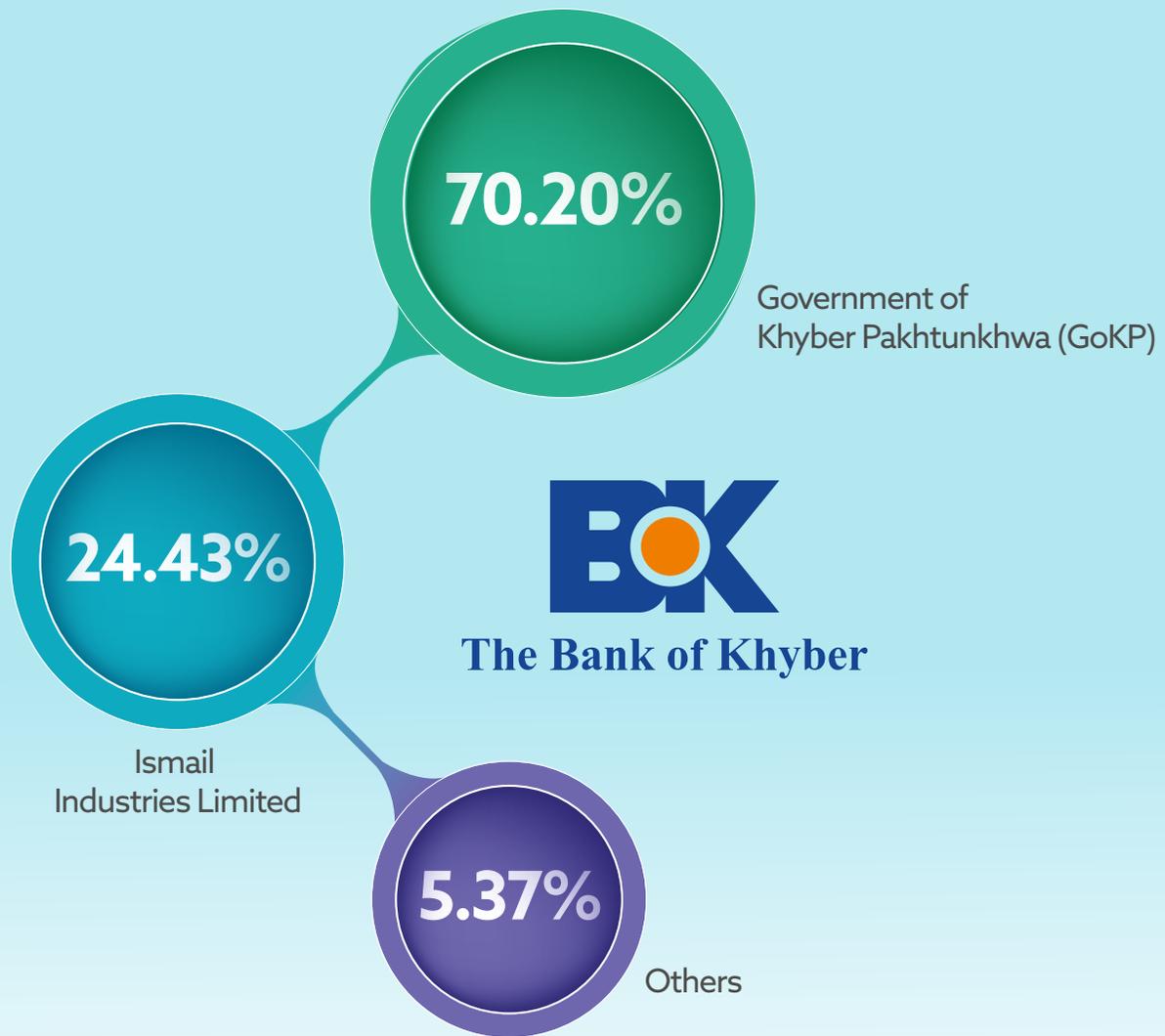
### Terms of Reference

Prime responsibility of the Compliance Committee is to promote and maintain a high compliance culture and values of honesty and integrity in the Bank through establishment of a robust Compliance Function and end-to-end Compliance Program that promotes and supports effective compliance risk management across the Bank. The Committee also approves and monitors the compliance risk strategy and the effectiveness of Bank's overall management of compliance risk, keeping in view the regulatory observations & enforcement actions, internal audit assessments and compliance review. The Committee also approve the appointment of Chief Compliance Officer (CCO) ensuring that he has the appropriate experience, skill, stature, authority, independence and resources to fulfill his assigned duties. In addition to the above, the Committee also ensure the prevention of criminal use of banking channels for the purpose of Money Laundering/ Combating Terrorist Financing and Proliferation Financing.

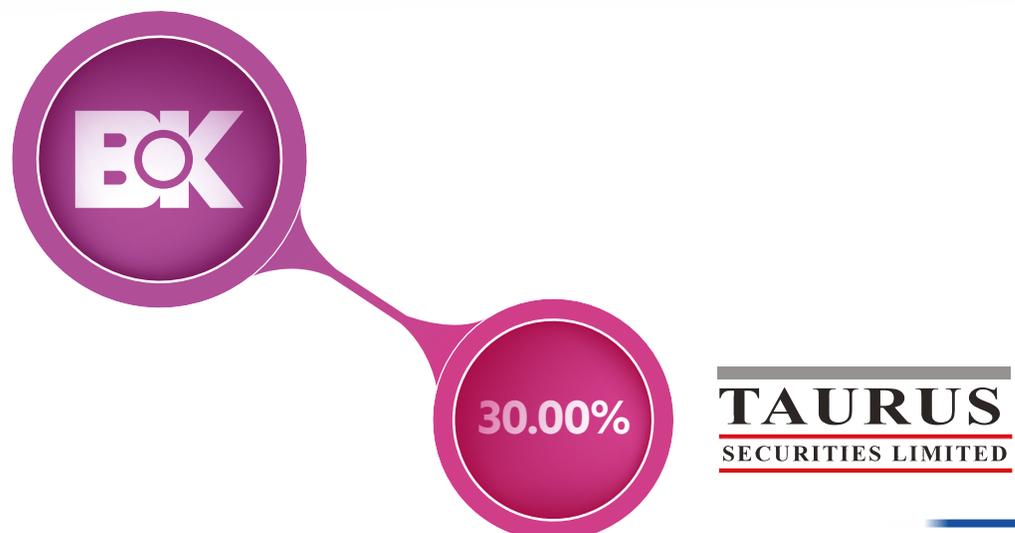
Membership details and attendance record of each committee are mentioned in Corporate Information and Statement of Compliance section of this annual report, respectively.



# Shareholding of the Bank



# Associated Company of the Bank



# Pattern of Shareholding

As at December 31, 2022

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
1012	1	100	48308	0.0044
9657	101	500	1881456	0.1706
1397	501	1000	1087465	0.0986
15436	1001	5000	18042226	1.6359
149	5001	10000	988710	0.0896
47	10001	15000	572191	0.0519
30	15001	20000	511318	0.0464
14	20001	25000	303032	0.0275
12	25001	30000	321161	0.0291
3	30001	35000	98195	0.0089
1	35001	40000	36564	0.0033
2	40001	45000	82803	0.0075
1	45001	50000	46562	0.0042
3	50001	55000	156691	0.0142
2	60001	65000	121624	0.0110
1	65001	70000	68650	0.0062
1	70001	75000	71500	0.0065
2	85001	90000	178106	0.0161
1	90001	95000	93608	0.0085
1	110001	115000	110250	0.0100
1	265001	270000	268050	0.0243
1	300001	305000	300325	0.0272
1	305001	310000	307421	0.0279
1	1130001	1135000	1131500	0.1026
1	1185001	1190000	1185376	0.1075
1	10100001	10105000	10103678	0.9161
1	21220001	21225000	21224084	1.9244
1	269380001	269385000	269383781	24.4248
1	774180001	774185000	774184576	70.1948
27781		Company Total	1102909211	100.0000

# Category of Shareholders

As at December 31, 2022

	No of Shareholders	Shares Held	Percentage
Directors, CEO & Children	3	23,100	0.00
Associated Companies	1	269,383,781	24.43
Banks, DFI & NBFI	5	81,157	0.00
Insurance Companies	2	16,950	0.00
General Public (Local)	27,672	56,590,261	5.13
General Public (Foreign)	64	216,207	0.02
Others	33	2,413,179	0.22
Government of Khyber Pakhtunkhwa	1	774,184,576	70.20
<b>Total</b>	<b>27,781</b>	<b>1,102,909,211</b>	<b>100.00</b>
<b>Shareholding of Directors, CEO &amp; Children</b>			
Syed Asad Ali Shah		7,350	
Tahir Jawaid		7,350	
Mir Javed Hashmat		8,400	
<b>Shareholding of Banks, DFI &amp; NBFI</b>			
Pakistan Industrial & Commercial Leasing Ltd.		2,679	
Prudential Discount & Guarantee House Ltd.		25,127	
Soneri Bank Limited		16,844	
Pakistan Industrial & Comm. Leasing Ltd.		24,123	
Escorts Investment Bank Limited		12,384	
<b>Shareholding of Insurance Companies</b>			
TPL Insurance Limited		16,751	
The Pakistan General Ins. Co. Ltd		199	
<b>Major Shareholders</b>			
Government of Khyber Pakhtunkhwa		774,184,576	
Ismail Industries Ltd.		269,383,781	

# Report of the Board Audit Committee

## Composition of the committee

The Board Audit Committee (BAC) consists of three members comprising of a non-executive and two independent directors. The chairman of the committee is an independent director. Chairman BAC is "financially literate".

## Role of the committee

The BAC has conducted review of annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:

- major judgmental areas;
- significant adjustments resulting from the audit;
- going concern assumption;
- any changes in accounting policies and practices;
- compliance with applicable accounting standards;
- compliance with listing regulations and other statutory and regulatory requirements; and
- all related party transactions.

The BAC also conducted review of preliminary announcements of results prior to external communication and publication.

## Committee's overall approach to risk management and internal control

- The BAC reviewed Bank's statement on internal control systems prior to endorsement by the BOD and internal audit reports.
- The BAC also obtained an independent assessment/opinion on the state of Bank's internal controls from Chief Internal Auditor annually, based on the audits conducted over period.
- The outcomes are represented by objective instructions to the Management regarding deployment of mitigating strategies for control gaps and their regular follow up.
- The statement on internal control systems, details of BAC meetings and attendance is disclosed in annual report.

## Role and Performance of Internal Audit Division (IAD)

Internal Audit Function (IAF) is an independent and permanent function. Chief Internal Audit (CIA) reports functionally to BAC and administratively to the Managing Director. CIA communicate and interact directly with the BAC, including in executive sessions and between BAC meetings as appropriate.

IAD accesses the adequacy and effectiveness of risk management framework that is policies, processes, activities etc. Assessment covers all risks facing the Bank (i.e credit risk, market risk, liquidity risk, operational risk, legal risk, reputational risk etc). In addition to the above, IAD also assists in development of internal controls testing plan for ICFR (Internal Controls over Financial Reporting). IAD supports the Bank to accomplish its mission and strategic business objectives through a systematic, documented risk based audit approach to examine, evaluate and improve effectiveness of the Bank's governance, control and risk management processes.

BAC ensures that there are no restrictions on internal auditors' access to people, information, processes, properties, records and systems to perform their audit activities with independence and objectivity both at engagement and functional level

BAC evaluated the performance of CIA on the basis of Key performance indicators (KPIs) and BAC approved audit plan.

During the current year, IAF conducted 93 and 98 Branch Audits of Conventional and Islamic branches respectively. In addition, 54 Shariah Audits, 150 business risk reviews 15 management audit and 14 IS/IT audits were conducted. In addition, IAF successfully implemented Phase 1 of Audit Management Solution covering end-to-end audit processes. 14 fraud and forgery and forgery investigations and Quality Assurance reviews of all audit assignments were also conducted. IAF also conducted special reviews on a need basis as per IAC and assisted BAC, SBP and external auditors by providing valuable insights regarding internal control environment of the Bank and recommended.

## Review of arrangement for staff

BAC in accordance with its Charter, reviewed arrangement for staff and management in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures.

## Appointment and assessment of the external auditors

BAC reviewed management letter issued by the external auditors, held detailed discussions with external auditors during and after completion of audit. BAC also met external auditors without presence of Management and CIA to ensure no impediments are being faced by external auditors during the course of their review. The process of appointment of external auditors involved an analysis of relevant skill set and experience of external auditors including QCR rating. The factors include number of partners

and directors, experience with audit of FIs, global membership, past experience with BoK etc. In case statutory auditors provide non-audit services, the BAC may require a declaration from external auditors as to how relevant safeguards are adopted by the auditors as specified in Code of Ethics issued by ICAP.

BAC recommends the appointment of external auditors, audit fees, the provision of any service permissible to be rendered to the Bank by the external auditors in addition to audit of its financial statements to the BOD. The BOD gives due consideration to the recommendations of the BAC and where it acts otherwise; it records the reasons thereof.

## Review of Annual Financial Statements

The audit committee has endorsed management's opinion that the Annual Financial Statements were fair, balanced and understandable and provided the necessary information for shareholders to assess the company's position and performance.

# Report of the Board Audit Committee

## Self-evaluation of the Board

The audit committee conducts self-assessment of its performance against the statutory requirements and approved Charter on annual basis. The assessment is then presented in BoD for further review and approval.

## External Oversight of Audit and Internal Controls of the Bank

IAF is accessed by independent external quality assurance reviewer every five years. Latest such assessment was conducted during 2021 by EY Ford Rhodes, wherein the independent reviewer rated IAF as “generally compliant” with International Standards for the Professional Practice of Internal Auditing and Guidelines issued by SBP on Internal Audit Function. This is the highest rating as per the ratings scale followed by the independent reviewer.

## Presence of the Chairman of the Board at the AGM

Chairman Board Audit Committee attended the Annual General Meeting to answer questions on the activities and matters within the scope of Board’s Audit Committee’s responsibilities.



# Statement on Internal Controls

An internal control system is an integrated process comprising of various components to ensure efficiency and effectiveness of operations, reliability of financial reporting, safeguarding of assets and compliance with relevant laws and regulations. However, it needs to be stated that even well-designed system of internal controls is subject to inherent limitations and can only provide reasonable assurance regarding state of internal controls in the Bank.

3LOD (“three lines of defense”) model is adopted by the Bank as a baseline for integrated control framework to achieve the objectives. Accordingly, first line departments are responsible for managing an effective system of internal controls in their day-to-day business activities for which they are accountable. Further compliance and Risk functions, being the second line of defense, are responsible for assisting and monitoring the line management for implementation of adequate control and compliance environment, the third line being Internal Audit.

The Internal Audit Division is placed adequately within the Bank to ensure its independence and to provide objective reasonable assurance on the state of internal controls. Significant and material findings of Internal Audit and External Audit are reported to the Board Audit Committee (BAC). Closure of audit findings is tracked and status is reported to Management and Board Audit Committee. The Board acting through the committee provides overall guidance and support to the Internal Audit function for discharging its duties as per approved Charter.

The compliance committee of the Board (BCC) monitors management of compliance risks under the supervision of Board. Compliance function role is to manage compliance risk via advising management on regulatory requirements across the Bank and performing its mandated responsibilities as per Compliance Risk Management Framework.

As per SBP directives for Internal Controls over Financial Reporting (ICFR), the Bank has completed all stages of ICFR roadmap and an independent Long Form Report (LFR) on the assessment of Bank is being carried out on annual basis, which is also reviewed by the Board Audit Committee. The Bank conducted testing of financial reporting controls to ensure its effectiveness on ongoing basis and believes that deficiencies identified does not have a material impact on financial reporting.

During the year, a third party has been engaged to update the key processes documentation, related controls and management testing plans in order to align it with the operating environment after implementation of centralized core banking solution. Further, a Bank-wide exercise for updating key policies is underway to improve control environment and governance at management and board level.

Moreover, major operational controls were automated which has not only helped the management in improving control environment but provides a platform for efficient regulatory reporting, more informed decision making and bringing efficiency in transaction processing for creating value to the customers.

## Management’s Evaluation on Effectiveness of Control Framework

Based on the results achieved from audits and reviews conducted by Internal Audit function, Compliance Group, Risk Management Division, External audits and ongoing testing of financial reporting controls during the year, management believes that the Bank’s existing system of Internal Control is adequate in design however implementation requires improvement in certain areas identified by the Board. Further, Management endeavors to rectify the observations raised by Internal, external auditors and SBP with respect to overall governance and Board oversight within the minimum timeframe. Considering that room for improvement always exists, the Bank follows SBP Guidelines on Internal Controls to improve its control environment on an ongoing basis.

As required by State Bank of Pakistan (SBP) circular No. 07 of 2004 on internal controls and OSED Circular No.01 dated February 07, 2014“Instructions on Internal Controls over Financial Reporting (ICFR) and based on above, the Bank’s Board of Directors endorse management’s evaluation of internal controls including ICFR.



Muhammad Ali Gulfaraz  
Managing Director



Ikramullah Khan  
Chairman

# Statement of Compliance

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

Name of Bank: The Bank of Khyber

Year ended: December 31, 2022

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

1. The total number of directors are six (6) as per the following,-

a. Male: Six (6)

b. Female: Nil (0) \*

2. The composition of the Board is as follows:

Category	Name
Independent Directors	Syed Asad Ali Shah Mr. Tahir Jawaid Mir Javed Hashmat
Non-Executive Directors	Mr. Shahab Ali Shah (Government Nominee Ex-Officio) Mr. Ikramullah Khan (Government Nominee Ex-Officio)
Executive Directors	Mr. Muhammad Ali Gulfaraz (Managing Director)

\*Ms. Saleha Asif, Director tendered her resignation, which was accepted on December 21, 2022. Subsequent to the year end, her casual vacancy was filled by Dr. Aliya Hashmi Khan.

Further, Mir Javed Hashmat was co-opted against a vacant seat available after the resignation of previous Directors and joined the Board on May 6, 2022. Furthermore, the Chairman sent out a letter to Mir Javed Hashmat setting out his roles and responsibilities as a Director on the Board.

Mr. Rashid Ali Khan on completing the maximum term allowed under the Regulations, left the Board on March 7, 2022.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank;
- The Bank has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures;
- The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. 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 Bank;
- 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 Act and these Regulations;
- 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 Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

9. The Board could not arrange Directors' Training program during the year. However, the Bank intends to arrange Director's Training Program for the new Directors at the earliest.

It is to be noted that Mir Javed Hashmat and Mr Tahir Jawaid has 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 and 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 #	Name of Committee	Current Membership		
1	Board Audit Committee	1. Syed Asad Ali Shah	-	Chairman
		2. Mr. Ikramullah Khan	-	Member
		3. Mir Javed Hashmat	-	Member
2	Human Resource & Remuneration Committee	1. Ms. Saleha Asif *	-	Chairperson
		2. Mr. Tahir Jawaid	-	Member
		3. Mr. Ikramullah Khan	-	Member
3	Risk Management Committee	1. Mr. Ikramullah Khan	-	Chairman
		2. Syed Asad Ali Shah	-	Member
		3. Mr Muhammad Ali Gulfaraz	-	Member
4	I.T. Steering Committee	1. Syed Asad Ali Shah	-	Chairman
		2. Mr. Tahir Jawaid	-	Member
		3. Mr. Muhammad Ali Gulfaraz	-	Member
5.	Compliance Committee	1. Mr. Tahir Jawaid	-	Chairman
		2. Syed Asad Ali Shah	-	Member
		3. Mir Javed Hashmat	-	Member
		4. Mr. Muhammad Ali Gulfaraz	-	Member

\*Ms. Saleha Asif, Director tendered her resignation, which was accepted on December 21, 2022. Subsequent to the year end, her casual vacancy was filled by Dr. Aliya Hashmi Khan.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance.
14. The frequency of meetings (quarterly/half yearly/yearly) of the committees were as per following,-

	Committee	No. of meetings held during the year
a)	Audit Committee	8
b)	Human Resource & Remuneration Committee	8
c)	Risk Management Committee	4
d)	I.T. Steering Committee	5
e)	Compliance Committee	7

# Statement of Compliance

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

15. The Board has set up an effective internal audit function. The concerned staff is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank;
16. The statutory auditors of the Bank 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 Bank;
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, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and

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

- i) The board functions of Nomination Committee are being performed by the Board of Directors. A separate Nomination committee is not required.
- ii) Written notices to the 175th Board meeting was not circulated at least seven days prior to the meeting as required by Regulation No 11 since the same was held at short notice for resolution of adjourned matters left unresolved in preceding meeting.
- iii) Significant policies are not published on website of the Bank as required by Regulation 35. A separate portal for all policies, notices and manuals exists. However, access to the same is only available to employees of the Bank. The Bank is making efforts to ensure that access to the same is available publicly.



**MUHAMMAD ALI GULFARAZ**  
Managing Director



**IKRAMULLAH KHAN**  
Chairman



# Independent Auditor's Review Report

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 December 31, 2022 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.

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 December 31, 2022.

Chartered Accountants  
Islamabad  
Date: March 8, 2023

UDIN: CR202210050p5onHtvJD

# Profile of Shariah Board



**Mufti Muhammad Zahid**

Chairman Shariah Board

Mufti Muhammad Zahid is a notable figure in the field of Shariah and has been teaching various branches of Islam (Quran, Hadith, Fiqh) and Arabic language, besides being the Vice President of Jamia Imdadia, Faisalabad and a member of its Dar-ul-Ifita since 1989. He has completed his "Shahadat-ul-Alamiyyah" Degree (equivalent to Master in Arabic & Islamiyat) from Wifaqul Madaris and "Master In Arabic" from International Islamic University Islamabad Pakistan. He has delivered research-based lectures / presentations at different national and international seminars, forums, conferences and seminars. He has authored various publications including "سلاہی بینکاری کیا ہے -- ایک تعارف" (translation from English to Urdu of the work of Mufti Muhammad Taqi Usmani) and published more than sixteen articles in various well renowned newspapers and magazines. Presently, He is the Chairman of the Shariah Board of Bank of Khyber, besides being the Shariah Board Member of other Islamic banks, Islamic Funds, Member Shariah advisory cell International Islamic University Islamabad, Member Executive Committee International League of Islamic Literature (رابطة الأدب الإسلامي العالمية) Pakistan Chapter, Member Board of Studies Faculty of Sharia & Law (Dep. Islamic Law) International Islamic University Islamabad, Member Ulema Board PIPS (Pak Institute for Peace studies), Member consultancy group Centre for Islamic and also General Secretary, Centre for Islamic Economics, Faisalabad.



**Mufti Muhammad Arif Khan**

Member Shariah Board

Mufti Muhammad Arif Khan is a renowned Shariah scholar with proven experience of Islamic Banking and Finance. He has completed Shahadat-ul- Almiyyah & Takhassus fil Ifita from Jamia Darul Uloom Karachi. He has done MBA (Finance) from Karachi University and MS Islamic Banking & Finance from Institute of Business Administration Karachi. He has received several certificates including CSAA from AAOIFI and CIPA refresher from IBA. This unique blend of educational combination gives him an edge upon many others to understand, correlate and align modern day banking practices with Shariah principles. Being a specialized in the sciences of Islamic Jurisprudence, Mufti Muhammad Arif focuses on presenting Shariah-compliant solutions for modern financial products and ensuring Shariah compliance of transactions. Moreover, he is providing trainings, lectures and shariah advisory to several financial and non-financial institutions.

# Profile of Shariah Board



**Mufti Abdul Wahab**

Member Shariah Board

Mufti Abdul Wahab is a prominent Shariah Scholar in Islamic Finance. He has preeminent academic background in Islamic Studies & Islamic Banking and completed his religious qualification including Takhassus-fi-Iftaa from Jamia Darul Uloom Karachi & Shahdat-ul-Aalimiyah from Wifaqul Madaris. He possesses a unique combination of religious and contemporary education that is very relevant to Islamic Banking. He has strong communication skills combined with knowledge of several languages. He has authored various publications including books on Islamic Finance. He has attended various national / international Islamic banking courses. He has more than five years diversified experience of teaching & research and a member of Dar-ul-Ifaa since in Jamia Darul Uloom Karachi.



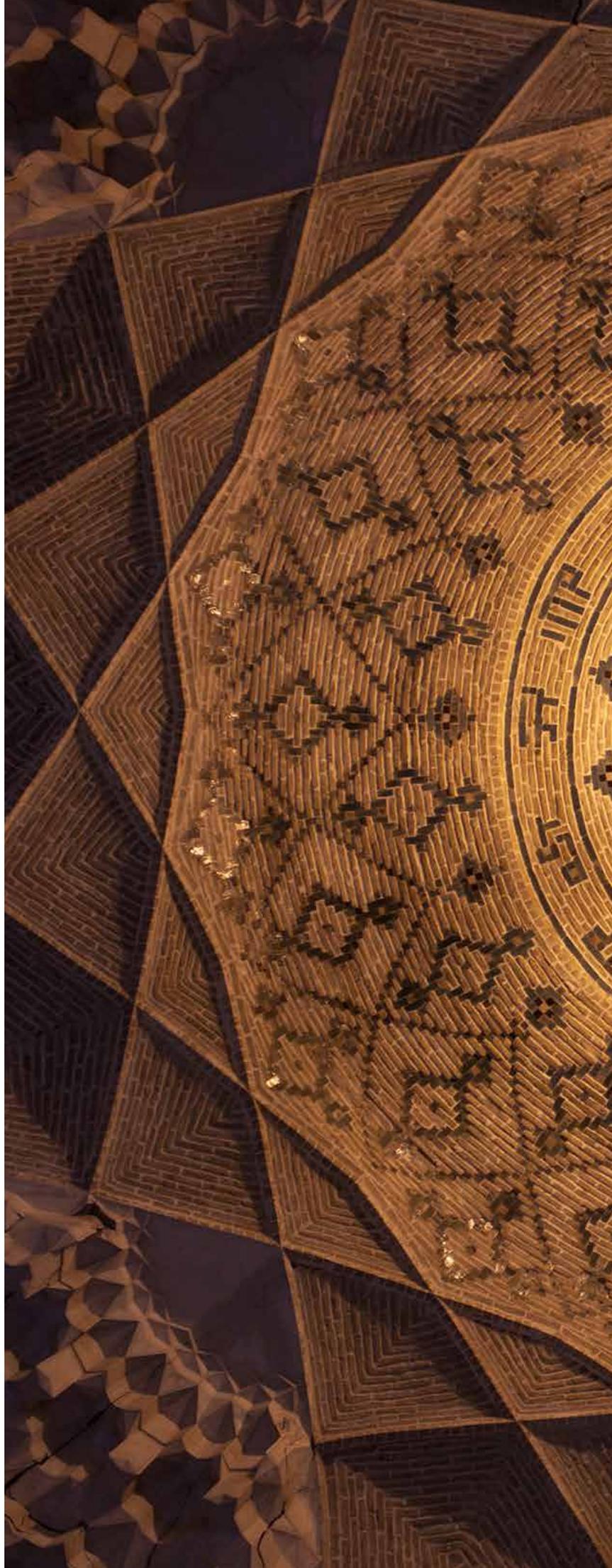
**Qazi Abdul Samad**

Resident Shariah Board Member (RSBM)

Qazi Abdul Samad is an eminent Shariah scholar and has sound experience of Islamic Banking & Finance. He has strong academic background in Islamic Studies and Islamic Economics. He completed his all-religious qualifications such as Shahdatul Aalimiyah Shahadat-ul- Almiyyah from Rabita-ul-Madaris Pakistan. He has also done his Masters in Islamic Studies from Peshawar university, LLB (hons) Shariah & Law from International Islamic University Islamabad and MBA in finance from Abaseen University Peshawar. He has delivered research-based lectures / presentations at different national and international seminars, forums, conferences and seminars. He is regular trainer of NIBAF since 2012. He is also Visiting Faculty Member of Centre for Excellence in Islamic Finance in Institution of Management & Sciences (IMS) Peshawar and associate with other national and international professional bodies of Islamic finance. He is rare and sound mix of Theory and Applied Islamic Banking Practice. He is allied with the bank of Khyber since 2006.

# Terms of Reference of the Shariah Board

The key function of Shariah Board is to supervise and advise the management of the Bank on all Shariah related matters, develop comprehensive Shariah compliance framework for all areas of operations and is responsible for all Shariah related decision. The Shariah Board approves all Islamic Banking related policies, all the procedure manuals, product programs/ structures, process flows, related agreements, marketing advertisements, sales illustrations and brochures so that they are in conformity with the rules and principles of Shariah. The Shariah Board discharged its responsibilities independently & objectively as defined in the Shariah Governance Framework notified by the SBP or any other guidelines/instructions issued by SBP from time to time. The Shariah Board is responsible to review Internal Shariah Audit review report, external Shariah Audit, State Bank of Pakistan Shariah Inspection and Shariah compliance reviews and prescribes appropriate remedial measures. Shariah Board meetings are held at-least quarterly, and it meets with Board of Directors at-least on half-yearly basis





# Annual Report of Shariah Board

In recent years, the Islamic finance industry has witnessed a stellar growth spurt. Despite the pandemic and global economic slowdown, Islamic financing expanded in a very compound rate. Islamic banking industry is flourishing in Pakistan with a rapid pace. Currently, it is holding more than 20% share of the total banking industry in the country. As Pakistan is a developing economy, every sector has to contribute into its economic growth. Banking industry is also playing its role in the economic growth of Pakistan which includes conventional banks and Islamic banks. The financial performance of Islamic banking industry has a very positive impact on the economic growth of the country.

At the Bank of Khyber, Islamic Banking Group (IBG) provides simple, quick, convenient wide range of Shariah compliant banking services both on Assets & Deposits sides through (119) standalone Islamic Banking Branches (IBBs), (06) Sub Islamic Banking branches and (04) Booths spread throughout the country to fulfill “Halal” banking needs of the customers.

## Shariah Compliance Mechanism

Shariah compliance is the most important aspect of Islamic banking/finance and is considered to be the backbone of Islamic Banking Institution. The credibility of Islamic Banking Institution not only depends on the financial health of the institution but also on its adherence to the Shariah Principles. A viable and strong Shariah Compliance mechanism is essential for every Islamic banking Institution. Therefore, a proper Shariah compliance mechanism has been put in place by IBG to ensure that all the activities carried out by the IBG are aligned with the Islamic principles to maintain the trust of the depositors and other stakeholders on the system.

## Shariah Compliance Structure of IBG

Shariah compliance has always been the strength of Islamic Banking Group of the Bank of Khyber and it has

zero tolerance policy in this respect. Bank (IBG) has independent Shariah Compliance Division (SCD). The SCD works under the guidance and supervision of the SB and review all the product proposals and related agreements, contracts, manuals, process flows, checklists submitted by management before presenting these to the SB for approval. SCD conducts Shariah Compliance / Control Review under the supervision of RSBM, of the Bank's business units, branches, and other Head Office departments to ensure that activities & Operations carried out by the Islamic Banking Group do not contravene with the principal of Shariah. The Profit Distribution and Pool Management are reviewed by shariah Research / Review Department (SCD) regularly on monthly basis before each disbursement. All the financing facilities are reviewed before granting Shariah clearance and approval. For every financing facility, Shariah process flow is prepared and made part of the Sanction Advice. Beside the above, SCD also serves as the Secretariat to the SB with the responsibility to provide all the necessary secretarial support to the SB including timely provision of meetings' agenda, proposals, working papers and preservation of all such record. The Shariah Audit function plays a vital role in achieving the objective of ensuring Shariah-compliance by evaluating adherence to Shariah guidelines in activities undertaken by the IBG. For this purpose, IBG has an independent Internal Shariah Audit Department which conduct timely and periodical review of all the divisions of IBG in order to provide an independent judgment regarding the policies, financings, operation and investments of IBG in the light of the approved policies, Shariah Standards, Shariah Board directives and SBP instructions.

IBG also has Product Development & Research Department for developing Shariah compliant products to grow deposits and assets of IBG through introduction of new deposit products, alternative Shariah Complaint financing products and extensive marketing of Islamic Banking operations.

The Shariah Compliance Division, Shariah Research / Review Department, Shariah Compliance Department, Internal shariah audit Department, and product

development & research departments all are functioning under the supervision of Shariah Board.

## Shariah Board Opinion on IBG Activities of the Year 2022

As per SGF, While the Board of Directors and Executive Management are solely responsible to ensure that the operations of IBG are conducted in a manner that always comply with Shariah principles, we are required to submit a report on the overall Shariah compliance environment of IBG. For this purpose, SB has performed/considered the following:

1. Conducted 4 meetings in 2022, to consider, decide and supervise all Shariah related matters of the IBG.
2. Reviewed and granted shariah clearance of all the procedure manuals, product programs/structures, process flows, related agreements, marketing advertisements, and brochures presented by IBG in this year.
3. Approved both Shariah Compliance Review and Shariah Audit yearly plans to ensure the shariah audit/review of considerable portion of IBG activities in this year.
4. Prescribed appropriate action on all shariah related issues of internal Shariah audit, external Shariah audit and Shariah compliance reviews reports presented to us during the year.
5. Endorsed shariah clearance of all financing cases of IBG and shariah procedures of the transactions provided by SCD under the supervision of the Resident Shariah Board Members.
6. Also reviewed major portion of the IBG monthly income and expense statements and pool management activities and responded to all shariah issues referred by the management of the bank.

7. During the year, we also participated in various Islamic Banking training held by the training divisions of the bank to enhance the capacities of IBG's staff and make them fully cognizant of the risk of Shariah non-compliance and its potential implications on the reputation and business of the IBG.
8. Apart from Training for staff, we have participated in many public awareness programs for bank's clients and general public to provide confidence that the IBG is managed by professionals having adequate experience and expertise in Islamic banking.

Therefore, based on the above-mentioned activities, we are of the view that:

- The IBG has complied with directives, regulations, instructions, and guidelines related to Shariah compliance issued by IBD-SBP and Shariah Board of the bank and the transactions and dealings entered into by the Bank during the financial year ended 31 December 2022, are in compliance with the Shariah rules and principles.
- IBG-BOK has a comprehensive mechanism in place to ensure Shariah compliance in its overall operations. The mechanism comprising of independent Shariah Board, shariah compliance division, Internal Shariah Audit & Shariah Review Departments, full time RSBM. And regular / frequent in-house and external trainings for Islamic Banking staff in line with Shariah Governance Framework of SBP are in place.
- The bank has a comprehensive profit & Loss distribution and Pool Management system. During the year under review, profit distribution mechanism, allocation of funds, income & expenses, weightages and other affairs of the IBG of the bank are in conformity with the guidelines that have been approved by the SB in accordance with Islamic rules and principles.
- All sources of income of the bank are Shariah compliant and any earning which has been realized

# Annual Report of Shariah Board

from sources or by means prohibited by Islamic rules and principles have been transferred to the Charity Account which will be distributed as per approved Charity policy of the bank.

- During the period under the review, SB has recommended to the management to develop the skills of Islamic banking staff. In this regard the Training Division of HRD Group has arranged various trainings in Training Center of the bank and nominated sizable number of staff members for trainings arranged by NIBAF and other Islamic banking training Organization. The SCD also conducted sessions, Group discussions with IBBs & IBWs staff during visits for Shariah Compliance Reviews/Inspections.
- The level of awareness, capacity and sensitization of the staff, and the management for Shariah Compliance remained very satisfactory.
- The Shariah Board has been provided adequate resources enabling it to discharge its duties, effectively.

## Conclusion

Based on the strength and capacity of the Shariah Compliance Division and policies/guidelines for Shariah compliance issued by IBG-BOK, we are of the opinion that an effective mechanism is in place to ensure Shariah compliance in overall operations of IBG in the Bank of Khyber.

May Allah ﷻ bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the life hereafter and forgive our mistakes.

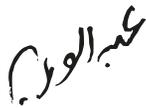
We bear witness only to what we know, and we could not well guard against the unseen! (Surah Yusuf, Verse:81)

والله اعلم بالصواب

والسلام



**Qazi Abdul Samad**  
RSBM



**Mufti Abdul Wahab**  
Member  
Shariah Board



**Mufti Muhammad Arif Khan**  
Member  
Shariah Board



**Mufti Muhammad Zahid**  
Chairman  
Shariah Board

## سالانہ شریعہ بورڈ رپورٹ 2022ء

الحمد لله رب العالمين والصلاة والسلام على خاتم الأنبياء والمرسلين وعلى آله وأصحابه وعترته ومن تبعهم بإحسان إلى يوم الدين -

أما بعد!

حالیہ برسوں میں اسلامک فنانس انڈسٹری نے نمایاں ترقی کی ہے۔ وبائی امراض کی وجہ سے عالمی معیشت میں سرد مہری کے باوجود اسلامی فائنانسنگ میں خاطر خواہ اضافہ ہوا، خاص کر پاکستان میں اسلامی بینکاری انڈسٹری تیزی سے بڑھ رہی ہے۔ فی الحال، اسلامی بینکاری ملک کی کل بینکاری کا تقریباً ۲۰ فیصد ہے۔ چونکہ پاکستان ایک ترقی پذیر معیشت ہے اس لئے ہر شعبے کی یہ ذمہ داری بنتی ہے کہ وہ ملکی معیشت مضبوط بنانے میں اپنا کردار ادا کرے۔ یہی وجہ ہے کہ بینکاری انڈسٹری بھی پاکستان کی معاشی ترقی میں اپنا کردار ادا کر رہی ہے جو روایتی بینکاری سمیت اسلامی بینکاری نظام پر مشتمل ہے اسلامی بینکاری نظام کی مؤثر اور دیرپا نتائج کی حامل مالی کارکردگی ملک کی اقتصادی ترقی پر بہت مثبت اثرات مرتب کرتی ہے۔

بینک آف خیبر میں اسلامی بینکاری گروپ (آئی بی جی) صارفین کو ”حلال“ بینکاری کی ضروریات کو پوری کرنے کے لئے ملک بھر میں پھیلے ہوئے (۱۱۹) انفرادی اسلامی بینکاری برانچوں، (۰۶) ذیلی اسلامی بینکاری شاخوں اور (۰۴) بوتھوں کے ذریعے اثاثوں اور ڈپازٹس دونوں اطراف سے شریعت کے مطابق بینکاری خدمات کی آسان، فوری اور وسیع رینج فراہم کرتا ہے۔

### • شریعت کی تعمیل کا طریقہ کار

اسلامی بینکاری / مالیات میں شریعت کی تعمیل روزاؤل سے اہم فرائض میں شامل ہے کیونکہ یہی وہ چیز ہے جو اسلامی بینکاری میں ریڑھ کی ہڈی کی حیثیت رکھتی ہے۔ اس سے نہ صرف عوام الناس اور سٹیک ہولڈرز کو ذہنی سکون اور اطمینان حاصل ہوتا ہے بلکہ ادارے کی مالی حالت بہتر کرنے کے ساتھ ساتھ شرعی اصولوں کی پاسداری سے اللہ کی خوشنودی کا ذریعہ بھی ہے۔ اس لئے ہر اسلامی بینک کے لئے ایک مضبوط شرعی تعمیل کا نظام اور طریقہ کار ضروری ہے۔ بنابریاس آئی بی جی کے لئے بھی شریعت کی تعمیل کا ایک مناسب طریقہ کار وضع کیا گیا ہے تاکہ اس بات کو یقینی بنایا جا سکے کہ آئی بی جی کی تمام سرگرمیاں اسلامی اصولوں کے مطابق ہوں اور اس کی وجہ سے مذکورہ فوائد حاصل ہوسکیں۔

### آئی بی جی کا شرعی تعمیلی ڈھانچہ

بینک آف خیبر کے اسلامک بینکنگ گروپ میں شرعی تعمیل سے روگردانی یا خلاف ورزی کی کوئی گنجائش نہیں۔ بینک (آئی بی جی) میں آزاد اور خودمختار شریعہ کمپلائنس ڈویژن (ایس سی ڈی) قائم کیا گیا ہے۔ شریعہ کمپلائنس ڈویژن مکمل طور پر شریعہ بورڈ کی رہنمائی اور نگرانی میں

کام کرتا ہے۔ بینک کی انتظامیہ اسلامی بینکاری میں استعمال ہونے والے جملہ پراڈکٹس مینولٹز، معاہدات، پروسیجرز، اشتہارات اور چیک لسٹس وغیرہ منظوری کے لئے شریعہ بورڈ کو بھیجتی ہے۔ بورڈ ان کا شرعی جائزہ لینے کے بعد منظوری دیتا ہے۔ شریعہ کمپلائنس ڈیپارٹمنٹ، مستقل شریعہ بورڈ ممبر (آر ایس بی ایم) کی نگرانی میں بینک کے فائنانسنگ شاخوں اور دیگر ہیڈ آفس شعبوں کا معائنہ کرتی ہے تاکہ اس بات کو یقینی بنایا جاسکے کہ اسلامک بینکنگ گروپ کی سرگرمیاں اور معاملات شریعت کے اصول کے منافی نہ ہوں۔ منافع کی تقسیم اور پول مینجمنٹ نظام کا منافع کی تقسیم سے پہلے ماہانہ بنیادوں پر باقاعدگی سے شریعہ کمپلائنس ڈویژن میں واقع شریعہ ریسرچ ڈیپارٹمنٹ کے ذریعے شرعی جائزہ لیا جاتا ہے۔ اس طرح بینک کے تمام فائنانسنگ عقود شرعی کلیئرٹنس اور جائزہ لینے کے لئے شریعہ ریسرچ ڈیپارٹمنٹ کو پیش کئے جاتے ہیں اور ترامیم و تصحیح کے بعد ہر کیس کا مستقل شرعی اصولوں پر مبنی طریقہ کار بنا کر ریڈیڈنٹ شریعہ بورڈ ممبر (آر ایس بی ایم) کو منظوری کے لئے پیش کیا جاتا ہے۔ آر ایس بی ایم سے منظوری کے بعد اس کو فائنانسنگ پروپوزل کا حصہ بنایا جاتا ہے۔ اس کے ساتھ شریعہ کمپلائنس ڈویژن شریعہ بورڈ کو تمام ضروری سیکرٹریل سپورٹ بھی فراہم کرتی ہے۔ جس میں اجلاسوں کے ایجنڈے، تجاویز، ورکنگ پیپرز کی بروقت فراہمی اور اس طرح کے تمام ریکارڈ کو محفوظ کرنا شامل ہے۔ شریعہ آڈٹ فنکشن آئی بی جی کے تمام آپریشنز کی شرعی ہدایات کی تعمیل کا جائزہ لے کر یہ بات یقینی بناتی ہے کہ آیا بینک کے ہر شعبہ میں شریعت کی تعمیل کے سلسلے میں متعلقہ حکم بجالایا گیا ہے کہ نہیں۔ اس مقصد کے لئے آئی بی جی کے پاس ایک آزاد انٹرنل شریعہ آڈٹ ڈیپارٹمنٹ ہے جو آئی بی جی کے تمام اداروں کے معاملات کا وقتاً فوقتاً جائزہ لیتا ہے تاکہ منظور شدہ پالیسیوں، شریعہ اسٹینڈرڈز، شریعہ بورڈ کی ہدایات اور اسٹیٹ بینک کی ہدایات کی روشنی میں آئی بی جی کی پالیسیوں، فائنانسنگ، آپریشنز اور سرمایہ کاری کے بارے میں آزادانہ رپورٹ فراہم کی جا سکے۔

آئی بی جی میں پراڈکٹ ڈویلپمنٹ اینڈ ریسرچ کے نام سے ایک ڈیپارٹمنٹ بھی سرگرم عمل ہے تاکہ آئی بی جی کو اس قابل بنایا جا سکے کہ ایک طرف خیبر بینک کی راست اسلامی بینکاری کی ڈیپازٹس کے حجم میں بتدریج اضافہ ہو اور ساتھ ساتھ روایتی بینکاری کے شرعی متبادل، جائز اور منافع بخش پراڈکٹس تیار کی جاسکیں۔ شریعہ آڈٹ اور پراڈکٹ ڈویلپمنٹ اینڈ ریسرچ دونوں ڈیپارٹمنٹس بھی شریعہ بورڈ کے زیر نگرانی کام کرتے ہیں۔

### • آئی بی جی کی سال ۲۰۲۲ء کے بارے میں شریعہ بورڈ کی رائے

سٹیٹ بینک کی ہدایات کے مطابق اگرچہ بینک کے بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ اس بات کے حتمی ذمہ دار ہیں کہ وہ اس بات کو یقینی

★ عملہ کی مسلسل تربیت کے ساتھ ساتھ اسلامی بینکاری کے مالیاتی عقود سے آگاہی اور اسلامی بینکاری سے متعلق غلط فہمیوں کے ازالہ کے لئے ملک بھر کے مختلف علاقوں میں آگاہی سیمینارز منعقد کئے گئے جن میں ان علاقوں کے علمائے کرام، مفتیانِ عظام، تاجر پیشہ افراد، طلبہ کرام، ملازمت پیشہ افراد اور علاقے کی معتمد شخصیات نے شرکت کی۔ ان آگاہی پروگرامات میں بینک کے شریعہ بورڈ ممبران اور کمپلائنس ڈویژن کے عملہ کی طرف سے خطاب کے بعد علاقے کے علمائے کرام اور حاضرین مجلس کے ساتھ سوال و جواب کی نشستیں منعقد کی گئیں جس کے نتیجے میں علاقہ کے اہل علم اور دیگر سامعین نے آئی بی جی کی اسلامی بینکاری پر اطمینان کا اظہار کیا اور اس نظام کو سراہا۔

#### • مذکورہ بالا سرگرمیوں کی بنیاد پر ہماری رائے ہے کہ:

- ★ آئی بی جی نے معاملات کے بارے میں شریعہ بورڈ کی طرف سے دیے گئے تمام ہدایات کے مطابق عمل کیا ہے۔
- ★ آئی بی جی نے مجموعی طور پر ان تمام ہدایات، قواعد و ضوابط اور امور کی رعایت کی ہے جو سٹیٹ بینک اور سٹیٹ بینک کی شریعہ سپروائزری کمیٹی کی طرف سے جاری ہوئے ہیں۔
- ★ آئی بی جی کے پاس ایک ایسا مؤثر نظام موجود ہے جس کے ذریعے مالی امور اور معاملات میں ان تمام شرعی امور کا لحاظ رکھا جاسکتا ہے جن کا خیال رکھنا انتہائی ضروری ہے۔ یہ نظام خودمختار شریعہ بورڈ، شریعہ کمپلائنس ڈویژن، شریعہ آڈٹ ڈیپارٹمنٹ، شریعہ ریسرچ و ریویو ڈیپارٹمنٹ، مستقل شریعہ بورڈ ممبر اور ایک مستقل ٹریننگ ڈویژن پر مشتمل ہے۔ جو کہ سٹیٹ بینک کے شریعہ گورننس فریم ورک کے مطابق لازمی اجزاء ہیں۔
- ★ بینک کے پاس تمام تر سرمایہ کاری، ان کے تمام اخراجات، تمام منافع، اور ان کی سرمایہ کاروں میں، پہلے سے مقرر شدہ شرائط کے مطابق تقسیم کے لئے ایک عمدہ نظام موجود ہے جو اس بات کو یقینی بناتا ہے کہ بینک کا سارا سرمایہ کہاں کہاں استعمال ہوا ہے، اس کے متعلقہ اخراجات کتنے تھے، اور اس سے موصول ہونے والا نفع اور اس کے حقدار کون ہیں۔ یہ پورا نظام شریعہ بورڈ سے منظور شدہ ہے۔ نفع و نقصان کی تقسیم سے پہلے اس کی شرعی حوالہ سے نظرثانی بھی کی جاتی ہے اور شرعی تجزیہ کے بعد وہ شرکاء میں حسبِ حصص تقسیم کیا جاتا ہے۔
- ★ بینک کی سرمایہ کاری کی تمام آمدنی شرعی طور پر جائز اور حلال ہے تاہم غلطی سے جو ناجائز آمدنی حاصل ہوئی تھی وہ خیراتی فنڈ میں منتقل کردی گئی ہے اور اسے بینک کی منظور شدہ پالیسی کے

بنا ئیں کہ بینک کا پورا نظام شرعی اصولوں کے مطابق چل رہا ہے۔ تاہم سٹیٹ بینک کی ہدایات کے مطابق ہم (شریعی بورڈ ممبران) کی ذمہ داری ہے کہ آئی بی جی کی عمومی صورتحال کے بارے میں اپنی رائے پیش کریں۔ اس مقصد کے حصول کے لئے سال ۲۰۲۲ء میں شریعہ بورڈ نے جو امور سرانجام دیے ہیں ان میں چند امور مندرجہ ذیل ہیں:

- ★ بینک کے جملہ انتظامی امور میں شریعت کے اصولوں کے مطابق راہنمائی، اپنے فیصلوں پر بینک انتظامیہ کی عمل درآمد اور تمام امور کی شرعی نگرانی کو یقینی بنانے کیلئے چار سہ ماہی مجلسیں (میٹنگز) قائم کی ہیں۔
- ★ آئی بی جی کے اندر استعمال ہونے والے تمام دستاویزات بشمول ہویلی پراڈکٹس کی دستاویزات، ان کا مرحلہ وار طریقہ کار، عقود اور ان سے متعلقہ شرعی ہدایات، اشتہاری مواد مثلاً اسلامی بینکاری سے متعلق مخصوص اشتہارات اور اعلانات کا جائزہ لیا ہے اور اس کے بارے میں اپنی رائے پیش کی ہے۔
- ★ اسلامی بینکاری کی جملہ کارروائی کو قواعد و ضوابط کے مطابق یقینی بنانے کے لئے سالانہ شریعہ آڈٹ اور شریعہ ریویو پلانز (منصوبوں) کا بھی جائزہ لیا اور ان کی منظوری دی۔
- ★ اندرونی (انٹرنل) و بیرونی (ایکسٹرنل) شریعہ آڈٹ اور شریعہ ریویو ڈیپارٹمنٹ کی طرف سے پیش ہونے والے تمام رپورٹوں کا جائزہ لیا اور ان میں موجود شرعی امور پر فوری احکامات صادر کئے ہیں۔
- ★ شریعہ کمپلائنس ڈویژن میں جمع کئے گئے سرمایہ کاری کے تمام پروپوزلز کا شرعی جائزہ لیا گیا اور مستقل شریعہ بورڈ ممبر (آر ایس بی ایم) کی نگرانی میں ہر ہویلی منصوبہ کے لئے، مخصوص مرحلہ وار شرعی طریقہ کار بنا کر حوالہ کردیے گئے جن کی توثیق ہم سے کرائی گئی۔
- ★ شریعہ کمپلائنس ڈویژن نے مستقل شریعہ بورڈ ممبر کی نگرانی میں آئی بی جی کے آمدن کے ذرائع، ان سے حاصل شدہ نفع و نقصان، اس کی بینک اور متعلقہ شرکاء کے درمیان تقسیم اور دوسرے متعلقہ امور کی جان پڑتال کی اور شریعہ آڈٹ نے بھی ان کی سہ ماہی بنیادوں پر نظرثانی کر کے ہمیں رپورٹس جمع کی ہیں جن میں موجود شرعی امور پر ہم نے فوری احکامات صادر کئے۔
- ★ آئی بی جی کے اندر خدمات فراہم کرنے والے عملہ کو اسلامی بینکاری سے متعلقہ تمام عقود اور سرگرمیوں سے روشناس کرانے، انکی علمی و عملی صلاحیتوں کو مزید نکھارنے، ممکنہ غیر شرعی امور کی روک تھام اور آئی بی جی کی اسلامی اقدار کی بقاء کے لئے مختلف فنی اور تربیتی ورکشاپس منعقد کئے ہیں۔

# سالانہ شریعہ بورڈ رپورٹ 2022 ء

## • خلاصہ کلام

مندرجہ بالا تفصیلات کی بنیاد پر ہم خیبر بینک اسلامک بینکنگ گروپ (آئی بی جی آف بی او کے) کے معاملات کے بارے میں اس امر کی تصدیق کرتے ہیں کہ ہماری معلومات کے مطابق سال ۲۰۲۲ء کے دوران خیبر بینک اسلامک بینکنگ گروپ (آئی بی جی آف بی او کے) کی طرف سے کیے گئے تمام عقود شرعی اصولوں کے موافق ہیں۔ شریعہ کمپلائنس ڈویژن کی صلاحیت اور استعداد کو دیکھتے ہوئے اور بینک کی طرف سے جاری کردہ شریعہ کمپلائنس کی ہدایات اور احکامات کے جائزے کے بعد ہماری رائے میں بینک کے تمام شعبوں کی نگرانی اور شریعہ کمپلائنس کو یقینی بنانے کے لیے ایک مؤثر نظام موجود ہے۔

مطابق مستحق اداروں میں تقسیم کیا جائے گا۔ یاد رہے اس سے بینک یا بینک کے شرکاء مستفید نہیں ہوسکتے۔

★ رواں سال بینک کے مختلف شعبوں اور برانچوں کی نظرثانی کے دوران یہ محسوس کیا گیا کہ عملہ کو مزید تربیت اور اسلامی بینکاری کے میدان میں آگاہی کی ضرورت ہے اس بناء پر شریعہ بورڈ نے بینک کے ہیومن ریسورس ڈویژن کو اپنی سفارشات پیش کیں۔ اس کے نتیجے میں انتظامیہ بالا نے فوری طور پر عملہ کی عملی تربیت کیلئے بینک کے اندر، (NIBAF) اور دیگر مستند اداروں کے ذریعے ٹریننگز کا سلسلہ شروع کیا اور اس حوالے سے مختلف ٹریننگز اور ورکشاپس منعقد کئے گئے۔ اس کے ساتھ ساتھ شریعہ کمپلائنس ڈویژن نے شریعہ ریویو کے دوران اسلامی برانچوں کے اندر اجتماعی مباحثوں کے ذریعے متعلقہ عملہ میں آگاہی کی بھی کوشش کی ہے۔

★ آئی بی جی اور بینک کے عملے کا اسلامی بینکاری کے حوالے سے آگاہی، احساس ذمہ داری، محنت، لگن اور اسلامی بینکاری کی ترویج کے لئے جذبہ انتہائی حوصلہ افزاء ہے۔

★ شریعہ بورڈ کو اپنی ذمہ داری ادا کرنے کے لیے تمام مطلوبہ وسائل فراہم کیے گئے ہیں۔

## والله تعالى أعلم بالصواب

﴿ وَمَا شَهِدْنَا إِلَّا بِمَا عَلَّمْنَا وَمَا كُنَّا لِلْغَيْبِ حَافِظِينَ ﴾ - سورہ یوسف آیت ۸۱

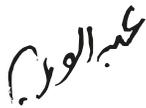
{ اور ہم نے اسی بات کی گواہی دی ہے۔ جس کا ہمیں علم ہے اور ہم غیب کی نگہبانی کرنے والے نہیں ہیں }

اللہ تبارک وتعالیٰ ہم سب کو اپنی رضا کے مطابق دنیا و آخرت کے تمام تر مقاصد حسنہ میں کامیابی عطا فرمائے، فلاح انسانیت کے لئے مزید خدمات کی توفیق نصیب فرمائے اور ہماری ان تمام کاوشوں کو شرف قبولیت سے نوازے۔ (آمین)

وصلی اللہ تعالیٰ علی خیر خلقہ محمد وعلی آلہ وصحبہ أجمعین وآخر دعوانا أن الحمد لله رب العالمین



Qazi Abdul Samad  
RSBM



Mufti Abdul Wahab  
Member  
Shariah Board



Mufti Muhammad Arif Khan  
Member  
Shariah Board



Mufti Muhammad Zahid  
Chairman  
Shariah Board

# IT Governance and Cybersecurity

BOK's IT Governance is a subset of Enterprise Governance, focused on Information Technology, its performance, and Cyber Security regime. IT Governance Framework defines the structure placed to align IT strategy with business strategy, ensuring that Bank stays on track to achieve its strategies and goals, and implementing better practices to measure IT performance. The objective of IT Governance is to achieve strategic alignment, value delivery, IT Risk Management, optimal resource management and performance management.

## IT Governance

IT Governance framework of the Bank entails an IT strategy, organizational structures, roles of the Board and senior management. Board IT Steering Committee (BITSC) is in place to monitor/ oversee the IT Governance & Cyber Security Matters of the Bank. The composition and the TORs of BITSC are discussed in the Board Committee's section of this report.

## IT Strategy

IT Strategy of the Bank identifies five major goals with supporting objectives designed to improve business capabilities and systems:

- Improve information security and privacy protections against cyber threats and data breaches.
- Ensure that the IT systems supporting mission essential functions are continuously available and provide customer's confidence that their funds are readily available in the event of a crisis.
- Develop mobile technologies that offer opportunities for authorized users of BOK applications to conduct their work in new ways and from remote locations.
- Create new information management and analysis capabilities to assess opportunities, capacities

and risk in support of the BOK's supervisory responsibilities.

- Improve service delivery and timely response to new business requirements. New capabilities serve both long- term institutional improvements, but the BOK's readiness in the event of unexpected challenges.

## Early warning system

All incidents are being managed by IT Department with complete RCA & mitigation of risk in future. These Incidents are being reported to Management IT Steering Committee (MITSC). Complete RCA form is submitted to Internal Audit (IA) / Risk & Information Security (IS) along with relevant stakeholders.

## Contingency and Disaster Recovery Plan (DRP)

DRP document is approved by top management, whereas Recovery Point Objective (RPO) / Recovery Time Objective (RTO) are defined as per the Bank's BCP/ DRP document and IT is managing the application as per the defined RPO/ RTO.

## Cybersecurity

The Information Security Division (ISD) have responsibility for the protection of information, monitoring & responsible for overseeing Enterprise-level Information Security needs of the Bank. This division shall ensure that the expectations of internal and external stakeholders are met in-respect of underlying functions. Elevate the information security posture of the Bank. Administratively manage the underlying functions and ensure that their needs in-terms of required resources, tools and trainings are met for them to operate effectively.





# Performance



# Group Performance Review

## Conventional Banking Group

In order to improve the private sector to Government deposits proportion and to diversify its deposit base, the CBG is following the strategy for gradually converting the high cost funds into low cost core deposits through new to bank (NTBs) accounts.

The application of this strategy and action plan for last two years has helped the Group to successfully generate additional low cost deposits for the Bank by getting hold of multiple streams of sustainable accounts. The composition of deposit mix & related cost of deposit have been significantly improved, though there is still room for further improvement in comparison with the industry.

The main areas to focus by the Group was to increase NTBs in retail and private sector, which has improved the level of core deposits. The BOK's share in total KP accounts is quite low for which CBG is actively working on certain out of the box initiatives. Mechanism has been devised to tap the huge cluster of salary accounts of Government/non-government/corporate bodies and business enterprises. Specialized Products have been tailored to meet the requirements of this segment and different MOUs for provision of financial services delivery have been inked within a short span of time. Through this exercise, CBG managed to open more than 100,000 private accounts during FY-2022 while NTB per branch per day ratio increased from 1 to 4 accounts per day per branch in 2022.

Fresh relationships with corporate entities have been established and more than 50 corporate entities have been added to the portfolio. However, emphasis is also on non-funded corporate credit facilities to improve non-interest based income. The Group is prudently working on adding NTBs for fresh business apart from deepening of relationship with existing performing customers for optimal yield to the Bank.

CBG's strategy for next five years is to enhance the Bank's share of consumer finance market in KPK to 60% with emphasis on salary loans. CBG's consumer finance portfolio as of December 31, 2022 stood at Rs. 2.3 billion.

The strategy of agriculture financing to growers is provide financing facilities backed by corporate guarantees. Whereas, keeping in view the current volatile economic situation, the SME finance division will follow a very cautious approach and lend to the tested segments of the market only.

Analyzing the facts, portfolio, operations mechanism, target market and industry practices, CBG's focus will continue to create a robust retail-banking portfolio by applying digitally empowered products apart from maintaining a decent portfolio of high value corporate customers.

## Forward looking statement

- Strategic shift towards Private Deposits and Retail Banking thereby improving the private to Govt. deposit ratio.
- Introducing Institutional Banking to get more advantage from the wide branch network across KP.
- Universities and professional colleges act as nurseries for NTBs due to a regular intake of students who are 18 years and above and hence develop a sustainable loyal customer base for the Bank, so establishing specialized branches at universities is a good source of NTBs.
- In order to get collection accounts of different Government, Institutional and Corporate customers like Universities, Hospitals, Corporate Houses, Government Bodies and Autonomous Authorities of the Government, CBG has introduced and developed customized modules for cash management and collection system according the customers' requirements.
- Specialized and unique products designed and introduced for tapping salary accounts of Government employees as well as Corporate customer's employees which resulted in generation of fresh deposits and is expected to yield the same in future as well.
- CBG's focus is towards introducing new products to diversify deposit base. In this regard, most successful product in Bank's history is 'BOK Pay Plus Current Account' which was introduced in March 2021. So far, over 45,000 accounts have been opened.
- In order to expand customer base and introduce new customers, a concept of account mirroring has been introduced by strategically expanding branch network in markets/territories to tap supply chain of existing customers, so that funds depletion is controlled and deposits mobility is channelized within the Bank's own network.
- Segments like minors, ladies, senior citizens, students, etc., are being tapped by introducing new accounts or by redesigning, rebranding and repositioning existing products.
- Students and parents will be facilitated through digitalization of services through introducing payment aggregators.

## Islamic Banking Group

Islamic Banking Group diversified its deposit base and focused on Private Sector Core Deposits. This strategy not only improved the profitability of the Group but also set a direction for the team to be followed during the year 2023.

During 2022, The Islamic Banking Group-IBG has successfully opened 10 New Branches including 1 Sub-Branch, thereby, expanded its total branch network to 119 Branches out of which 100 Branches are operating across KPK. This nationwide branch expansion strengthened the existing network of branches of BOK making it as one of the most spread out Islamic Banking network of KPK. IBG Deposit base registered a growth of 9% in total Deposits from Rs.75.4 billion to Rs. 82.4 Billion. Private sector deposits remained the main focus which registered a phenomenal growth of 28% and this area will remain our focus and priority in the year 2023 as well.

Corporate Assets Division introduced 14 New Top-tier entities to Corporate portfolio with 35 A-Rated customers to its book during the year. Corporate portfolio of the Division as of December 31st 2022 amounted to Rs. 16.8 billion.

SME Division launched 2 new products i.e. RAAST Refinance Working Capital & Modernization & I-SAAF (SME Asaan) Refinance schemes in collaboration with SBP and KP Govt. SME portfolio of the division as of December 31, 2022 amounted to Rs. 1.2 Billion (approx).

Consumer Division has added over Rs.800 Million fresh Financing to their Portfolio by streamlining and improving their Chart of various products including Government Initiatives on subsidized schemes. Islamic Consumer Banking Division portfolio at the year-end amounted to approx. Rs. 1.9 billion.

### Forward looking statement

- Focus will be on maximizing the profitability.
- Private Sector Deposits will be mobilized with emphasis on Current Deposit and Low Cost Saving Deposit.
- Continues monitoring of performance against targets will be ensured.
- New accounts will be added by capitalizing the branch network.
- Fresh credit facilities will aim for maintaining the quality of assets book.
- Close liaison will be kept with assets customers to avoid fresh NPLs as well as to reduce the existing NPLs.
- IBG will engage in community outreach and education programs to raise awareness about Islamic Banking Products.

## Treasury & Investment Banking Group

During FY-2022, political instability, high international fuel & commodity prices and bludgeoning trade deficit exerted immense pressure on foreign exchange reserves of the Country resulting in significant depreciation of PKR against USD, which in turn contributed towards high inflation. Delay in reaching an agreement with IMF for release of next tranche resulted in major uncertainty about Pakistan's ability to meet its foreign financial obligations. In view of prevailing economic conditions, the SBP in its recent monetary policy meeting held on March 3, 2023, further increased the policy rate thereby taking it to 20 %.

In the backdrop of these economic challenges, Treasury and Investment Banking Group's (the Group) performance was impacted due to the negative impact of sharp rise in policy rates on Bank's investment portfolio. However, on non-mark-up income side, the Group prudently capitalized on the opportunities for foreign exchange earnings. Resultantly, Forex income of the Bank increased by 38% during FY-2022. To weather the impacts of prevailing unprecedented economic challenges and high interest rate outlook, the Group has done major repositioning/re-profiling of its investment portfolio.

### Forward looking statement

Keeping in view the prevailing economic conditions and interest rate outlook for 2023, the Group will continue to re-profile/ reposition its portfolio during the year 2023 as well, and mainly focus to earn consistent interest income for which it will invest in floating rate / short duration portfolio and remain within risk limits. Furthermore, close monitoring will be done for interest rate expectations and movements for necessary changes to be made in the portfolio and its duration etc. accordingly. Forex income will be increased through greater focus on trade and remittances. Moreover, relationships with Financial Institutions will be enhanced to increase business volumes.

# Key Operational Milestones 2022

## Digital Transformation Initiatives

- Upgrade and feature enhancements in BOK Digital banking App.
- Corporate Portal facility for easy access and reconciliation to corporate & institutional clientele.
- Home Remittance Cash Over Counter (COC) system was successfully deployed.
- Customized Cash Collection Modules through introduction of Cash Management System.
- NIFT Enablement for online card transactions acceptance on BOK Website.
- Business Alliance and Partnerships with MasterCard, BookMe, Faysal BIN, KuickPay etc.
- Implementation of NextGen SIEM solution.
- Deployed advance Endpoint Detection & Response along with Sandbox for continuous endpoint monitoring and analytics to quickly evaluate and respond to cyber threats.
- In-House setup of Call Center.

- Shifting of DR Centre from old site (Peshawar) to the New Tier III standard site (Rawalpindi).
- Successful execution and completion of BCP/ DR Drill Activity (first time in the history of BOK).
- Deployment of Governance Risk & Compliance (GRC) Solution.
- Successful completed Batch Processing Name Screening exercise against UN Lists and devised SOPs for Transactions Monitoring and Screening.
- Arranged bank wide training / awareness programs on AML / CFT / CPF for bank's staff through physical class rooms and e-Learning portal.
- Information Security Awareness and training of all staff of the Bank through e-Learning Portal.

# Corporate Social Responsibility

The Bank of Khyber recognizes the importance of Corporate Social Responsibility (CSR) and has made it an essential part of its long-term strategy as a socially responsible entity. The Bank firmly believes in consistently striving to generate a positive impact on society while endeavoring to maintain the trust of its customers and the communities it serves.

## Our Philosophy of CSR

BOK's CSR initiatives are governed by a belief that which employees and customers are integral parts of the community, their interests are taken into account when carrying out community services. The Bank promotes education, health, environment, sports, social awareness, culture, and charitable organizations..

## CSR Focus Areas

Under the CSR Policy, Bank focuses on the following areas to achieve its objectives:



## Regulatory Compliance of CSR Policy

The Bank's CSR policy ensures compliance with all regulatory requirements, including the adoption of the Corporate Social Responsibility (Voluntary) Guidelines, 2013, issued by the Securities and Exchange Commission of Pakistan.

## CSR Activities during the period

Khyber Medical University Plantation Drive, contributing to the greening of the environment and promoting sustainable practices.

- SBBWU Women Employability Summit 2022, supporting the empowerment of women and promoting gender equality.
- Interfaith Minority Rashan Bags, providing food assistance to vulnerable communities during the pandemic.
- Chinar Festival, celebrating the cultural heritage of our region and promoting tourism.
- Sponsored Shayan Ali, a talented tennis player, as Raast youth sports Ambassador, encouraging youth participation in sports and promoting a healthy lifestyle.

- Sponsored the International Seerah Conference
- Sponsored the DC Gilgit Jashne Azadi Sports Gala 2022, supporting community engagement and promoting a sense of national pride.
- Sponsored the BOK Junior Badminton Championship, encouraging youth participation in sports and promoting healthy competition.
- Sponsored the Abasin Arts Council for BOK awards, recognizing and promoting local talent and cultural heritage.
- Sponsored the Women Chamber of Commerce & Industry Peshawar, Exhibition on Youth Start-up & Women Entrepreneurs, supporting women's economic empowerment and promoting entrepreneurship.
- Sponsored the BOK Squash Talent Hunt Program, goal was to establish a robust financial support system for the new Squash talent of KP, which helped in reviving the past glory of squash.
- Sponsored the Pakistan Corporate Conference ACCA, promoting business and financial literacy.
- Sponsored the Peshawar Football League, encouraging youth participation in sports and promoting healthy competition.
- Sponsored the Women Chamber of Commerce & Industry Peshawar for Excellence Awards, recognizing and promoting the achievements of women entrepreneurs
- Provided a grant to the Khpal Kor Foundation for the construction of an auditorium and need cum merit-based scholarships to students schooling at Khpal Kor Foundation School System, thus supporting education and providing opportunities to underprivileged children.

# Corporate Social Responsibility

## Go Green Initiatives

As a socially responsible financial institution, we are committed to contributing to the reduction of emissions and promoting awareness through environmentally friendly practices and social media outreach on significant environmental occasions. At BOK, we prioritize activities related to Corporate Social Responsibility, which encompasses social, economic, and environmental concerns.

Throughout 2022, we placed considerable emphasis on promoting important social media campaigns for various international events, including World Water Day, Earth Day, World Biodiversity Day, World Environment Day, Global Wind Day, Water and Mangroves Conservation Day, World Nature Conservation Day, No Tobacco Day, Women's International Day, and International Men's Day.

In line with our commitment to environmental protection, BOK has launched a Global Warming and Green Awareness campaign aimed at educating our employees and

customers on the importance of environmental and climate protection.

### Tree Plantation:

The Bank of Khyber has supported several plantation initiatives throughout the year, with the most notable being the Tree Plantation Campaign during the opening of a new branch in the Economic Zone of Nowshera. In addition, the Bank has collaborated with the Government of Khyber Pakhtunkhwa and the Peshawar Development Authority to sponsor various plantation drives.

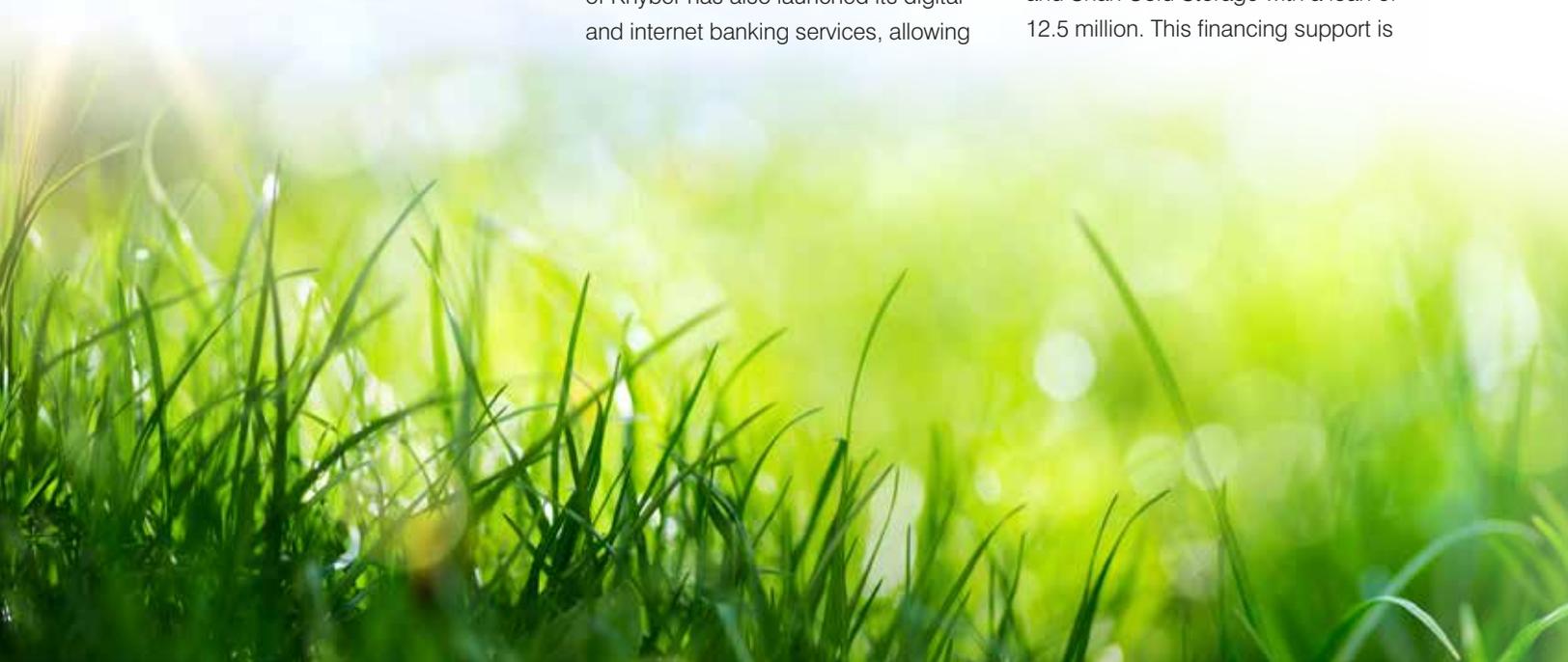
## Green Banking Initiatives

In an effort to reduce its carbon footprint, the Bank has implemented solar power systems at its branches and ATMs. A total of thirteen branches have been converted to fully operate on renewable energy, specifically solar power. Additionally, the Bank has successfully transitioned its branches and Head Office from manual to digital operations through the implementation of a core banking system. The Bank of Khyber has also launched its digital and internet banking services, allowing

customers to conveniently transfer funds and make payments for utilities and other expenses. The Head Office has recently relocated to a new building equipped with a central cooling and heating system, as well as energy-efficient LED lights, to optimize energy usage and conservation. Furthermore, the Bank has implemented strict guidelines for the Head Office and security staff to turn off their lights when leaving the premises.

### Responsible/Green Financing.

The Bank of Khyber is committed to promoting innovative and environmentally friendly financing solutions as part of its ongoing efforts. The Bank's modified customer business models and innovative finance solutions are proving to be attractive to retail, small, medium, and corporate market players alike. Notably, the Bank has provided financing support to several businesses, including M/s. Kohat Textile Mills Solar Energy for a 1MW solar power system with a loan of PKR 55 million, Ashraf Sugar Mills with a loan of 28.5 million, AVT Khyber, and Shan Cold Storage with a loan of 12.5 million. This financing support is



part of the Bank's efforts to change its business model and shift its reliance from fossil fuel-based generators to solar-powered, clean, and renewable energy systems.

As we provide environmentally friendly customized solutions to meet the specific requirements of our customer business models. Some of the financing solutions we offer include:

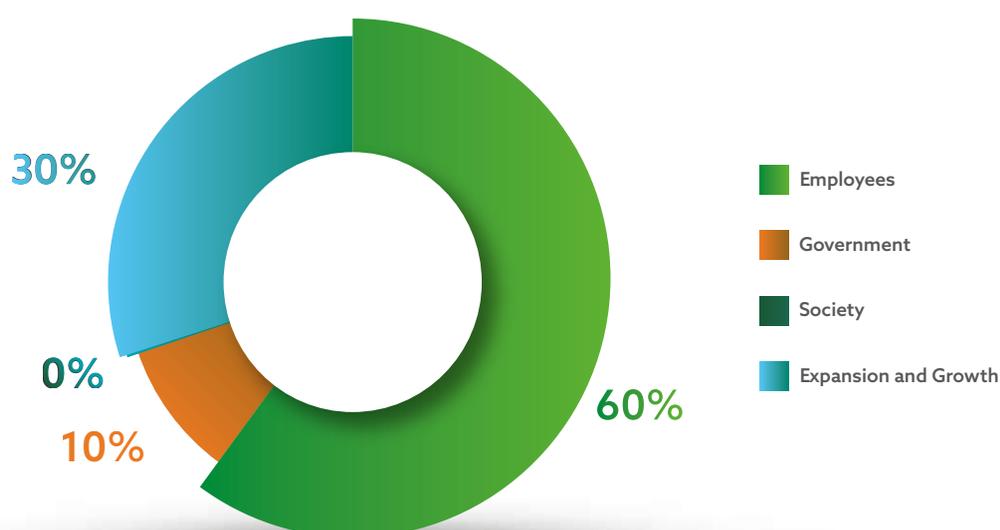
- o Solar Tube well Loan Scheme
- o Rain Water Harvest Loan Scheme
- o Irrigation Loan Scheme (Drip & Sprinkle)
- o Roshan Ghar
- o Raast Roshan Ghar
- o Raast Green Energy Financing
- o SBP Renewable Energy Refinance Schemes

Moving forward, we remain committed to our CSR initiatives and look forward to making a positive impact on society. At BOK, we understand that the success of our business is linked with the success of the community we serve. Therefore, we will continue to prioritize our CSR initiatives in the years to come, as we strive to contribute to a better tomorrow.



# Statement of Value Addition

	2022	
	Rs. In Million	%
<b>Value Added</b>		
Net interest income	7,149	
Non interest income	1,385	
Operating expenses excluding staff costs, depreciation, amortization and donations	(2,283)	
Provisions and write offs - net	(902)	
<b>Value added available for distribution</b>	<b>5,349</b>	
<b>Distribution of value added:</b>		
<b>To employees</b>		
Remuneration, provident fund and other benefits	3,214	60%
<b>To government</b>		
Income tax	521	10%
<b>To shareholders</b>		
Cash dividends to shareholders	-	0%
<b>To Society</b>		
Donations	12	0%
<b>To expansion and growth</b>		
Depreciation, Amortization and others	1,602	30%
	<b>5,349</b>	



# Financial Statements Analysis

## Statement of Financial Position

Total deposits with an increase of 12% stood at Rs. 248,906 million in comparison with Rs. 221,876 million as at December 31, 2021. This growth was mainly driven through new customer acquisitions and deepening of the existing portfolio base whereas CASA deposits mobilization remained a pivotal point of the whole drive. Investments have been consolidated and stood at Rs. 173,669 million as compared with Rs. 184,399 million as at December 31, 2021. Furthermore, the gross advances of the Bank stood at Rs. 134,913 million from Rs. 131,166 million of 2021.

The overall asset base of the Bank reduced as compared to previous year amount of Rs. 358,606 million and stood at Rs. 344,984 million as on December 31, 2022.

## Profit and Loss Account

With a slight increase, the Net Mark-up / Interest Income stood at Rs. 7,149 million as compared to Rs. 6,789 million in the corresponding period of 2021. Non-Markup / Interest Income for the year increased mainly due to increase in foreign exchange income and fee and commission income and stood at Rs. 1,385 million as compared to Rs. 1,023 million of the previous year.

Non-markup expenses of the Bank for the year ended December 31, 2022 stood at Rs. 6,711 million as against Rs. 5,300 million during last year. This included the impact of inflation as well as increase of operating costs due to ongoing branch expansion and capacity building initiatives. Moreover, charge for provision-net for year 2022 amounted to Rs. 902 million as against Rs. 832 million during the year 2021. The Bank has devised a comprehensive strategy for recoveries from non-performing loans (NPLs) as well as for reduction of overall NPLs of the Bank.

The Bank's profit before tax was recorded at Rs. 920 million as against Rs. 1,680 million of the previous year. Despite achieving progress in number of areas during the year, the Bank's net profit squeezed to Rs. 455 million.

This was mainly due to the negative impact of sharp rise in policy rates on Bank's investment portfolio coupled with the impact of increase of operating cost due to ongoing branch expansion and capacity building measures for Bank's better future prospects. To weather the impacts of prevailing unprecedented economic challenges and high interest rate outlook for 2023, the Bank has done major repositioning of its investment portfolio. The earnings per share for the year 2022 was recorded at Rs. 0.41 against Rs. 1.00 in 2021.

## Capital Management

The Bank is compliant with all the applicable minimum capital and liquidity requirements. The Bank's Capital Adequacy Ratio (CAR) as of December 31, 2022 stood at 14.88% while Leverage Ratio (LR) stood at 4.02%. Moreover, Liquidity Coverage Ratio (LCR) of the Bank was 146.17% and Net Stable Funding Ratio (NSFR) was 149.83% as of December 31, 2022. The Bank is following a prudent dividend strategy to strengthen its capital base. For the year 2022, no dividend was declared mainly in view of the benefit of Forced Sale Value (FSV) of held collaterals availed against the non-performing loans and the benefit of staggering of mark-to-market losses availed against certain Available for Sale (AFS) category Pakistan Investment Bonds (PIBs) held by the Bank as of December 31, 2022.

The shareholders' equity as of December 31, 2022 was recorded at Rs. 16,427 million as compared to Rs. 16,570 for December 31, 2021.

## Network expansion & customer outreach

The Bank at the end of the year under review was operating with 231 branches and 24 sub-branches all over the country including Gilgit Baltistan, erstwhile FATA and Azad Jammu & Kashmir 119 branches of the Bank were functioning as dedicated Islamic Banking branches.

Taking cognizance of the fact that the outreach of branch network has direct implications on the services, the Bank

# Financial Statements Analysis

focused on concentrating and broadening its services through the extended branch network to provide efficient banking services to its valued customers. Our branch network is also catering to the banking needs of the people in the merged districts of the erstwhile FATA as well.

To satisfy the needs of diverse range of clientele, the Bank has also taken concrete measures through augmentation of digital and conventional banking services all across Pakistan.

## Methods and assumptions used in compiling the indicators/ results

The Bank selects indicators that accurately reflect its performance. While compiling its indicators, the Bank considers various factors including but not limited to its market positioning, competitors, and market conditions. To assess its performance, the Bank carries out detailed analysis of its profit & loss account and balance sheet with special focus on deposits, investments, advances, borrowings, operating income, operating expenses, overall profitability, capital, and liquidity ratios on a regular basis. The Bank manages its dividend payout in accordance with profitability achieved over the year, while also ensures that the institution has sufficient capital buffers to meet regulatory requirements. Market conditions, future outlook and governing rules and regulations are also considered in the Bank's decision on whether to pay a cash or stock dividend. When cash flow from operating activities is

compared to profit before taxes, it can reveal how a bank earns funds and manages cash flows. The Bank analyses its cash flows on a regular basis and maintained them at the required levels.

Change in important indicators are outlined in the following performance section of the report.

## Change in Indicators and Performance Measures

The Bank's performance in important areas is measured using key performance indicators (KPIs). These indicators are used to assess the Bank's current position and the expected course it will take in future. KPIs that are crucial to BOK business have been identified. The Bank examined several indicators, their interpretation, and the extent to which they can accurately and effectively communicate the Bank's performance while identifying KPIs. Major metrics are described in the performance section of the report.

## MD/ CEO presentation video on the BOK's business performance

The MD/ CEO's presentation video message on the BOK's business performance of the year 2022 covering the bank's business strategy to improve and future outlook is available at <https://www.bok.com.pk/investor-relations>





# Six Year Financial Performance & Ratios

# Six Year Financial Performance & Ratios

Statement of Financial Position		2017	2018	2019	2020	2021	2022
Cash and Balance with Banks	Rs. In M	12,173	16,056	20,368	24,932	29,490	19,830
Lendings to Financial Institutions	≈	1,529	7,696	13,863	7,298	4,982	7,641
Investments-Net	≈	140,474	94,233	146,911	113,479	184,399	173,669
Advances-Net	≈	83,369	95,012	109,742	129,063	124,549	127,515
Fixed Assets including Intangibles	≈	2,371	2,295	3,621	4,004	5,587	6,087
Deferred Tax Assets	≈	380	1,757	1,031	460	993	1,368
Other Assets	≈	4,836	6,046	10,769	9,064	8,606	8,874
<b>Total Assets</b>	≈	<b>245,132</b>	<b>223,095</b>	<b>306,305</b>	<b>288,300</b>	<b>358,606</b>	<b>344,984</b>
Bills Payable	≈	1,131	895	1,172	944	875	2,102
Borrowings	≈	64,190	34,842	94,656	57,063	110,069	66,263
Deposits and other Accounts	≈	159,247	171,168	182,168	203,072	221,876	248,906
Other Liabilities	≈	5,166	4,485	14,108	9,449	9,217	11,285
<b>Total Liabilities</b>	≈	<b>229,734</b>	<b>211,390</b>	<b>292,104</b>	<b>270,528</b>	<b>342,036</b>	<b>328,557</b>
<b>Net Assets</b>	≈	<b>15,398</b>	<b>11,705</b>	<b>14,201</b>	<b>17,772</b>	<b>16,570</b>	<b>16,427</b>
Share Capital	≈	10,003	10,003	10,003	10,003	10,502	11,028
Reserves	≈	2,550	2,643	2,905	3,335	3,556	3,647
Surplus on Revaluation of Assets-Net	≈	455	(2,105)	(781)	1,167	351	(230)
Unappropriated Profit	≈	2,390	1,164	2,074	3,267	2,160	1,983
<b>Total Equity</b>	≈	<b>15,398</b>	<b>11,705</b>	<b>14,201</b>	<b>17,772</b>	<b>16,570</b>	<b>16,427</b>
Contingencies and Commitments	≈	21,584	29,505	51,737	60,717	83,780	61,800
Profit and Loss Account		2017	2018	2019	2020	2021	2022
Mark-up/ return earned	Rs. In M	14,375	14,686	24,657	25,673	21,939	40,242
Mark-up/ return expensed	≈	9,576	9,547	19,891	18,911	15,150	33,093
<b>Net-Markup Interest income</b>	≈	<b>4,799</b>	<b>5,139</b>	<b>4,766</b>	<b>6,762</b>	<b>6,789</b>	<b>7,149</b>
Fee and Commission income	≈	338	407	398	388	425	546
Dividend	≈	58	50	13	17	38	13
Foreign Exchange Income	≈	87	139	284	612	478	660
Capital Gain/ (Loss)	≈	1,061	(1,226)	290	1,735	(114)	8
Others	≈	106	104	127	126	197	157
<b>Total Non Mark-up Income</b>	≈	<b>1,650</b>	<b>(527)</b>	<b>1,112</b>	<b>2,877</b>	<b>1,024</b>	<b>1,385</b>
<b>Total income</b>	≈	<b>6,449</b>	<b>4,613</b>	<b>5,878</b>	<b>9,639</b>	<b>7,812</b>	<b>8,533</b>
Operating expenses	≈	3,777	4,077	3,638	4,223	5,300	6,711
<b>Operating profit before tax and provision</b>	≈	<b>2,672</b>	<b>535</b>	<b>2,240</b>	<b>5,416</b>	<b>2,513</b>	<b>1,822</b>
Provisions / write-offs	≈	(123)	(171)	(21)	1,610	832	902
<b>Profit before tax</b>	≈	<b>2,795</b>	<b>706</b>	<b>2,261</b>	<b>3,806</b>	<b>1,681</b>	<b>920</b>
Tax	≈	1,005	240	955	1,654	577	465
<b>Profit after tax</b>	≈	<b>1,790</b>	<b>466</b>	<b>1,306</b>	<b>2,152</b>	<b>1,104</b>	<b>455</b>
Cash Flow Statement		2017	2018	2019	2020	2021	2022
Cash Flow from Operating Activities	Rs. In M	(3,663)	(36,875)	55,554	(31,726)	78,724	(15,404)
Cash Flow from Investing Activities	≈	(1,292)	42,118	(51,126)	36,735	(72,534)	6,122
Cash Flow from Financing Activities	≈	(1,489)	(1,501)	(351)	(889)	(1,978)	(766)
Profitability Ratios		2017	2018	2019	2020	2021	2022
Profit before tax ratio (PBT / Total Income)	%	43.34%	15.31%	38.46%	39.48%	21.52%	10.78%
Gross Yield on Earning Assets (Gross Markup Income / Earning Assets)	%	6.05%	6.90%	8.48%	9.34%	6.39%	12.24%
Gross Spread ratio (Net Markup Income / Gross Markup Income)	%	33.38%	34.99%	19.33%	26.34%	30.95%	17.77%
Cost to Income ratio (Operating expense / Total Income)	%	58.57%	88.40%	61.90%	43.81%	67.83%	78.65%
Return on (Avg) Asset	%	0.79%	0.20%	0.49%	0.72%	0.34%	0.13%
Return on (Avg) Equity	%	11.35%	3.44%	10.08%	13.46%	6.43%	2.76%
Return on Capital Employed (PAT / Tier 1 Capital)	%	11.98%	3.38%	8.72%	12.96%	6.81%	2.73%
Return on Shareholder's Funds (PAT / Share Capital)	%	17.90%	4.66%	13.05%	21.51%	10.52%	4.13%

Liquidity Ratios		2017	2018	2019	2020	2021	2022
Advance to deposits ratio	%	52.4%	55.5%	60.2%	63.6%	56.1%	51.2%
Current / Quick ratio	Times	0.59	0.70	0.63	0.81	0.94	0.83
Cash Coverage ratio (Cash to current Liabilities)	Times	0.05	0.10	0.07	0.12	0.11	0.09
Cost of Deposits	%	4.39%	4.74%	8.39%	6.18%	5.02%	8.55%
Efficiency ratio (Operating Expense excl. other charges / Deposits)	%	2.37%	2.37%	1.99%	2.08%	2.39%	2.67%
Infection Ratio (NPLs / Gross Advances)	%	5.48%	4.70%	4.41%	5.39%	8.02%	8.71%
Coverage Ratio (Provision / NPLs)	%	89.52%	89.20%	84.23%	80.32%	62.89%	62.93%
Investment / Market Ratios		2017	2018	2019	2020	2021	2022
Earnings per share (EPS) and diluted EPS	Rs.	1.79	0.47	1.31	2.15	1.05	0.41
Earnings per share (EPS) and diluted EPS- Restated	Rs.	1.62	0.42	1.18	1.95	1.00	0.41
Price Earning ratio (EPS / MV of share at year end)	Times	7.54	27.55	10.35	6.97	14.76	31.71
Price to Book ratio (MV of share at year end / Breakup value per share)	Times	0.88	1.11	0.96	0.84	0.98	0.87
Dividend Yield ratio (Cash Dividend per share / MV of share at year end)	%	11.11%	0.00%	3.69%	10.01%	0.00%	0.00%
Dividend Payout ratio / Dividend Cover Ratio (EPS / Cash Dividend per share)	%	83.80%	0.00%	38.17%	69.77%	0.00%	0.00%
Cash Dividend per Share	Rs.	1.50	0.00	0.50	1.50	0.00	0.00
Stock Dividend per share	No.	0.00	0.00	0.00	0.05	0.05	0.00
<b>Market value per share at the end of the year</b>	Rs.	13.50	12.95	13.56	14.98	15.50	13.00
High- during the Year	Rs.	17.99	16.20	13.92	15.00	19.24	16.59
Low- during the year	Rs.	12.00	11.60	5.98	12.45	13.85	11.27
<b>Breakup value per share:</b>							
With Surplus on revaluation of assets	Rs.	15.39	11.70	14.20	17.77	15.78	14.90
Without Surplus on revaluation of assets	Rs.	14.94	13.81	14.98	16.60	15.44	15.11
<b>DuPont Analysis:</b>							
Net Operating Margin (PAT / Total Income)	%	27.76%	10.11%	22.22%	22.32%	14.13%	5.33%
Asset Utilization ( Total Income / Avg. Total Assets)	%	2.86%	1.97%	2.22%	3.24%	2.42%	2.43%
Equity Multiplier (Avg. Total Assets / Avg. Total Equity)	Times	14.32	17.28	20.44	18.60	18.84	21.32
Free Cash Flow	Rs. In M	(4,240)	(37,133)	54,939	(32,595)	77,213	(16,486)
Economic Value Added (EVA)	Rs. In M	352	(1,328)	(1,269)	1,693	(157)	(2,380)
Capital Structure		2017	2018	2019	2020	2021	2022
Capital Adequacy ratio	%	20.00%	12.28%	15.30%	19.35%	14.74%	14.88%
Earning assets to total assets ratio	%	96.90%	95.47%	94.97%	95.31%	95.77%	95.27%
Net assets per share	Rs.	15.39	11.70	14.20	17.77	15.78	14.90
Debt to Equity ratio (as per book value)	No.	14.92	18.06	20.57	15.22	20.64	20.00
Debt to Equity ratio (as per market value)	No.	12.16	14.42	16.45	11.89	15.31	16.65
Non-Financial Ratios		2017	2018	2019	2020	2021	2022
Staff turnover ratio	%	7.90%	6.56%	7.23%	7.72%	7.98%	12.97%
Customer Satisfaction Index	%	90.00%	80.00%	79.00%	79.00%	81.00%	95.00%
Employee Productivity Rate (Deposits per Employee)	Rs. In M	113.34	123.32	135.74	141.22	125.57	127.64
Employee Productivity Rate (PBT per Employee)	Rs. In M	1.99	0.51	1.68	2.65	0.95	0.47

# Vertical Analysis

## STATEMENT OF FINANCIAL POSITION

Rs. in million

	2017	%	2018	%	2019	%	2020	%	2021	%	2022	%
<b>ASSETS</b>												
Cash and balances with treasury banks	8,916	4%	12,351	6%	12,138	4%	15,840	5%	17,375	5%	16,274	5%
Balances with other banks	3,257	1%	3,705	2%	8,230	3%	9,092	3%	12,115	3%	3,557	1%
Lendings to financial institutions	1,529	1%	7,696	3%	13,863	5%	7,298	3%	4,982	1%	7,641	2%
Investments	140,474	57%	94,233	42%	146,911	47%	113,479	39%	184,399	51%	173,669	50%
Advances	83,369	34%	95,012	42%	109,742	36%	129,063	46%	124,549	35%	127,515	37%
Fixed assets	2,234	1%	2,216	1%	3,335	1%	3,472	1%	5,137	1%	5,613	2%
Intangible assets	137	0%	79	0%	286	0%	532	0%	450	0%	473	0%
Deferred tax assets	380	0%	1,757	1%	1,031	0%	460	0%	992	0%	1,368	0%
Other assets	4,836	2%	6,046	3%	10,769	4%	9,064	3%	8,606	2%	8,874	3%
	245,132	100%	223,095	100%	306,305	100%	288,300	100%	358,606	100%	344,984	100%
<b>LIABILITIES</b>												
Bills payable	1,131	0%	895	0%	1,172	0%	944	0%	875	0%	2,102	1%
Borrowings	64,190	26%	34,842	16%	94,656	31%	57,063	20%	110,069	31%	66,263	19%
Deposits and other accounts	159,247	66%	171,168	77%	182,168	59%	203,072	71%	221,876	62%	248,906	72%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Subordinated debt	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities	5,166	2%	4,485	2%	14,108	5%	9,449	3%	9,217	3%	11,285	3%
	229,734	94%	211,390	95%	292,104	95%	270,528	94%	342,036	95%	328,557	95%
<b>NET ASSETS</b>	15,398	6%	11,705	5%	14,201	5%	17,772	6%	16,570	5%	16,427	5%
<b>REPRESENTED BY</b>												
Share capital	10,003	4%	10,003	4%	10,003	3%	10,003	3%	10,503	3%	11,028	3%
Reserves	2,550	1%	2,643	1%	2,905	1%	3,335	1%	3,556	1%	3,647	1%
Surplus / (Deficit) on revaluation of assets	455	0%	(2,105)	-1%	(781)	0%	1,167	1%	351	0%	(230)	0%
Unappropriated profit	2,390	1%	1,164	1%	2,074	1%	3,267	1%	2,161	1%	1,983	1%
	15,398	6%	11,705	5%	14,201	5%	17,772	6%	16,570	5%	16,427	5%

## PROFIT & LOSS ACCOUNT

	2017	%	2018	%	2019	%	2020	%	2021	%	2022	%
Mark-up / return / interest earned	14,375	90%	14,686	104%	24,657	96%	25,673	90%	21,939	96%	40,242	97%
Mark-up / return / interest expensed	(9,576)	-60%	(9,547)	-67%	(19,891)	-77%	(18,911)	-66%	(15,150)	-66%	(33,093)	-80%
Net mark-up / interest income	4,799	30%	5,139	37%	4,766	19%	6,762	24%	6,789	30%	7,149	17%
Non - Markup / interest income	1,651	10%	(526)	-4%	1,112	4%	2,877	10%	1,023	4%	1,384	3%
Total income	6,450	40%	4,613	33%	5,878	23%	9,639	34%	7,812	34%	8,533	20%
Non Mark-Up / Interest Expense	(3,778)	-24%	(4,077)	-29%	(3,638)	-14%	(4,223)	-15%	(5,300)	-23%	(6,711)	-16%
<b>Profit Before Provisions</b>	2,672	16%	536	4%	2,240	9%	5,416	19%	2,512	11%	1,822	4%
(Provisions) / Reversals - net	123	1%	171	1%	21	0%	(1,610)	-6%	(832)	-4%	(902)	-2%
<b>Profit Before Taxation</b>	2,795	17%	707	5%	2,261	9%	3,806	13%	1,680	7%	920	2%
Taxation	(1,005)	-6%	(241)	-2%	(955)	-4%	(1,655)	-5%	(577)	-3%	(465)	-1%
<b>Profit After Taxation</b>	1,790	11%	466	3%	1,306	5%	2,151	8%	1,104	5%	455	1%

# Horizontal Analysis

## STATEMENT OF FINANCIAL POSITION

Rs. in million

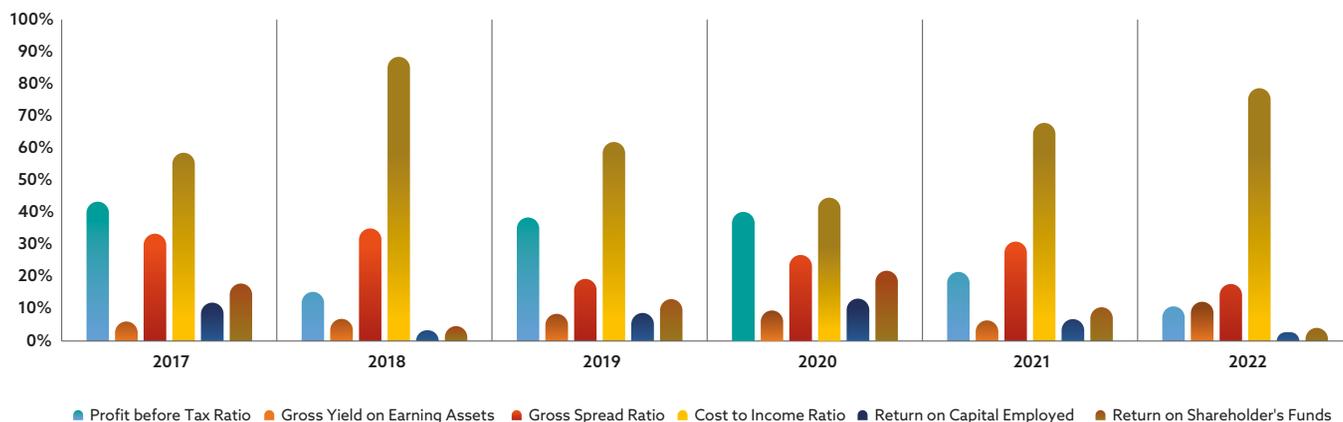
	2017	%	2018	%	2019	%	2020	%	2021	%	2022	%
<b>ASSETS</b>												
Cash and balances with treasury banks	8,916	3%	12,351	39%	12,138	-2%	15,840	31%	17,375	10%	16,274	-6%
Balances with other banks	3,257	-67%	3,705	14%	8,230	122%	9,092	10%	12,115	33%	3,557	-71%
Lendings to financial institutions	1,529	-83%	7,696	403%	13,863	80%	7,298	-47%	4,982	-32%	7,641	53%
Investments	140,474	-1%	94,233	-33%	146,911	56%	113,479	-23%	184,399	62%	173,669	-6%
Advances	83,369	163%	95,012	14%	109,742	16%	129,063	18%	124,549	-3%	127,515	2%
Fixed assets	2,234	13%	2,216	-1%	3,335	50%	3,472	4%	5,137	48%	5,613	9%
Intangible assets	137	35%	79	-42%	286	263%	532	86%	450	-15%	473	5%
Deferred tax assets	380	100%	1,757	363%	1,031	-41%	460	-55%	992	116%	1,368	38%
Other assets	4,836	33%	6,046	25%	10,769	78%	9,064	-16%	8,606	-5%	8,874	3%
	245,132	19%	223,095	-9%	306,305	37%	288,300	-6%	358,606	24%	344,984	-4%
<b>LIABILITIES</b>												
Bills payable	1,131	46%	895	-21%	1,172	31%	944	-19%	875	-7%	2,102	140%
Borrowings	64,190	124%	34,842	-46%	94,656	172%	57,063	-40%	110,069	93%	66,263	-40%
Deposits and other accounts	159,247	1%	171,168	7%	182,168	6%	203,072	11%	221,876	9%	248,906	12%
Liabilities against assets subject to finance lease	-	0%	-	0%	-	0%	-	0%	-	0%	0	0%
Subordinated debt	-	0%	-	0%	-	0%	-	0%	-	0%	0	0%
Deferred tax liabilities	-	-100%	-	0%	-	0%	-	0%	-	0%	0	0%
Other liabilities	5,166	43%	4,485	-13%	14,108	215%	9,449	-33%	9,217	-2%	11,285	22%
	229,734	21%	211,390	-8%	292,104	38%	270,528	-7%	342,036	26%	328,557	-4%
<b>NET ASSETS</b>	15,398	-5%	11,705	-24%	14,201	21%	17,772	25%	16,570	-7%	16,427	-1%
<b>REPRESENTED BY</b>												
Share capital	10,003	0%	10,003	0%	10,003	0%	10,003	0%	10,503	5%	11,028	5%
Reserves	2,550	16%	2,643	4%	2,905	10%	3,335	15%	3,556	7%	3,647	3%
Surplus / (Deficit) on revaluation of assets	455	-69%	(2,105)	-563%	(781)	-63%	1,167	-249%	351	-70%	(230)	-166%
Unappropriated profit	2,390	-4%	1,164	-51%	2,074	78%	3,267	58%	2,161	-34%	1,983	-8%
	15,398	-5%	11,705	-24%	14,201	21%	17,772	25%	16,570	-7%	16,427	-1%

## PROFIT & LOSS ACCOUNT

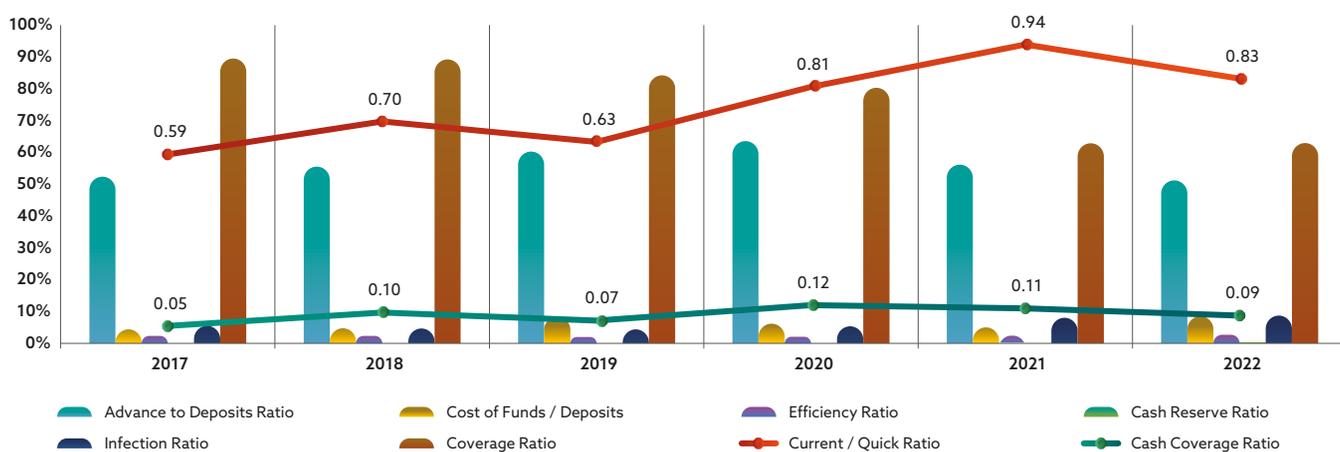
	2017	%	2018	%	2019	%	2020	%	2021	%	2022	%
Mark-up / return / interest earned	14,375	19%	14,686	2%	24,657	68%	25,673	4%	21,939	-15%	40,242	83%
Mark-up / return / interest expensed	(9,576)	25%	(9,547)	0%	(19,891)	108%	(18,911)	-5%	(15,150)	-20%	(33,093)	118%
Net mark-up / interest income	4,799	9%	5,139	7%	4,766	-7%	6,762	42%	6,789	0%	7,149	5%
Non - Markup / interest income	1,651	-38%	(526)	-132%	1,112	-311%	2,877	159%	1,023	-64%	1,384	35%
Total income	6,450	-9%	4,613	-28%	5,878	27%	9,639	64%	7,812	-19%	8,533	9%
Non Mark-Up / Interest Expense	(3,778)	18%	(4,077)	8%	(3,638)	-11%	(4,223)	16%	(5,300)	25%	(6,711)	27%
<b>Profit Before Provisions</b>	2,672	-31%	536	-80%	2,240	318%	5,416	142%	2,512	-54%	1,822	-27%
(Provisions) / Reversals - net	123	-120%	171	39%	21	-88%	(1,610)	-7733%	(832)	-48%	(902)	8%
<b>Profit Before Taxation</b>	2,795	-14%	707	-75%	2,261	220%	3,806	68%	1,680	-56%	920	-45%
Taxation	(1,005)	-18%	(241)	-76%	(955)	297%	(1,655)	73%	(577)	-65%	(465)	-19%
<b>Profit After Taxation</b>	1,790	-11%	466	-74%	1,306	180%	2,151	65%	1,104	-49%	455	-59%

# Graphical Presentation

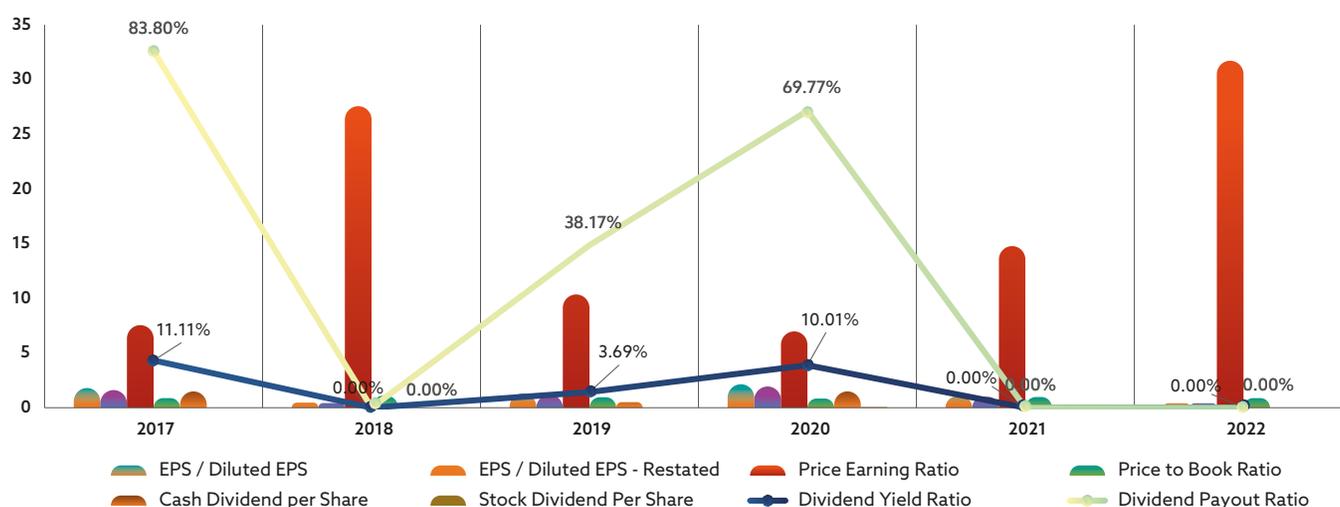
## Profitability Ratios



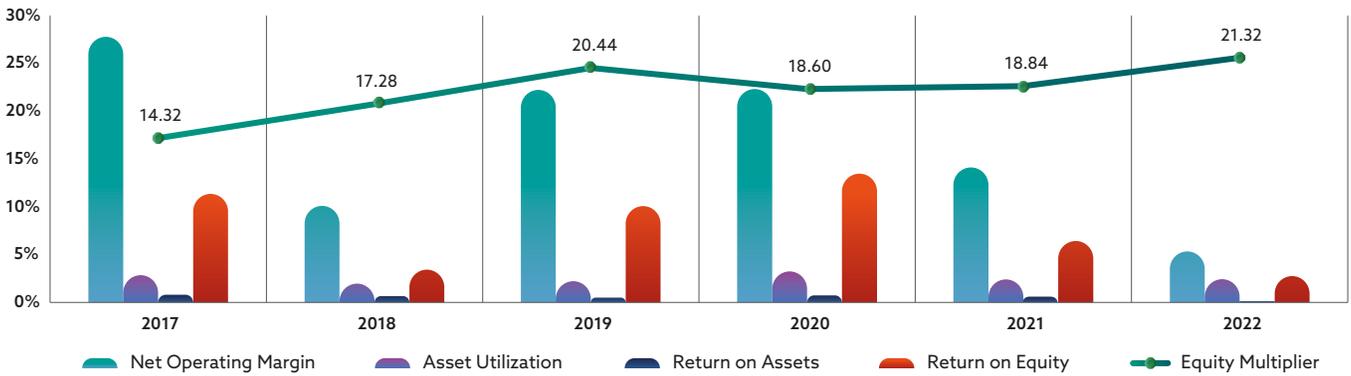
## Liquidity Ratios



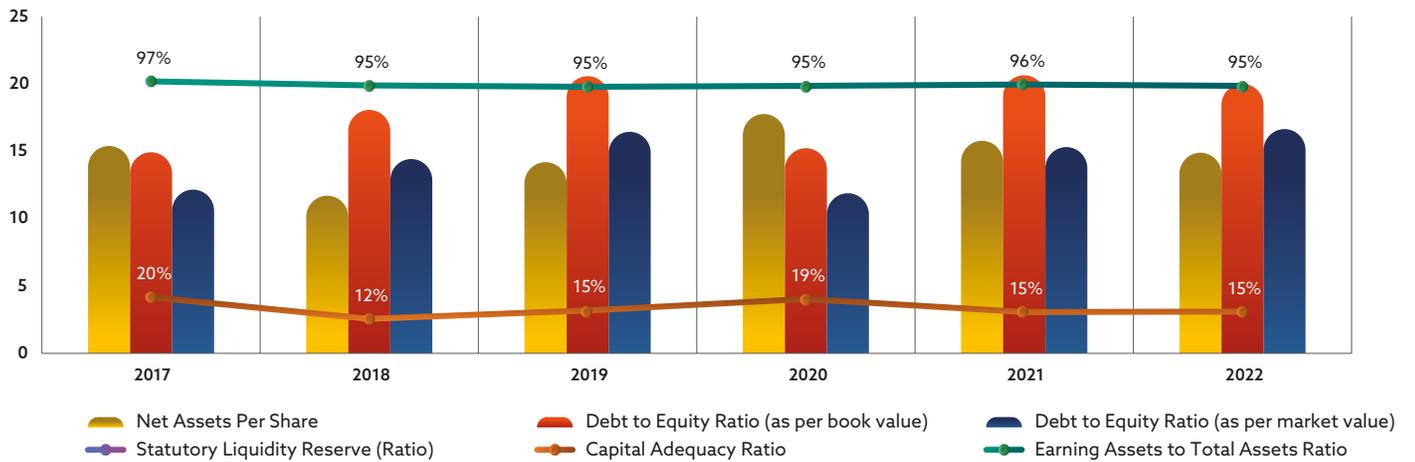
## Investment / Market Ratios



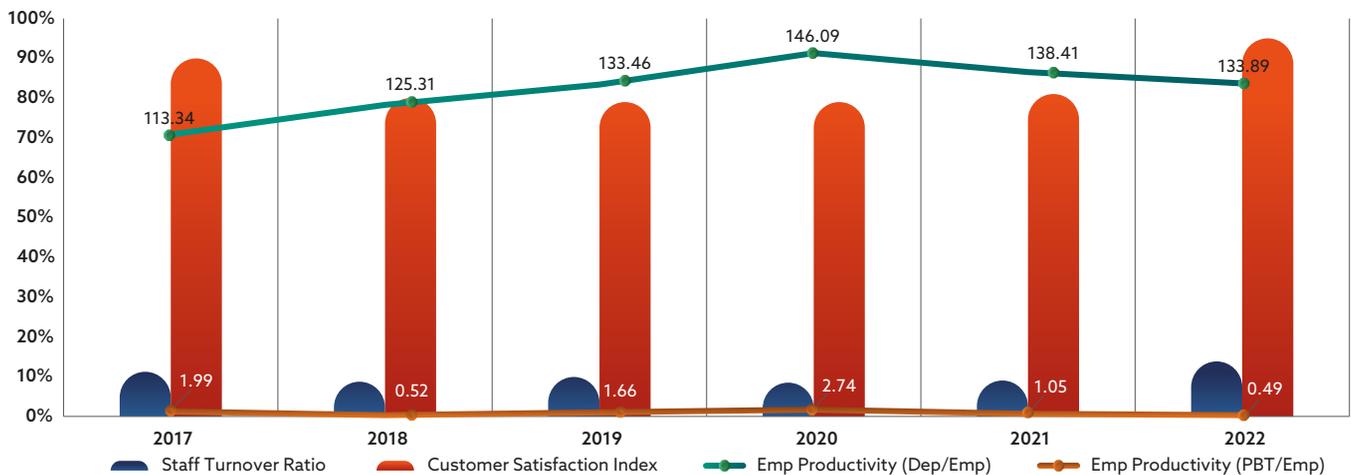
### Dupont Analysis



### Capital Structure



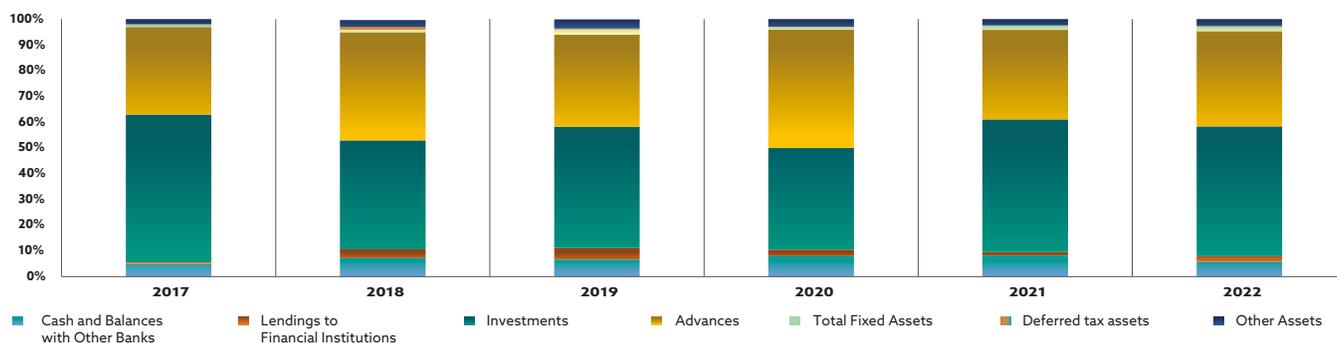
### Non Financial Ratios



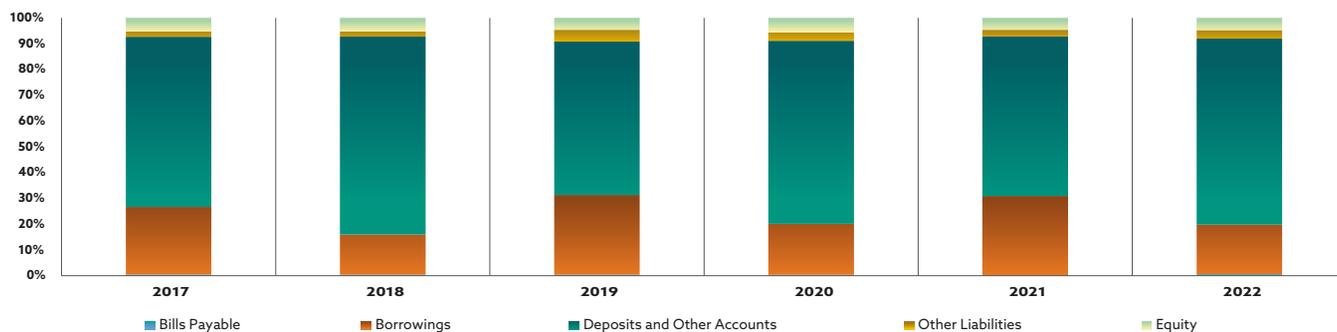
# Graphical Presentation

## VERTICAL ANALYSIS

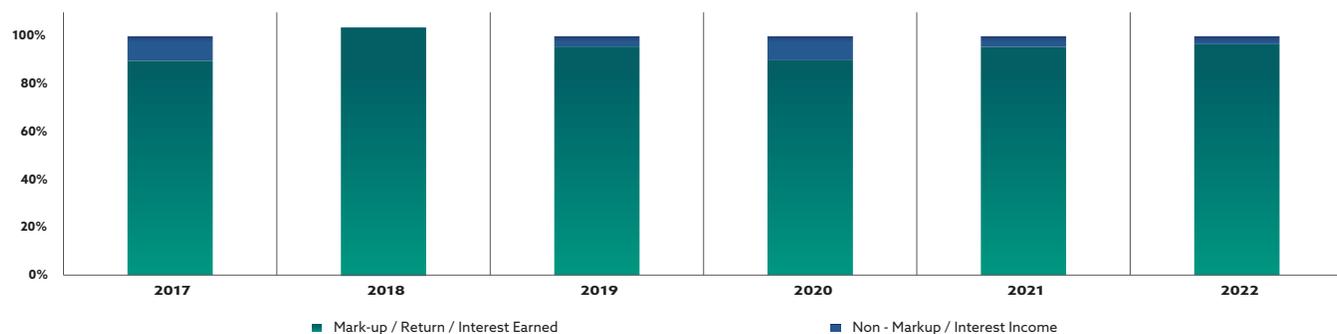
### Assets



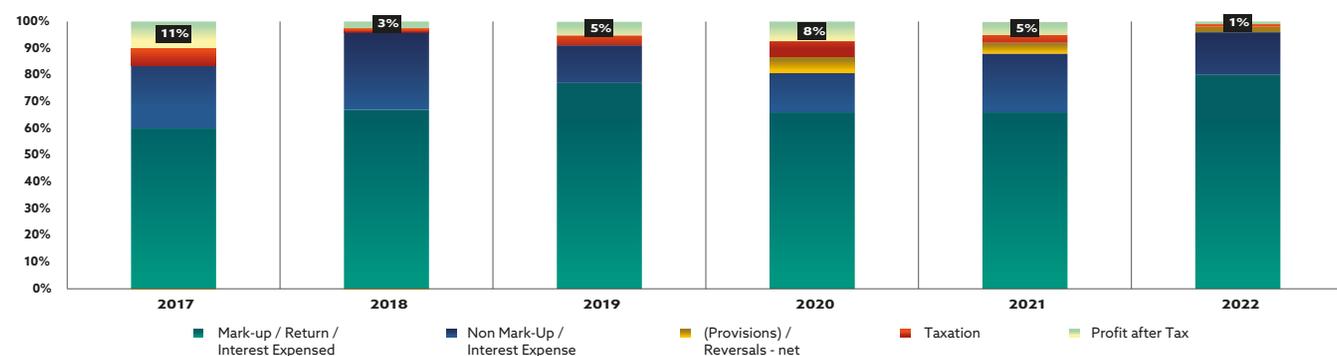
### Liabilities and Equity



### Total Income

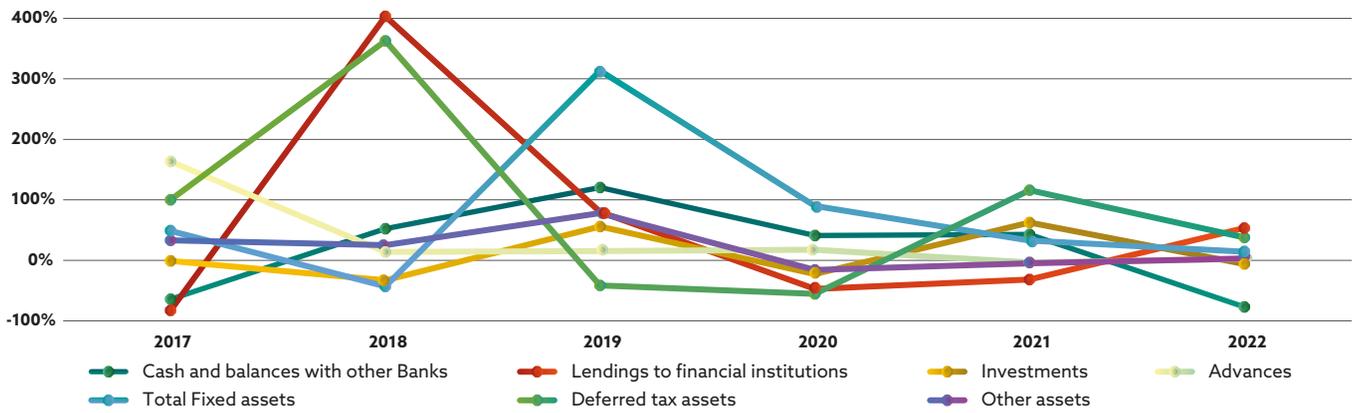


### Total Expense

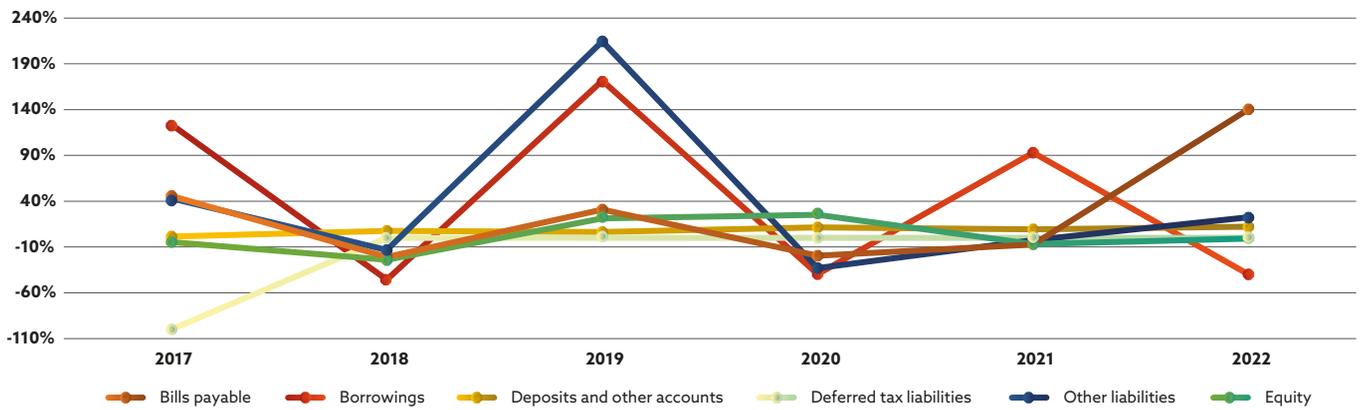


# HORIZONTAL ANALYSIS

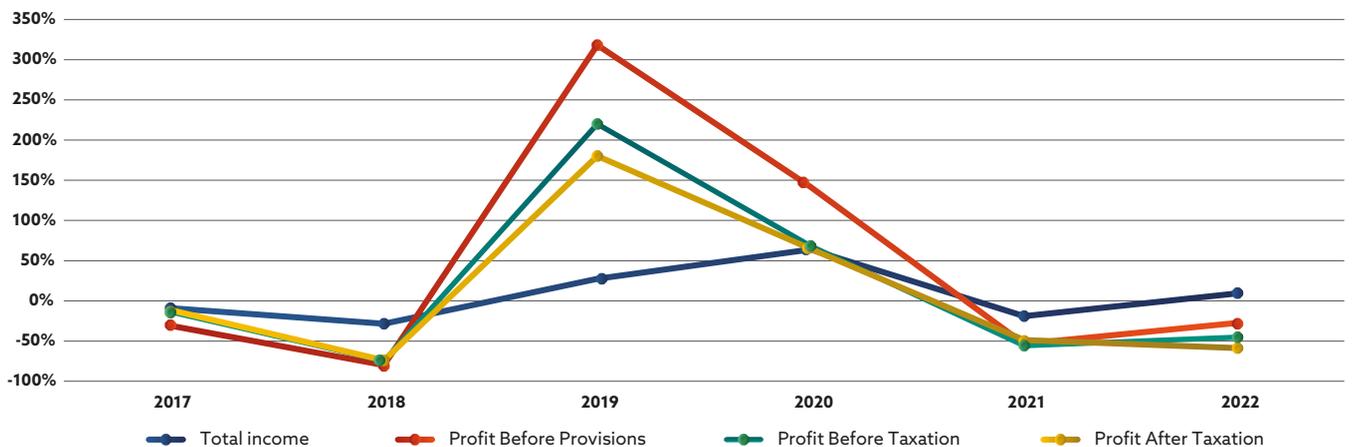
## Assets



## Liabilities and Equity

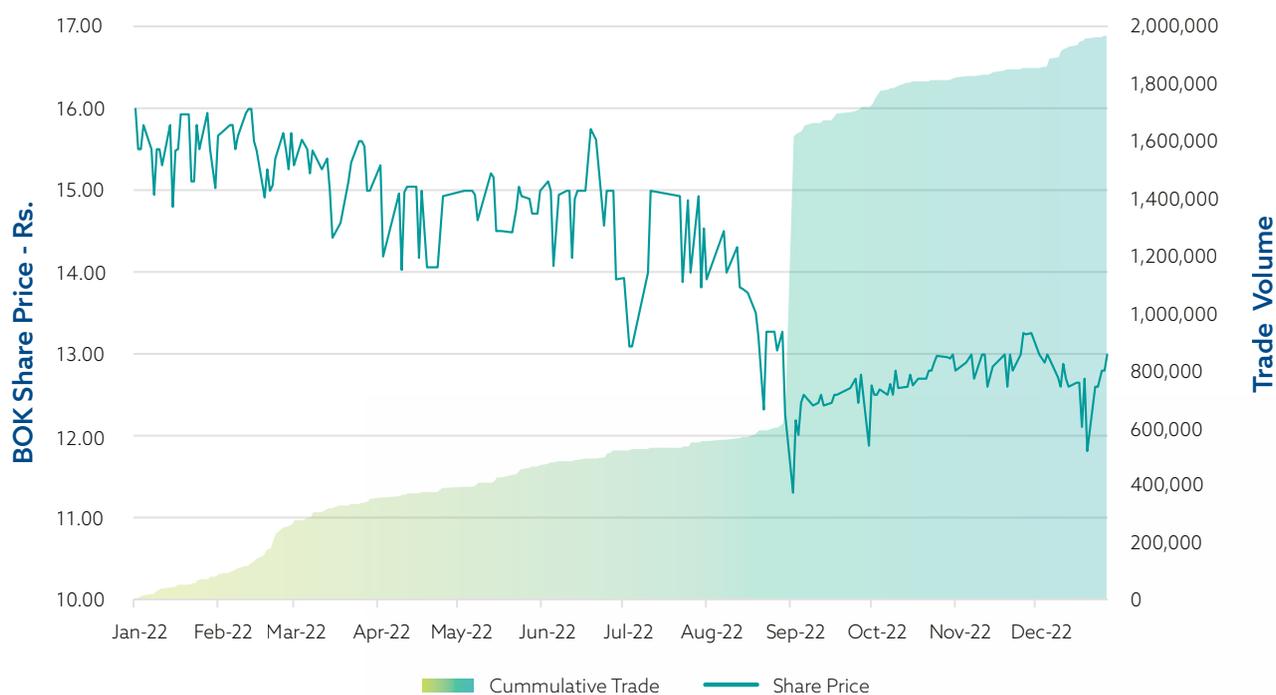


## Profit and Loss



# Share Price Sensitivity Analysis

2022	Share Prices BOK Scrip (Rs.)			Market Capitalization Value
	High	Low	Closing	(Min.)
4th Quarter	13.24	13.00	13.00	14,336
3rd Quarter	12.75	12.00	12.75	14,061
2nd Quarter	15.00	15.00	15.00	16,542
1st Quarter	15.00	15.00	15.00	16,542



3000

2500

2000

1500

# Share Price Sensitivity Analysis

## Sensitivity Analysis

Factors that can influence the share price of Bank are given below:

- **Discount rate / Monetary Policy**  
Based on different assessment parameters, the State Bank of Pakistan can change the monetary policy rate. Any volatility in the interest rates might impact revenue and profitability of the Bank.
- **Minimum Rate of Return on Deposits/ Regulatory Risk**  
Any upward revision in the minimum deposit rate will result in compression in net interest margins earned due to increased cost of deposits. Such revision can negatively impact the earning and correspondingly the share price of the scrip.
- **Inflation**  
Inflation is considered as a key determinant for policy rate change. Any uptick in the inflation statistics will have a corresponding impact on the monetary policy rate. With higher discount rates, the Banks will be able to invest in high yielding investments,

thus resulting in increased profitability. This, in turn will have a positive impact on the share price.

- **Political Stability & Law and order situation**  
Political stability and controlled law & order situation is a pre-requisite for any economic development. This in turn reposes investor confidence in the soils of Pakistan, making our corporates a potential investment opportunity. However, any act of terrorism or political instability can negatively impact the equity market and share prices of traded stocks.

## Sensitivity Analysis of Change in Market Capitalization is as follows:

	Dec-22	Dec-21	Variance
<b>Share Price (Rs.)</b>	13.0	15.5	-2.5
<b>No. of Shares</b>	1,102,790,529	1,050,271,043	52,519,486
<b>Market Capitalization (Rs.)</b>	14,336,276,877	16,279,201,167	- 1,942,924,290

Share Price of the Bank is decreased by Rs.2.5 per share in this year with comparison to year 2021, while Number of Issued shares increased during the year. As a result of that, market capitalization of the Bank decreased by Rs. 1,943 Million.



# Cash Flow Statement

## Direct Method

	2022
	(Rupee in 000)
<b>Cash Flows from operating activities</b>	
Mark-up / return / interest and commission receipts	40,513,530
Mark-up / return / interest payments	(30,925,180)
Payments to employees, suppliers and others	(5,159,076)
	4,429,274
<b>Decrease / (increase) in operating assets</b>	
Lendings to financial institutions	(2,658,783)
Net investments in 'held for trading' securities	2,385,571
Advances - net	(3,746,278)
Other assets	124,607
	(3,894,883)
<b>(Decrease) / increase in operating liabilities</b>	
Bills payable	1,227,667
Borrowings	(43,805,760)
Deposits and other accounts	27,030,083
Other liabilities	130,343
	(15,417,667)
Income tax paid	(520,766)
<b>Net cash flows used in operating activities</b>	(15,404,042)
<b>Cash flows from investing activities</b>	
Net investments in available-for-sale securities	(1,478,479)
Net investments in held-to-maturity securities	8,660,317
Dividends received	13,427
Investments in operating fixed assets	(981,912)
Investments in intangible assets	(100,158)
Proceeds from sale of fixed assets	8,775
<b>Net cash flows from investing activities</b>	6,121,970
<b>Cash flow from Financing activities</b>	
Dividend paid	(3,174)
Payment against lease liability	(763,300)
<b>Net cash flow used in financing activities</b>	(766,474)
Net foreign exchange difference	389,007
<b>Increase in cash and cash equivalents</b>	(9,659,539)
Cash and cash equivalents at beginning of the year	29,489,896
<b>Cash and cash equivalents at end of the year</b>	19,830,357





# Future Outlook



# Forward Looking Statement

The Annual Report of the Bank carries various forward looking statements in different sections, these statements contain words such as expect, anticipate, believe, assume, seek, will, may, would, assure and hope. The forward looking statement addresses matters that are generally uncertain and may not happen. In most cases, the forward looking statement is made with respect to the expectation about the Bank's financial and non-financial performance areas as well as the economic condition. As there are uncertainties related to the occurrence of such future events, therefore such statement should be accordingly evaluated by the users of the annual report while making decisions.

## Pakistan's Economic Outlook

Global economic challenges have been compounded by the advent of Russia-Ukraine war whose spillovers had an adverse effect on the energy supply-chain across Europe with repercussions across the globe.

In the domestic economy, political instability, high international fuel & commodity prices and bludgeoning trade deficit exerted immense pressure on foreign exchange reserves resulting in significant depreciation of PKR against USD which in turn contributed towards high inflation. Delay in reaching an agreement with IMF for release of next tranche resulted in major uncertainty about Pakistan's ability to meet its foreign financial obligations.

Apart from above, the year 2022 remained volatile for the country, with damage and disruption caused by catastrophic floods, a tight monetary stance, high inflation, and a less conducive global environment. The floods had a significant adverse impact on Pakistan's economy mostly through the disruption of agricultural production.

In the backdrop of this scenario, the Bank of Khyber remained committed to its role of a progressive bank by providing customers with innovative and value-added financial products and services in Conventional and Islamic banking. The Government took several important policy measures including monetary and fiscal measures to mitigate the economic fallout.

## The BOK's Future Outlook

The Bank being watchful of the economic conditions would focus on maintaining the growth momentum and asset quality. The cornerstone of Bank's philosophy would remain on improving service quality standards and providing state of the art banking services through leveraging technology and trained human resource. Efforts are also underway to target new market segments and to improve efficiency and productivity in Bank's overall performance.

The Bank would be focusing on enhancing revenue growth and profitability through cross selling various financial products, strengthening internal controls operational structure, capacity building, proficient customer services and optimizing branch banking platform. Emphasis will be on major cost rationalization initiatives through continuous improvement in automation and product innovations.

The Bank is fully confident that the goals set for the ensuing year will be materialized and would contribute to working of the Bank.

The Bank is ready to give special attention to Home Remittance business for channelling forex through the formal sector. This will be aided through broadening of product suite and further supported through the bank's digital banking platform.

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. Emphasis will be on boosting trade volumes, increasing penetration in cash management with a focus on SME / commercial lending. Simultaneously, investing in human capital and creating a caring culture, will remain a key priority.

To save energy for the future, the Bank of Khyber has adopted renewable energy options. A total of 13 branches have successfully been converted to Solar energy whereas remaining branches will be converted accordingly.

The Bank continues to play an active role in all Government and SBP initiatives aimed at improving the economic activities in the country. The Bank also continues to play an active role in the housing initiative and also financially empowering the young population under the PM Kamyab Jawan program.

The Bank supports gender diversity and offers equal employment opportunities to females and candidates belonging to minority groups across the country. The Bank has already inducted a batch of female Management Training Officers (MTOs) and further inductions will be made in the future as well.

The Bank remains cognizant of the challenging business environment and stands committed to its strategy of steady growth through diversification in products, services and outreach. The Bank is also focusing on increasing its customer base and mobilizing cost effective deposit mix with an emphasis on prudent lending to maintain trend of stable profitability.

## Projects to support Future Performance

### Details of Projects

- Onboarding Mastercard services to enhance digital payment service.
- Branchless Banking – with 5000+ Agents across Pakistan.
- Mobile App Upgrade with NFC, Corporate Banking and Cash Management.
- Cash and Cheque Deposit Machines.
- Open Banking - Integration with Fintechs.
- Complete Paperless Digital Onboarding for Customers.
- State of the Art 24x7 Contact Center Services.



# Forward Looking Statement

## Uncertainties that could affect the Bank's Resource, Revenues and Operations

The Bank acknowledges the presence of external factors that are beyond its control and may potentially result in a material difference between the actual results and the expectations expressed in this report. The following factors are among those that may affect the Bank's results in the future:

- **Inflation & Discount Rate**  
The Bank's interest income and profitability can be directly influenced by adjustments in the discount rate, which in turn are reflected in the difference between earning assets and liabilities, resulting in a repricing lag. Another factor that can significantly impact the Bank's overall performance is inflation, as it has a direct effect on policy rates.
- **Political Scenario**  
In addition to macroeconomic uncertainties, the political stability and law and order situation in the country can have an impact on the Bank's resources, revenue, and operations. These factors also play a crucial role in building investor confidence.
- **Other Factors**  
Other contributing factors to consider, including but not limited to GDP, interest rates, imports, exports, and fluctuations in exchange rates.

## External Environment

The Bank's performance, strategic objectives, and use of resources are significantly influenced by external factors, which are discussed in detail in the report's SWOT analysis, risk assessment, and opportunity evaluation sections.

## Performance of the Bank in 2022 against forward-looking disclosures made in annual report of 2021

During FY-2022, the Bank continued to focus on building a foundation for sustainable growth in the future.

The Bank upgraded and enhanced the features in BOK Digital Banking Application and provided corporate Portal facility for easy access. The Bank Customized Cash Collection Modules through introduction of Cash Management System and NIFT enablement of online card transactions acceptance on BOK website.

As of December 31, 2022, total branch network stood at 231 branches in comparison to 216 branches in 2021. This addition has increased the geographical coverage and customer reach in line with the strategic direction of the Bank.

The Bank continued its focus on controlling the cost of deposit and improving margins. Concerted efforts were made to improve current deposits which increased by 23% in 2022. Moreover, the Bank continued with its efforts to improve the private sector assets and liabilities portfolio.

Employee capacity building and investing in human capital remained a key priority in 2022. A total of 10,384 training days for 6,984 number of participants were arranged. Moreover, a bank-wide training / awareness programs on AML / CFT / CPF for the staff was arranged through physical class rooms and e-Learning portal along with the Information Security Awareness and training sessions for all employees of the Bank through e-Learning Portal.

Further, in an effort to reduce its carbon footprint, the Bank has implemented solar power systems at its selected branches and ATMs. A total of thirteen branches have been converted to fully operate on renewable energy,

specifically solar power. The Head Office has recently relocated to a new building equipped with a central cooling and heating system, as well as energy- efficient LED lights, to optimize energy usage and conservation.

The Bank's digital transaction numbers and volume have shown tremendous growth during the year 2022 in line with the strategy.

Moreover, in terms of the Bank's focus on improving forex and fee based income, the Bank registered a healthy growth in this area during the year.

The Bank continues to make its best efforts and progress towards all other areas given in the last year's forward looking statements.

## Update / Detail of Projects

Throughout the year, the Bank executed multiple initiatives to enhance its customer services, comply with regulations, and expand its information technology infrastructure. A summary of the completed projects is provided below:

- Cash Management System Implementation for Customized Cash Collection Modules.
- Enhancements and Upgrades to BOK Digital Banking App.
- Development of Corporate Portal for Streamlined Access and Reconciliation for Corporate and Institutional Clients.
- Automation of Consumer Loans.
- NIFT Enablement for online card transactions acceptance on BOK Website.
- Shifting of DR Centre from old site (Peshawar) to the New Tier III standard site (Rawalpindi).
- Deployment of Governance Risk & Compliance (GRC) Solution.

## Sources of information and assumptions

The Bank's financial projections and forecasts are based on internal business data, external economic indicators, and industry specific analysis from various sources. The Bank also uses the calculation done through in-house developed tools as well as expertise to process the available data. The Bank also considers historical trends in making key data assumptions.

The Bank uses reports from a variety of external sources such as IMF, ADB, SBP, Ministry of finance and Pakistan bureau of statistics while finalizing the key assumptions for the projections and forecasts.

## Our response to critical challenges and uncertainties

Having established a strong risk management and governance framework, the Bank is well-equipped to effectively tackle critical challenges and uncertainties. With its solid capital and liquidity, coupled with robust systems and processes supported by the state of the art core banking system, the Bank is confident to successfully navigate through the challenging economic conditions during 2023 and beyond.



The background features a blue-toned financial chart with a white line graph showing fluctuations. A semi-transparent white table is overlaid on the chart, containing numerical data. The text 'Financial Statements' is prominently displayed in the lower-left quadrant.

46	113,4
2000	22,64
2002	244,66
200	2331
1789,7	
4	

# Financial Statements



# 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 (the Bank), which comprise the statement of financial position as at December 31, 2022, and the profit and loss account, 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 17 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, profit and loss account, 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 December 31, 2022 and of the profit and other comprehensive loss, 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 Matter

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.

Following is the Key Audit Matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1.	<p><b>Provision against advances</b> (Refer notes 5.3, 6.4.9 and 11 to the financial statements).</p> <p>The Bank makes provision against advances on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances. The PRs also require the creation of general provision for certain categories of advances.</p> <p>The Bank has recognized a net provision against advances amounting to Rs 780,262 thousand in the profit and loss account in the current year. As at December 31, 2022, the Bank holds a total provision of Rs 7,397,549 thousand against advances in the financial statements of 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 statement of financial position of the Bank, we considered the area of provision against advances as a key audit matter.</p>	<p>Our audit procedures to verify provision against advances included, amongst others, the following:</p> <p>We obtained an understanding of the design and tested the operating effectiveness of relevant controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing advances.</p> <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> <li>controls over correct classification of non-performing advances on time-based criteria;</li> <li>controls over monitoring of advances with higher risk of default; and</li> <li>controls over accurate computation, approval and recording of provisions.</li> </ul> <p>We selected a sample of loan accounts and performed the following substantive procedures:</p> <ul style="list-style-type: none"> <li>checked repayments of loan / mark-up installments and tested classification of non-performing advances based on the number of days overdue; and</li> <li>evaluated the management's assessment for classification of a borrower's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and discussions with the management.</li> </ul> <p>We checked the accuracy of specific provision made against non-performing advances and of general provision made against performing advances in accordance with the requirements of PRs by recomputing the provision amount in accordance with the criteria prescribed under the PRs.</p>

**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 profit and loss account, 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

##### *Prior Year Financial Statements Audited by Predecessor Auditor*

The financial statements of the Bank for the year ended December 31, 2021 were audited by another auditor i.e. M/s EY Ford Rhodes, Chartered Accountants, who expressed an unmodified opinion on those statements vide their report dated March 7, 2022.

The engagement partner on the audit resulting in this independent auditor's report is M. Imtiaz Aslam.



Chartered Accountants  
Islamabad  
Date: March 8, 2023

UDIN: AR202210050EDvshOQuq

# Statement of Financial Position

As At December 31, 2022

	Note	2022	2021
Rupees in '000			
<b>ASSETS</b>			
Cash and balances with treasury banks	7	16,273,825	17,375,313
Balances with other banks	8	3,556,532	12,114,583
Lendings to financial institutions	9	7,641,077	4,982,294
Investments	10	173,668,614	184,398,946
Advances	11	127,515,211	124,549,195
Fixed assets	12	5,613,279	5,137,202
Intangible assets	13	473,720	450,239
Deferred tax assets	14	1,367,841	992,412
Other assets	15	8,873,921	8,605,861
		<b>344,984,020</b>	<b>358,606,045</b>
<b>LIABILITIES</b>			
Bills payable	16	2,102,234	874,567
Borrowings	17	66,263,168	110,068,928
Deposits and other accounts	18	248,905,981	221,875,898
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	19	11,285,139	9,216,778
		<b>328,556,522</b>	<b>342,036,171</b>
<b>NET ASSETS</b>		<b>16,427,498</b>	<b>16,569,874</b>
<b>REPRESENTED BY</b>			
Share capital	20	11,027,905	10,502,710
Reserves		3,646,746	3,555,773
(Deficit) / surplus on revaluation of assets - net of tax	21	(229,857)	350,617
Unappropriated profit		1,982,704	2,160,774
		<b>16,427,498</b>	<b>16,569,874</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	<b>22</b>		

The annexed notes 1 to 45 and annexures I to III form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Director

Director

Chairman

# Profit and Loss Account

For the year ended December 31, 2022

	Note	2022	2021
		Rupees in '000	
Mark-up / return / interest earned	23	40,242,025	21,939,157
Mark-up / return / interest expensed	24	33,093,339	15,149,916
Net mark-up / interest income		7,148,686	6,789,241
<b>NON MARK-UP / INTEREST INCOME</b>			
Fee and commission income	25	546,017	425,351
Dividend income		13,427	37,859
Share of profit of associate		917	46,358
Foreign exchange income		660,339	477,544
Income / (loss) from derivatives		-	-
Gain / (loss) on securities	26	7,530	(114,241)
Other income	27	156,336	149,955
Total non-markup / interest income		1,384,566	1,022,826
Total income		8,533,252	7,812,067
<b>NON MARK-UP / INTEREST EXPENSE</b>			
Operating expenses	28	6,650,086	5,295,484
Workers welfare fund		-	-
Other charges	29	61,144	4,519
Total non-markup / interest expenses		6,711,230	5,300,003
<b>PROFIT BEFORE PROVISIONS</b>		1,822,022	2,512,064
Provisions / reversals - net	30	902,137	831,879
Extra ordinary / unusual items		-	-
<b>PROFIT BEFORE TAXATION</b>		919,885	1,680,185
Taxation	31	465,021	576,558
<b>PROFIT AFTER TAXATION</b>		454,864	1,103,627
		Rupees	
Basic and diluted earnings per share	32	0.41	(Restated) 1.00

The annexed notes 1 to 45 and annexures I to III form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Director

Director

Chairman

# Statement of Comprehensive Income

For the year ended December 31, 2022

	2022	2021
	Rupees in '000	
Profit after taxation for the year	454,864	1,103,627
Other comprehensive (loss) / income		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in deficit on revaluation of investments - net of tax	(555,172)	(818,238)
Share of (deficit) / surplus on revaluation of investments of associate - net of tax	(1,233)	3,612
	(556,405)	(814,626)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement (loss) / gain on defined benefit obligation - net of tax	(22,819)	2,904
Share of remeasurement gain on defined benefit obligation of associate - net of tax	268	-
Adjustment to surplus on revaluation of fixed assets	-	1,098
Movement in (deficit) / surplus on revaluation of non-banking assets - net of tax	(18,284)	5,878
	(40,835)	9,880
<b>Total comprehensive (loss) / income</b>	<b>(142,376)</b>	<b>298,881</b>

The annexed notes 1 to 45 and annexures I to III form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Director

Director

Chairman

# Statement of Changes in Equity

For the year ended December 31, 2022

	Share capital	Statutory reserve	(Deficit) / Surplus on revaluation of			Unappropriated profit	Total
			Investments	Fixed assets	Non-banking assets		
Rupees in '000							
<b>Balance as at January 1, 2021</b>	10,002,524	3,335,048	332,125	786,102	48,734	3,267,017	17,771,550
Profit after taxation for the prior year	-	-	-	-	-	1,103,627	1,103,627
Other comprehensive (loss) / income - net of tax	-	-	(818,238)	1,098	5,878	6,516	(804,746)
Total comprehensive (loss) / income	-	-	(818,238)	1,098	5,878	1,110,143	298,881
Transfer to statutory reserve	-	220,725	-	-	-	(220,725)	-
Transfer from surplus on revaluation of non-banking asset to unappropriated profit- net of tax	-	-	-	-	(5,082)	5,082	-
<b>Transactions with owners, recorded directly in equity</b>							
Final cash dividend for the year ended December 31, 2020 (Rs. 1.50 per share)	-	-	-	-	-	(1,500,557)	(1,500,557)
Bonus shares issued for the year ended December 31, 2020 (Rs. 0.50 per share)	500,186	-	-	-	-	(500,186)	-
<b>Balance as at December 31, 2021</b>	10,502,710	3,555,773	(486,113)	787,200	49,530	2,160,774	16,569,874
Profit after taxation for current year	-	-	-	-	-	454,864	454,864
Other comprehensive (loss) - net of tax	-	-	(556,405)	-	(18,284)	(22,551)	(597,240)
Total comprehensive (loss) / income	-	-	(556,405)	-	(18,284)	432,313	(142,376)
Transfer to statutory reserve	-	90,973	-	-	-	(90,973)	-
Transfer from surplus on revaluation of non-banking asset to unappropriated profit- net of tax	-	-	-	-	(5,785)	5,785	-
<b>Transactions with owners, recorded directly in equity</b>							
Bonus shares issued for the year ended December 31, 2021 (Rs. 0.50 per share)	525,195	-	-	-	-	(525,195)	-
<b>Balance as at December 31, 2022</b>	11,027,905	3,646,746	(1,042,518)	787,200	25,461	1,982,704	16,427,498

The annexed notes 1 to 45 and annexures I to III form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Director

Director

Chairman

# Cash Flow Statement

For the year ended December 31, 2022

	Note	2022	2021
		Rupees in '000	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before taxation		919,885	1,680,185
Less: Dividend income		13,427	37,859
		906,458	1,642,326
<b>Adjustments:</b>			
Depreciation - Fixed assets	28	507,784	350,990
Depreciation - Non-banking assets acquired in satisfaction of claims	28	22,833	22,395
Depreciation - Right-of-use assets	28	533,950	442,724
Amortization	28	76,677	81,222
Provisions and write offs - net	30	902,137	831,879
Gain on sale of fixed assets	27	(4,371)	(38,866)
Interest expense on lease liability	24	148,348	137,073
(Reversal of impairment)/ deficit on revaluation of non-banking asset	28	(15,947)	3,397
Exchange gain on cash and cash equivalents		(389,007)	(345,689)
Share of profit of associate		(917)	(46,358)
Gain on early culmination of lease	27	(3,970)	(1,811)
		1,777,517	1,436,956
		2,683,975	3,079,282
<b>(Increase) / Decrease in operating assets</b>			
Lendings to financial institutions		(2,658,783)	2,315,225
Held-for-trading securities		2,385,571	(1,118,377)
Advances		(3,746,278)	3,740,760
Others assets (excluding advance taxation)		(149,905)	915,683
		(4,169,395)	5,853,291
<b>(Decrease) / Increase in operating liabilities</b>			
Bills payable		1,227,667	(69,573)
Borrowings from financial institutions		(43,805,760)	53,005,910
Deposits		27,030,083	18,804,240
Other liabilities		2,150,154	313,542
		(13,397,856)	72,054,119
Income tax paid		(520,766)	(2,263,058)
<b>Net cash flow (used in) / generated from operating activities</b>		<b>(15,404,042)</b>	<b>78,723,634</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net investments in available-for-sale securities		(1,478,479)	(73,153,496)
Net investments in held-to-maturity securities		8,660,317	2,045,510
Dividends received		13,427	37,859
Investments in operating fixed assets		(981,912)	(1,500,782)
Investments in intangible assets		(100,158)	(11,220)
Proceeds from sale of fixed assets		8,775	47,775
<b>Net cash flow generated from / (used in) investing activities</b>		<b>6,121,970</b>	<b>(72,534,354)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		(3,174)	(1,464,743)
Payment against lease obligations		(763,300)	(513,044)
<b>Net cash flow used in financing activities</b>		<b>(766,474)</b>	<b>(1,977,787)</b>
Effects of exchange rate changes on cash and cash equivalents		389,007	345,689
(Decrease) / increase in cash and cash equivalents		(9,659,539)	4,557,182
Cash and cash equivalents at beginning of the year	33	29,489,896	24,932,714
Cash and cash equivalents at end of the year	33	19,830,357	29,489,896

The annexed notes 1 to 45 and annexures I to III form an integral part of these financial statements.

Managing Director

Chief Financial Officer

Director

Director

Chairman

# Notes To The Financial Statements

For the year ended December 31, 2022

## 1 STATUS AND NATURE OF BUSINESS

The Bank of Khyber ("the Bank") was established in Pakistan 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. The Bank operates 231 branches including 119 Islamic banking branches (2021: 216 branches including 110 Islamic banking branches). The long term credit ratings of the Bank assigned by 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. The majority shares (i.e. 70.20%) of the Bank are held by Government of Khyber Pakhtunkhwa (GoKP).

The Provincial Assembly of Khyber Pakhtunkhwa has passed the Bank of Khyber (Amendment) Act, 2022. As part of the amendments, the name of Bank has been changed from "The Bank of Khyber" to "Bank of Khyber". The Bank is in the process of seeking necessary regulatory approval for the same.

## 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 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 consolidated in these financial statements, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Branches 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.

## 3 STATEMENT OF COMPLIANCE

3.1 These financial statements have been prepared in accordance with the approved 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;

# Notes To The Financial Statements

For the year ended December 31, 2022

- 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, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

**3.2** 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.

**3.3** SBP vide BSD Circular Letter No. 10, dated August 26, 2002, has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD Circular No. 4, dated February 25, 2015, has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures 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 of various circulars issued by the SBP.

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

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2022. These are considered either not to be relevant or do not have any significant impact on these financial statements.

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

The following other standards, interpretations of and amendments to approved accounting standards are effective for accounting periods beginning on or after January 1, 2023:

Standards, interpretations and amendments	Effective date (annual periods beginning on or after)
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	January 1, 2023
Amendments to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction	January 1, 2023
Amendments to IFRS 4 - Insurance contracts	January 1, 2023
Amendments to IFRS 16 - Leases on sale and leaseback	January 1, 2024
Amendments to IAS 1 - Non current liabilities with covenants	January 1, 2024

The Bank expects that the adoption of the above standards, interpretations or amendments will have no material effect on the Bank's financial statements.

# Notes To The Financial Statements

For the year ended December 31, 2022

Other than the aforementioned standards, interpretations and amendments, International Accounting Standards Board (IASB) has also issued the following standards and interpretations, which have not been notified locally by Securities and Exchange Commission of Pakistan (SECP) as at December 31, 2022.

IFRS 1	First-time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

The following interpretation issued by IASB have been waived off by SECP:

IFRIC 12	Service Concession Arrangements
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## IFRS - 9 Financial Instruments

As directed by SBP via BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after January 1, 2023 for banks having asset base of more than Rs. 500 billion as at December 31, 2021 and from January 1, 2024 for all the other Banks. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the Banks. Accordingly, effective date of implementation for the Bank is January 1, 2024.

As of December 31, 2022, the management of the Bank has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information at the time of finalizing the impact for initial application of IFRS 9.

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

### Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Operations and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). The Bank will appropriately involve other stakeholders and follow the implementation instructions for ensuring effective and efficient framework for IFRS 9 within the Bank.

Moreover, as stipulated in the Application Instructions, Internal Audit will carry out periodic review of IFRS 9 methodology and impacts calculated by the management.

### Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the sole payment of Principal and Interest (SPPI) criteria are measured at fair value through profit or loss regardless of the business model in which they are held. The Bank's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). The classification of equity instruments is generally measured as FVPL unless the Bank elects for FVOCI at initial recognition. The Bank has analyzed the estimated impact of IFRS 9 on its financial assets as follows:

### Equity securities

The Bank expects to continue measuring at fair value all financial assets currently held at fair value.

# Notes To The Financial Statements

For the year ended December 31, 2022

Depending upon the business model for listed equity shares, the Bank will apply either of the following options at the time of initial adoption of IFRS-9:

To present fair value in OCI, and, therefore, the application of IFRS 9 will not have a significant impact on adoption. However, in accordance with the IFRS 9 requirements, fair value gain or losses recognised in OCI will not be recycled to profit and loss account on derecognition of these securities.

Equity shares currently held as available-for-sale (AFS) with gains and losses recorded in OCI for which FVOCI election will not be made, will, instead, be measured at fair value through profit or loss, which may increase volatility in recorded profit or loss for future periods. The AFS reserve related to those securities which is currently presented as accumulated OCI, will be reclassified to retained earning, however, there will be no impact on over all equity with respect to such classification.

Unquoted equity securities are required to be measured at fair value under IFRS 9, however, SBP has allowed the Banks to carry these investments under the current PR regime up till one year (i.e. till December 31, 2023).

## Debt securities and Loans and advances

Debt securities currently classified as AFS and those passing SPPI test, are measured at FVOCI under IFRS 9. Debt securities currently classified as HTM and those passing SPPI test are measured at amortized costs under IFRS 9. However, the final classifications will depend upon the composition of the portfolio and its evaluation at the time of initial adoption in light of the Bank's business model.

Cashflows of certain debt instruments classified in AFS and / or HTM categories, which are not expected to give rise to cash flows representing solely payments of principal and interest (SPPI) and accordingly, these would be measured at fair value through profit and loss.

## Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk (SICR) are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SICR, Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.

# Notes To The Financial Statements

For the year ended December 31, 2022

- LGD: It is an estimate of magnitude of loss sustained on any facility upon default by a customer. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor. It is the difference between contractual cash flows due and those that the Bank expects to receive, including from any form of collateral.

- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For calculating ECL, the Bank classify its financial assets under three following categories:

a) Stage 1: Performing Assets: Financial assets where there has not been a SICR since initial recognition, the Bank shall recognize an allowance based on the 12-month ECL.

b) Stage 2: Under-Performing Assets: Financial assets where there has been a SICR since initial recognition, but they are not credit impaired, the Bank shall recognize an allowance for the lifetime ECL for all exposures categorized in this stage based on the actual maturity profile.

c) Stage 3: Non-Performing Assets: Financial assets which have objective evidence of impairment at the reporting date. The Bank shall recognize ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per PRs issued by SBP and higher of the two is maintained.

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply.

## Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information, pending litigations, cross-product default, rescheduling and restructuring etc.

Based on the level of increase in credit risk, the Bank shall calculate 12 month ECL for assets which did not have a SICR i.e., Stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., Stage 2.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

## Presentation and disclosure

Adoption of IFRS 9 would also expand disclosure requirements and changes in presentation. These are expected to change the nature and extent of Bank's disclosure about its financial instruments particularly in the year of adoption of the IFRS 9.

# Notes To The Financial Statements

For the year ended December 31, 2022

The State Bank of Pakistan has issued a revised format for financial statements of the Banks vide BPRD Circular No. 2 of 2023 dated February 09, 2023 to include the presentation and disclosures on adoption of IFRS 9 as applicable in Pakistan.

## Loan / financing related fee

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

## Impact of adoption of IFRS 9

The Bank will adopt IFRS 9 in its entirety effective January 1, 2024 with modified retrospective approach for restatement. The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2024 can not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold at the time of its implementation i.e. w.e.f. January 1, 2024 and economic conditions at that time as well as accounting, classification selections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of IFRS 9 based on its statement of financial position as at December 31, 2022.

## Classification and measurement

Based on the Bank's assessment, major impact of IFRS 9 requirements are expected to be on the classification and measurement of 'Advances' and 'Investments'.

## Impairment

The total estimated impact (net of tax) of IFRS 9 as of December 31, 2022 is reduction in equity by approximately Rs 1.98 billion.

The above impact is based on existing un-precedented economic environment resulting in to increased stage II provisioning/ECL due SICR of various customers which would have otherwise remain in stage I under normal economic conditions. Therefore, the actual impact at the time of adoption will depend on the economic environment prevailing at that point of time. Moreover, the Bank continues to refine its expected credit loss model and embed its operational processes which may change the actual impact on adoption.

## Impact on regulatory capital

In order to mitigate the impact of expected credit loss (ECL) models on capital of the Banks, SBP has determined that it may be appropriate for the Financial Institutions to introduce a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the application instructions issued by SBP have detailed the transitional arrangement.

The transitional arrangement are applicable to only to provisions for stage 1 and 2 financial assets and will apply to CET1 capital over the "transition period" of five years. Accordingly, after taking the benefit of transitional arrangement, estimated impact of IFRS 9 on the Bank's CAR as of December 31, 2022 is a reduction by 49 bps.

However, the actual impacts of IFRS 9 will be determined by the Bank upon the date of initial application i.e. January 1, 2024.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 4 BASIS OF MEASUREMENT

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

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with the approved accounting and reporting standards requires 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 other than those in associates 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/ financing cash flows.

### 5.3 Provision against advances

The Bank reviews its loan portfolio including Islamic financing and related assets to assess the amount of non-performing advances and Islamic financing and provision required there-against on regular basis. 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. The Bank also maintains a statutory general provision against its portfolio of consumer and microenterprise loans in accordance with the Prudential Regulations.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 5.4 Income taxes

In making estimates for current income taxes payable by the Bank, the management considers the current income tax laws 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 authorities and such amounts are either recognised as a provision or shown as a contingent liability based on probability of outflow assessment. Regarding deferred tax assets, 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 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.

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 valuer 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. 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 was carried out on December 31, 2022.

## 5.7 Valuation of Right-of-Use assets and lease liability

### 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 that termination option will not 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 the lease.

## 5.8 Non-banking assets acquired in satisfaction of claims

The Bank estimates the revalued amounts of non-banking assets acquired in satisfaction of claims on a regular basis. The estimates are based on expected legal enforceability, ease of realization and valuations carried out by an independent valuation expert under the market conditions.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 5.9 Fair value hierarchy of assets and liabilities

The fair value of the assets and liabilities is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank categorizes fair value measurements within the following fair value hierarchy:

### a) Level 1

These are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date.

### b) Level 2

These are inputs other than quoted prices included within Level 1 that are observable for asset or liability, either directly or indirectly.

### c) Level 3

These are input for the assets or liabilities that are not based on observable market data (unobservable Inputs).

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### 6.1 Cash and cash equivalents

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 with treasury and other banks that are highly liquid and readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

### 6.2 Lendings to / borrowings from financial institutions (reverse repo / repo)

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:

#### (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.

# Notes To The Financial Statements

For the year ended December 31, 2022

(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.

(e) Bai Muajjal

Bai Muajjal transactions with SBP and other financial institutions are classified under lendings. In Bai Muajjal, the Bank sells Shari'ah compliant instruments on credit to other financial institutions. The credit price is agreed at the time of sale and such proceeds are received at the end of the credit period.

## 6.3 Investments

### 6.3.1 Classification

The Bank classifies its investments as follows:

#### 6.3.1.1 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 making exists.

#### 6.3.1.2 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.

#### 6.3.1.3 Available-for-sale

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

#### 6.3.1.4 Associates

An associate is an entity over which the Bank has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Bank's share of net assets of the associate since the acquisition date.

The statement of profit or loss reflects the Bank's share of the results of operations of the associate. Any change in Other Comprehensive Income (OCI) of those investees is presented as part of the Bank's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Bank recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Bank and the associate are eliminated to the extent of the interest in the associate.

# Notes To The Financial Statements

For the year ended December 31, 2022

After application of the equity method, the Bank determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Bank determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Bank calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of associate' in the profit and loss account.

## 6.3.2 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.

## 6.3.3 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.

## 6.3.4 Subsequent measurement

### 6.3.4.1 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. The unrealised gain / (loss) arising on remeasurement of quoted securities which are classified as held for trading is taken to the profit and loss account.

### 6.3.4.2 Held-to-maturity

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

### 6.3.4.3 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.

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.

## 6.3.5 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.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 6.4 Advances

6.4.1 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.

### 6.4.2 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.

### 6.4.3 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.

- (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.

### 6.4.4 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.

### 6.4.5 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 purchases some specific goods / commodities from its customers to be delivered within an agreed time. The goods are then sold and the amount hence financed is received back by the Bank.

### 6.4.6 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.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 6.4.7 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 to the Bank.

## 6.4.8 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.

## 6.4.9 Provision against advances

Provision for non-performing advances is based on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations of SBP. In addition to this a subjective evaluation of the credit worthiness of borrower is performed to determine classification of advances. The Bank regularly 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 of SBP are considered. The Bank is allowed to consider the effect of Forced Sale Value of collaterals in determining the amount of provision.

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.

## 6.5 Fixed assets and depreciation

### 6.5.1 Capital-work-in progress

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

### 6.5.2 Property and equipment (owned and leased)

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 carried at cost less accumulated impairment losses, if any.

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 12.2. 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.

# Notes To The Financial Statements

For the year ended December 31, 2022

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 "surplus on revaluation of 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 unappropriated profit.

## 6.5.3 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 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.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 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.

## 6.7 Non-banking 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' in surplus / deficit on revaluation of asset account and any deficit arising on revaluation is taken to profit and loss account directly as an impairment. A subsequent increase in the market value of an impaired asset is reversed through the profit and loss account up to the extent of impairment and thereafter credited to surplus on revaluation of that asset account. Legal fees, transfer costs and direct costs of acquiring title of assets is charged to profit and loss account and not capitalized.

Depreciation on assets acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Bank's owned fixed assets.

If the recognition of such assets results in a reduction of non-performing loan, such reductions and the corresponding reductions in the provisions held against non-performing loans are disclosed separately.

These assets are generally intended for sale. Gain and loss realized on sale of such assets are disclosed separately from gains or losses realized on the sale of fixed assets. Surplus on revaluation, net of deferred tax, realized on disposal of these assets is transferred directly to the unappropriated profit. If such an asset is subsequently used by the Bank for its own operations, the asset is transferred to fixed assets.

## 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. 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 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.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 6.9.1 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.

## 6.9.2 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 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 unless the probability of outflow is remote.

## 6.10 Provision for claims under guarantees and off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations are made when the Bank has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

## 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, 2022 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 was revised in 2019. Effective January 1, 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

# Notes To The Financial Statements

For the year ended December 31, 2022

Bank approved that gratuity at the rate of two months basic pay shall be paid upto the year ended December 31, 2018 on the basis of basic pay as of that date and the new policy was applicable from January 1, 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% (2021: 8.33%) 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 recognition

- (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.
- (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.

# Notes To The Financial Statements

For the year ended December 31, 2022

- (f) Dividend income is recognized when the Bank's right to receive the dividend is established.
- (g) Gain / loss on sale of investments is credited / charged to profit and loss account.
- (h) Fee, commission, liquidated damages etc. are recorded on accrual basis when the service has been provided. Fees 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.

The Bank also 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 (Government, high yield), equity, syndication, IPO and secondary private placements.

# Notes To The Financial Statements

For the year ended December 31, 2022

(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, 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 on time proportion basis.

**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.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 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 after taxation to a statutory reserve until the reserve equals share capital, thereafter 10% of the profit after taxation 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.

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022	2021
		Rupees in '000	
<b>7 CASH AND BALANCES WITH TREASURY BANKS</b>			
<b>In hand</b>			
Local currency		4,388,733	3,697,744
Foreign currencies		120,782	107,476
		4,509,515	3,805,220
<b>With State Bank of Pakistan in</b>			
Local currency current account	7.1	11,263,770	11,209,505
Foreign currency current account	7.2	67,454	59,079
Foreign currency deposit account	7.3	101,318	128,943
		11,432,542	11,397,527
<b>With National Bank of Pakistan in</b>			
Local currency current account		119,343	1,154,182
Local currency deposit account	7.4	209,917	1,004,138
Foreign currency current account		1,287	-
Foreign currency deposit account		-	8,162
		330,547	2,166,482
Prize bonds		1,221	6,084
		16,273,825	17,375,313

- 7.1 The current accounts are maintained to comply with the cash reserve requirement, under section 22 of the Banking Companies Ordinance, 1962 as amended from time to time.
- 7.2 This represents mandatory cash reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 7.3 This represents special cash reserve maintained with the SBP. The return on this account is declared by SBP on monthly basis and carries markup at the rate of 0.00% to 3.14% (2021: Nil) per annum.
- 7.4 These represent short-term deposits carrying profit rate ranging from 8.25% to 14.50% (2021: 7.25% to 11.05%) per annum.

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022	2021
		Rupees in '000	
<b>8</b>	<b>BALANCES WITH OTHER BANKS</b>		
	<b>In Pakistan:</b>		
	In current accounts	999,756	2,908,280
	In deposit accounts	376,221	8,626,717
		1,375,977	11,534,997
	<b>Outside Pakistan:</b>		
	In current accounts	278,348	589,614
	In deposit accounts	1,912,235	-
		2,190,583	589,614
	Provision for doubtful placement with the bank	(10,028)	(10,028)
		<b>3,556,532</b>	<b>12,114,583</b>

8.1 These represent short-term deposits with other banks in Pakistan, at mark-up rate ranging from 2.00% to 14.50% (2021: 2.00% to 11.25%) per annum.

8.2 These represent deposits with other banks outside Pakistan, at mark-up rate ranging from 0.08% to 3.83% (2021: Nil) per annum.

		2022	2021
		Rupees in '000	
<b>8.3</b>	<b>Particulars of provision for doubtful placement with the bank</b>		
	Opening balance	10,028	10,028
	Charge for the year	-	-
	Reversals	-	-
		-	-
	Closing balance	<b>10,028</b>	<b>10,028</b>

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022	2021
		Rupees in '000	
<b>9</b>	<b>LENDINGS TO FINANCIAL INSTITUTIONS</b>		
	Call / clean money lending	-	3,000,000
	Repurchase agreement lendings (Reverse Repo)	3,841,077	1,982,294
	Placements with financial institutions	4,038,944	238,944
		7,880,021	5,221,238
	Less: provision held against lending to financial institutions	(238,944)	(238,944)
	Lending to financial institutions - net of provision	7,641,077	4,982,294
<b>9.1</b>	<b>Particulars of lendings</b>		
	In local currency	7,641,077	4,982,294
	In foreign currencies	-	-
	<b>Total</b>	<b>7,641,077</b>	<b>4,982,294</b>

**9.2** For the year 2021, this represented unsecured lendings to a commercial bank at the rate of 10.60% per annum which matured on January 4, 2022.

**9.3** This represents repurchase agreement lendings (reverse repo) secured against government securities carrying mark-up rate of 16.00% (2021: 10.75%) per annum with maturity of January 3, 2023.

**9.4** Placements with financial institutions includes Rs. 3,800 million (2021: Rs. Nil million) carrying profit rate ranging from 14.00% to 16.15% per annum with maturities of January 3, 2023 and January 6, 2023.

	2022	2021	
		Rupees in '000	
<b>9.5</b>	<b>Particulars of provision against lendings to financial institutions</b>		
	Opening balance	238,944	238,944
	Charge for the year	-	-
	Reversals for the year	-	-
		-	-
	Closing balance	238,944	238,944

	2022			2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
Rupees in '000						
<b>9.6</b>	<b>Securities held as collateral against lending to financial institutions</b>					
	Market Treasury Bills	3,841,077	-	3,841,077	-	-
	Pakistan Investment Bonds	-	-	-	1,982,294	-
	<b>Total</b>	<b>3,841,077</b>	<b>-</b>	<b>3,841,077</b>	<b>1,982,294</b>	<b>-</b>

Market value of securities held as collateral as at December 31, 2022 amounted to Rs.3,833.67 million (2021: Rs. 1,982.40 million).

# Notes To The Financial Statements

For the year ended December 31, 2022

9.7	Category of classification	2022		2021		
		Classified lending	Provision held	Classified lending	Provision held	
		Rupees in '000				
	<b>Domestic</b>					
	Other assets especially mentioned (OAEIM)	-	-	-	-	-
	Substandard	-	-	-	-	-
	Doubtful	-	-	-	-	-
	Loss	238,944	238,944	238,944	238,944	238,944
	<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>238,944</b>	<b>238,944</b>	<b>238,944</b>	<b>238,944</b>	<b>238,944</b>
		Rupees in '000				
<b>10</b>	<b>INVESTMENTS</b>					
<b>10.1</b>	<b>Investments by type:</b>					
	<b>Held-for-trading securities</b>					
	Federal Government Securities					
	Shares	-	-	-	-	1,216,860
	Mutual Funds	-	-	-	-	15,908
		1,219,145	-	-	(2,285)	1,152,803
	<b>Available-for-sale securities</b>					
	Federal Government Securities					
	Shares	162,153,215	(1,865,559)	160,287,656	(860,550)	158,223,373
	Non-Government Debt Securities	1,023,174	59,661	325,420	20,353	448,070
		7,872,879	(165,042)	7,686,920	43,290	9,310,196
		171,049,268	(922,457)	168,299,996	(792,243)	167,981,639
	<b>Held-to-maturity securities</b>					
	Federal Government Securities					
		5,278,635	-	5,278,635	-	13,938,952
		5,278,635	-	5,278,635	-	13,938,952
	<b>Associate (Note 10.2)</b>					
		89,983	-	89,983	-	92,784
	<b>Total investments</b>	<b>176,417,886</b>	<b>(922,457)</b>	<b>173,668,614</b>	<b>(792,243)</b>	<b>184,398,946</b>

**10.1.1** SBP vide its letter no. SBPHOK-BPRD-RPD-BOK-264314 dated July 25, 2022 has allowed to stagger the unrealized mark-to-market (MTM) losses on certain PIBs having face value of Rs. 26,450 million held by the Bank in its Available-for-sale portfolio. As of December 31, 2022, the cumulative unrealized MTM losses on these PIBs amounted to Rs. 2,077 million. The Bank has availed the benefit of the said relaxation and not accounted for the impact of Rs. 1,038 million (i.e. 50% of these MTM losses) in these financial statements. This has resulted in a net of tax positive impact of Rs. 592 million on the statement of financial position as of December 31, 2022 with corresponding positive impact on the statement of comprehensive income for the year ended December 31, 2022. The Bank has also taken the said benefit in the calculation of Capital Adequacy Ratio (CAR) and Leverage Ratio (LR) thereby resulting in a positive impact of 0.78% and 0.23% on CAR and LR of the Bank as of December 31, 2022. Pursuant to the aforementioned SBP Letter, MTM losses on these PIBs may be accounted for as follows:

- 25% by September 30, 2022
- 50% by December 31, 2022
- 75% by March 31, 2023
- 100% by June 30, 2023

Moreover, the Bank is required to adjust the outstanding staggered amount of revaluation deficit from the distributable profit, for declaring cash dividends (if any) during the relaxation period.

# Notes To The Financial Statements

For the year ended December 31, 2022

10.1.2 Market Treasury Bills and Pakistan Investment Bonds are eligible for re-discounting with SBP.

		2022	2021
		Rupees in '000	
10.2	Carrying value of associate under equity method of accounting		
	Carrying value of investment as at January 1	92,784	40,504
	Share of profit after tax of associate	917	46,358
	Share of OCI of associate	(1,693)	5,922
	Dividend received from associate	(2,025)	-
	Carrying value of investment as at December 31	89,983	92,784

10.2.1	Investment in associate - unlisted	Year ended	Number of shares	Percentage of holding	Cost Rupees in '000
	Taurus Securities Limited - incorporated in Pakistan	2022	4,050,374	30%	40,504
	Taurus Securities Limited - incorporated in Pakistan	2021	4,050,374	30%	40,504

# Notes To The Financial Statements

For the year ended December 31, 2022

10.2.2 Summary of financial information of associate		Rupees in '000						
Based on financial statements:		Assets	Liabilities	Equity	Revenue	Profit after taxation	Total comprehensive income / (loss)	
- January 1, 2021 to September 30, 2022		585,544	285,605	299,939	245,466	3,058	(2,589)	
- January 1, 2020 to December 31, 2020		743,426	434,147	309,279	142,466	10,157	12,437	

	2022			2021			
	Cost/ amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/ amortized cost	Provision for diminution	Surplus / (deficit)
<b>10.3 Investments by segments</b>							
<b>Federal Government Securities:</b>							
Market Treasury Bills	47,164,116	-	(285,464)	46,878,652	93,073,978	-	(200,624)
Pakistan Investment Bonds	90,618,292	-	(1,154,054)	89,464,238	55,655,548	-	(574,314)
Ijarah Sukuks	29,649,442	-	(426,041)	29,223,401	25,512,494	-	(87,897)
	167,431,850	-	(1,865,559)	165,566,291	174,242,020	-	(862,835)
<b>Shares / mutual funds:</b>							
Listed Companies	595,688	(386,192)	37,006	246,502	642,704	(255,978)	3,551
Unlisted Companies	427,486	(371,223)	22,655	78,918	427,486	(371,223)	17,438
Mutual Funds	-	-	-	-	1,150,000	-	2,803
	1,023,174	(757,415)	59,661	325,420	2,220,190	(627,201)	23,792
<b>Non-Government Debt Securities</b>							
Listed	3,474,468	(27,548)	(20,917)	3,426,003	4,370,204	(27,548)	43,290
Unlisted	4,398,411	(137,494)	-	4,260,917	5,061,744	(137,494)	-
	7,872,879	(165,042)	(20,917)	7,686,920	9,431,948	(165,042)	43,290
<b>Associate</b>							
Taurus Securities Limited	89,983	-	-	89,983	92,784	-	-
<b>Total Investments</b>	<b>176,417,886</b>	<b>(922,457)</b>	<b>(1,826,815)</b>	<b>173,668,614</b>	<b>185,986,942</b>	<b>(792,243)</b>	<b>(795,753)</b>

10.3.1 Ijarah Sukuks includes Bai-Muajjal Sukuks with Government of Pakistan amounting to Rs. Nil (2021: 6,388.71 million) carrying profit rate of Nil (2021: ranging from 13.11% to 13.44%) per annum.

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022	2021
		Rupees in '000	
10.4	Investments given as collateral (as disclosed in note 17.11)		
	Market Treasury Bills	29,346,172	64,331,572
	Pakistan Investment Bonds	25,513,973	29,708,695
	10.4.1	54,860,145	94,040,267

10.4.1 These represent market values of securities at the year end.

	Note	2022	2021
		Rupees in '000	
10.5	Provision for diminution in value of investments		
	Opening balance	792,243	742,125
	Charge / (reversals)		
	Charge for the year	142,614	95,237
	Reversals for the year	-	-
	Reversal on disposals / repayment	(12,400)	(45,119)
	10.5.1	130,214	50,118
	30		
	Transfers - net	-	-
	Amounts written off	-	-
	Closing balance	922,457	792,243

10.5.1 This represents impairment reversal of Rs. 12.40 million (2021: Rs. 34.16 million) in respect of available-for-sale equity securities and Rs. Nil (2021: Rs. 10.96 million) in respect of available-for-sale debt securities.

# Notes To The Financial Statements

For the year ended December 31, 2022

10.6	Particulars of provision against debt securities	2022		2021		
		NPI	Provision	NPI	Provision	
	Category of classification	Rupees in '000				
	<b>Domestic</b>					
	Other assets especially mentioned	-	-	-	-	-
	Substandard	-	-	-	-	-
	Doubtful	-	-	-	-	-
	Loss	165,042	165,042	165,042	165,042	165,042
	<b>Overseas</b>	165,042	165,042	165,042	165,042	165,042
	Not past due but impaired	-	-	-	-	-
	Overdue by:					
	Upto 90 days	-	-	-	-	-
	91 to 180 days	-	-	-	-	-
	181 to 365 days	-	-	-	-	-
	> 365 days	-	-	-	-	-
	<b>Total</b>	165,042	165,042	165,042	165,042	165,042
10.7	<b>Principal terms of investments in Federal Government securities</b>					
	Market Treasury Bills	Yield / return per annum	Maturity	Redemption	Coupon	
		11.45% to 12.70%	January 13, 2023 to March 24, 2023	On maturity	At maturity	
	Pakistan Investment Bonds	7.80% to 17.50%	June 19, 2023 to December 10, 2030	On maturity	Half yearly & Quarterly	
	Government of Pakistan Sukuk	11.40% to 16.40%	April 30, 2025 to October 26, 2027	On maturity	Half yearly	
	Federal government securities other than those offered as collateral, also include those held by the Bank to meet Statutory Liquidity Requirements (SLR) of the SBP calculated on the basis of time and demand liabilities.					
10.7.1	<b>Details of investment in preference shares - unlisted</b>					
	Name of company	Percentage of holding	No. of shares	Paid-up value per share	Total paid-up value	Total cost as on December 31, 2022
	Saudi Pak Leasing Company Limited	37%	19,500,000	10	195,000	195,000
	Rupees in '000					
10.7.2	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

For the year ended December 31, 2022

10.7.3 Quality of available for sale securities	2022	2021
	Cost Rupees in '000	
Details regarding quality of Available for Sale (AFS) securities are as follows		
<b>Federal Government securities - Government guaranteed</b>		
Market treasury bills	47,164,116	93,073,978
Pakistan investment bonds	85,339,657	40,997,599
Ijarah sukuks	29,649,442	25,012,346
	162,153,215	159,083,923
<b>Non Government debt securities - listed</b>		
Categorised based on long term rating by credit rating agency		
- AAA	250,000	-
- AA+, AA, AA-	782,000	1,885,652
- A+, A, A-	414,920	457,000
- Unrated	2,027,548	2,027,552
	3,474,468	4,370,204
<b>Non Government debt securities - unlisted</b>		
Categorised based on long term rating by credit rating agency		
- AAA	3,470,000	4,618,000
- AA+, AA, AA-	543,000	-
- A+, A, A-	247,917	306,250
- Unrated	137,494	137,494
	4,398,411	5,061,744

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

10.7.5 Particulars relating to held to maturity securities are as follows:	2022	2021
	Cost Rupees in '000	
<b>Federal Government Securities - Government guaranteed</b>		
Pakistan Investment Bonds	5,278,635	13,938,952

10.7.6 The year end market value of securities classified as held-to-maturity amounted to Rs. 4,844.37 million (2021: Rs.13,504.47 million).



# Notes To The Financial Statements

For the year ended December 31, 2022

11.2 Advances include Rs. 11,756.03 million (2021: Rs. 10,521.22 million) which have been placed under non-performing status as detailed below:

Category of classification	2022		2021	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	Rupees in '000			
<b>Domestic</b>				
Other assets especially mentioned (OAEM)	140,297	1,294	161,451	79
Substandard	556,428	42,282	902,564	32,188
Doubtful	1,076,998	25,375	1,544,090	164,395
Loss	9,982,310	7,244,242	7,913,113	6,357,106
	<b>11,756,033</b>	<b>7,313,193</b>	<b>10,521,218</b>	<b>6,553,768</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>11,756,033</b>	<b>7,313,193</b>	<b>10,521,218</b>	<b>6,553,768</b>

Particulars of provision against advances	2022		2021	
	Specific	General	Specific	General
	Rupees in '000			
Opening balance	6,553,768	63,519	4,662,740	1,181,125
Charge for the year	1,000,620	20,837	2,273,429	17,028
Reversals (Note 11.3.1)	(241,195)	-	(382,401)	(1,134,634)
Amounts written off	759,425	20,837	1,891,028	(1,117,606)
	<b>7,313,193</b>	<b>84,356</b>	<b>6,553,768</b>	<b>63,519</b>
Closing balance				
		<b>7,397,549</b>		<b>6,617,287</b>

11.3.1 For the year 2021, this includes reversal of provision amounting to Rs. 142 million recognized due to debt to property settlement transaction consummated during the year then ended. (Note 12.2.3)

Particulars of provision against advances	2022		2021	
	Specific	General	Specific	General
	Rupees in '000			
In local currency	7,313,193	84,356	6,553,768	63,519
In foreign currencies	-	-	-	-
	<b>7,313,193</b>	<b>84,356</b>	<b>6,553,768</b>	<b>63,519</b>
		<b>7,397,549</b>		<b>6,617,287</b>

# Notes To The Financial Statements

For the year ended December 31, 2022

11.5 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 period of five years from the date of classification. As at December 31, 2022 the Bank has availed cumulative benefit of forced sale values of Rs. 3,176.61 million (2021: Rs. 2,335.25 million). Increase in unappropriated profit net of tax amounting to Rs. 1,810.67 million (2021: Rs. 1,424.51 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

		2022	2021
		Rupees in '000	
11.6	<b>PARTICULARS OF WRITE OFFS:</b>		
	Against Provisions	-	-
	Directly charged to Profit & Loss account	-	-
		-	-
11.6.1	Write Offs of Rs. 500,000 and above		
	- Domestic	-	-
	- Overseas	-	-
	Write Offs of Below Rs. 500,000	-	-
		-	-

## 11.7 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, the Statement in respect of written off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2022 is given in Annexure 'I'.

		2022	2021
		Rupees in '000	
		Note	
12	<b>FIXED ASSETS</b>		
	Capital work-in-progress	12.1	247,680
	Property and equipment	12.2	3,957,249
	Right-of-use assets	12.3	1,408,350
			5,613,279
			5,137,202
12.1	<b>Capital work-in-progress</b>		
	Civil works		86,896
	Equipments		141,934
	Advances to suppliers		18,850
		12.1.1	247,680
			1,205,899
12.1.1	<b>Movement in capital work-in-progress</b>		
	Opening balance		1,205,899
	Additions		981,912
	Transfers		(1,940,131)
	Closing balance		247,680
			1,205,899

# Notes To The Financial Statements

For the year ended December 31, 2022

## 12.2 Property and equipment

	2022								Total	
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Leasehold improvements		Books
	Rupees in '000									
At January 1, 2022	58,000	903,360	464,031	-	327,835	1,585,961	38,142	1,262,485	884	4,640,698
Cost / Revalued amount	-	-	171,528	-	201,811	922,593	17,831	796,837	792	2,111,392
Accumulated depreciation	58,000	903,360	292,503	-	126,024	663,368	20,311	465,648	92	2,529,306
Net book value										
Year ended December 31, 2022	58,000	903,360	292,503	-	126,024	663,368	20,311	465,648	92	2,529,306
Opening net book value	-	-	-	283,333	177,952	631,187	933	846,590	136	1,940,131
Additions	-	-	-	-	-	-	-	-	-	-
Adjustment to revaluation surplus	-	-	-	-	1,834	1,410	-	1,160	-	4,404
Disposals	-	-	46,151	3,778	32,471	235,961	5,147	184,225	51	507,784
Depreciation charge	-	-	-	-	-	-	-	-	-	-
Adjustment / transfer	-	-	-	-	-	-	-	-	-	-
Closing net book value	58,000	903,360	246,352	279,555	269,671	1,057,184	16,097	1,126,853	177	3,957,249
At December 31, 2022	58,000	903,360	464,031	283,333	484,531	2,197,798	39,064	2,079,288	1,016	6,510,421
Cost / Revalued amount	-	-	217,679	3,778	214,860	1,140,614	22,967	952,435	839	2,553,172
Accumulated depreciation	58,000	903,360	246,352	279,555	269,671	1,126,853	16,097	1,126,853	177	3,957,249
Net book value										
Rate of depreciation (percentage)			10%	4%	10%	10% - 20%	20%	10% - 20%	10%	10%
	2021									
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Leasehold improvements	Books	Total
	Rupees in '000									
At January 1, 2021	58,000	903,360	288,567	-	269,563	1,131,163	29,405	927,491	860	3,608,409
Cost / Revalued amount	-	-	141,438	-	188,326	909,324	22,632	680,458	748	1,942,926
Accumulated depreciation	58,000	903,360	147,129	-	81,237	221,839	6,773	247,033	112	1,665,483
Net book value										
Year ended December 31, 2021	58,000	903,360	147,129	-	81,237	221,839	6,773	247,033	112	1,665,483
Opening net book value	-	-	175,464	-	76,326	607,969	16,828	347,111	24	1,223,722
Additions (Note 12.2.3)	-	1,098	-	-	600	7,364	1	944	-	1,098
Adjustment to revaluation surplus	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	30,090	-	30,939	159,076	3,289	127,552	44	350,990
Depreciation charge	-	-	-	-	-	-	-	-	-	-
Adjustment / transfer	-	(1,098)	-	-	-	-	-	-	-	(1,098)
Closing net book value	58,000	903,360	292,503	-	126,024	663,368	20,311	465,648	92	2,529,306
At December 31, 2021	58,000	903,360	464,031	-	327,835	1,585,961	38,142	1,262,485	884	4,640,698
Cost / Revalued amount	-	-	171,528	-	201,811	922,593	17,831	796,837	792	2,111,392
Accumulated depreciation	58,000	903,360	292,503	-	126,024	663,368	20,311	465,648	92	2,529,306
Net book value										
Rate of depreciation (percentage)			10%	-	10%	10% - 20%	20%	10% - 20%	10%	10%

# Notes To The Financial Statements

For the year ended December 31, 2022

**12.2.1** The leasehold land of the Bank has been revalued as at December 31, 2020 by M/s Amir Evaluators and Consultants, 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. 787.20 million is included in the carrying value of leasehold land. Had the leasehold land not been revalued, the total carrying amount of the leasehold land as at December 31, 2022 would have been Rs. 116.16 million. The forced sale value of leasehold land as assessed during the above valuation was Rs. 767.86 million.

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

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

**12.2.3** Additions to the Building on freehold land represents portion of a building acquired in satisfaction of claim amounting to Rs. Nil million (2021: Rs. 175.46 million) and is being used as branch premises.

## 12.2.4 Details of disposals of fixed assets

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain on disposal	Mode of disposal	Particular of purchasers
Furniture and fixture	21,256	19,422	1,834	3,714	1,880	Auction	Rashakai Furniture House
Office equipment	19,350	17,940	1,410	2,202	792	Auction	H.V.A.C Service Club & Afandi Hotel, Baloch Fridge & Air Condition Service
Vehicles	11	11	-	2	2	Auction	Mr. Hafiz Naimat Ullah Khan
Leasehold improvements	29,787	28,627	1,160	2,857	1,697	Auction	Mehirmam International, Kohat road
Books	4	4	-	-	-		
<b>2022</b>	<b>70,408</b>	<b>66,004</b>	<b>4,404</b>	<b>8,775</b>	<b>4,371</b>		
<b>2021</b>	<b>191,433</b>	<b>182,524</b>	<b>8,909</b>	<b>47,775</b>	<b>38,866</b>		

# Notes To The Financial Statements

For the year ended December 31, 2022

		2022	2021
		Rupees in '000	
12.2.5	The cost of fully depreciated assets, that are still in use are as follows:		
	Building on free hold land	1,964	1,964
	Furniture and fixture	120,124	117,543
	Office equipment	776,790	781,435
	Vehicles	137,134	19,910
	Books	755	678
	Leasehold improvement	646,369	480,973
		<b>1,683,136</b>	<b>1,402,503</b>
12.3	Right of use assets:		
	Movement in right-of-use assets is as follows:		
	Opening net book value	1,401,997	877,703
	Additions during the year	560,853	984,305
	Termination of lease	(20,550)	(17,287)
	Depreciation charge	(533,950)	(442,724)
	Closing net book value	<b>1,408,350</b>	<b>1,401,997</b>
12.3.1	Lease obligation against right-of-use assets:		
	Movement in lease obligation against right-of-use assets is as follows:		
	Opening net book value	1,447,280	956,997
	Additions during the year	560,853	885,352
	Termination of lease	(24,520)	(19,098)
	Interest expense on lease liability	148,348	137,073
	Payments during the year	(763,300)	(513,044)
	Closing net book value	<b>1,368,661</b>	<b>1,447,280</b>

The Bank has lease contracts for real estate that are used in its operations including Branches 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 lease assets. The lease obligations during the year have been discounted at rates ranging between 11.75% to 15.44% (2021: 6.90% to 9.55%) per annum; being the relevant incremental borrowing rate of the Bank.

		2022	2021
		Rupees in '000	
13	INTANGIBLE ASSETS		
	Capital work in progress	13.1	33,533
	Licenses and computer softwares	13.2	440,187
			<b>473,720</b>
			<b>450,239</b>
13.1	Movement in capital work-in-progress		
	Opening balance	1,526	11,926
	Purchases	73,639	5,626
	Transfer out	(41,632)	(16,026)
	Write off	-	-
	Closing balance	<b>33,533</b>	<b>1,526</b>

# Notes To The Financial Statements

For the year ended December 31, 2022

13.2 Licenses and computer softwares	Licenses	Computer softwares	Total
	Rupees in '000		
<b>At January 1, 2022</b>			
Cost	328,146	415,451	743,597
Accumulated amortization and impairment	90,067	204,817	294,884
<b>Net book value</b>	<b>238,079</b>	<b>210,634</b>	<b>448,713</b>
<b>Year ended December 31, 2022</b>			
Opening net book value	238,079	210,634	448,713
Purchases / transfer	48,328	19,823	68,151
Amortization charge	38,550	38,127	76,677
<b>Closing net book value</b>	<b>247,857</b>	<b>192,330</b>	<b>440,187</b>
<b>At December 31, 2022</b>			
Cost	376,474	435,274	811,748
Accumulated amortization and impairment	128,617	242,944	371,561
<b>Net book value</b>	<b>247,857</b>	<b>192,330</b>	<b>440,187</b>
Rate of amortization (percentage)	10% - 33.33%		
Useful life - years	3 - 10		
Remaining amortization years	0 - 8		
	Licenses	Computer softwares	Total
	Rupees in '000		
<b>At January 1, 2021</b>			
Cost	323,923	409,980	733,903
Accumulated amortization and impairment	72,868	140,794	213,662
<b>Net book value</b>	<b>251,055</b>	<b>269,186</b>	<b>520,241</b>
<b>Year ended December 31, 2021</b>			
Opening net book value	251,055	269,186	520,241
Purchases / transfer	4,223	5,471	9,694
Amortization charge	17,199	64,023	81,222
<b>Closing net book value</b>	<b>238,079</b>	<b>210,634</b>	<b>448,713</b>
<b>At December 31, 2021</b>			
Cost	328,146	415,451	743,597
Accumulated amortization and impairment	90,067	204,817	294,884
<b>Net book value</b>	<b>238,079</b>	<b>210,634</b>	<b>448,713</b>
Rate of amortization (percentage)	10% - 33.33%		
Useful life - years	3 - 10		
Remaining amortization years	0 - 9		
		2022	2021
		Rupees in '000	
<b>13.3 The cost of fully amortised intangible assets, that are still in use are as follows:</b>			
Licenses		69,263	58,926
Computer softwares		135,567	85,580
		<b>204,830</b>	<b>144,506</b>

# Notes To The Financial Statements

For the year ended December 31, 2022

14 DEFERRED TAX ASSETS	Note	Rupees in '000	
		2022	2021
<b>Deferred tax assets arising in respect of:</b>			
Provision for balances with other banks		4,312	3,911
Provision for diminution in value of investments		130,402	67,488
Islamic pool management reserve		59,420	50,976
Accelerated accounting depreciation		124,261	86,465
Deficit on revaluation of investments	21	785,530	310,794
Provision against loans and advances		321,467	524,835
		1,425,392	1,044,469
<b>Deferred tax liabilities arising in respect of:</b>			
Share of profit of associate		(21,276)	(20,390)
Surplus on revaluation of non-banking asset		(19,208)	(31,667)
Others		(17,067)	-
<b>Deferred tax assets - net</b>	14.1	<b>1,367,841</b>	<b>992,412</b>

14.1 Reconciliation of deferred tax	As at January 1, 2021		As at December 31, 2021		As at December 31, 2022	
	Recognized in Profit and Loss account	Recognized in Other Comprehensive Income	Recognized in Profit and Loss account	Recognized in Other Comprehensive Income	Recognized in Profit and Loss account	Recognized in Other Comprehensive Income
<b>Deductible temporary differences on</b>						
Provision for balances with other banks	3,510	-	401	3,911	401	4,312
Provision for diminution in value of investments	43,023	-	24,465	67,488	62,914	130,402
Islamic pool management reserve	52,549	-	(1,573)	50,976	8,444	59,420
Accelerated accounting depreciation	85,628	-	837	86,465	37,796	124,261
Deficit on revaluation of investments	(178,832)	-	-	489,626	-	785,530
Provision against loans and advances	480,266	-	44,569	524,835	(203,368)	321,467
<b>Taxable temporary differences on</b>						
Share of profit of associate	-	(2,310)	(18,080)	(20,390)	(1,614)	(21,276)
Surplus on revaluation of non-banking asset	(26,242)	(8,674)	3,249	(31,667)	4,364	(19,208)
Others	-	-	-	-	(17,067)	(17,067)
<b>Deferred tax assets - net</b>	<b>459,902</b>	<b>478,642</b>	<b>53,868</b>	<b>992,412</b>	<b>(108,130)</b>	<b>1,367,841</b>

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.

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022	2021
		Rupees in '000	
<b>15</b>	<b>OTHER ASSETS</b>		
Income/ mark-up accrued in local currency		6,923,063	4,108,473
Profit receivable on Bai Muajjal		-	2,540,078
Advances, deposits and other prepayments		133,794	109,645
Advance taxation (payments less provisions)		632,853	447,054
Non-banking assets acquired in satisfaction of claims	15.1	312,931	309,668
Mark to market gain on forward foreign exchange contracts		59,027	357,492
Acceptances		292,098	114,706
Branch adjustment account		1,357	6,905
Pre-IPO investment		100,000	100,000
Stationary and stamps on hand		102,617	52,184
Employees benefits	35.1.3	210,349	303,962
Clearing and settlement accounts		-	62,283
Receivable from the State Bank of Pakistan	15.3	48,154	67,607
Others		157,435	97,372
		<b>8,973,678</b>	<b>8,677,429</b>
Less: Provision held against other assets	15.2	(144,426)	(152,765)
Other assets - net of provision		<b>8,829,252</b>	<b>8,524,664</b>
Surplus on revaluation of non-banking asset acquired in satisfaction of claims	21	44,669	81,197
<b>Other assets - total</b>		<b>8,873,921</b>	<b>8,605,861</b>
<b>15.1</b>	<b>Market value of non banking assets acquired in satisfaction of claims</b>	<b>357,600</b>	<b>390,865</b>

The Non-banking assets acquired in satisfaction of claims have been revalued on December 31, 2022 by M/s Amir Evaluators and consultants, an independent valuer. The revaluation was carried out on the basis of professional assessment of market value. The SBP's Regulations for Debt Property Swap require the Bank to carry out a full scope valuation of non-banking assets after every three years. Based on latest valuation, the Bank has recognized a reversal of impairment of Rs. 15.95 million (2021: impairment charge of Rs. 3.40 million) during the year.

		2022	2021
		Rupees in '000	
<b>15.1.1</b>	<b>Non-banking assets acquired in satisfaction of claims</b>		
Opening Balance		390,865	385,305
Adjustment		-	16,800
Revaluation (deficit) / surplus		(26,379)	14,552
Disposals		-	-
Depreciation		(22,833)	(22,395)
Reversal of impairment / (impairment)		15,947	(3,397)
Closing Balance		<b>357,600</b>	<b>390,865</b>

# Notes To The Financial Statements

For the year ended December 31, 2022

		2022	2021
		Rupees in '000	
15.2	Provision held against other assets		
	Advances for Pre-IPO	100,000	100,000
	Others	44,426	52,765
		144,426	152,765
15.2.1	Movement in provision held against other assets		
	Opening balance	152,765	144,426
	Charge for the year	-	8,339
	Reversals for the year	(8,339)	-
	Closing balance	144,426	152,765
15.3	This represents subsidy claim receivable from SBP in respect of Mera Pakistan Mera Ghar (MPMG) Scheme. In the year 2021, this represents amount held as placement with SBP upto a maximum of December 22, 2022 pursuant to IH&SMEFD Circular No. 10 of 2020 for housing and construction finance.		
		2022	2021
		Rupees in '000	
16	<b>BILLS PAYABLE</b>		
	In Pakistan	2,102,234	874,567
	Outside Pakistan	-	-
		2,102,234	874,567

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022	2021	
		Rupees in '000		
<b>17</b>	<b>BORROWINGS</b>			
	<b>Secured</b>			
	<b>Borrowings from State Bank of Pakistan (SBP) under</b>			
	- Export refinance scheme	17.1	4,976,044	4,866,360
	- Long term financing facility	17.2	3,222,602	2,692,478
	- Refinance and credit guarantee scheme for women entrepreneurs	17.3	35,408	54,730
	- Financing facility for renewable energy	17.4	140,642	54,441
	- Refinance facility for modernization of Small and Medium Enterprises (SMEs)	17.5	29,643	34,531
	- Refinance scheme for payment of wages and salaries	17.6	96,937	123,885
	- Refinance facility for combating COVID-19	17.7	957,059	1,134,862
	- SME Asaan Scheme (SAAF)	17.8	601,903	-
	- Financing facility for storage of agriculture produce	17.9	83,077	-
	- Repurchase agreement borrowings	17.11	46,207,244	64,216,963
			<b>56,350,559</b>	<b>73,178,250</b>
	Bai Muajjal borrowings	17.10	-	17,950,142
	Repurchase agreement borrowings	17.11	8,950,464	11,957,244
	Call borrowings	17.12	962,145	983,292
			<b>9,912,609</b>	<b>30,890,678</b>
	<b>Total secured</b>		<b>66,263,168</b>	<b>104,068,928</b>
	<b>Unsecured</b>			
	Call borrowings	17.13	-	6,000,000
	<b>Total</b>		<b>66,263,168</b>	<b>110,068,928</b>

17.1 The Bank has entered into agreements for financing with the State Bank of Pakistan (SBP) 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. These carry mark-up at rates ranging from 2.00% to 12.00% (2021: 3.00%) per annum. The borrowings are repayable within 6 months from the deal date.

17.2 These borrowings have been obtained from SBP for providing financing facilities to exporters for imported and locally manufactured new plant and machinery to be used by the export oriented projects. These carry mark-up at rates ranging from 2.00% to 13.00% (2021: 2.00% to 3.50%) per annum. These borrowings are repayable within a period ranging from 3 years to 10 years.

17.3 These borrowings have been obtained from the SBP under a scheme to finance women entrepreneurs for setting up of new business enterprises or for expansion of existing ones. These carry mark-up at the rate of 0.00% (2021: 0.00%) per annum.

17.4 These borrowings have been obtained from the SBP under a scheme for financing renewable energy power plants to promote renewable energy projects in the country. These carry mark-up at the rate of 2.00% to 3.00% (2021: 2.00% to 3.00%) per annum.

# Notes To The Financial Statements

For the year ended December 31, 2022

- 17.5 These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises. These carry mark-up at the rate of 2.00% (2021: 2.00%) per annum.
- 17.6 These borrowings have been obtained from SBP under a scheme to help businesses of payment of wages and salaries to their employees during the COVID - 19 pandemic and thereby support continued employment. These carry mark-up at the rate of 0.00% to 2.00% (2021: 0.00% to 2.00%) per annum from the Bank.
- 17.7 These borrowings have been obtained from the SBP to provide emergency refinance facility to hospitals & medical centres to develop capacity for the treatment of COVID-19 patients. These carry mark-up at the rate of 0.00% (2021: 0.00%) per annum. The maximum financing limit under the facility is Rs 200 million (2021: Rs. 200 million) per hospital / medical centre with a tenor of 5 years including a grace period of up to 6 months.
- 17.8 These borrowings have been obtained from the SBP under SME Asaan Scheme (SAAF). These carry mark-up at the rate of 1.00% per annum.
- 17.9 These borrowings have been obtained from the SBP for establishment, expansion and balancing, modernization & replacement (BMR) of Steel/Metal/Concrete Silos, Warehouses & Cold Storage facilities for storing agricultural produce. These carry mark-up at the rate of 2.00% per annum.
- 17.10 For the year 2021, this represented secured borrowing under Bai Muajjal carrying profit at the rate of 7.25% per annum which matured on August 15, 2022 and were secured by way of government securities given as collateral.
- 17.11 Repurchase agreement with financial institution and SBP carries interest rate at 15.23% to 16.21% (2021: 9.87% to 10.30%) per annum with maturities upto March 3, 2023 and are secured by way of investments given as collateral as referred in note 10.4.
- 17.12 Secured call borrowing from financial institutions carries interest rate ranging from 6.00% to 7.80% (2021: 6.00 % to 7.80%) per annum with maturities up to November 27, 2023.
- 17.13 Unsecured call borrowing from financial institutions carries interest ranging from of 0.00% (2021: 10.50% to 10.60%) per annum.

17.14 Particulars of borrowings with respect to currencies	2022	2021
	Rupees in '000	
In local currency	66,263,168	110,068,928
In foreign currencies	-	-
	<b>66,263,168</b>	<b>110,068,928</b>

# Notes To The Financial Statements

For the year ended December 31, 2022

## 18 DEPOSITS AND OTHER ACCOUNTS

	2022		2021		Total	In local currency	In foreign currencies	In local currency	In foreign currencies	Total
	In local currency	In foreign currencies	In local currency	In foreign currencies						
	Rupees in '000									
<b>Customers</b>										
Current deposits	41,401,851	567,644	41,969,495	34,469,737	448,039		34,469,737	448,039		34,917,776
Saving deposits	125,362,662	127,589	125,490,251	104,669,961	121,570		104,669,961	121,570		104,791,531
Term deposits	62,397,921	243,413	62,641,334	65,816,696	92,431		65,816,696	92,431		65,909,127
Others	15,231,796	-	15,231,796	11,253,752	-		11,253,752	-		11,253,752
	244,394,230	938,646	245,332,876	216,210,146	662,040		216,210,146	662,040		216,872,186
<b>Financial Institutions</b>										
Current deposits	446,768	3,367	450,135	648,065	-		648,065	-		648,065
Saving deposits	3,122,970	-	3,122,970	4,355,647	-		4,355,647	-		4,355,647
	3,569,738	3,367	3,573,105	5,003,712	-		5,003,712	-		5,003,712
	247,963,968	942,013	248,905,981	221,213,858	662,040		221,213,858	662,040		221,875,898

### 18.1 Composition of deposits

	2022		2021	
	In local currency	In foreign currencies	In local currency	In foreign currencies
	Rupees in '000			
Individuals	51,438,808		42,668,413	
Government (Federal and Provincial)	141,124,523		133,872,398	
Public sector entities	1,839,649		9,130,287	
Banking companies	1,165,627		2,743,029	
Non-banking financial institutions	2,407,478		2,260,683	
Private sector	50,929,896		31,201,088	
	248,905,981		221,875,898	

18.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 65,031 million (2021: Rs. 58,634 million).

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022	2021
		Rupees in '000	
<b>19</b>	<b>OTHER LIABILITIES</b>		
	Mark-up / return / interest payable in local currency	7,577,871	5,595,139
	Mark-up / return / interest payable in foreign currencies	1,321	242
	Unearned commission and income on bills discounted	187,366	154,373
	Unearned income - Bai Muajjal Sukuk	-	138,896
	Accrued expenses and supplier payables	426,676	436,979
	Acceptances	292,098	114,706
	Unclaimed dividends	61,616	64,790
	Mark to market loss on forward foreign exchange contracts	33,455	477,392
	Lease liability against right-of-use assets	12.3.1	1,368,661
	Deferred income on government schemes	2,452	8,090
	Deferred income on Islamic financing	118,309	84,199
	Islamic pool management reserves	19.1	138,183
	Share subscription money refund	19.2	1,091
	Retention money	63,457	55,000
	Bills payment system over the counter (BPS-OTC)	19.3	3,195
	Charity fund balance	14,502	7,648
	Security deposits against ijarah	167,416	218,380
	Levies and other taxes payable	71,217	47,306
	Clearing and settlement accounts	454,369	-
	Others	301,884	200,015
		<b>11,285,139</b>	<b>9,216,778</b>

**19.1** This includes equity portion of Profit Equalization Reserve amounting to Rs. 36.29 million (2021: Rs. 35.26 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 amounts collected on behalf of government entities. Subsequent to reporting date, these amounts have been deposited into designated bank accounts of these government entities.

# Notes To The Financial Statements

For the year ended December 31, 2022

20	SHARE CAPITAL						
20.1	Authorized capital						
		2022	2021			2022	2021
	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
20.2	Issued, subscribed and paid up						
		2022	2021			2022	2021
	Number of shares					Rupees in '000	
		722,698,448	722,698,448	Ordinary shares of Rs. 10 each		7,226,984	7,226,984
				Fully paid in cash			
				Issued as fully paid bonus shares:			
		327,572,595	277,554,037	Opening balance		3,275,726	2,775,540
		52,519,486	50,018,558	Issued during the year (Note 20.3)		525,195	500,186
		380,092,081	327,572,595	Closing balance		3,800,921	3,275,726
		1,102,790,529	1,050,271,043			11,027,905	10,502,710
20.3	During the year, 52,519,486 shares were issued as fully paid bonus shares in respect of the year ended December 31, 2021 (2021: 50,018,558 shares were issued as fully paid bonus shares in respect of the year ended December 31, 2020)						
20.4	The Bank has only one class of shares and at reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 774,184,576 (December 31, 2021: 737,318,644) and 269,383,781 (December 31, 2021: 256,555,982) ordinary shares respectively. Moreover, the Bank has no reserved shares under options.						
21	(DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX					2022	2021
	(Deficit) / surplus on revaluation of:			Note		Rupees in '000	
	- Available for sale securities			10.1		(1,826,815)	(796,907)
	- Fixed assets			12.2.1		787,200	787,200
	- Non-banking assets acquired in satisfaction of claims			21.1		44,669	81,197
	- Revaluation of investment in associate					(2,163)	-
						(997,109)	71,490
	Deferred tax on (deficit) / surplus on revaluation of:						
	- Available for sale securities					785,530	310,794
	- Non-banking assets acquired in satisfaction of claims					(19,208)	(31,667)
	- Revaluation of investment in associate					930	-
						767,252	279,127
						(229,857)	350,617

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022	2021	
		Rupees in '000		
<b>21.1</b>	<b>Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
	Surplus on revaluation as at January 1	81,197	74,976	
	Recognised during the year	(26,379)	14,552	
	Realised on disposal during the year - net of deferred tax	-	-	
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	(5,785)	(5,082)	
	Related deferred tax liability on incremental depreciation charged during the year	(4,364)	(3,249)	
		44,669	81,197	
	Less: related deferred tax liability on			
	Revaluation surplus as at January 1	(31,667)	(26,242)	
	Revaluation recognised during the year	11,343	(5,675)	
	Change in tax rate	(3,248)	(2,999)	
	Deferred tax liability related to transfer or adjustments	-	-	
	Surplus recognised on disposal during the year	-	-	
	Incremental depreciation transferred to unappropriated profit	4,364	3,249	
		(19,208)	(31,667)	
<b>22</b>	<b>CONTINGENCIES AND COMMITMENTS</b>			
	- Guarantees	22.1	32,938,542	20,848,980
	- Commitments	22.2	28,861,757	62,930,914
			61,800,299	83,779,894
<b>22.1</b>	<b>Guarantees:</b>			
	Financial guarantees		1,606,291	1,878,769
	Performance guarantees		31,326,169	18,963,929
	Other guarantees		6,082	6,282
			32,938,542	20,848,980
<b>22.2</b>	<b>Commitments:</b>			
	Documentary credits and short-term trade-related transactions			
	- Letters of credit		9,680,802	6,316,498
	Commitments in respect of:			
	- Forward foreign exchange contracts	22.2.1	18,234,328	56,203,513
	Commitments for acquisition of:			
	- Operating fixed assets		642,630	312,915
	- Intangible assets		303,997	77,463
	Other commitments	22.2.2	-	20,525
			28,861,757	62,930,914

# Notes To The Financial Statements

For the year ended December 31, 2022

	2022	2021
	Rupees in '000	
<b>22.2.1</b>	<b>Commitments in respect of forward foreign exchange contracts</b>	
Purchase	8,522,993	27,988,087
Sale	9,711,335	28,215,426
	<b>18,234,328</b>	<b>56,203,513</b>
	Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at contracted rates.	
<b>22.2.2</b>	<b>Other commitments</b>	
Forward purchase - shares	-	15,525
Commitment for donation	-	5,000
	-	20,525

**22.2.3** The Bank's share of commitments of its associated company i.e. Taurus Securities Limited amounts to Rs Nil (2021: Rs 42.33 million).

## **22.3 Other contingent liabilities**

**22.3.1** There are certain claims which have not been acknowledged as debts. These mainly represent counter claims by the borrowers, claims filed by the former employees of the Bank and certain other claims. Based on legal advice and/or internal assessments management is confident that the matters will be decided in the Bank's favor and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these financial statements for the same.

**22.3.2** The Bank is contesting a case filed by an employee in the Peshawar High Court regarding changes in post retirement benefit plans made by the Bank w.e.f. January 1, 2019 as referred to in note 6.11.1, changes in provident fund entitlement and leave policy. The management based on a legal opinion is of the view that such changes were lawfully made as per Bank's policy and is optimistic about the favorable outcome of the case. Hence, no provision in this respect is recognized in the financial statements. Considering the complexity and uncertainty in nature, the financial impact cannot be reasonably ascertained.

**22.3.3** The income tax assessments of the Bank have been finalized up to tax year 2022.

- i) In respect of Tax Year 2014, the Commissioner Inland Revenue, Appeals (CIRA), issued an order dated November 24, 2021 under section 129 of the Income Tax Ordinance, 2001 in which he remanded back certain matters to Commissioner Inland Revenue (CIR) for reassessment and also upheld few matters. Being aggrieved the Bank filed an appeal with Appellate Tribunal Inland Revenue (ATIR) on February 23, 2022, which is currently pending.

During the year, the remand back proceedings were also completed by CIR, and order was issued, creating a total demand of Rs 231 million in respect of remand back proceedings and for matter upheld by CIRA and mainly included disallowances on account of provision for doubtful debt, depreciation and workers welfare fund. The Bank filed correction application with CIR as well as appeal with CIRA, on May 18, 2022 which is currently pending.

- ii) In respect of Tax Year 2015, Assistant Commissioner Inland Revenue issued an order on September 30, 2021 rectified later vide order dated March 30, 2022 creating additional tax demand of Rs 54 million under section 21(c) of Income Tax Ordinance, 2001 mainly on account of disallowance due to non-deduction of withholding tax. The Bank has filed an appeal with CIRA on October 28, 2021, which is currently pending.

# Notes To The Financial Statements

For the year ended December 31, 2022

- iii) During the year, in respect of Tax Year 2016, Additional Commissioner Inland Revenue issued an order dated June 21, 2022 creating a demand of Rs 188 million on account of provision for non-performing loans and advances. Being aggrieved the Bank filed an appeal with Commissioner (Appeals) Peshawar dated July 22, 2022 which is currently pending.
- iv) During the year, in respect of Tax Year 2020, Additional Commissioner (Audit) vide order dated February 18, 2022 created an additional demand amounting to Rs 520 million on account of Bai Muajjal transaction and related penalty under section 111(1) and section 182 of Income Tax Ordinance, 2001. Being aggrieved the Bank filed an appeal against the said order with CIRA dated April 12, 2022. Commissioner (Appeals) Peshawar vide order dated October 20, 2022 decided the matter in favour of the Bank. However, the appeal filed against penalty under section 182 is currently pending with Commissioner (Appeals) Peshawar.

22.3.4 The Bank's share of contingencies of its associated company i.e. Taurus Securities Limited amounts to Rs 5.70 million (2021: Rs 5.70 million).

Management is confident of a favourable outcome of the above matters. Hence, no provision has been recognized for the same in these financial statements.

		2022	2021
		Rupees in '000	
23	<b>MARK-UP / RETURN / INTEREST EARNED</b>		
	On:		
	Loans and advances	16,612,208	9,472,526
	Investments	18,601,397	9,932,303
	Lendings to financial institutions	874,473	493,654
	Balances with banks	57,068	57,503
	Sukuk bonds	4,096,879	1,983,171
		<b>40,242,025</b>	<b>21,939,157</b>
24	<b>MARK-UP / RETURN / INTEREST EXPENSED</b>		
	On:		
	Deposits	19,448,726	11,342,143
	Borrowings	13,496,265	3,670,700
	Lease liability	148,348	137,073
		<b>33,093,339</b>	<b>15,149,916</b>
25	<b>FEE AND COMMISSION INCOME</b>		
	Branch banking customer fees	20,738	14,741
	Consumer finance related fees	594	2,335
	Card related fees	123,116	84,384
	Investment banking fees	-	18,040
	Commission on trade	124,793	104,292
	Commission on guarantees	233,383	155,692
	Commission on remittances including home remittances	34,191	29,387
	Others	9,202	16,480
		<b>546,017</b>	<b>425,351</b>

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022	2021
		Rupees in '000	
<b>26</b>	<b>GAIN / (LOSS) ON SECURITIES</b>		
	Realised	26.1	7,530
	Unrealised		(113,087)
			(1,154)
			(114,241)
<b>26.1</b>	<b>Realised gain / (loss) on:</b>		
	Federal Government securities		(5,259)
	Shares		(167,652)
	Non Government debt securities		(1,464)
	Mutual funds		2,635
			11,618
			3,373
			(113,087)
<b>27</b>	<b>OTHER INCOME</b>		
	Rent on property		3,247
	Gain on sale of fixed assets		2,900
	Postal, swift and other services		4,371
	Rebate from financial institutions		86,047
	Service income on Government schemes		89,898
	Gain on early culmination of lease		31,369
	Reversal of impairment on non-banking assets		4,101
			11,385
			3,970
			15,947
			-
			149,955
			156,336

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022 Rupees in '000	2021
<b>28 OPERATING EXPENSES</b>			
Total compensation expense	28.1	3,214,314	2,696,897
<b>Property expenses</b>			
Rent and taxes		9,746	1,241
Utilities cost		295,170	178,192
Security (including guards)		191,311	164,805
Repair and maintenance		11,004	6,971
Depreciation - Right of use assets	12.3	533,950	442,724
Depreciation - Non-banking assets acquired in satisfaction of claims	15.1.1	22,833	22,395
Deficit on revaluation of non-banking asset	15.1.1	-	3,397
Depreciation - Fixed assets	12.2	234,154	157,642
		1,298,168	977,367
<b>Information technology expenses</b>			
Software maintenance		272,140	160,110
Hardware maintenance		21,595	19,841
Depreciation - Fixed assets	12.2	223,757	159,065
Amortization	13.2	76,677	81,222
Network charges		19,769	10,918
ATM charges		207,783	171,762
		821,721	602,918
<b>Other operating expenses</b>			
Directors' fees and allowances		8,901	6,936
Fees and allowances to Shariah Board		12,078	11,093
Legal and professional charges		85,337	61,280
Outsourced services costs (refer note 34.1)	28.2	271,114	111,935
Travelling and conveyance		64,722	67,522
NIFT clearing charges		26,585	15,465
Depreciation - Fixed assets	12.2	49,873	34,283
Training and development		5,893	3,048
Postage and courier charges		26,477	25,362
Communication		49,684	36,749
Stationery and printing		89,524	57,419
Marketing, advertisement and publicity		94,648	97,859
Donations	28.3	11,900	5,003
Auditors remuneration	28.4	12,960	10,848
Entertainment		42,217	42,139
Newspapers and periodicals		1,966	1,107
Brokerage and commission		41,885	61,435
Rent and taxes		2,257	2,210
Cash carriage charges		78,118	56,262
Repair and maintenance		36,231	33,567
Insurance		50,482	38,971
Fee and subscription		10,136	9,161
Deposit protection premium		93,815	95,482
COVID - 19 related expenses		-	65,356
Others		149,080	67,810
		1,315,883	1,018,302
		6,650,086	5,295,484

# Notes To The Financial Statements

For the year ended December 31, 2022

28.1	Total compensation expense	Note	2022	2021
			Rupees in '000	
	Managerial remuneration			
	Fixed		1,265,343	1,137,437
	Variable - cash bonus / awards etc.		245,506	178,745
	Charge for defined benefit plan	35.1.7.1	48,870	36,246
	Contribution to defined contribution plan	35.2	102,030	84,775
	Rent and house maintenance		570,561	468,974
	Fuel ceiling entitlement		312,226	269,242
	Utilities		191,531	155,669
	Medical		192,042	94,669
	Insurance		51,940	64,397
	Special duty allowance		21,743	28,419
	Conveyance		119,752	104,567
	Stipend / honorarium		21,644	10,816
	EOBI		22,236	19,500
	Marriage / child education support		2,183	1,684
	Recreation allowance		46,040	40,702
	Others		667	1,055
	<b>Sub-total</b>		<b>3,214,314</b>	<b>2,696,897</b>
	Sign-on bonus		-	-
	Severance allowance		-	-
	<b>Grand total</b>		<b>3,214,314</b>	<b>2,696,897</b>

**28.2** Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 271.11 million (2021: Rs. 111.94 million). This cost pertains to the payment to companies incorporated in Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. Nil (2021: Rs. Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017.

**28.3** Donations represents an amount of Rs. 5 million (2021: Rs. 5 million) paid to Khpal Kor Foundation under the Bank's Corporate Social Responsibility and Rs. 6.90 million (2021: Rs. Nil) paid to CM KPK Flood Relief Fund, which were approved in 164th and 175th meeting of the Board of Directors, respectively. No Director of the Bank holds any interest in Khpal Kor Foundation and CM KPK Flood Relief Fund. Further, public offices are held by few directors of the Bank.

28.4	Auditors' remuneration	2022	2021
		Rupees in '000	
	Fee for annual audit	3,500	2,107
	Fee for half yearly review	1,400	913
	Fee for shariah audit	1,400	1,320
	Fee for internal controls over financial reporting	3,200	3,302
	Fee for other statutory certifications	1,300	279
	Out-of-pocket expenses	1,620	2,531
	Sales tax	540	396
		<b>12,960</b>	<b>10,848</b>

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022	2021
		Rupees in '000	
<b>29 OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		61,144	4,519
<b>30 PROVISIONS AND WRITE OFFS - NET</b>			
Provision for diminution in value of investments - net	10.5	130,214	50,118
Provisions against loans and advances - net	11.3	780,262	773,422
(Reversal) of / provisions against other assets	15.2.1	(8,339)	8,339
Bad debts written off directly		-	-
		902,137	831,879
<b>31 TAXATION</b>			
Current		414,450	632,518
Prior years		(57,559)	(2,092)
Deferred		108,130	(53,868)
	31.1	465,021	576,558
<b>31.1 Relationship between tax expense and accounting profit</b>			
Profit before tax		919,885	1,680,185
Profit at the applicable rate of 39% (2021: 35%)		358,755	588,065
Prior year tax		(57,559)	(2,092)
Super tax at rate of 10% (2021: 4%)		91,989	67,207
Permanent difference		29,970	27,517
Changes in tax rate and others on opening deferred tax		2,738	(75,997)
Others		39,128	(28,142)
		465,021	576,558
<b>32 BASIC AND DILUTED EARNINGS PER SHARE</b>			
Profit for the year		454,864	1,103,627
			(Number of shares)
			(Restated - Note 20.3)
Weighted average number of ordinary shares		1,102,790,529	1,102,790,529
			(Rupee)
			(Restated)
Basic and diluted earnings per share		0.41	1.00

32.1 There were no dilutive potential ordinary shares outstanding as at December 31, 2022 and December 31, 2021.

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022 Rupees in '000	2021	
<b>33</b>	<b>CASH AND CASH EQUIVALENTS</b>			
	Cash and balance with treasury banks	7	16,273,825	17,375,313
	Balance with other banks	8	3,556,532	12,114,583
			<b>19,830,357</b>	<b>29,489,896</b>

**33.1** This includes balances with the State Bank of Pakistan (SBP) related to statutory cash reserve held to comply with SBP requirements.

# Notes To The Financial Statements

For the year ended December 31, 2022

33.2	Reconciliation of movement of liabilities and equity to cash flows arising from financing activities	December 31, 2022				December 31, 2021			
		Other Liabilities	Reserves	Unappropriated profit	Other Liabilities	Reserves	Unappropriated profit	Other Liabilities	Unappropriated profit
Rupees in '000									
	Balance as at January 1	9,216,778	3,555,773	2,160,774	9,449,525	3,335,048	3,267,017		
	Payment of lease liability against right-of-use-assets	(763,300)	-	-	(513,044)	-	-		
	Dividend paid	-	-	(3,174)	-	-	(1,464,743)		
	Total changes from financing cash flows	(763,300)	-	(3,174)	(513,044)	-	(1,464,743)		
	<b>Liability related</b>								
	Changes in Other liabilities								
	- Cash based	(2,150,154)	-	-	(313,542)	-	-		
	- Dividend announced	-	-	-	35,814	-	(35,814)		
	- Lease liability recognised	560,853	-	-	885,352	-	-		
	- Transfer to statutory reserve	-	90,973	(90,973)	-	220,725	(220,725)		
	Total liability related other changes	(1,589,301)	90,973	(90,973)	607,624	220,725	(256,539)		
	Total equity related other changes	4,420,962	-	-	327,327	-	-		
	Total equity related other changes	-	-	(83,923)	-	-	(615,039)		
	<b>Balance as at December 31</b>	<b>11,285,139</b>	<b>3,646,746</b>	<b>1,982,704</b>	<b>9,216,778</b>	<b>3,555,773</b>	<b>2,160,774</b>		
34	<b>STAFF STRENGTH</b>								
	Permanent					2022		2021	
	On Bank contract					1,931		1,753	
	Bank's own staff strength at the end of the year					19		14	
	Bank's own average staff strength					1,950		1,767	
	Bank's own average staff strength					1,859		1,603	
34.1	In addition to the above, 933 (2021: 1,000) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. No staff was assigned by the Bank to perform activities outside Pakistan.								

# Notes To The Financial Statements

For the year ended December 31, 2022

## 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 1,931 (2021: 1,753).

#### 35.1.2 Principal actuarial assumptions

The actuarial valuation was carried out as at December 31, 2022 using the following significant assumptions:

		2022	2021
		Per annum	
	Discount rate	14.50%	11.75%
	Expected rate of return on plan assets	14.50%	11.75%
	Expected rate of salary increase-long term	12.50%	9.75%
	Expected rate of salary increase-short term	10.50%	10.00%
	Average expected remaining working life (years)	6.25	7.58
		2022	2021
<b>35.1.3</b>	<b>Reconciliation of receivable under defined benefit plan</b>	<b>Rupees in '000</b>	
	Present value of obligation	(660,936)	(569,383)
	Fair value of plan assets	871,285	873,345
		210,349	303,962
<b>35.1.4</b>	<b>Movement in defined benefit obligations</b>		
	Obligation at the beginning of the year	569,383	546,054
	Current service cost	86,330	70,511
	Interest cost	60,913	48,676
	Benefits paid	(72,256)	(61,642)
	Re-measurement loss / (gain)	16,566	(34,216)
	Obligation at the end of the year	660,936	569,383
<b>35.1.4.1</b>	This includes Rs. 17.87 million (2021: Rs. 11.83 million) payable to outgoing employees.		
<b>35.1.5</b>	<b>Movement in fair value of plan assets</b>		
	Fair value at the beginning of the year	873,345	881,501
	Interest income on plan assets	98,373	82,941
	Benefits paid by the Fund	(72,256)	(61,642)
	Re-measurement (loss)	(28,177)	(29,455)
	Fair value at the end of the year	871,285	873,345

# Notes To The Financial Statements

For the year ended December 31, 2022

	Note	2022	2021
		Rupees in '000	
<b>35.1.6</b>	<b>Movement in receivable under defined benefit scheme</b>		
	Opening balance	303,962	335,447
	Charge for the year	(48,870)	(36,246)
	Re-measurement (loss) / gain recognised in OCI during the year	(44,743)	4,761
	Closing balance	210,349	303,962
<b>35.1.7</b>	<b>Charge for employee benefit plan</b>		
<b>35.1.7.1</b>	<b>Cost recognised in profit and loss</b>		
	Current service cost	(86,330)	(70,511)
	Net interest on defined benefit asset	37,460	34,265
		(48,870)	(36,246)
<b>35.1.7.2</b>	<b>Re-measurement recognised in OCI during the year</b>		
	Loss / (gain) on obligation		
	- Financial assumptions	(47,177)	(44,280)
	- Demographic assumptions	46,155	-
	Experience adjustment	17,588	10,064
		16,566	(34,216)
	Return on plan assets over interest income	28,177	29,455
	<b>Total re-measurements recognised in OCI</b>	<b>44,743</b>	<b>(4,761)</b>
<b>35.1.8</b>	<b>Components of plan assets</b>		
	Cash and cash equivalents	13,688	23,802
	Term Deposit Receipts	813,110	798,052
	Shares / mutual funds	44,487	51,491
	Non-Government debt securities	-	20,000
		871,285	893,345
	Less: provision against securities	-	(20,000)
		871,285	873,345
	35.1.5	871,285	873,345

## 35.1.9 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. The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised below:

# Notes To The Financial Statements

For the year ended December 31, 2022

	2022	2021
	<b>Gratuity fund</b>	
	<b>Rupees in '000</b>	
1% increase in discount rate	(37,795)	(39,433)
1% decrease in discount rate	42,645	45,093
1% increase in expected rate of salary increase	28,595	23,980
1% decrease in expected rate of salary increase	(25,153)	(20,656)
10% increase in withdrawal rates	5,883	2,274
10% decrease in withdrawal rates	(6,011)	(2,293)
1 Year Mortality age set back	(1,355)	(1,621)
1 Year Mortality age set forward	1,348	1,613
<b>35.1.10 Expected contribution to be paid to the fund in the next financial year</b>	<b>-</b>	<b>-</b>
<b>35.1.11 Expected charge for the next financial year</b>	<b>61,010</b>	<b>41,854</b>
<b>35.1.12 Maturity profile - undiscounted payments</b>		
	<b>2022</b>	<b>2021</b>
	<b>Rupees in '000</b>	
<b>Particulars</b>		
Year 1	124,606	64,887
Year 2	64,616	64,915
Year 3	94,093	42,512
Year 4	98,896	72,478
Year 5	68,292	87,326
Year 6 to 10	391,878	291,034
Year 11 and above	1,895,653	1,395,434

### 35.1.13 Funding policy

Contributions to the Fund are made on the basis of actuarial recommendation. The Bank expects to adjust / recover net surplus of Rs. 210.35 million within next two years. Accordingly, the assets of the fund available for refund to the Bank and effect of asset ceiling is insignificant to the financial statements.

### 35.1.14 Risks associated with Defined Benefit Plans

#### Asset volatility

The risk arises due to inclusion of the risky assets in the gratuity fund portfolio, inflation and interest rate volatility.

#### Discount rate fluctuation

The plan liabilities are calculated using a discount rate set with reference to market yield on government bonds. A decrease in discount rate will increase the plan liabilities. However, this will be partially offset by an increase in the value of asset plan bond holdings in case of funded plans.

#### Salary increase risk

The gratuity scheme is also linked with final salary. The risk arises when the actual increases in salary are higher than expectation and impacts the liability accordingly.

# Notes To The Financial Statements

For the year ended December 31, 2022

## Investment risks

The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives. The risk is mitigated by closely monitoring the performance of investment. The investment in mutual funds is subject to adverse fluctuation as a result of change in prices.

## Withdrawal risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

## 35.2 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 1,931 (2021: 1,753). During the year, the Bank has contributed Rs. 102.03 million (2021: Rs. 84.77 million) to the Fund.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 36.1 Total compensation expense

Items	2022					
	Directors		Members shariah board	Managing Director	Key management personnel	Other material risk takers / controllers
	Chairman	Executive (other than Managing Director)				
	500	-	7,375	-	-	-
Fees and allowances etc.	-	-	-	-	-	-
Managerial remuneration:	-	-	-	30,000	69,622	50,756
- Fixed	-	-	-	-	9,773	7,865
- Variable - cash bonus / awards etc.	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	244	5,517	3,603
Rent & house maintenance	-	-	-	1,316	32,582	22,840
Utilities	-	-	-	439	10,443	7,613
Medical	-	-	-	439	10,443	7,613
Conveyance	-	-	323	960	16,959	14,083
Additional allowances	-	-	-	-	-	182
Contractual allowances	-	-	-	-	-	-
Other allowances	-	-	-	-	517	71
Others	-	-	703	11	803	704
<b>Total</b>	<b>500</b>	<b>-</b>	<b>8,401</b>	<b>52,511</b>	<b>156,659</b>	<b>115,330</b>
Number of persons	1	-	6	4	15	18



# Notes To The Financial Statements

For the year ended December 31, 2022

36.2 Remuneration paid to directors for participation in board and committee meetings

2022

Sr. No.	Name of director	Meeting Fees and Allowances Paid						Total amount paid
		For board meetings	Audit committee	For Board committees			Risk management committee	
				HR&RC committee	IT steering committee	Compliance committee		
		Rupees in '000						
1	Mr. Shahab Ali Shah (Chairman)	500	-	-	-	-	-	500
2	Mr. Ikramullah Khan	500	563	188	63	-	250	1,564
3	Ms. Saleha Asif	375	63	438	-	-	-	876
4	Syed Asad Ali Shah	741	761	-	428	350	350	2,630
5	Mr. Tahir Jawaid	617	-	438	250	273	-	1,578
6	Mr. Javed Hashmat	375	313	-	250	250	-	1,188
7	Mr. Rashid Ali Khan	63	63	63	63	250	63	565
	<b>Total amount paid</b>	<b>3,171</b>	<b>1,763</b>	<b>1,127</b>	<b>1,054</b>	<b>1,123</b>	<b>663</b>	<b>8,901</b>

2021

Sr. No.	Name of director	Meeting Fees and Allowances Paid						Total amount paid
		For Board meetings	Audit committee	For Board committees			Risk management committee	
				HR&RC committee	IT steering committee	Compliance committee		
		Rupees in '000						
1	Mr. Shahab Ali Shah (Chairman)	188	-	-	-	-	-	188
2	Mr. Asad Muhammad Iqbal	714	250	-	63	-	-	1,027
3	Mr. Atif Rehman	391	313	24	63	-	250	1,041
4	Mr. Ikram Ullah Khan	63	-	-	-	-	-	63
5	Mr. Javed Akhtar	287	222	-	-	111	164	784
6	Ms. Saleha Asif	454	-	625	63	-	-	1,142
7	Mr. Rashid Ali Khan	461	111	500	56	161	222	1,511
8	Mr. Shakeel Qadir Khan	266	-	-	-	-	-	266
9	Mr. Maqsood Ismail Ahmad	303	-	444	-	-	167	914
	<b>Total amount paid</b>	<b>3,127</b>	<b>896</b>	<b>1,593</b>	<b>245</b>	<b>272</b>	<b>803</b>	<b>6,936</b>

# Notes To The Financial Statements

For the year ended December 31, 2022

## 36.3 Remuneration paid to shariah board members

Items	2022			2021		
	Chairman	Resident member	Non-resident members	Chairman	Resident member	Non-resident member
	Rupees in '000					
a. Meeting fees and allowances	-	-	-	-	-	-
b. Monthly remuneration	2,700	6,373	2,640	2,400	5,785	1,890
c. Bonus	-	365	-	-	1,018	-
d. Travelling and accommodation	-	-	-	-	-	-
<b>Total amount</b>	<b>2,700</b>	<b>6,738</b>	<b>2,640</b>	<b>2,400</b>	<b>6,803</b>	<b>1,890</b>
Total number of persons	1	1	2	1	1	2

## 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, other than investments in associates, is determined on the basis of break-up value of these investments as per their latest available audited financial statements. The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities and fixed term deposits and borrowings 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.

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

For the year ended December 31, 2022

## 37.2.1 Fair value of financial assets

### (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 and Forward Exchange Contracts.

### (c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

## 37.2.2 Fair value of non - financial assets

Certain categories of fixed assets (leasehold land) of Rs. 903,360 thousand (2021: Rs. 903,360 thousand) and non banking assets acquired in satisfaction of claims of Rs. 357,600 thousand (2021: Rs. 390,865 thousand) are carried at revalued amounts (level 3 measurements) determined by professional valuers based on their assessment of the market values. The valuations are conducted by the valuation experts appointed by Bank which are also on panel of State Bank of Pakistan.

### 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

Fixed assets (Leasehold land) and non-banking assets acquired in satisfaction of claims	These assets 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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# Notes To The Financial Statements

For the year ended December 31, 2022

38 SEGMENT INFORMATION  
38.1 Segment details with respect to business activities

		2022				Total
		Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
		Rupees in '000				
<b>Profit and loss</b>						
	Net mark-up / return / profit	(4,252,533)	11,317,180	(3,090,182)	3,174,221	7,148,686
	Inter segment revenue - net	7,170,256	(10,724,251)	3,591,466	(37,471)	-
	Non mark-up / return / interest income	23,465	810,910	125,047	425,144	1,384,566
	<b>Total income</b>	2,941,188	1,403,839	626,331	3,561,894	8,533,252
	Segment direct expenses and allocations	2,292,112	1,094,032	488,110	2,836,976	6,711,230
	<b>Total expenses</b>	2,292,112	1,094,032	488,110	2,836,976	6,711,230
	Provisions	-	130,214	84,356	687,567	902,137
	<b>Profit before tax</b>	649,076	179,593	53,865	37,351	919,885
<b>Balance sheet</b>						
	Cash and bank balances	4,161,691	10,362,251	420,099	4,886,316	19,830,357
	Lendings to financial institutions	-	7,641,077	-	-	7,641,077
	Investments	5,278,635	168,299,996	-	89,983	173,668,614
	Advances - performing	65,362,169	-	7,132,884	50,577,318	123,072,371
	Advances - non performing	236,870	-	108,918	4,097,052	4,442,840
	Operating fixed assets/intangible assets	1,412,667	3,518,450	142,643	1,013,239	6,086,999
	Deferred tax assets	69,373	985,170	19,955	293,343	1,367,841
	Others	1,740,210	4,273,336	170,855	2,689,520	8,873,921
	<b>Total assets</b>	78,261,615	195,080,280	7,995,354	63,646,771	344,984,020
	Bills payable	1,191,923	-	434,447	475,864	2,102,234
	Borrowings	10,143,314	55,157,708	-	962,146	66,263,168
	Deposits and other accounts	141,124,523	-	51,438,808	56,342,650	248,905,981
	Others	4,698,427	2,533,477	1,665,459	2,387,776	11,285,139
	<b>Total liabilities</b>	157,158,187	57,691,185	53,538,714	60,168,436	328,556,522
	Equity / Inter-segment (lending) / borrowing	(78,896,572)	137,389,095	(45,543,360)	3,478,335	16,427,498
	<b>Total equity and liabilities</b>	78,261,615	195,080,280	7,995,354	63,646,771	344,984,020
	Contingencies and commitments	8,764,284	18,781,504	22,183	34,232,328	61,800,299

# Notes To The Financial Statements

For the year ended December 31, 2022

	2021				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
	Rupees in '000				
<b>Profit and loss</b>					
Net mark-up / return / profit	(1,872,530)	9,041,530	(1,695,769)	1,316,010	6,789,241
Inter segment revenue - net	3,479,697	(5,353,998)	1,864,812	9,489	-
Non mark-up / return / interest income	53,729	507,739	86,719	374,639	1,022,826
Total Income	1,660,896	4,195,271	255,762	1,700,138	7,812,067
Segment direct expenses and allocations	1,384,631	2,812,781	112,663	989,928	5,300,003
Total expenses	1,384,631	2,812,781	112,663	989,928	5,300,003
Provisions	-	(45,120)	53,620	823,379	831,879
Profit before tax	276,265	1,427,610	89,479	(113,169)	1,680,185
<b>Balance sheet</b>					
Cash and bank balances	4,340,681	9,827,498	332,729	14,988,988	29,489,896
Lendings to financial institutions	-	4,982,294	-	-	4,982,294
Investments	13,938,952	170,367,213	-	92,781	184,398,946
Advances - performing	63,466,418	-	5,941,730	51,173,597	120,581,745
Advances - non performing	605,628	-	276,533	3,085,289	3,967,450
Operating fixed assets/intangible assets	1,395,035	3,160,230	107,085	925,091	5,587,441
Deferred tax assets	18,884	408,569	1,459	563,500	992,412
Others	1,118,547	5,435,355	85,861	1,966,098	8,605,861
<b>Total assets</b>	<b>84,884,145</b>	<b>194,181,159</b>	<b>6,745,397</b>	<b>72,795,344</b>	<b>358,606,045</b>
Bills payable	563,673	5,510	166,748	138,636	874,567
Borrowings	8,961,287	76,174,207	-	24,933,434	110,068,928
Deposits and other accounts	143,002,685	1,397,973	42,303,635	35,171,605	221,875,898
Others	4,440,006	1,745,183	1,174,384	1,857,205	9,216,778
<b>Total liabilities</b>	<b>156,967,651</b>	<b>79,322,873</b>	<b>43,644,767</b>	<b>62,100,880</b>	<b>342,036,171</b>
Equity / Inter-segment (lending) / borrowing	(72,083,506)	114,858,286	(36,899,370)	10,694,464	16,569,874
<b>Total equity and liabilities</b>	<b>84,884,145</b>	<b>194,181,159</b>	<b>6,745,397</b>	<b>72,795,344</b>	<b>358,606,045</b>
<b>Contingencies and commitments</b>	<b>9,528,777</b>	<b>56,277,595</b>	<b>153,376</b>	<b>17,820,146</b>	<b>83,779,894</b>

# Notes To The Financial Statements

For the year ended December 31, 2022

## 38.2 Segment details with respect to geographical locations

Segment details with respect to geographical locations are not presented in these financial statements as geographically the Bank is concentrated in Pakistan only.

## 39 TRUST ACTIVITIES

The Bank is involved in trust activities but these are not significant keeping in view the overall operations of the Bank. The Bank acts as a custodian for securities held in Investor Portfolio Securities (IPS) account which represents Pakistan Investment Bond having face value of Rs 50 million. These securities are not an asset of the Bank and are, therefore, not included in these financial statements.

## 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.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives, disclosed in note 36 to these financial statements are determined in accordance with terms of their appointments. Further, the Bank acts as a custodian for securities held in Investor Portfolio Securities (IPS) account maintained on behalf of Managing Director of the Bank having face value of Rs 50 million as at December 31, 2022.

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

	2022				2021			
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
Rupees in '000								
<b>Advances</b>								
Opening balance	-	216,982	-	-	-	125,001	-	-
Addition during the year	-	45,629	-	-	-	123,563	-	-
Repaid during the year	-	65,797	-	-	-	33,109	-	-
Transfer in / (out) - net	-	16,364	-	-	-	1,527	-	-
Closing balance	-	213,178	-	-	-	216,982	-	-
Provision held against advances	-	-	-	-	-	-	-	-
<b>Deposits and other accounts</b>								
Opening balance	3,255	7,118	35,149	2,648,713	-	6,225	34,003	2,534,982
Received during the year	124,418	157,997	52,059	1,087,701	11,784	196,786	48,348	967,962
Withdrawn during the year	124,445	157,531	46,383	895,076	8,529	195,909	47,202	854,231
Transfer in / (out) - net	-	53	-	-	-	16	-	-
Closing balance	3,228	7,637	40,825	2,841,338	3,255	7,118	35,149	2,648,713
<b>Other liabilities</b>								
Interest / markup payable	281	530	2,529	130,433	-	199	1,040	36,931

# Notes To The Financial Statements

For the year ended December 31, 2022

	2022					2021				
	Directors	Key management personnel	Associate	Employee Funds		Directors	Key management personnel	Associate	Employee Funds	
	Rupees in '000									
<b>Income</b>										
Mark-up / return / interest earned	-	5,305	-	-	-	-	4,378	-	-	-
<b>Expense</b>										
Mark-up / return / interest expensed	1,498	1,029	4,146	285,659	-	-	369	1,973	-	181,699
Operating expenses	61,412	163,397	-	-	40,552	177,759	-	-	-	-

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. Such transactions include advances to, deposits from and provision for other banking services to Government related entities.

Detailed related party disclosure for being government entity is disclosed as required under IAS-24 "Related Party Disclosures". Relevant details are referred in the following notes:

Particulars	Note
Investments	10.1
Shareholding	20
Donation paid to CM KPK flood relief fund	28.3
Compensation of directors and executives	36
Advances (by sector)	42.1.3
Deposits (by sector)	18.1
Detail of non-performing advances and other provisions (by sector)	42.1.3

# Notes To The Financial Statements

For the year ended December 31, 2022

41 CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS	2022	2021
	Rupees in '000	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	11,027,905	10,502,710
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible common equity tier 1 (CET 1) capital	15,958,762	15,248,508
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	15,958,762	15,248,508
Eligible tier 2 capital	84,356	281,569
Total eligible capital (Tier 1 + Tier 2)	16,043,118	15,530,077
<b>Risk Weighted Assets (RWAs):</b>		
Credit risk	77,978,803	76,141,937
Market risk	14,694,592	15,889,464
Operational risk	15,132,319	13,301,652
<b>Total</b>	<b>107,805,714</b>	<b>105,333,053</b>
Common equity tier 1 capital adequacy ratio	14.80%	14.47%
Tier 1 capital adequacy ratio	14.80%	14.47%
Total capital adequacy ratio	14.88%	14.74%
<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)	1.50%	1.50%
Total capital plus CCB	11.50%	11.50%
<b>Leverage Ratio (LR):</b>		
Eligible tier-1 capital	15,958,762	15,248,508
Total exposures	396,849,832	363,898,758
Leverage ratio	4.02%	4.19%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total high quality liquid assets	97,117,507	101,636,622
Total net cash outflow	66,443,018	64,356,557
Liquidity coverage ratio	146.17%	157.93%

# Notes To The Financial Statements

For the year ended December 31, 2022

	2022	2021
	Rupees in '000	
<b>Net Stable Funding Ratio (NSFR):</b>		
Total available stable funding	178,322,676	179,120,821
Total required stable funding	119,019,906	138,152,486
Net stable funding ratio	149.83%	129.65%

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.

## 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 primarily 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 (CAR), Liquidity Coverage Ratio (LCR), Liquidity Monitoring Tools, and Net Stable Funding Ratio (NSFR) calculation and reporting to SBP. The Bank has also established Green Banking office to reduce vulnerability of the Bank from the risks arising from environment and to fulfill their responsibility to protect environment and to transform it into resource efficient and climate resilient economy. The Environmental Risk Management Desk at ERMD is dedicatedly working over implementation of Environmental Risk Management System.

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, 2022

## 42.1 Credit risk

Credit risk is the potential that the counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligations. The Bank is exposed to credit risk through its lending and investment activities as well as from contingent liabilities.

The main objective of the credit risk management process is to identify, assess, measure and monitor credit risk in all the financial exposures of the Bank. The Bank has established a credit risk management framework to manage credit risk on relationship as well as at portfolio level.

Credit risk management is governed by the Board Risk Management Committee and other instructions and guidelines outlined by SBP. The Bank attempts to control risk by monitoring credit exposures, limiting non performing counter parties and continually assessing the credit worthiness of the borrowers. The Bank manages limits and controls concentrations of credit risk to individual counterparties, groups and to industries, where applicable.

The Bank has adopted standardized approach to measure credit risk regulatory capital charge in compliance with Basel-II requirements. The approach relies upon the assessment of external credit rating agencies. The Bank is in the process of continuously improving the system and bringing it in line with the Basel framework requirements.

The Bank has dedicated Customer Risk Rating (CRR) and Facility Risk Rating (FRR) models for various customer types. The models aim to measure credit risk posed by a counterparty as well facility it has applied for by assessing various qualitative and quantitative attributes keeping in view best industry practices in the field of credit risk management. Each risk rating model covers a dedicated procedural guidelines for its consistent implementation within the Bank. The Bank has also approved a dedicated risk rating policy providing broad policy guidelines for minimum acceptable risk for various borrowers of the Bank.

### 42.1.1 Lendings to financial institutions

#### Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
Public/ Government	3,841,077	-	-	-	-	-
Private	4,038,944	5,221,238	238,944	238,944	238,944	238,944
	<b>7,880,021</b>	<b>5,221,238</b>	<b>238,944</b>	<b>238,944</b>	<b>238,944</b>	<b>238,944</b>

### 42.1.2 Investment in debt securities

#### Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
Textile	124,658	119,658	124,658	44,658	124,658	44,658
Power (electricity), gas, water, sanitary	3,945,000	4,750,000	-	-	-	-
Financial	171,162,154	4,426,040	40,384	40,384	40,384	40,384
Others	72,917	136,250	-	80,000	-	80,000
	<b>175,304,729</b>	<b>9,431,948</b>	<b>165,042</b>	<b>165,042</b>	<b>165,042</b>	<b>165,042</b>

#### Credit risk by public / private sector

Public / Government	170,901,850	174,242,020	-	-	-	-
Private	4,402,879	9,431,948	165,042	165,042	165,042	165,042
10	<b>175,304,729</b>	<b>183,673,968</b>	<b>165,042</b>	<b>165,042</b>	<b>165,042</b>	<b>165,042</b>



# Notes To The Financial Statements

For the year ended December 31, 2022

## 42.1.4 Contingencies and commitments

Credit risk by industry sector	2022	2021
	Rupees in '000	
Agriculture, forestry, hunting and fishing	179,912	159,030
Automobile and transportation equipment	640,547	412,547
Cement	396,105	520,749
Chemical and pharmaceuticals	332,358	679,664
CNG / gas stations	672,549	693,125
Construction & other contractors	21,521,460	15,996,799
Engineering	27,662	120,202
Financial	20,000	-
Food and beverages	6,905	-
Ghee and cooking oil	1,155,214	301,369
Manufacturing of match	83,081	60,816
Metal products	872,565	603,641
Marble and mining	120	-
Petro chemical	188,882	1,133,263
Power (electricity), gas, water, sanitary	14,061	259,016
Services	256,486	306,180
Sugar	9,157	159,994
Communication	954,973	10,549
Textile	3,293,340	927,402
Trade	828,821	1,948,599
Travel agencies	105,560	65,417
Miscellaneous manufacturing	2,509,494	831,303
Government	8,541,591	1,975,813
Others	8,501	-
	<b>42,619,344</b>	<b>27,165,478</b>
<b>Credit risk by public / private sector</b>		
Public / Government	8,541,591	1,975,813
Private	34,077,753	25,189,665
	<b>42,619,344</b>	<b>27,165,478</b>

42.1.5 The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 91,213.17 million (2021: Rs 81,258.19 million) are as following:

	2022	2021
	Rupees in '000	
Funded	75,504,010	72,936,223
Non funded	15,709,163	8,321,967
Total exposure	<b>91,213,173</b>	<b>81,258,190</b>

# Notes To The Financial Statements

For the year ended December 31, 2022

The sanctioned limits against these top 10 exposures aggregated to Rs. 94,529 million (2021 : Rs 88,720 million).

Total funded classified therein	2022		2021	
	Amount	Provision held	Amount	Provision held
Other assets especially mentioned	140,297	1,294	161,451	79
Substandard	556,428	42,282	902,564	32,188
Doubtful	1,076,998	25,375	1,544,090	164,395
Loss	9,982,310	7,244,242	7,913,113	6,357,106
Total	11,756,033	7,313,193	10,521,218	6,553,768

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

Province / Region	2022						
	Disbursements	Punjab	Sindh	KPK	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	75,292,620	75,058,319	234,301	-	-	-	-
Sindh	22,196,830	-	18,390,737	3,806,093	-	-	-
KPK including FATA	52,201,224	51,773	-	26,277,784	-	25,871,667	-
Balochistan	5,964	-	-	-	5,964	-	-
Islamabad	11,555,982	771,796	177,001	924,865	-	9,682,320	-
AJK including Gilgit-Baltistan	261,260	-	-	-	-	-	261,260
Total	161,513,880	75,881,888	18,802,039	31,008,742	5,964	35,553,987	261,260

Province / Region	2021						
	Disbursements	Punjab	Sindh	KPK	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	60,247,244	59,903,135	344,109	-	-	-	-
Sindh	21,471,590	-	19,471,590	2,000,000	-	-	-
KPK including FATA	52,288,705	57,265	-	24,879,306	-	27,352,134	-
Balochistan	7,787	-	-	-	7,787	-	-
Islamabad	18,450,391	771,796	177,001	1,110,878	-	16,390,716	-
AJK including Gilgit-Baltistan	322,911	-	-	-	-	-	322,911
Total	152,788,628	60,732,196	19,992,700	27,990,184	7,787	43,742,850	322,911

## 42.1.7

During 2022, Pakistan witnessed significant economic headwinds. Rising inflation, increasing fuel prices, depleting foreign exchange reserves, massive devaluation of the Pakistani rupee, political instability, increasing interest rates, and high budget deficit made the year more challenging. In this backdrop, Fitch, Moody's and S&P Global lowered the country's sovereign credit rating. In June 2022, Pakistan was hit with a natural catastrophe in the shape of worst ever floods in the history of the country. The floods resulted in millions of people being displaced and severe damage to both crops and livestock. Additionally, international commodity prices also remained elevated through the year. The headline inflation increased significantly touching a multi-year high of 27.32% in August. During the year, SBP increased the benchmark interest rate by a cumulative 625 bps to 16%. This steep increase was aimed at reducing aggregate demand in the economy and also to counter high inflation. This led to a steep uptick in domestic food prices.

The Bank is regularly conducting assessments of the credit portfolio with robust post disbursement credit review mechanism to identify borrowers most likely to be affected in the challenging business and economic environment. Bank is confident that it has more than sufficient risk bearing capacity to withstand these difficult times.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 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, MRMC 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

	2022		2021		Total
	Banking book	Trading book	Banking book	Trading book	
	Rupees in '000				
Cash and balances with treasury banks	16,273,825	-	17,375,313	-	17,375,313
Balances with other banks	3,556,532	-	12,114,583	-	12,114,583
Lendings to financial institutions	7,641,077	-	4,982,294	-	4,982,294
Investments	5,488,915	168,179,699	13,938,952	170,459,994	184,398,946
Advances	127,515,211	-	124,549,195	-	124,549,195
Fixed assets	5,613,279	-	5,137,202	-	5,137,202
Intangible assets	473,720	-	450,239	-	450,239
Deferred tax assets	1,367,841	-	992,412	-	992,412
Other assets	8,873,921	-	8,605,861	-	8,605,861
	176,804,321	168,179,699	188,146,051	170,459,994	358,606,045

# Notes To The Financial Statements

For the year ended December 31, 2022

## 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.

	2022					2021				
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Rupees in '000	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Rupees in '000
United States Dollar	2,295,473	811,501	(1,244,186)	239,786		1,065,401	566,967	17,093,362	17,591,796	
Great Britain Pound Sterling	95,915	115,182	33,448	14,181		141,211	80,025	252,086	313,272	
Euro	29,868	16,651	22,396	35,613		28,059	15,292	1,028,945	1,041,712	
Japanese Yen	441	-	-	441		187	-	21,481	21,668	
Other currencies	59,727	-	-	59,727		145,702	109	468,544	614,137	
	<b>2,481,424</b>	<b>943,334</b>	<b>(1,188,342)</b>	<b>349,748</b>		<b>1,380,560</b>	<b>662,393</b>	<b>18,864,418</b>	<b>19,582,585</b>	

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
Impact of 1% change in foreign exchange rates on:	Rupees in '000			
- Profit and loss account	-	1,784	-	149
- 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.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
Impact of 5% change in equity prices on:	Rupees in '000			
- Profit and loss account	-	-	-	-
- Other comprehensive income	5,993	5,846	7,329	18,277

# Notes To The Financial Statements

For the year ended December 31, 2022

## 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:

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
- Profit and loss account	217,426	(337,160)	-	2,700,820
- Other comprehensive income	-	-	-	-

## 42.2.5 Mismatch of interest rate sensitive assets and liabilities

	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>On-balance sheet financial instruments</b>													
<b>Assets</b>													
Cash and balances with treasury banks	16,273,825	311,235	-	-	-	-	-	-	-	-	-	-	15,962,590
Balances with other banks	3,556,532	2,288,456	-	-	-	-	-	-	-	-	-	-	1,268,076
Lending to financial institutions	7,641,077	7,641,077	-	-	-	-	-	-	-	-	-	-	-
Investments	173,668,614	41,475,629	51,838,917	49,304,897	2,424,148	14,510,156	11,036,074	1,894,600	768,790	-	-	-	415,403
Advances	127,515,211	9,706,627	39,421,238	5,583,782	28,306,328	1,459,659	22,923,910	10,146,628	6,450,027	3,517,012	-	-	-
Other assets	8,873,921	-	-	-	-	-	-	-	-	-	-	-	8,873,921
	337,529,180	61,423,024	91,260,155	54,888,679	30,730,476	15,969,815	33,959,984	12,041,228	7,218,817	3,517,012	-	-	26,519,990
<b>Liabilities</b>													
Bills payable	2,102,234	-	-	-	-	-	-	-	-	-	-	-	2,102,234
Borrowings	66,263,168	26,905,655	31,424,452	1,803,644	1,954,611	-	952,202	3,222,604	-	-	-	-	-
Deposits and other accounts	248,905,981	3,597,283	4,377,892	132,557,982	35,943,973	823,437	13,288,185	615,794	-	-	-	-	57,651,425
Other liabilities	11,285,139	-	-	-	-	-	-	-	-	-	-	-	11,285,139
	328,556,522	30,502,938	35,802,344	134,361,636	37,898,584	823,437	14,240,387	3,838,398	-	-	-	-	71,038,798
	8,972,658	30,920,086	55,457,811	(79,472,957)	(7,168,108)	15,146,378	19,719,597	8,202,830	7,218,817	3,467,012	-	-	(44,518,808)
<b>On-balance sheet gap</b>													
<b>Off-balance sheet financial instruments</b>													
<b>Commitments in respect of:</b>													
- forward foreign exchange contracts purchases	8,522,993	-	-	-	-	-	-	-	-	-	-	-	8,522,993
- forward foreign exchange contracts sales	9,711,335	-	-	-	-	-	-	-	-	-	-	-	9,711,335
	(1,188,342)	-	-	-	-	-	-	-	-	-	-	-	(1,188,342)
	30,920,086	55,457,811	(79,472,957)	(7,168,108)	15,146,378	19,719,597	8,202,830	7,218,817	3,467,012	3,467,012	-	-	(44,518,808)
<b>Total yield/interest risk sensitivity gap</b>													
<b>Cumulative yield / interest risk sensitivity gap</b>													

# Notes To The Financial Statements

For the year ended December 31, 2022

	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>On-balance sheet financial instruments</b>													
<b>Assets</b>													
Cash and balances with treasury banks	17,375,313	84,815	-	-	-	-	-	-	-	-	-	-	17,290,498
Balances with other banks	12,114,583	9,625,867	-	-	-	-	-	-	-	-	-	-	2,488,716
Lending to financial institutions	4,982,294	4,982,294	-	-	-	-	-	-	-	-	-	-	-
Investments	184,398,946	24,060,288	47,183,468	9,035,450	47,157,694	18,786,753	5,128,130	25,261,072	3,838,710	1,766,447	-	-	2,180,934
Advances	124,549,195	10,878,576	10,860,909	6,016,070	16,633,643	51,457,410	2,733,015	16,669,053	5,488,397	3,812,122	-	-	-
Other assets	8,605,861	-	-	-	-	-	-	-	-	-	-	-	8,605,861
	352,026,192	49,631,840	58,044,377	15,051,520	63,791,337	70,244,163	7,861,145	41,930,125	9,327,107	5,578,569	-	-	30,566,009
<b>Liabilities</b>													
Bills payable	874,567	-	-	-	-	-	-	-	-	-	-	-	874,567
Borrowings	110,068,928	23,602,047	60,336,129	17,934,059	3,607,658	992,001	1,257,143	470,732	1,361,339	507,820	-	-	-
Deposits and other accounts	221,875,888	26,949,835	21,821,000	112,699,573	10,739,278	845,829	871,172	724,310	-	450,000	-	-	46,774,901
Other liabilities	9,216,778	-	-	-	-	-	-	-	-	-	-	-	9,216,778
	342,036,171	50,551,882	82,157,129	130,633,632	14,346,936	1,837,830	2,128,315	1,195,042	1,361,339	957,820	-	-	56,866,246
<b>On-balance sheet gap</b>	<b>9,990,021</b>	<b>(920,042)</b>	<b>(24,112,752)</b>	<b>(115,582,112)</b>	<b>49,444,401</b>	<b>68,406,333</b>	<b>5,732,830</b>	<b>40,735,083</b>	<b>7,965,768</b>	<b>4,620,749</b>	<b>(26,300,237)</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet financial instruments</b>													
<b>Commitments in respect of:</b>													
- forward foreign exchange contracts purchases	27,988,087	-	-	-	-	-	-	-	-	-	-	-	27,988,087
- forward foreign exchange contracts sales	28,215,426	-	-	-	-	-	-	-	-	-	-	-	28,215,426
<b>Off-balance sheet gap</b>	<b>(227,339)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(227,339)</b>
<b>Total Yield / Interest Risk Sensitivity Gap</b>	<b>(920,042)</b>	<b>(24,112,752)</b>	<b>(24,112,752)</b>	<b>(115,582,112)</b>	<b>49,444,401</b>	<b>68,406,333</b>	<b>5,732,830</b>	<b>40,735,083</b>	<b>7,965,768</b>	<b>4,620,749</b>	<b>(26,300,237)</b>	<b>-</b>	<b>-</b>
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>	<b>(920,042)</b>	<b>(25,032,794)</b>	<b>(140,614,908)</b>	<b>(91,170,505)</b>	<b>(22,764,172)</b>	<b>17,031,342</b>	<b>23,703,741</b>	<b>31,669,509</b>	<b>36,290,258</b>	<b>9,990,021</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>42.3 Operational risk</b>													

The Bank of Khyber, like all financial institutions, is exposed to many types of operational risks, including the potential losses arising from internal activities or external events caused by breakdowns in information, communication, physical safeguards, business continuity, supervision, transaction processing, settlement systems and procedures and the execution of legal, fiduciary and agency responsibilities.

BoK defines Operational Risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk." Operational Risk Management Department - Enterprise Risk Management Division (ERMD), maintains a system of internal controls designed to keep operational risk at appropriate levels keeping in view the Bank's financial strength, the characteristics of the activities and the market in which it operates.

The Bank also has in place a Business Continuity Plan and appropriate outsourcing measures to cater to related operational risks. The Operational Risk Management department engages with Bank's business/ support units and regularly collaborates in determining and reviewing the risks, and ERMD suggests controls on need basis. Additionally, all the policies, procedures and systems of the Bank are reviewed from an operational risk perspective, and the recommendations of ERMD are taken into consideration before their approval. ERMD performs Stress Testing for Operational Risks for both Conventional and Islamic Banking on following scenarios; 1) Penalty due AML/CFT Violations, 2) Losses due to Cybersecurity Breaches, 3) Losses due to Shariah Non-Compliance, 4) General Operational Losses.

Currently the Bank uses the Basic Indicator Approach (BIA) for assessing its operational risk capital charge. The Bank also has an approved operational risk policy in terms of SBP BPRD circular 04 of 2014. The Bank is using Risk Nucleus (Governance Risk and Compliance) software for conducting RCSA, assigning Action Plans and reporting of Loss Data. As part of pro-active operational risk management, the Operational Risk Management Department (ORMD) conducts Bank wide RCSA workshops. The processes are discussed with relevant stakeholders for any control failures/lapses. Based on the results of RCSAs, adequate Key Risk Indicators (KRIs) for various business lines are also developed and mapped with various risks. An Automated solution for Incident reporting is duly in place and can be accessed by every employee of the bank for reporting of control breaches leading to losses.

# Notes To The Financial Statements

## For the year ended December 31, 2022

### 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 - Enterprise Risk Management Division 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 controllable, 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 fill 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

	2022													
	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	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	16,273,825	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3,556,532	3,556,532	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	7,641,077	7,641,077	-	-	-	-	-	-	-	-	-	-	-	-
Investments	173,668,614	205,123	19,898,444	-	-	26,980,212	2,796,600	15,856,648	4,970,000	19,907,859	34,582,562	39,048,967	9,410,199	
Advances	127,515,211	7,737,240	130,072	1,549,310	29,885,198	9,536,040	5,583,782	2,180,579	26,125,748	1,459,659	22,923,910	10,146,630	9,967,038	
Fixed assets	5,613,279	1,842	11,793	12,891	29,033	55,559	166,676	17,960	172,168	403,114	436,695	1,881,063	2,220,190	
Intangible assets	473,720	197	1,378	3,034	5,987	5,987	17,960	17,960	17,960	71,839	71,839	74,531	183,670	
Deferred tax assets	1,367,841	-	-	-	-	-	-	-	-	1,367,841	-	-	-	
Other assets	8,873,921	3,992,669	241,092	54,913	674,463	785,864	1,828,494	1,537	193,228	359,015	-	-	348,451	
	344,984,920	31,767,428	8,025,412	20,257,631	2,255,840	30,732,608	36,971,993	10,395,512	18,223,400	31,479,104	23,569,327	58,025,006	51,151,211	22,129,548
<b>Liabilities</b>														
Bills payable	2,102,234	2,102,234	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	66,263,168	-	26,708,155	100,000	97,500	29,689,552	1,834,900	1,803,644	-	1,954,611	-	952,202	3,222,604	-
Deposits and other accounts	248,905,981	1,069,495	6,668,903	7,822,463	17,627,507	17,128,867	16,031,674	30,957,784	12,856,396	43,310,787	27,235,882	39,620,080	20,771,306	7,804,837
Other liabilities	1,285,139	736,707	1,469,727	2,982,616	974,513	1,561,127	1,424,476	356,790	91,548	284,014	273,732	273,732	714,860	139,277
	328,556,522	3,908,436	34,846,785	10,905,079	18,699,520	48,279,546	19,293,050	33,118,218	12,947,944	45,549,412	27,509,614	40,846,014	24,708,790	7,944,114
<b>Net assets</b>	16,427,498	27,858,992	(26,821,373)	9,352,552	(16,443,680)	(17,546,938)	17,676,943	(22,722,706)	5,275,456	(14,070,308)	(3,940,287)	(17,178,992)	26,442,421	14,185,434
Share capital	11,027,905													
Reserves	3,646,746													
Unappropriated profit	1,982,704													
(Deficit) on revaluation of assets	(229,857)													
	16,427,498													

# Notes To The Financial Statements

For the year ended December 31, 2022

		2021														
		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	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years	
		Rupees in '000														
<b>Assets</b>																
Cash and balances with treasury banks																
		17,375,313	17,375,313	-	-	-	-	-	-	-	-	-	-	-	-	
Balances with other banks																
		12,114,563	4,154,563	-	-	6,480,000	-	-	-	-	-	-	-	-	-	
Lending to financial institutions																
		4,982,294	4,982,294	-	-	-	-	-	-	-	-	-	-	-	-	
Investments																
		184,398,946	1,709,565	18,932,398	18,932,398	4,962,847	15,190,356	31,983,112	23,236,175	4,947,179	18,726,159	5,128,130	5,128,130	25,261,072	5,605,156	
Advances																
		124,549,195	22,828,461	691,975	691,975	1,240,395	3,282,210	4,105,024	7,532,587	35,955,250	6,580,340	2,698,537	2,698,537	27,326,488	9,263,648	
Fixed assets																
		5,137,202	3	4	4	8	138	1,509	1,509	2,895	22,593	36,572	36,572	1,205,111	3,865,335	
Intangible assets																
		450,239	-	-	-	-	-	-	-	-	18,342	18,156	18,156	-	413,741	
Deferred tax assets																
		982,412	-	-	-	-	2,625,405	-	293,972	-	982,412	-	-	-	-	
		8,605,861	99,645	697,512	697,512	1,594,314	21,098,109	38,723,863	31,064,243	34,313	26,342,776	7,841,395	7,841,395	53,792,671	19,147,880	
		358,606,045	46,167,568	7,280,084	20,321,889	14,277,564	21,098,109	38,723,863	31,064,243	34,313	40,939,637	26,342,776	7,841,395	53,792,671	19,147,880	
<b>Liabilities</b>																
Bills payable																
		874,567	874,567	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowings																
		110,068,928	100,000	8,000	8,000	196,000	31,045,915	29,478,045	17,611,466	1,087,733	983,292	54,730	54,730	2,955,905	-	
Deposits and other accounts																
		221,875,898	863,637	6,043,984	5,992,876	43,211,386	27,503,597	14,351,746	26,131,546	17,604,934	22,876,894	22,884,735	22,884,735	17,561,584	6,892,316	
Other liabilities																
		9,216,778	191,588	1,149,526	1,341,114	3,065,402	1,379,212	1,379,212	618,694	42,846	6,839	-	-	-	-	
		342,036,171	2,029,792	30,711,967	7,341,980	46,472,786	59,928,724	45,209,003	44,361,706	18,735,513	23,866,525	22,939,465	22,939,465	20,517,489	6,892,316	
		16,569,874	44,137,776	(23,431,863)	12,979,889	(32,195,224)	(38,830,615)	(6,485,140)	(13,297,463)	22,204,124	2,476,251	(15,088,070)	(15,088,070)	33,275,182	12,215,564	
		10,502,710	-	-	-	-	-	-	-	-	-	-	-	-	-	
		3,555,773	-	-	-	-	-	-	-	-	-	-	-	-	-	
		2,160,774	-	-	-	-	-	-	-	-	-	-	-	-	-	
		350,617	-	-	-	-	-	-	-	-	-	-	-	-	-	
		16,569,874	-	-	-	-	-	-	-	-	-	-	-	-	-	

# Notes To The Financial Statements

For the year ended December 31, 2022

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

	2022									
	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	16,273,825	16,273,825	-	-	-	-	-	-	-	-
Balances with other banks	3,556,532	3,556,532	-	-	-	-	-	-	-	-
Lending to financial institutions	7,641,077	7,641,077	-	-	-	-	-	-	-	-
Investments	173,668,614	20,103,567	26,980,212	2,798,600	20,826,648	19,907,860	34,592,562	39,048,967	8,147,101	1,263,097
Advances	127,515,211	9,706,627	39,421,238	5,583,782	28,306,326	1,459,659	22,923,910	10,146,630	6,450,027	3,517,012
Fixed assets	5,613,279	55,559	111,118	166,676	338,845	403,114	436,695	1,881,083	1,316,829	903,360
Intangible assets	473,720	5,987	11,974	17,960	35,920	71,839	71,839	74,531	183,670	-
Deferred tax assets	1,367,841	-	-	-	-	1,367,841	-	-	-	-
Other assets	8,873,921	4,963,137	1,180,059	1,828,494	194,766	359,015	-	-	232,300	116,150
	344,984,020	62,306,311	67,704,601	10,395,512	49,702,505	23,569,328	58,025,006	51,151,211	16,329,927	5,799,619
<b>Liabilities</b>										
Bills payable	2,102,234	2,102,234	-	-	-	-	-	-	-	-
Borrowings	66,263,168	26,905,655	31,424,452	1,803,644	1,954,611	-	952,202	3,222,604	-	-
Deposits and other accounts	248,905,981	61,248,708	4,377,892	132,557,992	35,943,973	823,437	13,288,185	615,794	-	50,000
Other liabilities	11,285,139	6,163,563	2,987,603	356,790	375,562	273,732	273,732	714,880	-	139,277
	328,556,522	96,420,160	38,789,947	134,718,426	38,274,146	1,097,169	14,514,119	4,553,278	-	189,277
<b>Net assets</b>	16,427,498	(34,113,849)	28,914,654	(124,322,914)	11,428,359	22,472,159	43,510,887	46,597,933	16,329,927	5,610,342
<b>Share capital</b>	11,027,905									
<b>Reserves</b>	3,646,746									
Unappropriated profit	1,982,704									
(Deficit) on revaluation of assets	(229,857)									
	16,427,498									

# Notes To The Financial Statements

For the year ended December 31, 2022

	2021									
	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	17,375,313	17,375,313	-	-	-	-	-	-	-	-
Balances with other banks	12,114,583	12,114,583	-	-	-	-	-	-	-	-
Lending to financial institutions	4,982,294	4,982,294	-	-	-	-	-	-	-	-
Investments	184,398,946	24,060,287	48,352,179	9,035,450	47,854,701	18,624,853	5,605,247	25,261,072	3,838,710	1,766,447
Advances	124,549,195	10,878,575	10,860,909	6,016,070	16,633,644	51,457,410	2,733,015	16,669,053	5,488,397	3,812,122
Fixed assets	5,137,202	16	285	1,554	5,961	23,260	37,652	1,240,709	597,654	3,230,111
Intangible assets	450,239	-	-	-	-	18,342	18,156	-	413,741	-
Deferred tax assets	992,412	-	-	-	-	992,412	-	-	-	-
Other assets	8,605,861	2,629,014	5,616,737	289,615	67,608	2,887	-	-	-	-
	358,606,045	72,040,082	64,830,110	15,342,689	64,561,914	71,119,164	8,394,070	43,170,834	10,338,502	8,808,680
<b>Liabilities</b>										
Bills payable	874,567	874,567	-	-	-	-	-	-	-	-
Borrowings	110,088,928	23,602,047	60,336,129	17,934,059	3,607,658	992,001	1,257,143	470,732	1,361,339	507,820
Deposits and other accounts	221,875,898	73,724,736	21,821,000	112,699,573	10,739,278	845,829	871,172	724,310	-	450,000
Other liabilities	9,216,778	5,854,973	2,673,073	599,550	83,039	6,143	-	-	-	-
	342,036,171	104,056,323	84,830,202	131,233,182	14,429,975	1,843,973	2,128,315	1,195,042	1,361,339	957,820
<b>Net assets</b>	16,569,874	(32,016,241)	(20,000,092)	(115,890,493)	50,131,939	69,275,191	6,265,755	41,975,792	8,977,163	7,850,860
<b>Share capital</b>	10,502,710									
<b>Reserves</b>	3,555,773									
<b>Unappropriated profit</b>	2,160,774									
<b>(Deficit) on revaluation of assets</b>	350,617									
	16,569,874									

## 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.

### 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.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 43 ENVIRONMENT AND SOCIAL RISK MANAGEMENT / GREEN BANKING

Environmental Risk is actual or potential threats of adverse effects on the environment and living organisms by effluents, emissions, wastes, chemical releases, resource depletion, etc. arising out of the Bank or its clients' operational activities. Green Banking Objective is to reduce the vulnerability of the portfolio performance from the risks arising due to climate change and by transforming into a resource-efficient and sustainable financing institution.

The Bank of Khyber has its Green Banking Policy approved by the BOD. A dedicated Environmental Risk Management Department is established under Enterprise Risk Management Division for identification, vetting, and approving projects from an Environmental Risk Management (ERMs) perspective. Enterprise Risk Management Division has developed its 'Internal Environmental Risk Management System' (ERMS) which is comprised of environmental due diligence, and Environmental Risk Rating to segregate high, medium, and low-risk areas and sectors. The Bank has gradually started bringing its customers into the environmental compliances by assessing and advising corrective action plans, and transformation of Environment-Friendly Business Models. This ERMS is an integral part of the credit approval process. All the relevant credit proposals require review by the Environmental Risk department before Head Office Credit Committee (HOCC) approval. The ERMS primarily requires that any relevant lending opportunity is to be reviewed and evaluated under Environmental Due Diligence procedure, Environmental Risk Avoidance list, and applicable national laws on environment, health, safety, and social issues, and the customer must provide Undertaking to ensure compliance of Environmental Risk Covenants. The undertaking consisting of Environmental Risk Covenants is now made part of the agreements with the customer to legally bind the customer to comply with all the national and local environmental rules and regulations.

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. 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 the reduction of emissions, increase awareness through environment-friendly practices, and reduce our carbon footprint through the establishment of Solar powered ATMs. To reduce its own impact the Bank has converted its thirteen branches totally to renewable energy systems i.e. solar systems. All the branches and Head Office have successfully shifted to the core banking system that has made day-to-day operations from manual to digital. The Bank of Khyber has successfully launched its Digital/internet banking services through an app and the web. Customers can now successfully transfer funds and pay their utility bills and other payments through apps and internet banking.

During the previous year, the Bank has provided renewable energy (Solar) financing facilities for households, corporate, SME Agriculture Businesses (solar tube wells), and Drip Technology based Agri financing. The Head Office is now shifted to a new Head Office building, where central cooling and heating system, and LED lights are installed to utilize and conserve energy efficiently. The head office and security staff are strictly instructed to switch off their lights while leaving the office. 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 the conservation of energy and environmental protection. Finally, marketing activities are to be carried out using a digital medium such as social media. The Bank has developed digital banking solutions with an aim to integrate paperless culture within the Bank as well as among the customers.

# Notes To The Financial Statements

For the year ended December 31, 2022

44 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Bank in their meeting held on March 7, 2023 have proposed nil issue of bonus shares in respect of 2022 (2021: 5 ordinary shares for every 100 shares).

45 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 7, 2023 by the Board of Directors of the Bank.



Managing Director



Chief Financial Officer



Director



Director



Chairman

# Notes To The Financial Statements

For the year ended December 31, 2022

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, 2022**

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Fathers / Husbands Name	Outstanding Liabilities at Beginning of Year					Total (9+10+11)		
				Principal	Interest / Mark-up	Other than Interest / Mark-up	Total	Principal written-off		Interest / Mark-up written-off/waived	Other Financial Relief Provided
				5	6	7	8	9	10	11	12
1	United Rubber (Pvt) Ltd Plot No 70, Industrial Estate, Jamrud Road, Peshawar Private Limited Company	3 1. Anwar Iqbal CNIC: 15602-0394676-7 2. Javed Iqbal CNIC: 15602-0261564-9 3. Iqbal ur Rehman CNIC: 15602-0409652-3 4. Safarash Khan CNIC: 17301-0103872-9 5. Akhtar Munir CNIC: 16101-7052398-3	4 S/O Aziz-ur-Rehman S/O Aziz-ur-Rehman S/O Aziz-ur-Rehman S/O Essa Khan S/O Faqir Ullah	5 35,935	6 2,719	7 -	8 38,654	9 -	10 39,937	11 -	12 39,937
2	Cherat Filling Station G.T. Road, Amangarh, Nowshwea	1. Jehangir Khan CNIC: 17201-7299864-3 2. Alamgir Khan CNIC: 17201-2611042-7	S/O Abdullah Jan S/O Abdullah Jan	5,237	2,930	0,162	8,329	-	1,148	-	1,148
3	Nayyer Carpet Pvt Ltd Main Chowk, Green Town, Lahore	1. Nayyer Hussain Chaudhary CNIC: 34201-778443-1 2. Memnata Nayyer CNIC: 34201-8236284-0	S/O Tajammal Hussain W/O Nayyer Hussain	31,924	-	0,534	32,458	-	5,490	-	5,490
4	Nawaz Sons 43-C, N-Block, Gulberg-II, Lahore	Muhammad Nawaz CNIC: 35200-1501416-9	S/O Sheikh Zia ud Din	42,525	0,803	-	43,328	-	0,607	-	0,607
5	Haleem Zai Filling Station Mansooka abazai, Tejsil Shahqadar, District Charsadda	Muhammad Nawaz Khan CNIC: 17101-7721380-9	S/O Haji Momin Khan	-	1,059	0,100	1,159	-	-	1,059	1,059
<b>TOTAL</b>				115,621	7,511	0,796	123,928	-	47,182	1,059	48,241

# Notes To The Financial Statements

For the year ended December 31, 2022

Annexure - II

## ISLAMIC BANKING BUSINESS

The Bank is operating 119 (2021: 110) Islamic Banking Branches and Nil (2021: 39) Islamic banking windows at the end of the year.

	Note	2022	2021
		Rupees in '000	
<b>ASSETS</b>			
Cash and balances with treasury banks		7,752,193	7,987,067
Balances with other banks		653,278	9,675,971
Due from financial institutions	1	3,800,000	-
Investments	2	32,872,613	30,485,600
Islamic financing and related assets - net	3	45,374,836	60,469,280
Fixed assets		982,084	877,386
Intangible assets		-	-
Due from head office		1,213,111	194,812
Other assets		2,577,348	3,984,244
<b>Total Assets</b>		<b>95,225,463</b>	<b>113,674,360</b>
<b>LIABILITIES</b>			
Bills payable		561,372	315,084
Due to financial institutions		2,183,216	29,404,393
Deposits and other accounts	4	82,407,343	75,372,840
Due to head office		-	-
Subordinated debt		-	-
Other liabilities	5	3,811,815	2,772,583
		<b>88,963,746</b>	<b>107,864,900</b>
<b>NET ASSETS</b>		<b>6,261,717</b>	<b>5,809,460</b>
<b>REPRESENTED BY</b>			
Islamic banking fund		1,000,000	1,000,000
Reserves		36,288	35,263
Deficit on revaluation of assets		(408,352)	(36,198)
Unappropriated profit	6	5,633,781	4,810,395
		<b>6,261,717</b>	<b>5,809,460</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	7		

# Notes To The Financial Statements

For the year ended December 31, 2022

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2022 is as follows:

	Note	2022	2021
		Rupees in '000	
Profit / return earned	8	10,121,098	6,027,599
Profit / return expensed	9	4,646,756	2,742,683
Net profit / return		5,474,342	3,284,916
<b>Other income</b>			
Fee and commission income		181,011	124,882
Dividend income		940	14,941
Foreign exchange income		155,070	148,100
Gain on securities		4,858	940
Other income		61,035	88,414
Total other income		402,914	377,277
		5,877,256	3,662,193
<b>Other expenses</b>			
Operating expenses		3,130,610	2,387,257
Other charges		-	127
Total other expenses		3,130,610	2,387,384
Profit before provisions		2,746,646	1,274,809
Provisions and write offs - net		(268,743)	262,877
Profit before taxation		2,477,903	1,537,686
Taxation		1,214,173	599,698
Profit after taxation		1,263,730	937,988



# Notes To The Financial Statements

For the year ended December 31, 2022

3.1 Ijarah	Note	2022		2021	
		Rupees in '000		Rupees in '000	
Under IFAS-II	3.1.1	399,207	536,339		
Under finance method	3.1.2	3,473	4,101		
Assets/inventory		402,680	540,440		
		-	-		
		402,680	540,440		
<b>3.1.1 Ijarah under IFAS-II</b>					
		2022			
		As at January 1, 2022	As at January 1, 2022	Depreciation Charge for the year	Book value as at December 31, 2022
		Rupees in 000			
Plant and machinery		323,375	126,654	58,962	137,759
Vehicles		765,606	425,988	70,368	261,448
Housing		-	-	-	-
<b>Total</b>		<b>1,088,981</b>	<b>552,642</b>	<b>129,330</b>	<b>399,207</b>
		2021			
		As at January 1, 2021	As at January 1, 2021	Depreciation Charge for the year	Book value as at December 31, 2021
		Rupees in 000			
Plant and Machinery		491,843	226,518	(99,864)	196,721
Vehicles		1,061,854	517,147	(91,159)	339,618
Housing		1,536	1,015	(1,015)	-
<b>Total</b>		<b>1,555,233</b>	<b>744,680</b>	<b>(192,038)</b>	<b>536,339</b>
<b>Future Ijarah rental receivable</b>					
		2022			
		As at January 1, 2022	As at January 1, 2022	Depreciation Charge for the year	Book value as at December 31, 2022
		Rupees in 000			
Ijarah assets under IFAS-2		1,081,179	1,088,981	(192,038)	552,642
less accumulated depreciation of Rs. 681.97 million (2021: Rs. 552.64 million) in accordance with the SBP letter no. BPRD/BRLD-04/2008-6268.					
<b>Net investment in Ijarah under finance method</b>		<b>1,081,179</b>	<b>1,088,981</b>	<b>(192,038)</b>	<b>552,642</b>
		2021			
		As at January 1, 2021	As at January 1, 2021	Depreciation Charge for the year	Book value as at December 31, 2021
		Rupees in 000			
Ijarah assets under IFAS-2		1,081,179	1,088,981	(192,038)	552,642
less accumulated depreciation of Rs. 681.97 million (2021: Rs. 552.64 million) in accordance with the SBP letter no. BPRD/BRLD-04/2008-6268.					
<b>Net investment in Ijarah under finance method</b>		<b>1,081,179</b>	<b>1,088,981</b>	<b>(192,038)</b>	<b>552,642</b>
		2022			
		As at January 1, 2022	As at January 1, 2022	Depreciation Charge for the year	Book value as at December 31, 2022
		Rupees in 000			
Ijarah rentals receivable		2,998	1,319	-	5,261
Residual value		25	18	-	35
Minimum Ijarah rentals		3,023	1,337	-	5,296
Profit for future periods		(522)	(365)	-	(1,195)
Ijarah under finance method		2,501	972	-	4,101
		2021			
		As at January 1, 2021	As at January 1, 2021	Depreciation Charge for the year	Book value as at December 31, 2021
		Rupees in 000			
Ijarah rentals receivable		2,998	1,319	-	5,261
Residual value		25	18	-	35
Minimum Ijarah rentals		3,023	1,337	-	5,296
Profit for future periods		(522)	(365)	-	(1,195)
Ijarah under finance method		2,501	972	-	4,101

# Notes To The Financial Statements

For the year ended December 31, 2022

			2022	2021
			Rupees in '000	
<b>3.2</b>	<b>Murabaha</b>	<b>Note</b>		
	Murabaha financing	3.2.1	1,643,463	1,209,777
	Advances for Murabaha		419,967	346,761
			<b>2,063,430</b>	<b>1,556,538</b>
<b>3.2.1</b>	Murabaha receivable - gross	3.2.2	1,645,293	1,209,777
	Less: Deferred Murabaha income	3.2.4	118,309	48,753
	Profit receivable shown in other assets		116,479	21,178
	Murabaha financings		<b>1,643,463</b>	<b>1,182,202</b>
<b>3.2.2</b>	The movement in Murabaha financing during the year is as follows:			
	Opening balance		1,209,777	1,081,627
	Sales during the year		5,286,198	965,347
	Adjusted during the year		4,850,682	837,197
	Closing balance		<b>1,645,293</b>	<b>1,209,777</b>
<b>3.2.3</b>	Murabaha sale price		5,286,198	965,347
	Murabaha purchase price		4,850,682	837,197
			<b>435,516</b>	<b>128,150</b>
<b>3.2.4</b>	<b>Deferred murabaha income</b>			
	Opening balance		48,753	88,581
	Arising during the year		266,182	45,811
	Less: Recognized during the year		196,626	85,639
	Closing balance		<b>118,309</b>	<b>48,753</b>
<b>3.3</b>	<b>Istisna</b>			
	Advance against Istisna		5,001,121	4,457,497
	Istisna Inventory		215,199	296,660
	Istisna sales receivable		-	435,000
			<b>5,216,320</b>	<b>5,189,157</b>



# Notes To The Financial Statements

For the year ended December 31, 2022

5	Other liabilities	Note	2022	2021
			Rupees in '000	
	Profit payable in local currency		447,809	195,340
	Islamic Pool Management Reserves		101,895	95,445
	Unearned commission income		51,765	36,534
	Accrued expenses and supplier payables		1,227,998	896,918
	Deferred income murabaha	19	118,309	84,199
	Un-earned Bai Muajjal Sukuk	19	-	138,896
	Security deposit against Ijarah	19	167,416	218,380
	Charity fund	5.1	14,502	7,648
	Tax payable		1,214,068	599,660
	Lease liability		321,796	366,794
	Bills payment system over the counter (BPS-OTC)		1,561	10,381
	Clearing and settlement accounts		10,606	25,807
	Levies and other taxes payable		2,950	18,552
	Exchange revaluation of forward contract		1,018	-
	Acceptances		-	14,386
	Income reserve		-	-
	Others		130,122	63,643
			<b>3,811,815</b>	<b>2,772,583</b>
5.1	<b>Charity fund</b>			
	Opening balance		7,648	10,227
	<b>Additions during the year</b>			
	Received from customers on account of delayed payment		26,401	4,449
	Other Non-Shariah compliant income		1,373	1,366
	Others		33	88
			<b>27,807</b>	<b>5,903</b>
	<b>Payments / utilization during the year</b>			
	Welfare		20,953	8,482
	Health		-	-
			<b>20,953</b>	<b>8,482</b>
			<b>14,502</b>	<b>7,648</b>
	Closing balance		14,502	7,648

# Notes To The Financial Statements

For the year ended December 31, 2022

	2022	2021
<b>6</b>	<b>Rupees in '000</b>	
<b>Islamic banking business unappropriated profit</b>		
Opening balance	4,810,395	5,539,709
Add: Islamic banking profit for the year	2,477,903	1,537,686
Less: Taxation	(1,214,173)	(599,698)
Less: Transferred to HO	(440,344)	(1,667,302)
Closing balance	5,633,781	4,810,395
<b>7</b>		
<b>Contingencies and commitments</b>		
- Guarantees	8,889,432	5,460,308
- Commitments	5,601,456	1,322,560
	14,490,888	6,782,868
<b>8</b>		
<b>Profit/return earned of financing, investments and placement</b>		
Profit earned on:		
Financing	5,768,453	3,909,881
Investments	4,096,879	1,983,171
Placements	255,766	134,547
	10,121,098	6,027,599
<b>9</b>		
<b>Profit on deposits and other dues expensed</b>		
Deposits and other accounts	3,964,296	1,968,900
Due to Financial Institutions	639,641	734,281
Unwinding of discount- IFRS 16	42,819	39,502
	4,646,756	2,742,683

## 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 Pool - 2
- iii. Riba Free Special Deposit Pool - Corporate - 1
- iv. Riba Free Special Deposit Pool - Corporate - 2
- v. Riba Free Special Deposit Pool - Corporate - 3
- vi. Riba Free Special Deposit Pool - Corporate - 4

# Notes To The Financial Statements

For the year ended December 31, 2022

- vii. Riba Free Special Deposit Pool - Corporate - 5
- viii. Riba Free Special Deposit Pool - Corporate - 6
- ix. Riba Free Special Deposit Pool - Corporate - 7
- x. Riba free special deposit pool - Mutual fund / FI
- xi. Riba free special deposit pool 2 - Mutual fund / FI
- xii. RFSD - Daily Product - 1 Pool
- xiii. RFSD - Daily Product - 2 Pool
- xiv. RFSD - Daily Product - 3 Pool
- xv. RFSD - Daily Product - 4 Pool
- xvi. RFSD - Daily Product - 5 Pool
- xvii. RFSD - Daily Product - 6 Pool
- xviii. Khyber Islamic Investment Certificates-1
- xix. Khyber Islamic Investment Certificates-2
- xx. Raast Financial Institutions Pool
- xxi. RFSD TMA Pool
- xxii. RFSD - Itminan Mahana Certificate - pool
- xxiii. Riba free special deposit pool - Islamic export refinance security (IERS)
- xxiv. Riba free special deposit pool - Profit Equalization Reserves (PER)
- xxv. Riba free special deposit pool - Investment Risk Reserves (IRR)
- xxvi. General Pool (FCY)

## 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.

# Notes To The Financial Statements

For the year ended December 31, 2022

## 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.

## 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. The total Hiba amount of Rs. 27.386 million (1.181%) is distributed during the year.

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

	2022	2021
	Rupees in '000	
Gross profit earned	10,524,012	6,404,876
Administrative expenses	3,130,610	2,387,384
Distributable share	7,393,402	4,017,492
Profit paid to IAH/PLS depositors	4,646,756	2,742,683

## 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.

# Notes To The Financial Statements

For the year ended December 31, 2022

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. 36.29 million (December 31, 2021: Rs. 35.26 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:

Financings	2022	2021
	Rupees in '000	
Agribusiness	769,666	515,423
Chemical and pharmaceuticals	2,973,786	506,969
Cement	2,724,950	3,040,295
Textile	4,619,008	5,165,432
Automobile and transportation equipment	187,029	532,362
Ghee/cooking oil	-	100,000
Petro chemical	5,200	21,403
Housing	1,280,568	852,218
Manufacturing of match	140,000	120,000
Miscellaneous manufacturing	3,697,205	3,041,626
Personal	695,341	655,556
Construction	510,091	337,475
Tradings	904,620	3,271,592
Services	1,353,286	169,764
Auto loans	414,117	454,829
Metal products	607,143	750,000
Commodity finance	25,000,000	40,000,000
CNG station / gas	12,540	18,911
Consumer finance	81,423	84,064
Others	14,462	1,178,217
	45,990,435	60,816,136
<b>Investments</b>		
GOP Ijarah Sukuk	28,671,913	18,353,075
Bai Muajjal	-	6,388,711
Power / electric / gas	4,200,700	5,093,750
Others	-	650,064
	32,872,613	30,485,600
	78,863,048	91,301,736

# Notes To The Financial Statements

For the year ended December 31, 2022

Annexure - III

Quality of available for sale securities - Ordinary shares	2022		2021	
	Cost	Market value	Cost	Market value
<b>Listed Companies</b>	Rupees in '000			
Automobile parts and accessories	6,903	2,486	6,903	5,011
Cable and electrical goods	24,465	11,360	19,324	11,485
Cement	40,167	17,284	36,827	25,194
Chemical	4,612	2,125	6	135
Commercial Banks	28,791	21,021	32,575	31,729
Engineering	18,339	7,928	18,339	12,618
Food and personal care products	24,548	6,731	24,548	17,301
Glass & ceramics	-	-	4,523	4,341
Investment banks / investment companies	162,185	41,391	162,185	48,024
Leather and tanneries	-	106	-	106
Oil and gas exploration companies	34,778	26,729	34,778	29,454
Oil and gas marketing companies	52,139	31,988	52,139	37,611
Paper and board	-	297	-	297
Power generation and distribution	5,138	3,375	5,138	4,300
Pharmaceuticals	3,776	2,415	-	-
Refineries	110,286	36,842	125,558	77,070
Technology and communication	-	-	20,341	14,738
Transport	30,120	11,850	30,120	18,400
Textile composite	25,311	13,730	32,823	27,209
Textile spinning	23	203	23	270
Textile weaving	-	-	4,607	4,872
Vanaspati and allied industries	22,147	7,091	22,147	13,266
Miscellaneous	1,960	1,550	9,800	6,846
	<b>595,688</b>	<b>246,502</b>	<b>642,704</b>	<b>390,277</b>

Un-Listed Companies	2022		2021	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Dawood Family Takaful	112,500	78,906	112,500	73,694
Trust Investment Bank	75,000	-	75,000	-
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	-
Caravan East Fabric Limited	9,487	-	9,487	-
Business & Industrial Insurance	5,000	-	5,000	-
Hafiz Textile Mills	5	5	5	-
Syed Match Company Limited	7	7	7	7
<b>Total</b>	<b>427,486</b>	<b>78,918</b>	<b>427,486</b>	<b>73,701</b>



# Miscellaneous





▲ 124,825 ..... +347.74  
+0.3%

▲ 29,140.36 ..... +0.426  
+0.4%

+ 0.19%

▲ 19,580 ..... +28.71  
+ 0.14%

# List of Branches

S.No	Branch/Sub-Branch Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	Fax Number
1	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.	Conventional	0001	KPK	091-5252142,5252060	-
2	Peshawar, University Road	Ghaffar Plaza, Adjacent to Sheraz Restaurant, University Road, Peshawar	Conventional	0002	KPK	091-5701741-43	(091)5701742
3	Kohat, Bannu Road	Cantonment Plaza Bannu Road, Kohat	Conventional	0003	KPK	0922-9260146 , 511290	(0922)9260156
4	Kohat University of Science & Technology (KUST)	Kohat University of Science & Technology (KUST), Kohat	Conventional Sub-Branch	0003	KPK		
5	D. I. Khan Branch	Circular Road, D.I.Khan	Conventional	0004	KPK	0966-719017,0966-718098	(0966)718099
6	MTI DHQ Teaching Hospital	MTI, DHQ Teaching Hospital, D.I. Khan, Tehsil & District D.I. Khan	Conventional Sub-Branch	0004	KPK	0333-9953605	
7	Mardan, Chamber House	Chamber House, Aiwan-e-Sanat-o- Tijarat, Collage Chowk	Conventional	0007	KPK	0937-9230505 & 7, 874899	(0937)9230606
8	Peshawar, G. T. Road	Ground Floor, Afandi Tower, Bilal Town, G.T. Road, Peshawar	Conventional	0010	KPK	091-2263414 -2612129-2612050	(091)2263411
9	Chitral Branch	Bypass Road Ataliq Bazaar, Chitral.	Conventional	0011	KPK	0943-412473	(0943)412220
10	Mingora Branch	Ground Floor, Yousuf Plaza, Khasra No.318,Makan Bagh,Saidu Sharif Road, Mingora, Swat	Conventional	0012	KPK	0946-9240045 & 7	(0946)9240046
11	Saidu Medical College Branch	Saidu Medical College, Saidu Sharif, Swat	Conventional Sub-Branch	0012	KPK	0315-2152005	
12	Saddar Road, Peshawar	Shop No.9,10 & 11, at Super Market, Adjacent State Bank of Pakistan Peshawar, Saddar Road, Peshawar	Conventional	0013	KPK	091-5273912, 5276485	(091)5277278
13	Hattar Branch	Industrial Estate Hattar, Haripur	Conventional	0014	KPK	0995-617231	(0995)617631
14	Pak Austria Fachhochschule institute, Haripur	Pak Austria Fachhochschule Institute of Applied Science and Technology, Mang, haripur	Conventional Sub-Branch	0014	KPK		
15	Civil Secretariat, Peshawar	Civil Secretariat , Peshawar	Conventional	0015	KPK	091-9211710	(091)9212680
16	Khyber Bazar, Peshawar	Shop No, 1,2 & 3, Saadat Market, Suikarno Square, Khyber Bazar, Peshawar.	Conventional	0016	KPK	091-2593705, 2568782	(091)2211170
17	Haripur Branch	Shahrah-e-Hazara, Haripur.	Conventional	0019	KPK	0995-616800,610728, 612292	(0995)611285
18	Blue area, Islamabad	38-Zahoor Plaza, Blue Area, Islamabad.	Conventional	0022	Capital Territory	051-2824691, 2826111	(051)28253434
19	M.M. Alam Road, Lahore	Ali Trade Centre, Property No.99&100-A, Block B/1 M.M. Alam Road, Lahore ,Gulberg-III, Lahore.	Conventional	0023	Punjab	042-99332383-89	(042) 35872013
20	Shahrah-e-Faisal Karachi	Ebrahim Alibhai Tower, Shop No.02, Plot No.03, Block-7/8 Modern Cooperative Housing Society (MCHS), Shahrah-e-Faisal, Karachi	Conventional	0024	Sindh	021-34389037-8	(021) 34389039
21	Ashraf Road, Peshawar	New Rampura Gate, Ashraf Road, Peshawar.	Conventional	0025	KPK	091-2593262, 2553007 , 2591682, 2553989	(091)2552497
22	Muzaffar Abad (AJ&K)	Secretariat Road, Muzaffarabad, Azad Jammu & Kashmir	Conventional	0027	AJK	05822-920492	(05822)920499
23	Satellite Town , Rawalpindi	B-212, Satellite Town 4th Road, TMA Rawal Town Rawalpindi.	Conventional	0030	Punjab	051-4571084-85,86 0333-5136362	(051) 4571083
24	Johar Town Lahore	Property#891,Block -R-1, M.A. Johar Town, Lahore	Conventional	0031	Punjab	042-35316744-5	(042) 35316746
25	Sialkot Branch	Property No. BIII-11S-167/B, Kashmir Road, Pacca Garha, Sialkot.	Conventional	0032	Punjab	052-3559225 & 7	(052)3559224

S.No	Branch/Sub-Branch Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	Fax Number
26	Multan, Abdali Road	Ground Floor, Property # 66 C & D, 9 Abdali Road Multan	Conventional	0033	Punjab	061-4545141-142	(061) 4545143
27	Shireen Jinnah Colony Karachi	Block-1, Clifton, Shireen Jinnah Colony Karachi	Conventional	0034	Sindh	021-35873264-5	(021)35873267
28	Mirpur Branch	Plot No.3, Sector B/3, Allama Iqbal Road, Mirpur, Azad Jammu Kashmir	Conventional	0035	AJK	05827-447686-8	(05827) 447685
29	Pakistan Stock Exchange Branch	Room No.204-205, 2nd Floor, New Pakistan Stock Exchange Building, Pakistan Stock Exchange Road, Karachi.	Conventional	0036	Sindh	021-32465804, 021-32465807, 021-32465808	(021)32465805
30	G. T. Road, Gujrat	Property No.1157/527,Ground Floor, Empire Centre, G.T. Road Gujrat	Conventional	0037	Punjab	053-3525555, 3530380, 3707902, 3530370	-
31	Sosaan Road Faisalabad	Plot No.245-C,Ground & 1st Floor, Madina Town, Sosaan Road, Faisalabad	Conventional	0038	Punjab	041-8556200-1-2	(041)-8556203
32	G.T. Road, Gujranwala	Property No.BXII-7S-157, Bank Square, Main G. T. Road Gujranwala	Conventional	0039	Punjab	055-3730916-8 & 3820916-17	(055)3820918
33	Bank Square Havelian	Property # 4242, Bank Square Havelian	Conventional	0040	KPK	0992-810731, 810732, 810733	(0992) 810736
34	Sargodha	63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha	Conventional	0041	Punjab	048-3740892-93-94	(048)3740891
35	Abbottabad, Mansehra Road	934-A, Mansehra Road, Abbottabad	Conventional	0043	KPK	0992-331913, 331914	(0992)331916
36	Chiniot	Faisalabad Road, Near Tehsil Chowk, Chiniot	Conventional	0044	Punjab	047-6333394-047-6333396	(047)6333397
37	Sahiwal Branch	272/B-2 High Street, Sahiwal.	Conventional	0045	Punjab	040-4222404, 4222448	(040)4222403
38	Clifton Branch Karachi	Shop No.7,8 & 9 Plot # G-10, Garnet Centre, Block-8, Main Road, KDA Scheme # 5, Clifton Cantonment, Karachi	Conventional	0046	Sindh	021-35296291-98	(021)35296291
39	Hyderabad Branch	Plot No.41/444,445,446,447,448 & 449, Main Bohri Bazar, Near Blair Hospital, Saddar Cantt., Hyderabad.	Conventional	0047	Sindh	022-2731200, 022-2731198	(022)2731211
40	High Court Branch	Peshawar High Court Branch, Khyber Road, Peshawar	Conventional	0048	KPK	091-5274368,5275368	(091)5274168
41	Provincial Assembly Branch	KPK Provincial Assembly Building, Khyber Road, Peshawar	Conventional Sub-Branch	0048	KPK		
42	Karak Branch	Khasra No. 1327/1364, Mian Muqadess Gul Market, Main Bazar, Karak	Conventional	0049	KPK	0927-211810 & 2	(0927) 211813
43	Khushal Khan Khattak University Karak	Khushal Khan Khattak University, Opposite Tableegi Markaz, Karak	Conventional Sub-Branch	0049	KPK		
44	Bahawalpur	Property No.1605/15, Circular Road, Library Chowk, Bahawalpur	Conventional	0050	Punjab	062-2887533, 2887531	(062) 2887532
45	Rahim Yar Khan	Plot No.15, Opposite Town Hall, Model Town, Rahim Yar Khan	Conventional	0051	Punjab	068-5870182-3	(068)5870185
46	DHA Lahore	Plot No.178, Block-Y, DHA, Lahore Cantt.	Conventional	0052	Punjab	042-35741073 - 5 & 042-35741076	(042) 35741077
47	Jutial Cantt. Gilgit	Shop No.1 to 6, ZS Plaza, Opposite Radio Pakistan, Shahrah-e-Quaid-e-Azam, Jutial Cantt. Gilgit	Conventional	0053	GB	05811-922082-3	(05811)922084
48	Quetta, Shahra-e-Iqbal	Shahra-e-Iqbal (Khasra no.205), Qandhari Bazar, Quetta.	Conventional	0054	Baluchistan	081-2834951, 081-2834955	(081) 2834952
49	Islamabad, PWD Society	Plot No.786-G, Block-C, PWD Society, Islamabad	Conventional	0055	Capital Territory	051-5170901-2 & 4	(051) 5170903

# List of Branches

S.No	Branch/Sub-Branch Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	Fax Number
50	D.G. Khan, Railway Road	Plot No.5, Dawood Plaza, Railway Road, Dera Ghazi Khan	Conventional	0056	Punjab	0642-470871-4	(0642) 470875
51	Lahore, Faysal Town	Plot No.811, Block C, Faysal Town, Lahore	Conventional	0057	Punjab	042-35160472 & 042-35160475	(042)35160473
52	Sadiqabad	Shop No.10, Masood Plaza, Bank Road, Sadiqabad	Conventional	0059	Punjab	068-5801261-2-3	(068)5801264
53	Khanewal	Property No.32, Paracha Hospital, Adjacent JS Bank, College Road, Khanewal	Conventional	0060	Punjab	065-2556431-2	(065)2556433
54	Mian Channu	Property No.17/24, Shadab Market, G.T. Road, Mian Channu, District Khanewal	Conventional	0061	Punjab	065-2661871-2	(065 2661870)
55	Gujar Khan	Shop No.6-8, Ward No.5, Near Ali Hospital, Main G.T. Road, Gujar Khan	Conventional	0062	Punjab	051-3511822-3	(051)3511824
56	Karachi, DHA, Phase-II	C-89-D,12th Commercial Street, Phase 2-Ext, D.H.A. (Khyaban-e-Jami), Karachi	Conventional	0063	Sindh	021-35890171-74, 0323-2131810	(021)35890175
57	Attock City	Property No.B-V-99, Committee No.E-3, Railway Park Chowk, Attock City	Conventional	0065	Punjab	057-2602378-9	(057)2602378
58	Peshawar, Warsak Road	Khasra No.6184/2893, Shop No.1, Sabir Business Center, Warsak Road, Peshawar	Conventional	0066	KPK	091-5201300-1-2-3	(091) 5201341
59	Sharfabad Karachi, (Bahadurabad)	Shop No.4&5, Sumya Tower Plot No 15/3, Block 3, BMCH, Main Jamal Ud Din Afghani Road (Sharfabad) Karachi.	Conventional	0067	Sindh	021-34946751-2-4-5	(021)34946753
60	Peshawar, Shami Road	Shop No.6-10, Garrison Park, Shami Road, Peshawar	Conventional	0068	KPK	091-5270270-71	(091)5613913
61	Lahore, Badami Bagh	Plot No.119, Auto Market, Badami Bagh, Lahore	Conventional	0069	Punjab	042-37731631-2-3	(042) 37731634
62	Jhang	Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road , Jhang	Conventional	0070	Punjab	047-7622180-1, 7622183	(047) 7622182
63	Daska	Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot	Conventional	0071	Punjab	052-6612324-6	(052) 6612327
64	Karachi, Napier Road	Mandiwala Building, Shop No.1, Survey No.14, Sheet No. SR 6, Shahrah-e-Liaquat, Serai Quarters, Karachi.	Conventional	0072	Sindh	021-32601371-72-75	(021)32601373
65	Peshawar, Dalazak Road	Nawaz Plaza, Taxation No. 4988 to 5008, Ground Floor, Dalazak Road, Peshawar.	Conventional	0073	KPK	091-2608216, 2608217	(091) 2608218
66	Charsadda Road Branch.	Khasra No. 1615/832, Adjacent Khayali CNG Station, Shero Jhangi, Charsadda Road, Peshawar.	Conventional	0074	KPK	091-2246684-5	(091)2246683
67	Bannu, D.I.Khan Road.	University Plaza, D.I.Khan Road, Bannu.	Conventional	0075	KPK	0928-611172-5	(0928)611174
68	University of Science and Technology Bannu	University of Science and Technology Main Campus, Township, Bannu	Conventional Sub-Branch	0075	KPK		
69	Parachinar	Shop No. 1 to 5 Ground Floor, Haji Safdar Market, School Road, Parachinar.	Conventional	0076	KPK	0926-312272 0926-312273 0926-312374	(0926) 312275
70	Yar Hussain, Swabi	Akbar Building, intiqaq No. 3422, Main Bazar, Yar Hussain, Swabi.	Conventional	0077	KPK	0938-460029 0938-460047	(0938) 460029
71	Umarzai, Charsadda	Khasra No. 4011/3485 & 4012/3486, Major Saeed Khan Market, Main Bazar, Umarzai.	Conventional	0078	KPK	091-6952506-07	(0916) 952531
72	Sheikh Maltoon, Mardan	Shop No. 25,26,27,28,29 & 31, Commercial Plaza Sector-E, Sheikh Maltoon Town, Mardan.	Conventional	0079	KPK	0937-843111 0937-843222	(0937) 843225

S.No	Branch/Sub-Branch Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	Fax Number
73	Abdul Wali Khan University Mardan	Abdul Wali Khan University, Garden Campus, Mardan	Conventional Sub-Branch	0079	KPK		
74	Shergarh, Mardan	Ground floor, Asghar Khan Market, Main Bazar, Shergarh, Mardan.	Conventional	0080	KPK	0937-830510-12-62	(0937) 820437
75	Katlang, Mardan	Inteqal No. 5038, Imam Shah Market, Main Bazar, Tehsil Katlang, District Mardan	Conventional	0081	KPK	0937-576005 0937-576006	(0937) 576004
76	Sherkot, Kohat	Khasra No. 315, Mujahid & Brothers Market, Sherkot Tehsil & District Kohat	Conventional	0082	KPK	0922-580111 0922-580888	-
77	Hayatabad Phase-V, Peshawar	Ground Floor, Plot No. 28, Sector B-1, Phase-V, Hayatabad, Peshawar	Conventional	0083	KPK	091-5814846-47	-
78	PIC, Hayatabad, Peshawar	Peshawar Institute of Cardiology, Hayatabad, Peshawar	Conventional Sub-Branch	0083	KPK		
79	North West, Hospital	Plot No.7-9, Sector A-3,Phase-5, North West Hospital, Hayatabad, Peshawar	Conventional Sub-Branch	0083	KPK		
80	Kyber Medical University	Khyber Medical University, Phase-V, Hayatabad, Peshawar	Conventional Sub-Branch	0083	KPK	0334-5218689	
81	Khyber Institute of Child Health	Khyber Institute of Child Health & Bashir Bilour Memorial Children Hospital Near Passport Office, Phase-V, Hayatabad, Peshawar	Conventional Sub-Branch	0083	KPK	0331-3313386	
82	Chamkani, Peshawar	Khasra No. 156 & 157, Honey Market, Hidayatabad Chamkani, Peshawar.	Conventional	0084	KPK	091-2604922 091-2604751	-
83	Tordher Swabi.	Khasra No.1751, Main Swabi Jehangira Road Matani Changan Tordher, Swabi.	Conventional	0085	KPK	0938-537116-121	0938-537119
84	Darosh, Chitral	Main Darosh Bazaar, Zero Point Chitral.	Conventional	0086	KPK	0943-480261-62-63	0943-480264
85	Sheikh Yousaf Adda, D.I.Khan.	Khasra No.1007/529, Sheikh Yousaf Adda, Opposite Punjab Collage, Bannu Road, D.I.Khan.	Conventional	0087	KPK	0966-740316-317	0966-740318
86	Sardheri Branch, Charsadda	Maroof Khel, Sardheri Bazar Tehsil & District Charsadda	Conventional	0088	KPK	091-6644001-02	091-6644003
87	Judicial Complex, Sardheri, Charsadda	Judicial Complex Sardheri, Malkan Dher Khula Dher, Charsadda	Conventional Sub-Branch	0088	KPK		
88	Bacha Khan University, Charsadda	Bacha Khan University, Sardheri Charsadda	Conventional Sub-Branch	0088	KPK	0311-0903370	
89	Lundkhwar Branch, Mardan	Ramora Lundkhwar, Tehsil Takht Bhai, District Mardan	Conventional	0089	KPK	0937-850131-32	0937-850133
90	Sadda Branch, Kurram Agency	Bangash Market Main Bazar Sadda, Tehsil Lower Kurram, District Kurram Agency	Conventional	0091	KPK	0926-520425-26	0926-520426
91	Kohat Road Branch, Peshawar	Marjan Hotel, Mauza Kotla Mohsin Khan, Kohat Road, Peshawar.	Conventional	0092	KPK	091-2323635	091-2324671
92	Kuza Bandai Branch, Swat	Shop No.1-6, Hamas Khan Market, Matta Road, Kuza Bandai, Tehsil Kabal, District Swat	Conventional	0093	KPK	0946-880411	0946-880445
93	Nasir Bagh, Peshawar	Police Employees Co-Housing Society, Nasir Bagh, Peshawar	Conventional	0096	KPK	0333-9218330, 091-57106776-78	-
94	Judicial Complex, GT Road Haripur	Judicial Complex, District Courts, GT Road, Opposite Post Graduate College for Boys, Haripur.	Conventional	0097	KPK	0995-920527, 0995-920528	-
95	Angoor Adda,	Main Bazar Angoor Adda, Tehsil Birmil, District South Waziristan.	Conventional	0099	KPK	0320-9667735	-
96	Gomal University D.I.Khan	Gomal University, Indus Highway, DI Khan City, Dera Ismail Khan	Conventional	0302	KPK	0966-750151-52	0966-750153

# List of Branches

S.No	Branch/Sub-Branch Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	Fax Number
97	KIMS+KDA Kohat	Khyber Medical University Institute of Medical Sciences, DHQ Teaching Hospital, Kohat Development Authority, Kohat	Conventional	0303	KPK	0333-9294541	
98	F-7, Markaz, Islamabad	Plot 13-A, Amir Center F-7 Markaz, Islamabad.	Conventional	0304	Capital Territory	0334-5488307	
99	Airport Road, Mingora	Khasra No 549, Khata No. 60, Airport Road, Mingora Swat.	Conventional	0305	KPK	0301-8537101	
100	Sher Shah Road, Nowshera	Property No. 1101/I-68 & 1126/I- 26,, Taj Building, Sher Shah Road Nowshera	Conventional	0306	KPK	0313-2705702/0335- 9349355	
101	Gur Mandi, Peshawar	Amber Building, Pir Abdullah Shah Market, Gur Mandi, Dalazak Road Peshawar	Conventional	0307	KPK	0345-9 1 63083	
102	Taraqae Plaza, Maneeri Payan, Swabi	Khasra No 3462, Taraqae Plaza, Mouza Maneri Payan Swabi, Tehsil and District Swabi	Conventional	0308	KPK	0938-223392-93	
103	Judicial Complex, Shah Mansoor Swabi	Judicial Complex Shah Mansoor, Jehangira Road, Swabi, Tehsil & District Swabi	Conventional Sub- Branch	0308	KPK	0313-9400433	
104	I-9 Markaz, Islamabad	Property No.2-E, I/9 Markaz Islamabad	Conventional	0309	Capital Territory	0345-5904166/0333- 9225870	
105	Dabgari Garden, Peshawar	Aman Medical Center Dabgari Peshawar.	Conventional	0310	KPK	0333-5777376	
106	Hamidan Chowk, Karak	Khasra No. 7041/789, 7047/792, 7048/792, Allahdad Khel, Hamidan Chowk, Takht Nasrati Karak.	Conventional	0311	KPK	0927-255202, 0927- 255201	
107	Lakki Marwat University	University of Lakki Marwat, Tehsil & District Lakki Marwat	Conventional Sub- Branch	0311	KPK	0336-5425801	
108	Shaheed Chowk, Timergara	Shaheed Chowk, Bypass Road Mingora, Timergara, District Lower Dir	Conventional	0312	KPK	0343-5232119	
109	Burrewala	Plot No.207/208/209, Property No. P-39/SH+CH & P-39/SH+CH & P-39/A/OFF A Block Vehari Bazaar Burrewala	Conventional	0313	Punjab	067-3351182	
110	Chichawatni	Plot No. 151, Khewat No. 244, GT Road Chichawatni	Conventional	0314	Punjab	040-5481822-040- 5481820	
111	Azam Cloth Market, Lahore	F 1619/B, Bismillah Block, Azam Cloth Market, Lahore	Conventional	0315	Punjab	0321-4789131	
112	Main Bazar Thana, Malakand	Qitta Arazi No. 2, Near Police Post Main Bazar Thana, District Malakand	Conventional	0316	KPK	0345-9370936	
113	University of Peshawar	University of Peshawar, Jamrud Road, Peshawar	Conventional	0317	KPK	0333-6445459	
114	Islamia College University	Islamia College University, Jamrud Road, Peshawar, Tehsil & District Peshawar.	Conventional Sub- Branch	0317	KPK	0322-4428446	
115	Main Bazaar, Charsadda	Khasra No. 979, Khata No. 358/810, Opposite Mardan Adda, Main Bazaar Charsadda, Tehsil & District Charsadda	Conventional	0318	KPK	091-9220121	
116	TMA Lower Mohmand	TMA, Near Assistant Commissioner Office, Ekka Ghund, Tehsil Ekka Ghund Lower Mohmand, District Mohmand	Conventional Sub- Branch	0318	KPK	0315-6660030	
117	Besham, Shangla	Mouza Batyal Hadbast No. 19, Main Bazaar Besham, District Shangla	Conventional	0319	KPK	0346-9596736	
118	Economic Zone, Nowshera	Khyber Pukhtunkhwa Economic Zone Development & Management Company (KPEZDMC) Estate Office, Bara Banda, Risalpur, Tehsil & District Nowshera.	Conventional	0320	KPK	0343-4049378	

S.No	Branch/Sub-Branch Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	Fax Number
119	Quetta, Double Road	Khasra No. 1765/529, Adjacent Suzuki Show Room, Double Road Quetta, Tehsil & District Quetta.	Conventional	0321	Baluchistan	0331-8065197	
120	Phase-6, Hayatabad, Peshawar	Javed Alam Khanzada Market, Block III, Sector I- 8, Phase VI Hayatabad Peshawar, Tehsil & District Peshawar	Conventional	0322	KPK	0300-9521921	
121	G-9, Islamabad	Awami Trade Center, G-9, Islamabad, Tehsil & District Islamabad	Conventional	0323	Capital Territory	0300-6073047	
122	I-8 Markaz, Islamabad	I-8 Markaz, Islamabad, Tehsil & District Islamabad	Conventional	0324	Capital Territory	0336-6662242	
123	PIA Building, Peshawar Cantt	PIA Building, Peshawar Cantt Tehsil & District Peshawar	Conventional	0325	KPK	0336-6662242	
124	TOP City, Islamabad	Ali Plaza, Plot # 1, Block D, Top City, Islamabad, Tehsil & District Islamabad.	Conventional	0326	Capital Territory	0336-5336351	
125	Allama Iqbal Town, Lahore	Plot#56/14, Karim Block, Allama Iqbal Town, Lahore, Tehsil & District Lahore	Conventional	0327	Punjab	0316-0461497	
126	DHA Phase-vi, Lahore	109 MB, DHA Phase-VI, Lahore, Tehsil & District Lahore	Conventional	0328	Punjab	0304-4853553	
127	Model Town, Lahore	Showroom No. 12, C Block, Bank Square Market, Model Town, Lahore, Tehsil & District Lahore	Conventional	0329	Punjab	0335-4562016	
128	E-11, Islamabad	Plot No. 9, Mustafa Mansion, E-11/3 Markaz, Islamabad, Tehsil & District Islamabad	Conventional	0330	Capital Territory	0336-5000629	
129	DHA Phase-1, Islamabad	B-44 M, Sector F, DHA Phase-1, Islamabad, Tehsil & District Islamabad	Conventional	0331	Capital Territory	0334-9087804	
130	Shakardar, Kohat	Main Bazar Shakardara , Kohat	Conventional	0332	KPK	0344-0801089	
131	Hayatabad	Plot No. 134, 135 & 136, Near Frontier CNG Station, Industrial Estate Hayatabad, Peshawar	Islamic	5101	KPK	091-5824927, 5825430	(091) 5824927
132	Jinnah Road Quetta	Jinnah Road, Quetta	Islamic	5102	Baluchistan	081-2843203,2822141	(081)2829469
133	Bannu	Old GTS Chowk, Gowshala Road, Bannu	Islamic	5103	KPK	0928-613222, 613394	(0928)621429
134	Nowshera	Saad Plaza, Saddar Bazar, Nowshera	Islamic	5104	KPK	0923-9220035 & 38	(0923)613530
135	Timergara	Shaheed Plaza, Ground Floor, Alamzeb Shaheed Chowk, Timergara	Islamic	5105	KPK	0945-9250232, 822090	(0945)822690
136	Timergara Sub-Branch		Islamic Sub-Branch	5105	KPK	#N/A	
137	Tank	Gillani Market, Main Bazar Opposite DHQ Hospital, Tank	Islamic	5106	KPK	0963-510068	(0963) 510400
138	Hangu	Opposite DCO Office, Main Bazar, Kohat Road, Hangu	Islamic	5107	KPK	0925-620744	(0925)623744
139	Batkhela	Khyber Market, Main Bazaar, Near Old Govt Girl High School Batkhela	Islamic	5108	KPK	0932-414851 & 3	(0932)-414854
140	Karachi, S.I.T.E.	B-78 Allied Plaza Estate Avenue Karachi	Islamic	5109	Sindh	021-32565102 & 4	(021)32565105
141	Karachi, Korangi	Plot# 1-13-2 Sub Plot# 1-A, Al Azam Plaza, Super highway, Sohrab Goth,Karachi	Islamic	5110	Sindh	021-35110204 & 5	(021) 35110203
142	Charsadda	Main Bazar, Mardan Road, Charsadda	Islamic	5111	KPK	091-9220100-1	(091)9220102
143	Abbottabad	Jinnah Road, Abbottabad	Islamic	5113	KPK	0992-341444, 341431	(0992)341430
144	New Garden Town, Lahore	28-A, Ali Block, New Garden Town Lahore	Islamic	5114	Punjab	042- 99232151 & 2	(042)- 99332969
145	Rawalpindi	Adam Jee Road, Saddar Rawalpindi	Islamic	5115	Punjab	051-5120194-7	(051)5120198

# List of Branches

S.No	Branch/Sub-Branch Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	Fax Number
146	Faisalabad	P-64, Kotwali Road Faisalabad	Islamic	5116	Punjab	041-2412116-7-8	(041)2412120
147	Mansehra	Rakaposji Plaza, Abbottabad Road Manshera	Islamic	5117	KPK	0997-414016	(0997) 920182
148	Hazara University	Hazara University, Mansehra	Islamic Sub-Branch	5117	KPK		
149	Swabi	Jamil Khan Market Mardan Road, Swabi	Islamic	5118	KPK	0938-222513, 223423	-
150	Peshawar City	Shop No. 2, Tariq Sultan Building Hospital Road, Peshawar	Islamic	5119	KPK	091-2561511	(091) 2561511
151	Lady Reading Hospital Peshawar	LRH Hospital Peshawar	Islamic Sub-Branch	5119	KPK		
152	KTH - Peshawar	Khyber Teaching Hospital, Jamrud Road, Peshawar	Islamic	5121	KPK	091-9218016	(091) 9224220
153	Shahrah-e-Resham - Mansehra	Opposite Grid Station, Near Pakhwal Chowk, Shahrah-e-Resham, Manshera	Islamic	5122	KPK	0997-303271, 303273	(0997) 303271
154	Metroville Karachi	Plot No. E-5, Block -1,KDA Scheme, Project No. 1 , Metroville	Islamic	5123	Sindh	021-36754233-4	(021)36754236
155	Shah Alam Lahore	S-38 , Circular Road Shah Alam Gate, Lahore.	Islamic	5124	Punjab	042-37641834 & 6	(042)37641837
156	Jamrud	Adjecent to Caltex Petrol Pump, Jamrud Bazaar, Jamrud road Khyber Agency.	Islamic	5125	KPK	091-5602013,5830147-8	(091)5830149
157	Upper Dir	Shop No. 1 To 6, Shafi Plaza Saleem market, Main Bazar Upper Dir	Islamic	5126	KPK	0944-890020 & 1	(0944)890022
158	Shaheed Benazir Bhutto University Sheringal, District Upar Dir	Shaheed Benazir Bhutto University Sheringal, District Upar Dir	Islamic Sub-Branch	5126	KPK		
159	Serai Naurang	Khasra No. 438, (Shahibzada Kabir Plaza), G.T. Road, Sarai Naurang, Lakki Marwat	Islamic	5127	KPK	0969-352963	(0969)352964
160	Hayatabad Chowk	Shop No.2, Saif Shopping Mall Phase III, Hayatabad Chowk Main Jamrud Peshawar	Islamic	5128	KPK	091-5853283-4	(091)5853285
161	D.I. Khan	Shop No. 1-10,Block 13, Tank Adda, D.I.Khan	Islamic	5129	KPK	0966-850724-5	(0966)850727
162	Thall	Shop No. 1-5 ,Al-Murtaza Market, Bannu Chowk, Main Bazar, Thall District Hangu	Islamic	5130	KPK	0925-510740, 511741	(0925)510740
163	Swari Buneer	Shop No. 6 to 10, Nisar Market, Pir Baba Road, Swari Buner	Islamic	5131	KPK	0939-555289, 555279	(0939)555229
164	Mingora	Shop No.1, Bank Square, Main Bazar, Mingora, Swat	Islamic	5132	KPK	0946-9240460,62	(0946)9240461
165	Islamabad F-10	Ground & First Floor, Plot no 7-O, S-38, Butt Plaza F-10 Markaz, Islamabad	Islamic	5133	Capital Territory	051-2222994-5	(051)2222996
166	Battagram	Momin Khan Plaza, Shahrah-e-Resham Battagram.	Islamic	5134	KPK	0997-310154/ 310155	(0997)310156
167	Topi - Swabi	Property no. 3500, Sher Khan Market, Main Bazar, Tarbela Road, Topi, Distt Swabi.	Islamic	5135	KPK	0938-271546-8	(0938) 271547
168	Dargai	Basement, Ameen Plaza, Opposite HBL, Main Bazar, Dargai.	Islamic	5136	KPK	0932-331447-8	(0932) 331449
169	Chew Bazar, Chitral	Shop No. 1-4, Qazafi Market, Chew Bazar, Chitral.	Islamic	5137	KPK	0943-414573	(091)414573
170	Kachehri Chowk Kohat	T-926 , T 927 & T928, Crown Plaza Opposite Company Bagh Near Kachehri Chowk Hangu Road Kohat	Islamic	5138	KPK	0922-522013/ 0922-522014	(0922) 522015
171	Mardan Cantt	Shop No. 4 To 8 , Lower Ground and Ground Floor Mardan City Center Plaza Qazi Bashir Road Mardan Cantt	Islamic	5139	KPK	0937-870823 0937-870824 0937-870826, 0307-5947415	(0937) 870826

S.No	Branch/Sub-Branch Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	Fax Number
172	M. A Jinnah Road, Okara	Ground & 1st Floor, Iftikhar Children Hospital M.A. Jinnah Road Okara	Islamic	5140	Punjab	0442-511079-80	(044) 2511082
173	Miran Shah	Syed Gul Market, Main Bannu Miranshah Road Miran Shah District North Waziristan	Islamic	5141	KPK	0928-310928/ 0928-310929	-
174	Multan	Plot No. 12-B & 13-B, Haq Nawaz Plaza, Main Gate Shah Shams Colony, Vehari Road, Multan	Islamic	5142	Punjab	061-6241251-3	(061)6241254
175	Khawaza Khela	Irfan Plaza, Main Bazar, Khwaza Khela, Swat	Islamic	5143	KPK	0946-744661-64	(0945)744662
176	Kambur	City Market, Main Road, Kambur, Lower Dir, Kambur	Islamic	5144	KPK	0945-885322	(0945)886322
177	Shabqadar	kharsa No. 4244/159-162, Opposite shabaqadar Fort Gate, Shabqadar	Islamic	5145	KPK	091-6281101-2	(091) 6289333
178	Tarnol	kharsa No. 781 , Geo Madina Tower, Main G.T Road , Tarnol.	Islamic	5146	Capital Territory	051-2226781-2	(051)2226783
179	Saleh Khana	Kharsa No. 169 & 183, Main Bazar, Moza Saleh Khana Tehsil Pubbi, Nowshera	Islamic	5147	KPK	0923-651094-5	(0923) 651091
180	IBB Loralai Baluchistan	Property No. 1061/A, 1061/B, 1061 & 1064 Zhob Road, Loralai Tehsil & District Loralai, Balochistan	Islamic	5148	Baluchistan	0332-7819858	(081) 2447388
181	Chakdara	Shop No. 1 to 10, Zaman Market, Adjacent UBL & nbp, Main Bazaar, Chakdara, Lower Dir	Islamic	5149	KPK	0945-762532-3	(0945)762534
182	Takht bhai	Kharsa No. 785, Shaukat Mansion, Ground & 1st floor, Opposite Takht Bhai Mega Mart, Takht Bhai, Mardan	Islamic	5150	KPK	0937-553682, 553684	(0937)553683
183	Jhangera	Ground & 1st floor, Behram Khan center, G.T Road, Jehangira	Islamic	5151	KPK	0923-510056	(0923)510045
184	Wana	Scouts Camp WANA District South Waziristan	Islamic	5152	KPK	0965-210006	-
185	Ghalanai	Opposite Civil Colony Main Bazar Ghalanai, District Mohmand	Islamic	5153	KPK	0924-290280	-
186	City Circular Road	Khewat # 446/25,25 Akhtarabad, Opposite Sirki Gate Peshawar	Islamic	5154	KPK	091-2592011	(091)2592018
187	Ring Road	Ground Floor, Arbab Market, Garhi Qamar din, near Mujaddad CNG station, North side Ring Road, Peshawar.	Islamic	5155	KPK	091-2322815, 2325223, 2325225	(091)2322715
188	Gulbahar Peshawar	Plot No. 4-A & 4-B, Sameer Square, Anam Sanam Chowk, Gulbahar Road, Hussainanabad	Islamic	5156	KPK	091-2606391, 2606393-4	(091)2606392
189	Barikot-Swat	Khasra No.1333, Iqbal Khan Plaza, Pir Baba Road, Barikot Swat.	Islamic	5157	KPK	0946-751781-2	(0946) 751783
190	Tangi	Kharsa No. 1633, Malak Plaza, Shabqadar Road, Tangi Charsadda	Islamic	5158	KPK	091-6555527-8, 6555530	(091)6555529
191	Pabbi	Anjum Market, G.T. Road, Pabbi, Nowshera.	Islamic	5159	KPK	0931-527071-527073-527075	(0923)527079
192	Shangla	Khasra No 1283, 84 & 86, Munir Plaza, Adjacent MCB, Basement & Ground Floor, Besham Road, Alpuri Shangla.	Islamic	5160	KPK	0996-850140-1	(0996) 850142
193	Wari	Ittehad plaza, Lower basement and Ground floor, Wari Bazaar, Dir chitral road, Upper Dir	Islamic	5161	KPK	0944-841511 0944-841611	(0944)841711
194	Manki Sharif	Kharsa No. 805, malak jameen market, Soorya khel, manki sharif, tehsil & Distt Nowshera	Islamic	5162	KPK	0923-626071 0923-626072 0923-626074	(0923)626073

# List of Branches

S.No	Branch/Sub-Branch Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	Fax Number
195	Bajaur	Abid city centre, Ground floor, Lt. Sajjad Khan Shaheed Bypass Road, Khar Bazaar, Bajaur Agency.	Islamic	5163	KPK	0942-221263-4	(0942)221266
196	Matta-Swat	Malak Tahir Market, Mouza Main Bazar, Matta, Mingora , District Swat KP	Islamic	5164	KPK	0946-790840 0946-790841	(0946) 790842
197	Torghar	Quarter no 1, District head quarter Tor ghar judba, KPK	Islamic	5165	KPK	0997-209705 0997-209706	-
198	Achini Payan	Muhammad Arcade, Achini Payan, Ring Road near Hayatabad, Peshawar.	Islamic	5166	KPK	091-5622545	(091) 5811320
199	Torkham	Ground Floor, Masoom Building, Near PTDC & Tehsildar Office, Peshawar Torkham Road, Torkham	Islamic	5167	KPK	0924-240044 0924-240045 0924-240046	(0924) 240045
200	Landi Kotal Bazar	Main Bazar Landi Kotal	Islamic Sub-Branch	5167	KPK		
201	Shewa Adda	Office No. 1 Ground Floor, Sardar Khan Malak Plaza, Mardan Swabi Road Sheva Adda, Swabi	Islamic	5168	KPK	0938-310703 0938-310704	(0938) 310705
202	Munda	Ground Floor, Habibn Jan Market, Adjacent Tehsildar Office, Munda	Islamic	5169	KPK	0945-830345 0945-830346	(0945)-830347
203	Kabal Swat	Khasra No. 2271 Ground Floor, Wahab Market, Mingora Road, Swat	Islamic	5170	KPK	0946-755471 0946-755473	(0946) 755472
204	Kalaya	Sub Divisional Head Quarters Compound, Kalaya, Lower Orakzai, District Orakzai	Islamic	5171	KPK	0925-650009/ 0925-650010	-
205	Mall Road, Peshawar	Office no. 1, Ground Floor, Khanis Plaza, The Mall Road Peshawar Cantt	Islamic	5172	KPK	091-5284212 091-5284214	091-5284213
206	Lakki Marwat	Shop No. 1, haji Jan Khan market, Lakki City, Lakki Marwat	Islamic	5173	KPK	0969-510059 0969-510359	0969-511059
207	Puran	Khasra No. 227, Aluch Bazaar Tehsil Puran District Shangla	Islamic	5174	KPK	0996-853026	-
208	Dara Adam Khel	Ground floor, Nawab Shah Plaza, dara Bazaar, Mohammad Khel Zarghar Khel, dara Adam Khel	Islamic	5175	KPK	0922-811222	0922-811333
209	Sakhakot	Shop No. 1, Noor market, main Malakand road, Sakhakot,	Islamic	5176	KPK	0932-311410 0932-311411 0932-311412	((0932) 311413
210	Zhob	Shop No. C84-85 Main Bazar, Thana Road Quetta Zhob	Islamic	5177	Baluchistan	0822-412335	-
211	Tehkal	Khasra No.6179/2122 Haji Nazar Mohammad Building, Thkal Payan	Islamic	5178	KPK	091-5621220	091-5621220
212	Sugar Mill Road, Mardan	Sharif Khan Plaza, Near Charsadda Chowk, Railway Phattak Sugar Mills bypass road Mardan	Islamic	5179	KPK	0937-845696-97-98	0937-845699
213	Bhara Kahu Branch, Islamabad	Malak Shafait Plaza, manuza mahal kot, hathial Main Maree road Bhara Kahu Islamabad	Islamic	5180	Capital Territory	051-2303782-83-87	051-2303789
214	Charbagh Swat	Saad tower, Main Bazar Charbagh	Islamic	5181	KPK	0946-730493-94	0946-730945
215	Rashakai, Mardan	Deed No. 142/1, Main Bazar, Rashakai Nowshera	Islamic	5182	KPK	0937-880369 0937-881369	-
216	Rustam Mardan	Khata No. 813/799 Main Bazar Rustam	Islamic	5183	KPK	0937-801909	-
217	Barawal Bnada, Dir	Almadina Market, Shahi road, Main bazar Barawal bandi, Upper Dir	Islamic	5184	KPK	0944-830019-20	0944-830021

S.No	Branch/Sub-Branch Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	Fax Number
218	HMC Peshawar	Hayatabad Medical Complex Phase-4, Hayatabad	Islamic	5185	KPK	091-5811941-43	091-5811943 L173
219	Main Bazar Bara Tehsil and District Bara	Main Bazar Adjacent to Bara Tehsil Bara	Islamic	5186	KPK	0301-8883036	-
220	Totalai, Tehsil Khadukhel District Buner	Khatta No 26, Khasra No 3378, Mouza totalai, Tehsil Khadukhel, District Buner	Islamic	5187	KPK	0314-9854637	-
221	Madayn, Tehsil Madayn District Swat	Khatta No 227, Khatooni No 309, Khasra No 302, Fetehpur Hadbast No 48, Madayn Bazar, Swat	Islamic	5188	KPK	0347-9082832	-
222	Sub-Branch Kalam, Swat	Main Bazar Kalam, Swat	Islamic Sub-Branch	5188	KPK		
223	Dewana Baba, Tehsil Swari, District Buner.	Khasra No 67, Dewana Baba Bazar, Kalyari Gagra, Dewana Baba, Swari Buner.	Islamic	5189	KPK	0334-8935037	-
224	Zaida, Tehsil District Swabi	Khasra No 2080-2084 & 2086, Khata No 1599/2841 Salar Market, Main Bazar Zaida Swabi	Islamic	5190	KPK	0333-3807708	-
225	Matani Tehsil and District Peshawar	Khata No 1168/3802 to 4083 Khasra No Qittat 383, Mouza Matani Hadbast No 268, Tehsil and district peshawar	Islamic	5191	KPK	0308-8883773	-
226	Mandian Abbottabad, District Abbottabad	Aziz ullah Plaza, Mandian Mansehra Road, Abbottabad	Islamic	5192	KPK	0300-5630031	-
227	Doaba, Hangu	Khasra No 1326, Bangash filling station, main road doaba, District Hangu	Islamic	5193	KPK	0925-660215/16	0925-660217
228	IBB Inayat Kallay	Ground Floor Ihsan Plaza, Bypass Road Inayat kalay, Khar Bajaur	Islamic	5194	KPK	0308-8867355	
229	I-10 Markaz, Islamabad.	Plot No. 9(A), 9(B), I-10 Markaz Islamabad	Islamic	5195	Capital Territory	0333-0307323	
230	Main Bazar Ghazi, District Haripur.	Khasra No. 859/143, Khatooni 439/538, Main Bazar Ghazi, Tehsil & Distt Haripur	Islamic	5196	KPK	0334-5080789	
231	Liaquat Market, Balakot	Plot No.39-51, Liaquat Market, Adjacent to office of SDPO, Balakot	Islamic	5197	KPK	0312-5151595	
232	Haripur Sabzai Mandai	Haq Nawaz Plaza, Near Sabzi Mandi Morr, Haripur Tehsil & District Haripur.	Islamic	5198	KPK	0995-613203, 0312-7978881	
233	IBB Bakhshali, Mardan	Khasra / Khatooni / Registry No. 714-715/1551-1555, Main bazar Bakhshali, Tehsil & District Mardan	Islamic	5199	KPK	(0937)570312-14	
234	Lachi, Kohat	Khata No 27, Khatoni No. 585, Khasra No. 1316 , Lachi Payan, Lachi District Kohat	Islamic	5200	KPK	0333-9117620	
235	Akhora Khattak	Khata No. 351, Khotoni No. 1181, Registry No. 1778, Main GT Road Near Chungi Stop, Akora Khattak	Islamic	5201	KPK	0300-5724298	
236	Bacha Khan Medical Complex, Swabi	Bacha Khan Medical Complex Shah Mansoor, District & Tehsil Swabi	Islamic	5202	KPK	0342-9285080	
237	Allah Chowk, Saidu Sharif Mingora, Swat	Swat Trade Center, Saidu Sharif Road Mingora, Tehsil Babuzai, District Mingora	Islamic	5203	KPK	0300-9072949	
238	IBB Pishin	Band Road Pishin, Tehsil Pishin, District Pishin	Islamic	5204	Baluchistan	0312-8222687	
239	IBB KGN Hospital (MTI) Bannu	Medical training Institute (MTI) Khalifa Gul Nawaz (KGN) Hospital Kohat Road Township Bannu, Tehsil & District Bannu	Islamic	5205	KPK	0333-9729297	

# List of Branches

S.No	Branch/Sub-Branch Name	Complete Address	Branch Type	Branch Code	Province	Phone Number	Fax Number
240	Duki Baluchistan	Plot No. 8, Bacha Khan Chowk Duki, Tehsil & District Duki, Baluchistan	Islamic	5206	Baluchistan	0333-7889994	
241	IBB Pir Baba , Buner	Main Bazar Pirbaba, Tehsil Daggar District Buner	Islamic	5207	KPK	0346-9427005	
242	IBB Toor Warsak, Buner	Main GT Road, Torwarsak Bazar, Tehsil Daggar District Buner	Islamic	5208	KPK	0313-9083030	
243	Dens Height, Hayatabad, Peshawar	Dens Heights, Phase-II, Hayatabad, Peshawar	Islamic	5209	KPK	0334-5467526	
244	Samar bagh, Lower Dir	Main GT Road, Kambat bazar, Tehsil Samarbagh, District Dir Lower	Islamic	5210	KPK	0304-0900553	
245	Phandu Chowk, Peshawar	Phandu Chowk, Phandu Road Tehsil and District Peshawar	Islamic	5211	KPK	0345-9082440	
246	MTI Qazi Hussain Ahmed Medical Complex, Nowshera	MTI Qzai Hussain Medical Complex, Nowshera	Islamic	5212	KPK	0923-920515	
247	IBB Dagar, Buner	Main Bazar Daggar District Buner	Islamic	5213	KPK	3359110052	
248	IBB Booni, Chitral	Tehsil Booni, District Chitral.	Islamic	5214	KPK	0304-4418841	
249	IBB ASC Nowshera	ASC Colony Nowshera	Islamic	5215	KPK	0923-920515	
250	Bahria Town, Rawalpindi	Plot No.5, Corniche Road, Marina Commercial, Bahria Town, Phase IV, Rawalpindi, Tehsil & District Rawalpindi	Islamic	5216	Punjab	0330-2077772	
251	Harichand	Main Bazar Harichand Tehsil Tangi District Charsadda	Islamic	5217	KPK	0333-6630467	
252	Talash	Main Bazar Talash Adjacent to Al Bahar Hotel, Tehsil Timergara, District Lower Dir	Islamic	5218	KPK	0334-9346070	
253	Jamrud Babe-e-khyber Branch	District education Office Jamrud, Tehsil Jamrud, District Khyber	Islamic	5219	KPK	0306-5929758	
254	Oghi, Mansehra	Main Bazar Shergarh Road, Tehsil Oghi, District Mansehra	Islamic	5220	KPK	0322-6500866	
255	Al-Haram Tower, Charsadda Road, Peshawar	Al-Haram Tower, Main Charsadda Road Peshawar Tehsil & District Peshawar	Islamic	5221	KPK	0334-5467526	

# List of Foreign Correspondent Banks

S.No. #	Country	Name of the Bank
1	Afghanistan	Habib Bank Limited
		National Bank of Pakistan
2	Australia	AUS and NZ banking Group
3	Bahrain	Al Baraka Islamic Bank BSC
4	Bahrain	Alubaf Arab Intl Bank BSC
		Arab Investment Company The
		Askari Bank Limited
		Bank Al Habib Limited
		Habib Bank Limited
		JS Bank Limited
		United Bank Limited
		Woori Bank
5	Bangladesh	Habib Bank Limited
		National Bank of Pakistan
		Social Islami Bank Limited
		Woori Bank
		Agrani Bank Limited
		Dhaka Bank Limited
		Mercantile Bank
6	Belgium	Commerzbank AG
		Habib Bank Limited
7	Canada	Habib Canadian Bank
8	Cayman Islands	Commerzbank AG Cayman Islands
9	Chile	MUFG Bank
10	China	Agricultural Dev Bank of China
		AUS and NZ (China) Company Limited
		Bank of China Limited
		Bank of Jiangsu Co Ltd
		Bank of Shanghai Co Ltd
		China Citic Bank
		Commerzbank AG
		ICBC CHINA
		Jiangsu Jiangnan Rural Comm Bank
		MUFG Bank
		MUFG Bank
		QiLu Bank Co Ltd

# List of Foreign Correspondent Banks

S.No. #	Country	Name of the Bank
		Shengjing Bank
		The Bank of New York Mellon
		The Export Import Bank of China
		UniCredit SpA
		Wells Fargo Bank NA
		Woori Bank (China) Ltd
		Yantai Bank Company Limited
		Zhejiang Tailong Commercial Bank
		Habib Bank Limited Urumqi Branch
		Zhongshan Rural Commercial Bank Co. Ltd
		Agricultural Bank of China
11	Czech Republic	Commerzbank AG
12	Denmark	Danske Bank
13	Egypt	Mashreqbank PSC
14	Ethiopia	Dashen Bank SC
15	Fiji	AUS and NZ banking Group
16	Finland	Danske Bank PLC
17	France	Commerzbank AG
		Credit Mutuel Arkea
		National Bank of Pakistan
		UBAF
18	Germany	Comdirect Bank AG
		Commerzbank AG
		European Bank for FS
		National Bank of Pakistan
		Sparkasse Westmunsterland
		Danske Bank A/S
		Landesbank Hessen-Thüringen Girozentrale
19	Gibraltar	Bank J Safra Sarasin
20	Greece	Attica Bank SA
21	Hong Kong	Bank of America NA
		Commerzbank AG
		Mashreqbank PSC
		National Bank of Pakistan
		Wells Fargo Bank NA
		Habib Bank Zurich (Hong Kong) Limited

S.No. #	Country	Name of the Bank
22	Hungary	Commerzbank ZRT
23	India	AUS and NZ banking Group
		Mashreqbank PSC
		MUFG Bank
		MUFG Bank
		Shinhan Bank
24	Indonesia	MUFG Bank
		PT Bank ANZ Indonesia
		PT Bank Woori Indonesia
		PT Pan Indonesia Bank TBK
25	Ireland	DANSKE BANK A/S IRELAND
26	Italy	Banca Popolare dell'Emilia
		Banca UBAE SpA
		Banco di Desio e della Brianza SpA
		Commerzbank AG
		MUFG Bank
27	Japan	Commerzbank AG
		MUFG Bank
		National Bank of Pakistan
		UBAF
		Wells Fargo Bank NA
		Woori Bank
		Mizuho Bank Ltd.
28	Korea (South)	AUS and NZ banking Group
		Busan Bank
		Industrial Bank of Korea
		KB Kookmin Bank
		KEB Hana Bank
		National Bank of Pakistan
		Shinhan Bank
		Suhyup Bank
		UBAF
		Wells Fargo Bank NA
		Woori Bank
29	Kuwait	Mashreqbank PSC
30	Kyrgyzstan	National Bank of Pakistan

# List of Foreign Correspondent Banks

S.No. #	Country	Name of the Bank
31	Lebanon	Habib Bank Limited
32	Luxembourg	Commerzbank AG
		Danske Bank International SA
33	Macau	Banco Comercial Portugues SA
34	Malaysia	Bank Al Habib Limited
		Mizuho Bank (Malaysia) Berhad
		MUFG Bank (Malaysia) Berhad
35	Mauritius	Bank of Baroda
36	Monaco	Banque J Safra Sarasin (Monaco) SA
37	Netherlands	Commerzbank AG
		ING Bank NV
		Intesa Sanpaolo SpA
38	New Zealand	ANZ Bank New Zealand Limited
39	Norway	Danske Bank
40	Oman	Bank Sohar SAOG
		Habib Bank Limited
41	Pakistan	Al Baraka Bank (Pakistan) Limited
		Allied Bank Limited
		Askari Bank Limited
		Bank Al Habib Limited
		Bank Alfalah Limited
		Bank of China Limited Karachi
		Bank of Punjab (The)
		BankIslami Pakistan Limited
		Dubai Islamic Bank Pak Ltd
		Faysal Bank Limited
		First Women Bank Limited
		Habib Bank Limited
		Habib Metropolitan Bank Ltd
		ICBC Pakistan
		JS Bank Limited
		MCB Bank Limited
		MCB Islamic Bank Limited
		Meezan Bank Limited
		National Bank of Pakistan
		Samba Bank Limited

S.No. #	Country	Name of the Bank
		Silk Bank Limited
		Sindh Bank Limited
		Soneri Bank Limited
		Summit Bank Limited
		United Bank Limited
42	Papua New Guinea	AUS and NZ banking Group
43	Philippines	AUS and NZ banking Group
		Asian Development Bank
44	Poland	Danske Bank A/S
		Bank Polska Kasa Opieki SA
45	Qatar	Mashreqbank PSC
		United Bank Limited
46	Russia	Commerzbank (Eurasija) SAO
		ZAO Danske Bank
		ZAO Woori Bank
47	Samoa	ANZ Bank (Samoa) Ltd
48	Saudi Arabia	Bank Al-Jazira
		National Bank of Pakistan
		Riyad Bank
49	Seychelles	Bank Al Habib Limited
50	Singapore	Commerzbank AG
		Habib Bank Limited
		PT Bank Mandiri (Persero) TBK
		Toronto Dominion Bank
		UBAF
		Wells Fargo Bank NA
		Woori Bank
51	Slovakia	Commerzbank AG
52	Solomon Islands	AUS and NZ banking Group
53	South Africa	HBZ Bank Ltd
54	Spain	ABANCA Corporation Bancaria
		Commerzbank AG
		CaixaBank SA
55	Sri Lanka	Habib Bank Limited
		Hatton National Bank
		Sampath Bank PLC

# List of Foreign Correspondent Banks

S.No. #	Country	Name of the Bank
56	Sweden	Danske Bank A/S
57	Switzerland	Habib Bank AG Zurich
		United Bank AG
		Zuercher Kantonalbank
		Banque De Commerce Et De Placements S.A.
		HBL Bank UK Limited, Zurich Branch
58	Taiwan	ANZ Bank (Taiwan) Limited
		MUFG Bank
59	Thailand	Bank of Ayudhya Public Company Ltd
60	Timor-Leste	AUS and NZ banking Group
61	Turkey	Akbank TAS
		Aktif Yatirim Bankasi AS
		Albaraka Turk Katilim Bankasi AS
		Habib Bank Limited
62	UAE	Abu Dhabi Commercial Bank
		Bank Alfalah Limited
		Habib Bank AG Zurich
		Habib Bank Limited
		Mashreqbank PSC
		MCB Bank Limited
		United Bank Limited
		FIRST ABU DHABI BANK P.J.S.C
63	UK	AUS and NZ banking Group
		Bank J Safra Sarasin
		Commerzbank AG
		Credit Suisse (UK) Limited
		Habib Bank AG Zurich
		Habib Bank UK PLC
		Lloyds Bank PLC
		Mashreqbank PSC
		The Bank of New York Mellon
		Wells Fargo Bank NA
		Woori Bank
		Bank of China Limited, London Branch
		Danske Bank A/S
Santander UK plc		

S.No. #	Country	Name of the Bank
64	USA	AUS and NZ banking Group
		Branch Banking and Trust Company
		Commerzbank AG
		Deutsche Bank Trust
		First Tennessee Bank
		Golden Bank National Association
		HAB Bank
		Mashreqbank PSC
		Mizuho Bank Ltd
		National Bank of Pakistan
		Shinhan Bank
		Shinhan Bank America
		The Bank of New York Mellon
		Wells Fargo Advisors LLC
		Wells Fargo Bank NA
		Woori America Bank
Woori Bank		
Woori Bank		
65	Vanuatu	ANZ Bank (Vanuatu) Ltd
66	Vietnam	ANZ Bank (Vietnam) Ltd
		Shinhan Bank Vietnam Limited
		Woori Bank

# BCR Criteria Mapping

No.	Best Corporate Report 2022 Awards Self Assessment Checklist	Page Reference
1	Organizational Overview and External Environment What does the organization do and circumstances under which it operates	
1.01	Principal business activities and markets (local and international) including key brands, products and services.	12-13, 23-29
1.02	Geographical location and address of all business units including sales units and plants.	13, 264-274, 275-281
1.03	Mission, vision, code of conduct, culture, ethics and values.	10-11
1.04	Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates. Also name and country of origin of the holding company/subsidiary company, if such companies are a foreign company.	12-13, 101
1.05	Organization chart indicating functional and administrative reporting, presented with legends.	34
1.06	Identification of the key elements of the business model of the company through simple diagram supported by a clear explanation of the relevance of those elements to the organization. (The key elements of business model are Inputs, Business activities, Outputs and Outcomes).	60-61
1.07	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain. (This disclosure shall be provided by the companies in service and non-service sector organizations through graphical presentation).	60-61
1.08	Significant factors effecting the external environment and the associated organization's response. Also describe the effect of seasonality on business in terms of production and sales. (External environment includes commercial, political, economic, social, technological, environmental and legal environment).	83, 84-87
1.09	The legitimate needs, interests of key stakeholders and industry trends.	72-73
1.10	SWOT Analysis of the company.	65
1.11	Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, relative strengths and weaknesses of competitors and customer demand and the intensity of competitive rivalry).	84-87
1.12	The legislative and regulatory environment in which the organization operates.	84-87
1.13	The political environment where the organization operates and other countries that may affect the ability of the organization to implement its strategy.	83
1.14	Significant changes from prior years (regarding the information disclosed in this section).	37
1.15	History of major events.	9-8
1.16	Details of significant events occurred during the year and after the reporting period.	56, 247

Best Corporate Report 2022 Awards Self Assessment Checklist		Page Reference
2	<b>Strategy and Resource Allocation</b> <i>Where does the organization want to go and how does it intend to get there</i>	
2.01	Short, medium and long term strategic objectives.	64
2.02	Strategies in place or intended to be implemented to achieve the strategic objectives.	66-68
2.03	Resource allocation plans to implement the strategy and financial capital structure. Resource mean CAPITALS including: a. financial capital (e.g. liquidity, cash flows, financing arrangements); human capital; b. manufactured capital (e.g. building, equipment, infrastructure); c. intellectual capital (e.g. patents, copyrights, software, licenses, knowledge, system, procedures); d. human capital; e. social and relationship capital; and f. natural capital. <b>Explanation:</b> <i>Disclosures about the capitals should include the factors that affect the availability, quality and affordability of relevant capitals and the organization's expectations of its ability to produce flows from them to meet future demand. Demonstrating the connectivity of financial performance with performance and outcomes regarding the other capitals &amp; how the organization's strategy and resource allocation plans affect key capitals and risk management arrangements related to them should be included under capital reporting.</i>	66-68
2.04	Key resources and capabilities of the company which provide sustainable competitive advantage.	66-68
2.05	Value created by the business, and for whom, using these resources and capabilities.	60-61, 66-68
2.06	The effect of technological change, societal issues such as population and demographic changes, human rights, health, poverty, collective values and educational systems, environmental challenges, such as climate change, the loss of ecosystems, and resource shortages on the company strategy and resource allocation.	84-87
2.07	Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues.	66-68
2.08	Key performance indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	66-68
2.09	Board's statement on the following: a) significant plans and decisions such as corporate restructuring, business expansion, or discontinuance of operations; b) business rationale of major capital expenditure or projects started during the year and those planned for next year etc.	46-56
2.10	Significant changes in objectives and strategies from prior years.	64

# BCR Criteria Mapping

No.	Best Corporate Report 2022 Awards Self Assessment Checklist	Page Reference
3	<b>Risks and Opportunities</b> <i>Specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how it is dealing with them</i>	
3.01	Key risks and opportunities effecting availability, quality and affordability of CAPITALS in the short, medium and long term.	84-87
3.02	Risk Management Framework including risk management methodology and principal risk and uncertainties facing the company.	82
3.03	Sources of risks and opportunities (internal and external).	84-87
3.04	The initiatives taken by the company in promoting and enabling innovation.	84-87
3.05	Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does.	84-87
3.06	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	84-87
3.07	Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.	50
3.08	Statement from the board that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity.	50, 88
3.09	Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses.	88
3.10	Inadequacy in the capital structure and plans to address such inadequacy.	88
4	<b>Sustainability and Corporate Social Responsibility</b>	
4.01	Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility as per best business practices including: a) environment related obligation applicable on the company; b) company progress towards environmental, social and & governance initiatives during the year; and c) company's responsibility towards the staff, health & safety.	129-131
4.02	Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable.	129
4.03	Certifications acquired and international standards adopted for best sustainability and CSR practices.	129-131

No.	Best Corporate Report 2022 Awards Self Assessment Checklist	Page Reference
5	<b>Governance</b> <i>How does the organization's governance structure support its ability to create value in the short, medium and long term</i>	
5.01	Board composition: a) Leadership structure of those charged with governance.	35-37, 92
	b) Name of independent directors indicating justification for their independence.	35-37, 108
	c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience.	35-37, 92
	d) Profile of each director including education, experience and involvement /engagement of in other entities as CEO, Director, CFO or Trustee etc.	35-37
	e) No. of companies in which the executive director of the reporting organization is serving as non-executive director.	35-37
5.02	Chairman's Review Report on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	43
5.03	A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	47-56, 93-97
5.04	Annual evaluation of performance, along with description of criteria used for the members of the board including CEO, Chairman and board's committees.	52
5.05	Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	52, 110
5.06	Details of formal orientation courses for directors.	52, 109
5.07	Directors' Training Program (DTP) attended by directors, female executive and head of department from the institutes approved by the SECP and names of those who availed exemptions during the year.	52, 109
5.08	Description of external oversight of various functions like systems audit or internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	106
5.09	a) Approved policy for related party transactions.	94-95
	b) Details of all related parties transactions, along with the basis of relationship describing common directorship and percentage of shareholding.	230-231
	c) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement.	230-231
	d) Disclosure of director's interest in related party transactions.	230-231
	e) In case of conflict, disclosure that how such a conflict is managed and monitored by the board.	95

# BCR Criteria Mapping

No.	Best Corporate Report 2022 Awards Self Assessment Checklist	Page Reference
5.10	Disclosure of Board's Policy on the following significant matters: <ul style="list-style-type: none"> <li>a) Governance of risk and internal controls.</li> <li>b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.</li> <li>c) Disclosure of director's interest in significant contracts and arrangements.</li> <li>d) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings.</li> <li>e) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies.</li> <li>f) Security clearance of foreign directors.</li> <li>g) Board meetings held outside Pakistan.</li> <li>h) Human resource management including preparation of succession plan.</li> <li>i) Social and environmental responsibility.</li> <li>j) Communication with stakeholders.</li> <li>k) Investors' relationship and grievances.</li> <li>l) Employee health, safety and protection.</li> <li>m) Whistle blowing policy including mechanism to receive and handle complains in a fair and transparent manner and providing protection to the complainant against victimization and reporting in Audit Committee's report.</li> <li>n) Safety of records of the company.</li> <li>o) Providing reasonable opportunity to the shareholder for participation in the AGM.</li> </ul>	92-97, 107, 46-56, 129, 72, 74-77
5.11	Board review statement of the organization's business continuity plan or disaster recovery plan.	46-56, 122-123
5.12	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	101-103
5.13	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	108-110
5.14	A brief description about role of the Chairman and the CEO.	93-94
5.15	Shares held by Sponsors / Directors / Executives.	103
5.16	Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	98-99
5.17	Timely Communication: Date of authorization of financial statements by the board of directors: within 40 days ---6 marks within 60 days ---3 marks (Entities requiring approval from a Regulator before finalization of their financial statements would be provided a 20 days relaxation, on providing evidence to the Committee).	247

No.	Best Corporate Report 2022 Awards Self Assessment Checklist	Page Reference
5.18	Audit Committee report should describe the work of the committee in discharging its responsibilities. The report should include:	
	a) Composition of the committee with at least one member qualified as “financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee.	
	b) Role of the committee in discharging its responsibilities for the significant issues in relation to the financial statements, and how these issues were addressed with details where particular attention was paid in this regard.	
	c) Committee’s overall approach to risk management and internal control, and its processes, outcomes and disclosure.	
	d) Role of Internal Audit to risk management and internal control, and approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor’s performance.	
	e) Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommended instituting remedial and mitigating measures.	104-106
	f) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current statutory auditor; and if the external auditor provides non-audit services, an explanation as to how auditor’s objectivity and independence is safeguarded.	
	g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported.	
	h) The Audit Committee’s views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information for shareholders to assess the company’s position and performance, business model and strategy.	
	i) Results of the self-evaluation of the Audit Committee carried out of its own performance.	
	j) Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year.	
5.19	Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee’s activities / matters that are within the scope of the Audit Committee’s responsibilities.	106
5.20	Board disclosure on Company’s use of Enterprise Resource Planning (ERP ) software including:	92-97
	a) how it is designed to manage and integrate the functions of core business processes/ modules like finance, HR, supply chain and inventory management in a single system;	96-97
	b) management support in the effective implementation and continuous updation;	96-97
	c) details about user training of ERP software;	96-97
	d) how the company manages risks or control risk factors on ERP projects;	96-97
	e) how the company assesses system security, access to sensitive data and segregation of duties.	96-97
5.21	Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, it should be disclosed if it has any other connection with the company.	46-56
5.22	Chairman’s significant commitments and any changes thereto.	43
5.23	Disclosure about the Government of Pakistan policies related to company’s business/sector in Directors’ Report and their impact on the company business and performance.	47-48
5.24	How the organization’s implemented governance practices have been exceeding legal requirements.	94

# BCR Criteria Mapping

No.	Best Corporate Report 2022 Awards Self Assessment Checklist	Page Reference
6	<b>Analysis of the Financial Information</b> <i>To what extent has the organization achieved its strategic objectives for the period</i>	
6.01	Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between: (a) Past and current performance; (b) Performance against targets /budget; and (c) Objectives to assess stewardship of management. The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits.	126-127, 128, 133-134, 136-137, 138, 139
6.02	Analysis of financial ratios ( <b>Annexure I</b> ) (this includes marks of ratios for Shariah compliant companies and companies listed on Islamic indices)	136-137
6.03	Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years.	138, 139
6.04	Graphical presentation of 6.02 and 6.03 above.	140-143
6.05	Explanation of negative change in the performance against prior year including analysis of variation in results reported in interim reports with the final accounts, including comments on the results disclosed in 6.02 and 6.03 above.	133-134
6.06	Any significant change in accounting policies, judgements, estimates and assumptions with rationale.	165-184
6.07	Information about defaults in payment of any debts and reasons thereof period.	88
6.08	Methods and assumptions used in compiling the indicators.	134
6.09	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	146
6.10	Segmental review and analysis of business performance including segment revenue, segment results, profit before tax, segment assets and liabilities.	228-229
6.11	a) Share price sensitivity analysis using key variables (i.e. selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning.	144-145
	b) Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.	144-145
6.12	Brief description and reasons: a) for not declaring dividend despite earning profits and future prospects of dividend. b) where any payment on account of taxes, duties, levies etc. is overdue or outstanding.	133-134
6.13	CEO presentation video on the company's business performance of the year covering the company business strategy to improve and future outlook. (Please provide relevant webpage link of the video in the company's annual report).	134

No.	Best Corporate Report 2022 Awards Self Assessment Checklist	Page Reference
7	<b>Disclosures on IT Governance and Cybersecurity</b> <i>How the Board evaluate the company's IT governance and cybersecurity risk and how the Board manages those risks that threaten the company's operation</i>	
7.01	The Board responsibility statement on the evaluation and enforcement of legal and regulatory implications of cyber risks and the responsibilities of the board in case of any breaches.	48-49
7.02	Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place.	122-123
7.03	Disclosures about how cybersecurity fits into the board's risk oversight function and how the board is engaging with management on this issue.	122-123
7.04	Disclosure that at least one board-level committee is charged with oversight of IT governance and cybersecurity matters and how the board administers its IT risk oversight function related to these risks.	122-123
7.05	Disclosure about Company's controls and procedures about an "early warning system" that enables the company to identify, assess, address, make timely disclosures and timely communications to the board about cybersecurity risks and incidents.	122-123
7.06	Disclosure of policy related to independent comprehensive security assessment of technology environment, including third party risks and when last such review was carried out.	122-123
7.07	Disclosure about resilient contingency and disaster recovery plan in terms of dealing with a possible IT failure or cyber breach and details about company's cyber insurance.	122-123
7.08	Disclosure of advancement in digital transformation on how the organization has leveraged 4.0 Industrial revolution (RPA, Block Chain, AI, Cloud Computing etc.) to improve transparency, reporting and governance.	122-123
7.09	Disclosure about education and training efforts of the Company to mitigate cybersecurity risks.	122-123
	<b>Explanatory Note</b> <i>Companies are recommended to assess the risks related to the potential theft or compromise of their technology, data or intellectual property in connection with their operations, as well as how the recognition of these risks may impact their business, including their financial condition and results of operations, and any effects on their reputation, stock price and long-term value. Where these risks are material to investment and voting decisions, they should be disclosed, and we encourage companies to provide disclosure that allows investors to evaluate these risks through the eyes of management. Please note that disclosure about these risks should be specifically fit to a company's unique facts and circumstances. We trust that corporations should continue to consider this growing area of risk and evaluate its materiality on an ongoing basis.</i>  <i>Further, the Company should not make such detailed disclosures that could compromise its cybersecurity efforts – for example, by providing a "roadmap or product details" for those who seek to penetrate a company's security protections. However, companies should disclose IT governance and cybersecurity risks and incidents that are material to investors, including the associated financial, legal, or reputational consequences, if any.</i>	122-123

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No.	Best Corporate Report 2022 Awards Self Assessment Checklist	Page Reference
<b>8</b>	<b>Future Outlook</b> <i>Challenges and uncertainties that the organization is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance</i>	
8.01	Forward looking statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the company's resources, revenues and operations in the short, medium and long term.	150
8.02	Explanation of the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and how it will affect the organization in terms of its business performance, strategic objectives and availability, quality and affordability of capitals.	84-87
8.03	Explanation as to how the performance of the company meets the forward looking disclosures made in the previous year.	152-153
8.04	Status of the projects in progress and were disclosed in the forward looking statement in the previous year.	151
8.05	Sources of information and assumptions used for projections / forecasts in the forward looking statement and assistance taken by any external consultant.	151
8.06	How the organization is currently equipped in responding to the critical challenges and uncertainties that are likely to arise.	153
<b>9</b>	<b>Stakeholders Relationship and Engagement</b> <i>State of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests</i>	
9.01	Stakeholders engagement policy of the company and how the company has identified its stakeholders.	72
9.02	Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how these relationships are likely to affect the performance and value of the company, and how those relationships are managed. These engagements may be with: a) Institutional investors; b) Customers & suppliers; c) Banks and other lenders; d) Media; e) Regulators; f) Local committees and g) Analysts.	72-73
9.03	Steps taken by the management to encourage the minority shareholders to attend the general meetings.	78
9.04	Investors' Relations section on the corporate website.	79
9.05	Issues raised in the last AGM, decisions taken and their implementation status.	78
9.06	Statement of value added and its distribution with graphical presentation: a) Employees as remuneration; b) Government as taxes (separately direct and indirect); c) Shareholders as dividends; d) Providers of financial capital as financial charges; e) Society as donation; and f) Retained within the business.	132
9.07	Steps board has taken to solicit and understand the views of stakeholders through corporate briefing sessions and disclosure of brief summary of Analyst briefing conducted during the year.	79
9.08	Highlights about redressal of investors' complaints.	78

Best Corporate Report 2022 Awards Self Assessment Checklist		Page Reference
<b>10</b>	<b>Business Model</b> <i>Business model is a system of transforming inputs, through business activities, into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term</i>	
10.01	Describe the business model including inputs, business activities, outputs and outcomes in accordance with the guidance as set out under section 4C of the International Integrated Reporting Framework (IR Framework).	60-61
<b>11</b>	<b>Striving for Excellence in Corporate Reporting</b>	
11.01	Board's responsibility statement on full compliance of financial accounting and reporting standards as applicable in Pakistan (i.e. International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB)).	6
11.02	Adoption of IR Framework by fully applying the 'Fundamental Concepts', 'Content Elements' and 'Guiding Principles' in the IR Framework.	6
11.03	BCR criteria cross referred with page numbers of the annual report. (details can be maintained by companies on the Investor Relation section of the company's website).	282
11.04	Disclosures beyond BCR criteria (The participating organization to send the list of additional disclosures to BCR Committee).	16, 17, 18, 19-21, 38-39, 44, 112-121, 126-128
<b>12</b>	<b>Specific Disclosures of the Financial Statements</b>	
12.01	Specific disclosures of the financial statements required under the Companies Act, 2017 and IFRSs (Annexure II).	165-260
12.02	Shariah compliant companies/ companies listed on the Islamic Indices (Annexure III).	Not Applicable
<b>13</b>	<b>Assessment based on Qualitative Factors</b>	
13.01	Please refer (Annexure IV).	Not Applicable
<b>14</b>	<b>Industry Specific Disclosures (if applicable)</b>	
a)	Disclosures required for Banking Company (Annexure V).	165-260
b)	Disclosures required for Insurance Company (Annexure VI).	Not Applicable
c)	Disclosures required for Exploration and Production (E&P) Company (Annexure VII).	Not Applicable

# BCR Criteria Mapping

No.	Best Corporate Report 2022 Awards Self Assessment Checklist	Page Reference
Annexure I - Financial Ratios (Section 6 of the criteria)		
Financial Sector		
<b>Profitability Ratios</b>		
a)	Profit before tax ratio	136
b)	Gross Yield on Earning Assets	136
c)	Gross Spread ratio	136
d)	Cost/Income ratio	136
e)	Return on Equity	136
f)	Return on Capital employed	136
g)	Shareholders' Funds	136
h)	Return on Shareholders' Funds	136
<b>Liquidity Ratios</b>		
a)	Advances to deposits ratio	137
b)	Current ratio	137
c)	Quick / Acid test ratio	137
d)	Cash to Current Liabilities	137
e)	Cost of Funds	137
f)	Cash flow coverage ratio	137
g)	Net interest income as a percentage of working funds / Operating cost - Efficiency ratio	137
h)	Cash Reserve Ratio / Liquid Asset ratio	137
i)	Gross Non-Performing assets to gross advances	137
j)	Non-Performing loans to Total Loans	137
<b>Investment /Market Ratios</b>		
a)	Earnings per share (EPS) and diluted EPS	137
b)	Price Earnings ratio	137
c)	Price to Book ratio	137
d)	Dividend Yield ratio	137
e)	Dividend Payout ratio / Dividend Cover Ratio	137
f)	Cash Dividend per share / Stock Dividend per share	137
g)	Market value per share at the end of the year and high/low during the year	137

<b>Best Corporate Report 2022 Awards Self Assessment Checklist</b>		<b>Page Reference</b>
h)	Breakup value per share	137
	i. Without Surplus on Revaluation of property, plant and equipment	137
	ii. With Surplus on Revaluation of property plant and equipment including the effect of all Investments	137
	iii. Including Investment in Related Party at fair /market value and also with Surplus on Revaluation of property plant and equipment.	137
i)	DuPont Analysis	137
j)	Free Cash Flow	137
k)	Economic Value Added (EVA)	137
<b>Capital Structure</b>		
a)	Capital Adequacy ratio	137
b)	Earning assets to total assets ratio	137
c)	Weighted Average cost of deposit	137
d)	Statutory Liquidity Reserve (Ratio)	137
e)	Net assets per share	137
f)	Debt to Equity ratio (as per book and as per market value)	137
<b>Non-Financial Ratios</b>		
a)	Staff turnover ratio	137
b)	Customer Satisfaction Index	137
c)	Employee Productivity Rate	137



# 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 32nd Annual General Meeting of the Bank to be held on Thursday, March 30, 2023 at 11:00 a.m. at The Bank of Khyber, Head Office, BOK Tower, 24-The Mall, Peshawar Cantt.

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2023.

Dated

Place:

Signature  
Five-Rupees  
Revenue Stamp

The Signature should agree with the  
Specimen registered with the Bank

## 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 than 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. Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase-VII, Karachi-75500 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 mentioned 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.



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The Company Secretary  
The Bank of Khyber  
24, The Mall, Peshawar Cantt.

# پراکسی فارم

فولیو نمبر \_\_\_\_\_ سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_

ذیلی اکاؤنٹ نمبر \_\_\_\_\_

میں/ہم \_\_\_\_\_ ساکن \_\_\_\_\_

بحیثیت بینک آف خیبر کے ممبر \_\_\_\_\_ عدد عام حصص \_\_\_\_\_

محترم/محترم \_\_\_\_\_ ساکن \_\_\_\_\_

جو کہ بینک کا ممبر ہے فولیو نمبر \_\_\_\_\_ کو اپنی/اپنے ایما پر بطور مختار (پراکسی) مقرر کرتا/کرتی/کرتے ہیں/تا کہ میری/ہماری

جگہ میری/ہماری طرف سے سے بینک کے 32 واں سالانہ اجلاس عام (AGM) میں جو بروز جمعرات مورخہ 30 مارچ 2023 کو دن 11:00 بجے بمقام بینک آف خیبر ہیڈ آفس،

بی او کے ٹاور، 24-دی مال پشاور مختار (پراکسی) شرکت کرے، بولے اور حق رائے دہی استعمال کرے۔

آج بروز \_\_\_\_\_ بتاریخ \_\_\_\_\_ 2023 کو بطور گواہ دستخط کئے

پانچ روپے کار یونیورسٹی

تاریخ:

بمقام:

دستخط بینک میں رجسٹرڈ نمونے سے مطابقت رکھنے چاہئیں

نوٹ:

عمومی:

1- جنرل مینٹنگ میں شرکت کرنے اور ووٹ دینے کا حقدار رکن اس کے بجائے شرکت کرنے اور ووٹ دینے کے لیے پراکسی مقرر کرنے کا حقدار ہے۔ اس کا اس کی کوئی بھی شخص پراکسی

کے طور پر کام نہیں کرے گا، جو بینک کا ممبر نہ ہو سوائے اس حکومت پاکستان کے/صوبائی حکومت اسٹیٹ بینک آف پاکستان کارپوریشن ایسے شخص کو مقرر کر سکتی ہے جو ممبر نہیں ہے۔

2- پراکسی کا تقرر کرنے والے آلے پر اس کے وکیل کے ممبر کے دستخط ہونے چاہئیں جو کہ تحریری طور پر مجاز ہو۔ اگر ممبر ایک کارپوریشن ہے حکومت پاکستان اور اسٹیٹ بینک آف پاکستان

کے علاوہ، اس کی مشترکہ مہر آلہ پر چسپاں ہونا چاہئے۔

3- پراکسی کا تقرر کرنے والا آلہ، پاور آف اٹارنی کے ساتھ، اگر کوئی ہو، جس کے تحت اس پر دستخط کیے گئے ہیں یا قومی سطح پر اس کی تصدیق شدہ کاپی، ہمارے رجسٹرڈ/ٹرانسفر ایجنٹس،

میسرز کے پاس جمع کرائی جانی چاہیے۔ THK Associates (Pvt) Ltd پلاٹ نمبر 32 سی، جامی کمرشل اسٹریٹ 2، ڈی ایچ اے، فیڑ VII، کراچی-75500

پاکستان، کم از کم 48 گھنٹے پہلے اجلاس منعقد کرنے کا وقت۔

4- اگر ایک رکن ایک سے زیادہ پراکسی کا تقرر کرتا ہے، اور پراکسی کے ایک سے زیادہ انسٹرومنٹ ایک ممبر کے ذریعے جمع کیے جاتے ہیں بینک، پراکسی کے ایسے تمام آلات کو غلط قرار

دے دیا جائے گا۔

سی ڈی سی اکاؤنٹ ہولڈرز کے لیے

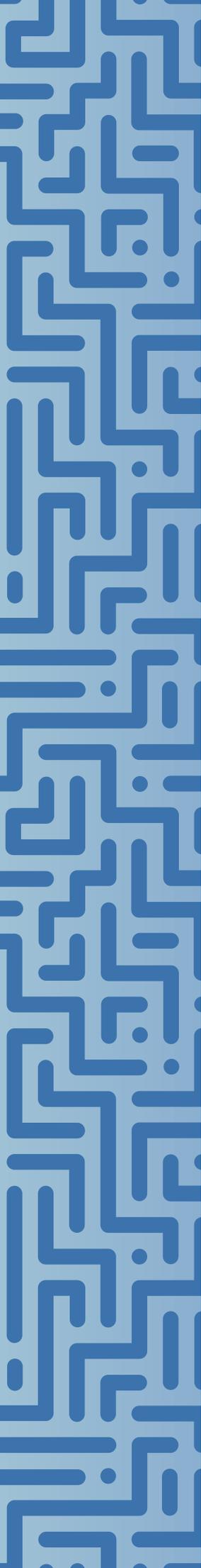
1- پراکسی فارم پر دو افراد گواہی دیں گے جن کے نام، پتے اور CNIC نمبر فارم پر درج کیا جائے گا۔

2- پراکسی فارم کے ساتھ CNIC یا بینیفیشل ماکان اور پراکسی کے اسپورٹ کی تصدیق شدہ کاپیاں پیش کی جائیں گی۔

3- پراکسی مینٹنگ کے وقت اپنا اصل CNIC یا اصل پاسپورٹ پیش کرے گا۔

4- حکومت پاکستان صوبائی حکومت اسٹیٹ بینک آف پاکستان کارپوریٹ داخلے کی صورت میں، بورڈ ڈائریکٹری کی قرارداد پاور آف اٹارنی کا نمونہ دستخط کے ساتھ پراکسی کے ساتھ

بینک کو جمع کرایا جائے گا۔



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24, The Mall, Peshawar Cantt.





**The Bank of Khyber**

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 +92-91-111 265 265

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 [www.bok.com.pk](http://www.bok.com.pk)

     /thebankofkhyber