



Bank of Khyber



**CONDENSED INTERIM
FINANCIAL INFORMATION**
FOR THE THREE MONTHS ENDED MARCH 31, 2023

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CORPORATE INFORMATION

Board of Directors

Ikramullah Khan
Muhammad Ayaz
Syed Asad Ali Shah
Tahir Jawaid
Mir Javed Hashmat
Abid Sattar
Dr. Aliya Hashmi Khan

Chairman / Non-Executive Director
Non-Executive Director
Independent Director
Independent Director
Independent Director
Independent Director
Independent Director

Managing Director / CEO

Muhammad Ali Gulfaraz

Shariah Board

Mufti Muhammad Zahid
Mufti Muhammad Arif Khan
Mufti Abdul Wahab
Qazi Abdul Samad

Chairman Shariah Board
Member Shariah Board
Member Shariah Board
Resident Shariah
Board Member (RSBM)

Board Audit Committee

Syed Asad Ali Shah
Muhammad Ayaz
Abid Sattar
Dr. Aliya Hashmi Khan

Chairman
Member
Member
Member

Board Human Resource & Remuneration Committee

Dr. Aliya Hashmi Khan
Tahir Jawaid
Abid Sattar

Chairperson
Member
Member

Board Risk Management Committee

Abid Sattar
Muhammad Ayaz
Dr. Aliya Hashmi Khan
Mir Javed Hashmat
Managing Director

Chairman
Member
Member
Member
Member

Board I.T Steering Committee

Abid Sattar
Tahir Jawaid
Managing Director

Chairman
Member
Member

Board Compliance Committee

Tahir Jawaid
Abid Sattar
Managing Director

Chairman
Member
Member

Chief Financial Officer

Irfan Saleem Awan

Company Secretary

Muhammad Ali

Registered Office / Head Office

Bank of Khyber

24 – The Mall, Peshawar Cantt.

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

URL: www.bok.com.pk

Auditors

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

Legal Advisors

M/s. Mohsin Tayebaly & Co., Karachi

Registrar and Share Registration Office

THK Associates (Pvt) Ltd.
Plot # 32-C, Jami Commercial Street 2
D.H.A, Phase-VII,
Karachi-75500

Directors' Review

On behalf of the Board of Directors of the Bank of Khyber, I am pleased to present the condensed interim financial information of the Bank for the 1st quarter ended March 31, 2023. The results are inclusive of Islamic Banking Operations.

Financial Highlights

The financial results of the Bank of Khyber for the 1st quarter ended March 31, 2023 are as under:

	(Rs. in Million)	
	March 31 <u>2023</u>	December 31 <u>2022</u>
Total Assets	324,652	344,984
Deposits	252,448	248,906
Advances (Gross)	111,917	134,913
Investments (Net)	161,432	173,669
	(Rs. in Million)	
	Period Ended March 31	
	<u>2023</u>	<u>2022</u>
Operating Profit	1,840	746
Provision against non-performing advances/others	193	99
Profit before taxation	1,647	647
Taxation	708	257
Profit after tax	939	390

Performance Review

In the domestic economy, political instability, high international fuel & commodity prices, significant depreciation of PKR against USD which in turn contributed towards high inflation have exerted immense pressure on the economy of the country. The State Bank of Pakistan has taken host of measures to address the complex economic situation.

Despite of the challenging economic conditions, the Bank managed to post Rs.1,647 million profit before tax whereas profit after tax for the first quarter of the year 2023 stood at Rs.939 million against Rs.390 million of the corresponding period of 2022.

The increase in profitability is mainly attributable to 1) gradual repositioning of balance sheet done in view of the market interest rates 2) continuous focus on non-markup income and 3) positive impact on the cost of deposits during Q1 of certain one-off items. These factors have resulted in increase of net interest income as well as non-markup income of the Bank on a timeline basis.

With a minor increase, the deposits stood at Rs.252,448 million from Rs.248,906 million as of year-end 2022. Due to adjustment of commodity financing during the quarter under review, advances reduced by 17% and stood at Rs.111,917 million. Investments registered a decrease of 7% and reached Rs.161,432 million from Rs.173,669 million. The balance sheet size decreased by 6% to reach at Rs.324,652 million from Rs.344,984 million as of year-end 2022.

Future Outlook

Pakistan faces a challenging economic outlook in which a host of factors need to be addressed. In the current environment, pressure will likely remain on the Bank's operations. The Bank is taking necessary steps to mitigate likely adverse impact and ensure smooth operations.

At the end of the quarter under review, the Bank was operating with 231 branches and 24 sub-branches throughout the country out of which 119 branches were functioning as dedicated Islamic Banking Branches.

In these circumstances, the Bank is repositioning itself with better understanding of the state of affairs and taking necessary measures to cope with the situation. We are confident to achieve our targets and believe that the year in progress will prove to be a successful year for the Bank.

Credit Rating

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

VIS Credit Rating Company Limited (VIS) had reaffirmed the medium to long term entity rating of the Bank at 'A+' (Single A Plus) and 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 ratings denote low expectation of credit risk emanating from strong capacity for timely payment of financial commitments.

Acknowledgement

The Board would like to thank the Provincial Government, State Bank of Pakistan and other regulatory authorities for their guidance and support. We are also grateful to our valued customers for their patronage and continued confidence in the Bank.

For and on behalf of the Board of Directors



Muhammad Ali Gulfaraz
Managing Director

Peshawar: April 28, 2023

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2023**

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
Note	----- Rupees in '000 -----	
ASSETS		
Cash and balances with treasury banks	7 20,037,218	16,273,825
Balances with other banks	8 5,996,008	3,556,532
Lendings to financial institutions	9 13,240,306	7,641,077
Investments	10 161,431,535	173,668,614
Advances	11 104,414,103	127,515,211
Fixed assets	12 5,492,025	5,613,279
Intangible assets	13 448,874	473,720
Deferred tax assets	14 2,217,760	1,367,841
Other assets	15 11,374,564	8,873,921
	324,652,393	344,984,020
LIABILITIES		
Bills payable	16 953,463	2,102,234
Borrowings	17 46,521,228	66,263,168
Deposits and other accounts	18 252,448,360	248,905,981
Liabilities against assets subject to finance lease	-	-
Sub-ordinated debt	-	-
Deferred tax liabilities	-	-
Other liabilities	19 8,475,055	11,285,139
	308,398,106	328,556,522
NET ASSETS	16,254,287	16,427,498
REPRESENTED BY		
Share capital	20 11,027,905	11,027,905
Reserves	3,834,479	3,646,746
Deficit on revaluation of assets - net	21 (1,343,282)	(229,857)
Unappropriated profit	2,735,185	1,982,704
	16,254,287	16,427,498
CONTINGENCIES AND COMMITMENTS	22	

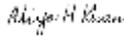
The annexed notes 1 to 40 form an integral part of these condensed interim financial statements.



**MANAGING
DIRECTOR**



**CHIEF FINANCIAL
OFFICER**



DIRECTOR



DIRECTOR



DIRECTOR

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	January 1 to March 31, 2023	January 1 to March 31, 2022
	----- Rupees in '000 -----	
Mark-up/ return/ interest earned	23 10,970,664	7,905,160
Mark-up/ return/ interest expensed	24 7,692,825	6,019,188
Net mark-up/ interest income	3,277,839	1,885,972
NON MARK-UP/ INTEREST INCOME		
Fee and commission income	25 143,766	120,549
Dividend income	2,253	3,005
Share of (loss) / profit of associate	(100)	1,280
Foreign exchange income	242,671	216,231
Income/ (loss) from derivatives	-	-
(Loss) / gain on securities	26 (1,584)	19,613
Other income	27 33,041	27,024
Total non-markup / interest income	420,047	387,702
Total income	3,697,886	2,273,674
NON MARK-UP/ INTEREST EXPENSES		
Operating expenses	28 1,855,200	1,527,613
Workers Welfare Fund	-	-
Other charges	29 2,425	5
Total non-markup/ interest expenses	1,857,625	1,527,618
PROFIT BEFORE PROVISIONS		
Provisions and write offs - net	30 1,840,261	746,056
Extra ordinary / unusual items	-	-
PROFIT BEFORE TAXATION		
Taxation	31 1,646,934	646,963
PROFIT AFTER TAXATION	708,270	257,339
	938,664	389,624
	----- Rupees -----	
Basic and diluted earnings per share	32 0.85	0.35

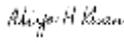
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MANAGING
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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

January 1 to March 31, 2023	January 1 to March 31, 2022
938,664	389,624

Rupees in '000

Profit after taxation for the period

Other comprehensive (loss) / income

Items that may be reclassified to profit and

loss account in subsequent periods:

Movement in deficit on revaluation of investments - net of tax

Movement in (deficit) / surplus on revaluation of investments in associate - net of tax

(1,112,043)	(83,368)
(462)	46

(1,112,505)

**Items that will not be reclassified to profit
and loss account in subsequent periods:**

Remeasurement gain on defined benefit obligation of associate - net of tax

630

Total comprehensive (loss) / income

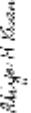
(173,211)

306,302

The annexed notes 1 to 40 form an integral part of these condensed interim financial statements.


MANAGING
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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED MARCH 31, 2023

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of			Total
			Investments	Fixed assets	Non-banking assets	
Balance as at December 31, 2021 (audited)	10,502,710	3,565,773	(486,113)	787,200	49,530	2,160,774
Profit after taxation for the three months ended March 31, 2022	-	-	-	-	-	389,624
Other comprehensive loss - net of tax	-	-	(83,322)	-	-	(83,322)
Transfer to statutory reserve	-	77,925	(83,322)	-	-	389,624
Transfer from surplus on revaluation of non-banking asset - net of tax	-	-	-	-	(1,548)	(77,925)
Transactions with owners, recorded directly in equity	-	-	-	-	-	1,548
Bonus shares issued for the year ended December 31, 2021 (Rs. 0.50 per share)	525,195	-	-	-	-	(525,195)
Balance as at March 31, 2022 (un-audited)	11,027,905	3,633,698	(569,435)	787,200	47,982	1,948,826
Profit after taxation for the nine months ended December 31, 2022	-	-	(473,083)	-	-	65,240
Other comprehensive loss - net of tax	-	-	(473,083)	-	(18,284)	(22,551)
Transfer to statutory reserve	-	13,048	(473,083)	-	(18,284)	42,689
Transfer from surplus on revaluation of non-banking asset - net of tax	-	-	-	-	(13,048)	(13,048)
Balance as at December 31, 2022 (audited)	-	-	-	-	(4,237)	4,237
Profit after taxation for the three months ended March 31, 2023	11,027,905	3,646,746	(1,042,518)	787,200	25,461	1,992,704
Other comprehensive (loss) / income- net of tax	-	-	(1,112,505)	-	-	938,664
Transfer to statutory reserve	-	187,733	(1,112,505)	-	-	630
Transfer from surplus on revaluation of non-banking asset - net of tax	-	-	-	-	(920)	(187,733)
Balance as at March 31, 2023 (un-audited)	11,027,905	3,834,479	(2,155,023)	787,200	24,541	2,735,185

The annexed notes 1 to 40 form an integral part of these condensed interim financial statements.



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**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	January 1 to March 31, 2023	January 1 to March 31, 2022
Note	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,646,934	646,963
Less: Dividend income	2,253	3,005
	<u>1,644,681</u>	<u>643,958</u>
Adjustments:		
Depreciation - Fixed assets	161,923	112,210
Depreciation - Non-banking assets acquired in satisfaction of claims	8,438	5,649
Depreciation - Right-of-use assets	144,445	125,825
Amortization	24,999	17,971
Provisions and write offs - net	193,327	99,093
Finance charge on leased assets	40,197	33,126
Share of profit of associate	100	-
Unrealized loss on securities	-	5,492
Loss / (gain) on sale of fixed assets	33	(1,556)
	<u>573,462</u>	<u>397,810</u>
	<u>2,218,143</u>	<u>1,041,768</u>
Decrease / (increase) in operating assets		
Lendings to financial institutions	(5,599,229)	(10,401,884)
Held-for-trading securities	-	(14,630,044)
Advances	22,995,619	(14,701,497)
Others assets (excluding advance taxation)	(3,125,236)	289,741
	<u>14,271,154</u>	<u>(39,443,684)</u>
Increase / (decrease) in operating liabilities		
Bills payable	(1,148,771)	15,046
Borrowings from financial institutions	(19,741,940)	88,121,152
Deposits	3,542,379	13,784,109
Other liabilities	(2,679,127)	(1,439,311)
	<u>(20,027,459)</u>	<u>100,480,996</u>
Income tax paid	(180,384)	(262,113)
Net cash flow (used in) / generated from operating activities	<u>(3,718,546)</u>	<u>61,816,967</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in available-for-sale securities	10,260,874	(57,674,519)
Net investments in held-to-maturity securities	14,742	87,322
Dividends received	2,253	3,005
Investments in operating fixed assets	(185,724)	(220,724)
Investments in intangible assets	(153)	-
Proceeds from sale of fixed assets	577	3,062
Net cash flow generated from / (used in) investing activities	<u>10,092,569</u>	<u>(57,801,854)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payment against lease liabilities	(171,150)	(150,314)
Dividend paid	(4)	(106)
Net cash flow used in financing activities	<u>(171,154)</u>	<u>(150,420)</u>
Net increase in cash and cash equivalents	6,202,869	3,864,693
Cash and cash equivalents at beginning of the period	19,830,357	29,489,896
Cash and cash equivalents at end of the period	<u>26,033,226</u>	<u>33,354,589</u>

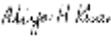
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023****1 STATUS AND NATURE OF BUSINESS**

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. The Bank operates 231 branches including 119 Islamic banking branches (December 31, 2022: 231 branches including 119 Islamic banking branches). The long term credit rating 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. The majority shares (i.e. 70.20%) of the Bank are held by Government of Khyber Pakhtunkhwa (GoKP).

The Provincial Assembly of Khyber Pakhtunkhwa has passed the Bank of Khyber (Amendment) Act, 2022. As part of the amendments, the name of Bank has been changed from "The Bank of Khyber" to "Bank of Khyber". The Bank is in the process of seeking necessary regulatory approval for the same.

2 BASIS OF PREPARATION

- 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 condensed interim 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 condensed interim 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 note 38 to these condensed interim financial statements.
- 2.4 These condensed interim 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

3 STATEMENT OF COMPLIANCE

3.1 These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as 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;
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by the SBP and the SECP differ with the requirements of IAS 34 or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives, shall prevail.

3.2 These condensed interim financial statements do not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the audited annual financial statements for the year ended December 31, 2022.

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 and International Accounting Standard 40, Investment Property for banking companies till further instructions. Moreover, SBP vide BPRD Circular No. 4, dated February 25, 2015, has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of the SECP issued vide SRO 411(I)/2008 dated April 28, 2008, International Financial Reporting Standard (IFRS) 7, Financial Instruments: Disclosures has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these condensed interim financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

4 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are consistent with those applied in the preparation of the audited annual financial statements of the Bank for the year ended December 31, 2022.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023****4.1 Standards, interpretations and amendments to approved accounting standards that are effective in the current period**

There are certain amendments to existing accounting and reporting standards that have become applicable to the Bank for accounting periods beginning on or after January 1, 2023. These are considered either not to be relevant or do not have any significant impact on these condensed interim financial statements.

4.2 Standards, amendments to approved accounting standards that are not yet effective or implemented

As per the SBP's BPRD Circular Letter no. 07 dated April 13, 2023, the applicability of IFRS 9, Financial Instruments for the banks has been deferred and will be applicable from January 1, 2024. As of March 31, 2023, the management has performed impact assessment of IFRS-9 on the Bank taking into account the SBP's Application Instructions for IFRS-9. The estimated impact (net of tax) as of March 31, 2023 is reduction of equity by approximately Rs 1.93 billion (December 31, 2022: Rs. 1.98 billion). Moreover, after taking the benefit of transitional arrangement as detailed in Annexure B of the Application Instructions, the estimated impact of IFRS-9 on Bank's CAR as of March 31, 2023 is a reduction of 112 bps (December 31, 2022: 49 bps). The transitional arrangement are allowed for absorption of ECL (expected credit loss) for CAR purposes and applicable only to provisions for stage 1 and 2 financial assets and will apply to CET1 capital over the "transition period" of five years.

The above impact assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information available in future. This assessment also takes into account the existing unprecedented economic environment resulting into increased Stage-2 provisioning / Expected Credit Loss due to SICR (Significant Increase in Credit Risk) for certain customers, which may otherwise have remained in Stage-1 under normal economic conditions. Moreover, the Bank continues to refine its expected credit loss model and embed its operational processes.

Therefore, the actual impacts of IFRS-9 will be determined by the Bank on the date of initial application of IFRS-9 i.e. on January 01, 2024 and will depend on the economic conditions, portfolio composition and other relevant information available at that time.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements are the same as that applied in the preparation of the audited annual financial statements for the year ended December 31, 2022.

6 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the audited annual financial statements for the year ended December 31, 2022.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
7 CASH AND BALANCES WITH TREASURY BANKS		
In hand:		
Local currency	5,399,305	4,388,733
Foreign currencies	168,579	120,782
	5,567,884	4,509,515
With State Bank of Pakistan in:		
Local currency current account	12,969,275	11,263,770
Foreign currency current account	27,641	67,454
Foreign currency deposit account	189,044	101,318
	13,185,960	11,432,542
With National Bank of Pakistan in:		
Local currency current account	1,245,379	119,343
Local currency deposit account	6,112	209,917
Foreign currency current account	29,858	1,287
	1,281,349	330,547
National prize bonds	2,025	1,221
	20,037,218	16,273,825
8 BALANCES WITH OTHER BANKS		
In Pakistan:		
In current accounts	1,915,853	999,756
In deposit accounts	515,993	376,221
	2,431,846	1,375,977
Outside Pakistan:		
In current accounts	222,102	278,348
In deposit accounts	3,352,088	1,912,235
	3,574,190	2,190,583
Less: provision for doubtful placement with the bank	(10,028)	(10,028)
	5,996,008	3,556,532
9 LENDINGS TO FINANCIAL INSTITUTIONS		
Call money lending	2,900,000	-
Repurchase agreement lendings (Reverse Repo)	6,940,306	3,841,077
Placements with other financial institutions	3,638,944	4,038,944
	13,479,250	7,880,021
Less: provision held against lendings to financial institutions	(238,944)	(238,944)
Lendings to financial institutions - net of provision	13,240,306	7,641,077

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

9.1 Category of classification	(Un-audited)		(Audited)	
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
	Classified lending	Provision held	Classified lending	Provision held
	-----Rupees in '000-----			
Domestic	-	-	-	-
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	238,944	238,944	238,944	238,944
	238,944	238,944	238,944	238,944
Overseas	-	-	-	-
Not past due but impaired	-	-	-	-
Overdue by:	-	-	-	-
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
Total	238,944	238,944	238,944	238,944
	-----Rupees in '000-----			
10 INVESTMENTS	(Un-audited)			
	March 31, 2023	December 31, 2022	March 31, 2023	December 31, 2022
	Cost / amortized cost	Provision for diminution	Cost / amortized cost	Provision for diminution
	(Deficit) / surplus	Carrying value	(Deficit) / surplus	Carrying value
	-----Rupees in '000-----			
10.1 Investments by type:	-	-	-	-
Held-for-trading securities	-	-	-	-
Federal Government Securities	-	-	-	-
Available-for-sale securities	151,941,658	148,141,775	162,153,215	(1,865,559)
Federal Government Securities	1,013,440	308,212	1,023,174	59,661
Shares	(768,121)	62,893	7,872,879	(165,042)
Non Government Debt Securities	7,833,296	(40,777)	17,049,268	(922,457)
	160,768,394	(833,163)	156,077,464	(1,826,815)
Held-to-maturity securities	5,263,893	-	5,278,635	-
Federal Government Securities	5,263,893	-	5,278,635	-
Associate - Taurus Securities Limited	90,178	-	89,983	-
	166,142,465	(833,163)	173,688,614	(1,826,815)
Total	166,142,465	(833,163)	173,688,614	(1,826,815)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

10.1.1 SBP vide its letter no. SBPHOK-BPRD-RPD-BOK-264314 dated July 25, 2022 has allowed to stagger the unrealized mark-to-market (MTM) losses on certain PIBs having face value of Rs. 26,450 million held by the Bank in its Available-for-sale portfolio. As of March 31, 2023, the cumulative unrealized MTM losses on these PIBs amounted to Rs. 3,150 million. The Bank has availed the benefit of the said relaxation and not accounted for the impact of Rs. 788 million (i.e. 25% of these MTM losses) in these condensed interim financial statements. This has resulted in a net of tax positive impact of Rs. 449 million on the condensed interim statement of financial position as of March 31, 2023 with corresponding positive impact on the condensed interim statement of comprehensive income for the period ended March 31, 2023. The Bank has also taken the said benefit in the calculation of Capital Adequacy Ratio (CAR) and Leverage Ratio (LR) thereby resulting in a positive impact of 0.77% and 0.21% on CAR and LR of the Bank as of March 31, 2023 respectively. Pursuant to the aforementioned SBP letter, MTM losses on these PIBs are being accounted for as follows:

- 25% by September 30, 2022
- 50% by December 31, 2022
- 75% by March 31, 2023
- 100% by June 30, 2023

Moreover, the Bank is required to adjust the outstanding staggered amount of revaluation deficit from the distributable profit, for declaring cash dividends (if any) during the relaxation period.

10.2 Investments given as collateral

	(Un-audited)	(Audited)
	March 31,	December 31,
	2023	2022
	----- Rupees in '000 -----	
Market Treasury Bills	-	29,346,172
Pakistan Investment Bonds	34,791,780	25,513,973
	34,791,780	54,860,145

10.2.1 These represent the market values of securities at reporting date.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
10.3 Provision for diminution in value of investments		
10.3.1 Opening balance	922,457	792,243
Charge / (reversals)		
Charge for the period / year	14,295	142,614
Reversals for the period / year	-	-
Reversal on disposals / repayment	(3,589)	(12,400)
	<u>10,706</u>	<u>130,214</u>
Closing balance	<u>933,163</u>	<u>922,457</u>

10.3.2 Particulars of provision against debt securities

Category of classification	(Un-audited) March 31, 2023		(Audited) December 31, 2022	
	NPI	Provision	NPI	Provision
	----- Rupees in '000 -----			
Domestic				
Other assets especially mentioned	-	-	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	<u>165,042</u>	<u>165,042</u>	165,042	165,042
	<u>165,042</u>	<u>165,042</u>	165,042	165,042
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	<u>165,042</u>	<u>165,042</u>	165,042	165,042

10.4 The market value of securities classified as held-to-maturity as at March 31, 2023 amounted to Rs. 4,760.28 million (December 31, 2022: Rs. 4,844.37 million).

11 ADVANCES

	Performing		Non performing		Total	
	(Un-audited) March 31, 2023	Audited December 31, 2022	(Un-audited) March 31, 2023	Audited December 31, 2022	(Un-audited) March 31, 2023	Audited December 31, 2022
	----- Rupees in '000 -----					
Loans, cash credits, running finances, etc.	55,967,237	78,939,816	8,335,114	8,260,811	64,302,351	87,200,627
Islamic financing and related assets	43,838,732	44,036,577	1,956,807	1,953,857	45,795,539	45,990,434
Bills discounted and purchased	277,886	180,334	1,541,365	1,541,365	1,819,251	1,721,699
Advances - gross	<u>100,083,855</u>	<u>123,156,727</u>	<u>11,833,286</u>	<u>11,756,033</u>	<u>111,917,141</u>	<u>134,912,760</u>
Provision against advances						
- Specific	-	-	7,423,827	7,313,193	7,423,827	7,313,193
- General	79,211	84,356	-	-	79,211	84,356
	<u>79,211</u>	<u>84,356</u>	<u>7,423,827</u>	<u>7,313,193</u>	<u>7,503,038</u>	<u>7,397,549</u>
Advances - net of provision	<u>100,004,644</u>	<u>123,072,371</u>	<u>4,409,459</u>	<u>4,442,840</u>	<u>104,414,103</u>	<u>127,515,211</u>

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
11.1 Particulars of advances (gross)		
In local currency	111,917,141	134,912,760
In foreign currency	-	-
	<u>111,917,141</u>	<u>134,912,760</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

- 11.2 Advances include Rs 11,833.286 million (December 31, 2022: Rs 11,756.033 million) which have been placed under non-performing status as detailed below:-

Category of classification	(Un-audited) March 31, 2023		(Audited) December 31, 2022	
	Non performing loans	Provision	Non performing loans	Provision
----- Rupees in '000 -----				
Domestic				
Other assets especially mentioned	245,931	4,278	140,297	1,294
Substandard	508,457	42,709	556,428	42,282
Doubtful	412,119	28,847	1,076,998	25,375
Loss	10,666,779	7,347,993	9,982,310	7,244,242
	11,833,286	7,423,827	11,756,033	7,313,193
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	-	-	-	-
> 365 days	-	-	-	-
	-	-	-	-
Total	11,833,286	7,423,827	11,756,033	7,313,193

11.3 Particulars of provision against advances	(Un-audited) March 31, 2023			(Audited) December 31, 2022		
	Specific	General	Total	Specific	General	Total
----- Rupees in '000 -----						
Opening balance	7,313,193	84,356	7,397,549	6,553,768	63,519	6,617,287
Charge for the period / year	180,070	-	180,070	1,000,620	20,837	1,021,457
Reversals	(69,436)	(5,145)	(74,581)	(241,195)	-	(241,195)
	110,634	(5,145)	105,489	759,425	20,837	780,262
Amounts written off	-	-	-	-	-	-
Closing balance	7,423,827	79,211	7,503,038	7,313,193	84,356	7,397,549

- 11.3.1 General provision includes provision amounting to Rs 71.681 million (December 31, 2022: Rs 75.659 million) against consumer finance portfolio as required by the Prudential Regulations issued by the SBP.

- 11.3.2 State Bank of Pakistan through BSD Circular No.1 dated October 21, 2011 has allowed benefit of the forced sales value (FSV) of plant & machinery under charge, pledged stocks & mortgaged residential, commercial and industrial properties (land and building only) held as collateral against Non-Performing Loans (NPLs) for a maximum of five years from the date of classification. As at March 31, 2023 the Bank has availed cumulative benefit of forced sales value of Rs. 3,273.14 million (December 31, 2022: Rs. 3,176.61 million). Increase in unappropriated profit amounting to Rs.1,865.69 million (December 31, 2022: Rs. 1,810.67 million) is not available for the distribution of cash or stock dividend to shareholders or bonus to employees.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	Note	(Un-audited)	(Audited)
		March 31, 2023	December 31, 2022
12 FIXED ASSETS		----- Rupees in '000 -----	
Capital work-in-progress	12.1	125,760	247,680
Property and equipment		4,102,360	3,957,249
Right of use assets		1,263,905	1,408,350
Total		5,492,025	5,613,279

12.1 Capital work-in-progress

Civil works	27,931	86,896
Equipments	97,829	141,934
Advances to suppliers	-	18,850
Total	125,760	247,680

12.2 Additions to fixed assets

The following additions have been made to fixed assets during the period:

	(Un-audited) March 31, 2023	March 31, 2022
	----- Rupees in '000 -----	
Capital work-in-progress - net	-	68,923
Property and equipment		
Furniture and fixtures	19,823	16,244
Electrical, office and computer equipment	80,911	68,383
Vehicles	18,850	-
Books	-	11
Electrical equipment	2,697	-
Leasehold improvements	178,397	62,826
	300,678	147,464
Total	300,678	216,387

12.3 Disposals of fixed assets

The net book value of fixed assets disposed off during the period is as follows:

Furniture and fixtures	494	165
Office equipment	116	1,257
Leasehold improvements	-	84
Total	610	1,506

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
13 INTANGIBLE ASSETS		
Licenses and computer softwares	448,874	440,187
Capital work in progress	-	33,533
	<u>448,874</u>	<u>473,720</u>
	(Un-audited) March 31, 2023	March 31, 2022
	----- Rupees in '000 -----	
13.1 Additions to intangible assets		
The following additions / transfers have been made to / from intangible assets during the period:		
Directly purchased - intangible assets	152	-
Capital work in progress - net	-	4,337
Total	<u>152</u>	<u>4,337</u>
13.2 Disposals of intangible assets		
None of the intangible assets disposed off during the period		
	(Un-audited) March 31, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
14 DEFERRED TAX ASSETS		
Deductible temporary differences on:		
Deficit on revaluation of investments	1,624,439	785,530
Accelerated tax depreciation	145,018	124,261
Provision for balances with other banks	4,312	4,312
Provision for diminution in value of investments	135,006	130,402
Provision against loans and advances - net	268,150	321,467
Provision against other assets	33,167	-
Islamic pool management reserves	59,764	59,420
	<u>2,269,856</u>	<u>1,425,392</u>
Taxable temporary differences on:		
Share of profit of associate	(21,360)	(21,276)
Surplus on revaluation of non-banking asset	(18,512)	(19,208)
Others	(12,224)	(17,067)
	<u>(52,096)</u>	<u>(57,551)</u>
Deferred tax assets - net	<u>2,217,760</u>	<u>1,367,841</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
	----- Rupees in '000 -----	
15 OTHER ASSETS		
Income / mark-up accrued in local currency	9,529,979	6,923,063
Advances, deposits and prepayments	137,620	133,794
Advance taxation (payments less provisions)	93,829	632,853
Non-banking assets acquired in satisfaction of claims	306,109	312,931
Branch adjustment account	-	1,357
Mark to market gain on forward foreign exchange contracts	334,022	59,027
Acceptances	241,223	292,098
Pre-IPO investment	100,000	100,000
Stationary and stamps on hand	118,166	102,617
Employees benefits - Gratuity Fund	195,096	210,349
Clearing and settlement accounts	123,849	-
Receivable from the State Bank of Pakistan	171,045	48,154
Others	202,130	157,435
	<u>11,553,069</u>	<u>8,973,678</u>
Less: provision held against other assets	15.1 <u>(221,558)</u>	<u>(144,426)</u>
Other assets - net of provision	<u>11,331,511</u>	<u>8,829,252</u>
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	43,053	44,669
Other assets - total	<u><u>11,374,564</u></u>	<u><u>8,873,921</u></u>
15.1 Provision held against other assets		
Pre-IPO Investment	100,000	100,000
Others	121,558	44,426
	<u><u>221,558</u></u>	<u><u>144,426</u></u>
15.1.1 Movement in provision held against other assets		
Opening balance	144,426	152,765
Charge for the period / year	77,132	-
Reversal for the period / year	-	(8,339)
Closing balance	<u><u>221,558</u></u>	<u><u>144,426</u></u>
16 BILLS PAYABLE		
In Pakistan	953,463	2,102,234
Outside Pakistan	-	-
	<u><u>953,463</u></u>	<u><u>2,102,234</u></u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

17 BORROWINGS	(Un-audited)			(Audited)		
	March 31, 2023			December 31, 2022		
	----- Rupees in '000 -----					
Secured						
Borrowings from State Bank of Pakistan (SBP) under:						
- Export refinance scheme				4,972,660		4,976,044
- Long term financing facility				3,237,889		3,222,602
- SME Asaan Scheme SAAF				588,471		601,903
- Financing facility for storage of agriculture produce				79,615		83,077
- Refinance and credit guarantee scheme for women entrepreneurs				31,180		35,408
- Financing facility for renewable energy				153,293		140,642
- Refinance facility for modernization of Small and Medium Enterprises (SMEs)				27,524		29,643
- Refinance scheme for payment of wages and salaries				16,240		96,937
- Refinance facility for combating COVID-19				875,032		957,059
- Repurchase agreement borrowings				33,107,179		46,207,244
				43,089,083		56,350,559
Repurchase agreement borrowings				2,470,000		8,950,464
Call borrowings				962,145		962,145
				3,432,145		9,912,609
Total				46,521,228		66,263,168
18 DEPOSITS AND OTHER ACCOUNTS						
	(Un-audited)			(Audited)		
	March 31, 2023			December 31, 2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- Rupees in '000 -----					
Customers						
Current deposits	40,025,318	665,851	40,691,169	41,401,851	567,644	41,969,495
Saving deposits	150,528,328	133,317	150,661,645	125,362,662	127,589	125,490,251
Term deposits	43,965,106	319,266	44,284,372	62,397,921	243,413	62,641,334
Others	11,722,270	-	11,722,270	15,231,796	-	15,231,796
	246,241,022	1,118,434	247,359,456	244,394,230	938,646	245,332,876
Financial Institutions						
Current deposits	515,943	-	515,943	446,768	3,367	450,135
Saving deposits	4,572,961	-	4,572,961	3,122,970	-	3,122,970
	5,088,904	-	5,088,904	3,569,738	3,367	3,573,105
	251,329,926	1,118,434	252,448,360	247,963,968	942,013	248,905,981
19 OTHER LIABILITIES						
	(Un-audited)			(Audited)		
	March 31, 2023			December 31, 2022		
	----- Rupees in '000 -----					
Mark-up/ return/ interest payable in local currency				5,292,798		7,577,871
Mark-up/ return/ interest payable in foreign currencies				1,980		1,321
Unearned commission and income on bills discounted				151,791		187,366
Accrued expenses and supplier payables				467,763		426,676
Acceptances				241,223		292,098
Unclaimed dividends				61,612		61,616
Mark to market loss on forward foreign exchange contracts				19,633		33,455
Lease liability against right-of-use assets				1,237,708		1,368,661
Branch adjustment account				78,840		-
Deferred income on government schemes				2,506		2,452
Deferred income on Islamic financing				119,287		118,309
Islamic pool management reserves				137,383		138,183
Share subscription money refund				1,091		1,091
Retention money				62,578		63,457
Bills payment system over the counter (BPS-OTC)				62,786		3,195
Charity fund				16,316		14,502
Security deposits against izarah				151,586		167,416
Clearing and settlement accounts				-		454,369
Levies and other taxes payable				32,334		71,217
Others				335,839		301,884
				8,475,055		11,285,139

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

20 SHARE CAPITAL

20.1 Authorized capital

(Un-audited)		(Audited)	(Un-audited)	(Audited)
March 31, 2023	December 31, 2022		March 31, 2023	December 31, 2022
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

20.2 Issued, subscribed and paid up

(Un-audited)		(Audited)	(Un-audited)	(Audited)
March 31, 2023	December 31, 2022		March 31, 2023	December 31, 2022
Number of shares			---- Rupees in '000 ----	
722,698,448	722,698,448	Ordinary shares of Rs. 10 each	7,226,984	7,226,984
Fully paid in cash				

Issued as fully paid bonus shares:

380,092,081	327,572,595	Opening balance	3,800,921	3,275,726
-	52,519,486	Issued during the period / year	-	525,195
380,092,081	380,092,081	Closing balance	3,800,921	3,800,921
1,102,790,529	1,102,790,529		11,027,905	11,027,905

20.3 The Bank has only one class of shares and at reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 774,184,576 (December 31, 2022: 774,184,576) and 269,383,781 (December 31, 2022: 269,383,781) ordinary shares respectively. Moreover, the Bank has no reserved shares under options.

21 SURPLUS / (DEFICIT) ON REVALUATION OF ASSETS

Surplus / (Deficit) on revaluation of:

Available-for-sale securities
- Related deferred tax

(Un-audited)	(Audited)
March 31, 2023	December 31, 2022
---- Rupees in '000 ----	
(3,777,767)	(1,826,815)
1,624,439	785,530
(2,153,328)	(1,041,285)

Fixed assets

787,200 787,200

Revaluation of investment of associate
- Related deferred tax

(2,974)	(2,163)
1,279	930
(1,695)	(1,233)

Non-banking assets
- Related deferred tax

43,053	44,669
(18,512)	(19,208)
24,541	25,461

Deficit on revaluation of assets - net of tax

(1,343,282) (229,857)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

		(Un-audited) March 31, 2023	(Audited) December 31, 2022
	Note	----- Rupees in '000 -----	
22 CONTINGENCIES AND COMMITMENTS			
-Guarantees	22.1	37,179,906	32,938,542
-Commitments	22.2	32,493,336	28,861,757
		<u>69,673,242</u>	<u>61,800,299</u>
22.1 Guarantees:			
Financial guarantees		1,144,401	1,606,291
Performance guarantees		36,029,423	31,326,169
Other guarantees		6,082	6,082
		<u>37,179,906</u>	<u>32,938,542</u>
22.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- Letters of credit		8,518,236	9,680,802
Commitments in respect of:			
- Forward foreign exchange contracts	22.2.1	23,156,199	18,234,328
Commitments for acquisition of:			
- Fixed assets		511,195	642,630
- Intangible assets		307,706	303,997
Other commitments		-	-
		<u>32,439,336</u>	<u>28,861,757</u>
22.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		10,062,829	8,522,993
Sale		13,093,370	9,711,335
		<u>23,156,199</u>	<u>18,234,328</u>
22.3			
There are certain claims which have not been acknowledged as debts. These mainly represent counter claims by the borrowers, claims filed by the former employees of the Bank and certain other claims. Based on legal advice and/or internal assessments management is confident that the matters will be decided in the Bank's favor and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these condensed interim financial statements for the same.			
22.3.1			
The Bank is contesting a case filed by an employee in the Peshawar High Court regarding changes in post retirement benefit plans made by the Bank w.e.f. January 1, 2019. The management based on a legal opinion is of the view that such changes were lawfully made as per Bank's policy and is optimistic about the favorable outcome of the case. Hence, no provision in this respect is recognized in these condensed interim financial statements. Considering the complexity and uncertainty in nature, the financial impact cannot be reasonably ascertained.			

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

22.4 The income tax assessments of the Bank have been finalized up to Tax Year 2022.

- i) In respect of Tax Year 2014, the Commissioner Inland Revenue, Appeals (CIRA), issued an order dated November 24, 2021 under section 129 of the Income Tax Ordinance, 2001 in which he remanded back certain matters to Commissioner Inland Revenue (CIR) for reassessment and also upheld few matters. Being aggrieved the Bank filed an appeal with Appellate Tribunal Inland Revenue (ATIR) on February 23, 2022, which is currently pending.

During last year, the remand back proceedings were also completed by CIR, and order was issued, creating a total demand of Rs 231 million in respect of remand back proceedings and for matter upheld by CIRA and mainly included disallowances on account of provision for doubtful debt, depreciation and workers welfare fund. The Bank filed correction application with CIR as well as appeal with CIRA, on May 18, 2022 which is currently pending.

- ii) In respect of Tax Year 2015, Assistant Commissioner Inland Revenue issued an order on September 30, 2021 rectified later vide order dated March 30, 2022 creating additional tax demand of Rs 54 million under section 21(c) of Income Tax Ordinance, 2001 mainly on account of disallowance due to non-deduction of withholding tax. Further, the learned Assistant Commissioner also issued an order under section 161 of the Income Tax Ordinance, 2001 disallowing mainly mark up / interest paid to Government entities along with default surcharge amounting to Rs. 645 million. The Bank has filed an appeal with CIR, which is currently pending.
- iii) In respect of Tax Year 2016, Additional Commissioner Inland Revenue issued an order dated June 21, 2022 creating a demand of Rs 188 million on account of provision for non-performing loans and advances. Being aggrieved the Bank filed an appeal with Commissioner (Appeals) Peshawar dated July 22, 2022 which is currently pending.
- iv) In respect of Tax Year 2020, Additional Commissioner (Audit) vide order dated February 18, 2022 created an additional demand amounting to Rs 520 million on account of Bai Muajjal transaction and related penalty under section 111(1) and section 182 of Income Tax Ordinance, 2001. Being aggrieved the Bank filed an appeal against the said order with CIRA dated April 12, 2022. Commissioner (Appeals) Peshawar vide order dated October 20, 2022 decided the matter in favour of the Bank. However, the appeal filed against penalty under section 182 is currently pending with Commissioner (Appeals) Peshawar.

22.5 The Bank's share of contingencies of its associated company i.e. Taurus Securities Limited amounts to Rs 7.72 million (December 31, 2022: Rs 5.70 million)

Management is confident of a favourable outcome of the above matters. Hence, no provision has been recognized for the same in these financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

		(Un-audited)	
		Three months ended	
		March 31, 2023	March 31, 2022
		----- Rupees in '000 -----	
23	MARK-UP/RETURN/INTEREST EARNED	Note	
	On:		
	Loans and advances	4,213,885	3,000,491
	Investments	5,336,386	3,942,237
	Lendings to financial institutions	142,911	200,967
	Balances with banks	23,909	9,274
	Sukuk bonds	1,253,573	752,191
		<u>10,970,664</u>	<u>7,905,160</u>
24	MARK-UP/RETURN/INTEREST EXPENSED		
	On:		
	Deposits	5,904,269	3,041,534
	Borrowings	1,748,359	2,944,528
	Lease liability against right-of-use assets	40,197	33,126
		<u>7,692,825</u>	<u>6,019,188</u>
25	FEE AND COMMISSION INCOME		
	Branch banking customer fees	3,252	6,505
	Consumer finance related fees	258	307
	Card related fees	56,181	15,760
	Investment banking fees	53	4,924
	Commission on trade	21,051	33,126
	Commission on guarantees	57,405	53,512
	Commission on remittances including home remittances	3,765	3,211
	Commission on foreign currency bills	636	2,763
	Others	1,165	441
		<u>143,766</u>	<u>120,549</u>
26	(LOSS) / GAIN ON SECURITIES		
	Realised	26.1 (1,584)	25,105
	Unrealised - held-for-trading	-	(5,492)
		<u>(1,584)</u>	<u>19,613</u>
26.1	Realised (loss) / gain on:		
	Federal Government Securities	-	9,235
	Shares	(1,584)	1,221
	Non-Government Debt Securities	-	4,835
	Mutual funds	-	9,814
		<u>(1,584)</u>	<u>25,105</u>
27	OTHER INCOME		
	Rental income from property	590	825
	Gain on sale of fixed assets - net	-	1,556
	Postal, swift and others	27,439	22,058
	Service income on Government schemes	508	2,191
	Rebate from financial institutions	4,504	394
		<u>33,041</u>	<u>27,024</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

		(Un-audited)	
		Three months ended	
		March 31, 2023	March 31, 2022
		-----Rupees in '000-----	
28 OPERATING EXPENSES			
Total compensation expense		864,033	769,089
Property expense			
Rent and taxes		9,356	6,468
Utilities cost		74,557	44,984
Security (including guards)		60,774	44,966
Repair and maintenance		3,011	1,799
Depreciation - Right of use assets		144,445	125,825
Depreciation - Non banking assets acquired in satisfaction of claims		8,438	5,649
Depreciation		78,887	51,767
		379,468	281,458
Information technology expenses			
Software maintenance		83,428	57,749
Hardware maintenance		6,489	2,390
Depreciation		60,972	51,876
Amortization		24,999	17,971
Network charges		7,593	3,665
ATM charges		55,448	50,889
		238,929	184,540
Other operating expenses			
Directors' fees and allowances		6,046	1,400
Fees and allowances to Shariah Board		-	83
Legal and professional charges		20,960	20,802
Outsourced service cost		61,439	50,164
Travelling and conveyance		15,502	17,769
Cash carriage charges		18,021	15,499
NIFT clearing charges		8,183	5,857
Depreciation		22,064	8,567
Communication		21,852	7,045
Postage and courier charges		8,751	6,466
Stationery and printing		18,029	11,994
Marketing, advertisement and publicity		53,310	35,219
Repair and maintenance		8,308	24,275
Insurance		18,697	8,242
Auditors' remuneration		3,726	5,447
Brokerage and commission		7,042	9,865
Rent and taxes		704	353
Entertainment		11,371	10,387
Newspapers and periodicals		500	466
Training and development		894	10,586
Fees and subscriptions		5,131	2,092
Deposit protection premium		26,217	23,871
Others		36,023	16,077
		372,770	292,526
		1,855,200	1,527,613
29 OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		2,392	5
Others		33	-
		2,425	5

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

		(Un-audited)	
		Three months ended	
		March 31, 2023	March 31, 2022
		----- Rupees in '000 -----	
30	PROVISIONS AND WRITE OFFS - NET	Note	
	Provision for diminution in value of investments	10.3	10,706
	Provisions against loans and advances - net	11.3	105,489
	Provisions against other assets	15.1.1	77,132
			-
			<u>193,327</u>
			<u>99,093</u>
31	TAXATION		
	Current		719,407
	Deferred		209,778
			<u>(11,137)</u>
			<u>47,561</u>
			<u>708,270</u>
			<u>257,339</u>

31.1 This also includes the impact of applicable Super Tax.

		(Un-audited)	
		Three months ended	
		March 31, 2023	March 31, 2022
		----- Rupees in '000 -----	
32	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period	938,664	389,624
		----- (Number of shares) -----	
	Weighted average number of ordinary shares	<u>1,102,790,529</u>	<u>1,102,790,529</u>
		----- (Rupees) -----	
	Basic and diluted earnings per share	<u>0.85</u>	<u>0.35</u>

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

33 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity is based on quoted market prices. The fair value of unquoted equity securities, other than investments in associates, is determined on the basis of break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of loans and advances has been calculated in accordance with the Bank's accounting policy.

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.

33.1 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 inputs that are not based on observable market data (i.e. unobservable inputs).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

The table below analyzes financial instruments measured at the end of the reporting period by the level in the fair value hierarchy in to which the fair value measurement is categorized:

	Carrying value	(Un-audited) March 31, 2023			
		Fair value			
		Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----					
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Federal Government Securities	148,141,775	-	148,141,775	-	148,141,775
Shares	308,212	245,319	62,893	-	308,212
Non-Government Debt Securities	7,627,477	-	7,627,477	-	7,627,477
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	5,263,893	-	4,906,601	-	4,906,601
Associate	90,178	-	90,178	-	90,178
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase and sale	23,156,199	-	314,389	-	314,389
(Audited) December 31, 2022					
	Carrying value	Fair value			
		Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----					
On balance sheet financial instruments					
Financial assets measured at fair value					
Investments					
Federal Government Securities	160,287,656	-	160,287,656	-	160,287,656
Shares	325,420	246,502	78,918	-	325,420
Non-Government Debt Securities	7,686,920	-	7,686,920	-	7,686,920
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	5,278,635	-	4,844,370	-	4,844,370
Associate	89,983	-	89,983	-	89,983
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase and sale	18,234,328	-	25,572	-	25,572

The valuation techniques used for above assets are same as disclosed in the most recent audited annual financial statements.

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

33.2.1 Fair value of financial assets

(a) Financial instruments in level 1

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

(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 and Forward Exchange Contracts.

(c) Financial instruments in level 3

Currently, no financial instruments are classified in level 3.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

33.2.2 Fair value of non - financial assets

Certain categories of fixed (leasehold land) and non banking assets acquired in satisfaction of claims are carried at revalued amounts (level 3 measurements) determined by professional valuers based on their assessment of the market values. The valuations are conducted by the valuation experts appointed by Bank which are also on panel of State Bank of Pakistan.

33.2.3 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	These assets are revalued on regular basis using professional valuers on the panel of Pakistan Banker's Association. The valuation is based on their assessment of market value of the properties.
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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

34 SEGMENT INFORMATION

34.1 Segment details with respect to business activities

	For the three months ended March 31, 2023 (Un-audited)				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
	----- Rupees in 000 -----				
Profit and loss					
Net mark-up / return / profit	(2,328,657)	5,344,314	(1,253,314)	1,515,496	3,277,839
Inter segment revenue - net	2,703,005	(3,112,301)	1,353,539	(944,243)	-
Non mark-up / return / interest income	1,770	264,391	56,657	97,229	420,047
Total income	376,118	2,496,404	156,882	668,482	3,697,886
Segment direct expenses	188,700	1,252,449	78,708	337,768	1,857,625
Total expenses	188,700	1,252,449	78,708	337,768	1,857,625
Provisions	-	10,706	105,489	77,132	193,327
Profit / (Loss) before tax	187,418	1,233,249	(27,315)	253,582	1,646,934

	As at March 31, 2023 (Un-audited)				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
	----- Rupees in 000 -----				
Balance sheet					
Cash and bank balances	9,687,075	39,509	1,633,451	14,673,191	26,033,226
Lendings to financial institutions	-	13,240,306	-	-	13,240,306
Investments	-	161,341,357	-	90,178	161,431,535
Advances - performing	42,791,968	-	7,215,958	49,996,718	100,004,644
Advances - non performing	233,556	-	106,446	4,069,457	4,409,459
Operating fixed assets/intangible assets	2,535,923	10,345	427,701	2,966,930	5,940,899
Deferred tax assets / (liabilities)	116,439	1,768,229	31,596	301,496	2,217,760
Others	4,426,434	351,254	836,289	5,760,587	11,374,564
Total assets	59,791,395	176,751,000	10,251,441	77,858,557	324,652,393
Bills payable	578,158	7,829	247,793	119,683	953,463
Borrowings	9,981,904	35,577,179	-	962,145	46,521,228
Deposits and other accounts	153,078,708	2,072,906	65,607,998	31,688,748	252,448,360
Others	4,078,163	839,003	1,641,132	1,916,757	8,475,055
Total liabilities	167,716,933	38,496,917	67,496,923	34,687,333	308,398,106
Equity / Inter-segment (lending) / borrowing	(107,925,539)	138,254,082	(57,245,482)	43,171,226	16,254,287
Total equity and liabilities	59,791,394	176,750,999	10,251,441	77,858,559	324,652,393
Contingencies and commitments	38,984,026	23,157,625	7,122,626	408,965	69,673,242

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

For the three months ended March 31, 2022 (Un-audited)

Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total	
----- Rupees in 000 -----					
Profit and loss					
Net mark-up / return / profit	(506,570)	2,325,334	(710,437)	777,645	1,885,972
Inter segment revenue - net	1,057,677	(1,513,700)	770,405	(314,382)	-
Non mark-up / return / interest income	5,981	273,015	16,388	92,318	387,702
Total Income	557,088	1,084,649	76,356	555,581	2,273,674
Segment direct expenses	374,292	728,743	51,301	373,282	1,527,618
Total expenses	374,292	728,743	51,301	373,282	1,527,618
Provisions	-	67,012	21,868	10,213	99,093
Profit before tax	182,796	288,894	3,187	172,086	646,963

As at December 31, 2022 (Audited)

Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total	
----- Rupees in 000 -----					
Balance sheet					
Cash and bank balances	4,161,691	10,362,251	420,099	4,886,316	19,830,357
Lendings to financial institutions	-	7,641,077	-	-	7,641,077
Investments	5,278,635	168,299,996	-	89,983	173,668,614
Advances - performing	65,362,169	-	7,132,884	50,577,318	123,072,371
Advances - non performing	236,870	-	108,918	4,097,052	4,442,840
Operating fixed assets/intangible assets	1,412,667	3,518,450	142,643	1,013,239	6,086,999
Deferred tax assets	69,373	985,170	19,955	293,343	1,367,841
Others	1,740,210	4,273,336	170,855	2,689,520	8,873,921
Total assets	78,261,615	195,080,280	7,995,354	63,646,771	344,984,020
Bills payable	1,191,923	-	434,447	475,864	2,102,234
Borrowings	10,143,314	55,157,708	-	962,146	66,263,168
Deposits and other accounts	141,124,523	-	51,438,808	56,342,650	248,905,981
Others	4,698,427	2,533,477	1,665,459	335,825	9,233,188
Total liabilities	157,158,187	57,691,185	53,538,714	58,116,485	326,504,571
Equity / Inter-segment (lending) / borrowing	(78,896,572)	137,389,095	(45,543,360)	5,530,286	18,479,449
Total equity and liabilities	78,261,615	195,080,280	7,995,354	63,646,771	344,984,020
Contingencies and commitments	8,764,284	18,781,504	22,183	34,232,328	61,800,299

34.2 Geographical segment

The Bank conducts all its operations in Pakistan.

35 TRUST ACTIVITIES

The Bank acts as a custodian for securities held in Investor Portfolio Securities (IPS) account which represents Pakistan Investment Bond having face value of Rs 31,490 million. These securities are not an asset of the Bank and are, therefore, not included in these condensed interim financial statements.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**
36 RELATED PARTY TRANSACTIONS

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

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives are determined in accordance with terms of their appointments. Further, the Bank acts as a custodian for securities held in Investor Portfolio Securities (IPS) account maintained on behalf of Managing Director and other related party of the Bank having face value of Rs 50 million and Rs 31,440 million as at March 31, 2023 respectively.

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

	(Un-audited) As at March 31, 2023				(Audited) As at December 31, 2022			
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
	----- Rupees in '000 -----							
Advances								
Opening balance	-	213,178	-	-	-	216,982	-	-
Addition during the period / year	-	2,500	-	-	-	45,629	-	-
Repaid during the period / year	-	5,804	-	-	-	65,797	-	-
Transfer (out) / in - net	-	-	-	-	-	16,364	-	-
Closing balance	-	209,874	-	-	-	213,178	-	-
Deposits and other accounts								
Opening balance	3,228	7,637	40,825	2,841,338	3,255	7,118	35,149	2,648,713
Received during the period / year	14,378	40,028	43,630	981,758	124,418	157,997	52,059	1,087,701
Withdrawn during the period / year	11,235	32,962	43,097	819,495	124,445	157,531	46,383	895,076
Transfer in / (out) - net	-	-	-	-	-	53	-	-
Closing balance	6,371	14,703	41,358	3,003,601	3,228	7,637	40,825	2,841,338
Other liabilities								
Accrued markup	50	1	-	88,333	281	530	2,529	130,433
	(Un-audited)				(Un-audited)			
	For the three months ended March 31, 2023				For the three months ended March 31, 2022			
	Directors	Key management personnel	Associate	Employee Funds	Directors	Key management personnel	Associate	Employee Funds
	----- Rupees in '000 -----							
Income								
Mark-up / return / interest earned	-	1,012	-	-	-	1,215	-	-
Expense								
Mark-up / return / interest expensed	104	4	-	104,609	-	2	-	59,548
Compensation expenses	19,171	40,831	-	-	14,525	41,775	-	-

36.1 As of March 31, 2023, the Bank holds investment amounting to Rs 112.50 million (December 31, 2022: Rs 112.50 million) in a related party against which a provision for diminution in value of investment is held amounting to Rs 56.25 million (December 31, 2022: Rs 56.25 million).

36.2 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 Government and its related entities. Such transactions include advances to, deposits from and provision of other banking services to Government related entities.

Transactions and balances with Government and its related entities, other than those disclosed in the respective notes to the financial statements, as at period end includes loans and advances and deposits amounting to Rs. 43,423 million (December 31, 2022: Rs. 65,993 million) and Rs. 147,986 million (December 31, 2022: Rs. 141,125 million), respectively.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
	--- Rupees in '000 ---	
37 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	<u>11,027,905</u>	<u>11,027,905</u>
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	<u>15,142,845</u>	15,958,762
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	<u>15,142,845</u>	15,958,762
Eligible tier 2 capital	<u>79,211</u>	84,356
Total eligible capital (Tier 1 + Tier 2)	<u>15,222,056</u>	16,043,118
Risk weighted assets (RWAs):		
Credit risk	<u>75,998,196</u>	77,978,803
Market risk	<u>12,405,609</u>	14,694,592
Operational risk	<u>15,132,319</u>	15,132,319
Total	<u>103,536,124</u>	107,805,714
Common equity tier 1 capital adequacy ratio	<u>14.63%</u>	14.80%
Tier 1 capital adequacy ratio	<u>14.63%</u>	14.80%
Total capital adequacy ratio	<u>14.70%</u>	14.88%
National minimum capital requirements prescribed by SBP		
CET1 minimum ratio	6.00%	6.00%
ADT-1 minimum ratio	1.50%	1.50%
Tier 1 minimum ratio	7.50%	7.50%
Total capital minimum ratio	10.00%	10.00%
Capital conservation buffer (CCB- consisting of CET1 only)	1.50%	1.50%
Total capital plus CCB	11.50%	11.50%
Leverage Ratio (LR):		
Eligible tier-1 capital	15,142,845	15,958,762
Total exposures	<u>387,998,062</u>	396,849,832
Leverage ratio	<u>3.90%</u>	4.02%
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	<u>146,133,847</u>	97,117,507
Total net cash outflow	<u>81,875,537</u>	66,443,018
Liquidity coverage ratio	<u>178.48%</u>	146.17%
Net Stable Funding Ratio (NSFR):		
Total available stable funding	178,382,839	178,322,676
Total required stable funding	<u>103,582,885</u>	119,019,906
Net stable funding ratio	<u>172.21%</u>	149.83%

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

ISLAMIC BANKING BUSINESS

38 The Bank is operating 119 (December 31, 2022: 119) Islamic banking branches as at March 31, 2023.

		(Un-audited) March 31, 2023	(Audited) December 31, 2022
		--- Rupees in '000 ---	
STATEMENT OF FINANCIAL POSITION			
ASSETS			
		8,308,907	7,752,193
		1,208,750	653,278
		3,400,000	3,800,000
	38.1	32,531,956	32,872,613
	38.3	45,068,506	45,374,836
		974,332	982,084
		-	-
		-	1,213,111
		3,668,742	2,577,348
		95,161,193	95,225,463
LIABILITIES			
		437,847	561,372
		6,718,851	2,183,216
	38.4	78,018,317	82,407,343
		466,083	-
		3,281,728	3,811,815
		88,922,826	88,963,746
		6,238,367	6,261,717
NET ASSETS			
REPRESENTED BY			
		1,000,000	1,000,000
		35,888	36,288
		(709,232)	(408,352)
	38.8	5,911,711	5,633,781
		6,238,367	6,261,717
CONTINGENCIES AND COMMITMENTS			
	38.5		

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

		(Un-audited)	
		January 1 to March 31, 2023	January 1 to March 31, 2022
		--- Rupees in '000 ---	
PROFIT AND LOSS ACCOUNT			
	38.6	2,928,576	1,936,160
	38.7	1,396,524	934,787
		1,532,052	1,001,373
OTHER INCOME			
		51,958	32,308
		-	659
		46,066	10,083
		-	4,411
		14,538	12,501
		112,562	59,962
		1,644,614	1,061,335
OTHER EXPENSES			
		846,552	707,505
		-	-
		846,552	707,505
		798,062	353,830
		188,567	(10,982)
		609,495	364,812
		262,083	142,277
		347,412	222,535

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2023**

38.4 Deposits	(Un-audited) March 31, 2023			(Audited) December 31, 2022		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- Rupees in '000 -----					
Customers						
Current deposits	20,545,390	71,250	20,616,640	20,254,072	59,568	20,313,640
Savings deposits	45,953,029	1,568	45,954,597	51,362,281	1,161	51,363,442
Term deposits	4,420,680	-	4,420,680	4,126,937	-	4,126,937
Others	2,894,797	-	2,894,797	3,945,517	-	3,945,517
	73,813,896	72,818	73,886,714	79,688,807	60,729	79,749,536
Financial Institutions						
Current Deposits	321,321	-	321,321	340,436	-	340,436
Savings deposits	3,810,282	-	3,810,282	2,317,371	-	2,317,371
	4,131,603	-	4,131,603	2,657,807	-	2,657,807
	77,945,499	72,818	78,018,317	82,346,614	60,729	82,407,343

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
38.5 Contingencies and commitments	----- Rupees in '000 -----	
Guarantees	8,565,846	8,889,432
Commitments	1,499,031	5,601,456
	10,064,877	14,490,888

	(Un-audited) March 31, 2023	(Audited) March 31, 2022
38.6 Profit / return earned on financing, investments and placements	----- Rupees in '000 -----	
Financing	1,633,383	1,089,173
Investments	1,253,573	752,191
Placements	40,270	94,775
Balances with banks	1,350	21
	2,928,576	1,936,160

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
38.7 Profit on deposits and other dues expensed		
Deposits and other accounts	1,320,671	657,960
Due to Financial Institutions	65,379	267,428
Lease liability against right-of-use assets	10,474	9,399
	1,396,524	934,787

	(Un-audited) March 31, 2023	(Audited) December 31, 2022
38.8 Islamic banking business unappropriated profit	----- Rupees in '000 -----	
Opening balance	5,633,781	4,810,395
Add: Islamic banking profit before taxation for the period / year	609,495	2,477,903
Less: Taxation	(262,083)	(1,214,173)
Less: Transferred to head office	(69,482)	(440,344)
Closing balance	5,911,711	5,633,781

38.9 Profit equalization reserve

The profit equalization reserves amounting to Rs. 35.88 million (December 31, 2022: Rs. 36.29 million) classified in other liabilities, which has been presented as reserves in note 19.

38.10 During the period, a new pool with the name of "Financial Institution -2 Pool" has been created. However, deposits in said pool will be mobilized effective from April 01, 2023.

39 GENERAL

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

40 DATE OF AUTHORIZATION FOR ISSUE

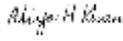
These condensed interim financial statements were authorised for issue in the Board of Directors meeting of the Bank held on April 28, 2023.



**MANAGING
DIRECTOR**



**CHIEF FINANCIAL
OFFICER**



DIRECTOR



DIRECTOR



DIRECTOR

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