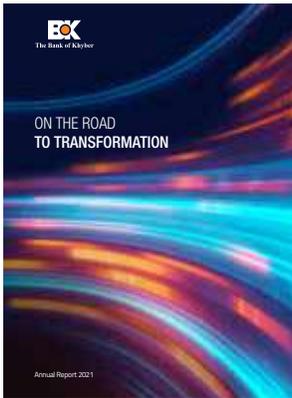




The Bank of Khyber

ON THE ROAD TO TRANSFORMATION

Annual Report 2021



ON THE ROAD TO TRANSFORMATION

The Bank of Khyber has embarked upon its transformation journey with significant strides in the form of initiatives that will serve as a launchpad for its future. To deliver on its promise of transformation, the Bank of Khyber is actively investing in a number of domains that are serving as a foundation to enable and sustain the Bank's success. Core objective of this journey is to serve all the stakeholders including our customers and patrons with an agile, accessible and accelerated banking experience.

CONTENTS

| | | | |
|----|-------------------------------|----|---|
| 02 | Vision & Mission | 31 | Financial Performance 2021 |
| 04 | About the Report | 36 | Graphical Presentation of Financial Statements |
| 05 | Awards & Accolades | 38 | Variation Analysis - Infographics |
| 06 | Defining Values | 40 | Six Years Vertical Analysis Year 2016 – 2021 |
| 06 | Core Values | 42 | Six Years' Financial Performance / Financial Ratios - 2016 – 2021 |
| 07 | Strategic Objectives | 44 | Statement of Value Added |
| 07 | Operational Highlights | 46 | Analysis of Financial Performance 2021 |
| 08 | Products & Services | 46 | DuPont Analysis |
| 14 | Corporate Information | 47 | Analysis of Non-Financial Performance |
| 16 | Board of Directors | 49 | Governance Structure & Legal Framework |
| 20 | Management Team | 50 | Calendar of Major Events |
| 23 | Corporate Profile of the Bank | 50 | Timeline |
| 24 | Organizational Structure | | |
| 26 | SWOT Analysis | | |
| 27 | Value Chain Framework | | |
| 29 | Managing Director's Review | | |
| 30 | Highlights 2021 | | |

| | | | |
|----|--|-----|-----------------------------------|
| 51 | Strategies & Objectives | 95 | Statement of Compliance |
| 53 | Business Model | 98 | Auditors' Review Report |
| 54 | Resource Allocation Plan | 99 | Statement on Internal Controls |
| 58 | Risk and Opportunity Report | 100 | Annual Report of Shariah Board |
| 64 | IT Governance | 106 | Independent Auditors' Report |
| 66 | Sustainability & Corporate Social Responsibility | 112 | Statement of Financial Position |
| 67 | Internal Audit Functions & Controls | 113 | Profit and Loss Account |
| 71 | Significant Changes from Prior Year | 114 | Statement of Comprehensive Income |
| 71 | Whistle Blowing Program | 115 | Statement of Changes in Equity |
| 72 | Other information | 116 | Cash Flow Statement |
| 74 | Group Review | 117 | Notes to the Financial Statements |
| 78 | Profile of Shari'ah Board | 208 | Pattern of Shareholding |
| 80 | Notice of Thirty First Annual General Meeting | 209 | Category of Shareholders |
| 85 | Chairman's Review | 210 | Branch Network Details |
| 86 | Directors' Report to the Shareholders | 219 | Foreign Correspondent Banks |
| | | 223 | BCR Criteria Form |
| | | | Form of Proxy |

VISION

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

MISSION

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



ABOUT THE REPORT

The BOK annual report 2021 incorporates the following:

- Bank's Overview
- Managing Director's Review
- Chairman's Review
- Directors' Report
- Statement on Internal Controls
- Report of Shariah Board
- Auditors' Review Report
- Statement of Compliance
- Auditors' Report
- Financial Statements
- Shareholders' Information
- Financial and Operational Reviews and Analysis

The financial statements cover the period from January 1, 2021 to December 31, 2021. The financial statements has 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 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.

AWARDS & ACCOLADES

- Best Islamic Bank of Khyber Pakhtunkhwa Award
- 4th Climate Change and Green Finance Summit 2021 Award
- Nominated for the “Tech Team of The Year Award”



DEFINING VALUES

The Bank of Khyber is a provincial Government bank of Khyber Pakhtunkhwa with its Head office based in Peshawar, Pakistan, with 216 branches all over the country. It was established in 1991 through an Act passed by the Provincial Legislative Assembly. It was awarded status of a scheduled bank in September 1994. It offers Conventional banking, and Islamic banking services. The Bank had an initial public offering of its shares at Pakistan Stock Exchange (then Karachi Stock Exchange) in January 2006.

CORE VALUES



Highest Quality of
Service



Professionalism



Integrity



Innovation and Utilization
of Latest Technology



Risk Mitigation



Corporate Social
Responsibilities

STRATEGIC OBJECTIVES

To grow and move forward with progress, adapting and improving new technologies to connect with customers.

Embracing new technologies and improving systems for better services.

Improving customer satisfaction, quality service and increasing our stakeholders' value to achieve outstanding financial performance and growth.

OPERATIONAL HIGHLIGHTS

| CAPITAL ADEQUACY | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|----------------------|--------|--------|--------|--------|--------|--------|
| CET1 To RWA | 14.47% | 17.33% | 15.30% | 12.23% | 19.48% | 19.76% |
| Tier-1 To RWA | 14.47% | 17.33% | 15.30% | 12.23% | 19.48% | 19.76% |
| Total Capital to RWA | 14.74% | 19.35% | 15.30% | 12.28% | 20.00% | 21.34% |
| RWA To Total Assets | 29.37% | 31.13% | 28.18% | 35.14% | 31.00% | 35.76% |



PRODUCTS & SERVICES

The Bank of Khyber Liability Products:

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

- **BOK Current Accounts:** Current Accounts are non-profit bearing accounts primarily meant for those Customers whose utilization is high and transactions are frequent on daily basis. Customers can deposit and withdraw any amount from such accounts as many times as they require. Current Accounts are available in local (PKR) as well as foreign currencies (USD, EURO and GBP).
- **BOK Asaan Account:** The Asaan Account is targeted at common people and is open to all low income unbanked/under-banked masses that face difficulties in account opening due to normal account opening requirements or lesser means. These segments of society may include but are not limited to skilled/unskilled work force, farmers, less educated/uneducated people, laborers/daily wagers, women/housewives, self-employed individuals, pensioners, young adult population, students, Zakat Mustahqueen, widows, pensioners, benevolent fund grants, etc.
- **BOK Pay Plus Current Account and BOK Pay Plus at Work:** Both these accounts are unique salary products maintained as current accounts. BOK Pay Plus Current Account is targeted at Government Employees while BOK Pay Plus at Work targets the payroll management of corporates and private organizations employees. The product offers a number of exciting and unique features including Temporary Advance Salary facility which is markup free and available from 16th day of each month in order to meet any urgent needs of the customers. Other features include Free Pay Continuity facility and Tax Returns Filing facilitation on discounted rates through BeFiler Pvt Ltd for BOK customers. Other features include free debit card, free cheque book and unlimited free SMS alerts (on all transactions).
- **BOK PLS Account:** PLS Saving Accounts are profit-bearing accounts meant to promote the habit of savings among customers while allowing them to use their funds when required. Customers can deposit any amount of money any number of times. However, fund withdrawals are subject to certain restrictions. The profit is calculated on the basis of average monthly balance maintained by the customer and is credited semi-annually. Overdraft facility is not available. PLS Savings Accounts are available in local currency (PKR) and foreign currencies (USD, EURO and GBP).
- **BOK Special Deposit Account:** This is a profit bearing and checking account. This product is available in PKR and the profit is calculated on daily actual deposits basis.
- **Foreign Currency Account:** The Bank is authorized to open Foreign Currency Accounts of Customers without prior approval of SBP. All the Foreign Currency Accounts are governed by the SBP's Foreign Exchange Regulations issued from time to time.

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

- Foreign Currency Accounts under FE-25 scheme
- Special Foreign Currency Accounts
- **BOK FCY Premium Saving Account:** Presently available in US Dollar only. Deposit slabs having different profit rates available based on higher the deposit, higher the profit rate. Profit rates are reviewed monthly by the Bank and the Bank reserves the right to revise the rates at any point of time. The same are displayed at Branch notice board as well as the Bank's website for information of all concerned. Minimum Balance Requirement of USD 500 to be always maintained in account. In case minimum balance is not maintained on average during the month then service charges will be levied as USD1 per month. Up to 90% financing in PKR against maintained FCY deposit. All Other Conditions of Savings Account apply.
- **BOK Pensioner Account:** In pursuance of the Orders of the Supreme Court of Pakistan; Government has approved disbursement of pension through any scheduled banks, by direct credit to pensioner's account maintained in Bank.

The salient features of BOK pensioner account include:

- No Minimum Balance requirement
- Option of opening Current or Saving account.
- * Zakat is deducted as per the applicable rules. Withholding tax is deducted from the profit as per the prevailing rates.

Services

- **Saturday Nonstop Banking:** The Bank of Khyber strives to make banking services more convenient and accessible to its customers; keeping the doors open for public. Our services reflects our commitment of continually providing better financial solutions and tailored services centered on our customer requirements, which will enable them to do banking at convenience whilst suiting their life cycle needs. Selected BOK branches provide Non-Stop Banking Services to the customers on Saturday at the stipulated timings.

Funds to any third party (Beneficiary) holding an account with a bank other than BOK, if the beneficiary bank participates in Pakistan Real time Gross settlement. (Prism) With RTGS/PRISM, transferring money becomes an easier, faster process. Pakistan Real time Interbank Settlement Mechanism/PRISM/RTGS is the fastest possible money transfer system through the banking channel. Because settlements are made in real time, transactions are not subject to any waiting periods. The minimum amount that can be transfer via this channel is Rs:100,000/-

BOK
Digital
مرچگه، هرېل

Anywhere,
anytime

Login

Register

Open BOK Digital Account

PRODUCTS & SERVICES

• BOK-JCB Debit Card Features:

- BOK-JCB Debit Card is acceptable in 190 countries worldwide
- BOK-JCB Debit Card is acceptable on both International and Nationwide ATMs network
- BOK-JCB Debit Card can also be used on over 27 million merchants worldwide for POS (Point of Sale purchase transactions)
- The Withdrawal Limit on BOK-JCB Debit Card has been enhanced to Rs.50,000/- per day
- The POS purchase transactions limit is Rs.100,000/- per day
- IBFT, FT & UBPS features capability on BOK-JCB Debit Card will be enabled very soon.

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

Features & Benefits:

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

Business Banking

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

Term Financing

- **Short Term Financing:** Short-term loans offer individuals and/or businesses borrowing options to meet its financial obligations scheduled to be repaid in a period less than a year.
- **Running Finance:** It is a short-term fund-based facility provided to capital deficit businesses for a short-term period, i.e., for a year or less. This facility is usually for businesses to run their day-to-day operations including payment of wages to employees, raw material/ inventory procurement and supplies.
- **Cash Finance:** It is a short term, fund-based facility where an amount is disbursed against pledge of locally procured goods, merchandise, stocks. The amount after retaining the prescribed percentage of margin on stocks is transferred in a separate C/F account of the customer. Delivery of pledged stocks is allowed against payment(s) by the borrower.
- **Running Finance:** Running Finance against pledge of shares: It is a short term, fund-based facility where an amount is disbursed against shares of listed companies held under pledge as collateral. This enables the borrower to avail financing to cater to his business needs.
- **Demand Finance:** It is a short term, fund-based facility where an amount is disbursed in bullet payment to cater to his business needs scheduled to be repaid in a period less than a year in lump sum or installments.
- **Medium /Long Term Financing:** Long-term loans offers, businesses borrowing options to meet financial obligations for capital expenditure, project financing, consortium lending, structured finance etc scheduled to be repaid in more than a year but not exceeding seven years preferably.
- **Demand Finance:** This facility can range from medium to long term. It is a fund-based facility allowed to commercial enterprises, corporations, industrial groups, or joint ventures for financing their capital expenditures or fixed assets like purchase of plant & equipment or machinery, construction of site premises, installation of machinery and fixtures, etc, for expansion of production facilities or BMR.

Investment Banking Products and Services:

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

Corporate & Syndicate (C&S):

Corporate and Syndicate: The Corporate & Syndicate Finance department deals with valued Corporate and Commercial clients, ranging from industrial clients, corporations, banks, and sovereign organizations including public sector enterprises to cater their financial requirements by offering them tailor made products along with superior and prompt services, at competitive pricing. BOK's Strategy is to build strong customer relationships for mutual benefits and providing solutions through diversified product portfolios with focus to achieve a strong market position in all the segments of the economy. The C&S finance department also pools in syndicated financing to viable projects of renowned corporate and institutional customers with the primary objective of enhancing customer service by offering finance facilities to their new projects (Green Field) or existing projects (Brown Field).

Agri Finance:

- **Sada Bahar Zarai Loan:** Revolving Finance Facility to finance short term On and Off Farm activities of the farmer. On Farm financing includes financing for Farm Working capital requirements i.e. purchase of Seeds, Fertilizer, Pesticides, for irrigation, labor and plough charges. Off Farm activities include working capital requirements for Dairy Farming, Poultry Farming, Fish Farming and Apiculture etc. Loan period/ tenure will be 3 years. Markup rate is linked with 6 Months KIBOR + 500 BPs and Markup is recoverable on half yearly and annual basis. Principal annual adjustment with automatic renewal for next year. Eligibility Criteria: Permanent resident of Pakistan. Holder of Computerized National Identity Card. Not a defaulter of any Bank OR DFI. Capable of repayment of facility and satisfying security requirements of the Bank. Must not be more than 70 years of age and preferably of age 18-65 years.

The scheme also caters small and marginalized farmers up to Rs. 100,000.00 against two personal guarantees.

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

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

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

- **Dairy Storage Scheme:** Demand Finance Facility for Purchase of machinery/utensils/ chilling tanks etc for storage of Dairy produce and construction of godowns/cold storage etc. Loan period is up to 5 years with Monthly or Quarterly installments. Down payment is at least 10%. Markup rate is linked with 3 Months KIBOR + 500 BPs Eligibility Criteria: Same as for Sada Bahar zarai Loan Scheme and adequate experience in the concerned field is required.
- **Dairy Marketing Loan Scheme:** Demand Finance Facility for purchase of dairy marketing items such as Motorcycles, delivery Vans, pickups, mini trucks, etc. Loan period is up to 5 years with repayment in Monthly or Quarterly installments. Down payment will be 10% and the vehicle will be jointly registered in the names of the Bank and the borrower. The vehicle will be comprehensively insured from A rated insurance company. Markup rate is linked with 3 Months KIBOR + 500 BPs Eligibility Criteria: Same as for Sada Bahar zarai Loan Scheme and adequate experience in the concerned field is required.
- **Tube Well Loan Scheme:** Demand Finance Facility for Installation of Tube Wells/ Turbine for utilizing underground water for agriculture purposes, including cost of machine/ generators/pipes/accessories/civil works etc. Facility is also available for Conversion of existing tube wells to Solar Energy. Loan period is up to 5 years with Monthly, Quarterly or Half Yearly installments. Down payment is at least 10% of the limit amount. Machinery and accessories will be comprehensively insured from A rated insurance company. Markup rate is linked with 3 Months KIBOR + 500 BPs Eligibility Criteria: Same as for Sada Bahar zarai Loan Scheme. In addition, minimum own development area requirement is 5 acres.

New Refinance Schemes for SMEs

- SME Asaan Finance Scheme under SBP SME Asaan Finance Scheme (SAAF).
- KP Gov't Subsidized SME Finance Scheme under SBP refinance scheme for Working Capital and Modernization Financing Scheme for enterprises of Khyber Pakhtunkhwa.

PRODUCTS & SERVICES

Islamic Banking

Current Account

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

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

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

Saving Accounts

Deposit in Saving Accounts are accepted on Musharakah (Profit and Loss Sharing basis) strictly in conformity with the principles of Islamic Shariah. These deposits are invested in Islamic assets like Murabaha, Ijarah, Diminishing Musharakah, Salam, Istisna Islamic Sukuks etc which are duly approved by Shariah Board. The profit earned from this Shariah complaint business is distributed between the Saving Account holders and the Bank as per ratios agreed in the Musharakah agreement on monthly basis.

Saving Accounts are offered in two categories:

1. General Saving Account

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

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

2. Riba Free Certificates/Special Certificates

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

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

Consumer Financing

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

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

SME's/Corporate Banking

Short Term Financing

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

Murabaha:

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

Salam:

Salam (advance payment against deferred delivery of goods) means a kind of sale whereby the seller undertakes to supply specific goods to a buyer at a future date in consideration of a price fully paid in advance at the time the contract of sale is made. The specifications, quality and quantity of the commodity must be determined to avoid any ambiguity which could become a cause of dispute. Date and place of delivery must be agreed upon but can be changed with mutual consent of the parties.

Istisna:

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

Tijarah:

Tijarah Finance is a Sale (Musawama basis) + agency (Wakeel) based financing facility where the interested client intends to sell their finished good on credit basis. The core aim of the Tijarah is to facilitate the customer to sell their existing owned Assets to cash for meeting their working capital requirements and take advantages of cash sales.

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

Running Musharakah

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

Long Term Financing:

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

Ijarah (Leasing):

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

Diminishing Musharaka:

Diminishing Musharaka (DM) is commonly used for financing the fixed assets. It is a form of co-ownership in which two or more persons share the ownership of a tangible asset in an agreed proportion and one of the co-owners undertakes to buy in periodic installments the proportionate share of the other co-owner until the title to such tangible asset is completely transferred to the purchasing co-owner. Diminishing Musharaka can be created only in tangible assets. It shall be limited to the specified Asset(s) and not to the whole enterprise or business. In Diminishing Musharaka incidental expenses related to ownership may be borne jointly by the co-owners in the proportion of their co-ownership. Loss, if any, shall be borne by the co-owners in the proportion of their respective investments. The amount of periodic payment would go on decreasing with purchase of ownership units by the purchasing co-owner.

New Refinance Schemes for SMEs

- Raast SME Asaan Finance Scheme under SBP Islamic SME Asaan Finance Scheme (I-SAAF)
- KP Gov't Subsidized Raast Islamic SME Finance Scheme under SBP refinance scheme for Working Capital and Modernization Financing Scheme for enterprises of Khyber Pakhtunkhwa.

Corporate & Trade Finance

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

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

CORPORATE INFORMATION

Board of Directors

| | |
|---------------------|-----------------------------------|
| Shahab Ali Shah | Chairman / Non-Executive Director |
| Ikram Ullah Khan | Non-Executive Director |
| Rashid Ali Khan | Independent Director |
| Saleha Asif | Independent Director |
| Syed Asad Ali Shah* | Independent Director |
| Tahir Jawaid * | Independent Director |

* Both the Directors joined the Board on December 30, 2021 and will become members of the Board Committees after reconstitution of the committees.

Managing Director / CEO

Muhammad Ali Gulfaraz

Shariah Board

| | |
|--------------------------|--------------------------------------|
| Mufti Muhammad Zahid | Chairman |
| Mufti Muhammad Arif Khan | Member |
| Mufti Abdul Wahab | Member |
| Qazi Abdul Samad | Resident Shariah Board Member (RSBM) |

Board Audit Committee

| | |
|-----------------|----------|
| Rashid Ali Khan | Chairman |
| Ikramullah Khan | Member |
| Saleha Asif | Member |

Board Human Resource & Remuneration Committee

| | |
|-------------------|-------------|
| Saleha Asif | Chairperson |
| Rashid Ali Khan | Member |
| Managing Director | Member |

Board Risk Management Committee

| | |
|-------------------|----------|
| Ikramullah Khan | Chairman |
| Rashid Ali Khan | Member |
| Managing Director | Member |

Board I.T. Steering Committee

| | |
|-------------------|----------|
| Rashid Ali Khan | Chairman |
| Ikramullah Khan | Member |
| Managing Director | Member |

Board Compliance Committee

| | |
|-------------------|----------|
| Rashid Ali Khan | Chairman |
| Managing Director | Member |

Chief Financial Officer

Irfan Saleem Awan

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

Auditors

EY Ford Rhodes

Chartered Accountants

Legal Advisors

M/s. Mohsin Tayebaly & Co., Karachi

Registrar and Share Registration Office

THK Associates (Pvt) Ltd.

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

BOARD OF DIRECTORS

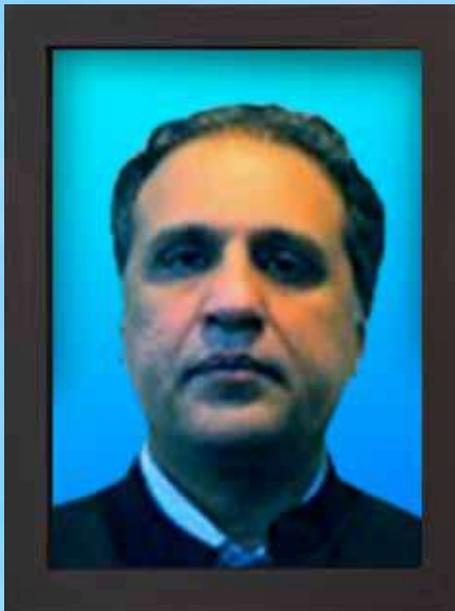


SHAHAB ALI SHAH

**Additional Chief Secretary Govt of KP
Chairman**

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

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

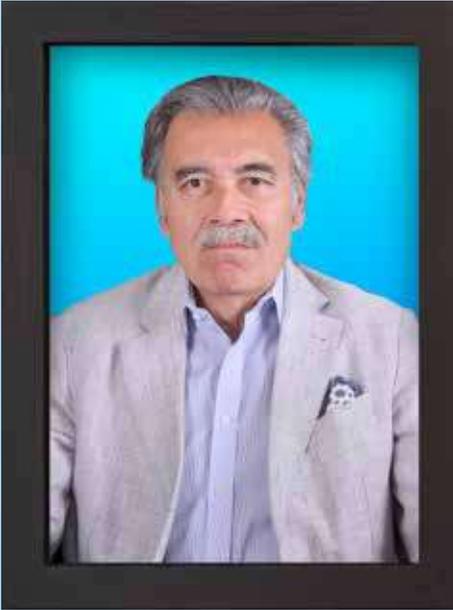


IKRAM ULLAH KHAN

**Secretary Finance, Govt of KP
Non-Executive Director**

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

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



RASHID ALI KHAN

Independent Director

Mr. Rashid Ali Khan possesses multi-tiered professional background in Banking, Finance, Consumer Marketing and Corporate Restructuring at Senior Executive level. He has vast experience in Global Finance Management and Business Development. Mr. Rashid Ali Khan has worked with Citibank as Regional Business Head (Europe/London), remained Chief Executive at Al-Faysal Investment Bank and Senior Executive Vice President at Habib Bank Ltd. Mr. Rashid Ali Khan holds Master's Degree in Business Administration from University of Cornell, USA and has attended various national and international courses. He has been certified as Director by Pakistan Institute of Corporate Governance. Presently, he is the Chairman of NayaTel and Micro Net Ltd. (Telecom Companies involved in broadband wireless delivery and optical fiber connectivity). He is also a member / Director on the boards of Pakistan Engineering Company Ltd. and Aisha Steel Mills Ltd. Mr. Khan has been appointed as Nominee Director on the Board of the Bank by the Government of Khyber Pakhtunkhwa for the second term.



SALEHA ASIF

Independent Director

Ms. Saleha Asif carries extensive professional experience of 25 years in Strategy & Management Consulting, Leadership Development, Executive Coaching and Corporate Banking.

Ms. Saleha holds Masters in Business Administration degree from The Wharton School, University of Pennsylvania, U.S.A. She had served as Vice President - Head of Corporate Credit and Marketing at Bank of America N.A, Pakistan, Senior Associate at PEPSI Co Inc. as Corporate & Strategy Development and Associate Principal at McKinsey & Company, New York.

Presently, she is an independent consultant on Management Strategy and Leadership Development at Purpose Quotient (PQ), Dubai, U.A.E.

BOARD OF DIRECTORS



SYED ASAD ALI SHAH

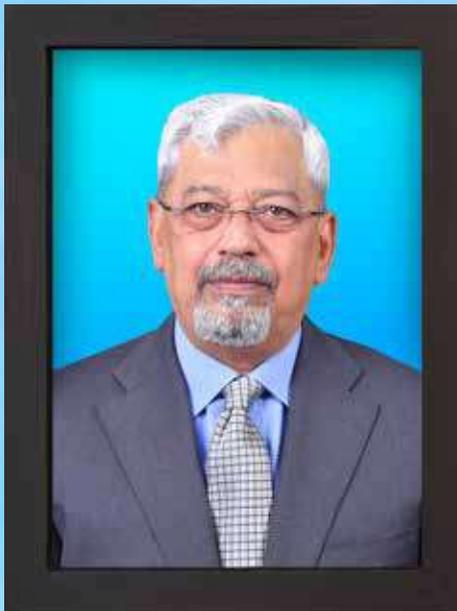
Independent Director

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

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

He is currently the Chief Executive Officer of M/s. Asad Ali Shah Associates, Chartered Accountants and is also on the Board of K-Electric, Naymat Collateral Management Company Ltd., Befiler (Pvt) Ltd. He is also serving as member of the Policy Board of Securities & Exchange Commission of Pakistan.

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



TAHIR JAWAID

Independent Director

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

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

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

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

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



MUHAMMAD ALI GULFARAZ

Managing Director/ CEO

Mr. Muhammad Ali Gulfaraz is a senior banking executive with over 25 years of diverse professional experience in global corporate and investment banking. Prior to joining BOK, he was member Board of Directors Fauji Foundation Pakistan, MD & Head of Corporate & Investment Banking for UK, Ireland and all Nordic countries at Mizuho Bank's European Head Office in London.

Mizuho is one of the world's top banks headquartered in Japan. In his role he interfaced with the senior executives of the leading European multinationals across all industries.

He has a BA in economics and MSc in Managerial Economics from the University of California, Davis. He began his professional career at Apple Computer's global HQ in Cupertino, California working in consumer research.

After completing his MSc, Ali began his banking career with Bank of America in Islamabad in 1995 and was subsequently transferred to the EMEA HQ in London in 1998. He was recruited by Mizuho Bank in 2007 to lead an initiative to significantly expand the Bank's profile and business in Europe in Corporate & Investment banking. He played a vital role in defining the new strategy for European Corporate Finance, building a new high calibre team and driving it to transformational success achieving over 600% growth in total income at significantly higher return on capital than before.

He has been a competitive athlete and holds athletics records at Cadet College Hasan Abdal dating back to 1986. He is a keen road cyclist and participated in famous international endurance events such as Prudential RideLondon 100miles and Majorca 312km.

MANAGEMENT TEAM



MUHAMMAD ALI GULFARAZ
Managing Director / CEO



IHSAN ULLAH IHSAN
Group Head RMG / Chief Risk
Officer



MUHAMMAD ATIF HANIF
Group Head Islamic Banking



SHER MUHAMMAD MOHMAND
Group Head Conventional Banking



ZAHID SAHIBZADA
Company Secretary



MOIN RANA
Group Head Operations & Support



MUHAMMAD ASIF
Group Head HRDG



MOHAMMAD FAISAL
Group Treasury &
Investment Banking



IRFAN SALEEM AWAN
Chief Financial Officer



KHALID ABDUL AZIZ
Chief Compliance Officer



M. FAWAD SADOZAI
Head Remedial Asset
Management Division



MUDASSAR IQBAL
Head Audit Division



AZFAR LATIF
Chief Information Officer



JAWAD TAJIK
Head Training & Development,
Micro Finance Division



ASIF NASEEM
Head Retail Banking 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 SME Division



ARSHAD NAZIR
Head Law Division



IMRAN SHEHZAD
Head Centralized Liability
Operations Division



ZARAK KHAN
Head Corporate-Institutional
Liability Division



ALI KHAN ARBAB
Head Islamic Liabilities Division



ABID SHAH
Head Basel II &
Regulatory Reporting



ABDUL ALEEM KHAN
Head Shariah Compliance Division



ALLAH BAKHSH
Head Procurement Division



MUHAMMAD JAWAD ZIA
Head HR & Admin Division



MUHAMMAD HASSAN TARIQ
Head Corporate Communication
& Branding Department



MUHAMMAD HASSAN KHAN
Head Service Quality Department



ENTITY CREDIT RATING

VIS

Long Term

A+

Short Term

A-1

PACRA

Long Term

A

Short Term

A-1

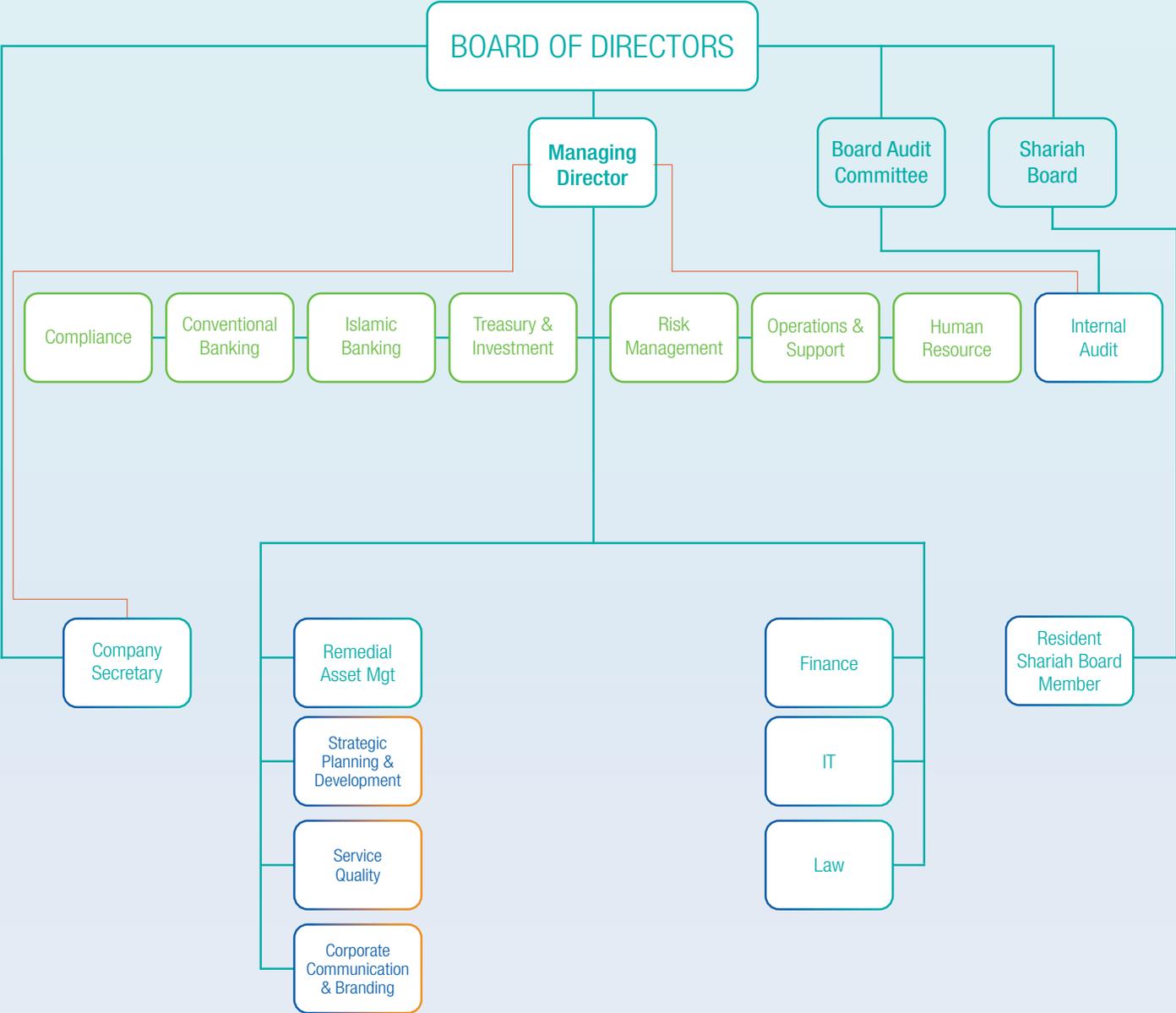
CORPORATE PROFILE OF THE BANK

The Bank of Khyber was established in 1991 through an Act passed by the Provincial Legislative Assembly. It was awarded status of a scheduled bank in September 1994. The Bank enjoys a unique position and stands out amidst other banks operating within Pakistan and has the privilege of being bracketed amongst the only four government banks in the country. The Bank has long been associated with business and commercial circles and has been actively engaged in catering to the financial needs of all sectors. It has successfully been involved in extending funded and non-funded facilities to its customers for various business needs. Currently, the BOK is A+ rated commercial bank (by VIS), operating across the country with a network of 216 branches and still expanding. The provincial government is the major stakeholder and during our 26+ years history, the Bank has always played a vital role in the development of Khyber Pakhtunkhwa and participated in the economic development of Pakistan in general.

The composition of the Board is as follows:

| Category | Name |
|------------------------------|--|
| Independent Directors | Mr. Rashid Ali Khan (Nominee) Ms. Saleha Asif (Nominee) Syed Asad Ali Shah Mr. Tahir Jawaid |
| Other Non-Executive Director | Mr. Shahab Ali Shah Mr. Ikramullah Khan |
| Executive Directors | Mr. Muhammad Ali Gulfaraz (Managing Director) |

ORGANIZATIONAL STRUCTURE



Indicating Key





SWOT ANALYSIS



Strengths

- Strong sponsor support with 70.2% ownership by Government of KPK and 24.4% by Ismail Industries Limited.
- Extensive presence and Brand recognition in KPK.
- State of the art software (T-24) implementation completed during FY-2021.
- Launch of BoK mobile banking app.
- Long-term Credit rating upgraded by VIS Credit Rating Company Limited from A to A+ during FY-2021.
- Fully compliant with the applicable capital and liquidity standards / requirements
- Offering services with good balance between Conventional and Islamic banking business.
- Strong management team.



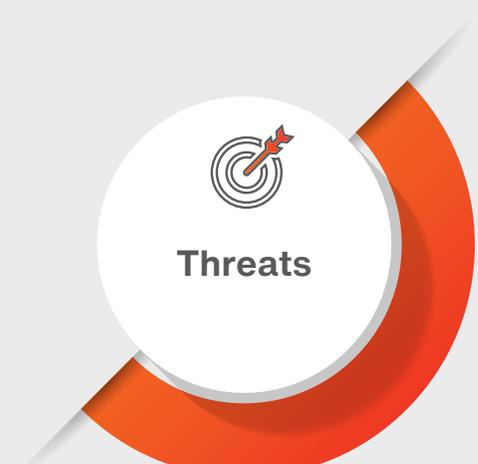
Weaknesses

- Room for diversification in assets and liabilities portfolio.
- Lower credit rating in comparison to other market players.
- Room for expansion and outreach.
- Lower Non-Markup Income.
- Nascent Digital banking platform.
- Low market share.



Opportunities

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



Threats

- Strong market competition
- Adverse changes in banking laws especially w.r.t. liquidity and capital requirements
- Adverse changes in the tax and other laws

VALUE CHAIN FRAMEWORK

Primary Activities

Deposit mobilization and distribution network:

Focus on low-cost deposits and improving CASA mix

Diversified portfolio of products

Effective use of distribution outreach and customer touchpoints

Asset Management and portfolio enhancement:

Increased focus on quality asset growth

Recoveries of Non-performing loans (NPL)

Maintaining low infection ratio

Service portfolio enhancement

Value created for stakeholders:

Contribution to the national exchequer

Shareholder value maximization

Healthy payout ratio

Corporate social responsibility

Marketing, sales and transactions:

Strong frontline sales force

Marketing and communications

Customer service and complaint management

Supporting Activities

Governance and risk management:

Ensuring regulatory compliance

Continuous strengthening of governance

Framework for Risk Management

Internal Controls Implementation

Technological developments:

Digitization is being given more importance.

Transformation of the existing manual systems to automation

Improve the security standards to highest standards

Human capital management:

Workforce planning

Fair recruitment and selection policies

Employee training and development

Robust performance & reward system

Finance and reporting:

Compliance with applicable accounting standards

Financial reporting on regulatory guidelines

MIS for improved decision making



MANAGING DIRECTOR'S REVIEW

The extraordinary global uncertainty unleashed by the COVID-19 pandemic continued during 2021. Fortunately, vaccination began to provide protection against the most serious consequences. However, recurring waves of infection caused by mutant versions of the virus continued to impact the global and domestic economy. In this context, State Bank of Pakistan maintained an accommodative policy to support the economy for most of the year.

We grew our deposits by 9% to Rs 221.9 bn however lower average rates in 2021 vs 2020 resulted in a compression in our Net Interest Margin. As a result, our Net Mark Up income remained flat. Our total income however was down by Rs 1.8bn to Rs 7.8bn. This reduction is principally explained by the one-time sizeable capital gains of Rs 1.7bn realized in 2020 through the sale of government securities held in our investment portfolio which provided a one-off boost to the profits for 2020.

In 2021, we commenced a significant expansion of our branch network to support the future growth of our business. We added 37 branches during the year bringing our total network to 216 branches. This expansion along with other capacity building measures resulted in approximately 25% increase in our operating expenses. As a result of these factors, our net profit dropped to Rs 1.1bn.

Despite comparatively weaker financial performance in 2021, we believe future prospects for the Bank are bright. Bank of Khyber is in the middle of a transformation process, and we are taking a number of initiatives to improve our performance going forward.

Notably, in 2021 we completed the implementation of our new state of the art core banking system (Temenos-T24). This substantially improves our system's capabilities to support future growth. We are in the middle of a well-planned expansion of our branch network which continues into 2022. While this will increase our operating expenses in the short term, it will help us to drive profit growth in the coming years. We are also taking measures to strengthen our risk management function which along with a prudent client selection approach will allow us to grow our lending book while improving the credit quality of the advances portfolio. In the past, ancillary business generation of the Bank remained low thereby resulting in lesser contribution from fee (non-markup) income, we are now taking necessary step towards improving our ability to grow transaction banking income. A

stronger focus on ancillary business generation will not only help us grow future profits but it will also help to improve our return on capital.

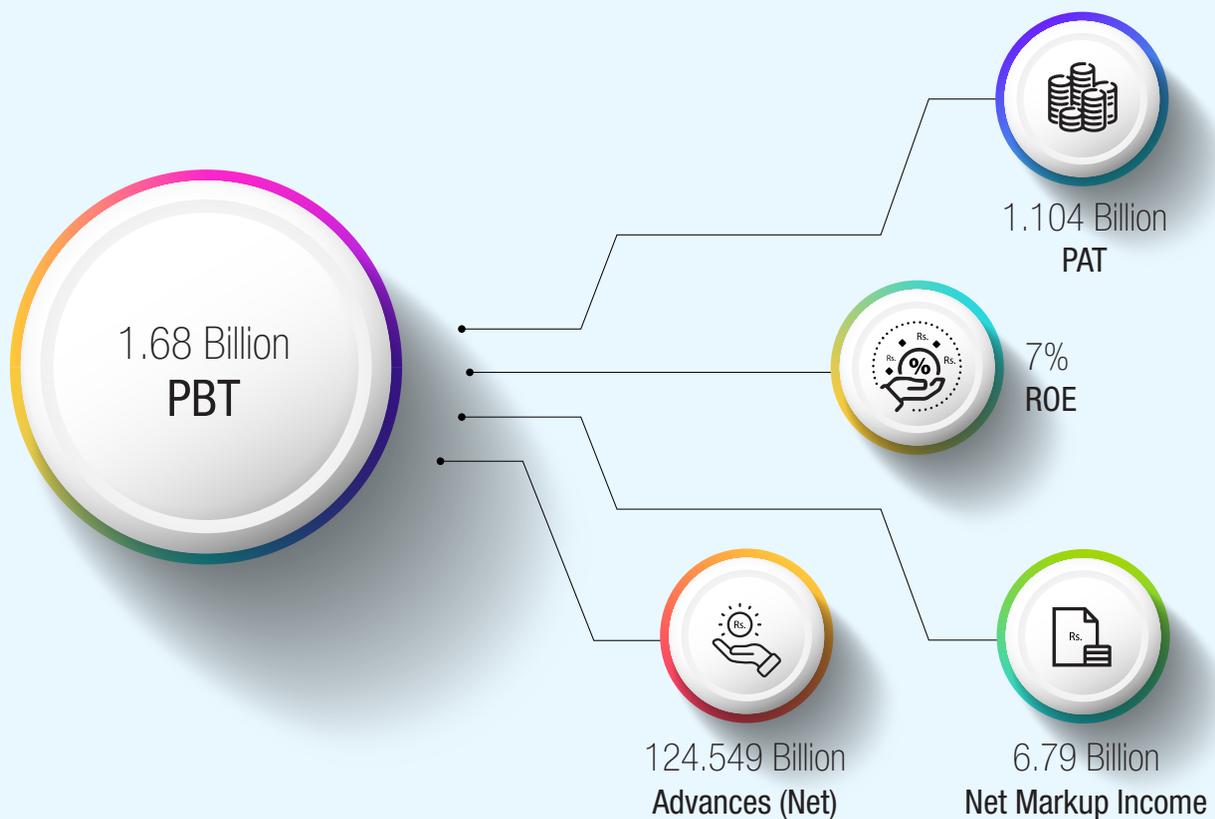
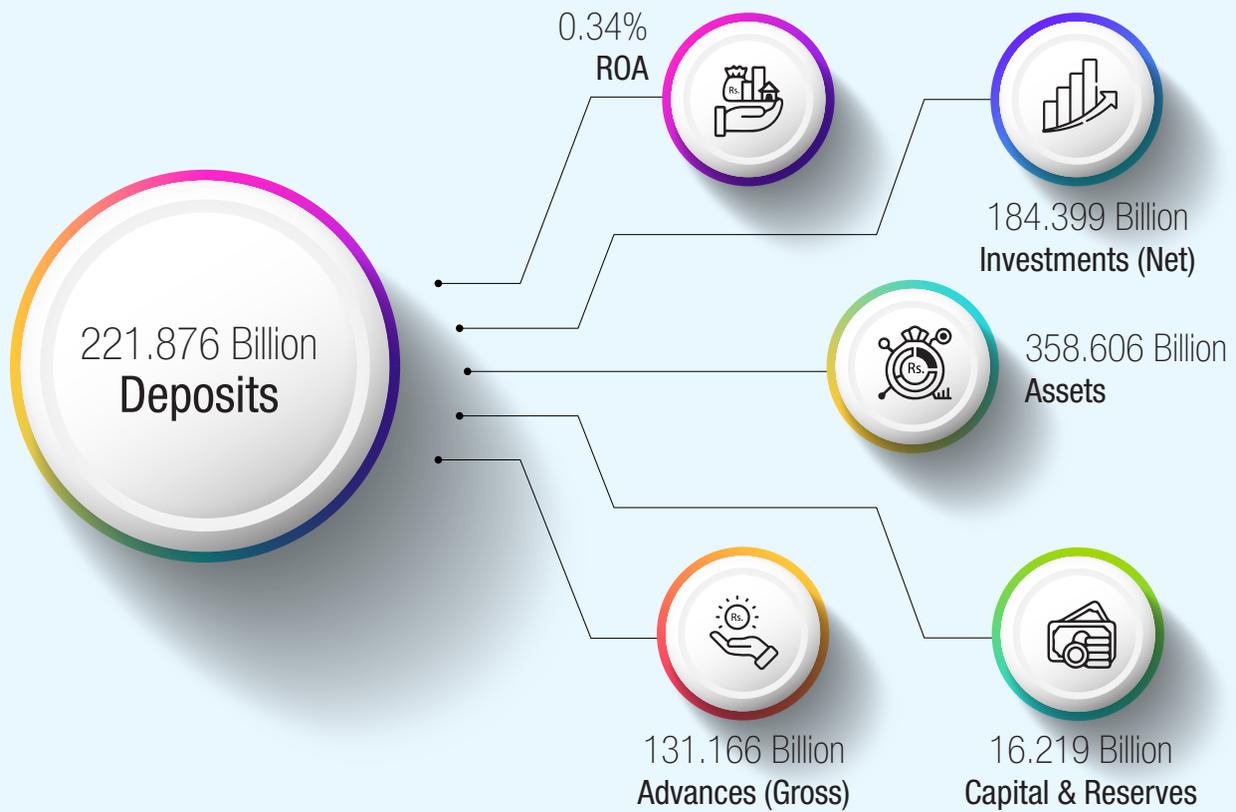
Following the deployment of our new core banking system, we now have a strong focus on technology to strengthen our digital offering for all our customer segments from consumers to corporates. Among multiple technology projects is a completely new look mobile banking App with a much-improved user interface, higher performance, and a host of new features which we hope will enable a significantly better user experience for our customers on BoK Digital.

For a services sector organisation our team are our principal asset. We are taking a number of steps to improve the workplace environment for all our employees. This includes taking active measures to progress towards better gender diversity and providing better facilities/policies to help improve staff retention. We are pleased to report progress on gender diversity and are running well ahead of the milestones set in this regard by State Bank of Pakistan under its Banking on Equality policy. Meanwhile our new Head Office building is nearing completion and will offer modern facilities and a high-quality work environment to our staff.

We have continued to invest in our communities and environment as part of our CSR activities. During the year, BoK initiated a tree plantation drive and the first activity in this regard took place in Peshawar where more than 75 BoK staff planted over 400 trees as part of our contribution towards a clean and green Pakistan. Apart from this, we are supporting a number of sports programmes in KP including as lead sponsor of the Peshawar Football League and KP Hockey League. In addition, we are sponsoring very promising young squash and tennis players who have the potential to become future national champions.

In conclusion, I would like to say that we are investing in building a stronger foundation for our institution which will enable us to realise stronger and more sustainable growth in the future.

HIGHLIGHTS 2021



FINANCIAL PERFORMANCE 2021

Forward Looking Statement

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

Pakistan's Economic Outlook

Going forward in 2022, we expect further consolidation in economic activity as global markets have started recovery from their post pandemic losses. However, the risks remain high, and vigilance is warranted. We expect significant secular shifts in the global economic infrastructure and the ability to adapt would be the most valuable asset. The Government has been focused on managing the repeated COVID-19 infection waves, implementing a mass vaccination campaign, expanding its cash transfer program, and providing accommodative monetary conditions to sustain economic growth.

The year 2021 started its journey in the midst of the most severe global health crises of modern history. Like almost every country, Pakistan's economy was also impacted which required measures for supporting the economy by saving lives and livelihoods. The Government took several

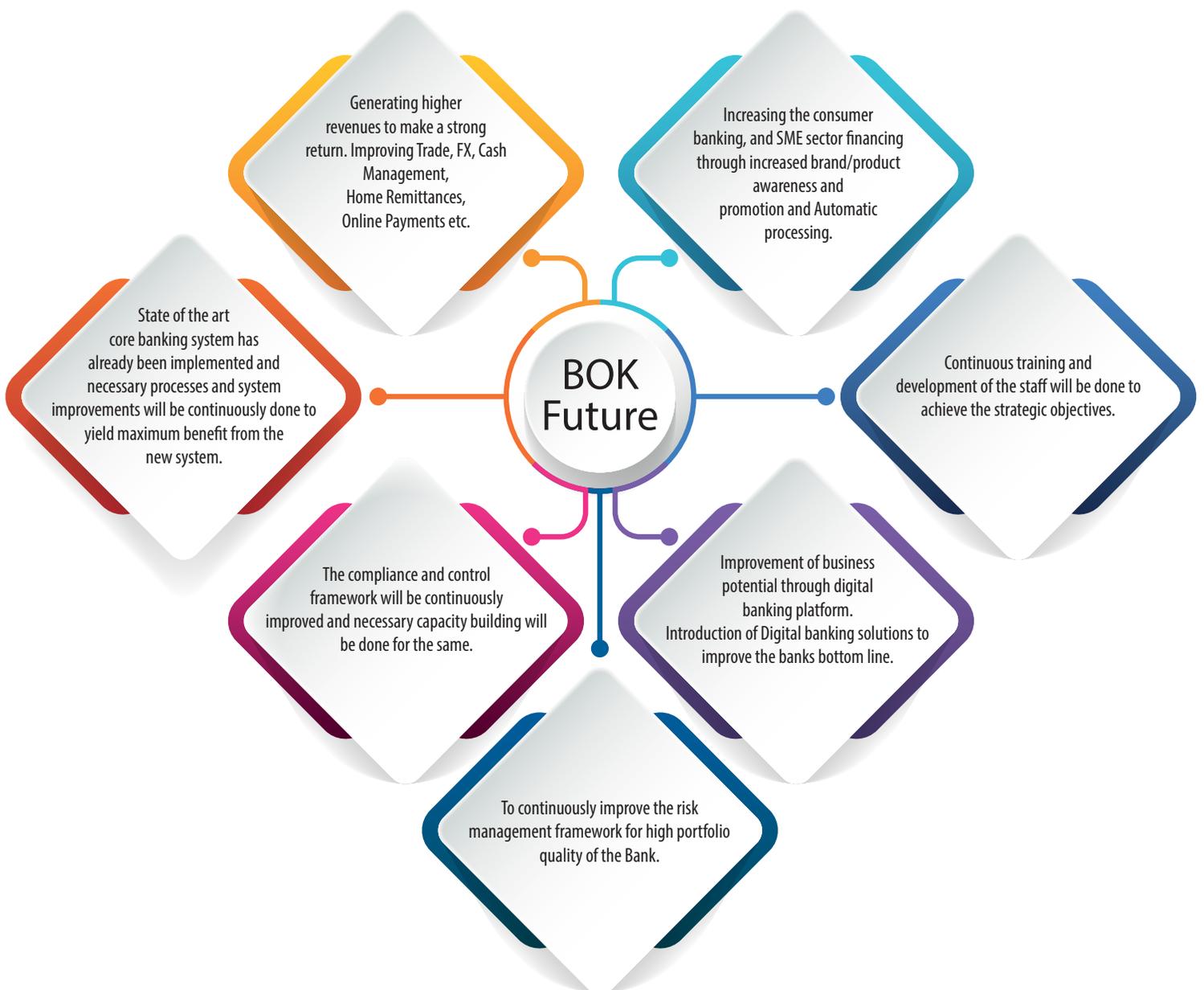
important policy measures including monetary and fiscal measures to mitigate the economic fallout of the COVID-19 shock which helped to steer the economy towards growth trajectory after lifting of lockdowns. Apart from global economy which has started to show signs of subdued recovery, significant momentum has also been attained by the country's economy with strong pick up in overall domestic demand. However, global increase in the price levels for food, energy and other key commodities, with a weaker PKR has caused significant rise in domestic inflation. This poses the strongest challenge to an otherwise nascent recovery with economic activity which is now returning to pre COVID levels.

The Bank of Khyber's Future Outlook

In these circumstances, the Bank's focus will be on to ensure that customers' banking needs are fully met in a technologically advanced, secure, and convenient manner. We will work hard to regain and grow our market share in low-cost deposits, consumer products and SME financing. We look forward to expanding our branch network to widen our reach and serve our customers. The Bank is ready to give special attention to Home Remittance business for channelling forex through the formal sector. This will be aided through broadening of product suite and further supported through the Bank's digital banking platform. On the asset side, the Bank intends to diversify financing portfolio by gradually moving from Government backed lending to private sector for fresh loans with potential of ancillary business and trade finance opportunities. Besides, other target areas remain Consumer Financing, Agriculture and SMEs to foster development and generate economic

FINANCIAL PERFORMANCE 2021

activity. Emphasis will be on boosting trade volumes, increasing penetration in cash management with a focus on SME / commercial lending. Simultaneously, investing in human capital and creating a caring culture, will remain a key priority. To save energy for the future, the Bank of Khyber has adopted renewable energy options. The first of such initiative has been taken in 2021 and 6 branches have successfully been converted to Solar energy whereas remaining branches will be converted accordingly. The Bank continues to play an active role in all Government and SBP initiatives aimed at improving the economic activities in the country. The Bank also continues to play an active role in the housing initiative and also financially empowering the young population under the PM Kamyab Jawan program. The Bank supports gender diversity and offers equal employment opportunities to females and candidates belonging to minority groups across the country. The Bank has already inducted a batch of female Management Training Officers (MTOs) and further inductions will be made in the future as well.



Projects to support Future Performance

Details of Projects

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

Quantitative Projections

| Outlook | Key Risks Going Forward |
|--|---|
| Increase in the core business and net interest income | Deterioration in the asset quality due to challenging economic conditions. |
| Diversification and expansion of assets and liabilities. | Increased competition within the banking industry amidst low differential and switching cost. |
| Increase in non-markup income stream. | Risk of lower growth in transaction volume due to market factors and competition. |
| Increase the outreach and branch expansion. | Competitive environment for attracting new customers |
| Investment in human capital and capacity building initiatives. | Cost pressure at the initial stages due to a natural lag effect in the corresponding revenue increase/benefits. |

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

Multiple macroeconomic factors are always on the horizon that can affect performance, resources, and profitability of any organization whilst these aren't under the control of the Bank but to successfully tread forward, they must be constantly kept in the periphery.

- **Inflation & Discount Rate:** Change in the discount rate can directly impact the interest income and profitability of the Bank, these are factored to the difference between earning assets and liabilities – this causes a repricing lag. Inflation directly impacts the policy rates and is another factor impacting in the overall performance of the Bank.
- **Political Scenario:** Other than macro-economic uncertainties, the country's political stability and law & order situation can impact the Banks resource, revenue, and operations. This also plays a vital role in fostering the investors' confidence.
- **Other Factors:** Other contributing factors to take into accounts are but not limited to GDP, interest rates, imports, exports, fluctuation in exchange rates etc.

External Environment

External factors are also a major contributor to the performance, strategic goals and resource utilization of the Bank. Those are elaborated in the SWOT, Risks and Opportunity sections of the report.

FINANCIAL PERFORMANCE 2021

Performance of the Bank against forward looking disclosure of 2021 as presented in annual report of 2020

| Forward-looking disclosure for 2021 as presented in annual report of 2020. | Performance of the Bank in 2021 against forward-looking disclosure |
|--|--|
| <p>Since the impact of the COVID-19 is easing out, the global economies are taking measures to chalk out ways for recoveries. In line with the trend, the Bank's focus will be on harnessing technology to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner. We will work hard to regain and grow our market share in low cost deposits, consumer products and SME financing. We look forward to expanding our branch network to widen our reach and serve our customers.</p> <p>Having the comprehensive launching pad, the Bank is all set to embark upon the journey of new initiatives and to explore new vistas. The Bank's target for the year 2021 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 has been in operation since last year.</p> <p>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.</p> <p>Emphasis will be on boosting trade volumes, increasing penetration in cash management with a focus on SME / commercial lending. Simultaneously, investing in human capital and creating a caring culture, will remain a key priority.</p> <p>To safe energy for the future, the Bank of Khyber intends to adopt renewable energy options. The first of such initiative is to open Solar Branches whereas existing branches will be converted accordingly.</p> | <p>During the year 2021, the Bank successfully completed the implementation of the new state of the art core banking system (T-24). This has provided the Bank with a platform to provide the best possible services to its customers. Moreover, the Bank launched its mobile banking app to provide convenient and easy access to its customers. These technological advancements will also help in targeting growth for consumer and SME portfolio of the Bank.</p> <p>In the year 2020, total branches were 179 and in year 2021, our total branch network stood at 216 branches. Additional branches have increased the geographical coverage in line with the strategic direction of the Bank.</p> <p>Focus was maintained on controlling cost of deposits to improve margins. Concerted efforts were made to improve CASA ratios and diversification of deposits. The Bank is focusing on growth of trade business.</p> <p>Capacity building of the employees is given immense importance. Therefore, frequent trainings are arranged to improve soft and technical skills of the employees.</p> <p>On the asset side, efforts are being made to diversify the portfolio with enhanced focus on Forex income and ancillary business including trade to improve non-markup income. Apart from that Bank is focused on increasing cash management services.</p> <p>Bank has provided renewable energy financing facilities for household, SME and Agriculture business to support environment friendly targets. Furthermore, six of bank branches are solar powered.</p> <p>New Agriculture financing initiatives are introduced aligning with SBP agriculture financings schemes.</p> <p>Emphasis is being placed on SME financing through various schemes to grow its portfolio.</p> <p>The Bank is putting its best efforts to meet its targets assigned for the newly launched SME financing scheme (SAAF Scheme) which will further boost the efforts of Bank to increase good quality SME portfolio.</p> |

| Forward-looking disclosure for 2021 as presented in annual report of 2020. | Performance of the Bank in 2021 against forward-looking disclosure |
|---|--|
| <p>The Bank has successfully executed different Government initiatives like Insaf Rozgar Scheme of the provincial government 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 more such schemes and will provide its cooperation in all the projects for social and economic uplift of the people of the country especially of the province of KPK.</p> | |

Sources of information and assumptions

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

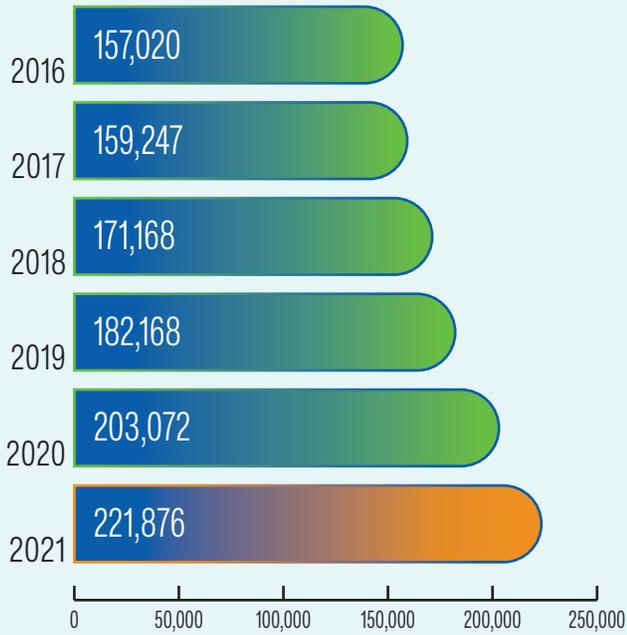
Keeping in view the inflation outlook, the Bank is assuming further increase in policy rate while keeping the real interest rate at appropriate level to support growth, maintaining external stability. With respect to USD/PKR parity, the Bank is assuming currency devaluation of approx in the range of 7% to 10% per annum.

Our response to critical challenges and uncertainties

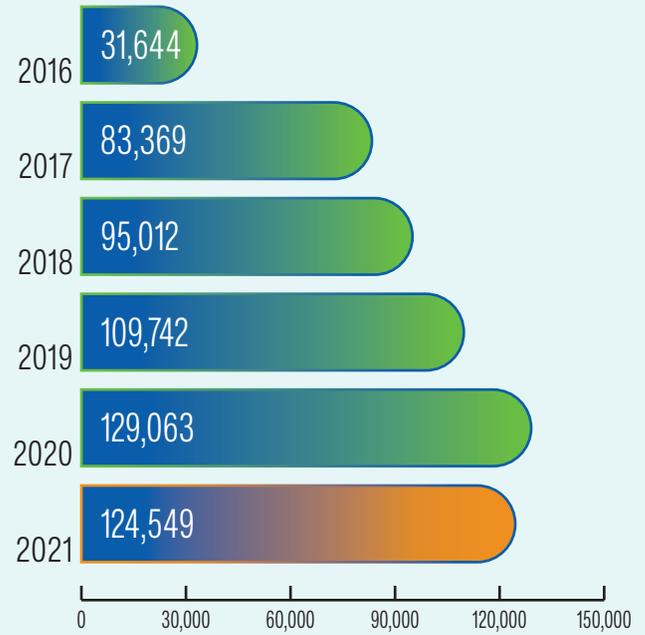
With robust risk management and governance framework in place, the Bank is prepared to appropriately address and respond to critical challenges and uncertainties. During the year 2020 and 2021, the Bank of Khyber proactively handled the challenges arising from ever changing business and operating environment amidst the Covid-19 outbreak and exhibited institutional readiness by the implementation of its business continuity plan as required. The Bank also successfully implemented the portfolio reconfiguration to manage the impact of risks arising from the challenging business landscape.

GRAPHICAL PRESENTATION OF FINANCIAL STATEMENTS

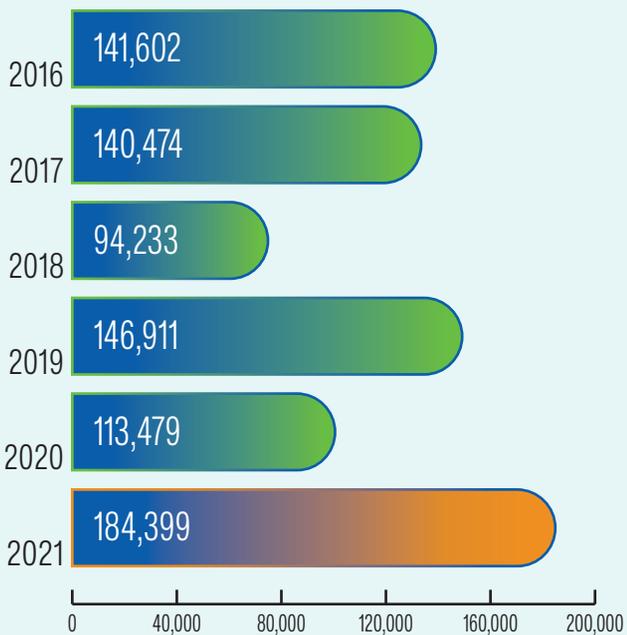
All graphs shows figures in Rs. in million



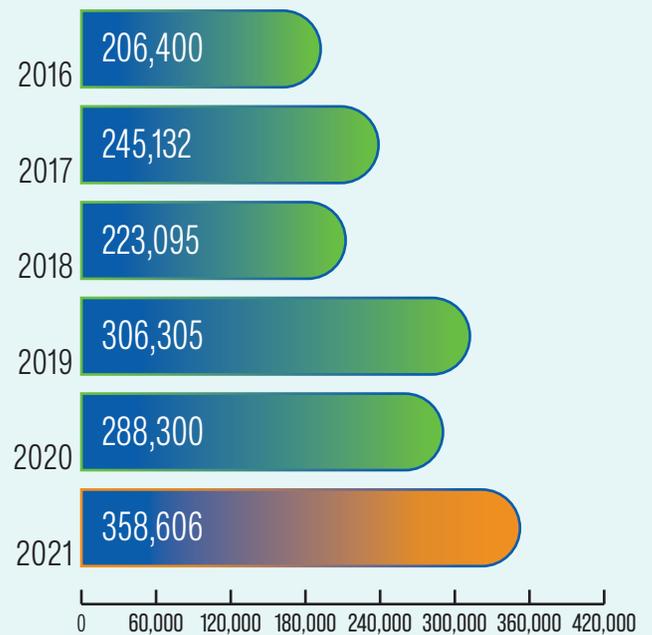
DEPOSITS



ADVANCES (NET)

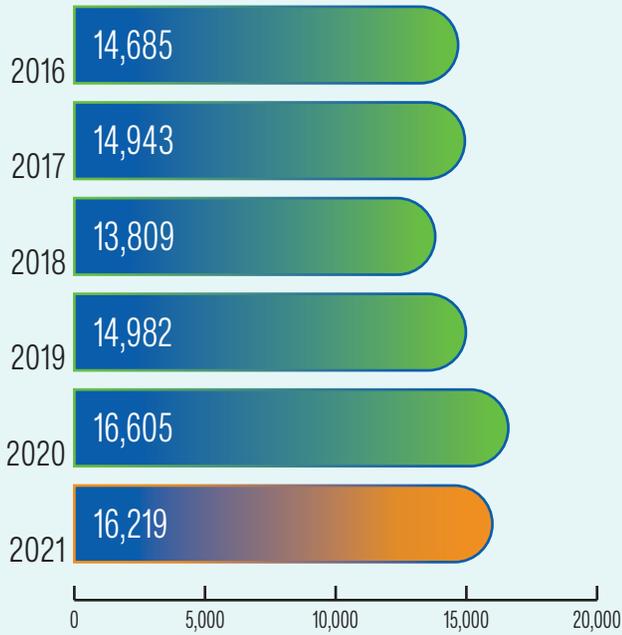


INVESTMENTS (NET)



TOTAL ASSETS

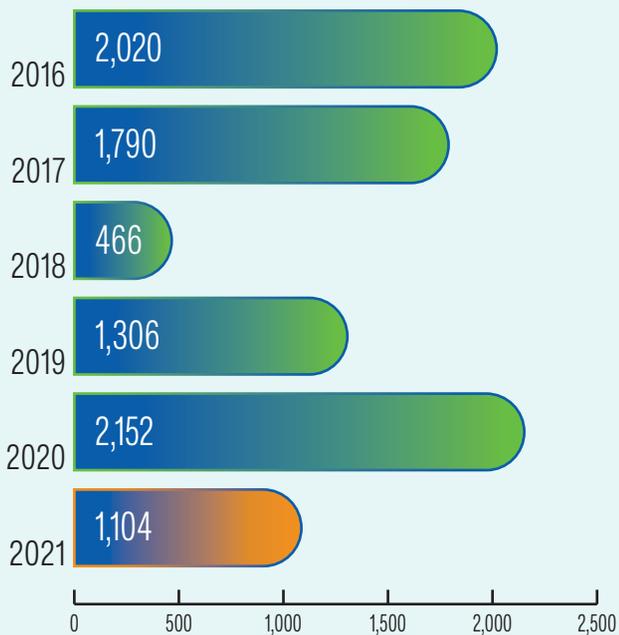
All graphs shows figures in Rs. in million



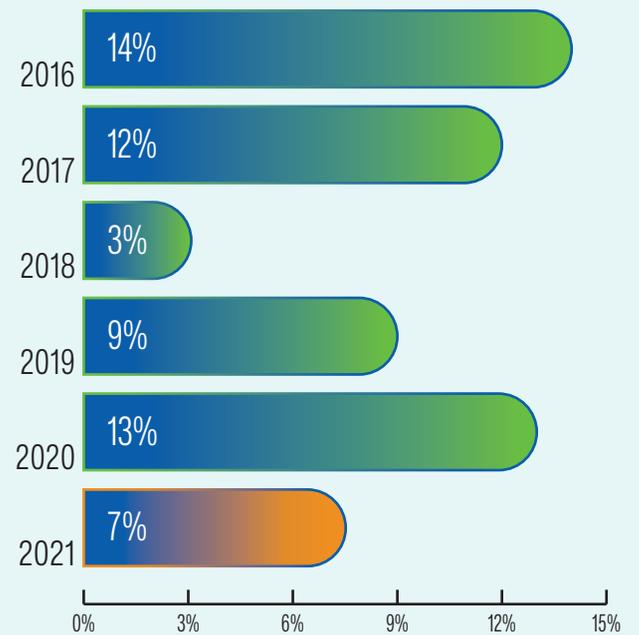
CAPITAL & RESERVES



PROFIT BEFORE TAX



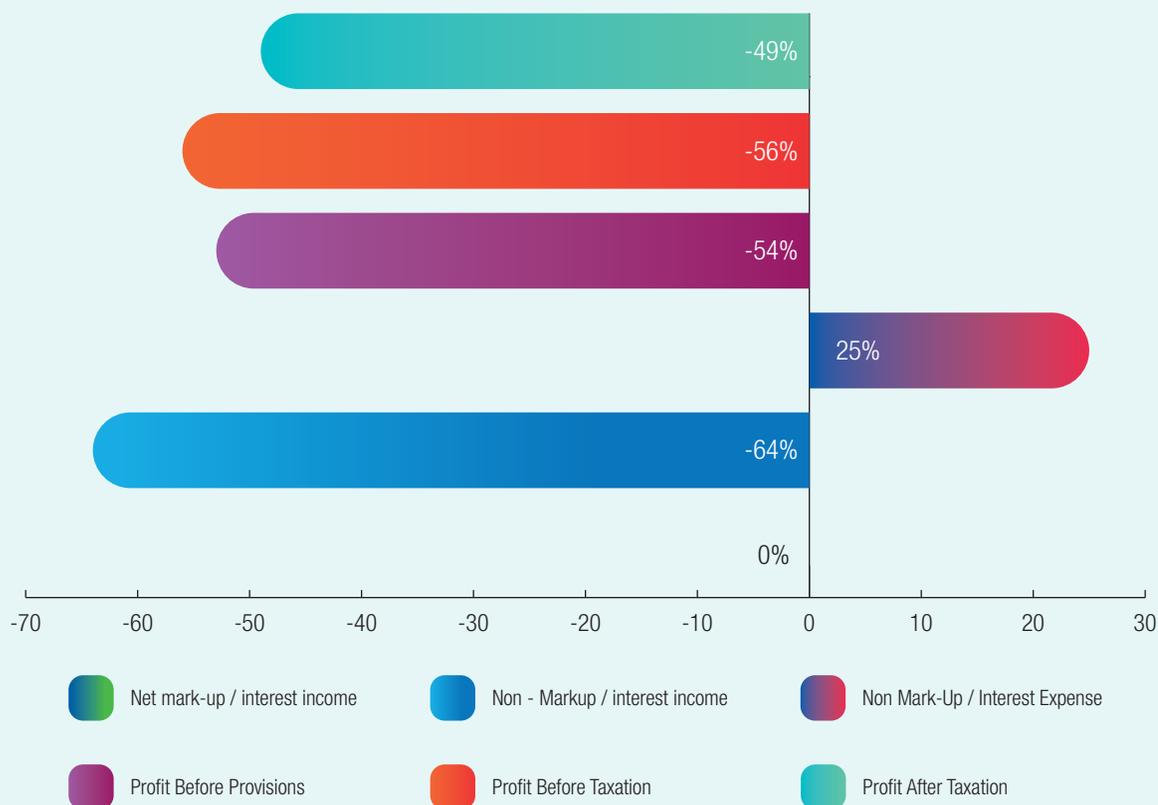
PROFIT AFTER TAX



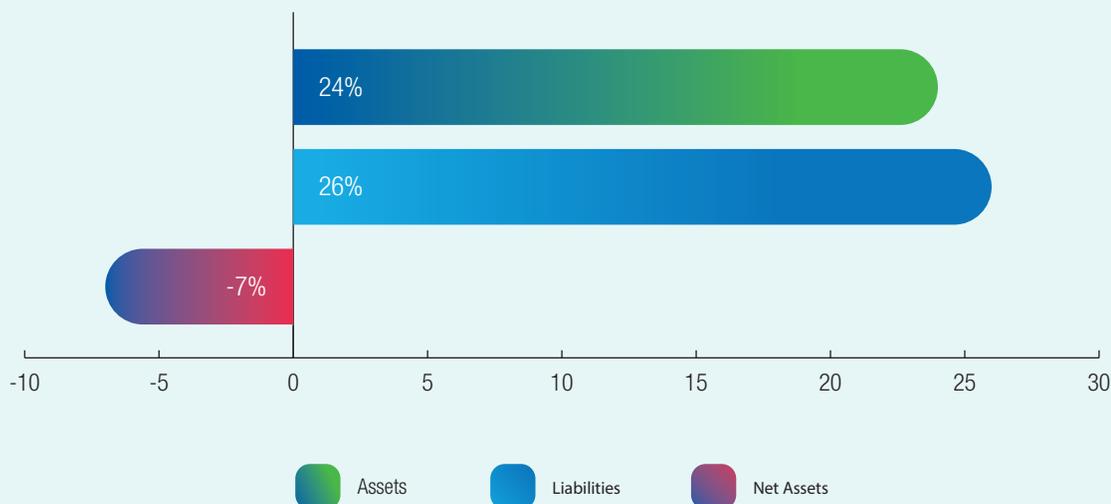
RETURN ON EQUITY
(EX-SURPLUS/DEFICIT)

VARIATION ANALYSIS - INFOGRAPHICS

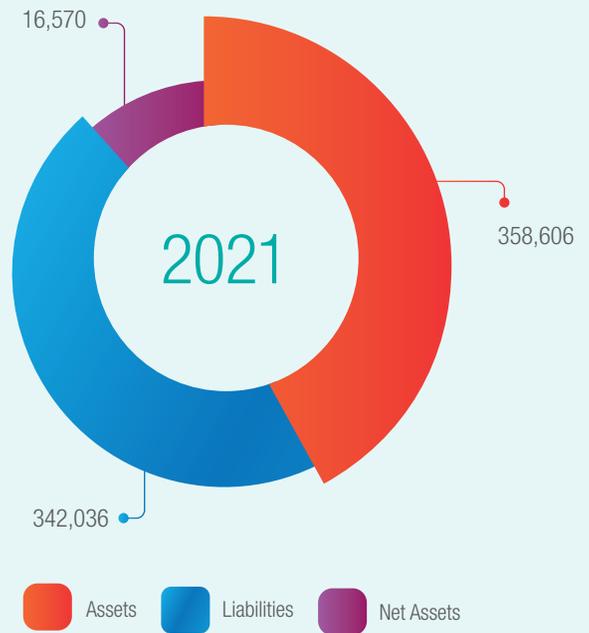
PROFIT AND LOSS VARIANCE - YEAR 2021 VS 2020



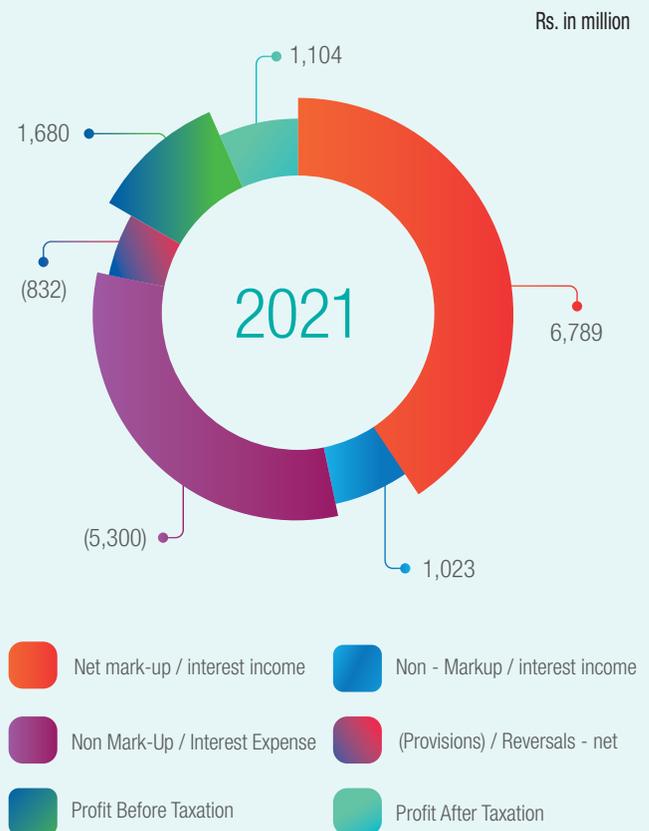
STATEMENT OF FINANCIAL POSITION VARIANCE - YEAR 2021 VS 2020



STATEMENT OF FINANCIAL POSITION



PROFIT AND LOSS ACCOUNT



SIX YEARS' VERTICAL ANALYSIS

YEAR 2016 – 2021

STATEMENT OF FINANCIAL POSITION

Rs. in million

| | 2021 | % | 2020 | % | 2019 | % | 2018 | % | 2017 | % | 2016 | % |
|---|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|
| ASSETS | | | | | | | | | | | | |
| Cash and balances with treasury banks | 17,375 | 5% | 15,840 | 5% | 12,138 | 4% | 12,351 | 6% | 8,916 | 4% | 8,637 | 4% |
| Balances with other banks | 12,115 | 3% | 9,092 | 3% | 8,230 | 3% | 3,705 | 2% | 3,257 | 1% | 9,981 | 5% |
| Lendings to financial institutions | 4,982 | 1% | 7,298 | 3% | 13,863 | 5% | 7,696 | 3% | 1,529 | 1% | 8,827 | 4% |
| Investments | 184,399 | 52% | 113,479 | 39% | 146,911 | 47% | 94,233 | 42% | 140,474 | 57% | 141,602 | 69% |
| Advances | 124,549 | 36% | 129,063 | 45% | 109,742 | 36% | 95,012 | 42% | 83,369 | 34% | 31,644 | 15% |
| Fixed assets | 5,137 | 1% | 3,472 | 1% | 3,335 | 1% | 2,216 | 1% | 2,234 | 1% | 1,970 | 1% |
| Intangible assets | 450 | 0% | 532 | 0% | 286 | 0% | 79 | 0% | 137 | 0% | 101 | 0% |
| Deferred tax assets | 992 | 0% | 460 | 0% | 1,031 | 0% | 1,757 | 1% | 380 | 0% | - | 0% |
| Other assets | 8,606 | 2% | 9,064 | 3% | 10,769 | 4% | 6,046 | 3% | 4,836 | 2% | 3,638 | 2% |
| | 358,606 | 100% | 288,300 | 100% | 306,305 | 100% | 223,095 | 100% | 245,132 | 100% | 206,400 | 100% |
| LIABILITIES | | | | | | | | | | | | |
| Bills payable | 875 | 0% | 944 | 0% | 1,172 | 0% | 895 | 0% | 1,131 | 0% | 776 | 0% |
| Borrowings | 110,069 | 31% | 57,063 | 20% | 94,656 | 31% | 34,842 | 16% | 64,190 | 26% | 28,701 | 14% |
| Deposits and other accounts | 221,876 | 62% | 203,072 | 71% | 182,168 | 59% | 171,168 | 77% | 159,247 | 66% | 157,020 | 76% |
| Liabilities against assets subject to finance lease | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% |
| Subordinated debt | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% |
| Deferred tax liabilities | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% | 152 | 0% |
| Other liabilities | 9,217 | 3% | 9,449 | 3% | 14,108 | 5% | 4,485 | 2% | 5,166 | 2% | 3,609 | 2% |
| | 342,036 | 95% | 270,528 | 94% | 292,104 | 95% | 211,390 | 95% | 229,734 | 94% | 190,258 | 92% |
| NET ASSETS | 16,570 | 5% | 17,772 | 6% | 14,201 | 5% | 11,705 | 5% | 15,398 | 6% | 16,142 | 8% |
| REPRESENTED BY | | | | | | | | | | | | |
| Share capital | 10,503 | 3% | 10,003 | 3% | 10,003 | 3% | 10,003 | 4% | 10,003 | 4% | 10,003 | 5% |
| Reserves | 3,556 | 1% | 3,335 | 1% | 2,905 | 1% | 2,643 | 1% | 2,550 | 1% | 2,192 | 1% |
| Surplus / (Deficit) on revaluation of assets | 351 | 0% | 1,167 | 1% | (781) | 0% | (2,105) | -1% | 455 | 0% | 1,457 | 1% |
| Unappropriated profit | 2,161 | 1% | 3,267 | 1% | 2,074 | 1% | 1,164 | 1% | 2,390 | 1% | 2,490 | 1% |
| | 16,570 | 5% | 17,772 | 6% | 14,201 | 5% | 11,705 | 5% | 15,398 | 6% | 16,142 | 8% |
| PROFIT & LOSS ACCOUNT | | | | | | | | | | | | |
| Mark-up / return / interest earned | 21,939 | 96% | 25,673 | 90% | 24,657 | 96% | 14,686 | 104% | 14,375 | 90% | 12,049 | 82% |
| Mark-up / return / interest expensed | (15,150) | -66% | (18,911) | -66% | (19,891) | -77% | (9,547) | -67% | (9,576) | -60% | (7,643) | -52% |
| Net mark-up / interest income | 6,789 | 30% | 6,762 | 24% | 4,766 | 19% | 5,139 | 37% | 4,799 | 30% | 4,406 | 30% |
| Non - Markup / interest income | 1,023 | 4% | 2,877 | 10% | 1,112 | 4% | (526) | -4% | 1,651 | 10% | 2,673 | 18% |
| Total income | 7,812 | 34% | 9,639 | 34% | 5,878 | 23% | 4,613 | 33% | 6,450 | 40% | 7,079 | 48% |
| Non Mark-Up / Interest Expense | (5,300) | -23% | (4,223) | -15% | (3,638) | -14% | (4,077) | -29% | (3,778) | -23% | (3,209) | -22% |
| Profit Before Provisions | 2,512 | 11% | 5,416 | 19% | 2,240 | 9% | 536 | 4% | 2,672 | 16% | 3,870 | 26% |
| (Provisions) / Reversals - net | (832) | -4% | (1,610) | -6% | 21 | 0% | 171 | 1% | 123 | 1% | (631) | -4% |
| Profit Before Taxation | 1,680 | 7% | 3,806 | 13% | 2,261 | 9% | 707 | 5% | 2,795 | 17% | 3,239 | 22% |
| Taxation | (577) | -3% | (1,655) | -5% | (955) | -4% | (241) | -2% | (1,005) | -6% | (1,219) | -8% |
| Profit After Taxation | 1,104 | 5% | 2,151 | 8% | 1,306 | 5% | 466 | 3% | 1,790 | 11% | 2,020 | 14% |

SIX YEARS' HORIZONTAL ANALYSIS

YEAR 2016 – 2021

STATEMENT OF FINANCIAL POSITION

Rs. in million

| | 2021 | % | 2020 | % | 2019 | % | 2018 | % | 2017 | % | 2016 | % |
|---|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|------------|
| ASSETS | | | | | | | | | | | | |
| Cash and balances with treasury banks | 17,375 | 10% | 15,840 | 31% | 12,138 | -2% | 12,351 | 39% | 8,916 | 3% | 8,637 | 56% |
| Balances with other banks | 12,115 | 33% | 9,092 | 10% | 8,230 | 122% | 3,705 | 14% | 3,257 | -67% | 9,981 | 53% |
| Lendings to financial institutions | 4,982 | -32% | 7,298 | -47% | 13,863 | 80% | 7,696 | 403% | 1,529 | -83% | 8,827 | 47% |
| Investments | 184,399 | 62% | 113,479 | -23% | 146,911 | 56% | 94,233 | -33% | 140,474 | -1% | 141,602 | 48% |
| Advances | 124,549 | -3% | 129,063 | 18% | 109,742 | 16% | 95,012 | 14% | 83,369 | 163% | 31,644 | -13% |
| Fixed assets | 5,137 | 48% | 3,472 | 4% | 3,335 | 50% | 2,216 | -1% | 2,234 | 13% | 1,970 | 4% |
| Intangible assets | 450 | -15% | 532 | 86% | 286 | 263% | 79 | -42% | 137 | 35% | 101 | 169% |
| Deferred tax assets | 992 | 116% | 460 | -55% | 1,031 | -41% | 1,757 | 363% | 380 | 100% | - | 0% |
| Other assets | 8,606 | -5% | 9,064 | -16% | 10,769 | 78% | 6,046 | 25% | 4,836 | 33% | 3,638 | 13% |
| | 358,606 | 24% | 288,300 | -6% | 306,305 | 37% | 223,095 | -9% | 245,132 | 19% | 206,400 | 33% |
| LIABILITIES | | | | | | | | | | | | |
| Bills payable | 875 | -7% | 944 | -19% | 1,172 | 31% | 895 | -21% | 1,131 | 46% | 776 | 54% |
| Borrowings | 110,069 | 93% | 57,063 | -40% | 94,656 | 172% | 34,842 | -46% | 64,190 | 124% | 28,701 | 68% |
| Deposits and other accounts | 221,876 | 9% | 203,072 | 11% | 182,168 | 6% | 171,168 | 7% | 159,247 | 1% | 157,020 | 34% |
| Liabilities against assets subject to finance lease | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% |
| Subordinated debt | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% | - | 0% |
| Deferred tax liabilities | - | 0% | - | 0% | - | 0% | - | 0% | - | -100% | 152 | -68% |
| Other liabilities | 9,217 | -2% | 9,449 | -33% | 14,108 | 215% | 4,485 | -13% | 5,166 | 43% | 3,609 | -6% |
| | 342,036 | 26% | 270,528 | -7% | 292,104 | 38% | 211,390 | -8% | 229,734 | 21% | 190,258 | 37% |
| NET ASSETS | | | | | | | | | | | | |
| | 16,570 | -7% | 17,772 | 25% | 14,201 | 21% | 11,705 | -24% | 15,398 | -5% | 16,142 | 1% |
| REPRESENTED BY | | | | | | | | | | | | |
| Share capital | 10,503 | 5% | 10,003 | 0% | 10,003 | 0% | 10,003 | 0% | 10,003 | 0% | 10,003 | 0% |
| Reserves | 3,556 | 7% | 3,335 | 15% | 2,905 | 10% | 2,643 | 4% | 2,550 | 16% | 2,192 | 23% |
| Surplus / (Deficit) on revaluation of assets | 351 | -70% | 1,167 | -249% | (781) | -63% | (2,105) | -563% | 455 | -69% | 1,457 | -25% |
| Unappropriated profit | 2,161 | -34% | 3,267 | 58% | 2,074 | 78% | 1,164 | -51% | 2,390 | -4% | 2,490 | 14% |
| | 16,570 | -7% | 17,772 | 25% | 14,201 | 21% | 11,705 | -24% | 15,398 | -5% | 16,142 | 1% |
| PROFIT & LOSS ACCOUNT | | | | | | | | | | | | |
| Mark-up / return / interest earned | 21,939 | -15% | 25,673 | 4% | 24,657 | 68% | 14,686 | 2% | 14,375 | 19% | 12,049 | 11% |
| Mark-up / return / interest expensed | (15,150) | -20% | (18,911) | -5% | (19,891) | 108% | (9,547) | 0% | (9,576) | 25% | (7,643) | 19% |
| Net mark-up / interest income | 6,789 | 0% | 6,762 | 42% | 4,766 | -7% | 5,139 | 7% | 4,799 | 9% | 4,406 | 0% |
| Non - Markup / interest income | 1,023 | -64% | 2,877 | 159% | 1,112 | -311% | (526) | -132% | 1,651 | -38% | 2,673 | 49% |
| Total income | 7,812 | -19% | 9,639 | 64% | 5,878 | 27% | 4,613 | -28% | 6,450 | -9% | 7,079 | 14% |
| Non Mark-Up / Interest Expense | (5,300) | 25% | (4,223) | 16% | (3,638) | -11% | (4,077) | 8% | (3,778) | 18% | (3,209) | 19% |
| Profit Before Provisions | 2,512 | -54% | 5,416 | 142% | 2,240 | 318% | 536 | -80% | 2,672 | -31% | 3,870 | 9% |
| (Provisions) / Reversals - net | (832) | -48% | (1,610) | -7766% | 21 | -88% | 171 | 39% | 123 | -120% | (631) | 9% |
| Profit Before Taxation | 1,680 | -56% | 3,806 | 68% | 2,261 | 220% | 707 | -75% | 2,795 | -14% | 3,239 | 9% |
| Taxation | (577) | -65% | (1,655) | 73% | (955) | 297% | (241) | -76% | (1,005) | -18% | (1,219) | 4% |
| Profit After Taxation | 1,104 | -49% | 2,151 | 65% | 1,306 | 180% | 466 | -74% | 1,790 | -11% | 2,020 | 13% |

SIX YEARS' FINANCIAL PERFORMANCE / FINANCIAL RATIOS - 2016 – 2021

Rs in million unless otherwise stated

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---------|---------|---------|---------|---------|---------|
| Profit and Loss Account | | | | | | |
| Mark-up/ Return Earned | 21,939 | 25,673 | 24,657 | 14,686 | 14,375 | 12,049 |
| Mark-up/ Return Expensed | 15,150 | 18,911 | 19,891 | 9,547 | 9,576 | 7,643 |
| Net Mark-up / Interest Income | 6,789 | 6,762 | 4,766 | 5,139 | 4,799 | 4,406 |
| Fee and Commission Income | 425 | 388 | 398 | 407 | 325 | 253 |
| Dividend | 38 | 17 | 13 | 50 | 58 | 102 |
| Foreign Exchange Income | 478 | 613 | 285 | 139 | 88 | 87 |
| Capital Gain/(loss) | (114) | 1,735 | 290 | (1,226) | 1,061 | 2,140 |
| Other Income | 196 | 126 | 127 | 104 | 118 | 91 |
| Total Income | 7,812 | 9,640 | 5,878 | 4,613 | 6,450 | 7,079 |
| Non-Mark-up Expenses | 5,300 | 4,223 | 3,638 | 4,077 | 3,758 | 3,209 |
| Profit before Provisions and Tax | 2,512 | 5,416 | 2,240 | 536 | 2,692 | 3,871 |
| Provision / (Reversals) | 832 | 1,610 | (21) | (171) | (104) | 631 |
| Profit before Tax | 1,680 | 3,806 | 2,261 | 707 | 2,795 | 3,240 |
| Profit after Tax | 1,104 | 2,152 | 1,306 | 466 | 1,790 | 2,020 |
| Cash Dividends/ Share | - | 1.5 | 0.5 | - | 1.5 | 1.5 |
| Statement of Financial Position | | | | | | |
| Authorised Capital | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 |
| Paid up Capital | 10,503 | 10,003 | 10,003 | 10,003 | 10,003 | 10,003 |
| Reserves | 3,556 | 3,335 | 2,905 | 2,643 | 2,550 | 2,192 |
| Unappropriated Profit | 2,161 | 3,267 | 2,075 | 1,163 | 2,390 | 2,491 |
| Shareholders' Equity | 16,219 | 16,605 | 14,982 | 13,809 | 14,943 | 14,685 |
| Surplus on Revaluation of Assets - Net of Tax | 351 | 1,167 | (781) | (2,105) | 455 | 1,457 |
| Net Assets | 16,570 | 17,772 | 14,201 | 11,704 | 15,398 | 16,142 |
| Total Assets | 358,606 | 288,300 | 306,305 | 223,095 | 245,132 | 206,400 |
| Average Assets | 323,453 | 297,303 | 264,700 | 234,114 | 225,766 | 180,780 |
| Earning Assets | 313,930 | 249,840 | 270,517 | 196,941 | 225,372 | 182,073 |
| Average Earning Assets | 281,885 | 260,178 | 233,729 | 211,156 | 203,723 | 160,014 |
| Gross Advances | 131,166 | 134,907 | 113,976 | 99,167 | 87,673 | 36,054 |
| Advances - Net of Provisions | 124,549 | 129,063 | 109,742 | 95,012 | 83,369 | 31,644 |
| Investments - Net | 184,399 | 113,479 | 146,911 | 94,233 | 140,474 | 141,602 |
| Lending to Fis - Net | 4,982 | 7,298 | 13,863 | 7,696 | 1,529 | 8,827 |
| Total Liabilities | 342,036 | 270,528 | 292,104 | 211,390 | 229,734 | 190,258 |
| Deposits & Other Accounts | 221,876 | 203,072 | 182,168 | 171,168 | 159,247 | 157,020 |
| Current & Saving Deposits (CASA) | 155,967 | 131,046 | 114,485 | 96,592 | 84,225 | 95,526 |
| Borrowings | 110,069 | 57,063 | 94,656 | 34,842 | 64,190 | 28,701 |
| Interest Bearing Liabilities | 331,945 | 260,135 | 276,824 | 206,010 | 223,437 | 185,721 |
| Contingencies and Commitments | 83,780 | 60,717 | 51,737 | 29,505 | 21,584 | 22,742 |
| Profitability ratios | | | | | | |
| Profit Before Tax Ratio % | 21.51% | 39.48% | 38.46% | 15.32% | 43.34% | 45.77% |
| Gross Yield on Avg. Earning Assets | 7.78% | 9.87% | 10.55% | 6.96% | 7.06% | 7.53% |
| Gross Yield on Avg. Earning Assets (Incl. Dividend & Capital Gains) % | 7.76% | 10.54% | 10.68% | 6.40% | 7.61% | 8.93% |
| Gross Spread | 6.789 | 6.762 | 4.766 | 5.139 | 4.799 | 4.406 |
| Non-Interest Income to Total Income % | 13.10% | 29.80% | 18.90% | (11.4%) | 25.60% | 37.80% |
| Return on Average Equity - Ex-surplus/deficit (ROE) % | 6.72% | 13.62% | 9.07% | 3.24% | 12.09% | 14.10% |
| Return on Average Assets (ROA) % | 0.34% | 0.72% | 0.49% | 0.20% | 0.79% | 1.12% |
| Cost to Income Ratio % | 67.80% | 43.80% | 61.90% | 88.40% | 58.60% | 45.40% |
| Investment ratios/Market Ratios | | | | | | |
| Earnings per Share (after tax) Rs. | 1.05 | *2.05 | 1.31 | 0.47 | 1.79 | 2.02 |
| Earnings per Share (before tax) Rs. | 1.60 | *3.62 | 2.26 | 0.71 | 2.8 | 3.24 |
| Breakup value per share | | | | | | |
| - Without Surplus on Revaluation of Fixed Assets & Investments | 15.44 | 16.60 | 14.98 | 13.81 | 14.94 | 14.68 |
| - Without Surplus on Revaluation of Fixed Assets | 14.98 | 16.93 | 13.42 | 10.93 | 14.62 | 15.36 |
| - With Surplus on Revaluation of Fixed Assets & Investments | 15.78 | 17.77 | 14.20 | 11.70 | 15.39 | 16.14 |

* Restated

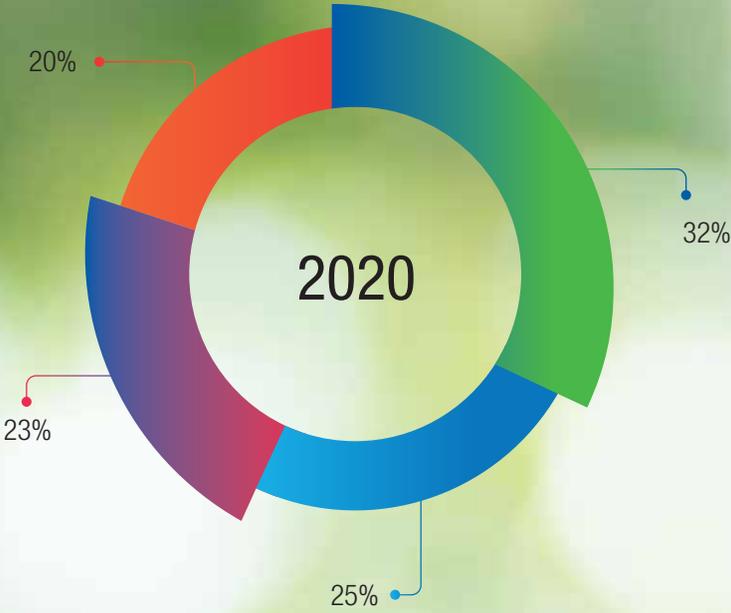
Rs in million unless otherwise stated

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|------------------|-----------|-------------|-------------|-----------|-----------|
| Cash Dividend % | | | | | | |
| Dividend Yield Ratio (Based On Cash Dividend) % | - | 10.01% | 3.69% | - | 11.11% | 9.06% |
| Dividend Payout Ratio | - | 73.20% | 38.28% | - | 83.78% | 74.24% |
| Price to Book Value Ratio | 0.96 | 0.84 | 0.95 | 1.11 | 0.88 | 1.03 |
| Price to Earnings Ratio | 14.75 | 7.31 | 10.38 | 27.78 | 7.54 | 8.19 |
| Dividend Cover Ratio | - | 1.37 | 2.61 | - | 1.19 | 1.35 |
| Share Information | | | | | | |
| Market Value per Share at Year End | 15.5 | 14.98 | 13.56 | 12.95 | 13.5 | 16.55 |
| Market Capitalisation | 16,275 | 14,980 | 13,560 | 12,950 | 13,500 | 16,550 |
| Asset Quality Ratios | | | | | | |
| Gross Advances to Deposits Ratio % | 59.12% | 66.43% | 62.57% | 57.94% | 55.05% | 22.96% |
| Net Advances to Deposits Ratio % | 56.13% | 63.56% | 60.24% | 55.51% | 52.35% | 20.15% |
| Investments to Deposits Ratio % | 83.11% | 55.88% | 80.65% | 55.05% | 88.21% | 90.18% |
| Weighted Average Cost of Deposits % | 5.02% | 6.18% | 8.39% | 4.74% | 4.39% | 4.82% |
| CASA to Total Deposits % | 70.29% | 64.53% | 62.85% | 56.43% | 52.89% | 60.84% |
| NPLs to Gross Advances Ratio % | 8.02% | 5.39% | 4.41% | 4.70% | 5.48% | 15.13% |
| NPLs to Shareholders Equity % | 64.87% | 43.82% | 33.55% | 33.73% | 32.18% | 37.16% |
| Coverage Ratio (Specific Provision/ NPLs) % | 62.29% | 64.08% | 83.36% | 88.43% | 88.98% | 80.27% |
| Coverage Ratio (Total Provision/ NPLs) % | 62.89% | 80.32% | 84.23% | 89.20% | 89.50% | 80.83% |
| Earning Assets to Total Assets Ratio % | 87.54% | 86.66% | 88.32% | 88.28% | 91.94% | 88.21% |
| Investments to Total Assets Ratio % | 51.42% | 39.36% | 47.96% | 42.24% | 57.31% | 68.61% |
| Cash & Cash Equivalents to Total Assets % | 8.22% | 8.65% | 6.65% | 7.20% | 4.97% | 9.02% |
| Earning Assets to Interest Bearing Liabilities | 0.95 | 0.96 | 0.98 | 0.96 | 1.01 | 0.98 |
| Deposits to Shareholder Equity | 13.68 | 12.23 | 12.16 | 12.4 | 10.66 | 10.69 |
| Assets to Equity | 22.11 | 17.36 | 20.44 | 16.16 | 16.4 | 14.05 |
| Risk Adequacy | | | | | | |
| Tier I Capital | 15,249 | 15,550 | 13,204 | 9,587 | 14,807 | 14,584 |
| Total Eligible Capital | 15,530 | 17,365 | 13,204 | 9,623 | 15,201 | 15,752 |
| Risk Weighted Assets (RWA) | 105,333 | 89,754 | 86,324 | 78,394 | 75,993 | 73,812 |
| Tier I to RWA % | 14.47% | 17.33% | 15.30% | 12.23% | 19.48% | 19.76% |
| RWA to Total Assets | 29.37% | 31.13% | 28.18% | 35.14% | 31.00% | 35.76% |
| Capital Adequacy Ratio | 14.74% | 19.35% | 15.30% | 12.28% | 20.00% | 21.34% |
| Du Pont Analysis | | | | | | |
| Net Operating Margin % | 14% | 22% | 22% | 10% | 28% | 29% |
| Asset Utilization % | 2% | 3% | 2% | 2% | 3% | 4% |
| Leverage Ratio / Equity Multiplier | 19.71 | 18.82 | 18.39 | 16.28 | 15.24 | 12.62 |
| Market Capitalisation | 16,275 | 14,980 | 13,560 | 12,950 | 13,500 | 16,550 |
| Breakup Value per Share | 15.78 | 17.77 | 14.2 | 11.7 | 15.39 | 16.14 |
| Capital Adequacy Ratio % | 14.74% | 19.35% | 15.30% | 12.28% | 20.00% | 21.34% |
| Per Branch | | | | | | |
| Gross Advances | 607 | 754 | 678 | 590 | 535 | 240 |
| Deposits | 1,027 | 1,134 | 1,084 | 1,019 | 971 | 1,047 |
| CASA | 722 | 732 | 677 | 572 | 507 | 597 |
| Other Information | | | | | | |
| Cash And Balances With Treasury Banks | 17,375 | 15,840 | 12,138 | 12,351 | 8,916 | 8,637 |
| Balances With Other Banks | 12,115 | 9,092 | 8,230 | 3,705 | 3,257 | 9,981 |
| General Provisioning | 64 | 1,181 | 44 | 36 | 25 | 31 |
| Specific Provisioning | 6,554 | 4,663 | 4,190 | 4,119 | 4,279 | 4,380 |
| Total Provisioning | 6,617 | 5,844 | 4,234 | 4,155 | 4,304 | 4,411 |
| No. Of Shares in '000 | 1,050,271 | 1,000,252 | 1,000,252 | 1,000,252 | 1,000,252 | 1,000,252 |
| Total Surplus / (Deficit) in '000 | 350,617 | 1,166,961 | (780,670) | (2,104,692) | 454,868 | 1,457,298 |
| Surplus on Fixed Assets in '000 | 836,730 | 834,836 | 774,183 | 774,183 | 774,183 | 774,183 |
| Surplus/ (Deficit) on Investments in '000 | (486,113) | 332,125 | (1,554,853) | (2,878,875) | (319,315) | 683,115 |

STATEMENT OF VALUE ADDED

| | 2021 | | 2020 | |
|--|------------------|-------------|------------------|-------------|
| | PKR ('000) | % | PKR ('000) | % |
| Value Added | | | | |
| Net interest income | 6,789,241 | | 6,761,881 | |
| Non interest income | 1,022,826 | | 2,877,661 | |
| Operating expenses excluding staff costs, depreciation, amortization and donations | (1,689,679) | | (1,401,494) | |
| Provisions and write offs - net | (831,879) | | (1,610,005) | |
| Value added available for distribution | 5,290,509 | | 6,628,043 | |
| Distribution of value added: | | | | |
| To Employees | | | | |
| Remuneration, provident fund and other benefits | 2,707,990 | 51% | 2,135,384 | 32% |
| To Government | | | | |
| Income tax | 576,558 | 11% | 1,654,501 | 25% |
| To Shareholders | | | | |
| Cash dividends to shareholders | - | - | 1,500,557 | 23% |
| To Society | | | | |
| Donations | 5,003 | - | 600 | - |
| To Reinvestment, Expansion and Growth | | | | |
| Depreciation, Amortization, Retained earnings and reserves | 2,000,958 | 38% | 1,337,001 | 20% |
| | 5,290,509 | 100% | 6,628,043 | 100% |

STATEMENT OF VALUE ADDED - INFOGRAPHICS



ANALYSIS OF FINANCIAL PERFORMANCE 2021

Profit before tax was recorded at Rs.1,680 million as against Rs.3,806 million of the previous year. Profit after tax for the same year stands at Rs.1,104 million against Rs.2,152 million of the last year that translates into earnings per share of Rs.1.05 against Rs.2.05 in 2020. The drop in profit is primarily due to the two reasons: Firstly, profit in 2020 benefitted from very substantial one-off capital gains; Secondly, operating expenses increased in 2021 as part of Bank's branch expansion and business growth initiatives.

With a slight increase, the Net Mark-up / Interest Income stood at Rs.6,789 million as compared to Rs.6,762 million in the corresponding period of 2020. Non-Markup / Interest Income reduced due to loss on securities during the year as against a substantial one of capital gains last year and stood at Rs.1,023 million as compared to Rs.2,878 million of the previous year.

Total deposits registered an increase of 9% and amounted to Rs.221,876 million in comparison with Rs.203,072 million as at December 31, 2020. This growth was mainly driven through new customer acquisitions and deepening of the existing portfolio base whereas CASA deposits mobilization remained a pivotal point of the whole drive. Investment have increased by 63% and reached Rs.184,399 million in comparison with Rs.113,479 million as at December 31, 2020. Furthermore, the gross advances of the Bank stood at Rs.131,166 million from Rs.134,907 million of 2020.

The asset base of the Bank grew to Rs.358,606 million as compared to Rs.288,300 million as on December 31, 2020 depicting a growth of 24%. The shareholders' equity was recorded at Rs.16,570 million as compared to Rs.17,772 million for the corresponding period of 2020.

DUPONT ANALYSIS

| | | | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|----------------------|---------------------------------|-----------|--------|--------|--------|--------|--------|--------|
| DUPONT ANALYSIS | FORMULAS USED | | | | | | | |
| Net Operating Margin | PAT / Total Income | A | 14.13% | 22.33% | 22.22% | 10.10% | 27.75% | 28.54% |
| Asset Utilization | Total Income / Average Assets | B | 2.42% | 3.24% | 2.22% | 1.97% | 2.86% | 3.92% |
| Return on Assets | | C = A x B | 0.34% | 0.72% | 0.49% | 0.20% | 0.79% | 1.12% |
| Equity Multiplier | Average Assets / Average Equity | D | 19.71 | 18.82 | 18.39 | 16.28 | 15.24 | 12.62 |
| Return on Equity | | C X D | 6.7% | 13.6% | 9.1% | 3.2% | 12.1% | 14.1% |

ANALYSIS OF NON-FINANCIAL PERFORMANCE

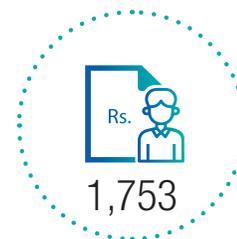
2021



Female Staff Ratio



New Recruitments



Total Number of
Permanent Employees



No. of Promotions



Average number of
employees



Total Staff

Training



Number of training
participants



Investment in Training
(Rupees in Million)



Total Days of training

| KEY PERFORMANCE RATIOS | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|----------------------------|--------|--------|--------|--------|--------|--------|
| Trade (Rs Mn) | | | | | | |
| Import volume | 45,171 | 29,656 | 53,753 | 47,938 | 21,678 | 17,848 |
| Export volume | 38,320 | 24,521 | 24,372 | 17,267 | 12,790 | 12,637 |
| No. of Branches | 216 | 179 | 168 | 168 | 164 | 150 |
| Headcount | | | | | | |
| No. of permanent employees | 1,753 | 1,433 | 1,334 | 1,373 | 1,366 | 1,307 |
| Gender Diversity (%) | 8.77% | 6.56% | 5.55% | 5.68% | 6.00% | 6.20% |

ANALYSIS OF NON-FINANCIAL PERFORMANCE

Human Capital

Bank of Khyber has hired around 500 employees to cater the need of staff based on Bank's business and network expansion which was historically highest. Furthermore, the cost of hiring has significantly reduced. The key millstones achieved in the year 2021 include branding of HR function as "Employee Champions" through Open Communication and Open-Door Policy for every individual, revised the Salaries of the Lower Grades to park at minimum Basic pay and 1,458 unique staff are trained whereas total number of Trainees attended trainings during the year is 3016.

To ensure Career Progression & Enhanced Motivation of Staff by Optimizing the HR cost of Hiring Replacements by bringing the overall replacement cost down by 10% as compared to the actual cost of all Replacement Hiring. Further to establish Internal Equities, an Intra Organizational Benchmarking exercise for all Unique Positions of the Bank in terms of grades and salaries will be conducted. Moreover, boosting the Productivity through Capacity Building of the Human Capital by providing Learning Opportunities to at least 80% staff in grades between Junior Officer – Vice President.

Manufactured Capital

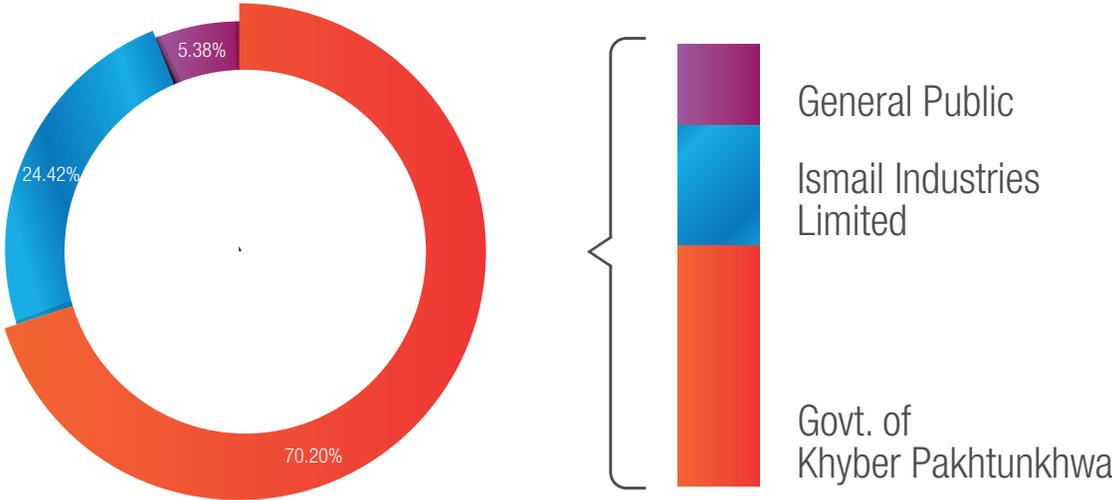
The Bank is running its operations through its 216 branches across the country by offering Islamic & Conventional Banking services. In addition to branches, the Bank is also serving their customers through 240 Automated Teller Machines (ATMs) including onsite and offsite locations across Pakistan. Bank is also serving their customers on weekends through its 43 branches providing Saturday Banking Services. To promote trade with the Afghanistan, Bank is providing 24X7 nonstop banking services at North-western border through its Torkham Branch. Digital banking solutions will be introduced to further expand customer base.

Additional branches will be opened during FY 2022 for the geographical coverage and business expansion in line with the strategic direction.

Intellectual Capital

The Bank duly recognizes the importance of intellectual capital and continuous advancement are being done in this respect. During the year, the Bank has implemented the state of the art core banking system for ensuring effective and efficient banking services. The management is committed towards creating a culture of fairness and transparency in line with its core values. In addition to that, the level of customer satisfaction is evaluated to bring further improvement in the products and services of the Bank.

GOVERNANCE STRUCTURE & LEGAL FRAMEWORK



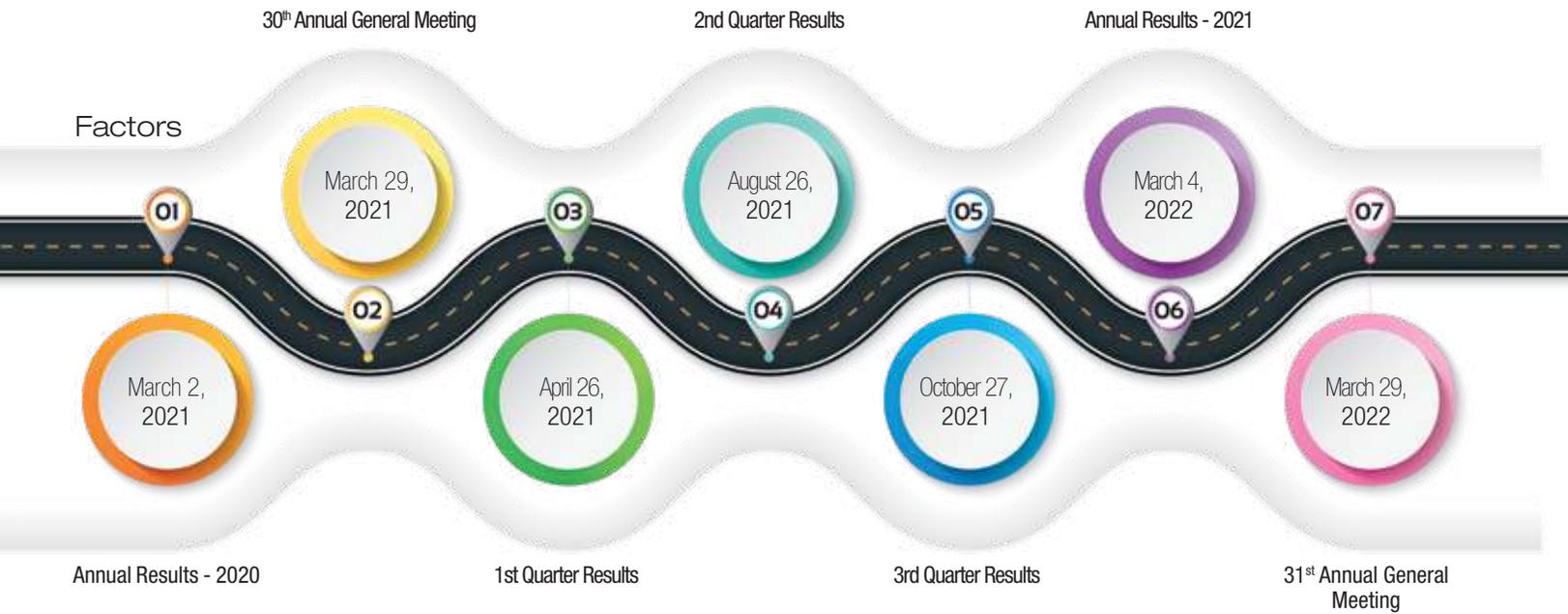
Standard Composition of Board of Directors



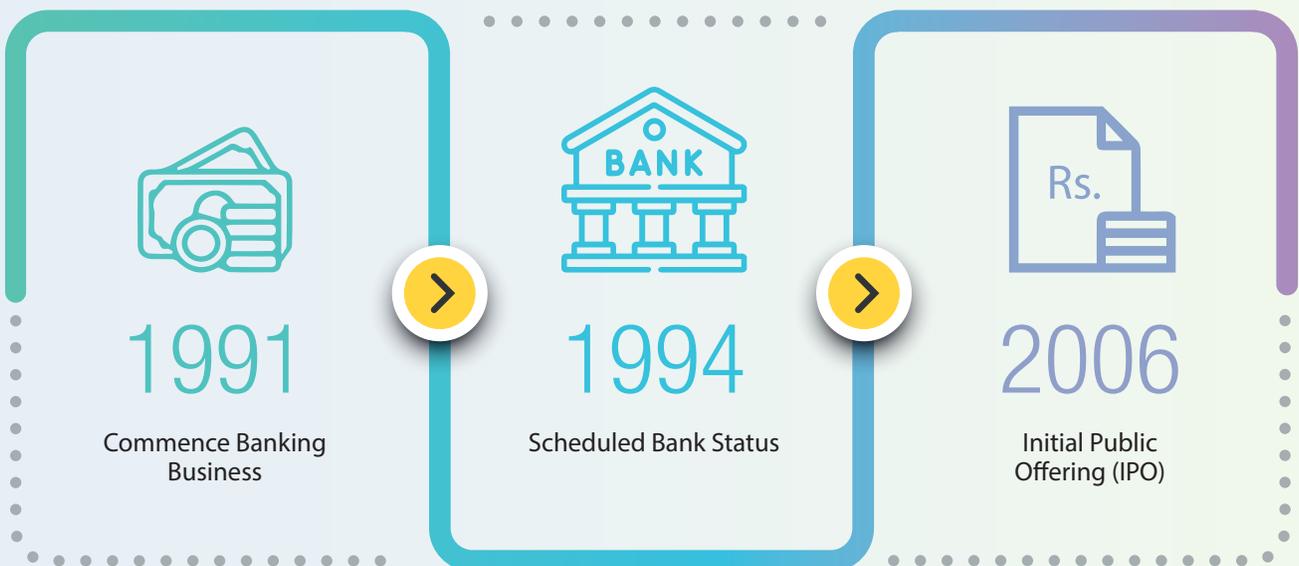
President CEO video message

The President/CEO's video message on the Bank's business performance and strategy is available at: <https://www.bok.com.pk/investor-relations>

CALENDAR OF MAJOR EVENTS



TIMELINE



STRATEGIES & OBJECTIVES

Strategic Objectives:

Short-term, medium-term, and long-term objectives of the Bank to meet its mission statement are as follows:

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

Strategies in Place and Intended to be Implemented:

- Diversification of assets and liability portfolio of the Bank.
- The Bank's strategy will be to focus on reduction of cost of deposits, together with increase in the share of private deposits and CASA ratio.
- Continue its Focus on increasing good quality private sector advances proportion.
- SME and consumer sector market opportunities will be explored. Main focus will be program based lending for lower infection.
- Investment in the human capital and capacity building.
- Target for credit rating improvements.
- The Bank will improve its business potential through digital banking platform. Various digital banking solutions will be introduced to reduce the operating cost and to improve the banks.
- State of the art core banking system has already been implemented and necessary processes and system improvements will be continuously done to yield maximum benefit from the new system.
- The compliance and control framework will be continuously improved and necessary capacity building will be done for the same.
- The Bank will continue to focus on improving the risk management framework and portfolio quality.
- Continuous training and development of the staff will be done to achieve the strategic objectives.

STRATEGIES & OBJECTIVES

Method and Assumptions in Compiling Indicators

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

Change in Indicators and Performance Measures:

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

BUSINESS MODEL

| INPUT ACTIVITIES | BUSINESS ACTIVITIES | OUTPUT ACTIVITIES |
|---|--|---|
| <p>Financial Capital Share Holders Equity: Rs: 16,219 M Customer Deposits: 221,876 M CET1 Capital Ratio: 14.47% well above the Regulatory Requirements.</p> <p>Human Capital A Total of 1753 Employees that are: Competent, Knowledgeable and Highly Competent Client Driven & People Centric Increasingly Inventive & Work Driven Strong in Compliance & Control Reward Structures Associated to Performance. Training and Development Systems</p> <p>Manufactured Capital Wide Outreach: 216 Branches</p> <ul style="list-style-type: none"> • Digital Touchpoints: -240 ATMs, • Robust Core Banking Systems • State of the art Digital Products, • Services and Customer Value Propositions <p>Natural Capital Green Banking Projects. Lending to enterprises engaged with Renewable Energy Ventures. Non-Renewable Resources used by the Bank i.e. Solar Powered systems (6 Branches) Certain Solar powered ATMs</p> <p>Intellectual Capital Strong Culture and a Powerful Brand Image Competent Management Team Skilled Leadership Unit Systems, Practices and Processes set up by the Bank</p> <p>Social and Relationship Capital Banking Representatives, Trade Associates and Vendors across a Dispersed Geographical Presence Strong bond Established with all Stakeholders.</p> | <ul style="list-style-type: none"> • Investing in human capital and creating a caring culture, will remain a key priority. Continuous training and development of the staff will be done to achieve the strategic objectives. • Improvement of business potential through digital banking platform. • Introduction of Digital banking solutions to improve the banks bottom line. • The Bank intends to diversify portfolio • Generating higher revenues to make a strong returns | <p>Financial Capital Profit after Tax: Rs. 1104 M Earnings per share: 1.05 / Share Return on Average Equity : 6.72%</p> <p>Human Capital Female Staff Ratio: 8.77% New Recruitments: 473 Employees Investment in Trainings: Rs.3 Million No. of Training Participants: 3016 No. of Promotions: 191 Employees</p> <p>Natural Capital Solar tube well loan schemes Financing to solar energy supported corporate client projects Bank has provided renewable energy financing facilities for house hold, SME and Agriculture business</p> <p>Intellectual Capital Improvement in customer experience through digital initiatives Responsible contribution to the Government COVID relief schemes for providing banking services to the general public</p> <p>Financial Capital Sustained Socio Economic Expenditure Long Term Entity Credit Rating: VIS A+ PACRA A Short Term Entity Credit Rating: VIS & PACRA A1 Total Complaints Resolved: 416 Average time taken in settlement of complaint : 3 days</p> |

RESOURCE ALLOCATION PLAN

| RESOURCE ALLOCATION PLAN | | | | | |
|---|---|---|--|---|--|
| Human capital | Manufactured capital | Financial Capital | Natural capital | Intellectual Capital | Social and Relationship Capital |
| Investment in Human Capital and Capacity Building. | Additional branches will be opened during FY 2022 to increase the geographical coverage in line with the strategic direction. | Digital banking solutions will be introduced to further expand customer base. | Global Warming and Green Awareness campaign for employees and customers to promote the importance of Environment and Climate protection. | Special focus will be given to centralized functions, digital banking, information security, risk, compliance, internal controls and finance etc. | public awareness campaigns to improve customer satisfaction. |
| Fresh resources will be hired to implement the Bank's strategic plan and branch expansion in FY 2022. | | Utilizing digital banking platform to minimize Bank's operating cost. | Financing to renewable energy products. | Technological re-engineering to improve business processes. | |
| Taking initiatives to improve the gender diversity ratio of the Bank. | | | | | |

Initiative towards Promoting and Enabling Innovation

The "Mission Statement" of BOK welcomes and highlights the Bank's dedication to provide innovative and efficient financial solutions in order to build and maintain long-term relationships with its customer. As a result of the policy focus, a corporate culture has emerged that nurtures and encourages organisational growth through supporting, facilitating, and pushing innovation across all stages.

- Retail Mobile App (MB) & Internet Banking (IB)
- Corporate Banking Portal
- SBP RAAST
- Digital On-Boarding
- EMV Upgrade – Co-Badged cards
- ATM Fleet Upgrade (Wincor – 240+)
- Mobile Wallet & Branchless Banking
- FinTech Integration -WhatsApp Banking, and Agents Network (In-Progress)
- State of the art 24/7 call center.
- CCDM implementation, ATM Biometric enablement.
- VISA / MasterCard Onboarding - Acquiring / POS Network
- ER Implementation
- Corporate Transactional Banking
- Loan Origination System (Corporate, Consumer, Agri, Micro-Finance)



Strategy to Maintain and Monitor the Culture of Organization

Fostering a culture that supports BOK's growth path is an important part of the Bank's development. The Bank's strategic plan lays the groundwork for guiding ideals that will enable a more results-oriented, open, caring, and inclusive culture as it aspires to become a more customer-centric, innovative, and employee-friendly bank in the future.

Key Steps for Addressing Integrity and Ethical Issues

1. Ensure that all disciplinary issues are handled in a fair and just manner as per the applicable laws, regulations, and Bank's policies and procedures.
2. Clearly establish the tone that BOK is committed to the principles of integrity, respect and accountability which includes maintenance of a work place that is free from prohibited practices.
3. All Bank employees are expected to be aware of the Bank's ethical ideals, and they are considered during the hiring process.

Strategy to Overcome Liquidity Problem:

Provided in the risk framework.

Significant Plans and Decisions

There are no significant events to report for the year.

Significant changes in Objectives and Strategies:

The Bank's goals and overall strategies are well-thoughtout and consistently implemented. During the year, no significant changes to the objective or business strategies occurred.

RESOURCE ALLOCATION PLAN

Competitive Landscape and Market Positioning

| FACTORS | IMPLICATION | CORRESPONDING STRATEGY |
|---|---|---|
| Threat of new substitute products and services | Various regulatory and capital requirements serve as a barrier for new entrants in the industry. Domestic banking landscape is evolving to include Fintechs which are primarily focusing on innovative digital solutions for the customers. | <p>The Bank is taking the following steps to effectively manage this aspect:</p> <ul style="list-style-type: none"> • Marketing and branding activities to improve customer awareness and bonding • Launching new products and services to meet customer expectations and requirements • Ensuring the culture of compliance with all the applicable regulatory requirements in letter and spirit. • Increased focus on digital banking and technological advancements |
| Bargaining power of customers | For retail customers, it is quite easy to switch to other banks for their banking needs; however, its impact is considerably lower on the Bank. Contrary to this, corporate clients are more sensitive to pricing and have higher bargaining power with greater impact on the Bank's revenue stream and performance. | The Bank addresses this issue by focusing on clearly designed customer retention and acquisition strategies. Customer service standards are continuously monitored, and services are improved to meet their banking needs. Innovative solutions are being devised to make customer experiences more enjoyable, convenient, and hassle-free. Furthermore, market competitive rates are being offered to ensure customer retention. |
| Bargaining power of suppliers | <p>The major supplier of the Bank includes Depositors, financial institutions, and employees. Keeping in view the market competition and low differentiation, it is easier for depositors to switch banks in search of better services and a higher rate of return.</p> <p>For additional funding requirements, the Bank mobilizes borrowing from the financial institutions where pricing is market based and their bargaining power is therefore considered moderate. Moreover, the bargaining power of employees, except for certain key positions, is considered low to medium.</p> | <p>BoK has devised the following strategies for the better management of supplier's relationship:</p> <ul style="list-style-type: none"> • Ensuring mutually beneficial relationship by offering competitive returns and services • Providing safety of the funds deployed with the Bank. This aspect has been further complemented by the recent rating upgrade by VIS Credit rating company. • The Bank is offering learning and conducive working environment with competitive benefits to its employees for their loyalty and retention. |
| Competitive rivalry | The competition in the domestic banking industry has substantially increased in the recent past due to lower switching cost, increase in digital banking solutions, and various other technological advancements. | To further improve the market share in the competitive environment, the Bank is continuously working on new products and services, branding activities, and better customer services. |

Capital Structure of the Bank

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

The Bank comfortably meets Minimum Capital Requirements (MCR) of SBP requiring Banks/DFIs to hold at least PKR 10B of Paid-Up Capital. CAR of the Bank stands at around 14.74% against minimum requirements of 11.50% maintaining a strong position well above the minimum required threshold of 11.50% (out of these minimum requirements, 10% is CAR while 1.50% is Capital Conservation Buffer (CCB) [as of December 31, 2021]).

Strength of Bank's capital structure can also be gauged from the fact that it is maintaining CET I ratio of 14.47% against minimum required level of 6% as of December 31, 2021. This provides an ample cushion with the Bank to further grow its balance sheet while remaining well above the minimum standards defined by the regulator. Leverage Ratio (LR) is another regulatory standards which links total funded & non-funded exposure that the Bank can book with its CET I. LR for the subject period is 4.19% against minimum benchmark of 3% leaving sufficient cushion for further growth on & off balance sheet exposures.

Liquidity Management and Strategy to Overcome Liquidity Position

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

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

The liquidity risk management approach at the Bank involves intra-day liquidity management, managing funding sources and evaluation of structural imbalances in the statement of financial position. A large and stable customer deposits base, along with a strong capital base provides strength and support for maintenance of a strong liquidity position. The Bank also has a substantial portfolio of marketable securities that can be realized in the event of liquidity stress. Further, in line with SBP's directives, the Bank has fully implemented BASEL III required liquidity standards and maintains liquidity ratios. The Bank reported Liquidity Coverage Ratio (LCR) of 157.93% (as of December 31, 2021) and Net Stable Funding Ratio (NSFR) of 129.65% (as of December 31, 2021) against a requirement of 100%.

RESOURCE ALLOCATION PLAN

Sensitivity Analysis due to Foreign Currency Fluctuation

The PKR depreciated by around 9.45% against the US Dollar in 2021. Foreign exchange risk exposes the Bank to changes in the value of exposure denominated in foreign currencies due to the exchange rate fluctuation and volatility. The types of the instruments exposed to this risk are mainly investments advances and deposits denominated in foreign currency, cash flows in foreign currencies arising from foreign exchange transactions etc.

The core objective of the foreign exchange risk management is to ensure that the foreign exchange exposure of the Bank remains within defined risk appetite and insulates the Bank against undue losses that may arise due to volatile movements in foreign exchange rates.

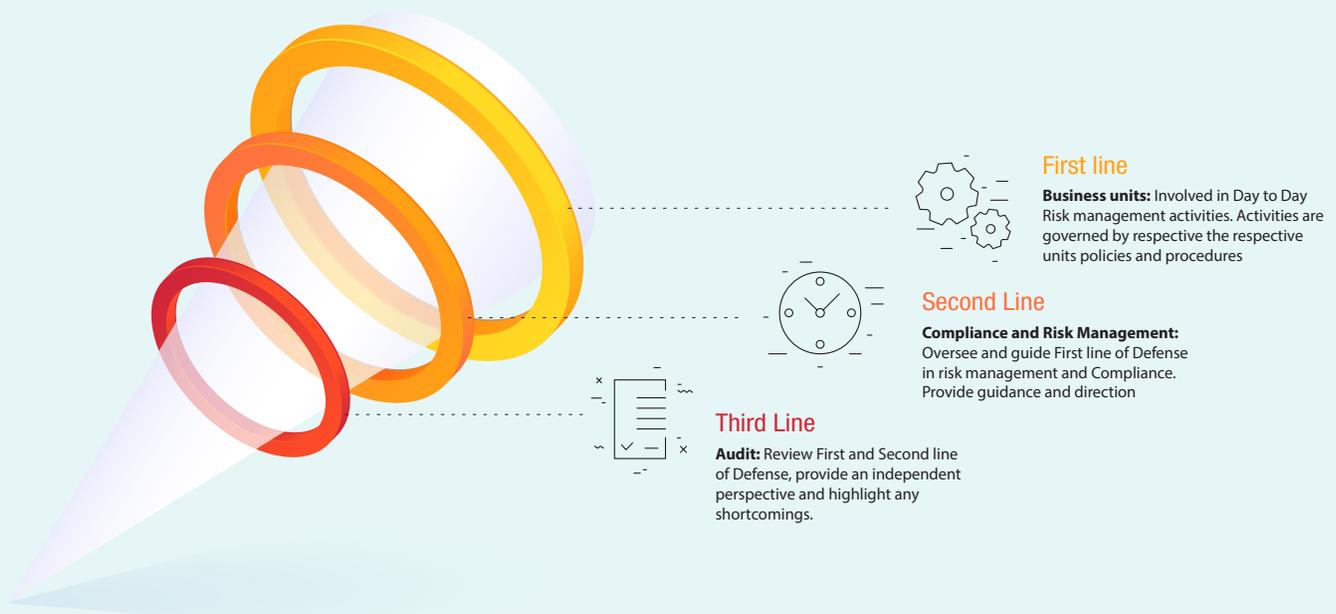
RISK AND OPPORTUNITY REPORT

Risk Governance Model

- Board of Directors (BOD)
- Board Risk Management Committee (BRMC)
- Management Risk Committee (MRMC)
- Group Head – Risk Management / Chief Risk Officer

Three lines of Defense model

The Bank follows “three lines of defense model” with Business units and Customer Facing staff act as the “first line”, while Compliance and Risk Management provide assurance related to internal controls on continuous basis as the “second line” and lastly, Internal Audit provides assurance on Bank’s overall internal control structure is “third line” of defense.



RISK AND OPPORTUNITY REPORT

Assessment of the principal risks facing the Bank:

Principal Risks Facing the Bank

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

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

RISK AND OPPORTUNITY REPORT

Risks and Opportunities

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

Risks

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

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

RISK AND OPPORTUNITY REPORT

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

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

Opportunities:

| External | Internal |
|---|---|
| SME and consumer sector market opportunities will be explored. Focus will be on program-based lending for lower infection. | The Bank will maintain the advances with optimal ADR while surplus funds will be deployed through treasury function. |
| The Bank will aim for diversification in assets and liability portfolio. Good quality private sector advances and low cost deposits will be targeted with a focus on improvement in overall CASA ratio and low infection ratio. | Digital banking platform will be utilized to minimize Bank's operating cost and reduce the turnaround time with customer convenience. |
| To tap women population new deposit products and various financing opportunities will be launched in the year 2022. | The existing and new customers with potential for providing fee-based income for the Bank will be targeted. |
| The Bank will take maximum benefit from the growth potential available in the conventional and Islamic banking industry. | The Bank will focus on Increasing the trade and remittance business. |

IT GOVERNANCE

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

IT Governance framework of the Bank entails an IT strategy, organizational structures, roles of the Board and senior management.

IT Governance Stakeholders:

| Stakeholder | Responsibility |
|----------------------|--|
| Board of Directors | Set direction for IT, monitor results and insist on corrective measures. |
| Senior Management | Defines business requirements for IT and ensures that value is delivered, and risks are managed. |
| IT Management | Delivers and improves IT services as required by the business. |
| Information Security | Responsible for identification of Information Security risks and its mitigation. |
| IT Audit | Provides independent assurance to demonstrate that IT delivers what is needed, measures compliance with the policies |

Organizational Structure:

The Board IT Committee (BITC) and Management IT Committee (MITC) are responsible to look after the Bank's strategy and its implementation according to the defined policies. The Bank has an approved IT Governance Framework in-line with SBP's Enterprise Technology Governance Framework. Policies and procedures are in place to actively monitor the performance and delivery of the IT function, keeping in view the cybersecurity risks.

Cyber Security Regime:

Information Security is an essential component of governance and management affecting all aspects of the business environment. Effective IS controls are necessary to ensure the confidentiality, integrity, availability, durability and quality of technology resources and associated information/ data. These assets shall be adequately protected from unauthorized access, deliberate misuse, fraudulent modification, disclosure, or unauthorized and unplanned interruptions.

To achieve these objectives, Divisional Head Information Security is responsible to develop Information Security Program which is imperative to manage the risks identified through security risk assessment, commensurate with the sensitivity of the information as well as the complexity of the information security profile.

Information Security Program:

Head Information Security considers a variety of well-known cyber security framework, policies, procedures, technical controls as part of the information security program and adopt necessary measures along with the Cyber Security Action Plan that appropriately address identified risks to meet the regulatory compliance.

Information/Cyber Security Framework:

Information/cyber security management framework is developed to manage information/cyber security risks in a systematic and consistent manner. The framework, at minimum, includes:

A) Identification and prioritization of Critical Information Infrastructure

B) Risk Identification, Risk Assessment, and Risk Treatment

C) Security Controls Implementation

The following controls are implemented to strengthen the information security posture of the BOK while safeguarding against any cyber security threats.

Asset Classification and Control

- **Physical and Environmental Protection**
- **Security Administration and Monitoring**
- **Authentication and Access Control**
- **System Security**
- **Network Security**
- **Remote Access**
- **Encryption**

D) Cyber Security Action Plan

The Cyber security action plan is developed to proactively address the likely cyberattacks to anticipate, withstand, detect, and respond to cyberattacks in line with international standards and best practices. It consists of appropriate controls to prevent any cyber security incident.

E) Incident Management

To ensure information security function is prepared to detect, analyze, contain, eradicate, recover, and learn as a lesson so that organization is cyber resilient.

To ensure that MIS on incidents, logs, breaches etc. are regularly reviewed by the Senior Management and significant incidents are submitted for review to the IT Steering Committee on a regular basis.

F) Security requirement & testing

Information Security Function employs the combination of the following testing methodologies on periodical basis as per vulnerability management program:

- Vulnerability assessment (VA)**
- Penetration tests.**
- Quality Assurance (QA).**

G) Risk monitoring & reporting

H) Threat intelligence Sharing



SUSTAINABILITY & CORPORATE SOCIAL RESPONSIBILITY

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Being a socially responsible Bank, we are keen to provide our input in the reduction of emissions, increase awareness through environment-friendly practices and social media awareness posts on the occasions of important environmental days. BOK progress in Green Banking and Sustainable Finance initiatives were penned in the work paper, which was selected for the nomination list of the award category in the 4th Climate Change & Green Finance Summit 2021, on the topic of Climate Change & Sustainable Finance Initiative.

BOK always promotes a caring attitude socially, economically, and environmentally therefore activities related to Corporate Social Responsibility remained our top priority. Important social media promotions for World Water Day, Earth Day, World Environment Day, Water and Oceans Conservation to safeguard marine Life were major activities during 2021. BOK has commenced a Global Warming and Green Awareness campaign for employees and customers to promote the importance of Environment and Climate protection.

Tree Plantation:

The Bank of Khyber has sponsored various plantation campaigns during the year the most prominent was the Tree Plantation Campaign in collaboration with The Govt. of KPK and the Peshawar Development Authority planted 300 plants at the central Park Regi model town. BOK also sponsored Tree Plantation at Cadet College Bannu and Khalifa Gul Teaching Hospital MTI Bannu & Peshawar Institute of Cardiology for its Plantation Drive.

Go Green Initiative

To reduce our own carbon footprint through the establishment of Solar-powered ATMs. the Bank has converted its six branches totally to renewable energy systems i.e. on the solar system. All the branches and Head office have successfully shifted to the core banking system that has made day-to-day operations digital and eco-friendly.

Responsible/Green Financing

BOK promotes innovative Environment-Friendly Financing Solutions to continue this promising journey. The significant customer business model modification and innovative finance solutions are becoming attractive for Retail, Small, Medium, and Corporate market players. The Bank of Khyber has supported M/s. Kohat Textile Mills Solar Energy (about 1MW) with PKR 55million Financing by changing its business model and shifting its reliance from fossil fuel-based generators to Solar Powered clean and renewable energy systems.

Environment friendly tailored solutions always arranged to fulfil Customer Business Model requirements, some of the catalogue financing solutions provided below Solar Tube well Loan Scheme.

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

Certifications Acquired and International Standards Adopted

The Bank aims to work on this area going forward.



INTERNAL AUDIT FUNCTIONS & CONTROLS

Internal Audit Function

During the year 2021, Internal Audit performed audit engagements at branches and HO Level, special investigations, shariah audits, reviews of various schemes including governmental lending portfolios, ICFR Testing, compliance review, credit risk evaluation and advisory services designed to evaluate management's risk mitigations techniques. Engagement results have been reported to the appropriate levels of management and the Board. Management progression on the remediation of outstanding audit issues is reasonable and there are no instances in which internal audit believe management has accepted unreasonable or beyond patterns levels of any financial, reputation or political risks.

Highlights for the year 2021 are as follows:

- Completed full audit plan for branches audits and shariah audit reviews.
- Conducted business risk reviews of clients having exposure over Rs. 50 million
- Completed a significant portion of plan for ICFR testing.
- Continuously assisted branches and other functions in closing audit observations.
- Inducted resources for IT Audits, Quality Assurance and Fraud and forgery investigations.
- During the year Internal Audit Division, remained committed for the corporate social responsibility of the Bank and inducted ACCA trainees for internships.
- Division's overall efficacy remained over 70%.
- Provided coverage to almost all of high risk process areas
- Began developing a project under name "AMS (Audit Management Software) for automation, tracking and follow up of audit engagements. As on December 31, 2021, phase 1 of the AMS has already been completed.
- Conducted some high level reviews and also provided some specialized trainings to internal audit staff.
- During the year Internal Audit also coordinated extensively with external auditors, Risk management,

Compliance Group and Finance Division to identify risk coverage areas, reconciliation matters, system change and NPLs reviews.

Internal Audit Division has a robust system for tracking and compliance of its audit observations. TATs are regularly monitored and any delay in closing of auditor's observations is properly communicated at various levels of management. Quarterly report is also submitted to Board audit committee including

- Review of High Risk Clients of Credits having exposure over Rs. 50 million.
- Significant audit observations at branches and HO level
- Significant issues highlighted during Shariah Audit Review
- Compliances status of Internal Audit Observations

Compliance status of Board and Management Letters of External Auditors and SBP inspections are also presented in Board Audit Committee.

During the year, internal audit has carried out the quality control review exercise of the function, through external consultants of international repute. Overall rating of the Internal Audit Division was satisfactory. Internal Audit Division shows its utmost commitments in implementation of suggestions provided by external consultants in letter and spirit and all efforts shall be carried out to further strengthen the division in disposing its fiduciary responsibilities.

Internal Audit shall continue to provide the assurance and value added services to the Bank in the year 2022 in accordance with the BAC instructions and regulatory guidelines.

Board Audit Committee (BAC)

The Audit Committee of the Board (BAC) comprises three (3) directors, including one Independent Director as Chairman of the BAC and along with another independent director. The third member of the BAC is nominee director appointed by KPK Govt. Chairman BAC has extensive

INTERNAL AUDIT FUNCTIONS & CONTROLS

professional experience of banking and finance in Pakistan as well as abroad.

Role of BAC:

In line with the requirements of listed companies (Code of Corporate Governance) regulations of 2019, Guidelines of SBP issued under Internal Audit Framework, Head Internal Audit Division (Chief Internal Auditor- CIA) directly reports to the BAC, however administrative affairs are looked after by the Managing Director of the Bank.

BAC ensures staffing of the internal audit division with sufficient knowledge and experience. BAC also ensures that auditors are performing their duties independently.

BAC approves overall risk assessment criteria and annual audit plan and during the year reviews the performance of Internal Audit and also reviews the activities taken out at IAD level.

All significant findings of the internal audit activities are reported to the BAC along with status of previous compliances.

BAC reviews quarterly financial statements of the Bank, along with external auditors' letter and related party transactions.

BAC also reviews TORs for engagement of external auditors and fixation of their remuneration. In addition BAC also reviews the independence of auditors and resources provided to them by Bank during on site audit process. BAC also meets external auditors in absence of management of the Bank and discusses the issues highlighted during audit process, weaknesses noted and areas of improvement.

To Discharge the liabilities of the BAC during 2021, Six (6) meetings were held to discuss

- Review of the Bank's quarterly financial statements including related party transactions.
- Review of Compliance Status of Audit Observations.
- Review of High Risk Credit Clients
- Review of Significant observations raised during audits.
- Review and approval of audit plans and resource allocation to audit division.
- Review of LFR, ML and BL issued by External Auditors
- Review of SBP report and compliances
- Review of Fraud cases and recommendations
- Review of performance of Internal Audit Head

| Meeting & Date | Mr. Asad M. Iqbal (Chair) | Mr. Javed Akhtar (Member) | Mr. Atif ur Rahman (member- SF) | Mr. Rashid Khan (Chairman) | Ms. Saleha Asif (Member) |
|---|---------------------------|---------------------------|---------------------------------|----------------------------|--------------------------|
| 125 th BAC Meeting Mar 01, 2021 | Present | Present | Present | - | - |
| 126 th BAC Meeting Apr 23, 2021 | Present | Present | Present | - | - |
| 127 th BAC Meeting Aug 02, 2021 | Present | Present | Present | - | - |
| 128 th BAC Meeting Aug 26, 2021 | Present | Present | Present | - | - |
| 129 th BAC Meeting Oct 25, 2021 | - | - | Present | Present | Absent (Leave) |
| 130 th BAC Meeting Dec 21, 2021 | - | - | Mr. Ikramullah Khan- Present | Present | Absent (Leave) |

To carry out the activities of BAC, Board of Directors has approved TORs for the committee. These are:

Membership:

The Board of Directors shall appoint the Audit Committee.

The Audit Committee shall comprise of at least three members all of whom shall be non-executive directors of the Bank and at least one member shall be an independent director.

At least one member of the audit committee shall have significant and relevant financial skills/expertise and experience.

Chairman

The Board shall appoint the Chairman of Audit Committee.

The Chairman of the Committee shall be a non-executive director, who shall not be the Chairman of the Board.

Secretary of the Audit Committee:

Chief Internal Auditor (Head Internal Audit Division) is appointed as the secretary to the BAC.

Frequency of the Meetings:

The Audit Committee of the Bank shall meet at least once every quarter of the financial year.

A meeting of the Audit Committee shall also be held, if requested by the external auditors or the Head of Internal Audit.

Attendance at the Meetings:

The quorum for a meeting shall be two members of the Committee.

The CFO, the Head of Internal Audit and external auditors represented by engagement partner or in his absence any other partner designated by the audit firm shall attend meetings of the Audit Committee at which issues relating to accounts and audit are discussed.

Provided that at least once a year, the Audit Committee shall meet the external auditors without the CFO and the Head of Internal Audit being present.

Provided further that at least once a year, the Audit Committee shall meet the head of internal audit and other members of the internal audit function without the CFO and the external auditors being present.

Authority of the Audit Committee:

The Committee is authorized by the Board to:

- Bring uniformity and standardization in working of the Bank.
- Approve resources for Internal Audit functions which may be required for performance of its duties.
- Have full and unrestricted access to any information and documents relevant to its activities.
- Promptly report to the Board any matter(s) which have not

been resolved satisfactorily thus resulting in breach of listing regulations.

- Obtain external and independent legal advice if it considers necessary through the Company Secretary.
- Convene its meetings with external auditors without attendance of executives, whenever deemed necessary.

Specific duties of the Audit Committee:

The Audit Committee of the board shall perform the following duties:

Financial statements and related party transactions

The Committee shall

- Review of quarterly, half-yearly and annual financial statements of the Bank, prior to their approval by the Board of Directors, focusing on:
 - Major judgmental areas;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Any changes in accounting policies and practices;
 - Compliance with applicable accounting standards;
 - Compliance with listing regulations and other statutory and regulatory requirements;

INTERNAL AUDIT FUNCTIONS & CONTROLS

- Review all the transaction held, during the accounting period, with related parties of the Bank and recommend them for approval by the Board of Directors.
- Review the preliminary announcement of results prior to its publication.
- Review the annual budget prior to its approval by the Board.
- Review the variance analysis of prior period's budgets with prior year financial performance and current year's budget with appropriate interim financial results.

External and Internal audit functions

The Committee shall

- Recommend to the Board of Directors the appointment of external auditors, their removal and audit fees.
- Facilitate the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary).
- Review the management letter issued by external auditors and management's response thereto.
- Review of the scope and extent of Internal Audit and ensuring that the Internal Audit function

has adequate resources and is appropriately placed within the Bank.

- Review the Internal Audit program, processes as well as summary of significant findings resulting from audit or investigation and assess whether or not appropriate action is taken upon recommendations of Internal Audit Function.
- Ensure the coordination between the internal and external auditors of the Bank.
- Recommend to the Board, through its Chairman, if any change in office of Head of Internal Audit will be required vis-à-vis appointment, renewal of contract or removal.

Internal Controls

The Committee shall:

- Determine appropriate controls to ensure the safety of the assets of the Bank, effective financial management and effective risk management and review the procedures to monitor the operating effectiveness of such controls.
- Ascertain that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are

adequate and effective.

- Determine the sufficiency of internal controls to ensure the compliance with Code, relevant laws and regulations and also determine the extent of compliance with regulatory framework.
- Review of the Bank's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports.
- Review major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and assess management's response thereto.

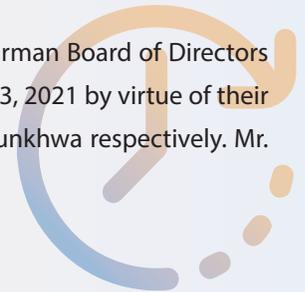
Audit and Non-Audit services policy:

- Instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body;
- Determination of compliance with relevant statutory requirements
- Monitoring compliance with the best practices of corporate governance and identification of significant violations thereof.

SIGNIFICANT CHANGES FROM PRIOR YEAR

Major changes have been made on the Board during the year 2021 where three Directors namely Mr. Maqsood Ismail Ahmad, Mr. Asad Muhammad Iqbal and Mr. Javed Akhtar left the Board on October 12, 2021 and two new Directors, Syed Asad Ali Shah and Mr. Tahir Jawaid having strong professional background have been co-opted in their place. Both the Directors joined the Board on December 30, 2021 after getting clearance from State Bank of Pakistan.

During the period under review, Mr. Shahab Ali Shah replaced Mr. Shakeel Qadir Khan as Chairman Board of Directors on May 25, 2021 and Mr. Ikramullah Khan replaced Mr. Atif Rehman as Director on December 13, 2021 by virtue of their posts held as Additional Chief Secretary and Secretary Finance, Government of Khyber Pakhtunkhwa respectively. Mr. Muhammad Ali Gulfaraz took the charge as Managing Director on August 12, 2021.



WHISTLE BLOWING PROGRAM

Reporting Procedure:

- The employees, who have information about suspected fraudulent activities or malpractices, should communicate such information on a dedicated email address of the Group Compliance & Internal Control Division.
- All such mails should be marked “confidential” on the outer envelope and “whistle blowing” on the inside envelope for maximum confidentiality.
- Head Compliance will forward the case to Audit Committee of the Board with ensured confidentiality. Audit Committee after inquiring into the matter will send back its findings and recommendations to Head Compliance for onward submission to HRDG. In light of the Audit Report an appropriate Disciplinary Action will be taken by HRDG, upon approval of the Managing Director.
- In case the Whistle Blower is working in Compliance, the report shall be made to Group Head HRD, who will then forward it to Audit Committee with ensured confidentiality. In light of the Audit Report an appropriate Disciplinary Action will be taken by HRDG, upon approval of the Managing Director.

Number of whistle-blowing instances reported to BAC (Board Audit Committee):

There isn't any whistle-blowing instance reported to BAC during the year 2021.



OTHER INFORMATION

Redressal of investors' complaints and grievance handling

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

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

Stakeholders' communication and engagement

The Bank ensures active engagement strong and constructive relationship with regulators, shareholders, customers, and all other stakeholders. Timely and accurate interaction with the stakeholders is the hallmark of the Bank's policy to share financial performance, future outlook, regulatory and economic environment. Such interactions facilitate in building the stakeholder's confidence in the institution. Annual Corporate Briefings are interactive sessions between the management of the Bank and the investor community whereby the Bank takes the opportunity to apprise the investors about the business environment and economic indicators of the country, explain Bank's financial performance, competitive environment, investment decisions, challenges faced as well as the business outlook. The copy of presentation is also placed on the Bank's website.

Safety of records of the Bank

The Bank ensures safety of its records and retention of the same in line with the applicable laws and regulations.

Security clearance of foreign directors

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

Board meetings held outside Pakistan

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

External search consultancy in the appointment of the Chairman

Since the Bank is governed by the BOK Act, 1991 therefore, no such services are required.

Disclosure about the Government of Pakistan policies related to Bank's business

This has been addressed in various sections of the directors' report (economy review, performance review, and future outlook).

Compliance with the Best Practices of Code of Corporate Governance

The Bank adheres to the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the SBP Corporate Governance Regulatory Framework in letter & spirit. Other details related to statement of compliance with the code of corporate governance are provided in the Annual Report.

Minority shareholders

The Bank takes the following measures to ensure meaningful participation of minority shareholders in General meetings:

- Notice of General meetings is sent to every member of the Bank at least 21 days before the meeting as well as published in newspapers (both English & Urdu) having nationwide circulation. Moreover, the notice is also disseminated through Pakistan Stock Exchange.
- Apart from notices of general meetings, the Bank's website is timely updated for all the required information for the shareholders and general public.
- Annual Report of the Bank is sent to each member of the Bank before Annual General Meeting (AGM)
- All members are entitled to appoint proxy to attend, speak and vote at the meeting on their behalf.
- Video-link option is also available for the Members to attend and participate in the AGM.
- Shareholders are properly briefed on the Bank's performance and future plans in the general meetings. Their queries and suggestions relating to the Bank's operations are encouraged

Investors' Relations section on the corporate website

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

Shareholders' participation in the AGM

Shareholders' are encouraged to participate in the AGM through physical presence or on Video-link whose facility is provided in main cities of the country.

Issues raised in the last AGM

Thirtieth Annual General Meeting of the Bank of Khyber was held on March 29, 2021 at 10:30 a.m. at The Bank of Khyber, Training Center, Hayatabad, Peshawar. Due to severity of the Corona-19 pandemic, the venue of the AGM was changed and the meeting was conducted through Video-link (Zoom).

There were no significant issues raised in the last meeting except the following items which were presented for consideration of the shareholders:

1. Confirmation of the minutes of 29th Annual General Meeting held on March 27, 2020.
2. Consideration and adoption of the audited accounts of the Bank for the year ended December 31, 2020 together with Directors' and Auditors' Report thereon.
3. Appointment of the auditors for the year ending December 31, 2021 and fixation of their remuneration.
4. Consideration and approval of Cash Dividend for the year 2020 @Rupees 1.50 per share i.e. 15% to the shareholders.
5. Consideration and approval of Bonus Shares for the year 2020 in proportion of 5 ordinary shares for every 100 ordinary shares i.e. 5%.

GROUP REVIEW

Conventional Banking Group

Conventional Banking Group comprises of following functional areas;

- 1- Liabilities & Business Development Division.
- 2- Corporate & Commercial Assets Division.
- 3- SME Finance Division.
- 4- Retail & Consumer Finance Division.
- 5- Agriculture Finance Division.
- 6- Micro Finance and Special Initiatives Division.

The Conventional Banking Group comprises of an expanded branch network nationwide as well as Area offices and Asset centres. The year 2021 remained a time of revival and revamping for the Group after witnessing a difficult pandemic year in 2020. CBG undertook rapid network expansion in 2021 and will continue to do so in the year to follow as a strategic shift for capturing the market across the country and in order to diversify business clientele. In continuation of the same strategy of diversification and enrichment, the Group launched number of products during the year 2021 to further enhance the Bank's outreach to different segments of the market. Focus remained on reducing concentration risk and introducing low cost and zero cost NTBs to the Bank. Diversification of clientele focused on salaried class and universities, hospitals etc. The Group opened a number of branches at different universities & hospitals and managed to enhance low cost deposits portfolio as well as consumer financing portfolios. In order to capture institutional and corporate customers, the Group offered customized cash management modules and access to digital and corporate banking options which materialized into number of institutional customers while improving the Bank's services and image in both public and private sectors. As a result of all the above efforts, the Conventional Banking Group closed the year 2021 on a positive note to both internal & external customers by translating a growth of Rs.12 Billion in sustainable CASA deposit base by closing at total deposits of Rs.146.503 Billion out of which CASA deposits constitute Rs.85.47 Billion, i.e. around 58% of total deposit. Likewise, a growth of Rs.1 Billion plus was witnessed in consumer financing portfolio by closing it at Rs.2.3 Billion and likewise in SME

financing portfolio that outstands at Rs.7.6 Billion while the total outstanding funded & non-funded advances portfolio of Conventional Banking Group stands at Rs.91.2 Billion as on December 31, 2021. In addition to managing the Bank's own portfolios, Conventional Banking Group is also running and managing a number of special initiatives of SBP and the KP Government.

Islamic Banking Group

The Islamic Banking Group is operating since 2003 in BOK. BOK Islamic Banking is using the branch name Raast, which is highly recognized in industry.

Islamic Banking Group comprises of following Divisions & Departments:

1. Islamic Liability Business Division
2. Islamic Corporate & Commercial Banking Division
3. Islamic SME Assets Department
4. Islamic Consumer Assets Department
5. Product Development & Research Department

Liability Business

Alhamdulillah, Raast Islamic Banking has grown considerably over the years and with addition of 19 new branches during Year 2021, Islamic Banking Branch country wide network has now reached 110 branches. Focus of branch expansion remained in Khyber Pakhtunkhwa. Raast Islamic Banking with 96 branches in KP is the largest Islamic Banking Branch network in the province by any commercial bank. Retail business in Urban, Semi Urban, Rural, and also lesser banked areas remains to be top priority in branch expansion and business strategy, which continues to provide sustainable growth in low-cost deposit base of Islamic Banking. CASA deposit stands at 94% at the end of year 2021. Total Islamic deposit has grown by 28% during 2021 to Rs.75 Billion.

Corporate & Commercial Business

Islamic Banking advances portfolio mainly comprises of Government secured advances in commodity financing and blue-chip corporate names country wide. Islamic Banking Group continues its focus on adding new corporate relationships with good credit quality. Optimum

deployment of liquidity in good quality assets remains to be key driver in profitability of Raast Islamic Banking.

Total Advances in Islamic Banking have grown by 24% to Rs. 61 Billion by the end of Year 2021. During 2021 a purpose built Corporate and Commercial Raast Islamic Banking branch was established in Industrial Estate Peshawar, which is part of the strategy to provide exclusivity to corporate service standards country wide.

SME Business

Two major products were added during 2021 in SME sector;

Raast SME SBP Refinance Schemes (For KP only): KP Government subsidized financing program exclusively with BOK Raast Islamic Banking for SBP SME Refinance schemes to support and encourage Shariah sensitive SME industrial community in the province to undertake expansion and new industrial projects at minimum financial cost. KP Government has also provided substantial credit guarantee for these schemes.

Raast SME Asaan Finance Scheme: BOK is among eight banks selected by SBP for this Federal Government scheme to provide financing to SME sectors upto Rs.10 Million without collateral at subsidized rates under credit guarantee program.

SMEs business in Islamic Banking is expected to grow considerably in coming years driven by these two products in KP as well as other parts of the country

Consumer Department

Islamic Banking Group continues to grow good quality consumer portfolio comprising Home Musharakah, Car Ijarah and Personal Murabaha finance.

Product Development & Research Department

Product Development and Research department caters to needs of all business segments of Islamic Banking group and is providing competitive edge in rapidly growing and competitive Islamic banking industry. Islamic Consumer Asset Department.

Product Development & Research Department

The objective of the banking sector can only be achieving by providing various range of sophisticated services to Individuals as well as business segments. To capture this objective, there is a need of providing practical solution based financial products and services to their customers in the light of Shariah Principles. The BOK-IBG has a product development and research department which focused on providing competitive market based products which covers liability and Assets side of the banks financial.

Shariah Compliance

Good standards of Shariah Compliance is of utmost importance for management and reflected in overall good governance culture of the Bank

GROUP REVIEW

Treasury & Investment Banking Group

Banks Treasury & Investment Banking Group, however, efficiently navigated through the prevailing unprecedented market conditions. The Treasury Portfolio was trimmed down to low durations investment of short-term liquid instruments TBILL's and PIB floaters while riding the yield curve the floaters hedged and maintained the portfolio yields. The foreign exchange books were created aggressively with enhanced market activity in swaps and other currencies. The corporate desk with increased trade volumes with induction of new customers performed noticeable figures to facilitate the customers in trade business. The Islamic Treasury increased the investment books with issuance of the Islamic instruments to create the arbitrage in sukuk. The foreign exchange and trade volumes increased throughout the year with increased customer volumes. The Group made a healthy contribution to the Bank's revenues during the year. Treasury & Investment Banking Group ensured that its clients were kept up to date with the quickly changing market dynamics. The year 2021 was full of uncertainties that exposed businesses to various market risks including interest rate and currency risk. Treasury conducts weekly Economic Snapshot, with the Bank's senior management to apprise them about the prevailing market conditions and its outlook.



SHARI'AH BOARD

PROFILE OF SHARI'AH BOARD

Mufti Muhammad Zahid

Chairman Shariah Board

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

Mufti Muhammad Arif Khan

Member Shariah Board

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

Mufti Abdul Wahab

Member Shariah Board

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

PROFILE OF SHARI'AH BOARD

Qazi Abdul Samad

Resident Shariah Board Member (RSBM)

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

ROLE OF SHARI'AH BOARD

Terms of Reference of the Shariah Board

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

NOTICE OF THIRTY FIRST ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty First Annual General Meeting of the Shareholders of the Bank of Khyber will be held on Tuesday, March 29, 2022 at 11:00 a.m. at Pearl Continental Hotel, Peshawar to transact the following business:

Ordinary Business

1. To confirm the minutes of the Extraordinary General Meeting (EOGM) held on May 31, 2021.
2. To receive, consider and adopt the Audited Accounts of the Bank for the year ended December 31, 2021, together with the Directors' and Auditors' Reports thereon.
3. To appoint auditors for the year ending December 31, 2022 and fix their remuneration.

The retiring external auditors, M/s. EY Ford Rhodes, Chartered Accountants have completed initial term of three years and have not shown interest for re-appointment as statutory auditors of the Bank for the year ending December 31, 2022 sighting commercial reasons.

The Board deliberated on different eligible Audit firms having shown interest in the Audit engagement of the Bank and has recommended M/s. Pwc A.F. Ferguson & Co., Chartered Accountants as statutory auditors of the Bank for the year ending December 31, 2022 based on their professional standing and extensive banking audit exposure for approval of shareholders in the Annual General Meeting.

Special Business

4. To consider, and if thought fit, approve as recommended by the Board of Directors, issuance of Bonus Shares for the year 2021 in proportion of 5 ordinary shares for every 100 ordinary shares i.e. 5% to the shareholders of the Bank.
5. To approve Board of Directors Travel, Accommodation and Remuneration Policy, 2019 as recommended by the Board of Directors.

Other Business

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

Statement under section 134 (3) of the Companies Act, 2017 pertaining to special business is given hereunder.

By Order of the Board

Peshawar: March 8, 2022

Zahid Sahibzada
Company Secretary

Notes:

- (i) Share Transfer Books of the Bank will remain closed from Wednesday, March 23, 2022 to Tuesday, March 29, 2022 (both days inclusive) to determine the names of members entitled to receive pay outs, if any, and attend and vote in the meeting.

Transfers received in order at the office of our Share Registrar, M/s. THK Associates (Pvt.) Limited, located at Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase-VII, Karachi-75500 by the close of business on Tuesday, March 22, 2022 will be treated in time for the said purpose.

- (ii) All members are entitled to attend and vote at the meeting.
- (iii) A member entitled to attend and vote at the meeting, is entitled to appoint another member as a proxy to attend, speak and vote for him/her. The proxy appointed should be a member of the Bank of Khyber.
- (iv) The instrument of proxy applicable for the meeting is being provided with the notice sent to members. Further copies of the instrument of proxy, if required, may be obtained from the Registered Office of the Bank during normal office hours.
- (v) The instrument of proxy and a Power of Attorney or other authority (if any) under which it is signed, or notarized copy of such Power of Attorney must be valid and deposited at the Registered Office of the Bank not less than 48 hours before the time of the meeting.
- (vi) In case of Proxy for an individual beneficial owner of CDC, attested copies of beneficial owner's CNIC or passport, Account and Participant's I.D. numbers must be deposited along with the Form of Proxy. In case of Proxy for corporate members, he/she should bring the usual documents required for such purpose.

In case of corporate entity, the resolution of Board of Directors / Power of Attorney with specimen signature of the nominee shall be produced along with the proxy form at the time of attending the meeting.

- (vii) The proxy shall produce his / her original CNIC or passport at the time of the meeting.
- (viii) Members are requested to immediately communicate changes in their registered addresses, if any, to the Bank's Shares Registrar before start of the book closure period.
- (ix) Form of Proxy, if required, should be signed on Rs.5/- Revenue Stamp.

FOR SHAREHOLDERS' ATTENTION

Transmission of Annual Report 2021

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

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

As per Companies Act, 2017 and Companies (Distribution of Dividends) Regulation 2017, any dividend payable in cash by a listed company shall ONLY be paid through electronic mode directly into the bank account of the entitled

NOTICE OF THIRTY FIRST ANNUAL GENERAL MEETING

shareholder(s) which must be in their own name. In this regard, the Bank had already sent letters & Bank Mandate Forms to the shareholders and issued various notices through publication in newspapers requesting the shareholders to comply with the requirement of providing Bank Mandate urgently.

Under the provisions of the said laws, the Bank is required to withhold cash dividend payment of those shareholders whose dividend mandate information and/or CNIC detail is not available at the time of payment of cash dividend.

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

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

Deduction of Withholding Tax

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

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

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

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

Unclaimed / Unpaid Dividends and Share Certificates

The shareholders are hereby informed that in accordance with Section 244 of the Companies Act, 2017 and The Unclaimed Shares, Modaraba Certificates, Dividend, Other Instruments and Undistributed Assets Regulations, 2017, the companies are required to deposit cash dividends to the credit of the Federal Government and shares to the Commission, which are unpaid or unclaimed for a period of three (3) years or more from the date it is due and payable.

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

Deposit / Conversion of Physical Shares into Book Entry Form

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

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

The shareholders having physical shareholding may open CDC Sub-account with any of the brokers or Investor Account directly with CDC to place their physical shares into scrip less form. This will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange.

Video Conference Facility for Attending General Meetings

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

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

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

This statement set out the material facts concerning the Special Business at item No. 4 and 5 of the notice to be transacted at the Annual General Meeting of the Bank to be held on March 29, 2022.

Item No. 4 – Issue of Bonus Shares

The Board of Directors in its meeting held on March 4, 2022 has recommended issuance of Bonus Shares for the year 2021 in proportion of 5 ordinary shares for every 100 ordinary shares i.e. 5% to the shareholders of the Bank.

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

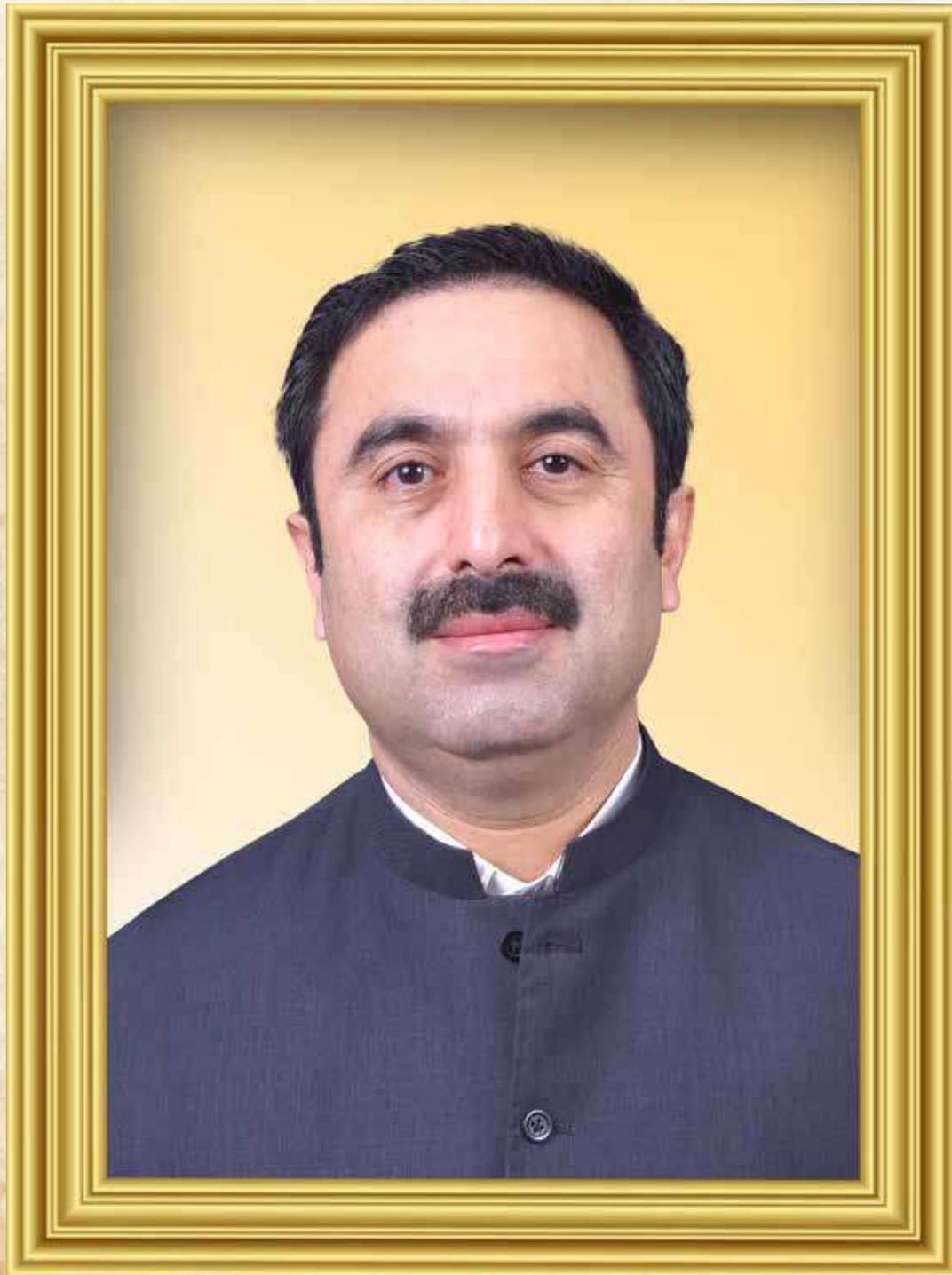
These Bonus Shares shall rank pari passu in all respects with the existing ordinary shares of the Bank.

These Bonus Shares will be issued to those members whose names appear in the register of members as at the close of business on March 22, 2022 and that the shares so issued be treated for all purpose as an increase in the paid-up capital of the Bank.

Item No. 5 – To approve Board of Directors Travel, Accommodation and Remuneration Policy, 2019

The Board of Directors in its 154th meeting held on March 01, 2019 had approved Board Travel, Accommodation and Remuneration Policy, 2019. Subsequently, certain amendments / changes were made in the said Policy which were also approved by the Board in its 158th meeting held on October 25, 2019.

Under the SBP Corporate Governance Regulatory Framework issued vide BPRD Circular No.5 dated November 22, 2021, it was required that the said policy should be approved by the shareholders in the AGM. Accordingly, the Board of Directors Travel, Accommodation and Remuneration Policy, 2019 is being presented for post-facto approval of the shareholders.



“ The Bank of Khyber remained committed to its role of a progressive Bank by providing customers with innovative and value-added financial products and services in Conventional and Islamic banking. Emphasis remained on the efforts to enhance capacities in the digital banking area

CHAIRMAN'S REVIEW

I am pleased to present this report to the valued stakeholders of the Bank of Khyber on the performance of the Bank and the effectiveness of the role played by the Board in achieving the Bank's objectives.

The World has transformed substantially during 2021 owing to COVID-19 pandemic which has not only paralyzed continents by disrupting the supply chains but has also resulted in loss of human lives. Pakistan having no exception also faced a fragile operating environment and downside risks to the economy. To cope with the situation, the State Bank of Pakistan also adopted a flexible and accommodative policy approach by taking different relief initiatives for the businesses.

In the backdrop of this scenario, the Bank of Khyber remained committed to its role of a progressive Bank by providing customers with innovative and value-added financial products and services in Conventional and Islamic banking. Emphasis remained on the efforts to enhance capacities in the digital banking area through which the customers were carrying out banking transactions through their mobile phones and internet. Despite all odds, the Bank performed well and closed the financial year 2021 with an after tax profit of Rs.1.104 Billion. Deposits and Investments registered good increase as compared to the previous year. The asset base of the Bank also recorded a significant increase over the corresponding period which depicted good progress of the Bank in hard times.

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

The Board has approved an effective in-house mechanism for yearly performance evaluation of the Board and its committees based on quantitative technique with scored questionnaires. The last performance evaluation of the Board and its Committees was conducted in 2020 as per approved mechanism. It was transpired that the overall performance of the Board and its committees, including effectiveness of the role played by the Board in achieving

the Bank's objectives remained generally satisfactory. As required under the Code, the third party evaluation of the Board and its Committees will be conducted through an external independent evaluator for the year 2021.

The Bank is providing facilities and assistance for proper implementation of Government's schemes aimed at socio economic uplift of the people especially youth, which include Prime Minister Kamyab Jawan Program, Insaaf Rozgar Scheme. Further, appropriate financing facilities are being made available to boost investment in the SME sector especially in Mera Pakistan Mera Ghar Scheme.

I am confident that with our diversified Board of Directors, value added offerings, unique emphasis on customer satisfaction and dedication towards excellence, we will succeed and thrive, no matter what the conditions or environment.

At the end, on behalf of the Board of Directors, I would like to extend my gratitude to the regulatory bodies including State Bank of Pakistan, Securities and Exchange Commission of Pakistan and others for their guidance and support. I would also like to appreciate our valued shareholders and customers for having confidence in the Bank and the management and staff for their valuable contribution in achieving good results.



Shahab Ali Shah
Chairman

Islamabad: March 4, 2022

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders

On behalf of the Board of Directors, we are pleased to present the 31st Annual Report of the Bank of Khyber along with audited financial statements and auditors' report for the financial year ended December 31, 2021.

Financial Highlights

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

| | (Rs. in millions) |
|---|-------------------|
| Operating Profit | 2,512 |
| Provision against non-performing advances, investments & others | (832) |
| Profit before taxation | 1,680 |
| Taxation | 576 |
| Profit after tax | 1,104 |
| Total Assets | 358,606 |
| Advances (Gross) | 131,166 |
| Investments (Net) | 184,399 |
| Deposits | 221,876 |

Bank sustained its focus towards continuous augmentation of innovative technology-based service offerings to customers.

Bank of Khyber have improved transaction mix of digital and counter based services whereas in order to provide non-stop real time banking services to the customers

Economy Review

The year 2021 started its journey in the midst of the most severe global health crises of modern history. Like almost every country, Pakistan's economy was also impacted which required measures for supporting the economy by saving lives and livelihoods. The Government took several important policy measures including monetary and fiscal measures to mitigate the economic fallout of the COVID-19 shock which helped to steer the economy towards growth trajectory after lifting of lockdowns.

Apart from global economy which has started to show signs of subdued recovery, significant momentum has also been attained by the country's economy with strong pick up in overall domestic demand. However, global increase in the price levels for food, energy and other key commodities, with a weaker PKR has caused significant rise in domestic inflation. This poses the strongest challenge to an otherwise nascent recovery

with economic activity which is now returning to pre COVID levels.

Performance Review

Under the challenging and competitive operating environment owing to COVID-19 pandemic, the Bank sustained its focus towards long-term multi-pronged strategy, driven towards continuous augmentation of innovative technology-based service offerings to customers through enhancing digital platforms, strengthening risk management and optimizing operating efficiencies.

Timely and well regulated policy measures rolled out by SBP have facilitated the banking industry to improve profitability, enhance resilience and restrict the credit risk to an acceptable level.

With the help of Computer and Mobile applications, the Bank of Khyber have improved transaction mix of digital and counter based services whereas in order to provide non-stop real time banking services to the customers, the Bank

has in place the most advanced core banking system – T24.

The Bank in these hard times has managed to demonstrate good financial performance however, the Fragile economic conditions, subdued business activity, closure of production units and other business concerns due to COVID-19 resulted in impaired repayment capacity of businesses and obligors which in-turn, deteriorated the industry's infection and subsequently profitability ratios.

Profit before tax was recorded at Rs.1,680 million as against Rs.3,806 million of the previous year. Profit after tax for the same year stands at Rs.1,104 million against Rs.2,152 million of the last year that translates into earnings per share of Rs.1.05 against Rs.2.05 in 2020. The drop in profit is primarily due to the two reasons: Firstly, profit in 2020 benefitted from very substantial one-off capital gains; Secondly, operating expenses increased in 2021 as part of Bank's branch expansion and business growth initiatives.

With a slight increase, the Net Markup / Interest Income stood at Rs.6,789 million as compared to Rs.6,762 million in the corresponding period of 2020. Non-Markup / Interest Income reduced due to loss on securities during the year as against a substantial one of capital gains last year and stood at Rs.1,023 million as compared to Rs.2,878 million of the previous year.

Total deposits registered an increase of 9% and amounted to Rs.221,876 million in comparison with Rs.203,072 million as at December 31, 2020. This growth was mainly driven through new customer acquisitions and deepening of the existing portfolio base whereas current deposits mobilization remained a pivotal

point of the whole drive. Investment have increased by 63% and reached Rs.184,399 million in comparison with Rs.113,479 million as at December 31, 2020. Furthermore, the gross advances of the Bank stood at Rs.131,166 million from Rs.134,907 million of 2020.

The asset base of the Bank grew to Rs.358,606 million as compared to Rs.288,300 million as on December 31, 2020 depicting a growth of 24%. The shareholders' equity was recorded at Rs.16,570 million as compared to Rs.17,772 million for the corresponding period of 2020.

To satisfy the needs of diverse range of clientele, the Bank has taken concrete measures through augmentation of e-banking and conventional banking services all across Pakistan. During the year under review outreach expanded to 216 branches including 106 Conventional and 110 Islamic banking branches. There are 14 Sub-branches; 9 conventional and 5 Islamic banking units working across the country providing tailor made banking services to the valuable customers. Further, our branch network is also catering to the banking needs of the people in the newly merged districts of the erstwhile FATA.

Future Outlook

Going forward in 2022, we expect further consolidation in economic activity as global markets have started recovery from their post pandemic losses. However, the risks remain high and vigilance is warranted. We expect significant secular shifts in the global economic infrastructure and the ability to adapt would be the most valuable asset.

The Government has been focused on managing the repeated COVID-19 infection waves, implementing a mass

Investment **63%** 
Rs.184,399 Million
2020: Rs.113,479 Million

Asset Base **24%** 
Rs.358,606 million
2020: Rs.288,300 million

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

vaccination campaign, expanding its cash transfer program, and providing accommodative monetary conditions to sustain economic growth.

In these circumstances, the Bank's focus will be on to ensure that customers' banking needs are fully met in a technologically advanced, secure and convenient manner. We will work hard to regain and grow our market share in low cost deposits, consumer products and SME financing. We look forward to expanding our branch network to widen our reach and serve our customers.

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

On the asset side, the Bank intends to diversify financing portfolio by gradually moving from Government backed lending to private sector for fresh loans with potential of

ancillary business and trade finance opportunities. Besides, other target areas remain Consumer Financing, Agriculture and SMEs to foster development and generate economic activity.

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

To save energy for the future, the Bank of Khyber has adopted renewable energy options. The first of such initiative has been taken in 2021 and 6 branches have successfully been converted to Solar energy whereas remaining branches will be converted accordingly.

The Bank continues to play an active role in all Government and SBP initiatives aimed at improving the economic activities in the country. The Bank also continues to play an active role in the housing initiative

and also financially empowering the young population under the PM Kamyab Jawan program.

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

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 founded in line with regulatory requirements and with industry best practices. The structure fundamentally ensures independence of risk from business functions to avoid conflict of interest and fosters better control environment.

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, the 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 has also developed a robust environmental risk management system including but not limited to environmental risk avoidance list, categorization of environmental risks of different industries, environmental due diligence checklists and environmental risk covenants.

The Bank continued to closely monitor market developments –

especially interest rate environment, and appropriately realigned business strategy to control downside on the Bank's balance sheet. The Bank has applied a multi-pronged strategy whereby resources are deployed for ensuring financial stability and protection of stakeholders' interest 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

The Board of Directors has fiduciary responsibility to ensure existence of an adequate and effective system of internal controls for management and mitigation of multiple risks the Bank has to encounter. A Statement on Internal Controls is separately attached as part of the Annual Report which has been endorsed by the Board of Directors.

Board of Directors

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

The Board of Directors comprises of seven (7) Directors as per the following:

- i. Male: Seven (6)
- ii. Female: One (1)

During the year 2021, Mr. Maqsood Ismail Ahmad, Mr. Asad Muhammad Iqbal and Mr. Javed Akhtar resigned from the Board of Directors of the Bank whereas two new Directors Syed Asad Ali Shah and Mr. Tahir Jawaid having strong professional background were

DIRECTORS' REPORT TO THE SHAREHOLDERS

co-opted by the Board in their place. Both the Directors joined the Board on December 30, 2021 after getting clearance from State Bank of Pakistan.

The Board of Directors would like to place on record its sincere appreciation to the outgoing Directors for their valuable input on the Board. The Board of Directors also welcomes the induction of Mr. Muhammad Ali Gulfaraz, the new Managing Director who has brought with him rich professional banking experience.

The newly co-opted Directors will become members of the Board Committees after reconstitution of the committees. The Committees will have the required diversity, experience and skills to function effectively.

During the year 2021, details of Board and Board Committee meetings and their attendance by the Directors are as under:

| S# | Directors | Board Meetings Total = 6 | Audit Committee Total = 6 | HR&R Committee Total = 9 | Risk Management Committee Total = 4 | Compliance Committee Total = 3 | I.T Committee Total = 2 |
|----|--|---|---------------------------|--------------------------|-------------------------------------|--------------------------------|-------------------------|
| 1 | Mr. Shakeel Qadir Khan Non-Executive Director (Chairman) * | 4 | - | - | - | - | - |
| 2 | Mr. Shahab Ali Shah Non-Executive Director (Chairman) * | 3 | - | - | - | - | - |
| 3 | Mr. Atif Rehman Non-Executive Director ** | 5 | 5 | - | 4 | - | 1 |
| 4 | Mr. Ikramullah Khan Non-Executive Director ** | 1 | - | - | - | - | - |
| 5 | Mr. Maqsood Ismail Ahmad Sponsor / Nominee Director *** | 3 | - | 7 | 3 | - | - |
| 6 | Mr. Asad Muhammad Iqbal Independent Director *** | 5 | 4 | - | - | - | 1 |
| 7 | Mr. Javed Akhtar Independent Director *** | 3 | 4 | - | 3 | 2 | - |
| 8 | Mr. Rashid Ali Khan Independent Director | 6 | 2 | 9 | 4 | 3 | 1 |
| 9 | Mr. Saleha Asif Independent Director | 6 | - | 9 | - | - | 1 |
| 10 | Syed Asad Ali Shah Independent Director | Joined the Board of Directors on December 30, 2021 | | | | | |
| 11 | Mr. Tahir Jawaid Independent Director | Joined the Board of Directors on December 30, 2021 | | | | | |
| 12 | Mr. Ihsan Ullah Ihsan Managing Director (Acting) **** | 3 | 2 | 4 | 4 | 3 | 1 |
| 13 | Mr. Muhammad Ali Gulfaraz Managing Director **** | 3 | - | 2 | - | - | 1 |

* Mr. Shahab Ali Shah replaced Mr. Shakeel Qadir Khan as Chairman Board of Directors on May 25, 2021

** Mr. Ikramullah Khan replaced Mr. Atif Rehman as Director on December 13, 2021

*** Mr. Maqsood Ismail Ahmad, Mr. Asad Muhammad Iqbal and Mr. Javed Akhtar had resigned from the Board of Directors on October 14, 2021

**** Mr. Muhammad Ali Gulfaraz had taken the charge as Managing Director on August 12, 2021



Directors' Training Program

During the year, owing to COVID-19 protocols, no Director has attended Director's Training Program however, to acquaint them with the Code of Corporate Governance Regulations, applicable laws, their duties and responsibilities to enable them to effectively govern the affairs of the Bank, an Orientation has been arranged for Mr. Shahab Ali Shah, Chairman and Mr. Ikramullah Khan, Director on assumption of office of Directors. Further, in compliance with the Code of Corporate Governance, Mr. Rashid Ali Khan has already completed the Directors' Training Program through Pakistan Institute of Corporate Governance (PICG).

Performance Evaluation

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

In light of these guidelines, the Board of Directors put in place an effective

in-house mechanism for annual evaluation of the Board, Committees and individual directors in 2013 by adopting quantitative techniques. In-house evaluation exercise for the year 2020 had been conducted and completed in 2021.

Under the Code of Corporate Governance, a third party evaluation of the Board's performance for the year 2018 was conducted through Pakistan Institute of Corporate Governance (PICG) in 2019. The next such independent evaluation will be conducted in 2022.

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 Directors' Travel, Accommodation and Remuneration Policy duly approved by the Board of Directors outlining entitlements and remuneration of Non-Executive and Independent Directors is in place. In light of the SBP Corporate Governance Regulatory Framework, the said Policy will be presented for post facto

approval of the shareholders in the 31st Annual General Meeting.

Entity Rating

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

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

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

PACRA Rating **A** 

Long Term

PACRA Rating **A-1** 

Short Term

DIRECTORS' REPORT TO THE SHAREHOLDERS

Sustainability and Corporate Social Responsibility

Being a socially responsible corporate entity, the Bank has always given due importance to its corporate social responsibilities so as to serve as an aid in creation of a society having mutual respect and cooperation where the people can dwell in a clean and safe environment without compromising on their health and life.

In pursuit of achieving the goals, the Bank is keen to provide input in the reduction of emissions, increase awareness through environment-friendly practices and social media awareness posts on the occasions of important environment days. BOK progress in Green Banking and Sustainable Finance initiatives were penned in the work paper, which was selected for the nomination list of the award category in the **4th Climate Change & Green Finance Summit 2021** held on the topic of Climate Change & Sustainable Finance Initiative.

Social media promotions for **World Water Day, Earth Day, World Environment Day, Water** and **Oceans Conservation to safeguard Marine Life** were major activities during 2021. BOK has commenced a Global Warming and Green Awareness campaign for employees

and customers to promote the importance of **Environment** and **Climate protection**.

The Bank has taken the following initiatives during the year:

Tree Plantation

The Bank of Khyber has sponsored various plantation campaigns the most prominent was the Tree Plantation Campaign in collaboration with the Govt. of KPK and the Peshawar Development Authority.

Go Green Initiative

The Bank has converted number of branches to renewable energy systems i.e. on the Solar System whereas certain number of ATMs are also solar powered.

Responsible / Green Financing

BOK promotes innovative environment-friendly financing solutions to continue this promising journey. The significant customer business model modification and innovative finance solutions are becoming attractive for Retail, Small, Medium and Corporate Market players. The Bank of Khyber has supported **M/s. Kohat Textile Mills Solar Energy (about 1MW) with PKR 55 million Financing** by changing its business model and shifting

its reliance from fossil fuel-based generators to Solar Powered clean and renewable energy systems.

Environment friendly tailored solutions always arranged to fulfil customer business model requirements. Some of the catalogue financing solutions provided below:

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

Value of Investments in Employees Retirement Benefit Funds

Book Value of Investment of Provident and Gratuity Funds as per un-audited accounts of these funds for the year ended December 31, 2021 are **Rs.1,805.513** million and **Rs.837.811** million respectively.

Pattern of Shareholding

The pattern and category of shareholding as at December 31, 2021 is annexed with the Annual Report.

Six Years Operating and Financial Data

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

(Rs. in millions)

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|--|----------------|---------|---------|---------|---------|---------|
| Deposits | 221,876 | 203,072 | 182,168 | 171,168 | 159,247 | 157,020 |
| Advances (net) | 124,549 | 129,063 | 109,742 | 95,012 | 83,369 | 31,644 |
| Investments | 184,399 | 113,479 | 146,911 | 94,233 | 140,474 | 141,602 |
| Total Assets | 358,606 | 288,300 | 306,305 | 223,095 | 245,132 | 206,400 |
| Capital & Reserves | 16,219 | 16,605 | 14,982 | 13,809 | 14,943 | 14,685 |
| Profit before tax | 1,680 | 3,806 | 2,261 | 707 | 2,795 | 3,240 |
| Profit after tax | 1,104 | 2,152 | 1,306 | 466 | 1,790 | 2,020 |
| Return on Equity (ex-surplus/deficit) | 6.72% | 13.62% | 9.07% | 3.24% | 12.09% | 14.10% |

Earnings Per Share

Earnings per share for the year 2021 is Rs.1.05.

External Auditors

The retiring external auditors, M/s. EY Ford Rhodes, Chartered Accountants have completed initial term of three years and have not shown interest for re-appointment as statutory auditors of the Bank for the year ending December 31, 2022 sighting commercial reasons.

To appoint the External Auditors for the year ending December 31, 2022, the Board deliberated on different eligible Audit firms having shown interest in the Audit engagement of the Bank and has recommended M/s. PwC A.F. Ferguson & Co., Chartered Accountants as statutory auditors of the Bank based on their professional standing and extensive banking audit exposure and will be presented for approval of shareholders in the Annual General Meeting.

The recommended auditors 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 that the firm and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan, and meet the requirements for appointment under all applicable laws.

Service Quality

Service Quality is aimed at improving the overall customer service experience of the Bank. The Bank's management is committed towards creating a culture of fairness and transparency in customer dealing for which a well-defined Consumer Protection Framework has been developed.

The Complaint Management Unit is working on various aspects to monitor Service delivery and strengthen customer's relation with the Bank. Complaint Management Unit consists of experienced individuals to handle and resolve complaints swiftly, effectively and develop a data base for identifying failures and track trends and use information to improve service processes.

The average Turn Around Time for resolution of complaints has been maintained at 3 Days where as the approved TAT for complaint resolution is 7 to 15 days.

| Complaints | From 01-01-2021 to 31-12-2021 |
|---|-------------------------------|
| Number of complaints | 416 |
| Average Time taken in settlement of a complaint | 3 Days |

Moreover, in order to have a uniform branch network, BOK has implemented the concept of Model Branches in the Bank where 10 Model branches were established in year 2021 and plans of converting the overall branch network on the uniform platform shall continue throughout 2022. Furthermore, in line with the initiative taken by State Bank of Pakistan for people with disabilities, the Bank of Khyber is taking a lead in introducing Model Branches for People with Disabilities (PWDs) which will include supportive physical infrastructure (Construction of Ramps, dedicated parking spaces and other facilities), trained supportive staff for interactions and quotas for induction of PWDs.



DIRECTORS' REPORT TO THE SHAREHOLDERS

Events after the Balance Sheet date

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

Acknowledgement

On behalf of the Board of Directors, we would like to place on record our gratitude to the provincial government, State Bank of Pakistan and other regulatory authorities for their consistent direction and oversight, the esteemed shareholders and valued customers for placing their trust in the Bank. We would also like to thank our colleagues for their assiduous work towards achieving the Bank's goals and objectives.

On behalf of the Board of Directors

Muhammad Ali Gulfaraz
Managing Director

Islamabad: March 04, 2022

Shahab Ali Shah
Chairman

Annual General Meeting

March 29, 2022

at 11:00 a.m

The Bank's management is committed towards creating a culture of fairness and transparency in customer dealing for which a well-defined Consumer Protection Framework has been developed.

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of company: The Bank of Khyber
Year ended: December 31, 2021

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

1. The total number of directors are seven (7) as per the following

- a. Male: : Six (6)
- b. Female: : One (1) *

2. The composition of the Board is as follows:

| Category | Name |
|------------------------------|--|
| Independent Directors | Mr. Rashid Ali Khan (Nominee) Ms. Saleha Asif (Nominee) Syed Asad Ali Shah Mr. Tahir Jawaid |
| Other Non-Executive Director | Mr. Shahab Ali Shah Mr. Ikramullah Khan |
| Executive Directors | Mr. Muhammad Ali Gulfaraz (Managing Director) |

Major changes have been made on the Board during the year 2021 where three Directors namely Mr. Maqsood Ismail Ahmad, Mr. Asad Muhammad Iqbal and Mr. Javed Akhtar left the Board on October 12, 2021 and two new Directors, Syed Asad Ali Shah and Mr. Tahir Jawaid having strong professional background have been co-opted in their place. Both the Directors joined the Board on December 30, 2021 after getting clearance from State Bank of Pakistan.

During the period under review, Mr. Shahab Ali Shah replaced Mr. Shakeel Qadir Khan as Chairman Board of Directors on May 25, 2021 and Mr. Ikramullah Khan replaced Mr. Atif Rehman as Director on December 13, 2021 by virtue of their posts held as Additional Chief Secretary and Secretary Finance, Government of Khyber Pakhtunkhwa respectively. Mr. Muhammad Ali Gulfaraz took the charge as Managing Director on August 12, 2021.

Subsequent to clearance received from SBP, the Chairman sent out letters to Syed Asad Ali Shah and Mr. Tahir Jawaid setting out their role and responsibilities.

- 3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank;
- 4. The Bank has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures;
- 5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank;
- 6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Bank of Khyber Act, 1991, the Companies Act, 2017 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;

STATEMENT OF COMPLIANCE

WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

8. The Board has 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, owing to COVID-19 pandemic situation, Director's Training Program could not be arranged. However, the Bank intends to arrange Director's Training Program for the new Directors at the earliest.

It is to be noted that Mr. Rashid Ali Khan has already completed the Director's Training Program through Pakistan Institute of Corporate Governance.

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration, terms and conditions of employment and complied with relevant requirements of the Regulations;
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board;
12. The Board has formed committees comprising of members given below:

| S # | Name Of Committee | Current Membership |
|-----|--|--|
| 1 | Audit Committee | 1. Mr. Rashid Ali Khan - Chairman 2. Secretary Finance - Member 3. Ms. Saleha Asif - Member |
| 2 | Human Resource & Remuneration Committee | 1. Ms. Saleha Asif - Chairperson 2. Mr. Rashid Ali Khan - Member 3. Managing Director - Member |
| 3 | Risk Management Committee | 1. Secretary Finance - Chairman 2. Mr. Rashid Ali Khan - Member 3. Managing Director - Member |
| 4 | I.T Steering Committee | 1. Mr. Rashid Ali Khan - Chairman 2. Secretary Finance - Member 3. Managing Director - Member |
| 5. | Compliance Committee | 1. Mr. Rashid Ali Khan - Chairman 2. Managing Director - Member |

The Board Committees after reconstitution and inclusion of the new members will have the required diversity, experience and skills to function effectively.

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;
14. Every Board Committee met at least once in a quarter and meetings held during the year were as follows:

| | |
|-----------------------------------|----------------------------------|
| Board Audit Committee | 6 meetings held in the year 2021 |
| Board HR & Remuneration Committee | 9 meetings held in the year 2021 |
| Board Risk Management Committee | 4 meetings held in the year 2021 |
| Board I.T. Steering Committee | 2 meetings held in the year 2021 |
| Board Compliance Committee | 3 meetings held in the year 2021 |
15. The Board has set up an effective internal audit function. The staff members in Internal Audit function are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank;
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight

Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Bank;

17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
 18. We confirm that all requirements of regulations 3, 6(*), 7, 8, 27,32, 33 and 36 of the Regulations have been complied with. Following is appropriate explanation as to impediment in the Bank's compliance with non-mandatory requirement of the Regulations:
 - Orientation program could not be arranged for all the Directors due to COVID-19 pandemic situation. The Bank intends to conduct such program in FY 2022.
 - Owing to COVID-19 pandemic situation, except for Mr. Maqsood Ismail Ahmad, Mr. Asad Muhammad Iqbal and Mr. Javed Akhtar, all the remaining directors attended 30th Annual General Meeting of the shareholders of the Bank.
- * The annual declaration documents were sent to Ms. Saleha Asif on 17th February 2021 for approval, however no submission was made to the Bank in the FY 2021.



Muhammad Ali Gulfaraz
Managing Director



Shahab Ali Shah
Chairman

AUDITORS' REVIEW REPORT

ON THE STATEMENT OF COMPLIANCE CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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 2021 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 noncompliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

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

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended 31 December 2021.

We draw attention to paragraph 18 of the statement of compliance which describes the reason for non-compliance to section number 6 of the (Code of corporate governance) Regulations, 2019. Our conclusion is not modified in this respect..



EY Ford Rhodes
Chartered Accountants

Engagement Partner
Place: Islamabad
Date: 07 March 2022

UDIN: CR202110079yIAhlsB2r

STATEMENT ON INTERNAL CONTROLS

This statement is issued in compliance with State Bank of Pakistan (SBP) circular No. 07 of 2004 on internal controls and OSED Circular No.01 dated February 07, 2014 “Instructions on Internal Controls over Financial Reporting (ICFR)”

An Internal Control System is a set of processes meant to execute the operations in a secure and efficient manner while identifying and mitigating the risk of failures in achieving business objectives of the Bank. The management of the Bank is responsible for designing and implementation of adequate and effective internal control system under the policies approved by the Board.

Accordingly, the management of the Bank has formulated, implemented, and maintained a system of internal controls approved by the Board of Directors, to achieve effectiveness and efficiency of operations while adhering to applicable laws and regulations and preserving the reliability of financial reporting. The Bank endeavors to follow State Bank Guidelines on Internal Controls and Internal Audit and as a baseline, 3LOD (“three lines of defense”) model is adopted by the Bank wherein the line departments primarily responsible for managing an effective system of internal controls in their day-to-day business activities for which they are accountable. Further compliance and Risk functions, being the second line of defense, are responsible for assisting and monitoring the line management for implementation of adequate control and compliance environment.

The Internal Audit Division is placed adequately within the Bank to ensure its independence and to provide objective evaluation of the state of internal controls via assurance (on-site and off-site) and consulting engagements. All significant/material findings of Internal Audit and External Audit are reported to the Board Audit Committee (BAC) with agreed management actions. Internal Audit also tracks closure of audit findings from management and the status is regularly reported to the Management and Board Audit Committee. Hence, the system of internal controls is in place and being closely monitored across the Bank via governance structure constituting Compliance, Risk Management and Internal Audit Function.

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 and a Long Form Report (LFR) on the assessment of Bank’s ICFR issued by the statutory auditors was submitted to SBP in compliance with its directives stated in OSED Circular No. 1 of 2014 dated February 07, 2014. During the year, the Bank conducted testing of financial reporting controls for ensuring the effectiveness of ICFR throughout the year. The Bank believes that deficiencies identified doesn’t have a material impact on financial reporting.

During the year, the Bank has completed the bank wide implementation of Centralized Core Banking Software T-24, resulting in automation of most of transactional process controls of Branches and Head office functions. The said implementation has not only enhanced the reliability of assurance services but also enabled the Management to utilize the strong MIS platform for ongoing monitoring and decision making.

Management’s Evaluation on Effectiveness of Control Framework

Based on the results received from Internal /External audits and ongoing testing of financial reporting controls during the year, management believes that the Bank’s existing system of Internal Control is considered reasonable in design and is being effectively implemented and monitored. The management will continue strengthening its control environment on an ongoing basis and endeavors to ensure non-recurrence of exceptions related to control failures.

Bank’s Board of Directors endorses the management’s evaluation of effectiveness of control framework including ICFR in Director’s Report.



Muhammad Ali Gulfaraz
Managing Director



Shahab Ali Shah
Chairman

Annual Report of Shariah Board (For the Year 2021)

الحمد لله رب العالمين

والصلوة والسلام على خاتم الانبياء والمرسلين وعلى آله واصحابه وعترة ومن تبعهم باحسان الى يوم الدين -

اما بعد

The Islamic Banking and finance industry has grown over the years to become an integral and influential part of the global financial landscape. Similarly, Islamic banking segment has developed rapidly in Pakistan during the past years due to Governmental support and interest in the development of Islamic banking industry and strong public demand for availability of Islamic Banking services to every citizen.

Islamic Banking Group (IBG) of the Bank of Khyber provides a wide range of shariah compliant banking services both on Assets & Deposits sides through (110) standalone Islamic Banking Branches (IBBs), (05) Sub – Islamic Banking Branches, (39) Islamic Banking Windows operating in conventional Branches and (02) Booths throughout the country to fulfill banking needs of the customers.

Shariah Compliance Mechanism

Shariah Compliance is regarded as the foundation of Islamic Banking and, hence, no Islamic Bank can function without strong Shariah compliance mechanism. Therefore, a proper Shariah compliance mechanism has been put in place by IBG in order to ensure that all the activities carried out by the IBG are in line with the Islamic principles and maintain trust of the depositors and other stakeholders on the system.

Shariah Compliance Structure of IBG

IBG has an independent Shariah Compliance Division (SCD), playing an important role towards accomplishment of the objective of ensuring Shariah compliance along with goals of the Board of Directors (BOD) of the bank under the supervision of the Shariah Board (SB) to ensure Shariah-compliance in all processes, procedures, products. SCD conducts Islamic banking trainings, awareness seminars, research into Shariah related issues, and Shariah compliance reviews of transactions. The SCD also serves as secretariat to the SB.

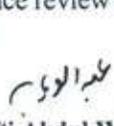
Beside SCD, IBG has an internal Shariah audit function as an essential component of shariah compliance mechanism to promote internal accountability and transparency through an ongoing check on all activities of IBG to ensure their compliance with approved polices, State Bank of Pakistan (SBP) instructions & guidelines and SB decisions. IBG also has Product Development & Research Department for developing Shariah compliant products to grow deposits and assets of IBG through introduction of new deposit products, alternative Shariah Complaint financing products and extensive marketing of Islamic Banking operations. The internal shariah audit and product development & research departments are also functioning in the supervision of Shariah Board.

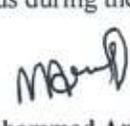
Shariah Board Opinion on IBG Activities of the Year 2021

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

1. Conducted 4 meeting in 2021, to consider, decide and supervise all Shariah related matters of the IBG.
2. Reviewed and granted shariah clearance of all the procedure manuals, product programs/structures, process flows, related agreements, marketing advertisements, and brochures presented by IBG in this year.
3. Approved both Shariah Compliance Review and Shariah Audit yearly plans to ensure the shariah audit/review of considerable portion of IBG activities in this year.
4. Prescribed appropriate action on all shariah related issues of internal Shariah audit, external Shariah audit and Shariah compliance review reports presented to us during the year.


Qazi Abdul Samad
RSBM


Mufti Abdul Wahab
Member
Shariah Board


Mufti Muhammad Arif Khan
Member
Shariah Board


Mufti Muhammad Zahid
Chairman
Shariah Board

5. Endorsed shariah clearance of all financing cases of IBG and shariah procedures of the transactions provided by SCD under the supervision of the Resident Shariah Board Members.
6. Also reviewed major portion of the IBG monthly income and expense statements and pool management activities and responded to all shariah issues referred by the management of the bank.
7. During the year, we also participated in various Islamic Banking training held by the training divisions of the bank to enhance the capacities of IBG's staff and make them fully cognizant of the risk of Shariah non-compliance and its potential implications on the reputation and business of the IBG.
8. Apart from Training for staff, we have participated in many public awareness programs for bank's clients and general public to provide confidence that the IBG is managed by professionals having adequate experience and expertise in Islamic banking.

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

- The IBG has complied with directives, regulations, instructions, and guidelines related to Shariah compliance issued by IBD-SBP and Shariah Board of the bank and the transactions and dealings entered into by the Bank during the financial year ended 31 December 2021, are in compliance with the Shariah rules and principles.
- IBG-BOK has a comprehensive mechanism in place to ensure Shariah compliance in its overall operations. The mechanism comprising of independent Shariah Board, shariah compliance division, Internal Shariah Audit & Shariah Review Departments, full time RSBM. And regular / frequent in-house and external trainings for Islamic Banking staff in line with Shariah Governance Framework of SBP are in place.
- The bank has a comprehensive profit & Loss distribution and Pool Management system. During the year under review, profit distribution mechanism, allocation of funds, income & expenses, weightages and other affairs of the IBG of the bank are in conformity with the guidelines that have been approved by the SB in accordance with Islamic rules and principles.
- All sources of income of the bank are Shariah compliant and any earning which has been realized from sources or by means prohibited by Islamic rules and principles have been transferred to the Charity Account which will be distributed as per approved Charity policy of the bank.
- During the period under the review, SB has recommended to the management to continue to develop the skills of Islamic banking staff. In this regard the Training Division of HRD Group has arranged various trainings in Training Center of the bank and nominated sizable number of staff members for trainings arranged by NIBAF and other Islamic banking training Organization. The SCD also conducted sessions, Group discussions with IBBs & IBWs staff during visits for Shariah Compliance Reviews/Inspections.
- The level of awareness, capacity and sensitization of the staff, and the management for Shariah Compliance remained very satisfactory.
- The Shariah Board has been provided adequate resources enabling it to discharge its duties, effectively.

Conclusion

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

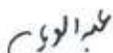
May Allah ﷻ bless us with the best Tawfeeq to accomplish His cherished tasks, make us successful in this world and in the life hereafter and forgive our mistakes.

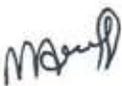
We bear witness only to what we know, and we could not well guard against the unseen! (Surah Yusuf, Verse:81)

والله اعلم بالصواب

والسلام


Qazi Abdul Samad
RSBM


Mufti Abdul Wahab
Member
Shariah Board


Mufti Muhammad Arif Khan
Member
Shariah Board


Mufti Muhammad Zahid
Chairman
Shariah Board

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

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

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

خلاصہ کلام

مندرجہ بالا تصریحات کی بنیاد پر ہم خیبر بینک اسلامک بینکنگ گروپ (آئی بی جی آف بی او کے) کے معاملات کے بارے میں اس امر کی تصدیق کرتے ہیں کہ ہماری معلومات کے مطابق سال 2021ء کے دوران خیبر بینک اسلامک بینکنگ گروپ (آئی بی جی آف بی او کے) کی طرف سے کیے گئے تمام عقود شرعی اصولوں کے موافق ہیں۔ شریعہ کپلائنس ڈویژن کی صلاحیت اور استعداد کو دیکھتے ہوئے اور بینک کی طرف سے جاری کردہ شریعہ کپلائنس کی ہدایات اور احکامات کے جائزے کے بعد ہماری رائے میں بینک کے تمام شعبوں کی نگرانی اور شریعہ کپلائنس کو یقینی بنانے کے لیے ایک موثر نظام موجود ہے۔

والله تعالى أعلم بالصواب

﴿ وَمَا شَهِدْنَا إِلَّا بِمَا عَلَّمْنَا وَمَا كُنَّا لِالْقَيْبِ حَافِظِينَ ﴾ - ﴿سورہ یوسف آیت 81﴾

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

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

وصلی اللہ تعالیٰ علی خیر خلقہ محمد وعلی آلہ وصحبہ أجمعین

وآخر دعوانا أن الحمد لله رب العالمین

مفتی محمد زاہد

چئیرمین شریعہ بورڈ

مفتی محمد عارف خان

ممبر شریعہ بورڈ

علیہ اللوی

مفتی عبدالوہاب
ممبر شریعہ بورڈ

قاضی عبدالصمد

کل وقتی شریعہ بورڈ ممبر

✓ شریعہ کپلائنس ڈویژن نے مستقل شریعہ بورڈ ممبر کی مگرانی میں آئی بی جی کے آمدن کے ذرائع، ان سے حاصل شدہ نفع و نقصان، اس کی بینک اور متعلقہ شرکاء کے درمیان تقسیم اور دوسرے متعلقہ امور کی جان پڑتال کی اور شریعہ آڈٹ نے بھی ان کی سہ ماہی بنیادوں پر نظر ثانی کر کے ہمیں رپورٹس جمع کی ہیں جن میں موجود شرعی امور پر ہم نے فوری احکامات صادر کئے۔

✓ آئی بی جی کے اندر خدمات فراہم کرنے والے عملہ کو اسلامی بینکاری سے متعلقہ تمام عقود اور سرگرمیوں سے روشناس کرانے، انکی علمی و عملی صلاحیتوں کو مزید نکھارنے، ممکنہ غیر شرعی امور کے روک تھام اور آئی بی جی کی اسلامی اقدار کی بقاء کے لئے مختلف فنی اور تربیتی ورکشاپس منعقد کئے ہیں۔

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

مذکورہ بالا سرگرمیوں کی بنیاد پر ہماری رائے ہے کہ:

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

محمد
مفتی محمد زاہد
چئیرمین شریعہ بورڈ

محمد
مفتی محمد عارف خان
ممبر شریعہ بورڈ

عبد الوہاب
مفتی عبد الوہاب
ممبر شریعہ بورڈ

محمد
قاضی عبدالصمد
کل وقتی شریعہ بورڈ ممبر

مزید برآں آئی بی جی کے پاس ایک باضابطہ اور مستقل شعبہ (شریہ آڈٹ ڈیپارٹمنٹ) بھی موجود ہے جو باقاعدگی سے آئی بی جی کے تمام شعبوں اور رانچوں کے اندر ہونے والی سرگرمیوں کی جانچ پڑتال کرتی رہتی ہے تاکہ بینکاری امور کی شفافیت اور تسلسل برقرار رہے اور یہ کہ اسلامی بینکاری کے جملہ امور سٹیٹ بینک کی اسلامی بینکاری سے متعلق پالیسیوں اور شریعہ بورڈ کی ہدایات کے موافق ہیں۔

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

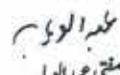
آئی بی جی کی سال 2021ء کے بارے میں شریعہ بورڈ کی رائے

سٹیٹ بینک کی ہدایات کے مطابق اگرچہ بینک کے بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ اس بات کے حتمی ذمہ دار ہیں کہ وہ اس بات کو یقینی بنائیں کہ بینک کا پورا نظام شرعی اصولوں کے مطابق چل رہا ہے۔ تاہم سٹیٹ بینک کی ہدایات کے مطابق ہم (شریہ بورڈ ممبران) کی ذمہ داری ہے کہ آئی بی جی کے عمومی صورتحال کے بارے میں اپنی رائے پیش کریں۔ اس مقصد کے حصول کے لئے سال 2021ء میں شریعہ بورڈ نے جو امور سرانجام دیے ہیں ان میں چند امور مندرجہ ذیل ہیں:

- ✓ بینک کے جملہ انتظامی امور میں شریعت کے اصولوں کے مطابق راہنمائی، اپنے فیصلوں پر بینک انتظامیہ کی عمل درآمد اور تمام امور کی شرعی نگرانی کو یقینی بنانے کیلئے چار مجلسیں (میٹنگز) قائم کی ہیں۔
- ✓ آئی بی جی کے اندر استعمال ہونے والے تمام دستاویزات بشمول تمویلی پراڈکٹس کی دستاویزات، ان کا مرحلہ وار طریقہ کار، عقود اور ان سے متعلقہ شرعی ہدایات، اشتہاری مواد مثلاً اسلامی بینکاری سے متعلق مخصوص اشتہارات اور اعلانات کا جائزہ لیا ہے اور اس کے بارے میں اپنی رائے پیش کی ہے۔
- ✓ اسلامی بینکاری کی جملہ کارروائی کو قواعد و ضوابط کے مطابق یقینی بنانے کے لئے سالانہ شریعہ آڈٹ اور شریعہ ریویو پلانز (منصوبوں) کا بھی جائزہ لیا اور ان کی منظوری دی۔
- ✓ اندرونی (انٹرنل) ڈیرونی (ایکسٹرنل) شریعہ آڈٹ اور شریعہ ریویو ڈیپارٹمنٹ کی طرف سے پیش ہونے والے تمام رپورٹوں کا جائزہ لیا اور ان میں موجود شرعی امور پر فوری احکامات صادر کئے ہیں۔
- ✓ شریعہ کیپلائنس ڈورن میں جمع کئے گئے سرمایہ کاری کے تمام پروپوزلز کا شرعی جائزہ لیا گیا اور مستقل شریعہ بورڈ ممبر (آر ایس بی ایم) کی نگرانی میں ہر تمویلی منصوبہ کے لئے، مخصوص مرحلہ وار شرعی طریقہ کار بنا کر حوالہ کر دیے گئے جن کی توثیق ہم سے کی گئی۔


مفتی محمد زاہد
چئیرمین شریعہ بورڈ


مفتی محمد عارف خان
ممبر شریعہ بورڈ


مفتی عبدالوہاب
ممبر شریعہ بورڈ


مفتی عبدالصمد
کل وقتی شریعہ بورڈ ممبر

سالانہ شریعہ بورڈ رپورٹ 2021ء

الحمد لله رب العالمين والصلاة والسلام على خاتم الانبياء والمرسلين وعلى آله واصحابه وعترة ومن تبعهم باحسان إلى يوم الدين -

أما بعد!

اسلامی بینکاری نے ایک طویل عرصے کے بعد عالمی مالیاتی منڈی میں اپنا تشخص قائم کر کے ایک خاطر خواہ مقام حاصل کیا ہے۔ اسی طرح بینک آف خیبر میں بھی خیبر پختونخوا کی صوبائی حکومت کے مسلسل تعاون، حوصلہ افزائی اور پُر زور عوامی مطالبہ کی بناء پر اسلامی بینکاری ترقی کی طرف گامزن ہے۔ اس ضمن میں خیبر بینک اسلامک بینکنگ گروپ (آئی بی جی آف بی او کے) ملک کے طول و عرض میں 110 مستقل اسلامی بینکاری برانچوں، خیبر بینک کی روایتی بینکاری کی برانچوں کے اندر 139 اسلامی بینکاری کی وینڈوز، 05 اسلامی ذیلی برانچوں اور 02 اسلامی بینکاری سہولیات فراہم والے بوتھ کے ذریعے شرعی اور جائز بینکاری کی خدمات پیش کر رہا ہے۔

اسلامی بینکاری میں شریعت کی پاسداری:

شرعی اصولوں کی پاسداری اسلامی بینکاری کے لئے رٹھ کی ہڈی کی حیثیت رکھتی ہے اور اس کے بغیر اسلامی بینکاری نظام کی بقا اور دوام ممکن نہیں۔ اس لئے خیبر بینک آئی بی جی اپنے تمام معاملات میں شریعت کے زریں اصولوں کی پاسداری مندرجہ ذیل طریقوں سے یقینی بناتا ہے۔

بینک آف خیبر (راست اسلامی بینکاری) میں شریعت کی پاسداری کا لائحہ عمل:

آئی بی جی میں شریعہ بورڈ کے زیر نگرانی ایک مستقل اور آزاد شریعہ کپلانس ڈویژن کام کر رہا ہے۔ جو اس بات کو یقینی بناتا ہے کہ آئی بی جی کے تمام معاملات مثلاً لوگوں سے پیسوں کی حصول (جسے مجموعی طور پر ڈیپازٹس کہتے ہیں)، ان پیسوں کی سرمایہ کاری کے عقود، ان کی مرحلہ وار طریقہ کار، پھر اس سرمایہ کاری سے حاصل شدہ نفع و نقصان کی حسب قاعدہ تقسیم شرعی اصولوں اور سٹیٹ بینک کے شریعہ ایڈوائزری کمیٹی سے منظور شدہ احکامات کے عین موافق ہے۔ (جو سٹیٹ بینک کے اسلامک بینکنگ ڈیپارٹمنٹ نے جاری کئے ہیں)۔ اس کے علاوہ شریعہ کپلانس ڈویژن بینک کے عملہ کیلئے فنی تربیت، عوام الناس کے لئے اسلامی بینکاری سے متعلق آگاہی سیمینارز، شرعی امور کے نئے مسائل کی شرعی تحقیق اور بینک کے مالکان اور شرکت کے کھاتہ داروں میں تجارت سے حاصل شدہ نفع و نقصان کی تقسیم سے پہلے اس کی شرعی نقطہ نظر سے نظر ثانی کرتی ہے تاکہ اس امر کو یقینی بنایا جائے کہ حاصل شدہ نفع حلال ذرائع سے حاصل ہوا ہے اور اس میں تمام شرکاء کو عقدہ مشارکہ کے طے شدہ قواعد کے مطابق حصہ مل رہا ہے۔ اس کے ساتھ ساتھ شریعہ کپلانس ڈویژن شریعہ بورڈ کے لئے شریعہ سیکرٹریٹ کا کردار بھی ادا کر رہا ہے۔

مفتی محمد زاہد

مفتی محمد زاہد
چیمبرین شریعہ بورڈ

مفتی محمد عارف خان

مفتی محمد عارف خان
ممبر شریعہ بورڈ

مفتی عبدالوہاب

مفتی عبدالوہاب
ممبر شریعہ بورڈ

مفتی عبدالصمد
مفتی عبدالصمد
کل وقتی شریعہ بورڈ ممبر

INDEPENDENT AUDITORS' REPORT

To the members of The Bank of Khyber

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of The Bank of Khyber ("the Bank"), which comprise the statement of financial position as at 31 December 2021, 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 15 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, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the 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 2021 and of the profit, other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' 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. This matter was 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 this matter.

Following is the key audit matter:

| Key audit matters | How the matter was addressed in our audit |
|---|--|
| <p>1. Provision against non-performing advances</p> <p>The Bank's credit portfolio is spread across various domestic branches and mainly includes corporate financing to several public sector entities and large to small size businesses operating in the private sector.</p> <p>As per the Bank's accounting policy (refer note 5.3 to the financial statements), the Bank determines provisions against non-performing advances in accordance with the requirements of Prudential Regulations (PRs) of State Bank of Pakistan (SBP) and also maintains general provision as required by PRs. The PRs require specific provisioning against advances on the basis of an age-based criteria which is supplemented by a subjective evaluation of Bank's advances portfolio. The determination of loan loss provision, therefore, involve use of management judgment, on a case-to-case basis, considering factors such as the borrower's economic, financial and business conditions, borrowers repayment behaviors and realizability of collateral held by the Bank.</p> <p>The Bank's advances to the customers represent 35% of its total assets as of 31 December 2021 and are stated at Rs. 124,549 million which is net of provision of Rs. 6,617 million at the year end</p> <p>In view of the magnitude of advances in the financial statements and the level of involvement of management's judgment, we identified provision against advances as a key audit matter.</p> <p>The accounting policy and disclosures relating to provisioning against non- performing advances are included in note 6.4.8 and 11 respectively to the financial statements.</p> | <p>We applied a range of audit procedures including the following:</p> <p>We reviewed the Bank's process for identification and classification of non-performing advances, monitoring of advances with higher risk of default and migration of these advances to non-performing advances category and accurate computation and recording of provisions.</p> <p>We performed independent checks on test basis for the computations of provisions to assess that the same is in line with the requirements of the applicable Prudential Regulations.</p> <p>In addition, we selected a representative sample of borrowers from the advances portfolios including individually significant credit facilities and performed tests and procedures such as review of credit 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.</p> <p>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.</p> <p>We also assessed adequacy of disclosures as included in note 11 to the financial statements regarding the non-performing advances and provisions made for the same in the financial statements in accordance with the requirements of the applicable financial reporting framework.</p> |
| <p>2. Valuation of listed equity shares classified as available for sale</p> <p>As disclosed in note 10 and the accounting policies in notes 5.2 and 6.3.4.3 to the financial statements, the bank has a significant investment in listed shares classified as available for sales amounting to Rs. 374 million which is stated net of provision of Rs. 256 million as of 31 December 2021.</p> <p>These investments are carried at fair value in accordance with the Bank's accounting policy relating to their measurement. Provision against investment in listed shares classified as available for sale is made based on the impairment policy of the Bank which comprises of subjective factors.</p> <p>Because of its significance to the financial statements and the use of management judgment in determination of impairment against listed shares classified as available for sale, we have considered this as a key audit matter.</p> | <p>Our procedures in respect of valuation of investments, amongst others, included the following:</p> <p>Obtaining an understanding of and testing the design and operation effectiveness of the controls relating to the valuation of available for sale equity investments including an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments available for sale.</p> <p>Checking on a sample basis, the valuation of equity shares to supporting documents and externally quoted market prices.</p> <p>Comparing the cost of each equity investments to its market value to determine decline in valuation and checked the impact of significant or prolonged decline was recognized as per the policy of the bank as disclosed in noted 5.2.</p> <p>Assessing the completeness and accuracy of the disclosures relating to equity share classified as available for sale to assess compliance with disclosure requirements laid down by the State Bank of Pakistan regarding forms and disclosures</p> |

INDEPENDENT AUDITORS' REPORT

Information Other than the Financial Statements and Auditors' 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 auditors' 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 auditors' 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

Based on our audit, we further report that in our opinion:

- 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;
- the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity and the 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;
- 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
- 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.

We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partner on the audit resulting in this independent auditors' report Ahsan Shahzad.



EY Ford Rhodes
Chartered Accountants

Engagement Partner

Place: Islamabad

Date: 07 March 2022

UDIN: AR202110079IkRiqjrSM





FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2021

| | Note | 2021 Rupees in '000 | 2020 |
|---|-----------|------------------------|--------------------|
| ASSETS | | | |
| Cash and balances with treasury banks | 7 | 17,375,313 | 15,840,359 |
| Balances with other banks | 8 | 12,114,583 | 9,092,355 |
| Lendings to financial institutions | 9 | 4,982,294 | 7,297,519 |
| Investments | 10 | 184,398,946 | 113,478,994 |
| Advances | 11 | 124,549,195 | 129,063,377 |
| Fixed assets | 12 | 5,137,202 | 3,472,025 |
| Intangible assets | 13 | 450,239 | 532,167 |
| Deferred tax assets | 14 | 992,412 | 459,902 |
| Other assets | 15 | 8,605,861 | 9,063,193 |
| | | 358,606,045 | 288,299,891 |
| LIABILITIES | | | |
| Bills payable | 16 | 874,567 | 944,140 |
| Borrowings | 17 | 110,068,928 | 57,063,018 |
| Deposits and other accounts | 18 | 221,875,898 | 203,071,658 |
| Liabilities against assets subject to finance lease | | - | - |
| Sub-ordinated debt | | - | - |
| Deferred tax liabilities | | - | - |
| Other liabilities | 19 | 9,216,778 | 9,449,525 |
| | | 342,036,171 | 270,528,341 |
| NET ASSETS | | 16,569,874 | 17,771,550 |
| REPRESENTED BY | | | |
| Share capital | 20 | 10,502,710 | 10,002,524 |
| Reserves | | 3,555,773 | 3,335,048 |
| Surplus on revaluation of assets - net | 21 | 350,617 | 1,166,961 |
| Unappropriated profit | | 2,160,774 | 3,267,017 |
| | | 16,569,874 | 17,771,550 |
| CONTINGENCIES AND COMMITMENTS | 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

Chairman

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2021

| | Note | 2021 Rupees in '000 | 2020 |
|---|------|------------------------|--------------------|
| Mark-up / return / interest earned | 23 | 21,939,157 | 25,673,375 |
| Mark-up / return / interest expensed | 24 | 15,149,916 | 18,911,494 |
| Net mark-up / interest income | | 6,789,241 | 6,761,881 |
| NON MARK-UP / INTEREST INCOME | | | |
| Fee and commission income | 25 | 425,351 | 387,505 |
| Dividend income | | 37,859 | 16,656 |
| Share of profit of associate | | 46,358 | - |
| Foreign exchange income | | 477,544 | 612,800 |
| (Loss) / gain on securities | 26 | (114,241) | 1,735,042 |
| Other income | 27 | 149,955 | 125,658 |
| Total non-markup / interest income | | 1,022,826 | 2,877,661 |
| Total income | | 7,812,067 | 9,639,542 |
| NON MARK-UP / INTEREST EXPENSE | | | |
| Operating expenses | 28 | 5,295,484 | 4,223,198 |
| Workers welfare fund | | - | - |
| Other charges | 29 | 4,519 | 55 |
| Total non-markup / interest expenses | | 5,300,003 | 4,223,253 |
| PROFIT BEFORE PROVISIONS | | 2,512,064 | 5,416,289 |
| (Provisions) / reversals - net | 30 | (831,879) | (1,610,005) |
| Extra ordinary / unusual items | | - | - |
| PROFIT BEFORE TAXATION | | 1,680,185 | 3,806,284 |
| Taxation | 31 | (576,558) | (1,654,501) |
| PROFIT AFTER TAXATION | | 1,103,627 | 2,151,783 |
| Rupees | | | |
| Basic and diluted earnings per share | 32 | 1.05 | (Restated) 2.05 |

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

Chairman

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

| | Note | 2021 Rupees in '000 | 2020 |
|--|--------|------------------------|-----------|
| Profit after taxation for the year | | 1,103,627 | 2,151,783 |
| Other comprehensive income | | | |
| Items that may be reclassified to profit and loss account in subsequent periods: | | | |
| Net change in fair value of available for sale securities - net of tax | 21 | (818,238) | 1,886,978 |
| Share of surplus on revaluation of investments of associate - net of tax | | 3,612 | - |
| Items that will not be reclassified to profit and loss account in subsequent periods: | | | |
| Re-measurement gain / (loss) of defined benefit obligation | 35.1.8 | 4,761 | (44,663) |
| - Related current tax | | (1,857) | 15,632 |
| Re-measurement gain / (loss) of defined benefit obligation - net of tax | | 2,904 | (29,031) |
| Adjustment to surplus on revaluation of fixed assets | 21 | 1,098 | 11,919 |
| Surplus on revaluation of non-banking asset - net of tax | 21.1 | 5,878 | 48,734 |
| Total other comprehensive income | | (804,746) | 1,918,600 |
| Total comprehensive income | | 298,881 | 4,070,383 |

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

Chairman

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2021

| | Share capital | Statutory reserve | Surplus / (deficit) on revaluation of | | Unappropriated profit | Total |
|---|-------------------|-------------------|---------------------------------------|----------------|-----------------------|-------------------|
| | | | Investments | Fixed assets | | |
| Rupees in '000 | | | | | | |
| Balance as at January 01, 2020 | 10,002,524 | 2,904,691 | (1,554,853) | 774,183 | - | 14,201,353 |
| Profit after taxation | - | - | - | - | - | 2,151,783 |
| Other comprehensive income - net of tax | - | - | 1,886,978 | 11,919 | 48,734 | 1,918,600 |
| Total comprehensive income | - | - | 1,886,978 | 11,919 | 48,734 | 4,070,383 |
| Transfer to statutory reserve | - | 430,357 | - | - | - | (430,357) |
| Transactions with owners, recorded directly in equity | | | | | | |
| Final cash dividend for the year ended December 31, 2019 (Rs. 0.50 per share) | - | - | - | - | - | (500,186) |
| Balance as at December 31, 2020 | 10,002,524 | 3,335,048 | 332,125 | 786,102 | 48,734 | 17,771,550 |
| Profit after taxation | - | - | - | - | - | 1,103,627 |
| Other comprehensive income - net of tax | - | - | (818,238) | 1,098 | 5,878 | (804,746) |
| Total comprehensive income | - | - | (818,238) | 1,098 | 5,878 | 298,881 |
| Transfer to statutory reserve | - | 220,725 | - | - | - | (220,725) |
| Transfer from surplus on revaluation of non-banking asset - net of tax | - | - | - | - | (5,082) | 5,082 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Final cash dividend for the year ended December 31, 2020 (Rs. 1.50 per share) | - | - | - | - | - | (1,500,557) |
| Bonus shares issued for the year ended December 31, 2020 (Rs. 0.50 per share) | 500,186 | - | - | - | - | (500,186) |
| Balance as at December 31, 2021 | 10,502,710 | 3,555,773 | (486,113) | 787,200 | 49,530 | 16,569,874 |

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

Chairman

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2021

| | Note | 2021 | 2020 |
|---|--------|---------------------|--------------|
| | | Rupees in '000 | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Profit before taxation | | 1,680,185 | 3,806,284 |
| Less: Dividend income | | 37,859 | 16,656 |
| | | 1,642,326 | 3,789,628 |
| Adjustments: | | | |
| Depreciation - Operating fixed assets | 28 | 350,990 | 277,530 |
| Depreciation - Non-banking assets acquired in satisfaction of claims | | 22,395 | 29,540 |
| Depreciation - Right-of-use assets | | 442,724 | 336,233 |
| Amortization | | 81,222 | 42,472 |
| Deficit on revaluation of non-banking asset | 28 | 3,397 | 12,550 |
| Provisions / (reversals) - net | 30 | 831,879 | 1,610,005 |
| Interest expense on lease liability | 24 | 137,073 | 129,610 |
| Unrealized exchange gain on cash and cash equivalents | | (345,689) | (444,795) |
| Share of profit of associate | | (46,358) | - |
| (Gain) / loss on sale of fixed assets | 12.2.4 | (38,866) | 117 |
| Gain on early culmination of lease | 27 | (1,811) | (4,175) |
| | | 1,436,956 | 1,989,087 |
| | | 3,079,282 | 5,778,715 |
| Decrease / (Increase) in operating assets | | | |
| Lendings to financial institutions | | 2,315,225 | 6,565,930 |
| Held-for-trading securities | | (1,118,377) | (1,248,722) |
| Advances | | 3,740,760 | (20,931,090) |
| Others assets (excluding advance taxation) | | 915,683 | 1,441,803 |
| | | 5,853,291 | (14,172,079) |
| Increase / (Decrease) in operating liabilities | | | |
| Bills payable | | (69,573) | (228,015) |
| Borrowings from financial institutions | | 53,005,910 | (37,593,443) |
| Deposits | | 18,804,240 | 20,904,086 |
| Other liabilities | | 313,542 | (5,725,715) |
| | | 72,054,119 | (22,643,087) |
| Income tax paid | | (2,263,058) | (689,091) |
| Net cash flow generated from / (used in) operating activities | | 78,723,634 | (31,725,542) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Net investments in available-for-sale securities | | (73,153,496) | 35,480,788 |
| Net investments in held-to-maturity securities | | 2,045,510 | 2,106,767 |
| Dividends received | | 37,859 | 16,656 |
| Investments in operating fixed assets | | (1,500,782) | (580,930) |
| Investments in intangible assets | | (11,220) | (288,384) |
| Proceeds from sale of fixed assets | | 47,775 | 156 |
| Net cash flow (used in) / generated from investing activities | | (72,534,354) | 36,735,053 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Dividend paid | | (1,464,743) | (500,213) |
| Payment against lease liability | | (513,044) | (389,256) |
| Net cash flow used in financing activities | | (1,977,787) | (889,469) |
| Net increase in cash and cash equivalents | | 4,211,493 | 4,120,042 |
| Net foreign exchange difference | | 345,689 | 444,795 |
| Increase in cash and cash equivalents | | 4,557,182 | 4,564,837 |
| Cash and cash equivalents at beginning of the year | 33 | 24,932,714 | 20,367,877 |
| Cash and cash equivalents at end of the year | 33 | 29,489,896 | 24,932,714 |
| Additional information on operational cash flows from interest | | | |
| Interest paid | | (13,453,633) | (24,387,158) |
| Interest received | | 22,174,619 | 27,205,000 |

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

Chairman

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

1 STATUS AND NATURE OF BUSINESS

The Bank of Khyber ("the Bank") was established under The Bank of Khyber Act, 1991 and is principally engaged in the business of commercial banking and related services. The Bank acquired the status of a scheduled bank in 1994 and is listed on the Pakistan Stock Exchange Limited. The registered office of the Bank is situated at 24 - The Mall, Peshawar Cantt, Peshawar and it has been temporarily shifted to 1st Floor, State Life Building, 34 - The Mall, Peshawar Cantt. The Bank operates 216 branches including 110 Islamic banking branches (2020: 179 branches including 91 Islamic banking branches). The long term credit ratings of the Bank assigned by The VIS Credit Rating Company Limited and Pakistan Credit Rating Agency Limited (PACRA) are 'A+' and 'A' respectively and the short term credit ratings assigned are 'A-1' (A-One) and 'A-1' (A-One) respectively.

2 BASIS OF PRESENTATION

- 2.1** In accordance with the directives of the Federal Government regarding the shifting of the banking system to Islamic modes, the State Bank of Pakistan (SBP) has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by the banks from their customers and immediate resale to them at appropriate profit in price on deferred payment basis. The purchases and sales arising under the respective arrangements (except for Murabaha financings accounted for under Islamic Financial Accounting Standard - 1 "Murabaha") are not reflected in these financial statements as such, but are restricted to the amount of facility actually utilized and the appropriate portion of profit thereon.
- 2.2** The Islamic banking branches of the Bank have complied with the requirements as set out in the Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan (ICAP) as are notified under the provisions of Companies Act, 2017.
- 2.3** The financial results of the Islamic Banking Branches have been 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 Branches are disclosed in Annexure "II" to these financial statements.
- 2.4** These financial statements have been presented in Pakistani Rupee, which is the Bank's functional and presentation currency. The figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

3 STATEMENT OF COMPLIANCE

- 3.1** These financial statements have been prepared in accordance with the 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 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.

- 3.2** These financial statements have been prepared in conformity with the format of financial statements prescribed by the State Bank of Pakistan (SBP) vide BPRD Circular No. 02, dated January 25, 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

3.3 The SBP, vide BSD Circular Letter No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39 'Financial Instruments: Recognition and Measurement' (IAS 39) (SBP has directed the banks in Pakistan to implement IFRS 09 'Financial Instruments' with effect from January 01, 2022) and International Accounting Standard 40 'Investment Property' (IAS 40) for banking companies till further instructions. Further, according to a notification of Securities and Exchange Commission of Pakistan (SECP) dated April 28, 2008, International Financial Reporting Standard 7 'Financial Instruments Disclosure' (IFRS 7), 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 disclosed in accordance with the requirements prescribed by SBP through various circulars.

3.4 SBP through BPRD Circular No. 04 of 2015 dated February 25, 2015 has deferred applicability of Islamic Financial Accounting Standard-3 for Profit & Loss Sharing on Deposits (IFAS-3) issued by the Institute of Chartered Accountants of Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP), vide their SRO No. 571 of 2013 dated June 12, 2013 for institutions offering Islamic financial services. The standard will result in certain new disclosures in the financial statements of the Bank as and when notified by SBP.

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

Following amendments to existing standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2022 but are considered not to be either relevant or not have any significant impact on these financial statements:

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an Inter Bank Offered Rate (IBOR) is replaced with an alternative nearly Risk-Free Interest Rate (RFR).

These amendments had no impact on the financial statements of the Bank. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The Bank intends to use the practical expedients, available under (IBOR) reform, in future periods if they become applicable.

- Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the Covid-19 pandemic is continuing, on March 31, 2021, the IASB extended the period of application of the practical expedient to June 30, 2022. The amendment applies to annual reporting periods beginning on or after April 1, 2021. However, the Bank has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

The following International Financial Reporting Standards (IFRS Standards) 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, 2022:

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application. The amendment is not likely to have an impact on the Bank's financial statements.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendment is not likely to have an impact on the Bank's financial statements.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3, effective for the annual period beginning on or after January 01, 2022. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendment is not likely to have an impact on the Bank's financial statements.

- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2023. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8. The amendment is not likely to have an impact on the Bank's financial statements.

- IAS 41 Agriculture - Taxation in fair value measurements. As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 01, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

- Definition of Accounting Estimates - Amendments to IAS 8. In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after January 01, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Bank.

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2. In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The Bank is currently assessing the impact of the amendments to determine the impact they will have on the Bank's accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after January 01, 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

- The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, as per BPRD Circular No. 24 of 2021 dated July 05, 2021 of SBP, effective date of IFRS 9 implementation is January 01, 2022.

IFRS 9, Financial Instruments: Classification and Measurement, addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on an 'expected credit losses' (ECL) approach rather than the current approach as per the applicable Prudential Regulations. The ECL approach has an impact on all assets of the Bank which are exposed to credit risk. The Bank is in the process of assessing the full impact of this standard and awaits final guidelines from SBP for application of IFRS 9.

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

| Standard | Effective date (annual periods beginning on or after) |
|--|--|
| IFRS 1 First-time Adoption of International Financial Reporting Standards | January 01, 2004 |
| IFRS 17 Insurance Contracts | January 01, 2023 |

The Bank expects that the adoption of the above standards will have no material effect on the Bank's financial statements, in the period of initial application.

4 BASIS OF MEASUREMENT

Accounting convention

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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 other than those in associates which are not classified as 'held for trading' or 'held to maturity' are classified as 'available for sale'.

5.2 Impairment of available-for-sale equity investments and investment in associate

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 financing cash flows.

5.3 Provision against advances

The Bank reviews its loan portfolio including Islamic financing and related assets to assess the amount of non-performing loans and advances and Islamic financing 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.

During the financial year ended December 31, 2020, the Bank based on its assessment of the increased credit risk emanating from the impact of Covid-19 on the economic activity had created an additional general provision of Rs.1,135 million against loans and advances. During the current year, the Bank reassessed the credit risk on its portfolio mainly relating to the borrowers which had availed the deferment / restructuring for advances under Covid-19 relief measures announced by SBP. Based on this assessment and the amount of specific provision held by the Bank against classified parties, the Bank has derecognized the additional general provision of Rs.1,135 million. The Bank however continues to maintain statutory general provision against its portfolio of consumer and small enterprise loans in accordance with the prudential regulations.

5.4 Income taxes

In making estimates for current income taxes payable by the Bank, the management considers the current income tax laws and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax authorities and such amounts are shown as a contingent liability. Regarding provision for deferred taxes, estimates of the Bank's future taxable profits and expected reversal of deductible temporary differences are taken into account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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 (IAS 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 valuer under the current market conditions.

5.6 Defined benefit plan

The liability of the defined benefit plan (gratuity) is determined using actuarial advice using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rates, expected rates of returns on assets and future salary increases, which have been disclosed in note 35.1. 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 was carried out on December 31, 2021.

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

5.7.1 Estimating the incremental borrowing rate

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

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

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

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

5.8 Non-banking assets acquired in satisfaction of claims

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

5.9 Fair value hierarchy of assets and liabilities

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

a) Level 1

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

b) Level 2

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

c) Level 3

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

6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies 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, which had no material impact on these financial statements.

6.1 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances with treasury and other banks that are highly liquid and readily convertible to known amounts of cash and subject to an insignificant risk of changes in value.

6.2 Lendings to / borrowings from financial institutions

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

(a) Sale under repurchase agreements

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

(b) Purchase under resale agreements

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

(c) Other lendings

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

(d) Other borrowings

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

6.3 Investments

6.3.1 Classification

The Bank classifies its investments as follows:

6.3.1.1 Held-for-trading

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

6.3.1.2 Held-to-maturity

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

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

6.3.1.3 Available-for-sale

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

6.3.1.4 Associates

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

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

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

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

In view of the above and its overall immaterial impact, the Bank has prospectively recognized the cumulative impact of the share of profit and other comprehensive income of associate till 2020, based on the latest available audited financial statements of the associate.

6.3.2 Regular way contracts

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

6.3.3 Initial measurement

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

6.3.4 Subsequent measurement

6.3.4.1 Held-for-trading

These are measured at subsequent reporting dates at fair value. Gains and losses on re-measurement are included in the profit and loss account. The unrealised surplus / (deficit) arising on revaluation of quoted securities which are classified as held for trading is taken to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

6.3.4.2 Held-to-maturity

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

6.3.4.3 Available-for-sale

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

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

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

6.3.5 Impairment

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

6.4 Advances

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

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

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

6.4.2 Murabaha

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

6.4.3 Ijarah financings

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

- (a) Under Finance method, the present value of minimum Ijarah payments have been recognized and shown under financings. The unearned income, i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognized as income on a receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the Mustajir (lessee).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

- (b) Under IFAS 2 method, assets underlying Ijarah financing have been carried at cost less accumulated depreciation and impairment losses, if any, and are shown under financing. Rentals accrued from Ijarah financings net of depreciation charged are taken to profit and loss account. Depreciation on Ijarah assets is charged by applying the straight line method over the Ijarah period which is from the date of delivery of respective assets to Mustajir up to the date of maturity / termination of Ijarah agreement.

6.4.4 Diminishing Musharakah

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

6.4.5 Salam

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

6.4.6 Istisna

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

6.4.7 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.

6.4.8 Provision against 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 of collaterals in determining the amount of provision.

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

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

6.5 Operating fixed assets and depreciation

6.5.1 Capital-work-in progress

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

6.5.2 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 carried at cost less accumulated impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

Depreciation on fixed assets is charged to income over the useful life of the asset on a systematic basis by using the straight line method at the rates stated in note 12.2. Depreciation charge commences from the month when the asset is available for use and continues till the month the asset is discontinued either through disposal or retirement.

Revaluation of leasehold land is carried out with sufficient regularity to ensure that the carrying amount of the land does not differ materially from the fair value. Any revaluation increase in the carrying amount of land is recognized in other comprehensive income and presented as a separate component of equity as "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 unappropriated profit.

6.5.3 Intangible assets

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

6.6 Leases

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

Bank as a lessee

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

Right-of-use assets

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

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

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

6.7 Non-banking assets acquired in satisfaction of claims

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

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

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

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

6.8 Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than deferred tax asset, are reviewed at each reporting date for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. If such indication exists, and where the carrying value exceeds the estimated recoverable amount, assets are written down to their recoverable amount. 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 Taxation

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

6.9.1 Current

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

6.9.2 Deferred

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

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

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

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

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

6.10 Employee benefits

6.10.1 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, 2021 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 is applicable from January 01, 2019 onwards.

6.10.2 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% (2020: 8.33%) of basic salary.

6.11 Financial instruments

6.11.1 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

6.11.2 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.

6.12 Revenue recognition

- (a) Income on Murabaha is accounted for on culmination of Murabaha transaction and is recognized as revenue on a time proportionate basis. Unearned profit is accounted for by crediting deferred Murabaha income, which is recorded as a liability.
- (b) Interest / return / mark-up on regular loans / advances (other than Murabaha) and debt securities investments is recognized on time proportion basis. Where debt securities are purchased at premium or discount, the same is amortized through the profit and loss account using the effective interest rate method.
- (c) Interest / return / mark-up recoverable on classified loans and advances and investments is recognized on receipt basis. Interest / return / mark-up on classified rescheduled / restructured loans and advances and investments is recognized as permitted by the regulations of the SBP.
- (d) For Ijarah contracts written up to December 31, 2008, the Bank follows finance method in recognizing income. Under this method the unearned finance income i.e. the excess of aggregate Ijarah rentals over the cost of the asset and documentation charges under Ijarah facility, is deferred and then amortized over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognized as income on receipt basis. Income on Ijarah is recognized from the date of delivery of the respective assets to the Mustajir.
- (e) Rentals on Ijarah contracts written subsequent to December 31, 2008 are recognized as income on accrual basis as and when the rentals become due. Income is recognized net of depreciation charged in the profit and loss account.
- (f) Dividend income is recognized when the Bank's right to receive the dividend is established.
- (g) Gain / loss on sale of investments is credited / charged to profit and loss account.
- (h) Fee, commission, liquidated damages etc. are recorded on accrual basis when the service has been provided. Fees and commission which in substance amount to an additional interest charge, are recognized over the life of the underlying transaction on a level yield basis.

The Bank also earns fee and commission income from a diverse range of financial services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which the Bank expects to be entitled in exchange for providing the services.

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.

6.13 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

(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.

6.14 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.

6.14.1 Business segments

The Bank comprises of following main business segments:

(a) Corporate finance

This includes, services provided in connection with mergers and acquisition, underwriting, privatization, securitization, research, debts (Government, high yield), equity, syndication, IPO and secondary private placements.

(b) Trading and sales

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

(c) Retail banking

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

(d) Commercial banking

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

6.14.2 Geographical segments

The Bank conducts all its operations in Pakistan.

6.15 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.

6.16 Borrowings / deposits and their cost

(a) Borrowings / deposits are recorded at the proceeds received.

(b) Borrowings / deposits cost are recognized as expense in the period in which these are incurred on time proportion basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

6.17 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.

6.18 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.

6.19 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.

6.20 Fiduciary assets

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

6.21 Statutory reserve

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

6.22 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, 2021

| 7 | CASH AND BALANCES WITH TREASURY BANKS | Note | 2021 | 2020 |
|---|---|------|-------------------|------------|
| | | | Rupees in '000 | |
| | In hand: | | | |
| | Local currency | | 3,697,744 | 3,736,533 |
| | Foreign currencies | | 107,476 | 331,742 |
| | | | 3,805,220 | 4,068,275 |
| | With State Bank of Pakistan in: | | | |
| | Local currency current account | 7.1 | 11,209,505 | 10,940,891 |
| | Foreign currency current account | 7.2 | 59,079 | 23,896 |
| | Foreign currency deposit account | 7.3 | 128,943 | 84,792 |
| | | | 11,397,527 | 11,049,579 |
| | With National Bank of Pakistan in: | | | |
| | Local currency current account | | 1,154,182 | 676,909 |
| | Local currency deposit account | 7.4 | 1,004,138 | 311 |
| | Foreign currency deposit account | | 8,162 | 1,230 |
| | | | 2,166,482 | 678,450 |
| | National Prize bonds | | 6,084 | 44,055 |
| | | | 17,375,313 | 15,840,359 |

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 cash reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

7.3 This represents accounts maintained for mandatory cash reserve requirements with the SBP. These accounts carry mark up rate of Nil (2020: Nil) per annum.

7.4 These represent short-term deposits carrying profit rates ranging from 7.25% to 11.05% (2020: 5.25%) per annum.

| 8 | BALANCES WITH OTHER BANKS | Note | 2021 | 2020 |
|---|--|------|-------------------|-----------|
| | | | Rupees in '000 | |
| | In Pakistan: | | | |
| | In current accounts | | 2,908,280 | 1,963,147 |
| | In deposit accounts | 8.1 | 8,626,717 | 1,327,882 |
| | | | 11,534,997 | 3,291,029 |
| | Outside Pakistan: | | | |
| | In current accounts | | 589,614 | 5,811,354 |
| | In deposit accounts | | - | - |
| | | | 589,614 | 5,811,354 |
| | Provision for doubtful placement with the bank | 8.2 | (10,028) | (10,028) |
| | | | 12,114,583 | 9,092,355 |

8.1 These represent short-term deposits with banks at mark-up rates ranging from 2% to 11.25% (2020: 2.00% to 8.00%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 8.2 | Particulars of provision for doubtful placement with the bank | 2021 | 2020 |
|-----|---|----------------|--------|
| | | Rupees in '000 | |
| | Opening balance | 10,028 | 10,028 |
| | Charge for the year | - | - |
| | Reversals | - | - |
| | Closing balance | 10,028 | 10,028 |

| 9 | LENDINGS TO FINANCIAL INSTITUTIONS | Note | 2021 | 2020 |
|-----|--|------|------------------|------------------|
| | | | Rupees in '000 | |
| | Call money lending | 9.2 | 3,000,000 | - |
| | Repurchase agreement lendings (Reverse Repo) | 9.3 | 1,982,294 | 7,297,519 |
| | Placements with financial institutions | | 238,944 | 238,944 |
| | | | 5,221,238 | 7,536,463 |
| | Less: provision held against lending to financial institutions | 9.4 | (238,944) | (238,944) |
| | Lending to financial institutions - net of provision | | 4,982,294 | 7,297,519 |
| 9.1 | Particulars of lendings - net | | | |
| | In local currency | | 4,982,294 | 7,297,519 |
| | In foreign currencies | | - | - |
| | Total | | 4,982,294 | 7,297,519 |

9.2 This represents unsecured lending to a commercial bank at the rate of 10.6% (2020: Nil) per annum with maturity of January 04, 2022.

9.3 This represents repurchase agreement lendings (Reverse Repo) secured against government securities carrying mark-up rate of 10.75% (2020: 7.00%) per annum with maturity of January 4, 2022.

| 9.4 | Particulars of provision against lendings to financial institutions | 2021 | 2020 |
|-----|---|----------------|-----------|
| | | Rupees in '000 | |
| | Opening balance | (238,944) | (238,944) |
| | Charge for the year | - | - |
| | Reversals | - | - |
| | Closing balance | (238,944) | (238,944) |

| 9.5 | Securities held as collateral against lendings to financial institutions | 2021 | | | 2020 | | |
|-----|--|------------------|-----------------------------|------------------|------------------|-----------------------------|------------------|
| | | Held by Bank | Further given as collateral | Total | Held by Bank | Further given as collateral | Total |
| | | Rupees in '000 | | | | | |
| | Market Treasury Bills | - | - | - | 952,519 | - | 952,519 |
| | Pakistan Investment Bonds | 1,982,294 | - | 1,982,294 | 6,345,000 | - | 6,345,000 |
| | Total | 1,982,294 | - | 1,982,294 | 7,297,519 | - | 7,297,519 |

Market value of securities held as collateral as at December 31, 2021 amounted to Rs.1,982.40 million (2020: Rs. 7,719.38 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 9.6 | Category of classification | 2021 | | 2020 | |
|-----|-----------------------------------|--------------------|----------------|--------------------|----------------|
| | | Classified lending | Provision held | Classified lending | Provision held |
| | | Rupees in '000 | | | |
| | Domestic: | | | | |
| | Other assets especially mentioned | - | - | - | - |
| | Substandard | - | - | - | - |
| | Doubtful | - | - | - | - |
| | Loss | 238,944 | 238,944 | 238,944 | 238,944 |
| | Overseas | 238,944 | 238,944 | 238,944 | 238,944 |
| | Not past due but impaired | - | - | - | - |
| | Overdue by: | | | | |
| | Upto 90 days | - | - | - | - |
| | 91 to 180 days | - | - | - | - |
| | 181 to 365 days | - | - | - | - |
| | > 365 days | - | - | - | - |
| | Total | 238,944 | 238,944 | 238,944 | 238,944 |

| 10 | INVESTMENTS | 2021 | | | | | | 2020 | | | | | |
|------|--------------------------------------|-----------------------|--------------------------|---------------------|----------------|-----------------------|--------------------------|---------|----------------|-----------------------|--------------------------|---------|----------------|
| | | Cost / amortized cost | Provision for diminution | Surplus / (deficit) | Carrying value | Cost / amortized cost | Provision for diminution | Surplus | Carrying value | Cost / amortized cost | Provision for diminution | Surplus | Carrying value |
| 10.1 | Investments by type: | Rupees in '000 | | | | | | | | | | | |
| | Held-for-trading securities | | | | | | | | | | | | |
| | Federal Government Securities | 1,219,145 | - | (2,285) | 1,216,860 | 815,450 | - | 934 | 816,384 | | | | |
| | Shares | 15,272 | - | 636 | 15,908 | - | - | - | - | | | | |
| | Mutual Funds | 1,150,000 | - | 2,803 | 1,152,803 | 450,590 | - | 929 | 451,519 | | | | |
| | | 2,384,417 | - | 1,154 | 2,385,571 | 1,266,040 | - | 1,863 | 1,267,903 | | | | |
| | Available-for-sale securities | | | | | | | | | | | | |
| | Federal Government Securities | 159,083,923 | - | (860,550) | 158,223,373 | 87,750,166 | - | 424,475 | 88,174,641 | | | | |
| | Shares | 1,054,918 | (627,201) | 20,353 | 448,070 | 873,934 | (566,126) | 81,210 | 389,018 | | | | |
| | Non-Government Debt Securities | 9,431,948 | (165,042) | 43,290 | 9,310,196 | 7,793,193 | (175,999) | 5,272 | 7,622,466 | | | | |
| | | 169,570,789 | (792,243) | (796,907) | 167,981,639 | 96,417,293 | (742,125) | 510,957 | 96,186,125 | | | | |
| | Held-to-maturity securities | | | | | | | | | | | | |
| | Federal Government Securities | 13,938,952 | - | - | 13,938,952 | 15,984,462 | - | - | 15,984,462 | | | | |
| | | 13,938,952 | - | - | 13,938,952 | 15,984,462 | - | - | 15,984,462 | | | | |
| | Associate (Note 10.2) | 40,504 | - | 52,280 | 92,784 | 40,504 | - | - | 40,504 | | | | |
| | Total | 185,934,662 | (792,243) | (743,473) | 184,398,946 | 113,708,299 | (742,125) | 512,820 | 113,478,994 | | | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 10.5 Investments given as collateral (as disclosed in note 17.8 and 17.6) | Note | 2021 | 2020 |
|---|--------|----------------|------------|
| | | Rupees in '000 | |
| Market Treasury Bills | | 64,331,572 | 14,586,712 |
| Pakistan Investment Bonds | | 29,708,695 | 33,084,072 |
| | 10.5.1 | 94,040,267 | 47,670,784 |

10.5.1 This represents market values of securities at year end.

| 10.6 Provision for diminution in value of investments | Note | 2021 | 2020 |
|---|------|----------------|---------|
| | | Rupees in '000 | |
| Opening balance | | 742,125 | 742,125 |
| Charge / (reversals) | | | |
| Charge for the year | | 95,237 | - |
| Reversals for the year | | - | - |
| Reversal on disposals / repayment | | (45,119) | - |
| | 30 | 50,118 | - |
| Closing balance | 10.7 | 792,243 | 742,125 |

10.7 This includes impairment reversal of Rs.10.957 million (2020: Nil) in respect of available-for-sale debt securities.

10.8 Particulars of provision against debt securities

| Category of classification | 2021 | | 2020 | |
|-----------------------------------|---------|-----------|---------|-----------|
| | NPL | Provision | NPL | Provision |
| Rupees in '000 | | | | |
| Domestic | | | | |
| Other assets especially mentioned | - | - | - | - |
| Substandard | - | - | - | - |
| Doubtful | - | - | - | - |
| Loss | 165,042 | 165,042 | 175,999 | 175,999 |
| | 165,042 | 165,042 | 175,999 | 175,999 |
| Overseas | | | | |
| Not past due but impaired | - | - | - | - |
| Overdue by: | | | | |
| Upto 90 days | - | - | - | - |
| 91 to 180 days | - | - | - | - |
| 181 to 365 days | - | - | - | - |
| > 365 days | - | - | - | - |
| | - | - | - | - |
| Total | 165,042 | 165,042 | 175,999 | 175,999 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 10.9 | Principal terms of investments in Federal Government securities | Yield / return per annum | Maturity | Redemption | Coupon |
|------|---|--------------------------|---------------------------------------|-------------|-------------------------|
| | Market Treasury Bills | 7.39% to 11.50% | January 13, 2022 to December 29, 2022 | On maturity | At maturity |
| | Pakistan Investment Bonds | 7.00% to 12.00% | July 19, 2022 to August 09, 2028 | On maturity | Half yearly & Quarterly |
| | Government of Pakistan Sukuk | 7.32% to 13.44% | February 14, 2022 to May 20, 2030 | On maturity | Half yearly |

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

10.9.1 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 as on December 31, 2021 |
|-----------------------------------|-----------------------|---------------|-------------------------|---------------------|------------------------------------|
| 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.

| 10.9.3 Quality of available for sale securities | Cost | |
|---|--------------------|------------|
| | 2021 | 2020 |
| Rupees in '000 | | |
| Federal Government securities - Government guaranteed | | |
| Market treasury bills | 93,073,978 | 28,879,146 |
| Pakistan investment bonds | 40,997,599 | 45,296,576 |
| Ijarah sukuks | 25,012,346 | 13,574,444 |
| | 159,083,923 | 87,750,166 |
| Non Government debt securities - listed | | |
| Categorised based on long term rating by credit rating agency | | |
| - AA+, AA, AA- | 1,885,652 | 1,687,856 |
| - A+, A, A- | 457,000 | 225,000 |
| - Unrated | 2,027,552 | 2,038,505 |
| | 4,370,204 | 3,951,361 |
| Non Government debt securities - unlisted | | |
| Categorised based on long term rating by credit rating agency | | |
| - AAA | 4,618,000 | 2,786,429 |
| - AA+, AA, AA- | - | 368,000 |
| - A+, A, A- | 306,250 | 549,909 |
| - Unrated | 137,494 | 137,494 |
| | 5,061,744 | 3,841,832 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

11.2 Advances include Rs. 10,521,218 million (2020: Rs. 7,275,940 million) which have been placed under non-performing status as detailed below:

| Category of classification | 2021 | | 2020 | |
|-----------------------------------|-----------------------|------------------|----------------------|------------------|
| | Non Performing Loans | Provision | Non Performing Loans | Provision |
| | Rupees in '000 | | | |
| Domestic: | | | | |
| Other assets especially mentioned | 161,451 | 79 | 45,232 | 68 |
| Substandard | 902,564 | 32,188 | 352,950 | 9,975 |
| Doubtful | 1,544,090 | 164,395 | 1,615,105 | 225,044 |
| Loss | 7,913,113 | 6,357,106 | 5,262,653 | 4,427,653 |
| | 10,521,218 | 6,553,768 | 7,275,940 | 4,662,740 |
| | | | | |
| | Rupees in '000 | | | |
| Overseas: | | | | |
| Not past due but impaired | - | - | - | - |
| Overdue by: | | | | |
| Upto 90 days | - | - | - | - |
| 91 to 180 days | - | - | - | - |
| 181 to 365 days | - | - | - | - |
| > 365 days | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| | - | - | - | - |
| Total | 10,521,218 | 6,553,768 | 7,275,940 | 4,662,740 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 11.3 Particulars of provision against advances | 2021 | | | 2020 | | |
|--|----------------|-------------|-------------|-----------|-----------|-----------|
| | Specific | General | Total | Specific | General | Total |
| | Rupees in '000 | | | | | |
| Opening balance | 4,662,740 | 1,181,125 | 5,843,865 | 4,190,185 | 43,675 | 4,233,860 |
| Charge for the year | 2,273,429 | 17,028 | 2,290,457 | 567,889 | 1,139,838 | 1,707,727 |
| Reversals (Note 11.3.1) | (382,401) | (1,134,634) | (1,517,035) | (95,334) | (2,388) | (97,722) |
| Amounts written off | 1,891,028 | (1,117,606) | 773,422 | 472,555 | 1,137,450 | 1,610,005 |
| Closing balance | 6,553,768 | 63,519 | 6,617,287 | 4,662,740 | 1,181,125 | 5,843,865 |

11.3.1 This includes reversal of provision amounting to Rs.142 million recognized due to debt to property settlement transaction consummated during the financial year ended December 31, 2021 (Note 12.2.3).

| 11.4 Particulars of provision against advances | 2021 | | | 2020 | | |
|--|----------------|---------|-----------|-----------|-----------|-----------|
| | Specific | General | Total | Specific | General | Total |
| | Rupees in '000 | | | | | |
| In local currency | 6,553,768 | 63,519 | 6,617,287 | 4,662,740 | 1,181,125 | 5,843,865 |
| In foreign currencies | - | - | - | - | - | - |
| | 6,553,768 | 63,519 | 6,617,287 | 4,662,740 | 1,181,125 | 5,843,865 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 11.5 PARTICULARS OF WRITE OFFS: | 2021 | 2020 |
|---|----------------|------|
| | Rupees in '000 | |
| Against Provisions | - | - |
| Directly charged to Profit & Loss account | - | - |
| | - | - |
| 11.5.1 Write Offs of Rs. 500,000 and above | | |
| - Domestic | - | - |
| - Overseas | - | - |
| Write Offs of Below Rs. 500,000 | - | - |
| | - | - |

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, 2021 is given in Annexure 'I'.

- 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 period of five years from the date of classification. As at December 31, 2021 the Bank has availed cumulative benefit of forced sale values of Rs.2,335.254 million (2020: Rs.1,429.839 million). Increase in unappropriated profit net of tax amounting to Rs.1,424.505 million (2020: Rs. 929.395 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

| 12 FIXED ASSETS | Note | 2021 | 2020 |
|--|---------------|------------------|------------------|
| | | Rupees in '000 | |
| Capital work-in-progress | 12.1 | 1,205,899 | 928,839 |
| Property and equipment | 12.2 | 2,529,306 | 1,665,483 |
| Right-of-use assets | 12.3 | 1,401,997 | 877,703 |
| | | 5,137,202 | 3,472,025 |
| 12.1 Capital work-in-progress | | | |
| Civil works | | 1,129,156 | 775,138 |
| Equipments | | 66,933 | 63,349 |
| Advances to suppliers | | 9,810 | 90,352 |
| | | 1,205,899 | 928,839 |
| 12.1.1 Movement in capital work-in-progress | | | |
| Opening balance | | 928,839 | 503,430 |
| Additions | | 1,508,472 | 580,930 |
| Transfers | | (1,231,412) | (155,521) |
| Closing balance | 12.1.2 | 1,205,899 | 928,839 |

- 12.1.2** This also includes expenditure incurred on new head office building, which is under-construction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

12.2 Property and equipment

| | 2021 | | | | | | | | Total |
|-------------------------------------|----------------|-----------------|----------------------------|------------------------|--|----------|------------------------|-----------|-----------|
| | Free hold land | Lease hold land | Building on free hold land | Furniture and fixtures | Electrical, office and computer equipments | Vehicles | Leasehold improvements | Books | |
| | Rupees '000 | | | | | | | | |
| At January 01, 2021 | 58,000 | 903,360 | 288,567 | 269,563 | 1,131,163 | 29,405 | 927,491 | 860 | 3,608,409 |
| Cost / Revalued amount | - | - | 141,438 | 188,326 | 909,324 | 22,632 | 680,458 | 748 | 1,942,926 |
| Accumulated depreciation | 58,000 | 903,360 | 147,129 | 81,237 | 221,839 | 6,773 | 247,033 | 112 | 1,665,483 |
| Net book value | | | | | | | | | |
| Year ended December 31, 2021 | | | | | | | | | |
| Opening net book value | 58,000 | 903,360 | 147,129 | 81,237 | 221,839 | 6,773 | 247,033 | 112 | 1,665,483 |
| Additions (Note 12.2.3) | - | - | 175,464 | 76,326 | 607,969 | 16,828 | 347,111 | 24 | 1,223,722 |
| Adjustment to revaluation surplus | - | 1,098 | - | - | - | - | - | - | 1,098 |
| Disposals | - | - | - | 600 | 7,364 | 1 | 944 | - | 8,909 |
| Depreciation charge | - | - | 30,090 | 30,939 | 159,076 | 3,289 | 127,552 | 44 | 350,990 |
| Adjustment / transfer | - | (1,098) | - | - | - | - | - | - | (1,098) |
| Closing net book value | 58,000 | 903,360 | 292,503 | 126,024 | 663,368 | 20,311 | 465,648 | 92 | 2,529,306 |
| At December 31, 2021 | | | | | | | | | |
| Cost / Revalued amount | 58,000 | 903,360 | 464,031 | 327,835 | 1,585,961 | 38,142 | 1,262,485 | 884 | 4,640,698 |
| Accumulated depreciation | - | - | 171,528 | 201,811 | 922,593 | 17,831 | 796,837 | 792 | 2,111,392 |
| Net book value | 58,000 | 903,360 | 292,503 | 126,024 | 663,368 | 20,311 | 465,648 | 92 | 2,529,306 |
| Rate of depreciation (percentage) | | | 10% | 10% - 20% | 10% - 33.33% | 20% | 10% - 20% | 10% - 20% | |
| | 2020 | | | | | | | | |
| | Freehold land | Leasehold land | Building on freehold land | Furniture and fixtures | Electrical, office and computer equipments | Vehicles | Leasehold improvements | Books | Total |
| | Rupees '000 | | | | | | | | |
| At January 01, 2020 | 58,000 | 891,441 | 288,567 | 260,289 | 1,066,522 | 25,189 | 835,599 | 825 | 3,426,432 |
| Cost / Revalued amount | - | - | 112,778 | 164,498 | 793,279 | 20,895 | 574,978 | 710 | 1,667,138 |
| Accumulated depreciation | 58,000 | 891,441 | 175,789 | 95,791 | 273,243 | 4,294 | 260,621 | 115 | 1,759,294 |
| Net book value | | | | | | | | | |
| Year ended December 31, 2020 | | | | | | | | | |
| Opening net book value | 58,000 | 891,441 | 175,789 | 95,791 | 273,243 | 4,294 | 260,621 | 115 | 1,759,294 |
| Additions | - | - | - | 10,458 | 65,351 | 4,216 | 92,013 | 35 | 172,073 |
| Revaluation surplus | - | 11,919 | - | - | - | - | - | - | 11,919 |
| Disposals | - | - | - | 224 | - | - | 49 | - | 273 |
| Depreciation charge | - | - | 28,660 | 24,788 | 116,755 | 1,737 | 105,552 | 38 | 277,530 |
| Closing net book value | 58,000 | 903,360 | 147,129 | 81,237 | 221,839 | 6,773 | 247,033 | 112 | 1,665,483 |
| At December 31, 2020 | | | | | | | | | |
| Cost / Revalued amount | 58,000 | 903,360 | 288,567 | 269,563 | 1,131,163 | 29,405 | 927,491 | 860 | 3,608,409 |
| Accumulated depreciation | - | - | 141,438 | 188,326 | 909,324 | 22,632 | 680,458 | 748 | 1,942,926 |
| Net book value | 58,000 | 903,360 | 147,129 | 81,237 | 221,839 | 6,773 | 247,033 | 112 | 1,665,483 |
| Rate of depreciation (percentage) | | | 10% | 10% - 20% | 10% - 33.33% | 20% | 10% - 20% | 10% - 20% | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

12.2.1 The leasehold land of the Bank has been revalued as at December 31, 2020 by M/s Amir Evaluators and Consultants, an independent valuer. The revaluation was carried out on the basis of professional assessment of market value that resulted in surplus shown in note 21. The total revaluation surplus on land aggregating to Rs. 787.200 million (2020: Rs 786.102 million) has been included in the carrying value of leasehold land. Had the leasehold land not been revalued, the total carrying amount of the leasehold land as at December 31, 2021 would have been Rs. 116.160 million (2020: Rs 117.258 million). The forced sale value of leasehold land as assessed during the above valuation is Rs. 767.856 million (2020: Rs. 767.856 million).

12.2.2 Particulars of land are as follows:

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

12.2.3 Additions to the Building on freehold land represents portion of a building acquired in satisfaction of claim amounting to Rs.175.464 million and is being used as branch premises (Note 11.3.1).

12.2.4 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 | 18,054 | 17,454 | 600 | 1,652 | 1,052 | Auction | Shinwari Auctions, Riaz khan |
| Office equipment | 153,171 | 145,807 | 7,364 | 38,403 | 31,039 | Auction | Innovative Pvt Ltd. |
| Vehicles | 8,091 | 8,090 | 1 | 7,205 | 7,204 | Auction | Zahir Shah, Zakir Ullah, Kashif Azeem, Anjum Nisar |
| Leasehold improvement | 12,117 | 11,173 | 944 | 515 | (429) | Auction | Shinwari Auctions, Riaz khan |
| 2021 | 191,433 | 182,524 | 8,909 | 47,775 | 38,866 | | |
| 2020 | 2,015 | 1,742 | 273 | 156 | (117) | | |

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

| | 2021 | 2020 |
|----------------------------|------------------|-----------|
| Rupees in '000 | | |
| Building on free hold land | 1,964 | 1,964 |
| Furniture and fixture | 117,543 | 90,718 |
| Office equipment | 781,435 | 530,210 |
| Vehicles | 19,910 | 19,000 |
| Library books | 678 | 652 |
| Leasehold improvement | 480,973 | 393,410 |
| | 1,402,503 | 1,035,954 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 12.3 Right of use assets: | 2021 | 2020 |
|---|-----------------------|-------------|
| | Rupees in '000 | |
| Movement in right-of-use assets is as follows: | | |
| Opening net book value | 877,703 | 1,071,946 |
| - Additions | 984,305 | 181,397 |
| - Termination of lease | (17,287) | (39,407) |
| - Depreciation charge | (442,724) | (336,233) |
| Closing net book value | 1,401,997 | 877,703 |
| 12.3.1 Lease obligation against right-of-use assets: | | |
| Movement in lease obligation against right-of-use assets is as follows: | | |
| Opening net book value | 956,997 | 1,090,747 |
| - Additions | 885,352 | 169,478 |
| - Termination of lease | (19,098) | (43,582) |
| - Interest | 137,073 | 129,610 |
| - Payment | (513,044) | (389,256) |
| Closing net book value | 1,447,280 | 956,997 |

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 lease assets. The lease obligations have been discounted at rates ranging between 6.90% to 9.55% (2020: 6.80% to 9.46%) per annum; being the relevant incremental borrowing rate of the Bank.

| 13 INTANGIBLE ASSETS | Note | 2021 | 2020 |
|--|-------------|-----------------------|-------------|
| | | Rupees in '000 | |
| Capital work in progress | 13.1 | 1,526 | 11,926 |
| Licenses and computer softwares | 13.2 | 448,713 | 520,241 |
| | | 450,239 | 532,167 |
| 13.1 Movement in capital work-in-progress | | | |
| Opening balance | | 11,926 | 226,693 |
| Transfer in | | 5,626 | 254,586 |
| Transfer out | | (16,026) | (469,353) |
| Write off | | - | - |
| Closing balance | | 1,526 | 11,926 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 13.2 Licenses and computer softwares | Licenses | Computer softwares | Total |
|---|-----------------|--------------------|----------------|
| | Rupees in '000 | | |
| At January 01, 2021 | | | |
| Cost | 323,923 | 409,980 | 733,903 |
| Accumulated amortization and impairment | 72,868 | 140,794 | 213,662 |
| Net book value | 251,055 | 269,186 | 520,241 |
| Year ended December 31, 2021 | | | |
| Opening net book value | 251,055 | 269,186 | 520,241 |
| Purchases / transfer | 4,223 | 5,471 | 9,694 |
| Amortization charge | 17,199 | 64,023 | 81,222 |
| Closing net book value | 238,079 | 210,634 | 448,713 |
| At December 31, 2021 | | | |
| Cost | 328,146 | 415,451 | 743,597 |
| Accumulated amortization and impairment | 90,067 | 204,817 | 294,884 |
| Net book value | 238,079 | 210,634 | 448,713 |
| Rate of amortization (percentage) | 10.30% - 33.33% | | |
| Useful life - years | 3 - 8.7 | | |
| Remaining amortization years | 0 - 8.42 | | |
| | Licenses | Computer softwares | Total |
| | Rupees in '000 | | |
| At January 01, 2020 | | | |
| Cost | 76,763 | 153,989 | 230,752 |
| Accumulated amortization and impairment | 60,642 | 110,548 | 171,190 |
| Net book value | 16,121 | 43,441 | 59,562 |
| Year ended December 31, 2020 | | | |
| Opening net book value | 16,121 | 43,441 | 59,562 |
| Purchases | 247,160 | 255,991 | 503,151 |
| Amortization charge | 12,226 | 30,246 | 42,472 |
| Closing net book value | 251,055 | 269,186 | 520,241 |
| At December 31, 2020 | | | |
| Cost | 323,923 | 409,980 | 733,903 |
| Accumulated amortization and impairment | 72,868 | 140,794 | 213,662 |
| Net book value | 251,055 | 269,186 | 520,241 |
| Rate of amortization (percentage) | 10.30% - 33.33% | | |
| Useful life - years | 3 - 9.7 | | |
| Remaining amortization years | 0 - 9.42 | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 14 | DEFERRED TAX ASSETS | Note | 2021 | | 2020 | |
|-------------|--|-------------|------------------------|---------------------------------------|--|-------------------------|
| | | | Rupees in '000 | | Rupees in '000 | |
| | Deferred tax assets arising in respect of: | | | | | |
| | Provision for balances with other banks | | | 3,911 | | 3,510 |
| | Provision for diminution in value of investments | | | 67,488 | | 43,023 |
| | Provision for other assets | | | 25,056 | | 14,648 |
| | Islamic pool management reserve | | | 50,976 | | 52,549 |
| | Accelerated accounting depreciation | | | 61,409 | | 70,980 |
| | Deficit on revaluation of investments | 21 | | 310,794 | | - |
| | Provision against loans and advances | | | 524,835 | | 480,266 |
| | | | | 1,044,469 | | 664,976 |
| | Deferred tax liabilities arising in respect of: | | | | | |
| | Surplus on revaluation of investments | | | - | | (178,832) |
| | Share of profit of associate | | | (20,390) | | - |
| | Surplus on revaluation of non-banking asset | | | (31,667) | | (26,242) |
| | Deferred tax assets - net | 14.1 | | 992,412 | | 459,902 |
| 14.1 | Reconciliation of deferred tax | | | | | |
| | | | As at January 01, 2020 | Recognized in Profit and Loss account | Recognized in Other Comprehensive Income | As at December 31, 2021 |
| | | | | | | |
| | Provision for balances with other banks | | 3,510 | - | - | 3,911 |
| | Provision for diminution in value of investments | | 43,023 | - | - | 67,488 |
| | Provision for other assets | | 3,448 | 11,200 | - | 25,056 |
| | Islamic pool management reserve | | 47,810 | 4,739 | - | 50,976 |
| | Accelerated accounting depreciation | | 85,276 | (14,296) | - | 61,409 |
| | (Deficit) / Surplus on revaluation of investments | | 837,233 | - | (1,016,065) | 310,794 |
| | Surplus on revaluation of non-banking asset | | - | - | (26,242) | (31,667) |
| | Share of profit of associate | | - | - | - | (20,390) |
| | Provision against loans and advances | | 10,854 | 469,412 | - | 524,835 |
| | Deferred tax assets - net | | 1,031,154 | 471,055 | (1,042,307) | 992,412 |
| 14.2 | | | | | | |
| | | | As at January 01, 2020 | Recognized in Profit and Loss account | Recognized in Other Comprehensive Income | As at December 31, 2021 |
| | | | | | | |
| | Provision for balances with other banks | | 3,510 | - | - | 3,911 |
| | Provision for diminution in value of investments | | 43,023 | - | - | 67,488 |
| | Provision for other assets | | 3,448 | 11,200 | - | 25,056 |
| | Islamic pool management reserve | | 47,810 | 4,739 | - | 50,976 |
| | Accelerated accounting depreciation | | 85,276 | (14,296) | - | 61,409 |
| | (Deficit) / Surplus on revaluation of investments | | 837,233 | - | (1,016,065) | 310,794 |
| | Surplus on revaluation of non-banking asset | | - | - | (26,242) | (31,667) |
| | Share of profit of associate | | - | - | - | (20,390) |
| | Provision against loans and advances | | 10,854 | 469,412 | - | 524,835 |
| | Deferred tax assets - net | | 1,031,154 | 471,055 | (1,042,307) | 992,412 |

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 15 | OTHER ASSETS | Note | 2021 | 2020 |
|-------------|--|--------|------------------|-----------|
| | | | Rupees in '000 | |
| | Income/ mark-up accrued in local currency | | 4,108,473 | 4,343,935 |
| | Profit receivable on Bai Muajjal | | 2,540,078 | 2,540,078 |
| | Advances, deposits and other prepayments | | 109,645 | 104,910 |
| | Advance taxation (payments less provisions) | | 447,054 | - |
| | Branch adjustment account | | 6,905 | 369,668 |
| | Pre-IPO investment | | 100,000 | 350,000 |
| | Stationary and stamps on hand | | 52,184 | 58,230 |
| | Non-banking assets acquired in satisfaction of claims | 15.1.1 | 309,668 | 310,329 |
| | Mark to market gain on forward foreign exchange contracts | | 357,492 | 334,416 |
| | Acceptances | | 114,706 | - |
| | Employees benefits | 35.1.3 | 303,962 | 335,447 |
| | Clearing and settlement accounts | | 62,283 | 254,164 |
| | Receivable from the State Bank of Pakistan | 15.1.4 | 67,607 | - |
| | Others | | 97,372 | 131,466 |
| | | | 8,677,429 | 9,132,643 |
| | Less: Provision held against other assets | 15.1.2 | (152,765) | (144,426) |
| | Other assets - net of provision | | 8,524,664 | 8,988,217 |
| | Surplus on revaluation of non-banking asset acquired in satisfaction of claims | 21 | 81,197 | 74,976 |
| | Other assets - total | | 8,605,861 | 9,063,193 |
| 15.1 | Details of revaluation of non-banking assets acquired in satisfaction of claims | | | |
| | Market value of non banking assets acquired in satisfaction of claims | 15.1.1 | 390,865 | 385,305 |

The Non-banking assets acquired in satisfaction of claims have been revalued on December 31, 2021 by M/s Amir Evaluators and consultants, an independent valuer. The revaluation was carried out on the basis of professional assessment of market value. The Bank has also recognized an impairment charge of Rs.3.397 million (refer to note 28).

| 15.1.1 | Non-banking assets acquired in satisfaction of claims - - gross of provision | | 2021 | 2020 |
|--------|---|--|----------------|----------|
| | | | Rupees in '000 | |
| | Opening Balance | | 385,305 | 369,339 |
| | Adjustment | | 16,800 | - |
| | Revaluation surplus | | 14,552 | 74,976 |
| | Disposals | | - | - |
| | Depreciation | | (22,395) | (29,540) |
| | Impairment | | (3,397) | (29,470) |
| | Closing Balance | | 390,865 | 385,305 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| | 2021 | 2020 |
|---|------------------|------------------|
| | Rupees in '000 | |
| 15.1.2 Provision held against other assets | | |
| Advances for Pre-IPO | (100,000) | (100,000) |
| Others | (52,765) | (44,426) |
| | (152,765) | (144,426) |
| 15.1.3 Movement in provision held against other assets | | |
| Opening balance | (144,426) | (144,426) |
| Charge for the year | (8,339) | - |
| Reversals | - | - |
| Closing balance | (152,765) | (144,426) |

15.1.4 This represents amount held as placement with SBP upto a maximum of December 22, 2022 pursuant to IH&SMEFD Circular No. 10 of 2020 for housing and construction finance.

| | | 2021 | 2020 |
|-----------|---|--------------------|-------------------|
| | | Rupees in '000 | |
| 16 | BILLS PAYABLE | | |
| | | | |
| | In Pakistan | 874,567 | 944,140 |
| | Outside Pakistan | - | - |
| | | 874,567 | 944,140 |
| 17 | BORROWINGS | | |
| | Secured | | |
| | Borrowings from State Bank of Pakistan (SBP) under | | |
| | - Export refinance scheme | 17.1 4,866,360 | 4,071,206 |
| | - Long term financing facility | 17.2 2,692,478 | 2,363,683 |
| | - Livestock dairy | - | 79,096 |
| | - Refinance and credit guarantee scheme for women entrepreneurs | 17.3 54,730 | - |
| | - Financing facility for renewable energy | 17.4 54,441 | - |
| | - Refinance facility for modernization of Small and Medium Enterprises (SMEs) | 17.5 34,531 | - |
| | - Refinance scheme for payment of wages and salaries | 17.6 123,885 | 269,848 |
| | - Refinance facility for combating COVID-19 | 17.7 1,134,862 | 65,850 |
| | | 8,961,287 | 6,849,683 |
| | Bai Muajjal Borrowings | 17.8 17,950,142 | 39,373,551 |
| | Repurchase agreement borrowings | 17.9 76,174,207 | 6,839,784 |
| | Call borrowings | 17.10 983,292 | 1,000,000 |
| | | 95,107,641 | 47,213,335 |
| | Unsecured | | |
| | Call borrowings | 17.11 6,000,000 | 3,000,000 |
| | Total | 110,068,928 | 57,063,018 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

- 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% (2020: 3.00%) per annum from the Bank. Currently the Bank earns a spread ranging from 1.00% to 2.00% (2020: 1.00% to 2.00%) per annum. The borrowings are repayable within 6 months from the deal date.
- 17.2** These borrowings have been obtained from SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. Against these facilities, SBP charges mark-up ranging from 2.00% to 3.5% (2020: 3.00% to 4.5%) per annum from the Bank. Currently the Bank earns a spread ranging from 1.50% to 3.00% (2020: 1.50% to 3.00%) per annum. These borrowings are repayable within a period ranging from 3 years to 10 years.
- 17.3** These borrowings have been obtained from the SBP under a scheme to finance women entrepreneurs for setting up of new business enterprises or for expansion of existing ones. These carry mark-up at the rate of 0.00% (2020: 0.00%) per annum.
- 17.4** These borrowings have been obtained from the SBP under a scheme for financing renewable energy power plants to promote renewable energy projects in the country. These carry mark-up at the rate of 2.00% to 3.00% (2020: 2.00% to 3.00%) per annum.
- 17.5** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises. These carry mark-up at the rate of 2.00% (2020: 2.00%) per annum.
- 17.6** These borrowings have been obtained from SBP under a scheme to help businesses of payment of wages and salaries to their employees during the COVID - 19 pandemic and thereby support continued employment. SBP is charging mark-up ranging from 0.00% to 2.00% (2020: 0% to 2.00%) per annum from the Bank.
- 17.7** These borrowings have been obtained from the SBP to provide emergency refinance facility to hospitals & medical centres to develop capacity for the treatment of COVID-19 patients. These carry mark-up at the rate of 0.00% (2020: 0.00%) per annum. The maximum financing limit under the facility is Rs 200 million (2020: Rs. 200 million) per hospital / medical centre with a tenor of 5 years including a grace period of up to 6 months.
- 17.8** This represents secured borrowing under Bai Muajjal carrying profit at the rate of 7.25% (2020: 6.25% to 7.25%) per annum with maturities up to August 15, 2022 and are secured by way of government securities given as collateral as referred in note 10.5.
- 17.9** Repurchase agreement with financial institutions and SBP carries interest ranging from 9.87% to 10.30% (2020: 7.06%) per annum with maturities up to March 04, 2022 and are secured by way of investments given as collateral as referred in note 10.5.
- 17.10** Call borrowing from a financial institution carries interest rate ranging from 6.00% to 7.80% (2020: 6.00% to 7.80%) per annum with maturities up to November 27, 2023.
- 17.11** Call borrowing from financial institutions carries profit rate ranging from 10.50% to 10.60% (2020: 6.35%) per annum with maturities up to January 07, 2022.

| | 2021 | 2020 |
|---|-----------------------|------------|
| 17.12 Particulars of borrowings with respect to currencies | Rupees in '000 | |
| In local currency | 110,068,928 | 57,063,018 |
| In foreign currency | - | - |
| | 110,068,928 | 57,063,018 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 19 | OTHER LIABILITIES | Note | 2021 | 2020 |
|----|---|--------|------------------|------------------|
| | | | Rupees in '000 | |
| | Mark-up / return / interest payable in local currency | | 5,595,139 | 3,898,706 |
| | Mark-up / return / interest payable in foreign currencies | | 242 | 392 |
| | Unearned income - Bai Muajjal Sukuk | | 138,896 | 985,026 |
| | Lease liability against right-of-use assets | 12.3.1 | 1,447,280 | 956,997 |
| | Unearned commission and income on bills discounted | | 154,373 | 60,504 |
| | Deferred income on government schemes | | 8,090 | 15,949 |
| | Deferred income on Islamic financing | | 84,199 | 98,239 |
| | Income tax payable - net | | - | 1,185,578 |
| | Islamic pool management reserves | 19.1 | 130,708 | 150,142 |
| | Accrued expenses and supplier payables | | 436,979 | 439,569 |
| | Unclaimed dividends | | 64,790 | 28,976 |
| | Share subscription money refund | 19.2 | 1,091 | 1,091 |
| | Retention money | | 55,000 | 21,310 |
| | Bills payment system over the counter (BPS-OTC) | 19.3 | 34,544 | 646,163 |
| | Charity fund | | 7,648 | 10,227 |
| | Security deposits against ijarah | | 218,380 | 294,956 |
| | Levies and other taxes payable | | 47,306 | 29,560 |
| | Mark to market loss on forward foreign exchange contracts | | 477,392 | 436,049 |
| | Acceptances | | 114,706 | - |
| | Others | | 200,015 | 190,091 |
| | | | 9,216,778 | 9,449,525 |

19.1 This includes equity portion of Profit Equalization Reserve amounting to Rs. 35.263 million (2020: Rs. 46.698 million), which has been presented as reserve in Annexure-II.

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

19.3 This represents amounts collected on behalf of government entities. Subsequent to reporting date, these amounts have been deposited into designated bank accounts of these government entities.

20 SHARE CAPITAL

20.1 Authorized capital

| 2021 | 2020 | | 2021 | 2020 |
|------------------|---------------|---------------------------------|----------------|------------|
| Number of shares | | | Rupees in '000 | |
| 1,500,000,000 | 1,500,000,000 | Ordinary shares of Rs. 10 each. | 15,000,000 | 15,000,000 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

20.2 Issued, subscribed and paid up

| 2021 | | 2020 | | | |
|---|---------------|------------------------------------|-------------------|----------------|--|
| Number of shares | | | | Rupees in '000 | |
| Ordinary shares of Rs. 10 each | | | | | |
| 722,698,448 | 722,698,448 | Fully paid in cash | 7,226,984 | 7,226,984 | |
| Issued as fully paid bonus shares: | | | | | |
| 277,554,037 | 277,554,037 | Opening balance | 2,775,540 | 2,775,540 | |
| 50,018,558 | - | Issued during the year (Note 20.3) | 500,186 | - | |
| 327,572,595 | 277,554,037 | Closing balance | 3,275,726 | 2,775,540 | |
| 1,050,271,043 | 1,000,252,485 | | 10,502,710 | 10,002,524 | |

20.3 During the year, the Bank allotted five (5) Ordinary share(s) of Rs.10 each against hundred (100) Ordinary share(s) of Rs.10 each to its existing shareholders.

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

| 21 | | 2021 | | 2020 | |
|--|--|---------------|------------------|-----------|--|
| SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS | | Note | Rupees in '000 | | |
| (Deficit) / surplus on revaluation of: | | | | | |
| - Available for sale securities | | 10.1 | (796,907) | 510,957 | |
| - Related deferred tax | | 14.1 | 310,794 | (178,832) | |
| | | | (486,113) | 332,125 | |
| - Fixed assets | | 12.2.1 | 787,200 | 786,102 | |
| - Non banking assets | | 21.1 | 81,197 | 74,976 | |
| - Related deferred tax | | | (31,667) | (26,242) | |
| | | | 49,530 | 48,734 | |
| | | | 350,617 | 1,166,961 | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 21.1 Surplus on revaluation of non-banking asset acquired in satisfaction of claims | Note | 2021 | 2020 |
|---|------|-------------------|-------------------|
| | | Rupees in '000 | |
| Surplus as at January 01 | | 74,976 | - |
| Surplus on revaluation during the year | | 14,552 | 74,976 |
| Surplus related to transfer or adjustments | | - | - |
| Surplus realised on disposal during the year | | - | - |
| Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax | | (5,082) | - |
| Related deferred tax liability on incremental depreciation charged during the year | | (3,249) | - |
| Surplus on revaluation as at December 31 | | 81,197 | 74,976 |
| Less: Related deferred tax liability on : | | | |
| Revaluation surplus as at January 1 | | (26,242) | - |
| Revaluation during the year | | (5,675) | (26,242) |
| Change in tax rate | | (2,999) | - |
| Deferred tax liability related to transfer or adjustments | | - | - |
| Surplus on disposal during the year | | - | - |
| Incremental depreciation transferred to unappropriated profit | | 3,249 | - |
| Revaluation surplus as at December 31 | | (31,667) | (26,242) |
| 22 CONTINGENCIES AND COMMITMENTS | | | |
| - Guarantees | 22.1 | 20,848,980 | 16,312,941 |
| - Commitments | 22.2 | 62,930,914 | 44,403,735 |
| | | 83,779,894 | 60,716,676 |
| 22.1 Guarantees: | | | |
| Financial guarantees | | 1,878,769 | 1,454,556 |
| Performance guarantees | | 18,963,929 | 14,163,233 |
| Other guarantees | | 6,282 | 695,152 |
| | | 20,848,980 | 16,312,941 |
| 22.2 Commitments: | | | |
| Documentary credits and short-term trade-related transactions | | | |
| - Letters of credit | | 6,316,498 | 5,222,843 |
| Commitments in respect of: | | | |
| - Forward foreign exchange contracts | 22.3 | 56,203,513 | 38,772,750 |
| Commitments for acquisition of: | | | |
| - Operating fixed assets | | 312,915 | 241,912 |
| - Intangible assets | | 77,463 | 166,230 |
| Other commitments | 22.4 | 20,525 | - |
| | | 62,930,914 | 44,403,735 |
| 22.3 Commitments in respect of forward foreign exchange contracts | | | |
| Purchase | | 27,988,087 | 16,291,144 |
| Sale | | 28,215,426 | 22,481,606 |
| | | 56,203,513 | 38,772,750 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 22.4 | Other commitments | Note | 2021 | 2020 |
|------|---------------------------|------|----------------|------|
| | | | Rupees in '000 | |
| | Forward purchase - shares | | 15,525 | - |
| | Commitment for donation | 28.5 | 5,000 | - |
| | | | 20,525 | - |

22.5 There are certain claims/cases which have not been acknowledged as debts. These mainly represent few counter suits by the borrowers/defaulters, claims filed by the employees and former employees of the Bank. Based on legal advice and/or internal assessments, management is confident about the successful outcome of these claims/cases and the possibility of adverse outcome is considered to be remote.

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

During the year, in respect of Tax year 2014, Commissioner Inland Revenue (Appeals), Peshawar, decided the Bank's appeal vide Order No.248 dated November 24, 2021 under section 129 of the Income Tax Ordinance, 2001 (The Ordinance), largely in favor of the Bank by setting aside the Commissioner Inland Revenue, Peshawar Order dated September 30, 2019 which had created a demand of Rs 1.73 billion. The Commissioner Inland Revenue, (Appeals) also remanded back certain matters requiring further improvements and has also upheld few matters including depreciation, provisions and others, having tax impact of Rs 132 million, by ignoring the facts on record, in law, against the facts and application of Seventh schedule of the Income Tax Ordinance, 2001. The management has filed an appeal against the said matters with Appellate Tribunal, Peshawar. The management is confident that the matters will be decided in favor of the Bank and hence no provision has been recognized for the same.

During the year, Audit proceeding under section 177 for the tax year 2015 were completed with tax demand of Rs 64 million, by applying section 21(c) of the Income Tax Ordinance, 2001, while net tax impact under section 161 amounts to Rs 13 million only. The Bank has filed an appeal with the Commissioner (Appeals) Peshawar. The management is confident that the matters will be decided in favor of the Bank and hence no provision has been recognized for the same.

During financial year 2011, the tax authorities issued an amended order for the tax year 2009 disallowing certain expenditure on account of lack of evidence for such expenditure resulting in an additional tax demand of Rs. 308.9 million. The Bank filed an appeal as well as rectification application against the said order. Based on rectification application, the order was amended and accordingly the additional demand was reduced to Rs. 256.349 million. During 2012, the Commissioner Inland Revenue (Appeals) [CIR (A)] through an order dated June 01, 2012 has deleted certain additions on account of disallowances except for the additions under certain heads of expenses having tax impact of approximately Rs. 23 million. The Bank had filed an appeal against the order of the Appellate Tribunal Inland Revenue (ATIR) in respect of remaining additions which also decided in favor of the Bank. Subsequently, CIR went in to appeal in Peshawar High Court. The management is confident that the matters will be decided in favor of the Bank and hence no provision has been recognized for the same.

| 23 | MARK-UP / RETURN / INTEREST EARNED | 2021 | 2020 |
|----|------------------------------------|-------------------|------------|
| | | Rupees in '000 | |
| | On: | | |
| | Loans and advances | 9,472,526 | 11,232,222 |
| | Investments | 9,932,303 | 12,325,059 |
| | Sukuk bonds | 1,983,171 | 1,629,592 |
| | Lendings to financial institutions | 493,654 | 351,764 |
| | Balances with banks | 57,503 | 134,738 |
| | | 21,939,157 | 25,673,375 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 24 | MARK-UP / RETURN / INTEREST EXPENSED | Note | 2021 | 2020 |
|-------------|--|------|-------------------|-------------------|
| | | | Rupees in '000 | |
| | On: | | | |
| | Deposits | | 11,342,143 | 11,846,948 |
| | Borrowings | | 3,670,700 | 6,934,936 |
| | Lease liability | | 137,073 | 129,610 |
| | | | 15,149,916 | 18,911,494 |
| 25 | FEE AND COMMISSION INCOME | | | |
| | Branch banking customer fees | | 14,741 | 54,841 |
| | Consumer finance related fees | | 2,335 | 1,565 |
| | Card related fees | | 84,384 | 48,220 |
| | Investment banking fees | | 18,040 | 19,560 |
| | Commission on trade | | 104,292 | 53,559 |
| | Commission on guarantees | | 155,692 | 155,763 |
| | Commission on remittances including home remittances | | 29,387 | 29,093 |
| | Others | | 16,480 | 24,904 |
| | | | 425,351 | 387,505 |
| 26 | (LOSS) / GAIN ON SECURITIES | | | |
| | Realised | 26.1 | (113,087) | 1,733,179 |
| | Unrealised | | (1,154) | 1,863 |
| | | | (114,241) | 1,735,042 |
| 26.1 | Realised (loss) / gain on: | | | |
| | Federal Government Securities | | (167,652) | 1,672,380 |
| | Shares | | 62,247 | 40,970 |
| | Non Government Debt Securities | | (11,055) | 1,895 |
| | Mutual funds | | 3,373 | 17,934 |
| | | | (113,087) | 1,733,179 |
| 27 | OTHER INCOME | | | |
| | Postal, swift and other services | | 89,898 | 95,118 |
| | Rental income from property | | 2,900 | 2,855 |
| | Service income on Government schemes | | 12,379 | 15,274 |
| | Rebate from financial institutions | | 4,101 | 8,236 |
| | Gain on early culmination of lease | | 1,811 | 4,175 |
| | Gain on sale of fixed assets | | 38,866 | - |
| | | | 149,955 | 125,658 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 28 | OPERATING EXPENSES | Note | 2021 Rupees in '000 | 2020 |
|----|--|--------|------------------------|-----------|
| | Total compensation expense | 28.2 | 2,707,990 | 2,135,384 |
| | Property expenses | | | |
| | Rent and taxes | | 1,241 | 661 |
| | Utilities cost | | 178,192 | 144,394 |
| | Security (including guards) | | 164,805 | 138,400 |
| | Repair and maintenance | | 6,971 | 3,986 |
| | Depreciation - Right of use assets | 12.3 | 442,724 | 336,233 |
| | Depreciation - Non-banking assets acquired in satisfaction of claims | 15.1.1 | 22,395 | 29,540 |
| | Deficit on revaluation of non-banking asset | 15.1.1 | 3,397 | 12,550 |
| | Depreciation | 12.2 | 157,642 | 134,211 |
| | | | 977,367 | 799,975 |
| | Information technology expenses | | | |
| | Software maintenance | | 160,110 | 125,223 |
| | Hardware maintenance | | 19,841 | 29,269 |
| | Depreciation | 12.2 | 159,065 | 116,731 |
| | Amortization | 13.2 | 81,222 | 42,472 |
| | Network charges | | 10,918 | 13,334 |
| | ATM charges | | 171,762 | 142,586 |
| | | | 602,918 | 469,615 |
| | Other operating expenses | | | |
| | Directors' fees and allowances | | 6,936 | 6,918 |
| | Legal and professional charges | | 61,280 | 51,814 |
| | Travelling and conveyance | | 67,522 | 38,853 |
| | Depreciation | 12.2 | 34,283 | 26,588 |
| | Entertainment | | 42,139 | 25,543 |
| | Newspapers and periodicals | | 1,107 | 1,639 |
| | Outsourced services cost | 28.1 | 111,935 | 97,959 |
| | Postage and courier charges | | 25,362 | 31,612 |
| | Communication | | 36,749 | 38,013 |
| | Brokerage and commission | | 61,435 | 62,629 |
| | Rent and taxes | | 2,210 | 1,980 |
| | Stationery and printing | | 57,419 | 45,340 |
| | Marketing, advertisement and publicity | | 97,859 | 38,897 |
| | Cash carriage charges | | 56,262 | 44,724 |
| | Repair and maintenance | | 33,567 | 12,740 |
| | Insurance | | 38,971 | 41,515 |
| | Training and development | | 3,048 | 8,162 |
| | NIFT clearing charges | | 15,465 | 48,038 |
| | Auditors remuneration | 28.3 | 10,848 | 9,827 |
| | Fee and subscription | | 9,161 | 6,575 |
| | Deposit protection premium | | 95,482 | 89,533 |
| | Loss on sale of fixed assets | | - | 117 |
| | Covid - 19 related expenses | 28.4 | 65,356 | 69,534 |
| | Donations | 28.5 | 5,003 | 600 |
| | Others | | 67,810 | 19,074 |
| | | | 1,007,209 | 818,224 |
| | | | 5,295,484 | 4,223,198 |

28.1 This represents payments made to the companies incorporated in Pakistan for outsourced activities which mainly include janitorial services, cash sorters etc.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 28.2 | Total compensation expense | Note | 2021 | 2020 |
|------|---|--------|----------------|-------------|
| | | | Rupees in '000 | |
| | Managerial remuneration | | | |
| | Fixed | | 1,173,557 | 954,283 |
| | Variable - cash bonus / awards etc. | | 179,039 | 96,147 |
| | Contribution to defined contribution plan | 35.2 | 84,993 | 69,166 |
| | Charge for defined benefit plan | 35.1.7 | 36,246 | 27,590 |
| | Rent and house maintenance | | 470,149 | 375,722 |
| | Fuel ceiling entitlement | | 269,782 | 221,945 |
| | Utilities | | 155,888 | 125,500 |
| | Medical | | 95,061 | 78,114 |
| | Insurance | | 59,703 | 51,087 |
| | Special duty allowance | | 28,419 | 21,473 |
| | Conveyance | | 104,987 | 82,102 |
| | Others | | 50,166 | 32,255 |
| | Grand total | | 2,707,990 | 2,135,384 |
| 28.3 | Auditors' remuneration | | | |
| | Audit fee (including half yearly review) | | 3,020 | 3,020 |
| | Fee for other statutory certifications | | 4,901 | 4,901 |
| | Out-of-pocket expenses | | 2,531 | 1,510 |
| | Sales tax | | 396 | 396 |
| | | | 10,848 | 9,827 |
| 28.4 | These represent expenses incurred for the health and safety of employees and customers during the on-going pandemic including face masks, sanitisers and other related materials. | | | |
| 28.5 | Donations mainly includes an amount of Rs. 5 million paid to Khpal Kor Foundation (Foundation) under the Bank's Corporate Social Responsibility, sponsorship and donation policy. In addition to this, Rs. 5 million is expected to be paid to the Foundation in the year 2022 which is disclosed in note 22.2. | | | |
| 29 | OTHER CHARGES | Note | 2021 | 2020 |
| | | | Rupees in '000 | |
| | Penalties imposed by State Bank of Pakistan | | 4,519 | 55 |
| | | | 4,519 | 55 |
| 30 | (PROVISIONS) / REVERSALS - NET | | | |
| | Provision for diminution in value of investments | 10.6 | (95,237) | - |
| | Reversal for diminution in value of investments | 10.6 | 45,119 | - |
| | Provisions against loans and advances | 11.3 | (773,422) | (1,610,005) |
| | Loans write offs | | - | - |
| | Provisions against other assets | 15.1.3 | (8,339) | - |
| | | | (831,879) | (1,610,005) |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 31 | TAXATION | Note | 2021 | 2020 |
|-------------|---|---------------------|---------------------------|--|
| | | | Rupees in '000 | |
| | Current | | 632,518 | 2,107,692 |
| | Prior years | | (2,092) | 17,864 |
| | Deferred | | (53,868) | (471,055) |
| | | 31.1 | 576,558 | 1,654,501 |
| 31.1 | Relationship between tax expense and accounting profit | | | |
| | Profit before tax | | 1,680,185 | 3,806,284 |
| | Profit at the applicable rate of 35% (2020: 35%) | | 588,065 | 1,332,199 |
| | Prior year tax | | (2,092) | 17,864 |
| | Super tax | | 67,207 | 214,771 |
| | Permanent difference | | 27,517 | 43,544 |
| | Change in tax rate | | (75,997) | - |
| | Others | | (28,142) | 46,123 |
| | | | 576,558 | 1,654,501 |
| 32 | BASIC AND DILUTED EARNINGS PER SHARE | | 2021 | 2020 |
| | | | Rupees in '000 | |
| | Profit for the year | | 1,103,627 | 2,151,783 |
| | | | (Number of shares) | |
| | Weighted average number of ordinary shares | | 1,050,271,043 | (Restated - Note 20.3) 1,050,271,043 |
| | | | (Rupees) | |
| | Basic and diluted earnings per share - rupee/share | | 1.05 | (Restated) 2.05 |
| 33 | CASH AND CASH EQUIVALENTS | Note | 2021 | 2020 |
| | | | Rupees in '000 | |
| | Cash and balance with treasury banks | 7 & 33.1 | 17,375,313 | 15,840,359 |
| | Balance with other banks | 8 | 12,114,583 | 9,092,355 |
| | | | 29,489,896 | 24,932,714 |

33.1 This includes balances with the State Bank of Pakistan (SBP) related to statutory cash reserve held to comply with SBP requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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 6.10 to these financial statements.

35.1.1 Number of employees under the scheme

The number of employees covered under the scheme are 1,753 (2020: 1,402).

35.1.2 Principal actuarial assumptions

The actuarial valuation was carried out as at December 31, 2021 using the following significant assumptions:

| | Note | 2021 Per annum | 2020 |
|--|----------|-----------------------|-------------|
| Discount rate | | 11.75% | 9.75% |
| Expected rate of return on plan assets | | 11.75% | 9.75% |
| Expected rate of salary increase-long term | | 9.75% | 7.75% |
| Expected rate of salary increase-short term | | 10.00% | 7.75% |
| Average expected remaining working life (years) | | 7.58 | 7.86 |
| 35.1.3 Reconciliation of (payable) / receivable under defined benefit plan | | 2021 | 2020 |
| | | Rupees in '000 | |
| Present value of obligation | 35.1.4 | (569,383) | (546,054) |
| Fair value of plan assets | 35.1.5 | 873,345 | 881,501 |
| | | 303,962 | 335,447 |
| 35.1.4 Movement in defined benefit obligation | | | |
| Obligation at the beginning of the year | | 546,054 | 457,349 |
| Current service cost | | 70,511 | 73,456 |
| Interest cost | | 48,676 | 45,985 |
| Benefits paid | | (61,642) | (79,131) |
| Re-measurement (gain) / loss | 35.1.8 | (34,216) | 48,395 |
| Obligation at the end of the year | 35.1.4.1 | 569,383 | 546,054 |
| 35.1.4.1 | | | |
| This includes Rs.11.828 million (2020: Rs.19.535 million) payable to outgoing employees. | | | |
| 35.1.5 Movement in fair value of plan assets | | | |
| Fair value at the beginning of the year | | 881,501 | 865,049 |
| Expected return on plan assets | | 82,941 | 91,851 |
| Contribution by the Bank | | - | - |
| Benefits paid by the Fund | | (61,642) | (79,131) |
| Re-measurement (loss) / gain | 35.1.8 | (29,455) | 3,732 |
| Fair value at the end of the year | | 873,345 | 881,501 |
| 35.1.6 Movement in (payable) / receivable under defined benefit scheme | | | |
| Opening balance | | 335,447 | 407,700 |
| Charge for the year | 35.1.7 | (36,246) | (27,590) |
| Contribution by the Bank | | - | - |
| Re-measurement gain / (loss) recognised in OCI | 35.1.8 | 4,761 | (44,663) |
| Closing balance | | 303,962 | 335,447 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 35.1.7 Cost recognised in profit and loss | Note | 2021 | 2020 |
|--|---------------|-----------------|-----------------|
| | | Rupees in '000 | |
| Current service cost | | (70,511) | (73,456) |
| Net interest | | 34,265 | 45,866 |
| | | (36,246) | (27,590) |
| 35.1.8 Re-measurement recognised in OCI | | | |
| Loss on obligation | | | |
| - Financial assumptions | | (44,280) | 37,571 |
| Experience adjustment | | | |
| - Due to actual salary increase | | - | - |
| - Due to actual withdrawal | | 10,064 | 10,824 |
| - Due to other reasons | | - | - |
| | | (34,216) | 48,395 |
| Return on plan assets over interest income | | 29,455 | (3,732) |
| Total remeasurement recognized in OCI | | (4,761) | 44,663 |
| 35.1.9 Components of plan assets | | | |
| Cash and cash equivalents | | 23,802 | 7,329 |
| Term Deposit Receipts | | 798,052 | 808,907 |
| Shares / mutual funds | | 51,491 | 65,265 |
| Non-Government debt securities | | 20,000 | 20,000 |
| | | 893,345 | 901,501 |
| Less: provision against securities | | (20,000) | (20,000) |
| | 35.1.5 | 873,345 | 881,501 |

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.

| | 2021 | 2020 |
|--|----------------|---------|
| Present Value of Defined Benefit Obligation | | |
| Rupees in '000 | | |
| Current liability | 557,555 | 526,519 |
| 1% increase in discount rate | 518,122 | 487,750 |
| 1% decrease in discount rate | 602,648 | 570,871 |
| 1% increase in expected rate of salary increase | 581,535 | 541,722 |
| 1% decrease in expected rate of salary increase | 536,899 | 513,516 |
| 10% increase in withdrawal rates | 559,829 | 529,076 |
| 10% decrease in withdrawal rates | 555,262 | 523,939 |
| 1 Year Mortality age set back | 555,934 | 528,164 |
| 1 Year Mortality age set forward | 559,168 | 524,865 |
| 35.1.11 Expected contribution to be paid to the fund in the next financial year | - | - |
| 35.1.12 Expected charge for the next financial year | 41,854 | 29,242 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| | 2021 | 2020 |
|---------------------------------|------------------------------|---------|
| 35.1.13 Maturity profile | Undiscounted Payments | |
| | Rupees in '000 | |
| Particulars | | |
| Year 1 | 64,887 | 43,917 |
| Year 2 | 64,915 | 35,591 |
| Year 3 | 42,512 | 60,700 |
| Year 4 | 72,478 | 38,968 |
| Year 5 | 87,326 | 72,473 |
| Year 6 to 10 | 291,034 | 284,187 |
| Year 11 and above | 1,395,434 | 931,758 |

35.1.14 Funding policy

Contributions to the Fund are made on the basis of actuarial recommendation. The Bank expects to adjust / recover net surplus of Rs. 303.962 million within next two years. Accordingly, the assets of the fund available for refund to the Bank and effect of asset ceiling is insignificant to the financial statements.

35.1.15 Risks associated with Defined Benefit Plans

Asset Volatility

The risk arises due to inclusion of the risky assets in the gratuity fund portfolio, inflation and interest rate volatility.

Changes in Bond yields

The risk arises when bond yield is lower than the expected return on plan assets (duration based PIB discount rate).

Inflation Risks

The risk arises if gratuity benefits are linked to inflation and the inflation is higher than expected, which results in higher liability.

Life expectancy / withdrawal Risk

The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Longevity Risk

The risk arises when the actual lifetime of retirees is longer than expectation. The risk is measured at the plan level over the entire retiree population.

Salary Increase Risk

The most common type of retirement benefit is one where the benefit is linked with final salary. The risk arises when the actual increases in salary are higher than expectation and impacts the liability accordingly.

35.2 DEFINED CONTRIBUTION PLAN - EMPLOYEES' PROVIDENT FUND

General description of the Fund is disclosed in note 6.10.2 to these financial statements. The number of employees covered under the scheme are 1,753 (2020: 1,402). During the year, the Bank has contributed Rs. 84.993 million (2020: Rs. 69.166 million) to the Fund.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

36 COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

36.1 Total compensation expense

| Description | 2021 | | | | | | | Other material risk takers / controllers | Key management personnel | Managing Director** | Members shariah board | Rupees in '000 |
|---|------------|--|---------------|-----------------------|---------------------|--------------------------|--|--|--------------------------|---------------------|-----------------------|----------------|
| | Directors | | Non-executive | Members shariah board | Managing Director** | Key management personnel | Other material risk takers / controllers | | | | | |
| | Chairman* | Executive (other than Managing Director) | | | | | | | | | | |
| Fees and allowances etc. | 438 | - | 5,751 | - | - | - | - | - | - | - | - | - |
| Managerial remuneration: | | | | | | | | | | | | |
| - Fixed | - | - | - | 6,902 | 15,473 | 60,485 | 31,829 | 263,987 | | | | |
| - Variable - cash bonus / awards etc. | - | - | - | 1,018 | 3,555 | 21,211 | 11,241 | 37,506 | | | | |
| Charge for defined benefit plan | - | - | - | - | - | - | - | - | | | | |
| Contribution to defined contribution plan | - | - | - | 218 | 322 | 4,654 | 2,651 | 22,001 | | | | |
| Rent & house maintenance | - | - | - | 1,175 | 6,963 | 27,425 | 14,323 | 119,162 | | | | |
| Utilities | - | - | - | 392 | 2,321 | 8,956 | 4,774 | 39,598 | | | | |
| Medical | - | - | - | 392 | 2,321 | 8,956 | 4,774 | 39,598 | | | | |
| Conveyance | - | - | 264 | 960 | 875 | 15,822 | 11,593 | 105,580 | | | | |
| Additional allowances | - | - | - | - | - | 1,013 | 2,060 | 12,844 | | | | |
| Contractual allowances | - | - | - | - | - | 583 | - | - | | | | |
| Other allowances | - | - | - | - | 1,750 | 6,755 | 162 | 16,486 | | | | |
| Others | 16 | - | 467 | 36 | 36 | 576 | 504 | 4,591 | | | | |
| Total | 454 | - | 6,482 | 11,093 | 33,616 | 156,436 | 83,911 | 661,353 | | | | |
| Number of persons | 2 | - | 7 | 4 | 2 | 15 | 16 | 159 | | | | |

* This also includes fee paid to the outgoing Chairman of the Bank.

** This also includes compensation paid to the outgoing Managing Director (Acting) of the Bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| Description | 2020 | | Directors | Non-executive | Members shariah board | Managing Director* | Key management personnel | Other material risk takers/ controllers | Executives |
|---|----------------|--|-----------|---------------|-----------------------|--------------------|--------------------------|---|----------------|
| | Rupees in '000 | | | | | | | | |
| | Chairman | Executive (other than Managing Director) | | | | | | | |
| Fees and allowances etc. | 313 | - | - | 6,022 | - | - | - | - | - |
| Managerial remuneration: | | | | | | | | | |
| - Fixed | - | - | - | - | 6,186 | 19,562 | 48,479 | 23,218 | 185,131 |
| - Variable - cash bonus / awards etc. | - | - | - | - | - | 2,458 | 17,777 | 8,288 | 13,542 |
| Charge for defined benefit plan | - | - | - | - | - | - | - | - | - |
| Contribution to defined contribution plan | - | - | - | - | 175 | 508 | 3,510 | 1,934 | 15,421 |
| Rent & house maintenance | - | - | - | - | 948 | 2,743 | 21,686 | 10,448 | 83,309 |
| Utilities | - | - | - | - | 316 | 914 | 6,922 | 3,483 | 27,770 |
| Medical | - | - | - | - | 316 | 914 | 6,922 | 3,483 | 27,770 |
| Conveyance | - | - | - | 58 | 873 | 1,500 | 14,490 | 8,828 | 77,954 |
| Additional allowances | - | - | - | - | - | 3,669 | 6,947 | 2,187 | 13,877 |
| Contractual allowances | - | - | - | - | - | - | 1,749 | - | - |
| Other allowances | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | 525 | 24 | 47 | 374 | 286 | 12,377 |
| Total | 313 | - | - | 6,605 | 8,838 | 32,315 | 128,856 | 62,155 | 457,151 |
| Number of persons | 1 | - | - | 5 | 3 | 1 | 14 | 12 | 117 |

* This includes payment of Rs. 13.47 million made to the Ex-Managing Director of the Bank.

- For the purpose of this disclosure an executive 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, 2021

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

2021

| Sr. No. | Name | Meeting Fees and Allowances Paid | | | | | | Total amount paid |
|---------|--------------------------------|----------------------------------|-----------------|-----------------|-----------------------|----------------------|---------------------------|-------------------|
| | | For Board Committees | | | | | | |
| | | For board meetings | Audit committee | HR&RC committee | IT Steering committee | Compliance committee | Risk management committee | |
| | | Rupees in '000 | | | | | | |
| 1 | Mr. Shahab Ali Shah (Chairman) | 188 | - | - | - | - | - | 188 |
| 2 | Mr. Asad Muhammad Iqbal | 714 | 250 | - | 63 | - | - | 1,027 |
| 3 | Mr. Atif Rehman | 391 | 313 | 24 | 63 | - | 250 | 1,041 |
| 4 | Mr. Ikram Ullah Khan | 63 | - | - | - | - | - | 63 |
| 5 | Mr. Javed Akhtar | 287 | 222 | - | - | 111 | 164 | 784 |
| 6 | Ms. Saleha Asif | 454 | - | 625 | 63 | - | - | 1,142 |
| 7 | Mr. Rashid Ali Khan | 461 | 111 | 500 | 56 | 161 | 222 | 1,511 |
| 8 | Mr. Shakeel Qadir Khan | 266 | - | - | - | - | - | 266 |
| 9 | Mr. Maqsood Ismail Ahmad | 303 | - | 444 | - | - | 167 | 914 |
| | Total amount paid | 3,127 | 896 | 1,593 | 245 | 272 | 803 | 6,936 |

2020

| Sr. No. | Name | Meeting Fees and Allowances Paid | | | | | | Total amount paid |
|---------|-----------------------------------|----------------------------------|-----------------|-----------------|-----------------------|----------------------|---------------------------|-------------------|
| | | For Board Committees | | | | | | |
| | | For board meetings | Audit committee | HR&RC committee | IT Steering committee | Compliance committee | Risk management committee | |
| | | Rupees in '000 | | | | | | |
| 1 | Mr. Shakeel Qadir Khan (Chairman) | 313 | - | - | - | - | - | 313 |
| 2 | Mr. Javed Akhtar | 380 | 278 | 129 | - | 222 | 222 | 1,231 |
| 3 | Mr. Rashid Ali Khan | 278 | 278 | 278 | 222 | 333 | 222 | 1,611 |
| 4 | Mr. Asad Muhammad Iqbal | 415 | 324 | 243 | 250 | - | - | 1,232 |
| 5 | Mr. Maqsood Ismail Ahmad | 415 | - | 373 | - | 368 | 250 | 1,406 |
| 6 | Mr. Atif Rehman | 313 | 312 | - | 250 | - | 250 | 1,125 |
| | Total amount paid | 2,114 | 1,192 | 1,023 | 722 | 923 | 944 | 6,918 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

36.3 Remuneration paid to shariah board members

| Description | 2021 | | | 2020 | | |
|---------------------------------|----------------|-----------------|----------------------|----------|-----------------|---------------------|
| | Chairman | Resident member | Non-resident members | Chairman | Resident member | Non-resident member |
| | Rupees in '000 | | | | | |
| a. Meeting fees and allowances | - | - | - | - | - | - |
| b. Monthly remuneration | 2,400 | 5,785 | 1,890 | 2,100 | 4,759 | 1,980 |
| c. Bonus | - | 1,018 | - | - | - | - |
| d. Travelling and accommodation | - | - | - | - | - | - |
| Total amount | 2,400 | 6,803 | 1,890 | 2,100 | 4,759 | 1,980 |
| Total number of person(s) | 1 | 1 | 2 | 1 | 1 | 1 |

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 42.5.1 and 42.3.5 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, 2021

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.

| 2021 | | | | |
|--|-----------|-------------|---------|-------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Rupees in '000 | | | | |
| On balance sheet financial instruments | | | | |
| Financial assets - measured at fair value Investments | | | | |
| Federal Government Securities | - | 153,051,522 | - | 153,051,522 |
| Shares in listed companies | 390,277 | - | - | 390,277 |
| Non-Government Debt Securities | - | 4,385,946 | - | 4,385,946 |
| Mutual funds | 1,152,803 | - | - | 1,152,803 |
| Financial assets - disclosed but not measured at fair value investments | | | | |
| Federal Government Securities | - | 20,327,663 | - | 20,327,663 |
| Shares in unlisted companies | - | 73,701 | - | 73,701 |
| Non-Government Debt Securities | - | 4,924,250 | - | 4,924,250 |
| Associates | - | 92,784 | - | 92,784 |
| Off-balance sheet financial instruments - measured at fair value | | | | |
| Forward purchase of foreign exchange | - | 27,988,087 | - | 27,988,087 |
| Forward sale of foreign exchange | - | 28,215,426 | - | 28,215,426 |

| 2020 | | | | |
|--|---------|------------|---------|------------|
| | Level 1 | Level 2 | Level 3 | Total |
| Rupees in '000 | | | | |
| On balance sheet financial instruments | | | | |
| Financial assets measured at fair value | | | | |
| Available-for-sale securities | | | | |
| Federal Government Securities | - | 82,602,314 | - | 82,602,314 |
| Shares in listed companies | 332,761 | - | - | 332,761 |
| Non-Government Debt Securities | - | 3,918,128 | - | 3,918,128 |
| Mutual funds | 451,519 | - | - | 451,519 |
| Financial assets - disclosed but not measured at fair value investments | | | | |
| Federal Government Securities | - | 22,373,173 | - | 22,373,173 |
| Shares in unlisted companies | - | 56,257 | - | 56,257 |
| Non-Government Debt Securities | - | 3,704,338 | - | 3,704,338 |
| Associates | - | 40,504 | - | 40,504 |
| Off-balance sheet financial instruments - measured at fair value | | | | |
| Forward purchase of foreign exchange | - | 16,291,144 | - | 16,291,144 |
| Forward sale of foreign exchange | - | 22,481,606 | - | 22,481,606 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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.

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

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

| | |
|-------------------------------|--|
| Fully paid-up ordinary shares | Fair values of investments in listed equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange. |
| Unit of mutual funds | The fair value of investments in units of mutual funds are determined based on their net asset values as published at the close of each business day. |

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

| | |
|---|--|
| Pakistan Investment Bonds / Market Treasury Bills | Fair values of Pakistan Investment Bonds and Treasury Bills are derived using the PKRV rates for fixed rate securities and PKFRV rates for floating rate PIB's (Reuters page). |
| Government of Pakistan (GoP) - Ijarah Sukuks | Fair values of GoP Ijarah Sukuks are derived using the PKISRV rates announced by the Financial Market Association (FMA) through Reuters. These rates denote an average of quotes received from eight different pre-defined / approved dealers / brokers. |
| Term Finance, Bonds and Sukuk certificates | Investments in debt securities (comprising term finance certificates, bonds, Sukuk certificates and any other security issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital) are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan. In the determination of the rates, the MUFAP takes into account the holding pattern of these securities and categorises these as traded, thinly traded and non-traded securities. |

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

| | |
|---|--|
| Operating fixed assets (Leasehold land) and non-banking assets acquired in satisfaction of claims | Leasehold land are revalued on regular basis using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties. |
|---|--|

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

38 SEGMENT INFORMATION

38.1 Segment details with respect to business activities

| | 2021 | | | | |
|--|--------------------|--------------------|-------------------|--------------------|--------------------|
| | Corporate Finance | Trading and Sales | Retail Banking | Commercial Banking | Total |
| | Rupees in '000 | | | | |
| Profit and loss | | | | | |
| Net mark-up / return / profit | 1,607,167 | 3,687,532 | 169,043 | 1,325,499 | 6,789,241 |
| Non mark-up / return / interest income | 53,729 | 507,739 | 86,719 | 374,639 | 1,022,826 |
| Total income | 1,660,896 | 4,195,271 | 255,762 | 1,700,138 | 7,812,067 |
| Segment direct expenses | 1,384,631 | 2,812,781 | 112,663 | 989,928 | 5,300,003 |
| Total expenses | 1,384,631 | 2,812,781 | 112,663 | 989,928 | 5,300,003 |
| Provisions | - | (45,120) | 53,620 | 823,379 | 831,879 |
| Profit before tax | 276,265 | 1,427,610 | 89,479 | (113,169) | 1,680,185 |
| Balance sheet | | | | | |
| Cash and bank balances | 4,340,681 | 9,827,498 | 332,729 | 14,988,988 | 29,489,896 |
| Lendings to financial institutions | - | 4,982,294 | - | - | 4,982,294 |
| Investments | 13,938,952 | 170,367,213 | - | 92,781 | 184,398,946 |
| Advances - performing | 63,466,418 | - | 5,941,730 | 51,173,597 | 120,581,745 |
| Advances - non performing | 605,628 | - | 276,533 | 3,085,289 | 3,967,450 |
| Operating fixed assets/intangible assets | 1,395,035 | 3,160,230 | 107,085 | 925,091 | 5,587,441 |
| Deferred tax assets | 18,884 | 408,569 | 1,459 | 563,500 | 992,412 |
| Others | 1,118,547 | 5,435,355 | 85,861 | 1,966,098 | 8,605,861 |
| Total assets | 84,884,145 | 194,181,159 | 6,745,397 | 72,795,344 | 358,606,045 |
| Bills payable | 563,673 | 5,510 | 166,748 | 138,636 | 874,567 |
| Borrowings | 8,961,287 | 76,174,207 | - | 24,933,434 | 110,068,928 |
| Deposits and other accounts | 143,002,685 | 1,397,973 | 42,303,635 | 35,171,605 | 221,875,898 |
| Others | 4,440,006 | 1,745,183 | 1,174,384 | 1,857,205 | 9,216,778 |
| Total liabilities | 156,967,651 | 79,322,873 | 43,644,767 | 62,100,880 | 342,036,171 |
| Equity / Inter-segment (lending) / borrowing | (72,083,506) | 114,858,286 | (36,899,370) | 10,694,464 | 16,569,874 |
| Total equity and liabilities | 84,884,145 | 194,181,159 | 6,745,397 | 72,795,344 | 358,606,045 |
| Contingencies and commitments | 9,528,777 | 56,277,595 | 153,376 | 17,820,146 | 83,779,894 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| | 2020 | | | | Total |
|--|--------------------|--------------------|-------------------|--------------------|--------------------|
| | Corporate Finance | Trading and Sales | Retail Banking | Commercial Banking | |
| | Rupees in '000 | | | | |
| Profit and loss | | | | | |
| Net mark-up / return / profit | 2,968,577 | 3,093,953 | 115,230 | 584,121 | 6,761,881 |
| Non mark-up / return / interest income | 28,898 | 2,335,998 | 88,601 | 424,164 | 2,877,661 |
| Total Income | 2,997,475 | 5,429,951 | 203,831 | 1,008,285 | 9,639,542 |
| Segment direct expenses | 1,535,696 | 2,067,060 | 71,655 | 548,842 | 4,223,253 |
| Total expenses | 1,535,696 | 2,067,060 | 71,655 | 548,842 | 4,223,253 |
| Reversal of provisions | - | - | 80,500 | 1,529,505 | 1,610,005 |
| Profit before tax | 1,461,779 | 3,362,891 | 51,676 | (1,070,062) | 3,806,284 |
| Balance sheet | | | | | |
| Cash and bank balances | 6,371,422 | 6,862,166 | 310,383 | 11,388,743 | 24,932,714 |
| Lendings to financial institutions | - | 7,297,519 | - | - | 7,297,519 |
| Investments | 15,984,462 | 97,454,028 | - | 40,504 | 113,478,994 |
| Advances - performing | 80,603,318 | - | 4,737,951 | 41,108,908 | 126,450,177 |
| Advances - non performing | - | - | 116,214 | 2,496,986 | 2,613,200 |
| Operating fixed assets/intangible assets | 1,603,919 | 1,739,485 | 78,679 | 582,109 | 4,004,192 |
| Deferred tax assets | 28,392 | 430,090 | 1,420 | - | 459,902 |
| Others | 1,874,331 | 5,162,489 | 91,944 | 1,934,429 | 9,063,193 |
| Total assets | 106,465,844 | 118,945,777 | 5,336,591 | 57,551,679 | 288,299,891 |
| Bills payable | 623,133 | 9,441 | 141,621 | 169,945 | 944,140 |
| Borrowings | 6,849,683 | 6,839,784 | - | 43,373,551 | 57,063,018 |
| Deposits and other accounts | 134,027,293 | 2,030,717 | 30,460,749 | 36,552,899 | 203,071,658 |
| Others | 4,335,545 | 2,688,294 | 863,164 | 1,562,522 | 9,449,525 |
| Total liabilities | 145,835,654 | 11,568,236 | 31,465,534 | 81,658,917 | 270,528,341 |
| Equity / Inter-segment (lending) / borrowing | (78,683,853) | 103,594,524 | (24,529,337) | 17,390,216 | 17,771,550 |
| Total equity and liabilities | 67,151,801 | 115,162,760 | 6,936,197 | 99,049,133 | 288,299,891 |
| Contingencies and commitments | 7,153,648 | 38,833,972 | 132,038 | 14,597,018 | 60,716,676 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

38.2 Segment details with respect to geographical locations

Geographical segment analysis

| | 2021 | | | | |
|--------------------------------------|---------------------|--------------------|---------------------|--------------------|--------------------|
| | Corporate Finance | Trading and Sales | Retail Banking | Commercial Banking | Total |
| | Rupees in '000 | | | | |
| Profit before tax | | | | | |
| In Pakistan | 276,265 | 1,427,610 | 89,479 | (113,169) | 1,680,185 |
| Outside Pakistan | - | - | - | - | - |
| | 276,265 | 1,427,610 | 89,479 | (113,169) | 1,680,185 |
| Total assets | | | | | |
| In Pakistan | 84,884,145 | 194,181,159 | 6,745,397 | 72,795,344 | 358,606,045 |
| Outside Pakistan | - | - | - | - | - |
| | 84,884,145 | 194,181,159 | 6,745,397 | 72,795,344 | 358,606,045 |
| Net assets employed | | | | | |
| In Pakistan | (72,083,506) | 114,858,286 | (36,899,370) | 10,694,464 | 16,569,874 |
| Outside Pakistan | - | - | - | - | - |
| | (72,083,506) | 114,858,286 | (36,899,370) | 10,694,464 | 16,569,874 |
| Total equity and liabilities | (72,083,506) | 114,858,286 | (36,899,370) | 10,694,464 | 16,569,874 |
| Contingencies and commitments | 9,528,777 | 56,277,595 | 153,376 | 17,820,146 | 83,779,894 |
| | 2020 | | | | |
| | Corporate Finance | Trading and Sales | Retail Banking | Commercial Banking | Total |
| | Rupees in '000 | | | | |
| Profit before tax | | | | | |
| In Pakistan | 1,461,779 | 3,362,891 | 51,676 | (1,070,062) | 3,806,284 |
| Outside Pakistan | - | - | - | - | - |
| Total Income | 1,461,779 | 3,362,891 | 51,676 | (1,070,062) | 3,806,284 |
| Total assets | | | | | |
| In Pakistan | 106,465,844 | 118,945,777 | 5,336,591 | 57,551,679 | 288,299,891 |
| Outside Pakistan | - | - | - | - | - |
| | 106,465,844 | 118,945,777 | 5,336,591 | 57,551,679 | 288,299,891 |
| Net assets employed | | | | | |
| In Pakistan | (78,683,853) | 103,594,524 | (24,529,337) | 17,390,216 | 17,771,550 |
| Outside Pakistan | - | - | - | - | - |
| | (78,683,853) | 103,594,524 | (24,529,337) | 17,390,216 | 17,771,550 |
| Contingencies and commitments | 7,153,648 | 38,833,972 | 132,038 | 14,597,018 | 60,716,676 |

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

39 TRUST ACTIVITIES

The Bank is not engaged in any significant trust activities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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:

| | 2021 | | | | | 2020 | | | | |
|------------------------------------|----------------|--------------------------|---------------|------------------|---|-----------|--------------------------|---------------|------------------|---|
| | Directors | Key management personnel | Associate | Employee Funds | | Directors | Key management personnel | Associate | Employee Funds | |
| | Rupees in '000 | | | | | | | | | |
| Advances | | | | | | | | | | |
| Opening balance | - | 125,001 | - | - | - | - | 154,486 | - | - | - |
| Addition during the year | - | 123,563 | - | - | - | - | 41,810 | - | - | - |
| Repaid during the year | - | 33,109 | - | - | - | - | 56,354 | - | - | - |
| Transfer in / (out) - net | - | 1,527 | - | - | - | - | (14,941) | - | - | - |
| Closing balance | - | 216,982 | - | - | - | - | 125,001 | - | - | - |
| Provision held | - | - | - | - | - | - | - | - | - | - |
| Deposits and other accounts | | | | | | | | | | |
| Opening balance | - | 6,225 | 34,003 | 2,534,982 | - | - | 25,661 | 28,659 | 2,342,408 | - |
| Received during the year | - | 196,786 | 48,348 | 967,962 | - | - | 119,145 | 44,212 | 933,048 | - |
| Withdrawn during the year | - | 195,909 | 47,202 | 854,231 | - | - | 119,290 | 38,868 | 740,474 | - |
| Transfer in / (out) - net | - | 16 | - | - | - | - | (19,291) | - | - | - |
| Closing balance | - | 7,118 | 35,149 | 2,648,713 | - | - | 6,225 | 34,003 | 2,534,982 | - |
| Other liabilities | | | | | | | | | | |
| Accrued mark-up | - | 199 | 1,040 | 36,931 | - | - | 182 | 915 | 33,108 | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| | 2021 | | | | 2020 | | | |
|--|--|--------------------------|-----------|----------------|-------------|--------------------------|-----------|----------------|
| | Directors | Key management personnel | Associate | Employee Funds | Directors | Key management personnel | Associate | Employee Funds |
| | Rupees in '000 | | | | | | | |
| Income | | | | | | | | |
| Mark-up / return / interest earned | - | 4,378 | - | - | - | 3,104 | - | - |
| Expense | | | | | | | | |
| Mark-up / return / interest expensed | - | 369 | 1,973 | 181,699 | - | 619 | 2,328 | 259,227 |
| Operating expenses | 40,552 | 177,759 | - | - | 39,233 | 118,270 | - | - |
| 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 completely disclose such transactions. | | | | | | | |
| | Detailed related party disclosure for being government entity is disclosed as required under IAS-24 "Related Party Disclosures". Relevant details are referred in the following notes: | | | | | | | |
| Particulars | | | | | Note | | | |
| Investments | | | | | 10.1 | | | |
| Shareholding | | | | | 20 | | | |
| Compensation of directors and executives | | | | | 36 | | | |
| Advances (by sector) | | | | | 42.2.3 | | | |
| Deposits (by sector) | | | | | 18.1 | | | |
| Detail of non-performing advances and other provisions (by sector) | | | | | 42.2.3 | | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 41 CAPITAL ADEQUACY, LEVERAGE RATIO AND LIQUIDITY REQUIREMENTS | 2021 | 2020 |
|--|--------------------|-------------|
| | Rupees in '000 | |
| Minimum Capital Requirement (MCR): | | |
| Paid-up capital (net of losses) | 10,502,710 | 10,002,524 |
| Capital Adequacy Ratio (CAR): | | |
| Eligible common equity tier 1 (CET 1) capital | 15,248,508 | 15,550,165 |
| Eligible additional tier 1 (ADT 1) capital | - | - |
| Total eligible tier 1 capital | 15,248,508 | 15,550,165 |
| Eligible tier 2 capital | 281,569 | 1,814,447 |
| Total eligible capital (Tier 1 + Tier 2) | 15,530,077 | 17,364,612 |
| Risk Weighted Assets (RWAs): | | |
| Credit risk | 76,141,937 | 61,803,516 |
| Market risk | 15,889,464 | 15,868,243 |
| Operational risk | 13,301,652 | 12,082,254 |
| Total | 105,333,053 | 89,754,013 |
| Common equity tier 1 capital adequacy ratio | 14.47% | 17.33% |
| Tier 1 capital adequacy ratio | 14.47% | 17.33% |
| Total capital adequacy ratio | 14.74% | 19.35% |
| National minimum capital requirements prescribed by SBP | | |
| CET1 minimum ratio | 6.00% | 6.00% |
| ADT-1 minimum ratio | 1.50% | 1.50% |
| Tier 1 minimum ratio | 7.50% | 7.50% |
| Total capital minimum ratio | 10.00% | 10.00% |
| Capital conservation buffer (CCB- consisting of CET1 only) | 1.50% | 1.50% |
| Total capital plus CCB | 11.50% | 11.50% |
| Leverage Ratio (LR): | | |
| Eligible tier-1 capital | 15,248,508 | 15,550,165 |
| Total exposures | 363,898,758 | 308,964,487 |
| Leverage ratio | 4.19% | 5.03% |
| Liquidity Coverage Ratio (LCR): | | |
| Total high quality liquid assets | 101,636,622 | 72,827,275 |
| Total net cash outflow | 64,356,557 | 55,801,680 |
| Liquidity coverage ratio | 157.93% | 130.51% |
| Net Stable Funding Ratio (NSFR): | | |
| Total available stable funding | 179,120,821 | 144,132,642 |
| Total required stable funding | 138,152,486 | 133,253,371 |
| Net stable funding ratio | 129.65% | 108.16% |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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. Refer Note 42.1 (e).

42 RISK MANAGEMENT

Risk management in Bank of Khyber is performed at each level of authority and is managed through an ongoing process of identification, measurement and monitoring subject to risk limits and other controls.

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

Enterprise Risk Management Division (ERMD) is responsible for policy formulation and procedural development for Market Risk, Liquidity Risk, Operational Risk, Country Risk, and Environmental Risk to continuously improve governance structure of the Bank. Enterprise Risk Management Framework ensures monitoring of risk appetite statement and also design stress testing scenarios for all Pillar I and material/emerging risks under Pillar II like Climate Risk and Cyber Security Risk under ICAAP. A dedicated Market & Liquidity Risk Management Department is established under Enterprise Risk Management Division, RMG which is responsible for Market Risk Capital Charge, Liquidity Coverage Ratio (LCR), Liquidity Monitoring Tools, and Net Stable Funding Ratio (NSFR) calculation and regulatory submission to SBP. ERMD ensures that the bank's position in Money Market, Foreign exchange, Capital Market transactions, and financing facilities 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 Climate Risk the Environmental Risk Management Department has also been established under Enterprise Risk Management Division, RMG. The Environmental Risk Management Desk at Enterprise Risk Management Division is dedicatedly working over implementation of Environmental Risk Management System. The Bank has also established Green Banking office to reduce vulnerability of the Bank from the risks arising from environment and to fulfill their responsibility to protect environment and to transform it into resource efficient and climate resilient economy. Chief Green Banking Manager supervises the activities of Green Banking Office and reports the Green Banking Implementation status to Chief Risk Officer.

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.

42.1 Climate Risk Management under Covid-19 Scenario

The COVID-19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To counter its impact on businesses and economies, regulators / governments introduced a host of measures on both the fiscal and economic fronts.

Response of SBP was very effective and timely to dampen effects of the Covid 19 over financial markets of the country. It introduced varieties of incentives and other regulatory relief packages to mitigate adverse effects of the pandemic over different borrowers / segments. It provided them with a breathing space to cope with the unprecedented events experienced after outbreak of the pandemic.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Furthermore, there is increased operational risk in respect of business operations including enhanced cyber-security threat as increased number of customers have diverted to meet their banking needs through the digital channels.

(a) Credit Risk Management and Asset Quality

The Risk Management function of the Bank is regularly conducting assessments of the credit portfolio to identify borrowers most likely to get affected due to changes in the business and economic environment. The Bank is continuously reviewing credit portfolio, to identify accounts susceptible to higher risk, resulting from adverse effects of COVID-19 outbreak. Repayment behavior of the customers who availed relief either through deferment of principal and/or rescheduling of mark-up payments under SBP Covid relief is quite encouraging and satisfactory.

Monitoring of credit risk is performed at both transactional and portfolio levels. Bank has set various concentration limits/thresholds which are actively monitored and reported to BRMC/Management so that risk remains within the borders defined by the Board. Active monitoring of the portfolio enables the bank for taking corrective measures/steps to avoid piling/scaling-up of issues which may expose the bank to easily avoidable credit losses.

(b) Liquidity Risk Management

In view of the relaxation granted by SBP for deferral of principal and rescheduling of loans there is an impact on the maturity profile of the Bank. The Asset and Liability Committee (ALCO) of the Bank is continuously monitoring the liquidity position and the Bank is confident that the liquidity buffer currently maintained is sufficient to cater to any adverse movement in the cash flow maturity profile.

(c) Equity Risk Management

There is no significant impact of Covid-19 on the listed equity securities of the Bank classified as available-for-sale. Moreover, required impairment against these securities has been recognized in the financial statements and no relief was availed on account of deferment of impairment allowed by SBP in view of Covid-19.

(d) Operational Risk Management

The Bank is closely monitoring the situation and has invoked required actions to ensure the Health and safety of Bank staff alongside uninterrupted service to customers. The senior management of the Bank is continuously monitoring the situation in order to take timely decisions.

Business Continuity Plans (BCP) for respective areas are in place and tested. The remote working sites were enabled for staff, where required, and related risks and control measures were assessed to ensure that the Bank's information assets are protected from emerging cyber threats and comply with the regulatory protocols required under the circumstances. The Bank enhanced monitoring of cyber-security risks during these times. The Bank also communicated with its customers so they could avail the services from its digital/online channels.

The Bank staff is working tirelessly to ensure that service levels are maintained, customer complaints are resolved and turnaround times are monitored so that the Bank continues to meet the expectations of all stakeholders.

(e) Capital Adequacy Ratio (CAR)

In order to encourage banks to continue lending despite anticipated pressure on profits, credit risk and liquidity, the SBP has relaxed the Capital Conservation Buffer (CCB) requirements to 1.5%, resulting in a 1% reduction in CAR requirements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

42.2 Credit risk

Credit risk is the potential that the counterparty will cause a financial loss to the Bank due to its inability or unwillingness to meet its contractual obligations. The Bank is exposed to credit risk through its lending and investment activities as well as from contingent liabilities.

The main objective of the credit risk management process is to identify, assess, measure and monitor credit risk in all the financial exposure of the Bank. The Bank has established a credit risk management framework to manage credit risk on relationship as well as at portfolio level.

Credit risk management is governed by the Board Risk Management Committee and other instructions and guidelines outlined by SBP. The Bank attempts to control risk by monitoring credit exposures, limiting non performing counter parties and continually assessing the credit worthiness of the borrowers. The Bank manages limits and controls concentrations of credit risk to individual counterparties 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.

42.2.1 Lendings to financial institutions

Credit risk by public/private sector

| | Gross lendings | | Non-performing lendings | | Provision held | |
|--------------------|----------------|-----------|-------------------------|---------|----------------|---------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Public/ Government | - | - | - | - | - | - |
| Private | 5,221,238 | 7,536,463 | - | 238,944 | - | 238,944 |
| | 5,221,238 | 7,536,463 | - | 238,944 | - | 238,944 |

Rupees in '000

42.2.2 Investment in debt securities

Note

Credit risk by industry sector

| | Gross investments | | Non-performing investments | | Provision held | |
|---|-------------------|-----------|----------------------------|---------|----------------|---------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Textile | 119,658 | 119,658 | 44,658 | 44,658 | 44,658 | 44,658 |
| Power (electricity), gas, water, sanitary | 4,750,000 | 5,286,429 | - | - | - | - |
| Financial | 4,426,040 | 2,195,914 | 40,384 | 40,384 | 40,384 | 40,384 |
| Others | 136,250 | 191,192 | 80,000 | 90,957 | 80,000 | 90,957 |
| | 9,431,948 | 7,793,193 | 165,042 | 175,999 | 165,042 | 175,999 |

Rupees in '000

Credit risk by public / private sector

| | | | | | | |
|---------------------|-------------|-------------|---------|---------|---------|---------|
| Public / Government | 174,242,020 | 104,550,078 | - | - | - | - |
| Private | 9,431,948 | 7,793,193 | 165,042 | 175,999 | 165,042 | 175,999 |
| 10 | 183,673,968 | 112,343,271 | 165,042 | 175,999 | 165,042 | 175,999 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 42.2.3 Advances | Gross advances | | Non-performing advances | | Provision held | |
|---|-----------------------|--------------------|-------------------------|------------------|------------------|------------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | Rupees in '000 | | | | | |
| Credit risk by industry sector | | | | | | |
| Agriculture, forestry, hunting and fishing | 2,628,065 | 2,916,537 | 378,497 | 275,785 | 241,237 | 223,051 |
| Mining and quarrying | 104,048 | 94,604 | - | - | - | - |
| Textile | 15,304,771 | 11,549,054 | 1,339,627 | 1,154,246 | 712,140 | 669,318 |
| Chemical and pharmaceuticals | 895,719 | 1,023,992 | 88,093 | 89,093 | 88,093 | 89,093 |
| Petro chemical | 2,402,081 | 2,890,425 | 1,845,970 | 21,533 | 1,818,102 | 9,475 |
| Auto loans | 662,132 | 462,424 | 59,260 | 4,054 | 24,277 | 3,040 |
| Cement | 4,224,571 | 4,606,000 | 2,356 | 2,356 | 2,356 | 2,356 |
| Sugar | 2,817,558 | 1,986,789 | 848,058 | 848,069 | 848,058 | 848,069 |
| Engineering | 129,453 | 324,864 | 929 | 929 | 929 | 929 |
| Footwear and leather garments | 146,672 | 125,138 | 101,624 | 101,624 | 101,624 | 101,624 |
| CNG / gas stations | 444,309 | 193,204 | 7,092 | 24,844 | 2,930 | 17,921 |
| Automobile and transportation equipment | 1,193,301 | 873,210 | 245,760 | 306,025 | 192,768 | 186,656 |
| Trade | 9,419,350 | 4,605,278 | 1,432,783 | 587,474 | 380,662 | 281,929 |
| Construction | 3,265,074 | 3,003,925 | 395,759 | 403,078 | 163,130 | 169,921 |
| Communication | 52,363 | 54,613 | 52,363 | 54,613 | 52,363 | 54,613 |
| Ghee and cooking oil | 1,305,792 | 934,101 | 43,169 | 43,169 | 43,169 | 43,169 |
| Food and beverages | 1,722,149 | 1,385,639 | 492,411 | 599,947 | 440,530 | 558,805 |
| Power (electricity), gas, water, sanitary | 30,840 | 75,627 | 17,840 | 17,840 | 17,840 | 17,840 |
| Financial | 1,830,246 | 667,021 | 160,215 | 160,215 | 160,215 | 160,215 |
| Consumer | 105,360 | 177,908 | 10,036 | 9,178 | 8,935 | 6,997 |
| Housing | 1,699,709 | 1,175,232 | 138,516 | 46,412 | 17,646 | 24,201 |
| Services | 1,466,558 | 1,699,594 | 147,468 | 72,322 | 38,302 | 29,454 |
| Metal products | 3,882,365 | 3,811,541 | 174,008 | 175,558 | 125,641 | 127,191 |
| Individuals / personal | 3,622,733 | 3,154,883 | 74,849 | 62,780 | 63,880 | 57,274 |
| Manufacturing of match | 168,000 | 168,000 | 48,000 | 48,000 | 48,000 | 48,000 |
| Miscellaneous manufacturing | 6,261,009 | 6,119,249 | 1,784,512 | 2,144,758 | 944,751 | 916,326 |
| Commodity | 40,000,000 | 52,000,000 | - | - | - | - |
| Power | 23,467,000 | 26,985,395 | - | - | - | - |
| Others | 1,915,254 | 1,842,995 | 632,023 | 22,038 | 16,190 | 15,273 |
| | 131,166,482 | 134,907,242 | 10,521,218 | 7,275,940 | 6,553,768 | 4,662,740 |
| Credit risk by public / private sector | | | | | | |
| Public/ Government | 64,072,046 | 80,660,394 | 606,625 | - | - | - |
| Private | 67,094,436 | 54,246,848 | 9,914,593 | 7,275,940 | 6,553,768 | 4,662,740 |
| | 131,166,482 | 134,907,242 | 10,521,218 | 7,275,940 | 6,553,768 | 4,662,740 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

42.2.4 Contingencies and commitments

| | 2021 | 2020 |
|---|-------------------|-------------------|
| | Rupees '000 | |
| Credit risk by industry sector | | |
| Agriculture, forestry, hunting and fishing | 159,030 | 251,903 |
| Automobile and transportation equipment | 412,547 | 298,549 |
| Cement | 520,749 | 123,072 |
| Chemical and pharmaceuticals | 679,664 | 26,153 |
| CNG / gas stations | 693,125 | 741,607 |
| Construction | 15,996,799 | 12,341,302 |
| Engineering | 120,202 | 148,220 |
| Food and beverages | - | 9,930 |
| Ghee and cooking oil | 301,369 | 622,805 |
| Manufacturing of match | 60,816 | 48,812 |
| Metal products | 603,641 | 277,489 |
| Petro chemical | 1,133,263 | 1,176,092 |
| Power (electricity), gas, water, sanitary | 259,016 | 420,480 |
| Services | 306,180 | 346,259 |
| Sugar | 159,994 | 1,000 |
| Communication | 10,549 | 750 |
| Textile | 927,402 | 1,153,220 |
| Trade | 1,948,599 | 917,521 |
| Travel Agencies | 65,417 | 66,477 |
| Miscellaneous manufacturing | 831,303 | 928,887 |
| Government | 1,975,813 | 1,635,256 |
| | 27,165,478 | 21,535,784 |
| Credit risk by public / private sector | | |
| Public / Government | 1,975,813 | 1,635,256 |
| Private | 25,189,665 | 19,900,528 |
| | 27,165,478 | 21,535,784 |

42.2.5 Concentration of advances

The bank top 10 exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 81,258 million (2020: Rs 93,679 million) are as following:

| | 2021 | 2020 |
|----------------|-------------------|-------------------|
| | Rupees '000 | |
| Funded | 72,936,223 | 87,326,797 |
| Non funded | 8,321,967 | 6,352,107 |
| Total exposure | 81,258,190 | 93,678,904 |

The sanctioned limits against these top 10 exposures aggregated to Rs. 88,720 million (2020: Rs 96,668 million).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| | 2021 | | 2020 | |
|----------|----------------|----------------|-----------|----------------|
| | Amount | Provision held | Amount | Provision held |
| | Rupees in '000 | | | |
| OAEM | 161,451 | 79 | 45,232 | 68 |
| Standard | 902,564 | 32,188 | 352,950 | 9,975 |
| Doubtful | 1,544,090 | 164,395 | 1,615,105 | 225,044 |
| Loss | 7,913,113 | 6,357,106 | 5,262,653 | 4,427,653 |
| Total | 10,521,218 | 6,553,768 | 7,275,940 | 4,662,740 |

42.2.6 Advances - Province / Region-wise disbursement and utilization

| Province / Region | 2021 | | | | | |
|--------------------------------|----------------|------------|------------|------------|-------------|--------------------------------|
| | Disbursement | Punjab | Sindh | KPK | Balochistan | AJK including Gilgit-Baltistan |
| | Rupees in '000 | | | | | |
| Punjab | 60,247,244 | 59,903,135 | 344,109 | - | - | - |
| Sindh | 21,471,590 | - | 19,471,590 | - | - | - |
| KPK including FATA | 52,288,705 | 57,265 | - | 2,000,000 | - | - |
| Balochistan | 7,787 | - | - | - | 7,787 | - |
| Islamabad | 18,450,391 | 771,796 | 177,001 | 1,110,878 | - | - |
| AJK including Gilgit-Baltistan | 322,911 | - | - | - | - | 322,911 |
| Total | 152,788,628 | 60,732,196 | 19,992,700 | 27,990,184 | 7,787 | 322,911 |
| | | | | | | 43,742,850 |

| Province / Region | 2020 | | | | | |
|--------------------------------|----------------|------------|------------|------------|-------------|--------------------------------|
| | Disbursements | Punjab | Sindh | KPK | Balochistan | AJK including Gilgit-Baltistan |
| | Rupees in '000 | | | | | |
| Punjab | 70,125,286 | 69,781,177 | 344,109 | - | - | - |
| Sindh | 27,779,118 | 41,788 | 27,737,330 | - | - | - |
| KPK including FATA | 49,159,219 | 51,773 | - | 21,685,312 | - | - |
| Balochistan | 12,603 | - | - | - | 12,603 | - |
| Islamabad | 6,001,079 | 771,796 | 177,001 | 635,878 | - | - |
| AJK including Gilgit-Baltistan | 316,025 | - | - | - | - | 316,025 |
| Total | 153,393,330 | 70,646,534 | 28,258,440 | 22,321,190 | 12,603 | 316,025 |
| | | | | | | 31,838,538 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

42.3 Market risk

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

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

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

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

42.3.1 Balance sheet split by trading and banking books

| | 2021 | | 2020 | | Total |
|---------------------------------------|-----------------------|--------------------|--------------------|-------------------|--------------------|
| | Banking book | Trading book | Banking book | Trading book | |
| | Rupees in '000 | | | | |
| Cash and balances with treasury banks | 17,375,313 | - | 15,840,359 | - | 17,375,313 |
| Balances with other banks | 12,114,583 | - | 9,092,355 | - | 12,114,583 |
| Lendings to financial institutions | 4,982,294 | - | 7,297,519 | - | 4,982,294 |
| Investments | 13,938,952 | 170,459,994 | 15,984,462 | 97,494,532 | 184,398,946 |
| Advances | 124,549,195 | - | 129,063,377 | - | 124,549,195 |
| Fixed assets | 5,137,202 | - | 3,472,025 | - | 5,137,202 |
| Intangible assets | 450,239 | - | 532,167 | - | 450,239 |
| Deferred tax assets | 992,412 | - | 459,902 | - | 992,412 |
| Other assets | 8,605,861 | - | 9,063,193 | - | 8,605,861 |
| | 188,146,051 | 170,459,994 | 190,805,359 | 97,494,532 | 358,606,045 |
| | | | | | 288,299,891 |

42.3.2 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, 2021

| | 2021 | | | | 2020 | | | |
|------------------------------|-------------------------|------------------------------|-------------------------|-------------------------------|-------------------------|------------------------------|-------------------------|-------------------------------|
| | Foreign currency assets | Foreign currency liabilities | Off-balance sheet items | Net foreign currency exposure | Foreign currency assets | Foreign currency liabilities | Off-balance sheet items | Net foreign currency exposure |
| | | | | Rupees in '000 | | | | |
| United States Dollar | 1,065,401 | 566,967 | 17,093,362 | 17,591,796 | 6,046,161 | 163,428 | 42,816,061 | 48,698,794 |
| Great Britain Pound Sterling | 141,211 | 80,025 | 252,086 | 313,272 | 36,591 | 35,823 | - | 768 |
| Japanese Yen | 187 | - | 21,481 | 21,668 | 117 | - | - | 117 |
| Euro | 28,059 | 15,292 | 1,028,945 | 1,041,712 | 17,682 | 20,434 | - | (2,752) |
| Other currencies | 145,702 | 109 | 468,544 | 614,137 | 196,111 | 47,488 | 56,260 | 204,883 |
| | 1,380,560 | 662,393 | 18,864,418 | 19,582,585 | 6,296,662 | 267,173 | 42,872,321 | 48,901,810 |

| | 2021 | | 2020 | |
|--|----------------|--------------|--------------|--------------|
| | Banking book | Trading book | Banking book | Trading book |
| | Rupees in '000 | | | |
| Impact of 1% change in foreign exchange rates on: | | | | |
| - Profit and loss account | - | 149 | - | 3,072 |
| - Other comprehensive income | - | - | - | - |

42.3.3 Equity position risk

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

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

| | 2021 | | 2020 | |
|---|----------------|--------------|--------------|--------------|
| | Banking book | Trading book | Banking book | Trading book |
| | Rupees in '000 | | | |
| Impact of 5% change in equity prices on: | | | | |
| - Profit and loss account | - | - | - | - |
| - Other comprehensive income | 7,329 | 18,277 | 11,955 | 12,334 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

42.3.4 Yield / interest rate risk in the banking book (IRRBB)-Basel II Specific

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

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

Major sources of interest rate risk are:

- i) differences between the timing of rate changes and the timing of cash flows (re-pricing risk);
- ii) changing rate relationships among different yield curves affecting bank activities (basis risk);
- iii) changing rate relationships across the range of maturities (yield curve risk); and
- iv) interest-related options embedded in bank products (options risk).

| | 2021 | | 2020 | |
|--|----------------|--------------|--------------|--------------|
| | Banking book | Trading book | Banking book | Trading book |
| | Rupees in '000 | | | |
| Impact of 1% change in interest rates on: | | | | |
| - Profit and loss account | 2,700,820 | - | 5,665,763 | - |
| - Other comprehensive income | - | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

42.3.5 Mismatch of interest rate sensitive assets and liabilities

| | 2021 | | | | | | | | | | 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 | |
| Rupees in '000 | | | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | |
| Assets | | | | | | | | | | | |
| Cash and balances with treasury banks | 17,375,313 | 84,815 | - | - | - | - | - | - | - | - | 17,290,498 |
| Balances with other banks | 12,114,583 | 9,625,867 | - | - | - | - | - | - | - | - | 2,488,716 |
| Lending to financial institutions | 4,982,294 | 4,982,294 | - | - | - | - | - | - | - | - | - |
| Investments | 184,398,946 | 24,060,288 | 47,183,468 | 9,035,450 | 47,157,694 | 18,786,753 | 5,128,130 | 25,261,072 | 3,838,710 | 1,766,447 | 2,180,934 |
| Advances | 124,549,195 | 10,878,576 | 10,860,909 | 6,016,070 | 16,633,643 | 51,457,410 | 2,733,015 | 16,669,053 | 5,488,397 | 3,812,122 | - |
| Other assets | 8,605,861 | - | - | - | - | - | - | - | - | - | 8,605,861 |
| | 352,026,192 | 49,631,840 | 58,044,377 | 15,051,520 | 63,791,337 | 70,244,163 | 7,861,145 | 41,830,125 | 9,327,107 | 5,578,569 | 30,566,009 |
| Liabilities | | | | | | | | | | | |
| Bills payable | 874,567 | - | - | - | - | - | - | - | - | - | 874,567 |
| Borrowings | 110,068,928 | 23,602,047 | 60,336,129 | 17,934,059 | 3,607,658 | 992,001 | 1,257,143 | 470,732 | 1,361,339 | 507,820 | - |
| Deposits and other accounts | 221,875,898 | 26,949,835 | 21,821,000 | 112,699,573 | 10,739,278 | 845,829 | 871,172 | 724,310 | - | 450,000 | 46,774,901 |
| Other liabilities | 9,216,778 | - | - | - | - | - | - | - | - | - | 9,216,778 |
| | 342,036,171 | 50,551,882 | 82,157,129 | 130,633,632 | 14,346,936 | 1,837,830 | 2,128,315 | 1,195,042 | 1,361,339 | 957,820 | 56,866,246 |
| On-balance sheet gap | 9,990,021 | (920,042) | (24,112,752) | (115,582,112) | 49,444,401 | 68,406,333 | 5,732,830 | 40,735,083 | 7,965,768 | 4,620,749 | (26,300,237) |
| Off-balance sheet financial instruments | | | | | | | | | | | |
| Commitments in respect of: | | | | | | | | | | | |
| - forward foreign exchange contracts purchases | 27,988,087 | - | - | - | - | - | - | - | - | - | 27,988,087 |
| - forward foreign exchange contracts sales | 28,215,426 | - | - | - | - | - | - | - | - | - | 28,215,426 |
| Off-balance sheet gap | (227,339) | - | - | - | - | - | - | - | - | - | (227,339) |
| Total yield/interest risk sensitivity gap | (920,042) | (24,112,752) | (115,582,112) | 49,444,401 | 68,406,333 | 5,732,830 | 40,735,083 | 7,965,768 | 4,620,749 | (26,300,237) | 9,990,021 |
| Cumulative yield / interest risk sensitivity gap | (920,042) | (25,032,794) | (140,614,906) | (91,170,505) | (22,764,172) | (17,031,342) | 23,703,741 | 31,669,509 | 36,290,258 | 9,990,021 | 9,990,021 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| | 2020 | | | | | | | | | | Non-interest bearing financial instruments | |
|---|---------------------------------|----------------------------------|---------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|--|----------------|
| | Effective Yield / Interest rate | Exposed to Yield / Interest risk | | | | | | | | | | |
| | | Total | Up to 1 Month | Over 1 to 3 Months | Over 3 to 6 Months | Over 6 Months to 1 Year | Over 1 to 2 Years | Over 2 to 3 Years | Over 3 to 5 Years | Over 5 to 10 Years | | Above 10 Years |
| Rupees in '000 | | | | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | |
| Cash and balances with treasury banks | 0.30% | 15,840,359 | 76,800 | - | - | - | - | - | - | - | - | 15,763,559 |
| Balances with other banks | 2.48% | 9,092,355 | 923,209 | 400,000 | - | - | - | - | - | - | - | 7,769,146 |
| Lending to financial institutions | 7.00% | 7,297,519 | 7,297,519 | - | - | - | - | - | - | - | - | - |
| Investments | 8.77% | 113,478,994 | 7,653,122 | 6,430,177 | 15,834,256 | 17,064,633 | 21,005,849 | 4,196,324 | 13,655,588 | 5,883,509 | 1,778,534 | 19,977,002 |
| Advances | 10.02% | 129,063,377 | 4,972,570 | 32,325,850 | 3,213,125 | 11,904,138 | 16,811,622 | 19,526,012 | 9,000,066 | 11,562,523 | 19,747,471 | - |
| Other assets | | 9,063,193 | - | - | - | - | - | - | - | - | - | 9,063,193 |
| | | 283,835,797 | 20,923,220 | 39,156,027 | 19,047,381 | 28,968,771 | 37,817,471 | 23,722,336 | 22,655,654 | 17,446,032 | 21,526,005 | 52,572,900 |
| Liabilities | | | | | | | | | | | | |
| Bills payable | | 944,140 | - | - | - | - | - | - | - | - | - | 944,140 |
| Borrowings | 6.31% | 57,063,018 | 17,830,088 | 9,081,839 | 4,684,697 | 18,679,572 | - | 1,079,096 | 2,707,726 | - | - | 3,000,000 |
| Deposits and other accounts | 6.18% | 203,071,658 | 22,948,108 | 13,593,809 | 95,989,494 | 27,387,024 | 322,656 | 242,114 | 1,181,454 | 450,000 | - | 40,956,999 |
| Other liabilities | | 9,449,525 | - | - | - | - | - | - | - | - | - | 9,449,525 |
| | | 270,528,341 | 40,778,196 | 22,675,648 | 100,674,191 | 46,066,596 | 322,656 | 1,321,210 | 3,889,180 | 450,000 | - | 54,350,664 |
| On-balance sheet gap | | 13,307,456 | (19,854,976) | 16,480,379 | (81,626,810) | (17,097,825) | 37,494,815 | 22,401,126 | 18,766,474 | 16,996,032 | 21,526,005 | (1,777,764) |
| Off-balance sheet financial instruments | | | | | | | | | | | | |
| Commitments in respect of: | | | | | | | | | | | | |
| - forward foreign exchange contracts purchases | | 16,291,144 | - | - | - | - | - | - | - | - | - | 16,291,144 |
| - forward foreign exchange contracts sales | | 22,481,606 | - | - | - | - | - | - | - | - | - | 22,481,606 |
| Off-balance sheet gap | | (6,190,462) | - | - | - | - | - | - | - | - | - | (6,190,462) |
| Total Yield / Interest Risk Sensitivity Gap | | (19,854,976) | 16,480,379 | (81,626,810) | (17,097,825) | 37,494,815 | 22,401,126 | 18,766,474 | 16,996,032 | 21,526,005 | (1,777,764) | |
| Cumulative Yield / Interest Risk Sensitivity Gap | | (19,854,976) | (3,374,597) | (85,001,407) | (102,099,232) | (64,604,417) | (42,203,291) | (23,436,817) | (6,440,785) | 15,085,220 | 13,307,457 | |

42.4 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 Risks 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 business support units of the bank and collaborates in determining and reviewing the risks, and suggests controls if required. Additionally, all the policies, procedures, products, and systems of the Bank are reviewed from the Enterprise risk management perspective, and the recommendations are taken into consideration before their approval. Enterprise Risk Management Division also perform scenario based Stress Testing and Capital allocation as per Basel Pillar II requirement on both Conventional and Islamic Banking portfolio for following Emerging Risks: 1) Penalty due AML/CFT Violations, 2) Losses due to Cybersecurity Breaches, 3) Losses due to Shariah Non-Compliance, 4) General Operational Losses.

Operational Risk Management Department currently following the Basic Indicator Approach (BIA) for assessing its operational risk capital charge. The Bank also has an approved operational risk policy in terms of SBP BPRD circular 04 of 2014. The Bank is using Risk-Nucleus software for conducting RCSA, assigning Action Plans and reporting of Loss Data. As part of pro-active operational risk management, The Operational Risk Management Department (ORMD) has conducted Bank wide RCSA workshops. The processes were thoroughly discussed with relevant stakeholders for any control failures/lapses. Based on the results of RCSAs, adequate Key Risk Indicators (KRIs) for various business lines are also developed and mapped with various risks. An Automated solution for incident reporting is duly in place and can be accessed by every employee of the bank for reporting of control breaches leading to losses. ORMD software application 'Risk Nucleus' is in the integration phase with compliance risk management software and will be enhanced version for Governance, Risk & Compliance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

42.4.1 Operational risk-disclosures Basel II specific

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

42.5 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 (LCR), Net Stable Funding Ratio (NSFR) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 2020 | | | | | | | | | | | | | |
|--|-------------|------------------|-------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------|
| Total | Upto 1 Day | Over 1 to 7 days | Over 7 to 14 days | Over 14 days to 1 Month | Over 1 to 2 Months | Over 2 to 3 Months | Over 3 to 6 Months | Over 6 to 9 Months | Over 9 months to 1 year | Over 1 to 2 years | Over 2 to 3 years | Over 3 to 5 years | Over 5 Years |
| Rupees in '000 | | | | | | | | | | | | | |
| Assets | | | | | | | | | | | | | |
| Cash and balances with treasury banks | 15,840,359 | - | - | - | - | - | - | - | - | - | - | - | - |
| Balances with other banks | 9,092,355 | 8,117,355 | 575,000 | - | - | 400,000 | - | - | - | - | - | - | - |
| Lending to financial institutions | 7,297,519 | - | 7,297,519 | - | - | - | - | - | - | - | - | - | - |
| Investments | 113,478,994 | 880,115 | 6,482,509 | 994,615 | 6,430,177 | 19,910,831 | 13,730,184 | 36,429 | 27,394,561 | 4,371,297 | 20,328,638 | 12,919,638 | 12,919,638 |
| Advances | 129,063,377 | 23,654,934 | 266,126 | 2,293,375 | 1,683,697 | 2,886,229 | 1,688,907 | 12,518,022 | 1,673,768 | 10,760,148 | 25,061,061 | 9,444,027 | 9,444,027 |
| Fixed assets | 3,472,025 | - | - | - | - | - | 193,993 | 193,993 | 383,872 | 566,109 | 492,125 | 1,641,933 | 1,641,933 |
| Intangible assets | 532,167 | - | - | - | - | - | - | - | - | - | - | - | 532,167 |
| Deferred tax assets | 459,902 | - | - | - | - | - | - | - | 459,902 | - | - | - | - |
| Other assets | 9,063,193 | 120,069 | 840,485 | 1,921,108 | 117,437 | 117,437 | 643,316 | - | 4,582,926 | - | - | - | - |
| | 288,299,891 | 48,612,832 | 8,284,060 | 7,927,018 | 5,209,298 | 3,403,666 | 57,658,006 | 12,748,444 | 34,495,029 | 15,697,554 | 45,881,824 | 24,537,765 | 24,537,765 |
| Liabilities | | | | | | | | | | | | | |
| Bills payable | 944,140 | 944,140 | - | - | - | - | - | - | - | - | - | - | - |
| Borrowings | 57,063,018 | 468,657 | 17,930,088 | 1,116,696 | 3,503,800 | 6,778,586 | 5,099,597 | 18,722,814 | - | 1,000,000 | 2,442,780 | - | - |
| Deposits and other accounts | 203,071,658 | 1,127,125 | 4,528,328 | 12,620,450 | 18,990,266 | 14,956,371 | 25,021,411 | 12,458,436 | 29,004,993 | 19,058,270 | 18,949,844 | 15,488,692 | 5,967,027 |
| Other liabilities | 9,449,525 | 291,098 | 1,746,586 | 4,657,562 | 121,415 | 121,415 | 232,826 | 116,976 | 116,977 | - | 6,987 | - | - |
| | 270,528,341 | 2,831,020 | 24,205,002 | 18,394,708 | 22,615,481 | 21,856,372 | 30,353,834 | 12,575,412 | 47,843,984 | 19,058,270 | 19,956,831 | 17,931,472 | 5,967,027 |
| Net assets | 17,771,550 | 45,781,812 | (15,920,942) | (13,185,410) | (14,384,170) | (18,452,706) | 27,304,172 | 3,037,672 | (35,095,540) | 15,436,759 | (4,259,277) | 27,950,352 | 18,570,738 |
| Share capital | 10,002,524 | - | - | - | - | - | - | - | - | - | - | - | - |
| Reserves | 3,335,048 | - | - | - | - | - | - | - | - | - | - | - | - |
| Unappropriated profit | 3,267,017 | - | - | - | - | - | - | - | - | - | - | - | - |
| Surplus/(deficit) on revaluation of assets | 1,166,961 | - | - | - | - | - | - | - | - | - | - | - | - |
| | 17,771,550 | - | - | - | - | - | - | - | - | - | - | - | - |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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

2021

| | Total | Rupees in '000 | | | | | | | | | | | |
|---|-------------|----------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|---|---|---|
| | | 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 | | | |
| Assets | | | | | | | | | | | | | |
| Cash and balances with treasury banks | 17,375,313 | 17,375,313 | - | - | - | - | - | - | - | - | - | - | - |
| Balances with other banks | 12,114,583 | 12,114,583 | - | - | - | - | - | - | - | - | - | - | - |
| Lending to financial institutions | 4,982,294 | 4,982,294 | - | - | - | - | - | - | - | - | - | - | - |
| Investments | 184,398,946 | 24,060,287 | 48,352,179 | 9,035,450 | 47,854,701 | 18,624,853 | 5,605,247 | 25,261,072 | 3,838,710 | 1,766,447 | | | |
| Advances | 124,549,195 | 10,878,575 | 10,860,909 | 6,016,070 | 16,633,644 | 51,457,410 | 2,733,015 | 16,669,053 | 5,488,397 | 3,812,122 | | | |
| Fixed assets | 5,137,202 | 16 | 285 | 1,554 | 5,961 | 23,260 | 37,652 | 1,240,709 | 597,654 | 3,230,111 | | | |
| Intangible assets | 450,239 | - | - | - | - | - | 18,342 | 18,156 | - | - | | | |
| Deferred tax assets | 992,412 | - | - | - | - | - | 992,412 | - | - | - | | | |
| Other assets | 8,605,861 | 2,629,014 | 5,616,737 | 289,615 | 67,608 | 2,887 | - | - | - | - | | | |
| | 358,606,045 | 72,040,082 | 64,830,110 | 15,342,689 | 64,561,914 | 71,119,164 | 8,394,070 | 43,170,834 | 10,338,502 | 8,808,680 | | | |
| Liabilities | | | | | | | | | | | | | |
| Bills payable | 874,567 | 874,567 | - | - | - | - | - | - | - | - | - | - | |
| Borrowings | 110,068,928 | 23,602,047 | 60,336,129 | 17,934,059 | 3,607,658 | 992,001 | 1,257,143 | 470,732 | 1,361,339 | 507,820 | | | |
| Deposits and other accounts | 221,875,898 | 73,724,736 | 21,821,000 | 112,699,573 | 10,739,278 | 845,829 | 871,172 | 724,310 | - | 450,000 | | | |
| Other liabilities | 9,216,778 | 5,854,973 | 2,673,073 | 599,550 | 83,039 | 6,143 | - | - | - | - | | | |
| Net assets | 342,036,171 | 104,056,323 | 84,830,202 | 131,233,182 | 14,429,975 | 1,843,973 | 2,128,315 | 1,195,042 | 1,361,339 | 957,820 | | | |
| | 16,569,874 | (32,016,241) | (20,000,092) | (115,890,493) | 50,131,939 | 69,275,191 | 6,265,755 | 41,975,792 | 8,977,163 | 7,850,860 | | | |
| Share capital | 10,502,710 | | | | | | | | | | | | |
| Reserves | 3,555,773 | | | | | | | | | | | | |
| Unappropriated profit | 2,160,774 | | | | | | | | | | | | |
| Surplus/(Deficit) on revaluation of assets | 350,617 | | | | | | | | | | | | |
| | 16,569,874 | | | | | | | | | | | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2020

| Total | Rupees in '000 | | | | | | | | | | |
|--|----------------|--------------------|--------------------|-------------------------|-------------------|-------------------|-------------------|--------------------|----------------|---|---|
| | 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 | | |
| Assets | | | | | | | | | | | |
| Cash and balances with treasury banks | 15,840,359 | - | - | - | - | - | - | - | - | - | - |
| Balances with other banks | 9,092,355 | 400,000 | - | - | - | - | - | - | - | - | - |
| Lending to financial institutions | 7,297,519 | - | - | - | - | - | - | - | - | - | - |
| Investments | 113,478,994 | 6,881,696 | 15,834,256 | 17,101,062 | 28,011,717 | 4,574,814 | 20,502,688 | 11,141,104 | 1,778,535 | | |
| Advances | 129,063,377 | 32,325,850 | 3,213,125 | 11,904,138 | 16,811,622 | 19,526,012 | 9,000,066 | 11,562,523 | 19,747,471 | | |
| Fixed assets | 3,472,025 | - | - | 363,439 | 359,584 | 530,291 | 460,988 | 502,296 | 1,255,427 | | |
| Intangible assets | 532,167 | - | - | - | - | - | - | - | 532,167 | | |
| Deferred tax assets | 459,902 | - | - | - | 459,902 | - | - | - | - | | |
| Other assets | 9,063,193 | 4,176,198 | 575,685 | 7 | 4,101,121 | - | - | - | - | | |
| | 288,299,891 | 48,632,123 | 19,623,066 | 29,368,646 | 49,743,946 | 24,631,117 | 29,963,742 | 23,738,090 | 22,781,433 | | |
| Liabilities | | | | | | | | | | | |
| Bills payable | 944,140 | - | - | - | - | - | - | - | - | - | |
| Borrowings | 57,063,018 | 12,081,839 | 4,684,697 | 18,679,572 | - | 1,079,096 | 2,707,726 | - | - | - | |
| Deposits and other accounts | 203,071,658 | 13,593,809 | 95,989,494 | 27,387,022 | 322,656 | 242,114 | 1,181,456 | 450,000 | - | - | |
| Other liabilities | 9,449,525 | 217,157 | 208,211 | 209,217 | - | 6,241 | - | - | - | - | |
| Net assets | 270,528,341 | 91,488,034 | 100,882,402 | 46,275,811 | 322,656 | 1,327,451 | 3,889,182 | 450,000 | - | - | |
| | 17,771,550 | (42,855,911) | 13,924,923 | (16,907,165) | 49,421,290 | 23,303,666 | 26,074,560 | 23,288,090 | 22,781,433 | | |
| Share capital | 10,002,524 | | | | | | | | | | |
| Reserves | 3,335,048 | | | | | | | | | | |
| Unappropriated profit | 3,267,017 | | | | | | | | | | |
| Surplus/(Deficit) on revaluation of assets | 1,166,961 | | | | | | | | | | |
| | 17,771,550 | | | | | | | | | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

42.6 Derivative risk

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

- Currently Bank of Khyber is not dedicatedly involved in Derivatives business or trading however it operates in foreign currency forwards and swaps, a type of financial derivatives. The risk/return attributes of financial derivatives are discussed.
- In our banking industry derivatives desk is operated within treasury business through competent resources in terms of adequate systems and qualified human resources.
- The responsibility to monitor and contain the risks in derivatives business resides with Enterprise Risk Management Division. The Risks associated with Financial Derivatives business are:

Credit Risk:

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

Market Risk:

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

Operational Risk:

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

43 Environment and social risk management / green banking

Environmental Risk is actual or potential threats of adverse effects on the environment and living organisms by effluents, emissions, wastes, chemical releases, resource depletion, etc. arising out of the Bank or its clients' operational activities. Green Banking Objective is to reduce vulnerability of the portfolio performance from the risks arising due to climate change and by transforming into resource efficient and sustainable financing institution.

A dedicated Environmental Risk Management Department is established under Enterprise Risk Management Division for identification, vetting, and approving projects from an Environmental Risk Management (ERMs) perspective. Enterprise Risk Management Division has developed its 'Internal Environmental Risk Management System' (ERMS) which is comprising of environmental due diligence, and Environmental Risk Rating to segregate high, medium, and low-risk areas and sectors. The bank has gradually started bringing its customers into the environmental compliances by assessing and advising corrective action plans, and transformation of Environment Friendly Business Models. This ERMS is an integral part of the credit approval process. All the relevant credit proposals require review of the Environmental Risk department before Head Office Credit Committee (HOCC) approval. The ERMS primarily requires that any relevant lending opportunity is to be reviewed and evaluated under Environmental Due Diligence procedure, Environmental Risk Avoidance list, applicable national laws on environment, health, safety, and social issues, and customer must provide Undertaking to ensure compliance of Environmental Risk Covenants. The undertaking consisting of Environmental Risk Covenants is now made part of the agreements with customer to legally bind the customer to comply with all the national and local environmental rules and regulations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Social responsibility in the financial sector has evolved and its significance has increased considerably in the past couple of decades. In order to meet the evolved social obligations, BOK has initiated various activities focusing on environmental preservation and energy conservation. The Bank aims to promote the concept of own impact reduction, paperless culture, carbon emissions reduction and encouraging plantation. Being a socially responsible Bank, we are keen to provide our input in reduction of emissions, increase in awareness through environment friendly practices and reducing our own carbon footprint through establishment of Solar powered ATMs. To reduce its own environmental risk impact, the Bank has converted its six branches totally to renewable energy system i.e. on solar system. All the branches and Head Office have successfully shifted to core banking system that has made day to day operations digital and eco-friendly.

The Bank has provided renewable energy (Solar) financing facilities for households, corporate, SME Agriculture Business (solar tube wells), and Drip Technology based Agri financing. Branches have been instructed to use energy efficiently through managing equipment, lesser use of paper, and encouraging plantation in the vicinity of the Branches. Branches are also advised to arrange meetings in order to raise awareness among the staff regarding conservation of energy and environmental protection. Finally, marketing activities are to be carried out using digital medium such as social media. The Bank has developed digital banking solutions with an aim to integrate paperless culture within the Bank as well as among the customers.

44 EVENTS AFTER THE REPORTING DATE

The board of directors of the Bank in their meeting held on March 04, 2022 have proposed a cash dividend of Rs. Nil (2020: Rs.1.50 per share) and issue of bonus shares in the proportion of 5 ordinary share(s) for every 100 share(s) held i.e. 5% in respect of 2021 (2020: 5 ordinary share(s) for every 100 share(s) i.e. 5%) to be approved in the forthcoming Annual General Meeting.

45 GENERAL

Comparative information has been re-classified, re-arranged or additionally incorporated in these financial statements for the purpose of better presentation.

46 DATE OF AUTHORIZATION FOR ISSUE

The financial statements were authorized for issue on March 04, 2022 by the Board of Directors of the Bank.



Managing Director



Chief Financial Officer



Director



Director



Chairman

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021

| 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 | Ehsan Elahi Bhutta House No. 637, Askari 9, Zarar Shaheed Road, Lahore. | Mr. Ehsan Ilahi Bhutta CNIC 17301-9635881-9 | S/o Masood Javed Bhutta | 11.762 | - | - | 11.762 | - | 2.427 | 2.427 | |
| 2 | Amson Vaccines & Pharma (Pvt) Ltd. 154, Industrial Triangle Kahuta Road, Islamabad | 1. Mr. Shamim Ahmad Khan CNIC 37405-9227345-7 2. Syed Saleem Asghar CNIC 37405-0386356-5 3. Mr. Noman Shamim CNIC 37405-0508257-1 | S/o Abdul Majeed Khan S/o Asghar Ali Sagheer S/o Shamim Ahmad Khan | - | 23.080 | - | 23.080 | - | 4.417 | 4.417 | |
| 3 | Glory Motors (Pvt) Ltd. House No. 298, Block-02, Sector C-1, Quaid-e-Azam, Town, Township, Lahore. | 1. Mian Shamshad Mahmood CNIC 35020-2953276-3 2. Usman Mehmood CNIC 35202-2953240-5 | S/o Mian Riaz Mehmood S/o Mian Shamshad Mehmood | 19.995 | 1.497 | - | 21.492 | - | 1.380 | 1.380 | |
| 4 | Banwa & Sons 26 M Industrial Estate Kot Lakhn Pat Lahore | Mr Raja Khalid Hussain Banwa CNIC 54400-0443632-9 | S/o Raja Walayat Hussain | 9.969 | 6.240 | - | 16.209 | - | 1.224 | 1.224 | |
| 5 | Celest Restaurant & Café 3 A Park Avenue University Town Peshawar | 1. Mr. M. Umer Khan CNIC 17301-5316077-3 2. Mr. Imran Khan CNIC 17301-9934830-3 3. Mrs. Nuzhat Ruaf CNIC 17301-4296080-2 4. Ms Reema Khan CNIC 17301-4874635-1 | S/o Habbib Ullah Khan S/o Abdul Rauf W/o Abdul Rauf D/o Abdul Rauf | 5.688 | 1.430 | - | 7.118 | - | 1.896 | 1.896 | |
| 6 | Shama Food Products Dewan Wala Chowk, Near New Ghalla Mandi, Defence Road, Sialkot. | Mr. Javid Iqbal CNIC 34603-2320833-7 | S/o Faqeer Muhammad | 23.998 | 3.561 | - | 27.559 | - | 16.306 | 16.306 | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021

| 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 |
| | | | | | | | | | | | |
| 7 | Al-Falah Flour Mills Dewan Wala Chowk, Near New Ghalla Mandi, Defence Road, Sialkot | 1. Mr. Javid Iqbal CNIC 34603-2320833-7 2. Mr. Mubashir Iqbal CNIC 34603-1878397-1 3. Mr. Muhammad Ismail CNIC 34603-1964942-1 4. Mr. Ali Akbar CNIC 34603-4908889-9 | S/o Faqeer Muhammad S/o Faqeer Muhammad S/o Faqeer Muhammad S/o Faqeer Muhammad | 39.991 | 5.934 | - | 45.925 | 27.172 | 27.172 | | |
| 8 | Zafar & Brothers Ghalla Mandi, Sialkot | Mr. Zafar Iqbal CNIC 34603-5596273-1 | S/o Faqeer Muhammad | 3.000 | 0.384 | - | 3.384 | 1.966 | 1.966 | | |
| 9 | Sweet Home Builders & Property Dealers Ground Floor, Canal Plaza, Street # 02, Nasir Bagh Road, Peshawar. | 1. Mr. Mujeeb-ur-Rehman CNIC 17301-6090079-7 2. Mst. Nusrat Ara CNIC 17301-6286373-6 3. Mr. Fazal-ur-Rehman CNIC 17301-2028548-1 | S/o Fazal-ur-Rehman W/o Fazle Hadi (Mortgagor) S/o Habib Khan (Mortgagor) | 2.610 | 1.941 | - | 4.551 | 2.866 | 2.866 | | |
| 10 | Haji Khana Gul Fruit Sabzi Dealer Shop # 4, 5 & 6, New Sabzi Market, Tehsil Thall, District Hangu. | Mr. Khaliq-ur-Rehman CNIC 37405-5682143-1 | S/o Haji Fazal Rehman | - | - | - | - | 3.096 | 3.096 | | |
| 11 | M. Abrar Malik & Company Banglow No.2, Street No.17, Shahdria Town, Lahore. | 1. Mr. Muhammad Abrar Malik CNIC 35202-0910193-7 2. Mr. Rizwan Rizwan Malik CNIC 35202-5504066-1 3. Ms Raheela Rizwan CNIC 35202-0495658-0 4. Ms Aneela Abrar CNIC 35202-0152745-4 | S/o Malik Abdul Rahim S/o Malik Abdul Rahim W/o Muhammad Rizwan Malik W/o Muhammad Abrar Malik | 2.094 | 3.579 | - | 5.673 | 3.704 | 3.704 | | |
| 12 | Sidra Rice Mills Mouza Gunna Klan, Pasrur Road, Sialkot, Tehsil & District Sialkot. | 1. Javed Ahmad Dar CNIC 34603-7517798-7 2. Waqas Javed Dar CNIC 34603-4710623-1 3. Mr. Abbas Javed Dar CNIC 34603-2071321-5 | S/o Muhammad Hanif S/o Javed Ahmed S/o Javed Ahmed | 59.992 | - | - | 59.992 | 21.679 | 21.679 | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Annexure - II

ISLAMIC BANKING BUSINESS

The Bank is operating 110 (2020: 91) Islamic banking branches and 39 (2020: 39) Islamic banking windows at the end of the year.

| | Note | 2021 | 2020 |
|--|------|--------------------|-------------------|
| | | Rupees in '000 | |
| ASSETS | | | |
| Cash and balances with treasury banks | | 7,987,067 | 4,472,537 |
| Balances with other banks | | 9,675,971 | 4,220,835 |
| Due from financial institutions | 1 | - | - |
| Investments | 2 | 30,485,600 | 18,981,353 |
| Islamic financing and related assets - net | 3 | 60,469,280 | 48,422,578 |
| Fixed assets | | 877,386 | 511,040 |
| Intangible assets | | - | 1,007 |
| Due from head office | | 194,812 | - |
| Other assets | | 3,984,244 | 3,733,109 |
| Total Assets | | 113,674,360 | 80,342,459 |
| LIABILITIES | | | |
| Bills payable | | 315,084 | 302,807 |
| Due to financial institutions | | 29,404,393 | 10,427,385 |
| Deposits and other accounts | 4 | 75,372,840 | 58,999,639 |
| Due to head office | | - | 148,459 |
| Other liabilities | 5 | 2,772,583 | 3,867,398 |
| | | 107,864,900 | 73,745,688 |
| NET ASSETS | | 5,809,460 | 6,596,771 |
| REPRESENTED BY | | | |
| Islamic banking fund | | 1,000,000 | 1,000,000 |
| Reserves | | 35,263 | 46,698 |
| (Deficit) / Surplus on revaluation of assets | | (36,198) | 10,364 |
| Unappropriated profit | 6 | 4,810,395 | 5,539,709 |
| | | 5,809,460 | 6,596,771 |
| CONTINGENCIES AND COMMITMENTS | 7 | | |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2021 is as follows:

| | Note | 2021 Rupees in '000 | 2020 |
|---------------------------|------|------------------------|-----------|
| Profit / return earned | 8 | 6,027,599 | 6,326,890 |
| Profit / return expensed | 9 | 2,742,683 | 2,912,326 |
| Net profit / return | | 3,284,916 | 3,414,564 |
| OTHER INCOME | | | |
| Fee and commission income | | 124,882 | 89,145 |
| Dividend income | | 14,941 | 590 |
| Foreign exchange income | | 148,100 | 225,791 |
| Gain on securities | | 940 | 21,774 |
| Other income | | 88,414 | 67,926 |
| | | 377,277 | 405,226 |
| | | 3,662,193 | 3,819,790 |
| OTHER CHARGES | | | |
| Operating expenses | | 2,387,257 | 1,956,646 |
| Other charges | | 127 | - |
| | | 2,387,384 | 1,956,646 |
| Profit before provisions | | 1,274,809 | 1,863,144 |
| Reversals / (Provisions) | | 262,877 | (471,441) |
| Profit before taxation | | 1,537,686 | 1,391,703 |
| Taxation | | 599,698 | 557,979 |
| Profit after taxation | | 937,988 | 833,724 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 3.1.1 Ijarah under IFAS 2 | 2021 | | | | Rupees in '000 | | |
|---------------------------|------------------------|------------------------------|-------------------------|----------------------------------|----------------|-------------------------|------------------------------------|
| | As at January 01, 2021 | Cost Additions / (deletions) | As at December 31, 2021 | Depreciation Charge for the year | | As at December 31, 2021 | Book value as at December 31, 2021 |
| Plant and machinery | 491,843 | (168,468) | 323,375 | (99,864) | 226,518 | 126,654 | 196,721 |
| Vehicles | 1,061,854 | (296,248) | 765,606 | (91,159) | 517,147 | 425,988 | 339,618 |
| Housing | 1,536 | (1,536) | - | (1,015) | 1,015 | - | - |
| Total | 1,555,233 | (466,252) | 1,088,981 | (192,038) | 744,680 | 552,642 | 536,339 |

| 2020 | 2020 | | | | Rupees in '000 | | |
|---------------------|------------------------|------------------------------|-------------------------|----------------------------------|----------------|-------------------------|------------------------------------|
| | As at January 01, 2020 | Cost Additions / (deletions) | As at December 31, 2020 | Depreciation Charge for the year | | As at December 31, 2020 | Book value as at December 31, 2020 |
| Plant and Machinery | 541,635 | (49,792) | 491,843 | 48,786 | 177,732 | 226,518 | 265,325 |
| Vehicles | 1,253,710 | (191,856) | 1,061,854 | (42,271) | 559,418 | 517,147 | 544,707 |
| Housing | 1,536 | - | 1,536 | 22 | 993 | 1,015 | 521 |
| Total | 1,796,881 | (241,648) | 1,555,233 | 6,537 | 738,143 | 744,680 | 810,553 |

Future Ijarah rental receivable

Ijarah assets under IFAS-2 are stated at cost of Rs. 1,088,981 million (2020: Rs. 1,555,233 million) less accumulated depreciation of Rs. 552,642 million (2020: Rs. 744,680 million) in accordance with the SBP letter no. BPRD/BRLD-04/2008-6268.

3.1.2 Net investment in Ijarah under finance method

| | 2021 | | | 2020 | | |
|-----------------------------|-------------------------|---|---------|-------------------------|---|-------|
| | Not later than one year | Later than one and less than five years | Total | Not later than one year | Later than one and less than five years | Total |
| Ijarah rentals receivable | 3,918 | 1,343 | 5,261 | 3,738 | 1,178 | 4,916 |
| Residual value | 15 | 20 | 35 | 15 | 20 | 35 |
| Minimum Ijarah rentals | 3,933 | 1,363 | 5,296 | 3,753 | 1,198 | 4,951 |
| Profit for future periods | (674) | (521) | (1,195) | (139) | (291) | (430) |
| Ijarah under finance method | 3,259 | 842 | 4,101 | 3,614 | 907 | 4,521 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| | Note | 2021 | 2020 |
|---|-------|------------------|-----------|
| | | Rupees in '000 | |
| 3.2 Murabaha | | | |
| Murabaha financing | 3.2.1 | 1,209,777 | 1,081,627 |
| Advances for Murabaha | | 346,761 | 141,256 |
| | | 1,556,538 | 1,222,883 |
| 3.2.1 | | | |
| Murabaha receivable - gross | 3.2.2 | 1,209,777 | 1,081,627 |
| Less: Deferred Murabaha income | 3.2.4 | 48,753 | 88,581 |
| Profit receivable shown in other assets | | 21,178 | 4,286 |
| Murabaha financings | | 1,182,202 | 997,332 |
| 3.2.2 | | | |
| The movement in Murabaha financing during the year is as follows: | | | |
| Opening balance | | 1,081,627 | 2,755,468 |
| Sales during the year | | 965,347 | 4,367,079 |
| Adjusted during the year | | 837,197 | 6,040,920 |
| Closing balance | | 1,209,777 | 1,081,627 |
| 3.2.3 | | | |
| Murabaha sale price | | 965,347 | 4,382,056 |
| Murabaha purchase price | | 837,197 | 4,213,914 |
| | | 128,150 | 168,142 |
| 3.2.4 | | | |
| Deferred murabaha income | | | |
| Opening balance | | 88,581 | 134,309 |
| Arising during the year | | 45,811 | 160,175 |
| Less: Recognized during the year | | 85,639 | 205,903 |
| Closing balance | | 48,753 | 88,581 |
| 3.3 Istisna | | | |
| Advance against Istisna | | 4,457,497 | 3,426,146 |
| Istisna Inventory | | 296,660 | 50,000 |
| Istisna sales receivable | | 435,000 | 600,371 |
| | | 5,189,157 | 4,076,517 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| | | 2021 | 2020 |
|------------|---|------------------|------------------|
| 5 | Other liabilities | Rupees in '000 | |
| | Note | | |
| | Profit payable in local currency | 195,340 | 239,828 |
| | Islamic Pool Management Reserves | 95,445 | 103,444 |
| | Unearned commission income | 36,534 | 14,585 |
| | Accrued expenses and supplier payables | 896,918 | 663,917 |
| | Deferred income murabaha | 19 84,199 | 98,239 |
| | Un-earned Bai Muajjal Sukuk | 19 138,896 | 985,026 |
| | Security deposit against Ijarah | 19 218,380 | 294,956 |
| | Charity fund | 5.1 7,648 | 10,227 |
| | Tax payable | 599,660 | 558,021 |
| | Lease liability | 366,794 | 346,081 |
| | Bills payment system over the counter (BPS-OTC) | 10,381 | 527,007 |
| | Clearing and settlement accounts | 25,807 | 9,211 |
| | Levies and other taxes payable | 18,552 | 2,637 |
| | Acceptances | 14,386 | - |
| | Income reserve | - | 8,622 |
| | Others | 63,643 | 5,597 |
| | | 2,772,583 | 3,867,398 |
| 5.1 | Charity fund | | |
| | Opening balance | 10,227 | 21,594 |
| | Additions during the year | | |
| | Received from customers on account of delayed payment | 4,449 | 9,610 |
| | Other Non-Shariah compliant income | 1,366 | 1,051 |
| | Others | 88 | 1,300 |
| | | 5,903 | 11,961 |
| | Payments / utilization during the year | | |
| | Welfare | 8,482 | 23,328 |
| | Health | - | - |
| | | 8,482 | 23,328 |
| | Closing balance | 7,648 | 10,227 |
| 6 | Islamic banking business unappropriated profit | | |
| | Opening balance | 5,539,709 | 6,033,117 |
| | Add: Islamic banking profit for the year | 1,537,686 | 1,391,703 |
| | Less: Taxation | (599,698) | (557,979) |
| | Less: Transferred to HO | (1,667,302) | (1,327,132) |
| | Closing balance | 4,810,395 | 5,539,709 |
| 7 | Contingencies and commitments | | |
| | -Guarantees | 5,460,308 | 3,765,062 |
| | -Commitments | 1,322,560 | 864,538 |
| | | 6,782,868 | 4,629,600 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| 8 | Profit / return earned on financing, investments and placements | 2021 | 2020 |
|----------|--|------------------|-----------|
| | | Rupees in '000 | |
| | Profit earned on: | | |
| | Financing | 3,909,881 | 4,536,049 |
| | Investments | 1,983,171 | 1,629,592 |
| | Placements | 134,547 | 161,249 |
| | | 6,027,599 | 6,326,890 |
| 9 | Profit on deposits and other dues expensed | | |
| | Deposits and other accounts | 1,968,900 | 2,093,577 |
| | Due to Financial Institutions | 734,281 | 773,072 |
| | Unwinding of discount - IFRS 16 | 39,502 | 45,677 |
| | | 2,742,683 | 2,912,326 |

10 Pool management

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

General pool

Sub-pools

- i. Riba Free Special Deposit Pool - 1
- ii. Riba Free Special Deposit Pool - 2
- iii. Riba Free Special Deposit Pool - Treasury Interbank
- iv. Riba Free Special Deposit Pool - Corporate - 1
- v. Riba Free Special Deposit Pool - Corporate - 2
- vi. Riba Free Special Deposit Pool - Corporate - 3
- vii. Riba Free Special Deposit Pool - Corporate - 4
- viii. Riba Free Special Deposit Pool - Corporate - 5
- ix. Riba Free Special Deposit Pool - Corporate - 6
- x. Riba Free Special Deposit Pool - Corporate - 7
- xi. Riba free special deposit pool - Mutual fund / FI
- xii. RFSD - Daily Product - 1 Pool
- xiii. RFSD - Daily Product - 3 Pool
- xiv. RFSD - Daily Product - 4 Pool
- xv. RFSD - Daily Product - 5 Pool
- xvi. RFSD - Daily Product - 6 Pool
- xvii. Khyber Islamic Investment Certificates-1
- xviii. Khyber Islamic Investment Certificates-2
- xix. Raast Financial Institutions Pool
- xx. RFSD TMA Pool
- xxi. RFSD - Itminan Mahana Certificate - pool
- xxii. Riba free special deposit pool - Islamic export refinance security (IERS)
- xxiii. Riba free special deposit pool - Profit Equalization Reserves (PER)
- xxiv. Riba free special deposit pool - Investment Risk Reserves (IRR)
- xxv. General Pool (FCY)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

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.

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:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Weightages are declared five days before start of each month.

As per policy of the Bank, No gift (Hiba) is given in favour of any particular customer or a particular class or category of customers/investors. However, bank reduced its own share of the bank's additional profit which is less than 60% of the Bank's additional profit ratio. The total Hiba amount of Rs. 72.08 million (6.15%) is distributed during the year.

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

| | 2021 | 2020 |
|--|------------------|-----------|
| | Rupees in '000 | |
| Gross profit earned | 6,404,876 | 6,732,116 |
| Administrative expenses | 2,387,384 | 1,956,646 |
| Distributable share | 4,017,492 | 4,775,470 |
| Profit paid to IAH/PLS depositors | 2,742,683 | 2,912,326 |

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. 35.263 million (December 31, 2020: Rs. 46.698 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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

| | 2021 | 2020 |
|---|-----------------------|------------|
| Financings | Rupees in '000 | |
| Agribusiness | 515,423 | 588,645 |
| Chemical and pharmaceuticals | 506,969 | 505,134 |
| Cement | 3,040,295 | 3,250,295 |
| Textile | 5,165,432 | 3,796,825 |
| Automobile and transportation equipment | 532,362 | 276,658 |
| Ghee/cooking oil | 100,000 | - |
| Petro chemical | 21,403 | 17,872 |
| Housing | 852,218 | 615,303 |
| Manufacturing of match | 120,000 | - |
| Miscellaneous manufacturing | 3,041,626 | 2,641,315 |
| Personal | 655,556 | 558,223 |
| Construction | 337,475 | 356,000 |
| Tradings | 3,271,592 | 1,153,490 |
| Services | 169,764 | 174,578 |
| Auto loans | 454,829 | 317,501 |
| Metal products | 750,000 | 892,857 |
| Commodity finance | 40,000,000 | 33,674,999 |
| CNG station / gas | 18,911 | 37,238 |
| Consumer finance | 84,064 | 173,914 |
| Others | 1,178,217 | 1,464 |
| | 60,816,136 | 49,032,311 |
| Investments | | |
| GOP Ijarah Sukuk | 18,353,075 | 6,497,100 |
| Bai Muajjal | 6,388,711 | 6,388,711 |
| Power / electric / gas | 5,093,750 | 5,644,023 |
| Others | 650,064 | 451,519 |
| | 30,485,600 | 18,981,353 |
| | 91,301,736 | 68,013,664 |

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

Annexure - III

| Quality of available for sale securities - Ordinary shares | 2021 | | 2020 | |
|--|-----------------------|----------------|---------|--------------|
| | Cost | Market value | Cost | Market value |
| Listed Companies | Rupees in '000 | | | |
| Automobile parts and accessories | 6,903 | 5,011 | - | - |
| Cable and Electrical Goods | 19,324 | 11,485 | 3,996 | 4,013 |
| Cement | 36,827 | 25,194 | 14,071 | 14,343 |
| Chemical | 6 | 135 | 6,024 | 6,087 |
| Commercial Banks | 32,575 | 31,729 | 47,191 | 45,114 |
| Engineering | 18,339 | 12,618 | 23,019 | 23,567 |
| Fertilizer | - | - | 80,205 | 77,343 |
| Food and personal care products | 24,548 | 17,301 | 5 | 131 |
| Glass & Ceramics | 4,523 | 4,341 | 2,429 | 2,736 |
| Insurance | - | - | 5,000 | - |
| Investment banks / Investment Companies / | 162,185 | 48,024 | 274,685 | 93,359 |
| Leather and Tanneries | - | 106 | - | - |
| Oil and Gas Exploration Companies | 34,778 | 29,454 | 38,657 | 36,459 |
| Oil and gas marketing companies | 52,139 | 37,611 | 15,086 | 12,114 |
| Paper and board | - | 297 | - | 297 |
| Power Generation and Distribution | 5,138 | 4,300 | 16,047 | 16,206 |
| Refinery Ltd | 125,558 | 77,070 | - | - |
| Technology & Communication | 20,341 | 14,738 | - | - |
| Transport | 30,120 | 18,400 | - | - |
| Textile composite | 32,823 | 27,209 | 15 | 200 |
| Textile spinning | 23 | 270 | 23 | 298 |
| Textile weaving | 4,607 | 4,872 | - | 478 |
| Vanaspati and allied industries | 22,147 | 13,266 | - | 16 |
| Miscellaneous | 9,800 | 6,846 | - | - |
| | 642,704 | 390,277 | 526,453 | 332,761 |

The above list excludes the shares held by the Bank which are carried at Nil value.

| Un-Listed Companies | 2021 | | 2020 | |
|---------------------------------------|-----------------------|---------------|---------|---------------|
| | Cost | Breakup value | Cost | Breakup value |
| | Rupees in '000 | | | |
| Dawood Family Takaful | 112,500 | 73,694 | 112,500 | 56,250 |
| Trust Investment Bank | 75,000 | - | - | - |
| Saudi Pak Leasing - Preference Shares | 195,000 | - | 195,000 | - |
| Mohib Textile Mills Limited | 25,000 | - | 25,000 | - |
| Mohib Exports Limited | 487 | - | 487 | - |
| Asian Housing Finance Limited | 5,000 | - | 5,000 | - |
| Caravan East Fabric Limited | 9,487 | - | 9,487 | - |
| Business & Industrial Insurance | 5,000 | - | - | - |
| Hafiz Textile Mills | 5 | - | - | - |
| Syed Match Company Limited | 7 | 7 | 7 | 7 |
| Total | 427,486 | 73,701 | 347,481 | 56,257 |

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

PATTERN OF SHAREHOLDING

AS AT DECEMBER 31, 2021

| NO. OF SHAREHOLDERS | <---- HAVING SHARES ----> | | SHARES HELD | PERCENTAGE |
|---------------------|---------------------------|---------------|-------------|------------|
| | From | To | | |
| 936 | 1 | 100 | 43345 | 0.0041 |
| 9704 | 101 | 500 | 1816207 | 0.1729 |
| 14855 | 501 | 1000 | 14103951 | 1.3427 |
| 2122 | 1001 | 5000 | 4474347 | 0.4260 |
| 128 | 5001 | 10000 | 897863 | 0.0855 |
| 42 | 10001 | 15000 | 507397 | 0.0483 |
| 37 | 15001 | 20000 | 628192 | 0.0598 |
| 12 | 20001 | 25000 | 272911 | 0.0260 |
| 6 | 25001 | 30000 | 157756 | 0.0150 |
| 5 | 30001 | 35000 | 160542 | 0.0153 |
| 3 | 35001 | 40000 | 115487 | 0.0110 |
| 2 | 40001 | 45000 | 88445 | 0.0084 |
| 2 | 45001 | 50000 | 97408 | 0.0093 |
| 1 | 50001 | 55000 | 51822 | 0.0049 |
| 3 | 55001 | 60000 | 173269 | 0.0165 |
| 1 | 65001 | 70000 | 65381 | 0.0062 |
| 1 | 70001 | 75000 | 70500 | 0.0067 |
| 1 | 80001 | 85000 | 84000 | 0.0080 |
| 2 | 85001 | 90000 | 174776 | 0.0166 |
| 1 | 100001 | 105000 | 105000 | 0.0100 |
| 1 | 110001 | 115000 | 114870 | 0.0109 |
| 1 | 215001 | 220000 | 217500 | 0.0207 |
| 1 | 255001 | 260000 | 255286 | 0.0243 |
| 2 | 290001 | 295000 | 584282 | 0.0556 |
| 1 | 730001 | 735000 | 735000 | 0.0700 |
| 1 | 1125001 | 1130000 | 1128930 | 0.1075 |
| 1 | 9175001 | 9180000 | 9177218 | 0.8737 |
| 1 | 20210001 | 20215000 | 20213414 | 1.9244 |
| 1 | 256555001 | 256560000 | 256555982 | 24.4248 |
| 1 | 737315001 | 737320000 | 737318644 | 70.1948 |
| 27875 | | Company Total | 1050389725 | 100.0000 |

CATEGORY OF SHAREHOLDERS

AS AT DECEMBER 31, 2021

| | No of shareholders | Shares Held | Percentage |
|--|--------------------|----------------------|---------------|
| Directors, CEO & Children | 3 | 24,500 | 0 |
| Associated Companies | 1 | 256,555,982 | 24.42 |
| Banks, DFI & NBF | 5 | 77,295 | 0 |
| Insurance Companies | 2 | 16,144 | 0 |
| General Public (Local) | 27,778 | 54,807,407 | 5.22 |
| General Public (Foreign) | 53 | 165,361 | 0.02 |
| Others | 32 | 1,424,392 | 0.14 |
| Government of Khyber Pakhtunkhwa | 1 | 737,318,644 | 70.20 |
| Total | 27,875 | 1,050,389,725 | 100.00 |
| Shareholding of Directors, CEO & Children | | | |
| Rashid Ali Khan | 10,500 | | |
| Syed Asad Ali Shah | 7,000 | | |
| Tahir Jawaid | 7,000 | | |
| Shareholding of Banks, DFI & NBF | | | |
| Pakistan Industrial & Commercial Leasing Ltd. | 2,552 | | |
| Prudential Discount & Guarantee House Ltd. | 23,931 | | |
| Soneri Bank Limited | 16,042 | | |
| Pakistan Industrial & Comm. Leasing Ltd. | 22,975 | | |
| Escorts Investment Bank Limited | 11,795 | | |
| Shareholding of Insurance Companies | | | |
| TPL Insurance Limited | 15,954 | | |
| The Pakistan General Ins. Co. Ltd | 190 | | |
| Major Shareholders | | | |
| Government of Khyber Pakhtunkhwa | 737,318,644 | | |
| Ismail Industries Ltd. | 256,555,982 | | |

BRANCH NETWORK DETAILS

AS OF DECEMBER 31, 2021

DETAILS OF BANK'S BRANCHES, SUB-BRANCHES & BOOTHS

| S.NO | Branch/Sub-Branch Name | Complete Address | Branch Type | Branch Code | Province | Phone Number | FAX Number |
|------|---|---|-------------------------|-------------|-------------------|---|----------------|
| 1 | Peshawar, Main Corporate Branch | Shop No. 1 to 6 (Ground Floor) and Office No. 1 to 3 (First Floor), Olympic Plaza, Qayyum Stadium, Bara Road, Peshawar Cantt. | Conventional | 0001 | KPK | 091-5252142, 5252060 | - |
| 2 | Peshawar, University Road | Ghaffar Plaza, Adjacent to Sheraz Restaurant, University Road, Peshawar | Conventional | 0002 | KPK | 091-5701741-43 | (091)5701742 |
| 3 | North West, Hospital | Plot No.7-9, Sector A-3,Phase-5, North West Hospital, Hayatabad, Peshawar | Conventional Sub-Branch | 0002 | KPK | | |
| 4 | Kohat, Bannu Road | Cantonment Plaza Bannu Road, Kohat | Conventional | 0003 | KPK | 0922-9260146 , 511290 | (0922)9260156 |
| 5 | Kohat University of Science & Technology (KUST) | Kohat University of Science & Technology (KUST), Kohat | Conventional Sub-Branch | 0003 | KPK | | |
| 6 | D. I. Khan Branch | Circular Road, D.I.Khan | Conventional | 0004 | KPK | 0966-719017,0966-718098 | (0966)718099 |
| 7 | Mardan, Chamber House | Chamber House, Aiwan-e-Sanat- o- Tijarat, Collage Chowk | Conventional | 0007 | KPK | 0937-9230505 & 7, 874899 | (0937)9230606 |
| 8 | Peshawar, G. T. Road | Ground Floor, Afandi Tower, Bilal Town, G.T. Road, Peshawar | Conventional | 0010 | KPK | 091-2263414 -2612129-2612050 | (091)2263411 |
| 9 | Chitral Branch | Bypass Road Ataliq Bazaar, Chitral. | Conventional | 0011 | KPK | 0943-412473 | (0943)412220 |
| 10 | Mingora Branch | Ground Floor, Yousuf Plaza, Khasra No.318,Makan Bagh,Saidu Sharif Road, Mingora, Swat | Conventional | 0012 | KPK | 0946-9240045 & 7 | (0946)9240046 |
| 11 | Saddar Road, Peshawar | Shop No.9,10 & 11, at Super Market, Adjacent State Bank of Pakistan Peshawar, Saddar Road, Peshawar | Conventional | 0013 | KPK | 091-5273912, 5276485 | (091)5277278 |
| 12 | Hattar Branch | Industrial Estate Hattar, Haripur | Conventional | 0014 | KPK | 0995-617231 | (0995)617631 |
| 13 | Pak Austria Fachhochschule institute, Haripur | Pak Austria Fachhochschule Institute of Applied Science and Technology, Mang, haripur | Conventional Sub-Branch | 0014 | KPK | | |
| 14 | Civil Secretariat, Peshawar | Civil Secretariat , Peshawar | Conventional | 0015 | KPK | 091-9211710 | (091)9212680 |
| 15 | Khyber Bazar, Peshawar | Shop No, 1,2 & 3, Saadat Market, Suikarno Square, Khyber Bazar, Peshawar. | Conventional | 0016 | KPK | 091-2593705, 2568782 | (091)2211170 |
| 16 | Haripur Branch | Shahrah-e-Hazara, Haripur. | Conventional | 0019 | KPK | 0995-616800,610728, 612292 | (0995)611285 |
| 17 | Blue area, Islamabad | 38-Zahoor Plaza, Blue Area, Islamabad. | Conventional | 0022 | Capital Territory | 051-2824691, 2826111 | (051)28253434 |
| 18 | M.M. Alam Road, Lahore | Ali Trade Centre, Property No.99&100-A, Block B/1 M.M. Alam Road, Lahore ,Gulberg-III, Lahore. | Conventional | 0023 | Punjab | 042-99332383-89 | (042) 35872013 |
| 19 | Shahrah-e-Faisal Karachi | Ebrahim Alibhai Tower, Shop No.02, Plot No.03, Block-7/8 Modern Cooperative Housing Society (MCHS), Shahrah-e-Faisal, Karachi | Conventional | 0024 | Sindh | 021-34389037-8 | (021) 34389039 |
| 20 | Ashraf Road, Peshawar | New Rampura Gate, Ashraf Road, Peshawar. | Conventional | 0025 | KPK | 091-2593262, 2553007 , 2591682, 2553989 | (091)2552497 |
| 21 | Muzaffar Abad (AJ&K) | Secretariat Road, Muzaffarabad, Azad Jammu & Kashmir | Conventional | 0027 | AJK | 05822-920492 | (05822)920499 |
| 22 | Satellite Town , Rawalpindi | B-212, Satellite Town 4th Road, TMA Rawal Town Rawalpindi. | Conventional | 0030 | Punjab | 051-4571084-85,86 0333-5136362 | (051) 4571083 |
| 23 | Johar Town Lahore | Property#891,Block -R-1, M.A. Johar Town, Lahore | Conventional | 0031 | Punjab | 042-35316744-5 | (042) 35316746 |
| 24 | Sialkot Branch | Property No. BIII-115-167/B, Kashmir Road, Pacca Garha, Sialkot. | Conventional | 0032 | Punjab | 052-3559225 & 7 | (052)3559224 |

| S.NO | Branch/Sub-Branch Name | Complete Address | Branch Type | Branch Code | Province | Phone Number | FAX Number |
|------|---------------------------------------|---|-------------------------|-------------|-------------------|--|----------------|
| 25 | Multan, Abdali Road | Ground Floor, Property # 66 C & D, 9 Abdali Road Multan | Conventional | 0033 | Punjab | 061-4545141-142 | (061) 4545143 |
| 26 | Shireen Jinnah Colony Karachi | Block-1, Clifton, Shireen Jinnah Colony Karachi | Conventional | 0034 | Sindh | 021-35873264-5 | (021)35873267 |
| 27 | Mirpur Branch | Plot No.3, Sector B/3, Allama Iqbal Road, Mirpur, Azad Jammu Kashmir | Conventional | 0035 | AJK | 05827-447686-8 | (05827) 447685 |
| 28 | Pakistan Stock Exchange Branch | Room No.204-205, 2nd Floor, New Pakistan Stock Exchange Building, Pakistan Stock Exchange Road, Karachi. | Conventional | 0036 | Sindh | 021-32465804, 021-32465807, 021-32465808 | (021)32465805 |
| 29 | G. T. Road, Gujrat | Property No.1157/527,Ground Floor, Empire Centre, G.T. Road Gujrat | Conventional | 0037 | Punjab | 053-3525555, 3530380, 3707902, 3530370 | - |
| 30 | Sosaan Road Faisalabad | Plot No.245-C,Ground & 1st Floor, Madina Town, Sosaan Road, Faisalabad | Conventional | 0038 | Punjab | 041-8556200-1-2 | (041)-8556203 |
| 31 | G.T. Road, Gujranwala | Property No.BXII-75-157, Bank Square, Main G. T. Road Gujranwala | Conventional | 0039 | Punjab | 055-3730916-8 & 3820916-17 | (055)3820918 |
| 32 | Bank Square Havelian | Property # 4242, Bank Square Havelian | Conventional | 0040 | KPK | 0992 - 810731, 810732,810733 | (0992) 810736 |
| 33 | Sargodha | 63/5/2/1 VIP Complex, Niazi Square, Club Road, Sargodha | Conventional | 0041 | Punjab | 048-3740892-93-94 | (048)3740891 |
| 34 | Jhelum | 225/226, Koh-i-Noor Plaza, Old GTS Road, Jhelum Cantt. | Conventional | 0042 | Punjab | 0544-9270164 & 6 | (0544)9270165 |
| 35 | Abbottabad, Mansehra Road | 934-A, Mansehra Road, Abbottabad | Conventional | 0043 | KPK | 0992-331913, 331914 | (0992)331916 |
| 36 | Chiniot | Faisalabad Road, Near Tehsil Chowk, Chiniot | Conventional | 0044 | Punjab | 047-6333394-047-6333396 | (047)6333397 |
| 37 | Sahiwal Branch | 272/B-2 High Street, Sahiwal. | Conventional | 0045 | Punjab | 040-4222404, 4222448 | (040)4222403 |
| 38 | Clifton Branch Karachi | Shop No.7,8 & 9 Plot # G-10, Garnet Centre, Block-8, Main Road, KDA Scheme # 5, Clifton Cantonment, Karachi | Conventional | 0046 | Sindh | 021-35296291-98 | (021)35296291 |
| 39 | Hyderabad Branch | Plot No.41/444,445,446,447,448 & 449, Main Bohri Bazar, Near Blair Hospital, Saddar Cantt., Hyderabad. | Conventional | 0047 | Sindh | 022-2731200, 022-2731198 | (022)2731211 |
| 40 | High Court Branch | Peshawar High Court Branch, Khyber Road, Peshawar | Conventional | 0048 | KPK | 091-5274368,5275368 | (091)5274168 |
| 41 | Provincial Assembly Branch | KPK Provincial Assembly Building, Khyber Road, Peshawar | Conventional Sub-Branch | 0048 | KPK | | |
| 42 | Karak Branch | Khasra No. 1327/1364, Mian Muqadess Gul Market, Main Bazar, Karak | Conventional | 0049 | KPK | 0927-211810 & 2 | (0927) 211813 |
| 43 | Khushal Khan Khattak University Karak | Khushal Khan Khattak University, Opposite Tableegi Markaz, Karak | Conventional Sub-Branch | 0049 | KPK | | |
| 44 | Bahawalpur | Property No.1605/15, Circular Road, Library Chowk, Bahawalpur | Conventional | 0050 | Punjab | 062-2887533, 2887531 | (062) 2887532 |
| 45 | Rahim Yar Khan | Plot No.15, Opposite Town Hall, Model Town, Rahim Yar Khan | Conventional | 0051 | Punjab | 068-5870182-3 | (068)5870185 |
| 46 | DHA Lahore | Plot No.178, Block-Y, DHA, Lahore Cantt. | Conventional | 0052 | Punjab | 042-35741073 - 5 & 042-35741076 | (042) 35741077 |
| 47 | Jutial Cantt. Gilgit | Shop No.1 to 6, ZS Plaza, Opposite Radio Pakistan, Shahrah-e-Quaid-e-Azam, Jutial Cantt. Gilgit | Conventional | 0053 | GB | 05811-922082-3 | (05811)922084 |
| 48 | Quetta, Shakra-e-Iqbal | Shakra-e-Iqbal (Khasra no.205), Qandhari Bazar, Quetta. | Conventional | 0054 | Baluchistan | 081-2834951, 081-2834955 | (081) 2834952 |
| 49 | Islamabad, PWD Society | Plot No.786-G, Block-C, PWD Society, Islamabad | Conventional | 0055 | Capital Territory | 051-5170901-2 & 4 | (051) 5170903 |
| 50 | D.G. Khan, Railway Road | Plot No.5, Dawood Plaza, Railway Road, Dera Ghazi Khan | Conventional | 0056 | Punjab | 0642-470871-4 | (0642) 470875 |
| 51 | Lahore, Faysal Town | Plot No.811, Block C, Faysal Town, Lahore | Conventional | 0057 | Punjab | 042-35160472 & 042-35160475 | (042)35160473 |
| 52 | Sukkur | Property No.D-986, D-987, D-971, Hussaini Road, Sukkur | Conventional | 0058 | Sindh | 071-5617057-8-9 | (071)5617056 |
| 53 | Sadiqabad | Shop No.10, Masood Plaza, Bank Road, Sadiqabad | Conventional | 0059 | Punjab | 068-5801261-2-3 | (068)5801264 |

BRANCH NETWORK DETAILS

AS OF DECEMBER 31, 2021

| S.NO | Branch/Sub-Branch Name | Complete Address | Branch Type | Branch Code | Province | Phone Number | FAX Number |
|------|--|---|-------------------------|-------------|----------|---|----------------|
| 54 | Khanewal | Property No.32, Paracha Hospital, Adjacent JS Bank, College Road, Khanewal | Conventional | 0060 | Punjab | 065-2556431-2 | (065)2556433 |
| 55 | Mian Channu | Property No.17/24, Shadab Market, G.T. Road, Mian Channu, District Khanewal | Conventional | 0061 | Punjab | 065-2661871-2 | (065 2661870) |
| 56 | Gujar Khan | Shop No.6-8, Ward No.5, Near Ali Hospital, Main G.T. Road, Gujar Khan | Conventional | 0062 | Punjab | 051-3511822-3 | (051)3511824 |
| 57 | Karachi, DHA, Phase-II | C-89-D,12th Commercial Street, Phase 2-Ext, D.H.A. (Khyaban-e-Jami), Karachi | Conventional | 0063 | Sindh | 021-35890171-74, 0323-2131810 | (021)35890175 |
| 58 | Kotli (AJK) | Commercial Property, Khasra No.579, Bank Road, Kotli | Conventional | 0064 | AJK | 05826-448673-4-5 | (05826) 448679 |
| 59 | Attock City | Property No.B-V-99, Committee No.E-3, Railway Park Chowk, Attock City | Conventional | 0065 | Punjab | 057-2602378-9 | (057)2602378 |
| 60 | Peshawar, Warsak Road | Khasra No.6184/2893, Shop No.1, Sabir Business Center, Warsak Road, Peshawar | Conventional | 0066 | KPK | 091-5201300-1-2-3 | (091) 5201341 |
| 61 | Sharfabad Karachi, (Bahadurabad) | Shop No.4&5, Sumya Tower Plot No 15/3, Block 3, BMCH, Main Jamal Ud Din Afghani Road (Sharfabad) Karachi. | Conventional | 0067 | Sindh | 021-34946751-2-4-5 | (021)34946753 |
| 62 | Peshawar, Shami Road | Shop No.6-10, Garrison Park, Shami Road, Peshawar | Conventional | 0068 | KPK | 091-5270270-71 | (091)5613913 |
| 63 | Lahore, Badami Bagh | Plot No.119, Auto Market, Badami Bagh, Lahore | Conventional | 0069 | Punjab | 042-37731631-2-3 | (042) 37731634 |
| 64 | Jhang | Khata No. 710, Yousaf Shah Building, Ground Floor, Kachary Road , Jhang | Conventional | 0070 | Punjab | 047-7622180-1, 7622183 | (047) 7622182 |
| 65 | Daska | Property No.8.9.90, Ground & 1st Floor, Bank Road, Daska, Sialkot | Conventional | 0071 | Punjab | 052-6612324-6 | (052) 6612327 |
| 66 | Karachi, Napier Road | Mandiwala Building, Shop No.1, Survey No.14, Sheet No. SR 6, Shahr-e-Liaquat, Serai Quarters, Karachi. | Conventional | 0072 | Sindh | 021-32601371-72-75 | (021)32601373 |
| 67 | Peshawar, Dalazak Road | Nawaz Plaza, Taxation No. 4988 to 5008, Ground Floor, Dalazak Road, Peshawar. | Conventional | 0073 | KPK | 091-2608216, 2608217 | (091) 2608218 |
| 68 | Charsadda Road Branch. | Khasra No. 1615/832, Adjacent Khayali CNG Station, Shero Jhangi, Charsadda Road, Peshawar. | Conventional | 0074 | KPK | 091-2246684-5 | (091)2246683 |
| 69 | Bannu, D.I.Khan Road. | University Plaza, D.I.Khan Road, Bannu. | Conventional | 0075 | KPK | 0928-611172-5 | (0928)611174 |
| 70 | University of Science and Technology Bannu | University of Science and Technology Main Campus, Township, Bannu | Conventional Sub-Branch | 0075 | KPK | | |
| 71 | Parachinar | Shop No. 1 to 5 Ground Floor, Haji Safdar Market, School Road, Parachinar. | Conventional | 0076 | KPK | 0926-312272 0926-312273 0926-312374 | (0926) 312275 |
| 72 | Yar Hussain, Swabi | Akbar Building, intiqal No. 3422, Main Bazar, Yar Hussain, Swabi. | Conventional | 0077 | KPK | 0938-460029 0938-460047 | (0938) 460029 |
| 73 | Umarzai, Charsadda | Khasra No. 4011/3485 & 4012/3486, Major Saeed Khan Market, Main Bazar, Umarzai. | Conventional | 0078 | KPK | 091-6952506-07 | (0916) 952531 |
| 74 | Sheikh Maltoon, Mardan | Shop No. 25,26,27,28,29 & 31, Commercial Plaza Sector-E, Sheikh Maltoon Town, Mardan. | Conventional | 0079 | KPK | 0937-843111 0937-843222 | (0937) 843225 |
| 75 | Abdul Wali Khan University Mardan | Abdul Wali Khan University, Garden Campus, Mardan | Conventional Sub-Branch | 0079 | KPK | | |
| 76 | Shergarh, Mardan | Groud floor, Asghar Khan Market, Main Bazar, Shergarh, Mardan. | Conventional | 0080 | KPK | 0937-830510-12-62 | (0937) 820437 |
| 77 | Katlang, Mardan | Inteqal No. 5038, Imam Shah Market, Main Bazar, Tehsil Katlang, District Mardan | Conventional | 0081 | KPK | 0937-576005 0937-576006 | (0937) 576004 |
| 78 | Sherkot, Kohat | Khasra No. 315, Mujahid & Brothers Market, Sherkot Tehsil & District Kohat | Conventional | 0082 | KPK | 0922-580111 0922-580888 | - |
| 79 | Hayatabad Phase-V, Peshawar | Ground Floor, Plot No. 28, Sector B-1, Phase-V, Hayatabad, Peshawar | Conventional | 0083 | KPK | 091-5814846-47 | - |
| 80 | PIC, Hayatabad, Peshawar | Peshawar Institute of Cardiology, Hayatabad, Peshawar | Conventional Sub-Branch | 0083 | KPK | | |
| 81 | Chamkani, Peshawar | Khasra No. 156 & 157, Honey Market, Hidayatabad Chamkani, Peshawar. | Conventional | 0084 | KPK | 091-2604922 091-2604751 | - |
| 82 | Tordher Swabi. | Khasra No.1751, Main Swabi Jehangira Road Matani Changan Tordher, Swabi. | Conventional | 0085 | KPK | 0938-537116-121 | 0938-537119 |
| 83 | Darosh, Chitral | Main Darosh Bazaar, Zero Point Chitral. | Conventional | 0086 | KPK | 0943-480261-62-63 | 0943-480264 |

| S.NO | Branch/Sub-Branch Name | Complete Address | Branch Type | Branch Code | Province | Phone Number | FAX Number |
|------|---------------------------------------|--|-------------------------|-------------|-------------------|-------------------------------|-------------|
| 84 | Sheikh Yousaf Adda, D.I.Khan. | Khasra No.1007/529, Sheikh Yousaf Adda, Opposite Punjab Collage, Bannu Road, D.I.Khan. | Conventional | 0087 | KPK | 0966-740316-317 | 0966-740318 |
| 85 | Sardheri Branch, Charsadda | Maroof Khel, Sardheri Bazar Tehsil & District Charsadda | Conventional | 0088 | KPK | 091-6644001-02 | 091-6644003 |
| 86 | Judicial Complex, Sardheri, Charsadda | Judicial Complex Sardheri, Malkan Dher Khula Dher, Charsadda | Conventional Sub-Branch | 0088 | KPK | | |
| 87 | Lundkhwar Branch, Mardan | Ramora Lundkhwar, Tehsil Takht Bhai, District Mardan | Conventional | 0089 | KPK | 0937-850131-32 | 0937-850133 |
| 88 | Sadda Branch, Kurram Agency | Bangash Market Main Bazar Sadda, Tehsil Lower Kurram, District Kurram Agency | Conventional | 0091 | KPK | 0926-520425-26 | 0926-520426 |
| 89 | Kohat Road Branch, Peshawar | Marjan Hotel, Mauza Kotla Mohsin Khan, Kohat Road, Peshawar. | Conventional | 0092 | KPK | 091-2323635 | 091-2324671 |
| 90 | Kuza Bandai Branch, Swat | Shop No.1-6, Hamas Khan Market, Matta Road, Kuza Bandai, Tehsil Kabal, District Swat | Conventional | 0093 | KPK | 0946-880411 | 0946-880445 |
| 91 | Gawadar | Main Bazar, Airport Road, Adjacent to Sahil Hotel, Gawadar. | Conventional | 0095 | Baluchistan | 0333-7938835 | - |
| 92 | Nasir Bagh, Peshawar | Police Employees Co-Housing Society, Nasir Bagh, Peshawar | Conventional | 0096 | KPK | 0333-9218330, 091-57106776-78 | - |
| 93 | Judicial Complex, GT Road Haripur | Judicial Complex, District Courts, GT Road, Opposite Post Graduate College for Boys, Haripur. | Conventional | 0097 | KPK | 0995-920527, 0995-920528 | - |
| 94 | Angoor Adda, | Main Bazar Angoor Adda, Tehsil Birmil, District South Waziristan. | Conventional | 0099 | KPK | 0320-9667735 | - |
| 95 | Gomal University D.I.Khan | Gomal University, Indus Highway, DI Khan City, Dera Ismail Khan | Conventional | 0302 | KPK | 0966-750151-52 | 0966-750153 |
| 96 | KIMS+KDA Kohat | Khyber Medical University Institute of Medical Sciences, DHQ Teaching Hospital, Kohat Development Authority, Kohat | Conventional | 0303 | KPK | 0333-9294541 | - |
| 97 | F-7, Markaz, Islamabad | Plot 13-A, Amir Center F-7 Markaz, Islamabad. | Conventional | 0304 | Capital Territory | 0334-5488307 | |
| 98 | Airport Road, Mingora | Khasra No 549, Khata No. 60, Airport Road, Mingora Swat. | Conventional | 0305 | KPK | 0301-8537101 | |
| 99 | Sher Shah Road, Nowshera | Property No. 1101/I-68 & 1126/I-26,, Taj Building, Sher Shah Road Nowshera | Conventional | 0306 | KPK | 0313-2705702/0335-9349355 | |
| 100 | Gur Mandi, Peshawar | Amber Building, Pir Abdullah Shah Market, Gur Mandi, Dalazak Road Peshawar | Conventional | 0307 | KPK | 0345-9 1 63083 | |
| 101 | Taraqae Plaza, Maneeri Payan, Swabi | Khasra No 3462, Taraqae Plaza, Mouza Maneeri Payan Swabi, Tehsil and District Swabi | Conventional | 0308 | KPK | 0938-223392-93 | |
| 102 | I-9 Markaz, Islamabad | Property No.2-E, I/9 Markaz Islamabad | Conventional | 0309 | Capital Territory | 0345-5904166/0333-9225870 | |
| 103 | Dabgari Garden, Peshawar | Aman Medical Center Dabgari Peshawar. | Conventional | 0310 | KPK | 0333-5777376 | |
| 104 | Hamidan Chowk, Karak | Khasra No. 7041/789, 7047/792, 7048/792, Allahdad Khel, Hamidan Chowk, Takht Nasrati Karak. | Conventional | 0311 | KPK | 0927-255202, 0927-255201 | |
| 105 | Shaheed Chowk, Timergara | Shaheed Chowk, Bypass Road Mingora, Timergara, District Lower Dir | Conventional | 0312 | KPK | 0343-5232119 | |
| 106 | Burrewala | Plot No.207/208/209, Property No. P-39/SH+CH & P-39/SH+CH & P-39/A/OFF A Block Vehari Bazaar Burrewala | Conventional | 0313 | Punjab | 067-3351182 | |
| 107 | Chichawatni | Plot No. 151, Khewat No. 244, GT Road Chichawatni | Conventional | 0314 | Punjab | 040-5481822-040-5481820 | |
| 108 | Azam Cloth Market, Lahore | F 1619/B, Bismillah Block, Azam Cloth Market, Lahore | Conventional | 0315 | Punjab | 0321-4789131 | |
| 109 | Main Bazar Thana, Malakand | Qitta Arazi No. 2, Near Police Post Main Bazar Thana, District Malakand | Conventional | 0316 | KPK | 0345-9370936 | |
| 110 | University of Peshawar | University of Peshawar, Jamrud Road, Peshawar | Conventional | 0317 | KPK | 0333-6445459 | |
| 111 | Main Bazaar, Charsadda | Khasra No. 979, Khata No. 358/810, Opposite Mardan Adda, Main Bazaar Charsadda, Tehsil & District Charsadda | Conventional | 0318 | KPK | 091-9220121 | |

BRANCH NETWORK DETAILS

AS OF DECEMBER 31, 2021

| S.NO | Branch/Sub-Branch Name | Complete Address | Branch Type | Branch Code | Province | Phone Number | FAX Number |
|------|--------------------------------|--|--------------------|-------------|-------------|-----------------------|----------------|
| 112 | Besham, Shangla | Mouza Batyal Hadbast No. 19, Main Bazaar Besham, District Shangla | Conventional | 0319 | KPK | 0346-9596736 | |
| 113 | Economic Zone, Nowshera | Khyber Pukhtunkhwa Economic Zone Development & Management Company (KPEZDMC) Estate Office, Bara Banda, Risalpur, Tehsil & District Nowshera. | Conventional | 0320 | KPK | 0343-4049378 | |
| 114 | Quetta, Double Road | Khasra No. 1765/529, Adjacent Suzuki Show Room, Double Road Quetta, Tehsil & District Quetta. | Conventional | 0321 | Baluchistan | 0331-8065197 | |
| 115 | Phase-6, Hayatabad, Peshawar | Javed Alam Khanzada Market, Block III, Sector I- 8, Phase VI Hayatabad Peshawar, Tehsil & District Peshawar | Conventional | 0322 | KPK | 0300-9521921 | |
| 116 | Hayatabad | Plot No. 134, 135 & 136, Near Frontier CNG Station, Industrial Estate Hayatabad, Peshawar | Islamic | 5101 | KPK | 091-5824927, 5825430 | (091) 5824927 |
| 117 | Jinnah Road Quetta | Jinnah Road, Quetta | Islamic | 5102 | Baluchistan | 081-2843203,2822141 | (081)2829469 |
| 118 | Bannu | Old GTS Chowk, Gowshala Road, Bannu | Islamic | 5103 | KPK | 0928-613222, 613394 | (0928)621429 |
| 119 | Nowshera | Saad Plaza, Saddar Bazar, Nowshera | Islamic | 5104 | KPK | 0923-9220035 & 38 | (0923)613530 |
| 120 | Timergara | Shaheed Plaza, Ground Floor, Alamzeb Shaheed Chowk, Timergara | Islamic | 5105 | KPK | 0945-9250232, 822090 | (0945)822690 |
| 121 | Timergara Sub-Branch | #N/A | Islamic Sub-Branch | 5105 | KPK | | |
| 122 | Tank | Gillani Market, Main Bazar Opposite DHQ Hospital, Tank | Islamic | 5106 | KPK | 0963-510068 | (0963) 510400 |
| 123 | Hangu | Opposite DCO Office, Main Bazar, Kohat Road, Hangu | Islamic | 5107 | KPK | 0925-620744 | (0925)623744 |
| 124 | Batkhela | Khyber Market, Main Bazaar, Near Old Govt Girl High School Batkhela | Islamic | 5108 | KPK | 0932-414851 & 3 | (0932)-414854 |
| 125 | Karachi, S.I.T.E. | B-78 Allied Plaza Estate Avenue Karachi | Islamic | 5109 | Sindh | 021-32565102 & 4 | (021)32565105 |
| 126 | Karachi, Korangi | Plot# 1-13-2 Sub Plot# 1-A, Al Azam Plaza, Super highway, Sohrab Goth,Karachi | Islamic | 5110 | Sindh | 021-35110204 & 5 | (021) 35110203 |
| 127 | Charsadda | Main Bazar, Mardan Road, Charsadda | Islamic | 5111 | KPK | 091-9220100-1 | (091)9220102 |
| 128 | Abbottabad | Jinnah Road, Abbottabad | Islamic | 5113 | KPK | 0992-341444, 341431 | (0992)341430 |
| 129 | New Garden Town, Lahore | 28-A, Ali Block, New Garden Town Lahore | Islamic | 5114 | Punjab | 042- 99232151 & 2 | (042)-99332969 |
| 130 | Rawalpindi | Adam Jee Road, Saddar Rawalpindi | Islamic | 5115 | Punjab | 051-5120194-7 | (051)5120198 |
| 131 | Faisalabad | P-64, Kotwali Road Faisalabad | Islamic | 5116 | Punjab | 041-2412116-7-8 | (041)2412120 |
| 132 | Mansehra | Rakaposji Plaza, Abbottabad Road Manshera | Islamic | 5117 | KPK | 0997-414016 | (0997) 920182 |
| 133 | Hazara University | Hazara University, Mansehra | Islamic Sub-Branch | 5117 | KPK | | |
| 134 | Swabi | Jamil Khan Market Mardan Road, Swabi | Islamic | 5118 | KPK | 0938-222513, 223423 | - |
| 135 | Peshawar City | Shop No. 2, Tariq Sultan Building Hospital Road, Peshawar | Islamic | 5119 | KPK | 091-2561511 | (091) 2561511 |
| 136 | Lady Reading Hospital Peshawar | LRH Hospital Peshawar | Islamic Sub-Branch | 5119 | KPK | | |
| 137 | Abdali Bazar Chaman | Khasra No. 451, Old Mahal Abdali Bazaar, Trunch Road, Chaman. | Islamic | 5120 | Baluchistan | 0826-614012, 614027 | (0826)614014 |
| 138 | KTH - Peshawar | Khyber Teaching Hospital, Jamrud Road, Peshawar | Islamic | 5121 | KPK | 091-9218016 | (091) 9224220 |
| 139 | Shahrah-e-Resham - Mansehra | Opposite Grid Station, Near Pakhwal Chowk, Shahrah-e-Resham, Manshera | Islamic | 5122 | KPK | 0997-303271, 303273 | (0997) 303271 |
| 140 | Metroville Karachi | Plot No. E-5, Block -1,KDA Scheme, Project No. 1 , Metroville | Islamic | 5123 | Sindh | 021-36754233-4 | (021)36754236 |
| 141 | Shah Alam Lahore | S-38 , Circular Road Shah Alam Gate, Lahore. | Islamic | 5124 | Punjab | 042-37641834 & 6 | (042)37641837 |
| 142 | Jamrud | Adjacent to Caltex Petrol Pump, Jamrud Bazaar, Jamrud road Khyber Agency. | Islamic | 5125 | KPK | 091-5602013,5830147-8 | (091)5830149 |
| 143 | Upper Dir | Shop No. 1 To 6, Shafi Plaza Saleem market, Main Bazar Upper Dir | Islamic | 5126 | KPK | 0944-890020 & 1 | (0944)890022 |

| S.NO | Branch/Sub-Branch Name | Complete Address | Branch Type | Branch Code | Province | Phone Number | FAX Number |
|------|--|--|--------------------|-------------|-------------------|---|---------------|
| 144 | Shaheed Benazir Bhutto University Sharingal, District Upar Dir | Shaheed Benazir Bhutto University Sharingal, District Upar Dir | Islamic Sub-Branch | 5126 | KPK | | |
| 145 | Serai Naurang | Khasra No. 438, (Sahibzada Kabir Plaza), G.T. Road, Sarai Naurang, Lakki Marwat | Islamic | 5127 | KPK | 0969-352963 | (0969)352964 |
| 146 | Hayatabad Chowk | Shop No.2, Saif Shopping Mall Phase III, Hayatabad Chowk Main Jamrud Peshawar | Islamic | 5128 | KPK | 091-5853283-4 | (091)5853285 |
| 147 | D.I. Khan | Shop No. 1-10,Block 13, Tank Adda, D.I.Khan | Islamic | 5129 | KPK | 0966-850724-5 | (0966)850727 |
| 148 | Thall | Shop No. 1-5 ,Al-Murtaza Market, Bannu Chowk, Main Bazar, Thall District Hangu | Islamic | 5130 | KPK | 0925-510740, 511741 | (0925)510740 |
| 149 | Swari Buneer | Shop No. 6 to 10, Nisar Market, Pir Baba Road, Swari Buner | Islamic | 5131 | KPK | 0939-555289, 555279 | (0939)555229 |
| 150 | Mingora | Shop No.1, Bank Square, Main Bazar, Mingora, Swat | Islamic | 5132 | KPK | 0946-9240460,62 | (0946)9240461 |
| 151 | Islamabad F-10 | Ground & First Floor, Plot no 7-O, S-38, Butt Plaza F-10 Markaz, Islamabad | Islamic | 5133 | Capital Territory | 051-2222994-5 | (051)2222996 |
| 152 | Battagram | Momin Khan Plaza, Shahrah-e-Resham Battagram. | Islamic | 5134 | KPK | 0997-310154/ 310155 | (0997)310156 |
| 153 | Topi - Swabi | Property no. 3500, Sher Khan Market, Main Bazar, Tarbela Road, Topi, Distt Swabi. | Islamic | 5135 | KPK | 0938-271546-8 | (0938) 271547 |
| 154 | Dargai | Basement, Ameen Plaza, Opposite HBL, Main Bazar, Dargai. | Islamic | 5136 | KPK | 0932-331447-8 | (0932) 331449 |
| 155 | Chew Bazar, Chitral | Shop No. 1-4, Qazafi Market, Chew Bazar, Chitral. | Islamic | 5137 | KPK | 0943-414573 | (091)414573 |
| 156 | Kachehri Chowk Kohat | T-926 , T 927 & T928, Crown Plaza Opposite Company Bagh Near Kachehri Chowk Hangu Road Kohat | Islamic | 5138 | KPK | 0922-522013/ 0922-522014 | (0922) 522015 |
| 157 | Mardan Cantt | Shop No. 4 To 8 , Lower Ground and Ground Floor Mardan City Center Plaza Qazi Bashir Road Mardan Cantt | Islamic | 5139 | KPK | 0937-870823 0937-870824 0937-870826, 0307-5947415 | (0937) 870826 |
| 158 | M. A Jinnah Road, Okara | Ground & Ist Floor, Iftikhar Children Hospital M.A. Jinnah Road Okara | Islamic | 5140 | Punjab | 0442-511079-80 | (044) 2511082 |
| 159 | Miran Shah | Syed Gul Market, Main Bannu Miran Shah Road Miran Shah District North Waziristan | Islamic | 5141 | KPK | 0928-310928/ 0928-310929 | - |
| 160 | Multan | Plot No. 12-B & 13-B, Haq Nawaz Plaza, Main Gate Shah Shams Colony, Vehari Road, Multan | Islamic | 5142 | Punjab | 061-6241251-3 | (061)6241254 |
| 161 | Khawaza Khela | Irfan Plaza, Main Bazar, Khwaza Khela, Swat | Islamic | 5143 | KPK | 0946-744661-64 | (0945)744662 |
| 162 | Kambur | City Market, Main Road, Kambur, Lower Dir, Kambur | Islamic | 5144 | KPK | 0945-885322 | (0945)886322 |
| 163 | Shabqadar | kharsa No. 4244/159-162, Opposite shabaqadar Fort Gate, Shabqadar | Islamic | 5145 | KPK | 091-6281101-2 | (091) 6289333 |
| 164 | Tarnol | kharsa No. 781, Geo Madina Tower, Main G.T Road , Tarnol. | Islamic | 5146 | Capital Territory | 051-2226781-2 | (051)2226783 |
| 165 | Saleh Khana | Kharsa No. 169 & 183, Main Bazar, Moza Saleh Khana Tehsil Pubbi, Nowshera | Islamic | 5147 | KPK | 0923-651094-5 | (0923) 651091 |
| 166 | IBB Loralai Baluchistan | Property No. 1061/A, 1061/B, 1061 & 1064 Zhob Road, Loralai Tehsil & District Loralai, Balochistan | Islamic | 5148 | Baluchistan | 0332-7819858 | (081) 2447388 |
| 167 | Chakdara | Shop No. 1 to 10, Zaman Market, Adjacent UBL & nbp, Main Bazaar, Chakdara, Lower Dir | Islamic | 5149 | KPK | 0945-762532-3 | (0945)762534 |
| 168 | Takht bhai | Kharsa No. 785, Shaukat Mansion,Ground & 1st floor, Opposite Takht Bhai Mega Mart,Takht Bhai, Mardan | Islamic | 5150 | KPK | 0937-553682, 553684 | (0937)553683 |
| 169 | Jhangera | Ground & 1st floor, Behram Khan center, G.T Road, Jehangira | Islamic | 5151 | KPK | 0923-510056 | (0923)510045 |
| 170 | Wana | Scouts Camp WANA District South Waziristan | Islamic | 5152 | KPK | 0965-210006 | - |

BRANCH NETWORK DETAILS

AS OF DECEMBER 31, 2021

| S.NO | Branch/Sub-Branch Name | Complete Address | Branch Type | Branch Code | Province | Phone Number | FAX Number |
|------|------------------------|---|-------------|-------------|-------------|-------------------------------------|----------------|
| 171 | Ghalanai | Opposite Civil Colony Main Bazar Ghalanai, District Mohmand | Islamic | 5153 | KPK | 0924-290280 | - |
| 172 | City Circular Road | Khewat # 446/25,25 Akhtarabad, Opposite Sirki Gate Peshawar | Islamic | 5154 | KPK | 091-2592011 | (091)2592018 |
| 173 | Ring Road | Ground Floor, Arbab Market, Garhi Qamar din, near Mujaddad CNG station, North side Ring Road, Peshawar. | Islamic | 5155 | KPK | 091-2322815, 2325223, 2325225 | (091)2322715 |
| 174 | Gulbahar Peshawar | Plot No. 4-A & 4-B, Sameer Square, Anam Sanam Chowk, Gulbahar Road, Hussainabad | Islamic | 5156 | KPK | 091-2606391, 2606393-4 | (091)2606392 |
| 175 | Barikot-Swat | Khasra No.1333, Iqbal Khan Plaza, Pir Baba Road, Barikot Swat. | Islamic | 5157 | KPK | 0946-751781-2 | (0946) 751783 |
| 176 | Tangi | Khasra No. 1633, Malak Plaza, Shabqadar Road, Tangi Charsadda | Islamic | 5158 | KPK | 091-6555527-8, 6555530 | (091)6555529 |
| 177 | Pabbi | Anjum Market, G.T. Road, Pabbi, Nowshera. | Islamic | 5159 | KPK | 0931-527071-527073-527075 | (0923)527079 |
| 178 | Shangla | Khasra No 1283, 84 & 86, Munir Plaza, Adjacent MCB, Basement & Ground Floor, Besham Road, Alpuri Shangla. | Islamic | 5160 | KPK | 0996-850140-1 | (0996) 850142 |
| 179 | Wari | Ittehad plaza, Lower basement and Ground floor, Wari Bazaar, Dir chitral road, Upper Dir | Islamic | 5161 | KPK | 0944-841511 0944-841611 | (0944)841711 |
| 180 | Manki Sharif | Khasra No. 805, malak jameen market, Soorya khel, manki sharif, tehsil & Distt Nowshera | Islamic | 5162 | KPK | 0923-626071 0923-626072 0923-626074 | (0923)626073 |
| 181 | Bajaur | abid city centre, Ground floor, Lt. Sajjad Khan Shaheed Bypass Road, Khar Bazaar, Bajaur Agency. | Islamic | 5163 | KPK | 0942-221263-4 | (0942)221266 |
| 182 | Matta-Swat | Malak Tahir Market, Mouza Main Bazar, Matta, Mingora , District Swat KP | Islamic | 5164 | KPK | 0946-790840 0946-790841 | (0946) 790842 |
| 183 | Torghar | quarter no 1, District head quarter Tor ghar judba, KPK | Islamic | 5165 | KPK | 0997-209705 0997-209706 | - |
| 184 | Achini Payan | Muhammad Arcade, Achini Payan, Ring Road near Hayatabad, Peshawar. | Islamic | 5166 | KPK | 091-5622545 | (091) 5811320 |
| 185 | Torkham | Ground Floor, Masoom Building, Near PTDC & Tehsildar Office, Peshawar Torkham Road, Torkham | Islamic | 5167 | KPK | 0924-240044 0924-240045 0924-240046 | (0924) 240045 |
| 186 | Shewa Adda | Office No. 1 Ground Floor, Sardar Khan Malak Plaza, Mardan Swabi Road Sheva Adda, Swabi | Islamic | 5168 | KPK | 0938-310703 0938-310704 | (0938) 310705 |
| 187 | Munda | Ground Floor, Habibn Jan Market, Adjacent Tehsildar Office, Munda | Islamic | 5169 | KPK | 0945-830345 0945-830346 | (0945)-830347 |
| 188 | Kabal Swat | Khasra No. 2271 Ground Floor, Wahab Market, Mingora Road, Swat | Islamic | 5170 | KPK | 0946-755471 0946-755473 | (0946) 755472 |
| 189 | Kalaya | Sub Divisional Head Quarters Compund, Kalaya, Lower Orakzai, District Orakzai | Islamic | 5171 | KPK | 0925-650009/ 0925-650010 | - |
| 190 | Mall Road, Peshawar | Office no. 1, Ground Floor, Khanis Plaza, The Mall Road Peshawar Cantt | Islamic | 5172 | KPK | 091-5284212 091-5284214 | 091-5284213 |
| 191 | Lakki Marwat | Shop No. 1, haji Jan Khan market, Lakki City, Lakki Marwat | Islamic | 5173 | KPK | 0969-510059 0969-510359 | 0969-511059 |
| 192 | Puran | Khasra No. 227, Aluch Bazaar Tehsil Puran District Shangla | Islamic | 5174 | KPK | 0996-853026 | - |
| 193 | Dara Adam Khel | Ground floor, Nawab Shah Plaza, dara Bazaar, Mohammad Khel Zarghar Khel, dara Adam Khel | Islamic | 5175 | KPK | 0922-811222 | 0922-811333 |
| 194 | Sakhakot | Shop No. 1, Noor market, main Malakand road, Sakhakot, | Islamic | 5176 | KPK | 0932-311410 0932-311411 0932-311412 | ((0932) 311413 |
| 195 | Zhob | Shop No. C84-85 Main Bazar, Thana Road Quetta Zhob | Islamic | 5177 | Baluchistan | 0822-412335 | - |
| 196 | Tehkal | Khasra No.6179/2122 Haji Nazar Mohammad Building, Thkal Payan | Islamic | 5178 | KPK | 091-5621220 | 091-5621220 |

| S.NO | Branch/Sub-Branch Name | Complete Address | Branch Type | Branch Code | Province | Phone Number | FAX Number |
|------|--|--|--------------------|-------------|-------------------|----------------------------|------------------|
| 197 | Sugar Mill Road, Mardan | Sharif Khan Plaza, Near Charsadda Chowk, Railway Phattak Sugar Mills bypass road Mardan | Islamic | 5179 | KPK | 0937-845696-97-98 | 0937-845699 |
| 198 | Bhara Kahu Branch, Islamabad | Malak Shafait Plaza, manuza mahal kot, hathial Main Maree road Bhara Kahu Islamabad | Islamic | 5180 | Capital Territory | 051-2303782-83-87 | 051-2303789 |
| 199 | Charbagh Swat | Saad tower, Main Bazar Charbagh | Islamic | 5181 | KPK | 0946-730493-94 | 0946-730945 |
| 200 | Rashakai, Mardan | Deed No. 142/1, Main Bazar, Rashakai Nowshera | Islamic | 5182 | KPK | 0937-880369 0937-881369 | - |
| 201 | Rustam Mardan | Khata No. 813/799 Main Bazar Rustam | Islamic | 5183 | KPK | 0937-801909 | - |
| 202 | Barawal Bnada, Dir | Almadina Market, Shahi road, Main bazar Barawal bandi, Upper Dir | Islamic | 5184 | KPK | 0944-830019-20 | 0944-830021 |
| 203 | HMC Peshawar | Hayatabad Medical Complex Phase-4, Hayatabad | Islamic | 5185 | KPK | 091-5811941-43 | 091-5811943 L173 |
| 204 | Main Bazar Bara Tehsil and District Bara | Main Bazar Adjacent to Bara Tehsil Bara | Islamic | 5186 | KPK | 0301-8883036 | - |
| 205 | Totalai, Tehsil Khadukhel District Buner | Khatta No 26, Khasra No 3378, Mouza totalai, Tehsil Khadukhel, District Buner | Islamic | 5187 | KPK | 0314-9854637 | - |
| 206 | Madayn, Tehsil Madayn District Swat | Khatta No 227, Khatooni No 309, Khasra No 302, Fetehtpur Hadbast No 48, Madayn Bazar, Swat | Islamic | 5188 | KPK | 0347-9082832 | - |
| 207 | Sub-Branch Kalam, Swat | Main Bazar Kalam, Swat | Islamic Sub-Branch | 5188 | KPK | | |
| 208 | Dewana Baba, Tehsil Swari, District Buner. | Khasra No 67, Dewana Baba Bazar, Kalyari Gagra, Dewana Baba, Swari Buner. | Islamic | 5189 | KPK | 0334-8935037 | - |
| 209 | Zaida, Tehsil District Swabi | Khasra No 2080-2084 & 2086, Khata No 1599/2841 Salar Market, Main Bazar Zaida Swabi | Islamic | 5190 | KPK | 0333-3807708 | - |
| 210 | Matani Tehsil and District Peshawar | Khata No 1168/3802 to 4083 Khasra No Qittat 383, Mouza Matani Hadbast No 268, Tehsil and district peshawar | Islamic | 5191 | KPK | 0308-8883773 | - |
| 211 | Mandian Abbottabad, District Abbottabad | Aziz ullah Plaza, Mandian Mansehra Road, Abbottabad | Islamic | 5192 | KPK | 0300-5630031 | - |
| 212 | Doaba, Hangu | Khasra No 1326, Bangash filling station, main road doaba, District Hangu | Islamic | 5193 | KPK | 0925-660215/16 | 0925-660217 |
| 213 | IBB Inayat Kallay | Ground Floor Ihsan Plaza, Bypass Road Inayat kalay, Khar Bajaur | Islamic | 5194 | KPK | 0308-8867355 | |
| 214 | I-10 Markaz, Islamabad. | Plot No. 9(A), 9(B), I-10 Markaz Islamabad | Islamic | 5195 | Capital Territory | 0333-0307323 | |
| 215 | Main Bazar Ghazi, District Haripur. | Khasra No. 859/143, Khatooni 439/538, Main Bazar Ghazi, Tehsil & Distt Haripur | Islamic | 5196 | KPK | 0334-5080789 | |
| 216 | Liaquat Market, Balakot | Plot No.39-51, Liaquat Market, Adjacent to office of SDPO, Balakot | Islamic | 5197 | KPK | 0312-5151595 | |
| 217 | Haripur Sabzai Mandai | Haq Nawaz Plaza, Near Sabzi Mandi Morr, Haripur Tehsil & District Haripur. | Islamic | 5198 | KPK | 0995-613203, 0312-7978881 | |
| 218 | IBB Bakhshali, Mardan | Khasra / Khatooni / Registry No. 714-715/1551-1555, Main bazar Bakhshali, Tehsil & District Mardan | Islamic | 5199 | KPK | (0937)570312-14 | |
| 219 | Lachi, Kohat | Khata No 27, Khatoni No. 585, Khasra No. 1316, Lachi Payan, Lachi District Kohat | Islamic | 5200 | KPK | 0333-9117620 | |
| 220 | Akhora Khattak | Khata No. 351, Khotoni No. 1181, Registry No. 1778, Main GT Road Near Chungi Stop, Akora Khattak | Islamic | 5201 | KPK | 0300-5724298 | |
| 221 | Bacha Khan Medical Complex, Swabi | Bacha Khan Medical Complex Shah Mansoor, District & Tehsil Swabi | Islamic | 5202 | KPK | 0342-9285080 | |
| 222 | Allah Chowk, Saidu Sharif Mingora, Swat | Swat Trade Center, Saidu Sharif Road Mingora, Tehsil Babuzai, District Mingora | Islamic | 5203 | KPK | 0300-9072949 | |
| 223 | IBB Pishin | Band Road Pishin, Tehsil Pishin, District Pishin | Islamic | 5204 | Baluchistan | 0312-8222687 | |
| 224 | IBB KGN Hospital (MTI) Bannu | Medical training Institute (MTI) Khalifa Gul Nawaz (KGN) Hospital Kohat Road Township Bannu, Tehsil & District Bannu | Islamic | 5205 | KPK | 0333-9729297 | |

BRANCH NETWORK DETAILS

AS OF DECEMBER 31, 2021

| S.NO | Branch/Sub-Branch Name | Complete Address | Branch Type | Branch Code | Province | Phone Number | FAX Number |
|------|----------------------------------|--|-------------|-------------|-------------|--------------|------------|
| 225 | Duki Baluchistan | Plot No. 8, Bacha Khan Chowk Duki, Tehsil & District Duki, Baluchistan | Islamic | 5206 | Baluchistan | 0333-7889994 | |
| 226 | IBB Pir Baba , Buner | Main Bazar Pirbaba, Tehsil Daggar District Buner | Islamic | 5207 | KPK | 0346-9427005 | |
| 227 | IBB Toor Warsak, Buner | Main GT Road, Torwarsak Bazar, Tehsil Daggar District Buner | Islamic | 5208 | KPK | 0313-9083030 | |
| 228 | Dens Height, Hayatabad, Peshawar | Dens Heights, Phase-II, Hayatabad, Peshawar | Islamic | 5209 | KPK | 0334-5467526 | |
| 229 | Samar bagh, Lower Dir | Main GT Road, Kambat bazar, Tehsil Samarbagh, District Dir Lower | Islamic | 5210 | KPK | 0304-0900553 | |
| 230 | Phandu Chowk, Peshawar | Phandu Chowk, Phandu Road Tehsil and District Peshawar | Islamic | 5211 | KPK | 0345-9082440 | |

| Territory | Conventional Branches | Islamic Branches |
|---------------------|-----------------------|------------------|
| AJK | 3 | 0 |
| Baluchistan | 3 | 6 |
| Capital Territory | 4 | 4 |
| GB | 1 | 0 |
| KPK | 58 | 91 |
| Punjab | 28 | 6 |
| Sindh | 9 | 3 |
| Total | 106 | 110 |
| Sub-Branches | 9 | 5 |
| Grand Total | 115 | 115 |

FOREIGN CORRESPONDENT BANKS

AS OF DECEMBER 31, 2021

| S. NO. | COUNTRY | NAME OF BANK |
|--------|--------------------|---|
| 1 | AFGHANISTAN | NATIONAL BANK OF PAKISTAN, KABUL BRANCH |
| 2 | AUSTRALIA | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED |
| 3 | BAHRAIN | AL BARAKA ISLAMIC BANK B.S.C |
| | | ALUBAF ARAB INTERNATIONAL BANK B.S.C. (C) |
| | | ARAB INVESTMENT COMPANY, MANAMA BRANCH |
| | | ASKARI BANK LIMITED, MANAMA BRANCH |
| | | BANK AL HABIB LIMITED, MANAMA BRANCH |
| | | HABIB BANK LIMITED, MANAMA BRANCH |
| | | JS BANK LIMITED, MANAMA BRANCH |
| | | UNITED BANK LIMITED, MANAMA BRANCH |
| | | WOORI BANK, MANAMA BRANCH |
| 4 | BANGLADESH | AGRANI BANK LIMITED |
| | | DHAKA BANK LIMITED |
| | | HABIB BANK LIMITED, DHAKA BRANCH |
| | | MERCANTILE BANK LIMITED |
| | | NATIONAL BANK OF PAKISTAN, DHAKA BRANCH |
| | | SOCIAL ISLAMI BANK LIMITED |
| | | WOORI BANK, DHAKA BRANCH |
| 5 | BELGIUM | HABIB BANK LIMITED, BRUSSELS BRANCH |
| 6 | CANADA | HABIB CANADIAN BANK |
| 7 | CHILE | MUFG BANK LIMITED, SANTIAGO BRANCH |
| 8 | CHINA | AGRICULTURAL DEVELOPMENT BANK OF CHINA |
| | | AUSTRALIA AND NEW ZEALAND BANK (CHINA) COMPANY LIMITED |
| | | BANK OF CHINA LIMITED |
| | | BANK OF JIANGSU CO. LIMITED |
| | | CHINA CITIC BANK CORP. LIMITED |
| | | HABIB BANK LIMITED, URUMQI BRANCH |
| | | INDUSTRIAL AND COMMERCIAL BANK OF CHINA LIMITED |
| | | JIANGSU JIANGNAN RURAL COMMERCIAL BANK CO. LIMITED (FORMALY JIANGSU WUJIN RURAL BANK) |
| | | MUFG BANK (CHINA) LIMITED |
| | | QILU BANK CO. LIMITED |
| | | SHENGJING BANK CO. LIMITED |
| | | THE EXPORT IMPORT BANK OF CHINA |
| | | UNICREDIT SPA, SHANGHAI BRANCH |
| | | WELLS FARGO BANK, NA, SHANGHAI BRANCH |
| | | WOORI BANK (CHINA) LIMITED |
| | | YANTAI BANK CO. LIMITED |
| | | ZHEJIANG TAILONG COMMERCIAL BANK CO. LIMITED |
| | | ZHONGSHAN RURAL COMMERCIAL BANK CO. LIMITED |
| 9 | DENMARK | DANSKE BANK A/S |
| 10 | EGYPT | MASHREQ BANK, CAIRO BRANCH |
| 11 | ETHIOPIA | DASHEN BANK S.C. |
| 12 | FIJI | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, SUVA BRANCH |
| 13 | FINLAND | DANSKE BANK A/S, FINLAND BRANCH, HELSINKI BRANCH |
| 14 | FRANCE | CREDIT MUTUEL ARKEA |
| | | NATIONAL BANK OF PAKISTAN, PARIS BRANCH |
| | | UNION DE BANQUES ARABES ET FRANCAISES |
| 15 | GERMANY | COMMERZBANK AG |
| | | DANSKE BANK A/S |
| | | EUROPEAN BANK FOR FINANCIAL SERVICES GMBH (EBASE) |
| | | LANDESBANK HESSEN-THÜRINGEN GIROZENTRALE |
| | | NATIONAL BANK OF PAKISTAN, FRANKFURT BRANCH |
| | | SPARKASSE WESTMÜNSTERLAND |
| 16 | GIBRALTAR | BANK J. SAFRA SARASIN (GIBRALTAR) LIMITED |
| 17 | GREECE | ATTICA BANK SA |

FOREIGN CORRESPONDENT BANKS

AS OF DECEMBER 31, 2021

| S. NO. | COUNTRY | NAME OF BANK |
|--------|-------------|--|
| 18 | HONG KONG | COMMERZBANK AG, HONG KONG BRANCH |
| | | HABIB BANK ZURICH (HONG KONG) LIMITED |
| | | MASHREQBANK PSC., HONG KONG BRANCH |
| | | NATIONAL BANK OF PAKISTAN HONG KONG BRANCH |
| | | WELLS FARGO BANK N.A., HONG KONG BRANCH |
| 19 | INDIA | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, MUMBAI BRANCH |
| | | MASHREQ BANK, MUMBAI BRANCH |
| | | SHINHAN BANK, MUMBAI BRANCH |
| 20 | INDONESIA | MUFG BANK LIMITED, JAKARTA BRANCH |
| | | PT BANK ANZ INDONESIA |
| | | PT.BANK WOORI SAUDARA INDONESIA 1906 TBK |
| | | PT PAN INDONESIA BANK TBK |
| 21 | IRELAND | DANSKE BANK A/S |
| 22 | ITALY | BANCA UBAE SPA |
| | | BPER BANCA S.P.A. |
| | | COMMERZBANK AG, MILAN BRANCH |
| 23 | JAPAN | COMMERZBANK AG, TOKYO BRANCH |
| | | MIZUHO BANK LIMITED |
| | | MUFG BANK LIMITED |
| | | NATIONAL BANK OF PAKISTAN, TOKYO BRANCH |
| | | U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES, TOKYO BRANCH |
| | | WELLS FARGO BANK N.A., TOKYO BRANCH |
| | | WOORI BANK, TOKYO BRANCH |
| 24 | KUWAIT | MASHREQBANK PSC, KUWAIT CITY |
| 25 | KYRGYZSTAN | NATIONAL BANK OF PAKISTAN, BISHKEK BRANCH |
| 26 | LEBANON | HABIB BANK LIMITED, BEIRUT BRANCH |
| 27 | LUXEMBOURG | DANSKE BANK INTERNATIONAL SA |
| 28 | MACAU | BANCO COMERCIAL PORTUGUES SA, MACAU BRANCH |
| 29 | MALAYSIA | BANK AL HABIB LIMITED, LABUAN BRANCH |
| | | MIZUHO BANK (MALAYSIA) BERHAD |
| | | MUFG BANK (MALAYSIA) BERHAD |
| 30 | MAURITIUS | BANK OF BARODA, PORT LOUIS BRANCH |
| 31 | MONACO | BANQUE J. SAFRA SARASIN (MONACO) SA |
| 32 | NETHERLANDS | COMMERZBANK AG, AMSTERDAM BRANCH |
| | | INTESA SANPAOLO BANK LUXEMBOURG SA, AMSTERDAM BRANCH |
| 33 | NEW ZEALAND | ANZ BANK NEW ZEALAND LIMITED, WELLINGTON BRANCH |
| 34 | NORWAY | DANSKE BANK A/S, TRONDHEIM BRANCH |
| 35 | OMAN | HABIB BANK LIMITED, MUSCAT BRANCH |
| | | SOHAR INTERNATIONAL BANK S.A.O.G |
| 36 | PAKISTAN | ALBARAKA BANK (PAKISTAN) LIMITED |
| | | ALLIED BANK LIMITED |
| | | ASKARI BANK LIMITED |
| | | BANK AL HABIB LIMITED |
| | | BANK ALFALAH LIMITED |
| | | BANK OF CHINA LIMITED, KARACHI BRANCH |
| | | BANK OF PUNJAB |
| | | BANKISLAMI PAKISTAN LIMITED |
| | | DUBAI ISLAMIC BANK PAKISTAN LIMITED |
| | | FAYSAL BANK LIMITED |
| | | FIRST WOMEN BANK LIMITED |
| | | HABIB BANK LIMITED |
| | | HABIB METROPOLITAN BANK LIMITED |
| | | INDUSTRIAL AND COMMERCIAL BANK OF CHINA, KARACHI BRANCH |
| | | JS BANK LIMITED |
| | | MCB BANK LIMITED |

| S. NO. | COUNTRY | NAME OF BANK |
|--------|------------------|---|
| | | MCB ISLAMIC BANK LIMITED |
| | | MEEZAN BANK LIMITED |
| | | NATIONAL BANK OF PAKISTAN |
| | | SAMBA BANK LIMITED, KARACHI |
| | | SILKBANK LIMITED |
| | | SINDH BANK LIMITED |
| | | SONERI BANK LIMITED |
| | | SUMMIT BANK LIMITED |
| | | UNITED BANK LIMITED |
| 37 | PAPUA NEW GUINEA | AUSTRALIA AND NEW ZEALAND BANKING GROUP (PNG) LIMITED |
| 38 | PHILIPPINES | ASIAN DEVELOPMENT BANK |
| | | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, MAKATI CITY BRANCH |
| 39 | POLAND | BANK POLSKA KASA OPIEKI SA - BANK PEKAO SA |
| | | DANSKE BANK A/S |
| 40 | QATAR | MASHREQ BANK, DOHA BRANCH |
| | | UNITED BANK LIMITED, DOHA BRANCH |
| 41 | RUSSIA | ZAO DANSKE BANK |
| | | ZAO WOORI BANK |
| 42 | SAUDI ARABIA | BANK AL-JAZIRA |
| | | NATIONAL BANK OF PAKISTAN, RIYADH BRANCH |
| | | RIYAD BANK |
| 43 | SINGAPORE | COMMERZBANK AG, SINGAPORE BRANCH |
| | | HABIB BANK LIMITED, SINGAPORE BRANCH |
| | | PT BANK MANDIRI (PERSERO) TBK, SINGAPORE BRANCH |
| | | THE TORONTO-DOMINION BANK, SINGAPORE BRANCH |
| | | U.B.A.F. - UNION DE BANQUES ARABES ET FRANCAISES, SINGAPORE BRANCH |
| | | WELLS FARGO BANK N.A., SINGAPORE BRANCH |
| | | WOORI BANK, SINGAPORE BRANCH |
| 44 | SOLOMON ISLANDS | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, HONIARA BRANCH |
| 45 | SOUTH AFRICA | HBZ BANK LIMITED, DURBAN BRANCH |
| 46 | SOUTH KOREA | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, SEOUL BRANCH |
| | | INDUSTRIAL BANK OF KOREA |
| | | KEB HANA BANK |
| | | KOOKMIN BANK |
| | | NATIONAL BANK OF PAKISTAN, SEOUL BRANCH |
| | | SHINHAN BANK |
| | | SUHYUP BANK |
| | | THE BUSAN BANK CO. LIMITED |
| | | U.B.A.F.-UNION DE BANQUES ARABES ET FRANCAISES, SEOUL BRANCH |
| | | WELLS FARGO BANK N.A., SEOUL BRANCH |
| | | WOORI BANK |
| 47 | SPAIN | ABANCA CORPORACION BANCARIA S.A. |
| | | CAIXABANK SA |
| | | COMMERZBANK AG, MADRID BRANCH |
| 48 | SRI LANKA | HABIB BANK LIMITED, COLOMBO BRANCH |
| | | HATTON NATIONAL BANK PLC |
| | | SAMPATH BANK PLC |
| 49 | SWEDEN | DANSKE BANK A/S |
| 50 | SWITZERLAND | BANQUE DE COMMERCE ET DE PLACEMENTS S.A. |
| | | HABIB BANK AG ZURICH |
| | | HBL BANK UK LIMITED, ZURICH BRANCH |
| | | UBL (SWITZERLAND) AG |
| | | ZURCHER KANTONALBANK |

FOREIGN CORRESPONDENT BANKS

AS OF DECEMBER 31, 2021

| S. NO. | COUNTRY | NAME OF BANK |
|--------------------------------------|--------------------------|---|
| 51 | TAIWAN | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, TAIPEI CITY BRANCH |
| | | MUFG BANK LIMITED, TAIPEI CITY BRANCH |
| | | WELLS FARGO BANK NA, TAIPEI CITY BRANCH |
| 52 | THAILAND | BANK OF AYUDHYA PUBLIC COMPANY LIMITED, BANGKOK BRANCH |
| 53 | TIMOR-LESTE | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, DILI BRANCH |
| 54 | TONGA | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, NUKU'ALOFA BRANCH |
| 55 | TURKEY | AKBANK TAS |
| | | AKTIF YATIRIM BANKASI AS |
| | | ALBARAKA TURK KATILIM BANKASI AS |
| | | HABIB BANK LIMITED, ISTANBUL BRANCH |
| 56 | UNITED ARAB EMIRATES | ABU DHABI COMMERCIAL BANK PJSC |
| | | ABU DHABI ISLAMIC BANK |
| | | BANK ALFALAH LIMITED, DUBAI BRANCH |
| | | HABIB BANK AG ZURICH, DUBAI BRANCH |
| | | HABIB BANK LIMITED, DEIRA BRANCH |
| | | MASHREQBANK PSC. |
| | | MCB BANK LIMITED, DUBAI BRANCH |
| | | UNITED BANK LIMITED, DUBAI BRANCH |
| 57 | UNITED KINGDOM | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, LONDON BRANCH |
| | | BANK J SAFRA SARASIN (GIBRALTAR) LIMITED, LONDON BRANCH |
| | | BANK OF CHINA LIMITED, LONDON BRANCH |
| | | CREDIT SUISSE (UK) LIMITED |
| | | DANSKE BANK A/S |
| | | HABIB BANK ZURICH PLC |
| | | HBL BANK UK LIMITED |
| | | LLOYDS BANK PLC |
| | | MASHREQ BANK PSC, LONDON BRANCH |
| | | NORTHERN BANK LIMITED |
| | | SANTANDER UK PLC |
| WELLS FARGO BANK N.A., LONDON BRANCH | | |
| WOORI BANK, LONDON BRANCH | | |
| 58 | UNITED STATES OF AMERICA | AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, NEW YORK BRANCH |
| | | DEUTSCHE BANK TRUST COMPANY AMERICAS |
| | | FIRST TENNESSEE BANK NATIONAL ASSOCIATION |
| | | GOLDEN BANK N.A. |
| | | HABIB AMERICAN BANK |
| | | MASHREQBANK PSC, NEW YORK BRANCH |
| | | NATIONAL BANK OF PAKISTAN, NEW YORK BRANCH |
| | | SHINHAN BANK AMERICA, LOS ANGELES BRANCH |
| | | SHINHAN BANK, NEW YORK BRANCH |
| | | THE BANK OF NEW YORK MELLON |
| | | WELLS FARGO BANK N.A. |
| | | WELLS FARGO CLEARING SERVICES LLC |
| | | WOORI AMERICA BANK |
| WOORI BANK, LOS ANGELES BRANCH | | |
| WOORI BANK, NEW YORK BRANCH | | |
| 59 | VIETNAM | ANZ BANK (VIETNAM) LIMITED |
| | | SHINHAN BANK VIETNAM LIMITED |
| | | WOORI BANK VIETNAM LIMITED |

BCR CRITERIA MAPPING

| No. | BCR Criteria | Page # |
|-------------|---|-------------|
| 1 | Organizational Overview and External Environment <i>What does the organization do and circumstances under which it operates</i> | |
| 1.01 | Principal business activities and markets (local and international) including key brands, products and services. | 8-13, 74-76 |
| 1.02 | Geographical location and address of all business units including sales units and plants. | 14, 210-218 |
| 1.03 | Mission, vision, code of conduct, culture, ethics and values. | 2, 6 |
| 1.04 | Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates. Also name and country of origin of the holding company/subsidiary company, if such companies are a foreign company. | 49, 24 |
| 1.05 | Organization chart indicating functional and administrative reporting, presented with legends. | 24 |
| 1.06 | Identification of the key elements of the business model of the company through simple diagram supported by a clear explanation of the relevance of those elements to the organization. (The key elements of business model are Inputs, Business activities, Outputs and Outcomes). | 51-52 |
| 1.07 | Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain. (This disclosure shall be provided by the companies in service and non-service sector organizations through graphical presentation). | 27 |
| 1.08 | Significant factors effecting the external environment and the associated organization's response. Also describe the effect of seasonality on business in terms of production and sales. (External environment includes commercial, political, economic, social, technological, environmental and legal environment). | 59-60 |
| 1.09 | The legitimate needs, interests of key stakeholders and industry trends. | |
| 1.10 | SWOT Analysis of the company. | 26 |
| 1.11 | Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, relative strengths and weaknesses of competitors and customer demand and the intensity of competitive rivalry). | 56 |
| 1.12 | The legislative and regulatory environment in which the organization operates. | 63 |
| 1.13 | The political environment where the organization operates and other countries that may affect the ability of the organization to implement its strategy. | 33, 59 |
| 1.14 | Significant changes from prior years (regarding the information disclosed in this section). | 71 |
| 1.15 | History of major events. | 50 |
| 1.16 | Details of significant events occurred during the year and after the reporting period. | 55 |
| 2 | Strategy and Resource Allocation <i>Where does the organization want to go and how does it intend to get there</i> | |
| 2.01 | Short, medium and long term strategic objectives. | 51 |
| 2.02 | Strategies in place or intended to be implemented to achieve the strategic objectives. | 52 |
| 2.03 | Resource allocation plans to implement the strategy and financial capital structure. Resource mean CAPITALS including: a. financial capital (e.g. liquidity, cash flows, financing arrangements); human capital; b. manufactured capital (e.g. building, equipment, infrastructure); c. intellectual capital (e.g. patents, copyrights, software, licenses, knowledge, system, procedures); d. human capital; e. social and relationship capital; and f. natural capital. Explanation: Disclosures about the capitals should include the factors that affect the availability, quality and affordability of relevant capitals and the organization's expectations of its ability to produce flows from them to meet future demand. <i>Demonstrating the connectivity of financial performance with performance and outcomes regarding the other capitals & how the organization's strategy and resource allocation plans affect key capitals and risk management arrangements related to them should be included under capital reporting.</i> | 54 |
| 2.04 | Key resources and capabilities of the company which provide sustainable competitive advantage. | 54, 56 |
| 2.05 | Value created by the business, and for whom, using these resources and capabilities. | 27 |
| 2.06 | The effect of technological change, societal issues such as population and demographic changes, human rights, health, poverty, collective values and educational systems, environmental challenges, such as climate change, the loss of ecosystems, and resource shortages on the company strategy and resource allocation. | 54, 56 |
| 2.07 | 2.07 Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues. | 57 |

BCR CRITERIA MAPPING

| No. | BCR Criteria | Page # |
|----------|---|-------------------------------|
| 2.08 | 2.08 Key performance indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future. | 52 |
| 2.09 | Board's statement on the following: a) significant plans and decisions such as corporate restructuring, business expansion, or discontinuance of operations; b) business rationale of major capital expenditure or projects started during the year and those planned for next year etc. | 52 |
| 2.10 | Significant changes in objectives and strategies from prior years. | 71, 52 |
| 3 | Risks and Opportunities <i>Specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how it is dealing with them</i> | |
| 3.01 | Key risks and opportunities effecting availability, quality and affordability of CAPITALS in the short, medium and long term. | 51 |
| 3.02 | Risk Management Framework including risk management methodology and principal risk and uncertainties facing the company. | 88, 176 |
| 3.03 | Sources of risks and opportunities (internal and external). | 60-63 |
| 3.04 | The initiatives taken by the company in promoting and enabling innovation. | 54 |
| 3.05 | Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does. | 60-63 |
| 3.06 | Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs. | 60-63 |
| 3.07 | Board's efforts for determining the company's level of risk tolerance by establishing risk management policies. | 88, 176 |
| 3.08 | Statement from the board that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity. | 59-63, 57 |
| 3.09 | Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses. | 61 |
| 3.10 | Inadequacy in the capital structure and plans to address such inadequacy. | 57 |
| 4 | Sustainability and Corporate Social Responsibility | |
| 4.01 | Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility as per best business practices including: a) environment related obligation applicable on the company; b) company progress towards environmental, social and & governance initiatives during the year; and c) company's responsibility towards the staff, health & safety. | 66, 92 |
| 4.02 | Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable. | 66, 92 |
| 4.03 | Certifications acquired and international standards adopted for best sustainability and CSR practices. | 66 |
| 5 | Governance <i>How does the organization's governance structure support its ability to create value in the short, medium and long term</i> | |
| 5.01 | Board composition: a) Leadership structure of those charged with governance. b) Name of independent directors indicating justification for their independence. c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience. d) Profile of each director including education, experience and involvement /engagement of in other entities as CEO, Director, CFO or Trustee etc. e) No. of companies in which the executive director of the reporting organization is serving as non-executive director. | 49 16-19 16-19 16-19 |
| 5.02 | Chairman's Review Report on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives. | 85 |
| 5.03 | A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management. | 95-97 |
| 5.04 | Annual evaluation of performance, along with description of criteria used for the members of the board including CEO, Chairman and board's committees. | 91 |
| 5.05 | Disclosure if the board's performance evaluation is carried out by an external consultant once in three years. | 85, 91 |
| 5.06 | Details of formal orientation courses for directors. | 91 |

| No. | BCR Criteria | Page # |
|------|---|---------------|
| 5.07 | Directors' Training Program (DTP) attended by directors, female executive and head of department from the institutes approved by the SECP and names of those who availed exemptions during the year. | 91 |
| 5.08 | Description of external oversight of various functions like systems audit or internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems. | 67-70 |
| 5.09 | a) Approved policy for related party transactions. | 69-70, 173 |
| | b) Details of all related parties transactions, along with the basis of relationship describing common directorship and percentage of shareholding. | 173-174 |
| | c) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement. | 173-174 |
| | d) Disclosure of director's interest in related party transactions. | 91 |
| | e) In case of conflict, disclosure that how such a conflict is managed and monitored by the board. | 89 |
| 5.10 | Disclosure of Board's Policy on the following significant matters: | 88-91 |
| | a) Governance of risk and internal controls. | 70, 89, 99, |
| | b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. | 29,32, 88, |
| | c) Disclosure of director's interest in significant contracts and arrangements. | 173 |
| | d) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings. | 91 |
| | e) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies. | 70 |
| | f) Security clearance of foreign directors. | 72 |
| | g) Board meetings held outside Pakistan. | 72 |
| | h) Human resource management including preparation of succession plan. | 85 |
| | i) Social and environmental responsibility. | 192-193 |
| | j) Communication with stakeholders. | 72 |
| | k) Investors' relationship and grievances. | 72 |
| | l) Employee health, safety and protection. | 158, 177, 192 |
| | m) Whistle blowing policy including mechanism to receive and handle complains in a fair and transparent manner and providing protection to the complainant against victimization and reporting in Audit Committee's report. | 71 |
| | n) Safety of records of the company. | 72 |
| | o) Providing reasonable opportunity to the shareholder for participation in the AGM. | 82-83 |
| 5.11 | Board review statement of the organization's business continuity plan or disaster recovery plan. | 35,177 |
| 5.12 | Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking. | 92,208 |
| 5.13 | Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance). | 72-73, 95-98 |
| 5.14 | A brief description about role of the Chairman and the CEO. | 85 |
| 5.15 | Shares held by Sponsors / Directors / Executives. | 92, 208 |
| 5.16 | Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management). | 69,73 |
| 5.17 | Timely Communication: Date of authorization of financial statements by the board of directors: within 40 days ---6 marks within 60 days ---3 marks (Entities requiring approval from a Regulator before finalization of their financial statements would be provided a 20 days relaxation, on providing evidence to the Committee). | |
| 5.18 | Audit Committee report should describe the work of the committee in discharging its responsibilities. The report should include: | 67-70 |
| | a) Composition of the committee with at least one member qualified as "financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee. | 67-70 |
| | b) Role of the committee in discharging its responsibilities for the significant issues in relation to the financial statements, and how these issues were addressed with details where particular attention was paid in this regard. | 67-70 |
| | c) Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure. | 67-70 |

BCR CRITERIA MAPPING

| No. | BCR Criteria | Page # |
|-------------|--|--------------------|
| | d) Role of Internal Audit to risk management and internal control, and approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance. | 67-70 |
| | e) Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommended instituting remedial and mitigating measures. | 67-70 |
| | f) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current statutory auditor; and if the external auditor provides non-audit services, an explanation as to how auditor's objectivity and independence is safeguarded. | 67-70 |
| | g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported. | 80 |
| | h) The Audit Committee's views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information for shareholders to assess the company's position and performance, business model and strategy. | 67-70 |
| | i) Results of the self-evaluation of the Audit Committee carried out of its own performance. | 67-70 |
| | j) Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year. | 71 |
| 5.19 | Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities / matters that are within the scope of the Audit Committee's responsibilities. | 67-70 |
| 5.20 | Board disclosure on Company's use of Enterprise Resource Planning (ERP) software including: | |
| | a) how it is designed to manage and integrate the functions of core business processes/ modules like finance, HR, supply chain and inventory management in a single system; | 176 |
| | b) management support in the effective implementation and continuous updation; | 176 |
| | c) details about user training of ERP software; | 176 |
| | d) how the company manages risks or control risk factors on ERP projects; | 176 |
| | e) how the company assesses system security, access to sensitive data and segregation of duties. | 64-65, 76, 176-177 |
| 5.21 | Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, it should be disclosed if it has any other connection with the company. | |
| 5.22 | Chairman's significant commitments and any changes thereto. | 85 |
| 5.23 | Disclosure about the Government of Pakistan policies related to company's business/sector in Directors' Report and their impact on the company business and performance. | 86 |
| 5.24 | How the organization's implemented governance practices have been exceeding legal requirements. | 109 |
| 6 | Analysis of the Financial Information <i>To what extent has the organization achieved its strategic objectives for the period</i> | |
| 6.01 | Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between: (a) Past and current performance; (b) Performance against targets /budget; and (c) Objectives to assess stewardship of management. The analysis should cover significant deviations from previous year in operating results and the reasons for loss, if incurred and future prospects of profits. | 46-48 |
| 6.02 | Analysis of financial ratios (Annexure I) (this includes marks of ratios for Shariah compliant companies and companies listed on Islamic indices) | 42-43 |
| 6.03 | Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years. | 40-41 |
| 6.04 | Graphical presentation of 6.02 and 6.03 above. | 36-39 |
| 6.05 | Explanation of negative change in the performance against prior year including analysis of variation in results reported in interim reports with the final accounts, including comments on the results disclosed in 6.02 and 6.03 above. | 46 |
| 6.06 | Any significant change in accounting policies, judgements, estimates and assumptions with rationale. | 119-121, 123 |
| 6.07 | Information about defaults in payment of any debts and reasons thereof period. | 155 |
| 6.08 | Methods and assumptions used in compiling the indicators. | 52 |
| 6.09 | Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat). | 116 |
| 6.10 | Segmental review and analysis of business performance including segment revenue, segment results, profit before tax, segment assets and liabilities. | 125-126, 170-172 |

| No. | BCR Criteria | Page # |
|----------|--|----------------|
| 6.11 | a) Share price sensitivity analysis using key variables (i.e. selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning. | 162 |
| | b) Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations. | 162 |
| 6.12 | Brief description and reasons: a) for not declaring dividend despite earning profits and future prospects of dividend. b) where any payment on account of taxes, duties, levies etc. is overdue or outstanding. | 132 |
| 6.13 | CEO presentation video on the company's business performance of the year covering the company business strategy to improve and future outlook. (Please provide relevant webpage link of the video in the company's annual report). | 49 |
| 7 | Disclosures on IT Governance and Cybersecurity <i>How the Board evaluate the company's IT governance and cybersecurity risk and how the Board manages those risks that threaten the company's operation</i> | |
| 7.01 | The Board responsibility statement on the evaluation and enforcement of legal and regulatory implications of cyber risks and the responsibilities of the board in case of any breaches. | 64-65, 62, 176 |
| 7.02 | Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place. | 64-65, 62, 176 |
| 7.03 | Disclosures about how cybersecurity fits into the board's risk oversight function and how the board is engaging with management on this issue. | 64-65, 62, 176 |
| 7.04 | Disclosure that at least one board-level committee is charged with oversight of IT governance and cybersecurity matters and how the board administers its IT risk oversight function related to these risks. | 64-65, 62, 176 |
| 7.05 | Disclosure about Company's controls and procedures about an "early warning system" that enables the company to identify, assess, address, make timely disclosures and timely communications to the board about cybersecurity risks and incidents. | 64-65, 62, 176 |
| 7.06 | Disclosure of policy related to independent comprehensive security assessment of technology environment, including third party risks and when last such review was carried out. | 64-65, 62, 176 |
| 7.07 | Disclosure about resilient contingency and disaster recovery plan in terms of dealing with a possible IT failure or cyber breach and details about company's cyber insurance. | 64-65, 62, 176 |
| 7.08 | Disclosure of advancement in digital transformation on how the organization has leveraged 4.0 Industrial revolution (RPA, Block Chain, AI, Cloud Computing etc.) to improve transparency, reporting and governance. | 64-65, 62, 176 |
| 7.09 | Disclosure about education and training efforts of the Company to mitigate cybersecurity risks. Explanatory Note <i>Companies are recommended to assess the risks related to the potential theft or compromise of their technology, data or intellectual property in connection with their operations, as well as how the recognition of these risks may impact their business, including their financial condition and results of operations, and any effects on their reputation, stock price and long-term value. Where these risks are material to investment and voting decisions, they should be disclosed, and we encourage companies to provide disclosure that allows investors to evaluate these risks through the eyes of management. Please note that disclosure about these risks should be specifically fit to a company's unique facts and circumstances. We trust that corporations should continue to consider this growing area of risk and evaluate its materiality on an ongoing basis.</i> <i>Further, the Company should not make such detailed disclosures that could compromise its cybersecurity efforts – for example, by providing a "roadmap or product details" for those who seek to penetrate a company's security protections. However, companies should disclose IT governance and cybersecurity risks and incidents that are material to investors, including the associated financial, legal, or reputational consequences, if any.</i> | 176 |
| 8 | Future Outlook <i>Challenges and uncertainties that the organization is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance</i> | |
| 8.01 | Forward looking statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the company's resources, revenues and operations in the short, medium and long term. | 31 |
| 8.02 | Explanation of the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and how it will affect the organization in terms of its business performance, strategic objectives and availability, quality and affordability of capitals. | 33, 59 |
| 8.03 | Explanation as to how the performance of the company meets the forward looking disclosures made in the previous year. | 31-32 |

BCR CRITERIA MAPPING

| No. | BCR Criteria | Page # |
|-----------|---|----------------|
| 8.04 | Status of the projects in progress and were disclosed in the forward looking statement in the previous year. | 34 |
| 8.05 | Sources of information and assumptions used for projections / forecasts in the forward looking statement and assistance taken by any external consultant. | 35 |
| 8.06 | How the organization is currently equipped in responding to the critical challenges and uncertainties that are likely to arise. | 35 |
| 9 | Stakeholders Relationship and Engagement <i>State of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests</i> | |
| 9.01 | Stakeholders engagement policy of the company and how the company has identified its stakeholders. | 72 |
| 9.02 | Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how these relationships are likely to affect the performance and value of the company, and how those relationships are managed. These engagements may be with: a) Institutional investors; b) Customers & suppliers; c) Banks and other lenders; d) Media; e) Regulators; f) Local committees and g) Analysts. | 72 |
| 9.03 | Steps taken by the management to encourage the minority shareholders to attend the general meetings. | 73 |
| 9.04 | Investors' Relations section on the corporate website. | 73 |
| 9.05 | Issues raised in the last AGM, decisions taken and their implementation status. | 73 |
| 9.06 | Statement of value added and its distribution with graphical presentation: a) Employees as remuneration; b) Government as taxes (separately direct and indirect); c) Shareholders as dividends; d) Providers of financial capital as financial charges; e) Society as donation; and f) Retained within the business. | 44-45 |
| 9.07 | Steps board has taken to solicit and understand the views of stakeholders through corporate briefing sessions and disclosure of brief summary of Analyst briefing conducted during the year. | 72 |
| 9.08 | Highlights about redressal of investors' complaints. | 53, 72 |
| 10 | Business Model <i>Business model is a system of transforming inputs, through business activities, into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term</i> | |
| 10.01 | Describe the business model including inputs, business activities, outputs and outcomes in accordance with the guidance as set out under section 4C of the International Integrated Reporting Framework (IR Framework). | 53 |
| 11 | Striving for Excellence in Corporate Reporting | |
| 11.01 | Board's responsibility statement on full compliance of financial accounting and reporting standards as applicable in Pakistan (i.e. International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB)). | 95-97 |
| 11.02 | Adoption of IR Framework by fully applying the 'Fundamental Concepts', 'Content Elements' and 'Guiding Principles' in the IR Framework. | 117 |
| 11.03 | BCR criteria cross referred with page numbers of the annual report. (details can be maintained by companies on the Investor Relation section of the company's website). | 223-230 |
| 11.04 | Disclosures beyond BCR criteria (The participating organization to send the list of additional disclosures to BCR Committee). | Not applicable |
| 12 | Specific Disclosures of the Financial Statements | |
| 12.01 | Specific disclosures of the financial statements required under the Companies Act, 2017 and IFRSs (Annexure II). | 4,117,119-120 |
| 12.02 | Shariah compliant companies/ companies listed on the Islamic Indices (Annexure III). | |
| 13 | Assessment based on Qualitative Factors | |
| 13.01 | Please refer (Annexure IV). | |
| 14 | Industry Specific Disclosures (if applicable) | |
| a) | Disclosures required for Banking Company (Annexure V). | |
| b) | Disclosures required for Insurance Company (Annexure VI). | |
| c) | Disclosures required for Exploration and Production (E&P) Company (Annexure VII). | |

| No. | BCR Criteria | Page # |
|--|--|-------------|
| Annexure I - Financial Ratios (refer section 6 of the criteria) | | |
| Financial Sector | | Page Number |
| Profitability Ratios | | 42-43 |
| a) | Profit before tax ratio | 42-43 |
| b) | Gross Yield on Earning Assets | 42-43 |
| c) | Gross Spread ratio | 42-43 |
| d) | Cost/Income ratio | 42-43 |
| e) | Return on Equity | 42-43 |
| f) | Return on Capital employed | 42-43 |
| g) | Shareholders' Funds | 42-43 |
| h) | Return on Shareholders' Funds | 42-43 |
| Liquidity Ratios | | 42-43 |
| a) | Advances to deposits ratio | 42-43 |
| b) | Current ratio | 42-43 |
| c) | Quick / Acid test ratio | 42-43 |
| d) | Cash to Current Liabilities | 42-43 |
| e) | Cost of Funds | 42-43 |
| f) | Cash flow coverage ratio | 42-43 |
| g) | Net interest income as a percentage of working funds / Operating cost - Efficiency ratio | 42-43 |
| h) | Cash Reserve Ratio / Liquid Asset ratio | 42-43 |
| i) | Gross Non-Performing assets to gross advances | 42-43 |
| j) | Non-Performing loans to Total Loans | 42-43 |
| Investment /Market Ratios | | 42-43 |
| a) | Earnings per share (EPS) and diluted EPS | 42-43 |
| b) | Price Earnings ratio | 42-43 |
| c) | Price to Book ratio | 42-43 |
| d) | Dividend Yield ratio | 42-43 |
| e) | Dividend Payout ratio / Dividend Cover Ratio | 42-43 |
| f) | Cash Dividend per share / Stock Dividend per share | 42-43 |
| g) | Market value per share at the end of the year and high/low during the year | 42-43 |
| h) | Breakup value per share | 42-43 |
| | i. Without Surplus on Revaluation of property, plant and equipment | 42-43 |
| | ii. With Surplus on Revaluation of property plant and equipment including the effect of all Investments | 42-43 |
| | iii. Including Investment in Related Party at fair /market value and also with Surplus on Revaluation of property plant and equipment. | 42-43 |
| i) | DuPont Analysis | 42-43 |
| j) | Free Cash Flow | 42-43 |
| k) | Economic Value Added (EVA) | 42-43 |
| Capital Structure | | 42-43 |
| a) | Capital Adequacy ratio | 42-43 |
| b) | Earning assets to total assets ratio | 42-43 |
| c) | Weighted Average cost of deposit | 42-43 |
| d) | Statutory Liquidity Reserve (Ratio) | 42-43 |
| e) | Net assets per share | 42-43 |
| f) | Debt to Equity ratio (as per book and as per market value) | 42-43 |
| Non-Financial Ratios | | 42-43 |
| a) | Staff turnover ratio | 42-43 |
| b) | Customer Satisfaction Index | 42-43 |
| c) | Employee Productivity Rate | 42-43 |
| Non-Financial Sector | | 42-43 |
| Profitability Ratios | | 42-43 |
| a) | Gross Profit ratio | 42-43 |
| b) | Net Profit to Sales | 42-43 |

BCR CRITERIA MAPPING

| No. | BCR Criteria | Page # |
|-------------------------------------|--|--------|
| c) | EBITDA Margin to Sales | 42-43 |
| d) | Operating leverage ratio | 42-43 |
| e) | Return on Equity | 42-43 |
| f) | Return on Capital employed | 42-43 |
| g) | Shareholders' Funds | 42-43 |
| h) | Return on Shareholders' Funds | 42-43 |
| Liquidity Ratios | | 42-43 |
| a) | Current ratio | 42-43 |
| b) | Quick / Acid test ratio | 42-43 |
| c) | Cash to Current Liabilities | 42-43 |
| d) | Cash flow from operations to Sales | 42-43 |
| e) | Cash flow to capital expenditures | 42-43 |
| f) | Cash flow coverage ratio | 42-43 |
| Investment /Market Ratios | | 42-43 |
| a) | Earnings per Share (EPS) and diluted EPS | 42-43 |
| b) | Price Earnings ratio | 42-43 |
| c) | Price to Book ratio | 42-43 |
| d) | Dividend Yield ratio | 42-43 |
| e) | Dividend Payout ratio / Dividend Cover Ratio | 42-43 |
| f) | Cash Dividend per share / Stock Dividend per share | 42-43 |
| g) | Market value per share at the year end and high/low during the year | 42-43 |
| h) | Breakup value per share | 42-43 |
| | i. Without Surplus on Revaluation of property, plant and equipment | 42-43 |
| | ii. With Surplus on Revaluation of Property plant and equipment including the effect of all Investments | 42-43 |
| | iii. Including Investment in Related Party at fair /market value and also with Surplus on Revaluation of property plant and equipment. | 42-43 |
| i) | DuPont Analysis | 42-43 |
| j) | Free Cash Flow | 42-43 |
| k) | Economic Value Added (EVA) | 42-43 |
| Capital Structure | | 42-43 |
| a) | Financial leverage ratio | 42-43 |
| b) | Weighted average cost of debt | 42-43 |
| c) | Debt to Equity ratio (as per book and as per market value) | 42-43 |
| d) | Net assets per share | 42-43 |
| e) | Interest Cover /Time Interest earned ratio | 42-43 |
| Activity / Turnover Ratios | | 42-43 |
| a) | Total Assets turnover ratio | 42-43 |
| b) | Fixed Assets turnover ratio | 42-43 |
| c) | No. of Days in Inventory | 42-43 |
| d) | No. of Days in Receivables | 42-43 |
| e) | No. of Days in Payables | 42-43 |
| f) | Operating cycle | 42-43 |
| Employee Productivity ratios | | 42-43 |
| a) | Production per Employee | 42-43 |
| b) | Revenue per Employee | 42-43 |
| c) | Staff turnover ratio | 42-43 |
| Non-Financial Ratios | | 42-43 |
| a) | % of Plant Availability | 42-43 |
| b) | Customer Satisfaction Index | 42-43 |
| Others | | 42-43 |
| a) | Spares Inventory as % of Assets Cost | 42-43 |
| b) | Maintenance Cost as % of Operating Expenses | 42-43 |

FORM OF PROXY

Folio No. _____ CDC Participant Identity Card No. _____ CDCA/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 31st Annual General Meeting of the Bank to be held on Tuesday,
March 29, 2022 at 11:00 a.m. at Pearl Continental Hotel, Peshawar Cantt.

As witness my/our hand this _____ day of _____ 2022.

Dated

Place:

Signature
Five-Rupees
Revenue Stamp

The Signature should agree with the
Specimen registered with the Bank

Notes

A. General

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a proxy to attend and vote instead him/her. No person shall act as a proxy, who is not a member of the bank except that Government of Pakistan /Provincial Government/State Bank of Pakistan/ Corporation may appoint a person who is not a member.
2. The instrument appointing a proxy should be signed by the member of his/ her attorney duly authorized in writing. If the member is a corporation (other than Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a proxy, together with the Power of Attorney, if any, under which it is signed or a nationally certified copy thereof, should be deposited, with our Registrar/Transfer Agents, Messrs. THK Associates (Pvt) Ltd. Plot No. 32-C, Jami Commercial Street 2, D.H.A., Phase-VII, Karachi-75500 Pakistan, not less than 48 hours before the time of holding meeting.
4. If a member appoints more than one proxy, and more than one instrument of proxy are deposited by a member with the Bank, all such instruments of proxy shall be rendered invalid.

B. For CDC Account Holders

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

**AFFIX
CORRECT
POSTAGE**

The Company Secretary

Bank of Khyber

24, The Mall, Peshawar Cantt.



The Bank of Khyber

24, The Mall, Peshawar Cantt.
+92-91-111 95 95 95
customercare@bok.com.pk
www.bok.com.pk