

CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE THREE MONTHS ENDED MARCH 31, 2024

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CORPORATE INFORMATION

As of March 31, 2024

Board of Directors

Syed Imtiaz Hussain Shah	Chairman / Non-Executive Director
Amer Sultan Tareen	Non-Executive Director
Dr. Aliya Hashmi Khan	Independent Director
Syed Asad Ali Shah	Independent Director
Tahir Jawaid	Independent Director
Abid Sattar	Independent Director
Osman Asghar Khan	Independent Director
Muhammad Shahid Sadiq	Independent Director

Managing Director / CEO (Acting)

Irfan Saleem Awan

Shariah Board

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

Board Audit Committee

Syed Asad Ali Shah	Chairman
Amer Sultan Tareen	Member
Abid Sattar	Member
Dr. Aliya Hashmi Khan	Member
Osman Asghar Khan	Member

Board Human Resource & Remuneration Committee

Dr. Aliya Hashmi Khan	Chairperson
Tahir Jawaid	Member
Abid Sattar	Member

Board Risk Management Committee

Abid Sattar	Chairman
Amer Sultan Taree	Member
Dr. Aliya Hashmi Khan	Member
Muhammed Shahid Sadiq	Member
Managing Director	Member

Board I.T Steering Committee

Abid Sattar	Chairman
Tahir Jawaid	Member
Managing Director	Member
Osman Asghar Khan	Member

Board Compliance Committee

Tahir Jawaid	Chairman
Abid Sattar	Member
Managing Director	Member

Chief Financial Officer

Irfan Saleem Awan

Company Secretary

Sara Shah

Registered Office / Head Office

The 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, we are pleased to present the condensed interim financial information of the Bank for the 1st quarter ended March 31, 2024.

Financial Highlights

The financial results of the Bank of Khyber for the 1st quarter ended March 31, 2024 are as under:

	(Rs. in Million)	
	March 31, <u>2024</u>	December 31, <u>2023</u>
Total Assets	392,679	383,186
Deposits	324,278	289,292
Advances (Gross)	110,290	109,703
Investments (Net)	230,429	223,348

	(Rs. in Million)	
	March 31, <u>2024</u>	March 31, <u>2023</u>
Operating Profit	1,704	1,840
Credit loss allowance and write offs- net advances/others	190	193
Profit before taxation	1,514	1,647
Taxation	742	708
Profit after tax	772	939

Performance Review

Despite continued challenging economic conditions, the Bank earned profit before tax of Rs.1,514 million whereas profit after tax for the first quarter of the year 2024 (Q1-2024) stood at Rs.772 million. The Profit before and after tax during the same period last year was Rs.1,647 million and Rs.939 million respectively. During Q1-2024, the Bank registered growth in gross income as compared to the same period last year. However, there was a comparative reduction in the profitability mainly due to increase in the operating costs resulting from the impacts of inflation, increase in size & operations, and capacity building measures aiming for future growth of the Bank.

During the quarter under review, the Bank registered a healthy growth in deposits whereby the deposits at the quarter end stood at Rs. 324,278 million as against Rs.289,292 million as of Dec 2023. Gross Advances of the Bank as of March 2024 stood at Rs.110,290 million while net-investments were Rs.230,429 million.

Due to fragile economic conditions and subdued business activities, the repayment capacity of certain businesses and obligors was impaired that resulted in the increase in infection ratio of the Bank. However, concerted efforts are being made for recovery from NPLs to achieve reduction the infection ratio.

During Q1-2024, the Bank adopted IFRS-9 which became applicable on the banking industry in Pakistan w.e.f. January 01, 2024. This new standard has brought fundamental changes in the measurement and classification for financial instruments held by the Bank.

At the end of the quarter under review, the Bank was operating with 238 branches throughout the country out of which 123 branches were functioning as dedicated Islamic Banking Branches.

Future Outlook

Being watchful of the difficult economic conditions, the Bank would focus on improvement in asset quality together with maintaining growth momentum. The cornerstone of the Bank's philosophy would remain on improving service quality standards and providing state of the art banking services through leveraging technology and trained human resources. Efforts are underway to target new segments and to improve efficiency and productivity in the Bank's activities.

Credit Rating

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

VIS Credit Rating Company Limited (VIS) has also maintained the medium to long-term entity rating of the Bank at 'A+' (Single A Plus) and short-term entity rating at 'A1' (Single A One). The outlook on the assigned rating is 'Stable'.

The medium to long-term rating of 'A+' denotes good credit quality, with adequate protection factors.

Acknowledgment

The Board would like to thank the Provincial Government, State Bank of Pakistan, Shareholders, regulatory authorities and all other stakeholders for their continued trust 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

A handwritten signature in black ink, appearing to read 'Irfan Saleem Awan'.

Irfan Saleem Awan
Acting MD & CEO / CFO

Peshawar: April 30, 2024

**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2024**

		(Un-audited) March 31, 2024	(Audited) December 31, 2023
	Note	----- Rupees in '000 -----	
ASSETS			
Cash and balances with treasury banks	5	29,076,788	23,895,690
Balances with other banks	6	4,949,250	3,960,115
Lendings to financial institutions	7	2,697,450	2,000,000
Investments	8	230,428,912	223,348,499
Advances	9	97,692,369	101,587,580
Property and equipment	10	4,369,551	4,399,426
Right-of-use assets	11	2,390,050	2,549,241
Intangible assets	12	410,461	428,608
Deferred tax assets	13	2,829,021	1,346,748
Other assets	14	17,835,390	19,670,577
		392,679,242	383,186,484
LIABILITIES			
Bills payable	15	1,220,592	3,759,078
Borrowings	16	28,826,387	50,460,559
Deposits and other accounts	17	324,278,254	289,291,561
Lease liabilities	18	2,280,407	2,407,066
Subordinated debt		-	-
Deferred tax liabilities		-	-
Other liabilities	19	18,133,276	16,966,936
		374,738,916	362,885,200
NET ASSETS		17,940,326	20,301,284
REPRESENTED BY			
Share capital	20	11,579,360	11,027,905
Reserves		4,497,447	4,343,001
Surplus on revaluation of assets - net	21	892,888	124,622
Unappropriated profit		970,631	4,805,756
		17,940,326	20,301,284
CONTINGENCIES AND COMMITMENTS	22		

The annexed notes 1 to 39 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, 2024**

	January 1 to March 31, 2024	January 1 to March 31, 2023
	----- Rupees in '000 -----	
Mark-up / return / interest earned	23 16,955,222	10,970,664
Mark-up / return / interest expensed	24 13,438,855	7,692,825
Net mark-up / interest income	<u>3,516,367</u>	<u>3,277,839</u>
NON MARK-UP / INTEREST INCOME		
Fee and commission income	25 272,332	143,766
Dividend income	-	2,253
Foreign exchange income	227,268	242,671
Income / (loss) from derivatives	-	-
Gain / (loss) on securities	26 -	(1,584)
Share of profit / (loss) of associate	4,696	(100)
Other income	27 44,244	33,041
Total non-mark-up / interest income	<u>548,540</u>	<u>420,047</u>
Total income	<u>4,064,907</u>	<u>3,697,886</u>
NON MARK-UP / INTEREST EXPENSES		
Operating expenses	28 2,360,455	1,855,200
Workers Welfare Fund	-	-
Other charges	29 100	2,425
Total non-mark-up / interest expenses	<u>2,360,555</u>	<u>1,857,625</u>
PROFIT BEFORE CREDIT LOSS ALLOWANCE	<u>1,704,352</u>	<u>1,840,261</u>
Credit loss allowance and write offs - net Extra ordinary / unusual items	30 190,076	193,327
	-	-
PROFIT BEFORE TAXATION	<u>1,514,276</u>	<u>1,646,934</u>
Taxation	31 742,044	708,270
PROFIT AFTER TAXATION	<u>772,232</u>	<u>938,664</u>
	----- Rupees -----	
Basic and diluted earnings per share	32 <u>0.67</u>	(Restated) <u>0.81</u>

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.


**MANAGING
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**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

	January 1 to March 31, 2024	January 1 to March 31, 2023
----- Rupees in '000 -----		

Profit after taxation for the period 772,232 938,664

Other comprehensive income / (loss)

Items that may be reclassified to profit and loss account in subsequent periods:

Movement in deficit on revaluation of debt investments through FVOCI - net of tax
Share of surplus / (deficit) on revaluation of investment in associate - net of tax

	(350,984)	(1,112,043)
	511	(462)
	(350,473)	(1,112,505)

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

Movement in surplus on revaluation of equity investments - net of tax
Share of remeasurement (loss) / gain on defined benefit obligations of associate - net of tax

	2,164	-
	(916)	630
	1,248	630

Total comprehensive income / (loss)

	423,007	(173,211)
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**MANAGING
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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

	Share capital	Statutory reserve	Surplus / (deficit) on revaluation of		Unappropriated profit	Total
			Investments	Property and equipment		
Rupees in '000						
Balance as at January 1, 2023 (audited)	11,027,905	3,646,746	(1,042,518)	787,200	25,461	1,982,704
Profit after taxation for the three months ended March 31, 2023	-	-	-	-	-	938,664
Other comprehensive (loss) / income - net of tax	-	-	(1,12,505)	-	-	(1,11,875)
Total other comprehensive loss	-	-	(1,12,505)	-	-	(1,12,505)
Transfer to statutory reserve	-	187,733	-	-	-	(187,733)
Transfer from surplus on revaluation of non-banking asset - net of tax	-	-	-	-	(920)	920
Balance as at March 31, 2023 (Un-audited)	11,027,905	3,834,479	(2,155,023)	787,200	24,541	2,735,185
Profit after taxation for the nine months ended December 31, 2023	-	-	-	-	-	2,542,613
Other comprehensive income - net of tax	-	-	1,331,802	112,920	25,516	34,146
Total other comprehensive income	-	-	1,331,802	112,920	25,516	2,576,759
Transfer to statutory reserve	-	-	-	-	-	(50,8,522)
Transfer from surplus on revaluation of non-banking asset - net of tax	-	50,8,522	-	-	(2,334)	2,334
Balance as at December 31, 2023 (audited)	11,027,905	4,343,001	(823,221)	900,120	47,723	4,805,756
Effect of adoption of IFRS 9 - ECL - net of tax	-	-	-	-	-	(2,553,296)
Effect of reclassifications on adoption of IFRS 9 - net of tax	-	-	1,116,575	-	-	307,120
Balance as at March 31, 2024 (Un-audited)	11,027,905	4,343,001	(823,221)	900,120	47,723	20,301,284
Profit after taxation for the three months ended March 31, 2024	-	-	-	-	-	772,232
Other comprehensive (loss) / income - net of tax	-	-	-	-	-	-
Movement in deficit on revaluation of investments in debt instruments - net of tax	-	-	(350,984)	-	-	(350,984)
Share of surplus on revaluation of investment of associate - net of tax	-	-	511	-	-	511
Movement in surplus on revaluation of equity investments - net of tax	-	-	2,164	-	-	2,164
Share of remeasurement loss on defined benefit obligations of associate - net of tax	-	-	-	-	-	(916)
Total other comprehensive loss - net of tax	-	-	(348,309)	-	-	(916)
Transfer to statutory reserve	-	154,446	-	-	-	(154,446)
Transactions with owners, recorded directly in equity	-	-	-	-	-	-
Final cash dividend for the year ended December 31, 2023 (Rs. 1.50 per share)	-	-	-	-	-	(1,654,364)
Bonus shares issued for the year ended December 31, 2023 (Rs. 0.50 per share)	551,455	-	-	-	-	(551,455)
Balance as at March 31, 2024 (Un-audited)	11,579,360	4,497,447	(54,955)	900,120	47,723	970,631

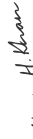
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**MANAGING
DIRECTOR**



**CHIEF FINANCIAL
OFFICER**



DIRECTOR



DIRECTOR



DIRECTOR

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

Note	January 1 to March 31, 2024	January 1 to March 31, 2023
	----- Rupees in '000 -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	1,514,276	1,646,934
Less: Dividend income	-	2,253
	<u>1,514,276</u>	<u>1,644,681</u>
Adjustments:		
Depreciation - Property and equipment	181,775	161,923
Depreciation - Non-banking assets acquired in satisfaction of claims	8,765	8,438
Depreciation - Right-of-use assets	174,164	144,445
Amortization	19,909	24,999
Credit loss allowance and write offs	190,076	193,327
(Gain) / loss on disposal of property and equipment - net	(7,297)	33
Interest expense on lease liability	105,105	40,197
Share of (profit) / loss of associate	(4,696)	100
	<u>667,801</u>	<u>573,462</u>
	<u>2,182,077</u>	<u>2,218,143</u>
Decrease in operating assets		
Lendings to financial institutions	(697,450)	(5,599,229)
Advances	(586,925)	22,995,619
Others assets	1,628,519	(3,125,236)
	<u>344,144</u>	<u>14,271,154</u>
Increase / (decrease) in operating liabilities		
Bills payable	(2,538,486)	(1,148,771)
Borrowings from financial institutions	(21,634,172)	(19,741,940)
Deposits	34,986,693	3,542,379
Other liabilities (excluding current taxation)	(267,908)	(2,679,127)
	<u>10,546,127</u>	<u>(20,027,459)</u>
Income tax paid	456,711	(180,384)
Net cash flow from / (used in) operating activities	<u>13,529,059</u>	<u>(3,718,546)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Net investments in amortised cost securities	(172,923)	10,260,874
Net Investments in securities classified as FVOCI	(6,789,943)	14,742
Dividends received	-	2,253
Investments in property and equipment	(164,155)	(185,877)
Proceeds from disposal of property and equipment	10,493	577
Net cash flow (used in) / from investing activities	<u>(7,116,528)</u>	<u>10,092,569</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Payments of lease obligations against right-of-use assets	(242,298)	(171,150)
Dividend paid	-	(4)
Net cash flow used in financing activities	<u>(242,298)</u>	<u>(171,154)</u>
Increase in cash and cash equivalents	6,170,233	6,202,869
Cash and cash equivalents at beginning of the period	27,855,805	19,830,357
Cash and cash equivalents at end of the period	<u>34,026,038</u>	<u>26,033,226</u>

The annexed notes 1 to 39 form an integral part of these condensed interim financial statements.


**MANAGING
DIRECTOR**


**CHIEF FINANCIAL
OFFICER**


DIRECTOR


DIRECTOR


DIRECTOR

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

1 STATUS AND NATURE OF BUSINESS

The Bank of Khyber (the Bank) was established in Pakistan 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 238 branches including 123 Islamic banking branches (December 31, 2023: 238 branches including 123 Islamic banking branches). The long term credit rating of the Bank assigned by 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 consolidated in these condensed interim financial statements, after eliminating the effects of inter-branch transactions and balances. Key financial figures of the Islamic Banking Branches are disclosed in note 37 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, 2024**

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 (ICAP) as are notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Whenever the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 or the directives issued by 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 The disclosures made in these condensed interim financial statements have been limited based on the format prescribed by the SBP vide BPRD Circular Letter No. 2 dated February 9, 2023 and IAS 34. 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, 2023, except for IFRS 9 Financial Instruments adopted by the Bank w.e.f January 1, 2024 as per the applicable SBP circulars.

3.3 SBP vide BSD Circular Letter No. 10, dated August 26, 2002, has deferred the applicability of 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

4 MATERIAL ACCOUNTING POLICY INFORMATION, ESTIMATES, JUDGEMENTS AND FINANCIAL RISK MANAGEMENT POLICIES

4.1 Material accounting policy information

The 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, 2023 except for the adoption of IFRS 9 Financial Instruments w.e.f January 1, 2024.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024

4.1.1 IFRS 9 - Financial Instruments

4.1.1.1 Classification of Financial Assets

The Bank classifies its financial assets, other than its investments in associate, into the following categories:

- at Fair Value through Profit and Loss (FVTPL);
- at Fair Value through Other Comprehensive Income (FVOCI);
- at Amortised Cost.

Classification of Equity Instruments

Equity securities that are traded in an active market and are held for trading purposes will be classified as FVTPL. Equity securities that are not held for trading purposes will be classified as FVOCI; however, gains and losses on disposal of securities classified as FVOCI will not be recycled through the profit and loss account. The classification decision is made on a case by case basis at the time of purchase, is documented, and is irrevocable.

Classification of other Financial Assets

Financial Assets other than equity will be classified based on their cash flow characteristics and business model assessment:

- **Amortised Cost:** These will be classified as amortised cost if the objective is to hold the asset only for collecting contractual cash flows (principal and interest).
- **FVOCI:** These will be classified at FVOCI when the objective is to collect contractual cash flows (principal and interest) and also to potentially sell the same depending on market conditions. Any unrealized profit or loss on debt instruments classified as FVOCI is reflected in other comprehensive income and is recycled through the profit and loss account when the investment is sold.
- **FVTPL:** This includes financial assets:
 - a. which are not classified as either at amortised cost or FVOCI;
 - b. which do not have fixed maturity

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Subsequent Measurement

Equity and debt securities classified as FVTPL

These securities are subsequently measured at fair value. Changes in the fair value of these securities are taken through the profit and loss account.

Equity and debt securities classified as FVOCI

These securities are subsequently measured at fair value. Changes in the fair value of these securities are recorded in OCI. When a debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the profit and loss account. When an equity security is derecognised, gains and losses previously recognised in OCI are not recycled through the profit and loss account but are transferred directly to retained earnings.

Other financial assets classified at amortised cost

Other financial assets initially classified at amortised cost continue to be subsequently measured at amortised cost.

4.1.1.2 Classification of Financial Liabilities

Financial liabilities are either classified as FVTPL, when they are held for trading purposes, or at amortised cost. Financial liabilities classified as FVTPL are measured at fair value.

Financial liabilities classified as amortised cost are initially recorded at fair value and subsequently measured using the effective interest rate method.

4.1.1.3 Impairment

An ECL provision will be calculated on financial assets designated as FVOCI or as Amortised cost in accordance with the requirements of IFRS 9 and the guidelines issued by the SBP. Credit exposures (in local currency) that have been guaranteed by the Government and Government Securities are exempted from the application of ECL Framework.

Equity securities are not subject to impairment.

4.1.1.4 Transitional Impact

The Bank has elected to follow the modified retrospective approach for restatement i.e. comparative figures have not been restated on the initial application of IFRS 9. Instead, the cumulative impact has been recorded as an adjustment to equity as of January 1, 2024. Accordingly, the information presented as of December 31, 2023 and for the period ended March 31, 2023 does not reflect the requirements of IFRS 9.

The following table reconciles the original measurement and carrying amounts of financial instruments in accordance with the previous financial reporting framework with the new measurement categories for the Bank.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024

Financial Assets / Liabilities	Previous classification	Classification under IFRS 9	Carrying amount as of December 31, 2023	Reclassification	Derecognition of deficit on reclassified securities	ECL	Carrying amount as of January 01, 2024
Cash and balances with treasury banks	Cost	Amortised Cost	23,895,690	-	-	-	23,895,690
Balances with other banks	Cost	Amortised Cost	3,960,115	-	-	(82)	3,960,033
Lendings to financial institutions	Cost	Amortised Cost	2,000,000	-	-	-	2,000,000
Investments							
Held for trading	HFT	FVTPL	-	-	-	-	-
Available for sale	AFS	FVOCI	220,501,912	(30,300,149)	2,791,559	-	192,993,322
Held to maturity	HTM	Amortised Cost	2,756,377	30,300,149	-	-	33,056,526
Associate	Associate	Associate	90,210	-	-	-	90,210
Advances	Cost	Amortised Cost	101,587,580	-	-	(4,155,917)	97,431,663
Other assets	Cost	Amortised Cost	19,639,128	-	-	(28,647)	19,610,481
Forward foreign exchange contracts	Fair value	FVTPL	31,449	-	-	-	31,449
Total Financial Assets			374,462,461	-	2,791,559	(4,184,646)	373,069,374
Bills payable	Cost	Amortised Cost	(3,759,078)	-	-	-	(3,759,078)
Borrowings	Cost	Amortised Cost	(50,460,559)	-	-	-	(50,460,559)
Deposits and other accounts	Cost	Amortised Cost	(289,291,561)	-	-	-	(289,291,561)
Other liabilities	Cost	Amortised Cost	(16,948,235)	-	-	(821,817)	(17,770,052)
Forward foreign exchange contracts	Fair value	FVTPL	(18,701)	-	-	-	(18,701)
Total Financial Liabilities			(360,478,134)	-	-	(821,817)	(361,299,951)
Net Financial Assets			13,984,327	-	2,791,559	(5,006,463)	11,769,423

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

4.1.2 Measurement of the expected credit loss allowance

The measurement of the ECL allowance for financial assets measured at amortised cost and at FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purpose of measuring ECL;
- Establishing the number and relative weightages of forward-looking macroeconomic scenarios for each segment and the associated ECL; and
- Determining whether an asset shows a significant increase in credit risk.

4.2 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, 2024.

Except for the implementation of IFRS 9 in Pakistan, as discussed in Note 4.1, the Bank expects that amendments to existing accounting and reporting standards will not affect its financial statements in the period of initial application.

4.3 Amendments to existing accounting and reporting standards that are not yet effective

There are various standards and amendments to accounting and reporting standards as applicable in Pakistan that are not yet effective. These are not likely to have a material effect on the Bank's financial statements.

4.4 Critical accounting estimates and judgements

The basis for accounting estimates adopted in the preparation of these condensed interim financial statements is the same as that applied in the preparation of the annual audited financial statements for the year ended December 31, 2023, except for changes as discussed in Note 4.1.1.

4.5 Financial risk management

The financial risk management objectives and policies adopted by the Bank are consistent with those disclosed in the annual audited financial statements for the year ended December 31, 2023.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

	(Un-audited) March 31, 2024	(Audited) December 31, 2023
5 CASH AND BALANCES WITH TREASURY BANKS	Note	----- Rupees in '000 -----
In hand		
Local currency	7,043,031	6,046,543
Foreign currencies	326,310	313,692
	7,369,341	6,360,235
With State Bank of Pakistan in		
Local currency current accounts	16,711,644	14,004,087
Foreign currency current accounts	53,326	84,236
Foreign currency deposit accounts	185,535	137,551
	16,950,505	14,225,874
With National Bank of Pakistan in		
Local currency current accounts	2,905,212	3,272,580
Local currency deposit accounts	1,848,093	29,473
Foreign currency current accounts	2,171	5,162
	4,755,476	3,307,215
Prize bonds	1,466	2,366
Less: Credit loss allowance held against cash and balances with treasury banks	-	-
Cash and balances with treasury banks - net of credit loss allowance	29,076,788	23,895,690
6 BALANCES WITH OTHER BANKS		
In Pakistan		
In current accounts	1,923,429	1,640,846
In deposit accounts	842,618	356,021
	2,766,047	1,996,867
Outside Pakistan		
In current accounts	720,236	697,145
In deposit accounts	1,473,077	1,276,131
	2,193,313	1,973,276
Less: Credit loss allowance held against balances with other banks	(10,110)	(10,028)
Balances with other banks - net of credit loss allowance	4,949,250	3,960,115
7 LENDINGS TO FINANCIAL INSTITUTIONS		
Repurchase agreement lendings (Reverse Repo)	497,450	-
Placements with financial institutions	2,438,944	2,238,944
	2,936,394	2,238,944
Less: Credit loss allowance held against lendings to financial institutions	(238,944)	(238,944)
Lendings to financial institutions - net of credit loss allowance	7.1 (238,944) 2,697,450	(238,944) 2,000,000

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

		(Un-audited)	
		March 31, 2024	
7.1	Category of credit loss allowance	Lending	Credit loss allowance held
		----- Rupees in '000 -----	
	Domestic		
	Performing	Stage 1	-
	Under performing	Stage 2	-
	Non-performing	Stage 3	
	Substandard	-	-
	Doubtful	-	-
	Loss	<u>238,944</u>	<u>238,944</u>
		<u>238,944</u>	<u>238,944</u>
	Overseas		
	Performing	Stage 1	-
	Under performing	Stage 2	-
	Non-performing	Stage 3	
	Substandard	-	-
	Doubtful	-	-
	Loss	-	-
		<u>-</u>	<u>-</u>
	Total	<u>238,944</u>	<u>238,944</u>
		<u>238,944</u>	<u>238,944</u>
		(Audited)	
		December 31, 2023	
		Classified lending	Provision held
		----- Rupees in '000 -----	
	Domestic		
	Other assets especially mentioned (OAEM)	-	-
	Substandard	-	-
	Doubtful	-	-
	Loss	<u>238,944</u>	<u>238,944</u>
		<u>238,944</u>	<u>238,944</u>
	Overseas		
	Not past due but impaired	-	-
	Overdue by:	-	-
	Up to 90 days	-	-
	91 to 180 days	-	-
	181 to 365 days	-	-
	> 365 days	-	-
		<u>-</u>	<u>-</u>
	Total	<u>238,944</u>	<u>238,944</u>
		<u>238,944</u>	<u>238,944</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

		(Un-audited) March 31, 2024			
8	INVESTMENTS	Cost / amortised cost	Credit loss allowance	Surplus / (deficit)	Carrying value
8.1	Investments by type:	-----Rupees in '000-----			
	Note				
	Fair value through profit or loss (FVTPL)	-	-	-	-
	Fair value through other comprehensive income (FVOCI)				
	Federal Government Securities	189,563,448	-	385,250	189,948,698
	Shares	488,418	-	(264,669)	223,749
	Non-Government Debt Securities	7,104,882	(165,042)	(6,934)	6,932,906
		<u>197,156,748</u>	<u>(165,042)</u>	<u>113,647</u>	<u>197,105,353</u>
	Amortised Cost				
	Federal Government Securities	33,229,449	-	-	33,229,449
	Associate	94,110	-	-	94,110
	Total investments	<u>230,480,307</u>	<u>(165,042)</u>	<u>113,647</u>	<u>230,428,912</u>
		(Audited) December 31, 2023			
		Cost / amortised cost	Provision for diminution	(Deficit) / surplus	Carrying value
		-----Rupees in '000-----			
	Held-for-trading securities	-	-	-	-
	Available-for-sale securities				
	Federal Government Securities	214,878,019	-	(1,716,573)	213,161,446
	Shares	739,668	(634,090)	113,929	219,507
	Non-Government Debt Securities	7,294,466	(165,042)	(8,465)	7,120,959
		<u>222,912,153</u>	<u>(799,132)</u>	<u>(1,611,109)</u>	<u>220,501,912</u>
	Held-to-maturity securities				
	Federal Government Securities	2,756,377	-	-	2,756,377
	Associate	90,210	-	-	90,210
	Total investments	<u>225,758,740</u>	<u>(799,132)</u>	<u>(1,611,109)</u>	<u>223,348,499</u>
8.1.1	This includes the impact of reclassification of federal government securities previously held by the Bank as Available-for-Sale securities to the Amortised Cost upon adoption of IFRS 9 (refer note 4.1).				
8.1.2	This includes the impact of reclassification adjustment done for the amount of impairment held against quoted and unquoted securities as of December 31, 2023 to the surplus / (deficit) on revaluation of quoted shares categorised as FVOCI and the cost of unquoted shares respectively, upon adoption of IFRS 9 (refer note 8.3).				
8.2	Investments given as collateral			(Un-audited) March 31, 2024	(Audited) December 31, 2023
		Note	----- Rupees in '000 -----		
	Pakistan Investment Bonds	8.2.1	<u>19,076,120</u>	<u>39,819,481</u>	
8.2.1	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, 2024**

	(Un-audited) March 31, 2024	(Audited) December 31, 2023
	----- Rupees in '000 -----	
8.3 Credit loss allowance for diminution in value of investments		
Opening balance	799,132	922,457
Reclassification of impairment held on shares classified as FVOCI on adoption of IFRS 9	(634,090)	-
Charge / (reversals)		
Charge for the period / year	-	23,089
Reversal for the period / year	-	-
Reversal on disposals / repayment during the period / year	-	(146,414)
	-	(123,325)
Closing balance	<u>165,042</u>	<u>799,132</u>

8.4 Particulars of credit loss allowance against debt securities

Category of classification		(Un-audited) March 31, 2024	
		Outstanding amount	Credit loss allowance held
----- Rupees in '000 -----			
Domestic			
Performing	Stage 1	-	-
Underperforming	Stage 2	-	-
Non-performing	Stage 3		
Substandard		-	-
Doubtful		-	-
Loss		165,042	165,042
		<u>165,042</u>	<u>165,042</u>
Total		<u>165,042</u>	<u>165,042</u>
Overseas			
Performing	Stage 1	-	-
Underperforming	Stage 2	-	-
Non-performing	Stage 3		
Substandard		-	-
Doubtful		-	-
Loss		-	-
		-	-
Total		-	-

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

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

8.5 Summary of financial position and performance of associate

8.5.1 Investment in associate - unlisted

	Period / year ended	Percentage of holding	Country of incorporation
Taurus Securities Limited	March 31, 2024 (Un-audited)	30%	Pakistan
Taurus Securities Limited	December 31, 2023 (Audited)	30%	Pakistan
		(Un-audited)	(Audited)
		March 31, 2024	December 31, 2023
		----- Rupees in '000 -----	
Assets		998,878	566,593
Liabilities		685,179	265,893
Revenue for the period / year		70,552	136,100
Profit after taxation for the period / year		15,654	31
Total comprehensive income for the period / year		12,998	759

8.6 The market value of securities classified as amortised cost as at March 31, 2024 amounted to Rs. 30,734.38 million (December 31, 2023: Rs. 2,574.49 million).

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

9	ADVANCES	Note	Performing		Non	Total
					performing	
					March 31, 2024 (Un-audited)	
-----Rupees in '000-----						
	Loans, cash credits, running finances, etc.		63,639,214	9,970,276		73,609,490
	Islamic financing and related assets		32,948,462	2,140,671		35,089,133
	Bills discounted and purchased		50,000	1,541,365		1,591,365
	Advances - gross		<u>96,637,676</u>	<u>13,652,312</u>		<u>110,289,988</u>
	Credit loss allowance against advances	9.3				
	-Stage 1		1,369,324	-		1,369,324
	-Stage 2		908,774	-		908,774
	-Stage 3		-	10,319,521		10,319,521
			<u>2,278,098</u>	<u>10,319,521</u>		<u>12,597,619</u>
	Advances - net of credit loss allowance		<u>94,359,578</u>	<u>3,332,791</u>		<u>97,692,369</u>
-----Rupees in '000-----						
			Performing	Non performing		Total
			December 31, 2023 (Audited)			
-----Rupees in '000-----						
	Loans, cash credits, running finances, etc.		63,954,807	9,600,559		73,555,366
	Islamic financing and related assets		32,383,932	2,148,791		34,532,723
	Bills discounted and purchased		73,609	1,541,365		1,614,974
	Advances - gross		<u>96,412,348</u>	<u>13,290,715</u>		<u>109,703,063</u>
	Provision against advances					
	- Specific		-	8,019,353		8,019,353
	- General		96,130	-		96,130
			96,130	8,019,353		8,115,483
	Advances - net of provision		<u>96,316,218</u>	<u>5,271,362</u>		<u>101,587,580</u>
					(Un-audited)	(Audited)
					March 31,	December 31,
					2024	2023
----- Rupees in '000 -----						
9.1	Particulars of advances (gross)					
	In local currency		<u>110,289,988</u>		109,703,063	
	In foreign currencies		-		-	
			<u>110,289,988</u>		<u>109,703,063</u>	

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

9.2 Advances include Rs. 13,652.31 million (December 31, 2023: Rs. 13,290.72 million) which have been placed under non-performing / stage 3 status as detailed below:

Category of classification	(Un-audited) March 31, 2024	
	Non performing loans	Credit loss allowance
	----- Rupees in '000 -----	
Domestic		
Other assets especially mentioned (OAEM)	472,543	97,463
Substandard	770,006	565,684
Doubtful	1,398,724	1,043,174
Loss	11,011,039	8,613,200
	<u>13,652,312</u>	<u>10,319,521</u>
Overseas		
Other assets especially mentioned (OAEM)	-	-
Substandard	-	-
Doubtful	-	-
Loss	-	-
	<u>-</u>	<u>-</u>
Total	<u>13,652,312</u>	<u>10,319,521</u>

Category of classification	(Audited) December 31, 2023	
	Non performing loans	Provision
	----- Rupees in '000 -----	
Domestic		
Other assets especially mentioned (OAEM)	238,941	1,345
Substandard	1,172,610	133,064
Doubtful	1,071,990	95,419
Loss	10,807,174	7,789,525
	<u>13,290,715</u>	<u>8,019,353</u>
Overseas		
Not past due but impaired	-	-
Overdue by:		
Up to 90 days	-	-
91 to 180 days	-	-
181 to 365 days	-	-
> 365 days	-	-
	<u>-</u>	<u>-</u>
Total	<u>13,290,715</u>	<u>8,019,353</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

9.3 Particulars of credit loss allowance against advances

	(Un-audited) March 31, 2024				(Audited) December 31, 2023		
	Stage 1	Stage 2	Stage 3	Total	Specific	General	Total
	----- Rupees in '000 -----						
Opening balance	-	96,130	8,019,353	8,115,483	7,313,193	84,356	7,397,549
Impact of adoption of IFRS 9	1,191,219	751,723	2,212,975	4,155,917	-	-	-
Charge for the period / year	178,105	60,921	181,876	420,902	867,480	11,774	879,254
Reversals for the period / year	-	-	(94,683)	(94,683)	(129,068)	-	(129,068)
	178,105	60,921	87,193	326,219	738,412	11,774	750,186
Amounts written off	-	-	-	-	(32,252)	-	(32,252)
Closing balance	1,369,324	908,774	10,319,521	12,597,619	8,019,353	96,130	8,115,483

9.4 Particulars of credit loss allowance

	(Un-audited) March 31, 2024		
	Stage 1	Stage 2	Stage 3
	----- Rupees in '000 -----		
9.4.1 Opening balance	-	96,130	8,019,353
Impact of adoption of IFRS 9	1,191,219	751,723	2,212,975
New advances	192,798	-	-
Advances derecognised or repaid	(65,095)	(11,146)	(31,803)
Transfer to stage 1	255,704	(42,241)	117,597
Transfer to stage 2	(87,706)	453,898	9,017
Transfer to stage 3	(117,596)	(339,590)	(7,618)
	178,105	60,921	87,193
Amounts written off / charged off during the period	-	-	-
Changes in risk parameters	-	-	-
Closing balance	1,369,324	908,774	10,319,521

9.4.2 Category of classification

	(Un-audited) March 31, 2024	
	Outstanding amount	Credit loss allowance held
	----- Rupees in '000 -----	
Domestic		
Performing	Stage 1	43,335,298
Underperforming	Stage 2	53,604,774
Non-performing	Stage 3	
Substandard		940,153
Doubtful		1,398,724
Loss		11,011,039
		13,349,916
Total		110,289,988
Overseas		
Performing	Stage 1	-
Underperforming	Stage 2	-
Non-performing	Stage 3	-
Substandard		-
Doubtful		-
Loss		-
Total		-

9.4.3 State Bank of Pakistan through BSD Circular No1 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.

In accordance with the application instructions issued by SBP for IFRS 9 implementation, the overall FSV benefit utilized by the Bank against NPLs has effectively reduced as the provision against NPL portfolio has been taken at higher of the provision required under the Prudential Regulation (PR) R-8 and ECL charge under IFRS 9. As per the PR R-8, FSV benefits utilized by the Bank are not available for the distribution of cash or stock dividend to shareholders.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

		(Un-audited) March 31, 2024	(Audited) December 31, 2023				
	Note	----- Rupees in '000 -----					
10	PROPERTY AND EQUIPMENT						
	Capital work-in-progress	127,950	104,080				
	Property and equipment	4,241,601	4,295,346				
	Total	<u>4,369,551</u>	<u>4,399,426</u>				
10.1	Capital work-in-progress						
	Civil works	21,045	11,242				
	Equipment	95,573	88,837				
	Furniture and fixtures	11,332	3,840				
	Advances to suppliers	-	161				
	Total	<u>127,950</u>	<u>104,080</u>				
10.2	Additions to property and equipment						
	The following additions / (transfers) have been made to property and equipment during the period:	(Un-audited) For the three months ended March 31, 2024	March 31, 2023				
		----- Rupees in '000 -----					
	Capital work-in-progress - net (transfers) / additions	23,870	-				
	Property and equipment						
	Furniture and fixtures	14,460	19,823				
	Electrical, office and computer equipment	25,561	83,608				
	Vehicles	-	18,850				
	Leasehold improvements	91,205	178,397				
	Total	<u>131,226</u>	<u>300,678</u>				
		<u>155,096</u>	<u>300,678</u>				
10.3	Disposal of property and equipment						
	The net book value of property and equipment disposed off during the period is as follows:						
	Furniture and fixtures	2,163	494				
	Electrical, office and computer equipment	21	116				
	Leasehold improvements	1,012	-				
	Total	<u>3,196</u>	<u>610</u>				
11	RIGHT-OF-USE ASSETS						
		March 31, 2024 (Un-audited)	December 31, 2023 (Audited)				
		Buildings	Others	Total	Buildings	Others	Total
		----- Rupees in '000 -----					
	At January 1,						
	Cost	4,271,290	391,809	4,663,099	2,553,547	346,955	2,900,502
	Accumulated depreciation	(1,792,858)	(321,001)	(2,113,859)	(1,364,935)	(127,217)	(1,492,152)
	Net carrying amount at January 1,	2,478,432	70,808	2,549,240	1,188,612	219,738	1,408,350
	Additions during the period / year	36,554	-	36,554	1,808,979	44,854	1,853,833
	Terminations during the period / year - at cost	(38,627)	-	(38,627)	(91,236)	-	(91,236)
	Accumulated depreciation on termination	17,046	-	17,046	60,019	-	60,019
		(21,581)	-	(21,581)	(31,217)	-	(31,217)
	Depreciation charge for the period / year	(130,428)	(43,735)	(174,163)	(487,941)	(193,784)	(681,725)
	Net carrying amount at the period / year end	<u>2,362,977</u>	<u>27,073</u>	<u>2,390,050</u>	<u>2,478,433</u>	<u>70,808</u>	<u>2,549,241</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

		(Un-audited) March 31, 2024	(Audited) December 31, 2023
		----- Rupees in '000 -----	
12	INTANGIBLE ASSETS		
	Capital work in progress	50,473	49,701
	Licenses and computer softwares	<u>359,988</u>	<u>378,907</u>
		<u>410,461</u>	<u>428,608</u>
		(Un-audited) For the three months ended	
		March 31, 2024	March 31, 2023
		----- Rupees in '000 -----	
12.1	Additions to intangible assets		
	The following additions have been made to intangible assets during the period:		
	Directly purchased - intangible assets	-	-
	Capital work in progress - net	<u>990</u>	<u>152</u>
	Total	<u>990</u>	<u>152</u>
12.2	Disposals of intangible assets		
	No intangible assets were disposed off during the period ended March 31, 2024 (March 31, 2023: Nil).		
		(Un-audited) March 31, 2024	(Audited) December 31, 2023
		----- Rupees in '000 -----	
13	DEFERRED TAX ASSETS		
	Deductible temporary differences on		
	Deficit on revaluation of investments - net	-	877,610
	Accelerated accounting depreciation	235,859	216,551
	Credit loss allowance against advances and off balance sheet obligations	2,716,196	248,811
	Credit loss allowance for balances with other banks	4,914	4,914
	Credit loss allowance against other assets	38,333	38,333
	Deficit on revaluation of equity securities	112,461	-
	Islamic pool management reserves	3,107,763	1,486,621
	Taxable temporary differences on		
	Share of profit of associate	(27,147)	(24,356)
	Surplus on revaluation of investments - net	(155,112)	-
	Surplus on revaluation of non-banking asset	(45,851)	(45,851)
	Others	(50,632)	(69,666)
		<u>(278,742)</u>	<u>(139,873)</u>
	Deferred tax assets - net	<u>2,829,021</u>	<u>1,346,748</u>
13.1	This includes the impact of deferred tax asset derecognised and reclassified amounting to Rs. 1,376.86 million and Rs. 75.72 million respectively, on reclassification of investments upon adoption of IFRS 9 as disclosed in notes 4.1 and note 8 of these condensed interim financial statements.		

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

		(Un-audited)	(Audited)
		March 31,	December 31,
		2024	2023
	Note	----- Rupees in '000 -----	
14	OTHER ASSETS		
	Income / mark-up accrued in local currency	16,238,009	13,228,495
	Advances, deposits, advance rent and other prepayments	273,550	201,399
	Non-banking assets acquired in satisfaction of claims	276,796	285,561
	Mark to market gain on forward foreign exchange contracts	198,913	31,449
	Acceptances	3,815	3,502
	Pre-IPO investment	100,000	100,000
	Stationary and stamps on hand	166,861	159,670
	Employees benefits	187,348	206,194
	Clearing and settlement accounts	138,979	190,161
	Receivable from the State Bank of Pakistan	208,555	5,227,550
	Others	178,973	165,678
		17,971,799	19,799,659
	Less: Credit loss allowance held against other assets	14.1 (229,983)	(222,656)
	Other assets - net of credit loss allowance	17,741,816	19,577,003
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims	21 93,574	93,574
	Other assets - total	17,835,390	19,670,577
14.1	Credit loss allowance held against other assets		
	Advances for Pre-IPO	100,000	100,000
	Mark-up accrued in local currency	7,327	-
	Others	122,656	122,656
		229,983	222,656
14.1.1	Movement in credit loss allowance held against other assets		
	Opening balance	222,656	144,426
	Impact of adoption of IFRS 9	28,647	-
	Charge for the period / year	-	78,230
	Reversal for the period / year	(21,320)	-
		(21,320)	78,230
	Closing balance	229,983	222,656
15	BILLS PAYABLE		
	In Pakistan	1,220,592	3,759,078
	Outside Pakistan	-	-
		1,220,592	3,759,078

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

16 BORROWINGS	(Un-audited)		(Audited)	
	March 31, 2024		December 31, 2023	
	----- Rupees in '000 -----			
Secured				
Borrowings from State Bank of Pakistan (SBP) under:				
- Export refinance scheme	4,562,600		4,216,900	
- Long term financing facility	3,553,765		3,560,830	
- Refinance and credit guarantee scheme for women entrepreneurs	15,375		20,262	
- Financing facility for renewable energy	250,699		244,594	
- Refinance facility for modernization of Small and Medium Enterprises (SMEs)	39,653		41,019	
- Refinance facility for combating COVID-19	648,039		680,065	
- SME Asaan Scheme (SAAF)	360,087		292,047	
- Financing facility for storage of agriculture produce	105,769		69,231	
- Repurchase agreement borrowings	18,500,000		35,000,000	
	28,035,987		44,124,948	
Repurchase agreement borrowings	790,400		5,460,611	
Total secured	28,826,387		49,585,559	
Unsecured				
Call borrowings	-		875,000	
Total	28,826,387		50,460,559	

17 DEPOSITS AND OTHER ACCOUNTS

	(Un-audited)			(Audited)		
	March 31, 2024			December 31, 2023		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- Rupees in '000 -----					
Customers						
Current deposits	50,208,432	939,084	51,147,516	47,342,097	769,231	48,111,328
Saving deposits	160,440,606	179,657	160,620,263	132,466,979	24,062	132,491,041
Term deposits	94,768,213	267,385	95,035,598	89,981,071	405,316	90,386,387
Others	13,007,060	-	13,007,060	13,704,470	-	13,704,470
	318,424,311	1,386,126	319,810,437	283,494,617	1,198,609	284,693,226
Financial Institutions						
Current deposits	395,672	-	395,672	395,672	130,518	526,190
Saving deposits	4,072,145	-	4,072,145	4,072,145	-	4,072,145
	4,467,817	-	4,467,817	4,467,817	130,518	4,598,335
	322,892,128	1,386,126	324,278,254	287,962,434	1,329,127	289,291,561

18 LEASE LIABILITIES	(Un-audited)		(Audited)	
	March 31, 2024		December 31, 2023	
	----- Rupees in '000 -----			
Opening balance as at period / year	2,407,066		1,368,661	
Additions during the period / year	32,114		1,853,833	
Payments against lease liability during the period / year	(242,298)		(92,583)	
Interest expense on lease liability	105,105		213,486	
Termination / modifications during the period / year	(21,580)		(36,331)	
	(126,659)		1,038,405	
Closing balance as at period / year end	2,280,407		2,407,066	

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

18.1 Liabilities outstanding	(Un-audited) March 31, 2024	(Audited) December 31, 2023
	----- Rupees in '000 -----	----- Rupees in '000 -----
Not later than one year	433,407	425,516
later than one year and up to five years	1,847,000	1,981,550
Over five years	-	-
Total	2,280,407	2,407,066

The Bank majorly has lease contracts for real estate that are used in its operations including branches and other offices. Leases generally have an average lease term of 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. As a practical expedient, management does not separate lease and non-lease components, wherever applicable. The lease obligations during the period have been discounted at rates ranging between 22.05% to 22.09% (December 31, 2023: 15.22% to 22.37%) per annum; being the relevant incremental borrowing rate of the Bank.

19 OTHER LIABILITIES	(Un-audited) March 31, 2024	(Audited) December 31, 2023
	----- Rupees in '000 -----	----- Rupees in '000 -----
Mark-up / return / interest payable in local currency	11,813,470	13,815,556
Mark-up / return / interest payable in foreign currencies	6,282	15,162
Unearned commission and income on bills discounted	170,758	227,050
Accrued expenses and supplier payables	879,198	923,465
Current taxation (provisions less payments)	1,292,043	945,270
Acceptances	3,815	3,502
Unclaimed dividends	61,447	61,448
Dividends payable	1,654,364	-
Mark to market loss on forward foreign exchange contracts	179,917	18,701
Deferred income on government schemes	1,487	1,547
Deferred income on Islamic financing	117,857	116,842
Islamic pool management reserves	243,205	204,902
Share subscription money refund	1,091	1,091
Retention money	46,725	45,678
Bills payment system over the counter (BPS-OTC)	119,983	61,191
Charity fund balance	51,331	51,459
Branch adjustment account	232,711	1,174
Security deposits against ijarah	54,862	62,708
Levies and other taxes payable	141,927	38,181
Credit loss allowance against off-balance sheet obligations	706,994	-
Others	353,809	372,009
	18,133,276	16,966,936

19.1 Credit loss allowance against off-balance sheet obligations

Opening balance	-	-
Impact of adoption of IFRS 9	821,817	-
Charge for the period / year	-	-
Reversal for the period / year	(114,823)	-
Closing balance	706,994	-

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

20 SHARE CAPITAL

20.1 Authorized capital

(Un-audited) March 31, 2024	(Audited) December 31, 2023		(Un-audited) March 31, 2024	(Audited) December 31, 2023
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) March 31, 2024	(Audited) December 31, 2023		(Un-audited) March 31, 2024	(Audited) December 31, 2023
Number of shares			----- Rupees in '000 -----	
		Ordinary shares of Rs. 10 each		
722,698,448	722,698,448	Fully paid in cash	7,226,984	7,226,984
Issued as fully paid bonus shares:				
380,092,081	380,092,081	Opening balance	3,800,921	3,800,921
55,145,460	-	Issued during the period / year (Note 20.3)	551,455	-
435,237,541	380,092,081	Closing balance	4,352,376	3,800,921
1,157,935,989	1,102,790,529		11,579,360	11,027,905

20.3 During the period, 55,145,460 shares were issued as fully paid bonus shares in respect of the year ended December 31, 2023.

20.4 The Bank has only one class of shares and at reporting date, the Government of Khyber Pakhtunkhwa and Ismail Industries Limited held 812,893,803 (December 31, 2023: 774,184,576) and 282,852,969 (December 31, 2023: 269,383,781) ordinary shares respectively. Moreover, the Bank has no reserved shares under options.

21 SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Surplus / (deficit) on revaluation of:

- Securities measured at FVOCI-Debt
- Securities measured at FVOCI-Equity
- Property and equipment
- Non-banking assets
- Revaluation of investment of associate

(Un-audited)
March 31,
2024
Rupees in '000

378,316
(264,667)
900,120
93,574
(2,050)
1,105,293

Deferred tax on surplus / (deficit) on revaluation of:

- Securities measured at FVOCI-Debt
- Securities measured at FVOCI-Equity
- Property and equipment
- Non-banking assets
- Revaluation of investment of associate

(185,374)
17,815
-
(45,851)
1,005
(212,405)

Surplus on revaluation of assets - net of tax

892,888

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

		(Audited) December 31, 2023	
		Rupees in '000	
Surplus/ (deficit) on revaluation of:			
- Available for sale securities		(1,611,109)	
- Fixed assets		900,120	
- Non-banking assets acquired in satisfaction of claims		93,574	
- Revaluation of investment of associate		(3,051)	
		(620,466)	
Deferred tax on surplus / (deficit) on revaluation of:			
- Available for sale securities		789,444	
- Non-banking assets acquired in satisfaction of claims		(45,851)	
- Revaluation of investment of associate		1,495	
		745,088	
		124,622	
		(Un-audited) March 31, 2024	(Audited) December 31, 2023
		----- Rupees in '000 -----	
22	CONTINGENCIES AND COMMITMENTS		
	Guarantees	22.1 38,475,948	41,756,059
	Commitments	22.2 45,643,035	17,042,019
		84,118,983	58,798,078
22.1	Guarantees:		
	Financial guarantees	1,273,274	1,282,861
	Performance guarantees	37,196,592	40,467,116
	Other guarantees	6,082	6,082
		38,475,948	41,756,059
22.2	Commitments:		
	Documentary credits and short-term trade-related transactions		
	- Letters of credit	10,207,286	11,987,078
	Commitments in respect of:		
	- Forward foreign exchange contracts	22.2.1 35,112,398	4,503,204
	Commitments for acquisition of:		
	- Property and equipment	71,905	247,197
	- Intangible assets	251,446	304,540
	Other commitments	-	-
		45,643,035	17,042,019
22.2.1	Commitments in respect of forward foreign exchange contracts		
	Purchase	16,944,637	1,652,860
	Sale	18,167,761	2,850,344
		35,112,398	4,503,204

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

22.2.2 The Bank's share of commitments of its associated company i.e. Taurus Securities Limited amounts to Rs. 9.370 million (December 31, 2023: Rs. Nil)

22.3 Other contingent liabilities

22.3.1 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 optimistic that the matters will be decided in the Bank's favour and the possibility of any adverse outcome is remote. Accordingly, no provision has been made in these condensed interim financial statements for the same.

22.3.2 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 favourable outcome of the case. Hence, no provision in this respect is recognised in these condensed interim financial statements. Considering the complexity and uncertainty in nature, the financial impact cannot be reasonably ascertained.

22.3.3 The matters arising from income tax assessments of the Bank up to Tax year 2023 are detailed below:

- i) During the year 2021, 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 the year ended 2022, 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) During the year 2023, Assistant Commissioner Inland Revenue issued an order dated February 23, 2023 creating an additional tax demand along with default surcharge of Rs. 645 million under section 161 of Income Tax Ordinance, 2001, mainly on account of non-deduction of withholding taxes. Being aggrieved the Bank filed an appeal before Commissioner (Appeals) Peshawar dated March 22, 2023 which is currently pending.
- iii) During the year 2022, 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) During the year 2023, in respect of Tax Year 2017, Additional Commissioner Inland Revenue issued an order dated May 29, 2023 creating a demand of Rs. 130 million on account of provision for non-performing loans and advances. Being aggrieved the Bank filed an appeal with Commissioner (Appeals) Peshawar dated July 4, 2023 which is currently pending.
- v) During the year 2023, in respect of Tax Year 2019, Assistant Commissioner Inland Revenue issued an order dated November 30, 2023 creating an additional tax demand of Rs. 962 million under section 161 of Income Tax Ordinance, 2001, mainly on account of non-deduction of withholding taxes. Being aggrieved the Bank filed an appeal before Commissioner (Appeals) Peshawar dated January 1, 2024 which is currently pending.
- vi) During the year 2023, in respect of Tax Years 2022 and 2023, Deputy Commissioner Inland Revenue, RTO Peshawar vide its notice dated November 23, 2023, required payment for 40% windfall tax demand of Rs. 252.38 million under section 99D of the Income Tax Ordinance, 2001 read with SRO 1588(I)/2023 on windfall income earned during such tax years. Being aggrieved, the Bank filed a petition before Peshawar High Court (PHC) and stay was granted in favour of the Bank. The matter is currently pending before PHC.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

		(Un-audited)	
		For the three months ended	
		March 31,	March 31,
		2024	2023
		----- Rupees in '000 -----	
23	MARK-UP / RETURN / INTEREST EARNED	Note	
	Loans and advances	4,899,740	4,213,885
	Investments	8,948,416	5,336,386
	Lendings to financial institutions	160,780	142,911
	Balances with banks	48,968	23,909
	Sukuk bonds	2,897,318	1,253,573
		<u>16,955,222</u>	<u>10,970,664</u>
24	MARK-UP / RETURN / INTEREST EXPENSED		
	Deposits	11,741,555	5,904,269
	Borrowings	1,592,195	1,748,359
	Lease liability	105,105	40,197
		<u>13,438,855</u>	<u>7,692,825</u>
25	FEE AND COMMISSION INCOME		
	Branch banking customer fees	7,079	3,252
	Consumer finance related fees	250	258
	Card related fees (Debit cards)	149,255	56,181
	Commission on trade	31,234	21,051
	Commission on guarantees	56,550	57,405
	Commission on remittances including home remittances	22,003	3,765
	Others	5,961	1,854
		<u>272,332</u>	<u>143,766</u>
26	GAIN / (LOSS) ON SECURITIES		
	Realised	-	(1,584)
26.1	Realized (loss) / gain on:		
	Shares	-	(1,584)
27	OTHER INCOME		
	Rent on property	1,658	590
	Gain on sale of property and equipment - net	7,297	-
	Postal, swift and other services	26,298	27,439
	Rebate from financial institutions	8,912	4,504
	Service income on Government schemes	79	508
		<u>44,244</u>	<u>33,041</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

		(Un-audited)	
		For the three months ended	
		March 31, 2024	March 31, 2023
		-----Rupees in '000-----	
28	OPERATING EXPENSES		
	Total compensation expense	1,130,425	861,105
	Property expense		
	Rent and taxes	400	9,356
	Utilities cost	99,792	74,557
	Security (including guards)	79,878	60,774
	Repair and maintenance (including janitorial charges)	6,376	3,011
	Depreciation - Right of use assets	174,164	144,445
	Depreciation - Non banking assets acquired in satisfaction of claims	8,765	8,438
	Depreciation - Property and equipment	88,731	78,887
		458,106	379,468
	Information technology expenses		
	Software maintenance	88,812	83,428
	Hardware maintenance	29,525	6,489
	Depreciation - Property and equipment	70,583	60,972
	Amortization	19,909	24,999
	Network charges	7,598	7,593
	ATM charges	72,966	15,385
		289,393	198,866
	Other operating expenses		
	Directors' fees and allowances	16,965	6,046
	Fees and allowances to Shariah Board	3,484	2,928
	Legal and professional charges	12,547	20,960
	Outsourced service cost	80,188	61,439
	Travelling and conveyance	21,269	15,502
	NIFT clearing charges	6,390	8,183
	Depreciation - Property and equipment	22,461	22,064
	Training and development	4,502	894
	Postage and courier charges	876	8,751
	Communication	129,966	61,915
	Stationery and printing	26,465	18,029
	Marketing, advertisement and publicity	12,991	53,310
	Auditors' remuneration	5,030	3,726
	Entertainment	13,839	11,371
	Newspapers and periodicals	597	500
	Brokerage and commission	6,938	7,042
	Rent and taxes	214	704
	Cash carriage charges	26,460	18,021
	Repair and maintenance	21,219	8,308
	Utilities	10,274	12,516
	Insurance	12,366	18,697
	Fees and subscriptions	1,624	5,131
	Deposit protection premium	26,217	26,217
	Others	19,649	23,507
		482,531	415,761
		2,360,455	1,855,200
29	OTHER CHARGES		
	Penalties imposed by State Bank of Pakistan	100	2,392
	Others	-	33
		100	2,425

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

		(Un-audited)	
		For the three months ended	
		March 31, 2024	March 31, 2023
		----- Rupees in '000 -----	
30	CREDIT LOSS ALLOWANCE / REVERSALS) AND WRITE OFFS - NET	Note	
	Credit loss allowance for diminution in value of investments - net	8.3	-
	Credit loss allowance against advances and off balance sheet obligations - net	9.3	211,396
	(Reversal) / credit loss allowance against other assets	14.1.1	(21,320)
			77,132
			<u>190,076</u>
			<u>193,327</u>
31	TAXATION		
	Current		803,484
	Deferred		(61,440)
			719,407
			(11,137)
			<u>742,044</u>
			<u>708,270</u>
32	BASIC AND DILUTED EARNINGS PER SHARE		
	Profit for the period		772,232
			938,664
			----- (Number of shares) -----
			(Restated- Note 20.2)
	Weighted average number of ordinary shares		1,157,935,989
			1,157,935,989
			----- (Rupees) -----
	Basic and diluted earnings per share	20.2	0.67
			0.81

32.1 There were no dilutive potential ordinary shares outstanding as at March 31, 2024 and March 31, 2023.

33 FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted securities classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates, is determined on the basis of the 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.

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, 2024**

The table below analyses 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, 2024			
		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	189,948,698	-	189,948,698	-	189,948,698
Shares	223,749	142,086	81,663	-	223,749
Non-Government Debt Securities	6,932,906	-	6,932,906	-	6,932,906
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	33,229,449	-	30,734,380	-	30,734,380
Associate	94,110	-	94,110	-	94,110
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase and sale	35,112,398	-	18,996	-	18,996
----- Rupees in '000 -----					
(Audited) December 31, 2023					
	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	213,161,446	-	213,161,446	-	213,161,446
Shares	219,507	137,844	81,663	-	219,507
Non-Government Debt Securities	7,120,959	-	7,120,959	-	7,120,959
Mutual funds	-	-	-	-	-
Financial assets - disclosed but not measured at fair value					
Investments					
Federal Government Securities	2,756,377	-	2,574,496	-	2,574,496
Associate	90,210	-	90,210	-	90,210
Off-balance sheet financial instruments - measured at fair value					
Forward exchange contracts purchase and sale	4,503,204	-	12,748	-	12,748

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.

(b) Financial instruments in level 2

Financial instruments included in level 2 comprise of Sukus 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)
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33.2.2 Fair value of non - financial assets

Certain categories of fixed assets (leasehold land) of Rs. 1,016.28 million (December 31, 2023: Rs. 1,016.28 million) and non banking assets acquired in satisfaction of claims of Rs. 370.37 million (December 31, 2023: Rs. 379.14 million) 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.
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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).
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Government of Pakistan (GoP) - Ijarah Sukuks	Fair values of GoP Ijarah Sukuks are derived using the PKISRIV 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.
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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 categorizes these as traded, thinly traded and non-traded securities.
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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)
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34 SEGMENT INFORMATION

34.1 Segment details with respect to business activities

For the three months ended March 31, 2024 (Un-audited)					
Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total	
----- Rupees in 000 -----					
Profit and loss					
Net mark-up / return / profit	(4,220,382)	9,488,528	(1,823,698)	71,919	3,516,367
Inter segment revenue - net	4,630,519	(7,311,723)	1,986,096	695,108	-
Non mark-up / return / interest income	4,520	262,954	150,206	130,860	548,540
Total income	414,657	2,439,759	312,604	897,887	4,064,907
Segment direct expenses and allocations	(240,787)	(1,416,746)	(181,526)	(521,496)	(2,360,555)
Total expenses	(240,787)	(1,416,746)	(181,526)	(521,496)	(2,360,555)
Credit loss allowance	-	-	(28,900)	(161,176)	(190,076)
Profit before tax	173,870	1,023,013	102,178	215,215	1,514,276

As at March 31, 2024 (Un-audited)					
Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	Total	
----- Rupees in 000 -----					
Balance sheet					
Cash and bank balances	7,560,609	19,866,196	739,913	5,859,320	34,026,038
Lendings to financial institutions	-	2,697,450	-	-	2,697,450
Investments	33,229,449	197,105,353	-	94,110	230,428,912
Advances - performing	42,796,074	-	7,441,620	44,121,884	94,359,578
Advances - non performing	-	-	255,068	3,077,723	3,332,791
Property and equipment / intangible assets	1,664,522	4,374,534	162,929	968,077	7,170,062
Deferred tax assets / (liabilities)	115,262	(12,560)	161,786	2,564,533	2,829,021
Others	4,063,233	10,329,399	516,288	2,926,470	17,835,390
Total assets	89,429,149	234,360,372	9,277,604	59,612,117	392,679,242
Bills payable	714,361	12,775	227,929	265,527	1,220,592
Borrowings	9,535,987	19,290,400	-	-	28,826,387
Deposits and other accounts	189,786,295	3,393,897	60,554,439	70,543,623	324,278,254
Others	9,087,299	4,253,035	2,805,677	4,267,672	20,413,683
Total liabilities	209,123,942	26,950,107	63,588,045	75,076,822	374,738,916
Equity / Inter-segment (lending) / borrowing	(119,694,793)	207,410,265	(54,310,441)	(15,464,705)	17,940,326
Total equity and liabilities	89,429,149	234,360,372	9,277,604	59,612,117	392,679,242
Contingencies and commitments	31,913,249	35,309,678	3,637,160	13,258,896	84,118,983

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	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
Credit loss allowance	-	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 December 31, 2023 (Audited)				Total
	Corporate Finance	Trading and Sales	Retail Banking	Commercial Banking	
	----- Rupees in 000 -----				
Balance sheet					
Cash and bank balances	3,767,523	18,390,992	623,725	5,073,565	27,855,805
Lendings to financial institutions	-	2,000,000	-	-	2,000,000
Investments	2,756,377	220,501,912	-	90,210	223,348,499
Advances - performing	42,796,073	-	7,546,091	45,974,054	96,316,218
Advances - non performing	626,774	-	49,461	4,595,127	5,271,362
Property and equipment / intangible assets	1,044,732	5,103,008	173,067	1,056,468	7,377,275
Deferred tax assets	86,073	1,009,652	30,927	220,096	1,346,748
Others	7,153,562	9,439,093	509,220	2,568,702	19,670,577
Total assets	58,231,114	256,444,657	8,932,491	59,578,222	383,186,484
Bills payable	2,135,595	-	760,322	863,161	3,759,078
Borrowings	9,124,948	40,460,611	-	875,000	50,460,559
Deposits and other accounts	164,351,364	-	58,512,945	66,427,252	289,291,561
Others	8,757,584	3,669,864	3,107,843	3,838,711	19,374,002
Total liabilities	184,369,491	44,130,475	62,381,110	72,004,124	362,885,200
Equity / Inter-segment (lending) / borrowing	(126,138,377)	212,314,182	(53,448,619)	(12,425,902)	20,301,284
Total equity and liabilities	58,231,114	256,444,657	8,932,491	59,578,222	383,186,484

Contingencies and commitments	37,441,442	4,884,852	3,360,776	13,111,008	58,798,078
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34.2 Geographical segment

Segment details with respect to geographical locations are not presented in these condensed interim financial statements as geographically the Bank is concentrated in Pakistan only.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE THREE MONTHS ENDED MARCH 31, 2024**

35 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 Ex Managing Director of the Bank and Government of Khyber Pakhtunkhwa having face value of Rs. 50 million (December 31, 2023: Rs. 50 million) and Rs. 20,368.85 million (December 31, 2023: Rs. 20,368.85 million) 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, 2024				(Audited) As at December 31, 2023			
	Directors	Key management personnel	Associate	Employee funds	Directors	Key management personnel	Associate	Employee funds
	----- Rupees in '000 -----							
Advances								
Opening balance	-	179,490	-	-	-	213,178	-	-
Addition during the period / year	-	13,000	-	-	-	56,183	-	-
Repaid during the period / year	346	(4,653)	-	-	-	(21,626)	-	-
Transfer (out) / in - net	18,490	(18,490)	-	-	-	(68,245)	-	-
Closing balance	18,144	169,347	-	-	-	179,490	-	-
Credit loss allowance held against advances	-	-	-	-	-	-	-	-
Deposits and other accounts								
Opening balance	13,956	6,467	44,580	3,301,627	3,228	7,637	40,825	2,841,338
Received during the period / year	246	40,605	30,597	1,226,318	55,900	131,625	54,125	4,272,781
Withdrawn during the period / year	166	38,922	60,673	1,040,401	45,172	130,015	50,370	3,812,492
Transfer (out) / in - net	(13,950)	(7)	-	-	-	(2,780)	-	-
Closing balance	86	8,143	14,504	3,487,544	13,956	6,467	44,580	3,301,627
Other liabilities								
Interest / mark-up payable	-	1	-	147,155	232	1,759	4,532	222,285

	(Un-audited) For the three months ended March 31, 2024				(Un-audited) For the three months ended March 31, 2023			
	Directors	Key management personnel	Associate	Employee funds	Directors	Key management personnel	Associate	Employee funds
	----- Rupees in '000 -----							
Income								
Mark-up / return / interest earned	79	780	-	-	-	1,012	-	-
Expense								
Mark-up / return / interest expensed	-	2	-	120,420	104	4	-	104,609
Operating expenses - Compensation	18,349	59,028	-	-	19,171	40,831	-	-

35.1 As of March 31, 2024, the Bank has an equity investment having cost of Rs. 112.50 million (December 31, 2023: Rs. 112.50 million) and carrying value of Rs. 81.65 million (December 31, 2023: Rs. 81.65 million) in Dawood Family Takaful Limited, a related party.

35.2 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 GoKP and its related entities. Such transactions include advances to, deposits from and provision for 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 these condensed interim financial statements, as at period end includes loans and advances and deposits amounting to Rs. 42,796 million (December 31, 2023: Rs. 43,423 million) and Rs. 189,786 million (December 31, 2023: Rs. 164,351 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	Notes
Investments	8.1
Shareholding	20

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	(Un-audited)	(Audited)
	March 31,	December 31,
	2024	2023
	---- Rupees in '000 ----	
36 CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS		
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	11,579,360	11,027,905
Capital Adequacy Ratio (CAR):		
Eligible common equity tier 1 (CET 1) capital	17,626,302	19,747,849
Eligible additional tier 1 (ADT 1) capital	-	-
Total eligible tier 1 capital	17,626,302	19,747,849
Eligible tier 2 capital	846,210	173,029
Total eligible capital (Tier 1 + Tier 2)	18,472,512	19,920,878
Risk weighted assets (RWAs):		
Credit risk	72,951,440	75,008,452
Market risk	8,343,079	13,893,580
Operational risk	20,243,274	20,243,274
Total	101,537,793	109,145,306
Common equity tier 1 capital adequacy ratio	17.36%	18.09%
Tier 1 capital adequacy ratio	17.36%	18.09%
Total capital adequacy ratio	18.19%	18.25%
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	17,626,302	19,747,849
Total exposures	460,287,869	455,665,307
Leverage ratio	3.83%	4.33%
Liquidity Coverage Ratio (LCR):		
Total high quality liquid assets	215,913,635	178,286,835
Total net cash outflow	101,868,199	88,514,877
Liquidity coverage ratio	211.95%	201.42%
Net Stable Funding Ratio (NSFR):		
Total available stable funding	224,974,547	210,054,766
Total required stable funding	143,058,772	116,062,991
Net stable funding ratio	157.26%	180.98%

36.1 The SBP in its application instructions has allowed banks to adopt a transitional approach to phase in the initial impact of ECL for stage 1 and 2 financial assets. Had there been no such relaxation, the Bank's CAR and Leverage Ratio would have been lower by 2.08% and 0.47% respectively.

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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ISLAMIC BANKING BUSINESS

37 The Bank is operating 123 (December 31, 2023: 123) Islamic banking branches as at March 31, 2024.

	(Un-audited) March 31, 2024	(Audited) December 31, 2023
	---- Rupees in '000 ----	
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Cash and balances with treasury banks	10,701,448	10,697,876
Balances with other banks	1,331,508	1,169,045
Due from financial institutions	37.1 2,200,000	2,000,000
Investments	37.2 54,914,528	54,438,416
Islamic financing and related assets - net	37.3 32,900,035	33,620,499
Property and equipment	775,690	782,059
Right-of-use assets	718,611	753,238
Intangible assets	-	-
Due from head office	-	-
Other assets	5,591,792	3,929,795
Total Assets	109,133,612	107,390,928
LIABILITIES		
Bills payable	430,150	481,636
Due to financial institutions	1,735,431	1,645,347
Deposits and other accounts	37.4 93,773,360	89,314,690
Due to head office	2,383,374	1,310,267
Lease liabilities	631,030	659,416
Sub-ordinated debt	-	-
Other liabilities	2,898,758	5,553,646
Total Liabilities	101,852,103	98,965,002
NET ASSETS	7,281,509	8,425,926
REPRESENTED BY		
Islamic banking fund	1,000,000	1,000,000
Reserves	84,454	65,918
Deficit on revaluation of assets	421,696	(97,300)
Unappropriated profit	37.8 5,775,359	7,457,308
	7,281,509	8,425,926
CONTINGENCIES AND COMMITMENTS	37.5	

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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The profit and loss account of the Bank's Islamic banking branches for the three months ended March 31, 2024 is as follows:

	Note	(Un-audited)	
		For the three months ended	
		March 31, 2024	March 31, 2023
---- Rupees in '000 ----			
PROFIT AND LOSS ACCOUNT			
Profit / return earned	37.6	4,551,567	2,928,576
Profit / return expensed	37.7	2,156,921	1,396,524
Net profit / return		2,394,646	1,532,052
Other income			
Fee and commission income		116,664	51,958
Dividend income		-	-
Foreign exchange income		63,555	46,066
Gain on securities		-	-
Other income		16,276	14,538
Total other income		196,495	112,562
Total income		2,591,141	1,644,614
Other expenses			
Operating expenses		1,059,460	846,552
Other charges		-	-
Total other expenses		1,059,460	846,552
Profit before credit loss allowance		1,531,681	798,062
(Reversal) / credit loss allowance and write offs - net		(12,795)	188,567
Profit before taxation		1,544,476	609,495
Taxation		756,793	262,083
Profit after taxation		787,683	347,412

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	(Un-audited) March 31, 2024			(Audited) December 31, 2023		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
37.1 Due from financial institutions	----- Rupees in '000 -----					
Unsecured						
Placement with other banks	2,200,000	-	2,200,000	2,000,000	-	2,000,000
Bai muajjal receivable from State Bank of Pakista	-	-	-	-	-	-
Less: Credit loss allowance						
Stage 1	-	-	-	-	-	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
	2,200,000	-	2,200,000	2,000,000	-	2,000,000

		(Un-audited) March 31, 2024			
		Cost / Amortised cost	Credit loss allowance for diminution	(Deficit) / Surplus	Carrying value
37.2 Investments by segments		----- Rupees in '000 -----			
	Note				
Debt Instruments					
Amortised cost					
Federal Government securities					
- GoP Ijarah sukuk	37.2.1	5,032,965	-	-	5,032,965
Fair value through other comprehensive income (FVOCI)					
Federal Government securities					
- GoP Ijarah sukuk		45,884,867	-	413,171	46,298,038
Non - government debt securities		3,575,000	-	8,525	3,583,525
		49,459,867	-	421,696	49,881,563
Total investments		54,492,832	-	421,696	54,914,528

	(Audited) December 31, 2023			
	Cost / amortised cost	Provision for diminution	(Deficit) / Surplus	Carrying value
	----- Rupees in '000 -----			
Federal Government Securities:				
- GoP Ijarah Sukuk	50,921,133	-	(103,525)	50,817,608
Non-government debt securities				
- Power / gas and other Sukuk - listed	2,375,000	-	6,225	2,381,225
- unlisted	1,239,583	-	-	1,239,583
	3,614,583	-	6,225	3,620,808
Total investment	54,535,716	-	(97,300)	54,438,416

37.2.1 These represent the debt investments which have been reclassified from Available-For-Sale to Amortised Cost category upon adoption of IFRS 9.

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	(Un-audited) March 31, 2024
	Rupees in '000
37.3 Islamic financing and related assets	
Ijarah	156,704
Murabaha	1,493,251
Diminishing musharaka	8,529,477
Running musharaka	19,615,910
Istisna	5,293,663
Qarze Hasna	128
Others	-
Gross Islamic financing and related assets	35,089,133
Less: Credit loss allowance against Islamic financings	
-Stage 1	360,086
-Stage 2	309,319
-Stage 3	1,519,693
	2,189,098
Islamic financing and related assets - net of credit loss allowance	32,900,035
	(Audited) December 31, 2023
	Rupees in '000
Ijarah	175,077
Murabaha	1,684,931
Diminishing Musharaka	8,726,454
Running Musharka	18,972,415
Istisna	4,973,663
Qarz e Hasna	183
Gross Islamic financing and related assets	34,532,723
Less: provision against Islamic financings	
- Specific	896,662
- General	15,562
	912,224
Islamic financing and related assets - net of provision	33,620,499

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FOR THE THREE MONTHS ENDED MARCH 31, 2024**

37.4 Deposits	(Un-audited) March 31, 2024			(Audited) December 31, 2023		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- Rupees in '000 -----					
Customers						
Current deposits	23,138,436	218,405	23,356,841	23,149,660	192,030	23,341,690
Savings deposits	58,817,419	1,480	58,818,899	53,504,988	2,343	53,507,331
Term deposits	5,899,438	-	5,899,438	6,758,767	-	6,758,767
Others	3,724,688	-	3,724,688	3,733,075	-	3,733,075
	91,579,981	219,885	91,799,866	87,146,490	194,373	87,340,863
Financial Institutions						
Current Deposits	294,658	-	294,658	294,658	333	294,991
Savings deposits	1,678,836	-	1,678,836	1,678,836	-	1,678,836
	1,973,494	-	1,973,494	1,973,494	333	1,973,827
	93,553,475	219,885	93,773,360	89,119,984	194,706	89,314,690
				(Un-audited) (Audited)		
				March 31, December 31,		
				2024 2023		
				----- Rupees in '000 -----		
37.5 Contingencies and commitments						
Guarantees				9,210,925		11,905,753
Commitments				3,794,259		4,598,814
				13,005,184		16,504,567
				(Un-audited)		
				For the three months ended		
				March 31, March 31,		
				2024 2023		
				----- Rupees in '000 -----		
37.6 Profit / return earned on financing, investments and placements						
Financing				1,589,640		1,633,383
Investments				2,867,055		1,253,573
Placements				92,686		40,270
Balances with banks				2,186		1,350
				4,551,567		2,928,576
37.7 Profit on deposits and other dues expensed						
Deposits and other accounts				2,028,149		1,320,671
Due to Financial Institutions				93,607		65,379
Lease liability				35,165		10,474
				2,156,921		1,396,524

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FOR THE THREE MONTHS ENDED MARCH 31, 2024**

	(Un-audited)	(Audited)
	March 31, 2024	December 31, 2023
----- Rupees in '000 -----		
37.8 Islamic banking business unappropriated profit		
Opening balance	7,457,308	5,633,781
Add: Islamic banking profit before taxation for the period / year	1,544,476	4,469,430
Less: Taxation	(756,793)	(2,190,021)
Less: Transferred to head office	(1,811,901)	(455,882)
IFRS 9 transition impact on advances ECL - net of tax	(657,731)	-
Closing balance	<u>5,775,359</u>	<u>7,457,308</u>

37.9 Profit equalization reserve

The profit equalization reserves amounting to Rs. 84.45 million (December 31, 2023: Rs. 59.84 million) classified in other liabilities, which has been presented as reserves in note 19.

36.10 Creation of a new special pool

During the period, no new special pool has been created

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. There are a number of risks associated to the pool(s) like credit risk, market risk, equity risk, Shariah non-compliant risk and rate of return risk.

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, the Bank reduced its own share of the Bank's additional profit which is less than 60% of the Bank's additional profit ratio. Out of distributable income, an amount of Rs. 1,184.34 million (36.90%) has been charged as Additional Profit (Mudarabah Fee). The total Hiba amount of Rs. 66.88 million (5.35%) has been distributed during the period.

38 GENERAL

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

39 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorized for issue in the Board of Directors meeting of the Bank held on April 30, 2024.


MANAGING
DIRECTOR


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DIRECTOR



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