



The Bank of Khyber

ENVISIONING **SUCCESS** TOGETHER



ANNUAL REPORT **2019**



**BOK TOWER**





# Contents

|   |     |
|---|-----|
| Vision, Mission & Core Values .....                 | 02  |
| Financial Highlights 2019 .....                     | 09  |
| Corporate Information .....                         | 10  |
| Product & Services .....                            | 12  |
| Board of Directors .....                            | 14  |
| Managing Director Message.....                      | 16  |
| Management Team .....                               | 22  |
| Notice of Twenty Ninth Annual General Meeting ..... | 26  |
| Chairman’s Review Report .....                      | 28  |
| Director’s Report to the Shareholders .....         | 29  |
| Statement of Compliance .....                       | 38  |
| Review Report on the Statement of Compliance .....  | 42  |
| Statement of Internal Controls .....                | 44  |
| Report of the Shariah Board .....                   | 46  |
| Independent of Auditor’s Report .....               | 51  |
| Statement of Financial Position .....               | 58  |
| Statement of Profit and Loss Account.....           | 59  |
| Statement of Changes in Equity .....                | 61  |
| Cash Flow Statement .....                           | 62  |
| Notes to the the Financial Statements .....         | 63  |
| Pattern of Shareholding .....                       | 136 |
| Category of Shareholders .....                      | 137 |
| Branch Network .....                                | 138 |
| Form of Proxy .....                                 | 146 |



## VISION

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



## MISSION

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

# CORE VALUES

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







## BOK TAKING SERVICES TO ANOTHER LEVEL



**1991**  
THE BANK OF KHYBER ESTABLISHED

**A RATING**  
BANK BY JCR-VIS | PACRA




**SERVICES**  
ISLAMIC AND CONVENTIONAL BANKING

**RISING**  
PUBLIC SECTOR BANK OF THE COUNTRY




**MCR**  
SBP MCR COMPLIANT BANK

**169**  
BRANCHES NETWORK AND GROWING




**1300**  
PLUS EMPLOYEES

**200** PLUS  
INTERNATIONAL CORRESPONDENTS



# THE TRUE FOUNDATION OF TRUST

Consistency is the true foundation of trust.  
Either keep your promises or do not make them.

Roy. T. Bennett





## Entity Ratings

A Long term A1 Short term by  
JCR-VIS/PACRA

# Financial Highlights 2019

(Rs. in Million)

Deposits

**182,168**

Capital and Reserves

**14,982**

Advances (net)

**109,742**

Profit before Tax

**2,261**

Investments

**146,911**

Profit after Taxation

**1,306**

Total Assets

**306,305**

Return on Equity

**9%**



# Corporate Information

## ■ Board of Directors

Shakeel Qadir Khan  
Chairman / Non - Executive Director

Atif Rehman  
Non - Executive Director

Maqsood Ismail Ahmad  
Non - Executive Director

Asad Muhammad Iqbal  
Independent Director

Javed Akhtar  
Independent Director

Shaharyar Ahmad  
Independent Director

Rashid Ali Khan  
Independent Director

## ■ Managing Director / CEO (Acting)

Ihsan Ullah Ihsan

## ■ Shariah Board

Mufti Muhammad Zahid  
Chairman Shariah Board

Mufti Muhammad Ibrahim Essa  
Member Shariah Board

Qazi Abdul Samad  
Resident Shariah Board Member (RSBM)

## ■ Board Audit Committee

Asad Muhammad Iqbal  
Chairman

Atif Rehman  
Member

Javed Akhtar  
Member

Shaharyar Ahmad  
Member

Rashid Ali Khan  
Member

## ■ Board Human Resource & Remuneration Committee

Shaharyar Ahmad

Maqsood Ismail Ahmad

Asad Muhammad Iqbal

Managing Director

## ■ Board Risk Management Committee

Maqsood Ismail Ahmad  
Chairman

Javed Akhtar  
Member

Atif Rehman  
Member

Rashid Ali Khan  
Member

Managing Director  
Member

## ■ Board I.T Steering Committee

Atif Rehman  
Chairman

Shaharyar Ahmad  
Member

Asad Muhammad Iqbal  
Member

Rashid Ali Khan  
Member

■ Managing Director  
Member

## ■ Board Compliance Committee

Rashid Ali Khan  
Chairman

Shaharyar Ahmad  
Member

Javed Akhtar  
Member



- **Chief Financial Officer**

Mahmood Ahmed Qureshi

- **Company Secretary**

Zahid Sahibzada

- **Registered Office / Head Office  
The Bank of Khyber**

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

- **Auditors**

EY Ford Rhodes  
Chartered Accountants

- **Legal Advisors**

Mr. Nisar Ahmed Khan , Advocate, Peshawar  
M/s. Mohsin Tayebaly & Co., Karachi

- **Registrar and Share  
Registration Office**

THK Associates (Pvt) Ltd.  
1st Floor, 40 -C, Block 6  
P.E.C.H.S, Karachi - 75530  
Pakistan.

# Products & Services

## PERSONAL BANKING

### Consumer Finance

- BOK Foree Car
- BOK Salary Sahara
- BOK Suhana Ghar
- BOK Roshan Ghar

### Deposit Products

- Kamal Current Plus Account
- BOK Asaan Account
- BOK PLS Account
- BOK Special Deposit Account
- BOK FCY Premium Saving Account
- BOK Pensioner Account
- Bemisal Term Deposit
- Be-Baha Mahana Amdan
- Khyber Friendly scheme

### Microfinance

- Government Initiative Schemes

## BOK SERVICES

- Saturday Nonstop Banking
- PRISM Transactions
- JCB Debit Card
- Online Branch Transaction
- Safe Deposit Lockers
- Home Remittances

## BUSINESS BANKING

### SME Banking

- SE & ME Enterprises
- Term Financing
- Trade

### Investment Banking

### Corporate & Syndicate

## AGRI FINANCE

- Tractor Loan Scheme
- Sada Bahar Zarai Loan
- Livestock Scheme
- Dairy Storage Scheme
- Dairy Marketing Scheme
- Tube well Loan Scheme



# Raast Islamic Banking Products & Services

## PERSONAL BANKING

### Consumer Finance

- Raast Car Ijarah
- Raast Consumer Murabaha
- Raast Home Musharakah
- Raast Roshan Ghar

### Deposit Products

- Raast Sahulat Account
- Raast Asaan Account
- Raast Tarseel Account
- Raast Saving Account
- Riba free Certificates

## RAAST ISLAMIC BANKING SERVICES

- PRISM Transactions
- JCB Debit Card
- Online Branch Transaction
- Safe Deposit Lockers
- Home Remmitances
- Saturday Nonstop Banking

## BUSINESS BANKING

### SME Banking

- Shariah Complaint financing facilities for Corporate and SME Sectors along with Trade services
- Diminishing Musharakah
- Ijarah Commercial
- Murabaha
- Istisna
- Salam
- Running Musharakah

## AGRI FINANCE

- Zarai Murabaha Scheme
- Zarai Ijara Scheme
- Istisnah

## Board of Directors



**Shakeel Qadir Khan**

Additional Chief Secretary Govt. of KP  
Chairman

Mr. Shakeel Qadir Khan is a civil servant and presently, is heading the Planning & Development Department, Government of Khyber Pakhtunkhwa. Prior to appointment as Additional Chief Secretary, Mr. Shakeel Qadir Khan held position of Secretary, Finance Department. He joined Civil Services in 1998 and has served on various important positions. Mr. Shakeel Qadir Khan holds Bachelor's of Engineering in Electronics from University of Engineering & Technology besides Post Graduate Diploma in Management from University of Surrey, UK and has also attended various national courses.



**Atif Rehman**

Non-Executive Director

Mr. Atif Rehman has been appointed as Director on the Board of the Bank by virtue of his position as Secretary, Finance Department, Government of Khyber Pakhtunkhwa.

A civil servant, Mr. Atif Rehman holds Bachelor of Engineering (Civil) from University of Engineering & Technology, Peshawar. He remained on different administrative positions and has also attended various national courses.



**Maqsood Ismail Ahmad**

Non-Executive Director

Mr. Maqsood Ismail is a professional businessman of the Country having diversified experience from manufacturing to power generation and commodities business. He is on the boards of different companies and remained Chairman/Presidents of different business forums viz. Federation of Pakistan Chambers of Commerce & Industry, Export Processing Zones Authority, Pakistan Yarn Merchants Association. He also represented Pakistan as a businessman in official delegations to different countries. Mr. Ismail is a Bachelor of Science in Economics and Political Science from University of Delaware, United States of America.



**Asad Muhammad Iqbal**  
Independent Director

Mr. Asad holds a Bachelor Degree in Computer Science from Carnegie Mellon University, USA. He has diversified experience in equities, asset management and software development. He served as Vice President, Equities Division at Goldman Sacks & Company, N.Y., USA. He has also remained a Director of the Karachi Stock Exchange. Presently, he is executing his duties as Chief Executive of Streetware Systems, a software development company engaged in developing solutions for the financial institutions.



**Javed Akhtar**  
Independent Director

Mr. Javed Akhtar is associated with the textile industry. Apart from managing his own group of companies, he is also the Chairman, Fashion Apparel Designing and Training Institute (FADIN), Member Managing Committee and currently member General Body of the Federation of Pakistan Chamber of Commerce & Industry (FPCCI). He also remained Director of Karachi Cotton Association and held the position of Chairman, Pakistan Cotton Fashion Apparel Exporters Association during 1997 - 1998 and 2001 - 2003.



**Rashid Ali Khan**  
Independent Director

Mr. Rashid Ali Khan possesses multi-tiered professional background in Banking, Finance, Consumer Marketing and Corporate Restructuring at Sr. Executive level. He has vast experience in Global Finance Management and Business Development. He has worked with Citibank as Regional Business Head (Europe/London), remained Chief Executive at Al-Faysal Investment Bank and Sr. Exec. Vice President at Habib Bank Ltd. He holds a MBA Degree from University of Cornell, USA. Mr. Khan has been appointed as Nominee Director on the Board of the Bank by the Govt. of Khyber Pakhtunkhwa for the 2nd term.



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

Mr. Ihsan Ullah Ihsan has done MBA from IBA, Karachi. He is versatile and well-rounded career banker having proven track record spanning over 25 years. His core areas of expertise include Corporate & Investment Banking, Risk Management, Project Financing and Islamic Banking. Before joining BOK, he was CRO at Al Baraka Bank Ltd. and Burj Bank Ltd. Earlier, he was Head of Corporate Banking at Pak Brunei Investment Company Ltd. Mr. Ihsan has also worked with SBP as Desk Incharge/Divisional Head and Crescent Commercial Bank Ltd. (now Samba) in various capacities.

# Managing Director Message

Dear Stakeholders/Colleagues,

Despite being a challenging year, marred by uncertainties on the monetary as well as fiscal front, the bank has demonstrated a stellar performance during the year 2019 as reflected by the net profit which increased to PKR 1,306 million as compared to PKR 466 million a year ago. The bank has a healthy asset base supported by sound capital levels. During the year, the management focused on preserving asset quality in a manner to ensure sustainable growth and earnings. Besides, liability structure was also given emphasis to maintain appropriate mix and ensure compliance with various regulatory requirements.

In order to improve service delivery, upgrade technological platform and scale up its products, the bank has signed off procurement and implementation of state of the art core banking solution - T24. Once implemented, the bank will be able to offer digital banking products and services on real time basis more effectively and efficiently. The bank is also facilitating execution of different government initiatives, targeted at job creation and poverty alleviation. The bank stands committed to play its due role in fostering the economic development of the country with special focus on the development of KPK.

With no further tightening of monetary stance in the first six months, gradual monetary easing during the second half of 2020 is highly likely which will help in stimulating business activity. In 2020, we will continue to focus on strengthening the bank's balance sheet in a sustainable manner and support various segments of the economy through viable lending.

I take this opportunity to thank the Board of Directors, the Govt. and the State Bank of Pakistan for their continued forthcoming guidance and support. My special gratitude to the all the colleagues and staff members for their dedication and support.



**Ihsan Ullah Ihsan**  
Managing Director

# NATIONWIDE BRANCH NETWORK





# KEY EXECUTIVES







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



**Muhammad Atif Hanif**  
Senior Executive Vice President  
Islamic Banking Group



**Mohammad Faisal**  
Executive Vice President  
Treasury & Investment Banking Group



**Moin Rana**  
Executive Vice President  
Operations & Support Group



**Sher Muhammad**  
Senior Vice President - Conventional Banking/  
Human Resource Group

# MANAGEMENT TEAM



**Ihsan ullah Ihsan**  
Managing Director



**Zahid Sahibzada**  
Company Secretary



**Muhammad Atif Hanif**  
Group Head Islamic Banking



**Sher Muhammad Mohmand**  
Group Head Conventional Banking/  
Human Resource



**Moin Rana**  
Group Head Operations & Support



**Muhammad Faisal**  
Group Treasury & Investment Banking



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



**Khalid Abdul Aziz**  
Chief Compliance Officer



**Mahmood Ahmed Qureshi**  
Chief Financial Officer



**Azfar Latif**  
Head Information Technology



**Gul Kiaz**  
Head Agriculture Finance



**Asif Naseem**  
Head Commercial &  
Retail Banking Division



**Jawad Tajik**  
Head Training & Development,  
GIS Division



**Mudassar Iqbal**  
Head Audit Division



**Qazi Abdul Samad**  
Shariah Advisor



**Tariq Masroor**  
Head Credit  
Administration Division



**Shabeer Ahmed**  
Head Banking Operation Division



**Rehmat Shah**  
Head General Services Division



**Sadia Bukhari**  
Head Enterprise  
Risk Management Division



**Shahid Sultan**  
Head Human Resource Division



**Arshad Nazir**  
Head Law Divisions



**Afzaal Ahmed**  
Head Trade Finance  
Operations Division



**Farooq Ahmed**  
Head Service Quality



**Shehzad Ahmed**  
Head Assets Islamic Division



**Imran Shehzad**  
Head Centralized  
Liability Operations Division



**Zarak Khan**  
Head Corporate-Institutional  
Liability Division



**Ali Khan Arbab**  
Head Islamic Liabilities Division



**Abdul Aleem Khan**  
Head Shariah Compliance Division



**Muhammad Hassan Tariq**  
Head Corporate  
Communication & Branding

# Picture Gallery



# INSAF ROZGAR SCHEME



# KAMYAB JAWAN PROGRAMME





# Notice of Twenty Ninth Annual General Meeting

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

## Ordinary Business

1. To confirm the minutes of the Twenty Eight Annual General Meeting (AGM) held on March 27, 2019.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2019, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2020 and fix their remuneration.

Bank's auditors Messrs. EY Ford Rhodes, Chartered Accountants, retire and being eligible, offer themselves for re-appointment.

4. To consider, and if thought fit, approve as recommended by the Board of Directors, final cash dividend for the year 2019 @ Rupees 0.50 per share i.e. 5% to the shareholders of the Bank.

## Special Business

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

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

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

## Other Business

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

By Order of the Board

Peshawar: March 6, 2020

**Zahid Sahibzada**  
Company Secretary

## Notes

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

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

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

### Item No. 5

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

## Chairman's Review Report

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

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

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

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

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

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



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

Peshawar - March 4, 2020



# Directors' Report to the Shareholders

## Dear Shareholders

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

## Financial Highlights

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

(Rs. in millions)

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

## Economy Review

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

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

## Performance Review

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

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

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

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

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

## Future Outlook

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

Moreover, after heavy downward adjustment last year, the exchange rate has stabilized which will encourage foreign investment in the country. Nonetheless, unfavorable balance of trade, high current account deficit, high borrowing cost of the Govt. and low tax collection still continue to pose risks.

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

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

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

## Risk Management Framework

The Bank emphasizes on maintaining high risk management standards to ensure that the risks being faced by the Bank are properly identified, assessed and appropriate mitigation tools are adopted keeping in view their nature and concentration. Since an effective risk management framework demands active involvement of Board of Directors (BoD) and senior management in the formulation and oversight of risk management process, a robust governance structure exists at the Board and Management levels which provide strategic direction and has approved overall

business strategies and significant policies including those related to managing and taking risks. BoD also ensures that senior management is fully capable of managing activities that they undertake during course of business.

The Board has also formed a specialized Board's Risk Management Committee ("BRMC") to oversee the risk management activities. The BRMC held regular meetings as per the given mandate and thoroughly reviewed primary risks including Credit, Market, Liquidity, Operational, Environmental and Country risks. In addition, the BRMC also took stock of other material items such as follow up and management of non-performing accounts, interest rate environment, and afforded guidance in the management of risk assets portfolio vis-à-vis capital. At the senior management level, the Bank has dedicated committees which include, inter-alia, the Head Office Credit Committees and Assets Liability Committee ("ALCO"). These committees discharge their responsibilities in accordance with their respective terms of reference.

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

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

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

The Bank continued to closely monitor market developments, especially interest rate environment, and appropriately realigned its business strategy to control downside on the bank's balance sheet. The bank has applied a multi-pronged strategy whereby resources were deployed for ensuring financial stability and protection of stakeholders' interest which has led the Bank to remain well above various regulatory requirements pertaining to capital adequacy and liquidity coverage as per Basel III guidelines.

## Internal Controls

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

## Board of Directors

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

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

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

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

| S# | Directors   | Board Meetings<br>Total = 5 | Audit Committee<br>Total = 6 | HR&R Committee<br>Total = 6 | Risk Management Committee<br>Total = 5 | Compliance Committee<br>Total = 3 | IT Committee<br>Total = 4 |
|----|---|-----------------------------|------------------------------|-----------------------------|--|-----------------------------------|---------------------------|
| 1  | <b>Dr. Shahzad Khan Bangash</b><br>Non-Executive Director       | 5                           | Non-Member                   | Non-Member                  | Non-Member                             | Non-Member                        | Non-Member                |
| 2  | <b>Mr. Shakeel Qadir Khan*</b><br>Non-Executive Director        | 4                           | 4                            | Non-Member                  | 2                                      | Non-Member                        | 4                         |
| 3  | <b>Mr. Maqsood Ismail Ahmad</b><br>Non-Executive Director       | 4                           | Non-Member                   | 5                           | 5                                      | Non-Member                        | Non-Member                |
| 4  | <b>Mr. Asad Muhammad Iqbal</b><br>Independent Director          | 4                           | 6                            | 4                           | Non-Member                             | Non-Member                        | 4                         |
| 5  | <b>Mr. Asad Muhammad Iqbal</b><br>Independent Director          | 4                           | 6                            | Non-Member                  | 5                                      | 3                                 | Non-Member                |
| 6  | <b>Mr. Shaharyar Ahmad</b><br>Independent Director              | 5                           | 6                            | 6                           | 3                                      | 3                                 | 4                         |
| 7  | <b>Mr. Rashid Ali Khan**</b><br>Independent Director            | 4                           | 4                            | Non-Member                  | 4                                      | 3                                 | 3                         |
| 8  | <b>Mr. Atif Rehman***</b><br>Non-Executive Director             | -                           | -                            | -                           | -                                      | -                                 | -                         |
| 9  | <b>Mr. Saif ul Islam****</b><br>Executive Director              | 4                           | Non-Member                   | 4                           | 3                                      | Non-Member                        | -                         |
| 10 | <b>Mr. Ihsan Ullah Ihsan*****</b><br>Managing Director (Acting) | -                           | Non-Member                   | -                           | -                                      | Non-Member                        | -                         |

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

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

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

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

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

## Directors' Training Program

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

Mr. Maqsood Ismail Ahmad has been granted exemption by Securities & Exchange Commission of Pakistan (SECP) on the basis of education and previous experience as Director of listed companies. Further, Mr. Saif-ul-Islam had attended Directors' Training Program arranged by PICG and acquired certification during the year under review. The Chief Financial Officer, also acquired certification in 2019. Additionally, the Head Treasury and Company Secretary have also completed Director's Training Program.

## Performance Evaluation

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

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

## Directors' Remuneration

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

## Credit Rating

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

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

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

## Corporate Social Responsibility

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

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

## Value of Investments in Employees Retirement Benefit Funds

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

## Pattern of Shareholding

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

## Six Years Operating and Financial Data

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

(Amount in millions)

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

## Earnings Per Share

Earnings per share for the year 2019 is Rs.1.31

## Auditors

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

## Service Quality

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

Customer's feedback is always important in formulating strategies and planning for improving services. In addition, in order to gauge the level of customer services of the Bank, satisfaction surveys are carried out regularly, which are further shared with the management for improving the overall services. Customer Satisfaction Survey was also



carried out in 2019 through an External Vendor to have unbiased views / opinions and the results of which are further shared with the Management.

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

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

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

| Complaints Period                               | From 01-01-2019 to 31-12-2019 |
|---|-------------------------------|
| Number of Complaints                            | 320                           |
| Average Time taken in settlement of a complaint | 03 Days                       |

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

### Events after the Balance Sheet date

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

### Acknowledgement

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

On behalf of the Board of Directors

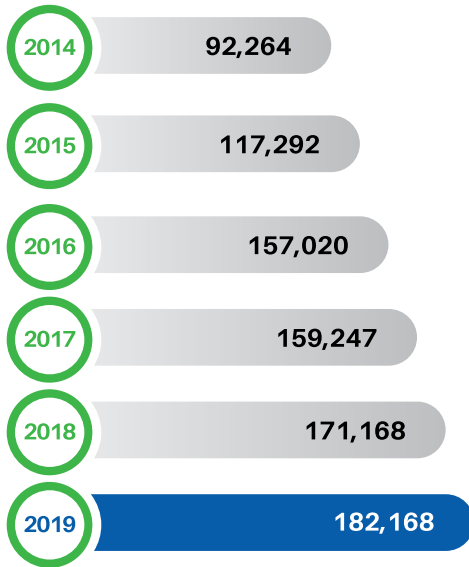
**Ihsan Ullah Ihsan**  
Managing Director (Acting)

**Shakeel Qadir Khan**  
Chairman

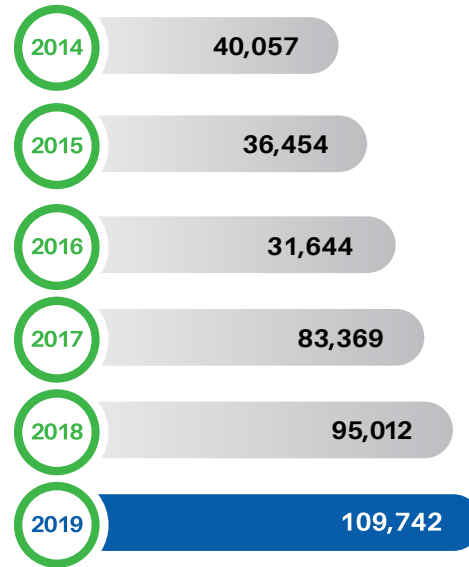
Peshawar: March 4, 2020

## 6 Years Financial Highlights (Rs. in million)

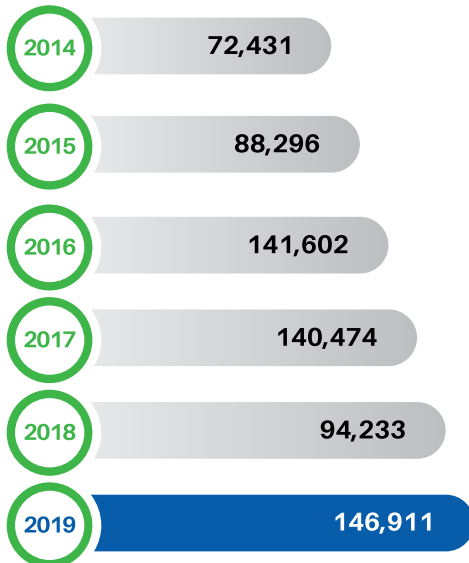
### DEPOSITS



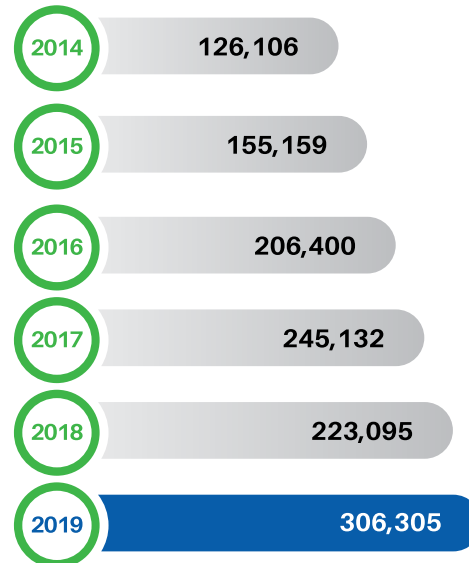
### ADVANCES (NET)



### INVESTMENTS

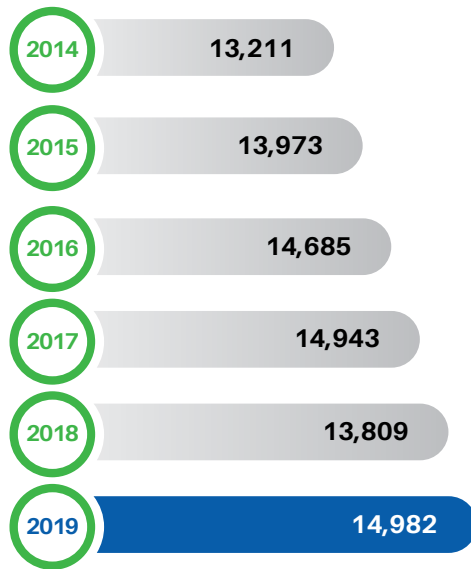


### TOTAL ASSETS

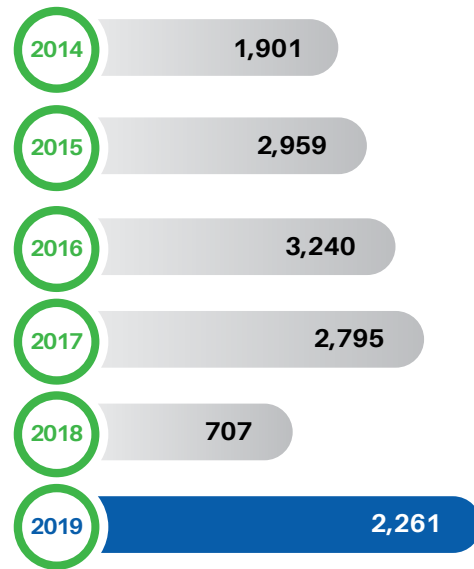




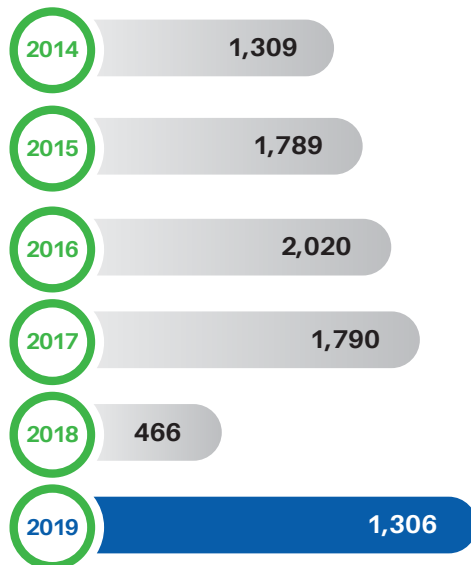
### CAPITAL & RESERVES



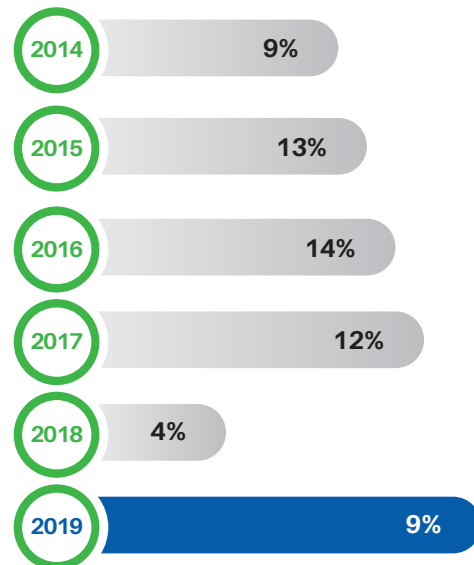
### CAPITAL & RESERVES



### PROFIT AFTER TAX



### RETURN ON EQUITY



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

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

**Year ending: December 31, 2019**

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

1. The total number of directors are 8 as per the following:-
  - a. **Male: Eight (8)**
  - b. **Female: Nil**
2. The composition of the Board is as follows:

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

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

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

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

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

**a) Audit Committee**

|                            |   |          |
|----------------------------|---|----------|
| i. Mr. Asad Muhammad Iqbal | - | Chairman |
| ii. Secretary Finance      | - | Member   |
| iii. Mr. Javed Akhtar      | - | Member   |
| iv. Mr. Shaharyar Ahmad    | - | Member   |
| v. Mr. Rashid Ali Khan     | - | Member   |

**b) Human Resource & Remuneration Committee**

|                              |   |          |
|------------------------------|---|----------|
| i. Mr. Shaharyar Ahmad       | - | Chairman |
| ii. Mr. Maqsood Ismail Ahmad | - | Member   |
| iii. Mr. Asad Muhammad Iqbal | - | Member   |
| iv. The Managing Director    | - | Member   |

**c) Risk Management Committee**

|                             |   |          |
|-----------------------------|---|----------|
| i. Mr. Maqsood Ismail Ahmad | - | Chairman |
| ii. The Secretary Finance   | - | Member   |
| iii. Mr. Javed Akhtar       | - | Member   |
| iv. Mr. Rashid Ali Khan     | - | Member   |
| v. The Managing Director    | - | Member   |

**d) I.T Steering Committee**

|                              |   |          |
|------------------------------|---|----------|
| i. The Secretary Finance     | - | Chairman |
| ii. Mr. Shaharyar Ahmad      | - | Member   |
| iii. Mr. Asad Muhammad Iqbal | - | Member   |
| iv. Mr. Rashid Ali Khan      | - | Member   |
| v. The Managing Director     | - | Member   |

**e) Compliance Committee**

- |                         |   |          |
|-------------------------|---|----------|
| i. Mr. Rashid Ali Khan  | - | Chairman |
| ii. Mr. Shaharyar Ahmad | - | Member   |
| iii. Mr. Javed Akhtar   | - | Member   |

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

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

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

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

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

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

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

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

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

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

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

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

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



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



**Shakeel Qadir Khan**  
Chairman



EY Ford Rhodes  
Chartered Accountants  
Eagle Plaza 75-West, Fazlul Haq Road  
Blue Area, P.O. Box 2388  
Islamabad 44000, Pakistan

Tel: +9251 234 4160  
Fax: +9251 234 4163  
ey.isb@pk.ey.com  
ey.com/pk

## **To the members of The Bank of Khyber Review Report on the Statement of Compliance contained In Listed Companies (Code of Corporate Governance) Regulations, 2019**

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

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

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

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

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

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

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

A member firm of Ernst & Young Global Limited

: -2- :

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



Chartered Accountants  
Place: Islamabad  
Date: 6 March 2020

## Statement of Internal Controls

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

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

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

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

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

### Management's Evaluation on Effectiveness of Control Framework

The system of Internal Control is designed to manage rather than to eliminate the risk of failure to achieve the Bank's business strategies and policies. It can therefore only provide reasonable assurance and not absolute assurance against material misstatement and loss.

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





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

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

On behalf of the Board of Directors

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

**Shakeel Qadir Khan**  
Chairman

Peshawar: March 4, 2020



## Report of Shariah Board (For the year 2019)

In the name of Allah, the Beneficent, the Merciful

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

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

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

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

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

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

To establish our opinion as expressed in this report, based on our personal involvements in the Islamic banking of BOK, the activates of Shariah Compliance Division in our supervision, our review of the work carried out by Internal

/ External Shariah Audit / Shariah Review Unit and verification of the different compliance reports, to the best of our knowledge we are of the view that:

- i. The above-mentioned mechanism is of high level in Shariah Compliance and bank level of Shariah compliance is to the highest standards. Therefore, in our opinion the affairs of Islamic Banking have been carried out in accordance with the rules and principles of Shariah.
- ii. The IBG-BOK has complied with Shariah rules and principles in the light of Fatawa (decisions), rulings and guidelines issued by the Shariah Board.
- iii. The IBG-BOK has complied with directives, regulations, instructions and guidelines related to Shariah compliance issued by SBP in accordance with the rulings of SBP's Shariah committee.
- iv. BOK has a comprehensive mechanism in place to ensure Shariah compliance in its overall operations. The mechanism comprising of Internal Shariah Audit Department, a Shariah Compliance Division, full time Resident Shariah Board Member (RSBM) in the bank and regular / frequent in-house and external trainings for Islamic Banking staff in line with Shariah Governance Framework of SBP is in place.
- v. IBG-BOK has a well-defined system in the shape of Shariah Compliance Review and Internal Shariah Audit in place which is sound enough to ensure that any earnings realized from sources or by means prohibited by the Shariah have been credited to charity account and are being properly utilized. During the year 2019, an amount of Rs. 32.554 Million has been transfer to Charity account in which a very minor portion has been created from sources or by means prohibited by Shariah Rules & Principles and major portion recovered as default obligation amount due to late payments.
- vi. Islamic Banking deposits are accepted on Musharakah basis and the Bank has acquired software "Al-Qist" for Profit Distribution and Pool Management. SCD has monthly reviewed Profits distribution before its disbursement and post disbursement Shariah Audit has been conducted quarterly.
- vii. The level of awareness, capacity and sensitization of the staff, management and BOD for Shariah Compliance remained excellent an acceptable.
- viii. The Shariah Board appreciates the vision of the Board of Directors and Management regarding Shariah compliance in Islamic banking and declare that we have been provided adequate resources enabling us to discharge our duties effectively. Recommendations:

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

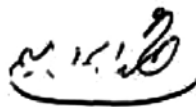
As the SB is committed to guide the bank towards a comprehensive Shariah compliance environment, therefore Shariah Board give following recommendations for further improvement.

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

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



**Qazi Abdul Samad**  
Resident Shariah Board Member



**Mufti Muhammad Ibrahim Essa**  
Member Shariah Board



**Mufti Muhammad Zahid**  
Chairman Shariah Board

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

## خلاصہ:

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

## سفارشات:

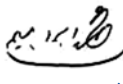
اسلامی بینکاری نظام کی بقاء کے لئے یہ ضروری ہے کہ اس کے جملہ امور شریعت کی زیر اصولوں کے مطابق ہوں جس کے ذریعے اسلامی معاشرتی اور معاشی مقاصد اور فوائد حاصل ہو سکیں۔ اس لئے شریعہ بورڈ موجودہ نظام میں بہتری لانے کیلئے مندرجہ ذیل سفارشات تجویز کرتا ہے۔


- شریعہ بورڈ، انتظامیہ کی طرف سے "اسلامی بینکاری آگاہی مہم" سے متعلق سیمینارز کے انعقاد کا خیر مقدم کرتا ہے اور آئندہ بھی اس سلسلہ کو جاری رکھنے کی تاکید کرتا ہے، اس سے نہ صرف بینک آف خیبر کی اسلامی بینکاری کے بارے میں غلط فہمیاں دور ہوں گی، بلکہ تمام تر اسلامی بینکاری کے نظام کو تقویت ملے گی۔
- شریعہ بورڈ، انتظامیہ کی اس سوچ کو بھی خراج تحسین پیش کرتا ہے کہ وہ اسلامی بینکاری سے متعلقہ بزنس، اس کی ترویج و اشتہار اور اس سے متعلقہ تمویلی پراڈکٹس کے بارے میں سرگرم عمل ہیں اور مستقبل میں اس جذبہ کو جاری رکھنے کی سفارش کرتا ہے۔

اللہ تبارک و تعالیٰ ہمیں دنیاوی و اخروی کامیابیوں سے نوازے اور ہماری جملہ تقصیرات کو قلم عفو سے مٹا دے

جو ہم سے جانے ان جانے میں سرزد ہوئی ہیں۔ آمین

  
مفتی محمد زاہد  
چیئر مین شریعہ بورڈ

  
مفتی محمد ابراہیم عیسیٰ  
ممبر شریعہ بورڈ

  
قاضی عبدالصمد  
کل وقتی شریعہ بورڈ ممبر

موصول ہونے والے شریعہ بورڈ کے احکامات اور تجاویز پر عمل درآمد کو یقینی بنایا، اس کے ساتھ شریعہ بورڈ نے بینک کے شریعہ کمپلائنس ڈیپارٹمنٹ کی کیفیت بورڈ آف ڈائریکٹرز کے علم میں لانے کے لئے سہ ماہی بنیادوں پر رپورٹس ارسال کیں۔

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

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

- آئی بی جی نے جملہ معاملات میں شریعہ بورڈ کے جملہ اصول و ضوابط اور وقتاً فوقتاً جاری ہونے والے فتاویٰ کی تعمیل کی ہے۔
- آئی بی جی کی اسلامی بینکاری اسٹیٹ بینک آف پاکستان کے اسلامی بینکاری کے متعلق جملہ فرامین، قوانین اور ہدایات کے عین مطابق ہے۔
- آئی بی جی نے اسلامی بینکاری کے پول منجمنٹ، فنڈز کی منتقلی، ہر پول میں نفع و نقصان کے تناسب اور کھاتہ داروں میں نفع و نقصان کی تقسیم شرعی اصول و ضوابط اور شریعہ بورڈ کے مصدقہ سفارشات کے عین مطابق کی ہے۔
- دوران سال بینک کو حاصل ہونی والی آمدنی شرعاً حلال اور جائز تھی، تاہم اگر کوئی آمدنی شرعی نقطہ نظر سے حرام یا مشتبہ تھی، اس کو فوری طور پر خیراتی اکاؤنٹ میں منتقل کر دیا گیا، جس کو مستحقین کے سپرد کر دیا جائے گا، تاہم یہ امر قابل وضاحت ہے کہ شریعہ آڈٹ اور ریویو ٹیم نے بعض مالی دستاویز میں غلطیوں کی نشاندہی کی تھی جس سے معاملہ باطل یا فاسد نہیں ہو رہا تھا اس لئے اس کی تصحیح کے لئے شریعہ بورڈ نے اپنی سفارشات نوٹ کیں اور متعلقہ ڈیپارٹمنٹ کو جاری کر دیں، تاکہ آئندہ ایسی غلطیوں کا تدارک کیا جاسکے۔
- بینک کے پاس شریعہ کمپلائنس ڈویژن اور انٹرنل آڈٹ کی صورت میں ایک ایسا منظم نظام موجود ہے جو غیر شرعی طریقہ کار اور ذرائع سے ہونے والی آمدنی کی بروقت شناخت کر کے نہ صرف چیریٹی اکاؤنٹ میں منتقل کرتا ہے، بلکہ منظور شدہ پالیسی کی رو سے اس کے درست استعمال کو بھی یقینی بناتا ہے۔ سال 2019 میں کل تین کروڑ پچیس لاکھ چون ہزار روپے چیریٹی کی مد میں موصول ہوئے، جن میں غیر شرعی عقود کی وجہ سے حاصل ہونے والی چیریٹی کا حصہ انتہائی قلیل تھا، جبکہ ایک بڑا حصہ تاخیر سے ادا ہونے والی ادائیگیوں کا تھا۔

آئی بی جی سٹاف، انتظامیہ اور بورڈ آف ڈائریکٹرز کی اسلامی بینکاری کی اہمیت اور عملی نفاذ کے حوالے سے صلاحیت، قابلیت اور اسلامی بینکاری کے بارے میں شعور حوصلہ افزاء ہے تاہم رفتہ رفتہ اس کی بہتری میں مزید پیش رفت بھی لائی جائے گی۔

ہمارے لئے یہ بات قابل اطمینان ہے کہ اس سال آئی بی جی نے اپنے عملے کی عملی تربیت کے لئے کافی ٹریننگز، سیمینارز، ریفرنس کورسز، ورکشاپس اور سرفیکلیٹ کورسز کا انعقاد کیا، جس میں ملک بھر سے ایک بڑی تعداد میں اسٹاف نے ٹریننگ حاصل کی۔ ان ٹریننگز کے علاوہ بینک آف خیبر نے ملک میں اسلامی بینکاری کی ترویج و استحکام کے لئے سرگرم دیگر اداروں مثلاً اسٹیٹ بینک آف پاکستان (NIBAF) وغیرہ کے تحت بھی اپنے ملازمین کو ٹریننگ کی سہولت فراہم کی۔

## شریعی بورڈ رپورٹ برائے سال 2019

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

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

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

اس کے ساتھ ساتھ شریعی کمپلائنس ڈویژن شریعی بورڈ کی نگرانی میں اس بات کو یقینی بنانے کے لئے سرگرم عمل رہا کہ بینک کے تمام معاملات شریعی بورڈ اور اسٹیٹ بینک آف پاکستان کے اسلامک بینکنگ ڈویژن کے جاری کردہ احکامات کے مطابق ہوں۔ اس سلسلے میں شریعی کمپلائنس ڈویژن کے شریعی ریویو پوائنٹ نے اسلامی بینکاری کے جملہ امور کے اکثر حصے کی شرعی نظر ثانی کی اور چیدہ چیدہ نکات شریعی بورڈ کو حتمی فیصلے کے لئے پیش کئے جن پر شریعی بورڈ نے اپنی رائے کا اظہار کیا۔ مزید برآں اس ڈویژن نے ہماری نگرانی میں کھاتہ داروں کو منافع، عقد مشارکہ میں طے شدہ شرح منافع کے مطابق بروقت ادائیگی کو یقینی بنایا۔

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

اس سلسلے کی تمام رپورٹس نظر ثانی اور اصلاحات کے لئے ہمارے سامنے پیش کی گئیں، جس پر ہم نے اپنی رائے کا اظہار کیا، جس پر شریعی کمپلائنس ڈیپارٹمنٹ نے اس پر



EY Ford Rhodes  
Chartered Accountants  
Eagle Plaza 75-West, Fazlul Haq Road  
Blue Area, P.O. Box 2388  
Islamabad 44000, Pakistan

Tel: +9251 234 4160  
Fax: +9251 234 4163  
ey.isb@pk.ey.com  
ey.com/pk

## Independent Auditor's Review Report

### To the members of The Bank of Khyber Report on the Audit of the Financial Statements

#### Opinion

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

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

#### Basis for Opinion

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

#### Key Audit Matters

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

Following are the key audit matters:

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



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

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

### Information Other than the Financial Statements and Auditor’s Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report



that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

### Report on Other Legal and Regulatory Requirements

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

### Other Matter.

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

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



Chartered Accountants  
Place: Islamabad  
Date: 6 March 2020



The background of the cover features a collage of financial data visualizations. On the left, there is a line graph with a y-axis ranging from 0 to 300 and a series of data points connected by lines. Below it is a pie chart with segments labeled A, B, C, and D. In the center, a large blue circle contains the text 'FINANCIAL STATEMENTS'. To the right of the circle, there are several bar charts and pie charts. One bar chart shows a series of bars with varying heights. Another pie chart is labeled with A, B, C, and D. The overall color scheme is green and blue, with a semi-transparent white circle in the center.

# FINANCIAL STATEMENTS

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

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

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



Managing Director



Chief Financial Officer



Director



Director



Director

## STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2019

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

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

Managing Director

Chief Financial Officer

Director

Director

Director

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

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


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



Managing Director



Chief Financial Officer



Director



Director



Director



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



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

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

Managing Director

Chief Financial Officer

Director

Director

Director

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

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

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

Managing Director

Chief Financial Officer

Director

Director

Director

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

### 1. STATUS AND NATURE OF BUSINESS

The Bank of Khyber ("the Bank") was established under The Bank of Khyber Act, 1991 and is principally engaged in the business of commercial banking and related services. The Bank acquired the status of a scheduled bank in 1994 and is listed on the Pakistan Stock Exchange Limited. The registered office of the Bank is situated at 24 - The Mall, Peshawar Cantt, Peshawar and it has been temporarily shifted to 1st Floor, State Life Building, 34 - The Mall, Peshawar Cantt. The Bank operates 169 branches including 84 Islamic banking branches (2018: 169 branches including 84 Islamic banking branches). The long term credit ratings of the Bank assigned by The Pakistan Credit Rating Agency Limited (PACRA) and JCR-VIS are 'A' and 'A' respectively and the short-term credit ratings assigned are 'A1' (A-One) and 'A-1' (A-One) respectively.

### 2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for Murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon. However, the Islamic banking branches of the Bank have complied with the requirements as set out in the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.
- 2.2 These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated January 25, 2018.
- 2.3 The financial results of the Islamic Banking Group have been included in these financial statements for reporting purpose, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Group are disclosed in Annexure "II" to these financial statements.
- 2.4 These financial statements have been presented in Pakistani Rupee, which is the Bank's functional and presentation currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.
- 2.5 These are separate financial statements of the Bank in which investments in associates are reported on the basis of direct equity interest and are not consolidated or accounted for by using equity method of accounting.

### 3 STATEMENT OF COMPLIANCE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Impact on Statement of Financial Position

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

### Impact on Profit and Loss Account

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

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

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

### 3.5.3 IFRIC 23 - Uncertainty over Income Tax

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

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

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

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

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

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

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

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

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

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

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

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

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

#### 4 BASIS OF MEASUREMENT

##### Accounting convention

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

#### 5 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

##### 5.1 Classification of investments

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

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

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

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

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

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

### 5.4 Income taxes

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

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

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

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

### 5.6 Defined benefit plan

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

### 5.7 Leases

#### 5.7.1 Estimating the incremental borrowing rate

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

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

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

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

## 6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 6.1 Cash and cash equivalents

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

### 6.2 Lendings to / borrowings from financial institutions

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



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

### a) Sale under repurchase agreements

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

### b) Purchase under resale agreements

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

### c) Other lendings

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

### d) Other borrowings

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

## 6.3 Investments

### 6.3.1 Classification

The Bank classifies its investments as follows:

### 6.3.2 Held-for-trading

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

### 6.3.3 Held-to-maturity

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

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

### 6.3.4 Available-for-sale

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

### 6.3.5 Associates

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

### 6.3.6 Regular way contracts

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

### 6.3.7 Initial measurement

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

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

### 6.4 Subsequent measurement

#### 6.4.1 Held-for-trading

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

#### 6.4.2 Held-to-maturity

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

#### 6.4.3 Available-for-sale

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

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

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

#### 6.4.4 Impairment

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

### 6.5 Advances

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

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

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

#### 6.5.2 Murabaha

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

#### 6.5.3 Ijarah financings

Ijarah financings executed on or before December 31, 2008 have been accounted for under finance method, thereafter all Ijarah financings are accounted for under IFAS2

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

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

### 6.5.4 Diminishing Musharakah

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

### 6.5.5 Salam

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

### 6.5.6 Istisna

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

### 6.5.7 Inventories

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

### 6.5.8 Provision against non-performing advances:

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

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

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

## 6.6 Operating fixed assets and depreciation

### 6.6.1 Capital-work-in progress

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

### 6.6.2 Tangible fixed assets

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

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

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

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

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

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

### 6.6.3 Intangible assets

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

### 6.6.4 Leases

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

#### Bank as a lessee

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

#### Right-of-use assets

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

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

#### Lease liabilities

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

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

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

### 6.7 Assets acquired in satisfaction of claims

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

### 6.8 Impairment of non-financial assets

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

### 6.9 Provisions against off - balance sheet obligations

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

### 6.10 Taxation

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

#### 6.10.1 Current

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

#### 6.10.2 Deferred

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

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

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

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

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

part of the deferred income tax asset to be utilised.

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

### 6.11 Employee benefits

#### 6.11.1 Defined benefit plan

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

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

#### 6.11.2 Defined contribution plan

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

### 6.12 Financial instruments

#### 6.12.1 Financial assets and liabilities

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

#### 6.12.2 Derivative financial instruments

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

### 6.13 Revenue

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

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

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

### 6.14 Foreign currencies

#### a) Foreign currency transactions and balances

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

#### b) Translation gains and losses

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

#### c) Commitments

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

### 6.15 Segment reporting

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

#### 6.15.1 Business segments

The Bank comprises of following main business segments:

##### a) Corporate finance

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

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

### b) **Trading and sales**

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

### c) **Retail banking**

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

### d) **Commercial banking**

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

### 6.15.2 Geographical segments

The Bank conducts all its operations in Pakistan.

### 6.16 Provisions

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

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

### 6.17 Borrowings / deposits and their cost

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

### 6.18 Off setting

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

### 6.19 Earnings per share

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

### 6.20 Dividends and appropriations to reserves

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

### 6.21 Fiduciary assets

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

### 6.22 Statutory reserve

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

### 6.23 Acceptances

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



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

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

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

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

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

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

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

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

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



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

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

10.2 Investment in associate - unlisted shares

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

10.3 Summary of financial information of associate

Based on the financial statements - December 31, 2018

|                                | 2019                 |                          | 2018                |                    | Total Comprehensive loss |
|--------------------------------|----------------------|--------------------------|---------------------|--------------------|--------------------------|
|                                | Assets               | Liabilities              | Equity              | Revenue            |                          |
|                                | Rupees '000          |                          |                     |                    |                          |
|                                | 752,687              | 442,704                  | 309,983             | 111,522            | (15,694)                 |
|                                | Rupees '000          |                          |                     |                    |                          |
|                                | 2019                 |                          | 2018                |                    | Carrying value           |
|                                | Cost/ amortized cost | Provision for diminution | Surplus / (deficit) | Carrying value     |                          |
| Investments by segments        |                      |                          |                     |                    |                          |
| Federal Government Securities: |                      |                          |                     |                    |                          |
| Market Treasury Bills          | 69,253,781           | -                        | 17,684              | 69,271,465         | 16,041,661               |
| Pakistan Investment Bonds      | 66,207,581           | -                        | (2,481,456)         | 63,726,125         | 64,764,228               |
| Ijarah Sukuks                  | 7,888,711            | -                        | (15,000)            | 7,873,711          | 6,215,600                |
|                                | 143,350,073          | -                        | (2,478,772)         | 140,871,301        | 87,021,489               |
| Shares:                        |                      |                          |                     |                    |                          |
| Listed Companies               | 462,258              | (284,390)                | 92,686              | 270,554            | 156,958                  |
| Unlisted Companies             | 337,994              | (281,736)                | 56,258              | 337,994            | 56,258                   |
|                                | 800,252              | (566,126)                | 92,686              | 326,812            | 213,216                  |
| Non Government Debt Securities |                      |                          |                     |                    |                          |
| Listed                         | 1,420,505            | (38,505)                 | (6,000)             | 1,376,000          | 1,600,000                |
| Unlisted                       | 4,433,979            | (137,494)                | 4,296,485           | 4,296,485          | 5,358,030                |
|                                | 5,854,484            | (175,999)                | (6,000)             | 5,672,485          | 6,958,030                |
| Associate                      |                      |                          |                     |                    |                          |
| Taurus Securities Limited      | 40,504               | -                        | -                   | 40,504             | 40,504                   |
| <b>Total Investments</b>       | <b>150,045,313</b>   | <b>(742,125)</b>         | <b>(2,392,086)</b>  | <b>146,911,102</b> | <b>94,233,239</b>        |

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

10.5 Investments given as collateral

Market Treasury Bills  
Pakistan Investment Bonds

This represents market values of securities at year end.

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

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

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

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

### 10.8 Particulars of provision against debt securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11.2 Advances include Rs. 5,026,718 millions (2018: Rs.4,658,352 millions) which have been placed under non-performing status as detailed below:

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

11.3 Particulars of provision against advances

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

11.4 Particulars of provision against advances

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

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

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

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

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

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

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



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

### 12.3 Property and equipment

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

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

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

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

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

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

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

### 12.6 Details of disposals of fixed assets

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

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

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

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

### 12.8 Right of use assets:

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

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

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

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

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

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

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

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

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

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

|  | 2019                   | 2018                                     |  |
|--|------------------------|--|--|
|  | Rupees in '000         |  |  |
| <b>14 DEFERRED TAX ASSETS</b>                        |                        |  |  |
| <b>Deferred tax asset arising in respect of:</b>     |                        |  |  |
| Provision for balances with other banks              | 3,510                  | 3,510                                    |  |
| Provision for diminution in value of investments     | 43,023                 | 78,157                                   |  |
| Provision for other assets                           | 3,448                  | 3,448                                    |  |
| Re-measurement of defined benefit plan               | -                      | 27,586                                   |  |
| Islamic Pool Management reserve                      | 47,810                 | 49,899                                   |  |
| Accelerated tax depreciation                         | 85,276                 | 50,978                                   |  |
| Deficit on revaluation of investments                | 837,233                | 1,550,164                                |  |
| Provision against loans and advances - net           | 10,854                 | -  |  |
|  | <b>1,031,154</b>       | <b>1,763,742</b>                         |  |
|  | <b>1,031,154</b>       | <b>(6,291)</b>                           |  |
| <b>Deferred tax liability arising in respect of:</b> |                        |  |  |
| Reversal against loans and advances - net            | -                      | -  |  |
| <b>Deferred tax asset - net</b>                      | <b>1,031,154</b>       | <b>1,757,451</b>                         |  |
|  |                        |  |  |
| <b>14.1 Reconciliation of deferred tax</b>           |                        |  |  |
|  | Rupees in '000         |  |  |
|  | As at January 01, 2018 | As at December 31, 2018                  | As at December 31, 2019                  |
| Provision for balances with other banks              | 3,510                  | -  | 3,510                                    |
| Provision for diminution in value of investments     | 87,203                 | (9,046)                                  | 43,023                                   |
| Provision for other assets                           | 3,448                  | -  | 3,448                                    |
| Re-measurement of defined benefit obligations        | 48,285                 | (20,699)                                 | -  |
| Islamic pool management reserve                      | 42,352                 | 7,547                                    | (27,586)                                 |
| Accelerated tax depreciation                         | 793                    | 50,185                                   | -  |
| Deficit on revaluation of investments                | 171,939                | -  | (2,089)                                  |
| Provision against loans and advances                 | 22,221                 | (28,512)                                 | 34,298                                   |
|  | 379,751                | 20,174                                   | 17,145                                   |
|  |                        |  |  |
|  |                        | Recognized in Other Comprehensive Income | Recognized in Other Comprehensive Income |
|  |                        | 1,357,526                                | (712,931)                                |
|  |                        | 1,757,451                                | (740,517)                                |
|  |                        | <b>1,757,451</b>                         | <b>1,031,154</b>                         |

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

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

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

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

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

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

### 18 DEPOSITS AND OTHER ACCOUNTS

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

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

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

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

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

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

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

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

## 20 SHARE CAPITAL

### 20.1 Authorized capital

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

### 20.2 Issued, subscribed and paid up

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

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



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

|   |      | 2019                       | 2018               |
|---|------|----------------------------|--------------------|
|   | Note | ----- Rupees in '000 ----- |                    |
| <b>21 DEFICIT ON REVALUATION OF ASSETS</b>  |      |                            |                    |
| Deficit on revaluation of:  |      |                            |                    |
| - Available for sale (AFS) securities   | 10.1 | (2,392,086)                | (4,429,039)        |
| - Deferred tax on AFS securities  | 14.1 | 837,233                    | 1,550,164          |
|   |      | <u>(1,554,853)</u>         | <u>(2,878,875)</u> |
| - Fixed assets  | 12.4 | 774,183                    | 774,183            |
|   |      | <u>(780,670)</u>           | <u>(2,104,692)</u> |
| <b>22 CONTINGENCIES AND COMMITMENTS</b>   |      |                            |                    |
| - Guarantees  | 22.1 | 15,054,505                 | 15,959,908         |
| - Commitments   | 22.2 | 36,682,215                 | 13,545,311         |
|   |      | <u>51,736,720</u>          | <u>29,505,219</u>  |
| <b>22.1 Guarantees:</b>   |      |                            |                    |
| Financial guarantees  |      | 2,030,105                  | 3,719,981          |
| Performance guarantees  |      | 12,820,129                 | 11,689,103         |
| Other guarantees  |      | 204,271                    | 550,824            |
|   |      | <u>15,054,505</u>          | <u>15,959,908</u>  |
| <b>22.2 Commitments:</b>  |      |                            |                    |
| Documentary credits and short-term trade-related transactions   |      |                            |                    |
| - Letters of credit   |      | 6,920,481                  | 10,334,256         |
| <b>Commitments in respect of:</b>   |      |                            |                    |
| - Forward government securities transactions  | 22.3 | 10,000,000                 | -                  |
| - Forward foreign exchange contracts  | 22.4 | 19,026,323                 | 3,206,101          |
| <b>Commitments for acquisition of:</b>  |      |                            |                    |
| - Operating fixed assets  |      | 416,496                    | 4,954              |
| - Intangible assets   |      | 318,915                    | -                  |
|   |      | <u>36,682,215</u>          | <u>13,545,311</u>  |
| <b>22.3 Commitments in respect of forward government securities transactions</b>  |      |                            |                    |
| Forward purchase - Pakistan Investment Bonds (PIBs)   |      | 10,000,000                 | -                  |
|   |      | <u>10,000,000</u>          | <u>-</u>           |
| <b>22.4 Commitments in respect of forward foreign exchange contracts</b>  |      |                            |                    |
| Purchase  |      | 9,069,099                  | 1,705,102          |
| Sale  |      | 9,957,224                  | 1,500,999          |
|   |      | <u>19,026,323</u>          | <u>3,206,101</u>   |
| <b>22.5</b>   |      |                            |                    |
| The income tax assessments of the Bank have been finalized up to tax year 2019.   |      |                            |                    |
| During financial year 2011, the tax authorities issued an amended order for the tax year 2009 disallowing certain expenditures on account of lack of evidence for such expenditure resulting in an additional tax demand of Rs. 308.9 million. The Bank filed an appeal as well as rectification application against the said order. Based on rectification application, the order was amended and accordingly the additional demand was reduced to Rs. 256.349 million. During 2012, the Commissioner Inland Revenue (Appeals) [CIR (A)] through an order dated June 01, 2012 has deleted certain additions on account of disallowances except for the additions under certain heads of expenses having tax impact of approximately Rs. 23 million. The Bank had filed an appeal against the order of the Appellate Tribunal Inland Revenue (ATIR) in respect of remaining additions which also decided in favour of the Bank. Subsequently, CIR went in to appeal in Peshawar High Court. The management is confident that matter will be decided in Bank's favour. |      |                            |                    |
| <b>23 MARK-UP / RETURN / INTEREST EARNED</b>  |      | 2019                       | 2018               |
|   |      | ----- Rupees in '000 ----- |                    |
| On:   |      |                            |                    |
| a) Loans and advances   |      | 12,782,497                 | 6,868,962          |
| b) Investments  |      | 9,434,051                  | 6,724,660          |
| c) Balances with banks  |      | 126,796                    | 28,471             |
| d) Lendings to financial institutions   |      | 943,337                    | 349,571            |
| e) Sukuk bonds  |      | 1,369,854                  | 714,801            |
|   |      | <u>24,656,535</u>          | <u>14,686,465</u>  |

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

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

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

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

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

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

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

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

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

### 32 BASIC AND DILUTED EARNING PER SHARE

|  | 2019                 | 2018                 |
|--|----------------------|----------------------|
| Profit for the year - Rupees               | <u>1,306,039,000</u> | <u>466,099,000</u>   |
| Weighted average number of ordinary shares | <u>1,000,252,485</u> | <u>1,000,252,485</u> |
| Basic earnings per share - rupee/share     | <u>1.31</u>          | <u>0.47</u>          |

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

### 33 CASH AND CASH EQUIVALENTS

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

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

### 34 STAFF STRENGTH

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

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

### 35 EMPLOYEE BENEFITS

#### 35.1 General description-gratuity fund

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

#### 35.1.1 Number of employees under the scheme

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

#### 35.1.2 Principal actuarial assumptions

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

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

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

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

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

### 35.1.10 Sensitivity analysis

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

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

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

### 35.1.14 Funding policy

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

### 35.1.15 Significant risk associated

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

### 35.2 COMPENSATED ABSENCES

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

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

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

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

### 36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

#### 36.1 Total compensation expense

| Description                               | 2019       |   |                          |                      |                                |  |                |
|---|------------|---|--------------------------|----------------------|--------------------------------|--|----------------|
|   | Directors  |   | Members<br>shariah board | Managing<br>Director | Key<br>management<br>personnel | Other material<br>risk takers /<br>controllers | Executives     |
|   | Chairman   | Executive<br>(other than<br>Managing<br>Director) |                          |                      |                                |  |                |
|   | 313        | -   | 6,689                    | -                    | -                              | -  | -              |
| Fees and allowances etc.                  | -          | -   | -                        | -                    | -                              | -  | -              |
| Managerial remuneration                   | -          | -   | -                        | -                    | -                              | -  | -              |
| Fixed                                     | -          | -   | -                        | 8,000                | 40,763                         | 22,989   | 137,250        |
| Variable - cash bonus / awards etc.       | -          | -   | -                        | -                    | -                              | -  | -              |
| Charge for defined benefit plan           | -          | -   | -                        | -                    | -                              | -  | -              |
| Contribution to defined contribution plan | -          | -   | -                        | -                    | -                              | -  | -              |
| Rent & house maintenance                  | -          | -   | -                        | 800                  | 17,172                         | 1,947  | 11,500         |
| Utilities                                 | -          | -   | -                        | 400                  | 5,486                          | 10,345   | 62,034         |
| Medical                                   | -          | -   | -                        | 282                  | 5,486                          | 3,448  | 20,587         |
| Conveyance                                | -          | -   | -                        | 67                   | 5,486                          | 3,448  | 20,587         |
| Additional allowances                     | -          | -   | -                        | 600                  | 13,365                         | 8,555  | 59,714         |
| Contractual allowances                    | -          | -   | -                        | -                    | 5,842                          | 2,165  | 6,651          |
| Other allowances                          | -          | -   | -                        | -                    | 3,143                          | -  | -              |
| Others                                    | -          | -   | -                        | 1,333                | -                              | -  | -              |
| <b>Total</b>                              | <b>132</b> | <b>-</b>  | <b>908</b>               | <b>18</b>            | <b>247</b>                     | <b>171</b>                                     | <b>7,770</b>   |
|   | <b>445</b> | <b>-</b>  | <b>8,768</b>             | <b>11,201</b>        | <b>94,212</b>                  | <b>53,068</b>                                  | <b>326,093</b> |
| Number of persons                         | 1          | 1   | 6                        | 3                    | 13                             | 9  | 86             |



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

2018

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

Rupees in 000

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

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

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

2019

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

2018

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

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

### 36.3 Remuneration paid to shariah board members

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

### 37

#### FAIR VALUE MEASUREMENTS

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

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

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

#### 37.1

##### Fair value of financial assets

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

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

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

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

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

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

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

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

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

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

### (a) Financial instruments in level 1

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

### (b) Financial instruments in level 2

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

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

### (c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

##### Fully paid-up ordinary shares

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

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

##### Pakistan Investment Bonds / Market Treasury Bills

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

##### Government of Pakistan (GoP) - Ijarah Sukuks

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

##### Term Finance, Bonds and Sukuk certificates

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

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

##### Operating fixed assets (Leasehold land)

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

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

### 38 SEGMENT INFORMATION

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

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

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

### 38.2 Segment details with respect to geographical locations

#### Geographical segment analysis

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

### 39 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

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

### 40 RELATED PARTY TRANSACTIONS

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

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

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

|                                    | 2019                       |                          |               |                  | 2018      |                          |               |                  |
|------------------------------------|----------------------------|--------------------------|---------------|------------------|-----------|--------------------------|---------------|------------------|
|                                    | Directors                  | Key management personnel | Associate     | Employee Funds   | Directors | Key management personnel | Associate     | Employee Funds   |
|                                    | ----- Rupees in '000 ----- |                          |               |                  |           |                          |               |                  |
| <b>Advances</b>                    |                            |                          |               |                  |           |                          |               |                  |
| Opening balance                    | -                          | 123,598                  | -             | -                | -         | 260,785                  | -             | -                |
| Addition during the year           | -                          | 39,859                   | -             | -                | -         | 67,771                   | -             | -                |
| Repaid during the year             | -                          | 19,112                   | -             | -                | -         | 13,894                   | -             | -                |
| Transfer in / (out) - net          | -                          | 10,281                   | -             | -                | -         | (191,064)                | -             | -                |
| <b>Closing balance</b>             | -                          | <b>154,626</b>           | -             | -                | -         | <b>123,598</b>           | -             | -                |
| Provision held                     | -                          | -                        | -             | -                | -         | -                        | -             | -                |
| <b>Deposits and other accounts</b> |                            |                          |               |                  |           |                          |               |                  |
| Opening balance                    | -                          | 24,081                   | 30,067        | 2,185,683        | -         | 26,773                   | 21,546        | 1,960,438        |
| Received during the year           | -                          | 128,446                  | 39,564        | 845,046          | -         | 183,589                  | 38,136        | 1,079,463        |
| Withdrawn during the year          | -                          | 127,389                  | 40,972        | 688,321          | -         | 160,808                  | 29,731        | 860,523          |
| Transfer in / (out) - net          | -                          | (117)                    | -             | -                | -         | (25,473)                 | 116           | 6,305            |
| <b>Closing balance</b>             | -                          | <b>25,021</b>            | <b>28,659</b> | <b>2,342,408</b> | -         | <b>24,081</b>            | <b>30,067</b> | <b>2,185,683</b> |
| <b>Other liabilities</b>           |                            |                          |               |                  |           |                          |               |                  |
| Accrued mark-up                    | -                          | 288                      | 1,718         | 58,716           | -         | 788                      | 842           | 1,524            |



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

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

Rupees in '000

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

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

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

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



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

### 42 RISK MANAGEMENT

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

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

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

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

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

### 42.1 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 outline by SBP. The Bank attempts to control risk by monitoring credit exposure, 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 and groups and to industries, where applicable.

The Bank has adopted standardized approach to measure credit risk regulatory capital charge in compliance with Basel-II requirements. The approach relies upon the assessment of external credit rating agencies. The Bank is in the process of continuously improving the system and bringing it in line with the Basel framework requirements.

The Bank has dedicated Customer Risk Rating (CRR) and Facility Risk Rating (FRR) Models for various customer types. The models aim to measure credit risk posed by a counterparty as well facility it has applied for by assessing various qualitative and quantitative attributes keeping in view best industry practices in the field of credit risk management. Each risk rating model covers a dedicated procedural guidelines for its consistent implementation within the Bank. The Bank has also approved a dedicated risk rating policy providing broad policy guidelines for minimum acceptable risk for various borrowers of the Bank.

### 42.1.1 Lendings to financial institutions

#### Credit risk by public/private sector

|                    | Gross lendings    |                  | Non-performing lendings |                | Provision held |                |
|--------------------|-------------------|------------------|-------------------------|----------------|----------------|----------------|
|                    | 2019              | 2018             | 2019                    | 2018           | 2019           | 2018           |
| Public/ Government | 2,831,347         | -                | -                       | -              | -              | -              |
| Private            | 11,271,046        | 7,934,586        | 238,944                 | 238,944        | 238,944        | 238,944        |
|                    | <b>14,102,393</b> | <b>7,934,586</b> | <b>238,944</b>          | <b>238,944</b> | <b>238,944</b> | <b>238,944</b> |

### 42.1.2 Investment in debt securities

#### Credit risk by industry sector

|   | Gross investments |                  | Non-performing investments |                | Provision held |                |
|---|-------------------|------------------|----------------------------|----------------|----------------|----------------|
|   | 2019              | 2018             | 2019                       | 2018           | 2019           | 2018           |
|   | Rupees in '000    |                  |                            |                |                |                |
| Textile                                   | 44,658            | 44,658           | 44,658                     | 44,658         | 44,658         | 44,658         |
| Power (electricity), gas, water, sanitary | 3,363,871         | 3,935,114        | -                          | -              | -              | -              |
| Financial                                 | 2,165,415         | 2,815,384        | 40,384                     | 40,384         | 40,384         | 40,384         |
| Others                                    | 280,540           | 438,753          | 90,957                     | 190,837        | 90,957         | 190,837        |
|   | <b>5,854,484</b>  | <b>7,233,909</b> | <b>175,999</b>             | <b>275,879</b> | <b>175,999</b> | <b>275,879</b> |
|   | Rupees in '000    |                  |                            |                |                |                |
| Credit risk by public / private sector    | 143,350,073       | 91,545,880       | -                          | -              | -              | -              |
| Public / Government                       | 5,854,484         | 7,233,909        | 175,999                    | 275,879        | 175,999        | 275,879        |
| Private                                   | 149,204,557       | 98,779,789       | 175,999                    | 275,879        | 175,999        | 275,879        |

Note

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

### 42.1.3 Advances

#### Credit risk by industry sector

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

#### Credit risk by public / private sector

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

Note

11

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

|   | 2019              | 2018              |
|---|-------------------|-------------------|
|   | Rupees '000       |                   |
| <b>42.1.4 Contingencies and commitments</b>   |                   |                   |
| <b>Credit risk by industry sector</b>   |                   |                   |
| Agriculture, forestry, hunting and fishing  | 559,027           | 253,791           |
| Engineering   | 5,034             | 644,406           |
| Petrochemicals  | 2,670,291         | 1,896,044         |
| Health  | -                 | 1,095,055         |
| Textile   | 619,715           | 261,859           |
| Information technology  | -                 | 43,790            |
| Cement  | 999,605           | 122,810           |
| Automobile and transportation equipment   | 426,694           | 695,911           |
| CNG and filling stations  | 1,053,366         | 598,889           |
| Construction  | 8,690,727         | 5,395,545         |
| Power (electricity), gas, water, sanitary   | 397,417           | 1,899,999         |
| Ghee and cooking oil  | 348,139           | 97,328            |
| Trading and sales   | 547,863           | 3,426,192         |
| Services  | 316,266           | 216,016           |
| Other private sectors   | -                 | 4,485,894         |
| Government  | 1,496,167         | 1,201,156         |
| Others  | 3,844,675         | 7,165,580         |
|   | <b>21,974,986</b> | <b>29,500,265</b> |
| <b>Credit risk by public / private sector</b>   |                   |                   |
| Public / Government   | 1,496,167         | 1,201,156         |
| Private   | 20,478,819        | 28,299,109        |
|   | <b>21,974,986</b> | <b>29,500,265</b> |
| <b>42.1.5 Concentration of advances</b>   |                   |                   |
| The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 78.538 million (2018: Rs. 60,041 million) are as following: |                   |                   |
|   | 2019              | 2018              |
|   | Rupees '000       |                   |
| Funded  | 71,375,583        | 54,203,217        |
| Non funded  | 7,162,346         | 5,838,126         |
| Total exposure  | <b>78,537,929</b> | <b>60,041,343</b> |

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

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

### Total funded classified therein

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

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

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

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

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

### 42.2 Market risk

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

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

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

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

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

|                                       | 2019               |                    | 2018               |                    |
|---------------------------------------|--------------------|--------------------|--------------------|--------------------|
|                                       | Banking book       | Trading book       | Total              | Total              |
|                                       | Rupees in '000     |                    |                    |                    |
| Cash and balances with treasury banks | 12,137,805         | -                  | 12,137,805         | 12,351,453         |
| Balances with other banks             | 8,230,072          | -                  | 8,230,072          | 3,705,360          |
| Lendings to financial institutions    | 13,863,449         | -                  | 13,863,449         | 7,695,642          |
| Investments                           | 18,091,229         | 128,819,873        | 146,911,102        | 94,233,239         |
| Advances                              | 109,742,292        | -                  | 109,742,292        | 95,011,903         |
| Fixed assets                          | 3,334,670          | -                  | 3,334,670          | 2,216,422          |
| Intangible assets                     | 286,255            | -                  | 286,255            | 78,850             |
| Deferred tax assets                   | 1,031,154          | -                  | 1,031,154          | 1,757,451          |
| Other assets                          | 10,768,453         | -                  | 10,768,453         | 6,044,663          |
|                                       | <b>177,485,379</b> | <b>128,819,873</b> | <b>306,305,252</b> | <b>223,094,983</b> |
|                                       |                    |                    |                    | <b>71,138,344</b>  |

### 42.2.2 Foreign exchange risk

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

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





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

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

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

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

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

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

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

- Profit and loss account
- Other comprehensive income

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

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

|   | 2019                            |                                  |              |                    |                    |                         |                   |                   |                   |                    | Non-interest bearing financial instruments |                |
|---|---------------------------------|----------------------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|--|----------------|
|   | Effective Yield / Interest rate | Exposed to yield / Interest risk |              |                    |                    |                         |                   |                   |                   |                    |  |                |
|   |                                 | Total                            | Upto 1 Month | Over 1 to 3 Months | Over 3 to 6 Months | Over 6 Months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 Years |  | Above 10 Years |
|   |                                 | Rupees in '000                   |              |                    |                    |                         |                   |                   |                   |                    |  |                |
| <b>On-balance sheet financial instruments</b>           |                                 |                                  |              |                    |                    |                         |                   |                   |                   |                    |  |                |
| <b>Assets</b>   |                                 |                                  |              |                    |                    |                         |                   |                   |                   |                    |  |                |
| Cash and balances with treasury banks                   | 0.30%                           | 12,137,805                       | 3,106,434    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -  | 9,031,371      |
| Balances with other banks                               | 4.92%                           | 8,230,072                        | 4,876,397    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -  | 3,353,675      |
| Lending to financial institutions                       | 12.47%                          | 13,863,449                       | 11,032,102   | 2,831,347          | -                  | -                       | -                 | -                 | -                 | -                  | -  | -              |
| Investments   | 11.29%                          | 146,911,102                      | 10,920,486   | 8,865,200          | 5,247,910          | 47,321,377              | 26,332,472        | 27,794,997        | 12,187,928        | 6,129,416          | 1,744,000                                  | 367,316        |
| Advances  | 11.57%                          | 109,742,292                      | 21,037,592   | 38,020,278         | 3,376,286          | 3,063,496               | 1,188,836         | 20,737,259        | 12,956,218        | 7,809,629          | 1,552,697                                  | -              |
| Other assets  |                                 | 10,768,453                       | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -  | 10,768,454     |
|   |                                 | 301,653,173                      | 50,973,011   | 49,716,825         | 8,624,196          | 50,384,873              | 27,521,308        | 48,532,256        | 25,144,146        | 13,939,045         | 3,296,697                                  | 23,520,815     |
| <b>Liabilities</b>                                      |                                 |                                  |              |                    |                    |                         |                   |                   |                   |                    |  |                |
| Bills payable   | 1.17%                           | 1,172,155                        | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -  | 1,172,155      |
| Borrowings  | 13.02%                          | 94,656,461                       | 69,756,439   | 14,060,411         | 3,695,855          | 3,035,806               | -                 | 75,966            | 1,531,984         | -                  | -  | 2,500,000      |
| Deposits and other accounts                             | 8.39%                           | 182,167,572                      | 20,655,100   | 16,063,870         | 40,585,176         | 49,895,171              | 8,648,760         | 251,095           | 2,609,490         | 1,37,514           | -  | 43,321,396     |
| Other liabilities                                       |                                 | 14,107,711                       | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -  | 14,107,710     |
|   |                                 | 292,103,899                      | 90,411,539   | 30,124,281         | 44,281,031         | 52,930,977              | 8,648,760         | 251,095           | 2,685,456         | 1,669,498          | -  | 61,101,261     |
|   |                                 | 9,549,274                        | (39,438,528) | 19,592,544         | (35,656,835)       | (2,546,104)             | 18,872,548        | 48,281,161        | 22,458,690        | 12,269,547         | 3,296,697                                  | (37,580,446)   |
| <b>On-balance sheet gap</b>                             |                                 |                                  |              |                    |                    |                         |                   |                   |                   |                    |  |                |
|   |                                 | 10,768,453                       | 50,973,011   | 49,716,825         | 8,624,196          | 50,384,873              | 27,521,308        | 48,532,256        | 25,144,146        | 13,939,045         | 3,296,697                                  | 23,520,815     |
|   |                                 | 1,172,155                        | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -  | 1,172,155      |
|   |                                 | 94,656,461                       | 69,756,439   | 14,060,411         | 3,695,855          | 3,035,806               | -                 | 75,966            | 1,531,984         | -                  | -  | 2,500,000      |
|   |                                 | 182,167,572                      | 20,655,100   | 16,063,870         | 40,585,176         | 49,895,171              | 8,648,760         | 251,095           | 2,609,490         | 1,37,514           | -  | 43,321,396     |
|   |                                 | 14,107,711                       | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -  | 14,107,710     |
|   |                                 | 292,103,899                      | 90,411,539   | 30,124,281         | 44,281,031         | 52,930,977              | 8,648,760         | 251,095           | 2,685,456         | 1,669,498          | -  | 61,101,261     |
|   |                                 | 9,549,274                        | (39,438,528) | 19,592,544         | (35,656,835)       | (2,546,104)             | 18,872,548        | 48,281,161        | 22,458,690        | 12,269,547         | 3,296,697                                  | (37,580,446)   |
| <b>Off-balance sheet financial instruments</b>          |                                 |                                  |              |                    |                    |                         |                   |                   |                   |                    |  |                |
| <b>Commitments in respect of:</b>                       |                                 |                                  |              |                    |                    |                         |                   |                   |                   |                    |  |                |
| - forward foreign exchange contracts purchases          |                                 | 9,069,099                        | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -  | 9,069,099      |
| - forward foreign exchange contracts sales              |                                 | 9,957,224                        | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -  | 9,957,224      |
| <b>Off-balance sheet gap</b>                            |                                 |                                  |              |                    |                    |                         |                   |                   |                   |                    |  |                |
|   |                                 | (888,125)                        | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -  | (888,125)      |
| <b>Total yield/interest risk sensitivity gap</b>        |                                 |                                  |              |                    |                    |                         |                   |                   |                   |                    |  |                |
|   |                                 | (39,438,528)                     | 19,592,544   | (35,656,835)       | (55,502,819)       | (2,546,104)             | 18,872,548        | 48,281,161        | 22,458,690        | 12,269,547         | 3,296,697                                  | (37,580,446)   |
| <b>Cumulative yield / interest risk sensitivity gap</b> |                                 |                                  |              |                    |                    |                         |                   |                   |                   |                    |  |                |
|   |                                 | (39,438,528)                     | (19,845,984) | (58,048,923)       | (113,551,742)      | (116,098,646)           | (97,226,098)      | (48,744,937)      | (26,286,247)      | (13,047,202)       | (3,296,697)                                | (9,549,274)    |

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

|   |       | 2018                             |              |                    |                    |                         |                   |                   |                   |                    |                | Non-interest bearing financial instruments |
|---|-------|----------------------------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|--|
|   |       | Exposed to Yield / Interest risk |              |                    |                    |                         |                   |                   |                   |                    |                |  |
|   |       | Total                            | Upto 1 Month | Over 1 to 3 Months | Over 3 to 6 Months | Over 6 Months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 Years | Above 10 Years |  |
|   |       | Rupees in '000                   |              |                    |                    |                         |                   |                   |                   |                    |                |  |
| <b>On-balance sheet financial instruments</b>           |       |                                  |              |                    |                    |                         |                   |                   |                   |                    |                |  |
| Assets  |       |                                  |              |                    |                    |                         |                   |                   |                   |                    |                |  |
| Cash and balances with treasury banks                   | 0.30% | 12,351,453                       | 83,277       | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | 12,268,176                                 |
| Balances with other banks                               | 2.15% | 3,705,360                        | 688,021      | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | 3,017,339                                  |
| Lending to financial institutions                       | 9.87% | 7,695,642                        | 5,695,642    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | 2,000,000                                  |
| Investments   | 7.75% | 94,233,239                       | 7,759,847    | 8,557,694          | 4,254,919          | 6,638,409               | 1,464,809         | 15,375,963        | 25,450,346        | 10,737,779         | 2,600,000      | 11,393,473                                 |
| Advances  | 7.67% | 95,011,903                       | 14,183,720   | 17,999,900         | 6,349,973          | 37,317,292              | 2,357,078         | 1,582,025         | 3,891,695         | 8,220,658          | 3,109,562      | 6,044,663                                  |
| Other assets  |       | 219,042,260                      | 28,410,507   | 26,557,594         | 10,604,892         | 43,955,701              | 3,821,887         | 16,957,988        | 29,342,041        | 18,958,437         | 5,709,562      | 34,723,651                                 |
| Liabilities   |       |                                  |              |                    |                    |                         |                   |                   |                   |                    |                |  |
| Bills payable   |       | 895,126                          | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | 895,126                                    |
| Borrowings  | 9.40% | 34,842,114                       | 25,870,014   | 7,472,100          | -                  | -                       | -                 | -                 | -                 | -                  | -              | 1,500,000                                  |
| Deposits and other accounts                             | 4.74% | 171,167,556                      | 17,516,959   | 55,706,838         | 40,188,983         | 13,437,831              | 633,868           | 568,306           | 2,274,630         | 408,723            | 450,000        | 39,981,418                                 |
| Other liabilities                                       |       | 4,485,603                        | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | 4,485,603                                  |
| <b>On-balance sheet gap</b>                             |       | 211,390,399                      | 43,386,973   | 63,178,938         | 40,188,983         | 13,437,831              | 633,868           | 568,306           | 2,274,630         | 408,723            | 450,000        | 46,862,147                                 |
|   |       | 7,651,861                        | (14,976,466) | (36,621,344)       | (29,584,091)       | 30,517,870              | 3,188,019         | 16,389,682        | 27,067,411        | 18,549,714         | 5,259,562      | (12,138,496)                               |
| <b>Off-balance sheet financial instruments</b>          |       |                                  |              |                    |                    |                         |                   |                   |                   |                    |                |  |
| Commitments in respect of:                              |       |                                  |              |                    |                    |                         |                   |                   |                   |                    |                |  |
| - forward foreign exchange contracts purchases          |       | 1,705,102                        | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | 1,705,102                                  |
| - forward foreign exchange contracts sales              |       | 1,500,999                        | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | 1,500,999                                  |
| <b>Off-balance sheet gap</b>                            |       | 204,103                          | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              | 204,103                                    |
| <b>Total Yield / Interest Risk Sensitivity Gap</b>      |       | (14,976,466)                     | (36,621,344) | (36,621,344)       | (29,584,091)       | 30,517,870              | 3,188,019         | 16,389,682        | 27,067,411        | 18,549,714         | 5,259,562      | (12,138,496)                               |
| <b>Cumulative Yield / Interest Risk Sensitivity Gap</b> |       | (14,976,466)                     | (51,597,810) | (88,219,154)       | (107,793,245)      | (77,275,375)            | (74,087,356)      | (57,697,674)      | (30,630,263)      | (12,080,549)       | (6,820,987)    | 19,790,357                                 |

### 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.

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. As part of pro-active operational risk management, The Operational Risk Management Department (ORMD) has already completed 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.

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

### 42.3.1 Operational risk-disclosures Basel II specific

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

### 42.4

#### Liquidity risk

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

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

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

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

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

2019

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

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

### 42.3.1 Operational risk-disclosures Basel II specific

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

### 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 fulfil its liquidity gap if a need arises.

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

2019

|  | Total       | Up to 1 Day  | Over 1 to 7 days | Over 7 to 14 days | Over 14 days to 1 Month | Over 1 to 2 Months | Over 2 to 3 Months | Over 3 to 6 Months | Over 6 to 9 Months | Over 9 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 Years |
|--|-------------|--------------|------------------|-------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------|
|  |             |              |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
| <b>Assets</b>                              |             |              |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
| Cash and balances with treasury banks      | 12,137,805  | 10,137,805   | 2,000,000        | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Balances with other banks                  | 8,230,072   | 3,380,072    | 2,850,000        | -                 | 1,800,000               | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Lending to financial institutions          | 13,863,449  | -            | 9,032,102        | 1,250,000         | 750,000                 | 2,831,347          | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Investments                                | 146,911,102 | 367,316      | -                | 10,920,486        | 10,920,486              | 7,380,563          | 1,484,637          | 5,247,910          | 27,846,725         | 19,360,782              | 20,057,629        | 33,819,125        | 9,302,514         | 11,123,415   |
| Advances                                   | 109,742,292 | 19,726,397   | 110,058          | 134,286           | 1,066,851               | 635,900            | 37,384,377         | 3,376,287          | 1,278,919          | 1,784,577               | 1,188,835         | 20,737,260        | 12,956,218        | 9,362,327    |
| Fixed assets                               | 3,334,670   | 1,793        | 10,755           | 12,548            | 28,681                  | 53,777             | 161,331            | 161,331            | 161,331            | 161,331                 | 609,600           | 311,297           | 286,280           | 1,482,169    |
| Intangible assets                          | 286,255     | -            | -                | -                 | 884                     | -                  | 30                 | 1,212              | 2,007              | 2,275,82                | 25,835            | 28,705            | -                 | -            |
| Deferred tax assets                        | 1,031,154   | 744,695      | 1,132,537        | 1,642,589         | 2,277,614               | -                  | 138,284            | 1,258,024          | 9,196              | 9,196                   | 36,153            | 3,203,072         | -                 | 314,743      |
| Other assets                               | 10,768,453  | 34,538,078   | 15,135,452       | 3,039,423         | 16,843,632              | 40,904,821         | 39,061,105         | 10,044,764         | 29,298,178         | 21,543,468              | 22,949,206        | 58,099,459        | 22,545,012        | 22,282,654   |
| <b>Liabilities</b>                         |             |              |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
| Bills payable                              | 1,172,155   | 1,172,155    | -                | -                 | -                       | 14,060,410         | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Borrowings                                 | 94,656,461  | 116,185,884  | 70,760,520       | 1,495,919         | 1,027,723               | 32,851,692         | 3,695,856          | 3,695,856          | 3,035,806          | 3,297,169               | 2,755,915         | 280,595           | 75,966            | 1,531,984    |
| Deposits and other accounts                | 182,167,572 | 182,167,572  | 107,110          | 1,591,685         | 5,939,177               | 1,183,340          | 14,709,653         | 14,709,653         | 7,127,253          | 71,511                  | 2,719,165         | 2,438,970         | 804,551           | 450,000      |
| Other liabilities                          | 292,103,721 | 117,729,238  | 75,094,821       | 5,685,994         | 6,961,900               | 15,248,202         | 32,656,144         | 18,786,769         | 10,234,570         | 3,368,680               | 2,755,915         | 2,719,165         | 880,517           | 1,981,984    |
| <b>Net assets</b>                          | 14,201,353  | (83,171,160) | (57,959,369)     | (2,646,571)       | 9,881,732               | (4,343,381)        | 6,404,961          | (8,742,005)        | 19,063,608         | 18,174,788              | 20,193,291        | 55,380,294        | 21,664,495        | 20,300,670   |
| Share capital                              | 10,002,524  | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Reserves                                   | 2,904,691   | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Unappropriated profit                      | 2,074,808   | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Surplus/(deficit) on revaluation of assets | (780,670)   | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
|  | 14,201,353  | -            | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |

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

2018

|  | Rupees in '000 |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
|--|----------------|------------------|-------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------|
|  | Upto 1 Day     | Over 1 to 7 days | Over 7 to 14 days | Over 14 days to 1 Month | Over 1 to 2 Months | Over 2 to 3 Months | Over 3 to 6 Months | Over 6 to 9 Months | Over 9 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 years |
| <b>Assets</b>                              |                |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
| Cash and balances with treasury banks      | 12,351,453     | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Balances with other banks                  | 3,705,360      | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Lending to financial institutions          | 7,695,642      | 7,195,642        | -                 | -                       | 500,000            | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Investments                                | 94,233,239     | 253,721          | -                 | 2,488,158               | 10,808,144         | 2,492,000          | 4,254,919          | 1,165,030          | 6,391,211               | 2,937,959         | 15,485,249        | 25,848,263        | 17,112,778   |
| Advances                                   | 95,011,903     | 8,574,501        | 548,351           | 270,540                 | 2,161,085          | 30,941,415         | 1,496,311          | 3,733,670          | 5,286,285               | 2,280,971         | 1,648,848         | 22,056,541        | 16,386,118   |
| Fixed assets                               | 2,216,432      | -                | -                 | -                       | -                  | -                  | -                  | -                  | 318,748                 | 276,872           | 134,675           | 178,209           | 1,307,918    |
| Intangible assets                          | -              | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | 78,850            | -                 | -            |
| Deferred tax assets                        | 1,757,451      | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | 1,757,451         | -                 | -                 | -            |
| Other assets                               | 5,830,103      | -                | -                 | -                       | -                  | 214,560            | -                  | -                  | -                       | -                 | -                 | -                 | -            |
|  | 223,094,983    | 30,715,138       | 12,223,715        | 2,758,698               | 13,469,229         | 33,247,975         | 5,751,230          | 4,898,700          | 11,996,244              | 7,253,253         | 17,347,622        | 48,083,013        | 34,806,814   |
| <b>Liabilities</b>                         |                |                  |                   |                         |                    |                    |                    |                    |                         |                   |                   |                   |              |
| Bills payable                              | 895,126        | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Borrowings                                 | 34,842,114     | 17,300           | -                 | 2,079,848               | 8,721,123          | 2,901,971          | 1,284,700          | -                  | -                       | -                 | -                 | -                 | -            |
| Deposits and other accounts                | 171,167,556    | 282,029          | 2,448,371         | 15,989,687              | 1,025,782          | 64,928,034         | 21,199,254         | 5,239,305          | 13,988,587              | 14,239,543        | 16,052,155        | 11,154,633        | 4,577,705    |
| Other liabilities                          | 4,485,603      | -                | -                 | 4,117,577               | -                  | 368,026            | -                  | -                  | -                       | -                 | -                 | -                 | -            |
|  | 211,390,309    | 1,194,625        | 19,879,643        | 22,187,112              | 9,746,905          | 68,998,031         | 22,483,954         | 5,239,305          | 13,988,587              | 14,239,543        | 16,052,155        | 11,154,633        | 4,577,705    |
| <b>Net assets</b>                          | 11,704,584     | 29,520,683       | (7,655,928)       | (1,928,414)             | 3,722,324          | (34,950,056)       | (16,732,724)       | (340,605)          | (1,992,343)             | (6,986,290)       | 1,295,467         | 36,928,380        | 30,229,109   |
| Share capital                              | 10,002,524     | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Reserves                                   | 2,643,483      | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Unappropriated profit                      | 1,163,269      | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
| Surplus/(deficit) on revaluation of assets | (2,104,692)    | -                | -                 | -                       | -                  | -                  | -                  | -                  | -                       | -                 | -                 | -                 | -            |
|  | 11,704,584     | 29,520,683       | (7,655,928)       | (1,928,414)             | 3,722,324          | (34,950,056)       | (16,732,724)       | (340,605)          | (1,992,343)             | (6,986,290)       | 1,295,467         | 36,928,380        | 30,229,109   |

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

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

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

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

2018

|  | Rupees in '000 |              |                    |                    |                         |                   |                   |                   |                    |                |
|--|----------------|--------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|
|  | Total          | Upto 1 Month | Over 1 to 3 Months | Over 3 to 6 Months | Over 6 Months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 Years | Above 10 Years |
| <b>Assets</b>                              |                |              |                    |                    |                         |                   |                   |                   |                    |                |
| Cash and balances with treasury banks      | 12,351,453     | 12,351,453   | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Balances with other banks                  | 3,705,360      | 3,705,360    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Lending to financial institutions          | 7,695,642      | 7,695,642    | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Investments                                | 94,233,239     | 7,715,186    | 13,300,144         | 4,299,577          | 7,804,158               | 2,243,929         | 16,047,834        | 25,559,632        | 14,662,779         | 2,600,000      |
| Advances                                   | 95,011,903     | 11,123,450   | 10,608,639         | 2,899,040          | 24,910,314              | 1,152,868         | 1,185,313         | 22,647,864        | 19,328,902         | 1,155,513      |
| Fixed assets                               | 2,216,422      | -            | -                  | -                  | 276,872                 | -                 | 134,923           | 178,209           | 80,957             | 1,545,461      |
| Intangible assets                          | 78,850         | -            | -                  | -                  | -                       | -                 | 78,850            | -                 | -                  | -              |
| Deferred tax assets                        | 1,757,451      | -            | -                  | -                  | -                       | 1,757,451         | -                 | -                 | -                  | -              |
| Other assets                               | 6,044,663      | 5,124,125    | 178,221            | 412,176            | 318,500                 | 11,641            | -                 | -                 | -                  | -              |
|  | 223,094,983    | 47,715,216   | 24,087,004         | 7,610,793          | 33,032,972              | 5,442,761         | 17,446,920        | 48,385,705        | 34,072,638         | 5,300,974      |
| <b>Liabilities</b>                         |                |              |                    |                    |                         |                   |                   |                   |                    |                |
| Bills payable                              | 895,126        | 895,126      | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Borrowings                                 | 34,842,114     | 26,870,014   | 4,430,929          | 2,291,900          | -                       | -                 | -                 | 40,000            | 1,205,271          | -              |
| Deposits and other accounts                | 171,167,556    | 57,498,376   | 55,706,838         | 40,188,983         | 13,437,831              | 633,868           | 568,306           | 2,274,630         | 408,724            | 450,000        |
| Other liabilities                          | 4,485,603      | 4,117,624    | 367,979            | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Net assets                                 | 211,390,399    | 89,381,140   | 60,505,746         | 42,480,883         | 13,437,831              | 633,868           | 568,306           | 2,314,630         | 1,617,995          | 450,000        |
|  | 11,704,584     | (41,665,924) | (36,418,742)       | (34,870,090)       | 19,595,141              | 4,808,893         | 16,878,614        | 46,071,075        | 32,454,643         | 4,850,974      |
| Share capital                              | 10,002,524     | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Reserves                                   | 2,643,483      | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Unappropriated profit                      | 1,163,269      | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
| Surplus/(Deficit) on revaluation of assets | (2,104,692)    | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |
|  | 11,704,584     | -            | -                  | -                  | -                       | -                 | -                 | -                 | -                  | -              |

#### 42.5 Derivative risk

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

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

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

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

#### Credit Risk:

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



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

### Market Risk:

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

### Operational Risk:

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

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

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

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

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

### 44 EVENTS AFTER THE REPORTING DATE

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

### 45 GENERAL

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

### 46 DATE OF AUTHORIZATION FOR ISSUE

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



Managing Director



Chief Financial Officer



Director



Director



Director

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

Annexure - I

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

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

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

\*\* Cost of Fund.

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

Annexure - II

**ISLAMIC BANKING BUSINESS**

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

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

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

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

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

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

|   | 2019              |                     | 2018              |                     | Total      | In foreign currency | In local currency | Total | In foreign currency | In local currency | Total      |
|---|-------------------|---------------------|-------------------|---------------------|------------|---------------------|-------------------|-------|---------------------|-------------------|------------|
|   | In local currency | In foreign currency | In local currency | In foreign currency |            |                     |                   |       |                     |                   |            |
| <b>1 Due from financial institutions</b>                |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| Call lendings   | 2,000,000         | -                   | 2,000,000         | -                   | 2,000,000  | -                   | 2,000,000         | -     | -                   | -                 | 2,000,000  |
| Bai muajjal receivable from State Bank of Pakistan      | 2,831,347         | -                   | 2,831,347         | -                   | 2,831,347  | -                   | 2,831,347         | -     | -                   | -                 | 2,831,347  |
|   | 4,831,347         | -                   | 4,831,347         | -                   | 4,831,347  | -                   | 4,831,347         | -     | -                   | -                 | 4,831,347  |
|   |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| <b>2 Investments by segments:</b>                       |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
|   |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| <b>Federal Government Securities:</b>                   |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| -GoP Ijarah Sukuks                                      | 1,500,000         | -                   | -                 | -                   | 6,250,032  | -                   | 6,250,032         | -     | -                   | -                 | 6,250,032  |
| -Bai Muajjal  | 6,388,711         | -                   | -                 | -                   | 6,388,711  | -                   | 6,388,711         | -     | -                   | -                 | 6,388,711  |
| <b>Other non-government debt securities</b>             |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| -Power / gas and other Sukuks                           | 3,728,455         | -                   | -                 | -                   | 4,358,030  | -                   | 4,358,030         | -     | -                   | -                 | 4,358,030  |
|   | 11,617,166        | -                   | (15,000)          | -                   | 11,602,166 | -                   | 10,608,062        | -     | (34,432)            | -                 | 10,573,630 |
| <b>3 Islamic financing and related assets</b>           |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| Ijarah  |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| Murabaha  |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| Diminishing Musharaka                                   |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| Running Musharaka                                       |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| Qarz e Hasna  |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| Istisna   |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| <b>Gross Islamic financing and related assets</b>       |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| <b>Less: provision against Islamic financings</b>       |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| - Specific  |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| - General   |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |
| Islamic financing and related assets - net of provision |                   |                     |                   |                     |            |                     |                   |       |                     |                   |            |



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

### 3.1.2 Net investment in Ijarah under finance method

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

### 3.2 Murabaha

Murabaha financing  
Advances for Murabaha

### 3.2.1 Murabaha receivable - gross

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

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

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

### 3.2.3 Murabaha sale price

Murabaha purchase price

### 3.2.4 Deferred murabaha income

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

### 3.3 Istisna

Advance against Istisna  
Istisna Inventory  
Istisna sales receivable

|  | Rupees in '000   |                  |
|--|------------------|------------------|
|  | 2019             | 2018             |
| <b>Murabaha</b>  | <b>2,755,468</b> | <b>2,946,872</b> |
| Murabaha financing   | 514,639          | 321,441          |
| Advances for Murabaha  | 3,270,107        | 3,268,313        |
| <b>3.2.1 Murabaha receivable - gross</b>                                       | <b>2,755,468</b> | <b>2,946,872</b> |
| Less: Deferred Murabaha income   | 134,309          | 117,499          |
| Profit receivable shown in other assets  | 4,286            | 18,997           |
| Murabaha financings  | 2,625,445        | 2,848,370        |
| <b>3.2.2 The movement in Murabaha financing during the year is as follows:</b> |                  |                  |
| Opening balance  | 2,946,872        | 2,807,182        |
| Sales during the year  | 5,661,873        | 6,481,991        |
| Adjusted during the year   | 5,853,277        | 6,342,301        |
| Closing balance  | 2,755,468        | 2,946,872        |
| <b>3.2.3 Murabaha sale price</b>   | <b>5,661,873</b> | <b>6,481,991</b> |
| Murabaha purchase price  | 5,306,014        | 6,163,688        |
| <b>3.2.4 Deferred murabaha income</b>  | <b>355,859</b>   | <b>318,303</b>   |
| Opening balance  | 117,498          | 85,888           |
| Arising during the year  | 355,870          | 318,303          |
| Less: Recognized during the year   | 339,059          | 286,692          |
| Closing balance  | 134,309          | 117,499          |
| <b>3.3 Istisna</b>   |                  |                  |
| Advance against Istisna  | 4,061,792        | 3,149,993        |
| Istisna Inventory  | 350,000          | 50,000           |
| Istisna sales receivable   | 200,000          | 650,000          |
| <b>Total</b>   | <b>4,611,792</b> | <b>3,849,993</b> |

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

### 4 Deposits

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

#### 4.1 Composition of deposits

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

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

### 5 Other liabilities

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

#### 5.1 Charity fund

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

### 6 Islamic banking business unappropriated profit

|  |           |           |
|--|-----------|-----------|
| Opening balance                          | 4,598,387 | 4,094,931 |
| Add: Islamic banking profit for the year | 2,355,848 | 825,338   |
| Less: Taxation                           | (921,118) | (321,882) |
| Closing balance                          | 6,033,117 | 4,598,387 |

### 7 Contingencies and commitments

|              |           |           |
|--------------|-----------|-----------|
| -Guarantees  | 5,270,767 | 4,608,139 |
| -Commitments | 1,028,102 | 1,500,966 |
|              | 6,298,869 | 6,109,105 |



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

### 8 Profit/return earned of financing, investments and placement

|                            | Note | 2019             | 2018             |
|----------------------------|------|------------------|------------------|
| ----- Rupees in '000 ----- |      |                  |                  |
| <b>Profit earned on:</b>   |      |                  |                  |
| Financing                  |      | 4,800,688        | 2,611,388        |
| Investments                |      | 1,369,854        | 714,802          |
| Placements                 |      | 420,895          | 28,232           |
|                            |      | <u>6,591,437</u> | <u>3,354,422</u> |

### 9 Profit on deposits and other dues expensed

|                               |  |                  |                  |
|-------------------------------|--|------------------|------------------|
| Deposits and other accounts   |  | 2,104,426        | 729,516          |
| Due to Financial Institutions |  | 735,161          | 501,556          |
|                               |  | <u>2,839,587</u> | <u>1,231,072</u> |

### 10 Pool management

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

#### General pool

##### Sub-pools

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

#### Features of general pool

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

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

#### Features of sub-pools

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

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

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

#### Key features

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

#### Risks of the special sub - pools

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

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

### Profit sharing and weightages for distribution of profit

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

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

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

Weightages are declared five days before start of each month.

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

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

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

### Charging expenses

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

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

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

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

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

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

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

**Annexure - III**

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

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

**PATTERN OF SHAREHOLDING**  
AS ON 31 DECEMBER 2019

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

## CATEGORY OF SHAREHOLDERS AS ON 31 DECEMBER 2019

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

### Shareholding of Directors, CEO & Children

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

### Shareholding of Banks, DFI & NBFi

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

### Shareholding of Insurance Companies

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

### Major Shareholders

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

## COMPLETE LIST OF BRANCHES AS ON 31 DECEMBER 2019

### Khyber Pakhtunkhwa (110 Branches)

| S.No | Branch Name                     | Complete Address of Branches   | Br. Code | Branch Mode  | Phone Number     | Fax Number    |
|------|---------------------------------|--|----------|--------------|------------------|---------------|
| 1    | Abbottabad, Jinnah Road         | Jinnah Road, Abbottabad  | 0113     | Islamic      | (0992)341431,    | (0992)341430  |
| 2    | Abbottabad, Mansehra Road       | 934-A, Mansehra Road, Abbottabad.  | 0043     | Conventional | (0992)331913,    | (0992)331916  |
| 3    | Achini Payan Ring Road Peshawar | Muhammad Arcade, Achini Payan, Ring Road Near Hayatabad. Peshawar                              | 0166     | Islamic      | (091) 5622545    | (091) 5811320 |
| 4    | Ashraf Road                     | Ashraf Road, Peshawar City   | 0025     | Conventional | (091)2553007     | (091)2552497  |
| 5    | Bank Square Mingora             | Shop No.1, Bank Square, Main Bazar, Mingora, Swat  | 0132     | Islamic      | (0946)9240460    | (0946)9240461 |
| 6    | Bannu                           | Old GTS Chowk,Gowshala Road Bannu  | 0103     | Islamic      | (0928) 612202    | (0928)621429  |
| 7    | Barawal Banda                   | Al- Madina Market, Shahi Road, Main Bazar Barawal Bandi, Upper Dir                             | 0184     | Islamic      | 0944-830019      | 0944-830021   |
| 8    | Barikot Swat                    | Khasra No.1333, Iqbal Khan Plaza, Pir Baba Road, Barikot, Swat.                                | 0157     | Islamic      | (0946) 751781    | (0946) 751783 |
| 9    | Batkhela                        | Main Bazar Batkhela  | 0108     | Islamic      | (0932)-414851-3  | (0932)-414854 |
| 10   | Battagram                       | Hafsa medical complex Shakra-e -Rasham, Opposite Alfalah Bank Battagram.                       | 0134     | Islamic      | (0997)310155     | (0997)310156  |
| 11   | Chakdara, Lower Dir             | Shop No.1 to 10, Zaman Market, Adjacent UBL & NBP, Main Bazaar, Chakdara, Lower Dir.           | 0149     | Islamic      | (0945)762532     | (0945)762534  |
| 12   | Chamkani                        | Khasra No. 156 & 157, Honey Market, Hidayatabad, Chamkani Peshawar.                            | 0084     | Conventional | (091) 2604922    |               |
| 13   | Charbagh Swat                   | Saad Tower, Main Bazar Charbagh, Tehsil and District Swat                                      | 0181     | Islamic      | 0946-730493      | 0946-730945   |
| 14   | Charsadda                       | Main Bazar, Mardan Road, Charsadda   | 0111     | Islamic      | (091)9220100-1   | (091)9220102  |
| 15   | Charsadda Road Peshawar         | KhasraNo.1615/832 Adjacent Khayali CNG Station, Shero Jhangi, Charsadda Road, Peshawar.        | 0074     | Conventional | (091)2246684     | (091)2246683  |
| 16   | Chew Bazar Chitral              | Shop No. 1-4, Qazafi Market, Chew Bazar, Chitral.  | 0137     | Islamic      | (0943)414571     | (091)414573   |
| 17   | Chitral                         | Ataleeq Bazar, Chitral   | 0011     | Conventional | (0943)414567     | (0943)412220  |
| 18   | City Branch (Asamai Gate)       | Tariq Sultan Building, LRH Hospital Road, Peshawar   | 0119     | Islamic      | (091)2561511-13  | (091) 2561511 |
| 19   | Civil Secretariat               | Police Lines Road, Peshawar  | 0015     | Conventional | (091)9211710     | (091)9212680  |
| 20   | D.I. Khan                       | Circular Road, D.I.Khan  | 0004     | Conventional | (0966)718098     | (0966)718099  |
| 21   | D.I. Khan - Tank Adda           | Tank Adda, D.I.Khan  | 0129     | Islamic      | (0966)850724     | (0966)850727  |
| 22   | D.I. Khan Road Bannu            | University Plaza, D.I.Khan Road, Bannu   | 0075     | Conventional | (0928)611172     | (0928)611174  |
| 23   | D.I.Khan, Sheikh Yousaf Adda    | Khasra No.1007/529, Sheikh Yousaf Adda, Opposite punjab College, Bannu Road D.I.Khan           | 0087     | Conventional | 0966-740316      | 0966-740318   |
| 24   | Dalazak Road                    | Nawaz Plaza, Taxation No. 4988 to 5008, Ground Floor, Dalazak Road, Peshwar.                   | 0073     | Conventional | (091)2608216     | (091) 2608218 |
| 25   | Dara Adam Khel                  | Ground Floor, Nawab Shah Plaza Dara Bazaar Mohammad Khel Zarghar Dara Adam Khel..              | 0175     | Islamic      | 0922-811666      | 0922-811333   |
| 26   | Dargai                          | Main Bazar, Dargai.  | 0136     | Islamic      | (0932) 331447    | (0932) 331449 |
| 27   | Darosh Chitral                  | Main Darosh Bazar, Zero Point Chitral  | 0086     | Conventional | 0943-480261      | 0943-480264   |
| 28   | Garrison Park                   | Shop No. 6-10, Garrison Park, Shami Road, Peshawar.  | 0068     | Conventional | (091)5270270-71  | (091)5613913  |
| 29   | GT Road                         | Ground Floor, Afandi Tower, Bilal Town, G.T. Road, Peshawar.                                   | 0010     | Conventional | (091)2263414     | (091)2263411  |
| 30   | Gul Bahar Peshawar              | Plot No.4-A & 4-8, Sameer Square, Anam Sanam Chowk, Gulbahar Road, Hussaianabad, Peshawar.     | 0156     | Islamic      | (091)2606391     | (091)2606392  |
| 31   | Hangu                           | Opposite DCO Office, Main Bazar, Kohat Road, Hangu   | 0107     | Islamic      | (0925) 621744    | (0925)623744  |
| 32   | Haripur                         | Shakra-i-Hazara, Haripur   | 0019     | Conventional | (0995) 610728    | (0995)611285  |
| 33   | Hattar                          | Khurshid Plaza, Industrial Estate Hattar, Distt. Haripur                                       | 0014     | Conventional | (0995) 617231    | (0995)617631  |
| 34   | Havelian                        | Property #4242, Bank Square, Haveline  | 0040     | Conventional | (0992) 810733    | (0992) 810736 |
| 35   | Hayatabad Medical Complex       | Hayatabad Medical Complex, (HMC) Phase-IV, Hayatabad, Peshawar                                 | 185      | Islamic      | 091-5811941      | 091-5811943   |
| 36   | Hayatabad Phase 3 Chowk         | Shop No.2, Saif Shopping Mall Phase III, Hayatabad Chowk Main Jamrud Peshawar                  | 0128     | Islamic      | (091)5853283     | (091)5853285  |
| 37   | High Court Branch Peshawar      | Peshawar High Court, Adjacent to KPK, Provincial Assembly, Jail Road, Peshawar.                | 0048     | Conventional | (091)5274368     | (091)5274168  |
| 38   | IBB Ghalani                     | Opposite Civil Colony Ghalani, District Mohmand  | 0153     | Islamic      | (0924) 290280    |               |
| 39   | IBB Kalaya                      | Sub Divisional Head Quarters Compound, Kalaya, District Orakzai                                | 0171     | Islamic      | (0925) 650009    |               |
| 40   | IBB WANA                        | South Waziristan Scouts Camp Wana, District South Waziristan                                   | 0152     | Islamic      | (0965) 210006    |               |
| 41   | Jamrud                          | Main Bazaar, (Next to Caltex Petrol Station), Jamrud, Khyber Agency.                           | 0125     | Islamic      | (091)5830147     | (091)5830149  |
| 42   | Jehangira                       | Ground & 1st Floor, Behram Khan Centre, G.T Road, Jhangera, (District Nowshera).               | 0151     | Islamic      | (0923)510056     | (0923)510045  |
| 43   | Judicial Complex, Haripur       | Judicial Complex, District Courts, GT Road , Opposite Post Graduate College for boys, Haripur. | 0097     | Conventional | (0995) 321198-99 |               |
| 44   | Kabal Swat                      | Khasra No. 2271, Ground Floor, Wahab Market, Kabal Mingora Road, Swat.                         | 0170     | Islamic      | (0946) 755471    | (0946) 755472 |
| 45   | Karak                           | Khasra No. 1327/1364, Mian Muqadess Gul Market, Main Bazar, Near NBP, Karak.                   | 0049     | Conventional | (0927) 211810-12 | (0927) 211813 |
| 46   | Karkhano Hayatabad              | Royal Plaza, Hayatabad, Bara Market, Jamrud Road, Peshawar.                                    | 0101     | Islamic      | (091) 5823711    | (091)5815194  |

## COMPLETE LIST OF BRANCHES AS ON 31 DECEMBER 2019

|    |  |  |      |              |                  |                |
|----|--|--|------|--------------|------------------|----------------|
| 47 | Katlang Branch Mardan                    | Inteqal No. 5038, Imam Shah Market, Main Bazar Katlang, Mardan   | 0081 | Conventional | (0937) 576005    | (0937) 576004  |
| 48 | Khar Bajaur                              | Abid City Centre, Ground Floor, Lt. Sajjad Khan Shaheed Bypass Road, Khar Bazaar Bajaur Agency.                          | 0163 | Islamic      | (0942)221263     | (0942)221266   |
| 49 | Khwaza Khela                             | Irfan Plaza, Main Bazaar, Khwaza Khela, Swat.  | 0143 | Islamic      | (0946)744661-64  | (0945)744662   |
| 50 | Khyber Bazar                             | Balagh Hotel Khyber Bazar Peshawar   | 0016 | Conventional | (091) 2568782    | (091)2211170   |
| 51 | Kohat                                    | Cantonment Plaza, Bannu Road, Kohat  | 0003 | Conventional | (0922) 9260146   | (0922)9260156  |
| 52 | Kohat Road, Peshawar                     | Marjan Hotel, Mauza Kotla Mohsin Khan, Kohat Road, Peshawar  | 0092 | Conventional | 091-2323696      | 091-2324671    |
| 53 | KTH Peshawar                             | Khyber Teaching Hospital, University Road, Peshawar  | 0121 | Islamic      | (091) 9224220,   | (091) 9224220  |
| 54 | Kumbar                                   | City Market, Main Road, Kambur, Lower Dir.   | 0144 | Islamic      | (0945)885322     | (0945)886322   |
| 55 | Kuza Bandai, Swat                        | Hamas Khan Market, Matta Road, Kuza Bandai, Tehsil Kabal, Swat   | 0093 | Conventional | 0946-880411      | 0946-880445    |
| 56 | Lakki Marwat                             | Shop No. 1 , Haji Jan Khan Market, Lakki City,Lakki Marwat   | 0173 | Islamic      | 0969-510059      | 0969-511059    |
| 57 | Lundkhwar                                | Ramora, Lundkhwar, Tehsil Takhtbhai, District Mardan   | 0089 | Conventional | 0937-850131      | 0937-850133    |
| 58 | Main Bazar Kohat                         | Shop No. T-147, T-148, Main Bazar, Kohat.  | 0138 | Islamic      | (0922) 522013-14 | (0922) 522015  |
| 59 | Main Corporate Branch                    | Shop No.1 to 6 (Ground Floor) and Office No.1 to 3(First Floor) Olympic Plaza Qayyum Stadium, Bara Road, Peshawar Cantt. | 0001 | Conventional | (091) 5278284    | (091)5279791   |
| 60 | Mall Road Peshawar                       | Office No.1, Ground Floor, Khanis Plaza, The Mall Road, Peshawar Cantt.  | 0172 | Islamic      | 091-5284212      | 091-5284213    |
| 61 | Manki Sharif                             | Malak Jameen Market,Soorya Khel, Manki Sharil, Teh & Dist Nowshera.  | 0162 | Islamic      | (0923)626071     | (0923)626073   |
| 62 | Mansehra                                 | Opposite GTS Stand, Abbottabad Road, Mansehra City, Mansehra   | 0117 | Islamic      | (0997) 920181    | (0997) 920182  |
| 63 | Mardan                                   | Ground floor, Chamber House, Aiwan-e- Sanat-o-Tijrat Road, College Chowk, Mardan   | 0007 | Conventional | (0937)9230505    | (0937)9230606  |
| 64 | Mardan Bypass                            | Sharif Khan Plaza, New Charsadda Chowk, railway Phattak, Sugar Mill By pass Road Mardan                                  | 0179 | Islamic      | 0937-845696      | 0937-845699    |
| 65 | Mardan Cantt                             | Shop # 4 to 8 Lower Ground and Ground Floor, Mardan City Center Plaza, Qazi Bashir Road, Mardan Cantt                    | 0139 | Islamic      | (0937) 870823    | (0937) 870826  |
| 66 | Matta Swat                               | Malak Tahir Market, Mouza Main Bazar, Matta, Mingora Swat.   | 0164 | Islamic      | (0946) 790840    | (0946) 790842  |
| 67 | Mingora                                  | Sultan Plaza, adjacent to NBP Main Branch, Saidu Sharif Road, Gul Kada, Mingora, Swat.                                   | 0012 | Conventional | (0946) 9240045-7 | (0946)9240046  |
| 68 | Miran Shah                               | Syed Gul Market, Main Bannu-Miran Shah Road, Miran Shah, District North Waziristan                                       | 0141 | Islamic      | 0300-5839362     |                |
| 69 | Munda Lower Dir                          | Ground Floor, habib Jan Market Adjacent Tehsildar Office Munda. Munda Lower Dir  | 0169 | Islamic      | (0945)-830345    | (0945)-830347  |
| 70 | Nasir Bagh                               | Police Employees Co-Housing Society, Nasir Bagh Road, Peshawar   | 0096 | Conventional | 0333-9218330     |                |
| 71 | Nowshera                                 | Saad Plaza, Saddar Bazar, Nowshera   | 0104 | Islamic      | (0923) 9220035   | (0923)613530   |
| 72 | Pabbi GT Road                            | Ajun Market, G.T. Road, Pabbi, (District Nowshera).  | 0159 | Islamic      | (0923)527071     | (0923)527079   |
| 73 | Parachinar                               | Shop no.1 to 5, Ground Floor, Haji Safdar Market School Road, Parachinar.  | 0076 | Conventional | (0926) 312272-74 | (0926) 312275  |
| 74 | Peepal Mandi, Chowk Nasir Khan, Peshawar | Al-Rehmat Plaza, Grolnd Floor, Peepal Mandi, Chowk Nasir Khan, Peshawar.   | 0154 | Islamic      | (091) 2592015    | (091)2592014   |
| 75 | Phase V Hayatabad                        | Ground floor BOK Training Center, Phase V Hayatabad Peshawar   | 0083 | Conventional | (091) 5814820    | -              |
| 76 | Puran Shangla                            | Khasra No. 227 , Aluch Bazaar, Tehsil Puran, District Shangla.   | 0174 | Islamic      | 0996-853026      | -              |
| 77 | Rashakai Nowshera                        | Deed No.142/1, Main Bazar, Rashakai Nowshera   | 0182 | Islamic      | 0937-880369      | -              |
| 78 | Ring Road, Peshawar                      | Ground Floor, Arbab Market, Garhi Qamar Din, Near Mujaddad CNG Station, North Side Ring Road, Peshawar.                  | 0155 | Islamic      | (091) 2322815    | (091)2322715   |
| 79 | Rustam Mardan                            | Main Bazar Rustam, Mardan  | 0183 | Islamic      | 0937-801909      | -              |
| 80 | Sadda Bazar, Kurram District             | Bangash market, Main Bazar Sadda, Tehsil Lower kurram, District Kurram Agency  | 0091 | Conventional | 0926-520424      | 0926-520426    |
| 81 | Saddar Road                              | Shop No.9,10 & 11, at Super Market, Adjacent State bank of Pakistan, Saddar Road, Peshawar.                              | 0013 | Conventional | (091) 5276485    | (091)5277278   |
| 82 | Sakhakot                                 | Noor Market, Main Malakand Road, Sakhakot, District Malakand.  | 0176 | Islamic      | (0932) 311410    | ((0932) 311413 |
| 83 | Saleh Khana                              | Khasra No. 169 & 183 Main Bazar, Moza Saleh Khana, Tehsil Pabbi.   | 0147 | Islamic      | (0923) 651094-95 | (0923) 651091  |
| 84 | Sarai Naurang                            | Khasra No. 438, (Sahibzada Kabir Plaza), G.T. Road, Sarai Naurang, Lakki Marwat  | 0127 | Islamic      | (0969)352963     | (0969)352964   |
| 85 | Sardheri, Charsadda                      | Maroof Khel, Sardheri Bazar, Tehsil & District Charsadda   | 0088 | Conventional | 091-6644001      | 091-6644003    |
| 86 | Shabqadar                                | Khasra No.424411,59-162, Opposite Shabqadar Fort Gate, Shabqadar   | 0145 | Islamic      | (091) 6281101-02 | (091) 6289333  |
| 87 | Shahrah-e-Resham Mansehra                | Pakhwal Chowk, Opposite Grid Station,Shahra-e-Resham, Mansehra   | 0122 | Islamic      | (0997)303272     | (0997) 303271  |
| 88 | Shangla- Besham Road                     | Khasra No. 1283, 84 & 86, Munir Plaza, Adjacent MCB, Besham Road, Alpuri Shangla   | 0160 | Islamic      | (0996) 850140    | (0996) 850142  |
| 89 | Sheikh Maltoon Town                      | Shop No.25,26,27,28,29 and 31, Commercial Plaza, Sector E Sheikh Maltoon Town, Mardan.                                   | 0079 | Conventional | (0937) 8431111   | (0937) 843225  |
| 90 | Shergarh                                 | Ground Floor, Asghar Khan Market, Main Bazar Shergarh, Mardan .  | 0080 | Conventional | (0937) 820271-74 | (0937) 820437  |
| 91 | Sherkot Kohat                            | Khasra No. 315 Mujahid & Brothers Market Sherkot Tehsil and District Kohat.  | 0082 | Conventional | (0922) 580111    | -              |
| 92 | Shewa Adda- Swabi                        | Office no.1, Ground Floor, Sardar Khan Malak Plaza, Mardan Sawabi Road, Shewa Adda, Swabi                                | 0168 | Islamic      | (0938) 310703    | (0938) 310705  |

## COMPLETE LIST OF BRANCHES AS ON 31 DECEMBER 2019

| S.no | Branch Name              | Complete Address of Branches   | Br. Code | Branch Mode  | Phone Number     | Fax Number    |
|------|--------------------------|--|----------|--------------|------------------|---------------|
| 93   | Sowari Buner             | Nisar Market, Pir Baba Road, Swari Buner   | 0131     | Islamic      | (0939)555279     | (0939)555229  |
| 94   | Swabi Branch             | Jamil Khan Market Mardan Road, Swabi   | 0118     | Islamic      | (0938)222513     | (0938) 222512 |
| 95   | Takht Bhai               | Khasra No. 785, Shaukat Mansion, Ground & 1st Floor, Opposite Takht Bhai Mege Mart, Takht Bhai | 0150     | Islamic      | (0937)553682-84  | (0937)553683  |
| 96   | Tangi- Charsadda         | Khasra No.1633, Malak Plaza, Shabqadar Road, Tangi District Charsadda.                         | 0158     | Islamic      | (091)6555527     | (091)6555529  |
| 97   | Tank                     | Adda Bazar, Tank   | 0106     | Islamic      | (0963) 510068    | (0963) 510400 |
| 98   | Tehkal Payan             | Tehkal Payan, Main university Road near Shah CNG   | 0178     | Islamic      | 091-5621222      | 091-5621220   |
| 99   | Thall                    | Al-Murtaza Market, Bannu Chowk, Main Bazar, Thall District Hangu                               | 0130     | Islamic      | (0925) 510741    | (0925)510740  |
| 100  | Timergarah               | Shaheed Plaza, Ground Floor, Alamzeb Shaheed Chowk, Timergara                                  | 0105     | Islamic      | (0945)824290     | (0945)822690  |
| 101  | Topi- Swabi              | Sher Khan Market, Main Bazar, Tarbela Road, Topi, Distt Swabi.                                 | 0135     | Islamic      | (0938) 271546    | (0938) 271547 |
| 102  | Tordher Swabi            | Khasra no.1751, Main Swabi Jehangira Road , Matani Changan Tordher Swabi                       | 0085     | Conventional | 0938-537116      | 0938-537119   |
| 103  | Torghar                  | Quarter No.I, District Head Quarter Torghar Judba , District Torghar, KPK.                     | 0165     | Islamic      | (0997)209705     | -             |
| 104  | Torkham- Khyber District | Ground Floor, Masoom Building, near PTDC and Tehsildar Office, Peshawar Torkham road, Torkham. | 0167     | Islamic      | (0924) 240046    | (0924) 240045 |
| 105  | Umerzai - Charsadda      | Khasra No.4011/3485 and 4012/3486, Major Saeed Khan Market, Main Bazaar Umarzai.               | 0078     | Conventional | (0916) 952506    | (0916) 952531 |
| 106  | University Road          | Ghafar Plaza, Near Shiraz Restaurant, University Road, Peshawar                                | 0002     | Conventional | (091) 5701741    | (091)5701742  |
| 107  | Upper Dir                | Main Bazaar, Upper Dir.  | 0126     | Islamic      | (0944)890021     | (0944)890022  |
| 108  | Wari (Upper Dir)         | Ittehad Plaza, Lower Basement and Ground Floor, Wari Bazaar, Dir Chitral Road, Upper Dir.      | 0161     | Islamic      | (0944)841511     | (0944)841711  |
| 109  | Warsak Road              | Khasra No. 6184/2893, Shop No.1, Sabir Business Center, Warsak Road, Peshawar.                 | 0066     | Conventional | (091) 5201303    | (091) 5201341 |
| 110  | Yar Hussain              | Akbar Building, Intiqal No. 3422, Main Bazar, Yar Hussain, Swabi.                              | 0077     | Conventional | (0938) 460027-28 | (0938) 460029 |

### Province Sindh (12 Branches)

|     |                                |   |      |              |                         |              |     |
|-----|--------------------------------|---|------|--------------|-------------------------|--------------|-----|
| 111 | Hyderabad Branch               | Plot No.41/444,445,446,447,448 & 449, Main Bohri Bazar, Near Blair Hospital, Saddar Cantt., Hyderabad.  | 0047 | Conventional | 022-2731200, 2731209-10 | 022-2731211  | Yes |
| 112 | Karachi, Bahadurabad           | Shop No.4 & Flat No.2, Survey No.SNCC/30, Qazi Court, Karachi Cooperative Housing Society, Bahadurabad, Karachi   | 0067 | Conventional | 021-34946751-2-4-5      | 021-34946753 | Yes |
| 113 | Karachi, Clifton Branch        | Shop No.7,8 & 9 Plot # G-10, Garnet Centre, Block-8, Main Road, KDA Scheme # 5, Clifton Cantonment, Karachi   | 0046 | Conventional | 021-35296291-98         | 021-35296291 | Yes |
| 114 | Karachi, DHA, Phase-II         | Plot No.69-C, 11th Commercial Building, DHA, Phase II, Karachi  | 0063 | Conventional | 021-35890171-4          | 021-35890175 | Yes |
| 115 | Karachi, Metroville            | KDA Scheme, Project No.1, Metroville, SITE, Karachi.  | 0123 | Islamic      | 0213-6754233-4          | 021-36754236 | Yes |
| 116 | Karachi, Shahrah-e-Faisal      | Ebrahim Alibhai Tower, Shop No.02, Plot No.03, Block-7/8 Modern Cooperative Housing Society (MCHS), Shahrah-e-Faisal, Karachi   | 0024 | Conventional | 0213-4389037-8          | 021-34389039 | Yes |
| 117 | Karachi, Shireen Jinnah Colony | Block-1, Clifton, Shireen Jinnah Colony Karachi   | 0034 | Conventional | 0213-5873264-5          | 021-35873267 | Yes |
| 118 | Karachi, SITE                  | B-78, Allied Plaza Estate Avenue, S.I.T.E , Karachi   | 0109 | Islamic      | 0213-2565102 & 4        | 021-32565105 | Yes |
| 119 | Karachi, Sohrah Goth           | Shops No.A-7/A, A-7/B, A-8/A, A-8/B, Ground Floor, Block "A" Plot No.1-B-2, Sub Plot No.1-A, A1 Azam Plaza Scheme 33, Sohrah Goth, Super Market, Main Super Highway Karachi | 0110 | Islamic      | 021-36830070 & 2        | 021-36830067 | Yes |
| 120 | Karachi, Stock Exchange Branch | 1 <sup>st</sup> Floor, Karachi Stock Exchange, Karachi  | 0036 | Conventional | 021-32465804 & 7        | 021-32465805 |     |
| 121 | Sukkur                         | Property No.D-986, D-987, D-971, Hussaini Road, Sukkur  | 0058 | Conventional | 071-5617057-8-9         | 071-5617056  | Yes |
| 122 | Karachi, Napier Road           | Shop No.07 & Office No.117, Yousuf Trader Centre, Plot No.26, SR-7, Ground & 1st Floor, Napier Road, Karachi  | 0072 | Conventional | 021-32601371-72-74-75   | 021-32601373 | Yes |

### Province Punjab (34 Branches)

|     |                          |  |      |              |                           |                     |     |
|-----|--------------------------|--|------|--------------|---------------------------|---------------------|-----|
| 123 | Attock City              | Plot No.178, Block-Y, DHA, Lahore Cantt.   | 0065 | Conventional | 057-2602378-9             | 057-2701378         | Yes |
| 124 | Bahawalpur               | Plot No.811, Block C, Faysal Town, Lahore  | 0050 | Conventional | 062-2887533, 2887532      | 062-2887532         | Yes |
| 125 | Chiniot                  | Block -R-1, M.A. Johar Town, Lahore  | 0044 | Conventional | 047-6333394-6             | 047-6333397         | Yes |
| 126 | D.G. Khan                | Gulberg-III, M.M. Alam Road, Lahore  | 0056 | Conventional | 0642-470871-4             | 0642-470875         | Yes |
| 127 | Faisalabad, Kotwali Road | Property No.82-84, Amarpak Building, Main Ravi Road, Lahore                            | 0116 | Islamic      | 041-2412116-7-8           | 041-2412120         | Yes |
| 128 | Faisalabad, Sosaan Road  | Shop #E/36, Alamgir Market, Inside Shah Alam Gate, Lahore.                             | 0038 | Conventional | 041-8556200-1-2           | 041-8556203         | Yes |
| 129 | Gujran Khan              | Property No.17/24, Shadab Market, G.T. Road, Mian Channu, District Khanewal            | 0062 | Conventional | 051-3511822-3             | 051-3511824         | Yes |
| 130 | Gujranwala, G.T. Road    | Lower Ground, Khan Centre, Main Market, Abdali Road Multan Cantt.                      | 0039 | Conventional | 055-3730917-8             | 055-3730918         | Yes |
| 131 | Gujrat, G. T. Road       | Plot No.12-B & 13-B, Haq Nawaz Plaza, Main Gate Shah Shams Colony, Vehari Road, Multan | 0037 | Conventional | 053-3525555, 3530380      | 0533-520370, 530390 | Yes |
| 132 | Jhelum                   | Ground Floor & 1st Floor, Iftikhar Children Hospital, M.A. Jinnah Road, Okara          | 0042 | Conventional | 0544-9270164 & 6          | 0544-9270165        | Yes |
| 133 | Khanewal                 | Plot No.15, Opposite Town Hall, Model Town, Rahim Yar Khan                             | 0060 | Conventional | 065-2556431-2             | 065-2556433         | Yes |
| 134 | Lahore, New Gardan Town. | No.A/308- Jinnah Road (City Saddar Road) Rawalpindi                                    | 0114 | Islamic      | 042-36304873, 36367407    | 042-36307079        | Yes |
| 135 | Lahore, DHA              | Adam Jee Road, Saddar, Rawalapindi   | 0052 | Conventional | 042-35741073 & 5          | 042-35741077        | Yes |
| 136 | Lahore, Faysal Town      | Shop No.10, Masood Plaza, Bank Road, Sadiqabad   | 0057 | Conventional | 042- 35160472, 35160474-8 | 042-35160473        | Yes |
| 137 | Lahore, Johar Town       | 272/B-2 High Street, Sahiwal.  | 0031 | Conventional | 042-35316744-5            | 042-35316746        | Yes |
| 138 | Lahore, M.M. Alam Road   | 63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha                                | 0023 | Conventional | 042-35872013, 35752038    | 042-35872013        | Yes |
| 139 | Lahore, Shah Alam Gate   | Plot No.119, Auto Market, Badami Bagh, Lahore  | 0124 | Islamic      | 042-37641834 & 6          | 042-37641837        | Yes |
| 140 | Mian Channu              | Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road , Jhang                | 0061 | Conventional | 065-2661871-2             | 065-2661870         | Yes |
| 141 | Multan, Abdali Road      | Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot                      | 0033 | Conventional | 061-4545139-40            | 061-4545143         | Yes |
| 142 | Multan, Vehari Road      | Khasra No.80, Adjacent Singer Branch, Sargodha Road, Sheikhpura                        | 0142 | Islamic      | 061-6241251-3             | 061-6241254         | Yes |



## COMPLETE LIST OF BRANCHES AS ON 31 DECEMBER 2019

| S.no | Branch Name                      | Complete Address of Branches  | Br. Code | Branch Mode  | Phone Number             | Fax Number   | ATM Onsite |
|------|----------------------------------|---|----------|--------------|--------------------------|--------------|------------|
| 143  | Okara, Jinnah Road               | Khasra No.781, Geo Madina Tower, Main G.T. Road, Tarnol                                       | 0140     | Islamic      | 0442-511079-80           | 0442-511081  | Yes        |
| 144  | Rahim Yar Khan                   | Gudwaal Plaza, Khewat No. 599, Khatooni No. 906-913, Ground & 1st Floor, Main Bazaar, Taxila. | 0051     | Conventional | 068-5870182-3            | 068-5870185  | Yes        |
| 145  | Rawalpindi, City Saddar Road     | Ballo Khel Road, Mianwali City, Punjab  | 0030     | Conventional | 051-5540420 & 2, 5540486 | 051-5540482  | Yes        |
| 146  | Rawalpindi, Saddar Adam Jee Road | Shop No.10, Masood Plaza, Bank Road, Sadiqabad  | 0115     | Islamic      | 051-5120194-7            | 051-5120198  | Yes        |
| 147  | Sadiqabad                        | Shop No.10, Masood Plaza, Bank Road, Sadiqabad  | 0059     | Conventional | 068-5801261-2-3          | 068-5801264  | Yes        |
| 148  | Sahiwal Branch                   | 272/B-2 High Street, Sahiwal.   | 0045     | Conventional | 040-4222404, 4222448     | 040-4222403  | Yes        |
| 149  | Sargodha                         | 63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha                                       | 0041     | Conventional | 048-3740892-3            | 0483-7408912 | Yes        |
| 150  | Sialkot Branch                   | Industrial Area, Shahabpura, Ugoki Road, Near Masjid Mohajirin, Sialkot                       | 0032     | Conventional | 052-3559225 & 7          | 052-3559224  | Yes        |
| 151  | Lahore, Badami Bagh              | Plot No.119, Auto Market, Badami Bagh, Lahore   | 0069     | Conventional | 042-37731631-2-3         | 042-37731634 | Yes        |
| 152  | Jhang                            | Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road, Jhang                        | 0070     | Conventional | 047-7622180-1, 7622183   | 047-7622182  | Yes        |
| 153  | Daska                            | Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot                             | 0071     | Conventional | 052-6612324-6            | 052-6612327  | Yes        |
| 154  | Tarnol                           | Khasra No.781, Geo Madina Tower, Main G.T. Road, Tarnol                                       | 0146     | Islamic      | 051-2226781-2            | 051-2226783  | Yes        |
| 155  | Mianwali                         | Ballo Khel Road, Mianwali City, Punjab  | 0090     | Conventional | 045-9230091-93           | 045-9230094  | Yes        |

### Province Balochistan (6 Branches)

|     |                         |  |      |              |                         |             |     |
|-----|-------------------------|--|------|--------------|-------------------------|-------------|-----|
| 156 | Chaman Branch           | Khasra No.451, Old Mahal 404, Abdali Bazar, Chaman                         | 0120 | Islamic      | 0826-614012, 614027     | 0826-614012 |     |
| 157 | Quetta, Jinnah Road     | Jinnah Road, Quetta.   | 0102 | Islamic      | 081-2843203, 2822141    | 081-2829469 | Yes |
| 158 | Quetta, Shahrah-e-Iqbal | Shop No.2-7/35, Khyber Plaza, Shahra-e-Iqbal (Qandhari Bazar) Quetta       | 0054 | Conventional | 081-2834950-55          | 081-2834952 | Yes |
| 159 | Quetta, Sirki Road      | Khasra No.1807/16, Kaasi Building, Ground & 1st Floor, Sirki Road, Quetta. | 0148 | Islamic      | 081-2443637, 2447377    | 081-2447388 | Yes |
| 160 | Zhob Branch             | Shop No. C84-85, Main bazar, Thana Road Quetta, Zhob.                      | 0177 | Islamic      | 0822-412335             |             | Yes |
| 161 | Gwadar                  | Main Bazar Airport Road. Adjacent to Sshil hotel Gwadar                    | 0095 | Conventional | 0864210301-0302-303-304 |             |     |

### Capital Territory Area (4 Branches)

|     |                               |   |      |              |                      |             |  |
|-----|-------------------------------|---|------|--------------|----------------------|-------------|--|
| 162 | Islamabad, Blue area          | Zahoor Plaza, Blue Area, Islamabad.   | 0022 | Conventional | 051-2824691, 2826111 | 051-2271139 |  |
| 163 | Islamabad, F-10 Markaz        | Plot No.8. F-10 Markaz, Islamabad   | 0133 | Islamic      | 051-2222994-5        | 051-222997  |  |
| 164 | Islamabad, PWD Society        | Plot No.786-G, Block-C, PWD Society, Islamabad  | 0055 | Conventional | 051-5170901-2 & 4    | 051-5170903 |  |
| 165 | Bhara Kahu Branch, Islamabad. | Malak Shafait Plaza, Mauza Mahal Kot, Hathial Main Murree Road, Bhara Kahu, Islamabad | 0180 | Islamic      | 051-2303782-83-87    | 051-2303789 |  |

### Gilgit Baltistan (1 Branch)

|     |                       |   |      |              |                |              |     |
|-----|-----------------------|---|------|--------------|----------------|--------------|-----|
| 166 | Gilgit, Jutial Cantt. | Shop No.1 to 6, ZS Plaza, Opposite Radio Pakistan, Shahrah-e-Quaid-e-Azam, Jutial Cantt. Gilgit | 0053 | Conventional | 05811-922082-3 | 05811-922084 | Yes |
|-----|-----------------------|---|------|--------------|----------------|--------------|-----|

### Azad Jammu Kashmir (3 Branches)

|     |                      |  |      |              |                  |              |     |
|-----|----------------------|--|------|--------------|------------------|--------------|-----|
| 167 | Kotli (AJ&K)         | Commercial Property, Khasra No.579, Bank Road, Kotli                 | 0064 | Conventional | 05826-448673-4-5 | 05826-448679 | Yes |
| 168 | Mirpur Branch (AJ&K) | Plot No.3, Sector B/3, Allama Iqbal Road, Mirpur, Azad Jammu Kashmir | 0035 | Conventional | 05827-447686-8   | 05827-447685 | Yes |
| 169 | Muzaffar Abad (AJ&K) | Secretariat Road, Muzaffarabad, Azad Jammu & Kashmir                 | 0027 | Conventional | 05822-920492     | 05822-920499 | Yes |

### SUB-BRANCHES (3 Branches)

|     |   |   |  |              |  |  |     |
|-----|---|---|--|--------------|--|--|-----|
| 170 | North West Hospital (Sub-Branch of University Road Peshawar)                | North West Hospital Phase-V Hayatabad Peshawar                                    |  | Conventional |  |  | Yes |
| 171 | Provincial Assembly (Sub-Branch of High Court Peshawar Branch)              | Provincial Assembly KPK   |  | Conventional |  |  | Yes |
| 172 | Lady Reading Hospital Peshawar (Sub-Branch of Khyber Bazar Peshawar Branch) | Lady Reading Hospital Rest House Opposite FC Block Lady Reading Hospital Peshawar |  | Conventional |  |  | Yes |

## SUMMARY

|                 | Conventional | Islamic |
|-----------------|--------------|---------|
| KPK             | 42           | 68      |
| Sindh           | 9            | 3       |
| Punjab          | 26           | 7       |
| Balochistan     | 2            | 4       |
| Islamabad (ICT) | 2            | 2       |
| AJK             | 3            | 0       |
| Gilgit          | 1            | 0       |

85

84

## FOREIGN CORRESPONDENT BANKS

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

## FOREIGN CORRESPONDENT BANKS

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

## FOREIGN CORRESPONDENT BANKS

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

## FOREIGN CORRESPONDENT BANKS

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

## FORM OF PROXY

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

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

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

**Dated**

**Place:**

**Notes**

### A. General

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead him/her. No person shall act as a proxy, who is not a member of the bank except that Government of Pakistan /Provincial Government/State Bank of Pakistan/Corporation may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member of his/ her attorney duly authorized in writing. If the member is a corporation (other 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. 1st Floor, 40-C, Block-6, P.E.C.H.S. Karachi-75400 Pakistan, not less than 48 hours before the time of holding meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

### B. For CDC Account Holders

1. The proxy form shall be witnessed by two persons whose names, addresses and CNIC number shall be 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.



The Signature should agree with the Specimen registered with the Bank



 24, The Mall, Peshawar Cantt.

 +92-91-111 95 95 95

 [customercare@bok.com.pk](mailto:customercare@bok.com.pk)

 [www.bok.com.pk](http://www.bok.com.pk)

   /thebankofkhyber