

Statement of Compliance

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

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

1. The total number of directors are six (6) as per the following,-
 - a. Male: Seven (7)
 - b. Female: One (1)
2. The composition of the Board is as follows:

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

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

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

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

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

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

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

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank;
4. The Bank has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures;
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / shareholders as empowered by the relevant provisions of the Act and these Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;

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

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

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

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

| S # | Name of Committee | Current Membership |
|-----|--|--|
| 1 | Board Audit Committee | 1. Syed Asad Ali Shah Chairman 2. Mr. Amer Sultan Tareen Member 3. Mr. Abid Sattar Member 4. Dr. Aliya Hashmi Khan Member 5. Mr. Osman Asghar Khan Member |
| 2 | Human Resource & Remuneration Committee | 1. Dr. Aliya Hashmi Khan Chairperson 2. Mr. Tahir Jawaid Member 3. Mr. Abid Sattar Member |
| 3 | Risk Management Committee | 1. Mr. Abid Sattar Chairman 2. Dr. Aliya Hashmi Khan Member 3. Dr. Amer Sultan Tareen Member 4. Mr. Muhammad Ali Gulfaraz Member |
| 4 | I.T. Steering Committee | 1. Mr. Abid Sattar Chairman 2. Mr. Tahir Jawaid Member 3. Mr. Osman Asghar Khan Member 4. Mr. Muhammad Ali Gulfaraz Member |
| 5. | Compliance Committee | 1. Mr. Tahir Jawaid Chairman 2. Mr. Abid Sattar Member 3. Mr. Muhammad Ali Gulfaraz Member |

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

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

| | Committee | No. of meetings held during the year |
|----|---|--------------------------------------|
| a) | Board Audit Committee | 9 |
| b) | Human Resource & Remuneration Committee | 8 |
| c) | Risk Management Committee | 6 |
| d) | I.T. Steering Committee | 1 |
| e) | Compliance Committee | 4 |

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15. The Board has set up an effective internal audit function. The concerned staff is considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank;
16. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the Bank;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and

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

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



IRFAN SALEEM AWAN

Managing Director (Acting)



SYED IMTIAZ HUSSAIN SHAH

Chairman

Independent Auditor's Review Report

To the members of The Bank of Khyber

Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of The Bank of Khyber (the Bank) for the year ended December 31, 2023 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2023.

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



Chartered Accountants

Islamabad

Date: March 7, 2024

UDIN: CR202310050RWGkSPcZi