



The Bank of Khyber

KHUD PE YAQREEN

CONTENTS

02	Corporate Information	28	Statement of Financial Position
03	Notice of Annual General Meeting	29	Profit and Loss Account
08	Chairman's Review	30	Statement of Comprehensive Income
09	Directors' Report to the Shareholders	31	Statement of Changes In Equity
16	Statement of Compliance	32	Cash Flow Statement
19	Auditors' Review Report on Statement of Compliance	33	Notes to the Financial Statements
20	Statement on Internal Controls	124	Pattern of Shareholding
21	Report of Shariah Board	125	Category of Shareholders
23	Auditors' Report to the Members	126	Branch Network Details
			Form of Proxy

COPORATE INFORMATION

Board of Directors

Shahab Ali Shah	Chairman / Non-Executive Director
Ikramullah 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.

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

Zahid Sahibzada
Company Secretary

Peshawar: March 8, 2022

NOTICE OF THIRTY FIRST ANNUAL GENERAL MEETING

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 2020

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

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

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

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

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

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

Deduction of Withholding Tax

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

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

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

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

NOTICE OF THIRTY FIRST ANNUAL GENERAL MEETING

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.

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 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

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

DIRECTORS' REPORT TO THE SHAREHOLDERS

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 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 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, 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.

DIRECTORS' REPORT TO THE SHAREHOLDERS

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 Jawaaid having strong professional background were 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 Jawaaid 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.

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:

DIRECTORS' REPORT TO THE SHAREHOLDERS

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:

	2016	2017	2018	2019	2020	2021
Deposits	157,020	159,247	171,168	182,168	203,072	221,876
Advances (net)	31,644	83,369	95,012	109,742	129,063	124,549
Investments	141,602	140,474	94,233	146,911	113,479	184,399
Total Assets	206,400	245,132	223,095	306,305	288,300	358,606
Capital & Reserves	14,685	14,943	13,809	14,982	16,605	16,219
Profit before tax	3,240	2,795	707	2,261	3,806	1,680
Profit after tax	2,020	1,790	466	1,306	2,152	1,104
Return on Equity	14%	12%	4%	9%	13%	7%

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.

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

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;

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	<ol style="list-style-type: none"> 1. Mr. Rashid Ali Khan - Chairman 2. Secretary Finance - Member 3. Ms. Saleha Asif - Member
2	Human Resource & Remuneration Committee	<ol style="list-style-type: none"> 1. Ms. Saleha Asif - Chairperson 2. Mr. Rashid Ali Khan - Member 3. Managing Director - Member
3	Risk Management Committee	<ol style="list-style-type: none"> 1. Secretary Finance - Chairman 2. Mr. Rashid Ali Khan - Member 3. Managing Director - Member
4	I.T Steering Committee	<ol style="list-style-type: none"> 1. Mr. Rashid Ali Khan - Chairman 2. Secretary Finance - Member 3. Managing Director - Member
5.	Compliance Committee	<ol style="list-style-type: none"> 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

STATEMENT OF COMPLIANCE

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

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 2021.
 - 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 وعترته 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 policies, 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 رانچوں 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 رپویو کے دوران اسلامی رانچوں 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۔

واللہ تعالیٰ اعلم بالصواب

﴿وَمَا يَشْهَدُنَا إِلَّا بِمَا عَلَّمْنَا وَمَا كُنَّا لِلْغَيْبِ 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 توفیق نصیب فرمائے اور ہماری ان تمام کاوشوں کو شرف قبولیت سے نوازے۔ (آمین)

وصلی اللہ تعالیٰ علی خیر خلقہ محمد وعلی آلہ وصحبہ أجمعین

وآخر دعوانا أن الحمد لله رب العالمین

مفتی محمد زاہد

چئیرمین شریعہ بورڈ

مفتی محمد عارف خان

ممبر شریعہ بورڈ

علیہ الوہاب

مفتی عبدالوہاب

ممبر شریعہ بورڈ

قاضی عبدالصمد

کل وقتی شریعہ بورڈ ممبر

مزید برآں آئی بی جی کے پاس ایک باضابطہ اور مستقل شعبہ (شریعہ 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۔ شریعہ 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 (شریعہ 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 تمویل پراڈکٹس کی دستاویزات، ان کا مرحلہ وار طریقہ کار، عقود اور ان سے متعلقہ شرعی ہدایات، اشتہاری مواد مثلاً اسلامی بینکاری سے متعلق مخصوص اشتہارات اور اعلانات کا جائزہ لیا ہے اور اس کے بارے میں اپنی رائے پیش کی ہے۔
- ✓ اسلامی بینکاری کی جملہ کارروائی کو قواعد و ضوابط کے مطابق یقینی بنانے کے لئے سالانہ شریعہ آڈٹ اور شریعہ ریویو پلانز (منصوبوں) کا بھی جائزہ لیا اور ان کی منظوری دی۔
- ✓ اندرونی (انٹرنل) و بیرونی (ایکسٹرنل) شریعہ آڈٹ اور شریعہ ریویو ڈیپارٹمنٹ کی طرف سے پیش ہونے والے تمام رپورٹوں کا جائزہ لیا اور ان میں موجود شرعی امور پر فوری احکامات صادر کئے ہیں۔
- ✓ شریعہ 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 تمویل 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 عبد الوہاب
ممبر شریعہ بورڈ

مفتی عبد الصمد
کل وقتی شریعہ بورڈ ممبر

✓ شریعہ کپیلائنس 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 کپیلائنس ڈویژن کے عملہ کی طرف سے خطاب کے بعد علاقے کے علمائے کرام اور حاضرین مجلس کے ساتھ سوال و جواب کی نشستیں منعقد کی گئیں جس کے نتیجے میں علاقہ کے اہل علم اور دیگر سامعین نے آئی بی جی کی اسلامی بینکاری پر اطمینان کا اظہار کیا اور اس نظام کو سراہا۔

مذکورہ بالا سرگرمیوں کی بنیاد پر ہماری رائے ہے کہ:

- ✓ آئی بی جی نے معاملات کے بارے میں شریعہ بورڈ کی طرف سے دیے گئے تمام ہدایات کے مطابق عمل کیا ہے۔
- ✓ آئی بی جی نے مجموعی طور پر ان تمام ہدایات، قواعد و ضوابط اور امور کی رعایت کی ہے جو سٹیٹ بینک اور سٹیٹ بینک کی شریعہ سپروائزری کمیٹی کی طرف سے جاری ہوئے ہیں۔
- ✓ آئی بی جی کے پاس ایک ایسا 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 کپیلائنس ڈویژن، شریعہ آڈٹ ڈیپارٹمنٹ، شریعہ ریسرچ و ریویو ڈیپارٹمنٹ، مستقل شریعہ بورڈ ممبر اور ایک مستقل ٹریڈنگ 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۔

مفتی محمد زاہد
چئیرمین شریعہ بورڈ

مفتی محمد عارف خان
ممبر شریعہ بورڈ

عبد الوہاب
مفتی عبد الوہاب
ممبر شریعہ بورڈ

قاضی 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 بإحسان 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 ونڈوز، 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 بقاء 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 کپیلانسنس 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 کپیلانسنس ڈویژن بینک کے عملہ کیلئے فنی تربیت، عوام الناس کے لئے اسلامی بینکاری سے متعلق آگاہی سیمینارز، شرعی امور کے نت 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 عہدہ مشارکہ کے طے شدہ قواعد کے مطابق حصہ مل رہا ہے۔ اس کے ساتھ ساتھ شریعہ کپیلانسنس ڈویژن شریعہ بورڈ کے لئے شریعہ سیکریٹریٹ کا کردار بھی ادا کر رہا ہے۔

مفتی محمد زاہد

چیمبرین شریعہ بورڈ

مفتی محمد عارف خان

ممبر شریعہ بورڈ

علیم الدین

مفتی عبدالوہاب

ممبر شریعہ بورڈ

مفتی عبدالعزیز

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. 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.

INDEPENDENT AUDITORS' REPORT

Following is the key audit matter:

Key audit matters	How the matter was addressed in our audit
1. Provision against non-performing advances	
<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>
2. Valuation of listed equity shares classified as available for sale	
<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>

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Board of Directors for the financial statements

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

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

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

Auditor's Responsibilities for the Audit of the financial statements

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

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

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

INDEPENDENT AUDITORS' REPORT

- obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the statement of financial position, the statement of profit and loss, 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;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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: AR2021100791kRiqjrSM

A member firm of Ernst & Young Global Limited

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 / (Deficit) on revaluation of assets	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	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	35.1.8	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		
				Non-banking asset		
			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	-	-	-	-
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	-	-	-	-
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	-	-	-	-	-
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 Rupees in '000	2020
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 Rupees in '000	2020
	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 Rupees in '000	2020
	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

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

		2021	2020
9 LENDINGS TO FINANCIAL INSTITUTIONS		Rupees in '000	
	Note		
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.

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

		2021			2020		
9.5 Securities held as collateral against lendings to financial institutions		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).

FOR THE YEAR ENDED DECEMBER 31, 2021

ANNUAL REPORT 2021

FOR THE YEAR ENDED DECEMBER 31, 2021

Jarah Sukuks includes Bai-Muajjal Sukuks with Government of Pakistan amounting to Rs.6,388.711 million (2020: Rs.6,388.711 million) carrying profit at the rate ranging from 13.11% to 13.44% (2020: 13.11% to 13.44%).

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 Rupees in '000	2020
	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 Rupees in '000	2020
	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	2021		2020	
	Category of classification	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 December 09, 2025	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.

	2021	2020
10.9.3 Quality of available for sale securities	Cost	
	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

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

10.9.5 Particulars relating to held to maturity securities are as follows:

	2021	2020
Particulars relating to held to maturity securities are as follows:	Cost	Cost
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	13,938,952	15,984,462

10.9.6 The year end market value of securities classified as held-to-maturity amounted to Rs. 13,504.467 million (2020: Rs.16,039 million).

11 ADVANCES	Performing		Non performing		Total	
	2021	2020	2021	2020	2021	2020
	Rupees in '000					
Loans, cash credits, running finances, etc	60,780,475	77,881,509	7,481,128	6,232,468	68,261,603	84,113,977
Islamic financing and related assets	59,317,410	48,208,466	1,498,726	823,842	60,816,136	49,032,308
Bills discounted and purchased	547,379	1,541,327	1,541,364	219,630	2,088,743	1,760,957
Advances - gross	120,645,264	127,631,302	10,521,218	7,275,940	131,166,482	134,907,242
Provision against advances						
- Specific	-	-	6,553,768	4,662,740	6,553,768	4,662,740
- General	63,519	1,181,125	-	-	63,519	1,181,125
Advances - net of provision	120,581,745	126,450,177	3,967,450	2,613,200	124,549,195	129,063,377
11.1 Particulars of advances (gross)						
	2021		2020		Rupees in '000	
In local currency	131,166,482		134,907,242		134,907,242	
In foreign currency	-		-		-	
	131,166,482		134,907,242		134,907,242	

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
Category of classification	2021		2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
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

		2021	2020
11.5 PARTICULARS OF WRITE OFFs:		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.

		2021	2020
12 FIXED ASSETS		Rupees in '000	
	Note		
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.

FOR THE YEAR ENDED DECEMBER 31, 2021

2021

ANNUAL REPORT 2021

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. feets)
1	The Mall, Peshawar Cantt. Peshawar	Leasehold land	20,497
2	Faysal Town, Lahore	Freehold land with multi story building	20,398
3	Phase V, Hayatabad, Peshawar	Freehold land with multi story building	10,880

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

		2021	2020
12.3	Right of use assets:	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.

		2021	2020
13	INTANGIBLE ASSETS	Rupees in '000	
	Capital work in progress	13.1	1,526
	Licenses and computer softwares	13.2	448,713
		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 Rupees in '000	2020 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			
			Rupees in '000	
	Provision for balances with other banks	As at January 01, 2020	3,510	3,510
	Provision for diminution in value of investments	As at December 31, 2020	43,023	43,023
	Provision for other assets	Recognized in Profit and Loss account	11,200	14,648
	Islamic pool management reserve	Recognized in Other Comprehensive Income	4,739	52,549
	Accelerated accounting depreciation	Recognized in Profit and Loss account	(14,296)	70,980
	(Deficit) / Surplus on revaluation of investments	Recognized in Other Comprehensive Income	-	(1,016,065)
	Surplus on revaluation of non-banking asset	Recognized in Profit and Loss account	-	(26,242)
	Share of profit of associate	Recognized in Other Comprehensive Income	-	-
	Provision against loans and advances	Recognized in Profit and Loss account	469,412	480,266
	Deferred tax assets - net		53,868	478,642
			992,412	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 Rupees in '000	2020
	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
<p>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).</p>				
15.1.1	Non-banking assets acquired in satisfaction of claims - - gross of provision		2021 Rupees in '000	2020
	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
	Note	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.		
16	BILLS PAYABLE	2021	2020
	Note	Rupees in '000	
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

18 DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	In foreign currencies	Total Rupees in '000	In local currency	In foreign currencies	Total
Customers						
Current deposits	34,469,737	448,039	34,917,776	33,457,556	314,415	33,771,971
Saving deposits	104,669,961	121,570	104,791,531	87,112,806	81,919	87,194,725
Term deposits	65,816,696	92,431	65,909,127	71,942,281	83,701	72,025,982
Others	11,253,752	-	11,253,752	7,017,097	-	7,017,097
	216,210,146	662,040	216,872,186	199,529,740	480,035	200,009,775
Financial Institutions						
Current deposits	648,065	-	648,065	162,961	-	162,961
Saving deposits	4,355,647	-	4,355,647	2,898,922	-	2,898,922
	5,003,712	-	5,003,712	3,061,883	-	3,061,883
	221,213,858	662,040	221,875,898	202,591,623	480,035	203,071,658
18.1 Composition of deposits	Note			2021 Rupees in '000		
Individuals				42,668,413		48,715,192
Government (Federal / Provincial)				133,872,398		113,802,233
Public sector entities				9,130,287		2,111,314
Banking companies				2,743,029		17,635
Non-banking financial institutions				2,260,683		3,044,248
Private sector				31,201,088		35,381,036
	18.2			221,875,898		203,071,658

18.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs.58,634 million (2020: Rs. 59,677 million) as of December 31, 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

19	OTHER LIABILITIES	Note	2021 Rupees in '000	2020
	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	2021		2020
Number of shares			Rupees in '000		
722,698,448		722,698,448	7,226,984		7,226,984
		Ordinary shares of Rs. 10 each			
		Fully paid in cash			
		Issued as fully paid bonus shares:			
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	Issued as fully paid bonus shares	10,502,710	10,002,524	

20.3 During the year, the Bank allotted five (5) Ordinary share of Rs.10 each against hundred (100) Ordinary shares of Rs.10 each to it's 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.

2021		2020
Rupees in '000		
21	SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS	Note
(Deficit) / surplus on revaluation of:		
- Available for sale securities	10.1	(796,907)
- Related deferred tax	14.1	310,794
		(486,113)
- Fixed assets	12.2.1	787,200
- Non banking assets	21.1	81,197
- Related deferred tax		(31,667)
		49,530
		350,617

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 Rupees in '000	2020
	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	Note	2021 Rupees in '000	2020
	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

			2021	2020
24	MARK-UP / RETURN / INTEREST EXPENSED	Note	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

		2021	2020
28.2	Total compensation expense	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	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
	Profit for the year - Rupees		1,103,627	2,151,783
	Weighted average number of ordinary shares		1,050,271,043	(Restated - Note 20.3) 1,050,271,043
	Basic and diluted earnings per share - rupee/share		1.05	(Restated) 2.05
33	CASH AND CASH EQUIVALENTS		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

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

	December 31, 2021			December 31, 2020		
	Other Liabilities	Equity	Unappropriated profit	Other Liabilities	Equity	Unappropriated profit
	Rupees in '000					
Balance as at January 01	9,449,525	3,335,048	3,267,017	14,107,711	2,904,691	2,074,808
Payment of lease liability against right-of-use-assets	(513,044)	-	-	(389,256)	-	-
Dividend Paid	-	-	(1,464,743)	-	-	(500,213)
Total changes from financing cash flows	(513,044)	-	(1,464,743)	(389,256)	-	(500,213)
Liability related						
Changes in Other liabilities						
- Cash based	(313,542)	-	-	5,725,715	-	-
- Dividend announced	35,814	-	(35,814)	(27)	-	27
- Lease liability recognised	885,352	-	-	169,478	-	-
- Transfer to statutory reserve	-	220,725	(220,725)	-	430,357	(430,357)
Total liability related other changes	607,624	220,725	(256,539)	5,895,166	430,357	(430,330)
Total equity related other changes	327,327	-	-	10,164,096	-	-
	-	-	(615,039)	-	-	(2,122,752)
Balance as at December 31	9,216,778	3,555,773	2,160,774	9,449,525	3,335,048	3,267,017

34 STAFF STRENGTH

	2021	2020
Number		
Permanent	1,753	1,433
On contractual basis	14	5
Bank's own staff strength at the end of the year	1,767	1,438
Bank's own average staff strength	1,603	1,390

34.1 In addition to the above, 1000 (2020: 840) employees of outsourcing services companies were assigned to the Bank as at the end of the year. No staff was assigned by the Bank to perform activities outside Pakistan.

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

	2021	2020
	Rupees in '000	
35.1.7 Cost recognised in profit and loss		
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			Members shariah board	Managing Director**	Key management personnel	Other material risk takers / controllers	Executives
	Chairman*	Directors	Non-executive					
		Executive (other than Managing Director)						
	438	-	5,751	-	-	-	-	-
Fees and allowances etc.	-	-	-	6,902	15,473	60,485	31,829	263,987
Managerial remuneration:	-	-	-	1,018	3,555	21,211	11,241	37,506
- Fixed	-	-	-	-	-	-	-	-
- Variable - cash bonus / awards etc.	-	-	-	-	-	-	-	-
Charge for defined benefit plan	-	-	-	218	322	4,654	2,651	22,001
Contribution to defined contribution plan	-	-	-	1,175	6,963	27,425	14,323	119,162
Rent & house maintenance	-	-	-	392	2,321	8,956	4,774	39,598
Utilities	-	-	-	392	2,321	8,956	4,774	39,598
Medical	-	-	-	960	875	15,822	11,593	105,580
Conveyance	-	-	264	-	-	1,013	2,060	12,844
Additional allowances	-	-	-	-	-	583	-	-
Contractual allowances	-	-	-	-	-	6,755	162	16,486
Other allowances	-	-	-	-	1,750	576	504	4,591
Others	16	-	467	36	36	-	-	-
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			Members shariah board	Managing Director*	Key management personnel	Other material risk takers/ controllers	Executives
	Directors							
	Chairman	Executive (other than Managing Director)	Non- executive					
Rupees in '000								
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 meetings	For Board Committees				
			Audit committee	HR&RC committee	IT Steering committee	Compliance committee	
Rupees in '000							
1	Mr.Shahab Ali Shah (Chairman)	188	-	-	-	-	188
2	Mr.Asad Muhammad Iqbal	714	250	-	63	-	1,027
3	Mr.Atif Rehman	391	313	24	63	-	1,041
4	Mr.Ikram Ullah Khan	63	-	-	-	-	63
5	Mr.Javed Akhtar	287	222	-	-	111	784
6	Ms.Saleha Asif	454	-	625	63	-	1,142
7	Mr.Rashid Ali Khan	461	111	500	56	161	1,511
8	Mr.Shakeel Qadir Khan	266	-	-	-	-	266
9	Mr.Maqsood Ismail Ahmad	303	-	444	-	-	914
Total amount paid		3,127	896	1,593	245	272	6,936

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
On balance sheet financial instruments	Rupees in '000			
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
On balance sheet financial instruments	Rupees in '000			
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				
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total
	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 pilling/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

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
Public / Government	119,658	119,658	44,658	44,658	44,658	44,658
Private	4,750,000	5,286,429	-	-	-	-
	4,426,040	2,195,914	40,384	40,384	40,384	40,384
	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 industry sector

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

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	Note	Gross investments		Non-performing investments		Provision held	
		2021		2020		2021	
		Rupees in '000		2020		2020	
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
	11	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
Credit risk by industry sector	Rupees '000	
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

Total funded classified therein

	2021		2020	
	Amount	Provision held	Amount	Provision held
	Rupees in '000			
OAEM	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
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				
	Rupees in '000				
Disbursement	Utilization				AJK including Gilgit-Baltistan
	Punjab	Sindh	KPK	Balochistan	Islamabad
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	27,352,134
Balochistan	7,787	-	-	24,879,306	-
Islamabad	18,450,391	771,796	177,001	7,787	-
AJK including Gilgit-Baltistan	322,911	-	-	-	-
Total	152,788,628	60,732,196	19,992,700	27,990,184	322,911
				7,787	43,742,850
					322,911

2020

Province / Region	2020				
	Rupees in '000				
Disbursements	Utilization				AJK including Gilgit-Baltistan
	Punjab	Sindh	KPK	Balochistan	Islamabad
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	-	-	-
Balochistan	12,603	-	21,685,312	-	-
Islamabad	6,001,079	771,796	-	12,603	-
AJK including Gilgit-Baltistan	316,025	-	635,878	-	-
Total	153,393,330	70,646,534	22,321,190	12,603	316,025
		28,258,440			31,838,538
					316,025

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		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Cash and balances with treasury banks	17,375,313	-	17,375,313	15,840,359	-	15,840,359
Balances with other banks	12,114,583	-	12,114,583	9,092,355	-	9,092,355
Lendings to financial institutions	4,982,294	-	4,982,294	7,297,519	-	7,297,519
Investments	13,938,952	170,459,994	184,398,946	15,984,462	97,494,532	113,478,994
Advances	124,549,195	-	124,549,195	129,063,377	-	129,063,377
Fixed assets	5,137,202	-	5,137,202	3,472,025	-	3,472,025
Intangible assets	450,239	-	450,239	532,167	-	532,167
Deferred tax assets	992,412	-	992,412	459,902	-	459,902
Other assets	8,605,861	-	8,605,861	9,063,193	-	9,063,193
	188,146,051	170,459,994	358,606,045	190,805,359	97,494,532	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:

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

	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

Exposed to yield / interest risk												Non-interest bearing financial instruments
Effective Yield / Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
Rupees in '000												
On-balance sheet financial instruments												
Assets												
		17,375,313	84,815	-	-	-	-	-	-	-	-	17,290,498
	8.70%	12,114,583	9,625,867	-	-	-	-	-	-	-	-	2,488,716
	10.07%	4,982,294	4,982,294	-	-	-	-	-	-	-	-	-
	9.32%	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
	7.63%	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	-
		8,605,861					-	-	-	-	-	8,605,861
		352,026,192	49,631,840	58,044,377	15,051,520	63,791,337	70,244,163	7,861,145	41,930,125	9,327,107	5,578,569	30,566,009
Liabilities												
		874,567	-	-	-	-	-	-	-	-	-	874,567
	9.27%	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	-
	5.02%	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
		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
		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)
On-balance sheet gap												
Off-balance sheet financial instruments												
Commitments in respect of:												
- forward foreign exchange contracts purchases												
- forward foreign exchange contracts sales												
		27,988,087	-	-	-	-	-	-	-	-	-	27,988,087
		28,215,426	-	-	-	-	-	-	-	-	-	28,215,426
		(227,339)					-	-	-	-	-	(227,339)
Off-balance sheet gap												
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)	
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	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

2020										
Rupees in '000										
On-balance sheet financial instruments	Effective Yield / Interest rate	Exposed to Yield / Interest risk							Over 10 Years	Non-interest bearing financial instruments
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	
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	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
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	-	-	-	-	-	-	-	-
Borrowings	6.31%	57,063,018	17,830,088	9,081,839	4,684,697	18,679,572	-	1,079,096	2,707,726	-
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
Other liabilities		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	-	-	-	-	-	-	-	-
- forward foreign exchange contracts sales		22,481,606	-	-	-	-	-	-	-	-
		(6,190,462)	-	-	-	-	-	-	-	-
Off-balance sheet gap										
										-
										(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
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 Risk as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk."

A dedicated Operational Risk Management Department is established within Enterprise Risk Management Division (ERMD) to maintain a system of internal controls designed to keep operational risk at appropriate levels keeping in view the Bank's financial strength, the characteristics of the activities and the market in which it operates. These internal controls are periodically updated and tested.

The Bank also has in place a Business Continuity Plan and appropriate outsourcing measures to cater to related operational risks. The Operational Risk Management department engages with 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/CTF 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

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

2021

	Total	Up to 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	17,375,313	17,375,313	-	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	12,114,583	4,154,583	1,480,000	-	6,480,000	-	-	-	-	-	-	-	-	-
Lending to financial institutions	4,982,294	-	4,982,294	-	-	-	-	-	-	-	-	-	-	-
Investments	184,398,946	1,709,565	-	18,932,398	4,962,847	15,190,356	31,993,112	23,236,175	28,706,797	4,947,179	18,776,159	5,128,130	25,261,072	5,605,156
Advances	124,549,195	22,828,461	219,919	691,975	1,240,395	3,282,210	4,105,024	7,532,587	2,864,361	35,955,250	6,580,340	2,658,537	27,326,488	9,263,648
Fixed assets	5,137,202	1	3	4	8	138	138	1,509	2,895	2,895	22,593	36,572	1,205,111	3,865,335
Intangible assets	450,239	-	-	-	-	-	-	-	-	-	18,342	18,156	-	413,741
Deferred tax assets	992,412	-	-	-	-	-	-	-	-	-	992,412	-	-	-
Other assets	8,605,861	99,645	597,868	697,512	1,594,314	2,625,405	2,625,589	293,972	34,313	34,313	2,930	-	-	-
	358,606,045	46,167,568	7,280,084	20,321,889	14,277,564	21,098,109	38,723,863	31,064,243	31,608,366	40,939,637	26,342,776	7,841,395	53,792,671	19,147,880
Liabilities														
Bills payable	874,567	874,567	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	110,068,928	100,000	23,518,447	8,000	196,000	31,045,915	29,478,045	17,611,466	3,029,395	1,087,733	983,292	54,730	2,955,905	-
Deposits and other accounts	221,875,898	863,637	6,043,994	5,992,876	43,211,386	27,503,597	14,351,746	26,131,546	9,916,653	17,604,934	22,876,894	22,884,735	17,561,584	6,932,316
Other liabilities	9,216,778	191,588	1,149,526	1,341,114	3,065,402	1,379,212	1,379,212	618,694	42,845	42,846	6,339	-	-	-
	342,036,171	2,029,792	30,711,967	7,341,990	46,472,788	59,928,724	45,209,003	44,361,706	12,988,893	18,735,513	23,866,525	22,939,465	20,517,489	6,932,316
Net assets	16,569,874	44,137,776	(23,431,883)	12,979,899	(32,195,224)	(38,830,615)	(6,485,140)	(13,297,463)	18,619,473	22,204,124	2,476,251	(15,098,070)	33,275,182	12,215,564
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	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 Years
Assets														
Cash and balances with treasury banks	15,840,359	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
Advances	129,063,377	23,654,934	266,126	29,024	2,293,575	1,683,697	2,886,229	37,103,859	1,688,907	12,518,022	1,673,768	10,760,148	25,061,061	9,444,027
Fixed assets	3,472,025	-	-	-	-	-	-	-	193,993	193,993	383,872	566,109	492,125	1,641,933
Intangible assets	532,167	-	-	-	-	-	-	-	-	-	-	-	-	532,167
Deferred tax assets	459,902	-	-	-	-	-	-	-	-	-	459,902	-	-	-
Other assets	9,063,193	120,069	720,415	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	8,231,311	3,403,666	57,658,006	15,613,084	12,748,444	34,495,029	15,697,554	45,881,824	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	24,901,245	12,620,450	18,990,266	14,956,371	25,021,411	12,458,436	29,004,193	19,058,270	18,949,844	15,488,692	5,967,027
Other liabilities	9,449,525	291,098	1,746,586	2,037,683	4,657,562	121,415	121,415	232,826	116,976	116,977	-	6,987	-	-
	270,528,341	2,831,020	24,205,002	26,938,928	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)	(19,011,910)	(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	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	-	413,741	-
Deferred tax assets	992,412	-	-	-	-	992,412	-	-	-	-
Other assets	8,605,861	2,629,014	5,616,737	289,615	67,608	2,887	-	-	-	-
	358,606,045	72,040,082	64,830,110	15,342,689	64,561,914	71,119,164	8,394,070	43,170,834	10,338,502	8,808,680
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									

FOR THE YEAR ENDED DECEMBER 31, 2021

Rupees in '000									
Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
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	210,182	575,685	7	4,101,121	-	-	-	-
	288,299,891	39,817,728	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	13,924,923	(81,259,336)	(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

DURING THE YEAR ENDED DECEMBER 31, 2021											Rs in Million	
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 Lakh 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 Habib 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

Rs in Million											
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 5. Khurshid Anwar	S/o Faqeer Muhammad S/o Faqeer Muhammad S/o Faqeer Muhammad S/o Faqeer Muhammad S/o Mir Khuda Baksh	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, Shahdra 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 Rupees in '000	2020
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

FOR THE YEAR ENDED DECEMBER 31, 2021

114 THE BANK OF KHYBER

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

3.1.1 Ijarah under IFAS 2

	2021				Book value as at December 31, 2021
	As at January 01, 2021	Cost Additions / (deletions)	As at December 31, 2021	Depreciation Charge for the year	As at December 31, 2021
Plant and machinery	491,843	(168,468)	323,375	(99,864)	126,518
Vehicles	1,061,854	(296,248)	765,606	(91,159)	425,988
Housing	1,536	(1,536)	-	(1,015)	-
Total	1,555,233	(466,252)	1,088,981	(192,038)	552,642

	2020				Book value as at December 31, 2020
	As at January 01, 2020	Cost Additions / (deletions)	As at December 31, 2020	Depreciation Charge for the year	As at December 31, 2020
Plant and Machinery	541,635	(49,792)	491,843	48,786	226,518
Vehicles	1,253,710	(191,856)	1,061,854	(42,271)	517,147
Housing	1,536	-	1,536	22	1,015
Total	1,796,881	(241,648)	1,555,233	6,537	744,680

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	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
Rupees in '000								
Ijarah rentals receivable	3,918	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 Rupees in '000	2020
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

4	Deposits	2021			2020		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
		Rupees in '000					
	Customers						
	Current deposits	17,781,070	51,692	17,832,762	17,032,205	49,082	17,081,287
	Savings deposits	48,212,947	619	48,213,566	33,133,849	-	33,133,849
	Term deposits	4,878,095	-	4,878,095	4,862,236	-	4,862,236
	Others	2,854,136	-	2,854,136	1,853,437	-	1,853,437
		73,726,248	52,311	73,778,559	56,881,727	49,082	56,930,809
	Financial Institutions						
	Current deposits	255,520	-	255,520	481	-	481
	Savings deposits	1,338,761	-	1,338,761	2,068,349	-	2,068,349
		1,594,281	-	1,594,281	2,068,830	-	2,068,830
		75,320,529	52,311	75,372,840	58,950,557	49,082	58,999,639
4.1	Composition of deposits	Note					
	- Individuals	Rupees in '000					
	- Government / public sector entities	23,662,024					
	- Non-banking financial institutions	34,811,707					
	- Private Sector	15,304,828					
4.2		4.2					
		75,372,840					

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs.31,231 million (2020: Rs 29,687 million) as of December 31, 2021.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021

5	Other liabilities	Note	2021	2020
			Rupees in '000	
	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

	2021	2020
8 Profit/return earned of financing, investments and placement	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

<---- HAVING SHARES ---->				
NO. OF SHAREHOLDERS	From	To	SHARES HELD	PERCENTAGE
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 & NBFI	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 & NBFI			
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 of Applied Science and Technology, Mang, 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, Shahra-e-Iqbal	Shahra-e-Iqbal (Khasra no.205), Qandhari Bazar, Quetta.	Conventional	0054	Baluchistan	081-2834951, 081-2834955	(081) 2834952
49	Islamabad, PWD Society	Plot No.786-G, Block-C, PWD Society, Islamabad	Conventional	0055	Capital Territory	051-5170901-2 & 4	(051) 5170903
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	Mandiwalla 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 Bhair, 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	Batkheila	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 Mansehra	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, Mansehra	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 Buner	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 Miranshah 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	Kharsa 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	Kharsa 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



The Bank of Khyber

24, The Mall, Peshawar Cantt.
+92-91-111 95 95 95
cutomercare@bok.com.pk
www.bok.com.pk