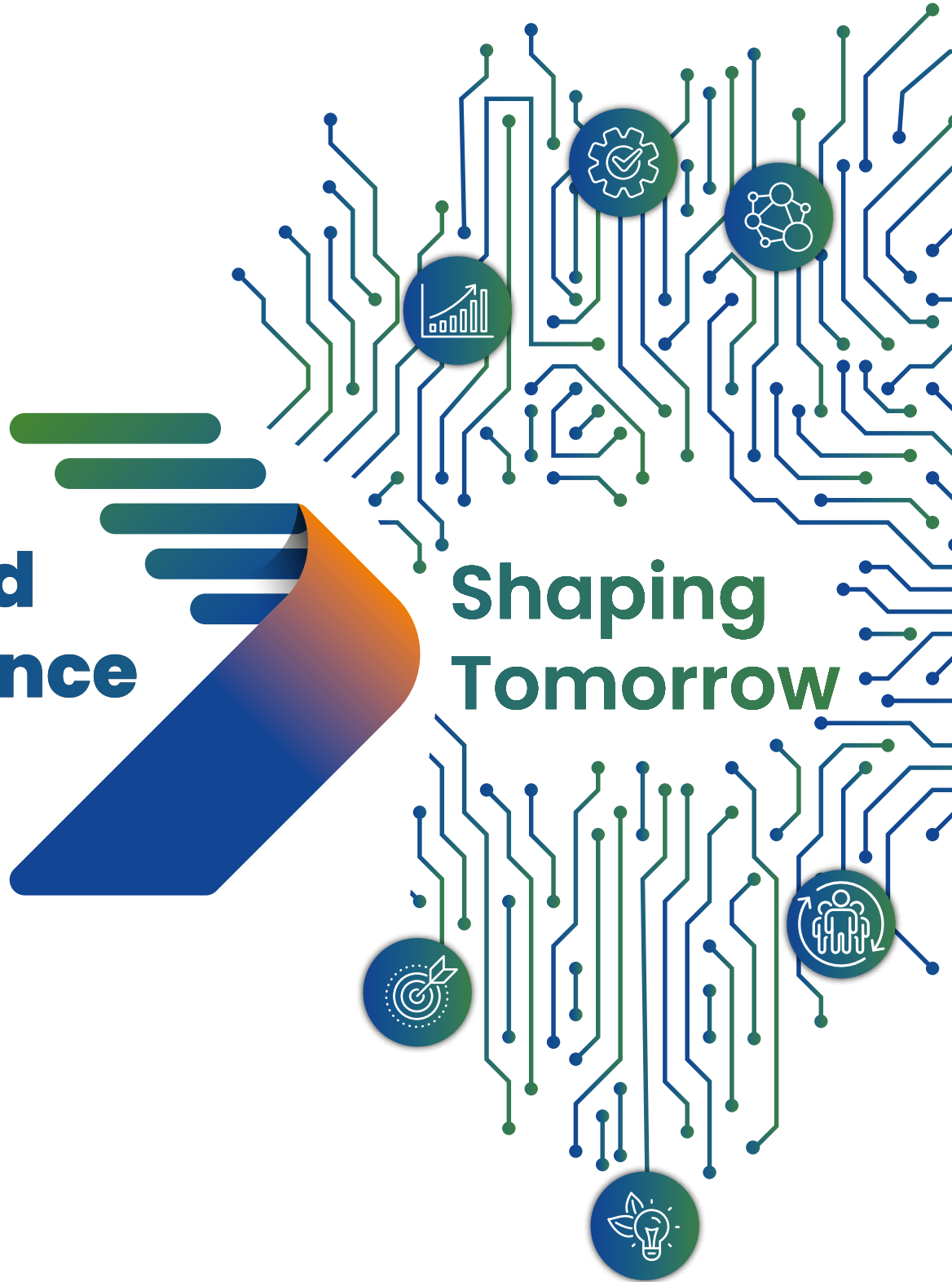


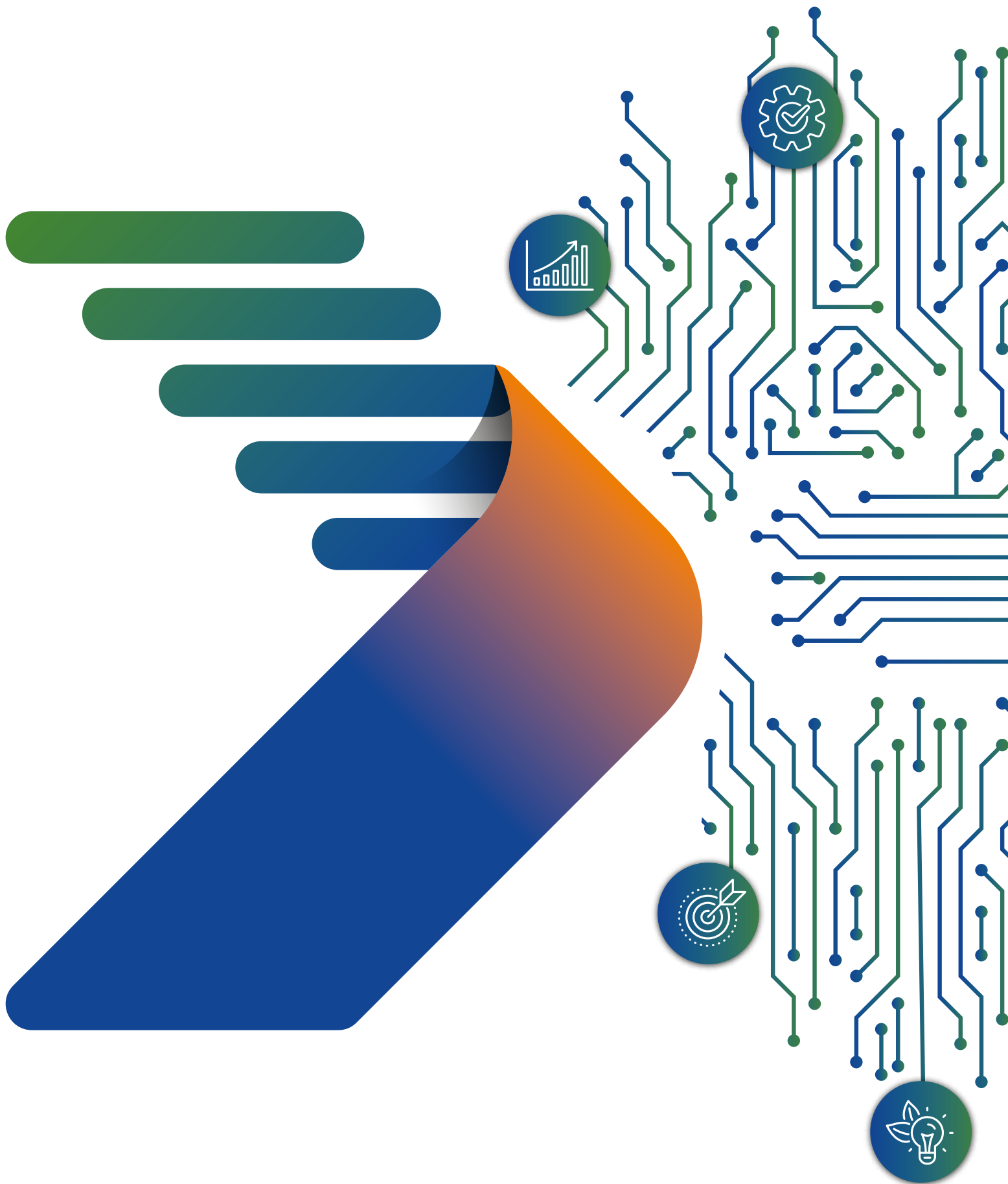


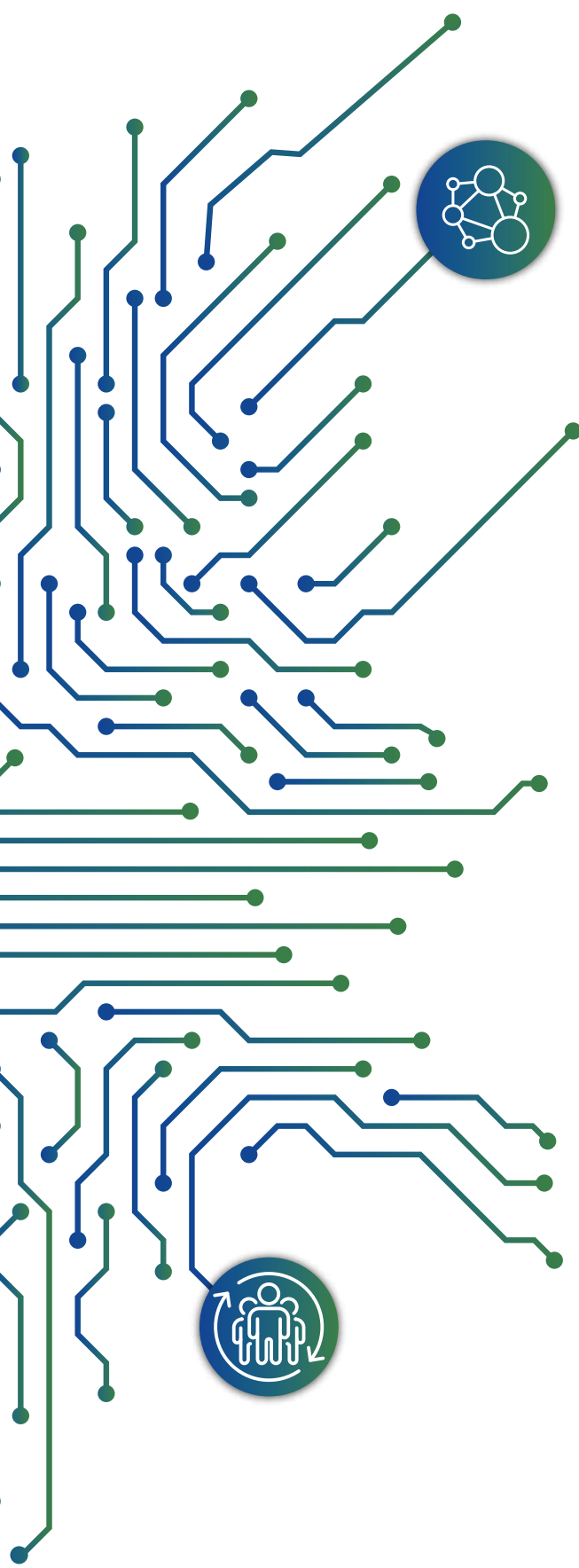
**Beyond
Resilience**

**Shaping
Tomorrow**

2023
ANNUAL REPORT







Beyond Resilience, Shaping Tomorrow

In a year marked by unprecedented growth and resilience, the Bank of Khyber (BoK) reflects on its remarkable journey. Our steadfast commitment to excellence is showcased by a staggering 665% increase in profitability. This transformation isn't just about exceeding expectations; it's about setting new standards and redefining future of the Bank.

Our focus extends beyond financial gains; we embrace change and drive innovation. As we steer towards digitization and revamp our operations, we are not just adapting to the future; we are actively shaping it. Every initiative, every strategy, is geared towards building a stronger, more agile Bank, primed to meet the evolving needs of our customers and the dynamic landscape of the financial industry.

Through our unwavering commitment to excellence and forward-thinking approach, we are securing not only our position in the present but also laying the groundwork for a prosperous tomorrow.

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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 certain disclosures in line with the Best Corporate Report (BCR) Evaluation Criteria 2023 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">• Organizational overview and external environment• Governance• Business model• Strategy and resource allocation• Risks and opportunities• Performance• Outlook• Basis of preparation and presentation
Financial Reporting	Financial Statements

Reporting Period and Dissemination Modes

The Bank's Annual Report covers the period from January 01, 2023 to December 31, 2023 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 this Annual Report.

Key Concepts

There are three fundamental concepts underpinning Integrated Reporting:

- Value creation, preservation or erosion for the Bank and for others.
- Process, through which value is created, preserved or eroded.
- 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.

Capitals

Social & Relationship

Stakeholder relationships, including the communities in which we operate.

Human

Staff competencies, capabilities and experience and their motivations to innovate.

Financial

Pool of funds available to the Bank through Equity, Borrowing, and Deposits.

Natural

Natural resources used and impacted through operations and business activities.

Intellectual

Bank's knowledge-based intangibles including Brand Value.

Manufactured

Physical infrastructure including branch/ATM network and related property and equipment.



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 September, 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, 2023, 123 of its branches function as dedicated Islamic banking branches, whereas 115 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 muscles of the Bank. BoK is one of the three Provincial Public Sector Commercial Banks of the country. For more than 30 years, BoK has played a pivotal role in the development of Khyber Pukhtunkhwa and also participated in overall economic development of the country. The Bank has long been associated with businesses and commercial circles and actively engaged in catering to the financial needs of all sectors. While holding on its rich legacy, BoK has embarked on a transformation journey, with significant strides of innovation.

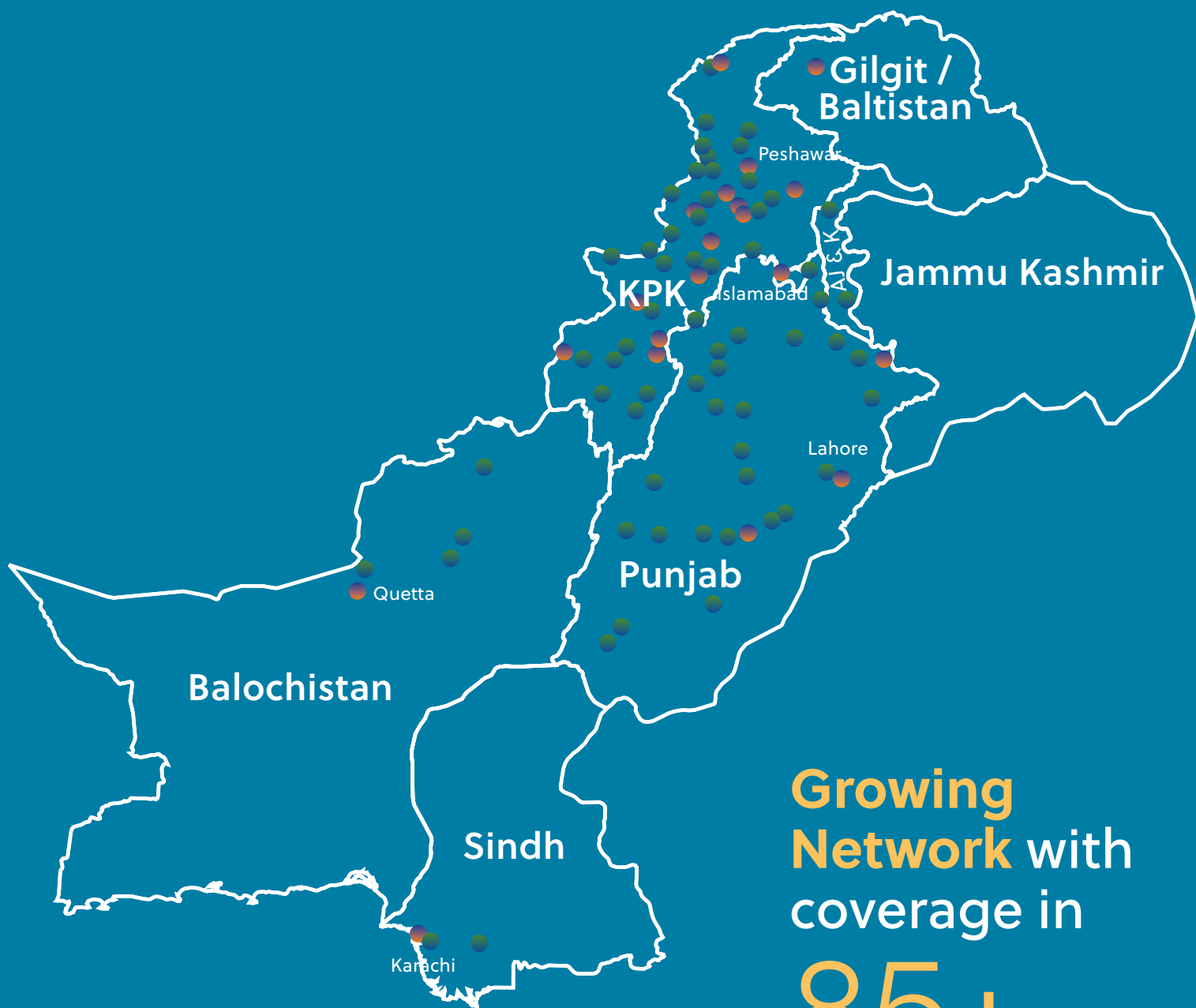
Associate Company

Taurus Securities Limited (30% shareholding)

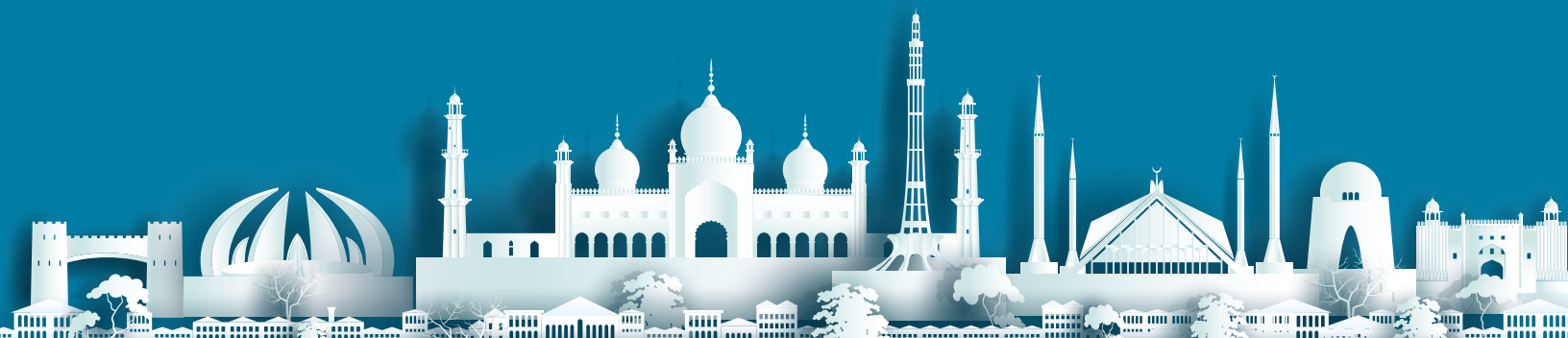
Geographical Presence

Province	Islamic Banking Branches	Conventional Banking Branches	Total Branches
Khyber Pakhtunkhwa (KP)	102	62	164
Punjab	7	30	37
Islamabad Capital Territory (ICT)	6	10	16
Sindh	3	8	11
Baluchistan	5	2	7
Azad Jammu & Kashmir (AJ&K)	-	2	2
Gilgit Baltistan (GB)	-	1	1
Total	123	115	238





**Growing
Network** with
coverage in
85+
Cities/ Towns



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 and utilization of latest Technology
- Risk Mitigation
- Corporate Social Responsibilities





Corporate Information

Board of Directors

Syed Imtiaz Hussain Shah	Chairman / Non-Executive Director
Amer Sultan Tareen	Non-Executive Director
Dr. Aliya Hashmi Khan	Independent Director
Syed Asad Ali Shah	Independent Director
Tahir Jawaid	Independent Director
Abid Sattar	Independent Director
Osman Asghar Khan	Independent Director

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
Amer Sultan Tareen	Member
Abid Sattar	Member
Dr. Aliya Hashmi Khan	Member
Osman Asghar Khan	Member

Board Human Resource & Remuneration Committee

Dr. Aliya Hashmi Khan	Chairperson
Tahir Jawaid	Member
Abid Sattar	Member

Board Risk Management Committee

Abid Sattar	Chairman
Amer Sultan Tareen	Member
Dr. Aliya Hashmi Khan	Member
Muhammad Ali Gulfaraz	Member

*Mr. Muhammad Ali Gulfaraz resigned as Managing Director of the Bank with effect from January 3, 2024 and Mr. Irfan Saleem Awan has been appointed as Managing Director (Acting)

Board I.T Steering Committee

Abid Sattar	Chairman
Tahir Jawaid	Member
Muhammad Ali Gulfaraz	Member
Osman Asghar Khan	Member

Board Compliance Committee

Tahir Jawaid	Chairman
Abid Sattar	Member
Muhammad Ali Gulfaraz	Member

Chief Financial Officer

Irfan Saleem Awan

Company Secretary

Sara Shah

Auditors

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

Chartered Accountants

Legal Advisors

M/s. Mohsin Tayebaly & Co., Karachi

Registered Office / Head Office

The Bank of Khyber

24 – The Mall, Peshawar Cantt.

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

URL: www.bok.com.pk

Registrar and Share Registration Office

THK Associates (Pvt) Ltd.

Plot # 32-C, Jami Commercial Street 2

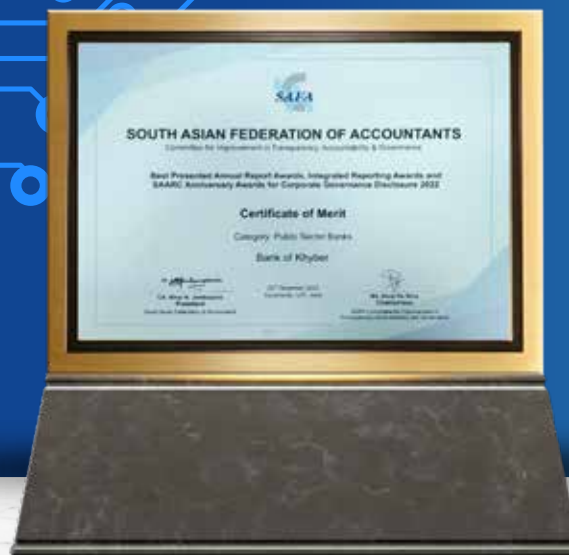
D.H.A, Phase-VII,

Karachi-75500

Awards & Accolades – 2023



Certificate of Merit
(Banking Sector Category) in
Best Corporate Report Award
for the year 2022 by ICAP &
ICMA



Certificate of Merit
(Public Sector Banks Category)
Best Presented Report Award 2022 by
South Asian Federation of Accountants
(SAFA)

Entity Credit Rating

VIS

Long Term

A+

Short Term

A-1

PACRA

Long Term

A+

Short Term

A1

Financial Highlights



Up by
629%

Rs. 6.7 Billion

Profit Before Tax



Up by
665%

Rs. 3.5 Billion

Profit After Tax



Up by
94%

Rs. 14 Billion

Net Mark-up Income



Up by
11%

Rs. 383 Billion

Total Assets



Up by
29%

Rs. 223 Billion

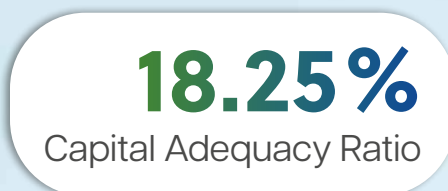
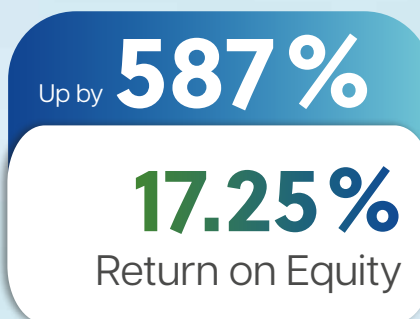
Total Investments



Up by
671%

Rs. 3.16

EPS



Non-Financial Highlights

Manufactured Capital (Network Outreach)

238
Branches

115
Conventional
Banking Branches

123
Islamic Banking
Branches

31
Sub Branches

13
Booths

7
**Digital Touch
Points***

284
ATM's

243
Onsite
ATMs

41
Offsite
ATMs

* Call center, Website, App and 4 Social Media Platforms

Intellectual & Social Capital

Up by

67%

275,025

Total Issued Cards

Up by

103%

66,323

Digital App Users

Up by

221%

2,163,416

No. of Digital Transactions

79,791

New to Bank
Accounts

150,550

Social Media
Followers
(Cumulative)

Up by

380%

Rs 72 Billion

Vol. of Digital Transactions

88%

ATM Uptime

4 Days

Average Turn Around
Time (TAT) for
Complaints Resolutions

93%

Customer
Satisfaction Index

89%

Customer Complaints
Resolutions

Non-Financial Highlights

Human Capital

2,114

Total Staff

2,032

**Average Staff
during the Year**

88:12

**Male to Female
Staff Ratio**

12%

**Staff Turnover
Ratio**

411

**New
Recruitments**

187

**No. of
Promotions**

13,596

**Total Trainings
Days**

19,707

**No of Training
Participants**

Rs. 10.6 Million

**Amount Spent on
Training & Development**

1,566

KPK

216

Punjab

127

Sindh

35

Baluchistan

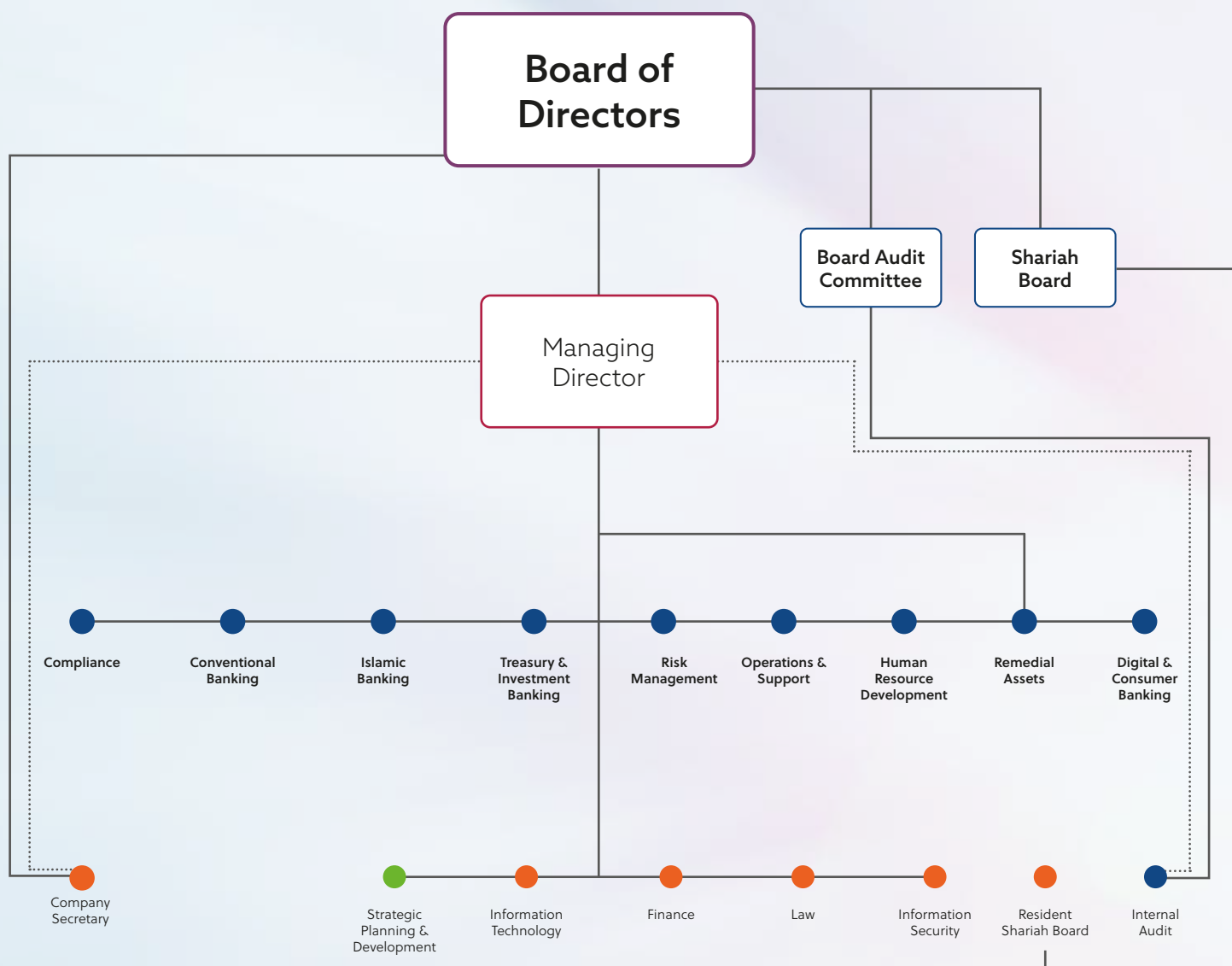
163

**ICT &
AJ&K**

7

GB

Organizational Structure



Indicators



Board of Directors



Syed Imtiaz Hussain Shah

Chairman/ Non - Executive Director

Mr. Syed Imtiaz Hussain Shah is a civil servant of Pakistan administrative service (PAS) group. He has been appointed as Chairman on the board of the Bank by virtue of his position as Additional Chief Secretary, Government of Khyber Pukhtunkhwa.

Mr. Shah is MSc (Agricultural Development Economics), Master in Economics. He has remained on different administrative positions and has also attended various national and international courses.



Amer Sultan Tareen

Non - Executive Director

Mr. Ameer Sultan Tareen is a civil servant of Pakistan administrative service (PAS) group. He has been appointed as Director on the board of the Bank by virtue of his positions as Secretary Finance, Government of Khyber Pukhtunkhwa.

Mr. Ameer Sultan Tareen hold Master degree in Public Policy and has remained on different administrative positions.

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)



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

Board of Directors



Dr. Aliya Hashmi

Independent Director

An illustrious educationist with a proven track record of achievements and performances in the field of education, research, initiatives and implementation. Professor Dr. Aliya has 35 years of rich experience of imparting education and is contributing to research and policy development in the areas of Labour Economics, Human Resource Development and Macroeconomic Policy.

She remained member of different government, non-government organizations and is Chair, National Poverty Estimation Committee, Ministry of Planning, Development and Special Initiatives, Government of Pakistan. She had been awarded with the President's Medal – Mohtarma Fatima Jinnah 2010 in the category of Higher Education.

Professor Dr. Aliya Hashmi Khan holds masters in Economics as well as in Social Sciences from Quaid-i-Azam University, Islamabad and University of Chicago, USA respectively. She received her Ph.D. in Economics from University of Illinois at Chicago, USA.



Abid Sattar

Independent Director

A multi-dimensional professional having experience of over 38 years in corporate and institutional, retail and consumer, operations, compliance and international banking. He started his journey from Chase Manhattan Bank and remained associated with Citibank, Standard Chartered Bank, Habib Bank Ltd. on leading positions whereas spearheaded Askari Bank Ltd. as President & Chief Executive Officer. Mr. Abid Sattar is a gold medalist in Masters in Business Administration and have M. Phil in Economics and Politics of Development from Cambridge University, UK.

* Mr. Shahab Ali Shah was replaced by Mr. Ikramullah Khan on January 10, 2023, Mr. Ikramullah Khan was replaced by Mr. Muhammad Zubair Asghar Qureshi on July 10, 2023 and replaced by Syed Imtiaz Hussain Shah on October 10, 2023.

** Mr. Muhammad Ayaz was replaced by Mr. Amer Sultan Tareen on October 12, 2023.



Osman Asghar Khan

Independent Director

Mr. Osman Asghar Khan is Certified Public Accountant (Massachusetts, USA), Chartered Accountant (Ontario, Canada). He is member of American Institute of Certified Public Accountants, Member of Canadian Institute of Chartered Accountants and Member of Institute of Chartered Accountants of Pakistan.

Being Director Bank of Khyber, he is also Director, Faysal Asset Management, Director, Homechef, Director, Bahria Foundation and Director, Naymat Collateral. He is also Honorary Consul for Ireland. He also remained Director in Karachi Stock Exchange, Pakistan Steel Mills, Cinepax, IBL Unisys.

Mr. Osman Asghar Khan is Managing Director, Afiniti Software Solutions, Karachi. During his professional career, he held key positions in various reputable organizations i.e. Huawei Technologies, SAP Pakistan, Pakistan & Afghanistan EMC Information Systems. CFO, EMEA North & Eastern Europe, Finance Director, EMEA Operations, Financial Controller, EMC Computer System.



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.

*** Subsequent to the year end, Mr. Muhammad Ali Gulfaraz ceased to be the Managing Director of the Bank with effect from January 3, 2024 and Mr. Irfan Saleem Awan has been appointed as Managing Director (Acting).

Management Team



Irfan Saleem Awan
CFO & Managing Director/CEO (Acting)



Ihsan Ullah Ihsan
Senior Executive Vice President -
Remedial Asset Management Group



Syed Furrugh Zaeem
Senior Executive Vice President -
Treasury & Investment Banking Group



Moin Rana
Executive Vice President -
Operations & Support Group



Sher Muhammad
Executive Vice President -
Conventional Banking Group



Khalid Abdul Aziz
Executive Vice President - Chief
Compliance Officer, Compliance Group



Muhammad Asif
Executive Vice President -
Human Resource Development Group



Asim Bashir
Executive Vice President -
Digital And Consumer Banking Group



Mohammad Fawad Saddozai
Executive Vice President - Head,
Remedial Asset Management Division



Muhammad Yaseen Chaudhary
Executive Vice President - Head,
Recovery & Collection Division



Shaikh Mashhood Ur Rehman
Executive Vice President - Chief
Information Officer, Information
Technology Division



Mudassar Iqbal
Executive Vice President - Chief
Internal Auditor, Audit Group



Ali Khan Arbab
Senior Vice President - I
Islamic banking Group (Acting)



Sara Shah
Senior Vice President -
Company Secretary



Asif Naseem
Senior Vice President - Head,
Consumer Finance Division



Shahid Sultan
Senior Vice President - Head, SME
Finance Division



Tariq Masroor
Senior Vice President - Head, Credit
Administration Division



Jawad Tajik
Senior Vice President - Head, Micro
Finance Division



Shabeer Ahmed
Senior Vice President - Head, Branch
Banking Operations Division



Rahat Gul
Senior Vice President,
Head Taxation



Muhammad Ali
Senior Vice President - I
Head, General Services Division



Imran Shahzad
Senior Vice President -
Head, HR Resourcing Division



Muhammad Ali Shahbaz
Senior Vice President - I -
Head, Automation Division



Zarak Khan
Senior Vice President - I - Head, Liability
& Business Development Division



Asad Mehmood Siddiqi
Senior Vice President - I -
Head, Digital Banking Division



Muhammad Salahuddin Arif
Senior Vice President - I -
Head, Branch Audit Division



Abdul Aleem Khan
Senior Vice President - I -
Head, Shariah Compliance Division



Syed Asadullah Kakakhel
Senior Vice President - I -
Head, SAAF Division



Jawad Hassan Khan
Senior Vice President - Head, Alternate
Delivery Channels Division



Muhammad Maqbool
Acting Head, Law Division



Fauziah Mehmood
Vice President -
Head, Marketing Division



Muhammad Imran Yaqub
Vice President - Head, Agriculture
Finance Division



Muhammad Sufyan Zaibi
Vice President - Head, Business Risk
Review & Audit Compliance Division



Arbab Irfanullah
Vice President -
Head Islamic SME Assets



Asim Hayat
Vice President - Head, Islamic Asset
Corporate Division



Muhammad Sameer
Vice President - Head, Centralized
Liability Operation Division



Abid Shah
Vice President - Chief Risk Officer
(Acting), Risk Management Group



Manzar Habib
Vice President - I - Head, Information
Security Division/ Chief Information
Security Officer



Muhammad Jawad Zia
Vice President - I - Head, HR Admin &
Management Division



Irfan Nisar
Vice President - I - Head, Islamic Asset
Consumer Division



Abid Hussain
Vice President - I -
Head, Policy Procedure & FRM Division



Allah Bakhsh
Vice President - I -
Head, Procurement Division



Basharat Khan
Vice President - I -
Head Compliance Division



Imran Khan
Vice President - I - Head, Management
& IT Audit Division



Zahid Jamal
Assistant Vice President - Head,
Training & Development Division
(Acting)

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	Grievance Handling Committee
9	Expenses Approval Committee
10	Staff Expenses Approval Committee
11	NPL Review & Settlement Committee
11.1	Sub 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
18	Women Harassment Committee





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).

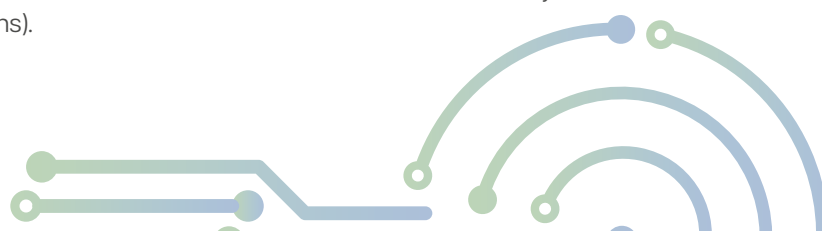
BoK Special Deposit Account

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 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



Products & Services

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 reflects 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 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).

Products & Services

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

Personal Banking Deposit Accounts Current Account

Deposits in current accounts are accepted on Qard-e-Hasana basis and paying of the Deposits of Current Account is guaranteed. The deposit received in Current Accounts are not used in any interest-based banking activity. No profit is calculated on Current Accounts. The following are the products being offer in Current category are

- 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 Musharaka (Profit and Loss Sharing basis) strictly in conformity with the principles of Islamic Shariah. The deposits received in Saving Accounts are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharaka or Islamic Sukuks etc. which are duly approved by Shariah Board. The profit is calculated on daily balances maintained in the

account and paid to account holders on monthly basis.

The following are the product being offered in 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

Riba Free Certificates/ Special Certificates

Deposit is accepted for a fixed period on Musharaka (Profit and Loss Sharing basis) strictly in conformity with the principles of Islamic Shariah. The deposits accepted from the customer are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharaka or Islamic Sukuks etc which are duly approved by Shariah Board. The profit is paid to customer on agreed selected period. The following are investment certificates

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

Riba Free Special Deposits/Daily Products

BoK-IBG also offer a various special investment pool for their customers. Deposit is accepted on Musharaka (Profit and Loss Sharing basis) strictly in conformity with the principles of Islamic Shariah. The deposits accepted from the customer are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharaka or Islamic.

Consumer Financing

The BoK-IBG offers several products to cater the needs of their customer under the Shariah Compliant products

- Raast Consumer Murabaha
- Raast Car Diminishing Musharakah
- Raast Car Ijarah
- Raast Home Musharakah
- Raast Roshan Ghar
- Mera Pakistan Mera Ghar (low Cost Housing Finance Scheme)

Products & Services

SME's/Corporate Banking

Short Term Financing

The Bank of Khyber offers a wide range of Shariah compliant products and services to cater the business/customer needs of Working Capital requirement. Following are the suitable financing products to meet your business demand:

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 actually 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 generate 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:

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.

SME's/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 Guarantee (LG)
- Islamic Export Refinance Scheme
- Export bills for collection under wakala



Products & Services




Bank of Khyber

EMPOWER YOURSELF WITH
**BOK STUDENT
POWER
ACCOUNT**

**بینک آف خیبر راست اسلامی
اور ایز انٹرنیشنل**

کے اشتراک سے اب تمام اشیاء حاصل کریں
12، 24 اور 36 ماہ کی آسان اقساط پر
شرعی اصولوں کے عین مطابق



50 سے زائد برائڈ اور سے 5000 زائد برائڈ کٹس
SHOP NOW - WWW.AYSOLINE.PK

Bank of Khyber **ایس اے**

#BankOfKhyber www.bok.com.pk



**Easy collateral-free
finance for SMEs**

EK I-SAAF
RAAST SME ASAAN ISLAMIC FINANCE



FINANCING UP TO
Rs.10 Million

When business thrives, prosperity grows.

Only Personal Guarantee of Customer

Profit rate of 9% (fixed)

Swift Processing

کاروبار سہولت
Karobaar Sahulat Account

Free Facilities Offered:

- Unlimited deposit and withdrawal options.
- Freedom to manage deposits, withdrawals, and online transactions without limits.
- Complimentary personalized chequebook.
- Free issuance and annual/renewal fees are waived for ATM/Debit Cards.
- Account statements are provided at no cost.
- Access our convenient free mobile app.
- Endless free online transactions.
- Boundless crossed Banker's Cheques, Pay Orders, and Demand Drafts.
- Stay informed with unlimited free SMS alerts.

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Easy collateral-free finance for SMEs

EX SAAF
ASAAN FINANCE

FINANCING UP TO Rs.10 Million
Term Loan & Running Finance

Only Personal Guarantee of Borrower
Low markup rate of 8% (fixed)
Swift Disbursal

When business thrives, prosperity grows.

This scheme is available at our Retail & SME Banking Branches in compliance with Shariah laws as per SAAF.

EX

QUALITY LIVING MADE POSSIBLE
RAAST HOME MUSHARAKAH

- Suitable for Purchase, Construction, Renovation & RTF of residential houses.
- Rental/Profit Rate will be 14 Year ARBOR.
- Minimum Spread 2.0 %
- Tenure 25 to 29 years
- For Construction of House 80-90
- For Improvement/Renovation 55 to 65

- The mode of payment will be postdated cheques.
- Age: 22 to 58 years
- Eligible Person: Salaried from Govt., Public/Private sector, Multinationals, listed companies, recognized hospitals & Educational institutions, MTI KPK contractual doctors, and Public Sector University Professors.

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EX

FINANCES SIMPLIFIED LIFE AMPLIFIED
RAAST CONSUMER MURABAHA

- Age should be between 22 to 58 years.
- The employment period should be 1 year or more in a permanent cadre.
- The minimum income required is Rs. 15,000/-
- Products offered:
- Raast Honda Motorcycle Facility
- Raast Solar System for Residential House.
- The tenure of financing is 1 to 4 years.
- The maximum amount financed is Rs. 2.00 Million.
- The mode of payment will be postdated cheques.
- Salaried from Govt., Public/Private sectors, MTI KPK contractual doctors, and Public Sector University Professors. Security will be as per the Bank's policy.

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EX

INVEST YOUR DOLLARS WITH US

Open a dollar account & get profits within 1-3 months.

1 MONTH	3 MONTHS
USD 100 & above	USD 500 & above
7.25%	8.00%

- Low minimum balance
- Quick & easy process
- Free banking services
- Big savings in short span

Find out more by calling us at 091 111 265 265 or by visiting your nearest Bok branch.

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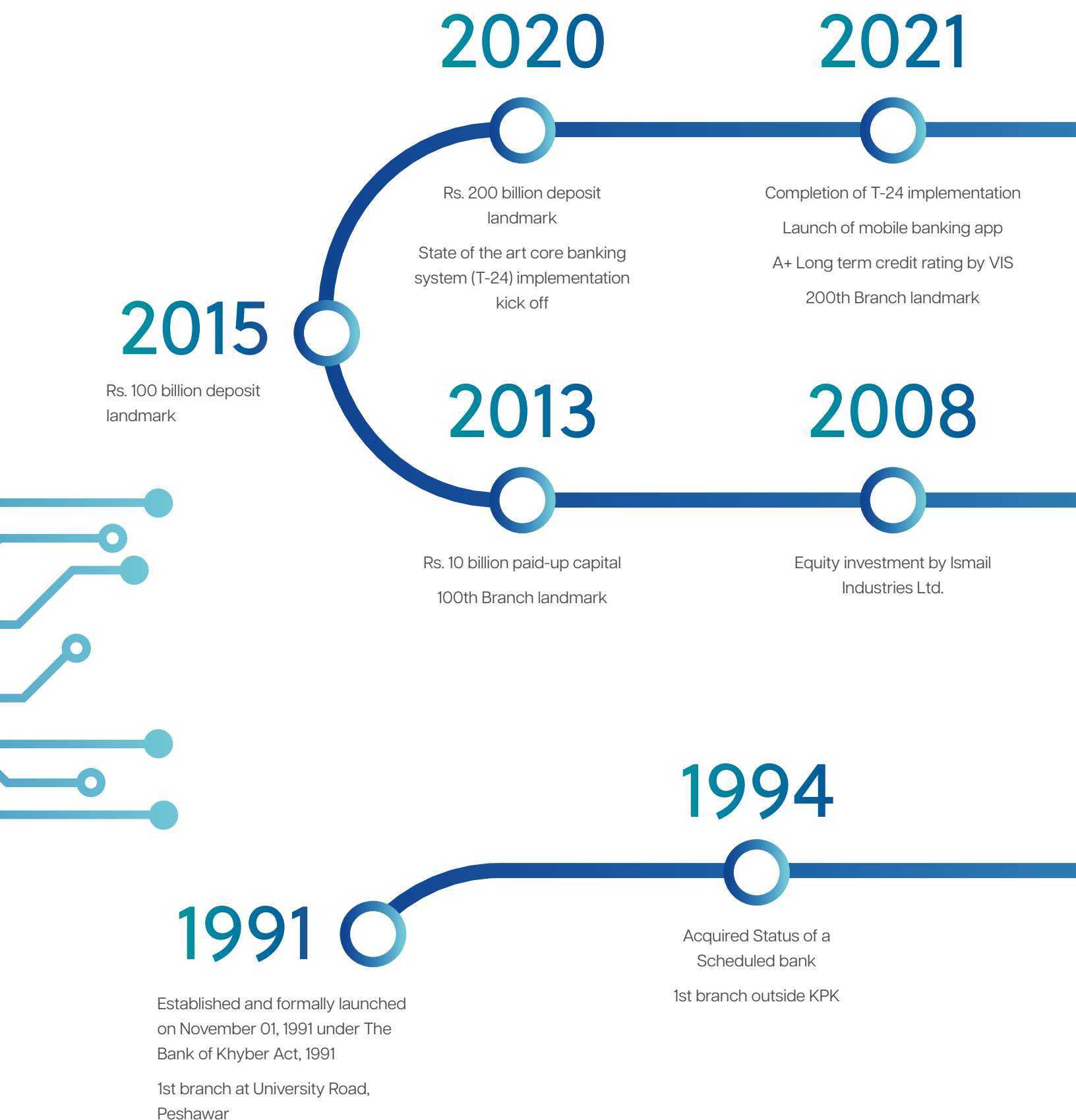
EX

#BankOfKhyber

OPEN YOUR BoK Digital ACCOUNT
using your Anywhere

BoK Digital

Our Journey





2022

A+ Long term credit rating by
PACRA

Inauguration of new Head Office
building

2023

Highest ever profit achieved

2006

Listing on Stock Exchange

2003

Started Islamic banking
operations

1st Islamic banking branch

1997

Equity investment by DEG
(German institution)

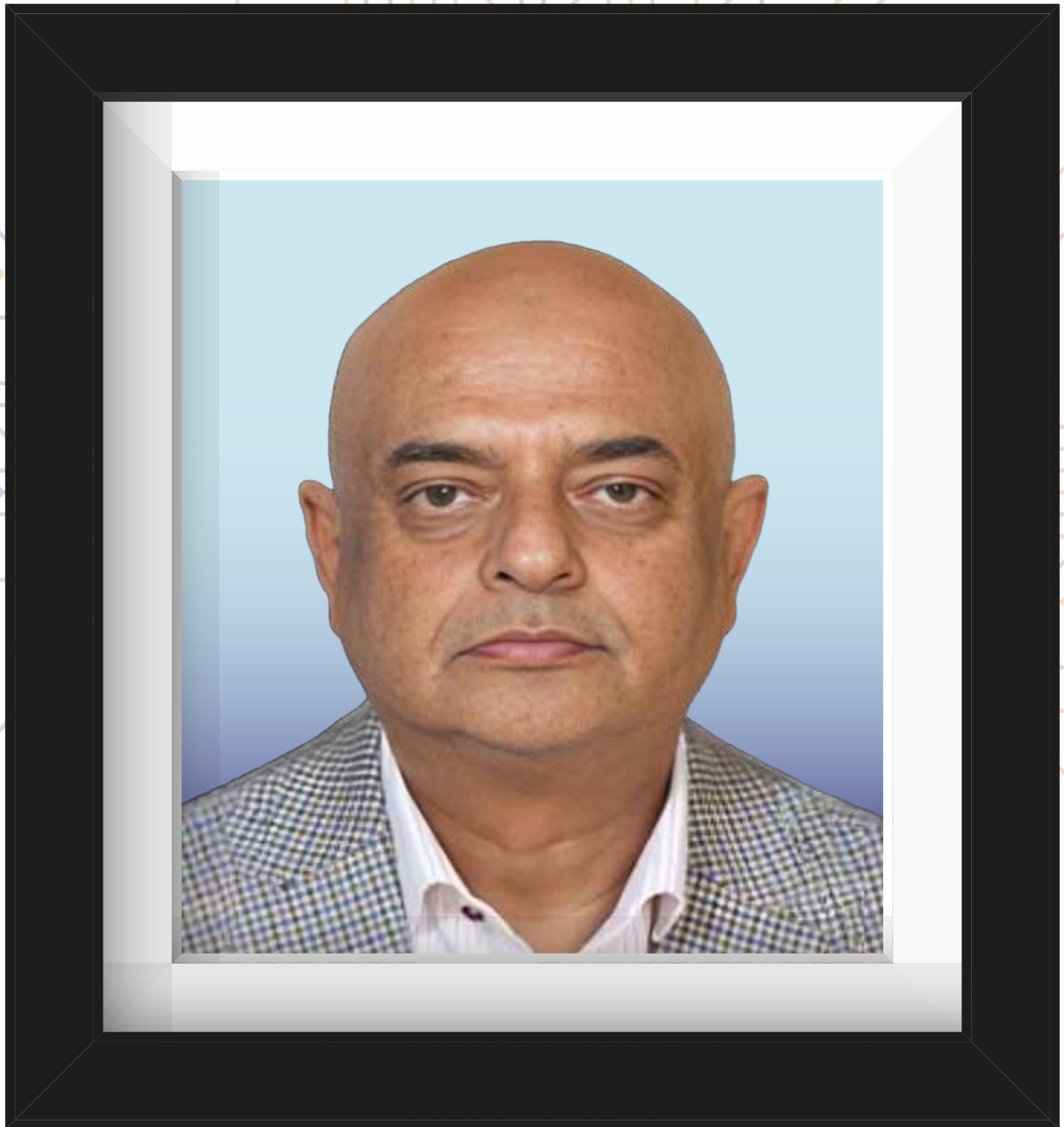
2001

Membership of SWIFT
(Society for worldwide
Interbank Financial
Communication)

Year at a Glance







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, 2023.

The year 2023 was marked by global economic challenges, including slow growth, inflationary pressures, and geopolitical tensions. In Pakistan, the economic landscape was further complicated by political uncertainty, tight monetary policies, and elevated inflation rates, exacerbated by global economic conditions.

Despite these challenges, the Bank of Khyber remained steadfast in its commitment to delivering innovative and value-added financial products and services in both Conventional and Islamic banking sectors. Our focus remained on enhancing digital banking capabilities, empowering customers to conduct banking transactions conveniently through mobile and online platforms.

Furthermore, the Bank continued its efforts towards fulfilling its social responsibility by supporting various initiatives aimed at promoting sports, youth development, and aiding underprivileged segments of society. Our Squash Talent Hunt Program, designed to identify and nurture young squash players, has been instrumental in providing coaching, dietary support, and sponsorships for tournaments. Additionally, we have extended our support to a promising young tennis player, facilitating his participation in tournaments.

As Directors, we recognize the significance of sound governance in ensuring the efficient operation of the Bank. We are committed to upholding ethical and professional standards, adhering to applicable laws and regulations, and providing effective oversight to management.

To this end, the Board has established subcommittees to oversee key areas such as risk management, audit, information technology, and human resources. These committees play a crucial role in aligning the Bank's strategic objectives with operational practices, thereby enhancing transparency and accountability.

Looking ahead, despite the prevailing challenges, we remain steadfast in our commitment to achieving new milestones and serving our customers with excellence. We will continue to prioritize customer needs, innovate our products and services, and strive for operational excellence.


I extend my sincere gratitude to our customers and shareholders for their trust and support, to the State Bank and regulatory authorities for their guidance, and to our dedicated employees for their hard work and dedication.

On behalf of the Board of Directors, we look forward to a promising future filled with growth and prosperity.



Syed Imtiaz Hussain Shah
Chairman

Peshawar: March 7, 2024

A man with a beard and glasses, wearing a dark suit, white shirt, and blue patterned tie, stands in front of a dark wooden shelf. The shelf is filled with various awards and plaques. On the left, there is a gold plaque with a house icon and the word 'Shama'. In the center, there is a circular gold plaque with a landscape scene. To the right, there is a silver plaque with a circular logo and the word 'Premium'. The background is dark, and the lighting is focused on the man.

We are pleased to announce record-breaking profits, with our profit after tax reaching an impressive PKR 3.48 billion, reflecting a remarkable growth of 665% compared to the previous year.

CEO's Review

Dear Stakeholders,

It is with great pleasure that I present to you an overview of the Bank of Khyber's performance for the financial year ended December 31, 2023.

In 2023, our institution experienced substantial growth and notable achievements. We are pleased to announce record-breaking profits, with our profit after tax reaching an impressive PKR 3.48 billion, reflecting a remarkable growth of 665% compared to the previous year. This outstanding performance translates into earnings per share of PKR 3.16, representing a significant leap from PKR 0.41 in 2022.

One of the key drivers of our success has been the substantial increase in net mark-up income, which surged to PKR 13.89 billion, along with a commendable rise in non-markup income to PKR 2.11 billion. Non-markup expenses, increased to PKR 8.59 billion due to expanded business operations and inflationary impacts. Despite challenging economic conditions, we have managed to maintain our financial strength and resilience.

Furthermore, our strong financial performance is reinforced by the substantial growth in total deposits, amounting to PKR 289.29 billion by the end of year. Moreover, our overall asset base surged to PKR 383.19 billion as of December 31, 2023, affirming the stability and resilience of our institution.

Throughout the year, the Bank undertook several strategic initiatives to enhance its services and operations. Moreover, some of the noticeable achievements during the year include:

- **Recognition for excellence:** We are proud recipients of the Certificate of Merit for our FY 2022 annual report at the ICAP&ICMA awards and the SAFA awards.
- **Customer-centric enhancements:** We have streamlined our debit card production process in-house, significantly reducing processing times. Moreover, improvements to our mobile app and the introduction of WhatsApp banking services aim to elevate customer convenience. The establishment of an in-house call center has further improved service quality standards.

I would like to extend my sincere appreciation to the dedicated employees of the Bank whose hard work and commitment have been instrumental in achieving these outstanding results. Their dedication will continue to drive our Bank towards even greater success in the future, InshaAllah.

Lastly, I would like to express my gratitude to our esteemed Board of Directors, shareholders, regulatory bodies, SBP, SECP, valued customers, and all our business partners for their unwavering support, guidance, and trust.

Thank you,



Irfan Saleem Awan
Managing Director (Acting)



Directors' Report

On behalf of the Board of Directors, we are pleased to present the 33rd Annual Report of the Bank of Khyber for the financial year ended December 31, 2023.

Financial Highlights

The operating results, of the Bank as approved by the Board, are as under:

	(Rs. in million)
Operating Profit	7,407
Provisions against non-performing advances, Investments & others	705
Profit before taxation	6,702
Taxation	3,221
Profit after tax	3,481
Total assets	383,186
Advances (Gross)	109,703
Investments (Net)	223,348
Deposits	289,292

The Board has considered and recommended cash dividend at Rs. 1.5 per share i.e. 15% and Bonus Shares in the proportion of 05 ordinary share(s) for every 100 ordinary shares held i.e. 5% for the financial year ended December 31, 2023.

Economic Review

During the year domestic economy faced severe challenges coupled with 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 the IMF for release of the next tranche resulted in major uncertainty about Pakistan's ability to meet its foreign financial obligations.

Apart from the above, the year 2023 remained volatile for the country, with persistent inflationary pressures, driven by factors such as rising food and energy prices, currency depreciation, supply chain disruption, and structural inefficiencies, High inflation eroded purchasing

power, particularly low-income households. The economy has struggled with a fiscal deficit where government expenditures exceeded revenue which led to reliance on borrowing, both domestically and externally contributing to growing debt levels.

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.

Performance Review

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

The Bank in these hard times has managed to demonstrate healthy financial performance however, the fragile economic conditions, and subdued business activities resulted in impaired repayment capacity of certain businesses and obligors which in turn, deteriorated the infection ratio. In order to control the portfolio infection, management has put in place strong risk management policies and procedures and making strenuous recovery efforts against NPLs.

The Bank's profit before tax was recorded at Rs. 6,702 million against Rs. 920 million in the previous year thereby registered significant growth of 629%. Profit after tax for the same year stood at Rs. 3,481 million against Rs. 455 million last year which translates into earnings per share of Rs. 3.16 against Rs. 0.41 in 2022.

With a sizeable increase, the net mark-up / interest income during FY-2023 stood at Rs. 13,893 million as compared to Rs. 7,149 million in the corresponding year. Non-markup / interest income increased due to increase

Directors' Report

in foreign exchange income and stood at Rs. 2,109 million as compared to Rs. 1,385 million in the previous year.

At the year-end, total deposits stood at Rs. 289,292 million in comparison with Rs. 248,906 million as of December 31, 2022. Investments have been re-profiled and stood at Rs. 223,348 million as compared to Rs. 173,669 million as of December 31, 2022.

The asset base of the Bank increased as compared to the previous year amount of Rs. 344,984 million and stood at Rs. 383,186 million as of December 31, 2023.

Taking cognizance of the fact that the outreach of the 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 the diverse range of clientele, the Bank has also taken concrete measures through the 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 the Bank's philosophy would remain on improving service quality standards and providing state-of-

the-art banking services through leveraging technology and trained human resources. Efforts are also underway to target new market segments and to improve efficiency and productivity in the 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.

Furthermore, emphasis will be placed on increasing advances in all segments of the economy with a special focus on salary loans to public sector employees, SME and agriculture sector to improve the Bank's ADR and profitability.

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

The Bank is giving special attention to the Home Remittance business through broadening of the product suite and utilization of bank's digital banking platform.

On the asset side, the Bank intends to diversify its financing portfolio by focusing on lending to the good quality private sector for fresh loans with the 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, and increasing penetration in cash management services. 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. 13 branches have successfully been converted to solar energy whereas more branches will be considered for conversion.

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 extending interest free micro loans residents of newly merged districts of KP, SAAF scheme and PM Youth finance scheme.

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 Batch Trainee Officers (BTOs) 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 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 the 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 Committee (MRC) 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 updating the 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 that has been put in place for reporting of Operational Risk. ERMD conducts Risk Control Self-Assessment (RCSA) workshops which assess documented process flows of various banking transactions taking place in day-to-day functioning of the Bank for inherent and residual risks. An Automated solution/software for Operational loss incident reporting is in place and can be accessed by every employee of the Bank for reporting of control breaches leading to losses. Operational Loss Data also helps the Bank in taking corrective measures for various control lapses identified in it. Due to ever increasing importance of environmental hazards and their related impact on the overall ecosystem, the environmental risk management desk is working to minimize 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,

Directors' Report

categorization of environmental risks of different industries, environmental due diligence checklists and environmental risk covenants.

The Bank continues to closely monitor market developments – especially the 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 to ensure 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 eight (8) Directors as per the following:

- i. Male: Seven (7)
- ii. Female: One (1)

During the year major changes took place i.e. Mir Javed Hashmat, independent director, tendered his resignation, which was accepted on November 27, 2023. Subsequent to the year end, Mr. Muhammad Shahid

Sadiq has been appointed as a director on March 4, 2024.

Nominated by GoKP under section 11 of the Bank of Khyber (Amendment) Act, 2022, having requisite background in the banking and finance, as independent director, until a director is nominated by a foreign or local institution, by virtue of their shares in the Bank. Mr. Osman Asghar Khan joined the Board on July 3, 2023, after getting clearance from SBP as an independent director.

Mr. Shahab Ali Shah was replaced by Mr. Ikramullah Khan on January 10, 2023, Mr. Ikramullah Khan was replaced by Mr. Muhammad Zubair Asghar Qureshi on July 10, 2023 and replaced by Syed Imtiaz Hussain Shah on October 10, 2023.

Mr. Muhammad Ayaz was replaced by Mr. Amer Sultan Tareen on October 12, 2023.



Subsequent to the year end, Mr. Muhammad Ali Gulfaraz ceased to be the Managing Director of the Bank with effect from January 3, 2024 and Mr. Irfan Saleem Awan has been appointed as Managing Director (Acting).

Directors' attendance of meetings in 2023

Name of director	BOD	BAC	HR	IT	BCC	RMC	Total
Syed Imtiaz Hussain Shah	5	-	-	-	-	-	5
Muhammad Zubair Asghar Qureshi	3	-	-	-	-	-	3
Ikramullah Khan	2	-	-	-	-	-	2
Mr.Amer Sultan Tareen	5	2	-	-	-	2	9
Muhammad Ayaz	5	6	2	-	-	3	16
Mr.Tahir Jawaaid	10	-	8	1	4	-	23
Syed Asad Ali Shah	10	9	-	-	1	-	20
Mir Javed Hashmat	8	3	-	-	1	5	17
Abid Sattar	10	7	6	1	3	6	33
Dr.Aliya Hashmi	10	7	8	-	-	6	31
Osman Asghar Khan	7	1	-	-	-	-	8

Directors' Training Program

During the year 2023, Mr. Muhammad Ali Gulfaraz and Dr. Aliya Hashmi Khan had attended Director's Training Program of the Pakistan Institute of Corporate Governance (PICG). It is to be noted that Syed Imtiaz Hussain Shah, Mr. Tahir Javed, Mir Javed Hashmat and Mr. Abid Sattar have already completed Director's Training Program. Furthermore, Mr. Osman Asghar Khan is also a certified Director from Institute of Chartered Accountants Pakistan (ICAP).

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 the performance

of overall Board, its committees and individual directors on yearly basis whereas the same shall be undertaken by an external independent evaluator once in three years. PICG was engaged to conduct the Board Evaluation for the year 2021. Subsequently Board Evaluation exercise for the year 2022 and 2023 could not be conducted as the composition of the Board had changed. The performance Evaluation for the year 2024 would be carried by PICG.

Directors' Remuneration

Current Directors' remuneration stands at Rs.200,000/- with remuneration of the Chairman at Rs. 250,000/- (net of taxes) paid to non-executive and independent directors on account of attending meetings of the Board / Board Committees / Board Special Committees. Board of Directors had recommended in its 182nd meeting for post-facto approval of the shareholders in the forthcoming Thirty third Annual General Meeting scheduled to be held on March 29, 2024

Directors' Report

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 32nd Annual General Meeting.

Entity Rating

VIS Credit Rating Company Limited (VIS) has maintained the medium to long term entity rating of the Bank at 'A+' (Single A Plus) and short-term rating at 'A1' (Single A One). The medium to long-term rating of 'A+' denotes good credit quality, with adequate protection factors. Outlook on the assigned rating is 'Stable'

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

Corporate Social Responsibility

At the Bank of Khyber, we persistently uphold our commitment to social responsibility, exemplified by our efforts to actively contribute to the betterment of the community and broader society. Recognizing that our business activities extend beyond mere financial profit, we acknowledge our obligation to exert a positive influence on society.

Consequently, our Corporate Social Responsibility (CSR) initiatives are prioritized, reflecting our dedication to fostering a harmonious, collaborative, and equitable society. Through these initiatives, we strive to create a positive and lasting influence, fostering an environment where collaboration and mutual respect flourish for the betterment of all. In the year 2023, the bank undertook several Corporate Social Responsibility (CSR) initiatives covering a wide range of sectors, including education, sports, culture & heritage, tourism, women's empowerment, and environmental conservation. These CSR endeavors reflect our commitment to contributing to societal progress, and we are pleased to highlight some of the noteworthy initiatives we engaged in during this time.

- Supported Khalifa Gul Nawaz Medical Teaching Institute Bannu in promoting Sehat Sahulat Program.
- Backed UET Peshawar's Mechatronics Engineering Department for hosting the 5th IEE Conference on Robotics and Automation.
- Celebrated working women's achievements with Bint e Hawa Awards on International Women's Day.
- Organized a talent scouting program with Peshawar Zalmi to nurture young cricketing talents.
- Sponsored Khyber Medical University Sports Gala to promote campus culture and physical activity.

- Assisted Peshawar Development Authority in beautifying Hayatabad Town through plantation drives and wall painting.
- Collaborated with Pakistan Army to sponsor "Mohmand-Bajaur Peace Cycle Race" attracting cyclists nationwide.
- Hosted BoK Abasin Awards 2023 in collaboration with Abasin Art Council, celebrating regional creativity.
- Supported Shaheed Benazir Bhutto Women University in organizing a women's conference focused on empowerment.
- Provided commercial bins for Clean & Green Peshawar initiative in collaboration with WSSP.
- Distributed merit-based awards to students from class 5th to 10th at Peshawar Press Club.

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 2023, we placed considerable emphasis



on promoting important social media campaigns for various international events, including World Wetlands Day, Global Recycling Day, International Day of forests, World Water Day, Solar Appreciation Day, Earth Day, World Biodiversity Day, World Environment Day, World Nature Conservation Day, Zero Emissions Day, Wildlife Conservation 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.

Green Banking Initiatives


In a bid to reduce its carbon footprint, the Bank has introduced

solar power systems across its branches and ATMs. Thirteen branches have been completely converted to run solely on renewable energy, particularly solar power. Moreover, the Bank has successfully shifted its branches and Head Office from manual to digital operations by adopting a core banking system. Additionally, the Bank of Khyber has rolled out digital and internet banking services, enabling customers to conveniently conduct fund transfers and utility payments. Recently, the Head Office has relocated to a new building equipped with a centralized cooling and heating system, along with energy-efficient LED lighting, aimed at optimizing energy consumption and preservation. Furthermore, the Bank has instituted stringent energy conservation guidelines for the Head Office, emphasizing efficient usage of lighting and electronic devices. It also encourages its staff

to reduce paper usage by fostering a paperless environment.

Responsible/Green Financing

We are committed to promote innovative and environment friendly financing solutions as part of its ongoing efforts. The Bank's modified customer business models and innovative financing solutions are proving to be attractive to retail, small, medium, and corporate market players alike. Notably, the Bank has also provided financing facilities under renewable energy to various Corporate & SME borrowers. This financing support is part of the Bank's efforts to change their business models and shift their reliance from fossil fuel-based generators to solar-powered, clean, and renewable energy systems. We provide environmental friendly customized solutions to meet the



specific requirements of our customer business models. Some of the financing solutions we offer include:

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

As we progress, our dedication to our Corporate Social Responsibility (CSR) endeavors remains unwavering, with a keen anticipation of fostering constructive change within society. At BoK, we understand that the success of our business is linked with the success of the community we serve.

Consequently, we pledge to persistently prioritize our CSR initiatives in the future, as we endeavor to play our part in shaping a brighter and more inclusive future for all.

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, 2023 are Rs.2,239 million and Rs.622 million respectively.

Pattern of Shareholding

The pattern and category of shareholding as at December 31, 2023 is annexed with the Annual Report.



Directors' Report

Six years operating and financial highlights

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

	2018	2019	2020	2021	2022	2023
Deposits	171,168	182,168	203,072	221,876	248,906	289,292
Advances (net)	95,012	109,742	129,063	124,549	127,515	101,588
Investments (net)	94,233	146,911	113,479	184,399	173,669	223,348
Total Assets	223,095	306,305	288,300	358,606	344,984	383,186
Capital & Reserves	13,809	14,982	16,605	16,219	16,657	20,177
Profit before Tax	707	2,261	3,806	1,680	920	6,702
Profit after Tax	466	1,306	2,152	1,104	455	3,481
Return on Equity	3.24%	9.07%	13.62%	6.72%	2.77%	18.90%

Earnings Per Share

Earnings per share for the year 2023 is Rs. 3.16.

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, 2024.

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.

MRTs & MRCs and their Remuneration Structure

The list of Material Risk Takers (MRTs), Material Risk Controllers (MRCs) is periodically and regularly reviewed and decided by BHR&RC. The list includes all the positions reporting of CEO and other positions who have been assigned a level of authority to take decisions. Each MRT & MRC has defined hierarchical structure and functional organogram. The Compensation Structure of MRTs & MRCs is periodically reviewed and recommended by BHR&RC to Board of Directors for approval. This structure aims to ensure an appropriate balance between variable and non-variable components of the remuneration, considering the positions appetite for risk taking and risk controlling nature, impact of the role on the business and level

of responsibilities assigned by the Management/Board. Magnitude of the remuneration also depends on the performance of the MRTs/MRCs against financial and non-financial performance objectives and KPIs. The fixed portion of the remuneration of MRTs/MRCs is similar to the structure for other employee of the Bank having Basic salary, increment based on Performance rating and other allowances, and grade wise perks and privileges. The Structure of remuneration of MRTs/MRCs for variable pay is slightly different from other employee that it majorly depends on bank's overall performance and achievement of assigned KPIs. Moreover, levels of MRTs & MRCs are also defined to fix the responsibilities and accountability. In addition, the structure has sufficient risk adjustment framework to safeguard the bank from taking unnecessary risk through bonus deferment and

malus of provision policy. The individual reward of MRTs and MRCs can be triggered upward and downward based on its achievement level, impact of risk exposure, Customer Service delivery and level of internal and external compliances. The performance of the Tier-1 MRTs/MRCs (Key positions) is assessed by BHR&RC/ Board of Directors, and variable remuneration for all MRTs/MRCs is approved by the Board of Directors on recommendation of BHR&RC. HRDG mostly uses external market data to ensure alignment of the remuneration structure with the industry in order to make it competitive to increase employee retention.

Service Quality

Quality customer service involves providing efficient, quick, and friendly service to customers as well as building strong relationships with them. It also involves responding to customers' issues on time and handling any complaints swiftly.

To strengthen our customer experience at our Branches Service Quality took the initiative of Model branch concept. The Bank under the initiative in 2023 has renovated 6 branches in different areas which are based on a uniform structure, equipped with state of the art Queue Management system and digital marketing screens, the staff placed at these branches is a blend of gender and experience mix which have been trained to serve our customers efficiently. The Bank shall continue the Model branch concept in the coming year where all new and branches due for renovation shall be transformed into Model branches assuring its customers the best of services.

The Bank of Khyber in understanding the needs of different customer segments under the State Banks of Pakistan initiative for Physically handicapped persons

have equipped 08 Model branches with the necessary tools required to facilitate our brothers and sisters with special needs which include specialized ramps, wheelchairs, special pathways, stationary for use of blind individuals and mandatory staff training.

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. Reports every month are shared with top management and the Managing Director. The objective of the complaint resolution at BoK is to have a smooth delivery of service through efficient complaint closures with increased customer satisfaction.

Complaints Period	From 01-01-2023 to 31-12-2023
Number of complaints	7,726
Average Time taken in settlement of a complaint	04 Days

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



IRFAN SALEEM AWAN
Managing Director (Acting)



SYED IMTIAZ HUSSAIN SHAH
Chairman



The background of the slide is a photograph of a sunset over a calm body of water. The sky is filled with soft, colorful clouds in shades of orange, yellow, and blue. The water reflects the colors of the sky. Overlaid on the image are several semi-transparent blue geometric shapes, including rounded rectangles and a large, stylized shape that resembles a folded corner or a large 'L' shape, creating a modern, abstract design.

Business Model

Our Value Creation Business Model

CAPITAL INPUTS



VALUE CREATION FOR STAKEHOLDERS

Financial Capital

- Share Capital: Rs. 11 Billion
- Total Equity: Rs. 20 Billion
- Capital Adequacy Ratio: 18.25%
- Deposits: Rs. 289 Billion
- Borrowings: Rs. 50 Billion

Manufactured Capital

- Branches and sub-branches: 269
- ATM Network: 284
- Digital touch points: 07
- Modern head office building
- State of the art training center
- Other Fixed Assets

Human Capital

- Competent and people centric employees
- Total employee: 2,114
- Professional development and training
- Strong organizational culture

Intellectual Capital

- Diversified & experienced board
- Strategic plan in place
- Strong IT Infrastructure
- Intangibles
- Robust risk management
- Effective internal controls

Social & Relationship Capital

- Increasing client base
- Dedicated complaint handling mechanism
- Membership with professional bodies
- Strong social media presence
- Healthy relationship with our stakeholders

Natural Capital

- Green banking initiative
- Designated solar branches/ATMs
- Compliance with safety & environmental laws

Shareholders / Investors

- Profit after tax: Rs. 3.5 Billion
- Earnings per Share – Rs. 3.16
- Return on (Avg.) Assets: 0.96%
- Return on (Avg.) Equity: 18.96%
- Market capitalization: Rs. 13 Billion
- Regular investor/ corporate briefing sessions
- Improvement in corporate reporting

Customers

- Customer deposit protection
- Branch network outreach
- New to bank accounts: 79,791
- Cards Issued: 275,025
- Digital app users: 66,323
- Increase in digital/ card based transactions
- Customer complaint resolution: 89%

Employees

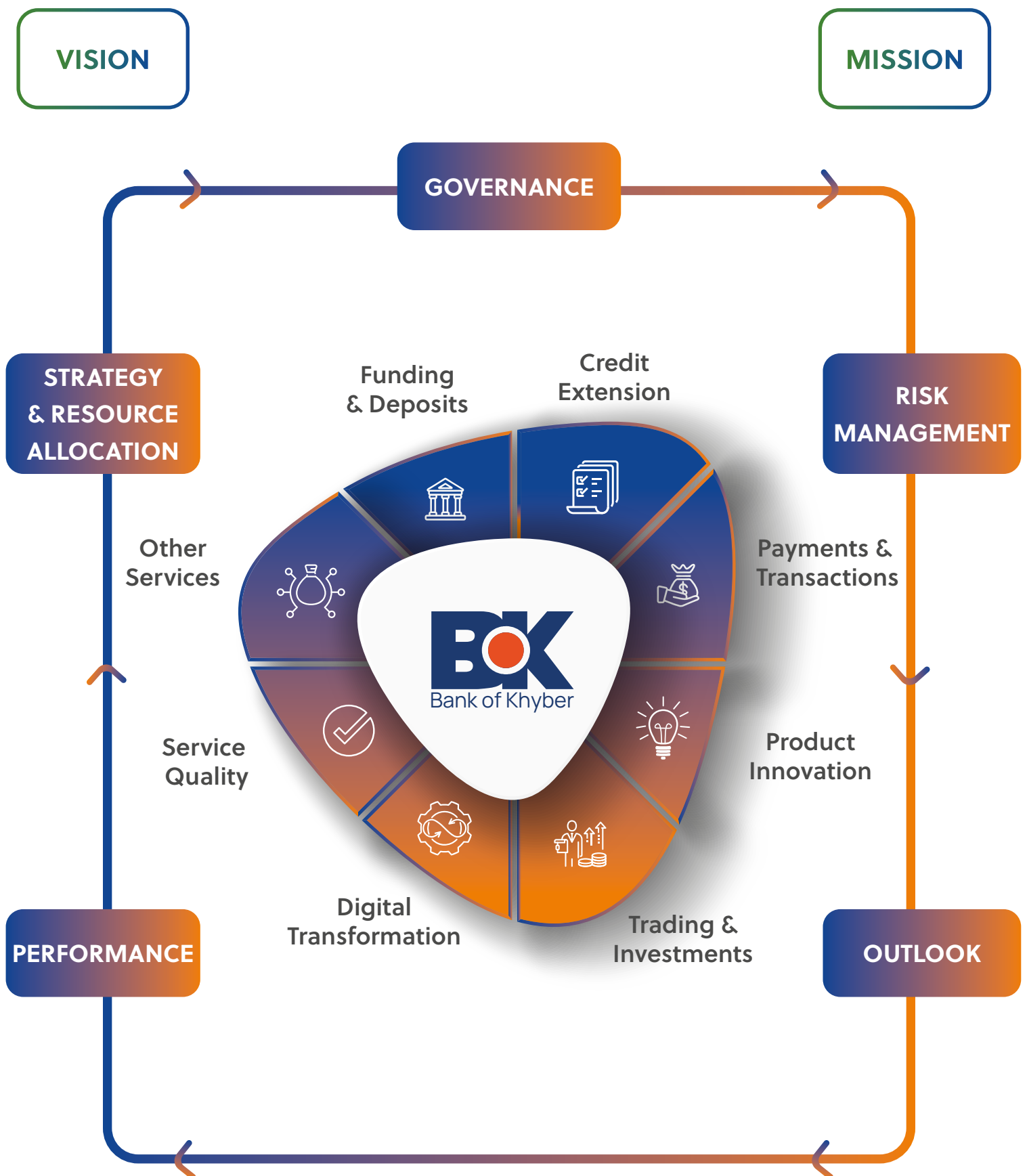
- Salaries and benefits: Rs. 4 Billion
- Employee retention ratio: 88%
- Employee recreational activities
- Training cost: Rs. 10 Million
- No. of training participants: 19,707
- No. of training Days: 13,596
- No. of promotions: 187
- Female staff ratio: 12%
- New recruitments: 411

Regulators/ Government

- (Single A Plus) entity credit ratings
- Compliance with regulatory requirements
- Contribution to national exchequer
- Supported government policies aimed at fostering economic development

Society

- Donations
- Tree plantation initiatives
- Sponsored various community service initiatives
- National financial literacy drive
- Responsible/ green financing
- Job creation





Strategy & Resource Allocation

Strategic Objectives

Short Term:

- Strengthen the foundations on which to scale up for future growth
- Leverage new core banking system to extract operational efficiencies through process reengineering
- Improve and expand digital financial service

Medium Term:

- 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
- Becoming a leading ESG bank in Pakistan

Long Term:

- 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



- Strong sponsor support with 70.2% ownership by Government of KPK and 24.4% by Ismail Industries Limited
- 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



- Low Private sector deposit ratio
- 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



- 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

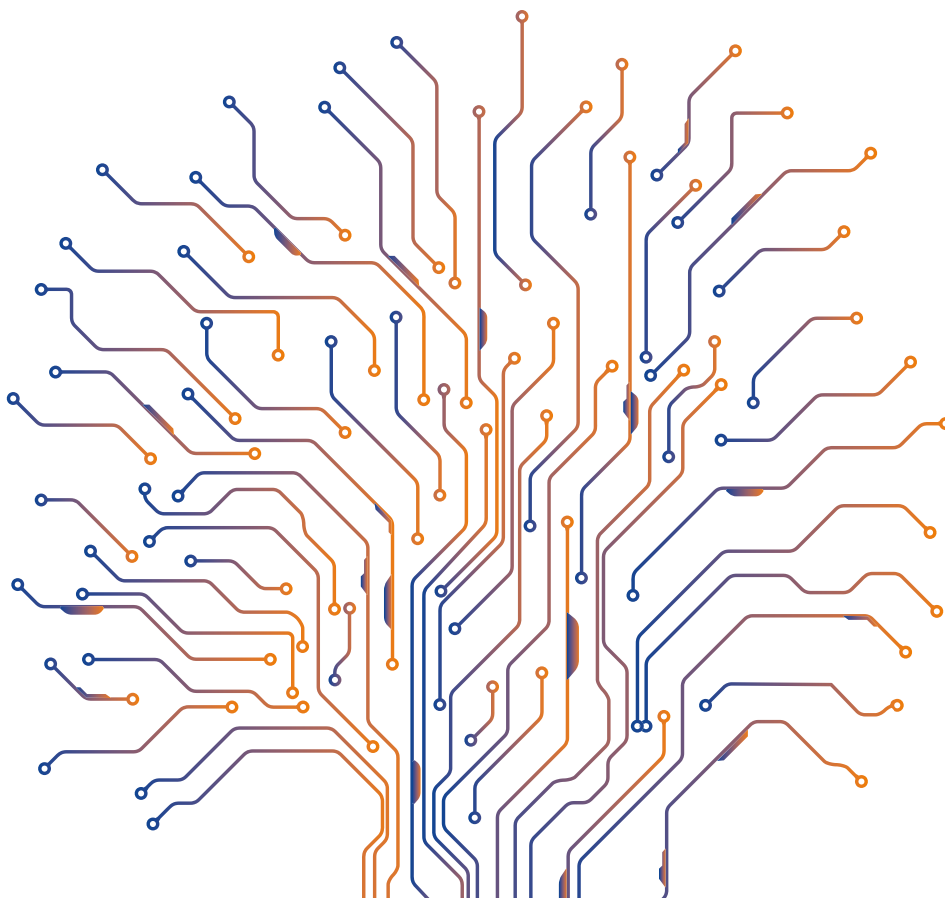


- Strong market competition
- Risk of Asset deterioration due to restricted economic conditions
- Treasury Single Account (TSA) implementation
- Impacts of *IFRS-9
- Adverse changes in banking laws especially w.r.t. minimum deposit rates for Islamic banking, liquidity & capital requirements etc
- Adverse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

1. Strengthen the foundations on which to scale up for future growth.
2. Address key product/ capability gaps vs leading banks in the industry.
3. Leverage core banking system to extract operational efficiencies through process re-engineering.
4. Improve and expand digital financial services.
5. Grow transaction banking to increase share of non-interest income.
6. Leverage increased branch network to grow deposit base.
7. Improve credit quality of asset portfolio through a clear client selection strategy.
8. Develop strong brand awareness through digital communication and marketing.
9. To become a leading ESG bank in Pakistan.
10. Gain market share to up-tier competitive positioning versus peers.
11. Continuously innovate and improve to maintain pace with the latest developments in financial services.
12. 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 & 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"> Continuous improvements/ upgrades in technology platform. Prudently explore for migration from physical data centers to cloud. Incorporate modular design in key applications to enable quick feature/ capability enhancements. 	<ul style="list-style-type: none"> Effective and efficient cost control while investing for growth 	Shall remain relevant in future	<ul style="list-style-type: none"> Intellectual
Improve and expand digital financial service	<ul style="list-style-type: none"> Work on automation of manual activities. Gradual investment on unified digital platform for an overwhelming customer experience. Manage Information security risks through development, documentation and implementation of policies, standards, procedures and guidelines that ensure confidentiality and integrity of sensitive information. 	<ul style="list-style-type: none"> Digital adoption rate Customer satisfaction score Cost saving Improvement in IS infrastructure 	Shall remain relevant in future	<ul style="list-style-type: none"> Financial
Grow transaction banking to increase share of non-interest income.	<ul style="list-style-type: none"> Grow Forex income through greater focus on trade and remittances. Enhance relationship with Financial Institutions to increase business volumes: <ul style="list-style-type: none"> Trade Guarantees Digital banking transactions Public Sector projects 	<ul style="list-style-type: none"> Approved Growth targets 	Shall remain relevant in future	<ul style="list-style-type: none"> Financial Social & Relationship
Leverage increased branch network to grow deposit base.	<ul style="list-style-type: none"> Annual branch expansion plans. Continuous focus on digital banking solutions to further expand the business. Reduce reliance on Govt. deposits by focus on private deposit growth. Strong focus on acquiring public sector salary accounts in KP. Target accounts for overseas migrant workers to capture bigger share of home remittances. 	<ul style="list-style-type: none"> Annual branch expansion plan execution Deposit generation growth and mix 	Shall remain relevant in future	<ul style="list-style-type: none"> Manufactured Financial

Resource Allocation Plan & Key Performance Indicators (KPIs):

Strategic Objectives	Key Strategies in Place	KPIs	Future Relevance	Capital Inputs
Improve credit quality of asset portfolio through a clear client selection strategy.	<ul style="list-style-type: none"> Strengthen risk management framework to: <ul style="list-style-type: none"> Improve credit portfolio quality of the Bank Stronger credit risk analysis and anticipation of problems Reduce NPL ratio Market/ liquidity risk management Grow Asset portfolio in line with credit strategy Corporate business: Focus on adding new names/ deepening business with high quality corporates. Grow consumer financing vis low risk strategy of cross-sell to public sector employees maintaining salary account at BoK. Controlled SME portfolio with focus on Govt. supported program-based lending for lower infection. Agriculture Financing through targeted initiatives. Public Sector Commodity lending will be kept at optimum level. 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. Increasing good quality private sector advances proportion. 	<ul style="list-style-type: none"> Asset Quality Low Infection ratio High Coverage ratio 	Shall remain relevant in future	<ul style="list-style-type: none"> Intellectual
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"> Integrate billing aggregators MasterCard to be launched Multi-channel contact center High volume Government Payment projects Consumer financing automation Digital onboarding In-house card production Comprehensive features in Mobile App Corporate Cash Management Solutions 	<ul style="list-style-type: none"> Customer Satisfaction and Retention 	Shall remain relevant in future	<ul style="list-style-type: none"> Intellectual Social & Relationship

Strategic Objectives	Key Strategies in Place	KPIs	Future Relevance	Capital Inputs
Become a leading ESG bank in Pakistan	<ul style="list-style-type: none"> Implement SBP's Green Banking Guidelines to manage environmental and social risks, develop green businesses, and reduce the bank's own impact. Assess the Bank's environmental impact, set annual waste reduction targets, and prioritize funding for eco-friendly projects while limiting exposure to environmentally undesirable projects. Ensure alignment with ESG indicators as determined by the Pakistan Stock Exchange (PSX). 	<ul style="list-style-type: none"> Positively impact the community 	Shall remain relevant in future	<ul style="list-style-type: none"> Social & Relationship
Significantly grow profit base on a sustainable basis.	<ul style="list-style-type: none"> Improve deposit mix: more Current & less TDRs Gradually reduce cost of deposits to match industry benchmarks. Close monitoring will be done for interest rate expectations and movements. Gradually re-profile the investment portfolio. 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. Digital banking platform will be utilized for achieving operational effectiveness and efficiency specially for the consumer financing. Intensify efforts for maximum recoveries. Detailed account wise plan with short, medium and long term priorities 	<ul style="list-style-type: none"> Shareholder return (EPS/ Return on Assets/ Return on Equity) Expense ratio Efficiency ratio Core and Gross Spreads 	Shall remain relevant in future	<ul style="list-style-type: none"> Financial Manufactured Intellectual
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"> Focus on maintaining up-to-date compliance with regulatory requirements. Continuously evaluate internal controls to identify vulnerabilities. Upgrade talent pool Gender diversification Special focus on strengthening of centralized functions, digital banking, information security, risk, compliance, finance etc. Continuous training and development of the staff. Bring continuous improvement in HR policies and procedures, in line with the industry trends. 	<ul style="list-style-type: none"> Corporate Social responsibility Organizational sentiment Staff productivity Staff turnover 	Shall remain relevant in future	<ul style="list-style-type: none"> Social & Relationship Human Natural





Stakeholder Relationship and Engagement

Stakeholder's Engagement Policy



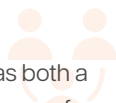
Development of sustained stakeholder engagement policy is paramount to the performance of any institution. Conscious to the need of creating a culture of clear and open communication with stakeholders and to follow a disciplined and professional approach for managing the information flow, the Bank has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

The key goals of the policy 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 disclosures, aware of forums to provide valuable feedback
- Improves its offerings and services, aiming to meet and exceed stakeholders' expectations
- Timely dissemination of information through formal communication channels; with clarity, coherence and credibility

Stakeholder's Information

Customers



Customer centricity serves as both a guiding tool and a moral compass for us as a Bank. This directs the Bank to enhance its customers' experience with its services, that excellence in quality is critical in achieving excellent service levels.

Recognizing customers' changing needs and preferences, we provide innovative products and seamless process in conventional and digital banking guided by customer feedback, research and market's best industry practices. Our dedication is reflected in our offerings that bring the most benefit to our customers. The Bank carries out its commitments through a varied product portfolio of branch banking, consumer finance products, corporate and SME products, Islamic banking operations, and digital banking platforms.

Moreover, our customer interactions involve multiple channels, including call centers, social media platforms, surveys and various advertisement campaigns.

Employees



Bank of Khyber believes in achieving strategic objectives through fulfillment of Human capital needs. The Bank ensures that employees are kept motivated and encouraged through capacity building programs, financial and non-financial appreciations and engagement in social activities.

The Bank promotes employee centric decisions through initiatives, such as:

- E-learning material on the Bank's learning Management system
- Year round learning and development trainings

- Awareness campaigns and activities to keep employees engaged
- Awards and appreciations through excellence recognition activities
- Providing Sports and Gym facilities
- Market competitive remunerations
- Safe & Healthy work environment

The Bank also acknowledges the contribution of female staff and differently abled employees through corporate communication channel.

Shareholders/ Investors



The Bank's significant goal is to deliver long-term value to its shareholders. Shareholders' trust sets the strategic direction of any institution, and their support further facilitates the achievement of key objectives. Engagement through AGMs and EOGMs certify that shareholders actively participate to ensure that the business remains sustainable in the years to come. Press releases and financial reports (quarterly, semi-annually, and annually) are disseminated promptly to ensure shareholders' engagement at all times.

Regulators/ Government



To ensure sound business operations, regulatory compliance, and a transparent legal environment, engagement at the regulators' level is carried out frequently throughout the year. The objective is to build and to have constructive relationship with regulator and government, both as a partner in the development of our country and as a current potential client.

Engagement channels include periodic reporting and meetings held with the regulators, both locally as well as overseas, or their authorized representatives. The Bank has always appreciated the support of the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan, the Pakistan Stock Exchange, and other regulatory bodies.

Society



The Bank engages with the general public through CSR initiatives to have best collaboration with our community for delivering our social responsibilities. The Bank obtains input from communities which helps us identify the need for intervention in sectors such as education, health, welfare, environmental sustainability, leadership development, and promotion of sports, arts, and culture. The Bank always aims to conduct business as a socially responsible corporate citizen.

Media



The Bank believes that Media plays an important role in shaping the brand's narrative, enhancing brand visibility, and fostering a deep connection with its target audience. Be it conventional or social media platforms, quick communication and widespread reach of media have become the need of the time. The Bank remains abreast of developments in marketing and visibility channels to maintain its digital footprint and public reach, and promote a positive brand image through advertisements in print, electronic, social media, website, interviews and capacity building seminars.

Legitimate Needs, Interests of Key Stakeholders, and Industry Trends

Stakeholder	Legitimate needs and Interests	Industry trends	Capital Impact
Customers	<ul style="list-style-type: none"> • Innovative & responsible banking product & services • Safe and convenient access (Increasingly through digital channels) • Excellence in Customer Service • Value for Money 	Innovation; Digital platforms for providing services; Service agility	Manufactured, Intellectual, Social & relationship and Natural
Employees	<ul style="list-style-type: none"> • Safe & Healthy work environment • Fair remuneration, Effective performance management and recognition • Enabling environment that embraces diversity and inclusivity • Career development and advancement 	Timely pay; Training; Swift on & off-boarding; Health and Well being	Human, Intellectual, Social & relationship
Shareholders/ Investors	<ul style="list-style-type: none"> • Share price appreciation and attractive dividends • Sustainable growth in earnings • Strong Balance sheet to protect against downside Risk • Transparent reporting and disclosures 	Profitability; ongoing engagement	Financial, Intellectual, Social & relationship and Natural
Regulators/ Government	<ul style="list-style-type: none"> • Timely & Effective Compliances • Capital Adequacy • Cash & Liquidity reserve requirements • Direct & Indirect tax contributions 	Trusted partner	Financial, Intellectual, Social & relationship
Society	<ul style="list-style-type: none"> • Financial Inclusion • Support in resolution of social issues • Contribute in addressing the environmental issues 	Sustainability; Corporate Social Responsibility	Human, Intellectual, Social & relationship and Natural
Media	<ul style="list-style-type: none"> • Timely and accurate information 	Timely and accurate information	Human, Intellectual, Social & relationship and Natural

Stakeholder's Identification, Engagement Process & Frequency of Such Engagements

	Customers	Employees	Shareholders/ Investors	Regulators/ Government	Society	Media
Identification	<ul style="list-style-type: none"> Individuals Institutions Corporates Entrepreneurs 	<ul style="list-style-type: none"> Permanent Employees Contractual Employees 	<ul style="list-style-type: none"> Sponsors Minority Shareholders Individual Investors Institutional Investors Analysts 	<ul style="list-style-type: none"> Federal Government Provincial Governments State Bank of Pakistan Securities & Exchange Commission of Pakistan Pakistan Stock Exchange Credit Rating Agencies 	<ul style="list-style-type: none"> Non Profit Organizations Non-Government Organizations Public at large 	<ul style="list-style-type: none"> Conventional and Digital Press Social Media Platforms Bank Website
Engagement	<ul style="list-style-type: none"> Physical Access Points Digital Access Points Social Media Advertisement Corporate Website Customer Awareness Seminars SMS/ Email Alerts Call Centers 	<ul style="list-style-type: none"> Employee Self-service Portal Training Programs Formal meetings Informal sessions Internal circulars Social events & gatherings Emails 	<ul style="list-style-type: none"> Corporate Reporting Financial Reporting Extra ordinary General Meetings Annual General Meeting Analyst/ Corporate Briefings Corporate Website (Investor Relations) 	<ul style="list-style-type: none"> Directives & Circulars Regulatory reporting Statutory examination Meeting and Regular discussions Tax Returns 	<ul style="list-style-type: none"> Sponsorships Press releases Conference Media campaigns Public relation activities 	<ul style="list-style-type: none"> Sponsorships Products & Services Outreach Regulatory information Promotions Awareness Campaigns
Frequency	<ul style="list-style-type: none"> Continuously Occasionally 	<ul style="list-style-type: none"> Continuously Regularly Occasionally 	<ul style="list-style-type: none"> Periodically Occasionally Regularly 	<ul style="list-style-type: none"> Periodically Regularly 	<ul style="list-style-type: none"> Regularly Occasionally 	<ul style="list-style-type: none"> Regularly Occasionally

Notice of Thirty Third Annual General Meeting

Notice is hereby given that the Thirty Third Annual General Meeting of the Shareholders of the Bank of Khyber will be held on Friday, March 29, 2024 at 10:00 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 Second Annual General Meeting held on March 30, 2023.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2023, together with the Directors' and Auditors' Reports thereon. Further, the shareholders will be briefed by highlighting the performance of the bank and future endeavors.
3. To appoint Auditors for the year ending December 31, 2024 and fix their remuneration. The bank's auditors M/s. PwC A.F. Ferguson & Co., Chartered Accountants, retired and being eligible, offer themselves for re-appointment.
4. To Consider, and if thought fit, approve as recommended by the Board of Directors, final Cash Dividend for the year 2023 @ Rupees 1.50 per share i.e. 15% to the shareholders of the Bank.

Special Business

5. To consider, and if thought fit, approve as recommended by the Board of Directors, issuance of Bonus Shares for the year 2023 in proportion of 5 ordinary shares for every 100 ordinary shares i.e. 5% to the shareholders of the Bank.
6. To grant approval for increase in fee to the Chairman / Non-Executive Directors / Independent Directors for attending the Board and Board Committees / Special Committees meetings.
7. To consider and, if thought fit, to pass following Resolutions as Ordinary Resolutions, with or without amendments, modifications and/or alterations, to approve circulation of the annual balance sheet and profit and loss account, auditor's report and directors' report, etc. ("annual audited financial statements") to its members through QR enabled code and web link as recommended by the Board of Directors of the Bank of Khyber.

Other Business

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

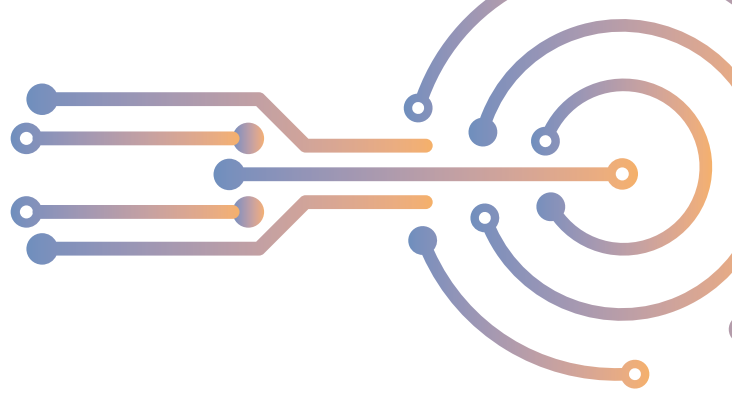
Statement of Material Facts under Section 134 (3) of the Companies Act, 2017 relating to said Special Business is given hereunder.

By Order of the Board



Sara Shah
Company Secretary

Peshawar: March 08, 2024



Notes:

- (i) Share Transfer Books of the Bank will remain closed from Saturday, March 23, 2024 to Friday, March 29, 2024 (both days inclusive) to determine the names of members entitled to receive pay outs, if any, and attend and vote in the meeting.

Transfers received in order at the office of our Share Registrar, M/s. THK Associates (Pvt.) Limited, located at Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase-VII, Karachi-75500 by the close of business on Friday, March 22, 2024 will be treated in time for the said purpose.
- (ii) All members are entitled to attend and vote at the meeting.
- (iii) A member entitled to attend and vote at the meeting, is entitled to appoint another member as a proxy to attend, speak and vote for him/her. The proxy appointed should be a member of the Bank of Khyber.
- (iv) The instrument of proxy applicable for the meeting is being provided with the notice sent to the members. Further copies of the instrument of proxy, if required, may be obtained from the Registered Office of the Bank during normal office hours.
- (v) 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.
- (vi) 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.

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.
- (vii) The proxy shall produce his / her original CNIC or passport at the time of the meeting.
- (viii) 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.
- (ix) Form of Proxy, if required, should be signed on Rs.10/- Revenue Stamp.

For Shareholders' Attention

Transmission of Annual Report 2023

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.

Notice of Thirty Third Annual General Meeting

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

In accordance with Sub Section 2 of Section 72 of the Companies Act, 2017, Companies are required "to replace its physical shares with book entry form" in the manner specified by the Commission.

To enable compliance with the requirement, we request the shareholders to kindly convert shares held in Physical Form into Book Entry Form as soon as possible. The shareholders may contact a Broker, a PSX Member, CDC Participant or CDC

Investor Account Service to obtain assistance for opening a CDS Account and subsequent induction of the physical shares into Book Entry Form.

For further information or clarification, please feel free to contact THK Associates (Pvt) Ltd. on Tel # 021-35310191-6 or email at sfc@thk.com.pk

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 the date of the 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 written request to be submitted to the registered address of the Bank at least 07 days prior to 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.5 and 6 of the notice to be transacted at the Annual General Meeting of the Bank to be held on March 29, 2024.

Item No. 5

Issue of Bonus Shares

The Board of Directors in its meeting held on March 07, 2024 has recommended issuance of Bonus Shares for the year 2023 in proportion of 5 ordinary shares for every 100 shares i.e. 5% to the shareholders of the Bank.

An amount to the extent of 5% will be appropriated from the free reserves for issuance of Bonus shares to the shareholders as per approved proportion.

These Bonus shares shall rank *pari passu* in all respects with the existing ordinary shares of the Bank.

These Bonus Shares will be issued to those members whose names appear in the register of members as at the close of business on March 22, 2024 and that the shares so issued be treated for all purpose as an increase in the paid-up capital of the Bank.

Item No. 6

To grant approval for increase in fee to the Chairman / Non-Executive Directors/Independent Directors for attending the Board and Board Committees / Special Committees meetings.

In term of Section 170 of the Companies Act, 2017 and as per Para 2(i) of Regulation G-14 of the Corporate Governance Regulatory Framework 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 its 32nd AGM held on March 30, 2023, had approved an increase in Directors' fee for attending Board and Committee/Special Committee meetings to Rs.100,000/- (net of taxes).

Since the workload of Directors has increased manifold after the 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 182nd meeting held on October 27, 2023 recommended increase in Directors' fee for attending Board/Board Committee/Board Special Committee's meeting to Rs.200,000/- (net of taxes) and Rs.250,000/- for the Chairman (net of taxes).

In terms of Para 2(i) of Regulation G-14 of the Corporate Governance Regulatory Framework 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 the Board hereby approves an increase in Directors' fees for attending Board, Committee, and Special Committee meetings at PKR 200,000 (net of taxes) for Directors and 250,000 for the Chairman (net of taxes) and recommends the same for post-facto approval by the shareholders at the Annual General Meeting."

Item No. 7

To consider and, if thought fit, to pass following Resolutions as Ordinary Resolutions, with or without amendments, modifications and/or alterations, to approve circulation of the annual balance sheet and profit and loss account, auditor's report and directors' report, etc. ("annual audited financial statements") to its members through QR enabled code and web link as recommended by the Board of Directors of the Bank of Khyber.

SECP, vide its notification No. SRO 389(I)/2023 dated March 21, 2023, have allowed the listed companies to circulate the annual balance sheet and profit and loss account, auditor's report and directors' report, etc. ("annual audited financial statements") to its members through QR enabled code and web link to its members, subject to approval of shareholders in the general meeting. This facility will help all members, wherever they are located, to get an access to the financial statements of the Bank. Secondly, it will also reduce unnecessary expenditure for making CDs etc. Besides, it was noted that most new computers do not have CD ROM as well, which was causing problems for many members.

Considering technological advancements and old technology becoming obsolete, the circulation of annual audited financial statements through CD/DVD/USB will be discontinued.

However, the Bank will supply the hard copies of the annual audited financial statements to the shareholders on demand, free of cost, within one week of such demand. If deemed fit, following resolutions may be passed, as Ordinary Resolutions, with or without modifications.

- i. **RESOLVED THAT** Management is authorized to circulate/ send the annual audited financial statements of the Bank of Khyber to the shareholders, through QR enabled code and web link, subject to the requirements of Notification No. S.R.O. 389(1)/2023 of Securities & Exchange Commission of Pakistan dated 21st March 2023 instead of CD/DVD/ USB.
- ii. **FURTHER RESOLVED THAT** notice of general meeting be dispatched to members, as per the requirement of the Companies Act, 2017, on their registered address, containing the QR code and the web link address to view and download the annual audited financial statements together with the reports and documents required to be annexed hereto under the Act.
- iii. **FURTHER RESOLVED THAT** the Bank shall provide hard copy of all the future annual audited financial statements to those members only who request in writing to receive hard copies.

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 32nd Annual General Meeting of the Bank of Khyber was held on March 30, 2023 at 11:00 a.m. at the Bank of Khyber, Head Office, BoK Tower, Peshawar wherein the following resolutions were approved unanimously:

Ordinary Business:

1. The minutes of 31st Annual General Meeting (AGM) held on March 29, 2022 are approved.
2. The audited accounts of the Bank of Khyber for the year ended December 31, 2022 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, 2023.

Special Business:

4. Revision of Directors' fee for attendance of Meetings is approved.
5. Change of words in Name previously "The Bank of khyber" to "Bank of Khyber" are approved.

Financial Calendar

Recommendation of Annual Results 2022 by the Board of Directors	March 07, 2023
32nd Annual General Meeting held for approval of Annual Results 2022	March 30, 2023
1st Quarter Results Issued	April 28, 2023
2nd Quarter Results Issued	August 25, 2023
3rd Quarter Results Issued on	October 27, 2023
Recommendation of Annual Results 2023 by the Board of Directors	March 07, 2024
33rd Annual General Meeting scheduled for approval of Annual Results 2022	March 29, 2024

Summary of the Analyst/Corporate Briefings

Analyst 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.

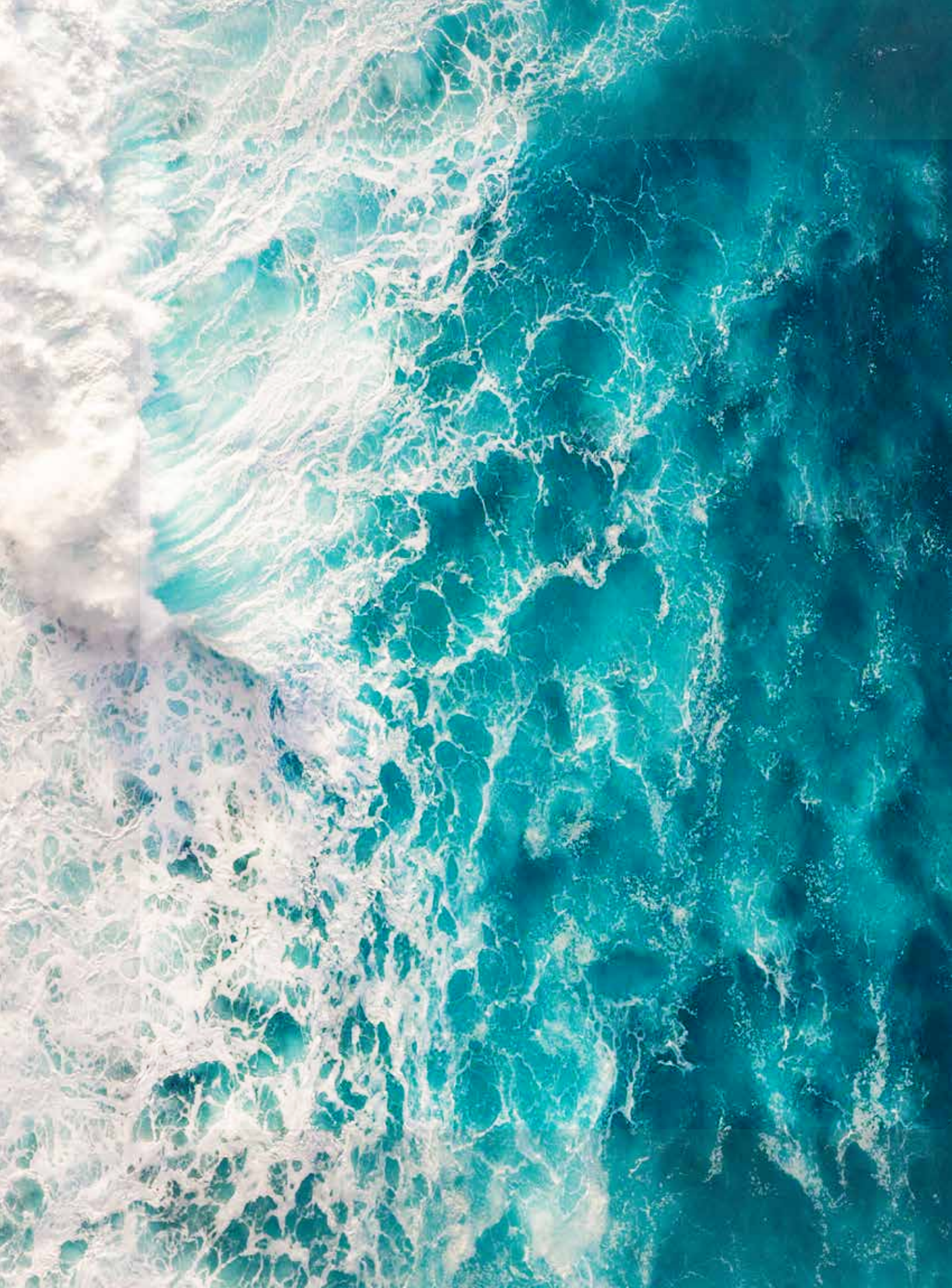
Corporate Briefing Session is generally conducted, following the announcements of annual, quarterly and half-yearly financial results, once a year to enlighten the shareholders and analysts with the Bank's strategic, operational and financial developments.

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>





The background is a dark teal color with a subtle, grainy texture. Overlaid on this are several semi-transparent, rounded rectangular shapes in a slightly lighter shade of teal. A large, dark blue triangular shape is positioned on the right side, pointing towards the top right corner. The text 'Risk Management' is centered in the lower half of the image.

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



PESTEL

Assessment of the 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
Political	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.
Economic	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 wilfully.
	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.
Social	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.
Technology/ Systems	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.
Environmental	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.
Legal	Internal / External	Controlling risk: Legal factors refer to the impact of laws and regulations on businesses. These factors can include general laws and regulations, employment laws, health and safety rules, and industry-specific laws and regulations. It is essential for companies to comply with these regulations, as non-compliance can result in fines and legal action.

Risk and Opportunity Report

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

Risks

Risk Type	Source of Risk	Probability	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

Risks

Risk Type	Source of Risk	Probability	Strategy	Impact Type
Credit	Internal / External	Medium to Low	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 & Micro levels) so that culture of credit risk management is well inculcated uniformly within the organization including credit processing and approving hierarchies. 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. 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.	Financial, Regulatory and Reputational Capital
Liquidity	Risks emanating from nature of the Banking business, From the macro factors exogenous to the Bank as well as from internal financing and operational policies.	Medium	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. 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. 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.	Financial, Regulatory and Reputational Capital
Operational	Inadequate or failed processes, systems, human factor or any external event.	Medium	A system for reporting and collecting data related to losses, control breaches, near misses & KRIs is in place. Operational risk assessment is done by using the Risk & Control Self-Assessment (RCSA) process. Quarterly updates on operational risk events are presented to senior management, and the BRMC 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. A BoD approved operational risk policy is in place. Products and processes are reviewed for emerging operational risks.	Financial Capital

Risk and Opportunity Report

Risks

Risk Type	Source of Risk	Probability	Strategy	Impact Type
Technology and Information Risk	Technology Failure due to Force Majeure and Cyber Threats	Medium	IS/IT oversight is performed through Board IT Committee and Management IT Steering Committee. IS Awareness is provided to employees through various channels regarding existing and emerging threats. IS/IT Audits are conducted externally as well as internally. VA/PT & Risk Assessments are conducted annually and as and when required. 24x7 SOC is in place that utilizes SIEM solution for monitoring, detecting, analyzing and responding to cyber threats. There is a continuously improving IT security posture through investment in enterprise security controls solutions.	Financial, Reputational and Regulatory Capital
Country Risk	Risk arise from three main sources Transfer / Convertibility risk, Sovereign risk and Contagion risk	Medium	Measurement: Bank's Country Risk exposure is assessed against Bank's cross border trade and treasury activities. 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.	Financial and Intellectual Capital
Regulatory Risk	Risk arising from changes in Legislative and Regulatory requirements	Medium	The Bank reviews key regulatory developments in Management Committee meetings and at Board Compliance Committee 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 and Reputational 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 i.e Board Risk Management Committee and Board Compliance 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

Opportunity

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 & 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 18.25% against minimum requirements of 11.50% as of December 31, 2023 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 18.09% against minimum required level of 6% as of December 31, 2023. 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 4.33% 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 201.42% (as of December 31, 2023) and Net Stable Funding Ratio (NSFR) of 180.98% (as of December 31, 2023) against a requirement of 100%.

Dividend Policy & Announcement

The Bank has a dividend policy duly approved by the Board and follows a prudent dividend strategy to strengthen the capital base of the Bank. The Board has considered and recommended cash dividend of Rs. 1.5 per share i.e. 15% and Bonus Shares in the proportion of 05 ordinary shares for every 100 ordinary shares held i.e. 5% for the financial year ended December 31, 2023.





The background is a dark blue gradient with abstract circuit-like lines in the top right corner. A large, semi-transparent, light blue shape is on the left side, and a large, semi-transparent, light blue shape is on the right side. The word "Governance" is centered in the middle of the image.

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	Syed Imtiaz Hussain Shah (Chairman)*	KP Government (Additional Chief Secretary)
	Amer Sultan Tareen**	KP Government (Secretary Finance)
Independent Director	Syed Asad Ali Shah	Private Sector Shareholders
	Tahir Jawaid	Private Sector Shareholders
	Abid Sattar	KP Government
	Dr. Aliya Hashmi Khan	KP Government
	Osman Asghar Khan	KP Government
Executive Director	Muhammad Ali Gulfaraz (MD/ CEO) ***	KP Government

Status as of December 31, 2023

* Mr. Shahab Ali Shah was replaced by Mr. Ikramullah Khan on January 10, 2023. Mr. Ikramullah Khan was replaced by Mr. Muhammad Zubair Asghar Qureshi on July 10, 2023 and replaced by Syed Imtiaz Hussain Shah on October 10, 2023.

** Mr. Muhammad Ayaz was replaced by Mr. Amer Sultan Tareen on October 12, 2023.

*** Subsequent to the year end, Mr. Muhammad Ali Gulfaraz ceased to be the Managing Director of the Bank with effect from January 3, 2024 and Mr. Irfan Saleem Awan has been appointed as Managing Director (Acting) by the Board of Directors.

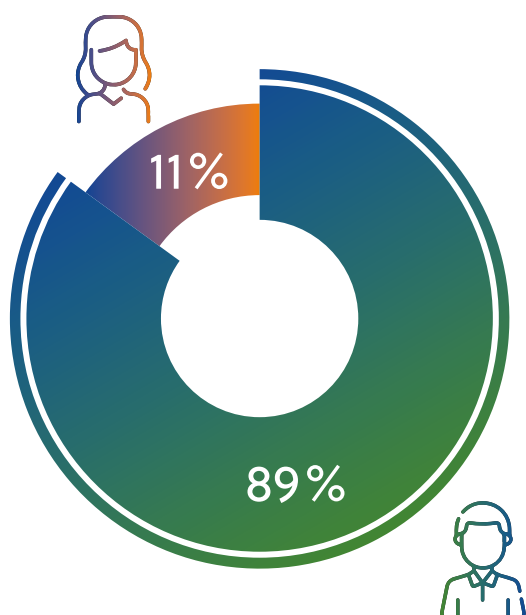
Casual vacancy on the Board of Directors

Mir Javed Hashmat, an independent director of private sector shareholder, tendered his resignation, which was accepted on November 27, 2023. Subsequent to the year end, Mr. Muhammad Shahid Sadiq has been appointed as a director on March 4, 2024 to fill this casual vacancy.

Gender Diversity in the Board of Directors

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.



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 BoK Act, with a sense of objective judgment and independence in the best interests 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 Bank ensures necessary oversight to strengthen Bank's control for financial reporting.

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.

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 Directors are to:

- Execute strategic operating plans that reflect the long term objectives and priorities established by the Board

Our Governance Philosophy

- 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 person or a close member of that person's family is related to the Bank if that person:
 - has control or joint control of the Bank;
 - has significant influence over the Bank; or
 - is a member of the Key Management Personnel of the Bank.
- An entity is related to the Bank if:
 - The entity and the Bank are members of same group;
 - One entity is an associate or joint venture of the other entity;
 - Both entities are joint ventures of the same third entity;
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - The entity is a post-employment benefit plan for the benefit of employees of either the Bank or an entity related to the Bank;
 - The entity is controlled or jointly controlled by a person identified in (a).
 - A person identified in (a(ii)) 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:

- a. All branches/ concerned offices are required to transfer their old record to the designated warehouses under Head Office supervision through "Old record Transfer Advice" mentioning related details i.e. Transfer unit code, brief description, period

of preservation, due date of its destruction etc.

- b. 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.
- c. 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.
- d. Any old record borrowed from the "Old Record Unit" would be only released against an "Old Record Requisition Slip"
- e. 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 as well as external party 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.

Accordingly, a formal whistle blowing function is established under direct supervision of Internal Audit Group and the Audit Committee of the Board for attending the concerns/ information raised by the employees of the Bank as well as any external party (Whistle Blowers). A concern might not only be of a financial nature but it could also be illegal conduct posing a danger to the repute 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 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.

Our Governance Philosophy

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

- a. The employees, who have information about suspected fraudulent activities or malpractices, should communicate such information on a dedicated email ID, surface mail, BOK website, and a contact number to the Chief Internal Auditor.
- b. In case the Whistle Blower is working in Audit, the report shall be made to Group Head HRDG, who will then forward it to Audit Committee with ensured confidentiality.
- c. All such mails should be marked "confidential" on the outer envelope and "whistle blowing" on the inside envelope for maximum confidentiality.
- d. Chief Internal Auditor will review and investigate the case and forward their findings and recommendations to the Managing Director and to Audit Committee of the Board with ensured confidentiality.

Managing Director, after review the audit report, will take appropriate action including referral of the matter to Human Resource Development Group (HRDG) for onward taking an appropriate Disciplinary Action.

Number of instances reported to Board Audit Committee (BAC)

Number of Whistle Blowing reported to BAC in year 2023: 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 is no longer working for 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

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.

Board Audit Committee (BAC) Report

Composition of the committee

The BAC consists of five members comprising of a non-executive and four independent directors. The chairman of the committee is an independent director. Chairman BAC as well as one another independent director, member of BAC are “financially literate” and are Fellow Members of Professional Accounting bodies.

Role of the committee

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

- major judgmental areas;
- significant adjustments resulting from the audit;
- going concern assumption;
- 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.
- On annual basis BAC obtains an independent assessment/ opinion on the state of FI's internal controls from Chief Internal Auditor based on the audits conducted over the preceding year.
- 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 of the bank.
- BAC also reviewed internal control memorandum and board letters issued by external auditors and passed necessary actions for early compliance of points highlighted.

Role and Performance of Internal Audit Group (IAG)

Internal Audit Group (IAG) is an independent and permanent function. Chief Internal Audit (CIA) reports

functionally to chairman BAC and administratively to the Managing Director. CIA communicates and interacts directly with the BAC, including in executive sessions and between BAC meetings as appropriate.

IAG assesses the adequacy and effectiveness of risk management framework that is policies, SOPs, 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, IAG also assists in development of internal controls testing plan for ICFR (Internal Controls over Financial Reporting). IAG 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). Risk based Internal audit plan is prepared on annual basis and presented in BAC prior to the start of year. BAC thoroughly reviews the plan and approach adopted by IAG and then approves audit plan.

During the current year 2023, IAG conducted 94 and 106 Branch Audits of Conventional and Islamic branches respectively. In addition, 68 Shariah Audits, 180 business risk reviews 16

management audit and 14 IS/IT audits were conducted. In addition, IAF successfully implemented Phase 2 of Audit Management Solution (AMS) covering end-to-end audit processes. AMS is now fully functional including follow-up and monitoring module. 22 ICFR Testing and 19 thematic reviews were performed during the year. Quality Assurance reviews of all audit assignments were also conducted. IAG 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.

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 and Board 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. However, no such services (other than regulatory certifications required from external auditors) are hired from external auditors of the bank.

BAC recommended the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements to the BOD. The BOD gave due consideration to the recommendations of the BAC and where it acts otherwise; it shall record the reasons thereof.

Review of Annual report

The audit committee has endorsed management's opinion that the Annual Report was fair, balanced and understandable and provided the necessary information for shareholders to assess the company's position and performance, business model and strategy.

Self-evaluation of the Audit Committee

The audit committee conducted 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.

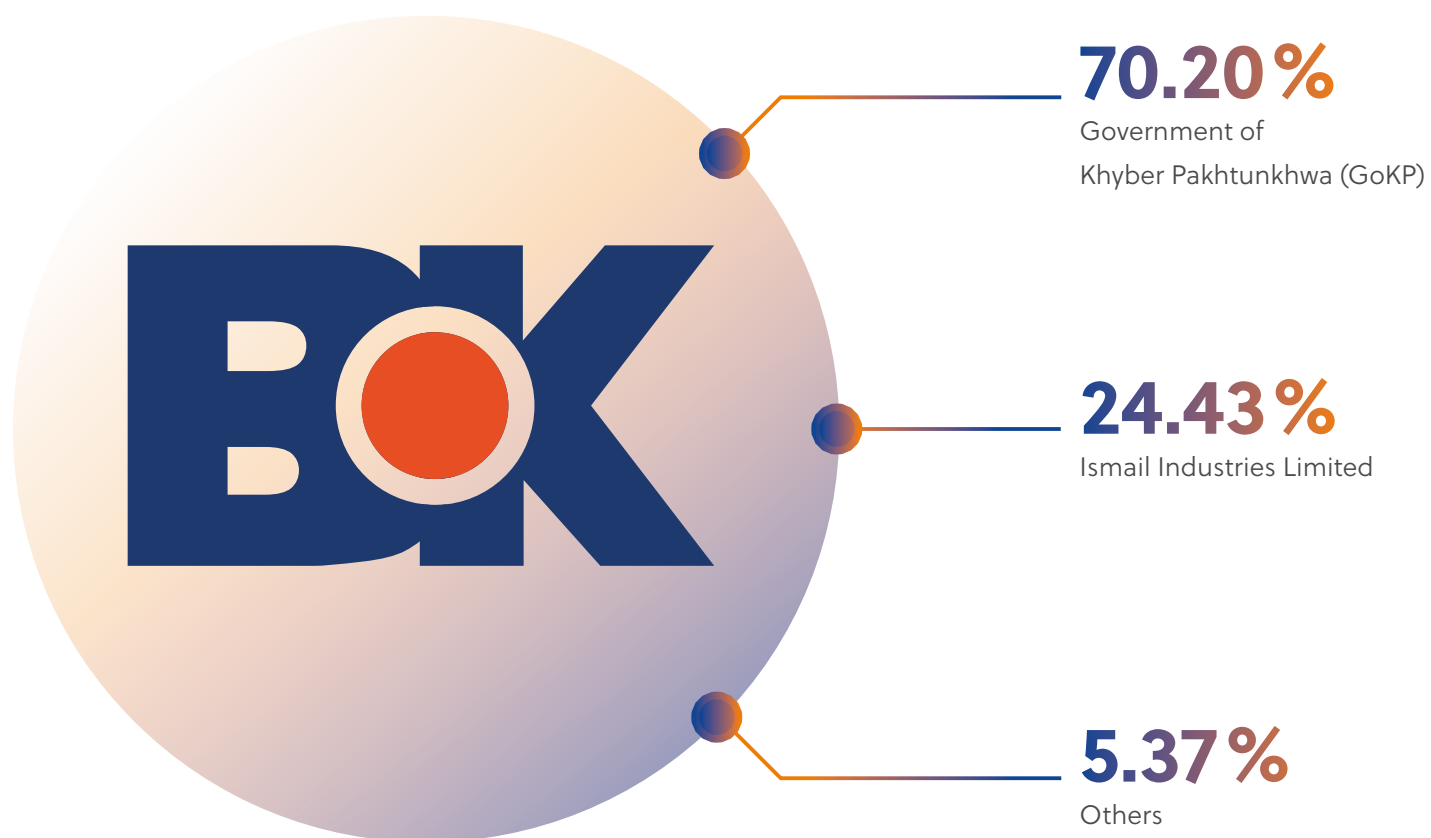
External Oversight of Audit and Internal Controls of the Bank

IAG is accessed by independent external quality assurance reviewer every five years. Latest such assessment was conducted 2021 by EY Ford Rhodes, wherein the independent reviewer rated IAG 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 that can be awarded by the independent assurance provider.

Presence of the Chairman of the Audit Committee at the AGM

Chairman Audit Committee of the Board attended the 32nd Annual General Meeting held on March 30, 2023 to answer questions on the activities and matters within the scope of Audit Committee of the Board's responsibilities.

Shareholding of the Bank



Associated Company of the Bank



Pattern of Shareholding

As at December 31, 2023

NO. OF SHAREHOLDERS	<---- HAVING SHARES ---->		SHARES HELD	PERCENTAGE
	From	To		
1058	1	100	50279	0.0046
9646	101	500	1881399	0.1706
1376	501	1000	1074816	0.0975
15311	1001	5000	17871342	1.6204
145	5001	10000	965038	0.0875
42	10001	15000	506065	0.0459
31	15001	20000	531002	0.0481
13	20001	25000	280397	0.0254
12	25001	30000	334324	0.0303
3	30001	35000	98195	0.0089
1	35001	40000	36564	0.0033
1	40001	45000	42000	0.0038
1	45001	50000	46562	0.0042
3	50001	55000	156691	0.0142
2	60001	65000	121624	0.0110
1	65001	70000	68650	0.0062
2	85001	90000	178106	0.0161
1	90001	95000	93608	0.0085
2	110001	115000	221250	0.0201
1	265001	270000	268050	0.0243
1	300001	305000	300833	0.0273
1	305001	310000	307421	0.0279
1	1185001	1190000	1185376	0.1075
1	11495001	11500000	11497178	1.0424
1	21220001	21225000	21224084	1.9244
1	269380001	269385000	269383781	24.4248
1	774180001	774185000	774184576	70.1948
27659		Company Total	1102909211	100.0000

Category of Shareholders

As at December 31, 2023

	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	4	56,030	0.00
Insurance Companies	2	16,950	0.00
General Public (Local)	27,549	57,600,855	5.22
General Public (Foreign)	67	216,516	0.02
Others	32	1,427,403	0.13
Government of Khyber Pakhtunkhwa	1	774,184,576	70.20
TOTAL	27,659	1,102,909,211	100.00
Shareholding of Directors, CEO & Children			
Syed Asad Ali Shah		7,350	
Tahir Jawaid		7,350	
Mir Javed Hashmat		8,400	
Shareholding of Banks, DFI & NBFI			
Pakistan Industrial & Commercial Leasing Ltd.		2,679	
Soneri Bank Limited		16,844	
Pakistan Industrial & Comm. Leasing Ltd.		24,123	
Escorts Investment Bank Limited		12,384	
Shareholding of Insurance Companies			
TPL Insurance Limited		16,751	
The Pakistan General Ins. Co. Ltd		199	
Major Shareholders			
Government of Khyber Pakhtunkhwa		774,184,576	
Ismail Industries Ltd.		269,383,781	

Statement of Compliance

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

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

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

- a. Male: Seven (7)
- b. Female: One (1)

2. The composition of the Board is as follows:

Category	Name
Independent Directors	Syed Asad Ali Shah Mr. Tahir Jawaaid (a) Mir Javed Hashmat (b) Mr. Abid Sattar (b) Dr. Aliya Hashmi Khan (c) Mr. Osman Asghar Khan
Non-Executive Directors	(d) Syed Imtiaz Hussain Shah (Government Nominee Ex-Officio) (e) Mr. Amer Sultan Tareen (Government Nominee Ex-Officio)
Executive Directors	(f) Mr. Muhammad Ali Gulfaraz (Managing Director)

(a) Mir Javed Hashmat, independent director, tendered his resignation, which was accepted on November 27, 2023. Subsequent to the year end, Mr. Muhammad Shahid Sadiq has been appointed as a director on March 4, 2024.

(b) Nominated by Government of Khyber Pakhtunkhwa (GoKP) under section 11 of the Bank of Khyber (Amendment) Act, 2022, having requisite background in banking and finance, and fulfilling the criteria prescribed for independent directors, nominated by the Chief Minister, for a period of three years and may be re-appointed for another three years term only, however, the Chief Minister may remove them at any time. Mr. Abid Sattar and Dr. Aliya Hashmi Khan joined the Board on January 30, 2023, after getting clearance from State Bank of Pakistan (SBP) as independent directors.

(c) Nominated by GoKP under section 11 of the Bank of Khyber (Amendment) Act, 2022, having requisite background in the banking and finance, as independent director, until a director is nominated by a foreign or local institution, by virtue of their shares in the Bank. Mr. Osman Asghar Khan joined the Board on July 3, 2023, after getting clearance from SBP as an independent director.

(d) Mr. Shahab Ali Shah was replaced by Mr. Ikramullah Khan on January 10, 2023, Mr. Ikramullah Khan was replaced by Mr. Muhammad Zubair Asghar Qureshi on July 10, 2023 and replaced by Syed Imtiaz Hussain Shah on October 10, 2023.

(e) Mr. Muhammad Ayaz was replaced by Mr. Amer Sultan Tareen on October 12, 2023.

(f) Subsequent to the year end, Mr. Muhammad Ali Gulfaraz ceased to be the Managing Director of the Bank with effect from January 3, 2024 and Mr. Irfan Saleem Awan has been appointed as Managing Director (Acting).

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank;
4. 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;
5. 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;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

Statement of Compliance

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

9. During the year, the Board arranged Director's Training program for Mr. Muhammad Ali Gulfaraz and Dr. Aliya Hashmi Khan from Pakistan Institute of Corporate Governance (PICG).

It is to be noted that Mir Javed Hashmat, Mr. Tahir Jawaid, Mr. Abid Sattar, Syed Imtiaz Hussain Shah and Mr. Osman Asghar Khan have already completed their Director's Training programs. Syed Asad Ali Shah meets the exemption requirement of the Director's Training program.

Further, the Bank intends to arrange Director's Training program for Mr. Amer Sultan Tareen, at the earliest.

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 2. Mr. Amer Sultan Tareen 3. Mr. Abid Sattar 4. Dr. Aliya Hashmi Khan 5. Mr. Osman Asghar Khan	Chairman Member Member Member Member
2	Human Resource & Remuneration Committee	1. Dr. Aliya Hashmi Khan 2. Mr. Tahir Jawaid 3. Mr. Abid Sattar	Chairperson Member Member
3	Risk Management Committee	1. Mr. Abid Sattar 2. Dr. Aliya Hashmi Khan 3. Dr. Amer Sultan Tareen 4. Mr. Muhammad Ali Gulfaraz	Chairman Member Member Member
4	I.T. Steering Committee	1. Mr. Abid Sattar 2. Mr. Tahir Jawaid 3. Mr. Osman Asghar Khan 4. Mr. Muhammad Ali Gulfaraz	Chairman Member Member Member
5.	Compliance Committee	1. Mr. Tahir Jawaid 2. Mr. Abid Sattar 3. Mr. Muhammad Ali Gulfaraz	Chairman Member Member

The Board committees have the required diversity, experience and skills to function effectively.

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)	Board Audit Committee	9
b)	Human Resource & Remuneration Committee	8
c)	Risk Management Committee	6
d)	I.T. Steering Committee	1
e)	Compliance Committee	4

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 broad functions of Nomination Committee are being performed by the Board of Directors. A separate Nomination committee is not required.
- ii) Four (4) directors attended the 32nd Annual General Meeting (AGM) of the Bank. Remaining directors provided reasonable cause for not attending the AGM.



IRFAN SALEEM AWAN

Managing Director (Acting)



SYED IMTIAZ HUSSAIN SHAH

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, 2023 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, 2023.

Further, we highlight the content of para no. 2 (b) and 2 (c) in respect of directors appointed by the Government of Khyber Pakhtunkhwa.

A handwritten signature in black ink, appearing to be 'A. F. Ferguson'.

Chartered Accountants

Islamabad

Date: March 7, 2024

UDIN: CR202310050RWGkSPcZi

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, 2023, 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 material accounting policy information 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, 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit 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>Provision against advances</p> <p>(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 750,186 thousand in the profit and loss account in the current year. As at December 31, 2023, the Bank holds a total provision of Rs 8,115,483 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"> controls over correct classification of non-performing advances on time-based criteria; controls over monitoring of advances with higher risk of default; and controls over accurate computation, approval and recording of provisions. <p>We selected a sample of loan accounts and performed the following substantive procedures:</p> <ul style="list-style-type: none"> checked repayments of loan / mark-up installments and tested classification of non-performing advances based on the number of days overdue; and 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. <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.

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

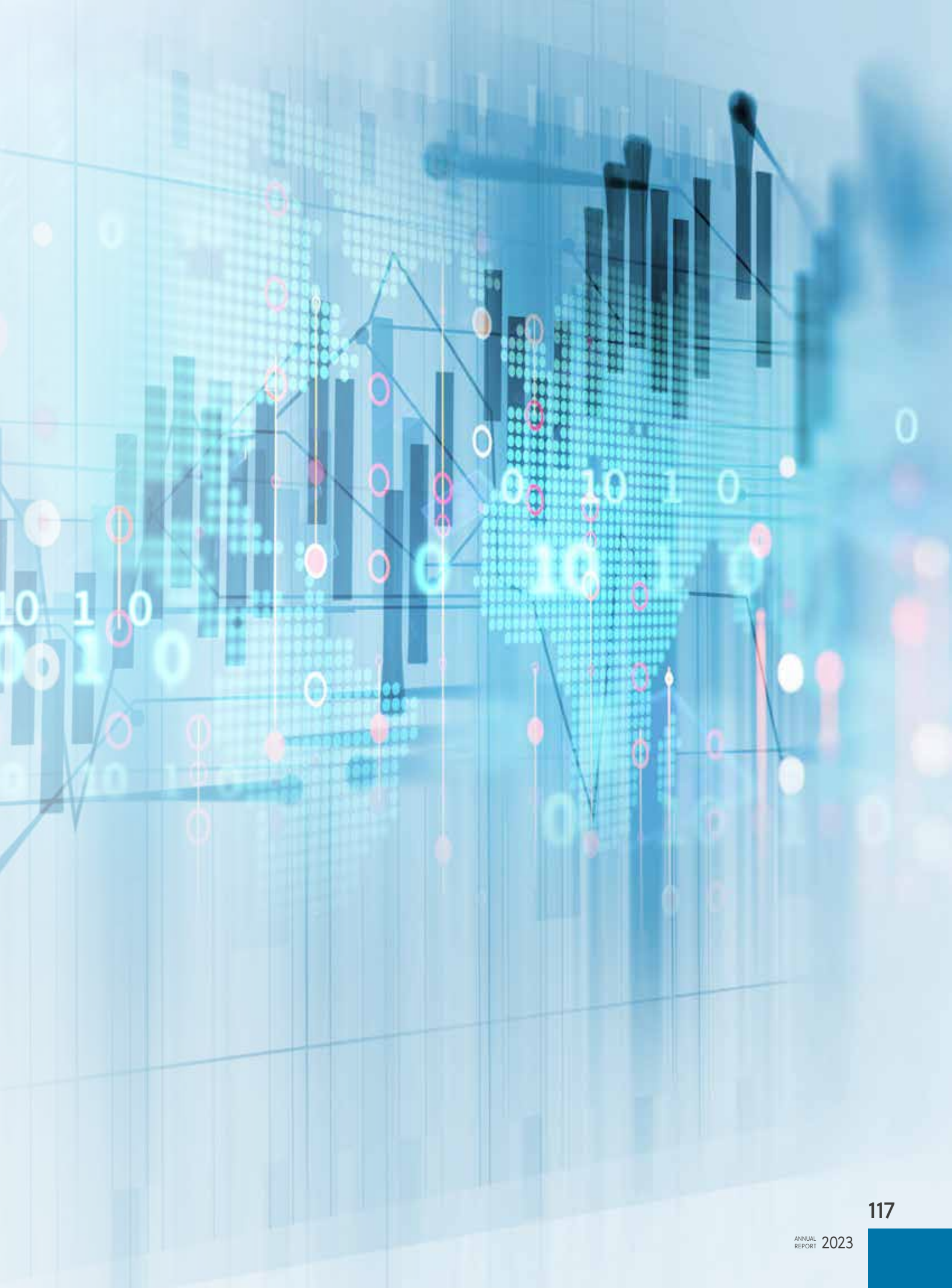


Chartered Accountants

Islamabad

Date: March 7, 2024

UDIN: AR202310050gXjrREUml





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, an efficiently designed and effectively implemented system of internal controls is also subject to certain inherent limitations. Nevertheless, an effective system of internal controls can provide reasonable assurance regarding state of internal controls in the Bank.

Statement of Management on Internal Control

The management of the Bank is committed to maintaining a sound system of internal controls, including controls on financial reporting and compliance. We believe that an effective internal control system is essential to safeguarding the Bank's assets, promoting accurate financial reporting, and ensuring compliance with applicable laws and regulations.

Components of Internal Control

Our internal control system is based on the five components of the COSO framework:

Control Environment: The foundation of our internal control system is our strong control environment, which is characterized by a commitment to integrity and ethical values from our board of

directors and management. The Bank has adopted 3LOD ("three lines of defense") model which serves as a baseline 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 Group to ensure its independence and to provide reasonable assurance on the state of internal controls. The Board Audit Committee provides overall guidance and support to the Internal Audit function in discharging its duties as per approved Internal Audit Charter.

The Compliance function role is to manage compliance risk by performing its mandated responsibilities as per Compliance Risk Management Framework of SBP.

Risk Assessment: We identify and assess risks that could impact financial reporting and compliance objectives on an ongoing basis. Further, Internal audit perform tasks based on risk-based plan and categories observations on High, Medium and Low category.

Control Activities: We have implemented a variety of control activities to mitigate identified risks, including segregation of duties, authorization procedures, and regular reconciliations. Further,

Bank has completed all stages of ICFR roadmap and an independent Long Form Report (LFR) on the assessment of Bank is issued by the External Auditors and 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, key processes documentation, related controls and management testing plans have been updated to align it with the operating environment after implementation of centralized core banking solution. Since centralization of major controls, the Bank is in the process of improving data management and governance. Further, most of the Bank policies and processes exists and have been updated on regular basis to align it with current operating environment and regulatory provisions which will also pave way 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 in bank's products and services but provides a platform for accurate and efficient regulatory reporting, more informed decision making and bringing efficiency in transaction processing for creating value to the customers.

Information and Communication:

We maintain clear and open communication channels to ensure that all employees are aware of their roles and responsibilities in maintaining effective internal controls. Bank has robust centralized transactional system backed by MIS tool for accurate and efficient management and regulatory reporting.

All external/internal audit findings are tracked, and compliance status is regularly reported to Management and Board Committees.

Monitoring: We regularly monitor the effectiveness of our internal control system through ongoing monitoring activities and periodic internal audits. Management has constituted different forums for attending those controls deficiencies. Further, controlling functions reports to designated committees of the Board for oversight. Significant findings of Internal Audit and External Audit are reported to the Board Audit Committee (BAC). Further, the compliance committee of the Board (BCC) and Board Risk Management Committee (BRMC) monitor various risks falling under their domain.

Based on the external and internal assessment conducted during the year, management believes that the Bank's existing system of Internal Control is adequate in design and implemented across the organization which provides reasonable assurance regarding

effectiveness of internal controls. Further, Management gives highest priority and endeavors to rectify the observations raised by Internal and external auditors, and SBP with respect to governance, risk management and internal control system within the minimum timeframe. The board and management are continuously aiming to make required improvements. The Bank follows SBP Guidelines on Internal Controls and address any deficiencies and opportunities for improvements highlighted on an ongoing basis.



IRFAN SALEEM AWAN

Managing Director (Acting)

Board's Endorsement on management's statement of internal control

The board of directors has reviewed the management's statement of internal control and endorses such statement and acknowledges its responsibility for the oversight of the bank's internal control system. The board is committed to providing the necessary resources and support to ensure that the bank maintains an effective system of internal control.



SYED IMTIAZ HUSSAIN SHAH

Chairman

Profile of Shariah Board Members



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-Ifta 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 بنیادیں کی بینکاری اسلامی (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 Ifta 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.



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-Ifta since in Jamia Darul Uloom Karachi.



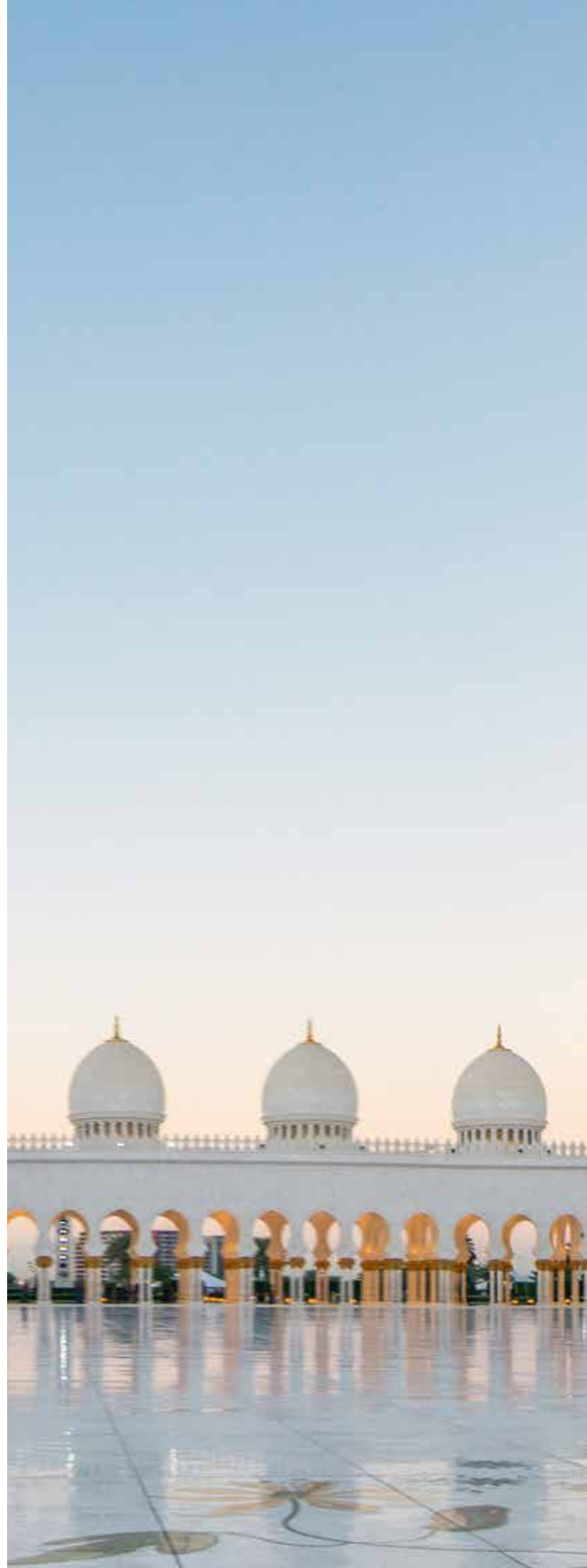
Qazi Abdul Samad

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

Islamic banking has experienced significant growth in recent years as a distinct and viable segment within the global financial industry. The growth of Islamic banking is influenced by several factors, reflecting both the increasing demand for Shariah-compliant financial services and the strategic expansion of Islamic finance institutions. Islamic banking has been growing steadily in Pakistan, gaining an increasing share of the overall banking industry. The State Bank of Pakistan (SBP) has been actively promoting Islamic banking and finance. The SBP has implemented policies and regulations to encourage the development of Shariah-compliant financial products and services.

Islamic Banking Group (IBG) of the Bank of Khyber offers a wide range of Shariah-compliant banking products and services through its (123) dedicated Islamic Banking Branches (IBBs), (08) Sub Islamic Banking Branches and (07) Booths across the country where customers can access services that comply with Islamic principles. These branches operate separately from the conventional banking operations to ensure Shariah compliance. These services include Islamic financing solutions, Islamic deposits, and other Shariah-compliant financial products.

Shariah Compliance Mechanism and Shariah compliance structure of IBG-BoK

Shariah compliance mechanisms are essential for Islamic financial institutions to ensure that their operations and products adhere to the principles of Islamic law (Shariah). These mechanisms are designed to provide assurance to stakeholders, including customers and investors, that the financial activities of the institution are in line with ethical and Shariah-compliant standards.

The importance of Shariah compliance mechanisms in Islamic finance is paramount. These mechanisms are crucial for ensuring that financial activities align with the principles of Shariah, providing a foundation of ethical and religious legitimacy for Islamic financial institutions. Shariah compliance mechanism is a structured framework put in place by Islamic financial institutions to ensure that their operations, products, and transactions

conform to the principles of Shariah, and Islamic law. Therefore, a proper Shariah compliance mechanism has been put in place by IBG in order to ensure that all the activities carried out by the IBG are in line with the Islamic principles and maintain trust of the depositors and other stakeholders on the system. Key components of Shariah Compliance mechanism of IBG include:

Shariah Board (SB):

Islamic Banking Group (IBG), the Bank of Khyber has a Shariah Board consist of renowned Islamic scholars and experts in Shariah law. Shariah Board review, advise, and approve financial products, financial solutions and services offered by IBG to ensure that these are aligned with Shariah rules & principles.

Shariah Compliance Division (SCD):

Bank (IBG) has independent Shariah Compliance Division (SCD). The SCD work under the overall 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 conducted 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 were reviewed regularly on monthly basis before each disbursement. All the financing facilities were reviewed and Shariah clearances granted before approvals. The Shariah process flows were prepared and made part of the Sanction Advices in all financing cases. 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 the record.

Shariah Audit Department (IAD):

Shariah audit plays a critical role in the Islamic financial industry by ensuring that financial institutions' products, and transactions comply with Shariah principles, which

are based on Islamic law. Shariah audit is integral to the functioning of Islamic financial institutions, providing assurance to stakeholders, promoting adherence to Islamic principles, and contributing to the overall integrity and sustainability of the Islamic finance industry. For this purpose, IBG has an independent Internal Shariah Audit Department which conduct timely and periodical review of all organs 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.

Product Development & Research Department:

Islamic financial institutions engage in ongoing research and development to innovate Shariah-compliant financial products and services. 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.

Training & Awareness programs:

Continuous training programs are conducted for employees to enhance their understanding of Shariah principles and their implications for daily operations. This helps ensure that staff members are well-informed about Shariah compliance requirements.

The Shariah Compliance Division, 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 2023

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 5 meetings in 2023, 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 issued 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

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the bank and the transactions and dealings entered into by the Bank during the financial year ended 31 December 2023, 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 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. However, SB is of the view that a comprehensive Islamic banking training plan may be developed for each year to enhance the knowledge of related staff and ensure compliance of SBP instructions in this regard. The SCD also conducted sessions, Group discussions with IBBs 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 with adequate resources to discharge its duties, effectively.

Conclusion

Based on the well-structured Shariah Compliance framework, ongoing monitoring, periodic audits & regular Review, and continuous improvement to adapt to changes in Shariah principles & regulatory requirements and comprehensive policies/guidelines for Shariah compliance issued by IBG-BoK, we are of the opinion that a robust mechanism is in place to ensure Shariah compliance in overall operations of IBG in the Bank of Khyber.

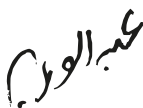
May Allah ﷻ bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the life hereafter and forgive our mistakes.

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

شریعہ بورڈ کی سالانہ رپورٹ

اسلامی بینکاری نے گزشتہ برسوں میں عالمی مالیاتی انڈسٹری میں معتد بہ تناسب کے ساتھ نمایاں ترقی کی ہے۔ اس کی ترقی میں کئی عوامل کارفرما ہوتے ہیں جو اسلامی مالیاتی خدمات کی بڑھتی ہوئی طلب اور اسلامی مالیاتی اداروں کی اپنی خدمات میں توسیع کی حکمت عملی کی عکاسی کرتی ہیں۔ مملکت خداداد اسلامی جمہوریہ پاکستان میں بھی اسلامی بینکاری تیزی سے ترقی کی طرف رو بہ سفر ہے اور مجموعی بینکاری میں اس کا حصہ روز افزوں ترقی کر رہا ہے۔ اسٹیٹ بینک آف پاکستان اسلامی بینکاری اور فنانسنگ کے فروغ کی حوصلہ افزائی کر رہا ہے، اور شرعی اصولوں سے ہم آہنگ مالیاتی پراڈکٹس اور خدمات کی ترقی کے لئے جاری کردہ پالیسیوں اور قواعد و ضوابط پر عمل درآمد کو یقینی بنانے کے لئے کوشاں ہے۔

بینک آف خیبر کا اسلامی بینکاری گروپ (آئی بی جی) ملک بھر میں اپنی (123) مخصوص اسلامی بینکاری برانچوں (آئی بی بیز)، (08) اسلامی بینکاری کی ذیلی شاخوں (sub IBB branches) اور (07) بوٹھوں کے ذریعے اسلامی بینکاری پراڈکٹس اور خدمات کا ایک وسیع سلسلہ پیش کرتا ہے جہاں صارفین اسلامی اصولوں کے مطابق خدمات تک رسائی حاصل کرسکتے ہیں۔ یہ برانچیں شریعت کی تعمیل کو یقینی بنانے کے لئے روایتی بینکاری آپریشنز سے بالکل مختلف خدمات سرانجام دیتی ہیں۔ ان خدمات میں شرکت اور قرض کی بنیادوں پر ڈپازٹس کا حصول اور شرعی اصولوں کے موافق دیگر مالیاتی سہولیات شامل ہیں۔

خیبر بینک کے اسلامک بینکنگ گروپ (آئی بی جی) کے شریعہ کمپلائنس کا طریقہ کار اور شریعہ کمپلائنس کا ڈھانچہ

اسلامی مالیاتی اداروں کے لئے شریعہ کمپلائنس کا نظام انتہائی ضروری ہے تاکہ اس امر کو یقینی بنایا جاسکے کہ ان کے تمام خدمات (Operations) اور مالی سہولیات اور سرمایہ کاری کا طریقہ کار اسلام کے زیریں اصولوں کے عین مطابق ہو۔ یہ طریقہ کار صارفین اور سرمایہ کاروں / مالکان کو اس بات کی یقین دہانی کراتا ہے کہ ادارے کی مالی سرگرمیاں اخلاقی، بین الاقوامی شرعی معیارات اور اسٹیٹ بینک کے جاری کردہ قواعد و ضوابط کے عین مطابق ہیں۔

اس کے لئے اسلامک بینکنگ گروپ (آئی بی جی) کے بورڈ آف ڈائریکٹرز کی جانب سے شرعی تعمیل کا ایک مناسب طریقہ کار وضع کیا گیا ہے تاکہ اسلامک بینکنگ گروپ (آئی بی جی) اپنے تمام تر آپریشنز اور عوامل میں شریعت کے اصولوں پر کارفرما رہے اور اس میں کوئی شرعی سقم یا خامی نہ رہے تاکہ بینک میں سرمایہ جمع کرنے والوں اور اسٹیک ہولڈرز کا اعتماد بحال رہے۔ اسلامک بینکنگ گروپ (آئی بی جی) کے شرعی تعمیل کے اہداف کے حصول کے لئے اسلامک بینکنگ گروپ (آئی بی جی) کے اندر مندرجہ ذیل شعبے قائم کئے گئے ہیں:

شریعہ بورڈ :

اسلامک بینکنگ گروپ (آئی بی جی)، بینک آف خیبر میں ایک ممتاز اور مضبوط شریعہ بورڈ قائم ہے جس میں جید مفتیان عظام، اسلامی اسکالرز اور اسلامی قانون کے ماہرین موجود ہیں۔ جو اسلامک بینکنگ گروپ (آئی بی جی) کی جانب سے پیش کردہ تمام مالیاتی پراڈکٹس، مالیاتی سہولیات اور خدمات کا جائزہ لیتا ہے اور باہمی مشورہ کے بعد شرعی تعلیمات کی روشنی میں منظوری دیتا ہے۔

شریعہ کمپلائنس ڈویژن :

اسلامک بینکنگ گروپ (آئی بی جی)، بینک آف خیبر میں ایک آزاد شریعہ کمپلائنس ڈویژن موجود ہے۔ جو شریعہ بورڈ کی مجموعی رہنمائی اور نگرانی کے تحت کام کرتا ہے۔ بینک انتظامیہ کے طرف سے پیش کردہ تمام پراڈکٹس کی تجاویز اور متعلقہ معاہدوں، مالیاتی عقود، مینوئلز، پروسیجرز، چیک لسٹ وغیرہ استعمال سے قبل شریعہ بورڈ کو منظوری کے لئے پیش ہوتے ہیں۔ شریعہ بورڈ اس کا شرعی جائزہ لینے کے بعد منظور کرتی ہے۔ اسلامک بینکنگ گروپ (آئی بی جی) میں شریعہ بورڈ کا ایک ممبر مستقل طور پر موجود ہوتا ہے جو بینک عملہ کو روزمرہ امور میں شرعی ہدایات دیتا ہے۔ چنانچہ شریعہ کمپلائنس ڈویژن نے ریزیڈنٹ شریعہ بورڈ ممبر کی نگرانی میں بینک کے کاروباری اکائیوں، شاخوں اور ہیڈ آفس کے دیگر ڈیپارٹمنٹس کا شریعہ کمپلائنس / کنٹرول ریویو کیا تاکہ اس بات کو حتمی یقینی بنایا جاسکے کہ اسلامک بینکنگ گروپ کی تمام سرگرمیاں اور معاملات شریعت کے اصولوں کے منافی نہیں ہیں۔ شریعہ کمپلائنس ڈویژن کو نفع و نقصان کی تقسیم سے پہلے پر مہینے کی تمام آمدنی اور اخراجات اور پول مینجمنٹ کا ریکارڈ پیش کیا جاتا ہے اور اس بات کا جائزہ لیا جاتا ہے کہ کوئی مشتبہ منافع یا کسی مہینے میں غیر متعلقہ اخراجات شرکاء کے

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اندر تقسیم نہ ہو۔ اسی طرح اسلامک بینکنگ گروپ (آئی بی جی) کے تمام کریڈٹ پروپوزلز شرعی نظر ثانی کے لئے پیش کی جاتی ہیں جن کا عمیق/ بغور مطالعہ کیا جاتا ہے اور ہر عقد کا مرحلہ وار شریعہ پروسیجرز بنا کر منظوری کے بعد متعلقہ ڈیپارٹمنٹس کے حوالہ کیا جاتا ہے۔

علاوہ ازیں شریعہ کمپلائنس ڈویژن شریعہ بورڈ کے لئے بطور سیکرٹریٹ بھی کردار ادا کر رہا ہے جس کی ذمہ داری میں یہ بھی ہے کہ وہ شریعہ بورڈ کو تمام ضروری سیکرٹریل تعاون فراہم کرے جس میں اجلاسوں کے ایجنڈے، تجاویز، ورکنگ پیپرز کی بروقت فراہمی اور شریعہ بورڈ سے متعلق تمام ریکارڈز کو محفوظ کرنا شامل ہے۔

شریعہ آڈٹ ڈیپارٹمنٹ :

شریعہ آڈٹ اسلامی مالیاتی انڈسٹری میں ایک اہم کردار ادا کرتا ہے اور اس بات کو یقینی بناتا ہے کہ مالیاتی اداروں کی پراڈکٹس اور لین دین شرعی اصولوں سے ہم آہنگ ہیں۔ شریعہ آڈٹ اسلامی مالیاتی اداروں کے فرائض منصبی کا لازمی جز ہے، اسٹیک ہولڈرز کو یقین دہانی، اسلامی اصولوں کی پاسداری کا فروغ، اور اسلامی مالیاتی پراڈکٹس کی مجموعی سالمیت اور استحکام میں کردار ادا کرنا شریعہ آڈٹ کے بنیادی ذمہ داریوں میں شامل ہیں۔ اس مقصد کے لیے اسلامک بینکنگ گروپ (آئی بی جی) میں ایک آزاد انٹرنل شریعہ آڈٹ ڈیپارٹمنٹ قائم ہے جو اسلامک بینکنگ گروپ (آئی بی جی) کے تمام شعبوں اور برانچوں کا وقتاً فوقتاً اور حسب ضرورت جائزہ لیتا ہے تاکہ بینک کے منظور شدہ پالیسیوں، شریعہ اسٹینڈرڈز، شریعہ بورڈ کی ہدایات اور اسٹیٹ بینک کی ہدایات کی روشنی میں اسلامک بینکنگ گروپ (آئی بی جی) کی پالیسیوں، فنانشنگ، آپریشنز اور سرمایہ کاری کے بارے میں آزادانہ نظر ثانی کر کے اپنی رپورٹ فیصلہ کرنے کے لئے شریعہ بورڈ کے پاس بھیجی جا سکے۔

پروڈکٹ ڈویلپمنٹ اینڈ ریسرچ ڈیپارٹمنٹ:

تمام اسلامی مالیاتی ادارے شریعت شرعی اصولوں کے دائرے میں مالیاتی پروڈکٹس اور بینکاری خدمات کو معاشرتی ضرورت اور کسٹمرز کی طلب کے مطابق پرکشش اور جاذب بنانے کے لئے مسلسل تحقیق اور تجدید میں مصروف ہوتے ہیں۔ نئی ڈیپازٹ پروڈکٹس، روایتی بینکاری کے متبادل شریعہ کمپلائنس فنانشنگ پروڈکٹس اور اسلامک بینکنگ آپریشنز کی وسیع مارکیٹنگ کے ذریعے اسلامک بینکنگ گروپ (آئی بی جی) کے ڈیپازٹس اور اثاثوں کو بڑھانے کے لئے پراڈکٹس کی تیاری اور نظر ثانی کا شعبہ اسلامک بینکنگ گروپ (آئی بی جی) میں پروڈکٹ ڈویلپمنٹ اینڈ ریسرچ ڈیپارٹمنٹ کے نام سے موجود ہے۔ جو وقتاً فوقتاً اسلامک بینکنگ گروپ (آئی بی جی) کی موجود پراڈکٹس کی نظر ثانی اور حسب ضرورت نئی پراڈکٹس تیار کر کے منظوری کے لئے شریعہ بورڈ کے پاس بھیجتے ہیں۔

تربیت اور آگاہی کے پروگرام:

بینک کے جملہ سٹاف کے لئے مسلسل تربیتی پروگرام منعقد کیے جاتے ہیں تاکہ وہ اسلامی بینکاری کے شرعی اصولوں سے آشنا ہوں اور ان کے روزمرہ اسلامی بینکاری سے متعلقہ ذمہ داریوں اور امور پر افہام و تفہیم کے معیار کو بڑھا سکیں۔ اس حوالے سے شریعہ بورڈ ممبران، اور شریعہ کمپلائنس ڈویژن کی ٹیم بطور ٹرینرز و سہولت کار، بینک کی طرف سے منعقدہ ٹریننگز، ورکشاپس اور سیمینار میں شریک ہوتے ہیں۔

سال 2023 کی اسلامک بینکنگ گروپ (آئی بی جی) سرگرمیوں پر شریعہ بورڈ کی رائے

سٹیٹ بینک آف پاکستان کی طرف سے اسلامی بینکاری کے لئے جاری کردہ شریعہ گورننس فریم ورک کے مطابق، اگرچہ بورڈ آف ڈائریکٹرز اور ایگزیکٹو مینجمنٹ (اعلیٰ انتظامیہ) اس بات کو یقینی بنانے کے پابند اور ذمہ دار ہیں کہ اسلامک بینکنگ گروپ (آئی بی جی) کے آپریشنز ایسے منظم طریقے سے سرانجام دیئے جائیں کہ ان میں ہمیشہ شرعی اصولوں کی تعمیل اور نفاذ یقینی ہو، البتہ ہم (شریعہ بورڈ) اسی شریعہ گورننس فریم ورک کے تحت پابند ہیں کہ اسلامک بینکنگ گروپ (آئی بی جی) کے اندر ڈیپازٹس سے لے کر سرمایہ کاری تک اسلامی بینکاری کے سارے معاملات سے متعلق اور نفع و نقصان کی تقسیم کے نظام کی شریعہ کمپلائنس اور بینک کے اندر شریعہ کمپلائنس کے ماحول پر ایک رپورٹ پیش کریں۔ اس مقصد کے لئے، شریعہ بورڈ نے مندرجہ ذیل امور انجام دیے ہیں:

1. شریعہ بورڈ کو پیش کردہ اسلامک بینکنگ گروپ (آئی بی جی) کے تمام شرعی امور پر غور و خوض، فیصلہ اور منظوری کے لئے 2023ء میں 5 اجلاس منعقد کیے گئے۔

شریعہ بورڈ کی سالانہ رپورٹ

2. اس سال اسلامک بینکنگ گروپ (آئی بی جی) کی جانب سے پیش کردہ تمام پروسیجر مینوئلز، پروڈکٹ پروگرامز / اسٹرکچرز، پروسیس فلوز، متعلقہ معاہدوں، مارکیٹنگ اشتہارات اور بروشرز کا جائزہ لیا گیا اور ان پر شرعی کلیئرس دی گئی۔
3. شریعہ کمپلائنس ریویو اور شریعہ آڈٹ کے سالانہ پلانز دونوں کی منظوری دی گئی تاکہ اس سال کے دوران اسلامک بینکنگ گروپ (آئی بی جی) کی سرگرمیوں کے معتد بہ حصے کے شرعی آڈٹ / جائزے کو یقینی بنایا جاسکے۔
4. اندرونی شریعہ آڈٹ، بیرونی شریعہ آڈٹ اور سال رواں میں پیش کی جانے والی شرعی کمپلائنس ریویو رپورٹوں سے متعلق تمام شرعی امور پر مناسب کارروائی کے متعلق احکامات صادر کئے۔
5. اسلامک بینکنگ گروپ (آئی بی جی) کے تمام فنانشنگ کیسز کی شرعی کلیئرس اور ریزیڈنٹ شریعہ بورڈ ممبر کی نگرانی میں شریعہ کمپلائنس ڈویژن کی جانب سے فراہم کردہ ٹرانزیکشنز کے شرعی طریقہ کار کی توثیق کی۔
6. اس کے علاوہ اسلامک بینکنگ گروپ (آئی بی جی) کی ماہانہ آمدنی اور اخراجات کے کھاتوں اور پول مینجمنٹ سرگرمیوں کے اکثر حصے کا بھی جائزہ لیا گیا اور بینک کی انتظامیہ کی طرف سے پیش کردہ تمام امور پر شرعی اصولوں کو مد نظر رکھ کر جواب دیا گیا۔
7. سال کے دوران بینک کے ٹریننگ ڈویژن کی جانب سے منعقد کی جانے والی مختلف اسلامی بینکاری ٹریننگز اور سیمینارز میں بھی حصہ لیا تاکہ اسلامک بینکنگ گروپ (آئی بی جی) کے عملے کی استعداد کار میں اضافہ کیا جاسکے اور انہیں خلاف شرع عقود و عوامل کے خطرات اور اسلامک بینکنگ گروپ (آئی بی جی) کی ساکھ اور کاروبار پر اس کے ممکنہ مضمرات سے مکمل طور پر آگاہ کیا جاسکے۔
8. سٹاف ٹریننگز کے علاوہ بینک کے کھاتہ داروں تاجر برادری، نیز عام لوگوں کے لئے منعقد کیے گئے بہت سے اسلامی بینکاری عوامی آگاہی پروگراموں میں حصہ لیا ہے تاکہ یہ اعتماد فراہم کیا جاسکے کہ اسلامک بینکنگ گروپ (آئی بی جی) کو تجربہ کار اور مہارت یافتہ افراد کا تعاون حاصل ہے۔

لہذا، مندرجہ بالا سرگرمیوں کی بنیاد پر، ہمارا خیال ہے کہ:

1. اسلامک بینکنگ گروپ (آئی بی جی) نے اسٹیٹ بینک آف پاکستان کے اسلامک بینکنگ ڈیپارٹمنٹ اور بینک کے شریعہ بورڈ کی جانب سے جاری کردہ ہدایات، قواعد و ضوابط، ہدایات اور احکامات کی تعمیل کی ہے اور 31 دسمبر 2023ء کو ختم ہونے والے مالی سال کے دوران بینک کی جانب سے کئے گئے عقود اور معاملات شرعی قواعد و ضوابط کے مطابق ہیں۔
2. اسلامک بینکنگ گروپ (آئی بی جی) کے پاس اپنے مجموعی آپریشنز میں شریعت کی تعمیل کو یقینی بنانے کے لئے ایک جامع نظام اور طریقہ کار موجود ہے۔ یہ طریقہ کار آزاد شریعہ بورڈ، شریعہ کمپلائنس ڈویژن، شریعہ ریسرچ و ریویو ڈیپارٹمنٹ، انٹرنل شریعہ آڈٹ اینڈ شریعہ ریویو ڈیپارٹمنٹس، کل وقتی شریعہ بورڈ ممبر پر مشتمل ہے۔ اسٹیٹ بینک کے شریعہ گورننس فریم ورک کے مطابق اسلامی بینکاری کے عملے کے لئے باقاعدہ اندرون بینک اور بیرونی تربیت کی سہولتیں بھی موجود ہیں۔
3. بینک میں نفع اور نقصان کی تقسیم اور پول مینجمنٹ کا ایک جامع نظام موجود ہے۔ زیر تبصرہ سال میں منافع کی تقسیم کا طریقہ کار، فنڈز کی تقسیم، آمدنی اور اخراجات، ویٹیجز اور بینک کے اسلامک بینکنگ گروپ (آئی بی جی) کے دیگر امور اسلامی قواعد و ضوابط کے مطابق شریعہ بورڈ کی طرف سے منظور کردہ اصولوں کے مطابق ہیں۔
4. بینک کی آمدنی کے تمام ذرائع شریعت کے مطابق ہیں اور کوئی بھی آمدنی جو شرعی لحاظ سے ممنوعہ راستے یا ذرائع سے حاصل کی گئی ہے اسے خیراتی اکاؤنٹ میں منتقل کر دیا گیا ہے جو بینک کی منظور شدہ چیریٹی پالیسی کے مطابق تقسیم کی جائے گی۔
5. اس سال شریعہ بورڈ نے بینک کے انتظامیہ کو اسلامی بینکاری سے متعلقہ عملے کی صلاحیتوں کو فروغ دینے کی سفارش بھی کی ہے۔ اس سلسلے میں ہیومن ریسورس ڈیولپمنٹ گروپ (ایچ آر ڈی گروپ) کے کم زیر نگرانی ٹریننگ ڈویژن نے بینک کے ٹریننگ سینٹر میں مختلف ٹریننگز کا اہتمام کیا ہے اور نیشنل انسٹیٹیوٹ فار بینکنگ اینڈ فنانس اور دیگر اسلامی بینکاری تربیتی اداروں کے منعقد کردہ ٹریننگز میں شرکت کے لئے

شریعہ بورڈ کی سالانہ رپورٹ

اسلامی بینکاری کے عملے کی ایک بڑی تعداد کو نامزد کیا ہے۔ تاہم، شریعہ بورڈ کا خیال ہے کہ متعلقہ عملے کے علم و فہم میں مزید اضافہ کرنے اور اس سلسلے میں اسٹیٹ بینک کی ہدایات پر عمل درآمد کو یقینی بنانے کے لئے ہر سال کے لئے ایک جامع اسلامی بینکاری ٹریننگ پلان تیار کیا جانا چاہیے۔ شریعہ کمپلائنس ڈویژن نے شریعہ کمپلائنس ریویوز/انسپیکشنز کے دوروں کے دوران اسلامی بینکاری برانچوں کے ساتھ ٹریننگ سیشنز، اجتماعی گفتگو کا بھی انعقاد کیا ہے۔

6. عملے کی آگاہی، استعداد اور معاملات کی نزاکت اور حساسیت کا ادراک اور شریعت کی تعمیل کے لئے تگ و دو بہت تسلی بخش رہی ہے۔

7. شریعہ بورڈ کو اپنے فرائض کو موثر انداز میں نبھانے کے لئے مناسب وسائل فراہم کئے گئے ہیں۔

خلاصہ کلام:

شریعہ کمپلائنس اور شریعہ کمپلائنس فریم ورک، مسلسل نگرانی، وقفے وقفے سے آڈٹ اور باقاعدگی سے ریویو و نظرثانی کی بنیاد پر، نیز شرعی اصولوں اور ریگولیٹری تقاضوں کے نتیجے میں ہونے والی ترامیم کو اپنانے اور شریعہ کمپلائنس کے لیے جامع پالیسیوں/رہنما اصولوں کے اجراء کی بنیاد پر ہماری رائے ہے کہ بینک آف خیبر میں اسلامک بینکنگ گروپ (آئی بی جی) کے پاس اپنے آپریشنز میں شریعہ کمپلائنس کو یقینی بنانے کے لیے ایک مضبوط اور فعال نظام موجود ہے۔

اللہ سبحانہ و تعالیٰ ہمیں اپنے پسندیدہ کاموں کی انجام دہی کے لئے بہترین توفیق سے نوازے، ہمیں دنیا و آخرت میں سرخ روئی عطا کرے اور ہماری غلطیوں کو معاف فرمائے۔

» اور ہم نے وہی بات کہی جو ہمارے علم میں آئی ہے، اور غیب کی نگہبانی تو ہمارے بس میں نہیں تھی۔« (سورہ یوسف، آیت 81)

واللہ اعلم بالصواب

Qazi Abdul Samad

RSBM

Mufti Abdul Wahab

Member
Shariah Board

Mufti Muhammad Arif Khan

Member
Shariah Board

Mufti Muhammad Zahid

Chairman
Shariah Board



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

BoK's Information security has the responsibility for the protection of information, monitoring, and oversight of the enterprise-level Information security needs of the bank. The IS division ensures that regulatory and management expectations are met with respect to underlying functions. The goal is to enhance the information security posture of the bank. Additionally, the division administratively manages the underlying functions and ensures that their needs in terms of required resources, tools, and training are met for them to operate effectively.

IT & IS 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.

The ISD (Information Security Division) has undertaken a comprehensive set of initiatives during 2023 to address various security challenges and enhance its overall security posture. These initiatives cover multiple areas, including endpoint security, data security, identity and access management, vulnerability management, security awareness campaigns, and cardholder data protection.

Endpoint Security

Implemented an EDR solution with Sandbox and KATA to proactively detect and contain threats, resulting in a decreased number of malware incidents and improved employee vigilance.

Data Security

Deployed a DLP solution with data classification to prevent unauthorized data leaks, achieving a reduction in false positives and increased employee engagement with the tools.

Identity and Access Management

Implemented a PAM solution to restrict privileged access, leading to a decrease in unauthorized access attempts and faster response times to access violations.

Vulnerability Management

Conducted regular vulnerability assessments and penetration testing, significantly reducing the number of unpatched vulnerabilities and improving the overall patch deployment rate. Regular tabletop exercises were conducted to simulate security incidents and test incident response procedures and readiness.

Security Awareness

Launched information security awareness campaigns, leading to increased employee participation and stronger reporting of suspicious activity.

Compliance

- Achieved SWIFT CSCF compliance.
- Completed ISO 27001-2022 Gap Assessment, demonstrating a commitment to industry best practices.
- Completed PCI DSS Gap Assessment to ensure secure cardholder data handling.

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 expectation of internal and external stakeholders

is 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.

ISD plays an important role in overall risk management strategy. BITSC is committed to overseeing the management of this risk and regularly engages with management to understand the Bank's cybersecurity posture, including risk assessment, incident response plans, and compliance with relevant regulations and industry standards.

BoK have Security Information and Event management (SIEM) & vulnerability assessment management program in place as an "early warning system" that enables the bank to identify, assess, address the risks and make timely disclosures to the board about cybersecurity risks and incidents.

IT & IS Governance & Cybersecurity

ISD conducts comprehensive 3rd party security assessments of technology infrastructure annually to compliment internal assessments to identify and address any potential vulnerabilities. Recent such review was carried out in last quarter of 2023.

In the event of an IT failure or cyber breach, The Bank has resilient contingency and disaster recovery plan in place to minimize the impact on operations. The Bank has also obtained cyber insurance to further mitigate any potential financial losses.

A comprehensive information security training is in place to bring cybersecurity risks awareness in all employees. In addition to that, a comprehensive email campaign is conducted for all employees to bring cybersecurity awareness among all employees to mitigate cybersecurity risks.

These measures collectively form a proactive and comprehensive cybersecurity strategy, safeguarding our organization against potential threats while fostering a culture of cybersecurity awareness among our employees.

SIEM and Vulnerability Assessment

Leveraging a robust SIEM (Security Information and Event Management) and a proactive vulnerability assessment program.

Multi-Layered Early Warning System

Implementation of a multi-layered early warning system, integrating cutting-edge tools such as endpoint detection, data leak prevention, and access management. Ongoing penetration testing and security awareness campaigns to bolster our defense against evolving cyber threats.

Incident Response Capability

Swift detection, analysis, and response capabilities to effectively address cyber threats. Ensuring the board is consistently informed about the evolving threat landscape.

Contingency and Disaster Recovery

A resilient contingency and disaster recovery plan to minimize operational impact in the event of an IT failure or cyber breach. Mitigating potential financial losses through the adoption of cyber insurance.

Information Security Training

Implementation of a comprehensive information security training program to enhance cybersecurity awareness across all employees. Regular email campaigns designed to educate and reinforce cybersecurity best practices among all staff members.

Forward Looking

The IS & IT divisions are ecstatic to outline the strategic initiatives and planned activities for the year 2024, aimed at enhancing the technological cybersecurity posture of BoK. Mainly enhancing the access controls, enhanced vigilance and expanding the data protection controls to wider user base. These endeavors are designed to fortify and improve our defenses, ensure regulatory compliance, and proactively address emerging threats. While our actual results may vary due to unforeseen factors, we are committed to diligently pursuing these endeavors.

The activities that are planned for the future are:

- Implementation of Digital Risk.
- Protection Platform.
- ISO 27001 Certification.
- Legacy Hardware replacements.
- Deployment of the RAAST P2M.
- Inclusion in the eKYC pilot launch.
- Go-Live with the New MasterCard Virtual+Physical.
- Launch of the New Native App.
- 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 & Cheque Deposit Machines.
- Open Banking - Integration with Fintechs.
- Complete Paperless Digital Onboarding for Customers.



Digital Banking

Overview

Digital Banking at the Bank of Khyber plays a crucial role in advancing the Bank's digital transformation agenda. It encompasses key divisions such as Automation, Digital, Marketing & PR, MIS, Alternate Delivery Channels, Card Production, Call Center, and ATM Monitoring, collectively forging a modern approach to banking operations.

Bank's strategy is focused on integrating front-end customer services with back-end system improvements seamlessly. On the front end, we prioritize delivering innovative digital solutions like user-friendly mobile banking apps and personalized online platforms to meet the evolving needs of our customers. Simultaneously, we enhance back-end operations through automation, system integration, and strengthened infrastructure.





The Bank is dedicated to streamlining internal processes and increasing workflow efficiency with minimal manual intervention using advanced technologies. Our Digital division spearheads the development and implementation of digital banking solutions to ensure intuitive user experiences. Marketing & PR efforts are directed towards effectively communicating digital initiatives, enhancing brand awareness, and engaging customers. The MIS department supports strategic decision-making with essential data analytics and insights for continuous improvement.

Additionally, the Alternate Delivery Channels department broadens our reach through various channels such as ATMs and agent banking. The Card Production unit maintains the timely issuance of secure banking cards, while the Call Center and ATM Monitoring teams provide continuous customer service and maintain operational efficiency.

In summary, the Bank of Khyber's Digital Banking Group is dedicated to developing robust systems, partnerships, and processes that enhance the bank's overall impact. By integrating front-end services with back-end enhancements, The Bank tackle key challenges and drive innovation, efficiency, and growth throughout the organization.

Digital Banking Strategy

Emphasizing digital innovation to enhance customer experience and operational efficiency. Key strategies include the adoption of advanced digital technologies, development of user-friendly interfaces, and implementation of robust cybersecurity measures. KPIs to measure this include digital adoption rates, customer satisfaction scores related to digital services, and operational cost savings achieved through digitalization. These indicators are likely to remain relevant in the future as digital banking continues to evolve and shape the industry.

Customer Engagement

Focusing on personalized customer interactions to deepen relationships and drive loyalty. Strategies encompass data-driven insights, tailored product offerings, and omni-channel communication. KPIs such as Net Promoter Score (NPS), customer retention rates, and cross-selling effectiveness can gauge the success of these strategies. As customer expectations evolve, these indicators will need periodic review and adjustment to ensure relevance.

Innovation and Product Development

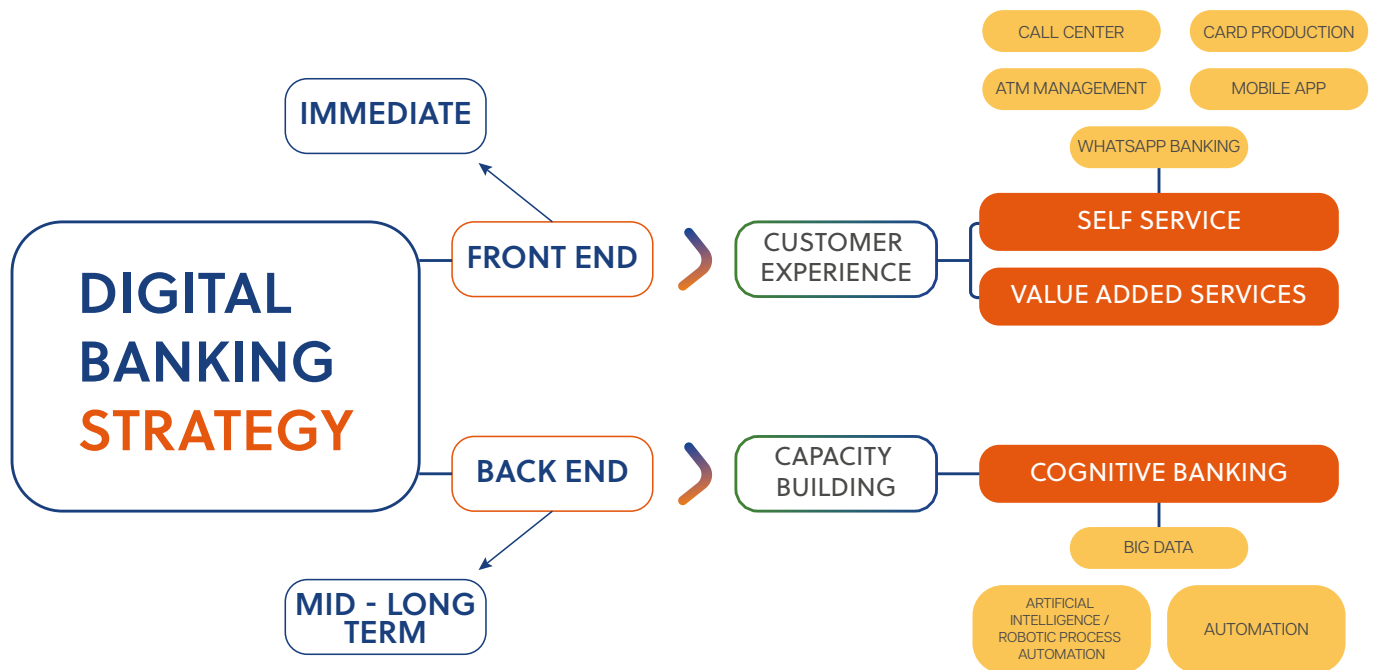
Promoting a culture of innovation to drive new product development and stay ahead of market trends. Strategies involve fostering collaboration, investing in research and development, and leveraging customer feedback. KPIs like new product adoption rates, time-to-market for new offerings, and revenue contribution from innovative products can measure the success of these strategies. Given the rapid pace of technological advancements, the relevance of these indicators will necessitate continuous assessment and adaptation.

Through these strategic initiatives, our Digital Banking Group aims to lead the way in delivering cutting-edge digital banking solutions that meet the evolving needs of our customers while driving sustainable growth for our bank.

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Digital Banking



Digital banking with SDG

Our group is committed to advancing several Sustainable Development Goals (SDGs) through strategic initiatives aimed at promoting financial inclusion, gender equality.

We support innovation and infrastructure development to drive economic growth and promote sustainable development. This includes investment in technology and digital infrastructure, as well as partnerships with industry stakeholders to support innovation and entrepreneurship.

Specifically, in line with our commitment to gender equality, we have implemented initiatives to hire more women in traditionally

male-dominated roles, including positions in our call center and ATM monitoring and card production unit. By diversifying our workforce and providing equal opportunities for all employees, we aim to create a more inclusive and equitable workplace while contributing to SDG.

Digital Banking Performance

A growth of 102% in digital users signifies a substantial increase in the number of individuals utilizing digital channels and platforms offered by the organization. This suggests a significant shift towards digital banking services, reflecting changing consumer preferences and increased adoption of technology for financial transactions.

The growth of 221% in transactions indicates a remarkable surge in the volume of activities conducted through digital channels. This could encompass various transactions such as fund transfers, bill payments and other financial activities processed electronically.

Furthermore, the impressive growth of 390% in value highlights a substantial increase in the total monetary worth of transactions conducted digitally. This signifies not only an increase in the volume of transactions but also an escalation in the magnitude of financial activities processed through digital channels. It may indicate larger transactions, higher-value purchases, or a greater adoption of digital payment solutions for significant financial transactions.

Forward Looking

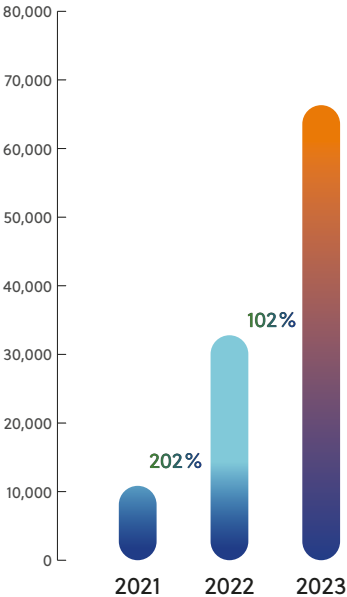
As we look forward to the year 2024, the Group remains steadfast in its commitment to innovation, growth, and excellence in the banking services. Building upon our past successes, we have outlined several planned activities to propel us towards our strategic objectives.

We will continue to invest in digital technologies to enhance our digital banking offerings and expand our reach to new customer segments. This includes the development of innovative mobile banking solutions, the introduction of personalized digital services, and the launch of e-commerce for the first ever time for our customers.

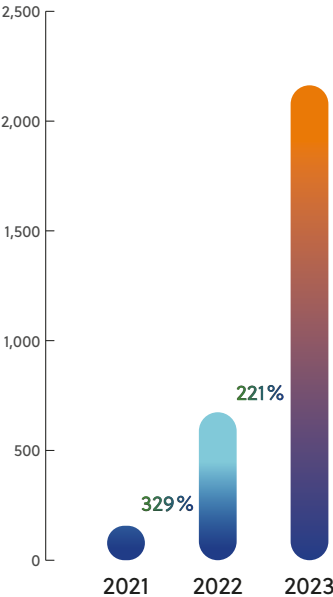
We are committed to enhancing customer relationships by offering personalized banking solutions. Our strategy includes launching targeted marketing campaigns, bolstering customer engagement, and introducing innovative loyalty programs to improve satisfaction and retention. Additionally, strategic alliances will be pivotal in executing cost-effective and time-efficient projects.

DIGITAL USER & TRANSACTIONAL STATS

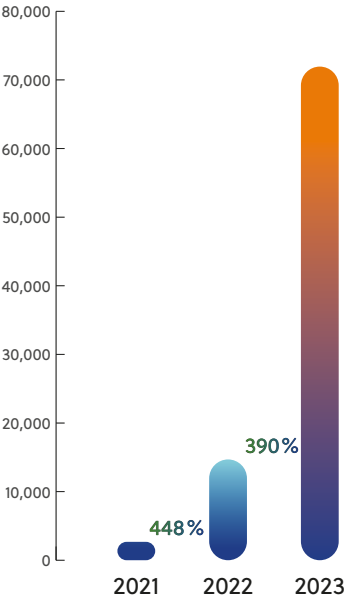
BOK Digital Users



No. of Transactions ('000)



Value in Millions



Digital Banking









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 has 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.

Fresh relationships with corporate entities have been established and more 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.

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.

The Bank launched "Pay Plus Current Account" for capturing payroll of KP Government. The said product is first of its kind in the banking industry. It is a two-way product, which will not only widen our customer base and add to current deposits of the Bank but will also enhance its

consumer finance portfolio. Till date, 65,000 Pay Plus Current Accounts opened so far where monthly payroll is routed through these current accounts.

The Bank previously had no presence in any of the Public Sector Universities of KP despite of being Provincial Government Bank. For the first time in history, BoK got presence in 17 public sector Universities of KP. Universities and professional colleges act as nurseries for New to Bank (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.

For the first time in the history of BoK, real time customized Cash Management System developed indigenously by IT Division of the Bank and Conventional Banking Group that has captured various customers for this product.

Another initiative in the pursuit of digitization of KP Govt. departments for the convenience of general public includes digitization of admission registration and fee collection of public sector universities including Khyber Medical University Peshawar and Abdul Wali Khan University Mardan, introducing and developing customized system for E-Bidding of KP Mines & Minerals Department, introducing cash collection &

management system for all TMAs across KP, providing tailor made fee collection solutions for almost all the public sector universities of KP which not only facilitates the universities administration but also the public.

This facility has helped the Govt. and these universities by providing easy reconciliation and ensuring transparency.

BoK is facilitating digital transformation of the Provincial Govt. institutions by introducing innovative products & services. Few of such initiatives include CBG signing MOU with SBP, KP-IT Board and KP Government.

Also, For the first time in history, SBP has awarded any other bank apart from NBP, the status of collecting agent of the provincial Govt. and BoK received this privilege.

Forward looking statement

- By the end of year 2024, The Bank is planning to cross Pay Plus Current accounts by 100,000 Accounts mark since CBG has successfully procured entire payroll of FC North and KP Police along with many other institutions.
- Tapping the private sector universities and hospitals by introducing innovative products and services.

- Onboarding maximum Cash Management customers of provincial government departments as well as private sector corporates
- Exploring New Business Avenues and Vistas
- Optimization of Existing Customer Base and Network
- Extending outreach of existing products through technological interventions
- Cost of Deposit Management for Obtaining Optimized Results
- 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 to 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.
- 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.

Group Performance Review

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.

During 2023, The Islamic Banking Group-IBG has successfully opened 03 New Branches. Additionally, a sub branch was converted into a full fledged branch, thereby, expanded its total branch network to 123 Branches out of which 102 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 8% in total Deposits from Rs. 82.4 billion to Rs. 89.01 Billion. Private sector deposits remained the main focus which registered a phenomenal growth of 20% and this area will remain our focus and priority in the year 2024 as well.

Corporate Assets Division strategy to bank with Top-tier entities was followed in 2023 as well.

SME Division, despite several economic challenges has performed well and broadened its asset base

by adding fresh financing through wide range of refinance products, PMYB&ALS and I-SAAF (SME Asaan) schemes with subsidized pricing.

Consumer Division has added fresh Financing to their Portfolio through new customers. This performance was despite macro-economic challenges posed by various external factors such as the escalation of the bank's interest rates, elevated auto prices coupled with reduced demand for new housing cases in 2023.

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.

In the medium to long term, The Bank aims to capitalize on emerging opportunities in the digital banking space, enhance operational efficiency through process optimization, and strengthen its position. However, actual results may vary depending on macroeconomic conditions, regulatory developments, and competitive dynamics.

It is important to note that forward-looking statements are inherently uncertain and are subject to change based on various factors beyond BoK's control. Investors and stakeholders are cautioned not to place undue reliance on these forward-looking statements, as actual results may differ materially from those expressed or implied by such statements. The Bank disclaims any obligation to update or revise forward-looking statements, except as required by applicable laws and regulations.

Treasury & Investment Banking Group

During FY-2023, 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 had gradually increased the policy rate to 22%.

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 almost 120% during FY-2023. 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.

The Group improved investment yields and fx income by virtue of taking corrective decisions and cash flow management. Investments were made in PIB Floaters for yield enhancement and to have an optimum yield pickup in a rising interest rate scenario. With disciplined borrowing, improved portfolio management, the Bank remained aligned with its portfolio strategy despite of challenging economic conditions.

Forward Looking Statement

Keeping in view the prevailing economic conditions and interest rate outlook for 2024, the Group will continue to re-profile/reposition its portfolio during the year 2024 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.

Treasury is continuously looking to have;

- The right maturity balance sheet and interest rate ladders.
- IPS investment for clients and transform treasury to be an efficient counterpart in the interbank market; and
- For improved fixed income and foreign exchange activity.

Key Operational Milestones 2023

Treasury

- Improved FX earnings and built high yield investment portfolio of floating bonds.
- Played a leading role in implementing ISO 20022 for transaction banking within BoK, collaborating closely with the IT team to integrate ISO SWIFT 20022. This achievement marks a significant milestone in the domain.
- ISO 20022 Migration: BoK Journey to Enhanced Payments Automation

Compliance

- Formulated Digital Fraud Prevention Policy
- Successful completed Batch Processing Name Screening exercise against UN Lists
- Successfully reported FATCA and CRS
- Arranged/conducted bank wide training / awareness programs on AML / CFT / CPF for bank's staff through class room and e-Learning portal
- Revised Compliance Manual and Compliance Risk strategy in line with the regulatory requirement



Information Security

- Implementation of Data Leak Prevention (DLP) with Data Classification
- Implementation of Privilege Access Management Solution
- Conducted Third-party Vulnerability Assessment & Penetration Testing and Compromise Assessment
- Conducted Information Security Awareness Campaign
- Performed SWIFT Customer Security Control Framework Compliance
- Embarked on aligning BoK ISD/ITD/DBG to ISO 27001-2022 ISMS Certification
- Embarked on achieving PCIDSS Compliance
- Implemented scenario based testing, including Phishing Simulations, Red/ Blue Team exercises to gauge employee readiness post-awareness campaigns.

Digital Banking

- New mobile banking App launched
- Card production brought in-house to reduce TAT
- Launch of Fraud Risk Monitoring Tool Decision Intelligence
- Secure Ecommerce Launch
- MasterCard Digital Card Pilot Live
- Launch of WhatsApp Banking
- Introduction of Smart Data Dashboards Digital & Branches
- Introduction of integrated complaint management system
- Centralised ATM Management
- Strategic Alliances with FinTech

Risk Management

Updates and improvements in:

- Credit Risk Management Policy
- Operational Risk Management Policy
- Market Risk Management Policy
- Liquidity Risk Management Policy
- Country Risk Management Policy
- Green Banking Policy
- Corporate Risk Rating Model





Corporate Social Responsibility

Corporate sustainability at the Bank of Khyber involves the incorporation of sustainable practices and principles into our operations, strategies, and decision-making processes. We recognize our unique role as a bank in promoting sustainability, given our ability to direct capital and investment towards more sustainable and socially responsible initiatives. This commitment extends to our initiatives, especially those located in Khyber Pakhtunkhwa and other provinces, where we prioritize projects aligned with our sustainability objectives.

Recognizing that our business activities extend beyond mere financial profit, the Bank gives due importance to Health care, education, sports, culture & heritage, tourism, women's empowerment, and environmental conservation. Consequently, our Social Responsibility initiatives align with the United Nations Sustainable Development Goals (SDGs) and are prioritized, reflecting our dedication to fostering a harmonious, collaborative, and equitable society. Through these initiatives, we strive to create a positive and lasting influence, fostering an environment where collaboration and mutual respect flourish for the betterment of all.

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

Gender Equality

- In June 2023, the Bank of Khyber attained the top ranking among small banks in the Gender Equality and Women Friendliness category according to the Banking on Equality (BOE) scorecard, as assessed by the SBP-PBA Coordination Committee with females being 12.5% of the labour force. Bank has established a mandate to champion Diversity,



Equity, and Inclusion (DEI) initiatives, integrating them into various processes including hiring, career development for females, retention strategies, and the implementation of female-friendly policies and platforms. Our Leadership Team is entrusted with a robust mandate to drive gender diversity initiatives, reflected in their Key Performance Indicators (KPIs). Furthermore, our HR policies have been revised to align with this agenda, aiming to position the Bank of Khyber as the 'Preferred Employer' for females.

- Gender-based violence and harassment are unequivocally condemned at the Bank of Khyber (BoK). To reinforce a culture of respect and inclusivity

in the workplace, the bank conducts Code of Ethics and Business Conduct Awareness Sessions across various functions. These sessions serve to educate employees on the importance of upholding ethical standards and fostering a safe and respectful work environment, where all individuals are treated with dignity and professionalism. Such initiatives underscore BoK's unwavering commitment to promoting a workplace free from discrimination and harassment.

- To advance the financial inclusion of women, BoK FemPower offers subsidized rates on banking services for opening women's savings accounts. Additionally, the program conducts financial

literacy awareness sessions, primarily targeting individuals in low-income communities. These efforts are further facilitated by the BoK Asaan Account, which extends accessible banking services to underserved populations. Through these initiatives, the Bank of Khyber aims to empower women by equipping them with the necessary tools and knowledge to manage their finances effectively and participate actively in the economy.

- BoK has a strong Disability Inclusion Agenda driven by the inclusion framework. In alignment with SBP guidelines, we have created a comprehensive framework to better serve all of our customers. We have established eight model branches across Pakistan that have been built with an advanced infrastructure and equipped with specialized security stationery to promote customer inclusivity. In partnership with Friends of Paraplegics Pakistan, our staff has been trained to provide the best possible service to all our customers. These sessions equip our team with the skills to interact professionally with differently-

abled individuals, and we plan to organize additional staff training sessions in the future. At Bank of Khyber we believe that everyone deserves access to quality banking services, regardless of their abilities. We are proud to be a bank that is committed to inclusive banking.

Clean Water and Sanitation

In partnership with the District Administration of Peshawar and Water Sanitation Services Peshawar (WSSP), BoK has played an integral role in the implementation of the Clean and Green Peshawar Campaign. A dedicated allocation of funds was made to acquire waste bins for the WSSP, which were then strategically positioned across Peshawar city to reinforce cleanliness initiatives. Furthermore, the Bank of Khyber continues to provide support to the WSSP, aiming to augment clean water and sanitation services throughout the city, thus contributing to a cleaner and healthier environment for the residents of Peshawar.

Decent Work and Economic Growth

Taking a lead role in the banking industry to increase the availability of subsidized SME and agricultural financing in Khyber Pakhtunkhwa (KP) and other provinces, the Bank of Khyber (BoK), supported by the State Bank of Pakistan (SBP) is actively striving to increase the SME and agricultural financing facilities within KP and other provinces. Furthermore, the Bank has introduced a bank account 'Pay Plus' tailored for both public and private sector employees, loaded with highly attractive features, along with consumer loan products available at discounted rates. These initiatives have contributed significantly to the overall economic well-being of the province's residents.

Affordable & Clean Energy

The Bank's innovative financing solutions are gaining traction among retail, small, medium, and corporate market participants, reflecting a growing interest in affordable and



clean energy alternatives. Noteworthy is the Bank's provision of financing facilities totaling PKR 194.8 Million for renewable energy projects to various Corporate & SME borrowers. This financial support emphasizes the Bank's commitment to transforming business models and transitioning reliance from fossil fuel-based generators to solar-powered, clean, and renewable energy systems.

In line with our dedication to promoting sustainable practices, we offered environmentally friendly customized solutions tailored to meet the specific requirements of our customer's business models. Some of the financing solutions we provide include:

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

These initiatives not only support the adoption of clean energy technologies

but also contribute to building a greener and more sustainable future for our communities.

Climate Action

In a bid to diminish its carbon footprint, the Bank has introduced solar power systems across its branches and ATMs. Thirteen branches have been completely converted to run solely on renewable energy, particularly solar power. Moreover, the Bank has successfully shifted its branches and Head Office from manual to digital operations by adopting a core banking system. Additionally, the Bank of Khyber has rolled out digital and internet banking services, enabling customers to conveniently conduct fund transfers and utility payments. Recently, the Head Office has relocated to a new building equipped with a centralized cooling and heating system, along with energy-efficient LED lighting, aimed at optimizing energy consumption and preservation. Furthermore, the Bank has instituted stringent energy conservation guidelines for the Head Office, emphasizing efficient usage of lighting and electronic devices. It also encourages its staff to reduce paper usage by fostering a paperless environment.

Industry, Innovation & Infrastructure

The Bank is making continuous progress towards the advancement of its technological platform for better customer experience through secure and efficient processes.

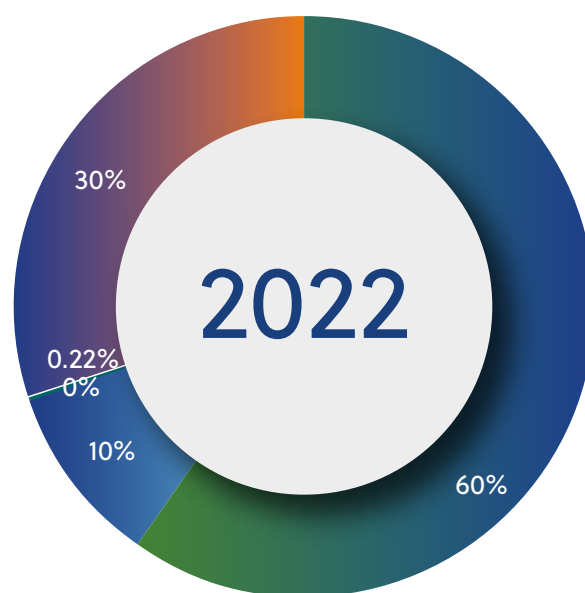
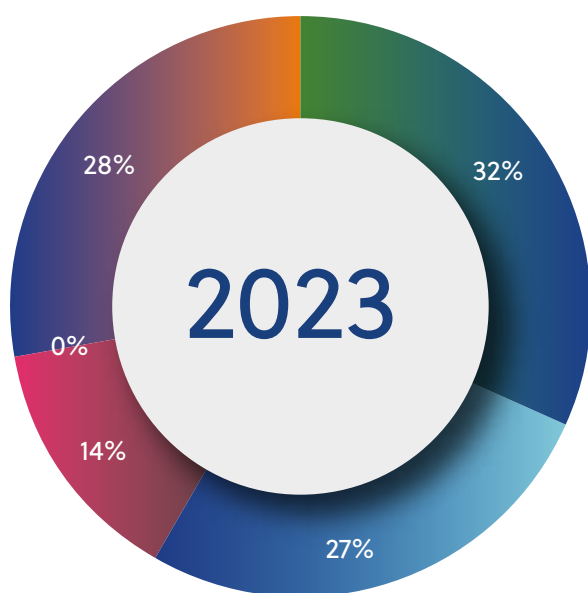
At present the Bank of Khyber is at the forefront of digital banking innovation, transforming the customer experience with:

- **Modern Core Banking:** A state-of-the-art core banking system empowers customers with 24/7 access to internet, mobile, and WhatsApp banking. This allows them to manage finances seamlessly, anytime, anywhere.
- **Frictionless Payments:** Embracing the latest trends, BoK integrates contactless payments and QR code technology, offering increased transaction speed, security, and convenience.
- **Security at the Core:** Bank of Khyber prioritizes customer data security through robust cybersecurity measures and industry-standard certifications like ISO 27001 and PCI-DSS. This commitment ensures complete peace of mind while experiencing the power of innovative financial services.



Statement of Value Addition

	2023		2022	
	Rs. In Million	%	Rs. In Million	%
Value Added				
Net interest income	13,893		7,149	
Non interest income	2,109		1,385	
Operating expenses excluding staff costs, depreciation, amortization and donations	(3,225)		(2,283)	
Provisions and write offs - net	(705)		(902)	
Value added available for distribution	12,072		5,349	
Distribution of value added:				
To employees				
Remuneration, provident fund and other benefits	3,851	32%	3,214	60%
To government				
Income tax	3,201	27%	521	10%
To shareholders				
Cash dividends to shareholders	1,654	14%	-	0%
To society				
Donations	-	0%	12	0.22%
To expansion and growth				
Depreciation, Amortization and others	3,366	28%	1,602	30%
	12,072		5,349	



● Employees
 ● Government
 ● Shareholders
 ● Society
 ● Expansion and growth

Financial Statements Analysis

Statement of Financial Position

Total deposits with an increase of 16% stood at Rs. 289,292 million in comparison with Rs. 248,906 million as at December 31, 2022. 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 stood at Rs. 223,348 million as compared with Rs. 173,669 million as at December 31, 2022. Furthermore, the gross advances of the Bank stood at Rs. 109,703 million from Rs. 134,913 million of 2022.

The overall asset base of the Bank increased as compared to previous year amount of Rs. 344,984 million and stood at Rs. 383,186 million as on December 31, 2023.

Profit and Loss Account

With sizeable increase, the Bank's Net Mark-up / Interest Income stood at Rs. 13,893 million as compared to Rs. 7,149 million in the corresponding

period of 2022. Non-Markup / Interest Income for the year increased mainly due to increase in foreign exchange income and stood at Rs. 2,109 million as compared to Rs. 1,385 million of the previous year.

Non-markup expenses of the Bank for the year ended December 31, 2023 stood at Rs. 8,595 million as against Rs. 6,711 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 decreased in 2023 amounted to Rs. 705 million as against Rs. 902 million during the year 2022. 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 marked a historical profit before tax which was recorded Rs. 6,702 million as against Rs. 920 million of the previous year. The Bank achieved its targeted profit after tax and progressed in number of areas during the year, the Bank's net profit increased to Rs. 3,481 million as compared to Rs. 455 million in 2022.

Under the challenging and competitive operating environment owing to the delicate economic activities, the Bank sustained its focus towards a long-term multi-pronged strategy, driven towards continuation augmentation of innovative technology-based service offerings to customers through enhancing digital platforms, strengthening risk management, and optimizing operating efficiencies. To weather the impacts of prevailing unprecedented economic challenges and high interest rate outlook for 2023, the Bank had done major repositioning of its investment portfolio. The earnings per share was recorded at Rs. 3.16 against Rs. 0.41 in 2022.

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, 2023 stood at 18.25% while Leverage Ratio (LR) stood at 4.33%. Moreover, Liquidity Coverage Ratio (LCR) of the Bank was 201.42% and Net Stable Funding Ratio (NSFR)

Statement of Financial Position	2023	2022	Rs. In million	
			Variance	
			Amount	% age
Lending's to Financial Institutions	2,000	7,641	(5,641)	-74%
Investments-Net	223,348	173,669	49,679	29%
Advances-Net	101,588	127,515	(25,927)	-20%
Deposits and other Accounts	289,292	248,906	40,386	16%
Profit and Loss				
Net-Markup Interest income	13,893	7,149	6,743	94%
Total Non-Mark-up Income	2,109	1,385	725	52%
Operating expenses	8,595	6,711	1,884	28%
Profit before tax	6,702	920	5,781	628%
Profit after tax	3,481	455	3,026	665%

Financial Statements Analysis

was 180.98% as of December 31, 2023. The Bank is following a prudent dividend strategy to strengthen the capital base for the Bank. For the year 2023, The Board has considered and recommended cash dividend at Rs. 1.5 per share i.e. 15% and Bonus Shares in the proportion of 05 ordinary share(s) for every 100 ordinary shares held i.e. 5% for the financial year ended December 31, 2023. The Shareholders' Equity / Net Assets as of December 31, 2023 was recorded at Rs. 20,301 million as compared to Rs. 16,428 for December 31, 2022.

Network expansion & customer outreach

The Bank at the end of the year under review was operating with 238 branches and 31 sub-branches all over the country including Gilgit Baltistan, erstwhile FATA and Azad Jammu & Kashmir 123 branches and 8 sub-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 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.

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 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

Acting MD/ CEO presentation video on the BoK's business performance

The (Acting) MD/ CEO's presentation video message on the BoK's business performance of the year 2023 covering the bank's business strategy to improve and future outlook is available at https://youtu.be/pHBMGegL_UU



Cash Flow Statement - Direct Method

	2023 (Rupee in 000)	2022 (Rupee in 000)
Cash Flows from operating activities		
Mark-up / return / interest and commission receipts	53,313,359	40,513,530
Mark-up / return / interest payments	(38,926,123)	(30,925,180)
Payments to employees, suppliers and others	(5,888,803)	(5,159,076)
	8,498,433	4,429,274
Decrease / (increase) in operating assets		
Lendings to financial institutions	5,641,077	(2,658,783)
Net investments in 'held for trading' securities	0	2,385,571
Advances - net	25,177,445	(3,746,278)
Other assets	(5,075,172)	124,607
	25,743,350	(3,894,883)
(Decrease) / increase in operating liabilities		
Bills payable	1,656,844	1,227,667
Borrowings	(15,802,609)	(43,805,760)
Deposits and other accounts	40,385,580	27,030,083
Other liabilities	(146,170)	130,343
	26,093,645	(15,417,667)
Income tax paid	(1,679,848)	(520,766)
Net cash flows from operating activities	58,655,580	(15,404,042)
Cash flows from investing activities		
Net investments in available-for-sale securities	(51,862,885)	(1,478,479)
Net investments in held-to-maturity securities	2,522,258	8,660,317
Dividends received	11,101	13,427
Investments in operating fixed assets	(768,218)	(981,912)
Investments in intangible assets	(40,489)	(100,158)
Proceeds from sale of fixed assets	4,556	8,775
Net cash flows from / (used in) investing activities	(50,133,677)	6,121,970
Cash flow from Financing activities		
Dividend paid	(168)	(3,174)
Payment against lease liability	(992,583)	(763,300)
Net cash flow used in financing activities	(992,751)	(766,474)
Net foreign exchange difference	496,296	389,007
Increase in cash and cash equivalents	8,025,448	(9,659,539)
Cash and cash equivalents at beginning of the year	19,830,357	29,489,896
Cash and cash equivalents at end of the year	27,855,805	19,830,357

Six Years Financial Ratios

Rs in million

Statement of Financial Position		2018	2019	2020	2021	2022	2023
Cash and Balance with Banks	Rs. In M	16,056	20,368	24,932	29,490	19,830	27,856
Lendings to Financial Institutions	~	7,696	13,863	7,298	4,982	7,641	2,000
Investments-Net	~	94,233	146,911	113,479	184,399	173,669	223,348
Advances-Net	~	95,012	109,742	129,063	124,549	127,515	101,588
Fixed Assets including Intangibles	~	2,295	3,621	4,004	5,587	6,087	7,377
Deferred Tax Assets	~	1,757	1,031	460	993	1,368	1,347
Other Assets	~	6,046	10,769	9,064	8,606	8,874	19,670
Total Assets	~	223,095	306,305	288,300	358,606	344,984	383,186
Bills Payable	~	895	1,172	944	875	2,102	3,759
Borrowings	~	34,842	94,656	57,063	110,069	66,263	50,460
Deposits and other Accounts	~	171,168	182,168	203,072	221,876	248,906	289,292
Other Liabilities	~	4,485	14,108	9,449	9,217	11,285	19,374
Total Liabilities	~	211,390	292,104	270,528	342,037	328,556	362,885
Net Assets	~	11,705	14,201	17,772	16,569	16,428	20,301
Share Capital	~	10,003	10,003	10,003	10,502	11,028	11,028
Reserves	~	2,643	2,905	3,335	3,556	3,647	4,343
Surplus / (deficit) on revaluation of assets - net of tax	~	(2,105)	(781)	1,167	351	(230)	124
Unappropriated Profit	~	1,164	2,074	3,267	2,160	1,983	4,806
Total Equity	~	11,705	14,201	17,772	16,569	16,428	20,301
Contingencies and Commitments	~	29,505	51,737	60,717	83,780	61,800	58,798
Earning Assets	~	212,997	290,884	274,772	343,420	328,655	354,792
Interest bearing Liabilities	~	206,010	276,824	260,135	331,945	315,169	339,752
Profit and Loss Account							
Mark-up/ return earned	Rs. In M	14,686	24,657	25,673	21,939	40,242	59,070
Mark-up/ return expensed	~	9,547	19,891	18,911	15,150	33,093	45,178
Net-Markup Interest income	~	5,139	4,766	6,762	6,789	7,149	13,892
Fee and Commission income	~	407	398	388	425	546	548
Dividend	~	50	13	17	38	13	11
Foreign Exchange Income	~	139	284	612	478	660	1,458
Capital Gain/ (Loss)	~	(1,226)	290	1,735	(114)	8	(70)
Other Income	~	104	127	126	197	157	162
Total Non Mark-up Income	~	(527)	1,112	2,877	1,024	1,384	2,109
Total income	~	4,613	5,878	9,639	7,813	8,533	16,001
Operating expenses	~	4,077	3,638	4,223	5,300	6,711	8,595
Operating profit before tax and provision	~	535	2,240	5,416	2,513	1,822	7,406
Provisions / write-offs	~	(171)	(21)	1,610	832	902	705
Profit before tax	~	706	2,261	3,806	1,681	920	6,701
Tax	~	240	955	1,654	577	465	3,220
Profit after tax	~	466	1,306	2,152	1,104	455	3,481
Cash Flow Statement							
Cash Flow from Operating Activities	Rs. In M	(36,875)	55,554	(31,726)	78,724	(15,404)	58,655
Cash Flow from Investing Activities	~	42,118	(51,126)	36,735	(72,534)	6,122	(50,134)
Cash Flow from Financing Activities	~	(1,501)	(351)	(889)	(1,978)	(766)	(993)
Profitability Ratios							
Profit before tax ratio (PBT / Total Income)	%	15.31%	38.46%	39.48%	21.52%	10.78%	41.88%
Gross Yield on Earning Assets (Gross Markup Income / Earning Assets)	%	6.90%	8.48%	9.34%	6.39%	12.24%	16.65%
Gross Spread ratio (Net Markup Income / Gross Markup Income)	%	34.99%	19.33%	26.34%	30.95%	17.77%	23.52%
Cost to Income ratio (Operating expense / Total Income)	%	88.40%	61.90%	43.81%	67.83%	78.65%	53.72%
Return on (Avg) Asset	%	0.20%	0.49%	0.72%	0.34%	0.13%	0.96%
Return on (Avg) Equity	%	3.44%	10.08%	13.46%	6.43%	2.76%	18.96%
Return on Capital Employed (PAT / Tier 1 Capital)	%	3.38%	8.72%	12.96%	6.81%	2.73%	17.25%
Return on Shareholder's Funds (PAT / Share Capital)	%	4.66%	13.05%	21.51%	10.52%	4.13%	31.57%

Rs in million

Liquidity Ratios		2018	2019	2020	2021	2022	2023
Advance to deposits ratio	%	55.5%	60.2%	63.6%	56.1%	51.2%	35.1%
Current / Quick ratio	Times	0.70	0.63	0.81	0.94	0.83	0.57
Cash Coverage ratio (Cash to current Liabilities)	Times	0.10	0.07	0.12	0.11	0.09	0.11
Cost of Funds / Deposits	%	4.74%	8.39%	6.18%	5.02%	8.55%	13.65%
Efficiency ratio (Operating Expense excl. other charges / Deposits)	%	2.37%	1.99%	2.08%	2.39%	2.67%	2.96%
Infection Ratio (NPLs / Gross Advances)	%	4.70%	4.41%	5.39%	8.02%	8.71%	12.12%
Coverage Ratio (Provision / NPLs)	%	89.20%	84.23%	80.32%	62.89%	62.93%	61.06%
Investment / Market Ratios							
Earnings per share (EPS) and diluted EPS	Rs.	0.47	1.31	2.15	1.05	0.41	3.16
Earnings per share (EPS) and diluted EPS-Restated	Rs.	0.42	1.18	1.95	1.00	0.41	3.16
Price Earning ratio (EPS / MV of share at year end)	Times	27.55	10.35	6.97	14.76	31.71	3.85
Price to Book ratio (MV of share at year end / Breakup value per share)	Times	1.11	0.96	0.84	0.98	0.87	0.66
Dividend Yield ratio (Cash Dividend per share / MV of share at year end)	%	0.00%	3.69%	10.01%	0.00%	0.00%	12.33%
Dividend Payout ratio / Dividend Cover Ratio (EPS / Cash Dividend per share)	%	0.00%	38.17%	69.77%	0.00%	0.00%	47.47%
Cash Dividend per Share	Rs.	0.00	0.50	1.50	0.00	0.00	1.50
Stock Dividend per share	No.	0.00	0.00	0.05	0.05	0.00	0.05
Market value per share at the end of the year	Rs.	12.95	13.56	14.98	15.50	13.00	12.17
High-during the Year	Rs.	16.20	13.92	15.00	19.24	16.59	14.40
Low- during the year	Rs.	11.60	5.98	12.45	13.85	11.27	10.21
Breakup value per share:							
With Surplus on revaluation of assets	Rs.	11.70	14.20	17.77	15.78	14.90	18.41
Without Surplus on revaluation of assets	Rs.	13.81	14.98	16.60	15.44	15.11	18.30
DuPont Analysis:							
Net Operating Margin (PAT / Total Income)	%	10.11%	22.22%	22.32%	14.13%	5.33%	21.75%
Asset Utilization (Total Income / Avg. Total Assets)	%	1.97%	2.22%	3.24%	2.42%	2.43%	4.39%
Equity Multiplier (Avg. Total Assets / Avg. Total Equity)	Times	17.28	20.44	18.60	18.84	21.32	19.83
Free Cash Flow	Rs. In M	(37,133)	54,939	(32,595)	77,213	(16,486)	57,847
Economic Value Added (EVA)	Rs. In M	(1,328)	(1,269)	1,693	(157)	(2,380)	(1,889)
Capital Structure							
Capital Adequacy ratio	%	12.28%	15.30%	19.35%	14.74%	14.88%	18.25%
Earning assets to total assets ratio	%	95.47%	94.97%	95.31%	95.77%	95.27%	92.59%
Net assets per share	Rs.	11.70	14.20	17.77	15.78	14.90	18.41
Debt to Equity ratio (as per book value)	No.	18.06	20.57	15.22	20.64	20.00	17.88
Debt to Equity ratio (as per market value)	No.	14.42	16.45	11.89	15.31	16.65	15.99
Non-Financial Ratios							
Staff turnover ratio	%	6.56%	7.23%	7.72%	7.98%	12.97%	11.68%
Customer Satisfaction Index	%	80.00%	79.00%	79.00%	81.00%	95.00%	93.00%
Employee Productivity Rate (Deposits per Employee)	Rs. In M	123.32	135.74	141.22	125.57	127.64	136.85
Employee Productivity Rate (PBT per Employee)	Rs. In M	0.51	1.68	2.65	0.95	0.47	3.17

Vertical Analysis

STATEMENT OF FINANCIAL POSITION

Rs. in million

	2018	%	2019	%	2020	%	2021	%	2022	%	2023	%
ASSETS												
Cash and balances with treasury banks	12,351	6%	12,138	4%	15,840	5%	17,375	5%	16,274	5%	23,895	6%
Balances with other banks	3,705	2%	8,230	3%	9,092	3%	12,115	3%	3,557	1%	3,960	1%
Lendings to financial institutions	7,696	3%	13,863	5%	7,298	3%	4,982	1%	7,641	2%	2,000	1%
Investments	94,233	42%	146,911	47%	113,479	39%	184,399	51%	173,669	50%	223,348	58%
Advances	95,012	42%	109,742	36%	129,063	46%	124,549	35%	127,515	37%	101,588	27%
Fixed assets	2,216	1%	3,335	1%	3,472	1%	5,137	1%	5,613	2%	6,949	2%
Intangible assets	79	0%	286	0%	532	0%	450	0%	473	0%	429	0%
Deferred tax assets	1,757	1%	1,031	0%	460	0%	992	0%	1,368	0%	1,347	0%
Other assets	6,046	3%	10,769	4%	9,064	3%	8,606	2%	8,874	3%	19,670	5%
	223,095	100%	306,305	100%	288,300	100%	358,606	100%	344,984	100%	383,186	100%
LIABILITIES												
Bills payable	895	0%	1,172	0%	944	0%	875	0%	2,102	1%	3,759	1%
Borrowings	34,842	16%	94,656	31%	57,063	20%	110,069	31%	66,263	19%	50,460	13%
Deposits and other accounts	171,168	77%	182,168	59%	203,072	71%	221,876	62%	248,906	72%	289,292	75%
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	4,485	2%	14,108	5%	9,449	3%	9,217	3%	11,285	3%	19,374	5%
	211,390	95%	292,104	95%	270,528	94%	342,036	95%	328,556	95%	362,885	95%
NET ASSETS	11,705	5%	14,201	5%	17,772	6%	16,570	5%	16,428	5%	20,301	5%
REPRESENTED BY												
Share capital	10,003	4%	10,003	3%	10,003	3%	10,503	3%	11,028	3%	11,028	3%
Reserves	2,643	1%	2,905	1%	3,335	1%	3,556	1%	3,647	1%	4,343	1%
Surplus / (Deficit) on revaluation of assets	(2,105)	-1%	(781)	0%	1,167	1%	351	0%	(230)	0%	124	0%
Unappropriated profit	1,164	1%	2,074	1%	3,267	1%	2,161	1%	1,983	1%	4,806	1%
	11,705	5%	14,201	5%	17,772	6%	16,570	5%	16,428	5%	20,301	5%
	2018	%	2019	%	2020	%	2021	%	2022	%	2023	%
Mark-up / return / interest earned	14,686	104%	24,657	96%	25,673	90%	21,939	96%	40,242	97%	59,070	97%
Mark-up / return / interest expensed	(9,547)	-67%	(19,891)	-77%	(18,911)	-66%	(15,150)	-66%	(33,093)	-80%	(45,178)	-74%
Net mark-up / interest income	5,139	37%	4,766	19%	6,762	24%	6,789	30%	7,149	17%	13,892	23%
Non - Markup / interest income	(526)	-4%	1,112	4%	2,877	10%	1,023	4%	1,384	3%	2,109	3%
Total income	4,613	33%	5,878	23%	9,639	34%	7,812	34%	8,533	20%	16,001	26%
Non Mark-Up / Interest Expense	(4,077)	-29%	(3,638)	-14%	(4,223)	-15%	(5,300)	-23%	(6,711)	-16%	(8,595)	-14%
Profit Before Provisions	536	4%	2,240	9%	5,416	19%	2,512	11%	1,822	4%	7,406	12%
(Provisions) / Reversals - net	171	1%	21	0%	(1,610)	-6%	(832)	-4%	(902)	-2%	(705)	-1%
Profit Before Taxation	707	5%	2,261	9%	3,806	13%	1,680	7%	920	2%	6,701	11%
Taxation	(241)	-2%	(955)	-4%	(1,655)	-5%	(577)	-3%	(465)	-1%	(3,220)	-5%
Profit After Taxation	466	3%	1,306	5%	2,151	8%	1,104	5%	455	1%	3,481	6%

Horizontal Analysis

STATEMENT OF FINANCIAL POSITION

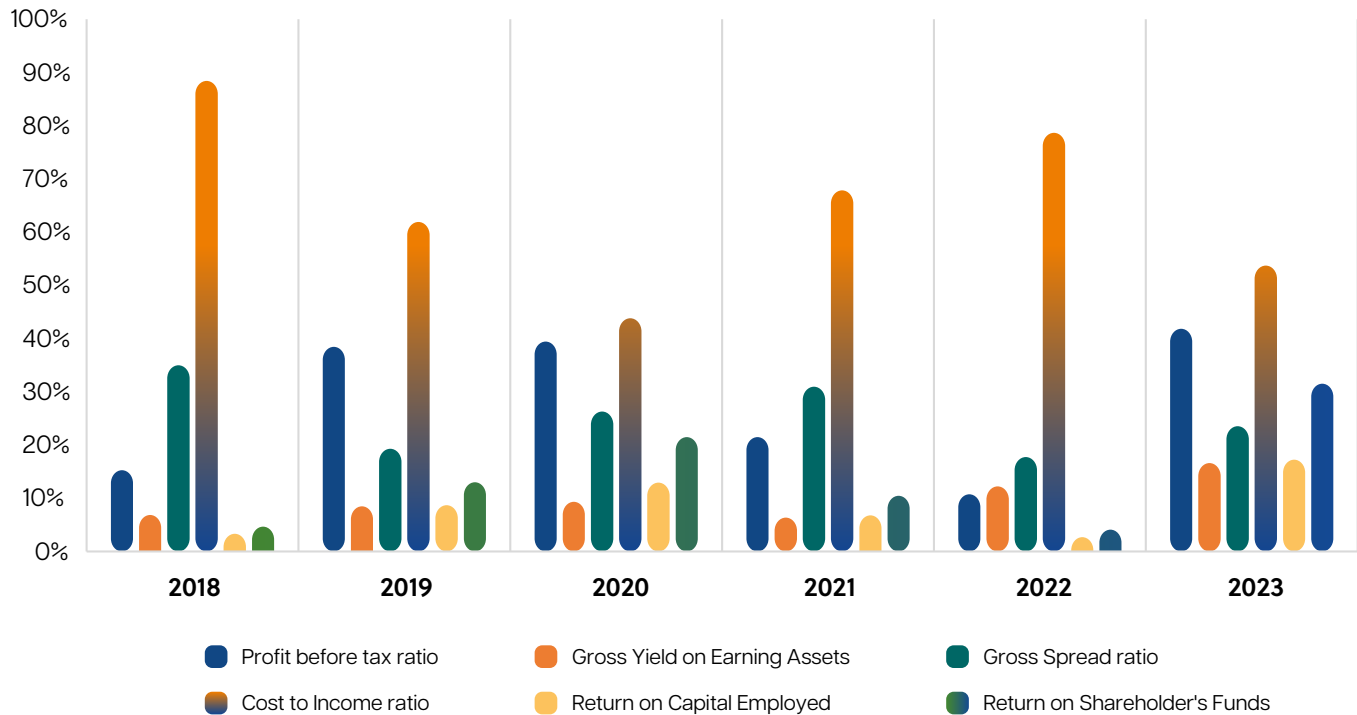
Rs. in million

	2018	%	2019	%	2020	%	2021	%	2022	%	2023	%
ASSETS												
Cash and balances with treasury banks	12,351	39%	12,138	-2%	15,840	31%	17,375	10%	16,274	-6%	23,895	47%
Balances with other banks	3,705	14%	8,230	122%	9,092	10%	12,115	33%	3,557	-71%	3,960	11%
Lendings to financial institutions	7,696	403%	13,863	80%	7,298	-47%	4,982	-32%	7,641	53%	2,000	-74%
Investments	94,233	-33%	146,911	56%	113,479	-23%	184,399	62%	173,669	-6%	223,348	29%
Advances	95,012	14%	109,742	16%	129,063	18%	124,549	-3%	127,515	2%	101,588	-20%
Fixed assets	2,216	-1%	3,335	50%	3,472	4%	5,137	48%	5,613	9%	6,949	24%
Intangible assets	79	-42%	286	263%	532	86%	450	-15%	473	5%	429	-9%
Deferred tax assets	1,757	363%	1,031	-41%	460	-55%	992	116%	1,368	38%	1,347	-2%
Other assets	6,046	25%	10,769	78%	9,064	-16%	8,606	-5%	8,874	3%	19,670	122%
	223,095	-9%	306,305	37%	288,300	-6%	358,606	24%	344,984	-4%	383,186	11%
LIABILITIES												
Bills payable	895	-21%	1,172	31%	944	-19%	875	-7%	2,102	140%	3,759	79%
Borrowings	34,842	-46%	94,656	172%	57,063	-40%	110,069	93%	66,263	-40%	50,460	-24%
Deposits and other accounts	171,168	7%	182,168	6%	203,072	11%	221,876	9%	248,906	12%	289,292	16%
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	4,485	-13%	14,108	215%	9,449	-33%	9,217	-2%	11,285	22%	19,374	72%
	211,390	-8%	292,104	38%	270,528	-7%	342,036	26%	328,556	-4%	362,885	10%
NET ASSETS	11,705	-24%	14,201	21%	17,772	25%	16,570	-7%	16,428	-1%	20,301	24%
REPRESENTED BY												
Share capital	10,003	0%	10,003	0%	10,003	0%	10,503	5%	11,028	5%	11,028	0%
Reserves	2,643	4%	2,905	10%	3,335	15%	3,556	7%	3,647	3%	4,343	19%
Surplus / (Deficit) on revaluation of assets	(2,105)	-563%	(781)	-63%	1,167	-249%	351	-70%	(230)	-166%	124	-154%
Unappropriated profit	1,164	-51%	2,074	78%	3,267	58%	2,161	-34%	1,983	-8%	4,806	142%
	11,705	-24%	14,201	21%	17,772	25%	16,570	-7%	16,428	-1%	20,301	24%

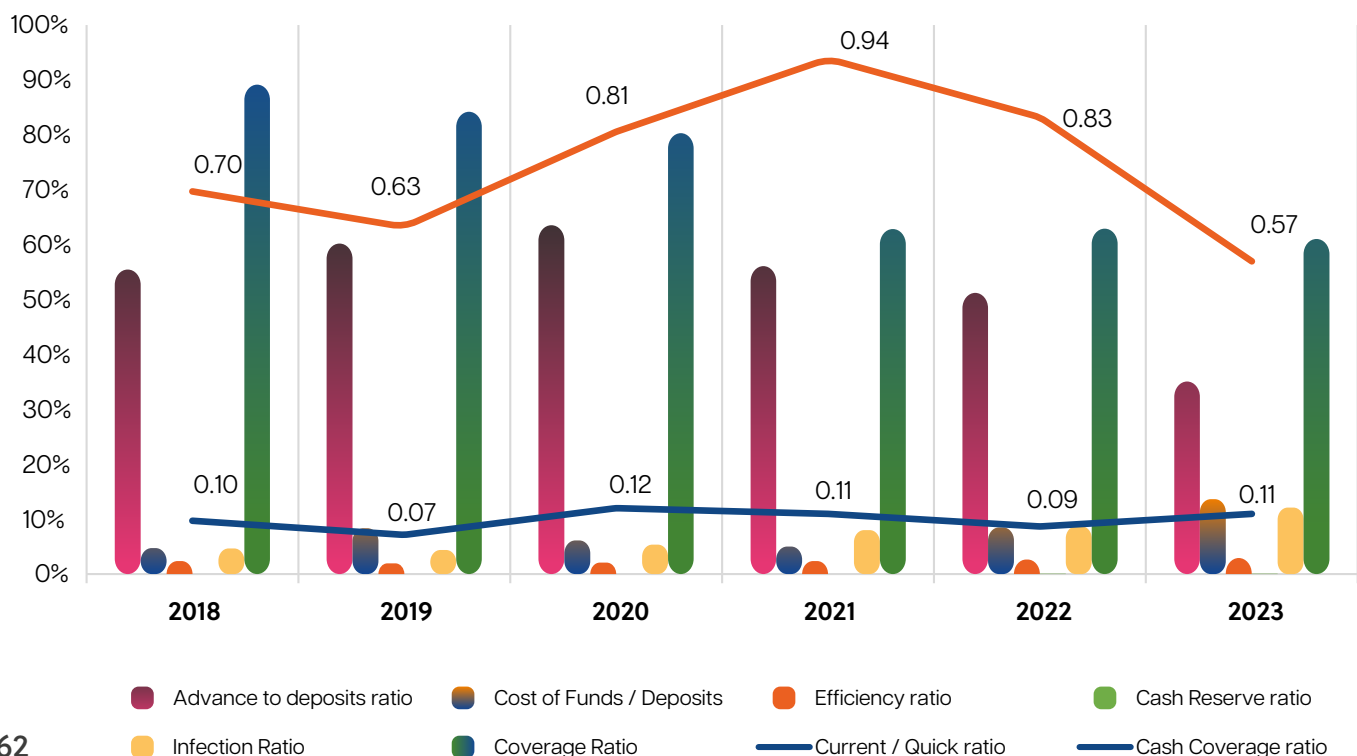
	2018	%	2019	%	2020	%	2021	%	2022	%	2023	%
Mark-up / return / interest earned	14,686	2%	24,657	68%	25,673	4%	21,939	-15%	40,242	83%	59,070	47%
Mark-up / return / interest expensed	(9,547)	0%	(19,891)	108%	(18,911)	-5%	(15,150)	-20%	(33,093)	118%	(45,178)	37%
Net mark-up / interest income	5,139	7%	4,766	-7%	6,762	42%	6,789	0%	7,149	5%	13,892	94%
Non - Markup / interest income	(526)	-132%	1,112	-311%	2,877	159%	1,023	-64%	1,384	35%	2,109	52%
Total income	4,613	-28%	5,878	27%	9,639	64%	7,812	-19%	8,533	9%	16,001	88%
Non Mark-Up / Interest Expense	(4,077)	8%	(3,638)	-11%	(4,223)	16%	(5,300)	25%	(6,711)	27%	(8,595)	28%
Profit Before Provisions	536	-80%	2,240	318%	5,416	142%	2,512	-54%	1,822	-27%	7,406	306%
(Provisions) / Reversals - net	171	39%	21	-88%	(1,610)	-7733%	(832)	-48%	(902)	8%	(705)	-22%
Profit Before Taxation	707	-75%	2,261	220%	3,806	68%	1,680	-56%	920	-45%	6,701	628%
Taxation	(241)	-76%	(955)	297%	(1,655)	73%	(577)	-65%	(465)	-19%	(3,220)	592%
Profit After Taxation	466	-74%	1,306	180%	2,151	65%	1,104	-49%	455	-59%	3,481	665%

Graphical Presentation

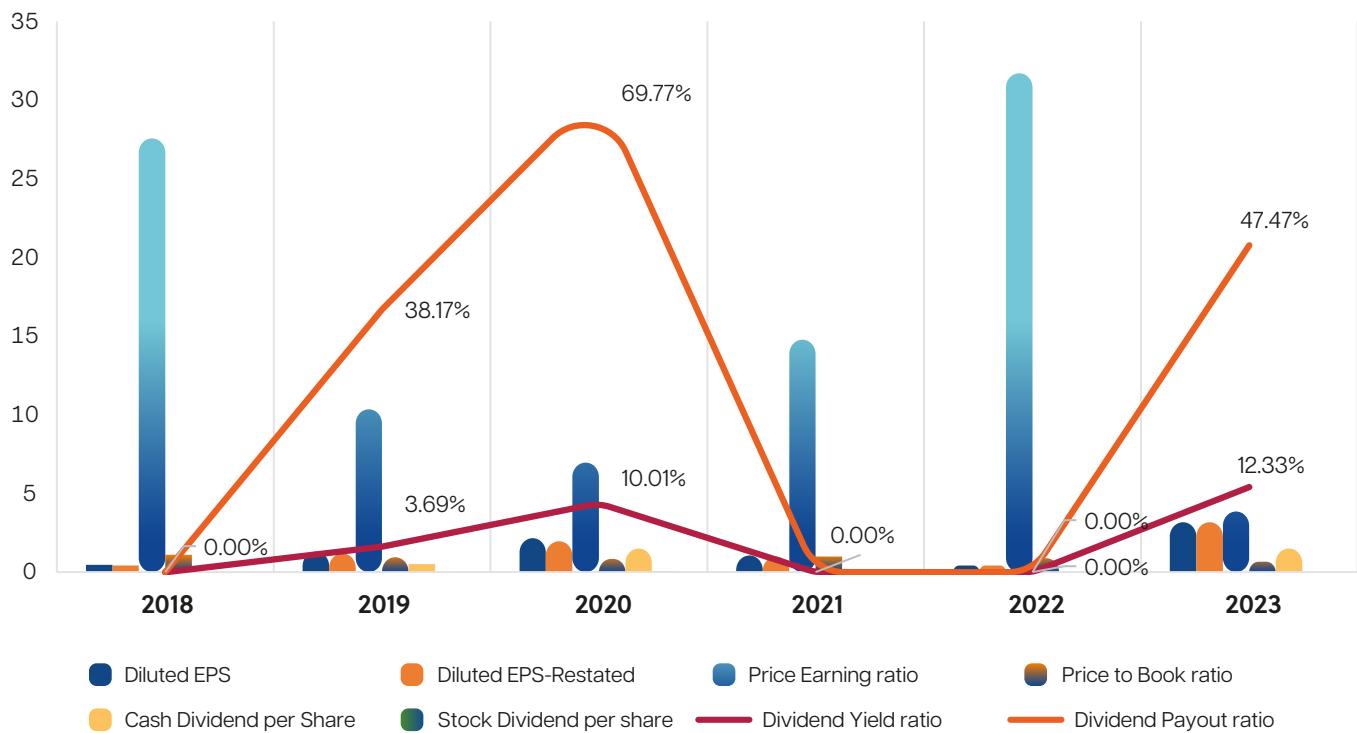
Profitability Ratios



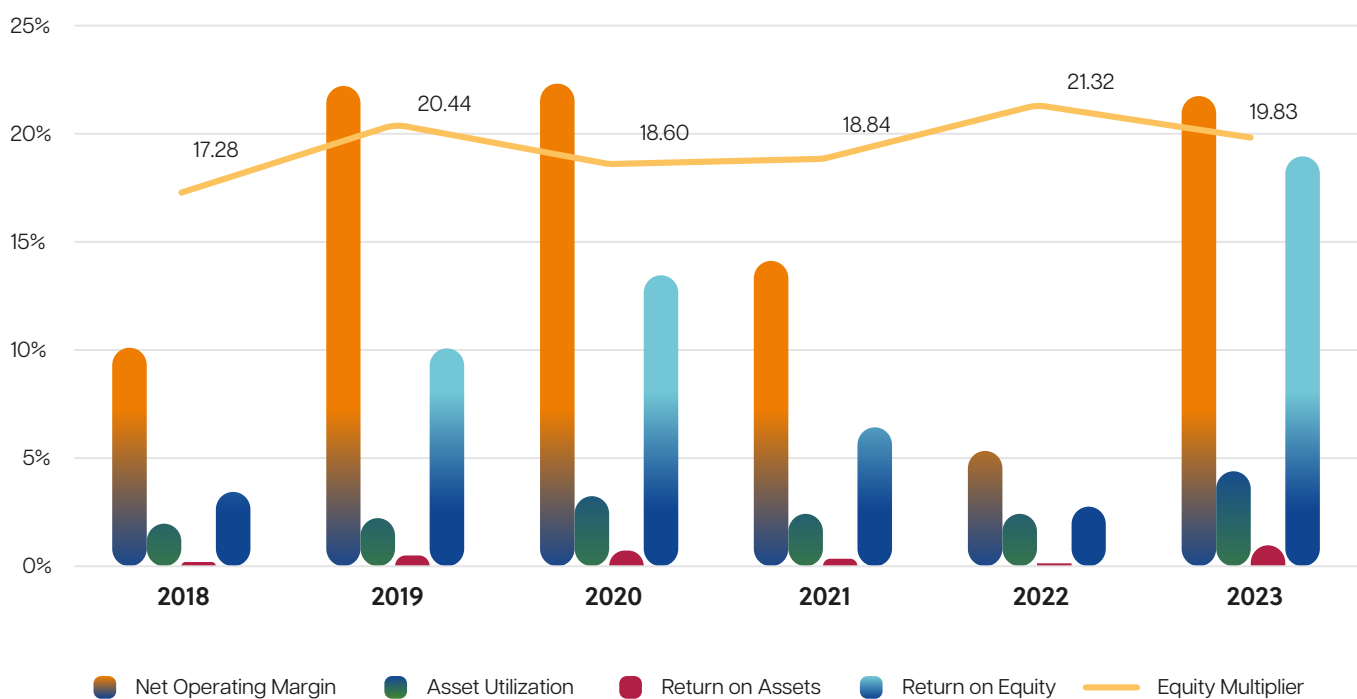
Liquidity Ratios



Investment / Market Ratios

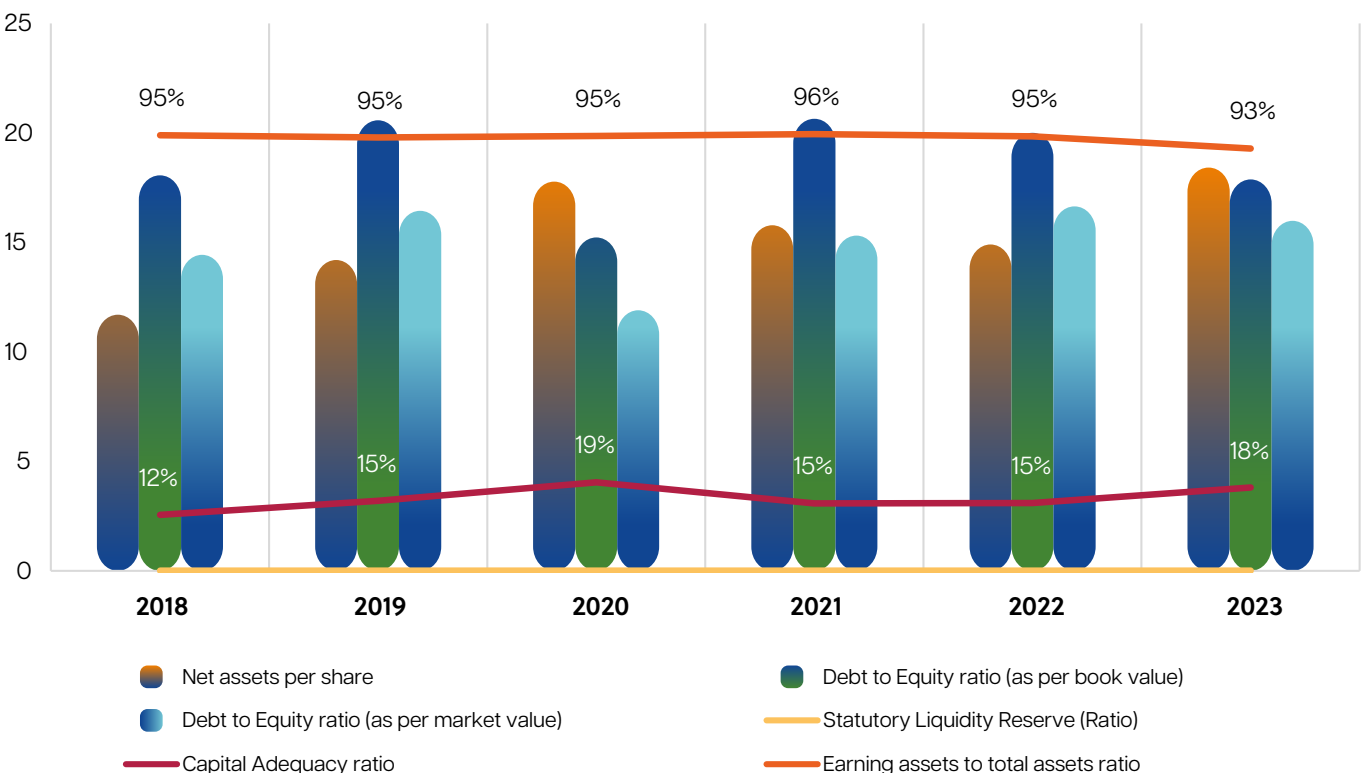


Dupont Analysis

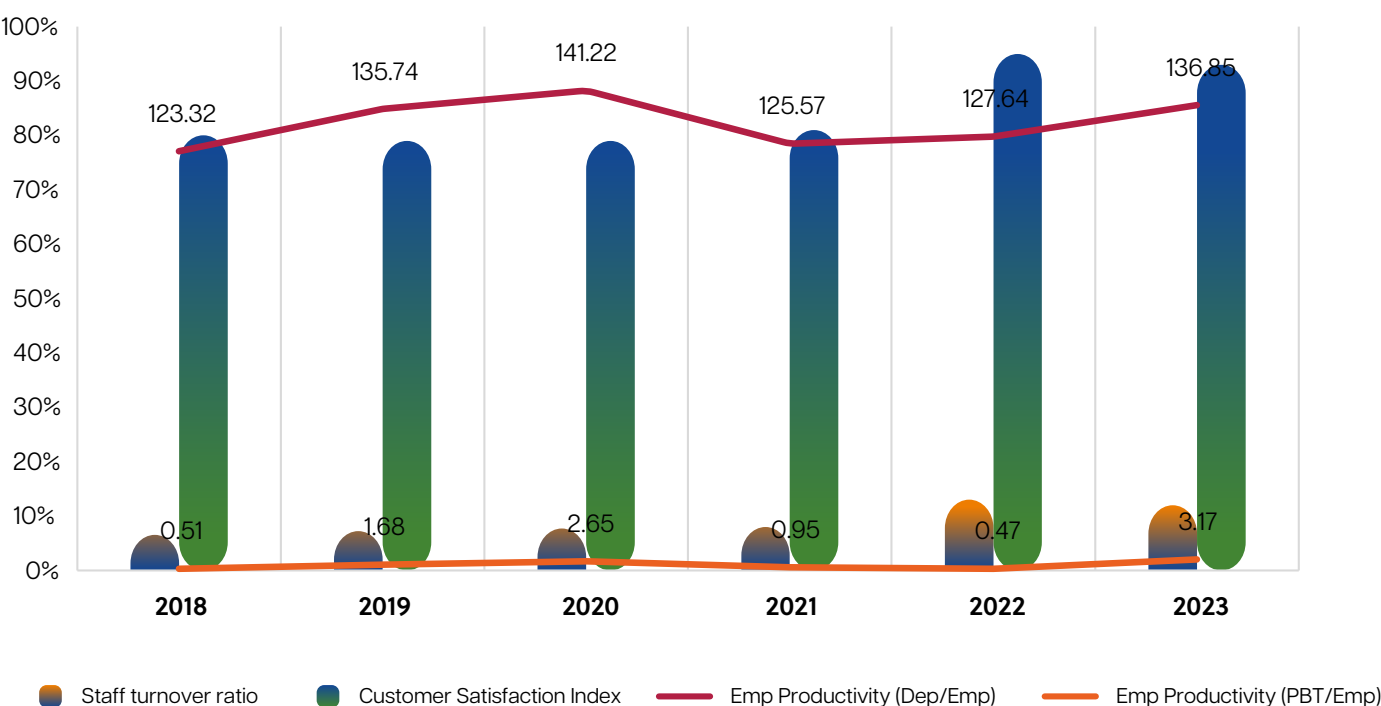


Graphical Presentation

Capital Structure

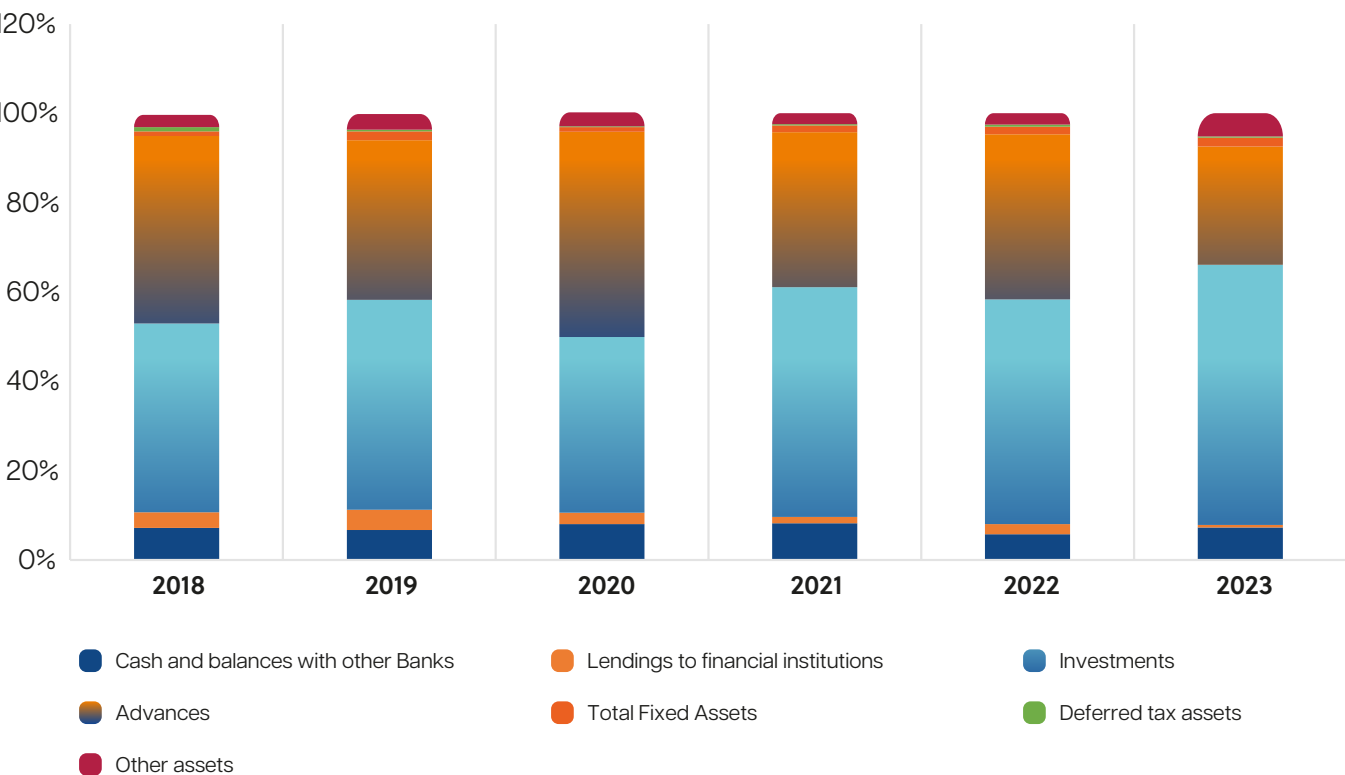


Non -Financial Ratios

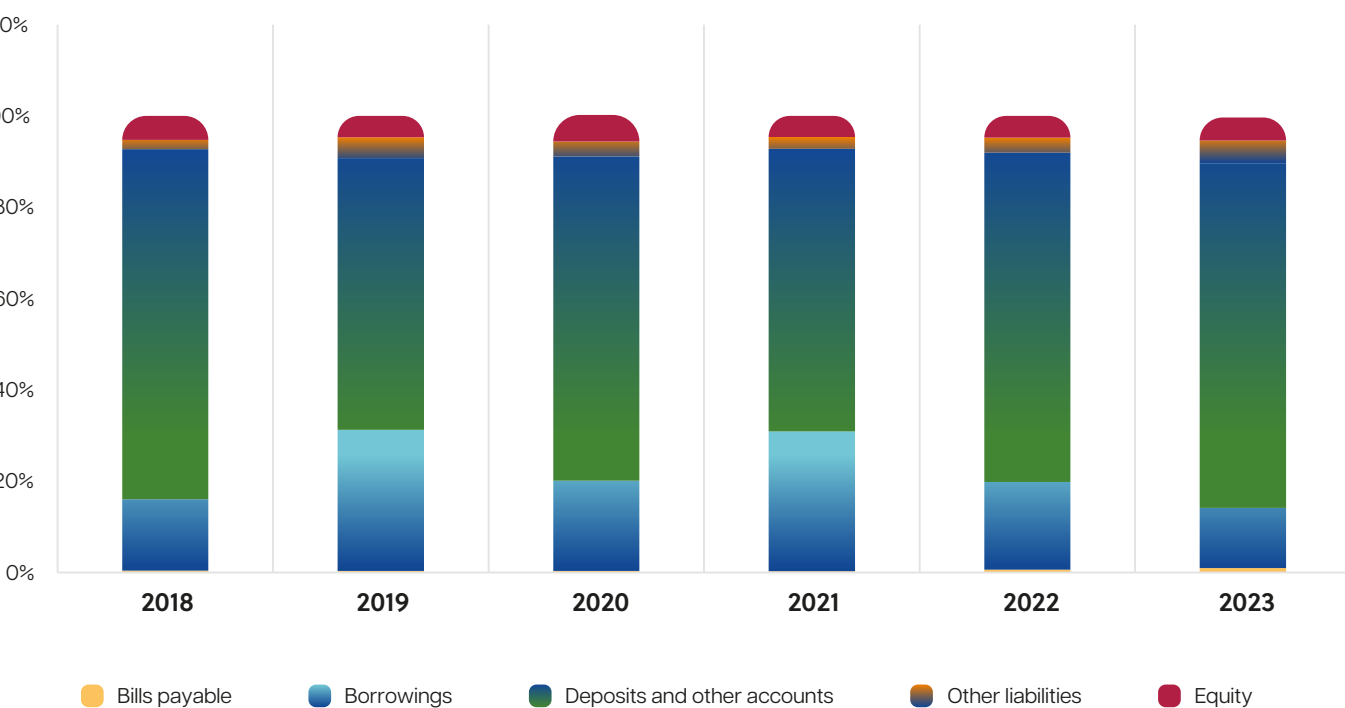


Graphical Presentation- Vertical Analysis

Assets

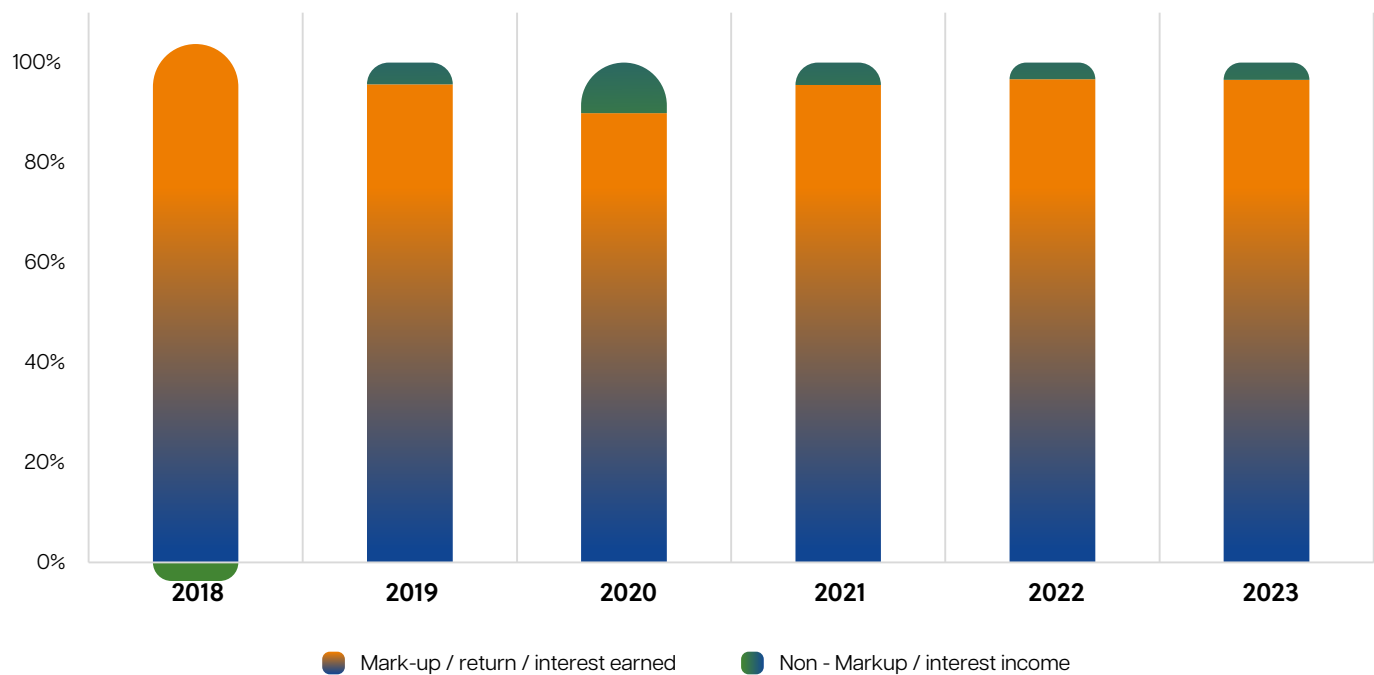


Liabilities & Equity

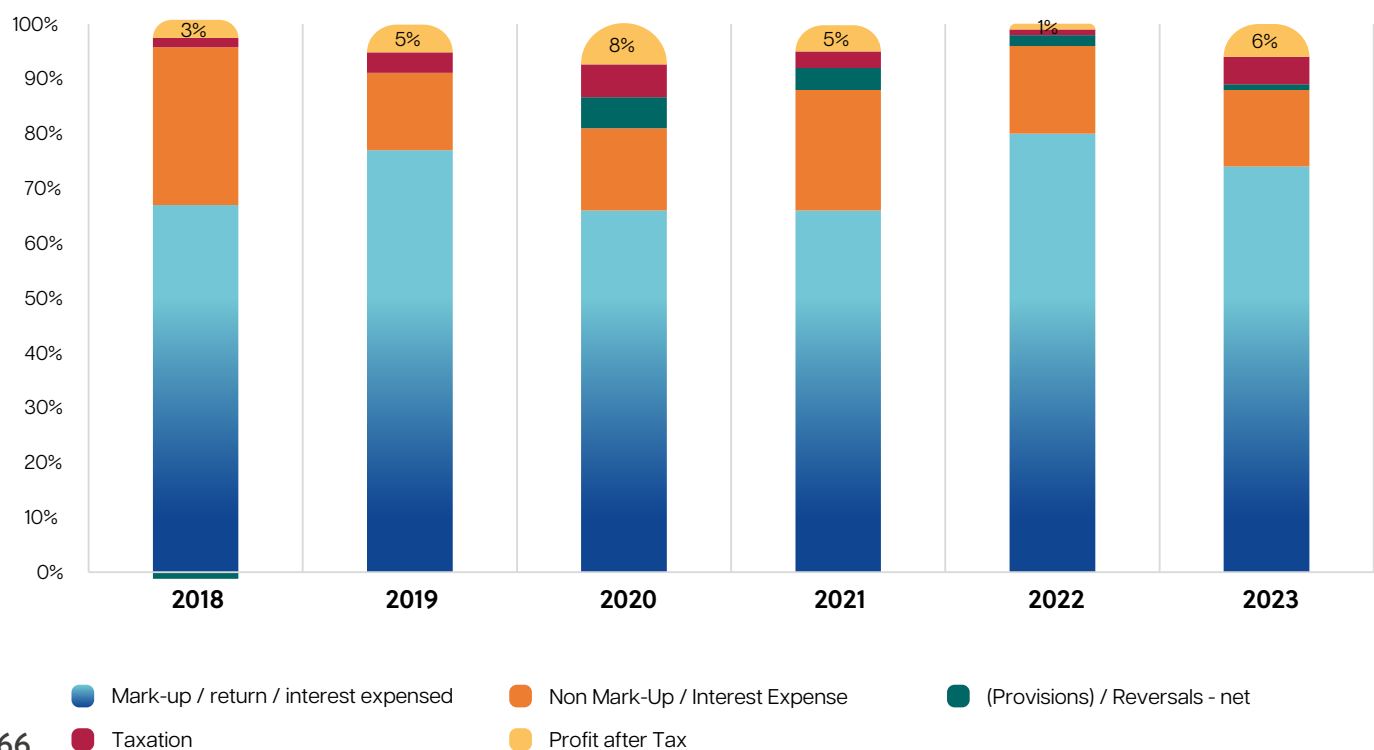


Graphical Presentation- Vertical Analysis

Total Income

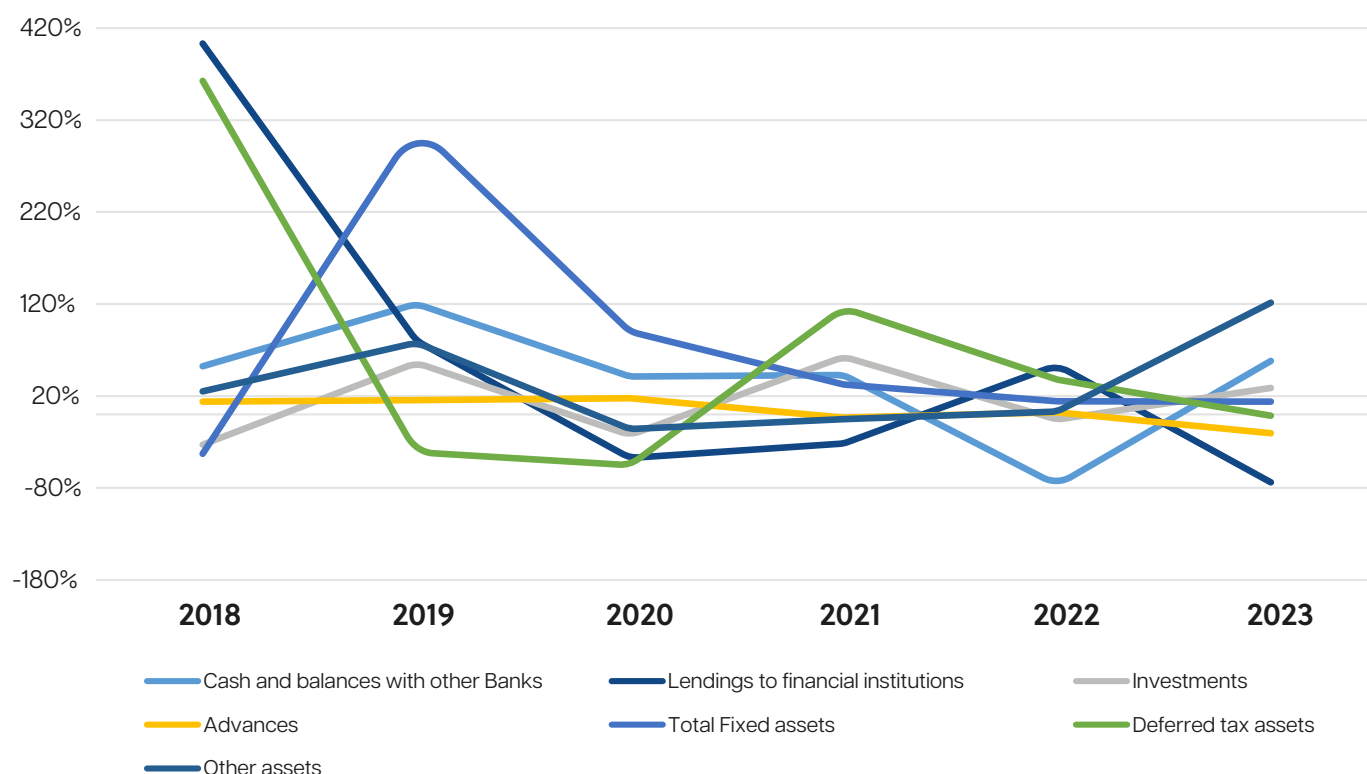


Total Expense

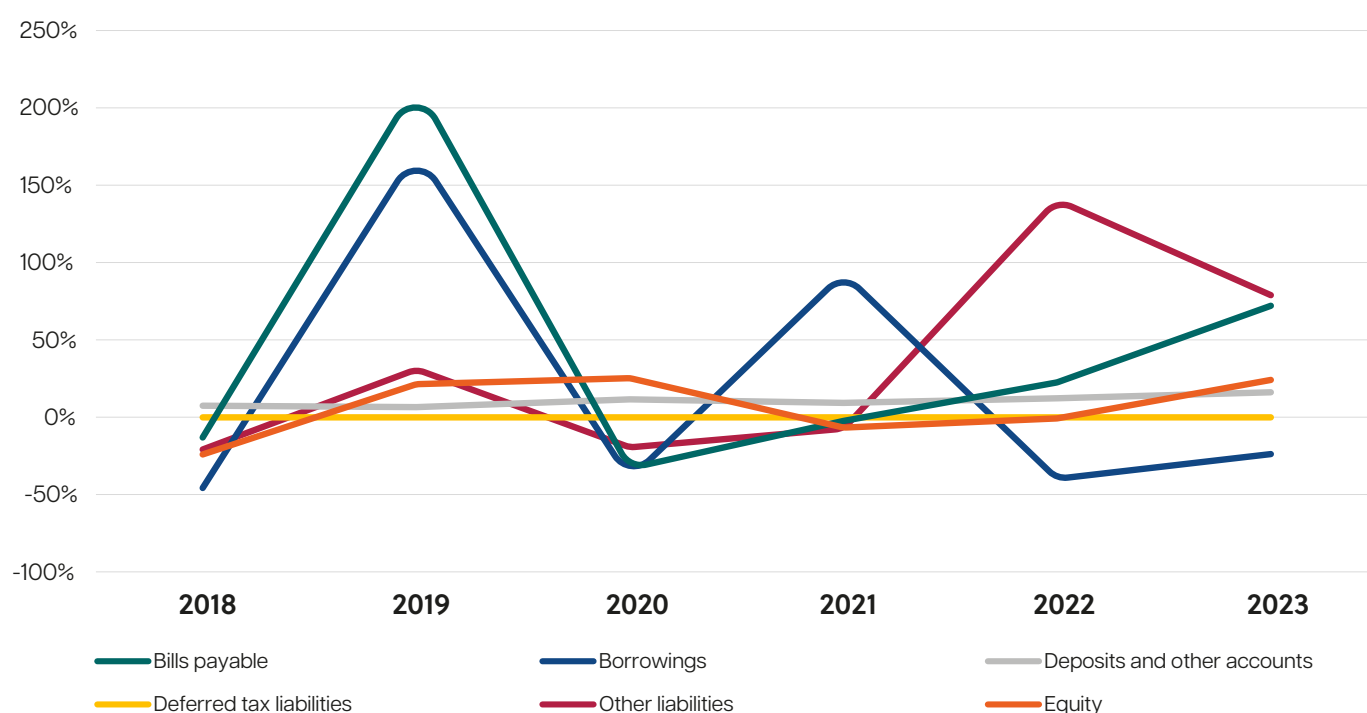


Graphical Presentation- Horizontal Analysis

Assets

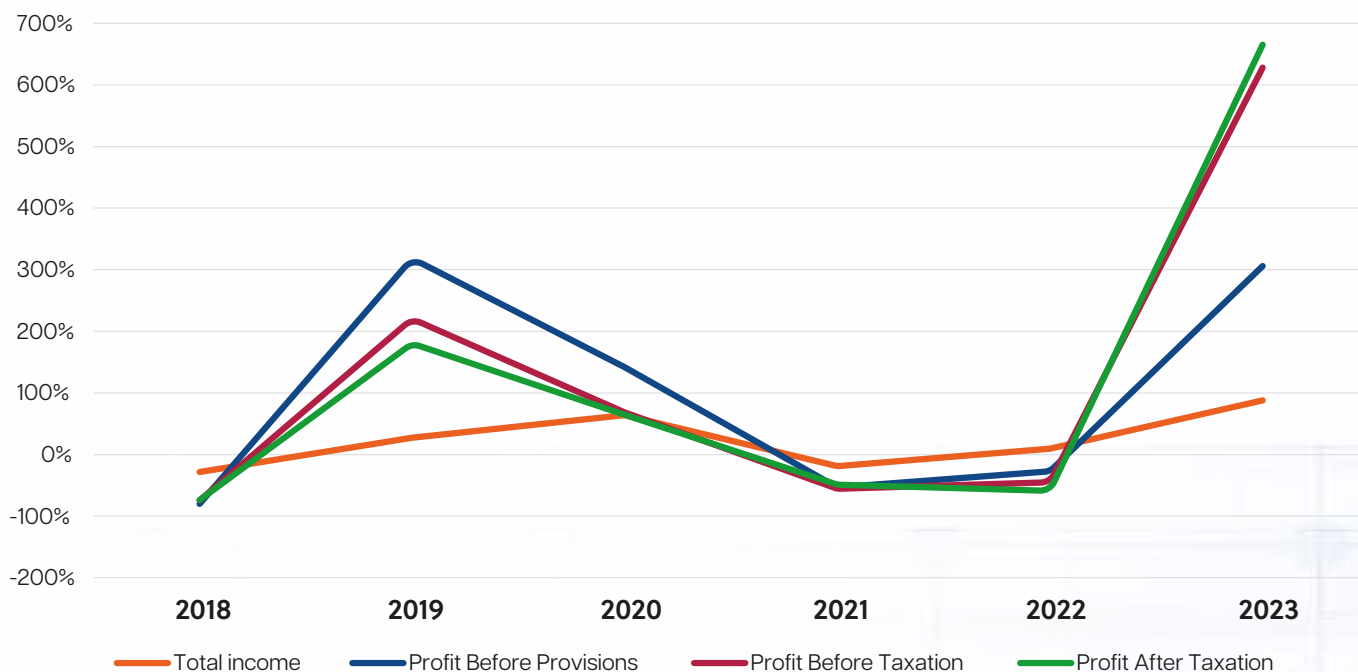


Liabilities and Equity



Graphical Presentation- Horizontal Analysis

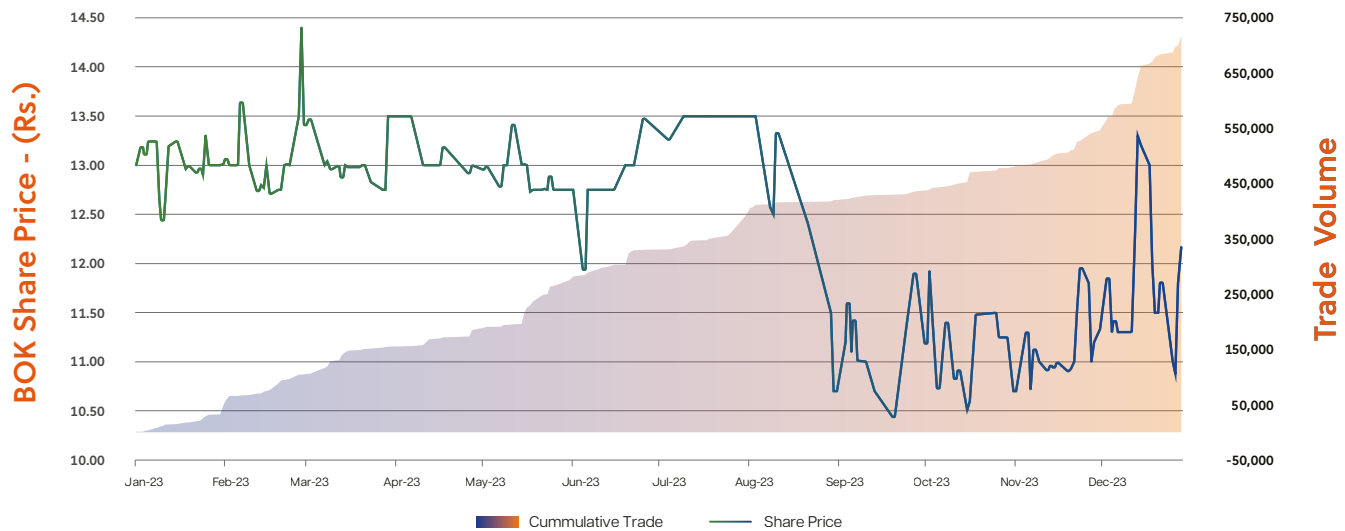
Profit and Loss



+11,00.00



Share Price Sensitivity Analysis



Market Statistics of BoK's Share

2023	Share Prices BoK Script (Rs.)		Market Capitalization Value	
	High	Low	Closing	(Mln)
4th Quarter	12.50	11.49	12.17	13,421
3rd Quarter	12.00	11.54	12.00	13,233
2nd Quarter	13.49	13.49	13.49	14,877
1st Quarter	13.50	13.50	13.50	14,888

Sensitivity Analysis of Change in Market Capitalization is as follows:

	Dec-23	Dec-22	Variance
Share Price (Rs.)	12.17	13.0	-0.83
No. of Shares	1,102,790,529	1,102,790,529	0
Market Capitalization (Rs.)	13,420,960,738	14,336,276,877	-915,316,139

Share Price of the Bank is decreased by Rs. 0.83 per share in this year with comparison to year 2022. As a result of that, market capitalization of the Bank is decreased by Rs. 915 Million.



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 will 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 change in the inflation statistics will have a corresponding impact on the monetary policy rate. The policy rate changes impact the yields of interest bearing assets and liabilities which in turn have impact on the profitability and share price.

Political Stability & Law and order situation

Political stability and controlled law & order situation is a pre-requisite for any economic development. These factors have impact on the business as well as the investors and therefore can impact the performance of the Bank.





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

The year 2023 remained volatile for the country, with persistent inflationary pressures, driven by factors such as rising food and energy prices, currency depreciation, supply chain disruption, and structural inefficiencies. High inflation eroded purchasing power, particularly low-income households. The economy has struggled with a fiscal deficit where government expenditures exceeded revenue which led to reliance on borrowing, both domestically and externally contributing to growing debt levels.

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 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 the Bank's philosophy would remain on improving service quality standards and providing state-of-the-art banking services through leveraging technology and trained human resources. Efforts are also underway to target new market segments and to improve efficiency and productivity in the Bank's overall performance.

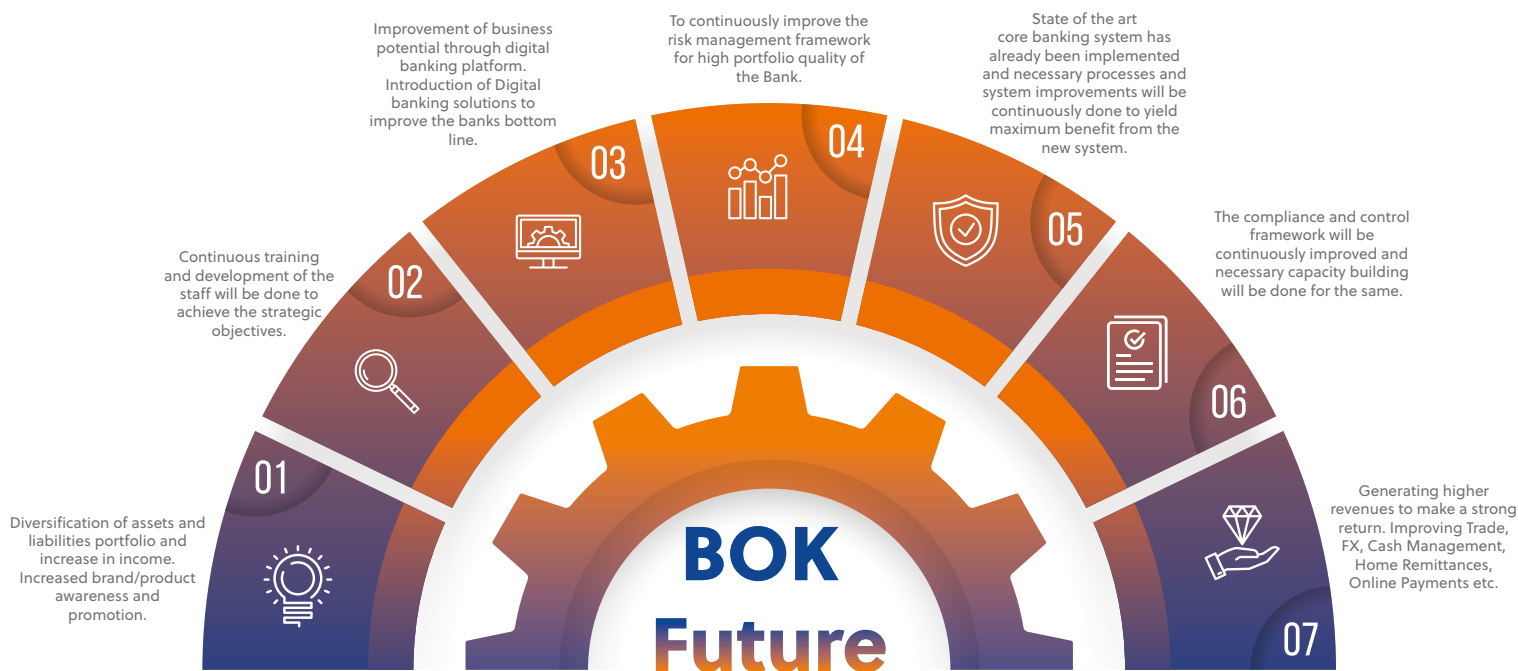
The Bank would be focusing on enhancing revenue growth and profitability through cross selling various financial products,

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.

Furthermore, emphasis will be placed on increasing advances in all segments of the economy with a special focus on salary loans to public sector employees, SME and agriculture sector to improve the Bank's ADR and profitability.

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

The Bank is giving special attention to the Home Remittance business through broadening of the product



suite and utilization of bank's digital banking platform.

On the asset side, the Bank intends to diversify its financing portfolio by focusing on lending to the good quality private sector for fresh loans with the 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, and increasing penetration in cash management services. 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 in 13 branches and have successfully been converted to solar energy

whereas more branches will be considered for conversion.

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 extending interest free micro loans residents of newly merged districts of KP, SAAF scheme and PM Youth finance scheme.

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 Batch Trainee Officers (BTOs) 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.

Forward Looking Statement

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.

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 2023 against forward-looking disclosures made in Annual report of 2022

During FY-2023, the bank continued to focus on building a foundation for sustainable growth in the future.

Despite challenging economic conditions, the Bank's profit before tax was recorded at Rs. 6,702 million against Rs. 920 million in the previous year thereby registered significant growth of 629%. Profit after tax for the same year stood at Rs. 3,481 million against Rs. 455 million last year which translates into earnings per share of Rs. 3.16 against Rs. 0.41 in 2022.

With a sizeable increase, the net mark-up / interest income during FY-2023 stood at Rs. 13,893 million as compared to Rs. 7,149 million in the corresponding year. Non-markup / interest income increased due to increase in foreign exchange income and stood at Rs. 2,109 million as compared to Rs. 1,385 million in the previous year.

The fragile economic conditions, and subdued business activities during the year resulted in impaired repayment capacity of certain businesses and obligors which in turn, deteriorated the infection ratio. In order to control the portfolio infection, management has put in place strong risk management policies and procedures and making strenuous recovery efforts against NPLs.

At the year-end, total deposits stood at Rs. 289,292 million in comparison with Rs. 248,906 million as of December 31, 2022. Investments have been re-profiled and stood at Rs. 223,348 million as compared to Rs. 173,669 million as of December 31, 2022.

The asset base of the Bank increased as compared to the previous year amount of Rs. 344,984 million and stood at Rs. 383,186 million as of December 31, 2023.

During the year, 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, 2023, total branch network stood at 238 branches in comparison to 231 branches in 2022. 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 8% in 2023. 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 2023. A total of 13,596 training days for 19,707 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.

The Bank's digital transaction numbers and volume have shown tremendous growth during the year 2023 in line with the Bank's 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.

Detail of Projects completed

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:

- Implemented scenario based testing, including Phishing Simulations, Red/Blue Team exercises to gauge employee readiness post-awareness campaigns
- Successfully completed Batch Processing Name Screening exercise against UN Lists
- Implemented Data Leak Prevention (DLP) with Data Classification
- Completed review of IFRS-9 models and related workings
- Embarked on achieving PCIDSS Compliance

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 2024 and beyond.



The background of the cover is a dark blue, textured surface with a circuit board pattern. In the bottom left corner, there is a stack of several dark, round coins. The text "Financial Statements" is centered in a large, white, sans-serif font. Below it, in a smaller white font, is the text "For the year ended December 31, 2023".

Financial Statements

For the year ended December 31, 2023

Statement of Financial Position

As at December 31, 2023



	Note	2023 ----- Rupees in '000 -----	2022
ASSETS			
Cash and balances with treasury banks	7	23,895,690	16,273,825
Balances with other banks	8	3,960,115	3,556,532
Lendings to financial institutions	9	2,000,000	7,641,077
Investments	10	223,348,499	173,668,614
Advances	11	101,587,580	127,515,211
Fixed assets	12	6,948,667	5,613,279
Intangible assets	13	428,608	473,720
Deferred tax assets	14	1,346,748	1,367,841
Other assets	15	19,670,577	8,873,921
		383,186,484	344,984,020
LIABILITIES			
Bills payable	16	3,759,078	2,102,234
Borrowings	17	50,460,559	66,263,168
Deposits and other accounts	18	289,291,561	248,905,981
Liabilities against assets subject to finance lease		-	-
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	19	19,374,002	11,285,139
		362,885,200	328,556,522
NET ASSETS		20,301,284	16,427,498
REPRESENTED BY			
Share capital	20	11,027,905	11,027,905
Reserves		4,343,001	3,646,746
Surplus / (deficit) on revaluation of assets - net of tax	21	124,622	(229,857)
Unappropriated profit		4,805,756	1,982,704
		20,301,284	16,427,498

CONTINGENCIES AND COMMITMENTS

22

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

Director

Profit and Loss Account

For the year ended December 31, 2023



	Note	2023 ----- Rupees in '000 -----	2022
Mark-up / return / interest earned	23	59,070,281	40,242,025
Mark-up / return / interest expensed	24	45,177,649	33,093,339
Net mark-up / interest income		13,892,632	7,148,686
NON MARK-UP / INTEREST INCOME			
Fee and commission income	25	548,510	546,017
Dividend income		11,101	13,427
Share of profit of associate		9	917
Foreign exchange income		1,457,933	660,339
Income / (loss) from derivatives		-	-
(Loss) / gain on securities	26	(70,591)	7,530
Other income	27	161,989	156,336
Total non-markup / interest income		2,108,951	1,384,566
Total income		16,001,583	8,533,252
NON MARK-UP / INTEREST EXPENSE			
Operating expenses	28	8,560,349	6,650,086
Workers welfare fund		-	-
Other charges	29	34,562	61,144
Total non-markup / interest expenses		8,594,911	6,711,230
PROFIT BEFORE PROVISIONS		7,406,672	1,822,022
Provisions and write offs - net	30	705,091	902,137
Extra ordinary / unusual items		-	-
PROFIT BEFORE TAXATION		6,701,581	919,885
Taxation	31	3,220,304	465,021
PROFIT AFTER TAXATION		3,481,277	454,864
----- Rupees -----			
Basic and diluted earnings per share	32	3.16	0.41

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

Director

Statement of Comprehensive Income

For the year ended December 31, 2023



	2023	2022
	----- Rupees in '000 -----	
Profit after taxation for the year	3,481,277	454,864
Other comprehensive income / (loss)		
Items that may be reclassified to profit and loss account in subsequent periods:		
Movement in surplus / (deficit) on revaluation of investments - net of tax	219,620	(555,172)
Share of (deficit) on revaluation of investments of associate - net of tax	(323)	(1,233)
	219,297	(556,405)
Items that will not be reclassified to profit and loss account in subsequent periods:		
Remeasurement gain / (loss) on defined benefit obligation - net of tax	34,241	(22,819)
Share of remeasurement gain on defined benefit obligation of associate - net of tax	535	268
Movement in surplus on revaluation of fixed assets	112,920	-
Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	25,516	(18,284)
	173,212	(40,835)
Total comprehensive income / (loss)	3,873,786	(142,376)

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

Director


Statement of Changes in Equity


For the year ended December 31, 2023




	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of			Unappropriated profit	Total
			Investments	Fixed assets	Non-banking assets		
----- Rupees in '000 -----							
Balance as at January 1, 2022	10,502,710	3,555,773	(486,113)	787,200	49,530	2,160,774	16,569,874
Profit after taxation for the prior 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	-
Transactions with owners, recorded directly in equity							
Bonus shares issued for the year ended December 31, 2021 (Rs. 0.50 per share)	525,195	-	-	-	-	(525,195)	-
Balance as at December 31, 2022	11,027,905	3,646,746	(1,042,518)	787,200	25,461	1,982,704	16,427,498
Profit after taxation for the current year	-	-	-	-	-	3,481,277	3,481,277
Other comprehensive income - net of tax	-	-	219,297	112,920	25,516	34,776	392,509
Total comprehensive income	-	-	219,297	112,920	25,516	3,516,053	3,873,786
Transfer to statutory reserve	-	696,255	-	-	-	(696,255)	-
Transfer from surplus on revaluation of non-banking asset to unappropriated profit- net of tax	-	-	-	-	(3,254)	3,254	-
Balance as at December 31, 2023	11,027,905	4,343,001	(823,221)	900,120	47,723	4,805,756	20,301,284

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

Cash Flows Statement

For the year ended December 31, 2023



	Note	2023 ----- Rupees in '000 -----	2022
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before taxation		6,701,581	919,885
Less: Dividend income		11,101	13,427
		6,690,480	906,458
Adjustments:			
Depreciation - Fixed assets	28	683,033	507,784
Depreciation - Non-banking assets acquired in satisfaction of claims	28	33,751	22,833
Depreciation - Right-of-use assets	28	681,725	533,950
Amortization	28	85,601	76,677
Provisions and write offs - net	30	705,091	902,137
Gain on sale of fixed assets	27	(948)	(4,371)
Interest expense on lease liability	24	213,486	148,348
Reversal of impairment on non-banking assets	27	-	(15,947)
Exchange gain on cash and cash equivalents		(496,296)	(389,007)
Share of profit of associate		(9)	(917)
Gain on early culmination of lease	27	(5,114)	(3,970)
		1,900,320	1,777,517
		8,590,800	2,683,975
Decrease / (increase) in operating assets			
Lendings to financial institutions		5,641,077	(2,658,783)
Held-for-trading securities		-	2,385,571
Advances		25,177,445	(3,746,278)
Others assets (excluding advance taxation)		(11,419,065)	(149,905)
		19,399,457	(4,169,395)
Increase / (decrease) in operating liabilities			
Bills payable		1,656,844	1,227,667
Borrowings from financial institutions		(15,802,609)	(43,805,760)
Deposits		40,385,580	27,030,083
Other liabilities		6,105,356	2,150,154
		32,345,171	(13,397,856)
Income tax paid		(1,679,848)	(520,766)
Net cash flow from / (used in) operating activities		58,655,580	(15,404,042)
CASH FLOW FROM INVESTING ACTIVITIES			
Net investments in available-for-sale securities		(51,862,885)	(1,478,479)
Net investments in held-to-maturity securities		2,522,258	8,660,317
Dividends received		11,101	13,427
Investments in fixed assets		(768,218)	(981,912)
Investments in intangible assets		(40,489)	(100,158)
Proceeds from sale of fixed assets		4,556	8,775
Net cash flow (used in) / from investing activities		(50,133,677)	6,121,970
CASH FLOW FROM FINANCING ACTIVITIES			
Dividend paid		(168)	(3,174)
Payments of lease obligations		(992,583)	(763,300)
Net cash flow used in financing activities		(992,751)	(766,474)
Effects of exchange rate changes on cash and cash equivalents		496,296	389,007
Increase / (decrease) in cash and cash equivalents		8,025,448	(9,659,539)
Cash and cash equivalents at beginning of the year	33	19,830,357	29,489,896
Cash and cash equivalents at end of the year	33	27,855,805	19,830,357

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

Director

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 238 branches including 123 Islamic banking branches (2022: 231 branches including 119 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 had 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;
 - 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).

Notes to the Financial Statements

For the year ended December 31, 2023



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, 2023. These are considered either not to be relevant or do not have any significant impact on these financial statements, except as disclosed below:

IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (Amendments)

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Bank's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Bank's 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, 2024:

Standards, interpretations and amendments	Effective date (annual periods beginning on or after)
IAS 1 - Classification of Liabilities as Current or Non-current and Non-current liabilities with Covenants (Amendments)	January 1, 2024
IFRS 9 - Financial Instruments	January 1, 2024
IFRS 16 - Lease liability in a Sale and Leaseback (Amendments)	January 1, 2024
IAS 21 - Lack of Exchangeability (Amendments)	January 1, 2025

Notes to the Financial Statements

For the year ended December 31, 2023



The Bank expects that the adoption of the above standards, interpretations or amendments will have no material effect on the Bank's financial statements, except for IFRS 9 - Financial Instruments.

SBP vide BPRD circular no. 2 of 2023 dated February 9, 2023 has specified the new reporting format for financial statements of Banking Companies. The new format has revised disclosure requirements and will become applicable for the financial statements of the Bank for the quarter ending March 31, 2024.

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, 2023.

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

IFRS - 9 Financial Instruments

As directed by SBP via BPRD Circular no. 3 of 2022, IFRS 9 Financial Instruments was effective for periods beginning on or after January 1, 2023 for banks having asset size 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 had finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the Banks. Moreover, during the year, SBP via BPRD Circular Letter no. 7 dated April 13, 2023 extended the effective date of implementation of IFRS 9 for all banks to January 1, 2024. Accordingly, effective date of implementation for the Bank is January 1, 2024.

As of December 31, 2023, 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:

Notes to the Financial Statements

For the year ended December 31, 2023



Equity securities

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

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. Currently, the Bank is assessing the methods to determine the fair value of these securities.

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.

- 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, 2023



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 9, 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. Its actual impact on the Bank's financial statements will be dependent on the portfolio composition as well as economic, accounting and classification selections and judgements that the Bank will make upon adoption of IFRS-9. 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, 2023.

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, 2023 is reduction in equity by approximately Rs 2.21 billion.

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 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, 2023 is a reduction by 222 bps.

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 prolonged 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.

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, 2023.

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.

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 MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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.

(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.

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.

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.

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.

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.

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.

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.

Notes to the Financial Statements

For the year ended December 31, 2023



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, 2023 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 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% (2022: 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.
- (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.

Notes to the Financial Statements

For the year ended December 31, 2023



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.

(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.

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, 2023



7	CASH AND BALANCES WITH TREASURY BANKS	Note	2023 ----- Rupees in '000 -----	2022
	In hand			
	Local currency		6,046,543	4,388,733
	Foreign currencies		313,692	120,782
			6,360,235	4,509,515
	With State Bank of Pakistan in			
	Local currency current accounts	7.1	14,004,087	11,263,770
	Foreign currency current accounts	7.2	84,236	67,454
	Foreign currency deposit accounts	7.3	137,551	101,318
			14,225,874	11,432,542
	With National Bank of Pakistan in			
	Local currency current accounts		3,272,580	119,343
	Local currency deposit accounts	7.4	29,473	209,917
	Foreign currency current accounts		5,162	1,287
			3,307,215	330,547
	Prize bonds		2,366	1,221
			23,895,690	16,273,825

- 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 ranging from 3.39% to 4.34% (2022: 0.00% to 3.14%) per annum.
- 7.4** These represent short-term deposits carrying profit rate ranging from 14.50% to 20.50% (2022: 8.25% to 14.50%) per annum.

8	BALANCES WITH OTHER BANKS	Note	2023 ----- Rupees in '000 -----	2022
	In Pakistan:			
	In current accounts		1,640,846	999,756
	In deposit accounts	8.1	356,021	376,221
			1,996,867	1,375,977
	Outside Pakistan:			
	In current accounts		697,145	278,348
	In deposit accounts	8.2	1,276,131	1,912,235
			1,973,276	2,190,583
	Provision for doubtful placement with the bank	8.3	(10,028)	(10,028)
			3,960,115	3,556,532

- 8.1** These represent short-term deposits with other banks in Pakistan, at mark-up rate ranging from 2.00% to 20.50% (2022: 2.00% to 14.50%) per annum.

Notes to the Financial Statements

For the year ended December 31, 2023



- 8.2** These represent deposits with other banks outside Pakistan, at mark-up rate ranging from 3.83% to 4.83% (2022: 0.08% to 3.83%) per annum.

		2023	2022
		----- Rupees in '000 -----	
8.3	Particulars of provision for doubtful placement with the bank		
	Opening balance	10,028	10,028
	Charge for the year	-	-
	Reversals	-	-
	Closing balance	10,028	10,028
9	LENDINGS TO FINANCIAL INSTITUTIONS		
	Repurchase agreement lendings (Reverse Repo) 9.2	-	3,841,077
	Placements with financial institutions 9.3	2,238,944	4,038,944
		2,238,944	7,880,021
	Less: provision held against lending to financial institutions 9.4	(238,944)	(238,944)
	Lendings to financial institutions - net of provision	2,000,000	7,641,077
9.1	Particulars of lendings		
	In local currency	2,000,000	7,641,077
	In foreign currencies	-	-
	Total	2,000,000	7,641,077

- 9.2** For the year 2022, this represented repurchase agreement lendings (reverse repo) secured against government securities at mark-up rate of 16.00% per annum which matured on January 3, 2023.

- 9.3** Placements with financial institutions includes Rs. 2,000 million (2022: Rs. 3,800 million) carrying profit rate of 22.05% per annum (2022: ranging from 14.00% to 16.15% per annum) with maturity of January 2, 2024.

		2023	2022
		----- Rupees in '000 -----	
9.4	Particulars of provision against lendings to financial institutions		
	Opening balance	238,944	238,944
	Charge for the year	-	-
	Reversals for the year	-	-
	Closing balance	238,944	238,944

Notes to the Financial Statements

For the year ended December 31, 2023



9.5	Securities held as collateral against lending to financial institutions	2023			2022		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
		----- Rupees in '000 -----					
	Market Treasury Bills	-	-	-	3,841,077	-	3,841,077
	Pakistan Investment Bonds	-	-	-	-	-	-
	Total	-	-	-	3,841,077	-	3,841,077

Market value of securities held as collateral as at December 31, 2023 amounted to Rs. Nil (2022: Rs.3,833.67 million)

9.6	Category of classification	2023			2022		
		Classified lending	Provision held		Classified lending	Provision held	
		----- Rupees in '000 -----					
	Domestic						
	Other assets especially mentioned (OAEI)	-	-	-	-	-	-
	Substandard	-	-	-	-	-	-
	Doubtful	-	-	-	-	-	-
	Loss	238,944	238,944		238,944	238,944	
		238,944	238,944		238,944	238,944	
	Overseas						
	Not past due but impaired	-	-	-	-	-	-
	Overdue by:						
	Upto 90 days	-	-	-	-	-	-
	91 to 180 days	-	-	-	-	-	-
	181 to 365 days	-	-	-	-	-	-
	> 365 days	-	-	-	-	-	-
		-	-	-	-	-	-
	Total	238,944	238,944		238,944	238,944	

Notes to the Financial Statements

For the year ended December 31, 2023



10	INVESTMENTS	2023					2022				
		Cost / amortized cost	Provision for diminution	Surplus/ (deficit)	Carrying value		Cost / amortized cost	Provision for diminution	Surplus/ (deficit)	Carrying value	
10.1	Investments by type:	Rupees in '000									
	Held-for-trading securities										
	Available-for-sale securities										
	Federal Government Securities										
	Shares	214,878,019	-	(1,716,573)	213,161,446		162,153,215	-	(1,865,559)	160,287,656	
	Non-Government Debt Securities	739,668	(634,090)	113,929	219,507		1,023,174	(757,415)	59,661	325,420	
		7,294,466	(165,042)	(8,465)	7,120,959		7,872,879	(165,042)	(20,917)	7,686,920	
		222,912,153	(799,132)	(1,611,109)	220,501,912		171,049,268	(922,457)	(1,826,815)	168,299,996	
	Held-to-maturity securities										
	Federal Government Securities	2,756,377	-	-	2,756,377		5,278,635	-	-	5,278,635	
		2,756,377	-	-	2,756,377		5,278,635	-	-	5,278,635	
	Associate (Note 10.2)	90,210	-	-	90,210		89,983	-	-	89,983	
	Total investments	225,758,740	(799,132)	(1,611,109)	223,348,499		176,417,886	(922,457)	(1,826,815)	173,668,614	
10.1.1	During the year, the Bank has accounted for 100% impact of the unrealized mark-to-market (MTM) losses on its available-for-sale (AFS) PIBs portfolio. During the year ended December 31, 2022, SBP vide its letter no. SBPHOK-BRPD-RPD-BOK-264314 dated July 25, 2022 had allowed the Bank to gradually stagger the unrealized MTM losses on certain PIBs having face value of Rs. 26.450 million held in it's AFS portfolio. Accordingly, as at December 31, 2022, the cumulative unrealised MTM losses on these PIBs amounted to Rs. 2,077 million and the Bank availed the benefit of the said relaxation and had not accounted for the impact of Rs. 1,038 million (i.e. 50% of these MTM losses) in the financial statements for the year ended December 31, 2022. As per the staggering timeline allowed by SBP, the Bank had accounted for the impact of the unrealized MTM losses on these PIBs as follows:										
	- 25% by September 30, 2022										
	- 50% by December 31, 2022										
	- 75% by March 31, 2023										
	- 100% by June 30, 2023										
10.1.2	Market Treasury Bills and Pakistan Investment Bonds are eligible for re-discounting with SBP.										
10.2	Carrying value of associate under equity method of accounting	Rupees in '000									
	Carrying value of investment as at January 1	89,983					89,983			92,784	
	Share of profit after tax of associate								9	917	
	Share of OCI of associate's:										
	- Investments								(888)	(1,693)	
	- Defined benefit obligation								1,106	-	
									218	(1,693)	
	Dividend received from associate								-	(2,025)	
	Carrying value of investment as at December 31	90,210					90,210			89,983	

Notes to the Financial Statements

For the year ended December 31, 2023



10.2.1 Investment in associate - unlisted

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

Year ended	Number of shares	Percentage of holding	Cost Rupees in '000
2023	4,050,374	30%	40,504
2022	4,050,374	30%	40,504

10.2.2 Summary of financial information of associate

Rupees '000				
Assets	Liabilities	Equity	Revenue	Profit after taxation
Total comprehensive income / (loss)				
Based on financial statements:				
- October 1, 2022 to September 30, 2023	566,593	265,893	300,701	136,100
- January 1, 2021 to September 30, 2022	585,544	285,605	299,939	245,466
				3,058
				(2,589)

10.2.3 Reporting date of associate (i.e Taurus Securities Limited) is December 31. Since the audited financial statements of associate for the year ended December 31, 2023 were not available till the date of finalisation of these financial statements, accordingly, results of its operations including share of profit and other comprehensive income is based on audited financial statements for the three months period from October 1, 2022 to December 31, 2022 and un-audited financial statements for the nine months period from January 1, 2023 to September 30, 2023.

2023

2022

Investments by segments	Cost/ amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost/ amortized cost	Provision for diminution	Surplus / (deficit)	Carrying value
	Rupees in '000							
Federal Government Securities								
Market Treasury Bills	-	-	-	-	47,164,116	-	(285,464)	46,878,652
Pakistan Investment Bonds	166,150,442	-	(1,612,665)	164,537,777	90,618,292	-	(1,154,054)	89,464,238
Ijarah Sukuks	51,483,954	-	(103,908)	51,380,046	29,649,442	-	(426,041)	29,223,401
	217,634,396	-	(1,716,573)	215,917,823	167,431,850	-	(1,865,559)	165,566,291
Shares								
Listed Companies	312,182	(262,867)	88,529	137,844	595,688	(386,192)	37,006	246,502
Unlisted Companies	427,486	(371,223)	25,400	81,663	427,486	(371,223)	22,655	78,918
	739,668	(634,090)	113,929	219,507	1,023,174	(757,415)	59,661	325,420
Non-Government Debt Securities								
Listed	3,549,388	(27,548)	(8,465)	3,513,375	3,474,468	(27,548)	(20,917)	3,426,003
Unlisted	3,745,078	(137,494)	-	3,607,584	4,398,411	(137,494)	-	4,260,917
	7,294,466	(165,042)	(8,465)	7,120,959	7,872,879	(165,042)	(20,917)	7,686,920
Associate								
Taurus Securities Limited	90,210	-	-	90,210	89,983	-	-	89,983
Total Investments	225,758,740	(799,132)	(1,611,109)	223,348,499	176,417,886	(922,457)	(1,826,815)	173,668,614

Notes to the Financial Statements

For the year ended December 31, 2023



10.4	Investments given as collateral (as disclosed in note 17.10)	Note	2023	2022
			----- Rupees in '000 -----	
	Market Treasury Bills		-	29,346,172
	Pakistan Investment Bonds		39,819,481	25,513,973
		10.4.1	39,819,481	54,860,145

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

10.5	Provision for diminution in value of investments	Note	2023	2022
			----- Rupees in '000 -----	
	Opening balance		922,457	792,243
	Charge / (reversals)			
	Charge for the year		23,089	142,614
	Reversals for the year		-	-
	Reversal on disposals / repayment	10.5.1	(146,414)	(12,400)
		30	(123,325)	130,214
	Transfers - net		-	-
	Amounts written off		-	-
	Closing balance		799,132	922,457

10.5.1 This represents impairment reversal of Rs. 146.41 million (2022: Rs. 12.40 million) in respect of available-for-sale equity securities.

10.6 Particulars of provision against debt securities

Category of classification	2023		2022	
	NPI	Provision	NPI	Provision
	----- Rupees in '000 -----			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	165,042	165,042	165,042	165,042
	165,042	165,042	165,042	165,042
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	165,042	165,042	165,042	165,042

Notes to the Financial Statements

For the year ended December 31, 2023



10.7	Principal terms of investments in Federal Government securities	Yield / return per annum	Maturity	Redemption	Coupon
	Pakistan Investment Bonds	7.00% to 24.79%	July 17, 2024 to December 10, 2030	On maturity	Half yearly & Quarterly
	Government of Pakistan Sukuk	11.40% to 23.60%	April 17, 2024 to June 26, 2028	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.

10.8 Details of investment in preference shares - unlisted

Name of company	Percentage of holding	No. of shares	Paid-up value per share	Total paid-up value	Total cost as on December 31, 2023
----- Rupees in '000 -----					
Saudi Pak Leasing Company Limited	37%	19,500,000	10	195,000	195,000

10.8.1 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.

10.9	Quality of available for sale securities	2023	2022
		Cost	
		----- Rupees in '000 -----	
Details regarding quality of Available for Sale (AFS) securities are as follows			
Federal Government securities - Government guaranteed			
Market treasury bills		-	47,164,116
Pakistan investment bonds		163,394,065	85,339,657
Ijarah sukuks		51,483,954	29,649,442
		214,878,019	162,153,215
Non Government debt securities - listed			
Categorised based on long term rating by credit rating agency			
- AAA		250,000	250,000
- AA+, AA, AA-		857,000	782,000
- A+, A, A-		414,840	414,920
- Unrated		2,027,548	2,027,548
		3,549,388	3,474,468
Non Government debt securities - unlisted			
Categorised based on long term rating by credit rating agency			
- AAA		3,050,000	3,470,000
- AA+, AA, AA-		368,000	543,000
- A+, A, A-		189,584	247,917
- Unrated		137,494	137,494
		3,745,078	4,398,411

Notes to the Financial Statements

For the year ended December 31, 2023



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

10.10	Particulars relating to held to maturity securities are as follows:	2023	2022
		Cost	
		----- Rupees in '000 -----	
	Federal Government Securities - Government guaranteed		
	Pakistan Investment Bonds	2,756,377	5,278,635

10.10.1 The year end market value of securities classified as held-to-maturity amounted to Rs. 2,574.49 million (2022: Rs. 4,844.37 million).

Notes to the Financial Statements

For the year ended December 31, 2023



11	ADVANCES	Performing		Non performing		Total	
		2023	2022	2023	2022	2023	2022
		----- Rupees in '000 -----					
	Loans, cash credits, running finances, etc	63,954,807	78,939,816	9,600,559	8,260,811	73,555,366	87,200,627
	Islamic financing and related assets	32,383,932	44,036,577	2,148,791	1,953,857	34,532,723	45,990,434
	Bills discounted and purchased	73,609	180,334	1,541,365	1,541,365	1,614,974	1,721,699
	Advances - gross	96,412,348	123,156,727	13,290,715	11,756,033	109,703,063	134,912,760
	Provision against advances						
	- Specific	-	-	8,019,353	7,313,193	8,019,353	7,313,193
	- General	96,130	84,356	-	-	96,130	84,356
		96,130	84,356	8,019,353	7,313,193	8,115,483	7,397,549
	Advances - net of provision	96,316,218	123,072,371	5,271,362	4,442,840	101,587,580	127,515,211
11.1	Particulars of advances (gross)	----- Rupees in '000 -----					
	In local currency					109,703,063	134,912,760
	In foreign currencies					-	-
						109,703,063	134,912,760

Notes to the Financial Statements

For the year ended December 31, 2023

11.2 Advances include Rs. 13,290.72 million (2022: Rs. 11,756.03 million) which have been placed under non-performing status as detailed below:

Category of classification	2023		2022			
	Non Performing Loans	Provision	Non Performing Loans	Provision		
	----- Rupees in '000 -----					
Domestic						
Other assets especially mentioned (OAEM)		1,345	140,297	1,294		
Substandard	238,941	133,064	556,428	42,282		
Doubtful	1,172,610	95,419	1,076,998	25,375		
Loss	1,071,990	7,789,525	9,982,310	7,244,242		
	10,807,174	8,019,353	11,756,033	7,313,193		
Overseas						
Not past due but impaired	-	-	-	-		
Overdue by:						
Upto 90 days	-	-	-	-		
91 to 180 days	-	-	-	-		
181 to 365 days	-	-	-	-		
> 365 days	-	-	-	-		
	-	-	-	-		
Total	13,290,715	8,019,353	11,756,033	7,313,193		
11.3	2023		2022			
Particulars of provision against advances	Specific	General	Total	Specific	General	Total
	----- Rupees in '000 -----					
	7,313,193	84,356	7,397,549	6,553,768	63,519	6,617,287
	867,480	11,774	879,254	1,000,620	20,837	1,021,457
	(129,068)	-	(129,068)	(241,195)	-	(241,195)
	738,412	11,774	750,186	759,425	20,837	780,262
	(32,252)	-	(32,252)	-	-	-
	8,019,353	96,130	8,115,483	7,313,193	84,356	7,397,549
11.4						
Particulars of provision against advances						
	8,019,353	96,130	8,115,483	7,313,193	84,356	7,397,549
	-	-	-	-	-	-
	8,019,353	96,130	8,115,483	7,313,193	84,356	7,397,549

Notes to the Financial Statements

For the year ended December 31, 2023



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, 2023 the Bank has availed cumulative benefit of forced sale values of Rs. 3,296.30 million (2022: Rs. 3,176.61 million). Increase in unappropriated profit net of tax amounting to Rs. 1,681.11 million (2022: Rs. 1,810.67 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

11.6	PARTICULARS OF WRITE OFFs:	Note	2023	2022
			----- Rupees in '000 -----	
	Against Provisions	11.3	32,252	-
	Directly charged to Profit & Loss account		-	-
			32,252	-
11.6.1	Write Offs of Rs. 500,000 and above			
	- Domestic	11.7	32,252	-
	- Overseas		-	-
	Write Offs of Below Rs. 500,000		-	-
			32,252	-

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 rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2023 is given in Annexure 'I'.

12	FIXED ASSETS	Note	2023	2022
			----- Rupees in '000 -----	
	Capital work-in-progress	12.1	104,080	247,680
	Property and equipment	12.2	4,295,346	3,957,249
	Right-of-use assets	12.3	2,549,241	1,408,350
			6,948,667	5,613,279
12.1	Capital work-in-progress			
	Civil works		11,242	86,896
	Equipments		88,837	141,934
	Furniture & fixtures		3,840	-
	Advances to suppliers		161	18,850
		12.1.1	104,080	247,680
12.1.1	Movement in capital work-in-progress			
	Opening balance		247,680	1,205,899
	Additions		768,218	981,912
	Transfers		(911,818)	(1,940,131)
	Closing balance		104,080	247,680

For the year ended December 31, 2023



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For the year ended December 31, 2023



2022

	Free hold land	Lease hold land	Building on free hold land	Building on leasehold land	Furniture and fixtures	Electrical, office and computer equipments	Vehicles	Leasehold improvements	Books	Total
Rupees '000										
At January 1, 2022										
Cost / Revalued amount	58,000	903,360	464,031	-	327,835	1,585,961	38,142	1,262,485	884	4,640,698
Accumulated depreciation	-	-	171,528	-	201,811	922,593	17,831	796,837	792	2,111,392
Net book value	58,000	903,360	292,503	-	126,024	663,368	20,311	465,648	92	2,529,306
Year ended December 31, 2022										
Opening net book value	58,000	903,360	292,503	-	126,024	663,368	20,311	465,648	92	2,529,306
Additions	-	-	-	283,333	177,952	631,187	933	846,590	136	1,940,131
Disposals	-	-	-	-	1,834	1,410	-	1,160	-	4,404
Depreciation charge	-	-	46,151	3,778	32,471	235,961	5,147	184,225	51	507,784
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										
Cost / Revalued amount	58,000	903,360	464,031	283,333	484,531	2,197,798	39,064	2,079,288	1,016	6,510,421
Accumulated depreciation	-	-	217,679	3,778	214,860	1,140,614	22,967	952,435	839	2,553,172
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
Rate of depreciation (percentage)			10%	4%	10%	10% - 20%	20%	10% - 20%	10%	

12.2.1 The leasehold land of the Bank has been revalued as at December 31, 2023 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. 900.12 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, 2023 would have been Rs. 116.16 million. The forced sale value of leasehold land as assessed during the above valuation was Rs. 914.65 million.

12.2.2 Particulars of lands are as follow:

S. No	Location	Nature	Area (sq. feets)
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

Notes to the Financial Statements

For the year ended December 31, 2023

12.2.3 Details of disposals of fixed assets

Description	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain / (loss) on disposal	Mode of disposal	Particular of purchasers
----- Rupees in '000 -----							
Furniture and fixture	15,466	13,259	2,207	2,426	219	Auction	Habib Furniture Showroom
Office equipment	18,351	17,869	482	1,515	1,033	Auction	Sartaj Center
Leasehold improvements	34,461	33,542	919	615	(304)	Auction	Webuild & Company
2023	68,278	64,670	3,608	4,556	948		
2022	70,408	66,004	4,404	8,775	4,371		

12.2.4 The cost of fully depreciated assets, that are still in use are as follows:

	2023	2022
----- Rupees in '000 -----		
Building on freehold land	1,964	1,964
Furniture and fixture	126,767	120,124
Office equipment	879,968	776,790
Vehicles	16,974	13,713
Books	783	755
Leasehold improvement	719,094	646,369
	1,745,550	1,559,715

12.3 Right of use assets

Movement in right-of-use assets is as follows:

At January 1

Cost	2,900,502	2,452,457
Accumulated depreciation	(1,492,152)	(1,050,478)
Net book value	1,408,350	1,401,997

Year ended December 31

Opening net book value	1,408,350	1,401,997
Additions during the year	1,853,833	560,853
Terminations - at cost	(91,236)	(112,826)
Depreciation on terminations	60,019	92,276
Terminations - at book value	(31,217)	(20,550)
Depreciation charge	(681,725)	(533,950)
Closing net book value	2,549,241	1,408,350

At December 31

Cost	4,663,099	2,900,502
Accumulated depreciation	(2,113,858)	(1,492,152)
Net book value	2,549,241	1,408,350

Notes to the Financial Statements

For the year ended December 31, 2023



	2023	2022
	----- Rupees in '000 -----	
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	1,368,661	1,447,280
Additions during the year	1,853,833	560,853
Terminations - at book value	(36,331)	(24,520)
Interest expense on lease liability	213,486	148,348
Payments during the year	(992,583)	(763,300)
Closing net book value	2,407,066	1,368,661

The Bank has lease contracts for real estate that are used in its operations including branches and other offices. Leases generally have an average lease term of 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. As a practical expedient, management does not separate lease and non-lease components, wherever applicable. The lease obligations during the year have been discounted at rates ranging between 15.22% to 22.37% (2022: 11.75% to 15.44%) per annum; being the relevant incremental borrowing rate of the Bank.

		2023	2022
		----- Rupees in '000 -----	
13 INTANGIBLE ASSETS	Note		
Capital work in progress	13.1	49,701	33,533
Licenses and computer softwares	13.2	378,907	440,187
		428,608	473,720
13.1 Movement in capital work-in-progress			
Opening balance		33,533	1,526
Purchases		39,925	73,639
Transfer out		(23,757)	(41,632)
Write off		-	-
Closing balance		49,701	33,533
13.2 Licenses and computer softwares			
	Licenses	Computer softwares	Total
	----- Rupees in '000 -----		
At January 1, 2023			
Cost	376,474	435,274	811,748
Accumulated amortization and impairment	128,617	242,944	371,561
Net book value	247,857	192,330	440,187
Year ended December 31, 2023			
Opening net book value	247,857	192,330	440,187
Purchases / transfer	12,110	12,211	24,321
Amortization charge	39,754	45,847	85,601
Closing net book value	220,213	158,694	378,907

Notes to the Financial Statements

For the year ended December 31, 2023



13.2	Licenses and computer softwares	Licenses	Computer softwares	Total
		----- Rupees in '000 -----		
	At December 31, 2023			
	Cost	388,584	447,485	836,069
	Accumulated amortization and impairment	168,371	288,791	457,162
	Net book value	220,213	158,694	378,907
	Rate of amortization (percentage)	10% - 33.33%		
	Useful life - years	3 - 10		
	Remaining amortization years	0 - 7		
		Licenses	Computer softwares	Total
		----- Rupees in '000 -----		
	At January 1, 2022			
	Cost	328,146	415,451	743,597
	Accumulated amortization and impairment	90,067	204,817	294,884
	Net book value	238,079	210,634	448,713
	Year ended December 31, 2022			
	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
	Closing net book value	247,857	192,330	440,187
	At December 31, 2022			
	Cost	376,474	435,274	811,748
	Accumulated amortization and impairment	128,617	242,944	371,561
	Net book value	247,857	192,330	440,187
	Rate of amortization (percentage)	10% - 33.33%		
	Useful life - years	3 - 10		
	Remaining amortization years	0 - 8		
13.3	The cost of fully amortised intangible assets, that are still in use are as follows:	2023	2022	
		----- Rupees in '000 -----		
	Licenses	87,416	69,263	
	Computer softwares	177,355	135,567	
		264,771	204,830	

For the year ended December 31, 2023

14	DEFERRED TAX ASSETS	Note	----- Rupees in '000 -----
	Deferred tax assets arising in respect of:		
	Provision for balances with other banks		4,914
	Provision for diminution in value of investments		88,166
	Provision for other assets		38,333
	Islamic pool management reserve		100,402
	Accelerated accounting depreciation		216,551
	Deficit on revaluation of investments	21	789,444
	Provision against loans and advances		248,811
			1,486,621
	Deferred tax liabilities arising in respect of:		
	Share of profit of associate		(24,356)
	Surplus on revaluation of non-banking asset		(45,851)
	Others		(69,666)
	Deferred tax assets - net	14.1	1,346,748
14.1	Reconciliation of deferred tax		
			----- Rupees in '000 -----
	Deductible temporary differences on		
	Provision for balances with other banks	As at January 1, 2022	4,312
	Provision for diminution in value of investments	Recognized in Profit and Loss account	602
	Provision for other assets	Recognized in Other Comprehensive Income	(42,236)
	Islamic pool management reserve		38,333
	Accelerated accounting depreciation		40,982
	Deficit on revaluation of investments		92,290
	Provision against loans and advances		-
			3,914
			248,811
	Taxable temporary differences on		
	Share of profit of associate		(6)
	Surplus on revaluation of non-banking asset		(29,770)
	Others		-
	Deferred tax assets - net		1,346,748

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, 2023



15	OTHER ASSETS	Note	2023 ----- Rupees in '000 -----	2022
	Income/ mark-up accrued in local currency		13,228,495	6,923,063
	Advances, deposits and other prepayments		201,399	133,794
	Advance taxation (payments less provisions)		-	632,853
	Non-banking assets acquired in satisfaction of claims	15.1	285,561	312,931
	Mark to market gain on forward foreign exchange contracts		31,449	59,027
	Acceptances		3,502	292,098
	Branch adjustment account		-	1,357
	Pre-IPO investment		100,000	100,000
	Stationary and stamps on hand		159,670	102,617
	Employees benefits	35.1.3	206,194	210,349
	Clearing and settlement accounts		190,161	-
	Receivable from the State Bank of Pakistan	15.3	5,227,550	48,154
	Others		165,678	157,435
			19,799,659	8,973,678
	Less: Provision held against other assets	15.2	(222,656)	(144,426)
	Other assets - net of provision		19,577,003	8,829,252
	Surplus on revaluation of non-banking asset acquired in satisfaction of claims	21	93,574	44,669
	Other assets - total		19,670,577	8,873,921
15.1	Market value of non banking assets acquired in satisfaction of claims		379,135	357,600

The Non-banking assets acquired in satisfaction of claims have been revalued on December 31, 2023 by M/s Star Tech 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 recognised a reversal of impairment of Rs Nil (2022: Rs 15.95 million) during the year.

15.1.1	Non-banking assets acquired in satisfaction of claims	2023 ----- Rupees in '000 -----	2022
	Opening Balance	357,600	390,865
	Revaluation surplus / (deficit)	55,286	(26,379)
	Depreciation	(33,751)	(22,833)
	Reversal of impairment	-	15,947
	Closing Balance	379,135	357,600
15.2	Provision held against other assets		
	Advances for Pre-IPO	100,000	100,000
	Others	122,656	44,426
		222,656	144,426

Notes to the Financial Statements

For the year ended December 31, 2023



	2023	2022
15.2.1 Movement in provision held against other assets	----- Rupees in '000 -----	
Opening balance	144,426	152,765
Charge for the year	78,230	-
Reversals for the year	-	(8,339)
Closing balance	222,656	144,426

15.3 This includes receivable amounting to Rs 5,000 million relating to Pakistan Investment Bonds (PIBs) which matured on December 30, 2023. Subsequent to year end, on January 2, 2024, the Bank has received outstanding receivable relating to afore-mentioned PIBs in full. This also includes subsidy claim receivable from SBP in respect of Mera Pakistan Mera Ghar (MPMG) Scheme.

	2023	2022
16 BILLS PAYABLE	----- Rupees in '000 -----	
Note		
In Pakistan	3,759,078	2,102,234
Outside Pakistan	-	-
	3,759,078	2,102,234

17	BORROWINGS		2023	2022
	Secured			
	Borrowings from State Bank of Pakistan (SBP) under			
	- Export refinance scheme	17.1	4,216,900	4,976,044
	- Long term financing facility	17.2	3,560,830	3,222,602
	- Refinance and credit guarantee scheme for women entrepreneurs	17.3	20,262	35,408
	- Financing facility for renewable energy	17.4	244,594	140,642
	- Refinance facility for modernization of Small and Medium Enterprises (SMEs)	17.5	41,019	29,643
	- Refinance scheme for payment of wages and salaries	17.6	-	96,937
	- Refinance facility for combating COVID-19	17.7	680,065	957,059
	- SME Asaan Scheme (SAAF)	17.8	292,047	601,903
	- Financing facility for storage of agriculture produce	17.9	69,231	83,077
	- Repurchase agreement borrowings	17.10	35,000,000	46,207,244
			44,124,948	56,350,559
	Repurchase agreement borrowings	17.10	5,460,611	8,950,464
	Call borrowings	17.11	-	962,145
			5,460,611	9,912,609
	Total secured		49,585,559	66,263,168
	Unsecured			
	Call borrowings	17.12	875,000	-
	Total		50,460,559	66,263,168

Notes to the Financial Statements

For the year ended December 31, 2023



- 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 13.00% to 18.00% (2022: 2.00% to 12.00%) 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 16.00% (2022: 2.00% to 13.00%) 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% (2022: 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% (2022: 2.00% to 3.00%) per annum.
- 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% (2022: 2.00%) per annum.
- 17.6** For the year 2022, these borrowings were 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 carried mark-up at the rate of 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% (2022: 0.00%) per annum. The maximum financing limit under the facility is Rs 200 million (2022: 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% (2022: 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% (2022: 2.00%) per annum.
- 17.10** Repurchase agreement with financial institution and SBP carries interest rate at 22.08% to 22.95% (2022: 15.23% to 16.21%) per annum with maturities upto January 12, 2024 and are secured by way of investments given as collateral as referred in note 10.4.
- 17.11** For the year 2022, secured call borrowing from financial institutions carried interest rate ranging from 6.00 % to 7.80% per annum which matured on November 27, 2023.
- 17.12** Unsecured call borrowing from financial institutions carries interest rate ranging from 21.60% to 22.90% (2022: Nil) per annum with maturity of January 2, 2024.

17.13 Particulars of borrowings with respect to currencies	2023	2022
	----- Rupees in '000 -----	
In local currency	50,460,559	66,263,168
In foreign currencies	-	-
	50,460,559	66,263,168

Notes to the Financial Statements

For the year ended December 31, 2023



18 DEPOSITS AND OTHER ACCOUNTS

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- Rupees in '000 -----					
Customers						
Current deposits	47,342,097	769,231	48,111,328	41,401,851	567,644	41,969,495
Saving deposits	132,466,979	24,062	132,491,041	125,362,662	127,589	125,490,251
Term deposits	89,981,071	405,316	90,386,387	62,397,921	243,413	62,641,334
Others	13,704,470	-	13,704,470	15,231,796	-	15,231,796
	283,494,617	1,198,609	284,693,226	244,394,230	938,646	245,332,876
Financial Institutions						
Current deposits	395,672	130,518	526,190	446,768	3,367	450,135
Saving deposits	4,072,145	-	4,072,145	3,122,970	-	3,122,970
	4,467,817	130,518	4,598,335	3,569,738	3,367	3,573,105
	287,962,434	1,329,127	289,291,561	247,963,968	942,013	248,905,981
18.1	Composition of deposits			2023 2022		
				----- Rupees in '000 -----		
Individuals				58,512,945		
Government (Federal and Provincial)				164,351,364		
Public sector entities				1,571,180		
Banking companies				469,265		
Non-banking financial institutions				4,129,070		
Private sector				60,257,737		
				289,291,561		
				248,905,981		

Notes to the Financial Statements

For the year ended December 31, 2023



19	OTHER LIABILITIES	Note	2023	2022
			----- Rupees in '000 -----	
	Mark-up / return / interest payable in local currency		13,815,556	7,577,871
	Mark-up / return / interest payable in foreign currencies		15,162	1,321
	Unearned commission and income on bills discounted		227,050	187,366
	Accrued expenses and supplier payables		923,465	426,676
	Current taxation (provisions less payments)		945,270	-
	Acceptances		3,502	292,098
	Unclaimed dividends		61,448	61,616
	Mark to market loss on forward foreign exchange contracts		18,701	33,455
	Lease liability against right-of-use assets	12.3.1	2,407,066	1,368,661
	Deferred income on government schemes		1,547	2,452
	Deferred income on Islamic financing		116,842	118,309
	Islamic pool management reserves	19.1	204,902	138,183
	Share subscription money refund	19.2	1,091	1,091
	Retention money		45,678	63,457
	Bills payment system over the counter (BPS-OTC)	19.3	61,191	3,195
	Charity fund balance		51,459	14,502
	Branch adjustment account		1,174	-
	Security deposits against ijarah		62,708	167,416
	Levies and other taxes payable		38,181	71,217
	Clearing and settlement accounts		-	454,369
	Others		372,009	301,884
			19,374,002	11,285,139

- 19.1** This includes equity portion of Profit Equalization Reserve amounting to Rs. 65.92 million (2022: Rs. 36.29 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, 2023



20	SHARE CAPITAL				
20.1	Authorized capital				
		2023	2022	2023	2022
		Number of shares	Number of shares	Rupees in '000	Rupees in '000
		1,500,000,000	1,500,000,000	15,000,000	15,000,000
		Ordinary shares of Rs. 10 each.			
20.2	Issued, subscribed and paid up				
		2023	2022	2023	2022
		Number of shares	Number of shares	Rupees in '000	Rupees in '000
		722,698,448	722,698,448	7,226,984	7,226,984
		Ordinary shares of Rs. 10 each			
		Fully paid in cash			
		Issued as fully paid bonus shares:			
		380,092,081	327,572,595	3,800,921	3,275,726
		-	52,519,486	-	525,195
		380,092,081	380,092,081	3,800,921	3,800,921
		1,102,790,529	1,102,790,529	11,027,905	11,027,905
		Closing balance			

20.3 During the year 2022, 52,519,486 shares were issued as fully paid bonus shares in respect of the year ended December 31, 2021.

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 (2022: 774,184,576) and 269,383,781 (2022: 269,383,781) ordinary shares respectively. Moreover, the Bank has no reserved shares under options.

Notes to the Financial Statements

For the year ended December 31, 2023



21	SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS - NET OF TAX	Note	2023 ----- Rupees in '000 -----	2022
	Surplus/ (deficit) on revaluation of:			
	- Available for sale securities	10.1	(1,611,109)	(1,826,815)
	- Fixed assets	12.2.1	900,120	787,200
	- Non-banking assets acquired in satisfaction of claims	21.1	93,574	44,669
	- Revaluation of investment of associate		(3,051)	(2,163)
			(620,466)	(997,109)
	Deferred tax on deficit on revaluation of:			
	- Available for sale securities		789,444	785,530
	- Non-banking assets acquired in satisfaction of claims		(45,851)	(19,208)
	- Revaluation of investment of associate		1,495	930
			745,088	767,252
			124,622	(229,857)
21.1	Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
	Surplus on revaluation as at January 1		44,669	81,197
	Recognised during the year		55,286	(26,379)
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(3,254)	(5,785)
	Related deferred tax liability on incremental depreciation charged during the year		(3,127)	(4,364)
			93,574	44,669
	Less: related deferred tax liability on			
	Revaluation surplus as at January 1		(19,208)	(31,667)
	Revaluation recognised during the year		(27,090)	11,343
	Change in tax rate		(2,680)	(3,248)
	Incremental depreciation transferred to unappropriated profit		3,127	4,364
			(45,851)	(19,208)
22	CONTINGENCIES AND COMMITMENTS			
	- Guarantees	22.1	41,756,059	32,938,542
	- Commitments	22.2	17,042,019	28,861,757
			58,798,078	61,800,299
22.1	Guarantees:			
	Financial guarantees		1,282,861	1,606,291
	Performance guarantees		40,467,116	31,326,169
	Other guarantees		6,082	6,082
			41,756,059	32,938,542

Notes to the Financial Statements

For the year ended December 31, 2023



22.2	Commitments:	Note	2023 ----- Rupees in '000 -----	2022
	Documentary credits and short-term trade-related transactions			
	- Letters of credit		11,987,078	9,680,802
	Commitments in respect of:			
	- Forward foreign exchange contracts	22.2.1	4,503,204	18,234,328
	Commitments for acquisition of:			
	- Fixed assets		247,197	642,630
	- Intangible assets		304,540	303,997
	Other commitments		-	-
			17,042,019	28,861,757
22.2.1	Commitments in respect of forward foreign exchange contracts			
	Purchase		1,652,860	8,522,993
	Sale		2,850,344	9,711,335
			4,503,204	18,234,328

Commitments for outstanding forward foreign exchange contracts are disclosed in these financial statements at contracted rates.

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 optimistic 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 matters arising from income tax assessments of the Bank up to Tax Year 2023 are detailed below:

- 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 ended 2022, the remand back proceedings were also completed by CIR, and order was issued, creating a total demand of Rs. 231 million (2022: 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 dated September 30, 2021 rectified later vide order dated March 30, 2022 creating additional tax demand of Rs. 54 million (2022: 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 filed an appeal with CIRA on October 28, 2021. During the year, CIRA vide its order dated May 9, 2023 upheld the earlier orders issued by Additional Commissioner Inland Revenue. The Bank filed an appeal before Appellate Tribunal Inland Revenue (ATIR) on July 21, 2023. ATIR vide order dated September 20, 2023 upheld the assessing officer order. Being aggrieved, the Bank filed an appeal before Peshawar High Court and stay was granted on December 22, 2023 in favour of the Bank. However, in this regard, management being prudent has recognised a provision amounting to Rs 54 million (2022: Rs. Nil) in these financial statements.

During the year, Deputy Commissioner Inland Revenue issued an order dated February 23, 2023 creating an additional tax demand along with default surcharge of Rs. 645 million (2022: Rs. Nil) under section 161 of Income Tax Ordinance, 2001, mainly on account of non-deduction of withholding taxes on profit on debt, salaries and wages, advertisement and professional charges etc. Being aggrieved, the Bank filed an appeal before CIRA on March 22, 2023, which is currently pending.

- iii) In respect of Tax Year 2016, Additional Commissioner Inland Revenue issued an order dated June 21, 2022 creating a demand of Rs. 188 million (2022: Rs. 188 million) on account of provision for non-performing loans and advances. Being aggrieved, the Bank filed an appeal with CIRA on July 22, 2022, which is currently pending.
- iv) In respect of Tax Year 2017, Additional Commissioner Inland Revenue issued an order dated May 29, 2023 creating a demand of Rs. 130 million (2022: Nil) on account of provision for non-performing loans and advances. Being aggrieved, the Bank filed an appeal with CIRA on July 4, 2023, which is currently pending.
- v) In respect of Tax Year 2020, Additional Commissioner (Audit) vide order dated February 18, 2022 created an additional demand amounting to Rs. 520 million (2022: 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 on April 12, 2022. CIRA on October 20, 2022 decided the matter in favor of the Bank. During the year, the appeal filed against penalty under section 182 has also been decided in favor of the Bank by CIRA on May 24, 2023.
- vi) In respect of Tax Years 2022 and 2023, Deputy Commissioner Inland Revenue, RTO Peshawar vide its notice dated November 23, 2023, required payment for 40% windfall tax demand of Rs. 252.38 million (2022: Nil) under section 99D of the Income Tax Ordinance, 2001 read with SRO 1588(I)/2023 on windfall income earned during such tax years. Being aggrieved, the Bank filed a petition before Peshawar High Court (PHC) and stay was granted in favour of the Bank. The matter is currently pending before PHC.

22.3.4 The Bank's share of contingencies of its associated company i.e. Taurus Securities Limited amounts to Rs. 8.62 million (2022: Rs. 5.70 million).

Management is confident of a favourable outcome of the above matters. Hence, except as stated in 22.3.3 (ii) above, no provision has been recognized for the same in these financial statements.

Notes to the Financial Statements

For the year ended December 31, 2023



	Note	2023 ----- Rupees in '000 -----	2022
23 MARK-UP / RETURN / INTEREST EARNED			
On:			
Loans and advances		18,978,030	16,612,208
Investments		30,187,467	18,601,397
Lendings to financial institutions		1,697,207	874,473
Balances with banks		268,646	57,068
Sukuk bonds		7,938,931	4,096,879
		59,070,281	40,242,025
24 MARK-UP / RETURN / INTEREST EXPENSED			
On:			
Deposits		36,949,793	19,448,726
Borrowings		8,014,370	13,496,265
Lease liability		213,486	148,348
		45,177,649	33,093,339
25 FEE AND COMMISSION INCOME			
Branch banking customer fees		52,721	20,738
Consumer finance related fees		445	594
Card related fees (debit cards)		114,817	123,116
Commission on trade		118,992	124,793
Commission on guarantees		206,121	233,383
Commission on remittances including home remittances		35,056	34,191
Others		20,358	9,202
		548,510	546,017
26 (LOSS) / GAIN ON SECURITIES			
Realised	26.1	(70,591)	7,530
Unrealised		-	-
		(70,591)	7,530
26.1 Realised (loss) / gain on:			
Federal Government securities		28,043	(5,259)
Shares		(98,634)	(1,464)
Non Government debt securities		-	2,635
Mutual funds		-	11,618
		(70,591)	7,530

Notes to the Financial Statements

For the year ended December 31, 2023



		2023	2022
	Note	----- Rupees in '000 -----	
27	OTHER INCOME		
Rent on property		4,254	3,247
Gain on sale of fixed assets - net		948	4,371
Postal, swift and other services		110,736	86,047
Rebate from financial institutions		35,962	31,369
Service income on Government schemes		4,975	11,385
Gain on early culmination of lease		5,114	3,970
Reversal of impairment on non-banking assets		-	15,947
		161,989	156,336
28	OPERATING EXPENSES		
Total compensation expense	28.1	3,851,376	3,214,314
Property expenses			
Rent and taxes		21,838	9,746
Utilities cost		419,928	295,170
Security (including guards)		288,085	191,311
Repair and maintenance (including janitorial charges)		24,675	11,004
Depreciation - Right of use assets	12.3	681,725	533,950
Depreciation - Non-banking assets acquired in satisfaction of claims	15.1.1	33,751	22,833
Depreciation - Fixed assets	12.2	332,500	234,154
		1,802,502	1,298,168
Information technology expenses			
Software maintenance		383,129	272,140
Hardware maintenance		34,166	21,595
Depreciation - Fixed assets	12.2	260,471	223,757
Amortization	13.2	85,601	76,677
Network charges		19,910	19,769
Connectivity charges		199,638	169,285
ATM charges		177,989	38,498
		1,160,904	821,721

Notes to the Financial Statements

For the year ended December 31, 2023



		2023	2022
	Note	----- Rupees in '000 -----	
Other operating expenses			
Directors' fees and allowances		23,051	8,901
Fees and allowances to Shariah Board		12,947	12,078
Legal and professional charges		113,672	85,337
Outsourced services costs (refer note 34.1)	28.2	301,814	271,114
Traveling and conveyance		81,790	64,722
NIFT clearing charges		31,129	26,585
Depreciation - Fixed assets	12.2	90,062	49,873
Training and development		12,548	5,893
Postage and courier charges		40,932	26,477
Communication		238,528	49,684
Stationery and printing		115,966	89,524
Marketing, advertisement and publicity		96,816	94,648
Donations	28.3	-	11,900
Auditors remuneration	28.4	14,904	12,960
Entertainment		56,980	42,217
Newspapers and periodicals		2,332	1,966
Brokerage and commission		37,088	41,885
Rent and taxes		1,783	2,257
Cash carriage charges		97,642	78,118
Repair and maintenance		81,170	36,231
Insurance		60,271	50,482
Fee and subscription		9,249	10,136
Deposit protection premium		105,858	93,815
Utilities cost		49,631	31,164
Others		69,404	117,916
		1,745,567	1,315,883
		8,560,349	6,650,086

Notes to the Financial Statements

For the year ended December 31, 2023



28.1	Total compensation expense	Note	2023 ----- Rupees in '000 -----	2022
	Managerial remuneration			
	Fixed		1,433,157	1,265,343
	Variable - cash bonus / awards etc.		424,599	245,506
	Charge for defined benefit plan	35.1.7.1	71,294	48,870
	Contribution to defined contribution plan	35.2	115,803	102,030
	Rent and house maintenance		646,484	570,561
	Fuel ceiling entitlement		360,973	312,226
	Utilities		215,603	191,531
	Medical		215,809	192,042
	Insurance		94,459	51,940
	Special duty allowance		28,636	21,743
	Conveyance		150,571	119,752
	Stipend / honorarium		5,328	21,644
	EOBI		31,816	22,236
	Marriage / child education support		2,593	2,183
	Recreation allowance		53,286	46,040
	Others		965	667
	Sub-total		3,851,376	3,214,314
	Sign-on bonus		-	-
	Severance allowance		-	-
	Grand total		3,851,376	3,214,314

28.2 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 301.81 million (2022: Rs. 271.11 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 (2022: Rs. Nil). These services include support staff mainly obtained from 'Prime HR'. Outsourcing shall have the same meaning as specified in BPRD Circular No. 06 of 2019.

28.3 For the year 2022, donations represented an amount of Rs. 5 million paid to Khpal Kor Foundation under the Bank's Corporate Social Responsibility and Rs. 6.90 million 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	Note	2023 ----- Rupees in '000 -----	2022
	Fee for annual audit		4,025	3,500
	Fee for half yearly review		1,610	1,400
	Fee for shariah audit		1,610	1,400
	Fee for internal controls over financial reporting		3,680	3,200
	Fee for other statutory certifications		1,495	1,300
	Out-of-pocket expenses		1,863	1,620
	Sales tax		621	540
			14,904	12,960

Notes to the Financial Statements

For the year ended December 31, 2023



		2023	2022
	Note	----- Rupees in '000 -----	
29	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	34,562	61,144
30	PROVISIONS AND WRITE OFFS - NET		
	(Reversal) of / provision for diminution in value of investments - net	10.5 (123,325)	130,214
	Provisions against loans and advances - net	11.3 750,186	780,262
	Provisions for / (reversal) against other assets	15.2.1 78,230	(8,339)
		705,091	902,137
31	TAXATION		
	Current	3,206,455	414,450
	Prior years	18,618	(57,559)
	Deferred	(4,769)	108,130
	31.1	3,220,304	465,021
31.1	Relationship between tax expense and accounting profit		
	Profit before tax	6,701,581	919,885
	Profit at the applicable rate of 39% (2022: 39%)	2,613,617	358,755
	Prior year tax	18,618	(57,559)
	Super tax at rate of 10% (2022: 10%)	670,158	91,989
	Permanent difference	16,935	29,970
	Changes in tax rate and others on opening deferred tax	(77,763)	2,738
	Others	(21,261)	39,128
		3,220,304	465,021
32	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the year	3,481,277	454,864
		----- (Number of shares) -----	
	Weighted average number of ordinary shares	1,102,790,529	1,102,790,529
		----- (Rupee) -----	
	Basic and diluted earnings per share	3.16	0.41
32.1	There were no dilutive potential ordinary shares outstanding as at December 31, 2023 and December 31, 2022.		
33	CASH AND CASH EQUIVALENTS	2023	2022
	Note	----- Rupees in '000 -----	
	Cash and balance with treasury banks	7 23,895,690	16,273,825
	Balance with other banks	8 3,960,115	3,556,532
		27,855,805	19,830,357
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, 2023

33.2 Reconciliation of movement of liabilities and equity to cash flows arising from financing activities

	December 31, 2023			December 31, 2022		
	Lease liability against right-of-use asset	Reserves	Unappropriated profit	Lease liability against right-of-use asset	Reserves	Unappropriated profit
	-----Rupees in '000 -----					
Balance as at January 1	1,368,661	3,646,746	1,982,704	1,447,280	3,555,773	2,160,774
Payment of lease liability against right-of-use-assets	(992,583)	-	-	(763,300)	-	-
Dividend paid	-	-	(168)	-	-	(3,174)
Total changes from financing cash flows	(992,583)	-	(168)	(763,300)	-	(3,174)
Other changes						
- Liability related						
- Non-cash based	1,817,502	-	-	536,333	-	-
- Interest expense on lease liability	213,486	-	-	148,348	-	-
- Transfer to statutory reserve	-	696,255	(696,255)	-	90,973	(90,973)
Total equity related other changes	2,030,988	696,255	(696,255)	684,681	90,973	(90,973)
	-	-	3,519,475	-	-	(83,923)
Balance as at December 31	2,407,066	4,343,001	4,805,756	1,368,661	3,646,746	1,982,704

34 STAFF STRENGTH

	2023	2022
Permanent	2,069	1,931
On Bank contract	45	19
Bank's own staff strength at the end of the year	2,114	1,950
Bank's own average staff strength	2,032	1,859

34.1 In addition to the above, 411 (2022: 361) 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, 2023



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 2,069 (2022: 1,931).

35.1.2 Principal actuarial assumptions

The actuarial valuation was carried out as at December 31, 2023 using the following significant assumptions:

		2023	2022
		----- Per annum -----	
Discount rate		15.50%	14.50%
Expected rate of return on plan assets		15.50%	14.50%
Expected rate of salary increase-long term		13.50%	12.50%
Expected rate of salary increase-short term		12.00%	10.50%
Average expected remaining working life (years)		6.33	6.25
		2023	2022
		----- Rupees in '000 -----	
35.1.3 Reconciliation of receivable under defined benefit plan	Note		
Present value of obligation	35.1.4	(754,214)	(660,936)
Fair value of plan assets	35.1.5	960,408	871,285
Receivable		206,194	210,349
35.1.4 Movement in defined benefit obligations			
Obligation at the beginning of the year		660,936	569,383
Current service cost		104,611	86,330
Interest cost		87,559	60,913
Benefits paid by the Bank		(75,309)	(72,256)
Re-measurement (gain) / loss	35.1.7.2	(23,583)	16,566
Obligation at the end of the year	35.1.4.1	754,214	660,936
35.1.4.1	This includes Rs. 20.74 million (2022: Rs. 17.87 million) payable to outgoing employees.		
35.1.5 Movement in fair value of plan assets			
Fair value at the beginning of the year		871,285	873,345
Interest income on plan assets		120,876	98,373
Benefits paid by the Fund		(75,309)	(72,256)
Re-measurement gain / (loss)	35.1.7.2	43,556	(28,177)
Fair value at the end of the year		960,408	871,285

Notes to the Financial Statements

For the year ended December 31, 2023



	Note	2023 ----- Rupees in '000 -----	2022
35.1.6 Movement in receivable under defined benefit scheme			
Opening balance		210,349	303,962
Charge for the year	35.1.7.1	(71,294)	(48,870)
Re-measurement gain / (loss) recognised in OCI during the year	35.1.7.2	67,139	(44,743)
Closing balance		206,194	210,349
35.1.7 Charge for employee benefit plan			
35.1.7.1 Cost recognised in profit and loss			
Current service cost		(104,611)	(86,330)
Net interest on defined benefit asset		33,317	37,460
		(71,294)	(48,870)
35.1.7.2 Re-measurement recognised in OCI during the year			
Gain / (loss) on obligation			
- Demographic assumptions		-	46,155
- Financial assumptions		(16,468)	(47,177)
- Experience adjustment		(7,115)	17,588
		(23,583)	16,566
Return on plan assets over interest income		(43,556)	28,177
Total re-measurements recognised in OCI		(67,139)	44,743
35.1.8 Components of plan assets			
Cash and cash equivalents		269,782	13,688
Shares / mutual funds		65,790	44,487
Term Deposit Receipts		624,836	813,110
		960,408	871,285

35.1.8.1 Plan assets are mostly contained in the form of cash and cash equivalents so there is no significant risk associated with it. However, investments in shares / mutual funds may be adversely affected by movement in equity and interest rate markets.

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, 2023



	2023	2022
	Gratuity fund	
	----- Rupees in '000 -----	
1% increase in discount rate	(43,617)	(37,795)
1% decrease in discount rate	49,227	42,645
1% increase in expected rate of salary increase	37,858	28,595
1% decrease in expected rate of salary increase	(33,461)	(25,153)
10% increase in withdrawal rates	5,501	5,883
10% decrease in withdrawal rates	(5,624)	(6,011)
1 Year Mortality age set back	(1,337)	(1,355)
1 Year Mortality age set forward	1,332	1,348
35.1.10 Expected contribution to be paid to the fund in the next financial year	-	-
35.1.11 Expected charge for the next financial year	75,386	61,010

35.1.12 Maturity profile - undiscounted payments

	2023	2022
	----- Rupees in '000 -----	
Particulars		
Year 1	132,631	124,606
Year 2	102,511	64,616
Year 3	108,295	94,093
Year 4	78,249	98,896
Year 5	95,671	68,292
Year 6 to 10	477,348	391,878
Year 11 and above	2,660,482	1,895,653

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. 206.19 million within next two years. Accordingly, the assets of the fund are 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.

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 shares/ 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 2,069 (2022: 1,931). During the year, the Bank has contributed Rs. 115.80 million (2022: Rs. 102.03 million) to the Fund.

Notes to the Financial Statements

For the year ended December 31, 2023



36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

36.1 Total compensation expense

Items	2023					
	Directors		Members shariah board	Managing Director	Key management personnel	Other material risk takers / controllers
	Chairman*	Executive (other than Managing Director)				
	1,347	-	19,292	-	-	-
Fees and allowances etc.	-	-	-	-	-	-
Managerial remuneration:	-	-	-	-	-	-
- Fixed	-	-	-	-	-	-
- Variable - cash bonus / awards etc.	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	-	-	-
Contribution to defined contribution plan	-	-	-	-	-	-
Rent & house maintenance	-	-	-	-	-	-
Utilities	-	-	-	-	-	-
Medical	-	-	-	-	-	-
Conveyance	51	-	1,281	-	20,258	17,938
Additional allowances	-	-	-	-	91	585
Contractual allowances	-	-	-	-	-	-
Other allowances	-	-	-	-	264	713
Others	197	-	883	10	956	849
Total	1,595	-	21,456	51,347	188,761	120,493
Number of persons	3	-	8	4	1	20

* This includes fee paid to the outgoing Chairmen of the Bank.

Notes to the Financial Statements

For the year ended December 31, 2023

		2022						
Items	Directors			Members shariah board	Managing Director	Key management personnel	Other material risk takers/ controllers	
	Chairman	Executive (other than Managing Director)	Non-executive					
----- Rupees in '000 -----								
Fees and allowances etc.	500	-	7,375	-	-	-	-	
Managerial remuneration:								
- Fixed	-	-	-	8,265	30,000	69,622	50,756	
- Variable - cash bonus / awards etc.	-	-	-	365	-	9,773	7,865	
Charge for defined benefit plan	-	-	-	-	-	-	-	
Contribution to defined contribution plan	-	-	-	244	-	5,517	3,603	
Rent & house maintenance	-	-	-	1,316	13,500	32,582	22,840	
Utilities	-	-	-	439	4,500	10,443	7,613	
Medical	-	-	-	439	4,500	10,443	7,613	
Conveyance	-	-	323	960	-	16,959	14,083	
Additional allowances	-	-	-	-	-	-	182	
Contractual allowances	-	-	-	-	-	-	-	
Other allowances	-	-	-	-	-	517	71	
Others	-	-	703	50	11	803	704	
Total	500	-	8,401	12,078	52,511	156,659	115,330	

Number of persons	1	-	6	4	1	15	18	

Notes to the Financial Statements

For the year ended December 31, 2023



36.2 Remuneration paid to directors for participation in board and committee meetings

2023

Sr. No.	Name of director	Meeting Fees and Allowances Paid						Total amount paid
		For board meetings	For Board Committees				Risk management committee	
			Audit committee	HR&RC committee	IT Steering committee	Compliance committee		
		----- Rupees in '000 -----						
1	Syed Imtiaz Hussain Shah (Chairman)	873	-	-	-	-	-	873
2	Muhammad Zubair Asghar Qureshi*	375	-	-	-	-	-	375
3	Mr. Ikramullah Khan*	236	111	-	-	-	-	347
4	Mr. Amer Sultan Tareen	625	250	-	-	-	125	1,000
5	Muhammad Ayaz	611	597	222	-	-	375	1,805
6	Mr. Tahir Jawaid	1,514	-	1,172	125	486	-	3,297
7	Syed Asad Ali Shah	2,153	1,580	-	-	111	-	3,844
8	Mir Javed Hashmat	1,035	458	-	-	111	611	2,215
9	Mr. Abid Sattar	1,304	875	750	125	375	750	4,179
10	Dr. Aliya Hashmi Khan	1,353	875	972	-	-	750	3,950
11	Mr. Osman Asghar Khan	1,041	125	-	-	-	-	1,166
Total amount paid		11,120	4,871	3,116	250	1,083	2,611	23,051

2022

Sr. No.	Name of director	Meeting Fees and Allowances Paid						Total amount paid
		For board meetings	For Board Committees				Risk management committee	
			Audit 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
Total amount paid		3,171	1,763	1,127	1,054	1,123	663	8,901

*These directors were chairmen of the Bank during the year.

Notes to the Financial Statements

For the year ended December 31, 2023

36.3 Remuneration paid to shariah board members

Items	2023			2022		
	Chairman	Resident member	Non-resident members	Chairman	Resident member	Non-resident members
----- Rupees in '000 -----						
a. Meeting fees and allowances	-	-	-	-	-	-
b. Monthly remuneration	2,700	7,120	2,640	2,700	6,373	2,640
c. Bonus	-	487	-	-	365	-
d. Traveling and accommodation	-	-	-	-	-	-
Total amount	2,700	7,607	2,640	2,700	6,738	2,640
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, 2023



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

	Carrying value	2023			Total
		Fair value			
		Level 1	Level 2	Level 3	
		----- Rupees in '000 -----			
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	213,161,446	-	213,161,446	-	213,161,446
Shares	219,507	137,844	81,663	-	219,507
Non-Government Debt Securities	7,120,959	-	7,120,959	-	7,120,959
				-	
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	2,756,377	-	2,574,496	-	2,574,496
Associates	90,210	-	90,210	-	90,210
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase and sale	4,503,204	-	12,748	-	12,748

Notes to the Financial Statements

For the year ended December 31, 2023

	Carrying value	2022			Total
		Fair value			
		Level 1	Level 2	Level 3	
		----- Rupees in '000 -----			
On balance sheet financial instruments					
Financial assets measured at fair value					
Investments					
Federal Government Securities	160,287,656	-	160,287,656	-	160,287,656
Shares	325,420	246,502	78,918	-	325,420
Non-Government Debt Securities	7,686,920	-	7,686,920	-	7,686,920
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	5,278,635	-	4,844,370	-	4,844,370
Associates	89,983	-	89,983	-	89,983
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase and sale	18,234,328	-	25,572	-	25,572

The valuation techniques used for above assets are same as disclosed in note 6.3.3 & 6.3.4 of these financial statements.

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

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

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.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukuku 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.

Notes to the Financial Statements

For the year ended December 31, 2023



37.2.2 Fair value of non - financial assets

Certain categories of fixed assets (leasehold land) of Rs. 1,016,280 thousand (2022: Rs. 903,360 thousand) and non banking assets acquired in satisfaction of claims of Rs. 379,135 thousand (2022: Rs. 357,600 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 the 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.
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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).
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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.
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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.
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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, 2023



38 SEGMENT INFORMATION

38.1 Segment details with respect to business activities

	2023			
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking
	Rupees in '000			
Profit and loss				
Net mark-up / return / profit	(14,550,494)	33,042,424	(6,106,706)	1,507,408
Inter segment revenue - net	16,738,990	(25,641,335)	6,891,791	2,010,554
Non mark-up / return / interest income	26,702	1,521,628	119,199	441,422
Total income	2,215,198	8,922,717	904,284	3,959,384
Segment direct expenses and allocations	(1,185,062)	(4,773,376)	(483,764)	(2,152,709)
Total expenses	(1,185,062)	(4,773,376)	(483,764)	(2,152,709)
Provisions	-	123,325	(89,631)	(738,785)
Profit before tax	1,030,136	4,272,666	330,889	1,067,890
Balance sheet				
Cash and bank balances	3,767,523	18,390,992	623,725	5,073,565
Lendings to financial institutions	-	2,000,000	-	-
Investments	2,756,377	220,501,912	-	90,210
Advances - performing	42,796,073	-	7,546,091	45,974,054
Advances - non performing	626,774	-	49,461	4,595,127
Operating fixed assets / intangible assets	1,044,732	5,103,008	173,067	1,056,468
Deferred tax assets	86,073	1,009,652	30,927	220,096
Others	7,153,562	9,439,093	509,220	2,568,702
Total assets	58,231,114	256,444,657	8,932,491	59,578,222
Bills payable	2,135,595	-	760,322	863,161
Borrowings	9,124,948	40,460,611	-	875,000
Deposits and other accounts	164,351,364	-	58,512,945	66,427,252
Others	8,757,584	3,669,864	3,107,843	3,838,711
Total liabilities	184,369,491	44,130,475	62,381,110	72,004,124
Equity / Inter-segment (lending) / borrowing	(126,138,377)	212,314,182	(53,448,619)	(12,425,902)
Total equity and liabilities	58,231,114	256,444,657	8,932,491	59,578,222
Contingencies and commitments	37,441,442	4,884,852	3,360,776	13,111,008
				58,798,078

Notes to the Financial Statements

For the year ended December 31, 2023



	2022				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
	Rupees in '000				
Profit and loss					
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
Total Income	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)
Total expenses	(2,292,112)	(1,094,032)	(488,110)	(2,836,976)	(6,711,230)
Provisions	-	(130,214)	(84,356)	(687,567)	(902,137)
Profit before tax	649,076	179,593	53,865	37,351	919,885
Balance sheet					
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
Total assets	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
Total liabilities	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
Total equity and liabilities	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

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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 acts as a custodian for securities held in Investor Portfolio Securities (IPS) accounts on behalf of individuals / other organisations. These securities are not assets of the Bank and, therefore, are not included as such in these financial statements. Assets held under trust are shown in the table below:

Category	2023				2022			
	No. of IPS accounts	Market Treasury Bills	Pakistan Investment Bonds	Total	No. of IPS accounts	Market Treasury Bills	Pakistan Investment Bonds	Total
----- Rupees in '000 -----								
Government of Khyber Pakhtunkhwa	3	20,249,500	-	20,249,500	-	-	-	-
Company	1	119,350	-	119,350	-	-	-	-
Individual (Management Director of the Bank)*	1	-	50,000	50,000	1	-	50,000	50,000
	5	20,368,850	50,000	20,418,850	1	-	50,000	50,000

*Managing Director of the Bank resigned from his position w.e.f January 3, 2024.

Notes to the Financial Statements

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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, 2023 (2022: Rs. 50 million).

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

	2023					2022				
	Directors	Key management personnel	Associate	Employee Funds		Directors	Key management personnel	Associate	Employee Funds	
	Rupees in '000									
Advances										
Opening balance	-	213,178	-	-	-	-	216,982	-	-	-
Addition during the year	-	56,183	-	-	-	-	45,629	-	-	-
Repaid during the year	-	21,626	-	-	-	-	65,797	-	-	-
Transfer in / (out) - net	-	(68,245)	-	-	-	-	16,364	-	-	-
Closing balance	-	179,490	-	-	-	-	213,178	-	-	-
Provision held against advances	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts										
Opening balance	3,228	7,637	40,825	2,841,338	3,255	7,118	35,149	52,059	1,087,701	2,648,713
Received during the year	55,900	131,625	54,125	4,272,781	124,418	157,997	52,059	46,383	895,076	1,087,701
Withdrawn during the year	45,172	130,015	50,370	3,812,492	124,445	157,531	46,383	-	-	-
Transfer in / (out) - net	-	(2,780)	-	-	-	-	53	-	-	-
Closing balance	13,956	6,467	44,580	3,301,627	3,228	7,637	40,825	-	-	-

Notes to the Financial Statements

For the year ended December 31, 2023

	2023					2022				
	Directors	Key management personnel	Associate	Employee Funds		Directors	Key management personnel	Associate	Employee Funds	
	----- Rupees in '000 -----									
Other liabilities										
Interest / markup payable	232	1,759	4,532	222,285		281	530	2,529	130,433	
Income										
Mark-up / return / interest earned	-	3,857	-	-		-	5,305	-	-	
Expense										
Mark-up / return / interest expensed	1,158	2,529	7,980	571,202		1,498	1,029	4,146	285,659	
Operating expenses - Compensation	74,398	196,368	-	-		61,412	163,397	-	-	
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, 2023



41	CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS	2023	2022
		----- Rupees in '000 -----	
	Minimum Capital Requirement (MCR):		
	Paid-up capital (net of losses)	11,027,905	11,027,905
	Capital Adequacy Ratio (CAR):		
	Eligible common equity tier 1 (CET 1) capital	19,747,849	15,958,762
	Eligible additional tier 1 (ADT 1) capital	-	-
	Total eligible tier 1 capital	19,747,849	15,958,762
	Eligible tier 2 capital	173,029	84,356
	Total eligible capital (Tier 1 + Tier 2)	19,920,878	16,043,118
	Risk Weighted Assets (RWAs):		
	Credit risk	75,008,452	77,978,803
	Market risk	13,893,580	14,694,592
	Operational risk	20,243,274	15,132,319
	Total	109,145,306	107,805,714
	Common equity tier 1 capital adequacy ratio	18.09%	14.80%
	Tier 1 capital adequacy ratio	18.09%	14.80%
	Total capital adequacy ratio	18.25%	14.88%
	National minimum capital requirements prescribed by SBP		
	CET1 minimum ratio	6.00%	6.00%
	ADT-1 minimum ratio	1.50%	1.50%
	Tier 1 minimum ratio	7.50%	7.50%
	Total capital minimum ratio	10.00%	10.00%
	Capital conservation buffer (CCB- consisting of CET1 only)	1.50%	1.50%
	Total capital plus CCB	11.50%	11.50%
	Leverage Ratio (LR):		
	Eligible tier-1 capital	19,747,849	15,958,762
	Total exposures	455,665,307	396,849,832
	Leverage ratio	4.33%	4.02%
	Liquidity Coverage Ratio (LCR):		
	Total high quality liquid assets	178,286,835	97,117,507
	Total net cash outflow	88,514,877	66,443,018
	Liquidity coverage ratio	201.42%	146.17%
	Net Stable Funding Ratio (NSFR):		
	Total available stable funding	210,054,766	178,322,676
	Total required stable funding	116,062,991	119,019,906
	Net stable funding ratio	180.98%	149.83%

- 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 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 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

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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 exposure 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, sector 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	
	2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----						
Public/ Government	-	3,841,077	-	-	-	-
Private	2,238,944	4,038,944	238,944	238,944	238,944	238,944
	2,238,944	7,880,021	238,944	238,944	238,944	238,944

42.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----						
Textile	124,658	124,658	124,658	124,658	124,658	124,658
Power (electricity), gas, water, sanitary	3,425,000	3,945,000	-	-	-	-
Financial	221,364,620	171,162,154	40,384	40,384	40,384	40,384
Others	14,584	72,917	-	-	-	-
	224,928,862	175,304,729	165,042	165,042	165,042	165,042

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2023	2022	2023	2022	2023	2022
----- Rupees in '000 -----						
Public / Government	220,684,396	170,901,850	-	-	-	-
Private	4,244,466	4,402,879	165,042	165,042	165,042	165,042
	224,928,862	175,304,729	165,042	165,042	165,042	165,042

Notes to the Financial Statements

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42.1.3 Advances

Credit risk by industry sector	Note	2023		2022		2023		2022		2023		2022	
		Rupees in '000											
Agriculture, forestry, hunting and fishing		2,346,334	3,045,503	461,191	390,321	288,834	244,542						
Auto loans		474,438	627,421	28,235	36,059	25,089	15,245						
Automobile and transportation equipment		852,943	992,499	198,514	199,669	194,515	191,044						
Cement		5,095,916	4,241,737	-	2,356	-	2,356						
Chemical and pharmaceuticals		2,915,451	3,287,438	92,531	88,093	92,531	88,093						
CNG / gas stations		469,848	470,688	13,005	967	455	-						
Commodity financing		24,999,910	45,000,000	-	-	-	-						
Communication		21,714	74,057	-	46,915	-	46,915						
Construction		4,436,203	4,623,217	1,131,340	411,913	199,193	162,473						
Consumer		212,350	136,110	11,098	28,628	10,885	16,982						
Engineering		61,135	158,196	929	929	929	929						
Financial		1,872,132	1,193,218	160,215	160,215	160,215	160,215						
Food and beverages		1,913,105	1,583,350	564,146	491,147	497,478	450,623						
Footwear and leather garments		101,624	99,624	101,624	96,624	101,624	96,624						
Ghee and cooking oil		1,339,143	1,223,524	69,150	43,169	49,168	43,169						
Housing		2,358,232	2,507,774	178,367	152,617	37,237	21,355						
Individuals / personal		4,856,126	3,234,326	88,981	51,974	73,514	51,974						
Manufacturing of match		140,000	184,943	-	44,943	-	44,943						
Metal products		3,356,205	4,289,636	174,008	174,008	174,008	174,008						
Mining and quarrying		58,278	92,337	-	-	-	-						
Miscellaneous manufacturing		7,019,356	7,255,191	3,277,905	2,571,242	1,493,939	1,164,453						
Petro chemical		1,891,969	1,875,346	1,830,908	1,851,970	1,807,737	1,820,311						
Power (electricity), gas, water, sanitary		17,840	17,840	17,840	17,840	17,840	17,840						
Services		1,761,512	2,851,717	63,247	150,611	9,137	37,599						
Sugar		2,332,035	2,820,558	848,058	848,058	848,058	848,058						
Textile		15,382,274	14,740,446	2,043,830	2,043,830	1,369,401	1,171,719						
Trade		4,928,349	6,272,539	1,308,819	1,115,355	567,566	407,325						
Power		18,422,937	20,993,441	626,774	-	-	-						
Others		65,704	1,020,084	-	736,580	-	34,398						
		109,703,063	134,912,760	13,290,715	11,756,033	8,019,353	7,313,193						
Credit risk by public / private sector													
Gross advances								Non-performing advances		Provision held			
2023		2022		2023		2022		2023		2022			
Rupees in '000								Rupees in '000					
Public / Government		43,422,847	65,993,441	626,774	626,774	-	-	-	-	-	-		
Private		66,280,216	68,919,319	12,663,941	11,129,259	8,019,353	7,313,193	8,019,353	7,313,193	8,019,353	7,313,193		
11		109,703,063	134,912,760	13,290,715	11,756,033	8,019,353	7,313,193	8,019,353	7,313,193	8,019,353	7,313,193		

Notes to the Financial Statements

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42.1.4 Contingencies and commitments

	2023	2022
	----- Rupees '000 -----	
Credit risk by industry sector		
Agriculture, forestry, hunting and fishing	570,196	179,912
Automobile and transportation equipment	128,305	640,547
Cement	372,990	396,105
Chemical and pharmaceuticals	1,305,552	332,358
CNG / gas stations	657,643	672,549
Construction & other contractors	21,769,234	21,521,460
Engineering	586,387	27,662
Financial	20,000	20,000
Food and beverages	1,487	6,905
Ghee and cooking oil	2,780,736	1,155,214
Manufacturing of match	97,259	83,081
Metal products	886,056	872,565
Marble and mining	120	120
Petro chemical	980,573	188,882
Power (electricity), gas, water, sanitary	505	14,061
Services	217,813	256,486
Sugar	11,154	9,157
Communication	1,826,368	954,973
Textile	2,706,131	3,293,340
Trade	3,040,706	828,821
Travel agencies	137,445	105,560
Miscellaneous manufacturing	1,261,796	2,509,494
Government	14,344,938	8,541,591
Others	39,743	8,501
	53,743,137	42,619,344
Credit risk by public / private sector		
Public / Government	14,344,938	8,541,591
Private	39,398,199	34,077,753
	53,743,137	42,619,344

42.1.5 Concentration of advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 76,269.18 million (2022: Rs. 91,213.17 million) are as following:

	2023	2022
	----- Rupees '000 -----	
Funded	53,155,967	75,504,010
Non funded	23,113,210	15,709,163
Total exposure	76,269,177	91,213,173

The sanctioned limits against these top 10 exposures aggregated to Rs. 87,281.68 million (2022: Rs. 94,529 million).

Notes to the Financial Statements

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Total funded classified therein

	2023		2022	
	Amount	Provision held Rupees in '000 -	Amount	Provision held
Other assets especially mentioned	238,941	1,345	140,297	1,294
Substandard	1,172,610	133,064	556,428	42,282
Doubtful	1,071,990	95,419	1,076,998	25,375
Loss	10,807,174	7,789,525	9,982,310	7,244,242
Total	13,290,715	8,019,353	11,756,033	7,313,193

42.1.6 Advances - Province / Region-wise disbursement and utilization

Province / Region	2023						
	Utilization						
	Disbursements	Punjab	Sindh	KPK	Balochistan	Islamabad	AJK including Gilgit-Baltistan
			</				

Province / Region	2022						
	Disbursements	Utilization					
		Punjab	Sindh	KPK	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Rupees in '000							
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

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42.1.7

During 2023, 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. Additionally, international commodity prices also remained elevated through the year. The headline inflation increased significantly touching a multi-year high i.e. 38% in April-2023 and gradually reduced to 29.66% in December 2023. During the year, SBP increased the benchmark interest rate by a cumulative 500 bps to 22%. 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 with stand these difficult times.

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, Management Risk Committee (MRC) 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

	2023			2022		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- Rupees in '000 -----					
Cash and balances with treasury banks	23,895,690	-	23,895,690	16,273,825	-	16,273,825
Balances with other banks	3,960,115	-	3,960,115	3,556,532	-	3,556,532
Lendings to financial institutions	2,000,000	-	2,000,000	7,641,077	-	7,641,077
Investments	2,979,326	220,369,173	223,348,499	5,488,915	168,179,699	173,668,614
Advances	101,587,580	-	101,587,580	127,515,211	-	127,515,211
Fixed assets	6,948,667	-	6,948,667	5,613,279	-	5,613,279
Intangible assets	428,608	-	428,608	473,720	-	473,720
Deferred tax assets	1,346,748	-	1,346,748	1,367,841	-	1,367,841
Other assets	19,670,577	-	19,670,577	8,873,921	-	8,873,921
	162,817,311	220,369,173	383,186,484	176,804,321	168,179,699	344,984,020

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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.

	2023					2022		
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	Rupees in '000					Rupees in '000		
United States Dollar	1,914,194	980,340	(1,197,484)	(263,630)	2,295,473	811,501	(1,244,186)	239,786
Great Britain Pound Sterling	252,054	252,582	-	(528)	95,915	115,182	33,448	14,181
Euro	47,503	14,947	-	32,556	29,868	16,651	22,396	35,613
Japanese Yen	201	-	-	201	441	-	-	441
Other currencies	299,965	96,453	-	203,512	59,727	-	-	59,727
	2,513,917	1,344,322	(1,197,484)	(27,889)	2,481,424	943,334	(1,188,342)	349,748

Impact of 1% change in foreign exchange rates on:

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
- Profit and loss account	-	(142)	-	1,784
- 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.

Asset and Liability Committee (ALCO) is responsible for making investment decisions in the capital market and setting limits in line of BRMC approved criteria and market risk management policy approved by Board of Director (BoD). 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/BRMC for information and ratification.

Impact of 5% change in equity prices on:

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
- Profit and loss account	-	-	-	-
- Other comprehensive income	5,685	2,213	5,993	5,846

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42.2.4

Yield / interest rate risk in the banking book (IRRBB)-Basel 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:

	2023		2022	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
- Profit and loss account	564,367	(418,140)	217,426	(337,160)
- Other comprehensive income	-	-	-	-

42.2.5 Mismatch of interest rate sensitive assets and liabilities

	Effective Yield / Interest rate	2023										Non-interest bearing financial instruments
		Exposed to yield / interest risk										
		Total	Up to 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	
On-balance sheet financial instruments												
Rupees in '000												
Assets												
Cash and balances with treasury banks		23,895,690	167,024	-	-	-	-	-	-	-	-	23,728,666
Balances with other banks	5.32%	3,960,115	1,632,152	-	-	-	-	-	-	-	-	2,327,963
Lending to financial institutions	21.26%	2,000,000	2,000,000	-	-	-	-	-	-	-	-	-
Investments	19.67%	223,348,499	83,434,285	33,773,533	72,405,534	17,727,317	10,652,565	4,354,000	-	691,548	-	309,717
Advances	18.97%	101,587,580	44,344,614	48,052,437	4,786,001	1,356,563	332,488	221,756	827,424	658,542	1,007,755	-
Other assets		19,670,577	-	-	-	-	-	-	-	-	-	19,670,577
		374,462,461	131,578,075	81,825,970	77,191,535	19,083,880	10,985,053	4,575,756	827,424	1,350,090	1,007,755	46,036,923
Liabilities												
Bills payable		3,759,078	-	-	-	-	-	-	-	-	-	3,759,078
Borrowings	17.77%	50,460,559	41,399,911	3,126,000	1,026,600	700,327	646,892	3,560,829	-	-	-	-
Deposits and other accounts	13.65%	289,291,561	4,032,342	6,584,640	182,243,888	19,509,139	13,632,527	450,079	446,958	-	50,000	62,341,988
Other liabilities		19,374,002	-	-	-	-	-	-	-	-	-	19,374,002
		362,885,200	45,432,253	9,710,640	183,270,488	20,209,466	14,279,419	4,010,908	446,958	-	50,000	85,475,068
On-balance sheet gap		11,577,261	86,145,822	72,115,330	(106,078,953)	(1,125,586)	(3,294,366)	564,848	380,466	1,350,090	957,755	(39,438,145)
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts purchases		1,652,860	-	-	-	-	-	-	-	-	-	1,652,860
- forward foreign exchange contracts sales		2,850,344	-	-	-	-	-	-	-	-	-	2,850,344
Off-balance sheet gap		(1,197,484)	-	-	-	-	-	-	-	-	-	(1,197,484)
Total yield / Interest risk sensitivity gap												
			86,145,822	72,115,330	(106,078,953)	(1,125,586)	(3,294,366)	564,848	380,466	1,350,090	957,755	(39,438,145)
Cumulative yield / interest risk sensitivity gap												
			86,145,822	158,261,152	52,182,199	51,056,613	47,762,247	48,327,095	48,707,561	50,057,651	51,015,406	11,577,261

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2022										
Effective Yield / Interest rate	Exposed to Yield / Interest risk								Non-interest bearing financial instruments	
	Total	Up to 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										
On-balance sheet financial instruments										
Assets										
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	26,306,328	1,459,659	22,923,910	10,146,628	6,450,027	-
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	26,519,990
Liabilities										
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	132,557,992	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	(44,518,808)
Off-balance sheet financial instruments										
Commitments in respect of:										
- 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)
Off-balance sheet gap										
	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)
Total Yield / Interest Risk Sensitivity Gap										
	30,920,086	86,377,897	6,904,940	(263,168)	14,883,210	34,602,807	42,805,637	50,024,454	53,491,466	8,972,658

42.3

Operational risk

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."

A dedicated Operational Risk Management Department is established within Enterprise Risk Management Division (ERMD) to maintain 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. These internal controls are periodically updated and tested.

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 suggests controls on need basis. Additionally, all the policies, procedures and systems of the Bank are reviewed from the operational risk perspective, and the recommendations of ERMD are taken into consideration before their approval. ERMD also performed 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 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) has conducted Bank wide RCSA workshops. The processes were thoroughly 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.

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42.3.1

Operational risk-disclosures Basel II specific

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

42.4

Liquidity risk

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

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

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

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

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

2023													
Rupees in '000													
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
Assets													
Cash and balances with treasury banks	23,895,690	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3,960,115	-	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	2,000,000	2,000,000	-	-	-	-	-	-	-	-	-	-	-
Investments	223,348,499	86,769	-	248,581	14,583	-	1,812,720	24,712,554	11,051,800	93,986,963	52,986,803	30,404,260	8,043,466
Advances	101,587,580	7,587,170	102,690	4,342,214	18,878,536	5,299,396	4,495,900	1,683,445	15,305,384	2,682,028	4,529,913	27,748,810	8,531,302
Fixed assets	6,948,667	2,196	13,489	36,887	64,171	67,950	200,071	201,961	201,961	712,788	937,193	2,027,338	2,467,284
Intangible assets	428,608	140	977	2,163	4,256	4,256	12,768	12,768	12,768	36,528	20,068	-	320,939
Deferred tax assets	1,346,748	-	-	-	-	-	-	-	-	1,346,748	-	-	-
Other assets	19,670,577	2,350,174	859,557	673,248	1,605,141	2,135,594	3,160,671	6,189	-	-	379,135	-	206,194
	383,186,484	43,826,754	4,467,330	1,276,704	5,303,093	20,566,687	9,682,130	26,616,917	26,571,913	98,765,055	58,853,112	60,180,408	19,569,185
Liabilities													
Bills payable	3,759,078	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	50,460,559	-	14,355,611	27,000,000	44,300	170,000	1,026,600	-	700,327	646,891	3,560,830	-	-
Deposits and other accounts	289,291,561	1,135,989	7,637,533	7,943,850	19,771,913	20,170,825	18,114,846	15,916,759	24,936,237	41,863,230	28,639,499	22,005,568	8,363,240
Other liabilities	19,374,002	9,202,635	449,918	509,920	527,873	457,993	1,132,366	1,497,116	385,931	3,327,999	600,536	931,655	206,337
	362,885,200	14,097,702	22,443,062	35,453,770	20,344,086	20,798,818	74,951,038	17,413,875	26,022,495	45,748,120	32,800,865	22,937,223	8,569,577
Net assets	20,301,284	29,729,052	(17,975,732)	(34,177,066)	(15,040,993)	(232,131)	(65,268,908)	9,203,042	549,418	53,015,935	26,052,247	37,243,185	10,999,608
Share capital													
Reserves	11,027,905	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	4,343,001	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	4,805,756	-	-	-	-	-	-	-	-	-	-	-	-
	124,622	-	-	-	-	-	-	-	-	-	-	-	-
	20,301,284	-	-	-	-	-	-	-	-	-	-	-	-

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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
Rupees in '000												
Assets												
Cash and balances with treasury banks	16273825	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	3556532	-	-	-	-	-	-	-	-	-	-	-
Lending to financial institutions	7641077	7,641,077	-	-	-	-	-	-	-	-	-	-
Investments	173,668,614	205,123	19,898,444	-	-	-	2,798,600	15,856,648	4,970,000	19,907,859	34,592,562	39,048,967
Advances	127,515,211	7,737,240	290,005	1,549,310	29,885,198	9,536,040	5,583,782	2,180,579	26,125,748	1,459,659	22,923,910	101,46,630
Fixed assets	5,613,279	1,842	12,891	29,033	55,559	55,559	166,676	166,676	172,168	403,114	436,695	1,881,083
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
Deferred tax assets	1,367,841	-	-	-	-	-	-	-	-	1,367,841	-	-
Other assets	8,873,921	3,992,669	241,092	54,913	785,864	394,195	1,828,494	1,537	193,228	359,015	-	348,451
	344,984,020	31,767,428	8,025,412	20,257,631	30,732,608	36,971,993	10,395,512	18,223,400	31,479,104	23,869,327	58,025,006	51,151,211
Liabilities												
Bills payable	2,102,234	2,102,234	-	-	-	-	-	-	-	-	-	-
Borrowings	66,263,168	-	26,708,155	100,000	29,569,552	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	17,128,867	16,031,674	30,957,784	12,856,396	43,310,787	27,235,882	39,620,080	20,771,306
Other liabilities	11,285,139	736,707	1,469,727	2,982,616	974,513	1,426,476	356,790	91,548	284,014	273,732	273,732	714,880
	328,556,522	3,908,436	34,846,785	10,905,079	48,279,546	19,293,050	33,118,218	12,947,944	45,549,412	27,509,614	40,846,014	24,708,790
Net assets	16,427,498	27,858,992	(26,821,373)	9,352,552	(16,443,660)	17,678,943	(22,722,706)	5,275,456	(14,070,308)	(3,940,287)	17,178,992	26,442,421
												14,185,434
Share capital and reserves												
Share capital	11,027,905	-	-	-	-	-	-	-	-	-	-	-
Reserves	3,646,746	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	1,982,704	-	-	-	-	-	-	-	-	-	-	-
Deficit on revaluation of assets	(229,857)	-	-	-	-	-	-	-	-	-	-	-
	16,427,498	-	-	-	-	-	-	-	-	-	-	-

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

2023

	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 -----									
Assets										
Cash and balances with treasury banks	23,895,690	23,895,690	-	-	-	-	-	-	-	-
Balances with other banks	3,960,115	3,960,115	-	-	-	-	-	-	-	-
Lending to financial institutions	2,000,000	2,000,000	-	-	-	-	-	-	-	-
Investments	223,348,499	335,350	14,583	1,812,720	35,764,354	93,986,963	52,986,803	30,404,260	6,770,983	1,272,483
Advances	101,587,580	12,432,866	24,177,932	4,495,900	16,988,829	2,682,028	4,529,913	27,748,810	4,830,362	3,700,940
Fixed assets	6,948,667	67,950	132,121	200,071	403,922	712,788	937,193	2,027,338	1,393,650	1,073,634
Intangible assets	428,608	4,257	8,512	12,768	25,536	36,528	20,068	-	320,939	-
Deferred tax assets	1,346,748	-	-	-	-	1,346,748	-	-	-	-
Other assets	19,670,577	12,177,653	3,740,735	3,160,671	6,189	-	379,135	-	137,463	68,731
	383,186,484	54,873,881	28,073,883	9,682,130	53,188,830	98,765,055	58,853,112	60,180,408	13,453,397	6,115,788
Liabilities										
Bills payable	3,759,078	3,759,078	-	-	-	-	-	-	-	-
Borrowings	50,460,559	41,399,911	3,126,000	1,026,600	700,327	646,891	3,560,830	-	-	-
Deposits and other accounts	289,291,561	66,374,330	6,584,640	182,243,888	19,509,139	13,632,527	450,079	446,958	-	50,000
Other liabilities	19,374,002	10,690,346	691,716	1,132,366	1,883,047	3,237,999	600,536	931,655	137,560	68,777
Net assets	362,885,200	122,223,665	10,402,356	184,402,854	22,092,513	17,517,417	4,611,445	1,378,613	137,560	118,777
	20,301,284	(67,349,784)	17,671,527	(174,720,724)	31,096,317	81,247,638	54,241,667	58,801,795	13,315,837	5,997,011
Share capital										
Reserves	11,027,905									
Unappropriated profit	4,343,001									
Surplus on revaluation of assets	4,805,756									
	124,622									
	20,301,284									

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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
Rupees in '000										
Assets										
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
Liabilities										
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
Net assets	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
	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
Share capital	11,027,905									
Reserves	3,646,746									
Unappropriated profit	1,982,704									
Deficit on revaluation of assets	(229,857)									
	16,427,498									

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 though taking counter positions (back to back positions) and via limits in terms of DV01 (sensitivity limit) tenor limits and investment limits.

Operational Risk:

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

43 ENVIRONMENT AND SOCIAL RISK MANAGEMENT / GREEN BANKING

The primary goal of Green Banking is to enhance the resilience of the bank against environmental risks and fulfill its duty to safeguard the environment, fostering a transition towards a resource efficient and climate resilient economy. The financial sector's social responsibility has undergone substantial evolution, gaining increased importance over the last few decades. To meet these evolving social obligations, BOK has undertaken various initiatives with a focus on environmental preservation and energy conservation. To achieve this, the bank is dedicated to promoting the idea of minimizing its own environmental impact, cultivating a paperless culture, reducing carbon emissions, and actively encouraging tree plantation.

Being a socially responsible Bank, we are keen to provide our input in reduction of emissions, increase in awareness through environment friendly practices and reducing our own carbon footprint through establishment of Solar powered ATMs. To reduce its own impact the Bank has converted its thirteen branches totally to renewable energy system i.e. on solar system. All the branches and Head Office have successfully shifted to core banking system that has made day to day operations from manual to digital. In alignment with regulatory guidelines, the Bank has approved a revised and updated Green Banking Policy, ensuring compliance with the Green Banking Guidelines set forth by the State Bank of Pakistan, which aims to facilitate a proactive approach to sustainable banking practices. Climate Risk and Environmental and Social Risk factors are also considered in Environment Risk assessment process.

Notes to the Financial Statements

For the year ended December 31, 2023



During prior years, the Bank has provided renewable energy (Solar) financing facilities for households, Corporate, SME and Agriculture Business (solar tube wells), and Drip Technology based Agri financing. Branches have been instructed to use energy efficiently through managing equipment, lesser use of paper, and encouraging plantation in the vicinity of the Branches. Branches are also advised to arrange meetings in order to raise awareness among the staff regarding conservation of energy and environmental protection. Finally, marketing activities are to be carried out using 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.

44 EVENTS AFTER THE REPORTING DATE

The Board of Directors of the Bank in their meeting held on March 7, 2024 have proposed a cash dividend of Rs 1.50 per share and bonus shares in proportion of 5 shares for every 100 shares held i.e. 5% (2022: cash dividend of Rs Nil and bonus shares Nil) in respect of 2023

45 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 7, 2024 by the Board of Directors of the Bank.

Managing Director

Chief Financial Officer

Director

Director

Director

Notes to the Financial Statements

For the year ended December 31, 2023

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, 2023

S. No.	Name and address of the borrower	Name of individuals / partners / directors (with CNIC No.)	Father's / Husband's Name	Outstanding Liabilities at Beginning of Year				Interest / Mark-up written-off/waived			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	9	10
1	2	3	4	5	6	7	8	9	10	11	12	12
1	Wateen Telecom Limited Main Walton Road Opposite Bab-e-Pakistan Walton Cantt, Lahore	1. Mr. Adil Rashid (CNIC: 37405-0223625-3) 2. Mr. Matthew William Hollis (Passport no: 536916910) 3. Mr. Edward Phillip Hurt (Passport no: 510759964)	1. Mr. Azmat Rashid 2. Mr. Peter Leslie Seymour Hollis 3. Mr. Wayne Paul Hurt	46,915	63,816	-	110,731	32,252	63,816	-	96,068	96,068
2	Wateen Wimax (Private) Limited Main Walton Road Opposite Bab-e-Pakistan Walton Cantt, Lahore	1. Mr. Adil Rashid (CNIC: 37405-0223625-3) 2. Mr. Matthew William Hollis (Passport no: 536916910) 3. Mr. Edward Phillip Hurt (Passport no: 510759964)	1. Mr. Azmat Rashid 2. Mr. Peter Leslie Seymour Hollis 3. Mr. Wayne Paul Hurt	-	3,081	-	3,081	-	3,081	-	3,081	3,081
TOTAL				46,915	66,897	-	113,812	32,252	66,897	-	99,149	99,149

Notes to the Financial Statements

For the year ended December 31, 2023



Annexure - II

ISLAMIC BANKING BUSINESS

The Bank is operating 123 (2022: 119) Islamic Banking Branches at the end of the year.

	Note	2023 ----- Rupees in '000 -----	2022
ASSETS			
Cash and balances with treasury banks		10,697,876	7,752,193
Balances with other banks		1,169,045	653,278
Due from financial institutions	1	2,000,000	3,800,000
Investments	2	54,438,416	32,872,613
Islamic financing and related assets - net	3	33,620,499	45,374,836
Fixed assets		1,535,297	982,084
Intangible assets		-	-
Due from head office		-	1,213,111
Other assets		3,929,795	2,577,348
Total assets		107,390,928	95,225,463
LIABILITIES			
Bills payable		481,636	561,372
Due to financial institutions		1,645,347	2,183,216
Deposits and other accounts	4	89,314,690	82,407,343
Due to head office		1,310,267	-
Subordinated debt		-	-
Other liabilities	5	6,213,062	3,811,815
		98,965,002	88,963,746
NET ASSETS		8,425,926	6,261,717
REPRESENTED BY			
Islamic banking fund		1,000,000	1,000,000
Reserves		65,918	36,288
Deficit on revaluation of assets		(97,300)	(408,352)
Unappropriated profit	6	7,457,308	5,633,781
		8,425,926	6,261,717
CONTINGENCIES AND COMMITMENTS	7		

Notes to the Financial Statements

For the year ended December 31, 2023



The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2023 is as follows:

	Note	2023 ----- Rupees in '000 -----	2022
Profit / return earned	8	15,860,516	10,121,098
Profit / return expensed	9	7,372,973	4,646,756
Net profit / return		8,487,543	5,474,342
Other income			
Fee and commission income		202,717	181,011
Dividend income		2,895	940
Foreign exchange income		253,556	155,070
Gain on securities		1,807	4,858
Other income		59,433	61,035
Total other income		520,408	402,914
Total income		9,007,951	5,877,256
Other expenses			
Operating expenses		4,164,664	3,130,610
Other charges		100	-
Total other expenses		4,164,764	3,130,610
Profit before provisions		4,843,187	2,746,646
Provisions and write offs - net		(373,757)	(268,743)
Profit before taxation		4,469,430	2,477,903
Taxation		2,190,021	1,214,173
Profit after taxation		2,279,409	1,263,730

Notes to the Financial Statements

For the year ended December 31, 2023



1	Due from financial institutions	2023				2022			
		In local currency	In foreign currency	Total	Rupees in '000	In local currency	In foreign currency	Total	Rupees in '000
	Unsecured								
	Placements with other banks	2,000,000	-	2,000,000		3,800,000	-	3,800,000	
2	Investments by segments	2023				2022			
		Cost / amortised cost	Provision for diminution	(Deficit) / Surplus	Carrying value	Cost / amortised cost	Provision for diminution	(Deficit) / Surplus	Carrying value
					Rupees in '000				Rupees in '000
	Federal Government Securities:								
	- GoP Ijarah Sukuks	50,921,133	-	(103,525)	50,817,608	29,088,048	-	(416,135)	28,671,913
	Non-government debt securities								
	- Power / gas and other Sukuks - listed	2,375,000	-	6,225	2,381,225	2,475,000	-	7,783	2,482,783
	- unlisted	1,239,583	-	-	1,239,583	1,717,917	-	-	1,717,917
	Total investment	54,535,716	-	(97,300)	54,438,416	33,280,965	-	(408,352)	32,872,613
3	Islamic financing and related assets	2023				2022			
		Rupees in '000				Rupees in '000			
		Note				Note			
	Ijarah	3.1	175,077			3.1	175,077		402,680
	Murabaha	3.2	1,684,931			3.2	1,684,931		2,063,430
	Diminishing Musharaka		8,726,454				8,726,454		9,186,875
	Running Musharaka		18,972,415				18,972,415		29,121,080
	Qarz e Hasna		183				183		50
	Istisna	3.3	4,973,663			3.3	4,973,663		5,216,320
	Gross Islamic financing and related assets		34,532,723				34,532,723		45,990,435
	Less: provision against Islamic financings								
	- Specific		896,662				896,662		592,986
	- General		15,562				15,562		22,613
	Islamic financing and related assets - net of provision		912,224				912,224		615,599
			33,620,499				33,620,499		45,374,836
3.1	Ijarah	2023				2022			
		Rupees in '000				Rupees in '000			
		Note				Note			
	Under IFAS-II	3.1.1	172,211			3.1.1	172,211		399,207
	Under finance method	3.1.2	2,866			3.1.2	2,866		3,473
	Assets/ inventory		175,077				175,077		402,680
			-				-		-
			175,077				175,077		402,680

Notes to the Financial Statements

For the year ended December 31, 2023

3.1.1 Ijarah under IFAS-II

	Cost			Depreciation		Book value as at December 31, 2023
	As at January 1, 2023	Additions / (deletions)	As at December 31, 2023	As at January 1, 2023	Charge for the year	
Rupees in '000						
Plant and machinery	323,375	(63,741)	259,634	185,616	53,102	20,916
Vehicles	757,804	(71,499)	686,305	496,356	38,654	151,295
Housing	-	-	-	-	-	-
Total	1,081,179	(135,240)	945,939	681,972	91,756	172,211

	2022					Book value as at December 31, 2022
	Cost		Depreciation			
	As at January 1, 2022	Additions / (deletions)	As at December 31, 2022	As at January 1, 2022	Charge for the year	
Rupees in '000						
Plant and Machinery	323,375	-	323,375	126,654	58,962	137,759
Vehicles	765,606	(7,802)	757,804	425,988	70,368	261,448
Housing	-	-	-	-	-	-
Total	1,088,981	(7,802)	1,081,179	552,642	129,330	399,207

Future Ijarah rental receivable

Ijarah assets under IFAS-2 are stated at cost of Rs. 945.94 million (2022: Rs. 1,081.17 million) less accumulated depreciation of Rs. 773.73 million (2022: Rs. 681.97 million) in accordance with the SBP letter no. BPRD/BRID-04/2008-6268.

3.1.2 Net investment in Ijarah under finance method

	2023			2022				
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Ijarah rentals receivable	3,690	-	-	3,690	2,998	1,319	-	4,317
Residual value	43	-	-	43	25	18	-	43
Minimum Ijarah rentals	3,733	-	-	3,733	3,023	1,337	-	4,360
Profit for future periods	(867)	-	-	(867)	(522)	(365)	-	(887)
Ijarah under finance method	2,866	-	-	2,866	2,501	972	-	3,473

Notes to the Financial Statements

For the year ended December 31, 2023



		2023	2022
		----- Rupees in '000 -----	
3.2	Murabaha		
	Murabaha financing	1,602,581	1,643,463
	Advances for Murabaha	82,350	419,967
		1,684,931	2,063,430
3.2.1	Murabaha receivable - gross	1,519,214	1,645,293
	Less: Deferred Murabaha income	116,842	118,309
	Profit receivable shown in other assets	200,209	116,479
	Murabaha financings	1,602,581	1,643,463
3.2.2	The movement in Murabaha financing during the year is as follows:		
	Opening balance	1,645,293	1,209,777
	Sales during the year	3,096,596	5,286,198
	Adjusted during the year	3,222,675	4,850,682
	Closing balance	1,519,214	1,645,293
3.2.3	Murabaha sale price	3,096,596	5,286,198
	Murabaha purchase price	2,863,828	4,850,682
		232,768	435,516
3.2.4	Deferred murabaha income		
	Opening balance	118,309	48,753
	Arising during the year	232,768	266,182
	Less: Recognized during the year	234,235	196,626
	Closing balance	116,842	118,309
3.3	Istisna		
	Advance against Istisna	4,713,663	5,001,121
	Istisna Inventory	260,000	215,199
	Istisna sales receivable	-	-
		4,973,663	5,216,320

Notes to the Financial Statements

For the year ended December 31, 2023



4 Deposits and other accounts

	2023			2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits	23,149,660	192,030	23,341,690	20,254,072	59,568	20,313,640
Savings deposits	53,504,988	2,343	53,507,331	51,362,281	1,161	51,363,442
Term deposits	6,758,767	-	6,758,767	4,126,937	-	4,126,937
Others	3,733,075	-	3,733,075	3,945,517	-	3,945,517
	87,146,490	194,373	87,340,863	79,688,807	60,729	79,749,536
Financial Institutions						
Current deposits	294,658	333	294,991	340,436	-	340,436
Savings deposits	1,678,836	-	1,678,836	2,317,371	-	2,317,371
	1,973,494	333	1,973,827	2,657,807	-	2,657,807
	89,119,984	194,706	89,314,690	82,346,614	60,729	82,407,343
4.1 Composition of deposits	Note			2023		
				Rupees in '000		
- Individuals				30,603,984		29,455,576
- Government (Federal and Provincial)				25,936,327		29,389,634
- Public sector entities				40,973		14,291
- Banking companies				349,309		830,810
- Non-banking financial institutions				1,624,518		1,826,997
- Private Sector				30,759,579		20,890,035
	4.2			89,314,690		82,407,343

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 43,070 million (2022: Rs. 35,667 million).

Notes to the Financial Statements

For the year ended December 31, 2023



5	Other liabilities	Note	2023	2022
			----- Rupees in '000 -----	-----
	Profit payable in local currency		791,316	447,809
	Islamic Pool Management Reserves		138,984	101,895
	Unearned commission income		82,364	51,765
	Accrued expenses and supplier payables		1,935,455	1,227,998
	Deferred income murabaha	19	116,842	118,309
	Security deposit against Ijarah	19	62,708	167,416
	Charity fund	5.1	51,459	14,502
	Tax payable		2,189,978	1,214,068
	Lease liability		659,416	321,796
	Bills payment system over the counter (BPS-OTC)		37,732	1,561
	Clearing and settlement accounts		-	10,606
	Levies and other taxes payable		3,632	2,950
	Exchange revaluation of forward contract		421	1,018
	Acceptances		3,502	-
	Others		139,253	130,122
			6,213,062	3,811,815
5.1	Charity fund			
	Opening balance		14,502	7,648
	Additions during the year			
	Received from customers on account of delayed payment		45,443	26,401
	Other Non-Shariah compliant income		2,254	1,373
	Others		22	33
			47,719	27,807
	Payments / utilization during the year	5.1.1		
	Welfare		6,062	14,050
	Education		2,000	5,303
	Health		2,700	1,600
			10,762	20,953
	Closing balance		51,459	14,502

Notes to the Financial Statements

For the year ended December 31, 2023



	2023	2022
	----- Rupees in '000 -----	
5.1.1 Details of charity payments		
Details of charity payments individually exceeding Rs. 500,000 are as follows:		
The Citizens Foundation, Karachi	2,000	2,000
Kohatians Foundation, Kohat	1,075	1,500
Mercy Pak, Peshawar	1,000	1,000
Khpal Kor Foundation, Swat	1,000	1,000
University of Technology, Nowshera	1,000	-
Khyber Eye Foundation, Peshawar	1,000	-
Akbar Kare Institute, Peshawar	1,000	-
SOS Children Village, Peshawar	800	1,000
Diabetic Association, Charsadda	700	600
Chief Minister's Flood Relief Fund, Khyber Pakhtunkhwa	-	10,000
Cadet College, Mohmand	-	1,200
IBA, Karachi	-	2,103
	9,575	20,403
6 Islamic banking business unappropriated profit		
Opening balance	5,633,781	4,810,395
Add: Islamic banking profit for the year	4,469,430	2,477,903
Less: Taxation	(2,190,021)	(1,214,173)
Less: Transferred to HO	(455,882)	(440,344)
Closing balance	7,457,308	5,633,781
7 Contingencies and commitments		
- Guarantees	11,905,753	8,889,432
- Commitments	4,598,814	5,601,456
	16,504,567	14,490,888
8 Profit/return earned of financing, investments and placement		
Profit earned on:		
Financing	7,443,435	5,768,453
Investments	7,830,600	4,096,879
Placements	586,481	255,766
	15,860,516	10,121,098
9 Profit on deposits and other dues expensed		
Deposits and other accounts	6,963,290	3,964,296
Due to Financial Institutions	360,866	639,641
Unwinding of discount- IFRS 16	48,817	42,819
	7,372,973	4,646,756

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
- 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-1
- xxi. Raast Financial Institutions Pool-2
- 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.

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.

Notes to the Financial Statements

For the year ended December 31, 2023



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.

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

Key features

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

Risks of the special sub - pools

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

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. Out of distributable income, an amount of Rs. 4,315.861 million (39.00%) has been charged as Additional Profit (Mudarabah Fee). The total Hiba amount of Rs. 161.111 million (3.73%) is distributed during the year.

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

	2023	2022
	----- Rupees in '000 -----	
Gross profit earned	16,380,924	10,524,012
Administrative expenses	4,164,764	3,130,610
Distributable share	12,216,160	7,393,402
Profit paid to IAH/PLS depositors	7,372,973	4,646,756

Notes to the Financial Statements

For the year ended December 31, 2023



Charging expenses

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

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

Profit Equalization Reserve of Rs. 65.92 million (2022: Rs. 36.29 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:

	2023	2022
	----- Rupees in '000 -----	
Financings		
Agri business	535,600	769,666
Chemical and pharmaceuticals	2,651,694	2,973,786
Cement	3,075,503	2,724,950
Textile	5,423,568	4,619,008
Automobile and transportation equipment	7,298	187,029
Petro chemical	25,002	5,200
Housing	1,152,668	1,280,568
Manufacturing of match	140,000	140,000
Miscellaneous manufacturing	2,455,532	3,697,205
Personal	785,344	695,341
Construction	407,155	510,091
Tradings	774,513	904,620
Services	1,208,713	1,353,286
Auto loans	290,765	414,117
Metal products	464,286	607,143
Commodity finance	14,999,910	25,000,000
CNG station / gas	15,825	12,540
Consumer finance	108,872	81,423
Others	10,475	14,462
	34,532,723	45,990,435
Investments		
GOP Ijarah Sukuk	50,817,608	28,671,913
Power / electric / gas	3,620,808	4,200,700
	54,438,416	32,872,613
	88,971,139	78,863,048

Notes to the Financial Statements

For the year ended December 31, 2023



Annexure - III

Quality of available for sale securities - Ordinary shares	2023		2022	
	Cost	Market value	Cost	Market value
Listed Companies	----- Rupees in '000 -----			
Automobile parts and accessories	-	-	6,903	2,486
Cable and electrical goods	22,312	18,064	24,465	11,360
Cement	-	-	40,167	17,284
Chemical	6	119	4,612	2,125
Commercial Banks	-	-	28,791	21,021
Engineering	2,398	806	18,339	7,928
Food and personal care products	-	-	24,548	6,731
Investment banks / investment companies	162,185	51,088	162,185	41,391
Leather and tanneries	-	106	-	106
Oil and gas exploration companies	-	-	34,778	26,729
Oil and gas marketing companies	40,276	29,157	52,139	31,988
Paper and board	-	297	-	297
Power generation and distribution	-	-	5,138	3,375
Pharmaceuticals	-	-	3,776	2,415
Refineries	61,474	24,599	110,286	36,842
Transport	23,494	13,007	30,120	11,850
Textile composite	14	194	25,311	13,730
Textile spinning	23	376	23	203
Vanaspati and allied industries	-	31	22,147	7,091
Miscellaneous	-	-	1,960	1,550
	312,182	137,844	595,688	246,502
Un-Listed Companies	2023		2022	
	Cost	Breakup value	Cost	Breakup value
	----- Rupees in '000 -----			
Dawood Family Takaful	112,500	81,651	112,500	78,906
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	5
Syed Match Company Limited	7	7	7	7
Total	427,486	81,663	427,486	78,918

List of Branches

Sr.No	Branch ID	Type of office	Nature of Branch	City	Province	Address
1	0001	Branch	Conventional	Peshawar	KPK	Shop No. 1 to 6 (Ground Floor) and Office No. 1 to 3 (First Floor), Olympic Plaza, Gayyum Stadium, Bara Road, Peshawar Cantt.
2	0002	Branch	Conventional	Peshawar	KPK	Shop No.1, Ground Floor, Al Sayed Plaza, University Road, Peshawar
3	0003	Branch	Conventional	Kohat	KPK	Cantonment Plaza Bannu Road, Kohat
4	0003	Sub-Branch	Conventional	Kohat	KPK	Kohat University of Science & Technology, Bannu Road, Kohat, Tehsil & District Kohat
5	0004	Branch	Conventional	D.I.K	KPK	Circular Road, D.I.Khan
6	0004	Sub-Branch	Conventional	D.I.K	KPK	MTI, DHQ Teaching Hospital, D.I. Khan, Tehsil & District D.I. Khan
7	0007	Branch	Conventional	Mardan	KPK	Chamber House, Aiwan-e-Sanat- o- Tijarat, Collage Chowk
8	0007	Booth	Conventional	Mardan	KPK	Women University, Canal Road , Mardan
9	0010	Branch	Conventional	Peshawar	KPK	Ground Floor, Afandi Tower, Bilal Town, G.T. Road, Peshawar
10	0011	Branch	Conventional	Chitral	KPK	Bypass Road Ataliq Bazaar, Chitral.
11	0012	Branch	Conventional	Mingora	KPK	Upper Ground floor, Emerald Trade Center, Makan Bagh, Saidu Sharif Road Mingora Swat
12	0012	Sub-Branch	Conventional	Mingora	KPK	Saidu Medical College, Saidu Sharif, Swat
13	0013	Branch	Conventional	Peshawar	KPK	Shop No.9,10 & 11, at Super Market, Adjacent State Bank of Pakistan Peshawar, Saddar Road, Peshawar
14	0014	Branch	Conventional	Hattar	KPK	Industrial Estate Hattar, Haripur
15	0014	Sub-Branch	Conventional	Hattar	KPK	Pak Austria Fachhochschule Institute of Applied Sciences & Technology, Mang, Haripur
16	0015	Branch	Conventional	Peshawar	KPK	Civil Secretariat , Peshawar
17	0016	Branch	Conventional	Peshawar	KPK	Shop No. 1,2 & 3, Saadat Market, Suikarno Square, Khyber Bazar, Peshawar.
18	0019	Branch	Conventional	Haripur	KPK	Shahrah-e-Hazara, Haripur.
19	0019	Booth	Conventional	Haripur	KPK	University of Haripur, off Hattar Road, Haripur
20	0022	Branch	Conventional	Islamabad	Federal Capital	38-Zahoor Plaza, Blue Area, Islamabad.
21	0023	Branch	Conventional	Lahore	Punjab	Ali Trade Centre, Property No.99&100-A, Block B/1 M.M. Alam Road, Lahore ,Gulberg-III, Lahore.
22	0024	Branch	Conventional	Karachi	Sindh	Ebrahim Alibhai Tower, Shop No.02, Plot No.03, Block-7/8 Modern Cooperative Housing Society (MCHS), Shahrah-e-Faisal, Karachi
23	0025	Branch	Conventional	Peshawar	KPK	New Rampura Gate, Ashraf Road, Peshawar.
24	0027	Branch	Conventional	Muzaffarabad	AJK	Khasra # 214 Near Government: Girls high School, Sain Sahaili Sarkar Secretariat Road Jalalabad, Muzaffarabad AJK
25	0030	Branch	Conventional	Rawalpindi	Punjab	B-212, Satellite Town 4th Road, TMA Rawal Town Rawalpindi.
26	0031	Branch	Conventional	Lahore	Punjab	Property#891,Block -R-1, M.A. Johar Town, Lahore
27	0032	Branch	Conventional	Sialkot	Punjab	Industrial Area, Shahabpura, Ugoki Road, Near Masjid Mohajirin, Sialkot
28	0033	Branch	Conventional	Multan	Punjab	Lower Ground, Khan Centre, Main Market, Abdali Road Multan Cantt.
29	0034	Branch	Conventional	Karachi	Sindh	Block-1, Clifton, Shireen Jinnah Colony Karachi
30	0035	Branch	Conventional	Mirpur	AJK	Plot No.3, Sector B/3, Allama Iqbal Road, Mirpur, Azad Jammu Kashmir
31	0036	Branch	Conventional	Karachi	Sindh	Room No.204-205, 2nd Floor, New Pakistan Stock Exchange Building, Pakistan Stock Exchange Road, Karachi.
32	0037	Branch	Conventional	Gujrat	Punjab	Property No.1157/527,Ground Floor, Empire Centre, G.T. Road Gujrat
33	0038	Branch	Conventional	Faisalabad	Punjab	Plot No.245-C,Ground & 1st Floor, Madina Town, Sosaan Road, Faisalabad
34	0039	Branch	Conventional	Gujranwala	Punjab	Property No.BXII-7S-157, Bank Square, Main G. T. Road Gujranwala
35	0040	Branch	Conventional	Havelian	KPK	Property # 4242, Bank Square Havelian
36	0040	Booth	Conventional	Havelian	KPK	Abbotabad University of Science & Technology, Banda Sahib Khan Road, Havelian
37	0041	Branch	Conventional	Sargodha	Punjab	63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha
38	0043	Branch	Conventional	Abbottabad	KPK	934-A, Mansehra Road, Abbottabad
39	0044	Branch	Conventional	Chiniot	Punjab	Faisalabad Road, Near Tehsil Chowk, Chiniot
40	0045	Branch	Conventional	Sahiwal	Punjab	272/B-2 High Street, Sahiwal.
41	0046	Branch	Conventional	Karachi	Sindh	Shop No.7,8 & 9 Plot # G-10, Garnet Centre, Block-8, Main Road, KDA Scheme # 5, Clifton Cantonment, Karachi
42	0047	Branch	Conventional	Hyderabad	Sindh	Shop No. 8 & 9, Mehdi Heights, Prince Town Housing Scheme Phase II, Qasimabad, Hyderabad
43	0048	Branch	Conventional	Peshawar	KPK	Peshawar High Court Branch, Khyber Road, Peshawar
44	0048	Sub-Branch	Conventional	Peshawar	KPK	KPK Provincial Assembly Building, Khyber Road, Peshawar
45	0049	Branch	Conventional	Karak	KPK	Khasra No. 1327/1364, Mian Muqadess Gul Market, Main Bazar, Karak

List of Branches

Sr.No	Branch ID	Type of office	Nature of Branch	City	Province	Address
46	0049	Sub-Branch	Conventional	Karak	KPK	Khushal Khan Khattak University, Opposite Tableeghi Markaz, Karak
47	0050	Branch	Conventional	Bahawalpur	Punjab	Plot No.4, Khata No. 411/411, Khatooni No. 539, Sodagar Colony Block A Model Town B Bahawalpur
48	0051	Branch	Conventional	Rahim Yar Khan	Punjab	Plot No.15, Opposite Town Hall, Model Town, Rahim Yar Khan
49	0052	Branch	Conventional	Lahore	Punjab	Plot No.178, Block-Y, DHA, Lahore Cantt.
50	0053	Branch	Conventional	Gilgit	GB	Shop No.1 to 6, ZS Plaza, Opposite Radio Pakistan, Shahrah-e-Quaid-e-Azam, Jutial Cantt. Gilgit
51	0054	Branch	Conventional	Quetta	Baluchistan	"Shahra-e-Iqbal (Khasra no.205), Gandhari Bazar, Quetta.
52	0055	Branch	Conventional	Islamabad	Federal Capital	Plot No. 6D Akbar Plaza, Block –D, Main Double Road PWD Employees Co-Operative Housing Society Islamabad
53	0056	Branch	Conventional	D. G Khan	Punjab	Plot No.5, Dawood Plaza, Railway Road, Dera Ghazi Khan
54	0057	Branch	Conventional	Lahore	Punjab	Plot No.811, Block C, Faysal Town, Lahore
55	0059	Branch	Conventional	Sadiqabad	Punjab	Shop No.10, Masood Plaza, Bank Road, Sadiqabad
56	0060	Branch	Conventional	Khanewal	Punjab	Property No.32, Paracha Hospital, Adjacent JS Bank, College Road, Khanewal
57	0061	Branch	Conventional	Mian Channu	Punjab	Property No.17/24, Shadab Market, G.T. Road, Mian Channu, District Khanewal
58	0062	Branch	Conventional	Gujar Khan	Punjab	Shop No.6-8, Ward No.5, Near Ali Hospital, Main G.T. Road, Gujar Khan
59	0063	Branch	Conventional	Karachi	Sindh	C-89-D,12th Commercial Street, Phase 2-Ext, D.H.A. (Khyaban-e-Jami), Karachi
60	0065	Branch	Conventional	Attock	Punjab	Property No.B-V-99, Committee No.E-3, Railway Park Chowk, Attock City
61	0066	Branch	Conventional	Peshawar	KPK	Khasra No.6184/2893, Shop No.1, Sabir Business Center, Warsak Road, Peshawar
62	0067	Branch	Conventional	Karachi	Sindh	Shop No.4&5, Sumya Tower Plot No 15/3, Block 3, BMCH, Main Jamal Ud Din Afghani Road (Sharfabad) Karachi.
63	0068	Branch	Conventional	Peshawar	KPK	Shop No.6-10, Garrison Park, Shami Road, Peshawar
64	0069	Branch	Conventional	Lahore	Punjab	Plot No.119, Auto Market, Badami Bagh, Lahore
65	0070	Branch	Conventional	Jhang	Punjab	Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road , Jhang
66	0071	Branch	Conventional	Daska	Punjab	Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot
67	0072	Branch	Conventional	Karachi	Sindh	Mandwivala Building, Shop No. 1, Survey No. 14, Sheet No. SR 6, Shahrah-e-Liaquat, Serai Quarters, Karachi
68	0073	Branch	Conventional	Peshawar	KPK	Nawaz Plaza, Taxation No. 4988 to 5008, Ground Floor, Dalazak Road, Peshawar.
69	0074	Branch	Conventional	Peshawar	KPK	Khasra No. 1615/832, Adjacent Khayali CNG Station, Shero Jhangi, Charsadda Road, Peshawar.
70	0075	Branch	Conventional	Bannu	KPK	University Plaza, D.I.Khan Road, Bannu.
71	0075	Sub-Branch	Conventional	Bannu	KPK	University of Science & Technology, Main Campus, Township Bannu, Bannu.
72	0076	Branch	Conventional	Parachinar	KPK / FATA	Shop No. 1 to 5 Ground Floor, Haji Safdar Market, School Road, Parachinar.
73	0077	Branch	Conventional	Yar Hussain	KPK	Akbar Building, intiqal No. 3422, Main Bazar, Yar Hussain, Swabi.
74	0078	Branch	Conventional	Umarzai	KPK	Khasra No. 4011/3485 & 4012/3486, Major Saeed Khan Market, Main Bazar, Umarzai.
75	0079	Branch	Conventional	Sheikh Maltoon	KPK	Shop No. 25,26,27,28,29 & 31, Commercial Plaza Sector-E, Sheikh Maltoon Town, Mardan.
76	0079	Sub-Branch	Conventional	Sheikh Maltoon	KPK	Abdul Wali Khan University, Garden Campus, Mardan
77	0080	Branch	Conventional	Shergarh	KPK	Groud floor, Asghar Khan Market, Main Bazar, Shergarh, Mardan.
78	0081	Branch	Conventional	Katlang	KPK	Inteqal No. 5038, Imam Shah Market, Main Bazar, Tehsil Katlang, District Mardan
79	0082	Branch	Conventional	Sherkot	KPK	Khasra No. 315, Mujahid & Brothers Market, Sherkot Tehsil & District Kohat
80	0083	Branch	Conventional	Peshawar	KPK	Ground Floor, Plot No. 28, Sector B-1, Phase-V, Hayatabad, Peshawar
81	0083	Sub-Branch	Conventional	Peshawar	KPK	Plot No.7-9, Sector A-3,Phase-5, North West Hospital, Hayatabad, Peshawar
82	0083	Sub-Branch	Conventional	Peshawar	KPK	Peshawar Institute of Cardiology, Phase-V, Hayatabad, Peshawar
83	0083	Sub-Branch	Conventional	Peshawar	KPK	Khyber Medical University, Phase-V, Hayatabad Peshawar
84	0083	Sub-Branch	Conventional	Peshawar	KPK	Khyber Institute of Child Health & Bashir Bilour Memorial Children Hospital Near Passport Office, Phase-V, Hayatabad, Peshawar
85	0083	Booth	Conventional	Peshawar	KPK	Khyber Girls Medical College, Phase-V, Hayatabad, Peshawar
86	0084	Branch	Conventional	Peshawar	KPK	Khasra No. 156 & 157, Honey Market, Hidayatabad Chamkani, Peshawar.
87	0085	Branch	Conventional	Tordher	KPK	Khasra No.1751, Main Swabi Jehangira Road Matani Changan Tordher, Swabi.
88	0086	Branch	Conventional	Darosh	KPK	Main Darosh Bazaar, Zero Point Chitral.

Sr.No	Branch ID	Type of office	Nature of Branch	City	Province	Address
89	0087	Branch	Conventional	Sheikh Yousuf Adda	KPK	Khasra No.1007/529, Sheikh Yousaf Adda, Opposite Punjab Collage, Bannu Road, D.I.Khan.
90	0088	Branch	Conventional	Sardheri	KPK	Maroof Khel, Sardheri Bazar Tehsil & District Charsadda
91	0088	Sub-Branch	Conventional	Sardheri	KPK	Judicial Complex Sardheri, Malkan Dher Khula Dher, Charsadda
92	0088	Sub-Branch	Conventional	Sardheri	KPK	Bacha Khan University, Sardheri Charsadda
93	0089	Branch	Conventional	Lundkhawar	KPK	Ramora Lundkhwar, Tehsil Takht Bhai, District Mardan
94	0091	Branch	Conventional	Sadda	KPK / FATA	Bangash Market Main Bazar Sadda, Tehsil Lower Kurram, District Kurram Agency
95	0092	Branch	Conventional	Peshawar	KPK	Khasra no. 2387/2130, Mouza Landi yarghajo, Opposite Govt. Technical college, adjacent to Taj Automobiles total parco petrol pump Kohat road Peshawar.
96	0093	Branch	Conventional	Kuza Bandai	KPK	Shop No.1-6, Hamas Khan Market, Matta Road, Kuza Bandai, Tehsil Kabal, District Swat
97	0096	Branch	Conventional	Peshawar	KPK	Police Employees Co-Housing Society, Nasir Bagh, Peshawar
98	0096	Sub-Branch	Conventional	Peshawar	KPK	Regi Model Town, Site, Zone-IV, Peshawar
99	0097	Branch	Conventional	Haripur	KPK	Judicial Complex, District Courts, GT Road, Opposite Post Graduate College for Boys, Haripur.
100	0099	Branch	Conventional	Angoor Adda	KPK / FATA	Main Bazar Angoor Adda, Tehsil Birmil, District South Waziristan
101	0302	Branch	Conventional	DIKhan	KPK	Gomal University, Indus Highway, DI Khan City, Dera Ismail Khan
102	0303	Branch	Conventional	Kohat	KPK	Khasra No. 2518, Khata No. 1153, Mutation No. 5027 at Gate No. 2, Kohat Development Authority, Peshawar Road, kohat
103	0303	Sub-Branch	Conventional	Kohat	KPK	Khyber Medical University Institute of Medical Sciences, DHQ Teaching Hospital, Kohat Development Authority, Kohat.
104	0304	Branch	Conventional	Islamabad	Federal Capital	Plot 13-A, Amir Center F-7 Markaz, Islamabad.
105	0305	Branch	Conventional	Mingora	KPK	Khasra No 549, Khata No. 60, Airport Road, Mingora Swat.
106	0306	Branch	Conventional	Nowshera	KPK	Property No. 1101/I-68 & 1126/I-26,, Taj Building, Sher Shah Road Nowshera
107	0307	Branch	Conventional	Peshawar	KPK	Amber Building, Pir Abdullah Shah Market, Gur Mandi, Dalazak Road Peshawar
108	0308	Branch	Conventional	Swabi	KPK	Khasra No 3462,Taraqee Plaza, Mouza Maneri Payan Swabi, Tehsil and District Swabi
109	0308	Sub-Branch	Conventional	Swabi	KPK	Judicial Complex Shah Mansoor, Jehangira Road, Swabi, Tehsil & District Swabi
110	0308	Sub-Branch	Conventional	Swabi	KPK	University of Swabi, Peshawar Motorway, District Swabi, KPK
111	0309	Branch	Conventional	Islamabad	Federal Capital	Property No.2-E, I/9 Markaz Islamabad
112	0310	Branch	Conventional	Peshawar	KPK	Aman Medical Center Dabgari Peshawar.
113	0311	Branch	Conventional	Karak	KPK	Khasra No.7041/789, 7047/792, 7048/792, Allahdad Khel, Hamidan Chowk, Takht-E- Nasrati Karak
114	0311	Sub-Branch	Conventional	Lakki Marwat	KPK	University of Lakki Marwat, Tehsil & District Lakki Marwat
115	0312	Branch	Conventional	Timergara	KPK	Shaheed Chowk, Bypass Road Mingora, Timergara District Lower Dir.
116	0313	Branch	Conventional	Burewala	Punjab	Plot No. 207/208/209, Property No. P-39/SH+CH & P-39/SH+CH & P-39/A/ Off A Block Vehari Bazaar Burrewala
117	0314	Branch	Conventional	Chichawatni	Punjab	Plot No 151, Khewat No 244, GT Road Chichawatni
118	0315	Branch	Conventional	Lahore	Punjab	F 1619/B, Bismillah Block, Azam Cloth Market, Lahore
119	0316	Branch	Conventional	Thana	KpK	Qitta Arazi No. 2, Near Police Post Main Bazar Thana, District Malakand
120	0317	Branch	Conventional	Peshawar	KPK	University of Peshawar, Jamrud Road, Peshawar
121	0317	Sub-Branch	Conventional	Peshawar	KPK	Islamia College University, Jamrud Road, Peshawar, Tehsil & District Peshawar.
122	0318	Branch	Conventional	Charsadda	KPK	Khasra No. 979, Khata No. 358/810, Opposite Mardan Adda, Main Bazar Charsadda, Tehsil & District Charsadda
123	0318	Sub-Branch	Conventional	Ekka Ghund	KPK	TMA, Near Assistant Commissioner Office, Ekka Ghund, Tehsil Ekka Ghund Lower Mohmand, District Mohmand
124	0319	Branch	Conventional	Basham	KPK	Mouza Batyal, Hadbast No. 19, Main Bazaar Besham, District Shangla
125	0320	Branch	Conventional	Risalpur	KPK	Khyber Pakhtunkhwa Economic Zone Development & Management Company (KPEZDMC) Estate Office, Bara Banda, Risalpur, Tehsil & District Nowshera
126	0321	Branch	Conventional	Quetta	Baluchistan	Khasra No. 1765/529, Adjacent Suzuki Showroom, Double Road Quetta, Tehsil & District Quetta

List of Branches

Sr.No	Branch ID	Type of office	Nature of Branch	City	Province	Address
127	0322	Branch	Conventional	Peshawar	KPK	Javed Alam Khanzada Market, Block III, Sector I-8, Phase VI Hayatabad, Tehsil & District Peshawar
128	0323	Branch	Conventional	Islamabad	Federal Capital	Awami Trade Center, G-9, Islamabad, Tehsil & District Islamabad
129	0324	Branch	Conventional	Islamabad	Federal Capital	I-8 Markaz Islamabad, Tehsil & District Islamabad
130	0325	Branch	Conventional	Peshawar	KPK	PIA Building, Peshawar Cantt, Tehsil & District Peshawar
131	0326	Branch	Conventional	Islamabad	Federal Capital	Ali Plaza, Plot # 1, Block D, Top City, Islamabad, Tehsil & District Islamabad
132	0327	Branch	Conventional	Lahore	Punjab	Plot#56/14, Karim Block, Allama Iqbal Town, Lahore, Tehsil & District Lahore
133	0328	Branch	Conventional	Lahore	Punjab	109 MB, DHA Phase-VI, Lahore, Tehsil & District Lahore
134	0329	Branch	Conventional	Lahore	Punjab	Showroom No. 12, C Block, Bank Square Market, Model Town, Lahore, Tehsil & District Lahore
135	0330	Branch	Conventional	Islamabad	Federal Capital	Plot No. 9, Mustafa Mansion, E-11/3 Markaz, Islamabad, Tehsil & District Islamabad
136	0331	Branch	Conventional	Islamabad	Federal Capital	B-44 M, Sector F, DHA Phase-1, Islamabad, Tehsil & District Islamabad
137	0332	Branch	Conventional	Kohat	KPK	Main Bazar, Shakardara, Tehsil & District Kohat
138	5101	Branch	Islamic	Peshawar	KPK	Plot no.134-135-136, Near Frontier CNG, Industrial Estate Hayatabad
139	5102	Branch	Islamic	Quetta	Baluchistan	Jinnah Road, Quetta
140	5103	Branch	Islamic	Bannu	KPk	Gowshala road Bannu
141	5104	Branch	Islamic	Nowshera	KPk	Saad Plaza, Saddar Bazar, Nowshera
142	5105	Branch	Islamic	Timergara	KPk	Shaheed Plaza, Ground Floor, Alamzeb Shaheed Chowk, Timergara
143	5106	Branch	Islamic	Tank	KPk	Gillani Market, Main Bazar Opposite DHQ Hospital, Tank
144	5107	Branch	Islamic	Hangu	KPk	Opposite DCO Office, Main Bazar, Kohat Road, Hangu
145	5108	Branch	Islamic	Batkheela	KPk	Main Bazar Batkhela
146	5109	Branch	Islamic	Karachi	Sindh	B-78 Allied Plaza Estate Avenue Karachi
147	5110	Branch	Islamic	Karachi	Sindh	Plot no.ST-6/4, sector 24, Korangi Industrial Area, Chamrra Chowrangi, Karachi
148	5111	Branch	Islamic	Charsadda	KPk	Main Bazar, Mardan Road, Charsadda
149	5113	Branch	Islamic	Abbottabad	KPk	Jinnah Road, Abbottabad
150	5114	Branch	Islamic	Lahore	Punjab	28-A, Ali Block New Garden Town Lahore.
151	5115	Branch	Islamic	Rawalpindi	Punjab	369-18, Zaman Centre Bank Road Rawalpindi
152	5116	Branch	Islamic	Faisalabad	Punjab	Opposite M.C College Kotwali Road Faisalabad
153	5117	Branch	Islamic	Mansehra	KPk	Opposite GTS Stand, Abbottabad Road, Mansehra City, Mansehra
154	5118	Branch	Islamic	Swabi	KPk	Jamil Khan Market Mardan Road, Swabi
155	5119	Branch	Islamic	Peshawar	KPK	Tariq Sultan Building Hospital Road, Peshawar
156	5121	Branch	Islamic	Peshawar	KPK	Khyber Teaching Hospital, University Road, Peshawar
157	5122	Branch	Islamic	Mansehra	KPk	Main Shahra-e-Resham, Pakwal Chowk, Mansehra
158	5123	Branch	Islamic	Karachi	Sindh	Khyber Chowk, Metroville-1, Site, Karachi
159	5124	Branch	Islamic	Lahore	Punjab	Shop #E/36, Alamgir Market, Inside Shah Alam Gate, Lahore.
160	5125	Branch	Islamic	Jamrud	KPK / FATA	Main Bazaar, (Next to Caltex Petrol Station), Jamrud, Khyber Agency.
161	5126	Branch	Islamic	Upper Dir	KPK	Shop No. 1 to 6 Shafi Plaza, Saleem Market Main Bazar Upper Dir
162	5127	Branch	Islamic	Sarai Naurang	KPK	Khasra No. 438, (Sahibzada Kabir Plaza), G.T. Road, Sarai Naurang, Lakki Marwat
163	5128	Branch	Islamic	Peshawar	KPK	Shop No.2, Saif Shopping Mall Phase III, Hayatabad Chowk Main Jamrud Peshawar
164	5129	Branch	Islamic	D.I.Khan	KPK	Tank Adda, D.I.Khan
165	5130	Branch	Islamic	Thall	KPK	Malik Abdul Gayum Plaza, Main Chowk Thall, Tehsil Thall District Hangu KPK
166	5131	Branch	Islamic	Buner	KPK	Nisar Market, Pir Baba Road, Swari Buner
167	5132	Branch	Islamic	Mingora	KPK	Shop No.1, Bank Square, Main Bazar, Mingora, Swat
168	5133	Branch	Islamic	Islamabad	Federal Capital	Ground and First Floor, Plot Number 7-O S-38, Butt Plaza F-10 Markaz Islamabad
169	5134	Branch	Islamic	Battagram	KPK	Momin Khan Plaza, Opposite Al Bukhari Institute Shahra-e-Resham, Battagram
170	5135	Branch	Islamic	Topi	KPK	Sher Khan Market, Main Bazar, Tarbela Road, Topi, Distt Swabi.
171	5136	Branch	Islamic	Dargai	KPK	Main Bazar, Dargai.

Sr.No	Branch ID	Type of office	Nature of Branch	City	Province	Address
172	5137	Branch	Islamic	Chitral	KPK	Dewan Market Kruprisht Bazar, District Lower Chitral
173	5138	Branch	Islamic	Kohat	KPK	Kacheri Chowk Kohat
174	5139	Branch	Islamic	Mardan	Kpk	Shop # 4 to 8 Lower Ground and Ground Floor, Mardan City Center Plaza, Qazi Bashir Road, Mardan Cantt
175	5140	Branch	Islamic	Okara	Punjab	Ist Floor, Iftikhar Children Hospital M.A. Jinnah Road Okara
176	5141	Branch	Islamic	Miran Shah	KPK / FATA	Said Muhammad Market Main Bannu Road Miranshah, District North Waziristan
177	5142	Branch	Islamic	Multan	Punjab	Plot No. 12-B & 13-B, Haq Nawaz Plaza, Main Gate Shah Shams Colony, Vehari Road, Multan
178	5143	Branch	Islamic	Khwaza Khela	KPK	Irfan Plaza, Main Bazar, Khwaza Khela, Swat
179	5144	Branch	Islamic	Kamabar	KPK	City Market, Main Road, Kambur, Lower Dir, Kambur
180	5145	Branch	Islamic	Shabqadar	Kpk	kharsa No. 4244/159-162, Opposite shabaqadar Fort Gate, Shabqadar
181	5146	Branch	Islamic	Islamabad	Federal Capital	kharsa No. 781, Geo Madina Tower, Main G.T Road , Tarnol.
182	5147	Branch	Islamic	Saleh Khana	Kpk	Kharsa No. 169 & 183, Main Bazar, Moza Saleh Khana Tehsil Pubbi, Nowshera
183	5148	Branch	Islamic	Loralai	Baluchistan	Property No. 1061/A, 1061/B, 1061 & 1064 Zhob Road, Loralai Tehsil & District Loralai, Balochistan
184	5149	Branch	Islamic	Chakdara	KPK	Shop No. 1 to 10, Zaman Market, Adjacent UBL & nbp, Main Bazaar, Chakdara, Lower Dir
185	5150	Branch	Islamic	Takht Bhai	Kpk	Kharsa No. 785, Shaukat Mansion, Ground & 1st floor, Opposite Takht Bhai Mega Mart, Takht Bhai, Mardan
186	5151	Branch	Islamic	Jehangira	Kpk	1st floor, Behram Khan center, G.T Road, Jehangira
187	5152	Branch	Islamic	Wanna	KPK / FATA	South Waziristan Scouts Camp, Wana District South Waziristan.
188	5153	Branch	Islamic	Ghalani	KPK / FATA	Opposite Civil Colony Ghalanai , Mohmand Agency Tribal District.
189	5154	Branch	Islamic	Peshawar	KPK	Shaheen Tower City Circular Road Opposite Sarki Gate Peshawar.
190	5155	Branch	Islamic	Peshawar	KPK	Ground Floor, Arbab Market, Garhi Qamar din, near Mujaddad CNG station, North side Ring Road, Peshawar.
191	5156	Branch	Islamic	Peshawar	KPK	Plot No. 4-A & 4-B, Sameer Square, Anam Sanam Chowk, Gulbahar Road, Hussainanabad
192	5157	Branch	Islamic	Barikot	KPK	Khasra No.1333, Iqbal Khan Plaza, Pir Baba Road, Barikot Swat.
193	5158	Branch	Islamic	Tangi	KPK	Kharsa No. 1633, Malak Plaza, Shabqadar Road, Tangi Charsadda
194	5159	Branch	Islamic	Pabbi	KPK	Anjum Market, G.T. Road, Pabbi, Nowshera.
195	5160	Branch	Islamic	Shangla	KPK	Khasra No 1283, 84 & 86, Munir Plaza, Adjacent MCB, Basement & Ground Floor, Besham Road, Alpuri Shangla.
196	5161	Branch	Islamic	Upper Dir	KPK	Ittehad plaza, Lower basement and Ground floor, Wari Bazaar, Dir chitral road, Upper Dir
197	5162	Branch	Islamic	Nowshera	KPK	Kharsa No. 805, malak jameen market, Soorya khel, manki sharif, tehsil & Distt Nowshera
198	5163	Branch	Islamic	Khar Bajur	KPK / FATA	abid city centre, Ground floor, Lt. Sajjad Khan Shaheed Bypass Road, Khar Bazaar, Bajaur Agency.
199	5164	Branch	Islamic	Mingora	KPK	Malak Tahir Market, Mouza Main Bazar, Matta, Mingora , District Swat KP
200	5165	Branch	Islamic	Tor Ghar	KPK	quarter no 1, District head quarter Tor ghar judba, KPK
201	5166	Branch	Islamic	Peshawar	KPK	Muhammad Arcade, Achini Payan, Ring Road near Hayatabad, Peshawar.
202	5167	Branch	Islamic	Torkham	KPK / FATA	Ground Floor, Masoom Building, Near PTDC & Tehsildar Office, Peshawar Torkham Road, Torkham
203	5168	Branch	Islamic	Sheva Adda	KPK	Office No, 1 Ground Floor, Sardar Khan Malak Plaza, Mardan Swabi Road Sheva Adda, Swabi
204	5169	Branch	Islamic	Lower Dir	KPK	Groud Floor, Habib Jan Market, Adjacent Tehsildar Office Munda, Munda Lower Dir.
205	5170	Branch	Islamic	Kabal	KPK	Khasra No. 2271 Ground Floor, Wahab Market, Mingora Road, Swat
206	5171	Branch	Islamic	Kalaya	KPK / FATA	Head Quarter Kalay, Orakzai District
207	5172	Branch	Islamic	Peshawar	KPK	Office No.1, Ground Floor, Khanis Plaza, The Mall Road, Peshawar Cantt.
208	5173	Branch	Islamic	Lakki Marwat	KPK	Shop No.1, Haji Jan Khan Market, Lakki City, Lakki Marwat.
209	5174	Branch	Islamic	Shangla	KPK	Khasra No.227, Aluch Bazar, Tehsil Puran, Distruct Shangla.
210	5175	Branch	Islamic	Dara Adam Khel	KPK	Ground Floor, Nawab Shah Plaza Dara Bazaar Mohammad Khel Zargahar Dara Adam Khel.
211	5176	Branch	Islamic	Sakhakot	KPK	Noor Market, Main Malakand Road, Sakhakot, District, Malakand.
212	5177	Branch	Islamic	Zhob	Baluchistan	Shop No. C84-85, Main Bazar, Thana Road Quetta, Zhob.

List of Branches

Sr.No	Branch ID	Type of office	Nature of Branch	City	Province	Address
213	5178	Branch	Islamic	Peshawar	KPK	Haji Nazar Mohammad Building, Tehkal Payan, University Road, Peshawar.
214	5179	Branch	Islamic	Mardan	KPK	Sharif Khan Plaza, New Charsadda Chowk, Railway Phatak, Sugar Mill Bypass Road, Mardan
215	5180	Branch	Islamic	Islamabad	Federal Capital	Malak Shafait Plaza, Mauza Mahal Kot, Hathial Main Murree Road, Bhara Kahu, Islamabad.
216	5181	Branch	Islamic	Charbagh	KPK	Saad Tower, Main Bazar Charbagh, Tehsil & District Swat
217	5182	Branch	Islamic	Nowshera	KPK	Deed No. 142/1, Main Bazar Rashakai, Nowshera
218	5183	Branch	Islamic	Mardan	KPK	Main Bazar Rustam, Mardan
219	5184	Branch	Islamic	Upper Dir	KPK	Al-Madina Market, Shahi Road, Main Bazar Barawal Bandi, Upper Dir
220	5185	Branch	Islamic	Peshawar	KPK	Hayatabad Medical Complex Phase 4 Hayatabad Peshawar
221	5186	Branch	Islamic	Bara	KPK / FATA	Main Bazar Adjacent to Bara Tehsil Bara
222	5187	Branch	Islamic	Buner	KPK	Khata No.26, Khasra NO.3378, Mouza Tatalai, Tehsil Khadu Khel District Buner
223	5188	Branch	Islamic	Madyan	KPK	Khata No. 227, Khatooni NO. 309, Khasra NO. 302, Fatehpur Hadbast NO. 48, Madayn Bazar Swat.
224	5189	Branch	Islamic	Dewana baba	KPK	Khasra NO.67, Dewana Baba Bazar, Kalyari Gagra, Dewana Baba Swari Buner.
225	5190	Branch	Islamic	Zaida	KPK	Khasra NO.2080-2084 & 2086 Khata NO.1599/2841, Salar Market Main Bazar Zaida, Swabi
226	5191	Branch	Islamic	Peshawar	KPK	Khata No. 1168/3802 to 4083 Qittat 383, Mouza Matani Hadbast No. 268, Tehsil & District Peshawar
227	5192	Branch	Islamic	Abbottabad	KPK	Aziz Ullah Plaza, Mandian Mansehra Road Abbottabad
228	5193	Branch	Islamic	DOABA	KPK	Khasra NO. 1326, Bangash Filling Station, Main Road Doaba Distt Hangu
229	5194	Branch	Islamic	Inayat Kalay	KPK / FATA	Ground Floor Ihsan Plaza, Bypass Road Inayat kalay, Khar Bajaur
230	5195	Branch	Islamic	Islamabad	Federal Capital	Plot No. 9(A), 9(B), I-10 Markaz Islamabad
231	5196	Branch	Islamic	Ghazi	KPK	Khasra No. 859/143, Khatooni 439/538, Main Bazar Ghazi, Tehsil & Distt Haripur
232	5197	Branch	Islamic	Balakot	KPK	Plot No.39-51, Liaquat Market, Adjacent to office of SDPO, Balakot
233	5198	Branch	Islamic	Haripur	KPK	Haq Nawaz Plaza, Near Sabzi Mandi Morr, Haripur Tehsil & District Haripur.
234	5199	Branch	Islamic	Bakshali	KPK	Khasra / Khatooni / Registry No. 714-715/1551-1555, Main bazar Bakhshali, Tehsil & District Mardan
235	5200	Branch	Islamic	LACHI	KPK	khata no 27,khatoni no 585,khasra no.1316,lachi payan, lachi district kohat
236	5201	Branch	Islamic	Akora Khattak	KPK	Khata No.351,Khotoni No.1181,Registry No.1778,Main GT Road Near Chungi Stop ,Akora Khattak
237	5202	Branch	Islamic	SWABI	KPK	Medical Teaching Institute (MTI) Bacha khan Medical Complex & Gajju Khan Medical College, Shah Mansoor District Swabi
238	5203	Branch	Islamic	Mingora	KPK	Swat Trade Center, Allah Chowk Saidu Sharif Road, Mingora Tehsil Babuzai, District Swat
239	5204	Branch	Islamic	PISHIN	Baluchistan	Band Road Pishin, Tehsil & District Pishin, Baluchistan
240	5205	Branch	Islamic	BANNU	KPK	Medical training Institute (MTI) Khalifa Gul Nawaz (KGN) Hospital Kohat Road Township Bannu, Tehsil & District Bannu
241	5206	Branch	Islamic	Duki	Baluchistan	Plot No. 8, Bacha Khan Chowk Duki, Tehsil & District Duki, Baluchistan
242	5207	Branch	Islamic	Pirbaba	KPK	Main Bazar Pirbaba, Tehsil Daggar District Buner
243	5208	Branch	Islamic	Torwarsak	KPK	Main GT Road, Torwarsak Bazar, Tehsil Daggar District Buner
244	5209	Branch	Islamic	Peshawar	KPK	Deans Heights Phase II, Hayatabad Peshawar, Tehsil and District Peshawar, KPK
245	5210	Branch	Islamic	Kambat bazar	KPK	Main GT Road, Kambat bazar, Tehsil Samarbagh District Dir Lower
246	5211	Branch	Islamic	Peshawar	KPK	Phandu Chowk, Phandu Road Tehsil and District Peshawar
247	5212	Branch	Islamic	Nowshera	KPK	Gazi Hussain Ahmed Hospital MTI Nowshera
248	5213	Branch	Islamic	Dagar	KPK	Main Dagar Pull, Tehsil Dagar, District Buner
249	5214	Branch	Islamic	Chitral	KPK	Booni Bazar, Tehsil Booni, District Upper Chitral
250	5215	Branch	Islamic	Nowshera	KPK	Army Services Corps Housing Society Tehsil & District Nowshera
251	5216	Branch	Islamic	Rawalpindi	Punjab	Plot No.5, Corniche Road, Marina Commercial, Bahria Town, Phase IV, Rawalpindi, Tehsil & District Rawalpindi
252	5217	Branch	Islamic	Harichand	KPK	Main Bazar Harichand Tehsil Tangi District Charsadda
253	5218	Branch	Islamic	Talash	KPK	Main Bazar Talash Adjacent to Al Bahar Hotel, Tehsil Timergara, District Lower Dir

Sr.No	Branch ID	Type of office	Nature of Branch	City	Province	Address
254	5219	Branch	Islamic	Jamrud	KPK / FATA	District education Office Jamrud, Tehsil Jamrud, District Khyber
255	5220	Branch	Islamic	Oghi	KPK	Main Bazar Shergarh Road, Tehsil Oghi, District Mansehra
256	5221	Branch	Islamic	Peshawar	KPK	Al-Haram Tower, Main Charsadda Road Peshawar Tehsil & District Peshawar
257	5222	Branch	Islamic	Timergara	KPK	GT Road Timergara Bazar District Lower Dir
258	5117	Sub-Branch	Islamic	Mansehra	KPK	Hazar University, Mansehra
259	5119	Sub-Branch	Islamic	Peshawar	KPK	LRH Hospital Peshawar
260	5126	Sub-Branch	Islamic	Upper Dir	KPK	Shaheed benazir Bhutto University, Sharingal District Upper Dir
261	5188	Sub-Branch	Islamic	Kalam	KPK	GT Road main Bazar kalam, Swat
262	5167	Sub-Branch	Islamic	Torkham	KPK	Khasra No.388, Landi Kotal Bazar, Tehsil Landi Kotal District Khyber
263	5128	Booth	Islamic	Peshawar	KPK	PDA Commercial Complex, Phase -V, Hayatabad Peshawar
264	5129	Booth	Islamic	D.I.Khan	KPK	Gomal Medical College & Mufti Mehmood Memorial Hospital ,DI Khan
265	5185	Booth	Islamic	Peshawar	KPK	Burn & Truma Center Near Institute of kidney Diseases Phase Iv Hayatabad Peshawar
266	5101	Sub-Branch	Islamic	Peshawar	KPK	Peshawar General Hospital ,Phase V Hayatabad, Peshawar
267	5101	Booth	Islamic	Peshawar	KPK	Peshawar Health Excellence (Pvt)Ltd ,Plot No.33,Sector A3,Phase V Hayatabad, Peshawar
268	5113	Sub-Branch	Islamic	Abbottabad	KPK	Murree Road Abbottabad
269	5159	Booth	Islamic	Nowshera	KPK	Jalozai Economic Zone, Main Cherat Road Jalozai, Pabbi
270	5104	Booth	Islamic	Nowshera	KPK	University of Technology Nowshera, Tehsil and District Nowshera
271	5223	Branch	Islamic	Islamabad	Federal Capital	Shop No. 5-8, Ground Floor, Plot No. 109-W Sardar Begum Chamber Jinnah Avenue, Blue Area Islamabad
272	5224	Branch	Islamic	Islamabad	Federal Capital	Unit No. AA-5, A J Tower, Gulberg Green Islamabad
273	333	Branch	Conventional	Mardan	KPK	Mardan Medical Complex, Nowshera Road, Tehsil and District Mardan
274	5175	Booth	Islamic	Mardan	KPK	UET Mardan
275	0007	Booth	Conventional	Mardan	KPK	Fazlehaq College Mardan
276	4	Booth	Conventional	DI Khan	KPK	Mufti Mehmood Memorial Hospital ,DI Khan
277	5158	Sub-Branch	Islamic	Charsadda	KPK	Khewat No. 126/209 Khatooni, Sherpao Charsadda,Tehsil Tangi, District Charsadda
278	334	Branch	Conventional	Islamabad	Federal Capital	Shop # 2, Plot # 8, F-11 Markaz Islamabad, tehsil and District Islamabad
279	5225	Branch	Islamic	Peshawar	KPK	Sonehri Plaza, Sonehri Masjid Road, Tehsil and District Peshawar
280	316	Sub-Branch	Conventional	Lower Dir	KPK	Post Office University of Malakand, Tehsil Adenzai, Chakdara, District Lower Dir
281	74	Sub-Branch	Conventional	Peshawar	KPK	Shaheed Benazir Bhutto Women University, Larama, Charsadda Road, Tehsil and District Peshawar
282	335	Branch	Conventional	Mardan	KPK	Main kaatlang Road, Shankar, Tehsil and District Mardan

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

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

List of Foreign Correspondent Banks

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

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

List of Foreign Correspondent Banks

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

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

List of Foreign Correspondent Banks

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
		Wells Fargo Bank NA
		Wells Fargo Bank NA
		Wells Fargo Bank NA
		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 AWARDS 2023 SELF-ASSESSMENT CHECKLIST	Page Reference
1	Organizational Overview and External Environment	
1.01	Mission, vision, code of conduct, ethics and values.	8
1.02	Principal business activities and markets (local and international) including key brands, products and services.	6-7, 28-37
1.03	Geographical location and address of all business units including sales units and plants.	7, 281-287, 288-294
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. Name and country of origin of the holding company/subsidiary company, if such companies are a foreign company.	6-7, 106
1.05	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	107-108
1.06	Organization chart indicating functional and administrative reporting, presented with legends.	19
1.07	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain.	60-61
1.08	a) Explanation of significant factors effecting 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 the organization's response.	87, 88-91
	b) The effect of seasonality on business in terms of production and sales.	NA
1.09	The legislative and regulatory environment in which the organization operates.	88-91
1.10	The legitimate needs, interests of key stakeholders and industry trends.	74
1.11	SWOT Analysis of the company.	65
1.12	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).	88-91
1.13	The political environment where the organization operates and other countries that may affect the ability of the organization to implement its strategy.	87
1.14	History of major events.	38-39
1.15	Details of significant events occurred during the year and after the reporting period.	267
2	Strategy and Resource Allocation	
2.01	Short, medium and long-term strategic objectives and strategies in place to achieve these objectives.	64
2.02	Resource allocation plans to implement the strategy. Resource mean 'Capitals' including:	67-69
	a) Financial Capital;	
	b) Human Capital;	
	c) Manufactured Capital;	
	d) Intellectual Capital;	
	e) Social and Relationship Capital; and	
	f) Natural Capital.	

BCR Criteria Mapping

No.	BEST CORPORATE REPORT AWARDS 2023 SELF-ASSESSMENT CHECKLIST	Page Reference
2.03	The capabilities and resources of the company to provide sustainable competitive advantage and as result value created by the business.	67-69
2.04	The effects of the given factors on company strategy and resource allocation: technological changes, ESG reporting and challenges, initiatives taken by the company in promoting and enabling innovation and resource shortages (if any).	67-69, 151-153
2.05	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.	67-69
2.06	The company's sustainability strategy with measurable objectives/ targets.	67-69
2.07	Board's statement on the significant plans and decisions such as corporate restructuring, business expansion, major capital expenditure or discontinuance of operations.	46-57
2.08	a) Information about defaults in payment of any debts with reasons and	NA
	b) Board strategy to overcome liquidity problem and its plan to manage repayment of debts and meet operational losses.	NA
3	Risks and Opportunities	
3.01	Key risks and opportunities (internal and external) effecting availability, quality and affordability of Capitals.	88-91
3.02	A Statement from Board for determining the following:	
	a) company's level of risk tolerance by establishing risk management policies.	49-50
	b) the company has 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.	92, 49-50
3.03	Risk Management Framework covering principal risk and uncertainties facing the company, risk methodology, risk appetite and risk reporting.	86
3.04	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.	88-91
3.05	Disclosure of a risk of supply chain disruption due to an environmental, social or governance incident and company's strategy for monitoring and mitigating these risks (if any).	NA
4	Sustainability and Corporate Social Responsibility (CSR)	
4.01	Board's statement for adoption of best practices for CSR.	52
4.02	Board's statement about the company's strategic objectives on ESG (environmental, social and governance)/ sustainability reporting.	53
4.03	A chairman's overview on how the company's sustainable practices can affect their financial performance.	43
4.04	Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and CSR as per best business practices including:	150-153
	a) environment related obligations applicable on the company;	
	b) company progress towards ESG initiatives during the year; and	
	c) company's responsibility towards the staff, health & safety.	

No.	BEST CORPORATE REPORT AWARDS 2023 SELF-ASSESSMENT CHECKLIST	Page Reference
4.05	Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable.	150
4.06	Certifications acquired for best sustainability and CSR practices or have a membership of any environmental or social groups.	150-153
5	Governance	
5.01	Board composition:	
	a) Leadership structure of those charged with governance.	20-23, 96
	b) Name of independent directors indicating justification for their independence.	20-23, 109
	c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience.	20-23, 96
	d) Profile of each director including education, experience and involvement /engagement of in other entities as CEO, Director, CFO or Trustee etc.	20-23
	e) No. of companies in which the executive director of the reporting organization is serving as non-executive director.	20-23
5.02	A brief description about role of the Chairman and the CEO.	97-98
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.	46-57, 96-101
5.04	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
5.05	Annual evaluation of performance, along with description of criteria used for the members of the board including CEO, Chairman and board's committees.	51
5.06	Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	51, 110-111
5.07	Details of formal orientation courses for directors.	51, 110-111
5.08	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.	51, 110-111
5.09	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.	105
5.10	Disclosure about related party transactions:	
	a) Approved policy for related party transactions.	98
	b) Details of all related parties transactions, along with the basis of relationship describing common directorship and percentage of shareholding.	250-251
	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.	250-251
	d) Disclosure of director's interest in related party transactions.	250-251
	e) In case of conflict, disclosure that how such a conflict is managed and monitored by the board.	98-99

BCR Criteria Mapping

No.	BEST CORPORATE REPORT AWARDS 2023 SELF-ASSESSMENT CHECKLIST	Page Reference
5.11	Disclosure of Board's Policy on the following significant matters:	96-101, 118-19, 46-57, 150-153, 72, 76-79
	a) Governance of risk and internal controls.	
	b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives.	
	c) Disclosure of director's interest in significant contracts and arrangements.	
	d) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings.	
	e) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies.	
	f) Security clearance of foreign directors.	
	g) Board meetings held outside Pakistan.	
	h) Human resource management including preparation of succession plan.	
	i) Social and environmental responsibility.	
	j) Communication with stakeholders.	
	k) Investors' relationship and grievances.	
	l) Employee health, safety and protection.	
	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.	
	n) Safety of records of the company.	
	o) Company's approach to managing and reporting policies like procurement, waste and emissions.	
5.12	Board review statement of the organization's business continuity plan or disaster recovery plan.	46-57, 132-135
5.13	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	109-111
5.14	a) Shares held by Sponsors / Directors / Executives;	108
	b) Distribution of shareholders (Number of shares as well as category, e.g. Promoter, Directors/Executives or close family member of Directors/Executives etc.) or foreign shareholding (if any).	108
5.15	Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	102-103
5.16	Timely Communication:	267
	within 40 days - 6 marks	
	(within 50 days - 6 marks in case of holding company who has listed subsidiary /subsidiaries)	
	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).	

No.	BEST CORPORATE REPORT AWARDS 2023 SELF-ASSESSMENT CHECKLIST	Page Reference
5.17	<p>Audit Committee report should describe the work of the committee in discharging its responsibilities. The report should include:</p> <p>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.</p> <p>b) Committee’s overall role in discharging its responsibilities for the significant issues in relation to the financial statements, and how these issues were addressed.</p> <p>c) Committee’s overall approach to risk management and internal control, and its processes, outcomes and disclosure.</p> <p>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.</p> <p>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.</p> <p>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 if the external auditor provides non-audit services, an explanation as to how auditor’s objectivity and independence is safeguarded.</p> <p>g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported.</p> <p>h) The Audit Committee’s views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information to shareholders to assess the company’s position and performance, business model and strategy.</p> <p>i) Results of the self-evaluation of the Audit Committee carried out of its own performance.</p> <p>j) Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year.</p>	104-105
5.18	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.	105
5.19	<p>Board disclosure on Company’s use of Enterprise Resource Planning (ERP) software including:</p> <p>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;</p> <p>b) management support in the effective implementation and continuous updation;</p> <p>c) details about user training of ERP software;</p> <p>d) how the company manages risks or control risk factors on ERP projects;</p> <p>e) how the company assesses system security, access to sensitive data and segregation of duties.</p>	100
5.20	Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, a disclosure if it has any other connection with the company.	46-57
5.21	Chairman’s significant commitments and any changes thereto.	43

BCR Criteria Mapping

No.	BEST CORPORATE REPORT AWARDS 2023 SELF-ASSESSMENT CHECKLIST	Page Reference
5.22	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
6	Analysis of the Financial Information	
6.01	Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between: <ul style="list-style-type: none"> a) Past and current performance; b) Performance against targets /budget; and The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits. 	144-147, 148-149, 155-156, 158-159, 160, 161
6.02	a) Analysis of financial ratios (Annexure I).	158-159
	b) Explanation of negative change in the performance against prior year.	155-156
6.03	Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years.	160, 161
6.04	Graphical presentation of 6.02 and 6.03 above.	162-168
6.05	Methods and assumptions used in compiling the indicators.	156
6.06	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	157
6.07	Segmental review and analysis of business performance including segment revenue, segment results, profit before tax, segment assets and liabilities.	247-249
6.08	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. b) Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations.	170-171
6.09	Brief description and reasons for not declaring dividend despite earning profits and future prospects of dividend.	NA
6.1	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).	156
7	Business Model	
7.01	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.	60-61
7.02	Explanation of any material changes in the entity's business model during the year.	

No.	BEST CORPORATE REPORT AWARDS 2023 SELF-ASSESSMENT CHECKLIST	Page Reference
8	Disclosures on IT Governance and Cybersecurity	
8.01	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.	49-50
8.02	Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place.	132-134
8.03	Disclosures about how cybersecurity fits into the board's risk oversight function and how the board is engaging with management on this issue.	132-134
8.04	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.	132-134
8.05	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.	132-134
8.06	Disclosure of policy related to independent comprehensive security assessment of technology environment, including third party risks and when last such review was carried out.	132-134
8.07	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.	132-134
8.08	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.	132-134
8.09	Disclosure about education and training efforts of the Company to mitigate cybersecurity risks.	132-134
9	Future Outlook	
9.01	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.	174
9.02	Explanation as to how the performance of the company meets the forward-looking disclosures made in the previous year.	174-177
9.03	Status of the projects in progress and were disclosed in the forward-looking statement in the previous year.	176
9.04	Sources of information and assumptions used for projections / forecasts in the forward-looking statement and assistance taken by any external consultant.	177

BCR Criteria Mapping

No.	BEST CORPORATE REPORT AWARDS 2023 SELF-ASSESSMENT CHECKLIST	Page Reference
10	Stakeholders Relationship and Engagement	
10.01	Stakeholders engagement policy of the company and how the company has identified its stakeholders.	72
10.02	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.	75
	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.	
10.03	Steps taken by the management to encourage the minority shareholders to attend the general meetings.	80
10.04	Investors' Relations section on the corporate website.	82
10.05	Issues raised in the last AGM, decisions taken and their implementation status.	81
10.06	Statement of value added and its distribution with graphical presentation:	154
	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.	
10.07	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.	82
10.08	Highlights about redressal of investors' complaints.	80
11	Striving for Excellence in Corporate Reporting	
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)).	4
11.02	Adoption of International Integrated Reporting Framework by fully applying the 'Fundamental Concepts', 'Content Elements' and 'Guiding Principles'.	4
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).	295-304

No.	BEST CORPORATE REPORT AWARDS 2023 SELF-ASSESSMENT CHECKLIST	Page Reference
12	Specific Disclosures of the Financial Statements	
12.01	Specific disclosures of the financial statements required under the Companies Act, 2017 and IFRSs (Annexure II).	185-280
Financial Sector		
Profitability Ratios		
	a) Profit before tax ratio	158
	b) Gross Yield on Earning Assets	158
	c) Gross Spread ratio	158
	d) Cost/Income ratio	158
	e) Return on Equity	158
	f) Return on Capital employed	158
	g) Shareholders' Funds	158
	h) Return on Shareholders' Funds	158
	i) Total Shareholder Return	158
Liquidity Ratios		
	a) Advances to deposits ratio	159
	b) Current ratio	159
	c) Quick / Acid test ratio	159
	d) Cash to Current Liabilities	159
	e) Cost of Funds	159
	f) Cash flow coverage ratio	159
	g) Net interest income as a percentage of working funds / Operating cost - Efficiency ratio	159
	h) Cash Reserve Ratio / Liquid Asset ratio	159
	i) Gross Non-Performing assets to gross advances	159
	j) Non-Performing loans to Total Loans	159
Investment / Market Ratios		
	a) Earnings per share (EPS) and diluted EPS	159
	b) Price Earnings ratio	159
	c) Price to Book ratio	159
	d) Dividend Yield ratio	159
	e) Dividend Payout ratio / Dividend Cover Ratio	159
	f) Cash Dividend per share / Stock Dividend per share	159
	g) Market value per share at the end of the year and high/low during the year	159

BCR Criteria Mapping

No.	BEST CORPORATE REPORT AWARDS 2023 SELF-ASSESSMENT CHECKLIST	Page Reference
	h) Breakup value per share	159
	i. Without Surplus on Revaluation of property, plant and equipment.	159
	ii. With Surplus on Revaluation of property plant and equipment including the effect of all Investments.	159
	iii. Including Investment in Related Party at fair /market value and also with Surplus on Revaluation of property plant and equipment.	159
	i) DuPont Analysis	159
	j) Free Cash Flow	159
	k) Economic Value Added (EVA)	159
Capital Structure		
	a) Capital Adequacy ratio	159
	b) Earning assets to total assets ratio	159
	c) Weighted Average cost of deposit	159
	d) Statutory Liquidity Reserve (Ratio)	159
	e) Net assets per share	159
	f) Debt to Equity ratio (as per book and as per market value)	159
Non-Financial Ratios		
	a) Staff turnover ratio	159
	b) Customer Satisfaction Index	159
	c) Employee Productivity Rate	159

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 33rd Annual General Meeting of the Bank to be held on
Friday, March 29, 2024 at 10:00 a.m. at The Bank of Khyber, Head Office, BOK Tower, 24-The Mall, Peshawar Cantt.

As witness my/our hand this _____ day of _____ 2024.

Dated

Place:

Signature
Ten-Rupees
Revenue Stamp

Notes

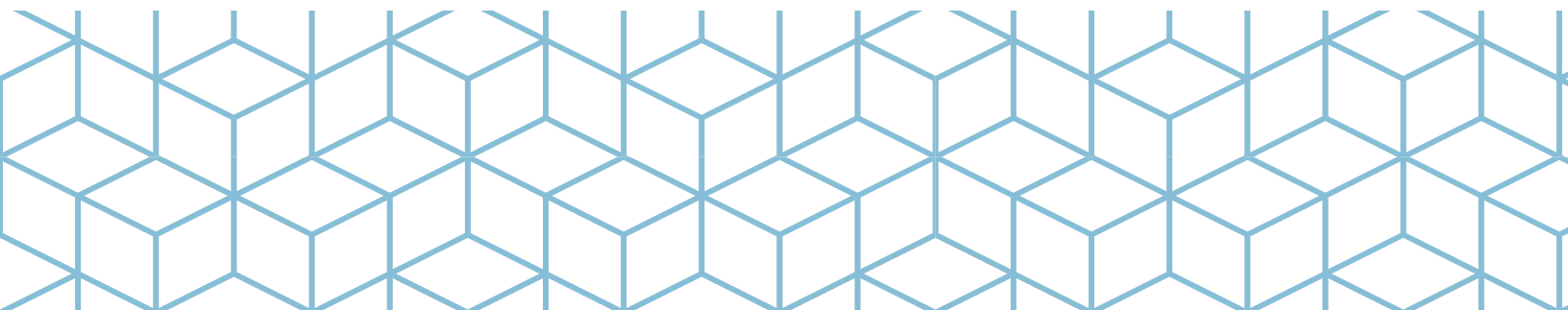
The Signature should agree with the
Specimen registered with the Bank

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.



AFFIX
CORRECT
POSTAGE

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/محترمہ _____ ساکن _____

جو کہ بینک کا ممبر ہے فولیو نمبر _____ کو اپنی/اپنے ایما پر بطور مختار (پراکسی) مقرر کرتا/کرتی/کرتے ہیں/تاکہ میری/ہماری

جگہ میری/ہماری طرف سے بینک کے 33 واں سالانہ اجلاس عام (AGM) میں جو بروز جمعہ مورخہ 29 مارچ 2024 کو دن 10:00 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 _____ 2024 کو بطور گواہ دستخط کئے

دس روپے کارپوریٹ سٹیٹمپ

تاریخ:

بمقام:

دستخط بینک میں رجسٹرڈ نمونے سے مطابقت رکھنے چاہئیں

نوٹ:

عمومی:

1- جنرل میٹنگ 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 ممبر پراکسی فارم پر چسپاں ہونا چاہئے۔

3- پراکسی کا تقرر کرنے والا فارم، پاور آف اٹارنی کے ساتھ، اگر اگر کوئی ہو، جس کے تحت اس پر دستخط کیے گئے ہیں یا قومی سطح پر اس کی تصدیق شدہ کاپی، ہمارے رجسٹرار/ٹرانسفر ایجنٹس، میسرز کے پاس جمع کرائی جانی چاہیے۔ THK Associates (Pvt) Ltd پلاٹ نمبر 32- سی، جامی کمزٹل اسٹریٹ 2، ڈی ایچ اے، فیئر 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 فارم ایک ممبر کے ذریعے جمع کیے جاتے ہیں بینک، پراکسی کے ایسے تمام فارمز 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، پتہ اور CNIC نمبر فارم پر درج کیا جائے گا۔

2- پراکسی فارم کے ساتھ CNIC یا بینیفیشل مالکان اور پراکسی کے اسپورٹ کی تصدیق شدہ کاپیاں پیش کی جائیں گی۔

3- پراکسی میٹنگ کے وقت اپنا اصل CNIC یا اصل پاسپورٹ پیش کرے گا۔

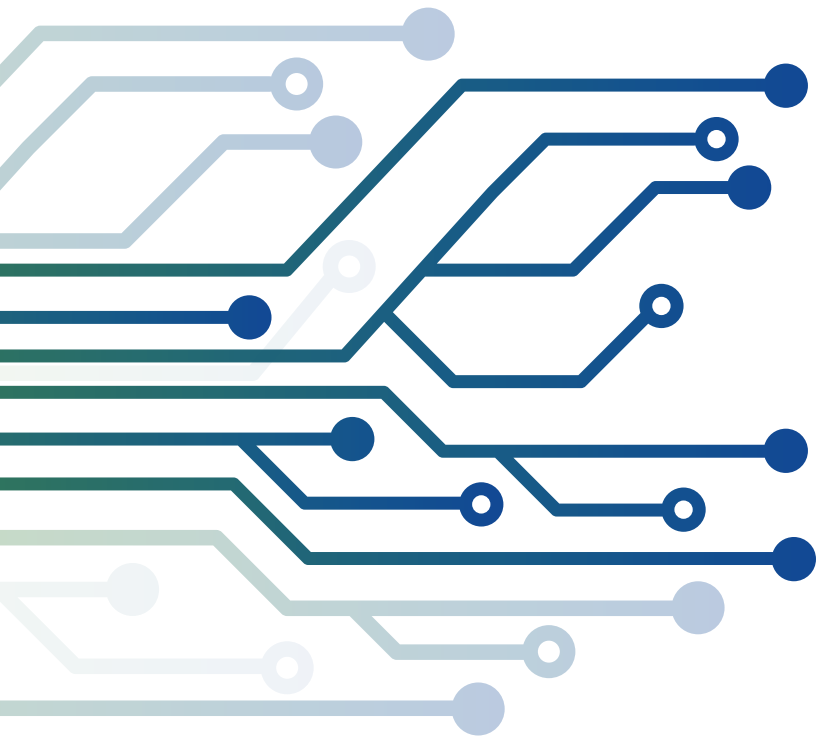
4- حکومت پاکستان صوبائی حکومت اسٹیٹ بینک آف پاکستان کارپوریٹ داخلے کی صورت میں، بورڈ ڈائریکٹر کی قرارداد پاور آف اٹارنی کا نمونہ دستخط کے ساتھ پراکسی فارم کے ساتھ بینک کو جمع کرایا جائے گا۔

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